Check against delivery

Paul O'Malley, Managing Director & CEO
2011 AGM Address

Safety

As always I will start with safety.

At BlueScope, safety is Our Number 1 priority. This is true regardless of where we operate in the world.

Tragically in March this year one of our employees Mr Bao Jian Guo, aged 39 (with a wife and 12 year old daughter) was killed while working in our Butler manufacturing plant in Shanghai, China.

A thorough investigation was undertaken to understand what happened and steps have been taken to ensure that this never happens again.

As you would expect, I have visited the facility and local management have provided support to Mr Bao's family and work colleagues.

Our goal is Zero Harm and we must ensure that we continue to do everything we can to ensure that all our employees and contractors are able to return home fit and healthy after every shift.

During the year we continued on our journey to Zero Harm and again improved our Lost Time Injury Frequency and Medically Treated Injury Frequency performance.

Financial Performance

The financial year 2011 was a difficult one for the global steel industry and for BlueScope Steel.

The Company experienced an unprecedented combination of economic challenges in the form of a record high Australian dollar, low steel prices and high raw material costs and these challenges were compounded by low domestic steel demand in the wake of the Global Financial Crisis.

As the Chairman mentioned earlier in his Address, the Company took a number of actions to improve the financial performance, in particular, of the Australian business which was most affected by these economic challenges.

I will provide further detail on the restructuring of the Australian business shortly.

Global Steel Industry

For the coming year, The World Steel Association believes that global steel production and demand will continue to rise to record levels.

Total production for 2012 will exceed 1.5 billion tonnes.

The developing world continues to drive this growth, in particular China and India. Chinese steel production, for example, has increased five-fold since 2000.

The developing world will account for 73% of global steel demand in 2012, compared to 61% as recently as 2007.

Notwithstanding these records the steel industry globally continues to face challenging times.

Countries that have historically imported steel are growing their internal manufacturing base by adding new steel-making capacity. Countries that have traditionally exported to these countries are seeing their export markets shrink, also at a time when they are facing very weak domestic economic conditions.

As a result we are seeing a significant structural change in international steel flows.

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.

There will need to be further reductions in steelmaking in the developed world over the next 12 – 24 months given the weak economic outlook.

In my opinion, confidence amongst steel making businesses appears to have reached a low not seen since the Global Financial Crisis.

Poor global demand and the European financial crisis are significant contributors to this.

Even the Chinese industry, which represents nearly half global steel-making production is struggling to deliver profits, and is also temporarily winding back production.

Key Business Drivers

Key macro factors continue to have a material negative effect on our business:

- The exchange rate is close to record highs, severely hampering our international competitiveness;
- Raw material costs have been at sustained high levels for the last 12/24 months, albeit recently showing weakness, and

- With industry capacity utilisation so low, steel prices are not high enough to deliver profits above the cost of raw materials.

- Compounding this, Australian demand is at the most depressed levels we have seen this decade, apart from the global financial crisis.

BlueScope needed to respond to both the negative changes in industry structure and the negative trend of key business drivers.

Restructure of Australian business

It was important to re-focus our Australian operations on our domestic market.

We know the Australian market very well and we know that we can continue to competitively deliver high quality products that suit Australian conditions and Australian customers.

We can be successful in the Australian market into the future.

To do so, we had to make some very difficult decisions and implement these decisions quickly and effectively.

As Graham explained, last year our export business from Port Kembla lost $487 million, bringing the whole of BlueScope into loss.

The export business also lost money in the two preceding years, but a lesser amount.
These losses were clearly unsustainable, and exporting steel is not likely to be profitable for some time to come.

It is for these reasons that the decision was made to largely exit our export business from Port Kembla and reduce our production capacity by one half.

Implementation of this decision required the shut of the No.6 blast furnace, No.3 Basic Oxygen Steelmaking furnace, No.1 slab caster and No. 4 coke battery at Port Kembla and the Hot Strip Mill at Western Port. MCL 5 at Western Port was mothballed.

The restructure and its closure of major plant and equipment is well advanced and all major plant closures were completed successfully in the first two weeks of October.

I am pleased to report that the costs of restructuring, which we indicated would be between $400m and $500m 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 But, 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 be materially released over the next quarter.

I also can 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.

To date the implementation has been managed safely.

This is essential and I would like to congratulate everyone involved on their outstanding and safe implementation of a very difficult work plan.

People

As announced our direct workforce has reduced by approximately 1000 employees as a result of this restructure, 800 at Port Kembla and around 200 at Westernport, along with 400 contractors.

The company undertook extensive consultations with employees and unions to agree flexible ways of achieving the restructure, including changes in work patterns, retraining and job substitutions.

Over 90 per cent of job losses were achieved through voluntary redundancy departures, as Graham mentioned earlier.

We have worked very closely with Governments and other employers to ensure our employees received access to all available job opportunities and to Government and community support programs.

Job Centres

The company established Job Centres at Western Port and Port Kembla immediately after the announcement of the restructure.

The Job Centres provided a wide range of services to employees, including job search support, resume writing support, and interview skills training.

We were very pleased, but not surprised, with the high level of interest from other employers in our high quality people. More than 80 companies contacted our people through the Job Centres and Job Fairs, and several thousand roles were placed on the Job Centres website.

Outside Australia

There is a lot to our company outside Australia and we are benefiting from investment decisions made in the past 5 years, in Asia in particular.

We now have well positioned and well managed businesses operating in Asia that are becoming increasingly important as we work to turn around our Australian business.

We are focused on producing higher margin downstream steel products with a number of highly-recognised and respected brands such as COLORBOND and ZINCALUME.

The building and construction sector accounts for more that 70% of our total steel sales and this will grow further as urbanisation, and industrialisation, continue in high-growth emerging economies.There is rising demand for more efficient design and faster construction solutions and improved energy efficiency.

BlueScope has a key advantage. We are a global leader in steel construction solutions, pre-engineered buildings. We are the leading international producer of custom engineered steel buildings with strong positions in key high population markets such as the US, China and India. We are investing in our PEB capability globally as a future growth engine of our business.

Recently, our first Global PEB sales conference was held in Shanghai in June with 47 customers from 13 countries who came together to discuss innovations in global facility construction, sustainable building and the economic outlook. We had success in winning new sales following this conference and it's an initiative we will continue with.

Our core engineering and design technology - provides us with a competitive edge in this market which will ensure we achieve our goal of providing our customers with the fastest speed of construction and high quality product, ensuring the lowest cost solution for them.

Our international reach is second to none and we are seeing success in partnering with multi-nationals like Costco, Proctor & Gamble, Caterpiller and Coca Cola to provide them with a competitive building solution on all continents.

I would like to now provide a regional update on business performance.

Regional Updates
Asia

FY2011 saw another strong performance from our Asian business.

We restructured this business in 2009 and we are now continuing to deliver strong returns, with material upside available as we grow sales from our existing investments.
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 Jamshedhpur operation, we shortly expect to achieve the key milestones of metal and paint on strip.

As previously announced, we are investing in a new facility in Xi'an in China to leverage our global PEB capability and continue to grow this business. This facility will be a leading example of green building design and energy efficiency and we expect it to contribute to improved environmental performance of industrial buildings in China.

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.

We have committed to invest in an expansion of iron sands output from Taharoa as a result of very strong customer demand. We have commissioned a larger charter vessel which will commence operations in CY2012, replacing our existing vessel. This will increase export capacity by one third.

The expansion is underpinned by new long term contracts with existing customers. Further low cost options are under consideration to double production from the expanded level to 2.4mtpa.

The major gas pipeline supplying the North Island of New Zealand recently had a service issue which constrained gas supply to industrial users, including New Zealand Steel.

We had to cease operation for a week and this, combined with a short melter outage, will dampen first half financial performance.

North America Buildings

Our cost reduction activities and supply chain improvements in our North America Buildings business have mitigated our losses in this business over the past few years but ultimately we need a return of construction activity in the US to achieve sustained profitability.
Market construction volumes are only a little better than half those experienced prior to the GFC, even though they are now improving at about 10-15% per annum.

Underlying construction activity is improving, but slowly.

Our buildings business in North America continues to improve and was profitable in October through both cost reduction and volume improvements.

North Star BlueScope Steel

North Star BlueScope Steel has been voted #1US flat rolled steel supplier for the 9th 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 to approximately 2.4mtpa. BlueScope's share of this business is 50%.

Pleasingly, we continue to produce at around 100% capacity and sell approximately 80-90% of the output to customers within a 250 mile radius.

Australia

With the restructure of the steel-making business largely complete, the focus is clearly on finding further opportunities to increase our market share, particularly relative to imports and achieve the next range of cost reductions to ensure ongoing cost competitiveness.

The Australian steel industry is experiencing sustained weak trading conditions. Domestic sales in our Australian business have been marginally weaker this half than in the second half of FY11 as a result of a softer pipe and tube sector and weak building markets.

Total new dwellings construction remains weak, shedding 5.3% in the June quarter, and 9.9% lower compared to June 2010.

Our Lysaght business is seeing lower volumes as a result of this trend.

Mining and engineering construction will be the key drivers of business investment growth in the short term.

As an industry we need to ensure that the significant capital expenditure earmarked by the resources and energy industries is not all spent off-shore. This is a disturbing trend that is increasing as the dollar goes higher.

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%.

The iron ore index price has fallen to around USD 140 per tonne from the USD 170-180 levels experienced during most of CY2011.

Hard coking coal is now around USD240/t, down from the peaks of over USD300/t.

Further, we understand that the recent fall in the iron ore price has put pressure on lagging quarterly pricing formulas and has initiated a review of pricing provisions in contracts structured on these terms.

At the same time, we have also seen a drop in Asian Hot Rolled Coil prices of approximately $100 in recent months.

Cost Reductions

Across our entire business we continue to focus on cost reductions. $696m of cumulative cost savings have been achieved by the end of FY11 (relative to our FY2008 cost base).

After the recent restructure, our cost savings are now closer to 1 billion dollars.

Outlook

In August we stated for first half FY12 our expectation of:

- 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 NRV's and/or impairments)

Today we confirm that these outcomes remain our expectation.

Ladies and gentlemen, as the Chairman and I have outlined, this has been a time of considerable difficulty requiring even more considerable change.

We have taken a number of significant steps to cut loss making operations and accelerate our growth strategies so that we can return to profitability.

That is our absolute focus and I would like to thank the Board for their support and all our employees, past and present, for their outstanding efforts throughout the year.