BLUESCOPE

BlueScope Steel Limited
ABN 16 000 011 058
Level 11, 120 Collins St
Melbourne VIC 3000
AUSTRALIA
Telephone +61 3 9666 4000
Facsimile +61 3 9666 4111
www.bluescopesteel.com

ASX Media Release

Release Time: 8:30am
Date: 20 February 2012

BLUESCOPE LAYS FOUNDATION FOR RETURN TO PROFITABILITY
DELIVERS $357M WORKING CAPITAL RELEASE (SINCE 31 OCTOBER 2011) AND REDUCES NET DEBT

BlueScope today reported a $530 million net loss after tax (NLAT) for the first half FY2012, including significant one-off restructuring costs ($260 million), impairment of deferred tax assets ($184 million) and income advanced under the Federal Government's Steel Transformation Plan (STP) ($46 million). This compares with a $55 million reported NLAT in the previous corresponding period.

Underlying NLAT[1] for the half was $129 million, which includes year end net realisable value (NRV) adjustments of $53 million. Excluding NRVs, the result was $76 million. This compares to an underlying NLAT of $47 million for the prior corresponding period (1H FY2011).

BlueScope Steel's Managing Director and CEO, Mr Paul O'Malley said the Company was on track to deliver a full year working capital release of $400-500 million and had initiatives for further debt reduction.

The company has deferred the recognition of a tax asset totalling $184 million in respect of tax losses generated during the half year, largely due to export losses and restructuring costs. Australian Accounting Standards impose a stringent test for the recognition of a deferred tax asset where there is a history of recent tax losses. The company has deferred the recognition of any further tax asset for the Australian tax group until a return to taxable profits has been demonstrated. Australian tax losses are able to be carried forward indefinitely.

Mr O'Malley said "the first half result demonstrated delivery of our improvement plan and was in line with market guidance. Particularly pleasing is the significant reduction in net debt beyond the impact of the capital raising.

"Since the onset of the GFC, BlueScope has acted to overcome the effects of poor global economic conditions and steel industry overcapacity and set the foundation for future business improvement. These include:

- A cost reduction program that achieved $696 million of cumulative cost savings (relative to our FY2008 cost base) through to June 2011
- Restructuring the Asian business, which has since delivered consistent profits and lays the foundation for further growth
- Restructuring our North American business, by consolidating the Buildings business and implementing a targeted profit improvement program, resulting in a step improvement in profitability in the first half FY2012
- Safely restructuring the Australian business, which is well advanced, by closing No.6 Blast Furnace and associated assets, materially reducing our export exposure
- Launched the global Building Solutions business with a strong growth focus
- Initiating a major performance improvement program for the Australian Distribution and Solutions business
- Secured advance payment of $100 million STP funding in January 2012.

"At 31 December 2011 net debt was $796 million, a reduction of $759 million since October 31 2011 including a working capital reduction of $357 million. We expect an additional reduction in working capital in the second half, noting in Q3 there will be a seasonal increase in working capital and further payments associated with the restructure of the Australian business. The current total cost of the Australian restructure is still in the range of $430-450 million, of which $350-370 million is expected to be paid in FY2012," Mr O'Malley said.

[1] Underlying financial results reflect the Company's assessment of financial performance after excluding certain unusual items. Unusual items in the reported NLAT for the half year FY2012 include restructuring costs ($260m), asset impairment costs mainly related to tax assets ($187m) and income advanced under the Federal Governments Steel Transformation Plan ($46m). This financial information is provided to assist readers to better understand the financial performance of the underlying business. A detailed reconciliation of adjustments to the reported financial information is provided in the half year Earnings Report available on the company's website.

Australian Restructure Update

Mr O'Malley said "the operational restructure, with associated plant closures in Australia, significantly reduces our exposure to the loss-making export market. The complex restructure has been implemented by our team very effectively and in a very tight timeframe. This is a positive step in turning around the performance of the Australian business and lays the foundation for a return to profitability."

Global Trading Conditions

"Even though capacity utilisation internationally remains below 80%, there are some encouraging signs of supply-side response. Other steel companies around the world are also shutting or mothballing plants.

"Whilst steel spreads remain at historical lows, we are encouraged by the recent step-down in raw material input costs.

"The Asian economies remain strong and we are seeing some signs of recovery in the US economy, albeit off a low base," said Mr O'Malley.

Asia

"Our Asian business achieved an underlying $47 million EBIT contribution for the first half and is consistently delivering good returns on invested capital. China continued its strong contribution ($24m underlying EBIT) and our expansion in Xi'an will capitalise on strong demand in Central and Western China. The new $60m facility is expected to be operational by 2HFY2013.

"The Asian result is despite the negative impact of the Thailand floods and the start-up costs associated with commissioning the second metal coating line with innovative in-line painting technology in Indonesia.

New Zealand

"The New Zealand and Pacific Islands business delivered $34 million in underlying EBIT for the first half. This was despite soft domestic steel demand, a period of record low residential and commercial building approvals and the impacts of a natural gas supply outage.

"This business benefits from access to low cost captive iron units and the export of Taharoa iron sands. We continue to invest in this business to expand production, introducing a larger replacement vessel, the Taharoa Destiny, which will increase annual capacity to 1.2 million tonnes. We expect to see the new vessel come into service by mid CY2012.

North America

"In North America, the Coated and Building Products business contributed $6 million in underlying EBIT, up from the $16 million underlying EBIT loss recorded a year earlier. This targeted profit improvement program lays a firm foundation for our business to continue to improve its performance even if volumes remain flat.

"Hot Rolled Products North America, which comprises our 50% interest in North Star BlueScope Steel, delivered $20 million in underlying EBIT for the half, up from $8 million in the previous corresponding period.

Australia

"The Australian steel industry is experiencing weak trading conditions. Coated and Industrial Products Australia (C&IPA) saw a $182 million underlying EBIT loss for the half with performance driven principally by weaker steel spread compared to first half FY2011. We have identified further productivity improvements that we will implement in the Australian business to continue to lower our cost base and improve our competitiveness in the market place.

"The Australian Distribution and Solutions business experienced lower domestic volumes, reduced margins and increased import competition, leading to a $29 million underlying EBIT loss for the first half. A major improvement program is underway," said Mr O'Malley.

BlueScope's Outlook

Commenting on the outlook, Mr O'Malley said, "For 2H FY2012, we expect a slightly lower underlying Net Loss After Tax (excluding period end NRVs and/or impairments), subject to spread, FX and market conditions, compared with the 1H FY2012 result, including our expectation of a return to a profitable underlying run rate by the end of FY2012."

***

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

Contacts:

Media
Michael Reay
Manager Corporate Affairs and Corporate Brand
BlueScope Steel Limited
Tel: +61 3 9666 4004
Mobile: +61 (0) 437 862 472
E-mail: Michael.Reay@bluescopesteel.com

Investor
John Knowles
Vice President Investor Relations
BlueScope Steel Limited
Tel: +61 3 9666 4150
Mobile: +61 (0) 419 893 491
E-mail: John.Knowles@bluescopesteel.com

Don Watters
Manager Investor Relations
BlueScope Steel Limited
Tel: +61 3 9666 4206
Mobile: +61 (0) 409 806 691
E-mail: Don.Watters@bluescopesteel.com