

BlueScope Steel Limited
A.B.N. 16 000 011 058
Level 11, 120 Collins Street
Melbourne, Victoria 3001
Ph: +61 (03) 9666 4000
Web: www.bluescope.com
ASX Code: BSL



23 February 2015

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 2014

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 2014.

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. 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

23 February 2015: BlueScope today reported its financial results for the six months ended 31 December 2014.

\$M unless marked	1H FY2015	1H FY2014	Variance %
Sales from continuing operations	4,351.6	3,982.4	9%
Reported NPAT / (NLAT)	92.7	3.7	2,405%
Underlying NPAT / (NLAT) ¹	79.6	49.1	62%
Interim ordinary dividend (cents) ²	3.0	Nil	n/a
Earnings per share (cents)	16.6	0.7	n/a
Net tangible assets per share (\$)	6.43	6.40	-

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 Tables 2A and 2B for a reconciliation of this information to the financial report.

2) The 2015 interim dividend is fully franked and its record date is Thursday 5 March 2015.

KEY POINTS

- Sales revenue of \$4,351.6M was higher than 1H FY2014 mainly due to the acquired businesses, favourable impacts from a weaker AUD:USD and higher volumes in North America Buildings. These were partly offset by lower despatch volumes in China.
- Reported NPAT of \$92.7M increased by \$89.0M on 1H FY2014 primarily due to higher spreads, favourable foreign exchange impacts from a weaker AUD:USD, an accounting adjustment realised on the closure of the Australian defined benefit superannuation fund and asset sales realised in the period and lower restructure and redundancy costs, partly offset by higher costs.
- Underlying NPAT of \$79.6M grew by \$30.5M on 1H FY2014 primarily due to higher spreads, favourable foreign exchange impacts from a weaker AUD:USD, partly offset by higher costs.
- Underlying EBIT of \$169.7M, a \$33.3M lift on 1H FY2014.
- Australian Steel Products underlying EBIT of \$64.7M, a \$50.8M increase on 1H FY2014, driven by increased spread, improved product mix and contribution from acquisitions, partly offset by higher costs.
- New Zealand and Pacific Steel underlying EBIT of \$2.6M, a \$36.0M decrease on 1H FY2014, driven mainly by weaker iron sands pricing and lower despatches, partly offset by improved steel product mix and contribution from the Pacific Steel acquisition.
- Building Products segment underlying EBIT of \$47.8M, a \$3.1M decrease on 1H FY2014 primarily due to lower volumes and unfavourable product mix, partly offset by higher spreads. Thailand, Malaysia, Vietnam and North America results were lower, partly offset by improvements in Indonesia, India and central costs.
- Global Building Solutions underlying EBIT of \$19.3M, a \$1.2M decrease on 1H FY2014. Strong Buildings North America performance with higher volumes and stronger performance from Building Products China (coated steels). Buildings Asia underlying EBIT weaker in 1H FY2015 due to lower volumes and margins partly offset by the benefit of restructuring initiatives.
- Hot Rolled Products North America EBIT of \$67.1M, an \$18.4M increase on 1H FY2014 primarily due to higher spreads and favourable foreign exchange translation impacts from a weaker AUD versus the USD.
- Net debt at 31 December 2014 was \$408.1M. Continuing strong liquidity (undrawn debt plus cash) of A\$1,350.3M.
- The Board has approved payment of a fully franked interim dividend of three cents per share. Future dividends will be determined having regard to the Company's performance and its outlook.
- Outlook:
 - We expect 2H FY2015 underlying EBIT higher than 2H FY2014 by up to 20 per cent.
 - We will see ongoing business growth and the benefits of a falling AUD:USD but recent significant falls in global steel prices will compress margins in 2H FY2015 compared to 1H FY2015.
 - Expect 2H FY2015 underlying net finance costs, underlying tax rate and profit attributable to outside equity interest to be similar to 1H FY2015.
 - Expectations are subject to spread, FX and market conditions.

FINANCIAL RESULTS

The BlueScope Steel Group comprises five reportable operating segments: Australian Steel Products (ASP); New Zealand & Pacific Steel (NZPac); Global Building Solutions (GBS); Building Products ASEAN, North America and India (BP); and Hot Rolled Products North America (HRPNA).

Table 1: Results Summary

\$M	Revenue		Reported Result ¹		Underlying Result ²	
	1H FY2015	1H FY2014	1H FY2015	1H FY2014	1H FY2015	1H FY2014
Sales revenue/EBIT						
Australian Steel Products	2,478.8	2,246.3	66.4	(15.1)	64.7	13.9
New Zealand & Pacific Steel	489.9	419.6	2.6	38.6	2.6	38.6
Building Products ASEAN, Nth Am & India	898.6	915.5	47.8	41.4	47.8	50.9
Global Building Solutions	785.4	732.5	31.6	19.6	19.3	20.5
Hot Rolled Products North America	0.0	0.0	67.1	48.7	67.1	48.7
Discontinued operations	0.0	0.0	(0.7)	(0.3)	0.0	0.0
Segment revenue/EBIT	4,652.7	4,313.9	214.8	132.9	201.5	172.6
Inter-segment eliminations	(301.1)	(331.5)	0.4	(2.3)	0.4	(2.3)
Segment external revenue/EBIT	4,351.6	3,982.4	215.2	130.6	201.9	170.3
Other revenue/(net unallocated expenses)	10.2	16.5	(29.6)	(39.6)	(32.2)	(33.9)
Total revenue/EBIT	4,361.8	3,998.9	185.6	91.0	169.7	136.4
Borrowing costs			(40.4)	(30.1)	(36.4)	(30.1)
Interest revenue			3.7	1.9	3.7	1.9
Profit/(loss) from ordinary activities before income tax			148.9	62.8	137.0	108.2
Income tax (expense)/benefit			(34.3)	(35.9)	(35.5)	(32.9)
Profit/(loss) from ordinary activities after income tax expense			114.6	26.9	101.5	75.3
Net (profit)/loss attributable to outside equity interest			(21.9)	(23.2)	(21.9)	(26.2)
Net profit/(loss) attributable to equity holders of BlueScope Steel			92.7	3.7	79.6	49.1
Basic earnings per share (cents)			16.6	0.7	14.2	8.8

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. Non-IFRS financial information, while not subject to audit or review, has been extracted from the interim financial report, which has been reviewed by our external auditors.

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 while 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 \$ ¹⁰	
	1H FY15	1H FY14	1H FY15	1H FY14	1H FY15	1H FY14	1H FY15	1H FY14
Reported earnings	349.9	255.7	185.6	91.0	92.7	3.7	0.17	0.01
<i>Underlying adjustments:</i>								
Net (gains)/losses from businesses discontinued ¹	0.7	0.3	0.7	0.3	0.6	0.3	-	0.00
Steel Transformation Plan ²	-	22.9	-	22.9	-	16.0	-	0.03
Business development and acquisition costs ³	7.8	6.0	7.8	6.0	5.5	4.2	0.01	0.01
Accounting adjustment on closure of Australian defined benefit super fund ⁴	(27.2)	-	(27.2)	-	(19.0)	-	(0.03)	-
PKSW waste gas cleaning plant stack fire ⁵	7.1	-	7.1	-	5.0	-	0.01	-
Restructure and redundancy costs ⁶	1.7	9.3	1.7	9.3	1.0	5.5	0.00	0.01
Asset sales ⁷	(6.0)	6.9	(6.0)	6.9	(3.5)	2.2	(0.01)	0.00
Debt restructuring costs ⁸	-	-	-	-	2.8	-	0.01	-
Tax asset impairment / (write-back) ⁹	-	-	-	-	(5.5)	17.2	(0.01)	0.03
Underlying earnings	334.0	301.1	169.7	136.4	79.6	49.1	0.14	0.09

- 1) 1H FY2015 reflects foreign exchange translation losses within the closed Lysaght Taiwan business. 1H FY2014 reflects costs relating to the divested Mett-Span business.
- 2) 1H FY2014 reflects the inclusion in underlying earnings of the previously received Australian Government Steel Transformation Plan (STP) advance to align with the carbon costs which were being incurred. Recognition of this adjustment was discontinued during 1H FY2015 in line with repeal of the Carbon Tax taking effect from 1 July 2014.
- 3) 1H FY2015 reflects transaction and integration costs associated with the Australian businesses acquired during 2H FY2014 (\$7M pre-tax) and Corporate business development costs (\$1M pre-tax). 1H FY2014 reflect Corporate business development costs.
- 4) 1H FY2015 reflects an accounting adjustment realised on the closure of the Australia defined benefit (DB) superannuation fund which impacted Australian Steel Products (\$24M pre-tax) and Corporate (\$3M pre-tax). Upon closure of the fund the difference between the accounting obligation and members actual benefits were required to be credited to P&L under Australian Accounting Standards.
- 5) 1H FY2015 reflects the impact of the Port Kembla Steelworks sinter plant waste gas cleaning stack fire which occurred in October 2014.
- 6) 1H FY2015 reflects staff redundancy and restructuring costs at ASP (\$5M pre-tax) primarily relating to the Building Solutions Australia business partly offset by the write-back of restructuring provisions raised in FY2014 relating to restructuring initiatives within the China business (\$3M pre-tax). 1H FY2014 reflects staff redundancies and restructuring costs at ASP (\$5M pre-tax), Building Products (\$3M pre-tax relating to Steelscape's Fairfield facility) and GBS (\$2M pre-tax)
- 7) 1H FY2015 reflects the profit on sale of land and buildings at the North American Buildings business (\$9M pre-tax) and a loss on sale in ASP (\$3M pre-tax). 1H FY2014 reflects the loss on sale of Steelscape's Fairfield facility completed in December 2013 (\$7M pre-tax).
- 8) 1H FY2015 reflects the write-off of unamortised borrowing costs associated with the previous \$675M Syndicated Bank Facility which was restructured and refinanced early. Further details available in the Funding section.
- 9) 1H FY2015 reflects utilisation of previously impaired deferred tax assets in Australia arising from the favourable movement in timing differences exceeding tax losses generated during the period. 1H FY2014 reflects impairment of Australian deferred tax assets generated during the period.
- 10) Earnings per share are based on the average number of shares on issue during the respective reporting periods, (559.1M in 1H FY2015 vs. 558.5M in 1H FY2014).

Table 2B: Underlying EBIT Adjustments to 1H FY2015 Reported Segment Results

1H FY2015 underlying EBIT adjustments \$M	ASP	NZPac	GBS	BP	HRPNA	Corp	Discon Ops	Elims	Total
Net (gains)/losses from businesses discontinued	-	-	-	-	-	-	0.7	-	0.7
Accounting adjustment on closure of Australian defined benefit super fund	(23.8)	-	-	-	-	(3.4)	-	-	(27.2)
Business development and acquisition costs	7.1	-	-	-	-	0.7	-	-	7.8
PKSW waste gas cleaning plant stack fire	7.1	-	-	-	-	-	-	-	7.1
Restructure and redundancy costs	4.6	-	(2.9)	-	-	-	-	-	1.7
Asset sales	3.4	-	(9.4)	-	-	-	-	-	(6.0)
Underlying adjustments	(1.6)	0.0	(12.3)	0.0	0.0	(2.7)	0.7	0.0	(15.9)

Table 3: Consolidated Cash Flow

\$M	1H FY2015	1H FY2014	Variance %
Reported EBITDA	349.9	255.7	37%
Add cash/(deduct non-cash) items			
- Share of profits from associates and joint venture partnership not received as dividends	(10.0)	(9.7)	(3%)
- Impaired assets	1.8	1.0	80%
- Net (gain) loss on acquisitions and sale of assets	(7.5)	6.8	(210%)
- Expensing of share-based employee benefits	6.8	7.5	(9%)
Cash EBITDA	341.0	261.3	31%
Changes in working capital	(121.1)	(88.2)	(37%)
Gross operating cash flow	219.9	173.1	27%
Net finance costs paid	(34.4)	(21.8)	(58%)
Tax received/(paid) ¹	(35.9)	(23.9)	(50%)
Net cash from operating activities	149.6	127.4	17%
Capex: payments for P, P & E and intangibles	(168.0)	(118.0)	(42%)
Other investing cash flows	(40.7)	6.8	(699%)
Net cash flow before financing	(59.1)	16.2	(465%)
Equity buy-back	(0.1)	0.0	n/a
Dividends ²	(32.7)	(29.9)	(9%)
Transactions with non-controlling interests	0.0	1.6	(100%)
Net drawing/(repayment) of borrowings	(19.3)	34.7	(156%)
Net increase/(decrease) in cash held	(111.2)	22.6	(592%)

1) The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 31 December 2014, of approximately \$2.8Bn. There will be no Australian income tax payments until these are recovered.

2) The dividend payments in FY2015 and FY2014 primarily relate to dividend payments to Nippon Steel & Sumitomo Metal Corporation (NSSMC) in respect of NS BlueScope Coated Products joint venture.

GROUP REVIEW: 1H FY2015 VS 1H FY2014

FINANCIAL PERFORMANCE

Total revenue

The \$369.4M (9%) increase in sales revenue from continuing operations principally reflects:

- At ASP:
 - increased despatch volumes driven by higher export volumes and the businesses acquired during 2H FY2014
 - stronger domestic and export pricing driven by a weaker AUD:USD exchange rate (1H FY2014 US\$0.922; 1H FY2015 US\$0.891) partly offset by lower Asia steel prices
 - favourable sales product mix.
- Higher domestic and export long product sales in New Zealand associated with the Pacific Steel acquisition. This was partly offset by lower iron sands and export steel volumes and pricing.
- Favourable translation impacts from a weaker AUD exchange rate.
- Higher despatches in Buildings North America.

These were partly offset by lower despatches in China, Thailand and Vietnam.

EBIT performance

A \$33.3M higher underlying EBIT reflects:

- Spread: \$47.3M increase, primarily comprised of:
 - \$19.7M benefit from lower raw material costs, due to:
 - Lower USD denominated coal and iron ore purchase prices at ASP
 - lower steel feed costs at BP
 - Partly offset by:
 - higher coating metal purchase prices
 - unfavourable foreign exchange impact on USD denominated raw material
 - \$29.7M favourable movement in domestic prices mainly in Australia (including the benefit of a weaker AUD:USD exchange rate) and North America.
- Equity accounted profits: \$21.1M increase at NSBSL mainly driven by higher spreads and lower losses at TBSL.
- Foreign exchange translation: \$4.8M favourable impact of translation of earning to AUD.
- Other items: \$0.6M favourable movement (mainly depreciation).

Partly offset by:

- Costs: \$39.8M unfavourable movement, driven by:
 - \$45.7M cost escalation from utilities, employment, consumables, freight and other costs
 - \$35.9M benefit from cost improvement initiatives
 - \$30.0M net increase in one-off and other costs:
 - Higher per unit costs in New Zealand iron sands operations due to lower volumes
 - Higher per unit costs in New Zealand steel operations due to the biennial hot strip mill maintenance shut occurring during the period and timing of export shipments
 - Unfavourable employee provision adjustments due to impact of lower government bond rates used to discount long-term provisions
 - Partly offset by favourable timing of maintenance costs at ASP.
- Volume and mix: \$0.7M decrease, comprising:
 - lower domestic volumes at ASP mainly in HRC (particularly in the pipe and tube segment) and plate due to softening demand in the project and mining & engineering markets

- lower despatches in China, Thailand and Vietnam
- lower iron sands despatches.

Partly offset by:

- favourable domestic sales product mix with higher COLORBOND® and COLORSTEEL® sales at ASP and NZPac respectively
- increased despatch volumes at ASP and NZPac from businesses acquired during 2H FY2014 and higher export volumes
- higher volumes in Buildings North America as a result of continued growth in the U.S. non-residential construction market.

The \$94.6M increase in reported EBIT reflects the movement in underlying EBIT discussed above and \$61.3M favourable movement in underlying adjustments explained in Tables 2A and 2B.

Finance costs

The \$10.3M increase in finance costs compared to 1H FY2014 was largely due to the write-off of unamortised borrowing costs associated with the previous \$675M Syndicated Bank Facility which was restructured and refinanced early, an increase in average gross borrowings (1H FY2015 \$865.4M, 1H FY2014 \$729.6M) and a higher average cost of debt (1H FY2015 6.1%, 1H FY2014 5.3%) with higher cost USD denominated facilities forming a larger part of the drawn debt mix as the USD appreciated.

Tax

Net tax expense of \$34.3M (1H FY2014 \$35.9M) primarily relates to taxable income generated in businesses outside of Australia.

1H FY2015 includes a \$5.5M utilisation of previously impaired deferred tax assets in Australia arising from the favourable movement in timing differences exceeding tax losses generated during the period. 1H FY2014 includes a net \$18.7M impairment of an Australian deferred tax asset arising from tax losses and timing differences generated during the period with \$17.2M allocated to tax expense and a \$1.5M allocated to retained earnings.

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 of Directors has approved payment of an interim dividend of three cents per share. The interim dividend will have attached 100% franking credits and imputation credits for Australian and New Zealand tax purposes respectively.

Relevant dates for the interim dividend are as follows:

- Ex-dividend share trading commences: 3 March 2015.
- Record date for dividend: 5 March 2015.
- Payment of interim dividend: 1 April 2015.

BlueScope's dividend reinvestment plan will not be active for the interim dividend.

Future dividends will be determined having regard to the Company's performance and its outlook.

FINANCIAL POSITION

Net assets

Net assets increased \$225.6M to \$4,682.3M at 31 December 2014 from \$4,456.7M at 30 June 2014, primarily driven by the translation impact of the lower AUD.

Major increases in net assets were:

- \$115.9M increase in the value of inventory (lower AUD \$80.0M).
- \$137.5M increase in the value of property, plant and equipment (lower AUD \$155.1M, capital expenditure of \$138.5M, partly offset by depreciation of \$152.7M and disposals of \$4.1M).
- \$23.3M increase in the value of equity accounted investments
- \$54.9M decrease in the value of payables.
- \$23.5M decrease in the value of other provisions.

Partly offset by:

- \$146.5M increase in net debt to \$408.1M. Of this, \$46M related to restatement due to the weaker AUD:USD. Also, the June 2014 net debt balance benefited from \$103M of favourable timing of year end cash flows.

Funding

Financial liquidity was \$1,350.3M at 31 December 2014 (\$1,471.5M at 30 June 2014 and \$1,538.8M at 31 December 2013), comprised of committed available undrawn capacity under bank debt facilities of \$960.0M, plus cash \$390.3M. Liquidity in the NS BlueScope Coated Products JV of \$354.5M is included in the group liquidity measure.

During the period a new \$500M multicurrency Syndicated Bank Facility and an \$80M lender approved working capital facility was put in place. These new facilities replace BlueScope's \$675M facility of December 2015 maturity. The new Syndicated bank facility is comprised of a \$100M one year tranche, a \$200M three year tranche and a \$200M five year tranche. The working capital facility has a two year tenor. The new facilities deliver both lower cost funding through improved margins, and improved tenor.

In addition, a US\$50M inventory finance facility has been lender approved and completed in 2H FY2015.

2H FY2015 OUTLOOK

- We expect 2H FY2015 underlying EBIT higher than 2H FY2014 by up to 20 per cent.
- We will see ongoing business growth and the benefits of a falling AUD:USD but recent significant falls in global steel prices will compress margins in 2H FY2015 compared to 1H FY2015.
- Expect 2H FY2015 underlying net finance costs, underlying tax rate and profit attributable to outside equity interest to be similar to 1H FY2015.
- Expectations are subject to spread, FX and market conditions.

BUSINESS UNIT REVIEWS

AUSTRALIAN STEEL PRODUCTS (ASP)

As announced on 8 December 2014, ASP is the combination of two previously separately reported segments, Coated & Industrial Products Australia (CIPA) and Building Components & Distribution Australia (BCDA), and the Building Solutions Australia business moved across from the Global Building Solutions segment.

ASP 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 segment's main manufacturing facilities are at Port Kembla (NSW) and Western Port (Victoria).

ASP also operates a network of over 100 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

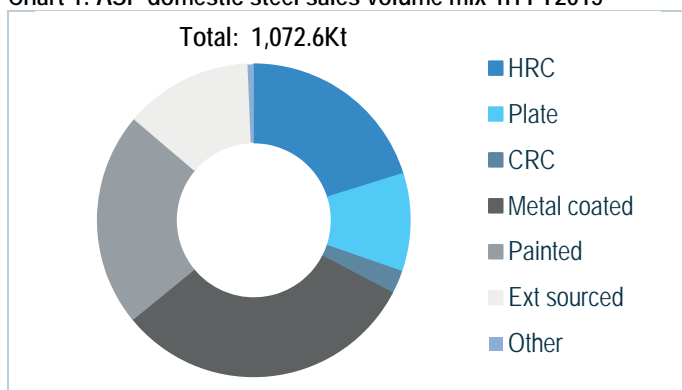
Table 4: Segment financial performance

\$M	1H FY2015	1H FY2014	Var %	2H FY2014
Sales revenue	2,478.8	2,246.3	10%	2,351.6
Reported EBIT	66.4	(15.1)	540%	(150.2)
Underlying EBIT	64.7	13.9	365%	19.2
NOA (pre tax)	2,469.6	2,414.2	2%	2,511.6

Table 5: Steel sales volume

000 tonnes	1H FY2015	1H FY2014	Var %	2H FY2014
Domestic				
- ex-mill	931.9	953.9	(2%)	950.3
- ext sourced	140.7	134.1	5%	120.0
Export	342.2	248.8	38%	242.5
Total	1,414.8	1,336.8	6%	1,312.8

Chart 1: ASP domestic steel sales volume mix 1H FY2015



FINANCIAL PERFORMANCE – 1H FY2015 VS. 1H FY2014

Sales revenue

The \$232.5M increase in sales revenue is primarily due to:

- increased despatch volumes driven by the businesses acquired during 2H FY2014 and higher export volumes (use of surplus

slab held as backup during planned blast furnace maintenance stoppages)

- stronger domestic and export pricing driven by a weaker AUD:USD exchange rate (1H FY2014 US\$0.922; 1H FY2015 US\$0.891) partly offset by lower Asia steel prices
- favourable domestic sales product mix.

These were partly offset by lower domestic volumes mainly in HRC (particularly in the pipe and tube segment) and plate due to softening demand in the project and mining & engineering markets.

EBIT performance

The \$50.8M increase in underlying EBIT was largely due to:

- Higher spread driven by:
 - lower USD denominated coal and iron ore purchase prices partly offset by unfavourable foreign exchange impact
 - higher domestic prices, including the benefit of a weaker AUD:USD exchange rate (1H FY2014 US\$0.922; 1H FY2015 US\$0.891) combined with the flow-on benefit to domestic prices
 - higher export prices due to a destination mix weighted to North America
 - partly offset by higher coating metal purchase prices
- favourable domestic sales product mix with higher COLORBOND® and lower HRC sales
- increased despatch volumes driven by the businesses acquired during 2H FY2014 and higher export volumes (use of surplus slab held as backup during planned blast furnace maintenance stoppages).

These were partly offset by:

- lower domestic volumes mainly in HRC (particularly in the pipe and tube segment) and plate due to softening demand in the project and mining & engineering markets
- higher costs due to escalation and unfavourable employee provision adjustments (due to impact of lower government bond rates used to discount long-term provisions) partly offset by benefits delivered through cost improvement initiatives.

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

FINANCIAL POSITION

Net operating assets were \$42.0M lower than at 30 June 2014 primarily due to lower receivables, lower inventories and intangible assets (relating to repeal of the Carbon Tax) partly offset by lower provisions.

MARKETS AND OPERATIONS

Sales direct to Australian building sector

- Sales volumes in the domestic building sector grew in 1H FY2015 vs. 1H FY2014.
- Market conditions within residential construction have improved across most states supported by low interest rates, higher demand from both investors and owner-occupiers, land releases and an appreciation in property prices.
 - Activity in detached dwelling construction is increasing and this drove a mix enhancement with an increase in COLORBOND® steel sales.
 - Demand from alteration and addition activity began to grow during the half.

- Overall, activity is strong in New South Wales, Western Australia and southern Queensland. Activity in Victoria and South Australia is lifting, while conditions in Tasmania and central and north Queensland remain weak.
- Non-residential construction activity has been relatively flat in 1H FY2015.
 - Demand grew in commercial/industrial construction applications such as new warehouses/factories, retail and accommodation projects.
 - However, this has been offset by reduced government investment in social and institutional construction in areas such as education and healthcare.

Sales direct to domestic non-building sector customers

- Sales volumes to distributors and non-building sector customers decreased in 1H FY2015 vs. 1H FY2014.
- Australia's pipe and tube and manufacturing markets were weaker with high levels of competition from imported finished goods and reducing demand from domestic customers with further decisions to close domestic manufacturing capacity. However if the recent fall in the AUD:USD is sustained, we anticipate a slowing in announcements by customers to close domestic manufacturing.
- Sales to distribution customers were flat on 1H FY2014.

Mill sales to export markets

- Despatches to export market customers in 1H FY2015 increased 93kt or 38% to 342kt compared to 1H FY2014 due primarily to use of surplus slab held as backup during planned blast furnace maintenance stoppages.
- While benchmark prices in export markets were weaker in 1H FY2015 compared with 1H FY2014, ASP achieved better average prices in 1H FY2015 through a more profitable export destination mix.

Acquisitions and business reorganisations

- Integration of the acquired Fielders, Orrcon Steel and OneSteel Sheet & Coil operations is progressing well. All acquisitions are performing in line with or better than business case.
- The Building Solutions Australia business was transferred from the Global Building Solutions segment to ASP effective from 1 July 2014.

Anti-dumping cases

- Since May 2012 BlueScope has filed applications to the Australian Anti-Dumping Commission (or ADC; formerly part of Customs & Border Protection) concerning dumping and countervailing subsidisation of steel imported into Australia. In each case where the ADC has completed its investigations, the ADC investigations have supported BlueScope's claims that dumping and subsidisation of imports has occurred.
- The most recent case concerns alleged dumping of galvanised steel to Australia from India and Vietnam. On 11 July 2014, following an application from BlueScope, the ADC announced it will investigate the alleged dumping. The investigation period is July 2013 to June 2014. The Minister has granted the ADC an extension of 140 days to complete this investigation with the Statement of Essential Facts now due no later than 18 March 2015.

Waste gas cleaning stack fire

- On 13 October 2014 a fire occurred in the waste gas cleaning stack located in the sinter plant at the Port Kembla Steelworks.
- There was a temporary diversion to a surplus stack enabling, after a short delay, sinter production to continue at a level sufficient to support blast furnace operations.
- A new stack was installed to replace the old stack, and commenced operation in early January 2015.
- The financial impact to the Company was \$15M, of which approximately half was capitalised and the other half expensed (excluded from underlying earnings). All of the financial impact is reflected in the December 2014 half.

Maintenance of Port Kembla blast furnace

- The program to change out wearing staves on the Port Kembla blast furnace continues to plan.
- In 1H FY2015 two planned maintenance stoppages were held in August and November. One more is planned for the balance of FY2015 (in March) and a further stoppage is planned in 2H FY2016.
- Estimated production and financial impacts in 1H FY2015:
 - Production: 180kt lower production (against 1.3Mt per half-year normalised rate).
 - Earnings: \$11.4M unfavourable impact due to lower fixed cost recoveries and yields.
 - Cash impact in 1H FY2015:
 - Gross capex of \$14.5M, net increase in capital spend of \$6M.
 - Working capital: no change from June 2014
- Estimated production and financial impacts for 2H FY2015:
 - One stoppage planned.
 - Production: ~90kt lower production (against 1.3Mt per half normalised rate).
 - Earnings impact expected to be half that of 1H FY2015 and cash flow impact is an improvement of \$30M as we quit the investment in inventory required to support the stove replacement program. This is net of gross \$7M capital spend.

NEW ZEALAND AND PACIFIC STEEL

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.

In June 2014, New Zealand Steel acquired the rolling and marketing operations of Pacific Steel. Pacific Steel is the sole producer of long steel products such as billet, rod, bar, reinforcing coil and wire in New Zealand.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 7: Segment financial performance

\$M	1H FY2015	1H FY2014	Var %	2H FY2014
Sales revenue	489.9	419.6	17%	451.3
Reported EBIT	2.6	38.6	(93%)	35.0
Underlying EBIT	2.6	38.6	(93%)	36.1
NOA (pre-tax)	683.5	585.6	17%	645.6

Table 8: Sales volume

000 tonnes	1H FY2015	1H FY2014	Var %	2H FY2014
Domestic flats	131.7	130.8	1%	139.8
Export flats	119.4	159.5	(27%)	155.9
Total flat products steel	251.1	290.3	(15%)	295.7
Domestic longs	86.5	NA	NA	12.4 ¹
Export longs	49.4	NA	NA	10.1 ¹
Total long products steel	135.9	NA	NA	22.5 ¹
Iron sands	961.1	1,167.3	(18%)	1,145.9

1) Reflects one month BlueScope ownership of the long products rolling and marketing operations of Pacific Steel.

FINANCIAL PERFORMANCE – 1H FY2015 VS. 1H FY2014

Sales revenue

The \$70.3m increase in sales revenue was primarily due to the domestic and export long product sales associated with the Pacific Steel acquisition. This was partly offset by lower iron sands and export steel volumes and lower iron sands pricing in line with global iron ore prices.

EBIT performance

The \$36.0M decrease in underlying EBIT was largely due to:

- lower iron sands pricing in line with global iron ore prices
- unfavourable conversion costs per unit mainly due to lower iron sands volumes and lower steel volumes due to the biennial hot

strip mill maintenance shut occurring during the period and timing of export shipments

- higher coating metal purchase prices.

These were partly offset by favourable despatch mix with a higher proportion of domestic COLORSTEEL® despatches and contribution from the Pacific Steel acquisition.

FINANCIAL POSITION

Net operating assets were \$37.9M higher than at 30 June 2014 primarily due to higher inventories, higher fixed assets mainly due to the billet caster investment and favourable impact of a weaker AUD:NZD partly offset by higher creditors.

MARKETS & OPERATIONS

Steel products (flat and long)

- Domestic market
 - Domestic residential building activity continues to grow. For the 12 months ending December 2014, new building consents are up 16% on the same period in 2013.
 - Domestic non-residential building is showing signs of recovery with the value up 22% in the 12 months to December compared to the previous 12 month period.
 - Canterbury building activity continues to grow; residential consents were up 27% for the 12 months ending December 2014. The total value of all new non-residential consents rose 48% in the same period.
 - Building and construction activity growth continues to underpin domestic sales.
 - The strength in current building consents is positive for product demand.
- Export market
 - Export steel volumes for 1H FY2015 were 40.1kt below 1H FY2014 due to the biennial Hot Strip Mill shut occurring in August 2014 impacting supply.
 - Price levels were higher as a result of the change in market mix with less volume sold into lower value markets.

Iron sands

- 1H FY2015 exports:
 - Iron sands exports from Taharoa and Waikato North Head were 961.1kt, down 206.2kt on 1H FY2014, driven by two fewer Taharoa transshipments via Port Kembla because of the decline in iron ore price. Iron sands prices were down consistent with the decrease in global iron ore pricing.
- Taharoa – update on expansion and economics:
 - Current EBIT and cash break-even per tonne of mid US\$60's 62% Fe iron ore price¹, on recent improvements in oil prices, foreign exchange rates and cost reductions.
 - Second ship starting in late FY2015; shipping capacity 1.3Mtpa.
 - Third ship due to start mid FY2016; capacity also 1.3Mtpa.
 - EBIT and cash break-even price per tonne expected to drop to mid to high US\$50's² index pricing once third ship operating; likely to continue to ship below this level given

¹ Based on current oil prices and shipment rate with single ship; includes mining, processing, shipping, royalties and overhead (incl depreciation). Approximately half of cost base is NZD based.

² Based on current oil prices and shipment rate with single ship; includes mining, processing, royalties and overhead (incl depreciation). Approximately half of cost base is NZD based.

variable cash contribution to cover fixed costs and shipping commitments.

- Waikato North Head – update on economics:
 - Current EBIT break-even per tonne at low to mid US\$60's 62% Fe iron ore price³.
 - Fully variable supply chain costs; can cease operations when price drops below economic breakeven for the whole business.

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.

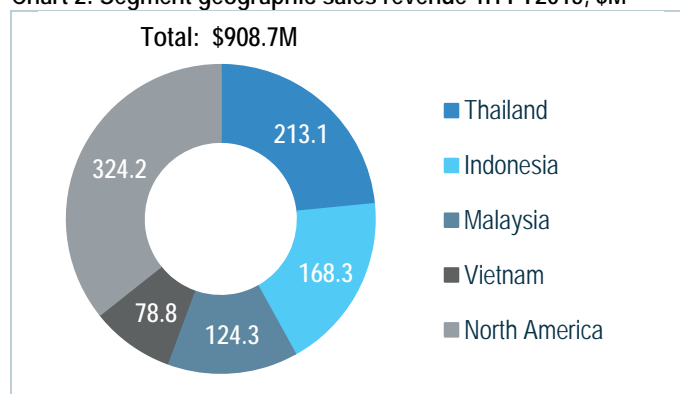
The Company has an extensive footprint of metallic coating, painting and steel building product operations in Thailand, Indonesia, Vietnam, Malaysia, India and North America, primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential 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 FY2015	1H FY2014	Var %	2H FY2014
Sales revenue	898.6	915.5	(2%)	827.4
Reported EBIT	47.8	41.4	15%	40.0
Underlying EBIT	47.8	50.9	(6%)	38.0
NOA (pre-tax)	1,005.5	943.6	7%	844.9
Despatches	683.3kt	704.8kt	(3%)	662.2kt

Chart 2: Segment geographic sales revenue 1H FY2015, \$M¹



1) Chart does not include \$10.1M of eliminations (which balances back to total segment revenue of \$898.6M). Chart also does not include India, which is equity accounted.

FINANCIAL PERFORMANCE – 1H FY2015 VS. 1H FY2014

Sales revenue

The \$16.9M decrease in sales revenue was mainly driven by lower despatch volumes at Steelscape (closure of the Fairfield facility in December 2013), Thailand (lower domestic demand) and Vietnam (lower export demand). This was partly offset by favourable foreign exchange rate impacts from the weaker AUD in all regions and stronger domestic volumes in Indonesia.

EBIT performance

The \$3.1M decrease in underlying EBIT was largely due to:

³ Based on current oil prices and shipment rate; includes mining, processing, shipping, royalties and overhead (incl depreciation). Approximately two thirds of cost base is NZD based.

- lower volumes mainly in Thailand and Vietnam
- higher costs in North America (higher freight and SG&A).

Partly offset by:

- higher spreads in Indonesia (mainly favourable foreign exchange impact on revenues and steel feed costs) combined with higher despatch volumes
- higher spread in North America
- lower regional overhead costs mainly due to timing of spend
- favourable movement in BlueScope's share of equity accounted profits from the India joint venture
- favourable translation of earnings from a weaker AUD:USD exchange rate.

FINANCIAL POSITION

Net operating assets increased \$160.7M since 30 June 2014 mainly reflecting the translation impacts on NOA resulting from a weaker AUD combined with higher inventories (mainly higher volumes at Thailand ahead of new SuperDyma® production, and North America). These were partly offset by higher creditors.

MARKETS AND OPERATIONS

Thailand

- Despatch volumes were down on 1H FY2014.
- The economy is slowly recovering after the May 2014 military coup driven by short term government stimulus measures and resumed government budget spending. Major government infrastructure projects, in particular the Metropolitan Rapid Transit (MRT) projects, and some Foreign Direct Investment are resuming. However, there remains a time lag between approval and construction commencement of new projects.
- Sales of the recently commercialised ViewKote® product into Home Appliances segment increased in 1H FY2015. The introduction of this product is step one of the value creation initiatives arising from the formation of the joint venture.

Indonesia

- Volumes grew and margins expanded over the same time last year through enhancing our value proposition in the project and retail segments and on improved market confidence following the presidential election.
- Progress is being made on initiatives arising from the formation of the NSBCP joint venture: reaching Japanese customers in the building and construction market, reviewing productivity improvements and exploring key raw material supply options.

Vietnam

- Despatch volume was lower than 1H FY2014 due to increased local and import competition in a flat market.
- Foreign direct investments and credit growth remain slow, and both project and retail demand remain soft.
- The business continues to target growth through enhancing distribution footprint and retail brand awareness with BlueScope ZACS® steel stores.

Malaysia

- Volumes grew over 1H FY2014 with better channel management, product offering and positioning, as well as retail brand expansion.

- New in-line painting expansion on the metal coating line will commence in April 2015, delivering cost efficiency and increased painted production capacity.

North America (Steelscape & ASC Profiles)

- Positive outlook and confidence in the economy have led to improved domestic demand. However steel prices have declined and import activity increased at the end of the half.

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

- The joint venture recorded 12% revenue growth in 1H FY2015 and positive and growing EBIT.
- Domestic prime coated steel sales volume grew by 41% compared to 1H FY2014 with 37% growth in painted products and 57% growth in bare products. Retail sales grew at a stronger rate than the project market.

GLOBAL BUILDING SOLUTIONS

BlueScope's Global Building Solutions business is a global leader in engineered building solutions (EBS), servicing the low-rise non-residential construction needs of global customers from engineering and manufacturing bases in Asia and North America. 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.

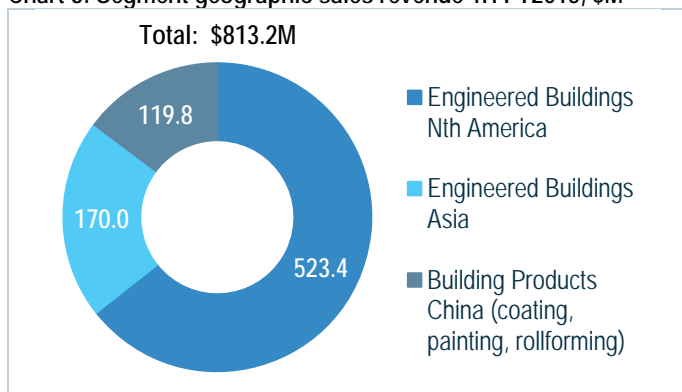
The Building Solutions Australia business was transferred to the ASP segment from GBS effective 1 July 2014.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 10: Segment performance

\$M unless marked	1H FY2015	1H FY2014	Var %	2H FY2014
Sales revenue	785.4	732.5	7%	651.8
Reported EBIT	31.6	19.6	61%	77.0
Underlying EBIT	19.3	20.5	(6%)	6.3
NOA (pre-tax)	703.0	639.5	10%	594.9
Despatches	295.7kt	305.2kt	(3%)	269.2kt

Chart 3: Segment geographic sales revenue 1H FY2015, \$M¹



1) Chart does not include \$27.8M of eliminations (which balances back to total segment revenue of \$785.4M).

FINANCIAL PERFORMANCE – 1H FY2015 VS. 1H FY2014

Sales revenue

The \$52.9M increase in sales revenue was mainly due to stronger despatch volumes and higher pricing in North America and the favourable foreign exchange rate impacts from the weaker AUD in all regions. This was partly offset by lower despatch volumes and pricing in China and SE Asia.

EBIT performance

The \$1.2m decrease in underlying EBIT was largely due to lower volumes in Engineered Buildings China resulting from the slowdown in non-residential construction activity.

This was partly offset by:

- higher volumes and favourable domestic pricing in Engineered Buildings North America from continued growth in the U.S. non-

residential construction market. This was partly offset by higher costs associated with funding the growth in the business

- higher margins at China Building Products
- lower costs as a result of recent restructuring activities
- favourable translation of earnings from a weaker AUD:USD exchange rate.

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

FINANCIAL POSITION

Net operating assets increased \$108.0M since 30 June 2014 mainly reflecting translation impacts from a weaker AUD combined with lower provisions as a result of restructure and redundancy payments made in the China business during the period.

MARKETS AND OPERATIONS

Engineered Buildings North America

- Despatch volumes were up 15% in 1H FY2015 relative to 1H FY2014 driven by an increase in the U.S. non-residential construction market activity in all major end-use sectors. This increase was influenced by the business's 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 growth in the U.S. non-residential construction market.

Engineered Buildings Asia (China & ASEAN)

- The China business contributed approximately 65% of sales revenue in 1H FY2015; the remaining 35% was derived from ASEAN.
- ASEAN despatch volume grew 2% relative to 1H FY2014, though margins declined on near-term political and economic pressures.
- Despatch volumes in the China business declined by 27% relative to 1H FY2014, and overall margin performance deteriorated influenced by a slowdown in building and construction activity in the premium market across both private and government participants.
- During 1H FY2015, a cost saving program was undertaken, aiming to deliver significant annual savings across sales, operations and functional support. This included a number of site rationalisations – multiple Lysaght rollforming operations have been co-located with the engineered buildings operations. Further initiatives are being pursued in 2H FY2015:
 - further site and product line rationalisation
 - review of sales capability and brand positioning.

Building Products China (coating, painting and rollforming)

- Despite challenging market conditions leading to flat despatch volume (driven by lower internal demand from the Engineered Buildings Asia business), targeted initiatives to increase external sales of higher value-added product continue to support strong overall margin performance.
- In conjunction with Engineered Buildings Asia, the business is undertaking a restructuring initiative targeting cost savings across sales, operations and functional support.

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 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 in Ohio, in the 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 FY2015	1H FY2014	Var %	2H FY2014
Sales revenue ¹	-	-	-	-
Reported EBIT ²	67.1	48.7	38%	52.9
Underlying EBIT ²	67.1	48.7	38%	55.9
NOA (pre-tax)	131.0	112.5	16%	103.3
Production ³	520.6kt	509.9kt	2%	503.1kt
Despatches ³	501.0kt	489.9kt	2%	497.7kt

1) Excludes the Company's 50% share of NSBSL's sales revenue of A\$398.0M in 1H2014 and A\$360.1M in 1H2014.

2) Includes 50% share of net profit before tax from NSBSL of A\$70.1M in 1H2015 and A\$50.9M in 1H2014.

3) Reflects BlueScope's 50% share from NSBSL.

FINANCIAL PERFORMANCE – 1H FY2015 VS. 1H FY2014

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 \$18.4M increase in underlying EBIT was largely due to higher spreads, driven primarily by higher selling prices and lower scrap costs, higher volumes and favourable foreign exchange translation impacts from a weaker AUD:USD exchange rate. This was partly offset by unfavourable conversion costs due to higher maintenance costs and utility rates.

FINANCIAL POSITION

Net operating assets are largely comprised of BlueScope's equity accounted investment in NSBSL. The \$27.7M increase in net operating assets compared to 30 June 2014 primarily reflects the favourable impact of a weaker AUD:USD exchange rate (30 June 2014 closing US\$0.941; 31 December 2014 US\$0.812) and the earnings of the NSBSL joint venture being higher than the dividends returned to the owners.

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 FY2015 were up 11.1kt on 1H FY2014, at 501.0kt (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 consistent high performance in on-time delivery, service and quality.

OTHER INFORMATION

SAFETY

SAFETY MANAGEMENT

- The Company remains committed to its goal of Zero Harm.
- Our safety beliefs form the basis for achieving this goal:
 - Working safely is a condition of employment.
 - Employee involvement is essential.
 - Management is accountable for safety performance.
 - All injuries can be prevented.
 - Training employees to work safely is essential.
 - All operating exposures can be safeguarded.
- BlueScope's comprehensive Occupational Health and Safety Management System is mandatory in all operations under our control. The system focuses on three basic areas:
 - Safe and healthy people.
 - Safe systems.
 - Safe and tidy plant.
- Safety Management Standards have been established under this Management System, to which each business is required to demonstrate compliance.
- Also essential to our safety performance is the continuing development of our leaders, implementation of risk management practices, behavioural safety audits, reporting of incidents and near misses, and identifying and preventing 'at risk' behaviour and conditions.

1H FY2015 SAFETY PERFORMANCE

- In 1H FY2015:
 - the Lost Time Injury Frequency Rate was 0.5 compared to 0.9 in 1H FY2014. An LTIFR performance of below 1.0 has been maintained for longer than ten years
 - the Medical Treated Injury Frequency Rate was 4.6 compared to 5.8 in 1H FY2014. This has been below 7.0 for more than nine years.
- During FY2015, businesses have been implementing the initiatives and improvements identified through a major new employee engagement program, 'Switch on Safety', launched in FY2014. The objectives are to refocus leaders on setting safety expectations and standards and to encourage employees to refocus on safety.
- Noteworthy external recognition in FY2015 to date includes:
 - NSBCP Nth America, Steelscape Kalama, awarded "2014 Best Safety Practices" by National Coil Coaters Association
 - New Zealand & Pacific Islands - "Best Health & Safety Initiative" from the NZ Safeguard Workplace Health & Safety Awards 2014 for "Contractor Safety".
 - BANZ Supply Chain & Processing awarded "2014 Steel Transport Safety Network Safety Improvement Initiative Award" for the "Driver Safe Zone".
 - Tata BlueScope Building Solutions – recognized with Safety Award by TE Connectivity for "Safety Excellence".
- Other noteworthy safety achievements in FY2015 include:
 - NS BlueScope Singapore – 16 years LTI free
 - BlueScope Buildings Vietnam – 5 years LTI free
 - BlueScope Buildings Nth America Construction – 3 years LTI free.

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 the implementation of its business planning process, compliance systems, risk management practices, governance programs and management review.

AUSTRALIAN CARBON PRICING MECHANISM (CPM) AND STEEL TRANSFORMATION PLAN (STP)

- BlueScope was a liable entity under the CPM, which came into operation on 1 July 2012.
- In July 2014 the Federal Government abolished the CPM and STP, effective retrospectively from 1 July 2014.
- BlueScope has reflected the abolition of the CPM and STP in its FY2014 financial statements.
- As a trade exposed industry, BlueScope has not passed through any carbon costs in its flat steel product pricing during the operation of the CPM, and customers have seen no change in product pricing as a result.
- In place of the CPM, the government intends to introduce a 'Direct Action' policy, comprising as its key elements an Emissions Reduction Fund (ERF) including a Safeguard (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.

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.

ABBREVIATIONS

1H	Six months ended 31 December in the relevant financial year
1H FY2014	Six months ended 31 December 2013
1H FY2015	Six months ended 31 December 2014
2H FY2014	Six months ended 30 June 2014
2H FY2015	Six months ended 30 June 2015
ADC	Anti-Dumping Commission
ASEAN	Association of South East Asian Nations
ASP	Australian Steel Products segment
AUD, A\$, \$	Australian dollar
BANZ	BlueScope Australia and New Zealand (comprising ASP and NZPac segments)
BCDA	Former Building Components & Distribution Australia segment
BP or Building Products	Building Products, ASEAN, North America and India segment
BSL or BlueScope	BlueScope Steel Limited and its subsidiaries
CIPA	Former Coated & Industrial Products Australia segment
CRC	Cold rolled coil steel
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
FY2014	12 months ended 30 June 2014
FY2015	12 months ended 30 June 2015
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
HRC	Hot rolled coil steel
HRPNA, HRP North America	Hot Rolled Products North America segment
IFRS	International Financial Reporting Standards
Net debt	Gross debt less cash
NOA	Net operating assets pre-tax
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
NZD	New Zealand dollar
NZPac or NZ Steel & Pacific	New Zealand & Pacific Steel segment
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
U.S.	United States of America
USD, US\$	United States dollar

BlueScope Steel Limited ABN 16 000 011 058
Interim Financial Report - 31 December 2014

Contents

	Page
Directors' report	1
Interim financial report	
Consolidated statement of comprehensive income	8
Consolidated statement of financial position	10
Consolidated statement of changes in equity	11
Consolidated statement of cash flows	12
Notes to the consolidated financial statements	13
Directors' declaration	29
Independent auditor's review report on the interim financial report	30

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

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 ended 31 December 2014.

Directors

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

G J Kraehe AO (Chairman)
R J McNeilly (Deputy Chairman)
P F O'Malley (Managing Director and Chief Executive Officer)
D B Grollo
K A Dean
P Bingham-Hall
E G W Crouch AM
L H Jones
J Bevan
R Dee-Bradbury

OPERATING AND FINANCIAL REVIEW

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 major changes in the state of affairs have occurred:

Business acquisitions

- (i) On 28 February 2014, BlueScope acquired two businesses from Hills Limited: Orrcon, a pipe and tube manufacturer and distributor and Fielders, a building products business.
- (ii) On 1 April 2014, BlueScope acquired the OneSteel sheet and coil processing and distribution businesses in Sydney, Brisbane, Adelaide and Perth, from Arrium Limited.
- (iii) On 3 June 2014, BlueScope acquired the downstream long products rolling mill, wire mill and marketing operations of Fletcher Building's Pacific Steel Group (since renamed to Pacific Steel (PS)). The primary operations are based in Auckland, NZ with a small manufacturing facility in Fiji (completion of the Fiji component of the acquisition occurred on 1 August 2014).

PS is a producer and marketer of long products such as reinforcing steel, rod and wire. In FY2014 PS sold approximately 250kt of product to New Zealand and Fiji domestic and export customers. The agreed acquisition price was NZ \$119.8 million, including working capital. A total of NZ \$85.4 million has been paid up until 31 December 2014, with the remaining to be paid in the first half of FY2016. The cost of acquiring working capital is being funded through realisation of working capital synergies with no significant timing difference.

New Zealand Steel is investing 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 New Zealand and Fiji.

Other

- (iv) BlueScope was a liable entity under the Australian Carbon Pricing Mechanism (CPM), which came into operation on 1 July 2012. In July 2014, the Australian Federal Government abolished the CPM and the Steel Transformation Plan (STP), effective from 1 July 2014.
- (v) BlueScope has undertaken a review of the business strategy, organisational structure and financial metrics, including a review of the information reported regularly to the Chief Executive Officer and Board to reflect the way the business is currently being managed. The review has resulted in the integration of the two existing Australian segments, Coated and Industrial Products Australia and Building Components and Distribution Australia into the one reportable segment known as Australian Steel Products. Changes to its external reporting first applied in respect of half-year ended 31 December 2014. Comparatives for 31 December 2013 have been restated.

OPERATING AND FINANCIAL REVIEW (continued)

MATTERS SUBSEQUENT TO THE HALF-YEAR ENDED 31 DECEMBER 2014

There were no subsequent events after balance date for the half-year ended 31 December 2014.

FINANCIAL RESULTS

The BlueScope Steel Group comprises five reportable operating segments: Australian Steel Products, New Zealand & Pacific Steel, 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 1H FY2015 \$M	REVENUE 1H FY2014 \$M	REPORTED ⁽¹⁾ EARNINGS		UNDERLYING ⁽¹⁾ EARNINGS	
			1H FY2015 \$M	1H FY2014 \$M	1H FY2015 \$M	1H FY2014 \$M
Sales revenue/EBIT ⁽²⁾						
Australian Steel Products	2,478.8	2,246.3	66.4	(15.1)	64.7	13.9
New Zealand & Pacific Steel	489.9	419.6	2.6	38.6	2.6	38.6
Global Building Solutions	785.4	732.5	31.6	19.6	19.3	20.5
Building Products ASEAN, North America & India	898.6	915.5	47.8	41.4	47.8	50.9
Hot Rolled Products North America	-	-	67.1	48.7	67.1	48.7
Discontinued operations	-	-	(0.7)	(0.3)	-	-
Segment sales revenue/EBIT ⁽²⁾	4,652.7	4,313.9	214.8	132.9	201.5	172.6
Inter-segment eliminations	(301.1)	(331.5)	0.4	(2.3)	0.4	(2.3)
Segment external sales revenue/EBIT ⁽²⁾	4,351.6	3,982.4	215.2	130.6	201.9	170.3
Other revenue (net unallocated expenses)	10.2	16.5	(29.6)	(39.6)	(32.2)	(33.9)
Total revenue/EBIT ⁽²⁾	4,361.8	3,998.9	185.6	91.0	169.7	136.4
Borrowing costs			(40.4)	(30.1)	(36.4)	(30.1)
Interest revenue			3.7	1.9	3.7	1.9
Profit from ordinary activities before income tax			148.9	62.8	137.0	108.2
Income tax expense			(34.3)	(35.9)	(35.5)	(32.9)
Profit from ordinary activities after income tax expense			114.6	26.9	101.5	75.3
Net (profit) attributable to outside equity interest			(21.9)	(23.2)	(21.9)	(26.2)
Net profit attributable to equity holders of BlueScope Steel			92.7	3.7	79.6	49.1
Basic earnings per share (cents)			16.6	0.7	14.2	8.8

- (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.

OPERATING AND FINANCIAL REVIEW (continued)

Reconciliation of Underlying Earnings to Reported Earnings

	EBIT \$M		NPAT \$M		Earnings per share ⁽¹⁰⁾ (cents)	
	1H FY2015 \$M	1H FY2014 \$M	1H FY2015 \$M	1H FY2014 \$M	1H FY2015 \$M	1H FY2014 \$M
Reported earnings	185.6	91.0	92.7	3.7	16.6	0.7
Net losses from businesses discontinued ⁽¹⁾	0.7	0.3	0.6	0.3	0.1	-
Reported earnings (from continuing operations)	186.3	91.3	93.3	4.0	16.7	0.7
Underlying adjustments:						
Steel Transformation Plan ⁽²⁾	-	22.9	-	16.0	-	2.9
Business development and acquisition costs ⁽³⁾	7.8	6.0	5.5	4.2	1.0	0.8
Accounting adjustment on closure of the Australian defined benefit fund ⁽⁴⁾	(27.2)	-	(19.0)	-	(3.4)	-
PKSW sinter plant waste gas cleaning stack fire ⁽⁵⁾	7.1	-	5.0	-	0.9	-
Restructure and redundancy costs ⁽⁶⁾	1.7	9.3	1.0	5.5	0.2	0.9
Asset sales ⁽⁷⁾	(6.0)	6.9	(3.5)	2.2	(0.6)	0.4
Debt restructuring costs ⁽⁸⁾	-	-	2.8	-	0.4	-
Tax asset impairment/(write-back) ⁽⁹⁾	-	-	(5.5)	17.2	(1.0)	3.1
Underlying earnings	169.7	136.4	79.6	49.1	14.2	8.8

- (1) First half FY2015 reflects foreign exchange translation losses within the closed Lysaght Taiwan business. First half FY2014 reflects costs relating to the divested Metl-Span business.
- (2) First half FY2014 reflects the inclusion in underlying earnings of the previously received Australian Government Steel Transformation Plan (STP) advance to align with the carbon costs which were being incurred. Recognition of this adjustment was discontinued during first half FY2015 in line with the repeal of the Carbon Tax taking effect from 1 July 2014.
- (3) First half FY2015 reflects transaction and integration costs associated with the Australian businesses acquired during second half of FY2014 (\$7.1M pre-tax) and Corporate business development costs (\$0.7M pre-tax). First half FY2014 reflects Corporate business development costs.
- (4) First half FY2015 reflects an accounting adjustment realised on the closure of the Australian defined benefit (DB) superannuation fund which impacted Australian Steel Products (\$23.8M pre-tax) and Corporate (\$3.4M pre-tax). Upon the closure of the fund the difference between the accounting obligation and members actual benefits were required to be credited to the profit and loss under Australian Accounting Standards.
- (5) First half FY2015 reflects the impact of the Port Kembla Steelworks sinter plant waste gas cleaning stack fire which occurred in October 2014.
- (6) First half FY2015 reflects staff redundancy and restructuring costs at Australian Steel Products (\$4.6M pre-tax) primarily relating to the Building Solutions Australia business partly offset by the write-back of restructuring provisions raised in FY2014 relating to restructuring initiatives within the China business (\$2.9M pre-tax). First half FY2014 reflects staff redundancies and restructuring costs in Building Products ASEAN, North America and India as part of the sale of the Fairfield North America facility completed in December 2013, together with staff redundancies and restructuring costs at Australian Steel Products and Global Building Solutions.

OPERATING AND FINANCIAL REVIEW (continued)

- (7) First half FY2015 reflects the profit on sale of land and buildings in North American Buildings business (\$9.4M pre-tax) and a loss on sale in Australian Steel Products (\$3.4M pre-tax). First half FY2014 reflects the loss on sale on property, plant and equipment and inventory write-off in Building Products ASEAN, North America and India as part of the sale of the Fairfield North America facility completed in December 2013.
- (8) First half FY2015 reflects the write-off of unamortised borrowing costs associated with the previous \$675M Syndicated Bank Facility which was restructured and refinanced. The facility limit is now \$500M.
- (9) First half FY2015 reflects utilisation of previously impaired deferred tax assets in Australia arising from favourable movement in timing differences exceeding tax losses generated during the period. First half FY2014 reflects impairment of Australian deferred tax assets generated during the period.
- (10) Earnings per share are based on the average number of shares on issue during the respective reporting periods, (559.1M in 1H FY2015 vs. 558.5M in 1H FY2014).

FINANCIAL PERFORMANCE

The Company reported a \$92.7 million net profit after tax (NPAT) for the first half of FY2015, an \$89.0 million increase in financial performance compared to the first half of FY2014.

The underlying result was \$79.6 million net profit after tax (NPAT), a 62 per cent increase over the first half of FY2014 and a 26 per cent increase over the second half of FY2014.

The turnaround is successful with strategic investments in Australian and international growth markets already translating into earnings performance. BlueScope is building a globally diversified portfolio of assets that positions the Company for the future. We are particularly pleased to see the earnings growth in our Australian business where margins have expanded. The recently acquired Australian businesses are performing as planned and we're benefitting from the best residential construction activity for years.

The growth in net profit has taken time and a tremendous team effort by employees across the global portfolio. The result of that effort is an underlying EBIT of \$169.7 million for the first half of FY2015, an increase of 24 per cent over the first half of FY2014 and 50 per cent over the second half of FY2014.

At 31 December 2014 net debt was \$408.1 million, with gearing at 8.0 per cent, as the Company continues to focus on maintaining a strong balance sheet.

The Board has approved payment of a fully franked interim dividend of three cents per share.

Segment results

Australian Steel Products (ASP)

The ASP segment delivered an underlying EBIT of \$64.7 million, a 365 per cent improvement compared to first half of FY2014. This performance was driven by lower raw material costs and higher domestic residential building activity. In addition we saw a positive contribution from the integration of the Orrcon, Fielders and OneSteel Sheet & Coil acquisitions.

New Zealand & Pacific Steel (NZPac)

The NZpac segment delivered an underlying EBIT of \$2.6 million, a 93 per cent decrease compared to first half of FY2014 due to lower iron sand prices and volumes.

Building Products ASEAN, North America & India (BP)

The BP segment delivered an underlying EBIT of \$47.8 million, a 6 per cent decrease compared to first half of FY2014. Volume and margin in Thailand were soft in the first half of FY2015, following the political unrest. The contribution from Indonesia and India lifted, with a slightly weaker performance in Vietnam, Malaysia and North America.

OPERATING AND FINANCIAL REVIEW (continued)

Global Building Solutions (GBS)

The GBS segment delivered an underlying EBIT of \$19.3 million, a 6 per cent decrease compared to first half of FY2014. The North American buildings business performed strongly in the peak summer building season, with a 42 per cent increase in earnings over first half of FY2014. Market conditions for our China custom engineered buildings business remain difficult and earnings were significantly lower due to a further contraction in volumes and margins. Our China coated products business, combining coating, painting and roll forming operations performed well, with an increase in earnings in first half of FY2015 over first half of FY2014.

Hot Rolled Products North America (HRPNA)

The HRPNA segment delivered an underlying EBIT of \$67.1 million, a 38 per cent increase compared to first half of FY2014. At North Star BlueScope Steel, despatches continued at 100 per cent of production, spreads remained strong and we enjoyed FX translation benefits with a lower AUD: USD.

Likely developments and expected results of operations

We expect second half of FY2015 underlying EBIT to be higher than second half of FY2014 by up to 20 per cent. Expectations are subject to spread, FX and market conditions.

Expectations for the performance of the businesses in the second half of FY2015 are as follows:

- Continued positive residential building activity, further contributions from acquisitions and the falling A\$ will benefit our Australian business. However the recent fall in Asian and U.S. spot steel prices will compress margins in the Australian segment and also at North Star, resulting in a weaker second half of FY2015 compared to first half of FY2015 for each;
- New Zealand businesses will benefit from higher steel volumes and foreign exchange movements, however lower HRC and iron ore prices will continue to weigh on the segment's result;
- Building Products businesses in South East Asia and the U.S. will see continued growth but with margin pressure in second half of FY2015 due to falling steel prices;
- U.S. engineered buildings will perform better than the second half of FY2014;
- In China, the Building Products business should continue its good performance, but conditions remain difficult for our custom engineered buildings business where we will continue to pursue performance improvement initiatives.

In the medium term, the Company is very well positioned to capture growth in the markets of each of its five segments.

Auditor's independence declaration

The auditor's independence declaration for the half-year ended 31 December 2014 has been received from Ernst & Young. This can be referred to on page 7 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
23 February 2015



Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2014, 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

Rodney Piltz
Partner
23 February 2015

BlueScope Steel Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2014

	Notes	Half-year 2014 \$M	2013 \$M
Revenue from continuing operations		4,361.8	3,998.9
Other income	4	9.7	75.8
Changes in inventories of finished goods and work in progress		(31.0)	42.3
Raw materials and consumables used		(2,407.9)	(2,309.1)
Employee benefits expense		(807.4)	(752.1)
Depreciation and amortisation expense		(164.3)	(164.7)
Net impairment charge of non-current assets	4	(1.8)	(1.0)
Freight on external despatches		(275.7)	(238.8)
External services		(455.8)	(419.7)
Finance costs	4	(40.4)	(30.1)
Net restructuring costs	4	(3.6)	(9.3)
Direct carbon emission (expense) write-back	4	1.2	(69.6)
Other expenses		(105.0)	(107.7)
Share of net profits (losses) of associates and joint venture partnerships		69.8	48.2
Profit before income tax		149.6	63.1
Income tax expense	5	(34.4)	(35.9)
Net profit from continuing operations		115.2	27.2
Loss from discontinued operations after income tax		(0.6)	(0.3)
Net profit for the half-year		114.6	26.9
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit and loss</i>			
Loss on cash flow hedges taken to equity		(13.1)	(3.2)
Loss on cash flow hedges transferred to inventory		6.2	4.9
- Income tax expense		(0.4)	(0.4)
Net gain on hedges of net investments in foreign subsidiaries		34.9	9.6
Exchange differences on translation of foreign operations attributable to BlueScope Steel Limited		97.1	62.2
<i>Items that will not be reclassified to profit and loss</i>			
Actuarial gain (loss) on defined benefit superannuation plans	7	(60.5)	76.1
-Income tax (expense) benefit		15.5	(16.3)
Exchange differences on translation of foreign operations attributable to non-controlling interests		54.7	7.6
Loss on cash flow hedges taken to equity attributable to non-controlling interests		(1.2)	-
Other comprehensive income for the half-year		133.2	140.5
Total comprehensive income for the half-year		247.8	167.4
Profit is attributable to:			
Owners of BlueScope Steel Limited		92.7	3.7
Non-controlling interests		21.9	23.2
		114.6	26.9
Total comprehensive income is attributable to:			
Owners of BlueScope Steel Limited		172.7	136.7
Non-controlling interests		75.1	30.7
		247.8	167.4

BlueScope Steel Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2014
 (continued)

	Notes	Half-year 2014 Cents	2013 Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	11	16.7	0.7
Diluted earnings per share	11	16.2	0.7
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	11	16.6	0.7
Diluted earnings per share	11	16.1	0.7

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 2014

	Notes	31 December 2014 \$M	30 June 2014 \$M
ASSETS			
Current assets			
Cash and cash equivalents		390.3	466.6
Receivables		1,066.2	1,062.5
Inventories		1,620.4	1,503.1
Derivative financial instruments		1.2	-
Intangible assets		1.7	35.9
Other		68.4	59.8
		<u>3,148.2</u>	<u>3,127.9</u>
Non-current assets classified as held for sale		5.3	3.7
Total current assets		<u>3,153.5</u>	3,131.6
Non-current assets			
Receivables		24.9	46.1
Inventories		66.7	68.1
Investments accounted for using the equity method		162.0	138.7
Property, plant and equipment		3,652.8	3,515.3
Deferred tax assets	5	171.1	162.6
Intangible assets		492.1	448.7
Other		8.1	7.8
		<u>4,577.7</u>	<u>4,387.3</u>
Total non-current assets		<u>4,577.7</u>	4,387.3
Total assets		<u>7,731.2</u>	<u>7,518.9</u>
LIABILITIES			
Current liabilities			
Payables		1,194.7	1,218.6
Borrowings		73.7	40.5
Current tax liabilities		15.1	9.7
Provisions		460.7	508.7
Deferred income		144.1	150.0
Derivative financial instruments		13.3	2.2
		<u>1,901.6</u>	<u>1,929.7</u>
Total current liabilities		<u>1,901.6</u>	1,929.7
Non-current liabilities			
Payables		10.8	41.8
Borrowings		724.7	687.7
Deferred tax liabilities		15.5	31.2
Provisions		199.4	205.8
Retirement benefit obligations	7	193.6	162.6
Deferred income		3.3	3.4
		<u>1,147.3</u>	<u>1,132.5</u>
Total non-current liabilities		<u>1,147.3</u>	1,132.5
Total liabilities		<u>3,048.9</u>	<u>3,062.2</u>
Net assets		<u>4,682.3</u>	<u>4,456.7</u>
EQUITY			
Contributed equity	6	4,667.3	4,659.4
Reserves		201.7	73.8
Retained profits		(624.3)	(671.7)
Parent entity interest		<u>4,244.7</u>	<u>4,061.5</u>
Non-controlling interests		437.6	395.2
Total equity		<u>4,682.3</u>	<u>4,456.7</u>

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

BlueScope Steel Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2014

Notes	Contributed equity \$M	Reserves \$M	Retained earnings \$M	Non- controlling interests \$M	Total \$M
31 December 2014					
Balance at 1 July 2014	4,659.4	73.8	(671.7)	395.2	4,456.7
Profit for the period	-	-	92.7	21.9	114.6
Other comprehensive income	-	124.7	(44.7)	53.2	133.2
Total comprehensive income for the half-year	-	124.7	48.0	75.1	247.8
Transactions with owners in their capacity as owners:					
Shares issued:					
- FY13 KMP STI share awards	6	1.9	-	-	1.9
- FY13 STI share buyback	6	(0.1)	-	-	(0.1)
- Retention share awards - Treasury shares	6	3.7	(3.7)	-	-
Share-based payment expense		6.2	-	-	6.2
Dividends paid		-	-	(32.7)	(32.7)
Tax credit recognised directly in equity	6	2.4	-	-	2.4
Other		-	0.7	(0.6)	0.1
		7.9	3.2	(0.6)	(22.2)
Balance at 31 December 2014	4,667.3	201.7	(624.3)	437.6	4,682.3

Notes	Contributed equity \$M	Reserves \$M	Retained earnings \$M	Non- controlling interests \$M	Total \$M
31 December 2013					
Balance at 1 July 2013	4,650.1	37.5	(634.7)	407.4	4,460.3
Profit for the period	-	-	3.7	23.2	26.9
Other comprehensive income	-	73.3	58.2	9.0	140.5
Total comprehensive income for the half-year	-	73.3	61.9	32.2	167.4
Transactions with owners in their capacity as owners:					
Shares issued:					
- FY12 KMP STI share awards	6	1.3	-	-	1.3
Share-based payment expense	6	-	6.2	-	6.2
Dividends paid		-	-	(29.9)	(29.9)
Other		-	(3.3)	0.3	(3.0)
		1.3	2.9	-	(29.6)
Balance at 31 December 2013	4,651.4	113.7	(572.8)	410.0	4,602.3

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

BlueScope Steel Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2014

	Note	Consolidated Half-year	
		2014 \$M	2013 \$M
Cash flows from operating activities			
Receipts from customers		4,623.4	4,187.7
Payments to suppliers and employees		<u>(4,470.2)</u>	<u>(4,068.3)</u>
		153.2	119.4
Associate dividends received		1.5	0.9
Joint venture partnership distributions received		58.3	37.6
Interest received		1.7	1.9
Other revenue		6.9	15.2
Finance costs paid		(36.1)	(23.7)
Income taxes paid		<u>(35.9)</u>	<u>(23.9)</u>
Net cash inflow from operating activities		<u>149.6</u>	<u>127.4</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(165.3)	(114.5)
Payments for intangibles		(2.7)	(3.5)
Payments for investments in joint venture partnerships		(1.6)	(1.0)
Payments for purchase of business assets, net of cash acquired		(52.7)	-
Proceeds from sale of property, plant and equipment		<u>13.6</u>	<u>7.8</u>
Net cash (outflow) from investing activities		<u>(208.7)</u>	<u>(111.2)</u>
Cash flows from financing activities			
Proceeds from borrowings		857.9	289.4
Repayment of borrowings		(877.2)	(254.7)
Dividends paid to non-controlling interests in subsidiaries		(32.7)	(29.9)
Transactions with non-controlling interests		-	1.6
Share buy-back	6	<u>(0.1)</u>	<u>-</u>
Net cash (outflow) inflow from financing activities		<u>(52.1)</u>	<u>6.4</u>
Net increase/(decrease) in cash and cash equivalents		<u>(111.2)</u>	<u>22.6</u>
Cash and cash equivalents at the beginning of the financial year		465.9	512.9
Effects of exchange rate changes on cash and cash equivalents		<u>31.7</u>	<u>8.2</u>
Cash and cash equivalents at end of period		<u>386.4</u>	<u>543.7</u>

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

	Page
1	Basis of preparation of the interim report 14
2	Critical accounting estimates and judgements 15
3	Segment information 18
4	Other income and expenses 23
5	Income tax expense 24
6	Equity securities issued 24
7	Non-current liabilities - Retirement benefit obligations 25
8	Fair value of financial instruments 27
9	Dividends 27
10	Contingencies 27
11	Earnings (loss) per share 28
12	Events occurring after the reporting period 28

1 Basis of preparation of the interim report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2014 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 ended 30 June 2014 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.

(i) *New and amended standards adopted by the Group*

The following standards and amendments apply for first time in the annual reporting period commencing 1 July 2014:

- AASB 2012-3 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*; and
- AASB 2014-1 *Amendments to Australian Accounting Standards - Part A - Annual Improvements to IFRSs 2011-2013 Cycle*

The above standards did not impact the interim consolidated financial statements and disclosures of the Group.

(a) **New Accounting Standards and interpretations**

Certain new Accounting Standards and interpretations have been published that are not mandatory for the 31 December 2014 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2018 based on the proposed AASB 9 amendments)*

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets. The standard is not applicable until 1 January 2018 but is available for early adoption. When adopted, the standard will impact accounting for available-for-sale financial assets, as AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

The main changes to the classification and measurement of financial assets are:

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit and loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - (i) The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
 - (ii) The remaining change is presented in profit and loss

AASB 9 also removes the volatility in profit and loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit and loss.

1 Basis of preparation of the interim report (continued)

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit and loss and the Group does not have any such liabilities.

(ii) AASB 15 Revenue from Contracts with Customers

The AASB has issued AASB 15 *Revenue from Contracts with Customers*. AASB 15 will replace AASB 111 *Construction Contracts*, AASB 118 *Revenue and related AASB Interpretations* (Interpretation 13 *Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate*, Interpretations 18 *Transfers of Assets from Customers* and Interpretation 131 *Revenue-Barter Transactions Involving Advertising Services*).

The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- (1) Identify the contract(s) with a customer
- (2) Identify the performance obligations in the contract
- (3) Determine the transaction price
- (4) Allocate the transaction price to the performance obligations in the contract
- (5) Recognise revenue when (or as) the entity satisfies a performance obligation

The standard will be effective from 1 July 2017. The standard is not expected to have a material impact on the Group's financial statements and disclosures.

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 (CGU's) were tested for impairment at the reporting date. The recoverable amounts of CGUs have been determined on a consistent basis to 30 June 2014. 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 of disposal. The following describes assumptions on which the Group has based its projections when determining the recoverable value of each CGU.

2 Critical accounting estimates and judgements (continued)

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 Group covering a three-year period, being the basis of the Group's forecasting and planning processes or up to five years 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.
- 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 2014: 2.5%). The growth rate represents a steady indexation rate which does not exceed the Group'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 8.7% to 9.8% (June 2014: 8.7% - 9.8%).

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 has been included in determining cash flow projections. The Australian Carbon Pricing Mechanism (CPM) which came into effect 1 July 2012 was abolished by the Australian Federal Government in July 2014 and has not been included in determining cash flow projections.

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, Australian Steel Products (ASP), which are determined taking into account the key assumptions set out above.

2 Critical accounting estimates and judgements (continued)

The Group 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, approximately 10-15%, across the forecast period, without the implementation of mitigation plans, the cash flow forecasts would continue to support the carrying value of this CGU.

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 has \$267.6M of goodwill (82.7% of the Group's goodwill) and is tested for impairment on a VIU basis using three and a half year cash flow projections, followed by a long-term growth rate of 2.5% for a further 26.5 years. Pre-tax VIU cash flows are discounted utilising a 13.4% pre-tax discount rate (June 2014: 13.4%).

At 31 December 2014 the estimated recoverable amount of this CGU is 1.1 times the carrying amount of \$485.5M, including non-current assets and net working capital. 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 Group expects non-residential building and construction activity to increase significantly (10% per annum from the current historically low base levels over the three and a half year projection period) as 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 26% 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.

(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.

2 Critical accounting estimates and judgements (continued)

(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 7.

(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. In addition, a number of sites within the Group are subject to ongoing environmental review and monitoring. 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

During the year, the Group re-organised its business structure to better reflect the way the business is currently being managed, effective 1 December 2014. As a result, the Group's external reporting has changed in respect of the half-year ended 31 December 2014. Comparatives for December 2013 and June 2014 have been restated.

The Group has five reportable operating segments: Australian Steel Products, New Zealand & Pacific Steel, Global Building Solutions, Building Products ASEAN, North America & India and Hot Rolled Products North America.

3 Segment information (continued)

Australian Steel Products

Australian Steel Products (ASP) is the combination of two previously separately reported segments, Coated & Industrial Products Australia (CIPA) and Building Components & Distribution Australia (BCDA), and the Building Solutions Australia businesses that have moved across from the Global Building Solutions segment.

ASP includes 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.

The segment also operates 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

The New Zealand Steel operation includes iron sand mining at Waikato North Head and Taharoa, New Zealand, producing iron sands for export and internal use at the Glenbrook, New Zealand, steel making operation. The Glenbrook facility produces a 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 and includes the Auckland based long products rolling mill and wire drawing facility acquired from Fletcher Steel Limited in June 2014.

Global Building Solutions

The Global Building Solutions (GBS) 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 metal coating, painting and Lysaght businesses in China. The Building Solutions Australia businesses were transferred to the ASP segment from GBS, effective 1 July 2014.

Building Products ASEAN, North America & India

Building Products ASEAN and North America 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 include LYSAGHT® roll-forming facilities in Singapore and Brunei. These businesses comprise the NS BlueScope Coated joint venture, a 50/50 joint venture with Nippon Steel and Sumitomo Metal Corporation which BlueScope controls and therefore consolidates in the Group financial statements.

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 include a LYSAGHT® roll-forming facility in Sri Lanka. These businesses are jointly controlled and are therefore equity accounted for in the Group financial statements.

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. These businesses are jointly controlled and are therefore equity accounted for in the Group financial statements.

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 2014 is as follows:

Half-year 2014	Australian Steel Products \$M	New Zealand & Pacific Steel \$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	2,478.8	489.9	785.4	898.6	-	-	4,652.7
Intersegment revenue	(197.4)	(49.7)	(0.3)	(53.7)	-	-	(301.1)
Revenue from external customers	2,281.4	440.2	785.1	844.9	-	-	4,351.6
Segment EBIT	66.4	2.6	31.6	47.8	67.1	(0.7)	214.8
Depreciation and amortisation	91.7	28.8	17.4	26.2	-	-	164.1
Impairment of non-current assets	0.2	-	-	-	1.6	-	1.8
Share of profit (loss) from associates and joint venture partnerships	-	2.5	0.5	(3.2)	70.0	-	69.8
Total segment assets	3,547.8	1,001.7	1,230.6	1,315.4	131.1	0.3	7,226.9
Total assets includes:							
Investments in associates and joint venture partnerships	-	5.9	1.4	23.8	130.9	-	162.0
Additions to non-current assets (other than financial assets and deferred tax)	76.3	40.9	6.4	17.5	-	-	141.1
Total segment liabilities	1,078.2	318.1	527.6	309.9	-	4.1	2,237.9
Half-year 2013 (restated)	Australian Steel Products \$M	New Zealand & Pacific Steel \$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	2,246.3	419.6	732.5	915.5	-	-	4,313.9
Intersegment revenue	(213.5)	(65.8)	(1.7)	(50.5)	-	-	(331.5)
Revenue from external customers	2,032.8	353.8	730.8	865.0	-	-	3,982.4
Segment EBIT	(15.1)	38.6	19.6	41.4	48.7	(0.3)	132.9
Depreciation and amortisation	97.2	25.1	16.4	26.0	-	-	164.7
Impairment of non-current assets	-	-	-	-	1.0	-	1.0
Share of profit (loss) from associates and joint venture partnerships	-	2.1	0.3	(5.1)	50.9	-	48.2
Total segment assets	3,690.3	792.1	1,055.2	1,191.0	112.5	0.2	6,841.3
Total assets includes:							
Investments in associates and joint venture partnerships	2.8	9.2	1.0	28.6	112.2	-	153.8
Additions to non-current assets (other than financial assets and deferred tax)	54.5	45.0	10.4	13.3	-	-	123.2
Total segment liabilities	1,276.1	206.6	415.8	247.3	-	4.2	2,150.0

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.

	Consolidated Half-year	
	2014 \$M	Restated 2013 \$M
Total segment revenue	4,652.7	4,313.9
Intersegment eliminations	(301.1)	(331.5)
Other revenue	10.2	16.5
Total revenue from continuing operations	4,361.8	3,998.9

(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:

	Consolidated Half-year	
	2014 \$M	Restated 2013 \$M
Total segment EBIT gain	214.8	132.9
Intersegment eliminations	0.4	(2.3)
Interest income	3.7	1.9
Finance costs	(40.4)	(30.1)
EBIT loss attributable to discontinued operations	0.7	0.3
Corporate operations	(29.6)	(39.6)
Profit before income tax from continuing operations	149.6	63.1

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:

	Consolidated	Restated
	December	June
	2014	2014
	\$M	\$M
Segment assets	7,226.9	6,942.9
Intersegment eliminations	(89.2)	(84.1)
Unallocated:		
Deferred tax assets	171.1	162.6
Cash	390.3	466.6
Corporate operations	11.2	9.7
Tax receivables	20.9	21.2
Total assets as per the statement of financial position	7,731.2	7,518.9

(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:

	Consolidated	Restated
	December	June
	2014	2014
	\$M	\$M
Segment liabilities	2,237.9	2,246.3
Intersegment eliminations	(88.5)	(83.1)
Unallocated:		
Current borrowings	73.7	40.5
Non-current borrowings	724.7	687.7
Current tax liabilities	15.1	9.7
Deferred tax liabilities	15.5	31.2
Accrued borrowing costs payable	5.7	6.5
Corporate operations	29.8	41.2
Deferred purchase price on business acquisition	35.0	82.2
Total liabilities as per the statement of financial position	3,048.9	3,062.2

4 Other income and expenses

	Consolidated Half-year	
	2014 \$M	2013 \$M
Profit before income tax includes the following specific income and expenses for continuing operations:		
<i>Other income</i>		
Carbon permit - Government Grant (a)	1.2	75.2
Net gain on sale of property, plant and equipment (b)	7.5	-
Government Grant - other	0.4	0.3
Insurance recoveries	-	0.3
Net foreign exchange gains	0.6	-
Total other income	9.7	75.8
<i>Impairment of non current-assets</i>		
Castrip joint venture	(1.6)	(1.0)
Buildings Australia goodwill	(0.2)	-
Total impairment of non-current assets	(1.8)	(1.0)
<i>Finance costs</i>		
Interest and finance charges paid/payable for financial liabilities not at fair value through profit and loss	(26.4)	(19.7)
Ancillary finance charges (c)	(11.6)	(8.6)
Provisions: unwinding of discount	(2.4)	(2.5)
	(40.4)	(30.8)
Amount capitalised	-	0.7
Finance costs expensed	(40.4)	(30.1)
Direct carbon emission (expense) write-back (a)	1.2	(69.6)
Net loss on sale of property, plant and equipment (b)	-	(6.7)
Net restructuring costs (d)	(3.6)	(9.3)
Defined Benefit superannuation fund closure gain (e)	27.2	-
Net foreign exchange loss	-	(10.2)
Inventory net realisable value (expense)	(33.8)	(35.6)

(a) Carbon permit income and direct carbon emission expense

The Australian Carbon Pricing Mechanism (CPM), which came into effect 1 July 2012, was abolished by the Australian Federal Government effective 1 July 2014. The current year carbon permit income relates to permits granted by the New Zealand Government. The current year write-back of carbon expense relates to the FY14 provision true-up in Port Kembla relating to the CPM.

New Zealand Steel's coal and gas direct emission expense is recorded within raw material and utility costs as these costs are passed through by our suppliers. The Carbon Pricing Scheme in New Zealand increases the costs of electricity (scope 2 direct emissions) and potentially the cost of other goods and services (scope 3 indirect emissions). The Scope 2 and Scope 3 carbon costs are not included in the direct carbon emission expense.

4 Other income and expenses (continued)

(b) Net (gain) loss on sale of property, plant and equipment

Current year gain on sale of property, plant and equipment includes \$9.4M in Building Products ASEAN, North America and India, for profit on sale of the San Marcos manufacturing facility in December 2014. The prior period loss on sale of property, plant and equipment includes \$6.0M in Building Products ASEAN, North America and India, for loss on sale of assets at the North America Fairfield facility.

(c) Ancillary finance charges

On 21 November 2014, the existing \$675M syndicated bank facility was refinanced and resized to \$500M resulting in a \$4.0M write-off of unamortised borrowing costs. The new facility is comprised of three tranches including a \$100M tranche maturing in November 2015, a \$200M tranche maturing in November 2017 and a \$200M tranche maturing in November 2019. As at 31 December 2014, the facility was undrawn.

(d) Net restructuring costs

Current year restructuring costs include \$13.0M within Australian Steel Products in relation to site closures offset by a \$6.5M write-back. Additionally, there was a further \$2.9M write-back in restructuring costs in Global Building Solutions in relation to the Group's China operations. Prior period restructuring costs includes \$3.0M in Building Products ASEAN, North America and India, associated with the sale of the Fairfield North America Facility and \$4.5M restructuring costs in Australian Steel Products.

(e) Defined Benefit superannuation closure gain

In December 2014, a curtailment gain of \$27.2M was recognised in relation to the closure of the Australian Defined Benefit superannuation fund. The curtailment gain represents the difference between the accounting obligation and the vested benefits paid to the members.

5 Income tax expense

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.

6 Equity securities issued

	Six-months to 31 Dec 2014 Shares	Six-months to 31 Dec 2013 Shares	Six-months to 31 Dec 2014 \$M	Six-months to 31 Dec 2013 \$M
Issue of ordinary shares during the half-year				
Opening balance	558,848,896	558,243,305	4,663.1	4,661.4
FY12/13 KMP STI share awards (i)	378,975	490,423	1.9	0.4
FY13 KMP STI share buy-back (ii)	-	-	(0.1)	-
Share rights - Tax deduction (iv)	-	-	2.4	-
	559,227,871	558,733,728	4,667.3	4,661.8
Movements in treasury shares during the half-year				
Opening balance	(494,952)	(1,155,933)	(3.7)	(11.3)
FY12 KMP STI share awards (i)	-	87,981	-	0.9
July 2011 Retention shares vested (iii)	494,952	-	3.7	-
	-	(1,067,952)	-	(10.4)
Net movement	559,227,871	557,665,776	4,667.3	4,651.4

6 Equity securities issued (continued)

(i) FY12/FY13 KMP STI share awards

In August 2014, 378,975 shares (\$1.9M) were issued to Key Management Personnel (KMP) executives as part of the FY13 KMP STI share awards. In September 2013, 578,404 shares (\$1.3M) were issued to Key Management Personnel (KMP) executives as part of the FY12 KMP STI share awards, of which 490,423 were new shares and 87,981 allocated from forfeited retention share award schemes classified as treasury shares.

The shares will lapse if the KMP executive resigns or is terminated for cause within 12 months from when the shares are issued.

(ii) FY13 STI share buyback

The FY2013 STI share award for the Chief Executive Officer (CEO) was purchased on market. The share buyback represents the difference between the cost of the shares acquired and the STI provision held.

(iii) Share plan Retention Awards

The July 2011 ELT retention share scheme vested in August 2014, resulting in 494,952 shares being released by the BlueScope employee share plan trust to ELT members.

(iv) Share rights - Tax deduction

In December 2014, a \$2.4M tax credit was recorded in share capital for the estimated tax deduction in excess of accounting expense recognised for share right awards.

7 Non-current liabilities - Retirement benefit obligations

(a) Balance sheet amounts

	Consolidated	
	December 2014 \$M	June 2014 \$M
Present value of the defined benefit obligation	(996.1)	(1,245.7)
Fair value of defined benefit plan assets	802.5	1,083.1
	<u>(193.6)</u>	<u>(162.6)</u>
Net liability in the statement of financial position	(193.6)	(162.6)

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

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

December 2014	BlueScope Steel Superannuation Fund (i)	New Zealand Pension Fund	Coated & Building Products North America	Total
	\$M	\$M	\$M	\$M
Present value of the defined benefit obligation	-	(472.8)	(523.3)	(996.1)
Fair value of defined benefit plan assets	-	399.4	403.1	802.5
Net liability in the statement of financial position	-	(73.4)	(120.2)	(193.6)
Defined benefit expense (credit)	(20.0)	6.1	2.7	(11.2)
Actuarial loss	17.9	5.9	36.7	60.5
Employer contribution	22.2	8.9	-	31.1
<i>Significant actuarial assumptions</i>	%	%	%	
Discount rate (gross of tax)	3.0	4.6	3.9	
Future salary increases (ii)	3.0	3.0	-	

June 2014	BlueScope Steel Superannuation Fund (i)	New Zealand Pension Fund	Coated & Building Products North America	Total
	\$M	\$M	\$M	\$M
Present value of the defined benefit obligation	(391.0)	(438.0)	(416.7)	(1,245.7)
Fair value of defined benefit plan assets	366.8	369.5	346.8	1,083.1
Net liability in the statement of financial position	(24.2)	(68.5)	(69.9)	(162.6)
Defined benefit expense	16.6	13.8	4.7	35.1
Actuarial (gain) loss	(24.2)	(22.7)	(11.3)	(58.2)
Employer contribution	20.9	17.5	1.1	39.5
<i>Significant actuarial assumptions</i>	%	%	%	
Discount rate (gross of tax)	4.0	4.7	4.2	
Future salary increases (ii)	3.0	3.0	-	

(i) The defined benefit division of the BlueScope Steel Superannuation Fund closed as at 31 December 2014. A \$27.2M curtailment gain arising from the fund closure was recognised in the profit and loss.

(ii) Coated and Building Products North America has frozen future salary increases for the purpose of contributions to the superannuation fund as at 30 June 2013.

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

8 Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques.

With the exception of the table below, the fair value of financial assets and financial liabilities (including those recognised and measured at amortised cost) is assumed to approximate their fair values due to their short-term nature and/or application of floating rate interest charges. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current interest bearing liabilities approximates the carrying amount, as the impact of discounting is not significant.

	At 31 December 2014		At 30 June 2014	
	Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
<i>Non-traded financial liabilities</i>				
Other loans	366.7	441.9	318.7	393.2
Net assets (liabilities)	<u>(366.7)</u>	<u>(441.9)</u>	<u>(318.7)</u>	<u>(393.2)</u>

None of the above financial assets or liabilities are readily traded on organised markets in standardised form. The fair value of interest bearing financial liabilities where no market exists is based upon discounting the expected future cash flows by the current market interest rates on liabilities with similar risk profiles that are available to the Group.

9 Dividends

(a) Dividends not recognised at the end of the reporting period

	Parent entity Half-year	
	2014 \$M	2013 \$M
For the half-year ended 31 December 2014, the Directors have approved the payment of an interim dividend of 3 cents per fully paid ordinary share, fully franked based on tax paid at 30%. Proposed dividend expected to be paid but not recognised as a liability at period end, is	<u>17.0</u>	-

10 Contingencies

The Australian Taxation Office (ATO) 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 2014 full financial report). In accordance with ATO guidelines, BSL made a \$21.2M part payment on 9 July 2012 pending determination of the dispute.

This matter was settled with the ATO in February 2015. As a result of the settlement and estimated net interest receivable on the previous part payment, BlueScope will receive a cash refund of approximately \$20M which has been recorded as a current receivable in the 31 December 2014 financial statements. BSL has also agreed to cancel an amount of unbooked carry forward tax losses. After adjusting for the settlement, the carry forward Australian tax losses at 31 December 2014 are approximately \$2.8B.

There were no other material changes to contingent liabilities and assets disclosed since 30 June 2014.

11 Earnings (loss) per share

(a) Basic earnings (loss) per share

	Consolidated Half-year	
	2014 Cents	2013 Cents
From continuing operations attributable to the ordinary equity holders of the Company	16.7	0.7
From discontinued operations	(0.1)	-
Total basic earnings per share attributable to the ordinary equity holders of the Company	16.6	0.7

(b) Diluted earnings (loss) per share

	Consolidated Half-year	
	2014 Cents	2013 Cents
From continuing operations attributable to the ordinary equity holders of the Company	16.2	0.7
From discontinued operations	(0.1)	-
Total diluted earnings per share attributable to the ordinary equity holders of the Company	16.1	0.7

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

	Consolidated Half-year	
	2014 \$M	2013 \$M
<i>Basic and diluted earnings (loss) per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	93.3	4.0
From discontinued operations	(0.6)	(0.3)
	92.7	3.7

(d) Weighted average number of shares used as denominator

	Consolidated Half-year	
	2014 Number	2013 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings (loss) per share</i>	559,137,247	558,489,856
Adjustments for calculation of diluted earnings per share:		
Weighted average number of share rights	16,575,028	14,014,610
<i>Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	575,712,275	572,504,466

12 Events occurring after the reporting period

There were no subsequent events after balance date for the half-year ended 31 December 2014.

Directors' declaration

In the directors' opinion:

- (a) the interim financial statements and notes set out on pages 8 to 28 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 2014 and of its performance for the half-year ended 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
23 February 2015

To the members of BlueScope Steel Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BlueScope Steel Limited, which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and 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 director's 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 Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year 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 half-year 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 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 2014 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 a half-year 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.

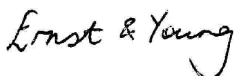
Independence

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 half-year 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 2014 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



Rodney Piltz
Partner
Melbourne
23 February 2015