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BLUESCOPE DELIVERS \$293M UNDERLYING NPAT IN FY2016 – EXPECTS 1H FY2017 UNDERLYING EBIT UP 50% ON 2H FY2016

BlueScope today announced a \$353.8 million reported net profit after tax (NPAT) for FY2016 – a \$217.5 million increase on FY2015. Underlying NPAT¹ of \$293.1 million was 119 per cent higher than FY2015. Second half underlying NPAT was \$174.1 million.

BlueScope's Managing Director and CEO, Mr Paul O'Malley said, "BlueScope lifted underlying EBIT by 89 per cent to \$570.5 million through a combination of sales growth, cost reductions and the benefit of the North Star acquisition. Second half underlying EBIT was \$340.4 million, 160 per cent higher than the comparable period in FY2015.

"Across our global portfolio our people achieved these outstanding results while also continuing our safety journey to zero harm.

"Our direct interventions in reducing costs have significantly lifted performance of our steelmaking operations in Australia and New Zealand despite continuing global overcapacity and production which drove regional commodity steel spreads in the six months to 30 June 2016 to their lowest levels since BlueScope listed in 2002.

"Moving forward, we must not be complacent in our pursuit of continued productivity improvements. We need to deliver returns necessary to support a decision in 10 to 15 years to reline the blast furnace at Port Kembla. What we have achieved in the last year is essential to being the competitive and profitable producer needed to support this future reinvestment opportunity. All stakeholders have a role to play in securing our steelmaking future," Mr O'Malley said.

Net debt at 30 June 2016 was \$778.0 million, reduced by \$595.4 million from 31 December 2015 through strong operating cash flow. Leverage² at 30 June 2016 of 0.8 times EBITDA was 50 per cent less than the position at 31 December 2015 of 1.6 times EBITDA. Our intention is to further reduce leverage to be sustainably below 1.0 times net debt to EBITDA.

The Board has approved payment of a fully franked full year dividend of 3.0 cents per share, in line with our FY2015 final dividend.

¹ Underlying financial results for FY2016 reflect the Company's assessment of financial performance after excluding the following items (post-tax): favourable impact of acquiring a controlling interest in North Star BlueScope Steel (\$702.9M), non-current asset and tax impairment charges (\$578.5M), asset sales (\$33.9M), restructure and redundancy costs (\$83.0M) and other unusual and one-off items (\$14.6M). 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, including FY2015 is available in the FY2016 Earnings Report on BlueScope's web site.

² Net debt over trailing 12 month pro-forma underlying earnings before interest, tax, depreciation and amortisation (EBITDA)

DELIVERY ON OUR STRATEGIC PRIORITIES

"We are making good progress across each of our strategic themes" Mr O'Malley said.

"In Coated & Painted Products:

- We have delivered 31 per cent compound annual underlying EBIT growth in our Building Products segment over the last four years. Our home appliance steels, in partnership with NSSMC, are now in production in Thailand and are gaining customer acceptance in line with our expectations. In Australia, we saw 9 per cent growth in coated and painted sales volume during the year.
- Our current focus is to further grow our business particularly in Asia, implementing our growth strategy in coated and painted products. The BlueScope Board has given in-principle approval, subject to finalisation of contracts and NS BlueScope joint venture board approval, for a third metal coating line with in-line painting in Thailand; the new line will deliver added capacity to meet demand in the growing Retail/SME building market. Rigorous cost management remains essential and ongoing, particularly for more mature markets like Australia and New Zealand.

"In BlueScope Buildings:

- We are delivering continued growth in North American earnings; in FY2016 underlying EBIT was \$40 million, up \$8 million on FY2015³. We are commencing a sizeable productivity and cost-out project to drive further earnings growth whilst introducing new innovative products into the market.
- Earnings in China turned the corner in FY2016, with reduced losses at our buildings business. Our focus is to continue to improve our market and customer engagement in China.

"For North Star, in FY2016 we made very good progress in maximising the value of this structurally advantaged steel making business to BlueScope shareholders:

- In October 2015 the Company acquired Cargill's 50 per cent of North Star, to bring BlueScope to full ownership.
- With steel spreads rising approximately 60 per cent since the acquisition, North Star had an excellent financial finish to FY2016 and is well positioned at the start of FY2017 to benefit from higher steel spreads.
- The business continues to deliver low-cost incremental volume growth initiatives.

"In Australian and New Zealand steelmaking, progress on cost savings has provided the basis to continue to make steel for now. In the Illawarra, the constructive engagement by employees, the management team, union leaders, the Fair Work Commission and the New South Wales government was essential and outstanding – seeing 4,500 jobs saved, large restructuring costs avoided and positive exposure to the benefit of higher steel prices preserved. In New Zealand, there is still further work to be done to determine whether the Glenbrook operations can be internationally competitive and profitable.

³ FY2015 excludes initiative to de-risk pension fund obligations by \$11.0M as disclosed in FY2015 results presentation.

OUTLOOK FOR 1H FY2017

"We expect 1H FY2017 underlying EBIT to be around 50 per cent higher than 2H FY2016 underlying EBIT which was \$340.4 million.

"We expect 1H FY2017 underlying net finance costs to be lower than 2H FY2016 due to lower average borrowings, underlying tax rate to be slightly higher and profit attributable to non-controlling interests similar to 2H FY2016.

"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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