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

22 February 2016

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

Dear Sir,

Earnings Report for the six months ended 31 December 2015

In addition to the contemporaneously lodged Appendix 4D, Directors' Report and Financial Report for the half year ended 31 December 2015, I attach the Company's 1H FY2016 Earnings Report.

Yours faithfully

Michael Barron
Company Secretary
BlueScope Steel Limited

RESULTS SUMMARY

Key Financial Measures – Six months ended 31 December 2015 and 31 December 2014 [1]

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

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.

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

	Revenue		Reported Result [1]		Underlying Result [2]	
$M	1H FY2016	1H FY2015[3]	1H FY2016	1H FY2015[3]	1H FY2016	1H FY2015[3]
Sales revenue/EBIT[4]						
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
Segment revenue/EBIT	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 revenue/EBIT	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	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/(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)
Net profit/(loss) 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. 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 $ [11]	
	1H FY16	1H FY15[12]	1H FY16	1H FY15[12]	1H FY16	1H FY15[12]	1H FY16	1H FY15[12]
Reported earnings	515.8	349.9	324.9	185.6	200.1	92.7	0.35	0.17
Underlying adjustments:								
Net (gains)/losses from businesses discontinued [1]	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 [2]	(704.0)	0.0	(700.8)	0.0	(702.9)	0.0	(1.23)	0.00
Asset impairments [3]	533.9	0.0	533.9	0.0	533.9	0.0	0.94	0.00
Business development, transaction and pre-operating costs [4]	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 [5]	0.0	(27.2)	0.0	(27.2)	0.0	(19.0)	0.00	(0.03)
Production disruptions [6]	7.9	7.1	7.9	7.1	5.9	5.0	0.01	0.01
Restructure and redundancy costs [7]	81.9	(2.3)	81.9	(2.3)	57.4	(1.7)	0.10	(0.00)
Asset sales [8]	(34.4)	(6.0)	(34.4)	(6.0)	(34.0)	(3.5)	(0.06)	(0.01)
Debt restructuring costs [9]	0.0	0.0	0.0	0.0	0.0	2.8	0.00	0.01
Tax asset impairment / (write-back) [10]	0.0	0.0	0.0	0.0	46.6	(5.5)	0.08	(0.01)
Underlying earnings	417.8	335.3	230.1	171.0	119.0	81.2	0.21	0.15

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).
     - Taharoa 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)
Underlying adjustments	269.5	318.5	7.9	0.0	(700.8)	9.1	0.9	0.0	(94.9)

Table 3: Consolidated Cash Flow

$M	1H FY2016	1H FY2015	Variance %
Reported EBITDA	515.8	349.9	47%
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%
Cash EBITDA	313.5	341.0	(8%)
Changes in working capital	(80.9)	(121.1)	33%
Gross operating cash flow	232.6	219.9	6%
Finance costs	(42.9)	(36.1)	(19%)
Interest received	3.8	1.7	124%
Tax received/(paid) [1]	(28.4)	(35.9)	21%
Net cash from operating activities	165.1	149.6	10%
Capex: payments for P, P & E and intangibles	(141.2)	(168.0)	16%
Other investing cash flows	(957.4)	(40.7)	-
Net cash flow before financing	(933.5)	(59.1)	-
Equity issues	0.0	(0.1)	-
Dividends to non-controlling interests [2]	(19.7)	(32.7)	40%
Dividends to BlueScope Steel Limited shareholders	(17.1)	0.0	-
Net drawing/(repayment) of borrowings	932.9	(19.3)	-
Net increase/(decrease) in cash held	(37.4)	(111.2)	66%

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

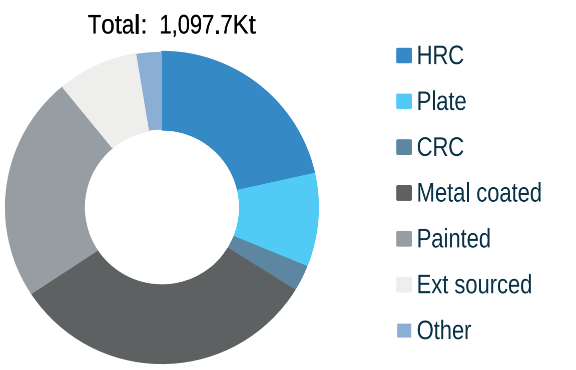
Table 4: Segment financial performance

$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
Total	1,408.1	1,414.8	(1%)	1,478.9

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
Total flat products steel	244.8	251.1	(3%)	269.2
Domestic longs	79.0	86.5	(9%)	86.5
Export longs	42.0	49.4	(15%)	39.9
Total long products steel	121.0	135.9	(11%)	126.4
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[1] (incl NRV) at US$41/t1 index price[2] in 2H FY2016
  - operating cash outflow of NZ$26-31M[3] (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.

[1] Assumes NZDUSD of 0.64 in 2H FY2016. Note, approximately 60-65% of cost base is NZD based.

[2] References are to 62% Fe CFR Pilbara iron ore index price.

[3] Operating cash outflow being cashflow from operating activities, sustaining capex and NZ$16M growth capex.

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.

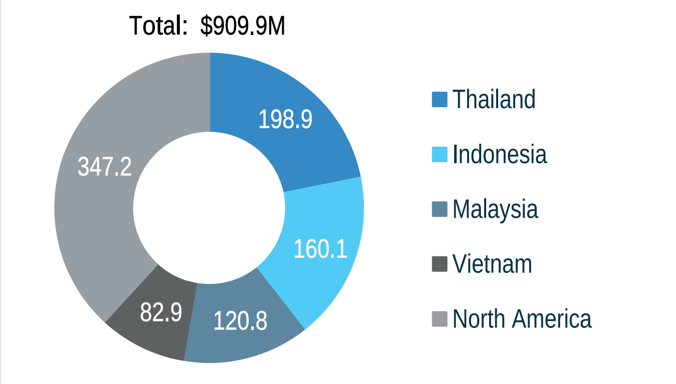
The Company has an extensive footprint of metallic coating, painting and steel building product operations in Thailand, Indonesia, Vietnam, Malaysia, India and North America, primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential 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 [1]



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

- 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.

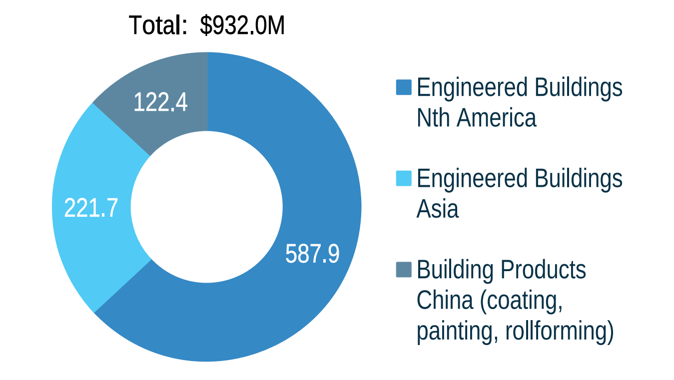
This segment was formerly known as Global Building Solutions.

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 [1]



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 [1]	187.1	-	-	-
Reported EBIT [2]	743.1	67.1	-	40.2
Underlying EBIT [2]	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.

FOR FURTHER INFORMATION:

Investors

- Don Watters, Vice President Investor Relations
  Tel: +61 3 9666 4206   +61 (0) 409 806 691

Media

- Michael Reay, Manager Corporate Affairs
  Tel: +61 2 4275 7843   +61 (0) 437 862 472

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

ANNEXURE: DETAILED TABLES

A. SEGMENTAL SUMMARY TABLES

Table 12: Segmental sales revenue & reported EBIT

	Sales revenue			Reported EBIT		
$M	1H FY2016	1H FY2015	2H FY2015	1H FY2016	1H FY2015	2H FY2015
ASP	2,302.1	2,459.0	2,333.1	(95.9)	71.6	56.8
NZPac	451.5	489.9	482.2	(365.7)	2.6	(32.9)
BP	878.6	898.6	892.2	65.4	47.8	49.3
BB	889.8	785.4	752.7	26.3	31.6	24.4
HRPNA [2]	187.1	0.0	0.0	743.1	67.1	40.2
Corporate / group	0.0	0.0	0.0	(47.7)	(29.6)	(34.2)
Inter-segment [1]	(279.1)	(303.6)	(268.9)	0.3	0.4	(0.4)
Continuing Businesses	4,430.0	4,329.3	4,191.3	325.8	191.6	103.2
Discontinued Bus.	0.0	22.3	9.3	(0.9)	(6.0)	7.8
Inter-segment [1]	0.0	0.0	0.0	(0.0)	(0.1)	0.1
Total	4,430.0	4,351.6	4,200.6	324.9	185.5	111.1

Table 13: Segmental underlying EBITDA and underlying EBIT

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

	Underlying EBITDA			Underlying EBIT		
$M	1H FY2016	1H FY2015	2H FY2015	1H FY2016	1H FY2015	2H FY2015
ASP	267.1	157.8	181.6	173.6	66.1	84.2
NZPac	(15.5)	31.4	(4.6)	(47.1)	2.6	(35.8)
BP	95.8	74.0	79.3	65.4	47.8	50.5
BB	56.7	36.7	45.6	34.2	19.3	24.4
HRPNA [2]	51.6	67.1	40.2	42.4	67.1	40.2
Corporate / group	(38.4)	(32.1)	(32.3)	(38.6)	(32.2)	(32.5)
Inter-segment [1]	0.5	0.4	(0.3)	0.2	0.4	(0.3)
Continuing Businesses	417.8	335.3	309.5	230.1	171.0	130.8

Notes to Tables 12 & 13:

1) Inter-segment revenue reflects the elimination of internal sales between reporting segments. Inter-segment EBIT reflects an entry to eliminate profit-in-stock associated with inter-segment sales.
2) Excludes the Company's 50% share of NSBSL's sales revenue of A$235.0M (4 months) in 1H FY2016 (A$398.0M in 1H FY2015 and A$364.4M in 2H FY2015).

Table 14: Segment summary steel despatch volume

000 tonnes	1H FY2016	1H FY2015	Variance %	2H FY2015
Australian Steel Products	1,408.1	1,414.8	(1%)	1,478.9
New Zealand & Pacific Steel	365.8	387.0	(5%)	395.6
Building Products ASEAN, Nth Am & India	641.4	683.3	(6%)	646.9
BlueScope Buildings	295.0	295.7	(0%)	233.9
Hot Rolled Products North America [1]	655.5	501.0	31%	508.0
Discontinued Businesses	0.0	0.0	-	0.0
Less sales between BlueScope segments	(144.2)	(148.9)	(3%)	(164.9)
Total Group External Steel Despatches	3,221.6	3,132.9	3%	3,098.4

1) 1H FY2016 includes four months at 50% of North Star volume and two months at 100% of North Star volume, consistent with BlueScope ownership of North Star.

B. AUSTRALIAN STEEL PRODUCTS VOLUME DETAIL

Table 15: Detailed production & despatch report

000 tonnes	1H FY2016	1H FY2015	Variance %	2H FY2015
Raw steel production	1,433.2	1,261.2	14%	1,312.1
Domestic steel despatches				
- HRC	236.5	216.7	9%	216.9
- Plate	106.2	108.5	(2%)	90.0
- CRC, metal coated, painted & other [1]	664.1	606.7	9%	594.5
- Sub-total – domestic sales of BSL steel	1,006.8	931.9	8%	901.4
- Channel despatches of externally sourced product [2]	90.9	140.7	(35%)	118.1
Total domestic steel despatches	1,097.7	1,072.6	2%	1,019.5
Export steel despatches				
- HRC [3]	164.8	225.5	(27%)	363.3
- Plate	26.4	14.4	83%	9.7
- CRC, metal coated, painted & other	118.2	100.4	18%	85.0
- Sub-total – export sales of BSL steel	309.4	340.3	(9%)	458.0
- Channel despatches of externally sourced product	1.0	1.9	(47%)	1.4
Total export steel despatches	310.4	342.2	(9%)	459.4
Total steel despatches (external & intersegment) [4]	1,408.1	1,414.8	(1%)	1,478.9
External coke despatches	231.9	354.8	(35%)	346.3

	1H FY2016	1H FY2015	2H FY2015
1) The product volumes are ex-mills (formerly CIPA). Other includes the following inventory movements in downstream channels:	25.8	3.5	18.0
2) Primarily long-products sold through Distribution business			
3) Export HRC despatches comprised of:			
- Building Products North America	126.6	87.1	130.7
- Building Products Thailand	-	3.1	0.9
- Other	38.2	136.0	231.7
4) Includes the following sales through downstream channels (formerly Building Components and Distribution Australia segment):	486.1	499.1	469.3

C. NEW ZEALAND AND PACIFIC STEEL VOLUME DETAIL

Table 16: New Zealand Steel flat steel products production & despatch report

000 tonnes	1H FY2016	1H FY2015	Variance %	2H FY2015
Raw steel production at Glenbrook	281.2	309.2	(9%)	301.4
NZ Steel despatches (external & intersegment)				
- Domestic	132.6	131.7	1%	128.9
- Export	112.2	119.4	(6%)	140.3
Total NZ Steel despatches	244.8	251.1	(3%)	269.2

Table 17: Pacific Steel long steel products production & despatch report

000 tonnes (external & intersegment)	1H FY2016	1H FY2015	Variance %	2H FY2015
- Domestic	79.0	86.5	(9%)	86.5
- Export	42.0	49.4	(15%)	39.9
Total Pacific Steel despatches	121.0	135.9	(11%)	126.4

Table 18: Iron sands despatch report

000 tonnes (external)	1H FY2016	1H FY2015	Variance %	2H FY2015
From Waikato North Head mine	152.9	326.7	(53%)	197.9
From Taharoa mine	1,241.7	634.4	96%	470.7
Total external iron sands despatches	1,394.6	961.1	45%	668.6

D. BUILDING PRODUCTS SEGMENT DETAIL

Table 19: Despatch & financial details

	1H FY2016	1H FY2015	2H FY2015
Total despatches (000 tonnes)			
Thailand	151.1	171.6	178.7
Indonesia	118.2	132.5	108.9
Malaysia	83.7	82.2	84.8
Vietnam	61.6	62.2	63.4
North America	198.8	195.4	177.8
India	54.1	49.2	53.7
Other / Eliminations	(26.1)	(9.8)	(20.4)
Total	641.4	683.3	646.9
Sales revenue ($M)			
Thailand	198.9	213.1	241.9
Indonesia	160.1	168.3	151.6
Malaysia	120.8	124.3	129.0
Vietnam	82.9	78.8	86.5
North America	347.2	324.2	306.8
India	0.0	0.0	0.0
Other / Eliminations	(31.3)	(10.1)	(23.6)
Total	878.6	898.6	892.2
Reported EBIT ($M)			
Thailand	20.2	20.5	28.0
Indonesia	9.1	4.0	5.8
Malaysia	14.9	13.4	13.9
Vietnam	9.9	5.6	8.6
North America	11.2	8.6	(3.9)
India [1]	1.1	(3.3)	1.0
Other / Eliminations	(1.0)	(1.0)	(4.1)
Total	65.4	47.8	49.3
Underlying EBIT ($M)			
Thailand	20.2	20.5	28.0
Indonesia	9.1	4.0	7.0
Malaysia	14.9	13.4	13.9
Vietnam	9.9	5.6	8.6
North America	11.2	8.6	(3.9)
India [1]	1.1	(3.3)	1.0
Other / Eliminations	(1.0)	(1.0)	(4.1)
Total	65.4	47.8	50.5
Net operating assets pre-tax ($M)			
Thailand	293.6	225.0	234.9
Indonesia	255.1	238.5	249.8
Malaysia	134.7	151.7	140.8
Vietnam	72.6	72.6	75.8
North America	286.4	297.3	288.2
India	25.7	22.4	24.5
Other / Eliminations	(2.6)	(2.0)	(8.0)
Total	1,065.5	1,005.5	1,006.0

1) Reflects BlueScope's 50% share of equity accounted profits from the Tata BlueScope Steel joint venture.

E. BLUESCOPE BUILDINGS SEGMENT DETAIL

Table 20: Despatch & financial details

	1H FY2016	1H FY2015	2H FY2015
Total despatches (000 tonnes)			
Engineered Buildings North America	122.8	140.1	110.7
Engineered Buildings Asia[1]	116.8	86.7	76.8
Building Products China (coating, painting & rollforming) [2]	81.4	85.7	60.5
Other / Eliminations	(26.0)	(16.9)	(14.0)
Total	295.0	295.7	234.0
Sales revenue ($M)			
Engineered Buildings North America	587.9	523.4	525.9
Engineered Buildings Asia[1]	221.7	170.0	149.7
Building Products China (coating, painting & rollforming) [2]	122.4	119.8	100.9
Other / Eliminations	(42.2)	(27.8)	(23.8)
Total	889.8	785.4	752.7
Reported EBIT ($M)			
Engineered Buildings North America	26.7	30.1	21.9
Engineered Buildings Asia[1]	(8.7)	(8.2)	(6.3)
Building Products China (coating, painting & rollforming) [2]	12.7	14.1	11.6
Other / Eliminations	(4.4)	(4.4)	(2.8)
Total	26.3	31.6	24.4
Underlying EBIT ($M)			
Engineered Buildings North America	26.7	20.7	21.9
Engineered Buildings Asia[1]	(0.8)	(8.2)	(6.3)
Building Products China (coating, painting & rollforming) [2]	12.7	14.1	11.6
Other / Eliminations	(4.4)	(7.3)	(2.8)
Total	34.2	19.3	24.4
Net operating assets pre-tax ($M)			
Engineered Buildings North America	413.3	377.2	405.5
Engineered Buildings Asia[1]	64.0	93.7	78.3
Building Products China (coating, painting & rollforming) [2]	227.9	234.1	233.9
Other / Eliminations	11.9	(2.0)	9.4
Total	717.1	703.0	727.1

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