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MARKET UPDATE ON EARNINGS AND BUY-BACK EXTENSION

BlueScope today announced that it now expects FY2019 underlying EBIT approaching \$1,350 million, which is an increase of approximately 6 per cent on FY2018 and implies 2H FY2019 underlying EBIT approaching \$500 million. This compares to prior guidance of around a 10 per cent increase on FY2018.

The key changes since prior guidance, provided in February, are:

- North Star: sales volume and operating performance remain strong, however benchmark steel spreads¹ across the half year are now expected to be approximately US\$150/t lower than 1H FY2019, compared to a previous expectation of a US\$130/t decline.
- Building Products Asia and North America: good progress is being made on the cost reduction and manufacturing improvement program however market conditions, particularly in ASEAN and North America, have been softer than anticipated.
- Buildings North America: general market conditions and order intake remain positive however despatch volumes and margins continue to be impacted by longer customer lead times relative to prior expectations.

Other businesses are performing generally in-line with the expectations set out in the February guidance – with Australian Steel Products seeing stronger realised steel spreads offset by weaker than expected domestic volumes.

Expectations are subject to spread, FX and market conditions.

Update on North Star expansion opportunity

BlueScope's evaluation of the opportunity to add a further 800,000 to 900,000 tonnes per annum of capacity to its North Star mini-mill in Ohio, US, is progressing well. BlueScope has commenced detailed design and engineering and critical path items, costing ~US\$50 million. The Company will provide a further update when it releases its results for the year to June 2019 on 19 August 2019.

Extension of buy-back program

The business continues to generate strong cash flow. In light of this, and with the \$250 million on-market buy-back program announced in December 2018 nearing completion, BlueScope today announced that it will extend the current on-market buy-back program by a further amount of up to \$250 million, as part of its 1H FY2020 capital management program.

¹ US Midwest mini-mill HRC spread (metric) – based on CRU Midwest HRC price (assuming illustrative one month lag), SBB #1 busheling scrap price (assuming one month lag) and Metal Bulletin NOLA pig iron price (assuming two month lag); assumes raw material indicative usage of 1.1t per output tonne. Note, North Star sales mix has longer lags.

The Company expects to continue share buy-back activity, at its discretion, during July 2019 and then after the release of its FY2019 financial results on 19 August 2019.

Managing Director and Chief Executive Officer, Mr Mark Vassella, said, "With the transformed business continuing to generate strong cash flow, we are able to pursue a mix of returns to shareholders and investing for future growth. We remain committed to our clearly stated financial principles and disciplined approach to capital allocation. Naturally we will always invest to maintain safe and reliable operations, and seek to retain strong credit metrics."

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