



ASX Release – Media Release

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BLUESCOPE STEEL AGM 2009 – A SLOW TRANSITION TO RECOVERY

BlueScope Steel today advised shareholders at its Annual General Meeting (AGM) in Melbourne that worldwide, market conditions are improving and steel demand is rising, but cautioned that the transition to recovery after the global financial crisis will be slow.

Speaking at the AGM in Melbourne, BlueScope Steel Chairman, Mr Graham Kraehe AO, said: "Swift action and tough decisions made during a difficult and challenging year now have BlueScope emerging in a stronger and better position for the recovery. The focus now is on returning to sustainable profitability.

Based on our expected financial performance for the first half, and on the current outlook, the Board does not expect to declare a dividend when the half year results are finalised. The Board is committed to resuming payment of dividends as a high priority once sustainable economic recovery becomes more certain" Mr Kraehe said.

Trading Conditions

Also speaking at the AGM, Managing Director and CEO, Mr Paul O'Malley, said: "On the back of the improved domestic and international demand and following the successful reline on No 5 Blast Furnace, we have been running our Port Kembla operations at 100 percent capacity since the end of September.

"Domestic markets have been recovering over recent months. Export demand, particularly from external customers in Asia, and from the Company's offshore affiliates in Asia and North America is improving.

"December half export sales are in line with our expectations, and enquiries for the March quarter remain strong. Subject to this demand continuing, we intend to maintain operation of both Port Kembla Blast Furnaces at 100 per cent into the third quarter FY2010.

"International prices improved through the first quarter of FY2010 and into the early part of the second quarter, but have recently moderated. However, domestic prices will likely reduce in the third quarter in response to the potential for increased import competition due to the strengthening Australian dollar.

"In Asia, pleasingly, the results of each of our consolidated Asian country operations have been positive in the first quarter of FY2010. In New Zealand, domestic despatches have not yet recovered to levels of the previous year, but export despatches have partly offset lower domestic volumes. In terms of our North American business, the non-residential construction segment of the US market remains weak" Mr O'Malley said.

Federal Government's Carbon Pollution Reduction Scheme (CPRS) – The big issue

Turning to the Government's proposed CPRS, Mr. O'Malley commented: "We have a relentless focus on containing costs and maintaining our international competitiveness. The CPRS in its current form will impose significant costs on our Australian businesses – costs our major international competitors will not face. Our competitors are mills in Asia, and many of them are in countries that are unlikely to impose comparable carbon costs on their steel industries in the foreseeable future.

"Imposing such costs in Australia, ahead of major competitors will affect the international competitiveness of our Australian operations, making investment in these assets more and more difficult over time – and making it very difficult to invest in environmental abatement projects.

"No-one at BlueScope wants to see world-class assets like Port Kembla or Western Port lose their low cost position which is core to their existence.

"We have been working with the Government on this critical issue and some progress has been made. The recent decision by the Government to allocate permits to our Hot Rolling operations at Port Kembla and Western Port is a positive one.

"We are encouraging the Government to provide incentives for investment in large-scale abatement projects such as the Steelworks Cogeneration Plant at Port Kembla – one of the single biggest carbon reduction initiatives in Australia.

"If Australia is to take a leadership position on climate change policy in order to encourage other countries to act, the CPRS must be amended so that it does not impair the international competitiveness of the Australian iron and steel industry and deliver a worse environmental outcome" Mr O'Malley said.

Outlook – Remaining cautious

Commenting on the current outlook, Mr O'Malley, added: "There have certainly been some positive developments during the half, such as improvement in steel demand and production. However, we remain cautious given: the strengthening of the Australian dollar (versus the US dollar); steel prices which have recently fallen, and the carry forward of higher priced inventory from FY2009 (of approximately \$200 million and which was fully utilised during the first quarter FY2010).

"Therefore, our outlook remains unchanged from that advised at our Annual Results in August. The Company expects to post a small negative reported NPAT for the first half FY2010. We will provide a further update at our FY2010 first half results in February 2010.

"As a company, we intend to take a very conservative view of the near term and maintain our strong balance sheet position until we see evidence of a sustained improvement in global economic conditions.

"Capital spending will continue to be mainly focused on stay in business activities. We do believe our current operations will provide plenty of earnings upside.

"Our main focus, in the short-term, will continue to be on reducing costs and increasing our sales" Mr O'Malley said.

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