



BlueScope Annual General Meeting 2014

13 November 2014, Melbourne

Address by Paul O'Malley, Managing Director & CEO

CHECK AGAINST DELIVERY

FROM SURVIVE TO STRIVE

FY2014 was indeed a significant year – we are moving beyond survival mode and striving for growth across our global portfolio.

Before I speak in more detail about the commercial aspects of our business, let me update you on our overriding priority – safety performance.

SAFETY

As Graham mentioned earlier, regrettably there was a fatality at our Xi'an, China site during the year. Mr Shen Bin died on 9 June 2014.

A fatality – whether employee or contractor – is a tragic experience for those left behind – family, friends, colleagues, leaders.

We have redoubled our efforts to strive even harder to sustain safe workplaces.

During 2014 we launched a major new employee engagement program, 'Switch on Safety', across the company to refocus leaders on setting safety expectations and standards and to encourage employees and contractors to continue to improve our focus on safety.

This initiative has promoted a renewed commitment at a grass roots level on safety.

Safety and our goal of Zero Harm remains our number one priority.

ENVIRONMENT

On the environment front, in October we had a fire in our Waste Gas Cleaning Plant adjacent to the Sinter Plant at the Port Kembla Steelworks, and as communicated at the time, the incident was well-contained with no health risks. A summary of the incident and our response is on our website.

We continue to operate well within our environmental limits as we make repairs at Port Kembla.



TRADING AND BUSINESS UPDATE

BlueScope's FY2014 turnaround has been substantial - very pleasingly, all six of BlueScope's operating segments delivered earnings growth.

Looking first at our business in BlueScope Australia and New Zealand

... for last financial year ...

Our Coated and Industrial Products Australia (CIPA) segment delivered underlying EBIT of \$65.4 million, up 316 per cent on FY2013 on domestic share growth. This was CIPA's first positive underlying EBIT since FY2010.

Australian-based Building Components & Distribution delivered a disappointing underlying EBIT loss of \$22.8 million, albeit a 10 per cent improvement on FY2013.

New Zealand Steel & Pacific Steel Products delivered underlying EBIT of \$74.7 million, a 121 per cent lift over FY2013.

... in this current half of the FY2015 financial year...

The Australian businesses are expected to benefit from higher spreads due to lower raw material costs, higher domestic residential building activity and a positive contribution from the integration of the acquisitions. However, a recent fall in globally traded HRC selling prices, concerns about demand in Australian sectors other than building and construction and cost pressures, including from the sinter plant fire, are expected to partially offset these benefits.

For New Zealand Steel, in the current half, strong domestic activity is increasing volumes in the steel business; however this benefit is being offset by weaker regional steel prices. Iron sands revenue this half will be lower than 2H FY2014 due to the recent fall in global iron ore prices.

Now to our Building Products business

... for last financial year ...

In Asia and North America our Building Products business delivered underlying EBIT of \$88.9 million, 12 per cent growth over FY2013 in markets that were growing at 8 per cent. Our North American operations made a strong contribution to the growth, and despite the impact of political instability in the second half, our Thailand business delivered improved earnings.

... and in this current half ...

We expect a stronger performance over the June 2014 half, driven primarily by market improvement and seasonality in the North America building products business.

The project market in Thailand remains soft following the political unrest but we are seeing early signs of increased activity in the project market. The Vietnam and Malaysia businesses are seeing similar activity levels this half as they did in the June 2014 half. Conditions in our Indonesia business are similar to the June 2014 half, however we are



planning for an improvement in the June 2015 half, driven by a stronger focus on sales and efficiency initiatives and market stability post the elections.

Moving onto our Global Building Solutions business

... last financial year ...

The Global Building Solutions segment delivered underlying EBIT of \$18.5 million, an improvement of 3 per cent.

The China Building Products business delivered 17 per cent growth in another solid result and we fully reversed the \$88.1 million of previous impairment write-downs.

... and in this current half ...

The North American buildings business is performing strongly in the peak summer building season with a good growth in order books. We expect earnings this half to be materially better than the December 2013 half.

Market conditions for our China custom engineered buildings business remain difficult; however progress is being made on our initiatives to reduce overheads, rationalise the manufacturing footprint and lift profitability. We expect to see financial benefits from this program in 2H FY2015.

Our China coated products business, combining coating, painting and roll forming operations is performing well and in line with our expectations.

And finally a look at our JV business in North America ...

... last financial year ...

North Star BlueScope Steel, our 50:50 joint venture with Cargill in North America, continued its very good performance – delivering an underlying EBIT of \$104.6 million, a growth of 57 per cent.

... and currently ...

North Star will make a strong contribution again. While spread has softened marginally in the December quarter, our September quarter spread was slightly better than that achieved in the June 2014 half.

I congratulate our entire BlueScope team - some of whom you've seen in the slides on the screen - who have made such an outstanding contribution to this turnaround, at all levels of the company.



STRONG PORTFOLIO OF VALUE-ADDED BUSINESSES

Your company has been developing – and continues to enhance - a strong, globally diversified portfolio of assets.

BlueScope operates over 100 plants in 17 countries, making high value-added steel building and construction products for some of the world's fastest growing markets

The company is a significant investor in research & development, and as the Chairman noted we have one of the largest industrial R&D facilities in Australia. Much of our R&D effort is focused on maintaining our leading position in innovative metal coated and painted steel products.

Our global portfolio of value-added businesses has provided the foundation for our turnaround in performance, and will enable us to keep striving for returns that are the measure of a truly sustainable, successful business for the future.

An exciting future.

THANK YOU.