



# BlueScope Annual Report

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**2012/13**





# CHAIRMAN'S MESSAGE

FROM GRAHAM KRAEHE AO



Dear Fellow Shareholder,

The 2013 financial year saw a large turnaround for BlueScope as we built on the foundation which was laid in FY2012.

The Company delivered a substantial improvement in financial performance for the 12 months to June 30, with a \$960 million turnaround in reported results. An underlying result of \$30 million net profit after tax was achieved.

Debt at year's end was reduced to \$148 million – a 75% reduction from \$584 million a year earlier (after adjusting for the benefit from the timing of year-end cash flows) – giving us a much more robust balance sheet. The year before net debt was \$1.068 billion.

The turnaround was a result of major initiatives across the Company. Particularly pleasing was the underlying earnings improvement generated by each of our business segments, most notably:

- + The Coated & Industrial Products Australia (CIPA) business has achieved \$150 million in underlying EBITDA for the year, a major improvement of \$300 million on the prior year. This is an outstanding outcome and has been delivered despite continued difficult trading conditions in Australia. This business is now well placed for a lift in Australian domestic demand.
- + Building Products EBIT improved to \$80 million, 57% higher than FY2012. In addition the formation of the NS BlueScope Coated Products Joint Venture with Nippon Steel & Sumitomo Metal Corporation (NSSMC) on 28 March 2013 realised proceeds of US\$571 million. This has delivered a very strong balance sheet and enhances BlueScope's financial flexibility to invest in growth opportunities. The business had a strong performance in FY2013 and good progress is being made to deliver the benefits of working with NSSMC.

## WELL POSITIONED TO GROW

With a strong balance sheet and improved financial flexibility, the Company is well positioned to improve and grow our businesses:

- + The Coated Products joint venture with NSSMC is of great significance and will allow market growth in our South East Asian and North American building products businesses. The JV will focus a new sales effort on major Japanese manufacturers who operate across the region, in the home appliances market.
- + Our market leading Global Building Solutions business has an operating footprint with an efficient cost base, a strong customer base, unique intellectual property and a range of "capital-lite" growth opportunities. Our ability to design and build factories, bulk warehouses and retail stores for Fortune 500 companies is unmatched by any competitor in the world. The Global Building Solutions plant in Xi'an, our fourth in China, and that country's first three-star green industrial building (the highest environmental rating in China), commenced operations in July. It will service customers in the expanding central and western provinces of China and also show-case to customers a new generation of sustainable industrial building solutions.
- + In BlueScope Australia and New Zealand, the business has come a long way in reducing costs and restructuring. It is very well placed for a recovery in domestic demand. As we continue our focus on costs in this tough market, we expect sales revenue and margins may improve should the A\$ continue to be softer than FY2013, and lower interest rates which could lift domestic building and construction activity. In New Zealand, progress is being made on increasing exports of our iron sands minerals, and domestic steel market volumes are improving.
- + In North America, North Star BlueScope Steel continues its constantly good performance and we are investigating opportunities to reduce raw material costs for that very solid business.

## **SAFETY**

We were saddened by the tragic death of a contractor truck driver at BlueScope's Jackson, Tennessee, site in North America in May. BlueScope's overriding priority is safety, and we continue our journey towards zero harm so that all our people return home from work safely. In FY2013, the Company's Lost Time Injury Frequency Rate (LTIFR) was 0.6, that is below one incident for every million hours worked. Our Medically Treated Injury Frequency Rate (MTIFR) was 5.7 per million hours worked.

## **BOARD RENEWAL**

BlueScope has been fortunate to have had a very experienced and capable Board of Directors since the Company was listed on the ASX in 2002. Plans for Board renewal were put on hold to provide stability and experience while we addressed the challenges from the global financial crisis.

But this year we saw the retirement of Diane Grady and Kevin McCann after 10 years of service, and the appointment of two new non-executive directors, Ewen Crouch and Lloyd Jones. Further Board renewal will continue as we evolve into a leading steel solutions company focused on building and construction markets, as well as steel making.

## **REMUNERATION**

In recent years, executive remuneration has been severely constrained, in line with the Company's financial performance. The Board has taken great care to ensure BlueScope's remuneration reflects the actual performance of the business. We have actively consulted with shareholders and sought external advice, resulting in changes that have been well supported by you, our shareholders.

In FY2013 there was a significant turnaround in the Company's performance as a direct result of management delivering the NS BlueScope Coated Products joint venture and the \$300 million year on year improvement in Coated & Industrial Products Australia. The positive response of the market to these initiatives is best reflected in BlueScope's Total Shareholder Return (TSR) being first of all the ASX 100 listed companies.

The key performance indicators (KPI) for the Managing Director & CEO's Short Term Incentive (STI) were clearly communicated to shareholders last year. They were:

KPI 1) Achievement of a major strategic transformational initiative. Result - the creation of the NS BlueScope Coated Products joint venture, ahead of time and realising the targeted value;

KPI 2) Delivery of a positive underlying profit. Result – \$30 million underlying Net Profit After Tax (a \$267 million turnaround);

KPI 3) Top quartile TSR performance relative to the ASX 100. Result – BlueScope topped the list with a 161% increase in shareholder return.

Accordingly a Short Term Incentive award (STI) will be made to the Managing Director & CEO and other Key Management Personnel for their achievements in FY2013. Full details of achievements against objectives are covered in the Remuneration Report. As part of our changed policy, 50% of the award will be held back as restricted shares.

Following a review, the Board has decided not to make any further allocations of retention rights in FY2014. Consequently, other elements of the remuneration structure will be adjusted taking into account the interests of shareholders, executive retention, and market practice. I ask shareholders to consider our approach to remuneration, and look forward to support for this Report.

## **OUTLOOK**

We expect to maintain Company performance and deliver a profitable 1H FY2014 (pre period-end NRV adjustments). However given uncertainty in domestic Australian demand we do not expect a 1H FY2014 outcome better than the 2H FY2013 outcome (subject to spread, FX and market conditions), but we will provide a full update at the AGM in November.

## **THE FUTURE**

We have fought hard to transform our business, and that combined Board, management and employee effort will continue. We are well positioned within our four core businesses to pursue growth opportunities. We have a portfolio with competitive advantages; our strategic partnerships, our unique manufacturing footprint, our network of people, operations, builders and customers around the globe, and our trusted products, service and brands.

The world has been changing. So have we. Your company has a more positive future. We look forward to a time of paying consistent dividends.

I take this opportunity to thank my fellow directors, the senior management team and all BlueScope employees whose efforts have repositioned us to capitalise on that bright future.



**GRAHAM KRAEHE, AO**  
CHAIRMAN



# DIRECTORS' REPORT



## Directors' Report for the year ended 30 June 2013

The Directors of BlueScope Steel Limited ("BlueScope Steel") present their report on the consolidated entity ("BlueScope Steel Group" or "the Company") consisting of BlueScope Steel Limited and its controlled entities for the year ended 30 June 2013.

## OPERATING & FINANCIAL REVIEW

### FINANCIAL RESULTS

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

**TABLE 1: RESULTS SUMMARY**

\$M	Revenue		Reported Result <sup>1</sup>		Underlying Result <sup>2</sup>	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
Sales revenue/EBIT <sup>2</sup>						
Coated & Industrial Products Australia	3,349.4	4,279.6	(44.9)	(725.8)	(20.3)	(327.3)
Building Components & Distribution Aust	1,375.6	1,486.2	(30.4)	(227.3)	(24.8)	(45.9)
New Zealand & Pacific Steel Products	681.0	755.0	42.5	64.7	42.5	68.6
Global Building Solutions	1,363.3	1,446.3	18.4	(6.4)	26.4	32.5
Building Products ASEAN, NA & India	1,635.5	1,643.7	70.5	51.3	79.6	51.2
Hot Rolled Products North America	0.0	0.0	66.7	62.2	66.7	62.2
Discontinued operations	0.0	164.1	(0.4)	38.5	0.0	(0.0)
<b>Segment revenue/EBIT<sup>2</sup></b>	<b>8,404.8</b>	<b>9,774.9</b>	<b>122.4</b>	<b>(742.8)</b>	<b>170.1</b>	<b>(158.7)</b>
Inter-segment eliminations	(1,130.6)	(1,172.2)	(5.9)	3.7	(5.9)	3.7
<b>Segment external revenue/EBIT</b>	<b>7,274.2</b>	<b>8,602.7</b>	<b>116.5</b>	<b>(739.1)</b>	<b>164.2</b>	<b>(155.0)</b>
Other revenue/(net unallocated expenses)	16.1	18.6	(64.8)	(80.8)	(61.5)	(69.4)
<b>Total revenue/EBIT<sup>2</sup></b>	<b>7,290.3</b>	<b>8,621.3</b>	<b>51.7</b>	<b>(819.9)</b>	<b>102.8</b>	<b>(224.3)</b>
Net borrowing costs			(79.3)	(117.3)	(66.2)	(109.0)
Profit/(loss) from ordinary activities before income tax			(27.6)	(937.2)	36.6	(333.3)
Income tax (expense)/benefit			(35.0)	(90.7)	14.6	111.4
Profit/(loss) from ordinary activities after income tax expense			(62.6)	(1,027.9)	51.2	(221.9)
Net (profit)/loss attributable to outside equity interest			(21.5)	(15.6)	(21.5)	(15.6)
<b>Net profit/(loss) attributable to equity holders of BlueScope Steel</b>			<b>(84.1)</b>	<b>(1,043.5)</b>	<b>29.7</b>	<b>(237.5)</b>
Basic earnings per share (cents)			(15.1)	(234.6)	5.3	(53.4)

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

2) References to 'underlying' information are to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011 and the principles provided by the Financial Services Institute of Australasia and the Australian Institute of Company Directors. Non-IFRS financial information, whilst not subject to audit or review, has been extracted from the financial report, which has been subject to audit by our external auditors.

## TABLE 2A: RECONCILIATION OF UNDERLYING EARNINGS TO REPORTED EARNINGS

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

	EBITDA \$M		EBIT \$M		(NLAT) / NPAT \$M		EPS \$ <sup>9</sup>	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
<b>Reported earnings</b>	<b>367.3</b>	<b>(489.1)</b>	<b>51.7</b>	<b>(819.9)</b>	<b>(84.1)</b>	<b>(1,043.5)</b>	<b>(0.15)</b>	<b>(2.35)</b>
<i>Underlying adjustments:</i>								
Net (gains)/losses from businesses discontinued <sup>1</sup>	8.4	(46.1)	8.4	(38.5)	4.2	(3.8)	0.01	(0.01)
Steel Transformation Plan <sup>2</sup>	45.8	(100.0)	45.8	(100.0)	32.1	(70.0)	0.06	(0.16)
Business development and pre-operating costs <sup>3</sup>	2.5	6.7	2.5	6.7	1.8	4.7	0.00	0.01
Asset impairments <sup>4</sup>	0.0	318.6	0.0	318.6	0.0	315.0	0.00	0.71
Restructure and redundancy costs <sup>5</sup>	31.9	412.3	31.9	412.3	20.4	288.4	0.04	0.65
Asset sales <sup>6</sup>	(37.5)	(3.4)	(37.5)	(3.4)	(26.3)	(2.4)	(0.05)	(0.01)
Borrowing amendment fees <sup>7</sup>	0.0	0.0	0.0	0.0	9.2	5.8	0.00	0.01
Tax asset impairment <sup>8</sup>	0.0	0.0	0.0	0.0	72.5	268.3	0.13	0.60
<b>Underlying earnings</b>	<b>418.3</b>	<b>98.9</b>	<b>102.8</b>	<b>(224.3)</b>	<b>29.7</b>	<b>(237.5)</b>	<b>0.05</b>	<b>(0.53)</b>

- 1) FY2013 reflects adjustment to the income tax expense in relation to the sale of Metl-Span and an \$8M (pre-tax) prior period provision adjustment relating to a business discontinued in GBS (not required to be recorded in the financial statements as a discontinued operation). FY2012 reflects pre-tax profit/post tax loss on sale of the Metl-Span business during June 2012, Metl-Span earnings during FY2012 and a foreign exchange translation gain within the Lysaght Taiwan business.
- 2) FY2013 reflects the inclusion in underlying earnings of the previously received Australian Government Steel Transformation Plan (STP) advance to align with the carbon costs which are now being incurred at CIPA. FY2012 reflects the exclusion from underlying earnings the receipt of \$100M (pre-tax) advance under the STP.
- 3) FY2013 and FY2012 reflects Corporate business development costs.
- 4) FY2012 reflects non-current asset impairments in the Australian business comprising Distribution goodwill (\$157M pre-tax), CIPA fixed assets (\$136M pre-tax), Lysaght goodwill (\$10M pre-tax) and BlueScope Water and BlueScope Buildings goodwill and fixed assets (\$11M pre-tax) due to a slower recovery in the domestic demand than previously expected and a higher discount rate applied to expected future cash flows as a result of increased volatility in equity markets. In addition, there were impairment of assets in GBS North America (\$4M pre-tax) associated with restructuring.
- 5) FY2013 reflects staff redundancies and restructuring costs at CIPA (\$16M pre-tax) mainly in relation to rationalising production levels at Western Port, BP (\$9M pre-tax), BCDA (\$6M pre-tax) and Corporate (\$1M pre-tax). FY2012 reflects staff redundancies and restructuring costs at CIPA (\$363M pre-tax), in relation to the move to a one blast furnace operation at Port Kembla Steelworks; BCDA (\$14M pre-tax); GBS North America (\$23M pre-tax); BP North America (\$3M pre-tax); NZPac (\$4M pre-tax); and Corporate (\$5M pre-tax).
- 6) FY2013 reflects profit on sale of a previously unrecognised intangible asset at CIPA (\$38M pre-tax).
- 7) FY2013 reflects make-whole payment associated with buy-back of remaining U.S. Private Placement Notes. FY2012 reflects the costs associated with restructuring existing financing facilities following the decision to move to a one blast furnace operation at Port Kembla Steelworks.
- 8) FY2013 and FY2012 reflects impairment of Australian deferred tax assets generated during each respective period.
- 9) Earnings per share is based on the average number of shares on issue during the respective reporting periods, ie. 558.2M in FY2013 vs. 444.8M in FY2012. (In accordance with AASB 133 the earnings per share calculations have been restated for the share consolidation undertaken in December 2012, resulting in the number of shares on issue at that time reducing from 3.35 billion to 558 million (adjusted by a division of six, being the conversion of every six shares in the Company into one ordinary share in the Company). The comparative period has been restated on a similar basis).

## TABLE 2B: UNDERLYING EBIT ADJUSTMENTS TO FY2013 REPORTED SEGMENT RESULTS

FY2013 underlying EBIT adjustments \$M	CIPA	BCDA	NZPac	HRPNA	GBS	BP	Corp	Disc Ops	Total
Net (gains)/losses from businesses discontinued	0.0	0.0	0.0	0.0	8.0	0.0	0.0	0.4	<b>8.4</b>
Steel Transformation Plan	45.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>45.8</b>
Business development and pre-operating costs	0.0	0.0	0.0	0.0	0.0	0.0	2.5	0.0	<b>2.5</b>
Asset sales	(37.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>(37.5)</b>
Restructure and redundancy costs	16.3	5.6	0.0	0.0	0.0	9.1	0.9	0.0	<b>31.9</b>
<b>Underlying adjustments</b>	<b>24.6</b>	<b>5.6</b>	<b>0.0</b>	<b>0.0</b>	<b>8.0</b>	<b>9.1</b>	<b>3.4</b>	<b>0.4</b>	<b>51.1</b>

## GROUP-LEVEL MANAGEMENT DISCUSSION & ANALYSIS FOR FY2013 VS FY2012

### BLUESCOPE'S OPERATIONS AND SIGNIFICANT CHANGES

BlueScope is a flat steel producer for the domestic Australian, New Zealand and U.S. markets, and is a leading international supplier of steel products and solutions principally focused on the global building and construction markets.

BlueScope is Australia's largest steel manufacturer by volume, and New Zealand's sole flat steel producer. BlueScope's vertically integrated operations for flat steel products in Australia and New Zealand produce steel slab, hot rolled coil, cold rolled coil, steel plate and value-added metallic coated and painted products. BlueScope enjoys strong market shares in many of the Australian and New Zealand sectors in which it operates, serving customers in the building and construction, manufacturing, automotive and transport, agricultural and mining industries. BlueScope's flat steel products are sold directly to customers from the Coated & Industrial Products Australia (CIPA) segment and by the Building Components & Distribution Australia (BCDA) segment through a national network of service centres and steel distribution sites throughout Australia.

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

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

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

BlueScope is a 50% joint venture partner in the North Star BlueScope Steel (NSBSL) mini-mill located in Delta, Ohio. NSBSL is strategically located in one of the largest scrap markets of North America and is a low cost regional supplier of hot rolled coil. The venture is jointly controlled and therefore equity accounted.

The following major changes to BlueScope's operations occurred during the period:

- On 1 July 2012, BlueScope reorganised its management structure to focus on growth in the global EBS market and building products market. BlueScope Global Building Solutions (GBS) comprises the Company's North American EBS businesses, the entire China business and all EBS businesses in ASEAN. BlueScope Building Products (BP) comprises the Company's metal coating, painting and roll-forming businesses in ASEAN, North America and India. Changes to its external

reporting segments first applied in respect of the half-year ending 31 December 2012.

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

### FINANCIAL PERFORMANCE

#### Total revenue

The \$1,331.0M (15%) decrease in group total revenue principally reflects:

- lower export volumes following the closure of No. 6 Blast Furnace and lower domestic volumes, predominantly HRC and plate, driven by increased import competition and lower activity levels, at CIPA
- lower international and domestic steel prices across all segments
- disposal of Metl-Span during FY2012
- reduced volumes at BCDA arising from increased import competition and continued tough trading conditions and at GBS, particularly in Buildings Asia. Partly offset by improved volumes in the BP segment, mainly Indonesia, Thailand and Steelscape. These were partly offset by a favourable product mix at CIPA.

#### EBIT performance

The \$327.1M increase in underlying EBIT on FY2012 reflects:

- \$89.3M improvement in spread, comprised of:
  - \$461.6M benefit from lower raw material costs, in large part due to lower coal and iron ore purchase prices combined with favourable iron ore feed mix at CIPA, together with lower steel feed costs at BP, GBS and BCDA
  - \$372.3M unfavourable movement in steel prices, with lower international and domestic steel prices across all segments
- \$144.3M contribution from sales volumes and product mix, due to:
  - a decrease in loss making export volumes partly offset by lower domestic volumes (predominantly HRC and plate) mainly driven by increased import competition and lower activity levels, at CIPA
  - favourable product mix at CIPA with a higher proportion of domestic painted sales and lower export slab sales
- \$84.5M favourable movement in costs, driven by:
  - \$223.1M cost improvement initiatives from lower labour including contractors, repairs and maintenance, operational, overhead and discretionary costs
  - \$91.1M cost escalation from utilities, employment, consumables and other costs
  - \$41.8M higher one-off and discretionary costs:
    - higher per unit fixed conversion costs as a result of restructuring to reduce production volumes at CIPA
    - partly offset by favourable adjustment to the provision for workers compensation following an agreement with an insurance provider relating to a workers compensation insurance policy at CIPA
  - \$5.7M unfavourable movement in other costs
- \$4.5M favourable impact from exchange rate movements



- \$5.4M benefit from NSBSL (equity accounted)
- \$0.9M unfavourable movement in other items.

The \$871.8M increase in reported EBIT on FY2012 reflects the movement in underlying EBIT discussed above and \$544.7M of favourable year-on-year underlying adjustments explained in Tables 2A and 2B.

#### Finance costs

The \$37.5M decrease in finance costs compared to FY2012 was largely due to a \$416.9M decrease in average gross borrowings to \$812.8M and a lower average cost of drawn debt (5.2% for FY2013, 7.1% for FY2012) combined with one-off costs in FY2012 associated with restructuring existing financing facilities (\$8.3M). FY2013 includes \$13.1M one-off costs associated with buy-back of the remaining U.S. Private Placement Notes and issuance of US\$300M of unsecured notes.

#### Tax

Net tax expense of \$35.0M (FY2012 \$90.7M) includes a net \$55.8M impairment of an Australian deferred tax asset arising from tax losses generated during the period with \$72.5M allocated to tax expense and a \$16.7M credit allocated to retained earnings (related to defined benefit superannuation fund actuarial adjustments).

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

#### Dividend

The Directors did not declare a final dividend for FY2013.

### FINANCIAL POSITION

#### Net assets

Net assets increased \$681.5M to \$4,460.3M at 30 June 2013 from \$3,778.8M at 30 June 2012, primarily driven by:

- \$102.6M increase in the value of receivables principally due to recognition of a \$83.0M receivable in respect of the remaining portion of the Steel Transformation Plan (STP) grant to be received (a corresponding deferred income liability has been recorded)
- \$124.0M increase in the carrying value of property, plant and equipment mainly from capital expenditure additions of \$325.8M (primarily China Xi'an project \$45.9M, preparations for Next Generation ZINCALUME® steel \$29.0M and Air Separation Unit finance lease asset at NZPac \$26.3M) and \$108.5M exchange fluctuation gains due to a weaker AUD offset by depreciation expense of \$287.6M
- \$64.0M decline in current tax liabilities including payment of tax in relation to the sale of Metl-Span
- \$142.2M increase in deferred income primarily due to, recording of the remaining \$83.0M of STP grant, \$18.8M of emissions-intensive, trade-exposed (EITE) carbon permits issued in advance under the Australian carbon pricing mechanism and \$40.4M increase in income received in advance for construction contracts and product ordered
- \$215.0M decline in retirement benefits obligation liability arising primarily from \$196.2M of actuarial gain mainly from an increase in discount rates and higher than expected asset returns

- \$235.6M decrease in net debt to \$148.4M mainly driven by the successful establishment of the NS Coated Products Joint Venture and movements in the items above.

#### Funding

During the period, BlueScope fully repurchased its U.S. Private Placement Notes for US\$236.6M, including US\$17.0M of accrued interest and make-whole fees. The repurchases were funded in U.S. dollars using existing undrawn lines under the Company's Syndicated Bank Facility.

The Company diversified its funding sources and extended its average debt maturity through the issue of US\$300M of five-year senior unsecured notes under Rule 144a. The notes were issued on 16 April 2013 with an annual interest rate of 7.125%.

Committed available undrawn capacity at 30 June 2013 under bank debt facilities (\$1,062.3M), plus cash (\$513.7M) was \$1,576.0M (\$1,583.3M at 30 June 2012).

### MATTERS SUBSEQUENT TO THE YEAR ENDED 30 JUNE 2013

#### Agreement to acquire Orrcon and Fielders from Hills Holdings Limited

On 19 August 2013 BlueScope announced it has agreed to acquire two businesses from Hills Holdings Limited: Orrcon, a pipe and tube manufacturer and distributor, and Fielders, a building products business.

BlueScope will acquire Orrcon and Fielders for a combined purchase price of \$87.5 million, which largely represents the working capital embedded in the respective businesses, and expects to incur net integration costs of \$15 million.

Following integration, in FY2015 the acquisitions are expected to exceed BlueScope's return on capital hurdle and be EPS accretive.

These businesses are close to BlueScope's core Australian operations. The Company's objective is to improve the efficiency with which it can serve Australian customers by further lowering costs through the integration of these businesses with its existing operations.

These acquisitions are subject to Australian Competition and Consumer Commission approval and typical conditions precedent. Completion of the acquisitions is targeted for the end of the December 2013 quarter.

#### 1H FY2014 OUTLOOK

We expect to maintain Company performance and deliver a profitable 1H FY2014 (pre period-end NRV adjustments), however given uncertainty in domestic Australian demand we do not expect a 1H FY2014 outcome better than the 2H FY2013 outcome (subject to spread, FX and market conditions).

### BUSINESS STRATEGIES AND PROSPECTS

BlueScope's overall strategy is to increase its position as a leading international supplier of steel products and solutions principally focused on the global building and construction markets, while generating maximum value from existing flat steel operations in Australia, New Zealand and North America.

BlueScope has developed a number of specific business strategies as part of its overall strategy. These are:

- *Maintain leading market positions in Australia and New Zealand while improving profitability of its integrated flat steel operations.* BlueScope's broad objective in both the Australian and New Zealand markets is to improve profitability by maintaining its current market shares and reducing its cost base, while continuing to develop innovative products and services and enhanced customer relationships. The business is continually looking to serve the market more effectively and efficiently, which may include small acquisitions close to its existing core operations.
- *Accelerate growth in engineered building solutions.* BlueScope seeks to build on its position as a leading global supplier of EBSs, with a value proposition that is based on design capability, product innovation, speed of construction, low total cost of ownership and global delivery capability.
- *Grow leading position and enhance profitability in metal coated and painted steel building products.* BlueScope seeks to grow across Asia-Pacific with a portfolio of highly competitive, locally manufactured premium sustainable products.
- *Exploit growth opportunities in the North American hot rolled products business.* BlueScope seeks to maintain profitability with low cost, highly flexible operations and a strong focus on customer relations, and to continue to explore brownfield expansion opportunities to grow earnings.
- *Maintain a strong balance sheet.* BlueScope seeks to manage liquidity through the economic cycle and support profitable growth initiatives.

#### Future prospects and risks

BlueScope's financial performance since the global financial crisis in FY2009 has been impacted by slower demand for its products in Australia and North America, higher raw material costs without a corresponding increase in global commodity steel prices, and a stronger Australian dollar. These factors are outside BlueScope's control. However, the Company has undertaken significant restructuring and other initiatives in recent years across all its operating segments to return BlueScope to an underlying profit in FY2013.

BlueScope has regard to a number of recognised external forecasters when assessing possible future operating and market conditions. These forecasters expect a modest improvement in the key drivers impacting our Australian business in the next 12 months, but in the longer term forecast a continued strengthening of the U.S. dollar relative to the Australian dollar, lowering of iron ore and coal raw material costs relative to global commodity steel prices and an increase in domestic demand for steel products. In addition, recognised external forecasters expect an improvement in non-residential building and construction activity in North America.

The Company's strategies take into account these expected operating and market conditions. However, predicting future operating and market conditions is inherently uncertain. If these estimates are ultimately inaccurate, including as to timing and degree of improvement, BlueScope may not be able to effectively implement its contemplated strategies and its financial prospects may be adversely impacted.

BlueScope is also exposed to a range of market, operational, financial, cultural and governance risks common to a multinational company. The Company has risk management and internal control systems to manage material business risks.

The nature and potential impact of risks change over time. There are various risks that could impact the achievement of BlueScope's strategies and financial prospects. These include, but are not limited to:

#### (a) *Continuing weak economic conditions or another economic downturn.*

The global financial crisis in FY2009 caused a reduction in worldwide demand for steel, and the subsequent recovery has been slow and uncertain. Although the global economy has improved to some extent since FY2009, there is no assurance that this trend will continue. Another economic downturn in developed economies or significantly slower growth in emerging economies could have a material adverse effect on the global steel industry which may affect demand for the Company's products and financial prospects.

#### (b) *A significant cyclical or permanent downturn in the industries in which the Company operates.*

The Company's financial prospects are sensitive to the level of activity in a number of industries, but principally the building, construction and manufacturing industries. These industries are cyclical in nature with the timing, extent and duration of these economic cycles unpredictable. Because many of the Company's costs are fixed, it may not readily be able to reduce its costs in proportion to an economic downturn and therefore any significant, extended or permanent downturn could negatively affect the Company's financial prospects, as would the permanent closure of significant manufacturing operations in response to a sustained weak economic outlook or loss of key customer relationships.

#### (c) *Declines in the price of steel, or any significant and sustained increase in the price of raw materials in the absence of corresponding steel price increases.*

The Company's financial prospects are sensitive to the long-term price trajectory of international steel products and key raw material prices. A significant and sustained increase in the price of raw materials, in particular iron ore and coking coal, with no corresponding increase in steel prices, would have an adverse impact on the Company's financial prospects. A decline in the price of steel with no corresponding decrease in the price of raw materials would have the same affect.

In addition to these long-term trends, the price of raw materials and steel products can fluctuate significantly in a reasonably short period of time affecting the Company's short-term financial performance. In particular this relates to commodity products such as slab, plate, hot rolled coil, cold rolled coil, and some metallic coated steel products.

#### (d) *The Company is exposed to the effects of exchange rate fluctuations.*

The Company's financial prospects are sensitive to foreign exchange rate movements, in particular the Australian dollar relative to the U.S. dollar. A strengthening of the Australian dollar relative to the U.S. dollar could have an adverse effect on the Company. This is because:

- export sales are typically denominated in U.S. dollars, offset in part by a significant amount of raw material purchases being denominated in U.S. dollars
- a strong Australian dollar makes imported steel products less expensive to Australian customers, potentially resulting in more imports of steel products into Australia
- a strong Australian dollar affects the pricing of steel products in some Australian market segments where pricing is linked to international steel prices
- earnings from its international businesses must be translated into Australian dollars for financial reporting purposes.

(e) *Competition from other materials and from other steel producers could significantly reduce market prices and demand for the Company's products.*

In many applications, steel competes with other materials such as aluminium, concrete, composites, plastic and wood. Improvements in the technology, production, pricing or acceptance of these competitive materials relative to steel could result in a loss of market share or margins.

In addition, the Company faces competition from imports into most of the countries in which it operates. Increases in steel imports could negatively impact demand for or pricing of the Company's products. If the Company is unable to maintain its current market position or to develop new channels to market for its existing product range, its financial prospects could be adversely impacted.

Other risks that could affect BlueScope include:

- not being able to realise or sustain expected benefits of internal restructuring, project developments, joint ventures or future acquisitions
- significant asset impairment, particularly if weak market conditions persist
- an inability to maintain, extend or renew key raw material, operational services and funding on favourable terms relative to our competitors
- a major operational failure or disruption

- changing government regulation including environmental, greenhouse gas emissions, tax, occupational health and safety, and trade restrictions in each of the countries in which we operate
- potential legal claims, including the existing dispute with the Australian Taxation Office in relation to a sale and leaseback transaction entered into by the Company in 2007
- loss of key Board, management or operational personnel
- substantial Company contributions to its employees' defined benefit funds, which are currently underfunded
- industrial disputes with unions that disrupt operations.

This document sets out information on the business strategies and prospects for future financial years, and refers to likely developments in BlueScope's operations and the expected results of those operations in future financial years. This information is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of BlueScope. Detail that could give rise to likely material detriment to BlueScope, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included. Other than the information set out in this document, information about other likely developments in BlueScope's operations in future financial years has not been included.

## BUSINESS UNIT REVIEWS

### BLUESCOPE AUSTRALIA & NEW ZEALAND

#### COATED & INDUSTRIAL PRODUCTS AUSTRALIA

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

#### KEY FINANCIAL & OPERATIONAL MEASURES

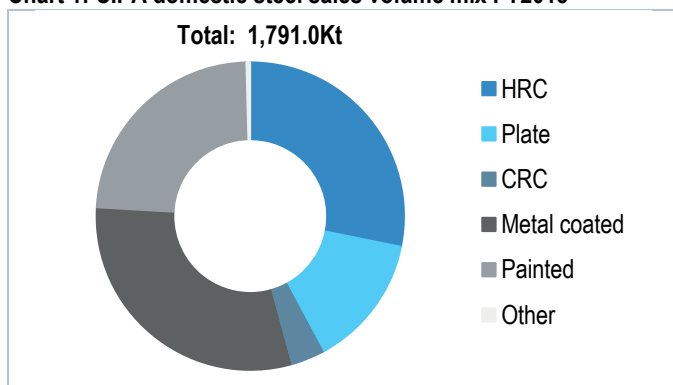
Table 3: Segment financial performance

\$M	FY2013	FY2012	Var %	2H FY2013
Sales revenue	3,349.4	4,279.6	(22%)	1,681.5
Reported EBIT	(44.9)	(725.8)	94%	(52.3)
Underlying EBIT	(20.3)	(327.3)	94%	(14.7)
NOA (pre tax)	2,067.5	2,003.3	3%	2,067.5

Table 4: Steel sales volume

'000 tonnes	FY2013	FY2012	Var %	2H FY2013
Domestic	1,791.0	1,990.6	(10%)	888.4
Export	823.9	1,553.6	(47%)	478.6
<b>Total</b>	<b>2,614.9</b>	<b>3,544.2</b>	<b>(26%)</b>	<b>1,367.0</b>

Chart 1: CIPA domestic steel sales volume mix FY2013



#### FINANCIAL PERFORMANCE – FY2013 VS. FY2012

##### Sales revenue

The \$930.2M decrease in sales revenue is primarily due to:

- lower export volumes following the closure of No. 6 Blast Furnace
- lower domestic volumes (predominantly HRC and plate, driven mainly by increased import competition and lower activity levels)
- lower global steel prices and flow-on impact to domestic prices.

These were partly offset by an improved mix with a higher proportion of domestic painted sales and lower export slab sales.

##### EBIT performance

The \$307.0M increase in underlying EBIT was largely due to:

- improved spread driven by lower coal and iron ore purchase prices combined with favourable iron ore feed mix, but partly offset by lower global steel prices and flow-on impact to

domestic prices combined with increased competition from imports

- a decrease in loss making export volumes
- one-off \$36.6M favourable adjustment to the provision for workers compensation following an agreement with an insurance provider relating to a workers compensation insurance policy
- continued delivery of cost improvement initiatives combined with tight control of spend rates.

These were partly offset by:

- higher per unit costs due to fixed conversion costs spread over lower production volumes as a result of the move to single blast furnace operations in October 2011
- lower domestic volumes, predominantly HRC and plate, driven by increased import competition and lower demand levels in the Australian economy.

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

#### FINANCIAL POSITION

Net operating assets were 3% higher than at 30 June 2012 primarily due to a decrease in the defined benefits superannuation provision driven mainly by actuarial adjustments and fewer members following business restructuring.

#### MARKETS AND OPERATIONS

##### Direct sales to Australian building sector

- Sales volume within the domestic building sector declined 17kt to 616kt in FY2013 compared to 633kt in FY2012.
- Conditions within both residential and non-residential construction continue to remain challenging:
  - Residential: Whilst positive trends are emerging in both housing finance and new building approvals data, the loss of first home buyer incentives and constrained confidence appear to be dragging on the market.
  - Non-residential: Activity remains constrained by lack of investor confidence and funding availability. The Australian Industry Group's Performance of Construction index remained very weak over the course of FY2013, averaging around 36 points (unchanged from FY2012).
- BlueScope maintained market share for its painted and non-painted metallic coated steel products.
- Average pricing for non-painted metallic coated products declined compared to FY2012, largely due to weaker global steel prices and increased competition from imports.
- Pricing of COLORBOND® steel increased 4% in October 2012.

##### Sales to Distributors and direct non-building sector customers

- Sales volumes to distributors and non-building sector customers declined 180kt to 1,169kt in FY2013 compared to 1,350kt in FY2012.
- Pipe and tube industry customers have been impacted by weak market conditions in the structural pipe market, with closures in both the oil & gas and precision tube segments, combined with low project activity.
- Slowing demand growth for Australian commodities (including from China) and cost containment by the major mining companies is seeing a slowing in mining investment and therefore sales to this end-use segment.



- Sales to manufacturing and automotive industry customers have continued to be impacted by soft domestic consumer demand as well as reduced competitiveness due to the relatively strong Australian dollar and rising conversion costs. The Australian Industry Group's Performance of Manufacturing index remained very weak over the course of FY2013, averaging around 43 points (down 3 points from FY2012).
- Distribution customers maintained low to moderate inventory levels throughout FY2013 due to volatility in prices and market conditions with volume growth weakened by slowing investment in the mining, engineering construction, residential construction and automotive industries.
- Intense import competition (particularly in plate products) continued in FY2013, driven by the high Australian dollar and low global demand for steel products. BlueScope maintained relative price competitiveness to defend against market share loss.
- Average pricing for industrial products declined compared to FY2012 largely due to soft global steel prices and increased competition from imports.

#### Export markets

- Despatches to export market customers in FY2013 of 0.82Mt (~75% uncoated flat products / ~25% coated products) were significantly lower than the 1.55Mt in FY2012 following the closure of No.6 Blast Furnace in October 2011.
- Prices in FY2013 softened compared to FY2012 as continued global uncertainty fuelled weaker steel demand, declines in raw material prices and steel over-capacity worldwide.

#### Anti-dumping cases

In the past 18 months, BlueScope has filed applications to the Australian Anti-Dumping Commission (ADC, formerly part of Customs) concerning dumping and countervailing subsidisation of steel imported into Australia, which has caused financial injury to BlueScope. In each case, ADC investigations have supported BlueScope's claims that dumping and subsidisation of imports has occurred. Status of each application is as follows:

- Hot rolled coil: In October 2012, the ADC announced provisional dumping duties for Japan, Korea, Malaysia and Taiwan. The final determination was released by the Minister on 19 December 2012, confirming there had been dumping by all countries investigated, with margins ranging between 3% and 15%. Following a further review, in July 2013 the ADC announced changes to further strengthen an element of duty calculation.
- Zinc coated and aluminium zinc coated steel: In February 2013 Customs put in place provisional duties ranging between 3% and 61% on dumping from Korea, China and Taiwan. The ADC has also put in place countervailing duties (which are not additive to dumping duties) of between 0% to 24% on imports from China. The Attorney General released his final determination on both dumping and countervailing in August 2013, confirming interim duties.
- Plate: In July 2013 the ADC put in place provisional duties ranging between 9% and 26% on certain exports from Korea, China, Indonesia and Japan. A China mill supplying 'other alloy steel', Taiwan and two large volume Korean mills have found not to be dumping at this stage. The ADC is to deliver a final recommendation on duties to the Minister by mid-October 2013.

#### Operations

- To enable manufacturing of our new Next Generation ZINCALUME® steel with Activate™ technology, metal coating lines No.1 and No.3 at Port Kembla underwent equipment upgrades. This technology forms the platform for manufacturing of the next generation of coated steel products that commenced in 2H FY2013.
- In March 2013, cold rolling, metal coated and painted steel production was reconfigured. This has resulted in a decrease to production levels at Western Port, while still allowing for additional throughput when demand improves. Some 110 employees and 60 contractors located at Western Port left the business. The cash cost to implement this change was \$17M, which will be recovered within one year through ongoing improvements to the operating cost base.
- Changes to iron ore supply arrangements:
  - The Grange Resources contract for the supply of iron ore pellets concluded in November 2012.
  - 126Kt of iron sands was supplied to the Port Kembla Steelworks from New Zealand Steel during FY2013.
- Enterprise bargaining agreement negotiations:
  - Western Port agreement completed in August 2012, applicable until expiry on 31 October 2014.
  - Port Kembla and Springhill agreement approved by employees in June 2013. Agreement awaiting procedural Fair Work Australia approval.



## BUILDING COMPONENTS & DISTRIBUTION AUST

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

### KEY FINANCIAL & OPERATIONAL MEASURES

Table 5: Segment performance

\$M unless marked	FY2013	FY2012	Var %	2H FY2013
Sales revenue	1,375.6	1,486.2	(7%)	655.2
Reported EBIT	(30.4)	(227.3)	87%	(20.2)
Underlying EBIT	(24.8)	(45.9)	46%	(18.0)
NOA (pre-tax)	322.5	328.8	(2%)	322.5
Despatches	712.9kt	757.6kt	(6%)	348.4kt

### FINANCIAL PERFORMANCE – FY2013 VS. FY2012

#### Sales revenue

The \$110.6M decrease in sales revenue was mainly due to reduced volumes arising from increased imports and continued tough trading conditions combined with the adverse price impact of lower global steel prices and import competition.

#### EBIT performance

The \$21.1M improvement in underlying EBIT was largely due to:

- improved margin due to lower steel feed costs partly offset by lower average selling prices
- cost benefits realised from the Distribution site restructure and ongoing tight control over discretionary spending.

These were partly offset by decreased volumes driven by increased import competition and continued tough trading conditions.

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

### FINANCIAL POSITION

Net operating assets decreased \$6.3M to \$322.5M at 30 June 2013.

### MARKETS AND OPERATIONS

#### BlueScope Distribution

- Following the restructure announced in FY2012, further restructuring was implemented in FY2013:
  - An additional three branches rationalised in 1H FY2013.
  - Further branch closure in 2H FY2013.
  - Permanent overhead reductions.
- Volumes were down approximately 5% on FY2012 (normalised for closed/sold branches) with the most significant driver being the continued difficult trading environment.
- Activity in key end-use sectors was weaker:
  - Engineering construction activity contraction largely driven by tight credit conditions and shortage of tender opportunities.
  - Residential and non-residential construction activity was also weaker year on year due to ongoing economic uncertainty, tight credit conditions, weak consumer confidence and uncertainty on interest rate movements.
  - The relatively high Australian dollar, strong import competition (both of steel and prefabricated goods) and

weak global demand has contributed to subdued demand in the manufacturing and transport sectors.

- The pricing and gross margin environment remained very competitive, particularly against the backdrop of falling economic activity.

#### BlueScope Lysaght

- Sales volumes were higher in FY2013 than FY2012 by approximately 2%. Volumes in 2H FY2013 were lower than 1H FY2013 by approximately 10% largely reflecting seasonal factors.
- Overall building market conditions remained soft with persistently low levels of investment despite further monetary policy easing.
- Residential building activity levels continued to exhibit weakness, with a recent modest improvement in the leading indicators of housing finance and building approvals yet to translate into construction activity.
- Commercial construction similarly remained subdued and continued to be adversely impacted by a lack of business confidence, tight credit conditions and economic and political uncertainty.
- Business improvement initiatives have been instigated to mitigate the impact of market conditions, including product portfolio enhancements and site rationalisation activities progressed in New South Wales, Queensland, Victoria and Tasmania.

## NEW ZEALAND AND PACIFIC STEEL PRODUCTS

New Zealand Steel is the only fully integrated flat steel producer in New Zealand, producing slab, hot rolled coil and value added coated and painted products for both domestic and export markets across the Pacific Region. Operations include the manufacture and distribution of the LYSAGHT® range of products in Fiji, New Caledonia and Vanuatu.

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

### KEY FINANCIAL & OPERATIONAL MEASURES

Table 6: Segment financial performance

\$M	FY2013	FY2012	Var %	2H FY2013
Sales revenue	681.0	755.0	(10%)	362.1
Reported EBIT	42.5	64.7	(34%)	40.5
Underlying EBIT	42.5	68.6	(38%)	40.5
NOA (pre-tax)	466.8	296.2	58%	466.8

Table 7: Sales volume

'000 tonnes	FY2013	FY2012	Var %	2H FY2013
Domestic steel	254.9	247.2	3%	130.2
Export steel	323.1	333.2	(3%)	186.7
<b>Total steel</b>	<b>578.0</b>	<b>580.4</b>	<b>(0%)</b>	<b>316.9</b>
<b>Export iron sand</b>	<b>1,701.4</b>	<b>1,140.8</b>	<b>49%</b>	<b>870.1</b>

### FINANCIAL PERFORMANCE – FY2013 VS. FY2012

#### Sales revenue

The \$74.0M decrease in sales revenue was primarily due to lower international and domestic selling prices and an adverse destination mix to a higher proportion of export despatches.

#### EBIT performance

The \$26.1M decrease in underlying EBIT was largely due to:

- lower iron sands prices in line with global iron ore prices
- reduced spread driven by:
  - lower international prices combined with the flow-on impact to domestic prices combined with a stronger NZ\$
  - partly offset by lower coal purchase prices.

These were partly offset by:

- higher iron sands export volumes driven by the receipt of the new Taharoa Destiny vessel and Waikato North Head commencing exports in 2H FY2012
- improved fixed cost recoveries from higher production volumes
- lower conversion and other costs driven by tight control of spend.

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

### FINANCIAL POSITION

Net operating assets were \$170.6M higher than at 30 June 2012 primarily due to lower provisions in relation to defined benefits

superannuation fund and capital expenditure including finance lease assets.

### MARKETS & OPERATIONS

#### Domestic sales

- Domestic residential building activity has picked up in 2H FY2013, especially in Auckland and Canterbury (Christchurch and surrounding districts). This was reflected in increased sales of coated steel.
- The weak US\$ has impacted domestic prices.
- Agricultural investment remains subdued as farmers continue to reduce debt. The recent drought will impact new investment over the next year.

#### Export sales

- Export steel despatch volumes were similar to FY2012 with export prices down nearly 14% due to low global pricing and the weakness of the US\$.
- Iron sands exports from Taharoa and Waikato North Head of 1.71Mt, a 49% increase on FY2012 due to larger capacity on the new Taharoa Destiny vessel, and increased despatches from Waikato North Head.
- Iron sand prices were down on FY2012 consistent with the decrease in global iron ore pricing.
- Export iron sands expansion:
  - The land-side investment in iron sands mining capacity expansion at Taharoa is on track for completion around the end of CY2013.
  - Increased production off-take is intended to be transported via a customer owned second vessel, for which delivery has been delayed until during CY2015.
  - Once expansion is complete, and prior to delivery of a second vessel, BlueScope expects to tranship some incremental volume via Port Kembla harbour.

## BUILDING PRODUCTS ASEAN, NORTH AMERICA & INDIA

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

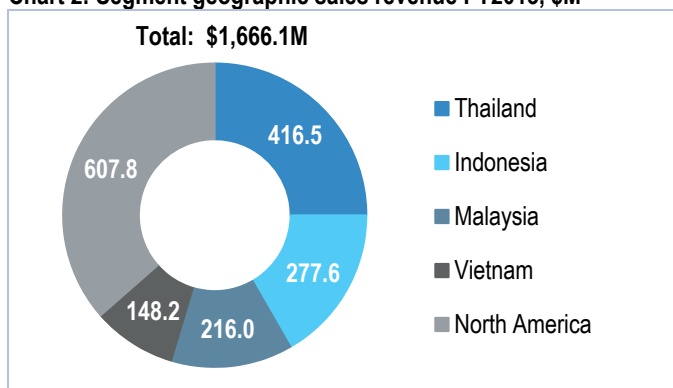
The Company has an extensive footprint of metallic coating, painting and steel building product operations in China, India, Indonesia, Thailand, Vietnam, Malaysia and North America primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential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

### KEY FINANCIAL & OPERATIONAL MEASURES

Table 8: Segment performance

\$M unless marked	FY2013	FY2012	Var %	2H FY2013
Sales revenue	1,635.5	1,643.7	(1%)	835.1
Reported EBIT	70.5	51.3	37%	39.1
Underlying EBIT	79.6	51.2	55%	48.2
NOA (pre-tax)	936.0	870.3	8%	936.0
Despatches	1,344.0kt	1,256.5kt	7%	687.4kt

Chart 2: Segment geographic sales revenue FY2013, \$M<sup>1</sup>



1) Chart does not include \$30.6M of eliminations (which balances back to total segment revenue of \$1,635.5M). Chart also does not show India, which is equity accounted.

### FINANCIAL PERFORMANCE – FY2013 VS. FY2012

#### Sales revenue

The \$8.2M decrease in sales revenue was mainly due to lower pricing across all regions, partly offset by higher despatch volumes in all regions except Malaysia and favourable foreign exchange rate impacts mainly in Thailand.

#### EBIT performance

The \$28.4M improvement in underlying EBIT was largely due to:

- higher spreads with lower steel feed costs partly offset by lower selling prices

- higher volumes and improved mix predominantly from Thailand recovering from the impact of floods in 1H FY2012.
- favourable impact from exchange rate movements, particularly Thailand.

Partly offset by:

- higher marketing costs in Thailand and Vietnam delivering volume growth
- higher conversion and other costs in Malaysia driven by project costs, repairs and maintenance and staff costs and conversion costs in Thailand driven by utility rates and staff costs.

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

### FINANCIAL POSITION

Net operating assets increased \$65.7M since 30 June 2012 primarily reflecting higher inventory holdings mainly at Thailand, Indonesia and Steelscape and capital expenditure during the year partly offset by higher creditors.

### MARKETS AND OPERATIONS

#### Thailand (BST)

- Domestic steel demand has remained robust and stable, underpinned by continued political stability, local and foreign investment in factories and warehouses, and infrastructure development from Government in rail, road and water management as result of floods in 1H FY2012.
- FY2013 total despatch volume was stronger than FY2012 driven by increased marketing efforts, product innovation and improved domestic demand. In addition, FY2012 was adversely impacted by severe flooding in Thailand.
- Demand in the market segments was varied:
  - Industrial and commercial demand peaked in January – March (high “dry” season in Thailand), driving strong despatch volumes and favourable mix of premium products but has slowed down post the Songkran festival in April, entering the low, rainy season. Competition continues to increase with new domestic painted and coated suppliers commencing operations in the last quarter of FY2013 and aggressively pursuing market share. In addition low priced import volumes particularly from China and Vietnam have continued to grow in 2H FY2013 resulting in a highly competitive environment dynamic entering FY2014.
  - Volumes to the residential segment in Northern Thailand continue to grow steadily as overall wealth continues to increase in the emerging Thai middle class driving improved living standards and housing development. However competition is also strong in these regional and rural areas both from imported steel and a mature cement tile market.
- A stronger FY2013 EBIT performance was achieved through several successful initiatives in sales, marketing and operations:
  - customer loyalty programs
  - strong focus on specification in Industrial and Commercial segment (with architects, contractors and designers) to grow premium sales
  - new product distributor programs aimed at combating import competition, particularly in the residential segments and Northern Thailand region
  - launch of new painted products focused on residential segments supported by strong marketing and advertising campaigns to drive brand awareness

- minimising cost expansion in manufacturing costs, operational cost saving through energy re-use initiatives and sourcing competitively priced raw materials.

#### **Vietnam (BSV)**

- Despatch volume growth has been achieved mainly in the residential channel, while industrial and commercial demand was comparatively soft given prevailing business and macroeconomic conditions.
- This growth was achieved through:
  - efforts to grow our share of residential customers' expenditure through various relationship management programs
  - introduction of new painted products: ZACS Feng Shui with 10-year warranty to create differentiation in premium residential segment and Sac Viet – an affordable product targeting low and medium income consumers in the low-end residential segment
  - increasing brand marketing and product differentiation by organising new product and technical seminars for key customers who are also market leaders in each local provincial market
  - increasing specification in the industrial and commercial segment to grow premium sales.

#### **Indonesia (BSI)**

- Despatch volumes grew by 6% in FY2013 compared with FY2012, driven by an improvement in customer diversity and better yield performance from the metal coating lines. 2H FY2013 saw higher despatch volumes of 20% over 1H FY2013, largely a result of seasonality in demand marked by the Lebaran holiday in August 2012.
- Competition remained strong with increased volumes of lower-priced imports negatively impacting spreads.
- With anti-dumping duties levied on cold rolled coil by the Indonesian government in March 2013, managing the cost of cold-rolled coil feed has become a strategic focus. Mitigating actions include new sourcing strategy in place to procure from unaffected countries, namely Australia and India.
- NS BlueScope Indonesia's sales efforts are being focused on strengthening market presence in retail and project channels while further diversifying the customer base.

#### **Malaysia (BSM)**

- Total despatch volumes were marginally lower compared with FY2012. This was primarily driven by a slow-down in business activity before the national elections as well as strong competition from imports.
- The Malaysian Government is evaluating steel policies to address the impact of the high influx of low-cost steel products entering the country and damaging local business.
- The coating business continues to focus on growing domestic market share and improving penetration into the residential projects and retail channels via strong alliance with local professional associations including architects, engineers, surveyors and property developers. The downstream business is well positioned to leverage government regional development initiatives in the industrial, commercial and residential segments for roofing and walling, trusses and door window frames with roller shutters.

#### **North America (Steelscape & ASC Profiles)**

- Despatch volumes increased by 12% over FY2012 for the downstream business (ASC Profiles) and 2% for the midstream business (Steelscape). Downstream volume growth was better than market, attributable to a strong market for solar structures in 1H and an increase in large competitively bid structural deck jobs in 2H.
- North American operations are primarily exposed to the west coast non-residential construction market, of which the private sector saw slow growth, while the public sector saw a slight decline in activity.
- Competition, primarily from import sources, remains stiff resulting in compressed margins in all segments.
- In July 2012, North America Building Products launched a comprehensive program for sustained profitability. Significant restructuring has been undertaken to lower the cost structure, including consolidation of several businesses into one, closure of BlueScope Water (in North America) and other organisational and facility rationalisations.
- In FY2014 the business will focus on the growing U.S. residential market, and new products and finishes.

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

- Volume growth due to first full year of coated steel operations.
- Indian steel roofing market grew around 10%, largely due to increased sales of painted products. The Aluminium-Zinc Coated Steel market witnessed a growth of ~30% driven by painted products demand from the retail market (residential and small-to-medium enterprises). Commercial project market saw moderate growth of ~5%.
- To cater to the growing market for roll formed products, the downstream business commissioned two new operational plants at very low cost base.
- Initiatives have been identified to expand the Durashine® retail network through an increase in distributor numbers from 29 to 33 and an increase in active dealers from 1,000 to over 1,400.



## GLOBAL BUILDING SOLUTIONS

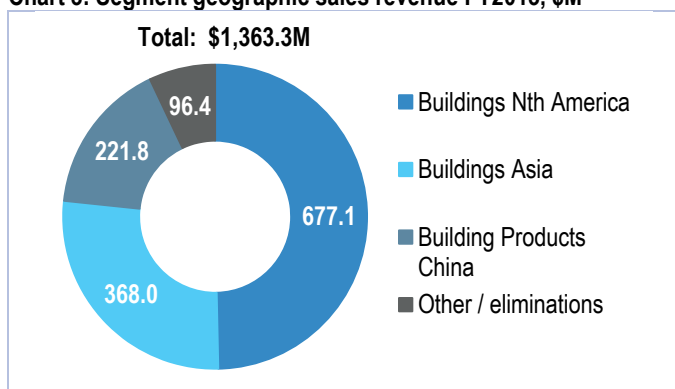
BlueScope's Global Building Solutions business is a global leader in EBS, servicing the needs of global customers from engineering and manufacturing bases in Asia and North America. Buildings are generally low-rise non-residential solutions. EBS plants are located in China, Thailand, Vietnam, North America,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

### KEY FINANCIAL & OPERATIONAL MEASURES

Table 9: Segment performance

\$M unless marked	FY2013	FY2012	Var %	2H FY2013
Sales revenue	1,363.3	1,446.3	(6%)	634.8
Reported EBIT	18.4	(6.4)	388%	1.0
Underlying EBIT	26.4	32.5	(19%)	9.0
NOA (pre-tax)	596.4	509.9	17%	596.4
Despatches	552.4kt	588.0kt	(6%)	246.4kt

Chart 3: Segment geographic sales revenue FY2013, \$M



### FINANCIAL PERFORMANCE – FY2013 VS. FY2012

#### Sales revenue

The \$83.0M decrease in sales revenue was mainly due to reduced volumes, particularly in Buildings Asia (specifically China) and lower pricing across all regions.

#### EBIT performance

The \$6.1M decrease in underlying EBIT was largely due to:

- \$7.7M one-off prior period (FY2005-FY2009) provision adjustment in Buildings Asia
- lower despatch volumes in Buildings China driven by general slowdown in building and construction activity and resultant impact on higher per unit conversion costs.

Partly offset by:

- improved margins driven by lower steel feed costs partly offset by lower domestic prices
- higher volumes in Buildings North America with continued improvement in the U.S. non-residential construction market.

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

### FINANCIAL POSITION

Net operating assets increased \$86.5M compared to 30 June 2012 primarily reflecting capital expenditure (primarily at Xi'an, China), higher receivables driven by phasing of despatch volumes and collections combined with exchange fluctuation due to a weaker A\$, partly offset by higher creditors.

### MARKETS AND OPERATIONS

#### Buildings North America

- This business had a significant improvement in EBIT performance, largely due to the benefits derived from a targeted profit improvement project and the integration of manufacturing processes.
- Despatch volumes were up 7% in FY2013 to 211Kt, driven by an increase in the U.S. non-residential construction market. This increase was influenced by a significant refocus on new product development and enhanced product differentiation. At the end of June 2013, the business' backlog is up 8% compared to this time last year.
- General indicators of activity, such as F.W. Dodge analysis of non-residential construction and the Architectural Billings Index point to continued improvement in the U.S. non-residential construction market.

#### Buildings Asia (China & ASEAN)

- Approximately 75% of sales revenue was derived from the China business unit; the remaining 25% across ASEAN.
- Sales mix is approximately 50% private, 40% FDI and JVs and 10% state owned enterprises and government.
- Despatch volumes in the China business deteriorated due to a slowdown in building and construction activity as both private and government participants have reduced or delayed investment. ASEAN despatch volume increased 13% relative to FY2012.
- Across both China and ASEAN, the business is actively pursuing targeted initiatives to increase sales and reduce cost.
- The fourth China buildings plant in Xi'an (western China) is now complete and production trials are progressing. Development was finalised on time and on budget.

#### Building Products China

- Despite challenging conditions in the China market, and slightly lower despatch volume (due to lower internal demand from the Buildings Asia business), targeted initiatives increased the proportion of higher value-added painted product sales compared to FY2012.

#### BlueScope Solutions Australia

- Sells commercial buildings, residential sheds, patio roofing and garages and water storage solutions to the rural, commercial, resources and residential sectors in Australia. Water tank products are sold domestically and abroad through an international distributor network.
- The Water business disposed of its loss making residential business in August 2012 to focus on its larger Commercial and Rural tank products.

#### Engineered Building Solutions Global Accounts

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



## HOT ROLLED PRODUCTS NORTH AMERICA

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

### KEY FINANCIAL & OPERATIONAL MEASURES

Table 10: Segment performance

\$M unless marked	FY2013	FY2012	Var %	2H FY2013
Sales revenue <sup>1</sup>	-	-	-	-
Reported EBIT <sup>2</sup>	66.7	62.2	7%	33.6
Underlying EBIT <sup>2</sup>	66.7	62.2	7%	33.6
NOA (pretax)	95.3	72.9	31%	95.3
Despatches <sup>3</sup>	983.2kt	962.8kt	2%	507.1kt

1) Excludes the Company's 50% share of NSBSL's sales revenue of A\$620.7M in FY2013 (A\$683.2M in FY2012 and A\$321.2M in 2H FY2013).

2) Includes 50% share of net profit before tax from NSBSL of A\$69.6M in FY2013 (A\$63.9M in FY2012 and A\$35.7M in 2H FY2013).

3) Reflects BlueScope's 50% share from NSBSL.

### FINANCIAL PERFORMANCE – FY2013 VS. FY2012

#### Sales revenue

The segment is comprised of two equity accounted investments and as such has no sales revenue recorded in the Group accounts. Disclosures in relation to financial position are provided in Note 46 of the financial statements.

#### EBIT performance

The \$4.5M improvement in underlying EBIT was largely due to lower depreciation charges and various cost reduction initiatives. These were partly offset by weaker spread driven with lower selling prices more than offsetting lower scrap costs.

### FINANCIAL POSITION

Net operating assets are largely comprised of BlueScope's equity accounted investment in North Star (\$94.9M of \$95.3M). The \$22.4M increase in net operating assets primarily reflects earnings of the NSBSL joint venture being higher than the dividends returned to the owners.

### MARKETS AND OPERATIONS

#### North Star BlueScope Steel

- NSBSL sells approximately 80% of its production in the Mid-West, U.S., with its end customer segment mix being broadly 45% automotive, 25% construction, 10% agricultural and 20% manufacturing/industrial applications.
- Despatches for FY2013 were up 20kt on FY2012, at 983kt (BSL share).
- High capacity utilisation rates, relative to the market, have been maintained by NSBSL through ability to retain existing customers and win new customers by consistently meeting market expectations for on-time delivery and quality.
- During the period, NSBSL was again voted the #1 North American flat rolled steel supplier in the Jacobson survey for customer satisfaction. It has held this title for 12 consecutive years.

## OTHER INFORMATION

### SAFETY

- The Company remains committed to its goal of Zero Harm.
- Occupational health and safety performance for FY2013 is as follows:
  - Lost Time Injury Frequency Rate of 0.6, down from 0.9 in FY2012.
  - Medically Treated Injury Frequency Rate of 5.7, unchanged from FY2012.
- There was a fatality at our Jackson, Tennessee buildings site on 27 May 2013, with the tragic death of Mr Crane, a Contractor.

### ENVIRONMENT

#### ENVIRONMENTAL MANAGEMENT

- The BlueScope Steel Environment Management System comprises the following major elements:
  - Our Bond
  - Health, Safety and Environment Committee Charter
  - Environment Principles
  - Environment Standards
  - BSL wide procedures and guidelines
  - Operational procedures.
- BlueScope continues to work on improving its environmental performance and systems through its network of environment reviews and audits, implementation of its compliance systems, the business planning process and risk management practices.

#### AUSTRALIAN CARBON PRICING MECHANISM

- BlueScope is a liable entity under the Carbon Pricing Mechanism (CPM), which came into operation on 1 July 2012.
- As such BlueScope will be required to annually obtain and surrender emission units to cover the Company's direct (Scope 1) greenhouse gas emissions from liable facilities within Australia. The Company will also face increases in electricity (Scope 2), natural gas and other costs as suppliers seek to pass through their own carbon costs (Scope 3). However, the Company does not expect to face Scope 3 costs from coal suppliers as the Government has signalled its intent to limit the potential pass-through of such.
- The Australian Government is allocating carbon units to emissions-intensive, trade-exposed activities, including iron and steelmaking through the Jobs and Competitiveness Programme.
- An initial fixed price phase will apply for three years, and from July 2015 a market-determined cap-and-trade price will apply (subject to a price ceiling). However, the current Government has recently announced its intention to bring forward the floating price to be effective from July 2014, which it estimates would result in a carbon price of approximately \$6 per tonne based on current European prices (the current FY2014 Australian carbon price is fixed at \$24.15 per tonne). The Government has indicated there would be no change to industry assistance arrangements for emissions-intensive trade-exposed companies.
- During the cap-and-trade phase, Australian liable entities will be able to use international carbon units to acquit a proportion of their obligations: under current legislation up to 12.5% of an entity's liability will be able to be met with Kyoto units, and an additional 37.5% of the entity's liability can be met with units issued under the European Emissions Trading Scheme.

- The Company remains focused on improving the energy and carbon efficiency of all its operations.
- When funds from the STP are taken into account, the Company does not expect to face a net carbon liability over the initial four year period.
- The Federal Coalition has said that if elected to govern in 2013 it will abolish the carbon tax and replace it with a 'direct action' policy. Details of the direct action policy are not clear at this time.

#### STEEL TRANSFORMATION PLAN (STP)

- The STP is a \$300M program that aims to encourage investment, innovation and competitiveness in the Australian steel manufacturing industry in order to assist the industry to transform into an efficient and economically sustainable industry in a low carbon economy.
- BlueScope has registered as a participant in the STP and is complying with the requirements of the STP legislation.
- The Company expects to be entitled to receive \$183M over the four years of the STP. In January 2012 the Government announced that it would provide BlueScope with a competitiveness assistance advance of \$100M.

#### NEW ZEALAND EMISSIONS TRADING SCHEME

- The Company is also a liable entity under New Zealand's ETS.
- The activity of iron and steel manufacturing from iron sands as undertaken by New Zealand Steel has been assessed to be highly emissions-intensive and trade-exposed, and New Zealand Steel therefore qualifies for the allocation of Emission Units at the maximum rate (90%).
- The ETS is currently in a 'transition period'. During this period participants must surrender one emission unit for two tonnes of carbon dioxide equivalent emissions, allocation of units to energy-intensive and trade-exposed activities is halved, and it is possible to buy units at market price or at a fixed price of NZ\$25 per tonne from the government. In July 2012 the New Zealand Government announced that it would effectively retain the current key transitional arrangements until a further review in 2015.
- Concerns in relation to the phasing out of the 50% surrender obligation and the introduction of a decay rate materially increasing the ETS costs faced by New Zealand Steel have for now been allayed.

## ABBREVIATIONS

<b>1H FY2012</b>	Six months ended 31 December 2012
<b>1H FY2013</b>	Six months ended 31 December 2011
<b>2H FY2012</b>	Six months ended 30 June 2012
<b>2H FY2013</b>	Six months ended 30 June 2013
<b>ADC</b>	Anti-Dumping Commission
<b>ASEAN</b>	Association of South East Asian Nations
<b>AUD, A\$</b>	Australian dollar
<b>BANZ</b>	BlueScope Australia and New Zealand (comprising CIPA, BCDA and NZS segments)
<b>BCDA</b>	Building Components & Distribution Australia segment
<b>BP</b>	Building Products, ASEAN, North America and India segment
<b>BSL</b>	BlueScope Steel Limited and its subsidiaries
<b>CIPA</b>	Coated & Industrial Products Australia segment
<b>DPS</b>	Dividend per share
<b>EAF</b>	Electric arc furnace
<b>EBIT</b>	Earnings before interest and tax
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>EBS</b>	Engineered building solutions, a key product offering of the GBS segment
<b>EITE</b>	Emissions-intensive, trade-exposed
<b>EPS</b>	Earnings per share
<b>FDI</b>	Foreign direct investment
<b>FY2012</b>	12 months ended 30 June 2012
<b>FY2013</b>	12 months ended 30 June 2013
<b>GBS</b>	Global Building Solutions segment
<b>Gearing ratio</b>	Net debt divided by the sum of net debt and equity
<b>Group, Company</b>	BlueScope Steel Limited and its subsidiaries
<b>HRPNA, HRP North America</b>	Hot Rolled Products North America segment
<b>IFRS</b>	International Financial Reporting Standards
<b>Net debt</b>	Gross debt less cash
<b>NOA (pre-tax)</b>	Net operating assets
<b>NPAT</b>	Net profit after tax
<b>NRV</b>	Net realisable value adjustment
<b>NSBCP</b>	NS BlueScope Coated Products joint venture
<b>NSBSL</b>	North Star BlueScope Steel
<b>NSSMC</b>	Nippon Steel & Sumitomo Metal Corporation
<b>NZPac</b>	New Zealand Steel & Pacific Products segment
<b>NZS</b>	New Zealand Steel
<b>ROIC</b>	Return on invested capital (or ROIC) – underlying EBIT (annualised in case of half year comparison) over average monthly capital employed
<b>STP</b>	Steel Transformation Plan
<b>USD, US\$</b>	United States dollar

## BOARD COMPOSITION

The following were Directors for the full year ended 30 June 2013: Graham John Kraehe AO (Chairman), Ronald John McNeilly (Deputy Chairman), Daniel Bruno Grollo, Kenneth Alfred Dean, Paul Francis O'Malley (Managing Director and Chief Executive Officer), Tan Yam Pin and Penelope Bingham-Hall. Ewen Graham Wolseley Crouch AM was appointed as a Director on 12 March 2013. Diane Jennifer Grady AM ceased to be a Director on 15 February 2013 and Harry Kevin (Kevin) McCann AM ceased to be a Director 5 April 2013.

Particulars of the skills, experience, expertise and special responsibilities of the Directors are set out below.

## DIRECTORS' BIOGRAPHIES

### **Graham Kraehe AO, Chairman (Independent)**

Age 70, BEc

Director since: May 2002

Extensive background in manufacturing and was Managing Director and Chief Executive Officer of Southcorp Limited from 1994 to February 2001. Chairman of Brambles Industries Limited since February 2008 and a non-executive director since December 2000, member of the Board of the Reserve Bank of Australia from February 2007 to February 2012, non-executive director of Djerrivarrh Investments Limited since July 2002, member of the Board of Governors of CEDA and a Director of European Australian Business Council. Mr Kraehe was a non-executive director of National Australia Bank Limited from August 1997 to September 2005 and Chairman from February 2004 to September 2005, and was a Non-Executive Director of News Corporation Limited from January 2001 until April 2004.

He brings skills and experience in manufacturing management and in companies with substantial, geographically diverse, industrial operations. Mr Kraehe's experience with a wide range of organisations is relevant for his role as Chairman of the Board.

### **Ron McNeilly, Deputy Chairman (Independent)**

Age 70, BCom, MBA, FCPA

Director since: May 2002

Deputy Chairman of the Board with over 30 years experience in the steel industry. He joined BHP in 1962, and until December 2001 held various positions with the BHP Group (now BHP Billiton), including Executive Director and President BHP Minerals, Chief Operating Officer and Executive General Manager, and was Chief Executive Officer BHP Steel until 1997. The latter role developed his knowledge of many of the businesses comprising BlueScope Steel today.

A director of Worley Parsons Limited since October 2002, Chairman from October 2004 to March 2013 and currently Deputy Chairman and Lead Independent Director. Director of Alumina Ltd from December 2002 to March 2011, Vice President of the Australia Japan Business Cooperation Committee until November 2010. He also served as a member of the Council on Australia Latin America Relations and as Chairman of Melbourne Business School.

### **Tan Yam Pin, Non-Executive Director (Independent)**

Age 72, BEc (Hons), MBA, CA

Director since: May 2003

A chartered accountant by profession, formerly Managing Director of Fraser and Neave Group, one of South-East Asia's leading public companies, and Chief Executive Officer of its subsidiary company, Asia Pacific Breweries Ltd. A member of the Public Service Commission of Singapore since 1990 and a director of the Board of Keppel Land Limited (Singapore) since June 2003, Singapore Post Limited since February 2005, Great Eastern Holdings Limited since January 2005, Leighton Asia Limited since January 2009 and the Lee Kuan Yew Scholarship Fund since January 2010. Mr Tan previously served as Chairman of PowerSeraya Limited (Singapore) from March 2004 to March 2009, as a director of Certis CISCO Security Pte. Ltd from July 2005 to January 2009, the East Asiatic Company Limited A/S (Denmark) from 2003 to 2006, International Enterprise Singapore from January 2004 to June 2008 and Singapore Food Industries Ltd from December 2005 to December 2009.

Mr Tan resides in Singapore. He brings extensive knowledge of Asian markets, an area of strategic importance to BlueScope Steel. His financial and leadership skills complement the skills on the Board.

### **Daniel Grollo, Non-Executive Director (Independent)**

Age 43

Director since: September 2006

Chief Executive Officer of Grocon Pty Ltd, Australia's largest privately owned development and construction company. He is Chairman of the Green Building Council of Australia and was previously a director and National President of the Property Council of Australia and a director of CP1 Limited (June 2007 to September 2012).

He brings extensive knowledge of the building and construction industry to the Board. Mr Grollo is also Chair of the Health, Safety and Environment Committee.

**Paul O'Malley**, Managing Director and Chief Executive Officer  
Age 49, BCom, M. App Finance, ACA  
Director since: August 2007

Appointed Managing Director and Chief Executive Officer of BlueScope Steel on 1 November 2007. Joined BlueScope Steel as its Chief Financial Officer in December 2005. Formerly the Chief Executive Officer of TXU Energy, a subsidiary of TXU Corp based in Dallas, Texas, and held other senior management roles within TXU including Senior Vice President and Principal Financial Officer and, based in Melbourne, Chief Financial Officer of TXU Australia. Before joining TXU, he worked in investment banking and consulting.

**Ken Dean**, Non-Executive Director (Independent)  
Age 60, BCom (Hons), FCPA, FAICD  
Director since: April 2009

Mr Dean has been a director of Santos Limited since February 2005 and of Energy Australia Holdings Limited since July 2012. He has held directorships with Alcoa of Australia Limited, Woodside Petroleum Limited and Shell Australia Limited.

Mr Dean spent more than 30 years in a variety of senior management roles with Shell in Australia and the United Kingdom. His last position with Shell, which he held for five years until 2005, was as Chief Executive Officer of Shell Finance Services based in London. From 2005 to 2009, he was Chief Financial Officer of Alumina Limited.

He brings extensive international financial and commercial experience to the Board and to his role as Chair of the Audit and Risk Committee.

**Penny Bingham-Hall**, Non-Executive Director (Independent)  
Age 53, BA (Ind.Des) FAICD, SA(Fin)  
Director since: March 2011

Ms Bingham-Hall spent more than 20 years in a variety of roles with Leighton Holdings prior to retiring from that company at the end of 2009. Senior positions held by her with Leighton include Executive General Manager Strategy, responsible for Leighton Group's overall business strategy and Executive General Manager Corporate, responsible for business planning and corporate affairs. Ms Bingham-Hall has been a director of Australia Post since May 2011, the Sydney Ports Corporation since April 2012 and SCEGGS Darlinghurst School since February 2011. She was the inaugural Chairman of Advocacy Services Australia (the fiduciary company for the Tourism & Transport Forum and Infrastructure Partnerships Australia) from May 2008 to December 2011 and is a former director of the Global Foundation and the Australian Council for Infrastructure Development and former member of the VisAsia Council of the Art Gallery of NSW.

She brings extensive knowledge of the building and construction industry in both Australia and Asian markets. In February 2013, Ms Bingham-Hall was appointed as Chair of the Remuneration and Organisation Committee.

**Ewen Crouch AM**, Non-Executive Director (Independent)  
Age 57, BEc (Hons) LLB, FAICD  
Director since: March 2013

Mr Crouch is a former Partner at Allens (1988 to 2013), where he was one of Australia's leading M&A lawyers, having acted on some of Australia's most significant transactions. Mr Crouch held the following roles at Allens: Chairman of Partners (2009 to 2012), Co-Head Mergers and Acquisitions and Equity Capital Markets (2004 to 2010), Executive Partner – Asian Offices (1999 to 2004) (responsible for the China and South-East Asia practices of the firm) and Deputy Managing Partner (1993 to 1996). Mr Crouch is a director of Westpac Banking Corporation, Chairman of Mission Australia and a board member of Sydney Symphony Orchestra. Mr Crouch is a Fellow of the Australian Institute of Company Directors and is a member of the Takeovers Panel.

Mr Crouch brings to the Board his extensive experience as a legal adviser on significant transactions in the Australian and international markets, his knowledge of the manufacturing and construction sectors from previous non-executive directorships, as well as involvement in the China and South-East Asian markets.



## COMPANY SECRETARIES

**Michael Barron** Chief Legal Officer and Company Secretary, BEc, LLB, ACIS

Responsible for the legal affairs of BlueScope Steel and for company secretarial matters. Joined the Company as Chief Legal Officer and Company Secretary in January 2002. Prior to that occupied position of Group General Counsel for Orica.

**Clayton McCormack**, BCom, LLB

Senior Corporate Counsel, Governance with BlueScope Steel. A lawyer with over 15 years' experience in private practice and corporate roles.

**Darren Mackenzie**, BA, LLB (Hons)

General Counsel, Corporate with BlueScope Steel. A lawyer with over 15 years' experience in private practice and corporate roles.

## PARTICULARS OF DIRECTORS' INTERESTS IN SHARES AND OPTIONS OF BLUESCOPE STEEL

As at the date of this report the interests of the Directors in shares and options of BlueScope Steel are:

Director	Ordinary shares	Share rights
G J Kraehe	106,883	-
R J McNeilly	396,452	-
P F O'Malley	83,286	1,763,561
Y P Tan	47,135	-
D B Grollo	38,447	-
K A Dean	29,488	-
P Bingham-Hall	47,834	-
E G W Crouch	14,500	-

## MEETINGS OF DIRECTORS

Attendance of the current Directors at Board and Board Committee meetings from 1 July 2012 to 30 June 2013 is as follows:

	Board meetings		Audit and Risk Committee		Remuneration and Organisation Committee		Health, Safety and Environment Committee		Nomination Committee		Other Sub-Committees		Annual General Meeting	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
G J Kraehe	14	14	-	4 <sup>1</sup>	8	8	4	4	2	2	6	6	1	1
R J McNeilly	14	14	4	4	8	8	4	4	2	2	1	1	1	1
P F O'Malley	14	14	-	4 <sup>2</sup>	-	7 <sup>2</sup>	4	4	-	-	5	5	1	1
Y P Tan	14	10 <sup>3,4</sup>	-	-	8	8	4	3 <sup>3</sup>	2	2	-	-	1	1
D B Grollo	14	13 <sup>4</sup>	4	4	-	-	4	4	2	2	-	-	1	1
K A Dean	14	14	4	4	-	-	4	4	2	2	4	4	1	1
P Bingham-Hall	14	13 <sup>4</sup>	-	-	8	8	4	4	2	2	-	-	1	1
E G W Crouch	4	4	1	1	-	-	2	2	1	1	-	-	-	-

With the exception of Mr Crouch, all Directors have held office for the entire year ended 30 June 2013. Mr Crouch was appointed as a Director on 12 March 2013.

A = number of meetings held during the period 1 July 2012 to 30 June 2013 during the time the Director was a member of the Board or the Committee, as the case may be.

B = number of meetings attended by the Director from 1 July 2012 to 30 June 2013.

1 The Chairman of the Board is not a Committee member and attends as part of his duties as Chairman.

2 The Managing Director & Chief Executive Officer is not a Committee member and attends by invitation as required.

3 A scheduled meeting was missed due to illness.

4 A special purpose meeting was missed through unavailability due to other prior commitments. Special purpose meetings are generally held by telephone and often called at short notice to provide updates on particular matters. Any Directors unable to attend are provided with separate briefings.

There were a number of special purpose meetings held during the year. They are as follows:

- Board meetings: 6
- Remuneration and Organisation Committee meetings: 2
- Nomination Committee meetings: 1

The Non-Executive Directors met twice during the year ended 30 June 2013 (without the presence of management). Non-Executive Directors meetings are chaired by the Chairman of the Board.

# REMUNERATION SUMMARY (UNAUDITED)

Through its remuneration strategy, BlueScope aims to support the achievement of superior business performance over the long term by motivating executives to deliver results that reward shareholders.

The Board has taken great care to ensure BlueScope's remuneration structures have evolved to support our business through structural change and difficult industry conditions. The Board has pro-actively consulted with shareholders and proxy advisors and sought external advice on the structure of our remuneration programs. This has resulted in a number of changes over recent years that have been well supported by shareholders. This report outlines the remuneration outcomes and key changes made during FY 2013, and further changes planned for FY 2014.

## 1. Context

In recent years, BlueScope's business has been put under considerable pressure by the high Australian dollar, record high raw material prices, an imbalance of global supply over demand, low Australian domestic demand and considerably compressed margins. As a result, we significantly rationalised the Australian operations to materially exit the export business, restructured our business portfolio to provide greater strategic focus on our Building Solutions and Building Products businesses, effectively transitioning from an Australian centric steel producer with significant exposure to commodity export markets to a value added global steel and building products business. Our shareholders and the share market responded very positively to these interventions and our Total Shareholder Return (TSR) was the highest in the ASX 100 for FY 2013.

We also responded to feedback on our remuneration program. Following extensive consultation with shareholders and governance advisory bodies, the Board improved remuneration disclosures and undertook a major intervention in our remuneration frameworks. Key interventions last year included:

- The Managing Director and Chief Executive Officer (MD & CEO) received no STI, LTI or base salary increase.
- There were no 'across the board' salary increases for Executives.
- Half of the value of the Long Term Incentive (LTI) was redirected into Retention Rights (with limited hurdles) for all Key Management Personnel (KMP) other than the MD & CEO.
- Eliminating retesting and tightening the vesting schedule for the remaining half of the LTI.
- Requiring that half of any Short Term Incentive (STI) payments be held as shares and restricting these for 12 months.

## 2. Financial Performance Impact on Remuneration

In FY 2011 and FY 2012, executive remuneration (particularly for the MD & CEO who has not received a salary increase since September 2010) was severely constrained, consistent with financial performance.

STI payments were significantly below target for 2010, 2011 and 2012 (the MD & CEO received no STI in 2012).

No LTI's have vested since the 2005 Award vested in 2008 for any KMP (an LTI award was not made to the MD & CEO in 2011).

In FY 2013 there was a significant improvement in underlying profit, with NPAT improving by \$267.2M from an underlying loss of \$237.5M in FY 2012 to an underlying profit of \$29.7M in FY 2013. At the business unit level, there have been improved EBIT outcomes underpinned by outstanding cashflow results and implementation of fundamental restructuring initiatives. The successful negotiation and execution of the Coated Products Joint Venture with Nippon Steel & Sumitomo Metal Corporation was achieved with proceeds of US\$571.1M received. This provides our Coated Products business with new growth opportunities, has delivered a very strong balance sheet and enhances BlueScope's financial flexibility to invest in further growth opportunities. Together, these results represent a significant turnaround in company financial performance (despite continuing difficult business conditions) and are reflected in our Total Shareholder Return (TSR) being at the top of ASX 100 listed companies during FY 2013.

## 3. KMP Key Performance Indicators for FY 2013

The key performance indicators to assess the MD & CEO's Short Term Incentive (STI) were clearly communicated to shareholders last year and have been achieved. These were:

- Achievement of a major strategic transformational initiative.
- Delivery of a positive underlying profit.
- Top quartile TSR performance relative to the ASX 100.

Achievements for which STI awards have been made to the KMP Executives include:

- Business Unit financial performance including excellent cash performance as demonstrated by a significant reduction in net debt year on year. Earnings performance was materially better than the prior year but challenging growth targets were set and these were not universally met.
- Ongoing implementation of the restructure of Australian and New Zealand businesses including further significant cost reductions.
- The addition of new programme accounts and revenue growth objectives in the Global Buildings Solutions business.
- Restructure of the Building Products business including restructure of the North American business, development of new revenue channels in Asia and commissioning the coating facilities in India.
- A range of debt management and financial restructuring initiatives resulted in a significant reduction in drawn debt during FY 2013 and successfully transformed the Capital Structure and lengthened the average debt tenor.

An STI will be awarded to the MD & CEO and other KMP for achievements in FY 2013. Full details of achievements against objectives are covered in sections 5 (II) and 6 (II) of the Remuneration Report. Half of the award will be held back as restricted shares in accordance with the Board's remuneration interventions last year.

#### **4. Review of the Remuneration Framework for FY 2014**

The Board has reviewed the executive remuneration framework and has chosen not to make any further allocations of retention rights in FY 2014.

Consequently, other elements of the remuneration structure will be adjusted to re-balance the design of the remuneration package taking into account the interests of shareholders, executive retention, and market practice. The following are described in more detail in the body of the full Remuneration Report:

- Retention Rights will not be reissued and the LTI will be restored to 100% of its previous value.
- The vesting scale for LTI share rights will continue to start at 40% at the 51st percentile of the ASX 100 (i.e. more demanding than most companies' TSR conditions).
- A single retest will be re-introduced to the LTI (compared to the 4 retests over 2 years that applied prior to the temporary arrangements in place for FY 2013). The rationale for the retest is explained in more detail in section 4(iii) of the Remuneration Report. In essence, the retest is designed to ensure that TSR reliably captures the benefits from delivering on long-term strategic initiatives. The two year post vesting holding lock on LTI share rights will be replaced by the requirement for executives to build and retain a substantial shareholding.
- The proportion of STI that is deferred as shares will be reduced from one half to one third, which will be more in line with the market practice of our remuneration peer group. The Board has discretion to claw back deferred STI equity awards in the event of serious misconduct by management that undermines the Company's performance, financial soundness and reputation.
- The Board has undertaken a market based review of KMP Executive base pay and increases in the order of 3% will apply from 1 September 2013. The MD & CEO will also receive an increase of 3%.

Our remuneration peer group has also been updated to ensure it remains as relevant as possible. Three companies have been removed and two have been added (full details are provided in section 3 of the Remuneration Report).

#### **5. Non-Executive Director Remuneration**

The Board seeks the advice of external remuneration consultants to ensure that fees and payments reflect the duties of Board Members and are in line with the market.

The Board decided that there would be no increase in Directors' fees for 2013. Directors' fees have not been increased since 1 January 2011 and prior to that Directors' base fees had not been increased since 1 January 2006. Committee fees have not been increased since 1 January 2008.

# REMUNERATION REPORT (AUDITED)

The Directors of the Company present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and the consolidated entity for the year ended 30 June 2013. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*. This Remuneration Report forms part of the Directors' Report.

## INTRODUCTION

Through its remuneration strategy, BlueScope aims to support the achievement of superior business performance over the long term by motivating executives to deliver results that reward shareholders.

The Board of Directors oversees BlueScope's remuneration arrangements, including executive remuneration and the remuneration of Non-executive Directors. Last year the Board, led by the Remuneration and Organisation Committee, conducted a comprehensive review of the Company's remuneration strategy to address the concerns of shareholders expressed in 2011. This review included extensive consultation with shareholders and proxy advisors. **Shareholders responded favourably to these changes with more than 98% support for our FY 2012 Remuneration Report.** Our goal has been to develop a remuneration strategy that both keeps our executive team focused on delivering the major restructuring initiatives required to return to profitability and wins widespread support from our shareholders.

The Board resolved that while our basic remuneration principles (described later in this Report) remained sound, it was appropriate for BlueScope to adopt a number of transitional remuneration modifications until the Company returns to profit and is paying dividends. These changes were developed by the Board and introduced on a transitional basis with the full support of management who appreciate the need to further align executive rewards with the delivery of superior returns to shareholders. It is intended once the business is stabilised, the Board would again review the Company's approach to remuneration and make further changes, if necessary.

Key elements of the remuneration interventions made for FY 2013 were:

1. Splitting Long Term Incentive (LTI) for Key Management Personnel (KMP) Executives other than the Managing Director and Chief Executive Officer (MD & CEO) into a combination of Retention Rights with a three year time-based hurdle, and Share Rights which vest after three years if they meet TSR hurdles but have a further two year trading lock, tightening LTI award conditions by eliminating retesting, imposing a two year trading lock, and reducing vesting at the 51st percentile of Total Shareholder Return (TSR) relative to the ASX 100 to 40%;
2. Shifting a significant percentage of executive remuneration from cash to deferred equity to more tightly link executive experience with shareholders;
3. Using the capital raising price of \$2.40 as a minimum to determine the quantum of Share Rights offered to KMP Executives for the FY 2013 LTI award and the addition of a hurdle that the FY 2013 LTI award will not vest unless the share price at the end of the vesting period is at least \$2.40;
4. Setting special FY 2013 Short Term Incentive (STI) objectives for the MD & CEO as disclosed in this report, after paying no STI or LTI in FY 2012;
5. Requiring 50% of total STI awarded to be held as deferred equity with a one year trading lock;
6. Awarding STI for KMP Executives for achievement of financial targets and non-financial targets based on quantified results.

Details of BlueScope's remuneration policies together with the changes we are proposing to introduce for FY 2014 are shown in this report.

## 1. CONTEXT

The challenging circumstances faced by BlueScope provide the context for Board decisions in regard to the remuneration of the MD & CEO and KMP Executives. These circumstances include:

- Global steel industry going through a significant downturn and a record high level of the A\$ exchange rate through most of the year, which has placed downward pressure on Australian domestic steel pricing as the Company competes with imports that benefit from the high dollar, as well as unfair trade (dumping).
- An ongoing downturn in the building and manufacturing sectors of the Australian economy, while the strong resources sector imports a significant supply of fabricated products.
- The competitive demand for highly trained and capable management, technical and other professionals with skills relevant in other sectors, such as resources.
- A downturn in building activity in China.

Against this background management and employees across BlueScope have responded to the need to restructure the business to succeed in the toughest business environment the Company has ever experienced. Major achievements in FY 2013 included:

- The Company has reported an underlying positive NPAT of \$29.7M. This compares to an underlying loss of \$237.5M in FY 2012.
- Net debt over each of the past three years has been reduced as follows:
  - 30 June 2011 \$1,068M
  - 30 June 2012 \$584M excluding the year-end cash initiatives of \$200M, and
  - 30 June 2013 \$148M which includes the full consolidated NS BlueScope Coated Products net debt of \$43M.



- The negotiation and execution of a major strategic change in the Company's business portfolio (i.e. the formation of the NS BlueScope joint venture with Nippon Steel & Sumitomo Metal Corporation (NSSMC)).
- Achievement of top quartile TSR performance relative to the ASX 100 – our TSR for the year ended 30 June 2013 was 161% (the highest of any Company in the ASX 100).
- Restructuring the organisation from six into four divisions effective from 1 July 2012. As a consequence the total cost of fixed remuneration for KMP Executives has reduced. These groups are:
  - i) BlueScope ANZ, comprises the integrated steelmaking, coating, painting, roll-forming and distribution operations across Australia, New Zealand and the Pacific Islands. BlueScope is Australia's largest steel manufacturer and New Zealand's sole flat steel producer and iron sands exporter. BlueScope enjoys strong market shares in many of the Australian and New Zealand sectors in which it operates, serving customers in the building and construction, manufacturing, automotive and transport, agricultural and mining industries. For FY 2013, this business had sales of \$5,406.0M and 7,821 employees.
  - ii) Global Building Solutions, a supplier of complete steel buildings worldwide; this business is led from Shanghai and Kansas City, and has manufacturing and sales offices across North America, China, ASEAN, Australia and elsewhere. It is the world's largest design, fabrication and supply business of complete steel buildings. In China, this business includes metal coating and painting operations, and Lysaght China. Sales were \$1,363.3M and employees number 5,231.
  - iii) Building Products, headquartered in Singapore; this business comprises metal coating, painting and roll-forming across ASEAN and North America, along with the Tata BlueScope joint venture in India. 780,000 tonnes of steel are coated and 620,000 tonnes are painted per annum, giving this business the largest integrated network of sales and manufacturing operations around the Pacific Basin. Sales were \$1,635.5M and employees number 3,198.
  - iv) Hot Rolled Products North America, comprising North Star BlueScope Steel located in Delta, Ohio a 50:50 joint venture between BlueScope and North Star Steel a subsidiary of Cargill and a 47% shareholding in Castrip LLC with Nucor. North Star BlueScope Steel produces around 2 million tonnes of hot rolled coil annually and is ranked fifth by volume in the production of hot rolled coil in North America. Sales were \$1,241.4M and employees number 370.

The Board acknowledges the extremely difficult business conditions and significant achievements by management and employees. The Board identifies with investor concerns regarding the decline in share price over recent years and the urgent need to return the business to profit, noting that both share price and profits have improved materially in FY 2013.

All of these factors have been considered by the Board in reaching decisions regarding executive remuneration.

## 2. REMUNERATION AND ORGANISATION COMMITTEE

The Board oversees the BlueScope Human Resources Strategy, both directly and through the Remuneration and Organisation Committee of the Board (the Committee). The Committee consisted entirely of independent Non-executive Directors.

The members of the Committee during the year were:

- Ms Diane Grady AM - Independent Director and Chairman of the Committee up to her retirement from the Board and the Committee on 14 February 2013
- Ms Penny Bingham-Hall - Independent Director and Chairman of the Committee from 15 February 2013
- Mr Graham Kraehe AO - Chairman of the Board and Committee Member
- Mr Ron McNeilly - Deputy Chairman and Committee Member
- Mr Tan Yam Pin - Independent Director and Committee Member

The purpose of the Committee is to assist the Board in overseeing that the Company:

- Has a human resources strategy aligned to the overall business strategy, which supports 'Our Bond';
- Has coherent remuneration policies that are observed and that enable it to attract and retain executives and directors who will create value for shareholders;
- Fairly and responsibly rewards executives having regard to the performance of the Company, the creation of value for shareholders, the performance of the executives and the external remuneration environment; and
- Plans and implements the development and succession of executive management.

The Committee has responsibility for overseeing and recommending to the Board remuneration strategy, policies and practices applicable to Non-executive Directors, the MD & CEO, KMP, senior managers and employees generally. The Committee focuses on the following activities in its decision making on the Company's remuneration arrangements:

- Approving the terms of employment of the Key Management Personnel (KMP), including determining the levels of remuneration;
- Ensuring a robust approach to performance management through approval of the STI objectives and awards, and reviewing performance of KMP Executives;
- Considering all matters relating to the remuneration and performance of the Managing Director and Chief Executive Officer prior to Board approval;
- Approving awards of equity to employees; and

- Ensuring the Company's remuneration policies and practices operate in accordance with good corporate governance standards, including approval of the Remuneration Report and communications to shareholders on remuneration matters.

The Committee seeks input from the Managing Director and Chief Executive Officer and the Executive General Manager People and Organisation Performance, who attend Committee meetings, except where matters relating to their own remuneration are considered.

The Committee engages and considers advice from independent remuneration consultants where appropriate. Remuneration consultants are engaged by, and report directly to, the Committee. Potential conflicts of interest are considered when remuneration consultants are selected and their terms of engagement regulate their level of access to, and require independence from, BlueScope's management. Any advice from external consultants is used as a guide, and is not a substitute for thorough consideration of all the issues by the Committee.

During FY 2013, the Remuneration and Organisation Committee employed the services of PwC to provide information and advice on remuneration strategy and structure including market practice which covers KMP. No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were provided.

Notwithstanding that no recommendations were provided, the following arrangements were made to ensure that any remuneration advice provided was free from undue influence by management:

- PwC was engaged by, and reported directly to, the independent Chair of the Remuneration and Organisation Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration and Organisation Committee under delegated authority on behalf of the Board.
- Reports were provided by PwC directly to the Chair of the Remuneration and Organisation Committee.
- Management provided factual information to PwC throughout the engagement about Company processes, practices and other business issues.

As a consequence, the Board is satisfied that any advice provided to the Committee was made free from undue influence from any members of the KMP.

In FY 2013 there was no increase in fees for Non-executive Directors. The last increase occurred on 1 January 2011. The previous increase in base fees occurred on 1 January 2006 and in committee fees on 1 January 2008.

### 3. BLUESCOPE STEEL REMUNERATION PEER GROUP

The Board has given careful consideration to the approach that should be used when benchmarking remuneration to market and in particular to the selection of an appropriate peer group for remuneration benchmarking purposes. The Board believes that the more traditional reliance on market capitalisation as the sole criteria is not appropriate for establishing BlueScope's remuneration benchmarks and would lead to unmanageable fluctuations in executive remuneration. In fact a focus on market capitalisation alone only would result in an inability to attract and retain the best talent as the nature and complexity of BlueScope's business environment is substantially greater than many businesses with a similar market capitalisation. Further we do not believe that BlueScope's current market capitalisation is reflective of its long-term position. The use of appropriate peer groups has also been supported by respected remuneration consultants such as Ernst & Young and Mercer who have advocated the need for companies to establish the 'right' market to support remuneration governance.

The companies in the peer group have been selected because they reflect the size and complexity of BlueScope with similarities on one or more of the following dimensions: operate in multiple geographies, have manufacturing or logistics operations in Australia, are involved in the building and construction industry, have similar number of employees, have similar revenue, or similar market capitalisation. In the Board's view it is not appropriate to benchmark against global steel companies, as these are not prime candidates for attracting our executives. This approach has been acknowledged by shareholders and governance advisory bodies.

The Board reviews the composition of the peer group annually. As a result of this year's review, the peer group has been amended as follows:

- Sims Metal and James Hardie have been removed on the basis that their remuneration policies reflect the practices that are used in the US where their corporate offices are located. Coca-Cola Amatil has also been removed.
- Aurizon and Qantas have been added to the peer group. These companies are known to compete for the same executive skills as BlueScope, whilst also facing similar business challenges such as high input costs, capital intensity and geographic spread.

The current peer group is listed below.

Company <sup>1</sup>	Market Cap (\$m) <sup>2</sup>	Revenue (\$m)	Employees	Geographic complexity <sup>3</sup>
Brambles Ltd	13,816	5,607	17,021	A
Amcor Ltd	11,783	12,331	32,648	A
Aurizon Holdings Ltd	8,877	3,634	8,969	C
Orica Ltd	8,164	6,742	15,000	A
Leighton Holdings Ltd	6,156	20,368	56,323	A
Caltex Australia Ltd	5,800	22,400	3,550	C
Lend Lease Corp Ltd	5,423	11,566	18,439	A
WorleyParsons Ltd	5,344	7,363	40,800	A
Asciano Group	5,005	3,457	7,446	C
Fletcher Building Ltd	4,778	8,873	19,200	B
Incitec Pivot Ltd	4,684	3,500	5,242	A
Toll Holdings Ltd	3,792	8,707	44,500	B
Qantas Airways Ltd	3,630	15,724	33,600	A
Boral Ltd	3,528	5,010	14,740	B
Adelaide Brighton Ltd	2,137	1,100	1,600	C
Downer EDI Ltd	1,806	7,915	20,000	B
Arrium Ltd	1,094	7,716	11,007	B
CSR Ltd	1,024	1,802	3,582	B
Transfield Services Ltd	634	3,143	24,586	B
<b>Median</b>	<b>4,778</b>	<b>7,363</b>	<b>17,021</b>	
<b>BlueScope Steel Ltd</b>	<b>2,699<sup>2</sup></b>	<b>8,472</b>	<b>17,063</b>	<b>A<sup>D</sup></b>

#### Notes:

1. Revenue and employee numbers are based on the latest annual reports to 30 June 2012.
2. Market capitalisation is at three month average market capitalisation to 30 June 2013. Note BSL's market capitalisation at close of business on 16 August 2013 was \$3,054B.
3. Geographic complexity:
  - A. Significant operations in more than 10 countries.
  - B. Significant operations in 10 or fewer countries.
  - C. Operations in Australia only.
  - D. Approx. 50% of BSL employees are in Australia and NZ, 25% in Asia and 25% in North America.

## 4. REMUNERATION POLICY

At BlueScope, executive remuneration packages typically comprise three elements – fixed pay (base pay and superannuation), short term incentive and long term incentive. In exceptional circumstances, a further element relating to targeted retention may be applied. Although these elements are described separately, they must nevertheless be viewed as part of an integrated package. Whilst each element has a particular design purpose, taken together the intent of the package is to:

- Align executives with the interests of shareholders;
- Competitively reward executives in response to the external market conditions;
- Encourage the retention of highly capable leaders;
- Provide incentive to take well managed risks; and
- Reward executives relative to their performance and accountability.

The mix of elements differs depending on the level in the organisation with a higher skew towards fixed at lower levels. Overall the aim is to provide executives the opportunity to earn top quartile remuneration for stretch performance. For KMP the mix of elements as a proportion of total remuneration at target is shown below.

	Fixed Pay %	STI %	LTI* %	Total %
<b>MD &amp; CEO</b>	40%	29%	31%	100%
<b>KMP Executives</b>	52%	28%	20%	100%

\* LTI value based on an estimate of the fair value of target awards. The face value equivalent award levels as a percentage of base pay are 155% for the MD & CEO and 80% for the KMP Executives.

Careful remuneration benchmarking is critical to achieving these objectives. The Board has taken advice and invested considerable thought in determining the appropriate peer group for BlueScope as shown above.

### I) FIXED PAY

Fixed pay recognises the market value of an individual's skills, experience, accountability and their expected sustained contribution in delivering the fundamental requirements of their role. In order to attract and retain skilled leaders, BlueScope aims to maintain a competitive position for base pay – around the 60th percentile of the peer group.

### II) SHORT TERM INCENTIVE (STI)

Whereas base pay recognises the attributes an individual executive brings to their role, STI focuses all executives on priority team-based outcomes. The targets are reset each year in the context of the specific business strategy and new priorities. STI awards are assessed at the end of each year and cover financial, safety, operational and strategic and new project measures. Failure to achieve a team-based target does not necessarily reflect inadequate performance on the part of a particular individual. The threshold, target and maximum STI award settings reflect general market practice for large Australian based industrial companies. Executives are not assured of an STI reward, as the Board retains the discretion to limit, defer or cancel STI awards and specifically considers and approves the objectives and awards for all KMP Executives and the MD & CEO each year.

The Board considers it particularly important in a transformation program to pay STI to KMP Executives for delivering outstanding quantified results even if the Company as a whole is not yet profitable. At the same time we have significantly reduced cash STI by withholding 50% of any STI grant in restricted shares that have a one year trading lock and will lapse on resignation or termination for cause. For FY 2014 and subsequent years, following a review of market practice amongst our peer companies the Board has amended the amount of STI withheld and awarded in restricted shares to 1/3 of the total STI awarded. All other terms and conditions of the restricted equity awards remain in place.

The Board has discretion to clawback deferred STI equity awards in the event of serious misconduct by management which undermines the Company's performance, financial soundness and reputation. These events include misrepresentation or material misstatements due to errors, omissions or negligence.

Target STI levels are set having regard to appropriate levels in the market and range from 10% of base pay through to 60% (or 53% of fixed pay) for the KMP other than the MD & CEO whose STI is 80% of base pay (or 70% of fixed pay). These levels are reviewed annually. For outstanding results, participants may receive up to a further 50% of their target award amount (individual objectives may be assessed at up to 200% of target for outstanding results with the maximum overall STI outcome capped at 150% of target).

The goals for each participant are drawn from the following categories:

- Companywide Financial Measures - performance measures may include Net Profit After Tax, Cash Flow and Return on Invested Capital;
- Own Business Controllables —performance measures against a range of controllable Business Unit financial and Operational Excellence measures based on approved business plans;
- Zero Harm - safety performance measures, including Lost Time Injury Frequency Rates and Medical Treatment Injury Frequency Rates;

- Projects and New Initiatives - performance measures based on measurable execution and implementation of business priorities included in the strategic plan.

STI plans are developed using a balanced approach to financial measures and key performance indicator ('KPI') metrics. At the senior executive level, there is a minimum weighting of 25% allocated to companywide financials and a weighting of 5% to Zero Harm, with the balance of the STI allocated between Own Business Controllables comprising Business Unit financials, and Operational Excellence measures and Projects and New Initiatives. The minimum weighting to financials for KMP Executives is usually 55% comprising a 25% weighting to companywide financials and 30% to Business Unit financials.

The weightings that applied for FY 2013 were as follows:

	Company Financials	Zero Harm	Own Business Controllables (with a minimum weighting of 30% for Business Unit financial measures)	Projects and New Initiatives	Total
	%	%	%	%	%
<b>MD &amp; CEO</b>	60%	5%	0%	35%	100%
<b>KMP Executives</b>	25%	5%	30 –70%	0 – 40%	100%

The allocated weightings will vary from year to year reflecting business priorities and the individual's role.

Performance conditions, including threshold, target and stretch hurdles, are set for each plan and approved by the Board for KMP Executives. If the threshold level is not reached, no payment is made in respect of that goal. The Board retains the discretion to adjust any STI payments in exceptional circumstances, including determining that a reduced award or even no award is paid. In FY 2009 the Board decided that no STI would be paid even though some performance objectives had been met because the overall Company profit performance was poor. Below target STI awards were paid in FY 2010, FY 2011 and FY 2012. The MD & CEO's STI for FY 2012 was zero.

### III) LONG TERM INCENTIVE (LTI)

LTI is one of the means of aligning executives with the experience of shareholders. BlueScope uses a three-year time period to test Total Shareholder Return (TSR) relative to the ASX 100, to determine whether or not an executive receives a reward from this element in their remuneration package. The Board again considered adoption of a second measure but concluded to remain with 100% of the award subject to a relative TSR measure as we believe the best and most objective measure of the successful implementation of strategy is the delivery of returns to shareholders.

The quantum of LTI awards is normally calculated based on an agreed percentage of base salary divided by the face value of shares at the time of issue rather than fair value. Fair value, however, is used for reporting purposes as required by accounting standards, and is also used in benchmarking executive remuneration against the selected peer group which reports fair value.

For FY 2013, the Board has taken into account shareholder feedback related to LTI. Specifically, we agreed that the quantum of rights for KMP Executives would be calculated using a minimum share price of \$2.40 reflecting the December 2011 capital raising price notwithstanding that the share price at the time of the grant was lower. We also extended the trading lock from one to two years, which takes the effective period for the FY 2013 LTI award to five years, and retained the tighter vesting hurdles introduced in FY 2012.

Following consultation with shareholders, the Board has decided to make the following changes to the LTI program for FY 2014:

- Retention Rights will not be issued and the LTI will be restored to 100% of its previous value. All Share Rights will be subjected to a relative TSR performance hurdle as we believe that the best and most objective measure of the successful implementation of strategy is future shareholder returns. The vesting scale for LTI Share Rights will continue to start at 40% at the 51st percentile.
- The Board intends to restore retesting on a restricted basis i.e. one retest after one year, not the previous four over two years. BlueScope continues to be affected by a volatile international steel market and volatile raw material prices. It is, therefore, important that strategic initiatives to continue our transition to a less volatile business portfolio are pursued by BlueScope's leadership team. However, this volatility introduces a level of uncertainty about the retention and incentive value of the LTI program during this transition period. The Board intends to recognise this fact as well as the continuation of the tougher vesting scale, and the actual vesting experience and cost of the LTI program, through a single vesting retest. The retest will operate to extend the performance period from three years to four years thus requiring significant out performance in the fourth year before any vesting can occur.
- The two year post vesting holding period over LTI Share Rights for FY 2013 balanced the absence of any post vesting holding requirements over Retention Rights. Going forward, the two year post vesting holding lock will be replaced by a shareholding policy. This requires a KMP Executive to build a minimum value of shares equivalent to 50% of base pay to be accumulated over time.

Executives at BlueScope are not permitted to hedge (such as 'cap and collar' arrangements) LTI awards, or vested shares held under trading lock restrictions. The last LTI that vested for BlueScope executives was the 2005 award, which vested in 2008. No LTI award has vested in the past five years.



## IV) RETENTION EQUITY

In unprecedented circumstances, the Board has awarded retention shares to a limited number of executives, where their retention is critical to the successful delivery of business strategy.

This year the Board split executive LTI (except for the MD & CEO) into two parts. Half has been offered under normal LTI conditions described above. The other half was offered as Retention Rights which have a three year vesting hurdle, a minimum share price hurdle of \$2.40 and will lapse if the executive leaves the Company before 31 August 2015. The Board has resolved not to reissue Retention Rights for FY 2014.

## V) EQUITY DILUTION

A goal of the Board in developing the remuneration structure for this transition period has been to increase the percentage of remuneration paid in deferred equity to further reinforce the alignment of executive experience with shareholders. At the same time the Board is cognisant of investor concerns regarding further equity dilution. The following table shows the number and percentage of outstanding equity awards compared to the issued share capital of the Company as at 30 June 2013.

	LTIP Share Rights (incl FY 2013 Retention Rights)	Retention shares	STI rights	Total equity awards	General employee share plan	Issued share capital
Number of awards	15,270,040	1,184,885	578,404	17,033,329	1,819,465	558,243,305
As a % of issued share capital	2.74%	0.21%	0.10%	3.05%	0.33%	

## 5. HOW THIS POLICY APPLIES TO THE MD & CEO

This section of the Remuneration Report provides shareholders with an explanation of how the policies referred to above have been applied to the MD & CEO.

### I) BASE PAY

The Board has undertaken a market based review of Mr O'Malley's base pay noting that he has not had an increase since 1 September 2010. As a result of the review, he will receive an increase of 3% from 1 September 2013.

### II) SHORT TERM INCENTIVE (STI)

Shareholders were advised in the FY 2012 Remuneration Report that the payment of a target STI for FY 2013 would depend upon the achievement of the following target objectives: delivery of a major strategic transformational initiative; returning to a positive underlying profit and top quartile TSR performance relative to the ASX 100. Importantly, any STI awarded, will be delivered equally in cash and equity. The equity will be subject to a one year trading lock and will lapse on termination due to resignation or for cause.

The outcomes against each of these objectives has exceeded the expectations given to shareholders by the Company in last year's Remuneration Report. Accordingly, the Board has resolved that the MD & CEO should receive the maximum STI available in recognition of his leadership in the delivery of the following:

- A significant improvement in underlying profit - the Company has reported an underlying positive NPAT of \$29.7M which compares to an underlying loss of \$237.5M in FY 2012.
- The negotiation and execution of a major strategic change in the Company's business portfolio - the formation of the joint venture with NSSMC.
- Top quartile TSR performance relative to the ASX 100 – our TSR for the year ended 30 June 2013 was 161% (the highest of any company in the ASX 100). The next highest relative TSR achieved by a Company in our remuneration peer group was 62%.

STI objectives for FY 2014 will be based on improving underlying profit, maintaining a strong balance sheet and the implementation of growth strategies in each of our four businesses.

### III) LONG TERM INCENTIVE (LTI)

The MD & CEO did not receive any LTI Share Rights in FY 2012 in view of the Company's financial performance and no Share Rights have vested in the past five years. The last award to vest was the 2005 award which vested in September 2008.

The MD & CEO received an award of Share Rights for FY 2013 under the existing terms of his LTI plan, as approved by shareholders at the AGM in 2010. However, the MD & CEO agreed that in addition to the relative Total Shareholder Return hurdle previously approved, no Share Rights will vest unless the share price is at least \$2.40, the price offered to shareholders at the time of the capital raising in November 2011.

Shareholders will be asked to approve a new LTI plan for the MD & CEO to apply in FY 2014 which will reflect the changes described above at section 4(III) namely a three year performance period with one retest after the fourth year, with the vesting scale starting at 40% at the 52<sup>nd</sup> percentile. The new LTI plan will be more restrictive than previous awards with only one retest, a reduction in the number of shares that will vest at the 51<sup>st</sup> percentile of relative ASX100 TSR performance from 52% to 40%. Share Rights are not eligible for dividends until they vest. Share Rights would be awarded using the current formula of 155% of base salary per annum. This percentage was agreed when the MD & CEO's initial contract was signed and at that time reflected an increased weighting to LTI and a reduced weighting of his STI.

## 6. HOW THIS POLICY APPLIES TO KMP EXECUTIVES

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This section explains how the executive remuneration policies adopted as part of our transition process have been applied to KMP Executives during FY 2012 and FY 2013.

### I) BASE PAY

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Shareholders were advised in the FY 2012 Remuneration Report that there would be no 'across-the-board' base pay increase for KMP Executives for FY 2013. The only KMP Executive to receive an increase in base pay was Mr Bob Moore, Chief Executive, Global Building Solutions who had his base pay increased to \$750,000 with effect from 1 January 2013 reflecting the increased responsibilities in leading the Company's pre-engineered steel building businesses stretching from North America across China, Asia, India, the Middle East and Australia. Keith Mitchelhill, formerly president North America left the Company on 31 March 2013 as a result of the restructure of the North American business.

The Board has undertaken a market based review of KMP Executive base pay and increases in the order of 3% will apply from 1 September 2013.

### II) SHORT TERM INCENTIVE (STI)

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The Company has reported an underlying positive NPAT of \$29.7M. This compares to an underlying loss of \$237.5M in FY 2012. BlueScope's financial performance of a \$267.2M year on year improvement met internal targets to enable some but not all STI to be payable for Company Financials. This was supported by cash performance which was particularly good, as can be seen by the reduction in net debt from \$584M before year end initiatives in FY 2012 to \$148M in FY 2013. BlueScope has as its Number 1 priority a safety goal of Zero Harm. We set challenging year on year safety improvement targets and these were not met this year. Accordingly, no STI is payable for safety performance.

STI awards were made for achievement of Business Unit EBIT growth objectives, achieving outstanding cashflow results and implementation of fundamental restructuring initiatives to underpin a turnaround in Company financial performance. Full details of the achievements for each of the KMP Executives are included under section 8.4.

In addition, KMP Executives will have half of their total STI awards withheld, and delivered as restricted shares. These will lapse if the KMP Executive resigns or is terminated for cause within 12 months.

The basis of STI awards to KMP Executives are outlined below.

- The financial performance of the business units met some but not all of their financial targets. Importantly, cash performance was generally very good as demonstrated by a significant reduction in net debt year on year. Earnings performance was materially better than the prior year but challenging growth targets were set and these were not universally met.
- Successful negotiation and execution of the Coated Products Joint Venture with NSSMC on 28 March 2013 with proceeds of US\$571.1M received. This provides our Coated Products business with new growth opportunities, has delivered a very strong balance sheet and enhances BlueScope's financial flexibility to invest in further growth opportunities.
- In BlueScope Australia and New Zealand (Mark Vassella, supported by Corporate KMP Michael Barron, Charlie Elias and Ian Cummin):
  - Ongoing implementation of the restructure of the Coated and Industrial Products (CIPA) business achieved further significant cost reductions of \$156.0M. This business is now strongly leveraged to a recovery in domestic demand with early signs of improvement, weakening in the A\$ and reductions in unfairly traded imports.
  - Successful negotiation of workers compensation settlement (\$36.6M benefit), and profit on sale of a previously unrecognised intangible asset \$37.5M benefit.
  - Additional rationalisation and restructuring of the Distribution and Lysaght businesses delivered new cost reductions in the order of \$33.0M and as a result of restructuring the New Zealand operations permanent savings of \$15.0M per annum have been achieved.
  - Iron sands production and dispatches have expanded in New Zealand.
- In the Global Buildings Solutions business (Bob Moore and Pat Finan, supported by Corporate KMP Michael Barron, Charlie Elias and Ian Cummin):
  - Nine new programme accounts were secured with a revenue objective of almost \$230M at sustainable margins.
  - Our Xi'an plant, China's first three-star sustainable industrial building (the highest environmental rating in China) is now operational and will showcase to customers a new generation of sustainable industrial building solutions.
- In the Building Products business (Sanjay Dayal, supported by Corporate KMP Michael Barron, Charlie Elias and Ian Cummin):

- Business restructure completed with a single management team and \$11M cost savings identified (annualised savings of \$8M realised in FY 2013). Execution of the strategy is anticipated to deliver a more sustainable business model.
- India: Business has improved significantly with increases in sales volume from 112,000 tonnes to 180,000 tonnes and revenue growth of 32% from \$163.0M to \$215.2M. The coating line is operating at 65% capacity the fastest ramp-up of any of our new coating lines.
- A range of debt management and financial restructuring initiatives resulting in significant reduced drawn debt during FY 2013 and successfully transforming the capital structure and lengthening its average debt tenor.

Due to outstanding achievements in improving the earnings performance of the Company, cash delivery and debt reduction, overall STI awards are higher than FY 2012. One half of the STI awards have been withheld in 'at risk' shares. The total cash STI awards in aggregate for the MD & CEO and all KMP Executives for FY 2013 as \$3,116,182, FY 2012 was \$994,476 and \$3,051,813 for FY 2011.

### **III) LONG TERM INCENTIVE (LTI)**

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In relation to FY 2013, and as part of this transition process the Board halved the value of LTI that would normally be awarded, and the quantum of Share Rights was set to reflect, the \$2.40 capital raising price. In addition, we have increased the trading lock over vested Share Rights from one to two years. The same tighter TSR hurdle introduced for FY 2012 will also be applied, together with a minimum \$2.40 share price for vesting, only 40% vesting at the 51st percentile and with no retesting.

### **IV) RETENTION EQUITY**

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Shareholders were advised in the FY 2012 Remuneration Report, that the Board would be introducing a new Retention Rights scheme in FY 2013. Retention Rights have a retention hurdle of three years from 1 September 2012, and a minimum share price hurdle of \$2.40 for vesting to occur. These Retention Rights will lapse in circumstances of resignation or termination for cause. The Board retains discretion in other circumstances. This scheme was funded by halving the normal value of the executive LTI program and there has been no change in cost to shareholders. The Board has resolved that the Retention Rights structure will not continue after FY 2013.

## V) LONG TERM INCENTIVE PLAN

The following table summarises the key features of the current unvested Long Term Incentive Plan awards.

Grant Date	FY2008		FY2009		FY2010		FY2011 <sup>1</sup>		FY2012 <sup>1</sup>		FY2013 <sup>1</sup>		1 September 2012 and 20 December 2012		
	5 November 2007 (all Executives excluding MD & CEO)	28 November 2008	30 November 2009	16 April 2012	(In view of Company/financial performance, the MD & CEO did not receive a grant of Share Rights this year)	31 October 2010	31 October 2011	31 October 2012	31 October 2013	31 October 2014	31 October 2015	31 October 2016	31 October 2017	31 October 2018	Terms of Issue for Retention Rights offered to Key Management Personnel and Executives
Expiry Date	From 1 September 2010	From 1 September 2011	From 1 September 2012	From 1 February 2015	From 1 September 2015	From 1 September 2015	From 1 September 2015	From 1 September 2015	From 1 September 2015	From 1 September 2015	From 1 September 2015	From 1 September 2015	From 1 September 2015	From 1 September 2015	From 1 September 2015
Total Number of Share Rights Granted	322,474	374,708	1,348,413	7,198,493	1,756,092	27,667	1,756,092	7,198,493	520,422	1,367,464	695,449	146,667	4,506,475	365,650	Terms of Issue for Retention Rights offered to Key Management Personnel and Executives
Total Number of Cash Rights Granted <sup>2</sup>	217	255	313	266	285	243	243	266	247	1	7	7	257	255	Terms of Issue for Retention Rights offered to Key Management Personnel and Executives
Number of Participants at Grant Date	0	130	202	243	243	Nil	243	247	Nil	1	7	7	255	255	Terms of Issue for Retention Rights offered to Key Management Personnel and Executives
Number of Current Participants	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Terms of Issue for Retention Rights offered to Key Management Personnel and Executives
Exercise Price	\$11,468,263	\$2,765,343	\$10,516,812	\$9,723,180	\$9,723,180	\$9,723,180	\$9,723,180	\$9,723,180	\$9,723,180	\$1,805,052	\$997,204	\$997,204	\$8,402,825	\$8,402,825	Minimum share price of \$2.40
Fair Value Estimate at Grant Date	\$38.22 (5 Nov 2007)	\$9.84	\$10.20	\$7.20	\$7.20	\$7.20	\$7.20	\$7.20	\$1.26	\$1.32	\$1.01	\$1.01	\$1.06 (1 Sept 2012)	\$1.06 (1 Sept 2012)	Minimum share price of \$2.40
Share Rights Lapsed since Grant Date	\$38.52 (14 Nov 2007)	158,847	467,815	412,432	412,432	412,432	412,432	412,432	868,668	0	0	0	\$2.52 (20 Dec 2012)	\$2.52 (20 Dec 2012)	Minimum share price of \$2.40
Cash Rights Lapsed since Grant Date	322,474	158,847	467,815	412,432	412,432	412,432	412,432	412,432	868,668	0	0	0	18,360	18,360	Minimum share price of \$2.40
Cash Rights Lapsed since Grant Date	-	-	3,327	5,659	5,659	5,659	5,659	5,659	0	0	0	0	0	0	Minimum share price of \$2.40
Performance Hurdle	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule
Vesting Schedule	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	As per vesting schedule and minimum share price of \$2.40
TSR Hurdle - 75th-100th percentile	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	No vesting until 51st percentile, at which point 52% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.
TSR Hurdle - 51st-<75th percentile	There is no vesting until the 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	There is no vesting until the 51st percentile, at which point 52% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	There is no vesting until the 51st percentile, at which point 52% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	There is no vesting until the 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	There is no vesting until the 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	There is no vesting until the 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	There is no vesting until the 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	There is no vesting until the 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	There is no vesting until the 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	There is no vesting until the 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	There is no vesting until the 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	There is no vesting until the 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	There is no vesting until the 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	There is no vesting until the 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	There is no vesting until the 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.
TSR Hurdle - < 51st percentile	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will be carried over for assessment at subsequent performance periods.
Vesting Outcome 1st Performance Period	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	No retesting
Vesting Outcome 2nd Performance Period	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	No retesting
Vesting Outcome 3rd Performance Period	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	No retesting
Vesting Outcome 4th Performance Period	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	No retesting
Vesting Outcome 5th Performance Period	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	No retesting

<sup>1</sup> These grants are within the first performance period and are yet to be tested.

<sup>2</sup> For some countries, where there are additional restrictions relating to awards of equity, a 'Cash Rights' award is made which delivers a cash payment on vesting.

## 7. THE RELATIONSHIP BETWEEN COMPANY PERFORMANCE AND REMUNERATION

The short-term and long-term incentive components of the remuneration structure reward achievement against Company and individual performance measures over one year and multi-year timeframes. The foundations were laid over the past three years to return the Company to profit. During that time executive remuneration, particularly for the MD & CEO, was severely constrained. The performance in FY 2013 demonstrates that we are making significant progress and it is appropriate that the remuneration outcomes this year reflect that.

The table below summarises the Company's performance for FY 2013 and the previous four years. FY 2013 represents the best financial performance in three years, an \$872M improvement in reported EBIT, and this improvement was delivered following major cost reductions and business restructures to offset the challenges of a significant decline in global steel industry margins, a high Australian dollar and the softest Australian domestic demand in a decade.

Our compensation scheme is aligned with this performance as represented below:

- There has been no vesting of LTI awards in the past five years.
- Significantly below target STI payments made for FY 2010, FY 2011 and FY 2012.
- The MD & CEO has had no base salary increase since 2010.
- No LTI was awarded to MD & CEO in 2012.
- Due to prior Board and KMP shareholding policy, Board members and KMP have experienced significant value loss on retained shares as have other shareholders.

Measure	30 June 2009	30 June 2010	30 June 2011	30 June 2012	30 June 2013
Share Price (\$) <sup>1</sup>	15.18	12.60	7.26	1.80	4.67
Dividend per Share					
Ordinary (cents)	20	25	10	0	0
Earnings per Share (cents) <sup>1</sup>	-36.0	35.0	-291.3	-234.6	-15.1
<b>REPORTED</b> <sup>2</sup>					
NPAT \$ M	-66.0	126.0	-1054.0	-1043.5	-84.1
EBIT \$ M	15.0	240.0	-1043.0	-819.9	51.7
EBITDA \$ M	380.0	590.0	-687.0	-489.1	367.3
<b>UNDERLYING</b> <sup>2</sup>					
NPAT \$ M	35.0	110.0	-127.0	-237.5	29.7
EBIT \$ M	152.0	253.0	-107.0	-224.3	102.8
EBITDA \$ M	506.0	594.0	240.0	98.9	418.3

1) On 19 December 2012, the Company consolidated its share capital through the conversion of every six shares in the Company into one ordinary share in the Company. As a result, share prices and earnings per share for the prior periods, have been restated to reflect this change. .

2) The use of the term 'reported' refers to IFRS financial information and 'underlying' to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information, issued in December 2011. Underlying adjustments have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. The non-IFRS financial information, whilst not subject to an audit or review, has been extracted from the financial report which has been subject to audit by our external auditors. A detailed reconciliation of adjustments to the reported financial information is provided on page 3 of the Director's Report.



## 8. SPECIFIC REMUNERATION DETAILS

### 8.1 NON-EXECUTIVE DIRECTORS' REMUNERATION

The Committee, on behalf of the Board, seeks the advice of expert external remuneration consultants to ensure that fees and payments reflect the duties of Board members and are in line with the market. The Chairman and the Deputy Chairman of the Board do not participate in any discussions relating to the determination of their own fees.

Non-executive Directors do not receive Share Rights or other performance-based rewards. Non-executive Directors are expected to acquire over time a shareholding in the Company at least equivalent in value to 50% of their annual remuneration.

Fees are normally reviewed annually on 1 January. The Board decided that there would be no increase in Directors' fees for 2013. Directors' fees have not been increased since 1 January 2011 and prior to that Directors' base fees had not been increased since 1 January 2006. Committee fees have not been increased since 1 January 2008.

The schedule of fees (exclusive of superannuation) effective 1 January 2013, and which currently applies, is as follows:

Role	Fees effective 1 Jan 2013
Chairman <sup>1</sup>	\$472,500
Deputy Chairman <sup>1</sup>	\$273,000
Non-executive Director	\$157,500
Chairman of Audit and Risk Committee	\$36,750
Member of Audit and Risk Committee	\$18,900
Chairman of Remuneration and Organisation Committee	\$26,250
Member of Remuneration and Organisation Committee	\$13,650
Chairman of Health, Safety and Environment Committee	\$26,250
Member of Health, Safety and Environment Committee	\$13,650
Travel and Representation Allowance <sup>2</sup>	\$21,000

1) Additional fees are not payable to the Chairman and Deputy Chairman for membership of Committees.

2) Allowance paid to Tan Yam Pin who is based in Singapore.

The maximum fee pool limit is currently \$2,925,000 per annum (inclusive of superannuation) as approved by shareholders at the Annual General Meeting in 2008. Total fees paid to Directors for the year ended 30 June 2013 amounted to \$2,018,387.

Compulsory superannuation contributions per Director capped at \$17,775 per annum (commencing 1 July 2013) are paid on behalf of each Director. Compulsory superannuation contributions for the year ended 30 June 2013 were \$16,470 per annum. Non-executive Directors do not receive any other retirement benefits.

## 8.2 KEY MANAGEMENT PERSONNEL – DIRECTORS' REMUNERATION

Details of the audited remuneration for the year ended 30 June 2013 for each Non-executive Director of BlueScope are set out in the following table.

### KMP Remuneration – Non-executive Directors

Name	Year	Short-term employee benefits			Post-employment benefits <sup>2</sup>		Total
		Fees <sup>1</sup>	Non-monetary	Sub-total	\$	\$	
<b>Director - Current</b>							
G J Kraehe	2013	472,500	9,708	482,208	16,470	498,678	
	2012	472,500	10,672	483,172	15,775	498,948	
R J McNeilly	2013	273,000	-	273,000	16,470	289,470	
	2012	273,000	-	273,000	15,775	288,775	
D J Grady <sup>3</sup>	2013	124,389	1,324	125,713	10,378	136,091	
	2012	197,400	-	197,400	15,775	213,175	
H K McCann <sup>3</sup>	2013	145,271	1,324	146,595	12,589	159,184	
	2012	190,050	-	190,050	15,775	205,825	
Y P Tan	2013	205,800	1,324	207,124	16,470	223,594	
	2012	205,800	-	205,800	15,991	221,791	
D B Grollo	2013	202,650	-	202,650	16,470	219,120	
	2012	193,103	-	193,103	15,775	208,878	
K A Dean	2013	207,900	-	207,900	16,470	224,370	
	2012	207,900	-	207,900	15,775	223,675	
P Bingham-Hall	2013	188,968	-	188,968	16,470	205,438	
	2012	175,665	-	175,665	15,775	191,440	
E G W Crouch <sup>4</sup>	2013	57,434	-	57,434	5,008	62,442	
	2012	-	-	-	-	-	
<b>Total 2013</b>		<b>1,877,912</b>	<b>13,680</b>	<b>1,891,592</b>	<b>126,795</b>	<b>2,018,387</b>	
<b>Total 2012</b>		<b>1,915,418</b>	<b>10,672</b>	<b>1,926,090</b>	<b>126,416</b>	<b>2,052,506</b>	

1) There was no increase in Directors' fees during the year. The last increase in fees occurred on 1 January 2011. The previous increase in base fees occurred on 1 January 2006 and in Committee fees on 1 January 2008.

2) Post-employment benefits relate to government compulsory superannuation contributions.

3) D J Grady and H K McCann retired with effect 15 February 2013 and 5 April 2013 respectively.

4) E G W Crouch was appointed to the Board with effect from 12 March 2013.

## 8.3 KEY MANAGEMENT PERSONNEL – EXECUTIVES (INCLUDING MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S) REMUNERATION

The Key Management Personnel of BlueScope Steel Limited includes those members of the KMP Executive Team who have the authority and responsibility for planning, directing and controlling the activities of the Company.

The following table shows the composition of the KMP Executive Team during the year.

Current KMP - Executives	Position	Dates position held during year ended 30 June 2013
<b>P F O'Malley</b>	Managing Director and Chief Executive Officer	1 July 2012 – 30 June 2013
<b>I R Cummin</b>	Executive General Manager, People and Organisation Performance	1 July 2012 – 30 June 2013
<b>M R Vassella</b>	Chief Executive, BlueScope Australia and New Zealand	1 July 2012 – 30 June 2013
<b>S R Elias</b>	Chief Financial Officer	1 July 2012 – 30 June 2013
<b>M G Barron</b>	Chief Legal Officer and Company Secretary	1 July 2012 – 30 June 2013
<b>S Dayal</b>	Chief Executive, Building Products	1 July 2012 – 30 June 2013
<b>R Moore</b>	Chief Executive, Global Building Solutions	1 July 2012 – 30 June 2013
<b>P Finan</b>	Executive General Manager, Global Building & Construction Markets	1 July 2012 – 30 June 2013
<b>K A Mitchelhill</b> <sup>1</sup>	Executive General Manager	1 July 2012 – 31 March 2013

1) Following the restructure of the North American business as a result of the establishment of the Building Products and Global Building Solutions businesses, Mr Mitchelhill's role became redundant and he left the Company on 31 March 2013.

The audited information contained in the following tables represents the annual remuneration for the year ended 30 June 2013 for the KMP. The aggregate remuneration of the KMP of the Company is set out below.

	2013 <sup>1</sup>	2012
	\$	\$
Short-term employee benefits <sup>2</sup>	13,113,769	11,324,526
Post-employment benefits	196,517	346,715
Other long-term benefits	108,167	335,994
Termination benefits	852,000	-
Share-based payments <sup>3,4</sup>	7,448,763	4,385,420
<b>Total</b>	<b>21,719,216</b>	<b>16,392,655</b>

1) The increase in remuneration from FY 2012 to FY 2013 is largely attributable to the fact that the MD & CEO was not awarded an STI or LTI in FY 2012 and the awarding of STI in FY 2013, the termination payment to Mr Mitchelhill and an accounting requirement to expense equity awards made to Mr Dayal at the year end share price rather than fair value at the date of grant.

2) This includes base salary, annual leave accruals, non-monetary benefits, superannuation received as cash allowance and STI payments.

3) This relates to awards of Share Rights that can only vest when performance hurdles are achieved.

4) For some countries, where there are additional restrictions relating to awards of equity, a 'Cash Rights' award is made which delivers a cash payment on vesting.

The remuneration of each member of the KMP of the Company is set out in the following tables.

KMP - Remuneration – 2013

KMP REMUNERATION

Name	Year	Short-term employee benefits							Share-based payment							Total	%
		Salary and fees <sup>1</sup>	Movement in annual leave provision <sup>2</sup>	Short Term Incentive <sup>3</sup>	Non-monetary <sup>4</sup>	Other <sup>5</sup>	Sub-total	Post-employment benefits <sup>6</sup>	Other long-term employee benefits <sup>7</sup>	Termination benefits	Shares and units	Options and rights <sup>3</sup>	Total	% of performance related pay <sup>8</sup>			
<b>Executive Director</b>																	
P F O'Malley	2013	1,750,000	14,472	1,050,000	995	220,000	3,035,467	25,000	41,890	0	3,726	2,039,381	5,145,464	60.0			
	2012	1,750,000	-20,008	0	995	220,000	1,950,987	25,000	43,811	0	42,725	741,498	2,804,021	26.4			
<b>KMP Executives</b>																	
M R Vassella	2013	1,000,000	-18,654	395,100	88,620	115,000	1,580,066	25,000	23,937	0	268,667	772,291	2,669,961	43.7			
	2012	961,538	29,917	0	538,312	110,577	1,640,344	24,038	123,188	0	267,921	603,238	2,658,729	22.7			
I R Cummin	2013	620,000	-21,101	222,828	995	61,800	884,522	25,000	14,841	0	166,562	478,225	1,569,150	44.7			
	2012	618,376	8,231	111,600	995	30,796	769,998	55,769	24,701	0	166,100	289,008	1,305,576	30.7			
M G Barron	2013	620,000	41,896	242,358	995	61,800	967,049	25,000	14,841	0	166,562	497,755	1,671,207	44.3			
	2012	618,376	16,506	111,600	0	35,537	782,020	50,000	26,448	0	166,100	289,008	1,313,575	30.5			
S R Elias	2013	763,000	18,047	295,510	1,015	81,820	1,159,392	25,000	18,264	0	204,996	603,620	2,011,272	44.7			
	2012	760,590	42,000	137,340	1,493	81,483	1,022,906	25,000	24,888	0	204,427	347,832	1,625,053	29.9			
S Dayal	2013	881,587	61,028	330,528	-158,803	98,200	1,212,540	25,000	22,329	0	164,134	1,273,357	2,697,360	59.5			
	2012	835,710	22,543	217,800	-25,410	67,770	1,118,414	47,917	35,531	0	56,363	423,852	1,682,076	38.1			
P J Finan	2013	471,367	5,513	144,474	234,756	0	856,110	0	0	0	126,763	296,564	1,279,437	34.5			
	2012	445,506	5,607	82,764	357,392	0	891,269	18,170	0	0	126,411	154,843	1,190,693	20.0			
R J Moore	2013	713,739	33,253	245,250	1,168,529	74,797	2,235,568	25,000	44,425	0	162,301	473,236	2,940,530	24.4			
	2012	604,000	-17,853	154,926	372,461	35,967	1,149,501	47,917	30,128	0	161,850	241,396	1,630,792	24.3			
K A Mitchell <sup>9</sup>	2013	707,087	33,073	190,134	175,286	77,475	1,183,055	21,517	-72,360	852,000	-116,477	-132,900	1,734,835	3.3			
	2012	852,000	44,560	127,800	316,137	94,280	1,434,777	25,000	27,299	0	239,953	329,071	2,056,100	22.2			
N H Cornish <sup>10</sup>	2013	0	0	0	0	0	0	0	0	0	0	0	0	0.0			
	2012	89,432	0	0	28,394	0	117,826	12,520	0	0	0	-360,031	-229,685	0.0			
P E O'Keefe <sup>10</sup>	2013	0	0	0	0	0	0	0	0	0	0	0	0	0.0			
	2012	356,191	0	50,646	5,167	34,482	446,486	15,384	0	0	0	-106,145	355,725	0.0			
<b>Total 2013</b>		7,526,780	167,527	3,116,182	1,512,388	790,892	13,113,769	196,517	108,167	852,000	1,147,234	6,301,529	21,719,216				
<b>Total 2012</b>		7,891,719	131,503	994,476	1,595,936	710,892	11,324,526	346,715	335,994	0	1,431,850	2,953,570	16,392,655				

- 1) The only KMP to receive a base pay increase was Mr Moore. The year on year changes from FY 2012 to FY 2013 in the table are due to small payroll timing differences and also exchange rate differences for overseas based KMPs.
- 2) Negative movement in annual leave provision indicates leave taken during the year exceeded leave accrued during the current year.
- 3) The amount disclosed under the heading Short Term Incentive (STI) represents the 50% of STI payable in cash. The remaining 50% is withheld and payable in restricted equity which is included as a share based payment.
- 4) Non-monetary includes executive health check and benefits provided under the Company's international assignment policy e.g. accommodation, tax equalisation, relocation benefits and medical coverage.
- 5) Due to changes in the superannuation legislation resulting in maximum contribution levels, members of the Defined Contribution Division can elect to receive a proportion of their superannuation as a cash allowance.
- 6) Post-employment benefits relate to superannuation contributions. There are no other post-employment benefits.
- 7) This shows movement in long service leave benefits during the year.
- 8) The percentage of remuneration that is performance related recognises LTI based on accounting values rather than the amounts actually received. The last LTI award that vested in September 2008.
- 9) Following the restructure of the North American business as a result of the establishment of the Building Products and Global Building Solutions businesses, Mr Mitchell's role became redundant and he left the Company on 31 March 2013. He was entitled to a termination payment of 12 months base pay, under the terms of his employment contract. Note also STI was 100% cash, due to departure.
- 10) Mr Cornish and Mr O'Keefe left the company during FY 2012.



## 8.4 SHORT TERM INCENTIVE AWARDS

For the year ended 30 June 2013 STI awards were made for the achievement of quantifiable objectives including a significant turnaround in the Company's financial position, top quartile relative TSR performance, and the successful execution a major strategic initiative (the establishment of the joint venture with Nippon Sumitomo Steel). One half of any STI awarded has been withheld and delivered as restricted Share Rights. These will lapse if the executive resigns or is dismissed within 12 months. Eligibility to receive an STI award is subject to the terms and conditions of the plan, including a minimum of six months' performance during the plan year and employment during the period is not terminated for resignation or performance-related reasons.

Under the Company's Short Term Incentive Plan each executive can earn between 0% and 150% (maximum) of the STI target award. The table below shows the, actual percentage outcome achieved and percentage forfeited for the year ended 30 June 2013.

### SHORT TERM INCENTIVES

Name	Actual STI as a % of maximum STI for year ended 30 June 2013 <sup>1</sup>	% of maximum STI forfeited for year ended 30 June 2013
	%	%
<b>Executive Director</b>		
P F O'Malley	100	0
<b>KMP Executives</b>		
M R Vassella	88	12
I R Cummin	80	20
M G Barron	87	13
S R Elias	86	14
S Dayal	83	17
P J Finan	66	34
R J Moore	73	27
K A Mitchelhill	34	66

1) 50% of total STI awarded is payable in cash and 50% is withheld and payable in restricted equity.

## 8.5 SHARE RIGHTS HOLDINGS

Share Rights granted, exercised and forfeited by the KMP during the year ended 30 June 2013 were as follows:

Name	Remuneration consisting of Share Rights <sup>1</sup>	Value of Share Rights granted during the year at grant date <sup>2</sup>	Value of Share Rights exercised during the year	Value of Share Rights at lapse date, that lapsed during the year	Total value of Share Rights granted, exercised and lapsed during the year
	%	\$	\$	\$	\$
<b>Executive Director</b>					
P F O'Malley	35	1,805,052		247,228	2,052,280
<b>KMP Executives</b>					
M R Vassella	25	660,163	-	50,240	710,403
I R Cummin	19	297,910	-	40,819	338,729
M G Barron	18	297,910	-	40,819	338,729
S R Elias	18	366,622	-	47,100	413,722
S Dayal	18	482,129	-	-	482,129
P J Finan	18	223,906	-	20,174	244,080
R J Moore	12	365,222	-	25,480	390,702
K A Mitchelhill <sup>3</sup>	7	127,564	-	292,277	419,841

- 1) This figure is calculated on the value of Share Rights awarded in the year ended 30 June 2013 as a percentage of the total value of all remuneration received in that same year.
- 2) External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of Share Rights awarded in the year ended 30 June 2013. The valuation has been made using the Black-Scholes Option Pricing Model (BSM) that includes a Monte Carlo simulation analysis.
- 3) Following the restructure of the North American business as a result of the establishment of the Building Products and Global Building Solutions businesses, Mr Mitchelhill's role became redundant and he left the Company on 31 March 2013.

The Share Rights awarded to executives under the September 2007 Award were tested after the last (31 August 2012) performance period and no vesting occurred. As this was the final performance period for the 2007 Award and as the Award has not vested, all Share Rights granted under the Award have been lapsed under the terms of the Award. The September 2008 Award was tested after the third (31 August 2012) and fourth (28 February 2013) performance periods and no vesting occurred. The September 2009 Award was tested after the first (31 August 2012) and the second (28 February 2013) performance periods and no vesting occurred. Both the September 2008 and 2009 Awards will be tested after the conclusion of the fifth and third performance period respectively on 31 August 2013.

Details of the audited Share Rights holdings for year ended 30 June 2013 for the KMP - Executives are set out in the following table. Refer to the Summary Table of Long Term Incentive Plan Awards (section 6(V)) for details with respect to fair values, exercise price and key dates.

The following table summarises the vesting history of awards i.e. notes the Company's Long Term Incentive plans since listing in 2002.

#### BSL LTIP VESTING HISTORY

Award – Date	Test	Test Date	Performance Outcome
FY 2003 - September 2002	First	September 2005	• 100% vested
FY 2004 - September 2003	First	September 2006	• 71% vested
	Second	February 2007	• 26% vested
	Third	September 2007	• 3% vested
FY 2005 - September 2004	First	September 2007	• 58% vested
	Second	February 2008	• 42% vested
FY 2006 - September 2005	First	September 2008	• 100% vested
FY 2007 - September 2006	First	September 2009	• Nil vesting
	Second	February 2010	• Nil vesting
	Third	September 2010	• Nil vesting
	Fourth	February 2011	• Nil vesting
	Fifth	September 2011	• Nil vesting
FY 2008 - September 2007	First	September 2010	• Nil vesting
	Second	February 2011	• Nil vesting
	Third	September 2011	• Nil vesting
	Fourth	February 2012	• Nil vesting
	Fifth	September 2012	• Nil vesting
FY 2009 - September 2008	First	September 2011	• Nil vesting
	Second	February 2012	• Nil vesting
	Third	September 2012	• Nil vesting
	Fourth	February 2013	• Nil vesting
	Fifth	September 2013	• Nil vesting expected
FY 2010 - September 2009	First	September 2012	• Nil vesting
	Second	February 2013	• Nil vesting
	Third	September 2013	• Nil vesting expected
	Fourth	February 2014	• Nil vesting expected
	Fifth	September 2014	• Nil vesting expected
FY 2011 - September 2010	First	September 2013	• Nil vesting expected
	Second	February 2014	• Nil vesting expected
	Third	September 2014	• Nil vesting expected
	Fourth	February 2015	• Nil vesting expected
	Fifth	September 2015	• Nil vesting expected
FY 2012 - February 2012 (KMP only MD & CEO nil award)	Single test Release date	January 2015 January 2016	• To be tested
FY 2013 - September 2012 ELT	Retention Rights	September 2015	• \$2.40 share price hurdle
FY 2013 - September 2012 ELT	Single test	September 2015	• To be tested
	Release date	September 2017	
FY 2013 - September 2012 CEO	First	September 2015	• To be tested
	Second	February 2016	
	Third	September 2016	
	Fourth	February 2017	
	Fifth	September 2017	

Note: Retention shares awarded on 1 July 2011 will vest on 1 July 2014 (KMP except the MD & CEO who did not participate and a small number of Executives) as LTI was not providing a retention incentive.

### Share Rights holdings for the financial year ended 30 June 2013 <sup>1</sup>

	Balance at 30 June 2012	Granted in year ended 30 June 2013 <sup>2</sup>	Exercised in year ended 30 June 2013 <sup>3</sup>	Lapsed in year ended 30 June 2013	Balance at 30 June 2013	Vested and not yet exercised in year ended 30 June 2013	Unvested at 30 June 2013	Total Share Rights vested in year ended 30 June 2013
<b>2013</b>								
<b>Executive Director</b>								
P F O'Malley	434,606	1,367,464	-	38,509	1,763,561	-	1,763,561	-
<b>KMP Executives</b>								
M R Vassella	419,492	451,369	-	7,887	862,974	-	862,974	-
I R Cummin	273,411	230,342	-	6,408	497,345	-	497,345	-
M G Barron	273,411	230,342	-	6,408	497,345	-	497,345	-
S R Elias	332,889	283,469	-	7,394	608,964	-	608,964	-
S Dayal	361,866	353,287	-	-	715,153	-	715,153	-
P J Finan	223,707	173,706	-	3,167	394,246	-	394,246	-
R J Moore	251,389	272,895	-	4,000	520,284	-	520,284	-
K A Mitchelhill <sup>4</sup>	362,728	56,695	-	177,805	241,618	-	241,618	-

1) On 19 December 2012, the Company consolidated its share capital through the conversion of every six shares in the Company into one ordinary share in the Company. As a result, Share Rights holdings for the prior periods, have been restated to reflect this change.

2) The number of Share Rights granted includes rights awarded under the FY 2012 Short Term Incentive plan disclosed in the FY 2012 Remuneration Report.

3) The number of shares issued is equal to the number of rights exercised and no amount was paid or remains unpaid for each share issued.

4) Mr Mitchelhill retains pro-rata Share Rights with vesting subject to achieving performance hurdles. The balance is represented as at 31 March 2013.

### Share Rights holdings for the financial year ended 30 June 2012 <sup>1</sup>

	Balance at 30 June 2011	Granted in year ended 30 June 2012	Exercised in year ended 30 June 2012 <sup>2</sup>	Lapsed in year ended 30 June 2012	Balance at 30 June 2012	Vested and not yet exercised in year ended 30 June 2012	Unvested at 30 June 2012	Total Share Rights vested in year ended 30 June 2012
<b>2012</b>								
<b>Executive Director</b>								
P F O'Malley	446,289	0	-	11,683	434,606	-	434,606	-
<b>KMP Executives</b>								
M R Vassella	97,430	322,062	-	-	419,492	-	419,492	-
I R Cummin	82,715	199,679	-	8,983	273,411	-	273,411	-
M G Barron	81,999	199,679	-	8,267	273,411	-	273,411	-
S R Elias	87,155	245,734	-	-	332,889	-	332,889	-
S Dayal	78,452	283,414	-	-	361,866	-	361,866	-
P J Finan	57,870	170,504	-	4,667	223,707	-	223,707	-
R J Moore	60,864	194,525	-	4,000	251,389	-	251,389	-
K A Mitchelhill	88,331	274,397	-	-	362,728	-	362,728	-
N H Cornish <sup>3</sup>	111,364	-	-	74,498	36,866	-	36,866	-
P E O'Keefe <sup>3</sup>	75,740	-	-	24,882	50,858	-	50,858	-

1) On 19 December 2012, the Company consolidated its share capital through the conversion of every six shares in the Company into one ordinary share in the Company. As a result, Share Rights holdings have been restated to reflect this change.

2) The number of shares issued is equal to the number of rights exercised and no amount was paid or remains unpaid for each share issued.

3) Mr Cornish and Mr O'Keefe retain pro-rata Share Rights with vesting subject to achieving performance hurdles. The balances are represented as at departure date.

The table below sets out the details of each specific share right tranche and awards granted and vested during the year ended 30 June 2013 for each KMP.

2013	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2013	% forfeited in year ended 30 June 2013	Share Rights yet to vest	Financial year in which awards may vest	Value of Share Rights not vested 30 June 2013 <sup>2</sup>	
							\$ Min	\$ Max
<b>Executive Director</b> P F O Malley	38,509	14-Nov-07	-	100%	-	-	-	-
	41,060	28-Nov-08	-	-	41,060	2014	-	404,030
	155,000	30-Nov-09	-	-	155,000	2014	-	1,581,000
	200,037	30-Nov-10	-	-	200,037	2014	-	1,440,266
	0	16-Apr-12	-	-	-	-	-	-
	1,367,464	01-Sep-12	-	-	1,367,464	2016	-	1,805,052
<b>KMP Executives</b> M R Vassella	7,887	05-Nov-07	-	100%	-	-	-	-
	9,335	28-Nov-08	-	-	9,335	2014	-	91,856
	35,239	30-Nov-09	-	-	35,239	2014	-	359,438
	44,969	30-Nov-10	-	-	44,969	2014	-	323,777
	322,062	16-Apr-12	-	-	322,062	2015	-	405,798
	159,702	17-Aug-12	-	-	159,702	2014	-	359,330
I R Cummin	166,667	01-Sep-12	-	-	166,667	2016	-	168,334
	125,000	01-Sep-12	-	-	125,000	2016	-	132,500
	6,408	05-Nov-07	-	100%	-	-	-	-
	7,019	28-Nov-08	-	-	7,019	2014	-	69,067
	26,495	30-Nov-09	-	-	26,495	2014	-	270,249
	33,810	30-Nov-10	-	-	33,810	2014	-	243,432
M G Barron	199,679	16-Apr-12	-	-	199,679	2015	-	251,596
	49,508	17-Aug-12	-	-	49,508	2014	-	111,393
	103,334	01-Sep-12	-	-	103,334	2016	-	104,367
	77,500	01-Sep-12	-	-	77,500	2016	-	82,150
	6,408	05-Nov-07	-	100%	-	-	-	-
	7,019	28-Nov-08	-	-	7,019	2014	-	69,064
	26,495	30-Nov-09	-	-	26,495	2014	-	270,249
	33,810	30-Nov-10	-	-	33,810	2014	-	243,432
	199,679	16-Apr-12	-	-	199,679	2015	-	251,596
	49,508	17-Aug-12	-	-	49,508	2014	-	111,393
	103,334	01-Sep-12	-	-	103,334	2016	-	104,367
	77,500	01-Sep-12	-	-	77,500	2016	-	82,150

2013	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2013	% forfeited in year ended 30 June 2013	Share Rights yet to vest	Financial year in which awards may vest	Value of Share Rights not vested 30 June 2013 <sup>2</sup>	
							\$ Min	\$ Max
S R Elias	7,394	05-Nov-07	-	100%	-	-	-	-
	8,137	28-Nov-08	-	-	8,137	2014	-	80,068
	30,715	30-Nov-09	-	-	30,715	2014	-	313,293
	40,909	30-Nov-10	-	-	40,909	2014	-	294,545
	245,734	16-Apr-12	-	-	245,734	2015	-	309,625
	60,927	17-Aug-12	-	-	60,927	2014	-	137,086
	127,167	01-Sep-12	-	-	127,167	2016	-	128,439
	95,375	01-Sep-12	-	-	95,375	2016	-	101,098
	7,567	28-Nov-08	-	-	7,567	2014	-	74,459
	30,000	30-Nov-09	-	-	30,000	2014	-	306,000
S Dayal <sup>3</sup>	40,885	30-Nov-10	-	-	40,885	2014	-	294,372
	283,414	16-Apr-12	-	-	283,414	2015	-	357,102
	96,620	17-Aug-12	-	-	96,620	2014	-	217,395
	146,667	01-Sep-12	-	-	146,667	2016	-	148,134
	110,000	01-Sep-12	-	-	110,000	2016	-	116,600
	3,167	14-Nov-07	-	100%	-	-	-	-
	4,167	28-Nov-08	-	-	4,167	2014	-	41,003
	16,667	30-Nov-09	-	-	16,667	2014	-	170,003
	29,202	30-Nov-10	-	-	29,202	2014	-	210,254
	170,504	16-Apr-12	-	-	170,504	2015	-	214,835
R J Moore	36,716	17-Aug-12	-	-	36,716	2014	-	82,611
	78,280	01-Sep-12	-	-	78,280	2016	-	79,063
	58,710	01-Sep-12	-	-	58,710	2016	-	62,233
	4,000	14-Nov-07	-	100%	-	-	-	-
	4,669	28-Nov-08	-	-	4,669	2014	-	45,943
	17,625	30-Nov-09	-	-	17,625	2014	-	179,775
	30,570	30-Nov-10	-	-	30,570	2014	-	220,104
	194,525	16-Apr-12	-	-	194,525	2015	-	245,102
	68,728	17-Aug-12	-	-	68,728	2014	-	154,638
	116,667	01-Sep-12	-	-	116,667	2016	-	117,834
K A Mitchelhill	87,500	01-Sep-12	-	-	87,500	2016	-	92,750
	9,209	28-Nov-08	-	8%	8,472	2014	-	83,364
	34,762	30-Nov-09	-	10%	31,286	2014	-	319,117
	44,360	30-Nov-10	-	14%	38,150	2014	-	274,680
	274,397	16-Apr-12	-	61%	107,015	2015	-	134,839
	56,695	17-Aug-12	-	0%	56,695	2014	-	127,564



- 1) On 19 December 2012, the Company consolidated its share capital through the conversion of every six shares in the Company into one ordinary share in the Company. As a result, Share Rights awarded for the prior periods, have been restated to reflect this change.
- 2) External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of Share Rights held by KMP at 30 June 2013.
- 3) Due to restrictions relating to awards of equity in Singapore, Mr Dayal was awarded Cash Rights in FY 2012 which delivers a cash payment on vesting.

## 8.6 SHARES AWARDED AS REMUNERATION

No shares were awarded to executives during year ended 30 June 2013. During the year some shares that were awarded under special share awards made prior to year ended 30 June 2012 vested in the year ended 30 June 2013.

### Share Award Summary <sup>1</sup>

2013	Number of Shares awarded	Date of grant	% vested in year ended 30 June 2013	% forfeited in year ended 30 June 2013	Shares yet to vest	Financial year in which awards may vest	Value of Shares not vested 30 June 2013 <sup>2</sup>	
							\$ Min	\$ Max
<b>Executive Director</b>								
P F O'Malley	3,000	06-Aug-07	100	-	-	-	-	-
<b>KMP Executives</b>								
M R Vassella	108,233	29-Aug-11	-	-	108,233	2015	-	551,990
I R Cummin	67,100	29-Aug-11	-	-	67,100	2015	-	342,210
M G Barron	67,100	29-Aug-11	-	-	67,100	2015	-	342,210
S R Elias	82,584	29-Aug-11	-	-	82,584	2015	-	421,178
S Dayal <sup>3</sup>	80,634	29-Aug-11	-	-	80,634	2015	-	411,233
P J Finan	51,067	29-Aug-11	-	-	51,067	2015	-	260,442
R J Moore	65,384	29-Aug-11	-	-	65,384	2015	-	333,458
K A Mitchell <sup>4</sup>	92,217	29-Aug-11	-	42	53,486	2015	-	272,779

- 1) On 19 December 2012, the Company consolidated its share capital through the conversion of every six shares in the Company into one ordinary share in the Company. As a result, shares awarded for the prior period, have been restated to reflect this change.
- 2) External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of Share Rights held by KMP at 30 June 2013.
- 3) Due to restrictions relating to awards of equity in Singapore, Mr Dayal was awarded Cash Rights in FY 2012 which delivers a cash payment on vesting.
- 4) Mr Mitchell retained pro-rata shares due to his redundancy, as approved by the Board.

## 8.7 SHARE HOLDINGS IN BLUESCOPE STEEL LIMITED

The following table details the shares held by KMP – Non-executive Directors and Executives, as well as any related party interests in BlueScope Steel Limited as at 30 June 2013.

### SHARE HOLDINGS<sup>1</sup> IN BLUESCOPE STEEL LIMITED

Name	Ordinary shares held as at 30 June 2013	Ordinary shares held as at 30 June 2012 <sup>2</sup>
<b>Non-executive Directors</b>		
G J Kraehe	106,883	106,883
R J McNeilly	396,452	396,452
Y P Tan	47,135	47,135
D B Grollo	38,447	38,447
K A Dean	29,488	24,488
P Bingham-Hall	47,834	20,334
E G W Crouch <sup>3</sup>	14,500	0
D J Grady <sup>4</sup>	62,835	62,835
H K McCann <sup>5</sup>	27,063	27,063
<b>Executive Director</b>		
P F O'Malley	83,286	83,286
<b>KMP Executives</b>		
M R Vassella	117,952	117,952
I R Cummin	123,651	123,651
M G Barron	99,255	99,255
S R Elias	93,581	93,581
S Dayal <sup>6</sup>	3,334	3,334
P J Finan	82,309	82,309
R J Moore	224,453	224,453
K A Mitchelhill <sup>7</sup>	73,620	112,350
N H Cornish <sup>8</sup>	-	11,200
P E O'Keefe <sup>9</sup>	-	19,218

1) Including related party interests.

2) On 19 December 2012, the Company consolidated its share capital through the conversion of every six shares in the Company into one ordinary share in the Company. As a result, share holdings for the prior period, have been restated to reflect this change.

3) Mr Crouch was appointed to the Board with effect from 12 March 2013.

4) Ms Grady retired from the Board effective 15 February 2013. The share holding is represented as at 15 February 2013.

5) Mr McCann retired from the Board effective 5 April 2013. The share holding is represented as at 5 April 2013.

6) Mr Dayal also holds 80,634 Cash Rights awarded under the Special Retention Award.

7) Following the restructure of the North American business as a result of the establishment of the Building Products and Global Building Solutions businesses, Mr Mitchelhill's role became redundant and he left the Company on 31 March 2013. The share holding is represented as at 31 March 2013.

8) Mr Cornish retired on 31 July 2011.

9) Mr O'Keefe left the Company on 27 January 2012 following restructure of the Australian businesses.

## 9. KMP EXECUTIVES – SUMMARY OF TERMS OF EMPLOYMENT

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### 9.1 MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – OUTLINE OF EMPLOYMENT CONTRACT

Paul O'Malley was appointed to the position of Managing Director and Chief Executive Officer effective from 1 November 2007.

Mr O'Malley's remuneration is reviewed annually in accordance with the terms of his employment contract. In addition, Mr O'Malley is eligible to participate in the Short Term Incentive Plan and, subject to shareholder approval, Long Term Incentive Plan awards.

Upon appointment Mr O'Malley was provided with 50,000 BlueScope Steel Limited shares (purchased on-market) to be held subject to certain restrictions. The final tranche of these shares vested on 6 August 2012.

The employment of Mr O'Malley may be terminated in the following circumstances:

- **by notice:** on six months' notice by either party. If BlueScope terminates Mr O'Malley's employment by notice, it may provide payment in lieu of notice and must make an additional payment of 12 months' annual base pay.
- **with cause:** immediate termination by BlueScope if, among other things, Mr O'Malley wilfully breaches his Service Contract, is convicted of various offences for which he can be imprisoned or is disqualified from managing a corporation, or engages in conduct which is likely to adversely impact the reputation of BlueScope. In this circumstance, Mr O'Malley will be entitled to his annual base pay up to the date of termination.
- **illness or disablement:** BlueScope may terminate Mr O'Malley's employment if he becomes incapacitated by physical or mental illness, accident or any other circumstances beyond his control for an accumulated period of six months in any 12-month period and, in this circumstance, will make payment of six months' notice based on annual base pay.
- **fundamental change:** Mr O'Malley may resign if a fundamental change in his employment terms occurs and within three months of the fundamental change Mr O'Malley gives notice to BlueScope. In this event, the Company will provide Mr O'Malley with six months' notice, or a payment in lieu of that notice, and a termination payment of 12 months' annual base pay.

The rules governing the Company's Long Term Incentive Plan and Short Term Incentive Plan will apply to his LTIP and STI awards on termination of his employment. These rules which provide that STI and LTIP awards will be forfeited if Mr O'Malley's employment is terminated for cause. Provision has also been made for early vesting (subject to satisfying performance testing requirements) of LTIP awards on a change of control.

Mr O'Malley is subject to a 12-month non-compete restriction after his employment ceases with BlueScope. Mr O'Malley cannot solicit or entice away from BlueScope any supplier, customer or employee or participate in a business that competes with BlueScope during the 12-month period.

### 9.2 OTHER KEY MANAGEMENT PERSONNEL – EXECUTIVES

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Remuneration and other terms of employment for the disclosed KMP Executives are formalised in employment contracts that can be terminated with notice. Each of these agreements provide for an annual review of annual base pay, provision of performance-related STI awards, other benefits, including annual health assessment, and participation, when eligible, in the Long Term Incentive Plan. The contracts provide for notice of six months for resignation by the executive or termination by the Company. In the event of termination by the Company other than for cause, a termination payment of 12 months' pay applies. The maximum amount payable on termination will not exceed 12 months' fixed pay.

Agreements are also in place for KMP Executives detailing the approach the Company will take with respect to payment of their termination payments and with respect to exercising its discretion on the vesting of Share Rights in the event of a 'Change of Control' of the organisation.

### ENVIRONMENTAL REGULATION

BlueScope's Australian manufacturing operations are subject to significant environmental regulation. Throughout its Australian operations, the Company notified relevant authorities of 21 incidents resulting in statutory non-compliances and 2 incidents resulting in potential statutory non-compliances with environmental licensing requirements during the financial year. During the period there were no serious environmental incidents or significant fines or prosecutions.

BlueScope Steel reports on an annual basis to the National Pollutant Inventory and, under the National Greenhouse and Energy Reporting scheme, on its greenhouse gas emissions and energy consumption and production. Under the federal Energy Efficiency Opportunities Program, BlueScope assesses its energy efficiency and reports publicly and to the government on its performance.

Each year BlueScope Steel publishes a Community Safety and Environment Report, which is available on our website. The report provides further details of the Company's environmental performance and initiatives.

### INDEMNIFICATION AND INSURANCE OF OFFICERS

BlueScope Steel has entered into directors' and officers' insurance policies and paid an insurance premium in respect of the insurance policies, to the extent permitted by the *Corporations Act 2001*. The insurance policies cover former Directors of BlueScope Steel along with the current Directors of BlueScope Steel (listed on page 18). Executive officers and employees of BlueScope Steel and its related bodies corporate are also covered.

In accordance with Rule 21 of its Constitution, BlueScope Steel to the maximum extent permitted by law:

- must indemnify any current or former Director or Secretary; and
- may indemnify current or former executive officers,

of BlueScope Steel or any of its subsidiaries, against all liabilities (and certain legal costs) incurred in those capacities to a person, including a liability incurred as a result of appointment or nomination by BlueScope Steel or its subsidiaries as a trustee or as a director, officer or employee of another corporation.

Directors of BlueScope Steel, the Chief Financial Officer and the Chief Legal Officer and Company Secretary have entered into an Access, Insurance and Indemnity Deed with BlueScope Steel. The Deed addresses the matters set out in Rule 21 of the Constitution and includes, among other things, provisions requiring BlueScope Steel to indemnify an officer to the extent to which they are not already indemnified as permitted under law, and to use its best endeavours to maintain an insurance policy covering the period while they are in office and seven years after ceasing to hold office.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contract, as (in accordance with normal commercial practice) such disclosure is prohibited under the terms of the contract.

### PROCEEDINGS ON BEHALF OF BLUESCOPE STEEL

As at the date of this report, there are no leave applications or proceedings brought on behalf of BlueScope Steel under section 237 of the *Corporations Act 2001*.

### ROUNDING OF AMOUNTS

BlueScope Steel is a company of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars, or in certain cases, the nearest thousand or the nearest dollar.

# AUDITOR INDEPENDENCE DECLARATION

Ernst & Young was appointed as auditor for BlueScope Steel at the 2002 Annual General Meeting.

## AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Auditor's Independence Declaration for the year ended 30 June 2013 has been received from Ernst & Young. This is set out at page 50 of the Directors' Report. Ernst & Young provided the following non-audit services during the year ended 30 June 2013:

*Audit related assurance services*  
\$635,416 debt funding assurance.

*Other services*  
\$142,539 taxation compliance.

The Directors are satisfied that the provision of these non-audit services is compatible with the general standard of independence for auditors in accordance with the *Corporations Act 2001*. The nature, value and scope of each type of non-audit service provided is considered by the Directors not to have compromised auditor independence.

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



**G J KRAEHE AO**  
Chairman



**P F O'MALLEY**  
Managing Director and Chief Executive Officer

Melbourne  
**19 August 2013**



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

In relation to our audit of the financial report of BlueScope Steel Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Rodney Piltz  
Partner  
19 August 2013



# CORPORATE GOVERNANCE STATEMENT

## INTRODUCTION

As a global organisation with businesses operating in many countries, the BlueScope Steel Group must comply with a range of legal, regulatory and governance requirements. The Board places great importance on the proper governance of the Group.

The Board operates in accordance with a set of corporate governance principles that take into account relevant best practice recommendations. These include the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council with 2010 Amendments (2nd edition) (ASX Principles and Recommendations).

The Company complies with each of the recommendations in the ASX Principles and Recommendations. A summary of BlueScope Steel's compliance with the recommendations follows, including details of specific disclosures required by a recommendation.

Further information on the Company's corporate governance policies and practices can be found on the [Company's website](#).

## PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board has adopted a Charter which sets out, among other things, its specific powers and responsibilities and the matters delegated to the Managing Director and Chief Executive Officer and those specifically reserved for the Board.

A statement of the matters reserved for the Board and the areas of delegated authority to senior management is available on the [Company's website](#).

As part of the Board's oversight of senior management, all Company executives are subject to annual performance review and goal planning. This involves evaluation of the executives by their immediate superior. Each executive is assessed against a range of criteria, including achievement of goals relating to financial performance, operational excellence, safety, and delivery of strategic projects and initiatives. All senior executives participated in a performance evaluation on this basis during the year ended 30 June 2013.

## PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

The Board is structured to bring to its deliberations a range of commercial, operational, financial, legal and international experience relevant to the Company's global operations.

Pages 18 and 19 set out the qualifications, expertise and experience of each Director in office at the date of this Directors' Report, and their period of office.

The Board considers all of its Non-Executive Directors to be independent. In making this assessment, the Board considers whether the Director is free of any business or other relationship that could, or could reasonably be perceived to, materially interfere with the exercise by the Director of an independent judgement in the interests of the Company as a whole.

In determining whether a relationship between the Company and a Director is material and would compromise the Director's independence, the Board has regard to all the circumstances of the relationship including, where relevant:

- the proportion of the relevant class of expenses or revenues that the relationship represents to both the Company and the Director; and
- the value and strategic importance to the Company's business of the goods or services purchased or supplied by the Company.

Further details regarding the circumstances considered by the Board in making assessments of independence are contained on the Company's website under '[Directors' Independence Policy](#)'.

The Board seeks to achieve a Board composition with a balance of diverse attributes relevant to the Company's operations and markets, including skill sets, background, gender, geography and industry experience.

Board renewal and succession planning is an ongoing process at BlueScope Steel and in recent years has seen the appointment of Ken Dean, Penny Bingham-Hall and Ewen Crouch to the Board and the retirement of Diane Grady and Kevin McCann. The Nomination Committee has identified the key skills and experience desirable on the Board as including financial/risk management, legal/governance, people management and operations management expertise; experience in the building and construction and steel or other heavy manufacturing industries; strategic and M&A/transactional experience; and experience with customers. The Board also strives for both gender and geographic diversity within these skill sets. Based on the assessment by the Nomination Committee of the particular skill profile for new appointees, a sub-committee is appointed to engage a search firm to assist in identifying appropriate candidates for consideration by the Board from a broad pool of possible candidates.

The Board (and Board Committees and individual Directors) may obtain independent professional advice, at the Company's cost, in carrying out their responsibilities. Independent advice can be obtained without the involvement of the Company's management, where the Board or the Director considers it appropriate to do so. Procedures have been adopted by the Board setting out the practical steps by which independent advice may be obtained.

All Non-Executive Directors are members of the Nomination Committee. Their attendance at meetings of the Committee are set out on page 20. The Board reviews its effectiveness and the performance of each Director regularly.

The Board completed an internal review of its effectiveness in August 2013 involving distribution of a questionnaire to Directors and senior management. Confidential responses were collated by the Company's auditors and discussed by the Board. The review concluded that the Board is functioning well with an appropriate mix of skills and experience and that an effective working relationship exists among Board members and between Board and management.

In addition, each Committee reviews its performance and effectiveness periodically through a confidential questionnaire completed by members of the Committee and relevant management attendees. The results of these reviews are discussed by the Committee. Each Board Committee has conducted a review on this basis in the last 12 months. A formal review of the performance of individual Directors takes place periodically, particularly when a director is standing for re-election. The process generally involves the completion of an evaluation questionnaire by other Board members, the results of which are collated and discussed by the Chairman with the director concerned (or the Deputy Chairman in the case of the review of the Chairman) and with the Board as a whole. In addition, the performance of the Chairman and other Directors are reviewed regularly through other informal mechanisms such as meeting critiques, discussions between Directors and the Chairman, and as part of Board and Committee evaluations. Performance evaluation for individual directors has taken place consistent with the process described above.

### **PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

#### **Business Conduct**

The Company has a set of values known as 'Our Bond' and a 'Guide to Business Conduct', which provides an ethical and legal framework for all employees. The Guide defines how the BlueScope Steel Group relates to its customers, employees, shareholders and the community. Information relating to the Guide and 'Our Bond' is available on the [Company's website](#).

In addition, the Board has established a Securities Trading Policy, which governs dealing in the Company's shares and derivative securities. A copy of the policy has been lodged with ASX and is available on the [Company's website](#).

#### **Diversity**

At BlueScope, we know that our success comes from our people. We understand that the range of perspectives that result from a diverse and inclusive workplace will strengthen BlueScope's capability for sustained business success. We strive to hire, develop, promote and retain the most qualified people available to reflect the global diversity of our customers, markets and the communities in which we operate.

The Board and Executive Leadership Team of BlueScope recognise and value the diversity of the skills, perspectives and backgrounds that our employees bring to the Company. Our aim is to foster an inclusive environment and culture that values difference and thereby attracts, encourages and develops a talented, diverse and capable workforce. The key principles underpinning our approach to Diversity and Inclusion, along with the requirements for setting objectives, reporting, and monitoring can be found in our Diversity Policy on the [Company's website](#).

BlueScope has made significant progress in priority areas of gender diversity and representation of local nationals on overseas leadership teams.

Employing localised management within the various geographical regions of our business has been a deliberate strategy with the objective of achieving a majority rather than complete localisation of management. Diversity within lead teams is also considered through the representation of different cultural-ethnic backgrounds. This has been significantly achieved with 60% of the Global Building Solutions leadership and 55% of the NS BlueScope Coated Products leadership being local. Over the past five years, the number of employees on international assignment has reduced by almost 50%.

Gender diversity also remains a key priority with the proportion of female executives almost doubling over the past five years. However, due to the significant contraction in the business in recent years there have been limited opportunities to improve gender diversity through new hires. The proportion of women as at June 30, 2013 is:

- Board 12.5%
- Senior executives 11.5%
- Salaried workforce 27.8%
- Wages workforce 2.9%
- Total BlueScope population 16.8%.

Our key measurable objective on gender diversity in FY2013 was the quarterly review and revision of a Diversity Action Plan for each Business Unit. These Diversity Action Plans identify actions around our four strategic drivers for diversity: Raising Awareness, Recruitment, Development and Retention.

The BlueScope Diversity Council, chaired by the MD&CEO completed quarterly reviews in FY2013 of the business Diversity Action Plans. Progress and actions to date on gender diversity as well as details of achievements and initiatives in representation of local nationals on overseas leadership teams are included on the [Company's website](#).

Our key objective for gender diversity in FY2014 is to monitor progress against the Diversity Action Plans in the areas of:

- Attraction and Recruitment of females to the business
- Equal opportunity for and representation of females into learning and development programs
- Pay equity at all levels in our workforce.

#### **PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

The Board has established an Audit and Risk Committee, which assists the Board in the effective discharge of its responsibilities for financial reporting, internal controls, risk management, internal and external audit, and insurance (with the exception of directors' and officers' liability insurance). The Committee's Charter is set out in full on the [Company's website](#).

Separate discussions are held with the external and internal auditors without management present.

The composition and structure of the Audit and Risk Committee complies with the requirements of the ASX Principles and Recommendations. The names of the members of the Audit and Risk Committee and their attendance at meetings of the Committee are set out on page 20 of this Directors' Report. The qualifications of the members are set out on pages 18 and 19.

#### **PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

The Company is subject to continuous disclosure obligations under the ASX Listing Rules and Australian corporations legislation. Subject to limited exceptions, the Company must immediately notify the market, through ASX, of any information that a reasonable person would expect to have a material effect on the price or value of its securities. As part of its continuous disclosure responsibilities, the Company has established market disclosure protocols to promote compliance with these requirements and to clarify accountability at a senior executive level for that compliance. These protocols have been updated to take into account the revised ASX Guidance Note 8 and changes to the ASX Listing Rules.

A summary of the Company's Continuous Disclosure Policy is included on the [Company's website](#).

#### **PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS**

Respecting the rights of shareholders is of fundamental importance to the Company and a key element of this is how the Company communicates with its shareholders. In this regard, the Company recognises that shareholders must receive high-quality relevant information in a timely manner in order to be able to properly and effectively exercise their rights as shareholders. The Company's communications policy is summarised on the [Company's website](#).

#### **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks and management has reported that those risks are being managed effectively.

For the annual and half-year accounts released publicly, the Board has received assurance from the Managing Director and Chief Executive Officer and the Chief Financial Officer that, in their opinion:

- the financial records of the Group have been properly maintained;
- the financial statements and notes required by accounting standards for external reporting:
  - (i) give a true and fair view of the financial position and performance of the Company and the consolidated BlueScope Steel Group; and
  - (ii) comply with the accounting standards (and any further requirements in the Corporations Regulations) and applicable ASIC Class Orders; and
- the above representations are based on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Information relating to the Company's policies on risk oversight and management of material business risks is available on the [Company's website](#).

#### **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY**

The Remuneration Report (on pages 24 to 47) sets out details of the Company's policy and practices for remunerating Directors, key management personnel and senior executives.

The names of the members of the Remuneration and Organisation Committee and their attendance at meetings of the Committee are set out on page 20.

Information relating to:

- the role, rights, responsibilities and membership requirements for the Remuneration and Organisation Committee; and
- the Company's Securities Trading Policy which prohibits entering into transactions in associated products that limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes,

is also available on the [Company's website](#).

Other than superannuation, there are no schemes for retirement benefits for Non-Executive Directors.

All information referred to in this Corporate Governance Statement as being on the Company's website is included under the 'About Us/ Governance' section of the [Company's website](#).

A summary of the location of corporate governance information relevant to the ASX Principles and Recommendations can also be found in this section of the [Company's website](#).



# CONCISE FINANCIAL REPORT

**BlueScope Steel Limited** ABN 16 000 011 058  
**Concise Financial Report - 30 June 2013**

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**BlueScope Steel Limited**  
**Statement of comprehensive income**  
**For the year ended 30 June 2013**

		<b>Consolidated</b>	
	Notes	<b>2013</b>	<b>2012</b>
		<b>\$M</b>	<b>\$M</b>
<b>Revenue from continuing operations</b>	5	<b>7,290.3</b>	8,472.2
Other income	6	<b>198.4</b>	113.4
Changes in inventories of finished goods and work in progress		<b>(14.0)</b>	(411.4)
Raw materials and consumables used		<b>(4,248.4)</b>	(5,032.3)
Employee benefits expense		<b>(1,352.3)</b>	(1,397.1)
Depreciation and amortisation expense		<b>(315.6)</b>	(323.3)
Impairment of non-current assets	7	<b>(2.6)</b>	(319.9)
Direct carbon emission expense	7	<b>(138.8)</b>	(0.3)
Freight on external despatches		<b>(441.8)</b>	(529.8)
External services		<b>(830.6)</b>	(884.5)
Restructuring costs	7	<b>(3.6)</b>	(403.6)
Finance costs		<b>(82.9)</b>	(120.4)
Other expenses		<b>(144.4)</b>	(192.3)
Share of net profits (losses) of associates and joint venture partnerships accounted for using the equity method		<b>59.1</b>	53.2
<b>Loss before income tax</b>		<b>(27.2)</b>	(976.1)
Income tax (expense) benefit	8	<b>(37.1)</b>	(50.2)
<b>Loss from continuing operations</b>		<b>(64.3)</b>	(1,026.3)
Profit (loss) from discontinued operations after income tax	9	<b>1.7</b>	(1.6)
<b>Net loss for the year</b>		<b>(62.6)</b>	(1,027.9)
<i>Items that may be reclassified to profit or loss</i>			
Gain (loss) on cash flow hedges taken to equity		<b>(1.3)</b>	-
- Income tax (expense) benefit	8	<b>0.4</b>	-
Net gain (loss) on hedges of net investments in foreign subsidiaries		<b>17.6</b>	(2.4)
- Income tax (expense) benefit	8	-	0.7
Exchange differences on translation of foreign operations attributable to BlueScope Steel Limited		<b>73.0</b>	41.6
- Income tax (expense) benefit	8	<b>0.1</b>	-
Exchange differences transferred to profit on translation of foreign operations disposed		-	11.6
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain (loss) on defined benefit superannuation plans		<b>195.8</b>	(278.7)
- Income tax (expense) benefit	8	<b>(41.3)</b>	58.3
Exchange differences on translation of foreign operations attributable to non-controlling interests		<b>39.4</b>	1.5
<b>Other comprehensive income (loss) for the year</b>		<b>283.7</b>	(167.4)
<b>Total comprehensive income (loss) for the year</b>		<b>221.1</b>	(1,195.3)
Profit (loss) is attributable to:			
Owners of BlueScope Steel Limited		<b>(84.1)</b>	(1,043.5)
Non-controlling interests		<b>21.5</b>	15.6
		<b>(62.6)</b>	(1,027.9)
Total comprehensive income (loss) for the year is attributable to:			
Owners of BlueScope Steel Limited		<b>160.2</b>	(1,212.5)
Non-controlling interests		<b>60.9</b>	17.2
		<b>221.1</b>	(1,195.3)

**BlueScope Steel Limited**  
**Statement of comprehensive income**  
**For the year ended 30 June 2013**  
 (continued)

	Notes	Cents	Cents
<b>Earnings per share for profit (loss) from continuing operations attributable to the ordinary equity holders of the Company</b>			
Basic earnings per share	15	(15.4)	(234.2)
Diluted earnings per share	15	(15.1)	(234.2)
<b>Earnings per share for profit (loss) attributable to the ordinary equity holders of the Company</b>			
Basic earnings per share	15	(15.1)	(234.6)
Diluted earnings per share	15	(14.8)	(234.6)

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

**BlueScope Steel Limited**  
**Statement of financial position**  
**As at 30 June 2013**

	Notes	Consolidated	
		2013	2012
		\$M	\$M
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		513.7	214.5
Receivables		952.3	952.9
Inventories		1,363.5	1,337.4
Derivative financial instruments		0.4	-
Intangible assets		38.8	5.6
Other		64.1	56.7
		<hr/>	<hr/>
		2,932.8	2,567.1
Non-current assets classified as held for sale		8.5	-
		<hr/>	<hr/>
<b>Total current assets</b>		2,941.3	2,567.1
<b>Non-current assets</b>			
Receivables		145.4	42.2
Inventories		71.2	71.6
Investments accounted for using the equity method		139.1	117.1
Property, plant and equipment		3,419.6	3,295.6
Deferred tax assets		153.8	189.0
Intangible assets		457.6	448.3
Other		2.8	2.6
		<hr/>	<hr/>
Total non-current assets		4,389.5	4,166.4
		<hr/>	<hr/>
<b>Total assets</b>		7,330.8	6,733.5
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables		1,031.7	1,049.1
Borrowings		8.1	144.9
Current tax liabilities		8.7	72.7
Provisions		441.8	416.2
Deferred income		177.2	117.6
Derivative financial instruments		1.3	1.7
		<hr/>	<hr/>
Total current liabilities		1,668.8	1,802.2
<b>Non-current liabilities</b>			
Payables		8.3	7.5
Borrowings		654.0	453.5
Deferred tax liabilities		13.7	18.7
Provisions		222.0	236.7
Retirement benefit obligations		217.0	432.0
Deferred income		86.7	4.1
		<hr/>	<hr/>
Total non-current liabilities		1,201.7	1,152.5
		<hr/>	<hr/>
<b>Total liabilities</b>		2,870.5	2,954.7
		<hr/>	<hr/>
<b>Net assets</b>		4,460.3	3,778.8
<b>EQUITY</b>			
Contributed equity		4,650.1	4,650.1
Reserves		37.5	(267.0)
Retained profits (loss)		(634.7)	(703.8)
Parent entity interest		4,052.9	3,679.3
		<hr/>	<hr/>
Non-controlling interest	13	407.4	99.5
		<hr/>	<hr/>
<b>Total equity</b>		4,460.3	3,778.8

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

**BlueScope Steel Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2013**

Consolidated - 30 June 2013	Notes	Contributed equity \$M	Reserves \$M	Retained earnings \$M	Non- controlling interests \$M	Total \$M
<b>Balance at 1 July 2012</b>		<b>4,650.1</b>	<b>(267.0)</b>	<b>(703.8)</b>	<b>99.5</b>	<b>3,778.8</b>
Profit (loss) for the period		-	-	(84.1)	21.5	(62.6)
Other comprehensive income (loss)		-	89.8	154.5	39.4	283.7
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>89.8</b>	<b>70.4</b>	<b>60.9</b>	<b>221.1</b>
<b>Transactions with owners in their capacity as owners:</b>						
Share-based payment expense		-	11.5	-	-	11.5
Dividends declared		-	-	-	(3.4)	(3.4)
Transactions with non-controlling interests		-	192.6	-	281.8	474.4
Transfer of exchange translation reserve		-	31.9	-	(31.9)	-
Controlled entity acquisition reserve	13(c)	-	(21.9)	-	-	(21.9)
Other		-	0.6	(1.3)	0.5	(0.2)
		-	214.7	(1.3)	247.0	460.4
<b>Balance at 30 June 2013</b>		<b>4,650.1</b>	<b>37.5</b>	<b>(634.7)</b>	<b>407.4</b>	<b>4,460.3</b>

Consolidated - 30 June 2012	Notes	Contributed equity \$M	Reserves \$M	Retained earnings \$M	Non- controlling interests \$M	Total \$M
<b>Balance at 1 July 2011</b>		<b>4,073.8</b>	<b>(324.8)</b>	<b>559.8</b>	<b>87.3</b>	<b>4,396.1</b>
Profit (loss) for the period		-	-	(1,043.5)	15.6	(1,027.9)
Other comprehensive income (loss)		-	51.4	(220.4)	1.6	(167.4)
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>51.4</b>	<b>(1,263.9)</b>	<b>17.2</b>	<b>(1,195.3)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Shares issued						
- General Employee Share Plan		0.2	(0.3)	-	-	(0.1)
- Share Plan Retention awards		11.3	-	-	-	11.3
- Capital raisings	11	600.0	-	-	-	600.0
Transaction costs on share issues	11	(23.9)	-	-	-	(23.9)
Share-based payment expense		-	7.0	-	-	7.0
Dividends declared		-	-	-	(5.0)	(5.0)
Treasury shares		(11.3)	-	-	-	(11.3)
Other		-	(0.3)	0.3	-	-
		576.3	6.4	0.3	(5.0)	578.0
<b>Balance at 30 June 2012</b>		<b>4,650.1</b>	<b>(267.0)</b>	<b>(703.8)</b>	<b>99.5</b>	<b>3,778.8</b>

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

**BlueScope Steel Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2013**

		<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
Notes		<b>\$M</b>	<b>\$M</b>
<b>Cash flows from operating activities</b>			
		<b>7,729.4</b>	9,032.3
		<b>(7,493.7)</b>	(8,776.7)
		<b>235.7</b>	255.6
		<b>3.6</b>	4.9
		<b>55.0</b>	78.5
		<b>3.5</b>	3.2
		<b>18.6</b>	15.9
	6(a)	<b>-</b>	100.0
		<b>(91.0)</b>	(109.2)
		<b>(64.4)</b>	(81.5)
		<b>161.0</b>	267.4
<b>Net cash (outflow) inflow from operating activities</b>			
<b>Cash flows from investing activities</b>			
		<b>(293.2)</b>	(215.5)
		<b>(9.6)</b>	(14.0)
		<b>(15.4)</b>	(7.0)
	9(c)	<b>(38.5)</b>	-
		<b>7.7</b>	11.8
	9(c)	<b>-</b>	140.0
		<b>-</b>	5.0
		<b>2.0</b>	-
	6(c)	<b>37.5</b>	-
		<b>(309.5)</b>	(79.7)
<b>Net cash (outflow) inflow from investing activities</b>			
<b>Cash flows from financing activities</b>			
	11	<b>-</b>	600.0
	11	<b>-</b>	(23.9)
		<b>9,518.9</b>	10,720.9
		<b>(9,525.0)</b>	(11,440.2)
		<b>(3.4)</b>	(5.0)
	13(c)(ii)	<b>438.9</b>	-
		<b>429.4</b>	(148.2)
<b>Net cash inflow (outflow) from financing activities</b>			
<b>Net increase (decrease) in cash and cash equivalents</b>			
		<b>280.9</b>	39.5
		<b>212.6</b>	171.2
		<b>19.4</b>	1.9
<b>Cash and cash equivalents at end of financial year</b>			
		<b>512.9</b>	212.6
	14		
Non-cash investing and financing activities			

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

**Contents of the notes to the consolidated financial statements**

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## **1 Basis of preparation of the concise financial report**

The concise financial report relates to the consolidated entity consisting of BlueScope Steel Limited and the entities it controlled at the end of or during the year end 30 June 2013. The accounting policies adopted have been consistently applied to all years presented.

The full financial report on which this concise financial report is based complies with the Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). This concise financial report has been prepared in accordance with the *Corporations Act 2011* and *Accounting Standard 1039 Concise Financial Reports*.

The concise financial report is an extract from the full financial report for the year ended 30 June 2013. The concise financial report cannot be expected to provide as full understanding of the financial performance, financial position and financing and investing activities as the full financial report. Further financial information can be obtained from the full financial report.

### **Presentation Currency**

The presentation currency used in this concise financial report is Australian Dollars.

### **Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars.

## **2 Corporate information**

The financial report of BlueScope Steel Limited for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 19 August 2013.

BlueScope Steel Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The registered office of the Company is Level 11, 120 Collins Street, Melbourne, Victoria, Australia 3000.

The nature of the operations and principal activities of the Group are described in note 4 and the directors' report.

## **3 Full Financial report**

Further financial information can be obtained from the full financial report which is available from the Company, free of charge, on request. A copy may be requested by contacting the Company's share registrar whose details appear in the Corporate Directory. Alternatively, the full financial report can be accessed via the internet at [www.bluescopesteel.com](http://www.bluescopesteel.com).

## 4 Segment information

### (a) Description of segments

In March 2012, the Company announced a reorganisation to its business structure to focus on growth in the global engineered building solutions market and building products market to take effect on 1 July 2012. As a result, the Company's external reporting segments have changed in respect of the year-ending 30 June 2013. Comparatives for June 2012 have been restated.

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

#### *Coated & Industrial Products Australia*

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

#### *Building Components & Distribution Australia*

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

#### *New Zealand & Pacific Steel Products*

The New Zealand Steel operation at Glenbrook, New Zealand, produces a full range of flat steel products for both domestic and export markets. It has an annual production capacity of approximately 0.6 million tonnes. The segment also includes facilities in New Caledonia, Fiji and Vanuatu, which manufacture and distribute the LYSAGHT® range of products.

#### *Global Building Solutions*

The Global Building Solutions segment is a leading global supplier of engineered building solutions to industrial and commercial markets. It comprises the Company's engineered buildings solutions businesses in North America, China, Indonesia, Malaysia, Thailand, Vietnam and Australia, and metal coating, painting and Lysaght businesses in China.

#### *Building Products ASEAN, North America & India*

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

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

#### *Hot Rolled Products North America*

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

### **Geographical information**

The Group's geographical regions are determined based on the location of markets and customers. The Group operates in four main geographical regions being Australia, New Zealand, Asia and North America.

#### 4 Segment information (continued)

##### (b) Reportable segments

The segment information provided to the Managing Director and Chief Executive Officer for the reportable segments for the year ended 30 June 2013 is as follows:

30 June 2013	Coated & Industrial Products Australia \$M	Building Components & Distribution Australia \$M	New Zealand & Pacific Steel Products \$M	Global Building Solutions \$M	Building Products ASEAN, North America & India \$M	Hot Rolled Products North America \$M	Discontinued Operations \$M	Total \$M
Total segment sales revenue	3,349.4	1,375.6	681.0	1,363.3	1,635.5	-	-	8,404.8
Intersegment revenue	(897.1)	(32.9)	(111.0)	(4.7)	(84.9)	-	-	(1,130.6)
<b>Revenue from external customers</b>	<b>2,452.3</b>	<b>1,342.7</b>	<b>570.0</b>	<b>1,358.6</b>	<b>1,550.6</b>	<b>-</b>	<b>-</b>	<b>7,274.2</b>
<b>Segment EBIT</b>	<b>(44.9)</b>	<b>(30.4)</b>	<b>42.5</b>	<b>18.4</b>	<b>70.5</b>	<b>66.7</b>	<b>(0.4)</b>	<b>122.4</b>
Depreciation and amortisation	170.7	17.3	47.0	32.8	47.7	-	-	315.5
Impairment of non-current assets	-	-	-	0.5	-	2.1	-	2.6
Share of profit (loss) from associates and joint venture partnerships	-	-	2.4	0.4	(13.3)	69.6	-	59.1
<b>Total segment assets</b>	<b>3,097.9</b>	<b>571.8</b>	<b>717.0</b>	<b>1,100.6</b>	<b>1,218.1</b>	<b>95.3</b>	<b>0.2</b>	<b>6,800.9</b>
Total assets includes:								
Investments in associates and joint venture partnerships	-	-	7.1	3.7	33.3	95.0	-	139.1
Additions to non-current assets (other than financial assets and deferred tax)	145.4	10.9	84.6	67.7	31.2	-	-	339.8
<b>Total segment liabilities</b>	<b>1,030.3</b>	<b>249.3</b>	<b>250.2</b>	<b>504.2</b>	<b>282.1</b>	<b>-</b>	<b>4.2</b>	<b>2,320.3</b>
30 June 2012	Coated & Industrial Products Australia \$M	Building Components & Distribution Australia \$M	New Zealand & Pacific Steel Products \$M	Global Building Solutions \$M	Building Products ASEAN, North America & India \$M	Hot Rolled Products North America \$M	Discontinued Operations \$M	Total \$M
Total segment sales revenue	4,279.6	1,486.2	755.0	1,446.3	1,643.7	-	164.1	9,774.9
Intersegment revenue	(897.7)	(33.4)	(125.9)	(3.9)	(96.3)	-	(15.0)	(1,172.2)
<b>Revenue from external customers</b>	<b>3,381.9</b>	<b>1,452.8</b>	<b>629.1</b>	<b>1,442.4</b>	<b>1,547.4</b>	<b>-</b>	<b>149.1</b>	<b>8,602.7</b>
<b>Segment EBIT</b>	<b>(725.8)</b>	<b>(227.3)</b>	<b>64.7</b>	<b>(6.4)</b>	<b>51.3</b>	<b>62.2</b>	<b>38.5</b>	<b>(742.8)</b>
Depreciation and amortisation	176.8	18.6	44.6	33.7	46.9	-	7.6	328.2
Impairment of non-current assets	136.0	168.6	-	13.9	-	1.4	-	319.9
Share of profit (loss) from associates and joint venture partnerships	-	-	3.1	0.5	(14.3)	63.9	-	53.2
<b>Total segment assets</b>	<b>3,037.4</b>	<b>598.6</b>	<b>647.0</b>	<b>960.0</b>	<b>1,104.9</b>	<b>72.9</b>	<b>0.2</b>	<b>6,421.0</b>
Total assets includes:								
Investments in associates and joint venture partnerships	-	-	6.8	3.8	33.9	72.6	-	117.1
Additions to non-current assets (other than financial assets and deferred tax)	116.6	6.0	82.1	31.1	36.4	-	2.9	275.1
<b>Total segment liabilities</b>	<b>1,034.0</b>	<b>269.8</b>	<b>350.8</b>	<b>450.1</b>	<b>234.6</b>	<b>-</b>	<b>3.9</b>	<b>2,343.2</b>

#### 4 Segment information (continued)

##### (c) Geographical information

	Segment revenues from sales to external customers		Non-current assets	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Australia	3,454.2	3,924.0	2,348.6	2,275.2
New Zealand	312.7	407.1	469.1	412.8
Asia	1,704.0	1,934.4	716.0	651.2
North America	1,331.8	1,760.2	669.9	613.7
Other	471.5	577.0	10.9	3.3
	<b>7,274.2</b>	<b>8,602.7</b>	<b>4,214.5</b>	<b>3,956.2</b>

Segment revenues are allocated based on the country in which the customer is located.

Segment non-current assets exclude deferred tax assets and are allocated based on where the assets are located.

##### (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.

Segment revenue reconciles to total revenue from continuing operations as follows:

	Notes	Consolidated	
		2013 \$M	2012 \$M
<b>Total segment revenue</b>		<b>8,404.8</b>	9,774.9
Intersegment eliminations		<b>(1,130.6)</b>	(1,172.2)
Revenue attributable to discontinued operations	9	-	(149.1)
Other revenue	5	<b>16.1</b>	18.6
<b>Total revenue from continuing operations</b>		<b>7,290.3</b>	<b>8,472.2</b>

###### (ii) Segment EBIT

Performance of the operating segments is based on EBIT. This measurement basis excludes the effects of interest and taxes. Interest income and expense are not allocated to segments, as this type of activity is driven by the centralised treasury function, which manages the cash position of the Group.

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

	Consolidated	
	2013 \$M	2012 \$M
<b>Total segment EBIT</b>	<b>122.4</b>	(742.8)
Intersegment eliminations	<b>(5.9)</b>	3.3
Interest income	<b>3.6</b>	3.1
Finance costs	<b>(82.9)</b>	(120.4)
EBIT (gain) loss attributable to discontinued operations	<b>0.4</b>	(38.5)
Corporate operations	<b>(64.8)</b>	(80.8)
<b>Profit (loss) before income tax from continuing operations</b>	<b>(27.2)</b>	<b>(976.1)</b>

#### 4 Segment information (continued)

*(iii) Segment assets*

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

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

As the segment performance is measured based on EBIT, deferred tax assets, which by their nature do not contribute towards EBIT, are not allocated to operating segments.

Reportable segment assets are reconciled to total assets as follows:

	Consolidated	
	2013 \$M	2012 \$M
<b>Segment assets</b>	<b>6,800.9</b>	6,421.0
Intersegment eliminations	<b>(187.4)</b>	(136.0)
Unallocated:		
Deferred tax assets	<b>153.8</b>	189.0
Cash	<b>513.7</b>	214.5
Corporate operations	<b>9.2</b>	16.9
Tax receivables	<b>40.6</b>	28.1
<b>Total assets as per the statement of financial position</b>	<b>7,330.8</b>	6,733.5

*(iv) Segment liabilities*

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

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

Reportable segment liabilities are reconciled to total liabilities as follows:

	Consolidated	
	2013 \$M	2012 \$M
<b>Segment liabilities</b>	<b>2,320.3</b>	2,343.2
Intersegment eliminations	<b>(172.4)</b>	(126.9)
Unallocated:		
Current borrowings	<b>8.1</b>	144.9
Non-current borrowings	<b>654.0</b>	453.5
Current tax liabilities	<b>8.7</b>	72.7
Deferred tax liabilities	<b>13.7</b>	18.7
Accrued borrowing costs payable	<b>5.0</b>	11.2
Corporate operations	<b>33.1</b>	37.4
<b>Total liabilities as per the statement of financial position</b>	<b>2,870.5</b>	2,954.7

## 5 Revenue

	Notes	Consolidated	
		2013 \$M	2012 \$M
<b>Revenue from operating activities</b>			
<i>Sales revenue</i>			
Sale of goods		7,252.2	8,428.4
Services		22.0	25.2
Total sales revenue		<u>7,274.2</u>	<u>8,453.6</u>
<i>Other revenue</i>			
Interest external		3.6	2.9
Interest related parties		-	0.2
Royalties external		0.8	1.6
Rental external		6.4	5.3
Other		5.3	8.6
Total other revenue		<u>16.1</u>	<u>18.6</u>
<i>Total revenue from ordinary activities</i>		<u>7,290.3</u>	<u>8,472.2</u>
<b>From discontinued operations</b>			
Sales revenue		-	164.1
Intersegment eliminations		-	(15.0)
<i>Total revenue from discontinued operations</i>	9	<u>-</u>	<u>149.1</u>

## 6 Other income

Loss before income tax includes the following specific income for continuing operations:

	Consolidated	
	2013 \$M	2012 \$M
STP government grant (a)	-	100.0
Carbon permit - Government grant (b)	153.9	12.8
Net gain on sale of non-current assets (c)	37.6	0.3
Government grant - other	4.8	0.2
Insurance recoveries	0.6	-
Foreign exchange gains (net)	0.9	-
Litigation settlement	0.6	0.1
	<u>198.4</u>	<u>113.4</u>

### (a) Steel Transformation Plan Government grant

A \$100M advance payment under the Federal Government Steel Transformation Plan (STP) was received on 13 January 2012. The STP was established to encourage investment, innovation and competitiveness in the Australian steel manufacturing industry. In accordance with the Company's accounting policy on accounting for government grants (refer to note 1(h) of the full financial statements), the \$100M STP advance payment has been recognised as income in line with the related costs which it is intended to compensate.

### (b) Carbon permit income

Carbon permit income arises from Carbon Pricing Scheme (CPS) permits granted by the New Zealand and Australian governments. The increase in CPS permit income is due to the commencement of the Australian Carbon Pricing Mechanism from 1 July 2012.



## 6 Other income (continued)

### (c) Net gain on sale of non-current assets

Net gain on sale of non-current assets includes a \$37.5M profit on sale of a previously unrecognised intangible asset at Coated & Industrial Products Australia.

## 7 Expenses

	Consolidated	
	2013 \$M	2012 \$M
<b>Loss before income tax includes the following specific expenses for continuing operations:</b>		
Net restructure provision expense (a)	3.6	403.6
Direct carbon emission expense (b)	138.8	0.3
Workers compensation insurance recoveries (c)	(36.6)	-
 <i>Impairment of non-current assets</i>		
BlueScope Water Solutions PP&E (i)	0.5	-
CGU goodwill (ii)	-	174.3
Coated & Industrial Products Australia PP&E (iii)	-	136.0
Australia Distribution & Solutions PP&E and other intangibles (iv)	-	4.7
BlueScope Buildings North America (v)	-	3.5
Castrip joint venture	2.1	1.4
Total impairment of non-current assets	2.6	319.9

### (a) Restructuring costs

The prior year restructuring costs includes \$365.7M for incurred and estimated future costs arising from the closure of the No.6 Blast furnace at Port Kembla and other equipment to reflect the reduced ironmaking capacity, as announced to the market on 22 August 2011.

### (b) Direct carbon emission expense

The \$138.8M (2012: \$0.3M) direct carbon emission expense (scope 1 direct emissions) excludes coal and gas purchases emission expense for our New Zealand Steel operation. New Zealand Steel's coal and gas direct emission expense are recorded within raw material and utility costs as these costs are passed through by our suppliers. The Carbon Pricing Schemes in Australia (effective 1 July 2012) and New Zealand increase the costs of electricity (scope 2 direct emissions) and potentially the cost of other goods and services (scope 3 indirect emissions). The Scope 2 and Scope 3 carbon costs are not included in the direct carbon emission expense.

### (c) Workers compensation insurance recoveries

In December 2012, \$36.6M in workers compensation insurance recoveries was recognised in earnings (refer to note 12(b)).

### Impairment charges

The Group tests for impairment and measures recoverable amount based on value in use based on the discounted future cash flows derived from continued use of assets. Refer to note 3 of the full financial report for the testing methodology and details of assumptions, including discount rates used. Impairment losses are included in the line item 'impairment of non current assets' in the profit or loss.

## 7 Expenses (continued)

### Current period impairment charges

*(i) BlueScope Water Solutions*

As at 30 June 2013, BlueScope Water Solutions impaired property, plant and equipment of \$0.5M as part of business restructuring.

### Prior period impairment charges

*(ii) Goodwill impairment charges*

At 30 June 2012, a total of \$174.3M of goodwill impairments were recognised. The goodwill impairments were recorded against BlueScope Distribution (\$156.8M), Lysaght Australia (\$10.0M) and BlueScope Water (\$7.5M) due to a slower than previously expected recovery in Australian domestic demand.

*(iii) Coated and Industrial Products Australia (CIPA)*

Property, plant and equipment totalling \$136.0M was impaired as a result of a slower than previously expected recovery in Australian domestic demand, and an increase in the discount rate being applied to expected future cash flows due to increased volatility in equity markets.

*(iv) Global Building Solutions & Building Components & Distribution Australia*

Property, plant and equipment and other intangibles totalling \$4.7M was impaired as a result of business restructuring in BlueScope Distribution, Buildings Australia and BlueScope Water.

*(v) BlueScope Buildings North America*

Property, plant and equipment totalling \$3.5M was impaired as a result of further plant restructuring to align BlueScope Buildings North America production capacity with market demand.

## 8 Income tax expense

### (a) Income tax expense (benefit)

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$M</b>	<b>\$M</b>
Current tax	50.2	105.0
Deferred tax	(1.3)	(19.1)
Adjustments for current tax of prior periods	(13.9)	4.8
	<u>35.0</u>	<u>90.7</u>
Income tax expense (benefit) is attributable to:		
Profit (loss) from continuing operations	37.1	50.2
Profit (loss) from discontinued operations	(2.1)	40.5
Aggregate income tax expense	<u>35.0</u>	<u>90.7</u>
Deferred income tax (benefit) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets	(3.3)	2.6
(Decrease) increase in deferred tax liabilities	1.9	(22.4)
Investments in subsidiaries	0.1	0.7
	<u>(1.3)</u>	<u>(19.1)</u>

## 8 Income tax expense (continued)

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

	Notes	Consolidated	
		2013 \$M	2012 \$M
Profit (loss) from continuing operations before income tax expense		(27.2)	(976.1)
Profit (loss) from discontinuing operations before income tax expense	9	(0.4)	38.9
		<u>(27.6)</u>	<u>(937.2)</u>
Tax at the Australian tax rate of 30.0% (2012 - 30.0%)		(8.3)	(281.2)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Depreciation and amortisation		0.5	0.6
Manufacturing credits		(1.9)	(2.6)
Research and development incentive		(5.9)	(7.3)
Withholding tax		0.9	3.3
Non-taxable (gains) losses		(7.2)	(5.1)
Disposal of subsidiary		-	25.6
Goodwill impairment		-	52.3
Share of net profits (losses) of associates		3.3	3.5
Entertainment		1.0	1.1
Share-based payments		2.0	2.4
Sundry items		4.6	5.0
		<u>(11.0)</u>	<u>(202.4)</u>
Difference in overseas tax rates		(5.1)	(5.2)
Adjustments for current tax of prior periods		(13.9)	4.8
Temporary differences and tax losses not recognised		81.3	312.3
Previously unrecognised tax losses and temporary differences now recognised		-	(15.3)
Previously unrecognised tax losses now recouped to reduce current tax expense		(16.3)	(4.7)
Previously recognised tax losses now derecognised		-	1.2
Income tax expense (benefit)		<u>35.0</u>	<u>90.7</u>

### (c) Tax expense (benefit) relating to items of other comprehensive income

Cash flow hedges	(0.4)	-
Actuarial gain/(loss) on defined benefit superannuation plans	41.3	(58.3)
Net (gain) loss on hedges of net investments in subsidiaries	(0.1)	(0.7)
Partial disposal of subsidiaries	(8.3)	-
Total income tax expense (benefit) on items of other comprehensive income	<u>32.5</u>	<u>(59.0)</u>

### (d) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	1,922.9	1,013.5
Potential tax benefit	<u>569.6</u>	<u>295.1</u>

## 8 Income tax expense (continued)

As at 30 June 2013, \$55.8M (2012: 296.0M) of Australian deferred tax assets generated during the period have been impaired with a \$16.7M offsetting credit (2012: \$27.7M debit) of this amount recognised directly against retained earnings due to actuarial gains from the Australian Defined Benefit Superannuation Plan. Australian Accounting Standards impose a stringent test for the recognition of a deferred tax asset arising from unused tax losses where there is a history of recent tax losses. The Company has deferred the recognition of any further tax asset for the Australian tax group until a return to taxable profits has been demonstrated. Australian tax losses are able to be carried forward indefinitely.

The Group also has unrecognised tax losses arising in Vietnam of \$2.6M (2012: \$7.2M) and China of \$79.2M (2012: \$92.1M) which are able to be offset against taxable profits within five years of being incurred. Other unrecognised tax losses can be carried forward indefinitely but can only be utilised in the same tax group in which they are generated.

### Tax dispute

The Australian Taxation Office (ATO) has issued BSL with amended assessments in relation to a sale and leaseback transaction entered into by BSL in the 2007 income year (refer to note 12).

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

### (e) Unrecognised temporary differences

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$M</b>	<b>\$M</b>
Temporary difference relating to investment in subsidiaries for which deferred tax liabilities have not been recognised	<b>241.4</b>	186.9
Unrecognised deferred tax liabilities relating to the above temporary differences	<b>37.3</b>	24.5

Overseas subsidiaries have undistributed earnings, which, if paid out as dividends, would be subject to withholding tax. An assessable temporary difference exists, however no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from their subsidiaries and is not expected to distribute these profits in the foreseeable future.

Unrecognised deferred tax assets for the Group totalling \$149.0M (2012: \$159.2M) have not been recognised as they are not probable of realisation.

## 9 Discontinued operations

### (a) Description

On 22 June 2012, the Group sold Metl-Span, its North American insulated metal panels business, to NCI Group Inc.

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

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

### (b) Financial performance of discontinued operations

The results of discontinued operations are presented below.

	Consolidated					
	2013			2012		
	Metl-Span \$M	Lysaght Taiwan \$M	Total \$M	Metl-Span \$M	Lysaght Taiwan \$M	Total \$M
Revenue	-	-	-	149.1	-	149.1
Other income	-	-	-	29.4	-	29.4
Depreciation and amortisation	-	-	-	(7.6)	-	(7.6)
Other expenses excluding finance costs	<b>(0.3)</b>	<b>(0.1)</b>	<b>(0.4)</b>	(131.6)	(0.4)	(132.0)
Profit (loss) before income tax (i)	<b>(0.3)</b>	<b>(0.1)</b>	<b>(0.4)</b>	39.3	(0.4)	38.9
Income tax (expense) benefit (i)	<b>2.1</b>	-	<b>2.1</b>	(40.4)	(0.1)	(40.5)
Profit (loss) after income tax from discontinued operations	<b>1.8</b>	<b>(0.1)</b>	<b>1.7</b>	(1.1)	(0.5)	(1.6)

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

#### (i) Details on sale of Metl-Span

Included in the 2012 Metl-Span results is a \$29.4M pre-tax disposal gain and a \$37.2M tax disposal expense. Details of the sale are as follows:

	2013 \$M	2012 \$M
Cash consideration received	-	146.2
Consideration receivable	<b>(0.3)</b>	0.4
Selling expenses	-	(6.2)
<b>Net disposal consideration</b>	<b>(0.3)</b>	140.4
Carrying amount of net assets sold	-	(99.9)
Exchange loss transferred from foreign currency translation reserve	-	(11.1)
<b>Gain (loss) on sale before income tax</b>	<b>(0.3)</b>	29.4
Income tax expense (benefit)	<b>(2.1)</b>	37.2
<b>Gain (loss) on sale after income tax</b>	<b>1.8</b>	(7.8)

## 9 Discontinued operations (continued)

### (c) Cash flow information - discontinued operations

The net cash flows of discontinued operations held are as follows:

	2013			2012		
	Metl-Span \$M	Lysaght Taiwan \$M	Total \$M	Metl-Span \$M	Lysaght Taiwan \$M	Total \$M
Net cash inflow (outflow) from operating activities	(0.1)	(0.1)	(0.2)	14.5	(0.6)	13.9
Net cash inflow (outflow) from investing activities (i)	(38.5)	-	(38.5)	137.0	-	137.0
Net cash inflow (outflow) from financing activities	-	-	-	-	-	-
<b>Net increase in cash generated by the operation</b>	<b>(38.6)</b>	<b>(0.1)</b>	<b>(38.7)</b>	<b>151.5</b>	<b>(0.6)</b>	<b>150.9</b>

(i) The cash flows from the sale of Metl-Span on 22 June 2012 is as follows:

	2013 \$M	2012 \$M
Cash consideration received	-	146.2
Selling expenses paid	(4.6)	(1.5)
Taxes paid	(33.9)	-
Net cash received	(38.5)	144.7
Net cash disposed	-	(4.7)
<b>Investing cash inflow/(outflow)</b>	<b>(38.5)</b>	<b>140.0</b>

## 10 Dividends

### (a) Ordinary shares

There was no final dividend declared in relation to the year ended 30 June 2012.

- -

There was no interim dividend declared for the year ended 30 June 2013.

- -

Total dividends provided for or paid

- -

### (b) Dividends not recognised at year-end

For the year ended 30 June 2013 the directors recommended that there will be no final dividend declared ( 2012: \$Nil).

## 10 Dividends (continued)

### (c) Franked dividends

	Parent entity	
	2013 \$M	2012 \$M
Actual franking account balance as at the reporting date	72.1	72.1
Franking credits available for subsequent financial years based on a tax rate of 30%	72.1	72.1

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits (debits) that will arise from the payment (receipt) of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

### (d) Dividend cash flows

The total cash paid to shareholders in respect of dividends during the period is \$Nil (2012: \$Nil) as presented in the statement of cash flows.

## 11 Contributed equity

### Ordinary shares

On 19 December 2012, the Company consolidated its share capital through the conversion of every 6 shares in the Company into one ordinary share in the Company. As a result, the Company's opening balance of shares issued and movements in shares issued for the prior period, as well as the earnings per share (refer to note 15) have been restated to reflect this change, with an impact of reducing the number of shares on issue from 3.35 billion to 558.2 million.

### Capital raising

On 22 November 2011, BlueScope Steel Limited announced a fully underwritten four-for-five accelerated renounceable entitlement offer with rights trading of new BlueScope Steel shares at an offer price of \$0.40 per new share, which raised \$600.0M (\$576.1M, net of transaction costs). Refer to note 34 of the full financial report for further details.

## 12 Contingencies

### (a) Contingent liabilities

The Group had contingent liabilities at 30 June 2013 in respect of:

- (i) *Outstanding legal matters*

	Consolidated	
	2013 \$M	2012 \$M
Contingencies for various legal disputes	11.2	10.5
	11.2	10.5

A range of outstanding legal matters exist that are contingent on court decisions, arbitration rulings and private negotiations to determine amounts required for settlement. It is not practical to provide disclosure requirements relating to each and every case.

## 12 Contingencies (continued)

At June 2012, a contingent liability was disclosed for a supplier, seeking damages for alleged breaches of contract totalling approximately \$16.5M, plus interest. The initial court held BlueScope Steel not liable for the damages claimed. The supplier appealed the decision and the appellant Court found in the suppliers favour resulting in a \$18.8M payment being made by the Company.

### **Guarantees**

In Australia, BlueScope Steel Limited has provided \$139.6M (2012: \$139.6M) in guarantees to various state workers compensation authorities as a prerequisite for self insurance. An amount, net of recoveries, of \$67.9M (2012: \$99.1M) has been recorded in the consolidated financial statements as recommended by independent actuarial advice.

Bank guarantees have been provided to customers in respect of the performance of goods and services supplied. Bank guarantees outstanding at 30 June 2013 totalled \$51.1M (2012: \$46.1M).

### **Associates and joint ventures**

For contingent liabilities relating to associates and joint ventures refer to notes 45 and 46 respectively of the full financial report.

### **Taxation**

The Australian Taxation Office (ATO) has issued BlueScope Steel Limited (BSL) with amended assessments in relation to a sale and leaseback transaction entered into by BSL in the 2007 income year for the purpose of raising funding of approximately \$270M in connection with its general business operations. The assessments are in respect of the 2007 and 2008 income tax years for a total amount of \$174.2M, including penalties and interest of approximately \$65M. These assessments are based on two alternative determinations by the ATO relating, firstly, to the assessment of the gain made on the sale of the equipment and, secondly, to the denial of the deduction for lease rentals paid to the new owner of the equipment.

If BSL is unsuccessful, BSL's maximum liability in relation to the first assessment would be approximately \$140M (including penalties and interest of \$53M) and BSL's maximum liability in relation to the second assessment (after appropriate compensatory adjustments) would be approximately \$51M to \$63M (including penalties and interest of \$18M to \$22M). BSL considers that these assessments involve mutually exclusive outcomes and that the real amount of tax in dispute relates to the second assessment.

BSL believes that its treatment of the transaction is correct and is supported by both the existing case law and the ATO's published ruling on sale and leaseback transactions. BSL will defend the assessments and pursue all necessary avenues of objection. However, resolution of this matter is likely to take some time. In accordance with ATO guidelines, BSL made a \$21.2M part payment on 9 July 2012 pending determination of the dispute. Any amount paid will be fully refundable in the event that the matter is resolved in favour of BSL. The \$21.2M continues to be recognised as a non-current tax receivable as at 30 June 2013.

In addition to this matter, the Group operates in many countries across the world, each with separate taxation authorities, which results in significant complexity. At any point in time there are tax computations which have been submitted but not agreed by those tax authorities and matters which are under discussion between Group companies and the tax authorities. The Group provides for the amount of tax it expects to pay taking into account those discussions and professional advice it has received. While conclusion of such matters may result in amendments to the original computations, the Group does not believe that such adjustments will have a material adverse effect on its financial position, although such adjustments may be significant to any individual year's income statement.

### **(b) Contingent assets**

Material changes in relation to contingent assets disclosed since 30 June 2012, were as follows:

- In June 2012, a contingent asset was disclosed for the cumulation of workers compensation insurance recoveries. In December 2012, an agreement was reached with the insurers, resulting in \$36.6M of claim recoveries being recognised in earnings of which \$15.0M has been received (refer to note 7).



## 13 Non-controlling interests

### (a) Changes in ownership in investment in subsidiaries

On 28 March 2013, the Group sold 50% of its interest in ASEAN Building products businesses (Indonesia, Malaysia, Thailand, Vietnam, Singapore and Brunei) and North America (Steelscape and ASC Profiles) as part of the new joint venture established between BlueScope and Nippon Steel and Sumitomo Metal Corporation. As part of the transaction the Group acquired a 50% interest respectively in each of the newly created joint venture holding entities, including NS BlueScope Lysaght Singapore Pte Ltd, NS BlueScope Holdings Thailand Pte Ltd and NS BlueScope Holdings USA LLC. These entities have been classified as controlled entities pursuant to AASB 127 *Consolidated and Separate Financial statements* as the Group continues to retain control and therefore consolidate these investments because of its unilateral right to appoint the CEO (and other key management personnel), approval of the operating budget and retaining significant decision making authority.

The table below lists the subsidiaries where there has been a change in ownership and name, in addition to new entities established during the year as a result of the joint venture established between BlueScope Steel Limited and Nippon Steel and Sumitomo Metal Corporation.

New Name	Old Name	Note	Equity	Equity
			Holding	Holding
			2013	2012
			%	%
NS BlueScope Asia Sdn Bhd	BlueScope Steel Asia Sdn Bhd		50	100
NS BlueScope Engineering Systems Sdn Bhd	BlueScope Engineering Systems Sdn Bhd		50	100
NS BlueScope Lysaght Malaysia Sdn Bhd	BlueScope Lysaght (Malaysia) Sdn Bhd		30	60
NS BlueScope Lysaght Sabah Sdn Bhd	BlueScope Lysaght (Sabah) Sdn Bhd		25	49
NS BlueScope Malaysia Sdn Bhd	BlueScope Steel (Malaysia) Sdn Bhd		50	60
PT NS BlueScope Indonesia	PT BlueScope Indonesia		50	100
PT NS BlueScope Lysaght Indonesia	PT BlueScope Lysaght Indonesia		50	100
NS BlueScope Lysaght (Thailand) Ltd	BlueScope Lysaght (Thailand) Ltd		40	75
NS BlueScope (Thailand) Ltd	BlueScope Steel (Thailand) Ltd		40	75
NS BlueScope Lysaght Vietnam Ltd	BlueScope Lysaght Vietnam Ltd		50	100
NS BlueScope Vietnam Ltd	BlueScope Steel Vietnam Ltd		50	100
NS BlueScope Lysaght (B) Sdn Bhd	BlueScope Lysaght (B) Sdn Bhd		30	60
NS BlueScope Pte Ltd	BlueScope Steel Asia Pte Ltd		50	100
ASC Profiles LLC	ASC Profiles Inc		50	100
Steelscape LLC	Steelscape Inc		50	100
NS BlueScope Lysaght Singapore Pte Ltd	BlueScope Lysaght (Singapore) Pte Ltd	(i)	50	-
NS BlueScope USA Holdings LLC	n/a	(i)	50	-
Steelscape Washington LLC	n/a		50	100
NS BlueScope Holdings Thailand Pte Ltd	n/a	(i)	50	-
Steel Holding Co Ltd	n/a		50	100

(i) New entities established during the year as part of the the joint venture established between BlueScope Steel Limited and Nippon Steel and Sumitomo Metal Corporation.

Refer to Note 43 of the full financial report for a for a full list of significant investments in subsidiaries.

### (b) Change in investment in associate

On 28 March 2013, the Group sold 50% of its interest in the equity accounted investment in BlueScope Lysaght (Sarawak) Sdn Bhd as part of the joint venture established with Nippon Steel and Sumitomo Metal Corporation. As part of this transaction, the entity changed its name to NS BlueScope Lysaght (Sarawak) Sdn Bhd.

Refer to Note 45 of the full financial report for a full list of investments in associates and further details.

### 13 Non-controlling interests (continued)

#### (c) Transactions with non-controlling interests

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

(ii) On 28 March 2013, BlueScope and Nippon Steel and Sumitomo Metal Corporation formed a joint venture partnership, resulting in the sale of 50% of its interest in ASEAN Building products businesses (Indonesia, Malaysia, Thailand, Vietnam, Singapore and Brunei) and North America (Steelscape and ASC Profiles) for a sale consideration of \$551.4M. As part of this transaction, the Group acquired an additional 5% interest in BlueScope Steel Thailand and BlueScope Lysaght Thailand. The net effect of changes in the ownership interest of these entities on the equity attributable to the owners of BlueScope Steel Limited is summarised as follows:

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$M</b>	<b>\$M</b>
<i>(i) Controlled entity acquisition reserve</i>		
Opening balance	-	-
Carrying amount of non-controlling interests acquired	45.7	-
Consideration paid to non-controlling interests	(89.3)	-
Transaction costs	(0.2)	-
Amount recognised in non-controlling interests reserve within equity	(43.8)	-
Partial disposal of subsidiaries	21.9	-
Closing balance	(21.9)	-

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$M</b>	<b>\$M</b>
<i>(ii) Cash flow reconciliation</i>		
Consideration received from non-controlling interests	551.4	-
Consideration paid to non-controlling interests	(89.3)	-
Transaction costs - non-controlling interest purchases	(0.2)	-
Transaction costs - non-controlling interest sale	(23.0)	-
Cash inflow - financing activities	438.9	-

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$M</b>	<b>\$M</b>
<i>(iii) Gain on sale reconciliation - Asset realisation reserve</i>		
Consideration received from non-controlling interests	551.4	-
Transaction costs - non-controlling interest sale (excluding tax)	(15.4)	-
Equity reserve disposal	(21.9)	-
Goodwill disposed	(0.7)	-
Net pre-tax interest in assets disposed to non-controlling interests	(329.1)	-
Pre-tax gain recorded in asset realisation reserve	184.3	-
Adjust tax:		
Tax balances disposed	15.9	-
Tax transaction costs	(7.6)	-
Tax gain recorded in asset realisation reserve	8.3	-
Post-tax gain recorded in asset realisation reserve	192.6	-

### 13 Non-controlling interests (continued)

	Consolidated	
	2013 \$M	2012 \$M
<i>(iv) Non-controlling interests equity movement</i>		
Net pre-tax assets disposed to non-controlling interests	329.1	-
Carrying amount of non-controlling interests acquired	(45.7)	-
Exchange translation	(1.6)	-
Amount recognised in non-controlling interests within equity	281.8	-

### 14 Non-cash investing and financing activities

	Consolidated	
	2013 \$M	2012 \$M
Acquisition of plant and equipment by means of finance leases (i)	33.5	34.8

- (i) New Zealand entered into a finance lease agreement for the construction of a new Air Separation Unit (ASU) and have recognised 50% of the value of the finance lease of NZD 31.4M as at 30 June 2013. In the prior period, New Zealand entered into a finance lease agreement for USD 34.2M for the use of equipment associated with the transport of iron sands.
- (ii) There were no dividends paid in the current period.
- (iii) Details of share-based payments are shown in note 50 of the full financial report.

### 15 Earnings per share

#### (a) Basic earnings (loss) per share

	Consolidated	
	2013 Cents	2012 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(15.4)	(234.2)
From discontinued operations	0.3	(0.4)
Total basic earnings (loss) per share attributable to the ordinary equity holders of the Company	(15.1)	(234.6)

## 15 Earnings per share (continued)

### (b) Diluted earnings per share

	Consolidated	
	2013 Cents	2012 Cents
From continuing operations attributable to the ordinary equity holders of the Company	(15.1)	(234.2)
From discontinued operations	0.3	(0.4)
<b>Total diluted earnings (loss) per share attributable to the ordinary equity holders of the Company</b>	<b>(14.8)</b>	<b>(234.6)</b>

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

	Consolidated	
	2013 \$M	2012 \$M
<i>Basic and diluted earnings per share</i>		
Profit (loss) attributable to the ordinary equity holders of the Group used in calculating basic earnings per share:		
From continuing operations	(85.8)	(1,041.9)
From discontinued operations	1.7	(1.6)
	<b>(84.1)</b>	<b>(1,043.5)</b>

### (d) Weighted average number of shares used as denominator

	Consolidated	
	2013 Number	2012 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	558,243,305	444,827,529
Adjustments for calculation of diluted earnings per share:		
Weighted average number of share rights	11,869,595	-
<i>Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<b>570,112,900</b>	<b>444,827,529</b>

### (e) Earnings per share restated

In accordance with AASB 133 *Earnings per Share*, the comparative earnings per share calculations have been restated for the share consolidation undertaken in December 2012. The previously reported June 2012 weighted average number of shares has been adjusted by a division of 6, being the conversion of every 6 shares in the Company into one ordinary share in the Company.

## **15 Earnings per share (continued)**

### **(f) Information on the classification of securities**

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing net profit (loss) attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

(ii) *Diluted earnings per share*

Diluted earnings per share is 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.

Share rights granted to eligible senior managers under the Long Term Incentive Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are expected to vest based on current TSR (Total Shareholder Return) ranking as per the 30 June 2013 Remuneration Report. Details relating to the share rights are set out in note 50 of the full financial report.

There are 2,440,117 share rights relating to the 2008, 2009, 2010 and 2012 LTIPs that are not included in the calculation of diluted earnings per share because they are not dilutive for the year ended 30 June 2013. These share rights could potentially dilute basic earnings per share in the future.

## **16 Events occurring after balance date**

On 19 August 2013, BlueScope announced it has agreed to acquire two businesses from Hills Holdings Limited: Orrcon, a pipe and tube manufacturer and distributor, and Fielders, a building products business. BlueScope will pay \$87.5M, largely representing the value of working capital embedded in the respective businesses.

These transactions are subject to Australian Competition and Consumer Commission approval. Completion of the acquisitions is targeted for the end of the December 2013 quarter.

**Directors' declaration**

The Directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2013 as set out in pages 1 to 26 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

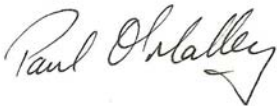
The concise financial report is an extract from the full financial report for the year ended 30 June 2013 . The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which is available on request.

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



**G J Kraehe, AO**  
Chairman



**P F O'Malley**  
Managing Director & CEO

Melbourne  
19 August 2013



# AUDITOR'S REPORT

## Independent auditor's report to the members of BlueScope Steel Limited

### ***Report on the Concise Financial Report***

We have audited the accompanying concise financial report of BlueScope Steel Limited which comprises the balance sheet as at 30 June 2013, the income statement, statement of changes in equity and cash flow statement for the year then ended and related notes, derived from the audited financial report of BlueScope Steel Limited for the year ended 30 June 2013. The concise financial report also includes the directors' declaration. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

### **Directors' Responsibility for the Concise Financial Report**

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and for such internal controls as the directors determine are necessary to enable the preparation of the concise financial report.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of BlueScope Steel for the year ended 30 June 2013. We expressed an unmodified audit opinion on the financial report in our report dated 19 August 2013. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with AASB 1039 *Concise Financial Reports*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

In conducting our audit, we have met the independence requirements of the Australian professional accounting bodies.

### **Opinion**

In our opinion, the concise financial report and the directors' declaration of BlueScope Steel for the year ended 30 June 2013 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.



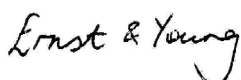
## Report on the Remuneration Report

The following paragraphs are copied from our Report on the Remuneration Report for the period ended 30 June 2013.

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of BlueScope Steel Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Rodney Piltz  
Partner  
Melbourne  
19 August 2013





# EXTENDED FINANCIAL HISTORY

## 10 Year Financial History

A\$M unless marked; years ended 30 June

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Income Statement Key Items</b>										
<b>Total Revenue<sup>(1)</sup></b>	5,764	7,965	8,031	8,913	10,495	10,329	8,624	9,134	8,622	7,290
EBITDA <sup>(2)</sup> - Reported	1,105	1,655	850	1,423	1,420	380	590	(687)	(489)	367
- Underlying	1,105	1,856	1,127	1,374	1,618	505	595	240	99	418
Depreciation & Amortisation	(287)	(297)	(294)	(324)	(357)	(365)	(350)	(356)	(331)	(316)
<b>EBIT<sup>(2)</sup> - Reported</b>	<b>818</b>	<b>1,358</b>	<b>556</b>	<b>1,099</b>	<b>1,063</b>	<b>15</b>	<b>240</b>	<b>(1,043)</b>	<b>(820)</b>	<b>52</b>
- Underlying	818	1,559	840	1,057	1,267	152	254	(107)	(224)	103
Net finance costs	(14)	(41)	(87)	(136)	(125)	(128)	(103)	(99)	(117)	(79)
<b>NPAT - Reported</b>	<b>584</b>	<b>982</b>	<b>338</b>	<b>686</b>	<b>596</b>	<b>(66)</b>	<b>126</b>	<b>(1,054)</b>	<b>(1,044)</b>	<b>(84)</b>
- Underlying	584	1,129	555	643	809	35	110	(127)	(238)	30

## Segment underlying EBIT

Coated & Industrial Products Australia	697	1,236	569	766	1,000	141	108	(258)	(327)	(20)
Building Components & Distribution Australia	8	12	22	0	87	23	9	(22)	(46)	(25)
New Zealand and Pacific Steel Products	62	188	105	90	85	87	73	83	69	43
Inter-segment	0	0	(5)	3	(26)	26	(8)	5	3	(5)
BlueScope Australia & New Zealand	768	1,436	691	860	1,146	277	181	(192)	(302)	(8)
Global Building Solutions	2	(8)	13	20	61	16	(15)	(14)	33	26
Building Products ASEAN, Nth Am & India	77	73	43	66	110	(62)	107	82	51	80
Hot Rolled Products North America	70	193	167	155	105	(58)	61	72	62	67
Corporate & Group	(60)	(54)	(84)	(40)	(62)	(122)	(68)	(67)	(69)	(62)
Inter-segment	3	(6)	0	(4)	(93)	101	(12)	12	1	(1)
<b>Continuing Businesses</b>	<b>860</b>	<b>1,634</b>	<b>830</b>	<b>1,057</b>	<b>1,267</b>	<b>152</b>	<b>254</b>	<b>(107)</b>	<b>(224)</b>	<b>103</b>
Discontinued Businesses	(42)	(73)	0	0	0	0	0	0	0	0
Inter-segment	0	(2)	10	0	0	0	0	0	0	0
<b>Total underlying EBIT</b>	<b>818</b>	<b>1,559</b>	<b>840</b>	<b>1,057</b>	<b>1,267</b>	<b>152</b>	<b>254</b>	<b>(107)</b>	<b>(224)</b>	<b>103</b>

## Financial Performance Measures

<b>Return on invested capital<sup>(3)</sup></b>	<b>22.0%</b>	<b>32.0%</b>	<b>11.0%</b>	<b>19.6%</b>	<b>18.2%</b>	<b>0.2%</b>	<b>3.8%</b>	<b>-16.2%</b>	<b>-16.0%</b>	<b>1.2%</b>
Return on equity <sup>(4)</sup>	19.7%	30.7%	10.4%	20.3%	15.7%	-1.4%	2.3%	-19.6%	-25.5%	-2.3%

### Notes:

(1) Excludes the company's 50% share of North Star BlueScope Steel revenue. Includes revenue other than sales revenue, and from discontinued businesses - that is, total revenue has not been restated for sale or closure of any businesses after that date - for example, FY2011 financials have not been adjusted to reflect divestment of Mill-Span.

(2) Includes 50% share of net profit from North Star BlueScope Steel. EBITDA is earnings before interest, tax, depreciation and amortisation. EBIT is earnings before interest and tax.

(3) Return on invested capital is defined as earnings before interest and tax (annualised in case of half year comparison) over average monthly capital employed.

(4) Return on equity is defined as net profit after tax attributable to shareholders over average monthly shareholders' equity.

## 10 Year Financial History

A\$M unless marked; years ended 30 June

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Capital, Earnings Per Share &amp; Dividends</b>										
Weighted average number of ordinary shares (m)	750.5	733.0	704.1	719.7	744.2	930.6	1,823.3	1,836.5	2,668.7	558.2
Earnings per share (reported) <sup>(5)</sup> - ¢/s	77.8	134.0	47.9	95.3	80.1	(7.1)	6.9	(57.4)	(39.1)	(15.1)
Earnings per share (adjusted) <sup>(6)</sup> - ¢/s	326.3	561.8	201.1	399.5	335.9	(36.0)	35.0	(291.3)	(234.6)	(15.1)
Ordinary dividends paid (reported) <sup>(5)</sup>	30.0	42.0	44.0	47.0	49.0	5.0	5.0	2.0	0.0	0.0
Special dividends paid (reported) <sup>(5)</sup>	10.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ordinary dividends paid (adjusted) <sup>(7)</sup>	122.2	171.1	179.2	191.5	199.6	20.4	25.4	10.2	0.0	0.0
Special dividends paid (adjusted) <sup>(7)</sup>	40.7	81.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

## Cash Flow Summary

Net cash inflow / (outflow) from operating activities	760	889	232	964	1,304	424	377	28	267	161
Net cash inflow / (outflow) from investing activities	(578)	(622)	(793)	(541)	(1,510)	(728)	(327)	(367)	(80)	(310)
Net cash inflow / (outflow) from financing activities	(158)	(289)	537	(454)	203	639	(160)	273	(148)	429
<b>Net increase / (decrease) in cash held</b>	<b>25</b>	<b>(22)</b>	<b>(25)</b>	<b>(31)</b>	<b>(3)</b>	<b>336</b>	<b>(110)</b>	<b>(65)</b>	<b>39</b>	<b>281</b>

## Financial Position

Total assets	5,775	6,386	7,261	7,506	8,466	8,865	8,998	7,793	6,734	7,331
Total liabilities	2,702	3,125	4,176	3,641	4,524	3,201	3,242	3,397	2,955	2,871
<b>Net assets</b>	<b>3,073</b>	<b>3,260</b>	<b>3,085</b>	<b>3,865</b>	<b>3,942</b>	<b>5,663</b>	<b>5,756</b>	<b>4,396</b>	<b>3,779</b>	<b>4,460</b>
Net operating assets (pre-tax)	3,903	4,430	5,195	5,598	6,025	6,480	6,559	5,399	4,047	4,441
Net debt	473	791	1,890	1,502	1,722	756	743	1,068	384	148
<b>Gearing (net debt / net debt plus equity)</b>	<b>13.3%</b>	<b>19.5%</b>	<b>38.0%</b>	<b>28.0%</b>	<b>30.4%</b>	<b>11.8%</b>	<b>11.4%</b>	<b>19.5%</b>	<b>9.2%</b>	<b>3.2%</b>

### Notes:

(5) Per share calculation has not been restated for the bonus element of the one-for-one share rights issue undertaken in May and June 2009, and the four-for-five share rights issue undertaken in December 2011, and the six-for-one share consolidation undertaken in December 2012.

(6) In accordance with AASB 133 Earnings per Share, comparative earnings per share calculations have been restated for the bonus element of the one-for-one share rights issue undertaken in May and June 2009, and the four-for-five share rights issue undertaken in December 2011, and the six for one share consolidation undertaken in December 2012.

(7) Dividends per share adjusted for December 2012 share consolidation, and to reflect deemed 'bonus component' of the May 2009 and November 2011 entitlement offers.



# SHAREHOLDER INFORMATION



## SHAREHOLDER INFORMATION

As at 19 August 2013

### Distribution Schedule

Range	No of Holders	Securities	% of issued capital
1 to 1,000	80,914	25,579,941	4.58
1,001 to 5,000	20,257	42,654,851	7.63
5,001 to 10,000	2,280	16,024,805	2.87
10,001 to 50,000	1,129	21,140,102	3.78
50,001 to 100,000	78	5,475,439	0.98
100,001 and Over	95	447,858,590	80.16
<b>Total</b>	<b>104,753</b>	<b>558,733,728</b>	<b>100.00</b>

Based on a closing share price of \$4.70 on 19 August 2013, the number of shareholders holding less than a marketable parcel of 106 shares is 22,079 and they hold 1,079,442 shares.

### Twenty Largest Registered Shareholders

Rank	Name	Total Units	% Issued Capital
1	NATIONAL NOMINEES LIMITED	109,042,100	19.52%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	92,881,673	16.62%
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	74,464,502	13.33%
4	CITICORP NOMINEES PTY LIMITED	56,578,696	10.13%
5	CITICORP NOMINEES PTY LIMITED	34,592,043	6.19%
6	BNP PARIBAS NOMS PTY LTD	23,136,195	4.14%
7	JP MORGAN NOMINEES AUSTRALIA LIMITED	13,993,532	2.50%
8	AMP LIFE LIMITED	3,649,069	0.65%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,359,283	0.60%
10	CS FOURTH NOMINEES PTY LTD	2,432,264	0.44%
11	QIC LIMITED	2,247,371	0.40%
12	PACIFIC CUSTODIANS PTY LIMITED	2,177,408	0.39%
13	SUNCORP CUSTODIAN SERVICES PTY LIMITED	1,452,504	0.26%
14	BOND STREET CUSTODIANS LIMITED	1,239,668	0.22%
15	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,131,015	0.20%
16	Y S CHAINS PTY LTD	1,100,000	0.20%
17	BLUESCOPE STEEL EMPLOYEE SHARE PLAN PTY LTD	1,067,972	0.19%
18	SHARE DIRECT NOMINEES PTY LTD	991,300	0.18%
19	WOODROSS NOMINEES PTY LTD	954,675	0.17%
20	BUTTONWOOD NOMINEES PTY LTD	945,653	0.17%
	<b>TOTAL</b>	<b>427,436,923</b>	<b>76.50%</b>
	<b>Balance of Register</b>	<b>131,296,805</b>	<b>23.50%</b>
	<b>Grand TOTAL</b>	<b>558,733,728</b>	<b>100.00%</b>

### Substantial Shareholders

As at 19 August 2013, BlueScope Steel has been notified of the following substantial shareholdings:

Name	Number of securities held
Dimensional Entities	27,976,544
Commonwealth Bank of Australia	42,582,637

### Voting Rights for Ordinary Shares

The Constitution provides for votes to be cast:

- (a) on a show of hands, one vote for each shareholder; and
- (b) on a poll, one vote for each fully paid share.

## CORPORATE DIRECTORY

<b>Directors</b>	G J Kraehe AO <i>Chairman</i> R J McNeilly <i>Deputy Chairman</i> P F O'Malley <i>Managing Director and Chief Executive Officer</i> Y P Tan D B Grollo K A Dean P Bingham-Hall E G W Crouch AM
<b>Secretary</b>	M G Barron
<b>Executive Leadership Team</b>	P F O'Malley <i>Managing Director and Chief Executive Officer</i> M G Barron <i>Chief Legal Officer and Company Secretary</i> I R Cummin <i>Executive General Manager, People and Organisation Performance</i> S Dayal <i>Chief Executive, Building Products</i> S R Elias <i>Chief Financial Officer</i> P Finan <i>President, Global Building Solutions</i> R Moore <i>Chief Executive, Global Building Solutions</i> M R Vassella <i>Chief Executive, BlueScope Australia and New Zealand</i>
<b>Notice of Annual General Meeting</b>	The Annual General Meeting of BlueScope Steel Limited will be held at the Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales at 2.00 pm on Thursday 14 November 2013
<b>Registered Office</b>	Level 11, 120 Collins Street, Melbourne, Victoria 3000 Telephone: +61 3 9666 4000 Fax: +61 3 9666 4111 Email: <a href="mailto:bluescopesteel@linkmarketservices.com.au">bluescopesteel@linkmarketservices.com.au</a> Postal Address: PO Box 18207, Collins Street East, Melbourne, Victoria 8003
<b>Share Registrar</b>	Link Market Services Limited Level 12, 680 George Street, Sydney, NSW 2000 Postal address: Locked Bag A14, Sydney South, NSW 1235 Telephone (within Australia): 1300 855 998 Telephone (outside Australia): +61 1300 855 998 Fax: +61 2 9287 0303 Email: <a href="mailto:bluescopesteel@linkmarketservices.com.au">bluescopesteel@linkmarketservices.com.au</a>
<b>Auditor</b>	Ernst & Young 8 Exhibition Street, Melbourne, Victoria 3000
<b>Stock Exchange</b>	BlueScope Steel Limited shares are quoted on the Australian Securities Exchange (ASX code: BSL)
<b>Website Address</b>	<a href="http://www.bluescope.com">www.bluescope.com</a>



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