

# ASX RELEASE



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## BLUESCOPE DELIVERS \$27 MILLION FIRST HALF PROFIT IMPROVEMENT; RECENT INITIATIVES BUILD PLATFORM FOR EARNINGS GROWTH

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BlueScope today reported a \$3.7 million net profit after tax (NPAT) for the first half of FY2014 – a \$27.5 million improvement<sup>1</sup> in financial performance from the corresponding period last year.

The underlying result was \$49.1 million net profit after tax<sup>2</sup> (NPAT), a \$50.7 million improvement over the first half of FY2013. Excluding period-end net realisable value adjustments underlying NPAT was \$74.0 million.

The Board has decided there will be no interim dividend for the half.

BlueScope Chairman, Graham Kraehe AO, said the Board was pleased with the continued improvement in the Company's performance and progress on growth initiatives.

BlueScope's Managing Director and CEO, Mr Paul O'Malley said, "We have stabilised the business, laid the foundations for growth, made measured investments, and achieved this while maintaining a conservative balance sheet.

In reviewing segment performance he said:

- "In Asia and North America our Building Products business is growing – delivering underlying EBIT \$50.9 million, an improvement of 62%. Thailand and North America made strong contributions to the growth. Indonesia was impacted by the rapid depreciation of the Indonesian Rupiah against the USD.
- The Global Building Solutions segment delivered underlying EBIT of \$16.2 million, an improvement of 23%. The North American business saw a strong improvement driven by higher volumes and margin expansion. The China Building Products business delivered another solid result; while the performance of the China engineered buildings business was weaker.
- In Australia, our CIPA business delivered underlying EBIT of \$26.9 million, up \$37.5 million on 1H FY2013, mainly due to improved spread and domestic volume, and continued improvement in costs.

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<sup>1</sup> Changes to AASB 119 Employee Benefits came into effect for BlueScope on 1 July 2013. The impact of this revised accounting standard is to increase defined benefit plan pension expense. Australian Accounting Standards require that comparative period financial information be adjusted to reflect the revised approach. Accordingly, first half FY2013 NLAT is adjusted down by \$10.4M to \$23.8M.

<sup>2</sup> Underlying financial results reflect the Company's assessment of financial performance after excluding the following items (post-tax): partial release of Steel Transformation Plan Advance to align with carbon costs which are now being incurred (\$16.0M), tax impairment (\$17.2M), business development and restructuring costs (\$9.7M) and other items (\$2.5M). This financial information is provided to assist readers to better understand the financial performance of the underlying operating business.

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- The Building Components & Distribution segment, where conditions remain difficult, delivered a disappointing underlying EBIT loss of \$10.9 million.
  - New Zealand Steel & Pacific Steel Products underlying EBIT was \$38.6M, a significant improvement over 1H FY2013, driven by improved steel spreads, volume and sales mix, and higher export iron sands volumes and prices.
  - In North America, North Star BlueScope Steel continues its very good performance – delivering an underlying EBIT of \$48.7m in the half, an improvement of 48%.

“Progress on our growth initiatives includes:

- Acquisition of the Orrcon and Fielders businesses is nearing completion. The acquisition is expected to exceed our return on capital hurdle in FY2015.
- Progress towards completion of the acquisition of Arrium's OneSteel sheet and coil processing and distribution assets. Like the acquisition of the Fielders and Orrcon businesses, this acquisition is a further step towards improving our efficiency in serving Australian customers, and is expected to exceed our return on capital hurdle in FY2015. ACCC's decision is expected on 6 March 2014.
- Decision to expand Taharoa iron sands exports by adding a third ship commencing service during FY2016. At current iron ore prices, this initiative would contribute at least \$50 million EBIT annually.
- The agreement announced on 17 February 2014 to acquire the downstream long-products rolling and marketing operations of Pacific Steel Group in New Zealand for NZ\$60 million, and to invest NZ\$50 million in the construction of a billet caster and associated plant at the Glenbrook steelworks and on integration costs. The acquisition is expected to achieve an EBIT pay-back within three years from transfer of billet production to Glenbrook in mid 2H CY2015.
- Net debt at 31 December 2013 of \$213.7 million.”

## BLUESCOPE'S OUTLOOK

We expect second half FY2014 underlying NPAT similar to first half. The expectation is based upon typical seasonality, planned second half maintenance activities in Australia and assumes minimal impact of the political situation in Thailand. This is before period end net realisable value adjustments and is subject to spread, FX and market conditions.

For further information about BlueScope: [www.bluescope.com](http://www.bluescope.com)

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