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

26 February 2018

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 2017

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 2017.

The financial report has been prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board. 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

Debra Counsell
Company Secretary
BlueScope Steel Limited

RESULTS FOR ANNOUNCEMENT TO THE MARKET

26 February 2018: BlueScope today reported its financial results for the six months ended 31 December 2017.

$M unless marked	1H FY2018	1H FY2017	Variance %
Sales revenue from continuing operations	5,476.4	5,104.4	7%
Reported NPAT	441.2	359.1	23%
Underlying NPAT [1]	321.1	343.5	(7%)
Interim ordinary dividend (cents) [2]	6.0 cps	4.0 cps	50%
Reported earnings per share (cents)	78.6 cps	62.7 cps	25%
Underlying earnings per share (cents)	57.2 cps	59.9 cps	(5%)
Net tangible assets per share ($)	$6.61	$5.36	23%

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. Underlying adjustments include discontinued operations, acquisitions and disposals of businesses, asset impairments/write-backs and restructuring costs. Tables 11, 12 and 13 explain why the Company has disclosed underlying results and provide reconciliations of underlying earnings to reported earnings.
2) The interim dividend is franked to 14% and its record date is Monday 5 March 2018.

FINANCIAL HEADLINES

$M unless marked	1H FY2018	1H FY2017	Variance %
EBITDA – underlying [1]	703.5	767.1	(8%)
EBIT – reported	510.5	547.6	(7%)
EBIT – underlying [1]	516.8	577.7	(11%)
Return (underlying EBIT) on invested capital (%)	16.8%	19.6%	-2.8%
Net debt	262.1	531.3	(51%)
Gearing (%)	4.3%	8.9%	-4.6%
Leverage (net debt / LTM underlying EBITDA)	0.18x	0.41x	-0.23x

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 11, 12 and 13 explain why the Company has disclosed underlying results and provide reconciliations of underlying earnings to reported earnings.

KEY POINTS

- **Sales revenue of $5,476.4M was 7% higher than 1H FY2017** mainly due to higher steel prices across all segments partly offset by unfavourable translation impacts from a stronger Australian dollar exchange rate (AUD:USD).
- **Underlying EBIT of $516.8M was 11% lower than 1H FY2017.** The result included a $32.1 million one-off benefit from settlement of an historical coal supply dispute[1]. The result was lower than 1H FY2017 mainly due to lower spreads with raw material input costs rising more than steel prices combined with higher costs. Despite being lower than 1H FY2017, 1H FY2018 underlying EBIT was significantly higher than that for the corresponding halves of FY2009 to FY2016.
- **Underlying return on invested capital was 16.8%**, down from 19.6% in 1H FY2017 due to lower earnings.
- **Underlying NPAT decreased 7%** on lower underlying EBIT partly offset by lower financing and taxation expense and outside equity interest.
- **Reported NPAT increased 23%** which included a restatement of deferred tax liabilities associated with U.S. tax reform which came into effect from 1 January 2018, partly offset by lower underlying profits.
- Balance sheet:
  - Strong cash flow facilitated commencement of on-market buy-backs during CY2017. $148M of stock purchased during 1H FY2018. **Announced today an extension of the buy-back by a further $150M, in addition to an interim partially franked dividend of 6.0 cents per share.**
  - **Net debt of $262.1M** was down from $531.3M at 31 December 2016 due to strong operating cash flow. This represented a marginal increase over $232.2M at 30 June 2017 due to seasonality of working capital movements.
  - **Leverage at 31 December 2017 was 0.18x**, reduced from 0.41x at 31 December 2016.
- Group outlook:
  - **The Company currently expects, after deducting the one-off benefit of the $32.1M coal settlement from 1H FY2018 underlying EBIT, second half underlying EBIT to be around 25% higher.**
  - Further detail and assumptions set out on page 7. Expectations are subject to spread, FX and market conditions.

[1] Cash settlement and reversal of prior year provisions.

OPERATING AND FINANCIAL REVIEW

DESCRIPTION OF OPERATIONS

BlueScope is the largest global producer of coated and painted steel building products and a technology leader in the sector. Principally focused on the Asia-Pacific and North American regions, the Company manufactures and markets 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 China, India, Indonesia, Thailand, Vietnam, Malaysia 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 across ASEAN and in 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.

BlueScope is Australia's largest steel manufacturer, and New Zealand's only steel manufacturer. BlueScope's vertically integrated operations for flat steel products in Australia and New Zealand produce value-added metallic coated and painted products, together with hot rolled coil, cold rolled coil, steel plate and pipe and tube.

BlueScope manufactures and sells long steel products in New Zealand through its Pacific Steel business. In Australia and New Zealand, BlueScope serves customers in the building and construction, manufacturing, transport, agricultural and mining industries. In Australia, BlueScope's steel products are sold directly to customers from our steel mills and through a national network of service centres and steel distribution businesses.

BlueScope is a leading supplier of engineered building solutions (EBS) to industrial and commercial markets. Its EBS value proposition is based on speed of construction, low total cost of ownership and global delivery capability. Leading brands, including BUTLER®, VARCO PRUDEN® and PROBUILD®, are supplied from BlueScope's global supply chain and major manufacturing and engineering centres in Asia and North America.

BlueScope manufactures and sells hot rolled coil in the U.S. through its North Star BlueScope Steel (North Star) business. The Ohio, U.S. mill is a low cost regional supplier of hot rolled coil. North Star is highly efficient, operates at industry leading utilisation rates and is strategically located near its customers and in one of the largest scrap markets of North America.

STRATEGY

The Company's target is to deliver top quartile shareholder returns with safe operations.

BlueScope's strategy focuses on the following areas:

DELIVERY ON OUR STRATEGY: SIGNIFICANT IMPROVEMENTS TO BLUESCOPE'S PORTFOLIO

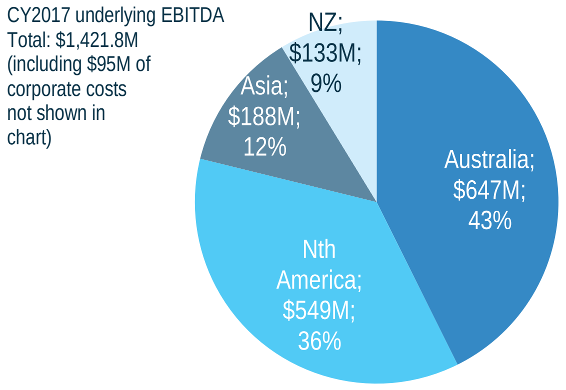
- Coated & Painted Products:
  - 24% pa compound growth in ASEAN, North America & India underlying EBIT in last five calendar years – particularly strong in North America.
  - Increased customer diversity in ASEAN – adding retail and SME sales to our established position in commercial markets.
  - Sales of home appliance steels (SuperDyma®) growing in Thailand, and construction of MCL3 on track.
  - Growth in Australian domestic coated product sales contributing to over 270kt increase in domestic despatches in the last five calendar years; pursuing further inter-material growth opportunities.
  - Reviewing expansion opportunities in India, including further painting and metal coating capacity.
- Restructured BlueScope Buildings:
  - Significant profitability boost in North America; on track to deliver $30M of annual productivity savings in FY2018 (over FY2016).
  - China Buildings restructure delivering results, returning to profitability in 1H FY2018.
- North Star:
  - Moved to full ownership in October 2015, adding almost $150M EBIT in CY2017 (compared to 50% ownership).
  - Delivering incremental volume growth: production increased 72kt in CY2017.
- Australia & New Zealand steelmaking:
  - Businesses streamlined – $375M improvement in cost competitiveness (over the two years to FY2017, relative to FY2015 cost base) and primary focus now on domestic markets.
  - Exited Taharoa export iron sands business, a non-core business which has delivered volatile earnings in recent years.
- Balance sheet:
  - Net debt reduced to $262.1M. Leverage reduced to 0.18x (net debt over LTM underlying EBITDA).
  - Disciplined financial principles to guide decision making, capital allocation and capital management.
  - Clear capital management framework incorporating ongoing buy-backs.

RESULTANT ENHANCEMENT TO BLUESCOPE'S POSITION

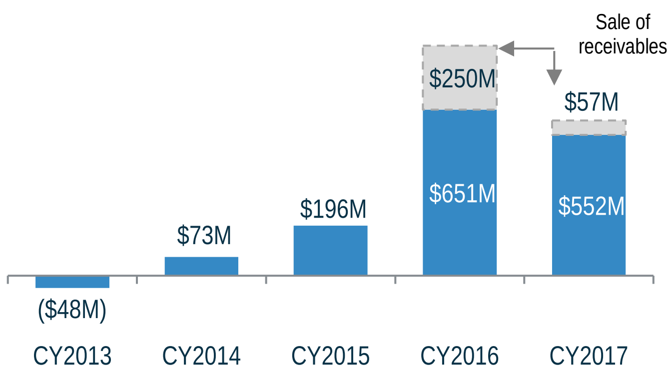
The pursuit of our strategy, including the improvements made in recent years, has delivered:

- an enhanced sales mix – with 75% of our volume sold as value added and branded products as well as increasing the competitiveness of our commoditised products
- better business segment earnings mix across the portfolio
- broader geographic diversity – 57% of underlying EBITDA (excluding corporate costs) derived outside of Australia in CY2017
- strong overall improvement in cash flow, facilitating commencement of on-market buy-backs during CY2017.

Improved geographic diversity



Improvement in free cash flow (op. cash flow less capex)



SUSTAINABILITY

At BlueScope our health, safety, environment and community responsibilities are integral to the way we do business, being core elements of strategy and risk management. We have made some key achievements and continue to look for ways to improve:

- In safety, while our goal remains zero harm, we maintained an industry-leading LTIFR rate below 1.0 per million man-hours worked.
- On our goal of increasing workforce diversity to reflect our communities, in 1H FY2018 40% of new hires into operator and trade roles were female, being nearly seven times the current 6% representation of females across all of our operator and trade roles.
- Between FY2011 and FY2017 we reduced Australian CO_2 emissions by an estimated 43% – down to 7.4Mt from 12.9Mt in FY2011.
- We remain vigilant on governance and business conduct with an actively promoted whistle-blower line.

We will release shortly our FY2017 Sustainability Report using a Global Reporting Initiative (GRI) approach; this report will bring added focus on the most material sustainability topics for BlueScope. As part of this we intend to provide disclosure on climate-related governance, strategy, risk management and metrics. It is intended that this will be followed by more detailed disclosure in the FY2018 Sustainability Report, including information on the organisation's resilience under different climate-related scenarios.

GROUP FINANCIAL REVIEW

HIGHLIGHTS

Sales from continuing operations

$5,476.4M ↑ 7% on 1H FY2017

Down $45.8M on 2H FY2017

Reported net profit after tax

$441.2M ↑ 23% on 1H FY2017

Up $84.5M on 2H FY2017

Underlying EBIT

$516.8M ↓ 11% on 1H FY2017

Down $10.5M on 2H FY2017

Initial guidance was $420M (Aug 17)
Updated guidance was $460M (Dec 17)

Underlying return on invested capital

16.8% ↓ from 19.6% in 1H FY2017

Third successive half year above 15%

Capital management

6.0cps interim dividend
$148M buy-back in 1H FY2018
$150M buy-back extension for 2H FY2018

Net debt

$262.1M ↓ $269.2M on Dec 2016

Up $29.9M on June 2017

FINANCIAL SUMMARY

Table 1: Financial summary

$M unless marked	1H FY2018	1H FY2017	Variance %
Sales revenue from continuing operations	5,476.4	5,104.4	7%
EBITDA – underlying [1]	703.5	767.1	(8%)
EBIT – reported	510.5	547.6	(7%)
EBIT – underlying [1]	516.8	577.7	(11%)
Return (underlying EBIT) on invested capital (%)	16.8%	19.6%	-2.8%
NPAT – reported	441.2	359.1	23%
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Interim ordinary dividend (cents)	6.0 cps	4.0 cps	50%
Reported earnings per share (cents)	78.6 cps	62.7 cps	25%
Underlying earnings per share (cents)	57.2 cps	59.9 cps	(5%)
Net debt	262.1	531.3	(51%)
Gearing (%)	4.3%	8.9%	-4.6%
Leverage (ND / LTM underlying EBITDA)	0.18x	0.41x	-0.23x

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. Underlying adjustments include discontinued operations, acquisitions and disposals of businesses, asset impairments/write-backs and restructuring costs. Tables 11, 12 and 13 explain why the Company has disclosed underlying results and provide reconciliations of underlying earnings to reported earnings.

REVENUE

The 7% increase in sales revenue from continuing operations was principally due to:

- higher steel prices in all segments
- increased sales volumes in the Australian Steel Products and New Zealand and Pacific Steel segments, partly offset by lower sales volumes at BlueScope Buildings
- unfavourable translation impacts from a stronger Australian dollar exchange rate (AUD:USD).

EARNINGS BEFORE INTEREST AND TAX

The $60.9M decrease in underlying EBIT reflects:

- $36.8M spread decrease, primarily comprised of:
  - higher raw material costs – higher coal and iron ore costs at ASP partly offset by a $32.1M one-off benefit from the settlement of an historical coal supply dispute, higher scrap and pig iron costs at North Star and higher steel feed costs at BP and BB ($378.8M)
  - increase in domestic and export prices due to higher global steel prices, partly offset by the unfavourable influence of a stronger AUD:USD ($342.0M)
- $38.7M unfavourable movement in costs, comprised of:
  - $47.4M cost improvement initiatives mainly in ASP, BlueScope Buildings and NZPac
  - $33.3M higher utility costs mainly driven by electricity rate increases
  - $33.4M unfavourable impact of other cost escalation including employment, consumables and other costs
  - $19.4M unfavourable movement in other costs
- $12.0M benefit from volume and mix due to higher despatches at ASP, NZPac and North Star partly offset by lower volumes at BB and BP
- $2.6M favourable movement in other items, including a one-off recognition of a previously unrecognised deferred tax asset following a sustained period of taxable profits at Tata BlueScope Steel ($10.7M) partly offset by foreign exchange translation.

The $37.1M decrease in reported EBIT reflects the movement in underlying EBIT discussed above and $23.8M favourable movement in underlying adjustments explained in Tables 12 and 13.

FINANCE COSTS AND FUNDING

The $11.1M decrease in finance costs compared to 1H FY2017 was largely due to:

- a decrease in average gross borrowings (1H FY2018 $1,060.1M; 1H FY2017 $1,190.5M)
- the cost of early redemption of the US$110M 144a Unsecured Notes incurred in 1H FY2017
- lower average cost of drawn debt (1H FY2018 6.0%; 1H FY2017 6.3%).

Financial liquidity was $2,025.5M at 31 December 2017 ($1,932.4M at 30 June 2017 and $1,801.4M at 31 December 2016), comprised of committed available undrawn capacity under bank debt facilities of $1,209.6M, plus cash $815.9M. Liquidity in the NS BlueScope Coated Products JV was $429.0M which is included in the group liquidity measure.

BlueScope has in place off balance sheet receivables securitisation programs which were drawn to $390.1M at 31 December 2017 ($377.4M at 30 June 2017 and $349.3M at 31 December 2016).

TAX

1H FY2018 tax expense of $1.0M (1H FY2017 $93.5M) was favourably impacted by the passing of the U.S. tax reform bill in late December 2017. The Company has benefitted from a 7% rate reduction on U.S. derived earnings in FY2018 and an 11% tax rate reduction thereafter. The tax rate reduction has necessitated a downward revision in deferred tax liabilities currently held on the balance sheet, with a corresponding reduction in income tax expense in the period. This has been partly offset by a tolling charge and withholding tax payable on distributable U.S. foreign earnings currently held in China. The one off reduction to income tax expense for 1H FY2018 was $52.1M.

After adjusting for these one-off impacts, the tax expense primarily relates to income generated in businesses outside of Australia and New Zealand. In Australia and New Zealand the Company has utilised previously unrecognised tax losses to offset taxable income generated during the period. The Company has deferred the recognition of past 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.

As at 31 December 2017 the BlueScope Australian tax consolidated group is estimated to have carried forward tax losses of approximately $2.2Bn. There will be no Australian income tax payments until these losses are recovered.

1H FY2018 financial results include $75.5M (1H FY2017 $70.3M) utilisation of previously impaired deferred tax assets in Australia and New Zealand. 1H FY2017 financial results included $50.9M of non-tax effected asset impairments in China and New Zealand and $8.3M of tax assets impaired in China.

DIVIDEND & CAPITAL MANAGEMENT

The Board of Directors has approved payment of an interim dividend of 6.0 cents per share and a $150M extension of the on-market buy-back in 2H FY2018. The interim dividend will be 14% franked and the unfranked amount is declared to be conduit foreign income. BlueScope's dividend reinvestment plan will not be active for the interim dividend.

During 1H FY2018, the Company paid a final dividend of 5.0 cents per share and bought shares to the value of $148M through an on-market buy-back.

Relevant dates for the interim dividend are as follows:

- Ex-dividend share trading commences: 2 March 2018.
- Record date for dividend: 5 March 2018.
- Payment of dividend: 3 April 2018.

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.

FINANCIAL POSITION

Net assets increased $278.6M to $5,817.3M at 31 December 2017 from $5,538.7M at 30 June 2017. Significant movements were:

- $263.2M decrease in payables
- $149.9M decrease in receivables
- $127.5M increase in inventory (mainly due to unit cost and net volume increases)
- $43.0M decrease in provisions
- $43.5M decrease in intangible assets mainly due to amortisation charges and foreign exchange fluctuations
- $29.9M increase in net debt.

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

2H FY2018 OUTLOOK

Expectations for the performance of our businesses in 2H FY2018, compared to 1H FY2018, are as follows:

- ASP:
  - Overall, expect a stronger result
  - Spreads improving with stronger benchmark HRC prices Price rise correlation moderated by dumping and strategic pricing
  - Raw materials:
    - Expect benefit in raw material achieved cost (eg better than benchmark prices)
    - Non-repeat of one-off coal supply dispute settlement
    - Rising coating metal and scrap prices
    - Assumed lower coke margins
- North Star:
  - Average spread through 2H FY2018 expected to be ~US$40/t higher. Spread expectations do not include any potential s232 impact
  - Expect increased despatch volumes
  - Expect approximately $5M of incremental consumables cost – electrodes, refractories and alloys (and likely to see a similar further cost rise in 1H FY2019)
- BP:
  - Expect a similar result
  - Soft demand in projects segment in South East Asia leading to selling prices lagging feed cost rises
- BB:
  - North America: expect stronger demand, improving margins and continuous improvement initiatives
  - Coated China: expected similar operating performance
  - Buildings China: expect continued positive EBIT despite seasonality
  - Buildings ASEAN: progressing exit options
- NZPac:
  - Expect a stronger result on regional steel prices
  - Expect approximately $10M impact from lower vanadium margins, incremental depreciation charge and adverse timing of costs

Group outlook:

- The Company currently expects, after deducting the one-off benefit of the $32.1M coal settlement from 1H FY2018 underlying EBIT, second half underlying EBIT to be around 25% higher. This is based on assumption of average (all prices on a metric tonne basis):
  - East Asian HRC price of ~US$600/t
  - 62% Fe iron ore price of ~US$70/t CFR China
  - Hard coking coal price of ~US$210/t FOB Australia
  - U.S. mini-mill spreads to be US$40/t higher than 1H FY2018
  - AUD:USD at US$0.79
- Underlying net finance costs in 2H FY2018 are expected to be lower than 1H FY2018 due to lower average net debt; a similar underlying tax rate and profit attributable to non-controlling interests to 1H FY2018 are expected in 2H FY2018
- 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

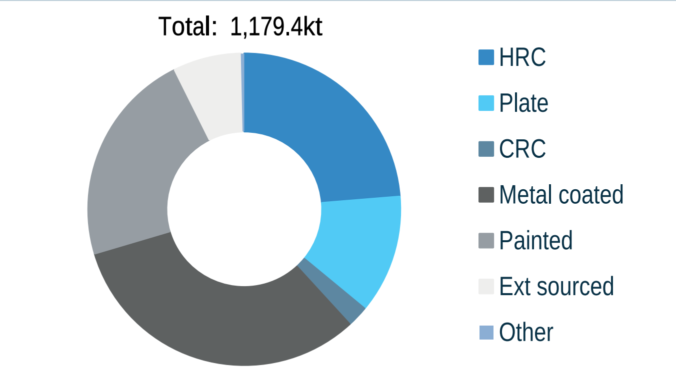
Table 2: Segment financial performance

$M	1H FY2018	1H FY2017	Var %	2H FY2017
Sales revenue	2,565.7	2,365.0	8%	2,553.7
Reported EBIT	261.7	242.1	8%	217.4
Underlying EBIT	261.7	242.5	8%	216.9
NOA (pre-tax)	2,237.7	2,127.1	5%	2,140.6
Underlying ROIC	22.7%	22.4%	+0.3%	18.8%

Table 3: Steel sales volume

000 tonnes	1H FY2018	1H FY2017	Var %	2H FY2017
Domestic				
- ex-mill	1,096.3	1,033.7	6%	1,076.0
- ext sourced	83.1	73.7	13%	70.2
Export	335.9	359.1	(6%)	478.1
Total	1,515.3	1,466.4	3%	1,624.3

Chart 1: ASP domestic steel sales volume mix 1H FY2018



FINANCIAL PERFORMANCE – 1H FY2018 VS. 1H FY2017

Sales revenue

The increase in sales revenue was 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 hot rolled coil and plate into the distribution and manufacturing sectors and painted products.

EBIT performance

The increase in underlying EBIT was largely due to:

- higher domestic volumes, particularly hot rolled coil and plate into the distribution and manufacturing sectors and painted products
- higher contribution from export coke
- one-off $32.1M benefit from settlement of an historical coal supply dispute.

These were partly offset by:

- lower steelmaking spread with higher coal, iron ore, coating metals and scrap purchase prices offsetting the impact of higher global steel prices
- higher costs driven by cost escalation, particularly utility rate increases, partly offset by lower unit costs with higher production volumes.

Underlying adjustments in reported EBIT are set out in tables 12 and 13.

Return on invested capital

Underlying ROIC increased to 22.7% mainly driven by higher EBIT. Net operating assets were $97.1M higher than at 30 June 2017 primarily due to:

- higher inventories driven by higher raw material input prices and activity levels
- lower creditors due to timing of purchases and seasonality
- offset by lower receivables with strong collections and benefits of the off balance sheet securitisation program offset by higher pricing and activity levels.

MARKETS AND OPERATIONS

Sales direct to Australian building sector

- Domestic building sector direct sales volumes remained stable in 1H FY2018 compared to 1H FY2017.
- Activity within residential construction maintained positive momentum in 1H FY2018.
  - New residential building approvals have held up firmly and development activity has continued to grow, supported by strong population growth, low interest rates, stable economic conditions and resilient house prices
  - Strong investment within Victoria, Queensland, New South Wales and South Australia delivered positive sales growth, particularly in metropolitan markets. WA volumes softened further during the period with the state continuing to feel the effects of a decline in mining investment. However, there are signs that the WA market is stabilising with 1H FY2018 volumes marginally higher than 2H FY2017.
  - Alterations and additions activity continued its improvement.
  - Sales of COLORBOND® steel increased, supported predominantly by growth in activity across the eastern seaboard.
- Non-residential construction activity has continued to improve, particularly supported by growth in commercial and industrial.
  - Most commercial and industrial segments experienced higher levels of investment led by office and accommodation, with warehousing and factories also registering positive growth.
  - Social and institutional construction remained stable with investment in education and aged care, offset by a decline in health and defence related projects.

Sales direct to domestic non-building sector customers

- Sales volumes to distributors and pipe and tube makers were strong in 1H FY2018, whilst other non-building sector customers were relatively stable or marginally lower.
- Increased infrastructure spending has further strengthened market conditions during 1H FY2018.
- A relatively stable Australian dollar has also increased market certainty, which has benefitted local manufacturing and contributed to a lift in business confidence.
- Sales to distributors strengthened through:
  - increased demand for steel plate from project activity in roads and bridges
  - customer restocking activity supported by improved pricing conditions
  - other growth initiatives focused on increasing the flexibility of our service offerings as well as improving our price competitiveness.
- Sales to pipe and tube makers increased in 1H FY2018 due to:
  - growth in project activity with the Broken Hill Pipeline Project commencing in October 2017
  - increased customer capacity levels
  - customer restocking activity supported by improved pricing conditions.
- Sales to the automotive industry were lower due to both Toyota and GMH closing in October 2017, resulting in the full closure of automotive manufacturing in Australia.
- Sales to manufacturers improved marginally during 1H FY2018 supported by initiatives targeting the substitution of imported finished goods with locally manufactured steel. Business conditions in general have improved within manufacturing with this sector benefiting from:
  - the uplift in residential construction activity particularly in hot water, steel lintels, and nail plate
  - road and infrastructure upgrades growing demand for road guard rails
  - mining expansions and civil tunnelling activity.

Mill sales to export markets

- Despatches to export market customers in 1H FY2018 were 335.9kt, 6% lower than 1H FY2017 due to higher domestic demand.
- Prices in export markets were higher in 1H FY2018 compared to 1H FY2017 supported by higher global steel prices.

NORTH STAR BLUESCOPE STEEL

North Star is a single site electric arc furnace producer of hot rolled coil in Ohio, U.S.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 4: Segment performance

$M unless marked	1H FY2018	1H FY2017	Var %	2H FY2017
Sales revenue	860.6	793.9	8%	906.9
Reported EBIT	145.2	237.9	(39%)	195.4
Underlying EBIT	145.2	211.3	(31%)	195.4
NOA (pre-tax)	1,749.9	1,926.4	(9)%	1,735.6
Underlying ROIC	16.8%	22.9%	-6.1%	21.7%

Table 5: North Star BlueScope Steel performance in US$M

US$M unless marked	1H FY2018	1H FY2017	Var %	2H FY2017
Sales revenue	670.5	598.7	12%	683.8
Underlying EBITDA	134.5	180.2	(25%)	168.1
Coil production (kt)	1,063.4	1,036.0	3%	1,055.4
Despatches (kt)	1,037.5	1,016.5	2%	1076.5

FINANCIAL PERFORMANCE – 1H FY2018 VS. 1H FY2017

Sales revenue

The increase in sales revenue was primarily due to higher regional steel prices and higher sales volumes. These were partly offset by unfavourable foreign exchange translation rate impacts due to a stronger AUD:USD exchange rate.

EBIT performance

The decrease in underlying EBIT reflects:

- steel spread moderated from historical highs in 1H FY2017 with raw material cost increases exceeding rises in Midwest U.S. steel prices
- unfavourable foreign exchange translation rate impacts due to a stronger AUD:USD exchange rate.

These were partly offset by:

- higher production and despatch volumes.

Underlying adjustments in reported EBIT are set out in tables 12 and 13.

Return on invested capital

Underlying ROIC decreased to 16.8% mainly due to lower EBIT. Net operating assets at 31 December 2017 were $14.3M higher than at 30 June 2017 primarily due to lower creditors and higher inventories partly offset by lower receivables combined with the foreign exchange translation impact of a stronger AUD:USD.

MARKETS AND OPERATIONS

- North Star sells approximately 90% of its production in the Midwest U.S., with its end customer segment mix being broadly 50% automotive, 35% construction, 5% agricultural and 10% manufacturing/industrial applications.
- North Star continues to benefit from strength in the automotive sector as well as continued recovery in the construction sector.
- A recovery in the energy sector has helped improve the demand for hot rolled coil. Service centre inventory levels being maintained at the low end of normal has meant more consistent purchasing patterns. A decline in imports driven by improving world prices as well as uncertainty around potential Section 232 U.S. trade actions has reduced foreign supply.
- High capacity utilisation rates have been maintained by North Star through an ability to retain existing customers and win new customers by consistent high performance in on-time delivery, service and quality.
- Continuous improvement program has delivered over $10M pa in margin improvement over the last several years. Some modest cost pressure is beginning to be felt due to recent increases in market pricing of graphite electrodes and refractories.
- Work continues on incremental expansion projects to increase hot strip mill and caster capacity. A new hot strip mill edger was installed and commissioned in February 2017 and caster speed increases continue to be improved.

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.

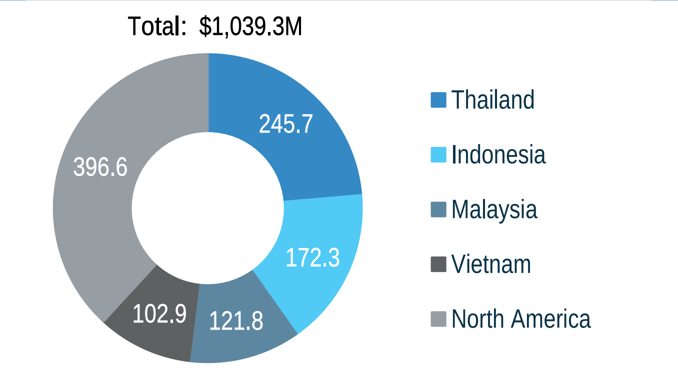
The Company has an extensive footprint of metallic coating, painting and steel building product operations in Thailand, Indonesia, Vietnam, Malaysia, India and North America, primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential 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 6: Segment performance

\$M unless marked	1H FY2018	1H FY2017	Var %	2H FY2017
Sales revenue	1,028.6	951.0	8%	1019.5
Reported EBIT	93.3	104.0	(10%)	36.8
Underlying EBIT	93.3	111.3	(16%)	90.4
NOA (pre-tax)	1,184.6	1,097.9	8%	1,032.8
Underlying ROIC	16.4%	21.3%	-4.9%	16.6%
Despatches (kt)	701.0	711.7	(2%)	724.2

Chart 2: Segment geographic sales revenue 1H FY2018, \$M [1]



1) Chart does not include \$10.7M of intercompany eliminations (which balances back to total segment revenue of \$1,028.6M). Chart also does not include India, which is equity accounted.

FINANCIAL PERFORMANCE – 1H FY2018 VS. 1H FY2017

Sales revenue

The \$77.6M increase in sales revenue was mainly due to higher regional steel prices favourably impacting all countries partly offset by unfavourable foreign exchange translation rate impacts (against the AUD) in all countries.

EBIT performance

The \$18.0M decrease in underlying EBIT was largely due to:

- lower margins across most countries, including North America where 1H FY2017 benefitted from a one-off favourable inventory pricing effect arising from the timing of raw material purchases
- higher costs
- unfavourable translation impact of a stronger AUD:USD exchange rate.

These were partly offset by recognition of a previously unrecognised deferred tax asset at Tata BlueScope Steel (\$10.7M BlueScope share).

Underlying adjustments in reported EBIT are set out in tables 12 and 13.

Return on invested capital

Underlying ROIC decreased to 16.4% driven by lower EBIT and higher net operating assets, mainly reflecting lower creditors and higher net fixed assets due to the Thailand coating line investment.

MARKETS AND OPERATIONS

Thailand

- Economic conditions improved compared to 1H FY2017 driven by increased tourism and export activity. However, recovery in private investment and construction sectors has lagged, presenting challenging steel market conditions and subdued demand.
- 1H FY2018 despatch volume was 4% lower than 1H FY2017 with higher despatches in Home Appliance and Manufacturing segments offset by lower Retail and Industrial & Commercial volumes. A prolonged wet season negatively impacted short term demand in the Small & Medium Enterprise (SME) and Retail segments.
- Expansion of the Retail segment channel continued, with an increase in the number of BlueScope authorised dealer partners from 32 in 1H FY2017 to 46 by the end of 1H FY2018.
- Customer uptake and volume growth in ViewKote® and SuperDyma® (home appliance) products continued, but at a slower rate than expected. There has also been a growing demand for SuperDyma® products in building and construction applications, as substitute for galvanized structural product.
- The business continues to utilise intra-regional paint feed and finished good sourcing volumes ahead of commissioning of the third metal coating line. Commissioning is on track to plan with commercial production expected in 1H FY2019.
- The Lysaght roll-forming facility in Myanmar has been fully operational since October 2017.

Indonesia

- Economic conditions improved, mainly driven by government led infrastructure projects. However, private domestic and foreign investment was subdued.
- 1H FY2018 volume was in line with 1H FY2017. Unfavourable mix due to lower levels of private investment negatively impacting premium Project volumes, partly offset by growth in the domestic Retail channel.
- Strategic initiatives to promote premium products, develop new products and accelerate Retail channel development are in progress, with successful execution to date.
- The business faces structural challenges in sourcing steel due to the Indonesian regulatory environment, which is impacting earnings by around \$20M per annum. Initiatives are underway to improve the competitiveness of steel feed sourcing.

Vietnam

- General economic conditions have been favourable led by strong foreign investment.
- However, 1H FY2018 volume was 4% lower than 1H FY2017. Continued strong competition and a prolonged wet season adversely impacted short term volume in the SME and Retail

segments. This was partly offset by favourable domestic mix with stronger despatches of premium product into the Industrial and Commercial segments.

- The business is focusing on strengthening the Retail channel model, enhancing brand value and building customer loyalty.

Malaysia

- Flat economic conditions and weak demand given uncertainty surrounding impending general election. Liquidity and labour shortages resulted in construction delays and cancellations.
- 1H FY2018 volume was 10% lower than 1H FY2017 driven by weak domestic demand and lower export volumes. Unfavourable mix due to lower despatches in Industrial and Commercial segments and exports. This was partly offset by a 20% increase in Retail volume compared to 1H FY2017 enabled by increased utilisation of in-line painting (ILP) capability.
- The business experienced margin compression due to increased raw material costs and downward price pressure from rising finished goods import competition.

North America (Steelscape & ASC Profiles)

- Improved economic conditions are driving modest growth in market demand. 1H FY2018 volume grew 1% compared to 1H FY2017.
- Current focus at Steelscape is on delivering a differentiated customer offering, enhanced painted product mix and achieving operational efficiencies through automation.
- The Department of Commerce (DOC) Section 232 review has the potential to impact the import of raw material supply into Steelscape. The DOC has submitted its report to the President of the United States and he is expected to announce any findings and measures by mid-April 2018. A comprehensive sourcing strategy has been developed to help manage potential adverse impacts.
- There has been a significant turnaround in the performance of ASC Profiles in 1H FY2018 driven by robust volumes into the decking and residential construction segments combined with firm pricing. Initial phases of the manufacturing footprint restructure were implemented during 1H FY2018 with productivity and cost benefits expected from 2H FY2018.

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

- The joint venture delivered underlying EBIT of $28.1M (100% basis), compared to $27.3M in 1H FY2017, driven by higher sales volumes partly offset by lower margins and unfavourable despatch mix.
- Revenue grew by 7% in 1H FY2018. Domestic prime coated steel sales volume grew by 10% compared to 1H FY2017 with 19% growth in bare products and 6% growth in painted products.
- Market dynamics remain positive with the coated and pre-painted steel markets growing at 6% during 1H FY2018. Within the market, strength in the Retail segment has been compensating for some weakness in Projects. Ongoing success in the Retail segment, where volumes were up 17%, due to continued strength of the DURASHINE® brand and market channels including the Tata Shaktee dealer network.
- The paint line continues to operate at full capacity, with the feasibility study on additional paint line capacity nearing completion.
- Restructuring of the underperforming Engineered Buildings business is progressing, including manufacturing reconfiguration and exit of unprofitable customer accounts.
- Reflecting the current and expected future performance of the business, a previously unrecognised deferred tax asset of $21.3M (100%) was recognised in the balance sheet of the joint venture at 31 December 2017 ($10.7M recognised in BlueScope's equity accounted 50% share).

Table 7: India performance

$M unless marked	1H FY2018	1H FY2017	Var %	2H FY2017
Tata BlueScope Steel (100% basis)				
Sales revenue	179.6	167.5	7%	173.0
Underlying EBIT	28.1	27.3	3%	23.6
Underlying NPAT[1]	41.6	16.9	146%	14.0
Despatches (kt)	120.7	123.3	(2%)	115.9
BlueScope share (50% basis)				
Underlying equity accounted profit [2]	21.2	8.9	138%	7.3

1) 1H FY2018 includes recognition of a previously unrecognised deferred tax asset of $21.3M.
2) 1H FY2018 includes recognition of a previously unrecognised deferred tax asset of $10.7M.

BLUESCOPE BUILDINGS

BlueScope Buildings is a leader in engineered building solutions (EBS), servicing the low-rise non-residential construction needs of customers from engineering and manufacturing bases in Asia and North America. EBS plants are located in China, Thailand, Vietnam, North America, Saudi Arabia and India. As part of the integrated value chain feeding the EBS operations, this segment includes BlueScope's metal coating, painting and Lysaght operations in China (Building Products China).

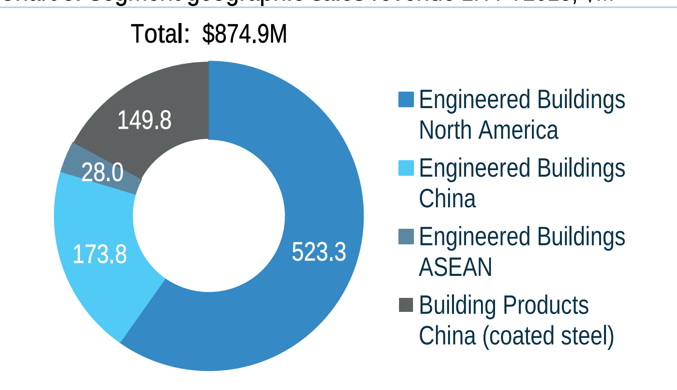
BlueScope Buildings is currently expanding its engineering and sales capability through the roll out of an updated engineering software system across North America.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 8: Segment performance

$M unless marked	1H FY2018	1H FY2017	Var %	2H FY2017
Sales revenue	830.8	896.1	(7%)	860.7
Reported EBIT	24.5	(13.3)	284%	10.4
Underlying EBIT	33.9	49.5	(32%)	14.5
NOA (pre-tax)	553.7	611.1	(9%)	531.5
Underlying ROIC	11.5%	15.8%	-4.3%	4.9%
Despatches (kt)	305.7	332.1	(8%)	294.5

Chart 3: Segment geographic sales revenue 1H FY2018, $M[1]



1) Chart does not include $44.1M of eliminations (which balances back to total segment revenue of $830.8M).

FINANCIAL PERFORMANCE – 1H FY2018 VS. 1H FY2017

Sales revenue

The $65.3M decrease in sales revenue was mainly due to lower despatches at Buildings North America and unfavourable foreign exchange translation rate impacts (against the AUD). This was partly offset by higher selling prices across all regions.

EBIT performance

The $15.6M decrease in underlying EBIT was largely due to:

- lower volumes in North America, particularly in premium segments, partly offset by cost saving initiatives
- lower volumes and higher costs at Buildings ASEAN
- lower net margins at Building Products China due to increases in steel feed costs being greater than selling price increases combined with lower volumes.

This was partly offset by a stronger performance at Buildings China which delivered a positive EBIT contribution driven by higher margins and lower costs.

Underlying adjustments in reported EBIT are set out in tables 12 and 13.

Return on invested capital

Underlying ROIC decreased to 11.5% driven by lower EBIT. Net operating assets, mainly reflecting lower net fixed assets and reduced working capital (lower receivables and inventories partly offset by lower provisions).

MARKETS AND OPERATIONS

Engineered Buildings North America

- The business experienced soft order intake in Q4 FY2017 and Q1 FY2018, particularly in premium Butler volumes. This led to lower despatch volumes and margin deterioration during 1H FY2018. However, order intake recovered strongly from Q2 FY2018 leading to robust volumes and margins in backlog at the end of 1H FY2018.
- Productivity improvement and cost saving initiatives continue to be delivered, with the planned $30M in annualised savings (compared to FY2016) delivered by 1H FY2018. Further efficiencies are being pursued including the closure of the surplus Laurinburg manufacturing facility finalised in November 2017 and centralisation of engineering services, both of which are expected to deliver benefits during in 2H FY2018.

Engineered Buildings Asia (China & ASEAN)

- Weak building and construction activity in the premium market segment across private and government participants continue to constrain margins in China.
- Buildings China continues to deliver on sales effectiveness, plant restructuring and productivity improvement initiatives. This has delivered a 14% increase in 1H FY2018 sales revenue and a $15M increase in underlying EBIT (1H FY2018 $5.3M; 1H FY2017 $9.3M loss).
- The Buildings ASEAN business saw a significant reduction in project demand, in particular in Thailand. This has resulted in lower order intake and lower project margins across all regions. As a result, underlying EBIT fell to a loss of $7.4M, compared to a profit of $1.7M in 1H FY2017.
  - A strategic review is being undertaken and options are being assessed to stem the losses. The options, including exit options, are being considered in the context of delivering the most effective outcome balancing speed to execute and risk management.
  - In view of the weak business performance and uncertain future earnings, a $10.1M pre-tax asset impairment was recognised in 1H FY2018.

Building Products China (coating, painting and rollforming)

- Despatch volume decreased 12% compared to 1H FY2017 driven by weak demand and project delays in the distributor and engineered building solution segments. This has also driven unfavourable mix with the slowdown weighted towards premium product.
- Sales and marketing initiatives continue to expand the scope of sales into the distribution and pre-engineering buildings channel to drive further volume growth.

NEW ZEALAND AND PACIFIC STEEL

New Zealand and Pacific Steel consists of three business areas: New Zealand Steel; Pacific Steel; 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. Pacific Region operations include the manufacture and distribution of the LYSAGHT® range of products in Fiji, New Caledonia and Vanuatu.

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

The Taharoa export iron sands business was divested in May 2017, and therefore reported as a discontinued operation. Prior period underlying earnings have been restated accordingly.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 9: Segment financial performance[3]

$M	1H FY2018	1H FY2017	Var %	2H FY2017
Sales revenue	386.8	344.7	12%	402.8
Reported EBIT	41.0	13.6	201%	73.6
Underlying EBIT	41.0	13.6	201%	47.5
NOA (pre-tax)	335.0	186.6	80%	336.4
Underlying ROIC	24.0%	13.5%	+10.5%	38.1%

3) Arising from its divestment in May 2017, the Taharoa export iron sands business has been reclassified into Discontinued Operations. Resultant adjustments to earnings were presented in table 13 of BlueScope's FY2017 Earnings Report.

Table 10: Steel sales volume

000 tonnes	1H FY2018	1H FY2017	Var %	2H FY2017
Domestic flats	131.6	135.3	(3%)	135.4
Domestic longs	97.5	86.8	12%	96.3
Domestic (steel)	229.1	222.1	3%	231.7
Export flat	55.9	48.1	16%	80.9
Export longs	22.5	6.2	263%	15.9
Export (steel)	78.4	54.3	44%	96.8

FINANCIAL PERFORMANCE – 1H FY2018 VS. 1H FY2017

Sales revenue

The increase in sales revenue was primarily due to higher domestic and export sales driven by strong market demand and higher production. This was combined with the favourable impact of higher global steel prices.

EBIT performance

The $27.4M increase in underlying EBIT was primarily due to productivity and cost improvement initiatives and higher realised selling prices driven by higher global steel prices. These were partly offset by higher coal and coating metal costs.

Return on invested capital

Underlying ROIC increased to 24.0% driven by improved EBIT partly offset by higher net operating assets, primarily due to a decrease in provisions and increases in receivables and inventory.

MARKETS & OPERATIONS

Domestic market

- 1H FY2018 flat product sales continued to be strong with favourable market activity across the building and construction segments. Volume was marginally lower.
- New dwelling consents for the year ended December 2017 were up 3.4% over the prior corresponding period, with some signs of softening through the half.
- Non-residential building activity maintained positive momentum, with the value of consents up 8.0% in the 12 months to December 2017.
- Long products sales were up 12% on 1H FY2017 with growth across all sectors.
- Robust infrastructure demand continues with civil works performed under the government's Roads of National Significance (RONS) scheme across the country.

Export market

- Prices in export markets continued to rise driven by higher global steel prices.
- Export despatches were up 44% on 1H FY2017 enabled by higher production.

DETAILED EXPLANATORY TABLES

A. DETAILED INCOME STATEMENT

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

Table 11: Detailed income statement

	Revenue		Reported Result[1]		Underlying Result[2]	
$M	1H FY2018	1H FY2017[4]	1H FY2018	1H FY2017[4]	1H FY2018	1H FY2017[4]
Sales revenue/EBIT[3]						
Australian Steel Products	2,565.7	2,365.0	261.7	242.1	261.7	242.5
North Star BlueScope Steel	860.6	793.9	145.2	237.9	145.2	211.3
Building Products ASEAN, Nth Am & India	1,028.6	951.0	93.3	104.0	93.3	111.3
BlueScope Buildings	830.8	896.1	24.5	(13.3)	33.9	49.5
New Zealand & Pacific Steel	386.8	344.7	41.0	13.6	41.0	13.6
Discontinued operations	0.0	80.7	3.2	18.7	0.0	0.0
Segment revenue/EBIT	5,672.5	5,431.4	568.9	603.0	575.1	628.2
Inter-segment eliminations	(196.1)	(246.3)	(4.5)	(0.2)	(4.4)	(0.2)
Segment external revenue/EBIT	5,476.4	5,185.1	564.4	602.8	570.7	628.0
Other revenue/(net unallocated expenses)	14.1	10.1	(53.9)	(55.2)	(53.9)	(50.3)
Total revenue/EBIT	5,490.5	5,195.2	510.5	547.6	516.8	577.7
Finance costs			(41.0)	(52.1)	(41.0)	(45.9)
Interest revenue			3.8	3.2	3.8	3.2
Profit/(loss) from ordinary activities before income tax			473.3	498.7	479.6	535.0
Income tax (expense)/benefit			(0.9)	(93.5)	(126.0)	(145.5)
Profit/(loss) from ordinary activities after income tax expense			472.4	405.2	353.6	389.5
Net (profit)/loss attributable to outside equity interest			(31.2)	(46.1)	(32.5)	(46.1)
Net profit/(loss) attributable to equity holders of BlueScope Steel			441.2	359.1	321.1	343.5
Basic earnings per share (cents)			78.6	62.7	57.2	60.0

1) The financial report has been prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board. References to 'reported' financial information throughout this report are consistent with IFRS financial information disclosed in the financial report.
2) References to 'underlying' information are to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information, while not subject to audit or review, has been extracted from the interim financial report, which has been reviewed by our external auditors.
3) 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.
4) Arising from its divestment in May 2017, the Taharoa export iron sands business has been reclassified into Discontinued Operations. Resultant adjustments to earnings were presented in table 13 of BlueScope's FY2017 Earnings Report.

B. RECONCILIATION OF UNDERLYING EARNINGS TO REPORTED EARNINGS

Table 12: Reconciliation of Underlying Earnings to Reported Earnings

Management has provided an analysis of unusual items included in the reported IFRS financial information. These items have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying operating business. Throughout this report management has used the term ‘reported’ to reference IFRS financial information and ‘underlying’ to reference non-IFRS financial information. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. Non-IFRS financial information while not subject to audit or review has been extracted from the interim 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 $ [9]	
	1H FY18	1H FY17	1H FY18	1H FY17	1H FY18	1H FY17	1H FY18	1H FY17
Reported earnings	697.2	737.0	510.5	547.6	441.2	359.1	0.79	0.63
Underlying adjustments:								
Net (gains)/losses from businesses discontinued [1]	(3.2)	(18.7)	(3.2)	(18.7)	(2.7)	(15.7)	(0.01)	(0.03)
Asset impairments [2]	10.1	47.8	10.1	47.8	11.1	47.8	0.02	0.08
Business development, transaction and pre-operating costs [3]	0.0	4.9	0.0	4.9	0.0	3.4	0.00	0.01
Restructure and redundancy costs [4]	3.9	26.9	3.9	26.9	1.8	22.7	0.00	0.04
Asset sales [5]	(4.5)	(30.8)	(4.5)	(30.8)	(2.7)	(21.6)	(0.01)	(0.04)
Debt restructuring costs [6]	0.0	0.0	0.0	0.0	0.0	3.4	0.00	0.01
Tax asset impairment / (write-back) [7]	0.0	0.0	0.0	0.0	(75.5)	(55.6)	(0.13)	(0.10)
US tax reform one-off impact [8]	0.0	0.0	0.0	0.0	(52.1)	0.0	(0.09)	0.00
Underlying earnings	703.5	767.1	516.8	577.7	321.1	343.5	0.57	0.60

1) 1H FY2018 reflects royalty revaluation ($1.9M) and freight cost refund ($1.1M) relating to the previously sold Taharoa iron sands operations ($3.0M pre-tax) and foreign exchange translation gains within the closed Lysaght Taiwan business ($0.2M pre-tax). 1H FY2017 reflects Taharoa iron sands operations ($18.7M pre-tax - operating result $25.7M partly offset by asset impairment of $7.0M) partly offset by foreign exchange translation losses within the closed Lysaght Taiwan business ($0.2M pre-tax).
2) 1H FY2018 includes the following asset impairments:
   - BlueScope Buildings: write off at Engineered Buildings ASEAN ($10.1M pre-tax) recognised in December 2017 due to ongoing weak business performance and uncertain future earnings.

   1H FY2017 includes the following asset impairments:
   - BlueScope Buildings: write off at Engineered Buildings China ($43.9M pre-tax) in relation to assets that are no longer 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 are no longer required.
3) 1H FY2017 reflects corporate transaction costs ($4.9 pre-tax).
4) 1H FY2018 reflects staff redundancy and restructuring costs at BlueScope Buildings ($3.9M pre-tax). 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).
5) 1H FY2018 reflects profit on sale of assets at BlueScope Buildings ($4.5M 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.
6) 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.
7) 1H FY2018 reflects utilisation of previously impaired deferred tax assets in Australia ($69.2M) and New Zealand ($6.3M). 1H FY2017 mainly reflects utilisation of previously impaired deferred tax assets in Australia ($66.0M) 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).
8) 1H FY2018 reflects a one-off tax accounting adjustment relating to impacts of recently announced U.S. tax reform ($52.1M). The company has benefitted from a 7% rate reduction on U.S. derived earnings in FY2018 with an 11% tax rate reduction thereafter. The tax rate reduction has necessitated a downward revision in deferred tax liabilities currently held on the balance sheet, with a corresponding reduction in income tax expense in the period. This has been partially offset by a tolling charge and withholding tax payable on distributable U.S. foreign earnings currently held in China associated with the tax reform.
9) Earnings per share are based on the average number of shares on issue during the respective reporting periods (561.0M in 1H FY2018 and 573.0M in 1H FY2017).

Table 13: Segmental underlying EBITDA and underlying EBIT

1H FY2018 underlying EBIT adjustments $M	ASP	North Star	BP	BB	NZPac	Corp	Discon Ops	Elims	Total
Net (gains)/losses from businesses discontinued							(3.2)		(3.2)
Asset impairments				10.1					10.1
Restructure and redundancy costs				3.9					3.9
Asset sales				(4.5)					(4.5)
Underlying adjustments	0.0	0.0	0.0	9.5	0.0	0.0	(3.2)	0.0	6.3

C. CASH FLOW STATEMENT

Table 14: Consolidated cash flow statement

$M	1H FY2018	1H FY2017	Variance %
Reported EBITDA	697.2	737.0	(5%)
Add cash/(deduct non-cash) items			
- Share of profits from associates and joint venture partnership not received as dividends	(21.1)	(1.3)	(1,523%)
- Impaired assets	10.1	50.9	(80%)
- Net (gain) loss on sale of assets	(6.1)	(26.6)	77%
- Expensing of share-based employee benefits	8.6	12.6	(32%)
Cash EBITDA	688.6	772.6	(11%)
Changes in working capital	(261.9)	(183.8)	(42%)
Gross operating cash flow	426.7	588.8	(28%)
Finance costs	(38.4)	(50.9)	25%
Interest received	3.8	3.2	19%
Tax received/(paid) [1]	(34.1)	(79.6)	57%
Net cash from operating activities	357.9	461.5	(22%)
Capex: payments for P, P & E and intangibles	(211.7)	(175.2)	(21%)
Other investing cash flows	10.3	28.1	(63%)
Net cash flow before financing	156.5	314.4	(50%)
Equity issues / (buy-backs)	(142.9)	(0.3)	(47,533%)
Dividends to non-controlling interests [2]	(22.7)	(17.6)	(29%)
Dividends to BlueScope Steel Limited shareholders	(28.3)	(17.2)	(65%)
Transactions with non-controlling interests	0.0	0.0	100%
Net drawing/(repayment) of borrowings	101.7	(269.4)	138%
Net increase/(decrease) in cash held	64.3	9.9	549%

1) The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 31 December 2017, of approximately $2.2Bn. 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.

ABBREVIATIONS

1H	Six months ended 31 December in the relevant financial year
1H FY2017	Six months ended 31 December 2016
1H FY2018	Six months ended 31 December 2017
2H	Six months ended 30 June in the relevant financial year
2H FY2017	Six months ending 30 June 2017
2H FY2018	Six months ending 30 June 2018
ASEAN	Association of South East Asian Nations
ASP	Australian Steel Products segment
AUD, A$, $	Australian dollar
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
DPS	Dividend per share
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
FY2017	12 months ending 30 June 2017
FY2018	12 months ending 30 June 2018
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 LTM underlying EBITDA
LTM	Last twelve months
Net debt, or ND	Gross debt less cash
n/m	Not meaningful
NOA	Net operating assets pre-tax
North Star	North Star BlueScope Steel
NPAT	Net profit after tax
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 2017

Contents

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 2017.

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, retired 31 December 2017)
M Vassella (Managing Director and Chief Executive Officer, effective 1 January 2018)
D B Grollo
K A Dean
P Bingham-Hall
E G W Crouch AM
R Dee-Bradbury
L H Jones
J Lambert (appointed 1 September 2017)

BlueScope announced on 21 August 2017 Mr Mark Vassella as its new Managing Director & CEO from 1 January 2018, after Mr Paul O'Malley announced his retirement effective 31 December 2017 as Managing Director & CEO.

OPERATING AND FINANCIAL REVIEW

Financial Results

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

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

	Revenue		**Reported Result[(1)]**		**Underlying Result[(2)]**	
$M	**1H FY2018**	**Restated[(4)] 1H FY2017**	**1H FY2018**	**Restated[(4)] 1H FY2017**	**1H FY2018**	**Restated[(4)] 1H FY2017**
Sales revenue/EBIT[(3)]						
Australian Steel Products	2,565.7	2,365.0	261.7	242.1	261.7	242.5
North Star BlueScope Steel	860.6	793.9	145.2	237.9	145.2	211.3
Building Products ASEAN, North America & India	1,028.6	951.0	93.3	104.0	93.3	111.3
BlueScope Buildings	830.8	896.1	24.5	(13.3)	33.9	49.5
New Zealand & Pacific Steel	386.8	344.7	41.0	13.6	41.0	13.6
Discontinued operations	-	80.7	3.2	18.7	-	-
Segment sales revenue/EBIT[(3)]	**5,672.5**	**5,431.4**	**568.9**	**603.0**	**575.1**	**628.2**
Intersegment eliminations	(196.1)	(246.3)	(4.5)	(0.2)	(4.4)	(0.2)
Segment external sales revenue/EBIT[(3)]	**5,476.4**	**5,185.1**	**564.4**	**602.8**	**570.7**	**628.0**
Other revenue (net unallocated expenses)	14.1	10.1	(53.9)	(55.2)	(53.9)	(50.3)
Total revenue/EBIT[(3)]	**5,490.5**	**5,195.2**	**510.5**	**547.6**	**516.8**	**577.7**
Borrowing costs			(41.0)	(52.1)	(41.0)	(45.9)
Interest revenue			3.8	3.2	3.8	3.2
Profit from ordinary activities before income tax			**473.3**	**498.7**	**479.6**	**535.0**
Income tax expense			(0.9)	(93.5)	(126.0)	(145.5)
Profit from ordinary activities after income tax expense			**472.4**	**405.2**	**353.6**	**389.5**
Net (profit) attributable to non-controlling interests			(31.2)	(46.1)	(32.5)	(46.1)
Net profit attributable to equity holders of BlueScope Steel			**441.2**	**359.1**	**321.1**	**343.5**
Basic earnings per share (cents)			78.6	62.7	57.2	59.9

(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 interim 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.

(4) Certain amounts in the comparative period have been restated as a result of inclusion of Taharoa New Zealand Steel Mining business into discontinued operations in May 2017.

Reconciliation of underlying earnings to reported earnings

	EBIT $M		NPAT $M		Earning per share[9] (cents)	
	1H FY2018	Restated[10] 1H FY2017	1H FY2018	Restated[10] 1H FY2017	1H FY2018	Restated[10] 1H FY2017
Reported earnings	510.5	547.6	441.2	359.1	78.6	62.7
Net (gains) losses from businesses discontinued[1]	(3.2)	(18.7)	(2.7)	(15.7)	(0.5)	(2.8)
Reported earnings (from continuing operations)	**507.3**	**528.9**	**438.5**	**343.4**	**78.1**	**59.9**
Underlying adjustments:						
Asset Impairments[2]	10.1	47.8	11.1	47.8	2.0	8.3
Business development and acquisition costs[3]	-	4.9	-	3.4	-	0.6
Restructure and redundancy costs[4]	3.9	26.9	1.8	22.7	0.3	4.0
Asset sales[5]	(4.5)	(30.8)	(2.7)	(21.6)	(0.5)	(3.8)
Borrowing amendment fees [6]	-	-	-	3.4	-	0.6
Tax asset impairment[7]	-	-	(75.5)	(55.6)	(13.4)	(9.7)
US tax reform[8]	-	-	(52.1)	-	(9.3)	-
Underlying earnings	**516.8**	**577.7**	**321.1**	**343.5**	**57.2**	**59.9**

(1) First half FY2018 reflects royalty revaluation ($1.9M) and freight cost refund ($1.1M) relating to the previously sold Taharoa iron sands operations ($3.0M pre-tax) and foreign exchange translation gains within the closed Lysaght Taiwan business ($0.2M pre-tax). First half FY2017 reflects Taharoa iron sands operations ($18.9M, pre-tax - operating result $25.9M partly offset by asset impairment of $7.0M) partly offset by foreign exchange translation losses within the closed Lysaght Taiwan business ($0.2M pre-tax).

(2) First half FY2018 includes the impairment of the Engineered Building assets in ASEAN ($10.1M pre-tax) due to on-going weak business performance and uncertain future earnings. First half FY2017 includes the following asset impairments:
- BlueScope Buildings: write off at Engineered Buildings China ($43.9M pre-tax) in relation to assets that are no longer required, goodwill and other intangibles.
- Building Products: fixed asset write off at the India joint venture ($3.9M pre-tax) in relation to engineered buildings business assets that are no longer required.

(3) First half FY2017 reflects Corporate transaction costs ($4.9M pre-tax).

(4) First half FY2018 reflects staff redundancy and restructuring costs at BlueScope Buildings ($3.9M pre-tax). 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).

(5) First half FY2018 reflects profit on sale of assets at BlueScope Buildings ($4.5M pre-tax). First half 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.

(6) 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.

(7) First half FY2018 reflects utilisation of previously impaired deferred tax assets in Australia ($69.2M) and New Zealand ($6.3M). First half FY2017 mainly reflects utilisation of previously impaired deferred tax assets in Australia ($66.0M) 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).

(8) First half FY2018 reflects a one-off adjustment relating to US tax reform ($52.1M). The Company have benefited from a 7% rate reduction on US earnings in FY18 with a 11% rate reduction thereafter. The tax rate reductions have necessitated a downwards revision to deferred tax liabilities, with a corresponding reduction in income tax expense, which has been partially offset by a tolling charge and WHT on distributable US foreign earnings in China.

(9) Earnings per share are based on the average number of shares on issue during the respective reporting periods, (561.0M in first half FY2018 vs. 573.0M in first half FY2017).

(10) Certain amounts in the comparative period have been restated as a result of the inclusion of New Zealand Steel Mining Ltd in discontinued operations following the sale of the business on 1 May 2017.

Financial Performance

BlueScope reported a $441.2M net profit after tax (NPAT) for first half FY2018, a $82.1M (23%) increase on first half FY2017, including one-off benefits of $84.2M relating to tax benefit arising from the recently announced U.S. tax reform ($52.1M) and settlement of an historical coal supply dispute ($32.1M). Underlying NPAT was $321.1M.

The Company has delivered strong shareholder returns with a very positive EBIT performance and a $150M extension of the buy-back. Solid underlying EBIT of $516.8M in first half FY2018, is similar to the result for second half FY2017. With business performance and economic conditions improving particularly towards the end of the half and with the benefit of the recent $32.1M coal supply dispute settlement, the final result was better than expectations.

We continue to see the benefits of our strategic initiatives flowing through to the bottom line, and our businesses are generating strong cash earnings. Net debt at 31 December 2017 was $262.1M, reduced by over 50% from 31 December 2016. The leverage multiple at 31 December 2017 was 0.2 times EBITDA.

The Board was pleased to approve the return of more than $340M to shareholders during CY2017 through dividends and the on-market buy-back, while at the same time investing capital in growth and reducing net debt. In light of the Company’s strong cash position, the Board has approved the payment of a partially franked interim dividend of 6 cents per share. As well, the Board has extended the on-market share buy-back by a further $150M. The Board believes the buy-back achieves an appropriate balance between retaining strong credit metrics, continuing to fund our growth opportunities and returning cash to shareholders.

Strategy Direction

BlueScope’s strategy and focus on shareholder returns is delivering results. In each of the last three consecutive half years, we have delivered over $500M underlying EBIT. The BlueScope balance sheet is robust, with great flexibility, and we have a clear capital management framework in place.

BlueScope is very well positioned and we have both an appetite and a capacity for growth. There are many organic growth opportunities across our portfolio of businesses and we place a strong focus on sustainability, innovation and diversity, as we implement our plans.

Our financial principles will continue to govern our decision making around capital allocation for growth. We have a talented and diverse team in place to execute the strategy and continue delivering results.

Segment Results

Australian Steel Products

- Delivered underlying EBIT of $261.7M. The result was down 5% on the same time last year, after excluding the $32.1M benefit from the settlement of the historical coal supply dispute. Volumes and export coke margins improved, however this was offset by lower realised steelmaking spreads and higher costs, particularly energy.
- Demand for premium branded coated and painted product continues to be strong. The team is pursuing a number of specific inter-material product and innovation opportunities in new markets.
- The Australian steelmaking business has done an excellent job in boosting profitability in the last three years. The business delivered good results in first half FY2018, however we must not be complacent in our pursuit of continued productivity improvements particularly having regard to energy cost pressures. We need to deliver returns necessary to support a decision in 10 to 15 years to reline the blast furnace.

North Star BlueScope Steel

- Delivered a very solid result in line with expectations, of $145.2M underlying EBIT. This was down 31% on first half FY2017, with steel spreads returning to their historical range from the elevated levels of FY2017.
- The business continues to operate at full capacity, and continues to pursue low-cost incremental volume growth initiatives.

Building Products ASEAN, North America & India

- Slower economic activity in some ASEAN nations, and pressure on margins, saw underlying EBIT of $93.3M in first half FY2018, down 16% on the same time last year.
- The segment has delivered 24% compound underlying EBIT growth over the last five calendar years. While the long term trends are positive, there will be soft halves from time to time.
- Our continued focus is to further grow the business particularly in Asia, which is seeing a rapid rise in the wealth of the middle class.
    - We are working to refine our market offering to maximise margins and volumes in the face of increasing competition.
    - Construction of our third metal coating line, with in-line painting, in Thailand is progressing well, and we continue to evaluate opportunities to accelerate growth in India.

BlueScope Buildings

- Delivered underlying EBIT of $33.9M, down 32% on first half FY2017.
- In the North America business, the impact on margins of softness in the premium manufacturing and industrial segments exceeded the contribution from performance improvement initiatives. Customer order intake improved markedly towards the end of first half FY2018, paving the way for an expected stronger performance in second half FY2018.
- A $15M turnaround was achieved in the China Buildings business, bringing it back to profitability in first half FY2018.
- The Buildings ASEAN business saw a $9.1M deterioration into an underlying loss before interest and tax. Exit options are now being progressed to stem these losses.

New Zealand & Pacific Steel

- Tripled underlying EBIT over the same time last year, to $41.0M, primarily through productivity and cost improvement initiatives, and higher realised selling prices.
- Our New Zealand steelmaking operations have also made good 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.

Likely developments and expected results of operations

The Company currently expects, after deducting the one-off benefit of the $32.1M coal settlement from first half FY2018 underlying EBIT, second half underlying EBIT to be around 25% higher.

Expectations are subject to spread, FX and market conditions.

Matters subsequent to the half-year ended 31 December 2017

The Board has extended the on-market share buy-back by a further $150M.

Auditor's independence declaration

The auditor's independence declaration for the half-year ended 31 December 2017 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

Mark Vassella
Managing Director & CEO

Melbourne
26 February 2018

Building a better working world

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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 2017, 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
26 February 2018

Statement of Comprehensive Income

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	Consolidated Half-year 2017 $M	*Restated 2016 $M
Revenue from continuing operations		**5,490.5**	5,114.5
Other income	4	**18.6**	35.5
Changes in inventories of finished goods and work in progress		**66.7**	197.9
Raw materials and consumables used		**(3,251.8)**	(2,923.0)
Employee benefits expense		**(843.7)**	(828.2)
Depreciation and amortisation expense		**(186.7)**	(189.4)
Net impairment (expense) of non-current assets	4(b)	**(10.1)**	(43.9)
Freight on external despatches		**(239.2)**	(236.2)
External services		**(433.3)**	(448.3)
Net restructuring costs	4(c)	**(1.9)**	(20.4)
Finance costs	4	**(41.0)**	(49.2)
Other expenses		**(120.2)**	(129.7)
Share of net profits (losses) of associates and joint venture partnerships accounted for using the equity method		**22.2**	3.3
Profit before income tax		**470.1**	482.9
Income tax expense	5	**(0.4)**	(93.4)
Net profit from continuing operations		**469.7**	389.5
Profit from discontinued operations after income tax	7	**2.7**	15.7
Net profit for the half-year		**472.4**	405.2
Items that may be reclassified to profit or loss			
Net gain (loss) on cash flow hedges		**0.4**	(0.5)
- Income tax (expense) benefit		**0.1**	1.0
Net gain (loss) on net investments in foreign subsidiaries		**(10.6)**	22.2
Exchange fluctuations on translation of foreign operations attributable to BlueScope Steel Limited		**0.4**	18.4
Exchange fluctuations transferred to profit on translation of foreign operations disposed		**0.2**	-
Items that will not be reclassified to profit or loss			
Actuarial gain (loss) on defined benefit superannuation plans		**1.8**	7.6
- Income tax (expense) benefit		**(0.8)**	(3.9)
Exchange fluctuations on translation of foreign operations attributable to non-controlling interests		**4.2**	7.7
Other comprehensive income (loss) for the half-year		**(4.3)**	52.5
Total comprehensive income for the half-year		**468.1**	457.7
Profit is attributable to:			
Owners of BlueScope Steel Limited		**441.2**	359.1
Non-controlling interests		**31.2**	46.1
		472.4	405.2
Total comprehensive income for the half-year is attributable to:			
Owners of BlueScope Steel Limited		**432.0**	404.1
Non-controlling interests		**36.1**	53.6
		468.1	457.7

Earnings per share for profit attributable to ordinary equity holders of the Company from:	Notes	**2017 Cents**	*Restated 2016 Cents
Continuing operations:			
Basic earnings per share	12	**78.1**	**59.9**
Diluted earnings per share	12	**76.3**	**58.1**
Total operations:			
Basic earnings per share	12	**78.6**	**62.7**
Diluted earnings per share	12	**76.8**	**60.9**

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

Statement of Financial Position

BLUESCOPE STEEL LIMITED
AS AT 31 DECEMBER 2017

	Notes	Consolidated 31 December 2017 $M	Consolidated 30 June 2017 $M
ASSETS			
Current assets			
Cash and cash equivalents		**815.9**	753.0
Trade and other receivables		**1,181.6**	1,331.5
Inventories		**1,772.3**	1,658.8
Operating intangible assets		**22.9**	24.0
Derivative financial instruments		**0.3**	2.0
Deferred charges and prepayments		**117.8**	98.5
		3,910.8	3,867.8
Non-current assets classified as held for sale		**3.9**	5.3
Total current assets		**3,914.7**	3,873.1
Non-current assets			
Trade and other receivables		**32.4**	32.4
Inventories		**88.4**	74.4
Operating intangible assets		**24.7**	25.8
Derivative financial instruments		**7.0**	5.3
Investments accounted for using the equity method		**64.8**	44.2
Property, plant and equipment		**3,706.7**	3,721.7
Intangible assets		**1,598.6**	1,639.9
Deferred tax assets		**148.7**	155.3
Deferred charges and prepayments		**2.8**	3.3
Total non-current assets		**5,674.1**	5,702.3
Total assets		**9,588.8**	9,575.4
LIABILITIES			
Current liabilities			
Trade and other payables		**1,528.8**	1,802.9
Borrowings		**77.9**	53.2
Current tax liabilities		**4.9**	5.0
Provisions		**379.8**	419.0
Deferred income		**167.7**	163.1
Derivative financial instruments		**2.3**	4.8
Total current liabilities		**2,161.4**	2,448.0
Non-current liabilities			
Trade and other payables		**55.7**	44.9
Borrowings		**1,000.1**	932.0
Deferred tax liabilities	5	**137.4**	175.9
Provisions		**148.6**	152.4
Retirement benefit obligations	8	**265.8**	281.0
Deferred income		**2.5**	2.5
Total non-current liabilities		**1,610.1**	1,588.7
Total liabilities		**3,771.5**	4,036.7
Net assets		**5,817.3**	5,538.7
EQUITY			
Contributed equity	6	**4,434.8**	4,554.4
Reserves		**145.7**	174.7
Retained profits		**755.1**	341.3
Parent entity interest		**5,335.6**	5,070.4
Non-controlling interests		**481.7**	468.3
Total equity		**5,817.3**	5,538.7

Statement of Changes to Equity

BLUESCOPE STEEL LIMITED
AS AT 31 DECEMBER 2017

Consolidated - 31 December 2017	Notes	**Contributed equity $M**	**Reserves $M**	**Retained profits (losses) $M**	**Non-controlling interests $M**	**Total $M**
Balance at 1 July 2017		**4,554.4**	**174.7**	**341.3**	**468.3**	**5,538.7**
Profit for the period		-	-	441.2	31.2	472.4
Other comprehensive income (loss)		-	(10.4)	1.2	4.9	(4.3)
Total comprehensive income (loss) for the half-year		**-**	**(10.4)**	**442.4**	**36.1**	**468.1**
Transactions with owners in their capacity as owners:						
Issue of share awards	6	27.6	(27.6)	-	-	-
Share-based payment expense		-	8.6	-	-	8.6
Share buybacks	6	(148.1)	-	-	-	(148.1)
Dividends paid		-	-	(28.3)	(22.7)	(51.0)
Tax credit recognised directly in equity	6	0.9	-	-	-	0.9
Other		-	0.4	(0.3)	-	0.1
		(119.6)	(18.6)	(28.6)	(22.7)	(189.5)
Balance at 31 December 2017		**4,434.8**	**145.7**	**755.1**	**481.7**	**5,817.3**

Consolidated - 31 December 2016	Notes	**Contributed equity $M**	**Reserves $M**	**Retained profits (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 (loss) 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**

Statement of Cash Flows

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	Consolidated Half-year 2017 $M	2016 $M
Cash flows from operating activities			
Receipts from customers		**5,840.4**	5,591.6
Payments to suppliers and employees		**(5,427.5)**	(5,012.2)
		412.9	579.4
Associate dividends received		**1.2**	2.0
Interest received		**3.8**	3.2
Other revenue		**12.5**	7.4
Finance costs paid		**(38.4)**	(50.9)
Income taxes paid		**(34.1)**	(79.6)
Net cash inflow from operating activities		**357.9**	461.5
Cash flows from investing activities			
Payments for disposal of subsidiary		**(0.5)**	-
Payments for property, plant and equipment		**(206.5)**	(170.4)
Payments for intangibles		**(5.2)**	(4.8)
Proceeds from sale of property, plant and equipment		**8.1**	1.5
Proceeds from sale of investments	4(a)	**2.7**	26.6
Net cash (outflow) from investing activities		**(201.4)**	(147.1)
Cash flows from financing activities			
Proceeds from borrowings		**483.1**	295.7
Repayment of borrowings		**(381.4)**	(565.1)
Dividends paid to Company's shareholders		**(28.3)**	(17.2)
Dividends paid to non-controlling interests in subsidiaries		**(22.7)**	(17.6)
Share buybacks	6	**(142.9)**	(0.3)
Net cash (outflow) from financing activities		**(92.2)**	(304.5)
Net increase in cash and cash equivalents		**64.3**	9.9
Cash and cash equivalents at the beginning of the financial year		**751.9**	548.9
Effects of exchange rate changes on cash and cash equivalents		**(1.6)**	3.1
Cash and cash equivalents at end of period		**814.6**	561.9

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 2017 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 2017 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 not yet adopted by the Group

Certain new Accounting Standards and interpretations have been published that are not mandatory for the 31 December 2017 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 16 Leases (effective from 1 July 2019)
AASB 16, 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 lease 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) AASB 15 Revenue from Contracts with Customers (effective 1 July 2018)
AASB 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 a 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.

In order to assess if the new standard would have a material impact on the Group’s financial statements, management selected representative samples of customer contracts to review from all material locations. Based on the assessment performed to date, management expects transitioning to AASB 15 will not have a material impact on the Group's recognition and measurement of revenue.

(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 not expected to result in a material change to the financial statements and disclosures of the Group upon implementation. The new standard will result in an increase in the impairment allowance against trade receivables due to the change to an earlier recognition of the allowance via the use of an expected credit loss model.

(iv) 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.

(v) IFRIC Interpretation 23 – Uncertainty over income tax treatments (effective 1 July 2019)
IFRIC 23 clarifies the application of recognition and measurement requirements in AASB 112 Income Taxes when there is uncertainty over income tax treatments and removes most of the choice about how to reflect uncertain tax positions in the financial statements. A full assessment of the amendments to the standard is yet to be carried out. However, the amendments are not expected to result in any change to the financial statements 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 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 2017. The basis of determining the key assumptions are listed below.

Key assumptions	Basis of estimation
Future	- 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% (2017: 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 8.4% to 9.3% (2017: 8.4% to 9.3%). - 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.

2 Critical accounting estimates and judgements (continued)

(i) 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 12.2% (June 2017: 13.3%).

As at 31 December 2017 the recoverable amount of this CGU is 2.3 times (June 2017: 2.1 times) the carrying amount of $439.4M (June 2017: $452.0M), 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 4.4% per annum (June 2017: 4.4%) from the 2016/17 financial year over the three-year projection period.

However, the timing and extent of this increase is uncertain. To illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts for Buildings North America were to decrease by 56% (2017: 51%) across the forecast period, without implementation of mitigation plans, the recoverable amount would equal the carrying amount.

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 a pre-tax discount rate of 12.3% (June 2017: 13.6%).

At 31 December 2017 the recoverable amount of the CGU is 1.7 times (June 2017: 1.6 times) the carrying amount of $1,749.9M (June 2017: $1,735.6M), 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. To illustrate the senstivity of these assumptions, if they were to differ such that the expected cash flow forecasts for North Star BlueScope Steel LLC were to decrease by 42% (2017: 37%) across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

(ii) Sensitivity of carrying amounts

The carrying value of property, plant and equipment of the Group is most sensitive to cash forecasts for Australian Steel Products (ASP) and New Zealand & Pacific Steel (NZPac) as they are exposed to global steel macroeconomic factors. The carrying amount of these CGUs are determined taking into the key assumptions set out above.

For ASP, recognised external forecasters estimate the US dollar relative to the Australian dollar to remain around the average half-year to 31 December 2017 level and a decrease in global commodity steel prices less than any decrease in iron ore and coal raw material costs relative to half-year ended 31 December 2017. The Group believes that the long term assumptions adopted are appropriate. Earnings before interest, tax and depreciation improved significantly during the year ended 30 June 2017 and this has been maintained for the half-year ended 31 December 2017. However, ASP remains exposed to variable macroeconomic factors and to illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts were to decrease by 53% (2017: 36%) across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

For NZPac, recognised external forecasters estimate the US dollar relative to the New Zealand dollar to remain around the average half-year to 31 December 2017 and a decrease in global commodity steel prices relative to half-year ended 31 December 2017. The Group believes that the long term assumptions adopted are appropriate. Earnings before interest, tax and depreciation improved significantly during the year ended 30 June 2017 and has continued to improve for the half-year ended 31 December 2017. However, NZPac remains exposed to variable macroeconomic factors and to illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts were to decrease by 39% (June-17: 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)

(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.

(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 8.

(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 operation 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.

New Zealand Steel Mining Ltd has been included as part of discontinued operations following the sale of the business on 1 May 2017. Comparatives have been restated for this retrospective change.

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, transport, agriculture and mining industries.
New Zealand & Pacific Steel	• Consists of three primary business areas: New Zealand Steel, Pacific Steel 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. On 1 May 2017, BlueScope sold 100% of its share in New Zealand Steel Mining, its export iron sands business, to Taharoa Mining Investments Limited.
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 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	• North Star BlueScope Steel is a single site electric arc furnace producer of hot rolled coil in Ohio, in the US.

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 2017 is as follows:

Half-year 2017	Australian Steel Products $M	North Star BlueScope Steel $M	Building Products ASEAN, North America & India $M	BlueScope Buildings $M	New Zealand & Pacific Steel $M	Discontinued Operations $M	Total $M
Total segment sales revenue	2,565.7	860.6	1,028.6	830.8	386.8	-	5,672.5
Intersegment revenue	(134.1)	-	(44.4)	(0.2)	(17.4)	-	(196.1)
Revenue from external customers	**2,431.6**	**860.6**	**984.2**	**830.6**	**369.4**	**-**	**5,476.4**
Segment EBIT	**261.7**	**145.2**	**93.3**	**24.5**	**41.0**	**3.2**	**568.9**
Depreciation and amortisation	88.9	27.2	28.2	19.9	22.2	-	186.4
Impairment expense of non-current assets	-	-	-	10.1	-	-	10.1
Share of profit (loss) from associates and joint venture partnerships	-	-	21.1	0.2	0.9	-	22.2
Total segment assets	**3,302.5**	**2,028.5**	**1,467.5**	**1,170.6**	**684.5**	**7.3**	**8,660.9**
Total assets includes:							
Investments in associates and joint venture partnerships	-	-	57.9	1.3	5.6	-	64.8
Additions to non-current assets (other than financial assets and deferred tax)	65.2	16.4	75.2	7.9	15.6	-	180.3
Total segment liabilities	**1,064.9**	**278.6**	**282.8**	**616.9**	**349.5**	**-**	**2,592.7**

Half-year 2016 (Restated)	Australian Steel Products $M	North Star BlueScope Steel $M	Building Products ASEAN, North America & India $M	BlueScope Buildings $M	New Zealand & Pacific Steel $M	(Restated) Discontinued Operations $M	Total $M
Total segment sales revenue	2,365.0	793.9	951.0	896.1	344.7	80.7	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**	**328.8**	**80.7**	**5,185.1**
Segment EBIT	**242.1**	**237.9**	**104.0**	**(13.3)**	**13.6**	**18.7**	**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 (loss) 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**	**645.3**	**31.4**	**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	18.7	7.0	142.4
Total segment liabilities	**962.6**	**240.9**	**335.3**	**666.2**	**458.7**	**39.6**	**2,703.3**

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 2017 $M	Restated 2016 $M
Total segment revenue	**5,672.5**	5,431.4
Intersegment eliminations	**(196.1)**	(246.3)
Discontinued operations	**-**	(80.7)
Other revenue	**14.1**	10.1
Total revenue from continuing operations	**5,490.5**	5,114.5

(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 2017 $M	Restated 2016 $M
Total segment EBIT	**568.9**	603.0
Intersegment eliminations	**(4.5)**	(0.2)
Interest income	**3.8**	3.2
Finance costs	**(41.0)**	(49.2)
Discontinued operations	**(3.2)**	(18.7)
Corporate operations	**(53.9)**	(55.2)
Profit before income tax from continuing operations	**470.1**	482.9

(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.

	Consolidated December 2017 $M	June 2017 $M
Segment assets	**8,660.9**	8,736.5
Intersegment eliminations	**(201.0)**	(256.5)
Unallocated:		
Deferred tax assets	**148.7**	155.3
Cash	**815.9**	753.0
Corporate operations	**164.3**	187.1
Total assets as per the statement of financial position	**9,588.8**	9,575.4

3 Segment information (continued)

	Consolidated December 2017 $M	Consolidated June 2017 $M
Segment liabilities	**2,592.7**	2,963.3
Intersegment eliminations	**(195.4)**	(255.3)
Unallocated:		
Borrowings	**1,078.0**	985.2
Current and deferred tax liabilities	**142.3**	180.9
Accrued borrowing costs payable	**6.9**	7.0
Corporate operations	**147.0**	155.6
Total liabilities as per the statement of financial position	**3,771.5**	4,036.7

4 Other income and expenses

	Notes	Consolidated Half-year 2017 $M	Consolidated Half-year Restated 2016 $M
Profit before income tax includes the following specific income and expenses for continuing operations:			
Other income			
Carbon permit - Government Grant		**11.3**	7.3
Government Grant - other		**0.3**	0.4
Net foreign exchange gains		**0.9**	1.0
Net gain on disposal of PP&E		**4.0**	-
Net gain on sale of investments	(a)	**2.1**	26.6
Other		**-**	0.2
Total other income		**18.6**	35.5
Impairment of non current-assets			
Buildings ASEAN PP&E impairment		**(10.1)**	-
Building Products India PP&E		**-**	(3.9)
Buildings China PP&E, goodwill and intangibles		**-**	(43.9)
Total impairment expense of non-current assets	(b)	**(10.1)**	(47.8)
Finance costs			
Interest and finance charges paid/payable		**(32.4)**	(38.2)
Ancillary finance charges		**(7.5)**	(9.7)
Provisions: unwinding of discount		**(1.1)**	(1.3)
		(41.0)	(49.2)
Net restructuring expense	(c)	**(1.9)**	(23.8)
Inventory net realisable value write-back		**1.2**	2.6

4 Other income and expenses (continued)

(a) Net gain on sale of subsidiaries & investment

(i) New Zealand Steel Mining
On 1 May 2017, BlueScope sold 100% of its share in New Zealand Steel Mining Limited, its Taharoa export iron sands business, to Taharoa Mining Investments Limited (TMIL), recognising NZ$30.3M (A$26.7M) net gain in June 2017. As part of completion entries, a NZ$1.3M (A$1.1M) working capital adjustment gain less additional selling costs was recognised for the half-year ended 31 December 2017.

(ii) Buildings China
Current period included a $1M (A$2.7M cash inflow) net gain recognised from the sale of Lysaght Chengdu, associated with the restructuring of the engineered buildings businesses.

(iii) Castrip
Prior period included US$20M (A$26.6M) of net gain recognised for sale of BlueScope Steel Limited's 47.5% interest in Castrip.

(b) Impairment charges

(i) Buildings ASEAN
In December 2017, A$10.1M impairment of PP&E was recognised in Buildings ASEAN as a result of ongoing weak business performance and uncertain future earnings. The impairment was based on nil recoverable amount and 12.8% pre-tax discount rate.

(ii) Buildings China & Building Products India
First half FY2017 impairments recognised were within Buildings China in relation to engineered buildings for $28.6M of property, plant and equipment no longer required, together with $12.0M of goodwill and $3.3M of other intangible assets as a result of uncertainty regarding future earnings. The impairment was based on a recoverable amount of $12.9M and a 13.0% pre-tax discount rate.

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 buildings assets no longer required. This was included within our 50% equity accounted profits.

(c) Restructuring expense

Current period restructuring expense primarily includes $5.3M in Buildings Products North America relating to site closures offset by a $2.8M write-back within the ASP segment. Prior period 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.

5 Income tax expense

(i) US Tax reform

In late December 2017 the US tax reform bill was passed. BlueScope have benefited from a 7% rate reduction on US earnings in FY 18 with a 11% rate reduction thereafter. The tax rate reductions have necessitated a downwards revision to deferred tax liabilities, with a corresponding reduction in income tax expense, which has been partially offset by a tolling charge and witholding tax on distributable US foreign earnings in China. The one-off reduction to income tax expense for the half-year was $52.1M.

(ii) Australia and New Zealand

The Australian and New Zealand Steel tax Groups have recognised a $84.6M and NZ$ 50.7M deferred tax asset at 31 December 2017 respectively (2017: $84.6M, NZ$ 50.4M). 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.

(iii) Buildings China

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 2017 Shares	Six-months to 31 Dec 2016 Shares	**Six-months to 31 Dec 2017 $M**	Six-months to 31 Dec 2016 $M
Issue of ordinary shares during the half-year				
Opening balance	**561,111,434**	571,346,300	**4,554.4**	4,688.1
CEO & KMP STI share awards	**3,612,593**	129,621	**14.9**	0.6
Retention share awards	**765,682**	1,700,497	**3.8**	7.8
CEO & ELT LTIP awards	**1,706,734**	716,909	**6.0**	2.4
LTIP share awards	**857,639**	-	**2.9**	-
Share buybacks (i)	**(11,965,622)**	-	**(148.1)**	(0.3)
Share rights - Tax deduction (ii)	**-**	-	**0.9**	2.6
	556,088,460	573,893,327	**4,434.8**	4,701.2

(i) Share buybacks
On 21 August 2017, the Company announced an on-market share buyback program of up to $150M. At 31 December 2017, 11,965,622 shares had been brought back at an average cost of $12.37 (transaction costs of $156,967). A total of $142.9M cash has been paid with the balance paid in January 2018.

(ii) 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 Discontinued operations

(a) Description

New Zealand Steel Mining Ltd
The Group discontinued its Taharoa New Zealand Steel Mining business upon sale of the business on 1 May 2017, with retrospective changes made to the comparative period results.

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

(b) Financial performance of discontinued operations

	Consolidated Six-months to 31 Dec 2017			Consolidated Six-months to 31 Dec 2016		
	Taharoa Mining $M	**Lysaght Taiwan $M**	**Total $M**	Taharoa Mining $M	Lysaght Taiwan $M	Total $M
Revenue	**-**	**-**	**-**	80.7	-	80.7
Other income	**3.0**	**0.4**	**3.4**	-	-	-
Impairment costs	**-**	**-**	**-**	(7.0)	-	(7.0)
Finance costs	**-**	**-**	**-**	(2.9)	-	(2.9)
Other expenses	**-**	**(0.2)**	**(0.2)**	(54.8)	(0.2)	(55.0)
Profit (loss) before income tax	**3.0**	**0.2**	**3.2**	16.0	(0.2)	15.8
Income tax (expense) benefit	**(0.5)**	**-**	**(0.5)**	-	(0.1)	(0.1)
Profit (loss) after income tax from discontinued operations	**2.5**	**0.2**	**2.7**	16.0	(0.3)	15.7

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

7 Discontinued operations (continued)

(b) Cash flow information discontinued operations

	Consolidated Six-months to 31 Dec 2017			Consolidated Six-months to 31 Dec 2016		
	Taharoa Mining $M	**Lysaght Taiwan $M**	**Total $M**	Taharoa Mining $M	Lysaght Taiwan $M	Total $M
Net cash inflow (outflow) from operating activities	(4.0)	(3.7)	(7.7)	15.7	(0.5)	15.2
Net cash inflow (outflow) from investing activities	-	-	-	(7.9)	-	(7.9)
Net cash inflow (outflow) from financing activities	-	-	-	(1.8)	-	(1.8)
Net increase (decrease) in cash generated by the operation	(4.0)	(3.7)	(7.7)	6.0	(0.5)	5.5

8 Non-current liabilities - Retirement benefit obligations

(a) Statement of financial position amounts

	Consolidated	
	December 2017 $M	June 2017 $M
Present value of the defined benefit obligation	**(945.4)**	(1,011.3)
Fair value of defined benefit plan assets	**679.6**	730.3
Net (liability) asset in the statement of financial position	**(265.8)**	(281.0)

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

	New Zealand Pension Fund $M		**Butler Manufacturing Base Retirement Plan $M**		**Total $M**	
	Dec 2017	June 2017	**Dec 2017**	June 2017	**Dec 2017**	June 2017
Present value of the defined benefit obligation	**(567.7)**	(588.1)	**(377.7)**	(423.2)	**(945.4)**	(1,011.3)
Fair value of defined benefit plan assets	**418.6**	433.1	**261.0**	297.2	**679.6**	730.3
Net (liability) asset in the statement of financial position	**(149.1)**	(155.0)	**(116.7)**	(126.0)	**(265.8)**	(281.0)
Defined benefit expense (credit)	**6.8**	19.2	**6.4**	9.7	**13.2**	28.9
Employer contribution	**6.5**	14.6	**11.6**	2.3	**18.1**	16.9
Average duration of defined benefit plan obligation (years)	**13.5**	13.5	**12.6**	12.3		
Significant actuarial assumptions	%		%			
Discount rate (gross of tax)	**3.2**	3.3	**3.6**	3.7		
Future salary increases (i)	**2.0**	2.0	**-**	-		

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

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

9 Fair value of financial instruments

The 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 2017		At 30 June 2017	
	Carrying amount $M	**Fair value $M**	Carrying amount $M	Fair value $M
Non-traded Financial liabilities				
Other loans	**641.4**	**657.4**	650.3	682.6
Net assets (liabilities)	**(641.4)**	**(657.4)**	(650.3)	(682.6)

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).

10 Dividends

(a) Ordinary shares

	Parent entity Half-year	
	2017 $M	2016 $M
Final dividend for 30 June 2017 of 5 cents per fully paid ordinary share paid on 16 October 2017 (2016: 3 cents)	**28.3**	17.2

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

	Parent entity Half-year	
	2017 $M	2016 $M
For the half-year ended 31 December 2017, the Directors have approved the payment of an interim dividend of 6 cents per fully paid ordinary share, franked to 14% based on tax paid at 30% and the unfranked amount is declared to be conduit foreign income. Proposed dividend expected to be paid but not recognised as a liability at period end, is	**33.4**	23.0

11 Contingencies

(i) The legal proceedings initiated by BlueScope against South32 alleging certain coal supply contract non-compliances, and subsequent proceedings by South32 against BlueScope alleging certain other coal supply contract non-compliances, has been settled with a $32.1M one-off benefit to BlueScope related to prior period supply arrangements recognised in the half-year ended 31 December 2017. The benefit includes cash settlement and reversal of prior year provisions.

There were no other material changes to contingent liabilities and assets disclosed as at 30 June 2017.

(ii) As announced to the market on 30 August 2017, proceedings have been issued in New Zealand against BlueScope's subsidiary, Toward Industries Limited (Toward), by a special purpose vehicle (NZ Iron Sands Holdings Limited (NZIS)), representing a consortium of small private investors. The proceedings relate to NZIS' failed attempt to buy Toward's Taharoa Iron Sands mining business (NZSM).

After an extended sale process, a sale to NZIS failed because the required consents and conditions were not achieved. NZIS is now claiming a loss of opportunity for NZSM to make trading profits that NZIS calculates as amounting to $886M for the period 2017 to 2029. NZIS' calculations are based on unsubstantiated assumptions.

BlueScope and Toward consider the NZIS claims to be completely unfounded. Toward will vigorously defend these preceedings.

12 Earnings per share

(a) Earnings per share

	Consolidated Half-year 2017 $M	Restated 2016 $M
Continuing operations	**78.1**	59.9
Discontinued operations	**0.5**	2.8
Total basic earnings per share attributable to the ordinary equity holders of the Company	**78.6**	62.7

(b) Diluted earnings per share

	Consolidated Half-year 2017 $M	Restated 2016 $M
Continuing operations attributable to the ordinary equity holders of the Company	**76.3**	58.1
Discontinued operations	**0.5**	2.8
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**76.8**	60.9

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

	Consolidated Half-year 2017 $M	Restated 2016 $M
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
Continuing operations	**438.5**	343.4
Discontinued operations	**2.7**	15.7
	441.2	359.1

(d) Weighted average number of shares used as denominator

	Consolidated Half-year 2017 Number	2016 Number
Weighted average number of ordinary shares (Basic)	**560,981,254**	572,958,622
Adjustments for calculation of diluted earnings per share:		
Weighted average number of share rights	**13,544,449**	17,634,124
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**574,525,703**	590,592,746

(e) Earnings per share restated

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

12 Earnings per share (continued)

(f) Calculation of earnings per share

(i) Basic earnings per share
Calculated as net profit (loss) attributable to the ordinary equity holders of the Company divided by the weighted average number of ordinary shares outstanding during the period.

(ii) Diluted earnings per share
Calculated by dividing the net profit (loss) attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued upon the conversion of all dilutive potential ordinary shares into ordinary shares.

13 Events occurring after the reporting period

The Board has extended the on-market share buy-back by a further $150M.

Directors' Declaration

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

In the Director's opinion:

(a) The interim financial statements and notes set out on pages 8 to 26 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 2017 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 the Directors.

J Bevan
Chairman

Mark Vassella
Managing Director & CEO

Melbourne
26 February 2018

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Independent Auditor's Review Report to the Members of BlueScope Steel Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of BlueScope Steel Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2017, 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 directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial 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*.

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 control as the directors determine is 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial 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 the Group, 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*.

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
Melbourne
26 February 2018