

Date: **24 February 2020**

## BLUESCOPE DELIVERS \$302M 1H FY2020 UNDERLYING EBIT

BlueScope today reported a 1H FY2020 net profit after tax (NPAT) of \$185.8 million, down 70 per cent on 1H FY2019, and an underlying NPAT of \$199.6 million<sup>1</sup>.

BlueScope Managing Director and CEO, Mark Vassella said "Underlying EBIT for the half was \$302.4 million, down on 1H FY2019, driven by the decline in commodity steel spreads which we flagged in August last year. However, with improving conditions at the tail-end of the half, we finished 1H FY2020 slightly stronger than our guidance.

"The \$302 million underlying EBIT showcases yet again that BlueScope's turnaround and transformation is real. The result is more than creditable in light of the weaker cyclical spreads and is a tribute to our strong team of 14,000 employees across 18 countries. Importantly, it confirms BlueScope is now a resilient, global company with a strong balance sheet and high-quality assets.

"The Board has approved a 6 cents per share interim dividend and the extension of the on-market buy-back, to buy up to \$100 million during 2H FY2020. "In the context of current macroeconomic conditions, including uncertainty in key markets due to impacts of coronavirus, or COVID-19, we feel this reflects the right balance of returning funds to shareholders and investing for the future in key projects such as the North Star expansion.

"At 31 December 2019 net debt stood at \$47 million<sup>2</sup>, as we transition towards our \$400 million net debt target."

### NORTH STAR EXPANSION UPDATE

On the cornerstone project to expand the North Star mini-mill in Delta, Ohio, by around 850,000 tonnes per annum Mr Vassella commented, "We are very pleased with progress. Work is on schedule, site works are progressing well and major OEM equipment orders have been placed.

### CHINA COVID-19 UPDATE

Following the implementation of return to work safety guidelines across BlueScope China, the Group's China businesses are all now operational, with the exception of our Hubei sales office. Most employees have now returned to work safely and no cases of COVID-19 have been reported within BlueScope China.

As our BlueScope China businesses and their customer/supplier operations gradually return to normal levels during February, it is expected that February and March business performance will be heavily impacted. The rate of recovery of the balance of the half year remains unclear at this point.

Outside of China, we are aware of some impacts to our supply chains which, to date, have been mitigated. We continue to monitor the situation.

#### 1H FY2020 Financial Headlines

Reported NPAT:	<b>\$185.8M</b>
Underlying NPAT:	<b>\$199.6M</b>
Underlying EBIT:	<b>\$302.4M</b>
Underlying pre-tax ROIC:	<b>8.4%</b>

#### Capital Management

Buy-back:	<b>up to \$100M</b>
Interim dividend (unfranked):	<b>6 cps</b>

<sup>1</sup> Underlying financial results for 1H FY2020 reflect the Company's assessment of financial performance after excluding (post-tax): discontinued operations (\$7.6M), one-off impact of a change in tax legislation (\$6.0M); impairment of carried forward tax losses (\$3.2M) and restructuring and business development costs (\$2.8M) partly offset by a gain on asset sales (\$5.8M). A full reconciliation of underlying adjustments, including 1H FY2019, is available in the 1H FY2020 Earnings Report on BlueScope's website.

<sup>2</sup> Under AASB16, a new lease accounting standard which took effect from 1 July 2019, most leasing arrangements formerly classified as operating leases were brought onto the balance sheet as an asset and a form of debt. The impact of this change to net debt at 31 December 2019 is \$401M.

## EVOLVING OUR STRATEGY

“The BlueScope investment proposition comprises a strong suite of assets and options, capability and discipline – all focused on growing long-term shareholder value and returns. The portfolio includes:

- North Star, which is one of the leading mini-mills in North America;
- a reinvigorated and resilient integrated Australian business, which includes the iconic COLORBOND® steel brand, delivering returns throughout the cycle;
- global leadership in coating and painting for building and construction markets; and
- operations in the world’s two largest construction markets, China and the US, and in high growth markets in ASEAN and India.

“We continue to evolve our strategy to drive performance and meet the needs of customers, employees and our communities. We are focussed on transforming our business particularly through:

- digital technology: delivering the next wave of customer, growth and productivity improvements; and
- actively addressing climate change: playing our part in the challenge; producing highly recyclable products.

“Safety is a core value; recent safety indicators remain elevated compared to our targets and prior performance, with the lost time and medically treated injury frequency rates of 1.17 and 6.9 per million hours worked, respectively, in 1H FY2020. To achieve further improvement, our HSE Strategy will be driving a stronger focus on implementing higher order controls for our critical risks and measuring their effectiveness.

“The proportion of women in BlueScope increased to 21 per cent in 1H FY2020, with the recruitment of women remaining around 40 per cent. We continue to seek to build our diversity pipeline through targeted initiatives, and the promotion of careers in science, technology, engineering and mathematics.

“Significant work continues in reviewing our supply chain sustainability, with 57 supplier assessments completed to date and 88 underway; we are well positioned to meet the reporting requirements of the Modern Slavery Act,” Mr Vassella said.

## EXECUTIVE LEADERSHIP TEAM CHANGE

After more than 12 years with BlueScope, Charlie Elias, Chief Executive BlueScope Building Products Asia and North America, has decided to leave the Company, effective early July.

Charlie joined BlueScope as Chief Financial Officer in 2008, remaining in this role for 10 years before his appointment to Chief Executive NS BlueScope. He is currently responsible for the Company’s building products businesses across ASEAN, India, North America and China, and sits as Chairman of our joint venture with Tata in India.

Charlie has been a highly valued member of our Executive Leadership Team and key contributor to the turnaround and transformation of our Company in the decade following the global financial crisis. His leadership and guidance were critical in restoring a strong balance sheet, establishing and growing our key strategic partnerships with Nippon Steel and Tata, and in the acquisition of North Star in 2015.

More recently, Charlie has focused on the transformation of our NS BlueScope and China businesses positioning them for a strong and positive future for BlueScope in Asia. Charlie leaves these businesses poised for a new phase of growth, as he takes a career sabbatical. He departs with the thanks and best wishes of the Board and the full leadership team.

A global search process has commenced. A further announcement will be made in due course.

## SEGMENT RESULTS

North Star:

- Delivered underlying EBIT of \$114.5 million, down 72 per cent on 1H FY2019 and 53 per cent on 2H FY2019, driven by lower spreads.
- The business continues to operate at full capacity with stable demand. Sales volume in 1H FY2020 was down on 2H FY2019 due to normal seasonality.

#### Australian Steel Products:

- Delivered underlying EBIT of \$127.9 million, down 60 per cent on 1H FY2019 and 41 per cent on 2H FY2019. Steel spreads were compressed, driven by weaker regional steel prices and higher raw material costs.
- 1H FY2020 saw a favourable turnaround in domestic sales on stronger underlying demand compared to 2H FY2019, with premium painted product volumes recovering in line with broader sales.

#### Building Products Asia and North America:

- Segment underlying EBIT was \$80.2 million, up 2 per cent on 1H FY2019 and 45 per cent on 2H FY2019.
- Performance in ASEAN improved driven by better margins and continued benefits from the cost reduction and manufacturing improvement program.
- Similar to the performance in 2H FY2019, the North America operations saw softer results compared to 1H FY2019 because of margin compression in the coating operations, due to falling steel prices, combined with a weaker manufacturing performance impacting costs.
- The China and India businesses continued to perform very well.

#### New Zealand and Pacific Steel:

- Delivered underlying EBIT of \$12.9 million, down 82 per cent on 1H FY2019, primarily due to lower regional steel prices, lower vanadium by-product contribution and higher raw material and electricity costs.
- Demand in the residential construction sector remained robust, however infrastructure market demand softened.
- Performance improved marginally on 2H FY2019 driven by lower raw material costs, offset in part by a lower vanadium by-product contribution.

#### Buildings North America:

- Delivered underlying EBIT of \$24.4 million, up 10 per cent on 1H FY2019, due to stronger margins and an improved contribution from BlueScope Properties Group, in part offset by lower volumes.
- The result was down 22 per cent on 2H FY2019 mainly due to a lower contribution from BlueScope Properties Group and investment in capacity to improve customer lead times, partly offset by higher volumes.
- Customer demand in the light manufacturing and warehousing sector, especially e-commerce, remains strong.

### OUTLOOK FOR 2H FY2020

"Underlying demand across our major markets is generally stable, however the economic impact of COVID-19 has created uncertainty for our Asian businesses and Asian steel spreads in the near term. The impact to US Midwest spreads, if any, is unclear. We are aware of some impacts to our supply chains which, to date, have been mitigated; we continue to monitor the situation," Mr Vassella said.

"On this basis the Company expects 2H FY2020 underlying EBIT similar to 1H FY2020 (which was \$302.4 million). Expectations are subject to spread, foreign exchange and market conditions – including potential impacts from COVID-19."

**Authorised for release by:** The Board of BlueScope Steel Limited.

**For further information about BlueScope:** [www.bluescope.com](http://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](mailto: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](mailto:Don.Watters@bluescope.com)