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BlueScope delivers 1H FY2023 underlying EBIT of \$851 million

BlueScope today reported 1H FY2023 net profit after tax (NPAT) of \$599 million, a \$1,045 million decrease on 1H FY2022.

Speaking to the financial result, Managing Director and CEO, Mark Vassella said, "Underlying EBIT for the half year was robust at \$851 million² in the context of softening macroeconomic conditions relative to those observed across FY2022.

"This result demonstrates the resilience of our diversified business model, as the strength in many of our downstream businesses and operations partly offset the impact of steel spreads softening from record levels.

"Our 15,500-strong team has been critical to delivering this encouraging result, as they continue to find innovative solutions that maintain our safe and reliable operations, better service our customers, and support our local communities. I want to thank the entire BlueScope team for their efforts in 1H FY2023.

"Operating cash flow for the half year, after capital expenditure, was \$751 million³ and the balance sheet remains strong with \$606 million net cash. This position continues to enable us to invest in long-term growth and deliver returns to shareholders through the economic and steel price cycle.

"The Board has approved a fully franked interim dividend of 25 cents per share; this is our first franked dividend since 2018, having now exhausted Australian tax losses and recommenced tax payments. In 1H FY2023, \$120 million of stock was bought through the buy-back. The Board has today approved an extension of the buy-back program tenor, to allow the remaining capacity of up to \$380 million to be bought over the next 12 months.

"I was pleased to announce a refreshed executive leadership team in December to drive the Company's next phase of growth. Tania Archibald is now our Chief Executive Australian Steel Products, as John Nowlan has taken on an advisory role to the executive team as he transitions towards retirement. In the US, where we are pursuing significant growth, Kristie Keast is now the Chief Executive North America, as Pat Finan has retired from the position, taking on an Executive Advisor role. Replacing Kristie as Chief People Officer is Peta Renkin, and Mark Scicluna has taken on the acting CFO role whilst an external recruitment search is underway," Mr Vassella said.

1H FY2023 Headlines

Reported NPAT:	\$599M
Underlying NPAT:	\$614M
Underlying EBIT:	\$851M
Underlying pre-tax ROIC:	23.4%

Capital Management

Interim dividend (fully franked):	25 cps
On market buy-back:	up to \$380M ¹

¹ In 1H FY2023, \$120 million of stock was bought through the buy-back. The Board has today approved an extension of the buy-back program tenor, to allow the remaining capacity of up to \$380 million to be bought over the next 12 months. The timing and value of shares purchased will be dependent on the prevailing market conditions, share price and other factors.

² Underlying financial results for 1H FY2023 reflect the Company's assessment of financial performance after excluding (pre-tax): business development and acquisition costs (\$15.9 million), operating disruptions relating to storm damage at BCP Rancho Cucamonga site (\$3.2 million) and a gain on discontinued operations (\$2.3 million). A full reconciliation of underlying adjustments, including for 1H FY2022, is available in the 1H FY2023 Earnings Report on BlueScope's website.

³ Cash flow before investment expenditure and financing.

Update on US Growth Strategy

BlueScope continues to see the US as a great place to make and sell flat steel products, and at full capacity, North Star will represent approximately 5 per cent of total annual US flat steelmaking production. The confidence in this view is supported both by the recent consolidation amongst industry participants and by ongoing growth in demand for steel in this large market – particularly with the need for large scale infrastructure investment, development of steel intensive renewable energy systems and the build out of e-commerce infrastructure over the coming decade.

The ramp up of the expansion at North Star is advancing well, as the team has increasing success in sequencing the steel flows from the equipment into the existing operations. Expectations continue to be that the full ramp up will progress over an 18-month period from August 2022. BlueScope Recycling has continued to gather momentum, through a number of low capital capacity projects and the acquisition of the Mansfield, Ohio site in August 2022.

1H FY2023 marked the first six months of BlueScope ownership of the Coil Coatings business, now known as BlueScope Coated Products. This business will provide BlueScope with a range of near-term synergies and medium to longer-term growth potential through process and technology upgrades, product development and the introduction of branded and packaged products. The integration and execution of the business case is underway, with preliminary progress encouraging.

Continuing our Progress on Key Sustainability Outcomes

As always, safety comes first at BlueScope. Our integrated Health, Safety and Environment strategy has embraced a people-centred approach and embedded a culture of learning from our people. In 1H FY2023, we again saw strong performance on our lead indicators, including 250 team-based risk control improvement projects identified for completion by the end of the financial year. Pleasingly, 1H FY2023 saw an improvement in our lag indicators, which provide meaningful insights related to the capacity to manage risk in our processes and systems.

During the half, BlueScope continued to progress a range of decarbonisation initiatives, projects and collaborations to both optimise existing assets as well as investigate and prepare for emerging and breakthrough technology. The Future Technology team continued to monitor the development of breakthrough steelmaking technologies through plant visits, conferences and direct discussions with equipment manufacturers and steelmakers. In Australia, work continues on a number of initiatives, including the progression of the concept study for a pilot hydrogen DRI melter plant, in collaboration with Rio Tinto. The New Zealand business is considering the installation of scrap melting or EAF process to supplement or replace the existing steelmaking process at the Glenbrook plant, and a number of projects across our non-steelmaking sites delivered emissions intensity reductions.

In January 2023, the Australian Federal Government released a position paper on Safeguard reforms; the proposed reforms, if enacted in their current form, may have a material impact on businesses with large industrial facilities, including the Australian Steel Products business. BlueScope is engaging with, and will shortly make a submission to, the Australian Government on the proposed settings. The final Safeguard reforms are expected to be announced during 2H FY2023. Until that time, it is too early to state, with any certainty, the potential implications of such reforms on Australian Steel Products and the feasibility study of the No.6 Blast Furnace reline and upgrade.

BlueScope continues to build an inclusive workforce which reflects the diversity of the communities in which it operates. Female representation continues to grow in pursuit of the Company's 40:40:20 target, with the total percentage of women in the BlueScope workforce at 24 per cent in 1H FY2023. Encouragingly, *Beyond Gender* strategies are continuing to emerge across the business units, designed to suit local community needs – such as a focus on ethnicity in the US.

Efforts in ensuring supply chain sustainability also continued in the half, with 103 supplier assessments completed, and a return to on-site audits, with five completed in 1H FY2023. Focus also continued on increasing the responsible sourcing knowledge both internally and externally, through a range of initiatives. BlueScope's new Responsible Sourcing Policy was developed, approved, and published during the half, in alignment with ResponsibleSteel™ requirements.

As previously announced, on 9 December 2022, in a proceeding initiated by the ACCC alleging contraventions of the Australian competition law cartel provisions, Justice O'Bryan of the Federal Court found against BlueScope and a former employee. A remedies hearing is scheduled for 12 and 13 April 2023 and in due course BlueScope will have the opportunity to determine whether there are grounds to appeal.

Segment Results

Australian Steel Products:

- Delivered underlying EBIT of \$274 million, down 55 per cent on 2H FY2022.
- Solid domestic end-use demand, however despatches softened on 2H FY2022 as distribution customers lowered inventories in a falling price environment and following the arrival of delayed imports. Building segment despatches were also impacted by unfavourable weather and some labour constraints in the building and construction supply chain, however sales of COLORBOND® steel were slightly higher than 2H FY2022.
- Realised spreads were softer than 2H FY2022 reflecting the decline in regional benchmark spreads.
- Conversion and overhead costs were higher including \$30M non-cash cost from the revaluation of the Finley Solar Farm PPA derivative¹.
- Progress is continuing on the feasibility study into the comprehensive reline and upgrade of No.6 Blast Furnace at Port Kembla Steelworks.

North Star:

- Delivered underlying EBIT of \$202 million, down 70 per cent on 2H FY2022.
- Steel spreads were significantly softer on lower US steel prices.
- Demand for North Star's product remained good; the mill operated at full capacity and approximately 60kt was produced from the expansion project during its ongoing ramp up.
- Activity levels in the automotive segment remained stable, albeit subdued compared to history due to industry supply chain constraints.
- Earnings benefitted from a favourable translation impact on a weaker A\$:US\$.

Buildings and Coated Products North America:

- Delivered underlying EBIT of \$173 million, up 118 per cent on 2H FY2022.
- Earnings improved significantly in the EBS business; margins expanded on orders that were priced in a higher steel price environment but were subsequently produced and shipped following significant softening of steel costs.
- As expected, no projects were delivered by BlueScope Properties Group during 1H FY2023. However, during the half, BPG continued to expand its development pipeline for realisation in future periods.
- Integration of the BlueScope Coated Products business, acquired in June 2022, commenced during the half.

Building Products Asia and North America:

- Delivered underlying EBIT of \$165 million, up 8 per cent on 2H FY2022.
- The North America business delivered a stronger result compared to 2H FY2022 on stronger margins, particularly in the downstream business.
- The China business delivered a record half-year result driven by strong despatch volumes, particularly in the EBS business, and favourable seasonality.
- The ASEAN business delivered a moderate loss in the half, as the business faced difficult trading conditions, reflecting weaker regional demand in a falling price environment.
- The India business performed well, delivering a slightly softer result on 2H FY2022 on product mix.

¹ Revaluation of the Finley Solar Farm Power Purchase Agreement (PPA) derivative reflects a decrease in forecast spot electricity prices. The derivative, being the difference between projected future electricity spot market prices and the strike price set under the PPA for projected future solar farm electricity output, is required to be fair valued in accordance with AASB 9 – Financial Instruments

New Zealand & Pacific Islands:

- Delivered underlying EBIT of \$86 million, down 40 per cent on 2H FY2022.
- Underlying demand remained robust – particularly across the building and construction and infrastructure segments – however domestic despatches were lower than 2H FY2022 due to similar effects as seen in the Australian business.
- Favourable realised pricing was observed compared to 2H FY2022, offsetting higher coal costs.

Corporate and Eliminations

- Corporate costs and profit in stock eliminations of \$48 million, 35 per cent favourable to 2H FY2022.
- Intercompany profit in stock elimination was \$37 million lower in 1H FY2023 compared to 2H FY2022 due to reducing prices across BlueScope's operating footprint.

Outlook for 2H FY2023

Underlying EBIT in 2H FY2023 is expected to be in the range of \$480 million to \$550 million. This is lower than 1H FY2023 mainly due to softer Asian and Midwest steel spreads, and is subject to spread, foreign exchange and market conditions¹.

¹ Refer to BlueScope's 1H FY2023 Investor Presentation for 2H FY2023 outlook assumptions and sensitivities.

Authorised for release by: the Board of BlueScope Steel Limited

For further information about BlueScope: www.bluescope.com

BlueScope Contacts

Media

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

Investor

Don Watters
Treasurer & Head of Investor Relations
T +61 3 9666 4206
E Don.Watters@bluescope.com

Chris Gibbs
Investor Relations Manager
T +61 3 9666 4039
E Chris.Gibbs@bluescope.com