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ASX Code: BSL



22 February 2016

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 2015**

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 2015.

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

22 February 2016: BlueScope today reported its financial results for the six months ended 31 December 2015.

\$M unless marked	1H FY2016	1H FY2015	Variance %
Sales from continuing operations	4,430.0	4,329.3	2%
Reported NPAT	200.1	92.7	116%
Underlying NPAT <sup>1</sup>	119.0	81.2	47%
Interim ordinary dividend (cents) <sup>2</sup>	3.0 cps	3.0 cps	-
Reported earnings per share (cents)	35.2 cps	16.6 cps	112%
Underlying earnings per share (cents)	20.9 cps	14.5 cps	44%
Net tangible assets per share (\$)	4.72	6.43	(27%)

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 2016 interim dividend is fully franked and its record date is Friday 4 March 2016.

### KEY POINTS

- Sales revenue of \$4,430.0M was higher than 1H FY2015 mainly due to favourable impacts of a weaker AUD:USD, 100% consolidation of North Star effective from November 2015 and higher despatch volumes at Engineered Buildings China. These were partly offset by lower steel and iron ore prices.
- Reported NPAT of \$200.1M increased by \$107.4M on 1H FY2015 primarily due to the requirement to revalue the Company's existing interest in North Star when 100% ownership was acquired at the end of October 2015, sale of McDonald's Lime and improved underlying NPAT, partly offset by Australia and New Zealand non-current asset carrying value impairment charges.
- Underlying NPAT of \$119.0M, \$37.8M higher than 1H FY2015 primarily due to lower costs and favourable impacts of a weaker AUD:USD, partly offset by lower spreads.
- Underlying EBIT of \$230.1M, a \$59.1M increase on 1H FY2015.
- Australian Steel Products underlying EBIT of \$173.6M, a \$107.5M increase on 1H FY2015 driven by lower costs and better domestic volumes/mix, but weaker spread.
- New Zealand and Pacific Steel underlying EBIT loss of \$47.1M, a decline of \$49.2M due to weaker steel and iron ore prices and higher NRV charges, partly offset by cost reductions. We have commenced a sale process of the Taharoa iron sands business.
- Building Products segment underlying EBIT of \$65.4M, an increase of \$17.6M. All businesses delivered stronger earnings except Thailand which was flat. Higher margins and favourable translation of earnings offset by lower volumes in Thailand and Indonesia and higher costs in North America, Malaysia and Vietnam.
- BlueScope Buildings underlying EBIT of \$34.2M, an increase of \$14.9M. Strong Buildings North America performance on stronger margins. Buildings Asia turnaround is progressing, delivering a result close to breakeven. Solid performance at China coating and painting.
- Hot Rolled Products North America EBIT of \$42.4M with weaker spreads partially offset by FX translation and consolidation of North Star for the last two months of the half.
- Net debt at 31 December 2015 was \$1,373.4M (of which \$97.1M in NS BlueScope Coated Products JV), up from \$408.1M at 31 December 2014 mainly due to the move to 100% ownership of North Star BlueScope Steel. Continuing strong liquidity (undrawn debt plus cash) of A\$1,276.3M.
- Expectations for the performance of our businesses in 2H FY2016 are as follows:
  - ASP: expect weaker pricing with impact of lagged regional steel prices from late CY2015, typical seasonality and de-stocking in volumes. Expect further cost savings, offset by timing of maintenance spend, including February scheduled blast furnace maintenance stoppage.
  - NZPac: 2H FY2016 performance expected to improve on 1H FY2016. Further cost savings in steel and iron sands are expected and 4Q FY2016 will benefit from billet caster economics. However these will be partly offset by weaker steel pricing with impact of lagged regional steel prices from late CY2015, and weaker iron ore prices.
  - BP: expect continued market and volume growth, with competitive pressures on margins.
  - BB: expect weaker volumes in North America with softer non-residential construction markets and typical seasonality. Asia Buildings is expected to see continued benefit of improvement program, but weaker volumes driven by lower end-use demand and seasonality. Continued strong performance is expected for Coated China, with seasonality.
  - HRP North America: expect continued full despatch rate and improving spreads compared to 1H FY2016. Benefit of full period of 100% ownership.

■ Group outlook:

- Notwithstanding a challenging macroeconomic environment, due to the significant cost reductions and process improvements we are implementing, we expect 2H FY2016 underlying EBIT to be up to 60% higher than 2H FY2015. This is based on assumptions of average:
  - Spot East Asian HRC price of ~US\$285/t
  - 62% Fe CFR iron ore price of ~US\$40/t
  - Hard coking coal price of ~US\$80/t
  - AUD:USD at US\$0.70
- Expect 2H FY2016 underlying net finance costs to be higher than 1H FY2016 due to higher average borrowings; expect slightly lower underlying tax rate and similar profit attributable to non-controlling interests to 1H FY2016.
- Expectations are subject to spread, FX and market conditions.

**Key Financial Measures – Six months ended 31 December 2015 and 31 December 2014 <sup>1</sup>**

\$M unless marked	1H FY2016	1H FY2015	Variance %
Total revenue <sup>2</sup>	4,438.8	4,361.8	2%
EBITDA – underlying <sup>3</sup>	417.8	335.3	25%
EBIT – reported <sup>3</sup>	324.9	185.6	75%
EBIT – underlying <sup>3</sup>	230.1	171.0	35%
NPAT attributable to BSL holders			
- reported	200.1	92.7	116%
- underlying	119.0	81.2	47%
Reported earnings per share (cents)	35.2 cps	16.6 cps	112%
Underlying earnings per share (cents)	20.9 cps	14.5 cps	44%
Interim dividend (cents)	3.0 cps	3.0 cps	-
Return (underlying EBIT) on invested capital (%)	7.8%	6.9%	-
Net debt	1,373.4	408.1	237%
Gearing (%)	21.7%	8.0%	-
Net tangible assets per share (\$)	4.72	6.43	(27%)

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

2) Excludes the Company's 50% share of NSBSL revenue of: 235.0 (4 months) 398.0  
Includes revenue other than sales revenue of: 8.8 10.2

3) Includes 50% share of net profit from NSBSL of: 28.7 (4 months) 70.1

## FINANCIAL RESULTS

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

Table 1: Results Summary

\$M	Revenue		Reported Result <sup>1</sup>		Underlying Result <sup>2</sup>	
	1H FY2016	1H FY2015 <sup>3</sup>	1H FY2016	1H FY2015 <sup>3</sup>	1H FY2016	1H FY2015 <sup>3</sup>
<b>Sales revenue/EBIT<sup>4</sup></b>						
Australian Steel Products	2,302.1	2,459.0	(95.9)	71.7	173.6	66.1
New Zealand & Pacific Steel	451.5	489.9	(365.7)	2.6	(47.1)	2.6
Building Products ASEAN, Nth Am & India	878.6	898.6	65.4	47.8	65.4	47.8
BlueScope Buildings	889.8	785.4	26.3	31.6	34.2	19.3
Hot Rolled Products North America	187.1	0.0	743.1	67.1	42.4	67.1
Discontinued operations	0.0	22.3	(0.9)	(6.0)	0.0	0.0
<b>Segment revenue/EBIT</b>	<b>4,709.1</b>	<b>4,655.2</b>	<b>372.3</b>	<b>214.8</b>	<b>268.5</b>	<b>202.8</b>
Inter-segment eliminations	(279.1)	(303.6)	0.3	0.4	0.3	0.4
<b>Segment external revenue/EBIT</b>	<b>4,430.0</b>	<b>4,351.6</b>	<b>372.6</b>	<b>215.2</b>	<b>268.8</b>	<b>203.2</b>
Other revenue/(net unallocated expenses)	8.8	10.2	(47.7)	(29.6)	(38.6)	(32.2)
<b>Total revenue/EBIT</b>	<b>4,438.8</b>	<b>4,361.8</b>	<b>324.9</b>	<b>185.6</b>	<b>230.1</b>	<b>171.0</b>
Borrowing costs			(40.1)	(40.4)	(40.1)	(35.5)
Interest revenue			2.5	3.7	2.5	3.7
Profit/(loss) from ordinary activities before income tax			287.3	148.9	192.5	139.2
Income tax (expense)/benefit			(60.7)	(34.3)	(47.1)	(36.1)
Profit/(loss) from ordinary activities after income tax expense			226.6	114.6	145.4	103.1
Net (profit)/loss attributable to outside equity interest			(26.5)	(21.9)	(26.5)	(21.9)
<b>Net profit/(loss) attributable to equity holders of BlueScope Steel</b>			<b>200.1</b>	<b>92.7</b>	<b>119.0</b>	<b>81.2</b>
Basic earnings per share (cents)			35.2	16.6	20.9	14.5

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.

3) Certain amounts in the comparative period have been restated as a result of the inclusion of Building Solutions Australia into discontinued operations in June 2015.

4) Performance of operating segments is based on EBIT which excludes the effects of interest and 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.

## 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 \$M		EPS \$ <sup>11</sup>	
	1H FY16	1H FY15 <sup>12</sup>	1H FY16	1H FY15 <sup>12</sup>	1H FY16	1H FY15 <sup>12</sup>	1H FY16	1H FY15 <sup>12</sup>
<b>Reported earnings</b>	<b>515.8</b>	<b>349.9</b>	<b>324.9</b>	<b>185.6</b>	<b>200.1</b>	<b>92.7</b>	<b>0.35</b>	<b>0.17</b>
<i>Underlying adjustments:</i>								
Net (gains)/losses from businesses discontinued <sup>1</sup>	0.9	6.0	0.9	6.0	0.7	4.9	0.00	0.01
Impact of acquiring a controlling interest in North Star <sup>2</sup>	(704.0)	0.0	(700.8)	0.0	(702.9)	0.0	(1.23)	0.00
Asset impairments <sup>3</sup>	533.9	0.0	533.9	0.0	533.9	0.0	0.94	0.00
Business development, transaction and pre-operating costs <sup>4</sup>	15.7	7.8	15.7	7.8	11.1	5.5	0.02	0.01
Accounting adjustment on closure of Australian defined benefit super fund <sup>5</sup>	0.0	(27.2)	0.0	(27.2)	0.0	(19.0)	0.00	(0.03)
Production disruptions <sup>6</sup>	7.9	7.1	7.9	7.1	5.9	5.0	0.01	0.01
Restructure and redundancy costs <sup>7</sup>	81.9	(2.3)	81.9	(2.3)	57.4	(1.7)	0.10	(0.00)
Asset sales <sup>8</sup>	(34.4)	(6.0)	(34.4)	(6.0)	(34.0)	(3.5)	(0.06)	(0.01)
Debt restructuring costs <sup>9</sup>	0.0	0.0	0.0	0.0	0.0	2.8	0.00	0.01
Tax asset impairment / (write-back) <sup>10</sup>	0.0	0.0	0.0	0.0	46.6	(5.5)	0.08	(0.01)
<b>Underlying earnings</b>	<b>417.8</b>	<b>335.3</b>	<b>230.1</b>	<b>171.0</b>	<b>119.0</b>	<b>81.2</b>	<b>0.21</b>	<b>0.15</b>

- 1) 1H FY2016 reflects foreign exchange translation losses within the closed Lysaght Taiwan business (\$0.9M pre-tax). 1H FY2015 reflects losses relating to the discontinued Building Solutions Australia businesses (\$5.3M pre-tax) and foreign exchange translation losses within the closed Lysaght Taiwan business (\$0.7M pre-tax).
- 2) 1H FY2016 reflects the de-recognition and fair value gain on BSL's existing 50% equity investment in North Star (\$706.6M pre-tax) part offset by other one-off acquisition accounting impacts (\$5.8M pre-tax) following the acquisition of the remaining 50% on 30 October 2015.
- 3) 1H FY2016 includes the following asset impairments:
  - ASP: fixed assets and intangibles write off (\$189.0M pre-tax).
  - NZPac:
    - New Zealand Steel and Pacific Steel – fixed assets write off (\$182.2M pre-tax).
    - Taharua iron sands operations – fixed assets write off (\$162.7M pre-tax).
- 4) 1H FY2016 reflects Corporate transaction costs associated with the acquisition of the remaining 50% share in North Star (\$9.1M pre-tax), integration costs associated with the Australian businesses acquired during 2H FY2014 (\$2.7M pre-tax) and production losses incurred through commissioning the billet caster in New Zealand (\$3.9M pre-tax). 1H FY2015 reflects transaction and integration costs associated with the Australian businesses acquired during 2H FY2014 (\$7.1M pre-tax) and Corporate business development costs (\$0.7M pre-tax).
- 5) 1H FY2015 reflects an accounting adjustment realised on the closure of the Australia defined benefit (DB) superannuation fund which impacted Australian Steel Products (\$23.8M pre-tax) and Corporate (\$3.4M 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.
- 6) 1H FY2016 reflects the impact of the Tianjin port explosion on the Engineered Buildings China site. 1H FY2015 reflects the impact of the Port Kembla Steelworks sinter plant waste gas cleaning stack fire which occurred in October 2014.
- 7) 1H FY2016 reflects staff redundancy and restructuring costs at ASP (\$79.3M pre-tax) primarily relating to the cost reduction program in Australian steelmaking and restructure of Australian Distribution and staff redundancy and restructuring costs in New Zealand (\$2.6M pre-tax). 1H FY2015 reflects staff redundancy and restructuring costs at ASP (\$0.6M pre-tax) more than offset by the write-back of restructuring provisions raised in FY2014 relating to restructuring initiatives within the China business (\$2.9M pre-tax).
- 8) 1H FY2016 reflects the profit on sale of McDonald's Lime in New Zealand (\$32.9M pre-tax) and property, plant and equipment in ASP (\$1.5M pre-tax). 1H FY2015 reflects the profit on sale of land and buildings at the North American Buildings business (\$9.4M pre-tax) and a loss on sale in ASP (\$2.9M pre-tax).
- 9) 1H FY2015 reflects the write-off of unamortised borrowing costs associated with the previous \$675M Syndicated Bank Facility which was restructured and refinanced early.
- 10) 1H FY2016 reflects impairment of deferred tax assets in New Zealand (\$55.4M) inclusive of a \$33.6M impairment of carried forward tax losses. These were partly offset by utilisation of previously impaired deferred tax assets in Australia arising from the favourable movement in timing differences exceeding tax losses generated during the period (\$8.8M). 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.
- 11) Earnings per share are based on the average number of shares on issue during the respective reporting periods, (568.9M in 1H FY2016 vs. 559.1M in 1H FY2015).
- 12) Certain amounts in the comparative period have been restated as a result of the inclusion of Building Solutions Australia into discontinued operations in June 2015.

Table 2B: Underlying EBIT Adjustments to 1H FY2016 Reported Segment Results

1H FY2016 underlying EBIT adjustments \$M	ASP	NZPac	BB	BP	HRPNA	Corp	Discon Ops	Elims	Total
Net (gains)/losses from businesses discontinued	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.9
Impact of acquiring a controlling interest in North Star	0.0	0.0	0.0	0.0	(700.8)	0.0	0.0	0.0	(700.8)
Asset impairment	189.0	344.9	0.0	0.0	0.0	0.0	0.0	0.0	533.9
Business development, transaction and pre-operating costs	2.7	3.9	0.0	0.0	0.0	9.1	0.0	0.0	15.7
Production disruptions	0.0	0.0	7.9	0.0	0.0	0.0	0.0	0.0	7.9
Restructure and redundancy costs	79.3	2.6	0.0	0.0	0.0	0.0	0.0	0.0	81.9
Asset sales	(1.5)	(32.9)	0.0	0.0	0.0	0.0	0.0	0.0	(34.4)
<b>Underlying adjustments</b>	<b>269.5</b>	<b>318.5</b>	<b>7.9</b>	<b>0.0</b>	<b>(700.8)</b>	<b>9.1</b>	<b>0.9</b>	<b>0.0</b>	<b>(94.9)</b>

Table 3: Consolidated Cash Flow

\$M	1H FY2016	1H FY2015	Variance %
<b>Reported EBITDA</b>	<b>515.8</b>	<b>349.9</b>	<b>47%</b>
Add cash/(deduct non-cash) items			
- Share of profits from associates and joint venture partnership not received as dividends	(6.9)	(10.0)	31%
- Impaired assets	533.8	1.8	-
- Net (gain) loss on acquisitions and sale of assets	(737.5)	(7.5)	-
- Expensing of share-based employee benefits	8.2	6.8	21%
<b>Cash EBITDA</b>	<b>313.5</b>	<b>341.0</b>	<b>(8%)</b>
Changes in working capital	(80.9)	(121.1)	33%
<b>Gross operating cash flow</b>	<b>232.6</b>	<b>219.9</b>	<b>6%</b>
Finance costs	(42.9)	(36.1)	(19%)
Interest received	3.8	1.7	124%
Tax received/(paid) <sup>1</sup>	(28.4)	(35.9)	21%
<b>Net cash from operating activities</b>	<b>165.1</b>	<b>149.6</b>	<b>10%</b>
Capex: payments for P, P & E and intangibles	(141.2)	(168.0)	16%
Other investing cash flows	(957.4)	(40.7)	-
<b>Net cash flow before financing</b>	<b>(933.5)</b>	<b>(59.1)</b>	<b>-</b>
Equity issues	0.0	(0.1)	-
Dividends to non-controlling interests <sup>2</sup>	(19.7)	(32.7)	40%
Dividends to BlueScope Steel Limited shareholders	(17.1)	0.0	-
Net drawing/(repayment) of borrowings	932.9	(19.3)	-
<b>Net increase/(decrease) in cash held</b>	<b>(37.4)</b>	<b>(111.2)</b>	<b>66%</b>

1) The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 31 December 2015, of approximately \$2.85Bn. There will be no Australian income tax payments until these are recovered.

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

## GROUP REVIEW: 1H FY2016 VS 1H FY2015

### FINANCIAL PERFORMANCE

#### Total revenue

The \$77.0M (2%) increase in total revenue principally reflects:

- Favourable translation impacts from a weaker AUD exchange rate (1H FY2015 US\$0.8908; 1H FY2016 US\$0.7228).
- 100% consolidation of North Star sales revenues from November 2015.
- Higher despatch volumes at Engineered Buildings China.

These were partly offset by:

- Lower export prices driven by lower global steel prices partly offset by the weaker AUD:USD exchange rate.
- Lower domestic prices through the unfavourable influence of lower global steel prices partly offset by the favourable influence of a weaker AUD:USD.
- Lower despatch volumes at Engineered Buildings North America and Building Products Thailand.
- Lower Australian Distribution volumes due to the restructure and resulting closure of unprofitable sites.

#### EBIT performance

A \$59.1M higher underlying EBIT reflects:

- Costs: \$103.3M favourable movement, driven by:
  - \$98.0M benefit from cost improvement initiatives mainly in ASP, NZPac and Engineered Buildings China
  - \$31.6M net reduction in one-off and other costs
    - lower per unit costs at ASP with two planned blast furnace maintenance stoppages impacting 1H FY2015.
    - lower freight costs at ASP and NZPac in line with softness in global freight markets
  - \$26.3M impact of cost escalation from utilities, employment, consumables, freight and other costs.
- Foreign exchange translation: \$16.1M favourable impact of translating earnings to AUD.

Partly offset by:

- Spread: \$27.5M decrease, primarily comprised of:
  - \$248.3M unfavourable movement in domestic and export prices due to lower global steel and iron prices, partly offset by the favourable influence of a weaker AUD:USD
  - \$220.8M 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 and BB
    - unfavourable foreign exchange impact on USD denominated raw material purchases.
- North Star and Tata BlueScope Steel performance: \$21.6M decrease driven by weaker spreads at North Star partly offset by the favourable impact of 100% consolidation of North Star from November 2015 and stronger performance at the Tata BlueScope Steel joint venture.
- Volume and mix: \$10.9M decrease, comprising:
  - lower despatch volumes in Engineered Buildings North America, Thailand and Indonesia
  - higher domestic volumes at ASP mainly in hot rolled coil, COLORBOND® steel and ZINCALUME® steel partly offset by lower plate sales due to softening demand in the mining and engineering sectors
  - higher despatch volumes in Engineered Buildings China.
- Other items: \$0.3M unfavourable movement.

The \$139.3M increase in reported EBIT reflects the movement in underlying EBIT discussed above and \$80.3M favourable movement in underlying adjustments explained in Tables 2A and 2B.

#### Finance costs

The \$0.3M decrease in finance costs compared to 1H FY2015 was largely due to a lower average cost of debt (1H FY2016 4.9%, 1H FY2015 6.1%) and the write-off of unamortised borrowing costs associated with the existing Syndicated Bank Facility which was restructured and refinanced early in 1H FY2015, largely offset by an increase in average gross borrowings (1H FY2016 \$1,259.8M, 1H FY2015 \$865.4M) primarily due to the acquisition of the remaining 50% of North Star BlueScope Steel.

#### Tax

Net tax expense of \$60.7M (1H FY2015 \$34.3M) primarily relates to taxable income generated in businesses outside of Australia. 1H FY2016 includes non-taxable gains of \$739.5M arising from the de-recognition and fair value gain on the existing 50% equity investment in North Star following the acquisition of the remaining 50% on 30 October 2015 and the sale of New Zealand Steel's 28% equity investment in McDonald's Lime.

1H FY2016 includes a \$55.4M impairment of New Zealand deferred tax assets, inclusive of a \$33.6M write-off of previously carried forward tax losses. These were partially offset by a \$8.8M (1H FY2015 \$5.5M) utilisation of previously impaired deferred tax assets in Australia. The Company has deferred the recognition of any further Australian and New Zealand tax credits until a return to taxable profits has been demonstrated. Australian and New Zealand tax losses are able to be carried forward indefinitely.

#### Dividend

The Board of Directors has approved payment of an interim dividend of 3.0 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: 2 March 2016.
- Record date for dividend: 4 March 2016.
- Payment of interim dividend: 31 March 2016.

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 \$226.3M to \$4,965.4M at 31 December 2015 from \$4739.1M at 30 June 2015. Approximately \$46M of this increase is due to the translation impact of the weaker AUD:USD.

Increases in net assets were:

- \$1,268.0M increase in intangible assets, primarily as a result of the North Star acquisition (\$1,313M) partly offset by impairment of goodwill (\$39M) and other items (\$6M)

- \$146.2M increase in property, plant and equipment driven by the North Star acquisition (\$620M), capital expenditure (\$150M) and the weaker AUD:USD (\$47M), partly offset by non-current asset impairment charges (\$497M), depreciation (\$171M) and other movements (\$6M)
- \$95.5M increase in inventory, primarily due to a net volume increase (\$140M), North Star acquisition (\$110M) and the impacts from a weaker AUD:USD exchange rate (\$22M) offsetting a decrease in rate (\$177M)
- \$82.0M decrease in payables
- \$36.5M decrease in provisions
- \$18.7M decrease in deferred income
- \$13.4M decrease in net derivative liabilities
- \$9.1M increase in other assets.

Decreases in net assets were:

- \$1,098.2M increase in net debt. This increase was primarily due to the acquisition of the remaining 50% of North Star combined with the unfavourable translation impacts of a weaker AUD:USD.
- \$163.8M increase in net tax liabilities
- \$109.7M decrease in equity accounted investments mainly due to the de-recognition of the pre-existing 50% share in North Star
- \$50.6M increase in retirement benefit liabilities
- \$15.5M decrease in receivables
- \$5.3M reduction in assets held for sale with the sale of the equity investment in McDonald's Lime in New Zealand.

## Funding

Financial liquidity was \$1,276.3M (excludes \$156.4m undrawn capacity of the off-balance sheet receivables securitisation) at 31 December 2015 (\$1,591.1M at 30 June 2015 and \$1,350.3M at 31 December 2014), comprised of committed available undrawn capacity under bank debt facilities of \$788.3M, plus cash \$488.0M. Liquidity in the NS BlueScope Coated Products JV of \$399.4M is included in the group liquidity measure.

During 1H FY2016 two US\$300M bridge facilities (one secured, one unsecured) were established with a one year maturity to fund the acquisition of Cargill's 50% interest in North Star BlueScope Steel. US\$270M has since been repaid on the secured facility through drawings on:

- BlueScope's Syndicated Bank Facility which has been increased by \$350M
- a trade receivables securitisation program established in December 2015 with a limit of \$250m.

As indicated in October 2015, the Company remains focussed on reducing leverage following the North Star acquisition to 1.0 times net debt to EBITDA, within 12 to 18 months through a combination of operating cashflow and asset sales. The leverage multiple at 31 December 2015 was 1.6 (net debt to pro-forma EBITDA).

## 2H FY2016 OUTLOOK

Expectations for the performance of our businesses in 2H FY2016 are as follows:

- ASP: expect weaker pricing with impact of lagged regional steel prices from late CY2015, typical seasonality and de-stocking in volumes. Expect further cost savings, offset by timing of maintenance spend, including February scheduled blast furnace maintenance stoppage.
- NZPac: 2H FY2016 performance expected to improve on 1H FY2016. Further cost savings in steel and iron sands are

expected and 4Q FY2016 will benefit from billet caster economics. However these will be partly offset by weaker steel pricing with impact of lagged regional steel prices from late CY2015, and weaker iron ore prices.

- BP: expect continued market and volume growth, with competitive pressures on margins.
- BB: expect weaker volumes in North America with softer non-residential construction markets and typical seasonality. Asia Buildings is expected to see continued benefit of improvement program, but weaker volumes driven by lower end-use demand and seasonality. Continued strong performance is expected for Coated China, with seasonality.
- HRP North America: expect continued full despatch rate and improving spreads compared to 1H FY2016. Benefit of full period of 100% ownership.

Group outlook:

- Notwithstanding a challenging macroeconomic environment, due to the significant cost reductions and process improvements we are implementing, we expect that 2H FY2016 underlying EBIT to be up to 60% higher than 2H FY2015. This is based on assumptions of average:
  - Spot East Asian HRC price of ~US\$285/t
  - 62% Fe CFR iron ore price of ~US\$40/t
  - Hard coking coal price of ~US\$80/t
  - AUD:USD at US\$0.70.
- We expect 2H FY2016 underlying net finance costs higher than 1H FY2016 due to higher average borrowings; expect slightly lower underlying tax rate and similar profit attributable to non-controlling interests to 1H FY2016.
- Expectations are subject to spread, FX and market conditions.



## BUSINESS UNIT REVIEWS

### AUSTRALIAN STEEL PRODUCTS (ASP)

ASP produces and markets a range of high value coated and painted flat steel products for Australian building and construction customers, together with providing a broader offering of commodity flat steel products. Products are sold mainly to the Australian domestic markets, with some volume exported. Key brands include zinc/aluminium alloy-coated ZINCALUME® steel and galvanised and zinc/aluminium alloy-coated 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 rollforming and distribution sites throughout Australia, acting as a major steel product supplier to the building and construction, white goods manufacturing and general manufacturing industries.

#### KEY FINANCIAL & OPERATIONAL MEASURES

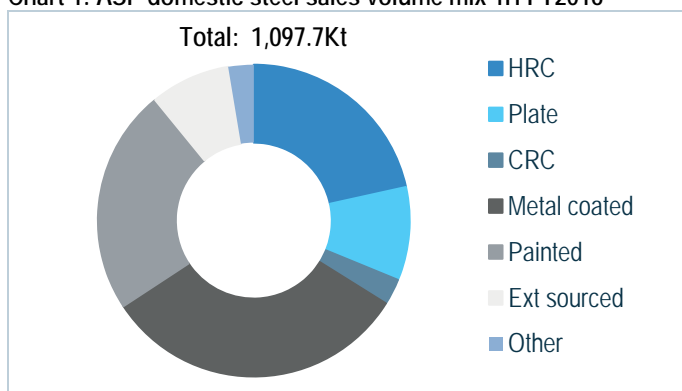
Table 4: Segment financial performance

\$M	1H FY2016	1H FY2015	Var %	2H FY2015
Sales revenue	2,302.1	2,459.0	(6%)	2,333.1
Reported EBIT	(95.9)	71.6	(234%)	56.8
Underlying EBIT	173.6	66.1	163%	84.2
NOA (pre-tax)	2,202.0	2,485.7	(11%)	2,432.8

Table 5: Steel sales volume

000 tonnes	1H FY2016	1H FY2015	Var %	2H FY2015
Domestic				
- ex-mill	1,006.8	931.9	8%	901.4
- ext sourced	90.9	140.7	(35%)	118.1
Export	310.4	342.2	(9%)	459.4
<b>Total</b>	<b>1,408.1</b>	<b>1,414.8</b>	<b>(1%)</b>	<b>1,478.9</b>

Chart 1: ASP domestic steel sales volume mix 1H FY2016



#### FINANCIAL PERFORMANCE – 1H FY2016 VS. 1H FY2015

##### Sales revenue

The \$156.9M decrease in sales revenue is primarily due to:

- lower export prices driven by lower global steel prices partly offset by the weaker AUD:USD exchange rate
- lower domestic prices through the unfavourable influence of lower global steel prices partly offset by the favourable influence of a weaker AUD:USD

- lower Australian Distribution volumes due to the restructure and resulting closure of unprofitable sites
  - lower export volumes due to increased domestic demand
- These were partly offset by:
- higher domestic volumes mainly in hot rolled coil, COLORBOND® steel and ZINCALUME® steel partly offset by lower plate sales due to softening demand in the mining and engineering sectors.

##### EBIT performance

The \$107.5M increase in underlying EBIT was largely due to:

- lower costs driven by:
  - cost reductions realised through delivery on the cost-out program
  - lower R&M and conversion cost unit rates with higher production and impact of the planned blast furnace stoppages in 1H FY2015
- favourable volume/mix from:
  - higher domestic volumes mainly in hot rolled coil, COLORBOND® steel and ZINCALUME® steel partly offset by lower plate sales due to softening demand in the mining and engineering sectors.

These were partly offset by:

- lower spread from:
    - lower export prices driven by lower global steel prices partly offset by the weaker AUD:USD exchange rate
    - lower domestic prices through the unfavourable influence of lower global steel prices mitigated by the favourable influence of a weaker AUD:USD
- partly offset by:
- lower USD denominated iron ore and coal purchase prices partly offset by unfavourable foreign exchange impact.

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

#### FINANCIAL POSITION

Net operating assets were \$230.8M lower than at 30 June 2015 primarily due to:

- lower fixed assets, mainly due to an impairment charge of \$189.0M following the review of steel and iron ore price forecasts and discount rates in light of macroeconomic and global steel market changes
- lower receivables and inventories.

These were partly offset by lower creditors and provisions.

#### MARKETS AND OPERATIONS

##### Sales direct to Australian building sector

- Domestic building sector direct sales volume grew in 1H FY2016 compared to 1H FY2015.
- The residential construction market continues to be a major positive driver for the Australian economy.
  - Historically low interest rates together with robust population growth, has seen demand from both owner-occupiers and investors remain at historically high levels.
  - Sales of COLORBOND® steel continue to strengthen supported by the detached dwelling market, which has grown above the long term mean.

- New South Wales and Queensland continue to deliver the strongest growth, followed by Victoria. Conditions in South Australia have stabilised, whilst other states remain relatively subdued.
- Queensland has also experienced growth as a result of activity from insurance and rebuilding efforts following a number of storms earlier in the calendar year.
- Renovation activity is starting to show signs of recovery, supported by house price growth, especially in New South Wales.
- Non-residential construction activity has been relatively flat in 1H FY2016.
  - Activity within commercial/industrial construction applications such as new warehouses/factories and accommodation increased, with sales volumes further benefitting through Company initiatives.
  - However, this has been partially 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 were higher in 1H FY2016 vs. 1H FY2015.
- This recovery in volume has been in contrast to the domestic flat steel market in Australia, which has further contracted in 1H FY2016 due to the significant decline in investment in both Mining and Engineering Construction.
- All of our domestic channel and non-building sectors have either increased their domestic sales or remained stable.
  - The decline in the Australian dollar has improved domestic pricing competitiveness against imported steel products.
  - Sales to Distribution customers have grown through targeted channel strategies, which have focused on increasing flexibility in our service offerings and encouraging pull through demand from end market customers.
  - Pipe and Tube sales grew through a broadened product range and initiatives to improve share competing against imported finished goods.
  - Despite the decline in automotive manufacturer activity in recent years, ASP's sales to the automotive industry grew in 1H FY2016 through enhancements to its product offering, with the launch of a new product called V-Coat for use by Toyota.
  - Manufacturing volumes were marginally weaker. However, as an indicator of improving sentiment, the AiG Performance of Manufacturing Index finished CY2016 with six months in net expansionary territory.

#### Mill sales to export markets

- Despatches to export market customers in 1H FY2016 were 334kt, 15kt or 4% lower than 1H FY2015 due to increased demand in the domestic market.
- Prices in export markets were significantly weaker in 1H FY2016 compared with 1H FY2015 with lower global steel prices driven by the continued oversupply of steel in global markets.

#### Restructuring update

- Australian steelmaking strategic review:
  - To address continued steel spread weakness arising from excess regional steel supply and burgeoning Chinese steel export volumes, ASP was set the challenge of delivering a game-changing approach to deliver significantly reduced

costs to be cost competitive relative to international competitors.

- In October 2015, with confidence that cost-out commitments would deliver more than \$200M in operational savings in Australia by FY2017, the BlueScope Board made the decision to pursue Plan A, being to continue steelmaking at Port Kembla subject to formal ratification of the new enterprise agreements, which was achieved in November 2015.
- Cost savings of \$95M were delivered in 1H FY2016.
- Significantly, we are now targeting cost savings of \$250M per annum from FY2017, increased from the previous target of \$200M, given the further decline in steel prices.
- Australian Distribution restructure:
  - Progress is being made on the rationalisation of Distribution operations into two streamlined businesses.
  - Of the 20 sites to be reviewed for sale, consolidation or closure, nine have been addressed.
  - The business is also exiting product lines that are unprofitable.
  - The restructure program remains on track to deliver a net ongoing EBIT improvement of \$20M per annum from FY2017.

## NEW ZEALAND AND PACIFIC STEEL

New Zealand and Pacific Steel consists of four primary business areas; New Zealand Steel; Pacific Steel; New Zealand Minerals; and BlueScope Pacific Islands.

New Zealand Steel is the only steel producer in New Zealand, producing slab, billet, 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.

Supplied with billet from New Zealand Steel, Pacific Steel is the sole producer of long steel products such as rod, bar, reinforcing coil and wire in New Zealand.

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

### KEY FINANCIAL & OPERATIONAL MEASURES

Table 6: Segment financial performance

\$M	1H FY2016	1H FY2015	Var %	2H FY2015
Sales revenue	451.5	489.9	(8%)	482.2
Reported EBIT	(365.7)	2.6	-	(32.9)
Underlying EBIT	(47.1)	2.6	-	(35.8)
NOA (pre-tax)	365.1	683.5	(47%)	634.8

Table 7: Sales volume

000 tonnes	1H FY2016	1H FY2015	Var %	2H FY2015
Domestic flats	132.6	131.7	1%	128.9
Export flats	112.2	119.4	(6%)	140.3
<b>Total flat products steel</b>	<b>244.8</b>	<b>251.1</b>	<b>(3%)</b>	<b>269.2</b>
Domestic longs	79.0	86.5	(9%)	86.5
Export longs	42.0	49.4	(15%)	39.9
<b>Total long products steel</b>	<b>121.0</b>	<b>135.9</b>	<b>(11%)</b>	<b>126.4</b>
Iron sands	1,394.6	961.1	45%	668.6

### FINANCIAL PERFORMANCE – 1H FY2016 VS. 1H FY2015

#### Sales revenue

The \$38.6m decrease in sales revenue was primarily due to lower steel and iron sands prices reducing in line with global price falls and lower despatches of flat and long steel products. This was partly offset by favourable impacts of a weaker NZD:USD and higher iron sands despatch volumes.

#### EBIT performance

The \$49.7M decrease in underlying EBIT was largely due to lower realised iron sands and steel pricing reflecting lower global prices partly offset by favourable impacts from a weaker NZD:USD.

These were partly offset by lower costs with cost initiative benefits offsetting unfavourable conversion unit costs due to lower steel production and escalation.

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

### FINANCIAL POSITION

Net operating assets were \$269.7M lower than at 30 June 2015 primarily due to lower fixed assets due to:

- an impairment charge of \$344.9M, of which \$162.7M is relating to the full write-down of Taharoa export iron sands non-current assets, following the review of steel and iron ore price forecasts and discount rates in light of macroeconomic and global steel market changes
  - partly offset by investments in the billet caster.
- These were partly offset by lower creditors.

### MARKETS & OPERATIONS

#### Steel products (flat and long)

- Domestic market
  - Flat product sales volume was inline with 1H FY2015, with higher building volumes and flat manufacturing offset by weaker agriculture.
  - Domestic long product steel sales were lower than 1H FY2015, coming off peak demand in that prior period.
  - Domestic residential building activity continues to grow. For the 12 months ended December 2015, new building consents are up 8% on the same period in 2014.
  - Domestic non-residential building is showing signs of recovery with the value up 15% in the 12 months to December compared to the previous 12 month period.
  - Canterbury building activity growth is slowing; residential consents were down 13% for the 12 months ending December 2015, while the total value of all new non-residential consents rose 34% in the same period.
  - Our Pacific Steel long products mills in Auckland are now being supplied with billet from Glenbrook and the full earnings run-rate potential of the Pacific Steel acquisition is expected from 2H FY2016 onwards. This will result in a better overall domestic/export sales mix on lower overall volumes.
- Export market
  - Export markets continue to be under significant pricing pressure due to weaker regional steel prices and excess supply.

#### Iron sands

- 1H FY2016 exports:
  - Iron sands exports from Taharoa and Waikato North Head in 1H FY2016 were 1.4mt up 0.4mt on 1H FY2015. Taharoa exports were up 610kt with the entry of additional ships in operation whilst Waikato North Head exports were down 172kt.
  - Iron sands prices were down consistent with the decrease in global iron ore pricing.
- Taharoa update:
  - We have commenced a sale process of the Taharoa iron sands business. Growth capex is being reviewed.
  - Second ship commenced operating in August 2015 and the third ship commenced operations in December 2015. Export despatches of 1.8Mt expected in 2H FY2016.

- Expected FY2016 financials:
  - EBIT loss of NZ\$25-30M<sup>1</sup> (incl NRV) at US\$41/t index price<sup>2</sup> in 2H FY2016
  - operating cash outflow of NZ\$26-31M<sup>3</sup> (including NZ\$16M growth capex) at US\$41/t index price in 2H FY2016.
- Expect EBIT break-even in 2H FY2016 of ~US\$46-47/t (index price) in 2H FY2016.
- Waikato North Head update:
  - Exports have now ceased due to low prices.

## Restructurings

- Update on New Zealand steelmaking strategic review:
  - As with the Australia steelmaking operation, the New Zealand steelmaking operations were set the challenge of delivering a game-changing approach that will significantly reduce costs to ensure they are internationally competitive and support reinvestment.
  - Cost savings of NZ\$13M were delivered in 1H FY2016.
  - In November 2015, cost-out commitments of NZ\$50 million were expected by FY2017. Additional savings items are being targeted given the further decline in steel prices.
- Sale of interest in McDonald's Lime:
  - In December 2014, New Zealand Steel agreed to sell its non-core 28 per cent shareholding in McDonald's Lime Limited to Graymont Limited.
  - Upon final completion in October 2015, New Zealand Steel received NZ\$41M in cash and recognised a NZ\$36M pre-tax profit on sale.

## 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.

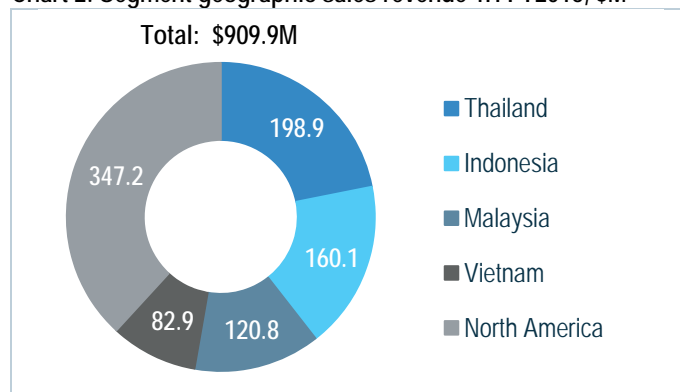
The Company has an extensive footprint of metallic coating, painting and steel building product operations in Thailand, Indonesia, Vietnam, Malaysia, India and North America, primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential 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 8: Segment performance

\$M unless marked	1H FY2016	1H FY2015	Var %	2H FY2015
Sales revenue	878.6	898.6	(2%)	892.2
Reported EBIT	65.4	47.8	37%	49.3
Underlying EBIT	65.4	47.8	37%	50.5
NOA (pre-tax)	1,065.5	1,005.5	6%	1,006.0
Despatches	641.4kt	683.3kt	(6%)	646.9kt

Chart 2: Segment geographic sales revenue 1H FY2016, \$M<sup>1</sup>



1) Chart does not include \$31.3M of eliminations (which balances back to total segment revenue of \$878.6M). Chart also does not include India, which is equity accounted.

## FINANCIAL PERFORMANCE – 1H FY2016 VS. 1H FY2015

### Sales revenue

The \$20.0M decrease in sales revenue was mainly driven by lower steel prices impacting all regions and lower despatch volumes mainly in Thailand and Indonesia. These were partly offset by favourable foreign exchange rate impacts (against the AUD) in all regions.

### EBIT performance

The \$17.6M increase in underlying EBIT was largely due to:

- higher margins across all businesses with lower raw material purchase prices more than offsetting lower selling prices

<sup>1</sup> Assumes NZDUSD of 0.64 in 2H FY2016. Note, approximately 60-65% of cost base is NZD based.

<sup>2</sup> References are to 62% Fe CFR Pilbara iron ore index price.

<sup>3</sup> Operating cash outflow being cashflow from operating activities, sustaining capex and NZ\$16M growth capex.

- favourable translation of earnings from a weaker AUD:USD exchange rate
- favourable movements in BlueScope's share of equity accounted profits from the India joint venture.

These were partly offset by:

- lower despatch volumes mainly in Thailand and Indonesia
- higher costs in North America, Malaysia and Vietnam.

## FINANCIAL POSITION

Net operating assets have increased \$59.5M since 30 June 2015 mainly reflecting lower creditors and higher inventories, partly offset by lower receivables.

## MARKETS AND OPERATIONS

### Thailand

- 1H FY2016 despatch volumes were 12% lower compared to 1H FY2015 offset by margin expansion.
- Industrial, commercial and retail demand all softened.
- The business is in the process of entering the Home Appliance market. Sales of ViewKote® product continue to grow in line with the business case expectation and commercial production of SuperDyma® products commenced in October 2015. Customer accreditation of SuperDyma® products is currently underway and on track for Q4 FY2016 approval and subsequent ramp up.

### Indonesia

- 1H FY2016 volumes were down, in line with the broader market, but margins grew over the same period last year with better product mix and enhanced market offerings.
- The business continues to focus efforts on growing sales into target market segments, strengthening brand positioning, and improving operational efficiency.
- Market activity remains weak overall but there are early signs of improvement following economic stimulus packages announced by the Government.

### Vietnam

- 1H FY2016 despatch volume was in line with 1H FY2015. Despatch mix improved with higher domestic coated volumes and lower export volumes. This led to margin improvement, together with tight cost control.
- The domestic market was supported by higher foreign direct investment and growing consumer confidence. However, trade deficit and non-performing loans remain high risk issues for Vietnam's macro economy.
- The business continues to target growth through expanding retail channel footprint, building brand value and new product development.

### Malaysia

- 1H FY2016 despatch volume was higher than 1H FY2015 and margins grew on cost reductions.
- The business is focused on expanding leadership in projects segment, growing retail brands, and enlarging geographic coverage.

## North America (Steelscape & ASC Profiles)

- 1H FY2016 despatch volume was higher than 1H FY2015 driven by improved market demand. Margin improvement due to raw material cost improvements compared with 1H FY2015.
- U.S. anti-dumping action relating to the business's imported hot rolled coil feed is in progress and a comprehensive sourcing strategy has been developed to mitigate any potential impact on the business.
- Outlook remains uncertain amid ongoing anti-dumping actions and domestic steel price volatility.

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

- The joint venture recorded 4.5% revenue growth in 1H FY2016 with a positive and growing EBIT.
- Domestic prime coated steel sales volume grew by 7% compared to 1H FY2015 with 5% growth in painted products and 12% growth in bare products. Though project sales remained stable, retail sales grew at approx.10%.

## BLUESCOPE BUILDINGS

BlueScope Buildings is a leader in engineered building solutions (EBS), servicing the low-rise non-residential construction needs of 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).

BlueScope Buildings is expanding its 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.

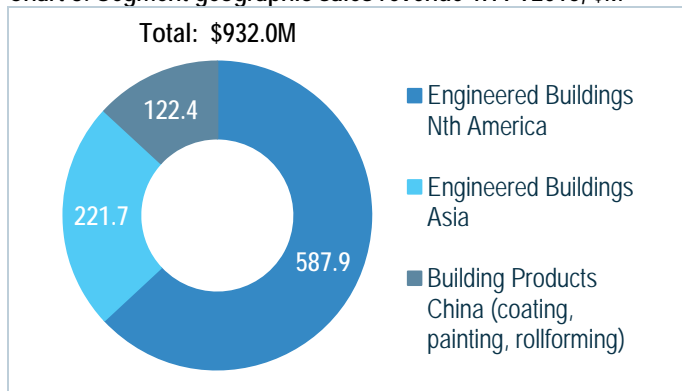
This segment was formerly known as Global Building Solutions.

### KEY FINANCIAL & OPERATIONAL MEASURES

Table 9: Segment performance

\$M unless marked	1H FY2016	1H FY2015	Var %	2H FY2015
Sales revenue	889.8	785.4	13%	752.7
Reported EBIT	26.3	31.6	(17%)	24.4
Underlying EBIT	34.2	19.3	77%	24.4
NOA (pre-tax)	717.1	703.0	2%	727.1
Despatches	295.0kt	295.7kt	-	233.9kt

Chart 3: Segment geographic sales revenue 1H FY2016, \$M<sup>1</sup>



1) Chart does not include \$42.2M of eliminations (which balances back to total segment revenue of \$889.8M).

### FINANCIAL PERFORMANCE – 1H FY2016 VS. 1H FY2015

#### Sales revenue

The \$104.4M increase in sales revenue was mainly due to favourable foreign exchange rate impacts (against the AUD) in all regions and higher despatch volumes in Engineered Buildings China. This was partly offset by lower despatch volumes in North America and South East Asia and lower prices across all regions.

#### EBIT performance

The \$14.9M increase in underlying EBIT was largely due to:

- higher net margins in North America and South East Asia
- favourable translation of earnings from a weaker AUD:USD exchange rate
- lower costs in Engineered Buildings China delivered through restructuring initiatives combined with higher despatch volumes

with market based initiatives offsetting the slowdown in construction activity.

This was partly offset by:

- lower despatch volumes in North America
- lower margins in Engineered Buildings China.

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

### FINANCIAL POSITION

Net operating assets have decreased \$10.0M since 30 June 2015 mainly reflecting lower receivables and inventories and higher provisions partly offset by lower creditors.

### MARKETS AND OPERATIONS

#### Engineered Buildings North America

- Despatch volumes were down 12% in 1H FY2016 relative to 1H FY2015 driven by a slowing in U.S. non-residential construction market activity, particularly in the manufacturing end-use segment, and a focus on improving margins. Better margin performance was also achieved through a continued focus on product innovation as well as manufacturing efficiencies.
- General indicators of activity, such as F.W. Dodge analysis of non-residential construction and the Architectural Billings Index, point to continued, albeit moderating, growth in the U.S. non-residential construction market.

#### Engineered Buildings Asia (China & ASEAN)

- The China business contributed approximately 84% of sales revenue in 1H FY2016; the remaining 16% was derived from ASEAN.
- Benefits of restructuring work in the China business are being realised. Despite weak building and construction activity in the premium market across private and government participants, despatch volume increased by 60% relative to 1H FY2015, and margin performance improved pricing and operating efficiencies.
- Business improvement initiatives are continuing, aiming to deliver significant improvements in sales, operational efficiencies and optimization in functional support.

#### Building Products China (coating, painting and rollforming)

- Volumes declined 3% relative to 1H FY2015, driven by a decline in the rollforming segment, partially offset by an increase in internal demand from the Engineered Buildings Asia business.
- Targeted initiatives continue to increase external sales of higher value-added product.

## HOT ROLLED PRODUCTS NORTH AMERICA

This segment is comprised North Star BlueScope Steel and BlueScope's 47.5% interest in Castrip LLC (a thin strip casting technology joint venture with Nucor and IHI Ltd).

North Star is a single site electric arc furnace producer of hot rolled coil in Ohio, in the U.S. On 30 October 2015, BlueScope acquired the 50% of North Star that was previously owned by Cargill. BlueScope's 50% interest in North Star was equity accounted up to 30 October 2015; from the date of acquiring full ownership, North Star has been consolidated in BlueScope's accounts.

### KEY FINANCIAL & OPERATIONAL MEASURES

Table 10: Segment performance

\$M unless marked	1H FY2016	1H FY2015	Var %	2H FY2015
Sales revenue <sup>1</sup>	187.1	-	-	-
Reported EBIT <sup>2</sup>	743.1	67.1	-	40.2
Underlying EBIT <sup>2</sup>	42.4	67.1	(37%)	40.2
NOA (pre-tax)	2,041.7	131.0	-	112.8

1) Excludes the Company's 50% share of NSBSL's sales revenue prior to 30 October 2015.

2) Includes 50% share of net profit before tax from NSBSL of A\$28.7M in the four months ending 30 Oct 2015 and A\$70.1M in 1H FY2015.

### FINANCIAL PERFORMANCE – 1H FY2016 VS. 1H FY2015

#### Sales revenue

Until November 2015 the segment was comprised of two equity accounted investments and as such had no sales revenue recorded in the Group accounts. Segment revenue reflects consolidation of North Star from November 2015.

#### Earnings performance

The \$24.7M decrease in underlying EBIT was largely due to lower spread partly offset by reduced alloys and conversion costs and the favourable impact of 100% consolidation from November 2015.

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

Table 11: North Star BlueScope Steel – pro-forma performance (100% basis)

US\$M unless marked	1H FY2016	1H FY2015	Var %	2H FY2015
Sales revenue	475.2	708.8	(33%)	571.6
Underlying EBITDA	64.8	131.3	(51%)	74.2
Underlying EBIT	36.7	105.4	(65%)	51.4
Production (kt)	1,036.7	1,041.2	-	1,020.0
Despatches (kt)	998.7	1,002.0	-	1,016.0

### FINANCIAL POSITION

Segment net operating assets increased from \$112.8M at 30 June 2015 to \$2,041.7M at 31 December 2015 mainly due to the consolidation of North Star effective 30 October 2015. At 31 December 2015, segment net operating assets comprised mainly: \$1,293.4M intangible assets, \$614.5M fixed assets, \$109.7M inventories, \$108.5M receivables, \$78.4M creditors and \$8.0M provisions.

### 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 FY2016 of 998.7kt were down 3.3kt on 1H FY2015 (100% basis).
- 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 FY2016 SAFETY PERFORMANCE

- In 1H FY2016:
  - the Lost Time Injury Frequency Rate was 0.6 compared to 0.9 in 1H FY2015. An LTIFR performance of below 1.0 has been maintained for longer than ten years
  - the Medical Treated Injury Frequency Rate was 5.0 compared to 4.6 in 1H FY2015. This has been below 7.0 for more than ten years
  - Pacific Steel, Fielders and Orrcon acquisitions have been included from July 2015.
- During FY2016, businesses have been concentrating on improving employee engagement, felt leadership and hand safety. The construction businesses have also been focusing on implementation and auditing of the BlueScope Construction Global Requirements.
- External recognition in FY2016 to date includes:
  - Steelscape Kalama (NS BlueScope North America) was awarded "Best Safety Practices" by the National Coil Coaters Association).
  - Michael Farrelly (BANZ Manufacturing Senior HSE Professional) received the Individual Practitioner Award at the annual Australian Steel Institute Health & Safety Excellence Awards.
  - Richard Beker (BANZ Manufacturing Victoria Processing Leader) received a special commendation for "Individual Safety Leader" at the 2015 Steel Transport Safety Awards.
  - Chennai (Tata BlueScope Building Products) received a "Best Safety Practice Award" from SAFE Association.
  - Jamshedpur (Tata BlueScope Building Products) received the Confederation of Indian Industry Eastern Region SHE Award (large scale manufacturing category).
- Safety achievements in FY2016 include:
  - BlueScope China: Suzhou – 10 years LTI free.
  - NS BlueScope Lysaght Vietnam – 20 years LTI free.
  - NS BlueScope North America: Fontana – 4 years LTI free.
  - BANZ Distribution: Ballarat – 17 years LTI free.
  - BANZ Manufacturing: Western Port Paint Lines – 7 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)

- During FY2015 the Australian Federal Government introduced its Direct Action policy, which includes the Emissions Reduction Fund (ERF), allowing companies to bid for funding for emissions reduction projects through a reverse auction process, and a Safeguard (baseline and compliance) Mechanism to limit emissions growth.
- The Safeguard Mechanism comes into effect in July 2016, although emissions from impacted operations remain well below historical baselines and therefore there are few implications for the Company in its implementation. The ERF and Safeguard Mechanisms are to be reviewed in 2017, and BlueScope will continue to work with the government on the future development of these policy instruments.
- The Federal Opposition has indicated it intends to reintroduce an Emissions Trading Scheme if elected in 2016, although the details and implications for the Company remain unclear. BlueScope is participating in a consultation process proposed by the opposition in relation to their policy development, particularly in relation to its Emissions Intensive Trade Exposed operations.
- 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 a domestic-only scheme from June 2015, but the initial scheme transition measures remain. 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.
- The Government has begun its 2015/16 review of the NZ ETS to assess its operation and effectiveness to 2020 and beyond. The review will focus on three key areas – the transition measures, how to meet future targets, and operational and technical improvements. Submissions are invited in two stages.
- The Company is actively involved in the review process seeking acceptable financial outcomes from the ETS until the rest of the global steel industry the same responsibilities for emissions.



## ABBREVIATIONS

1H	Six months ended 31 December in the relevant financial year
1H FY2015	Six months ended 31 December 2014
1H FY2016	Six months ended 31 December 2015
2H FY2015	Six months ended 30 June 2015
2H FY2016	Six months ending 30 June 2016
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)
BB	BlueScope Buildings segment
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 BlueScope Buildings segment
EITE	Emissions-intensive, trade-exposed
EPS	Earnings per share
FDI	Foreign direct investment
FY2015	12 months ended 30 June 2015
FY2016	12 months ending 30 June 2016
FY2017	12 months ending 30 June 2017
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	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 2015**

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## DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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 2015.

### 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, retired on 19 November 2015)  
J Bevan (Chairman, effective as of 19 November 2015)  
P F O'Malley (Managing Director and Chief Executive Officer)  
D B Grollo  
K A Dean  
P Bingham-Hall  
E G W Crouch AM  
R Dee-Bradbury  
L H Jones

As announced on the 20 August 2015, BlueScope Chairman, Mr Graham Kraehe AO, retired from the Board, effective at the conclusion of the AGM on 19 November 2015. He has been replaced by Mr John Bevan, who was a non-executive director of the Company, before being elected as the new Chairman.

## 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:

- (i) On 30 October 2015, BlueScope acquired the remaining 50% share of North Star BlueScope Steel LLC for US\$ 720M. The existing 50% equity accounted investment share has been derecognised with a fair value net gain of \$706.6M (US\$ 509.3M) recognised in the profit & loss after taking into account the carrying value of the investment and carried forward translation reserves relating to the translation of the equity investment to AUD. The 100% share has been recognised at fair value.
- (ii) On 1 July 2015, New Zealand Steel sold its \$5.2M (NZ\$ 5.6M) 28% equity accounted investment in McDonald's Lime for \$38.1M and recognised a net gain of \$32.9M (NZ\$ 35.5M) in the profit and loss.
- (iii) On 26 October 2015, the Company announced the decision to continue to make steel at Port Kembla, following 'game-changing cost-out' commitments by employees, unions and the NSW Government. BlueScope is targeting cost out commitments in excess of \$200M by FY2017.

In addition cost savings in excess of NZ \$50M are being targeted at Glenbrook Steelworks in New Zealand, and a restructure involving rationalisation of product range and sites across the Australian distribution network is targeting savings of \$20M per annum.

- (iv) As at 31 December 2015, an impairment charge of \$567.5M was recognised, comprised of \$150.3M against property, plant and equipment and \$38.7M of goodwill in the Australian Steel Products segment, \$344.9M against property, plant and equipment in the New Zealand and Pacific Steel segment, including a \$162.7M full write-down of Taharoa export iron sands fixed assets and \$33.6M against carried forward tax loss assets in New Zealand. This follows the review of external steel and iron ore price forecasts and discount rates in light of macroeconomic and global steel market changes.

### MATTERS SUBSEQUENT TO THE HALF-YEAR ENDED 31 DECEMBER 2015

There were no subsequent events after balance date for the half-year ended 31 December 2015.

## FINANCIAL RESULTS

The BlueScope Steel Group comprises five reportable operating segments: Australian Steel Products, New Zealand & Pacific Steel, BlueScope Buildings (previously named 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		REPORTED <sup>(1)</sup>		UNDERLYING <sup>(2)</sup>	
	1H FY2016 \$M	REVENUE <sup>(3)</sup> 1H FY2015 \$M	EARNINGS 1H FY2016 \$M	EARNINGS <sup>(3)</sup> 1H FY2015 \$M	EARNINGS 1H FY2016 \$M	EARNINGS <sup>(3)</sup> 1H FY2015 \$M
Sales revenue/EBIT <sup>(4)</sup>						
Australian Steel Products	2,302.1	2,459.0	(95.9)	71.7	173.6	66.0
New Zealand & Pacific Steel	451.5	489.9	(365.7)	2.6	(47.1)	2.6
Building Products ASEAN, North America & India	878.6	898.6	65.4	47.8	65.4	47.8
BlueScope Buildings	889.8	785.4	26.3	31.6	34.2	19.3
Hot Rolled Products North America	187.1	-	743.1	67.1	42.4	67.1
Discontinued operations	-	22.3	(0.9)	(6.0)	-	-
Segment sales revenue/EBIT <sup>(4)</sup>	4,709.1	4,655.2	372.3	214.8	268.5	202.8
Inter-segment eliminations	(279.1)	(303.6)	0.3	0.4	0.3	0.4
Segment external sales revenue/EBIT <sup>(4)</sup>	4,430.0	4,351.6	372.6	215.2	268.8	203.2
Other revenue (net unallocated expenses)	8.8	10.2	(47.7)	(29.6)	(38.6)	(32.2)
Total revenue/EBIT <sup>(4)</sup>	4,438.8	4,361.8	324.9	185.6	230.1	171.0
Borrowing costs			(40.1)	(40.4)	(40.1)	(35.5)
Interest revenue			2.5	3.7	2.5	3.7
Profit from ordinary activities before income tax			287.3	148.9	192.5	139.2
Income tax expense			(60.7)	(34.3)	(47.1)	(36.1)
Profit from ordinary activities after income tax expense			226.6	114.6	145.4	103.1
Net (profit) attributable to non-controlling interests			(26.5)	(21.9)	(26.5)	(21.9)
Net profit attributable to equity holders of BlueScope Steel			200.1	92.7	119.0	81.2
Basic earnings per share (cents)			35.2	16.6	20.9	14.5

- (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. 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. 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.
- (3) Certain amounts in the comparative period have been restated as a result of the inclusion of Building Solutions Australia into discontinued operations in June 2015.
- (4) Performance of operating segments is based on EBIT which excludes the effects of interest and income tax. The Company considers this a useful and appropriate segment performance measure because Group financing (including interest expense and interest income) and income taxes are managed on a Group basis and are not allocated to operating segments.

### Reconciliation of Underlying Earnings to Reported Earnings

	EBIT \$M		NPAT \$M		Earnings per share <sup>(11)</sup> (cents)	
	1H FY2016 \$M	1H FY2015 <sup>(12)</sup> \$M	1H FY2016 \$M	1H FY2015 <sup>(12)</sup> \$M	1H FY2016 \$M	1H FY2015 <sup>(12)</sup> \$M
Reported earnings	324.9	185.6	200.1	92.7	35.2	16.6
Net losses from businesses discontinued <sup>(1)</sup>	0.9	6.0	0.7	4.9	0.1	0.8
Reported earnings (from continuing operations)	325.8	191.6	200.8	97.6	35.3	17.4
Underlying adjustments:						
Impact of acquiring a controlling interest in North Star <sup>(2)</sup>	(700.8)	-	(702.9)	-	(123.5)	-
Asset Impairments <sup>(3)</sup>	533.9	-	533.9	-	93.9	-
Business development, transaction and pre-operating costs <sup>(4)</sup>	15.7	7.8	11.1	5.5	1.9	1.0
Accounting adjustment on closure of the Australian defined benefit fund <sup>(5)</sup>	-	(27.2)	-	(19.0)	-	(3.4)
Production disruptions <sup>(6)</sup>	7.9	7.1	5.9	5.0	1.0	0.9
Restructure and redundancy costs <sup>(7)</sup>	81.9	(2.3)	57.4	(1.7)	10.1	0.2
Asset sales <sup>(8)</sup>	(34.4)	(6.0)	(34.0)	(3.5)	(6.0)	(0.6)
Debt restructuring costs <sup>(9)</sup>	-	-	-	2.8	-	-
Tax asset impairment/(write-back) <sup>(10)</sup>	-	-	46.6	(5.5)	8.2	(1.0)
Underlying earnings	230.1	171.0	119.0	81.2	20.9	14.5

- (1) First half FY2016 reflects foreign exchange translation losses within the closed Lysaght Taiwan business (\$0.9M pre-tax). First half FY2015 reflects losses relating to the discontinued Building Solutions Australia businesses (\$5.3M pre-tax) and foreign exchange translation losses within the closed Lysaght Taiwan business (\$0.7M pre-tax).
- (2) First half FY2016 reflects the de-recognition and fair value gain on BlueScope's existing 50% equity investment in North Star (\$706.6M pre-tax) partly offset by one-off acquisition accounting impacts (\$5.8M) following the acquisition of the remaining 50% on 30 October 2015.
- (3) First half FY2016 includes asset impairments in Australian Steel Products segment against property, plant and equipment (\$150.3M) and goodwill (\$38.7M) and \$344.9M against property, plant and equipment in New Zealand and Pacific Steel segment, including a \$162.7M full write-down of Taharoa export iron sand fixed assets.
- (4) First half FY2016 reflects transaction and integration costs associated with the acquisition of the remaining 50% share in North Star (\$9.1M pre-tax), integration costs associated with the Australian businesses acquired during 2H FY2014 (\$2.7M pre-tax) and pre-production losses incurred through commissioning the billet caster in New Zealand (\$3.9M pre-tax). First half FY2015 reflects transaction and integration costs associated with the Australian businesses acquired during 2H FY2014 (\$7.1M pre-tax) and Corporate business development costs (\$0.7M pre-tax).
- (5) 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.
- (6) First half FY2016 reflects the impact of the Tianjin port explosion on the Engineered Buildings China sites (\$7.9M pre-tax). First half FY2015 reflects the impact of the Port Kembla Steelworks sinter plant waste gas cleaning stack fire which occurred in October 2014.

- (7) First half FY2016 reflects staff redundancy and restructuring costs at ASP (\$79.3M pre-tax) primarily relating to the cost reduction program in Australian steelmaking and restructure of Australian Distribution and staff redundancy and restructuring costs in New Zealand (\$2.6M pre-tax). First half FY2015 reflects staff redundancy and restructuring costs at ASP (\$0.6M pre-tax) more than offset by the write-back of restructuring provisions raised in FY2014 relating to restructuring initiatives within the China business (\$2.9M pre-tax).
- (8) First half FY2016 reflects the profit on sale of McDonald's Lime in New Zealand (\$32.9M pre-tax) and profit on sale of PP&E in ASP (\$1.5M pre-tax). First half FY2015 reflects the profit on sale of land and buildings at the North American Buildings business (\$9.4M pre-tax) and a loss on sale in ASP (\$3.4M pre-tax).
- (9) First half FY2015 reflects the write-off of unamortised borrowing costs associated with the previous \$675M Syndicated Bank Facility which was restructured and refinanced.
- (10) First half FY2016 reflects impairment of deferred tax assets in New Zealand (\$55.4M), inclusive of a \$33.6M impairment of carried forward tax loss assets. These were partially offset by a \$8.8M utilisation of previously impaired deferred tax assets in Australia. First half FY2015 reflects utilisation of previously impaired deferred tax assets in Australia arising from the favourable movement in temporary differences exceeding tax losses generated during the period.
- (11) Earnings per share are based on the average number of shares on issue during the respective reporting periods, (568.9M in 1H FY2016 vs. 559.1M in 1H FY2015).
- (12) Certain amounts in the comparative period have been restated as a result of the inclusion of Building Solutions Australia into discontinued operations in June 2015.

## FINANCIAL PERFORMANCE

BlueScope reported a \$200.1 million net profit after tax (NPAT) for first half of FY2016, a \$107.4 million (116%) increase in financial performance compared to the first half of FY2015. The reported NPAT includes impairment charges of \$567.5 million and an accounting carrying value write-up, net of other one-off acquisition accounting impacts, of \$702.9 million in relation to its existing 50% interest in North Star BlueScope Steel. These were foreshadowed in the Company's market update on 12 February 2016.

The underlying NPAT was \$119.0 million, 47 per cent higher than the first half of FY2015, and 125 per cent higher than the previous six months. Underlying EBIT was \$230.1 million, up 35 per cent on the first half of FY2015, and up 76 per cent on the previous six months.

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

The Company has continued its good momentum in earnings growth. It is a very positive outcome and a credit to our teams around the globe. The result is the outcome of a deliberate strategy that has been underway for over a year.

Right across the portfolio, our people are executing the strategy well. We continue to invest in and grow our premium branded steel businesses and their results rose strongly. And we have a reinvigorated focus on innovation to drive the next generation of products and solutions for our customers.

We moved to full ownership of North Star, recognised as the best steelmaking business in the US. It has a clear pathway of incremental growth ahead of it.

Our focus on costs and lifting the performance of steelmaking operations in Australia and New Zealand is paying off.

With support of all our stakeholders we have been able to pursue Plan A at Port Kembla Steelworks. This occurred despite the continuing headwinds of global overproduction causing weaker commodity steel prices and spreads. Our relentless focus on cost reduction in Australia must continue and we are now targeting \$270 million in FY2017 (cash savings over the FY2015 cost base with \$20 million of the target coming from the Distribution business).

We continue to target at least NZ\$50 million of cost reductions in New Zealand in FY2017 and we have commenced a sale process of the Taharoa export iron sands business.

## Segment results

### *Australian Steel Products (ASP)*

The ASP segment delivered underlying EBIT of \$173.6 million, up 163 per cent on the first half of FY2015. Costs were significantly lower, with early delivery from our savings programs, and domestic volume and mix were better offsetting weaker spread.

### *New Zealand & Pacific Steel (NZPac)*

The NZPac segment made a loss before interest and tax of \$47.1 million, down \$49.7 million on the first half of FY2015 due largely to lower steel and iron sands prices. We have commenced a sale process of the Taharoa iron sands business.

### *Building Products ASEAN, North America & India (BP)*

The BP segment delivered underlying EBIT of \$65.4 million, up 37 per cent on the first half of FY2015. All businesses except Thailand delivered stronger earnings. Higher margins and favourable translation of earnings were offset by lower volumes in Thailand and Indonesia and higher costs in North America, Malaysia and Vietnam.

### *BlueScope Buildings (BB)*

The BB segment achieved underlying EBIT of \$34.2M, a 77 per cent increase the first half of FY2015. Buildings North America's earnings grew on stronger margins despite softer volumes. Buildings Asia's result improved significantly, to approach breakeven, and we saw a solid performance at China coating and painting.

### *Hot Rolled Products North America (HRPNA)*

With steel spreads down considerably over the past year, our HRPNA segment delivered underlying EBIT of \$42.4 million, 37 per cent lower than the first half of FY2015. At North Star BlueScope Steel, despatches continued at 100 per cent of production and we enjoyed FX translation benefits with a lower AUD:USD. The team remained focussed on delivering low-cost volume growth from the existing asset base.

## Likely developments and expected results of operations

Notwithstanding a challenging macroeconomic environment, due to the significant cost reductions and process improvements we are implementing, we expect second half FY2016 underlying EBIT to be up to 60% higher than second half FY2015.

We expect second half FY2016 underlying net finance costs to be higher than first half FY2016 due to higher average borrowings; we also expect a slightly lower underlying tax rate and similar profit attributable to non-controlling interests to first half FY2016.

Expectations are subject to spread, FX and market conditions.

**Auditor's independence declaration**

The auditor's independence declaration for the half-year ended 31 December 2015 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.



**J Bevan**  
Chairman



**P F O'Malley**  
Managing Director & CEO

Melbourne  
22 February 2016

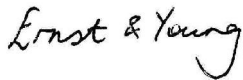


## Auditor's Independence Declaration to the Directors of BlueScope Steel Limited

As lead auditor for the review of BlueScope Steel Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of BlueScope Steel Limited and the entities it controlled during the financial period.



Ernst & Young



Rodney Piltz  
Partner

22 February 2016

**BlueScope Steel Limited**  
**Consolidated statement of comprehensive income**  
**For the half-year ended 31 December 2015**

	Notes	Half-year 2015 \$M	*Restated 2014 \$M
<b>Revenue from continuing operations</b>		<b>4,438.8</b>	4,339.5
<b>Other income</b>	4	<b>743.6</b>	9.7
Changes in inventories of finished goods and work in progress		<b>(71.0)</b>	(30.0)
Raw materials and consumables used		<b>(2,342.2)</b>	(2,396.3)
Employee benefits expense		<b>(860.7)</b>	(800.0)
Depreciation and amortisation expense		<b>(190.9)</b>	(164.3)
Net impairment (expense) write-back of non-current assets	4	<b>(533.8)</b>	(1.8)
Freight on external despatches		<b>(260.8)</b>	(275.1)
External services		<b>(453.7)</b>	(453.5)
Finance costs	4	<b>(40.1)</b>	(40.2)
Net restructuring (expense) write-back	4	<b>(42.7)</b>	0.4
Direct carbon emission write-back		-	1.2
Other expenses		<b>(130.5)</b>	(104.3)
Share of net profits (losses) of associates and joint venture partnerships		<b>32.2</b>	69.8
<b>Profit before income tax</b>		<b>288.2</b>	155.1
Income tax expense		<b>(60.9)</b>	(36.1)
<b>Net profit from continuing operations</b>		<b>227.3</b>	119.0
Loss from discontinued operations after income tax	7	<b>(0.7)</b>	(4.4)
<b>Net profit for the half-year</b>		<b>226.6</b>	114.6
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified to profit and loss</i>			
Net gain (loss) on cash flow hedges taken to equity		<b>(5.4)</b>	(13.1)
Net (gain) loss on cash flow hedges transferred to inventory and PP&E		<b>15.0</b>	6.2
- Income tax expense		<b>(1.3)</b>	(0.4)
Net gain (loss) on hedges of net investments in foreign subsidiaries		<b>16.1</b>	34.9
Exchange fluctuations on translation of foreign operations attributable to BlueScope Steel Limited		<b>20.7</b>	97.1
<i>Items that will not be reclassified to profit and loss</i>			
Actuarial gain (loss) on defined benefit superannuation plans		<b>(35.3)</b>	(60.5)
-Income tax (expense) benefit		<b>11.1</b>	15.5
Exchange fluctuations on translation of foreign operations attributable to non-controlling interests		<b>5.1</b>	54.7
Gain (loss) on cash flow hedges taken to equity attributable to non-controlling interests		<b>0.7</b>	(1.2)
<b>Other comprehensive income for the half-year</b>		<b>26.7</b>	133.2
<b>Total comprehensive income for the half-year</b>		<b>253.3</b>	247.8
Profit is attributable to:			
Owners of BlueScope Steel Limited		<b>200.1</b>	92.7
Non-controlling interests		<b>26.5</b>	21.9
		<b>226.6</b>	114.6
Total comprehensive income is attributable to:			
Owners of BlueScope Steel Limited		<b>221.3</b>	172.7
Non-controlling interests		<b>32.0</b>	75.1
		<b>253.3</b>	247.8

\*Certain amounts shown here have been restated to reflect retrospective changes made to discontinued operations (refer to note 7).

**BlueScope Steel Limited**  
**Consolidated statement of comprehensive income**  
**For the half-year ended 31 December 2015**  
(continued)

	Notes	Half-year 2015 Cents	*Restated 2014 Cents
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share	13	<b>35.3</b>	17.4
Diluted earnings per share	13	<b>34.7</b>	16.9
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share	13	<b>35.2</b>	16.6
Diluted earnings per share	13	<b>34.6</b>	16.1

\*Certain amounts shown here have been restated to reflect retrospective changes made to discontinued operations (refer to note 7).

**BlueScope Steel Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2015**

	Notes	31 December 2015 \$M	30 June 2015 \$M
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		488.0	518.5
Trade and other receivables		1,071.9	1,087.4
Inventories		1,591.5	1,496.7
Derivative financial instruments		7.3	1.4
Intangible assets		5.9	5.3
Deferred charges and prepayments		85.4	71.2
		<u>3,250.0</u>	<u>3,180.5</u>
Non-current assets classified as held for sale		-	5.3
Total current assets		<u>3,250.0</u>	<u>3,185.8</u>
<b>Non-current assets</b>			
Trade and other receivables		36.2	36.2
Inventories		64.6	63.9
Investments accounted for using the equity method	12	34.9	144.6
Property, plant and equipment		3,878.8	3,732.6
Deferred tax assets	5	167.2	196.0
Intangible assets	12	1,777.4	510.0
Deferred charges and prepayments		3.3	8.4
Total non-current assets		<u>5,962.4</u>	<u>4,691.7</u>
<b>Total assets</b>		<u>9,212.4</u>	<u>7,877.5</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1,223.6	1,306.1
Borrowings	12	902.7	107.6
Current tax liabilities		9.3	8.6
Provisions		379.7	419.2
Deferred income		134.6	153.2
Derivative financial instruments		3.1	10.6
Total current liabilities		<u>2,653.0</u>	<u>2,005.3</u>
<b>Non-current liabilities</b>			
Trade and other payables		12.0	11.5
Borrowings	12	958.7	686.1
Deferred tax liabilities		158.5	24.2
Provisions		193.2	190.2
Retirement benefit obligations	8	268.5	217.9
Deferred income		3.1	3.2
Total non-current liabilities		<u>1,594.0</u>	<u>1,133.1</u>
<b>Total liabilities</b>		<u>4,247.0</u>	<u>3,138.4</u>
<b>Net assets</b>		<u>4,965.4</u>	<u>4,739.1</u>
<b>EQUITY</b>			
Contributed equity	6	4,687.0	4,673.8
Reserves		267.3	225.1
Retained profits (losses)		(464.7)	(623.3)
Parent entity interest		4,489.6	4,275.6
Non-controlling interests		475.8	463.5
<b>Total equity</b>		<u>4,965.4</u>	<u>4,739.1</u>

**BlueScope Steel Limited**  
**Consolidated statement of changes in equity**  
**For the half-year ended 31 December 2015**

Notes	Contributed equity \$M	Reserves \$M	Retained earnings \$M	Non- controlling interests \$M	Total \$M
<b>31 December 2015</b>					
<b>Balance at 1 July 2015</b>	<b>4,673.8</b>	<b>225.1</b>	<b>(623.3)</b>	<b>463.5</b>	<b>4,739.1</b>
Profit for the period	-	-	200.1	26.5	226.6
Other comprehensive income (loss)	-	45.2	(24.0)	5.5	26.7
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>45.2</b>	<b>176.1</b>	<b>32.0</b>	<b>253.3</b>
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued:					
FY14 KMP STI share awards	6	1.1	-	-	1.1
FY12 Retention share award	6	9.4	(9.4)	-	-
FY12 LTIP share award	6	2.3	(2.3)	-	-
Share-based payment expense		8.2	-	-	8.2
Dividends paid		-	(17.1)	(19.7)	(36.8)
Tax credit recognised directly in equity	6	0.4	-	-	0.4
Other		-	(0.4)	-	0.1
		13.2	(3.0)	(17.5)	(27.0)
<b>Balance at 31 December 2015</b>	<b>4,687.0</b>	<b>267.3</b>	<b>(464.7)</b>	<b>475.8</b>	<b>4,965.4</b>

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

**BlueScope Steel Limited**  
**Consolidated statement of cash flows**  
**For the half-year ended 31 December 2015**

	Notes	Consolidated Half-year	
		2015 \$M	2014 \$M
<b>Cash flows from operating activities</b>			
Receipts from customers		4,849.1	4,623.4
Payments to suppliers and employees		<u>(4,649.1)</u>	<u>(4,470.2)</u>
		200.0	153.2
Associate dividends received		24.2	58.3
Joint venture partnership distributions received		1.1	1.5
Interest received		3.8	1.7
Other revenue		7.3	6.9
Finance costs paid		(42.9)	(36.1)
Income taxes (paid)/received		<u>(28.4)</u>	<u>(35.9)</u>
<b>Net cash inflow from operating activities</b>		<u>165.1</u>	<u>149.6</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(139.8)	(165.3)
Payments for intangibles		(1.4)	(2.7)
Payments for investments in joint venture partnerships		(1.0)	(1.6)
Payments for purchase of subsidiaries, net of cash acquired	12	(998.2)	(52.7)
Proceeds from sale of property, plant and equipment		3.7	13.6
Proceeds from sale of investments	4(b)	<u>38.1</u>	<u>-</u>
<b>Net cash (outflow) from investing activities</b>		<u>(1,098.6)</u>	<u>(208.7)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		2,081.0	857.9
Repayment of borrowings		(1,148.1)	(877.2)
Dividends paid to Company's shareholders		(17.1)	-
Dividends paid to non-controlling interests in subsidiaries		(19.7)	(32.7)
Share buybacks	6	<u>-</u>	<u>(0.1)</u>
<b>Net cash inflow (outflow) from financing activities</b>		<u>896.1</u>	<u>(52.1)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>(37.4)</u>	<u>(111.2)</u>
Cash and cash equivalents at the beginning of the financial year		517.9	465.9
Effects of exchange rate changes on cash and cash equivalents		6.2	31.7
<b>Cash and cash equivalents at end of period</b>		<u>486.7</u>	<u>386.4</u>

**Contents of the notes to the consolidated financial statements**

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## 1 Basis of preparation of the interim report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2015 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 2015 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.

### (a) New Accounting Standards and interpretations

Certain new Accounting Standards and interpretations have been published that are not mandatory for the 31 December 2015 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

#### (i) *IFRS 16 Leases (January 2016) (effective from 1 July 2019)*

IFRS 16 eliminates the classification of leases as either operating leases or finance leases as required by the current lease accounting standard and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and depreciate lease assets separately from interest on lease liabilities in the income statement.

The standard is expected to result in a significant increase in financial assets and liabilities of the Group as the majority of operating leases will be brought on balance sheet.

#### (ii) *AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 (effective 1 July 2016)*

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in the financial statements and in what order information is presented.



## 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 2015. 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.

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 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 and New Zealand 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 and New Zealand dollars 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 2015: 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.

## 2 Critical accounting estimates and judgements (continued)

### *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 8.2% to 9.7% (June 2015: 7.7% - 9.0%).

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.

### *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.

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 (5-10%) across the forecast period, without the implementation of mitigation plans, the cash flow forecasts would result in a \$120 million to \$240 million impairment of the carrying amount.

### *Cash generating units with significant goodwill*

The significant proportion of the Group's goodwill has been allocated to Hot Rolled Products North America and BlueScope Buildings North America (a business within the BlueScope Buildings segment).

BlueScope Buildings North America has \$300.9M of goodwill (24.4% of the Group's goodwill) and is tested for impairment on a VIU basis using two and a half year cash flow projections, followed by a long-term growth rate of 2.5% for a further 27.5 years. Pre-tax VIU cash flows are discounted utilising a 12.6% pre-tax discount rate (June 2015: 11.9%).

At 31 December 2015 the estimated recoverable amount of this CGU is 1.5 times the carrying amount of \$538.4M, 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 (9% per annum from the current historically low base levels over the two and half year projection period) as general market conditions improve in North America but remain 22% 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 34% reduction in non-residential construction activity below pre global financial crisis levels, or more than a five-year delay to achieve the projected recovery, would be required for the recoverable amount to be equal to the carrying amount.

The Company acquired a controlling interest in North Star BlueScope on 30 October 2015. This CGU has \$914.3M of goodwill (74.1% of the Group's goodwill) and is tested for impairment on a VIU basis using three and 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 pre-tax discount rate of 14.5%.

At 31 December 2015 the recoverable amount of the CGU is equivalent to the carrying amount of \$2,042 million, including non-current assets and net working capital. This CGU is most sensitive to assumptions in relation to the spread between North American hot rolled coil and purchased scrap prices. Taking into account external forecasts, the Company expects spread to increase 5.4% pa from current financial year levels over the three and half year projection period. A material (5-10%) reduction in forecast spread, without the implementation of mitigation plans, spread could result in a \$320 million to \$640 million impairment of the carrying amount.

## 2 Critical accounting estimates and judgements (continued)

### *(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.

### *(vi) Retirement benefit obligations*

Various actuarial assumptions underpin the determination of the Group's pension obligations. These assumptions and the related carrying amounts are discussed in note 8.

### *(vii) Restructuring and redundancy provisions*

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

### *(viii) Plant and machinery useful lives*

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

### *(ix) Restoration and rehabilitation provisions*

Provisions have been made for the present value of anticipated costs for future remediation and restoration of leased premises and the iron sand mine operations in New Zealand. 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

The Group's operating segments are reported in a manner which is materially consistent with the internal reporting provided to the chief operating decision maker. The Managing Director and Chief Executive Officer is responsible for allocating resources and assessing performance of the operating segments.

Following the closure of Building Solutions Australia, including the sale of the Australian Water business in June 2015, these businesses have been included as part of discontinued operations. Comparatives for December 2014 have been restated for these retrospective changes.

SEGMENT	DESCRIPTION
<b>Australian Steel Products</b>	<ul style="list-style-type: none"> <li>- Includes Port Kembla Steelworks, a steel making operation and a leading supplier of flat steel in Australia, manufacturing slab, hot rolled coil and plate products with an annual production capacity of approximately 2.6 million tonnes of crude steel.</li> <li>- 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.</li> <li>- Operates a network of service centres and distribution sites from which it is a key supplier to the Australian building and construction industry, automotive sector, major white goods manufacturers and general manufacturers.</li> <li>- Holds the Lysaght steel solutions business, providing a range of LYSAGHT® branded products to the building and construction sector.</li> <li>- Export offices are also incorporated within this segment to trade steel manufactured at these facilities on global markets.</li> </ul>
<b>New Zealand &amp; Pacific Steel</b>	<ul style="list-style-type: none"> <li>- Includes iron sand mining at Waikato North Head and Taharoa, New Zealand, producing iron sands for internal use at the Glenbrook, New Zealand, steel making operation and for export.</li> <li>- The Glenbrook facility produces a range of flat steel products for both domestic and export markets and has an annual production capacity of approximately 0.6 million tonnes.</li> <li>- Includes facilities in New Caledonia, Fiji and Vanuatu, which manufacture and distribute the LYSAGHT® range of products.</li> <li>- Includes the Auckland based long products rolling mill and wire drawing facility acquired from Fletcher Steel Limited in June 2014.</li> </ul>
<b>BlueScope Buildings (Previously named Global Building Solutions)</b>	<ul style="list-style-type: none"> <li>- Leader in custom engineered steel buildings and comprises the Company's engineered buildings solutions businesses in North America, China, Indonesia, Malaysia, Thailand and Vietnam.</li> <li>- The segment also includes metal coating, painting and Lysaght businesses in China.</li> </ul>
<b>Building Products ASEAN, North America &amp; India</b>	<ul style="list-style-type: none"> <li>- 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 Building Products operations also include LYSAGHT® roll-forming facilities in Singapore and Brunei.</li> <li>- These businesses comprise the NS BlueScope Coated Products 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.</li> <li>- 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.</li> </ul>
<b>Hot Rolled Products North America</b>	<ul style="list-style-type: none"> <li>- On 30 October 2015, BlueScope acquired the remaining 50% interest in the North Star BlueScope Steel joint venture, a steel mini mill in the United States. Effective from 31 October 2015, the business is consolidated in the Group's financial statements. The segment also includes a 47.5% shareholding in Castrip LLC, which is jointly controlled and is therefore equity accounted for in the Group financial statements.</li> </ul>

### 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 2015 is as follows:

Half-year 2015	Australian Steel Products \$M	New Zealand & Pacific Steel \$M	BlueScope Buildings \$M	Building Products ASEAN, North America & India \$M	Hot Rolled Products North America \$M	Discontinued Operations \$M	Total \$M
Total segment sales revenue	2,302.1	451.5	889.8	878.6	187.1	-	4,709.1
Intersegment revenue	(169.0)	(60.3)	-	(49.8)	-	-	(279.1)
<b>Revenue from external customers</b>	<b>2,133.1</b>	<b>391.2</b>	<b>889.8</b>	<b>828.8</b>	<b>187.1</b>	<b>-</b>	<b>4,430.0</b>
<b>Segment EBIT</b>	<b>(95.9)</b>	<b>(365.7)</b>	<b>26.3</b>	<b>65.4</b>	<b>743.1</b>	<b>(0.9)</b>	<b>372.3</b>
Depreciation and amortisation	93.5	31.7	22.5	30.5	12.5	-	190.7
Impairment expense (write-back) of non current assets	189.0	344.9	(1.1)	-	1.0	-	533.8
Share of profit (loss) from associates and joint venture partnerships	-	1.7	0.6	1.2	28.7	-	32.2
<b>Total segment assets</b>	<b>3,145.1</b>	<b>735.7</b>	<b>1,284.5</b>	<b>1,358.0</b>	<b>2,128.1</b>	<b>0.3</b>	<b>8,651.7</b>
Total assets includes:							
Investments in associates and joint venture partnerships	-	6.1	2.0	26.8	-	-	34.9
Additions to non-current assets (other than financial assets and deferred tax)	49.8	74.3	5.0	16.3	1,015.7	-	1,161.1
<b>Total segment liabilities</b>	<b>943.1</b>	<b>370.6</b>	<b>567.4</b>	<b>292.4</b>	<b>86.4</b>	<b>4.2</b>	<b>2,264.1</b>
Half-year 2014 (restated)	Australian Steel Products \$M	New Zealand & Pacific Steel \$M	BlueScope Buildings \$M	Building Products ASEAN, North America & India \$M	Hot Rolled Products North America \$M	Discontinued Operations \$M	Total \$M
Total segment sales revenue	2,459.0	489.9	785.4	898.6	-	22.3	4,655.2
Intersegment revenue	(199.9)	(49.7)	(0.3)	(53.7)	-	-	(303.6)
<b>Revenue from external customers</b>	<b>2,259.1</b>	<b>440.2</b>	<b>785.1</b>	<b>844.9</b>	<b>-</b>	<b>22.3</b>	<b>4,351.6</b>
<b>Segment EBIT</b>	<b>71.7</b>	<b>2.6</b>	<b>31.6</b>	<b>47.8</b>	<b>67.1</b>	<b>(6.0)</b>	<b>214.8</b>
Depreciation and amortisation	91.7	28.8	17.4	26.2	-	-	164.1
Impairment expense (write-back) 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
<b>Total segment assets</b>	<b>3,537.2</b>	<b>1,001.7</b>	<b>1,230.8</b>	<b>1,315.2</b>	<b>131.1</b>	<b>11.0</b>	<b>7,227.0</b>
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
<b>Total segment liabilities</b>	<b>1,051.6</b>	<b>318.1</b>	<b>527.6</b>	<b>309.9</b>	<b>-</b>	<b>30.8</b>	<b>2,238.0</b>

### 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.

	<b>Consolidated Half-year</b>	
	<b>2015</b>	Restated 2014
	<b>\$M</b>	\$M
<b>Total segment revenue</b>	<b>4,709.1</b>	4,655.2
Intersegment eliminations	<b>(279.1)</b>	(303.6)
Revenue attributable to discontinued operations	-	(22.3)
Other revenue	<b>8.8</b>	10.2
<b>Total revenue from continuing operations</b>	<b>4,438.8</b>	4,339.5

##### (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:

	<b>Consolidated Half-year</b>	
	<b>2015</b>	Restated 2014
	<b>\$M</b>	\$M
<b>Total segment EBIT gain</b>	<b>372.3</b>	214.8
Intersegment eliminations	<b>0.3</b>	0.4
Interest income	<b>2.5</b>	3.7
Finance costs	<b>(40.1)</b>	(40.2)
EBIT (gain) loss attributable to discontinued operations	<b>0.9</b>	6.0
Corporate operations	<b>(47.7)</b>	(29.6)
<b>Profit before income tax from continuing operations</b>	<b>288.2</b>	155.1

### 3 Segment information (continued)

*(iii) Segment assets and liabilities*

Segment assets and liabilities are measured in a manner consistent with the financial statements and are allocated based on the operations of the segment and the physical location of the asset and liability.

Cash and liabilities arising from borrowing and funding initiatives, including deferred purchase price on business acquisitions, are not considered to be segment assets and liabilities respectively due to these being managed by the Group's centralised treasury function.

As the segment performance is measured based on EBIT, tax assets and tax liabilities, which by their nature do not contribute towards EBIT, are not allocated to operating segments.

	<b>Consolidated</b>	
	<b>December</b>	June
	<b>2015</b>	2015
	<b>\$M</b>	\$M
<b>Segment assets</b>	<b>8,651.7</b>	7,251.4
Intersegment eliminations	<b>(113.7)</b>	(112.2)
Unallocated:		
Deferred tax assets	<b>167.2</b>	196.0
Cash	<b>488.0</b>	518.5
Corporate operations	<b>19.2</b>	23.8
<b>Total assets as per the statement of financial position</b>	<b>9,212.4</b>	7,877.5

	<b>Consolidated</b>	
	<b>December</b>	June
	<b>2015</b>	2015
	<b>\$M</b>	\$M
<b>Segment liabilities</b>	<b>2,264.1</b>	2,353.1
Intersegment eliminations	<b>(113.2)</b>	(111.3)
Unallocated:		
Current borrowings	<b>902.7</b>	107.6
Non-current borrowings	<b>958.7</b>	686.1
Current tax liabilities	<b>9.3</b>	8.6
Deferred tax liabilities	<b>158.5</b>	24.2
Accrued borrowing costs payable	<b>5.9</b>	5.7
Corporate operations	<b>37.8</b>	31.7
Deferred purchase price on business acquisition	<b>23.2</b>	32.7
<b>Total liabilities as per the statement of financial position</b>	<b>4,247.0</b>	3,138.4

#### 4 Other income and expenses

		<b>Consolidated Half-year</b>	
		<b>2015 \$M</b>	Restated 2014 \$M
<b>Profit before income tax includes the following specific income and expenses for continuing operations:</b>			
	Note		
<i>Other income</i>			
Carbon permit - Government Grant		2.8	1.2
Net gain on sale of property, plant and equipment		-	7.5
Government Grant - other		1.0	0.4
Net foreign exchange gains		0.3	0.6
Net gain on sale of investment (a)		32.9	-
Net gain on disposal of investment	12	706.6	-
Total other income		743.6	9.7
<i>Impairment of non current-assets</i>			
Australian Steel Products PP&E (b)		(189.0)	-
New Zealand and Pacific Steel PP&E (b)		(344.9)	-
Castrip joint venture		(1.0)	(1.6)
Buildings Australia goodwill		-	(0.2)
BlueScope Buildings impairment write-back		1.1	-
Total impairment (expense) write-back of non-current assets		(533.8)	(1.8)
<i>Finance costs</i>			
Interest and finance charges paid/payable		(31.3)	(26.4)
Ancillary finance charges		(7.6)	(11.6)
Provisions: unwinding of discount		(1.2)	(2.2)
		(40.1)	(40.2)
Finance costs expensed		(40.1)	(40.2)
Net restructuring (expense) write-back (c)		(42.7)	0.4
Employee redundancy provision expense (d)		(39.2)	(0.7)
Defined Benefit superannuation fund closure gain (e)		-	27.2
Inventory net realisable value (expense)		(45.1)	(33.8)

##### (a) Net gain on sale of investment

On 1 July 2015, New Zealand Steel sold its \$5.2M (NZD 5.6M) 28% equity accounted investment in McDonald's Lime for \$38.1M and recognised a net gain of \$32.9M (NZD 35.5M) in the profit or loss.



## 4 Other income and expenses (continued)

### (b) Impairment charges

As at 31 December 2015, an impairment charge of \$189.0M was recognised within Australian Steel Products (ASP) segment against property, plant and equipment (\$150.3M) and goodwill (\$38.7M), based on a \$2,202.0M recoverable amount. Additionally, a \$344.9M impairment was recognised against property, plant and equipment in New Zealand and Pacific Steel (NZPac) segment, based on a \$365.1M recoverable amount. This includes a \$162.7M full write-down of Taharoa export iron sands fixed assets.

The impairments follow the review of steel and iron ore price assumptions and discount rates in light of ongoing macroeconomic and global steel market challenges. The discount rates used were 13.7% (June-15: 12.7%) and 13.4% (June-15: 12.4%) for the ASP and NZPac segments respectively. The impairments have not been tax effected.

### (c) Restructuring expense

Net restructuring expense includes \$40.1M recognised within Australian Steel Products, which primarily relates to the BlueScope Distribution review work stream, involving rationalisation of product range, lowering of fixed costs as the business moves from being a generalist steel distributor to a specialist and closure and consolidation of sites. The provision raised covers employee redundancies, onerous rent from site closures and asset write downs.

### (d) Employee redundancy expense

During the half-year, \$39.2M of redundancy expense was recognised within Australian Steel Products in relation to the cost reduction program in Australian steelmaking.

### (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 as at 31 December 2015. Additional deferred tax assets will only be recognised when the Australian tax group returns to producing taxable income.

As at 31 December 2015, an impairment charge of NZ\$ 36.1M ( A\$ 33.6M) was recognised against New Zealand Steel tax loss assets following a review of their recoverability. The remaining New Zealand deferred tax asset is NZ\$ 56.3M. The utilisation of this deferred tax asset depends upon future taxable amounts in excess of profits arising from the reversal of temporary differences. Given the current challenges confronting New Zealand Steel, the Company has deferred the recognition of any further tax credits in the profit & loss, post 30 June 2015, until a return to taxable profits has been demonstrated.

## 6 Equity securities issued

	<b>Six-months to 31 Dec 2015 Shares</b>	Six-months to 31 Dec 2014 Shares	<b>Six-months to 31 Dec 2015 \$M</b>	Six-months to 31 Dec 2014 \$M
<b>Issue of ordinary shares during the half-year</b>				
Opening balance	565,225,282	558,848,896	4,673.8	4,663.1
FY13/14 KMP STI share awards	154,730	378,975	1.1	1.9
FY12 LTIP share award	1,861,351	-	2.3	-
FY12 Retention share award	4,028,906	-	9.4	-
FY13 KMP STI share buy-back	-	-	-	(0.1)
Share rights - Tax deduction (i)	-	-	0.4	2.4
	<b>571,270,269</b>	<b>559,227,871</b>	<b>4,687.0</b>	<b>4,667.3</b>
<b>Movements in treasury shares during the half-year</b>				
Opening balance	-	(494,952)	-	(3.7)
July 2011 Retention shares vested	-	494,952	-	3.7
	-	-	-	-
Net movement	<b>571,270,269</b>	<b>559,227,871</b>	<b>4,687.0</b>	<b>4,667.3</b>

### (i) Share rights - Tax deduction

In December 2015, a \$0.4M (Dec-14: \$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 Discontinued operations

### (a) Description

#### Building Solutions Australia

During the previous financial year the Group discontinued its Building Solutions Australia business, including the sale of its industrial water tank operations on 19 June 2015. Building Solutions Australia has been included as part of discontinued operations, with retrospective changes made to the comparative period results.

#### Lysaght Taiwan

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

## 7 Discontinued operations (continued)

### (b) Financial performance of discontinued operations

	Consolidated			
	Six-months to 31 December 2015	Restated Building Solutions Australia \$M	Six-months to 31 December 2014	Total \$M
	Lysaght Taiwan \$M		Lysaght Taiwan \$M	
Revenue	-	22.3	-	22.3
Restructuring costs	-	(4.0)	-	(4.0)
Finance costs	-	(0.1)	-	(0.1)
Other expenses	<u>(0.9)</u>	(23.6)	(0.7)	(24.3)
Profit (loss) before income tax	<u>(0.9)</u>	(5.4)	(0.7)	(6.1)
Income tax (expense) benefit	<u>0.2</u>	1.6	0.1	1.7
Profit (loss) after income tax from discontinued operations	<u>(0.7)</u>	(3.8)	(0.6)	(4.4)

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

## 8 Non-current liabilities - Retirement benefit obligations

### (a) Balance sheet amounts

	Consolidated	
	December 2015 \$M	June 2015 \$M
Present value of the defined benefit obligation	(991.5)	(926.5)
Fair value of defined benefit plan assets	723.0	708.6
	<u>(268.5)</u>	(217.9)
<b>Net liability in the statement of financial position</b>	<u>(268.5)</u>	(217.9)

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

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

	BlueScope Steel Superannuation Fund		New Zealand Pension Fund		Butler Manufacturing Base Retirement Plan		Total	
	\$M		\$M		\$M		\$M	
	Dec 2015	June 2015	Dec 2015	June 2015	Dec 2015	June 2015	Dec 2015	June 2015
Present value of the defined benefit obligation	-	-	(533.1)	(493.8)	(458.4)	(432.7)	(991.5)	(926.5)
Fair value of defined benefit plan assets	-	-	393.8	383.4	329.2	325.2	723.0	708.6
Net (liability) asset in the statement of financial position	-	-	(139.3)	(110.4)	(129.2)	(107.5)	(268.5)	(217.9)
Defined benefit expense (credit) (i)	-	(20.0)	8.2	12.4	3.9	(5.4)	12.1	(13.0)
Employer contribution	-	22.2	8.1	18.2	0.7	0.2	8.8	40.6
<i>Significant actuarial assumptions</i>	%		%		%			
Discount rate (gross of tax)	-	-	3.7	4.0	4.3	4.3		
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.

## 9 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 2015		At 30 June 2015	
	Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
<i>Non-traded financial liabilities</i>				
Other loans	412.4	432.0	391.0	463.1
Net assets (liabilities)	(412.4)	(432.0)	(391.0)	(463.1)

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.

## 10 Dividends

### (a) Ordinary shares

	Parent entity Half-year	
	2015 \$M	2014 \$M
Final dividend for 30 June 2015 of 3 cents per fully paid ordinary share share paid on 19 October 2015 (2014: Nil)	17.1	-

### (b) Dividends not recognised at the end of the reporting period

	Parent entity Half-year	
	2015 \$M	2014 \$M
For the half-year ended 31 December 2015, 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	17.1	17.1

## 11 Contingencies

Material changes in relation to contingent liabilities and assets disclosed since 30 June 2015, were as follows:

(i) BlueScope has initiated legal proceeding against South32 alleging certain coal supply contract non-compliances estimated at approximately \$78 million. South32 subsequently initiated legal proceedings against BlueScope alleging certain other coal supply contract non-compliances with a similar value.

(ii) As a result of the 12 August 2015 explosion at the Port of Tianjin, our Butler Tianjin site nearby incurred losses to the value of \$7.9 million. The site has a local insurance policy which is expected to cover the majority of costs incurred. The recovery will be recognised when the claim is settled.

## 12 Business combination

### (a) Summary of acquisitions

(i) In June 2014, BlueScope acquired the Auckland long products rolling mill and wire drawing facility from Pacific Steel Group (PSG), a division of Fletcher Steel Limited, for a total purchase price of AUD 107.2M (NZD 113.9M), of which \$82.2M was deferred as at 30 June 2014. During the half-year, a total of \$10.8M (NZD 11.8M) was paid.

(ii) On 30 October 2015, BlueScope acquired the remaining 50% share of North Star BlueScope Steel LLC for USD 720M which was debt funded. The business is a high quality steel mini mill in United States which BlueScope has had a 50% interest in since inception.

The existing 50% equity accounted investment share has been derecognised with a fair value net gain of \$706.6M (USD 509.3M) recognised in the profit & loss after taking into account the carrying value of the investment and carried forward translation reserves relating to the translation of the equity investment to AUD. The 100% share has been recognised at fair value.

## 12 Business combination (continued)

Details of the purchase consideration and net assets acquired for the acquisition is as follows:

### (b) Purchase consideration - cash outflow

	<b>North Star BlueScope Steel LLC</b>
	<b>\$M</b>
Outflow of cash to acquire subsidiaries, net of cash acquired	
Purchase consideration	999.5
Add: Acquisition costs	9.1
	1,008.6
Cash consideration	1,008.6
Less: Cash balances acquired	(21.2)
Outflow of cash	<b>987.4</b>

### (c) Provisional assets acquired and liabilities assumed

The identifiable net assets recognised on acquisition as set out below are based on provisional assessment of their fair value as the measurement period covers up to 12 months from acquisition date.

	<b>North Star BlueScope Steel LLC</b>
	<b>\$M</b>
<b>Assets</b>	
Cash assets	21.2
Trade receivables	131.0
Inventories	103.4
Property, plant and equipment	619.7
Intangible assets	390.2
Other assets	2.3
	<b>1,267.8</b>
<b>Liabilities</b>	
Payables	(121.2)
Other provisions	(8.3)
Borrowings	(69.4)
Deferred tax	(159.7)
	<b>(358.6)</b>
<b>Total identifiable net assets at fair value</b>	<b>909.2</b>
Goodwill recognised on acquisition (i)	923.2
<b>Fair value of net assets and liabilities acquired</b>	<b>1,832.4</b>
Less: Disposal of existing 50% equity investment	(111.3)
Less : Gain on disposal of existing 50% equity investment	(706.6)
Add: Recycling of exchange translation reserve to profit and loss	(15.0)
<b>Purchase consideration transferred</b>	<b>999.5</b>

## 12 Business combination (continued)

(i) Goodwill recognised on acquisition represents the premium paid above the fair value of identifiable net assets acquired. The balance relates to intangible assets acquired as part of the acquisition, which are not separately identifiable. Management has identified the following reasons for goodwill:

- Location: proximity to major raw material and steel markets;
- Product quality;
- Service offering - excellent delivery performance record;
- Quality workforce;
- Opportunities for major expansion;
- Opportunities for sale of the entire business in the longer term; and
- Avoiding potential ownership conflicts with differing strategies.

## 13 Earnings (loss) per share

### (a) Basic earnings (loss) per share

	<b>Consolidated Half-year</b>	
	<b>2015</b>	Restated 2014
	<b>Cents</b>	Cents
Continuing operations	35.3	17.4
Discontinued operations	(0.1)	(0.8)
Total basic earnings per share attributable to the ordinary equity holders of the Company	35.2	16.6

### (b) Diluted earnings (loss) per share

	<b>Consolidated Half-year</b>	
	<b>2015</b>	Restated 2014
	<b>Cents</b>	Cents
Continuing operations attributable to the ordinary equity holders of the Company	34.7	16.9
Discontinued operations	(0.1)	(0.8)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	34.6	16.1

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

	<b>Consolidated Half-year</b>	
	<b>2015</b>	Restated 2014
	<b>\$M</b>	\$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:		
Continuing operations	200.8	97.1
Discontinued operations	(0.7)	(4.4)
	200.1	92.7

### 13 Earnings (loss) per share (continued)

#### (d) Weighted average number of shares used as denominator

	Consolidated Half-year	
	2015 Number	2014 Number
<i>Weighted average number of ordinary shares (Basic)</i>	<b>568,918,295</b>	559,137,247
Adjustments for calculation of diluted earnings per share:		
Weighted average number of share rights	<b>9,338,930</b>	16,575,028
<i>Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<b>578,257,225</b>	575,712,275

#### (e) Earnings per share restated

In accordance with AASB 133 Earnings per Share, the comparative earnings (loss) per share calculations have been restated for the retrospective adjustment made to discontinued operations (refer to note 7).

### 14 Events occurring after the reporting period

There were no subsequent events after balance date for the half-year ended 31 December 2015.



## Directors' declaration

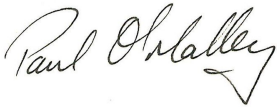
In the directors' opinion:

- (a) the interim financial statements and notes set out on pages 8 to 30 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 2015 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.



**J Bevan**  
Chairman



**P F O'Malley**  
Managing Director & CEO

Melbourne  
22 February 2016

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 2015, 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 2015 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.

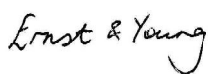
### Independence

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 2015 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  
22 February 2016