

CHECK AGAINST DELIVERY

**BLUESCOPE STEEL AGM
12 NOVEMBER 2009**

Mr Graham Kraehe

CHAIRMAN'S KEY ADDRESS

Ladies and gentlemen, I would now like to address the key topics that are of particular interest to shareholders:

- The Company's performance for 2009
- Actions taken to best position the Company during this difficult economic period
- An update on the emissions trading scheme
- And the outlook

This past year has been nothing short of extraordinary.

Not since the Great Depression has the world felt the shock and after effects of such an economic crisis.

Much of the focus has been on the global financial crisis but the impact on much of the real economy has been just as severe.

In fact, it has been referred to as "the sharpest decline in industrial output in the history of the world."

The chart on the screen shows just how severe it was with industrial production plummeting by more than 40 per cent.

Last year, when we spoke with you at the AGM, the Company was coming off a strong year.

It was then clear, that the September quarter was one of BlueScope's best, but as we moved into November and December demand for steel declined sharply.

No one predicted just how fast and furiously the market would fall.

It was an extraordinary time requiring tough measures.

Decisions had to be made in response to rapidly deteriorating conditions where visibility was limited to weeks not months.

The Board met 21 times – more than double the number of Board meetings held during a normal year.

This reflects the intensity of Board and senior management engagement required in managing through the crisis.

For BlueScope Steel, as for many other companies in Australia and around the world, particularly in the steel industry, it was our most challenging year ever.

Performance for 2009

To illustrate this for you, in the first quarter of last year we were running at around 12,000 tonnes of steel a day for the Australian domestic market and approximately 15,000 tonnes a day for overseas orders. That's 27,000 tonnes a day.

Just a few months later, domestic orders were 4,500 tonnes of steel a day and, at one stage, international demand stopped completely.

At the trough, this represented an 85 per cent drop in demand.

Inventory value increased by \$1 billion as a result of this demand drop and higher raw material costs.

In Australia, the slower activity combined with high inventory throughout the channel, led to lower sales volumes across all segments of the market from building and construction which accounts for nearly two thirds of BlueScope's domestic sales, to agriculture, mining, automotive and manufacturing.

The Non-Dwelling and Engineering Construction segments were significantly affected by project deferrals and cancellations as funding sources dried up.

But by the June quarter, we began to see signs of improvement in domestic demand.

At year end, the Company reported a net loss after tax of \$66 million.

Underlying net profit after tax was \$56 million and the underlying earnings per share was lower by 93 per cent to 6.1 cents.

Unquestionably, the impact of the global financial crisis on the real economy was severe.

Actions taken

Swift action was necessary in order to strengthen the balance sheet, improve liquidity and provide greater financial certainty.

To achieve this, the Company undertook 3 key steps:

- Firstly, \$400 million was raised through an institutional placement and Share Purchase Plan;
- Secondly, an equity entitlement offer of \$1.36 billion was undertaken; and
- Finally, a new syndicated loan note facility of nearly \$1.3 billion was established to restructure all of the Company's bank debt facilities.

These financial initiatives were supported by an aggressive program to reduce costs, lower inventory levels and restrict capex to essential items.

As a result, BlueScope now has no material refinancing obligations until 2011, gearing reduced significantly to just under 12 per cent as at 30 June 2009 and liquidity has been improved.

Throughout the balance sheet restructuring, we were committed to providing an equal opportunity to retail and institutional investors to participate in the Share Purchase Plan and the equity entitlement.

This intensive capital management strengthened our balance sheet, enabling us to manage through the downturn and to position us well to capitalise on opportunities as the market improves.

We thank you, our shareholders, many of whom are also employees, for your support during this most difficult and trying year.

Remuneration

A number of actions were also taken on remuneration including a freeze on Directors' fees and on fixed remuneration for executives and senior managers, no annual salary review for staff employees, and no payment of bonuses or awards under the Short Term Incentive Plan.

Diane Grady, the Chair of the Remuneration Committee, will provide further details later in the meeting.

Governance - Board Changes

During the year, there were a number of changes to the Board composition.

In September 2008, we announced the appointment to the Board of Doug Jukes, who was a former Partner and National Chairman of KPMG.

We were saddened to learn of his sudden death on January 3 and repeat our condolences to his family and friends.

In December, Paul Rizzo resigned as a Director. Paul was a founding member of the BlueScope Steel Board. We thank him for his contribution.

Ken Dean was appointed to the Board as a non-executive Director in April. Ken brings a wealth of international financial and commercial experience having held directorships with leading Australian companies in the resources and manufacturing sectors and he now Chairs the Audit Committee.

We will resume the process of regeneration of the Board so, over the coming years, you may see an increase in the Board's size as part of this process.

However, this did not occur during 2009.

CPRS Update

I would now like to turn to an issue of major importance to BlueScope Steel and to all Australians.

I am referring to the Federal Government's proposed Carbon Pollution Reduction Scheme (CPRS) which could affect the viability of significant sectors of this country's economy, particularly in regional Australia.

BlueScope supports the Government's stated environmental and economic objectives.

That is to say, we support a plan that:

- Reduces greenhouse gases.
- Maintains the competitiveness of emissions intensive trade exposed industries, and
- Links the scheme to similar schemes in other countries.

But the Australian steel industry faces real risk from the proposed CPRS.

The steel industry in Australia, from iron and steelmaking through to fabrication, employs around 100,000 Australians and produces nearly \$30 billion in turnover.

Imposing a carbon cost on the steel industry in Australia in isolation will simply make Australian steelmakers less competitive against imports and in export markets.

Further, the CPRS will drain cash from balance sheets – cash that could otherwise be used to maintain competitiveness or invest in abatement projects that would actually reduce CO2.

Not only that, increasing steel production in countries without the same high environmental standards and energy efficiencies as Australia will have the effect of

increasing global greenhouse gas emissions.

Your Directors' fundamental view is that Australia should complete its scheme design but not risk destroying the Australian steel industry's competitiveness by acting in isolation to the rest of the world.

Paul O'Malley will provide further details.

Outlook

Moving into this financial year, the Company is in a much more sound financial position as a direct result of the action taken by BlueScope's Board, management and employees.

On the positive side, we saw an improvement in market pricing and demand at the start of this financial year, albeit off a weak base.

However, more recently, the strong Australian dollar and prices that are now softening will largely offset the improved sales volumes.

As a result, our outlook remains the same as we advised in August and we expect to post a small net loss for the half year ended 31 December 2009.

Based on our expected financial performance for the first half, and on the current outlook, the Board does not expect to declare a dividend when the half year results are finalised.

However, the Board is committed to resuming payment of dividends as a high priority once sustainable economic recovery becomes more certain.

CEO Paul O'Malley will shortly provide more detail on global steel demand and current trading.

Conclusion

In conclusion, this was a difficult and challenging year for most companies.

Swift action and tough decisions were taken and as a result, BlueScope is better positioned for the recovery.

I'd like to thank you, our shareholders for your support, the Board for their contribution, and the CEO, the management team and the employees for their hard work and commitment over this most difficult year.

I'd now like to invite to the lectern BlueScope Steel's Managing Director and CEO, Paul O'Malley.