

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



25 February 2019

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 2018

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 2018.

The financial report has been prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board. References to 'reported' financial information throughout this report are consistent with IFRS financial information disclosed in the financial report.

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

Yours faithfully

Debra Counsell
Company Secretary
BlueScope Steel Limited

RESULTS FOR ANNOUNCEMENT TO THE MARKET

25 February 2019: BlueScope today reported its financial results for the six months ended 31 December 2018.

\$M unless marked	1H FY2019	1H FY2018	Variance %
Sales revenue from continuing operations	6,398.1	5,448.4	17%
Reported NPAT	624.3	441.2	42%
Underlying NPAT ¹	613.5	327.0	88%
Interim ordinary dividend (cents) ²	6.0 cps	6.0 cps	N/A
Reported earnings per share (cents)	115.3 cps	78.6 cps	47%
Underlying earnings per share (cents)	113.3 cps	58.3 cps	94%
Net tangible assets per share (\$)	8.73	6.61	32%

1) Underlying results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. Underlying adjustments include discontinued operations, acquisitions and disposals of businesses, asset impairments/write-backs and restructuring costs. Tables 11, 12 and 13 provide reconciliations of underlying earnings to reported earnings.

2) The 1H FY2019 interim dividend is unfranked and its record date is 4 March 2019.

FINANCIAL HEADLINES

\$M unless marked	1H FY2019	1H FY2018	Variance %
EBITDA – underlying ³	1,055.7	710.2	49%
EBIT – reported	840.0	510.5	65%
EBIT – underlying ³	849.6	524.2	62%
Return (underlying EBIT) on invested capital (%)	24.9%	17.1%	+7.8%
Net cash / (debt)	127.5	(262.1)	149%
Gearing (%)	N/A – net cash	4.3%	N/A
Leverage (net debt / underlying EBITDA)	N/A – net cash	0.18x	N/A

3) Underlying results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. Tables 11, 12 and 13 explain why the Company has disclosed underlying results and provide reconciliations of underlying earnings to reported earnings.

KEY POINTS

- **Sales revenue of \$6,398.1M was 17% higher than 1H FY2018**, due to higher steel prices across all segments and the favourable translation impacts from a weaker Australian dollar exchange rate (A\$:US\$).
- **Underlying EBIT of \$849.6M was 62% higher than 1H FY2018**, mainly due to higher spreads with steel prices rising more than raw material input costs and favourable translation impacts, partly offset by higher costs. This result represents a record half year underlying EBIT.
- **Underlying return on invested capital improved to 24.9%**, up from 17.1% in 1H FY2018, with higher earnings offsetting higher net operating assets.
- **Underlying NPAT increased 88%**, on higher underlying EBIT combined with lower financing costs and outside equity interest.
- **Reported NPAT rose 42%**, due to the higher underlying NPAT partly offset by the favourable one-off impacts of tax asset impairment reversals and US tax reform in 1H FY2018.

■ **Funding and shareholder returns:**

- Strong cash flow has facilitated both continued improvement in net cash and returns to shareholders:
 - Reached \$127.5M net cash position at 31 December 2018 – improved from \$63.6M net cash at 30 June 2018 and progressing towards our target of \$200M to \$400M of net cash. The finishing net cash position was impacted by approximately \$100M unfavourable timing of working capital, which is expected to unwind in 2H FY2019.
 - \$337M returned to shareholders during 1H FY2019 through dividends (\$44M) and on-market share buy-backs (comprised of \$250M under the program announced on 13 August 2018 and \$43M under the program announced on 3 December 2018).
 - Returns to shareholders during 2H FY2019: payment of 6.0 cents per share interim unfranked dividend, together with up to \$207M remaining from the \$250M on-market buy-back announced on 3 December 2018.

■ **Group outlook:**

- We currently expect FY2019 underlying EBIT to be around 10% higher than FY2018 (which was \$1,269M). The second half is expected to be softer than the first half of FY2019. This is based on assumptions set out on page 10.
- Expect 2H FY2019 underlying net finance costs and underlying tax rate to be similar to 1H FY2019; and higher profit attributable to non-controlling interests to 1H FY2019.
- Expectations are subject to spread, FX and market conditions.

OPERATING AND FINANCIAL REVIEW

DESCRIPTION OF OPERATIONS

BlueScope is a technology leader in, and the largest global producer of, metal coated and painted steel building products. Principally focused on the Asia-Pacific and North American regions, the Group manufactures and markets a wide range of branded products that include pre-painted COLORBOND® steel, zinc/aluminium alloy-coated ZINCALUME® steel and the LYSAGHT® range of building products.

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

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

The Group has an extensive footprint of metallic coating, painting and steel building product operations in China, India, Indonesia, Thailand,

Vietnam, Malaysia and North America, primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential construction industry in North America. BlueScope operates this business across ASEAN and the west coast of North America in partnership with Nippon Steel & Sumitomo Metal Corporation (NSSMC) and in India with Tata Steel. Both are 50/50 joint ventures with BlueScope controlling and therefore consolidating the joint venture with NSSMC, and jointly controlling and therefore equity accounting the joint venture with Tata Steel.

North Star BlueScope Steel (NSBSL) is a low cost regional supplier of hot rolled coil, based in Ohio, in the United States of America. NSBSL is highly efficient, operates at industry leading utilisation rates and is strategically located near its customers and in one of the largest scrap markets of North America.

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

OUR VALUES, GOALS AND STRATEGY

Our Bond, our strategy, our financial principles and approach to sustainability guide what we aim to achieve and how we do it.



OUR BOND – GUIDING OUR VALUES FOR OVER 16 YEARS

WE AND OUR CUSTOMERS PROUDLY BRING INSPIRATION, STRENGTH AND COLOUR TO COMMUNITIES WITH BLUESCOPE

- **Our customers are our partners** – Our success depends on our customers and suppliers choosing us. Our strength lies in working closely with them to create value and trust, together with superior products, service and ideas.
- **Our people are our strength** - Our success comes from our people. We work in a safe and satisfying environment. We choose to treat each other with trust and respect and maintain a healthy balance between work and family life. Our experience, teamwork and ability to deliver steel inspired solutions are our most valued and rewarded strengths.
- **Our shareholders are our foundations** – Our success is made possible by the shareholders and lenders who choose to invest in us. In return, we commit to continuing profitability and growth in value, which together make us all stronger.
- **Our communities are our homes** – Our success relies on communities supporting our business and products. In turn, we care for the environment, create wealth, respect local values and encourage involvement. Our strength is in choosing to do what is right.

OUR STRATEGY

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

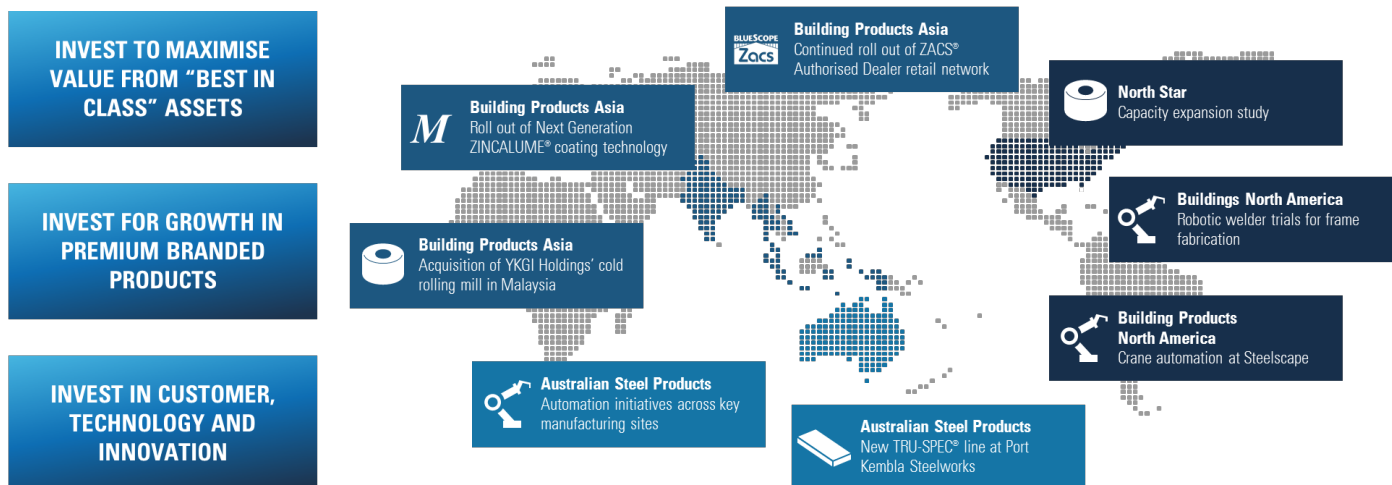
Our Strategic Focus areas

Grow premium branded steel businesses with strong channels to market	Maximise value from "Best in Class" assets	Deliver competitive commodity steel supply in our local markets	Ensure ongoing financial strength
Coated & Painted Products	BlueScope Buildings	North Star BlueScope	Australia & NZ Steelmaking
			Balance Sheet

There are many organic growth opportunities across our portfolio of businesses and we place a strong focus on sustainability, innovation and diversity as we implement our plans. We continue to review further appropriate growth opportunities that fit our strategy in markets as diverse as India, ASEAN, North America, Australia and New Zealand.

Capital expenditure principles

Examples of growth opportunities



OUR FINANCIAL PRINCIPLES

Financial principles guide our measurement of performance and capital allocation.

RETURN HURDLES	INVESTMENT TIMING	BALANCE SHEET CAPACITY	STEELMAKING
- Every business to deliver ROIC > WACC - ROIC incentives for management and employees - Disciplined capital allocation	- Intent to have financial capacity through the cycle to make opportunistic investments - Will avoid M&A at the top of the cycle	- Target positive cash of ~\$200M to \$400M - Retain strong credit metrics - Leverage for M&A but only if accompanied by active debt reduction program - Reward shareholders from free cash flow as an active strategy	- Commodity steelmaking in Australia & NZ is a valuable option provided it can deliver target returns and is cash flow breakeven¹ at bottom of the cycle - Intent to maintain capacity to fund a shutdown of steelmaking if not cash positive

¹ EBITDA less stay in business capital expenditure

OUR APPROACH TO SUSTAINABILITY

BlueScope is committed to building a sustainable business that operates with sustainable business practices.

We have identified five areas of sustainability with the highest materiality for BlueScope: climate change and energy; safety, health and wellness; supply chain sustainability; diversity and inclusion; and governance and business conduct. The following sets out an update on our progress in each of these areas.

1. Climate Change and Energy

- BlueScope has four pillars of commitment to action on climate change, with focus on working through our three year climate plans in 2H FY2019

Support the Paris agreement and the commitments of the countries in which we operate	Acknowledge steelmaking produces emissions; working to reduce the impact	Governance structures seek to ensure understanding and management of climate risk	Steel plays a key role in sustainable development, given its longevity and endless recyclability
Reduced GHG emissions intensity - Average aggregated GHG emissions intensity of three steelmaking facilities reduced by 1.2% in FY2018 from FY2017 As at FY2018, ASP has achieved over 40% cut in Australian GHG emissions from 2011 to 2018 - By reducing excess export capacity in response to global steel overcapacity - Significant contribution to Australia's commitment under Paris Agreement Position on energy policy - Supporters of energy policy that addresses the trilemma (affordability, reliability and emissions)	Developed emissions intensity reduction targets in reference to detailed sector scenarios from the IEA 2° scenario model 33% reduction to 2030 compared to 2005 (equivalent to an additional 1% reduction year on year, from 2018) Signed renewable energy agreement equivalent to 20% of our Australian electricity consumption - BSL off taking 66% of 133MW AC generated - Project will support decarbonisation of electricity grid by 300,000t CO₂-e p.a. Implementing energy efficiency and emissions reduction projects - Focusing on working through our 3 year climate plans in 2H FY2019	Climate addressed from Board down - Risk and Sustainability Committee - Sustainability Council (with exec. lead team representation) - VP Sustainability and Sustainability Manager Aligning climate change reporting with Task Force on Climate-related Financial Disclosure (TCFD), including outcomes of scenario analysis - Global cooperation - Patchy progress - Runaway climate change Shadow carbon pricing - Evolved our capital investment framework to better align with our climate risk scenarios	Recycled steel as manufacturing feed ~20% recycled pre and post consumer scrap content in Aust. and NZ steel production ~75% at North Star Driving certification - Founding member of ResponsibleSteel, and its industry supply chain certification scheme, currently under development Building a culture of sustainability - Extensive reuse and recycling of by-products (over 97% material efficiency) - Contributing to circular economy, with significant lifecycle energy and GHG benefits



2. Safety, Health and Wellness

- LTIFR (lost time injuries) and MTIFR (medically treated injuries) of 0.82 and 4.9 per million man-hours worked respectively in 1H FY2019.
- Focus in 2H FY2019 is on how we can deliver a future step change in our safety performance by further transitioning from a culture of compliance to one of individual engagement and accountability.

3. Supply Chain Sustainability

- Supply Chain Sustainability project continues, with focus in 2H FY2019 on:
 - Internal training and rollout of improved processes
 - Rollout of BlueScope Supplier Code of Conduct
 - Engagement with high priority suppliers and assessment against the Supplier Code of Conduct
 - Reviewing the program rollout and schedule against intent and reporting requirements of the Modern Slavery Act

4. Diversity and Inclusion

- Female participation in the total BlueScope workforce has increased to 20 per cent in 1H FY2019, with 40 per cent of new recruits to operating roles being women. The rate of women hired to all roles across the Group has doubled since FY2016.
- Continuing our focus in 2H FY2019 on gender diversity, inclusion and equity, along with development and training in these areas.

5. Governance and Business Conduct

- In Our Bond, we recognise that our success depends on our customers and suppliers, our people and our communities, and that our strength is in choosing to do what is right.
- In 1H FY2019, the BlueScope ethics and compliance function was enhanced to further ensure our business operates to the standard guided by Our Bond, along with the extensive laws and regulations that govern our businesses.

FY2018 Sustainability Report

Our FY2018 Sustainability Report was released in October 2018. The report built on the FY2017 report in the following particular areas:

- Further disclosure on material sustainability topics.
- Further TCFD-based disclosure, in particular, on the organisation's resilience under different climate-related scenarios.
- An expanded discussion of progress on supply chain sustainability.

More information on BlueScope's sustainability approach and performance can be found in the FY2018 Sustainability Report, available at www.bluescope.com/sustainability.

BLUESCOPE – STEEL BUILDING PRODUCTS

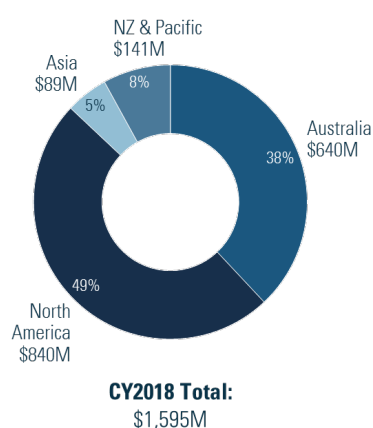
BlueScope's focus is on steel building products. Why are we different?

1. **Technology, Branding and Channels:** Continued investment in research & development to maintain leadership in steel coating and painting technologies, a portfolio of many well-known and respected brands¹, a clear focus on knowing our end customers and maintaining strong channels to market.

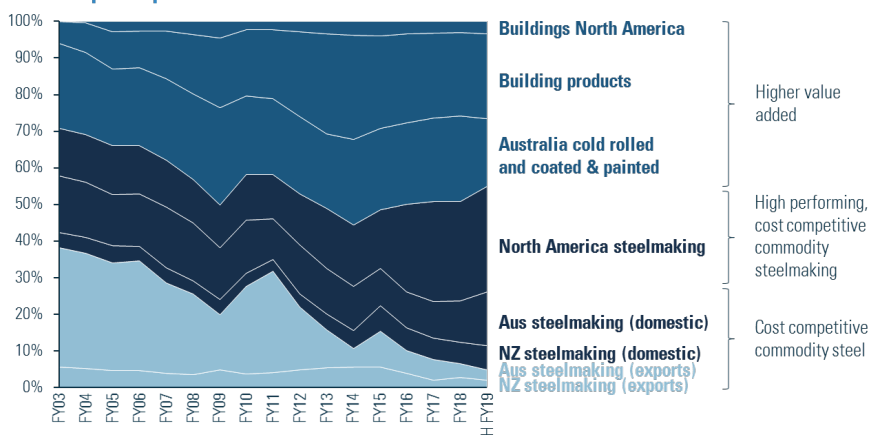


2. **Business Diversification:** Geographic diversity in earnings and increasing contribution from value-added products.

Underlying EBITDA by region (\$M)



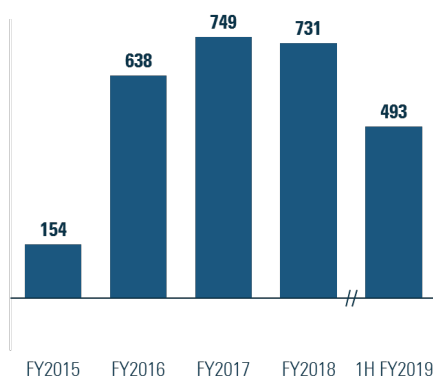
BlueScope despatch volume mix



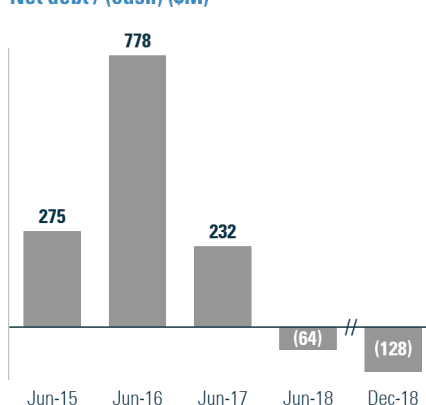
3. **Cost Competitiveness:** Australian steelmaking is cash breakeven³ at 'bottom of the cycle' spreads; North Star operates at the highest margin amongst its six major US steelmaker peers, based on FY2018 performance.
4. **Disciplined Growth:** We have a disciplined approach to growth and will invest:
 - to maximise value from "Best in Class" assets
 - for growth in premium branded products
 - in customer, technology and innovation
5. **Cash Generation and Capital Management:** With a disciplined, returns focused process, we seek to drive competition for capital across investments in the business, M&A and returns to shareholders. Strong free cash flow in the last three years has allowed the Company to deliver returns to shareholders while simultaneously reducing debt.

Free cash flow (\$M)

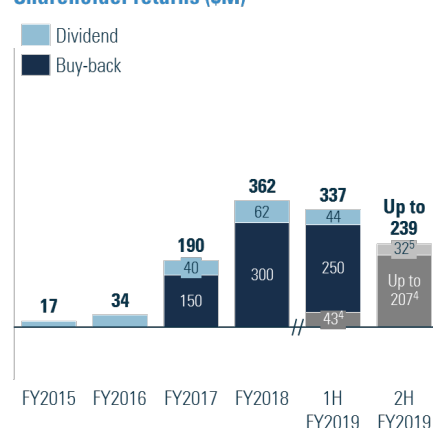
Operating cash flow less capex



Net debt / (cash) (\$M)



Shareholder returns (\$M)



6. **Approach to Sustainability:** BlueScope is committed to building a sustainable business that operates with sustainable business practices. We are making progress across key sustainability areas identified by stakeholders.

¹ SuperDyma® and ViewKote™ are brands of our NS BlueScope JV partner Nippon Steel & Sumitomo Metal Corporation.

² Total includes corporate costs & eliminations of \$115M, excluded from pie chart.

³ EBITDA less stay in business capital expenditure.

⁴ Buy-back program of up to \$250M announced on 3 December 2018, with \$43M purchased in 1H FY2019 and up to \$207M remaining in 2H FY2019.

⁵ 1H FY2019 interim dividend of 6.0cps announced 25 Feb 2019, with payment date of 2 Apr 2019.

GROUP FINANCIAL REVIEW

HIGHLIGHTS

Sales from continuing operations

\$6,398.1m  17% on 1H FY2018
Up \$348.7M on 2H FY2018

Reported net profit after tax

\$624.3m  42% on 1H FY2018
Down \$503.6M on 2H FY2018

Underlying EBIT

\$849.6m  62% on 1H FY2018
Up \$104.6M on 2H FY2018

Underlying return on invested capital

24.9%  from 17.1% in 1H FY2018
Up from 22.9% in 2H FY2018

Capital management

6.0cps interim dividend
Buy-back of up to **\$250M** announced in Dec 2018

Net cash

\$127.5m  from \$63.6M net cash Jun 2018

FINANCIAL SUMMARY

Table 1: Financial summary

\$M unless marked	1H FY2019	1H FY2018	Variance %
Sales revenue from continuing operations	6,398.1	5,448.4	17%
EBITDA – underlying ¹	1,055.7	710.2	49%
EBIT – reported	840.0	510.5	65%
EBIT – underlying ¹	849.6	524.2	62%
Return (underlying EBIT) on invested capital (%)	24.9%	17.1%	+7.8%
NPAT – reported	624.3	441.2	42%
NPAT – underlying ¹	613.5	327.0	88%
Interim ordinary dividend (cents)	6.0 cps	6.0 cps	N/A
Reported earnings per share (cents)	115.3	78.6 cps	47%
Underlying earnings per share (cents)	113.3	58.3 cps	94%
Net cash / (debt)	127.5	(262.1)	149%
Gearing (%)	N/A - net cash	4.3%	N/A
Leverage (ND / proforma underlying EBITDA)	N/A - net cash	0.18x	N/A

¹ Underlying results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. Underlying adjustments included discontinued operations, acquisitions and disposals of businesses, asset impairments/write-backs and restructuring costs. Tables 11, 12 and 13 explain why the Company has disclosed underlying results and provide reconciliations of underlying earnings to reported earnings.

REVENUE

The 17% increase in sales revenue from continuing operations was principally due to higher steel prices in all regions and favourable translation impacts from a weaker Australian dollar exchange rate (A\$:US\$).

EARNINGS BEFORE INTEREST AND TAX

The 62% increase in underlying EBIT reflects:

- **\$333.7M spread increase**, primarily due to:
 - increased domestic and export prices due to higher global steel prices combined with the favourable influence of a weaker A\$:US\$ (\$612.8M)
 - higher raw material costs – higher iron ore and coal costs and the one-off \$32.1M benefit from settlement of an historical coal dispute during 1H FY2018 partly offset by higher contribution from export coke at ASP, higher scrap and pig iron costs at North Star and higher steel feed costs at Building Products Asia & North America and Buildings North America (\$279.1M).
- **\$27.9M unfavourable movement in costs**, comprised of:
 - \$37.7M cost improvement initiatives across all segments
 - \$75.7M unfavourable impact of cost escalation including consumables costs (particularly electrodes, refractories and alloys), electricity, and higher remuneration expense linked to financial performance of the Group
 - \$10.1M favourable movement in other costs.
- **\$35.4M favourable translation impact** from a weaker A\$:US\$ exchange rate.
- **\$6.6M unfavourable impact from volume and mix** mainly due to lower despatch volumes at Building Products Asia & North America.
- **\$9.3M unfavourable movement in other items**, including the one-off recognition in 1H FY2018 of previously unrecognised deferred tax assets at Tata BlueScope Steel (\$10.7M).

The \$329.5M (65%) increase in reported EBIT reflects the movement in underlying EBIT discussed above and \$4.1M favourable movement in underlying adjustments as outlined in Tables 12 and 13.

FINANCE COSTS AND FUNDING

The \$16.2M decrease in net finance costs was largely due to:

- lower cost of drawn debt (1H FY2019 4.8%, 1H FY2018 6.0%)
- a decrease in average gross borrowings (1H FY2019 \$914.5M, 1H FY2018 \$1,060.1M)

Financial liquidity was \$1,890.1M at 31 December 2018 (\$2,135.7M at 30 June 2018), comprised of \$833.1M committed undrawn bank debt capacity and \$1,057.0M cash. Liquidity in the NS BlueScope Coated Products JV was \$322.0M, included in the Group liquidity measure.

During 1H FY2019 BlueScope:

- refinanced the syndicated bank debt facility to \$500M (down from \$850M) on improved terms and pricing in August 2018
- increased the size of the off balance sheet receivables programs from \$440M to \$493M. These programs were drawn to \$486.2M at 31 December 2018 (\$396.5M at 30 June 2018).

TAX

1H FY2019 tax expense of \$181.8M (1H FY2018 \$1.0M) was favourably impacted by the utilisation of unrecognised tax losses in New Zealand and lower tax rates in North America following US tax reform.

The Company has benefitted from a 7% rate reduction on US derived earnings in FY2018 and an 11% tax rate reduction thereafter.

1H FY 2018 tax expense was favourably impacted by a one-off \$52.1M reduction as a result of US tax reform, which included a downward revision in deferred tax liabilities partly offset by a tolling charge and withholding tax payable on distributable US foreign earnings held in China. In addition, 1H FY2018 tax expense benefitted from the utilisation of previously unrecognised tax losses in Australia. The Company fully recognised the Australian tax losses at 30 June 2018 following a sustained period of improved taxable income.

As at 31 December 2018, the BlueScope Australian consolidated tax group is estimated to have carried forward booked tax losses of approximately \$1.6Bn. There will be no Australian income tax payments until these losses are recovered. The Group continues to defer the recognition of past tax losses in New Zealand until a history of taxable profits has been demonstrated. New Zealand tax losses are able to be carried forward indefinitely.

DIVIDEND & CAPITAL MANAGEMENT

During 1H FY2019, BlueScope paid a final dividend of 8.0 cents per share and bought back shares to the value of \$293M on-market. Of this, shares to the value of \$250M were bought under the program announced on 13 August 2018. A further buy-back program of up to \$250M was announced on 3 December 2018 and shares to the value of \$43M were purchased prior to 31 December 2018. Up to \$207M remains to be bought under this program.

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

Relevant dates for the interim dividend are as follows:

- Ex-dividend share trading commences: 1 March 2019.
- Record date for dividend: 4 March 2019.
- Payment of dividend: 2 April 2019.

BlueScope's capital management policy:

- The Company will continue to seek to retain strong credit metrics, and will target positive net cash of ~\$200M to \$400M.
- The Company will drive competition for capital between investments in the business and returns to shareholders with a disciplined, returns focused process.
- Having regard to the above, our current policy is to distribute at least 50% of free cash flow to shareholders in the form of consistent dividends and buy-backs, reflecting no present franking availability.
- The Company will continue to review its capital management approach having regard to its balance sheet, credit metrics and investment priorities.

FINANCIAL POSITION

Net assets increased \$356.8M to \$7,244.4M at 31 December 2018 from \$6,887.6M at 30 June 2018. Significant movements were:

- \$269.7M increase in inventory driven by higher unit costs and volume combined with the weaker A\$:US\$ exchange rate
- \$111.4M decrease in payables
- \$209.2M decrease in receivables
- \$63.9M increase in net cash through strong cash flow.

2H FY2019 OUTLOOK

Expectations for the performance of our businesses in 2H FY2019 are as follows:

- Australian Steel Products:
 - Expect a softer result driven by:
 - lower spreads
 - a moderate softening in domestic volume
 - reduced coke margins and coke volume.
 - Expected to be offset in part by:
 - favourable impact of pricing lags
 - higher export volumes and benefit from actual costs of raw materials in inventory.
- North Star:
 - Expect a softer result on average benchmark spread through 2H FY2019, approximately US\$130/t lower than 1H FY2019, noting specific sales mix to benchmark.
 - Volume higher on seasonality.
- Building Products Asia & North America:
 - Overall, expect a similar result.
 - ASEAN – targeting \$20M benefit from cost reduction and manufacturing improvement program; expect some improvement in volume and margins.
 - China – considerably softer result due to seasonality. Noting favourable impact of revenue recognition change in 1H FY2019.
 - North America – continued positive market conditions, offset by margin compression from unfavourable inventory cost effect.
- Buildings North America:
 - Expect a stronger result on higher volumes and margins.
 - Continued strength in order intake across end use segments.
- New Zealand and Pacific Steel:
 - Expect a lower result mainly driven by lower benchmark selling prices.
 - Lower net contribution from vanadium slag by-product sales (down \$15M).
 - No material relief expected from elevated electricity costs.
 - Unfavourable impact from timing of scheduled maintenance shuts.

Group outlook:

- The Company currently expects FY2019 underlying EBIT to be around 10% higher than FY2018 (which was \$1,269M). The second half is expected to be softer than the first half of FY2019. This is based on assumptions of average (all prices on a metric tonne basis):
 - East Asian HRC price of ~US\$510/t
 - 62% Fe iron ore price of ~US\$80/t CFR China
 - Hard coking coal price of ~US\$195/t FOB Australia
 - US mini-mill spreads to be US\$130/t lower than 1H FY2019
 - A\$:US\$ at US\$0.72
- Expect 2H FY2019 underlying net finance costs and underlying tax rate to be similar to 1H FY2019; and higher profit attributable to non-controlling interests to 1H FY2019.
- Expectations are subject to spread, FX and market conditions.

BUSINESS UNIT REVIEWS

AUSTRALIAN STEEL PRODUCTS (ASP)

ASP produces and markets a range of premium value-add coated and painted flat steel products for Australian building and construction customers, together with providing a broader offering of commodity flat steel products. Products are sold mainly to the Australian domestic markets, with some volume exported. Key brands include aluminium/zinc/magnesium alloy-coated ZINCALUME® steel and galvanised and aluminium/zinc/magnesium alloy-coated pre-painted COLORBOND® steel. The segment's main manufacturing facilities are at Port Kembla (NSW) and Western Port (Victoria).

ASP also operates pipe and tube manufacturing, and a network of rollforming and distribution sites throughout Australia, acting as a major steel product supplier to the building and construction, manufacturing, transport, agriculture and mining industries.

KEY FINANCIAL & OPERATIONAL MEASURES

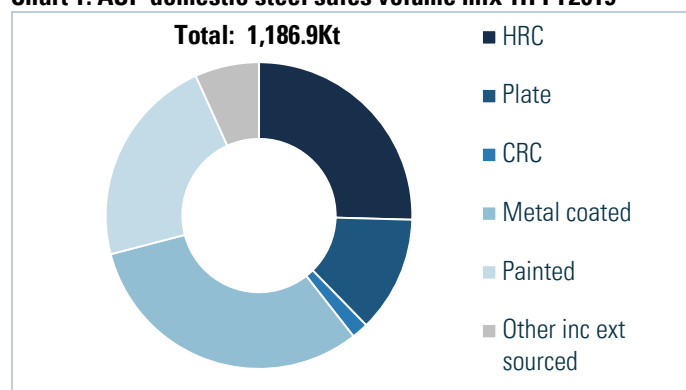
Table 2: Segment financial performance

\$M	1H FY2019	1H FY2018	Var %	2H FY2018
Sales revenue	2,869.9	2,565.7	12%	2,857.4
Reported EBIT	319.0	261.7	22%	541.7
Underlying EBIT	319.0	261.7	22%	325.7
NOA (pre-tax)	2,488.4	2,237.7	11%	2,478.5
Underlying ROIC	24.6%	22.7%	+1.9%	26.6%

Table 3: Steel sales volume

000 tonnes	1H FY2019	1H FY2018	Var %	2H FY2018
Domestic				
- ex-mill	1,107.1	1096.3	1%	1,108.4
- ext sourced	79.8	83.1	4%	79.5
Export	280.1	335.9	(17%)	413.4
Total	1,467.0	1,515.3	(3%)	1,601.3

Chart 1: ASP domestic steel sales volume mix 1H FY2019



FINANCIAL PERFORMANCE – 1H FY2019 VS. 1H FY2018

Sales revenue

The increase in sales revenue was primarily due to higher domestic and export prices driven by higher global steel prices combined with the favourable influence of a weaker A\$:US\$ exchange rate and higher revenue from export coke sales.

EBIT performance

The increase in underlying EBIT was largely due to:

- higher steelmaking spread with the impact of higher global steel prices offsetting higher coal, iron ore, coating metals and scrap purchase prices

- higher domestic volumes, particularly hot rolled coil and plate into the distribution and manufacturing sectors
- higher contribution from export coke.

These were partly offset by:

- the one-off \$32.1M benefit from settlement of an historical coal dispute during 1H FY2018
- higher refractory and freight costs
- higher depreciation due to the write-back of previously impaired plant and equipment during 2H FY2018
- higher unit costs with lower production volumes, due to short term operational instability.

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

Return on invested capital

Underlying ROIC increased to 24.6% driven by stronger EBIT offsetting higher net operating assets. Net operating assets were \$9.9M higher than at 30 June 2018 primarily due to:

- higher inventories driven by higher raw material input prices, strength in demand and short term operational instability leading to increased stock on hand to maintain customer service levels
- lower creditors
- partly offset by lower receivables and lower fixed assets.

MARKETS AND OPERATIONS

Sales direct to Australian building sector

- Domestic building sector direct sales volumes remain at robust levels in 1H FY2019, albeit down marginally compared to 1H FY2018.
- Despite some moderation in new house approvals during the last year, volumes in the residential space remained robust during 1H FY2019
 - ASP's exposure to new residential dwelling construction is mainly to detached houses, rather than multi-residence projects.
 - Volumes across NSW, SA and QLD remained strong, down marginally below record activity levels set during 1H FY2018. Victoria has maintained robust sales volumes, with WA seeing moderate declines in activity.
 - Tighter lending regulations imposed by APRA together with stricter lending criteria imposed by the banking sector are however seeing a slowing in the medium-term pipeline of work. In the short term we expect this may lead to a moderate softening in domestic volume.
 - Alterations and additions activity levels remained relatively stable across 1H FY2019, with sales of COLORBOND® steel holding steady.
 - Sales of TRUECORE® steel continued to strengthen, supported by a targeted campaign focused on consumers, builders and fabricators.
- Sales into non-residential construction have remained at consistent levels across 1H FY2019 compared to 1H FY2018.
 - This sector is influenced by the timing and nature of large scale projects with overall investment activity maintaining positive momentum across the period.
 - Investment demand was relatively widespread across both Commercial and Industrial and Social and Institutional, concentrated within offices, accommodation, education, health, prisons and defence.

Sales direct to domestic non-building sector customers

- Sales volumes to distributors, pipe and tube makers and manufacturers were strong in 1H FY2019.

- Increased public and private based infrastructure spending has continued to strengthen conditions within non-residential construction, engineering and mining segments.
- Solid global demand together with a lower Australian dollar has improved conditions for local manufacturing activity.
- Sales to distributors strengthened through:
 - Increased demand from project activity in roads, bridges and wind towers.
 - Initiatives targeting growth in residential steel fabrication activity.
 - Other growth initiatives focused on increasing the flexibility of our service offerings as well as improving our price competitiveness.
- Sales to pipe and tube makers increased due to:
 - Improved share of pipe and tube customer purchases.
 - Increased growth in infrastructure activity levels.
- Sales to some manufacturing categories increased during 1H FY2019 supported by improved conditions within non-residential construction, mining consumables and defence.

Mill sales to export markets

- Despatches to export market customers in 1H FY2019 were 17% lower than 1H FY2018 due to higher domestic demand and short term operational instability leading to increased stock on hand to maintain customer service levels.
- Prices in export markets were higher in 1H FY2019 supported by higher global steel prices.

NORTH STAR BLUESCOPE STEEL

North Star is a single site electric arc furnace producer of hot rolled coil in Ohio, in the US. On 30 October 2015, BlueScope acquired the 50% of North Star that was previously owned by Cargill.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 4: Segment performance

\$M unless marked	1H FY2019	1H FY2018	Var %	2H FY2018
Sales revenue	1,265.0	860.6	47%	1,063.3
Reported EBIT	411.6	145.2	183%	285.4
Underlying EBIT	411.6	145.2	183%	285.4
NOA (pre-tax)	1,930.9	1,749.9	10%	1,820.8
Underlying ROIC	44.8%	16.8%	+28%	32.7%
Despatches (kt)	1,036.4	1,037.5	0%	1,067.2

Table 5: Segment performance in US\$M

US\$M unless marked	1H FY2019	1H FY2018	Var %	2H FY2018
Sales revenue	916.3	670.5	37%	817.9
Underlying EBITDA	320.0	134.5	138%	239.9

FINANCIAL PERFORMANCE – 1H FY2019 VS. 1H FY2018

Sales revenue

The increase in sales revenue was primarily due to higher regional steel prices combined with the favourable foreign exchange translation rate impacts due to a weaker A\$:US\$ exchange rate.

EBIT performance

The \$266.4M increase in underlying EBIT was largely due to:

- higher steel spread, due mainly to rises in Midwest US steel prices in excess of raw material costs
- favourable foreign exchange translation rate impacts due to a weaker A\$:US\$ exchange rate.

These were partly offset by higher electrodes, refractories and alloys costs.

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

Return on invested capital

Underlying ROIC was 44.8% driven by strong EBIT contribution offsetting higher net operating assets. Net operating assets at 31 December 2018 were \$110.1M higher than at 30 June 2018 primarily due to the foreign exchange translation impact of a weaker A\$:US\$ exchange rate.

MARKETS AND OPERATIONS

- A strong US economy has supported robust demand from North Star's end market segments
 - Automotive sales remained at high levels through 1H FY2019, with domestic production of passenger vehicles and light trucks higher than 1H FY2018.
 - The manufacturing and construction sectors remain strong, with both sectors showing growth on 1H FY2018.
- The US steel industry remains healthy, with a favourable regulatory and trade environment, strong demand and stable raw material prices combining to provide a robust spread environment.
 - More recently, domestic hot rolled coil prices have moderated from sentiment driven highs but remain at levels above long-term averages supported by strong demand fundamentals.
- Based on January 2019 data from the Jacobson survey of steel mill customer service performance, North Star was ranked first in quality, service, delivery, and overall customer satisfaction. North Star has consistently ranked first in overall customer satisfaction over the survey's history.

Capacity expansion review

- The study into expanding capacity at North Star is well-progressed, and we have refined the investment case volume range to 800 to 900ktpa (metric).
- Additionally, the incremental installed melt capacity of 1.4 million equivalent metric coiled tonnes allows for further potential upside, subject to further plant debottlenecking.
- The estimated investment cost has been refined to US\$600M to US\$700M, and we are targeting a minimum 15% IRR and run-rate ROIC at year three of operations based on long-term historical spreads.
- We have approved and are commencing work on ~US\$50M detailed design and engineering and critical path items, and have moved in to the final feasibility phase based on rigorous capital stage gate process with final decision expected during 1H FY2020
- The expansion will be achieved through the addition of a third electric arc furnace and a second caster. This will indicatively be completed over a two to three year construction period with a two year ramp-up thereafter.

BUILDING PRODUCTS ASIA AND NORTH AMERICA

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

The Group 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.

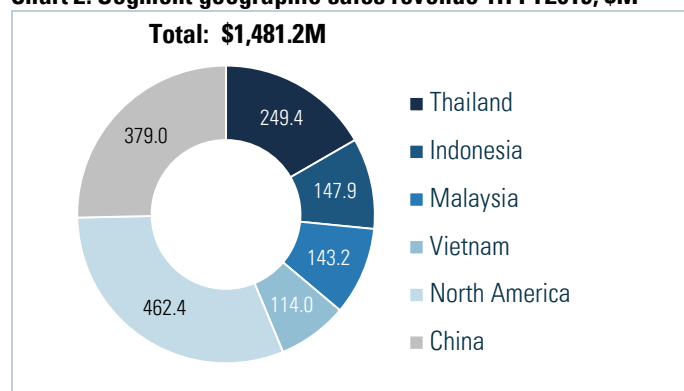
This segment also includes Building Products China, comprising metal coating, painting and Lysaght operations, and Engineered Buildings Solutions (EBS).

KEY FINANCIAL & OPERATIONAL MEASURES

Table 6: Segment performance

\$M unless marked	1H FY2019	1H FY2018	Var %	2H FY2018
Sales revenue	1,481.2	1,309.2	13%	1,384.6
Reported EBIT	74.0	109.7	(33%)	78.6
Underlying EBIT	78.8	108.3	(27%)	76.2
NOA (pre-tax)	1,605.3	1,386.2	16%	1,445.8
Underlying ROIC	10.4%	16.2%	-5.8%	10.6%
Despatches (kt)	848.2	880.2	(4%)	877.9

Chart 2: Segment geographic sales revenue 1H FY2019, \$M¹



1) Chart does not include \$14.7M of eliminations (which balances back to total segment revenue of \$1,481.2M). Chart also does not include India, which is equity accounted.

FINANCIAL PERFORMANCE – 1H FY2019 VS. 1H FY2018

Sales revenue

The \$172.0M increase in sales revenue was mainly due to higher regional steel prices combined with favourable foreign exchange translation rate impacts (against the A\$) in all countries. This was partly offset by lower despatches in North America, Indonesia, Thailand and Vietnam.

EBIT performance

The \$29.5M decrease in underlying EBIT was largely due to:

- lower margins as a result of higher steel feed costs combined with lower despatch volumes in North America and most ASEAN countries
- the one-off \$10.7M benefit in 1H FY2018 from recognition of a previously unrecognised deferred tax asset in India
- higher costs.

These were partly offset by higher despatch volumes in China combined with the one-off favourable adjustment of \$5.8M relating to an improvement in revenue recognition methods at Buildings China which resulted in revenue being recognised in the current period which would otherwise have been recorded in prior periods.

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

Return on invested capital

Underlying ROIC decreased to 10.4% driven by lower EBIT and higher net operating assets, mainly reflecting higher net fixed assets due to

the Thailand coating line investment and higher receivables and inventory.

MARKETS AND OPERATIONS

North America (Steelscape & ASC Profiles)

- Strong earnings driven by continued robust domestic demand, and strong focus on pricing and margin management. However, volumes were lower in the half driven by customers adjusting high inventory stock due to declining prices in the second quarter of FY2019.
- Steelscape's refreshed strategy execution is in progress, focusing on delivering a differentiated customer offering, enhanced painted product mix and achieving operational efficiencies through automation.
- ASC Profiles' (building components) performance was supported by robust volumes into the decking construction segment combined with improved margins. The manufacturing footprint restructure remains in progress to deliver additional productivity and cost benefits.

China

- Chinese economic activity levels moderated slightly in 1H FY2019 on the back of rising global trade tensions. The China construction market also saw some softening driven by tightening local credit conditions and slower infrastructure spending across both private and government sectors, which was also evident in the premium project segment in which we participate.
- Improvement at Buildings China continued in 1H FY2019 following the turnaround in FY2018, through a range of initiatives such as enhanced project management, plant restructuring and productivity improvement initiatives.
- Coated China delivered a stronger result in 1H FY2019 despite the softer demand environment, with steel despatch volumes up 12% on 1H FY2018 through delivery of a number of key customer initiatives. Increased competition was observed through the half which negatively impacted margins, offset in part by pull-through from Buildings.
 - Sales and marketing activities have been focused on increasing penetration into new channels to assist with off-setting market softness.

ASEAN

- The region continues to perform below our expectations, with tightened margins across all countries, on the back of incomplete pass-through of rapidly rising regional steel prices and intense competition from domestic and import suppliers.
 - The higher margin project markets have been impacted by political uncertainty, with either pending or recent elections across Thailand, Indonesia and Malaysia. Once political dynamics have stabilised, project activity is expected to improve.
 - The NS BlueScope joint venture launched the Ignite 5G strategy in November 2018, focused on each of the businesses getting lean and agile to ensure they operate with a sustainable and strong foundation whilst continuing to invest in growth.
 - A key element of the strategy is an ASEAN-wide cost reduction and manufacturing improvement program, targeting a \$20M improvement in FY2019 and full year run rate of \$40M by FY2020.
 - We remain optimistic around the long-term growth potential of our ASEAN businesses – a region that is witnessing significant growth in demand from the emerging middle-class. BlueScope's footprint, brands and channels are strongly positioned to capture this growth and maturation in demand.
 - We have seen growth in the retail segment and continue to invest in our consumer brands and channels to market to develop a long-term sustainable position.

- During the half, the agreement to acquire YKGI's West Malaysian assets was announced. The assets comprise a Push-Pull Pickling Line, Cold Rolling Mill, Continuous Galvanising Line and a Continuous Colour Coating Line. Completion during 2H FY2019 is targeted.
- Thailand:
 - The higher margin project segment saw continuing softer demand through the half due to the political climate resulting in lower private and foreign direct investment.
 - The retail segment was impacted by the competitive environment and pricing pressure from imports. To enhance our competitive position, the business continued to roll-out the Authorised Dealer retail channel, invest in consumer brands and connect with and train local builders.
 - Home appliance steels:
 - Substantial progress in manufacturing quality has been made to increase the rate of customer uptake.
 - Customer uptake continues but at a slower rate than expected.
 - Competition is greater than anticipated at the formation of the joint venture, with home appliance manufacturers consolidating globally, and some preferring lower priced alternatives.
 - Focus is now on delivering sustainable profitability.
 - Overall despatches were 12% lower than 1H FY2018
 - The third metal coating line expansion is progressing with first commercial despatch expected in 2H FY2019.
- Indonesia:
 - Project work underway remains solid however the pipeline ahead is somewhat soft in anticipation of the April 2019 elections.
 - The business continues to focus on expanding the retail distribution footprint across the archipelago whilst driving manufacturing excellence and cost efficiencies to improve quality, reduce waste, and lower fixed costs.
 - 1H FY2019 volume was 23% lower than 1H FY2018, with the retail segment seeing increased competition from imports and domestic competitors building new coating capacity.
- Vietnam
 - Demand in the project segment remained strong. However, competition from imports mainly from China, and new coating entrants has impacted margins.
 - Anti-dumping and other safeguard measures in the US and Indonesia have pushed more steel supply back to the domestic market.
 - The business continues to focus on growing the Authorised Dealer retail channel to expand BlueScope's distribution footprint, enhancing brand value and building customer loyalty.
 - 1H FY2019 volume was 4% lower than 1H FY2018.
- Malaysia
 - The project segment is slightly softer with a reduced number of new government projects under the new administration.
 - The business remains focused on strengthening its value proposition in the project segment and expanding its Authorised Dealer channel.
 - 1H FY2019 volume was 15% higher than 1H FY2018, primarily in the Retail segment.
- Myanmar:
 - Lysaght rollforming facility saw continued growth from its emerging projects segment.

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

- The joint venture delivered an underlying EBIT of \$23.6M (100% basis) in 1H FY2019, compared to \$28.1M in 1H FY2018, mainly driven by lower margins with the rapid increase in regional steel prices offsetting selling price increases, combined with lower despatch volumes.
- Revenue grew by 5% in 1H FY2019 driven by the impact of higher regional steel prices partly offset by lower volumes. Domestic prime coated steel sales volume fell marginally compared to 1H FY2018 with painted volumes declining by 2% and bare volumes remaining flat. The paint line continues to operate at full capacity.
- Business confidence and end customer demand were dampened by softer demand from regional areas reflecting weaker monsoon conditions and specific market liquidity issues as a result of the failure of one of the leading infrastructure finance companies in late 1H FY2019, contributing to lower despatch volumes during the period.
- However, the business continues to deliver strong returns and broader market dynamics remain robust with the coated and pre-painted steel markets growing at 8% during 1H FY2019 and real GDP growth expected at 6-7% per annum across the medium term.
- Our joint venture partner in India, Tata Steel, has acquired Bhushan Steel, which includes coating and painting assets. BlueScope continues to consider the implications of this acquisition in relation to our TBSL joint venture.

Table 7: India performance

\$M unless marked	1H FY2019	1H FY2018	Var %	2H FY2018
Tata BlueScope Steel (100% basis)				
Sales revenue	188.3	179.6	5%	206.8
Underlying EBIT	23.6	28.1	(16%)	30.2
Underlying NPAT ¹	14.9	41.6	(64%)	16.2
Despatches (kt)	116.7	120.7	(3%)	133.8
BlueScope share (50% basis)				
Underlying equity accounted profit ²	6.9	21.2	(67%)	8.5

BUILDINGS NORTH AMERICA

Buildings North America (BNA) is a leader in engineered building solutions (EBS), servicing the low-rise non-residential construction needs of customers in North America. This segment also includes the BlueScope Properties Group (BPG) which develops industrial properties, predominantly warehouses and distribution centres.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 8: Segment performance

\$M unless marked	1H FY2019	1H FY2018	Var %	2H FY2018
Sales revenue	587.4	523.3	12%	583.1
Reported EBIT	22.1	25.5	(13%)	48.2
Underlying EBIT	22.1	26.4	(16%)	48.2
NOA (pre-tax)	437.7	345.5	27%	369.6
Underlying ROIC	10.4%	14.1%	- 3.7%	25.5%
Despatches (kt)	119.2	116.2	3%	121.5kt

¹ 1H FY2018 includes recognition of a previously unrecognised deferred tax asset of \$21.3M

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

FINANCIAL PERFORMANCE – 1H FY2019 VS. 1H FY2018

Sales revenue

The \$64.1M increase in sales revenue was mainly due to the favourable foreign exchange translation rate impacts due to a weaker A\$:US\$ exchange rate and higher despatch volumes.

EBIT performance

The \$4.3M decrease in underlying EBIT was largely due to lower margins as a result of longer customer lead times. This was partly offset by the favourable translation impact of a weaker A\$:US\$ exchange rate.

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

Return on invested capital

Underlying ROIC decreased to 10.4% driven by lower EBIT and higher net operating assets, primarily due to the foreign exchange translation impact of a weaker A\$:US\$.

MARKETS AND OPERATIONS

- 1H FY2019 backlog was 8.5% higher than same period prior year. Industrial, manufacturing, aviation, healthcare and energy sectors remain strong. Despatches are up 2.5% compared to 1H FY2018.
- Margins in 1H FY2019 were impacted by increasing steel costs and extended lead times due to record order intake in 2H FY2018.
- Continuous improvement initiatives continue to reduce costs across engineering, manufacturing and selling/administration.
- As foreshadowed, the contribution from BlueScope Properties Group was negligible in 1H FY2019 (\$16.4M contribution in FY2018).

NEW ZEALAND AND PACIFIC STEEL

New Zealand and Pacific Steel consists of three business areas: New Zealand Steel; Pacific Steel; and BlueScope Pacific Islands.

New Zealand Steel is the only steel producer in New Zealand, producing slab, billet, hot rolled coil and value-added coated and painted products for both domestic and export markets across the Pacific Region. Operations include the manufacture and distribution of the LYSAGHT® range of products in Fiji, New Caledonia and Vanuatu. Supplied with billet from New Zealand Steel, Pacific Steel is the sole producer of long steel products such as rod, bar, reinforcing coil and wire in New Zealand.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 9: Segment financial performance

\$M	1H FY2019	1H FY2018	Var %	2H FY2018
Sales revenue	463.5	386.8	20%	446.8
Reported EBIT	71.9	41.0	75%	70.7
Underlying EBIT	71.9	41.0	75%	70.7
NOA (pre-tax)	294.4	335.0	(12%)	346.4
Underlying ROIC	40.4%	24.0%	+16.4%	39.0%

Table 10: Steel sales volume

000 tonnes	1H FY2019	1H FY2018	Var %	2H FY2018
Domestic flats	146.5	131.6	11%	128.0
Domestic longs	92.3	97.5	(5%)	85.9
Domestic (steel)	238.8	229.1	4%	213.9
Export flat	67.9	55.9	21%	116.5
Export longs	0.8	22.5	(96%)	12.2
Export (steel)	68.7	78.4	(12%)	128.7

FINANCIAL PERFORMANCE – 1H FY2019 VS. 1H FY2018

Sales revenue

The 20% increase in sales revenue was primarily due to:

- higher domestic and export steel prices driven by higher global steel prices
- higher vanadium slag revenues due to increased volumes and higher global vanadium prices
- the favourable impact of foreign exchange translation.

EBIT performance

The \$31M increase in underlying EBIT was primarily due to:

- higher steel selling prices on higher regional steel prices
- higher net contribution from the sale of vanadium slag, a by-product of the iron-making process
- partly offset by higher coal and electricity costs.

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

Return on invested capital

Underlying ROIC increased to 40.4% primarily driven by higher EBIT.

MARKETS & OPERATIONS

Domestic market

- The New Zealand economy remains strong, with S&P Global Ratings revising its rating upwards from "Stable" to "Positive", as tailwinds from low unemployment, strong wages growth and a weaker New Zealand dollar continue to facilitate sound levels of growth
- 1H FY2019 sales volume was strong with good momentum in the commercial sector. Metal coated and COLORSTEEL® supported a solid first half performance.
- New dwelling consents were higher than 1H FY2018 through record townhouse consents, while standalone house consents fell.
- Construction sector activity remains solid, and the planned additional government investment will continue to support growth as the population continues to expand, albeit at a slower rate

Export market

- Export steel and vanadium slag prices improved driven by increases in global steel price and vanadium commodity markets.
- Demand for exports remained strong, particularly in the Pacific. However, with strong domestic demand, export activity was reduced in the period.

DETAILED EXPLANATORY TABLES

A. DETAILED INCOME STATEMENT

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

Certain amounts have been re-stated in the comparative period (1H FY2018) for the following retrospective changes:

1. As announced in June 2018, the Chinese businesses now form part of the broader Building Products Asia and North America segment;
2. BlueScope Buildings ASEAN has been reflected as part of discontinued operations following a decision to close the business on 12 March 2018

Table 11: Detailed income statement

\$M	Revenue		Reported Result ¹		Underlying Result ²	
	1H FY2019	1H FY2018	1H FY2019	1H FY2018	1H FY2019	1H FY2018
Sales revenue/EBIT ³						
Australian Steel Products	2,869.9	2,565.7	319.0	261.7	319.0	261.7
North Star BlueScope Steel	1,265.0	860.6	411.6	145.2	411.6	145.2
Building Products Asia & North America	1,481.2	1,309.2	74.0	109.7	78.8	108.3
Buildings North America	587.4	523.3	22.1	25.5	22.1	26.4
New Zealand & Pacific Steel	463.5	386.8	71.9	41.0	71.9	41.0
Discontinued operations	9.2	28.0	(4.9)	(14.3)	-	-
Segment revenue/EBIT	6,676.2	5,673.6	893.7	568.8	903.4	582.6
Inter-segment eliminations	(268.9)	(197.2)	(0.5)	(4.4)	(0.6)	(4.4)
Segment external revenue/EBIT	6,407.3	5,476.4	893.2	564.4	902.8	578.2
Other revenue/(net unallocated expenses)	15.6	14.1	(53.2)	(53.9)	(53.2)	(53.9)
Total revenue/EBIT	6,422.9	5,490.5	840.0	510.5	849.6	524.3
Finance costs			(28.3)	(41.0)	(27.2)	(40.6)
Interest revenue			7.3	3.8	7.3	3.8
Profit/(loss) from ordinary activities before income tax			819.0	473.3	829.7	487.5
Income tax (expense)/benefit			(181.8)	(0.9)	(200.8)	(127.0)
Profit/(loss) from ordinary activities after income tax expense			637.2	472.4	628.9	360.5
Net (profit)/loss attributable to outside equity interest			(12.9)	(31.2)	(15.4)	(33.5)
Net profit/(loss) attributable to equity holders of BlueScope Steel Limited			624.3	441.2	613.5	327.0
Basic earnings per share (cents)			115.3	78.6	113.3	58.3

¹ The financial report has been prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board. References to 'reported' financial information throughout this report are consistent with IFRS financial information disclosed in the financial report.

² References to 'underlying' information are to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information, while not subject to audit or review, has been extracted from the financial report, which has been audited by our external auditors.

³ Performance of operating segments is based on EBIT which excludes the effects of interest and tax. The Company considers this a useful and appropriate segment performance measure because Group financing (including interest expense and interest income) and income taxes are managed on a Group basis and are not allocated to operating segments.

B. RECONCILIATION OF UNDERLYING EARNINGS TO REPORTED EARNINGS

Table 12: Reconciliation of Underlying Earnings to Reported Earnings

The Company has provided an analysis of unusual items included in the reported IFRS financial information. These items have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying operating business. Throughout this report the Group has used the term 'reported' to reference IFRS financial information and 'underlying' to reference non-IFRS financial information. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. Non-IFRS financial information while not subject to audit or review has been extracted from the financial report which has been reviewed by our external auditors. An explanation of each adjustment and reconciliation to the reported IFRS financial information is provided in the table below.

	EBITDA \$M		EBIT \$M		NPAT \$M		EPS \$ ⁶	
	1H FY19	1H FY18	1H FY19	1H FY18	1H FY19	1H FY18	1H FY19	1H FY18
Reported earnings	1,046.1	697.2	840.0	510.5	624.3	441.2	1.15	0.79
<i>Underlying adjustments:</i>								
Net (gains) / losses from businesses discontinued ¹	4.9	13.6	4.9	14.3	5.3	14.3	0.01	0.02
Restructure and redundancy costs ²	4.7	3.9	4.7	3.9	1.7	1.8	-	-
Asset sales ³	-	(4.5)	-	(4.5)	-	(2.7)	-	(0.01)
Tax asset impairment / (write back) ⁴	-	-	-	-	(17.8)	(75.5)	(0.03)	(0.13)
US tax reform one-off impact ⁵	-	-	-	-	-	(52.1)	-	(0.09)
Underlying Operational Earnings	1,055.7	710.2	849.6	524.2	613.5	327.0	1.13	0.58

Table 13: Segmental underlying EBITDA and underlying EBIT

1H FY2019 underlying EBIT adjustments \$M	ASP	North Star	BP	BNA	NZPac	Corp	Discon Ops	Elims	Total
Net (gains) / losses from businesses discontinued	-	-	-	-	-	-	4.9	-	4.9
Restructure and redundancy costs	-	-	4.7	-	-	-	-	-	4.7
Underlying Adjustments	-	-	4.7	-	-	-	4.9	-	9.6

¹ 1H FY2019 reflects losses from the discontinued Engineered Buildings ASEAN business (\$3.3M pre-tax), royalty revaluation relating to the previously sold Taharoa iron sands operations (\$1.3M pre-tax) and foreign exchange translation losses within the closed Lysaght Taiwan business (\$0.2M pre-tax). 1H FY2018 reflects losses from the discontinued Engineered Buildings ASEAN business (\$17.5M pre-tax – includes asset impairment recognised in December 2017), partly offset by royalty revaluation (\$1.9M) and freight cost refund (\$1.1M) relating to the previously sold Taharoa iron sands operations (\$3.0M pre-tax) and foreign exchange translation gains within the closed Lysaght Taiwan business (\$0.2M pre-tax).

² 1H FY2019 reflects staff redundancy and restructuring costs at Building Products Asia & North America (\$4.7M pre-tax). 1H FY2018 reflects staff redundancy and restructuring costs at Buildings North America (\$3.9M pre-tax).

³ 1H FY2018 reflects profit on sale of assets at Buildings North America (\$4.5M pre-tax).

⁴ 1H FY2019 reflects utilisation of previously impaired deferred tax assets New Zealand (\$17.8M). 1H FY2018 reflects utilisation of previously impaired deferred tax assets in Australia (\$69.2M) and New Zealand (\$6.3M).

⁵ 1H FY2018 reflects a one-off tax accounting adjustment relating to impacts of US tax reform announced in December 2017 (\$52.1M).

C. CASH FLOW STATEMENT

Table 14: Consolidated cash flow statement

\$M	1H FY2019	1H FY2018	Variance %
Reported EBITDA	1,046.1	697.2	50%
Add cash/(deduct non-cash) items			
- Share of profits from associates and joint venture partnership not received as dividends	(6.3)	(21.1)	70%
- Expensing of share-based employee benefits	6.7	8.6	(22%)
- Impaired assets	0.0	10.1	(100%)
- Foreign exchange reserve transferred to P&L	(1.0)	0.2	(627%)
- Net (gain) / loss on sale of assets	(0.2)	(6.1)	97%
Cash EBITDA	1,045.4	688.8	52%
Changes in working capital	(241.4)	(262.0)	8%
Gross operating cash flow	804.0	426.7	88%
Finance costs	(28.8)	(38.4)	25%
Interest received	6.8	3.8	80%
Income tax paid ¹	(128.8)	(34.1)	(278%)
Net cash from operating activities	653.2	357.9	82%
Capex: payments for P, P & E and intangibles	(160.4)	(211.7)	24%
Other investing cash flows	(54.4)	10.3	(628%)
Net cash flow before financing	438.4	156.5	180%
Buy-backs of equity	(292.9)	(142.9)	(105%)
Dividends to non-controlling interests ²	(12.1)	(22.7)	47%
Dividends to BlueScope Steel Limited shareholders	(43.8)	(28.3)	(55%)
Net drawing/(repayment) of borrowings	12.7	101.7	(87%)
Net increase/(decrease) in cash held	102.3	64.3	59%

¹ The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 31 December 2018, of approximately \$1.6Bn. There will be no Australian income tax payments until these are recovered.

² These dividend payments primarily relate to dividend payments to Nippon Steel & Sumitomo Metal Corporation (NSSMC) in respect of NS BlueScope Coated Products joint venture.

ABBREVIATIONS

1H	Six months ended 31 December in the relevant financial year
1H FY2018	Six months ended 31 December 2017
1H FY2019	Six months ended 31 December 2018
2H	Six months ended 30 June in the relevant financial year
2H FY2018	Six months ending 30 June 2018
2H FY2019	Six months ending 30 June 2019
ASEAN	Association of South East Asian Nations
ASP	Australian Steel Products segment
A\$, \$	Australian dollar
BNA	Buildings North America segment
BP or Building Products	Building Products Asia and North America segment
BPG	BlueScope Properties Group
BlueScope or the Group	BlueScope Steel Limited and its subsidiaries (ie. the consolidated group)
the Company	BlueScope Steel Limited (ie. the parent entity)
DPS	Dividend per share
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBS	Engineered building solutions, a key product offering of the Buildings North America and Building Products segments
EPS	Earnings per share
FY2017	12 months ending 30 June 2017
FY2018	12 months ending 30 June 2018
FY2019	12 months ending 30 June 2019
Gearing ratio	Net debt divided by the sum of net debt and equity
HRC	Hot rolled coil steel
IFRS	International Financial Reporting Standards
Net cash	Cash less gross debt
Leverage, or leverage ratio	Net debt over LTM underlying EBITDA
LTM	Last twelve months
Net debt, or ND	Gross debt less cash
n/m	Not meaningful
NOA	Net operating assets pre-tax
North Star	North Star BlueScope Steel
NPAT	Net profit after tax
NSSMC	Nippon Steel & Sumitomo Metal Corporation
NZD	New Zealand dollar
NZPac	New Zealand & Pacific Steel segment
ROIC	Return on invested capital (or ROIC) – underlying EBIT (annualised in case of half year comparison) over average monthly capital employed
TBSL	Tata BlueScope Steel
TCFD	Task Force on Climate-related Financial Disclosures
US	United States of America
US\$	United States dollar

BlueScope Steel Limited ABN 16 000 011 058
Interim Financial Report - 31 December 2018

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Directors' Report

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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 2018.

DIRECTORS

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

John Andrew Bevan (Chairman)
Mark Royce Vassella (Managing Director and Chief Executive Officer)
Daniel Bruno Grollo (retired 23 November 2018)
Kenneth Alfred Dean (retired 23 November 2018)
Penelope Bingham-Hall
Ewen Graham Wolseley Crouch AM
Rebecca Patricia Dee-Bradbury
Lloyd Hartley Jones
Jennifer Margaret Lambert
Richard Mark Hutchinson (appointed 1 October 2018)

OPERATING AND FINANCIAL REVIEW

Financial Results

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

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

\$M	Revenue		Reported Result ⁽¹⁾		Underlying Result ⁽²⁾	
	1H FY2019	Restated ⁽⁴⁾ 1H FY2018	1H FY2019	Restated ⁽⁴⁾ 1H FY2018	1H FY2019	Restated ⁽⁴⁾ 1H FY2018
Sales revenue/EBIT⁽³⁾						
Australian Steel Products	2,869.9	2,565.7	319.0	261.7	319.0	261.7
North Star BlueScope Steel	1,265.0	860.6	411.6	145.2	411.6	145.2
Building Products Asia & North America	1,481.2	1,309.2	74.0	109.7	78.8	108.3
Buildings North America	587.4	523.3	22.1	25.5	22.1	26.4
New Zealand & Pacific Steel	463.5	386.8	71.9	41.0	71.9	41.0
Discontinued operations	9.2	28.0	(4.9)	(14.3)	-	-
Segment sales revenue/EBIT⁽³⁾	6,676.2	5,673.6	893.7	568.8	903.4	582.6
Intersegment eliminations	(268.9)	(197.2)	(0.5)	(4.4)	(0.6)	(4.4)
Segment external sales revenue/EBIT⁽³⁾	6,407.3	5,476.4	893.2	564.4	902.8	578.2
Other revenue (net unallocated expenses)	15.6	14.1	(53.2)	(53.9)	(53.2)	(53.9)
Total revenue/EBIT⁽³⁾	6,422.9	5,490.5	840.0	510.5	849.6	524.3
Borrowing costs			(28.3)	(41.0)	(27.2)	(40.6)
Interest revenue			7.3	3.8	7.3	3.8
Profit from ordinary activities before income tax			819.0	473.3	829.7	487.5
Income tax expense			(181.8)	(0.9)	(200.8)	(127.0)
Profit from ordinary activities after income tax expense			637.2	472.4	628.9	360.5
Net (profit) attributable to non-controlling interests			(12.9)	(31.2)	(15.4)	(33.5)
Net profit attributable to equity holders of BlueScope Steel			624.3	441.2	613.5	327.0
Basic earnings per share (cents)			115.3	78.6	113.3	58.3

- (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.

Directors' Report

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

- (2) References to 'underlying' information are to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information, while not subject to audit or review, has been extracted from the interim financial report, which has been reviewed by our external auditors.
- (3) Performance of operating segments is based on EBIT which excludes the effects of interest and income tax. The Company considers this a useful and appropriate segment performance measure because Group financing (including interest expense and interest income) and income taxes are managed on a Group basis and are not allocated to operating segments.
- (4) Certain amounts in the comparative period have been restated for the following retrospective changes:
- (i) As announced in June 2018, the China businesses now form part of the broader Building Products Asia and North America segment (previously named Building Products ASEAN, North America & India). The previous BlueScope Buildings segment is now Buildings North America.
- (ii) Buildings ASEAN has been included as part of discontinued operations following management's decision to close the business on 12 March 2018.

Reconciliation of underlying earnings to reported earnings

	EBIT \$M		NPAT \$M		Earning per share ⁽⁶⁾ (cents)	
	1H FY2019	Restated ⁽⁷⁾ 1H FY2018	1H FY2019	Restated ⁽⁷⁾ 1H FY2018	1H FY2019	Restated ⁽⁷⁾ 1H FY2018
Reported earnings	840.0	510.5	624.3	441.2	115.3	78.6
Net (gains) losses from businesses discontinued ⁽¹⁾	4.9	14.3	5.3	14.3	1.0	2.5
Reported earnings (from continuing operations)	844.9	524.8	629.6	455.5	116.3	81.1
Underlying adjustments:						
Restructure and redundancy costs ⁽²⁾	4.7	3.9	1.7	1.8	0.3	0.4
Asset sales ⁽³⁾	-	(4.5)	-	(2.7)	-	(0.5)
Tax asset impairment ⁽⁴⁾	-	-	(17.8)	(75.5)	(3.3)	(13.4)
US tax reform ⁽⁵⁾	-	-	-	(52.1)	-	(9.3)
Underlying earnings	849.6	524.2	613.5	327.0	113.3	58.3

- (1) First half FY2019 reflects losses from the discontinued Buildings ASEAN business (\$3.3M pre-tax), royalty revaluation relating to the previously sold Taharoa iron sands operations (\$1.3M pre-tax) and foreign exchange translation losses within the closed Lysaght Taiwan business (\$0.2M pre-tax). First half FY2018 mainly includes losses from the discontinued Buildings ASEAN business (\$17.5M pre-tax - includes asset impairment of \$10.1M pre-tax), royalty revaluation (\$1.9M) and freight cost refund (\$1.1M) relating to the previously sold Taharoa iron sands operations (\$3.0M pre-tax) and foreign exchange translation gains within the closed Lysaght Taiwan business (\$0.2M pre-tax).
- (2) First half FY2019 reflects staff redundancy and restructuring costs at Building Products Asia & North America (\$4.7M pre-tax). First half FY2018 reflects staff redundancy and restructuring costs at Buildings North America (\$3.9M pre-tax).
- (3) First half FY2018 reflects profit on sale of assets at Buildings North America (\$4.5M pre-tax).
- (4) First half FY2019 reflects utilisation of previously impaired deferred tax assets New Zealand (\$17.8M). First half FY2018 reflects utilisation of previously impaired deferred tax assets in Australia (\$69.2M) and New Zealand (\$6.3M).
- (5) First half FY2018 reflects a one-off adjustment relating to US tax reform (\$52.1M). The Company has benefited from a 7% rate reduction on US earnings in FY2018 with an 11% rate reduction thereafter. The tax rate reductions necessitated a downwards revision to deferred tax liabilities, with a corresponding reduction in income tax expense, which has been partially offset by a tolling charge and withholding tax on distributable US foreign earnings in China.

Directors' Report

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

- (6) Earnings per share are based on the average number of shares on issue during the respective reporting periods \$541.5M in first half FY2019 and \$561.0M in first half FY2018.
- (7) Certain amounts in the comparative period have been restated as a result of the inclusion of BlueScope Buildings ASEAN in discontinued operations following management's decision to close the business on 12 March 2018.

Financial Performance

BlueScope reported a \$624.3M net profit after tax (NPAT) for first half FY2019, a 42% or \$183.1M improvement on first half FY2018. Underlying NPAT was \$613.5M. The Company has maintained its strong performance from FY2018 with a record first half result. Underlying EBIT for the first half was \$849.6M, up 62% or \$325.4M on the same period in FY2018. The result was driven by strong demand and steel spreads in our U.S. and Australasian markets.

The Company's on-market share buy-back of up to \$250M announced in early December 2018 will continue, and the Board approved the payment of an interim dividend of 6 cents per share.

The results are proof of a straightforward and sustainable strategy at work with the effort in recent years to boost productivity and competitiveness in Australasia. With the acquisition of the other half of our 'best-in-class' US asset, North Star, our businesses are generating strong cash earnings and solid returns. Underlying return on invested capital (ROIC) was 24.9% in this first half FY2019. The balance sheet is particularly healthy, reaching a \$127.5M net cash position at 31 December 2018, a \$63.9M improvement from the \$63.6M net cash at 30 June 2018, and progressing towards the target of \$200M to \$400M of net cash.

Investing for the future

BlueScope's clear focus is on delivering shareholder returns and investing for the future. The Group has delivered an underlying EBIT of over \$1.1 billion in each of the last two financial years. With this first half result, we expect an even stronger result for the third consecutive year. The Company is working on appropriate growth opportunities that fit our strategy in our markets in India, ASEAN, the US, Australia and New Zealand and places a strong emphasis on sustainability, innovation and diversity in those investment plans.

Six months ago the possible expansion of our successful North Star business was announced. The investment case is well developed, with the volume range refined to an additional 800,000 to 900,000 metric tonnes per annum of steelmaking capacity. Estimated cost is in the range of US\$600M to US\$700M. As the project has the potential to deliver compelling returns, based on long-term historical spreads, the company is embarking on a final feasibility review. We are commencing approximately US\$50M of detailed design and engineering and critical path items. A final decision on the project is expected during first half FY2020.

The balance sheet is robust, with great flexibility, and at present we expect to be able to fund the growth initiatives we are considering while maintaining shareholder returns under our clear capital management framework. Our financial principles, including a focus on the retention of strong credit metrics, will continue to govern our decision making and all capital allocation decisions.

Sustainability

Our sustainability journey continues, with improved disclosures on our climate change strategy, under the Task Force on Climate-related Financial Disclosures (TCFD) framework. Significant work has been undertaken on supply-chain sustainability, risk assessment and business conduct disclosure, including the enhancement of our ethics and compliance function. Gender diversity at BlueScope gathers pace; 40% of new recruits to operating roles are women, we have doubled the rate of women hired to all roles across the Group, and women now comprise over 30 % of each of our Board and Executive Leadership Team.

Segment Results

North Star BlueScope Steel

- Delivered underlying EBIT of \$411.6M, up 183% on first half FY2018, driven by strong steel spreads combined with favourable foreign exchange translation.
- The business continues to operate at full capacity, and continues to pursue low-cost incremental volume growth initiatives in addition to the project to expand steelmaking capacity.

Directors' Report

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Australian Steel Products

- Delivered underlying EBIT of \$319.0M, up 22% on first half FY2018 on stronger steel spreads and increased contribution from export coke sales. Costs were higher due to short term operational instability and increased depreciation charges.
- Demand for premium branded coated and painted product remained strong.

Building Products Asia & North America

- Segment underlying EBIT was \$78.8M, down 27% on first half FY2018.
- In ASEAN, margins were lower due to higher steel feed costs combined with weaker despatch volumes. The businesses are 'getting fit' through a cost reduction and manufacturing improvement program targeting a \$20M improvement in FY2019 and full year run rate of \$40M by FY2020.
- The North America, China and India businesses performed well.

New Zealand & Pacific Steel

- Delivered underlying EBIT of \$71.9M, up 75% on first half FY2018, primarily through higher steel and export vanadium selling prices combined with continued strength in domestic despatch volumes.

Buildings North America

- Delivered underlying EBIT of \$22.1M, down 16% on first half FY2018, due to lower despatch volumes and margins as a result of longer customer lead times.
- Sales of buildings for end-use applications in the industrial, manufacturing, healthcare, warehousing, aviation and energy sectors remain strong.

Likely developments and expected results of operations

The Company currently expects FY2019 underlying EBIT to be around 10% higher than FY2018. The second half is expected to be softer than the first half of FY2019. Expectations are subject to spread, FX and market conditions.

Matters subsequent to the half-year ended 31 December 2018

There were no subsequent events after balance date for the half-year ended 31 December 2018.

Auditor's independence declaration

The auditor's independence declaration for the half-year ended 31 December 2018 has been received from Ernst & Young. This can be referred to on page 6 which accompanies the directors' report.

Rounding of amounts

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

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



J Bevan
Chairman



Mark Vassella
Managing Director & CEO

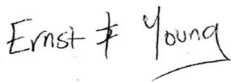
Melbourne
25 February 2019

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

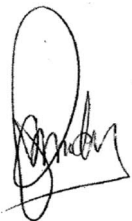
As lead auditor for the review of BlueScope Steel Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of BlueScope Steel Limited and the entities it controlled during the financial period.



Ernst & Young



Glenn Carmody
Partner
25 February 2019

Statement of Comprehensive Income

BLUESCOPE STEEL LIMITED

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

		Consolidated Half-year	
	Notes	2018 \$M	*Restated 2017 \$M
Revenue from continuing operations		6,413.7	5,462.5
Other income	4	28.5	18.7
Changes in inventories of finished goods and work in progress		81.2	65.5
Raw materials and consumables used		(3,747.5)	(3,234.0)
Employee benefits expense		(864.3)	(838.4)
Depreciation and amortisation expense		(206.1)	(186.0)
Freight on external despatches		(255.4)	(239.2)
External services		(426.0)	(423.6)
Finance costs	4	(28.3)	(40.9)
Other expenses		(178.0)	(119.0)
Share of net profits (losses) of associates and joint venture partnerships accounted for using the equity method		6.3	22.2
Profit before income tax		824.1	487.8
Income tax expense	5	(181.8)	0.9
Net profit from continuing operations		642.3	488.7
Loss from discontinued operations after income tax	7	(5.1)	(16.3)
Net profit for the half-year		637.2	472.4
<i>Items that may be reclassified to profit or loss</i>			
Net gain (loss) on cash flow hedges		1.4	0.4
- Income tax (expense) benefit		(0.4)	0.1
Net gain (loss) on net investments in foreign subsidiaries		26.6	(10.6)
- Income tax (expense) benefit		(8.0)	-
Exchange fluctuations on translation of foreign operations attributable to BlueScope Steel Limited		87.4	0.4
Exchange fluctuations transferred to profit on translation of foreign operations disposed		(1.0)	0.2
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain (loss) on defined benefit superannuation plans		(80.4)	1.8
- Income tax (expense) benefit		22.3	(0.8)
Investment revaluation	8(i)	(13.3)	-
Exchange fluctuations on translation of foreign operations attributable to non-controlling interests		21.1	4.2
Other comprehensive income (loss) for the half-year		55.7	(4.3)
Total comprehensive income for the half-year		692.9	468.1
Profit is attributable to:			
Owners of BlueScope Steel Limited		624.3	441.2
Non-controlling interests		12.9	31.2
		637.2	472.4
Total comprehensive income for the half-year is attributable to:			
Owners of BlueScope Steel Limited		659.5	432.0
Non-controlling interests		33.4	36.1
		692.9	468.1

		2018	*Restated 2017
	Notes	Cents	Cents
Earnings per share for profit attributable to ordinary equity holders of the Company from:			
Continuing operations:			
Basic earnings per share	13	116.3	81.1
Diluted earnings per share	13	114.6	79.3
Total operations:			
Basic earnings per share	13	115.3	78.6
Diluted earnings per share	13	113.7	76.8

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

Statement of Financial Position

BLUESCOPE STEEL LIMITED
AS AT 31 DECEMBER 2018

		Consolidated	
		31 December 2018	30 June 2018
	Notes	\$M	\$M
ASSETS			
Current assets			
Cash and cash equivalents		1,057.0	944.4
Trade and other receivables		1,245.0	1,454.3
Inventories		2,213.0	1,945.9
Operating intangible assets		29.2	28.2
Derivative financial instruments		2.2	4.7
Deferred charges and prepayments		126.8	112.2
		4,673.2	4,489.7
Non-current assets classified as held for sale		4.1	4.0
Total current assets		4,677.3	4,493.7
Non-current assets			
Trade and other receivables		31.4	31.3
Inventories		70.1	67.5
Operating intangible assets		44.1	42.6
Derivative financial instruments		6.0	7.0
Investments accounted for using the equity method		80.4	72.7
Other investments	8	30.5	-
Property, plant and equipment		4,085.5	4,049.3
Intangible assets		1,727.2	1,676.2
Deferred tax assets	5	439.6	487.7
Deferred charges and prepayments		4.4	3.0
Total non-current assets		6,519.2	6,437.3
Total assets		11,196.5	10,931.0
LIABILITIES			
Current liabilities			
Trade and other payables		1,683.9	1,797.8
Borrowings		205.3	95.9
Current tax liabilities		11.7	38.7
Provisions		397.6	446.7
Deferred income		178.9	227.2
Derivative financial instruments		0.7	1.9
Total current liabilities		2,478.1	2,608.2
Non-current liabilities			
Trade and other payables		69.9	67.4
Borrowings		724.2	784.9
Deferred tax liabilities	5	164.8	158.9
Provisions		141.5	139.5
Retirement benefit obligations	9	363.5	280.9
Deferred income		10.1	3.6
Total non-current liabilities		1,474.0	1,435.2
Total liabilities		3,952.1	4,043.4
Net assets		7,244.4	6,887.6
EQUITY			
Contributed equity	6	4,051.7	4,311.2
Reserves		355.2	272.8
Retained profits		2,325.1	1,809.8
Parent entity interest		6,732.0	6,393.8
Non-controlling interests		512.4	493.8
Total equity		7,244.4	6,887.6

Statement of Changes to Equity

BLUESCOPE STEEL LIMITED
AS AT 31 DECEMBER 2018

Consolidated - 31 December 2018

	Notes	Contributed equity \$M	Reserves \$M	Retained profits (losses) \$M	Non-controlling interests \$M	Total \$M
Balance at 1 July 2018		4,311.2	272.8	1,809.8	493.8	6,887.6
Accounting policy changes (AASB9/AASB15) - 1 July 2018	1(a)(i)(ii)	-	-	(12.1)	-	(12.1)
- Tax credit		-	-	2.1	-	2.1
Non-controlling interest share of accounting policy changes after tax		-	-	2.7	(2.7)	-
Restated Balance at 1 July 2018		4,311.2	272.8	1,802.5	491.1	6,877.6
Profit for the period		-	-	624.3	12.9	637.2
Other comprehensive income (loss)		-	93.0	(57.8)	20.5	55.7
Total comprehensive income (loss) for the half-year		-	93.0	566.5	33.4	692.9
Transactions with owners in their capacity as owners:						
Issue of share awards	6	17.3	(17.3)	-	-	-
Share-based payment expense		-	6.7	-	-	6.7
Share buybacks	6	(292.9)	-	-	-	(292.9)
Dividends paid		-	-	(43.8)	(12.1)	(55.9)
Tax credit recognised directly in equity	6	16.1	-	-	-	16.1
Other		-	-	(0.1)	-	(0.1)
		(259.5)	(10.6)	(43.9)	(12.1)	(326.1)
Balance at 31 December 2018		4,051.7	355.2	2,325.1	512.4	7,244.4

Consolidated - 31 December 2017

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

Statement of Cash Flows

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

		Consolidated Half-year	
	Notes	2018 \$M	2017 \$M
Cash flows from operating activities			
Receipts from customers		6,916.7	5,840.4
Payments to suppliers and employees		(6,119.4)	(5,427.5)
		797.3	412.9
Associate dividends received		-	1.2
Interest received		6.8	3.8
Other revenue		6.7	12.5
Finance costs paid		(28.8)	(38.4)
Income taxes paid		(128.8)	(34.1)
Net cash inflow from operating activities		653.2	357.9
Cash flows from investing activities			
Payments for other investments	8(i)	(42.2)	-
Payments for business acquisition	8(ii)	(4.2)	-
Payments for disposal of subsidiary		(8.4)	(0.5)
Payments for property, plant and equipment		(155.2)	(206.5)
Payments for intangibles		(5.2)	(5.2)
Proceeds from sale of property, plant and equipment		0.4	8.1
Proceeds from sale of investments		-	2.7
Net cash (outflow) from investing activities		(214.8)	(201.4)
Cash flows from financing activities			
Proceeds from borrowings		213.9	483.1
Repayment of borrowings		(201.2)	(381.4)
Dividends paid to Company's shareholders		(43.8)	(28.3)
Dividends paid to non-controlling interests in subsidiaries		(12.1)	(22.7)
Share buybacks	6	(292.9)	(142.9)
Net cash (outflow) from financing activities		(336.1)	(92.2)
Net increase in cash and cash equivalents		102.3	64.3
Cash and cash equivalents at the beginning of the financial year		943.0	751.9
Effects of exchange rate changes on cash and cash equivalents		10.7	(1.6)
Cash and cash equivalents at end of period		1,056.0	814.6

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1 Basis of preparation of the interim report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Act 2001 and other mandatory reporting requirements.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by BlueScope Steel Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

There have been no changes to the Group's accounting policies during the half-year except for the adoption of new standards effective 1 July 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

(i) AASB 15 Revenue from Contracts with Customers (effective 1 July 2018)

AASB 15 Revenue from Contracts with Customers has superseded AASB 118 Revenue and AASB 111 Construction Contracts. AASB 15 requires revenue to be recognised for the transfer of promised goods or services (performance obligations) from contracts with customers at an amount that reflects the consideration to which an entity expects to be entitled. Revenue is recognised when control of the goods or services transfers to a customer, being either at a point in time or over time.

As a manufacturer, the Group's primary performance obligation is the delivery of steel products. In addition to delivering goods, the Group also provides design, construction or installation services in our Buildings and Building Product businesses in accordance with the contract. Other than for the provision of service warranties, the Group's performance obligations have an original expected duration of one year or less.

Revenue is recognised at a point in time for goods being upon delivery to the customer or over the ship's rail, or over time for bundled goods and services such as design, construction or installation services. The adoption of AASB 15 did not impact on the timing of revenue recognition.

The contract transaction price can vary due to volume and steel pricing rebates, early payment discounts and for short tail claims for product shipped and billed to the customer that did not meet previously agreed specifications. AASB 15 requires variable consideration to be estimated using the 'most likely amount method' for contracts with a single volume threshold and the 'expected value method' for contracts with more than one volume threshold. This did not result in a material impact for the Group.

The majority of the Group's product warranties are assurance type warranties and therefore there is no change in accounting policy. However, our North American Buildings and Building Product businesses offer service warranties to our customers, ranging from 5 to 30 years. Previously the Group recognised revenue upon receipt of the warranty premium and raised a claims provision based on known claims and a past history of claims experience. Under AASB 15, the service warranty premium is treated as a separate performance obligation with revenue recognised over the warranty period. The Group has elected to apply the modified retrospective approach upon transition, the impact is as follows:

	\$'M Dr	\$'M Cr
Deferred warranty income	-	8.5
Product claims provision	1.8	-
Deferred tax assets	1.1	-
Opening retained earnings	5.6	-
	8.5	8.5

AASB 15 requires revenue to be disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group's reporting segments (refer note 3) disaggregate revenues which have similar economic factors, in particular differing economic factors in Australia, New Zealand, North America and Asia. Design, construction and installation services in which revenue is recognised over time is material to the North America Buildings reporting segment.

1 Basis of preparation of the interim report (continued)

(ii) AASB 9 Financial Instruments (effective 1 July 2018)

This standard addresses the classification, measurement and derecognition of financial assets and liabilities in addition to new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and includes a new impairment model for financial assets. The Group has applied AASB 9 retrospectively. In accordance with transition requirements, the Group has elected not to restate opening balances but to adjust retained earnings.

On the date of initial application, AASB 9 had no material impact on the existing classification and measurement of the Group's financial assets and liabilities whilst all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. The new impairment requirements results in an earlier recognition of impairment provisions through the use of an expected credit loss model for the Group's financial assets, primarily trade receivables. The impact on initial application was to increase the trade receivables doubtful debts provision by \$5.5M, increase deferred tax assets by \$1.1M with a corresponding \$4.4M reduction in opening retained earnings. There has been no material impact on the Group's December 2018 half-year financial statements from adopting AASB 9.

Classification and measurement

Under AASB 9, the Group initially measures a financial asset at its fair value plus transaction costs, excluding assets held at fair value through the profit or loss (FVPL). Debt financial instruments are subsequently measured at amortised cost, FVPL, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI' criterion).

The new classification and measurement criteria for debt financial assets are as follows:

- *Debt instruments at amortised cost* for financial assets that are held with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category applies to the Group's trade and other receivables.
- *Debt instruments at FVOCI*, with gains or losses recycled to the profit or loss on derecognition. This would apply to debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. The Group does not currently hold such assets.

Other financial assets are classified and subsequently measured as follows:

- *Equity instruments at FVOCI*, with no recycling of gains or losses to the profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition. The 15.8% investment in Steel & Tube Holdings Limited, acquired on 17 October 2018 for \$42.2M, has been classified and subsequently measured under this category (refer to note 8(i)).
- *Financial assets at FVPL*, comprise derivative financial instruments that are not accounted for under hedge accounting requirements and quoted equity investments which the Group has not irrevocably elected, at initial recognition, to classify at FVOCI. This category would include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held with the objective of either to collect contractual cash flows, or to both collect and sell contractual cash flows. The Group holds forward foreign exchange contracts that minimise foreign exchange exposures on designated receivables and payables.

The accounting for the financial liabilities that are currently held by the Group are largely the same as under the previous standard *AASB 39 Financial Instruments: Recognition and Measurement*.

Impairment

AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 39's incurred loss approach with a forward looking expected credit loss (ECL) approach. AASB 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. For contract assets and trade and other receivables, the Group has applied the standard's simplified approach and has calculated the ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

There has been no material impact from ECL provisioning on the December 2018 half-year financial statements.

1 Basis of preparation of the interim report (continued)

(b) New Accounting Standards and interpretations not yet adopted by the Group

Certain new Accounting Standards and interpretations have been published that are not mandatory for the 31 December 2018 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 16 Leases (effective 1 July 2019)

AASB 16, the new lease accounting standard, was released in January 2016. The standard eliminates the classification of leases as either operating leases or finance leases as required by the current lease accounting standard and, instead, introduces a single lessee accounting model. A lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and depreciate lease assets separately from interest on lease liabilities in the income statement.

Management has carried out a preliminary assessment of the impact of the new standard and has determined that it will have a material impact on the Group's financial statements and disclosures. This will involve an increase in assets and liabilities, change in the timing in which lease expenses are recognised, a switch in earnings categories from operating expense to depreciation and interest expense and an increase in gearing levels. The changes will have no cost effect to the Group. Further assessment of the impact will be carried out as part of the adoption of the new standard.

The 30 June 2018 lease commitments of \$511.9M is indicative of the lease commitments to be discounted to present value and recognised on the balance sheet upon adoption. However, this undiscounted number will be subject to change due to a number of factors including:

- New lease contracts entered into by the Group;
- Changes to existing lease contracts;
- Management finalising their review of embedded leases within existing supply contracts;
- Changes in management's judgement to exercise rights of renewal under lease arrangements;
- Exclusion from balance sheet recognition for low value assets (less than \$10,000 when brand new) and leases with terms less than 12 months; and
- Foreign exchange translation movements.

A key judgement area is the discount rates to be used to discount lease assets and liabilities. Management is currently reviewing the process for determining the appropriate discount rates upon transition and beyond.

The Group intends to adopt the modified retrospective approach with the cumulative effect of initially applying the Standard recognised at the date of initial application within retained earnings. Comparative amounts will not be restated for the period prior to adoption.

(ii) IFRIC Interpretation 23 – Uncertainty over income tax treatments (effective 1 July 2019)

IFRIC 23 clarifies the application of recognition and measurement requirements in AASB 112 Income Taxes when there is uncertainty over income tax treatments and removes most of the choice about how to reflect uncertain tax positions in the financial statements. A full assessment of the amendments to the standard is yet to be carried out.

2 Critical accounting estimates and judgements

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

2 Critical accounting estimates and judgements (continued)

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

The Group tests property, plant and equipment and intangible assets with definite useful lives when there is an indicator of impairment. Goodwill and other intangible assets with indefinite useful lives are tested at least annually for any impairment or reversal of a previous impairment loss. All cash generating units (CGU's) were tested for impairment at the reporting date. The recoverable amounts of CGUs have been determined on a consistent basis to 30 June 2018. The basis of determining the key assumptions are listed below.

Key assumptions	Basis of estimation
Future cash flows	• VIU calculations use pre-tax cash flows, inclusive of working capital movements which are based on financial projections approved by the Group covering a three-year period, being the basis of the Group's forecasting and planning processes, or up to five years where circumstances pertaining to a specific CGU support a longer period. • Cash flows beyond the projection period are extrapolated to provide a maximum of 30 years of cash flows with adjustments where necessary to reflect changes in long-term operating conditions. No terminal value is calculated.
Growth rate	• The growth rate used to extrapolate the cash flows for each CGU beyond the forecast period does not exceed 2.5% (June 2018: 2.5%). • The growth rate represents a steady indexation rate which does not exceed the Group's expectations of the long-term average growth rate for the business in which each CGU operates.
Discount rate	• The discount rate applied to the cash flow projections has been assessed to reflect the time value of money and the perceived risk profile of the industry in which each CGU operates. • The base post-tax discount rates range from 7.8% to 8.9% (June 2018: 7.8% to 8.9%). • Given the differing characteristics, currencies and geographical locations of the Group's CGUs, where appropriate the base discount rate is adjusted by a country risk premium (CRP) to reflect country specific risks. Such adjustments do not reflect risks for which cash flow forecasts have already been adjusted. The CRP is derived from a range of externally sourced foreign country risk ratings. • The adjusted post-tax discount rate is translated to a pre-tax rate for each CGU based on the specific tax rate applicable to where the CGU operates. • All foreign currency cash flows are discounted using a discount rate appropriate for that currency.
Raw material costs	• Based on commodity price forecasts derived from a range of external commodity forecasters.
Selling prices	• Based on management forecasts, taking into account commodity steel price forecasts derived from a range of external commodity forecasters.
Sales volume	• Based on management forecasts, taking into account external forecasts of underlying economic activity for the market sectors and geographies in which each CGU operates.
AUD:USD and NZD:USD	• Based on forecasts derived from a range of external banks.

(i) Cash generating units with significant goodwill

Buildings North America

Buildings North America is tested for impairment on a value-in-use (VIU) basis using three year cash flow projections, followed by a long-term growth rate of 2.5% for a further 27 years. Pre-tax VIU cash flows are discounted utilising a pre-tax discount rate of 10.3%

As at 31 December 2018 the recoverable amount of this CGU is 2.7 times (June 2018: 3.0 times) the carrying amount of \$527.7M (June 2018: \$465.4M), including non-current assets and net working capital. This CGU is most sensitive to assumptions in relation to North American non-residential building and construction activity. Taking into account external forecasts, the Group expects non-residential building and construction activity to increase 3.8% per annum (June 2018: 3.8%) from the 2018/19 financial year over the three-year projection period.

However, the timing and extent of this increase is uncertain. To illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts for Buildings North America were to decrease by 63% (2018: 66%) across the forecast period, without implementation of mitigation plans, the recoverable amount would equal the carrying amount.

2 Critical accounting estimates and judgements (continued)

North Star BlueScope Steel LLC

North Star BlueScope Steel is tested for impairment on a VIU basis using three year cash flow projections, followed by a long-term growth rate of 2.5% for a further 27 years. Pre-tax VIU cash flows are discounted utilising a pre-tax discount rate of 11.3% (June 2018: 11.3%).

At 31 December 2018 the recoverable amount of the CGU is 1.8 times (June 2018: 1.9 times) the carrying amount of \$1,930.9M (June 2018: \$1,820.8M), including non-current assets and net working capital. This CGU is most sensitive to assumptions in relation to the spread between North American hot rolled coil and purchased scrap prices. Taking into account external forecasts, the Group expects the spread to decrease from the current historically high levels over the term of the three-year projection period. To illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts for North Star BlueScope Steel LLC were to decrease by 45% (2018: 46%) across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

(ii) Sensitivity of carrying amounts

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

For ASP, recognised external forecasters estimate the Australian dollar relative to the US dollar to strengthen from the level at the half-year ended 31 December 2018 and estimate a decrease in global commodity steel prices relative to the iron ore and coking coal costs. The Group believes that the long term assumptions adopted are appropriate. ASP is exposed to variable macroeconomic factors and to illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts were to decrease by 59% (2018: 57%) across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

For NZPac, recognised external forecasters estimate the New Zealand dollar relative to the US dollar to strengthen from the level at the half-year ended 31 December 2018 and estimate a decrease in global commodity steel prices relative to half-year ended 31 December 2018. The Group believes that the long term assumptions adopted are appropriate. NZPac is exposed to variable macroeconomic factors and to illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts were to decrease by 13% (June 2018: 10%) across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

(b) Income taxes

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future forecast taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

(c) Workers compensation

Calculations for the Group's self-insured workers compensation are determined by external actuaries. These calculations require assumptions in relation to the expectation of future events.

(d) Product claims

Provision for claims is based on modelled data combining sales volumes with past experiences of repair and replacement levels in conjunction with any specifically identified product faults. The provision requires the use of assumptions in relation to the level of future claims made.

(e) Share-based payment transactions

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

2 Critical accounting estimates and judgements (continued)

(f) Retirement benefit obligations

Various actuarial assumptions underpin the determination of the Group's pension obligations. These assumptions and the related carrying amounts are discussed in note 9.

(g) Restructuring and redundancy provisions

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

(h) Plant and machinery useful lives

The estimation of the useful lives of plant and machinery has been based on historical experience and judgement with respect to technical obsolescence, physical deterioration and usage capacity of the asset in addition to any legal restrictions on usage. The condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

(i) Restoration and rehabilitation provisions

Provisions have been made for the present value of anticipated costs for future remediation and restoration of leased premises and the iron sand mine operation in New Zealand. In addition, a number of sites within the Group are subject to ongoing environmental review and monitoring. Recognising restoration, remediation and rehabilitation provisions across the Group requires assumptions to be made as to the application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

(j) Legal claims

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

3 Segment information

(a) Description of segments

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

Restated comparatives for retrospective changes

(i) As announced in June 2018, the China businesses now form part of the broader Building Products Asia and North America segment (previously named Building Products ASEAN, North America & India). The previous BlueScope Buildings segment is now Buildings North America.

(ii) BlueScope Buildings ASEAN has been included as part of discontinued operations following management's decision to close the business on 12 March 2018.

3 Segment information (continued)

Segment	Description
Australian Steel Products	• Produces and markets a range of high value coated and painted flat steel products for Australian building and construction customers as well as providing a broader offering of commodity flat steel products. • Products are primarily sold to the Australian domestic market, with some volume exported. • Key brands include zinc/aluminium alloy coated - ZINCALUME® steel and galvanised and zinc/aluminium alloy-coated pre-painted COLORBOND® steel. • Main manufacturing facilities are at Port Kembla (NSW) and Western Port (Victoria). • Segment also operates a network of roll-forming and distribution sites throughout Australia, acting as a major steel product supplier to the building and construction, manufacturing, transport, agriculture and mining industries.
North Star BlueScope Steel	• North Star BlueScope Steel is a single site electric arc furnace producer of hot rolled coil in Ohio US. It is strategically located near its customers and in one of the largest scrap markets in North America.
Building Products Asia and North America	• Technology leader in metal coated and painted steel building products, principally focused on the Asia-Pacific region, with a wide range of branded products that include pre-painted COLORBOND® steel, zinc/aluminium alloy-coated ZINCALUME® steel and the LYSAGHT® range of products. • Segment has an extensive footprint of metallic coating, painting and steel building product operations in Thailand, Indonesia, Vietnam, Malaysia, India and North America, primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential building and construction industry in North America. • BlueScope operates in ASEAN and North America in partnership with Nippon Steel & Sumitomo Metal Corporation (NSSMC) and in India with Tata Steel. Both are 50/50 joint ventures, with BlueScope controlling and therefore consolidating the joint venture with NSSMC, and jointly controlling and therefore equity accounting the joint venture with Tata Steel. • This segment also includes Building Products China, comprising metal coating, painting, Lysaght operations and engineered building solutions.
Buildings North America	• Leader in engineered building solutions (EBS), servicing the low-rise non-residential construction needs of customers from an engineering and manufacturing base in North America. • This segment also includes the BlueScope Properties Group which develops industrial properties, predominantly warehouses and distribution centres.
New Zealand & Pacific Steel	• Consists of three primary business areas: New Zealand Steel, Pacific Steel and BlueScope Pacific Islands. • New Zealand Steel is the only steel producer in New Zealand, producing slab, billet, hot rolled coil and value added coated and painted products for both domestic and export markets across the Pacific Region. Operations include the manufacture and distribution of the LYSAGHT® range of products in Fiji, New Caledonia and Vanuatu. • Pacific Steel is the sole producer of long steel products such as rod, bar, reinforcing coil and wire in New Zealand. • Segment also includes the Waikato North Head iron sands mine which supplies iron sands to the Glenbrook Steelworks and for export.

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 2018 is as follows:

31 December 2018

	Australian Steel Products \$M	North Star BlueScope Steel \$M	Building Products Asia & North America \$M	Buildings North America \$M	New Zealand & Pacific Steel \$M	Discontinued Operations \$M	Total \$M
Total segment sales revenue	2,869.9	1,265.0	1,481.2	587.4	463.5	9.2	6,676.2
Intersegment revenue	(183.5)	-	(55.1)	(0.8)	(29.5)	-	(268.9)
Revenue from external customers	2,686.4	1,265.0	1,426.1	586.6	434.0	9.2	6,407.3
Segment EBIT	319.0	411.6	74.0	22.1	71.9	(4.9)	893.7
Depreciation and amortisation	105.1	29.9	36.4	9.8	24.7	-	205.9
Share of profit (loss) from associates and joint venture partnerships	-	-	7.0	(0.8)	0.1	-	6.3
Total segment assets	3,621.2	2,326.5	2,247.4	756.1	762.2	25.3	9,738.7
Total assets includes: Investments in associates and joint venture partnerships	-	-	74.2	0.5	5.7	-	80.4
Additions to non-current assets (other than financial assets and deferred tax)	76.5	13.8	35.0	6.7	14.1	-	146.1
Total segment liabilities	1,132.8	395.6	642.1	318.3	467.8	9.3	2,965.9

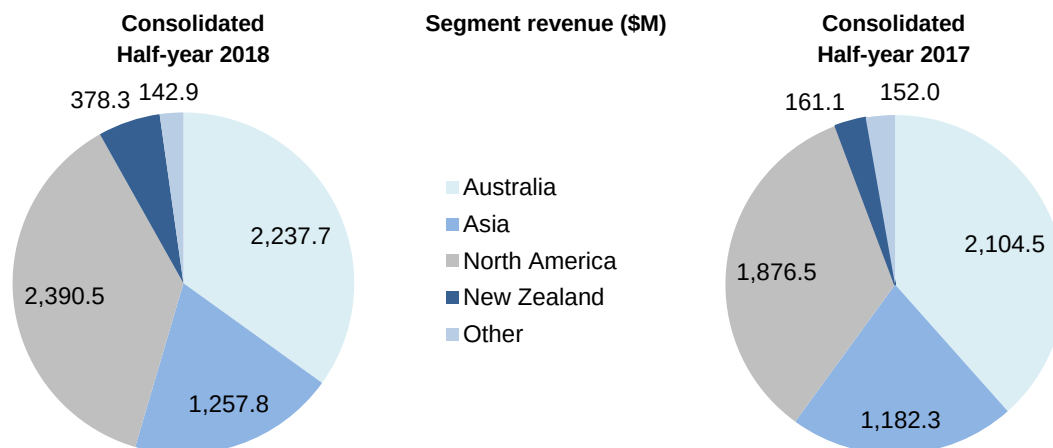
31 December 2017 (Restated)

	Australian Steel Products \$M	North Star BlueScope Steel \$M	Building Products Asia & North America \$M (Restated)	Buildings North America \$M (Restated)	New Zealand & Pacific Steel \$M	Discontinued Operations \$M (Restated)	Total \$M
Total segment sales revenue	2,565.7	860.6	1,309.2	523.3	386.8	28.0	5,673.6
Intersegment revenue	(134.1)	-	(45.2)	(0.5)	(17.4)	-	(197.2)
Revenue from external customers	2,431.6	860.6	1,264.0	522.8	369.4	28.0	5,476.4
Segment EBIT	261.7	145.2	109.7	25.5	41.0	(14.3)	568.8
Depreciation and amortisation	88.9	27.2	37.7	9.7	22.2	0.7	186.4
Impairment expense of non-current assets	-	-	-	-	-	10.1	10.1
Share of profit (loss) from associates and joint venture partnerships	-	-	21.1	0.2	0.9	-	22.2
Total segment assets	3,302.5	2,028.5	1,948.8	661.2	684.5	36.2	8,661.7
Total assets includes: Investments in associates and joint venture partnerships	-	-	57.9	1.3	5.6	-	64.8
Additions to non-current assets (other than financial assets and deferred tax)	-	-	-	-	-	-	-
Total segment liabilities	1,064.9	278.6	562.7	315.7	349.4	22.2	2,593.5

3 Segment information (continued)

(c) Geographical information

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



(d) Other segment information

(i) Segment revenue

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

	Consolidated Half-year 2018 \$M	Restated 2017 \$M
Total segment revenue	6,676.2	5,673.6
Intersegment eliminations	(268.9)	(197.2)
Discontinued operations	(9.2)	(28.0)
Other revenue	15.6	14.1
Total revenue from continuing operations	6,413.7	5,462.5

(ii) Segment EBIT

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

	Consolidated Half-year 2018 \$M	Restated 2017 \$M
Total segment EBIT	893.7	568.8
Intersegment eliminations	(0.5)	(4.4)
Interest income	7.3	3.8
Finance costs	(28.3)	(40.9)
Discontinued operations	4.9	14.3
Corporate operations	(53.0)	(53.8)
Profit before income tax from continuing operations	824.1	487.8

(iii) Segment assets and liabilities

Segment assets and liabilities are measured in a manner consistent with the financial statements and are allocated based on the operations.

Cash and liabilities arising from borrowing and funding initiatives, including deferred purchase price on business acquisitions, are not considered to be segment assets and liabilities respectively due to these being managed by the Group's centralised treasury function.

3 Segment information (continued)

	Consolidated	
	December	June
	2018	2018
	\$M	\$M
Segment assets	9,738.7	9,553.4
Intersegment eliminations	(282.1)	(298.6)
Unallocated:		
Deferred tax assets	439.6	487.7
Cash	1,057.0	944.4
Corporate operations	243.3	244.1
Total assets as per the statement of financial position	11,196.5	10,931.0

	Consolidated	
	December	June
	2018	2018
	\$M	\$M
Segment liabilities	2,965.9	3,079.6
Intersegment eliminations	(269.3)	(286.3)
Unallocated:		
Borrowings	929.5	880.8
Current tax liabilities	11.7	38.7
Deferred tax liabilities	164.8	158.9
Accrued borrowing costs payable	3.2	4.0
Corporate operations	146.3	167.7
Total liabilities as per the statement of financial position	3,952.1	4,043.4

4 Other income and expenses

	Consolidated	
	Half-year	
	2018	Restated
	\$M	2017
	\$M	\$M
Profit before income tax includes the following specific income and expenses for continuing operations:		
<i>Other income</i>		
Carbon permit - Government Grant	17.8	11.3
Government Grant - other	0.3	0.3
Net foreign exchange gains	9.3	1.0
Net gain on disposal of PP&E	-	4.0
Net gain on disposal of investments	1.0	2.1
Other	0.1	-
Total other income	28.5	18.7
<i>Finance costs</i>		
Interest and finance charges paid/payable	(23.1)	(32.3)
Ancillary finance charges	(4.8)	(7.5)
Provisions: unwinding of discount	(1.2)	(1.1)
Amount capitalised	0.8	-
	(28.3)	(40.9)
Inventory net realisable value write-back (expense)	(3.4)	1.2

5 Income tax expense

The Group's effective tax rate is lower than the Australian 30% statutory tax rate primarily due to lower tax rates in North America and Asia. Other material impacts on income tax expense are as follows:

(i) US Tax reform

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

(ii) Australia and New Zealand

The Australian tax loss assets were fully recognised at 30 June 2018 following a sustained period of improved taxable income. The prior period included \$66.7M of utilised unrecognised tax loss assets.

The Group continues to defer the recognition of past tax losses in New Zealand until a history of taxable profit has been demonstrated. A total of \$17.8M (December 2017: \$6.3M) unrecognised tax loss assets were recognised during the period.

6 Equity securities issued

	Six-months to 31 Dec 2018 Shares	Six-months to 31 Dec 2017 Shares	Six-months to 31 Dec 2018 \$M	Six-months to 31 Dec 2017 \$M
Issue of ordinary shares during the half-year				
Opening balance	546,875,343	561,111,434	4,311.2	4,554.4
Share awards	5,439,607	6,942,648	17.3	27.6
Share buybacks	(18,881,633)	(11,965,622)	(292.9)	(148.1)
Share rights - Tax deduction (i)	-	-	16.1	0.9
	533,433,317	556,088,460	4,051.7	4,434.8

(i) Share rights - Tax deduction

The tax deduction recorded in share capital represents the estimated tax deduction in excess of accounting expense recognised for share right awards issued to employees.

7 Discontinued operations

(a) Description

Buildings ASEAN

Buildings ASEAN has been included as part of discontinued operations following management's decision to close the business on 12 March 2018. Comparatives for December 2017 have been restated.

(b) Financial performance of discontinued operations

	Consolidated					
	Six-months to 31 Dec 2018			Six-months to 31 Dec 2017		
	Buildings ASEAN \$M	Other \$M	Total \$M	Buildings ASEAN \$M	Other \$M	Total \$M
Revenue	9.2	-	9.2	28.0	-	28.0
Other income	0.2	-	0.2	-	3.4	3.4
Impairment expense (i)	-	-	-	(10.1)	-	(10.1)
Finance costs	-	-	-	(0.1)	-	(0.1)
Other expenses	(12.9)	(1.5)	(14.4)	(35.5)	(0.2)	(35.7)
Profit (loss) before income tax	(3.5)	(1.5)	(5.0)	(17.7)	3.2	(14.5)
Income tax (expense) benefit	(0.1)	-	(0.1)	(1.3)	(0.5)	(1.8)
Profit (loss) after income tax from discontinued operations	(3.6)	(1.5)	(5.1)	(19.0)	2.7	(16.3)

7 Discontinued operations (continued)

(i) Buildings ASEAN

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

(ii) 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. Due to these adjustments the discontinued operations results do not represent the operations as stand-alone entities.

(c) Cash flow information discontinued operations

	Consolidated					
	Six-months to 31 Dec 2018			Six-months to 31 Dec 2017		
	Buildings ASEAN \$M	Other \$M	Total \$M	Buildings ASEAN \$M	Other \$M	Total \$M
Net cash inflow (outflow) from operating activities	(7.2)	(0.2)	(7.4)	(4.2)	(7.6)	(11.8)
Net cash inflow (outflow) from investing activities	0.4	-	0.4	(0.2)	-	(0.2)
Net cash inflow (outflow) from financing activities	-	-	-	2.2	-	2.2
Net increase (decrease) in cash generated by the operation	(6.8)	(0.2)	(7.0)	(2.2)	(7.6)	(9.8)

8 Non-current assets - Other investments

(i) On 17 October 2018, New Zealand Steel Limited (NZS) acquired approximately 15.8% of the shares in Steel & Tube Holdings Limited (Steel & Tube), a company listed on the NZ stock exchange and a customer of NZS, for \$42.2M (NZ\$46.0M). NZS neither has control (requiring consolidation) nor joint control or significant influence (requiring equity accounting) over this investment.

In accordance with the new AASB 9 Financial Instruments accounting standard, this investment is to be recorded at fair value. BlueScope has elected to designate changes to the fair value to be recognised in an equity reserve. Upon disposal the amount recognised in equity is not recycled through the profit and loss but will be transferred directly to retained earnings. As at 31 December 2018, the fair value of the Steel & Tube investment was \$30.5M (NZ\$32.0M) resulting in \$13.3M (NZ\$14.0M) being recorded as a negative equity revaluation reserve.

(ii) On 15 November 2018, NS BlueScope Malaysia announced it agreed to acquire YKGI Holdings Berhad's (YKGI) manufacturing facility in Klang, Malaysia for a purchase price of \$42.0M. A 10% deposit payment of \$4.2M has been made.

The assets comprise a Push-Pull Pickling Line, Cold Rolling Mill, Continuous Galvanising Line and a Continuous Colour Coating Line and will form part of BlueScope's joint venture operations in South East Asia with NSSMC.

9 Non-current liabilities - Retirement benefit obligations

(a) Statement of financial position amounts

	Consolidated	
	December 2018 \$M	June 2018 \$M
Present value of the defined benefit obligation	(1,029.8)	(955.7)
Fair value of defined benefit plan assets	666.3	674.8
Net (liability) asset in the statement of financial position	(363.5)	(280.9)

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

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

	New Zealand Pension Fund		BlueScope North America Base Retirement Plan		Total	
\$M	Dec 2018	June 2018	Dec 2018	June 2018	Dec 2018	June 2018
Present value of the defined benefit obligation	(659.2)	(581.6)	(370.6)	(374.1)	(1,029.8)	(955.7)
Fair value of defined benefit plan assets	409.3	415.1	257.0	259.7	666.3	674.8
Net (liability) asset in the statement of financial position	(249.9)	(166.5)	(113.6)	(114.4)	(363.5)	(280.9)
Defined benefit expense (credit)	6.2	13.7	5.6	10.9	11.8	24.6
Employer contribution	6.1	13.1	14.5	15.5	20.6	28.6
Average duration of defined benefit plan obligation (years)	13.2	13.2	11.7	11.9		
Significant actuarial assumptions	%		%			
Discount rate (gross of tax)	2.7	3.2	4.2	4.1		
Future salary increases (i)	2.0	2.0	-	-		

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

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

10 Fair value of financial instruments

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

	Note	At 31 December 2018		At 30 June 2018	
		Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
Equity instruments at FVOCI	8(i)	42.2	30.5	-	-
Non-traded Financial liabilities - Other loans		(425.8)	(459.9)	(408.3)	(439.8)
Net liabilities		(383.6)	(429.4)	(408.3)	(439.8)

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

11 Dividends

(a) Ordinary shares

	Parent entity Half-year	
	2018 \$M	2017 \$M
Final unfranked dividend for 30 June 2018 of 8 cents per fully paid ordinary share paid on 16 October 2018 (2017: 5 cents fully franked at 30%)	43.8	28.3

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

For the half-year ended 31 December 2018, the Directors have approved the payment of an interim unfranked dividend of 6 cents per fully paid ordinary share. Proposed dividend expected to be paid out but not recognised as a liability at period end, is \$33.0M.

12 Contingencies

There are no material changes to the contingent liabilities and contingent assets disclosed in the 30 June 2018 financial statements.

13 Earnings per share

(a) Earnings per share

	Consolidated Half-year	Restated
	2018	2017
	\$M	\$M
Continuing operations	116.3	81.1
Discontinued operations	(1.0)	(2.5)
Total basic earnings per share attributable to the ordinary equity holders of the Company	115.3	78.6

(b) Diluted earnings per share

	Consolidated Half-year	Restated
	2018	2017
	\$M	\$M
Continuing operations attributable to the ordinary equity holders of the Company	114.6	79.3
Discontinued operations	(1.0)	(2.5)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	113.7	76.8

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

	Consolidated Half-year	Restated
	2018	2017
	\$M	\$M
<i>Basic and diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
Continuing operations	629.6	455.5
Discontinued operations	(5.3)	(14.3)
	624.3	441.2

(d) Weighted average number of shares used as denominator

	Consolidated Half-year	
	2018	2017
	Number	Number
Weighted average number of ordinary shares (Basic)	541,471,184	560,981,254
Adjustments for calculation of diluted earnings per share:		
Weighted average number of share rights	7,733,322	13,544,449
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	549,204,506	574,525,703

(e) Earnings per share restated

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

13 Earnings per share (continued)

(f) Calculation of earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

14 Events occurring after the reporting period

There were no subsequent events after balance date for the half-year ended 31 December 2018.

Directors' Declaration

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

In the Director's opinion:

(a) The interim financial statements and notes set out on pages 7 to 26 are in accordance with the Corporations Act 2001, including:

- (i) Complying with AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

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

This declaration is made in accordance with a resolution of the Directors.



J Bevan
Chairman



Mark Vassella
Managing Director & CEO

Melbourne
25 February 2019

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of BlueScope Steel Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young



Glenn Carmody
Partner
Melbourne
25 February 2019