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ONESTEEL RESTRUCTURES BAR MILL OPERATIONS

OneSteel Limited announced today the restructuring of its bar mill operations to improve efficiency and focus its manufacturing efforts on securing growth within construction and resources markets.

The restructuring follows an extensive six-month review of OneSteel's steelmaking, casting and rolling mill operations and is expected to provide net synergy benefits of \$20 million to \$30 million per annum. The benefits form part of the synergies from the merger with Smorgon Steel that was successfully completed in August 2007. Implementation costs are estimated at \$35 million exclusive of any asset write-downs. These costs will be expensed in the current financial year, however the timing of the closures will mean most of the cash impact will be in 2008/09.

OneSteel's Managing Director and Chief Executive Officer, Geoff Plummer, said: "The restructuring is being undertaken to ensure OneSteel is positioned for success within rapidly changing global and domestic steel markets.

"OneSteel currently has significant overcapacity within its bar mills reflecting long-term shifts in the Australian domestic market. The restructure will enable OneSteel to focus its bar manufacturing predominantly on the growing construction and resources markets, and will eliminate around half a million tonnes of unutilised bar production capacity," he said.

As part of the restructuring, OneSteel will consolidate bar manufacture within its Laverton and Sydney bar mills and production will be doubled at the Waratah Bar Mill in Newcastle. The Newcastle Bar Mill and the operations of OneSteel Martin Bright in Melbourne will be closed. OneSteel will continue to produce in excess of 1 million tonnes of steel bar products across its reconfigured bar business and will manage mill loadings to improve customer service and optimise manufacturing and logistics costs. OneSteel will maintain existing overall volumes in steelmaking and rod production.

As a consequence, OneSteel will exit the production of approximately 50,000 tonnes of primarily engineering bar which is currently supplied to manufacturers and steel distributors. This represents approximately 4 per cent of OneSteel's current bar volumes and less than 1% of OneSteel's total annual revenue.

"The majority of OneSteel's customers will be unaffected by this restructure. Where OneSteel is exiting the manufacture of products, we will work with customers to assist their transition to alternative sources of supply," Mr Plummer said.

In total there will be a net reduction of approximately 180 positions within Newcastle resulting from the closure of the Newcastle Bar Mill and increases at Waratah Bar Mill. A further 90 positions will be lost at OneSteel Martin Bright.

Mr Plummer paid tribute to the ongoing efforts of employees at the Newcastle Bar Mill and OneSteel Martin Bright to adjust to difficult market circumstances.

"This has been a difficult call for us to make in light of the obvious impact it has on our employees.

"The decision we have made to close these facilities needs to be seen as a factor of the changing dynamics of a now truly global industry and is in no way a judgement on the efforts of our people."



A comprehensive program encompassing redundancy and outplacement support services, providing job search assistance, placement services, financial advice and counselling is in place to assist affected employees.

The restructuring will be substantially completed by early 2009.

For further information contact:

Investor relations

Marion Williams
Manager, Investor Relations & Media
Phone: +61 2 9239 6637
Mobile: +61 402 206 212
Email: williamsms@onesteel.com

Media

Pip Green
Acting Corporate Affairs Manager
Phone: 61 2 9239 6616
Mobile: +61 421 054 542
Email: greenp@onesteel.com



About OneSteel

OneSteel is Australia's premier steel long products manufacturer and a leading metals distribution company.

It has more than 10,000 employees in more than 200 locations across Australia and 13 offshore facilities.

OneSteel has a unique range of products, services and capabilities. The OneSteel business portfolio includes minerals extraction and metals recycling businesses as well as a highly integrated steel long products manufacturing business and distribution businesses.

With sales revenues of more than \$6 billion, OneSteel markets more than 40,000 products to more than 30,000 customers.

Since its demerger from BHP in 2000, OneSteel has committed more than \$1bn in securing and building the productive capability of the business. This includes:

- the relining of the Whyalla blast furnace and development of our South Australian mining assets to extend the operational life of the Whyalla Steelworks and establish OneSteel as Australia's third largest iron ore producer
- development of steel reinforcing processing facilities and expansion of the steel distribution network
- adoption of emerging technologies and new manufacturing capabilities to secure our market leading positions in such diverse products as rural fencing products, heavy mining rope, reinforcing steels and rail wagon wheels.

This investment excludes OneSteel's substantial expenditure on acquisitions targeted at facilitating the necessary restructuring of the Australian steel industry in light of increasing import pressure and the rapidly consolidating global steel industry. Most notable amongst these is the joint-acquisition of Email in 2002 and the acquisition of Smorgon Steel in 2007.