



BlueScope Annual General Meeting 2014
13 November 2014, Melbourne
Address by Graham Kraehe, AO Chairman

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WELCOME FELLOW SHAREHOLDERS

In the 2014 financial year, BlueScope continued to grow underlying profitability, as our major turnaround initiatives of recent years began to pay off.

Today BlueScope confirms its first half guidance, that it expects underlying 1H FY2015 NPAT to be similar to 2H FY2014 subject to spread, FX and market conditions. With a return to a normalised underlying tax rate in 1H FY2015 this translates to underlying EBIT growth over 2H FY2014 approaching 30 per cent.

We are encouraged by demand in the Australian new dwelling construction market, by U.S. trading conditions and continued strength of trading conditions in South East Asia.

UNDERLYING PERFORMANCE

BlueScope's FY2014 turnaround was substantial, with a 237 per cent increase over the previous year in underlying earnings before interest and tax (EBIT) to \$249.7 million.

The company delivered an underlying net profit after tax (NPAT) of \$112.3 million, an improvement of \$105.6 million over the previous year.

After inclusion of one-off restructuring, redundancy, business development and acquisition costs, we made a reported net loss after tax of \$82.4 million.

Pleasing developments for the year were the \$246 million lift in operating cash flow and strong balance sheet with 5.5 per cent gearing at 30 June 2014.

All six of BlueScope's operating segments delivered earnings growth during the year and, importantly, the actions we have taken to turn around the company's performance and progress growth initiatives are providing a strong base for future success.

Some shareholders have asked why the company focuses on underlying results in our communications to shareholders. Under International Financial Reporting Standards (IFRS), reported results include a range of one-off and unusual items, such as asset sales, impairments (including unbooked tax losses) and restructuring costs.

Accordingly, the Board believes that underlying results are an important measure of the company's real and sustainable performance and provide shareholders with a consistent measure to allow them to make 'like-for-like' comparisons of performance over time.

That is why both underlying and statutory results are communicated to shareholders together with a clear reconciliation of the differences.



DIVIDEND

The Company's continued turnaround and progress on growth initiatives have laid a solid foundation for a future return to paying dividends.

This is an ongoing priority for the Board.

SAFETY

The company's goal of Zero Harm continues to be at the core of our DNA.

We again recorded a world-class lost time injury frequency rate of less than 1 for FY2014, which means less than one lost time injury per million hours worked. But, in June 2014 we were saddened by the tragic death of a contractor, Mr Shen Bin, at our Xi'an, China buildings site. The Board has reviewed the lessons from this tragedy in detail and Mr O'Malley will provide more information to shareholders shortly.

STRATEGY AND GROWTH INITIATIVES

With an effective performance culture and market driven strategy, a strong balance sheet and financial flexibility, the Company is well positioned to continue to grow its businesses and enhance returns.

Our strategic focus is on product development and improving our product mix; to be strongly positioned in growing markets; lowering costs and better serving our customers.

Good progress is being made on initiatives that support this strategy including:

- The launch in Australia of ZINCALUME® steel with patented Activate™ technology, followed by significant updates to our COLORBOND® steel product.
- The Fielders, Orrcon and Arrium sheet and coil acquisitions in Australia that were completed in FY2014. Integration of these businesses is on track.
- In New Zealand, integration of the Pacific Steel long products acquisition is progressing to plan. Full benefits will be realised when our billet caster is commissioned around this time next year.
- We are progressing the expansion of our New Zealand iron sands export operations.
- We are delivering new products and reaching new customers through our joint venture with Nippon Steel Sumitomo Metal Corporation in South East Asia and the west coast of North America.
- Restructuring initiatives currently being undertaken in our China Buildings, Indonesia Building Products and Australian businesses are progressing well and will further lower the cost of doing business.



These initiatives allow us to broaden the portfolio of products we offer our customers in the important building and construction sector and to lower the cost of serving customers.

Paul will speak in more detail about the business shortly.

POLICY FOR A COMPETITIVE MANUFACTURING SECTOR

BlueScope is proud to be one of Australia's largest manufacturing employers.

During the year, your company continued to play a key role in engaging with governments to talk about key issues affecting manufacturing companies.

What we seek from governments are policies that improve the competitiveness of the manufacturing sector, and ensure a level playing field with overseas competitors, allowing the sector to leverage its comparative advantages.

A strong manufacturing sector is important for Australia.

Although manufacturing employment has declined both in absolute terms and as a proportion of the workforce, the sector is still vital to our economy, employing some 950,000 Australians. That means around 4-to-5 million Australians rely directly or indirectly on the income generated by manufacturing for their daily lives.

Manufacturing in Australia now accounts for 8 per cent of GDP. It is also responsible for 24 per cent of R&D investment in Australia and 34 per cent of goods exports.

BlueScope is strongly committed to research & development and innovation. It has one of the largest manufacturing R&D facilities in Australia, employing 70 people including 30 PhD scientists and engineers. This team is responsible for innovations such as next-generation ZINCALUME® and COLORBOND® steels.

A strong manufacturing sector is key to every successful developed economy.

Picking winners is fine, provided governments first focus on getting the fundamentals of the economy right so that all businesses have the opportunity to thrive.

BOARD RENEWAL

Over recent years BlueScope has conducted a process of Board renewal, designed to ensure the company continues to have an experienced and capable Board of Directors.

This process has brought in directors from diverse backgrounds and with new skills to support the evolving nature of the company.

This year Tan Yam Pin retired after 10 years of service, and three new non-executive directors were appointed - Lloyd Jones in September 2013, John Bevan in March 2014, and Rebecca Dee-Bradbury in April.



OUTLOOK

Returning to outlook, I can confirm first half guidance, given in August. BlueScope expects underlying 1H FY 2015 NPAT to be similar to 2H FY 2014 subject to spread, FX and market conditions. With a return to a normalised underlying tax rate in 1H FY2015 this translates to an EBIT growth over 2H FY2014 approaching 30 per cent.

CONCLUSION

So in conclusion fellow shareholders, the transformation initiatives your company has undertaken are now beginning to pay off and are producing growth in underlying profitability.

Thank you for your very tangible support as shareholders in the company.

I would like to thank my fellow directors, the CEO Paul O'Malley and the senior management team, and all of BlueScope's employees, who have helped deliver our turnaround and transformation.

THANK YOU.