



BlueScope Annual General Meeting 2013

14 November 2013, Sydney

**Chairman's Address made by Ron McNeilly,
Deputy Chairman and Chairman of the Meeting**

CHECK AGAINST DELIVERY

THE WORLD'S CHANGING. SO ARE WE

We have seen many changes in the global steel industry - new markets and the rise of new economies bringing opportunities and challenges.

Our Company has changed too.

SIGNIFICANT TURNAROUND IN FY2013

When the Chairman, Graham Kraehe, addressed shareholders at last year's AGM, he spoke of the range of major initiatives the Board and management had underway to enhance the Company's position for the future.

While we have further work to do to achieve better returns, the 2013 financial year saw a large turnaround for BlueScope as the benefit of these initiatives were realised.

Particularly pleasing developments for the year were:

- The Coated & Industrial Products Australia (CIPA) business has achieved \$150 million in underlying EBITDA, a major improvement of \$300 million on the prior year.

This is an outstanding outcome and has been delivered despite continued difficult trading conditions in Australia.

This business is now very well placed for a lift in Australian domestic demand.

- Building Products EBIT improved to \$80 million, 57% higher than FY2012.
- The formation of the NS BlueScope Coated Products Joint Venture with Nippon Steel & Sumitomo Metal Corporation on 28 March 2013 which realised proceeds of US\$571 million.

This has contributed to a very strong balance sheet and improves BlueScope's financial flexibility to invest in growth opportunities.

The business had a strong performance in FY2013 and good progress is being made to deliver the benefits of working with NSSMC.

HIGH LEVEL FINANCIALS

Overall, the Company delivered a substantial improvement in financial performance for the 12 months to June 30, with a \$960 million turnaround in reported results.

An underlying result of \$30 million net profit after tax was achieved.

Net debt at year's end was reduced to \$148 million – a 75% reduction from \$584 million a year earlier, giving us a much more robust balance sheet.

DIVIDEND

With a strong Balance Sheet and improved financial flexibility, our Company is well positioned to improve and grow, but as previously announced, there will be no final dividend for FY2013.

It is the Board's intention to return to paying dividends as soon as possible.

SAFETY

BlueScope's overriding priority is safety, and we continue our journey towards zero harm so that all our people return home from work safely.

In FY2013, the Company's Lost Time Injury Frequency Rate (LTIFR) was 0.6 that is below one incident for every million hours worked.

Our Medically Treated Injury Frequency Rate (MTIFR) was 5.7 per million hours worked.

Notwithstanding these results, along with all of our colleagues, we were saddened by the tragic death of a contractor truck driver, Mr Brian D Crane at BlueScope's Jackson, Tennessee, site in North America in May.

WELL POSITIONED TO GROW

With a strong balance sheet and improved financial flexibility, your Company is well positioned to improve and grow our businesses.

The Coated Products joint venture with Nippon Steel & Sumitomo Metal Corporation is of great significance and will allow market growth in our South East Asian and North American building products businesses.

The JV will focus a new sales effort on major Japanese manufacturers who operate across the region, in the home appliances market.

Our market leading Global Building Solutions business has an operating footprint with an efficient cost base, a strong customer base, unique intellectual property and a range of "capital-light" growth opportunities.

Our ability to design and build factories, bulk warehouses and retail stores for Fortune 500 companies is unmatched by any competitor in the world.

In BlueScope Australia and New Zealand, the business has come a long way in reducing costs and restructuring.

It is very well placed for a recovery in domestic demand.

As we continue our focus on costs in this tough market, we expect sales revenue and margins may improve should the A\$ continue to be softer than FY2013, and lower interest rates which could lift domestic building and construction activity.

In New Zealand, progress is being made on increasing exports of our iron sands minerals, and domestic steel market volumes are improving.

In North America, North Star BlueScope Steel continues its consistently good performance and we are investigating opportunities to reduce raw material costs for that very solid business.

BOARD RENEWAL

BlueScope has been fortunate to have had a very experienced and capable Board of Directors since the Company was listed on the ASX in 2002.

Plans for Board renewal were put on hold to provide stability and experience while we addressed the challenges from the global financial crisis.

But this year we saw the retirement of Diane Grady and Kevin McCann after 10 years of service, and the appointment of two new non-executive directors, Ewen Crouch and Lloyd Jones.

More recently, Tan Yam Pin has also retired, having joined the Board in 2003.

Further Board renewal will continue as we evolve into a leading steel solutions company focused on building and construction markets, as well as steel making.

REMUNERATION

In recent years, executive remuneration has been constrained, in line with the Company's financial performance.

The Board has taken great care to ensure BlueScope's remuneration reflects the actual performance of the business.

We have actively consulted with shareholders and sought external advice, resulting in changes that have been well supported by you, our shareholders.

Penny Bingham-Hall 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.

Directors' fees have not been increased since 1 January 2011, and prior to that Directors' base fees had not been increased since 1 January 2006.

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

MARKET FEEDBACK

Your Chairman has met with a number of major shareholders and shareholder representative bodies and proxy advisers since the release of the FY2013 financial results.

It is very pleasing to hear how complimentary shareholders and representative bodies (including the Australian Shareholders' Association) are of the work the team has done to restructure the Company to meet the changes in market environment and to bring the Company into a very sound financial position.

A demonstrable sign of this confidence is the considerable broadening of Australian institutional shareholders that we have observed over the last 12 months.

Conversations with these shareholders are now much more about the growth potential of the various markets that your Company serves, and our businesses' potential to tap this growth.

It's an encouraging sign to all of us that, in the 12 months since Graham spoke to shareholders at last year's AGM, the number of broker analysts actively researching BlueScope and their average share price targets, have increased significantly.

The main issues which have been raised by shareholders and proxy advisers leading up to the AGM related to company performance, return to dividends, and remuneration.

I have discussed these in my address today and Paul O'Malley will provide some additional detail in his address.

Remuneration issues will be discussed by Penny Bingham-Hall in her address to the meeting.

OUTLOOK

We now expect underlying NPAT for first half FY2014, before period end net realisable value (NRV) adjustments to be similar to that of 2H FY2013 – subject to spread, FX and market conditions.

THE FUTURE

We have fought hard to transform our business, and that combined Board, management and employee effort will continue.

We are well positioned within our four core businesses to pursue growth opportunities.

We have a portfolio with competitive advantages; These include:

- our strategic partnerships
- our unique manufacturing footprint
- our network of people, operations, builders and customers around the globe, and;
- our trusted products, services and brands.

The world has been changing.

So have we.

Your company has a more positive future.

I take this opportunity to thank my fellow directors, the senior management team and all BlueScope employees whose efforts have repositioned us to capitalise on that bright future.

I would also like to thank our shareholders for their on-going support during what have been very challenging times.

Thank you.