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BLUESCOPE DELIVERS $1.27BN UNDERLYING EBIT, $250M BUY-BACK AND FORECASTS 10% EBIT LIFT IN 1H FY2019

BlueScope today announced a $1,569.1 million reported net profit after tax (NPAT) for FY2018 (including unusual and one-off benefits of $743.1 million[1]) a 119 per cent or $853.2 million increase on FY2017. Underlying NPAT[1] was $826.0 million. The Board has approved the payment of an increased final dividend of 8.0 cents per share and a larger on-market share buy-back of $250 million to be conducted during 1H FY2019.

Financial Highlights	
2H FY2018 underlying EBIT:	**$745M**
FY2018 underlying EBIT:	**$1,269M**
Capital Management	
Larger buy-back:	**$250M**
Final dividend:	**8.0 cps**

Managing Director and CEO, Mark Vassella said the Company had delivered an outstanding performance. The underlying return on invested capital was 20.0 per cent, delivering a net cash position on the balance sheet and included the return of $362 million to shareholders during the year through dividends and the share buy-back.

"Underlying EBIT strengthened to $745.0 million in 2H FY2018, up $220.7 million on the first half, and our best half since December 2008. It was driven by strong demand and steel spreads in our U.S. and Australasian markets. This led to full year underlying EBIT of $1,269.3 million, up 15 per cent on FY2017", he said.

"Relative to earnings guidance provided in May, the 2H FY2018 underlying EBIT result reflected moderately better performance across a number of segments and included an unusually high contribution of $18.3 million from BlueScope Properties Group.

"We have a simple and sustainable strategy across a complex and diverse business that is working. Our businesses are generating strong cash earnings. The balance sheet is in good shape, reaching a $63.6 million net cash position at 30 June 2018 – improved from $262.1 million net debt at 31 December 2017, and progressing towards our target of $200 million to $400 million of net cash.

During the last six months, the Company was upgraded to an investment grade credit rating by both S&P and Moody's. We have subsequently refinanced our capital markets and syndicated bank debt to deliver improved cost, scale and tenor. This is just another example of the strength of the new BlueScope", Mr Vassella said.

[1] Underlying financial results for FY2018 reflect the Company's assessment of financial performance after excluding the following items (post tax): utilisation of carried forward tax losses in Australia and New Zealand during the year ($177.5 million), full recognition of unbooked Australian tax losses at 30 June 2018 ($325.7 million), reversal in full of prior period Australian Steel Products plant and equipment impairments ($216.0 million) and one-off benefit from U.S. tax reform ($76.3 million). These were partly offset by losses in discontinued businesses, including the ASEAN engineered buildings business ($23.3 million), debt restructuring costs ($30.9 million) and other one-off items ($1.8 million). A full reconciliation of underlying adjustments, including FY2017, is available in the FY2018 Earnings Report on BlueScope's website.

GROWTH STRATEGY

Moving to strategy, Mr Vassella said “BlueScope’s strategy and focus on shareholder returns is delivering results. Since completing our transformational cost saving initiatives in Australasia and the acquisition of the 50 per cent of North Star we did not own, we have now delivered underlying EBIT of over $1.1 billion in each of the last two years.

“The BlueScope balance sheet is robust, with great flexibility, and we have a clear capital management framework in place.

“There are many organic growth opportunities across our portfolio of businesses and we place a strong focus on sustainability, innovation and diversity, as we implement our plans. We continue to review further appropriate growth opportunities that fit our strategy in markets as diverse as India, ASEAN, the U.S., Australia and New Zealand.

“To that end, we have initiated a comprehensive study to examine expanding our successful North Star business to add at least 600,000 to 900,000 metric tonnes per annum of steelmaking capacity (to add to the existing 2.1 million tonnes per annum). The project under evaluation involves the addition of a third electric arc furnace and second slab caster, may cost in the range of US$500 million to US$700 million and if it proceeds, would take two to three years to develop. We believe the project may deliver BlueScope compelling through-cycle economics, and the study will seek to confirm that. We anticipate updating the market further at our February 2019 results briefing.

“Our financial principles will continue to govern our decision making around this and all capital allocation decisions.

“We have a talented and diverse team in place to execute the strategy and continue delivering results, and I congratulate all 14,500 BlueScope employees for their outstanding performance in FY2018.” Mr Vassella said.

SUSTAINABILITY

BlueScope is well advanced on our sustainability journey. During the year, we made progress across five areas of sustainability of particular focus for BlueScope: climate change; safety, health and wellness; supply chain sustainability; diversity; and business conduct.

One major initiative was a seven year power purchase agreement to underwrite the development of a 500,000 panel solar farm in New South Wales and reduce greenhouse gas emissions by around 300,000 tonnes each year. Our FY2018 Sustainability Report will expand further on our scenario analysis work for the Task Force on Climate-related Financial Disclosures (TCFD) framework. We committed to the UN Guiding Principles on Business and Human Rights, and are conducting a significant project to review our supply chain, to ensure our suppliers are committed to operating to a similar set of values to those expressed in Our Bond.

We have made significant gains across all levels of our business in our program of gender diversity: one in three new recruits to operating roles are women, we have doubled the rate of women hired to all roles across the Group, and women now comprise over 30 per cent of each of our Board and Executive Leadership Team.

SEGMENT RESULTS

Australian Steel Products:

- Delivered underlying EBIT of $587.4 million[2], up 28 per cent on FY2017 on higher volumes, stronger steel spreads particularly in 2H FY2018 and a strong contribution from export coke sales.
- Demand for premium branded coated and painted product continues to be strong. The team is pursuing a range of specific inter-material product and innovation opportunities in new markets – such as TRUECORE® light gauge steel framing.
- The business has done an excellent job in boosting profitability in the last three years. Good results were delivered in FY2018, however we must not be complacent in our pursuit of continued productivity improvements and long-term sustainability of our steelmaking operations.
- In light of the significant increase in ASP earnings, we have reversed in full prior period plant and equipment impairments ($216.0 million) and fully recognised Australian carried forward tax losses ($325.7 million).

North Star:

- Delivered underlying EBIT of $430.6 million, up 6 per cent on FY2017. Performance in 2H FY2018 strengthened, driven by increases in selling prices and spreads, fuelled by U.S. Government trade measures and the strength of the U.S. economy.
- The business continues to operate at full capacity, and continues to pursue low-cost incremental volume growth initiatives in addition to the comprehensive study to examine adding 600,000 to 900,000 tonnes per annum of steelmaking capacity,

Building Products Asia and North America:

- Slower project activity in some Asian nations, and pressure on margins, saw segment underlying EBIT of $184.5 million in FY2018, down 12 per cent on last year. By contrast, the North America, China and India businesses performed well.
- Our continued focus is to further grow the business particularly in Asia, which is seeing a rapid rise in the wealth of the middle class. We continue to diversify our marketing offering by growing our retail and home appliance segments as the business faces strong competition in the region.
- We are anticipating commencement of commercial production on the third metal coating line, with in-line painting, in Thailand in early 2H FY2019.

Buildings North America:

- Delivered underlying EBIT of $74.6 million, up 30 per cent on FY2017.
- Order intake recovered strongly from Q2 FY2018 leading to robust volumes and margins during 2H FY2018. Sales of buildings for end-use applications such as logistics and warehousing, and data centres have been particularly strong.
- The Building Properties Group made an unusually high $16.4 million underlying EBIT contribution during FY2018.

New Zealand and Pacific Steel:

- Delivered underlying EBIT of $111.7 million, up 83 per cent on FY2017, primarily through productivity and cost improvement initiatives, and higher realised selling prices.
- Our New Zealand steelmaking operations have also made good headway on productivity initiatives and cost savings – a constant, essential focus for the business.

[2] Underlying EBIT includes $32.1 million benefit from one-off settlement of historical coal supply dispute. Includes cash settlement and reversal of prior year provisions.

OUTLOOK FOR 1H FY2019

The Company currently expects 1H FY2019 underlying EBIT to be around 10 per cent higher than 2H FY2018 (which was $745.0 million). Expectations are subject to spread, FX and market conditions.

For further information about BlueScope: www.bluescope.com

BLUESCOPE CONTACTS:

Media

Michael Reay
Manager Corporate Affairs
P +61 2 4240 1100
M +61 (0) 437 862 472
E Michael.Reay@bluescope.com

Investors

Don Watters
Treasurer & Head of Investor Relations
P +61 3 9666 4206
M +61 (0) 409 806 691
E Don.Watters@bluescope.com