



31 January 2007

ASX Announcement ACCC Will Not Intervene in the Joint Venture

On 18 December 2006, Smorgon Steel and OneSteel announced a proposal to form a joint venture of their respective structural pipe and tube businesses ("Joint Venture"), subject to approval of the proposal by the Australian Competition and Consumer Commission ("ACCC"). In the same announcement, the two companies foreshadowed a new transaction structure ("New Transaction") to bring about their proposed merger.

The ACCC today announced that it would not intervene in the proposed Joint Venture between OneSteel and Smorgon Steel.

Ray Horsburgh, Managing Director & CEO of Smorgon Steel, said: "Realisation of the synergies and benefits we see from the proposed merger between OneSteel and Smorgon Steel has been delayed, and this decision by the ACCC, which clears the way for the Joint Venture to proceed, will enable us to bring forward some of the synergies."

Geoff Plummer, Managing Director & CEO of OneSteel, said: "The proposed Joint Venture allows OneSteel and Smorgon Steel to bring forward an improved supply and service offer to its pipe and tube customers as envisaged under the proposed merger between OneSteel and Smorgon Steel."

Accordingly, Smorgon Steel and OneSteel will move to implement the Joint Venture at the earliest feasible date.

As previously announced, Smorgon Steel will nominate the initial CEO of the Joint Venture, and OneSteel will nominate the initial deputy CEO/CFO. The companies are pleased to announce that the CEO of the Joint Venture will be Mr. Tony Schreiber, currently General Manager, Smorgon Steel Tube Mills, and the deputy CEO/CFO will be Geoff Feurtado, currently General Manager, Pipe and Tube, OneSteel.

Today's announcement by the ACCC relates only to the Joint Venture. Following this decision, OneSteel and Smorgon Steel will shortly finalise and announce their decision with respect to the New Transaction and seek the ACCC's clearance to enable the proposed merger to be completed.

Background Note

Details of the structural pipe and tube joint venture

Smorgon Steel and OneSteel will contribute their respective structural pipe and tube manufacturing businesses (excluding land and buildings), being Smorgon Steel's Acacia Ridge plant and OneSteel's plants at Somerton and Newcastle, to form the Joint Venture.

Smorgon Steel's LiteSteel™ beam and OneSteel's precision tube and oil & gas manufacturing facilities will be excluded from the joint venture and will continue to be managed separately by the two respective companies pending implementation of the Scheme of Arrangement announced on 26 June 2006 or the New Transaction.

The Joint Venture will have production capacity in excess of 500,000 tonnes per annum, and the formation of the joint venture is expected to enable the realisation of net synergies of between \$10 million and \$20 million per annum. The Joint Venture will be owned on a 50/50 basis, with equal value being attributed to both businesses.

The Joint Venture will be managed as a standalone business and will deal with all parties (including OneSteel and Smorgon Steel Distribution businesses and other customers) on normal commercial terms. OneSteel and Smorgon Steel will jointly control the Board of Directors of the Joint Venture, appointing 2 directors each. The right to appoint the Chair of the Joint Venture Board will alternate between the parties on an annual basis.

Both OneSteel and Smorgon Steel will have standard pre-emption rights over the Joint Venture, which are as follows:

- Both shareholders must offer shares to the other shareholder before selling to a third party.
- The price paid on exercise of pre-emption rights is either the price nominated by the seller or a price determined by an independent expert (at the non-selling shareholder's option).
- The non-selling shareholder may require the third party buyer to buy all of its shares.
- If a deadlock on a material matter cannot be resolved by agreement / mediation, either shareholder may offer to sell their shares to the other shareholder at a price at which the other shareholder can either agree to buy or to sell their own shares.
- A change in control of either shareholder triggers a right to buy that shareholder's shares at a price determined by an independent expert.
- A material competitor, supplier or customer who obtains access to Joint Venture confidential information by agreement with, or through an appointment to the Board of, either shareholder triggers a right to buy that shareholder's shares at a price determined by an independent expert.

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