BlueScope Steel Limited
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ASX Code: BSL

BLUESCOPE

20 February 2017

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 2016

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 2016.

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

20 February 2017: BlueScope today reported its financial results for the six months ended 31 December 2016.

$M unless marked	1H FY2017	1H FY2016	Variance %
Sales from continuing operations	5,185.1	4,430.0	17%
Reported NPAT	359.1	200.1	79%
Underlying NPAT [1]	360.0	119.0	203%
Interim ordinary dividend (cents) [2]	4.0 cps	3.0 cps	33%
Reported earnings per share (cents)	62.7 cps	35.2 cps	78%
Underlying earnings per share (cents)	62.8 cps	20.9 cps	200%
Net tangible assets per share ($)	$5.36	$4.72	14%

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 2017 interim dividend is fully franked and its record date is Friday 3 March 2017.

KEY POINTS

- Sales revenue of $5,185.1M was higher than 1H FY2016 due to 100% ownership of North Star from the end of October 2015, higher despatch volumes in the Building Products (BP) and BlueScope Buildings (BB) segments, higher domestic and export prices and stronger domestic demand at Australian Steel Products (ASP). These were partly offset by unfavourable translation impacts from a stronger Australian dollar exchange rate (AUD:USD) and planned lower export volumes at New Zealand and Pacific Steel (NZPac) as part of the Pacific Steel investment.
- Underlying EBIT of $603.6M was $373.5M higher than 1H FY2016, due to full ownership of North Star after 30 October 2015, higher spreads and margins with steel prices rising more than raw material cost increases, cost reductions, higher manufacturing production rates and sales volume increases particularly in value added products.
- Underlying NPAT of $360.0M was $241.0M higher on improved underlying EBIT, partly offset by increases in income tax expense and finance costs.
- Reported NPAT of $359.1M was $159.0M up on 1H FY2016 due to higher underlying NPAT, lower asset impairment charges, favourable tax asset write-back and lower restructure/redundancy charges. These were partly offset by the gain on acquiring a controlling interest in North Star recognised in 1H FY2016.
- Balance sheet: net debt at 31 December 2016 of $531.3M was down from $1,373.4M at 31 December 2015, and down from $778.0M at 30 June 2016 due to strong operating cash flow. Leverage multiple (net debt to last 12 months underlying EBITDA) reduced to 0.4 times at 31 December 2016.
- Segments' performance:
  - Australian Steel Products delivered underlying EBIT of $242.5M, a $68.9M increase on 1H FY2016. Higher spread, lower costs particularly through improved production rates and higher domestic sales volume drove the improvement.
  - North Star BlueScope Steel underlying EBIT of $211.3M was a $168.9M increase on 1H FY2016. Full ownership after 30 October 2015, higher spreads and lower conversion costs contributed to this performance.
  - Building Products segment underlying EBIT of $111.3M, a $45.9M increase on 1H FY2016 driven by higher margins and increased sales volumes across most countries. Our North America and India businesses were significant contributors to this. This was partly offset by unfavourable translation of earnings from a stronger AUD:USD.
  - BlueScope Buildings underlying EBIT of $49.5M, a $15.3M increase on 1H FY2016 driven by lower costs in North America through cost reductions and higher sales volumes. This was offset by lower margins in Engineered Buildings Asia due to ongoing competitive pressures on sales and unfavourable translation of earnings from a stronger AUD:USD.
  - New Zealand and Pacific Steel underlying EBIT of $39.5M, a $86.6M increase on 1H FY2016 driven by higher steel and iron sands prices, full run-rate of the Pacific Steel acquisition and delivery on cost reduction and productivity initiatives.
- The Board has approved the payment of a fully franked interim dividend of 4.0 cents per share and a $150M on-market buy-back.
- Expectations for the performance of our businesses in 2H FY2017 are as follows:
  - ASP: expect weaker spreads in Q3 due to the lagged impact of higher coal costs; spreads improving in Q4 due to higher steel prices and lower coal costs. Continued strength in domestic despatch volumes and higher export volumes. Maintaining productivity and cost performance delivered in 1H FY2017.
  - North Star: expect incremental improvement in despatch volume. Expect average spread through 2H FY2017 to be similar to average of 1H FY2017.

- BP: expect continued market and volume growth – particularly benefitting Thailand. In North America we expect ongoing demand strength, but with lower inventory cost benefit than 1H FY2017.
- BB: in North America, expect continued benefit of cost reductions with seasonally weaker volumes than 1H FY2017. For China Coated, we expect continued strong performance. In Buildings Asia we expect benefits of manufacturing reconfiguration but market conditions remaining competitive.
- NZPac: expect benefit of further productivity and cost initiatives. Steel businesses expected to benefit from higher steel prices. Buoy outage to cost $10-20M this half; lower export volume.

- Group outlook:
  - We expect 2H FY2017 underlying EBIT approaching 50% higher than 2H FY2016, which was $340.4M. This is based on assumption of average[1]:
    - East Asian HRC price of ~US$495/t
    - 62% Fe iron ore price of ~US$75/t CFR China
    - Index hard coking coal price of ~US$160/t FOB Australia
    - U.S. mini-mill spreads similar to the average of 1H FY2017
    - AUD:USD at US$0.76
  - Expect 2H FY2017 underlying net finance costs to be lower than 1H FY2017 due to lower average net debt; expect higher underlying tax rate due to regional mix of earnings and similar profit attributable to non-controlling interests to 2H FY2016.
  - Expectations are subject to spread, FX and market conditions.

Key Financial Measures – Six months ended 31 December 2016 and 31 December 2015 [1]

$M unless marked	1H FY2017	1H FY2016	Variance %
Total revenue [2]	5,195.2	4,438.8	17%
EBITDA – underlying [3]	793.0	417.8	90%
EBIT – reported [3]	547.6	324.9	69%
EBIT – underlying [3]	603.6	230.1	162%
NPAT attributable to BSL holders - reported - underlying	 359.1 360.0	 200.1 119.0	 79% 203%
Reported earnings per share (cents)	62.7 cps	35.2 cps	79%
Underlying earnings per share (cents)	62.8 cps	20.9 cps	200%
Interim dividend (cents)	4.0 cps	3.0 cps	33%
Return (underlying EBIT) on invested capital (%)	20.5%	7.8%	+12.7%
Net debt	531.3	1,373.4	(61%)
Gearing (%)	8.9%	21.7%	(12.8%)
Net tangible assets per share ($)	5.36	4.72	14%

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 North Star revenue of: - 235.0 (4 months prior to 100% ownership)
Includes revenue other than sales revenue of: 10.1 8.8
3) Includes equity accounted 50% share of net profit before tax from North Star of: - 28.7 (4 months prior to 100% ownership)

[1] All prices quoted on a metric tonne basis

FINANCIAL RESULTS

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

Table 1: Results Summary

	Revenue		Reported Result [1]		Underlying Result [2]	
$M	1H FY2017	1H FY2016	1H FY2017	1H FY2016	1H FY2017	1H FY2016
Sales revenue/EBIT[3]						
Australian Steel Products	2,365.0	2,302.1	242.1	(95.9)	242.5	173.6
North Star BlueScope Steel	793.9	187.1	237.9	743.1	211.3	42.4
Building Products ASEAN, Nth Am & India	951.0	878.6	104.0	65.4	111.3	65.4
BlueScope Buildings	896.1	889.8	(13.3)	26.3	49.5	34.2
New Zealand & Pacific Steel	425.4	451.5	32.5	(365.7)	39.5	(47.1)
Discontinued operations	-	-	(0.2)	(0.9)	-	-
Segment revenue/EBIT	5,431.4	4,709.1	603.0	372.3	654.1	268.5
Inter-segment eliminations	(246.3)	(279.1)	(0.2)	0.3	(0.2)	0.3
Segment external revenue/EBIT	5,185.1	4,430.0	602.8	372.6	653.9	268.8
Other revenue/(net unallocated expenses)	10.1	8.8	(55.2)	(47.7)	(50.3)	(38.6)
Total revenue/EBIT	5,195.2	4,438.8	547.6	324.9	603.6	230.1
Finance costs			(52.1)	(40.1)	(48.8)	(40.1)
Interest revenue			3.2	2.5	3.2	2.5
Profit/(loss) from ordinary activities before income tax			498.7	287.3	558.0	192.5
Income tax (expense)/benefit			(93.5)	(60.7)	(151.9)	(47.1)
Profit/(loss) from ordinary activities after income tax expense			405.2	226.6	406.1	145.4
Net (profit)/loss attributable to outside equity interest			(46.1)	(26.5)	(46.1)	(26.4)
Net profit/(loss) attributable to equity holders of BlueScope Steel			359.1	200.1	360.0	119.0
Basic earnings per share (cents)			62.7	35.2	62.8	20.9

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 financial report, which has been reviewed by our external auditors.
3) 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 refer to IFRS financial information and 'underlying' to refer to 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 $ [10]	
	1H FY17	1H FY16	1H FY17	1H FY16	1H FY17	1H FY16	1H FY17	1H FY16
Reported earnings	737.0	515.8	547.6	324.9	359.1	200.1	0.63	0.35
Underlying adjustments:								
Net (gains)/losses from businesses discontinued [1]	0.2	0.9	0.2	0.9	0.3	0.7	-	-
Impact of acquiring a controlling interest in North Star [2]	-	(704.0)	-	(700.8)	-	(702.9)	-	(1.23)
Asset impairments [3]	54.8	533.9	54.8	533.9	54.8	533.9	0.10	0.94
Business development, transaction and pre-operating costs [4]	4.9	15.7	4.9	15.7	3.4	11.1	0.01	0.02
Production disruptions [5]	-	7.9	-	7.9	-	5.9	-	0.01
Restructure and redundancy costs [6]	26.9	81.9	26.9	81.9	22.6	57.4	0.04	0.10
Asset sales [7]	(30.8)	(34.4)	(30.8)	(34.4)	(21.6)	(34.0)	(0.04)	(0.06)
Debt restructuring costs [8]	-	-	-	-	3.4	-	0.01	-
Tax asset impairment / (write-back) [9]	-	-	-	-	(62.0)	46.6	(0.11)	0.08
Underlying earnings	793.0	417.8	603.6	230.1	360.0	119.0	0.63	0.21

1) 1H FY2017 reflects foreign exchange translation losses within the closed Lysaght Taiwan business ($0.2M pre-tax). 1H FY2016 reflects foreign exchange translation losses within the closed Lysaght Taiwan business ($0.9M 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) partly 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 FY2017 includes the following asset impairments:
   - BlueScope Buildings: write off at Engineered Buildings China ($43.9M pre-tax) in relation to assets that will no longer be required, goodwill and other intangibles.
   - Building Products: fixed asset write off at the India joint venture ($3.9M pre-tax) in relation to engineered building solutions business assets that will no longer be required.
   - NZPac: fixed asset write off at the Taharoa iron sands operations ($7.0M pre-tax) in relation to assets capitalised during 1H FY2107.

   1H FY 2016 includes the following asset impairments:
   - ASP: fixed assets and intangibles write off ($189.0M pre-tax).
   - NZPac:
     - New Zealand Steel and Pacific Steel: fixed asset write off ($182.2M pre-tax).
     - Taharoa iron sands operations: fixed asset write off ($162.7M pre-tax).
4) 1H FY2017 reflects corporate transaction costs ($4.9 pre-tax). 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).
5) 1H FY2016 reflects the impact of the Tianjin port explosion on the Engineered Buildings China site (which was largely offset by an insurance recovery in 2H FY2016).
6) 1H FY2017 reflects staff redundancy and restructuring costs at ASP ($4.6M pre-tax) and BlueScope Buildings ($18.9M pre-tax) and Building Products ($3.4M pre-tax). 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).
7) 1H FY2017 reflects the profit on the sale of BSL's 47.5% interest in Castrip in North America ($26.6M pre-tax) and the reversal of a provision relating to the sale of an intangible asset in ASP in FY2013 ($3.4M pre-tax) and property, plant and equipment ($0.8M pre-tax) in ASP. 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).
8) 1H FY2017 reflects the early redemption premium on the US$110M 144A Unsecured Notes to benefit from lower interest rates and write-off of previously recognised deferred borrowing costs.
9) 1H FY2017 reflects utilisation of previously impaired deferred tax assets in Australia ($66M) and New Zealand ($4.3M). With respect to New Zealand this arose from the favourable movement in timing differences exceeding tax losses generated during the period. These were partly offset by the impairment of carried forward tax losses in China ($8.3M). 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).
10) Earnings per share are based on the average number of shares on issue during the respective reporting periods, (573.0M in 1H FY2017 vs. 568.9M in 1H FY2016).

Table 2B: Underlying EBIT Adjustments to 1H FY2017 Reported Segment Results

1H FY2017 underlying EBIT adjustments $M	ASP	North Star	BP	BB	NZPac	Corp	Discon Ops	Elims	Total
Net (gains)/losses from businesses discontinued	-	-	-	-	-	-	0.2	-	0.2
Asset impairment	-	-	3.9	43.9	7.0	-	-	-	54.8
Business development, transaction and pre-operating costs	-	-	-	-	-	4.9	-	-	4.9
Restructure and redundancy costs	4.6	-	3.4	18.9	-	-	-	-	26.9
Asset sales	(4.2)	(26.6)	-	-	-	-	-	-	(30.8)
Underlying adjustments	0.4	(26.6)	7.3	62.8	7.0	4.9	0.2	-	56.0

Table 3: Consolidated Cash Flow

$M	1H FY2017	1H FY2016	Variance %
Reported EBITDA	737.0	515.8	43%
Add cash/(deduct non-cash) items			
- Share of profits from associates and joint venture partnership not received as dividends	(1.3)	(6.9)	81%
- Impaired assets	50.9	533.8	(90%)
- Net (gain) loss on acquisitions and sale of assets	(26.6)	(737.5)	(96%)
- Expensing of share-based employee benefits	12.6	8.2	54%
Cash EBITDA	772.6	313.5	146%
Changes in working capital	(183.8)	(80.9)	(127%)
Gross operating cash flow	588.8	232.6	153%
Finance costs	(50.9)	(42.9)	(19%)
Interest received	3.2	3.8	(16%)
Tax received/(paid) [1]	(79.6)	(28.4)	(180%)
Net cash from operating activities	461.5	165.1	180%
Capex: payments for P, P & E and intangibles	(175.2)	(141.2)	(24%)
Other investing cash flows	28.1	(957.4)	103%
Net cash flow before financing	314.4	(933.5)	134%
Equity	(0.3)	-	n/a
Dividends to non-controlling interests [2]	(17.6)	(19.7)	11%
Dividends to BlueScope Steel Limited shareholders	(17.2)	(17.1)	(1%)
Transactions with non-controlling interests	-	-	-
Net drawing/(repayment) of borrowings	(269.4)	932.9	(129%)
Net increase/(decrease) in cash held	9.9	(37.4)	126%

1) The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 31 December 2016, of approximately $2.5Bn. 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 FY2017 VS 1H FY2016

FINANCIAL PERFORMANCE

Total revenue

The $756.4M (17%) increase in total revenue principally reflects:

- 100% ownership of North Star sales revenues from the end of October 2015.
- Higher despatch volumes in the Building Products and BlueScope Buildings segments in most countries in which we operate.
- Higher export prices driven by higher global steel prices partly offset by the stronger AUD:USD exchange rate (1H FY2016 $0.723; 1H FY2017 $0.754).
- Higher Australian domestic prices due to the influence of higher global steel prices partly offset by the impact of a stronger AUD:USD.
- Higher Australian domestic volumes, particularly galvanised and plate sales into the distribution and manufacturing sectors.

These were partly offset by:

- Unfavourable translation impacts from a stronger AUD:USD exchange rate.
- Planned lower export steel volumes from NZPac with the full production rate of the Pacific Steel investment.

EBIT performance

A $373.5M higher underlying EBIT reflects:

- Spread: $84.4M increase, primarily due to:
  - $104.0M favourable movement in domestic and export prices due to higher global steel and iron ore prices, partly offset by the unfavourable impact of a stronger AUD:USD
  - $19.6M unfavourable impact from higher raw material costs due to higher USD denominated coal, iron ore and steel feed purchase prices partly offset by favourable foreign exchange impacts.
- Costs: $77.6M favourable movement driven by:
  - $107.9M cost improvement initiatives mainly in ASP, Engineered Buildings North America and NZPac
  - $35.9M impact of cost escalation from utilities, employment, consumables and other costs
  - $5.6M net decrease in one-off and other costs mainly due to higher volumes at Taharoa export iron sands business.
- Volume and mix: $28.8M, comprising:
  - higher despatch volumes in the Building Products and BlueScope Buildings segments in most countries in which we operate
  - reduction in export steel despatches at NZPac with 1H FY2017 seeing the full production rate of the Pacific Steel investment
  - favourable volume/mix from higher domestic volumes, particularly galvanised and plate sales into the distribution and manufacturing sectors.
- North Star: $167.6M increase due to favourable impact of full ownership after 30 October 2015, stronger steel spreads and lower conversion costs.
- Tata BlueScope India: $7.7M increase due to volume growth and better margins.
- Other items, including foreign exchange translation: $7.4M favourable movement.

The $222.7M increase in reported EBIT reflects the movement in underlying EBIT discussed above and $150.8M favourable movement in underlying adjustments explained in Tables 2A and 2B.

Finance costs

The $12.0M increase in finance costs compared to 1H FY2016 was largely due to:

- a change in the mix of drawn debt giving rise to a higher average cost of debt (1H FY2017 6.3%; 1H FY2016 4.9%)
- the cost of early redemption cost of the US$110M 144a Unsecured Notes.

These were partially offset by a decrease in average gross borrowings (1H FY2017 $1,190.5M; 1H FY2016 $1,259.8M).

Tax

1H FY2017 tax expense of $93.5M (1H FY2016 $60.7M) primarily relates to income generated in businesses outside of Australia and New Zealand. In Australia the Company has utilised previously unrecognised tax losses to offset taxable income generated during the period.

The Company has deferred the recognition of any further tax losses in Australia and New Zealand until a history of taxable profits has been demonstrated. Australian and New Zealand tax losses are able to be carried forward indefinitely.

1H FY2017 financial results include $74.6M (1H FY2016 $8.3M) utilisation of previously impaired deferred tax assets in Australia and New Zealand, $50.9M of non-tax effected asset impairments in China and New Zealand and $8.3M of tax assets impaired in China. 1H FY2016 financial results include 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 also included $533.9M of non-tax effected asset impairments in Australia and New Zealand and $55.4M of impaired New Zealand tax assets.

Dividend and capital management

The Board of Directors has approved payment of an interim dividend of 4.0 cents per share and a $150M on-market buy-back.

The Board's present intention is to pay consistent dividends, given limited franking availability, in conjunction with ongoing on-market buy-backs[2], funded on the following basis:

- to retain strong credit metrics
- ensuring a balance between returning capital to shareholders and maintaining flexibility to pursue growth; and
- to be 30% to 50% of free cash flow.

The interim dividend will have attached 100% franking credits and imputation credits for Australian and New Zealand tax purposes respectively. BlueScope's dividend reinvestment plan will not be active for the final dividend.

Relevant dates for the final dividend are as follows:

- Ex-dividend share trading commences: 2 March 2017.
- Record date for dividend: 3 March 2017.
- Payment of dividend: 30 March 2017.

[2] On-market buy-backs are seen as the most effective method of returning capital to shareholders after considering various alternatives and given BSL's limited franking capacity. (Capacity to frank 9.7cps of dividends, prior to payment of interim dividend). The Board reserves the right to suspend or terminate buy-back at any time.

FINANCIAL POSITION

Net assets

Net assets increased $437.5M to $5,422.8M at 31 December 2016 from $4,985.3M at 30 June 2016.

Increases in net assets were primarily due to:

- $351.4M increase in inventories, primarily due to a net volume increase
- $246.7M decrease in net debt.

Decreases in net assets were primarily due to:

- $134.3M decrease in receivables mainly due to impact of the receivables securitisation program
- $35.5M decrease in property, plant and equipment primarily relating to asset impairment charges of $35.7M.

Funding

Financial liquidity was $1,801.4M (excludes $53m undrawn capacity of the off-balance sheet receivables securitisation) at 31 December 2016 ($1,813.1M at 30 June 2016 and $1,276.3M at 31 December 2015), comprised of committed available undrawn capacity under bank debt facilities of $1,239.4M plus cash of $561.9M. Liquidity in the NS BlueScope Coated Products JV was $488.3M which is included in the group liquidity measure.

The improved cash flow position enabled BlueScope to repay the remaining US$110M senior unsecured notes in November 2016, which were due to mature May 2018.

A receivables securitisation program was renegotiated and taken off balance sheet in December 2016 with a limit of $150M.

2H FY2017 OUTLOOK

Expectations for the performance of our businesses in 2H FY2017 are as follows:

- ASP: expect weaker spreads in Q3 due to the lagged impact of higher coal costs; spreads improving in Q4 due to higher steel prices and lower coal costs. Continued strength in domestic despatch volumes and higher export volumes. Maintaining productivity and cost performance delivered in 1H FY2017.
- North Star: expect incremental improvement in despatch volume. Expect average spread through 2H FY2017 to be similar to average of 1H FY2017.
- BP: expect continued market and volume growth – particularly benefitting Thailand. In North America we expect ongoing demand strength, but with lower inventory cost benefit than 1H FY2017.
- BB: in North America, expect continued benefit of cost reductions with seasonally weaker volumes than 1H FY2017. For China Coated, we expect continued strong performance. In Buildings Asia we expect benefits of manufacturing reconfiguration but market conditions remaining competitive.
- NZPac: expect benefit of further productivity and cost initiatives. Steel businesses expected to benefit from higher steel prices. Buoy outage to cost $10-20M this half; lower export volume.

Group outlook:

- We expect 2H FY2017 underlying EBIT approaching 50% higher than 2H FY2016, which was $340.4M. This is based on assumption of average:
  - East Asian HRC price of ~US$495/t
  - 62% Fe iron ore price of ~US$75/t CFR China
  - Index hard coking coal price of ~US$160/t FOB Australia
  - U.S. mini-mill spreads similar to the average of 1H FY2017
  - AUD:USD at US$0.76.
- Expect 2H FY2017 underlying net finance costs to be lower than 1H FY2017 due to lower average net debt; expect higher underlying tax rate due to regional mix of earnings and similar profit attributable to non-controlling interests to 2H 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 pipe and tube manufacturing, and a network of rollforming and distribution sites throughout Australia, acting as a major steel product supplier to the building and construction, manufacturing, transport, agriculture and mining industries.

KEY FINANCIAL & OPERATIONAL MEASURES

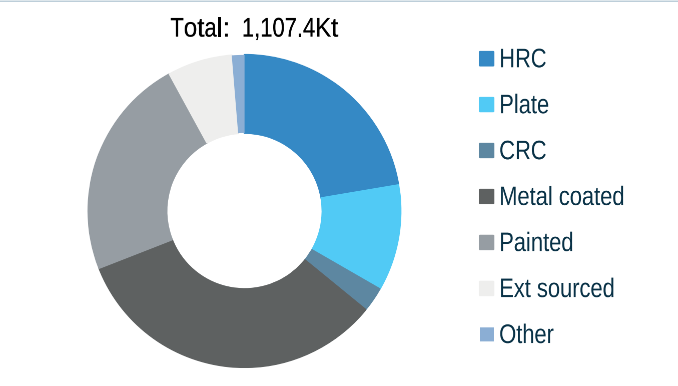
Table 4: Segment financial performance

$M	1H FY2017	1H FY2016	Var %	2H FY2016
Sales revenue	2,365.0	2,302.1	3%	2,135.3
Reported EBIT	242.1	(95.9)	352%	173.6
Underlying EBIT	242.5	173.6	40%	187.8
NOA (pre-tax)	2,127.1	2,202.0	(3%)	2,088.7

Table 5: Steel sales volume

000 tonnes	1H FY2017	1H FY2016	Var %	2H FY2016
Domestic				
- ex-mill	1,033.7	1,006.8	3%	1,001.7
- ext sourced	73.7	90.9	(19%)	91.8
Export	359.1	286.2	25%	409.3
Total	1,466.4	1,383.9	6%	1,502.8

Chart 1: ASP domestic steel sales volume mix 1H FY2017



FINANCIAL PERFORMANCE – 1H FY2017 VS. 1H FY2016

Sales revenue

The $62.9M increase in sales revenue is primarily due to:

- higher domestic and export prices driven by higher global steel prices partly offset by a stronger AUD:USD exchange rate
- higher domestic volumes, particularly galvanised and plate sales into the distribution and manufacturing sectors.

EBIT performance

The $68.9M increase in underlying EBIT was largely due to:

- higher spread driven by:
  - higher domestic and export prices driven by higher global steel prices partly offset by a stronger AUD:USD exchange rate
  - partly offset by higher USD denominated coal and iron ore purchase prices partly offset by favourable foreign exchange impacts
- lower costs driven by:
  - the planned cost reduction program
  - lower unit costs with higher production volumes
- higher domestic volumes, particularly galvanised and plate sales into the distribution and manufacturing sectors.

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

FINANCIAL POSITION

Net operating assets were $38.4M higher than at 30 June 2016 primarily due to:

- higher inventories, mainly due to higher production volumes and timing of despatches
- lower creditors.

These were partly offset by lower receivables, lower fixed assets and higher provisions.

MARKETS AND OPERATIONS

Sales direct to Australian building sector

- Domestic building sector direct sales volumes remained stable in 1H FY2017 compared to 1H FY2016.
- Residential construction activity continued to be strong.
  - Growth within new residential development continues to be supported by low interest rates, strong investor demand and robust population growth.
  - NSW and Victoria have delivered strong sales growth with record investment being undertaken across the eastern seaboard, particularly in metropolitan markets. Activity in WA softened during the period influenced by the decline in mining investment – however there are indications that conditions are now improving. Activity in all other states remained relatively stable during 1H FY2017.
  - Alterations and additions activity has grown, supported by robust house price growth and low interest rates.
  - Sales volumes of COLORBOND® steel in 1H FY2017 was similar to 1H FY2016 with the growth in activity across the eastern seaboard offset by the decline in activity within WA, which now appears to be improving.
  - A COLORBOND® steel price rise was implemented during 1H FY2017.
- Non-residential construction activity was relatively flat in 1H 2017.
  - Investment in non-residential construction continues to be impacted by low levels of confidence within the private sector.
  - Activity within commercial and industrial construction across most key areas declined (retail, offices, and warehouses), with only the accommodation market showing growth.

– Social and institutional construction activity grew modestly with improvements in investment in education, entertainment, and aged care, offset by a decline in health related projects.

Sales direct to domestic non-building sector customers

- Sales volumes to distributors and non-building sector customers were strong in 1H FY2017 compared to 1H FY2016.
- All domestic non-building sectors (excluding automotive) have either increased their domestic sales or remained stable.
  - The decline in the Australian dollar has both improved market confidence and improved BlueScope's price-competitiveness against imported steel products.
  - Sales to Distribution customers increased through:
    - initiatives targeting improved flexibility of our service offerings and increased market demand
    - improved project activity driving plate demand for roads, bridges, and wind towers
    - a level of customer inventory re-stocking.
  - Pipe and Tube sales remained stable with some customer re-stocking activity.
  - Sales to the automotive industry reduced during 1H FY2017 due to Ford's closure in October 2016.
  - Sales to manufacturers improved marginally during 1H FY2017 supported by initiatives targeting the substitution of imported finished goods with locally manufactured steel. Confidence in this sector has also benefitted from the decline in the Australian dollar, with the AiGroup Performance of Manufacturing Index (sentiment) finishing 1H FY2017 with a net expansionary indicator.

Mill sales to export markets

- Despatches to export market customers in 1H FY2017 were 359.1kt, 25% higher than 1H FY2016.
- Prices in export markets were stronger in 1H FY2017 compared with 1H FY2016 due to higher global steel prices.

Update on cost reduction and productivity initiatives:

- Cost savings of $150M were delivered in 1H FY2017 over the FY2015 cost base, with at least $150M expected in 2H FY2017 ($95M in 1H FY2016 and $140M in 2H FY2016) – an increase of at least $20M over our prior goal of $280M for FY2017.
- The restructure of our Distribution operations has been completed.

NORTH STAR BLUESCOPE STEEL

This segment was formerly known as Hot Rolled Products North America, and was comprised of 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). On 8 July 2016 BlueScope sold its interest in Castrip to Nucor for US$20.0M.

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 and has been consolidated in BlueScope's accounts thereafter.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 6: Segment performance

$M unless marked	1H FY2017	1H FY2016	Var %	2H FY2016
Sales revenue [1]	793.9	187.1	324%	660.2
Reported EBIT [2]	237.9	743.1	(68%)	104.2
Underlying EBIT [2]	211.3	42.4	398%	104.1
NOA (pre-tax)	1,926.4	2,041.7	(6%)	1,862.3

1) Excludes the Company's 50% share of NSBSL's sales revenue prior to 30 October 2015.
2) Includes equity accounted 50% share of net profit before tax from NSBSL of A$28.7M in the four months prior to 100% ownership from 30 October 2015.

FINANCIAL PERFORMANCE – 1H FY2017 VS. 1H FY2016

Sales revenue

Until 30 October 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 after 30 October 2015.

Earnings performance

The $168.9M increase in underlying EBIT was largely due to:

- full ownership of North Star after 30 October 2015
- higher steel spread due mainly due to higher steel prices in the Midwest U.S.
- lower conversion costs.

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

Table 7: North Star BlueScope Steel – pro-forma performance (100% basis)

US$M unless marked	1H FY2017	1H FY2016	Var %	2H FY2016
Sales revenue	598.7	475.2	26%	484.4
Underlying EBITDA	180.2	64.8	178%	98.6
Production (kt)	1,061.7	1,036.7	2%	1,039.1
Despatches (kt)	1,016.5	999.0	2%	1,022.6

FINANCIAL POSITION

Net operating assets at 31 December 2016 were $64.1M higher than at 30 June 2016 primarily due to the foreign exchange translation impact of a weaker AUD:USD.

MARKETS AND OPERATIONS

- North Star sells approximately 85% of its production in the Midwest U.S., with its end customer segment mix being broadly 45% automotive, 25% construction, 10% agricultural and 20% manufacturing/industrial applications.
- North Star continues to benefit from strength in the automotive sector as well as continued recovery in the construction sector.
- High capacity utilisation rates have been maintained by NSBSL through an ability to retain existing customers and win new customers through consistent good performance in on-time delivery, service and quality.
- Work continues on incremental expansion projects to increase hot strip mill and caster capacity.

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.

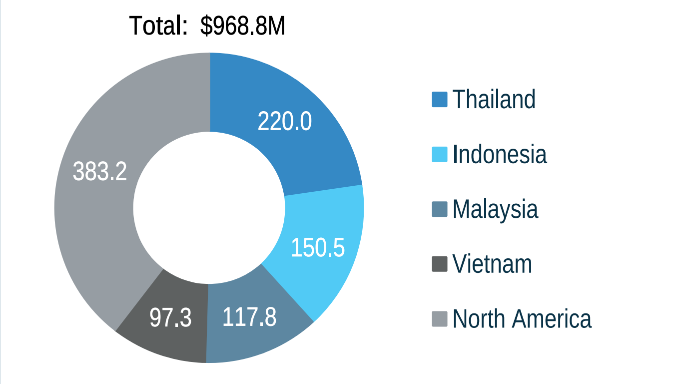
The Company has an extensive footprint of metallic coating, painting and steel building product operations in Thailand, Indonesia, Vietnam, Malaysia, India and North America, primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential 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 FY2017	1H FY2016	Var %	2H FY2016
Sales revenue	951.0	878.6	8%	888.2
Reported EBIT	104.0	65.4	59%	83.9
Underlying EBIT	111.3	65.4	70%	83.9
NOA (pre-tax)	1,097.9	1,065.5	3%	1,009.7
Despatches	711.7kt	641.4kt	11%	728.1kt

Chart 2: Segment geographic sales revenue 1H FY2017, $M [1]



1) Chart does not include $17.8M of eliminations (which balance back to total segment revenue of $951.0M). Chart also does not include India, which is equity accounted.

FINANCIAL PERFORMANCE – 1H FY2017 VS. 1H FY2016

Sales revenue

The $72.4M increase in sales revenue was mainly driven by higher volumes across all countries in Asia combined with higher regional steel prices favourably impacting the North America business. These were partly offset by unfavourable foreign exchange translation rate impacts (against the AUD) in all countries.

EBIT performance

The $45.9M increase in underlying EBIT was largely due to:

- higher margins across most businesses, particularly North America, with higher selling prices more than offsetting higher raw material input costs
- favourable volume/mix across all businesses
- favourable movements in BlueScope's share of equity accounted profits from the India joint venture driven by volume growth and strong margin performance in that business.

These were partly offset by the unfavourable translation of earnings from a stronger AUD:USD.

FINANCIAL POSITION

Net operating assets have increased $88.2M since 30 June 2016 mainly reflecting higher inventories and receivables partly offset by higher creditors.

MARKETS AND OPERATIONS

Thailand

- 1H FY2017 volume was 25% higher than 1H FY2016 due to improved economic conditions, increased government spending and growth in lower-tier products to building applications in advance of the commissioning of the third metal coating line (MCL3). However, 1H FY2017 volume was 12% lower than 2H FY2016 due to softer seasonal demand and a prolonged wet season impacting consumer spending.
- Despatch mix was comparable to 1H FY2016 and margins were in line with 2HFY2016.
- The business continues to focus on increasing sales of ViewKote® and SuperDyma® products into the home appliance market.
- Construction of MCL3 at Map Ta Phut commenced, with ground broken in November 2016. Commencement of commercial production is expected in early FY2019.
- Following the successful establishment of a sales office in 2013, construction of a Lysaght roll-forming facility in Myanmar has now commenced. The plant is expected to be operational during 1H FY2018.

Indonesia

- 1H FY2017 volume was 5% higher than 1H FY2016 due to growth in the project and retail segments. Positive momentum in government projects has more than offset softer industrial and commercial project activity.
- Margins were slightly lower due to higher raw material costs.
- Strategic initiatives are being implemented to accelerate growth in the retail market, develop new products and improve raw materials sourcing options.

Vietnam

- 1H FY2017 volume was 19% higher than 1H FY2016, driven by stronger, profitable export volumes. Domestic volume was in line with 1H FY2016.
- Despatch mix improved compared to 1H FY2016, and margins were in line with 2H FY2016.
- The business' focus is on strengthening the retail channel model, enhancing brand value and building customer loyalty.

Malaysia

- 1H FY2017 volume was 4% higher than 1H FY2016, driven by stronger, profitable export volumes. Margins were line with 2H FY2016.
- Domestic and core export markets are generally stable, however, political uncertainty remains a concern, including potential for an early election.
- Utilisation of in-line painting (ILP) capability continues to increase, enabling the business to improve its market share in the retail segment.

North America (Steelscape & ASC Profiles)

- Operating at full capacity, volume in 1H FY2017 was in-line with 1H FY2016.
- Despatch mix and margins improved materially due to:
  - strong domestic demand
  - improved asset utilisation and cost savings in procurement, manufacturing and logistics
  - reduction in import volumes and price increases following Department of Commerce trade actions on imported coated and painted finished goods
  - beneficial raw material costs due to timing of substrate purchases.
- A strategic review of the ASC Profiles building components business is underway with the goal of further enhancing performance.

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

- The joint venture recorded 13% revenue growth in 1H FY2017
- Domestic prime coated steel sales volume grew by 22% compared to 1H FY2016 with 16% growth in painted products and 40% growth in bare products. During the period, project market sales grew by 33% and retail sales grew approximately 16%.
- Underlying EBIT (100% basis) grew to $27.0M, up $13.3M on 1H FY2016. BlueScope's equity accounted share of underlying net profit after tax was $8.8M in 1H FY2017.

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 and Saudi Arabia. As part of the integrated value chain feeding the EBS operations, this segment includes BlueScope's metal coating, painting and Lysaght operations in China (Building Products China).

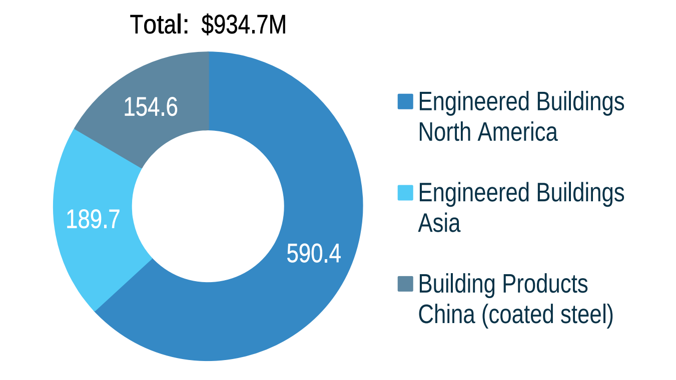
BlueScope Buildings is expanding its engineering capabilities through the roll-out of a common engineering software system across BlueScope's Buildings businesses. This system is in place in North America and is currently being installed across businesses in Asia.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 9: Segment performance

$M unless marked	1H FY2017	1H FY2016	Var %	2H FY2016
Sales revenue	896.1	889.8	1%	816.1
Reported EBIT	(13.3)	26.3	(151%)	12.6
Underlying EBIT	49.5	34.2	45%	15.0
NOA (pre-tax)	611.1	717.1	(15%)	603.3
Despatches	332.1kt	295.0kt	13%	306.9kt

Chart 3: Segment geographic sales revenue 1H FY2017, $M [1]



1) Chart does not include $38.6M of eliminations (which balances back to total segment revenue of $896.1M).

FINANCIAL PERFORMANCE – 1H FY2017 VS. 1H FY2016

Sales revenue

The $6.3M increase in sales revenue was mainly due to higher despatch volumes in North America and China. This was partly offset by lower selling prices, particularly in China, and unfavourable foreign exchange translation rate impacts (against the AUD) in all regions.

EBIT performance

The $15.3M increase in underlying EBIT was largely due to:

- lower costs in North America driven by favourable impact of productivity and cost saving initiatives
- higher despatch volumes in North America and China.

This was partly offset by:

- lower net margins in Engineered Buildings Asia due to ongoing competitive pressures
- unfavourable translation of earnings from a stronger AUD:USD.

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

FINANCIAL POSITION

Net operating assets were $7.7M higher than 30 June 2016 mainly due to lower creditors, lower provisions and higher inventories. These were partly offset by lower net fixed and intangible assets due to an impairment charge of $43.9M taken at Engineered Buildings China against fixed assets that are no longer required, goodwill and other intangibles.

MARKETS AND OPERATIONS

Engineered Buildings North America

- Despatch volumes were up 5% in 1H FY2017 relative to 1H FY2016 driven by a moderate increase in U.S. non-residential construction market activity. Margins were impacted slightly due to a rapid rise in steel feed prices late in FY2016.
- Cost reductions of $11M over FY2016 were delivered in 1H FY2017 with a total goal of $30M to be delivered by FY2018.
- General indicators of activity, such as Dodge Data & Analytics, FMI and the Architectural Billings Index, point to continued, albeit moderating, growth in the U.S. non-residential construction market.

Engineered Buildings Asia (China & ASEAN)

- Weak building and construction activity in the premium market segment across private and government participants continue to constrain margins.
- Manufacturing sites are being reconfigured or closed to further lower the cost base.

Building Products China (coating, painting and rollforming)

- Despatch volumes increased 27% relative to 1H FY2016, driven particularly by distributor and engineered building solution customer demand.
- Sales and marketing initiatives continue to expand the scope of sales into the distribution channel to drive further volume growth.

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 value-added coated and painted products, hot rolled coil, plate and billet 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 in New Zealand of long steel products such as rod, bar, reinforcing coil and wire.

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 10: Segment financial performance

$M	1H FY2017	1H FY2016	Var %	2H FY2016
Sales revenue	425.4	451.5	(6%)	435.8
Reported EBIT	32.5	(365.7)	109%	(31.6)
Underlying EBIT	39.5	(47.1)	184%	(6.4)
NOA (pre-tax)	182.1	365.1	(50%)	186.6

Table 11: Sales volume

000 tonnes	1H FY2017	1H FY2016	Var %	2H FY2016
Domestic flats	135.3	132.6	2%	125.4
Domestic longs	86.8	79.0	10%	90.2
Domestic (steel)	222.1	211.6	5%	215.6
Export flat	48.1	112.2	(57%)	93.4
Export longs	6.2	42.0	(85%)	22.3
Export (steel)	54.3	154.2	(65%)	115.7
Iron sands	1,689.3	1,394.6	21%	1,806.5

FINANCIAL PERFORMANCE – 1H FY2017 VS. 1H FY2016

Sales revenue

The $26.1M decrease in sales revenue was primarily due to planned lower export steel volumes, offset by favourable destination mix, with the full production rate of the Pacific Steel investment. This was partly offset by higher domestic and export prices driven by higher global steel and iron ore prices and higher iron sands despatch volumes.

EBIT performance

The $86.6M increase in underlying EBIT was primarily due to:

- higher realised steel and iron sands pricing reflecting higher global prices partly offset by a stronger NZD:USD exchange rate
- favourable volume/mix driven by the planned reduction in export steel despatches after reaching the full production rate of the Pacific Steel investment
- lower conversion costs on higher production as well as planned delivery of cost reduction initiatives.

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

FINANCIAL POSITION

Net operating assets were $4.5M lower than at 30 June 2016 primarily due to lower receivables and higher provisions partly offset by lower creditors and higher inventories.

MARKETS & OPERATIONS

Steel products (flat and long)

- Domestic market
  - 1H FY2017 flat product sales volume was up against 1H FY2016 due to continued strong building activity and improved sentiment in agriculture sector following increases in dairy product prices.
  - Domestic residential building activity continued to grow. For the 12 months ended December 2016, new building consents were up 10.5% on the same period in 2015.
  - Domestic non-residential building activity maintained positive momentum, with the value of consents up 1.7% in the 12 months to December 2016 compared to the previous 12-month period.
  - Domestic demand for long products is strong on the back of continued growth in the building sector.
- Export market
  - Prices in export markets were stronger in 1H FY2017 compared with 1H FY2016 due to higher global steel prices.

Iron sands

- 1H FY2017 performance:
  - Iron sands exports from Taharoa and Waikato North Head in 1H FY2017 were 1.69mt up 0.3mt on 1H FY2016.
  - Taharoa exports were up 0.4mt with the additional ships in operation whilst Waikato North Head exports were down 100kt (minimal exports due to low iron ore prices for most of the half year).
  - Iron sands prices in 1H FY2017 were stronger than 1H FY2016.
  - Underlying EBIT of $25.4M in 1H FY2017 ($14.2M loss in 1H FY2016, and EBIT profit of $0.9M in 2H FY2016).
  - Achieved 1H FY2017 EBIT break-even at an average index iron ore price of ~US$50/t[3].
- 2H FY2017: buoy outage expected to result in exports of 1.4mt, down 0.3mt on 1H FY2017, with total cost of $10-20M (including reduced exports).
- Taharoa sale update:
  - Status: progress is being made on the sale; advanced negotiations with two potential buyers. Support of local landowners and shipping providers is being sought.
  - Balance sheet impact: a reduction in net debt is expected with the purchaser assuming lease liabilities, partly offset by BlueScope cash contribution.

[3] Reference is to 62% Fe CFR China iron ore index price.

Update on steelmaking strategic review

- As with the Australian steelmaking operation, the New Zealand steelmaking operations were set the challenge of delivering a game-changing approach that will significantly reduce costs to ensure the steelworks is internationally cost competitive.
- Cost savings and productivity improvements of NZ$33M were delivered in 1H FY2017 relative to the FY2015 cost base (NZ$13M in 1H FY2016 and NZ$32M in 2H FY2016).
- We are now targeting cost savings and productivity improvements of NZ$70M in FY2017 relative to the FY2015 cost base, and further savings in FY2018.

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 FY2017 SAFETY PERFORMANCE

- The Lost Time Injury Frequency Rate was 0.7 in 1H FY2017 compared to 0.6 in 1H FY2016. An LTIFR performance of below 1.0 has been maintained for more than twelve years.
- The Medical Treated Injury Frequency Rate was 5.4 in 1H FY2017 compared to 5.0 in 1H FY2016; it has been below 7.0 for more than ten years.
- The North Star BlueScope business was consolidated into the BlueScope statistics from July 2016.
- During 1H FY2017, businesses have been concentrating on improving employee engagement, felt leadership, hand safety and load restraint. The construction businesses have also been focusing on implementation and auditing of the BlueScope Construction Global Requirements, a set of consistent safety standards across all businesses.
- External recognition in 1H FY2017 includes:
  - NS BlueScope North America: Kalama – Awarded first runner up by the National Coil Coater Association for "Best Practices in Safety".
  - Buildings China: Tianjin – Received recognition from the Tianjin Economic & Technology Development Area for achieving the Safety Standardisation Level 3 certification.
- Safety achievements in 1H FY2017 includes:
  - NSB Malaysia: Singapore – 18 years LTI free.
  - BB China: Kangqiao – 17 years LTI free.
  - BANZ NZ&PIs: Colour Coating Line – 16 years LTI free.
  - BANZ Building Components: Toowoomba – 12 years LTI free.
  - NSB North America: Sacramento – 11 years LTI free.
  - BB North America: Laurinburg – 8 years LTI free.
  - BB North America: BlueScope Construction – 5 years LTI free.

ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

- The BlueScope 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.

CLIMATE CHANGE

- BlueScope is focused on reducing its energy consumption and carbon emissions. We support policies that reduce carbon emissions, provided such policies do not compromise international competitiveness with cost increases in excess of those faced by competing steel manufactures.
- BlueScope operates two integrated steelmaking plants, one in Australia and one in New Zealand. Integrated steelmaking is inherently emissions-intensive as coal and coke are used, principally as chemical reductants, but also energy sources in the iron making process. This chemical process accounts for more than 80 per cent of the energy consumed and greenhouse gas emissions. While many steelmakers including BlueScope have made incremental improvements in energy and emissions intensity, the industry is yet to develop and commercialise technology that would permanently and materially reduce emissions from this process.
- BlueScope publicly reports its emissions, including through its annual reporting to the Australian Government and the company's *Community, Safety and Environment Report*. As part of a 1995 voluntary agreement, New Zealand Steel (NZS) continues to provide emissions data to central and local government agencies.
- The following sections provide updates for Australia and New Zealand.

Australia

- The company's Australian emissions have fallen by almost 40 per cent since the closure of the No.6 Blast Furnace at Port Kembla Steelworks in 2011. Combined Scope 1 and 2 emissions have fallen by over 6 million tonnes (CO2-equivalent) per annum, or a cumulative reduction of over 29 million tonnes to the end of FY2016.
- Energy efficiency measures are being implemented largely focussed on reducing natural gas and electricity consumption through process improvements.
- Port Kembla Steelworks recycles around 600,000 tonnes per annum of scrap steel in its Basic Oxygen Steelmaking process, and approximately 20 per cent of the electricity consumed by the Steelworks is self-generated by utilising process gases. A proportion of the externally generated electricity we purchase is from renewable sources, in line with Federal and State renewable energy policies.
- According to data produced by the World Steel Association, the Port Kembla Steelworks sits just outside the top one-third of plants surveyed in terms of its carbon efficiency (CO2-equivaent emissions per tonne of steel manufactured).

- 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 came into effect in July 2016.
- A reported emissions baseline determination for the Port Kembla Steel Works has been finalised, while a determination for Western Port Works is still to be finalised by the Clean Energy Regulator. Emissions from Port Kembla Steelworks are significantly below its baseline as a result of the closure of the No.6 Blast Furnace and associated plant in 2011.
- The Australian Government has released the terms of reference for its 2017 Climate Change Review. The review will look to ensure the Government's policies remain effective in achieving Australia's 2030 target and Paris Agreement commitments. BlueScope will continue to work with the Government on the future development of climate change related policy.

New Zealand

- Energy efficiency measures are being implemented at NZS where they are technically and commercially feasible.
- At the Glenbrook fully integrated plant, off-gases and waste heat from the iron-making process are utilised to generate approximately 60 per cent of total site electricity requirements. The balance of requirements comes from the national grid and is generated from an average of greater than 80 per cent renewable fuel sources.
- Around 70,000 tonnes of scrap steel is recycled each year in the steel making process.
- The iron feed-stock for the Steelworks comes from low environmental impact locally mined iron sand.
- Aggregates by-products are used in road making, replacing material that would otherwise be quarried.
- The Company is a liable entity under New Zealand's ETS with the defined activity of iron and steel manufacturing from iron sands. As an emissions intensive trade exposed business, NZS qualifies for an allocation of Emission Units.
- The Government's 2015/16 review of the NZ ETS to assess its operation and effectiveness to 2020 and beyond continues.

ABBREVIATIONS

1H	Six months ended 31 December in the relevant financial year
1H FY2016	Six months ended 31 December 2015
1H FY2017	Six months ended 31 December 2016
2H FY2016	Six months ending 30 June 2016
2H FY2017	Six months ending 30 June 2017
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
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
EPS	Earnings per share
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
IFRS	International Financial Reporting Standards
Leverage, or leverage ratio	Net debt over underlying EBITDA
Net debt	Gross debt less cash
n/m	Not meaningful
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
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 2016

Contents

Directors' Report

BLUESCOPE STEEL LIMITED
31 DECEMBER 2016

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 2016.

DIRECTORS

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

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

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) The Company continued to make good progress on the planned cost reduction program announced during FY2016 at the Port Kembla steelworks in Australia, the Australian Distribution network and Glenbrook steelworks in New Zealand. Cost savings of $150M ($300M annualised) were delivered in Australian Steel Products segment and NZ$33M (NZ$66M annualised) in New Zealand and Pacific Steel Products segment.

(ii) As at 31 December 2016, an impairment charge of $43.9M was recognised in the Engineered Buildings China business (BlueScope Buildings segment).The impairment comprised $28.6M of property, plant and equipment that will no longer be required, $12.0M of goodwill and $3.3M against other intangibles. Impairment charges of $7.0M and $3.9M respectively were also recognised in Taharoa iron sands business (New Zealand and Pacific Steel Products segment) and Engineered Building Solutions in India (Building Products ASEAN, North America and India segment).

(iii) In July 2016, the Company sold it's 47.5% interest in Castrip in North America to Nucor Corporation for US$20.0M.

MATTERS SUBSEQUENT TO THE HALF-YEAR ENDED 31 DECEMBER 2016

The Board has approved an on-market share buy-back of up to $150 million.

FINANCIAL RESULTS

The BlueScope Steel Group comprises five reportable operating segments: Australian Steel Products, North Star BlueScope Steel (Previously named Hot Rolled Products North America), Building Products ASEAN, North America & India, BlueScope Buildings and New Zealand & Pacific Steel Products.

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

			REPORTED[1]		UNDERLYING[2]	
	REVENUE 1H FY2017 $M	REVENUE 1H FY2016 $M	EARNINGS 1H FY2017 $M	EARNINGS 1H FY2016 $M	EARNINGS 1H FY2017 $M	EARNINGS 1H FY2016 $M
Sales revenue/EBIT[3]						
Australian Steel Products	2,365.0	2,302.1	242.1	(95.9)	242.5	173.6
North Star BlueScope Steel	793.9	187.1	237.9	743.1	211.3	42.4
Building Products ASEAN, North America & India	951.0	878.6	104.0	65.4	111.3	65.4
BlueScope Buildings	896.1	889.8	(13.3)	26.3	49.5	34.2
New Zealand & Pacific Steel Products	425.4	451.5	32.5	(365.7)	39.5	(47.1)
Discontinued operations	-	-	(0.2)	(0.9)	-	-
Segment sales revenue/EBIT[3]	5,431.4	4,709.1	603.0	372.3	654.1	268.5
Inter-segment eliminations	(246.3)	(279.1)	(0.2)	0.3	(0.2)	0.3
Segment external sales revenue/EBIT[3]	5,185.1	4,430.0	602.8	372.6	653.9	268.8
Other revenue/(net unallocated expenses)	10.1	8.8	(55.2)	(47.7)	(50.3)	(38.6)
Total revenue/EBIT[3]	5,195.2	4,438.8	547.6	324.9	603.6	230.1
Borrowing costs			(52.1)	(40.1)	(48.8)	(40.1)
Interest revenue			3.2	2.5	3.2	2.5
Profit from ordinary activities before income tax			498.7	287.3	558.0	192.5
Income tax expense			(93.5)	(60.7)	(151.9)	(47.1)
Profit from ordinary activities after income tax expense			405.2	226.6	406.1	145.4
Net (profit) attributable to non-controlling interests			(46.1)	(26.5)	(46.1)	(26.4)
Net profit attributable to equity holders of BlueScope Steel			359.1	200.1	360.0	119.0
Basic earnings per share (cents)			62.7	35.2	62.8	20.9

(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 financial report, which has been reviewed by our external auditors.

(3) 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[10] (cents)	
	1H FY2017 $M	1H FY2016 $M	1H FY2017 $M	1H FY2016 $M	1H FY2017 $M	1H FY2016 $M
Reported earnings	547.6	324.9	359.1	200.1	62.7	35.2
Net losses from businesses discontinued[1]	0.2	0.9	0.3	0.7	-	0.1
Reported earnings (from continuing operations)	547.8	325.8	359.4	200.8	62.7	35.3
Underlying adjustments:						
Impact of acquiring a controlling interest in North Star[2]	-	(700.8)	-	(702.9)	-	(123.5)
Asset Impairments[3]	54.8	533.9	54.8	533.9	9.6	93.9
Business development, transaction and pre-operating costs[4]	4.9	15.7	3.4	11.1	0.6	1.9
Production disruptions[5]	-	7.9	-	5.9	-	1.0
Restructure and redundancy costs[6]	26.9	81.9	22.6	57.4	3.9	10.1
Asset sales[7]	(30.8)	(34.4)	(21.6)	(34.0)	(3.8)	(6.0)
Debt restructuring costs[8]	-	-	3.4	-	0.6	-
Tax asset impairment/(write-back)[9]	-	-	(62.0)	46.6	(10.8)	8.2
Underlying earnings	603.6	230.1	360.0	119.0	62.8	20.9

(1) First half FY2017 reflects foreign exchange translation losses within the closed Lysaght Taiwan business ($0.2M pre-tax). First half FY2016 reflects foreign exchange translation losses within the closed Lysaght Taiwan business ($0.9M 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 FY2017 includes asset impairments in BlueScope Buildings for write-down of property, plant and equipment no longer required, goodwill and other intangibles at Engineered Buildings China ($43.9M pre-tax). Additionally, there were fixed asset write-downs within Building Products at the India joint venture ($3.9M pre tax) in relation to engineered building solutions assets no longer required and in New Zealand and Pacific Steel Products segment for Taharoa iron sands operations ($7.0M pre tax) in relation to assets capitalised during first half FY2017.

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 Products segment, including a $162.7M full write-down of Taharoa iron sand fixed assets.

(4) First half FY2017 reflects Corporate transaction costs ($4.9 pre-tax). 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 second half FY2014 ($2.7M pre-tax) and pre-production losses incurred through commissioning the billet caster in New Zealand ($3.9M pre-tax).

(5) First half FY2016 reflects the impact of the Tianjin port explosion on the Engineered Buildings China site ($7.9M pre-tax). This was largely offset by an insurance recovery in the second half of FY2016.

(6) First half FY2017 reflects staff redundancy and restructuring costs at ASP ($4.6M pre-tax) and BlueScope Buildings ($18.9M pre-tax) and Building Products ($3.4M pre-tax). 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).

(7) First half FY2017 reflects the profit on the sale of BlueScope's 47.5% interest in Castrip in North America ($26.6M pre-tax), reversal of a provision relating to the sale of an intangible asset in CIPA in FY2013 ($3.4M pre-tax) and profit on sale of property, plant and equipment ($0.8M pre-tax) in ASP. First half FY2016 reflects the profit on sale of McDonald's Lime in New Zealand ($32.9M pre-tax) and profit on sale of property, plant and equipment in ASP ($1.5M pre-tax).

(8) First half FY2017 reflects the early redemption premium on the US$110M 144A Unsecured Notes to benefit from lower interest rates and write-off of previously recognised deferred borrowing costs.

(9) First half FY2017 reflects utilisation of previously impaired deferred tax assets in Australia ($66M) and New Zealand ($4.3M). With respect to New Zealand this arose from the favourable movement in temporary differences exceeding tax losses generated during the period. These were partly offset by the impairment of carried forward tax losses in China ($8.3M). First half 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).

(10) Earnings per share are based on the average number of shares on issue during the respective reporting periods, (573.0M in first half FY2017 vs. 568.9M in first half FY2016).

FINANCIAL PERFORMANCE

BlueScope reported a $359.1 million net profit after tax (NPAT) for first half of FY2017, a $159.0 million (79 per cent) increase in financial performance compared to the first half of FY2016.

The underlying NPAT was $360.0 million, 203 per cent higher than the first half of FY2016. Underlying EBIT was $603.6 million, up 162 per cent on the first half of FY2016. The strong growth was generated through delivery of productivity and cost improvements, sales growth, improved steel spreads and the benefit of the North Star acquisition.

We are now seeing the benefits of our strategic initiatives flowing through to the bottom line. There are positive trading conditions across most of our businesses and BlueScope has been generating strong cash flow. In the first half of FY2017 free cash flow (net cash flow from operating activities less capital expenditure) was $286.3 million and $900.5 million across the calendar year to 31 December 2016. This has reduced net debt to $531.3 million, down $842.1 million from 12 months earlier. The leverage multiple (net debt to trailing twelve month underlying EBITDA) at 31 December 2016 was 0.4 times EBITDA.

In light of the Company's sound cash flow position the Board has approved the payment of a fully franked interim dividend of 4 cents per share. As well, the Board has approved an on-market share buy-back of up to $150 million. The Board believes a buy-back achieves an appropriate balance between retaining strong credit metrics, continuing to fund our growth opportunities and returning cash to shareholders. The buy-back will be funded from free cash flow and the Board is targeting returns to shareholders, including capital management, of 30-50 per cent of free cash flow.

Targeting growth through implementing our strategy

BlueScope's strategy is delivering results, with growth in earnings across our entire geographic footprint. We have many growth opportunities in front of us.

In Coating & Painting Products:

- We delivered 70 per cent underlying EBIT growth in our Building Products segment in the first half of FY2017 compared to the first half of FY2016.
- Our current focus is to further grow our business particularly in Asia, which is seeing a rapid rise in the wealth of the middle class. Our home appliance steels, in partnership with NSSMC, are now in production in Thailand and are gaining customer acceptance. The development of the third metal coating line with in-line painting in Thailand is underway, being built to meet demand in the growing Retail/SME building market. We have just established a Lysaght roll-forming facility in Myanmar and there are opportunities to accelerate growth in India.
- In Australia, demand for our premium branded coated and painted product continues to be strong. The team is pursuing a number of specific inter-material product opportunities in new markets, and we are working on a longer term innovation pipeline.

In BlueScope Buildings:

- We delivered 45 per cent underlying EBIT growth in the first half of FY2017 compared to the first half of FY2016, through performance improvement initiatives in the North America business.
- Looking forward, we anticipate benefits of further performance improvement initiatives in our engineered buildings businesses in both North America and China. Our China Coated business also has good scope to grow through filling available production capacity.

At North Star:

- Since our move to full ownership in October 2015, there appears to have been a sustained improvement in steel margins. The business recorded a 178% rise in underlying EBITDA to US$180.2 million in the first half of FY2017 compared to the first half of FY2016 (on a 100%, local currency basis).
- The business continues to deliver low-cost incremental volume growth initiatives.

Continued improvement in Australian and New Zealand steelmaking

The Australian steelmaking business has done an excellent job in boosting profitability and the business delivered good results, supporting the 2015 decision to continue operations at Port Kembla. However, we must not be complacent in our pursuit of continued productivity improvements. We need to deliver returns necessary to support a decision in 10 to 15 years to reline the blast furnace.

Our New Zealand steelmaking business has also made headway on productivity initiatives and cost savings however there is further work to be done to determine whether the Glenbrook operations can be internationally competitive and profitable through the cycle. Further, we are making progress on the sale of our Taharoa export iron sands business.

Segment results

Australian Steel Products (ASP)
The ASP segment delivered underlying EBIT of $242.5M, a $68.9M increase on the first half of FY2016. Higher spread, lower costs particularly through improved production rates and higher domestic volume drove the improvement.

North Star BlueScope Steel (North Star)
North Star delivered underlying EBIT of $211.3M, a $168.9M increase on the first half of FY2016. Full ownership after 30 October 2015, higher spreads and lower conversion costs contributed to this performance.

Building Products ASEAN, North America & India (BP)
The BP segment achieved underlying EBIT of $111.3M, a $45.9M increase on the first half of FY2016. This was achieved by higher margins and increased sales volumes across most countries. Our North America and India businesses were significant contributors to this improvement. This was partly offset by unfavourable translation of earnings from a stronger AUD:USD.

BlueScope Buildings (BB)
The BB segment achieved underlying EBIT of $49.5M, a $15.3M increase on the first half of FY2016. This was driven by lower costs in North America through cost reductions and higher sales volumes. This was offset by lower margins in Engineered Buildings Asia due to ongoing competitive pressures on sales and unfavourable translation of earnings from a stronger AUD:USD.

New Zealand & Pacific Steel (NZPac)
The NZPac segment made underlying EBIT of $39.5M, a $86.6M increase on the first half of FY2016. This was driven by higher steel and iron sand prices, full run-rate of the Pacific Steel acquisition and delivery on cost reduction and productivity initiatives.

Likely developments and expected results of operations

We expect the second half of FY2017 underlying EBIT approaching 50 per cent higher than the second half of FY2016 (which was $340.4M).

We expect the second half of FY2017 underlying net finance costs to be lower than the first half of FY2017 due to lower average net debt; expect slightly higher underlying tax rate due to regional mix of earnings, and similar profit attributable to non-controlling interests to the first half of FY2017.

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 2016 has been received from Ernst & Young. This can be referred to on page 7 of the directors' report.

Rounding of amounts

Values in the financial statements have been rounded to the nearest hundred thousand dollars in accordance with the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

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

J Bevan
Chairman

Paul O'Malley

P F O'Malley
Managing Director & CEO

Melbourne
20 February 2017

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Melbourne VIC 3000 Australia
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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 2016, 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

Ernst & Young

Glenn Carmody
Partner
Melbourne
20 February 2017

Statement of Comprehensive Income

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	Consolidated Half-year 2016 $M	Consolidated Half-year 2015 $M
Revenue from continuing operations		**5,195.2**	4,438.8
Other income	4	**35.5**	743.6
Changes in inventories of finished goods and work in progress		**201.0**	(71.0)
Raw materials and consumables used		**(2,929.8)**	(2,342.2)
Employee benefits expense		**(837.4)**	(860.7)
Depreciation and amortisation expense		**(189.4)**	(190.9)
Net impairment (expense) of non-current assets	4(c)	**(50.9)**	(533.8)
Freight on external despatches		**(256.7)**	(260.8)
External services		**(469.1)**	(453.7)
Finance costs	4	**(52.1)**	(40.1)
Net restructuring expense	4(d)	**(20.4)**	(42.7)
Other expenses		**(130.3)**	(130.5)
Share of net profits (losses) of associates and joint venture partnerships		**3.3**	32.2
Profit before income tax		**498.9**	288.2
Income tax expense		**(93.4)**	(60.9)
Net profit from continuing operations		**405.5**	227.3
Loss from discontinued operations after income tax		**(0.3)**	(0.7)
Net profit for the half-year		**405.2**	226.6
Items that may be reclassified to profit and loss			
Net gain (loss) on cash flow hedges		**(0.5)**	10.3
- Income tax (expense) benefit		**1.0**	(1.3)
Net gain on net investments in foreign subsidiaries		**22.2**	16.1
Exchange fluctuations on translation of foreign operations attributable to BlueScope Steel Limited		**18.4**	20.7
Items that will not be reclassified to profit and loss			
Actuarial gain (loss) on defined benefit superannuation plans		**7.6**	(35.3)
-Income tax (expense) benefit		**(3.9)**	11.1
Exchange fluctuations on translation of foreign operations attributable to non-controlling interests		**7.7**	5.1
Other comprehensive income for the half-year		**52.5**	26.7
Total comprehensive income for the half-year		**457.7**	253.3
Profit is attributable to:			
Owners of BlueScope Steel Limited		**359.1**	200.1
Non-controlling interests		**46.1**	26.5
		405.2	226.6
Total comprehensive income is attributable to:			
Owners of BlueScope Steel Limited		**404.1**	221.3
Non-controlling interests		**53.6**	32.0
		457.7	253.3

	Notes	Consolidated Half-year 2016 Cents	Consolidated Half-year 2015 Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	11	**62.7**	35.3
Diluted earnings per share	11	**60.9**	34.7
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	11	**62.7**	35.2
Diluted earnings per share	11	**60.8**	34.6

Statement of Financial Position

BLUESCOPE STEEL LIMITED
AS AT 31 DECEMBER 2016

	Notes	Consolidated 31 December 2016 $M	 30 June 2016 $M
ASSETS			
Current assets			
Cash and cash equivalents		**561.9**	549.8
Trade and other receivables		**1,024.1**	1,158.4
Inventories		**1,738.9**	1,391.5
Operating intangible assets		**8.6**	8.3
Derivative financial instruments		**3.8**	5.1
Deferred charges and prepayments		**106.6**	93.0
		3,443.9	3,206.1
Non-current assets classified as held for sale		**1.1**	-
Total current assets		**3,445.0**	3,206.1
Non-current assets			
Trade and other receivables		**35.8**	35.8
Inventories		**75.1**	71.1
Operating intangible assets		**26.1**	25.9
Investments accounted for using the equity method		**41.3**	39.3
Property, plant and equipment		**3,798.6**	3,834.1
Deferred tax assets	5	**203.7**	196.7
Intangible assets		**1,759.7**	1,736.5
Deferred charges and prepayments		**4.6**	3.1
Total non-current assets		**5,944.9**	5,942.5
Total assets		**9,389.9**	9,148.6
LIABILITIES			
Current liabilities			
Trade and other payables		**1,452.6**	1,480.7
Borrowings		**43.5**	228.6
Current tax liabilities		**27.3**	11.6
Provisions		**387.4**	379.1
Deferred income		**200.4**	181.8
Derivative financial instruments		**3.6**	2.2
Total current liabilities		**2,114.8**	2,284.0
Non-current liabilities			
Trade and other payables		**44.1**	32.8
Borrowings		**1,049.7**	1,099.2
Deferred tax liabilities		**173.2**	162.4
Provisions		**184.6**	191.2
Retirement benefit obligations	7	**398.0**	390.8
Deferred income		**2.7**	2.9
Total non-current liabilities		**1,852.3**	1,879.3
Total liabilities		**3,967.1**	4,163.3
Net assets		**5,422.8**	4,985.3
EQUITY			
Contributed equity	6	**4,701.2**	4,688.1
Reserves		**268.9**	224.9
Retained losses		**(71.1)**	(415.8)
Parent entity interest		**4,899.0**	4,497.2
Non-controlling interests		**523.8**	488.1
Total equity		**5,422.8**	4,985.3

Statement of Changes to Equity

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Consolidated - 31 December 2016	Notes	Contributed equity $M	Reserves $M	Retained losses $M	Non-controlling interests $M	Total $M
Balance at 1 July 2016		**4,688.1**	**224.9**	**(415.8)**	**488.1**	**4,985.3**
Profit for the period		-	-	359.1	46.1	405.2
Other comprehensive income (loss)		-	41.4	3.6	7.5	52.5
Total comprehensive income for the half-year		**-**	**41.4**	**362.7**	**53.6**	**457.7**
Transactions with owners in their capacity as owners:						
Issue of share awards	6	10.5	(10.2)	-	-	0.3
Share-based payment expense		-	12.1	-	-	12.1
Dividends paid		-	-	(17.2)	(17.6)	(34.8)
Tax credit recognised directly in equity	6	2.6	-	-	-	2.6
Other		-	0.7	(0.8)	(0.3)	(0.4)
		13.1	2.6	(18.0)	(17.9)	(20.2)
Balance at 31 December 2016		**4,701.2**	**268.9**	**(71.1)**	**523.8**	**5,422.8**

Consolidated - 31 December 2015	Notes	Contributed equity $M	Reserves $M	Retained losses $M	Non-controlling interests $M	Total $M
Balance at 1 July 2015		**4,673.8**	**225.1**	**(623.3)**	**463.5**	**4,739.1**
Profit for the period		-	-	200.1	26.5	226.6
Other comprehensive income (loss)		-	45.2	(24.0)	5.5	26.7
Total comprehensive income for the half-year		**-**	**45.2**	**176.1**	**32.0**	**253.3**
Transactions with owners in their capacity as owners:						
Issue of share awards	6	12.8	(11.7)	-	-	1.1
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		-	0.5	(0.4)	-	0.1
		13.2	(3.0)	(17.5)	(19.7)	(27.0)
Balance at 31 December 2015		**4,687.0**	**267.3**	**(464.7)**	**475.8**	**4,965.4**

Statement of Cash Flows

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	Consolidated Half-year 2016 $M	2015 $M
Cash flows from operating activities			
Receipts from customers		**5,591.6**	4,849.1
Payments to suppliers and employees		**(5,012.2)**	(4,649.1)
		579.4	200.0
Associate dividends received		**2.0**	1.1
Joint venture partnership distributions received		**-**	24.2
Interest received		**3.2**	3.8
Other revenue		**7.4**	7.3
Finance costs paid		**(50.9)**	(42.9)
Income taxes paid		**(79.6)**	(28.4)
Net cash inflow from operating activities		**461.5**	165.1
Cash flows from investing activities			
Payments for property, plant and equipment		**(170.4)**	(139.8)
Payments for intangibles		**(4.8)**	(1.4)
Payments for investments in joint venture partnerships		**-**	(1.0)
Payments for purchase of subsidiaries, net of cash acquired	4(b)	**-**	(998.2)
Proceeds from sale of property, plant and equipment		**1.5**	3.7
Proceeds from sale of investments	4(a)	**26.6**	38.1
Net cash (outflow) from investing activities		**(147.1)**	(1,098.6)
Cash flows from financing activities			
Share buybacks	6	**(0.3)**	-
Proceeds from borrowings		**295.7**	2,081.0
Repayment of borrowings		**(565.1)**	(1,148.1)
Dividends paid to Company's shareholders		**(17.2)**	(17.1)
Dividends paid to non-controlling interests in subsidiaries		**(17.6)**	(19.7)
Net cash (outflow) inflow from financing activities		**(304.5)**	896.1
Net increase/(decrease) in cash and cash equivalents		**9.9**	(37.4)
Cash and cash equivalents at the beginning of the financial year		**548.9**	517.9
Effects of exchange rate changes on cash and cash equivalents		**3.1**	6.2
Cash and cash equivalents at end of period		**561.9**	486.7

Contents of the notes to the consolidated financial statements

1 Basis of preparation of the interim report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016 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 2016 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 2016 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) IFRS 16 Leases (effective from 1 July 2019)

IFRS16, the new lease accounting standard was released in January 2016. The standard 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. 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 leased assets separately from interest on lease liabilities in the income statement.

Management has carried out a preliminary assessment of the impact of the new standard and expects that it will have a material impact on the Group's financial statements and disclosures. This will involve an increase in assets and liabilities, change in the timing in which lease expenses are recognised, a switch in earnings categories from operating expense to depreciation and interest expense and an increase in gearing levels. Further assessment of the impact will be carried out as part of the adoption of the new standard.

(ii) IFRS 15 Revenue from Contracts with Customers (effective 1 July 2018)

IFRS 15 replaces AASB 118 *Revenue* which covers contracts for goods and services, and AASB 111 *Construction Contracts*, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of good or service transfers to a customer, so the notion of control replaces the existing notion of risk and rewards. This standard will change the timing and in some cases the quantum of revenue recognised.

Management has carried out a preliminary assessment of the impact of the new standard and expects that it will not have a material impact on the Group's recognition and measurement of revenue. Further assessment will be carried out to confirm this outcome.

(iii) AASB 9 Financial Instruments (effective from 1 July 2018)

This standard addresses the classification, measurement and derecognition of financial assets in addition to new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

An assessment of the impact of the amendments to the standard is being carried out and it is not expected to result in a material change to the financial statements and disclosures of the Group.

(iv) AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 (effective 1 July 2017)

This standard amends AASB 107 *Statement of Cash Flows* to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group will apply this amendment from 1 July 2017.

(v) IFRS 2 Classification and measurement of share based payment transactions (effective 1 July 2018)

This standard makes amendments to IFRS 2 *Share based Payments*, clarifying how to account for certain types of share-based payment transactions.

An assessment of the amendments to the standard has been carried out and it is not expected to result in any change to the financial statements and disclosures of the Group.

2 Critical accounting estimates and judgements

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.

(a) 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 2016. The basis of determining the key assumptions are listed below.

Key assumptions	Basis of estimation
Future cash flows	- VIU calculations use pre-tax cash flows, inclusive of working capital movements 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 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.
Growth rate	- The growth rate used to extrapolate the cash flows for each CGU beyond the forecast period does not exceed 2.5% (2016:2.5%). - The growth rate represents a steady indexation rate which does not exceed the Group's expectations of the long-term average growth rate for the business in which each CGU operates.
Discount rate	- The discount rate applied to the cash flow projections has been assessed to reflect the time value of money and the perceived risk profile of the industry in which each CGU operates. - The base post-tax discount rates range from 8.5% to 9.7% (2016: 8.5% to 9.7%). - 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.
Raw material costs	- Based on commodity price forecasts derived from a range of external commodity forecasters.
Selling prices	- Based on management forecasts, taking into account commodity steel price forecasts derived from a range of external commodity forecasters.
Sales volume	- Based on management forecasts, taking into account external forecasts of underlying economic activity for the market sectors and geographies in which each CGU operates.
AUD:USD and NZD:USD	- Based on forecasts derived from a range of external banks.

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.

Recognised external forecasters estimate the US dollar relative to the Australian dollar to remain around current levels and an increase in global commodity steel prices in excess of any increase in iron ore and coal raw material costs. 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 flow forecasts for ASP were to decrease by 20% (June-16:10%) across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

2 Critical accounting estimates and judgements (continued)

Cash generating units with significant goodwill

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

Buildings North America

Buildings North America is tested for impairment on a VIU basis using three year cash flow projections, followed by a long-term growth rate of 2.5% for a further 27 years. Pre-tax VIU cash flows are discounted utilising a pre-tax discount rate of 13.0% (June-16: 13.0%).

As at 31 December 2016 the recoverable amount of this CGU is 2.2 times (June-16: 1.6 times) the carrying amount of $368.4M (June-16: $465.7M), 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. Taking into account external forecasts, the Group expects non-residential building and construction activity to increase 5.8% per annum (June-16: 5.8%) from the 2015/16 financial year over the three-year projection period.

However, the timing and extent of this increase is uncertain and in the absence of mitigating factors, a 1.9% per annum decline in non-residential buildings and construction activity over the three-year projection period could reduce the recoverable value to equal to the carrying value.

North Star BlueScope Steel LLC

The Company acquired a controlling interest in North Star BlueScope Steel LLC on 30 October 2015. This is tested for impairment on a VIU basis using three year cash flow projections, followed by a long-term growth rate of 2.5% for a further 27 years. Pre-tax VIU cash flows are discounted utilising pre-tax discount rate of 13.7% (June-16: 13.7%).

At 31 December 2016 the recoverable amount of the CGU is 1.4 times (June-16: 1.2 times) the carrying amount of $1,926.4M (June-16: $1,862.4M), 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. Spread increased significantly during the half year ended 31 December 2016, and the long-term sustainability of this increase is uncertain. In the absence of mitigating factors, a sustained 19% decline in the spread achieved in the current half-year could reduce the recoverable value to equal to the carrying value.

(b) Income taxes

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.

(c) 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.

(d) 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.

(e) Share-based payment transactions

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

2 Critical accounting estimates and judgements (continued)

(f) 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 7.

(g) 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).

(h) 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.

(i) 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.

(j) 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.

Segment	Description
Australian Steel Products	- Produces and markets a range of high valued coated and painted flat steel products for Australian building and construction customers as well as providing a broader offering of commodity flat steel products. - Products are primarily sold to the Australian domestic market, with some volume exported. - Key brands include zinc/aluminium alloy coated - ZINCALUME® steel and galvanised and zinc/aluminium alloy-coated pre-painted COLORBOND® steel. - Main manufacturing facilities are at Port Kembla (NSW) and Western Port (Victoria). - Segment also operates a network of roll-forming and distribution sites throughout Australia, acting as a major steel product supplier to the building and construction, manufacturing, automotive and transport, agriculture and mining industries.
New Zealand & Pacific Steel Products	- 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. - Pacific Steel is the sole producer of long steel products such as rod, bar, reinforcing coil and wire in New Zealand. - Segment also 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.
BlueScope Buildings	- 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 North America, China, Thailand, Vietnam, Saudi Arabia and India. - The segment also includes BlueScope's metal coating, painting and Lysaght operations in China.
Building Products ASEAN, North America & India	- 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 products. - Segment 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 building and 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.
North Star BlueScope Steel (Previously named Hot Rolled Products North America)	- North Star BlueScope Steel is a single site electric arc furnace producer of hot rolled coil in Ohio, in the US. On 30 October 2015, BlueScope acquired the remaining 50% interest and from the date of acquiring full ownership, North Star has been consolidated in BlueScope's financial statements. - On 8 July 2016, BlueScope Steel Limited sold it's 47.5% interest in Castrip LLC (a thin strip casting technology joint venture with Nucor and IHI Ltd) to Nucor for US$20M. - Prior to the North Star acquisition and Castrip sale, these businesses were jointly controlled and therefore equity accounted in BlueScope's financial statements.

3 Segment information (continued)

(b) Reportable segments

The segment information provided to the Managing Director and Chief Executive Officer for the operating segments for the half-year ended 31 December 2016 is as follows:

Half-year 2016	Australian Steel Products $M	North Star BlueScope Steel $M	Building Products ASEAN, North America & India $M	BlueScope Buildings $M	New Zealand & Pacific Steel Products $M	Discontinued Operations $M	Total $M
Total segment sales revenue	2,365.0	793.9	951.0	896.1	425.4	-	5,431.4
Intersegment revenue	(161.6)	-	(68.6)	(0.2)	(15.9)	-	(246.3)
Revenue from external customers	**2,203.4**	**793.9**	**882.4**	**895.9**	**409.5**	**-**	**5,185.1**
Segment EBIT	**242.1**	**237.9**	**104.0**	**(13.3)**	**32.5**	**(0.2)**	**603.0**
Depreciation and amortisation	89.6	27.3	30.8	21.7	19.8	-	189.2
Impairment expense of non-current assets	-	-	3.9	43.9	7.0	-	54.8
Share of profit from associates and joint venture partnerships	-	-	1.6	0.6	1.1	-	3.3
Total segment assets	**3,089.8**	**2,167.3**	**1,433.2**	**1,277.3**	**676.4**	**0.3**	**8,644.3**
Total assets includes:							
Investments in associates and joint venture partnerships	-	-	33.5	1.8	6.0	-	41.3
Additions to non-current assets (other than financial assets and deferred tax)	60.3	21.1	28.9	6.4	25.7	-	142.4
Total segment liabilities	**962.6**	**240.9**	**335.3**	**666.2**	**494.3**	**4.0**	**2,703.3**

Half-year 2015	Australian Steel Products $M	North Star BlueScope Steel $M	Building Products ASEAN, North America & India $M	BlueScope Buildings $M	New Zealand & Pacific Steel Products $M	Discontinued Operations $M	Total $M
Total segment sales revenue	2,302.1	187.1	878.6	889.8	451.5	-	4,709.1
Intersegment revenue	(169.0)	-	(49.8)	-	(60.3)	-	(279.1)
Revenue from external customers	**2,133.1**	**187.1**	**828.8**	**889.8**	**391.2**	**-**	**4,430.0**
Segment EBIT	**(95.9)**	**743.1**	**65.4**	**26.3**	**(365.7)**	**(0.9)**	**372.3**
Depreciation and amortisation	93.5	12.5	30.5	22.5	31.7	-	190.7
Impairment expense (write-back) of non-current assets	189.0	1.0	-	(1.1)	344.9	-	533.8
Share of profit from associates and joint venture partnerships	-	28.7	1.2	0.6	1.7	-	32.2
Total segment assets	**3,145.1**	**2,128.1**	**1,358.0**	**1,284.5**	**735.7**	**0.3**	**8,651.7**
Total assets includes:							
Investments in associates and joint venture partnerships	-	-	26.8	2.0	6.1	-	34.9
Additions to non-current assets (other than financial assets and deferred tax)	49.8	1,015.7	16.3	5.0	74.3	-	1,161.1
Total segment liabilities	**943.1**	**86.4**	**292.4**	**567.4**	**370.6**	**4.2**	**2,264.1**

3 Segment information (continued)

(c) Other segment information

(i) Segment revenue

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

	Consolidated Half-year	
	2016 $M	2015 $M
Total segment revenue	**5,431.4**	4,709.1
Intersegment eliminations	**(246.3)**	(279.1)
Other revenue	**10.1**	8.8
Total revenue from continuing operations	**5,195.2**	4,438.8

(ii) Segment EBIT

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

	Consolidated Half-year	
	2016 $M	2015 $M
Total segment EBIT gain	**603.0**	372.3
Intersegment eliminations	**(0.2)**	0.3
Interest income	**3.2**	2.5
Finance costs	**(52.1)**	(40.1)
Discontinued operations	**0.2**	0.9
Corporate operations	**(55.2)**	(47.7)
Profit before income tax from continuing operations	**498.9**	288.2

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.

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.

In the Australian Steel Products segment, a receivables securitisation program was renegotiated and taken off balance sheet in December 2016. The limit of the program is $150M of which $133.4M were sold at 31 December 2016.

	Consolidated	
	December 2016 $M	June 2016 $M
Segment assets	**8,644.3**	8,425.6
Intersegment eliminations	**(50.4)**	(43.5)
Unallocated:		
Deferred tax assets	**203.7**	196.7
Cash	**561.9**	549.8
Corporate operations	**30.4**	20.0
Total assets as per the statement of financial position	**9,389.9**	9,148.6

	Consolidated	
	December 2016 $M	June 2016 $M
Segment liabilities	**2,703.3**	2,678.7
Intersegment eliminations	**(47.9)**	(41.1)
Unallocated:		
Borrowings	**1,093.2**	1,327.8
Current and deferred tax liabilities	**200.5**	174.0
Accrued borrowing costs payable	**7.2**	9.8
Corporate operations	**10.8**	14.1
Total liabilities as per the statement of financial position	**3,967.1**	4,163.3

4 Other income and expenses

	Consolidated Half-year	
	2016 **$M**	2015 $M
Profit before income tax includes the following specific income and expenses for continuing operations:		
Other income		
Carbon permit - Government Grant	**7.3**	2.8
Government Grant - other	**0.4**	1.0
Net foreign exchange gains	**1.0**	0.3
Net gain on sale of investment (a)	**26.6**	32.9
Net gain on disposal of investment (b)	**-**	706.6
Other	**0.2**	-
Total other income	**35.5**	743.6
Impairment expense of non-current-assets		
Australian Steel Products PP&E	**-**	(189.0)
New Zealand and Pacific Steel Products PP&E	**(7.0)**	(344.9)
Buildings China PP&E, goodwill and intangibles	**(43.9)**	-
Building Products India PP&E	**(3.9)**	-
Castrip joint venture	**-**	(1.0)
BlueScope Buildings impairment write-back	**-**	1.1
Total impairment (expense) of non-current assets (c)	**(54.8)**	(533.8)
Finance costs		
Interest and finance charges paid/payable	**(41.1)**	(31.3)
Ancillary finance charges	**(9.7)**	(7.6)
Provisions: unwinding of discount	**(1.3)**	(1.2)
	(52.1)	(40.1)
Net restructuring (expense) (d)	**(23.8)**	(42.7)
Employee redundancy provision expense (e)	**(2.1)**	(39.2)
Inventory net realisable value (expense)	**(28.7)**	(45.1)

(a) Net gain on sale of investment

On 8 July 2016, the Group sold it's 47.5% interest in Castrip for US$20M (A$ 26.6M). The investment in Castrip was held at $Nil value. Prior period included a net gain of $32.9M (NZD 35.5M) in New Zealand Steel for sale of the 28% equity accounted investment in McDonald's Lime.

(b) Net gain on disposal of investment

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 was 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 was recognised at fair value.

4 Other income and expenses (continued)

(c) Impairment charges

Current period impairments recognised within Buildings China is in relation to engineered building solutions for $28.6M of property, plant and equipment no longer required, together with $12.0M of goodwill and $3.3M of other intangibles assets as a result of uncertainty regarding future earnings. The impairment was based on a recoverable amount of $12.9M and 13.0% pre-tax discount rate.

First half FY2016 impairments recognised were against assets in the Australian Steel Products and New Zealand and Pacific Steel Products segments. The impairments followed the review of steel and iron ore price assumptions and discount rates in light of macroeconomic and global steel market challenges. A subsequent review in December 2016, resulted in a further $7.0M of property, plant and equipment being impaired in relation to Taharoa iron sand mining assets within the New Zealand and Pacific Steel segment which were capitalised in first half of FY2017.

Additionally, there were fixed asset write-downs of $3.9M within Building Products ASEAN, North America and India segment for the India joint venture in relation to engineered building solutions assets no longer required. This has been included within our 50% equity accounted share of profits.

(d) Restructuring expense

Current period restructuring expense primarily relates to Buildings China ($11.0M) within the BlueScope Buildings segment, $7.1M in Buildings Products North America and $3.4M within Building Products at the India joint venture relating to site closures. The India joint venture restructuring expense has been included within our 50% share of equity accounted profits. Prior period included $41.0M restructuring expense recognised within Australian Steel Products, which primarily related to the restructure of BlueScope Distribution.

(e) Employee redundancy expense

In the prior period, $39.2M of redundancy expense was recognised within Australian Steel Products in relation to the cost reduction program in Australian steelmaking.

5 Income tax expense

The Australian and New Zealand Steel tax Groups have recognised a $84.6M and NZ$ 88.5M deferred tax asset at 31 December 2016 respectively (2016: $84.6M, NZ$ 85.8M). These tax Groups have incurred taxable losses in preceding periods. The utilisation of the deferred tax asset amount depends upon future taxable amounts in excess of profits arising from the reversal of temporary differences. The Group believes these amounts to be recoverable based on taxable income projections. The Group has deferred the recognition of any further tax assets for both the Australian and New Zealand tax Groups until a sustainable return to taxable profits has been demonstrated.

In December 2016, Buildings China recognised a $8.3M (RMB 42.2M) impairment of carried forward tax losses due to uncertainty of future earnings.

6 Equity securities issued

	Six-months to 31 Dec 2016 Shares	Six-months to 31 Dec 2015 Shares	**Six-months to 31 Dec 2016 $M**	Six-months to 31 Dec 2015 $M
Issue of ordinary shares during the half-year				
Opening balance	**571,346,300**	565,225,282	**4,688.1**	4,673.8
FY15/14 KMP STI share awards	**129,621**	154,730	**0.6**	1.1
FY12/13 LTIP share award	**716,909**	1,861,351	**2.4**	2.3
FY13/12 Retention share award	**1,700,497**	4,028,906	**7.8**	9.4
FY15 KMP STI share buy-back	**-**	-	**(0.3)**	-
Share rights - Tax deduction (i)	**-**	-	**2.6**	0.4
	573,893,327	571,270,269	**4,701.2**	4,687.0

(i) Share rights - Tax deduction
The tax deduction recorded in share capital represents the estimated tax deduction in excess of accounting expense recognised for share right awards issued to employees in North America.

7 Non-current liabilities - Retirement benefit obligations

(a) Balance sheet amounts

	Consolidated December 2016 $M	Consolidated June 2016 $M
Present value of the defined benefit obligation	**(1,116.0)**	(1,109.5)
Fair value of defined benefit plan assets	**718.0**	718.7
Net liability in the statement of financial position	**(398.0)**	(390.8)

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

	New Zealand Pension Fund $M		Butler Manufacturing Base Retirement Plan $M		Total $M	
	Dec 2016	June 2016	Dec 2016	June 2016	Dec 2016	June 2016
Present value of the defined benefit obligation	(670.0)	(644.0)	(446.0)	(465.5)	(1,116.0)	(1,109.5)
Fair value of defined benefit plan assets	413.9	402.0	304.1	316.7	718.0	718.7
Net (liability) asset in the statement of financial position	(256.1)	(242.0)	(141.9)	(148.8)	(398.0)	(390.8)
Defined benefit expense	9.7	16.7	4.8	2.8	14.5	19.5
Employer contribution	7.2	16.2	0.3	0.9	7.5	17.1
Significant actuarial assumptions	%		%			
Discount rate (gross of tax)	2.8	2.9	4.0	3.5		
Future salary increases (i)	2.0	2.0	-	-		

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

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

8 Fair value of financial instruments

The carrying amounts and estimated fair values of the Group's financial instruments recognised in the financial statements are materially the same, with the exception of the following:

	At 31 December 2016 Carrying amount $M	At 31 December 2016 Fair value $M	At 30 June 2016 Carrying amount $M	At 30 June 2016 Fair value $M
Non-traded financial liabilities				
Other loans	**692.7**	**745.6**	816.8	897.5
Net assets (liabilities)	**(692.7)**	**(745.6)**	(816.8)	(897.5)

The above financial liability is not 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 (level 3).

9 Dividends

(a) Ordinary shares

	Parent entity Half-year 2016 $M	2015 $M
Final dividend for 30 June 2016 of 3 cents per fully paid ordinary share paid on 7 October 2016 (2015: 3 cents)	**17.2**	17.1

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

	Parent entity Half-year 2016 $M	2015 $M
For the half-year ended 31 December 2016, the Directors have approved the payment of an interim dividend of 4 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	**23.0**	17.1

10 Contingencies

There were no material changes in relation to contingent liabilities and assets disclosed since 30 June 2016.

11 Earnings (loss) per share

(a) Basic earnings (loss) per share

	Consolidated Half-year 2016 Cents	2015 Cents
Continuing operations	**62.7**	35.3
Discontinued operations	**-**	(0.1)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**62.7**	35.2

(b) Diluted earnings (loss) per share

	Consolidated Half-year 2016 Cents	2015 Cents
Continuing operations attributable to the ordinary equity holders of the Company	**60.9**	34.7
Discontinued operations	**(0.1)**	(0.1)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**60.8**	34.6

11 Earnings (loss) per share (continued)

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

	Consolidated Half-year	
	2016	2015
	$M	$M
Basic and diluted earnings (loss) per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
Continuing operations	**359.4**	200.8
Discontinued operations	**(0.3)**	(0.7)
	359.1	200.1

(d) Weighted average number of shares used as denominator

	Consolidated Half-year	
	2016	2015
	Number	Number
Weighted average number of ordinary shares (Basic)	**572,958,622**	568,918,295
Adjustments for calculation of diluted earnings per share:		
Weighted average number of share rights	**17,634,124**	9,338,930
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**590,592,746**	578,257,225

12 Events occurring after the reporting period

The Board has approved an on-market share buy-back of up to $150 million.

Directors' declaration

BLUESCOPE STEEL LIMITED
31 DECEMBER 2016

In the Directors' opinion:

(a) The interim financial statements and notes set out on pages 8 to 25 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 2016 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
20 February 2017

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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 2016, 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 2016 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 2016 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
Melbourne
20 February 2017