



CREDIT SUISSE BASIC MATERIALS CONFERENCE PRESENTATION

Mark Vassella

Managing Director and Chief Executive Officer

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16 September 2020

BlueScope Steel Limited. ASX Code: BSL

ABN: 16 000 011 058
Level 11, 120 Colins St, Melbourne, VIC, 3000

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**AUTHORISED FOR RELEASE BY MARK VASSELLA, MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER
OF BLUESCOPE STEEL LIMITED**

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LEADER IN COATED AND PAINTED STEEL PRODUCTS FOR ASIA-PACIFIC BUILDING MARKETS, WITH BEST-IN-CLASS US MINI-MILL

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Returns focussed disciplines with a strong balance sheet; well positioned for post-COVID growth

ASSETS & CAPABILITY



- Global leader in coating and painting for building and construction markets
- Premium branded differentiated products, including iconic industrial brand position of COLORBOND® steel
- North Star – The best-in-class US mini-mill, with a capital efficient expansion project underway
- Integrated and resilient Australian business delivering returns across the cycle
- Outstanding footprint across the world's largest building and construction markets of Asia and US

CAPITAL DISCIPLINE AND RETURNS FOCUS



- Strong balance sheet, with a target of around \$400M net debt (including operating leases)¹
- Returns focussed, with disciplined competition for capital between investment for long-term growth and returns to shareholders
- Clear target to deliver:
 - Safe and sustainable operations
 - ROIC > WACC on average through the cycle
 - at least 50% of free cash flow to shareholders
 - EPS growth through the cycle

POSITIONED FOR GROWTH



- Positioned for post-COVID trends:
 - lower density housing; rise in A&A
 - e-commerce and logistics growth
 - onshoring of supply chains
- Expanding best-in-class US mini-mill for FY2022/23 growth
- Targeting further growth from outstanding suite of Asian coating assets
- Innovating to drive inter-material and broader growth in Australia and beyond
- Restructuring NZ business to deliver improved performance
- Transforming how we do business through digital technologies

PREMIUM BRANDED DIFFERENTIATED PRODUCTS, INCLUDING ICONIC COLORBOND® STEEL

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Extensive capability in product design, differentiation, branding and channel development

Australia

Colorbond®
Truecore®
Zincalume®
TruSpec®



New Zealand

COLORSTEEL®
NEW ZEALAND'S FAVOURITE ROOF
GALVSTEEL®
Axxis®
STEEL FOR FRAMING
Zincalume®



Asia



North America



A WIDE RANGE OF WORLD CLASS METALLIC COATED AND PAINTED PRODUCTS

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Aesthetically appealing products, providing extreme durability whilst also offering superior design flexibility

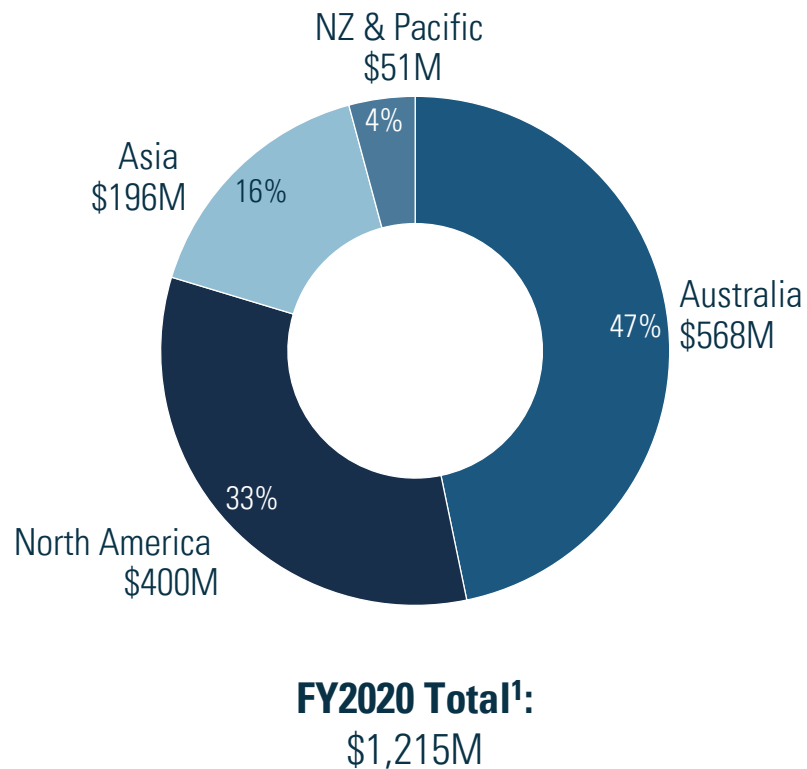


A DIVERSIFIED STEEL BUILDING PRODUCTS COMPANY

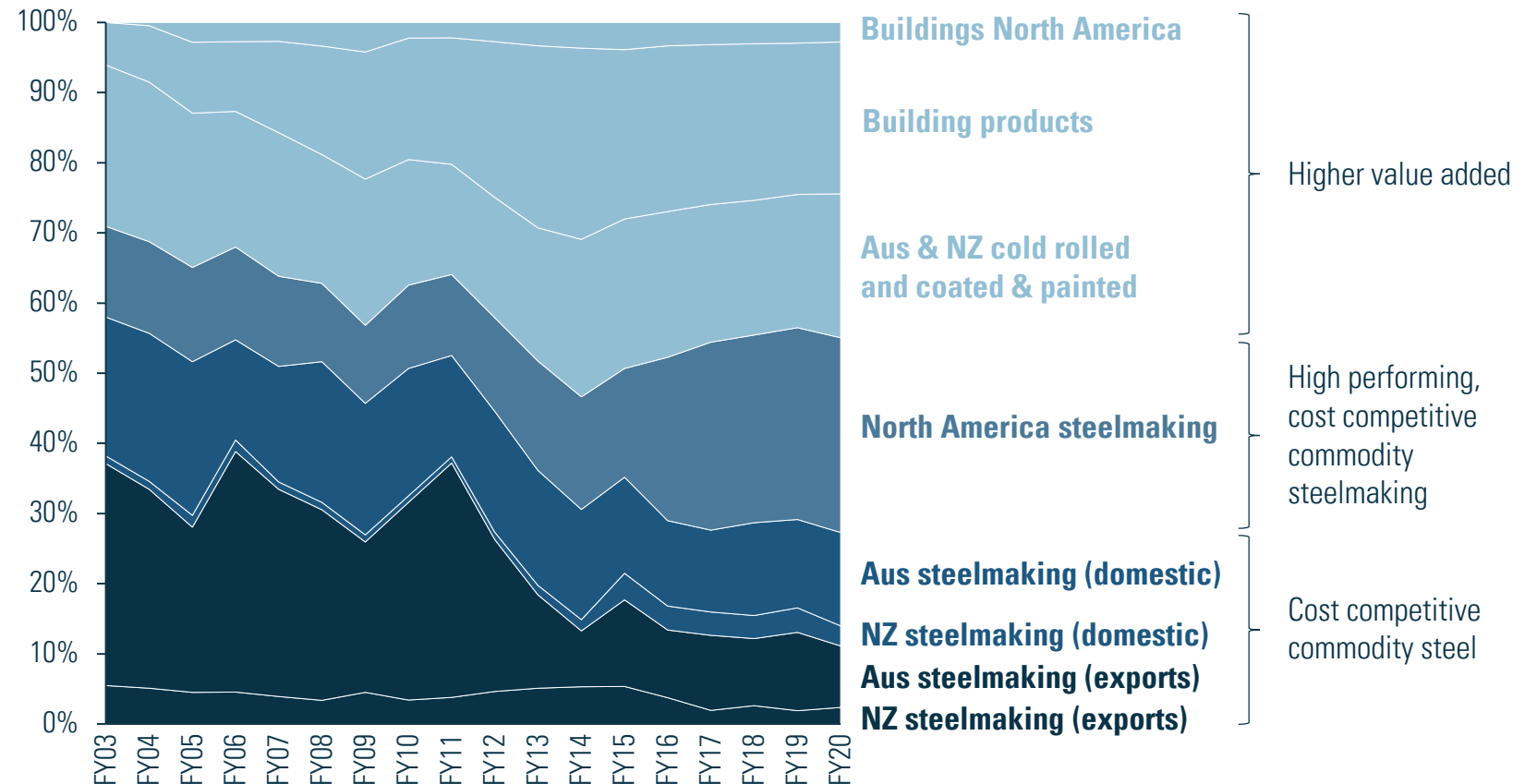
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Generating geographically diverse earnings and increasing contribution from value-added products

Underlying EBITDA by region (\$M)



BlueScope despatch volume mix



OUR PURPOSE

We create and inspire smart solutions in steel, to strengthen our communities for the future.

OUR STRATEGY



TRANSFORM

DELIVER A STEP CHANGE IN CUSTOMER EXPERIENCE AND BUSINESS PERFORMANCE

Digital technology: Deliver the next wave of customer and productivity improvements through digital technologies

Climate Change and Sustainability: Actively lowering emissions intensity and producing highly recyclable products



GROW

GROW OUR PORTFOLIO OF SUSTAINABLE STEELMAKING AND WORLD LEADING COATING, PAINTING AND STEEL PRODUCTS BUSINESSES

Grow our US business including expansion of North Star, the US's leading mini mill

Drive growth in the fast growing Asian region, from an outstanding suite of assets

Pursue incremental opportunities in Australia



DELIVER

DELIVER A SAFE WORKPLACE, AN ADAPTABLE ORGANISATION AND STRONG RETURNS

Deliver safe and sustainable operations and an inclusive and diverse workplace.

Maintain an integrated and resilient Australian business

Secure the future of steelmaking in NZ

Deliver returns greater than the cost of capital through the cycle

Maintain a strong and robust balance sheet

Deliver strong returns to shareholders

Maintaining commitment to a strong balance sheet and disciplined capital allocation

1 RETURNS FOCUS

ROIC > WACC on average through the cycle

ROIC incentives for management and employees

Maximise free cash flow generation

2 OPTIMAL CAPITAL STRUCTURE

Strong balance sheet, with a target of around \$400M net debt (including operating leases)¹

Retain strong credit metrics

Intent to have financial capacity through the cycle to make opportunistic investments or to fund reinvestment in or a shutdown of steelmaking if not cash positive

Leverage for M&A if accompanied by active debt reduction program

3 DISCIPLINED CAPITAL ALLOCATION

Invest to maintain safe and reliable operations, and in foundation and new technologies

Returns-focussed process with disciplined competition for capital between:

Growth capital

- Investments
- M&A (avoid top of the cycle)

Shareholder returns

- Distribute at least 50% of free cash flow to shareholders in the form of consistent dividends and on-market buy-backs²

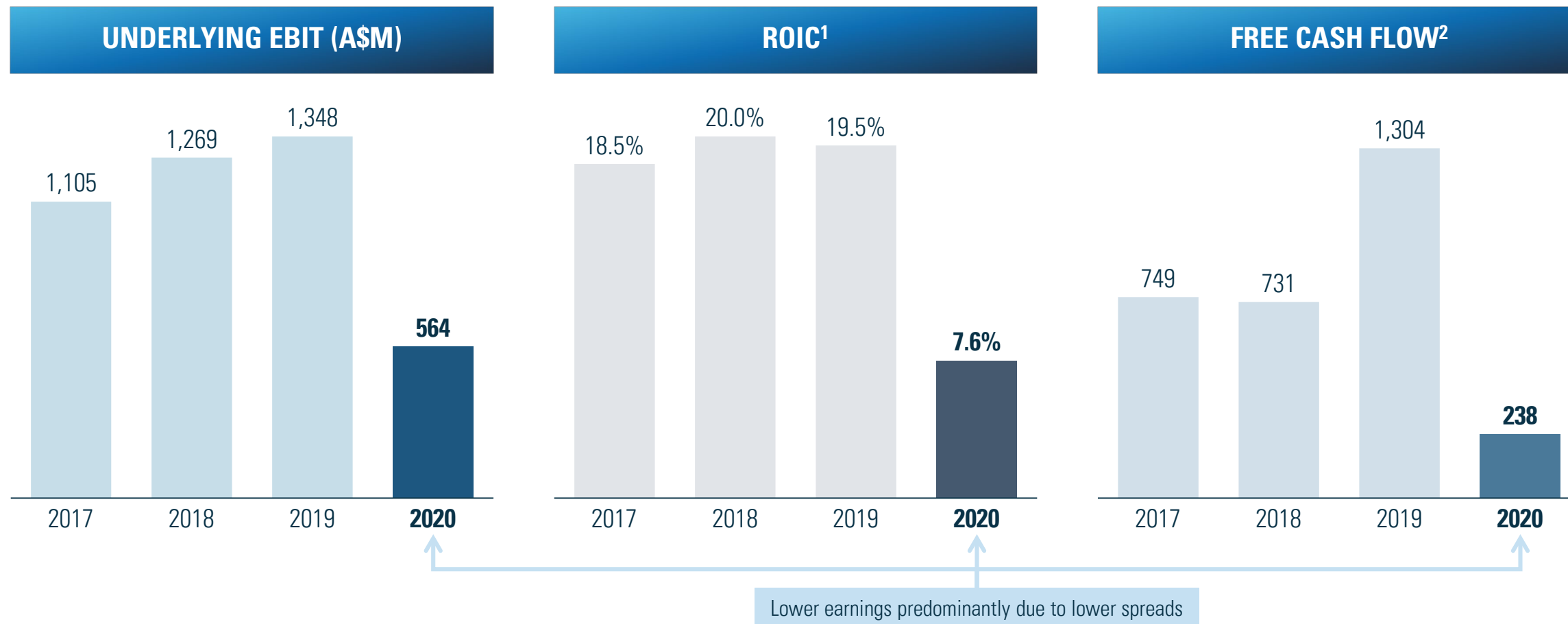
(1) Equivalent to existing target of around zero net debt, excluding the impact of ~\$400M of leases capitalised under AASB16

(2) On-market buy-backs are an effective method of returning capital to shareholders after considering various alternatives and given BlueScope's lack of franking capacity. Given large capex program in FY2021 for North Star expansion and uncertain market conditions, there is currently no active buy-back program.

FY2020 FINANCIAL PERFORMANCE

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Robust performance in FY2020, despite cyclically lower spreads and COVID-19 impacts



- (1) ROIC (return on invested capital) is calculated as underlying EBIT (annualised in case of half year comparison) over average monthly capital employed
(2) Operating cash flow less capex

Quality of portfolio and resilience of business model demonstrated; well positioned to deliver long term shareholder value

MAINTAINED COVID-SAFE WORKPLACES

- Comprehensive health measures adopted in all operating locations, leveraging strong safety culture and capabilities
- Sites have low employee density, with a high degree of automation. Where possible, employees working from home
- No closures due to COVID-19 infection outbreaks at operating sites to date

RESILIENT BUSINESS MODEL

- Resilience and quality of business model demonstrated with robust volumes in key markets
- ASP saw strongest domestic despatch volume in 2H FY2020 since 1H FY2019
- North Star capacity utilisation above 90% during 2H

STRONG CASH FLOW AND BALANCE SHEET

- Generated \$412M free cash in 2H (before North Star expansion spend and dividends / buy-backs)
- Strong balance sheet with \$79M net cash¹ and \$3.1Bn liquidity at 30 June 2020
- Disciplined approach to capital allocation

NORTH STAR EXPANSION ON-TRACK

- Quality of North Star asset highlighted by high utilisation levels amid accelerating US capacity rationalisation
- Expansion project on track and remains a capital allocation priority given long term value accretion. Expect Midwest demand to exceed supply by 2024

POSITIONED TO MEET EMERGING CUSTOMER TRENDS

- Localisation of supply chains aligns to BlueScope's multi-domestic market focus
- Shift towards lower density and regional residential housing; increasing alterations and additions activity
- Enhancing focus on e-commerce growth, including construction of logistics, warehousing and data centre infrastructure

BlueScope is well positioned to address likely post-COVID societal trends



Localisation of supply chains

BlueScope's focus is to serve domestic markets



Rise in home improvements and extensions activity (redirection of discretionary spend away from travel etc.)

BlueScope is a leading residential building products supplier across Australia, New Zealand and South-East Asia



Shifting preference towards lower density and regional residential housing

BlueScope's flat products better suit low-rise construction; steel is more transportable to regional areas than some products



E-commerce, logistics and data centre growth

BlueScope is a leading supplier of industrial building products



Government infrastructure spending increases as fiscal stimulus

Key consumption market for steel



Preference for private road travel driving auto growth

Steel is a key input to road transport vehicles

An integrated and resilient business that delivers returns across the cycle

Segment overview



An iconic industrial brand position with COLORBOND® steel



Maintaining extensive channels to market



Relative geographic isolation provides a freight advantage



A wide range of low capital growth opportunities in intermaterial applications



Highly competitive cost base; technology unlocking next wave of improvements

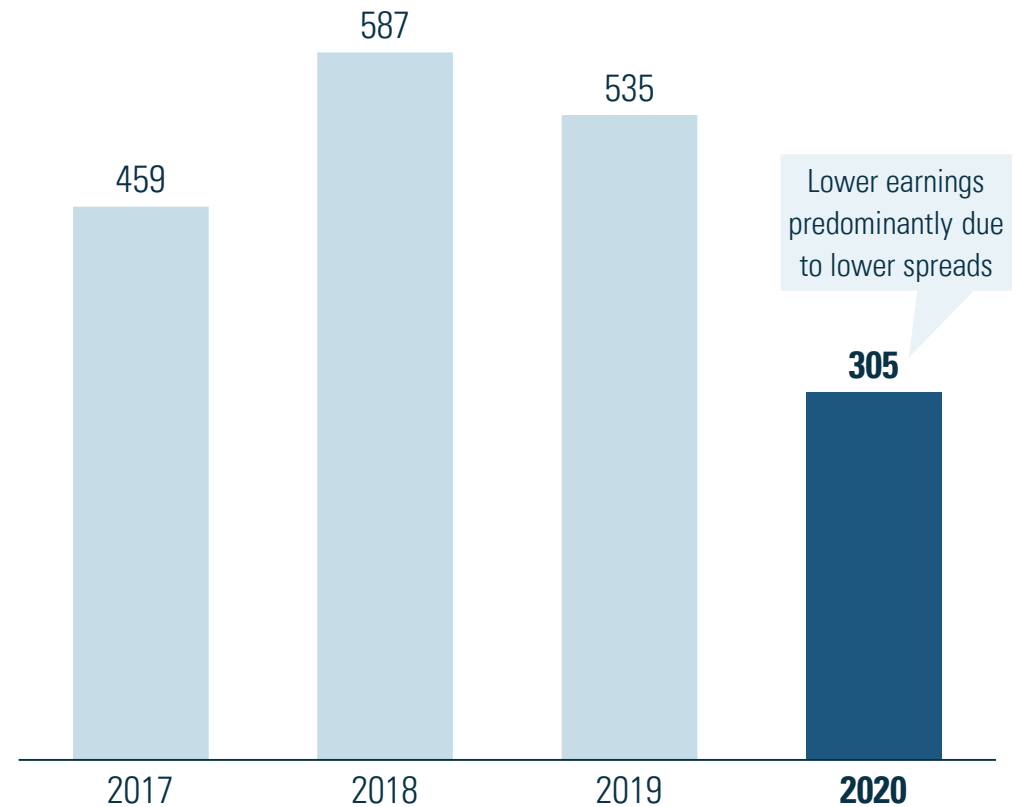


Integrated and resilient structure delivers returns across the cycle



Strong track record on emissions; committed to ongoing improvement

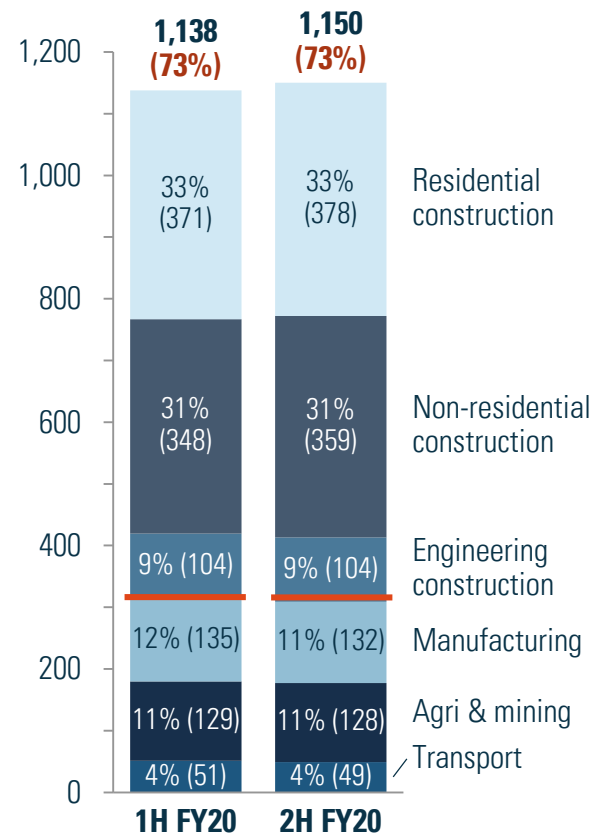
ASP Underlying EBIT (A\$M)



Current activity levels remain resilient across the building and construction markets to which BlueScope is exposed

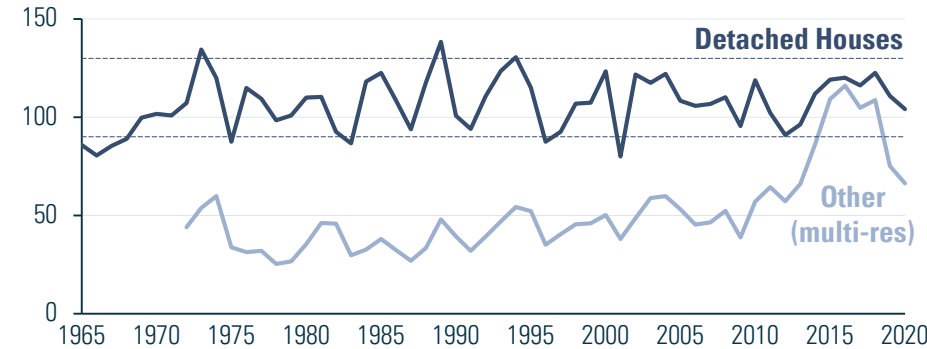
Domestic despatch mix (kt)

Total construction % shown in red



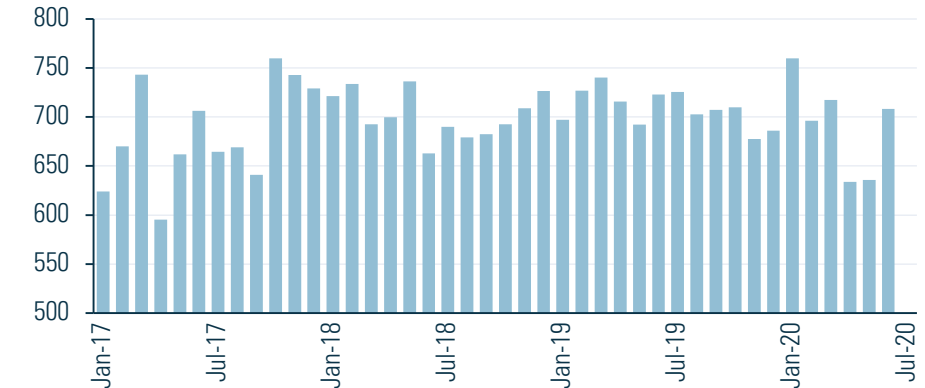
Long-term dwelling approvals¹ ('000 units)

Holding in stable historic range despite pullback



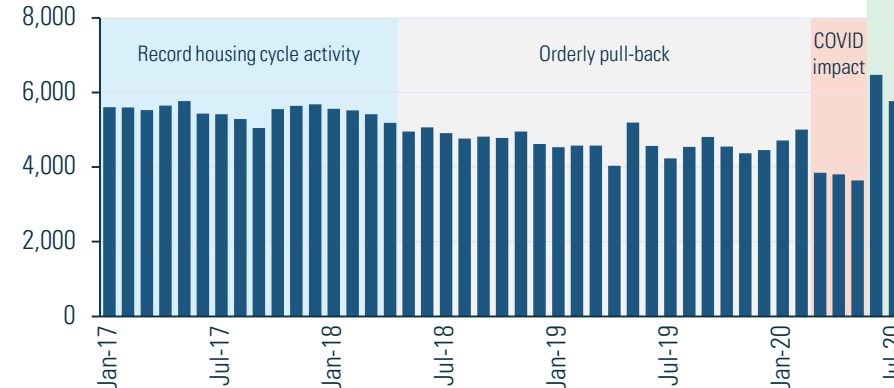
Alterations and additions approvals² (A\$M)

Homebound consumers redirecting discretionary funds into renovations



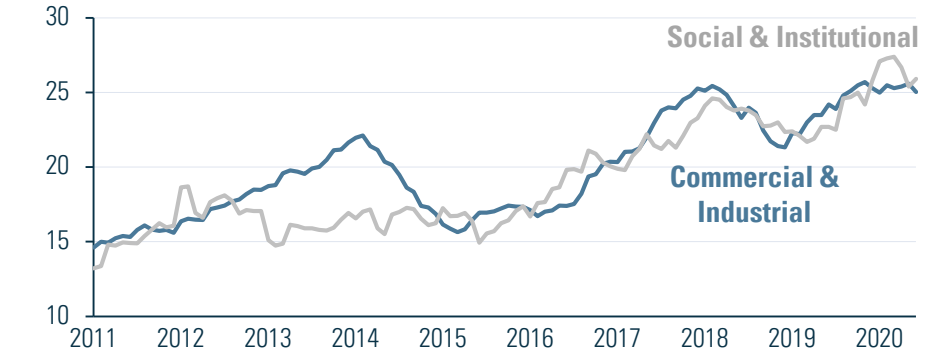
Private new home sales³ (units, s.a.)

Rebounding new home sales in June and July



Non-residential building approvals⁴ (A\$bn)

Approvals at most robust levels for many years

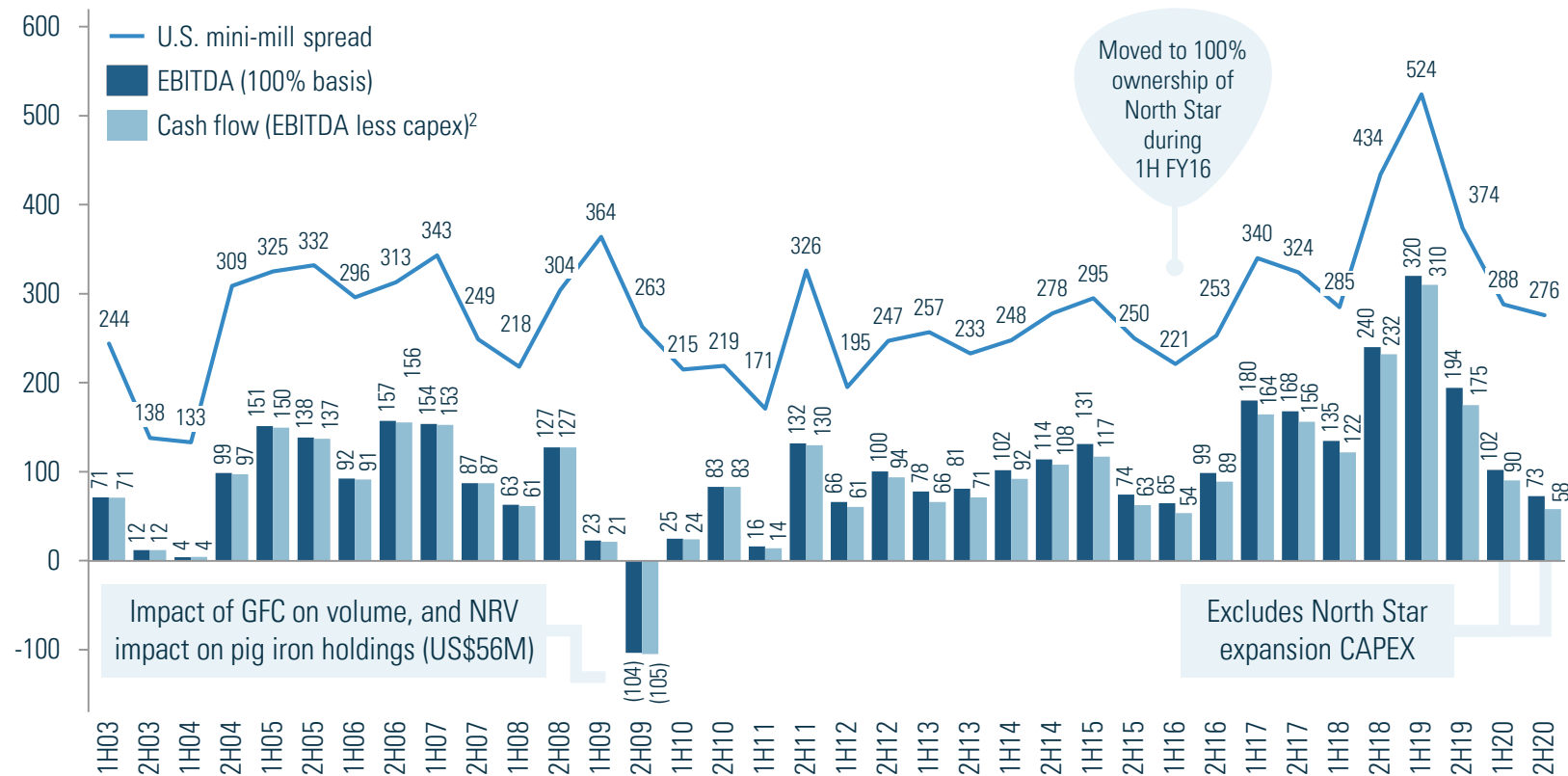


NORTH STAR – AN ADVANTAGED ‘BEST-IN-CLASS’ ASSET

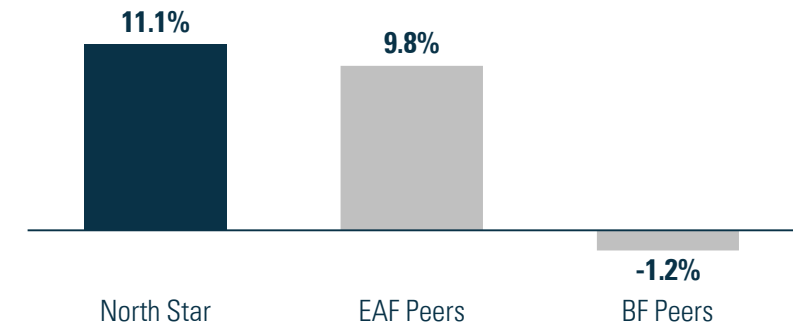
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Strong EBITDA and cash generation through the cycle; industry leading margins and utilisation

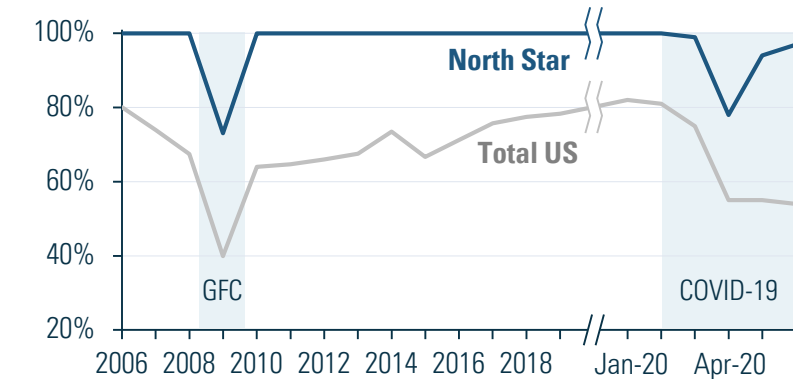
US\$M EBITDA and spread (100% basis)¹



EBIT margins³ (%)



US steel mill capacity utilisation⁴ (%)



- (1) US Midwest mini-mill HRC spread (metric) – based on CRU Midwest HRC price (assuming illustrative one month lag), SBB #1 busheling scrap price (assuming one month lag) and Fastmarkets NOLA pig iron price (assuming two month lag); assumes raw material indicative usage of 1.1t per output tonne. Note, North Star sales mix has longer lags.
- (2) Capex is presented on an accrual basis, and as such excludes movements in capital creditors.
- (3) Reflects CY2019 North Star underlying EBIT margin. Peer margin data sourced from company information, simple average of three BOF and three EAF North American peers using relevant segment information
- (4) Source: CRU, AISI, company data

NORTH STAR EXPANSION PROGRESSING WELL – INVESTING IN QUALITY GROWTH

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Significant project for BlueScope; remains on-budget and set for commissioning during the June 2022 half year

- With a strong balance sheet, executing this highly value-accretive project remains a priority
- Development was rescheduled in April to minimise near term cash spend whilst maintaining core program activities
 - No impact to overall project budget
 - Now targeting commissioning during the June 2022 half year; full ramp-up approximately 18 months later
- Over the last six months:
 - Maintained a strong safety performance with no lost time injuries
 - Design engineering has progressed significantly
 - Civil and buildings works have progressed on schedule, including the melt shop building extension and new equipment foundations
 - Expect to begin receiving key plant and equipment including melt shop in 1H FY2021
- Total of US\$133M spent to 30 June 2020; approximately US\$570M remaining to be spent



An outstanding suite of assets in high growth regions with world leading JV partners



- Outstanding footprint across large and growing markets, producing coated and painted steel products for building and construction markets
- Notwithstanding near term weak macro conditions in ASEAN, the longer term growth opportunity is underpinned by favourable long term trends:
 - Growing population and rising middle class
 - High and growing levels of urbanisation
 - Low levels of steel consumption per capita
- Ignite 5G strategy balancing cost reduction and manufacturing improvement, whilst investing for future growth. Delivered annualised run-rate benefits of \$40M net of cost escalation by the end of FY2020

- Premium coated and painted steel products for building & construction, selling through channels including Lysaght and Tata Shaktee
- Engineered building solutions for low-rise non-residential market

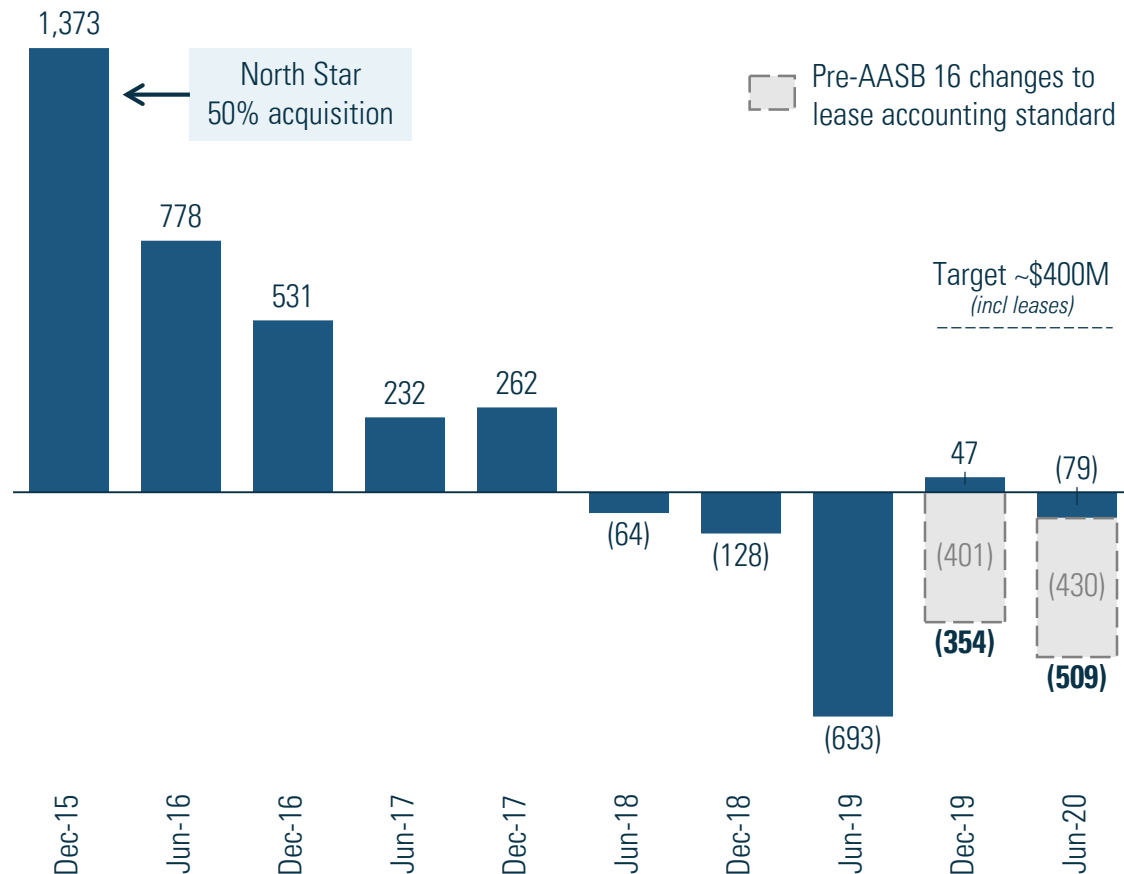
- Engineered buildings and premium coated and painted steel products, supplied to higher growth end-use segments such as advanced manufacturing, distribution, healthcare and electronics
- These segments have each demonstrated pre-COVID-19 growth rates on average twice that of GDP

ROBUST BALANCE SHEET, DELIVERING RETURNS TO SHAREHOLDERS

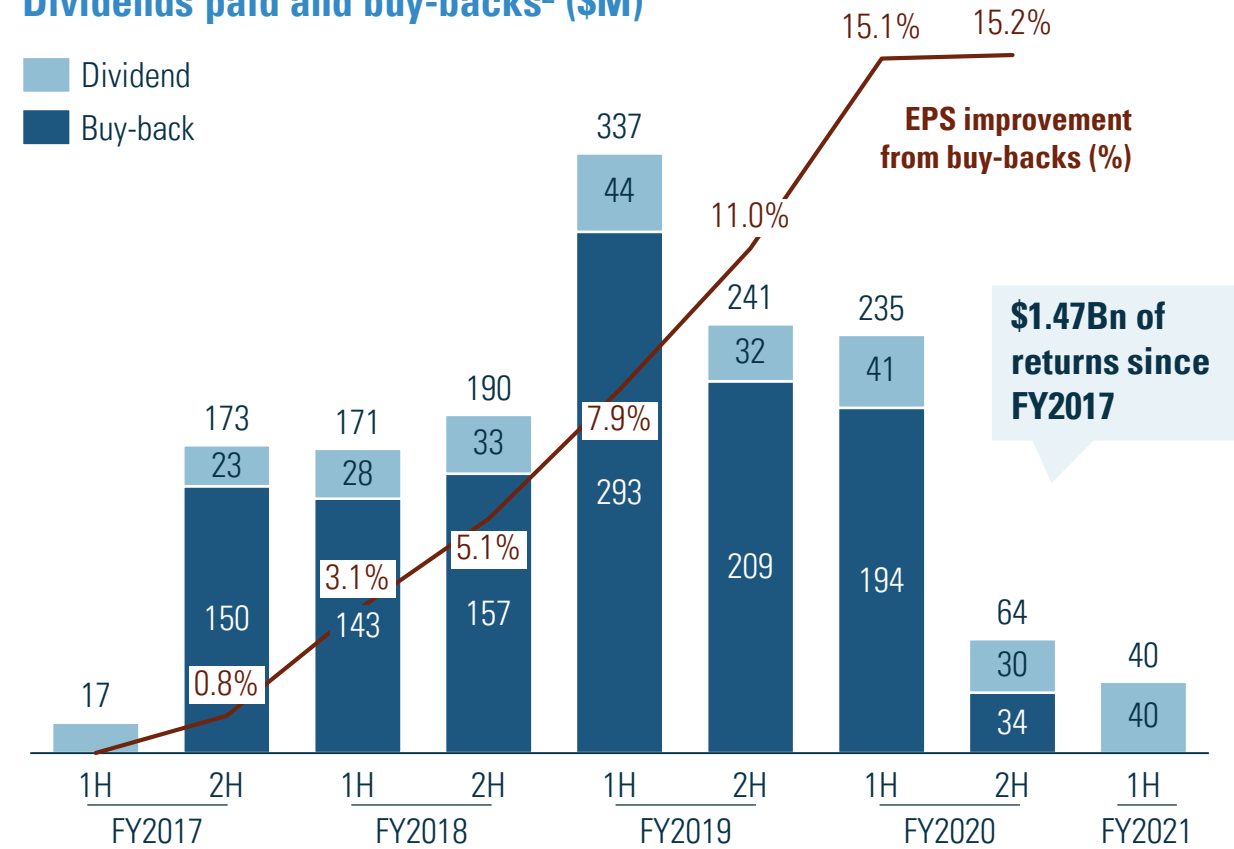
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Flexible and resilient balance sheet with investment grade rating; strong track record of shareholder returns (\$1.47Bn since 2017)

Net debt / (cash)¹ (\$M)



Dividends paid and buy-backs² (\$M)



- (1) Dec-15 and Jun-16 includes North Star proforma for previous 12 months
 (2) Chart reflects half year cash settlements of shares bought back.

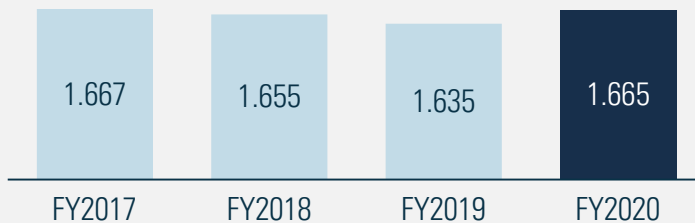
Seeking to reduce our impact on shared resources and mitigating climate risks by leveraging opportunities and breakthrough technologies

FY2020 PROGRESS

- Climate strategy elevated within corporate strategy, and established Climate Change Council to support execution
- Progressed the development of our Scope 3 emissions inventory
- FY2020 performance impacted by Government mandated shutdowns, leading to production disruptions and outages

GHG emissions intensity

(Steelmaking facilities, tCO₂-e per tonne raw steel)



FUTURE FOCUS

- Refreshing our climate scenario analysis to support the development of our long-term carbon reduction aspiration
- Continuing our \$1Bn investment in the expansion of low emission steelmaking at North Star
- Continuing to progress our disclosures in line with TCFD requirements and SASB standards, including reporting on Scope 3 emissions
- Keeping abreast of developments of low and zero emissions steelmaking technology
- Contributing to key industry research papers and expert submissions



BlueScope continues to focus on building resilience, embedding sustainability in all that we do

SAFETY, HEALTH AND WELLNESS

- Focus in 2H FY2020 centred around the effective management of COVID-19
- Our safety performance needs more work to reduce the LTIFR¹ of 1.14 and MTIFR¹ of 6.7 per million hours worked, in FY2020
- Moving indicators in FY2021 to align to evolving industry standards, including a transition towards TRIFR¹, leading indicators and more holistic measures relating to severity
- Tragically, in May, a contractor was fatally injured while working at the berth at the Port Kembla Steelworks. The Company will learn from the findings of the investigation into this tragic accident.

SUPPLY CHAIN SUSTAINABILITY

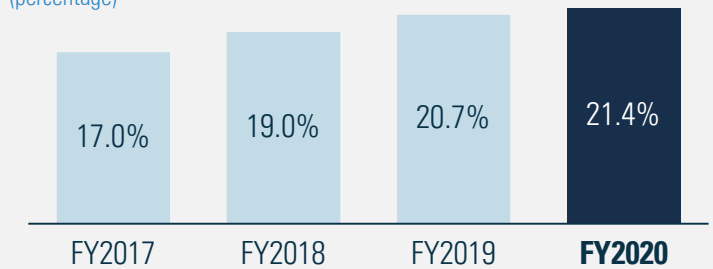
- On track to complete the targeted 220 assessments of Priority 1 and 2 suppliers by the end of FY2021
 - Temporary pause in activity as procurement teams focussed on supply chain and operational security across April/May
 - 103 supplier assessments completed to date, 70 assessments currently underway
- Completed pilot for BlueScope site assessments at two sites in higher risk locations during FY2020. Design underway for rollout across the wider business
- Released our first Modern Slavery Statement in September 2020

INCLUSION & DIVERSITY

- Recruitment levels in FY2020 remained consistent with our focus on recruitment of women into our workforce and into STEM careers
- In FY2021, we will be increasing our focus on building a multicultural and multigenerational workforce that is representative of the communities in which we operate

Women in BSL workforce

(percentage)



More information can be found in our FY2020 Investor Presentation and in our Sustainability Report, at bluescope.com/sustainability

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CAPITAL DISCIPLINE AND RETURNS FOCUS



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- Returns focussed process with disciplined competition for capital
- Clear targets for sustainable operations and returns

POSITIONED FOR GROWTH



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- Expanding best-in-class US mini-mill
- Targeting further growth from Asian coating assets
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- Restructuring NZ business
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QUESTIONS?



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