



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

21 February 2022

Re: Compliance with Listing Rule 4.2A for the six months ended 31 December 2021

Dear Sir,

Attached in accordance with Listing Rule 4.2A is the financial report for BlueScope Steel Limited (ASX Code: BSL) for the six months ended 31 December 2021. This half year financial report should be read in conjunction with the most recent annual financial report.

This includes the Results for Announcement to the Market, Interim Directors' Report and Interim Financial Report.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Debra Counsell".

Debra Counsell
Company Secretary
BlueScope Steel Limited

Authorised for release by: The Board of BlueScope Steel Limited

**For further information
about BlueScope**
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Results for Announcement to the Market

21 February 2022: The Company today reported its financial results for the six months ended 31 December 2021.

\$M unless marked	1H FY2022	1H FY2021	Variance %
Sales revenue from continuing operations	9,418.7	5,817.4	62%
Reported NPAT	1,643.5	330.3	398%
Underlying NPAT ¹	1,573.4	332.8	373%
Interim ordinary dividend (cents) ²	25.0 cps	6.0 cps	317%
Reported earnings per share (cents)	329.1 cps	65.6 cps	402%
Underlying earnings per share (cents)	315.1 cps	66.1 cps	377%
Net tangible assets per share (\$) ³	14.71	9.52	55%

1H FY2022 Financial Detail

\$M unless marked	1H FY2022	1H FY2021	Variance %
EBITDA – underlying	2,461.0	772.5	219%
EBIT – reported	2,257.4	529.8	326%
EBIT – underlying	2,204.1	530.6	315%
Return (underlying EBIT) on invested capital (%)	43.7%	11.0%	+32.7%
Net cash / (debt)	695.9	305.2	128%
Gearing (%)	N/A - net cash	N/A - net cash	-
Leverage (net debt / underlying EBITDA)	N/A - net cash	N/A - net cash	-

1H FY2022 Highlights

Positioning for long term sustainable growth and returns

- Continuing to evolve our approach to safety by building capacity and driving a greater focus on engagement and learning.
- Delivered strong financial results and returns to shareholders.
- Strong progress on climate – comprehensive climate change strategy launched and announced collaborations with:
 - Rio Tinto, to explore technical and process options for low emissions steelmaking
 - Shell, to explore and develop renewable hydrogen projects at Port Kembla.
- Port Kembla reline project transitioning to feasibility phase – examining a comprehensive upgrade, including technologies to enable GHG emissions reductions.
- North Star expansion well progressed, with expected start-up mid CY2022.
- Established BlueScope Recycling with the acquisition of MetalX's ferrous recycling business.

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, restructuring costs and other unusual transactions. Tables 11, 12 and 13 provide reconciliations of underlying earnings to reported earnings.

² The 1H FY2022 interim dividend is unfranked, with a record date of 28 February 2022.

³ Net tangible assets include all ROU leased assets.

Financial Commentary

- **Sales revenue of \$9,418.7M was 62% higher than 1H FY2021**, on higher global steel prices and strong demand across the portfolio.
- **Underlying EBIT of \$2,204.1M was 315% higher than 1H FY2021**, due to stronger steel spreads mainly as a result of higher global steel prices and improved volumes from stronger demand, partly offset by higher costs.
- **Underlying return on invested capital in the 12 months ending 31 December 2021 was 43.7%**, up on the 12 months to 31 December 2020, mainly due to stronger earnings, partly offset by higher net operating assets.
- **Underlying NPAT increased 373% to \$1,573.4M**, mainly due to higher underlying EBIT.
- **Reported NPAT increased 398% to \$1,643.5M**, mainly due to higher underlying EBIT.
- **Funding and shareholder returns:**
 - Retained investment grade credit ratings from S&P Global Ratings and Moody's.
 - \$695.9M net cash position at 31 December 2021.
 - Financial liquidity of \$3,371.2M at 31 December 2021, including \$609.6M in NS BlueScope Coated Products joint venture.
 - \$536.7M returned to shareholders during CY2021 through dividends and buy-backs.
 - 25.0 cents per share interim dividend announced for 1H FY2022.
 - With \$285M of stock bought since August 2021, the Board has today approved an increase in the scale of the buy-back program to allow up to a further \$700 million to be bought over the next 12 months. The timing and value of stock purchased will be dependent on the prevailing market conditions, share price and other factors.
- **Group outlook:**
 - Underlying EBIT in 2H FY2022 is expected to be in the range of \$1.20 billion to \$1.35 billion – which would be second only to last half when looking back over BlueScope's 20-year listed history.
 - Expectations are subject to spread, foreign exchange and market conditions. It is flagged that there are elevated risks – particularly from pandemic-related impacts on operations, supply chains and demand, volatility in steel prices and spreads, and the current geopolitical environment¹.

¹ Refer to 2H FY2022 Outlook section of this document for outlook assumptions.

1H FY2022 Earnings Report

Colorbond®



Our Purpose

We create and inspire smart solutions in steel, to strengthen our communities for the future

Our Bond

Our Customers

are our partners

Our People

are our strength

Our Shareholders

are our foundations

Our Local Communities

are our homes

OPERATING AND FINANCIAL REVIEW

Description of Operations

BlueScope is global leader in metal coating and painting for building and construction. Principally focused on the Asia-Pacific region, the Group manufactures and markets a wide range of branded products that include pre-painted COLORBOND® steel, zinc/aluminium alloy-coated ZINCALUME® steel and the LYSAGHT® range of building products.

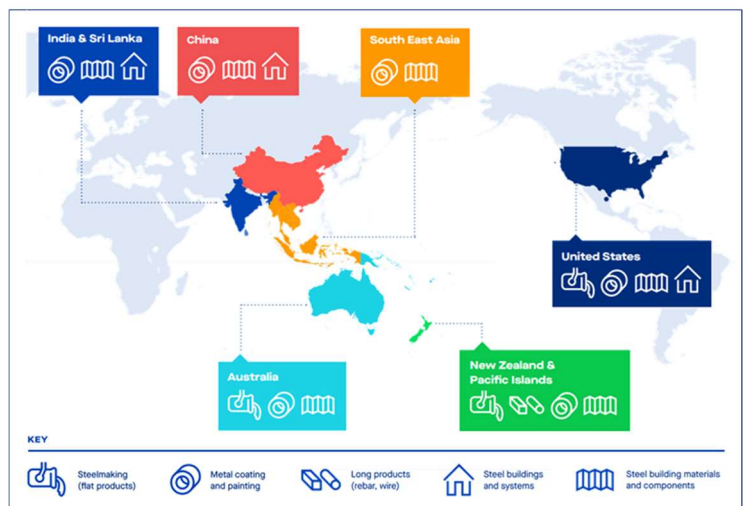
BlueScope is Australia's largest steel manufacturer, and New Zealand's only steel manufacturer. BlueScope's vertically integrated operations for flat steel products in Australia and New Zealand produce value-added metallic coated and painted products, together with hot rolled coil, cold rolled coil,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

BlueScope manufactures and sells long steel products in New Zealand through its Pacific Steel business. In Australia and New Zealand, BlueScope serves customers in the building and construction, manufacturing, transport, agricultural and mining industries. In Australia, BlueScope's steel products are sold directly to customers from BlueScope's 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 across ASEAN, China, India, and North America, primarily servicing the construction sector. BlueScope operates its business across ASEAN and the west coast of North America in partnership with Nippon Steel Corporation (NSC) and in India with Tata Steel. Both are 50/50 joint ventures with BlueScope controlling and therefore consolidating the joint venture with NSC, and jointly controlling and therefore equity accounting the joint venture with Tata Steel.

North Star is a low-cost regional supplier of hot rolled coil, based in Ohio (US), serving automotive, construction and manufacturing end-use industries. North Star is highly efficient, operates at industry leading utilisation rates and is strategically located near its customers and in one of the largest scrap regions of North America.

BlueScope is a leading supplier of engineered building solutions (EBS) to industrial and commercial segments. 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.



In summary, BlueScope has outstanding assets and capability

- Strong operating leverage from diverse business portfolio.
- A global leader in metal coating and painting for building and construction.
- Iconic industrial brand position of COLORBOND® steel.
- Integrated and resilient Australian business delivering returns across the cycle.
- Operate North Star, one of the most productive and profitable mini-mills in the US.
- Footprint across high growth Asian markets.

A Resilient Business

Delivering Returns Through the Cycle

A different kind of steel company being purpose-led, sustainability focussed and differentiated by strong brands

Well positioned with a high-quality asset portfolio to take advantage of favourable industry and end use trends

Disciplined approach to deliver returns through the cycle, a strong balance sheet and effective capital allocation

Robust performance with demonstrated strong return on invested capital, cash generation and shareholder returns

Deploying financial strength to secure a sustainable future, long-term growth and shareholder returns





Well Positioned for the Favourable Long-Term Outlook for Steel

Recognition of steel as a critical input for a clean energy future (incl. wind, solar and transmission infrastructure)

Capacity consolidation and rationalisation in the US steel industry supporting enhanced supply-side discipline

Reduced exports and overproduction in China's steel industry improving regional industry conditions

Steel intensive building and construction supported by government stimulus and infrastructure programs

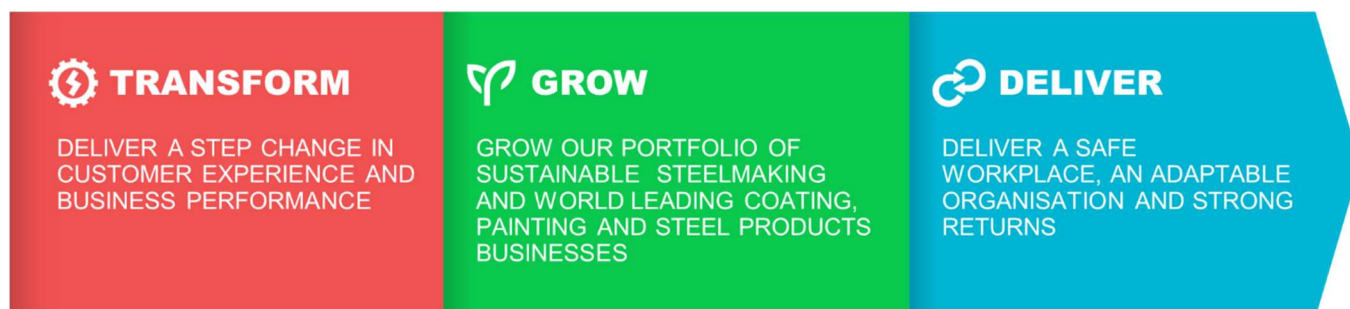
Preference for lower density and regional housing maintained by consumers post-pandemic

Growth in steel intensive e-commerce infrastructure supported by continued acceleration in online shopping

Our Strategy and Financial Framework

Our Strategy

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



More information on BlueScope's strategy can be found at <https://www.bluescope.com/about-us/our-strategy/>

BlueScope's Financial Framework

BlueScope's Financial Framework guides its measurement of performance and capital allocation.

Returns Focus	• ROIC¹ > WACC on average through the cycle • ROIC incentives for management and employees • Maximise free cash flow generation	43.7% ROIC in 1H FY2022 (LTM)
Robust Capital Structure	• Strong balance sheet, with a target of around \$400M net debt² • Retain strong credit metrics • Intent to have financial capacity through the cycle to make opportunistic investments or to fund reinvestment in or a shutdown of steelmaking if not cash positive • Leverage for M&A if accompanied by active debt reduction program	~\$700M NET CASH at 31 December 2021 ~\$3.4Bn LIQUIDITY at 31 December 2021 INVESTMENT GRADE credit ratings
Disciplined Capital Allocation	• Invest to maintain safe and reliable operations, to support achievement of decarbonisation pathways, and in foundation and new technologies • Returns-focused process with disciplined competition for capital between: – Growth capital – Investments and M&A (but avoid top of the cycle) – Shareholder returns (distribute at least 50% of free cash flow to shareholders in the form of consistent dividends and on-market buy-backs³)	~\$500M GROWTH CAPEX in 1H FY2022 ~\$500M RETURNED TO SHAREHOLDERS in 1H FY2022

¹ Return on Invested Capital – calculated as last 12 months' underlying EBIT over average monthly capital employed.

² In the short to medium term, BlueScope will retain balance sheet capacity to fund investment for growth and major projects.

³ On-market buy-backs are an effective method of returning capital to shareholders after considering various alternatives and given BlueScope's lack of franking capacity.



Updates on Key Projects

North Star Expansion

Construction of the cornerstone project to expand the North Star mini-mill in Delta, Ohio, by around 850,000 tonnes per annum is well progressed. The first major component of the expansion, the new EAF, was commissioned during 1H FY2022 and reached its 100 heat milestone in January 2022. Commissioning of the ladle metallurgy furnaces is currently underway, and installation of the caster and shuttle furnace are nearing completion, with commissioning anticipated in the coming months. Production of the first coil is expected around the middle of CY2022, with an 18 month ramp up to full run rate expected.

Nearly all of the roles required to support operations of the expanded mill have been filled. The team continues to focus on maintaining operations and managing pandemic risks in project supply chains and on-site works. The total capital cost is expected to be around 10% above the US\$700M initial estimate, reflecting inflationary pressure and the revised commissioning schedule; accounting capital spend to date including capital accruals is US\$647M, with cash spend to date of US\$568M.

BlueScope Recycling

To enhance our position in the US, in December 2021 BlueScope acquired the ferrous scrap steel recycling business of MetalX for ~US\$220M (net of working capital and transaction adjustments), comprised of two operating sites in Indiana and in Ohio, immediately adjacent to North Star in Delta. MetalX is the largest of North Star's diverse scrap steel suppliers, currently supplying around 20 per cent of the scrap used.

The business now operates as BlueScope Recycling and brings BlueScope a crucial presence and expertise in scrap processing to further secure our prime and obsolete scrap needs and helps drive our ambition to participate in the circular economy. The acquisition will enable North Star to improve the quality and quantity of obsolete scrap it uses and reduce the mix of prime scrap.

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Blast Furnace Reline Project Enters Feasibility Assessment

BlueScope expects that breakthrough steelmaking technology will continue to develop over the current and following decade, with significant take-up across the steel industry predicted into the 2040s. Given this timeframe, BlueScope is now transitioning to a full feasibility assessment of a reline and upgrade of the currently mothballed No. 6 Blast Furnace (6BF) at Port Kembla.

A relined 6BF will secure BlueScope's domestic ironmaking needs from 2026. The blast furnace campaign life of up to 20 years aligns with BlueScope's decarbonisation strategy and 2050 net zero goal, and provides a challenging but credible timeframe for the development, scaling and commercialisation of new low emissions technologies. The reline does not lock BlueScope in to blast furnace steelmaking for the full 20 years if technology is ready earlier. However, achieving this will be dependent on several enablers including access to low cost green hydrogen, firm and affordable renewable energy, the development of suitable raw material supply chains and appropriate policy settings.

The 6BF reline project scope is broader than a typical reline and the feasibility study will examine a comprehensive upgrade of the blast furnace facility and related infrastructure, including comprehensive technical and environmental upgrades. This includes improved environmental controls for water and air quality management and technologies that will be key enablers of medium to longer-term opportunities to reduce Port Kembla Steelworks' greenhouse gas

intensity. These opportunities are part of a broader suite of climate-related projects at Port Kembla that have the potential to reduce GHG emissions intensity by up to 20 per cent¹. Partnerships and collaborations with governments, technology vendors and industry bodies will be crucial to making sure we are ready to implement the best available technologies.

BlueScope now estimates the preliminary indicative cost for the reline and upgrade project at around \$1 billion, up from the initial indicative range of \$700-800 million. The increase is due to both a broadening of the scope, including environmental upgrades, and more refined costing of the required works. The estimate includes over \$100 million of measures directed at environmental efficiency improvements.

Detailed design and execution will be progressed across the next 12 months at a cost of approximately \$50 million. Capital expenditure is expected to peak in FY2024 and FY2025 with around 50 per cent of total spend during that period. BlueScope will also proceed to commit during FY2022 to around \$120 million of spending on long lead-time items, which are critical for the availability of 6BF ironmaking capability from 2026.

With the intention that 6BF replace the No. 5 Blast Furnace (5BF) as the source of iron from 2026, the non-cash accounting depreciation of existing 5BF assets will be stepped up by around \$40-60 million per annum. There will be a \$15 million impact in 2H FY2022.

¹ Percentage intensity reduction on 2018 emissions base.

Sustainability Update

Safety

1,167

Leaders involved in our global HSE risk management program to date (incl Board & ELT)



TRIFR

Rate per million hours (number of injuries)

250

Team-based risk control improvement projects active across the business



Severity

% (number) of injuries with potential to be a fatal incident

ResponsibleSteel™ Site Certification & Climate Change

- Port Kembla Steelworks attained ResponsibleSteel™ site certification
- Commenced collaborations with:
 - Rio Tinto, to explore technical and process options for low emissions steelmaking
 - Shell, to explore and develop renewable hydrogen projects at Port Kembla
- Following on from the Net Zero Steel Pathway Methodology Project, BlueScope has joined the Science Based Target initiative's steel decarbonisation pathway Expert Advisory Panel

Inclusion and Diversity



Female workforce participation

- Ensuring our employees feel safe to speak up, be heard and feel welcome
- Key areas of focus include recruitment of females across the business, and maintaining focus on 40:40:20 initiatives across our leadership teams
- Commenced monitoring beyond gender metrics such as Ethnicity, First Nations and Disability

Sustainable Supply Chain

251

Suppliers engaged and assessed

46

Assessments completed in 1H FY2022



Prioritise



Engage



Assess



Improve

- Assessments completed are both new and re-assessments
- Seeing delays in assessment processes due to the impact of the pandemic and supply chain disruptions on suppliers and their teams

As previously disclosed, the ACCC commenced civil proceedings against BlueScope and a former employee alleging contraventions of the Australian competition law cartel provisions. These civil proceedings concluded in November 2021. Judgment is reserved and is likely to be delivered in the first quarter of FY2022.

Safety

BlueScope is continuing to evolve its approach to safety, by building capacity and driving a greater focus on engagement and learning. This is based on the acknowledgement that humans make mistakes and our ability to tolerate this error and have resilience to recover when things do go wrong lies in strengthening our controls. Across our business, BlueScope is implementing innovative and practical risk control improvements to enhance resilience, whilst empowering all people who make and handle our products to identify opportunities and be part of the solution.

In 1H FY2022, maintaining COVID-safe workplaces has been a persistent focus across the business. Supporting our people and sustained focus on vaccinations, hygiene and distancing protocols has been paramount, while balancing production and supply chain demands in a complex environment. At 7.0, 1H FY2022 TRIFR remains in the long-term range of 5-7, with the majority of the injury profile continuing to be lower severity injuries (e.g. sprains, strains and lacerations). No permanent incapacities were incurred through the period, and less than 3% of injuries had the potential to be a fatal incident. Focus continues on building capacity in our processes and systems to lower the severity of injuries, both actual and potential.

ResponsibleSteel™ Site Certification

During 1H FY2022, BlueScope's Port Kembla Steelworks and steel processing sites were awarded ResponsibleSteel™ site certification. This certification creates a valuable point of difference for the Port Kembla Steelworks, the first site in the Asia Pacific region, and the fourth steelmaker in the world to obtain certification.

The independent, third-party site certification process has taken almost two years, involving multiple teams across our business. A rigorous audit of the 12 sustainability criteria, which cover environmental, social and governance issues, has ensured that BlueScope is a world leader in steel sector sustainability.

BlueScope continues to actively contribute to the development of the Greenhouse Gas Emission and Responsible Sourcing requirements for the new ResponsibleSteel standard for "Certified Steel".

Climate Change

In 1H FY2022, BlueScope announced two important collaboration initiatives, signing memoranda of understanding with Rio Tinto to explore technological and process options for low emissions steelmaking and with Shell Energy Operations (Shell) to explore and develop renewable hydrogen projects at Port Kembla. The projects will focus on piloting an industrial scale

10MW hydrogen electrolyser, hydrogen direct iron reduction furnace and iron melter, all powered by renewable electricity. Working with Shell, BlueScope will also seek to collaborate further with governments, private enterprise and research institutions to develop a hydrogen hub in the Illawarra.

Inclusion and Diversity

Ensuring our employees feel safe to speak up, be heard and feel welcome continues to be a key priority for BlueScope. This was measured in 1H FY2022, with 80% of employees feeling safe to speak up, an increase over the last measure in 2019.

During the half, BlueScope continued to build an inclusive workforce which reflects the diversity of the communities in which the Company operates. Recruitment of females remains above 30% in most businesses, and women in operator and trade roles have more than doubled over the last five years. The Company also continues to see growth in its leadership pipeline, with percentage of female executives almost doubling over last five years.

BlueScope is a signatory to the HESTA 40:40 Vision initiative, which seeks to achieve gender balance in executive leadership across all ASX200 companies by 2030. In addition, the Company has commenced measuring targeted 'beyond gender' focus areas, including ethnicity, first nations and disability.

Employee retention and female recruitment (particularly in the US) present the key challenges for the balance of FY2022.

Sustainable Supply Chain

BlueScope seeks to foster responsible business practices and uphold human rights through engagement, risk assessment and improvement activities, and endeavours to partner with suppliers who share its core values.

As at the end of December 2021, BlueScope has completed the Engage and Assess process with 251 suppliers, 46 of which were completed in 1H FY2022. The majority of these were completed using the independent EcoVadis assessment process and were a mix of new suppliers assessed and re-assessments. Delays have been observed in assessment processes with many suppliers due to the impact of the pandemic and supply chain disruptions on them and their teams.

BlueScope has created a new role of Manager of Supply Chain Sustainability, reporting to the Head of Group Procurement. Recruitment for this role commenced in November, and the position is expected to be filled by February 2022. In addition, BlueScope has joined Be Slavery Free as a Business Association member, in order to contribute to their goal of eliminating modern slavery and to utilise their expertise and resources to guide our approach.



GROUP FINANCIAL REVIEW

1H FY2022 Highlights

Sales from continuing operations

\$9,418.7M

↗ 62% on 1H FY2021
Up \$2,363.1M on 2H FY2021

Reported NPAT

\$1,643.5M

↗ 398% on 1H FY2021
Up \$780.5M on 2H FY2021

Underlying EBIT

\$2,204.1M

↗ 315% on 1H FY2021
Up \$1,010.9M on 2H FY2021

Underlying ROIC¹

43.7%

↗ +32.7% on 1H FY2021

Capital management

Interim dividend 25 cps²
Buy back up to \$700M³

Net cash

\$695.9M

↘ from \$798.1M at 30 Jun 2021

¹ Return on Invested Capital – calculated as last 12 months' underlying EBIT over average monthly capital employed.

² Dividends unfranked. Buy-back is intended to be conducted over the next twelve months. Timing and value of stock purchased in the buy-back will be dependent on the prevailing market conditions, share price and other factors.

³ With \$285M of stock bought since August 2021, the Board has approved an increase in the scale of the buy-back program to allow up to a further \$700 million to be bought over the next 12 months

Financial Summary

Table 1: Financial summary

\$M unless marked	1H FY2022	1H FY2021	Variance %
Sales revenue from continuing operations	9,418.7	5,817.4	62%
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Underlying earnings per share (cents)	315.1 cps	66.1 cps	377%
Net cash / (debt)	695.9	305.2	128%
Gearing (%)	N/A - net cash	N/A - net cash	-
Leverage (ND / LTM underlying EBITDA)	N/A - net cash	N/A - net cash	-

Revenue

The 62% increase in sales revenue from continuing operations was primarily due to higher selling prices driven by higher global steel prices, combined with the benefit of improved volumes from stronger demand.

Earnings Before Interest & Tax

The 315% increase in underlying EBIT reflects:

- **\$1,809.1M spread increase**, primarily due to:
 - Higher domestic and export prices due to higher global steel prices (\$3,272.6M)
 - Offset by higher raw material costs – higher steel feed costs at Building Products Asia & North America and Buildings North America, higher scrap and pig iron costs at North Star and higher iron ore, scrap and steelmaking raw material (alloys and other additives) costs at ASP, partly offset by a higher export coke contribution at ASP (\$1,463.5M)
- **\$112.4M favourable impact of volume/mix** due to stronger demand and higher despatch volumes particularly at ASP
- **\$248.6M unfavourable movement in costs**, comprised of:

- \$22.5M cost improvement initiatives, primarily at BP, ASP and NZPI
- \$2.9M unfavourable volume impact on costs
- \$275.3M unfavourable impact of general cost escalation including higher remuneration expense linked to financial performance of the Group² and higher freight costs
- \$7.2M favourable movement in other costs
- **\$6.6M favourable translation impact**
- **\$6.0M unfavourable movement in other items.**

The \$1,727.6M (326%) increase in reported EBIT reflects the movement in underlying EBIT discussed above and \$53.3M favourable net underlying adjustments as outlined in Tables 12 and 13.

Finance Costs and Funding

In July 2021, BlueScope replaced its \$1.205Bn syndicated bank facility with bilateral revolving facilities totalling \$1.005Bn. The revised facilities deliver lower cost and longer tenor, with three to five-year maturities at establishment.

Net finance costs decreased by \$1.9M largely due to lower commitment fees on the reduced size and margin of the bilateral revolving facilities and interest income on higher cash balances.

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

² A significant part of escalation relates to increased employee profit share plan expenses. Whilst classified as escalation, these costs naturally wind up and down in direct proportion to varying levels of profitability.

Financial liquidity was \$3,371.2M at 31 December 2021 (\$3,694.1M at 30 June 2021), comprised of \$1,467.6M committed undrawn bank debt capacity and \$1,903.6M cash. Liquidity in the NS BlueScope Coated Products JV was \$609.6M, which is included in the Group liquidity measure.

Tax

1H FY2022 tax expense of \$479.2M (1H FY2021 \$123.4M), equivalent to an effective tax rate of 21.7% (1H FY2021 25.5%), was impacted by higher profit, offset by lower tax rates in North America and Asia and the utilisation of unrecognised tax losses and timing differences in New Zealand.

As at 31 December 2021, the BlueScope Australian consolidated tax group is estimated to have carried forward tax losses of approximately \$135M, which are all recognised on the balance sheet. These tax losses are expected to be exhausted early in 2H FY2022, with future franking of dividends anticipated, subject to the timing of Australian cash tax payments and other conditions¹

The Group continues to defer the full recognition of past tax losses in New Zealand until a sustainable return to taxable profits has been demonstrated. New Zealand tax losses are able to be carried forward indefinitely.

Dividend and Capital Management

During 1H FY2022, BlueScope paid an unfranked final ordinary dividend of 25.0 cents per share (8.0 cents per share in 1H FY2021) and an unfranked special dividend of 19 cents per share.

The Board of Directors has approved the payment of an interim ordinary dividend of 25.0 cents per share (6.0 cents in FY2021). 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: 25 February 2022.
- Record date for dividend: 28 February 2022.
- Payment of dividend: 29 March 2022.

Buy-back:

- BlueScope will continue to use on-market share buy-backs to supplement the payment of consistent dividends.
- Buy-backs are attractive given BlueScope's lack of franking credits, the flexibility they provide in

managing BlueScope's capital and for the EPS enhancement they can deliver.

- In August 2021, the Board approved an on-market buy-back of up to \$500M to be conducted over the subsequent 12 months; \$285M was bought up to 31 December 2021. The Board has today approved an increase in the scale of the buy-back program to allow up to a further \$700 million to be bought over the next 12 months. The timing and value of stock purchased will be dependent on the prevailing market conditions, share price and other factors.

BlueScope's capital management policy:

- The Group pursues a returns-focussed process with disciplined competition for capital that balances annual shareholder returns and long-term profitable growth.
- Having regard to the above, the current policy is to distribute at least 50% of free cash flow to shareholders in the form of consistent dividends and buy-backs.
- In the short to medium term, BlueScope will retain balance sheet capacity to fund investment for growth and major projects.
- In the longer term, BlueScope will continue to target around \$400M net debt.

Financial Position

Net assets increased \$1,401.5M to \$9,561.9M at 31 December 2021 from \$8,160.4M at 30 June 2021. Net assets increased as a result of foreign exchange translation (approximately \$150M) primarily as a result of a weaker A\$:US\$. This was complemented by an increase in net assets in their functional currency. Significant movements in underlying currency were:

- \$930M increase in inventories due to higher volumes and rates
- \$280M increase in property, plant and equipment, including assets associated with the North Star expansion project
- \$185M increase in intangible assets mainly goodwill associated with the acquisition of the ferrous scrap steel recycling business of MetalX
- \$155M increase in receivables mainly due to higher sales prices
- Partly offset by a \$95M decrease in deferred tax assets and a \$75M increase in deferred tax liabilities primarily due to consumption of tax losses in Australia, combined with a \$110M decrease in net cash due to net cash flow during the period.

¹ This will be subject to the Company's financial performance, business conditions, growth opportunities, capex and working capital requirements and the Board's determination at the relevant time.

2H FY2022 outlook

Group outlook:

- Underlying EBIT in 2H FY2022 is expected to be in the range of \$1.20 billion to \$1.35 billion – which would be second only to last half when looking back over BlueScope's 20 year listed history.
- For the purposes of the outlook, the Company has made the following 2H FY2022 average assumptions:
 - US mini-mill benchmark spreads to be ~US\$600/t lower than 1H FY2022¹.
 - East Asian HRC price of ~US\$730/t².
 - 62% Fe iron ore price of ~US\$125/t CFR China².
 - Index hard coking coal price of ~US\$345/t FOB Australia².
 - A\$:US\$ at US\$0.72².
- Relative to 1H FY2022, expect similar underlying net finance costs, lower underlying tax rate and lower profit attributable to non-controlling interests.
- These expectations are subject to spread, foreign exchange and market conditions. It is flagged that there are elevated risks – particularly from pandemic-related impacts on operations, supply chains and demand, volatility in steel prices and spreads, and the current geopolitical environment.

Expectations for the performance of our businesses in 2H FY2022 relative to 1H FY2021 are as follows:

- Australian Steel Products:
 - Expect a lower result compared to 1H FY2022.
 - Softer realised spreads driven by weaker lagged benchmarks spreads, partly offset by benefit from better realised selling prices.
 - Similar domestic despatches on ongoing robust demand.
 - Decreased coke earnings on lower margins.
 - Higher depreciation of ~\$15M given expected cut-over to 6BF in 2026
- North Star:
 - Expect a result less than half that of 1H FY2022.
 - Benchmark Midwest HRC steel spreads contracting back from record highs, partly offset by favourable realised pricing³.
- Building Products Asia & North America:
 - Expect a result significantly lower than 1H FY2022.
 - North America – cyclical margin compression driven by rapidly falling US steel prices, expected to lead to a small EBIT contribution.

- ASEAN – expect a lower result on ongoing pandemic-related impacts on demand and supply chains.
- China – expect a lower result on typical unfavourable seasonality.
- India – expect a similar result.
- Buildings North America:
 - Expect significantly higher result than 1H FY2022.
 - Core EBS business benefitting from expanded margins on lower steel feed costs. Ongoing strong demand and order books.
 - Expect negligible contribution from BlueScope Properties Group in 2H FY2022 due to project timing.
- New Zealand and Pacific Islands:
 - Expect a significantly better performance compared to 1H FY2022.
 - Favourable pricing in strong demand environment.
 - Improved sales volume following pandemic related disruptions in 1H FY2022.
- Intersegment, Corporate & Group
 - Higher Corporate costs reflecting investment in Digital and Climate initiatives.
 - Favourable profit-in-stock elimination compared to 1H FY2022 due to softening prices.

Other Matters

Executive Leadership Team Changes

Changes to BlueScope's Executive Leadership Team, which took effect from 1 January 2022, reinforce the Company's important sustainability credentials.

Gretta Stephens has taken on an expanded role as Chief Executive Climate Change & Sustainability. The merged Climate Change & Sustainability team will continue to work with our businesses to drive our decarbonisation pathway and ensure we deliver on BlueScope's broader sustainability focus areas, in alignment with Our Purpose.

Robin Davies has been appointed Chief Executive New Zealand & Pacific Islands, replacing Gretta Stephens. Robin has a depth of international and operational experience, having worked for Tata Steel Europe prior to joining BlueScope in 2008. He held a number of roles in New Zealand, and was President North Star BlueScope Steel from 2017 to 2020. Most recently he was Chief Operating Officer of New Zealand Steel.

¹ US mini-mill benchmark spreads quoted on a lagged basis in metric tonnes. Expected 2H FY2022 US mini-mill benchmark spread of ~US\$750/t, compared to US\$1,350/t in 1H FY2022.

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

³ Benchmark prices may not be representative of realised mill prices due to a range of factors. Movements in prices across the majority of sales correlate with Midwest regional benchmark pricing, on a short lag; a minority of sales are priced on a longer term basis. Accordingly the degree of correlation between realised and benchmark prices can vary in a given half but is more fully reflected over the medium term.



BUSINESS UNIT REVIEWS

Australian Steel Products (ASP)

ASP employs around 6,500 employees at approximately 100 sites, being a mix of large manufacturing plants, rollforming facilities and distribution centres across Australia.

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

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

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

The ASP segment includes LYSAGHT® and FIELDERS® building products, ORRCON® pipe and tube operations and steel distribution sites, and BlueScope Distribution throughout Australia.

Financial Performance – 1H FY2022 vs. 1H FY2021

Sales revenue

The \$1,223.5M increase in sales revenue was primarily due to higher selling prices driven by higher global steel prices, combined with the benefit of stronger domestic demand.

EBIT performance

The \$428.7M increase in underlying EBIT was largely due to:

- higher steelmaking spread with higher domestic and export selling prices on stronger global steel prices partly offset by higher raw material costs
- higher margins in the downstream businesses
- improved domestic steel sales volumes, particularly in metal coated and painted products
- higher contribution from export coke

Key Financial and Operational Measures

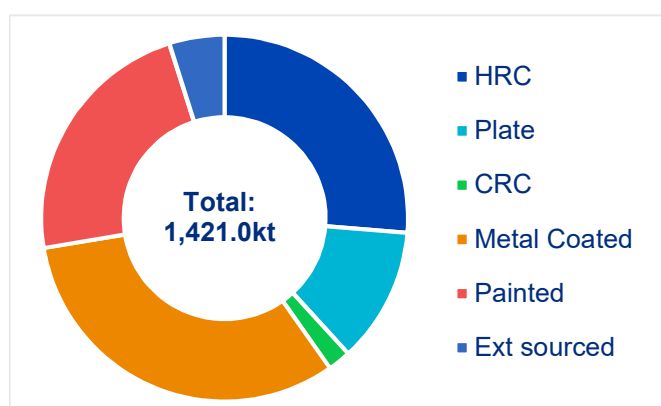
Table 2: Segment financial performance

\$M	1H FY2022	1H FY2021	Var %	2H FY2021
Sales revenue	3,963.0	2,739.5	45%	3,109.0
Reported EBIT	687.8	259.1	165%	415.2
Underlying EBIT	687.8	259.1	165%	415.2
NOA (pre-tax)	3,408.6	2,779.5	23%	2,975.2
ROIC	35.3%	15.6%	+19.7%	23.6%

Table 3: Steel sales volume

000 tonnes	1H FY2022	1H FY2021	Var %	2H FY2021
Domestic				
- ex-mill	1,327.7	1,176.3	13%	1,311.4
- ext sourced	93.3	73.2	27%	82.2
Export	161.6	346.6	(53)%	156.7
Total	1,582.6	1,596.1	(1)%	1,550.3

Chart 1: 1H FY2022 ASP domestic sales volume mix



- partly offset by higher costs particularly labour on higher remuneration expense linked to financial performance.

Return on invested capital

ROIC increased to 35.3% driven by higher EBIT, partially offset by higher net operating assets. Net operating assets at 31 December 2021 were \$629.1M

higher than at 31 December 2020, primarily due to higher volumes and rates in inventory and higher prices in receivables.

Sales and operations

Domestic mill sales

1H FY2022 domestic sales volumes ex-mill increased 13% on 1H FY2021 to 1,328kt.

- Increased volumes were driven by record activity across building and construction, supported by focused sales and marketing initiatives, various government stimulus and infrastructure programs and redirected discretionary spending.
- 1H FY2022 steel sales of COLORBOND® steel, TRUECORE® steel and TRU-SPEC® steel were the highest on record for the ASP business – assisted by both specific sales initiatives and broader segment demand growth.

Sales into the residential construction segment increased significantly in 1H FY2022 compared to 1H FY2021. The significant lift in activity has been supported by several factors, in particular:

- Targeted campaigns focussed on consumers, builders and fabricators particularly in the Sydney and Melbourne metropolitan areas.
- In new detached housing, a strong pipeline of residential approvals and commencements has lifted demand across the sector supported by State and Federal Government stimulus measures – including the 'HomeBuilder' program, improved credit availability together with record low interest rates, favourable consumer sentiment, and a solid economic recovery.
- The delivery of the Federal Government's 'HomeBuilder' program accelerated during 1H FY2022, however was also impacted by significant material and labour shortages. This is expected to extend the period over which this pipeline of work is completed.
- Activity across the alterations and additions segment continues to see robust demand in home renovation activity as homebound consumers redirect their discretionary spending. Sales into this segment were further supported by Federal Government stimulus measures announced as part of the 'HomeBuilder' Program and the surge in demand for regional housing.

Sales into non-residential construction increased significantly in 1H FY2022 compared to 1H FY2021.

- The Social and Institutional sub-segment continues to be supported by Government investment in health, education, defence and prison projects, particularly for steel intensive products.
- The robust pipeline of projects across the Commercial and Industrial sub-segment from prior to the pandemic continues to support demand, with easing restrictions further enhancing sentiment across all sectors.

Sales into the engineering sectors increased during 1H FY2022 compared with 1H FY2021, with the national infrastructure plan driving ongoing activity in roads and rail.

Demand in the agriculture and mining segments improved in 1H FY2022 compared with 1H FY2021, supported by the continued rebuild program following the 2020 bushfires and improved growing conditions more broadly with encouraging rainfall over the last 18 to 24 months, together with a rebound in mining and consumables activity.

Demand in the manufacturing sector increased during 1H FY2022 compared with 1H FY2021 due to increased economic activity, particularly in residential construction, and limited availability of steel intensive competing finished goods.

Export sales

Despatches to export customers in 1H FY2022 were lower than 1H FY2021, driven by the prioritisation of domestic despatches. Export prices were higher in 1H FY2022 than the prior corresponding period due to higher global steel prices, with pricing into North America especially strong.

Export coke sales

In 1H FY2022, despatch volumes were 315kt, 7% lower than 1H FY2021 due to timing of shipments. Margins were stronger during 1H FY2022 on strong global demand driving stronger coke prices relative to coal costs.



North Star

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

North Star is consistently rated as one of the top producers of flat rolled steel in North America in the annual Jacobson Survey of steel customers measuring customer satisfaction.

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

In December 2021 BlueScope Recycling was established through the acquisition of the ferrous scrap steel recycling business of MetalX for ~US\$220M (net of working capital and transaction adjustments), comprised of two operating sites in Indiana and in Ohio, immediately adjacent to North Star in Delta. BlueScope Recycling will provide a source of scrap to North Star and form part of the North Star reporting segment.

Financial Performance – 1H FY2022 vs. 1H FY2021

Sales revenue

The \$1,650.6M increase in sales revenue was primarily due to significantly higher realised selling prices, driven by record Midwest benchmark hot rolled coil prices.

EBIT performance

The \$1,158.9M increase in underlying EBIT was largely due to higher realised steel spreads, driven by stronger regional steel prices, partly offset by elevated raw material costs.

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

Return on invested capital

ROIC increased to 76.1% driven by higher EBIT, partially offset by higher net operating assets. Net operating assets at 31 December 2021 were \$1,022.1M higher than at 31 December 2020, primarily due to the impact of higher fixed assets as a result of

Key Financial and Operational Measures

Table 4: Segment performance

\$M	1H FY2022	1H FY2021	Var %	2H FY2021
Sales revenue	2,436.5	785.9	210%	1,591.8
Reported EBIT	1,221.6	67.8	1,702%	606.7
Underlying EBIT	1,228.5	69.6	1,665%	607.6
NOA (pre-tax)	3,078.0	2,055.9	50%	2,374.3
ROIC (LTM)	76.1%	6.9%	+69.2%	31.6%
Despatches (kt)	1,016.0	1,024.7	(1)%	1,058.4

Table 5: Segment performance in US\$M

000 tonnes	1H FY2022	1H FY2021	Var %	2H FY2021
Sales revenue	1,782.4	569.1	213%	1,227.5
Und. EBITDA	925.5	75.0	1,134%	492.7

the expansion project and acquisition of the ferrous scrap steel recycling business of MetalX, combined with higher rates in receivables and inventory.

Sales and Operations

Strong production and despatch levels continued throughout 1H FY2022 – with North Star despatching at full capacity other than during its scheduled maintenance outage in November 2021.

US automotive sales continue to be impacted by semiconductor shortages. North Star's automotive volumes softened slightly towards the end of the half, with available production sold into our end-use segments. Construction spending continued to increase in 1H FY2022, along with manufacturing activity, supporting robust sales volumes into these segments.

Through 1H FY2022, benchmark Midwest steel prices spreads reached record levels on strong demand and rationalised production capacity. Realised spreads were strong during the half, but softer than benchmark spot spreads, noting specific sales mix relative to benchmark.¹

Towards the end of 1H FY2022, benchmark Midwest HRC prices began to ease back from their record levels, having peaked at over US\$2,000 per metric tonne.

¹ Benchmark prices are illustrative only, and may not be representative of realised mill prices due to a range of factors. Movements in prices across the majority of sales correlate with Midwest regional benchmark pricing, on a short lag; a minority of sales are priced on a longer term basis. Accordingly the degree of correlation between realised and benchmark prices can vary in a given half but is more fully reflected over the medium term.

Building Products Asia and North America

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

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

BlueScope operates in ASEAN and North America in partnership with Nippon Steel Corporation (NSC) and in India with Tata Steel. Both are 50/50 joint ventures, with BlueScope controlling and therefore consolidating the joint venture with NSC, and jointly controlling and therefore equity accounting the joint venture with Tata Steel.

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

Financial Performance – 1H FY2022 vs. 1H FY2021

Sales revenue

The \$699.1M increase in sales revenue was primarily due to higher regional selling prices.

EBIT performance

The \$115.3M increase in underlying EBIT was largely due to higher selling prices, partially offset by rising raw material costs:

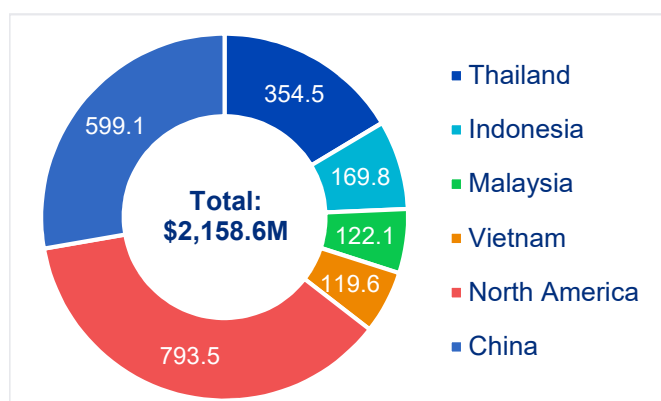
- **North America:** 1H FY2022 underlying EBIT of \$163.2M, having improved significantly compared to \$39.3M in 1H FY2021. The improvement was due to cyclical margin expansion driven by relatively lower steel feed costs in a rapidly rising price environment, partly offset by higher costs.
- **ASEAN:** delivered an underlying EBIT of \$49.4M in 1H FY2022, compared to \$57.5M in 1H FY2021. This was driven by lower despatch volumes particularly due to pandemic related impacts in Malaysia and Vietnam. This was partly offset by higher margins.

Key Financial and Operational Measures

Table 6: Segment financial performance

\$M	1H FY2022	1H FY2021	Var %	2H FY2021
Sales revenue	2,158.4	1,459.3	48%	1,666.3
Reported EBIT	265.6	148.3	79%	179.9
Underlying EBIT	265.6	150.3	77%	183.2
NOA (pre-tax)	1,663.8	1,267.9	31%	1,272.7
ROIC (LTM)	32.2%	15.2%	+17.0%	25.1%
Despatches (kt)	922.8	918.2	1%	974.1

Chart 2: 1H FY2022 Segment geographic sales revenue, \$M¹



¹ Chart does not include India, which is equity accounted, or \$0.2M of eliminations (which balances back to total segment revenue of \$2,158.4M).

- **China:** underlying EBIT in 1H FY2022 of \$43.1M was relatively stable compared to \$42.0M in 1H FY2021 with higher volumes offset by lower margins.
- **India:** the TBSL joint venture delivered 1H FY2022 underlying EBIT of \$34.6M (100% basis), compared to \$37.4M in 1H FY2021, mainly driven by lower despatch volumes. Despatch volumes were higher in 1H FY2021 as demand recovered from pandemic related disruptions. In addition, volumes were constrained in 1H FY2022 by an extended maintenance outage.

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

Return on invested capital

ROIC increased to 32.2% driven by higher EBIT, partly offset by higher net operating assets. Net operating assets at 31 December 2021 were \$395.9M higher than at 31 December 2020, primarily due to higher rates in inventory and receivables and higher volumes in inventory.

Sales and Operations

North America (Steelscape & ASC Profiles)

Steelscape (coating and painting) achieved a 13% increase in sales volumes in 1H FY2022 compared to 1H FY2021. This was driven by robust demand, particularly in building and construction, which was supported by the strong economic recovery and government stimulus programs. Given the strong rise in benchmark North American steel prices, somewhat more stable feed costs, and the length of the supply chain, the business saw further cyclical margin expansion during the half. Various customer centric strategic initiatives are ongoing, with a focus on the growth of the design solution product and service offering.

ASC Profiles (building components) also saw strong demand in its key sectors, particularly in the decking segment. Margins continued to be impacted by higher feed costs on record domestic steel prices.

ASEAN

1H FY2022 sales volumes across the ASEAN business decreased by 14% from 1H FY2021 due to disruptions from COVID-19 restrictions, particularly in Malaysia and Vietnam, which eased towards the end of the half.

Retail segment demand slowed towards the end of the half due to declining steel price and continuing uncertainty around the pandemic, mainly in Thailand, Vietnam and Indonesia. The business continues to grow the retail channel through the Authorised Dealer network, whilst expanding BlueScope's distribution footprint, enhancing brand value and building customer loyalty. The number of Authorised Dealers reached 281 stores across ASEAN at the end of 1H FY2022.

Project segment demand was broadly stable, supported by recovering construction activities, although some projects were delayed due to the pandemic driving stricter site operating restrictions, and labour shortages.

Cost and productivity improvement programs continue to deliver incremental benefits, and the business is now balancing robust cost discipline and investment in future growth.

China

Chinese economic activity slowed during the half, impacted by a range of policy measures set to contain the spread of COVID-19, control pollution levels and

ease growth in the leveraged real estate sector, combined with the disruptions in energy markets.

Despite this macroeconomic environment, total despatch volume across the China business increased 21% in 1H FY2022 vs 1H FY2021. The business saw particularly strong demand for pre-engineered buildings servicing the growing electric vehicle end-use segment.

Buildings business (Butler and Lysaght) volumes remained robust during 1H FY2022, supported by the continued strategy targeting premium high-growth segments including automotive, advanced manufacturing, chemicals, healthcare and electronics.

Coated China despatch volumes of 109kt compared to 104kt in 1H FY2021, were supported by strong demand growth from the owned downstream channel.

Positioning as a premium supplier of coated steel was further supported through the continued successful promotion of Next Generation ZINCALUME®.

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

Overall despatch volumes decreased by 15% in 1H FY2022 compared to 1H FY2021, with stronger volumes in 1H FY2021 driven by pent-up demand post the first wave of COVID-19 related Government mandated industry shutdowns in 4Q FY2020. In addition, volumes were constrained in 1H FY2022 by an extended maintenance outage on the metal coating line.

BlueScope has reached in principle agreement with Tata Steel for the supply of painted product from Tata Steel to TBSL. The product will be supplied from Tata Steel's plants located at Angul and Khopoli which were formerly part of the Bhushan Steel group.

Table 7: India performance

\$M	1H FY2022	1H FY2021	Var %	2H FY2021
Tata BlueScope Steel (100% basis)				
Sales revenue	250.7	205.1	22%	198.2
Underlying EBIT	34.6	37.4	(7)%	31.5
Underlying NPAT	27.0	27.9	(3)%	24.6
Despatches (kt)	119.1	140.0	(15)%	113.5
BlueScope share (50% basis)				
Underlying equity accounted profit	13.7	14.1	(3)%	12.5

Buildings North America (BNA)

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

In addition to a range of custom engineered steel buildings, such as factories, bulk warehouses and stores, BNA manufactures and markets framing and cladding systems and steel building components. Its BUTLER® and VARCO PRUDEN® brands are highly recognised in the industry.

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

Financial Performance – 1H FY2022 vs. 1H FY2021

Sales revenue

The \$142.7M increase in sales revenue was primarily due to higher selling prices and higher volumes in the core EBS business, partly offset by the unfavourable impact of timing of project sales at BPG.

EBIT performance

The \$52.5M decrease in underlying EBIT was largely due to margin compression in the core EBS business as rapidly rising steel feed costs increased ahead of selling prices, combined with the unfavourable impact of timing of projects sales at BPG, partly offset by higher volumes.

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

Return on invested capital

ROIC decreased to 6.8% driven by lower EBIT and higher net operating assets. Net operating assets at 31

Key Financial and Operational Measures

Table 8: Segment performance

\$M	1H FY2022	1H FY2021	Var %	2H FY2021
Sales revenue	744.5	601.8	24%	496.9
Reported EBIT	26.9	68.9	(61)%	43.4
Underlying EBIT	18.0	70.5	(74)%	17.0
NOA (pre-tax)	595.9	430.1	39%	503.4
ROIC (LTM)	6.8%	14.4%	-7.6%	17.5%
Despatches (kt)	112.8	90.7	24%	102.1

December 2021 were \$165.8M higher than at 31 December 2020, primarily due to higher rates in receivables and inventory.

Sales and Operations

Core EBS business despatches increased during 1H FY2022 compared to 1H FY2021 with strong end-market demand and a solid pipeline of orders. However, margins continued to be unfavourably impacted on significantly higher steel feed costs due to record domestic steel prices.

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

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

BPG develops Class A industrial properties in premium US locations, accessing the growing warehouse and distribution centre segment. It creates value for the BNA Builder network by providing access to projects.



New Zealand & Pacific Islands (NZPI)

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

New Zealand Steel, the only fully integrated steel producer in New Zealand, uses locally sourced iron sand to manufacture about 670,000 tonnes of steel slab and billet a year at the Glenbrook steelworks south of Auckland.

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

NZPI employs around 2,000 people and includes Pacific Steel New Zealand (rolling mill and wire drawing facilities), and the Pacific Islands business, with facilities in Fiji, New Caledonia and Vanuatu which manufacture and distribute the LYSAGHT® range of products and long steel products through Pacific Steel Fiji.

Financial Performance – 1H FY2022 vs. 1H FY2021

Sales revenue

The \$81.8M increase in sales revenue was primarily due to higher selling prices referenced to higher global steel prices.

EBIT performance

The \$28.8M increase in underlying EBIT was largely due to higher steelmaking spread, with higher domestic and export selling prices partially offset by higher raw material costs.

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

Return on invested capital

ROIC increased to 61.7% driven by higher EBIT, partially offset by higher net operating assets. Net operating assets at 31 December 2021 were \$309.0M higher than at 31 December 2020, primarily due to higher volumes and rates in inventory and prices in receivables, higher volumes in inventory and a reduction in liabilities related to the defined benefit pension fund.

Key Financial and Operational Measures

Table 9: Segment financial performance

\$M	1H FY2022	1H FY2021	Var %	2H FY2021
Sales revenue	518.0	436.2	19%	458.1
Reported EBIT	137.3	55.6	147%	82.8
Underlying EBIT	86.2	57.4	50%	72.7
NOA (pre-tax)	419.8	110.8	279%	288.9
ROIC (LTM)	61.7%	23.0%	+38.7%	146.3%

Table 10: Steel sales volume

000 tonnes	1H FY2022	1H FY2021	Var %	2H FY2021
Domestic flats	133.2	145.1	(8)%	154.0
Domestic longs	109.1	106.7	2%	102.8
Domestic (steel)	242.3	251.8	(4)%	256.8
Export flat	40.3	70.0	(42)%	45.6
Export longs	1.2	1.3	(8)%	1.8
Export (steel)	41.5	71.3	(42)%	47.4

Sales and Operations

Domestic sales

Domestic flat products sales volumes decreased 8% in 1H FY2022 compared to 1H FY2021 driven by the impact of pandemic related restrictions on operations and the supply chain. However, underlying demand remained robust across all end-use segments.

The number of new dwelling consents remained on trend at high levels, following a sustained period of demand. Demand is expected to be “stronger for longer” especially in the residential sector for new builds and alterations and additions.

- The strong demand for metal coated and COLORSTEEL® products has continued, with 1H FY2022 construction levels increasing by over 10% on 1H FY2021.
- Demand growth for AXXIS® steel for framing into new residential builds is very robust, and supporting further growth is a key priority.
- There is strong demand for an expanding range of locally manufactured weathering steels in infrastructure projects. To meet this demand, New Zealand Steel recently successfully launched COLORSTEEL ALTIMATE®.

To increase paint line capacity and flexibility to meet strong domestic demand for coated products, the dual head coater upgrade project is on track to be commissioned in 1H FY2023.

Sales of domestic long products in 1H FY2022 increased 2% on 1H FY2021 levels, with robust end-use demand impacted by the Government mandated lockdown during the half.

- Demand is being driven predominantly by the infrastructure sector underpinned by a mix of “shovel-ready” projects and the NZ Upgrade Programme.
- Private sector funded Industrial construction demand is solid whilst hospitals, social and educational buildings are areas of strong public sector activity fuelling demand.

Export sales

Export volumes in 1H FY2022 were 30kt lower than in 1H FY2021, primarily due to enhanced focus on domestic sales, combined with impacts from COVID-19 restrictions on operations and the supply chain. Margins on exports improved, driven particularly by export sales into North America.

Vanadium

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

The 1H FY2022 net vanadium contribution was approximately \$4.1M higher than 1H FY2021. This was primarily due to improved global index pricing.

Strategic review

NZPI is on track with the FY2022 performance target for the Strategic review program, some projects like the conversion of the Pipe mill into a distribution centre were timely given the COVID lockdown in August, as the additional storage space allowed for ongoing production to continue until customers could reopen to receive product.

Some initiatives relating to production footprint reductions have been deferred indefinitely given the domestic demand for steel and beneficial returns. Deferring these projects has delivered more value in current conditions than implementing the projects, the NZPI team is continuously monitoring the returns and will adapt the implementation plans based on economic outcomes.

NZ Pension Fund

During the period, the New Zealand Steel Pension Fund offered a lump-sum payment to the pensioner members of the fund. There was a 54% acceptance (by number of pensioners) which resulted in a NZ\$174M payout of their actuarially determined benefits from the fund assets.

Whilst there was no settlement gain or loss recorded in the fund itself, as the benefit payments made were equal to the pensioners entitlements, a settlement gain of NZ\$54M, or NZ\$36M uplifted for 33% contributions tax, has been recorded in the BlueScope Group accounts. This accounting gain arises because the AASB 119 Employee Benefits accounting liability is higher than the benefit payments made as the accounting liability is required to be discounted at the New Zealand Government bond rate, which is lower than the expected return on the fund's assets.

An additional estimated NZ\$25M cash contribution will be paid by the Company to the fund prior to 30 June 2022.



DETAILED EXPLANATORY TABLES

A. Detailed Income Statement

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

Table 11: Detailed income Statement

\$M	Revenue		Reported Result ¹		Underlying Result ²	
	1H FY2022	1H FY2021	1H FY2022	1H FY2021	1H FY2022	1H FY2021
Sales revenue/EBIT ³						
Australian Steel Products	3,963.0	2,739.5	687.8	259.1	687.8	259.1
North Star BlueScope Steel	2,436.5	785.9	1,221.6	67.8	1,228.5	69.6
Building Products Asia & North America	2,158.4	1,459.3	265.6	148.3	265.6	150.3
Buildings North America	744.5	601.8	26.9	68.9	18.0	70.5
New Zealand & Pacific Islands	518.0	436.2	137.3	55.6	86.2	57.4
Discontinued operations	-	-	1.6	6.5	-	-
Segment revenue/EBIT	9,820.4	6,022.7	2,340.8	606.2	2,286.1	606.9
Inter-segment eliminations	(401.7)	(205.3)	(2.0)	(5.6)	(2.0)	(5.5)
Segment external revenue/EBIT	9,418.7	5,817.4	2,338.8	600.6	2,284.1	601.4
Other revenue/(net unallocated expenses)	17.5	14.0	(81.4)	(70.8)	(80.0)	(70.8)
Total revenue/EBIT	9,436.2	5,831.4	2,257.4	529.8	2,204.1	530.6
Finance costs			(37.7)	(37.8)	(37.1)	(37.2)
Interest revenue			6.5	4.7	6.5	4.7
Profit/(loss) from ordinary activities before income tax			2,226.2	496.7	2,173.5	498.1
Income tax (expense)/benefit			(479.2)	(123.4)	(496.6)	(121.4)
Profit/(loss) from ordinary activities after income tax expense			1,747.1	373.3	1,676.9	376.7
Net (profit)/loss attributable to outside equity interest			(103.6)	(43.0)	(103.6)	(43.8)
Net profit/(loss) attributable to equity holders of BlueScope Steel Ltd			1,643.5	330.3	1,573.4	332.8
Basic earnings per share (cents)			329.1	65.6	315.1	66.1

¹ The financial report has been prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board, which are compliant with International Financial Reporting Standards (IFRS). References to 'reported' financial information throughout this report are consistent with IFRS financial information disclosed in the financial report.

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

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

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 BlueScope's external auditors. An explanation of each adjustment and reconciliation to the reported IFRS financial information is provided in the table below.

	EBITDA \$M		EBIT \$M		NPAT \$M		EPS \$ ⁹	
	1H FY22	1H FY21	1H FY22	1H FY21	1H FY22	1H FY21	1H FY22	1H FY21
Reported earnings	2,514.3	771.7	2,257.4	529.8	1,643.5	330.3	3.29	0.66
<i>Underlying adjustments:</i>								
Net (gains) / losses from businesses discontinued ¹	(1.6)	(6.5)	(1.6)	(6.5)	(1.1)	(6.0)	-	(0.01)
Business development and acquisition costs ²	8.2	3.8	8.2	3.8	6.4	2.2	0.01	-
Restructure and redundancy costs ³	-	16.3	-	16.3	-	12.2	-	0.02
Asset sales ⁴	-	(12.8)	-	(12.8)	-	(9.2)	-	(0.02)
Pension fund adjustment ⁵	(54.8)	-	(54.8)	-	(39.1)	-	(0.08)	-
Gain on lease termination ⁶	(5.1)	-	(5.1)	-	(3.2)	-	(0.01)	-
Tax asset impairment / (write back) ⁷	-	-	-	-	(33.2)	(6.2)	(0.06)	(0.01)
US Federal Tax payable on internal entity transfer ⁸	-	-	-	-	-	9.6	-	0.02
Underlying Operational Earnings	2,461.0	772.5	2,204.1	530.6	1,573.4	332.8	3.15	0.66

Table 13: Segmental underlying EBIT adjustments

1H FY2022 underlying EBIT adjustments \$M	ASP	North Star	BP	BNA	NZPI	Corp	Discon Ops	Elims	Total
Net (gains) / losses from businesses discontinued	-	-	-	-	-	-	(1.6)	-	(1.6)
Business development and acquisition costs	-	6.9	-	-	-	1.3	-	-	8.2
Pension fund adjustment	-	-	-	(3.8)	(51.0)	-	-	-	(54.8)
Gain / (loss) on lease termination	-	-	-	(5.1)	-	-	-	-	(5.1)
Underlying Adjustments	-	6.9	-	(8.9)	(51.0)	1.3	(1.6)	-	(53.3)

¹ 1H FY2022 reflects royalty revaluation gain (\$1.6M pre-tax) relating to the previously sold Taharoa iron sands operations. 1H FY2021 reflects royalty revaluation gain (\$6.7M pre-tax) relating to the previously sold Taharoa iron sands operations and foreign exchange translation gains within the closed Lysaght Taiwan business (\$0.7M pre-tax) partly offset by losses from the discontinued Engineered Buildings ASEAN business (\$0.9M pre-tax).

² 1H FY2022 reflects pre commissioning costs associated with the expansion project at North Star (\$6.9M pre-tax) and costs associated with the acquisition of the ferrous scrap steel recycling business of MetalX LLC (\$1.3M pre-tax). 1H FY2021 reflects pre commissioning costs associated with the expansion project at North Star (\$1.8M pre-tax) and integration and pre-commissioning associated with the Malaysian cold rolling facility acquired from YKGI Holdings at Building Products Asia & North America (\$2.0M pre-tax).

³ 1H FY2021 reflects employee redundancy and restructuring costs at New Zealand & Pacific Islands (\$14.7M pre-tax) and at Buildings North America (\$1.6M pre-tax).

⁴ 1H FY2021 reflects a gain on land that was part of an 'asset swap' arrangement at New Zealand & Pacific Steel (\$12.8M pre-tax).

⁵ 1H FY2022 reflects a settlement gain recognised relating to the defined benefit pension fund in New Zealand (\$51.0M pre-tax) following the acceptance of a lump-sum payment by some pensioner members and a true-up adjustment received relating to the wind up of the defined benefit pension fund in North America (\$3.8M pre-tax).

⁶ 1H FY2022 reflects a gain received on termination of a building lease at Buildings North America (\$5.1M pre-tax).

⁷ 1H FY2022 reflects the utilisation of previously unbooked deferred tax assets in New Zealand (\$33.2M). 1H FY2021 reflects the utilisation of previously unbooked deferred tax assets in New Zealand (\$6.2M).

⁸ 1H FY2021 reflects US Federal tax payable on internal transfer of Global BMC Mauritius (Holdings) Ltd. legal entity from a North America holding company to an Australian holding company.

⁹ EPS is based on the average number of shares on issue during the respective reporting periods of 499.4M in 1H FY2022 and 503.4M in 1H FY2021.

C. Cash Flow Statement

Table 14: Consolidated cash flow statement

\$M	1H FY2022	1H FY2021	Variance
Reported EBITDA	2,514.3	771.7	226%
Add cash/(deduct non-cash) items			
- Share of profits from associates and joint venture partnership not received as dividends	(13.6)	(12.6)	(8)%
- Expensing of share-based employee benefits	10.3	10.6	(3)%
- Net (gain) loss on sale of assets	(5.9)	(11.6)	49%
Cash EBITDA	2,505.1	758.1	230%
Changes in working capital	(1,141.0)	(132.4)	(762)%
Gross operating cash flow	1,364.1	625.7	118%
Finance costs	(37.0)	(35.2)	(5)%
Interest received	6.4	4.7	35%
Income tax paid ¹	(260.8)	(29.5)	(783)%
Net cash from operating activities	1,072.7	565.7	90%
Capex: payments for P, P & E and intangibles	(385.1)	(300.6)	(28)%
Other investing cash flows	(285.0)	2.1	(13780)%
Net cash flow before financing	402.6	267.2	51%
Buy-backs of equity	(284.9)	-	(100)%
Dividends to non-controlling interests ²	-	(1.1)	100%
Dividends to BlueScope Steel Limited shareholders	(221.6)	(40.3)	(450)%
Net drawing / (repayment) of borrowings	61.0	(28.3)	316%
Net drawing / (repayment) of leases	(51.7)	(51.6)	(0)%
Other	1.6	3.0	(47)%
Net increase/(decrease) in cash held	(93.0)	148.9	(162)%

¹ The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 31 December 2021, of approximately \$135M. There will be no Australian income tax payments until these are recovered.

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

GLOSSARY

1H	Six months ended 31 December in the relevant financial year
1H FY2021	Six months ended 31 December 2020
1H FY2022	Six months ended 31 December 2021
1H FY2023	Six months ended 31 December 2022
2H	Six months ended 30 June in the relevant financial year
2H FY2021	Six months ending 30 June 2021
2H FY2022	Six months ending 30 June 2022
ASEAN	Association of South East Asian Nations
ASP	Australian Steel Products segment
A\$, \$	Australian dollar
BF	Blast Furnace
BNA	Buildings North America segment
BP or Building Products	Building Products Asia & North America segment
BPG	BlueScope Properties Group
BlueScope or the Group	BlueScope Steel Limited and its subsidiaries (i.e. the consolidated group)
the Company	BlueScope Steel Limited (i.e. the parent entity)
CY2021	Calendar year ended 31 December 2021
CY2022	Calendar year ended 31 December 2022
DPS	Dividend per share
DRI	Direct Reduced Iron
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBS	Engineered building solutions, a key product offering of BNA and Building Products
EPS	Earnings per share
FY2021	12 months ending 30 June 2021
FY2022	12 months ending 30 June 2022
FY2023	12 months ending 30 June 2023
HRC	Hot rolled coil steel
IFRS	International Financial Reporting Standards
IRR	Internal rate of return
Leverage, or leverage ratio	Net debt over LTM underlying EBITDA
LTM	Last twelve months
mt	Million metric tonnes
Net debt, or ND	Gross debt less cash
NOA	Net operating assets pre-tax
North Star	North Star BlueScope Steel
NPAT	Net profit after tax
NSC	Nippon Steel Corporation
NZ\$	New Zealand dollar
NZPI	New Zealand & Pacific Islands segment
PKSW	Port Kembla Steelworks
ROIC	Return on invested capital (or ROIC), last 12 months' underlying EBIT over trailing 13-month average capital employed
ROU	Right of use
TBSL	Tata BlueScope Steel
TRIFR	Total recordable injury frequency rate (recordable injuries per million hours worked)
US	United States of America
US\$	United States dollar

Financial Report



Interim Financial Report - 31 December 2021

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Directors' Report

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

The Directors of BlueScope Steel Limited ('the Company') present their interim report on the consolidated entity ('BlueScope' or 'the Group') consisting of BlueScope Steel Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

DIRECTORS

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

John Andrew Bevan (Chairman)
Mark Royce Vassella (Managing Director and Chief Executive Officer)
Penelope Bingham-Hall (retired on 31 October 2021)
Ewen Graham Wolseley Crouch AM
Rebecca Patricia Dee-Bradbury
Jennifer Margaret Lambert
Richard Mark Hutchinson
Kathleen Marie Conlon
Zhiqiang Zhang (appointed 1 January 2022)
K'Lynne Johnson (appointed 1 January 2022)

OPERATING AND FINANCIAL REVIEW

Financial Results

BlueScope comprises five reportable operating segments: Australian Steel Products, North Star BlueScope Steel, Building Products Asia and North America, Buildings North America and New Zealand & Pacific Islands. A summary of consolidated revenues and results for the half-year by reporting segment is set out below.

	Revenue		Reported Result ⁽¹⁾		Underlying Result ⁽²⁾	
	\$M		\$M		\$M	
	1H FY2022	1H FY2021	1H FY2022	1H FY2021	1H FY2022	1H FY2021
Sales revenue/EBIT⁽³⁾						
Australian Steel Products	3,963.0	2,739.5	687.8	259.1	687.8	259.1
North Star BlueScope Steel	2,436.5	785.9	1,221.6	67.8	1,228.5	69.6
Building Products Asia & North America	2,158.4	1,459.3	265.6	148.3	265.6	150.3
Buildings North America	744.5	601.8	26.9	68.9	18.0	70.5
New Zealand & Pacific Islands	518.0	436.2	137.3	55.6	86.2	57.4
Discontinued operations	-	-	1.6	6.5	-	-
Segment sales revenue/EBIT⁽³⁾	9,820.4	6,022.7	2,340.8	606.2	2,286.1	606.9
Intersegment eliminations	(401.7)	(205.3)	(2.0)	(5.6)	(2.0)	(5.5)
Segment external sales revenue/EBIT⁽³⁾	9,418.7	5,817.4	2,338.8	600.6	2,284.1	601.4
Other revenue (net unallocated expenses)	17.5	14.0	(81.4)	(70.8)	(80.0)	(70.8)
Total revenue/EBIT⁽³⁾	9,436.2	5,831.4	2,257.4	529.8	2,204.1	530.6
Borrowing costs			(37.7)	(37.8)	(37.1)	(37.2)
Interest revenue			6.5	4.7	6.5	4.7
Profit from ordinary activities before income tax			2,226.2	496.7	2,173.5	498.1
Income tax expense			(479.2)	(123.4)	(496.6)	(121.4)
Profit from ordinary activities after income tax expense			1,747.1	373.3	1,676.9	376.7
Net (profit) attributable to non-controlling interests			(103.6)	(43.0)	(103.6)	(43.8)
Net profit attributable to equity holders of BlueScope Steel			1,643.5	330.3	1,573.4	332.8
Basic earnings per share (cents)			329.1	65.6	315.1	66.1

- (1) The financial report has been prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board, which are compliant with International Financial Reporting Standards (IFRS). References to 'reported' financial information throughout this report are consistent with IFRS financial information disclosed in the financial report.
- (2) References to 'underlying' information are to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information, while not subject to audit or review, has been extracted from the interim financial report, which has been reviewed by our external auditors.
- (3) Performance of operating segments is based on EBIT which excludes the effects of interest and income tax. The Company considers this a useful and appropriate segment performance measure because Group financing (including interest expense and interest income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Directors' Report

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Reconciliation of underlying earnings to reported earnings

The Company has provided an analysis of unusual items included in the reported IFRS financial information. These items have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying operating business. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. An explanation of each adjustment and reconciliation to the reported IFRS financial information is provided in the table below.

	EBIT \$M		NPAT \$M		Earning per share ⁽⁹⁾ (cents)	
	1H FY2022	1H FY2021	1H FY2022	1H FY2021	1H FY2022	1H FY2021
Reported earnings	2,257.4	529.8	1,643.5	330.3	329.1	65.6
Net (gains) from businesses discontinued ⁽¹⁾	(1.6)	(6.5)	(1.1)	(6.0)	(0.2)	(1.2)
Reported earnings (from continuing operations)	2,255.8	523.3	1,642.4	324.3	328.9	64.4
Underlying adjustments:						
Business development and acquisition costs ⁽²⁾	8.2	3.8	6.4	2.2	1.3	0.4
Restructure and redundancy costs ⁽³⁾	-	16.3	-	12.1	-	2.4
Asset sales ⁽⁴⁾	-	(12.8)	-	(9.2)	-	(1.8)
Pension fund adjustment ⁽⁵⁾	(54.8)	-	(39.1)	-	(7.8)	-
Gain on lease termination ⁽⁶⁾	(5.1)	-	(3.2)	-	(0.6)	-
Tax asset impairment / (write-back) ⁽⁷⁾	-	-	(33.2)	(6.2)	(6.7)	(1.2)
US Federal tax payable on internal entity transfer ⁽⁸⁾	-	-	-	9.6	-	1.9
Underlying earnings	2,204.1	530.6	1,573.4	332.8	315.1	66.1

- (1) First half FY2022 reflects royalty revaluation gain (\$1.6M pre-tax) relating to the previously sold Taharoa iron sands operations. First half FY2021 reflects royalty revaluation gain (\$6.7M pre-tax) relating to the previously sold Taharoa iron sands operations and foreign exchange translation gains within the closed Lysaght Taiwan business (\$0.7M pre-tax) partly offset by losses from the discontinued Engineered Buildings ASEAN business (\$0.9M pre-tax).
- (2) First half FY2022 reflects pre-commissioning costs associated with the expansion project at North Star (\$6.9M pre-tax) and costs associated with the acquisition of the ferrous scrap recycling business of MetalX LLC (\$1.3M pre-tax). First half FY2021 reflects pre-commissioning costs associated with the expansion project at North Star (\$1.8M pre-tax) and integration and pre-commissioning associated with the Malaysian cold rolling facility acquired from YKGI Holdings at Building Products Asia & North America (\$2.0M pre-tax).
- (3) First half FY2021 reflects employee redundancy and restructuring costs at New Zealand & Pacific Steel (\$14.7M pre-tax) and at Buildings North America (\$1.6M pre-tax).
- (4) First half FY2021 reflects a gain on land that was part of an asset swap arrangement at New Zealand & Pacific Steel (\$12.8M pre-tax).
- (5) First half FY2022 reflects a settlement gain relating to the defined benefit pension fund in New Zealand (\$51.0M pre-tax) following the acceptance of a lump sum payment by some pensioner members and a true-up adjustment received relating to the wind up of the defined benefit pension fund in North America (\$3.8M pre-tax).
- (6) First half FY2022 reflects a gain received on termination of a building lease at Buildings North America (\$5.1M pre-tax).
- (7) First half FY2022 reflects the utilisation of previously unbooked deferred tax assets in New Zealand (\$33.2M). First half FY2021 reflects the utilisation of previously unbooked deferred tax assets in New Zealand (\$6.2M).
- (8) First half FY2021 reflects US Federal tax payable on internal transfer of Global BMC Mauritius (Holdings) Ltd. legal entity from a North America holding company to an Australian holding company.
- (9) Earnings per share are based on the average number of shares on issue during the respective reporting periods 499.4M in first half FY2022 and 503.4M in first half FY2021.

Directors' Report

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Financial Performance

BlueScope reported a first half FY2022 net profit after tax (NPAT) of \$1,643.5M, up \$1,313.2M on first half FY2021. Underlying EBIT for the half-year was \$2,204.1M. This is the best half-year performance the Group has achieved in its 20 year history as a listed Company.

Demand in key segments, especially in building and construction, has been strong, coupled with particularly robust margins driven by increased steel prices in Asia and the US. The performance is a result of the outstanding commitment and efforts of 14,000 employees and the Company's supply chain partners, who've had to deal with unprecedented challenges in maintaining safe and reliable operations, delivering to customers and supporting local communities.

Operating cash flow for the half-year, after capital expenditure, was \$687.6M including \$165.0M expenditure on the North Star expansion, and a significant investment in working capital due to the higher prices and activity levels across the Group. The balance sheet remains strong with \$695.9M net cash, which combined with strong cash flow, gives BlueScope confidence to invest for the long-term growth and resilience of the Group. BlueScope is well positioned for a low carbon future where it can continue to deliver strong returns to shareholders.

Segment Results

Australian Steel Products

- Delivered underlying EBIT of \$687.8M, up 165% on first half FY2021 and 66% on second half FY2021.
- The domestic construction, distribution and manufacturing segments' demand continued to strengthen, particularly for coated and painted products, leading to domestic mill sales volumes of 1.3M tonnes.
- Realised steel spreads improved over second half FY2021 driven by stronger achieved prices in domestic and export markets, strong performance from downstream businesses, partly offset by higher raw material costs. Sales of export coke delivered a higher contribution compared to second half FY2021.
- Higher conversion costs, particularly labour on higher remuneration expense linked to financial performance.

North Star BlueScope Steel

- Delivered underlying EBIT of \$1,228.5M, up 1,665% on first half FY2021 and 102% on second half FY2021.
- Realised steel spreads were significantly stronger and mill operation remained at 100 per cent of available capacity.

Building Products Asia & North America

- Delivered underlying EBIT of \$265.6M, up 77% on first half FY2021 and 45% on second half FY2021.
- The North America business improved substantially, primarily due to the greater rise in North American flat steel pricing than cost of steel feed given the business' supply chain structure.
- In ASEAN, Thailand delivered a strong performance, and Indonesia remained robust, despite some impacts from the pandemic. The pandemic impacted Malaysia's performance given the government mandated shut; Vietnam was impacted by weak demand on COVID-19 movement restrictions and higher cost inventory.
- China and India both delivered similar results to first half FY2021.

Buildings North America

- Delivered underlying EBIT of \$18.0M, down 74% on first half FY2021 and up 6% on second half FY2021.
- The core Engineered Building Solutions (EBS) business saw solid demand, however margins were compressed on higher steel feed costs.
- There was a lower contribution compared to first half FY2021 (higher compared to second half FY2021) from the BlueScope Properties Group on project timing.

New Zealand & Pacific Islands

- Delivered underlying EBIT of \$86.2M, up 50% on first half FY2021 and 19% on second half FY2021.
- Robust demand and pricing environment across construction and infrastructure sectors drove a stronger result, notwithstanding supply-chain pandemic related disruptions during the half year.

Directors' Report

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Segment Results (continued)

Corporate and Eliminations

- Corporate costs and profit in stock eliminations of \$(82.0)M, 7% unfavourable to first half FY2021 and 20% favourable to second half FY2021.
- Intercompany profit in stock elimination was \$34.6M lower in first half FY2022 compared to second half FY2021 due to the rapid rise in margins in second half FY2021 not being repeated in first half FY2022, relating to intercompany sales to the North America coated business.

ResponsibleSteel™ certification for Port Kembla Steelworks

BlueScope's Port Kembla Steelworks and the steel processing sites have been awarded ResponsibleSteel™ site certification. ResponsibleSteel™ is the global steel industry's first sustainability standard and certification program. It has been designed by business, civil society, suppliers and consumers so they can be confident that the steel they use has been produced and sourced responsibly.

ResponsibleSteel™ site certification creates a valuable point of difference for the Port Kembla Steelworks, the first site in the Southern Hemisphere to obtain certification.

The independent, third-party site certification process has taken almost two years, involving multiple teams across our business. A rigorous audit of the 12 sustainability principles, which cover environmental, social and governance issues, has ensured that BlueScope is a world leader in steel sector sustainability.

Collaborating towards Net Zero Goal

During first half FY2022, BlueScope commenced two important collaboration initiatives, signing memoranda of understanding with Rio Tinto to explore technological and process options for low emissions steelmaking, and with Shell Energy Operations (Shell) to explore and develop renewable hydrogen projects at Port Kembla. The projects will focus on piloting an industrial scale 10MW hydrogen electrolyser, hydrogen direct iron reduction furnace and iron melter, all powered by renewable electricity. Working with Shell, BlueScope will also seek to collaborate further with governments, private enterprise and research institutions to develop a hydrogen hub in the Illawarra.

Blast Furnace Reline Project Enters Feasibility Assessment

BlueScope expects that breakthrough steelmaking technology will continue to develop over the current and following decade, with significant take-up across the steel industry predicted into the 2040's. Given this timeframe, BlueScope is now transitioning to a full feasibility assessment of a reline and upgrade of the currently mothballed No. 6 Blast Furnace (6BF) at Port Kembla.

A relined 6BF will secure BlueScope's domestic ironmaking needs from 2026. The blast furnace campaign life of up to 20 years aligns with BlueScope's decarbonisation strategy and 2050 net zero goal, and provides a challenging but credible timeframe for the development, scaling and commercialisation of new low emissions technologies. The reline will not lock BlueScope into blast furnace steelmaking for the full 20 years if technology is ready earlier. However, achieving this will be dependent on several enablers including access to low cost green hydrogen, firm and affordable renewable energy, the development of suitable raw material supply chains and appropriate policy settings.

Directors' Report

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Blast Furnace Reline Project Enters Feasibility Assessment (continued)

The 6BF reline project scope is broader than a typical reline and the feasibility study will examine a comprehensive upgrade of the blast furnace facility and related infrastructure, including comprehensive technical and environmental upgrades. This includes improved environmental controls for water and air quality management and technologies that will be key enablers of significant medium to longer-term opportunities to reduce Port Kembla Steelworks' greenhouse gas intensity. These opportunities are part of a broader suite of climate-related projects at Port Kembla that have the potential to reduce GHG emissions intensity by up to 20%. Partnerships and collaborations with governments, technology vendors and industry bodies will be crucial to making sure BlueScope is ready to implement the best available technologies.

BlueScope estimates the preliminary indicative cost for the reline and upgrade project at around \$1,000M, up from the initial indicative range of \$700M-\$800M. The increase is due to both a broadening of the scope, including environmental upgrades, and more refined costing of the required works. The estimate includes over \$100M of measures directed at environmental efficiency improvements.

Detailed design and execution will be progressed across the next 12 months at a cost of approximately \$50M. Capital expenditure is expected to peak in FY2024 and FY2025 with around 50% of total spend during that period. BlueScope will also proceed to commit during FY2022 to around \$120M of spending on long lead-time items, which are critical for the availability of 6BF ironmaking capability from 2026.

With the intention that 6BF replace the No.5 Blast Furnace as the source of iron from 2026, the non-cash accounting depreciation of existing 5BF assets will be stepped up by around \$40M-\$60M per annum. There will be a \$15M impact in second half FY2022.

North Star Expansion Update

Construction of the cornerstone project to expand the North Star mini-mill in Delta, Ohio, by around 850,000 tonnes per annum is well progressed. The first major component of the expansion, the new electric arc furnace (EAF), was commissioned during first half FY2022 and reached its 100 heat milestone in January 2022. Commissioning of the ladle metallurgy furnaces is currently underway, and installation of the caster and shuttle furnace are nearing completion, with commissioning anticipated in the coming months. Production of the first coil is expected around mid-CY2022, with an 18 month ramp up to full run rate expected.

Nearly all of the roles required to support operations of the expanded mill have been filled. The team continues to focus on maintaining operations and managing pandemic risks in project supply chains and on-site works. Total cost is expected to be around 10% above the US\$700M initial estimate, reflecting inflationary pressure and revised commissioning schedule.

BlueScope Recycling

To enhance the Company's position in the US, on 17th December 2021 BlueScope acquired the ferrous scrap steel recycling business of MetalX for approximately US\$220M (net of working capital and transaction adjustments), comprised of two operating sites in Indiana and in Ohio, immediately adjacent to North Star in Delta. MetalX is the largest of North Star's diverse scrap steel suppliers, currently supplying around 20% of the scrap used.

The business now operates as BlueScope Recycling and provides BlueScope a crucial presence and expertise in scrap processing to further secure the Company's prime and obsolete scrap needs, and helps drive the Company's ambition to participate in the circular economy. The acquisition will enable North Star to improve the quality and quantity of obsolete scrap it uses and reduce the mix of prime scrap.

Executive Changes

Changes to BlueScope's Executive Leadership Team, which took effect from 1 January 2022, reinforce the Company's important sustainability credentials.

Gretta Stephens has taken on an expanded role as Chief Executive Climate Change & Sustainability. The merged Climate Change & Sustainability team will continue to work with our businesses to drive our decarbonisation pathway and ensure we deliver on BlueScope's broader sustainability focus areas, in alignment with Our Purpose.

Directors' Report

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Executive Changes (continued)

Robin Davies has been appointed Chief Executive New Zealand & Pacific Islands, replacing Gretta Stephens. Robin has a depth of international and operational experience, having worked for Tata Steel Europe prior to joining BlueScope in 2008. He held a number of roles in New Zealand, and was President North Star BlueScope Steel from 2017 to 2020. Most recently he was Chief Operating Officer of New Zealand Steel.

Capital Management

The Board has approved an interim unfranked dividend of 25 cents per share. Additionally, with \$284.9M bought since August 2021, the buy-back program is being increased to allow up to a further \$700M to be bought over the next 12 months.

Likely developments and expected results of operations

Underlying EBIT in second half FY2022 is expected to be in the range of \$1,200M to \$1,350M. This would be second only to last half when looking back over BlueScope's 20 year listed history.

Expectations are subject to spread, foreign exchange and market conditions. It is flagged that there are elevated risks particularly from pandemic related impacts on operations, supply chains and demand, volatility in steel prices and spreads, and the current geopolitical environment.

Auditor's independence declaration

The auditor's independence declaration for the half-year ended 31 December 2021 has been received from Ernst & Young. This can be referred to on page 8 which accompanies the directors' report.

Rounding of amounts

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

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



John Bevan
Chairman



Mark Vassella
Managing Director & CEO

21 February 2022

Auditor's independence declaration to the directors of BlueScope Steel Limited

As lead auditor for the review of the half-year financial report of BlueScope Steel Limited for the half-year ended 31 December 2021, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young



Matthew Honey
Partner
21 February 2022

Statement of Comprehensive Income

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

		Consolidated Half-year	
	Notes	2021 \$M	2020 \$M
Revenue from continuing operations	4	9,436.2	5,831.4
Other income	5	52.2	36.8
Changes in inventories of finished goods and work in progress		477.4	59.0
Raw materials and consumables used		(5,512.0)	(3,521.5)
Employee benefits expense	5	(1,056.0)	(889.2)
Depreciation and amortisation expense		(256.9)	(241.9)
Freight on external despatches		(329.6)	(265.0)
External services		(420.2)	(388.0)
Finance costs	5	(37.7)	(37.8)
Restructuring expense	5	-	(14.1)
Other expenses		(142.5)	(92.1)
Share of net profits of associates and joint venture partnerships accounted for using the equity method		13.8	12.6
Profit before income tax		2,224.7	490.2
Income tax expense	6	(479.2)	(123.4)
Net profit from continuing operations		1,745.5	366.8
Profit from discontinued operations after income tax		1.6	6.5
Net profit for the half-year		1,747.1	373.3
<i>Items that may be reclassified to profit or loss</i>			
Net gain on cash flow hedges		6.8	8.4
- Income tax (expense)		(2.0)	(2.5)
Net gain (loss) on net investments in foreign subsidiaries		7.4	(50.3)
- Income tax (expense) benefit		(2.2)	15.1
Exchange fluctuations on translation of foreign operations attributable to BlueScope Steel Limited		136.1	(272.0)
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain on defined benefit superannuation plans		11.0	107.5
- Income tax (expense)		(3.1)	(30.1)
Investment revaluation		10.2	7.4
Exchange fluctuations on translation of foreign operations attributable to non-controlling interests		12.3	(46.6)
Other comprehensive income (loss) for the half-year		176.5	(263.1)
Total comprehensive income for the half-year		1,923.6	110.2
Profit is attributable to:			
Owners of BlueScope Steel Limited		1,643.5	330.3
Non-controlling interests		103.6	43.0
		1,747.1	373.3
Total comprehensive income for the half-year is attributable to:			
Owners of BlueScope Steel Limited		1,807.7	113.8
Non-controlling interests		115.9	(3.6)
		1,923.6	110.2
Earnings per share for profit attributable to ordinary equity holders of the Company from:			
	Notes	2021 Cents	2020 Cents
Continuing operations:			
Basic earnings per share	13	328.9	64.4
Diluted earnings per share	13	326.3	63.8
Total operations:			
Basic earnings per share	13	329.1	65.6
Diluted earnings per share	13	326.5	65.0

Statement of Financial Position

BLUESCOPE STEEL LIMITED
AS AT 31 DECEMBER 2021

		Consolidated	
		31 December 2021	30 June 2021
	Notes	\$M	\$M
ASSETS			
Current assets			
Cash and cash equivalents		1,903.6	1,961.9
Trade and other receivables		1,798.8	1,609.2
Contract assets		36.7	31.2
Inventories		3,293.9	2,318.2
Operating intangible assets		54.3	45.6
Derivative financial instruments		10.7	10.4
Deferred charges and prepayments		194.3	162.3
Total current assets		7,292.3	6,138.8
Non-current assets			
Trade and other receivables		42.2	42.0
Inventories		64.6	61.6
Operating intangible assets		109.6	106.2
Derivative financial instruments		18.0	18.7
Investments accounted for using the equity method		127.4	109.3
Other investments - fair value through other comprehensive income		38.4	27.9
Property, plant and equipment		4,880.6	4,521.9
Right-of-use assets		328.8	357.9
Intangible assets		1,770.6	1,544.1
Deferred tax assets		110.7	204.3
Deferred charges and prepayments		14.1	16.3
Total non-current assets		7,505.0	7,010.2
Total assets		14,797.3	13,149.0
LIABILITIES			
Current liabilities			
Trade and other payables		2,245.7	2,185.8
Borrowings		134.3	73.7
Lease liabilities		94.8	95.3
Current tax liabilities		129.2	75.1
Provisions		596.2	549.0
Contract liabilities		324.4	268.3
Deferred income		1.7	30.3
Derivative financial instruments		1.0	3.5
Total current liabilities		3,527.3	3,281.0
Non-current liabilities			
Trade and other payables		43.4	50.0
Borrowings		570.7	548.8
Lease liabilities		407.9	446.0
Deferred tax liabilities		342.2	258.6
Provisions		185.2	185.0
Contract liabilities		7.4	6.2
Retirement benefit obligations	8	137.0	196.3
Deferred income		3.4	3.9
Derivative financial instruments		10.9	12.8
Total non-current liabilities		1,708.1	1,707.6
Total liabilities		5,235.4	4,988.6
Net assets		9,561.9	8,160.4
EQUITY			
Contributed equity	7	3,352.2	3,649.9
Reserves		310.3	156.9
Retained profits		5,252.7	3,822.8
Parent entity interest		8,915.2	7,629.6
Non-controlling interests		646.7	530.8
Total equity		9,561.9	8,160.4

Statement of Changes to Equity

BLUESCOPE STEEL LIMITED
AS AT 31 DECEMBER 2021

Consolidated - 31 December 2021		Contributed equity \$M	Reserves \$M	Retained profits \$M	Non-controlling interests \$M	Total \$M
	Notes					
Balance at 1 July 2021		3,649.9	156.9	3,822.8	530.8	8,160.4
Profit for the period		-	-	1,643.5	103.6	1,747.1
Other comprehensive income		-	156.3	7.9	12.3	176.5
Total comprehensive income for the half-year		-	156.3	1,651.4	115.9	1,923.6
Transactions with owners in their capacity as owners:						
Share-based payment expense		-	10.3	-	-	10.3
Share rights settled	7(ii)	(15.6)	(13.2)	-	-	(28.8)
Treasury shares	7(iii)	(1.7)	-	-	-	(1.7)
Share buybacks	7(i)	(284.9)	-	-	-	(284.9)
Dividends paid		-	-	(221.6)	-	(221.6)
Tax credit recognised directly in equity	7(ii)	4.5	-	-	-	4.5
Other		-	-	0.1	-	0.1
		(297.7)	(2.9)	(221.5)	-	(522.1)
Balance at 31 December 2021		3,352.2	310.3	5,252.7	646.7	9,561.9

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

Statement of Cash Flows

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

		Consolidated Half-year	
	Notes	2021 \$M	2020 \$M
Cash flows from operating activities			
Receipts from customers		9,628.0	6,017.7
Payments to suppliers and employees		(8,277.8)	(5,408.7)
		1,350.2	609.0
Dividends received - Associate		0.2	-
Dividends received - Other		0.5	-
Interest received		6.4	4.7
Other revenue		13.2	16.7
Finance costs paid		(37.0)	(35.2)
Income taxes paid		(260.8)	(29.5)
Net cash inflow from operating activities		1,072.7	565.7
Cash flows from investing activities			
Payments for purchase of business, net of cash acquired	11(b)	(287.0)	-
Payments for property, plant and equipment		(382.7)	(297.9)
Payments for intangibles		(2.4)	(2.7)
Proceeds from sale of property, plant and equipment		2.0	2.1
Net cash (outflow) from investing activities		(670.1)	(298.5)
Cash flows from financing activities			
Proceeds from borrowings		168.6	84.3
Repayment of borrowings		(107.6)	(112.6)
Repayment of lease liabilities		(51.7)	(51.6)
Dividends paid to Company's shareholders		(221.6)	(40.3)
Dividends paid to non-controlling interests in subsidiaries		-	(1.1)
Share buybacks	7(i)	(284.9)	-
Other		1.6	3.0
Net cash (outflow) from financing activities		(495.6)	(118.3)
Net increase (decrease) in cash and cash equivalents		(93.0)	148.9
Cash and cash equivalents at the beginning of the financial year		1,961.1	1,399.5
Effects of exchange rate changes on cash and cash equivalents		34.8	(53.8)
Cash and cash equivalents at end of period		1,902.9	1,494.6

Contents of the notes to the consolidated financial statements	Page
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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 2021 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 2021 and any public announcements made by BlueScope Steel Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Certain new Accounting Standards and interpretations have been published that are not mandatory for the 31 December 2021 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 2020-1 Amendments to AASB- Classification of Liabilities as Current or Non-current (effective 1 July 2023)*

A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 to clarify the requirements for classifying liabilities as current or non-current. Specifically:

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

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

(ii) *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective 1 July 2022)*

The amendment clarifies that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group does not expect this amendment to have any significant impact on the Group's financial statements.

2 Critical accounting estimates and judgements

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

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

The Group tests property, plant and equipment and intangible assets with definite useful lives when there is an indicator of impairment. Goodwill and other intangible assets with indefinite useful lives are tested at least annually for any impairment or reversal of a previous impairment loss. All cash generating units (CGUs) were tested for impairment at the reporting date. The recoverable amounts of CGUs have been determined on a consistent basis to 30 June 2021. The basis of determining the key assumptions are listed below.

Key assumptions	Basis of estimation
Future cash flows	- Value-in-use (VIU) calculations use pre-tax cash flows, inclusive of working capital movements which are based on financial projections approved by the Group covering a two and half year period, being the basis of the Group's forecasting and planning processes, or up to four and half years where circumstances pertaining to a specific CGU support a longer period. - Cash flows beyond the projection period are extrapolated to provide a maximum of 30 years of cash flows with adjustments where necessary to reflect changes in long-term operating conditions. No terminal value is calculated.
Growth rate	- The growth rate used to extrapolate the cash flows for each CGU beyond the forecast period does not exceed 2.5% (June 2021: 2.5%). - The growth rate represents a steady indexation rate which does not exceed the Group's expectations of the long-term average growth rate for the business in which each CGU operates.
Discount rate	- The discount rate applied to the cash flow projections has been assessed to reflect the time value of money and the perceived risk profile of the industry in which each CGU operates. - The base post-tax discount rates range from 8.0% to 9.4% (June 2021: 8.0% to 9.4%). - Given the differing characteristics, currencies and geographical locations of the Group's CGUs, where appropriate the base discount rate is adjusted by a country risk premium (CRP) to reflect country specific risks. Such adjustments do not reflect risks for which cash flow forecasts have already been adjusted. The CRP is derived from externally sourced foreign country risk ratings. - The adjusted post-tax discount rate is translated to a pre-tax rate for each CGU based on the specific tax rate applicable to where the CGU operates. - All foreign currency cash flows are discounted using a discount rate appropriate for that currency.
Raw material costs	Based on commodity price forecasts derived from a range of external commodity forecasters.
Selling prices	Based on management forecasts, taking into account commodity steel price forecasts derived from a range of external commodity forecasters.
Sales volume	Based on management forecasts, taking into account external forecasts of underlying economic activity for the market sectors and geographies in which each CGU operates.
AUD:USD and NZD:USD	Based on forecasts derived from a range of external banks.
Climate related risks	- BlueScope gives regard to climate change and other sustainability risks when determining the carrying value of each CGU. - The Group has climate change action plans, greenhouse gas emission reduction targets for its steelmaking sites, environmental management, water stewardship and other sustainability initiatives. The Company reports these in its annual Sustainability Report (available on the Company's web site). Operating and capital expenditure associated with these initiatives are, to the extent necessary, taken into account when determining the recoverable amount of each CGU. - Where applicable a cost of carbon, net of assistance, in jurisdictions where legislation has been enacted (in particular in New Zealand) is taken into account based on a continuation of legislation as it is currently enacted and external forecasts.

2 Critical accounting estimates and judgements (continued)

(i) Cash generating units with significant goodwill

Buildings North America

Buildings North America is tested for impairment on a value-in-use (VIU) basis using two and half year cash flow projections, followed by a long-term growth rate of 2.5% for a further 27.5 years. Pre-tax VIU cash flows are discounted utilising a pre-tax discount rate of 10.5% (June 2021: 10.5%).

As at 31 December 2021 the recoverable amount of this CGU is 1.3 times (June 2021: 1.3 times) the carrying amount of \$561.5M (June 2021: \$489.8M), 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 from FY2021 levels over the next three years.

However, the timing and extent of the downturn and recovery is uncertain. To illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts for Buildings North America were to decrease by approximately 25% (June 2021: 23%) across the forecast period, without implementation of mitigation plans, the recoverable amount would equal the carrying amount.

North Star BlueScope Steel

North Star BlueScope Steel is tested for impairment on a VIU basis using four and half year cash flow projections, followed by a long-term growth rate of 2.5% for a further 25.5 years. Pre-tax VIU cash flows are discounted utilising a pre-tax discount rate of 11.9% (June 2021: 11.9%).

At 31 December 2021 the recoverable amount of the CGU is 3.6 times (June 2021: 4.0 times) the carrying amount of \$2,776.5M (June 2021: \$2,374.3M), 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 peak in FY2022 and progressively return to be broadly in line with historical long-term average levels by FY2026. To illustrate the sensitivity of these assumptions, if they were to differ, such that the expected cash flow forecasts for North Star BlueScope Steel were to decrease by approximately 73% (June 2021: 76%) across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

(ii) Sensitivity of carrying amounts

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

For ASP, recognised external forecasters estimate the Australian dollar relative to the US dollar to be similar in the long term to the half-year ended 31 December 2021 level and estimate Asian commodity steel prices to decrease partly offset by lower iron ore and coking coal average costs relative to the half-year ended 31 December 2021. The Group believes that the long-term assumptions adopted are appropriate.

ASP is exposed to variable macroeconomic factors and domestic demand, and to illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts were to decrease by approximately 50% (June 2021: 57%) across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

For NZPI, recognised external forecasters estimate the New Zealand dollar relative to the US dollar to be similar in the long term to the half-year ended 31 December 2021 level and estimate global commodity steel prices to decrease relative to half-year ended 31 December 2021 in the longer term. The Group believes that the long term assumptions adopted are appropriate.

NZPI is exposed to variable macroeconomic factors and to illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts were to decrease by approximately 34% (June 2021: 48%) across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

2 Critical accounting estimates and judgements (continued)

(b) Income taxes

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

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

(c) Workers compensation

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

(d) Product claims

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

(e) Share-based payment transactions

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

(f) Retirement benefit obligations

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

(g) Restructuring and redundancy provisions

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

(h) Plant and machinery useful lives

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

(i) Restoration and rehabilitation provisions

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

(j) Legal claims

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

2 Critical accounting estimates and judgements (continued)

(k) Lease contract terms

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

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

3 Segment information

(a) Description of segments

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

Segment	Description
Australian Steel Products	• ASP produces and markets a range of high value coated and painted flat steel products for Australian building and construction customers as well as providing a broader offering of commodity flat steel products. • Products are primarily sold to the Australian domestic market, with some volume exported. • Key brands include zinc/aluminium alloy coated - ZINCALUME® steel and galvanised and zinc/aluminium alloy-coated pre-painted COLORBOND® steel. • Main manufacturing facilities are at Port Kembla (NSW) and Western Port (Victoria). • This segment also operates pipe and tube manufacturing, and a network of roll-forming and distribution sites throughout Australia, acting as a major steel product supplier to the building and construction, manufacturing, transport, agriculture and mining industries.
North Star BlueScope Steel	• North Star BlueScope Steel is a single site electric arc furnace producer of hot rolled coil in Ohio US. It is strategically located near its customers and in one of the largest scrap markets in North America. • On 17 December 2021, the Group acquired the US ferrous scrap steel recycling business of Metal X LLC (refer to note 11).
Building Products Asia and North America	• Technology leader in metal coated and painted steel building products, principally focused on the Asia-Pacific region, with a wide range of branded products that include pre-painted COLORBOND® steel, zinc/aluminium alloy-coated ZINCALUME® steel and the LYSAGHT® range of products. • This segment has an extensive footprint of metallic coating, painting and steel building product operations in Thailand, Indonesia, Vietnam, Malaysia, India and North America, primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential building and construction industry in North America. • This segment also includes Building Products China, comprising metal coating, painting, Lysaght operations and Engineered Building Solutions. • BlueScope operates in ASEAN and North America in partnership with Nippon Steel Corporation (NSC) and in India with Tata Steel. Both are 50/50 joint ventures, with BlueScope controlling and therefore consolidating the joint venture with NSC, and jointly controlling and therefore equity accounting the joint venture with Tata Steel.
Buildings North America	• Leader in Engineered Building Solutions (EBS), servicing the low-rise non-residential construction needs of customers from an engineering and manufacturing base in North America. • This segment also includes the BlueScope Properties Group which develops industrial properties, predominantly warehouses and distribution centres.
New Zealand & Pacific Islands	• Consists of three primary business areas: New Zealand Steel, Pacific Steel and BlueScope Pacific Islands. • New Zealand Steel is the only steel producer in New Zealand, producing slab, billet, hot rolled coil and value added coated and painted products for both domestic and export markets across the Pacific Region. Operations include the manufacture and distribution of the LYSAGHT® range of products in Fiji, New Caledonia and Vanuatu and rod and bar in Fiji. • Pacific Steel is the sole producer of long steel products such as rod, bar, reinforcing coil and wire in New Zealand. • Segment also includes the Waikato North Head iron sands mine which supplies iron sands to the Glenbrook Steelworks.

3 Segment information (continued)

(b) Reportable segments

The segment information provided to the Managing Director and Chief Executive Officer for the operating segments for the half-year ended 31 December 2021 is as follows:

31 December 2021

	Australian Steel Products \$M	North Star BlueScope Steel \$M	Building Products Asia & North America \$M	Buildings North America \$M	New Zealand & Pacific Islands \$M	Discontinued Operations \$M	Total \$M
Total segment sales revenue	3,963.0	2,436.5	2,158.4	744.5	518.0	-	9,820.4
Intersegment revenue	(199.9)	(43.9)	(111.3)	(0.4)	(46.2)	-	(401.7)
Revenue from external customers	3,763.1	2,392.6	2,047.1	744.1	471.8	-	9,418.7
Segment EBIT	687.8	1,221.6	265.6	26.9	137.3	1.6	2,340.8
Depreciation and amortisation	148.6	36.4	45.0	12.8	13.4	-	256.2
Share of profit (loss) from associates and joint venture partnerships	-	-	13.8	-	-	-	13.8
Total segment assets	4,786.9	3,736.7	2,566.0	922.5	803.1	16.6	12,831.8
Total assets includes:							
Investments in associates and joint venture partnerships	-	0.6	126.8	-	-	-	127.4
Additions to non-current assets (other than financial assets and deferred tax)	115.7	496.2	20.8	37.1	25.2	-	695.0
Total segment liabilities	1,378.3	658.7	902.2	326.6	383.3	3.2	3,652.3

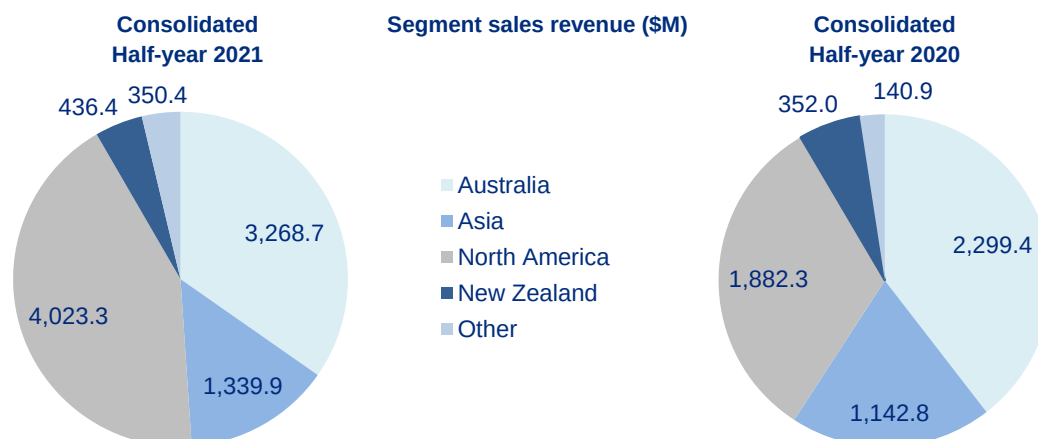
31 December 2020

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

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	
	2021	2020
	\$M	\$M
Total segment revenue	9,820.4	6,022.7
Intersegment eliminations	(401.7)	(205.3)
Other revenue	17.5	14.0
Total revenue from continuing operations	9,436.2	5,831.4

(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	
	2021	2020
	\$M	\$M
Total segment EBIT	2,340.8	606.2
Intersegment eliminations	(2.0)	(5.6)
Interest income	6.5	4.7
Finance costs	(37.7)	(37.8)
Discontinued operations	(1.6)	(6.5)
Corporate operations	(81.3)	(70.8)
Profit before income tax from continuing operations	2,224.7	490.2

(iii) Segment assets and liabilities

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

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

3 Segment information (continued)

	Note	Consolidated December 2021 \$M	June 2021 \$M
Segment assets		12,831.8	11,075.8
Intersegment eliminations		(318.6)	(383.5)
Unallocated:			
Deferred tax assets		110.7	204.3
Cash		1,903.6	1,961.9
Accrued interest receivable		0.2	0.1
Purchase consideration receivable	11(b)	9.0	-
Corporate operations		260.6	290.4
Total assets as per the statement of financial position		14,797.3	13,149.0

	Note	Consolidated December 2021 \$M	June 2021 \$M
Segment liabilities		3,652.3	3,646.3
Intersegment eliminations		(271.7)	(338.6)
Unallocated:			
Borrowings		705.0	622.5
Lease liabilities		502.7	541.3
Current tax liabilities		129.2	75.1
Deferred tax liabilities		342.2	258.6
Accrued borrowing costs payable		3.8	4.2
Deferred and contingent purchase consideration	11(b)	27.6	-
Corporate operations		144.3	179.2
Total liabilities as per the statement of financial position		5,235.4	4,988.6

4 Revenue

	Consolidated Half-year 2021 \$M	2020 \$M
Sales revenue from contracts with customers	9,418.7	5,817.4
<i>Other revenue</i>		
Interest	6.5	4.7
Other	11.0	9.3
	17.5	14.0
Total revenue from continuing operations	9,436.2	5,831.4

4 Revenue (continued)

(a) Disaggregation of sales revenue from contracts with customers

31 December 2021

	Australian Steel Products \$M	North Star BlueScope Steel \$M	Building Products Asia & North America \$M	Buildings North America \$M	New Zealand & Pacific Islands \$M	Discontinued Operations \$M	Total \$M
External sales revenue recognition							
Point in time	3,763.1	2,392.6	1,633.4	67.6	471.8	-	8,328.5
Over time	-	-	413.7	676.5	-	-	1,090.2
	3,763.1	2,392.6	2,047.1	744.1	471.8	-	9,418.7

External sales revenue by destination

Australia	3,238.4	-	16.2	-	14.1	-	3,268.7
Asia	78.0	-	1,254.5	-	7.4	-	1,339.9
North America	162.5	2,392.6	724.1	744.1	-	-	4,023.3
New Zealand	19.7	-	1.8	-	414.8	-	436.3
Other	264.5	-	50.5	-	35.5	-	350.5
	3,763.1	2,392.6	2,047.1	744.1	471.8	-	9,418.7

External sales revenue by category

Steelmaking Products	952.9	2,392.6	-	-	76.1	-	3,421.6
Building Products	2,568.0	-	1,633.4	-	395.7	-	4,597.1
Engineered Building Solutions	-	-	413.7	676.5	-	-	1,090.2
Properties	-	-	-	67.6	-	-	67.6
Other	242.2	-	-	-	-	-	242.2
	3,763.1	2,392.6	2,047.1	744.1	471.8	-	9,418.7

31 December 2020

	Australian Steel Products \$M	North Star BlueScope Steel \$M	Building Products Asia & North America \$M	Buildings North America \$M	New Zealand & Pacific Islands \$M	Discontinued Operations \$M	Total \$M
External sales revenue recognition							
Point in time	2,626.5	749.0	1,168.8	139.2	414.4	-	5,097.9
Over time	-	-	257.5	462.0	-	-	719.5
	2,626.5	749.0	1,426.3	601.2	414.4	-	5,817.4

External sales revenue by destination

Australia	2,258.5	-	18.9	-	22.1	-	2,299.5
Asia	141.2	-	998.7	-	2.8	-	1,142.7
North America	144.7	749.0	387.3	601.2	-	-	1,882.2
New Zealand	9.3	-	-	-	342.7	-	352.0
Other	72.8	-	21.4	-	46.8	-	141.0
	2,626.5	749.0	1,426.3	601.2	414.4	-	5,817.4

External sales revenue by category

Steelmaking Products	610.8	749.0	-	-	52.5	-	1,412.3
Building Products	1,858.6	-	1,168.8	-	361.9	-	3,389.3
Engineered Building Solutions	-	-	257.5	462.0	-	-	719.5
Properties	-	-	-	139.2	-	-	139.2
Other	157.1	-	-	-	-	-	157.1
	2,626.5	749.0	1,426.3	601.2	414.4	-	5,817.4

5 Other income and expenses

	Notes	Consolidated Half-year 2021 \$M	2020 \$M
Profit before income tax includes the following specific income and expenses for continuing operations:			
<i>Other income</i>			
Carbon permit - Government Grant		37.7	24.1
Government Grant - other		0.8	0.9
Net foreign exchange gains		7.8	-
Net gain on lease termination	(i)	5.1	-
Net gain on sale of PP&E	(ii)	0.8	11.6
Insurance proceeds		-	0.2
Total other income		52.2	36.8
<i>Finance costs</i>			
Interest on lease liabilities		(13.8)	(14.0)
Interest and finance charges on other liabilities		(12.8)	(13.1)
Ancillary finance charges		(10.7)	(9.3)
Provisions: unwinding of discount		(0.4)	(1.4)
		(37.7)	(37.8)
New Zealand Defined Benefit Fund settlement gain	8(a)	51.0	-
Restructuring expense	(iii)	-	(14.1)
Inventory net realisable value write-back (expense)		(1.1)	22.6
Restoration and rehabilitation write-back	(iv)	-	6.6
From discontinued operations:			
<i>Other income</i>			
Royalty revaluation	(v)	1.6	6.7
Net FX gains		0.4	0.3
Total other income from discontinued operations		2.0	7.0

(i) Current period gain on lease termination relates to a property lease in Buildings North America upon exercising a right of first offer to purchase the property.

(ii) Prior period net gain on sale of PP&E includes \$12.8M (NZ\$13.5M) relating to an asset swap arrangement in New Zealand & Pacific Islands.

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

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

(v) Within discontinued business, current and prior period includes royalty revaluation gain relating to the previously sold Taharoa iron sands business. It represents estimated fair value of potential future royalties payable under the sale agreement. Royalties received during the half-year were NZ\$3.3M.

6 Income tax expense

	Consolidated Half-year	
	2021 \$M	2020 \$M
Profit from continuing operations before tax	2,224.7	490.2
Profit from discontinuing operations before tax	1.6	6.5
Less: Share of net profits of associates and joint venture partnerships accounted for using the equity method	(13.8)	(12.6)
Adjusted total profit before tax	2,212.5	484.1
Income tax expense - continuing operations	(479.2)	(123.4)
Income tax expense - discontinuing operations	-	-
Total income tax expense	(479.2)	(123.4)
Effective tax rate	21.7%	25.5%

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

New Zealand unrecognised tax loss assets

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

7 Equity securities issued

	Six-months to 31 Dec 2021 Shares	Six-months to 31 Dec 2020 Shares	Six-months to 31 Dec 2021 \$M	Six-months to 31 Dec 2020 \$M
Issue of ordinary shares during the half-year				
Opening balance	503,806,240	502,632,849	3,650.8	3,634.7
Share rights issued	-	1,149,391	-	13.7
Share buybacks (i)	(13,594,756)	-	(284.9)	-
Share rights settled (ii)	-	-	(15.6)	-
Share rights - Tax deduction (ii)	-	-	4.5	1.8
Ordinary share capital	490,211,484	503,782,240	3,354.8	3,650.2
Movement in Treasury shares				
Opening balance	(50,154)	-	(0.9)	-
Shares purchased on market (iii)	(1,600,000)	(54,164)	(39.4)	(0.9)
Share rights settled (iii)	1,529,346	-	37.7	-
Treasury shares	(120,808)	(54,164)	(2.6)	(0.9)
Total Contributed equity	490,090,676	503,728,076	3,352.2	3,649.3

(i) Share buybacks

As at 31 December 2021, a total of 13,594,756 shares had been bought back at an average cost of \$20.94 (including \$0.3M brokerage costs) as part of the FY22 share buy-back program.

(ii) Share rights - settled and tax deduction

Current period includes \$11.1M net of tax for shares acquired on-market in excess of the accounting expense of the settled equity schemes. Prior period tax deduction recorded in share capital represents the estimated tax deduction in excess of accounting expense recognised for share right awards issued to employees.

(iii) Treasury shares

Treasury shares are shares purchased in BlueScope Steel Limited that are held by the BlueScope Employee Share Trust for the purpose of issuing shares under employee share right awards. In August 2021, 1,600,000 shares were purchased on market at an average cost of \$24.63 of which 1,529,346 were utilised for settlement of equity share award schemes.

8 Non-current liabilities - Retirement benefit obligations

(a) Defined benefit fund to which BlueScope Steel employees belong

	December 2021 \$M	June 2021 \$M
New Zealand Pension Fund		
Present value of the defined benefit obligation	(435.7)	(667.4)
Fair value of defined benefit plan assets	298.2	471.1
Net (liability) asset in the statement of financial position	(137.0)	(196.3)
Defined benefit expense	4.5	12.8
Employer contribution	4.8	14.1
Settlement gain (i)	(51.0)	-
Average duration of defined benefit plan obligation (years)	14.2	13.9
<i>Significant actuarial assumptions</i>		%
Discount rate (gross of tax)	2.7	2.4
Future salary increases	2.0	2.0

(i) During the period, the New Zealand Steel Pension Fund offered a lump-sum payment to the pensioner members of the fund. There was a 54% acceptance (by number of pensioners) which resulted in a NZ\$174M payout of their actuarially determined benefits from the fund assets. Whilst there was no settlement gain or loss recorded in the fund itself, as the benefit payments made were equal to the pensioners entitlements, a settlement gain of NZ\$54M, or NZ\$36M uplifted for 33% employee superannuation contributions tax, has been recognised. This accounting gain arises because the AASB 119 Employee Benefits accounting liability is higher than the benefit payments made as the accounting liability is required to be discounted at the New Zealand Government bond rate which is lower than the expected return on the fund's assets. An additional estimated NZ\$25M cash contribution will be paid by the company to the fund prior to 30 June 2022.

9 Fair value of financial instruments

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

	At 31 December 2021		At 30 June 2021	
	Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
Non-traded Financial liabilities - Other loans	(414.0)	(437.8)	(399.3)	(432.0)
Net liabilities	(414.0)	(437.8)	(399.3)	(432.0)

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

10 Dividends

(a) Ordinary shares

	Parent entity Half-year	
	2021	2020
	\$M	\$M
Final unfranked dividend for 30 June 2021 of 44 cents per fully paid ordinary share, comprising of 25 cents per share final ordinary dividend and 19 cents per share special dividend, paid on 13 October 2021 (2020: 8 cents unfranked)	221.6	40.3

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

For the half-year ended 31 December 2021, the Directors have approved the payment of an interim unfranked dividend of 25 cents per fully paid ordinary share. Proposed dividend expected to be paid out but not recognised as a liability at period end, is \$122.6M.

11 Business combination

(a) Summary of acquisitions

On 17 December 2021, the Group acquired the US ferrous scrap steel recycling business of Metal X LLC for a total acquisition cost of US\$218.6M, comprised of two operating sites in Indiana and in Ohio, immediately adjacent to North Star in Delta. MetalX is the largest of North Star's diverse scrap steel suppliers, currently supplying around 20% of the scrap used.

Details of the purchase consideration and net assets acquired for the acquisition is as follows:

(b) Purchase consideration - cash outflow

	\$M USD	\$M AUD
Outflow of cash to acquire business, net of cash acquired		
Purchase consideration	218.6	305.6
Add: Acquisition costs paid	0.1	0.1
Add: Purchase consideration receivable (i)	6.5	9.0
Less: Contingent purchase consideration (ii)	(15.0)	(20.7)
Less: Deferred purchase consideration (ii)	(5.0)	(6.9)
Cash consideration	205.2	287.1
Less: Cash balances acquired	0.1	0.1
Outflow of cash	205.1	287.0

(i) The purchase consideration receivable represents a provisional assessment of working capital true-up.

(ii) As part of the purchase agreement with MetalX LLC, a contingent consideration has been agreed for a maximum gross margin earn out payment of US\$15.0M based on meeting a certain gross margin target for the nine months ending 30 June 2022 and a deferred payment of US\$5.0M.

11 Business combination (continued)

(c) Provisional assets acquired and liabilities assumed

The identifiable net assets recognised on acquisition as set out below are based on provisional assessment of their fair value as the measurement period covers up to 12 months from acquisition date.

	\$M USD
Assets	
Cash	0.1
Inventories	7.8
Property, plant and equipment	75.0
Intangible assets (i)	25.0
Equity investment	0.4
Right-of-use assets	0.5
Deferred tax	0.6
Other assets	0.1
Total assets	109.5
Liabilities	
Other provisions	2.4
Lease liabilities	0.5
Total liabilities	2.9
Total identifiable net assets at fair value	106.6
Goodwill recognised on acquisition (ii)	112.0
Purchase consideration transferred	218.6

(i) The US\$25.0M intangibles represent customer relationships (US\$18.1M) and supplier relationships (US\$6.9M) to be amortised over 15 years.

(ii) Goodwill recognised on acquisition represents the premium paid above the fair value of identifiable net assets acquired. The balance relates to intangible assets acquired as part of the acquisition, which are not separately identifiable. Management has identified the goodwill on the basis of integrating of a major supplier of scrap to the North Star business and providing the Company a crucial presence and expertise in scrap processing.

12 Contingencies

Outstanding legal matters

As announced to the market in August and October 2019, the ACCC commenced civil proceedings against BlueScope and one of its former employees in the Federal Court of Australia in August 2019, alleging contraventions of the Australian competition law cartel provisions. The Commonwealth Director of Public Prosecutions (CDPP) determined not to commence criminal cartel proceedings against either BlueScope or the former employee.

BlueScope has previously conducted an internal investigation in relation to all matters covered in the ACCC's Statement of Claim and remains of the view that neither BlueScope, nor any of its current or former employees referred to in the ACCC's Statement of Claim, engaged in cartel conduct, or attempted to engage in such conduct. The trial of the civil proceedings concluded on 1 November 2021 and judgment is reserved.

There were no other material changes to the contingent assets and liabilities disclosed in the 30 June 2021 financial statements.

13 Earnings per share

(a) Earnings per share

	Consolidated Half-year	
	2021 Cents	2020 Cents
Continuing operations	328.9	64.4
Discontinued operations	0.2	1.2
Total basic earnings per share attributable to the ordinary equity holders of the Company	329.1	65.6

13 Earnings per share (continued)

(b) Diluted earnings per share

	Consolidated Half-year	
	2021 Cents	2020 Cents
Continuing operations attributable to the ordinary equity holders of the Company	326.3	63.8
Discontinued operations	0.2	1.2
Total diluted earnings per share attributable to the ordinary equity holders of the Company	326.5	65.0

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

	Consolidated Half-year	
	2021 \$M	2020 \$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	1,642.4	324.3
Discontinued operations	1.1	6.0
	1,643.5	330.3

(d) Weighted average number of shares used as denominator

	Consolidated Half-year	
	2021 Number	2020 Number
Weighted average number of ordinary shares (Basic)	499,384,977	503,388,699
Adjustments for calculation of diluted earnings per share:		
Weighted average number of share rights	3,930,370	4,788,571
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	503,315,347	508,177,270

(e) Calculation of earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

14 Events occurring after the reporting period

The Board has approved the share buy-back program to be increased to allow up to a further \$700M to be bought over the next 12 months.

Directors' Declaration

BLUESCOPE STEEL LIMITED
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

In the Directors' opinion:

(a) The interim financial statements and notes set out on pages 9 to 28 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 2021 and of its performance for the half-year ended on that date; and

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

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



John Bevan
Chairman



Mark Vassella
Managing Director & CEO

21 February 2022

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 2021, 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, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply 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 2021 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

Ernst & Young
Ernst & Young



Matthew Honey
Partner
Melbourne
21 February 2022



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