



Strategic Initiatives and Outlook Update

Paul O'Malley, Managing Director and Chief Executive Officer

Charlie Elias, Chief Financial Officer

26 October 2015

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Introduction – key takeaways

Excellent progress on cost reductions

- 1H FY2016 earnings upgrade¹
- Company to continue steelmaking in Australia

Acquisition of remaining 50% of North Star

- Low cost, high value business
- Benefits of full ownership

Deleveraging program

- Leverage target of 1.0 times net debt to EBITDA within 12-18 months through:
 - Operating cashflow
 - Asset sales

Agenda

Trading and outlook update

Australia and New Zealand steelmaking update

Acquisition of remaining 50% of North Star

Summary



TRADING AND OUTLOOK UPDATE

1H FY2016 outlook better than previously expected

- At our FY2015 results announcement on 24 August 2015, we indicated that we expected 1H FY2016 underlying EBIT to be similar to 2H FY2015
- We now expect 1H FY2016 underlying EBIT to be approximately 40% (approximately \$50M) higher than 2H FY2015
- Expect 1H FY2016 underlying net finance costs similar to 2H FY2015, profit attributable to non-controlling interests greater than 2H FY2015 and underlying tax charge to reflect the higher underlying performance
- Expectations are subject to spread, FX and market conditions and excludes the impact of the acquisition of the remaining 50% of North Star

1H FY2016 outlook: what's changed?

Australian Steel Products

- Earlier delivery of cost reductions
- Strength in domestic demand - including residential construction growth
- Lower A\$:US\$

Other segments

- Incremental changes

Going forward

- Spot spreads are lower than lagged spreads so 2H FY2016 will see margin pressure



AUSTRALIA & NZ STEELMAKING UPDATE

Our strategy defines our portfolio management priorities

Grow premium branded steel businesses with strong channels to market		Deliver competitive commodity steel supply in our local markets		Ensure ongoing financial strength
Coated & Painted Products Drive growth in premium branded coated and painted steel markets in Asia-Pacific	Building Solutions Drive growth in North America and turnaround China	North Star BlueScope Maximise value	Australia & NZ Steelmaking Deliver value from Australian/NZ steelmaking and iron sands by game- changing cost reduction or alternative model	Balance Sheet Maintain strong balance sheet
<i>Invest & grow</i>	<i>Optimise & grow</i>	<i>Optimise / invest</i>	<i>Restructure</i>	<i>Maintain</i>

Note: included in the Coated & Painted Products grouping are our Australian, New Zealand, ASEAN, U.S., India and China metal coating, painting and rollforming operations. Australia & NZ Steelmaking includes all operations in both countries up to and including HRC and plate production.

Australian steelmaking – good progress on initiatives to deliver targeted \$200M savings in FY2017

Employees and unions

- “Game-changing” cost reduction approach without industrial action:
 - Memorandum of agreement on new three-year enterprise agreements
 - Three-year wage freeze
 - New streamlined provisions for the introduction of workplace restructures
 - 500 direct jobs to be removed (300 manufacturing, 200 support & service)

Government

- NSW Government deferring payroll tax payments and reductions in other charges

Company decision to continue steelmaking at Port Kembla

- The Board has made the decision to continue steelmaking at Port Kembla, subject to ratification of new Enterprise Agreements
- Given further declines in steel prices, the business must continue to reduce costs, improve operational efficiency and meet competitive challenges

New Zealand steelmaking – progress on delivery of targeted NZ\$50M savings in FY2017, but more to do

Employees and unions

- “Game-changing” agreement:
 - New two year agreement
 - 1% pay increase over two years
 - Forgo annual bonus payments and
 - 100 direct jobs to be removed

Raw materials

- New competitively priced long term coal supply contract

Additional challenge

- Given lower steel prices, additional cost reduction opportunities being targeted



ACQUISITION OF REMAINING 50% OF NORTH STAR

BlueScope acquires remaining 50% and moves to full ownership of North Star – aim to maximise asset value

Agreement

- Acquiring 50% interest in North Star from Cargill for US\$720M
 - Exercised 'Right of Last Refusal' under shareholders' agreement; matching the price bid by an external party for the 50% interest

Multiple

- 7.1x FY2015 EBITDA¹

Cashflow

- FY2015A cash flow per share accretion of 26%

Funding

- Existing and committed interim debt facilities

Completion

- Expected in October 2015

Deleveraging

- Balance sheet position to remain prudent; commencing deleveraging program targeting 1.0 times net debt to EBITDA within 12-18 months

Notes:

(1) Includes net debt to be assumed of US\$40M as at 30 September 2015 and transaction costs of \$16M

(1) Based on North Star 100% EBITDA of US\$209 million for the 12 months to 30 June 2015

Compelling acquisition: full ownership enhances portfolio value and optionality and improves business flexibility

1

Competitively advantaged U.S. hot rolled coil supplier

2

Consistent with BSL strategy to maximise value of North Star

3

Exposed to sustainable markets demonstrating growth

4

Experienced management team supported by a highly engaged and motivated workforce

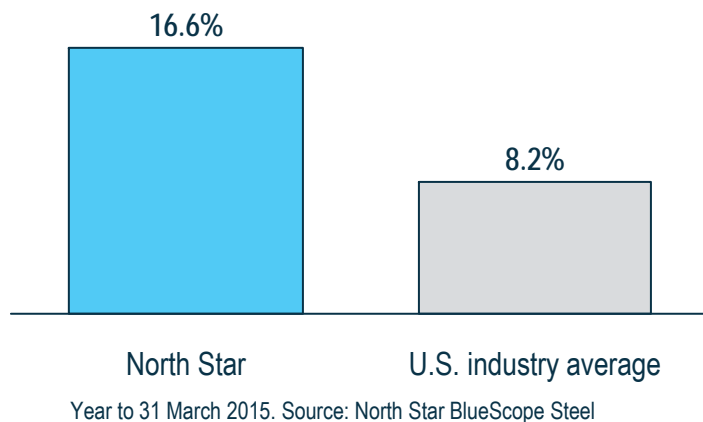
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Strong cash flow generation, cashflow accretion and immediate earnings uplift

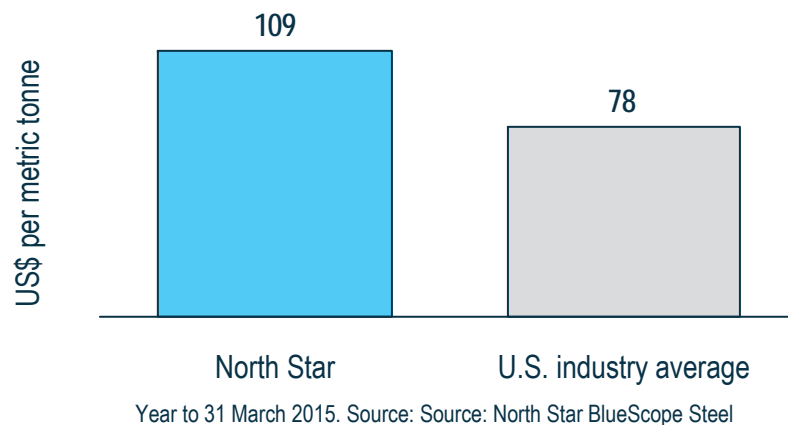
1 Competitively advantaged U.S. hot rolled coil supplier

High performing U.S. steel mill

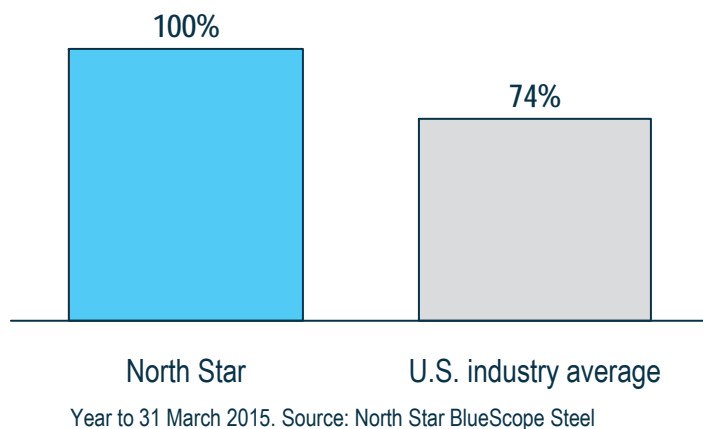
EBITDA margin



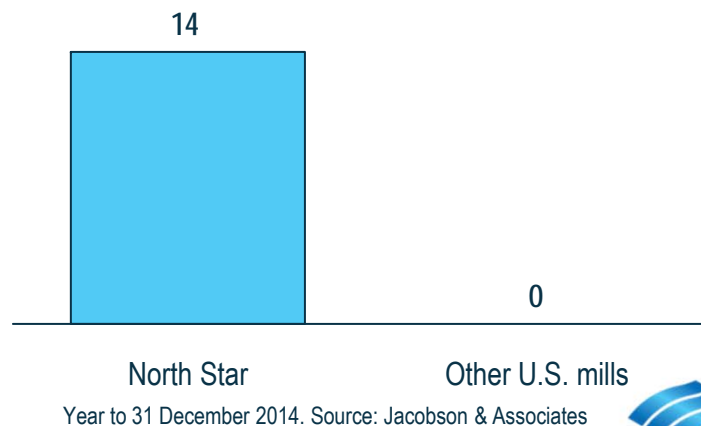
EBITDA per tonne



Capacity utilisation



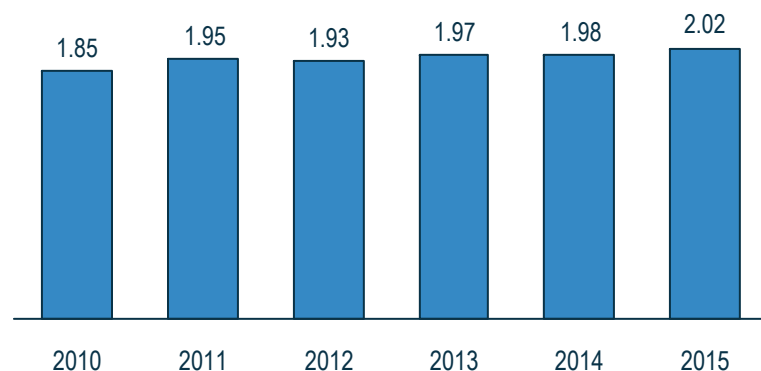
Years as leading U.S. mill in customer satisfaction



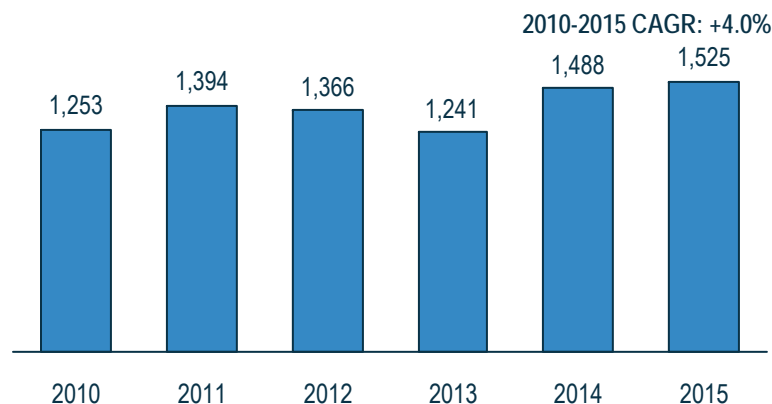
1 Competitively advantaged U.S. hot rolled coil supplier

Strong operating and financial performance and free cash flow generation

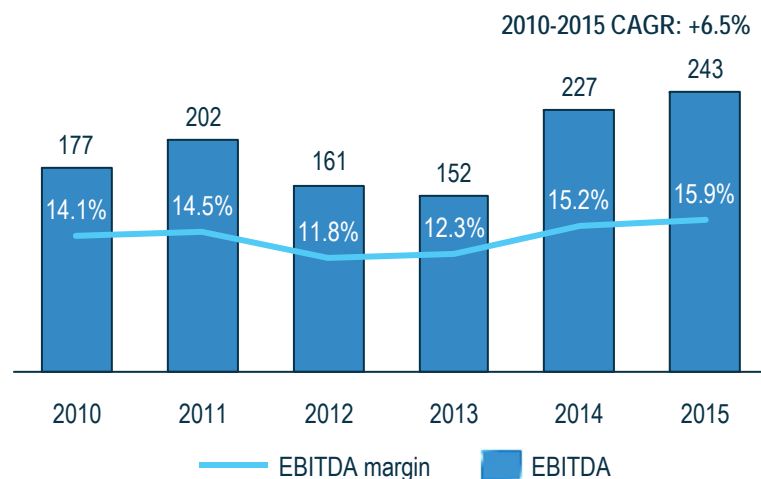
Sales volume (million tonnes)



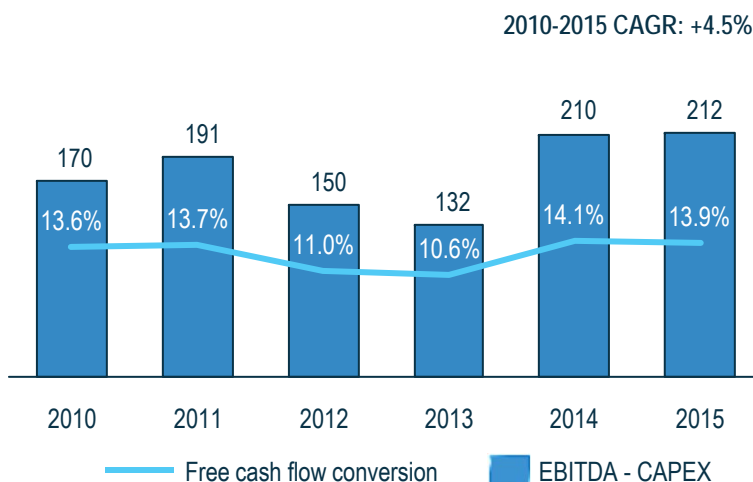
Sales revenue (A\$M)



EBITDA (A\$M) and EBITDA margin (%)



EBITDA less capital expenditures (A\$M) & free cash flow conversion¹ (%)

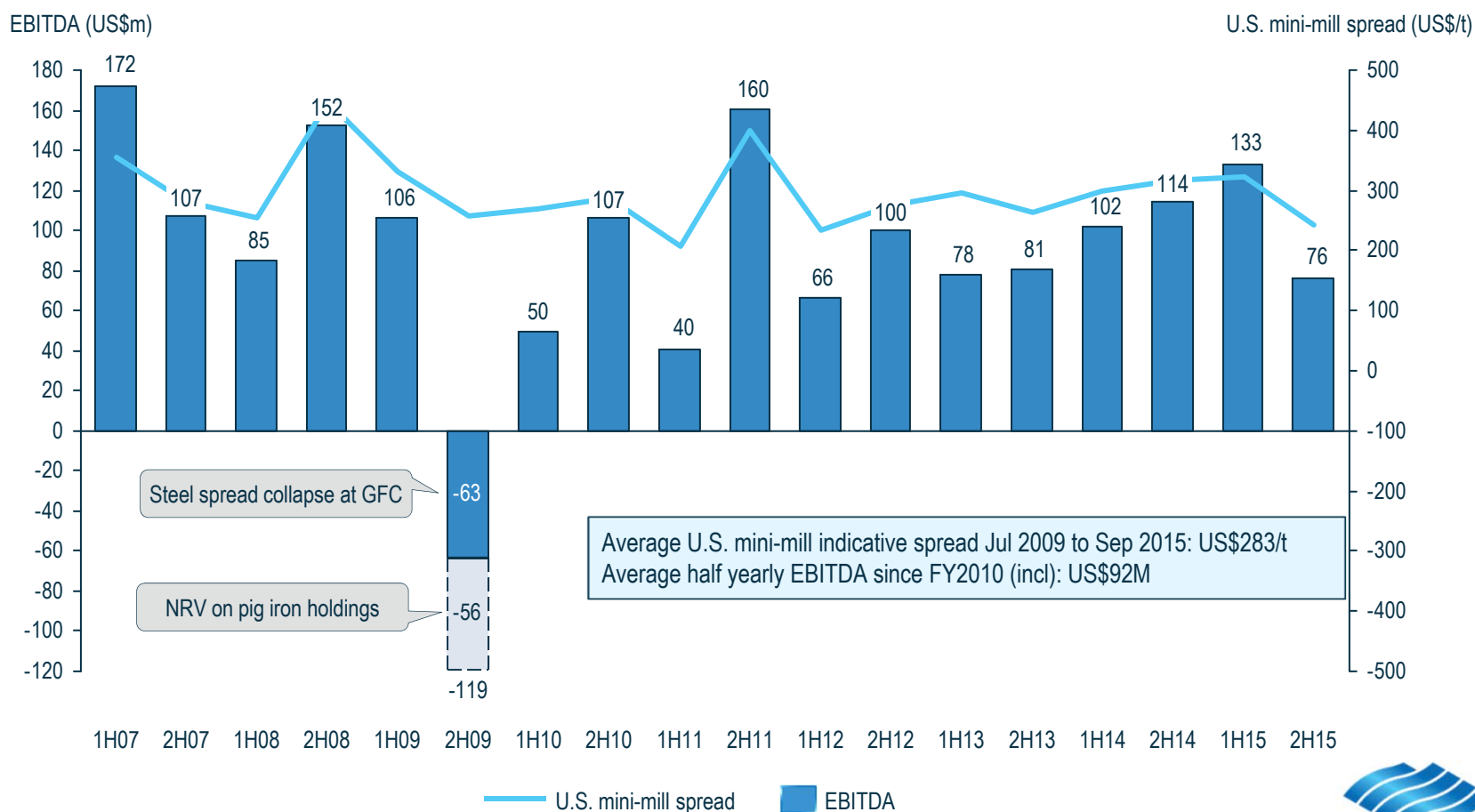


Note: (1) EBITDA less capital expenditures divided by sales
Source: financials taken from statutory accounts

1 Competitively advantaged U.S. hot rolled coil supplier

Earnings relatively consistent through the cycle, noting annual variability

EBITDA and spread



Competitively advantaged U.S. hot rolled coil supplier

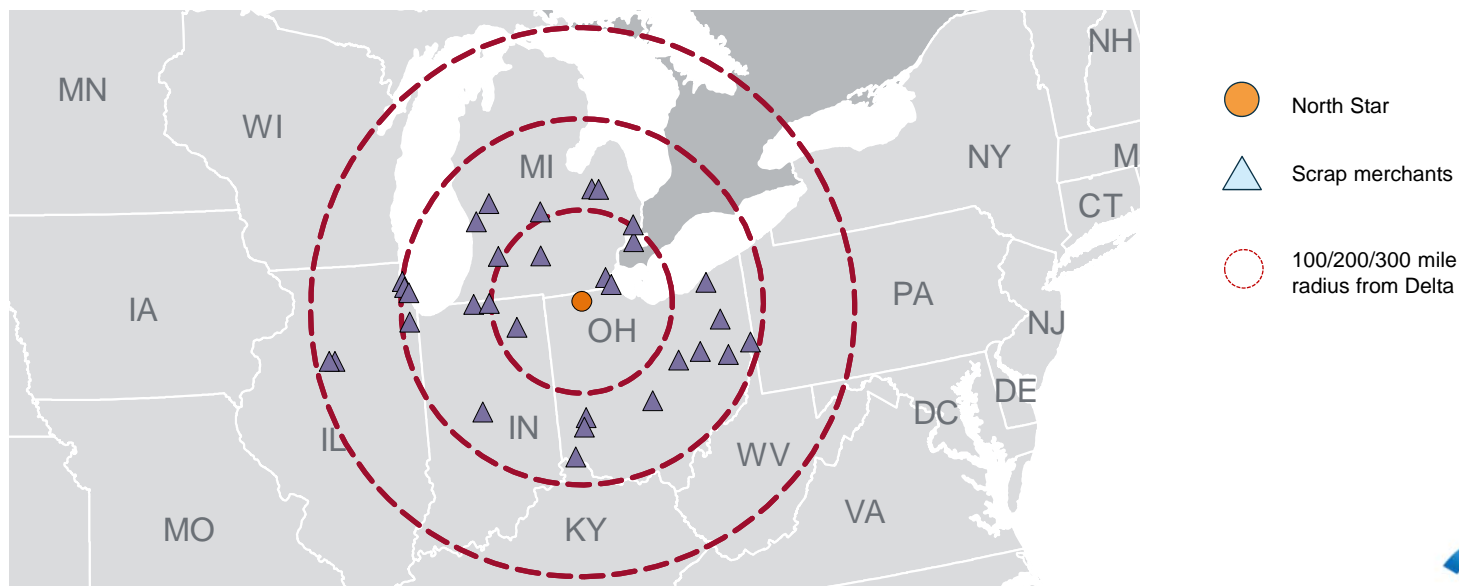
Geographically advantaged: North Star's strategic location

Scrap sourcing

- Facility located in Delta, Ohio
- Directly within one of the largest scrap steel surplus regions in North America
- In addition to the Detroit market, North Star can access four other key scrap markets: Canada, Cleveland, Cincinnati, and Chicago - provides ability to capitalise on regional scrap market dynamics

Proximity to customers

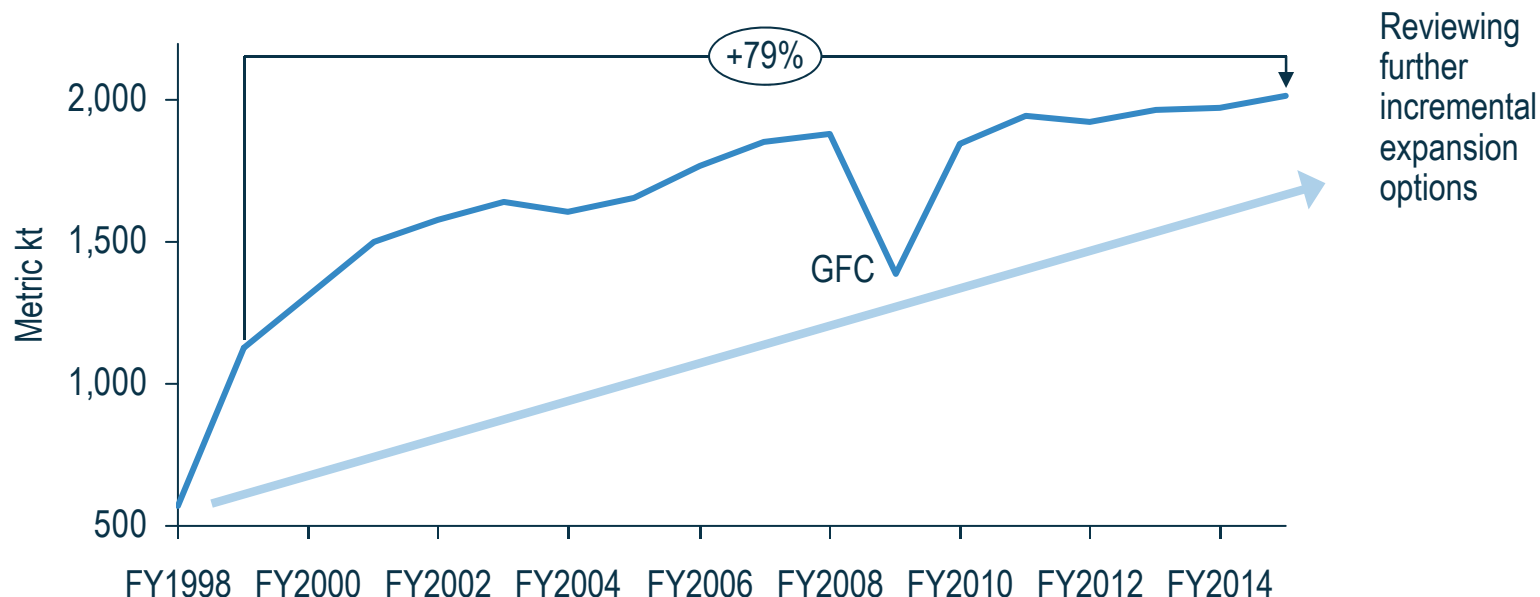
- Geographic advantage
 - ~90% of North Star customers are within a ~250 mile radius
- Quick response time and short lead times are valued by customers



Competitively advantaged U.S. hot rolled coil supplier

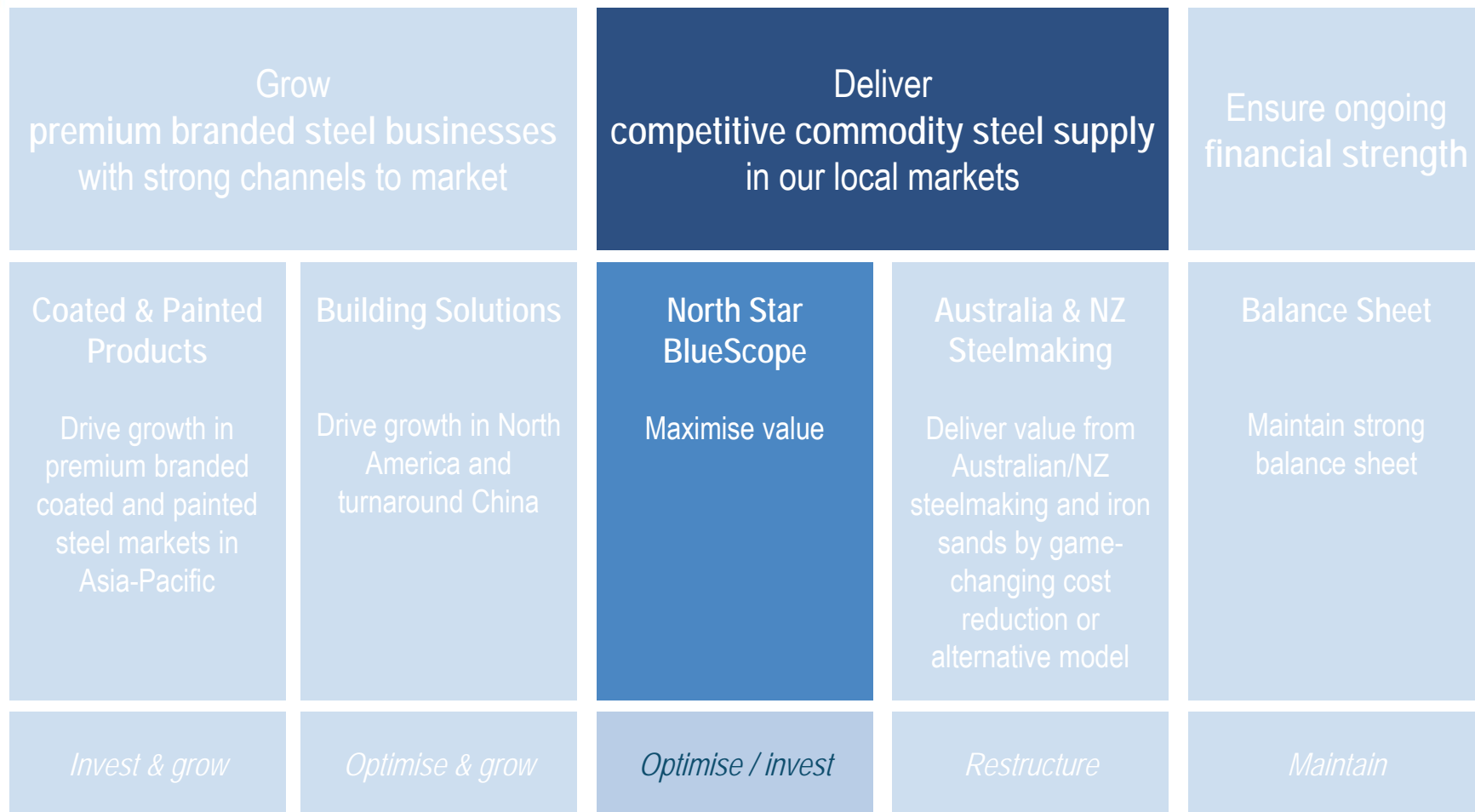
Further growth potential – additional 90ktpa over next two years

North Star despatches since commencement (100% basis)



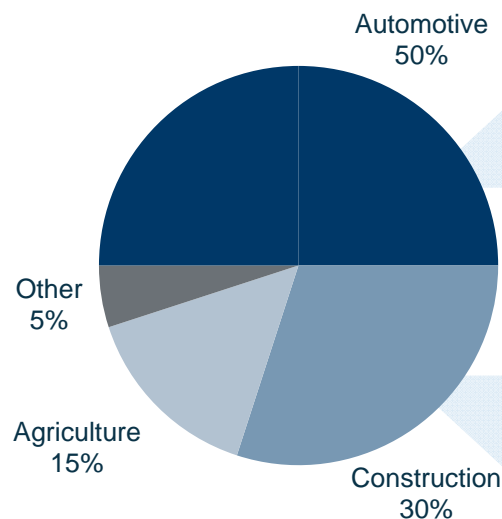
- Track record of low risk capacity expansion, delivering additional production tonnes and operating benefits over time
- Attractive portfolio of growth options
 - Incremental capacity expansion projects. Additional 90Kt of production over next 2 years ~A\$15m capital by increasing casting width and speed. Estimated FY2015 pro-forma contribution of A\$10M
 - Raw material sourcing opportunities
 - Large capacity expansion possible, but not planned: second slab caster and third melter

Consistent with BSL growth strategy to maximise value of North Star



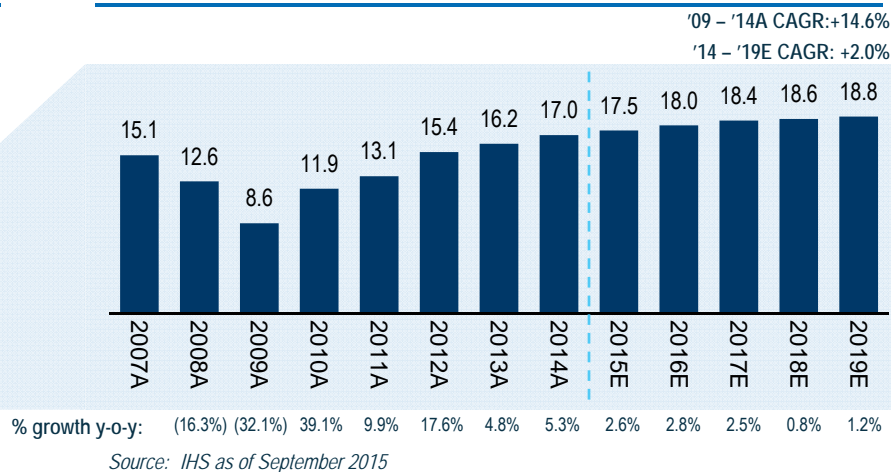
3 Exposed to sustainable markets demonstrating growth

End markets served (2015)¹

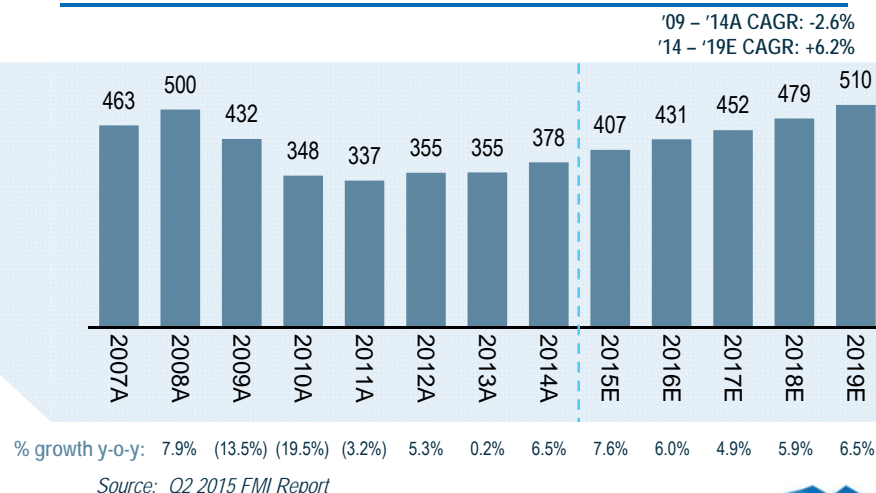


Automotive and construction end-markets comprised 80% of volume for North Star in FY2015 and are forecast by industry sources to grow at attractive rates

North America light vehicle production (m units)²



Non-residential construction expenditure (US\$Bn)^{2,3}



Notes:

(1) Year end 31 May

(2) Years based on 12 months ending December

(3) Includes both private and public expenditures

4

Experienced management team; engaged and motivated workforce

Motivated workforce

- 380 employees producing 2.0 million tonnes per annum
- Incentivised to continuously improve safety, productivity, quality and profits
- Zero work stoppages since inception

Capable team

- Management team average tenure of 13 years
- Average tenure of employees of 11 years

5 Strong cash flow generation, cashflow accretion and immediate earnings uplift



26% pro-forma FY2015 cash flow per share accretion



\$130M uplift in pro-forma FY2015 underlying EBITDA



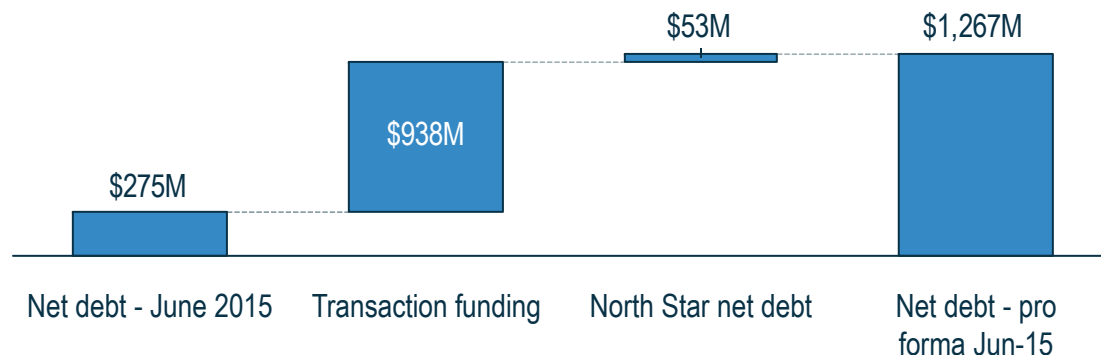
\$96M uplift in pro-forma FY2015 operating cash flow



24% implied ROIC on North Star, before asset value write-up of BlueScope's existing 50% holding. 11% implied ROIC after asset write-up

Liquidity, net debt and deleveraging program

Pro-forma net debt at 30 June 2015 of \$1.27Bn¹



Funding

- Committed interim (12 month) debt funding to be refinanced in due course through combination of:
 - U.S. capital markets
 - Bank syndicated facility agreement
 - Increased working capital facilities
- Pro-forma post-acquisition liquidity at 30 June 2015 of \$1,435M²

Deleveraging program

- Leverage target of 1.0 times net debt to EBITDA within 12-18 months through:
 - Operating cashflow
 - Asset sales; may include sale of minority interest in North Star

Notes:

(1) Based on AUD/USD at US\$0.7672 at 30 June 2015

(2) Includes \$430.6M liquidity in NS BlueScope Coated Products JV

Summary of acquisition highlights

- High quality business with strong competitive advantage
- Excellent financial track record
- Highly cashflow accretive
- BlueScope's move from 50% partner to 100% full ownership
 - Enhances BlueScope portfolio value
 - Improves future portfolio optionality
- Leverage target: 1.0 times net debt to EBITDA within 12-18 months



SUMMARY

Summary

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QUESTIONS & ANSWERS



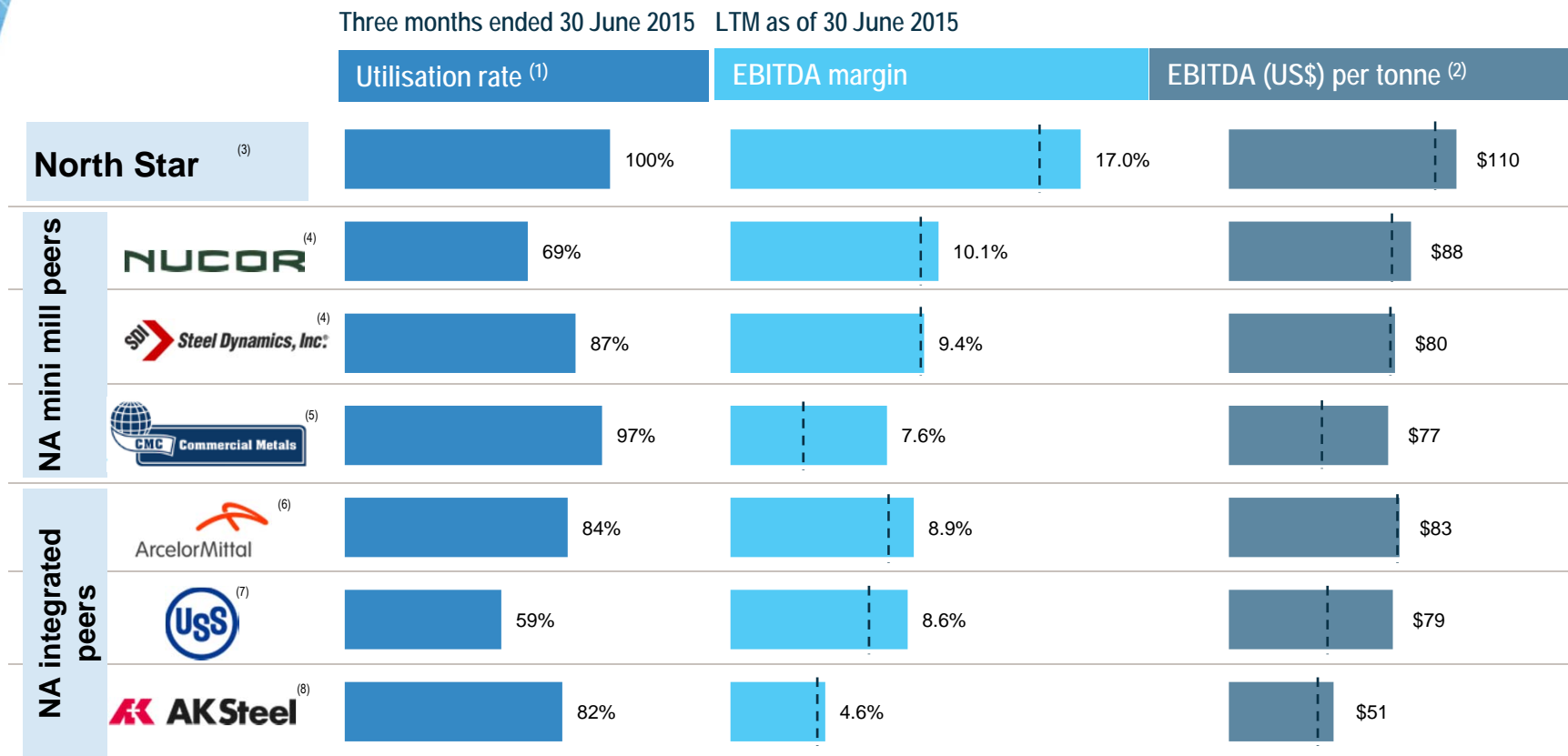
ADDITIONAL INFORMATION

North Star operates a 2.0 mtpa HRC mini-mill supplying the Midwest steel market

- Flat products mini mill located in Delta, Ohio
- Located on 524 acres and connected to the Norfolk Southern rail line
- Built over 1995-1996, making the mill amongst the newest in North America
- State of the art equipment includes:
 - Two Fuchs (Germany) Electric Arc Furnaces
 - Sumitomo (Japan) Caster
 - Danieli (Italy) Hot Strip Mill
- Original capacity of 1.5 mtpa progressively expanded to current level of 2.0 mtpa



Best-in-class operating and financial performance



----- 5-year avg. 2010-2014

Source: Company filings and press releases.

Notes:

(1) Utilisation rate defined as production as a % of capacity; shipments used instead of production for Commercial Metals.

(2) EBITDA per ton defined as EBITDA per shipment tons.

(3) Reflects three months ended and LTM 31 May 2015.

(4) Nucor and Steel Dynamics utilisation rate for steel mill operations only as reported by the Company. Nucor utilisation rate reflects six months ending 30 June 2015. Shipments reflect external shipments to outside customers.

(5) Commercial Metals EBITDA margin and EBITDA per ton shown LTM as of 31 May 2015; utilisation rate reflects shipments for the Americas and International Mills segments three months ended 31 May 2015 divided by 25% of reported FY2014A segment capacity.

(6) Utilisation rate reflects quarterly production figures divided by 25% of reported 2014A capacity.

(7) U.S. Steel's utilisation rate for flat rolled segment only as reported by the Company.

(8) AK Steel's utilisation rate reflects full-year ended 31 December 2014 as reported by the Company.

FY2015 pro-forma cash flow per share accretion of 26%

Pro forma underlying CPS ¹ for FY2015	
<i>A\$m</i>	
Net cash flow before financing activities ¹	127.9
Shares outstanding (million) ⁴	565.2
BSL pro forma underlying CPS (A\$ per share)	\$0.23
100% of North Star FY2015 underlying EBITDA	242.8
(-) dividends received from North Star in FY15	(127.3)
(-) incremental sustaining capital expenditures	(30.9)
(-) pro forma interest payments ²	(45.4)
(-) pro forma estimated incremental cash tax payable ³	(5.5)
Pro forma incremental cash flow	33.7
Pro forma incremental CPS (A\$ per share)	\$0.06
Cash flow per share accretion (%)	26%

- The acquisition of North Star would have been approximately 26% cash flow per share accretive on a pro-forma basis for the year ending 30 June 2015

Notes:

(1) Operating cash net of ongoing capital expenditures and interest payments, excluding acquisition capex

(2) Interest expense of ~5% pa

(3) Tax rate of 36%

(4) Number of shares as at 30 June 2015

Pro forma accounting summary & adjustments

Year ended 30 June 2015

A\$M	FY2015A	Reverse 50% equity accounting	Funding costs	100% impact of North Star	FY2015 Pro forma	
Income Statement						
Sales	8,540.1	-	-	1,525.3	10,065.4	
Underlying EBITDA	644.8	(112.5) ¹	-	242.8	775.1	+ \$130m
D&A	(343.0)	-	-	(46.6)	(389.6)	
Underlying EBIT	301.8	(112.5)	-	196.2	385.5	
Interest	(66.9)	-	(45.4) ⁵	(0.9) ⁴	(113.2)	
Tax	(59.5)	40.5 ²	16.3 ⁵	(70.3)	(73.0)	
Underlying NPAT pre minorities	175.4	(72.0)	(29.0)	125.0	199.3	
Minorities	(41.2)	-	-	-	(41.2)	
Underlying NPAT	134.1	(72.0)	(29.0)	125.0	158.0	
Cash Flow Statement						
Net cash from operating activities	538.7	(86.8)	(29.0)	211.6	634.4	+ \$96m
Balance Sheet						
Net assets	4,739.1	(112.8) ³	-	1,764.9	6,391.2	
Net debt	275.2	-	991.5 ⁶	-	1,266.7	
Credit Metrics						
Gearing (net debt / net debt & equity)	5.5%				16.5%	
Leverage (net debt / EBITDA)	0.4x				1.6x	

- Implied ROIC of 24%, before asset value write-up of BlueScope's existing 50% interest in North Star
- Implied ROIC of 11%, after asset value write-up of BlueScope's existing 50% interest in North Star

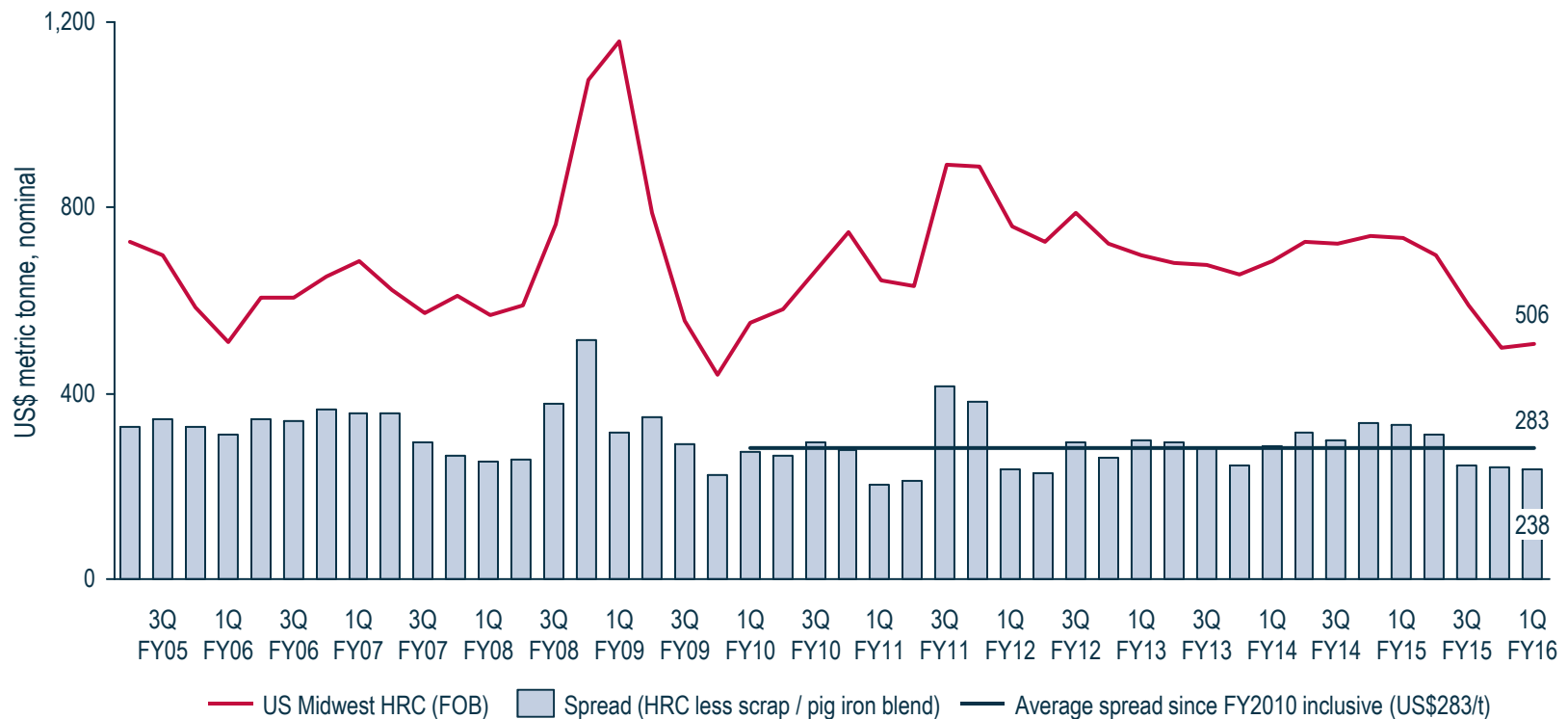
Note: income statement items translated at 0.8513 (FY2015 average) and balance sheet items translated at 0.7672 (spot rate at 30 June 2015)

1. Reverse BSL's current 50% share of equity accounted earnings
2. Reverse pro-forma tax impact on BSL's 50% share of equity accounted earnings. Tax rate of 36%
3. Reverse carrying value of equity accounted investment in North Star
4. Interest on existing finance facilities
5. Interest and tax on debt acquisition facilities
6. Debt raised to fund acquisition (US\$720M acquisition price and US\$41M existing North Star net debt at 30 June 2015)

Source: BSL management

U.S. Midwest mini-mill spread

U.S. Midwest HRC price less scrap and pig iron blended price



Note:

- HRC price is the CRU FOB Midwest spot domestic price per metric tonne
- AMM CBP Chicago #1 bushelling price used for scrap, lagged by one month
- Ryan's Notes New Orleans price used for pig iron, lagged by two months

Source: CRU, AMM, Ryan's Notes

Strong safety culture

- Employee safety is a core value
- 100% involvement from all employees – safety conversations and audits every month
- 12 years out of 17 years of operations without a lost time injury (LTI)



Lost time injury defined as any work related injury or illness that results in the inability of an employee or temporary contract employee to work one or more calendar days based upon a medical determination; lost time does not include the date of injury or onset of illness. Recordable injury define by OSHA recordable classification; recordable injuries inclusive



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