

# ASX RELEASE



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## BLUESCOPE DELIVERS \$119M UNDERLYING NET PROFIT IN 1H OUTLOOK – UP TO 60% LIFT IN UNDERLYING EBIT OVER 2H FY2015

BlueScope today reported net profit after tax (NPAT) of \$200.1 million for 1H FY2016 – a \$107.4 million (116%) increase from the corresponding period last year. The reported NPAT includes impairment charges of \$567.5 million and an accounting carrying value write-up of \$702.9 million, as foreshadowed in the Company's market update on February 12.

Underlying NPAT<sup>1</sup> for the first half was \$119.0 million, 47 per cent higher than 1H FY2015, and 125 per cent higher than the previous six months.

Underlying EBIT was \$230.1 million, up 35 per cent on the same time last year, and up 76 per cent on 2H FY2015.

The Board has approved payment of a fully franked interim dividend of 3.0 cents per share.

BlueScope's Managing Director and CEO, Mr Paul O'Malley said, "The Company has continued its good momentum in earnings growth. It's a very positive outcome and a credit to our teams around the globe.

"Today's result is the outcome of a deliberate strategy that has been underway for over a year.

"Right across the portfolio, our people are executing the strategy well. We continue to invest in and grow our premium branded steel businesses – their results rose strongly. And we have a reinvigorated focus on innovation to drive the next generation of products and solutions for our customers.

"We have moved to full ownership of North Star, recognised as the best steelmaking business in the US. It has a clear pathway of incremental growth ahead of it.

"Equally, our focus on costs and lifting the performance of steelmaking operations in Australia and New Zealand is paying off.

"With the support of all our stakeholders we have been able to pursue Plan A at Port Kembla Steelworks. This occurred despite the continuing headwinds of global overproduction causing weaker commodity steel prices and spreads.

<sup>1</sup> Underlying financial results for 1H FY2016 reflect the Company's assessment of financial performance after excluding the following items (post-tax): favourable impact of acquiring a controlling interest in North Star BlueScope Steel (\$702.9M), non-current asset and tax impairment charges (\$580.5M), asset sales (\$34.0M), restructure and redundancy costs (\$57.4M) and other unusual and one-off items (\$17.7M). This financial information is provided to assist readers to better understand the financial performance of the underlying operating business. A full reconciliation of underlying adjustments, including 1H FY2015 is available in the 1H FY2016 Earnings Report on BlueScope's web site.

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“Our relentless focus on cost reductions in Australia must continue and we are now targeting \$270 million in FY2017<sup>2</sup>.

“We also continue to target at least NZ\$50 million of cost reductions, in New Zealand in FY2017 and we have commenced a sale process of the Taharoa export iron sands business.

“The results today confirm our strategy is working; it has delivered substantial bottom line benefits in the half”.

### ASSET CARRYING VALUES

As part of finalising its accounts for the half, the Company has reviewed the carrying value of its assets and recognised an impairment charge of \$567.5 million, comprised of \$189.0 million in the Australian Steel Products segment, \$344.9 million in its New Zealand and Pacific Steel segment and \$33.6 million carried forward New Zealand tax losses. This follows the review of external steel and iron ore price forecasts and discount rates in light of macroeconomic and global steel market changes.

In addition, the Company has recognised an accounting carrying value write-up of \$702.9 million of the existing 50% interest in North Star BlueScope Steel that it already owned. This was brought about by the requirement to revalue the asset when 100% ownership was acquired at the end of October 2015.

### 1H FY2016 SEGMENT PERFORMANCE REVIEW

Looking across the Company's five reporting segments:

- The Australian Steel Products business delivered underlying EBIT of \$173.6 million, up 163 per cent on 1H FY2015. Costs were significantly lower, with early delivery from our savings programs, and domestic volume and mix were better, offsetting weaker spread.
- New Zealand Steel & Pacific Steel made a loss before interest and tax of \$47.1 million, down \$49.7 million on the same time last year due largely to lower steel and iron sands prices. We have commenced a sale process of the Taharoa iron sands business.
- In Asia and North America our Building Products business delivered underlying EBIT of \$65.4 million, up 37 per cent on 1H FY2015. All businesses except Thailand delivered stronger earnings. Higher margins and favourable translation of earnings were offset by lower volumes in Thailand and Indonesia and higher costs in North America, Malaysia and Vietnam.
- BlueScope Buildings achieved underlying EBIT of \$34.2M, a 77 per cent increase on 1H FY2015. Buildings North America's earnings grew on stronger margins despite softer volumes. Buildings Asia's result improved significantly, to approach breakeven, and we saw a solid performance at China coating and painting.
- In North America, with steel spreads down considerably over the past year, our Hot Rolled Products segment delivered underlying EBIT of \$42.4 million, 37 per cent lower than 1H FY2015. At North Star BlueScope Steel, despatches continued at 100 per cent of production and we enjoyed FX translation benefits with a lower AUD:USD. The team remained focussed on delivering low-cost volume growth from the existing asset base.

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<sup>2</sup> Cash savings over the FY2015 cost base; \$20M of the \$270M target from Distribution business.

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## BLUESCOPE'S OUTLOOK

Commenting on trading conditions in the current half, Mr Paul O'Malley said, "Notwithstanding a challenging macroeconomic environment, due to the significant cost reductions and process improvements we are implementing, we expect 2H FY2016 underlying EBIT to be up to 60% higher than 2H FY2015.

"We expect 2H FY2016 underlying net finance costs higher than 1H FY2016 due to higher average borrowings; we also expect a slightly lower underlying tax rate and similar profit attributable to non-controlling interests to 1H FY2016.

"Expectations are subject to spread, FX and market conditions," Mr O'Malley said.

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

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