BLUESCOPE STEEL LIMITED
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ASX Code: BSL

18 February 2013

The Manager – Listings
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

Re: Compliance with Listing Rule 4.2A for the six months ended 31 December 2012

Attached in accordance with Listing Rule 4.2A is the financial report for BlueScope Steel Limited (ASX Code: BSL) for the six months ended 31 December 2012.

The financial report has been prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board, which are compliant with International Financial Reporting Standards (IFRS). References to 'reported' financial information throughout this report are consistent with IFRS financial information disclosed in the financial report.

References to 'underlying' information are to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011 and the principles provided by the Financial Services Institute of Australasia and the Australian Institute of Company Directors. Non-IFRS financial information, whilst not subject to audit or review, has been extracted from the interim financial report that has been subject to review by our external auditors.

Yours faithfully

Michael Barron
Company Secretary
BlueScope Steel Limited

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(Under ASX listing rule 4.2A)

Melbourne – 18 February 2013 – BlueScope Steel Limited (ASX Code: BSL) today reported its financial results for the six months ended 31 December 2012.

Table 1: 1H FY2013 Headlines

Financial items	1H FY2013	1H FY2012	Movements
▪ Group raw steel production	2.15Mt	2.66Mt	(0.51Mt) / (19%)
▪ Sales revenue from continuing operations	$3,695M	$4,449M	($754M) / (17%)
▪ Reported NPAT (NLAT)	($12M)	($530M)	$518M / 98%
▪ Underlying NPAT (NLAT) (1)	$10M	($136M)	$146M / 107%
▪ Interim ordinary dividend	0 cps	0 cps	
▪ Earnings per share (2)	(2.2)cps / 1.8cps	(159.4)cps / (41.0)cps	
▪ Gearing (net debt/net debt plus equity)	11.8%	15.7%	

Notes:

(1) Underlying results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. Please refer to Table 2(b) on page 6 for a reconciliation of this information to the financial report.

(2) Shows reported / underlying.

Core outcomes/issues for the half

- Sales revenue of $3,695M for 1H FY2013, down $754M compared to 1H FY2012, was primarily due to lower sales volume arising from the 2011 restructure to reduce loss making export sales.
- Reported NLAT of $12M for 1H FY2013, $518M improved on 1H FY2012, primarily reflecting the operational benefit of Australian restructure with lower loss-making export despatch tonnes, and lower restructure, redundancy and tax impairment charges in the current half.
- Underlying NPAT of $10M for 1H FY2013, was up $146M on 1H FY2012 largely due to benefit of Australian restructure with lower loss-making export despatch tonnes.
- $16M market guidance basis NPAT exceeded BlueScope's 1H FY2013 guidance of 'an underlying net loss after tax approaching breakeven (pre-NRV)'. (Refer to Table 2a for reconciliation).
- Group raw steel production was 2.15Mt (vs. 2.66Mt in 1H FY2012), with Port Kembla production being 1.33Mt (vs. 1.86Mt), with the reduction being largely due to the closure of No.6 Blast Furnace in October 2011.
- Australian domestic external sales volumes (905kt) in 1H FY2013 was lower than 1H FY2012 (1,015kt) (excludes long product sales from BCD segment) primarily due to lower sales of hot rolled coil to pipe and tube customers, and lower galvanised and plate sales.
- Coated & Industrial Products Australia (CIPA) segment underlying EBITDA was $79M. On a market guidance basis, underlying EBITDA was $20M; this excludes a $23M benefit from the Steel Transformation Plan (STP) advance release and a $36M one-off favourable workers compensation settlement.
- Segment underlying EBIT results (vs. 1H FY2012):
    1. Building Products ASEAN, North America and India EBIT was up 52% to $31M primarily due to a 110% improvement in underlying EBIT in the Thailand business.
    2. Global Building Solutions EBIT declined by 29% to $17M. Excluding the one-off impact of a $8M prior period provision adjustment, the result was slightly stronger than the $24M performance in 1H FY2012 with a strong contribution from Buildings North America following restructuring and an improving market, offset by weaker earnings from Buildings Asia due to lower China volumes.
    3. Hot Rolled Products North America result was up 65% to A$33M due to better spreads, cost control and decreased depreciation charge.
    4. Coated & Industrial Products Australia improved by $176M to an EBIT loss of $6M driven by lower loss-making export despatches, improved spread and strong cost reduction performance.
    5. Building Components & Distribution Australia improved by $20M to an EBIT loss of $7M reflecting spread improvement and the benefit of restructuring.
    6. New Zealand and Pacific Steel Products EBIT of $2M was $32M lower on weaker iron sands export prices, lower steel prices and higher NZ$, partly offset by higher iron sands volumes.
- Net debt at 31 December 2012 was $499M after a $132M benefit from a one-off working capital initiative which will reverse in 2H FY2013.
- Continuing strong liquidity (undrawn debt plus cash) of A$1,349M at 31 December 2012 vs. A$1,571M at 30 June 2012.
- BlueScope and Nippon Steel & Sumitomo Metal Corporation have now obtained almost all of the regulatory approvals that are required for the Coated Products Joint Venture transaction and are working towards completion by the end of March 2013. Net proceeds of approximately US$540 million will deliver a very strong balance sheet and enhance financial flexibility to invest in growth opportunities.
- In 2H FY2013 we expect a continued improvement with a small underlying net profit after tax (before period-end net realisable value adjustments, subject to domestic demand and margins, spread and FX).
- Despite weak market demand we expect CIPA to deliver a positive underlying EBITDA contribution in 2H FY2013, building on its 1H FY2013 result (subject to domestic demand and margins, spread and FX).

Consolidated Results

Table 2a provides the 1H FY2013 consolidated financial results and the comparable 1H FY2012 period. Table 2b explains why management have disclosed underlying results and reconciles underlying earnings to reported earnings.

Table 2a : Financial Headlines
Six months ended 31 December 2012 ("1H FY2013") and 31 December 2011 ("1H FY2012")

Financial Measure		1H FY2013	1H FY2012	Variance $	Variance %
Total revenue (1)	A$M	3,704	4,539	(835)	(18)
Earnings before interest, tax, depreciation and amortisation (EBITDA) (2) – **Reported**	A$M	204	(270)	474	175
– **Underlying**	A$M	196	23	173	759
EBIT/(EBIT loss)(2) – **Reported**	A$M	47	(435)	482	111
– **Underlying**	A$M	38	(137)	175	127
Finance costs	A$M	(35)	(70)	35	50
NPAT/(NLAT) attributable to BlueScope Steel Shareholders – **Reported**	A$M	(12)	(530)	518	98
– **Underlying**	A$M	10	(136)	146	107
– **Market Guidance Basis**	A$M	16(6)			
Earnings per share(3) – **Reported**	¢/s	(2.2)	(159.4)	157.2¢	99
– **Underlying**	¢/s	1.8	(41.0)	42.8¢	104
Diluted earnings per share – **Reported**	¢/s	(2.2)	(159.4)	157.2¢	99
Interim Dividend	¢/s	0	0	0	0
Net cash flow from operating and investing activities	A$M	(120)	(256)	136	53
Return on invested capital (4) – **Reported**	%	2.2%	(16.1%)		
– **Underlying**	%	1.8%	(5.1%)		
Return on equity (5) – **Reported**	%	(0.7%)	(25.5%)		
– **Underlying**	%	0.5%	(6.5%)		
Gearing (net debt / net debt plus equity)	%	11.8%	15.7%		
Net tangible assets per share	$/s	5.47	5.98		

(1) Excludes the company's 50% share of North Star BlueScope Steel revenue of $299M in 1H FY2013 ($340M in 1H FY2012). Includes revenue other than sales revenue of $9M in 1H FY2013 ($9M in 1H FY2012).
(2) Includes 50% share of net profit from North Star BlueScope Steel of $34M in 1H FY2013 ($21M in 1H FY2012).
(3) Earnings per share is based on the average number of shares on issue during the respective reporting periods, ie. 558.2M in 1H FY2013 vs. 332.6M in 1H FY2012. (In accordance with AASB 133 the earnings per share calculations have been restated for the share consolidation undertaken in December 2012, resulting in the number of shares on issue at that time reducing from 3.35 billion to 558 million (adjusted by a division of six, being the conversion of every six shares in the Company into one ordinary share in the Company). The comparative period has been restated on a similar basis).
(4) Return on invested capital is defined as earnings before interest and tax (annualised in case of half year comparison) over average monthly capital employed.
(5) Return on equity is defined as net profit after tax (annualised in case of half year comparison) attributable to shareholders over average monthly shareholders' equity.
(6) NPAT in terms of market guidance excludes from underlying NPAT both period-end NRV and certain other items not included when guidance was provided: (i) add back of $39M post-tax period-end NRV provision, (ii) add-back of $8M one-off prior period (FY2005-FY2009) provision adjustment in Buildings Asia, (iii) deduction of $16M release of the STP advance to align with the carbon costs which are now being incurred, and (iv) deduction of $25M favourable workers compensation settlement.

Variance Analysis (1H FY2013 vs. 1H FY2012)

- Total revenue

  The $835M (18%) decrease principally reflects:
  - Lower export volumes following the closure of No. 6 Blast Furnace and lower domestic volumes, predominantly HRC, plate and galvanised, driven by increased import competition, at Coated & Industrial Products Australia.
  - Reduced volumes at Building Components & Distribution Australia arising from increased import competition and continued tough trading conditions and at Global Building Solutions, particularly in Buildings Asia partly offset by improved volumes at Building Products mainly Thailand, Indonesia and Steelscape.
  - Lower international and domestic steel prices across all segments.

These were partly offset by:

- Favourable product mix at Coated & Industrial Products Australia.

- <u>EBIT</u>

The $175M increase in underlying EBIT principally reflects:

Spread ($56M favourable)

Prices ($247M unfavourable):

- Lower international and domestic steel prices across all segments.

Raw material costs ($303M favourable):

- Lower coal and iron ore purchase prices combined with favourable iron ore feed mix partly offset by higher inventory net realisable value provisions for inventory on hand at December 2012 compared to December 2011 at Coated & Industrial Products Australia.
- Lower steel feed costs at Building Products, Global Building Solutions and Building Components & Distribution Australia.

North Star BlueScope Steel ($13M favourable)

Exchange rates ($2M favourable)

Sales volumes and product mix ($113M favourable):

- A decrease in loss making export volumes partly offset by lower domestic volumes (predominantly HRC, plate and galvanised) mainly driven by increased import competition, at Coated & Industrial Products Australia.
- Favourable product mix at Coated & Industrial Products Australia with a higher proportion of domestic painted sales and lower export slab sales.

Costs ($11M unfavourable) comprising the following components:

Cost improvement initiatives ($57M favourable):

- Lower labour including contractors, repairs and maintenance, operational, overhead and discretionary costs.

Cost escalation ($51M unfavourable):

- Escalation of utilities, employment, consumables and other costs.

One-off and discretionary costs ($21M unfavourable):

- Higher per unit fixed conversion costs as a result of restructuring to reduce production volumes at Coated & Industrial Products Australia.
  Partly offset by:
- Favourable adjustment to the provision for workers compensation following an agreement with an insurance provider relating to a workers compensation insurance policy at Coated & Industrial Products Australia.

Other costs ($4M favourable)

Other items ($2M favourable)

Underlying adjustments included in reported EBIT ($306M favourable):

- Staff redundancies and other internal restructuring costs ($348M) at Coated & Industrial Products Australia and Corporate in relation to the move to one blast furnace operation at Port Kembla Steelworks during 1H FY2012 partly offset by staff redundancies and restructuring costs ($3M) at Coated & Industrial Products Australia and Corporate during 1H FY2013.
- Restructure and redundancy costs ($8M) and asset impairments ($5M) at Global Building Solutions during 1H FY2012.
- Restructure and redundancy costs ($3M) at Building Products North America during 1H FY2012.
- Building Components & Distribution Australia restructure and redundancy costs of $4M incurred during 1H FY2012 partly offset by $3M incurred during 1H FY2013.
- Profit on sale of a previously unrecognised intangible asset ($38M) at Coated & Industrial Products Australia during 1H FY2013.

Partly offset by:

- $66M of the $100M STP advance payment received in January 2012 recognised as income during 1H FY2012 at Coated & Industrial Products Australia.
- Release to underlying earnings of the previously received STP advance to align with carbon costs which are now being incurred at Coated & Industrial Products Australia ($23M) during 1H FY2013.
- Metl-Span operational earnings ($6M) within businesses discontinued during 1H FY2012.

- Business development costs ($1M) at Corporate during 1H FY2013.

- Funding

  Financing costs for the six months ended 31 December 2012 were $35M ($70M in 1H FY2012). The decrease in financing costs was largely due to a $627M decrease in average borrowings to $824M combined with one-off costs incurred in 1H FY2012 associated with restructuring existing financing facilities following the decision to move to a one blast furnace operation ($8M) and the partial buy-back of the US Private Placement.

- Tax

  The net tax expense in 1H FY2013 was $19M (1H FY2012 $20M). 1H FY2013 includes a net $23M impairment of Australian deferred tax asset generated during the period with $28M allocated to tax expense and a $5M credit allocated to retained earnings.

  1H FY2012 includes a $204M impairment of Australian deferred tax asset generated during the period, mainly in relation to export losses and restructure costs, of which $20M has been recorded directly against retained earnings in relation to actuarial losses from the Australian Defined Superannuation Plan.

  Australian Accounting Standards impose a stringent test for the recognition of tax losses where there is a history of recent tax losses and the Company has deferred the recognition of any further Australian deferred tax asset until a return to taxable profits has been demonstrated. Australian tax losses are able to be carried forward indefinitely.

Table 2b: Reconciliation of Underlying Earnings to Reported Earnings
1H FY2013 vs. 1H FY2012; $ millions

Management have provided an analysis of unusual items included in the reported IFRS financial information. These items have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying operating business. Throughout this report management have used the term ‘reported’ to reference IFRS financial information and ‘underlying’ to reference non-IFRS financial information. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. Non-IFRS financial information whilst not subject to audit or review has been extracted from the interim financial report which has been subject to review by our external auditors. An explanation of each adjustment and reconciliation to the reported IFRS financial information is provided in the table below.

	EBITDA		EBIT		NPAT		EPS$[9]	
Factors	**1H FY2013**	**1H FY2012**	**1H FY2013**	**1H FY2012**	**1H FY2013**	**1H FY2012**	**1H FY2013**	**1H FY2012**
Reported earnings	**204**	**(270)**	**47**	**(435)**	**(12)**	**(530)**	**(0.02)**	**(1.59)**
Net (gains)/losses from businesses discontinued [1]	(0)	(9)	(0)	(5)	(0)	(7)	(0.00)	(0.02)
Reported earnings (from continuing operations)	**204**	**(279)**	**46**	**(440)**	**(12)**	**(537)**	**(0.02)**	**(1.61)**
Underlying adjustments:								
Restructure and redundancy costs [2]	6	363	6	363	3	254	0.01	0.76
Borrowing amendment fees associated with restructuring [3]	0	0	0	0	0	6	0.00	0.02
Steel Transformation Plan advance [4]	23	(66)	23	(66)	16	(46)	0.03	(0.14)
Asset impairment [5]	0	5	0	5	0	3	0.00	0.01
Business development costs [6]	1	0	1	0	1	0	0.00	0.00
Asset sales [7]	(38)	0	(38)	0	(26)	0	(0.05)	0.00
Tax asset impairment [8]	0	0	0	0	28	184	0.05	0.55
Underlying Earnings	**196**	**23**	**38**	**(137)**	**10**	**(136)**	**0.02**	**(0.41)**

(1) 1H FY2012 reflects Metl-Span operational earnings.
(2) 1H FY2013 reflects staff redundancies and restructuring costs at Building Components & Distribution Australia, Coated & Industrial Products Australia and Corporate. 1H FY2012 reflects staff redundancies and restructuring costs at Coated & Industrial Products Australia, in relation to the move to a one blast furnace operation at Port Kembla Steelworks; Global Building Solutions; Building Products ASEAN, North America, and India; and Building Components & Distribution Australia.
(3) 1H FY2012 reflects the costs associated with restructuring existing financing facilities following the decision to move to a one blast furnace operation at Port Kembla Steelworks.
(4) 1H FY2013 reflects the inclusion in underlying earnings of the previously received STP advance to align with the carbon costs which are now being incurred at Coated & Industrial Products Australia. 1H FY2012 reflects the exclusion from underlying earnings of the portion of the receipt of $100M advance under the Australian Government Steel Transformation Plan (STP) recognised in the half ($66M). (The balance of $34M was recognised in 2H FY2012 earnings).
(5) 1H FY2012 reflects impairment of assets in Global Building Solutions associated with rationalisation of manufacturing facilities.
(6) 1H FY2013 reflects Corporate business development costs.
(7) 1H FY2013 reflects profit on sale of a previously unrecognised intangible asset at Coated & Industrial Products Australia.
(8) 1H FY2013 and 1H FY2012 reflects impairment of Australian deferred tax assets generated during each respective period.
(9) Earnings per share is based on the average number of shares on issue during the respective reporting periods, ie. 558.2M in 1H FY2013 vs. 332.6M in 1H FY2012. (In accordance with AASB 133 the earnings per share calculations have been restated for the share consolidation undertaken in December 2012, resulting in the number of shares on issue at that time reducing from 3.35 billion to 558 million (adjusted by a division of six, being the conversion of every six shares in the Company into one ordinary share in the Company). The comparative period has been restated on a similar basis).

Cash Flow

Table 3 below provides a summary of consolidated operating and investing cash flows.

Table 3: Consolidated Cash Flow
1H FY2013 and 1H FY2012; $ millions

Factors	1H FY2013	1H FY2012	Variance $M	Variance %
Reported EBITDA [1]	**204**	**(270)**	**474**	**(176)**
Add cash / (deduct non-cash) items				
- Share of profits from associates and joint venture partnership not received as dividends	(1)	(4)	3	75
- Impaired assets	1	5	(4)	(80)
- Net (gain) loss on sale of assets	(36)	1	(37)	(3,700)
- Expensing of share-based employee benefits	4	3	1	33
Cash EBITDA	**172**	**(265)**	**437**	**165**
Changes in working capital	(16)	235	(251)	(107)
Gross operating cash flow	**156**	**(30)**	**186**	**620**
Net finance costs paid	(34)	(65)	31	48
Tax received / (paid) [2]	(78)	(56)	(22)	(39)
Net cash from operating activities	**44**	**(151)**	**195**	**129**
Capex: payments for P, P & E and intangibles	(129)	(110)	(19)	(17)
Other investing cash flows	(35)	5	(40)	(800)
Cash from operating and investing (post-tax) (as per statutory cash flow)	**(120)**	**(256)**	**136**	**53**

(1) Refer EBIT Variance analysis for major changes in EBITDA.
(2) The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 31 December 2012, in excess of $2.2B. There will be no Australian income tax payments until these are recovered.

Business Unit Reviews

Table 4a: Sales Revenue
1H FY2013 and 1H FY2012; 2H FY2012; $ millions

Segment	1H FY2013	1H FY2012	2H FY2012
Coated & Industrial Products Australia	1,668	2,403	1,877
Building Components & Distribution Australia	720	780	706
New Zealand and Pacific Steel Products	319	346	409
Inter-segment [1]	(338)	(356)	(354)
Sub-total BlueScope Australia & New Zealand	2,369	3,173	2,638
Global Building Solutions	728	801	646
Building Products ASEAN, Nth America and India	800	814	829
Hot Rolled Products North America [2]	0	0	0
Corporate and Group	0	0	0
Inter-segment [1]	(202)	(339)	(108)
Continuing Businesses	**3,695**	**4,449**	**4,005**
Discontinued Businesses	0	89	75
Inter-segment [1]	0	(8)	(7)
Total BLUESCOPE STEEL	**3,695**	**4,530**	**4,073**

Table 4b: Reported EBIT
1H FY2013 and 1H FY2012; 2H FY2012; $ millions

Segment	1H FY2013	1H FY2012	2H FY2012
Coated & Industrial Products Australia	7	(463)	(263)
Building Components & Distribution Australia	(10)	(30)	(197)
New Zealand and Pacific Steel Products	2	34	31
Inter-segment (1)	(4)	4	(2)
Sub-total BlueScope Australia & New Zealand	(5)	(455)	(431)
Global Building Solutions	17	11	(17)
Building Products ASEAN, Nth America and India	31	17	34
Hot Rolled Products North America	33	20	42
Corporate and Group	(31)	(33)	(47)
Inter-segment (1)	2	0	0
Continuing Businesses	**47**	**(440)**	**(419)**
Discontinued Businesses	0	5	34
Inter-segment (1)	(0)	0	0
Total BLUESCOPE STEEL	**47**	**(435)**	**(385)**

Table 4c: Underlying EBITDA
1H FY2013 and 1H FY2012; 2H FY2012; $ millions
Note: A reconciliation of underlying EBITDA to reported EBITDA for the group is provided in Table 2b.

Segment	1H FY2013	1H FY2012	2H FY2012
Coated & Industrial Products Australia	79	(94)	(56)
Building Components & Distribution Australia	2	(17)	(10)
New Zealand and Pacific Steel Products	27	55	58
Inter-segment (1)	(4)	4	(2)
Sub-total BlueScope Australia & New Zealand	104	(52)	(10)
Global Building Solutions	33	41	25
Building Products ASEAN, Nth America and India	55	44	54
Hot Rolled Products North America	33	20	42
Corporate and Group	(29)	(31)	(36)
Inter-segment (1)	0	1	1
Continuing Businesses	**196**	**23**	**76**
Discontinued Businesses	0	0	0
Inter-segment (1)	0	0	0
Total BLUESCOPE STEEL	**196**	**23**	**76**

Table 4d: Underlying EBIT
1H FY2013 and 1H FY2012; 2H FY2012; $ millions
Note: A reconciliation of underlying EBIT to reported EBIT for the group is provided in Table 2b and for segments in the commentary below.

Segment	1H FY2013	1H FY2012	2H FY2012
Coated & Industrial Products Australia	(6)	(182)	(145)
Building Components & Distribution Australia	(7)	(27)	(19)
New Zealand and Pacific Steel Products	2	34	35
Inter-segment (1)	(3)	5	(3)
Sub-total BlueScope Australia & New Zealand	(14)	(170)	(132)
Global Building Solutions	17	24	9
Building Products ASEAN, Nth America and India	31	21	31
Hot Rolled Products North America	33	20	42
Corporate and Group	(30)	(32)	(37)
Inter-segment (1)	1	0	0
Continuing Businesses	**38**	**(137)**	**(87)**
Discontinued Businesses	0	0	0
Inter-segment (1)	0	0	0
Total BLUESCOPE STEEL	**38**	**(137)**	**(87)**

Notes to tables 4a-4d:

(1) Inter-segment revenue reflects the elimination of internal sales between reporting segments. Inter-segment EBIT reflects an entry to eliminate profit-in-stock associated with inter-segment sales.
(2) Excludes the company's 50% share of North Star BlueScope Steel's sales revenue of A$299M in 1H FY2013 (A$340M in 1H FY2012 and A$343M in 2H FY2012).

BLUESCOPE AUSTRALIA & NEW ZEALAND

Coated & Industrial Products Australia

This segment comprises:

- Port Kembla Steelworks, NSW, Australia (coke, iron, slab, plate and hot rolled coil production)
- Springhill Coated, Port Kembla, NSW, Australia (cold rolled coil, metal coated and painted steel production)
- Western Port facility, Hastings, VIC, Australia (cold rolled coil, metal coated and painted steel production)
- Western Sydney COLORBOND® steel facility, NSW, Australia
- Acacia Ridge COLORBOND® steel facility, Queensland, Australia
- Sheet and Coil Processing Services, with 6 sites across Australia
- North America, European and Asian export trading offices

(i) Financial Performance

Table 5: Financial Performance
1H FY2013, 1H FY2012 and 2H FY2012

Financial Measure ($M, unless marked)	1H FY2013	1H FY2012	Variance %	2H FY2012
Sales revenue	1,668	2,403	(31)	1,877
Reported EBITDA	92	(375)	125	(174)
Underlying EBITDA	79	(94)	184	(56)
Reported EBIT	7	(463)	102	(263)
Underlying EBIT loss	(6)	(182)	97	(145)
Capital and investment expenditure	56	46	22	71
Net operating assets (pre tax) (1)	1,973	2,437	(19)	2,003
Return on net assets (pre tax) (2)	1%	(34%)		(22%)

(1) 2H FY2012 vs. 1H FY2012 decrease in net operating assets primarily driven by further reductions in inventories and receivables partly offset by a decrease in provisions resulting from redundancy and contract payments as part of the transition to single blast furnace operations combined with a fixed asset impairment write down.
(2) Reported EBIT (annualised in case of half year comparisons) / average monthly net operating assets.

(ii) Variance Analysis (1H FY2013 vs. 1H FY2012)

The $735M decrease in sales revenue is primarily due to lower export volumes following the closure of No. 6 Blast Furnace, lower domestic volumes, predominantly HRC, plate and galvanised, driven mainly by increased import competition and lower global steel prices partly offset by an improved mix with a higher proportion of domestic painted sales and lower export slab sales.

The $176M increase in underlying EBIT was largely due to:

- Improved spread driven by:
  - Lower coal and iron ore purchase prices combined with favourable iron ore feed mix.

  Partly offset by:
  - Lower global steel prices and flow-on impact to domestic prices combined with increased competition from imports.
  - Higher inventory net realisable value provisions for inventory on hand at December 2012 compared to December 2011.
- A decrease in loss making export volumes.
- Favourable adjustment to the provision for workers compensation following an agreement with an insurance provider relating to a workers compensation insurance policy.
- Continued delivery of cost improvement initiatives combined with tight control of spend rates.

These were partly offset by:

- Higher per unit costs due to fixed conversion costs spread over lower production volumes as a result of the move to single blast furnace operations in October 2011.
- Lower domestic volumes, predominantly HRC, plate and galvanised, driven by increased import competition.

Underlying adjustments included in reported EBIT ($294M favourable)

- Staff redundancies and other internal restructuring costs booked during 1H FY2012 as a result of the move to a single blast furnace operations ($348M) compared to $2M booked during 1H FY2013.
- Partial recognition of the Steel Transformation Plan advance ($66M) booked in 1H FY2012 compared to the release to underlying earnings of this previously received STP advance to align with the carbon costs which are now being incurred ($23M).
- Profit on sale of a previously unrecognised intangible asset booked during 1H FY2013 ($38M).

(iii) Variance Analysis (1H FY2013 vs. 2H FY2012)

The $139M increase in underlying EBIT was largely due to:

- Favourable adjustment to the provision for workers compensation following an agreement with an insurance provider relating to a workers compensation insurance policy.
- Lower conversion and other costs delivered through cost improvement initiatives and tight control on spend rates.
- A decrease in loss making export volumes.
- Improved domestic mix with a higher proportion of COLORBOND® products despatched during 1H FY2013.
- Spread maintained due to:
  - Lower iron ore and coal purchase prices combined with favourable iron ore feed mix.

  Offset by:
  - Lower global steel prices and flow on impact to domestic prices.
  - Higher inventory net realisable value provisions for inventory on hand at December 2012 compared to June 2012.

Underlying adjustments included in reported EBIT ($131M favourable)

- Non-current asset impairment write downs of $136M recognised during 2H FY2012 due to a slower recovery in domestic demand than previously expected and a higher discount rate applied to expected future cash flows as a result of increased volatility in equity markets.
- Partial recognition of STP advance booked during 2H FY2012 ($34M) compared to the release to underlying earnings of this previously received STP advance to align with the carbon costs which are now being incurred ($23M).
- Sale of a previously unrecognised intangible asset booked during 1H FY2013 ($38M).
- Staff redundancies and other internal restructuring costs following the move to a one blast furnace operation booked during 2H FY2012 ($15M) compared to 1H FY2013 ($2M).

(iv) Operations Report

- <u>Iron & Slab</u>
  - Port Kembla (NSW) ironmaking production of 1.3Mt in 1H FY2013 was 0.6Mt lower than the 1.9Mt in 1H FY2012 (1.3Mt in 2H FY2012) due to the closure of No.6 Blast Furnace in early October 2011 in line with the restructure of operations to substantially exit export markets.
  - Slab production was 1.3Mt in 1H FY2013 (vs. 1.9Mt for 1H FY2012) driven by the business restructure.
  - Iron ore supply arrangements:
    - Contracts in place with BHP Billiton for the supply of iron ore lump and fines up to 4.2Mtpa to 30 June 2019.
    - The Grange Resources contract for the supply of iron ore pellets concluded in November 2012.
    - 125kt of iron sands was supplied to the Port Kembla Steelworks from New Zealand Steel during 1H FY2013.
    - Supply of any additional requirements is secured through short term supply arrangements.
    - Further detail on supply arrangements can be found in the 1H FY2013 investor presentation.
  - Coal supply arrangements:
    - Hard coking coal is principally sourced from BHP Billiton Illawarra mines adjacent to the Steelworks in southern New South Wales. Contract has approximately 20 years to run, to 30 June 2032.
    - Semi-soft coal, primarily used for pulverised coal injection (PCI) process is principally sourced from Peabody Energy's mine in the Hunter Valley.

- <u>Hot Rolled Coil (HRC)</u>
  - Hot rolled coil production on the Port Kembla (NSW) hot strip mill of 1.1Mt (vs. 1.3Mt in 1H FY2012 and 1.1Mt in 2H FY2012).
  - Total HRC despatches from CIPA to external customers and other BSL segments of 0.5Mt (vs. 0.9Mt in 1H FY2012 and 0.6Mt in 2H FY2012).

- <u>Plate</u>
  - Port Kembla plate mill production of 0.1Mt (vs. 0.2Mt for 1H FY2012 and 0.2Mt in 2H FY2012) due to lower domestic demand.
  - Total plate despatches from CIPA to external customers and other BSL segments of 0.1Mt (vs. 0.2Mt in 1H FY2012 and 0.2Mt in 2H FY2012)

- <u>Cold rolled coil, metal coated and painted steel ("Other" products)</u>

- Total despatches of cold rolled coil, metal coated and painted steel from CIPA to external customers and other BSL segments of 0.6Mt (vs. 0.8Mt in 1H FY2012 and 0.6Mt in 2H FY2012), which was lower than 1H FY2012 due to exports.
- During this reporting period, the metal coating line at Port Kembla underwent equipment upgrades to enable the facility to manufacture Next Generation ZINCALUME® steel with Activate™ technology. This technology forms the platform for the next generation of coated steel products that will be manufactured from March 2013.

- Workplace relations
  - Western Port enterprise bargaining agreement completed in August 2012, applicable until expiry on 31 October 2014.
  - Port Kembla enterprise bargaining agreement is still being negotiated, and is expected to be completed in the next two months.

(v) Markets

- Anti-Dumping Cases
  - BlueScope submitted an anti-dumping application to Australian Customs (Customs) in May 2012 in respect of Hot Rolled Coil products. Following investigation, Customs made a Preliminary Affirmative Determination ('PAD') in October 2012 with provisional dumping duties for Japan, Korea, Malaysia and Taiwan. The final determination was released by the Minister on 19 December 2012, confirming there had been dumping by all countries investigated, with margins ranging between 2.6% and 15.4%. Measures were put in place for all countries involved. BlueScope has since lodged an appeal, seeking a strengthening of the measures imposed; four other affected parties have also lodged appeals. A determination on the appeals is expected in March 2013.
  - In August 2012, BlueScope submitted applications to Customs in order to seek preliminary investigations on the dumping of zinc coated steel and zinc aluminium coated steel into the Australian steel market. In September 2012, Customs confirmed they would launch investigations into imports of these products from China, Korea and Taiwan. Customs made a Preliminary Affirmative Determination ('PAD') in February 2013 with provisional dumping duties ranging between 3% and 55%; duties were not applied to certain importing mills. Following completion of the investigation, a Statement of Essential Facts will be published in mid-March 2013 and a final recommendation delivered to the Minister by Customs by 30 April 2013.
  - In October 2012, BlueScope submitted separate Countervailing Duty applications to Australian Customs for the consideration of countervailing duties in respect of zinc coated steel, and zinc aluminium coated steel exported to Australia from the People's Republic of China. These investigations are currently ongoing and findings are expected by mid-March 2013.
  - In late December 2012, BlueScope submitted applications to Customs to seek preliminary investigations on the dumping of plate products from Taiwan, Korea, Indonesia and Japan, together with the dumping and countervailing subsidisation of plate products from China. Customs confirmed they would launch an investigation into imports of these products on 12 February 2013.

- Direct Sales to Domestic Building Sector (customers who participate in dwelling and non-dwelling segments)
  - This market sector is referred to as the Australian Domestic Building Sector.
  - Sales volume in 1H FY2013 was immaterially different from 1H FY2012, however improved against 2H FY2012.
  - Market conditions within residential and non-residential construction remained challenging.
  - BlueScope maintained market share for its painted products in 1H FY2013. Non-painted metallic coated and ZINCALUME® steel products continue to face intense market pressure from increased import competition.
  - Average pricing for metallic coated products declined in 1H FY2013 compared to 1H FY2012 largely due to soft global steel prices and increased competition from imports. Pricing of the premier brand COLORBOND® steel increased 4% in October 2012.

- Sales to Domestic Customers and Distributors who participate across all end market segments
  - These market sectors are referred to as the Australian Domestic Industrial Sector (including engineering, manufacturing, agriculture, mining and automotive / transport).
  - Sales volumes declined in 1H FY2013 compared to 1H FY2012.
  - Softer demand for Australian commodities has seen mining investment activity slow from its recent peak, with some projects being held back or scrapped.
  - Sales to pipe and tube industry customers have been impacted by weak market conditions in the structural pipe market, with both the closure of one of Australian Tube Mills' two precision mills and low project activity further softening market conditions.

- Sales to manufacturing and automotive industry customers have continued to feel the impact of soft domestic consumer demand as well as the loss of competitiveness due to the relatively strong Australian dollar and rising conversion costs.
- Distribution customers maintained low to moderate inventory levels throughout 1H FY2013 due to volatility in prices and market conditions with volume growth weakened by slowing investment in the mining, engineering construction, residential construction and automotive industries.
- Market share in 1H FY2013 has remained under intense pressure from import competition, facilitated by the high Australian dollar and low global demand for steel products. BlueScope has maintained relative price competitiveness to defend against market share loss.
- Average pricing for industrial products declined in 1H FY2013 compared to 1H FY2012 largely due to soft global steel prices and increased competition from imports.

- Export Markets
  - 1H FY2013 (external and internal) sales volumes despatched to export markets was 0.35Mt (80% uncoated flat products / 20% coated products) significantly lower than the 1.1Mt in 1H FY2012 following the closure of No.6 Blast Furnace in October 2011. Total export sales volume despatched in 2H FY2012 was 0.4Mt.
  - HRC prices softened in 1H FY2013 vs 1H FY2012 with continued global uncertainty fuelling weaker demand and over capacity.

Building Components & Distribution Australia

This segment comprises:

- BlueScope Distribution, with 58 sites throughout Australia
- BlueScope Lysaght, with 33 sites throughout Australia

(i) Financial Performance

Table 6: Financial Performance
1H FY2013, 1H FY2012 and 2H FY2012

Financial Measure ($M, unless marked)	1H FY2013	1H FY2012	Variance %	2H FY2012
Sales revenue	720	780	(8)	706
Reported EBITDA loss	(2)	(21)	90	(188)
Underlying EBITDA	2	(17)	112	(10)
Reported EBIT loss	(10)	(30)	67	(197)
Underlying EBIT loss	(7)	(27)	74	(19)
Capital and investment expenditure	3	2	50	4
Net operating assets (pre tax) (1)	324	524	(38)	329
Return on net assets (pre tax) (2)	(6%)	(11%)		(79%)

(1) 2H FY2012 vs. 1H FY2012 decrease in net operating assets primarily driven by asset impairments combined with higher creditors and provisions mainly in relation to restructuring and redundancies activities.
(2) Reported EBIT (annualised in case of half year comparison) / average monthly net operating assets.

(ii) Variance Analysis (1H FY2013 vs. 1H FY2012)

The $60M decrease in sales revenue was mainly due to reduced volumes arising from increased imports and continued tough trading conditions combined with the adverse price impact of the stronger AUD and import competition.

The $20M improvement in underlying EBIT was largely due to:

- Improved margin due to lower steel feed costs partly offset by lower average selling prices.
- Cost benefits realised from the Distribution site restructure and tight control over discretionary spending.

Partly offset by:

- Decreased volumes driven by the stronger AUD and increased import competition.

Underlying adjustments included in reported EBIT were:

- Flat across the periods with staff redundancies and other internal restructuring costs of $3M booked in both 1H FY2013 and 1H FY2012.

(iii) Variance Analysis (1H FY2013 vs. 2H FY2012)

The $12M improvement in underlying EBIT was largely due to:

- Cost benefits realised from the Distribution site restructure, tight control over discretionary spending and lower per unit conversion costs due to higher production volumes in Lysaght.
- Favourable Lysaght volumes partly offset by unfavourable Distribution volumes.

Underlying adjustments included in reported EBIT ($175M favourable)

- Goodwill impairment write downs recognised during 2H FY2012 due to a slower recovery in domestic demand that previously expected, comprising Distribution ($157M) and Lysaght ($10M).
- Staff redundancies and other internal restructuring costs of $11M booked in 2H FY2012 compared to $3M in 1H FY2013.

(iv) Operations and Markets Report

- <u>BlueScope Distribution</u>
  - Distribution restructure announced in late FY2012 is now largely complete:
    - Closure, sale or consolidation of 17 branches in FY2012
    - A further three branches rationalised in 1H FY2013
    - Permanent overhead reductions
  - Headline 1H FY2013 volumes were down approximately 10% on 1H FY2012 with the most significant driver being the closure of unprofitable locations which accounted for just over a third of the total variance.
  - Engineering construction activity contraction largely driven by a combination of reduced domestic steel content into green energy investment (wind towers) and overall general reduction in investment.
  - Residential and non-residential construction activity was also weaker year on year due to ongoing economic uncertainty, tight credit conditions, weak consumer confidence and uncertainty on interest rate movements.
  - The relatively high Australian dollar, strong import competition (both of steel and prefabricated goods), weak global demand and a softening domestic economy contributed to a volume decline into the manufacturing and transport sectors.
  - The pricing and gross margin environment remained very competitive, particularly against the backdrop of falling economic activity. However EBIT margins improved in 1H FY2013 compared to 1H FY2012, reflective of the benefit of the restructuring initiatives.

- <u>BlueScope Lysaght</u>
  - Sales volumes in 1H FY2013 were broadly similar to 1H FY2012 and materially improved on 2H FY2012.
  - Nonetheless, market conditions remained weak reflecting a continuation of the low levels of residential, commercial and public construction investment experienced in FY2012.
  - Growth in residential building activity was limited as evidenced by modest levels of housing finance and building approvals nationally.
  - Commercial construction continued to be impacted by tight credit conditions and economic uncertainty and has been contracting since CY2010.
  - Further cost reduction initiatives have been pursued in response to market conditions, including site rationalisation activities instigated in Sydney and south-east Queensland.

New Zealand and Pacific Steel Products

This segment comprises:
- New Zealand Steel (including export iron sands operations)
- Lysaght Fiji, New Caledonia and Vanuatu

(i) Financial Performance

Table 7: Financial Performance
1H FY2013, 1H FY2012 and 2H FY2012

Financial Measure ($M, unless marked)	1H FY2013	1H FY2012	Variance %	2H FY2012
Sales revenue	319	346	(8%)	409
Reported EBITDA	27	55	(51)	55
Underlying EBITDA	27	55	(51)	58
Reported EBIT	2	34	(94)	31
Underlying EBIT	2	34	(94)	35
Capital and investment expenditure	19	10	90	32
Net operating assets (pre tax) (1)	339	243	40	296
Return on net assets (pre tax) (2)	1%	18%		22%

(1) 1H FY2013 vs. 1H FY2012 increase in net operating assets primarily reflects lower provisions in relation to defined benefits superannuation fund and capital and investment expenditure (principally the new Taharoa buoy) in 2H FY2012.
(2) Reported EBIT (annualised in case of half year comparisons) / average monthly net operating assets.

(ii) Variance Analysis (1H FY2013 vs. 1H FY2012)

The $27M decrease in sales revenue was primarily due to lower international and domestic selling prices and an unfavourable movement in the USD relative to the NZD.

The $32M decrease in underlying EBIT was largely due to:
- Lower iron sand prices in line with global changes in iron ore prices.
- Reduced spread driven by:
  - Lower global steel prices combined with flow on impact to domestic prices combined with adverse impact on domestic prices driven by an unfavourable movement in the USD relative to the NZD.

  Partly offset by
  - Lower coating metal purchase prices.
- Non-recurring higher conversion costs impacted by unfavourable scrap and vanadium credits partly offset by lower electricity rates.

Partly offset by:
- Higher iron sands export volumes particularly from Waikato North Head which commenced exports in 2H FY2012.

(iii) Variance Analysis (1H FY2013 vs. 2H FY2012)

The $33M decrease in underlying EBIT was largely due to:
- Decreased iron ore prices on export iron sands shipments.
- Reduced spread driven by:
  - Lower global steel prices and flow on impact to domestic prices combined with increased competition from imports.
  - Higher inventory net realisable value provisions for inventory on hand at 31 December 2012 compared to 31 December 2011.
- Unfavourable movement in the USD relative to the NZD.

Partly offset by:
- Higher iron sands export volumes.

Underlying adjustments included in reported EBIT ($4M favourable)
- Staff redundancies and other internal restructuring costs booked during 2H FY2012 ($4M).

(iv) Operations Report

- Steel production was 0.32Mt in 1H FY2013 compared to 0.30Mt in 1H FY2012 and 0.31Mt in 2H FY2012. 1H FY2012 was impacted by the one-off Melter breakout and Natural Gas Pipeline outage.
- Total steel product despatches in 1H FY2013 of 0.26Mt were down on 1H FY2012 (0.29Mt) with domestic sales flat and exports lower due to the bi-annual hot strip mill shut in 1H FY2013.
- Iron sands exports from Taharoa and Waikato North Head were 0.83Mt in 1H FY2013, a 78% increase on 1H FY2012 due to larger capacity on the new Taharoa slurry vessel and timing of shipments, and the commencement of despatches from Waikato North Head (began in 2H FY2012).
- 1H FY2013 vanadium production was up slightly on 2H FY2012 due to further improvements in the recovery process.
- The focus on cost control continues, particularly around controllable costs. Key cost reductions initiatives include headcount reduction, Cold Mill operating model changes, SG&A savings and maintenance review.

(v) Markets Report

- Domestic
  - External domestic sales in 1H FY2013 of 0.12Mt were in line with 1H FY2012.
  - The market is starting to improve, particularly in Auckland and Christchurch, with residential construction consent levels increasing from a year ago, albeit off a low base.
  - Agricultural investment remains subdued while business continues to reduce debt rather than spend on new investment.
  - Following the tragic earthquakes, the reconstruction effort surrounding Christchurch is starting to gain momentum with the announcement of the town Blueprint. To date NZ$400m of insurance claims have been paid out to Christchurch City Council. Construction activity related to the rebuild has not yet been fully realised.
  - Pricing is at the lowest levels since the GFC, driven by the continued weakening of the US$ and low global steel prices.

- Export
  - 1H FY2013 export volumes of 0.14Mt were lower than 1H FY2012 despatches of 0.16Mt.
  - The weakness of the US$ has continued to impact on margins for export sales.
  - Iron sand prices in 1H FY2013 were down 20% on 1H FY2012 consistent with the decrease in iron ore pricing.

GLOBAL BUILDING SOLUTIONS

This segment comprises:

- BlueScope Buildings North America
- BlueScope Buildings Asia (includes Buildings China and Buildings ASEAN)
- BlueScope Building Products China (includes Suzhou coating and painting operations, and Lysaght rollforming operations)
- BlueScope Solutions Australia (includes Buildings Australia, Water and Ranbuild)
- Global Accounts (global Buildings sales and other global Buildings activity including JVs)

(i) Financial Performance and Operating Report

Table 8: Financial Performance (Refer to Attachment 2(a) for a breakdown of half year financial data by region)
1H FY2013, 1H FY2012 and 2H FY2012

Financial Measure ($M, unless marked)	1H FY2013	1H FY2012	Variance %	2H FY2012
Sales revenue	728	801	(9)	646
Reported EBITDA	33	28	18	(1)
Underlying EBITDA	33	41	(20)	25
Reported EBIT	17	11	55	(17)
Underlying EBIT	17	24	(29)	9
Capital and investment expenditure	23	4	475	14
Net operating assets (pre tax) (1)	505	568	(11)	510
Return on net assets (pre tax) (2)	7%	4%		(6%)

(1) 2H FY2012 vs. 1H FY2012 decrease in net operating assets primarily reflects higher provisions in relation to the defined benefit superannuation fund and redundancy and restructure costs and lower receivables mainly driven by lower despatch volumes.
(2) Reported EBIT (annualised in case of half year comparison) / average monthly net operating assets.

(ii) Variance Analysis (1H FY2013 vs. 1H FY2012)

The $73M decrease in sales revenue was mainly due to reduced volumes, particularly in Buildings Asia and lower pricing across all regions.

The $7M decrease in underlying EBIT was largely due to:

- $8M one-off prior period (FY2005-FY2009) provision adjustment in Buildings Asia.
- Lower despatch volumes in Buildings China driven by general slowdown in building and construction activity and resultant impact on higher per unit conversion costs.

Partly offset by:

- Improved margins driven by lower steel feed costs, partly offset by lower domestic prices.
- Higher volumes in Buildings North America with continued improvement in the U.S. non-residential construction market.

Underlying adjustments included in reported EBIT ($13M favourable):

- Restructure and redundancy costs ($8M) and asset impairments ($5M) booked during 1H FY2012.

(iii) Variance Analysis (1H FY2013 vs. 2H FY2012)

The $8M improvement in underlying EBIT was largely due to:

- Higher despatch volumes across all regions, particularly Buildings North America with the continued recovery in non-residential construction activity.
- Lower per unit conversion costs due to higher production volumes in Buildings North America.

Partly offset by:

- Reduced margins driven by lower domestic prices, partly offset by lower steel feed costs particularly in Buildings China, Building Products China and Buildings North America.
- $8M one-off prior period (FY2005-FY2009) provision adjustment in Buildings Asia.

Underlying adjustments included in reported EBIT ($26M unfavourable):

- 2H FY2012 EBIT has been adjusted for goodwill and other asset impairment write downs ($11M), plant closure and rationalisation costs ($13M) and restructure and redundancy costs ($2M).

(iv) Operations and Markets Report

- Buildings North America
  - Buildings North America primarily sells low-rise metal building systems into the industrial, commercial and community segments of the non-residential building market in North America.
  - The business returned to an EBITDA profit position during FY2012 and continued this trend into 1H FY2013, largely due to the benefits derived from a targeted profit improvement project and the manufacturing integration process.
  - Despatch volumes for 1H FY2013 were up 8% to 112Kt on 1H FY2012 and up 20% on 2H FY2012, ahead of the increase in the US non-residential construction market. This increase was influenced by a significant refocus on new product development and enhanced product differentiation. The business's backlog is up 27% compared to this time last year.
  - General indicators of activity point to continued improvement in the U.S. non-residential construction market:
    - F.W. Dodge analysis of non-residential construction showed a 1% gain in square footage awards for FY2012. Dodge is forecasting an 2% improvement in FY2013 and 13% improvement in FY2014.
    - The AIA Architectural Billings Index (ABI), a leading economic indicator of construction activity, posted its fifth consecutive month of gains in December 2012, reaching a score of 52. The ABI reflects the approximate nine to twelve month lag between architectural billings and construction spending.

- Buildings Asia (China & ASEAN)
  - Buildings Asia principally sells low-rise metal building systems into the industrial, commercial, and community segments of the non-residential building market in China and ASEAN.
  - Approximately 80% of sales revenue in 1H FY2013 was derived from the China business unit. The remaining 20% was derived from business units across ASEAN.
  - Sales mix is approximately 50% private, 40% FDI and JVs and 10% state owned enterprises and government.
  - Performance in the China business deteriorated in 1H FY2013; Buildings Asia despatch volume was down 19% to 121Kt and sales revenue was down 20% relative to 1H FY2012. This resulted from a temporary slowdown in building and construction activity as both private and government participants have reduced or delayed investment.
  - ASEAN 1H FY2013 despatch volume increased 5% relative to 1H FY2012. Margin performance has suffered as the ASEAN businesses are restructured to operate independently of regional Lysaght businesses.
  - Across both China and ASEAN, the business is actively pursuing targeted initiatives to increase sales and reduce cost.
  - In January 2012, the business began development of a new manufacturing facility in Xi'an, western China. The building phase of the project is now largely complete and equipment is being received for installation and commissioning. To date, the project is under budget and development is expected to be complete at the end of 2H FY2013.

- Building Products China
  - Building Products China incorporates both Coated Products China and Lysaght China.
    - Coated Products China produces and sells metallic-coated and pre-painted steel primarily for the non-residential building and construction market. It sells product externally, either directly to the end-user or via distributors, as well as to downstream BlueScope business units (Buildings Asia and Lysaght China). Internal sales accounted for 40% of total sales in 1H FY2013.
    - Lysaght China supplies metal building components to the residential, commercial, non-residential, and government sectors.
  - Due to oversupply and weakened demand in the China steel market, many steel companies have reduced output in 1H FY2013.
  - With more challenging conditions in the China market, despatch volumes and sales revenue were down on 1H FY2012 across both Coated Products China and Lysaght China; despatch volume was down 9% to 91Kt and sales revenue was down 10%. Volumes and revenue were particularly impacted by reduced internal demand.
  - Despite reduced despatch volumes and sales revenue, 1H FY2013 EBIT was 16% higher than 1H FY2012 due to increased margins driven by targeted initiatives to increase the proportion of higher value-added painted product sales.

- BlueScope Solutions Australia
  - BlueScope Solutions Australia sells commercial buildings, residential sheds, patios and garages and water storage solutions to the commercial, resources, rural and residential sectors in Australia. Water Tank products are sold domestically and abroad through an international distributor network.

- The Water Business disposed of its loss making residential business in August 2012 to focus on its larger Commercial and Rural tank products.
- Across Solutions Australia, 1H FY2013 despatch volumes increase 14% and sales revenue increased 1.5% relative to 1H FY2012.
- Commercial buildings sales revenue, accounting for 61% of total sales revenue over 1H FY2013, increased 15% relative to 1H FY2012 and increased 3% relative to 2H FY2012. Orders from the resources sector have slowed as projects appear to be moving from an establishment to production phase.
- The Rural sector for both Water and Buildings remains weak on subdued economic sentiment, however strong promotional and brand marketing activity saw an improvement in order activity over the half.
- Water product exports remained steady in spite of the continuing high Australian Dollar.

- Engineered Building Solutions Global Accounts
  - The Global Accounts group, formed in FY2013, is primarily focused on management and development of global strategic partnerships with multi-national customers (Program Accounts) and expansion into non-traditional global territories.
  - Sales generated through these global accounts are reported in the business unit that supplies the solution.
  - Recent success with Program Accounts has secured projects in such locations as India, Russia and the African continent.
  - The Global Accounts group is driving the expansion of global engineering capabilities through the roll-out of a common engineering software system across BlueScope's Buildings businesses. This system is in place in North America and is currently being installed across businesses in Asia.

BUILDING PRODUCTS ASEAN, NORTH AMERICA & INDIA

This segment comprises:
- Metal coating and paint line operations in Thailand, Indonesia, Malaysia and Vietnam
- Lysaght businesses across ASEAN (use product from the coating lines)
- In North America, Steelscape's pickling, cold rolling, metal coating and paint lines, and ASC Profiles' West Coast steel components business
- Joint venture in India with Tata Steel Limited covering the recently completed metal coating line and paint line and existing Butler PEB and three Lysaght roll-forming operations

BlueScope and Nippon Steel & Sumitomo Metal Corporation (NSSMC) have now obtained almost all of the regulatory approvals that are required for the Coated Products Joint Venture transaction to be completed and are working towards completion by the end of March 2013. This joint venture will encompass all of the ASEAN and North American operations of this segment.

(i) Financial Performance (Refer to Attachment 2(b) for a breakdown of half year financial data by country)

Table 9: Financial Performance
1H FY2013, 1H FY2012 and 2H FY2012

Financial Measure ($M, unless marked)	1H FY2013	1H FY2012	Variance %	2H FY2012
Sales revenue	800	814	(2)	829
Reported EBITDA	55	41	34	57
Underlying EBITDA	55	44	25	54
Reported EBIT	31	17	82	34
Underlying EBIT	31	21	52	31
Capital and investment expenditure	5	12	(58)	31
Net operating assets (pre tax) (1)	859	974	(12)	870
Return on net assets (pre tax) (2)	7%	4%		7%

(1) 2H FY2012 vs. 1H FY2012 decrease in net operating assets primarily reflects lower inventory holdings mainly at Thailand and Steelscape.
(2) Reported EBIT (annualised in case of half year comparisons) / average monthly net operating assets.

(ii) Variance Analysis (1H FY2013 vs. 1H FY2012)

The $14M decrease in sales revenue was mainly due to lower pricing across all regions and unfavourable foreign exchange rate impacts mainly in Thailand and Indonesia partly offset by higher despatch volumes in Thailand, Indonesia and Steelscape and improved product mix in Thailand.

The $10M improvement in underlying EBIT was largely due to:
- Higher spreads with lower steel feed costs only partly offset by lower selling prices.
- Higher volumes and favourable mix with Thailand recovering from the impact of floods in 1H FY2012.
- Favourable foreign exchange rate movements mainly in Thailand.

Partly offset by:
- Higher marketing costs in Thailand delivering volume growth.
- Higher conversion costs driven by the start-up of the coating and painting line in India.

Underlying adjustments included in reported EBIT ($4M favourable):
- BlueScope Water restructuring costs booked during 1H FY2012 ($4M).

(iii) Variance Analysis (1H FY2013 vs. 2H FY2012)

Underlying EBIT was flat across the periods largely due to:
- Higher spreads with lower steel feed costs only partly offset by lower selling prices.
- Higher volumes in North America, Thailand and Vietnam, partly offset by lower volumes in Indonesia and Malaysia.
- Favourable foreign exchange rate impacts in Thailand.

Offset by:
- Higher conversion and marketing costs in ASEAN businesses to support volumes.

Underlying adjustments included in reported EBIT ($3M unfavourable):

- Profit on Indonesia land sale booked in 2H FY2012 ($3M).

(iv) Operations and Market Report

Thailand (BST)

- Markets
  - Thailand domestic market has remained relatively stable despite global uncertainty. Bank of Thailand forecasts CY2012 GDP growth to be 5.7% and CY2013 to be 4.6%. Domestic steel demand has remained relatively strong in 1H FY2013 and is expected to be stable as the market enters the annual high season of January to March. Despite predictions to the contrary by many experts, the political environment was benign and stable, generating a greater level of confidence in the business sector.
  - Demand in the specific market segments has been varied during 1H FY2013. Industrial and Commercial demand in and around Bangkok and central area has been reasonably stable throughout CY2012 with domestic investment in construction and FDI continuing despite the worst-in-50 year floods in November 2011, and the expected market sentiment in the aftermath of these floods that investment would move from Thailand to other ASEAN countries. This has resulted in continued investment in factories and warehouses by local and multi-nationals (Japanese investment continues to be robust) and Government investment in infrastructure. In addition, Northern Thailand, particularly in the residential segment, continues to grow strongly as middle class demand rises with ongoing improvements in wealth and living conditions. However competition is strong in this region both from imported steel and also intermaterially with a mature cement tile market present.
  - Given the demand profile outlined above being fairly stable (market construction growth estimates in the 8-10% range) year on year, BlueScope Steel Thailand was able to increase EBIT by 105% from the same period last year. (It should be noted for comparative purposes 1H FY2012 EBIT was negatively impacted by the floods). Despite the local and import competition becoming more intense year on year, the stronger growth in 1H FY2013 can be attributed to a number of successful initiatives by the Thailand team. These include advanced customer loyalty programs to incentivise customers who provide monthly, stable orders, a very strong focus on specification in Industrial and Commercial segments (with architects, contractors and designers) to grow premium sales, new product distributor programs aimed at combating import competition particularly in the residential segments and Northern Thailand region, and the launch of new painted products focused on residential segments supported by strong marketing and advertising campaigns to drive broad brand awareness.

- Current Operations
  - In 1H FY2013, total despatch volume was 180kt, compared to 156kt in 1H FY2012 and 169kt in 2H FY2012. 1H FY2012 was impacted by the flood as mentioned above, when the business successfully launched the Thailand Flood "stimulus offer" which was successful in generating an increased order back log, thereby mitigating to some extent, the impact of the floods. 1H FY2013 despatch saw stronger growth driven by increased marketing efforts, product innovation and strong domestic demand. Marginal growth over 2H FY2012 is mainly due to the seasonal trend whereby January to March is the high season for Thailand steel industry.

Vietnam (BSV)

- Markets
  - Vietnam economic growth has slowed from the 7% average pace recorded since the "doi moi" market opening reforms began in 1986 as Vietnam tightened credit to stem inflation and the rise of bad loans. The International Monetary Fund ("IMF") forecasts Vietnam GDP growth in CY2012 to be 5.1%. In CY2012, Vietnam's economic growth showed no sign of recovery, with very low credit growth (approximately 5% YTD). Coupled with inefficiencies in the state-owned enterprises ("SOEs") and high non-performing loans, these have resulted in a stagnant industrial and commercial segment.
  - Transformation of the banking sector and SOEs will require a phased approach over time. Nonetheless, there are signs showing the macro-economy is starting to stabilise. Inflation is expected to be at a low 8.1% in CY2012 versus 18.1% in CY2011. The VND/USD exchange rate has also remained relatively stable (less than 1% fluctuation) in the last six months. IMF forecasts Vietnam's CY2013 GDP to be a higher 5.9% (World Bank forecast 5.5%) and to hit 7.5% in CY2017. Rate of inflation is expected to improve to 6.2% in CY2013.
  - EBIT growth of 29% over the same period last year was achieved through:
    - efforts to grow residential channels (55 customers in Dec 2011 versus 80 customers in Dec 2012),
    - introduction of new painted products (Zacs AZ100 Mau Feng Shui) to upsell from lower tier zinc-aluminium coated product,
    - increasing brand marketing and product differentiation in the non-residential segment, and
    - various other sales and marketing initiatives.

- Current Operations
  - In 1H FY2013, total despatch volume was 58kt, compared to 56kt in 1H FY2012 and 55kt in 2H FY2012.

Indonesia (BSI)

- Markets
  - The Indonesian economy continues its robust growth of more than 6%, supported by government investment in infrastructure and strong consumer and business confidence. However with the slowing global economy and increasing uncertainties, Indonesia's central bank has revised down the upper limit of its economic growth forecasts for CY2012 to 6.2% and for CY2013 to 6.3% (previous forecasts were 6.1% to 6.5% for CY2012 and 6.3% to 6.7% for CY2013).
  - Indonesia finished goods imports have grown 50% year-on-year for the last three years (mainly from Vietnam, Taiwan and Korea). More recently, Chinese imports have increased aggressively over the last six months, resulting in an influx of lower quality products below Indonesian National Standards with lax enforcement. Local CRC producer Krakatau Steel's anti-dumping application is expected to further exacerbate the structural cost disadvantage for domestic midstream and downstream producers against lower cost imports. In response, BlueScope Steel Indonesia (BSI) together with 2 other local zinc-aluminium producers launched a safeguard application.
  - Initial challenges in commissioning the new coating line with in-line painting have been resolved and the line is being ramped up to full name-plate capacity with additional operational crews and improved product mix. Sales efforts are being refocussed to target the industrial and commercial construction markets (where there is considerable foreign direct investment), and to enhance the profitability of the residential construction and retail markets. The downstream business growth strategy involves introducing new profiles and extending the geographic reach and scope of the business outside of the Jakarta area, to include the islands of Kalimantan and Sulawesi.

- Current Operations
  - In 1H FY2013, total despatch was 100kt, compared to 98kt in 1H FY2012 and 110kt in 2H FY2012. 1H FY2013 volume is lower than 2H FY2012 with the seasonal factor of Muslim holidays in Q1 FY2013. However it is marginally higher than the same period in 1H FY2012, due to improved production yield, achievement of higher designed line speed and overall better operational metrics after the majority of equipment related commissioning issues were ironed out.

Malaysia (BSM)

- Markets
  - The Malaysian Institute of Economic Research (MIER) has recently revised Malaysia's GDP growth upwards to 5.1% from 4.9% for CY2012 and to 5.6% from 5.4% for CY2013 despite global economic uncertainties, based on the resilient domestic demand. The Budget 2013 presented in September 2012 also focused on promoting private investment through the implementation of projects under the Economic Transformation Program and the development of the 12 National Key Economic Areas.
  - The overall local steel market has been impacted by the uncertainties in the global economy. For 1H FY2013, market demand has experienced a slowdown although towards the end of CY2012, there appears to be more stability in market pricing and better market off take. Despite the Budget announcements, most government projects have been delayed pending the outcome of the General Election which is expected to be held during the first quarter of 2013. The mid to long term impact on the market remains uncertain.
  - The Ministry of International Trade and Industry (MITI) is currently working closely with the relevant government agencies and steel industry players to finalise the roadmap for future competitiveness of the local steel industry. This roadmap is expected to address the issues on the current administration of the import duty on steel products. BSM has put in place initiatives to mitigate the uncertainties surrounding the future applications for import duty exemptions
  - On the market front, BSM continues to focus on growing the medium to high end residential segment and has developed a new product for roofing, Capero™ Steel, with the aim of replacing conventional roof tiles with metal roofing. There is close collaboration with the housing developers and other relevant authorities to promote the benefits of metal roofing, particularly for homes with contemporary design.
  - BlueScope products are the first coated steel products in Malaysia to be certified with Eco-Label (green certification) by the Standards & Industrial Research Institute of Malaysia (SIRIM). This certification is in line with BSM's strategy in promoting green products together with the recent launch of Clean COLORBOND® with Thermatech technology.

- Current Operations
  - In 1H FY2013, total despatch volume was 74kt, compared to 79kt in 1H FY2012 and 80kt in 2H FY2012. The volume in 1H FY2013 is marginally lower compared to the previous two half-year periods mainly contributed by the slow progress of government related projects due to the impending announcement of the general election.

North America (Steelscape & ASC Profiles)

- Markets
  - Building Products North America (BPNA) is mainly exposed to the U.S non-residential construction market. Steelscape produces metallic-coated and pre-painted steel primarily for the U.S. non-residential building and construction market. ASC Profiles supplies metal components to the West Coast U.S. residential, agricultural, commercial, non-residential and governmental construction markets.
  - The U.S. non-residential construction market showed slow growth over FY2012 in the private sector while the public sector saw a slight decline. Residential construction, however, showed gains driven by private residential spending.
  - BPNA strategy is to continue its West Coast market leadership position and capitalise on new market opportunities, particularly in the "Green" segment.

- Current Operations
  - A project to restructure Steelscape and ASC Profiles has been initiated, including the consolidation into one management team. This restructure aims to streamline existing operations and lower the cost structure.
  - Cost reductions in both companies have served to offset compressed margins due to competition from domestic and import sources in 1H.
  - In 1H FY2013, total external despatch volume was 220kt, compared to 220kt in 1H FY2012 and 211kt in 2H FY2012.

India (in joint venture with Tata Steel (50:50) for all operations)

- Markets
  - Indian GDP grew 5.3% in Q3 CY2012, down by 1.4% compared to the same period last year due to slower industrial growth, weak global demand & delay in policy reforms. Industrial growth is expected to see marginal improvement during Dec'12-Mar'13 and pick up later during CY2013 as the economy revives according to Credit Rating and Information Services of India Limited (CRISIL) Research.
  - Tata BlueScope believe the Indian steel roofing market grew by approximately 10% in 1H FY2013 over 1H FY2012, with growth largely coming from increased sales of painted products, more than bare products. Domestic producers are typically preferred suppliers, and have the majority of market share. Tata BlueScope's share of Indian aluminium-zinc coated and painted products is estimated to be around 25%.
  - The aluminium-zinc coated steel roofing market is believed to have grown by over 25% in 1H FY2013 over 1H FY2012. This growth is driven by painted products demand from the retail market (residential and small to medium enterprises); growth in the projects market (industrial, infrastructure & commercial sectors) has been flatter. There is a continuing shift to painted products from bare metal coated products.

- Current Operations
  - BlueScope's 'share' of the joint venture's total despatches was 41kt in 1H FY2013, as compared to 24kt in 1H FY2012 and 32kt in 2H FY2012. Sales late in 1H FY2013 saw particularly promising growth.
  - The majority of despatches (84% in 1H FY2013) were painted steels, the balance being bare metal coated.
  - Downstream business (Lysaght) continued to see robust volume growth.

HOT ROLLED PRODUCTS NORTH AMERICA

This segment comprises:

- BlueScope Steel's 50% interest in North Star BlueScope Steel, Ohio, USA (hot rolled coil production)
- BlueScope Steel's 47.5% interest in Castrip LLC, USA (thin strip casting technology), in joint venture with Nucor and IHI Ltd

(i) Financial Performance

Table 10: Financial Performance
1H FY2013, 1H FY2012 and 2H FY2012

Financial Measure ($M, unless marked)	1H FY2013	1H FY2012	Variance %	2H FY2012
Sales revenue (1)	0	0	0	0
Reported EBITDA (2)	33	20	65	42
Underlying EBITDA (2)	33	20	65	42
Reported EBIT (2)	33	20	65	42
Underlying EBIT	33	20	65	42
Capital and investment expenditure	1	1	0	1
Net operating assets (pre tax) (3)	79	96	(18)	73
Return on net assets (pre tax) (4)	82%	44%		91%

(1) Excludes the company's 50% share of North Star BlueScope Steel's sales revenue of A$299M in 1H FY2013 (A$340M in 1H FY2012 and A$343M in 2H FY2012).
(2) Includes 50% share of net profit before tax from North Star BlueScope Steel of A$34M in 1H FY2013 (A$21M in 1H FY2012 and A$43M in 2H FY2012).
(3) 2H FY2012 vs. 1H FY2012 decrease in net operating assets primarily reflects higher dividend payments.
(4) Reported net profit before tax (annualised in case of half year comparison) / average monthly net operating assets (includes equity investment).

(ii) Variance Analysis (1H FY2013 vs. 1H FY2012)

The $13M improvement in underlying EBIT was largely due to:

- Improved spread driven by lower scrap costs, partially offset by lower selling price.
- Lower depreciation charges and various cost reduction initiatives.

(iii) Variance Analysis (1H FY2013 vs. 2H FY2012)

The $9M decrease in underlying EBIT was largely due to:

- Reduced spreads driven by lower selling prices partially offset by lower scrap costs.
- Higher conversion costs driven primarily by the planned outage for annual maintenance.
  Partially offset by:
  - Various cost reduction initiatives; and
  - Lower depreciation charges.

(iv) Operations and Markets Report

- North Star BlueScope Steel (BlueScope Steel has a 50% interest)
  - North Star sells approximately 80% of its production in the Mid-West, U.S.A, with its end customer segment mix being broadly 45% automotive, 25% construction, 10% agricultural and 20% manufacturing/industrial applications.
  - Despatches for 1H FY2013 were materially in line with 1H FY2012 and 2H FY2012, at 0.48Mt (BSL share).
  - High capacity utilisation rates, relative to the market, (average USA steel mill output capacity utilisation rate of 78% during 1H FY2012 (source: American Iron & Steel Institute)), have been maintained at North Star due to its ability to retain existing and procure new customers by consistently meeting market expectations for on-time delivery and quality.
  - During the period, North Star was again voted the #1 North American flat rolled steel supplier in the Jacobson survey for customer satisfaction. North Star has now held this title for 10 consecutive years.
  - Dividends paid to BSL in 1H FY2013 totalled US$26M (US$12M in 1H FY2012 and US$68M in 2H FY2012).
  - North Star continues to progress its analysis of potential expansion projects: (i) a possible one million short ton direct reduced iron (DRI) plant which would replace some of the current higher priced scrap and pig iron supply, lowering the overall cost structure of the JV; and (ii) a possible upgrade in production

capacity from 2.1 million tonnes per annum to 2.5 million tonnes per annum, which would involve installation of a second slab caster and a new shuttle furnace.

- Castrip LLC
  - Castrip LLC is a joint venture that owns the Castrip® technology, a revolutionary process for the direct casting of steel strip. It is owned 47.5% by BlueScope; 47.5% by Nucor and 5% by IHI. BlueScope has exclusive rights to use and license the technology in Australia, New Zealand, Thailand, Indonesia, Malaysia and the Philippines.

OTHER INFORMATION

(i) Capital Management

- Dividend
  - The Directors did not declare an interim dividend for 1H FY2013.

- Debt facilities and finance cost update
  - During the period, BlueScope closed two partial tender offers and repurchased a total of US$109.5M of its US Private Placement Notes at par plus accrued interest ($88.2M repurchased on 7 August 2012 and $21.3M repurchased on 13 December 2012). The repurchases were funded in US dollars using existing undrawn lines under the Company's Syndicated Bank Facility.
  - Committed available undrawn capacity at 31 December 2012 under bank debt facilities (A$1,156M), plus cash (A$193M) was A$1,349M (A$1,571M at 30 June 2012).
  - Current finance cost is approximately 6% of average gross drawn debt, plus commitment fees on undrawn facilities of 1.1%, plus amortisation of facility establishment fees and the discount cost of long-term provisions (non-cash) of $6M.

- Net debt
  - During the period, the company's net debt increased by $115M to $499M resulting in a gearing ratio of 11.8% (net debt/(net debt plus equity)) after a $132M benefit from sale of carbon units (an equivalent amount of units to be purchased by 30 June 2013).
  - During the half year, debt was drawn principally to fund the surplus of restructuring, capital expenditure, net finance, tax and ASEAN minority acquisition costs over operational cash flow.

(ii) Safety, Environment & Health

- Safety
  - The company remains committed to its goal of Zero Harm for all of its people worldwide.
  - The year to date OHS performance for FY2013 is as follows:
    - Lost Time Injury Frequency Rate of 0.59 (compared to 0.47 in 1H FY2012 and 0.88 in 2H FY2012).
    - Medically Treated Injury Frequency Rate of 5.3 (compared to 5.3 in 1H FY2012 and 5.8 in 2H FY2012).
  - The annual Zero Harm Awards recognise and reward achievements in our Zero Harm journey. The Awards and Commendations for CY2012 were recently presented. The broad range of initiatives highlighted in this year's Awards demonstrates the enormous effort and commitment BlueScope people are making across our business to make our workplaces safer.
  - Some of the noteworthy safety achievements in the period include:
    - BlueScope Australia and New Zealand – Distribution Darwin achieved 18 years LTI free. New Zealand Steel Hot Strip Mill and Skinpass Mill achieved 12 years LTI free. Supply Chain and Processing achieved 2 million hours LTI free.
    - BlueScope Building Products – Vietnam Building Products achieved 1 year MTI free. China Building Products achieved 13 years LTI free and 2 years injury free. Malaysia Building Products, Kapar achieved 9 years LTI free. Thailand Building Products, BlueScope Steel Thailand achieved 16 years LTI free. North America Building Products, ASC Anchorage achieved 13 years LTI free.
    - BlueScope Global Building Solutions – BlueScope Buildings North America, Kansas City achieved 3 years LTI free and Rainsville 4 years LTI free. BlueScope Buildings Asia, Bliss achieved 5 years LTI free.

  - Noteworthy external recognition includes:
    - Lysaght Sabah, Malaysia won the 2012 National Excellence for Occupational Safety & Health Award under the Small and Medium Industries Category from the National Council of Occupational Safety & Health (NCOSH), Malaysia.

- Lysaght Surabaya, Indonesia received the ZERO LTI Award for 2012 from the Governor East Java and Minister for Manpower.
- BlueScope Buildings North America, Jackson and San Marcos, awarded a Superior Safety Award from the Metal Buildings Manufacturer's Association for Significant Safety Improvement

- Environmental Management
  - The company remains committed to continuously improving the environmental footprint of its operations.
  - The BlueScope Steel Environment Management System comprises the following major elements:
    - Our Bond
    - HSEC Policy
    - Environment Principles
    - Environment Standards
    - BSL wide Procedures and Guidelines
    - Operational Procedures
  - BlueScope continues to work on improving its systems and performance through its network of environment reviews and audits, implementation of its compliance systems, the business planning process and risk management practices.

- Australian Carbon Pricing Mechanism
  - The Australian Government has enacted a national greenhouse gas emissions trading scheme through the Carbon Pricing Mechanism (CPM). The CPM came into operation on 1 July 2012.
  - BlueScope is a liable entity under the scheme, and as such will be required to annually obtain and surrender emission units to cover the Company's direct (Scope 1) greenhouse gas emissions from liable facilities within Australia.
  - The company will also face increases in electricity (Scope 2), natural gas and other costs as suppliers seek to pass though their own carbon costs (Scope 3).
  - The carbon-pricing scheme is an initial fixed price phase for three years after which the scheme will convert to a flexible price cap-and-trade emissions trading scheme on 1 July 2015.
  - During the flexible phase, Australian liable entities will be able to use international carbon units to acquit a proportion of their obligations under the CPM. Up to 12.5% of an entity's liability will be able to be met with Kyoto units, and an additional 37.5% of the entity's liability can be met with units issued under the EU-ETS. A price ceiling will apply for the first three years of the flexible period.
  - The Australian Government is allocating carbon units to emissions-intensive, trade-exposed activities, including iron and steelmaking through the Jobs and Competitiveness Programme.
  - Pass through of explicit Scope 3 costs is being monitored. However, the difficulty in identifying pass through of carbon costs in all supplier contracts precludes an estimate of Scope 3 cost being presented.
  - The Government signalled its intent to limit the potential pass-through of Scope 3 coal emissions from miners to steelmakers. The company therefore does not expect to face Scope 3 costs from coal suppliers.
  - The company remains focussed on improving the energy and carbon efficiency of all its operations.
  - When funds from the STP are taken into account, the Company does not expect to face a net carbon liability over the period.

- Steel Transformation Plan
  - The Steel Transformation Plan (STP) is a $300M program that aims to encourage investment, innovation and competitiveness in the Australian steel manufacturing industry in order to assist the industry to transform into an efficient and economically sustainable industry in a low carbon economy.
  - BlueScope has registered as a participant in the Steel Transformation Plan and is complying with the requirements of the STP legislation.
  - The company expects to be entitled to receive $183M over the four years of the STP. In January 2012 the Government announced that it would provide BlueScope Steel with a competitiveness assistance advance of $100M. Given payment of the advance, the company will be eligible for a further $83M in total over the Plan years with the next payment expected to be made in FY2015.

- New Zealand Emissions Trading Scheme
  - The Company is also a liable entity under New Zealand's ETS.
  - The activity of iron and steel manufacturing from iron sands as undertaken by New Zealand Steel has been assessed to be highly emissions-intensive and trade-exposed, and New Zealand Steel therefore qualifies for the allocation of Emission Units at the maximum rate (90%).
  - The ETS is currently in a 'transition period'. During this period participants must surrender one emission unit for two tonnes of carbon dioxide equivalent emissions, allocation of units to energy-intensive and trade-exposed activities is halved, and it is possible to buy units at a fixed price of NZ$25/t from the Government. In July 2012 the New Zealand Government announced that it would effectively retain the current key transitional arrangements until a further review in 2015.

- Concerns in relation to the phasing out of the 50% surrender obligation and the introduction of a decay rate materially increasing the ETS costs faced by New Zealand Steel have for now been allayed.

- Non-compliances, Fines and Prosecutions:
  - BlueScope Steel notified relevant authorities of eight statutory non-compliances with environmental regulations during the six months to 31 December 2012. During the period there were no serious environmental incidents and no fines or penalties were imposed.

(iii) Senior Management Changes

- Sanjay Dayal – Chief Executive, Building Products
  - Effective 1 July 2012, Sanjay Dayal was appointed as Chief Executive Building Products, based in Singapore and continues to be a member of the Executive Leadership Team.
  - Mr Dayal leads a business that covers the Company's building products businesses across Asia and India and the Steelscape and ASC Profiles businesses on the US West Coast. Building Products focuses on building and construction markets, using the breadth of the BlueScope network to leverage operating technologies and supply chain opportunities.
  - Previously, Mr Dayal was Chief Executive Asia where he headed BlueScope's businesses in Thailand, Indonesia, Malaysia, Vietnam and the Company's joint venture with Tata Steel in India. Before joining BlueScope, Mr Dayal was a senior business leader at Orica.

- Keith Mitchelhill – Executive General Manager
  - Effective 1 July 2012, Keith Mitchelhill is assisting the CEO with the transition to the new organisation structure and will continue to be a member of the Executive Leadership Team until 31 March 2013 when he will leave the Company.
  - Prior to this role, Mr Mitchelhill was President, North America, Chief Executive, BlueScope Australia Distribution and Solutions, and before joining the Company, he was an Executive General Manager at Boral. He joined BlueScope Steel in 2008.

- Bob Moore – Chief Executive, Global Building Solutions
  - Effective 1 July 2012, Bob Moore was appointed as Chief Executive Global Building Solutions, based in Shanghai and continues to be a member of the Executive Leadership Team.
  - Mr Moore leads a business that covers all the Company's market leading pre-engineered steel building businesses stretching from North America across China, Asia, India, the Middle East and Australia, creating an engineered building solutions capability unmatched by any competitor, anywhere in the world. Our existing metal coating, painting and Lysaght businesses in China also form part of this global building business.
  - Before this role, Mr Moore was BlueScope's President China, President Lysaght Australia, President OneSteel Distribution and held various downstream General Management roles in BHP Steel.

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ATTACHMENT 1(a) – SEGMENT SUMMARY DESPATCH REPORT

000 Tonnes	1H FY2013	1H FY2012	Variance	2H FY2012
Coated & Industrial Products Australia (CIPA)	1,248	2,110	(41%)	1,434
Building Components & Distribution (BCDA)	364	397	(8%)	361
New Zealand / Pacific Steel	261	287	(9%)	294
Global Building Solutions	306	332	(8%)	256
Building Products ASEAN, Nth Am & India	657	607 (1)	8%	649 (1)
Hot Rolled Products North America	476	479	(1%)	484
Discontinued Businesses	0	14	(100%)	12
Less sales between BlueScope segments	(481)	(636)	(24%)	(326)
Total Group External Steel Despatches	**2,831**	**3,590**	**(21%)**	**3,164**

Note:

(1) FY2012 amended to reflect 50% of Tata BlueScope Steel JV volumes (previously showed 100%)

ATTACHMENT 1(b) – AUSTRALIAN SUMMARY DESPATCH REPORT

000 Tonnes	1H FY2013	1H FY2012	Variance	2H FY2012
CIPA Domestic Despatches	903	999	(10%)	991
BCDA Domestic Despatches	358	391	(8%)	355
- less intersegment domestic sales & other	(213)	(216)	(2%)	(209)
Australian Domestic Steel Despatches	**1,048**	**1,174**	**(11%)**	**1,138**
- less despatches of third party product (1)	(143)	(160)	(10%)	(148)
Despatches of BSL Steel in Australia to Domestic Customers	**905**	**1,015**	**(11%)**	**990**
- plus export despatches to external customers	132	747	(82%)	384
- plus export despatches to internal customers	219	369	(41%)	64
- less export despatches of third party product (1)	(5)	(4)	12%	(3)
Despatches of BSL Steel from Australia (to domestic & export customers)	**1,252**	**2,127**	**(41%)**	**1,434**

Notes:

(1) Primarily long products sold through Distribution business

ATTACHMENT 1(c) – DETAILED PRODUCTION AND DESPATCH REPORT

'000 Tonnes	1H FY2013	1H FY2012	Variance	2H FY2012
Coated & Industrial Products Australia				
Raw Steel Production	**1,329**	**1,864**	**(29%)**	**1,286**
Steel Despatches (External & Intersegment)				
- Domestic - Slab	0	0	0	0
- HRC	245	292	(16%)	342
- Plate	135	157	(14%)	144
- Other (CRC, Metal Coated & Painted)	523	550	(5%)	505
- Total	**903**	**999**	**(10%)**	**991**
- Export - Slab	0	141	(100%)	76
- HRC (1)	259	652	(60%)	225
- Plate	12	51	(77%)	30
- Other (CRC, Metal Coated & Painted)	74	266	(72%)	112
- Total	**345**	**1,111**	**(69%)**	**443**
Total Steel Despatches	**1,248**	**2,110**	**(41%)**	**1,434**
External Coke Despatches	359	198	81%	317
Building Components & Distribution Australia				
Steel Despatches (External & Intersegment) (2)				
- Domestic	358	391	(8%)	355
- Export	6	6	0	5
Total Steel Despatches	**364**	**397**	**(8%)**	**361**
New Zealand / Pacific Steel				
Raw Steel Production	**320**	**301**	**6%**	**305**
Steel Despatches (External & Intersegment)				
- Domestic	125	122	2%	125
- Export	136	165	(17%)	169
Total Steel Despatches	**261**	**287**	**(9%)**	**294**
Iron Sands Despatches	831	466	51%	674
Global Building Solutions				
Steel Despatches (External & Intersegment) (2)				
- Domestic	296	327	(9%)	251
- Export (3)	10	5	100%	5
Total Steel Despatches	**306**	**332**	**(8%)**	**256**
Building Products ASEAN, Nth Am & India				
Steel Despatches (External & Intersegment) (2)				
- Domestic	621	574	8%	617
- Export (3)	36	33	9%	32
Total Steel Despatches	**657**	**607**	**8%**	**649**
Hot Rolled Products North America				
Raw Steel Production (4)	**496**	**494**	**1%**	**492**
Total Steel Despatches (all domestic) (4)	**476**	**479**	**(1%)**	**484**
Discontinued Businesses				
Steel Despatches (External & Intersegment)				
- Domestic	0	12	(100%)	11
- Export	0	2	(100%)	1
Total Steel Despatches	**0**	**14**	(100%)	**12**

Notes:

(1) Export HRC despatches comprised of:
   a. 142kt to Building Products North America (1H FY2012 197kt, 2H FY2012 39kt)
   b. 72kt to Building Products Thailand (1H FY2012 129kt, 2H FY2012 24kt)
   c. 45kt other HRC despatches (1H FY2012 326kt, 2H FY2012 162kt)

(2) The operations of this segment do not produce raw steel; rather, steel is sourced from a range of local suppliers as well as from other BlueScope Steel operating segments

(3) Reflects despatches from the country of production to external customers in other countries within Asia, the Pacific Islands, South Africa and Europe.

(4) Reflects BlueScope Steel's 50% share from North Star BlueScope Steel.

ATTACHMENT 2(a)
GLOBAL BUILDING SOLUTIONS – COUNTRY DESPATCH AND FINANCIAL DETAILS

Financial Measure	1H FY2013	1H FY2012	2H FY2012
Total despatches (‘000 tonnes)			
- Buildings North America	112	104	93
- Buildings Asia (1)	121	149	103
- Building Products China (2)	91	100	76
- Other / Eliminations	(18)	(21)	(16)
- Total	**306**	**332**	**256**
Sales revenue ($M)			
- Buildings North America	354	365	300
- Buildings Asia (1)	204	256	189
- Building Products China (2)	123	137	105
- Other / Eliminations	47	43	52
- Total	**728**	**801**	**646**
Reported EBIT ($M)			
- Buildings North America	13	(9)	(6)
- Buildings Asia (1)	0	18	11
- Building Products China (2)	12	11	8
- Other / Eliminations	(8)	(9)	(30)
- Total	**17**	**11**	**(17)**
Underling EBIT ($M)			
- Buildings North America	13	4	(6)
- Buildings Asia (1)	0	18	11
- Building Products China (2)	12	11	8
- Other / Eliminations	(8)	(9)	(4)
- Total	**17**	**24**	**9**
Net operating assets pre-tax ($M)			
- Buildings North America	268	296	273
- Buildings Asia (1)	46	31	37
- Building Products China (2)	128	153	137
- Other / Eliminations	63	88	63
- Total	**505**	**568**	**510**

Notes:
(1) Includes Buildings China and Buildings ASEAN operations
(2) Includes Coated Products China and Lysaght China

ATTACHMENT 2(b)
BUILDING PRODUCTS ASEAN, NORTH AMERICA & INDIA – COUNTRY DESPATCH AND FINANCIAL DETAILS

Financial Measure	1H FY2013	1H FY2012	2H FY2012
Total Despatches (‘000 tonnes)			
- Thailand	180	156	169
- Indonesia	100	98	110
- Malaysia	74	79	80
- Vietnam	58	56	55
- North America	220	220	211
- India	41	24[1]	32[1]
- Other / Eliminations	(16)	(26)	(8)
- Total	**657**	**607**	**649**
Sales Revenue ($M)			
- Thailand	207	191	200
- Indonesia	126	134	154
- Malaysia	103	111	111
- Vietnam	69	72	68
- North America	309	333	308
- India	0	0	0
- Other / Eliminations	(14)	(27)	(12)
- Total	**800**	**814**	**829**
Reported EBIT ($M)			
- Thailand	21	10	17
- Indonesia	3	1	13
- Malaysia	12	12	15
- Vietnam	6	4	5
- North America	1	(3)	(3)
- India	(8)	(5)	(10)
- Other / Eliminations	(4)	(2)	(3)
- Total	**31**	**17**	**34**
Underlying EBIT ($M)			
- Thailand	21	10	17
- Indonesia	3	1	9
- Malaysia	12	12	15
- Vietnam	6	4	5
- North America	1	0	(3)
- India	(8)	(5)	(10)
- Other / Eliminations	(4)	(1)	(2)
- Total	**31**	**21**	**31**
Net operating Assets (pre tax) ($M)			
- Thailand	218	263	207
- Indonesia	212	211	199
- Malaysia	95	96	89
- Vietnam	68	74	72
- North America	235	279	264
- India	24	38	32
- Other / Eliminations	7	13	7
- Total	**859**	**974**	**870**

Note: (1) FY2012 amended to reflect 50% of Tata BlueScope Steel JV volumes (previously showed 100%)

ATTACHMENT 2(c) – DISCONTINUED BUSINESSES

Financial Measure	1H FY2013	1H FY2012	2H FY2012
Total Despatches ('000 tonnes)			
- Packaging Products	0	0	0
- Lysaght Taiwan	0	0	0
- Metl-Span	0	14	12
- Total	**0**	**14**	**12**
Sales revenue ($M)			
- Packaging Products	0	0	0
- Lysaght Taiwan	0	0	0
- Metl-Span	0	89	75
- Total	**0**	**89**	**75**
EBIT ($M)			
- Packaging Products	0	0	0
- Lysaght Taiwan	0	0	0
- Metl-Span	0	5	33
- Total	**0**	**5**	**33**
Net operating assets (pre-tax) ($M)			
- Packaging Products	0	(7)	0
- Lysaght Taiwan	(4)	(4)	(4)
- Metl-Span	0	111	0
- Total	**(4)**	**100**	**(4)**

ATTACHMENT 3 – RECONCILIATION OF UNDERLYING EBIT TO UNDERLYING NLAT

$M	1H FY2013	1H FY2012	2H FY2012
Underlying EBIT	**38**	**(137)**	**(87)**
Underlying finance costs (1)	(35)	(62)	(50)
Interest revenue	2	1	2
Tax on Underlying Earnings	12	68	43
Outside equity interest	(7)	(7)	(9)
Underlying NPAT / (NLAT)	**10**	**(137)**	**(101)**
Add-back period-end NRV charge (2)	39	53	32
Underlying NPAT / (NLAT) before period-end NRV charge	**49** (3)	**(84)**	**(69)**

Notes:

(1) 1H FY2012 reflects finance costs of $70M (refer to Table 2a) adjusted for pre-tax value of underlying adjustment relating to borrowing amendment fees (refer to Table 2b).

(2) NRV provision taken-up at period-end is an expense. It is shown as a positive number here in adding back the charge to reach a pre-NRV charge assessment of NLAT

(3) Includes net $33M of underlying items not contemplated in guidance provided to the market in August 2012: $8M one-off prior period (FY2005-FY2009) provision adjustment in Buildings Asia, $16M benefit from release of the STP advance to align with the carbon costs which are now being incurred, and benefit of $25M one-off favourable workers compensation settlement.

BlueScope Steel Limited ABN 16 000 011 058
Interim Financial Report - 31 December 2012

Contents

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Your directors present their report on the consolidated entity consisting of BlueScope Steel Limited and the entities it controlled at the end of, or during, the half-year 31 December 2012.

Directors
The following persons were directors of BlueScope Steel Limited during the whole of the financial period and up to the date of this report:

G J Kraehe AO
R J McNeilly
D J Grady AM (retired 15 February 2013)
H K McCann AM
Y P Tan
D B Grollo
P F O'Malley
K A Dean
P Bingham-Hall

Ms Grady was a foundation Board member of BlueScope Steel when the Company demerged from BHP Billiton in 2002 and has played an important role through a period of great change in the global steel industry when the Company has grown its international business significantly and transformed its Australian business to meet a range of challenging external factors. Ms Grady's role as Chair of the Remuneration and Organisation Committee will be taken by Ms Bingham-Hall.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In considering the results of operations for the half-year compared to the comparative period last year, the following changes in the state of affairs have occurred:

(a) In August 2011, the Company announced a major restructure of the Australian manufacturing business to reduce its exposure to loss-making export markets for steel products. At the Port Kembla Steelworks, the changes were broadly to reduce production of steel by half through the closure of No. 6 Blast Furnace and other equipment to reflect the reduced ironmaking capacity. Steelmaking production capacity at Port Kembla has been reduced from approximately 5.3Mtpa to approximately 2.6Mtpa. At the Western Port facility the changes were broadly to reduce production of rolled and coated products through the closure of the Hot Strip Mill and moth balling of Metal Coating Line 5. These changes were accompanied by a significant decrease in the fixed cost base of operations through labour, maintenance, operations support and overheads, including a significant reduction in contractors. The changes in operations and costs were largely implemented in the second quarter of FY12, commencing early October 2011.

(b) In March 2012, the Company commenced operations in its metallic coating and painting facility in India, which forms part of a 50/50 joint venture with Tata Steel.

(c) In March 2012, the Company announced a reorganisation to establish two businesses to focus on growth in the global pre-engineered building market and building products market to take effect on 1 July 2012. BlueScope Global Building Solutions comprises the Company's North American pre-engineered buildings (PEB) businesses, the entire China business and all PEB businesses in ASEAN. BlueScope Building Products comprises the Company's metal coating, painting and roll-forming businesses in ASEAN, North America and India. The Company announced changes to its external reporting segments to be first applied in respect of the half-year ending 31 December 2012.

(d) In June 2012, the Company sold Metl-Span, its North American insulated metal panels business.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS (continued)

(e) In July 2012, the Australian Carbon Pricing Mechanism (CPM) came into effect. The mechanism requires the Company to annually obtain and surrender emission units to cover the Group's direct greenhouse gas emissions from its facilities in Australia (scope 1 emissions) and increases the costs of electricity (scope 2 direct emissions) and potentially the cost of other goods and services (scope 3 indirect emissions). The Australian Government has enacted programs to allocate some permits to emissions-intensive trade exposed activities, including integrated iron and steel making. In Australia this involves the allocation of permits at the maximum rate (permits covering 94.5% of the industry base line emissions in the first year) with the permit allocation decreasing by 1.3% per annum.

The Australian Government has also provided a Steel Transformation Plan (STP) to encourage investment, innovation and competitiveness in the Australian steel manufacturing industry in order to assist the industry to transform into an efficient and economically sustainable industry in a low carbon economy. The STP will provide $300 million of funding to the Australian steel industry over a four-year period. The Company expects to receive $183 million, of which $100 million was advanced in January 2012 and expects to receive the remaining $83 million in FY15 and FY16.

(f) In August 2012, BlueScope and Nippon Steel & Sumitomo Metals Corporation (NSSMC) agreed to form a new joint venture encompassing BlueScope‘s ASEAN and North American building products businesses. The new 50/50 joint venture, called NS BlueScope Coated Products, provides a strong platform to capture expected growth in the $40 billion per annum building and construction sector in ASEAN and North America. The JV will facilitate entry into new markets not currently accessible to BlueScope. For example, the JV will supply whitegoods manufacturers offering products to Asia‘s fast growing middle class. The JV will also speed up entry into emerging markets in the ASEAN region.

NSSMC‘s investment recognises an agreed enterprise valuation for the JV of US$1.36 billion. BlueScope will receive approximately US$540 million in net proceeds after allowing for taxes, minority interests and transaction costs, which will deliver a very strong balance sheet and enhance financial flexibility to invest in growth opportunities.

BlueScope will continue to control and therefore consolidate the business in its financial reporting results. The cash consideration received from NSSMC will be recognised within equity, therefore no gain or loss on this transaction will be recorded in the income statement.

The joint venture will comprise BlueScope‘s current building products businesses in ASEAN (Indonesia, Malaysia, Thailand, Vietnam, Singapore and Brunei) and North America (Steelscape and ASC Profiles). The footprint of this business also covers Myanmar, Cambodia, Laos and the Philippines. NSSMC and BlueScope will each hold 50% of a new joint venture company, headquartered in Singapore. BlueScope will appoint the Chief Executive of NS BlueScope Coated Products. NSSMC will appoint the Chairman and a number of key executives to assist with business development and the introduction of new technology and products.

In preparation for the joint venture, in August 2012 the Company acquired the 40% interest of the BlueScope Steel Malaysia that it did not own.

BlueScope and NSSMC have now obtained almost all the regulatory approvals that are required and are working towards completion by the end of March 2013.

MATTERS SUBSEQUENT TO THE HALF-YEAR ENDED 31 DECEMBER 2012

Production changes at Western Port plant

On 14 January 2013, the Company announced its intention to reconfigure its Australian cold rolling, metal coated and painted steel production. The production reconfiguration will result in a decrease to production levels at Western Port. However, all current operating production lines and assets will remain open to provide flexibility and allow for additional throughput when demand improves. Regrettably, there will be a workforce reduction of approximately 110 employees at Western Port and 60 contractors.

The production reconfiguration is progressing well and on track to commence in March 2013. The cash cost to implement this change is estimated to be approximately $17 million, but will be recovered within one year through ongoing improvements to the operating cost base. The change is expected to have minor or no impact to existing supply arrangements with the Company's domestic customers.

REVIEW AND RESULTS OF OPERATIONS

The BlueScope Steel Group comprises six reportable operating segments: Coated & Industrial Products Australia, Building Components & Distribution Australia, New Zealand & Pacific Steel Products, Global Building Solutions, Building Products ASEAN, North America & India and Hot Rolled Products North America.

A summary of consolidated revenues and results for the half-year by reporting segment is set out below.

	REVENUE Six months to December 2012 $M	REVENUE Six months to December 2011 $M	REPORTED[1] EARNINGS Six months to December 2012 $M	REPORTED[1] EARNINGS Six months to December 2011 $M	UNDERLYING[1] EARNINGS Six months to December 2012 $M	UNDERLYING[1] EARNINGS Six months to December 2011 $M
Sales revenue/EBIT[2]						
Coated & Industrial Products Australia	1,667.9	2,403.4	7.4	(463.0)	(5.7)	(181.9)
Building Components & Distribution Australia	720.4	780.2	(10.2)	(30.1)	(6.8)	(26.9)
New Zealand & Pacific Steel Products	318.9	345.7	2.0	33.8	2.0	33.8
Global Building Solutions	728.4	800.5	17.4	10.6	17.4	23.8
Building Products ASEAN, North America & India	800.4	814.5	31.4	17.2	31.4	20.6
Hot Rolled Products North America	-	-	33.0	20.1	33.0	20.1
Discontinued operations	-	89.3	0.2	5.3	-	-
Segment sales revenue/EBIT[2]	4,236.0	5,233.6	81.2	(406.1)	71.3	(110.5)
Inter-segment eliminations	(541.0)	(703.8)	(3.6)	5.1	(3.6)	5.1
Segment external sales revenue/EBIT[2]	3,695.0	4,529.8	77.6	(401.0)	67.7	(105.4)
Other revenue (net unallocated expenses)	8.5	9.1	(31.1)	(33.5)	(29.5)	(32.1)
Total revenue/EBIT[2]	3,703.5	4,538.9	46.5	(434.5)	38.2	(137.5)
Net borrowing costs			(32.7)	(69.1)	(32.7)	(60.8)
Profit/(loss) from ordinary activities before income tax			13.8	(503.6)	5.5	(198.3)
Income tax (expense)/benefit			(19.1)	(20.1)	11.4	68.7
Profit/(loss) from ordinary activities after income tax expense			(5.3)	(523.7)	16.9	(129.6)
Net (profit)/loss attributable to outside equity interest			(7.0)	(6.7)	(7.0)	(6.7)
Net profit/(loss) attributable to equity holders of BlueScope Steel			(12.3)	(530.4)	9.9	(136.3)
Basic earnings (loss) per share (cents)			(2.2)	(159.4)	1.8	(41.0)

(1) The use of the term 'reported' refers to IFRS financial information and 'underlying' to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 - Disclosing non-IFRS financial information, issued in December 2011. Underlying adjustments have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying operating business. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. The non-IFRS financial information, whilst not subject to an audit or review, has been extracted from the interim financial report which has been subject to review by our external auditors.

(2) Performance of operating segments is based on EBIT which excludes the effects of interest and income tax. The Company considers this a useful and appropriate segment performance measure because Group financing (including interest expense and interest income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Reconciliation of Underlying Earnings (Loss) to Reported Earnings (Loss)

	EBIT/(EBIT loss) $M		NPAT/(NLAT) $M		Earnings per share[9] (cents)	
	Six months to December 2012 $M	**Six months to December 2011 $M**	**Six months to December 2012 $M**	**Six months to December 2011 $M**	**Six months to December 2012 $M**	**Six months to December 2011 $M**
Reported earnings (loss)	46.5	(434.5)	(12.3)	(530.4)	(2.2)	(159.4)
Net (gains) losses from businesses discontinued[1]	(0.2)	(5.3)	(0.1)	(6.3)	-	(1.9)
Reported earnings (from continuing operations)	46.3	(439.8)	(12.4)	(536.7)	(2.2)	(161.3)
Underlying adjustments:						
Restructure costs, including redundancy[2]	5.8	363.6	4.1	253.9	0.7	76.2
Borrowing amendment fees associated with restructuring[3]	-	-	-	5.8	-	1.7
Steel Transformation Plan advance[4]	22.9	(66.1)	16.0	(46.3)	2.9	(13.8)
Asset impairment[5]	-	4.8	-	3.1	-	0.9
Business development costs[6]	0.7	-	0.5	-	0.1	-
Asset sales[7]	(37.5)	-	(26.3)	-	(4.7)	-
Tax asset impairment[8]	-	-	28.0	183.9	5.0	55.3
Underlying earnings (loss)	38.2	(137.5)	9.9	(136.3)	1.8	(41.0)

(1) Six months to December 2012 reflects a foreign exchange translation gain within Lysaght Taiwan business. Six months to December 2011 reflects Metl-Span operational earnings.

(2) Six months to December 2012 reflects staff redundancies and restructuring costs at Building Components & Distribution Australia, Coated & Industrial Products Australia and Corporate. Six months to December 2011 reflects staff redundancies and restructuring costs at Coated & Industrial Products Australia, in relation to the move to a one blast furnace operation at Port Kembla Steelworks, Global Building Solutions, Building Products ASEAN, North America & India and Building Components & Distribution Australia.

(3) Six months to December 2011 reflects the costs associated with restructuring existing financing facilities following the decision to move to a one blast furnace operation at Port Kembla Steelworks.

(4) Six months to December 2012 reflects the inclusion in underlying earnings of the previously received competitive assistance advance under the STP grant to align with the carbon costs which are now being incurred at Coated & Industrial Products Australia. Six months to December 2011 reflects the exclusion from underlying earnings of the receipt of a $100M advance under the Australian Federal Government’s Steel Transformation Plan (STP) with balance $33.9M recognised in six months to June 2012.

(5) Six months to December 2011 reflects impairment of assets in Global Building Solutions associated with rationalisation of manufacturing facilities.

(6) Six months to December 2012 reflects Corporate business development costs.

(7) Six months to December 2012 reflects profit on sale of a previously unrecognised intangible asset at Coated & Industrial Products Australia.

(8) Six months to December 2012 and December 2011 reflects impairment of Australian deferred tax assets generated during each respective period.

Reconciliation of Underlying Earnings (Loss) to Reported Earnings (Loss) (continued)

(9) Earnings per share is based on the average number of shares on issue during the respective reporting periods. In accordance with AASB 133 *Earnings per Share*, the earnings per share calculations have been restated for the share consolidation undertaken in December 2012, resulting in the number of shares on issue at that time reducing from 3.35 billion to 558.2 million (being the conversion of every 6 shares in the Company into one ordinary share in the Company). The comparative period has been restated on a similar basis.

GROUP REVIEW

The Company reported a $12.3 million net loss after tax (NLAT) for the first half of FY2013, resulting in a $518.1 million turnaround in financial performance compared to the first half of FY2012.

The underlying result was a $9.9 million net profit after tax (NPAT), resulting in a $146.2 million improvement over the first half of FY2012. The improvement was mainly attributable to a decrease in loss making exports, improved product mix and lower raw material costs, partly offset by lower selling prices.

The first half result demonstrated encouraging results within difficult trading conditions, with Coated & Industrial Products Australia segment delivering a positive result of $78.9 million in underlying EBITDA.

At 31 December 2012 net debt was $499.0 million.

The Board decided there would be no interim dividend.

Segment results

Global Building Solutions (GBS)
The GBS business continues to deliver solid returns. Adjusting for a one-off prior-period provision adjustment of $7.6 million, underlying EBIT of $25.0 million for first half of FY2013 improved on the $23.8 million result of first half of FY2012.

The North American buildings business lifted volumes up 7% and a healthy order book. The Company expects this momentum to continue into the second half.

China has seen a temporary slow-down in building activity leading to lower volumes in the first half. Margins have largely been maintained. The Company anticipates an improved second half for Buildings Asia, driven by a pick-up in China activity post the lunar New Year.

The segment is well positioned to grow, with an aspiration to double current revenue to around $3 billion within three years at a targeted 5% EBIT margin.

Building Products ASEAN, North America & India
The Building Products ASEAN, North America & India segment had a 52.4% growth in underlying EBIT to $31.4 million in first half of FY2013 compared with first half of FY2012. The result was largely driven by a strong performance in Thailand, some modest improvement in Vietnam and North America, but partly offset by a weak half for Indonesia and Malaysia.

In the current half, the Company expects continued growth, especially in Indonesia and North America. Furthermore, the Company expects to capture benefits from working with NSSMC once the joint venture is established. The Company is progressing a joint feasibility study of manufacturing products for the home appliance market and have received enquiries from potential Japanese contractors for the supply of products into building and construction.

Coated & Industrial Products Australia (CIPA)
The CIPA business outperformed market guidance and delivered positive underlying EBITDA of $78.9 million (underlying EBIT loss of $5.7 million), or $42.3 million excluding the one-off benefit of a favourable workers compensation settlement. This compares favourably to a corresponding underlying EBITDA loss of $94.2 million in first half of FY2012. The improvement comes on the back of strong cost management and despite dumped imports and some softening of domestic volumes.

Australian Customs' findings so far have validated the Company's current anti-dumping cases. Success in these cases, coupled with improved policy reforms announced by the Government in December 2012, will partially stem the significant injury caused by illegal dumping.

This half will see the launch of its next generation ZINCALUME® steel with Activate™ technology. With the recently completed modifications to the Springhill production facilities, this exclusive patent protected product will stimulate sales into new areas and applications. It will also become the substrate for the next generation COLORBOND® steel products to be released in late 2013.

Despite weak market demand, the Company expects CIPA to deliver a positive underlying EBITDA contribution in second half of FY2013, building on its first half of FY2013 result, subject to domestic demand and margins, spread and FX.

Building Components & Distribution Australia (BCDA)
The BCDA first half result approached breakeven, with a $6.8 million underlying EBIT loss. This is a significant turnaround in performance from the $26.9 million underlying EBIT loss in the first half of FY2012. Improved margin and a major business improvement program have contributed to this turnaround.

New Zealand & Pacific Steel Products
The New Zealand & Pacific Steel underlying EBIT contribution of $2.0 million in first half of FY2013 was lower than first half of FY2012, due to market price weakness and a substantially higher New Zealand dollar. Furthermore, weaker iron ore prices reduced per-tonne revenue from iron sands export operations, but total revenue improved on higher volumes with 831kt being exported in first half of FY2013 compared to 466kt in first half of FY2012.

A significant improvement is expected in second half of FY2013 with a stronger performance from iron sands exports and lower conversion costs than those experienced in first half of FY2013.

The iron sands export expansion is on track to deliver a 2.7Mtpa despatch rate from the beginning of CY2014. This will see the Company 55% economically hedged for its iron ore requirements by 2014.

Hot Rolled Products North America
The Hot Rolled Products North America segment, mainly comprised of the Company's 50% interest in North Star BlueScope Steel, recorded an underlying EBIT of $33.0 million for first half of FY2013, a 64.2% improvement on first half of FY2012. This was achieved through better spreads between steel selling prices and input scrap and iron unit costs, reduction in depreciation charges, and improved operating and cost performance. Subject to market conditions and foreign exchange movements, the segment expects an improving result in second half of FY2013 based on improving spreads, higher volumes and improved conversion costs.

Together with the joint venture partner, the Company is progressing the review of growth opportunities at North Star BlueScope Steel.

Likely developments and expected results of operations

The Company performance continues to improve.

In the second half of FY2013, the Company expects a continued improvement with a small underlying net profit after tax (before period-end net realisable value adjustments), subject to domestic demand and margins, spread and FX.

In summary, the Company is well positioned to benefit from improved financial flexibility and leverage its growth businesses.

- In Australia, the CIPA business has achieved significant cost reductions and is strongly leveraged to a recovery in domestic demand. Next generation ZINCALUME® and COLORBOND® steel products will be launched this year;
- In New Zealand, iron sands exports are expected to increase to 2.7 million tonnes per annum at the start of CY2014;
- The Global Building Solutions business is low cost, with the best customer mix in this market segment, unique intellectual property and a range of low-capital growth opportunities;
- In China, the Xi'an plant will be operational later this year (the Company's fourth Building Solutions plant in China);
- In Asia and North America, the Building Products is growing, and the NS BlueScope Steel joint venture with NSSMC should shortly be completed, delivering new customers and products, with a lower-cost funding base; and
- In North America, the Company expects North Star BlueScope Steel to continue its very good performance and further growth opportunities for this business are now being investigated.

Auditor's independence declaration

The auditor's independence declaration for the half-year ended 31 December 2012 has been received from Ernst & Young. This can be referred to on page 8 of the directors' report.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission (ASIC), relating to the 'rounding off' of amounts in the directors' report and half-year financial report. Amounts in the directors' and financial report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars.

This report is made in accordance with a resolution of directors.

G J Kraehe, AO
Chairman

P F O'Malley
Managing Director & CEO

Melbourne
18 February 2013

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Auditor's Independence Declaration to the Directors of BlueScope Steel Limited

In relation to our review of the financial report of BlueScope Steel Limited for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Rodney Piltz
Partner
18 February 2013

	Notes	Half-year 2012 $M	2011 $M
Revenue from continuing operations		**3,703.5**	4,457.9
Other income	4	**114.9**	77.9
Changes in inventories of finished goods and work in progress		**(18.8)**	(192.0)
Raw materials and consumables used		**(2,180.1)**	(2,720.7)
Employee benefits expense		**(659.2)**	(737.5)
Depreciation and amortisation expense		**(157.3)**	(160.3)
Impairment of non-current assets	4	**(0.7)**	(5.5)
Freight on external despatches		**(205.1)**	(280.3)
External services		**(425.9)**	(432.2)
Finance costs		**(34.8)**	(70.5)
Restructuring costs	4	**(6.6)**	(363.6)
Direct carbon emission expense	4	**(70.5)**	(0.2)
Other expenses		**(72.8)**	(99.9)
Share of profit/(loss) from associates		**27.0**	17.8
Profit (loss) before income tax		**13.6**	(509.1)
Income tax expense	5	**(19.2)**	(17.9)
Net loss from continuing operations		**(5.6)**	(527.0)
Profit from discontinued operations after income tax	7	**0.3**	3.3
Net loss for the half-year		**(5.3)**	(523.7)
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Gain (loss) on cash flow hedges taken to equity		**0.2**	-
Net gain (loss) on hedges of net investments in foreign subsidiaries		**(7.9)**	15.1
Income tax (expense) benefit	5	**2.4**	(4.5)
Exchange differences on translation of foreign operations		**(6.8)**	9.4
Items that will not be reclassified to profit or loss			
Actuarial gain (loss) on defined benefit superannuation plans	8	**40.6**	(249.8)
Income tax (expense) benefit	5	**(6.6)**	55.3
Other comprehensive income (loss) for the half-year		**21.9**	(174.5)
Total comprehensive income (loss) for the half-year		**16.6**	(698.2)
Loss is attributable to:			
Owners of BlueScope Steel Limited		**(12.3)**	(530.4)
Non-controlling interests		**7.0**	6.7
		(5.3)	(523.7)
Total comprehensive income (loss) is attributable to:			
Owners of BlueScope Steel Limited		**9.5**	(706.0)
Non-controlling interests		**7.1**	7.8
		16.6	(698.2)
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	11	**(2.3)**	(160.4)
Diluted earnings per share	11	**(2.2)**	(160.4)
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic earnings per share	11	**(2.2)**	(159.4)
Diluted earnings per share	11	**(2.2)**	(159.4)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

BlueScope Steel Limited
Consolidated statement of financial position
As at 31 December 2012

	Notes	31 December 2012 $M	30 June 2012 $M
ASSETS			
Current assets			
Cash and cash equivalents		**193.1**	214.5
Receivables		**826.2**	952.9
Inventories		**1,341.5**	1,337.4
Derivative financial instruments		**0.4**	-
Intangible assets		**5.7**	5.6
Other		**68.4**	56.7
		2,435.3	2,567.1
Non-current assets classified as held for sale		**8.5**	-
Total current assets		**2,443.8**	2,567.1
Non-current assets			
Receivables		**145.2**	42.2
Inventories		**70.1**	71.6
Investments accounted for using the equity method		**115.8**	117.1
Property, plant and equipment		**3,224.6**	3,295.6
Deferred tax assets	5	**180.3**	189.0
Intangible assets		**430.3**	448.3
Other		**2.6**	2.6
Total non-current assets		**4,168.9**	4,166.4
Total assets		**6,612.7**	6,733.5
LIABILITIES			
Current liabilities			
Payables		**851.6**	1,049.1
Borrowings		**462.4**	144.9
Current tax liabilities		**9.5**	72.7
Provisions		**440.8**	416.2
Deferred income		**170.4**	117.6
Derivative financial instruments		**-**	1.7
Total current liabilities		**1,934.7**	1,802.2
Non-current liabilities			
Payables		**7.3**	7.5
Borrowings		**229.9**	453.5
Deferred tax liabilities		**13.2**	18.7
Provisions		**243.8**	236.7
Retirement benefit obligations	8	**367.3**	432.0
Deferred income		**87.0**	4.1
Total non-current liabilities		**948.5**	1,152.5
Total liabilities		**2,883.2**	2,954.7
Net assets		**3,729.5**	3,778.8
EQUITY			
Contributed equity	6	**4,650.1**	4,650.1
Reserves		**(310.4)**	(267.0)
Retained profits		**(682.6)**	(703.8)
Parent entity interest		**3,657.1**	3,679.3
Non-controlling interests	10	**72.4**	99.5
Total equity		**3,729.5**	3,778.8

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

31 December 2012	Notes	**Contributed equity $M**	**Reserves $M**	**Retained earnings $M**	**Non-controlling interests $M**	**Total $M**
Balance at 1 July 2012		**4,650.1**	**(267.0)**	**(703.8)**	**99.5**	**3,778.8**
Profit (loss) for the half-year		-	-	(12.3)	7.0	(5.3)
Other comprehensive income (loss)		-	(12.3)	34.1	0.1	21.9
Total comprehensive income for the half-year		**-**	**(12.3)**	**21.8**	**7.1**	**16.6**
Transactions with owners in their capacity as owners:						
Share-based payment expense		-	4.5	-	-	4.5
Dividends declared		-	-	-	(1.9)	(1.9)
Transactions with non-controlling interests	10	-	(36.1)	-	(32.6)	(68.7)
Other		-	0.5	(0.6)	0.3	0.2
		-	(31.1)	(0.6)	(34.2)	(65.9)
Balance at 31 December 2012		**4,650.1**	**(310.4)**	**(682.6)**	**72.4**	**3,729.5**

31 December 2011	Notes	**Contributed equity $M**	**Reserves $M**	**Retained earnings $M**	**Non-controlling interests $M**	**Total $M**
Balance at 1 July 2011		**4,073.8**	**(324.8)**	**559.8**	**87.3**	**4,396.1**
Profit (loss) for the half-year		-	-	(530.4)	6.7	(523.7)
Other comprehensive income (loss)		-	18.9	(194.5)	1.1	(174.5)
Total comprehensive loss for the half-year		**-**	**18.9**	**(724.9)**	**7.8**	**(698.2)**
Transactions with owners in their capacity as owners:						
Shares issued						
-General Employee Share Plan	6	0.2	(0.3)	-	-	(0.1)
-Share Plan Retention awards	6	11.3	-	-	-	11.3
-Capital raisings	6	600.0	-	-	-	600.0
Transaction costs on share issues	6	(22.6)	-	-	-	(22.6)
Dividends declared		-	-	-	(1.1)	(1.1)
Transactions with non-controlling interests		-	(0.1)	-	-	(0.1)
Share-based payment expense		-	2.7	-	-	2.7
Treasury shares	6	(11.3)	-	-	-	(11.3)
		577.6	2.3	-	(1.1)	578.8
Balance at 31 December 2011		**4,651.4**	**(303.6)**	**(165.1)**	**94.0**	**4,276.7**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	Half-year 2012 $M	2011 $M
Cash flows from operating activities			
Receipts from customers		**4,057.8**	4,825.9
Payments to suppliers and employees		**(3,934.7)**	(4,877.5)
		123.1	(51.6)
Dividends received		**1.1**	2.3
Joint venture partnership distributions received		**24.9**	11.8
Interest received		**2.1**	1.4
Other revenue		**6.4**	7.7
Finance costs paid		**(35.6)**	(66.8)
Income taxes refunded (paid)		**(77.6)**	(55.8)
Net cash inflow (outflow) from operating activities		**44.4**	(151.0)
Cash flows from investing activities			
Payments for acquisition of non-controlling interests	10	**(68.7)**	-
Payments for disposal of subsidiary		**(4.6)**	-
Payments for property, plant and equipment		**(125.1)**	(106.2)
Payments for intangibles		**(4.2)**	(3.9)
Payments for investments in joint venture partnerships		**(0.7)**	(0.7)
Repayment of loans by related parties		**-**	5.0
Proceeds from sale of property, plant and equipment		**1.4**	0.8
Proceeds from sale of intangibles	4	**37.5**	-
Net cash (outflow) from investing activities		**(164.4)**	(105.0)
Cash flows from financing activities			
Proceeds from issues of shares		**-**	600.0
Capital share raising costs		**-**	(22.6)
Proceeds from borrowings		**5,934.6**	6,141.5
Repayment of borrowings		**(5,831.3)**	(6,450.5)
Dividends paid to non-controlling interests in subsidiaries		**(1.9)**	(1.1)
Net cash inflow from financing activities		**101.4**	267.3
Net (decrease) increase in cash and cash equivalents		**(18.6)**	11.3
Cash and cash equivalents at the beginning of the financial year		**212.6**	171.3
Effects of exchange rate changes on cash and cash equivalents		**(1.9)**	0.9
Cash and cash equivalents at end of period		**192.1**	183.5

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

1 Basis of preparation of the interim report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2012 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001* and other mandatory reporting requirements.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ending 30 June 2012 and any public announcements made by BlueScope Steel Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

There have been no changes to the Group's accounting policies during the half-year. Accounting policies and methods of computation remain the same as those adopted and disclosed in the most recent annual financial report.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Estimated recoverable amount of cash generating units (CGUs), including goodwill
The Group tests property, plant and equipment and intangible assets with definite useful lives when there is an indicator of impairment. Goodwill and other intangible assets with indefinite useful lives are tested at least annually for any impairment or reversal of a previous impairment loss. All cash generating units (CGUs) were tested for impairment at the reporting date. The recoverable amounts of CGUs have been determined on a consistent basis to 30 June 2012. The basis of determining the key assumptions are listed below.

Key assumptions

The recoverable amount of each CGU is determined on the basis of value-in-use (VIU), unless there is evidence to support a higher fair value less cost to sell. The following describes assumptions on which the Company has based its projections when determining the recoverable value of each CGU.

The carrying amounts of property, plant and equipment and intangible assets are subject to major estimation uncertainty, in the form of the key operating assumptions used to estimate the future cash flows and discount rates. The nature and basis for the key assumptions used for impairment testing are outlined below.

Future cash flows
VIU calculations use pre-tax cash flows, inclusive of working capital movement which are based on financial projections approved by the Company covering a three-year period, being the basis of the Group’s forecasting and planning processes or longer where the circumstances pertaining to a specific CGU support a longer period. Cash flows beyond the projection period are extrapolated to provide a maximum of 30 years of cash flows with adjustments where necessary to reflect changes in long-term operating conditions. No terminal value is calculated.

The key operating assumptions and their basis of estimation are:

- Raw material costs are based on commodity price forecasts derived from a range of external global commodity forecasters.

- Selling prices are management forecasts, taking into account commodity steel price forecasts derived from a range of external global commodity forecasters.

2 Critical accounting estimates and judgements (continued)

- Sales volumes are management forecasts, taking into account external forecasts of underlying economic activity for the market sectors and geographies in which each CGU operates.

- The strength of the Australian dollar relative to the US dollar is based on forecasts derived from a range of external banks. This assumption is relevant as foreign currency exchange rates, in particular the Australian dollar relative to the US dollar, impacts the competitiveness of domestically manufactured product relative to imported product.

Growth rate
The growth rate used to extrapolate the cash flows for each CGU beyond the forecast period does not exceed 2.5% (June 2012: 2.5%). The growth rate represents a steady indexation rate which does not exceed the Company's expectations of the long-term average growth rate for the business in which each CGU operates.

Discount rate
The discount rate applied to the cash flow projections has been assessed to reflect the time value of money and the perceived risk profile of the industry in which each CGU operates. The post-tax discount rates range from 9.4% to 10.8% (June 2012: 9.4%-10.8%).

Given the differing characteristics, currencies and geographical locations of the Group's CGUs, where appropriate the base discount rate is adjusted by a country risk premium (CRP) to reflect country specific risks. Such adjustments do not reflect risks for which cash flow forecasts have already been adjusted. The CRP is derived from a range of externally sourced foreign country risk ratings.

The adjusted post-tax discount rate is translated to a pre-tax rate for each CGU based on the specific tax rate applicable to where the CGU operates.

All foreign currency cash flows are discounted using a discount rate appropriate for that currency.

Carbon pricing schemes
The estimated impact of the New Zealand Emissions Trading Scheme (ETS), which came into effect on 1 July 2010, and the Australian Carbon Pricing Mechanism (CPM), which came into effect on 1 July 2012, have been included in determining cash flow projections.

The carbon pricing schemes (CPS) requires the Company to annually obtain and surrender emission units to cover the Group's direct greenhouse gas emissions for our facilities in Australia and New Zealand (scope 1 emissions). The CPS increases the costs of electricity (scope 2 direct emissions) and potentially the cost of other goods and services (scope 3 indirect emissions).

The Australian and New Zealand Governments have enacted programs to allocate some permits to emissions-intensive trade exposed activities, including integrated iron and steel making. In Australia this will involve the allocation of permits at the maximum rate (permits covering 94.5% of the industry base line emissions in the first year) with the permit allocation decreasing by 1.3% per annum. New Zealand Steel has qualified for a free allocation of emission unit permits at the maximum rate (90% of industry base line emissions) with no decision yet to be reached on the reduction rate of permits to be allocated.

The Australian Government has also provided a Steel Transformation Plan (STP) to encourage investment, innovation and competitiveness in the Australian steel manufacturing industry in order to assist the industry to transform into an efficient and economically sustainable industry in a low carbon economy. The STP will provide $300 million of funding to the Australian steel industry over a four-year period for eligible expenditure on innovation, investment and production. The Group expects to receive 61% of this funding, of which a $100 million advance was received in January 2012 and expects to receive the remaining $83 million in FY15 and FY16.

The Group will incur significant additional costs from these schemes. In Australia, the STP is expected to offset the cost of the CPM for the first four years. The potential impact of the CPM beyond the first four years is difficult to assess and will depend upon a range of factors.

In estimating the impact of carbon pricing schemes for impairment testing purposes the Group has taken into account the assistance to be provided by the STP for the first four years, net of the advance already received, the pass through of costs by suppliers and the ability of the Group to implement mitigation plans.

2 Critical accounting estimates and judgements (continued)

Sensitivity of carrying amounts

The carrying value of property, plant and equipment of the Group is most sensitive to cash forecasts for the Group's largest CGU, Coated & Industrial Products Australia (CIPA), which are determined taking into account the key assumptions set out above. The property, plant and equipment of this CGU was impaired during the year ended 30 June 2012.

External forecasters estimate the current economic circumstances will continue for the next 6-12 months but in the longer term will see a strengthening of the US dollar relative to the Australian dollar, lowering of iron ore and coal raw material costs relative to global commodity steel prices and increasing domestic demand for steel products. In considering the recoverable value, the Company has considered a range of scenarios including risk adjusting the cash flows for CIPA by assuming a delayed recovery for the next 18 months. The Company believes that the long term assumptions adopted are appropriate. However, to illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flows were to decrease materially, that is in the range of 5-10%, across the five and a half year forecast period without the implementation of mitigation plans, this could lead to a future impairment write-down in the range of $200M - $320M.

Cash generating units with significant goodwill

The significant proportion of the Group's goodwill has been allocated to BlueScope Buildings North America (a business within the Global Building Solutions segment).

BlueScope Buildings North America

BlueScope Buildings North America has $211.0M of goodwill (76.3% of the Group's goodwill) and is tested for impairment on a VIU basis using four and a half year cash flow projections, followed by a long-term growth rate of 2.5% for a further 25 years. Pre-tax VIU cash flows are discounted utilising a 14.6% pre-tax discount rate (2012: 14.6%).

At 31 December 2012 the estimated recoverable amount of this CGU is 1.5 times the carrying amount. This CGU is most sensitive to assumptions in relation to North American non-residential building and construction activity, in particular the magnitude and timing of a recovery to pre global financial crisis activity levels. Taking into account external forecasts, the Company expects non-residential building and construction activity to increase significantly (13% per annum from the current levels over the four and a half year projection period) when general market conditions improve in North America but remain 18% below the levels experienced prior to the 2008 global financial crisis.

However, the timing and extent of this recovery is uncertain and in the absence of mitigating factors, a permanent 25% reduction in non-residential construction activity below pre global financial crisis levels, or more than a three-year delay to achieve the projected recovery, would be required for the recoverable amount to be equal to the carrying amount.

(ii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future forecast taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

(iii) Workers compensation

Calculations for the Group's self-insured workers compensation are determined by external actuaries. These calculations require assumptions in relation to the expectation of future events.

(iv) Product claims

Provision for claims is based on modelled data combining sales volumes with past experiences of repair and replacement levels in conjunction with any specifically identified product faults. The provision requires the use of assumptions in relation to the level of future claims made.

2 Critical accounting estimates and judgements (continued)

(v) Share-based payment transactions
The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at grant date. The fair value is determined by an external valuer using a Black-Scholes option pricing model. These calculations require the use of assumptions.

(vi) Defined benefit plans
Various actuarial assumptions underpin the determination of the Group's pension obligations. These assumptions and the related carrying amounts are discussed in note 8.

(vii) Restructuring and redundancy provisions
Provisions for restructuring and redundancy are based on the Group's best estimate of the outflow of resources required to settle commitments made by the Group to those likely to be affected. Where the outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income statement in the period in which such determination is made (refer to note 4).

(viii) Plant and machinery useful lives
The estimation of the useful lives of plant and machinery has been based on historical experience and judgement with respect to technical obsolescence, physical deterioration and usage capacity of the asset in addition to any legal restrictions on usage. The condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

(ix) Restoration and rehabilitation provisions
Provisions have been made for the present value of anticipated costs for future remediation and restoration of leased premises and the iron sand mine operations in New Zealand. Recognising restoration, remediation and rehabilitation provisions across the Group requires assumptions to be made as to the application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

(x) Legal claims
Recognising legal provisions requires judgement as to whether a legal claim meets the definition of a liability. There is an inherent uncertainty where the validity of claims are to be determined by the courts or other processes which may result in future actual expenditure differing from the amounts currently provided.

3 Segment information

(a) Description of segments

In March 2012, the Company announced a reorganisation to its business structure to focus on growth in the global pre-engineered building market and building products market to take effect on 1 July 2012. As a result, the Company's external reporting segments have changed in respect of the half-year ending 31 December 2012. Comparatives for December 2011 have been restated.

The Group has six reportable operating segments: Coated & Industrial Products Australia, Building Components & Distribution Australia, New Zealand & Pacific Steel Products, Global Building Solutions, Building Products ASEAN, North America & India and Hot Rolled Products North America.

Coated & Industrial Products Australia
Coated & Industrial Products Australia includes the Port Kembla Steelworks, a steel making operation with an annual production capacity of approximately 2.6 million tonnes of crude steel. The Port Kembla Steelworks is the leading supplier of flat steel in Australia, manufacturing slab, hot rolled coil and plate products. The segment also comprises two main metallic coating and painting facilities located in Springhill, New South Wales and Western Port, Victoria together with steel painting facilities in western Sydney and Acacia Ridge, Queensland. Steel from the Port Kembla Steelworks is processed by these facilities to produce a range of COLORBOND® pre-painted steel and ZINCALUME® zinc/aluminium branded products. Export offices are also incorporated within this segment to trade steel manufactured at these facilities on global markets.

Building Components & Distribution Australia
Building Components & Distribution Australia contains a network of service centres and distribution sites from which it forms a key supplier to the Australian building and construction industry, automotive sector, major white goods manufacturers and general manufacturers. The operating segment also holds the Lysaght steel solutions business, providing a range of LYSAGHT® branded products to the building and construction sector.

New Zealand & Pacific Steel Products
The New Zealand Steel operation at Glenbrook, New Zealand, produces a full range of flat steel products for both domestic and export markets. It has an annual production capacity of approximately 0.6 million tonnes. The segment also includes facilities in New Caledonia, Fiji and Vanuatu, which manufacture and distribute the LYSAGHT® range of products.

Global Building Solutions
The Global Building Solutions segment is a global leader in custom engineered steel buildings. It comprises the Company's engineered buildings solutions businesses in North America, China, Indonesia, Malaysia, Thailand, Vietnam and Australia, and metal coating, painting and Lysaght businesses in China.

Building Products ASEAN, North America & India
Building Products ASEAN, North America & India operates metallic coating and painting lines and LYSAGHT® roll-forming facilities in Indonesia, Malaysia, Thailand, Vietnam and North America, primarily servicing the building and construction industries. BlueScope Steel's operations also includes LYSAGHT® roll-forming facilities in Singapore and Brunei. This segment also includes Tata BlueScope Steel, a 50/50 joint venture with Tata Steel, with operations in India that include a recently established metal coating and painting line, LYSAGHT® roll-forming operations and a BUTLER® manufacturing and engineering facility. Tata BlueScope Steel's operations also includes a LYSAGHT® roll-forming facility in Sri Lanka.

Hot Rolled Products North America
Hot Rolled Products North America includes a 50% interest in the North Star BlueScope Steel joint venture, a steel mini mill in the United States and a 47.5% shareholding in Castrip LLC.

3 Segment information (continued)

(b) Reportable segments

The segment information provided to the Managing Director and Chief Executive Officer for the operating segments for the half-year ended 31 December 2012 is as follows:

Half-year 2012	Coated & Industrial Products Australia $M	Building Components & Distribution Australia $M	New Zealand & Pacific Steel Products $M	Global Building Solutions $M	Building Products ASEAN, North America & India $M	Hot Rolled Products North America $M	Discontinued Operations $M	Total $M
Total segment sales revenue	1,667.9	720.4	318.9	728.4	800.4	-	-	4,236.0
Intersegment revenue	(422.8)	(19.0)	(50.5)	(1.1)	(47.6)	-	-	(541.0)
Revenue from external customers	**1,245.1**	**701.4**	**268.4**	**727.3**	**752.8**	**-**	**-**	**3,695.0**
Segment EBIT	**7.4**	**(10.2)**	**2.0**	**17.4**	**31.4**	**33.0**	**0.2**	**81.2**
Depreciation and amortisation	84.4	8.7	24.6	16.1	23.4	-	-	157.2
Impairment of non-current assets	-	-	-	-	-	0.7	-	0.7
Share of profit (loss) from associates and joint venture partnerships	-	-	1.0	-	(7.9)	33.9	-	27.0
Total segment assets	**3,065.5**	**554.0**	**645.4**	**936.1**	**1,117.2**	**79.4**	**0.2**	**6,397.8**
Total assets includes:								
Investments in associates and joint venture partnerships	-	-	7.7	3.3	25.8	79.0	-	115.8
Additions to non-current assets (other than financial assets and deferred tax)	56.2	3.5	19.0	22.5	4.8	-	-	106.0
Total segment liabilities	**1,092.8**	**230.0**	**306.4**	**431.0**	**258.1**	**-**	**3.9**	**2,322.2**

Half-year 2011	Coated & Industrial Products Australia $M	Building Components & Distribution Australia $M	New Zealand & Pacific Steel Products $M	Global Building Solutions $M	Building Products ASEAN, North America & India $M	Hot Rolled Products North America $M	Discontinued Operations $M	Total $M
Total segment sales revenue	2,403.4	780.2	345.7	800.5	814.5	-	89.3	5,233.6
Intersegment revenue	(572.1)	(18.5)	(54.3)	(1.5)	(49.1)	-	(8.3)	(703.8)
Revenue from external customers	**1,831.3**	**761.7**	**291.4**	**799.0**	**765.4**	**-**	**81.0**	**4,529.8**
Segment EBIT	**(463.0)**	**(30.1)**	**33.8**	**10.6**	**17.2**	**20.1**	**5.3**	**(406.1)**
Depreciation and amortisation	87.7	9.4	21.1	17.2	23.5	-	3.9	162.8
Impairment of non-current assets	-	-	-	4.8	-	0.7	-	5.5
Share of profit (loss) from associates and joint venture partnerships	-	-	1.3	0.4	(4.8)	20.9	-	17.8
Total segment assets	**3,573.0**	**757.1**	**601.7**	**1,000.2**	**1,185.5**	**95.5**	**124.2**	**7,337.2**
Total assets includes:								
Investments in associates and joint venture partnerships	-	-	7.4	3.8	39.8	95.1	-	146.1
Additions to non-current assets (other than financial assets and deferred tax)	45.9	1.6	22.2	5.5	11.4	-	1.9	88.5
Total segment liabilities	**1,136.1**	**232.8**	**358.3**	**431.9**	**211.6**	**-**	**23.8**	**2,394.5**

3 Segment information (continued)

(c) Other segment information

(i) Segment revenue
Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in a manner consistent with that in the statement of comprehensive income.

Segment revenue reconciles to total revenue from continuing operations as follows:

	Half-year	
	2012	2011
	$M	$M
Total segment revenue	**4,236.0**	5,233.6
Intersegment eliminations	**(541.0)**	(703.8)
Revenue attributable to discontinued operations	**-**	(81.0)
Other revenue	**8.5**	9.1
Total revenue from continuing operations	**3,703.5**	4,457.9

(ii) Segment EBIT
Performance of the operating segments is based on EBIT. This measurement basis excludes the effects of Group financing (including interest expense and interest income) and income taxes as these items are managed on a Group basis.

A reconciliation of total segment EBIT to operating profit before income tax is provided as follows:

	Half-year	
	2012	2011
	$M	$M
Total segment EBIT gain (loss)	**81.2**	(406.1)
Intersegment eliminations	**(3.6)**	4.9
Interest income	**2.1**	1.4
Finance costs	**(34.8)**	(70.5)
EBIT (gain) loss attributable to discontinued operations	**(0.2)**	(5.3)
Corporate operations	**(31.1)**	(33.5)
Profit (loss) before income tax from continuing operations	**13.6**	(509.1)

3 Segment information (continued)

(iii) Segment assets
Segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Cash is not considered to be a segment asset as it is managed by the Group's centralised treasury function.

As the segment information is focused on EBIT, tax assets, which by their nature do not contribute towards EBIT, are not allocated to operating segments.

Reportable segment assets are reconciled to total assets as follows:

	December 2012 $M	June 2012 $M
Segment assets	**6,397.8**	6,414.7
Intersegment eliminations	**(199.6)**	(128.4)
Unallocated:		
Deferred tax assets	**180.3**	189.0
Cash	**193.1**	214.5
Corporate operations	**16.1**	15.6
Tax receivables	**25.0**	28.1
Total assets as per the statement of financial position	**6,612.7**	6,733.5

(iv) Segment liabilities
Segment liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Liabilities arising from borrowing and funding initiatives are not considered to be segment liabilities due to these being managed by the Group's centralised treasury function. As the segment information is focused on EBIT, tax liabilities, which by their nature do not impact EBIT, are not allocated to operating segments.

Reportable segment liabilities are reconciled to total liabilities as follows:

	December 2012 $M	June 2012 $M
Segment liabilities	**2,322.2**	2,335.6
Intersegment eliminations	**(186.9)**	(119.2)
Unallocated:		
Current borrowings	**462.4**	144.9
Non-current borrowings	**229.9**	453.5
Current tax liabilities	**9.5**	72.7
Deferred tax liabilities	**13.2**	18.7
Accrued borrowing costs payable	**5.4**	11.2
Corporate operations	**27.5**	37.3
Total liabilities as per the statement of financial position	**2,883.2**	2,954.7

4 Other income and expenses

	2012 $M	2011 $M
Profit (loss) before income tax includes the following specific income and expenses for continuing operations:		
Other income		
Net foreign exchange gains	**0.9**	2.2
Carbon permit - Government Grant (a)	**77.4**	9.6
STP Government Grant (b)	**-**	66.1
Net gain on sale of non-current assets (c)	**36.4**	-
Other	**0.2**	-
Total other income	**114.9**	77.9
Workers compensation insurance recoveries (d)	**36.6**	-
Impairment of non current- assets		
Castrip joint venture	**(0.7)**	(0.7)
BlueScope Buildings North America impairments (e)	**-**	(4.8)
Total impairment of non-current assets	**(0.7)**	(5.5)
Restructuring costs (f)	**(6.6)**	(363.6)
Direct carbon emission expense (a)	**(70.5)**	(0.2)

Inventory net realisable value expense (write-back)
During the six-month period to 31 December 2012, a $56.3M expense was recognised in connection to the write-down of inventories to net realisable value as a result of an expected decline in future selling prices (Dec-11: $77.0M)

(a) Carbon permit income and direct carbon emission expense
Carbon permit income arises from Carbon Pricing Scheme (CPS) permits granted by the New Zealand & Australian Governments. The increase in CPS permit income is due to the commencement of the Australian Carbon Pricing Mechanism from 1 July 2012.

The $70.5M (Dec-11: $0.2M) direct carbon emission expense (scope 1 direct emissions) excludes coal and gas purchases emission expense for our New Zealand Steel operation. New Zealand Steel's coal and gas direct emission expense are recorded within raw material and utility costs as these costs are passed through by our suppliers. The CPS increases the costs of electricity (scope 2 direct emissions) and potentially the cost of other goods and services (scope 3 indirect emissions).

In November 2012, the Company sold its Government allocated carbon units for $131.7M. The proceeds have been included as part of operating activities in the consolidated statement of cash flows. No gain or loss was recorded on the sale as the carbon units were sold for their allocated fair value.

(b) Steel Transformation Plan Government grant
A $100M advance payment under the Federal Government Steel Transformation Plan (STP) was received on 13 January 2012. The STP was established to encourage investment, innovation and competitiveness in the Australian steel manufacturing industry. In accordance with the Company's accounting policy on accounting for Government grants (refer to note 1(h) of the 30 June 2012 annual financial report), $66.1M of the $100M STP advance payment was recognised as income for the half-year ending 31 December 2011, in line with the related costs which it was intended to compensate.

(c) Net gain on sale of non-current assets
The $36.4M in other income for 31 December 2012 includes a $37.5M profit on sale of a previously unrecognised intangible asset at Coated & Industrial Products Australia.

4 Other income and expenses (continued)

(d) Workers compensation insurance recoveries
In December 2012, $36.6M in workers compensation insurance recoveries was recognised in earnings (refer to note 9).

(e) BlueScope Buildings North America impairments
In the prior period, $4.8M of fixed assets was impaired as a result of restructure in BlueScope Buildings North America to align production capacity with market demand, with the frame production at San Marcos facility being idled and the Arlington plant permanently closed.

(f) Restructuring costs
Current year restructuring costs includes $3.0M for Lysaght Australia following a decision to consolidate Lysaght Sydney sites. An additional $3.3M restructuring costs have been recognised as at 31 December 2012 in Coated & Industrial Products Australia.

The prior period restructuring costs includes $347.8M for incurred and estimated future costs arising from the closure of the No.6 Blast furnace at Port Kembla and other equipment to reflect the reduced ironmaking capacity, as announced to the market on 22 August 2011 and restructuring costs relating to Buildings North America and BlueScope Distribution to better align cost structures to market demand.

5 Income tax expense

(a) Tax expense (income) relating to items of other comprehensive income

	Half-year	
	2012	2011
	$M	$M
Actuarial gain/(loss) on defined benefit superannuation plans	**(6.6)**	55.3
Net (gain) loss on hedges of net investments in subsidiaries	**2.4**	(4.5)
	(4.2)	50.8

For the six months to 31 December 2012, $23.0M of Australian deferred tax assets generated during the period have been impaired with $28.0M allocated to tax expense and a $5.0M credit allocated in retained earnings.

Australian Accounting Standards impose a stringent test for the recognition of a deferred tax asset arising from unused tax losses where there is a history of recent tax losses. The Company has deferred the recognition of any further tax asset for the Australian tax group until a return to taxable profits has been demonstrated. The Australian net deferred tax asset balance of $85M recognised at June 2011 remains. Additional deferred tax assets will only be recognised when the Australian tax group returns to producing taxable income.

Tax dispute
The Australian Taxation Office (ATO) has issued BSL with amended assessments in relation to a sale and leaseback transaction entered into by BSL in the 2007 income year (refer to note 40 of the 30 June 2012 full financial report).

In accordance with ATO guidelines, BSL made a $21.2M part payment on 9 July 2012 pending determination of the dispute. Any amount paid will be fully refundable in the event that the matter is resolved in favour of BSL. This amount has been recorded as a non-current tax receivable.

6 Equity securities issued

	Six-months to 31 Dec 2012 Shares	Six-months to 31 Dec 2011 Shares	**Six-months to 31 Dec 2012 $M**	Six-months to 31 Dec 2011 $M
Issue of ordinary shares during the half-year				
Opening balance	**3,349,185,247**	1,842,207,385	**4,661.4**	4,073.8
Impact of share consolidation (i)	**(2,790,941,942)**	-	**-**	-
General Employee Share Plan issues (ii)	**-**	27,371	**-**	0.2
Share plan retention awards (iii)	**-**	6,935,600	**-**	11.3
Capital raising (iv)	**-**	1,500,014,891	**-**	600.0
Transaction costs on capital raisings (iv)	**-**	-	**-**	(22.6)
	558,243,305	3,349,185,247	**4,661.4**	4,662.7
Movements in treasury shares during the half-year				
Opening balance			**(11.3)**	-
Share plan retention rewards (v)			**-**	(11.3)
			(11.3)	(11.3)
Net movement			**4,650.1**	4,651.4

(i) Share consolidation
On 19 December 2012, the Company consolidated its share capital through the conversion of every 6 shares in the Company into one ordinary share in the Company. As a result, the Company's opening balances of shares issued and movements in shares issued for the prior period, as well as the earnings per share (refer to note 11), have been restated to reflect this change, with an impact of reducing the number of shares on issue from 3.35 billion to 558.2 million as at 31 December 2012.

(ii) General Employee Share Plan issues
The aim of General Employee Share Plans is, in recognition of Company performance, to assist employees to build a stake in the Company by enabling each eligible employee to acquire a parcel of shares. Employees who become shareholders have the potential to benefit from dividends paid on shares, growth in the market value of their shares and any bonus shares or rights issues the Board of Directors may approve from time to time.

(iii) Retention share awards
Share-based retention schemes were put in place with shares issued and held on trust for three years and are subject to forfeiture should an employee leave.

(iv) Capital Raising
In the prior period, BlueScope Steel Limited announced a fully underwritten four-for-five accelerated renounceable entitlement offer with rights trading of new BlueScope Steel shares at an offer price of $0.40 per new share, which raised $600.0M ($577.4M net of transaction costs).

(v) Treasury shares
Treasury shares are shares in BlueScope Steel Limited that are held by the BlueScope Employee Share Trust for the purpose of issuing shares under the Share Plan Retention Scheme (refer to (iii)).

7 Discontinued operations

(a) Description

In June 2012, the Group sold Metl-Span, its North American insulated metal panels business, to NCI Group Inc.

Following a series of construction contract losses in the financial year 2006, the Group closed down and sold the assets of its Lysaght Taiwan business.

The financial information for these operations identified as discontinued operations is set out below and is reported in this financial report as discontinued operations.

(b) Financial performance of discontinued operations

The results of discontinued operations for the half-year are presented below.

	Consolidated			
	Six-months to 31 December 2012	Six-months to 31 December 2011		
	Lysaght Taiwan $M	**Metl-Span $M**	**Lysaght Taiwan $M**	**Total $M**
Revenue	**-**	81.0	-	81.0
Depreciation and amortisation	**-**	(3.9)	-	(3.9)
Other income (expenses)	**0.2**	(71.1)	(0.5)	(71.6)
Profit (loss) before income tax (i)	**0.2**	6.0	(0.5)	5.5
Income tax (expense) benefit	**0.1**	(2.2)	-	(2.2)
Profit (loss) after income tax from discontinued operations	**0.3**	3.8	(0.5)	3.3

(i) The results from discontinued operations are required to be presented on a consolidated basis. Therefore, the impact of intercompany sales, profit in stock eliminations, intercompany interest income and expense and intercompany funding have been excluded. The profit attributable to the discontinued segment is not affected by these adjustments. As a result of these adjustments the discontinued operations result do not represent the operations as stand-alone entities.

8 Non-current liabilities - Retirement benefit obligations

(a) Balance sheet amounts

	December 2012 $M	June 2012 $M
Present value of the defined benefit obligation	**(1,234.5)**	(1,249.1)
Fair value of defined benefit plan assets	**867.2**	817.1
	(367.3)	(432.0)
Net liability in the statement of financial position	**(367.3)**	(432.0)

(b) Defined benefit funds to which BlueScope Steel employees belong

December 2012	**BlueScope Steel Superannuation Fund $M**	**New Zealand Pension Fund $M**	**Coated & Building Products North America $M**	**Total $M**
Present value of the defined benefit obligation	(403.1)	(429.0)	(402.4)	(1,234.5)
Fair value of defined benefit plan assets	307.6	257.8	301.8	867.2
Net liability in the statement of financial position	(95.5)	(171.2)	(100.6)	(367.3)
Defined benefit expense	4.4	4.9	(1.5)	7.8
Employer contribution	16.4	7.8	5.9	30.1
Principal actuarial assumption	%	%	%	
Discount rate (gross of tax)	3.2	3.6	3.9	
Expected return on plan assets (net of tax)	6.5	5.8	7.0	
Future salary increases	3.0	3.0	3.8	

June 2012	**BlueScope Steel Superannuation Fund $M**	**New Zealand Pension Fund $M**	**Coated & Building Products North America $M**	**Total $M**
Present value of the defined benefit obligation	(412.0)	(433.2)	(403.9)	(1,249.1)
Fair value of defined benefit plan assets	287.7	236.4	293.0	817.1
Net liability in the statement of financial position	(124.3)	(196.8)	(110.9)	(432.0)
Defined benefit expense	7.7	8.2	0.1	16.0
Employer contribution	14.8	15.5	12.5	42.8
Principal actuarial assumption	%	%	%	
Discount rate (gross of tax)	3.0	3.5	4.0	
Expected return on plan assets (net of tax)	6.5	5.8	7.0	
Future salary increases	3.0	3.0	3.8	

The net liability is not immediately payable. Any plan surplus will be realised through reduced future Company contributions.

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these major categories.

8 Non-current liabilities - Retirement benefit obligations (continued)

(c) Reconciliations

	Six-months ending 31 December 2012 $M	Twelve-months ending 30 June 2012 $M
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Opening balance	**1,249.2**	1,093.5
Current service cost	**13.7**	25.7
Interest cost	**20.0**	56.8
Actuarial losses (gains)	**(5.7)**	253.6
Benefits paid	**(29.8)**	(94.6)
Foreign currency exchange rate changes	**(8.8)**	28.2
Losses (gains) on curtailments	**-**	(0.7)
Other	**(0.7)**	(1.0)
Allowance for contributions tax on net liability	**(3.4)**	(4.6)
Settlements	**-**	(107.8)
Closing balance	**1,234.5**	1,249.1
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	**817.1**	922.8
Expected return on plan assets	**25.8**	63.7
Actuarial gains (losses)	**34.9**	(25.1)
Foreign currency exchange rate changes	**(7.2)**	18.8
Contributions by the Group	**30.1**	42.8
Tax on employer contributions	**(5.0)**	(7.3)
Contributions by plan participants	**2.2**	4.9
Benefits paid	**(29.8)**	(94.6)
Settlements	**-**	(107.8)
Other	**(0.9)**	(1.1)
Closing balance	**867.2**	817.1

(d) Amounts recognised in profit or loss

The amounts recognised in profit or loss in respect of defined benefit plans are as follows:

Current service cost	**13.7**	25.8
Interest cost	**20.0**	56.8
Expected return on plan assets	**(25.8)**	(63.7)
Contributions by plan participants	**(2.2)**	(4.9)
Allowance for contributions tax on net liability	**1.6**	2.7
Losses (gains) on curtailments and settlements	**-**	(0.7)
Other	**0.5**	-
Total included in employee benefits expense	**7.8**	16.0
Actual return on plan assets	**60.8**	38.6

9 Contingencies

Material changes in relation to contingent assets disclosed since 30 June 2012, were as follows:

- In June 2012, a contingent asset was disclosed for the cumulation of workers compensation insurance recoveries. In December 2012, an agreement was reached with the insurers, resulting in $36.6M of claim recoveries being recognised in earnings (refer to note 4) of which $15.0M has been received.

Since June 2012, there have been no material changes of any contingent liabilities.

10 Transactions with non-controlling interests

(a) Transactions with non-controlling interests

On 16 August 2012, the Company acquired the remaining 40% interest of BlueScope Steel Malaysia for a purchase consideration of $68.7M. The effect of changes in the ownership interest of BlueScope Steel Malaysia on the equity attributable to owners of BlueScope Steel Limited during the period is summarised as follows:

	Half-year	
	2012 $M	2011 $M
Carrying amount of non-controlling interests acquired	**32.6**	-
Consideration paid to non-controlling interests	**(68.7)**	-
Amount recognised in non-controlling interests reserve within equity	**(36.1)**	-

11 Earnings (loss) per share

(a) Basic earnings (loss) per share

	Half-year	
	2012 Cents	2011 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(2.3)**	(160.4)
From discontinued operations	**0.1**	1.0
Total basic earnings (loss) per share attributable to the ordinary equity holders of the Company	**(2.2)**	(159.4)

(b) Diluted earnings (loss) per share

	Half-year	
	2012 Cents	2011 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(2.2)**	(160.4)
From discontinued operations	**-**	1.0
Total diluted earnings (loss) per share attributable to the ordinary equity holders of the Company	**(2.2)**	(159.4)

11 Earnings (loss) per share (continued)

(c) Reconciliation of earnings used in calculating earnings (loss) per share

	Half-year	
	2012	2011
	$M	$M
Basic and diluted earnings (loss) per share		
Profit (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	**(12.6)**	(533.7)
From discontinued operation	**0.3**	3.3
	(12.3)	(530.4)

(d) Weighted average number of shares used as denominator

	Half-year	
	2012	2011
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (e)	**558,243,305**	332,644,534
Adjustments for calculation of diluted earnings per share:		
Weighted average number of share rights	**7,162,075**	-
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**565,405,380**	332,644,534

(e) Earnings per share restated
In accordance with AASB 133 *Earnings per Share*, the comparative earnings per share calculations have been restated for the share consolidation undertaken in December 2012. The previously reported December 2011 weighted average number of shares has been adjusted by a division of 6, being the conversion of every 6 shares in the Company into one ordinary share in the Company.

12 Events occurring after the reporting period

Production changes at Western Port plant

On 14 January 2013, the Company announced its intention to reconfigure its Australian cold rolling, metal coated and painted steel production. The production reconfiguration will result in a decrease to production levels at Western Port. However, all current operating production lines and assets will remain open to provide flexibility and allow for additional throughput when demand improves. Regrettably, there will be a workforce reduction of approximately 110 employees at Western Port and 60 contractors.

The production reconfiguration is progressing well and on track to commence in March 2013. The cash cost to implement this change is estimated to be approximately $17M, but will be recovered within one year through ongoing improvements to the operating cost base. The change is expected to have minor or no impact to existing supply arrangements with the Company's domestic customers.

Directors' declaration

In the directors opinion:

(a) the interim financial statements and notes set out on pages 9 to 29 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with *AASB 134 Interim Financial Reporting,* the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ending on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.

G J Kraehe, AO
Chairman

P F O'Malley
Managing Director & CEO

Melbourne
18 February 2013

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To the members of BlueScope Steel Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of BlueScope Steel Limited, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BlueScope Steel Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of BlueScope Steel Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Rodney Piltz

Rodney Piltz
Partner
Melbourne
18 February 2013