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BLUESCOPE'S \$518M TURNAROUND **AUSTRALIAN COATED PRODUCTS BUSINESS BEATS GUIDANCE: DELIVERS EBITDA PROFIT**

BlueScope today announced a \$12 million net loss after tax (NLAT) for the first half FY2013 – a \$518 million turnaround in financial performance compared to the first half in FY2012.

The underlying result was a \$10 million net profit after tax ¹ (NPAT) (including period-end Net Realisable Value (NRVs) adjustments of \$39 million) – a \$146 million improvement over the first half of FY2012.

The Board has decided there will be no interim dividend.

BlueScope's Managing Director and CEO, Mr Paul O'Malley said: "The result is encouraging and notwithstanding difficult trading conditions in Australia, the Coated & Industrial Products Australia (CIPA) segment delivered a positive result of \$79 million in underlying EBITDA ².

¹Net debt, as at 31 December 2012, was \$499 million.

²BlueScope and Nippon Steel & Sumitomo Metal Corporation (NSSMC) have now obtained almost all of the regulatory approvals that are required for the Coated Products Joint Venture transaction to be completed and are working towards completion by the end of March 2013. Net proceeds of approximately US\$540 million will deliver a very strong balance sheet and enhance financial flexibility to invest in growth opportunities.

"In summary, the Company is well positioned to benefit from improved financial flexibility and leverage our growth businesses:

- In Australia, our CIPA business has achieved significant cost reductions and is strongly leveraged to a recovery in domestic demand. Next generation ZINCALUME® and COLORBOND® steel products will be launched this year.
- In New Zealand, iron sands exports are expected to increase to 2.7 million tonnes per annum at the start of CY2014.
- The Global Building Solutions business is low cost, with the best customer mix in this market segment, unique intellectual property and a range of low-capital growth opportunities.
- In China, the Xi'an plant will be operational later this year (our fourth Building Solutions plant in China).
- In Asia and North America our Building Products business is growing, and the NS BlueScope Steel joint venture with NSSMC should shortly be completed, delivering new customers and products, with a lower-cost funding base.
- In North America, we expect North Star BlueScope Steel to continue its very good performance and further growth opportunities for this business are being investigated."

BLUESCOPE'S OUTLOOK

The Company's performance continues to improve.

In the second half FY2013 we expect a continued improvement with a small underlying net profit after tax (before period-end net realisable value adjustments, subject to domestic demand and margins, spread and FX).

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 (\$3M), partial release of Steel Transformation Plan Advance to align with carbon costs which are now being incurred (\$16M), tax impairment (\$28M) and other (\$1M). This financial information is provided to assist readers to better understand the financial performance of the underlying operating business.

² Underlying EBITDA includes the following items (pre-tax): partial release of Steel Transformation Plan Advance to align with carbon costs which are now being incurred (\$23M) and a favourable workers compensation settlement (\$36M) which were not contemplated when giving previous market guidance of a neutral to negative underlying EBITDA.

SEGMENT TRADING UPDATE

1. 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 of \$25 million for 1H FY2013 improved on the \$24 million result of 1H FY2012.

The North American buildings business lifted volumes by 7 per cent and has a healthy order book. We expect this momentum to continue into the second half.

China has seen a temporary slow-down in building activity leading to lower volumes in the first half. Margins have largely been maintained. We anticipate an improved second half for Buildings Asia, driven by a pick-up in China activity post the lunar New Year.

This segment is well positioned to grow, with an aspiration to double current revenue to around \$3 billion within three years at a targeted 5 per cent EBIT margin.

2. BLUESCOPE BUILDING PRODUCTS

The Building Products ASEAN, North America and India segment saw a 52 per cent growth in underlying EBIT to \$31 million in 1H FY2013 compared with 1H FY2012.

This result was largely driven by a strong performance from our Thailand operations, some modest improvement in Vietnam and North America, but partly offset by a weak half for Indonesia and Malaysia.

In the current half, we expect continued growth, especially in Indonesia and North America. Furthermore, we expect to capture benefits from working with NSSMC once the joint venture is established. We are progressing a joint feasibility study of manufacturing products for the home appliance market and have received enquiries from potential Japanese contractors for the supply of products into building and construction.

3. BLUESCOPE AUSTRALIA AND NEW ZEALAND

Coated & Industrial Products Australia

The CIPA business outperformed guidance and delivered positive underlying EBITDA of \$79 million³ (underlying EBIT loss of \$6 million), or \$43 million excluding the one-off benefit of a favourable workers compensation settlement. This compares favourably to a corresponding EBITDA loss of \$94 million in 1H FY2012.

This improvement comes on the back of strong cost management and despite dumped imports and some softening of domestic volumes.

Australian Customs' findings so far have validated BlueScope's current anti-dumping cases. Success in these cases, coupled with improved policy reforms announced by the Government in December 2012, will partially stem the significant injury caused by illegal dumping.

The Western Port production reconfiguration announced in January 2013 is progressing well and on track to commence in March 2013.

This half will see the launch of our next generation ZINCALUME® steel with Activate™ technology. With the recently completed modifications to our Springhill production facilities, this exclusive patent protected product will stimulate sales into new areas and applications. It will also become the substrate for the next generation COLORBOND® steel products to be released in late 2013.

Despite weak market demand we expect CIPA to deliver a positive underlying EBITDA contribution in 2H FY2013, building on its 1H FY2013 result (subject to domestic demand and margins, spread and FX).

BlueScope Components and Distribution Australia (BCDA)

The BCDA first half result approached breakeven, with a \$7 million underlying EBIT loss. This is a significant turnaround in performance from the \$27 million underlying EBIT loss in 1H FY2012. Improved margin and a major business improvement program have contributed to this turnaround.

³ Underlying EBITDA in 1H FY2013 on a market guidance comparable basis was \$20 million, exceeding guidance of neutral to negative underlying EBITDA. Excludes partial release of Steel Transformation Plan Advance to align with carbon costs which are now being incurred (\$23M) and a favourable workers compensation settlement (\$36M) which were not contemplated when giving previous market guidance of a neutral to negative underlying EBITDA.

New Zealand Steel

The New Zealand Steel underlying EBIT contribution of \$2 million in 1H FY2013 was lower than 1H FY2012, due to market price weakness and a substantially higher New Zealand dollar. Furthermore, weaker iron ore prices reduced per-tonne revenue from iron sands export operations, but total revenue improved on higher volumes: 831kt was exported in 1H FY2013 compared to 466kt in 1H FY2012.

A significant improvement is expected in 2H FY2013 with a stronger performance from iron sand exports and lower conversion costs than those experienced in 1H FY2013.

The iron sands export expansion is on track to deliver a 2.7Mtpa despatch rate from the beginning of CY2014. This will see BlueScope 55 per cent economically hedged for its iron ore requirements by 2014.

4. NORTH STAR BLUESCOPE STEEL

The Hot Rolled Products North America segment, mainly comprised of our 50 per cent interest in North Star BlueScope Steel, recorded an underlying EBIT of \$33 million for 1H FY2013, a 65% improvement on 1H FY2012. This was achieved through better spreads between steel selling prices and input scrap and iron unit costs, reduction in depreciation charges, and improved operating and cost performance. Subject to market conditions and foreign exchange movements, we expect an improving result in 2H FY2013 based on improving spreads, higher volumes and improved conversion costs.

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.bluescopesteel.com

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