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BlueScope 2023 AGM trading update: Confirmation of 1H FY2024 earnings guidance

At its Annual General Meeting today, BlueScope confirmed its 1H FY2024 earnings guidance provided on 20 October 2023, however noted that given the recent significant increase in US benchmark spreads, underlying earnings before interest and tax (EBIT) for 1H FY2024 is likely to be towards the top end of the \$620 to \$670 million range. A detailed trading update for 1H FY2024 is included below.

Reflecting on BlueScope's FY2023 performance, Managing Director and CEO Mark Vassella said, "With an underlying EBIT of \$1.61 billion, strong \$703 million net cash balance sheet and \$518 million in shareholder returns, BlueScope delivered a robust result in FY2023, clearly demonstrating the resilience of its diversified business model.

"Key highlights for the year include further execution of our US growth strategy, with the ramp up of the North Star mill and integration of both BlueScope Recycling and Materials and BlueScope Coated Products. Also underpinning future growth in Australia is the commencement of construction of a new \$415 million metal coating line in Western Sydney, which supports rising demand for our value-added suite of products, such as our iconic COLORBOND® steel range – which saw record sales volumes in FY2023.

"Other highlights include the announcement to construct new electric arc furnace at New Zealand Steel's Glenbrook plant, which will reduce New Zealand Steel's Scope 1 and 2 greenhouse gas emissions by at least 45 per cent, and the approval of the \$1.15 billion reline and upgrade of the No.6 Blast Furnace at the Port Kembla Steelworks. This project secures our immediate future and recognises the practical reality of the time frames required for the establishment of the critical enablers to lower emissions steelmaking; enablers that underpin BlueScope's 2050 net zero goal¹.

"FY2023 again saw us further embed sustainability in all that we do. In Australia, BlueScope progressed its collaboration agreement with Rio Tinto, expanded our technology collaborations with global steelmakers, and commenced an options study to understand the most likely decarbonisation project options for ironmaking, including a focus on the necessary enablers.

"On safety, we continued the strong performance across our lead indicators during the year, however the lag indicator of TRIFR was 7.5 for FY2023, above the long-term range of 5-7, with the inclusion of recent scrap recycling asset acquisitions. In seeking to ensure sustainable supply chains, we have focussed on conducting on-site audits for key suppliers identified as being high-risk following pandemic-related interruptions in recent years. Female representation continues to grow, while *beyond gender* strategies are gathering significant pace across the business, designed to suit local community needs.

"This ongoing strength in the Company's financial and sustainability performance underpins our continued investment in long-term, sustainable growth and returns. The entire 16,500-strong BlueScope team has been critical to delivering this result, and I thank them for their continued efforts to work safely and serve our customers and communities." Mr Vassella said.

¹ Achieving the 2050 net zero goal is highly dependent on several enablers, including: the development and diffusion of ironmaking technologies to viable, commercial scale; access to affordable, firm large-scale renewable energy; availability of appropriate volumes of affordable green hydrogen (with natural gas enabling the transition); access to appropriate quality and sufficient quantities of economic raw materials; and supportive policies across all these enablers to underpin decarbonisation investment and avoid carbon leakage.

Trading Update

BlueScope provided the following update on 1H FY2024 trading conditions. As noted above, BlueScope expects underlying EBIT for 1H FY2024 to be towards the top end of the \$620 to \$670 million range, given the significant increase in US benchmark spreads since the earnings update on 20 October 2023.

Australia

- Consistent with the 20 October update, the business is expected to deliver a similar result to 2H FY2023.
- Underlying domestic demand remains solid across key end-use segments and the business continues to expect similar despatch volumes to the prior half.
- After 18 months of intensive research, analysis and community engagement, BlueScope has completed the Master Plan process to develop a vision for the 200 hectares of landholdings adjacent to the Port Kembla Steelworks. As a part of this plan, BlueScope has announced its first move in progressing the Master Plan, signing a Memorandum of Understanding with TAFE NSW to explore the opportunity for a 'Super TAFE' on the site. More information about the Master Plan will be provided in due course.

North America

- BlueScope expects a result in North America moderately below that of 2H FY2023.
- North Star is now expected to deliver a result more than half that of 2H FY2023 given the significant increase in US benchmark spreads over recent weeks. The business continues to utilise its full capacity, with the ongoing ramp-up of the expansion project progressing well.
- For Buildings and Coated Products North America, BlueScope continues to expect a result around three quarters of 2H FY2023, with margins easing slightly after a period of particular strength. The delay of a project sale that was flagged in the 20 October update has been offset by slightly stronger performance in other areas of the reporting segment.

Asia

- Expectations remain relatively unchanged since guidance was provided in August, as we continue to expect a slightly better result than 2H FY2023.
- Whilst the China business is expected to benefit from the typical favourable seasonality of the December half, the ASEAN region is expected to deliver a slightly weaker result. The India business is also expected to deliver a slightly lower result than 2H FY2023.

New Zealand and Pacific Islands

- Expectations for the business remain the same as provided in the August outlook; for a 1H FY2024 result similar to 2H FY2023, on stable despatch volumes due to solid activity levels across end-use segments.

1H FY2024 expectations remain subject to macroeconomic, spread, foreign exchange and market conditions.

Authorised for release by: The Board of BlueScope Steel Limited

**For further information
about BlueScope
www.bluescope.com**

BlueScope Contacts

Media

Michael Reay
Head of Corporate Affairs
T +61 2 4240 1100
M +61 (0) 437 862 472
E Michael.Reay@bluescope.com

Investor

Chris Gibbs
Head of Investor Relations
T +61 3 9666 4039
E Chris.Gibbs@bluescope.com