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## ASX Media Release

**Release Time:** 2:00pm  
**Date:** 11 November 2010

### BLUESCOPE STEEL AGM 2010 – TOUGH TRADING CONDITIONS

BlueScope Steel said today that tough trading conditions caused by flat prices for steel, high raw material costs, the high A\$, and softer demand are combining to dampen performance expectations for the first half.

Speaking at the company's AGM in Melbourne, BlueScope Steel Chairman, Mr Graham Kraehe AO, advised shareholders to expect the first half FY2011 to be challenging.

"Export hot rolled coil prices have remained flat while raw material costs have increased to very high levels and we have a stronger A\$.

"The cumulative negative effect of these factors extends across our export revenue, Australian commodity product sales and the translation of overseas earnings back into A\$. This has been exacerbated by softer demand in our Australian markets, particularly the industrial segment.

"In contrast, our China and ASEAN operations contributed record profits in 2010. We will continue to expand in these fast growth economies, where we already have an enviable footprint, and expect to see another solid performance from this region in FY2011," Mr Kraehe said.

#### Trading Conditions

Commenting on the current trading environment, Managing Director and CEO, Mr Paul O'Malley, said "There are four key drivers affecting trading:

- 1. Flat prices for steel** – We are unlikely to see a sustained recovery until we see improved economic conditions in the developed economies of the US and Europe. We need to see global steel capacity utilisation exceed 80% compared to 75% at the end of September, to achieve higher pricing, reflecting the real cost base of producing steel.
- 2. High raw material costs** (principally iron ore and coking coal) - The move to quarterly pricing and significant price increases has largely been driven by the demand for raw materials that results from increased Chinese steel production. Raw material prices have increased fivefold since 2002 and now account for 65% of our Australian steelmaking cost base, up from 40% six years ago.
- 3. Stronger A\$ v US\$** - The A\$ has appreciated by approximately 20% since July 1, reflecting the continued commodity boom in Australia and the weakness of the US dollar.
- 4. Softer domestic demand** - We have seen a recent softening in Australian domestic demand, particularly in the industrial market segment. However, we are still seeing some positive momentum in our building markets."

#### BlueScope's Outlook

Turning to the outlook, Mr O'Malley added, "When we released the FY2010 financials in mid-August I spoke about the spread, demand and A\$. These factors have continued to impact the second quarter.

"The Company now expects a breakeven Net Profit After Tax (NPAT) for the first half, before any potential inventory Net Realisable Value (NRV) adjustments. The potential NRV adjustment is being driven by steel margins, the stronger A\$ and softer domestic demand in Australia, and may lead to a small reported Net Loss After Tax for 1HFY2011.

"It is too early to provide an assessment for 2HFY2011 and we will update the market when we release our 1HFY2011 results," Mr O'Malley said.

Expanding on the Outlook, Mr O'Malley said "The Company expects another solid performance from its Asian businesses, including another record result from China in FY2011. Thailand will remain subdued, due to low margins caused by increased import competition. However, our Indonesian business is performing well and we're on track to open the second metallic coating line in the second quarter of calendar year 2011 to meet growing demand.

"Growth in the US market remains weak. We have an outstanding business footprint in the United States and we are very well leveraged to the upside in the world's largest economy.

"Closer to home, our New Zealand business is tracking well and expected to make a solid contribution. But our Australian business continues to face pressure from compressed margins," said Mr O'Malley.

### **Implementing the Strategy**

"Despite tough trading conditions caused by external factors, we are implementing our strategy, pulling the levers we can control. That means continuing to reduce costs, grow the Australian domestic market (reducing export tonnes) and maintaining a strong balance sheet.

"Our achievements include:

- Total cumulative cost reductions of \$658m since FY2008, with \$340m in permanent cost reductions;
- The turnaround performance in Asia, a high growth region where we are extremely well positioned and where we see further growth and profitability;
- Expanding and leveraging our Pre-engineered Building business globally; and
- The accelerated integration of our Butler and IMSA acquisitions, with substantial productivity gains and market advantage from merging facilities, technologies and processes.

"Our improved cost base positions us well for the upturn in the great growth markets of Asia and the Americas and also here in Australia. Our focus is on selling more steel, in a more efficient and effective way, and we have the people and talent within our Company to do this.

"Looking beyond the current tough trading conditions, we will continue to expand in global building and construction markets, working with our great customers, assets, brands, products, technologies and people," Mr O'Malley said.

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**For further information about BlueScope Steel Limited: [www.bluescopesteel.com](http://www.bluescopesteel.com)**

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