



**BlueScope Annual General Meeting 2016
10 November 2016, Melbourne
Address by Paul O'Malley, Managing Director & CEO**

CHECK AGAINST DELIVERY

It has indeed been another big year for the Company. We have been on a long journey to create one of the most profitable and successful steel building products companies in the world.

As you saw at the announcement of the full year results in August - we are delivering on the initiatives necessary to execute BlueScope's strategy.

That strategy is: to be the global leader in coated and painted steel products in building and construction markets, with a profitable portfolio of premium value brands, positioned in the fastest growing markets in the world - and at the same time being a globally cost-competitive steelmaker.

Our accomplishments have been delivered by our great team of 15,000 employees located across the globe.

Safety

John has already spoken about safety. It is truly a testament to our people that we have turned around the Company's financial results while also continuing our safety journey to zero harm. Safety continues to be our primary focus and a key measure of effective leadership within our company and industry world-wide.

Leading market position

It is pleasing to report that BlueScope has been able to deliver strong profits at a time when the global steel industry has seen the worst prolonged macro-economic circumstances of the past two decades.

BlueScope is the third largest manufacturer of coated and painted steel products in the world, but the number one in the world for these products, in the building and construction markets.

We have a world-leading capability in custom engineered metal buildings, through our BlueScope Buildings business in Asia and North America.

Through our joint venture with Nippon Steel, we are leveraging decades of investment in technology, plants and people in the fast-growing ASEAN region, to win new markets for our industry leading roofing and walling products. And we are developing innovative new products in the domestic appliances and the white goods sector.

We own and operate the most profitable steel mini-mill in the United States, at Delta, Ohio, which is also consistently voted by its customers as the number one flat rolled steel supplier in North America in the prestigious annual Jacobson Survey.

In a truly outstanding achievement our employees have delivered permanent cost reductions in our Australian steel manufacturing business of over \$250 million per annum or the equivalent of \$100 per tonne of hot rolled coil, putting our Australian business in a profitable position even when steel margins are at bottom of the cycle levels not seen in decades.

We are striving every day to secure the future of our upstream Australian manufacturing business, and support over 6,000 productive and well paying manufacturing jobs in the Illawarra region south of Sydney and in communities all around Australia. Our jobs, our manufacturing jobs, provide a well-paying future for many Australians and support regional communities and outer suburban areas which are the lifeblood of Australia. By



securing our primary steelmaking operations we can also continue to make the high quality substrate that is the 'bedrock' for our coated and painted products.

There are still challenges for us to address, particularly in turning around our loss-making New Zealand Steel business by achieving a further \$50 million of permanent annual cost reductions, noting the team in New Zealand has already delivered over \$50 million in improvements.

Financial performance and strategy

Turning to financial performance:

Underlying EBIT in 2015 was \$302 million. Before we even began the year, falls in steel prices and negative exchange rate movements had effectively reduced our starting position by \$127 million. However, we offset this negative by a combined \$327m in cost improvements and \$70 million in market growth and contributions from acquired businesses, delivering an underlying EBIT for FY2016 of \$570 million a 90% improvement on the prior year.

The acquisition of the remaining 50% of North Star BlueScope Steel in the United States was another highlight of the year. We now own 100% of the best steel mini-mill in North America which since acquisition has delivered higher margins than we initially expected primarily due to the US Government imposing high anti-dumping duties on steel being imported into the United States. It is worth reflecting that that the world's largest, and seemingly most liberal economy, has the toughest anti-dumping measures of any country.

Our business in India is also now gathering momentum after a decade of patient nurturing. Importantly we have continued during this period to pay off debt to maintain a strong balance sheet. A strong balance sheet gives us the opportunity to continue to focus on our strategy of adding value to shareholders even during tough times in the steel industry.

Arrium

I take a moment to make mention of Arrium. BlueScope knows only too well the difficulties of being in survival mode. We are very empathetic for Arrium's predicament. We feel for their workforce and communities. The company is under administration with severe challenges, and we wish all concerned well on their journey towards a sale.

Growing capabilities – diversity and innovation

For BlueScope, our journey continues.

At BlueScope we have come to truly appreciate that a talented and capable workforce is a competitive advantage, and to build on this advantage we will strive to hire, develop, promote and retain the most qualified people available at all levels – people who reflect the **diversity** of our customers, markets and the communities in which we operate.

We have a number of programs underway across the business to improve workforce diversity – we are truly making a difference here. We see direct evidence in our business that teams with greater diversity deliver stronger results. In Our Bond we commit to reflecting the communities in which we operate and in doing this we will have the most capable work force possible reflecting the diversity of our communities in each of our businesses.

Staying competitive also means developing a culture that can **innovate** effectively.

Our company has always ranked well in steel product innovation and in creating new markets. We are investing more in this space to underpin our growth and ensure we maintain our global leading position.



A major innovation focus for us will be to leverage the power of COLORBOND® steel. COLORBOND® steel has been a product of its time for 50 years. Since the first coil was rolled in Port Kembla in 1966 COLORBOND® steel has become a reputable brand recognised for its quality, innovation and creativity.

In August we commenced a '50 days of COLORBOND® steel' campaign to give a special "thank you" around the country to those who have supported this great product

What does the immediate future hold in store?

Looking ahead - the global steel industry

Slowing economic growth and steel demand in China and other major nations continues to create global steel overcapacity, maintaining downward pressure on steel prices. In the past the world's economies accepted that China exporting deflation - through a supply of ever cheaper manufactured goods - was OK. But China is now effectively exporting unemployment and politicians and communities all around the world are struggling with this issue.

The BlueScope solution to this, is to be globally cost competitive and ensure that Australia has a strong anti-dumping regime to avoid catastrophic harm to our local industry - while China manages through its stated transition of reducing steel overcapacity and dramatically improving its environmental performance. I do believe China is making progress in reducing capacity – but slowly.

Trading update

I would now like to provide a trading update:

Australian Steel Products

The Australian business has seen some despatch volume growth in 1H FY2017. Cost reductions and productivity improvements greater than previously advised have largely mitigated rising coal costs. The high coal price will impact the March 2017 quarter to the extent increases in steel prices do not offset the cost rise. It is pleasing to note that East Asian HRC prices have risen in recent weeks.

North Star BlueScope Steel

North Star will make a strong contribution this half. Steel spread in the September quarter was US\$110-130 per metric tonne higher than during 2H FY2016. While steel spread has moderated thus far in the December quarter compared to the September quarter, in line with our expectation, it remains US\$30-50 per metric tonne higher than the average through 2H FY2016.

Building Products

The Building Products segment has seen a good start to 1H FY2017 with margins in North America significantly stronger than last half's good performance. Our Vietnam and India businesses are tracking ahead of expectation due to higher margins in both regions and strong volumes in India. Malaysia and Indonesia are delivering consistent results. Thailand is seeing a slightly softer half due to lower margins on higher feed costs.

BlueScope Buildings

The North American buildings business performed strongly in the peak summer building season. We expect earnings this half to be materially better than the December 2015 half, boosted also by the business improvement program.

Our China coated products business, combining coating, painting and roll forming operations is performing well and in line with our expectations. China Buildings is making good progress on cost reductions however continues to face competitive pressure on margins.



New Zealand and Pacific Steel

Domestic activity in New Zealand continues to be strong, particularly in residential and non-residential construction and we are seeing the full benefit of the Pacific Steel and billet caster investments. Overall, with steel and iron ore prices slightly higher than our expectation at August, we expect the segment to deliver an underlying EBIT result better than 2H FY2016.

Conclusion

This leads us to confirm the outlook for the first half. The Company expects underlying 1H FY2017 earnings before interest and tax (EBIT) to be at least \$510 million, subject to spread, FX and market conditions.

In closing, I'm pleased to say that BlueScope is positioned much more favourably today than at any time in the past 10 years. We have an outstanding market presence in the fastest growing areas of the world where our products are being well received by customers throughout Asia, Australia, New Zealand and the United States. We will continue to ensure that our steelmaking operations are globally cost competitive.

We are never complacent about our position in the ever-changing business environment and continue to be vigilant with our approach to innovation and investment in new products and new markets, cost reduction efforts and of course, safety.

Finally, I want to thank all BlueScope managers and our 15,000 employees worldwide, who have shown such resilience and professionalism in turning around the Company and providing us with a strong platform on which to build a most successful future.

Thank you.