ASX RELEASE

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BLUESCOPE NET PROFIT UP 102% TO $716 MILLION
ANNOUNCES FURTHER $150 MILLION SHARE BUY-BACK

BlueScope today announced a $715.9 million reported net profit after tax (NPAT) for FY2017 – a 102 per cent increase on FY2016. Underlying NPAT[1] of $650.8 million was 112 per cent higher than FY2016.

Underlying EBIT for the year was $1,105.0 million, or $1,131.2 million when including Taharoa iron sands' contribution. The 89 per cent growth in underlying EBIT over FY2016 was generated through delivery of productivity and cost improvements, sales growth, improved steel spreads and the full year benefit of the North Star acquisition. Underlying EBIT in 2H FY2017 was $527.3 million.

BlueScope's Managing Director and CEO, Mr Paul O'Malley said, "Our strategic initiatives implemented in the last two years are delivering strong cash flow – free cash flow[2] was $749.3 million for the year, up 17 per cent. This allowed us to increase returns to shareholders during 2H FY2017 through the combination of a 4 cents per share interim dividend and a $150 million share buy-back. Net debt was reduced to $232.2 million. We finished the year with a leverage multiple[3] of 0.16 times."

BlueScope will pay a fully franked final dividend of 5.0 cents per share and undertake a further on-market share buy-back of up to $150 million during 1H FY2018. The Board believes that, together with paying consistent dividends, share buy-backs achieve an appropriate balance between retaining strong credit metrics, continuing to fund our growth opportunities and returning cash to shareholders[4]. Share buy-backs 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. We have many growth opportunities in front of us," Mr O'Malley said, and summarised them as follows:

Coated & Painted Products:

- Delivered a 32 per cent compound underlying EBIT growth in the Building Products segment over the last five years. This year, there was a strong pick-up in the performance of the North American coated business, with strong growth also in India and Vietnam.

1 Underlying financial results for FY2017 reflect the Company's assessment of financial performance after excluding the following items (post tax): non-current asset impairment charges ($73.7m), restructuring and redundancy costs ($28.8m), asset sales and earnings from discontinued operations ($62.6), utilisation of previously impaired tax assets ($110.2m) and other unusual and one-off items ($5.2m). The financial information is provided to assist readers to better understand the financial performance of the underlying operating business. A full reconciliation of underlying adjustments, including FY2016, is available in the FY2017 Earnings Report on BlueScope's web site.
2 Operating cash flow less capital expenditure.
3 Net debt over trailing 12 month underlying earnings before interest, tax, depreciation and amortisation (EBITDA).
4 On-market buy-backs are seen as the most effective method of returning capital to shareholders after considering various alternatives and given the Company's limited franking capacity (capacity to frank 5.9cps of dividends, prior to payment of the final dividend). The Board reserves the right to suspend or terminate buy-back at any time.

- The current focus is to further grow the business particularly in Asia, which is seeing a rapid rise in the wealth of the middle class. In order to meet demand in the growing Retail/SME building market in Thailand, the third metal coating line with in-line painting is under construction. A new Lysaght roll-forming facility in Myanmar has been established and there are opportunities to accelerate growth in India.
- In Australia, demand for premium branded coated and painted product continues to be strong. The team is pursuing a number of specific inter-material product and innovation opportunities in new markets.

BlueScope Buildings:

- Delivered 30 per cent underlying EBIT growth to $64.0 million, mainly through performance improvement initiatives in the North America business.
- Restructuring initiatives in the China Buildings business saw it achieve a break-even result in 4Q FY2017, and further benefits of the restructuring are expected in 1H FY2018.
- The China Coated business also has good scope to grow through filling available production capacity.

North Star:

- Since BlueScope's move to full ownership in October 2015, there has been sustained improvement in steel margins. The business recorded a 113 per cent rise in underlying EBITDA to US$348.3M (100%, local currency basis) in FY2017 over FY2016.
- The business continues to deliver low-cost incremental growth initiatives, with production volume increased by 71kt this year through de-bottlenecking projects.

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," Mr O'Malley said.

"A sharp increase in energy costs for our Australian operations risks undermining recent cost and productivity improvements. Combined gas and electricity costs for the company's major manufacturing sites at Port Kembla, Springhill and Western Port are forecast to increase 75 per cent between FY2016 and FY2018, to an estimated $145M in FY2018. We are very concerned about tightening of supply in the gas and electricity markets, and have highlighted our concerns to government and regulators, including our views about the need for greater supply of gas to domestic customers and incentives to ensure baseload generation is maintained at least at existing levels," he said.

The New Zealand steelmaking business made headway on productivity initiatives and cost savings but there is further work to determine whether the Glenbrook operations can be internationally cost competitive and profitable through the cycle. The sale of the Taharoa export iron sands business was completed in May.

OUTLOOK

BlueScope's successful transformation has rebased earnings to a higher level, lowered volatility, improved earnings mix and positioned the company well to fund growth, reduce debt and for capital management.

In the immediate half year there are a number of macro factors impacting the outlook:

- U.S. steel margins are lower due to scrap prices increasing ahead of steel prices;
- As trade restrictions take hold in global markets, import product offerings are taking advantage of gaps in the Australian anti-dumping regime, which together with volatility in FX, is leading to lower domestic steel margins; and
- Productivity improvements at ASP are not yet fully offsetting the scale of energy cost escalation in FY2018.

The Company currently expects 1H FY2018 underlying EBIT around 80% of 2H FY2017 underlying EBIT (which was $527.3M). Expectations are subject to spread, FX and market conditions.

For further information about BlueScope: www.bluescope.com

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