

## **ALGOMA STEEL INC.**

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**NEWS RELEASE**  
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**SAULT STE. MARIE, ONTARIO** – Algoma Steel Inc. announced today that it is initiating a restructuring of its financial obligations. As part of this process, the company has sought and obtained an Order for protection under the Companies' Creditors Arrangement Act ("CCAA") before the Ontario Superior Court of Justice. The effect of the Order is to stay the Company's current obligations to creditors, including First Mortgage Note holders and Suppliers.

Mr. Alexander Adam, President and Chief Executive Officer of Algoma Steel said, "This is the responsible course of action to take in our circumstances. The Order will enable our ongoing business to continue while we negotiate a restructuring plan with our stakeholders. "We have secured additional financing which will allow us to continue to carry on business as usual during this restructuring period. This will include continuing to supply and service our customers, paying for goods and services supplied after the Order and the ongoing payment of wages and benefits to employees.

"We are committed to making this process work so that we can continue to play a major role, not only in Sault Ste. Marie and Northern Ontario, but in Canada as well. Our 4,000 employees, 8,000 pensioners and thousands of indirect jobs depend upon us. Our annual wage and pension payments exceed C\$300 million. We buy more than C\$150 million in local goods and services each year and we pay substantial amounts of local, provincial and federal taxes.

"The major challenge that we face is on our balance sheet and the weakness in short-term steel markets. We are amongst the best integrated steel producers on an operating basis and one of the lowest cost producers in North America. In recent years we have rationalized production, refocused our product mix, invested more than C\$1 billion in state-of-the art facilities and reduced our employment levels and operating cost structure.

"The key contributing factors to today's announcement are the impact of unfairly traded off-shore steel in our North American markets and high debt service costs associated with our recent capital expenditure program.

"The dumping of unfairly traded steel by off-shore producers has had an extremely negative impact on the Canadian and US steel industries. Imports have risen from 20% of domestic Canadian consumption in 1995 to 44% in 2000. So, even though the demand for steel has increased in Canada, Canadian producers are having an increasingly difficult

time in benefiting from that growth. Unfair trading practices, global overproduction and resulting price collapses have already compelled a number of North American producers to initiate court-supervised restructurings.

"We will endeavor to maximize the recovery to stakeholders in our restructuring plan. It is impossible to predict the final details that will be presented for their approval or to speculate on any other actions that might be taken. Today we are initiating a process and the outcome will be the subject of discussions with our stakeholders."

Algoma Steel Inc. is Canada's third largest integrated steel producer. It and predecessor companies have conducted operations in Sault Ste. Marie, Ontario, since 1901. Principal revenue-generating activities include the manufacture and sale of rolled steel products, including hot and cold rolled sheet and plate.

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