

Date: **17 July 2020**

BLUESCOPE BUSINESS UPDATE

BlueScope today announced it expects preliminary unaudited underlying earnings before interest and tax (EBIT) for FY2020 to be around \$560 million, with an expected contribution in the June half of around \$260 million. The balance sheet remained strong with preliminary unaudited net cash of around \$100 million¹. The results are subject to finalisation, net realisable value inventory provisioning, and external audit.

Managing Director and CEO Mark Vassella said, "The results show a strong performance in the face of challenging conditions caused primarily by the COVID-19 pandemic. They clearly demonstrate an outstanding operational and commercial effort by our 14,000 people across all 18 countries. I'm particularly pleased with the way our people have responded to the impact of the pandemic, maintaining their personal health, safety and wellbeing – and that of the business, our customers and our communities."

"The results show the strength of our business model and our financial disciplines. However, there is currently a high level of uncertainty in BlueScope's key markets at the start of FY2021 due to the pandemic and weaker steel spreads," Mr Vassella cautioned.

FY2020 BUSINESS UPDATE

Some BlueScope businesses have been impacted by government mandated and customer closures, but in general, business conditions have been better than expected – driven primarily by continuing building and construction demand in key markets.

Looking across the Group's reporting segments during the June half year:

- At Australian Steel Products, domestic demand was resilient with despatch volumes (ex-mill) similar to that of 1H FY2020, and the contribution from export coke sales improved.
- At North Star, the weak demand environment led by automaker shutdowns from mid-March to mid-May placed downward pressure on realised prices and spreads. However, average capacity utilisation remained robust at above 90% across the half.
- The Building Products Asia & North America segment delivered a preliminary unaudited result approaching that of 1H FY2020, benefitting from improved manufacturing performance in North America, and good performance in Thailand despite COVID-19 impacts on the economy. The China business has experienced a better than expected recovery post the COVID-19 shutdown. However, weaker demand impacted Malaysia, Indonesia, Vietnam and India; Indonesia also suffered from currency volatility.
- At Buildings North America, the unfavourable impact of seasonality combined with slowing demand and project delays as a result of COVID-19 resulted in lower despatch volumes.
- New Zealand and Pacific Steel's performance was impacted by the compulsory government shutdown of operations during March and April, and ongoing cost pressures.

¹ Measure includes impact of AASB 16 leases. Net cash of around \$500 million excluding the impact of leases as per AASB 16.

CARRYING VALUE OF NEW ZEALAND AND PACIFIC STEEL ASSETS

As part of finalising its accounts for the year, the Company is reviewing the carrying value of the New Zealand and Pacific Steel segment based on updated expectations of lower sustainable earnings in the longer-term. This is expected to result in an impairment of around \$200 million.

A strategic review of the New Zealand operations is in progress. The Company is monitoring recent developments in other parts of New Zealand's domestic industrial base. The objective of the review is to re-evaluate the footprint of the business to ensure its financial viability in a challenging operating environment, made more uncertain by public policy settings in carbon, trade and energy. An update will be provided as part of the full year results release in August 2020.

CURRENT TRADING CONDITIONS

At the beginning of 1H FY2021, steel spreads in North America and Asia are lower than 2H FY2020 averages. Further, while at this point orders and despatches in Australia remain stable and North Star is despatching near full capacity, there is a high level of uncertainty in the current environment given the risks of:

- COVID-19 events which could disrupt demand, supply chains and operations; and
- broader macroeconomic weakness dampening demand.

BlueScope's financial results for the full year ending June 2020 will be released on 17 August 2020, at which time the Company expects to make further comments on trading conditions.

Mr Vassella said; "Despite these difficult conditions, I remain confident that BlueScope, with its strong balance sheet, high quality asset portfolio and proven team, will continue to meet the challenges of this unprecedented period. The Company is well placed to contribute in a post-COVID-19 economic recovery."

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

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