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BlueScope delivers record annual underlying EBIT of \$3.79Bn

BlueScope today reported FY2022 net profit after tax (NPAT) of \$2.81 billion, a 135 per cent, or \$1.62 billion increase over FY2021.

Announcing the result, Managing Director and CEO, Mark Vassella said, "Underlying EBIT for the year was \$3.79 billion², a record performance in BlueScope's 20-year history as a listed company. This was an outstanding result, with tremendous performances across our business portfolio."

"BlueScope delivered an underlying EBIT of \$1.58 billion in 2H FY2022, the second best half-year result on record – beaten only by the 1H FY2022 result of \$2.20 billion."

"We saw continued strong demand for our steel products and solutions despite recent macroeconomic and geopolitical volatility. We worked hard to improve our service levels which have been impacted by supply chain and pandemic related disruptions. It's truly heartening to see our people continue to step up, to serve our customers, and to operate safely and with great resilience. This record result is their record result," Mr Vassella said.

"Operating cash flow, after capital expenditure including on the North Star expansion, was \$1.71 billion³. From this, investments of \$1 billion were made in the US acquiring the MetalX ferrous recycling business and the Coil Coatings business. These were well considered and well executed investments in our US growth plan."

"I'm pleased to state the balance sheet still remains strong with \$367 million net cash at 30 June 2022. Our working capital remains elevated in the context of strong demand and prices and ongoing supply chain disruptions," Mr Vassella said.

"BlueScope has delivered for shareholders in FY2022. The Company made nearly \$1 billion in shareholder returns, with \$344 million in dividends and \$638 million in on-market buy-backs," Mr Vassella said.

The Board has today approved an increase to the share buy-back program to allow up to a further \$500 million to be bought over the next 12 months, and a final unfranked dividend of 25 cents per share. Having exhausted Australian tax losses in FY2022, the Company expects to be able to begin to frank dividends in FY2023⁴.

¹ The Board has approved an increase in the scale of the buy-back program to allow up to a further \$500 million to be bought over the next 12 months.

² Underlying financial results for FY2022 reflect the Company's assessment of financial performance after excluding (pre-tax): net settlement gains related to defined benefit pension funds (\$40.6M), asset impairment write-back (\$37.3M), gain on termination of a lease (\$5.1M), business development costs (\$24.4M) and a gain on discontinued operations (\$3.0M). A full reconciliation of underlying adjustments, including for FY2021, is available in the FY2022 Annual Report on BlueScope's website.

³ Cash flow before investment expenditure and financing.

⁴ Announcements of any future dividends and franking are subject to the Company's financial performance, business conditions, growth opportunities, capex and working capital requirements, amount and timing of tax payments, and the Board's determination at the relevant time.

FY2022 Financial Headlines

Reported NPAT:	\$2.81Bn
Underlying NPAT:	\$2.70Bn
Underlying EBIT:	\$3.79Bn
Underlying pre-tax ROIC:	41.6%

Capital Management

Final dividend (unfranked):	25 cps
On market buy-back:	up to \$500M¹

Delivering Our US Growth Strategy

It has been a year of major achievement and progress for BlueScope in the US.

Construction is substantially complete on our biggest single capital project, to add capacity of 850,000 tonnes per annum to the North Star mini-mill in Delta. The first coil was produced in June 2022, and we are commencing the 18-month ramp up to full run rate, at which point North Star will account for around five percent of total annual US flat steelmaking production. We have grown significantly in a short space of time, and despite the COVID pandemic. Our growth ambitions continue, and we will now begin to assess a low capital cost hot strip mill debottlenecking opportunity at North Star, targeting a further 500,000 tonnes per annum of incremental steel production.

In December, BlueScope established BlueScope Recycling and Materials, or BRM, by acquiring the ferrous scrap steel recycling business of MetalX in Waterloo, Indiana and in Delta, Ohio, for approximately US\$220 million. In August, a third scrap processing site was acquired. BRM gives us a crucial presence and expertise in scrap processing. The new business unit will enable North Star to improve the quality and quantity of obsolete scrap it uses and reduce the mix of higher cost, prime scrap.

In June, BlueScope established a significant national painting footprint in the US with the \$717 million acquisition of the Coil Coatings business from Cornerstone Building Brands. Now named BlueScope Coated Products, or BCP, the business is the second largest metal coil painter in the US, with around 900,000 metric tonnes of annual painting capacity.

BCP's 570-strong team operates seven sites, painting a range of finishes on steel and aluminium substrates for a wide range of applications, including building products and manufactured goods, as well as offering a range of value-added services. The business has a history of robust financial performance, with a sales mix focussed on US end-use segments that are attractive to BlueScope.

BCP provides BlueScope with immediate access to the large and growing Eastern US region, along with a longer-term opportunity to further integrate our US flat steel value-chain. We expect near-term synergies, but we also see significant potential for medium to longer term growth through product development and branded products, consistent with our customer service and value proposition elsewhere in the portfolio.

Altogether, BlueScope's total investment in the US is now around \$5 billion, with nearly 4,000 employees. The business network that we have assembled forms the exceptional backbone of our US value chain and is well positioned for future growth.

Our Vision for Port Kembla

As the Port Kembla Steelworks approaches its 100-year anniversary in 2028, we are looking towards its low-carbon, modern manufacturing future.

We are continuing to invest in robotics, automation and other digital technologies to deliver the next wave of customer, growth and productivity improvements. These digital technologies will also support a range of carbon intensity reduction initiatives, such as the now operational blast furnace digital twin model.

We are working hard to optimise our existing operating assets and are exploring a range of opportunities to reduce their energy use and greenhouse gas emissions intensity. This includes further increasing our use of scrap, the more efficient use of indigenous gases, the potential for injecting hydrogen-rich coke ovens gas into the blast furnace, trials of biomass injection into the blast furnace and a range of off-gas heat and energy reuse opportunities. We are also pursuing breakthrough decarbonisation technology with continued progression of the assessment of a pilot hydrogen-based direct reduced iron melter and a hydrogen electrolyser. During FY2022, we established BlueScopeX™, our fund for direct investment in start-ups and innovations in decarbonisation and energy efficient buildings.

The feasibility study of the comprehensive relining and upgrade of the mothballed No.6 Blast Furnace is progressing well. This project includes a range of improved environmental controls, along with technology options that will

enable incremental greenhouse gas intensity reductions. Importantly, our planning for the reline builds a bridge to future adoption of breakthrough lower emissions steelmaking, once it is technically and commercially viable.

As part of planning for the next 100 years in the Illawarra, BlueScope has commenced the development of a Master Plan for approximately 200 hectares of excess landholdings adjacent to the Port Kembla Steelworks. This 18-month program will be led by world-leading architects and urban designers, Bjarke Ingels Group (BIG), and will create a vision for the reimagination and transformation of land surplus to steelmaking needs, with the potential to unlock a wide range of new uses and enable significant long-term economic and social value for the region.

Continuing our Progress on Sustainability

As always, safety comes first at BlueScope. Over the last year, we have continued to evolve our overall approach and organisation wide safety culture as we seek to take our performance to the next level. This is about supporting our leaders and empowering our people to increase our capacity in how we manage risk. During the year, strong performance was observed on our lead indicators, with a stable result on our lag indicators – especially given the challenging operating environment during the year with sustained pandemic impacts, labour shortages, strong demand, execution of major projects and the growth of our overall workforce.

In FY2022, BlueScope achieved worldsteel Sustainability Champion status, and was also named a joint winner of worldsteel's Safety and Health Excellence Recognition in Leadership and Culture for our HSE Evolution leadership, risk and culture program. In addition, BlueScope was pleased to announce in February that the Port Kembla site had achieved ResponsibleSteel™ certification, being the first steelmaker in Asia Pacific and the fourth site to be certified globally. These are substantive, independently awarded achievements, which prove the Company's bona fides in ESG performance.

We have continued our efforts to reflect the communities in which we operate, with the total percentage of women in the BlueScope workforce reaching 24 per cent in FY2022. Strategies are now emerging across the business which are aimed at increasing diversity beyond gender and are designed to suit local community needs.

BlueScope continued to make progress in addressing climate change through the financial year. Steelmaking emissions intensity is tracking close to target with a total 3.6 per cent reduction since FY2018. Midstream emissions intensity has decreased 3.7 per cent overall since FY2018, however increased in FY2022 on lower despatch volumes due to supply chain constraints and disruptions. During FY2022, we further developed decarbonisation plans for our New Zealand steelmaking facility, where we are actively evaluating our technology options, and at North Star we're continuing to explore opportunities for supply of renewable electricity.

Segment Results

Australian Steel Products:

- Delivered underlying EBIT of \$1,298.0 million, up 92 per cent on FY2021.
- Realised steel spreads were stronger than FY2021, with stronger regional steel prices and spreads supported by an increased contribution from the downstream businesses.
- Domestic despatches again exceeded 2.5 million tonnes in FY2022 despite weather and pandemic related supply chain disruptions. Demand across the domestic construction, distribution and manufacturing segments remained robust.
- Conversion costs were higher than FY2021, including labour on higher remuneration expense linked to financial performance, and higher freight and consumables.
- The contribution from export coke continued strongly, exceeding FY2021.
- Unusually high, non-cash, underlying EBIT contribution of \$56 million from the revaluation of the Finley Solar Farm Power Purchase Agreement (PPA) derivative which reflects a significant increase in forecast spot electricity prices¹.

¹ The derivative, being the difference between projected future electricity spot market prices and the strike price set under the PPA for projected future solar farm electricity output, is required to be fair valued in accordance with AASB 9 – Financial Instruments

North Star:

- Delivered underlying EBIT of \$1,900.1 million, up 181 per cent on FY2021.
- Realised steel spreads were significantly stronger on record steel prices and spreads, whilst mill operation remained at 100 per cent of available capacity.
- Conversion costs were also higher during FY2022 driven by utilities, refractories and labour, including higher remuneration expense linked to financial performance.

Buildings and Coated Products North America:

- Delivered underlying EBIT of \$97.3 million, up 11 per cent on FY2021.
- The core EBS business saw recovery in margins, particularly in 2H FY2022, as steel feed costs reduced following a rapid increase in FY2021, combined with higher despatch volumes.
- There was a lower contribution in FY2022 from the BlueScope Properties Group due to project timing.

Building Products Asia and North America:

- Delivered underlying EBIT of \$418.9 million, up 26 per cent on FY2021.
- The North America business delivered a significantly higher result, primarily due to the greater rise in North American flat steel pricing than cost of steel feed given the business' supply chain structure.
- The ASEAN businesses delivered weaker earnings, driven by lower despatch volumes, particularly due to pandemic related impacts in Malaysia, Vietnam and Indonesia
- China and India both delivered similar results to FY2021.

New Zealand & Pacific Islands:

- Delivered underlying EBIT of \$228.6 million, up 76 per cent on FY2021.
- Mainly driven by increased steel spreads and a robust demand and pricing environment across construction and infrastructure sectors, notwithstanding supply-chain pandemic related disruptions during the first half.
- Costs were higher than FY2021, including coal, coating metals. freight and labour.

Corporate and Eliminations

- Corporate costs and eliminations of \$155.7 million, 13 per cent favourable to FY2021.

Outlook for 1H FY2023

Underlying EBIT in 1H FY2023 is expected to be in the range of \$800 million to \$900 million, driven particularly by significantly lower Midwest US HRC steel spreads and weaker Asian HRC steel spreads. Expectations are subject to spread, foreign exchange and market conditions¹.

Authorised for release by: the Board of BlueScope Steel Limited

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¹ Refer to BlueScope's FY2022 Investor Presentation for 1H FY2023 outlook assumptions and sensitivities.