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

24 February 2014

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

Dear Sir,

Re: Compliance with Listing Rule 4.2A for the six months ended 31 December 2013

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 2013.

The financial report has been prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board, which are compliant with International Financial Reporting Standards (IFRS). References to 'reported' financial information throughout this report are consistent with IFRS financial information disclosed in the financial report.

References to 'underlying' information are to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information, whilst not subject to audit or review, has been extracted from the interim financial report that has been subject to review by our external auditors.

Yours faithfully

Michael Barron
Company Secretary
BlueScope Steel Limited

RESULTS FOR ANNOUNCEMENT TO THE MARKET

24 February 2014: BlueScope today reported its financial results for the six months ended 31 December 2013.

$M unless marked	1H FY2014	1H FY2013	Variance %
Sales from continuing operations	3,982.4	3,695.0	8%
Reported NPAT / (NLAT)	3.7	(23.8)	116%
Underlying NPAT / (NLAT) [1]	49.1	(1.6)	3,169%
Interim ordinary dividend (cents)	-	-	-
Earnings per share (cents)	0.7	(4.3)	116%
Net tangible assets per share ($)	$6.40	$5.47	17%

1) Underlying results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. Please refer to Tables 2A and 2B for a reconciliation of this information to the financial report.

KEY POINTS

- Sales revenue of $3,982.4M was higher than 1H FY2013 mainly due to higher volumes in Australia, NZ export iron sands and the Building Products segment, together with higher iron sands prices and favourable foreign exchange translation impacts.
- Reported NPAT of $3.7M, and underlying NPAT of $49.1M, improved primarily due to improved spreads and volume.
- $74.0M underlying NPAT before period-end inventory net realisable value adjustments.
- Underlying EBIT of $136.4M, improved $112.3M from 1H FY2013.
- Coated & Industrial Products Australia underlying EBIT was $26.9M, a $37.5M improvement on 1H FY2013, driven by improved spread, improved domestic despatch volume, lower loss-making export despatches and lower costs mainly due to the timing of repairs and maintenance spend.
- Building Components & Distribution Australia underlying EBIT loss of $10.9M, slightly weaker than 1H FY2013 due to weaker margins, partly offset by slightly improved volumes and cost control.
- NZ Steel & Pacific underlying EBIT of $38.6M, a $40.9M improvement over 1H FY2013, driven by improved steel spreads, volume and sales mix, and higher export iron sands volumes and prices.
- Building Products segment underlying EBIT of $50.9M improved on the $31.4M achieved in 1H FY2013 primarily due to improved spreads, volume and cost management partly offset by adverse foreign exchange impacts particularly in Indonesia.
- Global Building Solutions underlying EBIT improved to $16.2M. Strong Buildings North America performance with higher volumes off a low base. Building Products China earnings declined by $1.1M due to weaker volumes. After adding back the one-off adverse impact of a $7.7M prior period provision adjustment to 1H FY2013, Buildings Asia's underlying EBIT was $4.9M weaker in 1H FY2014 compared to 1H FY2013.
- Hot Rolled Products North America earnings result of $48.7M improved $15.7M on 1H FY2013 primarily due to improved spreads, conversion cost improvements delivered from stronger volumes and various cost reduction initiatives and favourable foreign exchange translation impacts from a weaker AUD versus the USD.
- Net debt at 31 Dec 2013 was $213.7M. Continuing strong liquidity (undrawn debt plus cash) of A$1,538.8M.
- Announced four growth initiatives since 19 August 2013: (i) acquisition of Orrcon and Fielders from Hills Holdings, targeted for completion by the end of the March 2014 quarter; (ii) acquisition of OneSteel sheet and coil distribution assets, subject to ACCC's decision which is expected 6 March 2014; (iii) decision to add a third iron sands export ship to our Taharoa operations; and (iv) the agreement signed on 17 February 2014 to acquire the downstream long-products rolling and marketing operations of Pacific Steel Group in New Zealand.
- Outlook: We expect second half FY2014 underlying NPAT similar to first half. The expectation is based upon typical seasonality, planned second half maintenance activities in Australia and assumes minimal impact of the political situation in Thailand. This is before period end net realisable value adjustments and is subject to spread, FX and market conditions.

FINANCIAL RESULTS

The BlueScope Steel Group comprises six reportable operating segments: Coated & Industrial Products Australia (CIPA); Building Components & Distribution Australia (BCDA); New Zealand & Pacific Steel Products (NZPac); Global Building Solutions (GBS); Building Products ASEAN, North America and India (BP); and Hot Rolled Products North America (HRPNA).

Table 1: Results Summary

	Revenue		Reported Result [1]		Underlying Result [2]	
$M	1H FY2014	1H FY2013	1H FY2014	1H FY2013[3]	1H FY2014	1H FY2013[3]
Sales revenue/EBIT						
Coated & Industrial Products Australia	1,781.6	1,667.9	(0.9)	2.4	26.9	(10.6)
Building Components & Distribution Australia	714.3	720.4	(10.9)	(10.5)	(10.9)	(7.1)
New Zealand & Pacific Steel Products	419.6	318.9	38.6	(2.3)	38.6	(2.3)
Global Building Solutions	807.1	728.4	14.0	13.2	16.2	13.2
Building Products ASEAN, Nth Am & India	915.5	800.4	41.4	31.4	50.9	31.4
Hot Rolled Products North America	0.0	0.0	48.7	33.0	48.7	33.0
Discontinued operations	0.0	0.0	(0.3)	0.2	0.0	0.0
Segment revenue/EBIT	4,638.1	4,236.0	130.6	67.4	170.4	57.6
Inter-segment eliminations	(655.7)	(541.0)	(0.1)	(3.6)	(0.1)	(3.6)
Segment external revenue/EBIT	3,982.4	3,695.0	130.5	63.8	170.3	54.0
Other revenue/(net unallocated expenses)	16.5	8.5	(39.5)	(31.5)	(33.9)	(29.9)
Total revenue/EBIT	3,998.9	3,703.5	91.0	32.3	136.4	24.1
Net borrowing costs			(28.2)	(32.7)	(28.2)	(32.7)
Profit/(loss) from ordinary activities before income tax			62.8	(0.4)	108.2	(8.6)
Income tax (expense)/benefit			(35.9)	(16.4)	(32.9)	14.0
Profit/(loss) from ordinary activities after income tax expense			26.9	(16.8)	75.3	5.4
Net (profit)/loss attributable to outside equity interest			(23.2)	(7.0)	(26.2)	(7.0)
Net profit/(loss) attributable to equity holders of BlueScope Steel			3.7	(23.8)	49.1	(1.6)
Basic earnings per share (cents)			0.7	(4.3)	8.8	(0.3)

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 and the principles provided by the Financial Services Institute of Australasia and the Australian Institute of Company Directors. Non-IFRS financial information, whilst not subject to audit or review, has been extracted from the interim financial report, which has been reviewed by our external auditors.
3) 1H FY2013 has been restated to reflect changes in Australian accounting standard AASB 119 Employee Benefits, which came into effect on 1 July 2013. Refer to Table 2C for an explanation of the changes and reconciliation by reporting segments.

Table 2A: Reconciliation of Underlying Earnings to Reported Earnings

Management has provided an analysis of unusual items included in the reported IFRS financial information. These items have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying operating business. Throughout this report management has used the term 'reported' to reference IFRS financial information and 'underlying' to reference non-IFRS financial information. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. Non-IFRS financial information whilst 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 / (NLAT) $M		EPS $ [7]	
	1H FY14	1H FY13	1H FY14	1H FY13	1H FY14	1H FY13	1H FY14	1H FY13
Reported earnings	255.7	189.7	91.0	32.3	3.7	(23.8)	0.01	(0.04)
Underlying adjustments:								
Net (gains)/losses from businesses discontinued [1]	0.3	(0.2)	0.3	(0.2)	0.3	(0.3)	0.00	(0.00)
Steel Transformation Plan [2]	22.9	22.9	22.9	22.9	16.0	16.0	0.03	0.03
Business development and pre-operating costs [3]	6.0	0.7	6.0	0.7	4.2	0.5	0.01	0.00
Restructure and redundancy costs [4]	9.3	5.9	9.3	5.9	5.5	4.3	0.01	0.01
Asset sales [5]	6.9	(37.5)	6.9	(37.5)	2.2	(26.3)	0.00	(0.05)
Tax asset impairment [6]	0.0	0.0	0.0	0.0	17.2	28.0	0.03	0.05
Underlying earnings	301.1	181.4	136.4	24.1	49.1	(1.6)	0.09	(0.00)

1) 1H FY2014 reflects costs relating to the divested Metl-Span business. 1H FY2013 reflects foreign exchange translation gains within the closed Lysaght Taiwan business.
2) 1H FY2014 and 1H FY2013 reflect the inclusion in underlying earnings of the previously received Australian Government Steel Transformation Plan (STP) advance to align with the carbon costs which are now being incurred at CIPA.
3) 1H FY2014 and 1H FY2013 reflect Corporate business development costs.
4) 1H FY2014 reflects staff redundancies and restructuring costs at CIPA ($5M pre-tax), Building Products ($3M pre-tax relating to Steelscape's Fairfield facility) and GBS ($2M pre-tax). 1H FY2013 reflects staff redundancies and restructuring costs at CIPA ($3M pre-tax) and BCDA ($3M pre-tax).
5) 1H FY2014 reflects the loss on sale of Steelscape's Fairfield facility completed in December 2013 ($7M pre-tax). 1H FY2013 reflects profit on sale of a previously unrecognised intangible asset at CIPA ($38M pre-tax).
6) 1H FY2014 and 1H FY2013 reflect impairment of Australian deferred tax assets generated during each respective period.
7) Earnings per share is based on the average number of shares on issue during the respective reporting periods, (558.5M in 1H FY2014 vs. 558.2M in 1H FY2013). In accordance with AASB 133 Earnings per Share, the comparative earnings per share calculations have been restated for the retrospective adjustment made to the comparative reported net loss for the period arising from the adoption of the revised AASB 119 Employee Benefits standard.

Table 2B: Underlying EBIT Adjustments to 1H FY2014 Reported Segment Results

1H FY2014 underlying EBIT adjustments $M	CIPA	BCDA	NZPac	HRPNA	GBS	BP	Corp	Discon Ops	Total
Net (gains)/losses from businesses discontinued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3
Steel Transformation Plan	22.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.9
Business development and pre-operating costs	0.3	0.0	0.0	0.0	0.0	0.0	5.7	0.0	6.0
Asset sales	0.0	0.0	0.0	0.0	0.0	6.9	0.0	0.0	6.9
Restructure and redundancy costs	4.5	0.0	0.0	0.0	2.2	2.6	0.0	0.0	9.3
Underlying adjustments	27.7	0.0	0.0	0.0	2.2	9.5	5.7	0.3	45.4

Table 2C: Restatement of Prior Period Earnings to Reflect Change to AASB 119

Changes to AASB 119 Employee Benefits came into effect for BlueScope on 1 July 2013. The impact of this revised accounting standard is to increase defined benefit plan pension expense. Australian Accounting Standards require that comparative period financial information be adjusted to reflect the revised approach. 1H FY2013 and FY2013 comparative data in this presentation have been adjusted to reflect this and a summary of the adjustments is set out below.

	1H FY2013			FY2013		
$M	Previous	Change	Restated	Previous	Change	Restated
CIPA	(5.6)	(5.0)	(10.6)	(20.3)	(10.0)	(30.3)
BCDA	(6.8)	(0.3)	(7.1)	(24.8)	(0.6)	(25.4)
NZPac	2.0	(4.3)	(2.3)	42.5	(8.7)	33.8
GBS	17.4	(4.2)	13.2	26.4	(8.4)	18.0
BP	31.4	-	31.4	79.6	-	79.6
HRPNA	33.0	-	33.0	66.7	-	66.7
Corporate / eliminations	(33.0)	(0.5)	(33.5)	(67.3)	(1.0)	68.3
Underlying EBIT	38.4	(14.3)	24.1	102.8	(28.7)	74.1
Underlying NPAT / NLAT	9.9	(11.5)	(1.6)	29.7	(23.0)	6.7

Table 3: Consolidated Cash Flow

$M	1H FY2014	1H FY2013	Variance %
Reported EBITDA	255.7	189.6	35%
Add cash / (deduct non-cash) items			
- Share of profits from associates and joint venture partnership not received as dividends	(9.7)	(1.0)	(870%)
- Impaired assets	1.0	0.7	43%
- Net (gain) loss on sale of assets	6.8	(36.4)	119%
- Expensing of share-based employee benefits	7.5	4.5	67%
Cash EBITDA	261.3	157.4	66%
Changes in working capital	(88.2)	(1.9)	(4,542%)
Gross operating cash flow	173.1	155.5	11%
Net finance costs paid	(21.8)	(33.5)	35%
Tax received / (paid) [1]	(23.9)	(77.6)	69%
Net cash from operating activities	127.4	44.4	187%
Capex: payments for P, P & E and intangibles	(118.0)	(129.3)	9%
Other investing cash flows	6.8	(35.1)	119%
Net cash flow before financing	16.2	(120.0)	114%
Equity issues	0.0	0.0	0
Dividends [2]	(29.9)	(1.9)	(1,474%)
Transactions with non-controlling interests	1.6	0.0	N/A
Net drawing / (repayment) of borrowings	34.7	103.3	(66%)
Net increase / (decrease) in cash held	22.6	(18.6)	222%

1) The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 31 December 2013, in excess of $2.7B. There will be no Australian income tax payments until these are recovered.
2) The increase in dividends payments in 1H FY2014 compared to 1H FY2013 primarily relates to dividend payments to Nippon Steel & Sumitomo Metal Corporation (NSSMC) following the creation of the NSSMC joint venture in 2H FY2013.

GROUP REVIEW: 1H FY2014 vs 1H FY2013

FINANCIAL PERFORMANCE

Total revenue

The $295.4M (8%) increase in Group total revenue principally reflects:

- higher domestic volumes (predominantly galvanised and HRC driven by a modest improvement in activity levels partially offset by lower plate volumes driven mainly by the slowdown in mining investment) combined with lower loss making export tonnes at CIPA
- higher iron sands despatch volumes and prices in line with global iron ore prices at NZPac
- higher despatch volumes at BP
- favourable translation impacts from a weaker AUD exchange rate.

These were partly offset by lower international and domestic steel prices across most segments.

EBIT performance

The $112.3M increase in underlying EBIT on 1H FY2013 reflects:

- $64.6M improvement in spread, comprised of:
  - $102.7M benefit from lower raw material costs, due to:
    - lower coal and iron ore purchase prices partly offset by an unfavourable iron ore feed mix at CIPA
    - lower coal purchase prices and scrap costs at NZPac
    - lower steel feed costs at BP, BCDA and GBS
    - lower inventory net realisable value provisions for inventory on hand at December 2013 compared to December 2012 primarily at CIPA and NZPac
    - partly offset by a lower AUD
  - $38.1M unfavourable movement in steel prices, with lower domestic and international steel prices across most segments partly offset by the benefit of a lower AUD
- $42.4M contribution from sales volumes and product mix, due to:
  - higher domestic volumes (predominantly galvanised and HRC partially offset by lower plate volumes) combined with lower loss making export tonnes at CIPA
  - higher iron sands despatch volumes at NZPac
  - higher despatch volumes at BP
  - favourable product mix at NZPac with a higher proportion of domestic painted, ZINCALUME® and galvanised steel sales

  These were partly offset by:
  - an adverse domestic despatch mix driven by higher galvanised and lower painted volumes at CIPA
- $22.1M unfavourable movement in costs, driven by:
  - $37.2M cost improvement initiatives from lower labour costs including contractor, repairs and maintenance, operational, overhead and discretionary costs
  - $37.9M cost escalation from utilities, employment, consumables and other costs
  - $20.1M higher one-off and discretionary costs:
    - favourable adjustment to the provision for workers compensation following an agreement with an insurance provider relating to a workers compensation insurance policy at CIPA during 1H FY2013
    - partly offset by timing of repairs and maintenance spend at CIPA
  - $1.4M unfavourable movement in other costs
- $5.8M favourable foreign exchange translation benefit
- $19.5M equity accounted benefit from NSBSL and TBSL
- $2.1M favourable movement in other items.

The $58.7M increase in reported EBIT on 1H FY2013 reflects the movement in underlying EBIT discussed above and $53.6M of favourable half-on-half underlying adjustments explained in Tables 2A and 2B.

Borrowing costs

The $4.5M decrease in finance costs compared to 1H FY2013 was largely due to a $131.6M decrease in average gross borrowings to $729.6M and a lower average cost of drawn debt (5.3% for 1H FY2014, 5.5% for 1H FY2013).

Tax

Net tax expense of $35.9M (1H FY2013 $16.4M) includes a net $18.7M impairment of an Australian deferred tax asset arising from tax losses generated during the period with $17.2M allocated to tax expense and a $1.5M allocated to retained earnings. 1H FY2013 includes a net $23.0M impairment of an Australian deferred tax asset arising from tax losses generated during the period with $29.8M allocated to tax expense and a $6.8M credit allocated to retained earnings (related to defined benefit superannuation fund actuarial adjustments).

The Company has deferred the recognition of any further Australian deferred tax asset until a return to taxable profits has been demonstrated. Australian tax losses are able to be carried forward indefinitely.

Dividend

The Board has decided there will be no interim dividend for the half.

FINANCIAL POSITION

Net assets

Net assets increased $142.0M to $4,602.3M at 31 December 2013 from $4,460.3M at 30 June 2013, primarily driven by:

- $107.7M increase in the value of inventory principally due to higher inventory holdings at CIPA combined with exchange fluctuation gains due to a weaker AUD
- $71.3M decline in retirement benefits obligation liability arising primarily from higher than expected asset returns
- $65.3M increase in net debt to $213.7M (after a $137M benefit from a one-off working capital initiative which may reverse in 2H FY2014).

Funding

Committed available undrawn capacity at 31 December 2013 under bank debt facilities ($994.1M), plus cash ($544.7M) amounted to $1,538.8M ($1,576.0M at 30 June 2013 and $1,349.5M at 31 December 2012).

UPDATE ON GROWTH INITIATIVES

- On 19 August 2013, BlueScope announced that it had agreed to acquire two businesses from Hills Holdings Limited: Orrcon, a pipe and tube manufacturer and distributor, and Fielders, a building products business.
  - In early December 2013 the ACCC announced it will not oppose BlueScope's proposed acquisition of Orrcon Steel. In late January 2014 the ACCC further announced that it

  will not oppose BlueScope's proposed acquisition of Fielders.
  - These acquisitions are targeted for completion by the end of the March 2014 quarter.
  - Following integration, in FY2015 the acquisitions are expected to exceed our return on capital hurdle and be EPS accretive for BlueScope.
- On 14 October 2013, BlueScope announced that it had agreed to acquire from Arrium Limited its OneSteel sheet and coil processing and distribution businesses in Sydney, Brisbane, Adelaide and Perth.
  - The transaction is subject to ACCC inquiries, the outcome of which is presently expected to be advised on 6 March 2014. Pending the outcome of these inquiries, the acquisition is targeted to complete in mid 2H FY2014.
  - Following integration, in FY2015 the acquisition is also expected to exceed our return on capital hurdle and be EPS accretive for BlueScope.
- On 17 February 2014, BlueScope announced it had agreed to acquire the downstream long-products rolling and marketing operations of Fletcher Building's Pacific Steel Group (PSG), based in Auckland, NZ.
  - PSG is a producer and marketer of long products such as reinforcing steel, rod and wire.
  - In FY2013 PSG sold approximately 240kt to New Zealand and Fiji domestic and export customers.
  - The agreed acquisition price is NZ$60M plus working capital:
    - Half of the acquisition price will be paid upfront and the other half in the second half of CY2015.
    - The cost of acquiring working capital is expected to be funded through realisation of working capital with no significant timing difference.
  - New Zealand Steel will invest approximately NZ$50 million in the construction of a billet caster and associated plant at the Glenbrook steelworks, and in integration costs. The new caster will supply steel billet as feed to the rolling mills in NZ and Fiji.
  - Rationale for the acquisition:
    - An opportunity to better leverage BlueScope's low cost iron sands and better serve customers with a full range of long products, together with our existing flat products.
    - Through improved sales mix and lower cost of production, driven by lower cost raw materials, the acquisition, including integration costs, is expected to achieve an EBIT pay-back within three years from transfer of billet production to Glenbrook.
  - The acquisition is subject to typical conditions precedent, including New Zealand Commerce Commission clearance. Completion is targeted for mid CY2014.

BUSINESS UNIT REVIEWS

BLUESCOPE AUSTRALIA & NEW ZEALAND

COATED & INDUSTRIAL PRODUCTS AUSTRALIA

CIPA is the leading supplier of flat steel products in Australia, offering a wide range of products to Australian and export customers, including hot rolled coil, plate cold rolled coil, zinc/aluminium alloy-coated ZINCALUME® steel and galvanised and pre-painted COLORBOND® steel. The CIPA segment includes manufacturing facilities at Port Kembla (NSW) and Western Port (Victoria).

KEY FINANCIAL & OPERATIONAL MEASURES

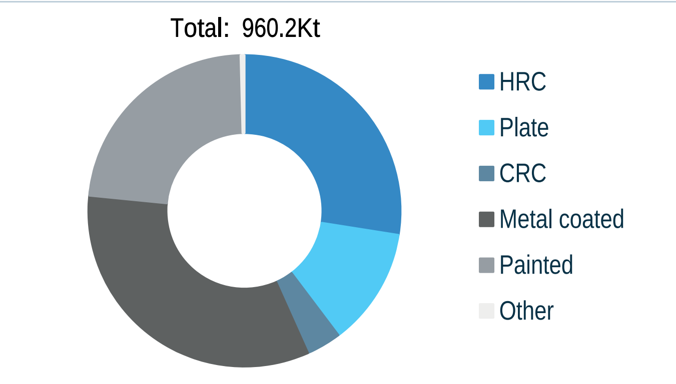
Table 4: Segment financial performance

$M	1H FY2014	1H FY2013	Var %	2H FY2013
Sales revenue	1,781.6	1,667.9	7%	1,681.5
Reported EBIT	(0.9)	2.4	(138%)	(57.3)
Underlying EBIT	26.9	(10.6)	354%	(19.7)
NOA (pre tax)	2,057.3	1,972.7	4%	2,067.5

Table 5: Steel sales volume

000 tonnes	1H FY2014	1H FY2013	Var %	2H FY2013
Domestic	960.2	902.6	6%	888.4
Export	238.5	345.3	(31%)	478.6
Total	1,198.7	1,247.9	(4%)	1,367.0

Chart 1: CIPA domestic steel sales volume mix 1H FY2014



FINANCIAL PERFORMANCE – 1H FY2014 VS. 1H FY2013

Sales revenue

The $113.7M increase in sales revenue is primarily due to:

- higher domestic volumes (predominantly galvanised and HRC driven by an improvement in market share and activity levels partially offset by lower plate volumes driven mainly by the slowdown in mining investment)
- positive benefit on export revenues from a weaker AUD:USD exchange rate (1H FY2014 US$0.922; 1H FY2013 US$1.038) combined with the flow-on benefit to domestic prices.

These were partly offset by lower export volumes and prices.

EBIT performance

The $37.5M increase in underlying EBIT was largely due to:

- improved spread driven by:
  - lower coal and iron ore purchase prices partly offset by an unfavourable iron ore feed mix
  - lower inventory per unit costs flowing into 1H FY2014 compared to 1H FY2013
  - lower net realisable value provisions for inventory on hand at December 2013 compared to December 2012

  Partly offset by:
  - lower average global steel prices
  - unfavourable foreign exchange impact on raw material costs partly offset by favourable foreign exchange impact on export revenues from a weaker AUD:USD exchange rate (1H FY2014 US$0.922; 1H FY2013 US$1.038)
- lower loss making export volumes combined with higher domestic volumes
- lower costs mainly due to the timing of repairs and maintenance spend.

These were partly offset by:

- one-off $36.6M favourable adjustment booked 1H FY2013 to the provision for workers compensation following an agreement with an insurance provider relating to a workers compensation insurance policy
- an adverse domestic despatch mix driven by higher galvanised and lower painted volumes.

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

FINANCIAL POSITION

Net operating assets were $10.2M lower than at 30 June 2013 primarily due to higher inventory holdings partly offset by lower receivables on the back of lower export despatches, lower fixed assets with depreciation and amortisation exceeding capital expenditure and higher creditors.

MARKETS AND OPERATIONS

Direct sales to Australian building sector

- Sales volumes in the domestic building sector improved 3kt in 1H FY2014 compared to 1H FY2013 and 33kt when compared with 2H FY2013.
- BlueScope improved market share for its non-painted metallic coated steel products. Market share for painted products improved marginally.
- Market conditions within residential and non-residential construction are improving:
  - Positive trends within both housing finance and building approvals are emerging within the residential market, assisted by low interest rates and a positive market outlook for NSW.
  - Non-residential construction activity is improving led by the Commercial and Industrial sector. The Australian Industry Group's (AiG) Performance of Construction index is showing improvement over the course of 1H FY2014, averaging 49.3 points, up 14.8 points on 1H FY2013. In the three months to January (inclusive) the index has risen into expansion territory averaging 51.4.

Sales to Distributors and direct non-building sector customers

- Sales volumes to Distributors and non-building sector customers increased 58kt in 1H FY2014 compared to 1H FY2013 and 44kt when compared with 2H FY2013.

- BlueScope's sales to domestic pipe and tube manufacturers have improved slightly due to improved market share of feed sales into the structural pipe and tube manufacturing market and improving customer returns.
- Distribution customers have maintained low to moderate inventory levels in 1H FY2014 due to volatility in prices, with distributor confidence remaining comparatively weak due to slowing investment in the mining, engineering construction and automotive industries.
- Manufacturing continues to be impacted by the high AUD (relative to history), low domestic demand and high levels of import competition, particularly in finished goods. The Australian Industry Group's (AiG) Performance of Manufacturing index remained weak over the course of 1H FY2014, averaging 48 points (up 4 points from 1H FY2013).
- Overall, BlueScope's market share in non-building products improved.

Export markets

- Despatches to export market customers in 1H FY2014 of 238.4kt (~75% uncoated flat products / ~25% coated products) were lower than the 345.3kt in 1H FY2013 due to increased Australian domestic sales and lower steel production volume.
- Prices in the U.S. were higher in 1H FY2014 compared with 1H FY2013, whereas Asian market prices were weaker with continued over-capacity in steel production.

Anti-dumping cases

Since May 2012 BlueScope has filed applications to the Australian Anti-Dumping Commission (or ADC; formerly part of Customs) concerning dumping and countervailing subsidisation of steel imported into Australia. In each case, ADC investigations have supported BlueScope's claims that dumping and subsidisation of imports has occurred. The status of each application is as follows:

- Hot rolled coil: In October 2012, the ADC announced provisional dumping duties for certain mills exporting to Australia from Japan, Korea, Malaysia and Taiwan. The final determination was released by the Minister on 19 December 2012, confirming dumping margins ranging between 0% and 15%. Following a further review, in July 2013 the ADC announced changes to further strengthen an element of duty calculation.
- Zinc coated and aluminium zinc coated steel: In February 2013 the ADC put in place provisional duties relating to dumping by certain mills exporting to Australia from Korea, China and Taiwan. In May 2013 the ADC also declared countervailing duties on certain mills exporting to Australia from China. The Attorney-General released his final determination on both dumping and countervailing in July 2013, confirming duties of between 0% and 70% on certain mills exporting to Australia from Korea, China and Taiwan.
- Plate: In July 2013 the ADC put in place provisional dumping duties ranging between 0% and 26% on certain mills exporting to Australia from Korea, China, Indonesia and Japan. The final determination was released by the Minister in December 2013 with dumping and countervailing duties between 0% and 55%.

Operations

- Manufacturing equipment upgrades to enable Next Generation ZINCALUME® steel with Activate™ technology, were completed. Metal coating lines No.1 and No.3 at Port Kembla and No.4 at Western Port are now producing the next generation of coated steel products.
- An update of COLORBOND® steel was launched in October 2013 featuring an expanded range of contemporary colours and new coating technologies for improved corrosion resistance and paint colour durability. The colour palette for new COLORBOND® steel has undergone its biggest change in more than 20 years, with the addition of six new colours. Underpinning new COLORBOND® steel is BlueScope's new Activate™ technology, which is the result of almost 20 years and $100 million of research and development. The product launch was supported by a new advertising campaign and industry wide launch events across Australia.
- Enterprise bargaining agreements for Port Kembla and Springhill were approved by employees in June 2013 and formally approved by Fair Work Australia in August 2013.

Maintenance of Port Kembla blast furnace

- A program to change out wearing staves on the Port Kembla blast furnace has commenced.
- This is in line with industry best practice, and we are leveraging our relationship with Nippon Steel & Sumitomo Metal Corporation.
- The actual number is still being determined, but there may be up to three planned shuts per fiscal year over the next two years. In FY2014 the equivalent of a shut was held in 1H, a shut was held in January 2014 and one is to be held in late 2H FY2014.
- Estimated production and financial impacts in FY2014:
  - Production: 160-200kt lower production (two thirds in 2H FY2014).
  - Earnings: $10-20M EBIT impact (two thirds in 2H FY2014, which is built into our outlook) due to lower fixed cost recoveries and yields, partly offset by cost savings, lower conversion costs and lower losses due to lower export despatches.
  - Cash (in addition to EBIT impact):
    - Capex of $15-20M.
    - Working capital: one off $50M investment in inventory; already recognised in 1H FY2014.

BUILDING COMPONENTS & DISTRIBUTION AUST

The BCDA segment is comprised of a network of 90 roll-forming and distribution sites throughout Australia, acting as a major steel product supplier to the building and construction, automotive, white goods manufacturing and general manufacturing industries.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 6: Segment performance

$M unless marked	1H FY2014	1H FY2013	Var %	2H FY2013
Sales revenue	714.3	720.4	(1%)	655.2
Reported EBIT	(10.9)	(10.5)	(4%)	(20.5)
Underlying EBIT	(10.9)	(7.1)	(54%)	(18.3)
NOA (pre-tax)	328.1	323.9	1%	322.5
Despatches	374.5kt	364.5kt	3%	348.4kt

FINANCIAL PERFORMANCE – 1H FY2014 VS. 1H FY2013

Sales revenue

The $6.1M decrease in sales revenue was mainly due to lower average domestic selling prices partly offset by higher despatch volumes.

EBIT performance

The $3.8M deterioration in underlying EBIT was largely due to:

- reduced margins due to lower average selling prices only partly offset by lower steel feed costs.

These were partly offset by:

- increased volumes driven by a slight improvement in market conditions
- cost benefits realised from Lysaght restructuring and tight control of discretionary spending.

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

FINANCIAL POSITION

Net operating assets increased $5.6M to $328.1M at 31 December 2013 compared to 30 June 2013.

MARKETS AND OPERATIONS

BlueScope Distribution

- Volumes were up slightly on 1H FY2013 in a relatively flat market.
- Activity in key end-use sectors remains subdued:
  - During the half, residential and non-residential construction customer activity varied by state and construction type but in total was similar to the last two halves. Overall, improvements in leading indicators such as housing finance and building approvals are yet to translate into robust construction activity.
  - Mining, oil and gas activity has slowed off the peak corresponding with a slowing in new mining project investment.
  - Manufacturing customer activity remained subdued with a relatively high AUD (in an historical context) and strong import competition (both of steel and prefabricated goods).

BlueScope Lysaght

- Sales volumes were slightly higher in 1H FY2014 than 1H FY2013.
- Overall building market conditions remained challenging albeit with some modest improvement in business investment and business confidence levels.
- During the half, residential building activity varied by state and dwelling type. New South Wales and south east Queensland saw some improvement. Overall, improvements in leading indicators such as housing finance and building approvals are yet to translate into robust construction activity.
- Commercial construction continued to remain subdued albeit with some recovery in activity from a historically low base.
- Numerous business improvement initiatives have been implemented or progressed including product portfolio and market offer enhancements along with manufacturing consolidation activities across the footprint.

NEW ZEALAND AND PACIFIC STEEL PRODUCTS

New Zealand Steel is the only fully integrated flat steel producer in New Zealand, producing slab, 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.

This segment includes the Waikato North Head iron sands mine which supplies iron sands to the Glenbrook Steelworks and for export, and the Taharoa iron sands mine which supplies iron sands for export.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 7: Segment financial performance

$M	1H FY2014	1H FY2013	Var %	2H FY2013
Sales revenue	419.6	318.9	32%	362.1
Reported EBIT	38.6	(2.3)	1,778%	36.1
Underlying EBIT	38.6	(2.3)	1,778%	36.1
NOA (pre-tax)	585.6	339.1	73%	466.8

Table 8: Sales volume

000 tonnes	1H FY2014	1H FY2013	Var %	2H FY2013
Domestic steel	130.8	124.7	5%	130.2
Export steel	159.5	136.3	17%	186.7
Total steel	290.3	261.1	11%	316.9
Export iron sand	1,167.3	831.3	40%	870.1

FINANCIAL PERFORMANCE – 1H FY2014 VS. 1H FY2013

Sales revenue

The $100.7M increase in sales revenue was primarily due to higher iron sands despatch volumes and prices in line with global iron ore prices.

EBIT performance

The $40.9M increase in underlying EBIT was largely due to:

- improved spread driven by:
  - lower coal purchase prices and scrap costs
  - lower inventory net realisable value provisions for inventory on hand at December 2013 compared to December 2012

  Partly offset by:
  - lower international hot rolled coil selling prices combined with the flow-on impact to domestic prices
- higher iron sands despatch volumes and prices in line with global iron ore prices
- improved domestic despatch mix with a higher proportion of domestic painted, ZINCALUME® and galvanised steel sales.

These were partly offset by adverse fixed cost recoveries from lower production volumes.

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

FINANCIAL POSITION

Net operating assets were $118.8M higher than at 30 June 2013 primarily due to capital expenditure including finance lease assets and lower provisions in relation to defined benefits superannuation fund.

MARKETS & OPERATIONS

Domestic sales

- Domestic residential building activity continues to improve. For the 12 months ending November 2013, new building consents are up 24% on the same period in 2012.
- Canterbury building activity continues to grow; residential consents were up 26% for the 12 months ending December 2013. The total value of all building consents, including non-residential, rose 19% in the same period. The city centre anchor projects are expected to start in 2014.

Export sales

- Export steel volumes returned to more typical levels in 1H FY2014 from the higher volumes experienced in 2H FY2013 that were due to higher inventory levels. Price levels remained at the same low levels as the previous six months, driven by the continuation of global over-capacity versus steel demand.
- Iron sands exports from Taharoa and Waikato North Head were 1,167.3kt, up 336.0kt on 1H FY2013, driven by increased despatches from Taharoa (extra shipment) and Waikato North Head.
- Iron sands prices were down on 2H FY2013 consistent with the decrease in global iron ore pricing.
- Export iron sands expansion for second ship:
  - The land-side investment in iron sands mining capacity expansion at Taharoa will be operational by the end of FY2014.
  - Increased production off-take is intended to be transported via a customer-owned second vessel, and is expected to commence during CY2015.
  - Once the land-side mining expansion is complete, and prior to delivery of a second vessel, BlueScope expects to tranship some incremental volume via Port Kembla harbour.
- In late December 2013, BlueScope announced plans to introduce a third ship, in FY2016. BlueScope will charter a purpose-built 175,000 tonne slurry loading vessel and spend a total of A$50 million spread across FY2016 to FY2018 on mining, processing and ship loading equipment.

BUILDING PRODUCTS ASEAN, NORTH AMERICA & INDIA

BlueScope is a technology leader in metal coated and painted steel building products, principally focused on the Asia-Pacific region, with a wide range of branded products that include pre-painted COLORBOND® steel, zinc/aluminium alloy-coated ZINCALUME® steel and the LYSAGHT® range of building products.

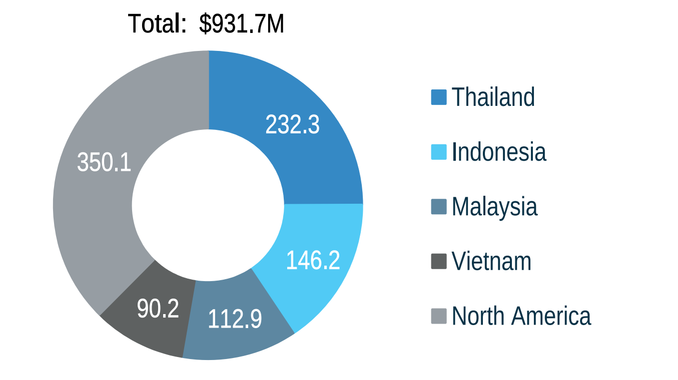
The Company has an extensive footprint of metallic coating, painting and steel building product operations in Thailand, Indonesia, Vietnam, Malaysia, India and North America primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential construction industry in North America. BlueScope operates in ASEAN and North America in partnership with Nippon Steel & Sumitomo Metal Corporation (NSSMC) and in India with Tata Steel. Both are 50/50 joint ventures with BlueScope controlling and therefore consolidating the joint venture with NSSMC, and jointly controlling and therefore equity accounting the joint venture with Tata Steel.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 9: Segment performance

$M unless marked	1H FY2014	1H FY2013	Var %	2H FY2013
Sales revenue	915.5	800.4	14%	835.1
Reported EBIT	41.4	31.4	32%	39.1
Underlying EBIT	50.9	31.4	62%	48.2
NOA (pre-tax)	943.6	859.1	10%	936.0
Despatches	704.8kt	656.6kt	7%	687.4kt

Chart 2: Segment geographic sales revenue 1H FY2014, $M [1]



1) Chart does not include $16.2M of eliminations (which balances back to total segment revenue of $915.5M). Chart also does not show India, which is equity accounted.

FINANCIAL PERFORMANCE – 1H FY2014 VS. 1H FY2013

Sales revenue

The $115.1M increase in sales revenue was mainly driven by higher despatch volumes and favourable foreign exchange rate impacts from the weaker AUD in all regions partly offset by lower domestic selling prices particularly in Indonesia and Thailand.

EBIT performance

The $19.5M improvement in underlying EBIT was largely due to:

- higher margins with lower steel feed costs partly offset by lower selling prices
- higher volumes and improved mix predominantly from Thailand, Indonesia, Vietnam and Malaysia
- lower costs, mainly in North America, delivered through prior restructuring initiatives.

Partly offset by:

- adverse foreign exchange impacts particularly in Indonesia.

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

FINANCIAL POSITION

Net operating assets increased $7.6M since 30 June 2013 reflecting the translation impacts on NOA resulting from a weaker AUD partly offset by reduced inventory holdings and lower fixed assets, principally at Steelscape.

MARKETS AND OPERATIONS

Thailand (BST)

- Operational performance improvement in 1H FY2014 vs 1H FY2013 was underpinned by higher premium sales mix of ZINCALUME® and Clean COLORBOND® steels achieved through several successful initiatives in sales, marketing and operations:
  - customer loyalty programs
  - strong focus on specification in Industrial and Commercial segment (with architects, contractors and designers) to grow premium sales
  - new product distributor programs aimed at combating import competition, particularly in the residential segments and Northern Thailand region
  - launch of new painted products focused on residential segments supported by strong marketing and advertising campaigns to drive brand awareness
  - minimising cost expansion in manufacturing costs, operational cost saving through energy re-use initiatives and sourcing competitively priced raw materials.
- Domestic steel demand has remained robust and stable, underpinned by continued local and foreign investment in factories and warehouses, and infrastructure development from government in rail, road and water management.
- Demand in the market segments was varied:
  - Industrial and commercial demand remained stable for most of CY2013 driven by FDI and Government spending.
  - Volumes from the residential segment in Northern Thailand continue to grow steadily as overall wealth continues to increase in the emerging Thai lower to middle class, driving improved living standards and housing development.
- Competitive pressure continues to increase as new domestic painted and coated suppliers who commenced operations in the last quarter of FY2013, are aggressively pursuing market share, particularly the residential segment. Imports from China and Vietnam at suppressed price, continued to grow in 1H FY2014.
- The half year results have not been impacted by the political situation in Thailand. We continue to monitor developments in the political situation in Thailand, particular concerning whether it may have an adverse impact on our employees and business.

Vietnam (BSV)

- Volume growth has been achieved mainly in the residential channel, while industrial and commercial demand was comparatively soft given prevailing business and macroeconomic conditions.

- Growth was achieved through:
  - efforts to increase share of residential customers' expenditure through various relationship management programs
  - developing the retail channel with the rollout of Zacs® stores
  - increasing brand marketing and product differentiation by organising seminars for key customers who are also market leaders in each local provincial market
  - increasing specification in the industrial and commercial segment to grow premium sales
  - growing exports to increase capacity utilisation.

Indonesia (BSI)

- Despatch volumes in 1H FY2014 grew by 17% over 1H FY2013, largely due to improved customer diversity and continued efforts to drive business growth.
- However the rapid depreciation of the Indonesian Rupiah relative to the USD, low cost imports and aggressive pricing by domestic competitors perpetuated difficult trading conditions.
- While maintaining focus on the project market, BSI will seek to actively grow retail channel market share through product differentiation, strategic customer management, and partnerships with key stakeholders.
- Opportunities to procure competitively priced cold-rolled coil feed stock, in a bid to ease pressure on margins, are being explored.

Malaysia (BSM)

- Core volumes in the coating and Lysaght businesses improved 11% and 5% respectively, driven by post-election pick-up in the project market and focused efforts on improving penetration into residential projects and retail channels. Closure of low-margin steel recovery activities at our Singapore service centre offset improved core volumes, such that total volume was relatively flat in 1H FY2014 vs 1H FY2013.
- The coating business continues to focus on growing domestic market share and improving penetration into the residential projects and retail channels via strong alliance with local professional associations including architects, engineers, surveyors and property developers. The downstream business is well positioned to leverage government regional development initiatives in the industrial, commercial and residential segments for roofing and walling, trusses and door window frames with roller shutters.
- BSM's low-cost in-line painting expansion on its metal coating line is expected to be complete before end of the financial year. This initiative is aimed at delivering both improved production capacity and cost efficiencies.

North America (Steelscape & ASC Profiles)

- Both the downstream (ASC Profiles) and midstream (Steelscape) businesses saw modest growth in despatch volumes (up 5% and 2% over 1H FY2013 respectively) amidst a relatively stable market.
- Various strategic initiatives, such as the launching of new products and finishes to penetrate new markets, growing residential brands and channels, optimising operations and supply chain efficiencies, are being rolled out to drive growth and achieve sustained profitability.
- Steelscape's Fairfield (Alabama) 110kt metal coating and painting facility was sold on 30 December 2013 at a pre-tax loss of $10M in order to reduce working capital costs, strengthen the business's focus on the West Coast and improve overall profitability.

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

- Coated steel sales volume grew by 47% in 1H FY2014 as compared to the same period previous year with 22% growth in painted products and 194% growth in bare products.
- The higher growth in bare products on a relatively smaller base was driven by increased usage in solar and other alternate applications and a moderate growth of 5-6% in the projects market.
- During the period, an organisational restructure was undertaken, reducing management layers and making the business more customer-centric. The steel coating and rollforming operations have been merged into one Building Products business to reduce cost.
- The business continues to focus on initiatives to expand the Durashine® retail channel.
- Performance was impacted by the depreciation of the Indian Rupiah and due to business uncertainty prior to pending elections.

GLOBAL BUILDING SOLUTIONS

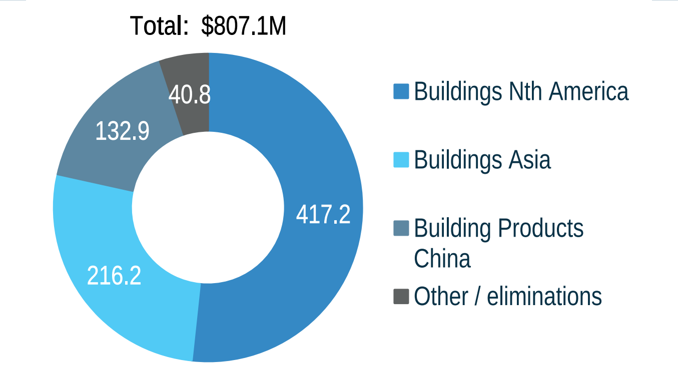
BlueScope's Global Building Solutions business is a global leader in EBS, servicing the needs of global customers from engineering and manufacturing bases in Asia and North America. Buildings are generally low-rise non-residential solutions. EBS plants are located in China, Thailand, Vietnam, North America, Saudi Arabia and India. As part of the integrated value chain feeding the EBS operations, this segment includes BlueScope's steel metal coating, painting and Lysaght operations in China (Building Products China). GBS is expanding its global engineering capabilities through the roll-out of a common engineering software system across BlueScope's Buildings businesses. This system is in place in North America and is currently being installed across businesses in Asia.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 10: Segment performance

$M unless marked	1H FY2014	1H FY2013	Var %	2H FY2013
Sales revenue	807.1	728.4	11%	634.8
Reported EBIT	14.0	13.2	6%	(3.2)
Underlying EBIT	16.2	13.2	23%	4.8
NOA (pre-tax)	678.0	505.0	34%	596.4
Despatches	309.3kt	306.0kt	1%	246.4kt

Chart 3: Segment geographic sales revenue FY2013, $M



FINANCIAL PERFORMANCE – 1H FY2014 VS. 1H FY2013

Sales revenue

The $78.6M increase in sales revenue was mainly due to stronger despatch volumes in North America partly offset by lower domestic selling prices across most regions and reduced volumes in China and Australia, together with favourable foreign exchange rate impacts from the weaker AUD in all regions.

EBIT performance

The $3.0M increase in underlying EBIT was largely due to:

- higher despatch volumes in Buildings North America with continued improvement in the U.S. non-residential construction market in North America and resultant impact of lower per unit conversion costs
- $7.7M one-off prior period (FY2005-FY2009) provision adjustment in Buildings Asia during 1H FY2013
- favourable foreign exchange translation impacts from a weaker AUD.

Partly offset by:

- reduced margins driven by lower domestic prices partly offset by lower steel feed costs
- adverse product mix to lower margin products in Buildings Asia and Building Products China.

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

FINANCIAL POSITION

Net operating assets increased $81.6M compared to 30 June 2013 reflecting the translation impacts resulting from a weaker AUD, lower employee related provisions, higher deferred income and capital expenditure (primarily at Xi'an, China), and lower creditors.

MARKETS AND OPERATIONS

Buildings North America

- Despatch volumes were up 9% in 1H FY2014 relative to 1H FY2013, driven by an increase in the U.S. non-residential construction market activity in all major end-use sectors. This increase was influenced by a continued focus on new product development and product differentiation.
- General indicators of activity, such as F.W. Dodge analysis of non-residential construction and the Architectural Billings Index point to continued improvement in the U.S. non-residential construction market.

Buildings Asia (China & ASEAN)

- The China business contributed approximately 70% of sales revenue in 1H FY2014; the remaining 30% was derived from ASEAN.
- Despatch volumes in the China business fell by 7% relative to 1H FY2013 due to an ongoing slowdown in building and construction activity in the premium market as both private and government participants reduce or delay investment. In contrast, ASEAN 1H FY2014 despatch volume increased 10% relative to 1H FY2013, driven by strong industrial market activity.
- The fourth China buildings plant in Xi'an (western China) was officially opened on 20 October 2013. Development was completed on time and on budget.

Building Products China

- Despite challenging market conditions leading to flat despatch volume (driven by lower internal demand from the Buildings Asia business), targeted initiatives to increase external sales of higher value-added product are supporting strong overall margin performance.

Engineered Building Solutions Global Accounts

- The Global Accounts group, formed in FY2013, is primarily focused on management and development of global strategic partnerships with multinational customers (Program Accounts) and expansion into non-traditional global territories.
- Sales generated through these global accounts are reported in the business unit that supplies the solution.
- Recent success with Program Accounts has secured projects in India, Indonesia, Venezuela and across the African continent.

HOT ROLLED PRODUCTS NORTH AMERICA

This segment is comprised primarily of BlueScope's 50% interest in North Star BlueScope Steel, a single site electric arc furnace producer of hot rolled coil production in Ohio, U.S. The segment also includes BlueScope's 47.5% interest in Castrip LLC, a thin strip casting technology joint venture with Nucor and IHI Ltd.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 11: Segment performance

$M unless marked	1H FY2014	1H FY2013	Var %	2H FY2013
Sales revenue [1]	-	-	-	-
Reported EBIT [2]	48.7	33.0	48%	33.7
Underlying EBIT [2]	48.7	33.0	48%	33.7
NOA (pretax)	112.5	79.4	42%	95.3
Despatches [3]	489.9	476.1	3%	507.1kt

1) Excludes the Company's 50% share of NSBSL's sales revenue of A$360.1M in 1H FY2014 (A$299.5M in 1H FY2013 and A$321.2M in 2H FY2013).
2) Includes 50% share of net profit before tax from NSBSL of A$50.9M in 1H FY2014 (A$33.9M in 1H FY2013 and A$35.7M in 2H FY2013).
3) Reflects BlueScope's 50% share from NSBSL.

FINANCIAL PERFORMANCE – 1H FY2014 VS. 1H FY2013

Sales revenue

The segment is comprised of two equity accounted investments and as such has no sales revenue recorded in the Group accounts.

EBIT performance

The $15.7M improvement in underlying EBIT was largely due to improved spreads, driven primarily by higher selling prices partially offset by higher scrap costs, conversion cost improvements delivered from stronger volumes and various cost reduction initiatives and favourable foreign exchange translation impacts from a weaker AUD:USD.

FINANCIAL POSITION

Net operating assets are largely comprised of BlueScope's equity accounted investment in North Star ($112.2M of $112.5M). The $17.2M increase in net operating assets compared to 30 June 2013 primarily reflects earnings of the NSBSL joint venture being higher than the dividends returned to the owners combined with the translation impacts from a weaker AUD.

MARKETS AND OPERATIONS

North Star BlueScope Steel

- NSBSL sells approximately 80% of its production in the Mid-West, U.S., with its end customer segment mix being broadly 45% automotive, 25% construction, 10% agricultural and 20% manufacturing/industrial applications.
- Despatches for 1H FY2014 were up 13.8kt on 1H FY2013, at 489.9kt (BSL share).
- High capacity utilisation rates, relative to the market, have been maintained by NSBSL through an ability to retain existing customers and win new customers by consistently meeting market expectations for on-time delivery, service and quality.

OTHER INFORMATION

SAFETY

- The Company remains committed to its goal of Zero Harm.
- Occupational health and safety performance for 1H FY2014 is as follows:
  - Lost Time Injury Frequency Rate of 0.9 (which is on-track for our tenth year below 1.0).
  - Medically Treated Injury Frequency Rate of 5.8 (which is on-track for our ninth year below 7.0).

ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

- The BlueScope Steel Environment Management System comprises the following major elements:
  - Our Bond
  - Health, Safety, Environment and Community Policy
  - Environment Principles
  - Health, Safety and Environment Standards
  - BlueScope procedures and guidelines
  - Operational procedures.
- BlueScope continues to manage its environmental performance through implementation of its business planning process, compliance systems, risk management practices, governance programs and management review. Our level of non-compliances continue to decline.

AUSTRALIAN CARBON PRICING MECHANISM

- BlueScope is a liable entity under the Carbon Pricing Mechanism (CPM), which came into operation on 1 July 2012.
- As such BlueScope is required to annually obtain and surrender emission units to cover the Company's direct (Scope 1) greenhouse gas emissions from liable facilities within Australia. The Company has also had increases in electricity (Scope 2), natural gas and other costs as suppliers seek to pass though their own carbon costs (Scope 3).
- The Australian Government has been allocating carbon units to emissions-intensive, trade-exposed activities, including iron and steelmaking through the Jobs and Competitiveness Program (JCP).
- When permits from the JCP program and funds from the Steel Transformation Plan (STP) are taken into account, the Company does not expect to face a net carbon liability from the CPM.
- The Coalition Federal Government has introduced legislation to abolish the CPM effective 1 July 2014. However, the Labor opposition and the Greens party, who together hold a majority in the Senate until 30 June 2014, oppose the legislation, so it is unclear at this stage whether it will be passed in time for the government's proposed repeal date.
- If the repeal is delayed until after 1 July, retrospective abolition of the CPM will create administrative difficulties and costs for businesses, especially in relation to the refunding of carbon costs passed through by suppliers.
- Under the government's proposed legislation, shielding for emissions-intensive trade-exposed activities will continue until the CPM is repealed.
- In place of the CPM, the government intends to introduce a 'direct action' policy, comprising as its key elements an Emissions Reduction Fund (ERF) and a baseline and compliance mechanism.
- The Company is in ongoing discussions with the government about the design of this policy. A particularly important issue will be the methodology by which the government will set baselines, and ensuring it is sufficiently flexible to accommodate changes in steel production in response to market demand, as well as changes in production inputs and processes.
- The Company remains focused on improving the energy and carbon efficiency of all its operations.

STEEL TRANSFORMATION PLAN (STP)

- The government's proposed legislation will abolish the Steel Transformation Plan, effective from the same date the CPM is abolished. This means the Company will not receive any further payments under the plan if the CPM is abolished.

NEW ZEALAND EMISSIONS TRADING SCHEME

- The Company is a liable entity under New Zealand's ETS.
- The activity of iron and steel manufacturing from iron sands as undertaken by New Zealand Steel has been assessed to be highly emissions-intensive and trade-exposed, and New Zealand Steel therefore qualifies for the allocation of Emission Units at the maximum rate (90%).
- The ETS is currently in a 'transition period'. During this period participants must surrender one emission unit for two tonnes of carbon dioxide equivalent emissions. Correspondingly the allocation of units to energy-intensive and trade-exposed activities is halved, but remains at the 90% allocation rate. It is possible to buy units at market price or at a fixed price of NZ$25 per tonne from the government. In July 2012 the New Zealand Government announced that it would effectively retain the current key transitional arrangements until a further review in 2015.
- A general election will be held by November 2014, and the outcome can be expected to influence the 2015 review.

ABBREVIATIONS

1H FY2013	Six months ended 31 December 2012
1H FY2014	Six months ended 31 December 2013
2H FY2013	Six months ended 30 June 2013
2H FY2014	Six months ended 30 June 2014
ADC	Anti-Dumping Commission
ASEAN	Association of South East Asian Nations
AUD, A$	Australian dollar
BANZ	BlueScope Australia and New Zealand (comprising CIPA, BCDA and NZS segments)
BCDA	Building Components & Distribution Australia segment
BP	Building Products, ASEAN, North America and India segment
BSL	BlueScope Steel Limited and its subsidiaries
CIPA	Coated & Industrial Products Australia segment
CY2015	12 months ended 31 December 2015
DPS	Dividend per share
EAF	Electric arc furnace
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBS	Engineered building solutions, a key product offering of the GBS segment
EITE	Emissions-intensive, trade-exposed
EPS	Earnings per share
FDI	Foreign direct investment
FY2013	12 months ended 30 June 2013
FY2014	12 months ended 30 June 2014
FY2016	12 months ended 30 June 2016
GBS	Global Building Solutions segment
Gearing ratio	Net debt divided by the sum of net debt and equity
Group, Company	BlueScope Steel Limited and its subsidiaries
HRPNA, HRP North America	Hot Rolled Products North America segment
IFRS	International Financial Reporting Standards
Net debt	Gross debt less cash
NOA (pre-tax)	Net operating assets
NPAT	Net profit after tax
NRV	Net realisable value adjustment
NSBCP	NS BlueScope Coated Products joint venture
NSBSL	North Star BlueScope Steel
NSSMC	Nippon Steel & Sumitomo Metal Corporation
NZPac	New Zealand Steel & Pacific Products segment
NZS	New Zealand Steel
ROIC	Return on invested capital (or ROIC) – underlying EBIT (annualised in case of half year comparison) over average monthly capital employed
STP	Steel Transformation Plan
TBSL	Tata BlueScope Steel
USD, US$	United States dollar

BlueScope Steel Limited ABN 16 000 011 058
Interim Financial Report - 31 December 2013

Contents

DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Your directors present their report on the consolidated entity consisting of BlueScope Steel Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2013.

Directors

The following persons were directors of BlueScope Steel Limited during the financial period and up to the date of this report:
G J Kraehe AO
R J McNeilly
Y P Tan (retired 31 October 2013)
D B Grollo
P F O'Malley
K A Dean
P Bingham-Hall
E G W Crouch AM
L H Jones (appointed on 2 September 2013)

Mr Tan was a long serving Board member of BlueScope Steel and played an important role through a period of great change in the global steel industry when the Company has grown its international businesses significantly, particularly in Asia. Mr Tan has provided valuable insights into Asian markets and contributed as a member of the Remuneration and Organisation Committee.The Board continues its renewal program and has appointed Mr Lloyd Jones to the Board effective 2 September 2013.

OPERATING AND FINANCIAL REVIEW

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In considering the results of operations for the half-year compared to the comparative period last year, the following changes in the state of affairs have occurred:

(i) On 28 March 2013, BlueScope Steel Limited sold 50% of its interest in the ASEAN and North American operations in the Building Products segment to Nippon Steel & Sumitomo Metal Corporation (NSSMC) for proceeds of US$571.1M (including US$29.5M adjustment for net working capital received in June 2013), establishing the NS Coated Products Joint Venture. BlueScope has appointed, and will continue to appoint the CEO and continues to control and therefore consolidate the JV in its financial statements. NSSMC has appointed, and will continue to appoint the Chairman.

In addition, BlueScope Steel Limited:

(a) Announced its plans to expand its Taharoa, New Zealand, iron sands export operations through the introduction of a third shipping vessel in FY2016 on 27 December 2013. BlueScope will charter a purpose built 175,000 tonne slurry loading vessel and spend a total of A$50 million spread across FY2016 to FY2018 on mining, processing and ship loading equipment.

(b) Agreed to acquire two businesses from Hills Holdings Limited: Orrcon, a pipe and tube manufacturer and distributor, and Fielders, a building products business, as announced on 19 August 2013.

(c) Agreed to acquire from Arrium Limited its OneSteel sheet and coil processing and distribution businesses in Sydney, Brisbane, Adelaide and Perth, as announced on 14 October 2013.

The OneSteel sheet and coil acquisitions remains subject to Australian Competition and Consumer Commission (ACCC) approval. Following integration, in FY2015 each of the acquisitions are expected to exceed BlueScope's return on capital hurdle and be EPS accretive.

OPERATING AND FINANCIAL REVIEW (continued)

MATTERS SUBSEQUENT TO THE HALF YEAR ENDED 31 DECEMBER 2013

(i) ACCC approval for the acquisition of Orrcon and Fielders from Hills Holdings Limited

In late January 2014 the ACCC further announced that it will not oppose BlueScope's proposed acquisition of Fielders. This is in addition to the earlier announcement in December 2013 that it will not oppose BlueScope's proposed acquisition of Orrcon Steel.The acquisition can now proceed and is targeted for completion by the end of the March 2014 quarter.

(ii) Proposed acquisition of Fletchers Pacific Coil Group

On 17 February 2014, BlueScope announced it had agreed to acquire the downstream long-products rolling and marketing operations of Fletcher Building's Pacific Steel Group (PSG), based in Auckland, New Zealand. PSG is a producer and marketer of long products such as reinforcing steel, rod and wire. The agreed acquisition price is NZ$60 million plus working capital. The acquisition is subject to typical conditions precedent, including New Zealand Commerce Commission clearance. Completion is targeted for mid CY2014.

BlueScope will also invest approximately NZ$50 million in the construction of a billet caster and associated plant at the Glenbrook steelworks, and on integration costs. The new caster will supply steel billet as feed to the acquired rolling mills in New Zealand and Fiji.

FINANCIAL RESULTS

The BlueScope Steel Group comprises six reportable operating segments: Coated & Industrial Products Australia, Building Components & Distribution Australia, New Zealand & Pacific Steel Products, Global Building Solutions, Building Products ASEAN, North America & India and Hot Rolled Products North America.

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

			REPORTED[1]		UNDERLYING[1]	
	REVENUE 1H FY2014 $M	**REVENUE 1H FY2013 $M**	**EARNINGS 1H FY2014 $M**	**EARNINGS 1H FY2013 $M**	**EARNINGS 1H FY2014 $M**	**EARNINGS 1H FY2013 $M**
Sales revenue/EBIT[2]						
Coated & Industrial Products Australia	1,781.6	1,667.9	(0.9)	2.4	26.9	(10.6)
Building Components & Distribution Australia	714.3	720.4	(10.9)	(10.5)	(10.9)	(7.1)
New Zealand & Pacific Steel Products	419.6	318.9	38.6	(2.3)	38.6	(2.3)
Global Building Solutions	807.1	728.4	14.0	13.2	16.2	13.2
Building Products ASEAN, North America & India	915.5	800.4	41.4	31.4	50.9	31.4
Hot Rolled Products North America	-	-	48.7	33.0	48.7	33.0
Discontinued operations	-	-	(0.3)	0.2	-	-
Segment sales revenue/EBIT[2]	4,638.1	4,236.0	130.6	67.4	170.4	57.6
Inter-segment eliminations	(655.7)	(541.0)	(0.1)	(3.6)	(0.1)	(3.6)
Segment external sales revenue/EBIT[2]	3,982.4	3,695.0	130.5	63.8	170.3	54.0
Other revenue (net unallocated expenses)	16.5	8.5	(39.5)	(31.5)	(33.9)	(29.9)
Total revenue/EBIT[2]	3,998.9	3,703.5	91.0	32.3	136.4	24.1
Net borrowing costs			(28.2)	(32.7)	(28.2)	(32.7)
Profit/(loss) from ordinary activities before income tax			62.8	(0.4)	108.2	(8.6)
Income tax (expense)/benefit			(35.9)	(16.4)	(32.9)	14.0
Profit/(loss) from ordinary activities after income tax expense			26.9	(16.8)	75.3	5.4
Net (profit)/loss attributable to outside equity interest			(23.2)	(7.0)	(26.2)	(7.0)
Net profit/(loss) attributable to equity holders of BlueScope Steel			3.7	(23.8)	49.1	(1.6)
Basic earnings/(loss) per share (cents)			0.7	(4.3)	8.8	(0.3)

OPERATING AND FINANCIAL REVIEW (continued)

(1) The use of the term 'reported' refers to IFRS financial information and 'underlying' to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 - Disclosing non-IFRS financial information, issued in December 2011. Underlying adjustments 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. The non-IFRS financial information, whilst not subject to an audit or review, has been extracted from the interim financial report which has been subject to review by our external auditors.

(2) 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/(Loss) to Reported Earnings/(Loss)

	EBIT/(EBIT loss) $M		NPAT/(NLAT) $M		Earnings per share[8] (cents)	
	1H FY2014 $M	1H FY2013 $M	1H FY2014 $M	1H FY2013 $M	1H FY2014 $M	1H FY2013 $M
Reported earnings/(loss)[1]	91.0	32.3	3.7	(23.8)	0.7	(4.2)
Net (gains)/losses from businesses discontinued[2]	0.3	(0.2)	0.3	(0.3)	-	(0.1)
Reported earnings (from continuing operations)	91.3	32.1	4.0	(24.1)	0.7	(4.3)
Underlying adjustments:						
Restructure and redundancy costs[3]	9.3	5.9	5.5	4.3	0.9	0.7
Steel Transformation Plan advance[4]	22.9	22.9	16.0	16.0	2.9	2.9
Business development and pre-operating costs[5]	6.0	0.7	4.2	0.5	0.8	0.1
Asset sales[6]	6.9	(37.5)	2.2	(26.3)	0.4	(4.7)
Tax asset impairment[7]	-	-	17.2	28.0	3.1	5.0
Underlying earnings/(loss)	136.4	24.1	49.1	(1.6)	8.8	(0.3)

(1) The adoption of the revised AASB 119 *Employee Benefits* standard resulted in a retrospective $14.3M decrease (pre-tax) and $11.5M increase (post-tax) adjustment to the reported EBIT and NLAT respectively for first half FY2014.

(2) First half FY2014 reflects costs relating to the divested Metl-Span business. First half FY2013 reflects foreign exchange translation gains within the closed Lysaght Taiwan business.

(3) First half FY2014 reflects staff redundancies and restructuring costs in Building Products ASEAN, North America and India as part of the sale of the Fairfield North America facility completed in December 2013. Additionally, there were staff redundancies and restructuring costs at Coated and Industrial Products and Global Building Solutions. First half FY2013 reflects staff redundancies and restructuring costs at Building Components & Distribution Australia and Coated and Industrial Products Australia.

(4) First half FY2014 and FY2013 reflects the inclusion in underlying earnings of the previously received Australian Government Steel Transformation Plan (STP) advance to align with the carbon costs which are now being incurred at Coated and Industrial Products Australia.

(5) First half FY2014 and FY2013 reflects Corporate business development costs.

OPERATING AND FINANCIAL REVIEW (continued)

(6) First half FY2014 reflects the loss on sale on property, plant and equipment and inventory write-off in Building Products ASEAN, North America and India as part of the sale of the Fairfield North America facility completed in December 2013. First half FY2013 reflects profit on sale of a previously unrecognised intangible asset at Coated and Industrial Products Australia.

(7) First half FY2014 and FY2013 reflects impairment of Australian deferred tax assets generated during each respective period.

(8) Earnings per share is based on the average number of shares on issue during the respective reporting periods (558.5M as at 31 December 2013 vs. 558.2M as at 31 December 2012). In accordance with AASB 133 *Earnings per Share*, the comparative earnings per share calculations have been restated for the retrospective adjustment made to the comparative reported net loss for the period arising from the adoption of the revised AASB 119 *Employee Benefits* standard.

FINANCIAL PERFORMANCE

The Company reported a $3.7 million net profit after tax (NPAT) for the first half of FY2014, a $27.5 million improvement in financial performance compared to the first half of FY2013.

The underlying result was $49.1 million net profit after tax (NPAT), a $50.7 million improvement over the first half of FY2013. Excluding period-end net realisable value adjustments, the underlying NPAT was $74.0 million. The Board was pleased with the continued improvement in the Company's performance and progress on growth initiatives. The Company has stabilised the business, laid the foundations for growth, made measured investments, and achieved this while maintaining a conservative balance sheet.

As at 31 December 2013 net debt was $213.7 million.

The Board decided there would be no interim dividend for the half year.

Segment results

Building Products ASEAN,North America & India (BP)
The BP segment delivered an underlying EBIT of $50.9 million, a 62% improvement compared to first half FY2013. The result was largely driven by a strong performance in Thailand and North America but partly offset by a weaker half for Indonesia, which was impacted by the rapid depreciation of the Indonesian Rupiah against the US dollar.

Global Building Solutions (GBS)
The GBS segment delivered an underlying EBIT of $16.2 million, a 23% improvement compared to first half FY2013. The North American buildings business saw a strong improvement driven by higher volumes and margin expansion. The China Building Products business delivered another solid result, while the performance of the China engineered buildings business was weaker.

Coated & Industrial Products Australia (CIPA)
The CIPA segment delivered an underlying EBIT of $26.9 million, a $37.5 million improvement compared to first half FY2013. The result was largely driven by improved spread and domestic volume, and continued improvement in costs.

Building Components & Distribution Australia (BCDA)
The BCDA segment, where conditions remain difficult, delivered a disappointing underlying EBIT loss of $10.9 million.

New Zealand & Pacific Steel Products (NZPac)
The NZPac segment delivered an underlying EBIT of $38.6M, a significant improvement compared to first half FY2013, driven by improved steel spreads, volume and sales mix, and higher export iron sands volumes and prices.

Hot Rolled Products North America (HRPNA)
The HRPNA segment continues its very good performance, delivering an underlying EBIT of $48.7 million, a 48% improvement compared to first half FY2013.

Likely developments and expected results of operations

The Company expects second half FY2014 underlying NPAT similar to first half. The expectation is based upon typical seasonality,planned second half maintenance activities in Australia and assumes minimal impact of the political situation in Thailand. This is before period-end net realisable value adjustments and is subject to spread, FX and market conditions.

Auditor's independence declaration

The auditor's independence declaration for the half-year ended 31 December 2013 has been received from Ernst & Young. This can be referred to on page 6 of the directors' report.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission (ASIC), relating to the 'rounding off' of amounts in the directors' report and half-year financial report. Amounts in the directors' and financial report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars.

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

G J Kraehe, AO
Chairman

P F O'Malley
Managing Director & CEO

Melbourne
24 February 2014

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of BlueScope Steel Limited

In relation to our review of the financial report of BlueScope Steel Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Rodney Piltz
Partner
24 February 2014

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	Notes	Half year 2013 $M	Restated* 2012 $M
Revenue from continuing operations		**3,998.9**	3,703.5
Other income	4	**75.8**	114.9
Changes in inventories of finished goods and work in progress		**42.3**	(18.8)
Raw materials and consumables used		**(2,309.1)**	(2,180.1)
Employee benefits expense		**(752.1)**	(673.5)
Depreciation and amortisation expense		**(164.7)**	(157.3)
Impairment of non-current assets	4	**(1.0)**	(0.7)
Freight on external despatches		**(238.8)**	(205.1)
External services		**(419.7)**	(425.9)
Finance costs		**(30.1)**	(34.8)
Restructuring costs	4	**(9.3)**	(6.6)
Direct carbon emission expense	4	**(69.6)**	(70.5)
Other expenses		**(107.7)**	(72.8)
Share of profit/(loss) from associates		**48.2**	27.0
Profit/(loss) before income tax		**63.1**	(0.7)
Income tax expense	5	**(35.9)**	(16.4)
Net profit/(loss) from continuing operations		**27.2**	(17.1)
Profit/(loss) from discontinued operations after income tax	7	**(0.3)**	0.3
Net profit/(loss) for the half year		**26.9**	(16.8)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Gain/(loss) on cash flow hedges taken to equity		**(3.2)**	0.2
(Gain)/loss on cash flow hedges transferred to inventory		**4.9**	-
- Income tax (expense)/benefit	5	**(0.4)**	2.4
Net gain/(loss) on hedges of net investments in foreign subsidiaries		**9.6**	(7.9)
Exchange differences on translation of foreign operations attributable to BlueScope Steel Limited		**62.2**	(6.8)
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on defined benefit superannuation plans	8	**76.1**	54.9
-Income tax (expense)/benefit	5	**(16.3)**	(9.4)
Exchange differences on translation of foreign operations attributable to non-controlling interests		**7.6**	-
Other comprehensive income for the half year		**140.5**	33.4
Total comprehensive income for the half year		**167.4**	16.6
Profit/(loss) is attributable to:			
Owners of BlueScope Steel Limited		**3.7**	(23.8)
Non-controlling interests		**23.2**	7.0
		26.9	(16.8)
Total comprehensive income is attributable to:			
Owners of BlueScope Steel Limited		**136.7**	9.5
Non-controlling interests		**30.7**	7.1
		167.4	16.6

*Certain amounts shown here do not correspond to the December 2012 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer note 1.

	Notes	**Half year** **2013** **Cents**	Restated * 2012 Cents
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	12	**0.7**	(4.3)
Diluted earnings per share	12	**0.7**	(4.2)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings per share	12	**0.7**	(4.2)
Diluted earnings per share	12	**0.7**	(4.2)

*Certain amounts shown here do not correspond to the December 2012 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer note 1.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	31 December 2013 $M	30 June 2013 $M
ASSETS			
Current assets			
Cash and cash equivalents		**544.7**	513.7
Receivables		**911.9**	952.3
Inventories		**1,472.0**	1,363.5
Derivative financial instruments		**1.2**	0.4
Intangible assets		**34.7**	38.8
Other		**72.4**	64.1
		3,036.9	2,932.8
Non-current assets classified as held for sale		**8.5**	8.5
Total current assets		**3,045.4**	2,941.3
Non-current assets			
Receivables		**145.4**	145.4
Inventories		**70.4**	71.2
Investments accounted for using the equity method		**153.8**	139.1
Property, plant and equipment		**3,446.2**	3,419.6
Deferred tax assets	5	**146.7**	153.8
Intangible assets		**460.7**	457.6
Other		**7.8**	2.8
Total non-current assets		**4,431.0**	4,389.5
Total assets		**7,476.4**	7,330.8
LIABILITIES			
Current liabilities			
Payables		**970.8**	1,031.7
Borrowings		**16.0**	8.1
Current tax liabilities		**6.8**	8.7
Provisions		**454.5**	441.8
Deferred income		**205.0**	177.2
Derivative financial instruments		**0.1**	1.3
Total current liabilities		**1,653.2**	1,668.8
Non-current liabilities			
Payables		**8.7**	8.3
Borrowings		**742.4**	654.0
Deferred tax liabilities		**27.0**	13.7
Provisions		**210.5**	222.0
Retirement benefit obligations	8	**145.7**	217.0
Deferred income		**86.6**	86.7
Total non-current liabilities		**1,220.9**	1,201.7
Total liabilities		**2,874.1**	2,870.5
Net assets		**4,602.3**	4,460.3
EQUITY			
Contributed equity	6	**4,651.4**	4,650.1
Reserves		**113.7**	37.5
Retained profits		**(572.8)**	(634.7)
Parent entity interest		**4,192.3**	4,052.9
Non-controlling interests	11	**410.0**	407.4
Total equity		**4,602.3**	4,460.3

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

31 December 2013	Notes	**Contributed equity $M**	**Reserves $M**	**Retained earnings $M**	**Non-controlling interests $M**	**Total $M**
Balance at 1 July 2013		**4,650.1**	**37.5**	**(634.7)**	**407.4**	**4,460.3**
Profit/(loss) for the period		-	-	3.7	23.2	26.9
Other comprehensive income/(loss)		-	73.3	58.2	9.0	140.5
Total comprehensive income for the half year		**-**	**73.3**	**61.9**	**32.2**	**167.4**
Transactions with owners in their capacity as owners:						
Shares issued:						
-FY12 KMP STI share awards	6	1.3	-	-	-	1.3
Share-based payment expense		-	6.2	-	-	6.2
Dividends declared		-	-	-	(29.9)	(29.9)
Transactions with non-controlling interests	11	-	(3.3)	-	0.3	(3.0)
		1.3	2.9	-	(29.6)	(25.4)
Balance at 31 December 2013		**4,651.4**	**113.7**	**(572.8)**	**410.0**	**4,602.3**

31 December 2012	Notes	**Contributed equity $M**	**Reserves $M**	**Restated* Retained earnings $M**	**Non-controlling interests $M**	**Total $M**
Balance at 1 July 2012		**4,650.1**	**(267.0)**	**(703.8)**	**99.5**	**3,778.8**
Profit/(loss) for the period		-	-	(23.8)	7.0	(16.8)
Other comprehensive income/(loss)		-	(12.3)	45.6	0.1	33.4
Total comprehensive loss for the half year		**-**	**(12.3)**	**21.8**	**7.1**	**16.6**
Transactions with owners in their capacity as owners:						
Dividends declared		-	-	-	(1.9)	(1.9)
Transactions with non-controlling interests	11	-	(36.1)	-	(32.6)	(68.7)
Share-based payment expense		-	4.5	-	-	4.5
Other		-	0.5	(0.6)	0.3	0.2
		-	(31.1)	(0.6)	(34.2)	(65.9)
Balance at 31 December 2012		**4,650.1**	**(310.4)**	**(682.6)**	**72.4**	**3,729.5**

* Certain amounts shown here do not correspond to the December 2012 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer note 1.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	Consolidated entity Half year 2013 $M	2012 $M
Cash flows from operating activities			
Receipts from customers		**4,187.7**	4,057.8
Payments to suppliers and employees		**(4,068.3)**	(3,934.7)
		119.4	123.1
Associate dividends received		**0.9**	1.1
Joint venture partnership distributions received		**37.6**	24.9
Interest received		**1.9**	2.1
Other revenue		**15.2**	6.4
Finance costs paid		**(23.7)**	(35.6)
Income taxes (paid)/received		**(23.9)**	(77.6)
Net cash inflow from operating activities		**127.4**	44.4
Cash flows from investing activities			
Payments for acquisition of non-controlling interests	11	**-**	(68.7)
Payments for disposal of subsidiary		**-**	(4.6)
Payments for property, plant and equipment		**(114.5)**	(125.1)
Payments for intangibles		**(3.5)**	(4.2)
Payments for investments in joint venture partnerships		**(1.0)**	(0.7)
Proceeds from sale of property, plant and equipment		**7.8**	1.4
Proceeds from sale of intangibles	4	**-**	37.5
Net cash (outflow) from investing activities		**(111.2)**	(164.4)
Cash flows from financing activities			
Proceeds from borrowings		**289.4**	5,934.6
Repayment of borrowings		**(254.7)**	(5,831.3)
Dividends paid to non-controlling interests in subsidiaries		**(29.9)**	(1.9)
Transactions with non-controlling interests	11	**1.6**	-
Net cash inflow from financing activities		**6.4**	101.4
Net increase/(decrease) in cash and cash equivalents		**22.6**	(18.6)
Cash and cash equivalents at the beginning of the financial year		**512.9**	212.6
Effects of exchange rate changes on cash and cash equivalents		**8.2**	(1.9)
Cash and cash equivalents at end of period		**543.7**	192.1

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 2013 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 ending 30 June 2013 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*.

With the exception of computation of the defined benefit superannuation expense which has changed in line with the revision of AASB 119 *Employee Benefits*, effective 1 July 2013, accounting policies and methods of computation remain the same as those adopted and disclosed in the most recent annual financial report.

(i) New and amended standards adopted by the Group

The following standards and amendments apply for first time in the annual reporting period commencing 1 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards* arising *from the Consolidation and Joint Arrangements Standards*;
- AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period;
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards* arising from AASB 13;
- AASB 119 *Employee Benefits* (September 2011) and AASB 2011-10 *Amendments to Australian Accounting Standards* arising from AASB 119 (September 2011);
- AASB 2012-5 *Amendments to Australian Accounting Standards* arising from *Annual Improvements 2009-2011 Cycle;* and
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*

With the exception of the revised AASB 119 *Employee Benefits* standard, the above standards do not impact the interim consolidated financial statements of the Group.

The adoption of the revised AASB 119 *Employee Benefits* resulted in a retrospective adjustment made to the amounts recognised in the financial statements of the comparative period. The interest cost and expected return on plan assets used in the previous version of AASB 119 have been replaced with a net interest amount, which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. In view of this change and as per the requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, $11.5M post-tax ($14.3M pre-tax) was retrospectively charged to the Group's profit or loss for the half year ending 31 December 2012 with a corresponding other comprehensive income (OCI) gain. There was no impact on the overall equity of the Group. The current year impact on the profit or loss from these changes is materially the same amount as the comparative adjustments that have been restated.

1 Basis of preparation of the interim report (continued)

The impact of these adjustments on the individual line items in the comparative financial statements is shown below.

Impact on profit or loss		**Prior year restatement (Increase)/ Decrease**	
	December 2012 (Previously stated) $M	**Employee benefits $M**	**December 2012 (Restated) $M**
Profit/(loss) before income tax	**13.6**	**(14.3)**	**(0.7)**
Income tax expense	**(19.2)**	**2.8**	**(16.4)**
Net/(loss) from continuing operations	**(5.6)**	**(11.5)**	**(17.1)**
Profit from discontinued operations after income tax	0.3	-	0.3
Net/(loss) for the half-year	**(5.3)**	**(11.5)**	**(16.8)**

		Prior year restatement Increase/ (Decrease)	
Other comprehensive income (extract)	**December 2012 (Previously stated) $M**	**Employee benefits $M**	**December 2012 (Restated) $M**
Actuarial gain on defined benefit superannuation plans	40.6	14.3	54.9
Income tax (expense)/benefit	(6.6)	(2.8)	(9.4)
Other comprehensive income for the period	**34.0**	**11.5**	**45.5**
Total comprehensive income for the period	**16.6**	**-**	**16.6**

		Prior year restatement	
Basic and diluted (loss) per share (extract)	**December 2012 (Previously stated) Cents**	**(Increase)/ Decrease**	**December 2012 (Restated) Cents**
Basic loss per share from continuing operations attributable to the ordinary equity holders of the Company	(2.3)	(2.0)	(4.3)
Diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company	(2.2)	(2.0)	(4.2)

AASB 119 *Employee Benefits* revised standard also required the Group to discount to present value annual leave which is not expected to be settled within 12 months. A review of the change in measurement of these obligations resulted in no material impact for the Group and therefore no restatement has been made.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Estimated recoverable amount of cash generating units (CGUs), including goodwill

The Group tests property, plant and equipment and intangible assets with definite useful lives when there is an indicator of impairment. Goodwill and other intangible assets with indefinite useful lives are tested at least annually for any impairment or reversal of a previous impairment loss. All cash generating units (CGU's) were tested for impairment at the reporting date. The recoverable amounts of CGUs have been determined on a consistent basis to 30 June 2013. The basis of determining the key assumptions are listed below.

Key assumptions

The recoverable amount of each CGU is determined on the basis of value-in-use (VIU), unless there is evidence to support a higher fair value less cost of disposal. The following describes assumptions on which the Company has based its projections when determining the recoverable value of each CGU.

The carrying amounts of property, plant and equipment and intangible assets are subject to major estimation uncertainty, in the form of the key operating assumptions used to estimate the future cash flows and discount rates. The nature and basis for the key assumptions used for impairment testing are outlined below.

Future cash flows
VIU calculations use pre-tax cash flows, inclusive of working capital movement, which are based on financial projections approved by the Company covering a three-year period, being the basis of the Group’s forecasting and planning processes or up to five years where the 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.

The key operating assumptions and their basis of estimation are:

- Raw material costs are based on commodity price forecasts derived from a range of external global commodity forecasters.

- Selling prices are management forecasts, taking into account commodity steel price forecasts derived from a range of external global commodity forecasters.

- Sales volumes are management forecasts, taking into account external forecasts of underlying economic activity for the market sectors and geographies in which each CGU operates.

- The strength of the Australian dollar relative to the US dollar is based on forecasts derived from a range of external banks. This assumption is relevant as foreign currency exchange rates, in particular the Australian dollar relative to the US dollar, impacts the competitiveness of domestically manufactured product relative to imported product.

Growth rate
The growth rate used to extrapolate the cash flows for each CGU beyond the forecast period does not exceed 2.5% (June 2013: 2.5%). The growth rate represents a steady indexation rate which does not exceed the Company's expectations of the long-term average growth rate for the business in which each CGU operates.

2 Critical accounting estimates and judgements (continued)

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 post-tax discount rates range from 8.7% to 10.0% (June 2013: 8.7%-10.0%).

Given the differing characteristics, currencies and geographical locations of the Group's CGUs, where appropriate the base discount rate is adjusted by a country risk premium (CRP) to reflect country-specific risks. Such adjustments do not reflect risks for which cash flow forecasts have already been adjusted. The CRP is derived from a range of externally sourced foreign country risk ratings.

The adjusted post-tax discount rate is translated to a pre-tax rate for each CGU based on the specific tax rate applicable to where the CGU operates.

All foreign currency cash flows are discounted using a discount rate appropriate for that currency.

Carbon pricing schemes
The estimated impact of the New Zealand Emissions Trading Scheme (ETS), which came into effect on 1 July 2010, and the Australian Carbon Pricing Mechanism (CPM), which came into effect on 1 July 2012, have been included in determining cash flow projections.

The carbon pricing schemes (CPS) requires the Company to annually obtain and surrender emission units to cover the Group's direct greenhouse gas emissions for our facilities in Australia and New Zealand (Scope 1 emissions). The CPS increases the costs of electricity (Scope 2 direct emissions) and potentially the cost of other goods and services (Scope 3 indirect emissions).

The Australian and New Zealand Governments have enacted programs to allocate some permits to emissions-intensive trade exposed activities, including integrated iron and steel making. In Australia this involves the allocation of permits at the maximum rate (permits covering 94.5% of the industry base line emissions in the first year) with the permit allocation decreasing by 1.3% per annum. New Zealand Steel has qualified for a free allocation of emission unit permits at the maximum rate (90% of industry base line emissions) with no decision yet to be reached on the reduction rate of permits to be allocated.

The Australian Government has also provided a Steel Transformation Plan (STP) to encourage investment, innovation and competitiveness in the Australian steel manufacturing industry in order to assist the industry to transform into an efficient and economically sustainable industry in a low carbon economy. The STP will provide $300 million of funding to the Australian steel industry over a four-year period for eligible expenditure on innovation, investment and production. The Group expects to receive 61% of this funding, of which a $100 million advance was received in January 2012, and expects to receive the remaining $83 million in FY15 and FY16.

The Group will incur significant additional costs from these schemes. In Australia, the STP is expected to offset the cost of the CPM for the first four years. The potential impact of the CPM beyond the first four years is difficult to assess and will depend upon a range of factors.

In estimating the impact of carbon pricing schemes for impairment testing purposes the Group has taken into account the assistance to be provided by the STP for the first four years, net of the advance already received, the pass through of costs by suppliers and the ability of the Group to implement mitigation plans.

The Australian Federal Government has announced its intention to repeal the Australian Carbon Tax and Steel Transformation Plan (STP) legislation, effective 30 June 2014. If the repeal proceeds in its current form, this is expected to have a net positive impact on the recoverable value of the Coated & Industrial Products Australia (CIPA) CGU, which includes adjusting for the non-receipt of the $83 million future STP payments.

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, CIPA, which are determined taking into account the key assumptions set out above.

2 Critical accounting estimates and judgements (continued)

Recognised forecasters estimate a continued strengthening of the US dollar relative to the Australian dollar, lowering of iron ore raw material cost relative to global commodity steel prices and an increase in domestic demand for steel products.The Company believes that the long-term assumptions adopted are appropriate. However, to illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flows were to decrease materially, that is in the range of 5-10%, across the forecast period without the implementation of mitigation plans, this could lead to a future impairment write-down of approximately $100M - $200M.

Cash generating units with significant goodwill
The significant proportion of the Group's goodwill has been allocated to BlueScope Buildings North America (a business within the Global Building Solutions segment).

BlueScope Buildings North America has $245.9M of goodwill (78.7% of the Group's goodwill) and is tested for impairment on a VIU basis using three and a half year cash flow projections, followed by a long-term growth rate of 2.5% for a further 26.5 years. Pre-tax VIU cash flows are discounted utilising a 13.4% pre-tax discount rate (2013: 13.4%).

At 31 December 2013 the estimated recoverable amount of this CGU is 1.4 times the carrying amount. This CGU is most sensitive to assumptions in relation to North American non-residential building and construction activity, in particular the magnitude and timing of a recovery to pre global financial crisis activity levels.Taking into account external forecasts, the Company expects non-residential building and construction activity to increase significantly (13% per annum from the current historically low base levels over the three and a half year projection period) as general market conditions improve in North America but remain 18% below the levels experienced prior to the 2008 global financial crisis.

However, the timing and extent of this recovery is uncertain and in the absence of mitigating factors, a permanent 32% reduction in non-residential construction activity below pre global financial crisis levels, or more than a three-year delay to achieve the projected recovery, would be required for the recoverable amount to be equal to the carrying amount.

(ii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. 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.

(iii) 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.

(iv) 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.

(v) Share-based payment transactions

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

2 Critical accounting estimates and judgements (continued)

(vi) Defined benefit plans

Various actuarial assumptions underpin the determination of the Group's pension obligations. These assumptions and the related carrying amounts are discussed in note 8.

(vii) Restructuring and redundancy provisions

Provisions for restructuring and redundancy are based on the Group's best estimate of the outflow of resources required to settle commitments made by the Group to those likely to be affected. Where the outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income statement in the period in which such determination is made (refer to note 4).

(viii) 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.

(ix) Restoration and rehabilitation provisions

Provisions have been made for the present value of anticipated costs for future remediation and restoration of leased premises and the iron sand mine operations in New Zealand. 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.

(x) Legal claims

Recognising legal provisions requires judgement as to whether a legal claim meets the definition of a liability. There is an inherent uncertainty where the validity of claims are to be determined by the courts or other processes which may result in future actual expenditure differing from the amounts currently provided.

3 Segment information

(a) Description of segments

The Group has six reportable operating segments: Coated & Industrial Products Australia, Building Components & Distribution Australia, New Zealand & Pacific Steel Products, Global Building Solutions, Building Products ASEAN, North America & India and Hot Rolled Products North America.

Coated & Industrial Products Australia

Coated & Industrial Products Australia includes the Port Kembla Steelworks, a steel making operation with an annual production capacity of approximately 2.6 million tonnes of crude steel. The Port Kembla Steelworks is the leading supplier of flat steel in Australia, manufacturing slab, hot rolled coil and plate products. The segment also comprises two main metallic coating and painting facilities located in Springhill, New South Wales and Western Port, Victoria together with steel painting facilities in western Sydney and Acacia Ridge, Queensland. Steel from the Port Kembla Steelworks is processed by these facilities to produce a range of COLORBOND® pre-painted steel and ZINCALUME® zinc/aluminium branded products. Export offices are also incorporated within this segment to trade steel manufactured at these facilities on global markets.

Building Components & Distribution Australia

Building Components & Distribution Australia contains a network of service centres and distribution sites from which it forms a key supplier to the Australian building and construction industry, automotive sector, major white goods manufacturers and general manufacturers. The operating segment also holds the Lysaght steel solutions business, providing a range of LYSAGHT® branded products to the building and construction sector.

New Zealand & Pacific Steel Products

The New Zealand Steel operation includes iron sand mining at Waikato North Head and Taharoa, New Zealand, producing iron sands for export and internal use at the Glenbrook, New Zealand, steel making operation. The Glenbrook facility produces a range of flat steel products for both domestic and export markets. It has an annual production capacity of approximately 0.6 million tonnes. The segment also includes facilities in New Caledonia, Fiji and Vanuatu, which manufacture and distribute the LYSAGHT® range of products.

Global Building Solutions

The Global Building Solutions segment is a global leader in custom engineered steel buildings. It comprises the Company's engineered buildings solutions businesses in North America, China, Indonesia, Malaysia, Thailand, Vietnam and Australia, and metal coating, painting and Lysaght businesses in China.

Building Products ASEAN, North America & India

Building Products ASEAN and North America operates metallic coating and painting lines and LYSAGHT® roll-forming facilities in Indonesia, Malaysia, Thailand, Vietnam and North America, primarily servicing the building and construction industries. BlueScope Steel's operations also includes LYSAGHT® roll-forming facilities in Singapore and Brunei. These businesses comprise the NS BlueScope Coated joint venture, a 50/50 joint venture with Nippon Steel and Sumitomo Metal Corporation which BlueScope controls and therefore consolidates in the Group financial statements.

This segment also includes Tata BlueScope Steel, a 50/50 joint venture with Tata Steel, with operations in India that include a recently established metal coating and painting line, LYSAGHT® roll-forming operations and a BUTLER® manufacturing and engineering facility. Tata BlueScope Steel's operations also includes a LYSAGHT® roll-forming facility in Sri Lanka. These businesses are jointly controlled and are therefore equity accounted for in the Group financial statements.

Hot Rolled Products North America

Hot Rolled Products North America includes a 50% interest in the North Star BlueScope Steel joint venture, a steel mini mill in the United States and a 47.5% shareholding in Castrip LLC. These businesses are jointly controlled and are therefore equity accounted for in the Group financial statements.

3 Segment information (continued)

(b) Reportable segments

The segment information provided to the Managing Director and Chief Executive Officer for the operating segments for the half year ended 31 December 2013 is as follows:

Half-year 2013	Coated & Industrial Products Australia $M	Building Components & Distribution Australia $M	New Zealand & Pacific Steel Products $M	Global Building Solutions $M	Building Products ASEAN, North America & India $M	Hot Rolled Products North America $M	Discontinued Operations $M	Total $M
Total segment sales revenue	1,781.6	714.3	419.6	807.1	915.5	-	-	4,638.1
Intersegment revenue	(521.1)	(16.2)	(65.8)	(2.1)	(50.5)	-	-	(655.7)
Revenue from external customers	**1,260.5**	**698.1**	**353.8**	**805.0**	**865.0**	**-**	**-**	**3,982.4**
Segment EBIT	**(0.9)**	**(10.9)**	**38.6**	**14.0**	**41.4**	**48.7**	**(0.3)**	**130.6**
Depreciation and amortisation	87.0	8.2	25.1	18.4	26.0	-	-	164.7
Impairment of non-current assets	-	-	-	-	-	1.0	-	1.0
Share of profit (loss) from associates and joint venture partnerships	-	-	2.1	0.3	(5.1)	50.9	-	48.2
Total segment assets	**3,140.8**	**544.0**	**792.1**	**1,134.9**	**1,191.0**	**112.5**	**0.2**	**6,915.5**
Total assets includes:								
Investments in associates and joint venture partnerships	-	-	9.2	3.8	28.6	112.2	-	153.8
Additions to non-current assets (other than financial assets and deferred tax)	52.2	1.7	45.0	11.0	13.3	-	-	123.2
Total segment liabilities	**1,083.5**	**215.9**	**206.6**	**456.9**	**247.3**	**-**	**4.2**	**2,214.4**

Half-year 2012 restated*	Coated & Industrial Products Australia $M	Building Components & Distribution Australia $M	New Zealand & Pacific Steel Products $M	Global Building Solutions $M	Building Products ASEAN, North America & India $M	Hot Rolled Products North America $M	Discontinued Operations $M	Total $M
Total segment sales revenue	1,667.9	720.4	318.9	728.4	800.4	-	-	4,236.0
Intersegment revenue	(422.8)	(19.0)	(50.5)	(1.1)	(47.6)	-	-	(541.0)
Revenue from external customers	**1,245.1**	**701.4**	**268.4**	**727.3**	**752.8**	**-**	**-**	**3,695.0**
Segment EBIT	**2.4**	**(10.5)**	**(2.3)**	**13.2**	**31.4**	**33.0**	**0.2**	**67.4**
Depreciation and amortisation	84.4	8.7	24.6	16.1	23.4	-	-	157.2
Impairment of non-current assets	-	-	-	-	-	0.7	-	0.7
Share of profit (loss) from associates and joint venture partnerships	-	-	1.0	-	(7.9)	33.9	-	27.0
Total segment assets	**3,065.5**	**554.0**	**645.4**	**936.1**	**1,117.2**	**79.4**	**0.2**	**6,397.8**
Total assets includes:								
Investments in associates and joint venture partnerships	-	-	7.7	3.3	25.8	79.0	-	115.8
Additions to non-current assets (other than financial assets and deferred tax)	56.2	3.5	19.0	22.5	4.8	-	-	106.0
Total segment liabilities	**1,092.8**	**230.0**	**306.4**	**431.0**	**258.1**	**-**	**3.9**	**2,322.2**

*Certain amounts shown here do not correspond to the December 2012 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer note 1.

3 Segment information (continued)

(c) Other segment information

(i) Segment revenue

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

	Consolidated entity Half year	
	2013	2012
	$M	$M
Total segment revenue	**4,638.1**	4,236.0
Intersegment eliminations	**(655.7)**	(541.0)
Other revenue	**16.5**	8.5
Total revenue from continuing operations	**3,998.9**	3,703.5

(ii) Segment EBIT

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

A reconciliation of total segment EBIT to operating profit before income tax is provided as follows:

	Consolidated entity Half year	
		Restated*
	2013	2012
	$M	$M
Total segment EBIT gain (loss)	**130.6**	67.4
Intersegment eliminations	**(0.1)**	(3.6)
Interest income	**1.9**	2.1
Finance costs	**(30.1)**	(34.8)
EBIT (gain) loss attributable to discontinued operations	**0.3**	(0.2)
Corporate operations	**(39.5)**	(31.6)
Profit (loss) before income tax from continuing operations	**63.1**	(0.7)

*Certain amounts shown here do not correspond to the December 2012 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer note 1.

3 Segment information (continued)

(iii) Segment assets

Segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Cash is not considered to be a segment asset as it is managed by the Group's centralised treasury function.

As the segment information is focused on EBIT, tax assets, which by their nature do not contribute towards EBIT, are not allocated to operating segments.

Reportable segment assets are reconciled to total assets as follows:

	Consolidated entity	
	December 2013 $M	June 2013 $M
Segment assets	**6,915.5**	6,800.9
Intersegment eliminations	**(178.5)**	(187.4)
Unallocated:		
Deferred tax assets	**146.7**	153.8
Cash	**544.7**	513.7
Corporate operations	**13.6**	9.2
Tax receivables	**34.4**	40.6
Total assets as per the statement of financial position	**7,476.4**	7,330.8

(iv) Segment liabilities

Segment liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Liabilities arising from borrowing and funding initiatives are not considered to be segment liabilities due to these being managed by the Group's centralised treasury function. As the segment information is focused on EBIT, tax liabilities, which by their nature do not impact EBIT, are not allocated to operating segments.

Reportable segment liabilities are reconciled to total liabilities as follows:

	Consolidated entity	
	December 2013 $M	June 2013 $M
Segment liabilities	**2,214.4**	2,320.3
Intersegment eliminations	**(163.4)**	(172.4)
Unallocated:		
Current borrowings	**16.0**	8.1
Non-current borrowings	**742.4**	654.0
Current tax liabilities	**6.8**	8.7
Deferred tax liabilities	**27.0**	13.7
Accrued borrowing costs payable	**6.1**	5.0
Corporate operations	**24.8**	33.1
Total liabilities as per the statement of financial position	**2,874.1**	2,870.5

4 Other income and expenses

	Consolidated entity Half-year **2013** **$M**	2012 $M
Profit (loss) before income tax includes the following specific income and expenses for continuing operations:		
Other income		
Net foreign exchange gains	**-**	0.9
Carbon permit - Government Grant (a)	**75.2**	77.4
Insurance recoveries	**0.3**	-
Net gain on sale of non-current assets (b)	**-**	36.4
Government grant - other	**0.3**	0.2
Total other income	**75.8**	114.9
Workers compensation insurance recoveries (c)	**-**	36.6
Impairment of non current- assets		
Castrip joint venture	**(1.0)**	(0.7)
Direct carbon emission expense (a)	**(69.6)**	(70.5)
Restructuring costs (d)	**(9.3)**	(6.6)
Net loss on sale of property, plant and equipment (e)	**(6.7)**	-
Net foreign exchange loss	**(10.2)**	-

Inventory net realisable value expense (write-back)
During the six-month period to 31 December 2013, a $35.6M (Dec-12: $56.3M) expense was recognised in connection to the write-down of inventories to net realisable value.

(a) Carbon permit income and direct carbon emission expense
Carbon permit income arises from Carbon Pricing Scheme (CPS) permits granted by the New Zealand & Australian Governments.

The $69.6M (Dec-12: $70.5M) direct carbon emission expense (scope 1 direct emissions) excludes coal and gas purchases emission expense for our New Zealand Steel operation. New Zealand Steel's coal and gas direct emission expense are recorded within raw material and utility costs as these costs are passed through by our suppliers.The Carbon Pricing Schemes in Australia (effective from 1 July 2012) and New Zealand increase the costs of electricity (scope 2 direct emissions) and potentially the cost of other goods and services (scope 3 indirect emissions). The Scope 2 and Scope 3 carbon costs are not included in the direct carbon emission expense.

(b) Net gain on sale of non-current assets
The $36.4M in other income for 31 December 2012 includes a $37.5M profit on sale of a previously unrecognised intangible asset at Coated & Industrial Products Australia.

(c) Workers compensation insurance recoveries
In December 2012, $36.6M in workers compensation insurance recoveries were recognised in earnings.

4 Other income and expenses (continued)

(d) Restructuring costs
Current period restructuring costs includes $3.0M in Building Products ASEAN, North America and India, associated with the sale of the Fairfield North America Facility in December 2013. An additional $4.5M restructuring costs have been recognised as at 31 December 2013 in Coated and Industrial Products Australia.

Prior period restructuring costs includes $3.0M for Lysaght Australia following the consolidation of Lysaght Sydney sites and $3.3M restructuring costs in Coated & Industrial Products Australia.

(e) Net loss on sale of property, plant and equipment
The current period loss on sale of property, plant and equipment includes $6.0M in Building Products ASEAN, North America and India, for loss on sale of assets at the North America Fairfield facility.

5 Income tax expense

(a) Tax expense (income) relating to items of other comprehensive income

	Consolidated entity Half year	
		Restated*
	2013	2012
	$M	$M
Actuarial gain/(loss) on defined benefit superannuation plans	**(16.3)**	(9.4)
Net (gain) loss on hedges of net investments in subsidiaries	**(0.4)**	2.4
	(16.7)	(7.0)

*Certain amounts shown here do not correspond to the December 2012 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer note 1.

For the six months to 31 December 2013, $18.7M of Australian deferred tax assets generated during the period have been impaired with $17.2M allocated to tax expense and a $1.5M debit allocated in retained earnings.

Australian Accounting Standards impose a stringent test for the recognition of a deferred tax asset arising from unused tax losses where there is a history of recent tax losses. The Company has deferred the recognition of any further tax asset for the Australian tax group until a return to taxable profits has been demonstrated. The Australian net deferred tax asset balance of $85M recognised at June 2011 remains. Additional deferred tax assets will only be recognised when the Australian tax group returns to producing taxable income.

Tax dispute
The Australian Taxation Office (ATO) has issued BSL with amended assessments in relation to a sale and leaseback transaction entered into by BSL in the 2007 income year (refer to note 40 of the 30 June 2013 full financial report).

In accordance with ATO guidelines, BSL made a $21.2M part payment on 9 July 2012 pending determination of the dispute. Any amount paid will be fully refundable in the event that the matter is resolved in favour of BSL. This amount has been recorded as a non-current tax receivable.

6 Equity securities issued

	Six-months to 31 Dec 2013 Shares	Six-months to 31 Dec 2012 Shares	**Six-months to 31 Dec 2013 $M**	Six-months to 31 Dec 2012 $M
Issue of ordinary shares during the half-year				
Opening balance	**558,243,305**	3,349,185,247	**4,661.4**	4,661.4
Impact of share consolidation (i)	**-**	(2,790,941,942)	**-**	-
FY12 KMP STI share awards (ii)	**490,423**	-	**0.4**	-
	558,733,728	558,243,305	**4,661.8**	4,661.4
Movements in treasury shares during the half-year				
Opening balance	**(1,155,933)**	(6,935,600)	**(11.3)**	(11.3)
Impact of share consolidation (i)	**-**	5,779,667	**-**	-
FY12 KMP STI share awards (ii)	**87,981**	-	**0.9**	-
	(1,067,952)	(1,155,933)	**(10.4)**	(11.3)
Net movement	**557,665,776**	557,087,372	**4,651.4**	4,650.1

(i) Share consolidation
On 19 December 2012, the Company consolidated its share capital through the conversion of every 6 shares in the Company into one ordinary share in the Company. As a result, the Company's opening balances of shares issued and movements in shares issued for the prior period have been restated to reflect this change, with an impact of reducing the number of shares on issue from 3.35 billion to 558.2 million as at 31 December 2012.

(ii) FY12 KMP STI share awards
In September 2013, 578,404 shares ($1.3M) were issued to Key management personnel (KMP) executives as part of the FY12 KMP STI share awards, of which 490,423 were new shares and 87,981 allocated from the forfeited Retention share award schemes classified as treasury shares. The shares will lapse if the KMP executive resigns or is terminated for cause within 12 months.

7 Discontinued operations

(a) Description

In June 2012, the Group sold Metl-Span, its North American insulated metal panels business, to NCI Group Inc.

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

The financial information for these operations identified as discontinued operations is set out below and is reported in this financial report as discontinued operations.

(b) Financial performance of discontinued operations

The results of discontinued operations for the half-year are presented below.

	Consolidated entity	
	Six-months to 31 December 2013	Six-months to 31 December 2012
	Metl-Span $M	**Lysaght Taiwan $M**
Other income (expenses)	(0.3)	0.2
Profit (loss) before income tax (i)	(0.3)	0.2
Income tax (expense) benefit	-	0.1
Profit (loss) after income tax from discontinued operations	(0.3)	0.3

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

8 Non-current liabilities - Retirement benefit obligations

(a) Balance sheet amounts

	Consolidated entity December 2013 $M	Consolidated entity June 2013 $M
Present value of the defined benefit obligation	**(1,186.1)**	(1,159.2)
Fair value of defined benefit plan assets	**1,040.4**	942.2
	(145.7)	(217.0)
Net liability in the statement of financial position	**(145.7)**	(217.0)

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

December 2013	**BlueScope Steel Superannuation Fund $M**	**New Zealand Pension Fund $M**	**Coated & Building Products North America $M**	**Total $M**
Present value of the defined benefit obligation	(371.0)	(407.4)	(407.7)	(1,186.1)
Fair value of defined benefit plan assets	345.7	352.3	342.4	1,040.4
Net liability in the statement of financial position	(25.3)	(55.1)	(65.3)	(145.7)
Defined benefit expense	8.3	6.7	2.4	17.4
Employer contribution	14.0	8.3	1.2	23.5
Principal actuarial assumption	%	%	%	
Discount rate (gross of tax)	4.4	5.1	4.8	
Future salary increases (i)	3.0	3.0	-	

June 2013	**BlueScope Steel Superannuation Fund $M**	**New Zealand Pension Fund $M**	**Coated & Building Products North America $M**	**Total $M**
Present value of the defined benefit obligation	(386.0)	(374.3)	(398.9)	(1,159.2)
Fair value of defined benefit plan assets	333.3	288.1	320.8	942.2
Net liability in the statement of financial position	(52.7)	(86.2)	(78.1)	(217.0)
Defined benefit expense (ii) (restated)	20.3	18.7	(0.4)	38.6
Employer contribution	24.8	15.5	7.7	48.0
Principal actuarial assumption	%	%	%	
Discount rate (gross of tax)	4.0	4.6	4.6	
Future salary increases (i)	3.0	3.0	-	

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

(ii) The adoption of the revised AASB 119 *Employee Benefits* resulted in a retrospective $28.6M increase in employee benefits expense for the twelve months ending 30 June 2013 (refer to note 1).

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

8 Non-current liabilities - Retirement benefit obligations (continued)

(c) Reconciliations

	Consolidated entity	
	Six-months ending 31 December 2013 $M	Twelve-months ending 30 June 2013 $M
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Opening balance	**1,159.2**	1,249.1
Current service cost	**12.8**	27.5
Interest cost	**21.5**	40.4
Actuarial losses (gains)	**(17.3)**	(152.7)
Foreign currency exchange rate changes	**52.1**	62.7
Benefits paid	**(38.4)**	(55.3)
Allowance for contributions tax on net liability	**(2.6)**	(5.5)
Losses (gains) on curtailments	**-**	(5.6)
Other	**(1.2)**	(1.4)
Closing balance	**1,186.1**	1,159.2
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	**942.2**	817.1
Interest	**17.0**	22.7
Actuarial gains (losses)	**58.8**	72.1
Foreign currency exchange rate changes	**41.3**	43.5
Contributions by the Group	**23.5**	48.0
Tax on employer contributions	**(4.9)**	(8.8)
Contributions by plan participants	**2.1**	4.3
Benefits paid	**(38.4)**	(55.3)
Other	**(1.2)**	(1.4)
Closing balance	**1,040.4**	942.2

(d) Amounts recognised in profit or loss

The amounts recognised in profit or loss in respect of defined benefit plans are as follows:

	Six-months ending 31 December 2013 $M	Restated* Twelve-months ending 30 June 2013 $M
Current service cost	**12.8**	27.5
Contributions by plan participants	**(2.1)**	(4.3)
Net interest	**4.5**	17.7
Allowance for contributions tax on net liability	**2.2**	3.3
Losses (gains) on curtailments and settlements	**-**	(5.6)
Total included in employee benefits expense	**17.4**	38.6
Actual return on plan assets	**75.8**	94.8

* Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer note 1.

9 Fair value of financial instruments

Set out below is a comparsion of carrying amounts and fair values of financial instruments as at 31 December 2013.

	Current amount December 2013 $M	Fair value December 2013 $M
Financial assets		
Receivables	145.4	145.4
Total non-current	145.4	145.4
Forward foreign exchange contracts	0.8	0.8
Forward commodity contracts	0.4	0.4
Total current	1.2	1.2
Total	**146.6**	**146.6**
Financial Liabilities		
Payables	8.7	8.7
Borrowings	742.4	826.8
Total non-current	751.1	835.5
Forward foreign exchange contracts	0.1	0.1
Borrowings	16.0	16.0
Total current	16.1	16.1
Total	**767.2**	**851.6**

AASB 134 *Interim Financial Reporting*, amended as a result of revised AASB 13 *Fair Value Measurement,* requires the Group to disclose information about the carrying amounts and fair values of its financial instruments. The Group provides these disclosures for the first time in its interim financial statements.

The Group assessed that cash and short-term deposits, trade receivables, trade payables and bank overdrafts approximate their carrying amounts largely due to the short-term maturities of these instruments.

10 Contingencies

Since June 2013, there have been no material changes of any contingent assets and liabilities.

11 Transactions with non-controlling interests

(a) Transactions with non-controlling interests

(i) On 16 August 2012, the Company acquired the remaining 40% interest of BlueScope Steel Malaysia for a purchase consideration of $68.7M.

(ii) On 28 March 2013, BlueScope and Nippon Steel and Sumitomo Metal Corporation formed a joint venture partnership, resulting in the sale of 50% of its interest in ASEAN Building products businesses (Indonesia, Malaysia, Thailand, Vietnam, Singapore and Brunei) and North America (Steelscape and ASC Profiles) for a sale consideration of $551.4M (USD 571.1M). As part of this transaction, the Group acquired an additional 5% interest in BlueScope Steel Thailand and BlueScope Lysaght Thailand.

In accordance with AASB 127, transactions with non-controlling interests that do not result in a loss of control are treated as transactions with equity owners of the Group. Any difference between the amount of adjustment to non-controlling interests and consideration paid or received, net of transaction costs, is recognised in a seperate reserve within equity.

The movement in the asset realisation reserve from transactions with non-controlling interests is as follows:

	Consolidated entity Half year 2013 $M
Opening balance	**192.6**
Consideration transferred to non-controlling interests	**(0.3)**
Transaction costs	**(3.0)**
Closing balance	**189.3**

12 Earnings (loss) per share

(a) Basic earnings (loss) per share

	Consolidated entity Half year	
	2013 Cents	Restated* 2012 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**0.7**	(4.3)
From discontinued operations	**-**	0.1
Total basic earnings (loss) per share attributable to the ordinary equity holders of the Company	**0.7**	(4.2)

(b) Diluted earnings (loss) per share

	Consolidated entity Half year	
	2013 Cents	Restated* 2012 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**0.7**	(4.2)
From discontinued operations	**-**	-
Total diluted earnings (loss) per share attributable to the ordinary equity holders of the Company	**0.7**	(4.2)

* Certain amounts shown here do not correspond to the December 2012 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer note 1.

12 Earnings (loss) per share (continued)

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

	Consolidated entity Half year	
		Restated*
	2013	2012
	$M	$M
Basic and diluted earnings (loss) per share		
Profit (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	**4.0**	(24.1)
From discontinued operations	**(0.3)**	0.3
	3.7	(23.8)

* Certain amounts shown here do not correspond to the December 2012 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer note 1.

(d) Weighted average number of shares used as denominator

	Consolidated entity Half year	
	2013	2012
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**558,489,856**	558,243,305
Adjustments for calculation of diluted earnings per share:		
Weighted average number of share rights	**14,014,610**	7,162,075
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**572,504,466**	565,405,380

(e) Earnings per share restated
In accordance with AASB 133 *Earnings per Share*, the comparative earnings per share calculations have been restated for the retrospective adjustment made to the comparative reported net loss for the period arising from the adoption of the revised AASB 119 Employee Benefits standard (refer to note 1).

13 Events occurring after the reporting period

(i) ACCC approval for the acquisition of Orrcon and Fielders from Hills Holdings
On 19 August 2013, BlueScope Steel Limited announced that it had agreed to acquire two businesses from Hills Holdings Limited: Orrcon, a pipe and tube manufacturer and distributor, and Fielders, a building product business. In late January 2014, the ACCC further announced that it will not oppose BlueScope's proposed acquisition of Fielders. This is in addition to an earlier announcement in December 2013 that it will not oppose BlueScope's proposed acquisition of Orrcon Steel. The acquisition can now proceed and is targeted for completion by the end of the March 2014 quarter.

(ii) Proposed acquisition of Fletchers Pacific Coil Group
On 17 February 2014, BlueScope announced it had agreed to acquire the downstream long-products rolling and marketing operations of Fletcher Building's Pacific Steel Group (PSG), based in Auckland, New Zealand. PSG is a producer and marketer of long products such as reinforcing steel, rod and wire. The agreed acquisition price is NZ$60 million plus working capital. The acquisition is subject to typical conditions precedent, including New Zealand Commerce Commission clearance. Completion is targeted for mid CY2014.

BlueScope will also invest approximately NZ$50 million in the construction of a billet caster and associated plant at the Glenbrook steelworks, and on integration costs. The new caster will supply steel billet as feed to the acquired rolling mills in New Zealand and Fiji.

Directors' declaration

In the directors opinion:

(a) the interim financial statements and notes set out on pages 7 to 31 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 2013 and of its performance for the half year ending on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

G J Kraehe, AO
Chairman

P F O'Malley
Managing Director & CEO

Melbourne
24 February 2014

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

To the members of BlueScope Steel Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of BlueScope Steel Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the interim 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 interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BlueScope Steel Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of BlueScope Steel Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

RCPiltz

Rodney Piltz
Partner
Melbourne
24 February 2014

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