



BlueScope Annual General Meeting 2013

14 November 2013, Sydney

Address by Paul O'Malley, Managing Director and CEO

CHECK AGAINST DELIVERY

Since 2008 the steel industry has faced unprecedented difficult trading conditions.

Direct management intervention and changes across the entire Company during this time have delivered a significant turnaround this year.

The transformation of our business through restructuring, cost reduction programs, prudent capital management and strategic investments has positioned us well for future growth.

Before I speak in more detail on our strategy and company performance, let me first say a few words about our number one priority – safety.

SAFETY

As the Deputy Chairman has mentioned, and notwithstanding our overall safety performance, all BlueScope employees 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.

I visited the site after the fatality to work through the lessons with local management to ensure we continue our drive to Zero Harm.

BUSINESS UPDATE

I will now speak about the performance of our individual businesses.

BLUESCOPE BUILDING PRODUCTS

In Asia and North America our Building Products business is growing and the NS BlueScope Coated Joint Venture, formalised in March this year, is beginning to deliver new customers and products.

This business produces premium sustainable metal coated and painted steel building products used in residential and non-residential building and construction.

So far, in the current half, we are seeing continuing strong performance in Thailand, Malaysia and Vietnam, and momentum is gathering in our North American coated products business.

Indonesia is seeing softer trading conditions driven by currency depreciation however we do expect it will resume its growth trajectory in the medium term.

Overall, the Building Products business is well positioned to tap the anticipated strong growth in demand for building and construction and the home appliances sector in the Asia Pacific region.

We have the leading brands and technology, leading channels to market and the right business partner in Nippon Steel & Sumitomo Metal Corporation.

BLUESCOPE GLOBAL BUILDING SOLUTIONS

Our Global Building Solutions business continues to deliver solid returns, with strong potential for capital-light growth.

This business is focused on strengthening its position as a global leader in Engineered Building Solutions through the following initiatives:

- The establishment of global Engineered Building Solutions sales and supply chain network for Fortune 500 multinational companies seeking to expand their operations internationally; and
- The expansion of its manufacturing footprint in China with a new facility in Xi'an.

I was delighted to attend the formal opening of this plant, our 10th factory in China, and that country's first three-star green industrial building - the highest environmental rating in China.

It will serve customers in the expanding central and western provinces of China and also showcase to customers a new generation of sustainable industrial building solutions.

So far, in the December 2013 half, we are seeing strong earnings in the North American buildings business, during their peak summer building season.

The Asian operations are seeing similar conditions to the last half, including soft demand in China.

NORTH STAR BLUESCOPE STEEL

The North Star business, a two million tonne per annum producer of hot rolled coil, located in Ohio, is a very good business.

With its optimal location, low cost of production and dedicated employees, it consistently delivers great customer service and excellent returns to your Company.

Together with our joint venture partner, we are progressing our review of growth and improvement opportunities for this business.

Thus far in the December 2013 half, North Star has maintained its solid earnings contribution with mildly improved spreads and seasonally strong despatch volume.

BLUESCOPE AUSTRALIA AND NEW ZEALAND

Australia

After difficult years we are recharging this business to deliver long term sustained profitability and cash generation.

There has been a fundamental change in the way BlueScope ANZ operates:

- A 'one value chain' approach;
- A 'market driven' approach; and
- A focus on controlling actual cost and quality per tonne of steel produced (at half the volume)

The \$300M improvement in underlying EBITDA of the Coated & Industrial Products segment was very

pleasing, despite what would appear to be bottom-of-the-cycle construction and manufacturing market demand.

The business has introduced a number of product innovations, including the launch of Next generation ZINCALUME® with Activate™ technology – breakthrough new coating technology, and a relaunch of COLORBOND® steel

In the current half, domestic volumes are slightly better than the June 2013 half, and there are some positive signs in prices and spreads, but generally the Australian market remains challenging and in recent months the A\$ has risen against the US\$.

Recent improvements in residential housing approvals and house price rises are good leading indicators for the performance of the important residential construction end-use market.

Other end-use segments such as non-residential construction and manufacturing may take longer to respond, with the latter dependant on depreciation of the A\$.

New Zealand Steel

Our New Zealand and Pacific Islands business continues to be a very good contributor to group earnings.

Second half performance in FY2013 was very strong following a weaker first half.

Good progress continues to be made on expanding the export iron sands operations, with a total of 1.7 million tonnes despatched in FY2013, 0.6 million tonnes more than FY2012.

We expect to hit a run rate of 3.0 million tonnes per annum before the end of CY2015.

In the current half, we are seeing domestic activity for the steel business in line with the June 2013 half. Relative to the last half, financial performance of the half will be reduced by the higher NZ dollar, softer realised iron sands prices, higher planned maintenance costs and a pension fund accounting adjustment.

BALANCE SHEET

A range of debt management and financial restructuring initiatives reduced net debt during FY2013 and successfully transformed the capital structure, lengthening the average tenor of debt facilities.

ACQUISITIONS

Since the end of the FY2013 year, we have announced two acquisitions.

We have agreed to acquire from Arrium Limited its OneSteel sheet and coil processing and distribution businesses in Sydney, Brisbane, Adelaide and Perth.

We have also agreed to acquire Orrcon, a pipe and tube manufacturer and distributor, and Fielders, a building products business, from Hills Holdings Limited.

We have been diligent in reducing our costs across our business footprint. These businesses are close to BlueScope's core Australian operations.

Our objective is to improve the efficiency with which we can serve Australian customers by further lowering costs through the integration of these businesses with our existing operations. We are now looking to the future after several years of restructuring and stabilising this business.

These acquisitions are subject to Australian Competition and Consumer Commission approval and typical conditions precedent, with completion targeted for the end of the December 2013 quarter.

LOOKING FORWARD – OUR STRATEGY

Our strategy is clear.

With improved financial flexibility we have a Market First focus to invest in growth in all areas of our business.

OUTLOOK

In closing, I note the Chairman has delivered the outlook.

I would like to thank the Board for their support, and all our employees for their outstanding efforts throughout the year.

Thank you.