ASX RELEASE

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BLUESCOPE FY2014 RESULT – EARNINGS AND CASH FLOW GROWTH

BlueScope today announced a $24.7 million improvement in reported earnings to a $82.4 million net loss after tax (NLAT) for FY2014[1].

Underlying net profit after tax[2] (NPAT) grew by $105.6 million during FY2014, to $112.3 million. The underlying result for the six months ended 30 June 2014, excluding period-end net realisable value adjustments, was $89.6 million.

At 30 June 2014 net debt was $261.6 million, with gearing at 5.5%. Cash flow was particularly strong in the second half, driven by business performance and timing of working capital. Net debt increased by $47.9 million on 31 December 2013 after acquisition investment expenditure of $131.8 million.

BlueScope Chairman, Graham Kraehe AO, said, “The Board is pleased with the Company’s continued turnaround and progress on growth initiatives – where we have actively invested to lower our cost base, to better serve customers and to grow our iron sands exports. These actions have laid a solid foundation for a future return to paying dividends.”

BlueScope’s Managing Director and CEO, Mr Paul O’Malley said, “I wish to thank the BlueScope team for delivering on our turnaround plan and achieving EBIT of $249.7 million, a significant increase of 237% on the prior year, whilst maintaining low gearing.

“All six operating segments delivered improved earnings:

- In Australia, our Coated & Industrial Products Australia (CIPA) business delivered underlying EBIT of $65.4 million, up 216% on FY2013, mainly due to higher domestic volume and lower loss-making exports and increased spread. This was CIPA’s first positive underlying EBIT since FY2010.
- The Building Components & Distribution segment, where conditions remain difficult, delivered a disappointing underlying EBIT loss of $22.8 million, albeit a 10% improvement on FY2013.

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[1] Changes to AASB 119 Employee Benefits came into effect for BlueScope on 1 July 2013. The impact of this revised accounting standard is to increase defined benefit plan pension expense. Australian Accounting Standards require that comparative period financial information be adjusted to reflect the revised approach. Accordingly, FY2013 is adjusted down by $23.0M to a reported NLAT of $107.1M and underlying NPAT of $6.7 million.

[2] Underlying financial results reflect the Company’s assessment of financial performance after excluding the following items (post-tax): FY2014 includes impairment of non-current assets across various Australian businesses ($87.6M) and carried forward tax losses generated during the year ($110.5M), restructuring costs ($55.8M), partial release of Steel Transformation Plan Advance to align with carbon costs which are being incurred ($32.1M), business development and acquisitions costs ($18.4M) partly offset by the reversal of previous non-current asset impairments in Building Products China ($88.1M). 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 FY2013 is available in the Annual Earning Report on BlueScope’s web site.

- New Zealand Steel & Pacific Steel Products underlying EBIT was $74.7 million, a 121% lift over FY2013, driven by better sales mix, higher export iron sands volumes and increased steel spreads.
- In Asia and North America our Building Products business delivered underlying EBIT of $88.9 million, 12% growth over FY2013. North American operations contributed strongly to this growth. Our Thailand business delivered stronger earnings despite the impact of political instability in the second half. Margins in our Indonesia business were reduced in the first half by the rapid depreciation of the Indonesian Rupiah against the USD. Corrective actions are underway in Indonesia.
- The Global Building Solutions segment delivered underlying EBIT of $18.5 million, up 3%. The North American business performed strongly driven by higher volumes and margin expansion despite particularly cold weather conditions constraining activity at the start of the second half. The China Building Products business delivered 17% growth in another solid result; while the performance of the China buildings business was weaker. The China businesses have commenced a restructuring initiative to deliver cost savings.
- In North America, North Star BlueScope Steel continued its very good performance – delivering an underlying EBIT of $104.6 million, a 57% lift and maintaining very good customer service.

"We have taken a number of non-current asset carrying value adjustments. Our China Building Products business has performed well in recent years and we have fully reversed $88.1 million of prior period impairment write-downs. Reflecting current and projected market conditions we have taken write-downs in Australian Distribution ($52.1 million), Buildings Australia ($15.6 million) and Water Australia ($12.7 million). In addition, at CIPA, we took a fixed asset write-off ($7.2M) relating to a review of the likely recoverable value of a not-in-use asset.

"We have made good progress on our growth initiatives including:

- Acquisition of Orrcon and Fielders on 28 February 2014 and of Arrium's OneSteel sheet and coil processing and distribution assets on 1 April 2014. Integration is on track. In FY2015 the acquisitions are expected to exceed our 15% EBIT return on capital hurdle and be EPS accretive for BlueScope.
- Acquisition of Pacific Steel Group in New Zealand on 3 June 2014. Construction of a billet caster and associated plant at the Glenbrook steelworks, and integration tasks, are running to plan. The acquisition is expected to achieve an EBIT pay-back within three years from transfer of billet production to Glenbrook.
- The second and third Taharoa (NZ) iron sands export ships are on track to commence around the end of FY2015 and the middle of FY2016 respectively."

BLUESCOPE'S OUTLOOK

We expect first half FY2015 underlying NPAT similar to second half FY2014, subject to spread, FX and market conditions.

Conditions in building construction markets of our key global regions are positive. We expect 1H FY2015 will benefit from expanding domestic margins; contributions from recent acquisitions; our restructuring in China; and growth and typical seasonality in North America. Offsetting factors include lower iron ore prices reducing New Zealand iron sands revenue; the unresolved political situation in Thailand and normalisation of the underlying tax rate.

For further information about BlueScope: www.bluescope.com

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