

Date: 18 November 2021

BlueScope 2021 AGM update – confirmation of 1H FY2022 earnings guidance

At its Annual General Meeting today, BlueScope confirmed its previous guidance provided in October that 1H FY2022 underlying earnings before interest and tax (EBIT) will be in the range of \$2.1 billion to \$2.3 billion, subject to spread, FX and market conditions.

Global steel prices, spreads and demand across key geographies have been strong, with favourable conditions in building and construction end use segments.

Managing Director and CEO Mark Vassella said, “While BlueScope has seen favourable macroeconomic and industry trends over the last year, the Company’s record FY2021 performance and robust financial position reflect the success of our strategy at work and is a testament to the contribution of our 14,000 people, our disciplined financial framework and the operating leverage of our diverse portfolio.”

“The strength of the Company’s balance sheet and cash flow enables us to simultaneously invest for a low carbon future, long term sustainable earnings growth, and to increase shareholder returns. BlueScope has a strong pipeline of organic opportunities, leveraging growth trends in detached residential construction, e-commerce and logistics, and national infrastructure programs. These opportunities include the debottlenecking of North Star once the current expansion project is complete, the upscaling of the BlueScope Properties Group, evaluating further coating capacity in Australia to support demand particularly from residential construction and the investigation of painting capacity in the Eastern US.”

“The recent announcement of the agreement to acquire the ferrous scrap steel recycling business of MetalX LLC adds to BlueScope’s extensive US asset footprint. MetalX is the leading supplier of scrap feed to North Star, and we expect to quickly increase the volume of scrap that is sourced through MetalX. Moving upstream and using our financial strength to secure a scrap supply business helps underpin North Star’s supply chain and its great competitiveness. North Star will soon move from a two million tonnes per annum mill to almost three million tonnes per annum, and as the business expands, securing scrap is the right play. The acquisition is expected to be completed in December.”

“BlueScope continues to make significant progress in addressing the topics most material to ensuring a sustainable future for the business, including on climate change as set out in our Climate Action Report. We have developed a climate pathway that is based on two mid-term 2030 GHG emissions intensity targets and a longer-term 2050 net zero goal. Success in achieving this goal will be dependent on several enablers including the commerciality of emerging and breakthrough technologies, the availability of affordable and reliable renewable energy and hydrogen, the availability of quality raw materials and appropriate public policy settings.”

“Most recently, we were pleased to announce the establishment of a Memorandum of Understanding with Rio Tinto to explore low-emissions initiatives for the steel value chain across iron ore processing, iron and steelmaking and related technologies,” Mr Vassella said.

Trading Update

BlueScope's Managing Director and CEO, Mr Mark Vassella provided the following update on 1H FY2022 trading conditions.

Australian Steel Products

- The business is expected to deliver a significantly better result than 2H FY2021, with strength in domestic volumes, particularly in higher value products for the building and construction sector, and strong realised steel spreads. Margins and volumes in the downstream businesses are also benefitting from the robust demand environment. A stronger export coke contribution is expected with margins remaining robust.
- The assessment of the relining of the currently mothballed No. 6 Blast Furnace at Port Kembla is continuing – including refining the scope of included technologies that support GHG emissions intensity reductions and other environmental measures such as water and particulate emissions management controls. A further update will be provided at the release of BlueScope's 1H FY2022 results in February 2022.

North Star BlueScope Steel

- North Star is expected to deliver a significantly stronger result than 2H FY2021 driven by record steel pricing and spreads¹ – modestly impacted by higher alloy and conversion costs, including labour. More recently, benchmark Midwest hot rolled coil prices have begun to ease back from record levels.
- The business continues to perform well and has been operating at full capacity as sales volumes to construction, manufacturing and automotive end use applications remain solid.
- Importantly, the major expansion of North Star is on track for commissioning in 2H FY2022.

Building Products Asia and North America

- The segment is expected to deliver a stronger result compared to 2H FY2021.
- The North America coated products business continues to see cyclically-elevated margins and the China businesses are benefitting from favourable seasonality. These stronger performances are being modestly offset by the impacts of COVID-19 related disruptions across South East Asia – particularly in Malaysia, Vietnam and Indonesia.

Buildings North America

- A similar result to 2H FY2021 is expected, with a softer performance from the core EBS business on margin compression due to higher steel feed prices to be offset by a stronger contribution from the BlueScope Properties Group on project timing.

New Zealand and Pacific Islands

- The robust demand and pricing environment across construction and infrastructure sectors is expected to deliver a stronger result compared to 2H FY2021, notwithstanding supply-chain COVID-19 related disruptions during the half.

As flagged in its release of 21 October, BlueScope is seeing a further increase in net working capital employed in the business during the current half driven by a combination of higher prices and volumes.

Expectations remain subject to macroeconomic, spread, foreign exchange and market conditions.

¹ Benchmark prices may not be representative of realised mill prices due to a range of factors. Movements in prices across the majority of sales correlate with Midwest regional benchmark pricing, on a short lag; a minority of sales are priced on a longer-term basis. Accordingly, the degree of correlation between realised and benchmark prices can vary in a given half but is more fully reflected over the medium term.

Authorised for release by: The Board of BlueScope Steel Limited

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