

**BLUESCOPE STEEL LIMITED
ANNUAL GENERAL MEETING**

**19 OCTOBER 2004
WESTIN HOTEL, SYDNEY**

MANAGING DIRECTOR & CEO – KIRBY ADAMS

INTRODUCTION

GOOD AFTERNOON LADIES AND GENTLEMEN. I AM DELIGHTED TO HAVE THIS OPPORTUNITY TO TALK DIRECTLY WITH OUR INVESTORS.

THE CHAIRMAN HAS PROVIDED A CONCISE ACCOUNT OF YOUR COMPANY'S PROGRESS - OUR FINANCIAL PERFORMANCE, AND ASPECTS OF OUR GROWTH STRATEGY.

IN THE PAST TWO YEARS WE EXCEEDED EXPECTATIONS. WE DID WHAT WE SAID WE WOULD DO, AND MORE.

THE TWO YEARS SINCE OUR LISTING HAVE BEEN CHALLENGING AND INVIGORATING.

BLUESCOPE STEEL NOW IS A COMPANY IN A DYNAMIC PHASE.

WE ARE GROWING IN GEOGRAPHICAL PRESENCE, CAPABILITY, AND INNOVATION.

OUR SENSE OF IDENTITY, AND SELF-BELIEF, ARE RENEWED.

THIS BOARD AND MANAGEMENT TEAM ARE RUNNING THE COMPANY MORE PROFITABLY, MORE PROFESSIONALLY AND MORE SAFELY THAN EVER BEFORE IN ITS 89 YEAR HISTORY.

SO TODAY, I WOULD LIKE TO TALK ABOUT THE ASPECTS OF GROWTH AND CHANGE IN YOUR COMPANY.

AND PROVIDE YOU WITH NEW PERSPECTIVE ON THE TRANSFORMATION OF BLUESCOPE STEEL.

THIS IS NOT SIMPLY A COMPANY IN A GROWTH PHASE.

WE ARE A BUSINESS WHICH IS ACTIVELY BECOMING SHARPER AND MORE AGILE.

NEARLY FIVE YEARS AGO, THE CURRENT MANAGEMENT TEAM STARTED WORK ON THIS TRANSFORMATION.

OUR SUCCESSFUL PUBLIC LISTING AND CHANGE OF NAME TO BLUESCOPE STEEL SYMBOLISE THESE ACHIEVEMENTS.

THERE HAS BEEN A DRAMATIC RECOVERY IN INTERNATIONAL STEEL PRICING, AND BLUESCOPE STEEL HAS DONE MUCH MORE THAN SIMPLY 'RIDE THE WAVE.'

OUR PROGRESS IN TRANSFORMING YOUR COMPANY HAS BEEN VIEWED VERY POSITIVELY BY INDUSTRY ANALYSTS AND OUR CUSTOMERS, AND THIS IS REFLECTED IN THE SHARE PRICE AND MARKET SHARES WE CURRENTLY ENJOY.

SO, IN THE LONG TERM, WHAT ARE WE AIMING TO ACHIEVE WITH THIS TRANSFORMATION?

WE ARE BUILDING A PERFORMANCE-ORIENTED COMPANY THAT DELIVERS ONGOING SHAREHOLDER VALUE AND EMPLOYEE OPPORTUNITY.

ONE THAT HAS A FOCUS ON DOWNSTREAM, IN-MARKET, BRANDED PRODUCTS AND AN UNRIVALLED PRESENCE IN ONE OF THE WORLD'S MOST VIBRANT ECONOMIC REGIONS – ASIA.

IN SHORT, WE ARE WORKING TO TRANSFORM A ONCE-DISCARDED AUSTRALIAN STEEL DIVISION INTO A CHAMPION.

SIMPLY, WE INTEND BUILDING ONE OF AUSTRALIA'S FINEST COMPANIES. A UNIQUE, STEEL SOLUTIONS BUSINESS. A COMPANY YOU CAN BE PROUD TO OWN.

SO, FIRST, I WOULD LIKE TO TALK ABOUT *WHY* WE ARE CHANGING.

THEN I WILL GIVE AN OVERVIEW OF *HOW* WE ARE CHANGING.

PART ONE – WHY WE ARE CHANGING

WE ARE BECOMING A BUSINESS THAT CAN STAND TOE-TO-TOE WITH THE BEST STEEL COMPANIES IN THE WORLD.

WE ARE A STRONGER GLOBAL COMPETITOR.

THE INDUSTRY ANALYSTS WORLD STEEL DYNAMICS RECENTLY PLACED BLUESCOPE STEEL FIFTH AMONGST ITS LIST OF TOP 20 WORLD-CLASS STEELMAKERS.

THIS SLIDE SHOWS YOUR COMPANY'S RETURN ON NET ASSETS COMPARED TO SOME OF THE WORLD'S LEADING STEELMAKERS. FOUR YEARS AGO WE WERE BELOW THE GREEN CURVE.

OUR TRANSFORMATION IS ABOUT ENSURING THIS SUCCESS WILL CONTINUE.

HERE ARE TWO FACTORS THAT ARE DRIVING OUR TRANSFORMATION.

THESE ARE:

- 1. THE CHANGING EXPECTATIONS OF OUR CUSTOMERS**
- 2. THE INCREASING INTENSITY OF INTERNATIONAL COMPETITION**

BLUESCOPE STEEL IS CHANGING BECAUSE OUR CUSTOMERS' EXPECTATIONS HAVE CHANGED.

THIS HAS DRIVEN FUNDAMENTAL SHIFTS IN THE WAY WE OPERATE.

HERE ARE A FEW GOOD EXAMPLES, TAKEN FROM OUR QUEENSLAND SERVICE CENTRE. THE FIRST ONE IS LEAD TIMES.

THIS CHART SHOWS HOW, BETWEEN 1997 AND 2004, THERE WAS A SHARP DECREASE IN LEAD TIMES.

IN 1997, 60 PER CENT OF OUR ORDERS HAD OVER 70 DAYS NOTICE. BY 2004, 60 PER CENT OF ORDERS WERE ON LESS THAN SEVEN DAYS NOTICE. - A DECREASE BY A FACTOR OF TEN.

HERE IS ANOTHER INDICATOR – ORDER SIZE.

THIS CHART SHOWS THAT THE AVERAGE CUSTOMER ORDER SIZE HAS DECREASED FROM 13 TONNES TO 3 TONNES. THE AVERAGE ORDER SIZE IS NOW, EFFECTIVELY, ONE COIL.

HOW ARE WE MEETING SUCH A SHIFT IN CUSTOMER DEMAND?

WELL, WHEN LEAD TIMES ARE SO SHORT, DELIVERY PERFORMANCE BECOMES CRUCIAL.

OUR QUEENSLAND BUSINESS NOW OPERATES WITH AN ON-TIME DELIVERY PERFORMANCE OF 96 PER CENT, AND WE ARE AIMING FOR 98 PER CENT.

AND SMALL ORDER SIZE MEANS WE MUST MANAGE OUR INVENTORY MORE WISELY.

YOU CAN SEE FROM THIS CHART [BOTTOM RIGHT] THAT BETWEEN 1997 AND 2004, WE HALVED THE NUMBER OF DAYS OF INVENTORY WE CARRY.

A COUPLE OF POINTS.

FIRSLTY, AS YOU MAY HAVE GATHERED, THE OLD, SLOW WAY OF OPERATING – LONG, LEAD TIMES, POOR DELIVERY PERFORMANCE, HIGH INVENTORY LEVELS, WOULD VIRTUALLY GUARANTEE DEFEAT IN THE PRESENT BUSINESS CLIMATE.

BLUESCOPE STEEL HAS BECOME FASTER, MORE FLEXIBLE, AS AN ORGANISATION BECAUSE OUR CUSTOMERS NEED US TO WORK THIS WAY.

IF WE CANNOT, THEY WILL NOT DO BUSINESS WITH US.

TO GROW OUR MARKET SHARE, TO CREATE VALUE FOR SHAREHOLDERS AND TO PROTECT JOBS WE SIMPLY MUST GIVE OUR CUSTOMERS EVERY REASON TO SHOP WITH US.

SECONDLY, OUR CUSTOMERS EXERT THIS PERFORMANCE PRESSURE BECAUSE THEY ARE EXPERIENCING IT THEMSELVES.

IN BUILDING, CONSTRUCTION, AUTOMOTIVE AND MANUFACTURING SECTORS, COMPANIES LIKE TOYOTA, HILLS, RHEEM, ELECTROLUX ARE ALL DRIVEN TO BECOME MORE AGILE. THEY TOO MUST COMPETE WITH FAST MOVING, VERY COMPETITIVE MANUFACTURERS IN ASIA. IF THEY CAN'T, AUSTRALIAN MANUFACTURING IS DOOMED.

SO WE HAVE BEEN SHARPENING OUR REFLEXES.

AND ACCORDING TO RECENT CUSTOMER SATISFACTION SURVEYS, WE HAVE BEEN MEETING CUSTOMER EXPECTATIONS AND ARE WORKING TO CONTINUALLY IMPROVE.

THE SECOND FACTOR THAT IS DRIVING OUR TRANSFORMATION IS THE INTENSITY OF INTERNATIONAL COMPETITION.

AS A SUCCESSFUL PLAYER IN THE INTERNATIONAL STEEL BUSINESS, WE ARE CONSTANTLY MADE AWARE OF THIS PRESSURE.

THE GLOBAL STEEL INDUSTRY WILL CONTINUE TO CONSOLIDATE IN THIS CHANGING INDUSTRY ENVIRONMENT, SO WE MUST USE OUR RELATIVE SIZE TO MOVE MORE ASTUTELY.

WITH STEEL PRICES STRONG, IT IS EASY TO FORGET HOW ONLY 3 YEARS AGO INTERNATIONAL STEEL PRICES REACHED THEIR LOWEST LEVELS IN 20 YEARS – A RESULT OF INHERENT STRUCTURAL PROBLEMS IN THE INTERNATIONAL STEEL INDUSTRY.

THREE YEARS AGO WE WERE BARELY BREAK-EVEN AND CRIPPLED WITH INDUSTRIAL ACTION AT PORT KEMBLA STEELWORKS.

THOSE PRESSURES HELPED TRIGGER THE CHANGES AT BLUESCOPE STEEL.

WE WILL NOT EASILY FORGET THAT TIME, AND THE THREAT IT REPRESENTED TO OUR BUSINESS AND OUR EMPLOYEES' LIVELIHOODS.

EVEN AS WE ENJOY THE CURRENT GOOD TIMES, THOSE THREATS REMAIN.

OUR PRESENT FINANCIAL PERFORMANCE IS NOT A LICENCE TO RELAX, BUT AN OPPORTUNITY TO FURTHER IMPROVE IN EVERYTHING WE DO. TO MAKE MORE TOUGH DECISIONS AND FINANCE THEM.

IN PARTICULAR WE MUST AND WILL REMAIN AT THE LOW END OF THE INTERNATIONAL COST CURVE IN OUR MANUFACTURING OPERATIONS.

WE WILL STAY FOCUSED ON FIXING INEFFICIENT WORK ARRANGEMENTS WHERE THEY STILL EXIST, AT ALL LEVELS OF OUR BUSINESS.

AND WE WILL IMPROVE COST STRUCTURES, AND MAKE THE RIGHT INVESTMENTS TO BUILD THE BUSINESS [WHETHER HERE IN AUSTRALIA OR OVERSEAS].

HAVING SPENT THE LAST YEAR AS CHAIRMAN OF INTERNATIONAL IRON AND STEEL INSTITUTE, I HAVE TAKEN A CLOSE LOOK AT THE WORLD'S BEST STEEL COMPANIES.

THEY ARE LEAN, SMART AND FOCUSED, BUT WE CAN BE EVERY INCH THEIR EQUAL.

OUR AIM IS TO EXCEED THAT INTERNATIONAL COMPETITION, DEFEND OUR EXISTING MARKETS AND EXPAND AND GROW INTO NEW MARKETS.

IN AN AUSTRALIAN CONTEXT 'COMPETING WITH THE WORLD'S BEST' MEANS COMPETING AND WINNING AGAINST IMPORT COMPETITION.

OTHERWISE, 8,000 BLUESCOPE STEEL JOBS WOULD BE AT RISK AND 30,000 IN THE AUSTRALIAN STEEL INDUSTRY AS A WHOLE.

AT AN INTERNATIONAL LEVEL, IT MEANS STEPPING INTO THE RING IN OTHER MARKETPLACES, IN OTHER COUNTRIES. WE ARE ALREADY DOING THIS VERY EFFECTIVELY.

SO, WE HAVE LOOKED AT SOME 'WHYS' - TWO KEY FACTORS THAT HAVE DRIVEN BLUESCOPE STEEL'S TRANSFORMATION.

- THE CHANGING EXPECTATIONS OF OUR CUSTOMERS, AND
- THE INCREASING INTENSITY OF INTERNATIONAL COMPETITION

THERE ARE OTHERS, OF COURSE.

NOW, I WOULD LIKE TO TALK TO YOU ABOUT HOW WE ARE BUILDING A STEEL SOLUTIONS BUSINESS THAT CAN TAKE ON THE WORLD'S BEST - AND WIN.

PART TWO – HOW WE ARE CHANGING

WE BELIEVE WE HAVE IN PLACE THE RIGHT STRATEGY.

AND WE ARE DEVELOPING A GREAT TEAM OF PEOPLE, AND A COMPANY CULTURE THAT REWARDS EXCELLENCE.

AND WE ARE SEEING THE BENEFITS - IN INNOVATION, GROWTH AND FINANCIAL SUCCESS.

SO FIRST, LET ME GIVE YOU AN OVERVIEW OF OUR STRATEGY.

THINK OF THE IMAGES THAT HAVE BEEN TYPICALLY ASSOCIATED WITH THE STEEL INDUSTRY.

THEY ARE LIKELY TO INCLUDE BROODING INDUSTRIAL LANDSCAPES, SMOKE STACKS - THE TRADITIONAL IMAGERY OF HEAVY MANUFACTURING,

UNFORTUNATELY FOR SHAREHOLDERS, THESE IMAGES HAVE OVER RECENT DECADES BEEN ASSOCIATED WITH AN EQUALLY GLOOMY INVESTMENT SECTOR VIEW OF THE STEEL INDUSTRY.

OUR INDUSTRY WAS SEEN AS VOLATILE, POOR IN TERMS OF SHAREHOLDER RETURNS, AND INHIBITED BY OVER-CAPACITY.

THESE AND OTHER FACTORS HAD CONFINED STEEL TO THE DIM RECESSES OF THE INVESTMENT SECTOR.

AND THEY HAVE PROVIDED US WITH A COMPELLING REASON TO CHANGE OUR BUSINESS.

NOW, IN MY FOUR AND A HALF YEARS AS CEO OF BLUESCOPE STEEL I'VE SEEN OUR DEFINING IMAGES BECOME MORE LIKE THIS.

IMAGES OF THE INSPIRED USE OF STEEL IN ARCHITECTURE.

IMAGES THAT SPEAK OF INNOVATIVE SOLUTIONS, OF MEETING CUSTOMERS' NEEDS.

IMAGES OF BRANDS, DESIGN AND COLOUR AS WELL AS FUNCTION.

THESE DEFINING IMAGES WERE IMPORTANT CONSIDERATIONS IN CHOOSING OUR NEW COMPANY NAME (BLUESCOPE STEEL).

IN A NUTSHELL, BLUESCOPE STEEL IS BECOMING RECOGNISED AS:

- PRODUCT AND MARKET DRIVEN,
- SOLUTIONS-ORIENTED,
- MULTINATIONAL
- AND TECHNICALLY ORIENTED

THIS IS IN ACCORDANCE WITH OUR STRATEGY, WHICH IS ABOUT DEVELOPING DOWNSTREAM CAPABILITY, ESPECIALLY IN CONSTRUCTION AND BUILDING APPLICATIONS.

IN EXPLAINING OUR STRATEGY, WHICH IS WELL UNDER WAY, THIS DIAGRAM HAS BEEN HELPFUL.

IT MAY BE FAMILIAR TO SOME OF YOU - I USED IT AT LAST YEAR'S ANNUAL GENERAL MEETING IN MELBOURNE.

THE TRIANGLE ON THE LEFT REFLECTS THE HISTORICAL PRODUCT PYRAMID FOR OUR COMPANY.

AT THE BASE IS STEEL SLAB, WHICH IS OUR COMPANY'S FIRST SALEABLE STEEL PRODUCT.

WE PRODUCED A RECORD 6.6 MILLION TONNES OF STEEL AT PORT KEMBLA STEELWORKS, NORTH STAR BLUESCOPE STEEL AND NEW ZEALAND STEEL LAST YEAR.

AT EVERY SUBSEQUENT STAGE OF PRODUCTION, A PROPORTION OF PRODUCT WE PRODUCE IS SOLD TO THIRD PARTIES.

THE APEX OF THE TRIANGLE REPRESENTS THE ADVANCED STEEL SOLUTIONS WE PROVIDE TO CUSTOMERS - FOR EXAMPLE, PRE-ENGINEERED STEEL BUILDINGS.

THE PRODUCTS AT THE TOP OF THE PYRAMID SELL FOR THOUSANDS OF DOLLARS PER TONNE, WHILST THOSE AT THE BOTTOM SELL FOR HUNDREDS OF DOLLARS PER TONNE.

OUR OBJECTIVE, AS WE EXPLAINED A YEAR AGO, IS TO TRANSFORM THE SHAPE OF THE PRODUCT PYRAMID FOR OUR BUSINESS TO MORE CLOSELY RESEMBLE THE TRAPEZOID NOW ON THE SCREEN - BY GROWING THE PROPORTION OF HIGHER VALUE ADDED PRODUCT WE SELL.

SO WHY ARE WE PURSUING THIS STRATEGY?

WELL, AS WE MOVE UP THE PYRAMID, THERE IS TYPICALLY MORE VALUE ADDED. THIS MEANS HIGHER CUMULATIVE MARGINS, AND IMPORTANTLY FOR OUR INDUSTRY, LESS VOLATILE SELLING PRICES, THAN PRODUCTS AT THE BASE OF THE TRIANGLE.

AND WITH OUR EXPANSION INTO PRE ENGINEERED BUILDINGS, OUR CHAIN OF VALUE ADDING HAS BECOME EVEN LONGER, SUCH THAT WE NOW SELL A COMPLETE STEEL BUILDING.

SO, IN FUTURE, A BLUESCOPE BUTLER BUILDING LIKE THIS WILL BE MADE FROM BLUESCOPE STEEL BUILDING COMPONENTS.

THESE COMPONENTS ARE FORMED FROM OUR ZINCALUME® COATED AND COLORBOND® PAINTED STEELS, WHICH MAY BE DERIVED FROM HOT ROLLED COIL MADE AT OUR STEEL WORKS IN AUSTRALIA, NEW ZEALAND AND THE USA.

AS WE PRODUCE AND SELL MORE VALUE-ADDED PRODUCTS, WE WILL GROW THE REVENUE OF OUR COMPANY, CAPTURE MORE MARGIN AND REDUCE VOLATILITY.

AND LESS VOLATILITY MEANS GREATER POTENTIAL – FOR EMPLOYEES, SUPPLIERS, COMMUNITIES AND INVESTORS.

NOW, I WOULD LIKE TO TALK ABOUT CHANGES TO OUR PEOPLE AND CULTURE.

BLUESCOPE STEEL COMPRISES OVER 16,000 PEOPLE OF HIGH QUALITY AND CALIBRE. WE HAVE A TRULY WORLD CLASS TEAM IN PLACE.

AND I HAVE MADE IT MY PERSONAL MISSION TO ENSURE THEIR SAFETY.

YET DESPITE OUR BEST EFFORTS, WE HAD A FATALITY IN JUNE.

A CONTRACTOR AT OUR BRISBANE LOGISTICS TERMINAL WAS KILLED IN A FORKLIFT ACCIDENT.

AS A RESULT OF THIS TRAGIC ACCIDENT, WE IMPLEMENTED A "STOP FOR SAFETY" – A FOUR HOUR STOP AT EVERY OPERATION WORLDWIDE - 32 MAN YEARS OF EFFORT IN ONE WEEK.

WE ARE WORKING HARD TO ENSURE THIS FATALITY IS OUR LAST.

IT WAS NOT A GREAT WAY TO END A GREAT YEAR. BUT, NEVERTHELESS, A HUMBLING REMINDER THAT PEOPLE MATTER MORE THAN PROFIT.

AND VALUES ARE THE MOST ENDURING MARKS OF A COMPANY'S WORTH.

ZERO HARM IS NOT SIMPLY A GOAL. IT IS AN IMPERATIVE.

OVER THE PAST FOUR YEARS, AS WE HAVE RE-SHAPED OUR COMPANY, OUR EMPLOYEE PROFILE HAS CHANGED AS WELL.

WE ARE BECOMING MORE TECHNICALLY ORIENTED, WITH A GREATER EMPHASIS ON SALES, MARKETING, ENGINEERING, RESEARCH AND DEVELOPMENT.

TODAY, BLUESCOPE STEEL EMPLOYS EVEN MORE GRADUATES AND PHDS, AND WE AIM TO CONTINUE BUILDING A HIGHLY SKILLED TEAM - STRONG IN SCIENTIFIC AND TECHNICAL COMPETENCIES, WITH A SOUND KNOWLEDGE OF MARKET NEEDS AND OPPORTUNITIES.

WHY THIS SHIFT?

AS WE MOVE FURTHER TOWARD CUSTOMISED, DOWNSTREAM PRODUCTS, WE WILL REQUIRE MORE MARKETING, ENGINEERING AND DESIGN EXPERTISE.

OUR PRODUCTION FACILITIES ARE BECOMING FAR MORE ADVANCED.

AUTOMATION AND COMPUTER CONTROL MEAN FEWER, MORE HIGHLY TRAINED PEOPLE ON THE PLANT FLOOR.

TO BECOME THE WORLD'S MOST INNOVATIVE STEEL COMPANY, WE NEED THINKING POWER AND IMAGINATION, FLEXIBILITY AND COMMITMENT TO CUSTOMERS.

ANOTHER MAJOR CHANGE IS THE NATIONALITY OF OUR EMPLOYEES.

AS YOU CAN SEE FROM THESE PIE CHARTS, THE NATIONALITY OF OUR VARIOUS EMPLOYEES HAS CHANGED DRAMATICALLY OVER THE LAST THREE YEARS WITH ASIA AND NORTH AMERICA NOW REPRESENTING 47% OF OUR EMPLOYEES – UP FROM 15% ONLY THREE YEARS AGO.

THE ACQUISITION OF BUTLER MANUFACTURING BROUGHT INTO OUR PORTFOLIO SOME OUTSTANDING MARKETING, DESIGN AND MANUFACTURING SKILLS, IN BOTH NORTH AMERICA AND CHINA.

WE EXPECT SIGNIFICANT GROWTH IN THE NUMBER OF PEOPLE WORKING IN OUR ASIAN OPERATIONS, WHERE WE NOW HAVE NEARLY 3,000.

THE ENTHUSIASM AND NEW IDEAS WE ARE SEEING COMING FROM OUR PEOPLE IN THE ASIA REGION ARE TRULY EXCITING AND ENERGISING.

SO, AS OUR EMPLOYEE PROFILE SHOWS, BLUESCOPE STEEL HAS BECOME A TRULY MULTINATIONAL AND MULTICULTURAL COMPANY WITH OPERATIONS IN 16 COUNTRIES.

WE MUST ALSO ENSURE THAT WE ARE AN ORGANISATION THAT MOTIVATES, REWARDS AND EMPOWERS OUR PEOPLE.

A SIGNIFICANT PIECE OF WORK UNDERWAY WITHIN THE COMPANY IS TO BUILD (WHAT WE CALL) A “HIGH PERFORMANCE” CULTURE THROUGHOUT THE ORGANISATION.

CREATING A HIGH PERFORMANCE CULTURE IS ABOUT EVERYONE GENERATING AN ENVIRONMENT THAT ENCOURAGES QUALITIES LIKE TEAMWORK, AGILITY, CREATIVITY, AND OPPORTUNITY.

A HIGH PERFORMANCE WORKPLACE ENCOURAGES INITIATIVE, IMAGINATION, ACCOUNTABILITY AND CONFIDENCE. IT REWARDS THOSE WHO TAKE CARE OF OUR CUSTOMERS AND MARKETS.

IMPORTANTLY, A HIGH PERFORMANCE CULTURE ACTIVELY DISCOURAGES THE BEHAVIOUR THAT IS ASSOCIATED WITH OLD-STYLE ‘BIG’ COMPANIES - YOU ARE PROBABLY AWARE OF TRAITS THAT TYPIFIED SUCH ORGANISATIONS.

SO, WHY ARE WE MOVING IN THIS DIRECTION?

BECAUSE AGILITY, CREATIVITY, COURAGE AND THE CONFIDENCE TO BE IMAGINATIVE - THE VERY ELEMENTS OF INNOVATION – CANNOT BE DELIVERED TO THE MARKETPLACE UNLESS THEY ARE NURTURED AND PRACTICED WITHIN THE ORGANISATION.

WE HAVE A SMART, MULTINATIONAL WORKFORCE. AND WE ARE IMPLEMENTING A CULTURE THAT WILL ALLOW THEM TO THRIVE.

ONE RESULT IS THAT WE ARE BECOMING A FAR MORE INNOVATIVE COMPANY.

SO LET ME DESCRIBE SOME EXAMPLES OF BLUESCOPE STEEL INNOVATION.

IMAGINE PAINTED STEEL PANELS WITH AN IN-BUILT ANTI-BACTERIAL CAPABILITY. PURPOSE BUILT FOR HYGIENE-CRITICAL AREAS LIKE STERILE COOL-ROOMS.

IMAGINE COLORBOND STEEL FENCING PRODUCTS THAT CANNOT BE PERMANENTLY DE-FACED WITH GRAFFITI.

OR COLORBOND STEEL ROOFING AND WALLING WITH A PHOTO-VOLTAIC COATING, MEANING THE ENTIRE EXTERIOR OF A BUILDING CAN CAPTURE SOLAR ENERGY.

THIS IS THE FUTURE OF COATED STEELS, AND THESE ARE SOME AREAS OF INNOVATION IN WHICH BLUESCOPE STEEL IS ADVANCING . . .

OUR CORE BRANDS, SUCH AS COLORBOND® AND ZINCALUME® STEELS ARE ALSO CONSTANTLY BEING EXTENDED AND IMPROVED.

IN ASIA, CLEAN COLORBOND® STEEL, FOR INSTANCE, WAS DESIGNED TO RESIST THE DISCOLOURATION KNOWN AS 'TROPICAL STAINING'.

ON THE SCREEN YOU CAN SEE "BLUE ZINCALUME" - A BLUE RESIN-COATED HOUSE FRAMING PRODUCT WE ARE CURRENTLY TRIALING.

THIS IS A GREAT EXAMPLE OF BRAND EXTENSION AND DEVELOPMENT (PRODUCED AT OUR WESTERN PORT PLANT, VICTORIA).

IN PRE-ENGINEERED BUILDINGS, COMPUTER MODELLING WILL MAKE OUR PEBS EVEN MORE PRECISELY TAILORED TO THE CUSTOMER'S NEEDS. AND THE LIST GOES ON.

HOWEVER, INNOVATION IS NOT RESTRICTED TO PRODUCT DEVELOPMENT.

THERE IS ALSO ENVIRONMENTAL INNOVATION - HERE ARE TWO EXAMPLES THAT MAKE US VERY PROUD.

THE ILLAWARRA WASTE WATER TREATMENT SCHEME WILL REDUCE BY 50 PER CENT THE REQUIREMENT OF FRESHWATER AT PORT KEMBLA STEELWORKS AND SPRINGHILL, BY TAKING RECYCLED WATER FROM A NEW HIGH-END WATER TREATMENT PLANT BUILT BY SYDNEY WATER.

THIS IS A LANDMARK ENVIRONMENTAL INITIATIVE.

THE TREATMENT PLANT IS THE LARGEST OF ITS KIND IN AUSTRALIA, AND THE PROJECT WILL SAVE AROUND 20 MILLION LITRES OF WATER A DAY - EQUIVALENT TO 40,000 HOUSEHOLDS.

AND WE ARE DEVELOPING PRODUCTS TO HELP OUR CUSTOMERS CONSERVE WATER AS WELL.

DURING THE YEAR WE LAUNCHED A NEW BUSINESS CALLED BLUESCOPE WATER.

THE FOUNDATION FOR THIS BUSINESS IS THE COMPANY'S MANY YEARS OF EXPERIENCE SUPPLYING STEEL-BASED PRODUCTS TO OUR CUSTOMERS FOR THE MANUFACTURE OF RAINWATER TANKS. [NB: YOU MAY NOW SEE AN EXAMPLE TANK ON DISPLAY IN THE FOYER]

ANOTHER TECHNICAL INNOVATION IS OUR SINTER MACHINE EMISSION REDUCTION PROJECT.

IT CAPTURES WASTE GAS AND DUST FROM THE IRON-ORE SINTER PLANT AT PORT KEMBLA STEELWORKS [AND REPRESENTS AN INVESTMENT BY YOUR COMPANY OF \$95 MILLION].

WITH SIX YEARS OF HARD WORK, RESEARCH AND TECHNICAL INNOVATIONS, OUR TEAM HAS EFFECTIVELY REMOVED THE SINGLE BIGGEST POINT SOURCE OF EMISSIONS AT PORT KEMBLA STEELWORKS, AND MADE A HIGHLY VISIBLE CONTRIBUTION TO LOCAL AIR QUALITY.

SO, OVERALL, WE ARE DRIVING FOR MORE INNOVATION, WHICH IS WHY WE WILL INCREASE OUR R&D SPEND BY A FURTHER 10 MILLION DOLLARS THIS FINANCIAL YEAR.

FINALLY, I WOULD LIKE TO LOOK AT A KEY GROWTH EVENT THAT IS A DEMONSTRATION OF OUR STRATEGY IN ACTION – THE ACQUISITION OF THE BUTLER MANUFACTURING COMPANY.

THE ACQUISITION OF BUTLER MANUFACTURING ON 27 APRIL THIS YEAR WAS SIGNIFICANT.

THE BUTLER BRAND IS NUMBER ONE IN PRE ENGINEERED BUILDINGS IN NORTH AMERICA AND CHINA, AND HAS STRONG BRAND RECOGNITION WORLD-WIDE.

THROUGH THE OWNERSHIP OF THIS BUSINESS, BLUESCOPE STEEL IS NOW THE NUMBER ONE GLOBAL DESIGNER AND SUPPLIER OF PRE-ENGINEERED STEEL BUILDINGS.

IN TERMS OF STRATEGIC FIT, THE BUTLER BUSINESS MANUFACTURES AND SELLS ENTIRE BUILDINGS, WHILE BLUESCOPE LYSAGHT SELL THE ROLL FORMED COMPONENTS THAT GO INTO THE BUILDINGS.

SO WHAT IMPACT IS THIS ACQUISITION HAVING ON BLUESCOPE STEEL?

HERE'S AN OVERVIEW.

REVENUE THIS YEAR IS EXPECTED TO INCREASE BY OVER \$1 BILLION.

OUR OVERALL PROPORTION OF REVENUE GENERATED DOWNSTREAM OF HOT ROLLED COIL WILL INCREASE BY 7%.

OUR EMPLOYEE NUMBERS HAVE INCREASED BY NEARLY 4,000.

AND WHILST OUR GEARING INCREASED BY ABOUT 8% WHEN WE COMPLETED THE DEAL, WE MAINTAINED AN INVESTMENT-GRADE BALANCE SHEET, AND SUCCESSFULLY PLACED US\$300 MILLION IN THE US PRIVATE PLACEMENT MARKET ONLY TWO MONTHS LATER.

THE PEOPLE OF THE BUTLER BUILDINGS AND VISTAWALL BUSINESSES IN NORTH AMERICA, AND THE BUSINESS WE NOW CALL BLUESCOPE BUTLER IN CHINA, HAVE RAPIDLY BECOME AN INTEGRAL PART OF OUR COMPANY AND WE WELCOME THEM.

IN LINE WITH OUR CHANGING CULTURE, THEY ARE DEMONSTRATING PERSONAL ACCOUNTABILITY IN IMPROVING THOSE BUSINESSES.

THE BUTLER ACQUISITION MAKES BLUESCOPE BUTLER THE LEADING PREMIUM PEB AND COMPONENTS COMPANY IN CHINA.

AND WHEN YOU FACTOR IN OUR LYSAGHT ASIA ROLLFORMING NETWORK, WHICH IS THE MOST EXTENSIVE IN THAT REGION, YOU REALISE THAT OUR PRESENCE IN ASIA IS NOW CONSIDERABLE.

SINCE WE MET LAST YEAR, NOT ONLY HAVE WE ACQUIRED BUTLER, BUT ALSO WE HAVE COMMENCED CONSTRUCTION OF A NEW COATING AND PAINTING PLANT IN VIETNAM, SEEN HERE ON THE SCREEN.

COMMENCED CONSTRUCTION OF A NEW, SECOND METALLIC COATING LINE IN THAILAND.

AND COMMENCED CONSTRUCTION OF A NEW PAINTING AND COATING PLANT IN CHINA.

WITH BLUESCOPE BUTLER ASIA, OUR DOWNSTREAM CAPABILITIES EXTEND ALL THE WAY TO THE FINISHED BUILDING, AND WE HAVE A FIRM FOOHOLD IN THE WORLD'S MOST ECONOMICALLY DYNAMIC REGION.

MOST ENCOURAGING IS THE FACT THAT WE ARE ABLE TO REWARD SHAREHOLDERS AND GROW YOUR COMPANY – AS THE CHAIRMAN OUTLINED EARLIER.

CONCLUSION

TO CONCLUDE.

- 1) WE HAVE LOOKED AT *WHY* WE ARE CHANGING - SHIFTS IN CUSTOMER EXPECTATIONS, AND THE INTENSITY OF INTERNATIONAL COMPETITION ARE KEY FACTORS.
- 2) AND WE HAVE EXAMINED *HOW* WE ARE CHANGING – THROUGH OUR STRATEGY, AND TRANSFORMING OUR ORGANISATION AND CULTURE.
- 3) I HAVE TALKED ABOUT THE GREAT INNOVATIONS THAT ARE FLOWING.
- 4) AND LOOKED AT THE BUTLER ACQUISITION AND NEW ASIAN PROJECTS – EXCELLENT EXAMPLES OF OUR GLOBAL VALUE-ADDED GROWTH STRATEGY IN ACTION.

SO, TO CLOSE.

WE ARE NOW AMONG THE 40 LARGEST AUSTRALIAN-OWNED COMPANIES, AND OUR BUSINESS MODEL IS PROVING SUCCESSFUL OFFSHORE.

WE ARE AN EXPORTER OF AUSTRALIAN EXPERTISE – AND LEARNING FROM THE WORLD.

NOW, I *DO* KNOW THAT AUSTRALIANS FEEL A GREAT DEAL OF PRIDE WHEN THE HOME TEAM DOES WELL ABROAD.

BUT I DON'T THINK THE EXTENT OF OUR OFFSHORE SUCCESS IS FULLY UNDERSTOOD.

WE HAVE A REAL OPPORTUNITY TO TAKE YOUR COMPANY, BLUESCOPE STEEL, SOMEWHERE VERY EXCITING.

TO BECOME THE SORT OF STEEL SOLUTIONS BUSINESS THE WORLD HAS NOT SEEN BEFORE – WITH AN UNRIVALLED PRESENCE IN THE WORLD'S MAJOR GROWTH REGION OF ASIA.

OURS IS A VERY FINE COMPANY.

I HOPE YOU FEEL PROUD TO BE SHAREHOLDERS.

BECAUSE I CERTAINLY FEEL PROUD AND PRIVILEGED TO LEAD IT.

LADIES AND GENTLEMEN, I THANK YOU FOR LISTENING.

AND I VERY MUCH APPRECIATE YOUR SUPPORT.

END