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SIGNIFICANT TURNAROUND IN FY2013

NS BlueScope Coated JV now fully operational; Coated & Industrial Products Australia delivers EBITDA profit

BlueScope today announced an \$84 million net loss after tax (NLAT) for FY2013 – a \$960 million turnaround in financial performance compared to FY2012.

The underlying result was a \$30 million net profit after tax ¹ (NPAT) a \$267 million improvement over FY2012 (this includes period-end net realisable value adjustments, post-tax, of \$29 million).

BlueScope Chairman, Graham Kraehe AO said the Board was pleased with the financial recovery and improving performance – in particular the \$267 million underlying earnings turnaround and the debt reduction, which delivered a much more robust balance sheet. Net debt at 30 June was \$148 million, compared to \$584 million a year earlier (after adjusting for the benefit from the timing of year-end cash flows).

"The steel industry has faced substantial challenges since 2008. Management initiatives and changes across the entire company, supported by the Board, have delivered a significant turnaround this year. BlueScope's financial position has been strengthened and the Company is well placed to benefit from any recovery in the Australian economy and has the ability to grow in key overseas markets," Mr Kraehe said.

The Board has decided there will be no final dividend for the year.

BlueScope's Managing Director and CEO, Mr Paul O'Malley said: "Despite the ongoing difficult trading conditions in the domestic economy and the global steel sector overall, we are pleased with the progress of the Company's turnaround and in particular, the benefits of our two major initiatives:

- The successful negotiation and execution of the NS BlueScope Coated Products Joint Venture with Nippon Steel & Sumitomo Metal Corporation was achieved with proceeds of US\$571M received. This provides our Coated Products business with new growth opportunities; it has delivered a very strong balance sheet and enhances BlueScope's financial flexibility to prudently invest in further growth opportunities.
- The Coated & Industrial Products Australia (CIPA) business delivered \$150 million in underlying EBITDA for the year, an improvement of \$300 million on the prior year. The restructuring steps our teams have undertaken underpinned this achievement. This is an outstanding outcome and has been delivered despite difficult trading conditions in Australia.

¹ Underlying financial results reflect the Company's assessment of financial performance after excluding the following items (post-tax): profit on sale of a previously unrecognised intangible asset (\$26M), restructuring & redundancy costs (\$20M), partial release of Steel Transformation Plan Advance to align with carbon costs which are now being incurred (\$32M), tax impairment (\$72M) and other items (\$16M). This financial information is provided to assist readers to better understand the financial performance of the underlying operating business.

“Looking in more detail:

- In Australia, our CIPA business delivered significant cost reductions and is strongly leveraged to a recovery in domestic demand. For 1H FY2014, margins may improve should the A\$ continue to be softer than FY2013, and financial performance will be influenced by the level of domestic building and construction activity.
- In New Zealand, progress is being made on growing iron sands export volumes and domestic steel market volumes are improving.
- The Global Building Solutions business has developed a broad base of global customers, an operating footprint with an efficient cost base, and intellectual property and brands to support its competitive market offer.
- Our Xi'an plant, China's first three-star sustainable industrial building (the highest environmental rating in China), is currently being commissioned and will serve to show-case to customers a new generation of sustainable industrial building solutions from our Global Building Solutions business.
- In Asia and North America our Building Products business is growing and the NS BlueScope Coated Joint Venture will deliver new customers and products.
- In North America, North Star BlueScope Steel continues its very good performance and we are assessing growth opportunities.
- A range of debt management and financial restructuring initiatives reduced net debt during FY2013 and successfully transformed the capital structure, lengthening average tenor of debt facilities,” Mr O'Malley said.

BLUESCOPE'S OUTLOOK

We expect to maintain Company performance and deliver a profitable 1H FY2014 (pre period-end NRV adjustments), however given uncertainty in domestic Australian demand we do not expect a 1H FY2014 outcome better than the 2H FY2013 outcome (subject to spread, FX and market conditions).

BLUESCOPE TO ACQUIRE ORRCON AND FIELDERS FROM HILLS HOLDINGS

BlueScope today announced it has agreed to acquire two businesses from Hills Holdings Limited: Orrcon, a pipe and tube manufacturer and distributor, and Fielders, a building products business. The Board of Hills Holdings Limited recently announced its intention to exit these businesses.

BlueScope will acquire Orrcon and Fielders for a combined purchase price of \$87.5 million, which largely represents the working capital embedded in the respective businesses, and expects to incur net integration costs of \$15 million.

Following integration, in FY2015 the acquisitions are expected to exceed our return on capital hurdle and be EPS accretive for BlueScope.

Commenting on the acquisitions, Mr O'Malley, said “We have been diligent in reducing our costs across our business footprint. These businesses are close to BlueScope's core Australian operations. Our objective is to improve the efficiency with which we can serve Australian customers by further lowering costs through the integration of these businesses with our existing operations.”

These acquisitions are subject to Australian Competition and Consumer Commission approval and typical conditions precedent. Completion of the acquisitions is targeted for the end of the December 2013 quarter.

FY2013 SEGMENT TRADING UPDATE

BLUESCOPE GLOBAL BUILDING SOLUTIONS

The Global Building Solutions business continues to deliver solid returns. Adjusting for a one-off prior-period provision adjustment of \$8 million, underlying EBIT was \$34 million for FY2013.

Momentum in the North American buildings business continues to grow with underlying EBIT of \$14 million, up from a \$2 million loss in FY2012, driven particularly by energy and manufacturing end-use customers. Order books at the start of 1H FY2014 are stronger than the same time last year.

China has seen a slow-down in building activity leading to lower volumes and earnings in FY2013. Our fourth buildings plant, located in Xi'an in China's central-west, began operational commissioning in July 2013.

We continue to grow the Global Building Solutions segment, supported by : (i) leverage to North American non-residential construction recovery; (ii) leverage to South East Asian and China non-residential construction growth; (iii) growing global customer relationships; and (iv) continued growth of our China Building Products business.

BLUESCOPE BUILDING PRODUCTS

The Building Products ASEAN, North America and India segment saw a 57 per cent growth in underlying EBIT to \$80 million in FY2013 compared with FY2012.

This result was largely driven by a strong performance at our Thailand operations, following recovery of the Thailand economy from floods in 1H FY2012, and continued growth in the retail and commercial/industrial segments. We achieved improved earnings in Vietnam and North America.

BLUESCOPE AUSTRALIA AND NEW ZEALAND

Coated & Industrial Products Australia

The CIPA business delivered positive underlying EBITDA for the year of \$150 million. This compares favourably to a corresponding EBITDA loss of \$151 million in FY2012. A turnaround of \$300 million.

This improvement comes from a strong focus on cost management.

2H underlying EBITDA performance of \$71 million was an improvement on 1H FY2013 performance (after adjusting 1H FY2013 for a \$36 million one-off benefit of a favourable workers compensation settlement) through lower inventory net realisable value provisions, improved spread and strong cost reduction performance, partly offset by higher export despatches.

Australian Customs' findings so far have validated BlueScope's anti-dumping cases. Success in these cases is reinforced with further policy reforms legislated in June 2013.

BlueScope Components and Distribution Australia (BCDA)

BCDA generated a \$25 million underlying EBIT loss. Although there is more work to be done, this is a significant improvement in performance from the \$46 million underlying EBIT loss in FY2012. Better margin and a major business improvement program have contributed to this result, however trading conditions remain difficult.

New Zealand Steel

New Zealand Steel underlying EBIT of \$42 million was lower than FY2012, mainly due to a weak first half. Lower iron sands and steel prices were partly mitigated by higher iron sand exports, improved fixed cost recoveries and tight spending controls.

2H underlying EBIT of \$40 million is a significant earnings improvement over the 1H FY2013 result (\$2 million) driven by a stronger performance from iron sand exports, lower conversion costs and fewer scheduled plant outages.

A total of 1.7 million tonnes of iron sands were despatched in FY2013, 0.6 million tonnes more than FY2012.

Pleasing progress is being made on the iron sands export capacity expansion, with mine-gate capacity expected to reach 3.0 million tonnes per annum by the end of CY2013. However a step-up in volumes to this planned run rate will only be achieved once the second customer-supplied export ship becomes available. Delivery of the new ship has been delayed until CY2015. Mitigating strategies to increase export capacity before the second ship is online are being progressed including transhipment of incremental volume via Australia.

NORTH STAR BLUESCOPE STEEL

The Hot Rolled Products North America segment, mainly comprised of BSL's 50 per cent interest in North Star BlueScope Steel, recorded an underlying EBIT of \$67 million for FY2013, a \$5 million improvement on the \$62 million result of FY2012, through a combination of lower depreciation charges and various cost reduction initiatives, partly offset by slightly weaker spreads.

Together with our joint venture partner, we are progressing the review of growth opportunities at North Star BlueScope Steel.

For further information about BlueScope: www.bluescope.com

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