ASX RELEASE

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BLUESCOPE DELIVERS $517M UNDERLYING EBIT[1], $150M EXTENSION OF BUY-BACK AND STRONGER OUTLOOK FOR 2H

BlueScope today announced a $441.2 million reported net profit after tax (NPAT) for 1H FY2018, including one-off benefits of $84.2 million[2] – a 23% or $82.1 million increase on 1H FY2017. Underlying NPAT[3] was $321.1 million.

Speaking at his first results as Managing Director and CEO, Mark Vassella said the Company had delivered strong shareholder returns with a very positive EBIT performance and a $150 million extension of the buy-back.

“Solid underlying EBIT of $516.8 million in 1H FY2018, is similar to the result for 2H FY2017. With business performance and economic conditions improving particularly towards the end of the half and with the benefit of the recent $32.1 million coal supply dispute settlement, the final result was better than expectations”, he said.

“We continue to see the benefits of our strategic initiatives flowing through to the bottom line, and our businesses are generating strong cash earnings. Net debt at 31 December 2017 was $262.1 million, reduced by over 50 per cent from 31 December 2016. The leverage multiple[4] at 31 December 2017 was 0.2 times EBITDA.”

The Chairman, Mr John Bevan, said “The Board was pleased to approve the return of $340 million to shareholders during CY2017 through dividends and the on-market buy-back, while at the same time investing capital in growth and reducing net debt. In light of the Company’s strong cash position, the Board has approved the payment of a partially franked interim dividend of 6.0 cents per share. As well, the Board has extended the on-market share buy-back by a further $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[5].”

[1] Underlying EBIT includes $32.1 million benefit from one-off settlement of historical coal supply dispute. Includes cash settlement and reversal of prior year provisions.
[2] One off benefits: tax benefit relating to the recently announced U.S. tax reform ($52.1 million) and settlement of an historical coal supply dispute ($32.1 million).
[3] Underlying financial results for 1H FY2018 reflect the Company’s assessment of financial performance after excluding the following items (post tax): utilisation of previously impaired tax assets ($77.5 million) and one-off tax benefit relating to the recently announced U.S. tax reform ($52.1 million), partly offset by one-off items ($7.5 million). 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 1H FY2017, is available in the 1H FY2018 Earnings Report on BlueScope’s web site.
[4] Net debt over trailing 12 month underlying earnings before interest, tax, depreciation and amortisation (EBITDA).
[5] On-market buy-backs are seen as the most effective method of returning capital to shareholders after considering various alternatives and given the Company will have no further franking capacity after payment of the interim dividend. The Board reserves the right to suspend or terminate the buy-back at any time.

STRATEGY DIRECTION

Turning to BlueScope's strategic direction, Mr Vassella said "BlueScope's strategy and focus on shareholder returns is delivering results.

"In each of the last three consecutive half years, we have delivered over $500 million underlying EBIT. The BlueScope balance sheet is robust, with great flexibility, and we have a clear capital management framework in place.

"BlueScope is very well positioned and we have both an appetite and a capacity for growth. There are many organic growth opportunities across our portfolio of businesses and we place a strong focus on sustainability, innovation and diversity, as we implement our plans.

"Our financial principles will continue to govern our decision making around capital allocation for growth. We have a talented and diverse team in place to execute the strategy and continue delivering results," Mr Vassella said.

SEGMENT RESULTS

Australian Steel Products:

- Delivered underlying EBIT of $261.7 million. The result was down five per cent on the same time last year, after excluding the $32.1 million benefit from the settlement of the historical coal supply dispute. Volumes and export coke margins improved, however this was offset by lower realised steelmaking spreads and higher costs, particularly energy.
- 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.
- The Australian steelmaking business has done an excellent job in boosting profitability in the last three years. The business delivered good results in 1H FY2018, however we must not be complacent in our pursuit of continued productivity improvements particularly having regard to energy cost pressures. We need to deliver returns necessary to support a decision in 10 to 15 years to reline the blast furnace.

North Star:

- Delivered a very solid result in line with expectations, of $145.2 million underlying EBIT. This was down 31 per cent on 1H FY2017, with steel spreads returning to their historical range from the elevated levels of FY2017.
- The business continues to operate at full capacity, and continues to pursue low-cost incremental volume growth initiatives.

Building Products ASEAN, North America and India:

- Slower economic activity in some ASEAN nations, and pressure on margins, saw underlying EBIT of $93.3 million in 1H FY2018, down 16 per cent on the same time last year.
- The segment has delivered 24 per cent compound underlying EBIT growth over the last five calendar years. While the long term trends are positive, there will be soft halves from time to time.
- Our continued focus is to further grow the business particularly in Asia, which is seeing a rapid rise in the wealth of the middle class.
    - We are working to refine our market offering to maximise margins and volumes in the face of increasing competition.

- Construction of our third metal coating line, with in-line painting, in Thailand is progressing well, and we continue to evaluate opportunities to accelerate growth in India.

BlueScope Buildings:

- Delivered underlying EBIT of $33.9 million, down 32 per cent on 1H FY2017.
- In the North America business, the impact on margins of softness in the premium manufacturing and industrial segments exceeded the contribution from performance improvement initiatives. Customer order intake improved markedly towards the end of 1H FY2018, paving the way for an expected stronger performance in 2H FY2018.
- A $15 million turnaround was achieved in the China Buildings business, bringing it back to profitability in 1H FY2018.
- The Buildings ASEAN business saw a $9.1 million deterioration into an underlying loss before interest and tax. Exit options are now being progressed to stem these losses.

New Zealand and Pacific Steel:

- Tripled underlying EBIT over the same time last year, to $41.0 million, primarily through productivity and cost improvement initiatives, and higher realised selling prices.
- Our New Zealand steelmaking operations have also made good 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.

OUTLOOK FOR 2H FY2018

The Company currently expects, after deducting the one-off benefit of the $32.1M coal settlement from 1H FY2018 underlying EBIT, second half underlying EBIT to be around 25% higher. Expectations are subject to spread, FX and market conditions.

For further information about BlueScope: www.bluescope.com

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