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

22 February 2021

Re: Compliance with Listing Rule 4.2A for the six months ended 31 December 2020

Dear Sir,

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 2020. This half year financial report should be read in conjunction with the most recent annual financial report.

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 sincerely

Debra Counsell
Company Secretary
BlueScope Steel Limited

Results for Announcement to the Market

22 February 2021: The Company today reported its financial results for the six months ended 31 December 2020. Authorised for release by the Board of BlueScope Steel Limited.

$M unless marked	1H FY2021	1H FY2020	Variance %
Sales revenue from continuing operations	5,817.4	5,861.0	(1%)
Reported NPAT	330.3	185.8	78%
Underlying NPAT [1]	332.8	199.6	67%
Interim ordinary dividend (cents) [2]	6.0 cps	6.0 cps	-
Reported earnings per share (cents)	65.6 cps	36.3 cps	81%
Underlying earnings per share (cents)	66.1 cps	39.0 cps	69%
Net tangible assets per share ($) [3]	9.52	9.41	1%

[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 provide reconciliations of underlying earnings to reported earnings.
[2] The 1H FY2021 interim dividend is unfranked and its record date is 1 March 2021.
[3] Net tangible assets include all ROU leased assets.

Financial Headlines

$M unless marked	1H FY2021	1H FY2020	Variance %
EBITDA – underlying [1]	772.5	564.3	37%
EBIT – reported	529.8	293.7	80%
EBIT – underlying [1]	530.6	302.4	75%
Return (underlying EBIT) on invested capital (%)	11.0%	11.2%	-0.2%
Net cash / (debt)	305.2	(46.9)	751%
Gearing (%)	N/A - net cash	0.6%	-
Leverage (net debt / underlying EBITDA)	N/A - net cash	0.04x	-

[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 $5,817.4M was 1% lower than 1H FY2020**, with lower selling prices driven by the unfavourable impacts from a stronger Australian dollar exchange rate (A$:US$) combined with lower global steel prices, largely offset by the benefit of improved volumes from stronger demand.
- **Underlying EBIT of $530.6M was 75% higher than 1H FY2020**, due to stronger steel spreads mainly as a result of lower raw material costs, improved volumes from stronger demand and favourable movement in conversion costs.
- **Underlying return on invested capital in the 12 months ending 31 December 2020 was 11.0%**, down slightly on the 12 months to 31 December 2019, mainly due to lower earnings across the trailing 12 month period.
- **Underlying NPAT increased 67% to $332.8M**, mainly due to higher underlying EBIT.
- **Reported NPAT increased 78% to $330.3M**, mainly due to higher underlying EBIT.

- **Funding and shareholder returns:**
  - Retained investment grade credit ratings from S&P Global Ratings and Moody's.
  - $305.2M net cash position at 31 December 2020.
  - Financial liquidity of $3.1Bn at 31 December 2020, including $657M in NS BlueScope Coated Products joint venture.
  - $105M returned to shareholders during CY2020 through dividends and buy-backs.
  - 6.0 cents per share interim dividend announced.
- **Group outlook**:
  - At the beginning of 2H FY2021, order and despatch rates in key markets remain robust. Spot steel spreads in North America are materially higher than both 1H FY2021 and longer-term averages. However, it is uncertain whether these conditions will be sustained throughout the half due to volatile macroeconomic and market factors – including potential impacts from COVID-19 which could disrupt demand, supply chains and operations.
  - Accordingly, the Company expects underlying EBIT in 2H FY2021 to be in the range of $750 million to $830 million. Expectations are subject to spread, foreign exchange and market conditions – including potential impacts from COVID-19[1].

[1] Refer to 2H FY2021 Outlook section of this document for outlook assumptions.

OPERATING AND FINANCIAL REVIEW

Description of Operations

BlueScope is a technology leader in, and the largest global producer of, metal coated and painted steel building products. Principally focused on the Asia-Pacific region, the Group 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.

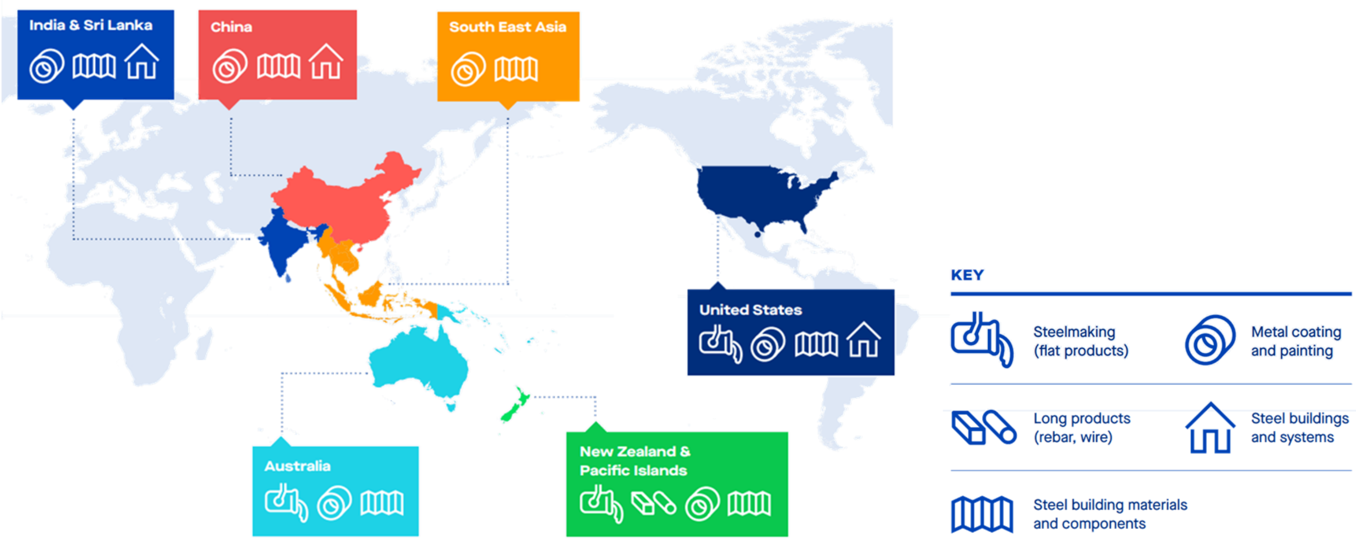
BlueScope is Australia's largest steel manufacturer, and New Zealand's only steel manufacturer. BlueScope's vertically integrated operations for flat steel products in Australia and New Zealand produce value-added metallic coated and painted products, together with hot rolled coil, cold rolled coil,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

The Group 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 this business across ASEAN and the west coast of North America in partnership with Nippon Steel Corporation (NSC) and in India with Tata Steel. Both are 50/50 joint ventures with BlueScope controlling and therefore consolidating the joint venture with NSC, and jointly controlling and therefore equity accounting the joint venture with Tata Steel.

North Star is a low-cost regional supplier of hot rolled coil, based in Ohio, in the United States of America, serving automotive, construction and manufacturing end-use industries. 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.

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 manufacturing and engineering centres in North America and China.



Our Purpose, Bond and Strategy

Together, Our Purpose, Bond and Strategy define the way BlueScope develops, manufactures and sells steel products and solutions, while building our own resilience and capacity to drive a sustainable future.

Our Purpose

WE CREATE AND INSPIRE SMART SOLUTIONS IN STEEL, TO STRENGTHEN OUR COMMUNITIES FOR THE FUTURE

At BlueScope, we have a responsibility to build a sustainable business that contributes to protecting all of our futures. As a global organisation with thousands of employees who share passion and expertise in one of the world's most useful materials, steel, BlueScope can contribute and make a real difference.

Our Purpose sets the course for BlueScope to deliver what matters to our communities around the world, and to attract and retain the very best people to enable us to get there. We want to see our people thrive on the opportunity Our Purpose presents, working together to inspire our customers, meeting our sustainability commitments, delivering value to our shareholders and strengthening all our communities for the future.

Our Bond

Created in 2003 following the establishment of BlueScope, Our Bond outlines the guiding principles that strengthen our business every day. It identifies our key stakeholders, guides how we work together and conduct ourselves, and continues to be our benchmark for success and choosing to do what is right.

Just like Our Purpose, hundreds of employees contributed to the creation of Our Bond, and its relevance today is testament to its importance to our organisation.

Our Customers are our Partners

Our success depends on our customers and suppliers choosing us.

Our strength lies in working closely with them to create value and trust, together with superior products, service and ideas.

Our People are our Strength

Our success comes from our people. We work in a safe and satisfying environment.

We choose to treat each other with trust and respect and maintain a healthy balance between work and family life.

Our experience, teamwork and ability to deliver steel inspired solutions are our most valued and rewarded strengths.

Our Shareholders are our Foundations

Our success is made possible by the shareholders and lenders who choose to invest in us.

In return, we commit to continuing profitability and growth in value, which together make us all stronger.

Our Communities are our Homes

Our success relies on communities supporting our business and products.

In turn, we care for the environment, create wealth, respect local values and encourage involvement.

Our strength is in choosing to do what is right.

Our Strategy

Our strategy sets out how we will deliver on Our Purpose, and deliver strong returns and sustainable outcomes over the next five years and beyond. The strategy drives transformation and growth, while continuing to deliver on core expectations for our stakeholders. Core elements of our strategy include investment in carbon reduction technologies, product and service innovation and delivering a safe, inclusive and diverse workplace.

TRANSFORM

DELIVER A STEP CHANGE IN CUSTOMER EXPERIENCE AND BUSINESS PERFORMANCE

GROW

GROW OUR PORTFOLIO OF SUSTAINABLE STEELMAKING AND WORLD LEADING COATING, PAINTING AND STEEL PRODUCTS BUSINESSES

DELIVER

DELIVER A SAFE WORKPLACE, AN ADAPTABLE ORGANISATION AND STRONG RETURNS

Our Financial Framework

Our Financial Framework guides our measurement of performance and capital allocation.

Returns Focus

- ROIC > WACC on average through the cycle
- ROIC incentives for management and employees
- Maximise free cash flow generation

Robust Capital Structure

- Strong balance sheet, with a target of around $400M net debt
- Retain strong credit metrics
- Intent to have financial capacity through the cycle to make opportunistic investments or to fund reinvestment in or a shutdown of steelmaking if not cash positive
- Leverage for M&A if accompanied by active debt reduction program

Disciplined Capital Allocation

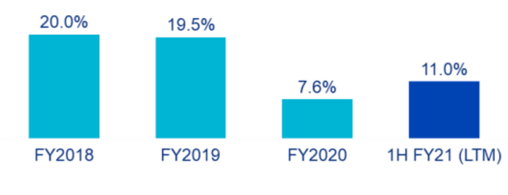
- Invest to maintain safe and reliable operations, and in foundation and new technologies
- Returns-focussed process with disciplined competition for capital between:
  - Growth capital – Investments and M&A (but avoid top of the cycle)
  - Shareholder returns (distribute at least 50% of free cash flow to shareholders in the form of consistent dividends and on-market buy-backs[1])

[1] On-market buy-backs are an effective method of returning capital to shareholders after considering various alternatives and given BlueScope's lack of franking capacity.

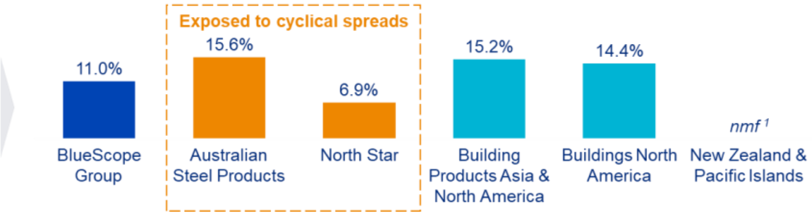
Returns Focus

Underlying EBIT ROIC is the primary measure of performance across all business units and one of the key measures of the Group. It underpins the objective of delivering top quartile shareholder returns and is a key discipline for performance management, project assessment, and executive incentives.

Group Underlying ROIC Performance (%)



1H FY2021 (LTM) Underlying ROIC by Segment (%)



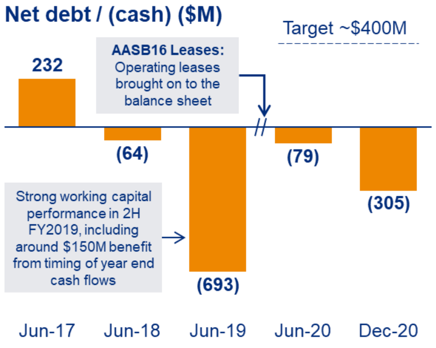
[1] New Zealand & Pacific Islands ROIC figure not meaningful, given impaired asset base

Robust Capital Structure and Disciplined Capital Allocation

A key element of BlueScope's strategy is to maintain strong financial capacity (as set out in the Financial Framework above), giving the ability to robustly weather industry and economic cycles and deliver on value-accretive opportunities.

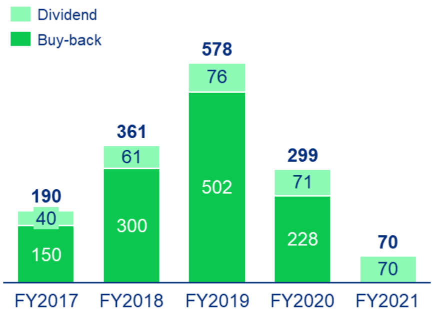
Robust Balance Sheet

Net debt / (cash) ($M)



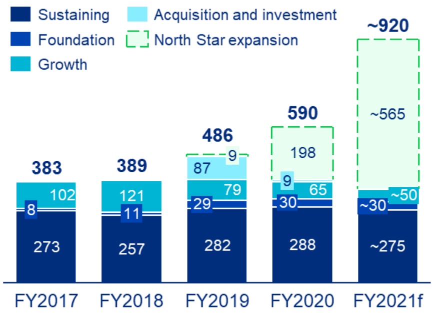
Returns to Shareholders

Dividends paid and buy-backs[1] ($M)



Investing for Long Term Growth

Capital and acquisition expenditure[2] ($M)



[1] Chart reflects cash settlements of shares bought back, FY2021 includes $30M indication of 1H FY2021 interim dividend of 6.0 cps announced 22 February 2021, with payment date of 30 March 2021.

[2] Reflects cash payments on capital expenditure. Reconciles to earned value of capital project activity through change in capital accruals.

The BlueScope Investment Proposition

Delivering Returns Through the Cycle

BlueScope is a very different type of steel company – one that is uniquely positioned to grow and deliver across our major markets.

Assets and capability

- Strong operating leverage from diverse business portfolio
- Global leader in coating and painting for Building and Construction
- Iconic industrial brand position of COLORBOND® steel
- Integrated and resilient Australian business delivering returns across the cycle
- Footprint across high growth Asian markets
- Lowest cost expansion project in the US at North Star, which is one of the most profitable mini-mills in the US

Capital discipline and returns focus

- Strong balance sheet
- Disciplined capital allocation
- Clear focus on delivering:
  - Safe and sustainable operations
  - ROIC > WACC on average through the cycle
  - At least 50% of free cash flow to shareholders
  - EPS growth through the cycle

Positioned for growth

- Positioned for emerging trends:
  - lower density housing; rise in A&A
  - e-commerce and logistics infrastructure
  - government infrastructure focus
- Innovating to drive inter-material and broader growth in Australia and beyond
- Expanding best-in-class US mini-mill for FY2022/23 growth
- Targeting further growth from outstanding suite of Asian coating assets
- Transforming how we do business through digital technologies

Results Show Strength of Business Model and Financial Disciplines

Quality of portfolio and resilience of business model demonstrated; well positioned to deliver long term shareholder value

- ✓ **Demonstrated operating leverage from diverse portfolio**
- ✓ **Strong cash flow and robust balance sheet**
- ✓ **Well positioned for emerging trends to lower density housing and e-commerce infrastructure**
- ✓ **North Star expansion on-track**
- ✓ **Appointment of Chief Executive Climate Change**
- ✓ **Commenced planning for Port Kembla reline**

Positioned Well for Emerging Trends

BlueScope is a leading supplier of flat steel products, well positioned to address emerging trends

	The trends	The facts
1	**Rise in residential construction on stimulus and redirection of discretionary spend**	Australian detached housing approvals up 25%; A&A approvals up 17% in 1H FY21 on 2H FY20[1]
2	**Shifting preference towards lower density and regional residential housing, where flat steel products are competitive**	Australian regional net migration up 60%; detached share of approvals up 6% to 67% in 1H FY21 on 2H FY20[2]
3	**Growth in steel intensive e-commerce infrastructure**	US online share of retail up 5%; one million new online shoppers in Australia in 1H FY21 on 2HFY20[3]
4	**Government infrastructure spending increases as fiscal stimulus**	Significant gov't infrastructure programs announced in Australia, US, New Zealand and Asia
5	**Preference for private road travel driving auto growth**	Fast rebound of US automotive sales to ~16M unit per annum level towards the end of CY2020[4]

[1] Total detached housing approvals and alteration and addition approvals. Source: ABS series 8731, tables 6 and 38
[2] Total net migration and detached share of total housing approvals. Source: CoreLogic and ABS series 8731, table 6
[3] Source: US online share of retail sales excluding food services sales, US Census Bureau; Australia Post 'Inside Australian Online Shopping update' report
[4] Total US light vehicle sales. Source: CEIC, seasonally adjusted data

Update on the North Star Expansion Project

The expansion will increase North Star's annual hot rolled coil production by around 850ktpa, with the incremental installed melt capacity of 1.4 million equivalent metric coiled tonnes allowing for further potential upside over time with further debottlenecking of the hot strip mill.

The project is expected to cost approximately US$700M and is targeting a minimum 15% IRR and 15% ROIC when fully ramped up, based on long-term historical spreads. With a strong balance sheet, executing this highly value-accretive project remains a priority.

The team is maintaining a strong focus on managing COVID-19 risks in project supply chains and on-site works. Construction is well progressed; the melt shop tunnel furnace buildings are targeted for completion during 2H FY2021. OEM equipment continues to arrive on site, with installation works having commenced and progressing well. Workforce recruitment is ramping up.

The project is on track, with accounting capital spend to date, including capital accruals, of US$354M, relative to the total project budget of US$700M (cash spend to date of US$244M). New plant to be commissioned during FY2022, with full ramp up 18 months thereafter.

BlueScope and Climate Change

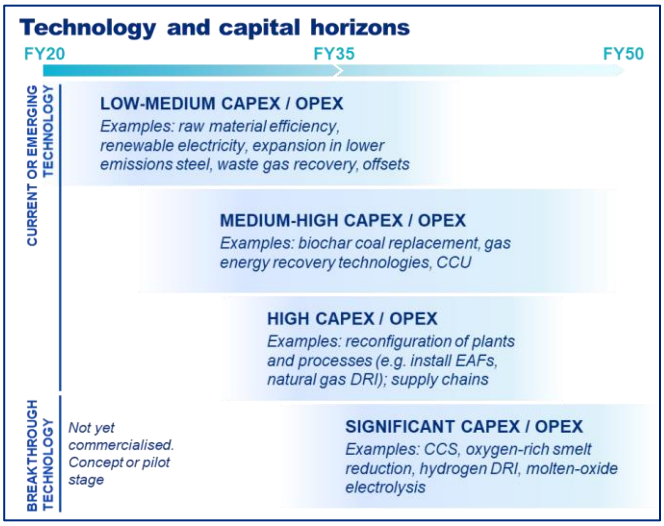
Appointment of Chief Executive Climate Change

Following the elevation of climate change into our corporate strategy, and our reaffirmed commitment to acting on carbon emissions and climate change, BlueScope has established a new Executive Leadership Team position: Chief Executive Climate Change. Gretta Stephens, current Chief Executive of New Zealand & Pacific Islands has been appointed to this newly created role.

This role will be supported by our Climate Change team to drive the work already underway, including our decarbonisation pathway and our long-term carbon reduction aspirations. Whilst the future of iron and steelmaking will need to be centred around breakthrough technologies, we will simultaneously pursue immediate and mid-term emission reduction projects in line with our 2030 climate change target.

A revised leadership structure of the New Zealand & Pacific Islands segment will be put in place.

Industry Decarbonisation Pathway



BlueScope sees a strong future for steel in a low-carbon world, given its strength and infinite recyclability. We recognise that the future of iron and steelmaking will need to be centred around breakthrough technologies - once proven and scalable. Exciting work is being undertaken around the globe to explore breakthrough ‘green steel’ ironmaking technologies – including using hydrogen and electrolysis. These technologies are currently in early stages of technology readiness with significant advances expected to occur over the next decade. For success, such initiatives will need international collaboration across the industry value chain, supportive public policy, and affordable, renewable and reliable energy.

In the shorter term, the steel sector will need to rely on technology performance improvements within conventional routes, increased use of renewable energy and other abatement measures.

We are currently considering a diverse portfolio of projects. They include: optimising raw material mixes, capturing and reusing a greater proportion of waste heat and gases, and potentially replacing a proportion of the coal currently used in the process with alternative reductants such as biomass, or hydrogen-containing gas such as coke ovens gas. Increased rates of scrap usage, and greater use of renewable energy to cut Scope 2 emissions, are also being considered. BlueScope expects to make further announcements about these plans during this calendar year – together with updated climate scenario analysis and long-term carbon emission reduction plan.

Port Kembla Steelworks Blast Furnace Reline

The No.5 Blast Furnace (**5BF**) is currently predicted to reach the end of its current operating campaign in the late 2020s with an indicative range of 2026 to 2030. The furnace is operating well, and the business is planning to continue to operate 5BF for as long as it is efficient, reliable and safe to do so. However, given the critical nature of iron making to the Port Kembla operations, to safe-guard supply an alternate source of iron may need to be available from the shorter end of the estimated life of the furnace.

Understanding our decarbonisation pathway and technology plan from our scenario analysis are central to our approach. Emerging ‘green steel’ technologies (discussed above) which have the potential to deliver a meaningful reduction in GHG emissions, whilst promising, are not yet ready for large scale implementation in the timeframes required being at either concept, lab or pilot scale with further significant advances in technology development required. Alternative established lower carbon technologies such as EAF steelmaking are not economically viable for large scale flat steel production in Australia at this time given the high cost of energy and due to insufficient availability of cost effective, quality scrap steel to support three million tonnes of flat steel production at Port Kembla.

At this time, a reline of either 5BF or the No 6 Blast Furnace (‘**6BF**’ – currently mothballed) are likely to be the most technically feasible and economically attractive options for Australian steelmaking while longer-term breakthrough low-emission technologies are still under development. Evaluation of measures to reduce carbon emissions intensity of iron and steelmaking are key to the reline planning project.

Given the strong earnings and cash flow capability of ASP there is significant flexibility and optionality to adopt new technologies and iron making configurations in the medium to longer term, as and when they are technically and commercially ready.

The initial focus is on the option to reline the currently mothballed 6BF, given it provides the safest and most efficient manner to execute a reline whilst minimising operational disruption. We have commenced a pre-feasibility assessment (with an expected cost of around $10 million) in accordance with BlueScope’s rigorous multi-stage capital investment evaluation process; the highly indicative capital cost is around $700 million to $800 million.

A further update will be provided when pre-feasibility is completed.

Sustainability Update

Safety

Maintaining COVID-Safe workplaces

Throughout 1H FY2021, BlueScope maintained a relentless focus on maintaining the health, safety and wellbeing of our employees, customers and communities. Promoting wellbeing and the connectedness of our people has remained a priority.

Evolving our global approach to health and safety risk management

BlueScope continues to build on solid foundations of health and safety leadership and is shifting our emphasis to a culture of learning to drive safety performance to the next level. To do this, we are adopting a human centred approach, recognising that human error can occur. We are involving our people and using their expertise in the assessment of workplace risks and designing effective controls. Our focus is on building capacity in our systems and processes to create ongoing resilient operations.

Our leading indicators focus on risk and building capability, whilst seeking to gain meaningful insights from lagging indicators, including injury and incident severity, to further support our evolution.

BlueScope has engaged Dr Todd Conklin, an expert in Human Organisational Performance to assist with evolving our approach to health and safety risk management. To date, over 653 of our leaders including all ELT and our Board have participated in the risk management program.

Sustainable Supply Chain

We remain on track to complete targeted 220 assessments of Priority 1 and 2 suppliers by the end of FY2021

- 168 assessments have been completed to date and a further 76 assessments are underway.
- We have re-commenced required on-site audits where local COVID-19 restrictions allow, however many locations remain quite restricted.

We are seeing the highest risk, typically through lack of knowledge, in small-medium sized domestic businesses in high risk operating regions. Key issues coming from supplier assessments in these areas are predominantly related to social and labour (for example hiring practices, hours of work, wages and benefits) and health and safety (mostly related to emergency preparedness: permits, emergency exits, fire alarm systems, emergency drills, hazardous substances). We are addressing these with suppliers through education (about risk and also local regulations) and agreed corrective action plans.

A refresh of our supplier segmentation model is underway and will be completed in 3Q FY2021, to update our supplier prioritisation.

Inclusion and Diversity

In 1H FY2021, we launched a five-year global Inclusion and Diversity strategic framework, which is focused on diverse workforces, inclusive experiences, and purpose-led business. The framework focuses on advancing our gender diversity journey in addition to a multi-dimensional approach to diversity and inclusion. The framework is designed to allow the businesses to focus and progress what it most relevant to them locally, within the context of broader business objectives.

Through the half, overall female share of recruitment contracted from 37% to 30%. Overall, employee numbers reduced marginally through the half due to a combination of reduced recruitment and natural attrition, while there was an increase in total female participation in the BlueScope workforce to 22% from 21% due to our retention of women exceeding that of men. The percentage of women in operation / trade roles has doubled over the past 5 years.

Communities

We seek opportunities to strengthen our local communities through encouraging employee participation and collaboration, and through financial and in-kind support.

- New Zealand Steel has a long-standing relationship with the local iwi (indigenous people), and recently worked with them to re-roof a Whare Oranga (place of wellbeing), with local students also joining in an interactive training session with roofing experts
- In Melbourne, employees volunteer to mentor secondary school students, helping them build skills for life after school.

Many of our businesses continue to support communities hit by the pandemic.

- During the Christmas and holiday period our North American businesses provided meals, raised money and donated goods to local foodbank and other community organisations.
- In Australia, BlueScope donated funds to services supporting women and families, following increased mental health and domestic violence issues during the pandemic.
- NS BlueScope Thailand donated funds and goods to a local orphanage.
- In Indonesia, Lysaght Cilegon donated goods, funds and masks to organisations working to protect the community from the pandemic.

GROUP FINANCIAL REVIEW

1H FY2021 Highlights

Sales from continuing operations

$5,817M

↘ 1% on 1H FY2020

Up $394M on 2H FY2020

Reported NPAT

$330M

↗ 78% on 1H FY2020

Up $419M on 2H FY2020

Underlying EBIT

$531M

↗ 75% on 1H FY2020

Up $269M on 2H FY2020

Underlying ROIC

11.0%

↘ from 11.2% in 1H FY2020

Up from 7.6% in FY2020

Capital management

6.0 cps

interim dividend

Net cash

$305M

↗ from $79M at Jun-20

Financial Summary

Table 1: Financial summary

$M unless marked	1H FY2021	1H FY2020	Variance %
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Reported earnings per share (cents)	65.6 cps	36.3 cps	81%
Underlying earnings per share (cents)	66.1 cps	39.0 cps	69%
Net cash / (debt)	305.2	(46.9)	751%
Gearing (%)	N/A - net cash	0.6%	-
Leverage (ND / LTM underlying EBITDA)	N/A - net cash	0.04 x	-

Revenue

The 1% decrease in sales revenue from continuing operations was primarily due to the unfavourable impacts from a stronger Australian dollar exchange rate (A$:US$) combined with lower selling prices driven by lower global steel prices, largely offset by the benefit of improved volumes from stronger demand.

Earnings Before Interest & Tax

The 75% increase in underlying EBIT reflects:

- **$140.1M spread increase**, primarily due to:
  - lower raw material costs – lower coal costs and higher export coke contribution partly offset by higher iron ore costs at ASP, combined with lower steel feed costs at Building Products Asia & North America and Buildings North America partly offset by higher scrap and pig iron costs at North Star ($225.1M)
  - partly offset by lower domestic and export prices due to lower global steel prices combined with the unfavourable influence of a stronger A$:US$ ($85.0M).
- **$48.5M favourable movement in costs**, comprised of:
  - $56.9M cost improvement initiatives, predominantly in NZPI, Buildings North America and Building Products Asia & North America
  - $36.0M favourable volume impact on costs primarily in ASP on higher production
  - $63.5M unfavourable impact of general cost escalation including higher remuneration expense linked to financial performance of the Group
  - $19.1M favourable movement in other costs, mainly provision movements
- **$44.3M favourable impact of volume/mix** at ASP, NZPI and Building Products Asia & North America partly offset by lower volumes at Buildings North America & North Star
- **$22.1M unfavourable translation impact** from a stronger A$:US$ exchange rate.
- **$17.5M favourable movement in other items**, primarily lower depreciation post the NZPI asset write-down recognised at June 2020.

[2] 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 included 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.

The $236.1M (80%) increase in reported EBIT reflects the movement in underlying EBIT discussed above and $7.9M unfavourable movement in underlying adjustments as outlined in Tables 12 and 13.

Finance Costs and Funding

The $6.2M increase in net finance costs was largely due to higher commitment fees on the increased size of the syndicated bank facility and lower interest income on cash due to falling interest rates.

Financial liquidity was $3,144.4M at 31 December 2020 ($3,093.6M at 30 June 2020), comprised of $1,649.3M committed undrawn bank debt capacity and $1,495.1M cash. Liquidity in the NS BlueScope Coated Products JV was $656.6M, which is included in the Group liquidity measure.

Tax

1H FY2021 tax expense of $123.4M (1H FY2020 $73.1M), equivalent to an effective tax rate of 25.5% (1H FY2020 27.9%), was impacted by higher profits, offset by lower tax rates in North America and Asia and the utilisation of unrecognised tax losses in New Zealand.

As at 31 December 2020, the BlueScope Australian consolidated tax group is estimated to have carried forward tax losses of approximately $1.1Bn, which are all recognised on the balance sheet. There will be no Australian income tax payments until these losses are recovered. The Group continues to defer the full recognition of past tax losses in New Zealand until a history of taxable profits has been demonstrated. New Zealand tax losses are able to be carried forward indefinitely.

Dividend and Capital Management

During 1H FY2021, BlueScope paid a final dividend of 8.0 cents per share.

The Board of Directors has approved the payment of an interim dividend of 6.0 cents per share. The interim dividend will be unfranked for Australian and New Zealand tax purposes and is declared to be conduit foreign income. BlueScope's dividend reinvestment plan will not be active for the interim dividend.

Relevant dates for the interim dividend are as follows:

- Ex-dividend share trading commences: 26 February 2021.
- Record date for dividend: 1 March 2021.
- Payment of dividend: 30 March 2021.

A key element of BlueScope's strategy is to maintain strong financial capacity. As a highly value accretive project, our capital allocation focus is on the North Star expansion, supported by our robust balance sheet. Given this large capex program and ongoing uncertainty in market conditions, BlueScope's buy-back program will remain on hold.

BlueScope's capital management policy:

- The Group will continue to seek to retain strong credit metrics and will target around $400M net debt (including capitalised lease liabilities under AASB156).
- The Group pursues a returns-focussed process with disciplined competition for capital that balances annual shareholder returns and long-term profitable growth.
- Having regard to the above, our current policy is to distribute at least 50% of free cash flow to shareholders in the form of consistent dividends and buy-backs, reflecting no present franking availability.

Financial Position

Net assets increased $72.8M to $7,112.4M at 31 December 2020 from $7,039.6M at 30 June 2020. Net assets were lower as a result of foreign exchange translation (approximately $370M) primarily as a result of a stronger A$:US$. This was more than offset by an increase in net assets in their functional currency. Significant movements in underlying currency were:

- $149M increase in cash due to net cash flow during the period
- $255M increase in property, plant and equipment, including assets associated with the North Star expansion project
- $108M decrease on retirement obligations as a result of actuarial gains
- $47M decrease in borrowings and lease liabilities
- Partly offset by $118M higher capital creditors

2H FY2021 Outlook

At the beginning of 2H FY2021, order and despatch rates in key markets remain robust. Spot steel spreads in North America are materially higher than both 1H FY2021 and longer-term averages. However, it is uncertain whether these conditions will be sustained throughout the half due to volatile macroeconomic and market factors – including potential impacts from COVID-19 which could disrupt demand, supply chains and operations.

Group outlook:

- Expect underlying EBIT in 2H FY2021 to be in the range of $750 million to $830 million.
- For the purposes of the outlook, the Company has made the following 2H FY2021 average assumptions:
  - US mini-mill benchmark spreads to be ~US$340/t higher than 1H FY2021[1] – but noting we don't expect to realise all of this move due to the scale of recent HRC price moves and North Star's specific sales mix.
  - East Asian HRC price of ~US$610/t[2].
  - 62% Fe iron ore price of ~US$150/t CFR China[2].
  - Index hard coking coal price of ~US$140/t FOB Australia[2].
  - A$:US$ at US$0.77[2].
- Relative to 1H FY2021, expect: similar underlying net finance costs and underlying tax rate; lower profit attributable to non-controlling interests.
- Expectations are subject to spread, FX and market conditions – including potential impacts from COVID-19.

Expectations for the performance of our businesses in 2H FY2021 relative to 1H FY2020 are as follows:

- Australian Steel Products:
  - Expect a better result compared to 1H FY2021.
  - Similar to slightly higher domestic despatches on ongoing robust construction demand.
  - Stronger benchmark spreads.
  - Higher scrap and coating metal costs on global index pricing.
  - Higher coke contribution on realised margins.
- North Star:
  - Expect stronger result compared to 1H FY2021
  - Higher benchmark spreads partly offset by unfavourable impact of realised selling prices, noting specific sales mix[1].
  - Marginally unfavourable impact of lower volumes on planned outage.
- Building Products Asia & North America:
  - Expect a softer result overall compared to 1H FY2021.
  - North America – expect a moderately better result on strong margins.
  - ASEAN and India – ongoing robust demand, however significantly lower result due to margin compression from higher steel feed prices (compared to cyclical margin expansion in 1H FY2021).
  - China – result to be around half that of 1H FY2021 on unfavourable seasonality.
- Buildings North America:
  - Expect a significantly lower result compared to 1H FY2021 with no contribution from BlueScope Properties Group on project timing.
  - Lower earnings in the core buildings business compared to 1H FY2021 on margin compression due to higher steel feed prices.
  - Overall, expect a lower result than 2H FY2020.
- New Zealand and Pacific Islands:
  - Expect a similar result to 1H FY2021.
  - Similar domestic despatches on ongoing robust construction and infrastructure activity.
  - Higher benchmark steel pricing, partly offset by unfavourable impact of specific sales mix relative to benchmark.
  - Higher costs, including energy.
  - Similar net vanadium contribution.
- Intersegment, Corporate & Group
  - Expect a similar result to 1H FY2021.

[1] US mini-mill benchmark spreads quoted on a lagged basis in metric tonnes. Expected 2H FY2021 US mini-mill benchmark spread of ~US$610/t, compared to US$271/t in 1H FY2021.

[2] Quoted on an unlagged basis for the six-month period; volumes quoted in metric tonnes.

BUSINESS UNIT REVIEWS

Australian Steel Products (ASP)

ASP employs around 6,000 employees at approximately 100 sites, being a mix of large manufacturing plants, rollforming facilities and distribution centres across Australia.

The segment specialises in flat steel products, including slab, hot rolled coil, cold rolled coil, plate and value-added metallic coated and painted steel solutions. Its key focus is on higher value, branded products for the building and construction industry.

The Port Kembla Steelworks – in New South Wales' Illawarra region – is the largest steel production facility in Australia, with an annual crude steel production capacity of around three million tonnes.

BlueScope's branded products are market leaders in Australia, and include COLORBOND® steel, ZINCALUME® metallic coated steel, GALVASPAN® steel, and the LYSAGHT® brand of quality steel building products.

The Lysaght business rollforms and supplies a range of products, including roof and wall cladding, steel house framing, rainwater products, fencing, structural products such as purlins and flooring systems, and home improvement products. LYSAGHT® products are sold through distributors and suppliers.

Key Financial and Operational Measures

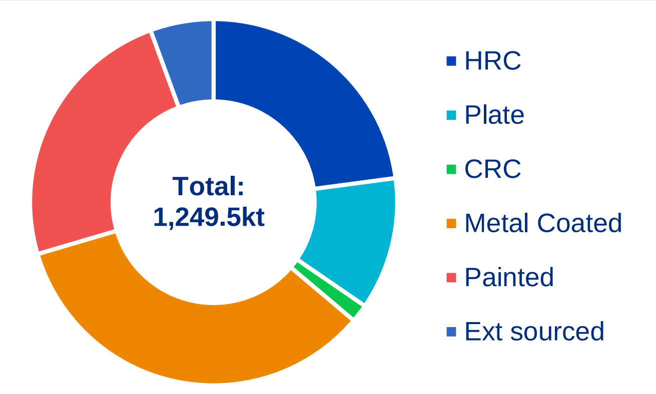
Table 2: Segment financial performance

$M	1H FY2021	1H FY2020	Var %	2H FY2020
Sales revenue	2,739.5	2,692.1	2%	2,726.0
Reported EBIT	259.1	127.9	103%	177.2
Underlying EBIT	259.1	127.9	103%	177.2
NOA (pre-tax)	2,779.5	2,667.4	4%	2,626.4
ROIC	15.6%	12.7%	+2.9%	11.0%

Table 3: Steel sales volume

000 tonnes	1H FY2021	1H FY2020	Var %	2H FY2020
Domestic				
- ex-mill	1,176.3	1,075.9	9%	1,093.0
- ext sourced	73.2	62.1	18%	56.3
Export	346.6	260.2	33%	386.4
Total	**1,596.2**	**1,398.1**	**14%**	**1,535.7**

Chart 1: ASP domestic steel sales volume mix 1H FY2021



Financial Performance – 1H FY2021 vs. 1H FY2020

Sales revenue

The $47.4M increase in sales revenue was primarily due to improved volumes and higher revenue from export coke sales, partly offset by lower domestic and export prices driven by lower global steel prices, and unfavourable influence of a stronger A$:US$ exchange rate.

EBIT performance

The $131.2M increase in underlying EBIT was largely due to:

- higher steelmaking spread with lower raw material costs partly offset by lower domestic and export selling prices driven by lower global steel prices
- improved steel volumes, particularly in metal coated and painted products
- higher contribution from export coke.

Return on invested capital

ROIC increased to 15.6% driven by higher EBIT partly offset by higher net operating assets. Net operating assets at 31 December 2020 were $112.1M higher than at 31 December 2019, primarily due to higher inventories on higher rates.

Markets and operations

Mill sales to domestic markets

Domestic sales volumes increased 9% in 1H FY2021, compared to 1H FY2020 and were the highest since 2H FY2010.

- Increased volumes were driven by strength across building and construction, with activity levels supported by redirected discretionary spending, various government stimulus and infrastructure programs, and recovery work following the WA and QLD storm/flood events.
- Both COLORBOND® steel and TRUECORE® steel sales for 1H FY2021 are the highest on record for the Australian Steel Products business.

Sales into the residential construction segment increased significantly in 1H FY2021 compared to 1H FY2020. The significant lift in activity has been supported by several factors, in particular:

- Activity across the alterations and additions segment surged during 1H FY2021, benefiting from a significant increase in home renovation activity as homebound consumers redirected discretionary spending during the pandemic. Sales into this segment were further supported by recovery activity post the recent storm and flood events in QLD and WA.
- In new detached housing, a solid economic recovery and rebounded sentiment combined with a strong pipeline of residential approvals to support demand across the sector.
- State and federal government stimulus measures, along with improved credit availability further strengthened activity within new detached and renovations sectors. The take-up of the 'HomeBuilder' Program has been strong, with nearly 60,000 new build applications submitted before the December 2020 deadline, with associated demand expected to flow into 2H FY2021.

Sales into non-residential construction increased significantly in 1H FY2021 compared to 1H FY2020.

- The Social and Institutional sub-segment has been particularly strong, supported by government investment in health and education, particularly for the products BlueScope produces.
- The Commercial and Industrial sub-segment had a high level of approvals activity prior to the pandemic, the pipeline of which carried over into 1H FY2021. The pipeline of work has stabilised, as private sector confidence returned much faster than anticipated, leading to some projects previously paused now coming back into focus.

Sales into the engineering and mining sectors remained stable during 1H FY2021 compared with 1H FY2020, with growth in mining and consumables offset by an easing in activity within wind tower projects.

Demand in the agriculture segment improved in 1H FY2021 compared with 1H FY2020, supported by the rebuild program following last year's bushfires and improved growing conditions more broadly with encouraging rainfall during 2020.

Demand in the manufacturing sector remained stable in 1H FY2021 compared with 1H FY2020, however sales to pipe and tube customers increased materially during the half, as end customers looked to source product locally due to the recent temporary disruption to global supply chains as a result of the pandemic.

Sales to export markets

Despatches to export market customers in 1H FY2021 were higher than 1H FY2020 on the back of improved steel production.

Prices in export markets were lower in 1H FY2021 than the prior corresponding period due to lower global steel prices, with pricing for product sold into North America affected more than other regions.

Coke sales to export markets

In 1H FY2021, despatch volumes were 337kt, 5% lower than 2H FY2020 due to the timing of shipments in the half. Prices were stronger in 1H FY2021 due to strong global steel demand driving stronger coke spreads.

North Star

Established in 1996 in Delta, Ohio, North Star is one of the newest and most efficient steel-mills in North America. Around 2 million tonnes of hot rolled coil are produced annually from North Star's dual electric arc furnaces, using scrap metal, pig iron and alloys.

North Star is consistently voted the number one flat rolled steel supplier in North America in the annual Jacobson Survey of steel customers measuring customer satisfaction.

North Star sells approximately 90% of its production in the Midwest US, with its end customer segment mix being broadly 50% automotive, 35% construction, 10% manufacturing/industrial and 5% agricultural.

Financial Performance – 1H FY2021 vs. 1H FY2020

Sales revenue

The $79.5M decrease in sales revenue was primarily due to the unfavourable foreign exchange translation due to a stronger A$:US$ exchange rate combined with lower regional steel prices.

EBIT performance

The $44.9M decrease in underlying EBIT was largely due to weaker realised steel spreads due to lower regional steel prices and increased raw material costs, together with unfavourable foreign exchange translation due to a stronger A$:US$ exchange rate.

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

Return on invested capital

ROIC was 6.9% driven by a softer EBIT contribution combined with higher net operating assets. Net operating assets at 31 December 2020 were $97.3M higher than at 31 December 2019, primarily due to higher fixed assets as a result of the capacity expansion project partly offset by the unfavourable foreign exchange translation impact of a stronger A$:US$.

Note that the ROIC outcome is unfavourably impacted by expansion capital work in progress, which is included in the net operating assets. Expansion capital work in progress was $504M at 31 December 2020.

Key Financial and Operational Measures

Table 4: Segment performance

$M	1H FY2021	1H FY2020	Var %	2H FY2020
Sales revenue	785.9	865.4	(9%)	847.6
Reported EBIT	67.8	113.5	(40%)	74.2
Underlying EBIT	69.6	114.5	(39%)	75.1
NOA (pre-tax)	2,055.9	1,958.6	5%	2,059.4
ROIC	6.9%	18.6%	-11.7%	9.3%
Despatches (kt)	1,024.7	1,028.8	(0%)	1,015.0

Table 5: Segment performance in US$M

000 tonnes	1H FY2021	1H FY2020	Var %	2H FY2020
Sales revenue	569.1	592.0	(4%)	557.1
Und. EBITDA	75.0	101.6	(26%)	72.7

Markets and Operations

Strong production and despatch levels continued in 1H FY2021 – with North Star despatching at full capacity other than during its major scheduled maintenance outage in November.

US automotive sales rebounded strongly after the COVID-19 production shuts and demand shock in the June 2020 quarter. Annualised sales run-rate returned to the around 16 million units by the end of 1H FY2021. Activity across the construction sector has remained stable.

Driven by increased customer activity levels and low service centre inventories, benchmark Midwest steel spreads improved significantly towards the end of 1H FY2021.

North Star's end-use sales mix normalised over the half, however with the strong rise in benchmark spreads in more recent months, realised spreads were softer than benchmark spot spreads due to usual pricing lags.

Building Products Asia and North America

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 business has an extensive footprint of metallic coating, painting and steel building product operations in Thailand, Indonesia, Vietnam, Malaysia, India, China 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 Corporation (NSC) and in India with Tata Steel. Both are 50/50 joint ventures, with BlueScope controlling and therefore consolidating the joint venture with NSC, and jointly controlling and therefore equity accounting the joint venture with Tata Steel.

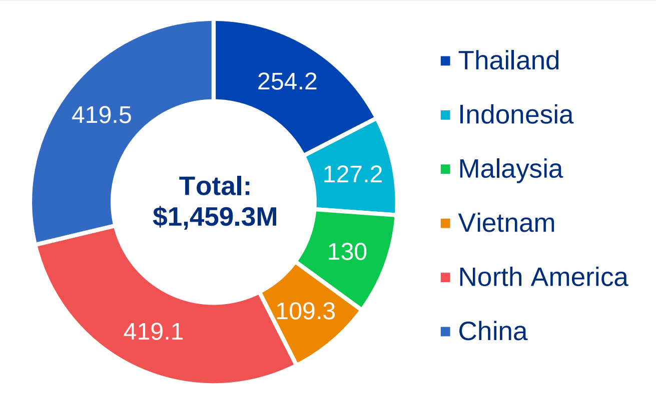
Building Products' China businesses are wholly owned by BlueScope and are comprised of metal coating, painting and Lysaght operations, and Engineered Buildings Solutions (EBS).

Key Financial and Operational Measures

Table 6: Segment financial performance

$M	1H FY2021	1H FY2020	Var %	2H FY2020
Sales revenue	1,459.3	1,492.1	(2%)	1,285.4
Reported EBIT	148.3	79.4	87%	68.2
Underlying EBIT	150.3	80.2	87%	75.1
NOA (pre-tax)	1,267.9	1,526.2	(17%)	1,450.1
ROIC	15.2%	8.5%	+6.7%	9.8%
Despatches (kt)	918.2	855.1	7%	739.5

Chart 2: Segment geographic sales revenue 1H FY2020, $M [1]



[1] Chart does not include India, which is equity accounted.

Financial Performance – 1H FY2021 vs. 1H FY2020

Sales revenue

The $32.8M decrease in sales revenue was mainly due to the unfavourable foreign exchange translation due to a stronger A$:US$ exchange rate combined with lower regional steel prices. This was partly offset by higher sales volumes.

EBIT performance

The $70.1M increase in underlying EBIT was largely due to higher margins combined with higher despatch volumes.

- China: economic activity continued to recover during 1H FY2021 following the impacts of COVID-19 during 2H FY2020 with a strong recovery seen in the key building and construction markets. The China business performance strongly delivering 1H FY2021 underlying EBIT of $42.0M compared to $36.7M in 1H FY2020. The improvement was mainly driven by cyclical margin expansion driven by relatively lower steel feed costs.
- ASEAN: performance improved in 1H FY2021 delivering underlying EBIT of $57.5M compared to $30.4M in 1H FY2020. The improvement was driven by cyclical margin expansion driven by relatively lower steel feed costs. This was combined with higher despatch volumes on strong demand recovery post COVID-19 disruptions during 2H FY2020 combined with lower costs.
- North America: 1H FY2021 underlying EBIT of $39.3M, improving substantially compared to $5.6M in 1H FY2020. The improvement was due to improved manufacturing performance and cyclical margin expansion driven by relatively lower steel feed costs in a rising price environment.
- India: the TBSL joint venture delivered 1H FY2021 underlying EBIT of $37.4M (100% basis), compared to $26.1M in 1H FY2020, mainly driven by higher despatch volumes as demand recovered from significant COVID-19 related disruptions during 2H FY2020.

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

Return on invested capital

ROIC increased to 15.2% driven by higher EBIT combined with lower net operating assets. Net operating assets at 31 December 2020 were $258.3M lower than at 31 December 2019, primarily due to the unfavourable foreign exchange translation impact of a stronger A$:US$ combined with lower inventories.

Markets and Operations

North America (Steelscape & ASC Profiles)

Steelscape (coating and painting) saw a resurgence in demand in 1H FY2021 with broad-based strength across many of its key end use sectors. Execution of the business strategy continues – particularly in the growth of the design solution offering

ASC Profiles (building components) is showing benefits from strategic direction to optimise manufacturing sites. Despite COVID-19's adverse impact on the broader economy, demand in key downstream sectors remained strong, in particular in the decking and residential construction segments. The business has also realised critical improvements in its operating cost structure evidenced by improved conversion costs.

China

Economic activity continued to improve during 1H FY2021 following the domestic impacts of COVID-19 in 2H FY2020.

Coated China despatch volumes increased over 1H FY2020 and 2H FY2020 driven by a number of external customer-focussed initiatives, combined with strong demand growth from the owned downstream channel and general market recovery.

Buildings business despatch volumes (Butler and Lysaght) decreased from 1H FY2020, mainly due to timing of customer project schedules; double digit order intake growth driven by the continued strategy aimed at growing volumes in premium high-growth market segments.

BlueScope China continues to enhance business performance through measures such as:

- targeting higher growth end-use segments such as advanced manufacturing, distribution, healthcare and electronics, which have each demonstrated pre-COVID-19 growth rates on average twice that of GDP
- promotion of Next Generation ZINCALUME® into the China market.

ASEAN

Strong demand in residential activity and lower import levels supported demand in the retail segment. The business continues to grow the retail channel through the Authorised Dealer network, whilst expanding BlueScope's distribution footprint, enhancing brand value and building customer loyalty. The number of Authorised Dealers reached 273 stores across ASEAN at 1H FY2021.

Project segment demand is gradually recovering, although broader uncertainty due to the pandemic remains a concern for project owners, which has impacted commencements.

The business continues to deliver on the Ignite 5G cost and productivity improvement program balancing short term performance, whilst investing for future growth. The program has delivered incremental benefits in addition to the $40M per annum achieved by the end of FY2020.

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

The joint venture delivered underlying EBIT of $37.4M (100% basis), compared to $26.1M in 1H FY2020, primarily driven by increased volumes and higher margins.

Overall despatch volumes increased by 28% compared to 1H FY2020, driven by pent-up demand post the COVID-19 related Government mandated industry shutdowns during Q4 FY2020. Domestic painted and bare volumes increased by 15% and 61% respectively with higher bare volumes driven by strong sales into solar projects.

Our joint venture partner, Tata Steel, has acquired Bhushan Steel, which includes coating and painting assets. BlueScope continues to work with Tata Steel to consider the implications of this acquisition for the joint venture.

Table 7: India performance

$M	1H FY2021	1H FY2020	Var %	2H FY2020
Tata BlueScope Steel (100% basis)				
Sales revenue	205.1	181.6	13%	151.3
Underlying EBIT	37.4	26.1	43%	17.2
Underlying NPAT	27.9	19.4	44%	13.9
Despatches (kt)	140.0	109.4	28%	97.0
BlueScope share (50% basis)				
Underlying equity accounted profit	14.1	9.9	42%	7.1

Buildings North America (BNA)

Buildings North America is a leader in engineered building solutions (EBS), servicing the low-rise non-residential construction needs of customers in North America. Buildings North America partners with its customers to provide a complete custom steel building solution that includes design, detailing, drawings and manufacturing.

In addition to a range of custom engineered steel buildings, such as factories, bulk warehouses and stores, Buildings North America manufactures and markets framing and cladding systems and steel building components. Its Butler® and Varco Pruden® brands are highly recognised in the industry.

This segment also includes the BlueScope Properties Group (BPG) which develops industrial properties, predominantly warehouses and distribution centres.

Key Financial and Operational Measures

Table 8: Segment performance

$M	1H FY2021	1H FY2020	Var %	2H FY2020
Sales revenue	601.8	611.9	(2%)	506.6
Reported EBIT	68.9	24.4	182%	(26.2)
Underlying EBIT	70.5	24.4	189%	13.5
NOA (pre-tax)	430.1	593.7	(28%)	554.3
ROIC	14.4%	9.8%	+4.6%	6.1%
Despatches (kt)	90.7	112.0	(19%)	91.0

Financial Performance – 1H FY2021 vs. 1H FY2020

Sales revenue

The $10.1M decrease in sales revenue was due to higher selling prices offset by lower despatch volumes and the unfavourable foreign exchange translation rate impacts due to the stronger A$:US$.

EBIT performance

The $46.1M increase in underlying EBIT was largely due to the realisation of significant projects in the BlueScope Properties Group. The extent of the contribution is not expected to be repeated in 2H FY2021.

Earnings in the core EBS business (excluding BlueScope Properties Group) were lower than 1H FY2020 driven by lower despatches and the unfavourable impact of a stronger A$:US$. These were partly offset by higher margins driven by higher selling prices and lower costs.

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

Return on invested capital

ROIC increased to 14.4% driven by higher EBIT combined with lower net operating assets. Net operating assets at 31 December 2020 were $163.6M lower than at 31 December 2019, primarily due to the unfavourable foreign exchange translation impact of a stronger A$:US$ combined with lower receivables.

Markets and Operations

In 1H FY2021, core EBS business despatches were impacted by COVID-19, being 19% lower than 1H FY2020 – however the business saw a 12% increase in orders from customers compared to the previous corresponding period.

Key initiatives being progressed to drive improved performance and support future growth potential include:

- continued investment in capacity and to support future growth potential; and
- foundational technology investment to modernise and provide a complete digital engineering and customer experience.

New Zealand & Pacific Islands (NZPI)

The New Zealand & Pacific Islands business comprises the Waikato North Head mine, New Zealand Steel, Pacific Steel and the Pacific Islands businesses.

New Zealand Steel, the only fully integrated steel producer in New Zealand, uses locally-sourced iron sand to manufacture about 650,000 tonnes of steel slab and billet a year at the Glenbrook steelworks south of Auckland.

NZPI produces a range of flat and long steel products for domestic and export use, and supplies all major industries including construction, manufacturing, infrastructure, packaging and agriculture.

NZPI employs around 1,400 people and includes Pacific Steel New Zealand (rolling mill and wire drawing facilities), and the Pacific Islands business, with facilities in Fiji, New Caledonia and Vanuatu which manufacture and distribute the LYSAGHT® range of products and long steel products through Pacific Steel Fiji.

Key Financial and Operational Measures

Table 9: Segment financial performance

$M	1H FY2021	1H FY2020	Var %	2H FY2020
Sales revenue	436.2	420.3	4%	372.1
Reported EBIT	55.6	12.9	331%	(219.0)
Underlying EBIT	57.4	12.9	345%	(18.7)
NOA (pre-tax)	110.8	320.2	(65%)	(3.4)
ROIC	nmf	7.1%	nmf	-2.0%

Table 10: Steel sales volume

000 tonnes	1H FY2021	1H FY2020	Var %	2H FY2020
Domestic flats	145.1	145.8	(0%)	106.6
Domestic longs	106.7	84.9	26%	72.0
Domestic (steel)	**251.8**	**230.7**	**9%**	**178.6**
Export flat	70.0	76.0	(8%)	103.7
Export longs	1.3	8.1	(84%)	3.6
Export (steel)	**71.3**	**84.1**	**(15%)**	**107.3**

Financial Performance – 1H FY2021 vs. 1H FY2020

Sales revenue

The $15.9M increase in sales revenue was due to higher domestic despatch volumes and favourable mix. This was partly offset by lower export volumes and lower domestic and export selling prices referenced to lower global steel prices.

EBIT performance

The $44.5M increase in underlying EBIT was due to:

- higher domestic volumes particularly higher value coated and painted products and elimination of some loss-making products
- lower raw material costs particularly thermal coal on lower global prices
- lower operating costs including favourable impacts from higher production
- lower depreciation post the asset write-down recognised at June 2020.

These were partly offset by lower domestic and export selling prices driven by lower global steel prices.

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

Return on invested capital

Given the impaired asset base, the 1H FY2021 ROIC figure is not meaningful. Net operating assets at 31 December 2020 were $209.4M lower than at 31 December 2019 due to lower inventories and the impact of the asset write-down recognised at June 2020.

Markets and Operations

Domestic market

1H FY2021 flat products sales volumes remained stable on 1H FY2020, due to strong conditions in the residential and non-residential building and construction segments. Domestic volumes increased materially on 2H FY2020, following the impacts of COVID-19 restrictions on operations and the supply chain.

- The number of new dwelling consents remained at the highest level observed in recent years, following a sustained period of growth.
- The strong demand for metal coated and COLORSTEEL® products has continued, with construction levels increasing by 26% on the previous calendar period.

- Recently launched products (e.g. COLORSTEEL® Matte and COLORSTEEL® Dridex) continued to contribute to demand growth through 1H FY2021.

Demand for domestic long products in 1H FY2021 increased by 26% on 1H FY2020 levels, driven predominantly by strong demand in the infrastructure sector.

Export market

Export volumes reduced in 1H FY2021 due to improved domestic demand, particularly for long products. Margins on exports improved, as global steel prices improved significantly through the half.

Vanadium

Sales of Vanadium slag by-products have been an ongoing cost-offset for the New Zealand operation for a number of years. The business also buys-in both ferro and nitrided vanadium as inputs into the steelmaking process (mainly for rebar strengthening purposes) which has the effect of dampening any price related increase in vanadium slag contribution.

The 1H FY2021 net vanadium contribution was approximately $3.4M higher than 1H FY2020. This was primarily due to higher volumes of vanadium slag sales with positive timing of sales and lower costs of Ferro vanadium alloy purchases offset in part by higher nitrided vanadium costs.

Strategic review

Notwithstanding the currently strong demand, the business has still implemented most of the proposed changes to eliminate a range of loss-making products including pipe, export HRC and after a transition for customers in April, cold rolled annealed products. The changes in product mix have been communicated to customers along with agreed transition timelines. The business is committed to delivering the changes to remove uncertainty for its customers and give clarity to its people. Consultation for all affected roles has been completed, with some staff having been informed their roles have been maintained until demand declines. At least 80 to 100 people will have left the business by end of FY2021.

DETAILED EXPLANATORY TABLES

BlueScope

A. Detailed Income Statement

The Group comprises five reportable operating segments: Australian Steel Products; North Star BlueScope Steel; Building Products Asia & North America; Buildings North America and New Zealand & Pacific Islands.

Table 11: Detailed income Statement

	Revenue		Reported Result [1]		Underlying Result [2]	
$M	**1H FY2021**	**1H FY2020**	**1H FY2021**	**1H FY2020**	**1H FY2021**	**1H FY2020**
Sales revenue/EBIT [3]						
Australian Steel Products	2,739.5	2,692.1	259.1	127.9	259.1	127.9
North Star BlueScope Steel	785.9	865.4	67.8	113.5	69.6	114.5
Building Products Asia & North America	1,459.3	1,492.1	148.3	79.4	150.3	80.2
Buildings North America	601.8	611.9	68.9	24.4	70.5	24.4
New Zealand & Pacific Islands	436.2	420.3	55.6	12.9	57.4	12.9
Discontinued operations	0.0	0.0	6.5	(6.8)	0.0	0.0
Segment revenue/EBIT	**6,022.7**	**6,081.8**	**606.2**	**351.3**	**606.9**	**359.9**
Inter-segment eliminations	(205.3)	(220.8)	(5.6)	8.2	(5.5)	8.2
Segment external revenue/EBIT	**5,817.4**	**5,861.0**	**600.6**	**359.4**	**601.4**	**368.1**
Other revenue/(net unallocated expenses)	14.0	21.6	(70.8)	(65.7)	(70.8)	(65.7)
Total revenue/EBIT	**5,831.4**	**5,882.6**	**529.8**	**293.7**	**530.6**	**302.4**
Finance costs			(37.8)	(38.2)	(37.2)	(37.4)
Interest revenue			4.7	11.2	4.7	11.2
Profit/(loss) from ordinary activities before income tax			**496.7**	**266.7**	**498.1**	**276.2**
Income tax (expense)/benefit			(123.4)	(73.1)	(121.4)	(66.6)
Profit/(loss) from ordinary activities after income tax expense			**373.3**	**193.6**	**376.7**	**209.6**
Net (profit)/loss attributable to outside equity interest			(43.0)	(7.8)	(43.8)	(10.0)
Net profit/(loss) attributable to equity holders of BlueScope Steel Ltd			**330.3**	**185.8**	**332.8**	**199.6**
Basic earnings per share (cents)			65.6	36.3	66.1	39.0

[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 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.

B. Reconciliation of Underlying Earnings to Reported Earnings

Table 12: Reconciliation of Underlying Earnings to Reported Earnings

The Company 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 the Group has used the term 'reported' to reference IFRS financial information and 'underlying' to reference non-IFRS financial information. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. Non-IFRS financial information while not subject to audit or review has been extracted from the financial report which has been reviewed by our external auditors. An explanation of each adjustment and reconciliation to the reported IFRS financial information is provided in the table below.

	EBITDA $M		EBIT $M		NPAT $M		EPS $ [8]	
	1H FY21	1H FY20	1H FY21	1H FY20	1H FY21	1H FY20	1H FY21	1H FY20
Reported earnings	**771.7**	**555.7**	**529.8**	**293.7**	**330.3**	**185.8**	**0.66**	**0.36**
Underlying adjustments:								
Net (gains) / losses from businesses discontinued [1]	(6.5)	6.8	(6.5)	6.8	(6.0)	7.6	(0.01)	0.01
Business development and acquisition costs [2]	3.8	4.8	3.8	4.8	2.2	2.2	0.00	0.00
Restructure and redundancy costs [3]	16.3	1.7	16.3	1.7	12.1	0.6	0.02	0.00
Asset sales [4]	(12.8)	(10.6)	(12.8)	(10.6)	(9.2)	(5.8)	(0.02)	(0.01)
India write-off after tax change [5]	-	6.0	-	6.0	-	6.0	-	0.01
Tax asset impairment / (write back) [6]	-	-	-	-	(6.2)	3.2	(0.01)	0.01
US Federal Tax payable on internal entity transfer[7]	-	-	-	-	9.6	-	0.02	-
Underlying Operational Earnings	**772.5**	**564.3**	**530.6**	**302.4**	**332.8**	**199.6**	**0.66**	**0.39**

Table 13: Segmental underlying EBIT adjustments

1H FY2021 underlying EBIT adjustments $M	ASP	North Star	BP	BNA	NZPI	Corp	Discon Ops	Elims	Total
Net losses from businesses discontinued	-	-	-	-	-	-	(6.5)		(6.5)
Business development and acquisition costs	-	1.8	2.0	-	-	-	-	-	3.8
Restructure and redundancy costs	-	-	-	1.6	14.7	-	-	-	16.3
Asset sales	-	-	-	-	(12.8)	-	-	-	(12.8)
India write-off after tax change	-	-	-	-	-	-	-	-	0.0
Tax asset impairment / (write back)									
Underlying Adjustments	**0.0**	**1.8**	**2.0**	**1.6**	**1.9**	**0.0**	**(6.5)**	**0.0**	**0.8**

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[1] 1H FY2021 reflects royalty revaluation gain ($6.7M pre-tax) relating to the previously sold Taharoa iron sands operations and foreign exchange translation gains within the closed Lysaght Taiwan business ($0.7M pre-tax) partly offset by losses from the discontinued Engineered Buildings ASEAN business ($0.9M pre-tax). 1H FY2020 reflects losses from the discontinued Engineered Buildings ASEAN business ($0.2M pre-tax), legal costs ($4.9M pre-tax) and royalty revaluation ($2.2M pre-tax) relating to the previously sold Taharoa iron sands operations, partly offset by foreign exchange translation gains within the closed Lysaght Taiwan business ($0.5M pre-tax).

[2] 1H FY2021 reflects pre commissioning costs associated with the expansion project at North Star ($1.8M pre-tax) and integration and pre-commissioning associated with the Malaysian cold rolling facility acquired from YKGI Holdings at Building Products Asia & North America ($2.0M pre-tax).1H FY2020 reflects pre commissioning costs associated with the expansion project at North Star ($1.0M pre-tax) and integration and pre-commissioning associated with the Malaysian cold rolling facility acquired from YKGI Holdings at Building Products Asia & North America ($3.8M pre-tax).

[3] 1H FY2021 reflects employee redundancy and restructuring costs at New Zealand & Pacific Islands ($14.7M pre-tax) and at Buildings North America ($1.6M pre-tax). 1H FY2020 reflects employee redundancy and restructuring costs at Building Products Asia & North America ($1.7M pre-tax).

[4] 1H FY2021 reflects a gain on land that was part of an 'asset swap' arrangement at New Zealand & Pacific Steel ($12.8M pre-tax). 1H FY2020 reflects the gain on sale of the surplus Lysaght Shanghai site in China at Building Products Asia & North America ($10.6M pre-tax).

[5] 1H FY2020 reflects BlueScope's share of the one-time tax accounting adjustment relating to a tax rate change in India.

[6] 1H FY2021 reflects write back of previously impaired deferred tax assets in New Zealand ($6.2M). 1H FY2020 reflects impairment of deferred tax assets in New Zealand ($3.2M).

[7] 1H FY2021 reflects US Federal tax payable on internal transfer of Global BMC Mauritius (Holdings) Ltd. legal entity from a North America holding company to an Australian holding company.

[8] EPS is based on the average number of shares on issue during the respective reporting periods of 503.4M in 1H FY2021 and 511.3M in 1H FY2020.

C. Cash Flow Statement

Table 14: Consolidated cash flow statement

$M	1H FY2021	1H FY2020	Variance
Reported EBITDA	**771.7**	**555.7**	**39%**
Add cash/(deduct non-cash) items			
- Share of profits from associates and joint venture partnership not received as dividends	(12.6)	(4.2)	(201%)
- Expensing of share-based employee benefits	10.6	7.7	38%
- Exchange reserve transferred to the P&L	-	-	-
- Impaired assets	-	-	-
- Net (gain) loss on sale of assets	(11.6)	(10.3)	(12%)
Cash EBITDA	**758.1**	**549.0**	**38%**
Changes in working capital	(132.4)	(248.7)	47%
Gross operating cash flow	**625.7**	**300.3**	**108%**
Finance costs	(35.2)	(38.4)	8%
Interest received	4.7	11.2	(58%)
Income tax paid [1]	(29.5)	(37.3)	21%
Net cash from operating activities	**565.7**	**235.8**	**140%**
Capex: payments for P, P & E and intangibles	(300.6)	(275.6)	(9%)
Other investing cash flows	2.1	11.5	(82%)
Net cash flow before financing	**267.2**	**(28.3)**	**1,045%**
Buy-backs of equity	-	(194.1)	100%
Dividends to non-controlling interests [2]	(1.1)	(11.5)	91%
Dividends to BlueScope Steel Limited shareholders	(40.3)	(41.2)	2%
Other	3.0	(2.6)	216%
Net drawing/(repayment) of borrowings & leases	(79.9)	(91.6)	13%
Net increase/(decrease) in cash held	**148.9**	**(369.3)**	**140%**

[1] The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 31 December 2020, of approximately $1.1Bn. There will be no Australian income tax payments until these are recovered.
[2] These dividend payments primarily relate to dividend payments to Nippon Steel Corporation (NSC) in respect of NS BlueScope Coated Products joint venture.

Glossary

1H	Six months ended 31 December in the relevant financial year
1H FY2019	Six months ended 31 December 2018
1H FY2020	Six months ended 31 December 2019
1H FY2021	Six months ended 31 December 2020
2H	Six months ended 30 June in the relevant financial year
2H FY2019	Six months ending 30 June 2019
2H FY2020	Six months ending 30 June 2020
ASEAN	Association of South East Asian Nations
ASP	Australian Steel Products segment
A$, $	Australian dollar
BNA	Buildings North America segment
BP or Building Products	Building Products Asia & North America segment
BPG	BlueScope Properties Group
BlueScope or the Group	BlueScope Steel Limited and its subsidiaries (i.e. the consolidated group)
the Company	BlueScope Steel Limited (i.e. the parent entity)
CY2020	Calendar year ended 31 December 2020
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 Buildings North America and Building Products segments
EPS	Earnings per share
FY2019	12 months ending 30 June 2019
FY2020	12 months ending 30 June 2020
FY2021	12 months ending 30 June 2021
HRC	Hot rolled coil steel
IFRS	International Financial Reporting Standards
IRR	Internal rate of return
Leverage, or leverage ratio	Net debt over LTM underlying EBITDA
LTM	Last twelve months
Net debt, or ND	Gross debt less cash
n/m or nmf	Not meaningful
NOA	Net operating assets pre-tax
North Star	North Star BlueScope Steel
NPAT	Net profit after tax
NSC	Nippon Steel Corporation
NZ$	New Zealand dollar
NZPI	New Zealand & Pacific Islands segment
OEM	Original equipment manufacturer
ROIC	Return on invested capital (or ROIC), last 12 months' underlying EBIT over trailing 13 month average capital employed. Note, previous representations of half year ROIC figures were calculated as annualised six month underlying EBIT over seven month average capital employed
ROU	Right of use
TBSL	Tata BlueScope Steel
US	United States of America
US$	United States dollar

BlueScope Contact

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BlueScope Steel Limited ABN 16 000 011 058

Interim Financial Report - 31 December 2020

Contents

The Directors of BlueScope Steel Limited ('the Company') present their interim report on the consolidated entity ('BlueScope' or 'the Group') consisting of BlueScope Steel Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

DIRECTORS

The following persons were Directors of the Company during the interim financial period and up to the date of this Directors' Report, except as otherwise stated:

John Andrew Bevan (Chairman)
Mark Royce Vassella (Managing Director and Chief Executive Officer)
Penelope Bingham-Hall
Ewen Graham Wolseley Crouch AM
Rebecca Patricia Dee-Bradbury
Jennifer Margaret Lambert
Richard Mark Hutchinson
Kathleen Marie Conlon

OPERATING AND FINANCIAL REVIEW

Financial Results

BlueScope comprises five reportable operating segments: Australian Steel Products, North Star BlueScope Steel, Building Products Asia and North America, Buildings North America and New Zealand & Pacific Islands. 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 FY2021	1H FY2020	1H FY2021	1H FY2020	1H FY2021	1H FY2020
Sales revenue/EBIT(3)						
Australian Steel Products	2,739.5	2,692.1	259.1	127.9	259.1	127.9
North Star BlueScope Steel	785.9	865.4	67.8	113.5	69.6	114.5
Building Products Asia & North America	1,459.3	1,492.1	148.3	79.4	150.3	80.2
Buildings North America	601.8	611.9	68.9	24.4	70.5	24.4
New Zealand & Pacific Islands	436.2	420.3	55.6	12.9	57.4	12.9
Discontinued operations	-	-	6.5	(6.8)	-	-
Segment sales revenue/EBIT(3)	**6,022.7**	**6,081.8**	**606.2**	**351.3**	**606.9**	**359.9**
Intersegment eliminations	(205.3)	(220.8)	(5.6)	8.1	(5.5)	8.2
Segment external sales revenue/EBIT(3)	**5,817.4**	**5,861.0**	**600.6**	**359.4**	**601.4**	**368.1**
Other revenue (net unallocated expenses)	14.0	21.6	(70.8)	(65.7)	(70.8)	(65.7)
Total revenue/EBIT(3)	**5,831.4**	**5,882.6**	**529.8**	**293.7**	**530.6**	**302.4**
Borrowing costs			(37.8)	(38.2)	(37.2)	(37.4)
Interest revenue			4.7	11.2	4.7	11.2
Profit from ordinary activities before income tax			**496.7**	**266.7**	**498.1**	**276.2**
Income tax expense			(123.4)	(73.1)	(121.4)	(66.6)
Profit from ordinary activities after income tax expense			**373.3**	**193.6**	**376.7**	**209.6**
Net (profit) attributable to non-controlling interests			(43.0)	(7.8)	(43.8)	(10.0)
Net profit attributable to equity holders of BlueScope Steel			**330.3**	**185.8**	**332.8**	**199.6**
Basic earnings per share (cents)			65.6	36.3	66.1	39.0

(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.

Reconciliation of underlying earnings to reported earnings

The Company 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. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. An explanation of each adjustment and reconciliation to the reported IFRS financial information is provided in the table below.

	EBIT $M		NPAT $M		Earning per share[8] (cents)	
	1H FY2021	1H FY2020	**1H FY2021**	1H FY2020	**1H FY2021**	1H FY2020
Reported earnings	529.8	293.7	330.3	185.8	65.6	36.3
Net gain (losses) from businesses discontinued[1]	(6.5)	6.8	(6.0)	7.6	(1.2)	1.5
Reported earnings (from continuing operations)	**523.3**	**300.5**	**324.3**	**193.4**	**64.4**	**37.8**
Underlying adjustments:						
Business development and acquisition costs[2]	3.8	4.8	2.2	2.2	0.4	0.4
Restructure and redundancy costs[3]	16.3	1.7	12.1	0.6	2.4	0.1
Asset sales[4]	(12.8)	(10.6)	(9.2)	(5.8)	(1.8)	(1.1)
India write-off after tax rate change[5]	-	6.0	-	6.0	-	1.2
Tax asset impairment / (write-back) [6]	-	-	(6.2)	3.2	(1.2)	0.6
US Federal tax payable [7]	-	-	9.6	-	1.9	-
Underlying earnings	**530.6**	**302.4**	**332.8**	**199.6**	**66.1**	**39.0**

(1) First half FY2021 reflects royalty revaluation gain ($6.7M pre-tax) relating to the previously sold Taharoa iron sands operations and foreign exchange translation gains within the closed Lysaght Taiwan business ($0.7M pre-tax) partly offset by losses from the discontinued Engineered Buildings ASEAN business ($0.9M pre-tax). First half FY2020 reflects losses from the discontinued Engineered Buildings ASEAN business ($0.2M pre-tax), legal costs ($4.9M pre-tax) and royalty revaluation ($2.2M pre-tax) relating to the previously sold Taharoa iron sands operations, partly offset by foreign exchange translation gains within the closed Lysaght Taiwan business ($0.5M pre-tax).

(2) First half FY2021 reflects pre-commissioning costs associated with the expansion project at North Star ($1.8M pre-tax) and integration and pre-commissioning associated with the Malaysian cold rolling facility acquired from YKGI Holdings at Building Products Asia & North America ($2.0M pre-tax). First half FY2020 reflects pre-commissioning costs associated with the North Star expansion project ($1.0M pre-tax) and integration and pre-commissioning costs associated with the Malaysian cold rolling facility acquired from YKGI Holdings at Building Products Asia & North America ($3.8M).

(3) First half FY2021 reflects employee redundancy and restructuring costs at New Zealand & Pacific Steel ($14.7M pre-tax) and at Buildings North America ($1.6M pre-tax). First half FY2020 reflects employee redundancy and restructuring costs at Building Products Asia & North America ($1.7M pre-tax).

(4) First half FY2021 reflects a gain on land that was part of an ‘asset swap’ arrangement at New Zealand & Pacific Islands ($12.8M pre-tax). First half FY2020 reflects the gain on sale of Lysaght Shanghai site in China at Building Products Asia & North America ($10.6M pre-tax).

(5) First half FY2020 reflects BlueScope's share of one-off tax accounting adjustment relating to a tax rate change in India ($6.0M).

(6) First half FY2021 reflects write-back of previously impaired deferred tax assets in New Zealand ($6.2M). First half FY2020 reflects impairment of deferred tax assets New Zealand ($3.2M).

(7) First half FY2021 reflects US Federal tax payable on internal transfer of Global BMC Mauritius (Holdings) Ltd. legal entity from a North America holding company to an Australian holding company.

(8) Earnings per share are based on the average number of shares on issue during the respective reporting periods 503.4M in first half FY2021 and 511.3M in first half FY2020.

Financial Performance

BlueScope reported a first half FY2021 net profit after tax (NPAT) of $330.3M, up 78% on first half FY2020, and an underlying NPAT of $332.8M.

Underlying EBIT for the half-year was $530.6M, up 75% on first half FY2020 and approximately double that of second half FY2020. All operating segments have performed well across the half-year with strong volumes and improving steel spreads in the largest steelmaking business in Australia and the US. Australian Steel Products' domestic despatches were the highest in a decade, driven by a resurgent residential construction sector. Across the portfolio from India, ASEAN, China, the US and NZ & Pacific Islands, the Group recorded strong earnings improvements.

Total group operating cash flow for the half-year, after capital expenditure, was $265.1M or $433.3M excluding investment in the North Star expansion. The balance sheet at half-year is in a strong position at $305.2M net cash, providing the Company real confidence to pursue it's strategy of transformation and growth.

The Board has approved the payment of a 6 cents per share interim dividend, in line with the previous year's interim dividend. With near-term focus on the completion of the North Star expansion, the share buy-back remains on hold.

The results demonstrate the Company's strategy at work with the strength and quality of a diverse portfolio. This performance, and the healthy condition of the Group at the start of second half FY2021, are a tribute to the efforts of 14,000 employees across all 18 countries.

Importantly, BlueScope continues to respond diligently to the COVID-19 pandemic, maintaining personal health, safety and wellbeing of employees and that of the business, customers and communities.

Segment Results

Australian Steel Products

- Delivered underlying EBIT of $259.1M, up 103% on first half FY2020 and 46% on second half FY2020.
- Domestic construction and distribution segment demand has been strong, particularly for coated and painted products, leading to the strongest domestic volumes since second half FY2010. Realised spreads improved, outperforming benchmark movements which were broadly consistent with second half FY2020. The contribution from export coke remained elevated and exceeded second half FY2020.

North Star BlueScope Steel

- Delivered underlying EBIT of $69.6M, down 39% on first half FY2020 and 7% on second half FY2020.
- Despatch volumes ran at capacity and end-use mix normalised towards the end of the half as auto production ramped up. Spreads were similar to second half FY2020, however the stronger A$:US$ impacted on translation of earnings.

Building Products Asia & North America

- Delivered underlying EBIT of $150.3M, up 87% on first half FY2020 and 100% on second half FY2020.
- Performance in ASEAN improved significantly on better volumes and cyclical margin expansion driven by relatively lower steel feed costs in a rising price environment.
- The North America business also improved significantly, due to improved manufacturing performance and cyclical margin expansion driven by relatively lower steel feed costs in a rising price environment.
- China and India also both delivered stronger results.

Buildings North America

- Delivered underlying EBIT of $70.5M, up 189% on first half FY2020 and over 400% on second FY2020.
- The core engineered buildings business delivered a result that was broadly in line with first half FY2020 and better than second half FY2020.
- BlueScope Properties Group's contribution was higher than last half including the approximately $40M additional contribution from the November property sale. This magnitude of contribution is not expected to be repeated in second half FY2021.

New Zealand & Pacific Islands

- Delivered underlying EBIT of $57.4M, up over 300% on first half FY2020 and $76.1M on the loss in second half FY2020 of $18.7M.
- Performance improved substantially, primarily due to a return to normal operations post-COVID-19 government mandated closure during second half FY2020, very strong domestic demand particularly for coated and painted products and reduced depreciation charge.

North Star Expansion Update

The cornerstone project to expand the North Star mini-mill in Delta, Ohio, by around 850,000 tonnes per annum is progressing well. Over the last six months work has commenced on installing the Melt Shop, Caster and Shuttle Furnace. Equipment continues to be delivered to site, with ancillary equipment such as cranes, water and electricity infrastructure, also being installed.

All this progress has been done in the face of the widespread COVID-19 pandemic in the US and is a great credit to the team in Delta Ohio US. The Company continues to be mindful of the ongoing health and safety risks.

Appointment of Chief Executive Climate Change

BlueScope has established a new Executive Leadership Team position, appointing Gretta Stephens as Chief Executive Climate Change.

In recent years the Company has built climate change into their corporate strategy, recognising that addressing climate change is essential to the long-term success and have publicly stated their commitment to taking action on carbon emissions. The Company is now formalising that approach. Gretta will lead the new Climate Change function. With her technical background in engineering and materials science, and her track record of working with government and wider industry to solve macro problems, Gretta is ideally placed to lead this new global function.

Gretta will drive the work already underway, including decarbonisation pathway and long-term carbon reduction aspirations. Gretta’s new team will explore a range of technologies to understand the scale of emissions reduction they might deliver, potential costs and timeframes, and the barriers and enablers to implementation.

BlueScope recognises that the future of iron and steelmaking will need to be centred around breakthrough technologies, once proven and scalable. Exciting work is being undertaken around the globe to explore breakthrough ‘green steel’ ironmaking technologies including using hydrogen and electrolysis. BlueScope is actively monitoring the development of these technologies, which are currently in early stages of technology readiness. Such initiatives will need to be blended with public policy, capital, technology, and superior steelmaking know-how to make them work.

In the shorter term, the steel sector will need to rely on technology performance improvements within conventional routes, increased use of renewable energy and other abatement measures.

The Company is currently considering a diverse portfolio of projects including optimising raw material mixes, capturing and reusing a greater proportion of waste heat and gases, and potentially replacing a proportion of the coal currently used in the process with alternative reductants such as biomass or hydrogen-containing gas such as coke ovens gas. Increased rates of scrap usage, and greater use of renewable energy to cut Scope 2 emissions, are also being considered. BlueScope expects to make further announcements about these plans during this calendar year, together with updated climate scenario analysis and a long-term carbon emission reduction plan.

Port Kembla Steelworks Blast Furnace Reline

BlueScope is considering options for the future configuration of the Port Kembla Steelworks, once the No.5 Blast Furnace comes to the end of its current operating campaign, which is now expected to occur in the late 2020s, with an indicative range of 2026 to 2030.The furnace is operating well, and the business is planning to continue to operate it for as long as it is efficient, reliable and safe to do so. However, given the critical nature of iron making to the Port Kembla operations, to safe-guard supply, an alternate source of iron may need to be available from 2026.

Understanding decarbonisation pathway and broader climate change considerations from the scenario analysis are central to the Company's approach. Emerging ‘green steel’ technologies, whilst promising, are not yet ready for large scale implementation in the timeframes required. In addition, alternative established lower carbon technologies such as EAF steelmaking are not economically viable for large scale flat steel production in Australia at this time given the Australia’s high cost of energy and due to insufficient availability of cost effective, quality scrap steel to support 3.0M tonnes of flat steel production at Port Kembla.

At this point, a reline is likely to be the most technically feasible and economically attractive option for Australian steelmaking while longer-term breakthrough low-emission technologies are developed. Evaluation of measures to reduce carbon emissions intensity of iron and steelmaking are a key part of the process, as evidenced by the establishment of the role, and the appointment, of a new Chief Executive for Climate Change. Given the strong earnings and cash flow capability of ASP there is significant flexibility and optionality to adopt new technologies and iron making configurations in the medium to longer term, as and when they are technically and commercially ready.

The Company's initial focus is on a reline of the currently mothballed No.6 Blast Furnace. The scope, cost and timing are being developed. This option may enable the project to be conducted over a longer period to minimise operational disruption, optimise the asset and spread the capital expenditure. The Company has commenced a pre-feasibility assessment (with an expected cost of around $10M) in accordance with BlueScope’s rigorous multi-stage capital investment evaluation process; the highly indicative capital cost is around $700M to $800M.

Capital Management

The Board has today approved the payment of a 6 cents per share interim unfranked dividend.

A key element of BlueScope’s strategy is to maintain strong financial capacity. As it is highly value accretive project, the Company's capital allocation focus is on the North Star expansion, supported by it's robust balance sheet. Given this large capital expenditure program and ongoing uncertainty in market conditions, BlueScope’s share buy-back program will remain on hold.

Matters subsequent to the half-year ended 31 December 2020

There were no subsequent events after balance date for the half-year ended 31 December 2020.

Likely developments and expected results of operations

At the beginning of second half FY2021, order and despatch rates in key markets remain robust. Spot steel spreads in North America are materially higher than both first half FY2021 and longer-term averages. However, it is uncertain whether these conditions will be sustained throughout the half due to volatile macroeconomic and market factors, including potential impacts from COVID-19 which could disrupt demand, supply chains and operations.

Accordingly, the Company expects underlying EBIT in second half FY2021 to be in the range of $750M to $830M. Expectations are subject to spread, foreign exchange and market conditions, including potential impacts from COVID-19.

Auditor's independence declaration

The auditor's independence declaration for the half-year ended 31 December 2020 has been received from Ernst & Young. This can be referred to on page 8 which accompanies 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.

John Bevan
Chairman

Mark Vassella
Managing Director & CEO

Melbourne
22 February 2021

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 2020, 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
22 February 2021

Statement of Comprehensive Income

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	Consolidated Half-year 2020 $M	2019 $M
Revenue from continuing operations	4	**5,831.4**	5,882.6
Other income	5	**36.8**	38.8
Changes in inventories of finished goods and work in progress		**59.0**	28.1
Raw materials and consumables used		**(3,521.5)**	(3,657.5)
Employee benefits expense		**(889.2)**	(887.8)
Depreciation and amortisation expense		**(241.9)**	(261.9)
Freight on external despatches		**(265.0)**	(267.2)
External services		**(388.0)**	(416.0)
Finance costs	5	**(37.8)**	(38.2)
Restructuring expense	5	**(14.1)**	(0.5)
Other expenses		**(92.1)**	(151.3)
Share of net profits of associates and joint venture partnerships accounted for using the equity method		**12.6**	4.4
Profit before income tax		**490.2**	273.5
Income tax expense	6	**(123.4)**	(73.1)
Net profit from continuing operations		**366.8**	200.4
Profit (loss) from discontinued operations after income tax		**6.5**	(6.8)
Net profit for the half-year		**373.3**	193.6
Items that may be reclassified to profit or loss			
Net gain (loss) on cash flow hedges		**8.4**	(1.0)
- Income tax (expense) benefit		**(2.5)**	0.2
Net loss on net investments in foreign subsidiaries		**(50.3)**	(9.8)
- Income tax benefit		**15.1**	2.9
Exchange fluctuations on translation of foreign operations attributable to BlueScope Steel Limited		**(272.0)**	(3.0)
Items that will not be reclassified to profit or loss			
Actuarial gain on defined benefit superannuation plans		**107.5**	38.5
- Income tax (expense)		**(30.1)**	(10.7)
Investment revaluation		**7.4**	(4.8)
Exchange fluctuations on translation of foreign operations attributable to non-controlling interests		**(46.6)**	6.0
Other comprehensive income (loss) for the half-year		**(263.1)**	18.3
Total comprehensive income for the half-year		**110.2**	211.9
Profit is attributable to:			
Owners of BlueScope Steel Limited		**330.3**	185.8
Non-controlling interests		**43.0**	7.8
		373.3	193.6
Total comprehensive income for the half-year is attributable to:			
Owners of BlueScope Steel Limited		**113.8**	198.2
Non-controlling interests		**(3.6)**	13.7
		110.2	211.9

Earnings per share for profit attributable to ordinary equity holders of the Company from:	Notes	**2020 Cents**	2019 Cents
Continuing operations:			
Basic earnings per share	12	**64.4**	37.8
Diluted earnings per share	12	**63.8**	37.5
Total operations:			
Basic earnings per share	12	**65.6**	36.3
Diluted earnings per share	12	**65.0**	36.0

Statement of Financial Position

BLUESCOPE STEEL LIMITED
AS AT 31 DECEMBER 2020

		Consolidated	
		31 December 2020	30 June 2020
	Notes	**$M**	$M
ASSETS			
Current assets			
Cash and cash equivalents		**1,495.1**	1,399.5
Trade and other receivables		**1,020.7**	1,077.0
Contract assets		**21.3**	24.3
Inventories		**1,863.2**	1,921.6
Operating intangible assets		**37.6**	35.9
Derivative financial instruments		**-**	0.1
Deferred charges and prepayments		**137.4**	124.2
		4,575.3	4,582.6
Non-current assets classified as held for sale		**-**	10.3
Total current assets		**4,575.3**	4,592.9
Non-current assets			
Trade and other receivables		**47.3**	52.1
Inventories		**58.2**	60.2
Operating intangible assets		**78.6**	78.4
Derivative financial instruments		**10.8**	7.6
Investments accounted for using the equity method		**96.6**	89.7
Other investments - fair value through other comprehensive income		**22.9**	15.5
Property, plant and equipment		**4,237.0**	4,175.3
Right-of-use assets		**316.2**	338.0
Intangible assets		**1,527.9**	1,721.5
Deferred tax assets		**335.0**	413.2
Deferred charges and prepayments		**19.5**	15.9
Total non-current assets		**6,750.0**	6,967.4
Total assets		**11,325.3**	11,560.3
LIABILITIES			
Current liabilities			
Trade and other payables		**1,597.8**	1,679.2
Borrowings		**61.6**	121.2
Lease liabilities		**95.5**	97.4
Current tax liabilities		**40.6**	11.7
Provisions		**421.6**	420.9
Contract liabilities		**198.4**	178.7
Deferred income		**3.8**	26.3
Derivative financial instruments		**5.7**	5.6
Total current liabilities		**2,425.0**	2,541.0
Non-current liabilities			
Trade and other payables		**58.6**	59.2
Borrowings		**622.1**	662.8
Lease liabilities		**410.7**	439.0
Deferred tax liabilities		**152.1**	167.6
Provisions		**187.6**	179.0
Contract liabilities		**6.2**	7.2
Retirement benefit obligations	8	**332.5**	439.7
Deferred income		**2.7**	3.1
Derivative financial instruments		**15.4**	22.1
Total non-current liabilities		**1,787.9**	1,979.7
Total liabilities		**4,212.9**	4,520.7
Net assets		**7,112.4**	7,039.6
EQUITY			
Contributed equity	7	**3,649.3**	3,634.7
Reserves		**51.1**	354.6
Retained profits		**2,920.2**	2,553.8
Parent entity interest		**6,620.6**	6,543.1
Non-controlling interests		**491.8**	496.5
Total equity		**7,112.4**	7,039.6

Statement of Changes to Equity

BLUESCOPE STEEL LIMITED
AS AT 31 DECEMBER 2020

Consolidated - 31 December 2020	Notes	Contributed equity $M	Reserves $M	Retained profits $M	Non-controlling interests $M	Total $M
Balance at 1 July 2020		**3,634.7**	**354.6**	**2,553.8**	**496.5**	**7,039.6**
Profit for the period		-	-	330.3	43.0	373.3
Other comprehensive income (loss)		-	(293.9)	77.4	(46.6)	(263.1)
Total comprehensive income (loss) for the half-year		**-**	**(293.9)**	**407.7**	**(3.6)**	**110.2**
Transactions with owners in their capacity as owners:						
Issue of share awards	7	13.7	(13.7)	-	-	-
Share-based payment expense		-	11.5	-	-	11.5
Treasury shares	7(iii)	(0.9)	-	-	-	(0.9)
Dividends paid		-	-	(40.3)	(1.1)	(41.4)
Tax credit recognised directly in equity	7	1.8	-	-	-	1.8
Other		-	(7.4)	(1.0)	-	(8.4)
		14.6	(9.6)	(41.3)	(1.1)	(37.4)
Balance at 31 December 2020		**3,649.3**	**51.1**	**2,920.2**	**491.8**	**7,112.4**

Consolidated - 31 December 2019	Notes	Contributed equity $M	Reserves $M	Retained profits $M	Non-controlling interests $M	Total $M
Balance at 1 July 2019		**3,832.8**	**369.0**	**2,662.3**	**477.4**	**7,341.5**
Accounting policy changes (AASB 16) - 1 July 2019		-	-	(67.3)	-	(67.3)
- Tax credit		-	-	20.3	-	20.3
Non-controlling interest share of accounting policy changes after tax		-	-	3.1	(3.1)	-
Restated Balance at 1 July 2019		**3,832.8**	**369.0**	**2,618.4**	**474.3**	**7,294.5**
Profit for the period		-	-	185.8	7.8	193.6
Other comprehensive income (loss)		-	(15.4)	27.8	5.9	18.3
Total comprehensive income for the half-year		**-**	**(15.4)**	**213.6**	**13.7**	**211.9**
Transactions with owners in their capacity as owners:						
Issue of share awards	7	16.5	(16.5)	-	-	-
Share-based payment expense		-	7.7	-	-	7.7
Share buybacks	7(i)	(185.7)	-	-	-	(185.7)
Dividends paid		-	-	(41.2)	(11.5)	(52.7)
Tax credit recognised directly in equity	7	6.0	-	-	-	6.0
Other		-	1.8	(1.8)	-	-
		(163.2)	(7.0)	(43.0)	(11.5)	(224.7)
Balance at 31 December 2019		**3,669.6**	**346.6**	**2,789.0**	**476.5**	**7,281.7**

Statement of Cash Flows

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	Consolidated Half-year 2020 $M	2019 $M
Cash flows from operating activities			
Receipts from customers		**6,017.7**	6,134.1
Payments to suppliers and employees		**(5,408.7)**	(5,845.6)
		609.0	288.5
Dividends received - Associate		**-**	0.2
Dividends received - Other		**-**	0.3
Interest received		**4.7**	11.2
Other revenue		**16.7**	11.3
Finance costs paid		**(35.2)**	(38.4)
Income taxes paid		**(29.5)**	(37.3)
Net cash inflow from operating activities		**565.7**	235.8
Cash flows from investing activities			
Payments for purchase of subsidiaries, net of cash acquired	5(ii)	**-**	(5.7)
Payments for property, plant and equipment		**(297.9)**	(269.6)
Payments for intangibles		**(2.7)**	(6.0)
Proceeds from sale of property, plant and equipment		**2.1**	13.5
Proceeds from sale of subsidiary		**-**	3.7
Net cash (outflow) from investing activities		**(298.5)**	(264.1)
Cash flows from financing activities			
Proceeds from borrowings		**84.3**	354.8
Repayment of borrowings		**(112.6)**	(392.4)
Repayment of lease liabilities		**(51.6)**	(54.0)
Dividends paid to Company's shareholders		**(40.3)**	(41.2)
Dividends paid to non-controlling interests in subsidiaries		**(1.1)**	(11.5)
Share buybacks	7(i)	**-**	(194.1)
Other		**3.0**	(2.6)
Net cash (outflow) from financing activities		**(118.3)**	(341.0)
Net increase (decrease) in cash and cash equivalents		**148.9**	(369.3)
Cash and cash equivalents at the beginning of the financial year		**1,399.5**	1,643.4
Effects of exchange rate changes on cash and cash equivalents		**(53.8)**	(2.1)
Cash and cash equivalents at end of period		**1,494.6**	1,272.0

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 2020 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 2020 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.

(a) New Accounting Standards and interpretations adopted by the Group

(i) AASB 2019-3 Amendments to AASs - Interest Rate Benchmark Reform (effective 1 July 2020)
These amendments to AASB 7 Financial Instruments: Disclosures, AASB 9 and AASB 139 Financial Instruments: Recognition and Measurement were issued in response to the effects of Interbank Offered Rates reform on financial reporting. They provide mandatory temporary relief enabling hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative “nearly risk-free” benchmark.

These amendments apply retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated, nor can any hedge relationships be designated with the benefit of hindsight. An assessment of the amendments to the standard has not resulted in any impact on the financial statements.

(ii) AASB 2018-7 Amendments to AASs- Definition of Material (effective 1 July 2020)
The amendments align the definition of ‘material’ across AASB 101 Presentation of Financial Statements and AAS 108 Accounting Policies, Changes in Accounting Estimates and Errors, and clarify certain aspects of the definition. The new definition states that, ’Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. An assessment of the amendments to the standard has not resulted in any impact on the Group's current criteria of 'materiality' principles.

(b) 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 2020 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 2020-1 Amendments to AASs- Classification of Liabilities as Current or Non-current (effective 1 July 2022)
A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 to clarify the requirements for classifying liabilities as current or non-current. Specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management intention or expectation does not affect classification of liabilities.
- In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.

The Group does not expect these amendments to have any significant impact on the Group's current classification of current and non-current liabilities.

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 (CGUs) were tested for impairment at the reporting date. The recoverable amounts of CGUs have been determined on a consistent basis to 30 June 2020. The basis of determining the key assumptions are listed below.

Key assumptions	Basis of estimation
Future cash flows	• Value-in-use (VIU) calculations use pre-tax cash flows, inclusive of working capital movements which are based on financial projections approved by the Group covering a two and half year period, being the basis of the Group's forecasting and planning processes, or up to four and half 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% (June 2020: 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 8.0% to 9.4% (June 2020: 8.0% to 9.4%). • 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 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.
Climate related risks	• BlueScope gives regard to climate change and other sustainability risks when determining the carrying value of each CGU. • The Group has climate change action plans, greenhouse gas emission reduction targets for its steelmaking sites, environmental management, water stewardship and other sustainability initiatives. The Company reports these in its annual Sustainability Report (available on the Company's web site). Operating and capital expenditure associated with these initiatives are, to the extent necessary, taken into account when determining the recoverable amount of each CGU. • Where applicable a cost of carbon, net of assistance, in jurisdictions where legislation has been enacted (in particular in New Zealand) is taken into account based on a continuation of legislation as it is currently enacted and external forecasts.

2 Critical accounting estimates and judgements (continued)

(i) Cash generating units with significant goodwill

Buildings North America
Buildings North America is tested for impairment on a value-in-use (VIU) basis using two and half year cash flow projections, followed by a long-term growth rate of 2.5% for a further 27.5 years. Pre-tax VIU cash flows are discounted utilising a pre-tax discount rate of 10.5% (June 2020: 10.5%).

As at 31 December 2020 the recoverable amount of this CGU is 1.6 times (June 2020: 1.5 times) the carrying amount of $457.0M (June 2020: $530.3M), 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 recover to near pre COVID-19 levels by FY2023.

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 approximately 36% (June 2020: 33%) across the forecast period, without implementation of mitigation plans, the recoverable amount would equal the carrying amount. If the forecast EBITDA recovery trajectory was delayed twelve months the recoverable amount would be 1.4 times the carrying amount.

North Star BlueScope Steel
North Star BlueScope Steel is tested for impairment on a VIU basis using two and half year cash flow projections, followed by a long-term growth rate of 2.5% for a further 27.5 years. Pre-tax VIU cash flows are discounted utilising a pre-tax discount rate of 11.9% (June 2020: 11.9%).

At 31 December 2020 the recoverable amount of the CGU is 2.4 times (June 2020: 2.3 times) the carrying amount of $2,055.9M (June 2020: $2,059.4M), including non-current assets and net working capital. This CGU is most sensitive to assumptions in relation to the spread between North American hot rolled coil and purchased scrap prices. Taking into account external forecasts, the Group expects the spread to remain strong in the near term and revert towards mid-cycle levels in the longer term. To illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts for North Star BlueScope Steel were to decrease by approximately 55% (June 2020: 47%) 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 the Group's largest CGU, Australian Steel Products (ASP) and New Zealand & Pacific Islands (NZPI), as they are exposed to global steel macroeconomic factors. The carrying amount of these CGUs are determined by taking into account the key assumptions set out above.

For ASP, recognised external forecasters estimate the Australian dollar relative to the US dollar to strengthen relative to the average half-year ended 31 December 2020 level and estimate an increase in Asian commodity steel prices relative to iron ore and coking coal costs relative to the average for the half-year ended 31 December 2020. The Group believes that the long-term assumptions adopted are appropriate.

ASP is exposed to variable macroeconomic factors and domestic demand, and to illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts were to decrease by approximately 52% (June 2020: 45%) across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

For NZPI, recognised external forecasters estimate the New Zealand dollar relative to the US dollar to strengthen from the level at the half-year ended 31 December 2020 and estimate an increase in global commodity steel prices relative to half-year ended 31 December 2020 in the longer term. The Group believes that the long term assumptions adopted are appropriate.

NZPI is 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 approximately 20% (June 2020: Nil%) 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.

(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.

2 Critical accounting estimates and judgements (continued)

(k) Lease contract terms

The Group has applied judgement when determining the relative standalone prices of the lease and non-lease components contained within service agreements.The lease asset rentals have been determined using estimated asset depreciation charges uplifted for specific contract margins.

Judgement has also been applied when determining the lease terms for lease contracts containing extension options. Lease terms have been assessed based on whether the Group is reasonably certain to exercise such options. This assessment impacts the value of the lease liability and right-of-use asset recognised. Lease extension options are at the Group's discretion of being exercised and are primarily associated with property leases.

3 Segment information

(a) Description of segments

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

Segment	Description
Australian Steel Products	• ASP produces and markets a range of high value 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). • This segment also operates pipe and tube manufacturing, and 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.
North Star BlueScope Steel	• North Star BlueScope Steel is a single site electric arc furnace producer of hot rolled coil in Ohio US. It is strategically located near its customers and in one of the largest scrap markets in North America.
Building Products Asia and North America	• 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. • This 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. • This segment also includes Building Products China, comprising metal coating, painting, Lysaght operations and Engineered Building Solutions. • BlueScope operates in ASEAN and North America in partnership with Nippon Steel Corporation (NSC) and in India with Tata Steel. Both are 50/50 joint ventures, with BlueScope controlling and therefore consolidating the joint venture with NSC, and jointly controlling and therefore equity accounting the joint venture with Tata Steel.
Buildings North America	• Leader in Engineered Building Solutions (EBS), servicing the low-rise non-residential construction needs of customers from an engineering and manufacturing base in North America. • This segment also includes the BlueScope Properties Group which develops industrial properties, predominantly warehouses and distribution centres.
New Zealand & Pacific Islands	• 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 and rod and bar in Fiji. • 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.

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 2020 is as follows:

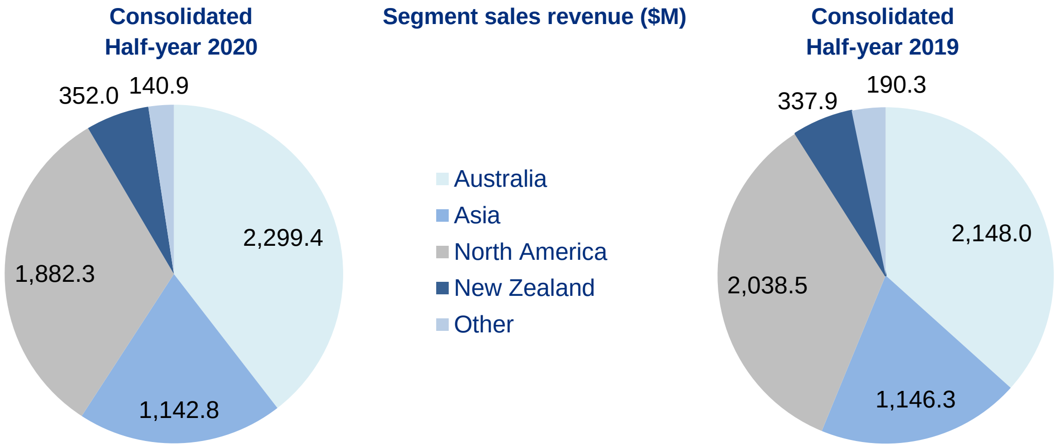
31 December 2020	Australian Steel Products $M	North Star BlueScope Steel $M	Building Products Asia & North America $M	Buildings North America $M	New Zealand & Pacific Islands $M	Discontinued Operations $M	Total $M
Total segment sales revenue	2,739.5	785.9	1,459.3	601.8	436.2	-	6,022.7
Intersegment revenue	(113.0)	(36.9)	(33.0)	(0.6)	(21.8)	-	(205.3)
Revenue from external customers	**2,626.5**	**749.0**	**1,426.3**	**601.2**	**414.4**	**-**	**5,817.4**
Segment EBIT	**259.1**	**67.8**	**148.3**	**68.9**	**55.6**	**6.5**	**606.2**
Depreciation and amortisation	141.0	32.9	45.5	12.2	9.8	-	241.4
Share of profit (loss) from associates and joint venture partnerships	-	-	14.2	(1.6)	-	-	12.6
Total segment assets	**3,863.5**	**2,473.0**	**1,897.6**	**650.5**	**623.0**	**16.5**	**9,524.1**
Total assets includes:							
Investments in associates and joint venture partnerships	-	-	96.6	-	-	-	96.6
Additions to non-current assets (other than financial assets and deferred tax)	86.7	312.3	19.7	15.3	26.5	-	460.5
Total segment liabilities	**1,084.0**	**417.1**	**629.7**	**220.4**	**512.2**	**3.4**	**2,866.8**

31 December 2019	Australian Steel Products $M	North Star BlueScope Steel $M	Building Products Asia & North America $M	Buildings North America $M	New Zealand & Pacific Islands $M	Discontinued Operations $M	Total $M
Total segment sales revenue	2,692.1	865.4	1,492.1	611.9	420.3	-	6,081.8
Intersegment revenue	(159.5)	-	(39.2)	(0.4)	(21.7)	-	(220.8)
Revenue from external customers	**2,532.6**	**865.4**	**1,452.9**	**611.5**	**398.6**	**-**	**5,861.0**
Segment EBIT	**127.9**	**113.5**	**79.4**	**24.4**	**12.9**	**(6.8)**	**351.3**
Depreciation and amortisation	137.7	33.8	49.0	14.1	26.6	-	261.2
Share of profit from associates and joint venture partnerships	-	-	3.9	-	0.5	-	4.4
Total segment assets	**3,787.5**	**2,283.1**	**2,149.1**	**805.4**	**838.0**	**13.9**	**9,877.0**
Total assets includes:							
Investments in associates and joint venture partnerships	-	-	86.4	-	-	-	86.4
Additions to non-current assets (other than financial assets and deferred tax)	110.4	100.5	30.3	6.7	41.6	-	289.5
Total segment liabilities	**1,120.1**	**324.5**	**622.9**	**211.7**	**517.8**	**3.7**	**2,800.7**

3 Segment information (continued)

(c) Geographical information

The Group's geographical regions are based on the location of markets and customers.



(d) 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	
	2020 $M	2019 $M
Total segment revenue	**6,022.7**	6,081.8
Intersegment eliminations	**(205.3)**	(220.8)
Other revenue	**14.0**	21.6
Total revenue from continuing operations	**5,831.4**	5,882.6

(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	
	2020 $M	2019 $M
Total segment EBIT	**606.2**	351.3
Intersegment eliminations	**(5.6)**	8.1
Interest income	**4.7**	11.2
Finance costs	**(37.8)**	(38.2)
Discontinued operations	**(6.5)**	6.8
Corporate operations	**(70.8)**	(65.7)
Profit before income tax from continuing operations	**490.2**	273.5

(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 borrowings and leases are not considered to be segment assets and liabilities respectively due to these being managed by the Group's centralised treasury function.

3 Segment information (continued)

	Consolidated December 2020 $M	Consolidated June 2020 $M
Segment assets	**9,524.1**	9,786.5
Intersegment eliminations	**(162.9)**	(216.1)
Unallocated:		
Deferred tax assets	**335.0**	413.2
Cash	**1,495.1**	1,399.5
Accrued interest receivable	**0.1**	0.1
Corporate operations	**133.9**	177.1
Total assets as per the statement of financial position	**11,325.3**	11,560.3

	Consolidated December 2020 $M	Consolidated June 2020 $M
Segment liabilities	**2,866.8**	3,089.4
Intersegment eliminations	**(154.7)**	(213.4)
Unallocated:		
Borrowings	**683.7**	784.0
Lease liabilities	**506.2**	536.4
Current tax liabilities	**40.6**	11.7
Deferred tax liabilities	**152.1**	167.6
Accrued borrowing costs payable	**4.1**	4.3
Corporate operations	**114.1**	140.7
Total liabilities as per the statement of financial position	**4,212.9**	4,520.7

4 Revenue

	Consolidated Half-year 2020 $M	Consolidated Half-year 2019 $M
Sales revenue from contracts with customers	**5,817.4**	5,861.0
Other revenue		
Interest	**4.7**	11.2
Other	**9.3**	10.4
	14.0	21.6
Total revenue from continuing operations	**5,831.4**	5,882.6

4 Revenue (continued)

(a) Disaggregation of sales revenue from contracts with customers

31 December 2020	Australian Steel Products $M	North Star BlueScope Steel $M	Building Products Asia & North America $M	Buildings North America $M	New Zealand & Pacific Islands $M	Discontinued Operations $M	Total $M
External sales revenue recognition							
Point in time	2,626.5	749.0	1,168.8	139.2	414.4	-	5,097.9
Over time	-	-	257.5	462.0	-	-	719.5
	2,626.5	**749.0**	**1,426.3**	**601.2**	**414.4**	**-**	**5,817.4**
External sales revenue by destination							
Australia	2,258.5	-	18.9	-	22.1	-	2,299.5
Asia	141.2	-	998.7	-	2.8	-	1,142.7
North America	144.7	749.0	387.3	601.2	-	-	1,882.2
New Zealand	9.3	-	-	-	342.7	-	352.0
Other	72.8	-	21.4	-	46.8	-	141.0
	2,626.5	**749.0**	**1,426.3**	**601.2**	**414.4**	**-**	**5,817.4**
External sales revenue by category							
Steelmaking Products	610.8	749.0	-	-	52.5	-	1,412.3
Building Products	1,858.6	-	1,168.8	-	361.9	-	3,389.3
Engineered Building Solutions	-	-	257.5	462.0	-	-	719.5
Properties	-	-	-	139.2	-	-	139.2
Other	157.1	-	-	-	-	-	157.1
	2,626.5	**749.0**	**1,426.3**	**601.2**	**414.4**	**-**	**5,817.4**

31 December 2019	Australian Steel Products $M	North Star BlueScope Steel $M	Building Products Asia & North America $M	Buildings North America $M	New Zealand & Pacific Islands $M	Discontinued Operations $M	Total $M
External sales revenue recognition							
Point in time	2,532.6	865.4	1,201.0	17.6	398.6	-	5,015.2
Over time	-	-	251.9	593.9	-	-	845.8
	2,532.6	**865.4**	**1,452.9**	**611.5**	**398.6**	**-**	**5,861.0**
External sales revenue by destination							
Australia	2,105.9	-	23.7	-	18.5	-	2,148.1
Asia	144.5	-	1,000.2	-	1.6	-	1,146.3
North America	150.6	865.4	411.1	611.5	-	-	2,038.6
New Zealand	11.4	-	-	-	326.4	-	337.8
Other	120.2	-	17.9	-	52.1	-	190.2
	2,532.6	**865.4**	**1,452.9**	**611.5**	**398.6**	**-**	**5,861.0**
External sales revenue by category							
Steelmaking Products	611.8	865.4	-	-	34.5	-	1,511.7
Building Products	1,759.5	-	1,201.0	-	364.1	-	3,324.6
Engineered Building Solutions	-	-	251.9	593.9	-	-	845.8
Properties	-	-	-	17.6	-	-	17.6
Other	161.3	-	-	-	-	-	161.3
	2,532.6	**865.4**	**1,452.9**	**611.5**	**398.6**	**-**	**5,861.0**

5 Other income and expenses

	Notes	Consolidated Half-year 2020 $M	Consolidated Half-year 2019 $M
Profit before income tax includes the following specific income and expenses for continuing operations:			
Other income			
Carbon permit - Government Grant		**24.1**	25.0
Government Grant - other		**0.9**	0.4
Net gain on sale of PP&E	(i)	**11.6**	10.5
Net gain on disposal of investments	(ii)	**-**	2.1
Insurance proceeds		**0.2**	0.8
Total other income		**36.8**	38.8
Finance costs			
Interest on lease liabilities		**(14.0)**	(15.1)
Interest and finance charges on other liabilities		**(13.1)**	(18.3)
Ancillary finance charges		**(9.3)**	(4.3)
Provisions: unwinding of discount		**(1.4)**	(0.5)
		(37.8)	(38.2)
Restructuring expense	(iii)	**(14.1)**	(0.5)
Inventory net realisable value write-back (expense)		**22.6**	(3.4)
Restoration and rehabilitation write-back	(iv)	**6.6**	-
From discontinued operations:			
Other income			
Royalty revaluation	(v)	**6.7**	0.9
Net FX gains		**0.3**	-
Total other income from discontinued operations		**7.0**	0.9

(i) Current period net gain on sale of PP&E includes $12.8M (NZ$13.5M) relating to an asset swap arrangement at New Zealand & Pacific Islands. Prior period net gain on sale of PP&E relates to the land sale in BlueScope Lysaght (Shanghai).

(ii) Prior period gain on disposal of investment relates to New Zealand Steel acquiring the remaining 50% of its steel mill services equity investment in Steelserv for $7.1M. A $2.1M gain on the fair value revaluation and disposal of the equity accounted investment was recognised.

(iii) Current period restructuring expense includes $14.0M for New Zealand & Pacific Islands.

(iv) Current period restoration and rehabilitation write-back relates to environmental remediation for a leasehold property within Australian Steel Products segment no longer required upon expiry of the lease and relocating to a new facility.

(v) Within discontinued business, current and prior period includes royalty revaluation gain relating to the previously sold Taharoa iron sands business. It represents estimated fair value of potential future royalties payable under the sale agreement. Royalties received during the half-year were $3.7M.

6 Income tax expense

	Consolidated Half-year 2020 $M	Consolidated Half-year 2019 $M
Profit from continuing operations before tax	**490.2**	273.5
Profit (loss) from discontinuing operations before tax	**6.5**	(6.8)
Less: Share of net profits of associates and joint venture partnerships accounted for using the equity method	**(12.6)**	(4.4)
Adjusted total profit before tax	**484.1**	262.3
Income tax expense- continuing operations	**(123.4)**	(73.1)
Income tax expense - discontinuing operations	**-**	-
Total income tax expense	**(123.4)**	(73.1)
Effective tax rate	**25.5%**	27.9%

The Group's effective tax rate is lower than the Australian 30% statutory tax rate primarily due to lower tax rates in North America and Asia.

New Zealand unrecognised tax loss assets
The Group continues to defer the recognition of past tax losses in New Zealand until a history of taxable profit has been demonstrated.

7 Equity securities issued

	Six-months to 31 Dec 2020 Shares	Six-months to 31 Dec 2019 Shares	**Six-months to 31 Dec 2020 $M**	Six-months to 31 Dec 2019 $M
Issue of ordinary shares during the half-year				
Opening balance	**502,632,849**	516,463,073	**3,634.7**	3,832.8
Share awards issued	**1,149,391**	3,699,719	**13.7**	16.5
Share buybacks (i)	**-**	(14,629,943)	**-**	(185.7)
Share rights - Tax deduction (ii)	**-**	-	**1.8**	6.0
Ordinary share capital	**503,782,240**	505,532,849	**3,650.2**	3,669.6
Treasury shares (iii)	**(54,164)**	-	**(0.9)**	-
Total Contributed equity			**3,649.3**	3,669.6

(i) Share buybacks

Effective from 24 February 2020, the Company cancelled the on-market share buy-back program due to COVID-19 uncertainty and to prioritise expenditure on the North Star expansion project.

(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.

(iii) Treasury shares

Treasury shares are shares purchased in BlueScope Steel Limited that are held by the BlueScope Employee Share Trust for the purpose of issuing shares under FY2021 non-executive director salary sacrifice scheme and part of FY2020 ELT LTIP plan.

8 Non-current liabilities - Retirement benefit obligations

(a) Statement of financial position amounts

	Consolidated	
	December 2020 $M	June 2020 $M
Present value of the defined benefit obligation	**(1,057.9)**	(1,304.6)
Fair value of defined benefit plan assets	**725.4**	864.9
Net liability in the statement of financial position	**(332.5)**	(439.7)

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

$M	New Zealand Pension Fund		BlueScope North America Base Retirement Plan (i)		Total	
	Dec 2020	June 2020	**Dec 2020**	June 2020	**Dec 2020**	June 2020
Present value of the defined benefit obligation	**(759.9)**	(835.4)	**(298.0)**	(469.2)	**(1,057.9)**	(1,304.6)
Fair value of defined benefit plan assets	**458.0**	428.5	**267.4**	436.4	**725.4**	864.9
Net (liability) asset in the statement of financial position	**(301.9)**	(406.9)	**(30.6)**	(32.8)	**(332.5)**	(439.7)
Defined benefit expense	**6.4**	15.4	**0.9**	30.7	**7.3**	46.1
Employer contribution	**5.5**	11.8	**-**	0.2	**5.5**	12.0
Average duration of defined benefit plan obligation (years)	**14.7**	14.7	**10.8**	9.8		
Significant actuarial assumptions	**%**		**%**			
Discount rate (gross of tax)	**1.8**	1.2	**2.4**	2.7		
Future salary increases (ii)	**2.0**	2.0	**-**	-		

(i) The North American retirement plan is expected to be closed in second half FY2021. A $28.3M curtailment loss and a $1.5M provision for closure costs was recognised as at 30 June 2020.

(ii) BlueScope North America has frozen future salary increases for the purpose of contributions to the superannuation fund.

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 2020		At 30 June 2020	
	Carrying amount $M	**Fair value $M**	Carrying amount $M	Fair value $M
Non-traded Financial liabilities - Other loans	**(390.4)**	**(431.1)**	(436.6)	(490.7)
Net liabilities	**(390.4)**	**(431.1)**	(436.6)	(490.7)

The fair value of interest bearing financial liabilities where no market exists (level 3) is based upon discounting the expected future cash flows by the current market interest rates on liabilities with similar risk profiles that are available to the Group.

10 Dividends

(a) Ordinary shares

	Parent entity Half-year	
	2020	2019
	$M	$M
Final unfranked dividend for 30 June 2020 of 8 cents per fully paid ordinary share paid on 14 October 2020 (2019: 8 cents unfranked)	**40.3**	41.2

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

For the half-year ended 31 December 2020, the Directors have approved the payment of an interim unfranked dividend of 6 cents per fully paid ordinary share. Proposed dividend expected to be paid out but not recognised as a liability at period end, is $30.2M.

11 Contingencies

Outstanding legal matters

There were no material changes to the contingent assets and liabilities disclosed in the 30 June 2020 financial statements.

12 Earnings per share

(a) Earnings per share

	Consolidated Half-year	
	2020	2019
	Cents	Cents
Continuing operations	**64.4**	37.8
Discontinued operations	**1.2**	(1.5)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**65.6**	36.3

(b) Diluted earnings per share

	Consolidated Half-year	
	2020	2019
	Cents	Cents
Continuing operations attributable to the ordinary equity holders of the Company	**63.8**	37.5
Discontinued operations	**1.2**	(1.5)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**65.0**	36.0

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

	Consolidated Half-year	
	2020	2019
	$M	$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	**324.3**	193.4
Discontinued operations	**6.0**	(7.6)
	330.3	185.8

12 Earnings per share (continued)

(d) Weighted average number of shares used as denominator

	Consolidated Half-year	
	2020 Number	2019 Number
Weighted average number of ordinary shares (Basic)	**503,388,699**	511,305,811
Adjustments for calculation of diluted earnings per share:		
Weighted average number of share rights	**4,788,571**	4,855,418
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**508,177,270**	516,161,229

(e) 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

There were no subsequent events after balance date for the half-year ended 31 December 2020.

Directors' Declaration

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

In the Director's opinion:

(a) The interim financial statements and notes set out on pages 9 to 27 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 2020 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.

John Bevan
Chairman

Mark Vassella
Managing Director & CEO

Melbourne
22 February 2021

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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 2020, 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 2020 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 2020 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.

Building a better working world

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
22 February 2021