

# BlueScope Steel

## Annual General Meeting 2006

Speech Notes – Kirby Adams, Managing Director and CEO  
15 November, 2006

### **Introduction**

The BlueScope Steel journey to date has been an exciting and value-creating one. I am proud to be its leader and its architect.

The Chairman has given you a full summary of the year that was, and some results for the first four months of this financial year.

On certain key financial measures, last year was disappointing, but on other key operational measures that you may not realise, it was a strong performance.

We took some hard medicine and we made some tough decisions, for example the closure of the Tin Mill in Port Kembla.

These actions have paid off, because our results so far this year would indicate we're still very much on track, with all our segments operating profitably, and our four-month revenues of nearly \$3 billion and NPAT over \$250 million.

These results also confirm that the last half of 2006 was an unexpected bump in our road of progress. The important thing is, we didn't lose a wheel and we have kept on course.

When we meet, I usually talk to you about performance for periods of 6-12 months. It's important to give you regular updates on our progress. But creating real, long-lasting shareholder value is at least a decade long journey.

So, what I'd like to do today is talk to you across a larger timeline – from 5 years ago, through to today, and the next 5 years out, so you can appreciate how far BlueScope Steel has come and how well placed your Company is to take on the future.

Firstly, let's take a closer look at your Company.

**(slideshow)**

### **Last 5 years**

As this slideshow would have reminded you, the spinout of our steel business from BHP Billiton was first announced in early 2001 – nearly 6 years ago.

Some 15 months later, in July 2002, the new BHP Steel Ltd successfully listed on the Australian Stock Exchange and became an independent company.

The spinout represented a big opportunity and huge challenge for all of us.

We were fortunate to have a newly formed top-quality Board of Directors with wisdom, energy and courage.

And many of you had courage too – by hanging onto your shares and perhaps buying some more, recognising a great company and great investment potential when you saw it. And it was potential, because we had no real track record when we publicly listed.

In fact looking back, our total NPAT result for 2002 was less than the 4-month profit we've just announced to you today.

We also took on the world with a new identity – our first day of trading as BlueScope Steel was only 3 years ago in November 2003.

I always believed we would be a success. Why? For the same reasons I believe it today.

We have a fundamentally great Company, a clear plan through our sound and well-articulated strategy, and a strong business model. These have driven an exciting overseas and downstream investment program, positioning BlueScope in China, India, the US and Indonesia, four of the most populous nations of the world.

This has increased markets available to us – from a global market of 300 million people in 2002 to today's market of 3 billion people.

We have world-class assets, products of the highest quality and strong brands. And we have a reputation for integrity and delivering when and where it counts.

And foremost, what BlueScope Steel has is great people – men and women who really know what they're doing. This comes from the many years of their personal experience and the 90 year history your Company has doing business in steel.

We are committed to repaying the people who support us.

- our shareholders, through our focus on the TSR returns we earn for you
- we take care of the people who work in our facilities, through world class safety and first world employment conditions
- we take care of the communities who host our operations, by being responsible citizens and looking after the environment
- and we look after our customers – every single day of the week – as we ship and deliver '000s of tonnes of high quality steel products around the world

We love what we do. Together, we and our customers proudly bring inspiration, strength and colour to communities around the world through our BlueScope Steel products.

Not only do we love what we do ... we're good at it too.

The men and women of BlueScope Steel are the key to our success. I always knew they were winners. Back in 2002, they just needed investors like you to believe in them.

So, may I take this opportunity on their behalf to say 'thank you shareholders'.

Not only do our employees make useful products and deliver the services, they do it safely. Through their determination and their care for one another, they have created 91 of the safest workplaces in the world. I am proud to announce that for the first four months of this financial year, the Company's Lost Time Injury Frequency Rate (LTIFR) is 0.4 lost time injuries per million hours worked – a record.

Let's not forget our customers. As in any company, our customers are our life-blood. A large part of our success stems from our ability to shift from a production-centric culture to a customer driven approach.

We don't always get it perfect. And some commercial tensions may remain here and there (particularly during a period of cost inflation).

But, let me be very clear that customer care and customer satisfaction have become the way we do business every day.

As you know, doubling or tripling the size of a company, while continuing to deliver profits through existing business, is an experience of highs and lows. It doesn't happen by accident and it certainly doesn't happen overnight. It is exciting, challenging and character building.

Our strategy is pretty audacious and it's certainly not for the faint-hearted. It takes great courage, confidence and resolve – and of course just plain hard work.

Our journey hasn't been without bumps and turbulence – it certainly hasn't been 'easy'. We've had some difficulties to overcome:

- market forces - sometimes with us, sometimes not
- industrial disputes – as we implement workplace reforms and improve productivity
- customer wins and disappointments
- and unforeseen events like the Western Port fire (14 months ago)

But BlueScope Steel people, with their usual can-do spirit, have picked themselves up, dusted themselves off, and managed the issues while staying absolutely committed to the course.

And at every moment, through every challenge, this Board has given their full support - so critical to our team of 18,000 who work so very hard to nurture and grow this business.

## **Today**

As we sit here today in November 2006, BlueScope Steel is indeed a very different company from BHP Steel in 2002. We've moved from a construction zone in many parts of our business towards full production across our total footprint in Australia, Asia, North America and New Zealand. And from production comes growth, productivity, revenue and profitability.

We are now exceptionally and uniquely well placed in terms of geography, customers and markets, products and brands. We're recognised around the world as leaders in steel making, coating of steel, painting of steel, roll-forming into building parts, and designing, manufacturing and delivering pre-engineered buildings.

Today, your Company is much more multi-national and multi-cultural. Five years ago, we had just over 20 employees in China - today we have over 2,200. Over the same time period, we've gone from a few employees in North America to over 4,000. And we're also building our workforces in India, Vietnam and Thailand.

We have also achieved things that you probably cannot see.

The attitude within BlueScope Steel today is completely different and the optimism is contagious. We are much more outward and forward-looking. And much more prepared to grasp opportunities and move outside our comfort zone.

We have great depth in our management team and across our general workforce, and it just keeps getting better and better, and more and more diverse, as people choose to work with BlueScope Steel.

So, we feel we're an Australian success story – AND not just in Australia. We have a winning culture and we're spreading it around the world. Today, BlueScope is ready for the next 5 years and beyond.

### **Next 5 years**

Well then, what does lie ahead for BlueScope Steel? The global steel industry outlook still looks promising.

We are optimistic on steel demand for some time to come, especially where we have a presence and we see:

- a slowing in the pace of raw materials inflation – which has added nearly \$1 billion to our costs in the last 5 years
- steel prices becoming less chaotic and less volatile as the global benefits of consolidation and privatisation take hold

And you can look forward to seeing our strategy fully implemented and continuing to pay back returns. Two years from now, BlueScope Steel Asia will be over twice its current size and our Tata BSL joint venture will be an admired success.

BlueScope Steel is on track, and on budget – ready to face the next 5 years, with a resolve as strong as the steel we make.

Over the next 12 months or so, I'll be focused on finishing off what I and the Board started.

We are off to a great start in our first four months of this year with all our segments operating profitably, with revenues of nearly \$3 billion and NPAT over \$250 million. And as I said, we're currently on track for a group-wide safety record

I love this Company. I believe in our people. I thank you for believing in us to build the great Company we are today. Keep watching us. Keep investing in us. Because we're doing just fine! And over coming years you'll see your Company doing even better!"

Thank you for the opportunity to lead this great organisation!