ASX Release – Media Release

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Release Time: IMMEDIATE
Date: 17 August 2009

BLUESCOPE STEEL READY FOR RECOVERY – ENCOURAGING SIGNS FOLLOWING A TOUGH YEAR

BlueScope Steel today announced its FY2009 full year results with a reported Net Loss After Tax (NLAT) of A$66 million and an underlying Net Profit After Tax (NPAT) of A$56 million (a decrease of 93 per cent on the previous year). As foreshadowed in May, the Board has not declared a final ordinary dividend.

FY2009 - Challenging year

Speaking at the results in Sydney, Managing Director and CEO, Mr Paul O'Malley, said: "This was the most challenging year that BlueScope Steel has faced. The year started strongly on the tail-end of very buoyant business conditions, with regional benchmark hot rolled coil (HRC) prices exceeding US$1,000 per tonne.

"However, coming into the second quarter, with a marked decline in economic and financial conditions in the developed world, export demand fell heavily, followed by domestic demand. The decline in sales volumes and prices continued until after the first quarter of the 2009 calendar year when both stabilised, but at low levels. The regional HRC price had reached a low of US$400 per tonne around this time."

Taking action during a tough year

Responding swiftly in the second quarter, a number of major initiatives were enacted, including: a cost savings program; adjusting production to balance against demand and inventory; and curtailing capital expenditure to stay-in-business activities, the No 5 Blast Furnace reline and the Sinter Plant upgrade.

Mr O'Malley said: "the Company moved quickly and successfully in the pursuit of major cost reductions. By the end of FY2009 we delivered $295 million in savings against an initial target of $150 million.

"Another essential action was to strengthen the balance sheet and improve our financial flexibility. Announced in December 2008, the Company raised A$400 million (net) in equity from an institutional placement and Share Purchase Plan. As the challenging conditions continued, we pursued a more comprehensive capital restructure, announced in May 2009, which raised A$1,360 million (net) in equity, and refinanced A$1,275 million of debt.

"We were also successful in monetising inventory. At year-end inventory was down to $1.7 billion, from $2.8 billion in December 2008.

"This decisive action now sees BlueScope Steel with a very strong foundation - gearing reduced to 11.8 per cent, no material refinancing obligations due until July 2011 and a strong liquidity position."

Outlook – encouraged by market conditions, but remaining cautious

Commenting on the current market outlook, Mr O'Malley said: "We are encouraged by the improvement in demand in some markets, and by movement in steel prices globally. However, the improvement in demand is coming off a low base and we remain cautious on the outlook and are currently expecting to deliver a small reported net loss after tax in the first half of FY2010.

"We are yet to see the full flow-on effect of various Government stimulus packages, especially in the United States and Australia. We are seeing the benefits of China's economic stimulus package. And we have an increasingly positive view of our prime market, Australia.

“The company is focused and ready for the recovery,” Mr O’Malley said.

The Australian Steel Industry and our Trade Policy

Commenting on the issue of new trade measures in Australia to counter the worldwide recession, Mr O’Malley said: “Trade protectionism is counter productive and harmful to exporters like BlueScope Steel. Normally, half our Australian and New Zealand steel production is exported. Access to overseas markets is important to our business and the thousands of Australians we employ. Any new trade barriers here, would only cause retaliatory measures in key overseas markets – a lose/lose situation.”

He welcomed the initiatives recently announced by the Federal Government regarding the Steel Industry Innovation Council. This focused working group will identify major infrastructure projects and opportunities where the Australian steel industry can demonstrate its capability and competitiveness.

Federal Government’s Carbon Pollution Reduction Scheme (CPRS)

Turning to the Government’s proposed CPRS, Mr. O’Malley commented: “we support the need to reduce global CO_2 emissions and will continue work to reduce the Company’s CO_2 emissions. BlueScope Steel has a proven track record as an environmentally responsible Company, investing $500 million on environmental improvements globally over the last 15 years.

“However, the Directors have grave concerns about the current design of the Federal Government’s proposed CPRS and the negative impact it would have on the world competitive Australian steel industry.

“The Company strongly believes that the cumulative net cost impact of the current design of the proposed CPRS would be highly significant and material, and that it would severely damage our competitiveness, putting domestic investment, Australian jobs and the Australian steel industry at high risk.

“The proposed CPRS scheme unfairly discriminates against the Australian steel industry relative to international competitors. Without comparable global action, the CPRS becomes a compounding tax on the Company - needlessly putting Australian steel jobs and investment at risk for no environmental benefit.

“This is not a one-off tax. From FY2012-FY2020, the cumulative net cost to BlueScope could be as much as $500 million for Scope 1 and 2 emissions, and potentially up to $1.4 billion if suppliers pass through all their carbon costs. This tax would prevent the Company investing in technology to reduce emissions, such as the Steelworks Co-generation Plant project at Port Kembla.

“Importantly, the CPRS undermines Port Kembla Steelworks’ current world class competitiveness. It risks the viability of these long-term manufacturing assets. It’s a direct threat to this NSW regional economy and the 12,000 workers and their families who rely on the steelworks, and more than 1000 employees and contractors and their families at Western Port in Victoria.”

The Company continues to negotiate with the Government to ensure the CPRS meets the Government’s own policy objectives and does not impose a carbon price domestically which results in emissions and production transferring overseas for no environmental gain.

Three simple amendments to the CPRS are required:

1. Provide certainty that permit allocations will be maintained, while global competitors do not face comparable carbon costs.
2. Include hot rolled products (HRP) in the activities which will receive permit allocation.
3. Provide assurance that Scope 3 coal costs will not be passed on to the steel industry.

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