

BlueScope Steel Limited
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Web: www.bluescope.com
ASX Code: BSL



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

In addition to the contemporaneously lodged Appendix 4D, Directors' Report and Financial Report for the half year ended 31 December 2016, I attach the Company's 1H FY2017 Earnings Report.

Yours faithfully



Michael Barron
Company Secretary
BlueScope Steel Limited

RESULTS SUMMARY

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	359.1	200.1	79%
- underlying	360.0	119.0	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)

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 average¹:
 - 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.

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

\$M	Revenue		Reported Result ¹		Underlying Result ²	
	1H FY2017	1H FY2016	1H FY2017	1H FY2016	1H FY2017	1H FY2016
Sales revenue/EBIT³						
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
<i>Underlying adjustments:</i>								
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

- 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).
- 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.
- 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 FY2016 includes the following asset impairments:
 - ASP: fixed assets and intangibles write off (\$189.0M pre-tax).
 - NZPac:
 - New Zealand Steel and Pacific Steel: fixed asset write off (\$182.2M pre-tax).
 - Taharoa iron sands operations: fixed asset write off (\$162.7M pre-tax).
- 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).
- 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).
- 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).
- 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).
- 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.
- 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).
- 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-backs², 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

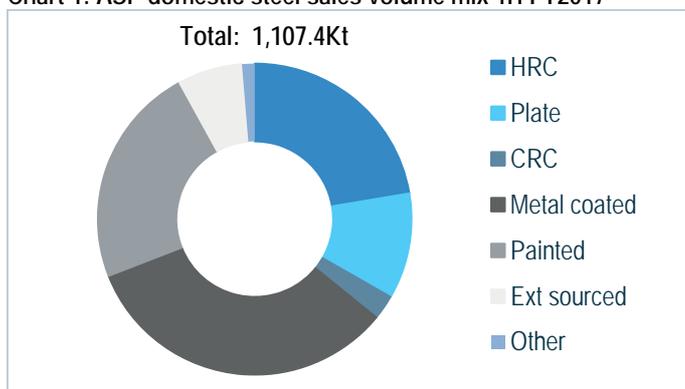
Table 4: Segment financial performance

\$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.

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.

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.

BUILDING PRODUCTS ASEAN, NORTH AMERICA & INDIA

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.

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.

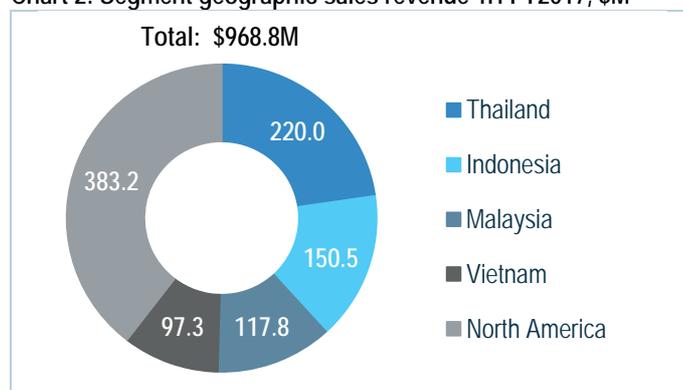
The Company has an extensive footprint of metallic coating, painting and steel building product operations in Thailand, Indonesia, Vietnam, Malaysia, India and North America, primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential 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, \$M¹



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 in 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).

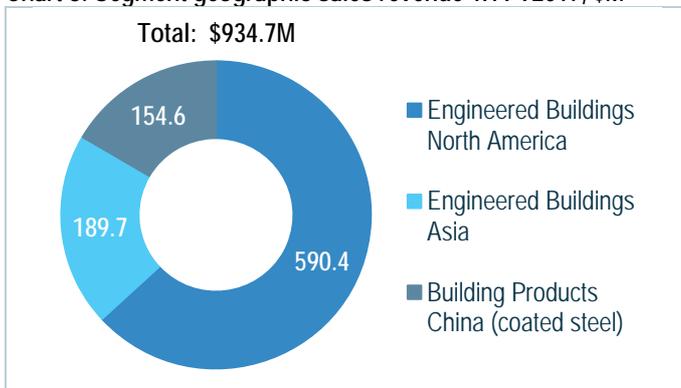
BlueScope Buildings is expanding its engineering capabilities through the roll-out of a common engineering software system across BlueScope's Buildings businesses. This system is in place in North America and is currently being installed across businesses in Asia.

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, \$M¹



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/t³.
- 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-equivalent 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.

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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

ANNEXURE: DETAILED TABLES

A. SEGMENTAL SUMMARY TABLES

Table 12: Segmental sales revenue & reported EBIT

\$M	Sales revenue			Reported EBIT		
	1H FY2017	1H FY2016	2H FY2016	1H FY2017	1H FY2016	2H FY2016
ASP	2,365.0	2,302.1	2,135.3	242.1	(95.9)	173.6
NSBSL	793.9	187.1	660.2	237.9	743.1	104.2
BP	951.0	878.6	888.2	104.0	65.4	83.9
BB	896.1	889.8	816.1	(13.3)	26.3	12.7
NZPac ²	425.4	451.5	435.8	32.5	(365.7)	(31.6)
Corporate / group	-	-	-	(55.2)	(47.7)	(44.6)
Inter-segment ¹	(246.3)	(279.1)	(182.9)	(0.2)	0.3	(1.7)
Continuing Businesses	5,185.1	4,430.2	4,752.6	547.8	325.8	296.4
Discontinued Bus.	-	-	-	(0.2)	(0.9)	0.2
Inter-segment ¹	-	-	-	-	-	-
Total	5,185.1	4,430.0	4,752.7	547.6	324.9	296.6

Table 13: Segmental underlying EBITDA and underlying EBIT

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

\$M	Underlying EBITDA			Underlying EBIT		
	1H FY2017	1H FY2016	2H FY2016	1H FY2017	1H FY2016	2H FY2016
ASP	332.0	267.1	281.6	242.5	173.6	187.8
NSBSL	238.6	51.6	132.5	211.3	42.4	104.1
BP	142.1	95.8	115.1	111.3	65.4	83.9
BB	71.2	56.7	36.9	49.5	34.2	15.0
NZPac	59.4	(15.5)	15.5	39.5	(47.1)	(6.4)
Corporate / group	(50.1)	(38.4)	(42.2)	(50.3)	(38.6)	(42.4)
Inter-segment ¹	(0.2)	0.5	(1.8)	(0.2)	0.2	(1.6)
Continuing Businesses	793.0	417.8	537.6	603.6	230.1	340.4

Notes to Tables 12 & 13:

- Inter-segment revenue reflects the elimination of internal sales between reporting segments. Inter-segment EBIT reflects an entry to eliminate profit-in-stock associated with inter-segment sales.
- Excludes the Company's 50% share of NSBSL's sales revenue of A\$235.0M (4 months prior to 100% ownership) in 1H FY2016.

Table 14: Segment summary steel despatch volume

000 tonnes	1H FY2017	1H FY2016	Variance %	2H FY2016
Australian Steel Products	1,466.4	1,383.9	6%	1,502.8
North Star BlueScope Steel ¹	1,016.5	655.5	55%	1,022.6
Building Products ASEAN, Nth Am & India	711.7	641.4	11%	728.1
BlueScope Buildings	332.1	295.0	13%	306.9
New Zealand & Pacific Steel	276.4	365.8	(24%)	331.3
Discontinued Businesses	-	-	-	-
Less sales between BlueScope segments	(106.8)	(120.0)	(11%)	(150.0)
Total Group External Steel Despatches	3,696.3	3,221.6	15%	3,741.7

- Volumes are consistent with BlueScope's ownership of North Star. 1H FY2016 includes four months at 50% of North Star volume.

B. AUSTRALIAN STEEL PRODUCTS VOLUME DETAIL

Table 15: Detailed production & despatch report

000 tonnes	1H FY2017	1H FY2016 ¹	Variance %	2H FY2016
Raw steel production	1,585.3	1,433.2	11%	1,366.3
Domestic steel despatches				
- HRC	247.5	236.5	5%	249.8
- Plate	121.7	106.2	15%	104.7
- CRC, metal coated, painted & other ²	664.5	664.1	-	647.2
- Sub-total – domestic sales of BSL steel	1,033.7	1,006.8	3%	1,001.7
- Channel despatches of externally sourced product ³	73.7	90.9	(19%)	91.8
Total domestic steel despatches	1,107.4	1,097.7	1%	1,093.5
Export steel despatches				
- HRC	179.6	161.7	11%	253.3
- Plate	9.2	11.7	(21%)	13.5
- CRC, metal coated, painted & other	169.0	111.8	51%	141.1
- Sub-total – export sales of BSL steel	357.8	285.2	25%	407.9
- Channel despatches of externally sourced product	1.3	1.0	30%	1.4
Total export steel despatches	359.1	286.2	25%	409.3
Total steel despatches (external & intersegment) ⁴	1,466.4	1,383.9	6%	1,502.8
External coke despatches	265.3	231.9	14%	356.2

1) 1H FY2016 export volumes have been amended to reflect appropriate classification of intercompany sales.

2) The product volumes are ex-mills (formerly CIPA). Other includes the following inventory movements in downstream channels:

11.8	25.8	2.3
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3) Primarily long-products sold through Distribution business

4) Includes the following sales through downstream channels (formerly Building Components and Distribution Australia segment):

437.3	486.1	450.0
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C. NEW ZEALAND AND PACIFIC STEEL VOLUME DETAIL

Table 16: steel production & despatch report

000 tonnes	1H FY2017	1H FY2016	Variance %	2H FY2016
Raw steel production at Glenbrook	304.2	281.2	8%	273.0
Domestic despatches (external & intersegment)				
- NZ Steel flat products	135.3	132.6	2%	125.4
- Pacific Steel long products	86.8	79.0	10%	90.2
Sub-total domestic	222.1	211.6	5%	215.6
Export despatches (external & intersegment)				
- NZ Steel flat products	48.1	112.2	(57%)	93.4
- Pacific Steel long products	6.2	42.0	(85%)	22.3
Sub-total export	54.3	154.2	(64%)	115.7
Total steel despatches	276.4	365.8	(24%)	331.3

Table 17: Iron sands despatch report

000 tonnes (external)	1H FY2017	1H FY2016	Variance %	2H FY2016
From Waikato North Head mine	52.6	152.9	(66%)	109.6
From Taharoa mine	1,636.7	1,241.7	32%	1,696.9
Total external iron sands despatches	1,689.3	1,394.6	21%	1,806.5

D. BUILDING PRODUCTS SEGMENT DETAIL

Table 18: Despatch & financial details

	1H FY2017	1H FY2016	2H FY2016
Total despatches (000 tonnes)			
Thailand	188.8	151.1	216.3
Indonesia	123.8	118.2	117.6
Malaysia	87.2	83.7	82.1
Vietnam	73.4	61.6	67.1
North America	198.5	198.8	188.5
India	61.7	54.1	64.9
Other / Eliminations	(21.7)	(26.1)	(8.4)
Total	711.7	641.4	728.1
Sales revenue (\$M)			
Thailand	220.0	198.9	240.7
Indonesia	150.5	160.1	146.6
Malaysia	117.8	120.8	114.5
Vietnam	97.3	82.9	84.5
North America	383.2	347.2	310.6
India	-	-	-
Other / Eliminations	(17.8)	(31.3)	(8.7)
Total	951.0	878.6	888.2
Reported EBIT (\$M)			
Thailand	21.8	20.2	29.4
Indonesia	7.2	9.1	8.4
Malaysia	15.4	14.9	15.8
Vietnam	13.7	9.9	8.7
North America	48.0	11.2	18.6
India ¹	1.6	1.1	6.3
Other / Eliminations	(3.7)	(1.0)	(3.3)
Total	104.0	65.4	83.9
Underlying EBIT (\$M)			
Thailand	21.8	20.2	29.4
Indonesia	7.2	9.1	8.4
Malaysia	15.4	14.9	15.8
Vietnam	13.7	9.9	8.7
North America	48.0	11.2	18.6
India ¹	8.8	1.1	6.3
Other / Eliminations	(3.6)	(1.0)	(3.3)
Total	111.3	65.4	83.9
Net operating assets pre-tax (\$M)			
Thailand	273.4	293.6	241.6
Indonesia	253.6	255.1	242.0
Malaysia	123.1	134.7	137.7
Vietnam	66.4	72.6	60.0
North America	351.8	286.4	302.6
India	33.0	25.7	30.7
Other / Eliminations	(3.4)	(2.6)	(4.9)
Total	1,097.9	1,065.5	1,009.7

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

E. BLUESCOPE BUILDINGS SEGMENT DETAIL

Table 19: Despatch & financial details

	1H FY2017	1H FY2016	2H FY2016
Total despatches (000 tonnes)			
Engineered Buildings North America	129.2	122.8	116.1
Engineered Buildings Asia ¹	115.3	116.8	122.3
Building Products China (coating, painting & rollforming) ²	110.4	81.4	89.5
Other / Eliminations	(22.8)	(26.0)	(21.0)
Total	332.1	295.0	306.9
Sales revenue (\$M)			
Engineered Buildings North America	590.4	587.9	527.3
Engineered Buildings Asia ¹	189.7	221.7	206.9
Building Products China (coating, painting & rollforming) ²	154.6	122.4	117.6
Other / Eliminations	(38.6)	(42.2)	(35.7)
Total	896.1	889.8	816.1
Reported EBIT (\$M)			
Engineered Buildings North America	37.8	26.7	9.4
Engineered Buildings Asia ¹	(41.7)	(8.7)	(3.0)
Building Products China (coating, painting & rollforming) ²	12.9	12.7	10.5
Other / Eliminations	(22.3)	(4.4)	(4.3)
Total	(13.3)	26.3	12.6
Underlying EBIT (\$M)			
Engineered Buildings North America	42.6	26.7	13.5
Engineered Buildings Asia ¹	(8.2)	(0.8)	(6.9)
Building Products China (coating, painting & rollforming) ²	17.5	12.7	10.6
Other / Eliminations	(2.4)	(4.4)	(2.2)
Total	49.5	34.2	15.0
Net operating assets pre-tax (\$M)			
Engineered Buildings North America	368.3	413.3	321.1
Engineered Buildings Asia ¹	44.9	64.0	73.4
Building Products China (coating, painting & rollforming) ²	191.5	227.9	186.0
Other / Eliminations	6.4	11.9	22.8
Total	611.1	717.1	603.3

1) Includes Buildings China and Buildings ASEAN operations

2) Includes Coated Products China and Lysaght China