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BLUESCOPE AGM UPDATE

At its Annual General Meeting in Sydney today BlueScope Steel declared its major restructure to exit the Australian steel export business was almost complete and the Company reconfirmed its guidance for 1HFY2012.

BlueScope Chairman, Mr Graham Kraehe AO, advised shareholders the Australian business restructure had been "essential to significantly reduce the losses from the export steel business and lay the foundation for future earnings growth."

Mr Kraehe said the key components of BlueScope's growth strategies are to: optimise service to the Australian market from a one blast furnace operation; build on the Company's outstanding presence in Asian markets; and globalise its pre-engineered building business.

The Company confirmed guidance for the first half:

- a significant reported Net Loss After Tax including restructuring costs (excluding year end NRVs and/or impairments)
- a small underlying Net Loss After Tax (excluding restructure costs, year end NRVs and/or impairments).

Australian Restructure

BlueScope Managing Director and CEO, Mr Paul O'Malley, said the closure of the No. 6 Blast Furnace and No.4 Coke Ovens Battery at Port Kembla steelworks, and the Hot Strip Mill at Western Port took place in the first two weeks of October.

"Our Australian workforce has been reduced by approximately 1,000 employees as a result of this restructure, 800 at Port Kembla and around 200 at Western Port, along with 400 contractors.

"This technically complex decommissioning work was conducted safely and successfully and reflects the quality, professionalism and cooperation of our workforce, contractors and suppliers.

"Over 90 per cent of the redundancies were achieved through voluntary arrangements. More than 80 companies, with thousands of positions vacant, are contacting our people through our job centres.

"I am pleased to report that the costs of restructuring, which we indicated would be between \$400 million and \$500 million are still expected to be within that range, with the costs mainly incurred in the first half. Negotiations on raw material contracts and other supply contracts are well advanced.

"Our full year target for working capital release remains on track. However, given we want to achieve the best possible prices for our products, we have intentionally slowed down the release due to low demand in the domestic market and low international steel prices. The working capital will mainly be released over the next quarter.

"I confirm that the working capital release will largely fund the cost of the restructure and we expect to achieve the fixed cost reduction targets that we set for the restructure," said Mr O'Malley.

Update on Trading Conditions

"Capacity utilisation internationally remains below 80%, a sign that steel-making margins will be low, and as a result, in recent months major steel companies have followed BlueScope's lead and either shut or mothballed blast furnaces, particularly across Europe," said Mr O'Malley.

Global Building and Construction

"We are a global leader in steel construction solutions and pre-engineered buildings (PEBs). There is rising demand for more efficient design, faster construction solutions and improved energy efficiency. BlueScope has a key advantage here. We are investing in our PEB capability globally as a future growth opportunity for our business.

Asia

"We are well positioned in Asia. In the current half, performance will be constrained due to the floods in Thailand, and bedding down the new in-line painting system on the second metal coating line in Indonesia. Our Chinese business is performing well, as are our Vietnam and Malaysian operations. We are achieving good returns on invested capital from our buildings business in China. We have a strong relationship with our partner in the Tata BlueScope Steel Joint Venture, and at our Jamshedpur operation, we shortly expect to achieve the key milestones of metal and paint on strip.

New Zealand

"New Zealand continues to be profitable and over recent years has been a consistent performer, benefiting from access to low cost captive iron units and the export of Taharoa iron sands.

North America

"Our buildings business in North America continues to improve and was profitable in October through both cost reduction and volume improvements. Our 50 per cent joint venture, North Star BlueScope Steel, has been voted the number one US flat rolled steel supplier for the ninth consecutive year. This is an outstanding achievement and a real credit to the employees in this business. We are examining capital upgrades to expand the steelmaking capacity by over 400kt per annum to approximately 2.4mtpa. Pleasingly, we continue to produce at around 100 per cent capacity.

Australia

"The Australian steel industry is experiencing sustained weak trading conditions. Domestic sales have been marginally weaker this half than in the second half of FY2011, as a result of a softer pipe and tube sector and weak building markets. Total new dwellings construction remains weak and our Lysaght business is seeing lower volumes as a result. Mining and engineering construction will be the key drivers of business investment growth in the short term.

"Performance of our Distribution business continues to be below our expectations. This performance is almost entirely a result of lower margins due to soft domestic demand and the competitiveness of imports due to our high exchange rate.

"On the cost side, iron ore fines were up nearly 40% during FY2011 relative to FY2010 and hard coking coal was up nearly 70%. Consistent with a supplier-led trend in iron and coking coal markets towards shorter term, particularly monthly pricing, we expect to see some benefit in the upcoming quarter as a result of lower iron ore costs. The iron ore index price is now around USD140/t from the USD 170-180/t levels experienced during FY2011. Hard coking coal is now around USD240/t, down from the peaks of over USD 300/t. At the same time, we have also seen a drop in Asian Hot Rolled Coil prices of approximately USD100/t in recent months.

"In addition to the restructure, across our entire business we continue to focus on cost reductions. \$696 million of cumulative cost savings have been achieved by the end of FY2011 (relative to our FY2008 cost base)," said Mr O'Malley.

For further information about BlueScope Steel Limited: www.bluescopesteel.com

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