

ASX RELEASE



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BLUESCOPE REPORTS \$219M INCREASE IN FY2015 NPAT – CLEAR GROWTH PLAN AND PURSUING GAME CHANGING COST REDUCTIONS

BlueScope today announced a \$136.3 million net profit after tax (NPAT) for FY2015 – a \$218.7 million increase on FY2014.

Underlying NPAT¹ of \$134.1 million was nine per cent higher than FY2014². Second half underlying NPAT was \$52.9 million.

Full year underlying EBIT was \$301.8 million. Second half underlying EBIT was \$130.8 million, 15 per cent higher than the comparable period in FY2014 (prior to restatement of discontinued operations)².

At 30 June 2015 net debt was \$275.2 million, with gearing at 5.5 per cent. The Company achieved strong cash flow in the second half, driven by stronger cash earnings and timing of working capital.

BlueScope Chairman, Graham Kraehe AO, said, "We are pleased with the Company's continued earnings growth. FY2015 was BlueScope's best profit performance since the impact of the GFC on the steel sector in 2009.

"While a lot of work remains to achieve an acceptable return on invested capital, all credit to BlueScope employees across the globe for this year's result", he said.

"The Board has approved payment of a fully franked full year dividend of 3.0 cents per share," Mr Kraehe said.

BlueScope's Managing Director and CEO, Mr Paul O'Malley said, "The Company saw underlying earnings growth across its portfolio, with all but one of its five operating segments delivering an increase.

¹ Underlying financial results reflect the Company's assessment of financial performance after excluding the following items (post-tax): FY2015 includes an accounting adjustment realised on the closure of the Australia defined benefit superannuation fund (\$19.0M), utilisation of previously impaired deferred tax assets (\$8.9M) and profit on asset sales (\$7.3M) and a net gain from discontinued businesses (\$1.1M). These were partly offset by restructuring costs (\$19.2M), business development costs (\$7.4M), impact of the Port Kembla Steelworks sinter plant waste gas cleaning stack fire (\$4.7M) and debt restructuring costs (\$2.8M). This financial information is provided to assist readers to better understand the financial performance of the underlying operating business. A full reconciliation of underlying adjustments, is available in the FY2015 Earnings Report on BlueScope's web site.

² Consistent with BlueScope accounting policy and IFRS requirements, operations that are either sold or closed are to be defined as Discontinued Operations and the revenues and expenses of these operations are retrospectively excluded from the earnings of Continuing Operations. As such prior period earnings have been restated to exclude the Building Solutions Australia business to ensure comparisons can be made on a like-for-like basis. This has increased FY2014 underlying NPAT by \$11.2M.

STRATEGY REVIEW

Mr Kraehe said the Company was actively engaged in a strategic review of its global and domestic businesses. “BlueScope has a diverse portfolio of businesses. We are a global leader in premium branded coated and painted steel products and have regional strengths in engineered buildings.

“We have a strong competitive advantage in global markets – highlighted by our outstanding brands, technology, channels to market and manufacturing footprint.

“We are the third largest manufacturer of painted and coated steel products globally, the number one in building and construction markets and the recognised quality leader in nine countries.

“In our North Star joint venture, we operate arguably the highest performing steel plant in the U.S.

“However we have to address the major challenge of losses in commodity steelmaking in Australia and New Zealand. The CEO and his team are leading an in-depth strategy review and we will update the market on progress by our AGM in November,” he said.

Mr O'Malley said “Our plan is to focus on growth of our premium branded businesses around the world. We must also dramatically improve the cost competitiveness of our commodity steelmaking in Australia and New Zealand.

He said there had been extensive changes recently in the global steel industry. Since the 2010-2013 period, China's finished steel exports have doubled to a run-rate this year of over 100 million tonnes per annum – an increase equivalent to the output of 20 Port Kembla steelworks.

“With steel demand having peaked in China, and rising global steel production and exports, steel prices and spreads have come under significant pressure. Indicative Asian hot rolled coil steel spreads are now below US\$200 per tonne, down from an average of around US\$295 per tonne over the five years to 30 June 2014.

“At these prices, it would be more competitive to externally source steel substrate than to continue to operate our Australian and New Zealand steelmaking operations – unless we deliver a game-changing approach to costs to improve their competitiveness.

“We have initiatives underway to achieve sustainable reductions in the costs of raw materials, manufacturing, procurement and supply chain, overheads and property. In tandem, we are pursuing initiatives to achieve revenue growth. Our target is to deliver over \$200 million of annual permanent cost reductions in Australia, and over NZ\$50 million in New Zealand, by FY2017.

“Our objective is to maintain steelmaking at Port Kembla and Glenbrook – allowing us to keep more people employed in the Illawarra and the Waikato, and retain exposure to the upside of improving margins without incurring significant restructure costs.

“We now urgently need firm commitments to a more flexible and productive approach to labour in the Illawarra and the Waikato.

"We also need Federal and State governments to contribute, for example by reducing payroll tax, EPA and WorkCover costs, and by using the EITE framework to defer carbon costs until our major trade competitors, those that compete in our markets, face such costs."

"The strategic review is well underway and we are committed to the delivery of the targeted savings. If this target is not achievable, we will have no option but to move to external supply of quality hot rolled coil and billet steel feed with mothballing or closure of steelmaking.

"We are also reviewing the iron sands export business."

IMMEDIATE ACTION

"Now to update on further initiatives:

- Our Australian Distribution business remains an important channel to market for BlueScope product. A major restructure, targeting \$20 million per annum of cost savings by FY2017 is underway. We are streamlining the businesses to focus on better serving our customers' needs in the products we are best equipped to deliver.
- In 2H FY2015 we undertook a further review and are executing a broader turnaround plan to restore our China Buildings business to profitability and it is progressing well.
- We have agreed to sell our 28 per cent shareholding in McDonald's Lime Limited to Graymont Limited, for NZ\$41M and recognise a NZ\$36M pre-tax profit. Final completion is expected in early October following a NZ Government statutory review period."

OUTLOOK FOR 1H FY2016

"We expect 1H FY2016 underlying EBIT to be similar to 2H FY2015.

"We expect 1H FY2016 underlying net finance costs and underlying tax charge similar to 2H FY2015, and profit attributable to non-controlling interests greater than 2H FY2015.

"Expectations are subject to spread, FX and market conditions," Mr O'Malley said.

For further information about BlueScope: www.bluescope.com

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