CHECK AGAINST DELIVERY

BlueScope Steel AGM 2012 Address by Graham Kraehe, Chairman

1. A VERY DEMANDING YEAR

BlueScope's financial performance has been significantly affected by major external factors impacting our Australian steel export business in particular, and by the cost of decisive actions taken by the Board and management to restructure our business.

In simple terms, a combination of high raw material costs and a very strong Australian dollar made exports of commodity steel products unprofitable, while weak Australian demand increased our exposure to the export sector.

To address these major industry changes, we have – during FY12 and the early months of FY13:

- 1. Acted decisively to halve Port Kembla Steelworks capacity, thereby reducing our export exposure with total restructuring costs over \$400 million
- 2. Released almost \$600m working capital (adjusting \$200m for favourable timing of payments to fund the restructure
- 3. Raised \$600 million through a Rights Issue, to pay down debt to strengthen the balance sheet)
- 4. Restructured the business from six divisions into four
- 5. Implemented a painful but necessary downsizing of our workforce by over 1800 people.
- 6. Announced a joint venture of our ASEAN and North American Building products businesses with Nippon Steel– now the world's second largest steel company. When complete, we will receive over \$500 million from this deal, which will see us with very low debt.

Many of these actions have been painful for us all - shareholders, employees, management and Board. The vast majority of BlueScope employees are shareholders in their company, and directors and executives have significant holdings as a policy requirement. We therefore understand and have been personally impacted by the disappointing share price and the capital raising.

2. HIGH LEVEL FINANCIALS

Turning now to financial performance, throughout the year we faced quite adverse economic conditions – and this was reflected in the \$1,044 million reported net loss after tax (NLAT) for the year. The underlying NLAT was \$238 million. The difference between the numbers is largely due to one-off costs of \$288m to restructure the Australian steelmaking business and \$583m non-cash impairment charges.

During the year, BlueScope continued to make excellent progress in reducing its debt. At the end of the FY2012 financial year, the Company had reduced net debt to \$384 million. This was driven by a significant reduction in working capital, the \$600 million Entitlement Offer conducted last December and the successful sale of Metl-Span, our North American based steel insulated panels business.

We have put a high priority on building a stronger balance sheet. The net proceeds we receive from the Nippon Steel JV will afford further financial flexibility and balance sheet strength. We also considered a US bond issue to further strengthen the balance sheet by extending maturities. The decision not to proceed at this time will be explained by the CEO.

3. DIVIDEND

The Board has decided there will be no final dividend. Our priority is to recommence paying dividends to shareholders when our business has returned to profitability.

4. SAFETY

For BlueScope safety is our number one priority. Our aim is Zero Harm. The Company's safety performance remained at world's best in FY2012 with its Lost Time Injury Frequency Rate (LTIFR) remaining below one incident for every million hours worked. Our Medically Treated Injury Frequency Rate (MTIFR) improved by 10% to 5.8 per million hours worked. CEO Paul O'Malley will elaborate on the Zero Harm program.

5. TRANSFORMING TO A NEW BLUESCOPE

The last 18 months has been a time of transformation for BlueScope.

On 1 July, the Company restructured, establishing four distinct market-focused businesses operating across the globe. The Company now comprises:

- BlueScope Australia and New Zealand;
- BlueScope Building Products (including the JV with Nippon Steel);
- BlueScope Global Building Solutions (our world leading custom-engineered buildings systems business);
- and North Star BlueScope Steel (our highly regarded steel mini-mill JV with Cargill in the United States).

The Company laid the foundations for a return to profitability and growth through a number of major initiatives.

The most prominent was the agreement with Nippon Steel. The world's second largest steel company's investment in our building products business in Asia and North America recognises an enterprise valuation of US\$1.36 billion and demonstrates the value they see in our brands and networks.

It will fast-forward our entry into exciting new market segments across South East Asia such as special painted steels for whitegoods manufacturers to service Asia's fast growing demand.

We have spent the best part of 50 years establishing our businesses throughout Asia. We are now seeing the rewards of that foresight as our Asian businesses continue to perform well and we see further growth opportunities in our markets there.

In addition, the new Global Building Solutions business is poised to capture new growth opportunities in the \$54 billion fast growing non-residential construction markets.

In Australia, we shut a number of major assets including the #6 Blast Furnace at Port Kembla as part of a major restructure to better align steel production with domestic demand and exit the loss-making

export market. This was a very difficult decision but essential to ensure the long term future of your Company.

All the initiatives during the year had a core objective of strengthening BlueScope's ability to compete successfully in a volatile global economy.

Managing Director and CEO Paul O'Malley will speak in a little more detail shortly about these transformational initiatives and how they support implementation of Company's business strategy.

6. EXTERNAL CHALLENGES

The Company's year of transformation occurred as we faced a range of challenging external factors, including; a very strong Australian dollar, high raw material prices, soft steel prices, weak Australian domestic demand and unfairly priced or 'dumped' imports that significantly affected our Australian business.

In addition, the competitiveness of manufacturing in Australia continues to be challenged by other factors including increasing energy costs, and the continued need for labour and capital productivity improvements.

7. PUBLIC POLICY

There are a range of public policy issues that your Company is leading debate on – and I can report that we have had constructive engagement with the Federal Government at a Ministerial and Departmental level.

In particular, for some time, BlueScope has been concerned with the dumping into the Australian market of low cost, excess capacity steel products.

We have seen foreign-led market distortions of Australia's steel industry – and by association of course, distortion of Australia's broader manufacturing sector. As Australia's largest manufacturing employer we are very concerned.

Some four years after the global financial crisis, there is still volatility in the global economy. There is concern in many nations about unfair trade. In the steel industry, it is clear that weak global demand and overcapacity has led to predatory and injurious 'offloading' of surplus steel.

BlueScope has taken the economically responsible course of closing unprofitable production capacity, for example Blast Furnace 6. But many other producers have not.

A number of countries aligned to the World Trade Organisation (WTO) have taken aggressive antidumping and/or countervailing action to combat this issue:

- The United States and China have launched WTO cases against each other.
- Some countries have applied unilateral trade barriers (e.g. Brazil recently applied 25% across the board tariff on hundreds of imported goods).

BlueScope believes dumping has now become a key issue for the future of Australia's manufacturing industry generally.

That is why we are playing a very active role advocating reform to Australia's 'anti-dumping' laws – both in terms of policy and enforcement while remaining WTO compliant.

We will continue to work closely with all levels of Government to effect further positive change.

8. REMUNERATION

Board decisions in regard to remuneration have been made in the context of the challenging circumstances faced by BlueScope operating in an industry undergoing massive structural change and at a cyclical low. We have listened to you, our shareholders, on this issue.

Diane Grady will speak about this shortly, but in summary, the Board has considered the complex issues relating to executive remuneration in a business undergoing major structural change.

We ask shareholders to support the approach we have taken to remuneration, and look forward to a positive vote in favour of this Report.

9. SHAREHOLDER QUESTIONS

There has been considerable consultation with investors on remuneration, but I also talked with shareholders and shareholder representative bodies (including the Australian Shareholders Association) after release of results but prior to the AGM. In these discussions, the main issues which were raised with me related to company performance, turnaround strategy and remuneration.

I have dealt with the first two of these issues in my address today and Mr O'Malley will provide some additional detail in his address. Questions relating to remuneration will be dealt with by Diane Grady's address to the meeting.

10. OUTLOOK

FY2013 will be another important year of transformation and turnaround and the CEO will outline some more detail shortly.

So far in this first half FY2013 we are seeing improved financial performance over both the previous half years.

We confirm in our guidance that we expect an underlying net loss after tax (NLAT) approaching breakeven for the first half (before period-end net realisable value adjustments and subject to spread, FX and market conditions).

I am confident that our new business structure will help us meet our objectives of returning your business to sustained profitability, and that we can look ahead to a new period of growth and opportunity.

11. CONCLUSION

Your Board and management have been working very hard to restructure the business as I have outlined and we have made good progress. We have held a record 25 Board meetings during the past year.

I take this opportunity to thank my fellow directors, the senior management team so capably led by CEO Paul O'Malley and all BlueScope employees.

I also thank you, our shareholders for your continued support.