

# ASX RELEASE



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## BLUESCOPE 2016 AGM UPDATE EXPECTING AT LEAST \$510M EBIT IN 1H FY2017

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At its Annual General Meeting in Melbourne today BlueScope updated its first half guidance. The Company expects underlying 1H FY2017 earnings before interest and tax (EBIT) to be at least \$510 million, subject to spread, FX and market conditions.

BlueScope Chairman, Mr John Bevan, told shareholders that the Company is encouraged by improvements in the Australian business driven by better despatch volumes and productivity gains despite higher raw material costs. Celebrating one year of full BlueScope ownership, the Ohio-based North Star business is, as expected, generating substantial earnings and cash flow.

Mr Bevan also said that the NS BlueScope joint venture with Nippon Steel & Sumitomo Metal Corporation saw earnings growth especially in North America due to spread expansion in the supply chain. The North American Buildings business is delivering further productivity improvements.

"Driven by strong cash flow from the Australian business and North Star, net debt reduced by \$595 million in the June 2016 half, and with a strong balance sheet, the Company is making excellent progress on its strategy," Mr Bevan said.

"Nonetheless, the Board is well aware that global steel remains in oversupply. We must continue our relentless focus on cost competitiveness in the face of this oversupply, input price pressures (especially coal prices) and market volatility" he said.

"We will continue to pursue our strategy for each of our businesses:

- In Coated and Painted Products our focus is to further grow our business, particularly in Asia. In Thailand, the NS BlueScope joint venture is targeting increasing sales of home appliance steels and is developing a third metal coating line with in-line painting. In India with our partner Tata, we are reviewing the potential for additional painting capacity. Meanwhile in Australia, we are targeting further sales growth opportunities in inter-material areas such as roofing, steel framing and facades.
  - In BlueScope Buildings, productivity gains and cost reductions in North America should lead to a significant improvement in earnings compared to FY2016. Our focus in the China Buildings business is cost and productivity improvements and to enhance our market and customer engagement against a challenging market backdrop.
  - We continue to seek to maximise value from North Star through cash generation in a robust U.S. trading environment and through low-cost incremental volume growth initiatives.
  - In Australian steelmaking, significant cost savings have provided the basis to continue to make steel. This is an ongoing challenge. Our pursuit of productivity improvements will continue. We need to
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consistently deliver the returns that earn the right to reline the blast furnace at Port Kembla in a decade or so. A profit-share plan is being rolled out which is delivering better workforce engagement and reward for effort.

- In New Zealand, a cost improvement program to make steelmaking operations at Glenbrook internationally competitive and profitable is continuing. The sale process for the Taharoa export iron sands operation is ongoing.

## **TRADING UPDATE**

BlueScope's Managing Director and CEO, Mr Paul O'Malley provided the following update on current half trading conditions.

### **AUSTRALIAN STEEL PRODUCTS**

The Australian business has seen some despatch volume growth in 1H FY2017. Cost reductions and productivity improvements greater than previously advised have largely mitigated rising coal costs. The high coal price will impact the March 2017 quarter to the extent increases in steel prices do not offset the cost rise. It is pleasing to note that East Asian HRC prices have risen in recent weeks.

### **NORTH STAR BLUESCOPE STEEL**

North Star will make a strong contribution this half. Steel spread in the September quarter was US\$110-130 per metric tonne higher than during 2H FY2016. While steel spread has moderated thus far in the December quarter compared to the September quarter, in line with our expectation, it remains US\$30-50 per metric tonne higher than the average through 2H FY2016.

### **BUILDING PRODUCTS**

The Building Products segment has seen a good start to 1H FY2017 with margins in North America significantly stronger than last half's good performance, due to margin expansion. Our Vietnam and India businesses are tracking ahead of expectation due to higher margins in both regions and strong volumes in India. Malaysia and Indonesia are delivering consistent results. Thailand is seeing a slightly softer half due to lower margins on higher feed costs.

### **BLUESCOPE BUILDINGS**

The North American buildings business performed strongly in the peak summer building season. We expect earnings this half to be materially better than the December 2015 half, boosted also by the business improvement program.

Our China coated products business, combining coating, painting and roll forming operations is performing well and in line with our expectations. China Buildings is making good progress on cost reductions however continues to face competitive pressure on margins.

### **NEW ZEALAND AND PACIFIC STEEL**

Domestic activity in New Zealand continues to be strong, particularly in residential and non-residential construction and we are seeing the full benefit of the Pacific Steel and billet caster investments. Overall, with steel and iron ore prices slightly higher than our expectation at August, we expect the segment to deliver an underlying EBIT result better than 2H FY2016.

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

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