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24 February 2014

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

Earnings Report for the six months ended 31 December 2013

In addition to the contemporaneously lodged Appendix 4D, Directors' Report and Financial Report for the half year ended 31 December 2013, attached is the Company's 1H FY2014 Earnings Report.

RESULTS SUMMARY

Key Financial Measures – Six months ended 31 December 2013 and 31 December 2012 [1]

$M unless marked	1H FY2014	1H FY2013	Variance %
Total revenue [2]	3,998.9	3,703.5	8%
EBITDA – underlying [3]	301.1	181.4	66%
EBIT – reported [3]	91.0	32.3	182%
EBIT – underlying [3]	136.4	24.1	466%
(NLAT) / NPAT attributable to BSL holders			
- reported	3.7	(23.8)	116%
- underlying	49.1	(1.6)	3,169%
Earnings per share (cents)	0.7	(4.3)	116%
Interim dividend (cents)	nil	nil	-
Return on invested capital (%)	5.9%	1.1%	-
Net debt	213.7	499.2	(57%)
Gearing (%)	4.4%	11.8%	-
Net tangible assets per share ($)	$6.40	$5.47	17%

1) Tables 2A and 2B explain why management has disclosed underlying results and reconcile underlying earnings to reported earnings.

2) Excludes the Company's 50% share of NSBSL revenue of:	360.1	299.5
Includes revenue other than sales revenue of:	16.5	8.5
3) Includes 50% share of net profit from NSBSL of:	50.9	33.9

KEY POINTS

- Sales revenue of $3,982.4M was higher than 1H FY2013 mainly due to higher volumes in Australia, NZ export iron sands and the Building Products segment, together with higher iron sands prices and favourable foreign exchange translation impacts.
- Reported NPAT of $3.7M, and underlying NPAT of $49.1M, improved primarily due to improved spreads and volume.
- $74.0M underlying NPAT before period-end inventory net realisable value adjustments.
- Underlying EBIT of $136.4M, improved $112.3M from 1H FY2013.
- Coated & Industrial Products Australia underlying EBIT was $26.9M, a $37.5M improvement on 1H FY2013, driven by improved spread, improved domestic despatch volume, lower loss-making export despatches and lower costs mainly due to the timing of repairs and maintenance spend.
- Building Components & Distribution Australia underlying EBIT loss of $10.9M, slightly weaker than 1H FY2013 due to weaker margins, partly offset by slightly improved volumes and cost control.
- NZ Steel & Pacific underlying EBIT of $38.6M, a $40.9M improvement over 1H FY2013, driven by improved steel spreads, volume and sales mix, and higher export iron sands volumes and prices.
- Building Products segment underlying EBIT of $50.9M improved on the $31.4M achieved in 1H FY2013 primarily due to improved spreads, volume and cost management partly offset by adverse foreign exchange impacts particularly in Indonesia.
- Global Building Solutions underlying EBIT improved to $16.2M. Strong Buildings North America performance with higher volumes off a low base. Building Products China earnings declined by $1.1M due to weaker volumes. After adding back the one-off adverse impact of a $7.7M prior period provision adjustment to 1H FY2013, Buildings Asia's underlying EBIT was $4.9M weaker in 1H FY2014 compared to 1H FY2013.
- Hot Rolled Products North America earnings result of $48.7M improved $15.7M on 1H FY2013 primarily due to improved spreads, conversion cost improvements delivered from stronger volumes and various cost reduction initiatives and favourable foreign exchange translation impacts from a weaker AUD versus the USD.
- Net debt at 31 Dec 2013 was $213.7M. Continuing strong liquidity (undrawn debt plus cash) of A$1,538.8M.
- Announced four growth initiatives since 19 August 2013: (i) acquisition of Orrcon and Fielders from Hills Holdings, targeted for completion by the end of the March 2014 quarter; (ii) acquisition of OneSteel sheet and coil distribution assets, subject to ACCC's decision which is expected 6 March 2014; (iii) decision to add a third iron sands export ship to our Taharoa operations; and (iv) the agreement signed on 17 February 2014 to acquire the downstream long-products rolling and marketing operations of Pacific Steel Group in New Zealand.
- Outlook: We expect second half FY2014 underlying NPAT similar to first half. The expectation is based upon typical seasonality, planned second half maintenance activities in Australia and assumes minimal impact of the political situation in Thailand. This is before period end net realisable value adjustments and is subject to spread, FX and market conditions.

FINANCIAL RESULTS

The BlueScope Steel Group comprises six reportable operating segments: Coated & Industrial Products Australia (CIPA); Building Components & Distribution Australia (BCDA); New Zealand & Pacific Steel Products (NZPac); Global Building Solutions (GBS); Building Products ASEAN, North America and India (BP); and Hot Rolled Products North America (HRPNA).

Table 1: Results Summary

	Revenue		Reported Result [1]		Underlying Result [2]	
$M	1H FY2014	1H FY2013	1H FY2014	1H FY2013[3]	1H FY2014	1H FY2013[3]
Sales revenue/EBIT						
Coated & Industrial Products Australia	1,781.6	1,667.9	(0.9)	2.4	26.9	(10.6)
Building Components & Distribution Australia	714.3	720.4	(10.9)	(10.5)	(10.9)	(7.1)
New Zealand & Pacific Steel Products	419.6	318.9	38.6	(2.3)	38.6	(2.3)
Global Building Solutions	807.1	728.4	14.0	13.2	16.2	13.2
Building Products ASEAN, Nth Am & India	915.5	800.4	41.4	31.4	50.9	31.4
Hot Rolled Products North America	0.0	0.0	48.7	33.0	48.7	33.0
Discontinued operations	0.0	0.0	(0.3)	0.2	0.0	0.0
Segment revenue/EBIT	4,638.1	4,236.0	130.6	67.4	170.4	57.6
Inter-segment eliminations	(655.7)	(541.0)	(0.1)	(3.6)	(0.1)	(3.6)
Segment external revenue/EBIT	3,982.4	3,695.0	130.5	63.8	170.3	54.0
Other revenue/(net unallocated expenses)	16.5	8.5	(39.5)	(31.5)	(33.9)	(29.9)
Total revenue/EBIT	3,998.9	3,703.5	91.0	32.3	136.4	24.1
Net borrowing costs			(28.2)	(32.7)	(28.2)	(32.7)
Profit/(loss) from ordinary activities before income tax			62.8	(0.4)	108.2	(8.6)
Income tax (expense)/benefit			(35.9)	(16.4)	(32.9)	14.0
Profit/(loss) from ordinary activities after income tax expense			26.9	(16.8)	75.3	5.4
Net (profit)/loss attributable to outside equity interest			(23.2)	(7.0)	(26.2)	(7.0)
Net profit/(loss) attributable to equity holders of BlueScope Steel			3.7	(23.8)	49.1	(1.6)
Basic earnings per share (cents)			0.7	(4.3)	8.8	(0.3)

1) 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.
2) 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, which has been reviewed by our external auditors.
3) 1H FY2013 has been restated to reflect changes in Australian accounting standard AASB 119 Employee Benefits, which came into effect on 1 July 2013. Refer to Table 2C for an explanation of the changes and reconciliation by reporting segments.

Table 2A: Reconciliation of Underlying Earnings to Reported Earnings

Management has 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 has 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 financial report which has been reviewed by our external auditors. An explanation of each adjustment and reconciliation to the reported IFRS financial information is provided in the table below.

	EBITDA $M		EBIT $M		NPAT / (NLAT) $M		EPS $ [7]	
	1H FY14	1H FY13	1H FY14	1H FY13	1H FY14	1H FY13	1H FY14	1H FY13
Reported earnings	255.7	189.7	91.0	32.3	3.7	(23.8)	0.01	(0.04)
Underlying adjustments:								
Net (gains)/losses from businesses discontinued [1]	0.3	(0.2)	0.3	(0.2)	0.3	(0.3)	0.00	(0.00)
Steel Transformation Plan [2]	22.9	22.9	22.9	22.9	16.0	16.0	0.03	0.03
Business development and pre-operating costs [3]	6.0	0.7	6.0	0.7	4.2	0.5	0.01	0.00
Restructure and redundancy costs [4]	9.3	5.9	9.3	5.9	5.5	4.3	0.01	0.01
Asset sales [5]	6.9	(37.5)	6.9	(37.5)	2.2	(26.3)	0.00	(0.05)
Tax asset impairment [6]	0.0	0.0	0.0	0.0	17.2	28.0	0.03	0.05
Underlying earnings	301.1	181.4	136.4	24.1	49.1	(1.6)	0.09	(0.00)

1) 1H FY2014 reflects costs relating to the divested Metl-Span business. 1H FY2013 reflects foreign exchange translation gains within the closed Lysaght Taiwan business.
2) 1H FY2014 and 1H FY2013 reflect the inclusion in underlying earnings of the previously received Australian Government Steel Transformation Plan (STP) advance to align with the carbon costs which are now being incurred at CIPA.
3) 1H FY2014 and 1H FY2013 reflect Corporate business development costs.
4) 1H FY2014 reflects staff redundancies and restructuring costs at CIPA ($5M pre-tax), Building Products ($3M pre-tax relating to Steelscape's Fairfield facility) and GBS ($2M pre-tax). 1H FY2013 reflects staff redundancies and restructuring costs at CIPA ($3M pre-tax) and BCDA ($3M pre-tax).
5) 1H FY2014 reflects the loss on sale of Steelscape's Fairfield facility completed in December 2013 ($7M pre-tax). 1H FY2013 reflects profit on sale of a previously unrecognised intangible asset at CIPA ($38M pre-tax).
6) 1H FY2014 and 1H FY2013 reflect impairment of Australian deferred tax assets generated during each respective period.
7) Earnings per share is based on the average number of shares on issue during the respective reporting periods, (558.5M in 1H FY2014 vs. 558.2M in 1H FY2013). In accordance with AASB 133 Earnings per Share, the comparative earnings per share calculations have been restated for the retrospective adjustment made to the comparative reported net loss for the period arising from the adoption of the revised AASB 119 Employee Benefits standard.

Table 2B: Underlying EBIT Adjustments to 1H FY2014 Reported Segment Results

1H FY2014 underlying EBIT adjustments $M	CIPA	BCDA	NZPac	HRPNA	GBS	BP	Corp	Discon Ops	Total
Net (gains)/losses from businesses discontinued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3
Steel Transformation Plan	22.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.9
Business development and pre-operating costs	0.3	0.0	0.0	0.0	0.0	0.0	5.7	0.0	6.0
Asset sales	0.0	0.0	0.0	0.0	0.0	6.9	0.0	0.0	6.9
Restructure and redundancy costs	4.5	0.0	0.0	0.0	2.2	2.6	0.0	0.0	9.3
Underlying adjustments	27.7	0.0	0.0	0.0	2.2	9.5	5.7	0.3	45.4

Table 2C: Restatement of Prior Period Earnings to Reflect Change to AASB 119

Changes to AASB 119 Employee Benefits came into effect for BlueScope on 1 July 2013. The impact of this revised accounting standard is to increase defined benefit plan pension expense. Australian Accounting Standards require that comparative period financial information be adjusted to reflect the revised approach. 1H FY2013 and FY2013 comparative data in this presentation have been adjusted to reflect this and a summary of the adjustments is set out below.

	1H FY2013			FY2013		
$M	Previous	Change	Restated	Previous	Change	Restated
CIPA	(5.6)	(5.0)	(10.6)	(20.3)	(10.0)	(30.3)
BCDA	(6.8)	(0.3)	(7.1)	(24.8)	(0.6)	(25.4)
NZPac	2.0	(4.3)	(2.3)	42.5	(8.7)	33.8
GBS	17.4	(4.2)	13.2	26.4	(8.4)	18.0
BP	31.4	-	31.4	79.6	-	79.6
HRPNA	33.0	-	33.0	66.7	-	66.7
Corporate / eliminations	(33.0)	(0.5)	(33.5)	(67.3)	(1.0)	68.3
Underlying EBIT	38.4	(14.3)	24.1	102.8	(28.7)	74.1
Underlying NPAT / NLAT	9.9	(11.5)	(1.6)	29.7	(23.0)	6.7

Table 3: Consolidated Cash Flow

$M	1H FY2014	1H FY2013	Variance %
Reported EBITDA	255.7	189.6	35%
Add cash / (deduct non-cash) items			
- Share of profits from associates and joint venture partnership not received as dividends	(9.7)	(1.0)	(870%)
- Impaired assets	1.0	0.7	43%
- Net (gain) loss on sale of assets	6.8	(36.4)	119%
- Expensing of share-based employee benefits	7.5	4.5	67%
Cash EBITDA	261.3	157.4	66%
Changes in working capital	(88.2)	(1.9)	(4,542%)
Gross operating cash flow	173.1	155.5	11%
Net finance costs paid	(21.8)	(33.5)	35%
Tax received / (paid) [1]	(23.9)	(77.6)	69%
Net cash from operating activities	127.4	44.4	187%
Capex: payments for P, P & E and intangibles	(118.0)	(129.3)	9%
Other investing cash flows	6.8	(35.1)	119%
Net cash flow before financing	16.2	(120.0)	114%
Equity issues	0.0	0.0	0
Dividends [2]	(29.9)	(1.9)	(1,474%)
Transactions with non-controlling interests	1.6	0.0	N/A
Net drawing / (repayment) of borrowings	34.7	103.3	(66%)
Net increase / (decrease) in cash held	22.6	(18.6)	222%

1) The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 31 December 2013, in excess of $2.7B. There will be no Australian income tax payments until these are recovered.
2) The increase in dividends payments in 1H FY2014 compared to 1H FY2013 primarily relates to dividend payments to Nippon Steel & Sumitomo Metal Corporation (NSSMC) following the creation of the NSSMC joint venture in 2H FY2013.

GROUP REVIEW: 1H FY2014 vs 1H FY2013

FINANCIAL PERFORMANCE

Total revenue

The $295.4M (8%) increase in Group total revenue principally reflects:

- higher domestic volumes (predominantly galvanised and HRC driven by a modest improvement in activity levels partially offset by lower plate volumes driven mainly by the slowdown in mining investment) combined with lower loss making export tonnes at CIPA
- higher iron sands despatch volumes and prices in line with global iron ore prices at NZPac
- higher despatch volumes at BP
- favourable translation impacts from a weaker AUD exchange rate.

These were partly offset by lower international and domestic steel prices across most segments.

EBIT performance

The $112.3M increase in underlying EBIT on 1H FY2013 reflects:

- $64.6M improvement in spread, comprised of:
  - $102.7M benefit from lower raw material costs, due to:
    - lower coal and iron ore purchase prices partly offset by an unfavourable iron ore feed mix at CIPA
    - lower coal purchase prices and scrap costs at NZPac
    - lower steel feed costs at BP, BCDA and GBS
    - lower inventory net realisable value provisions for inventory on hand at December 2013 compared to December 2012 primarily at CIPA and NZPac
    - partly offset by a lower AUD
  - $38.1M unfavourable movement in steel prices, with lower domestic and international steel prices across most segments partly offset by the benefit of a lower AUD
- $42.4M contribution from sales volumes and product mix, due to:
  - higher domestic volumes (predominantly galvanised and HRC partially offset by lower plate volumes) combined with lower loss making export tonnes at CIPA
  - higher iron sands despatch volumes at NZPac
  - higher despatch volumes at BP
  - favourable product mix at NZPac with a higher proportion of domestic painted, ZINCALUME® and galvanised steel sales

  These were partly offset by:
  - an adverse domestic despatch mix driven by higher galvanised and lower painted volumes at CIPA
- $22.1M unfavourable movement in costs, driven by:
  - $37.2M cost improvement initiatives from lower labour costs including contractor, repairs and maintenance, operational, overhead and discretionary costs
  - $37.9M cost escalation from utilities, employment, consumables and other costs
  - $20.1M higher one-off and discretionary costs:
    - favourable adjustment to the provision for workers compensation following an agreement with an insurance provider relating to a workers compensation insurance policy at CIPA during 1H FY2013
    - partly offset by timing of repairs and maintenance spend at CIPA
  - $1.4M unfavourable movement in other costs
- $5.8M favourable foreign exchange translation benefit
- $19.5M equity accounted benefit from NSBSL and TBSL
- $2.1M favourable movement in other items.

The $58.7M increase in reported EBIT on 1H FY2013 reflects the movement in underlying EBIT discussed above and $53.6M of favourable half-on-half underlying adjustments explained in Tables 2A and 2B.

Borrowing costs

The $4.5M decrease in finance costs compared to 1H FY2013 was largely due to a $131.6M decrease in average gross borrowings to $729.6M and a lower average cost of drawn debt (5.3% for 1H FY2014, 5.5% for 1H FY2013).

Tax

Net tax expense of $35.9M (1H FY2013 $16.4M) includes a net $18.7M impairment of an Australian deferred tax asset arising from tax losses generated during the period with $17.2M allocated to tax expense and a $1.5M allocated to retained earnings. 1H FY2013 includes a net $23.0M impairment of an Australian deferred tax asset arising from tax losses generated during the period with $29.8M allocated to tax expense and a $6.8M credit allocated to retained earnings (related to defined benefit superannuation fund actuarial adjustments).

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.

Dividend

The Board has decided there will be no interim dividend for the half.

FINANCIAL POSITION

Net assets

Net assets increased $142.0M to $4,602.3M at 31 December 2013 from $4,460.3M at 30 June 2013, primarily driven by:

- $107.7M increase in the value of inventory principally due to higher inventory holdings at CIPA combined with exchange fluctuation gains due to a weaker AUD
- $71.3M decline in retirement benefits obligation liability arising primarily from higher than expected asset returns
- $65.3M increase in net debt to $213.7M (after a $137M benefit from a one-off working capital initiative which may reverse in 2H FY2014).

Funding

Committed available undrawn capacity at 31 December 2013 under bank debt facilities ($994.1M), plus cash ($544.7M) amounted to $1,538.8M ($1,576.0M at 30 June 2013 and $1,349.5M at 31 December 2012).

UPDATE ON GROWTH INITIATIVES

- On 19 August 2013, BlueScope announced that it had agreed to acquire two businesses from Hills Holdings Limited: Orrcon, a pipe and tube manufacturer and distributor, and Fielders, a building products business.
  - In early December 2013 the ACCC announced it will not oppose BlueScope's proposed acquisition of Orrcon Steel. In late January 2014 the ACCC further announced that it

  will not oppose BlueScope's proposed acquisition of Fielders.
  - These acquisitions are targeted for completion by the end of the March 2014 quarter.
  - Following integration, in FY2015 the acquisitions are expected to exceed our return on capital hurdle and be EPS accretive for BlueScope.
- On 14 October 2013, BlueScope announced that it had agreed to acquire from Arrium Limited its OneSteel sheet and coil processing and distribution businesses in Sydney, Brisbane, Adelaide and Perth.
  - The transaction is subject to ACCC inquiries, the outcome of which is presently expected to be advised on 6 March 2014. Pending the outcome of these inquiries, the acquisition is targeted to complete in mid 2H FY2014.
  - Following integration, in FY2015 the acquisition is also expected to exceed our return on capital hurdle and be EPS accretive for BlueScope.
- On 17 February 2014, BlueScope announced it had agreed to acquire the downstream long-products rolling and marketing operations of Fletcher Building's Pacific Steel Group (PSG), based in Auckland, NZ.
  - PSG is a producer and marketer of long products such as reinforcing steel, rod and wire.
  - In FY2013 PSG sold approximately 240kt to New Zealand and Fiji domestic and export customers.
  - The agreed acquisition price is NZ$60M plus working capital:
    - Half of the acquisition price will be paid upfront and the other half in the second half of CY2015.
    - The cost of acquiring working capital is expected to be funded through realisation of working capital with no significant timing difference.
  - New Zealand Steel will invest approximately NZ$50 million in the construction of a billet caster and associated plant at the Glenbrook steelworks, and in integration costs. The new caster will supply steel billet as feed to the rolling mills in NZ and Fiji.
  - Rationale for the acquisition:
    - An opportunity to better leverage BlueScope's low cost iron sands and better serve customers with a full range of long products, together with our existing flat products.
    - Through improved sales mix and lower cost of production, driven by lower cost raw materials, the acquisition, including integration costs, is expected to achieve an EBIT pay-back within three years from transfer of billet production to Glenbrook.
  - The acquisition is subject to typical conditions precedent, including New Zealand Commerce Commission clearance. Completion is targeted for mid CY2014.

BLUESCOPE AUSTRALIA & NEW ZEALAND

COATED & INDUSTRIAL PRODUCTS AUSTRALIA

CIPA is the leading supplier of flat steel products in Australia, offering a wide range of products to Australian and export customers, including hot rolled coil, plate cold rolled coil, zinc/aluminium alloy-coated ZINCALUME® steel and galvanised and pre-painted COLORBOND® steel. The CIPA segment includes manufacturing facilities at Port Kembla (NSW) and Western Port (Victoria).

KEY FINANCIAL & OPERATIONAL MEASURES

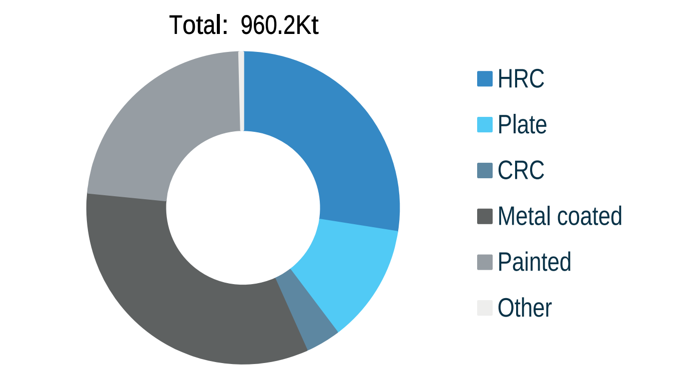
Table 4: Segment financial performance

$M	1H FY2014	1H FY2013	Var %	2H FY2013
Sales revenue	1,781.6	1,667.9	7%	1,681.5
Reported EBIT	(0.9)	2.4	(138%)	(57.3)
Underlying EBIT	26.9	(10.6)	354%	(19.7)
NOA (pre tax)	2,057.3	1,972.7	4%	2,067.5

Table 5: Steel sales volume

000 tonnes	1H FY2014	1H FY2013	Var %	2H FY2013
Domestic	960.2	902.6	6%	888.4
Export	238.5	345.3	(31%)	478.6
Total	1,198.7	1,247.9	(4%)	1,367.0

Chart 1: CIPA domestic steel sales volume mix 1H FY2014



FINANCIAL PERFORMANCE – 1H FY2014 VS. 1H FY2013

Sales revenue

The $113.7M increase in sales revenue is primarily due to:

- higher domestic volumes (predominantly galvanised and HRC driven by an improvement in market share and activity levels partially offset by lower plate volumes driven mainly by the slowdown in mining investment)
- positive benefit on export revenues from a weaker AUD:USD exchange rate (1H FY2014 US$0.922; 1H FY2013 US$1.038) combined with the flow-on benefit to domestic prices.

These were partly offset by lower export volumes and prices.

EBIT performance

The $37.5M increase in underlying EBIT was largely due to:

- improved spread driven by:
  - lower coal and iron ore purchase prices partly offset by an unfavourable iron ore feed mix
  - lower inventory per unit costs flowing into 1H FY2014 compared to 1H FY2013
  - lower net realisable value provisions for inventory on hand at December 2013 compared to December 2012

  Partly offset by:
  - lower average global steel prices
  - unfavourable foreign exchange impact on raw material costs partly offset by favourable foreign exchange impact on export revenues from a weaker AUD:USD exchange rate (1H FY2014 US$0.922; 1H FY2013 US$1.038)
- lower loss making export volumes combined with higher domestic volumes
- lower costs mainly due to the timing of repairs and maintenance spend.

These were partly offset by:

- one-off $36.6M favourable adjustment booked 1H FY2013 to the provision for workers compensation following an agreement with an insurance provider relating to a workers compensation insurance policy
- an adverse domestic despatch mix driven by higher galvanised and lower painted volumes.

Underlying adjustments in reported EBIT are set out in Tables 2A and 2B.

FINANCIAL POSITION

Net operating assets were $10.2M lower than at 30 June 2013 primarily due to higher inventory holdings partly offset by lower receivables on the back of lower export despatches, lower fixed assets with depreciation and amortisation exceeding capital expenditure and higher creditors.

MARKETS AND OPERATIONS

Direct sales to Australian building sector

- Sales volumes in the domestic building sector improved 3kt in 1H FY2014 compared to 1H FY2013 and 33kt when compared with 2H FY2013.
- BlueScope improved market share for its non-painted metallic coated steel products. Market share for painted products improved marginally.
- Market conditions within residential and non-residential construction are improving:
  - Positive trends within both housing finance and building approvals are emerging within the residential market, assisted by low interest rates and a positive market outlook for NSW.
  - Non-residential construction activity is improving led by the Commercial and Industrial sector. The Australian Industry Group's (AiG) Performance of Construction index is showing improvement over the course of 1H FY2014, averaging 49.3 points, up 14.8 points on 1H FY2013. In the three months to January (inclusive) the index has risen into expansion territory averaging 51.4.

Sales to Distributors and direct non-building sector customers

- Sales volumes to Distributors and non-building sector customers increased 58kt in 1H FY2014 compared to 1H FY2013 and 44kt when compared with 2H FY2013.

- BlueScope's sales to domestic pipe and tube manufacturers have improved slightly due to improved market share of feed sales into the structural pipe and tube manufacturing market and improving customer returns.
- Distribution customers have maintained low to moderate inventory levels in 1H FY2014 due to volatility in prices, with distributor confidence remaining comparatively weak due to slowing investment in the mining, engineering construction and automotive industries.
- Manufacturing continues to be impacted by the high AUD (relative to history), low domestic demand and high levels of import competition, particularly in finished goods. The Australian Industry Group's (AiG) Performance of Manufacturing index remained weak over the course of 1H FY2014, averaging 48 points (up 4 points from 1H FY2013).
- Overall, BlueScope's market share in non-building products improved.

Export markets

- Despatches to export market customers in 1H FY2014 of 238.4kt (~75% uncoated flat products / ~25% coated products) were lower than the 345.3kt in 1H FY2013 due to increased Australian domestic sales and lower steel production volume.
- Prices in the U.S. were higher in 1H FY2014 compared with 1H FY2013, whereas Asian market prices were weaker with continued over-capacity in steel production.

Anti-dumping cases

Since May 2012 BlueScope has filed applications to the Australian Anti-Dumping Commission (or ADC; formerly part of Customs) concerning dumping and countervailing subsidisation of steel imported into Australia. In each case, ADC investigations have supported BlueScope's claims that dumping and subsidisation of imports has occurred. The status of each application is as follows:

- Hot rolled coil: In October 2012, the ADC announced provisional dumping duties for certain mills exporting to Australia from Japan, Korea, Malaysia and Taiwan. The final determination was released by the Minister on 19 December 2012, confirming dumping margins ranging between 0% and 15%. Following a further review, in July 2013 the ADC announced changes to further strengthen an element of duty calculation.
- Zinc coated and aluminium zinc coated steel: In February 2013 the ADC put in place provisional duties relating to dumping by certain mills exporting to Australia from Korea, China and Taiwan. In May 2013 the ADC also declared countervailing duties on certain mills exporting to Australia from China. The Attorney-General released his final determination on both dumping and countervailing in July 2013, confirming duties of between 0% and 70% on certain mills exporting to Australia from Korea, China and Taiwan.
- Plate: In July 2013 the ADC put in place provisional dumping duties ranging between 0% and 26% on certain mills exporting to Australia from Korea, China, Indonesia and Japan. The final determination was released by the Minister in December 2013 with dumping and countervailing duties between 0% and 55%.

Operations

- Manufacturing equipment upgrades to enable Next Generation ZINCALUME® steel with Activate™ technology, were completed. Metal coating lines No.1 and No.3 at Port Kembla and No.4 at Western Port are now producing the next generation of coated steel products.
- An update of COLORBOND® steel was launched in October 2013 featuring an expanded range of contemporary colours and new coating technologies for improved corrosion resistance and paint colour durability. The colour palette for new COLORBOND® steel has undergone its biggest change in more than 20 years, with the addition of six new colours. Underpinning new COLORBOND® steel is BlueScope's new Activate™ technology, which is the result of almost 20 years and $100 million of research and development. The product launch was supported by a new advertising campaign and industry wide launch events across Australia.
- Enterprise bargaining agreements for Port Kembla and Springhill were approved by employees in June 2013 and formally approved by Fair Work Australia in August 2013.

Maintenance of Port Kembla blast furnace

- A program to change out wearing staves on the Port Kembla blast furnace has commenced.
- This is in line with industry best practice, and we are leveraging our relationship with Nippon Steel & Sumitomo Metal Corporation.
- The actual number is still being determined, but there may be up to three planned shuts per fiscal year over the next two years. In FY2014 the equivalent of a shut was held in 1H, a shut was held in January 2014 and one is to be held in late 2H FY2014.
- Estimated production and financial impacts in FY2014:
  - Production: 160-200kt lower production (two thirds in 2H FY2014).
  - Earnings: $10-20M EBIT impact (two thirds in 2H FY2014, which is built into our outlook) due to lower fixed cost recoveries and yields, partly offset by cost savings, lower conversion costs and lower losses due to lower export despatches.
  - Cash (in addition to EBIT impact):
    - Capex of $15-20M.
    - Working capital: one off $50M investment in inventory; already recognised in 1H FY2014.

BUILDING COMPONENTS & DISTRIBUTION AUST

The BCDA segment is comprised of a network of 90 roll-forming and distribution sites throughout Australia, acting as a major steel product supplier to the building and construction, automotive, white goods manufacturing and general manufacturing industries.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 6: Segment performance

$M unless marked	1H FY2014	1H FY2013	Var %	2H FY2013
Sales revenue	714.3	720.4	(1%)	655.2
Reported EBIT	(10.9)	(10.5)	(4%)	(20.5)
Underlying EBIT	(10.9)	(7.1)	(54%)	(18.3)
NOA (pre-tax)	328.1	323.9	1%	322.5
Despatches	374.5kt	364.5kt	3%	348.4kt

FINANCIAL PERFORMANCE – 1H FY2014 VS. 1H FY2013

Sales revenue

The $6.1M decrease in sales revenue was mainly due to lower average domestic selling prices partly offset by higher despatch volumes.

EBIT performance

The $3.8M deterioration in underlying EBIT was largely due to:

- reduced margins due to lower average selling prices only partly offset by lower steel feed costs.

These were partly offset by:

- increased volumes driven by a slight improvement in market conditions
- cost benefits realised from Lysaght restructuring and tight control of discretionary spending.

Underlying adjustments in reported EBIT are set out in Tables 2A and 2B.

FINANCIAL POSITION

Net operating assets increased $5.6M to $328.1M at 31 December 2013 compared to 30 June 2013.

MARKETS AND OPERATIONS

BlueScope Distribution

- Volumes were up slightly on 1H FY2013 in a relatively flat market.
- Activity in key end-use sectors remains subdued:
  - During the half, residential and non-residential construction customer activity varied by state and construction type but in total was similar to the last two halves. Overall, improvements in leading indicators such as housing finance and building approvals are yet to translate into robust construction activity.
  - Mining, oil and gas activity has slowed off the peak corresponding with a slowing in new mining project investment.
  - Manufacturing customer activity remained subdued with a relatively high AUD (in an historical context) and strong import competition (both of steel and prefabricated goods).

BlueScope Lysaght

- Sales volumes were slightly higher in 1H FY2014 than 1H FY2013.
- Overall building market conditions remained challenging albeit with some modest improvement in business investment and business confidence levels.
- During the half, residential building activity varied by state and dwelling type. New South Wales and south east Queensland saw some improvement. Overall, improvements in leading indicators such as housing finance and building approvals are yet to translate into robust construction activity.
- Commercial construction continued to remain subdued albeit with some recovery in activity from a historically low base.
- Numerous business improvement initiatives have been implemented or progressed including product portfolio and market offer enhancements along with manufacturing consolidation activities across the footprint.

NEW ZEALAND AND PACIFIC STEEL PRODUCTS

New Zealand Steel is the only fully integrated flat steel producer in New Zealand, producing slab, hot rolled coil and value-added coated and painted products for both domestic and export markets across the Pacific Region. Operations include the manufacture and distribution of the LYSAGHT® range of products in Fiji, New Caledonia and Vanuatu.

This segment includes the Waikato North Head iron sands mine which supplies iron sands to the Glenbrook Steelworks and for export, and the Taharoa iron sands mine which supplies iron sands for export.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 7: Segment financial performance

$M	1H FY2014	1H FY2013	Var %	2H FY2013
Sales revenue	419.6	318.9	32%	362.1
Reported EBIT	38.6	(2.3)	1,778%	36.1
Underlying EBIT	38.6	(2.3)	1,778%	36.1
NOA (pre-tax)	585.6	339.1	73%	466.8

Table 8: Sales volume

000 tonnes	1H FY2014	1H FY2013	Var %	2H FY2013
Domestic steel	130.8	124.7	5%	130.2
Export steel	159.5	136.3	17%	186.7
Total steel	290.3	261.1	11%	316.9
Export iron sand	1,167.3	831.3	40%	870.1

FINANCIAL PERFORMANCE – 1H FY2014 VS. 1H FY2013

Sales revenue

The $100.7M increase in sales revenue was primarily due to higher iron sands despatch volumes and prices in line with global iron ore prices.

EBIT performance

The $40.9M increase in underlying EBIT was largely due to:

- improved spread driven by:
  - lower coal purchase prices and scrap costs
  - lower inventory net realisable value provisions for inventory on hand at December 2013 compared to December 2012

  Partly offset by:
  - lower international hot rolled coil selling prices combined with the flow-on impact to domestic prices
- higher iron sands despatch volumes and prices in line with global iron ore prices
- improved domestic despatch mix with a higher proportion of domestic painted, ZINCALUME® and galvanised steel sales.

These were partly offset by adverse fixed cost recoveries from lower production volumes.

Underlying adjustments in reported EBIT are set out in Tables 2A and 2B.

FINANCIAL POSITION

Net operating assets were $118.8M higher than at 30 June 2013 primarily due to capital expenditure including finance lease assets and lower provisions in relation to defined benefits superannuation fund.

MARKETS & OPERATIONS

Domestic sales

- Domestic residential building activity continues to improve. For the 12 months ending November 2013, new building consents are up 24% on the same period in 2012.
- Canterbury building activity continues to grow; residential consents were up 26% for the 12 months ending December 2013. The total value of all building consents, including non-residential, rose 19% in the same period. The city centre anchor projects are expected to start in 2014.

Export sales

- Export steel volumes returned to more typical levels in 1H FY2014 from the higher volumes experienced in 2H FY2013 that were due to higher inventory levels. Price levels remained at the same low levels as the previous six months, driven by the continuation of global over-capacity versus steel demand.
- Iron sands exports from Taharoa and Waikato North Head were 1,167.3kt, up 336.0kt on 1H FY2013, driven by increased despatches from Taharoa (extra shipment) and Waikato North Head.
- Iron sands prices were down on 2H FY2013 consistent with the decrease in global iron ore pricing.
- Export iron sands expansion for second ship:
  - The land-side investment in iron sands mining capacity expansion at Taharoa will be operational by the end of FY2014.
  - Increased production off-take is intended to be transported via a customer-owned second vessel, and is expected to commence during CY2015.
  - Once the land-side mining expansion is complete, and prior to delivery of a second vessel, BlueScope expects to tranship some incremental volume via Port Kembla harbour.
- In late December 2013, BlueScope announced plans to introduce a third ship, in FY2016. BlueScope will charter a purpose-built 175,000 tonne slurry loading vessel and spend a total of A$50 million spread across FY2016 to FY2018 on mining, processing and ship loading equipment.

BUILDING PRODUCTS ASEAN, NORTH AMERICA & INDIA

BlueScope is a technology leader in metal coated and painted steel building products, principally focused on the Asia-Pacific region, with a wide range of branded products that include pre-painted COLORBOND® steel, zinc/aluminium alloy-coated ZINCALUME® steel and the LYSAGHT® range of building products.

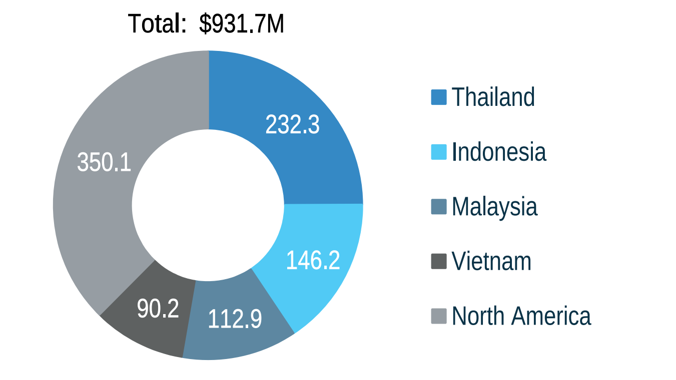
The Company has an extensive footprint of metallic coating, painting and steel building product operations in Thailand, Indonesia, Vietnam, Malaysia, India and North America primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential construction industry in North America. BlueScope operates in ASEAN and North America in partnership with Nippon Steel & Sumitomo Metal Corporation (NSSMC) and in India with Tata Steel. Both are 50/50 joint ventures with BlueScope controlling and therefore consolidating the joint venture with NSSMC, and jointly controlling and therefore equity accounting the joint venture with Tata Steel.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 9: Segment performance

$M unless marked	1H FY2014	1H FY2013	Var %	2H FY2013
Sales revenue	915.5	800.4	14%	835.1
Reported EBIT	41.4	31.4	32%	39.1
Underlying EBIT	50.9	31.4	62%	48.2
NOA (pre-tax)	943.6	859.1	10%	936.0
Despatches	704.8kt	656.6kt	7%	687.4kt

Chart 2: Segment geographic sales revenue 1H FY2014, $M [1]



1) Chart does not include $16.2M of eliminations (which balances back to total segment revenue of $915.5M). Chart also does not show India, which is equity accounted.

FINANCIAL PERFORMANCE – 1H FY2014 VS. 1H FY2013

Sales revenue

The $115.1M increase in sales revenue was mainly driven by higher despatch volumes and favourable foreign exchange rate impacts from the weaker AUD in all regions partly offset by lower domestic selling prices particularly in Indonesia and Thailand.

EBIT performance

The $19.5M improvement in underlying EBIT was largely due to:

- higher margins with lower steel feed costs partly offset by lower selling prices
- higher volumes and improved mix predominantly from Thailand, Indonesia, Vietnam and Malaysia
- lower costs, mainly in North America, delivered through prior restructuring initiatives.

Partly offset by:

- adverse foreign exchange impacts particularly in Indonesia.

Underlying adjustments in reported EBIT are set out in Tables 2A and 2B.

FINANCIAL POSITION

Net operating assets increased $7.6M since 30 June 2013 reflecting the translation impacts on NOA resulting from a weaker AUD partly offset by reduced inventory holdings and lower fixed assets, principally at Steelscape.

MARKETS AND OPERATIONS

Thailand (BST)

- Operational performance improvement in 1H FY2014 vs 1H FY2013 was underpinned by higher premium sales mix of ZINCALUME® and Clean COLORBOND® steels achieved through several successful initiatives in sales, marketing and operations:
  - customer loyalty programs
  - strong focus on specification in Industrial and Commercial segment (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
  - launch of new painted products focused on residential segments supported by strong marketing and advertising campaigns to drive brand awareness
  - minimising cost expansion in manufacturing costs, operational cost saving through energy re-use initiatives and sourcing competitively priced raw materials.
- Domestic steel demand has remained robust and stable, underpinned by continued local and foreign investment in factories and warehouses, and infrastructure development from government in rail, road and water management.
- Demand in the market segments was varied:
  - Industrial and commercial demand remained stable for most of CY2013 driven by FDI and Government spending.
  - Volumes from the residential segment in Northern Thailand continue to grow steadily as overall wealth continues to increase in the emerging Thai lower to middle class, driving improved living standards and housing development.
- Competitive pressure continues to increase as new domestic painted and coated suppliers who commenced operations in the last quarter of FY2013, are aggressively pursuing market share, particularly the residential segment. Imports from China and Vietnam at suppressed price, continued to grow in 1H FY2014.
- The half year results have not been impacted by the political situation in Thailand. We continue to monitor developments in the political situation in Thailand, particular concerning whether it may have an adverse impact on our employees and business.

Vietnam (BSV)

- Volume growth has been achieved mainly in the residential channel, while industrial and commercial demand was comparatively soft given prevailing business and macroeconomic conditions.

- Growth was achieved through:
  - efforts to increase share of residential customers' expenditure through various relationship management programs
  - developing the retail channel with the rollout of Zacs® stores
  - increasing brand marketing and product differentiation by organising seminars for key customers who are also market leaders in each local provincial market
  - increasing specification in the industrial and commercial segment to grow premium sales
  - growing exports to increase capacity utilisation.

Indonesia (BSI)

- Despatch volumes in 1H FY2014 grew by 17% over 1H FY2013, largely due to improved customer diversity and continued efforts to drive business growth.
- However the rapid depreciation of the Indonesian Rupiah relative to the USD, low cost imports and aggressive pricing by domestic competitors perpetuated difficult trading conditions.
- While maintaining focus on the project market, BSI will seek to actively grow retail channel market share through product differentiation, strategic customer management, and partnerships with key stakeholders.
- Opportunities to procure competitively priced cold-rolled coil feed stock, in a bid to ease pressure on margins, are being explored.

Malaysia (BSM)

- Core volumes in the coating and Lysaght businesses improved 11% and 5% respectively, driven by post-election pick-up in the project market and focused efforts on improving penetration into residential projects and retail channels. Closure of low-margin steel recovery activities at our Singapore service centre offset improved core volumes, such that total volume was relatively flat in 1H FY2014 vs 1H FY2013.
- The coating business continues to focus on growing domestic market share and improving penetration into the residential projects and retail channels via strong alliance with local professional associations including architects, engineers, surveyors and property developers. The downstream business is well positioned to leverage government regional development initiatives in the industrial, commercial and residential segments for roofing and walling, trusses and door window frames with roller shutters.
- BSM's low-cost in-line painting expansion on its metal coating line is expected to be complete before end of the financial year. This initiative is aimed at delivering both improved production capacity and cost efficiencies.

North America (Steelscape & ASC Profiles)

- Both the downstream (ASC Profiles) and midstream (Steelscape) businesses saw modest growth in despatch volumes (up 5% and 2% over 1H FY2013 respectively) amidst a relatively stable market.
- Various strategic initiatives, such as the launching of new products and finishes to penetrate new markets, growing residential brands and channels, optimising operations and supply chain efficiencies, are being rolled out to drive growth and achieve sustained profitability.
- Steelscape's Fairfield (Alabama) 110kt metal coating and painting facility was sold on 30 December 2013 at a pre-tax loss of $10M in order to reduce working capital costs, strengthen the business's focus on the West Coast and improve overall profitability.

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

- Coated steel sales volume grew by 47% in 1H FY2014 as compared to the same period previous year with 22% growth in painted products and 194% growth in bare products.
- The higher growth in bare products on a relatively smaller base was driven by increased usage in solar and other alternate applications and a moderate growth of 5-6% in the projects market.
- During the period, an organisational restructure was undertaken, reducing management layers and making the business more customer-centric. The steel coating and rollforming operations have been merged into one Building Products business to reduce cost.
- The business continues to focus on initiatives to expand the Durashine® retail channel.
- Performance was impacted by the depreciation of the Indian Rupiah and due to business uncertainty prior to pending elections.

GLOBAL BUILDING SOLUTIONS

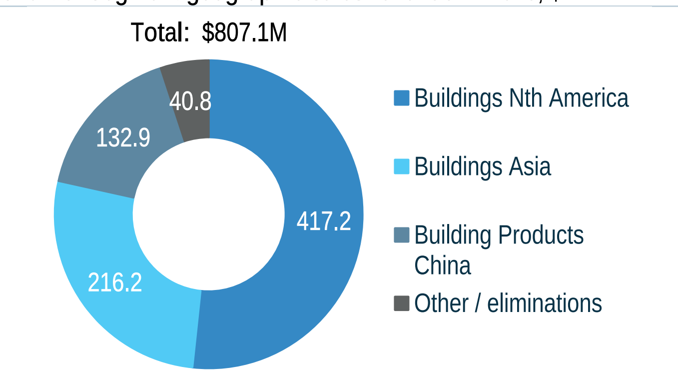
BlueScope's Global Building Solutions business is a global leader in EBS, servicing the needs of global customers from engineering and manufacturing bases in Asia and North America. Buildings are generally low-rise non-residential solutions. EBS plants are located in China, Thailand, Vietnam, North America, Saudi Arabia and India. As part of the integrated value chain feeding the EBS operations, this segment includes BlueScope's steel metal coating, painting and Lysaght operations in China (Building Products China). GBS is expanding its 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.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 10: Segment performance

$M unless marked	1H FY2014	1H FY2013	Var %	2H FY2013
Sales revenue	807.1	728.4	11%	634.8
Reported EBIT	14.0	13.2	6%	(3.2)
Underlying EBIT	16.2	13.2	23%	4.8
NOA (pre-tax)	678.0	505.0	34%	596.4
Despatches	309.3kt	306.0kt	1%	246.4kt

Chart 3: Segment geographic sales revenue FY2013, $M



FINANCIAL PERFORMANCE – 1H FY2014 VS. 1H FY2013

Sales revenue

The $78.6M increase in sales revenue was mainly due to stronger despatch volumes in North America partly offset by lower domestic selling prices across most regions and reduced volumes in China and Australia, together with favourable foreign exchange rate impacts from the weaker AUD in all regions.

EBIT performance

The $3.0M increase in underlying EBIT was largely due to:

- higher despatch volumes in Buildings North America with continued improvement in the U.S. non-residential construction market in North America and resultant impact of lower per unit conversion costs
- $7.7M one-off prior period (FY2005-FY2009) provision adjustment in Buildings Asia during 1H FY2013
- favourable foreign exchange translation impacts from a weaker AUD.

Partly offset by:

- reduced margins driven by lower domestic prices partly offset by lower steel feed costs
- adverse product mix to lower margin products in Buildings Asia and Building Products China.

Underlying adjustments in reported EBIT are set out in Tables 2A and 2B.

FINANCIAL POSITION

Net operating assets increased $81.6M compared to 30 June 2013 reflecting the translation impacts resulting from a weaker AUD, lower employee related provisions, higher deferred income and capital expenditure (primarily at Xi'an, China), and lower creditors.

MARKETS AND OPERATIONS

Buildings North America

- Despatch volumes were up 9% in 1H FY2014 relative to 1H FY2013, driven by an increase in the U.S. non-residential construction market activity in all major end-use sectors. This increase was influenced by a continued focus on new product development and product differentiation.
- General indicators of activity, such as F.W. Dodge analysis of non-residential construction and the Architectural Billings Index point to continued improvement in the U.S. non-residential construction market.

Buildings Asia (China & ASEAN)

- The China business contributed approximately 70% of sales revenue in 1H FY2014; the remaining 30% was derived from ASEAN.
- Despatch volumes in the China business fell by 7% relative to 1H FY2013 due to an ongoing slowdown in building and construction activity in the premium market as both private and government participants reduce or delay investment. In contrast, ASEAN 1H FY2014 despatch volume increased 10% relative to 1H FY2013, driven by strong industrial market activity.
- The fourth China buildings plant in Xi'an (western China) was officially opened on 20 October 2013. Development was completed on time and on budget.

Building Products China

- Despite challenging market conditions leading to flat despatch volume (driven by lower internal demand from the Buildings Asia business), targeted initiatives to increase external sales of higher value-added product are supporting strong overall margin performance.

Engineered Building Solutions Global Accounts

- The Global Accounts group, formed in FY2013, is primarily focused on management and development of global strategic partnerships with multinational 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 India, Indonesia, Venezuela and across the African continent.

HOT ROLLED PRODUCTS NORTH AMERICA

This segment is comprised primarily of BlueScope's 50% interest in North Star BlueScope Steel, a single site electric arc furnace producer of hot rolled coil production in Ohio, U.S. The segment also includes BlueScope's 47.5% interest in Castrip LLC, a thin strip casting technology joint venture with Nucor and IHI Ltd.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 11: Segment performance

$M unless marked	1H FY2014	1H FY2013	Var %	2H FY2013
Sales revenue [1]	-	-	-	-
Reported EBIT [2]	48.7	33.0	48%	33.7
Underlying EBIT [2]	48.7	33.0	48%	33.7
NOA (pretax)	112.5	79.4	42%	95.3
Despatches [3]	489.9	476.1	3%	507.1kt

1) Excludes the Company's 50% share of NSBSL's sales revenue of A$360.1M in 1H FY2014 (A$299.5M in 1H FY2013 and A$321.2M in 2H FY2013).
2) Includes 50% share of net profit before tax from NSBSL of A$50.9M in 1H FY2014 (A$33.9M in 1H FY2013 and A$35.7M in 2H FY2013).
3) Reflects BlueScope's 50% share from NSBSL.

FINANCIAL PERFORMANCE – 1H FY2014 VS. 1H FY2013

Sales revenue

The segment is comprised of two equity accounted investments and as such has no sales revenue recorded in the Group accounts.

EBIT performance

The $15.7M improvement in underlying EBIT was largely due to improved spreads, driven primarily by higher selling prices partially offset by higher scrap costs, conversion cost improvements delivered from stronger volumes and various cost reduction initiatives and favourable foreign exchange translation impacts from a weaker AUD:USD.

FINANCIAL POSITION

Net operating assets are largely comprised of BlueScope's equity accounted investment in North Star ($112.2M of $112.5M). The $17.2M increase in net operating assets compared to 30 June 2013 primarily reflects earnings of the NSBSL joint venture being higher than the dividends returned to the owners combined with the translation impacts from a weaker AUD.

MARKETS AND OPERATIONS

North Star BlueScope Steel

- NSBSL sells approximately 80% of its production in the Mid-West, U.S., with its end customer segment mix being broadly 45% automotive, 25% construction, 10% agricultural and 20% manufacturing/industrial applications.
- Despatches for 1H FY2014 were up 13.8kt on 1H FY2013, at 489.9kt (BSL share).
- High capacity utilisation rates, relative to the market, have been maintained by NSBSL through an ability to retain existing customers and win new customers by consistently meeting market expectations for on-time delivery, service and quality.

OTHER INFORMATION

SAFETY

- The Company remains committed to its goal of Zero Harm.
- Occupational health and safety performance for 1H FY2014 is as follows:
  - Lost Time Injury Frequency Rate of 0.9 (which is on-track for our tenth year below 1.0).
  - Medically Treated Injury Frequency Rate of 5.8 (which is on-track for our ninth year below 7.0).

ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

- The BlueScope Steel Environment Management System comprises the following major elements:
  - Our Bond
  - Health, Safety, Environment and Community Policy
  - Environment Principles
  - Health, Safety and Environment Standards
  - BlueScope procedures and guidelines
  - Operational procedures.
- BlueScope continues to manage its environmental performance through implementation of its business planning process, compliance systems, risk management practices, governance programs and management review. Our level of non-compliances continue to decline.

AUSTRALIAN CARBON PRICING MECHANISM

- BlueScope is a liable entity under the Carbon Pricing Mechanism (CPM), which came into operation on 1 July 2012.
- As such BlueScope is 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 has also had increases in electricity (Scope 2), natural gas and other costs as suppliers seek to pass though their own carbon costs (Scope 3).
- The Australian Government has been allocating carbon units to emissions-intensive, trade-exposed activities, including iron and steelmaking through the Jobs and Competitiveness Program (JCP).
- When permits from the JCP program and funds from the Steel Transformation Plan (STP) are taken into account, the Company does not expect to face a net carbon liability from the CPM.
- The Coalition Federal Government has introduced legislation to abolish the CPM effective 1 July 2014. However, the Labor opposition and the Greens party, who together hold a majority in the Senate until 30 June 2014, oppose the legislation, so it is unclear at this stage whether it will be passed in time for the government's proposed repeal date.
- If the repeal is delayed until after 1 July, retrospective abolition of the CPM will create administrative difficulties and costs for businesses, especially in relation to the refunding of carbon costs passed through by suppliers.
- Under the government's proposed legislation, shielding for emissions-intensive trade-exposed activities will continue until the CPM is repealed.
- In place of the CPM, the government intends to introduce a 'direct action' policy, comprising as its key elements an Emissions Reduction Fund (ERF) and a baseline and compliance mechanism.
- The Company is in ongoing discussions with the government about the design of this policy. A particularly important issue will be the methodology by which the government will set baselines, and ensuring it is sufficiently flexible to accommodate changes in steel production in response to market demand, as well as changes in production inputs and processes.
- The Company remains focused on improving the energy and carbon efficiency of all its operations.

STEEL TRANSFORMATION PLAN (STP)

- The government's proposed legislation will abolish the Steel Transformation Plan, effective from the same date the CPM is abolished. This means the Company will not receive any further payments under the plan if the CPM is abolished.

NEW ZEALAND EMISSIONS TRADING SCHEME

- The Company is 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. Correspondingly the allocation of units to energy-intensive and trade-exposed activities is halved, but remains at the 90% allocation rate. It is possible to buy units at market price or at a fixed price of NZ$25 per tonne 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.
- A general election will be held by November 2014, and the outcome can be expected to influence the 2015 review.

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ABBREVIATIONS

1H FY2013	Six months ended 31 December 2012
1H FY2014	Six months ended 31 December 2013
2H FY2013	Six months ended 30 June 2013
2H FY2014	Six months ended 30 June 2014
ADC	Anti-Dumping Commission
ASEAN	Association of South East Asian Nations
AUD, A$	Australian dollar
BANZ	BlueScope Australia and New Zealand (comprising CIPA, BCDA and NZS segments)
BCDA	Building Components & Distribution Australia segment
BP	Building Products, ASEAN, North America and India segment
BSL	BlueScope Steel Limited and its subsidiaries
CIPA	Coated & Industrial Products Australia segment
CY2015	12 months ended 31 December 2015
DPS	Dividend per share
EAF	Electric arc furnace
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBS	Engineered building solutions, a key product offering of the GBS segment
EITE	Emissions-intensive, trade-exposed
EPS	Earnings per share
FDI	Foreign direct investment
FY2013	12 months ended 30 June 2013
FY2014	12 months ended 30 June 2014
FY2016	12 months ended 30 June 2016
GBS	Global Building Solutions segment
Gearing ratio	Net debt divided by the sum of net debt and equity
Group, Company	BlueScope Steel Limited and its subsidiaries
HRPNA, HRP North America	Hot Rolled Products North America segment
IFRS	International Financial Reporting Standards
Net debt	Gross debt less cash
NOA (pre-tax)	Net operating assets
NPAT	Net profit after tax
NRV	Net realisable value adjustment
NSBCP	NS BlueScope Coated Products joint venture
NSBSL	North Star BlueScope Steel
NSSMC	Nippon Steel & Sumitomo Metal Corporation
NZPac	New Zealand Steel & Pacific Products segment
NZS	New Zealand Steel
ROIC	Return on invested capital (or ROIC) – underlying EBIT (annualised in case of half year comparison) over average monthly capital employed
STP	Steel Transformation Plan
TBSL	Tata BlueScope Steel
USD, US$	United States dollar

ANNEXURE: DETAILED TABLES

A. SEGMENTAL FINANCIAL TABLES

Table 12: Segmental sales revenue & reported EBIT

	Sales revenue			Reported EBIT		
$M	1H FY2014	1H FY2013	2H FY2013	1H FY2014	1H FY2013	2H FY2013
CIPA	1,781.6	1,667.9	1,681.5	(0.9)	2.4	(57.3)
BCDA	714.3	720.4	655.2	(10.9)	(10.5)	(20.5)
NZ & Pacific	419.6	318.9	362.1	38.6	(2.3)	36.1
Inter-segment [1]	(388.0)	(338.3)	(341.8)	(1.1)	(3.7)	(1.5)
Sub-total BANZ	2,527.5	2,368.9	2,357.0	25.7	(14.1)	(43.2)
GBS	807.1	728.5	634.8	14.0	13.2	(3.2)
BP	915.5	800.4	835.1	41.4	31.4	39.1
HRPNA [2]	0.0	0.0	0.0	48.7	33.0	33.7
Corporate / Group	0.0	0.0	0.0	(39.6)	(31.5)	(34.3)
Inter-segment [1]	(267.7)	(202.8)	(247.7)	1.0	0.1	(0.7)
Continuing Bus.	3,982.4	3,695.0	3,579.2	91.2	32.1	(8.6)
Discontinued Bus.	0.0	0.0	0.0	(0.3)	0.2	(0.6)
Inter-segment [1]	0.0	0.0	0.0	0.1	(0.0)	0.0
Total	3,982.4	3,695.0	3,579.2	91.0	32.3	(9.2)

Table 13: Segmental underlying EBITDA and underlying EBIT
Note: A reconciliation of underlying EBITDA/EBIT to reported EBITDA/EBIT for the Group is provided in Tables 2A and 2B.

	Underlying EBITDA			Underlying EBIT		
$M	1H FY2014	1H FY2013	2H FY2013	1H FY2014	1H FY2013	2H FY2013
CIPA	113.9	73.9	66.5	26.9	(10.6)	(19.7)
BCDA	(2.7)	1.6	(9.7)	(10.9)	(7.1)	(18.3)
NZ & Pacific	63.7	22.3	58.5	38.6	(2.3)	36.1
Inter-segment [1]	(1.1)	(3.8)	(1.4)	(1.1)	(3.7)	(1.5)
Sub-total BANZ	173.8	94.0	113.9	53.5	(23.7)	(3.4)
GBS	34.6	29.4	21.4	16.2	13.2	4.8
BP	76.9	54.8	72.6	50.9	31.4	48.2
HRPNA [2]	48.7	33.0	33.7	48.7	33.0	33.7
Corporate / Group	(33.8)	(29.9)	(32.4)	(33.9)	(29.9)	(32.6)
Inter-segment [1]	0.9	0.1	(0.9)	1.0	0.1	(0.6)
Continuing Bus.	301.1	181.4	208.3	136.4	24.1	50.1
Discontinued Bus.	0.0	0.0	0.0	0.0	0.0	0.0
Inter-segment [1]	0.0	0.0	0.0	0.0	0.0	0.0
Total	301.1	181.4	208.3	136.4	24.1	50.1

Notes to Tables 12 & 13:
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 NSBSL's sales revenue of A$360.1M in 1H FY2014 (A$299.5M in 1H FY2013 and A$321.2M in 2H FY2013).

Table 14: Reconciliation of underlying EBIT to underlying NPAT

$M	1H FY2014	1H FY2013	2H FY2013
Underlying EBIT	136.4	24.1	50.0
Underlying borrowing costs	(30.1)	(34.8)	(48.0)
Interest revenue	1.9	2.1	1.5
Tax on Underlying Earnings	(32.9)	14.0	19.3
Outside equity interest	(26.2)	(7.0)	(14.5)
Underlying NPAT / (NLAT)	49.1	(1.6)	8.3
Add back period-end NRV charge [1]	24.9	39.4	29.0
Underlying NPAT / (NLAT) before period-end NRV charge	74.0	37.8	37.3

1) 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 NPAT/NLAT.

B. DESPATCH VOLUME TABLES

Table 15: Segment summary despatch report

000 Tonnes	1H FY2014	1H FY2013	Variance %	2H FY2013
Coated & Industrial Products Australia	1,198.7	1,247.9	(4%)	1,367.0
Building Components & Distribution Australia	374.5	364.5	3%	348.4
New Zealand & Pacific Steel Products	290.3	261.1	13%	316.9
Global Building Solutions	309.3	306.0	1%	246.4
Building Products ASEAN, Nth Am & India	704.8	656.6	7%	687.4
Hot Rolled Products North America	489.9	476.1	3%	507.1
Discontinued Businesses	-	-	-	-
Less sales between BlueScope segments	(558.2)	(481.4)	16%	(549.7)
Total Group External Steel Despatches	2,809.3	2,830.8	(1%)	2,923.5

Table 16: Australian summary despatch report

000 Tonnes	1H FY2014	1H FY2013	Variance %	2H FY2013
CIPA Domestic Despatches	960.2	902.6	6%	888.4
BCDA Domestic Despatches	364.2	358.1	2%	338.6
- *less* intersegment domestic sales & other	(236.4)	(212.8)	11%	(213.2)
Australian Domestic Steel Despatches	1,088.0	1,047.9	4%	1,013.8
- *less* despatches of third party product [(1)]	(134.1)	(143.5)	(7%)	(136.5)
Despatches of BSL Steel in Australia to Domestic Customers	953.9	904.4	5%	877.3
- *plus* export despatches to external customers	145.6	132.2	10%	188.7
- *plus* export despatches to internal customers	103.2	219.5	(53%)	299.7
- *less* export despatches of third party product [(1)]	(3.9)	(4.7)	(17%)	(3.7)
Despatches of BSL Steel from Australia (to domestic & export customers)	1,198.8	1,251.4	(4%)	1,362.0

1) Primarily long products sold through Distribution business

Table 17: Detailed production & despatch report

000 Tonnes		1H FY2014	1H FY2013	Variance %	2H FY2013
Coated & Industrial Products Australia					
Raw Steel Production		1,260.2	1,328.5	(5%)	1,300.8
Steel Despatches (External & Intersegment)					
- Domestic	- Slab	-	-	-	-
	- HRC	263.8	244.7	8%	261.2
	- Plate	117.6	135.1	(13%)	115.2
	- Other (CRC, Metal Coated & Painted)	578.8	522.8	11%	512.0
	- Total	960.2	902.6	6%	888.4
- Export	- Slab	-	-	-	1.7
	- HRC [1]	142.2	259.4	(45%)	348.2
	- Plate	6.2	11.6	(47%)	5.2
	- Other (CRC, Metal Coated & Painted)	90.1	74.4	21%	123.5
	- Total	238.5	345.4	(31%)	478.6
Total Steel Despatches		1,198.7	1,247.9	(4%)	1,367.0
External Coke Despatches		246.9	359.2	(31%)	352.0
Building Components & Distribution Australia					
Steel Despatches (External & Intersegment) [2]					
- Domestic		364.2	358.1	2%	338.6
- Export		10.3	6.4	61%	9.8
Total Steel Despatches		374.5	364.5	3%	348.4
New Zealand & Pacific Steel Products					
Raw Steel Production		305.9	320.0	(4%)	305.7
Steel Despatches (External & Intersegment)					
- Domestic		130.8	124.7	5%	130.2
- Export		159.5	136.3	17%	186.7
Total Steel Despatches		290.3	261.1	11%	316.9
Iron Sands Despatches		1,167.3	831.3	40%	870.1
Global Building Solutions					
Total Steel Despatches [2]		309.3	306.0	1%	246.4
Building Products ASEAN, Nth Am & India					
Steel Despatches (External & Intersegment) [2]					
- Domestic		677.9	620.9	9%	647.8
- Export [3]		26.9	35.6	(24%)	39.6
Total Steel Despatches		704.8	656.6	7%	687.4
Hot Rolled Products North America					
Raw Steel Production [4]		509.9	496.2	3%	512.5
Total Steel Despatches (all domestic) [4]		489.9	476.1	3%	507.1
Discontinued Businesses					
Total Steel Despatches		-	-	-	-

1) Export HRC despatches comprised of:

	1H FY2014	1H FY2013	2H FY2013
- Building Products North America	35.0	142.0	155.9
- Building Products Thailand	40.7	75.5	91.9
- Other	66.5	41.9	100.4

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.

C. GLOBAL BUILDING SOLUTIONS SEGMENT DETAIL

Table 18: Despatch & financial details

	1H FY2014	1H FY2013	2H FY2013
Total despatches (000 tonnes)			
Buildings North America	121.7	111.8	99.0
Buildings Asia [1]	116.1	121.1	89.9
Building Products China [2]	90.2	91.4	73.0
Other / Eliminations	(18.7)	(18.3)	(15.5)
Total	309.3	306.0	246.4
Sales revenue ($M)			
Buildings North America	417.2	353.7	323.4
Buildings Asia [1]	216.2	203.9	164.1
Building Products China [2]	132.9	123.0	98.8
Other / Eliminations	40.8	47.9	48.5
Total	807.1	728.5	634.8
Reported EBIT ($M)			
Buildings North America	13.9	8.6	(3.2)
Buildings Asia [1]	2.9	0.3	3.7
Building Products China [2]	11.3	12.4	9.5
Other / Eliminations	(14.1)	(8.1)	(13.2)
Total	14.0	13.2	(3.2)
Underlying EBIT ($M)			
Buildings North America	14.6	8.6	(3.2)
Buildings Asia [1]	3.1	0.3	3.7
Building Products China [2]	11.3	12.4	9.5
Other / Eliminations	(12.8)	(8.1)	(5.2)
Total	16.2	13.2	4.8
Net operating assets pre-tax ($M)			
Buildings North America	376.0	268.5	332.9
Buildings Asia [1]	112.8	46.4	68.6
Building Products China [2]	142.4	128.1	142.7
Other / Eliminations	46.8	62.0	52.2
Total	678.0	505.0	596.4

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

D. BUILDING PRODUCTS SEGMENT DETAIL

Table 19: Despatch & financial details

	1H FY2014	1H FY2013	2H FY2013
Total despatches (000 tonnes)			
Thailand	182.9	180.0	172.7
Indonesia	116.8	100.1	118.9
Malaysia	74.0	73.9	78.3
Vietnam	69.4	57.5	66.0
North America	225.3	219.7	216.6
India	50.1	40.6	49.4
Other / Eliminations	(13.7)	(15.3)	(14.5)
Total	704.8	656.6	687.4
Sales revenue ($M)			
Thailand	232.3	207.2	209.3
Indonesia	146.2	126.0	151.6
Malaysia	112.9	103.0	113.0
Vietnam	90.2	68.8	79.4
North America	350.1	309.0	298.8
India	0.0	0.0	0.0
Other / Eliminations	(16.2)	(13.6)	(17.0)
Total	915.5	800.4	835.1
Reported EBIT ($M)			
Thailand	29.4	20.9	27.2
Indonesia	(2.5)	3.2	6.7
Malaysia	14.5	11.7	15.2
Vietnam	7.7	5.8	6.1
North America	2.4	0.9	(5.6)
India	(5.2)	(8.1)	(5.7)
Other / Eliminations	(4.9)	(3.0)	(4.8)
Total	41.4	31.4	39.1
Underlying EBIT ($M)			
Thailand	29.4	20.9	27.2
Indonesia	(2.5)	3.2	6.7
Malaysia	14.5	11.7	15.6
Vietnam	7.7	5.8	6.1
North America	11.9	0.9	3.1
India	(5.2)	(8.1)	(5.7)
Other / Eliminations	(4.9)	(3.0)	(4.8)
Total	50.9	31.4	48.2
Net operating assets pre-tax ($M)			
Thailand	239.1	218.2	212.9
Indonesia	235.6	212.3	227.9
Malaysia	121.9	94.9	109.1
Vietnam	73.3	67.6	75.2
North America	248.1	235.2	280.8
India	27.3	23.7	32.0
Other / Eliminations	(1.7)	7.2	(1.9)
Total	943.6	859.1	936.0

E. DISCONTINUED BUSINESSES DETAIL

Table 20: Despatch & financial details

	1H FY2014	1H FY2013	2H FY2013
Total despatches (000 tonnes)			
Packaging Products	0.0	0.0	0.0
Lysaght Taiwan	0.0	0.0	0.0
Metl-Span	0.0	0.0	0.0
Total	0.0	0.0	0.0
Sales revenue ($M)			
Packaging Products	0.0	0.0	0.0
Lysaght Taiwan	0.0	0.0	0.0
Metl-Span	0.0	0.0	0.0
Total	0.0	0.0	0.0
EBIT ($M)			
Packaging Products	0.0	0.0	0.0
Lysaght Taiwan	(0.2)	0.2	(0.5)
Metl-Span	(0.1)	0.0	(0.1)
Total	(0.3)	0.2	(0.6)
Net operating assets pre-tax ($M)			
Packaging Products	0.0	0.0	0.0
Lysaght Taiwan	(4.0)	(3.6)	(3.9)
Metl-Span	0.0	0.0	0.0
Total	(4.0)	(3.6)	(3.9)