



**BLUESCOPE  
STEEL**

# BlueScope Asia Day Malaysia Business

29 June 2006

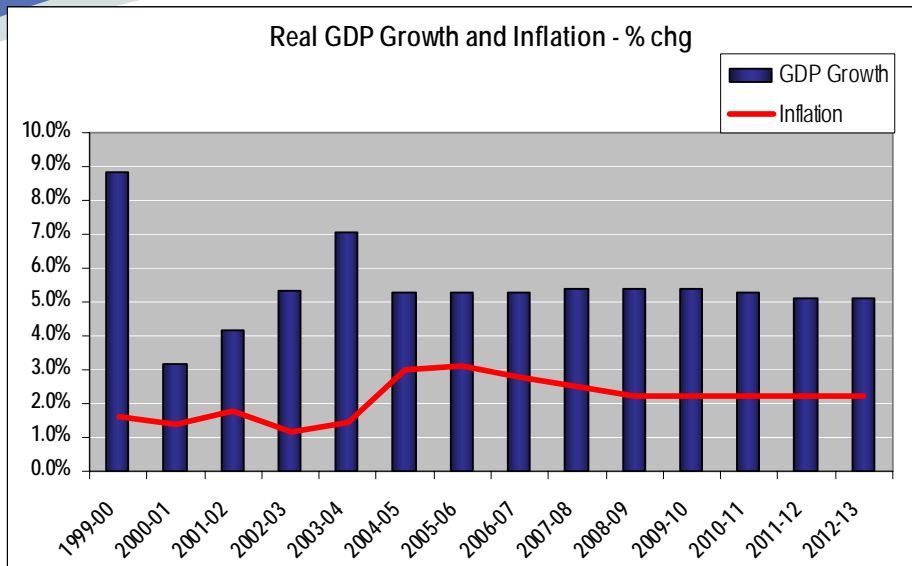
# Malaysia – Our business in context



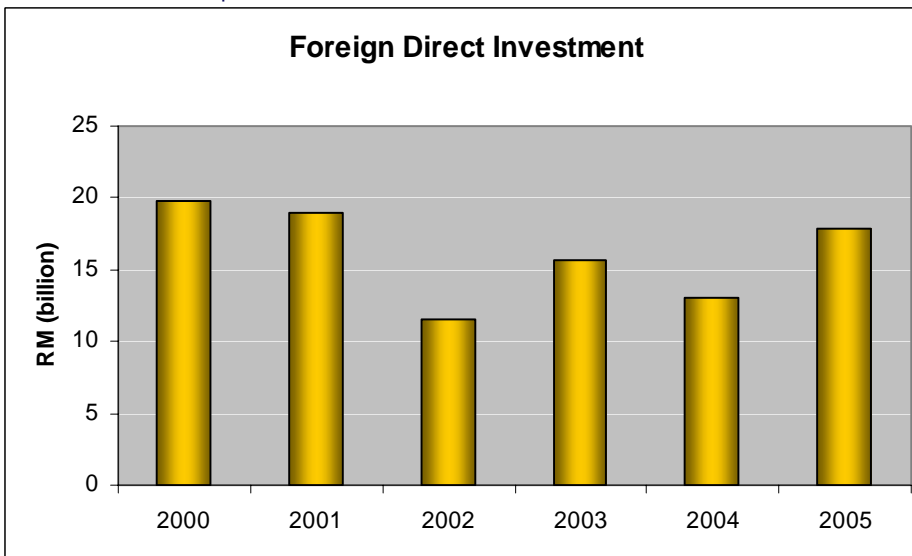
- Building solutions facility, BlueScope Lysaght
- Metallic coating and painting facility, BlueScope Steel

- **Ownership**
  - BlueScope Steel (Malaysia) Sdn Bhd
    - 60% BSL, 40% PNB
- **Coated facilities (at Kapar)**
  - 160,000T Metallic Coating Line
  - 70,000T Paint Line
- **Lysaght facilities**
  - Shah Alam
  - Singapore
  - Bandar Seri Begawan
  - Kota Kinabalu
  - Kuching
  - Bintulu

# Malaysia – Economy



Source: BlueScope Steel Economics



Source: RHB Research

## ■ Economy

- Steady GDP growth of ~5%
- Inflation less than 3%
- Recovery in FDI's

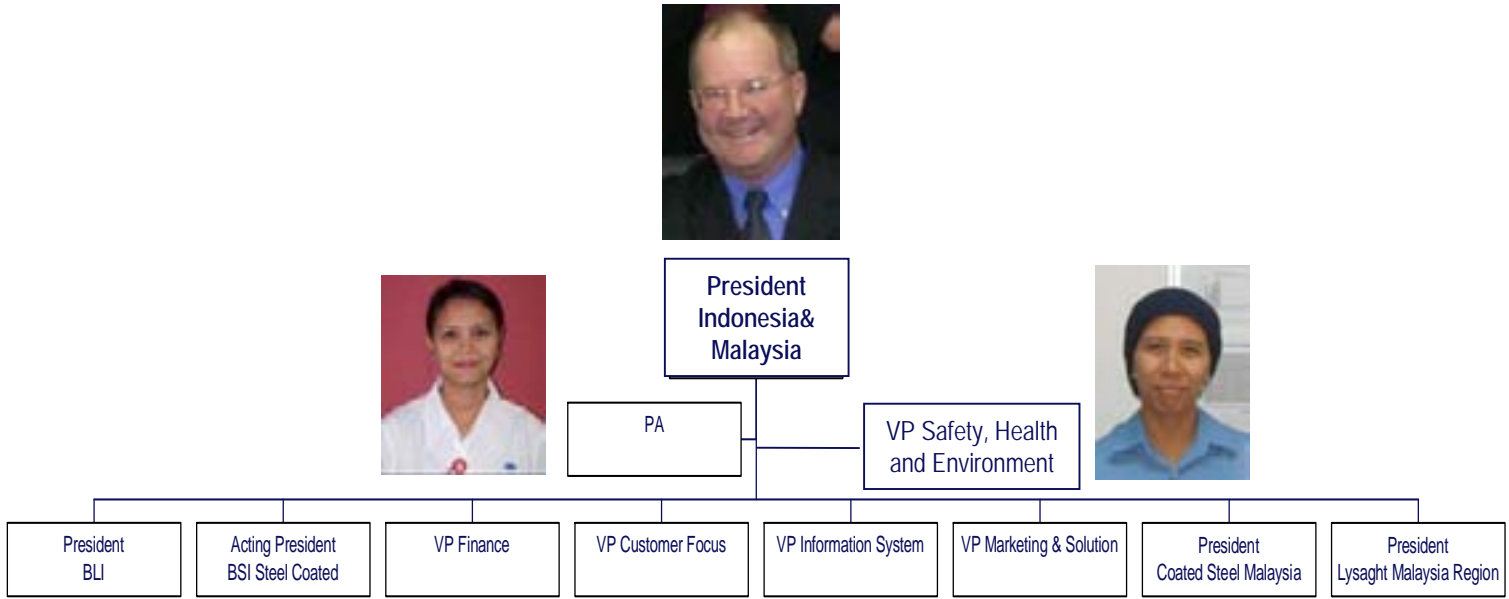
## ■ Population

- 26 million
- Young population with 53% under the age of 25 years
- Relative high GDP per capita of US\$5,300

## ■ Political

- Very stable government
- Ruling party in power at federal level since independence

# SINDOMALAY management team



# Malaysia – Mid stream management team



President  
Coated Steel Malaysia



Administration Manager



# Malaysia – Downstream management team



President  
(Lysaght Malaysian Region)



President  
Lysaght Singapore



President  
Lysaght Malaysia



President  
Lysaght Sabah



General Manager  
Lysaght Brunei



President  
Lysaght Sarawak



President  
Spore Service Centre



Vice President  
Commercial



Operations Manager

# Malaysia – Our people



Multicultural team

# Malaysia – Our safety



**Zero Harm, Together We Work, Forever We Care**  
**Excellent record with more than 1,000 days LTI free**



# Malaysia – Our performance

	FY2003	FY2004	FY2005	FY2006(e)
<b>External Despatches (tonnes000's)</b>				
▪ Domestic	58	87	103	
▪ Export	30	44	53	
Total	88	131	156	
<b>Sales Revenue (A\$m)</b>				
Total Sales	\$125.9m	\$147.1m	\$177.4m	
<b>EBIT (A\$m)</b>	\$22.3m	\$21.2m	\$9.3m	In the range of \$2m - \$5m
<b>Net Operating Assets (pre-tax A\$m)</b>	\$109m	\$131m	\$155m	
<b>Business development and pre-operating costs included in EBIT</b>	-	-	-	approx (\$1m)

# Malaysia – Current operations

- The midstream business results have been good up to 2004, growing at 22% CAGR.
- However, in the 1<sup>st</sup> Quarter of FY2006, it experienced “the perfect storm”.
- “The Perfect Storm”:
  - Selling Prices dropped 20% in mid 2005, at the time the business was holding 50k tonnes of higher priced CRC that ended up representing 150 days of sales over the coming months.
  - The paint line fire in July 05 to date has reduced EBIT by MYR6m
  - Overall low activity in construction sector (6 quarters of negative growth), due to change in Prime Minister who exercised restraint in government spending
  - Market share push by competitors
- The business has now started on the road to recovery.

# Malaysia – “The road to recovery”

## Leadership

- Transitioned new team, 60% change
- Segmented sales and marketing management structure
- Clear and strong performance management

## Internal Efficiency

- Value creation program
- Yield improvement
- Supply chain management

## Increasing Margins

- Cleared high priced aged stock & reduce yield loss
- Widen margins through restructured market offer
- Procurement gains from new CRC sourcing strategy
- Increased promotion of brands to secure price premium

## Domestic Growth – Our Customers As Our Partners

- Roof & Walling – industrial & commercial
  - Sustained premium for all 3 tiers of products
  - Differentiated market offer to competitors
  - Product innovation
- Manufacturing
  - Product development
  - Development of new channels to market
- Residential
  - Enhanced cluster co-operation
  - Product development
- Develop core export markets
- Opportunistic Export eg. Aceh seeding for Indonesia

# Malaysia – Feedstock sources

## Current Source

1. Cold rolled coil (CRC) from
  - BlueScope (Springhill, Australia), SUS (Thailand), PTKS (Indonesia), POSCO (Korea) and Mycron (Malaysia)
  - Trialling other sources
2. Other materials
  - Zinc from Korea Zinc, Korea
  - Aluminium from Comalco, Australia
  - Paint from Akzo Nobel

## Other Influences

### CRC stocks

- Lead time from CRC suppliers ranges from 45-90 days
- CRC inventory target is 45 days on hand or in transit; and another 15-45 days on order

### Tariff regime

- 50% import duties on flat steel products from non-ASEAN countries
- 5% import duties on flat steel products from ASEAN countries
- BlueScope Steel Malaysia has import duty exemption for its CRC feed
- Import permits are required for imports of all flat steel products

# Malaysia – Our opportunities

Capacity	Capacity Utilisation (% of Prime Product)				
	FY2003 - 2005	FY2006	FY2007	FY2008	FY2009
<b>Metal coated line</b>					
<b>160,000 tonnes</b>	83%	78%	84%	95%	107%
<b>Paint line</b>					
<b>70,000 tonnes</b>	98%	82% (1)	91% (2)	100% (2)	100% (2)

Notes:

(1) Paintline utilisation rate is low in FY2006 due to fire at CPL and product mix change to thinner gauges

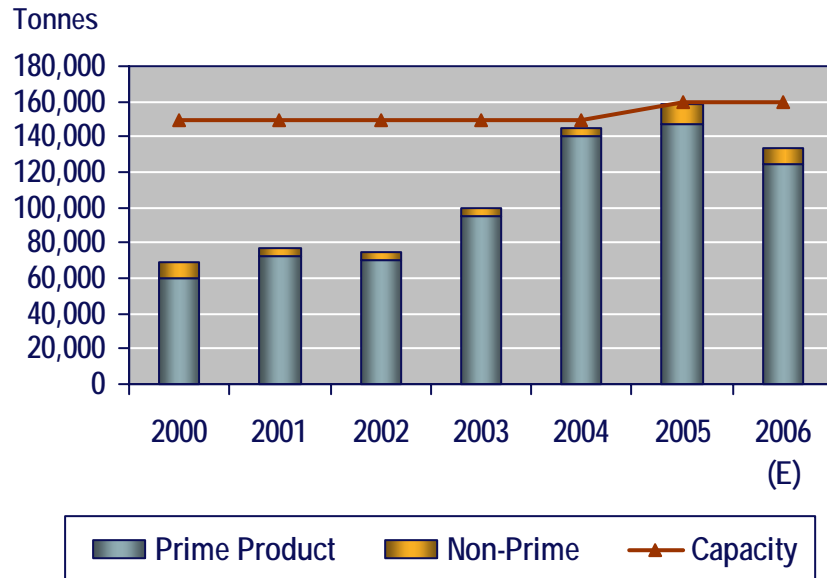
(2) Utilisation is impacted by increased thin gauge production

## Opportunities to grow include the following:

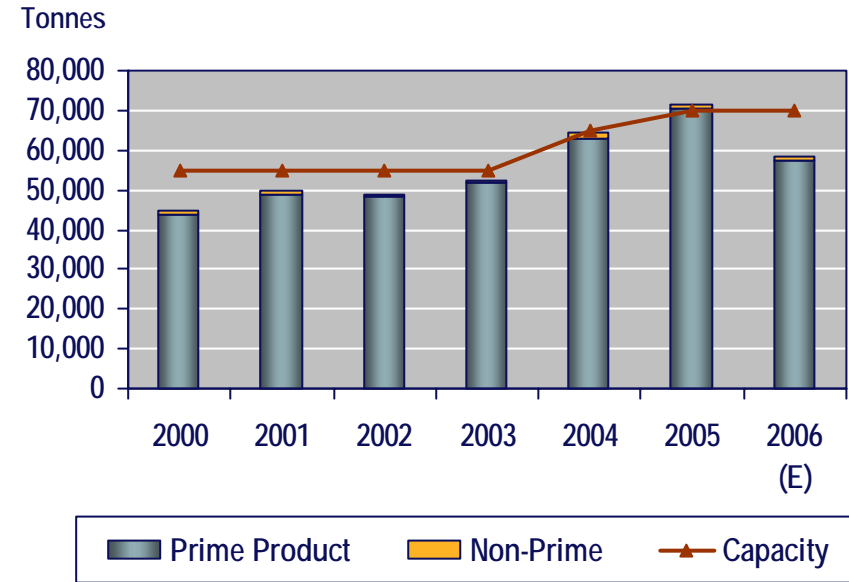
- Residential markets (via inter-material growth)
- Manufacturing segment penetration
- Multistorey commercial segment
- Acquisitions

# Malaysia – Metal coating line and paint line production profile

## METAL COATING LINE

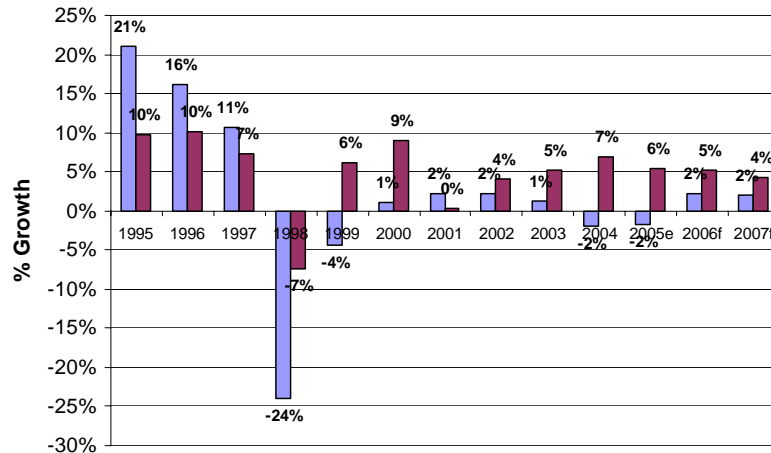


## PAINT LINE



# Malaysia – Our markets

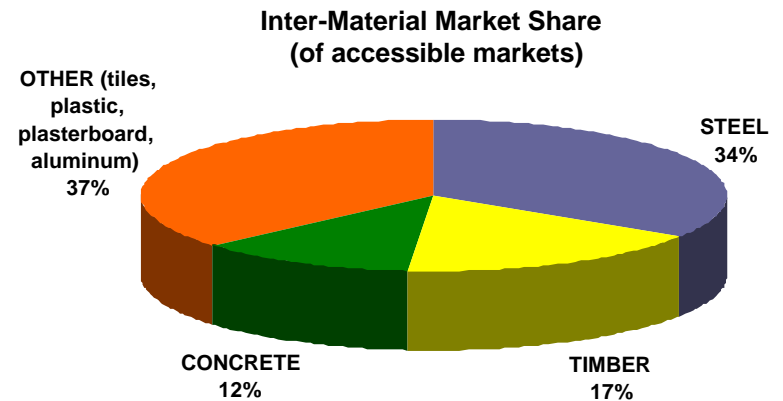
- Approximately 60% of total sales in Malaysia are to the domestic market, whilst 40% exported.
- 90% of domestic sales is to the building & construction industry and 10% to manufacturing industry.
- Domestic building & construction sales split - 60% industrial/ commercial sector and 40% residential sector.



Source: BIS Shrapnel & DeutscheBank Research

■ Construction growth ■ Economic growth

Year: 2005



Source: The Initiatives Group & BlueScope Steel Malaysia

Strategy is to:

- Grow residential market through trusses, roofing and eventually wall framing,
- Penetrate manufacturing market by providing chromate-free steel & deep drawing grades
- Aggressively grow market share in our core roofing and walling market via continued product innovation and market leadership.

# Malaysia – Our markets (cont.)



- Current principal markets are located in: ○

- Klang Valley (greater Kuala Lumpur)
- Singapore

- Other regional opportunities △

- Penang
- Johor Bahru
- Sarawak
- Sabah

- Coated steel market in Malaysia

	Domestic Supply	Imports
▪ Metal coated	30%	70%
▪ Painted	80%	20%



## ■ Opportunities - Midstream

- Residential markets
- Manufacturing segment
- Yield improvement
- Structural cost improvement
- Acquisition growth

## ■ Challenges - Midstream

- Feed availability (Cold rolled coil)
- Potential government policy change to source a proportion of feed locally
- Competitive market with excess domestic capacities

## ■ Opportunities - Downstream

- Decking for integrated resorts in Singapore
- Potentially more volume for Aceh
- Building solution, PEB's and residential steel house solutions.
- Multistorey market
- Acquisition growth

## ■ Challenges - Downstream

- On-going growth in Building Solutions

# Downstream Progress into Building Solutions



## Midstream

- Business has turned around and become profitable again
- Significant opportunities to grow domestic markets
- Yield improvement opportunities
- Structural cost improvement opportunities
- Feed availability and rapidly rising feed & coating metal cost are issues that will be actively managed

## Downstream

- Businesses are progressing into building solutions

## Supporting Information

- **Corporate tax rate**
  - Malaysia 28%
  - Singapore 20%
  
- **Other**
  - Unutilised tax losses



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