ASX RELEASE

BLUESCOPE

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BLUESCOPE DELIVERS $360M UNDERLYING NPAT IN 1H FY2017 – ANNOUNCES $150M BUY-BACK, AND EXPECTS 2H FY2017 UNDERLYING EBIT APPROACHING 50% UP ON 2H FY2016

BlueScope today announced a $359.1 million reported net profit after tax (NPAT) for 1H FY2017 – a $159.0 million increase on 1H FY2016. Underlying NPAT of $360.0 million was 203 per cent higher than 1H FY2016.

BlueScope's Managing Director and CEO, Mr Paul O'Malley said, "BlueScope lifted underlying EBIT by 162 per cent over 1H FY2016 to $603.6 million. The strong growth was generated through delivery of productivity and cost improvements, sales growth, improved steel spreads and the benefit of the North Star acquisition.

"We are now seeing the benefits of our strategic initiatives flowing through to the bottom line. There are positive trading conditions across most of our businesses and BlueScope has been generating strong cash flow. In 1H FY2017 free cash flow[1] was $286.3 million and $900.5 million across the calendar year to 31 December 2016. This has reduced net debt to $531.3 million, down $842.1 million from 12 months earlier. The leverage multiple[2] at 31 December 2016 was 0.4 times EBITDA."

The Chairman, Mr John Bevan, said "In light of the Company's sound cash flow position the Board has approved the payment of a fully franked interim dividend of 4.0 cents per share. As well, the Board has approved an on-market share buy-back of up to $150 million. The Board believes the buy-back achieves an appropriate balance between retaining strong credit metrics, continuing to fund our growth opportunities and returning cash to shareholders. The buy-back will be funded from free cash flow and the Board is targeting returns to shareholders, including capital management, of 30-50 per cent of free cash flow."

TARGETING GROWTH THROUGH IMPLEMENTING OUR STRATEGY

"BlueScope's strategy is delivering results, with growth in earnings across our entire geographic footprint. We have many growth opportunities in front of us," Mr O'Malley said.

"In Coated & Painted Products:

- We delivered 70 per cent underlying EBIT growth in our Building Products segment in 1H FY2017.

[1] Operating cash flow less capital expenditure.
[2] Net debt over trailing 12 month underlying earnings before interest, tax, depreciation and amortisation (EBITDA).

- Our current focus is to further grow our business particularly in Asia, which is seeing a rapid rise in the wealth of the middle class. Our home appliance steels, in partnership with NSSMC, are now in production in Thailand and are gaining customer acceptance. The development of the third metal coating line with in-line painting in Thailand is underway, being built to meet demand in the growing Retail/SME building market. We have just established a Lysaght roll-forming facility in Myanmar and there are opportunities to accelerate growth in India.
- In Australia, demand for our premium branded coated and painted product continues to be strong. The team is pursuing a number of specific inter-material product opportunities in new markets, and we are working on a longer term innovation pipeline.

"In BlueScope Buildings:

- We delivered 45 per cent underlying EBIT growth to $49.5 million, through performance improvement initiatives in the North America business.
- Looking forward, we anticipate benefits of further performance improvement initiatives in our engineered buildings businesses in both North America and China. Our China Coated business also has good scope to grow through filling available production capacity.

"At North Star:

- Since our move to full ownership in October 2015, there has been sustained improvement in steel margins. The business recorded a 178% rise in underlying EBITDA to US$180.2M (100%, local currency basis) in 1H FY2017 over 1H FY2016.
- The business continues to deliver low-cost incremental volume growth initiatives.

CONTINUED IMPROVEMENT IN AUSTRALIAN & NEW ZEALAND STEELMAKING

"The Australian steelmaking business has done an excellent job in boosting profitability and the business delivered good results, supporting the 2015 decision to continue operations at Port Kembla. However, we must not be complacent in our pursuit of continued productivity improvements. We need to deliver returns necessary to support a decision in 10 to 15 years to reline the blast furnace.

"Our New Zealand steelmaking business has also made headway on productivity initiatives and cost savings however there is further work to be done to determine whether the Glenbrook operations can be internationally competitive and profitable through the cycle. Further, we are making progress on the sale of our Taharoa export iron sands business.

OUTLOOK FOR 2H FY2017

"We expect 2H FY2017 underlying EBIT approaching 50% higher than 2H FY2016 (which was $340.3M).

"We expect 2H FY2017 underlying net finance costs to be lower than 1H FY2017 due to lower average net debt; expect slightly higher underlying tax rate due to regional mix of earnings, and similar profit attributable to non-controlling interests to 1H FY2017.

"Expectations are subject to spread, FX and market conditions," Mr O'Malley said.

For further information about BlueScope: www.bluescope.com

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