

# 1H FY2021 Financial Results Presentation

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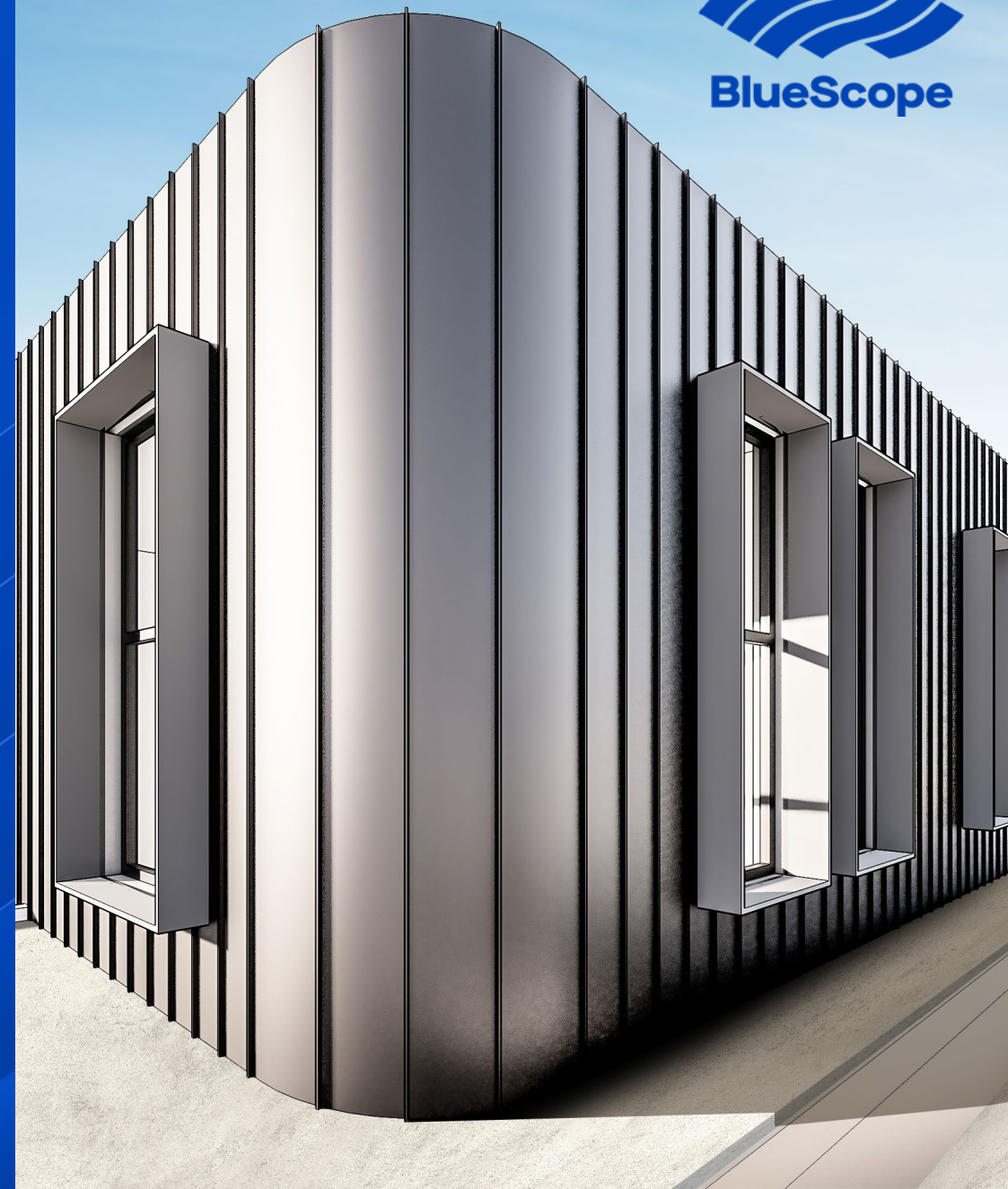
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22 February 2021

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**Authorised for release by the Board of BlueScope Steel Limited**

**BlueScope Contact:**

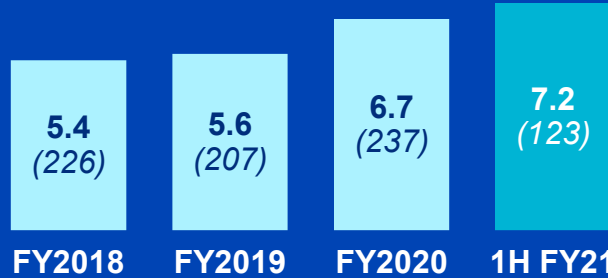
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# SAFETY STARTS WITH ALL OF US

## TRIFR

(Number of injuries)



653

Leaders involved in our global HSE risk management program to date

100%

Board and ELT participation in HSE risk management program

302

Team-based risk control improvement projects in progress across the business

## Maintaining COVID-Safe workplaces

- Relentless focus on maintaining the health, safety and wellbeing of our employees, customers and communities
- Promoting wellbeing and the connectedness of our people has remained a priority

## Evolving our global approach to health and safety risk management

- Shifting the emphasis to a culture of learning, to drive safety performance to the next level
  - Adopting a human centred approach, recognising the inevitability of human error
  - Involving our people in the assessment of workplace risks and designing effective controls
  - Building capacity in our systems and processes
- Shifting our indicators to focus on risk and building capability in our people
- Gaining meaningful insights from lagging indicators, including injury and incident severity





# RESULTS SHOW STRENGTH OF BUSINESS MODEL AND FINANCIAL DISCIPLINES

**Quality of portfolio and resilience of business model demonstrated; well positioned to deliver long term shareholder value**

- ✓ Demonstrated operating leverage from diverse portfolio
- ✓ Strong cash flow and robust balance sheet
- ✓ Well positioned for emerging trends to lower density housing and e-commerce infrastructure
- ✓ North Star expansion on-track
- ✓ Appointment of Chief Executive Climate Change
- ✓ Commenced pre-feasibility assessment for Port Kembla reline





# 1H FY2021 FINANCIAL HIGHLIGHTS

**Strong earnings improvement over 1H FY2020; robust balance sheet**

## Underlying EBIT<sup>1</sup>

**\$531M**

 Up \$228M on 1H FY2020

## Underlying EBIT Return On Invested Capital<sup>2</sup>

**11%**

Inline with 11% in CY2019

## Reported NPAT

**\$330M**

 Up \$145M on 1H FY2020

## Free Cash Flow (Operating cash flow less capex)

**\$265M**

 Up \$305M on 1H FY2020

## Capital Management

**Interim unfranked  
dividend of 6.0 cps**

## Net Cash<sup>3</sup>

**\$305M**

 Up from \$79M at 30 June 2020

1. Underlying EBIT reflects the Group's assessment of performance after excluding (pre-tax): restructuring and business development costs (\$20.1M) partly offset by a gain on asset sales (\$12.8M) and contribution from discontinued operations (\$6.5M). Refer page 64 for a full reconciliation of these underlying adjustments.
2. Return on Invested Capital – calculated as last 12 months' underlying EBIT over average monthly capital employed. Note previous representations of half year ROIC figures were calculated as six month underlying EBIT annualised over seven month average capital employed
3. Includes capitalised lease liabilities under AASB156

# POSITIONED WELL FOR EMERGING TRENDS

**BlueScope is a leading supplier of flat steel products, well positioned to address emerging trends**

## The trends

- 1 Rise in residential construction on stimulus and redirection of discretionary spend**
- 2 Shifting preference towards lower density and regional residential housing, where flat steel products are competitive**
- 3 Growth in steel intensive e-commerce infrastructure**
- 4 Government infrastructure spending increases as fiscal stimulus**
- 5 Preference for private road travel driving auto growth**

## The facts

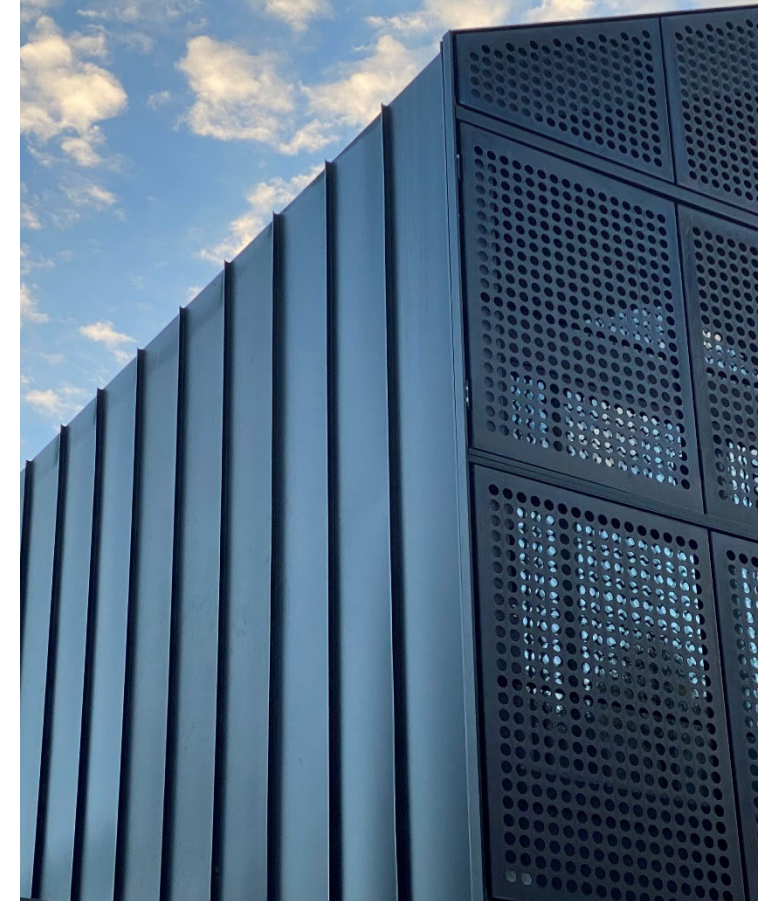
Australian detached housing approvals up 25%; A&A approvals up 17% in 1H FY21 on 2H FY20<sup>1</sup>

Australian regional net migration up 60%; detached share of approvals up 6% to 67% in 1H FY21 on 2H FY20<sup>2</sup>

US online share of retail up 5%; one million new online shoppers in Australia in 1H FY21 on 2HFY20<sup>3</sup>

Significant gov't infrastructure programs announced in Australia, US, New Zealand and Asia

Fast rebound of US automotive sales to ~16M unit per annum level towards the end of CY2020<sup>4</sup>



1. Total detached housing approvals and alteration and addition approvals. Source: ABS series 8731, tables 6 and 38  
 2. Total net migration and detached share of total housing approvals. Source: CoreLogic and ABS series 8731, table 6  
 3. Source: US online share of retail sales excluding food services sales, US Census Bureau; Australia Post 'Inside Australian Online Shopping update' report  
 4. Total US light vehicle sales. Source: CEIC, seasonally adjusted data



# 1H FY2021 UNDERLYING EBIT BY SEGMENT

Robust demand and improving spreads delivered better results across most segments

**Australian Steel  
Products**

**\$259M**

 Up 103% on 1H FY2020

**North Star**

**\$70M**

 Down 39% on 1H FY2020

**Building Products Asia  
and North America**

**\$150M**

 Up 87% on 1H FY2020

**Buildings North  
America**

**\$71M**

 Up 189% on 1H FY2020

**New Zealand and  
Pacific Islands**

**\$57M**

 Up 345% on 1H FY2020

**Corporate and  
Eliminations<sup>1</sup>**

**\$(76)M**

 33% unfavourable to 1H FY2020

1. Increase in Corporate and Eliminations of \$18.9M primarily driven by unfavourable profit in stock eliminations of \$13.8M and foreign exchange translation impacts on intercompany loans of \$5.7M

# OUR PURPOSE AND STRATEGY

## OUR PURPOSE

**We create and inspire smart solutions in steel, to strengthen our communities for the future**

## OUR STRATEGY



### TRANSFORM

DELIVER A STEP CHANGE IN CUSTOMER EXPERIENCE AND BUSINESS PERFORMANCE

**Digital technology:** Deliver the next wave of customer and productivity improvements through digital technologies

**Climate Change and Sustainability:**

Actively lowering emissions intensity and producing highly recyclable products



### GROW

GROW OUR PORTFOLIO OF SUSTAINABLE STEELMAKING AND WORLD LEADING COATING, PAINTING AND STEEL PRODUCTS BUSINESSES

Grow our US business including expansion of North Star, the US's leading mini mill

Drive growth in the fast growing Asian region, from an outstanding suite of assets

Pursue incremental opportunities in Australia



### DELIVER

DELIVER A SAFE WORKPLACE, AN ADAPTABLE ORGANISATION AND STRONG RETURNS

Deliver safe and sustainable operations and an inclusive and diverse workplace.

Maintain an integrated and resilient Australian business

Secure the future of steelmaking in NZ

Deliver returns greater than the cost of capital through the cycle

Maintain a strong and robust balance sheet

Deliver strong returns to shareholders



# NORTH STAR EXPANSION

**Project on track and set for commissioning during June 2022 half year**

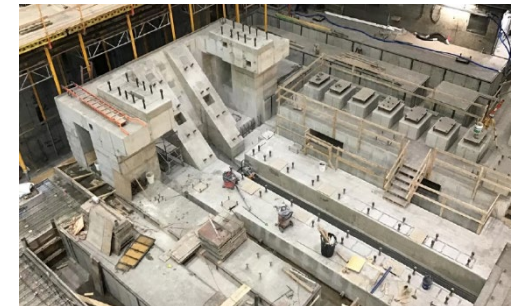
- Project is a highly value-accretive capital priority
- Construction well progressed<sup>1</sup>; melt shop and tunnel furnace buildings completion targeted in 2H FY2021
- OEM equipment progressively arriving on site; installation works commenced and progressing well
- Workforce recruitment ramping up
- Commissioning anticipated during the Jun-22 half with 18 month ramp up to full run rate
- Strong focus on managing COVID-19 risks in project supply chains and on-site works



**Melt Shop Building**



**EAF Platform**



**Slab Caster Foundations**

<sup>1</sup>. Accounting capital spend to date, including capital accruals, of US\$354M relative to total project budget of US\$700M. Cash spend to date of US\$244M

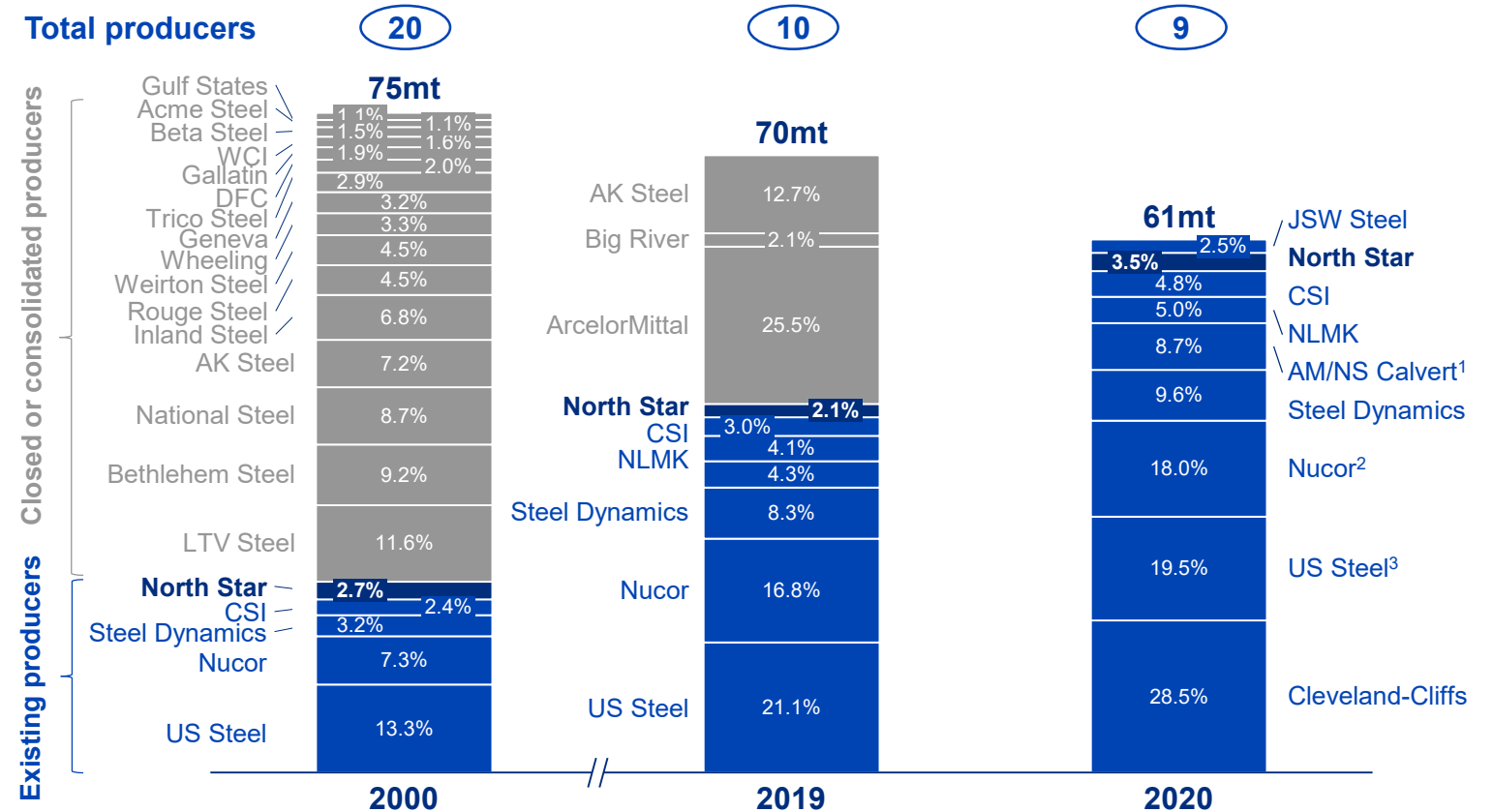
# NORTH STAR EXPANSION

**US steel industry consolidation and rationalisation has continued, supporting an improved industry structure**

## Key developments in 2020

- Mills temporarily idled through 2020 mostly restarted (as expected)
- Long term closures retained and expected to offset capacity additions
- US Steel acquired Big River Steel
- Cleveland-Cliffs acquired AK Steel and ArcelorMittal US's blast furnace operations

## US HSM capacity consolidation (% , mt)



Source: Worldsteel Association, SRA, BSL analysis

1. Represents the joint venture between ArcelorMittal and Nippon Steel Corporation at Calvert, AL

2. Includes Big River Steel, acquired in 2019

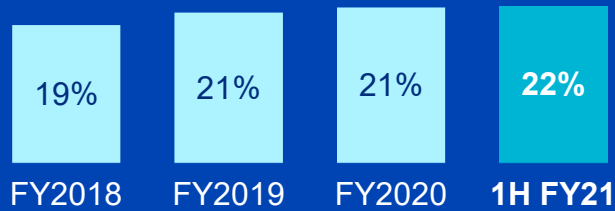
3. Includes AK Steel and ArcelorMittal's US blast furnace fed operations, both acquired in 2020



# SUSTAINABILITY

## Embedding sustainability in all that we do

### Inclusion and Diversity



Female workforce participation

### Sustainable Supply Chain

## On track

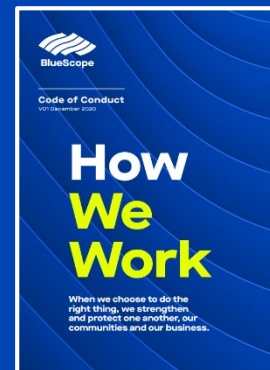
Targeting 220 Priority 1 and 2 assessments by end of FY2021

### Community

## Pandemic focus

Support for PPE, foodbanks, funds

## Launched refreshed code of conduct



As previously disclosed, the ACCC has commenced civil proceedings against BlueScope and a former employee alleging contraventions of the Australian competition law cartel provisions. These civil proceedings remain ongoing

# CLIMATE ACTION

## The appointment of a Chief Executive Climate Change confirms the seriousness of BlueScope's intent

### Recent progress

- Elevated climate strategy within corporate strategy; established Climate Change Council to support execution
- Continued pursuit of emissions reduction projects in line with our 2030 climate change target (12% emissions intensity reduction on 2018 levels)
- Published details of Scope 3 emissions
- Launched \$20M BlueScope Renewables Manufacturing Zone (BRMZ) in Illawarra, aligned to NSW renewables programs
- Focused on partnerships and collaborations to build the pathway to net-zero emissions (see opposite)

### Scenario analysis underway

In our FY2021 reporting, we will release the outcomes of our climate scenario analysis, along with our long term carbon reduction aspiration and pathway

This will be supported by our participation in:



Founding member of the first global multi-stakeholder standard and certification programme for steel



Founding member of global initiative establishing a recognised net zero transition pathway methodology for the steel sector



Industry-led initiative to develop pathways to net zero emission supply chains across critical sectors of the Australian economy<sup>1</sup>



Benchmarking initiative for steel sites to identify opportunities for improvement in steel mill operating parameters



Participated in the review of the IEA steel sector roadmap, released in October 2020

1. Jointly convened by ClimateWorks Australia and Climate-KIC Australia



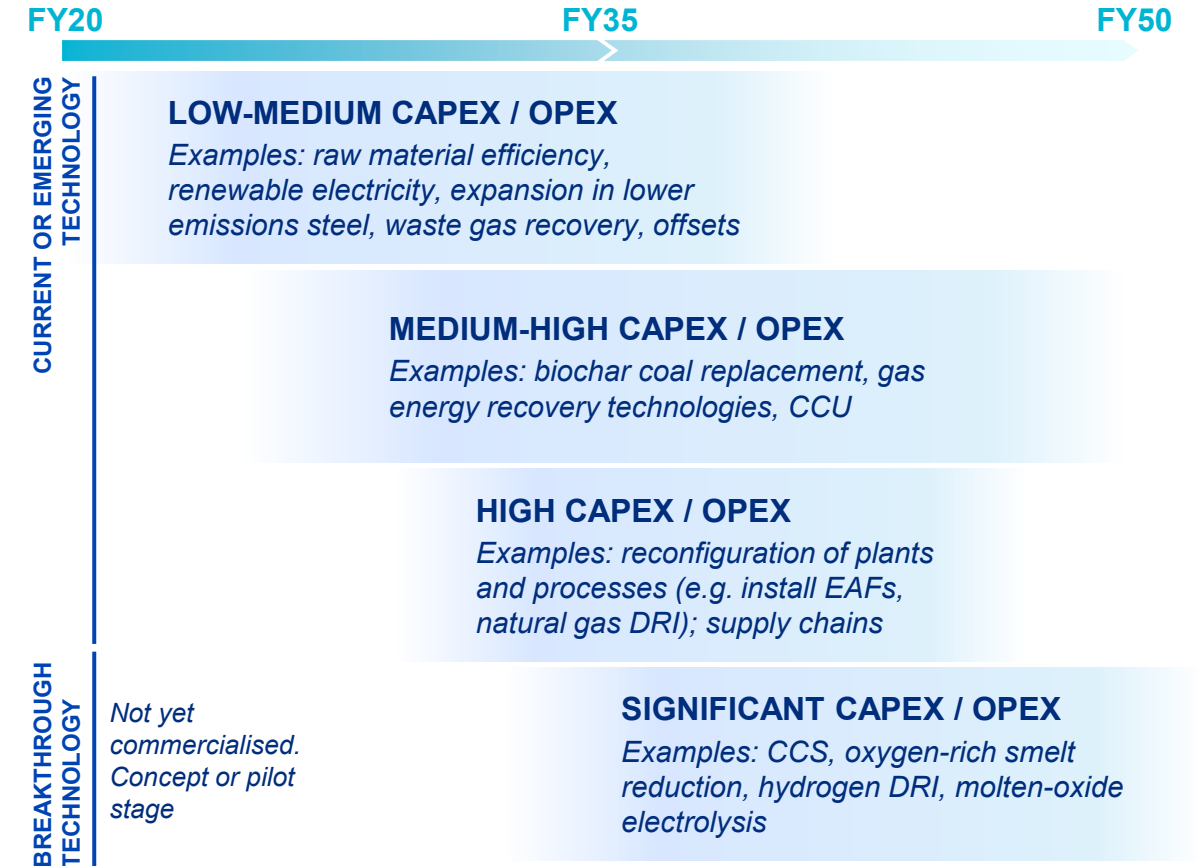
# INDUSTRY DECARBONISATION PATHWAY

**Strong future for steel in a low-carbon world; breakthrough technology and renewable energy will be key enablers**

## Technical challenge

- Diverse portfolio of short to mid term (to 2030) emissions reductions programs underway at our major steelmaking sites
- Medium to long-term future will be enabled by breakthrough technology – once proven and scalable (see opposite)
- Breakthrough ‘green steel’ ironmaking technologies are being explored across the globe – including hydrogen and electrolysis
  - Currently in early stages of technology readiness, as noted in IEA Iron and Steel Technology Roadmap
  - Significant advances are expected to occur over the next decade
- Large-scale steel decarbonisation will need:
  - International collaboration across the industry value chain
  - Affordable, renewable and reliable energy
  - Supportive public policy

## Technology and capital horizons



# PORT KEMBLA STEELWORKS – BLAST FURNACE RELINE

**Commenced prefeasibility assessment of potential blast furnace reline incorporating carbon reduction technologies; flexibility to adopt breakthrough technologies when technically and commercially viable**

- Port Kembla steelworks currently operates one Blast Furnace (5BF) which is predicted to reach the end of its campaign between 2026 – 2030
- Developing our decarbonisation pathway and technology plan from our scenario analysis is central to our approach
- Reline currently the most technically feasible and economically attractive option as longer-term breakthrough low-emission technologies are still under development
- Initial focus is on the option to reline the currently mothballed 6BF, including evaluation of measures to reduce carbon emissions intensity
- Strong earnings and cash flow capability of ASP provide significant flexibility and optionality to adopt new technologies in the medium to longer term, as and when commercially ready
- Commenced pre-feasibility assessment (~\$10M) as part of rigorous multi-stage capital investment evaluation process; highly indicative capital cost of around \$700-800M
- A further update will be provided when pre-feasibility is completed





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# Financial results

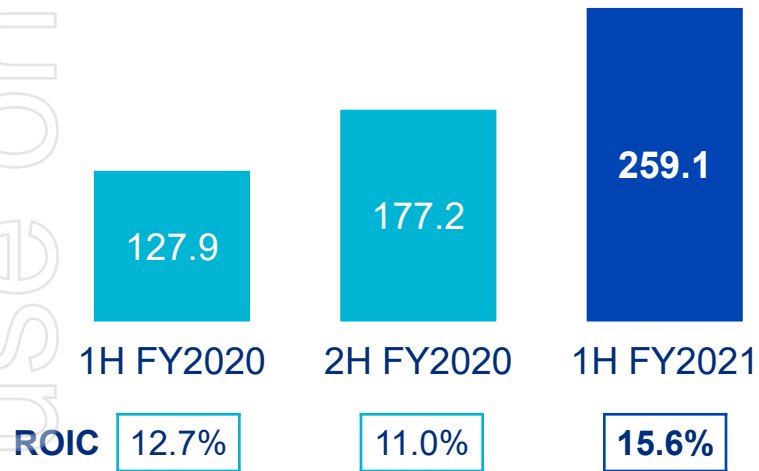




# AUSTRALIAN STEEL PRODUCTS

**Strong performance driven by robust domestic demand and improved realised spreads**

## Underlying EBIT (\$M)



## Domestic despatches ex-mill (kt)



- Robust domestic despatch volume – led by construction and distribution segments
  - Increased economic activity supported by government stimulus measures, storm and flood recovery and higher consumer discretionary spend in the building segment
  - Coated and painted products particularly strong. Domestic sales of COLORBOND® steel up 15% and domestic sales of metal coated products up 10% on 2H FY2020
- Realised spreads improved on 2H FY2020, outperforming benchmark spread movements
- Higher contribution from export coke sales, up \$8M on 2H FY2020

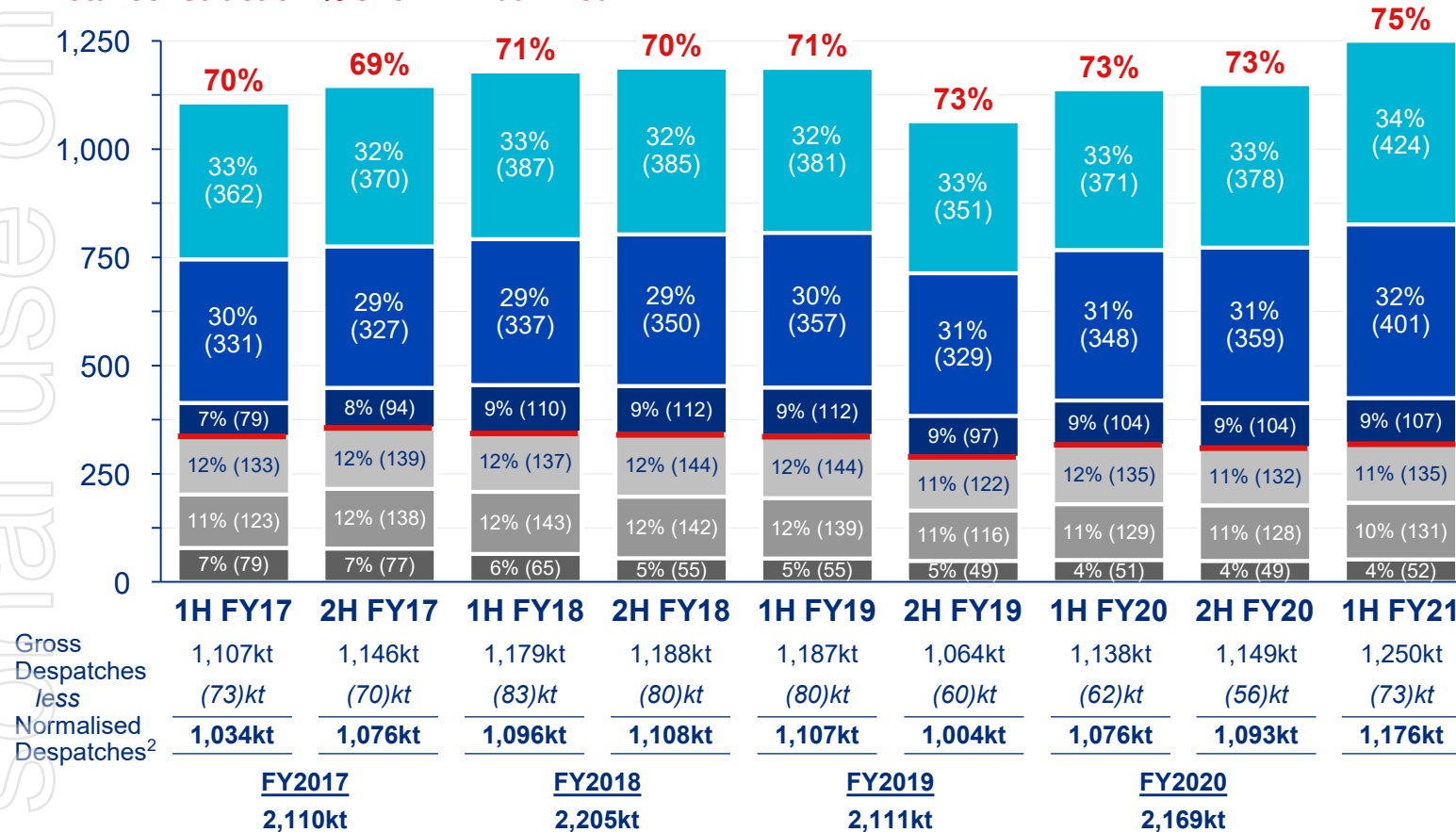


# AUSTRALIAN STEEL PRODUCTS

**Strongest domestic volumes since 2H FY2010, driven by record demand across both residential and non-residential construction segments**

## Total Australian domestic despatch volumes (kt)

Total construction % shown in dark red



### Dwelling

- Approximately half of product goes to A&A sub-segment
- Performing well, supported by homebound consumers redirecting discretionary spend to renovations
- Solid economic recovery combined with a strong pipeline of residential approvals to support new build demand
- Consumer preferences show a shift towards regional living, with COVID-19 further accelerating this trend

### Non-dwelling

- Consumes around a third of our COLORBOND® steel
- Commercial and Industrial sector activity remained strong on solid pipeline of work
- Social and Institutional segment demand strength supported by significant government investment

### Engineering¹

- Strong pipeline of public infrastructure and utilities investment supported demand

### Manufacturing

- Activity returned following a slight dip due to COVID-19

### Agriculture & Mining

- Ongoing strength in mining consumables, on the back of robust global commodity demand
- Agriculture recovering with rebuild program following 2020 bushfires and improved growing conditions

### Transport

- Truck bodies, trains, ships, trailers etc
- Activity supported by strength in logistics demand due to ongoing shift towards e-commerce

1. Engineering includes infrastructure such as roads, power, rail, water, pipes and some mining-linked use

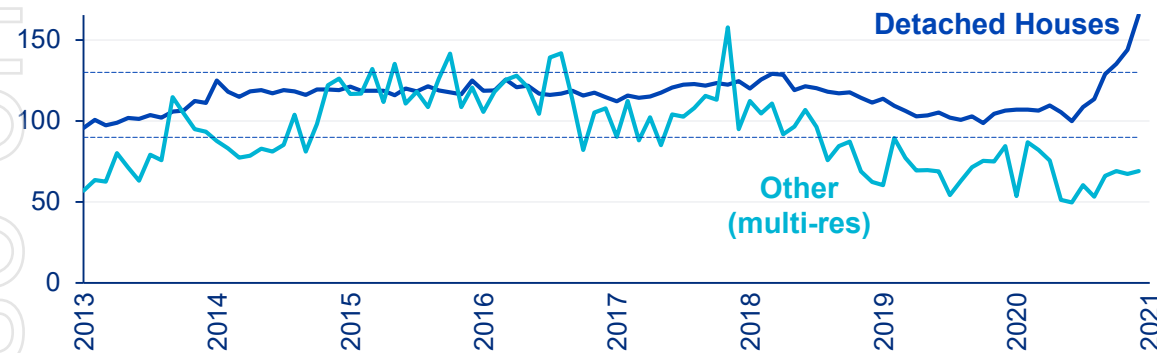
2. Normalised despatches exclude third party sourced products, in particular, long product

# AUSTRALIAN STEEL PRODUCTS

**Government policy and stimulus continues to support an improving economy, especially in detached housing construction. Significant increase in renovation activity from redirected discretionary spend**

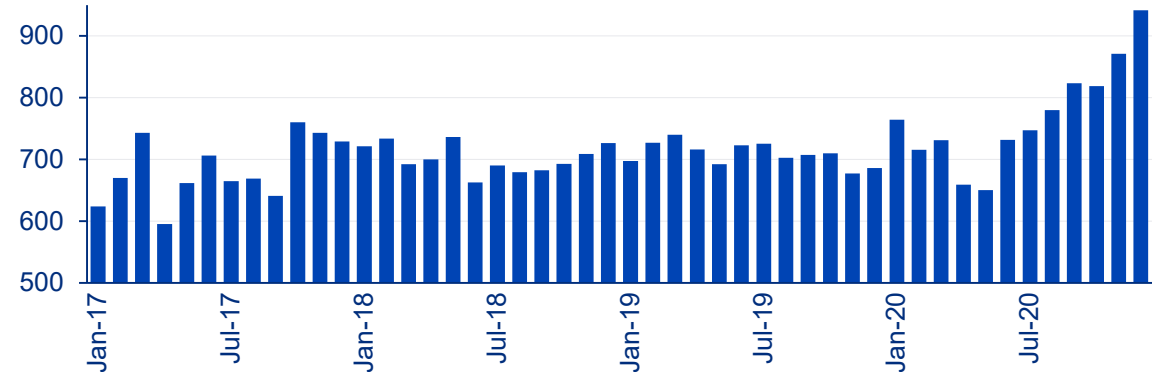
## Monthly dwelling approvals<sup>1</sup> ('000 units, annualised)

At record levels for detached housing



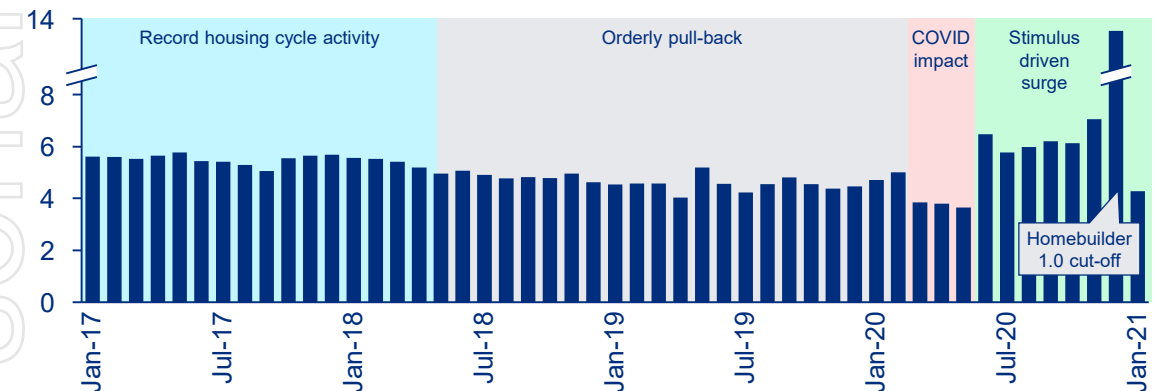
## Alterations and additions approvals<sup>2</sup> (A\$M)

Redirected discretionary spend continues to be seen in A&A approvals



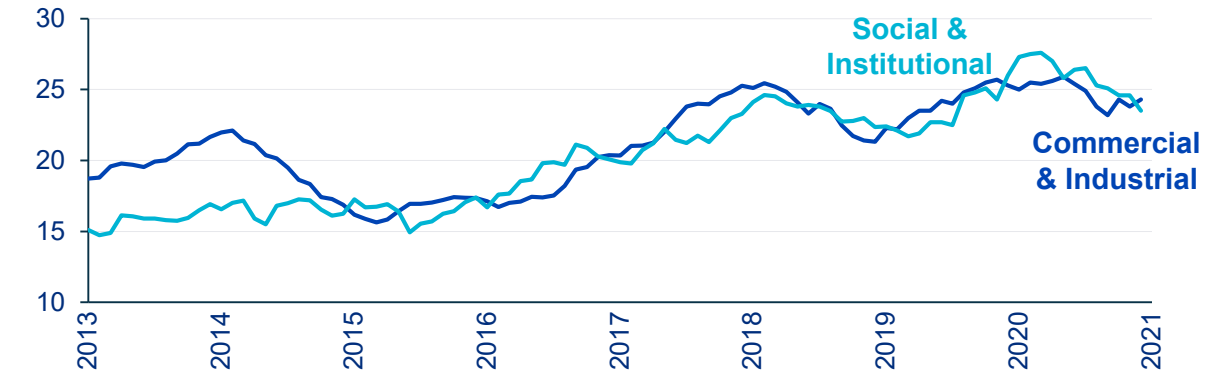
## Private new home sales<sup>3</sup> ('000 units, s.a.)

Leading indicator for detached approvals spurred by 'Homebuilder' program



## Non-residential building approvals: rolling 12 months<sup>4</sup> (A\$bn)

Approvals remain relatively stable, outperforming expectations of pandemic impact



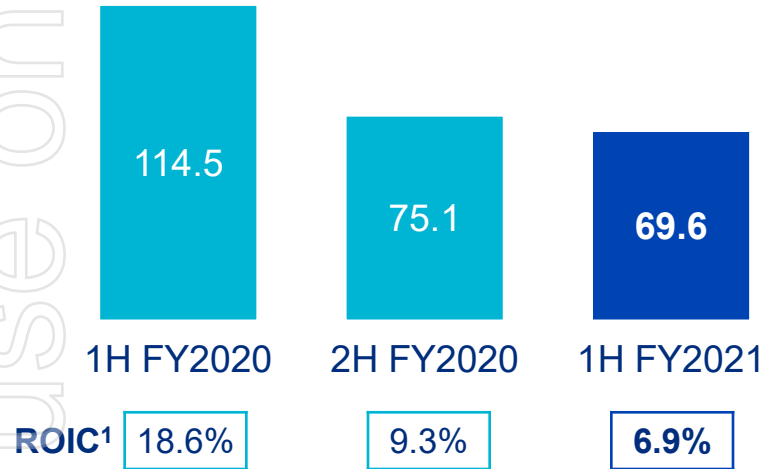
1. Sources: (1) ABS series 8731, table 6; seasonally adjusted; original data; data to Dec-20 (2) ABS series 8731, table 38; seasonally adjusted; current \$; data to Dec-20 (3) HIA monthly data, seasonally adjusted. Covers largest 100 home builders on their sales (contract to build) volume for the previous month – accounts for approx. 25-30% of new detached market (4) ABS series 8731, table 51; original data; current \$; total sectors; data to Dec-20



# NORTH STAR

## Robust recovery of demand and spreads in Q2 FY2021

### Underlying EBIT (\$M)

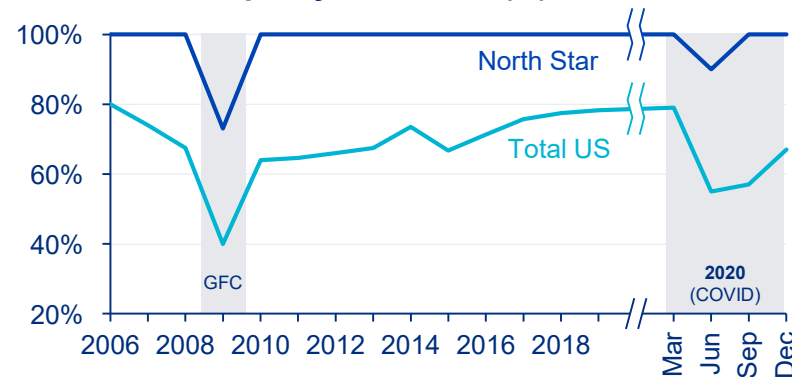


### Total despatches (kt)

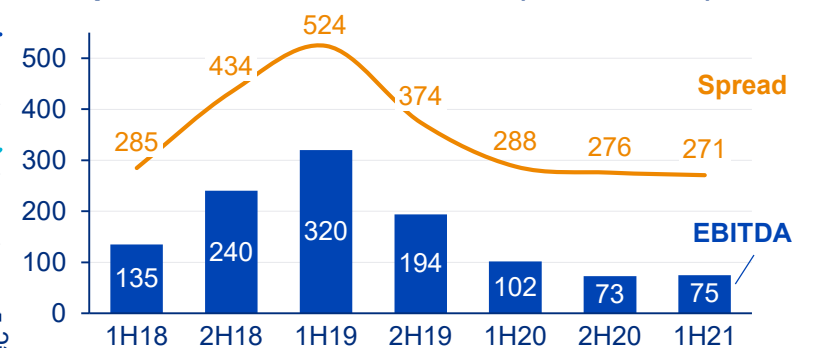


- Average steel spreads similar to 2H FY2020 with very low spreads in Q1 rapidly recovering across Q2
- Unfavourable translation impact on stronger A\$:US\$
- Demand strengthened and mix normalised towards the end of the half, with auto industry volumes returning to pre-COVID levels (~16M p.a. unit level)
- Operated at full utilisation through the half

### US steel mill capacity utilisation<sup>2</sup> (%)



### US spread<sup>3</sup> vs North Star EBITDA (US\$/t, US\$M)



1. ROIC outcome is unfavourably impacted by expansion capital work in progress, which is included in the net operating assets. Expansion capital work in progress was \$504M at 31 December 2020

2. Source: American Iron and Steel Institute. Chart reflects annual average utilisation to 2019, and quarter average utilisation for 2020.

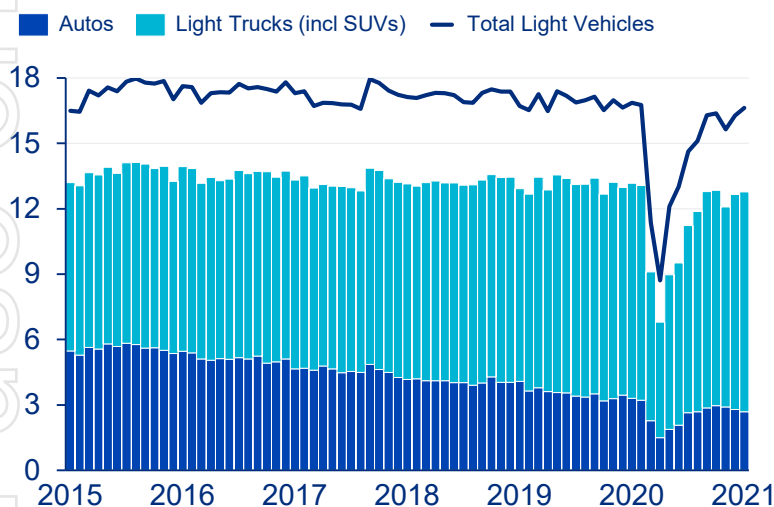
3. Benchmark prices are illustrative only, and may not be representative of realised mill prices due to a range of factors. Movements in prices across the majority of sales correlate with Midwest regional benchmark pricing, on a short lag; a minority of sales are priced on a longer term basis. Accordingly the degree of correlation between realised and benchmark prices can vary in a given half but is more fully reflected over the medium term

# NORTH STAR

## The US economy has recouped an estimated three quarters of its recession output loss, led by auto and manufacturing

### Automotive<sup>1</sup>

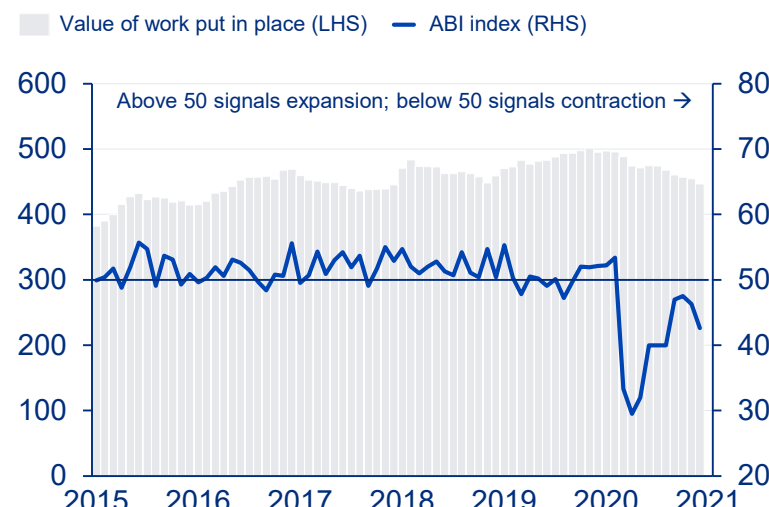
(Light vehicle sales, annualised million units)



- Swift and solid recovery to over 16M units; likely to hold at these levels as economic conditions improve; monitoring for impacts of industry shortage of semiconductors
- Demand shift to light trucks and SUVs clearly evident and continuing

### Non-residential construction<sup>2</sup>

(Value of work put in place, US\$Bn; ABI)



- Non-residential activity remains below record levels seen pre-pandemic, with sector confidence returning
- This is reflected in the new-build enquiries; the ABI has recovered, but remains below the expansion 50 level

### Manufacturing<sup>3</sup>

(ISM purchasing managers' index)



- Manufacturing activity is strong, supported by healthy consumer goods demand and business inventory restocking
- Additional government stimulus should further support activity

1. CEIC, seasonally adjusted, data to Jan-21

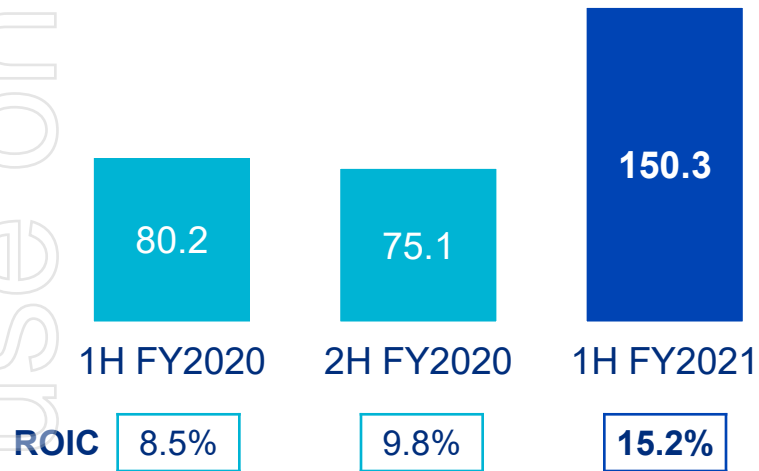
2. US Census Bureau, Value of Construction Put in Place Survey, data to Dec-20; ABI = Architectural Billings Index, American Institute of Architects, data to Dec-20

3. ISM – Institute for Supply Management, Purchasing Managers Index, data to Jan-21

# BUILDING PRODUCTS ASIA AND NORTH AMERICA

**Strong improvement on prior half driven by higher volumes and cyclical margin expansion**

## Underlying EBIT (\$M)



## Total despatches (kt)



### China – EBIT \$42.0M in 1H FY2021, up from \$14.5M in 2H FY2020

- Mainly driven by higher volume on seasonality and recovery from COVID-19 impacts during 2H FY2020

### South East Asia – EBIT \$57.5M in 1H FY2021, up from \$20.6M in 2H FY2020

- All countries delivered strong improvements on 2H FY2020 on better volumes and margins; cyclical margin expansion driven by relatively lower steel feed costs
- Generally robust demand across its markets following interruptions in 2H FY2020 from COVID-19, particularly in Malaysia with non-repeat of government mandated shut

### North America – EBIT \$39.3M in FY2021, up from \$34.6M in 2H FY2020

- Robust demand, particularly in the construction sectors including residential (A&A)
- Cyclical margin expansion, given rapid rise in North American flat steel pricing

### India – EBIT (50% basis) \$14.1M in 1H FY2021, up from \$7.1M in 2H FY2020

- Improved demand following the significant impact of COVID-19 in 2H FY2020. Margins also improved on the back of rising regional steel prices
- Our joint venture partner, Tata Steel, has acquired Bhushan Steel, which includes coating and painting assets. BlueScope is continuing to work through the implications of this acquisition for the joint venture with Tata Steel

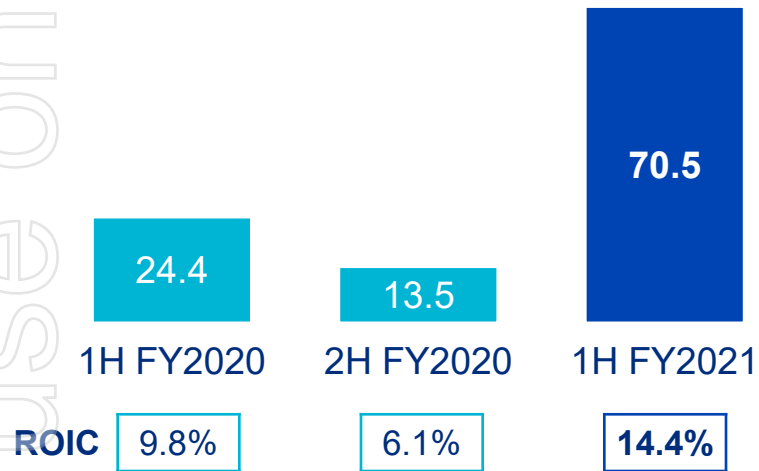
Note: Regional earnings breakdown excludes intra-segment eliminations and head office costs (\$2.7M in 1H FY2021; \$1.7M in 2H FY2020)



# BUILDINGS NORTH AMERICA

## Core EBS business improved; unusually strong contribution from BlueScope Properties Group

### Underlying EBIT (\$M)



### Core EBS despatches (kt)



- Core engineered buildings business delivered stronger result on 2H FY2020 mainly due to tight cost control; demand and volumes stable on the prior half
- Volumes relatively flat to 2H FY2020 notwithstanding typical seasonality reflecting reduced order entry rates early in the half from COVID impacts
- Strong contribution from BlueScope Properties Group (up \$48M over 2H FY2020) due to project timing. This magnitude of contribution is not expected to be repeated in 2H FY2021
- Continuing to invest in capacity and to support future growth potential

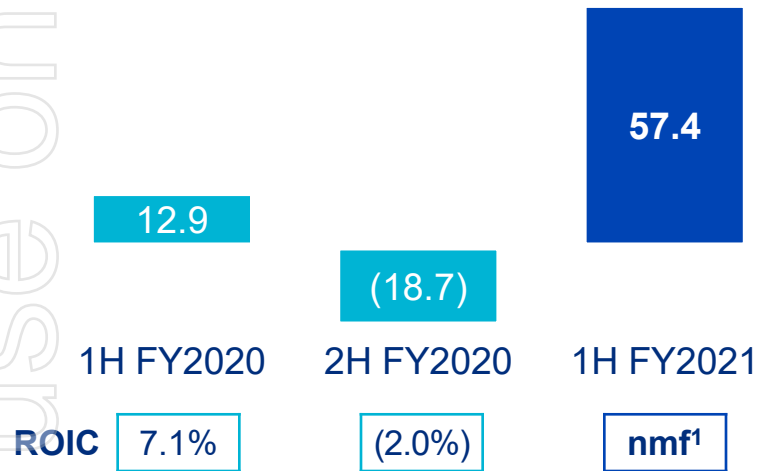
### About BlueScope Properties Group (BPG):

- BPG develops, leases and sells industrial warehouse/distribution and logistics properties in the United States and Canada. The business provides direct access to the growing warehouse and distribution centre market, which is driven by strength in e-commerce, food/beverage, consumer goods and medical supply industries
- BPG creates value for the Buildings North America builder network by providing builders access to development projects. Risks are well-managed, with leasing and hurdle rate requirements, and extensive due diligence prior to committing to any development
- Earnings align with the timing of the completion and sale of real estate developments

# NEW ZEALAND AND PACIFIC ISLANDS

**Significant turnaround due to strong domestic demand, improving prices and normalisation post government mandated shut**

## Underlying EBIT (\$M)



- Performance improved substantially on 2H FY2020, as 1H FY2021 saw a return to normal operations post-COVID-19 government mandated shut
- Strong domestic demand, particularly for coated and painted products in an active construction sector
- Margins improved on more favourable mix and lower input costs e.g. coal
- In 1H FY2021, depreciation and amortisation was ~\$20M lower than 2H FY2020 due to asset write-down; expect this to trend towards ~\$15M as short life assets are rebuilt

## Domestic despatches (kt)



## Update on NZ Strategic Review:

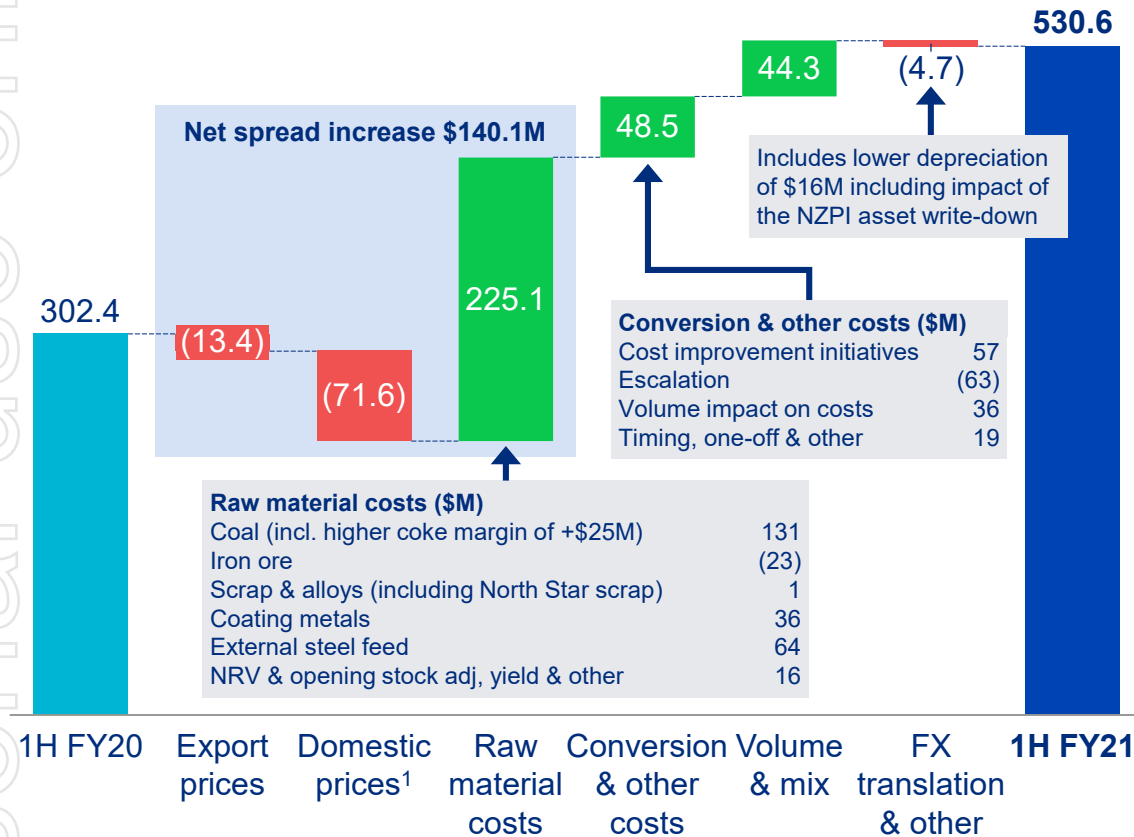
- The strategic review has been completed
- Exited loss making pipe and hollows products
- Exit of cold rolled annealed products following a transition for customers in April 2021
- Completed consultation for all affected roles; at least 80 to 100 people will have left the business by the end of FY2021

1. New Zealand and Pacific Islands ROIC figure not meaningful, given impaired asset base

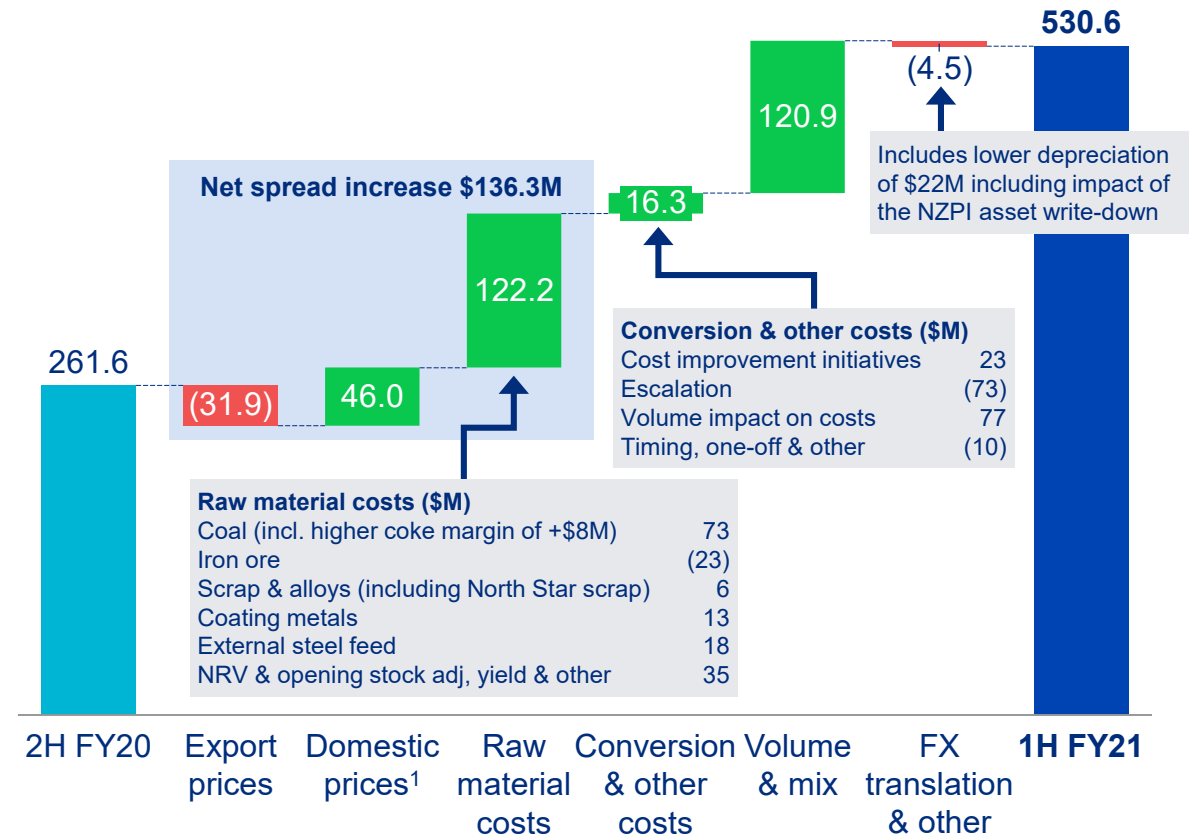
# UNDERLYING GROUP EBIT VARIANCE

Improvement in underlying EBIT largely due to stronger spreads, improved costs and robust demand

## 1H FY2021 vs 1H FY2020 (\$M)



## 1H FY2021 vs 2H FY2020 (\$M)



1. Includes underlying EBIT contribution from BlueScope Properties Group in 1H FY2021

Note: FX translation relates to translation of foreign currency earnings to A\$ and foreign exchange translation impacts on intercompany loans recognised in the income statement; transactional foreign exchange impacts are reflected in the individual categories



# Financial framework



# FINANCIAL FRAMEWORK UNDERPINNING RESILIENCE

**Strong focus on driving financial performance and disciplined allocation of capital**

## Returns Focus

- ROIC > WACC on average through the cycle
- ROIC incentives for management and employees
- Maximise free cash flow generation

## Robust Capital Structure

- Strong balance sheet, with a target of around \$400M net debt
- Retain strong credit metrics
- Intent to have financial capacity through the cycle to make opportunistic investments or to fund reinvestment in or a shutdown of steelmaking if not cash positive
- Leverage for M&A if accompanied by active debt reduction program

## Disciplined Capital Allocation

- Invest to maintain safe and reliable operations, and in foundation and new technologies
- Returns-focused process with disciplined competition for capital between:
  - Growth capital – Investments and M&A (but avoid top of the cycle)
  - Shareholder returns (distribute at least 50% of free cash flow to shareholders in the form of consistent dividends and on-market buy-backs<sup>1</sup>)

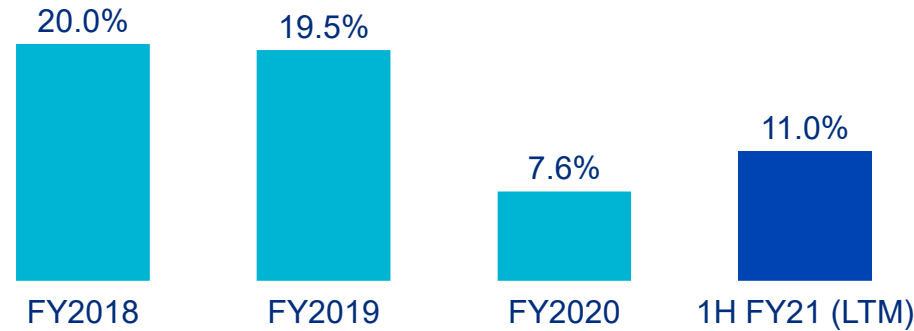
1. On-market buy-backs are an effective method of returning capital to shareholders after considering various alternatives and given BlueScope's lack of franking capacity. Given large capex program in FY2021 for North Star expansion and uncertain market conditions, there is currently no active buy-back program.

# RETURNS FOCUS DELIVERING ROIC

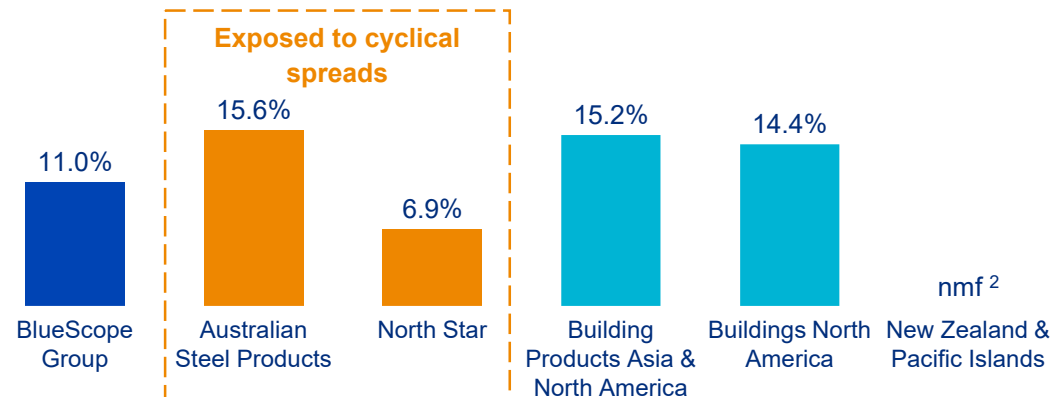
## Targeting returns above cost of capital through the cycle

- ROIC<sup>1</sup> is the primary measure of performance across all business units and is a key focus for the Group. ROIC is a key discipline for:
  - performance management
  - project assessment and
  - executive incentives
- Targeting returns above cost of capital through the cycle
- Underpins objective of delivering top quartile shareholder returns

### Group ROIC Performance (%)



### 1H FY2021 (LTM) ROIC by Segment (%)



1. Return on Invested Capital – calculated as last 12 months' underlying EBIT over average monthly capital employed. Note previous representations of half year ROIC figures were calculated as six month underlying EBIT annualised over seven month average capital employed

2. New Zealand and Pacific Islands ROIC figure not meaningful, given impaired asset base



# RETURNS FOCUS

## MAXIMISING CASH GENERATION

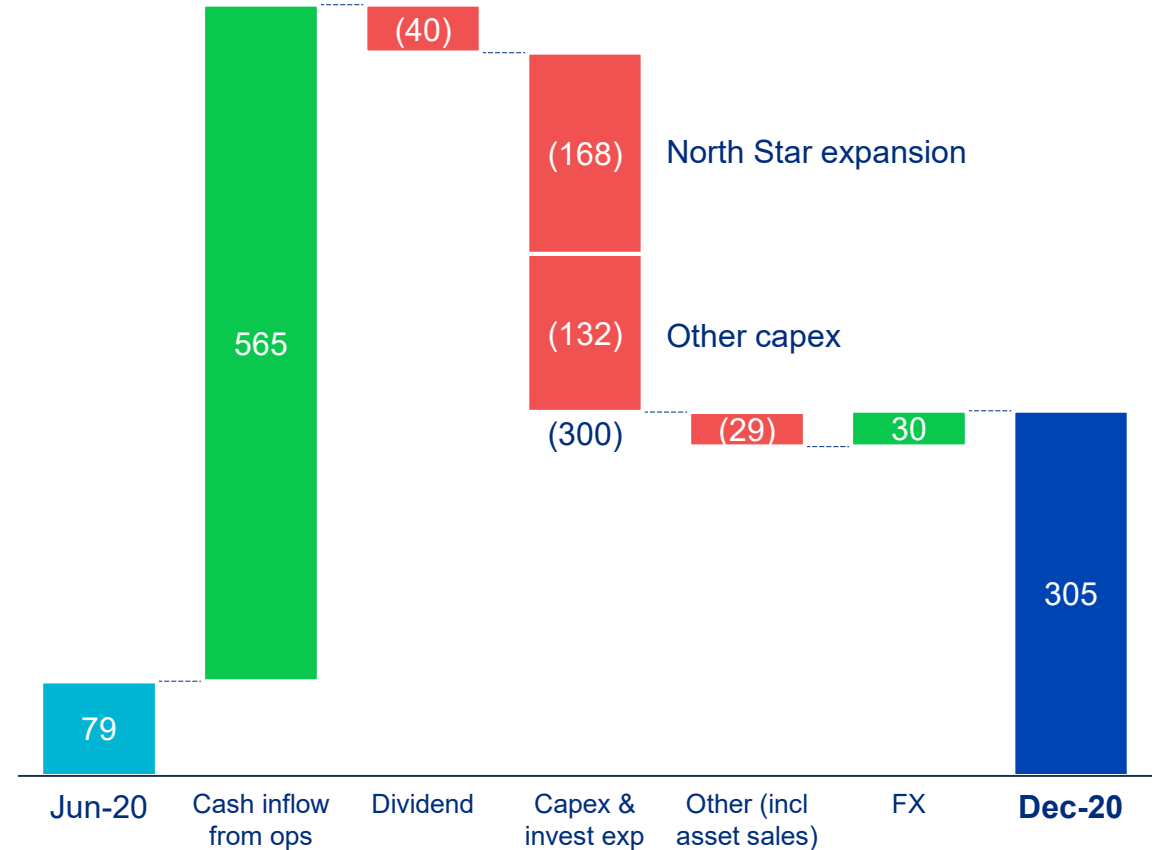
**Solid cash inflow in 1H FY2021 driven by earnings**

### Net cash flow (\$M)

(before investment exp and financing)

\$M	FY2019	FY2020	2H FY2020	1H FY2021
Reported EBITDA <sup>1</sup>	1,754	844	289	772
Adjust for other cash profit items	(22)	207	213	(14)
Working capital movement (incl provisions)	179	(101)	148	(132)
Net financing cost <sup>1</sup>	(39)	(58)	(31)	(31)
Income tax paid <sup>2</sup>	(190)	(74)	(37)	(30)
<b>Cash flow from operating activities</b>	<b>1,682</b>	<b>818</b>	<b>582</b>	<b>565</b>
Capex (excluding North Star expansion)	(369)	(406)	(195)	(132)
<b>Net cash flow</b> (before North Star expansion, investment expenditure & financing)	<b>1,313</b>	<b>412</b>	<b>387</b>	<b>433</b>
North Star expansion capex	(9)	(174)	(109)	(168) <sup>3</sup>
<b>Net cash flow</b> (before investment expenditure & financing)	<b>1,304</b>	<b>238</b>	<b>278</b>	<b>265</b>

### Net cash / (debt)<sup>1</sup> (\$M)



(1) FY2020 onwards includes the impact of lease liabilities under AASB16

(2) As at 31 December 2020 the BlueScope Steel Australian tax consolidated group is estimated to have carried forward tax losses of approximately \$1.1Bn. There will be no Australian income tax payments until these losses are recovered

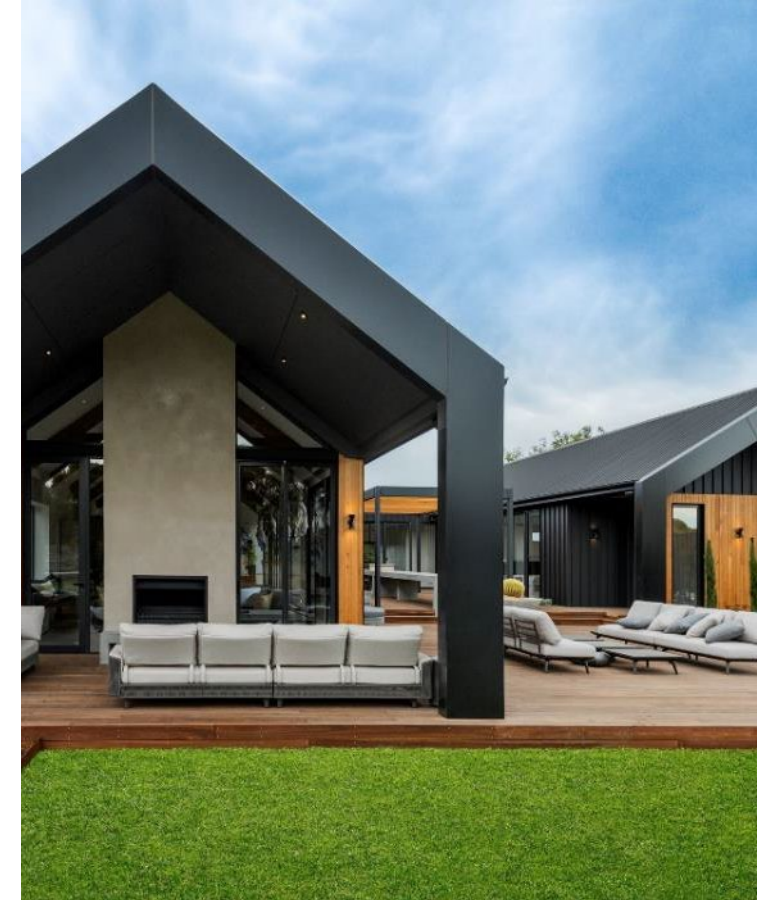
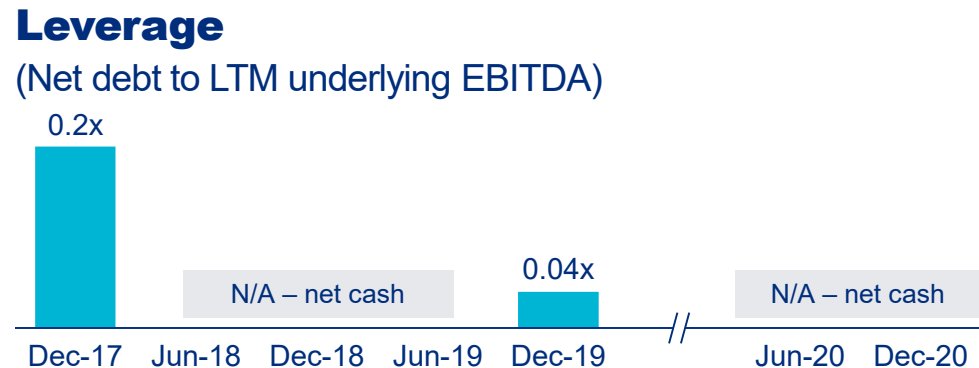
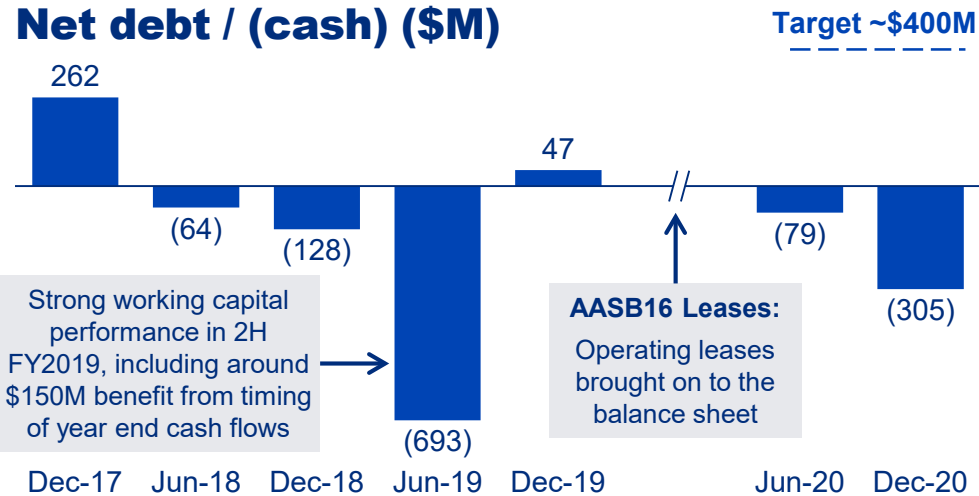
(3) Reflects cash payments on capital expenditure. Reconciles to \$294M accounting capital spend including capital accruals through \$126M increase in capital creditors

# ROBUST CAPITAL STRUCTURE

## NET CASH POSITION

Strong balance sheet to deliver North Star expansion project

- Maintained investment grade credit rating
- In light of economic uncertainty due to the COVID-19 pandemic and ~\$600M remaining to be spent on North Star expansion project, current balance sheet position is prudent

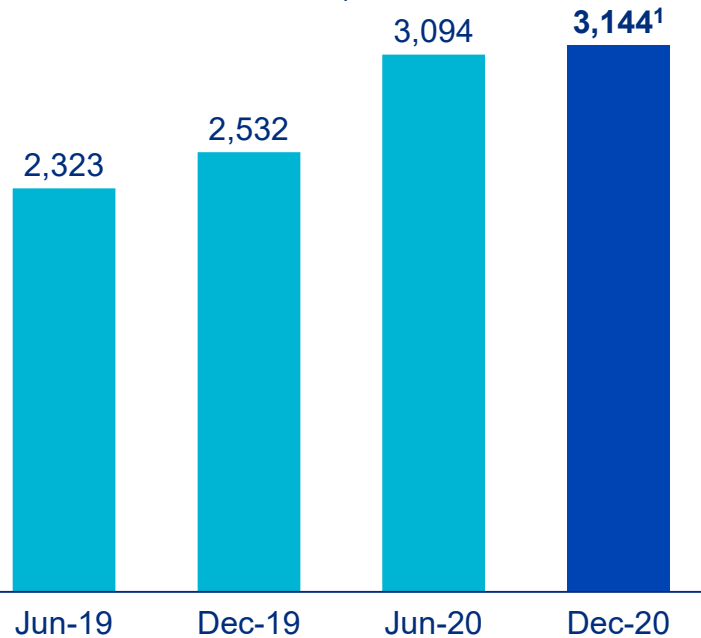


# ROBUST CAPITAL STRUCTURE AMPLE LIQUIDITY AND PRUDENT MATURITY PROFILE

More than sufficient liquidity to cover CY2021 capex commitments, with a prudent debt maturity profile

## Liquidity (\$M)

(undrawn facilities and cash)



## Maturity profile² (\$M)



Syndicated and inventory facilities remained undrawn at 31 December 2020

## Sale of receivables program:

- In addition to debt facilities, BlueScope had \$389M of off-balance sheet sale of receivables programs, of which \$344M was drawn at 31 December 2020
- Size of facilities was reduced by \$100M in July 2020, increasing working capital during 1H FY2021

1. Includes \$657M liquidity in NS BlueScope Coated Products JV

2. Based on A\$:US\$ at US\$0.7685 at 31 December 2020 and excludes \$130M NS BlueScope JV facilities which progressively amortise

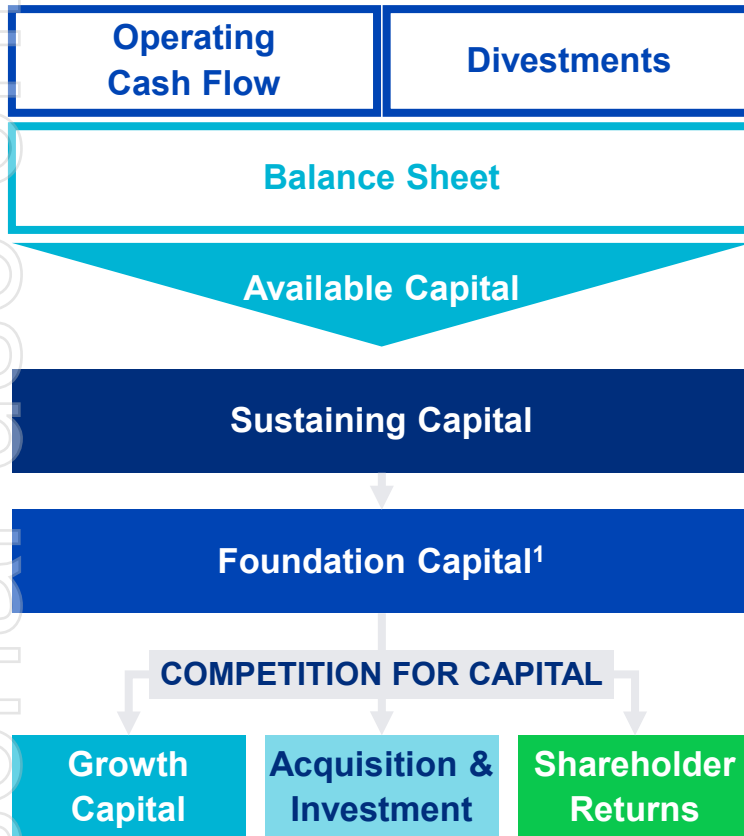


# DISCIPLINED CAPITAL ALLOCATION

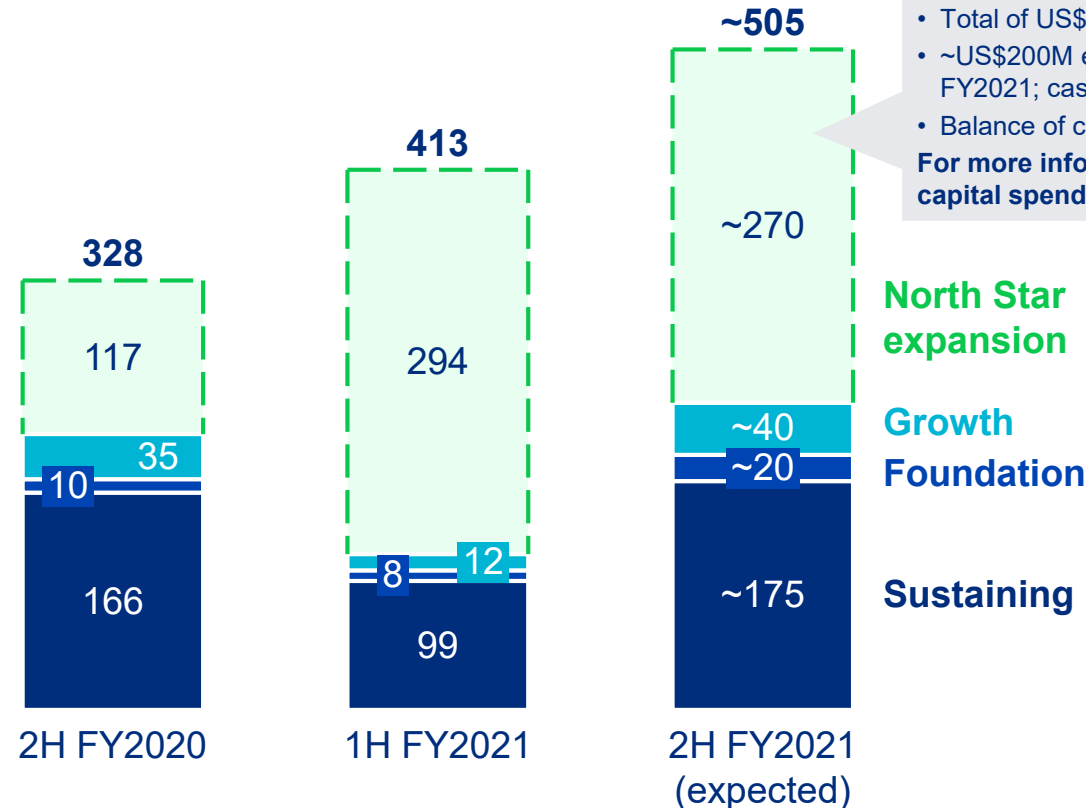
## SUSTAINING AND GROWTH CAPITAL

Capital prioritised to highly value accretive North Star expansion project

### Capital management framework



### Capital and acquisition expenditure<sup>2</sup> (\$M)



#### North Star Expansion<sup>2</sup>

- Total project expected to cost ~US\$700M
- Total of US\$354M earned value to 31 Dec 2020
- ~US\$200M expected earned value in 2H FY2021; cash spend expected to be ~US\$230M
- Balance of capital spend expected in FY2022

For more information on North Star expansion capital spend profile see page 84

1. Foundation Capital relates to capital expenditure on foundation and new technologies, including core process and product technologies, along with business and customer facing systems

2. Reflects accounting capital spend including capital accruals; 1H FY2021 differs from cash capital expenditure shown on page 28 through A\$112M increase in capital creditors (of which A\$126M attributable to North Star expansion)

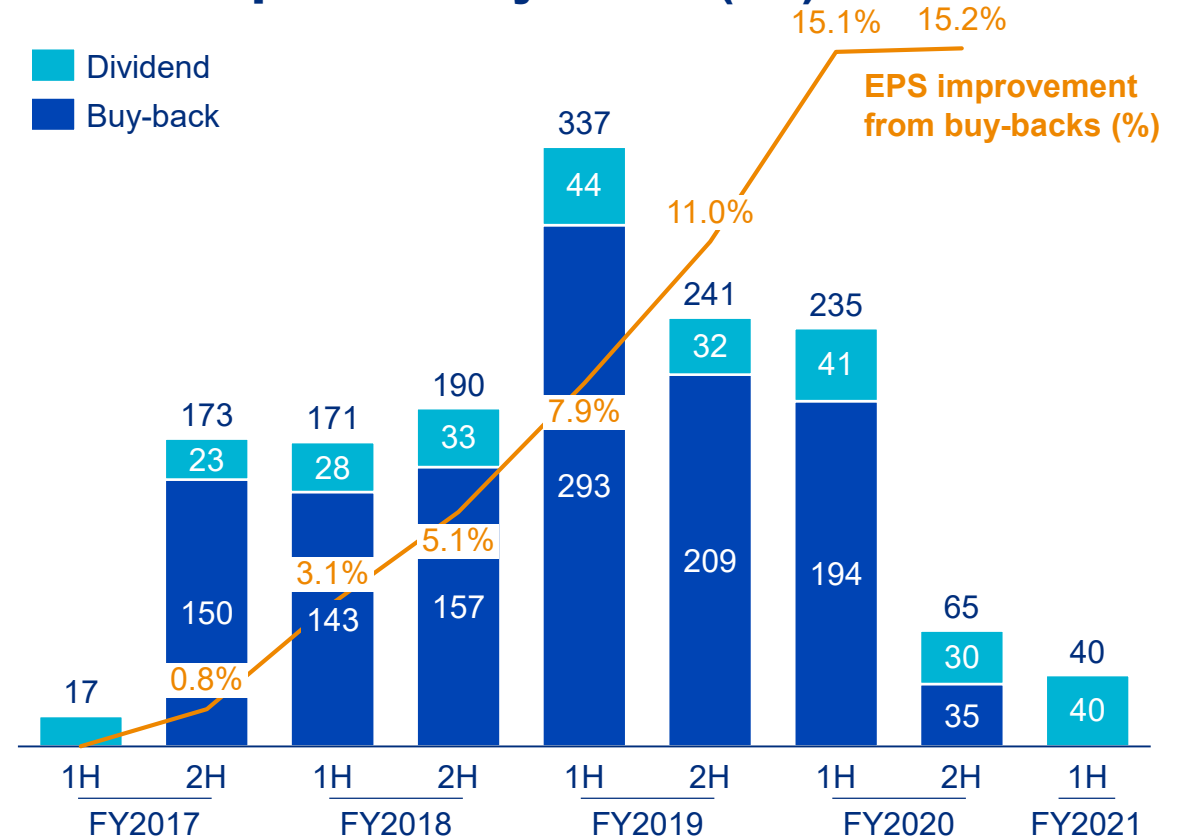
# DISCIPLINED CAPITAL ALLOCATION

## SHAREHOLDER RETURNS

**6.0 cps interim dividend; buy-backs remain on hold. Strong track record of returns**

- Interim unfranked dividend of 6.0 cents per share retained
- Key element of BlueScope's strategy is to maintain strong financial capacity, giving the ability to weather industry and economic cycle and deliver on value accretive opportunities
- Robust balance sheet position provides significant capacity for FY2021/22 capex program
- As a highly value accretive project, our capital allocation focus is on the North Star expansion. Given this large capex program and ongoing uncertainty in market conditions, BlueScope's buy-back program will remain on hold

### Dividends paid and buy-backs<sup>1</sup> (\$M)



1. Chart reflects half year cash settlements of shares bought back.

# Segment guidance for 2H FY2021





# SEGMENT GUIDANCE FOR 2H FY2021

**Outlook subject to assumptions and qualifiers referenced on page 36**

## Australian Steel Products

- Expect a better result compared to 1H FY2021
- Similar to slightly higher domestic despatches on ongoing robust construction demand
- Stronger benchmark spreads
  - Higher scrap and coating metal costs on global index pricing
- Higher coke contribution on realised margins

## North Star

- Expect stronger result compared to 1H FY2021
- Higher benchmark spreads partly offset by unfavourable impact of realised selling prices, noting specific sales mix<sup>1</sup>
- Marginally unfavourable impact of lower volumes on planned outage

## Building Products Asia & US

- Expect a softer result overall compared to 1H FY2021
- North America – expect a moderately better result on strong margins
- ASEAN and India – ongoing robust demand, however significantly lower result due to margin compression from higher steel feed prices (compared to cyclical margin expansion in 1H FY2021)
- China – result to be around half that of 1H FY2021 on unfavourable seasonality

## Buildings North America

- Expect a significantly lower result compared to 1H FY2021 with no contribution from BlueScope Properties Group on project timing
- Lower earnings in the core buildings business compared to 1H FY2021 on margin compression due to higher steel feed prices
- Overall, expect a lower result than 2H FY2020

## New Zealand & Pacific Islands

- Expect a similar result to 1H FY2021
- Similar domestic despatches on ongoing robust construction and infrastructure activity
- Higher benchmark steel pricing, partly offset by unfavourable impact of specific sales mix relative to benchmark
- Higher costs, including energy
- Similar net vanadium contribution

## Intersegment, Corporate & Group

- Expect a similar result to 1H FY2021

<sup>1</sup>. Benchmark prices may not be representative of realised mill prices due to a range of factors. Movements in prices across the majority of sales correlate with Midwest regional benchmark pricing, on a short lag; a minority of sales are priced on a longer term basis. Accordingly the degree of correlation between realised and benchmark prices can vary in a given half but is more fully reflected over the medium term

# Group outlook and summary



# 2H FY2021 GROUP OUTLOOK<sup>1</sup>

- At the beginning of 2H FY2021, order and despatch rates in key markets remain robust. Spot steel spreads in North America are materially higher than both 1H FY2021 and longer-term averages. However, it is uncertain whether these conditions will be sustained throughout the half due to volatile macroeconomic and market factors – including potential impacts from COVID-19 which could disrupt demand, supply chains and operations.
- Accordingly, expect underlying EBIT in 2H FY2021 to be in the range of \$750M to \$830M
- For the purposes of the outlook, the Company has made the following 2H FY2021 average assumptions:
  - US mini-mill benchmark spreads to be ~US\$340/t higher than 1H FY2021<sup>2</sup> – but noting we don't expect to realise all of this move due to the scale of recent HRC price moves and North Star's specific sales mix
  - East Asian HRC price of ~US\$610/t<sup>3</sup>
  - 62% Fe iron ore price of ~US\$150/t CFR China<sup>3</sup>
  - Index hard coking coal price of ~US\$140/t FOB Australia<sup>3</sup>
  - A\$:US\$ at US\$0.77<sup>3</sup>
- Relative to 1H FY2021, expect: similar underlying net finance costs and underlying tax rate; lower profit attributable to non-controlling interests
- Expectations are subject to spread, FX and market conditions – including potential impacts from COVID-19

1. Sensitivities can be found on page 72.

2. US mini-mill benchmark spreads quoted on a lagged basis in metric tonnes. Expected 2H FY2021 US mini-mill benchmark spread of ~US\$610/t, compared to US\$271/t in 1H FY2021.

3. Quoted on an unlagged basis for the six month period; volumes quoted in metric tonnes.



# BLUESCOPE: A RESILIENT BUSINESS DELIVERING RETURNS THROUGH THE CYCLE

**A very different type of steel company – one that is uniquely positioned to grow and deliver across our major markets**

## Assets and capability

- Strong operating leverage from diverse business portfolio
- Global leader in coating and painting for Building and Construction
- Iconic industrial brand position of COLORBOND® steel
- Integrated and resilient Australian business delivering returns across the cycle
- Footprint across high growth Asian markets
- Lowest cost expansion project in the US at North Star, which is one of the most profitable mini-mills in the US

## Capital discipline and returns focus

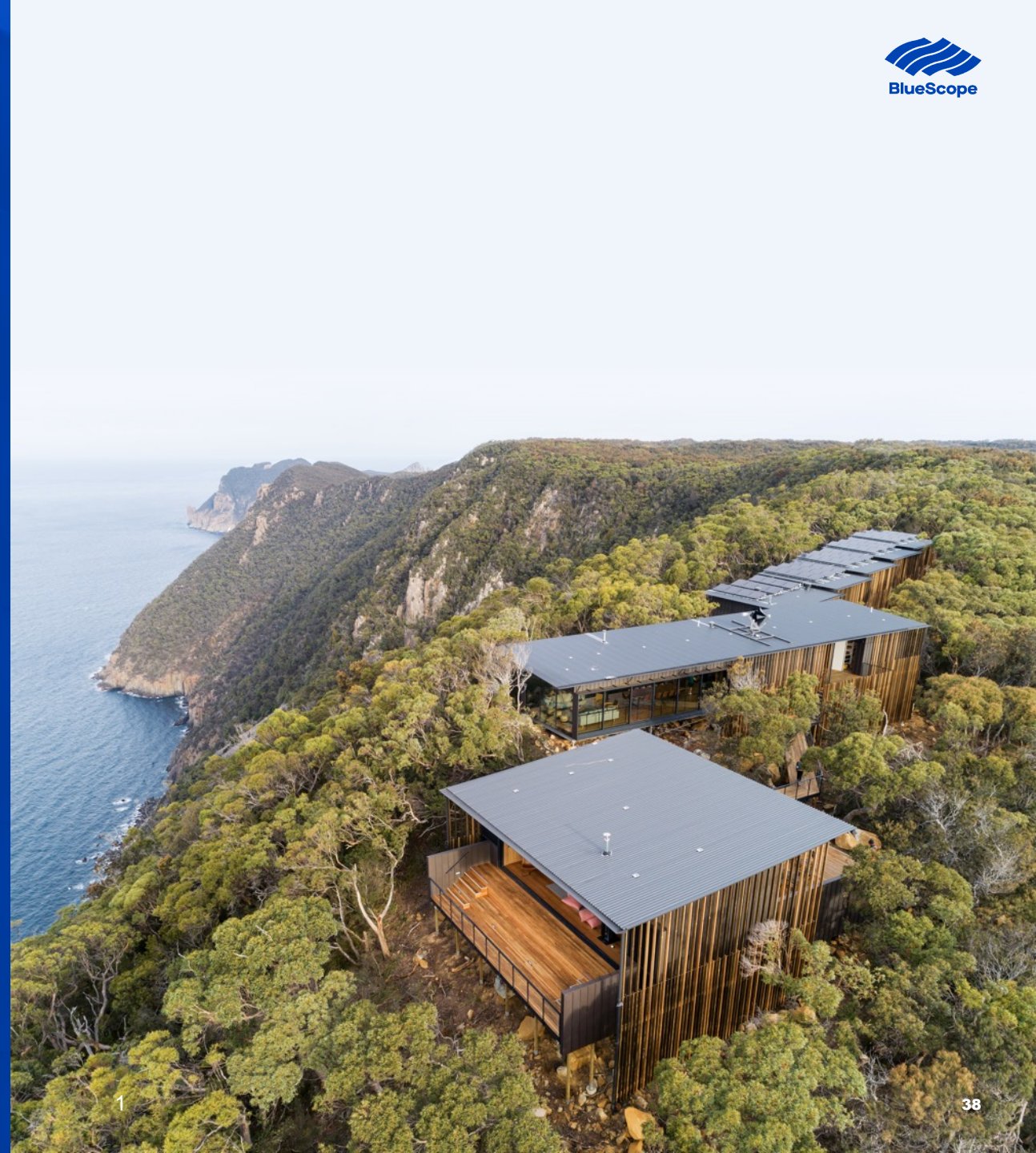
- Strong balance sheet
- Disciplined capital allocation
- Clear focus on delivering:
  - Safe and sustainable operations
  - ROIC > WACC on average through the cycle
  - At least 50% of free cash flow to shareholders
  - EPS growth through the cycle

## Positioned for growth

- Positioned for emerging trends:
  - lower density housing; rise in A&A
  - e-commerce and logistics infrastructure
  - government infrastructure focus
- Innovating to drive inter-material and broader growth in Australia and beyond
- Expanding best-in-class US mini-mill for FY2022/23 growth
- Targeting further growth from outstanding suite of Asian coating assets
- Transforming how we do business through digital technologies

# Questions

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Additional  
Information:  
Overview of  
Emerging  
Breakthrough  
Ironmaking  
Technologies

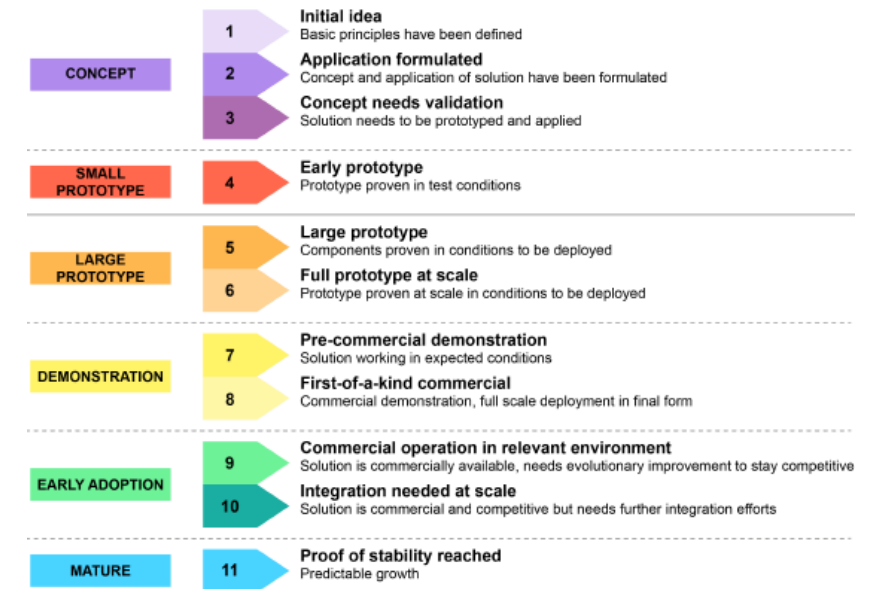


# OVERVIEW OF EMERGING BREAKTHROUGH IRONMAKING TECHNOLOGIES

## Emerging technologies for blast furnace applications from IEA Iron & Steel sector roadmap

Technology	IEA Technology Readiness Level <sup>1</sup>	IEA Projected Year Available <sup>2</sup> (Importance for Net Zero Emissions)	BlueScope Comments
Off-gas hydrogen enrichment and/or CO <sub>2</sub> removal for use or storage	5 Large prototype	2030 (Very High)	<ul style="list-style-type: none"> <li>Top-gas recycling using vacuum pressure swing adsorption</li> <li>Blast furnace tuyere plasma torch used to recycle CO<sub>2</sub> back into the furnace and reduce emissions</li> </ul>
Converting off-gases to fuels	8 First-of-a-kind commercial	Today (Medium)	<ul style="list-style-type: none"> <li>Examples include LanzaTech</li> </ul>
Converting off-gases to chemicals	7 Pre-commercial demonstration	2025 (Medium)	<ul style="list-style-type: none"> <li>Examples include production of ammonia, methanol, polyurethane foams and coatings</li> </ul>
Electrolytic H <sub>2</sub> blending	7 Pre-commercial demonstration	2025 (Medium)	<ul style="list-style-type: none"> <li>Examples includes testing hydrogen in a blast furnace by thyssenkrupp in Germany, replacing a proportion of injected coal</li> </ul>
Torrefied biomass	7 Pre-commercial demonstration	2025 (Medium)	<ul style="list-style-type: none"> <li>Refers to use of biochar to partially substitute coal</li> <li>Examples include ArcelorMittal's trial in Ghent, Belgium</li> </ul>

### Note 1: IEA Technology Readiness Level



### Note 2: IEA Projected Year Available

IEA “projected year available” is understood to represent that the technology has achieved commercial operation in a relevant environment (TRL9), but will still require evolutionary improvement to be competitive and for integration at a commercial scale

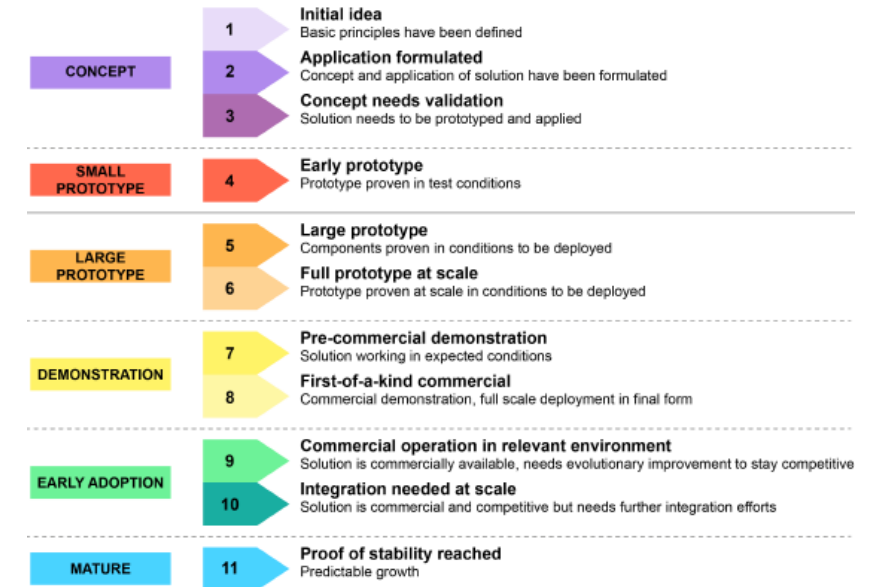


# OVERVIEW OF EMERGING BREAKTHROUGH IRONMAKING TECHNOLOGIES

## Other key emerging technologies from IEA Iron & Steel sector roadmap

Technology	IEA Technology Readiness Level <sup>1</sup>	IEA Projected Year Available <sup>2</sup> (Importance for Net Zero Emissions)	BlueScope Comments
DRI: Natural gas-based with CO2 capture	9 Commercial operation in relevant environment	Today (Very high)	<ul style="list-style-type: none"> <li>Several small scale plants currently in operation, in places such as Abu Dhabi, Mexico and Venezuela</li> </ul>
DRI: Natural gas-based with high levels of electrolytic H2 blending	7 Pre-commercial demonstration	2030 (High)	<ul style="list-style-type: none"> <li>Small scale pilot and demonstration plants have been tested in Mexico and Germany</li> </ul>
DRI: Based solely on electrolytic H2	5 Large prototype	2030 (Very High)	<ul style="list-style-type: none"> <li>Examples include HYBRIT project (Sweden) – seeking to develop demonstration plant by 2025</li> <li>ArcelorMittal also designing pilot plant; to be built by 2030</li> </ul>
Electrolysis: High temperature molten oxide	4 Early prototype	unknown (Medium)	<ul style="list-style-type: none"> <li>Research at MIT led to founding of Boston Metal, which commissioned its first early prototype in 2014; now aiming for pilot-scale plant</li> </ul>

### Note 1: IEA Technology Readiness Level



### Note 2: IEA Projected Year Available

IEA “projected year available” is understood to represent that the technology has achieved commercial operation in a relevant environment (TRL9), but will still require evolutionary improvement to be competitive and for integration at a commercial scale

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# **BlueScope:** **A different kind of steel building products company**





# BLUESCOPE: A DIFFERENT KIND OF STEEL BUILDING PRODUCTS COMPANY

What makes us different?

**1 TECHNOLOGY, BRANDING & CHANNELS**

**2 BUSINESS DIVERSIFICATION**

**3 COST COMPETITIVENESS**

**4 DISCIPLINED CAPITAL ALLOCATION**

**5 APPROACH TO SUSTAINABILITY**



# 1 TECHNOLOGY, BRANDING & CHANNELS

**Continued investment in research & development to maintain leadership in steel coating and painting technologies**

## **Product Technology and Development Leadership**

- Advanced pre-painted and metallic coating development for building, construction and home appliance markets
  - Development of the innovative COLORBOND® Matt paint finishes
  - Roll out of leading proprietary AM<sup>1</sup> metal coating technology within our footprint
- Technical product assessment methods providing deep understanding of product performance in both accelerated and real outdoor exposure conditions
  - In-house NATA certified product testing capability – building codes, standards, corrosion, durability

## **Process Innovation and Advanced Testing**

- Continued focus on developing and improving production and design processes
  - Continuous coil painting process technology (e.g. high speed, inline MCL painting)
  - Collaborative innovation capabilities (including working with academia and third parties to innovate)
  - Development and management of intellectual property and know-how
  - Product design and innovation processes – including Design Thinking and Stage Gate processes



1. AM coating: Introduces magnesium into aluminium-zinc alloy (AZ) coating, which improves galvanic protection over AZ coating by activating the aluminium  
 AZ coating: Steel with a protective alloy coating of zinc and aluminium to protect its steel base against corrosion



# 1 TECHNOLOGY, BRANDING & CHANNELS

Brands – a portfolio of many well-known and respected names to support our premium branded positions

## Australia

Colorbond®  
Truecore®  
Zincalume®  
TruSpec®



## New Zealand

colorsteel®  
NEW ZEALAND'S FAVOURITE ROOF  
GALVSTEEL®  
Axxis®  
STEEL FOR FRAMING  
Zincalume®



## Asia

clean Colorbond®  
BLUESCOPE  
Zacs®  
SACVIET®  
durashine®  
TATA BLUESCOPE STEEL



## North America

BUTLER®  
VP BUILDINGS  
VARCO PRUDEN  
ASC®  
BUILDING PRODUCTS  
steelscape®



# 1 TECHNOLOGY, BRANDING & CHANNELS

Channels – clear focus on knowing our end customers and maintaining strong channels to market

## Australia

**LYSAGHT**

**Orrcon Steel**

**FIELDERS**

**METALCORP**  
Everything in Steel

**BlueScope Distribution**

**IMPACT STEEL**  
**IS**  
**RANBUILD**  
Better sheds. Bigger choice.



## New Zealand

**PACIFIC STEEL**  
CERTAIN STRENGTH



## Asia

**LYSAGHT**

**TATA SHAKTEE**

**BLUESCOPE**  
**Zacs**



## North America

**BUTLER**

**VP BUILDINGS**  
VARCO PRUDEN

**AEP SPAN**

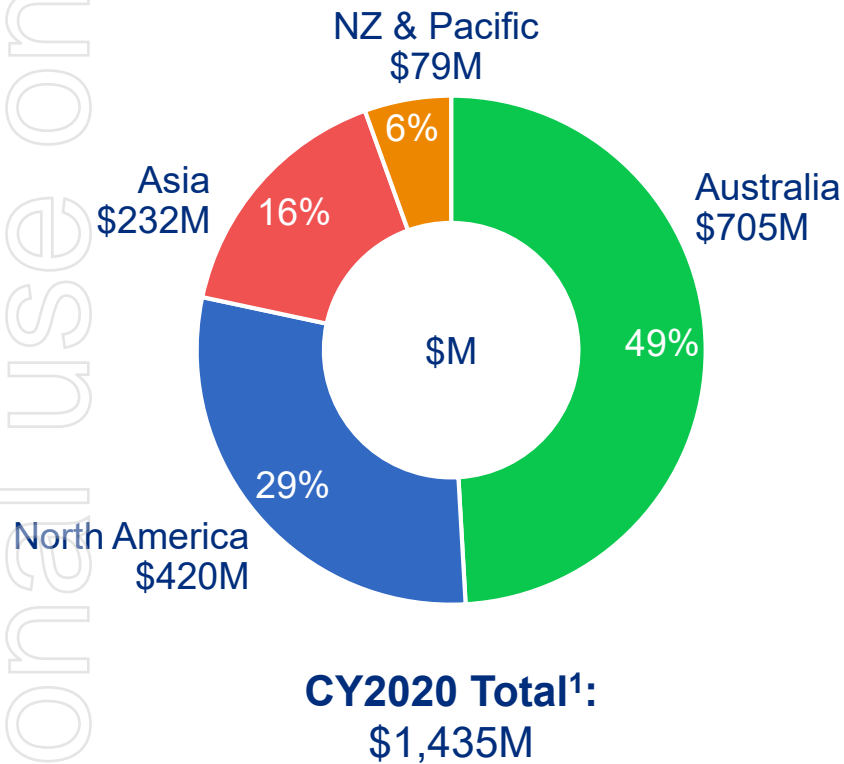
**ASC BUILDING PRODUCTS**



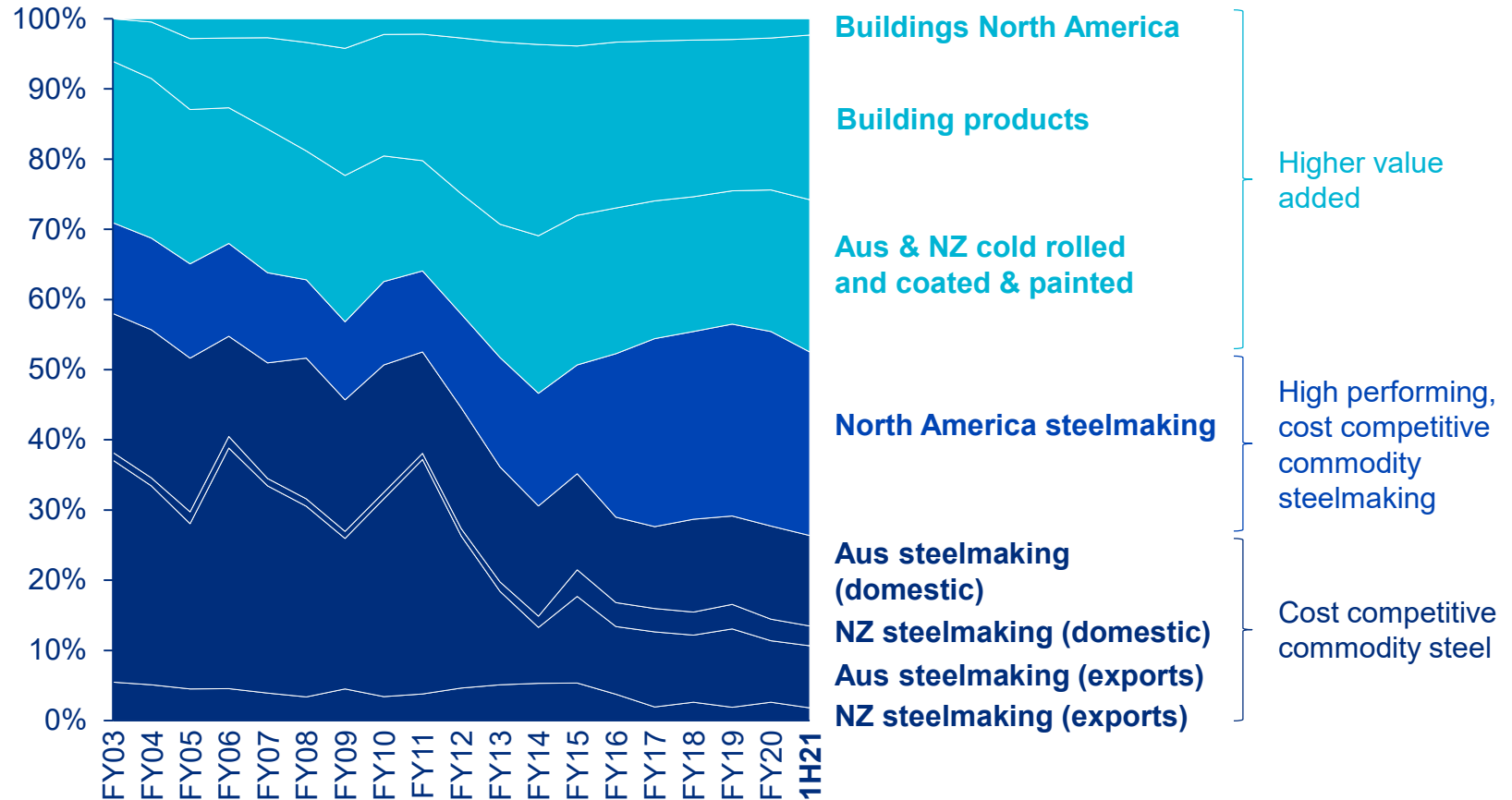
# 2 BUSINESS DIVERSIFICATION

Geographic diversity and increasing contribution from value-added products

## Underlying EBITDA by region



## BlueScope despatch volume mix



1. Total includes corporate costs & eliminations of \$129M, which then balances back to CY2020 underlying EBITDA of \$1,307M

# 2 BUSINESS DIVERSIFICATION

**Broad exposure across geographies, largely focused on the building and construction industry**

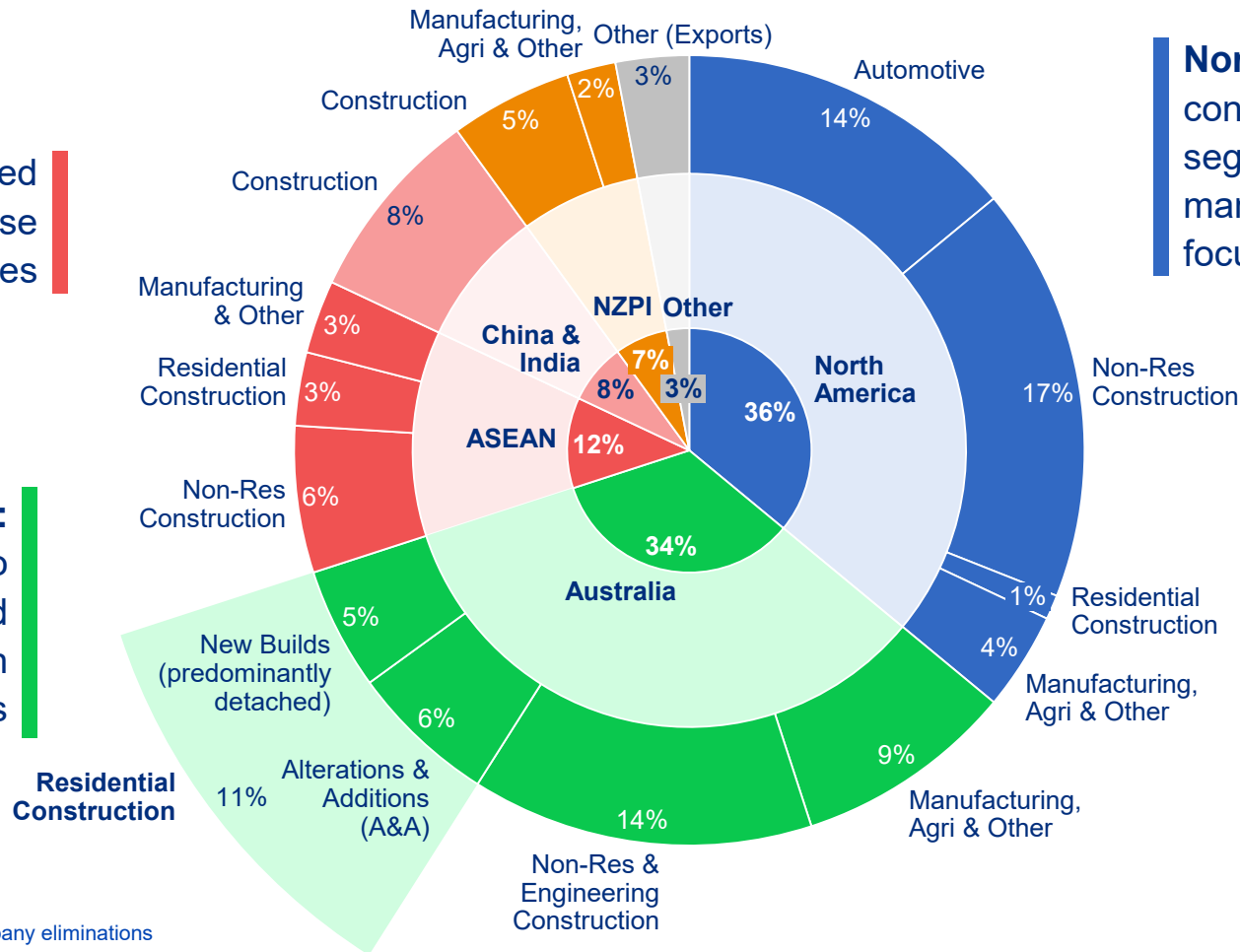
## BlueScope indicative despatch volume split by region and end-use segment

**Asia:** a diversified portfolio of end-use segments and countries

**Australian Residential:** predominantly exposed to A&A and new detached dwelling construction, with limited exposure to multis

**North Star:** exposed mainly to the automotive, construction and manufacturing end-use segments; consistently sells all of the product it manufactures; high quality products and strong focus on customer service

**North American Construction:** mixed across commercial, industrial, government and residential sectors, through sales of hot rolled products, metal coated and painted products and engineered buildings



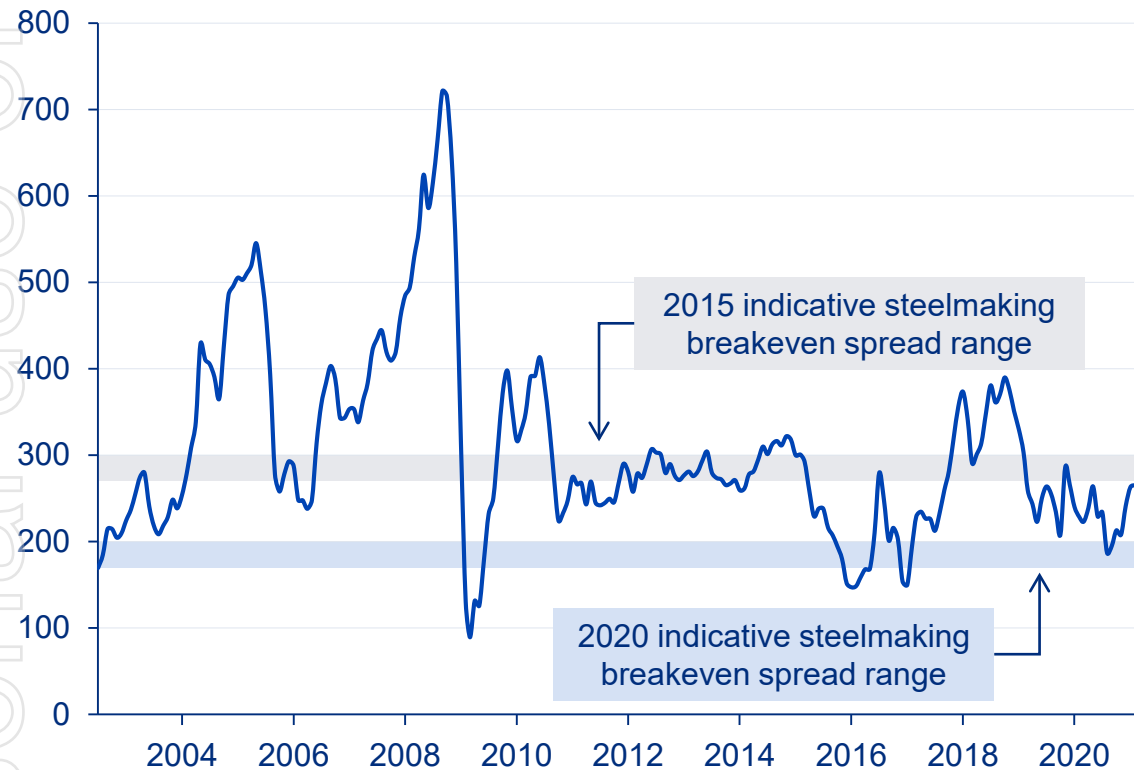
1. 1H FY2021 data, excludes intercompany eliminations



# 3 COST COMPETITIVENESS AUSTRALIAN STEEL PRODUCTS

**Australian steelmaking breakeven at minimum recent spreads; benefits from vertical integration**

## Asian steel spread<sup>1</sup> & estimated steelmaking cash breakeven<sup>2</sup> (US\$/t)



## The value of vertical integration

### Synergies between steelmaking and coated

- Clear objective of optimising profitability across the entirety of Port Kembla operations
- Units fully integrated across the value chain to drive productivity and optimise product flows in response to market needs
- Working capital, supply chain and freight all optimised
- Focused customer service – single point of contact
- Shared overhead costs

### Moderation of earnings volatility

- Earnings volatility moderated by ability to capture margin in:
  - steelmaking, at times of high HRC prices, or
  - coating and painting, at times of low HRC prices, given the more stable nature of COLORBOND® earnings

### Value of channel participation

- Delivering pull-through demand for both steelmaking and coating and painting
- Customer intimacy facilitates knowledge of regional and local requirements and ability to respond

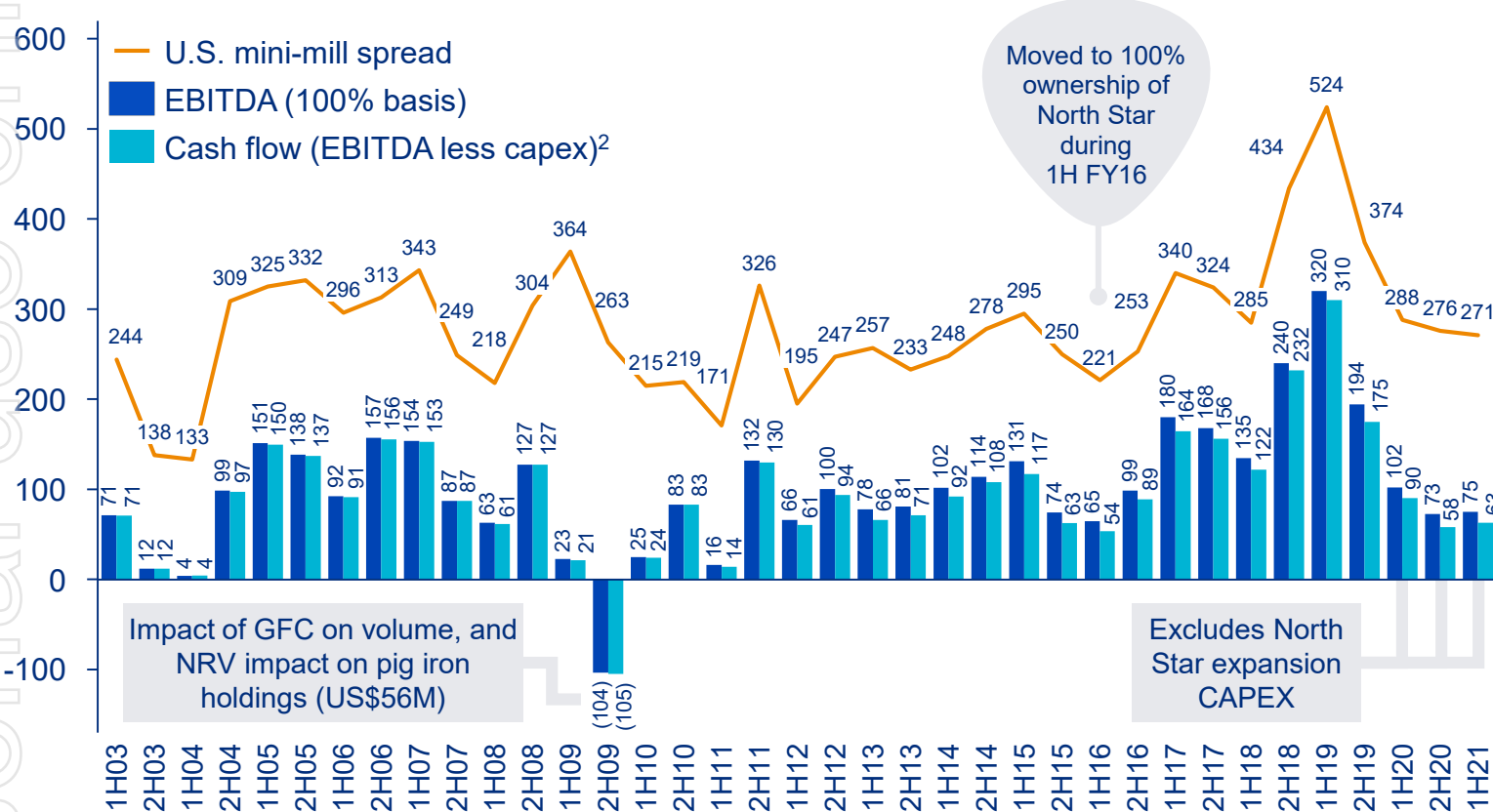
1. 'Indicative steelmaker HRC spread' representation based on simple input blend of 1.5t iron ore fines and 0.71t hard coking coal per output tonne of steel. Chart is not a specific representation of BSL realised HRC spread (eg does not account for iron ore blends, realised steel prices etc), but rather is shown to primarily demonstrate movements from period to period. SBB East Asia HRC price lagged by three months up to Dec 2017, four months thereafter – broad indicator for Australian domestic lag, but can vary. Indicative iron ore pricing: 62% Fe iron ore fines price assumed. Industry annual benchmark prices up to March 2010. Quarterly index average prices lagged by one quarter from April 2010 to March 2011; 50/50 monthly/quarterly index average from April 2011 to December 2012. Monthly thereafter. FOB Port Hedland estimate deducts Baltic cape index freight cost from CFR China price. Lagged by three months. Indicative hard coking coal pricing: low-vol, FOB Australia. Industry annual benchmark prices up to March 2010; quarterly prices from April 2010 to March 2011; 50/50 monthly/quarterly pricing from April 2011 to Dec 2017; monthly thereafter. Lagged by two months up to Dec 2017; three months thereafter.

2. EBITDA less stay-in-business capital expenditure

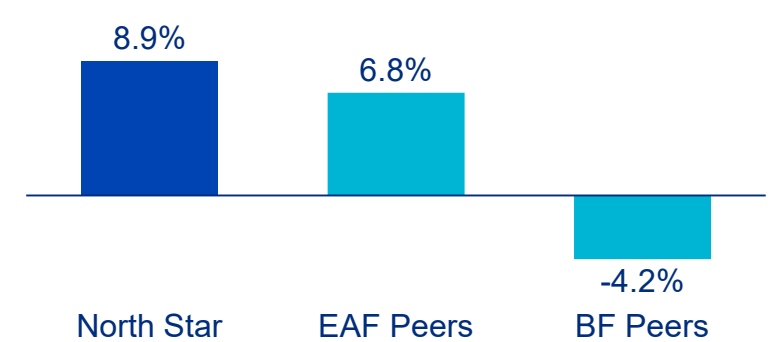
# 3 COST COMPETITIVENESS NORTH STAR

**Strong EBITDA and cash generation through the cycle; industry leading margins; consistently full utilisation**

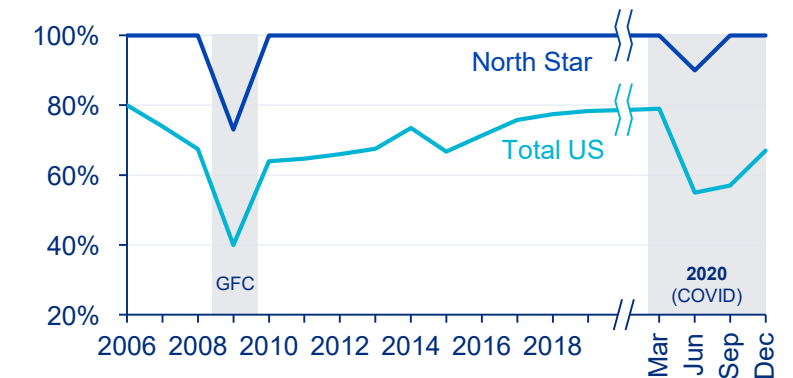
## US\$M EBITDA and spread (100% basis)<sup>1</sup>



## EBIT margins<sup>3</sup> (%)



## US steel mill capacity utilisation<sup>4</sup>



1. US Midwest mini-mill HRC spread (metric) – based on CRU Midwest HRC price (assuming illustrative one month lag), SBB #1 busheling scrap price (assuming one month lag) and Fastmarkets NOLA pig iron price (assuming two month lag); assumes raw material indicative usage of 1.1t per output tonne. Note, North Star sales mix has longer lags

2. Capex is presented on an accrual basis, and as such excludes movements in capital creditors

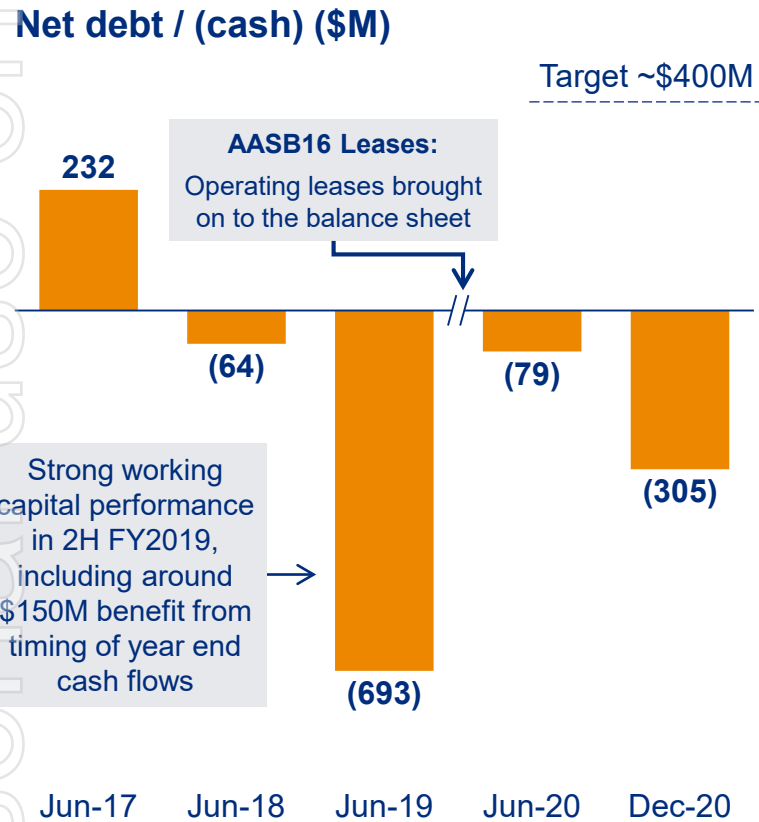
3. Reflects CY2020 North Star underlying EBIT margin. Peer margin data sourced from company information, simple average of three BOF and three EAF North American peers using relevant segment information

4. Source: CRU, AISI, company data

# 4 DISCIPLINED CAPITAL ALLOCATION

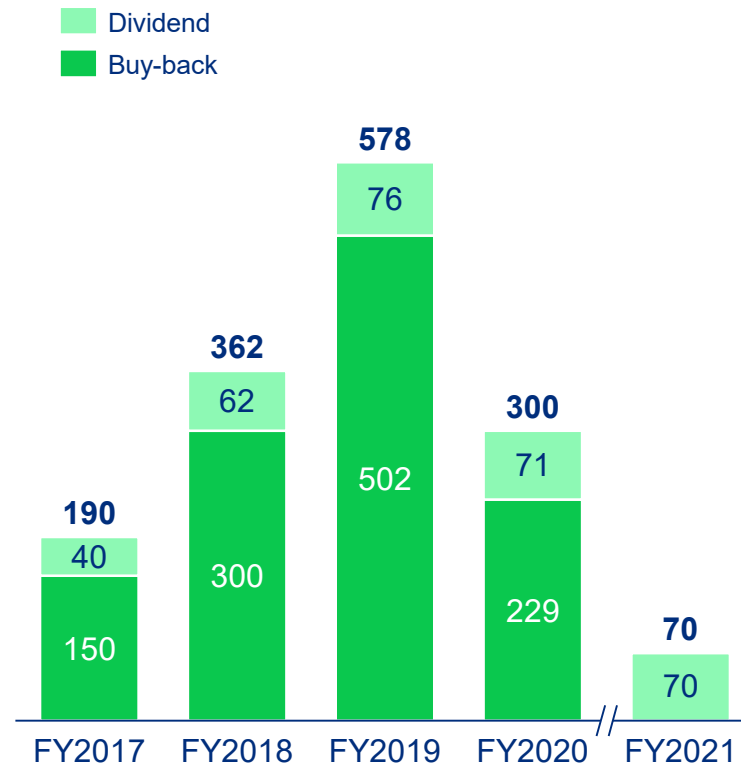
Balance sheet strength, and a disciplined approach to balancing investment for long-term growth and returns to shareholders

## Robust Balance Sheet



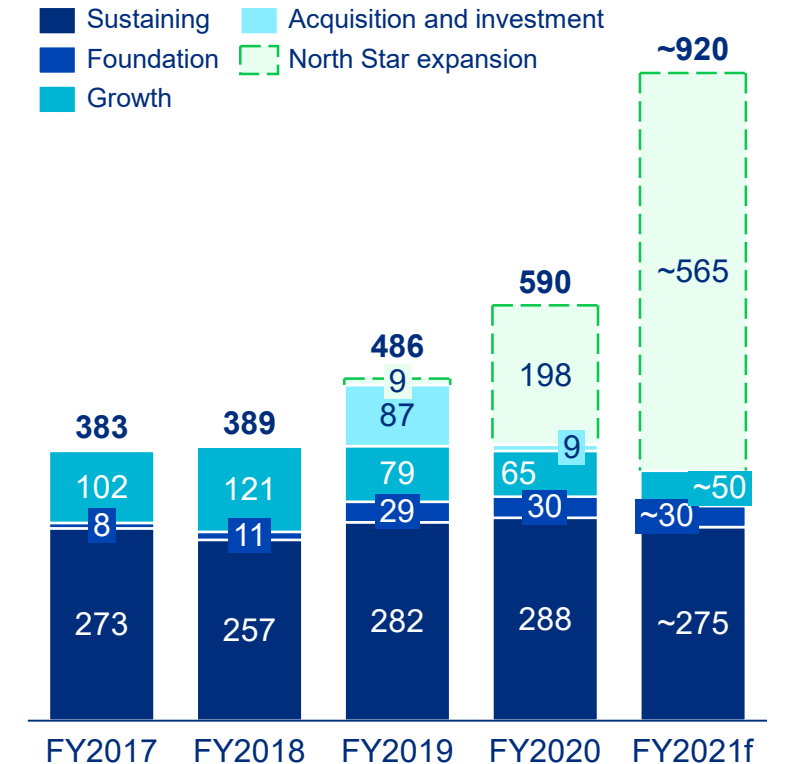
## Returns to Shareholders

Dividends paid and buy-backs<sup>1</sup> (\$M)



## Investing for Long Term Growth

Capital and acquisition expenditure<sup>2</sup> (\$M)



1. Chart reflects cash settlements of shares bought back, FY2021 includes \$30M indication of 1H FY2021 interim dividend of 6.0 cps announced 22 February 2021, with payment date of 30 March 2021.  
2. Reflects cash payments on capital expenditure. Reconciles to earned value of capital project activity through change in capital accruals

# 4 DISCIPLINED CAPITAL ALLOCATION GROWTH OPPORTUNITIES

Investing for the future across our portfolio through a returns focused process driving competition for capital

## Capital expenditure focus areas

**Maintain Safe And  
Reliable Operations**

**Invest In Foundation And  
New Technologies**

**Invest For Growth In  
Premium Branded Products**

**Invest To Maximise Value  
From 'Best-in-class' Assets**

## Examples of growth projects and opportunities



In light of economic uncertainty due to the COVID-19 pandemic, BlueScope has adopted a prudent approach to the allocation of capital. The North Star expansion remains a priority as a highly value accretive project, whilst spending on other growth opportunities will be minimised in the near term subject to economic conditions



# 4 DISCIPLINED CAPITAL ALLOCATION DIGITALLY TRANSFORMING OUR BUSINESS

Delivering the next wave of customer, growth and productivity improvements through technology

## A clear framework for digital transformation

### Provide leadership and strategy

- Clear strategy and direction
- Strategic focus areas for targeted digital initiatives and investments

### Deliver and support use cases

- Digital uses cases and diagnostics across operations and customer facing areas
- Demonstrating value and opportunities to scale across different regions

### Strengthen foundations

- Focus areas to enable scalability, speed and adoption – to drive value

## Focus areas to speed-up digital adoption



### Capabilities

Building digital skills and interdisciplinary teams



### Data & Platforms

Investing in enabling platforms to make data more valuable



### Governance

Funding and portfolio management drive value realisation



### Partnerships

Commercial vendor management and strategic partnerships

# 4 DISCIPLINED CAPITAL ALLOCATION DIGITALLY TRANSFORMING OUR BUSINESS

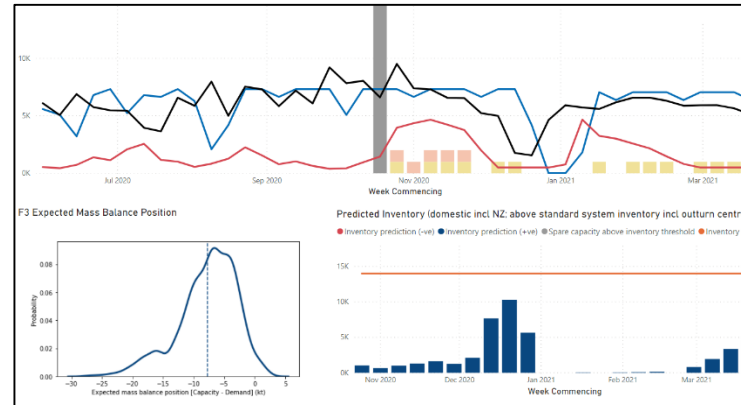
## Examples of digital initiatives and foundations

### Digital manufacturing



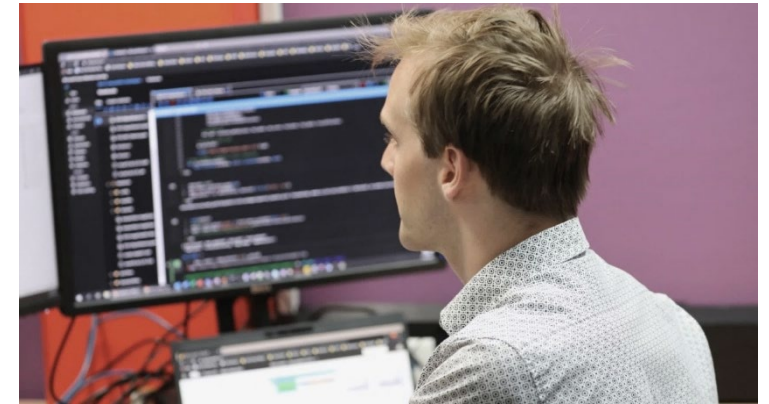
- Improve quality, reduce unit costs and grow throughput
- Programs underway include predictive maintenance, process automation and data visualisation

### Supply chain connectivity



- Improve service levels and efficiency
- Advanced analytics more accurately forecast and optimise supply chain activities
- Programs underway in Australia and ASEAN

### Building capabilities



- Digital operating model with dedicated roles to implement the program
- Advanced analytics hub with data scientists and engineers

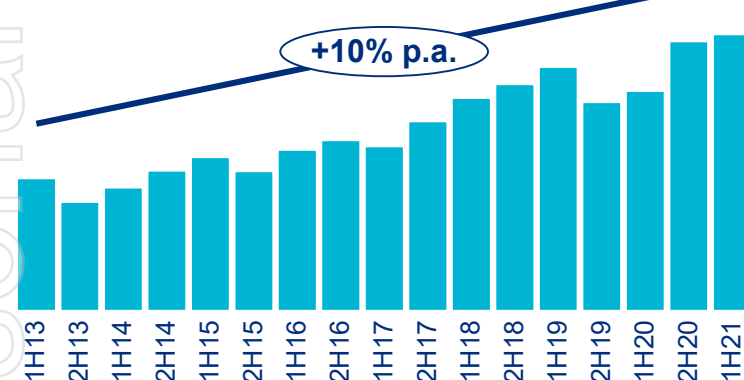
# 4 DISCIPLINED CAPITAL ALLOCATION INVESTING IN GROWTH AT ASP

A wide range of low capital growth opportunities in intermaterial applications

## TRUECORE® steel

- Sales of TRUECORE® steel continue to increase on the back of robust residential demand and intermaterial growth
- Continuing to invest in consumer branding & promotion, including on major programs
- Partnering with builders to promote the benefits through the channel, including co-branding and collateral support

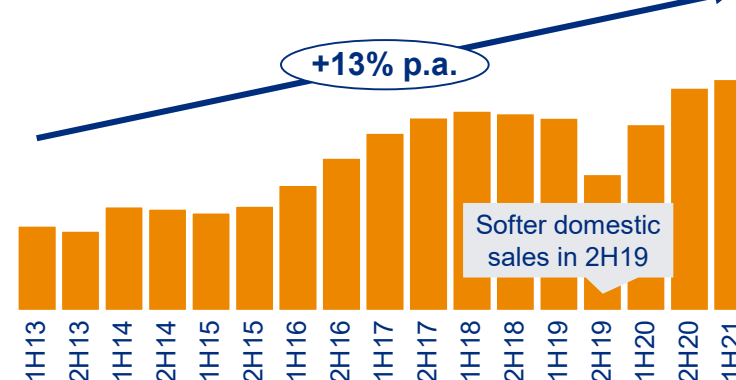
### TRUECORE® sales volumes<sup>1</sup>



## TRU-SPEC® coil plate

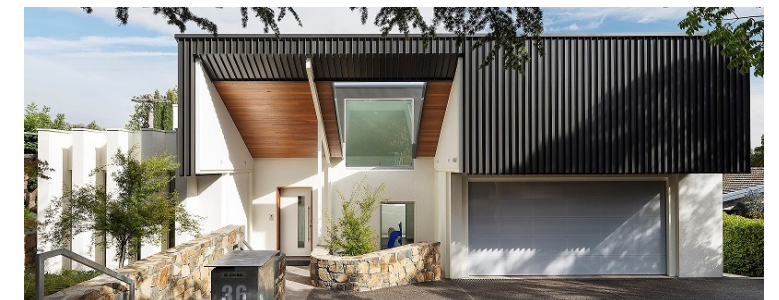
- Investing in a new 160kt stretch levelling coil plate line at Port Kembla in order to meet the increased demand levels
- Increased capacity provides the opportunity to further grow TRU-SPEC® steel sales, as well as reducing complexity and cost in the supply chain, and improving the service offer for customers

### TRU-SPEC® sales volumes<sup>1</sup>



## Cladding & facade applications

- AZURE® range of façade products provide an attractive alternative cladding solution given the aesthetic and durable properties of COLORBOND® steel, and low combustibility
- Increased use in residential cladding, on the back of the new COLORBOND® Matt steel colours and a range of new profile options from the rollforming channel, including the new LYSAGHT® ZENITH® range of profiles



1. Domestic prime sales volume ex-mill

# 5 APPROACH TO SUSTAINABILITY OUR BOND

## OUR PURPOSE

**We create and inspire smart solutions in steel, to strengthen our communities for the future**

### Our Customers are our Partners

---

Our success depends on our customers and suppliers choosing us.

Our strength lies in working closely with them to create value and trust, together with superior products, service and ideas.

### Our People are our Strength

---

Our success comes from our people. We work in a safe and satisfying environment.

We choose to treat each other with trust and respect and maintain a healthy balance between work and family life.

Our experience, teamwork and ability to deliver steel inspired solutions are our most valued and rewarded strengths.

### Our Shareholders are our Foundations

---

Our success is made possible by the shareholders and lenders who choose to invest in us.

In return, we commit to continuing profitability and growth in value, which together make us all stronger.

### Our Communities are our Homes

---

Our success relies on communities supporting our business and products.

In turn, we care for the environment, create wealth, respect local values and encourage involvement.

Our strength is in choosing to do what is right.



# 5 APPROACH TO SUSTAINABILITY FY2020 REPORTING SUITE



Reporting under the requirements of the Corporations Act 2001 and ASX Listing Rules



Reporting aligned with UN SDGs, TCFD recommendations, and GRI and SASB standards



Reporting in response to the Australian Modern Slavery Act



Reporting in alignment with the Australian Voluntary Tax Transparency Code

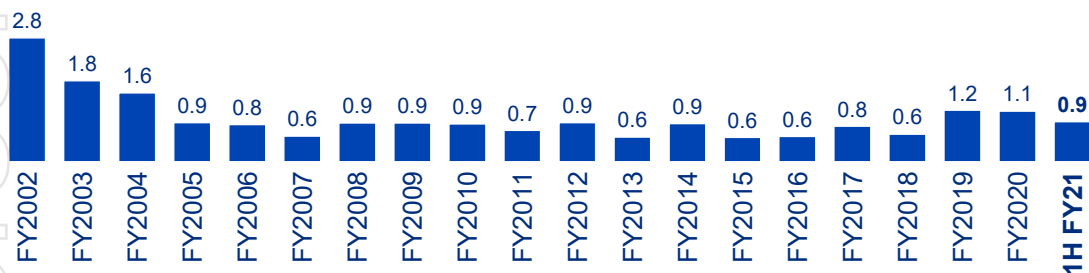
# 5 APPROACH TO SUSTAINABILITY

## SAFETY

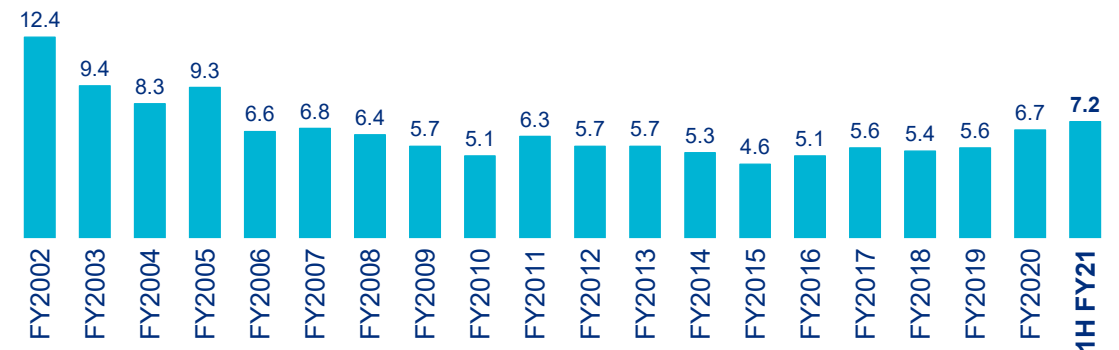
### Ongoing alignment with evolving industry reporting standards

- Continued plateau in lagging indicators, with minor fluctuation, observed following an improvement in performance from FY2002 to FY2015
- Injury profile continues to show a predominance of musculoskeletal injuries. BlueScope places emphasis on care and treatment to support full and sustained return to work
- BlueScope will continue to monitor traditional lagging safety indicators but has begun to broaden performance disclosures
  - Transition to TRIFR; equivalent to BlueScope's previous MTIFR (medically treated injury frequency rate) formula. Inclusive of fatalities, lost time injuries, medical treatment injuries and restrictions of work for more than seven days
  - Focus on understanding incident severity (potential fatalities) and injury recovery time (MTI/LTI), as more holistic context to TRIFR
- Leading and lagging indicators continue to be developed in alignment with evolving industry standards (Australian Council of Superannuation Investors, worldsteel) and reflected in remuneration outcomes
  - Key leading indicators for building health and safety capability and more effective risk management are expected to generate positive outcomes in severity measures over time

**LTIFR** (lost time injury frequency rate, per million hours worked)



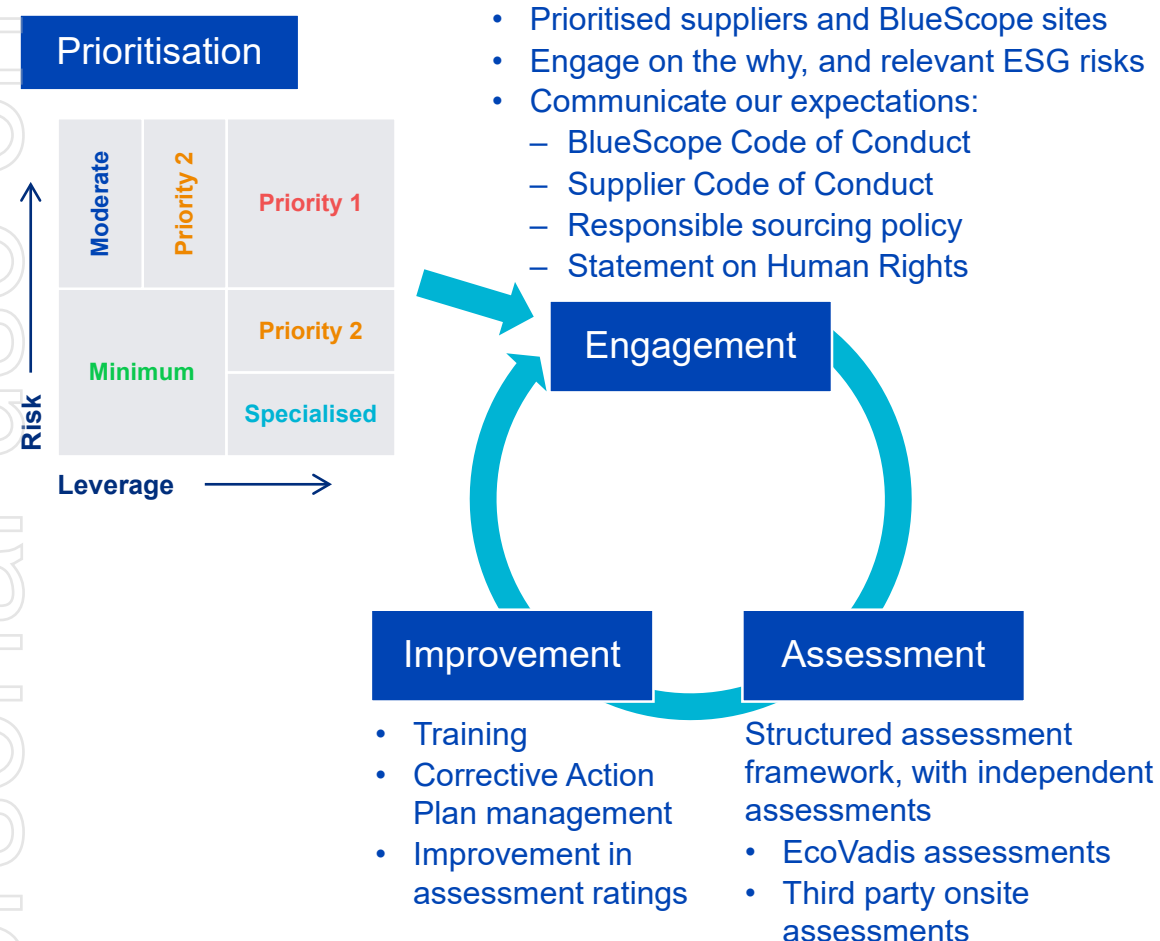
**TRIFR** (total recordable injury frequency rate, per million hours worked)



# 5 APPROACH TO SUSTAINABILITY SUSTAINABLE SUPPLY CHAIN

**We foster responsible business practices and uphold human rights through engagement, risk assessment and improvement activities. We seek to partner with suppliers who share our core values**

## Our Approach



## Our Progress to December 2020

- Remain on track to complete targeted 220 assessments of Priority 1 and 2 suppliers by the end of FY2021
  - 168 assessments completed to date and a further 76 assessments underway
  - Re-commenced on-site audits where local COVID-19 restrictions allow, however many locations remain restricted
- We are seeing the highest risk, typically through lack of knowledge, in small-medium sized domestic businesses in high risk operating regions
  - Key issues are predominantly related to Social and Labour (e.g. hiring practices, hours of work, wages and benefits) and Health and Safety (mostly related to emergency preparedness: permits, emergency exits, fire alarm systems, emergency drills, hazardous substances)
  - We are addressing these with suppliers through education (about risk and also local regulations) and agreed corrective action plans
- Supplier segmentation refresh underway and will be completed in Q3 FY2021, to update our prioritisation

# 5 APPROACH TO SUSTAINABILITY

## INCLUSION AND DIVERSITY

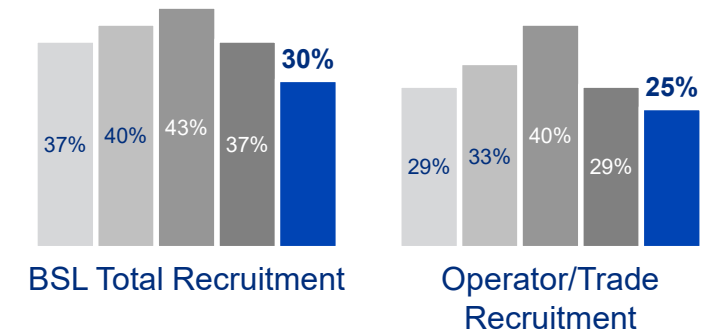
**Continued improvement in female representation notwithstanding significant reduction in recruitment during pandemic**

- In 1H FY2021, we launched a five-year global Inclusion and Diversity strategic framework, which is focused on diverse workforces, inclusive experiences, and purpose-led business
- The framework focuses on advancing our gender diversity journey in addition to a multi-dimensional approach to inclusion and diversity, and is designed to allow the businesses to focus and progress what it most relevant to them locally
- Overall female share of recruitment contracted through the half, however total female participation in the BlueScope workforce increased, due to our retention of women exceeding that of men.
- Progress continues, with the percentage of women in operation / trade roles having doubled over the past 5 years

**Women in BSL workforce (%)**



**Women in BSL recruitment (%)**





# 5 APPROACH TO SUSTAINABILITY SUPPORTING OUR COMMUNITIES

**We seek opportunities to strengthen our local communities through encouraging employee participation and collaboration, and through financial and in-kind support**

Throughout the half, many of our businesses continued to support communities hit by the pandemic:

- Across our footprint, businesses provided in kind support (including masks) to local foodbanks and other community organisations
- Many businesses also donated funds to charities supporting those most impacted by the pandemic

In addition, many of our people work with community partners to provide professional mentoring and technical skills-based training for members of their communities.

## BlueScope's community investment framework



# **Additional Information: Group-level Material**



# FINANCIAL HEADLINES

\$M (unless marked)	SIX MONTHS ENDED		1H FY21 vs 1H FY20
	31 DEC 2019	31 DEC 2020	
Total revenue	5,882.6	5,831.4	↓
External despatches of steel products (kt)	3,615.0	3,808.0	↑
EBITDA – Underlying <sup>1</sup>	564.3	772.5	↑
EBIT – Reported	293.7	529.8	↑
– Underlying <sup>1</sup>	302.4	530.6	↑
NPAT – Reported	185.8	330.3	↑
– Underlying <sup>1</sup>	199.6	332.8	↑
EPS – Reported	36.3 cps	65.6 cps	↑
– Underlying <sup>1</sup>	39.0 cps	66.1 cps	↑
Underlying EBIT Return on Invested Capital	11.2%	11.0%	↓
Net Cashflow From Operating Activities	235.8	565.7	↑
– After capex	(28.3)	267.2	↑
Interim dividend	6.0 cps	6.0 cps	-
Net cash / (debt) <sup>2</sup>	(46.9)	305.2	↑

1. Refer to page 64 for a detailed reconciliation of reported to underlying results

2. Includes capitalised lease liabilities under AASB156



# RECONCILIATION BETWEEN REPORTED AND UNDERLYING EBIT AND NPAT<sup>1</sup>

\$M	1H FY2020		1H FY2021	
	EBIT \$M	NPAT \$M	EBIT \$M	NPAT \$M
<b>Reported results</b>	<b>293.7</b>	<b>185.8</b>	<b>529.8</b>	<b>330.3</b>
<i>Underlying adjustments</i>				
Discontinued Business (gains) / losses	6.8	7.6	(6.5)	(6.0)
Business development and acquisition costs	4.8	2.2	3.8	2.2
Restructuring & redundancy costs	1.7	0.6	16.3	12.1
Asset sales	(10.6)	(5.8)	(12.8)	(9.2)
India write-off after tax rate change	6.0	6.0	-	-
Tax asset impairment / (write-back)	-	3.2	-	(6.2)
US Federal tax payable on internal entity transfer	-	-	-	9.6
<b>Underlying results</b>	<b>302.4</b>	<b>199.6</b>	<b>530.6</b>	<b>332.8</b>

1. Underlying EBIT and NPAT are provided to assist readers to better understand the underlying consolidated financial performance. Underlying information, whilst not subject to audit or review, has been extracted from the interim financial report which has been reviewed. Further details can be found in Tables 12 and 13 of the Operating and Financial Review for the half year ended 31 December 2020 (document under Listing Rule 4.2A)

# UNDERLYING EARNINGS, NET FINANCE AND TAX COST

\$M	1H FY2020	2H FY2020	1H FY2021
<b>Underlying EBIT</b>	<b>302.4</b>	<b>261.6</b>	<b>530.6</b>
Underlying finance costs	(37.4)	(38.0)	(37.2)
Interest revenue	11.2	7.7	4.7
<b>Profit from ordinary activities before tax</b>	<b>276.2</b>	<b>231.3</b>	<b>498.1</b>
Underlying income tax (expense)/benefit	(66.6)	(56.2)	(121.4)
<b>Underlying NPAT from ordinary activities</b>	<b>209.6</b>	<b>175.1</b>	<b>376.7</b>
Net (profit)/loss attributable to non-controlling interests	(10.0)	(21.7)	(43.8)
<b>Underlying NPAT attributable to equity holders of BSL</b>	<b>199.6</b>	<b>153.4</b>	<b>332.8</b>

**24.4%  
effective  
underlying  
tax rate**

## Breakdown of net finance costs

Reg-S Bonds	9.6
Syndicated bank facility charges	6.0
Leases	14.0
Amortisation of borrowing costs and present value charges (non-cash)	2.8
Other finance costs (incl NS BlueScope interest costs)	4.8
Less, interest income	(4.7)
<b>Total net interest</b>	<b>(32.5)</b>

## Current estimated cost of facilities:

- Approximately 4.3% interest cost on gross drawn debt (which was ~\$1,190M at 31 December 2020) including ~\$14M lease interest charge; plus
- commitment fee on undrawn part of ~\$1,270M of domestic facilities of 0.96%; plus
- amortisation of facility establishment fees, discount cost of long-term provisions and other of ~\$6M pa;
- less: interest on cash (at ~0.5% pa)

# SUMMARY OF FINANCIAL ITEMS BY SEGMENT

## Sales revenue

\$M	1H FY2020	2H FY2020	FY2020	1H FY2021
Australian Steel Products	2,692.1	2,726.0	5,418.1	2,739.5
North Star BlueScope Steel	865.4	847.6	1,713.0	785.9
Building Products Asia & North America	1,492.1	1,285.4	2,777.5	1,459.3
Buildings North America	611.9	506.6	1,118.5	601.8
New Zealand and Pacific Islands	420.3	372.1	792.4	436.2
Intersegment, Corporate & Discontinued	(220.8)	(314.2)	(535.0)	(205.3)
<b>Total</b>	<b>5,861.0</b>	<b>5,423.5</b>	<b>11,284.5</b>	<b>5,817.4</b>

## Underlying EBITDA

\$M	1H FY2020	2H FY2020	FY2020	1H FY2021
Australian Steel Products	265.6	317.1	582.7	400.1
North Star BlueScope Steel	148.3	110.7	259.0	102.5
Building Products Asia & North America	129.3	125.2	254.5	195.8
Buildings North America	38.5	28.8	67.3	82.6
New Zealand and Pacific Islands	39.5	12.7	52.2	67.2
Intersegment, Corporate & Discontinued	(56.9)	(60.1)	(117.0)	(75.7)
<b>Total</b>	<b>564.3</b>	<b>534.4</b>	<b>1,098.7</b>	<b>772.5</b>

## Total steel despatches

'000 tonnes	1H FY2020	2H FY2020	FY2020	1H FY2021
Australian Steel Products	1,398.1	1,535.8	2,933.8	1,596.2
North Star BlueScope Steel	1,028.8	1,015.0	2,043.8	1,024.7
Building Products Asia & North America	855.1	739.5	1,594.6	918.2
Buildings North America	112.0	91.0	203.0	90.7
New Zealand and Pacific Islands	314.8	285.9	600.7	323.1
Intersegment, Corporate & Discontinued	(93.8)	(199.8)	(293.5)	(144.9)
<b>Total</b>	<b>3,615.0</b>	<b>3,467.4</b>	<b>7,082.4</b>	<b>3,808.0</b>

## Underlying EBIT

\$M	1H FY2020	2H FY2020	FY2020	1H FY2021
Australian Steel Products	127.9	177.2	305.1	259.1
North Star BlueScope Steel	114.5	75.1	189.6	69.6
Building Products Asia & North America	80.2	75.1	155.3	150.3
Buildings North America	24.4	13.5	37.9	70.5
New Zealand and Pacific Islands	12.9	(18.7)	(5.8)	57.4
Intersegment, Corporate & Discontinued	(57.5)	(60.6)	(118.1)	(76.3)
<b>Total</b>	<b>302.4</b>	<b>261.6</b>	<b>564.0</b>	<b>530.6</b>



# CASH FLOW STATEMENT

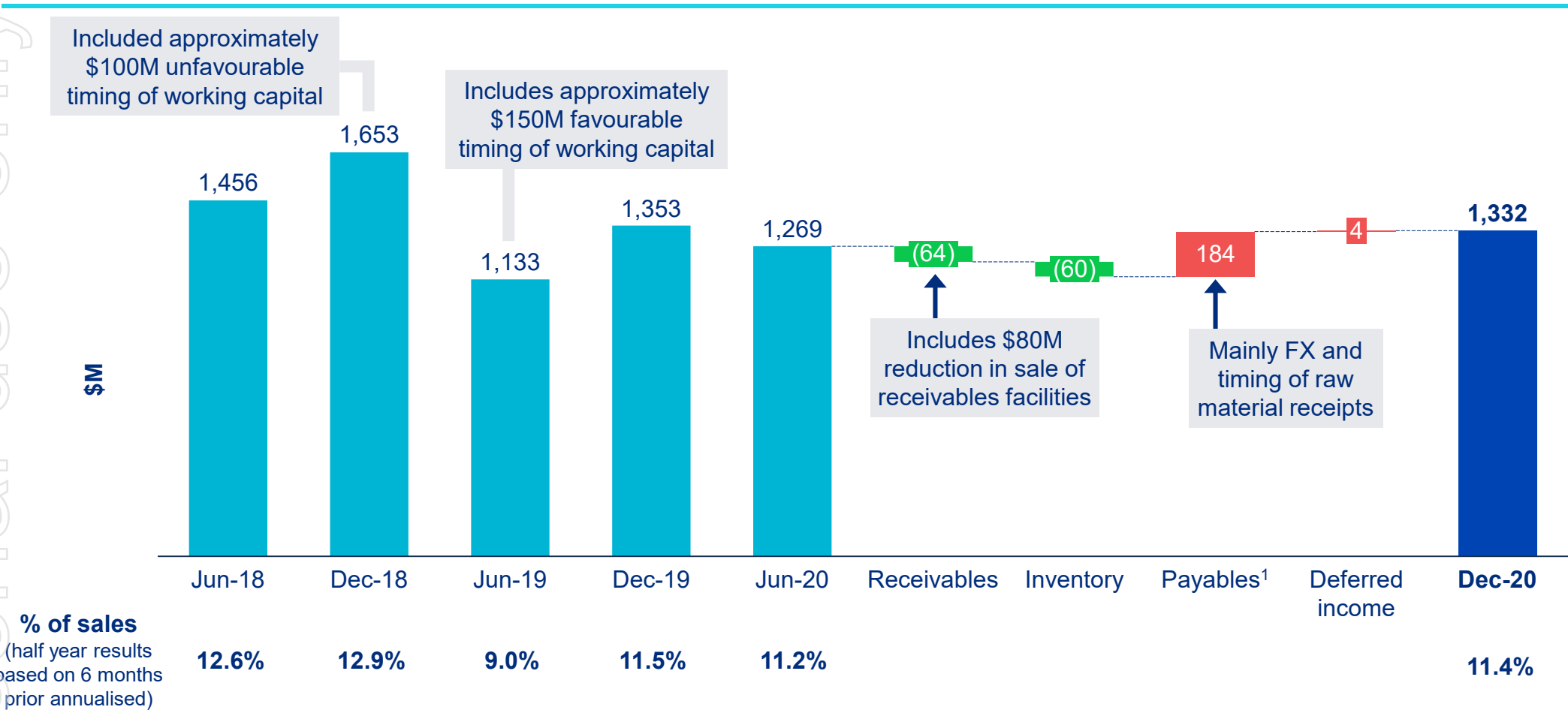
\$M	1H FY2020	2H FY2020	1H FY2021
<b>Reported EBITDA</b>	<b>555.7</b>	<b>288.7</b>	<b>771.7</b>
Adjust for other cash profit items	(6.7)	213.4	(13.6)
<b>Cash from operations</b>	<b>549.0</b>	<b>502.1</b>	<b>758.1</b>
Working capital movement (inc provisions)	(248.7)	147.9	(132.4)
<b>Gross operating cash flow</b>	<b>300.3</b>	<b>650.0</b>	<b>625.7</b>
Financing costs	(38.4)	(40.7)	(35.2)
Interest received	11.2	9.5	4.7
Income tax paid <sup>1</sup>	(37.3)	(36.7)	(29.5)
<b>Net operating cash flow</b>	<b>235.8</b>	<b>582.1</b>	<b>565.7</b>
Capex: payments for P, P & E and intangibles <sup>2</sup>	(275.6)	(304.2)	(300.6)
Other investing cash flow	11.5	(2.0)	2.1
<b>Net cash flow before financing</b>	<b>(28.3)</b>	<b>275.9</b>	<b>267.2</b>
Buy-backs of equity	(194.1)	(34.4)	-
Dividends to BSL shareholders	(41.2)	(30.3)	(40.3)
Dividends to non-controlling interests	(11.5)	(0.7)	(1.1)
Net drawing / (repayment) of borrowings	(91.6)	(76.7)	(79.9)
Other	(2.6)	(0.7)	3.0
<b>Net increase/(decrease) in cash held</b>	<b>(369.3)</b>	<b>133.1</b>	<b>148.9</b>

1H FY2021 includes \$168.2M investment in North Star expansion

1. As at 31 December 2020 the BlueScope Steel Australian tax consolidated group is estimated to have carried forward tax losses of approximately \$1.1Bn. There will be no Australian income tax payments until these losses are recovered  
2. 1H FY2021 cash capex of \$300.6M; accounting capital spend including capital accruals of \$413.1M

# WORKING CAPITAL

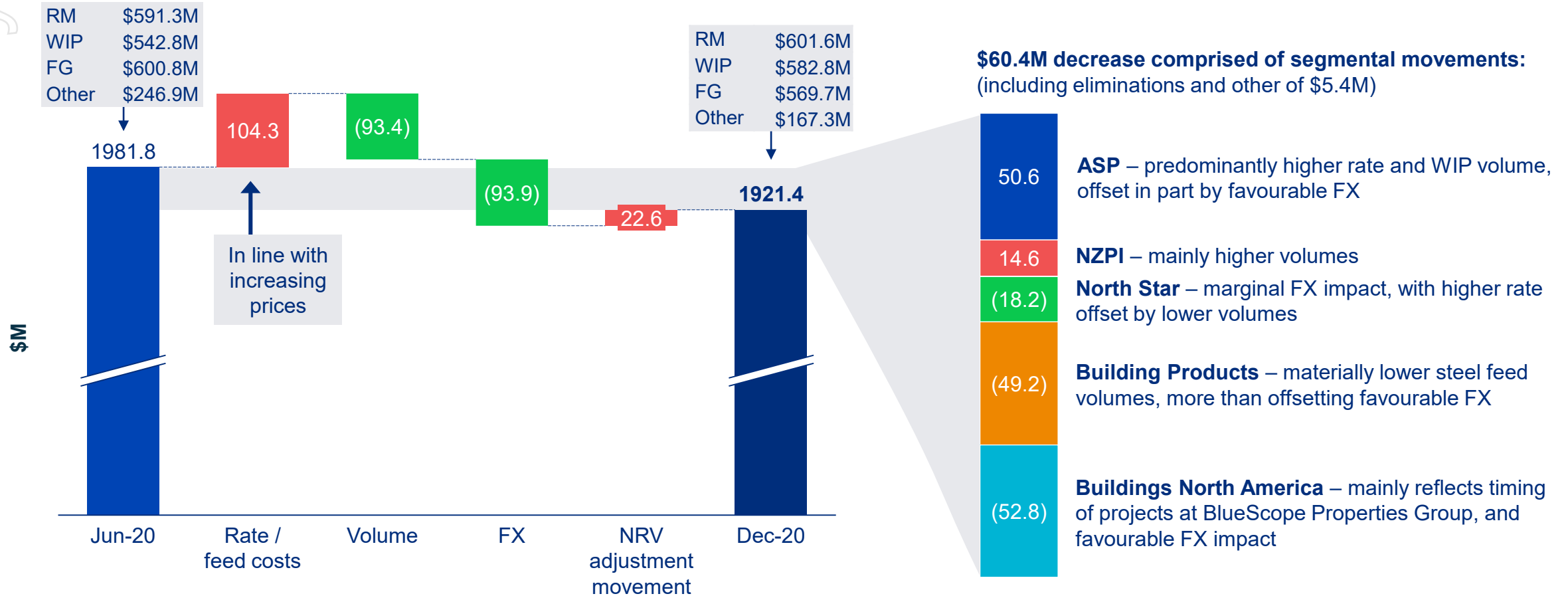
## Continued discipline in working capital management



1. Trade and sundry payables

# INVENTORY MOVEMENT

## Rigorous approach to inventory management



1. 'RM' is raw materials (including externally sourced steel feed to BSL businesses)
2. 'WIP' is work in progress
3. 'FG' is finished goods
4. 'Other' is primarily operational spare parts

# BALANCE SHEET

\$M	31 Dec 2019	30 Jun 2020	31 Dec 2020
<b>Assets</b>			
Cash	1,273.4	1,399.5	1,495.1
Receivables and Contract Assets *	1,177.2	1,153.4	1,089.3
Inventory *	2,061.3	1,981.8	1,921.4
Property, Plant & Equipment	4,154.7	4,175.3	4,237.0
Right Of Use Assets	387.0	338.0	316.2
Intangible Assets	1,816.1	1,835.8	1,644.1
Other Assets	680.2	676.5	622.2
<b>Total Assets</b>	<b>11,549.9</b>	<b>11,560.3</b>	<b>11,325.3</b>
<b>Liabilities</b>			
Trade & Sundry Creditors *	1,711.3	1,651.4	1,467.7
Capital & Investing Creditors	54.5	87.0	188.7
Borrowings	804.7	784.0	683.7
Lease Liabilities	515.6	536.4	506.2
Deferred Income and Contract Liabilities *	174.6	215.3	211.1
Retirement Benefit Obligations	266.0	439.7	332.5
Provisions & Other Liabilities	741.5	806.9	823.0
<b>Total Liabilities</b>	<b>4,268.2</b>	<b>4,520.7</b>	<b>4,212.9</b>
<b>Net Assets</b>	<b>7,281.7</b>	<b>7,039.6</b>	<b>7,112.4</b>
Note *: Items included in net working capital	1,352.6	1,268.5	1,331.9



# COMMITTED DEBT FACILITIES AS AT 31 DECEMBER 2020

	Maturity	Committed		Drawn
		Local currency	A\$M	A\$M
Syndicated Bank Facility				
- Tranche 1	Aug 2023	A\$400M	A\$400M	-
- Tranche 2	Aug 2024	A\$400M	A\$400M	-
- Tranche 3	May 2022	A\$405M	A\$405M	-
Reg-S Bonds	May 2023	US\$300M	A\$390M	A\$390M
Inventory Finance	Sep 2022	US\$55M	A\$72M	-
NS BlueScope JV facilities (100%)				
- Corporate facilities	Mar 2021 – Oct 2024	US\$276M	A\$359M	A\$115M
- Thailand facilities	Jun 2021 – Dec 2025	THB 3,640M	A\$158M	A\$89M
- Malaysian facilities	Mar 2021 – Oct 2024	MYR 375M	A\$121M	A\$62M
Leases	Various	A\$506M	A\$506M	A\$506M
<b>Total</b>			<b>A\$2,811M</b>	<b>A\$1,162M</b>

- In addition to debt facilities, BSL has:
  - \$389M of off-balance sheet sale of receivables program of which \$344M was drawn at 31 December 2020, and
  - other items in total debt of \$28M

1. Assumes A\$:US\$ at US\$0.7685

# INDICATIVE HALF YEAR EBIT SENSITIVITIES<sup>1</sup>

**Sensitivities may vary subject to volatility in prices, currencies and market dynamics – refer to page 77**

Australian Steel Products segment		New Zealand Steel & Pacific Steel segment		North Star segment	
+/- US\$10/t move in average benchmark hot rolled coil price		+/- US\$10/t move in benchmark steel prices (HRC and rebar)		+/- US\$10/t move in realised HRC spread	+/- \$13M
- direct sensitivity <sup>2</sup>	+/- \$6M	- direct sensitivity <sup>9</sup>	+/- \$1M	(HRC price less cost of scrap and pig iron)	
- indirect sensitivity <sup>3</sup>	+/- \$8-10M	- indirect sensitivity <sup>10</sup>	+/- \$3-4M		
+/- US\$10/t move in iron ore costs	-/+ \$29M	+/- US\$10/t move in market-priced coal costs <sup>11</sup>	-/+ \$3M		
+/- US\$10/t move in coal costs <sup>4</sup>	-/+ \$13M	+/- 1¢ move in AUD:USD exchange rate			
+/- 1¢ move in AUD:USD exchange rate		- direct sensitivity <sup>5</sup>	-/+ \$1M <sup>8</sup>		
- direct sensitivity <sup>5</sup>	+/- \$6-7M <sup>7</sup>	- indirect sensitivity <sup>12</sup>	-/+ \$2-3M <sup>8</sup>		
- indirect sensitivity <sup>6</sup>	-/+ \$8-11M <sup>8</sup>				
				Group	
				+/- 1¢ move in AUD:USD exchange rate (direct) <sup>13</sup>	+/- \$1M <sup>8</sup>

- Page shows full sensitivities to movement in key external factors, as if that movement had applied for the complete six months. Analysis assumes 2H FY2021 base exchange rate of US\$0.77. There are other factors that impact the Company's financial performance which are not shown. The sensitivities provided are general indications only and actual outcomes can vary due to a range of factors such as volumes, mix, margins, pricing lags, hedging, one-off costs etc.
- Includes US\$ priced export products and domestic hot rolled coil sold into the pipe & tube market.
- Sensitivity shows the potential impact on Australian domestic product prices (A\$ priced) other than painted steels and hot rolled coil sold into the pipe & tube market. Sensitivity is subject to lags and market factors, and is less certain particularly in the short term.
- Coal cost sensitivity does not include coal purchases for export coke sales.
- Includes the impact on US dollar denominated export prices and costs and restatement of US dollar denominated receivables and payables.
- Also includes potential impact on Australian domestic product prices (A\$ priced) other than painted steels and hot rolled coil sold into the pipe & tube market. Sensitivity is subject to lags and market factors, and is less certain particularly in the short term.
- A decrease in the A\$/US\$ suggests an unfavourable impact on earnings.
- A decrease in the A\$/US\$ suggests a favourable impact on earnings.
- Includes US\$ priced export flat and long steel products (includes Pacific Steel products)
- Sensitivity shows the potential impact on NZ domestic flat and long steel product prices (A\$ priced) other than painted steels (includes Pacific Steel products). Sensitivity is subject to lags and market factors, and is less certain particularly in the short term.
- Sensitivity encompasses the component of New Zealand Steel's annual thermal coal requirement which is imported and priced at prevailing market prices. Excludes the component coal supply which is domestically sourced on long term contract price.
- Also includes potential impact on NZ domestic flat and long steel product prices (A\$ priced) other than painted steels (includes Pacific Steel products). Sensitivity is subject to lags and market factors, and is less certain particularly in the short term.
- Includes direct sensitivities for ASP and New Zealand & Pacific Steel segments, together with impact of translating earnings of US\$ linked offshore operations to A\$.

ersonal use only

# Additional Information: Segment Material



# AUSTRALIAN STEEL PRODUCTS

## Financial and despatch summaries

### Key segment financial items

\$M unless marked	1H FY2020	2H FY2020	FY2020	1H FY2021
Revenue	2,692.1	2,726.0	5,418.1	2,739.5
Underlying EBITDA	265.6	317.1	582.7	400.1
Underlying EBIT	127.9	177.2	305.1	259.1
Reported EBIT	127.9	177.2	305.1	259.1
Capital & investment expenditure	99.0	131.6	230.6	74.8
Net operating assets (pre tax)	2,667.4	2,626.4	2,626.4	2,779.5
Total steel despatches (kt)	1,398.1	1,535.7	2,933.8	1,596.2

### Despatches breakdown

'000 Tonnes	1H FY2020	2H FY2020	FY2020	1H FY2021
Hot rolled coil	269.3	278.9	548.2	286.1
Plate	160.4	151.7	312.1	146.2
CRC, metal coated, painted & other <sup>1</sup>	646.2	662.4	1,308.6	744.0
<b>Domestic despatches of BSL steel</b>	<b>1,075.9</b>	<b>1,093.0</b>	<b>2,168.9</b>	<b>1,176.3</b>
Channel desp. of ext. sourced steel <sup>2</sup>	62.1	56.3	118.4	73.2
<b>Domestic despatches total</b>	<b>1,138.0</b>	<b>1,149.3</b>	<b>2,287.3</b>	<b>1,249.5</b>
Hot rolled coil	39.8	142.9	182.7	126.5
Plate	12.4	7.1	19.5	11.2
CRC, metal coated, painted & other <sup>1</sup>	207.0	231.7	438.7	208.1
<b>Export despatches of BSL steel</b>	<b>259.2</b>	<b>381.7</b>	<b>640.9</b>	<b>345.8</b>
Channel desp. of ext. sourced steel	0.9	4.7	5.6	0.8
<b>Export despatches total</b>	<b>260.1</b>	<b>386.4</b>	<b>646.5</b>	<b>346.6</b>
<b>Total steel despatches<sup>3</sup></b>	<b>1,398.1</b>	<b>1,535.7</b>	<b>2,933.8</b>	<b>1,596.1</b>
Export coke despatches	431.9	352.7	784.6	336.6

1. Product volumes are ex-mills (formerly CIPA). Other includes inventory movements in downstream channels

2. Primarily long products sold through downstream business

3. Includes the following sales through downstream channels (formerly BCDA segments)

(4.8) (6.6) (11.2) (6.1)

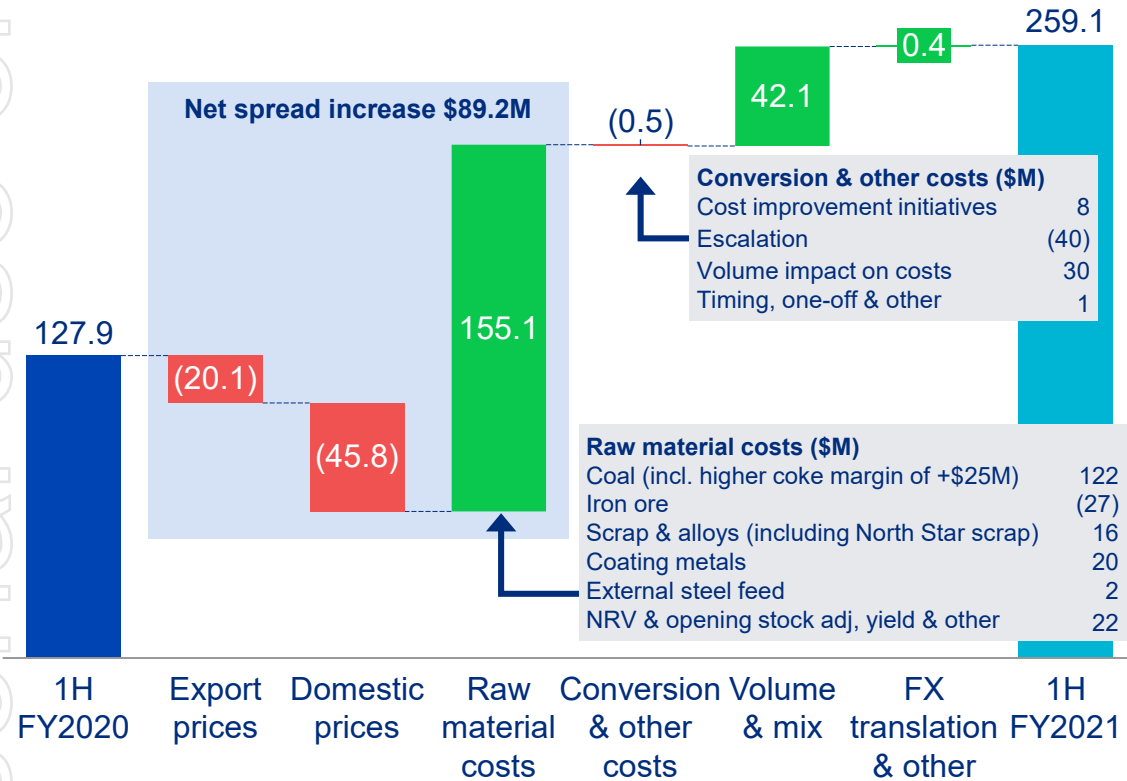
430.1 427.5 857.6 444.2



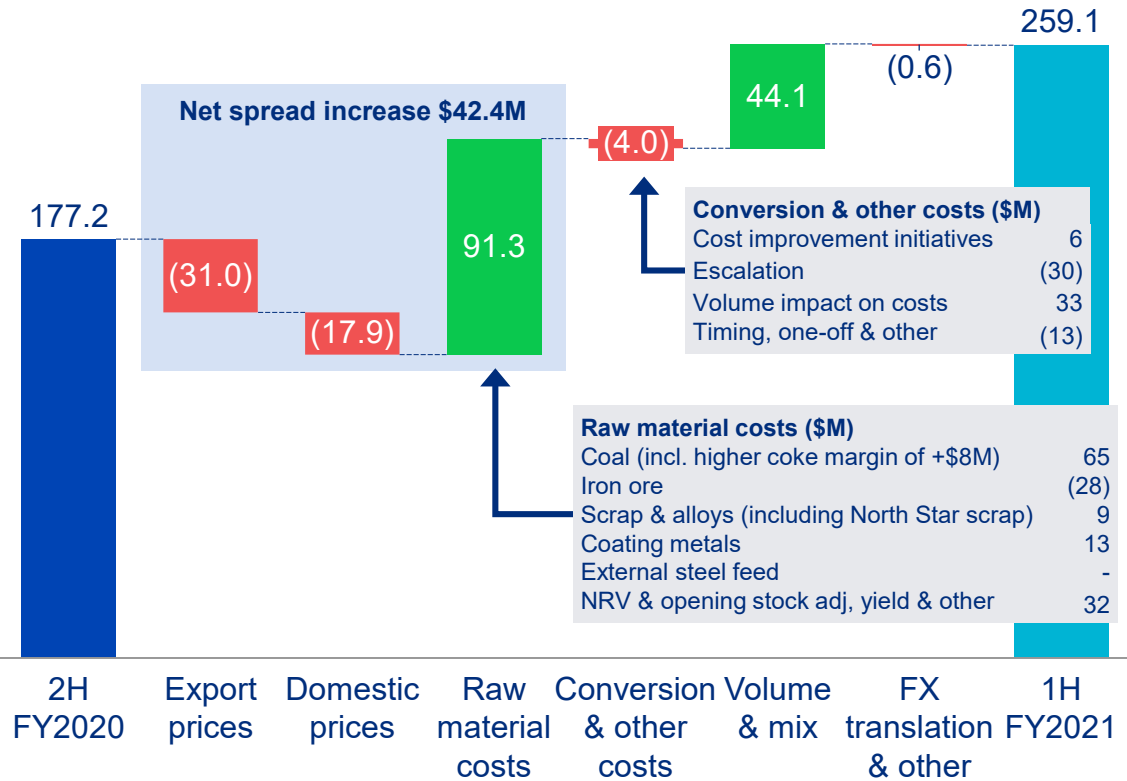
# AUSTRALIAN STEEL PRODUCTS

## Underlying EBIT variance

### 1H FY2021 vs 1H FY2020 (\$M)



### 1H FY2021 vs 2H FY2020 (\$M)

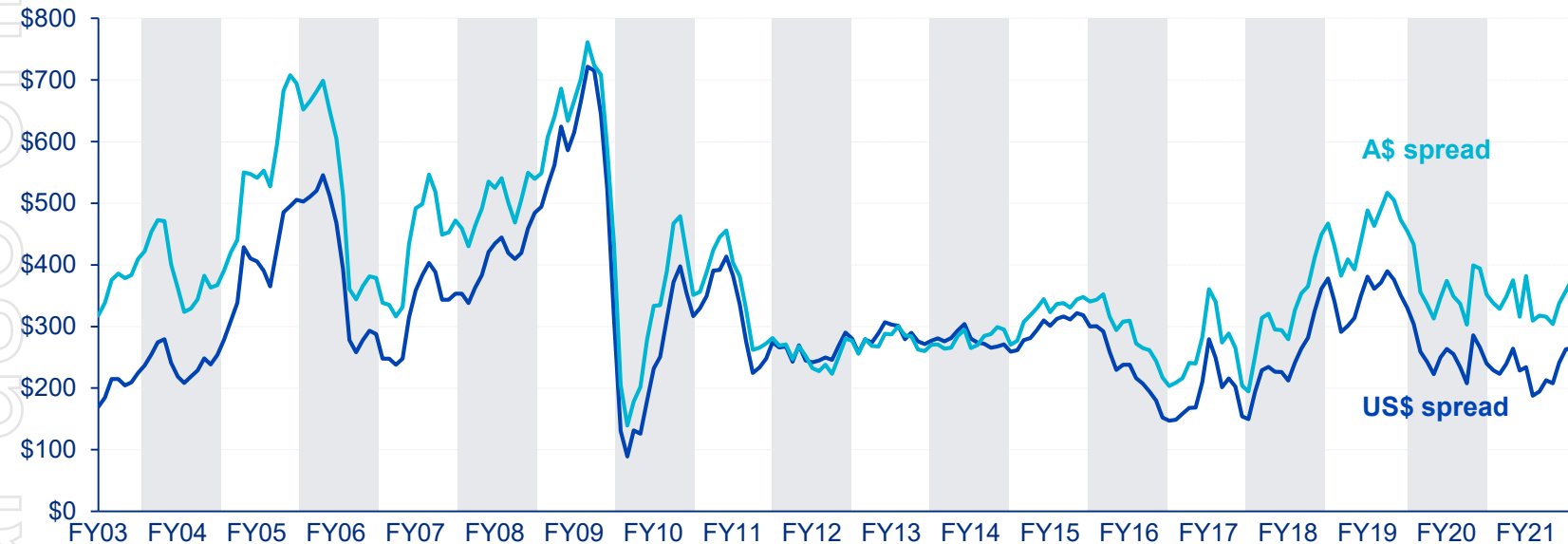


Note: FX translation relates to translation of foreign currency earnings to A\$, transactional foreign exchange impacts are reflected in the individual categories

# AUSTRALIAN STEEL PRODUCTS

**Spot spreads have contracted due to softening HRC prices and increasing raw material rates**

## Indicative steelmaker HRC lagged spread



### Notes on calculation:

- 'Indicative steelmaker HRC spread' representation based on simple input blend of 1.5t iron ore fines and 0.71t hard coking coal per output tonne of steel. Chart is not a specific representation of BSL realised HRC spread (eg does not account for iron ore blends, realised steel prices etc), but rather is shown to primarily demonstrate movements from period to period.
- SBB East Asia HRC price lagged by three months up to Dec 2017, four months thereafter – broad indicator for Australian domestic lag, but can vary.
- Indicative iron ore pricing: 62% Fe iron ore fines price assumed. Industry annual benchmark prices up to March 2010. Quarterly index average prices lagged by one quarter from April 2010 to March 2011; 50/50 monthly/quarterly index average from April 2011 to December 2012. Monthly thereafter. FOB Port Hedland estimate deducts Baltic cape index freight cost from CFR China price. Lagged by three months.
- Indicative hard coking coal pricing: low-vol, FOB Australia. Industry annual benchmark prices up to March 2010; quarterly prices from April 2010 to March 2011; 50/50 monthly/quarterly pricing from April 2011 to Dec 2017; monthly thereafter. Lagged by two months up to Dec 2017; three months thereafter.

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	1H FY21	Spot <sup>1</sup>
East Asian HRC price, lagged (US\$/t)	560	497	317	419	535	559	491	443	628
Indicative spread with pricing lags (US\$/t)	276	292	182	214	303	320	245	213	287
Indicative spread with pricing lags (A\$/t)	295	331	247	284	390	431	351	328	369
A\$:US\$ (3 month lag)	0.93	0.87	0.74	0.75	0.77	0.73	0.68	0.69	0.78

1. Spot rates as at mid February 2021, unlagged

Spread: SBB East Asia HRC price less cost of 1.5t iron ore fines and 0.71t hard coking coal. Sourced from SBB, CRU, Platts, TSI, Reserve Bank of Australia, BlueScope Steel calculations

# AUSTRALIAN STEEL PRODUCTS

## Relationships with benchmark pricing

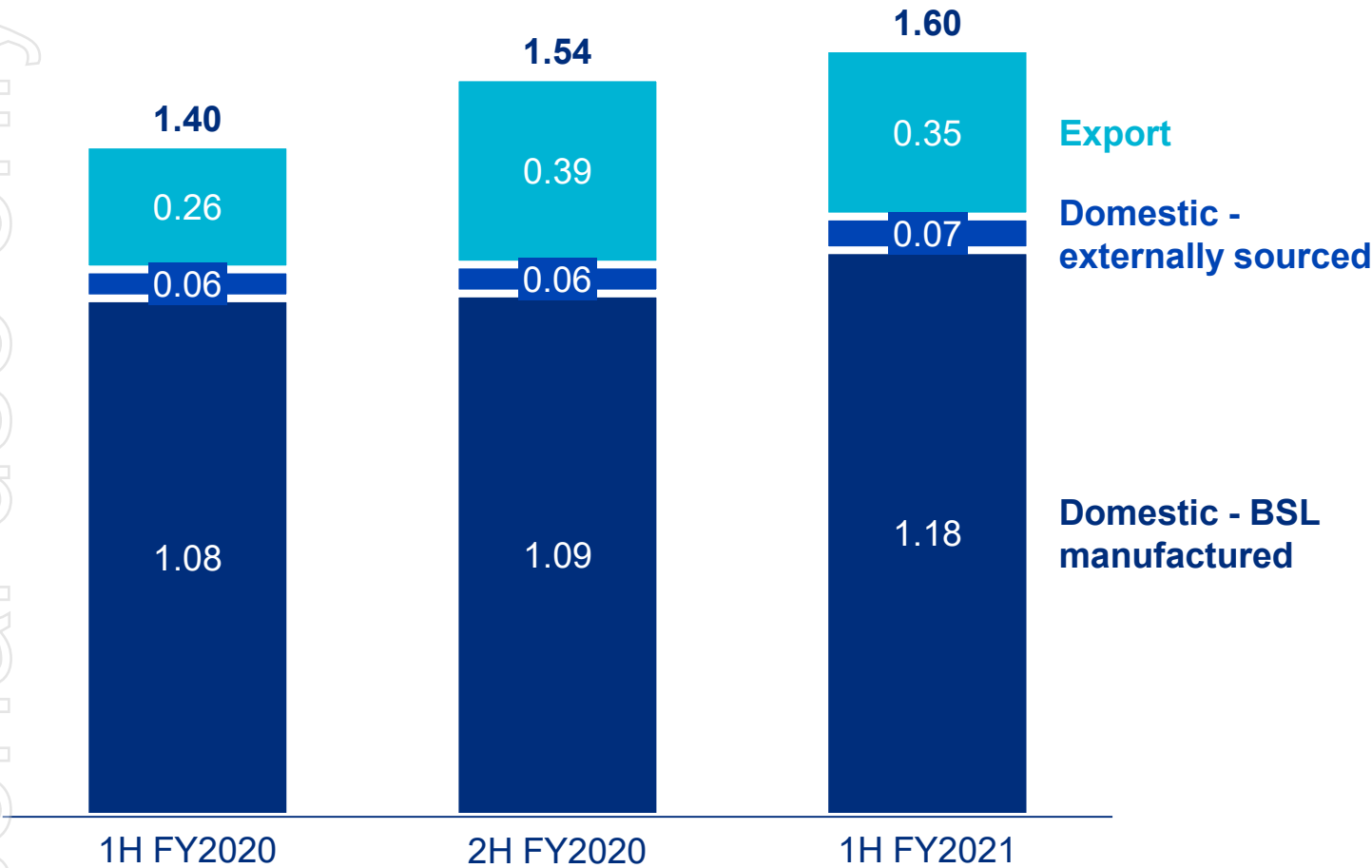
Steel prices	<ul style="list-style-type: none"> <li>Selling prices across majority of domestic product correlated with SBB East Asia HRC price; lagged generally three to five months; degree of correlation between realised and benchmark prices can vary within a given half year but is more fully reflected over the medium term</li> <li>Export sales generally moving on a two month lag to a mix of SBB East Asia HRC (majority of the influence) and also US HRC pricing</li> </ul>
Coal prices	<ul style="list-style-type: none"> <li>Hard coking coal: pricing and sourcing remains somewhat fluid. General guide at present is majority monthly pricing with reference to the FOB Australia premium low volatility metallurgical coal price, on a three month lag</li> <li>PCI: on a three month lag to low volatility PCI FOB Australia index</li> </ul>
Iron ore prices	<ul style="list-style-type: none"> <li>Three month lag to index pricing (Platts IODEX 62% Fe CFR China)</li> <li>Lump premium based on spot iron ore lump premium 62.5% Fe CFR China</li> <li>Pellet premium based on spot blast furnace iron ore pellet premium 65% CFR China</li> </ul>
Coating metals and scrap	<ul style="list-style-type: none"> <li>Zinc &amp; aluminium: ASP currently uses around 40kt and 14kt of zinc and aluminium respectively. Recommend one month lag to LME contract prices</li> <li>Scrap: generally moving on three month lag with reference to Platts HMS 1/2 80:20 CFR East Asia (Dangjin)</li> </ul>
Export metallurgical coke	<ul style="list-style-type: none"> <li>Export coke sales approx. ~650,000-700,000 dry metric tonne p.a., sold direct to end users (steelmakers) or via trading partners into regions such as India, Europe and South America. Hard coking coal (Premium low vol HCC FOB Aus) is key input, with approx. ~75% yield factor from HCC to met coke</li> <li>Seaborne price for met coke has historically been related to movements in the Chinese domestic coke price. As of more recently, however, the index is no longer considered to be a reliable indicator of the price BlueScope realises for export coke due to supply-demand dynamics and quality differences.</li> </ul>

The raw materials 'recipe' to produce a tonne of hot rolled coil at Port Kembla is shown on page 79

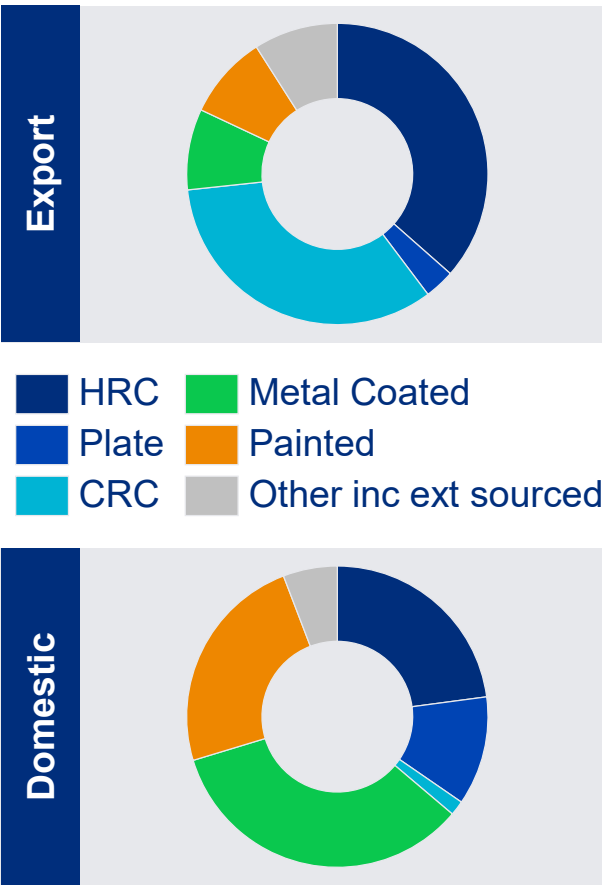
Note that degree of correlation between realised and benchmark prices can vary within a given half year but is more fully reflected over the medium term.

# AUSTRALIAN STEEL PRODUCTS

Despatch mix (Mt)



1H FY2021 Product Mix



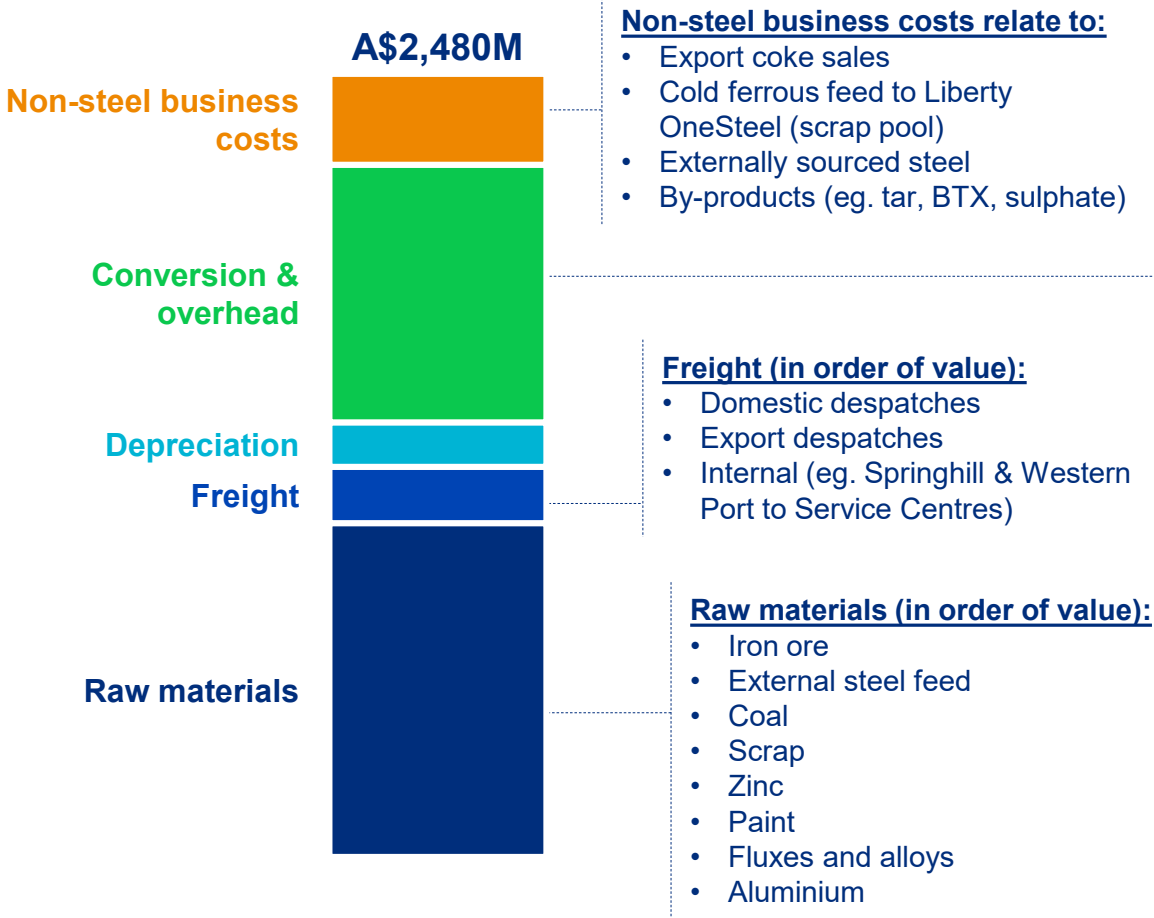


# AUSTRALIAN STEEL PRODUCTS

## 1H FY2021 Revenue



## 1H FY2021 Underlying costs (to EBIT line)



### Conversion & overhead components (in order of value):

- Direct labour
- Repairs & maintenance
- Utilities
- Services & contractors
- Consumables
- Sales & administration
- Other

### **Indicative 'recipe' of raw materials per output tonne of HRC:**

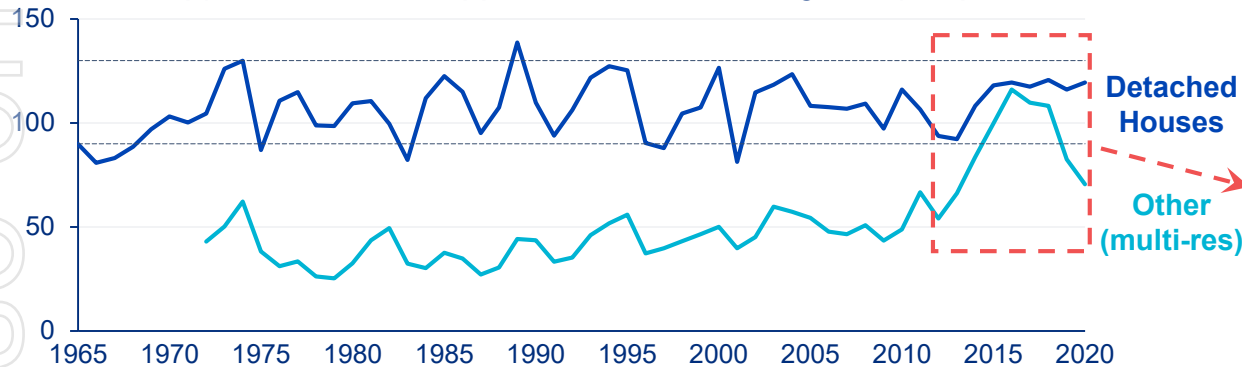
- 1.13t iron ore fines (sintering)
- 0.23t lump ore (into BF)
- 0.06t pellets (into BF)
- 0.50t hard coking coal (into BF)
- 0.13t PCI (into BF)
- 0.24t scrap (into BOS), of which 45% sourced internally

# AUSTRALIAN STEEL PRODUCTS

## Residential demand held up during 2020 despite pandemic; leading indicators highlight stimulus driven rebound

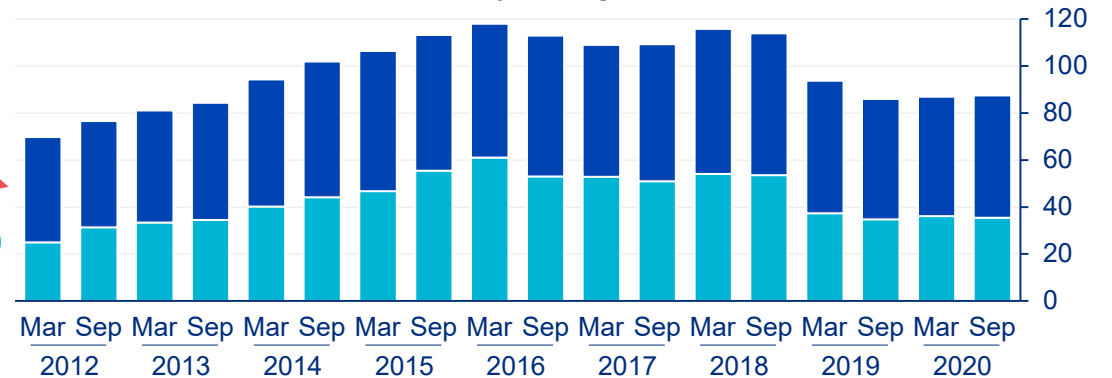
### Long-Term Dwelling Approvals: rolling 12 months<sup>1</sup> ('000)

Detached approvals towards upper end of historic range despite pandemic



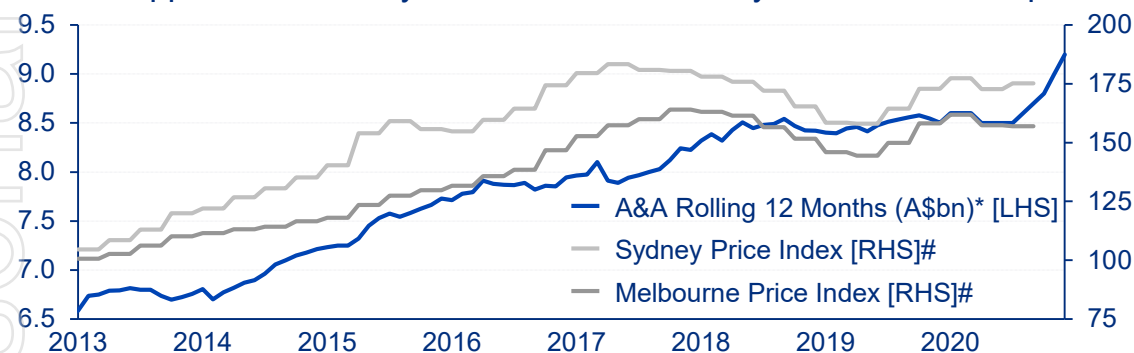
### Dwelling Commencements: by halves<sup>2</sup> ('000)

Pandemic restrictions impacted activity during 2020



### A&A Building Approvals and Established House Prices<sup>3</sup>

Record approvals driven by redirected discretionary funds and stable prices



### Performance of Construction Index<sup>4</sup>

Leading indicators highlighting success of government stimulus for houses



Note: A&A: Alterations & Additions

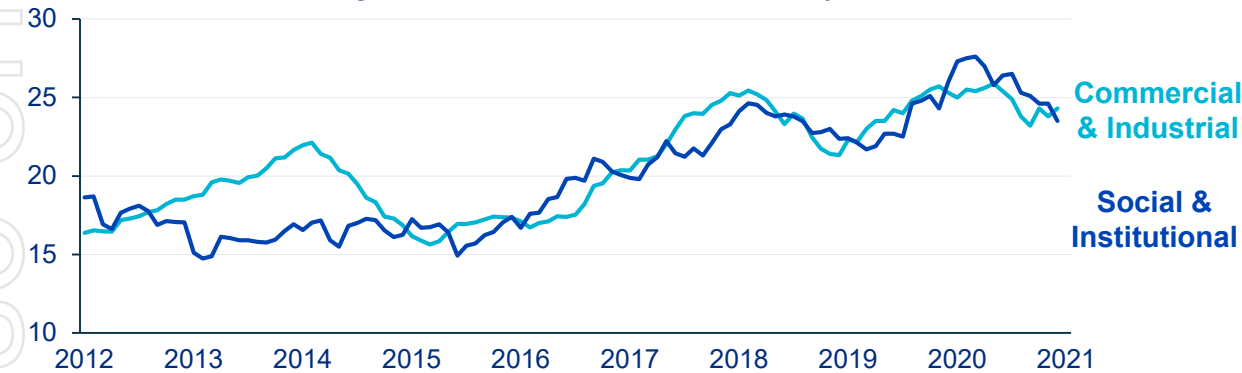
Sources: (1) ABS series 8731, table 11; original data; data to Dec-20 Qtr (2) ABS series 8752, table 33; seasonally adjusted data; total sectors (3) ABS series 6416, table 2; original data; 2011-12=100; data to Sep-20 Qtr, ABS series 8731, table 38; seasonally adjusted; current \$; data to Dec-20 (4) Australian Industry Group; seasonally adjusted data; data to Jan-21

# AUSTRALIAN STEEL PRODUCTS

## Approvals and activity relatively stable, outperforming initial expectations of pandemic impact

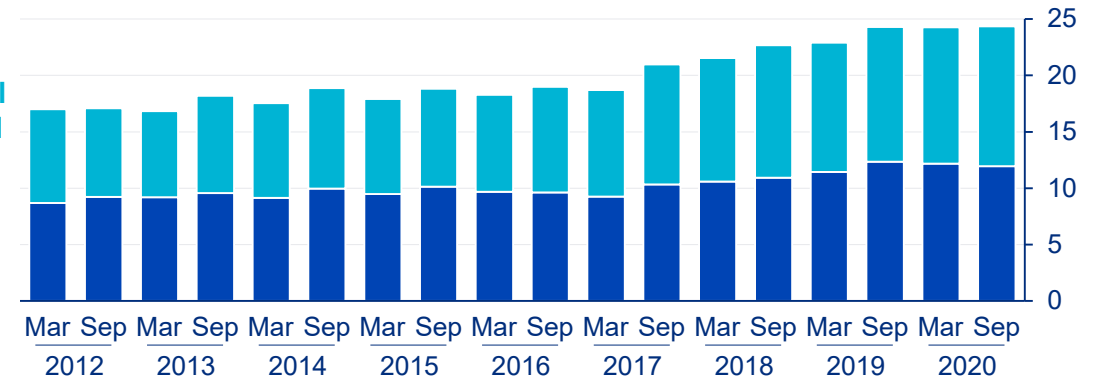
### Non-Residential Building Approvals: rolling 12 months<sup>1</sup> (A\$bn)

Despite recent softening, approvals remain at historically robust levels



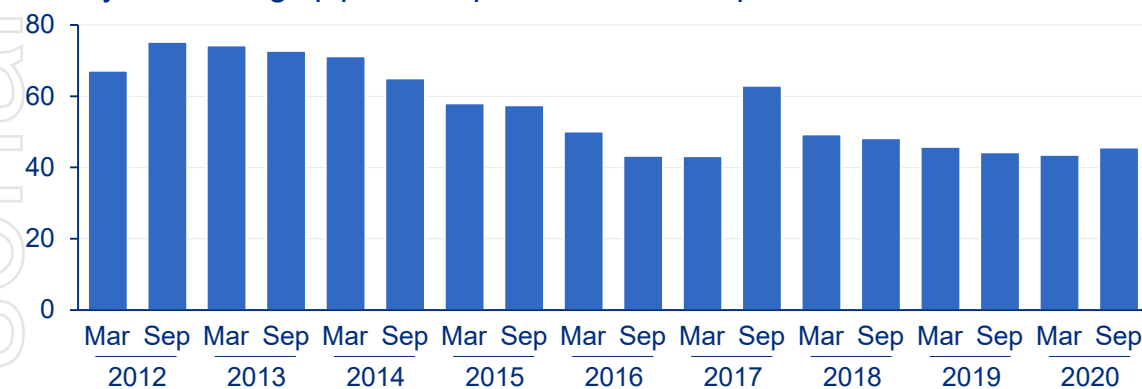
### Non-Residential Work Done: by halves<sup>2</sup> (A\$bn)

Activity levels through 2020 held up despite pandemic overhang



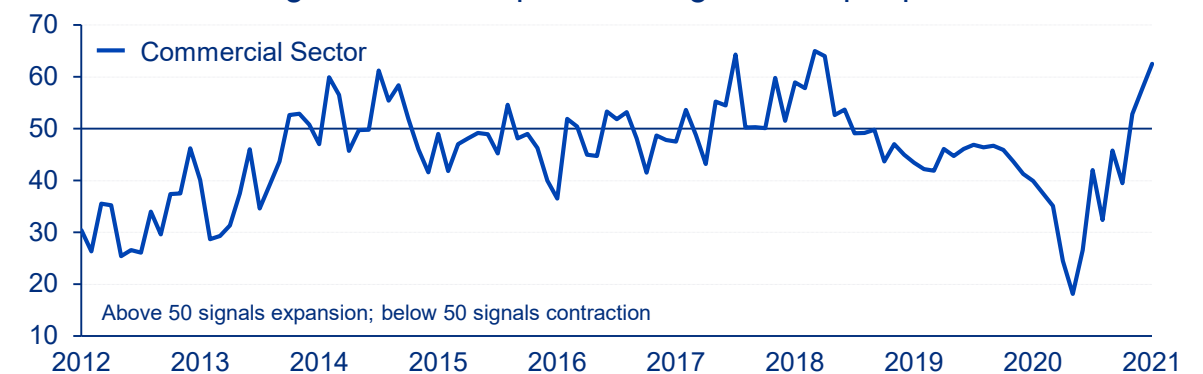
### Engineering Construction Work Done: by halves<sup>3</sup> (A\$bn)

Activity stable; large pipeline of public investment planned



### Performance of Construction Index<sup>4</sup>

Rebound in leading indicator to expansion range, above pre-pandemic levels



Sources: (1) ABS series 8731, table 51; original data; current \$; total sectors; data to Dec-20 (2) ABS series 8752, table 51; original data; current \$; total sectors (3) ABS series 8762, table 1; seasonally adjusted data; real \$; total sectors (4) Australian Industry Group; seasonally adjusted data; data to Jan-21

## Financial and despatch summaries

### Key segment financial items (A\$M)

\$M unless marked	1H FY2020	2H FY2020	FY2020	1H FY2021
Revenue	865.4	847.6	1,713.0	785.9
Underlying EBITDA	148.3	110.7	259.0	102.5
Underlying EBIT	114.5	75.1	189.6	69.6
Reported EBIT	113.5	74.2	187.7	67.8
Capital & investment expenditure	98.4	139.4	237.8	311.7
Net operating assets (pre tax)	1,958.6	2,059.4	2,059.4	2,055.9
Total steel despatches (kt)	1,028.8	1,015.0	2,043.8	1,024.7

### Key segment financial items (US\$M)

\$M unless marked	1H FY2020	2H FY2020	FY2020	1H FY2021
Revenue	592.0	557.1	1,149.1	569.1
Underlying EBITDA	101.6	72.7	174.3	75.0
Underlying EBIT	78.3	49.1	127.4	51.2
Reported EBIT	77.6	48.6	126.2	49.9
Capital & investment expenditure	67.2	91.6	158.8	225.4
Net operating assets (pre tax)	1,370.4	1,415.2	1,415.2	1,580.0



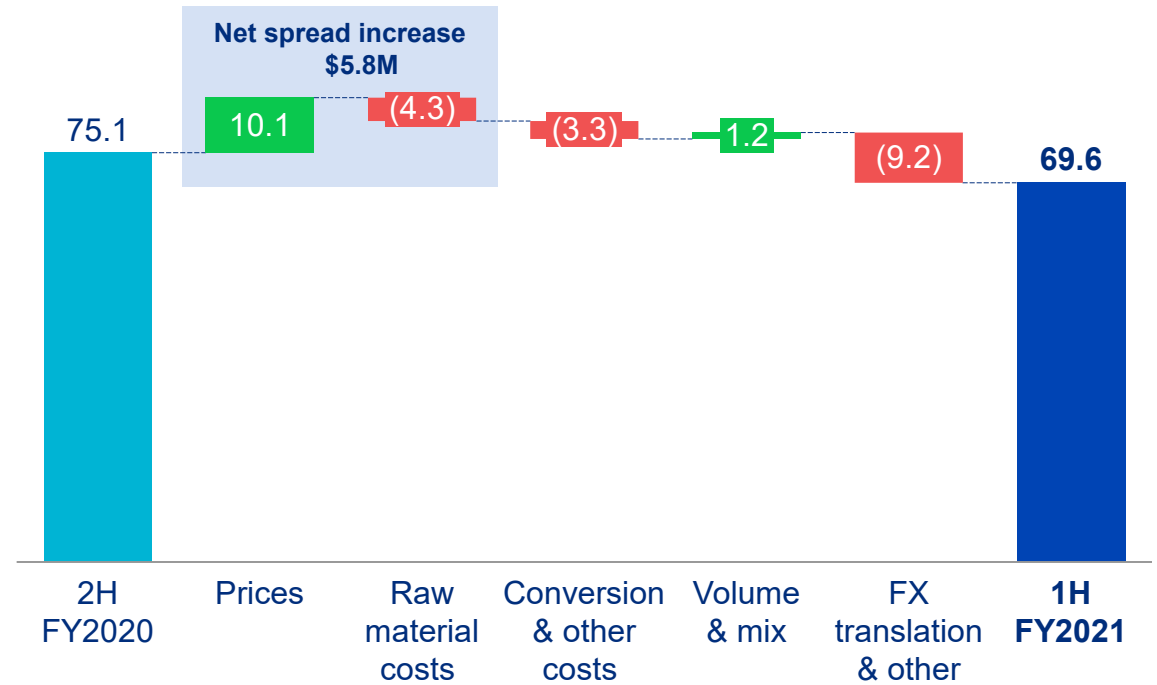
# NORTH STAR

## Underlying EBIT variance

### 1H FY2021 vs 1H FY2020 (\$M)



### 1H FY2021 vs 2H FY2020 (\$M)



Note: FX translation relates to translation of foreign currency earnings to A\$, transactional foreign exchange impacts are reflected in the individual categories

## North Star expansion capital spend profile

### Accounting capital spend (incl. capital accruals)

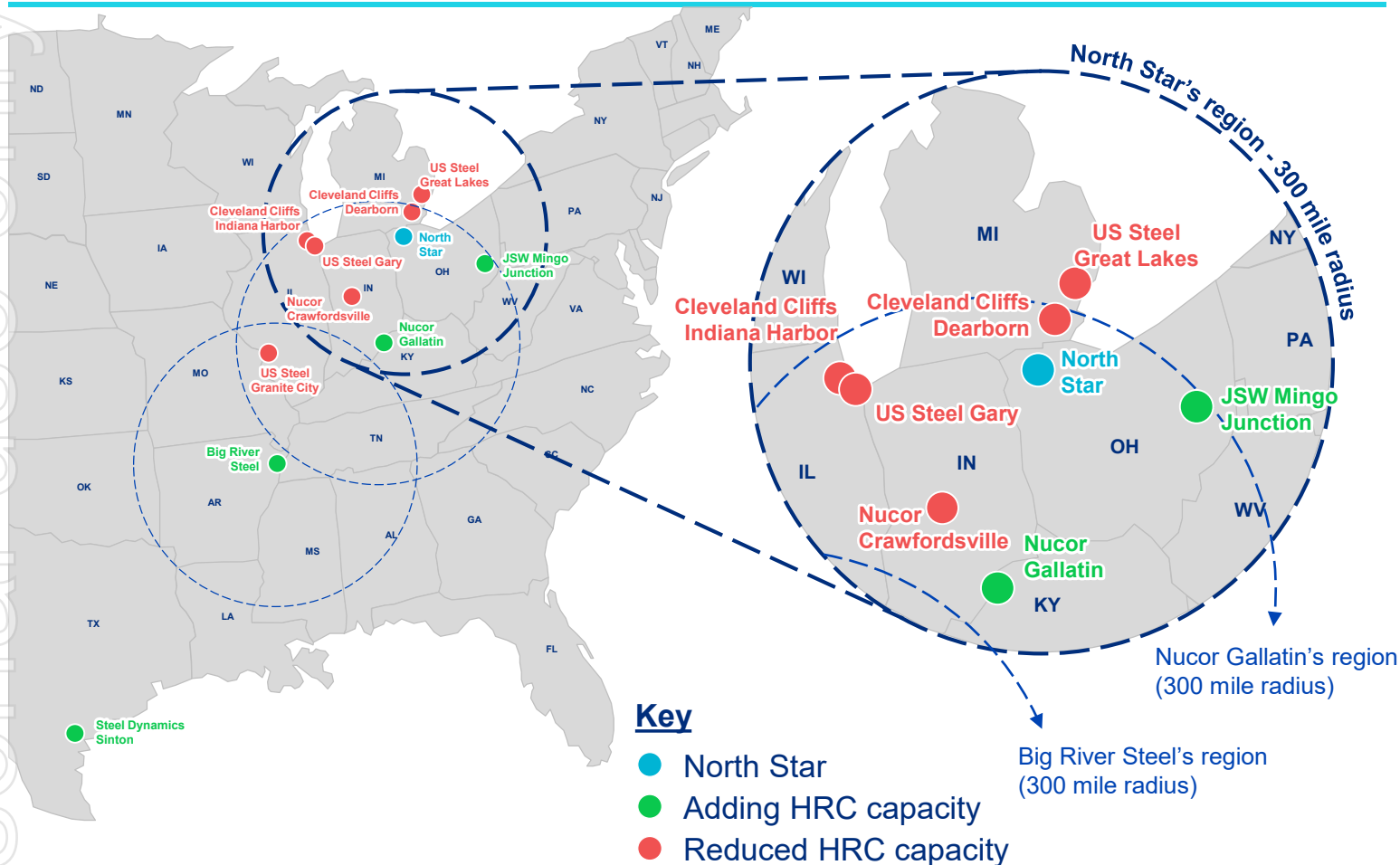
	Total up to 30 Jun 2020	1H FY2021	2H FY2021 (expected)	FY2022 (expected)
US\$M	140.7	212.7	~200	~150
A\$M	210.0	294.0	~270	~225

### Cash capital spend

	Total up to 30 Jun 2020	1H FY2021	2H FY2021 (expected)	FY2022 (expected)
US\$M	122.3	121.8	~230	~225
A\$M	181.8	168.2	~300	~350

# NORTH STAR

**In North Star's region, blast furnace closures will more than offset the return of temporarily idled mills and new capacity projects coming online**



Permanent Closures / Additions	Distance from North Star	HRC Capacity Change (on 2019)
<b>Within Region</b>		
<b>North Star</b>		
Delta, OH	-	+ 0.85mt
<b>Nucor</b>		
Ghent, KY	200 miles	+ 1.3mt
Crawfordsville, IN <sup>1</sup>	140 miles	- 0.9mt
<b>JSW Steel</b>		
Mingo Junction, OH	195 miles	+ 1.5mt (targeted)
<b>Cleveland Cliffs</b>		
Dearborn, MI <sup>1</sup>	215 miles	- 3.0mt
Indiana Harbor, IN	180 miles	- 0.8mt
<b>US Steel</b>		
Gary, IN	175 miles	- 1.0mt
Great Lakes, MI	65 miles	- 3.7mt
<b>Subtotal</b>		<b>- 5.8mt</b>
<b>Outside Region</b>		
<b>Big River Steel</b>		
Osceloa, AR	510 miles	+ 1.5mt
<b>Steel Dynamics</b>		
Sinton, TX	1200 miles	+ 2.7mt
<b>US Steel</b>		
Granite City, IL	400 miles	- 1.2mt
<b>Subtotal</b>		<b>+ 3.0mt</b>
<b>National total</b>		<b>- 2.8mt</b>

<sup>1</sup>. Capacity closure to amalgamate production at other sites, not expected to reduce aggregate company HRC output

# BUILDING PRODUCTS ASIA & NORTH AMERICA

## Financial and despatch summaries

### Key segment financial items

\$M unless marked	1H FY2020	2H FY2020	FY2020	1H FY2021
Revenue	1,492.1	1,285.4	2,777.5	1,459.3
Underlying EBITDA	129.3	125.2	254.5	195.8
Underlying EBIT	80.2	75.1	155.3	150.3
Reported EBIT	79.4	68.2	147.6	148.3
Capital & investment expenditure	22.7	29.1	51.8	16.3
Net operating assets (pre tax)	1,526.2	1,450.1	1,450.1	1,267.9
Total steel despatches (kt)	855.1	739.5	1,594.6	918.2

### Revenue by business

\$M	1H FY2020	2H FY2020	FY2020	1H FY2021
Thailand	236.3	276.3	512.6	254.2
Indonesia	144.4	104.9	249.3	127.2
Malaysia	121.1	67.9	189.0	130.0
Vietnam	106.9	99.1	206.0	109.3
North America	448.1	425.6	873.7	419.1
India <sup>1</sup>	-	-	-	-
China	435.7	311.7	747.4	419.5
Other / Eliminations	(0.4)	(0.1)	(0.5)	-
<b>Total</b>	<b>1,492.1</b>	<b>1,285.4</b>	<b>2,777.5</b>	<b>1,459.3</b>

### Despatches by business

'000 metric tonnes	1H FY2020	2H FY2020	FY2020	1H FY2021
Thailand	132.8	172.4	305.2	175.0
Indonesia	85.9	64.2	150.1	87.7
Malaysia	72.7	41.0	113.7	82.2
Vietnam	62.6	57.5	120.1	71.0
North America	192.3	181.0	373.3	194.7
India	54.7	48.5	103.2	70.0
China	254.3	175.1	429.4	237.6
Other / Eliminations	(0.2)	(0.2)	(0.4)	-
<b>Total</b>	<b>855.1</b>	<b>739.5</b>	<b>1,594.6</b>	<b>918.2</b>

### Underlying EBIT by business

\$M	1H FY2020	2H FY2020	FY2020	1H FY2021
Thailand	8.2	20.0	28.2	27.7
Indonesia	9.7	(1.3)	8.4	7.2
Malaysia	4.0	(5.1)	(1.1)	10.7
Vietnam	8.4	7.0	15.4	11.8
North America	5.6	34.6	40.2	39.3
India	9.9	7.1	17.0	14.1
China	36.7	14.5	51.2	42.0
Other / Eliminations	(2.3)	(1.7)	(4.0)	(2.5)
<b>Total</b>	<b>80.2</b>	<b>75.1</b>	<b>155.3</b>	<b>150.3</b>

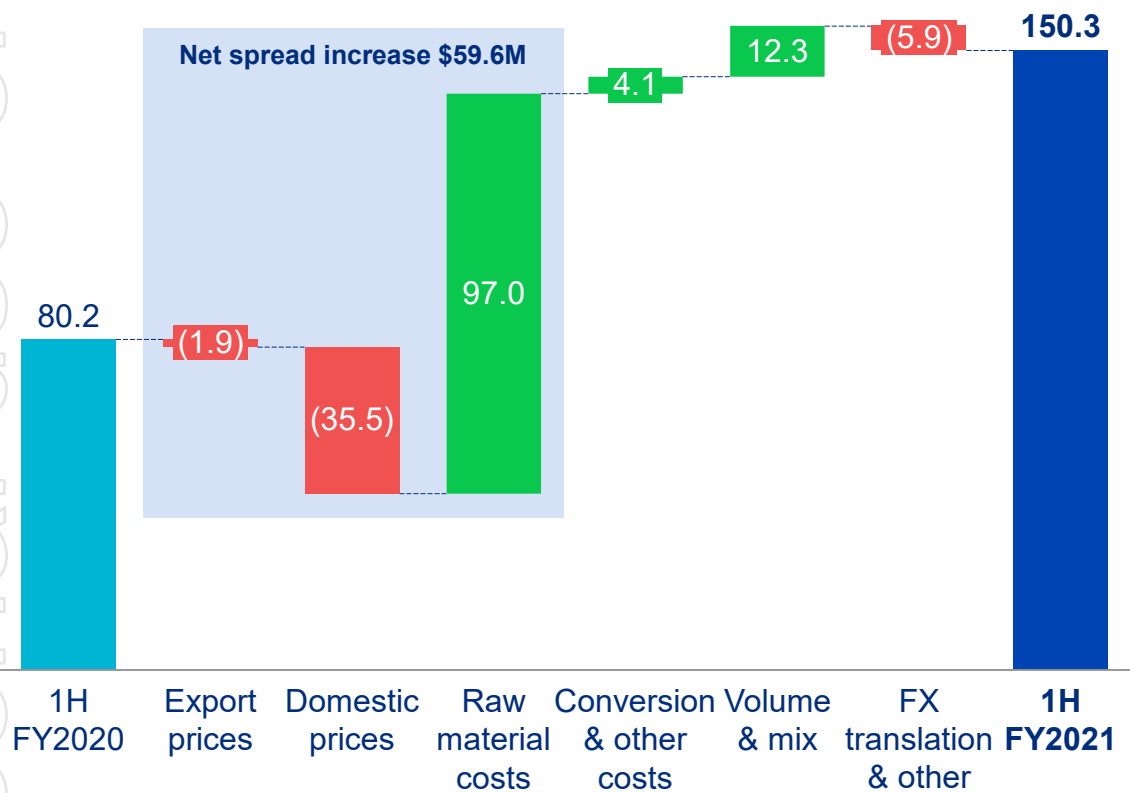
(1) Tata BlueScope JV is equity accounted, as such revenue figures are not reported in BSL financials



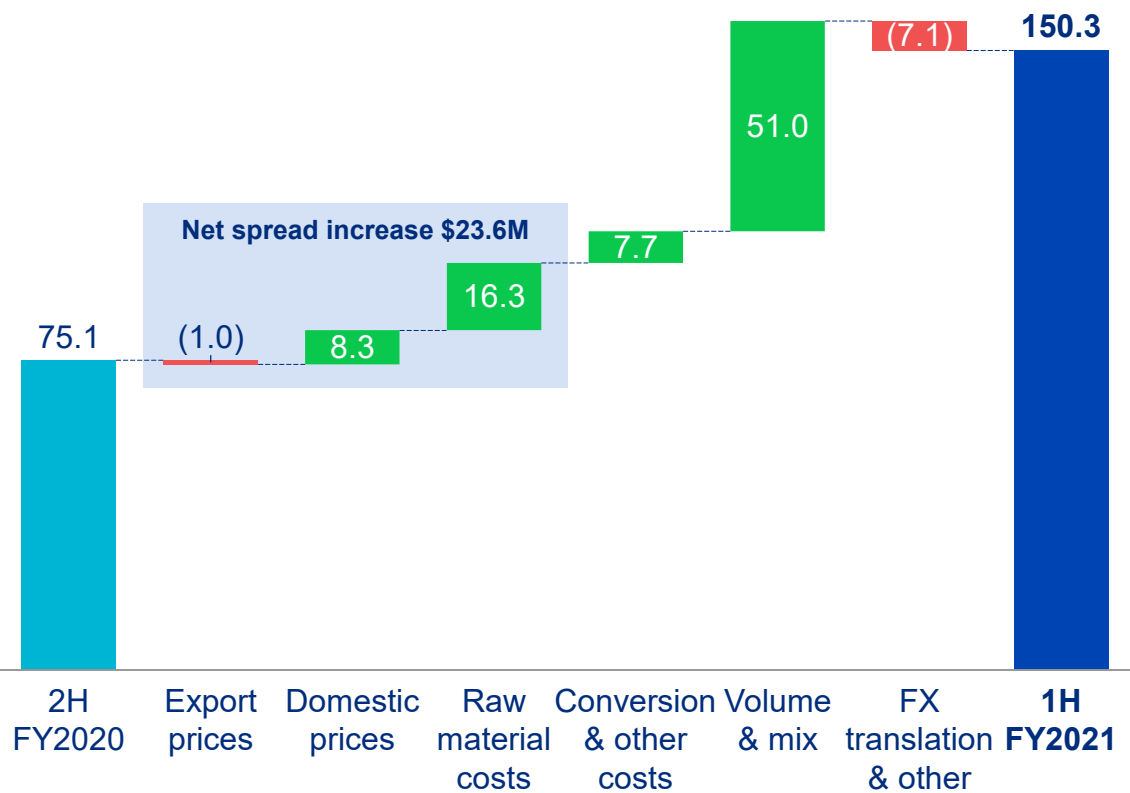
# BUILDING PRODUCTS ASIA & NORTH AMERICA

## Underlying EBIT variance

1H FY2021 vs 1H FY2020 (\$M)



1H FY2021 vs 2H FY2020 (\$M)



Note: FX translation relates to translation of foreign currency earnings to A\$, transactional foreign exchange impacts are reflected in the individual categories

# BUILDINGS NORTH AMERICA

## Financial and despatch summaries

### Key segment financial items (A\$M)

\$M unless marked	1H FY2020	2H FY2020	FY2020	1H FY2021
Revenue	611.9	506.6	1,118.5	601.8
Underlying EBITDA	38.5	28.8	67.3	82.6
Underlying EBIT	24.4	13.5	37.9	70.5
Reported EBIT	24.4	(26.2)	(1.8)	68.9
Capital & investment expenditure	6.4	8.5	14.9	2.1
Net operating assets (pre tax)	593.7	554.3	554.3	430.1
Total steel despatches (kt)	112.0	91.0	203.0	90.7

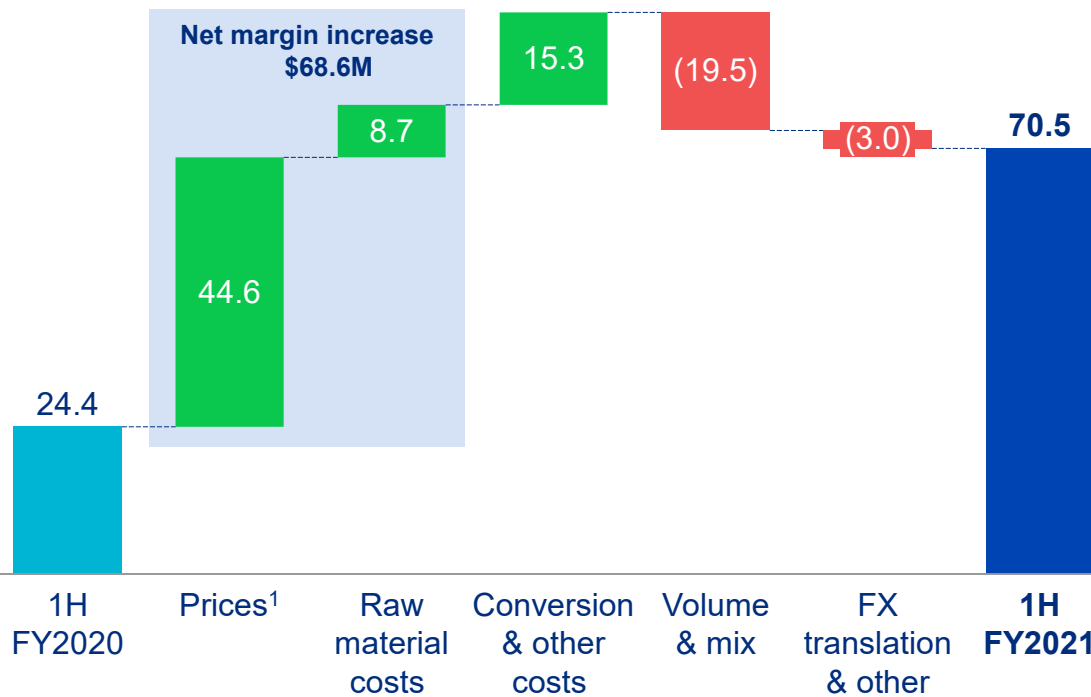
### Key segment financial items (US\$M)

\$M unless marked	1H FY2020	2H FY2020	FY2020	1H FY2021
Revenue	418.3	332.6	750.9	435.7
Underlying EBITDA	26.4	18.8	45.2	59.8
Underlying EBIT	16.7	8.8	25.5	51.0
Reported EBIT	16.7	(18.5)	(1.8)	49.8
Capital & investment expenditure	4.4	5.4	9.8	1.5
Net operating assets (pre tax) <sup>1</sup>	415.4	380.9	380.9	330.6

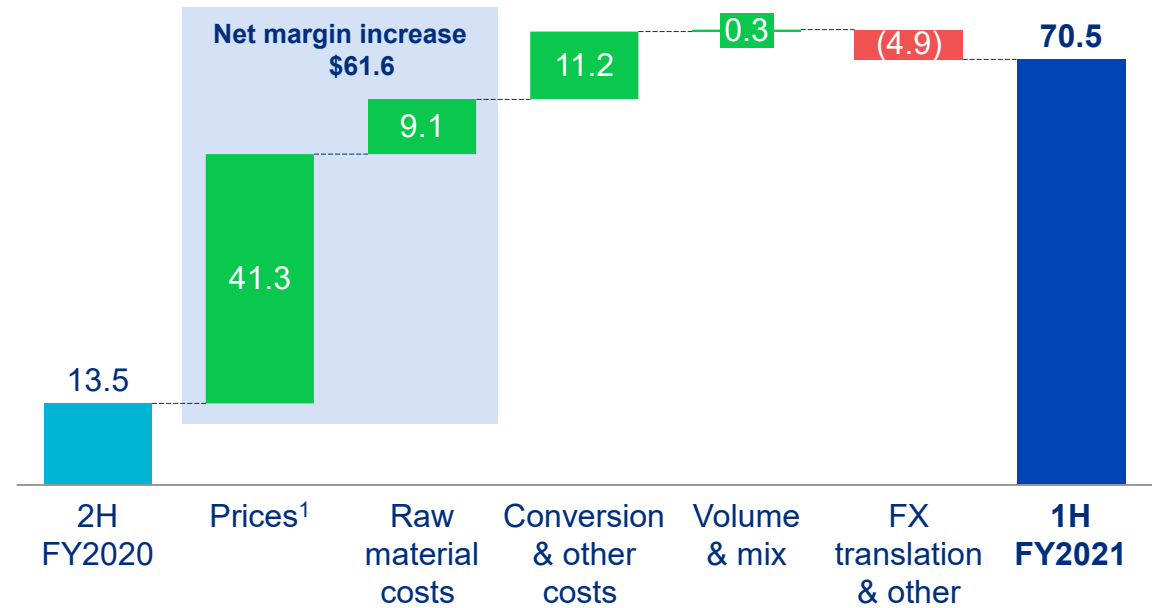
# BUILDINGS NORTH AMERICA

## Underlying EBIT variance

### 1H FY2021 vs 1H FY2020 (\$M)



### 1H FY2021 vs 2H FY2020 (\$M)



1. Includes benefit of strong contribution from BlueScope Properties Group in 1H FY2021

Note: FX translation relates to translation of foreign currency earnings to A\$, transactional foreign exchange impacts are reflected in the individual categories

# NEW ZEALAND & PACIFIC ISLANDS

## Financial and despatch summaries

### Key segment financial items

\$M unless marked	1H FY2020	2H FY2020	FY2020	1H FY2021
Revenue	420.3	372.1	792.4	436.2
Underlying EBITDA	39.5	12.7	52.2	67.2
Underlying EBIT	12.9	(18.7)	(5.8)	57.4
Reported EBIT	12.9	(219.0)	(206.1)	55.6
Capital & investment expenditure	32.3	20.3	52.6	9.2
Net operating assets (pre tax)	320.2	(3.4)	(3.4)	110.8
Total steel despatches (kt)	314.8	285.9	600.7	323.1

### Despatches breakdown

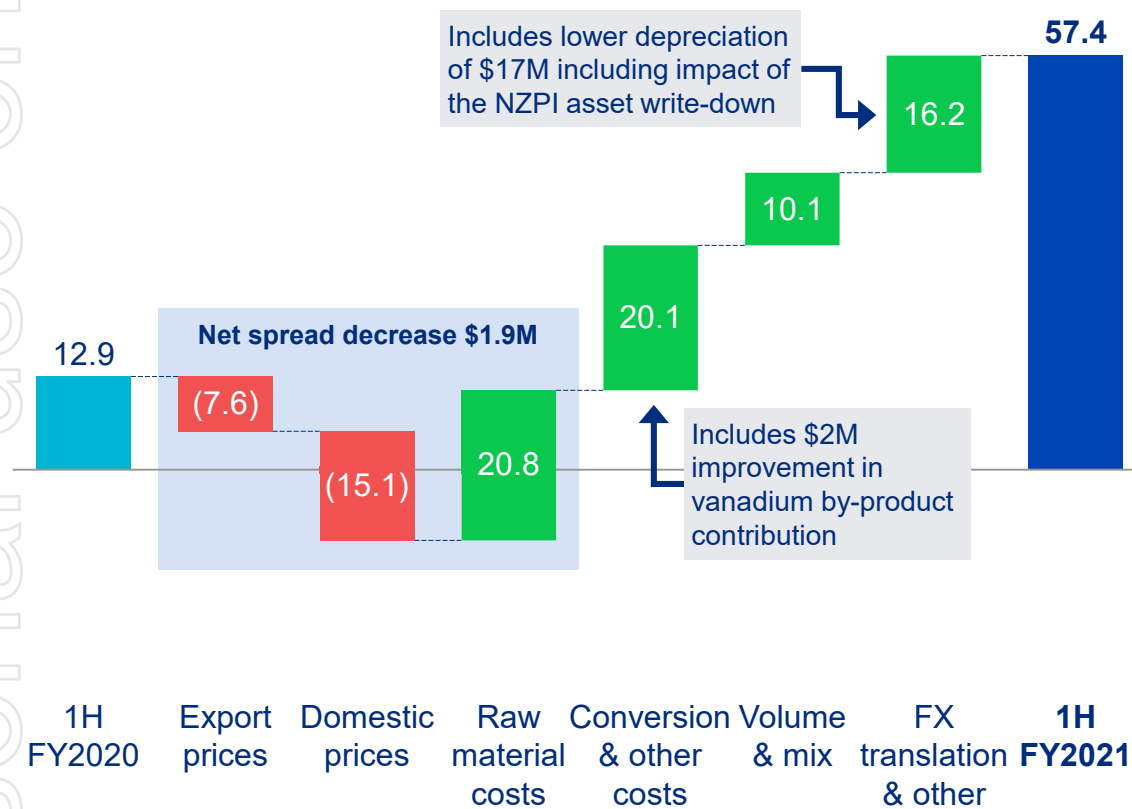
'000 Tonnes	1H FY2020	2H FY2020	FY2020	1H FY2021
Domestic despatches				
- NZ Steel flat products	145.8	106.6	252.4	145.1
- Pacific Steel long products	84.9	72.0	156.9	106.7
<b>Sub-total domestic</b>	<b>230.7</b>	<b>178.6</b>	<b>409.3</b>	<b>251.8</b>
Export despatches				
- NZ Steel flat products	76.0	103.7	179.7	70.0
- Pacific Steel long products	8.1	3.6	11.7	1.3
<b>Sub-total export</b>	<b>84.1</b>	<b>107.3</b>	<b>191.4</b>	<b>71.3</b>
<b>Total steel despatches</b>	<b>314.8</b>	<b>285.9</b>	<b>600.7</b>	<b>323.1</b>



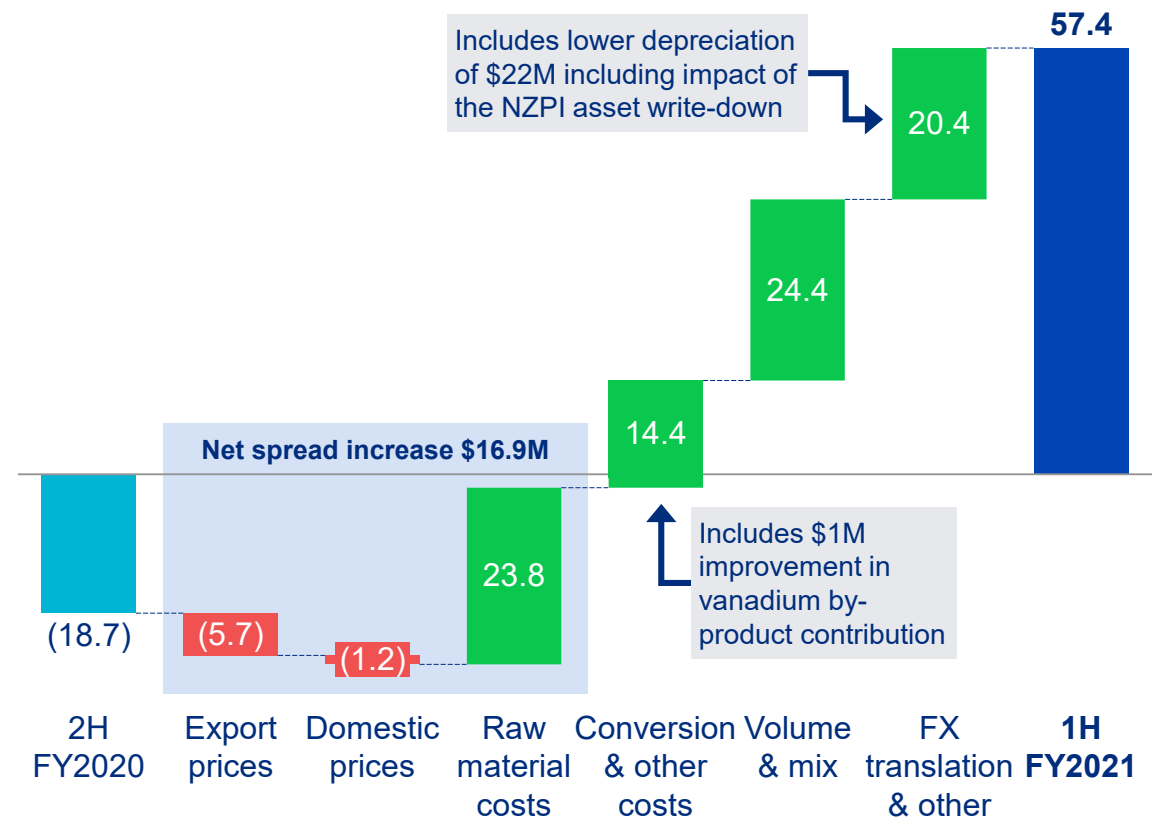
# NEW ZEALAND & PACIFIC ISLANDS

## Underlying EBIT variance

### 1H FY2021 vs 1H FY2020 (\$M)



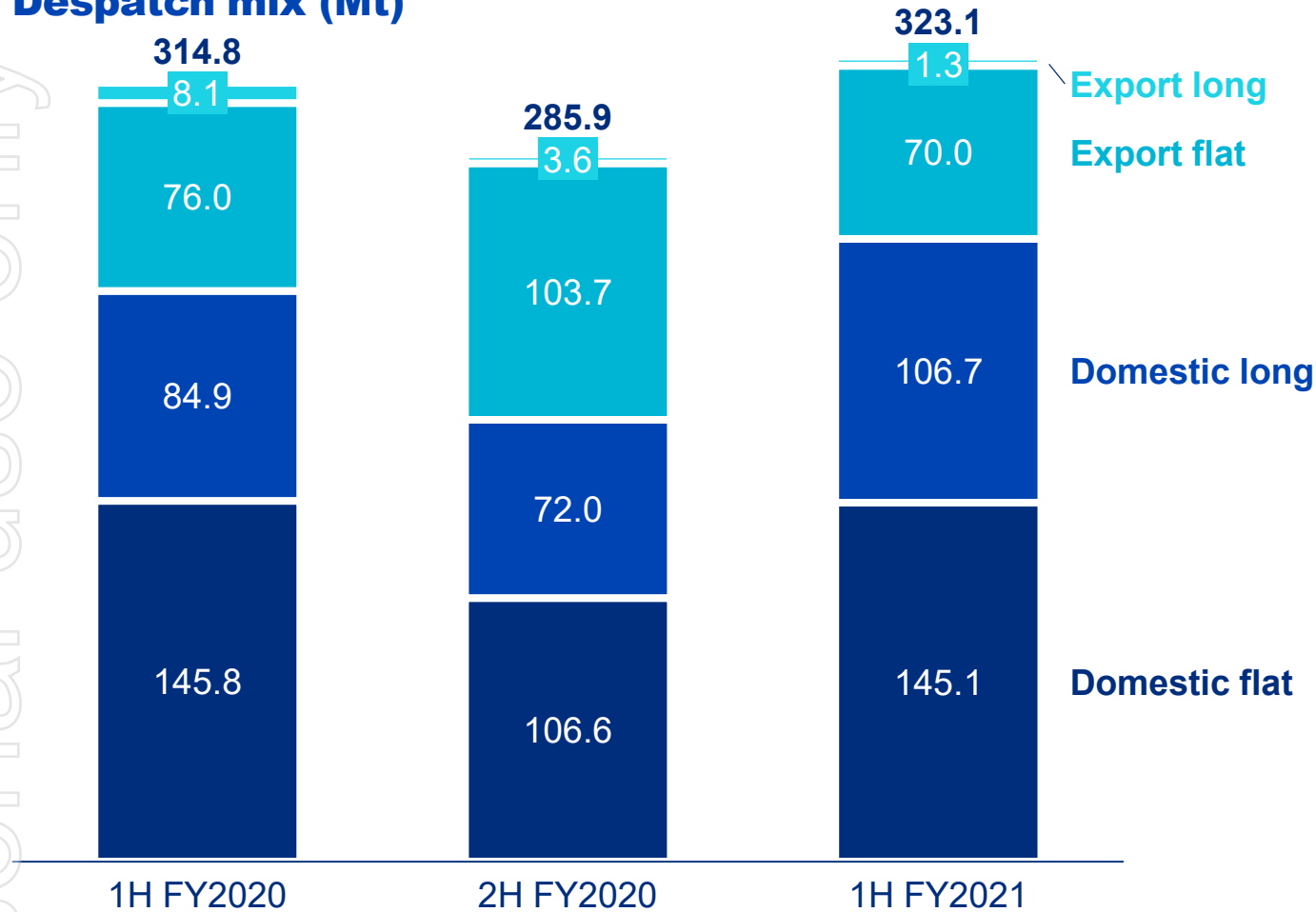
### 1H FY2021 vs 2H FY2020 (\$M)



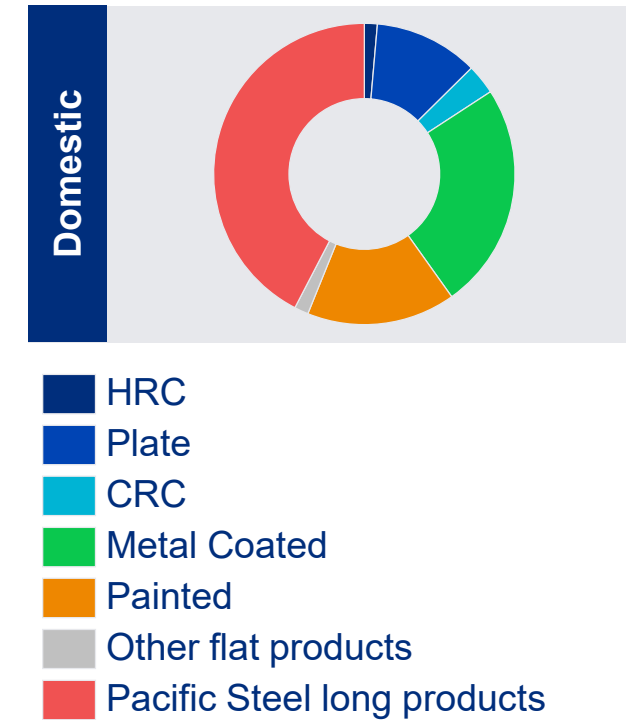
Note: FX translation relates to translation of foreign currency earnings to A\$, transactional foreign exchange impacts are reflected in the individual categories

# NEW ZEALAND & PACIFIC ISLANDS

Despatch mix (Mt)



1H FY2021 Product Mix

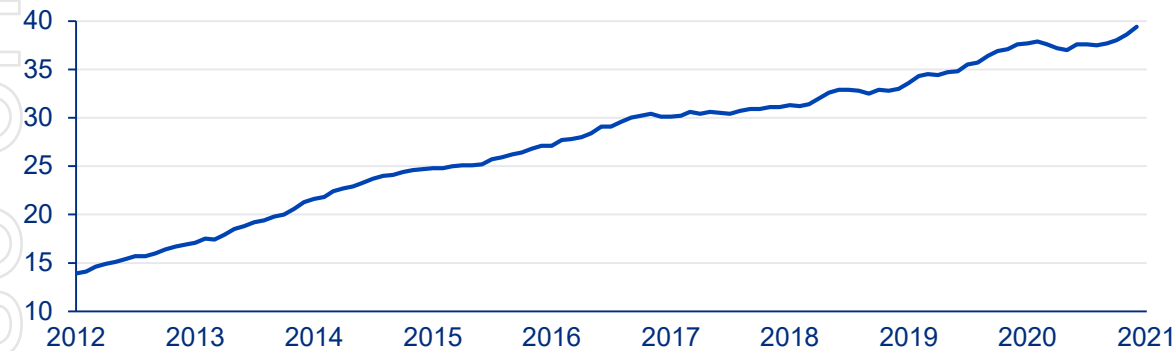


# NEW ZEALAND & PACIFIC ISLANDS

**Successful pandemic containment has seen a solid economic recovery, especially led by construction activity**

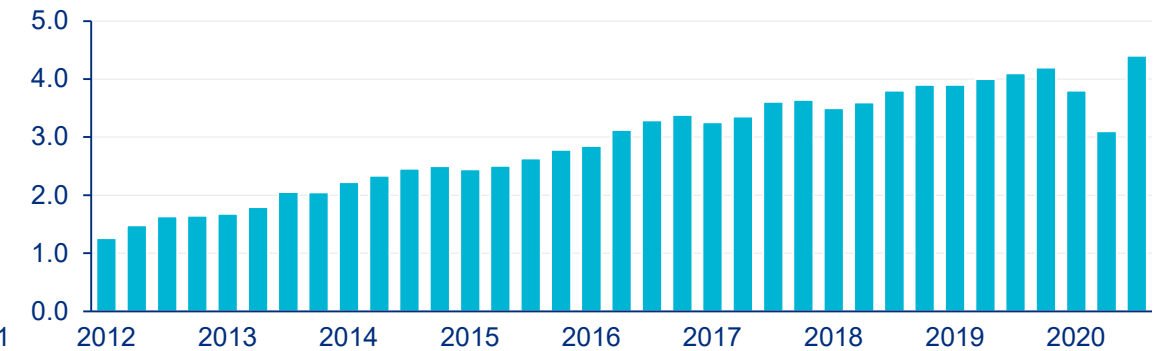
## Residential Building Consents: rolling 12 months<sup>1</sup> ('000)

Despite pandemic and immigration impact, housing demand remains solid



## Residential Work Put in Place: by quarters<sup>2</sup> (NZ\$bn)

Activity has recovered strongly post lockdown induced slowdown



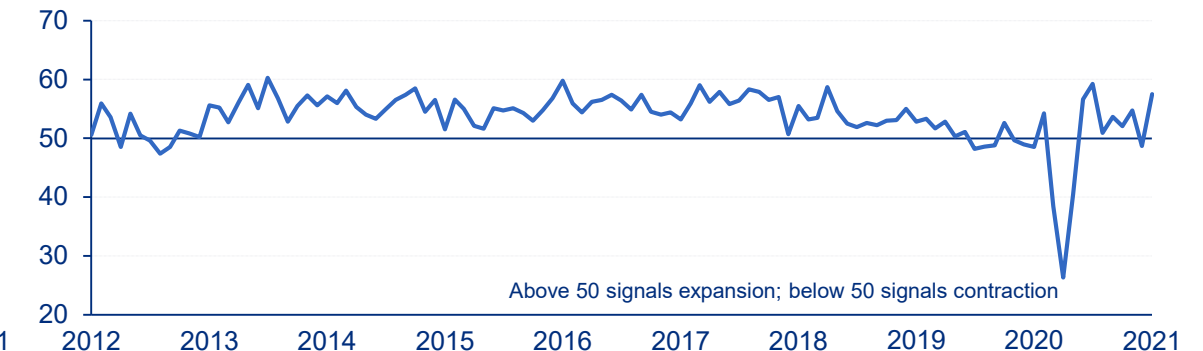
## Non-Res Building Consents: rolling 12 months<sup>3</sup> (NZ\$bn)

Government spending on large projects resuming



## Performance of Manufacturing Index<sup>4</sup>

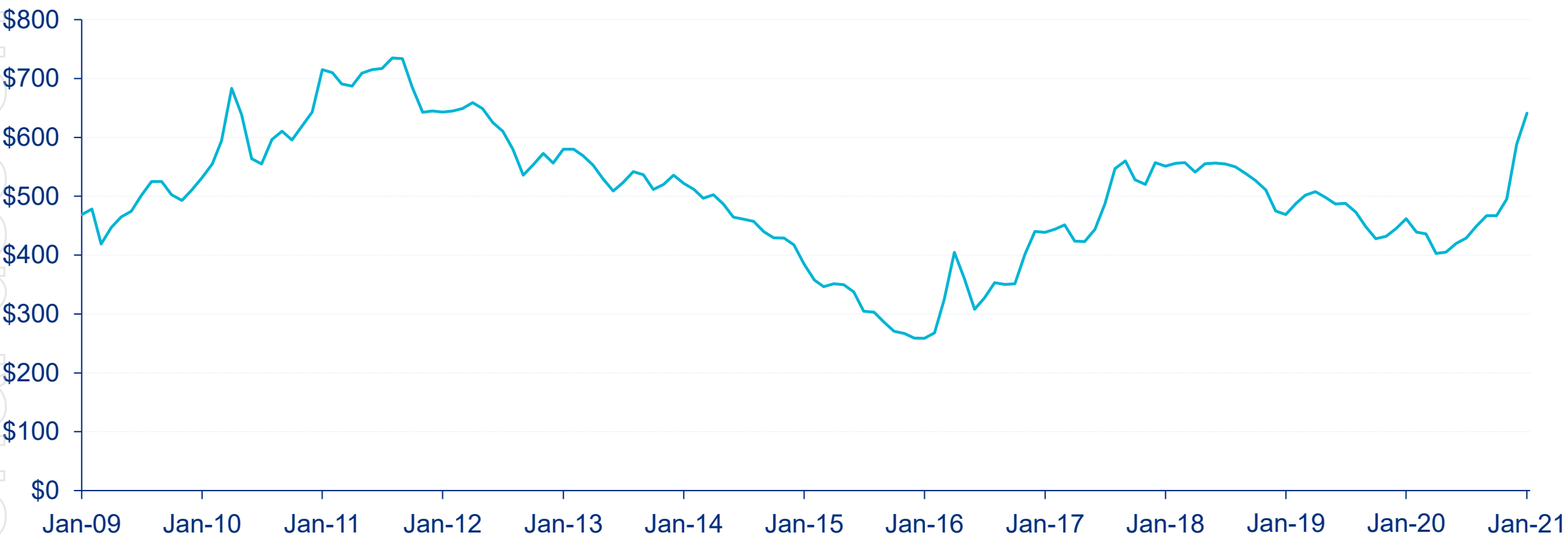
Strong new orders demand driving manufacturing rebound



# NEW ZEALAND & PACIFIC ISLANDS

The East Asian rebar price influences domestic and export long product pricing

**SBB East Asian rebar price, unlagged (US\$/t)**



Source: SBB Platts



# GLOSSARY

<b>1H</b>	Six months ended 31 December in the relevant financial year
<b>1H FY2019</b>	Six months ended 31 December 2018
<b>1H FY2020</b>	Six months ended 31 December 2019
<b>1H FY2021</b>	Six months ended 31 December 2020
<b>2H</b>	Six months ended 30 June in the relevant financial year
<b>2H FY2019</b>	Six months ending 30 June 2019
<b>2H FY2020</b>	Six months ending 30 June 2020
<b>ASEAN</b>	Association of South East Asian Nations
<b>ASP</b>	Australian Steel Products segment
<b>A\$, \$</b>	Australian dollar
<b>A&amp;A</b>	Alterations and Additions
<b>BF</b>	Blast Furnace
<b>BNA</b>	Buildings North America segment
<b>BP or Building Products</b>	Building Products Asia & North America segment
<b>BPG</b>	BlueScope Properties Group
<b>BlueScope or the Group</b>	BlueScope Steel Limited and its subsidiaries (i.e. the consolidated group)
<b>the Company</b>	BlueScope Steel Limited (i.e. the parent entity)
<b>CY2020</b>	Calendar year ended 31 December 2020
<b>DPS</b>	Dividend per share
<b>DRI</b>	Directly reduced iron
<b>EBIT</b>	Earnings before interest and tax
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>EBS</b>	Engineered building solutions, a key product offering of the Buildings North America and Building Products segments
<b>EPS</b>	Earnings per share
<b>FY2019</b>	12 months ending 30 June 2019

<b>FY2020</b>	12 months ending 30 June 2020
<b>FY2021</b>	12 months ending 30 June 2021
<b>HRC</b>	Hot rolled coil steel
<b>IFRS</b>	International Financial Reporting Standards
<b>IRR</b>	Internal rate of return
<b>Leverage, or leverage ratio</b>	Net debt over LTM underlying EBITDA
<b>LTM</b>	Last twelve months
<b>MCL</b>	Metal coating line
<b>mt</b>	Million metric tonnes
<b>Net debt, or ND</b>	Gross debt less cash
<b>n/m or nmf</b>	Not meaningful
<b>NOA</b>	Net operating assets pre-tax
<b>North Star</b>	North Star BlueScope Steel
<b>NPAT</b>	Net profit after tax
<b>NSC</b>	Nippon Steel Corporation
<b>NZPI</b>	New Zealand & Pacific Islands segment
<b>OEM</b>	Original equipment manufacturer
<b>ROIC</b>	Return on invested capital (or ROIC), last 12 months' underlying EBIT over trailing 13 month average capital employed. Note, previous representations of half year ROIC figures were calculated as annualised six month underlying EBIT over seven month average capital employed
<b>ROU</b>	Right of use
<b>TBSL</b>	Tata BlueScope Steel
<b>TRIFR</b>	Total recordable injury frequency rate (recordable injuries per million hours worked)
<b>US</b>	United States of America
<b>US\$</b>	United States dollar

# 1H FY2021 Financial Results Presentation

**Mark Vassella**

Managing Director and Chief Executive Officer

**Tania Archibald**

Chief Financial Officer

22 February 2021

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