

**BLUESCOPE STEEL LIMITED  
ANNUAL GENERAL MEETING**

**19 OCTOBER 2004  
WESTIN HOTEL, SYDNEY**

**CHAIRMAN - GRAHAM KRAEHE**

IT IS A GREAT PLEASURE TO BE ABLE TO STAND BEFORE YOU TODAY, AS CHAIRMAN, AND TO REPORT ON THE OUTSTANDING PERFORMANCE OF THE COMPANY IN ITS SECOND YEAR SINCE OUR PUBLIC LISTING.

IT IS DIFFICULT TO CONCEIVE OF A MORE SUCCESSFUL START FOR A PUBLIC COMPANY THAN THE ONE BLUESCOPE STEEL HAS ENJOYED IN ITS FIRST TWO YEARS.

OF COURSE, WE HAVE BEEN FORTUNATE THAT GLOBAL STEEL PRICING HAS MOVED VERY POSITIVELY IN OUR FAVOUR OVER THE PAST TWO YEARS.

BUT THE COMPANY HAS DONE MUCH MORE THAN SIMPLY "RIDE THE CYCLE".

OUR VERY CAPABLE MANAGEMENT TEAM, LED BY CEO KIRBY ADAMS, HAS POSITIONED THE COMPANY TO CAPITALISE ON THE STRONG DEMAND FOR OUR PRODUCTS.

A COMPARISON OF BLUESCOPE STEEL'S SHARE PRICE WITH THOSE OF STEEL COMPANIES IN ASIA AND THE UNITED STATES BEARS OUT THIS FACT.

SINCE THE START OF CALENDAR 2004, BLUESCOPE STEEL'S SHARE PRICE HAS OUTPERFORMED BOTH ASIAN AND US STEEL INDICES BY FORTY-THREE PER CENT.

THIS IS FURTHER EVIDENCE THAT BLUESCOPE STEEL IS A VERY DIFFERENT KIND OF STEEL COMPANY AND ONE THAT IS OUTPERFORMING MANY OF ITS PEERS IN THE STEEL INDUSTRY - PEERS WHO HAVE ALSO BENEFITED FROM STRONG STEEL PRICES.

IN FACT, AS THIS SLIDE DEMONSTRATES, BLUESCOPE STEEL HAS CONSISTENTLY OUTPERFORMED ITS PEERS SINCE SHORTLY AFTER OUR PUBLIC LISTING IN JULY 2002.

MANY OF THESE ASIAN AND U.S. STEEL COMPANIES ALSO HAD THE BENEFIT OF HIGHER STEEL PRICES, YET BLUESCOPE STEEL HAS SIGNIFICANTLY OUTPERFORMED THEM FOR OVER TWO YEARS NOW.

WHY?

THE MARKET RECOGNISES BLUESCOPE STEEL IS A DIFFERENT KIND OF STEEL COMPANY.

IT HAS CONFIDENCE IN THE COMPANY AND ITS ABILITY TO CONTINUE TO DELIVER VALUE TO SHAREHOLDERS.

THE COMPANY'S MANAGEMENT TEAM HAS PLAYED A KEY ROLE IN GENERATING THIS EXTRA VALUE, WHICH HAS BEEN DELIVERED THROUGH THE COMBINED EFFORTS OF ALL OUR EMPLOYEES AND CUSTOMERS.

IN OUR FIRST YEAR, WE WERE FOCUSED ON THE OBJECTIVES OF BEATING OUR PROSPECTUS FORECAST AND ESTABLISHING OUR CREDIBILITY AS A LISTED COMPANY.

THESE OBJECTIVES WERE ACHIEVED - OUR INAUGURAL NET PROFIT AFTER TAX OF \$452 MILLION, ON TOTAL REVENUE OF \$5.3 BILLION, REPRESENTED A STRONG PERFORMANCE.  
[NEARLY DOUBLE THE PROSPECTUS FORECAST]

IN OUR SECOND YEAR, THE COMPANY'S PERFORMANCE ATTAINED NEW HEIGHTS:

\* NET PROFIT AFTER TAX INCREASED BY 29% TO \$584 MILLION,

\* OUR TOTAL REVENUE WAS \$5.8 BILLION, UP 9%,

\* WE ACHIEVED RECORD PRODUCTION OF 6.6 MILLION TONNES OF RAW STEEL, UP 2%,

\* EARNINGS PER SHARE INCREASED BY 36% TO 78 CENTS PER SHARE

\* OUR RETURN ON INVESTED CAPITAL WAS 18.5%.

\* AND WE MADE EXCELLENT PROGRESS IN ADVANCING OUR DOWNSTREAM GROWTH STRATEGY, WHICH I WILL SAY MORE ABOUT LATER.

IN ADDITION, WE CONTINUED TO DELIVER STRONG OUTCOMES ON NON-FINANCIAL MEASURES, AS WE FOCUSED ON ENSURING THAT ALL OUR STAKEHOLDERS ARE BENEFITING FROM THE COMPANY'S SUCCESS.

FOR EXAMPLE:

\* NEW BEST-EVER DELIVERY PERFORMANCE FOR OUR CUSTOMERS,

\* OUR COMMUNITIES BENEFITED THROUGH THE ECONOMIC FLOW-ONS OF OUR ACTIVITIES, FROM OUR IMPROVING ENVIRONMENTAL MANAGEMENT AND AS WE DIRECTLY INVESTED MORE THAN \$2 MILLION IN A DIVERSE RANGE OF COMMUNITY PROGRAMS.

\* WE PAID OVER \$200 MILLION TO GOVERNMENTS IN INCOME TAX,

\* MORE THAN \$1.1 BILLION WAS PAID TO EMPLOYEES IN WAGES AND SALARIES, AND

\* WE MANAGED A VERY SUCCESSFUL PROGRAM TO CHANGE YOUR COMPANY'S NAME, WITH BLUESCOPE STEEL NOW ESTABLISHED AS A STRONG AUSTRALIAN AND GLOBAL BRAND, AND

ALL KEY STATISTICAL MEASURE OF OUR SAFETY PERFORMANCE IMPROVED, WITH A FURTHER 28% REDUCTION IN OUR LOST TIME INJURY FREQUENCY RATE TO JUST 1.3 INJURIES RESULTING IN LOST TIME PER MILLION HOURS WORKED - A WORLD CLASS LEVEL.

ON THIS KEY TOPIC OF SAFETY, THE BOARD, MANAGEMENT AND INDEED ALL OUR EMPLOYEES ARE COMMITTED TO THE GOAL OF ZERO HARM IN BLUESCOPE STEEL.

TRAGICALLY, OUR OTHERWISE EXCELLENT PROGRESS IN SAFETY WAS MARRIED BY A FATALITY WHICH OCCURRED ON 29 JUNE 2004 WHEN A CONTRACTOR WAS STRUCK BY A FORKLIFT AND KILLED AT OUR BRISBANE LOGISTICS TERMINAL.

THE ORGANISATION HAS RESPONDED IN A VERY FOCUSED WAY TO THIS TRAGIC INCIDENT, WITH A STOP FOR SAFETY IMPLEMENTED AT EVERY OPERATING SITE AROUND THE WORLD, AND A PROGRAM AIMED AT REDUCING OR ELIMINATING INTERACTIONS BETWEEN PEOPLE AND FORKLIFTS.

TURNING TO TOTAL SHAREHOLDER RETURN OR TSR - THAT IS, THE GROWTH IN SHARE PRICE PLUS DIVIDENDS - DELIVERED BY BLUESCOPE STEEL DURING THE PERIOD FROM OUR LISTING ON 15 JULY 2002 TO 30 SEPTEMBER 2004 WAS 213%.

THAT RANKS BLUESCOPE STEEL AS THE NO.1 COMPANY FOR TOTAL SHAREHOLDER RETURNS AMONGST ASX 100 COMPANIES OVER THAT PERIOD OF TIME.

OUR SHARE PRICE HAS GROWN FROM \$2.90 AT LISTING TO \$8.65 AT THE CLOSE OF BUSINESS LAST NIGHT.

THIS MEANS THAT THE TOTAL MARKET CAPITALISATION OF THE COMPANY HAS GROWN FROM \$2.4 BILLION AT LISTING TO MORE THAN \$6.3 BILLION LAST NIGHT.

THAT'S AROUND \$4 BILLION OF SHAREHOLDER VALUE CREATION.

IF YOU HAVE BEEN A SHAREHOLDER SINCE LISTING, YOU PROBABLY DON'T NEED ME TO REMIND YOU OF THE DIVIDENDS YOU HAVE RECEIVED - 9 CENTS IN APRIL 2003 , 18 CENTS IN OCTOBER 2003, 12 CENTS IN MARCH 2004 AND 28 CENTS THIS MONTH - ALL FULLY FRANKED.

LET ME ATTEMPT TO PUT THAT TOTAL SHAREHOLDER RETURN STORY INTO SOME CONTEXT.

ABOUT TWO-THIRDS OF OUR 180,000 INDIVIDUAL SHAREHOLDERS HOLD LESS THAN 1000 SHARES, AND MANY OF THEM ACQUIRED THEIR SHAREHOLDING ON THE DAY THE COMPANY WAS LISTED.

LET'S CONSIDER THE VALUE CREATION THAT HAS BEEN

EXPERIENCED BY A SHAREHOLDER WHO HAS HELD 1000 SHARES RIGHT FROM THE TIME OF OUR PUBLIC LISTING.

ON 15 JULY 2002 THOSE 1000 SHARES WERE WORTH \$2,900.

LAST NIGHT THEY WERE WORTH AROUND \$8,500.

THAT SHAREHOLDER HAS ALSO RECEIVED DIVIDEND CHEQUES TOTALING \$670, ALL FULLY FRANKED.

THE DIVIDENDS OF 40 CENTS PER SHARE WE HAVE DECLARED FOR FY 2004 REPRESENT, ON A SHARE PRICE AT THE END OF SEPTEMBER OF \$8.70, A 4.6% YIELD.

ON THE STARTING PRICE OF \$2.90, THEY REPRESENT A YIELD OF JUST UNDER 14% (FULLY FRANKED).

WHEN THIS COMPANY WAS FORMED, YOUR BOARD AND MANAGEMENT STATED THAT OUR FOCUS WOULD BE ON CREATING SHAREHOLDER VALUE, AND THAT WE BELIEVED THE FIRST CALL ON THE FUNDS WE GENERATED WAS WITH OUR SHAREHOLDERS.

WE HAVE RE-STATE THAT CONSISTENTLY EVER SINCE.

WE SAID IT AND WE MEANT IT.

FURTHER EVIDENCE OF THAT FOCUS IS IN THE SHARE BUYBACK PROGRAMS WE HAVE IMPLEMENTED.

IN MARCH 2004 WE COMPLETED A SHARE BUYBACK PROGRAM WHICH RESULTED IN SOME 60 MILLION SHARES BEING RE-PURCHASED AT AN AVERAGE PRICE OF \$4.70 PER SHARE.

THIS HAS HAD THE EFFECT OF FURTHER INCREASING EARNINGS PER SHARE.

THE FURTHER LIMITED BUYBACK OF MORE THAN 16 MILLION SHARES WHICH WE ANNOUNCED ON 19 AUGUST 2004 IS INTENDED TO AVOID ANY DILUTION OF EARNINGS PER SHARE AS A RESULT OF THE ISSUE OF SHARES UNDER THE COMPANY'S EXECUTIVE SHARE RIGHTS PLANS, AS PREVIOUSLY DISCLOSED.

A FEATURE OF THIS COMPANY IS THAT NEARLY ALL OF OUR 16,000 EMPLOYEES AROUND THE WORLD ARE SHAREHOLDERS.

IN 2003, AND AGAIN IN 2004, THE BOARD, AT THE RECOMMENDATION OF MANAGEMENT, OFFERED PARCELS OF SHARES TO EMPLOYEES AS A BONUS, IN RECOGNITION OF THEIR ONGOING CONTRIBUTION TO THE COMPANY'S SUCCESS.

AS A RESULT, OVER 98% OF OUR EMPLOYEES ARE NOW SHAREHOLDERS.

EMPLOYEES WHO ACCEPTED THE BOARD'S OFFER IN BOTH YEARS NOW HOLD 350 SHARES EACH - A PARCEL THAT IS WORTH AROUND \$3,000.

THE TOTAL VALUE OF THE SHARES ISSUED UNDER THESE TWO BONUSES IS TODAY MORE THAN \$30 MILLION.

OUR OBJECTIVE WAS TO FURTHER REWARD OUR EMPLOYEES FOR THEIR CONTRIBUTION TO THE COMPANY'S PERFORMANCE AND TO ALIGN THEIR INTERESTS WITH THOSE OF ALL OTHER SHAREHOLDERS.

THIS ALSO MEANS THAT OUR EMPLOYEES ARE SHARING IN THE BENEFITS OF BEING BLUESCOPE STEEL SHAREHOLDERS.

WE HAVE AN EXCELLENT REPUTATION FOR MANAGING CAPITAL IN THE INTERESTS OF SHAREHOLDERS AND WE INTEND TO MAINTAIN THAT FOCUS.

## **SEGMENT PERFORMANCE**

A PARTICULARLY PLEASING FEATURE OF THE YEAR'S PERFORMANCE WAS THAT EVERY PART OF THE BUSINESS CONTRIBUTED TO OUR RESULTS.

EACH OF OUR ESTABLISHED BUSINESS SEGMENTS DELIVERED STRONGER, AND RECORD, FINANCIAL OUTCOMES.

THE HOT ROLLED PRODUCTS SEGMENT, WHICH COMPRISES PORT KEMBLA STEELWORKS, OUR 50% SHARE IN NORTH STAR BLUESCOPE STEEL IN THE UNITED STATES AND OUR 47.5% INTEREST IN CASTRIP LLC, PRODUCED AN ABSOLUTELY

OUTSTANDING RESULT.

THIS SEGMENT DELIVERED EBIT OF \$565M, AN INCREASE OF 20%.

IT TOOK ADVANTAGE OF HIGHER EXPORT SLAB AND HOT ROLLED COIL PRICES IN INTERNATIONAL MARKETS AND THE RELATED FLOW-ON TO DOMESTIC HOT ROLLED COIL AND PLATE PRICES, AND ACHIEVED A NUMBER OF NEW PRODUCTION RECORDS.

THE RETURN ON NET ASSETS OF OUR HOT ROLLED PRODUCTS BUSINESS WAS JUST OVER 30% (PRE-TAX).

NEW ZEALAND STEEL ACHIEVED RECORD EBIT OF \$59M, AND A RETURN ON NET ASSETS OF 14%.

THE NEW ZEALAND MARKET HAS REMAINED STRONG, AND THE BUSINESS SURPASSED NEARLY EVERY SAFETY AND OPERATIONAL RECORD.

THIS IS A PERFORMANCE OF WHICH WE ARE VERY PROUD.

WE ALSO ACHIEVED RECORD EBIT IN OUR ASIAN BUSINESS SEGMENT.

FOR THE FIRST TIME, IT ATTAINED THE BENCHMARK OF \$100M EBIT, RECORDING A FIFTH CONSECUTIVE YEAR OF INCREASED PROFITABILITY.

ASIA ACHIEVED A RETURN ON NET ASSETS OF 21%.

THE ASIAN ECONOMIC CRISIS OF THE LATE 1990S NOW SEEMS A DISTANT MEMORY, THOUGH IT DRIVES US TO STAY CONSTANTLY FOCUSED ON MANAGING THE BUSINESS WELL AND CONCENTRATING ON COSTS.

OUR DOWNSTREAM AUSTRALIAN COATED AND BUILDING PRODUCTS SEGMENT ACHIEVED EBIT OF \$197M AND A RETURN ON NET ASSETS OF 16%.

THE BUSINESS FACES PARTICULAR CHALLENGES IN THE CURRENT YEAR TO ABSORB AND RECOVER INCREASING BUSINESS COSTS, ESPECIALLY FOR ITS RAW MATERIALS.

IT HAS ALSO BEEN BESET BY SIGNIFICANT INDUSTRIAL RELATIONS DISPUTATION OVER THE PAST FOUR MONTHS, WHICH HAS MADE THE TASK OF LOOKING AFTER CUSTOMERS EXTREMELY DIFFICULT.

BUSINESS CONDITIONS REMAINED DIFFICULT FOR THE PACKAGING OPERATION DURING THE YEAR.

SIGNIFICANT EFFORTS CONTINUE TO BE MADE TO IMPROVE THROUGHPUT, QUALITY AND EFFICIENCY AT OUR PACKAGING PRODUCTS OPERATION AT PORT KEMBLA.

OUR FIFTH AND NEWEST BUSINESS SEGMENT, COATED AND BUILDING PRODUCTS NORTH AMERICA, WAS CREATED FOLLOWING THE ACQUISITION OF BUTLER MANUFACTURING.

FOR THE TWO MONTHS IT WAS PART OF OUR BUSINESS, THE SEGMENT REPORTED AN EBIT LOSS, OF \$9M, IN LINE WITH EXPECTATIONS.

THIS INCLUDED COSTS ASSOCIATED WITH THE INTEGRATION OF BUTLER'S NORTH AMERICAN BUSINESSES INTO BLUESCOPE STEEL.

## **STRATEGY AND GROWTH**

BLUESCOPE STEEL HAS A VERY CLEAR BUSINESS STRATEGY.

WE ARE AIMING TO GROW OUR POSITION AS AN INTERNATIONAL STEEL SOLUTIONS COMPANY.

THIS STRATEGY IS SEEING US FOCUS ON THE DEVELOPMENT OF OUR DOWNSTREAM, VALUE-ADDED BUSINESSES WHERE MUCH OF OUR NEW INVESTMENT HAS BEEN FOCUSED, PARTICULARLY IN THE BUILDING AND CONSTRUCTION SECTOR.

THIS FOCUS ON GROWTH IS APPROPRIATE FOR BLUESCOPE STEEL, BECAUSE OUR EXTENSIVE BUSINESS FOOTPRINT AND WIDE CUSTOMER BASE CREATE TRULY EXCITING GROWTH POSSIBILITIES.

ALREADY, WE OPERATE 75 MANUFACTURING PLANTS IN 16 COUNTRIES ACROSS THREE CONTINENTS.

WE ARE FORTUNATE TO BE IN THE POSITION OF HAVING AN EXCELLENT BUSINESS BASE IN ASIA, THE HIGHEST GROWTH REGION OF THE WORLD.

MANY OF OUR GROWTH INITIATIVES ARE TARGETING OPPORTUNITIES IN ASIA.

BLUESCOPE STEEL HAS ENTERED AN EXCITING NEW GROWTH PHASE.

OUR ABILITY TO DEPLOY OUR OWN CASHFLOWS INTO ENSURING THE GROWTH OF OUR BUSINESS IS ONE OF THE GREAT BENEFITS OF OUR SEPARATION FROM BHP BILLITON.

OVER THE COURSE OF THE PAST YEAR, THE BOARD HAS MADE COMMITMENTS TO NEW CAPITAL PROJECTS (INCLUDING THE ACQUISITION OF BUTLER MANUFACTURING) WITH PLANNED INVESTMENTS OF OVER A \$1 BILLION.

A MAJOR LANDMARK IN OUR YEAR WAS THE ACQUISITION, IN APRIL, OF BUTLER MANUFACTURING COMPANY, WHICH WAS PREVIOUSLY LISTED ON THE NEW YORK STOCK EXCHANGE.

THE PURCHASE PRICE WAS A\$277 MILLION (NET OF CASH ACQUIRED).

ON A FULL YEAR BASIS, THE BUTLER ACQUISITION IS EXPECTED TO INCREASE OUR REVENUE BY OVER A\$1 BILLION.

WE ARE DELIGHTED AT HOW WELL THE INTEGRATION OF THE BUTLER BUILDINGS BUSINESS, AND THE RELATED VISTAWALL GLASS AND ALUMINIUM BUILDING PRODUCTS BUSINESS, INTO BLUESCOPE STEEL HAS BEEN PROCEEDING.

DURING THE COURSE OF THE YEAR, WE ANNOUNCED A SERIES OF MAJOR NEW GROWTH INITIATIVES, INCLUDING:

- A \$160M METALLIC COATING AND PAINTING FACILITY IN VIETNAM.
- A \$280M METALLIC COATING AND PAINTING FACILITY IN CHINA.

- A SECOND METALLIC COATING LINE AT OUR RAYONG SITE IN THAILAND, WHICH WILL MORE THAN DOUBLE OUR METALLIC COATING CAPACITY IN THAILAND AT A COST OF \$80M.

PROPOSED EXPANSION OF OUR PORT KEMBLA STEELWORKS HOT STRIP MILL BY SPENDING \$100M ON A SECOND WALKING BEAM FURNACE, WHICH WILL ALLOW US TO CONVERT A GREATER PROPORTION OF SLAB TO HIGHER VALUE HOT ROLLED COIL.

IN SUMMARY, WE ARE GROWING OUR BUSINESS IN A VERY FOCUSED WAY, CONSISTENT WITH OUR STRATEGY.

YOUR COMPANY IS BEING RE-SHAPED - SOMETHING YOUR MANAGING DIRECTOR AND CEO, KIRBY ADAMS, WILL SPEAK ABOUT IN MORE DETAIL SHORTLY.

## **CORPORATE GOVERNANCE**

LADIES AND GENTLEMEN, YOUR BOARD REGARDS IT AS VERY IMPORTANT THAT YOUR COMPANY OPERATES UNDER THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE.

LAST YEAR I SAID THAT YOUR BOARD IS COMMITTED TO IMPLEMENTING CORPORATE GOVERNANCE POLICIES IN LINE WITH BEST PRACTICE.

THIS COMMITMENT CONTINUES, AND THE COMPANY HAS TAKEN STEPS DURING THE YEAR TO ENSURE IT CONTINUES TO COMPLY WITH ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS.

THIS YEAR'S ANNUAL REPORT CONTAINS A DETAILED, EIGHT-PAGE CORPORATE GOVERNANCE REPORT, WHICH I WOULD ENCOURAGE SHAREHOLDERS TO READ.

DETAILED INFORMATION IS ALSO AVAILABLE ON THE COMPANY'S WEBSITE AT: [WWW.BLUESCOPESTEEL.COM](http://WWW.BLUESCOPESTEEL.COM)

DURING THE YEAR WE HAVE ALSO TAKEN STEPS TO FURTHER STRENGTHEN YOUR COMPANY'S CORPORATE GOVERNANCE ARRANGEMENTS IN LINE WITH LEGISLATIVE CHANGES.

WE REVIEWED THE CLERP 9 CHANGES AND PUT STEPS IN PLACE TO ENSURE COMPLIANCE IN ACCORDANCE WITH THE GOVERNMENT'S REGULATORY TIMETABLE.

DURING 2003/04, YOUR BOARD HAD ANOTHER BUSY YEAR, MEETING TWELVE TIMES (ONE MORE THAN THE PREVIOUS YEAR).

THE BOARD'S PROGRAM INCLUDED SUCH MATTERS AS REVIEWING THE FINANCIAL PERFORMANCE OF THE GROUP, KEY BUSINESS INITIATIVES, IMPLEMENTATION OF STRATEGY - INCLUDING THE BUTLER ACQUISITION - AND THE GROUP'S BUDGET AND BUSINESS PLANS.

THE BOARD APPROVED A RISK MANAGEMENT FRAMEWORK, WHICH IS BEING PROGRESSIVELY ROLLED OUT TO ALL BUSINESSES IN THE GROUP.

MR PAUL RIZZO, CHAIRMAN OF THE AUDIT AND RISK COMMITTEE, WILL OUTLINE THIS IN MORE DETAIL IN HIS REMARKS LATER.

A SEPARATE MEETING WAS HELD SPECIFICALLY TO CONSIDER THE COMPANY'S STRATEGY.

IN ORDER TO ENSURE A CONTINUED UNDERSTANDING AND AWARENESS OF LOCAL BUSINESS CONDITIONS, AND MEET LOCAL MANAGEMENT AND EMPLOYEES, THE BOARD MET AT VARIOUS COMPANY SITES IN AUSTRALASIA AND ASIA DURING THE YEAR.

MEETINGS WERE HELD IN MELBOURNE, SYDNEY, VARIOUS OPERATIONS IN ASIA, NEW ZEALAND AND PORT KEMBLA.

THE BOARD HAS A PROGRAMME TO CONTINUE TO MEET AT SITES IN AUSTRALASIA, ASIA AND THE UNITED STATES DURING THE REMAINDER OF 2004 AND IN 2005.

SINCE ITS APPOINTMENT, THE BOARD HAS REVIEWED ITS EFFECTIVENESS AND THE PERFORMANCE OF INDIVIDUAL DIRECTORS.

DURING THE YEAR, THE BOARD COMPLETED ITS FIRST EXTERNAL REVIEW, UTILISING AN EXPERT CONSULTANT.

INTERVIEWS WERE CONDUCTED WITH EACH BOARD MEMBER AND

WITH SENIOR MANAGEMENT.

ADDITIONAL INFORMATION WAS GATHERED BY COMPLETION OF A DETAILED CONFIDENTIAL QUESTIONNAIRE.

THE REVIEW CONCLUDED THAT THE BOARD IS FUNCTIONING WELL, WITH AN APPROPRIATE MIX OF SKILLS AND EXPERIENCE, EFFECTIVE RELATIONSHIPS AMONGST BOARD MEMBERS, AND BETWEEN THE BOARD AND MANAGEMENT.

THE OVERALL RATING FROM THE INDEPENDENT REVIEW WAS VERY POSITIVE.

THE NOMINATION COMMITTEE ALSO REVIEWED THE PERFORMANCE OF INDIVIDUAL DIRECTORS SEEKING RE-ELECTION AND SUPPORTS THE RE-ELECTION TODAY OF MS DIANE GRADY AND MR RON MCCNEILLY.

EACH OF THE BOARD'S COMMITTEES OPERATES UNDER TERMS OF REFERENCE (OR 'CHARTERS') WHICH ARE DESCRIBED IN THE ANNUAL REPORT.

BOARD COMMITTEES MET A TOTAL OF 20 TIMES DURING THE YEAR AND THE ATTENDANCE AT THOSE MEETINGS BY MEMBERS IS SET OUT IN THE DIRECTORS REPORT.

MS DIANE GRADY, THE CHAIRMAN OF THE REMUNERATION AND ORGANISATION COMMITTEE AND MR PAUL RIZZO, CHAIRMAN OF THE AUDIT & RISK COMMITTEE, WILL PROVIDE AN OVERVIEW OF THESE COMMITTEES' WORK LATER IN THE MEETING.

## **CURRENT TRADING AND OUTLOOK**

I WOULD NOW LIKE TO MAKE SOME BRIEF COMMENTS ABOUT CURRENT TRADING CONDITIONS AND THE OUTLOOK FOR THE 2004/05 FINANCIAL YEAR.

THE PERFORMANCE OF YOUR COMPANY FOR THE THREE MONTHS TO THE END OF SEPTEMBER HAS BEEN VERY STRONG, CONTINUING THE FAVOURABLE TRADING CONDITIONS WE EXPERIENCED IN THE LAST HALF OF THE 2004 FINANCIAL YEAR.

THE INTEGRATION OF THE BUTLER BUILDINGS AND VISTAWALL

BUSINESSES INTO THE GROUP IS PROCEEDING ACCORDING TO PLAN.

MARKET CONDITIONS AND DESPATCHES FOR BOTH THESE BUSINESSES HAVE IMPROVED COMPARED TO THE SAME PERIOD IN 2003, AND WE LOOK FORWARD TO AN IMPROVED PERFORMANCE FROM OUR COATED AND BUILDING PRODUCTS NORTH AMERICA SEGMENT.

OUR UPSTREAM STEEL MANUFACTURING BUSINESSES - PORT KEMBLA STEELWORKS, NEW ZEALAND STEEL AND NORTH STAR BLUESCOPE STEEL - CONTINUE TO PERFORM STRONGLY, SUPPORTED BY HIGHER PRICES FOR THE SLAB AND HOT ROLLED COIL THEY PRODUCE.

ON THE OTHER HAND, OUR DOWNSTREAM AUSTRALIAN COATED AND BUILDING PRODUCTS BUSINESS IS HAVING TO WORK HARD TO MAINTAIN PROFITABILITY, IN THE FACE OF MUCH HIGHER FEEDSTOCK COSTS.

SO, IN SUMMARY, AS WE SAID IN AUGUST THIS YEAR, WE ARE EXPECTING ANOTHER VERY GOOD YEAR FOR BLUESCOPE STEEL. WE ARE OFF TO A STRONG START.

WITH A FULL ORDER BOOK IN THE CURRENT QUARTER, WE NOW EXPECT A FIRST HALF RESULT SIGNIFICANTLY HIGHER THAN THE JUNE 2004 HALF YEAR. THIS IS LIKELY TO RESULT IN A THIRD RECORD YEAR FOR BLUESCOPE STEEL IN 2005, IF CURRENT MARKET TRENDS CONTINUE AND WE DO NOT SUFFER FROM ANY UNEXPECTED OPERATIONAL DIFFICULTIES.

FINALLY, I WOULD LIKE TO THANK MY BOARD COLLEAGUES FOR THEIR EXCELLENT SERVICE DURING THE YEAR, AND FOR THEIR CONTRIBUTION TO YOUR COMPANY'S STRONG FINANCIAL PERFORMANCE.

IN DOING SO, I WOULD PARTICULARLY LIKE TO THANK MR JOHN CRABB, WHO RESIGNED AS A DIRECTOR IN JULY THIS YEAR.

JOHN'S KNOWLEDGE OF WORLD SCRAP MARKETS, GAINED DURING HIS MANY YEARS WITH SIMSMETAL, CONTRIBUTED TO OUR FIRST TWO YEAR'S SUCCESS.

WE WISH JOHN WELL IN HIS NEW ENDEAVOURS.

I ALSO THANK CEO KIRBY ADAMS FOR HIS LEADERSHIP, AND THE MANAGEMENT TEAM AND EMPLOYEES FOR THEIR CONTRIBUTION TO A GREAT YEAR.

I NOW INVITE MR ADAMS TO SPEAK TO YOU ABOUT THE TRANSFORMATION THAT IS TAKING PLACE IN YOUR COMPANY - A TRANSFORMATION THAT HAS UNDERPINNED THE STRONG PERFORMANCE WE HAVE SEEN SINCE OUR PUBLIC LISTING.

MR ADAMS HAS JUST RETURNED FROM THE ANNUAL MEETING OF THE INTERNATIONAL IRON AND STEEL INSTITUTE, WHICH HE HAS CHAIRED FOR THE PAST YEAR.

KIRBY, WE LOOK FORWARD TO YOUR INSIGHTS.

**END**