OREGON STEEL MILLS INC Form 10-Q May 02, 2006

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington DC 20549

## **FORM 10-Q**

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

OR

| o | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 |
|---|------------------------------------------------------------------------------------------|
|   | For the transition period from to                                                        |
|   | Commission File Number 1-9887                                                            |

# **OREGON STEEL MILLS, INC.**

| (Exact name of registrant as specified in its charter)         |                                      |  |  |  |
|----------------------------------------------------------------|--------------------------------------|--|--|--|
| Delaware                                                       | 94-0506370                           |  |  |  |
| (State or other jurisdiction of incorporation or organization) | (IRS Employer<br>Identification No.) |  |  |  |
| 1000 S.W. Broadway, Suite 2200, Portland, Oregon               | 97205                                |  |  |  |
| (Address of principal executive offices)                       | (Zip Code)                           |  |  |  |
| (503) 2                                                        | 23-9228                              |  |  |  |

(Registrant s telephone number, including area code)

#### (Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

decelerated their and large accelerated their in real 120 2 of the Exemange 7 tot. (Check one).

Non-accelerated filer o

Large accelerated filer o Accelerated Filer x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

| Common Stock, \$.01 Par Value | 35,726,724                   |
|-------------------------------|------------------------------|
| Class                         | Number of Shares Outstanding |
|                               | (as of April 25, 2006)       |

### OREGON STEEL MILLS, INC.

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#### PART I. FINANCIAL INFORMATION

#### Item 1. Financial Statements

# OREGON STEEL MILLS, INC. CONSOLIDATED BALANCE SHEETS (in thousands except per share amounts)

| Curant assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                      |    | March 31,<br>2006 |    | December 31,<br>2005 |  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|----|-------------------|----|----------------------|--|
| Current assets:   Seas and cash equivalents   Seas and cash equivalents   Seas and cash equivalents restricted   Seas and cash equivalents receivable, less allowance for doubtful accounts of \$1,070 and \$996   166,407   138,456   Inventories   Seas and Seas an |                                                                                      |    | (Unaudited)       |    |                      |  |
| Cash and cash equivalents         \$ 64.941         \$ 2.9.13           Cash and cash equivalents restricted         20.055         22.052           Short-term investments         116.675         103.000           Trade accounts receivable, less allowance for doubtful accounts of \$1,070 and \$996         166.407         13.84.56           Deferred income taxes         2,917         1.997           Other         13.754         15.756           Total current assets         645.545         636.020           Property, plant and equipment         21.575         21.882           Buildings         59.144         58.399           Machinery and equipment         835.662         832.551           Construction in progress         60.710         43.874           Accumulated depreciation         465.793)         457.284           Net property, plant and equipment         511.298         499.122           Goodwill         4.458         4,58           Intargibles, net         30.456         50.456           Other assets         5,254         5.824           TOTAL ASSETS         \$ 1,196.970         \$ 1,175.880           Total current liabilities         20.042         \$ 2.042           Current portion of long-term debt                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                      |    |                   |    |                      |  |
| Cash and cash equivalents restricted         20,055         22,052           Short-term investments         116,675         103,300           Trade accounts receivable, less allowance for doubtful accounts of \$1,070 and \$996         166,407         138,465           Inventories         20,976         301,546           Deferred income taxes         2,917         1,975           Other         13,754         15,756           Total current assets         645,545         636,020           Property, plant and equipment           Land and improvements         21,575         21,582           Buildings         59,144         58,399           Machinery and equipment         835,662         832,551           Construction in progress         60,710         43,874           Accumulated depreciation         (465,793)         (457,284)           Net property, plant and equipment         511,298         499,122           Goodwill         4,458         4,458           Intangibles, net         30,415         30,415           Other assets         5,254         5,824           TOTAL ASSETS         \$ 1,196,970         \$ 1,175,880           Current liabilities         \$ 2,042         \$ 2,042                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                      |    |                   |    |                      |  |
| Short-term investments         116.675         103.300           Trade accounts receivable, less allowance for doubtful accounts of \$1,070 and \$996         166.407         138.456           Deferred income taxes         260,796         301.546           Other         13,754         15,756           Total current assets         645.545         636,020           Property, plant and equipment:           Land and improvements         21,575         21,582           Buildings         59,144         58,399           Machinery and equipment         835,662         832,551           Construction in progress         60,710         43,884           Accumulated depreciation         (465,793)         (457,284)           Net property, plant and equipment         511,298         499,122           Goodwill         4,458         4,458         4,458           Intangibles, net         30,415         30,456         30,456           Other assets         5,254         5,824           TOTAL ASSETS         \$ 1,196,970         \$ 1,175,880           Current portion of long-term debt         \$ 2,042         \$ 2,042           Accounts payable         \$ 3,548         7,7857           Current portion of long-term debt                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                      | \$ | ,                 | \$ |                      |  |
| Trade accounts receivable, less allowance for doubtful accounts of \$1,070 and \$996         168,457         301,546           Deferred income taxes         26,776         301,546           Deferred income taxes         2,917         1,997           Other         13,754         15,756           Total current assets         645,545         636,020           Property, plant and equipment:           Land and improvements         21,575         21,582           Buildings         59,144         58,396           Machinery and equipment         355,662         332,551           Construction in progress         60,710         43,874           Accumulated depreciation         465,793         (457,284)           Net property, plant and equipment         511,298         499,122           Goodwill         4,458         4,458           Intangibles, net         30,415         30,456           Other assets         5,254         5,824           TOTAL ASSETS         \$1,196,970         \$1,175,880           Current liabilities:           Current portion of long-term debt         \$2,042         \$2,042           Accounts payable         63,548         87,785           Accurde expenses         7                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                      |    |                   |    |                      |  |
| Inventories         260,796         301,546           Deferred income taxes         2,917         1,937           Other         13,754         15,756           Total current assets         645,545         636,020           Property, plant and equipment:           Land and improvements         21,575         21,582           Buildings         59,144         58,399           Machinery and equipment         335,662         332,551           Construction in progress         60,710         43,874           Accumulated depreciation         (465,793)         (457,284)           Net property, plant and equipment         511,298         499,122           Goodwill         4,458         4,458           Intagibles, net         30,415         30,456           Other assets         5,254         5,824           TOTAL ASSETS         \$1,196,970         \$1,175,880           Total current liabilities         \$2,042         \$2,042           Current portion of long-term debt         \$2,042         \$7,857           Accounts payable         63,548         87,785           Accude expenses         78,694         77,807           Total current liabilities         144,284         167                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                      |    |                   |    |                      |  |
| Deferred income taxes         2,917 (1,997)         1,997           Other         13,754         15,756           Total current assets         645,545         636,020           Property, plant and equipment:         21,575         21,882           Buildings         59,144         58,399           Machinery and equipment         835,662         832,551           Construction in progress         60,710         43,874           Accumulated depreciation         (465,793)         (457,284)           Net property, plant and equipment         511,298         499,122           Goodwill         4,458         4,458           Intangibles, net         30,415         30,456           Other assets         5,254         5,824           TOTAL ASSETS         \$1,196,970         \$1,175,880           Current liabilities         \$2,042         \$2,042           Current portion of long-term debt         \$2,042         \$2,042           Accounts payable         63,548         8,7,85           Accude expenses         78,694         77,807           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benef                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Trade accounts receivable, less allowance for doubtful accounts of \$1,070 and \$996 |    | 166,407           |    |                      |  |
| Other         13,754         15,756           Total current assets         645,545         636,020           Property, plant and equipment:         21,575         21,582           Buildings         59,144         58,399           Machinery and equipment         835,662         332,551           Construction in progress         60,710         43,874           Accumulated depreciation         (465,793)         (457,284)           Net property, plant and equipment         511,298         499,122           Goodwill         4,458         4,458           Intamplities, net         30,415         30,415           Other assets         5,254         5,824           TOTAL ASSETS         \$1,196,970         \$1,175,880           TOTAL ASSETS         \$1,196,970         \$1,175,880           Current liabilities:         \$2,042         \$2,042           Current portion of long-term debt         \$2,042         \$2,042           Accounts payable         63,548         87,785           Accude expenses         78,694         77,807           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benefits </td <td></td> <td></td> <td>260,796</td> <td></td> <td>301,546</td>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                      |    | 260,796           |    | 301,546              |  |
| Total current assets         645,545         636,020           Property, plant and equipment:         21,575         21,582           Buildings         59,144         58,399           Machinery and equipment         835,662         832,551           Construction in progress         60,710         43,874           Accumulated depreciation         (465,793)         (457,284)           Net property, plant and equipment         511,298         499,122           Goodwill         4,458         4,458         4,458           Other assets         30,415         30,456           Other assets         5,254         5,824           TOTAL ASSETS         \$ 1,196,970         \$ 1,175,880           Current portion of long-term debt         \$ 2,042         \$ 2,042           Accounts payable         63,548         87,785           Accurrent portion of long-term debt         \$ 2,042         7,867           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benefits         90,00         66,135           Environmental liabilities         25,007         26,147           Deferred employee benefits         90,07 <td< td=""><td>Deferred income taxes</td><td></td><td>2,917</td><td></td><td>1,997</td></td<>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Deferred income taxes                                                                |    | 2,917             |    | 1,997                |  |
| Property, plant and equipments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Other                                                                                |    | 13,754            |    | 15,756               |  |
| Land and improvements         21,575         21,582           Buildings         59,144         58,399           Machinery and equipment         835,662         832,551           Construction in progress         60,710         43,874           Accumulated depreciation         (465,793)         (457,284)           Net property, plant and equipment         511,298         499,122           Goodwill         4,458         4,458           Intangibles, net         30,415         30,456           Other assets         5,254         5,824           TOTAL ASSETS         \$1,196,970         \$1,175,880           Current liabilities:         2         2           Current portion of long-term debt         \$2,042         \$2,042           Accounts payable         63,548         87,785           Accude expenses         78,694         77,807           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benefits         69,000         66,135           Environmental liability         25,907         26,147           Deferred income taxes         50,678         43,133           Other long-term liabiliti                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Total current assets                                                                 |    | 645,545           |    | 636,020              |  |
| Land and improvements         21,575         21,582           Buildings         59,144         58,399           Machinery and equipment         835,662         832,551           Construction in progress         60,710         43,874           Accumulated depreciation         (465,793)         (457,284)           Net property, plant and equipment         511,298         499,122           Goodwill         4,458         4,458           Intangibles, net         30,415         30,456           Other assets         5,254         5,824           TOTAL ASSETS         \$1,196,970         \$1,175,880           Current liabilities:         2         2           Current portion of long-term debt         \$2,042         \$2,042           Accounts payable         63,548         87,785           Accude expenses         78,694         77,807           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benefits         69,000         66,135           Environmental liability         25,907         26,147           Deferred income taxes         50,678         43,133           Other long-term liabiliti                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Proporty, plant and agginments                                                       |    |                   |    |                      |  |
| Buildings         59,144         58,399           Machinery and equipment         835,662         832,551           Construction in progress         60,710         43,874           Post of Construction in progress         60,710         956,406           Accumulated depreciation         (465,793)         (457,284)           Net property, plant and equipment         511,298         499,122           Goodwill         4,458         4,458           Intangibles, net         30,415         30,456           Other assets         5,254         5,824           TOTAL ASSETS         \$1,196,970         \$1,175,880           Current liabilities:         2         2,042           Current portion of long-term debt         \$2,042         \$2,042           Accounts payable         63,548         87,785           Accured expenses         78,694         77,807           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benefits         69,000         66,135           Environmental liability         25,907         26,147           Deferred income taxes         50,678         43,133           Other lo                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                      |    | 21 575            |    | 21 502               |  |
| Machinery and equipment         835,662         832,551           Construction in progress         60,710         43,874           Accumulated         977,091         956,406           Accumulated depreciation         (465,793)         (457,284)           Net property, plant and equipment         511,298         499,122           Goodwill         4,458         4,458           Intangibles, net         30,415         30,456           Other assets         5,254         5,824           TOTAL ASSETS         1,196,970         1,175,880           Current liabilities:           Current portion of long-term debt         \$ 2,042         \$ 2,042           Accounts payable         63,548         87,785           Accrued expenses         78,694         77,807           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benefits         69,000         66,135           Environmental liability         25,907         26,147           Deferred income taxes         50,678         43,133           Other long-term liabilities         225         225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | •                                                                                    |    |                   |    |                      |  |
| Construction in progress         60,710         43,874           977,091         956,406           Accumulated depreciation         (465,793)         (457,284)           Net property, plant and equipment         511,298         499,122           Goodwill         4,458         4,458           Intangibles, net         30,415         30,456           Other assets         5,254         5,824           TOTAL ASSETS         \$ 1,196,970         \$ 1,175,880           LIABILITIES           Current liabilities:         \$ 2,042         \$ 2,042           Accounts payable         63,548         87,785           Accrued expenses         78,694         77,807           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benefits         69,000         66,135           Environmental liability         25,907         26,147           Deferred income taxes         50,678         43,133           Other long-term liabilities         225         225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                      |    |                   |    |                      |  |
| Accumulated depreciation         977,091         956,406           Accumulated depreciation         (465,793)         (457,284)           Net property, plant and equipment         511,298         499,122           Goodwill         4,458         4,458           Intangibles, net         30,415         30,456           Other assets         5,254         5,824           TOTAL ASSETS         \$ 1,196,970         \$ 1,175,880           Current portion of long-term debt         \$ 2,042         \$ 2,042           Accounts payable         63,548         87,785           Accrued expenses         78,694         77,807           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benefits         69,000         66,135           Environmental liability         25,907         26,147           Deferred income taxes         50,678         43,133           Other long-term liabilities         225         225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                      |    |                   |    |                      |  |
| Accumulated depreciation         (465,793)         (457,284)           Net property, plant and equipment         511,298         499,122           Goodwill         4,458         4,458           Intangibles, net         30,415         30,456           Other assets         5,254         5,824           TOTAL ASSETS         1,196,970         1,175,880           Current liabilities:           Current portion of long-term debt         2,042         2,042           Accounts payable         63,548         87,785           Accrued expenses         78,694         77,807           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benefits         69,000         66,135           Environmental liability         25,907         26,147           Deferred income taxes         50,678         43,133           Other long-term liabilities         225         225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Construction in progress                                                             |    | 60,710            |    | 43,874               |  |
| Net property, plant and equipment         511,298         499,122           Goodwill         4,458         4,458           Intangibles, net         30,415         30,456           Other assets         5,254         5,824           TOTAL ASSETS         \$ 1,196,970         \$ 1,175,880           LIABILITIES           Current liabilities:         \$ 2,042         \$ 2,042           Current portion of long-term debt         \$ 2,042         \$ 2,042           Accrued expenses         78,694         77,807           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benefits         69,000         66,135           Environmental liability         25,907         26,147           Deferred income taxes         50,678         43,133           Other long-term liabilities         225         225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                      |    | 977,091           |    | 956,406              |  |
| Goodwill         4,458         4,458           Intangibles, net         30,415         30,456           Other assets         5,254         5,824           TOTAL ASSETS         \$ 1,196,970         \$ 1,175,880           LIABILITIES           Current liabilities:           Current portion of long-term debt         \$ 2,042         \$ 2,042           Accounts payable         63,548         87,785           Accrued expenses         78,694         77,807           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benefits         69,000         66,135           Environmental liability         25,907         26,147           Deferred income taxes         50,678         43,133           Other long-term liabilities         225         225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Accumulated depreciation                                                             |    | (465,793)         |    | (457,284)            |  |
| Intangibles, net Other assets         30,415 5,254 5,824           Other assets         5,254 5,824           TOTAL ASSETS         \$ 1,196,970 \$ 1,175,880           LIABILITIES           Current liabilities:           Current portion of long-term debt         \$ 2,042 \$ 2,042           Accounts payable         63,548 87,785           Accrued expenses         78,694 77,807           Total current liabilities         144,284 167,634           Long-term debt         307,956 308,337           Deferred employee benefits         69,000 66,135           Environmental liability         25,907 26,147           Deferred income taxes         50,678 43,133           Other long-term liabilities         225 225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Net property, plant and equipment                                                    |    | 511,298           |    | 499,122              |  |
| Intangibles, net Other assets         30,415 5,254 5,824           Other assets         5,254 5,824           TOTAL ASSETS         \$ 1,196,970 \$ 1,175,880           LIABILITIES           Current liabilities:           Current portion of long-term debt         \$ 2,042 \$ 2,042           Accounts payable         63,548 87,785           Accrued expenses         78,694 77,807           Total current liabilities         144,284 167,634           Long-term debt         307,956 308,337           Deferred employee benefits         69,000 66,135           Environmental liability         25,907 26,147           Deferred income taxes         50,678 43,133           Other long-term liabilities         225 225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Goodwill                                                                             |    | 4 458             |    | 4 458                |  |
| Other assets         5,254         5,824           TOTAL ASSETS         \$ 1,196,970         \$ 1,175,880           LIABILITIES           Current liabilities:           Current portion of long-term debt         \$ 2,042         \$ 2,042           Accounts payable         63,548         87,785           Accrued expenses         78,694         77,807           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benefits         69,000         66,135           Environmental liability         25,907         26,147           Deferred income taxes         50,678         43,133           Other long-term liabilities         225         225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                      |    | ,                 |    | ,                    |  |
| TOTAL ASSETS         \$ 1,196,970         \$ 1,175,880           LIABILITIES           Current liabilities:           Current portion of long-term debt         \$ 2,042         \$ 2,042           Accounts payable         63,548         87,785           Accrued expenses         78,694         77,807           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benefits         69,000         66,135           Environmental liability         25,907         26,147           Deferred income taxes         50,678         43,133           Other long-term liabilities         225         225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                      |    |                   |    |                      |  |
| LIABILITIES           Current liabilities:           Current portion of long-term debt         \$ 2,042         \$ 2,042           Accounts payable         63,548         87,785           Accrued expenses         78,694         77,807           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benefits         69,000         66,135           Environmental liability         25,907         26,147           Deferred income taxes         50,678         43,133           Other long-term liabilities         225         225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Offici assets                                                                        | _  | 3,234             | _  | 3,624                |  |
| Current liabilities:       \$ 2,042 \$ 2,042         Accounts payable       63,548 87,785         Accrued expenses       78,694 77,807         Total current liabilities       144,284 167,634         Long-term debt       307,956 308,337         Deferred employee benefits       69,000 66,135         Environmental liability       25,907 26,147         Deferred income taxes       50,678 43,133         Other long-term liabilities       225 225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | TOTAL ASSETS                                                                         | \$ | 1,196,970         | \$ | 1,175,880            |  |
| Current liabilities:       \$ 2,042 \$ 2,042         Accounts payable       63,548 87,785         Accrued expenses       78,694 77,807         Total current liabilities       144,284 167,634         Long-term debt       307,956 308,337         Deferred employee benefits       69,000 66,135         Environmental liability       25,907 26,147         Deferred income taxes       50,678 43,133         Other long-term liabilities       225 225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | LIARILITIES                                                                          |    |                   |    |                      |  |
| Current portion of long-term debt       \$ 2,042       \$ 2,042         Accounts payable       63,548       87,785         Accrued expenses       78,694       77,807         Total current liabilities       144,284       167,634         Long-term debt       307,956       308,337         Deferred employee benefits       69,000       66,135         Environmental liability       25,907       26,147         Deferred income taxes       50,678       43,133         Other long-term liabilities       225       225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                      |    |                   |    |                      |  |
| Accounts payable       63,548       87,785         Accrued expenses       78,694       77,807         Total current liabilities       144,284       167,634         Long-term debt       307,956       308,337         Deferred employee benefits       69,000       66,135         Environmental liability       25,907       26,147         Deferred income taxes       50,678       43,133         Other long-term liabilities       225       225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                      | \$ | 2.042             | \$ | 2 042                |  |
| Accrued expenses         78,694         77,807           Total current liabilities         144,284         167,634           Long-term debt         307,956         308,337           Deferred employee benefits         69,000         66,135           Environmental liability         25,907         26,147           Deferred income taxes         50,678         43,133           Other long-term liabilities         225         225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                      | Ψ  |                   | Ψ  | ,                    |  |
| Long-term debt       307,956       308,337         Deferred employee benefits       69,000       66,135         Environmental liability       25,907       26,147         Deferred income taxes       50,678       43,133         Other long-term liabilities       225       225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                      |    |                   |    |                      |  |
| Long-term debt       307,956       308,337         Deferred employee benefits       69,000       66,135         Environmental liability       25,907       26,147         Deferred income taxes       50,678       43,133         Other long-term liabilities       225       225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                      | _  |                   | _  |                      |  |
| Deferred employee benefits         69,000         66,135           Environmental liability         25,907         26,147           Deferred income taxes         50,678         43,133           Other long-term liabilities         225         225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                      |    |                   |    |                      |  |
| Environmental liability25,90726,147Deferred income taxes50,67843,133Other long-term liabilities225225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                      |    |                   |    |                      |  |
| Deferred income taxes 50,678 43,133 Other long-term liabilities 225 225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                      |    |                   |    |                      |  |
| Other long-term liabilities 225 225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                      |    |                   |    |                      |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                      |    |                   |    |                      |  |
| Total liabilities 598,050 611,611                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Other long-term liabilities                                                          |    | 225               |    | 225                  |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Total liabilities                                                                    |    | 598,050           |    | 611,611              |  |

| Minority interests                                                                                 | 12,867       | 11,869       |
|----------------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                                    |              |              |
| Commitments and contingencies (Note 10)                                                            |              |              |
| STOCKHOLDERS EQUITY                                                                                |              |              |
| Capital stock:                                                                                     |              |              |
| Preferred stock, par value \$.01 per share, 1,000 shares authorized; none issued                   |              |              |
| Common stock, par value \$.01 per share, 45,000 shares authorized; 35,727 and 35,714 shares issued |              |              |
| and outstanding                                                                                    | 357          | 357          |
| Additional paid-in capital                                                                         | 365,305      | 364,768      |
| Retained earnings                                                                                  | 233,662      | 200,311      |
| Accumulated other comprehensive income (loss):                                                     |              |              |
| Cumulative foreign currency translation adjustment                                                 | 487          | 722          |
| Minimum pension liability                                                                          | (13,758)     | (13,758)     |
|                                                                                                    |              |              |
| Total stockholders equity                                                                          | 586,053      | 552,400      |
|                                                                                                    |              |              |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY                                                          | \$ 1,196,970 | \$ 1,175,880 |
|                                                                                                    |              |              |

The accompanying notes are an integral part of the Consolidated Financial Statements.

# OREGON STEEL MILLS, INC. CONSOLIDATED STATEMENTS OF INCOME

(In thousands except per share amounts) (Unaudited)

# Three Months Ended March 31,

|                                                                          | <br>waren 51, |    |          |
|--------------------------------------------------------------------------|---------------|----|----------|
|                                                                          | 2006          |    | 2005     |
| Sales:                                                                   |               |    |          |
| Product sales                                                            | \$<br>344,122 | \$ | 288,832  |
| Freight                                                                  | <br>11,166    | _  | 7,133    |
|                                                                          | 355,288       |    | 295,965  |
| Costs and expenses:                                                      |               |    |          |
| Cost of sales                                                            | 275,432       |    | 223,430  |
| Selling, general and administrative expenses                             | 21,288        |    | 18,053   |
| Gain on disposal of assets                                               | (168)         |    | (87)     |
|                                                                          | 296,552       |    | 241,396  |
| Operating income                                                         | 58,736        |    | 54,569   |
| Other income (expense):                                                  |               |    |          |
| Interest expense, net                                                    | (6,987)       |    | (8,642)  |
| Minority interests                                                       | (998)         |    | (3,076)  |
| Other income, net                                                        | <br>1,726     |    | 1,505    |
| Income before income taxes                                               | 52,477        |    | 44,356   |
| Income tax expense                                                       | (19,126)      |    | (16,006) |
| Net income                                                               | \$<br>33,351  | \$ | 28,350   |
|                                                                          |               | _  |          |
| Basic earnings per share                                                 | \$<br>0.93    | \$ | 0.80     |
| Diluted earnings per share                                               | \$<br>0.93    | \$ | 0.79     |
| Weighted average common shares and common share equivalents outstanding: |               |    |          |
| Basic                                                                    | 35,718        |    | 35,398   |
| Diluted                                                                  | 35,866        |    | 35,676   |
|                                                                          |               |    |          |

The accompanying notes are an integral part of the Consolidated Financial Statements.

# OREGON STEEL MILLS, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands) (Unaudited)

Three Months Ended March 31,

|                                                                                          | 2006         |    | 2005   |  |
|------------------------------------------------------------------------------------------|--------------|----|--------|--|
| Cash flows from operating activities:                                                    |              |    |        |  |
| Net income                                                                               | \$<br>33,351 | \$ | 28,350 |  |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: |              |    |        |  |
| Depreciation and amortization                                                            | 10,850       |    | 9,731  |  |
| Tax benefit on employee stock option plans                                               |              |    | 634    |  |
| Deferred income taxes                                                                    | 6,625        |    | 8,265  |  |
| Gain on disposal of assets                                                               | (168)        |    | (87)   |  |
| Stock compensation expense                                                               | 1,206        |    |        |  |
| Minority interests                                                                       | 998          |    | 3,076  |  |
| Other, net                                                                               | 2,073        |    | 884    |  |
| Changes in current assets and liabilities:                                               |              |    |        |  |
| Trade accounts receivables                                                               | (27,951)     |    | 9,510  |  |
| In                                                                                       |              |    |        |  |