ASX RELEASE

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BlueScope delivers underlying EBIT of $1.61Bn in FY2023; approves blast furnace reline and upgrade at Port Kembla Steelworks

BlueScope today reported FY2023 net profit after tax (NPAT) of $1.01 billion, a $1.80 billion decrease on the record result achieved in FY2022. The Company also announced that the Board has approved the $1.15 billion reline and upgrade of the No.6 Blast Furnace (6BF) at the Port Kembla Steelworks.

Speaking to the financial performance of the business in FY2023, Managing Director and CEO, Mark Vassella said, "Underlying EBIT for the financial year was robust at $1.61 billion[2]. This continued strong performance demonstrates the resilience of the business model, particularly in the context of volatile macroeconomic and industry cycles."

FY2023 Financial Headlines

Reported NPAT:	**$1.01Bn**
Underlying NPAT:	**$1.10Bn**
Underlying EBIT:	**$1.61Bn**
Underlying pre-tax ROIC:	**14.6%**

Capital Management

Final dividend (fully franked):	**25 cps**
On market buy-back:	**up to $400M[1]**

"Operating cash flow for the half year, after capital expenditure, was $1.34 billion[3]. The balance sheet remains strong with $703 million net cash, positioning the Group well in a period of increased capital spending on projects that underpin sustainable earnings and growth."

"In FY2023, BlueScope delivered $518 million in shareholder returns through dividends and on market buy-backs. Today, the Board has approved a fully franked final dividend of 25 cents per share, and an increase to the share buy-back program, to allow up to $400 million to be bought over the next 12 months[1]."

"We continue to make great progress on our growth ambitions, most notably in the US, with two strategic acquisitions and the expansion of our best-in-class North Star mini-mill completed in the last two years. In Australia, work has commenced on a new metal coating line in Western Sydney to meet future demand for our value-added products – the demand for which continues to grow, evidenced by a record level of COLORBOND® steel sales in FY2023."

"A key highlight this year was the announcement of an accelerated feasibility study to build a new electric arc furnace at New Zealand Steel's Glenbrook plant. With a target of being operational by 2026, this NZ$300 million project will be co-funded by the New Zealand Government and will reduce New Zealand Steel's Scope 1 and 2 greenhouse gas emissions by at least 45 per cent."

"The Company's robust performance in FY2023 is a testament to the entire 16,500-strong BlueScope team, who I thank for their continued efforts in finding innovative solutions to maintain safe and reliable operations, better serve our customers, and to support our local communities. The continuing strength in both our financial results and balance sheet have set us up well to simultaneously invest for a low carbon future, long term sustainable earnings, and deliver shareholder returns." Mr Vassella said.

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[1] In 2H FY2023, $165 million of stock was bought through the buy-back. The Board has today approved an increase to the buy-back program, to allow up to $400 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 FY2023 reflect the Company's assessment of financial performance after excluding (pre-tax): asset impairment ($50.0 million), legal provisions ($45.0 million), business development costs ($30.4 million), operating disruptions relating to storm damage at a site ($3.4 million) and a gain on discontinued operations ($8.5 million). A full reconciliation of underlying adjustments is available in the FY2023 Annual Report on BlueScope's website.

[3] Cash flow before investment expenditure and financing.

Our Vision for Port Kembla

As the Port Kembla Steelworks approaches its 100-year anniversary in 2028, we are looking towards its low-carbon, modern manufacturing future. We are actively exploring options for the longer-term, large-scale decarbonisation of our operations, in order to realise our vision of low emissions iron and steelmaking in Australia.

Implementing the reline and upgrade project allows us the necessary time to develop, test and pilot alternative viable lower emissions iron making pathways. It also recognises the practical reality of the time frames required for the establishment of the critical enablers to lower emissions steelmaking[1].

The reline does not lock us in to a full 20-year blast furnace campaign. In contrast, it secures our immediate future while enabling a transition to lower emissions steelmaking as soon as it is commercially feasible. In this sense the reline project is our bridge to the future and critical to maintaining the sovereign capability of flat steelmaking in Australia. The relined 6BF is expected to be commissioned in mid to late 2026.

In order to realise our vision of low emissions iron and steelmaking in Australia, we are actively exploring options for the longer-term, large-scale decarbonisation of our operations, in particular the production of iron from direct reduced iron (DRI) technology. In FY2023, BlueScope made significant progress in its collaboration agreement with Rio Tinto, completing a concept study into DRI and melter technology. We have broadened our review of the most likely decarbonisation project options for ironmaking in Australia, including a focus on the necessary enablers. We have also expanded our technology collaborations with global steelmakers, such as thyssenkrupp, Tata Steel and POSCO.

As part of planning for the next 100 years in the Illawarra, BlueScope is nearing the completion of the development of a Master Plan for around 200 hectares of excess landholdings adjacent to the Port Kembla Steelworks. The concept is now taking shape with broader themes focussed around modern manufacturing, clean energy, education and training, and community – which build upon the industrial foundations and capabilities of the Illawarra region.

Continuing our Progress on Sustainability

During FY2023, BlueScope continued to progress a range of initiatives in support of the delivery of its key sustainability outcomes.

After a period of evolution, BlueScope has embedded its people-centred approach to safety, enabled by a culture of learning from our people. In FY2023, the Company continued its strong performance across lead indicators, including team-based risk control improvement projects and business-led learning programs. The lagging injury metric TRIFR was 7.5 per million hours in FY2023, above the top end of the long-term historical range of 5-7 with the inclusion of recent scrap recycling asset acquisitions.

BlueScope continued to make progress against its 2030 climate targets during the financial year through a range of decarbonisation projects. Steelmaking emissions intensity is tracking ahead of target with a total 8.3 per cent reduction[2] since FY2018, with a particularly strong performance in FY2023 driven by the ramp-up of the North Star expansion and energy and resource efficiency projects at New Zealand Steel and the Port Kembla Steelworks. Non-steelmaking emissions intensity is tracking close to target, having decreased 8.8 per cent[2] since FY2018.

In ensuring sustainable supply chains, significant focus has been on conducting supplier on-site audits for key high risk suppliers following pandemic-related interruptions in recent years. The team continued to focus on increasing responsible sourcing knowledge both internally and externally, which also saw the launch of BlueScope's new Responsible Sourcing Policy, which aligns with ResponsibleSteel™ requirements.

[1] In addition to the development and diffusion of ironmaking technologies to viable, commercial scale, enablers include: access to affordable, firmed large-scale renewable energy; availability of appropriate volumes of affordable green hydrogen (with natural gas enabling the transition); access to appropriate quality and sufficient quantities of economic raw materials; and supportive policies across all these enablers to underpin decarbonisation investment and avoid carbon leakage.
[2] Preliminary data. Final emissions intensity figures will be published in BlueScope's FY2023 Sustainability Report, due to be released in September 2023. All GHG emissions data are reported on an equity accounted basis.

Through the financial year, BlueScope continued to build an inclusive workforce which reflects the communities in which we operate, whilst also working to drive positive social impact. Female representation continues to grow, whilst *beyond gender* strategies are gathering significant pace across the business, designed to suit local community needs – such as a focus on ethnicity in the US.

As previously announced, on 9 December 2022, the Federal Court found against BlueScope and a former employee in a proceeding initiated by the ACCC alleging contraventions of the Australian competition law cartel provisions. A remedies hearing was held on 12 April 2023. BlueScope is awaiting the outcome of that hearing and no decision has been made about any appeal. An accounting provision of $45M was recognised as at June 2023.

FY2023 Results

Although down on the record of FY2022, the Group delivered a robust FY2023 result, with an underlying EBIT of $1.61 billion – the third highest full year result in the Company's listed history. This result was delivered in the context of a softer and more volatile macroeconomic environment, demonstrating the strength of BlueScope's diversified business model.

Australia

- Delivered underlying EBIT of $537 million, down 59 per cent on FY2022.
- Realised spreads were lower than FY2022, with weaker steel export prices and higher steelmaking raw material costs (primarily metallurgical coal), which more than offset stronger domestic prices.
- Domestic despatches were lower in FY2023 than the prior financial year, with volumes impacted particularly in 1H FY2023 by distributor destocking and unfavourable weather conditions and labour constraints.
  - End use demand remained robust during the year, supported by a solid pipeline of activity from prior periods, supporting an increase in 2H FY2023 despatches.
  - FY2023 sales of COLORBOND® steel were the highest on record, assisted by specific sales and marketing initiatives.
- Conversion costs were higher than FY2022 mainly due to lower volumes, higher freight costs and general escalation across consumables and maintenance, partly offset by lower remuneration expense linked to financial performance. The contribution from export coke sales reduced on the prior year on lower volumes and softer margins.
- Unusually high, non-cash cost of $28 million from the revaluation of the Finley Solar Farm Power Purchase Agreement (PPA) derivative which reflects a significant decrease in forecast spot electricity prices[1].

North America

- Delivered underlying EBIT of $965 million, down 57 per cent on FY2022.
- The decrease was driven by North Star, where a significant decrease in Midwest HRC benchmark prices resulted in weaker realised spreads.
  - The business continued to operate at full capacity, with approximately 250,000 additional tonnes produced from the ongoing expansion ramp up.
  - Integration of BlueScope Recycling and Materials (BRM) continues to progress well, with BRM processing around 30 per cent of North Star's scrap requirements in FY2023.
- The softer performance at North Star was offset by a stronger performance across the Buildings and Coated products North America segment, mainly due to margin expansion in the engineered buildings systems business.
  - On the West Coast, Steelscape and ASC Profiles saw strong performance, largely on stronger downstream margins.

[1] 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*.

- The BCP business delivered a small contribution to segmental earnings in FY2023, with significant progress made in integrating the business over the past year.
- Negligible BlueScope Properties Group contribution due to project sale delay, as flagged in late May 2023.

Asia

- Delivered underlying EBIT of $142 million, down 14 per cent on FY2022.
- China achieved a record full year result in FY2023, with seasonality and softening demand leading to a lower result in 2H FY2023 relative to the record performance in 1H.
- A strong rebound in margins across the region in 2H FY2023 saw a return to profitability for the ASEAN business following a softer first half, as feed prices declined, and inventory congestion eased. 2H FY2023 also saw a record half result for the Thailand business.
- India delivered a weaker result in 2H FY2023 as it began the integration of coated and painted product under the supply agreement with Tata Steel's plants in Angul and Khopoli, which took effect from December 2023.

New Zealand and Pacific Islands

- Delivered underlying EBIT of $129 million, down 44 per cent on FY2022.
- Predominantly driven by softer despatches as domestic demand pulled back in a challenging economic environment, with construction activity hindered by supply and cost constraints.

Corporate and Eliminations

- Corporate costs and eliminations of $165 million, six per cent unfavourable to FY2022.

Outlook for 1H FY2024

Underlying EBIT in 1H FY2024 is expected to be in the range of $700 million to $770 million. Expectations are subject to spread, foreign exchange and market conditions[1].

[1] Refer to BlueScope's FY2023 Investor Presentation for 1H FY2024 outlook assumptions and sensitivities.

Authorised for release by: the Board of BlueScope Steel Limited

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