# ASX RELEASE

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# BLUESCOPE 2018 AGM UPDATE – CONFIRMATION OF 1H FY2019 EARNINGS GUIDANCE

At its Annual General Meeting in Sydney today, BlueScope confirmed its previous guidance provided in August that 1H FY2019 underlying earnings before interest and tax will be around 10 per cent higher than 2H FY2018 (which was $745.0 million), subject to spread, FX and market conditions.

The Company is seeing continued strength in demand in the Company's major markets – the U.S., Australia and New Zealand – with buoyant business conditions in key product end-use segments. Further, despite having moderated since August, steel spreads in Asia and the U.S. remain well above levels of recent years.

BlueScope Chairman, Mr John Bevan, told shareholders that "BlueScope's strategy and our focus on shareholder returns are continuing to deliver results. Since completing our transformational cost saving initiatives in Australasia and the acquisition of the 50 per cent of North Star we did not own, we have now delivered underlying EBIT of over $1.1 billion in each of the last two years.

"The Company's transformation has also led to significant cash generation, allowing us to return increasing amounts of money to shareholders through a combination of dividends and buy-backs. In fact, from the 2017 financial year up to the current day, we have returned a total of nearly $850 million.

"The balance sheet is robust, with great flexibility, and we have a clear capital management framework in place. Our capital expenditure principles focus on investing to maximise value from 'best in class' assets, investing for growth in premium branded products, and investing in customer, technology and innovation.

"There are many organic growth opportunities across our portfolio of businesses in markets as diverse as India, ASEAN, China, the U.S. and Australia and New Zealand. One example, of significance, as announced in August we have initiated a comprehensive study to expand our North Star business in Ohio, to add up to 900,000 tonnes per annum of steelmaking capacity."

## TRADING UPDATE

BlueScope's Managing Director and CEO, Mr Mark Vassella provided the following update on current half trading conditions.

Australian Steel Products:

- Domestic sales volumes remain robust driven by continuing strength in both residential and non-residential construction activity. ASP's sales to residential construction applications are mainly into the alterations and additions, and new detached residences markets.

- Realised spreads have been marginally weaker due to higher coal and iron ore prices, while export coke margins are performing better than expectations.
- We have also seen some higher costs, largely driven by specific raw materials mix relative to benchmarks, and depreciation following the asset write-up, as foreshadowed in August. Short term operational instability of the blast furnace, that has since been resolved, has also had an impact.

North Star:

- The business continues to perform well and has been operating at full capacity.
- While spot spreads have moderated since August, average spreads realised by North Star are tracking in line with expectations.
- The comprehensive study to examine adding 600,000 to 900,000 tonnes per annum of steelmaking capacity is progressing.

Building Products Asia and North America:

- Our North America, India, China and Vietnam businesses continue to perform well with robust demand and margins.
- We are seeing tightening of margins and softness in the projects segment in ASEAN, particularly in Thailand, Indonesia and to a lesser extent Malaysia. We expect each of these businesses to deliver lower results this half compared to last half.
- We need to 'get fit' by better aligning the cost base to the current environment. To that end, we are initiating a cost reduction program to structurally improve our cost position in the ASEAN nations. We will also focus on improving manufacturing performance in select areas such as home appliance steels and in Indonesia.
- We remain convinced of the compelling medium to long term opportunity in ASEAN for BlueScope. Given this, we continue to invest in channel development, and product and service innovation and differentiation.
- Further, the recently announced agreement for NS BlueScope Malaysia to acquire YKGI Holdings' Klang manufacturing facility provides a cost-effective source of cold rolled feed supply and offers future growth potential via additional coating and painting capacity.

Buildings North America:

- The business continues to see strong demand conditions and order intake, albeit customer lead times have increased due to the high activity levels and some weather-related delays. The warehousing, logistics and data centre end-use segments continue to be strong.

New Zealand and Pacific Steel:

- Demand continues to be robust, particularly in residential construction and infrastructure.
- Steel prices have generally been stronger than last half, however this benefit has been in part offset by higher raw material costs – particularly coal.
- Performance has been affected by higher energy costs driven by broader New Zealand gas and electricity supply issues. However, revenue from sales of Vanadium slag have been favourable on higher pricing.

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