

BlueScope Annual Report

2013/14



CHAIRMAN'S MESSAGE

FROM GRAHAM KRAEHE AO



Dear Fellow Shareholder

The 2014 financial year has seen a return to underlying profitability by BlueScope, as the major turnaround initiatives we put in place in recent years began to pay off.

Your company has developed a strong, globally diversified portfolio of assets that provided the foundation on which our turnaround is being built.

BlueScope operates over 100 plants in 17 countries, making high value-added steel building and construction products, for some of the world's fastest growing markets. We also design, manufacture and install some of the best environmentally-rated industrial buildings for Fortune 500 companies across Asia, North America and Africa. And we are a JV partner in North Star BlueScope Steel, the number one rated steel mill in the USA. In Australia and New Zealand we produce high quality steel to make a broad suite of products including COLORBOND® steel. We also mine and export iron sands from New Zealand.

UNDERLYING PERFORMANCE

BlueScope's FY2014 turnaround has been substantial, with a 237 per cent improvement over the previous year in underlying earnings before interest and tax (EBIT) to \$249.7 million.

The company also delivered an underlying net profit after tax (NPAT) of \$112.3 million, an improvement of \$105.6 million over FY2013 (reported net loss after tax of \$82.4 million after inclusion of restructuring, redundancy, business development and acquisition costs).

Cash flow was particularly strong in the second half, driven by improved business performance and effective management of working capital, with net debt at \$261.6 million and gearing of 5.5 per cent at 30 June 2014.

All six of BlueScope's operating segments delivered earnings growth during the year and, importantly, the actions we have taken to turn around the company's performance and progress growth initiatives have laid a solid foundation for a future return to paying dividends.

I congratulate our people, who have made such an outstanding contribution to this turnaround, at all levels of the company, through their focus and dedication to reducing costs, developing new products and growing our market presence.

SAFETY

The company's goal of Zero Harm continues to be at the core of our DNA.

Unfortunately, our journey towards Zero Harm has sometimes faltered, and in June 2014 we were deeply upset at the tragic death of a contractor, Mr Shen Bin, at our Xi'an, China buildings site.

During 2014 a major new employee engagement program, 'Switch on Safety', was launched across the company to refocus leaders on setting safety expectations and standards and to encourage employees and contractors to continue to improve our focus on safety.

The company achieved a Lost Time Injury Frequency Rate (LTIFR) of 0.9, our tenth straight year below 1.0. The Medical Treated Injury Frequency Rate (MTIFR) was 5.3.

GROWTH INITIATIVES

At a strategic level, the company made good progress on our stated growth initiatives.

In Australia, the acquisition of the Orrcon and Fielders businesses was completed in February 2014, while the acquisition of Arrium's OneSteel Sheet and Coil Processing and Distribution assets was completed in April 2014. Integration of these three businesses is on track.

Acquisition of Pacific Steel Group in New Zealand took place in June 2014. Construction of a billet caster and associated plant at the Glenbrook steelworks, and integration tasks, are running to plan.

All of these acquisitions and expansions are cost-effective growth initiatives, which deliver synergies and scale economies. They allow us to broaden the portfolio of products we offer our customers in the important building and construction sector and to lower the cost of serving customers.

The second and third Taharoa (NZ) iron sands export ships are on track to commence around the middle of calendar 2015, and financial year 2016 respectively.

POLICY FOR A COMPETITIVE MANUFACTURING SECTOR

BlueScope is proud to be one of Australia's largest manufacturing employers.

A strong manufacturing sector is important for the nation. Manufacturing provides skilled and well-paid jobs. It also contributes strongly to the country's GDP and exports.

The manufacturing sector has faced many headwinds in recent years. Some of these headwinds, like the high Australian dollar, are difficult for anyone to control. Others, however, were a result of poorly conceived or executed government policies that simply added unnecessary costs and reduced Australia's competitiveness.

Although some of the headwinds facing manufacturing have abated, times continue to be tough. However, BlueScope's turnaround demonstrates that even in a tough market, it is possible to survive and grow.

The abolition of the carbon tax, and other red and green tape, will see a welcome reduction in some input costs. But more is needed.

To ensure Australia's manufacturing sector further recovers, governments need to continue to work on policies that improve Australia's competitiveness and allow us to leverage our comparative advantages, particularly in domestic energy resources. Government policy also needs to respect the enormous investment that shareholders and employees have made over many decades to build up the manufacturing sector.

BOARD RENEWAL

Over the recent years BlueScope has conducted a process of Board renewal, designed to ensure the company continues to have an experienced and capable Board of Directors. The renewal process has also aimed to bring in directors from diverse backgrounds and with new skills to support the evolving nature of the company, particularly as it increasingly focuses on high value-added building and construction solutions.

This year saw the retirement of Tan Yam Pin after 10 years of service, and the appointment of three new non-executive directors, with Lloyd Jones joining the board in September 2013, John Bevan joining in March 2014, and Rebecca Dee-Bradbury joining in April.

OUTLOOK

We expect first half FY2015 underlying NPAT similar to second half FY2014, subject to spread, FX and market conditions.

Conditions in building construction markets of our key global regions are positive. We expect 1H FY2015 will benefit from expanding domestic margins; contributions from recent acquisitions; our restructuring in China; and growth and typical seasonality in North America. Offsetting factors include lower iron ore prices reducing New Zealand iron sands revenue; the unresolved political situation in Thailand and normalisation of the underlying tax rate.

CONCLUSION

The transformation initiatives your company has undertaken are now beginning to pay off, with a return to underlying profitability.

Thank you for your very tangible support as shareholders in the company.

I would like to thank my fellow directors, the CEO Paul O'Malley and the senior management team, and all of BlueScope's employees, who have helped deliver our turnaround and transformation.



GRAHAM KRAEHE, AO
CHAIRMAN



DIRECTORS' REPORT

BlueScope Steel Limited

ABN 16 000 011 058

Directors' Report for the year ended 30 June 2014

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 2014.

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 ¹		Underlying Result ²	
	FY2014	FY2013	FY2014	FY2013 ³	FY2014	FY2013 ³
Sales revenue/EBIT						
Coated & Industrial Products Australia	3,602.2	3,349.4	(26.2)	(54.9)	65.4	(30.3)
Building Components & Distribution Australia	1,585.6	1,375.6	(88.4)	(31.0)	(22.8)	(25.4)
New Zealand & Pacific Steel Products	870.9	681.0	73.6	33.8	74.7	33.8
Global Building Solutions	1,522.8	1,363.3	51.4	10.0	18.5	18.0
Building Products ASEAN, Nth Am & India	1,742.9	1,635.5	81.4	70.5	88.9	79.6
Hot Rolled Products North America	0.0	0.0	101.6	66.7	104.6	66.7
Discontinued operations	0.0	0.0	(0.3)	(0.4)	0.0	0.0
Segment revenue/EBIT	9,324.4	8,404.8	193.1	94.7	329.3	142.4
Inter-segment eliminations	(1,343.3)	(1,130.6)	(3.7)	(5.8)	0.7	(5.8)
Segment external revenue/EBIT	7,981.1	7,274.2	189.4	88.9	330.0	136.6
Other revenue/(net unallocated expenses)	25.8	16.1	(87.1)	(65.8)	(80.2)	(62.5)
Total revenue/EBIT	8,006.9	7,290.3	102.3	23.1	249.7	74.1
Net borrowing costs			(64.5)	(79.3)	(64.5)	(66.2)
Profit/(loss) from ordinary activities before income tax			37.8	(56.2)	185.2	7.9
Income tax (expense)/benefit			(78.0)	(29.4)	(29.6)	20.3
Profit/(loss) from ordinary activities after income tax expense			(40.2)	(85.6)	155.3	28.2
Net (profit)/loss attributable to outside equity interest			(42.2)	(21.5)	(44.6)	(21.5)
Net profit/(loss) attributable to equity holders of BlueScope Steel			(82.4)	(107.1)	112.3	6.7
Basic earnings per share (cents)			(14.8)	(19.2)	20.1	1.2

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, while not subject to audit or review, has been extracted from the interim financial report, which has been reviewed by our external auditors.

3) FY2013 has been restated to reflect changes in Australian accounting standard AASB 119 Employee Benefits, which came into effect on 1 July 2013. Refer to Table 2C for an explanation of the changes and reconciliation by reporting segments.

Table 2A: Reconciliation of Underlying Earnings to Reported Earnings

Management has provided an analysis of unusual items included in the reported IFRS financial information. These items have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying operating business. Throughout this report management has used the term 'reported' to reference IFRS financial information and 'underlying' to reference non-IFRS financial information. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. Non-IFRS financial information while 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		NPAT / (NLAT) \$M		EPS \$ ¹⁰	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Reported earnings	429.9	338.7	102.3	23.1	(82.4)	(107.1)	(0.15)	(0.19)
<i>Underlying adjustments:</i>								
Net (gains)/losses from businesses discontinued ¹	7.1	8.4	7.1	8.4	5.5	4.2	0.01	0.01
Steel Transformation Plan ²	45.8	45.8	45.8	45.8	32.1	32.1	0.06	0.06
Business development and acquisition costs ³	26.6	2.5	23.6	2.5	18.4	1.8	0.03	0.00
Asset impairments ⁴	87.6	0.0	87.6	0.0	66.1	0.0	0.12	0.00
Asset impairment write-back ⁵	(88.1)	0.0	(88.1)	0.0	(88.1)	0.0	(0.16)	0.00
Restructure and redundancy costs ⁶	72.6	31.8	72.6	31.8	55.8	20.3	0.10	0.03
Asset sales ⁷	(4.1)	(37.5)	(5.4)	(37.5)	(5.5)	(26.3)	(0.01)	(0.05)
Borrowing amendment fees ⁸	0.0	0.0	0.0	0.0	0.0	9.2	0.00	0.02
Tax asset impairment ⁹	0.0	0.0	0.0	0.0	110.5	72.5	0.15	0.13
Underlying earnings	577.4	389.7	249.7	74.1	112.3	6.7	0.20	0.01

- 1) FY2014 reflects costs relating to the divested Metl-Span business and a \$6.8M (pre-tax) provision adjustment relating to a business discontinued in GBS (not required to be recorded in the financial statements as a discontinued operation). FY2013 reflects adjustment to the income tax expense in relation to the sale of Metl-Span and an \$8.0M (pre-tax) provision adjustment relating to a business discontinued in GBS (not required to be recorded in the financial statements as a discontinued operation).
- 2) FY2014 and FY2013 reflect the inclusion in underlying earnings of the previously received Australian Government Steel Transformation Plan (STP) advance to align with the carbon costs which are being incurred at CIPA.
- 3) FY2014 reflects Corporate transaction costs relating to the Orcon, Fielders, OneSteel Sheet & Coil and Pacific Steel acquisitions and general business development costs (\$6.9M pre-tax), integration costs relating to the Australian acquisitions at BCDA (\$10.0M pre-tax) and CIPA (\$1.2M pre-tax) and the Pacific Steel acquisition at NZPac (\$1.1M pre-tax), the one-off impact of recognising post acquisition inter-company profit eliminations in inventory (\$4.4M pre-tax) and the write-off of carried forward project costs associated with the decision not to proceed with the DRI development at HRPNA at this time (\$3.0M pre-tax). These were partly offset by the discount on acquisition recognised on the Fielders and Orcon acquisitions (i.e. \$8.1M pre-tax higher fair value of acquired assets than the purchase price). FY2013 reflects Corporate business development costs.
- 4) FY2014 includes the following asset impairments:
 - BCDA – BlueScope Distribution Australia – fixed assets and intangibles write off (\$52.1M pre-tax) resulting from lower sales volumes, challenges of a high AUD:USD improving the affordability of imports and strong market competition negatively impacting margins. While financial performance is expected to improve its extent is uncertain.
 - GBS:
 - Buildings Australia – fixed assets and intangibles write off (\$15.6M pre-tax) resulting from challenging market conditions.
 - BlueScope Water Australia – fixed assets and intangibles write off (\$12.7M pre-tax) resulting from challenging market conditions.
 - CIPA – fixed asset write off (\$7.2M) relating to the Western Port Hot Strip Mill as a result of a review of the likely recoverable value of this non-in-use asset. Note: these fixed asset impairments have been tax-effected and the tax asset subsequently impaired (refer footnote 9).
- 5) FY2014 includes the full write-back of previously impaired non-current assets at Building Products China (\$88.1M pre-tax) as a result of strong historical and projected financial performance. The reversal has not been tax-effected consistent with the original impairment.
- 6) FY2014 reflects staff redundancy and restructuring costs at CIPA (\$48.4M pre-tax) mainly in relation to manufacturing and support cost saving initiatives, GBS (\$20.1M pre-tax) mainly relating to restructuring initiatives within the China business, BCDA (\$3.5M pre-tax) and Building Products (\$0.6M pre-tax). FY2013 reflects staff redundancies and restructuring costs at CIPA (\$16.3M pre-tax) mainly in relation to rationalising production levels at Western Port, BP (\$9.1M pre-tax), BCDA (\$5.6M pre-tax) and Corporate (\$0.9M pre-tax).
- 7) FY2014 reflects the gain on sale of land and equipment at CIPA (\$11.0M pre-tax) part offset by the loss on sale of Steelscape's Fairfield facility (\$6.9M pre-tax). FY2013 reflects profit on sale of a previously unrecognised intangible asset at CIPA (\$37.5M pre-tax).
- 8) FY2013 reflects make-whole payment associated with buy-back of remaining U.S. Private Placement Notes.
- 9) FY2014 and FY2013 reflect impairment of Australian deferred tax assets generated during each respective period.
- 10) Earnings per share is based on the average number of shares on issue during the respective reporting periods, (558.6M in FY2014 vs. 558.2M in FY2013). In accordance with AASB 133 Earnings per Share, the comparative earnings per share calculations have been restated for the retrospective adjustment made to the comparative reported net loss for the period arising from the adoption of the revised AASB 119 Employee Benefits standard.

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

FY2014 underlying EBIT adjustments \$M	CIPA	BCDA	NZPac	GBS	BP	HRPNA	Corp	Discon Ops	Elims	Total
Net (gains)/losses from businesses discontinued	0.0	0.0	0.0	6.8	0.0	0.0	0.0	0.3	0.0	7.1
Steel Transformation Plan	45.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	45.8
Business development and acquisition costs	1.2	10.0	1.1	0.0	0.0	3.0	6.9	0.0	4.4	26.6
Asset impairments	7.2	52.1	0.0	28.3	0.0	0.0	0.0	0.0	0.0	87.6
Asset impairment write-backs	0.0	0.0	0.0	(88.1)	0.0	0.0	0.0	0.0	0.0	(88.1)
Restructure and redundancy costs	48.4	3.5	0.0	20.1	0.6	0.0	0.0	0.0	0.0	72.6
Asset sales	(11.0)	0.0	0.0	0.0	6.9	0.0	0.0	0.0	0.0	(4.1)
Underlying adjustments	91.6	65.6	1.1	(32.9)	7.5	3.0	6.9	0.3	4.4	147.5

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

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

\$M	2H FY2013			FY2013		
	Previous	Change	Restated	Previous	Change	Restated
CIPA	(14.7)	(5.0)	(19.7)	(20.3)	(10.0)	(30.3)
BCDA	(18.0)	(0.3)	(18.3)	(24.8)	(0.6)	(25.4)
NZPac	40.5	(4.4)	36.1	42.5	(8.7)	33.8
BP	48.2	0.0	48.2	79.6	0.0	79.6
GBS	9.0	(4.2)	4.8	26.4	(8.4)	18.0
HRPNA	33.7	0.0	33.7	66.7	0.0	66.7
Corporate / eliminations	(34.3)	(0.5)	(34.8)	(67.3)	(1.0)	(68.3)
Underlying EBIT	64.4	(14.4)	50.0	102.8	(28.7)	74.1
Underlying NPAT/(NLAT)	19.8	(11.5)	8.3	29.7	(23.0)	6.7

Table 3: Consolidated Cash Flow

\$M	FY2014	FY2013	Variance %
Reported EBITDA	429.9	338.7	27%
Add cash/(deduct non-cash) items			
- Share of profits from associates and joint venture partnership not received as dividends	(3.9)	(0.5)	(680%)
- Impaired assets	2.3	2.6	12%
- Net (gain) loss on acquisitions and sale of assets	(11.6)	(37.3)	69%
- Expensing of share-based employee benefits	14.4	11.5	25%
Cash EBITDA	431.1	315.1	37%
Changes in working capital	68.3	(2.3)	-
Gross operating cash flow	499.4	312.8	60%
Net finance costs paid	(51.9)	(87.4)	41%
Tax received/(paid) ¹	(40.4)	(64.4)	37%
Net cash from operating activities	407.1	161.0	153%
Capex: payments for P, P & E and intangibles	(306.1)	(302.8)	(1%)
Other investing cash flows	(131.8)	(6.7)	(1,867%)
Net cash flow before financing	(30.8)	(148.5)	79%
Equity issues	0.0	(0.0)	-
Dividends ²	(42.9)	(3.4)	(1,162%)
Transactions with non-controlling interests	1.6	438.9	(100%)
Net drawing/(repayment) of borrowings	26.8	(6.1)	539%
Net increase/(decrease) in cash held	(45.3)	280.9	(116%)

1) The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 30 June 2014, in excess of \$2.9B. There will be no Australian income tax payments until these are recovered.

2) The increase in dividends payments in FY2014 compared to FY2013 primarily relates to dividend payments to Nippon Steel & Sumitomo Metal Corporation (NSSMC) following the creation of the NSSMC joint venture in 2H FY2013.

GROUP-LEVEL MANAGEMENT DISCUSSION & ANALYSIS FOR FY2014 VS FY2013

BLUESCOPE'S OPERATIONS AND SIGNIFICANT CHANGES

BlueScope is a 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 building and construction markets.

BlueScope is Australia's largest steel manufacturer, and New Zealand's sole producer of finished steel products. 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 manufactures and sells steel long products in New Zealand through its Pacific Steel business. 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. In Australia, BlueScope's 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.

BlueScope operates two iron sand mines in New Zealand. Waikato North Head primarily supplies iron sands for our New Zealand steel making operations and Taharoa supplies iron sands for export.

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 across ASEAN and in 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®, VARCO PRUDEN® and PROBUID® 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 with Cargill Inc. 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 28 February 2014, BlueScope acquired two businesses from Hills Limited: Orrcon, a pipe and tube manufacturer and distributor, and Fielders, a building products business.
- On 1 April 2014, BlueScope acquired the OneSteel sheet and coil processing and distribution businesses in Sydney, Brisbane, Adelaide and Perth, from Arrium Limited.
- On 3 June 2014, BlueScope acquired the downstream long-products rolling mill, wire mill and marketing operations of Fletcher Building's Pacific Steel Group (since renamed to Pacific Steel (PS)). The primary operations are based in Auckland, NZ with a small manufacturing facility in Fiji (completion of the Fiji component of the acquisition was deferred until 1 August 2014).
 - PS is a producer and marketer of long products such as reinforcing steel, rod and wire. In FY2014 PS sold approximately 250kt of product to New Zealand and Fiji domestic and export customers.
 - The agreed acquisition price is NZ\$60M plus working capital:
 - Half of the acquisition price was paid on 3 June 2014 and the other half will be paid in the first half of FY2016.
 - The cost of acquiring working capital is being funded through realisation of working capital synergies with no significant timing difference.
 - New Zealand Steel will invest approximately NZ\$50 million in the construction of a billet caster and associated plant at the Glenbrook steelworks, and in integration costs. The new caster will supply steel billet as feed to the rolling mills in New Zealand and Fiji.
 - The rationale for the acquisition is:
 - An opportunity to better leverage BlueScope's low cost iron sands and better serve customers with a full range of long products, together with our existing flat products.
 - Enhanced sales mix and lower cost of production, driven by lower cost raw materials.

FINANCIAL PERFORMANCE

Total revenue

The \$706.9M (10%) increase in sales revenue from continuing operations principally reflects:

- At CIPA:
 - Higher domestic volumes (predominantly galvanised, painted ZINCALUME® and coil plate driven by an lift in market share and activity levels partially offset by lower hot rolled coil (HRC) sales into the pipe & tube market and lower plate volumes driven mainly by the slowdown in mining investment) and better mix.
 - Higher domestic prices.
- Higher despatch volumes at BCDA mainly driven by the acquired businesses.
- Higher iron sands despatch volumes partly offset by lower prices in line with global iron ore prices at NZPac.
- Higher despatch volumes at GBS.
- Favourable translation impacts from a weaker AUD exchange rate.

These were partly offset by lower domestic steel prices across all segments except CIPA.

EBIT performance

The \$175.6M increase in underlying EBIT reflects:

- \$113.2M improvement in sales volumes and product mix, comprising of:
 - Higher domestic volumes (predominantly galvanised, painted ZINCALUME® steel and coil plate driven by an lift in market share and activity levels partially offset by lower HRC sales into the pipe & tube market and lower plate volumes driven mainly by the slowdown in mining investment) and lower loss making export tonnes at CIPA.
 - Higher iron sands volumes and better destination and product mix at NZPac.
 - Higher despatch volumes and favourable product mix across all BP regions except North America where volumes were lower due to closure of the Steelscape Fairfield facility.
 - Higher volumes at GBS, particularly in Buildings North America as a result of continued improvement in the U.S. non-residential construction market.
- These were partly offset by an unfavourable export product mix at CIPA.
- \$43.4M from an increase in equity accounted profit at NSBSL mainly driven by higher spreads and lower losses at TBSL.
 - \$34.4M improvement in spread, comprised of:
 - \$86.3M benefit from lower raw material costs, due to:
 - Lower coal and iron ore purchase prices at CIPA
 - Lower coal purchase prices and scrap costs at NZPac
 - Lower steel feed costs at BP and GBS
 - Partly offset by unfavourable foreign exchange impact on raw material costs
 - \$51.9M unfavourable movement in domestic and international steel prices across most segments partly offset by the benefit of a lower AUD.
 - \$17.1M unfavourable movement in costs, driven by:
 - \$69.5M cost escalation from utilities, employment, consumables, freight and other costs
 - \$9.8M net unfavourable one-off and discretionary costs:
 - Unfavourable per unit costs at NZPac due to lower slab and HRC production
 - Favourable one-offs costs booked in FY2013 not repeated in FY2014 at CIPA
 - Favourable timing of maintenance at CIPA
 - \$62.2M benefit from cost improvement initiatives from lower labour costs including contractors, repairs and maintenance, operational, overhead and discretionary costs.
 - \$0.5M unfavourable impact of foreign exchange movements.
 - \$2.2M favourable movement in other items (mainly depreciation).

The \$79.2M increase in reported EBIT reflects the movement in underlying EBIT discussed above and \$96.4M unfavourable movement in underlying adjustments explained in Tables 2A and 2B.

Finance costs

The \$14.8M decrease in finance costs compared to FY2013 was largely due to \$13.1M of one-off costs associated with the buy-back of the remaining U.S. Private Placement Notes in FY2013, lower commitment fees due to a reduction in the Syndicated Facility limit and a \$21.1m decrease in average gross borrowings to \$791.7M in FY2014. These favourable movements were partly offset by higher average cost of debt (5.6% for FY2014, 5.2% for FY2013).

Tax

Net tax expense of \$78.0M (FY2013 \$29.4M) primarily relating to taxable income generated in businesses outside of Australia.

The Company has recognised a \$103.2M impairment of an Australian deferred tax asset arising from tax losses generated during the period with \$110.5M allocated to tax expense and \$7.3M allocated to retained earnings (related to defined benefit superannuation fund actuarial adjustments). FY2013 includes a net \$55.8M impairment of an Australian deferred tax asset arising from tax losses generated during the period with \$76.0M allocated to tax expense and a \$20.2M credit allocated to retained earnings.

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 FY2014.

The Board is pleased with the Company's continued turnaround and progress on growth initiatives. These actions have laid a solid foundation for a future return to paying dividends.

FINANCIAL POSITION

Net assets

Net assets decreased \$3.6M to \$4,457.7M at 30 June 2014 from \$4,460.3M at 30 June 2013, primarily driven by:

- \$136.5M increase in the value of inventory and \$110.2M increase in the value of current receivables principally due to acquired businesses
- \$95.7M increase in the value of property, plant and equipment mainly comprising \$342.7M of capital expenditure, business acquisitions of \$27.3M and foreign exchange fluctuation gains of \$26.3M partly offset by depreciation of \$300.3M
- \$220.4M increase in the value of payables mainly driven by the deferred purchase price for Pacific Steel of \$81.7M (the majority of which being working capital, which will be funded through realisation of working capital savings), business acquisitions of \$64.0M and timing of spend
- \$113.2M increase in net debt to \$261.6M.

Funding

Committed available undrawn capacity at 30 June 2014 under bank debt facilities \$1,004.9M, plus cash \$466.6M was \$1,471.5M (\$1,576.0M at 30 June 2013 and \$1,538.8M at 31 December 2013).

MATTERS SUBSEQUENT TO THE YEAR ENDED 30 JUNE 2014

In July 2014 the Australian Federal Government abolished the Carbon Pricing Mechanism (CPM) and Steel Transformation Plan (STP), effective retrospectively from 1 July 2014. The 30 June 2014 financial position reflects this change in legislation.

1H FY2015 OUTLOOK

We expect first half FY2015 underlying NPAT similar to second half FY2014, subject to spread, FX and market conditions.

Conditions in building construction markets of our key global regions are positive. We expect 1H FY2015 will benefit from expanding domestic margins; contributions from recent acquisitions; our restructuring in China; and growth and typical seasonality in North America. Offsetting factors include lower iron ore prices reducing New Zealand iron sands revenue; the unresolved political situation in Thailand and normalisation of the underlying tax rate.

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 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 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 acquisitions.
- *Accelerate growth in engineered building solutions (EBS).* BlueScope seeks to build on its position as a leading global supplier of EBS, 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, which resulted in BlueScope returning an underlying profit in FY2013, and a continued improvement in FY2014.

BlueScope has regard to a number of recognised external forecasters when assessing possible future operating and market conditions. In the short-term these forecasters expect a modest improvement in the key drivers impacting our Australian business,

but in the longer term forecast a continued weakening Australian dollar relative to the U.S. dollar and lowering of iron ore raw material costs relative to global commodity steel prices. 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 planned 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 identify material business risks and where possible take mitigating actions.

The nature and potential impact of risks changes 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 effect.

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 a cost base relative to our competitors including maintaining, extending or renewing key raw materials, operational supplies, services and funding on acceptable terms
- 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 product warranty and 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 galvanised and pre-painted COLORBOND® steel. The CIPA segment includes manufacturing facilities at Port Kembla (NSW) and Western Port (Victoria).

KEY FINANCIAL & OPERATIONAL MEASURES

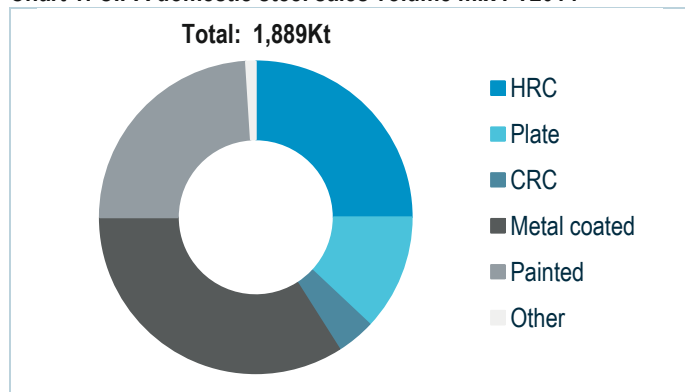
Table 4: Segment financial performance

\$M	FY2014	FY2013	Var %	2H FY2014
Sales revenue	3,602.2	3,349.4	8%	1,820.6
Reported EBIT	(26.2)	(54.9)	52%	(25.3)
Underlying EBIT	65.4	(30.3)	316%	38.5
NOA (pre tax)	2,200.6	2,067.5	6%	2,200.6

Table 5: Steel sales volume

000 tonnes	FY2014	FY2013	Var %	2H FY2014
Domestic	1,888.7	1,791.0	5%	928.5
Export	474.3	823.9	(42%)	235.8
Total	2,363.0	2,614.9	(10%)	1,164.3

Chart 1: CIPA domestic steel sales volume mix FY2014



FINANCIAL PERFORMANCE – FY2014 VS. FY2013

Sales revenue

The \$252.8M increase in sales revenue is primarily due to:

- Higher domestic volumes (predominantly galvanised, painted ZINCALUME® and coil plate driven by a lift in market share and activity levels partially offset by lower HRC sales into the pipe & tube market and lower plate volumes driven mainly by the slowdown in mining investment).
- Benefit to export revenues from a weaker AUD:USD exchange rate (FY2014 US\$0.918; FY2013 US\$1.027).
- Stronger domestic pricing driven by the flow-on benefit of a weaker AUD:USD exchange rate partly offset by lower ASEAN HRC prices.
- Favourable domestic and export sales product mix.

These were partly offset by lower export volumes.

EBIT performance

The \$95.7M increase in underlying EBIT was largely due to:

- Lower loss making export volumes combined with higher domestic volumes.
- Higher spread driven by:
 - Favourable foreign exchange impact on export revenues from a weaker AUD:USD exchange rate (FY2014 US\$0.918; FY2013 US\$1.027) combined with the flow-on benefit to domestic prices.
 - Lower coal and iron ore purchase prices.
 - Lower net realisable value provisions for inventory on hand at June 2014 compared to June 2013.

Partly offset by:

- Lower average global steel prices.
- Unfavourable raw material yield due to planned maintenance activities.
- Favourable timing of maintenance activities.
- Delivery of cost improvement initiatives combined with tight control of spend rates offset cost escalation.

These were partly offset by:

- One-off \$36.6M favourable adjustment booked to the provision for workers compensation in FY2013 following an agreement with an insurance provider relating to a workers compensation insurance policy.
- An adverse export despatch mix driven by higher non-prime volumes.

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

FINANCIAL POSITION

Net operating assets were \$133.1M higher than at 30 June 2013 primarily due to higher inventories driven mainly by the business acquisitions, lower provisions (mainly defined benefit super and workers compensation movements) and higher receivables (higher sales revenue).

MARKETS AND OPERATIONS

Direct sales to Australian building sector

- Sales volumes in the domestic building sector improved 41kt or 7% in FY2014.
- BlueScope increased market share for both its non-painted metallic coated and painted products.
- Market conditions within residential and non-residential construction have improved:
 - Residential construction activity has increased in FY2014, supported by low interest rates, higher demand from both investors and private households and an appreciation in property prices. Demand for CIPA's product comes from both the new commencement and alterations and additions end-use markets.
 - Non-residential construction activity increased led by growth in distribution warehouse development (particularly in NSW and Victoria) to meet the growing demand for imported consumer goods. Sales to non-residential building projects in mining areas were weaker.

Sales to distributors and direct non-building sector customers

- Sales volumes to distributors and non-building sector customers increased 53kt (or 5%) in FY2014 on the back of new sales initiatives.
- Overall, BlueScope's market share in non-building products increased.
- Distribution customers have continued to maintain low to moderate inventory levels in FY2014, with distributor confidence remaining comparatively weak due to slowing investment in the mining, engineering construction and automotive industries.
- Despite a modest correction to the AUD exchange rate in FY2014, the AUD still remains at elevated levels relative to Australia's long term average. This in combination with low domestic demand and high production costs has seen Australia's manufacturing and pipe and tube markets remain under pressure from imported finished goods. The Australian Industry Group's Performance of Manufacturing index has however showed some signs of improvement in FY2014 (starting from a low base) averaging 48 points, up four points from FY2013.

Export markets

- Despatches to export market customers in FY2014 of 437.0kt (~60% uncoated flat products / ~40% coated products) were lower than the 682.1kt in FY2013 due to increased Australian domestic sales and lower steel production volume.
- Prices in the U.S. were higher in FY2014 compared with FY2013 due to strong local demand and recent seasonal supply disruptions, whereas Asian market prices were weaker due to continued over-capacity in steel production and declining raw material prices.

Anti-dumping cases

- Since May 2012 BlueScope has filed applications to the Australian Anti-Dumping Commission (or ADC; formerly part of Customs & Border Protection) concerning dumping and countervailing subsidisation of steel imported into Australia. In each case where the ADC has completed its investigations, the ADC investigations have supported BlueScope's claims that dumping and subsidisation of imports has occurred. A summary of each application is as follows:
 - Hot rolled coil (2012): The final determination was released by the Minister on 19 December 2012, confirming dumping margins ranging between 0% and 15% for certain mills exporting to Australia from Japan, Korea, Malaysia and Taiwan. Following a further review, in July 2013 the ADC announced changes to further strengthen an element of duty calculation.
 - Zinc coated and zinc aluminium coated steel (2013): The Attorney General released his final determination on both dumping and countervailing subsidisation in July 2013, confirming duties of between 0% and 70% on certain mills exporting to Australia from Korea, China and Taiwan.
 - Plate (2013): The final determination was released by the Minister in December 2013, with dumping and countervailing duties between 0% and 55% imposed on certain mills exporting to Australia from Korea, China, Indonesia and Japan.
- On 11 July 2014, following an application from BlueScope, the ADC announced it will investigate alleged dumping of galvanised steel to Australia from India and Vietnam. The investigation period is July 2013 to June 2014.

Operations

- An update of COLORBOND® steel was launched in October 2013 featuring an expanded range of contemporary colours and new coating technologies for improved corrosion resistance and paint colour durability. The colour palette for new COLORBOND® steel has undergone its biggest change in more than 20 years, with the addition of six new colours. Underpinning new COLORBOND® steel is BlueScope's new Activate™ technology, which is the result of almost 20 years and \$100 million of research and development. The product launch was supported by a new advertising campaign and industry wide launch events across Australia.
- Enterprise bargaining agreements for Port Kembla and Springhill were approved by employees in June 2013 and formally approved by Fair Work Australia in August 2013.

Maintenance of Port Kembla blast furnace

- The program to change out wearing staves on the Port Kembla blast furnace has commenced, and is proceeding well.
- The program is in line with industry best practice, and we are benefitting from technical support provided by Nippon Steel & Sumitomo Metal Corporation.
- In 1H FY2014 planned blast furnace maintenance stoppages of cost equivalent to a single stoppage took place; and in 2H stoppages were held in January and May.
- Approximately four more planned blast furnace maintenance stoppages are expected across FY2015 and 1H FY2016.
- Estimated production and financial impacts in FY2014:
 - Production: 120kt lower production (60% in 2H FY2014) against 2.6Mtpa normalised rate.
 - Earnings: Unfavourable impact due to lower fixed cost recoveries and yields, fully offset by cost savings, lower conversion costs and lower losses due to lower export despatches.
 - Cash impact:
 - Gross capex of \$25M, net of \$15M.
 - Working capital: one off \$35M investment in inventory as at 30 June 2014.
- Estimated production and financial impacts for FY2015:
 - Three stoppages planned; of which two in 1H.
 - Production: ~100kt lower production (80% in 1H) against 2.6Mtpa normalised rate.
 - Earnings and cash impacts expected to be comparable to those of FY2014.

BUILDING COMPONENTS & DISTRIBUTION AUST

The BCDA segment is comprised of a network of over 125 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.

In February 2014, BCDA acquired the Fielders roll forming operations and Orrcon pipe and tube manufacturing and steel distribution operations from Hills Limited. In April 2014, BCDA acquired the OneSteel sheet and coil processing and distribution businesses in Sydney, Brisbane, Adelaide and Perth from Arrium Limited.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 6: Segment performance

\$M unless marked	FY2014	FY2013	Var %	2H FY2014
Sales revenue	1,585.6	1,375.6	15%	871.3
Reported EBIT	(88.4)	(31.0)	(185%)	(77.5)
Underlying EBIT	(22.8)	(25.4)	10%	(11.9)
NOA (pre-tax)	334.9	322.5	4%	334.9
Despatches	822.9kt	712.9kt	15%	448.4kt

FINANCIAL PERFORMANCE – FY2014 VS. FY2013

Sales revenue

The \$210.0M increase in sales revenue was mainly due to higher despatch volumes largely driven by acquired businesses and slightly better market activity, partly offset by lower selling prices driven by the strong AUD:USD exchange rate and import competition.

EBIT performance

The \$2.6M improvement in underlying EBIT was largely due to:

- Higher despatch volumes driven by acquired business volumes (approx. 92kt) and slightly better market activity.
- Cost benefits realised from Lysaght restructuring, tight control of discretionary spending and higher production volumes.

Partly offset by:

- Lower selling prices driven by strong AUD:USD exchange rate and import competition.

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

FINANCIAL POSITION

Net operating assets increased \$12.4M compared to 30 June 2013 primarily due to the acquisitions, and partly offset by impairment of the BlueScope Distribution fixed assets and a reduction in net working capital.

MARKETS AND OPERATIONS

BlueScope Distribution

- Underlying volumes were up 1% on FY2013 in a relatively flat market.
- Integration of the acquired Orrcon and OneSteel Sheet & Coil operations is progressing well.
- Activity in key end-use sectors remains subdued:
 - Full year, residential and non-residential construction customer activity varied by state and construction type but in total was similar to FY2013. Overall, improvements in leading indicators such as housing finance and residential

building approvals are yet to translate into robust construction activity.

- Mining, oil and gas activity has slowed from its peak corresponding with a reduced rate of new infrastructure build towards a cost-minimised maintenance environment.
- Manufacturing customer activity remained subdued due to a relatively high AUD (in an historical context) and strong import competition (both of steel and prefabricated goods).

Lysaght and Fielders

- Sales volumes in FY2014 were higher than FY2013 by approximately 18% (6% excluding Fielders). Volumes in 2H FY2014 were higher than 1H FY2014 by approximately 18% (4% lower excluding Fielders, largely due to seasonality).
- Modest improvement was evident in business investment and business and consumer confidence levels flowing through to overall building market activity.
- During the year, residential building activity varied by state and dwelling type. New South Wales and south east Queensland saw some improvement with leading indicators such as housing finance and building approvals trending moderately higher.
- Non-residential construction activity increased led by growth in distribution warehouse development (particularly in NSW and Victoria) to meet the growing need for imported consumer goods. Sales to non-residential building projects in mining areas were weaker.

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.

In June 2014, New Zealand Steel acquired the rolling and marketing operations of Pacific Steel. Pacific Steel is the sole producer of long steel products such as billet, rod, bar, reinforcing coil and wire in New Zealand.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 7: Segment financial performance

\$M	FY2014	FY2013	Var %	2H FY2014
Sales revenue	870.9	681.0	28%	451.3
Reported EBIT	73.6	33.8	118%	35.0
Underlying EBIT	74.7	33.8	121%	36.1
NOA (pre-tax)	645.6	466.8	38%	645.6

Table 8: Sales volume

000 tonnes	FY2014	FY2013	Var %	2H FY2014
Domestic steel	282.9	254.9	11%	152.1
Export steel	325.5	323.1	1%	166.0
Total steel	608.5	578.0	5%	318.2
Export iron sand	2,313.2	1,701.4	36%	1,145.9

FINANCIAL PERFORMANCE – FY2014 VS. FY2013

Sales revenue

The \$189.9M increase in sales revenue was primarily due to higher iron sands volumes and favourable domestic and export product mix partly offset by lower iron sands and export and domestic steel pricing in line with global iron ore and HRC prices.

EBIT performance

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

- Better despatch mix with a higher proportion of domestic painted, ZINCALUME® and galvanised steel sales and lower export HRC despatches.
- Higher iron sands despatch volumes and lower mining costs.
- Higher steel spread driven by:
 - Lower coal, scrap and coating metal purchase prices
- Partly offset by:
 - Lower average global steel prices
 - Unfavourable foreign exchange impact on export and domestic prices from a stronger NZD:USD exchange rate (FY2014 US\$0.831; FY2013 US\$0.822)
- Favourable translation of earnings with a weaker NZD (AUD:NZD FY2014 NZ\$1.106; FY2013 NZ\$1.249).

These were partly offset by:

- Lower iron sands pricing in line with global iron ore prices.

- Unfavourable conversion costs due to lower slab and HRC production volumes.

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

FINANCIAL POSITION

Net operating assets were \$178.8M higher than at 30 June 2013 primarily due to the acquired Pacific Steel NOA, translation impact of a weaker AUD:NZD exchange rate and capital expenditure.

MARKETS & OPERATIONS

Domestic sales

- Domestic residential building activity continues to grow. For the 12 months ending May 2014, new building consents are up 23% on the same period in 2013.
- Domestic non-residential building is showing signs of recovery with the value up 11% in the 12 months to May compared to the previous 12 month period.
- Canterbury building activity continues to grow; residential consents were up 40% for the 12 months ending May 2014. The total value of all new building consents, including non-residential, rose 40% in the same period.
- The increased approvals rate has started to flow through to steel sales volumes – this is reflected in a 6.7% increase in domestic sales in FY2014.

Export sales

- Despite domestic volumes being up by 16.5kt, export steel volumes for FY2014 were only 7.9kt below FY2013 due to a reduction of the high FY2013 slab inventory.
- Price levels were lower as they continued to decline under pressure from global over capacity and the strengthening of the NZD versus USD foreign exchange.
- Iron sands exports from Taharoa and Waikato North Head were 2,331.0kt, up 629.6kt on FY2013, driven by increased despatches from Taharoa (extra shipment) and Waikato North Head.
- Iron sands prices were down on FY2013 consistent with the decrease in global iron ore pricing.
- Export iron sands expansion for second ship (customer supplied) is on track to commence at the end of FY2015.
- In late December 2013, BlueScope announced plans to introduce a third ship in FY2016. BlueScope will charter a purpose-built 175,000 tonne slurry loading vessel and spend a total of A\$50 million spread across FY2016 to FY2018 on mining, processing and ship loading equipment.

BUILDING PRODUCTS ASEAN, NORTH AMERICA & INDIA

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

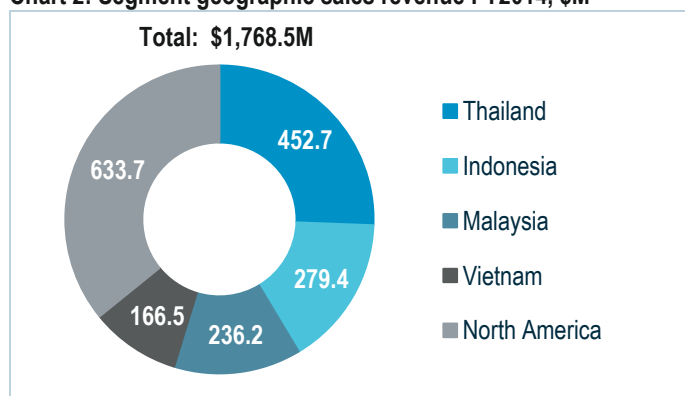
The Company has an extensive footprint of metallic coating, painting and steel building product operations in Thailand, Indonesia, Vietnam, Malaysia, India and North America, primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential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

KEY FINANCIAL & OPERATIONAL MEASURES

Table 9: Segment performance

\$M unless marked	FY2014	FY2013	Var %	2H FY2014
Sales revenue	1,742.9	1,635.5	7%	827.4
Reported EBIT	81.4	70.5	15%	40.0
Underlying EBIT	88.9	79.6	12%	38.0
NOA (pre-tax)	844.9	936.0	(10%)	844.9
Despatches	1,367.0kt	1,344.0kt	2%	662.2kt

Chart 2: Segment geographic sales revenue FY2014, \$M¹



1) Chart does not include \$25.6M of eliminations (which balances back to total segment revenue of \$1,742.9M). Chart also does not include India, which is equity accounted.

FINANCIAL PERFORMANCE – FY2014 VS. FY2013

Sales revenue

The \$107.4M increase in sales revenue was mainly driven by favourable foreign exchange rate impacts from the weaker AUD in all regions, partly offset by lower domestic selling prices, particularly in Indonesia and Thailand, and lower Steelscape volumes due to closure of the Fairfield facility in December 2013.

EBIT performance

The \$9.3M growth in underlying EBIT was largely due to:

- Higher despatch volumes and favourable product mix across all regions except North America, where volumes were lower due to closure of the Steelscape Fairfield facility.
- Favourable translation of earnings from a weaker AUD:USD exchange rate.
- Increased equity accounted benefit from TBSL.

Partly offset by:

- Unfavourable costs in North America (higher freight costs and lower production volumes), Thailand (higher support costs) and Vietnam (higher marketing and support costs and utility rates).
- Lower spreads in Indonesia, Malaysia and Thailand (mainly lower domestic pricing), partly offset by higher spreads at Steelscape.

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

FINANCIAL POSITION

Net operating assets decreased \$91.1M since 30 June 2013 reflecting reduced inventory holdings and lower fixed assets, principally at Steelscape mainly due to the sale of the Fairfield facility.

MARKETS AND OPERATIONS

Thailand

- For the full year FY2014, despatch volume grew by 4% over FY2013 despite political instability impacting 2H FY2014.
- Operational performance improvement was underpinned by higher premium sales mix of ZINCALUME® and Clean COLORBOND® steels achieved through several successful initiatives in sales, marketing and operations:
 - customer loyalty programs
 - strong focus on specification in industrial and commercial segment (with architects, contractors and designers) to grow premium sales
 - new product distributor programs aimed at combating import competition, particularly in the residential segments and Northern Thailand region
 - launch of new painted products focused on residential segments supported by strong marketing and advertising campaigns to drive brand awareness
 - minimising cost expansion in manufacturing costs, operational cost saving through energy re-use initiatives and sourcing competitively priced raw materials.
- Good progress is being made working with NSSMC to launch new products (eg. VIEWKOTE®) and bring SuperDyma® technology into Thailand for the home appliance market:
 - In 4Q FY2014 the NS BlueScope Coated Products joint venture (NSBCP) sold its first batch of VIEWKOTE® to the home appliance market and will continue to grow these sales in FY2015 prior to launch of SuperDyma® after production begins in 1Q FY2016.
 - In addition, sales to the Japanese building and construction sector have grown significantly in FY14 as a result of the establishment of the NSBCP joint venture.
- Competitive pressure continues to increase as new domestic painted and coated suppliers are aggressively pursuing market share, particularly in the residential segment. Import activity also continues to intensify.

Indonesia

- FY2014 despatch volumes were largely in line with FY2013.
- The business faced its most difficult year since FY2009. Low cost imports and strong domestic competition impacted margins. Additionally:
 - The 1H performance was impacted by rapid depreciation of the Indonesian Rupiah to USD exchange rate movements and anti-dumping duty on cold-rolled coil (CRC).
 - In 2H, volumes slowed on construction activity due to the political election process: parliamentary elections were held in April 2014 and presidential elections were conducted in July 2014.
- Initiatives to improve business performance are being actively pursued:
 - To grow projects and retail channels to expand and establish a loyal and profitable customer base.
 - Pursue a more profitable product mix and generally improve volumes.
 - To reduce overall cost of serving customers.
 - Continue regulatory lobbying on trade competitiveness issues. The recent announcement of safeguard action on bare product from Vietnam, Taiwan and South Korea is a positive development.
 - Strategic CRC sourcing to minimise anti-dumping impact.
 - Hedging program to mitigate exposure to adverse foreign exchange fluctuations.
- Progress is being made on new sales initiatives through working with NSSMC since the formation of the NSBCP joint venture:
 - commencement of coated coils supply to Japanese roll-former
 - exploring with several Japanese steel house manufacturers, downstream cladding, structural and panel components supply for steel house construction in Indonesia.

Vietnam

- Despatch volumes in FY2014 grew 4.6% on FY2013 largely due to better customer diversity and continued efforts to drive business growth.
- Earnings and despatch volumes weakened in 2H FY2014 compared to 1H FY2014 due to increased competitive pressures (both increased domestic production and import activity) in a flat market.
- Chinese imports into Vietnam are expected to slow down going into FY2015 as a result of the introduction of trade measures by the Vietnamese Government.
- The business continues to target growth and increase domestic market share through enhancing retail brand awareness and distribution footprint with ZACS® steel stores (five stores fully operational in FY14, and 15 stores in progress to be rolled out).
- Progress is being made on new sales initiatives through working with NSSMC since the formation of the NSBCP joint venture: the business is selling increased volumes (especially zinc-aluminium coated steel) to Japanese customers for construction projects.

Malaysia

- Volumes grew by 13% and 1% in the steel coating and Lysaght businesses respectively compared with FY2013, driven by growth in the project market and effective sales into retail channels. Closure of low-margin steel recovery activities at the Singapore service centre offset this growth, resulting in total FY2014 volume being marginally higher than FY2013.

- The BlueScope ZACS® steel brand was successfully launched in November 2013 in line with the strategy of creating a premium brand in the retail segment, and was met with encouraging responses from the dealers and roll-formers.
- The coating business continues to focus on growing domestic market share and increasing sales into the residential projects and retail channels. The downstream business aims to consolidate its position as a premium leader in providing solutions to the market that maximise business value chain returns.

North America (Steelscape & ASC Profiles)

- With the sale of Steelscape's Fairfield (Alabama) metal coating and painting facility on 30 December 2013, despatch volumes were lower than FY2013 by 7%, (excluding volumes sold through Fairfield, the business saw 2% underlying volume growth in FY2014).
- Following the successful implementation of various restructuring initiatives, the business is well positioned to leverage the construction growth momentum and combat import competition. The various strategic initiatives of launching new products and finishes to diversify into new markets, growing residential brands and channels, optimising operations and supply chain efficiencies, are progressing well.

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

- The joint venture recorded 24% revenue growth and positive EBIT in FY2014.
- Coated steel sales volume grew by 33% compared to FY2013 with 23% growth in painted products and 68% growth in bare products.
- The higher growth in bare products on a relatively smaller base was driven by increased usage in solar and other alternate applications and a moderate growth of 5-6% in the projects market.
- The Building Products business grew by 37% driven primarily by retail sales which grew by 43%. Lysaght sales grew by 14%.
- During the period, an organisational restructure was undertaken, reducing management layers and making the business more customer-centric. The midstream and downstream businesses (except Building Solutions) merged into one Building Products business in order to leverage synergies and improve operational efficiencies.
- The business continues to focus on initiatives to expand the Durashine® retail channel which operates under the Tata Steel Distribution network.
- Performance was impacted by the depreciation of the Indian Rupee and business uncertainty due to the parliament elections which were held in April and May 2014.

GLOBAL BUILDING SOLUTIONS

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

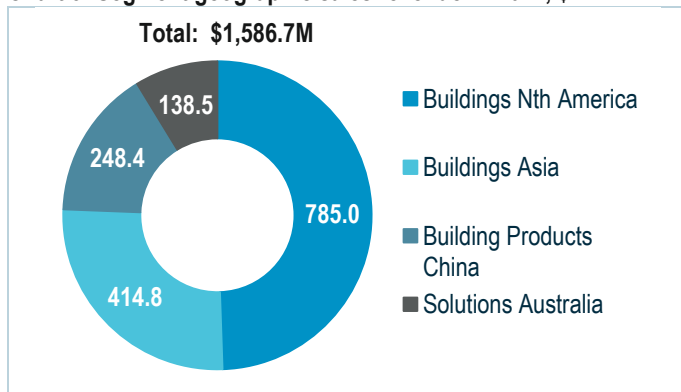
KEY FINANCIAL & OPERATIONAL MEASURES

Table 10: Segment performance

\$M unless marked	FY2014	FY2013	Var %	2H FY2014
Sales revenue	1,522.8	1,363.3	12%	715.7
Reported EBIT	51.4	10.0	414%	37.4
Underlying EBIT	18.5	18.0 ¹	3%	2.3
NOA (pre-tax)	588.6	596.4	(1%)	588.6
Despatches	582.1kt	552.4kt	5%	272.8kt

1) Includes \$7.7M one-off prior period (FY2005-FY2009) provision adjustment in Buildings Asia.

Chart 3: Segment geographic sales revenue FY2014, \$M



FINANCIAL PERFORMANCE – FY2014 VS. FY2013

Sales revenue

The \$159.5M increase in sales revenue was mainly due to favourable foreign exchange rate impacts from the weaker AUD in all regions together with stronger despatch volumes in North America and China partly offset by lower domestic selling prices across most regions and reduced volumes in Australia.

EBIT performance

The \$0.5M increase in underlying EBIT was largely due to:

- Higher volumes, particularly in Buildings North America, as a result of continued growth in the U.S. non-residential construction market and the resulting impact of lower per unit conversion costs.
- Favourable foreign exchange translation impacts from a weaker AUD:USD exchange rate.

Partly offset by:

- Reduced margins across all regions driven by lower domestic prices, partly offset by lower steel feed costs.
- Losses in the Solutions Australia businesses due to challenging market conditions.

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

FINANCIAL POSITION

Net operating assets decreased \$7.8M compared to 30 June 2013 reflecting higher creditors and impairment of non-current assets in the Australian business, partly offset by a full write-back of prior year impairments of Building Products China fixed assets.

MARKETS AND OPERATIONS

Buildings North America

- Despatch volumes were up 7% in FY2014 relative to FY2013 driven by an increase in the U.S. non-residential construction market activity in all major end-use sectors and despite severe cold weather conditions in North America which slowed business particularly during January to April 2014. This increase was influenced by a continued focus on new product development and product differentiation.
- General indicators of activity, such as F.W. Dodge analysis of non-residential construction and the Architectural Billings Index, point to continued growth in the U.S. non-residential construction market.

Buildings Asia (China & ASEAN)

- The China business contributed approximately 70% of sales revenue in FY2014; the remaining 30% was derived from ASEAN.
- Despatch volumes in the China business grew by 3% relative to FY2013, while overall margin performance deteriorated, influenced by a slowdown in building and construction activity in the premium market as both private and government participants reduce or delay investment.
- ASEAN FY2014 despatch volume grew 3% relative to FY2013, driven by strong industrial market activity, and margins increased on improved project pricing.
- The fourth China buildings plant in Xi'an (western China) was officially opened on 20 October 2013. Development was completed on time and on budget.
- The business has commenced a restructuring initiative targeting cost savings across sales, operations and functional support.

Building Products China

- Despite challenging market conditions leading to flat despatch volume (driven by lower internal demand from the Buildings Asia business), targeted initiatives to increase external sales of higher value-added product are supporting strong overall margin performance.
- In conjunction with Buildings China, the business has commenced a restructuring initiative targeting cost savings across sales, operations and functional support.

Engineered Building Solutions Global Accounts

- The Global Accounts group, formed in FY2013, is primarily focused on management and development of global strategic partnerships with multinational customers (Program Accounts) and expansion into non-traditional global territories.

- Sales generated through these global accounts are reported in the business unit that supplies the solution.
- Recent success with Program Accounts has secured projects in India, Indonesia, Venezuela and the African continent.

Solutions Australia

- The emerging building solutions businesses in Australia experienced challenging market conditions. In light of these market conditions the non-current assets have been fully impaired.
- Effective 1 July 2014 the businesses have been reorganised and will form part of the BCDA reporting segment.

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 in Ohio, in the U.S. The segment also includes BlueScope's 47.5% interest in Castrip LLC, a thin strip casting technology joint venture with Nucor and IHI Ltd.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 11: Segment performance

\$M unless marked	FY2014	FY2013	Var %	2H FY2014
Sales revenue ¹	-	-	-	-
Reported EBIT ²	101.6	66.7	52%	52.9
Underlying EBIT ²	104.6	66.7	57%	55.9
NOA (pre-tax)	103.3	95.3	8%	103.3
Despatches ³	987.6kt	983.2kt	0%	497.7kt

1) Excludes the Company's 50% share of NSBSL's sales revenue of A\$743.9M in FY2014 and A\$620.7M in FY2013.

2) Includes 50% share of net profit before tax from NSBSL of A\$105.4M in FY2014 and A\$69.6M in FY2013.

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

FINANCIAL PERFORMANCE – FY2014 VS. FY2013

Sales revenue

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

EBIT performance

The \$37.9M growth in underlying EBIT was largely due to higher spreads, driven primarily by higher selling prices partially offset by higher scrap costs, and favourable foreign exchange translation impacts from a weaker AUD:USD exchange rate partly offset by unfavourable conversion costs due to higher power and utility rates.

FINANCIAL POSITION

Net operating assets are largely comprised of BlueScope's equity accounted investment in NSBSL. The \$8.0M increase in net operating assets compared to 30 June 2013 primarily reflects earnings of the NSBSL joint venture being higher than the dividends returned to the owners.

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 FY2014 were up 17.8kt on FY2013, at 992.1kt (BSL share).
- High capacity utilisation rates, relative to the market, have been maintained by NSBSL through an ability to retain existing customers and win new customers by consistent high performance in on-time delivery, service and quality.
- A detailed scoping and development study for a potential direct reduction iron (DRI) plant was concluded in July 2014. The conclusion reached was that the forecast risk adjusted returns are not sufficiently attractive to justify the investment. Accordingly, the shareholders of NSBSL, BlueScope and Cargill, decided not to proceed to the next phase of the project at this time.

OTHER INFORMATION

SAFETY

SAFETY MANAGEMENT

- The Company remains committed to its goal of Zero Harm.
- Our safety beliefs form the basis for achieving this goal:
 - Working safely is a condition of employment.
 - Employee involvement is essential.
 - Management is accountable for safety performance.
 - All injuries can be prevented.
 - Training employees to work safely is essential.
 - All operating exposures can be safeguarded.
- BlueScope's comprehensive Occupational Health and Safety Management System is mandatory in all operations under our control. The system focuses on three basic areas:
 - Safe and healthy people.
 - Safe systems.
 - Safe and tidy plant.
- Safety Management Standards have been established under this Management System, to which each business is required to demonstrate compliance.
- Also essential to our safety performance is the continuing development of our leaders, implementation of risk management practices, behavioural safety audits, reporting of incidents and near misses, and identifying and preventing 'at risk' behaviour and conditions.

FY2014 SAFETY PERFORMANCE

- Regrettably, there was a fatality at our Xi'an, China buildings site on 9 June 2014, with the tragic death of Mr Shen, a contractor.
- In FY2014:
 - the Lost Time Injury Frequency Rate was 0.9, our tenth straight year below 1.0
 - the Medical Treated Injury Frequency Rate of 5.3, our ninth year below 7.0.
- During the year a major new employee engagement program, 'Switch on Safety', was launched across the business to refocus leaders on setting safety expectations and standards and to encourage employees to refocus on safety.
- Noteworthy external recognition in FY2014 includes:
 - New Zealand & Pacific Islands – winner best Health & Safety initiative of the New Zealand Safeguard Workplace Health & Safety Awards 2014 for Contractor Safety.
 - NS BlueScope North America, Steelscape – winner of 2013 "Best Practices in Safety" by the National Coil Coaters Association.
- Other noteworthy safety achievements in FY2014 include:
 - Tata BlueScope Buildings Solutions – off-site construction achieved 3 million hours LTI free.
 - BANZ Distribution, Bunbury, WA – achieved 16 years LTI free.
 - NSBCP Vietnam – achieved 5 million hours and 4 years LTI free.
 - BlueScope Buildings Thailand – achieved 6 months injury free.
 - NSBCP North America, ASC Profiles, Anchorage – achieved 14 years LTI free.
 - BlueScope Building Products China, Lysaght Shanghai – Achieved 14 years LTI free.
 - NSBCP Lysaght Brunei – achieved 20 years LTI free.
 - BANZ Lysaght Dubbo, NSW – achieved 16 years LTI free and 3 years MTI free.

ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

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

AUSTRALIAN CARBON PRICING MECHANISM (CPM) AND STEEL TRANSFORMATION PLAN (STP)

- BlueScope was a liable entity under the CPM, which came into operation on 1 July 2012.
- In July 2014 the Federal Government abolished the CPM and STP, effective retrospectively from 1 July 2014.
- BlueScope has reflected the abolition of the CPM and STP in its FY2014 financial statements.
- From FY2015 onwards, BlueScope expects no longer to have exposure to scope 1, 2 and 3 emission costs, to receive allocations of EITE permits, nor to amortise the remaining benefit of the STP payment received in January 2012.
- As a trade exposed industry, BlueScope has not passed through any carbon costs in its flat steel product pricing during the operation of the CPM, and customers will see no change in product pricing as a result.
- In place of the CPM, the government intends to introduce a 'direct action' policy, comprising as its key elements an Emissions Reduction Fund (ERF) and a baseline and compliance mechanism.
- The Company is in ongoing discussions with the government about the design of this policy. A particularly important issue will be the methodology by which the government will set baselines, and ensuring it is sufficiently flexible to accommodate changes in steel production in response to market demand, as well as changes in production inputs and processes.
- The Company remains focused on improving the energy and carbon efficiency of all its operations.

NEW ZEALAND EMISSIONS TRADING SCHEME

- The Company is a liable entity under New Zealand's ETS.
- The activity of iron and steel manufacturing from iron sands as undertaken by New Zealand Steel has been assessed to be highly emissions-intensive and trade-exposed, and New Zealand Steel therefore qualifies for the allocation of Emission Units at the maximum rate (90%).
- The ETS is currently in a 'transition period'. During this period participants must surrender one emission unit for two tonnes of carbon dioxide equivalent emissions. Correspondingly the allocation of units to energy-intensive and trade-exposed activities is halved, but remains at the 90% allocation rate. It is possible to buy units at market price or at a fixed price of NZ\$25 per tonne from the government. In July 2012 the New Zealand Government announced that it would effectively retain the current key transitional arrangements until a further review in 2015.
- A general election will be held on 20 September 2014, and the outcome can be expected to influence the 2015 review.

ABBREVIATIONS

1H	Six months ended 31 December in the relevant financial year
1H FY2014	Six months ended 31 December 2013
1Q FY2016	Three months ended 30 September 2015
2H FY2013	Six months ended 30 June 2013
2H FY2014	Six months ended 30 June 2014
4Q FY2014	Three months ended 30 June 2014
ADC	Anti-Dumping Commission
ASEAN	Association of South East Asian Nations
AUD, A\$, \$	Australian dollar
BANZ	BlueScope Australia and New Zealand (comprising CIPA, BCDA and NZPac segments)
BCDA	Building Components & Distribution Australia segment
BP or Building Products	Building Products, ASEAN, North America and India segment
BSL or BlueScope	BlueScope Steel Limited and its subsidiaries
CIPA	Coated & Industrial Products Australia segment
CRC	Cold rolled coil steel
DPS	Dividend per share
EAF	Electric arc furnace
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBS	Engineered building solutions, a key product offering of the GBS segment
EITE	Emissions-intensive, trade-exposed
EPS	Earnings per share
FDI	Foreign direct investment
FY2013	12 months ended 30 June 2013
FY2014	12 months ended 30 June 2014
FY2015	12 months ended 30 June 2015
FY2016	12 months ended 30 June 2016
GBS	Global Building Solutions segment
Gearing ratio	Net debt divided by the sum of net debt and equity
Group, Company	BlueScope Steel Limited and its subsidiaries
HRC	Hot rolled coil steel
HRPNA, HRP North America	Hot Rolled Products North America segment
IFRS	International Financial Reporting Standards
Net debt	Gross debt less cash
NOA	Net operating assets pre-tax
NPAT	Net profit after tax
NRV	Net realisable value adjustment
NSBCP	NS BlueScope Coated Products joint venture
NSBSL	North Star BlueScope Steel
NSSMC	Nippon Steel & Sumitomo Metal Corporation
NZD	New Zealand dollar
NZPac or NZ Steel & Pacific	New Zealand & Pacific Steel Products segment
NZS	New Zealand Steel
PS	Pacific Steel
ROIC	Return on invested capital (or ROIC) – underlying EBIT (annualised in case of half year comparison) over average monthly capital employed
STP	Steel Transformation Plan
TBSL	Tata BlueScope Steel
U.S.	United States of America
USD, US\$	United States dollar

BOARD COMPOSITION

The following were Directors for the full year ended 30 June 2014: 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), Penelope Bingham-Hall and Ewen Graham Wolseley Crouch AM. Lloyd Hartley Jones was appointed as a Director on 2 September 2013, John Andrew Bevan was appointed as a Director on 12 March 2014 and Rebecca Patricia Dee-Bradbury was appointed as a Director on 22 April 2014. Tan Yam Pin ceased to be a Director on 31 October 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 71, BEc

Director since: May 2002

Directorships of other Australian listed entities in the past three years: Brambles Limited (February 2008 to date) and Djerriwarrh Investments Limited (July 2002 to date)

Mr Kraehe is Chairman of BlueScope Steel, Chairman of Brambles and a Director of Djerriwarrh Investments. He was previously Chairman of National Australia Bank, and a Director of News Corporation and the Reserve Bank of Australia. Brambles has announced that Mr Kraehe will retire from the Board effective 30 September 2014.

Mr Kraehe's executive career spanned 30 years as CEO of a number of businesses in the diversified industrial and wine sectors including Pacific BBA and Southcorp. In these roles he obtained extensive experience in manufacturing management and in companies with substantial, geographically diverse, industrial operations.

He has had many business and community roles including National President of the Australian Industry Group and Chairman of the Future Directions Forum. In December 2013, he was appointed to the Australian Prime Minister's Business Advisory Council. In 2003 he was made a member of the Order of Australia for services to industry and the environment.

Ron McNeilly, Deputy Chairman (Independent)

Age 71, BCom, MBA, FCPA

Director since: May 2002

Directorships of other Australian listed entities in the past three years: Worley Parsons Limited (October 2002 to date)

Mr McNeilly is Deputy Chairman of the Board. He has over 30 years experience in the steel industry.

Mr McNeilly joined BHP in 1962 holding 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.

Mr McNeilly is also Deputy Chairman and Lead Independent Director of Worley Parsons Limited. He was previously a Director of Alumina Ltd, Vice President of the Australia Japan Business Cooperation Committee, a member of the Council on Australia Latin America Relations and Chairman of Melbourne Business School.

Daniel Grollo, Non-Executive Director (Independent)

Age 44

Director since: September 2006

Directorships of other Australian listed entities in the past three years: Nil

Mr Grollo is Executive Chairman of Grocon Group Holdings Pty Ltd, Australia's largest privately owned development and construction company, and a Non-Executive Director of UBS Grocon Real Estate. He brings extensive knowledge of the building and construction industry to the Board.

Mr Grollo is Chairman of the Green Building Council of Australia and former National President of the Property Council of Australia. In December, 2013 Mr Grollo was appointed to the Australian Prime Minister's Business Advisory Council.

Mr Grollo is Chair of the Health, Safety and Environment Committee.

Paul O'Malley, Managing Director and Chief Executive Officer

Age 50, BCom, M. App Finance, ACA

Director since: August 2007

Directorships of other Australian listed entities in the past three years: Nil

Mr O'Malley was appointed a Director of the Board, and Managing Director and Chief Executive Officer of BlueScope Steel, in 2007.

Mr O'Malley joined BlueScope as its Chief Financial Officer in December 2005. He was 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. Before joining TXU, he worked in investment banking and consulting.

Ken Dean, Non-Executive Director (Independent)

Age 61, BCom (Hons), FCPA, FAICD

Director since: April 2009

Directorships of other Australian listed entities in the past three years: Santos Limited (February 2005 to date)

Mr Dean is a Director of Santos Limited and Energy Australia Holdings Ltd. He has held directorships with Alcoa of Australia Limited, Woodside Petroleum Limited and Shell Australia Limited. He 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, was Chief Executive Officer of Shell Finance Services based in London.

Mr Dean was Chief Financial Officer of Alumina Limited from 2005 to 2009. He brings extensive international financial and commercial experience to the Board.

Mr Dean is Chair of the Audit and Risk Committee.

Penny Bingham-Hall, Non-Executive Director (Independent)

Age 54, BA (Ind.Des) FAICD, SF(Fin)

Director since: March 2011

Directorships of other Australian listed entities in the past three years: DEXUS Funds Management Limited (responsible entity for the DEXUS Property Group) (June 2014 to date)

Ms Bingham-Hall spent more than 20 years in a variety of roles with Leighton Holdings prior to retiring from the company at the end of 2009. Senior positions held 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. She brings extensive knowledge of the building and construction industry in both Australia and Asian markets.

Ms Bingham-Hall is a director of DEXUS Funds Management Limited, the Sydney Ports Corporation, Newcastle Port Corporation, Port Kembla Port Corporation and is a former director of Australia Post and The Global Foundation. She is a director of Taronga Conservation Society Australia and has previously held non-executive directorships with other industry and community organisations, including the Art Gallery of NSW, the Australian Council for Infrastructure Development and as the inaugural Chairman of Advocacy Services Australia.

Ms Bingham-Hall is Chair of the Remuneration and Organisation Committee.

Ewen Crouch AM, Non-Executive Director (Independent)

Age 58, BEc (Hons) LLB, FAICD

Director since: March 2013

Directorships of other Australian listed entities in the past three years: Westpac Banking Corporation (February 2013 to date)

Mr Crouch is a Director of Westpac Banking Corporation, Chairman of Mission Australia and a board member of Sydney Symphony Orchestra.

Mr Crouch was a Partner at Allens from 1988 to 2013 where he was one of Australia's leading M&A lawyers and held the following roles: Chairman of Partners, Co Head Mergers and Acquisitions and Equity Capital markets, Executive Partner – Asian Offices (responsible for the China and South East Asia practices of the firm) and Deputy Managing Partner.

He is a member of the Takeovers Panel, the Law Committee of the Australian Institute of Company Directors and the Corporations Committee of the Law Council of Australia.

Lloyd Jones, Non-Executive Director (Independent)

Age 61, BEng, MBA

Director since: September 2013

Directorships of other Australian listed entities in past three years: RCR Tomlinson Ltd (November 2013 to date), Arafura Resources Limited (August 2011 to February 2012)

Mr Jones is a director of Myer Family Investments, RCR Tomlinson Ltd, Deputy Chairman of Doric Group and an advisory director to a division of Deutsche Bank in Australia.

Mr Jones is a qualified engineer and spent 25 years of his career in a variety of senior management roles with Alcoa including General Manager of WA Operations, President of US Smelting and President Asia Pacific (based in Tokyo and Beijing). Most recently Mr Jones has served as President of Cerberus Capital Management's Asia Advisors Unit. His experience encompasses metals, smelting and roll forming, plant operations, energy, construction, mergers and acquisitions, corporate affairs and finance.

John Bevan, Non-Executive Director (Independent)

Age 57, BCom (Mkt)

Director since: March 2014

Directorships of other Australian listed entities in the past three years: Ansell Limited (August 2012 to date), Alumina Limited (June 2008 to December 2013)

Mr Bevan was CEO of Alumina Limited from 2008 to 2013. Before joining Alumina Limited in 2008 Mr Bevan spent 29 years in a variety of senior management roles with BOC Group, including as a director on The BOC Group plc Board, Chief Executive Process Gas Solutions with responsibility for the bulk and tonnage business for the entire BOC group, Chief Executive Asia and country lead roles in the United Kingdom, Thailand and Korea. Mr Bevan is also a non-executive director of Ansell Limited.

He brings to the Board extensive experience in international business and heavy industrial operations.

Rebecca Dee-Bradbury, Non-Executive Director (Independent)

Age 46, BBus (Mkt), GAICD

Director since: April 2014

Directorships of other Australian listed entities in the past three years: TOWER Limited (15 August 2014 to date)

Ms Dee-Bradbury was Chief Executive Officer/President Developed Markets Asia Pacific and ANZ for Kraft/Cadbury from 2010 to 2014, leading the business through significant transformational change. Before joining Kraft/Cadbury Ms Dee-Bradbury was Group CEO of the global Barbeques Galore group, and has held other senior executive roles in organisations including Maxxium, Burger King Corporation and Lion Nathan/Pepsi Cola Bottlers.

Ms Dee-Bradbury is a Non-Executive Director of TOWER Limited and until recently was a member of the Australian Federal Government's Asian Century Strategic Advisory Board. She brings to the Board significant experience in strategic brand marketing, customer relationship management and innovation.

COMPANY SECRETARIES**Michael Barron**, Chief Legal Officer and Company Secretary, BEc, LLB, AGIA, 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, BANZ 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	2,502,735
D B Grollo	38,447	-
K A Dean	35,488	-
P Bingham-Hall	57,834	-
E G W Crouch	25,000	-
L H Jones	20,000	-
J A Bevan	3,881	-
R P Dee-Bradbury	-	-

MEETINGS OF DIRECTORS

Attendance of the current Directors at Board and Board Committee meetings from 1 July 2013 to 30 June 2014 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	12 ^{3,4}	-	4 ¹	8	8	4	4	6	5 ³	5	5	1	- ³
R J McNeilly	14	13 ⁴	4	4	8	8	4	4	6	6	3	3	1	1
P F O'Malley	14	14	-	4 ²	-	8 ²	4	4	-	6 ²	5	5	1	1
D B Grollo	14	13 ⁴	1	1	5	5	4	4	6	6	-	-	1	1
K A Dean	14	13 ⁴	4	4	-	-	4	4	6	6	3	3	1	1
P Bingham-Hall	14	13 ⁴	-	-	8	8	4	4	6	6	2	2	1	1
E G W Crouch	14	12 ^{3,4}	4	4	-	-	4	4	6	5 ³	2	2	1	1
L H Jones	10	10	3	3	-	-	3	3	5	5	-	-	1	1
J A Bevan	4	4	1	1	-	-	2	2	1	1	-	-	-	-
R P Dee-Bradbury	2	2	-	-	1	1	1	1	1	1	-	-	-	-

With the exception of Mr Jones, Mr Bevan and Ms Dee-Bradbury, all Directors have held office for the entire year ended 30 June 2014. Mr Jones was appointed as a Director on 2 September 2013, Mr Bevan was appointed as a Director on 12 March 2014 and Ms Dee-Bradbury was appointed as a Director on 22 April 2014.

A = number of meetings held during the period 1 July 2013 to 30 June 2014 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 2013 to 30 June 2014.

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

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

3 A 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: 3
- Nomination Committee meetings: 2

The Non-Executive Directors met three times during the year ended 30 June 2014 (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 motivate executives to deliver results that reward shareholders.

The Board takes great care to ensure BlueScope's remuneration structures have evolved to support our business through structural change and difficult industry conditions. The Board pro-actively consults with shareholders and proxy advisors and seeks 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 arrangements and outcomes for FY2014.

The Board reviewed the executive remuneration framework this year and decided not to make any further changes for FY2015.

The Board also decided there would be no increase in Directors' fees for 2014. Directors' base fees have not been increased since 1 January 2011 and Committee fees have not been increased since 1 January 2008.

1. Context

In recent years, BlueScope has significantly rationalised the Australian operations to focus on the domestic market and to materially exit the export business and has restructured its business portfolio to provide greater strategic focus on the Global Building Solutions and Building Products businesses. We have sought to reduce volatility and business risk, 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 with a significant improvement in our share price over the past two years. During FY2014, our share price appreciated by 24% compared to a rise in the ASX 200 Index of 14 % and a rise in the ASX 200 Materials Index of 15%.

Details of the FY2014 remuneration strategy were previously disclosed to shareholders in the FY2013 Remuneration Report which received support from more than 98% of shareholders at the 2013 Annual General Meeting. The following provides a summary of our remuneration arrangements for FY2014. Further details are described in the body of the full Remuneration Report:

- The vesting scale for LTI Share Rights starts at 40% at the 51st percentile of relative Total Shareholder Returns (TSR) compared to the ASX 100 (i.e. more demanding than most companies' TSR conditions).
- The LTI has a single re-test (compared to the 4 retests over 2 years that applied prior to the temporary arrangements in place for FY2013). The rationale for the retest is explained in more detail in section 3(iv) 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.
- Executives and Directors are required to build and retain a substantial shareholding.
- One third of STI is deferred as shares which is in line with the market practice amongst 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% applied from 1 September 2013. The MD & CEO also received an increase of 3%, his first increase since 2010. Consistent with the external market, increases in the order of 3% have also been awarded from 1 September 2014.

2. Financial Performance Impact on 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 constrained reflecting Company 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 for any KMP for six years.

The improvement in financial performance achieved in FY2013 has continued in FY2014. This year's financial targets for STI performance were set requiring a challenging and material improvement on the prior year's performance.

- Reported net loss after tax (NLAT) was \$82.4M, a \$24.7M or a 23% increase on FY2013.
- Underlying NPAT was \$112.3M, a \$105.6M increase on FY2013.
- Underlying EBIT was \$249.7M, a \$175.6M or a 237% increase on FY2013.
- All operating segments' underlying EBIT increased with particularly good performances in Coated and Industrial Products Australia, New Zealand & Pacific Steel and Hot Rolled Products North America.
- The balance sheet remains strong, with a net debt position of \$261.6 million. Cash flow from operations was particularly strong driven by business performance and timing of working capital. Gearing at 30 June 2014 stood at 5.5%.

These results demonstrate that we are making significant progress and it is appropriate that STI payments to KMP are consistent with this improvement.

3. KMP Key Performance Indicators for FY2014

The key performance indicators to assess the MD & CEO's Short Term Incentive (STI) were primarily based on:

- Significantly increased Group underlying NPAT
- Maintaining a strong balance sheet including strong cash flow, and
- Targeted acquisitions across Australia and New Zealand to lower our cost base, improve our customer offerings and deliver returns in excess of our cost of capital and increased sales at NS BlueScope Coated Products to construction companies and white goods manufacturers.

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

- Business Unit financial performance with underlying EBIT improvements in all operating segments with particularly strong improvements in Coated and Industrial Products Australia, New Zealand & Pacific Steel Products and Hot Rolled Products North America. Underlying EBIT performance continued to improve significantly on prior years but challenging targets had been set and these were not all universally met. In addition the Global Building Solutions, Hot Rolled Products North America and Building Products businesses exceeded their cash targets for the year.
- Delivery of benefits including sales to Japanese building and construction companies and home appliance markets from the NS BlueScope Joint Venture in S E Asia and North America.
- Successful implementation of acquisitions in both Australia and New Zealand to improve the efficiency with which we can serve our customers by further lowering costs through the integration of these businesses with our existing operations.
- Growth in iron sands sales and commissioning of a third ship to service additional sales from the Taharoa iron sands mine in New Zealand.
- Successful management intervention to enhance profitability in our Buildings China business.
- Net cash flow from operating activities was \$407.1M, a \$246.1M increase from FY2013.

An STI will be awarded to the MD & CEO and other KMP for achievements in FY2014. Full details of achievements against objectives are covered in sections 4 (II) and 5 (II) of the Remuneration Report. One third of the award will be held back as restricted shares in accordance with the Company's remuneration policy.

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 2014. 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 motivate 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. The Board, led by the Remuneration and Organisation Committee, conducts an annual review of the Company's remuneration strategy. This review includes consultation with shareholders and proxy advisors. 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 an acceptable level of profitability and win widespread support from our shareholders.

Our shareholders and the share market responded very positively to the interventions we made following extensive consultation with shareholders and governance advisory bodies during FY2013. As advised to shareholders in the FY2013 Remuneration Report, elements of the remuneration structure were adjusted for FY2014. The changes re-balanced the design of the remuneration package taking into account the interests of shareholders and market practice.

Key elements of the remuneration strategy for FY2014 were:

1. Delivering a significant percentage of executive remuneration in deferred equity to align executive experience with shareholders;
2. Requiring 1/3rd of total STI awarded to be held as deferred equity with a one year trading lock;
3. Awarding STI for KMP Executives for achievement of financial targets and non-financial targets based on quantified results;
4. Maintaining a vesting scale for LTI Share Rights with 40% vesting at the 51st percentile of relative TSR compared to the ASX 100 and progressively vesting from the 51st percentile to the 75th percentile when 100% vests. The LTI has a single re-test one year after the first test.

Following market based reviews, a base pay increase of 3% was awarded to the MD & CEO, who had not had a base pay increase since 2010, and base pay increases in the order of 3% were awarded to the KMP Executives on 1 September 2013. Consistent with the external market, increases in the order of 3% will apply from 1 September 2014.

No changes are proposed to the Remuneration Strategy for FY2015.

1. CONTEXT

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

- Global steel industry continuing to go through a structural change as a result of excess capacity and Australian dollar and New Zealand dollar exchange rates remaining at historically high levels. This structural change continues to place downward pressure on domestic steel pricing as the Company competes with imports that benefit from the high dollar, as well as unfair trade (dumping).
- Australian domestic steel demand, while improved over FY2014, remaining comparatively weak compared to historical levels.
- Strengthening market competition in our Asian businesses as well as various other external factors such as political instability in Thailand, currency fluctuations mainly in Indonesia and a slowdown in building and construction activity in China.
- Our North American Buildings and Hot Rolled Products businesses saw a strong improvement driven by higher volumes and margin expansion notwithstanding particularly cold weather conditions impacting the start of the second half.

Against this background, management and employees across BlueScope have responded to the need to restructure the business to deliver continued improvement in the Company's performance and progress on growth initiatives. Major achievements in FY2014 included:

- Reported net loss after tax (NLAT) was \$82.4M, a \$24.7M or a 23% increase on FY2013.
- Underlying NPAT was \$112.3M, a \$105.6M increase on FY2013.
- Underlying EBIT was \$249.7M, a \$175.6M or a 237% increase on FY2013.
- Net cash flow from operating activities was \$407.1M, a \$246.1M increase on FY2013.
- Net debt has progressively reduced over the past 4 years from over \$1bn at 30 June 2011 to \$261.6M at 30 June 2014.
- Business Unit underlying EBIT improved in all operating segments with particularly strong improvements in Coated & Industrial Products Australia, New Zealand & Pacific Steel and Hot Rolled Products North America. While underlying EBIT performance continued to improve significantly on prior years challenging targets had been set and these were not all universally met.
- A strong and robust evaluation of DRI opportunities in North Star BlueScope Steel.
- Management intervention to enhance future profitability in the Buildings China business.
- Completed four incremental growth initiatives: acquisition of Fielders and Orrcon, acquisition of OneSteel's sheet & coil processing business, acquisition of Pacific Steel Group downstream rolling assets from Fletcher Buildings, and commissioning of a third ship to service Taharoa iron sands mine. Three acquisitions were completed during 2H FY2014 and are on track to deliver returns in excess of the Group's Return on Invested Capital (ROIC) hurdle.

The Board acknowledges the significant achievements by management and employees in delivering an underlying NPAT improvement of \$105.6M compared to FY2013 and the 200% improvement in the company's share price over the past two years.

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 Penny Bingham-Hall - Independent Director and Chair of the Committee
- 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 up to his retirement from the Board and the Committee on 31 October 2013
- Mr Daniel Grollo – Independent Director and Committee Member from 16 October 2013
- Ms Rebecca Dee-Bradbury - Independent Director and Committee Member from 12 June 2014

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 FY2014, 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 FY2014 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. REMUNERATION POLICY

At BlueScope, executive remuneration packages typically comprise three elements – fixed pay (base pay and superannuation), short term incentive (cash and equity) and long term incentive (equity). 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 pay 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 %
MD & CEO	40%	29%	31%	100%
KMP Executives	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.

I) 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 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. 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 no changes were made to the Peer Group for FY2015. The current peer group is listed at section 10 below.

II) 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.

III) 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.

For FY2014 and subsequent years, consistent with market practice amongst our peer companies, 1/3 of the total STI awarded will be withheld and awarded in restricted shares. All other terms and conditions of the restricted equity awards remain in place. The restricted shares have a one year trading lock and will lapse on resignation or termination for cause.

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 target 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 from Operations 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 Business Unit financials, 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 FY2014 were as follows:

	Company Financials %	Zero Harm %	Business Unit financial and operating measures %	Projects and New Initiatives %	Total %
MD & CEO	60%	5%	0%	35%	100%
KMP Executives	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.

IV) 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 has previously considered adoption of a second measure but decided 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 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.

In recent years, LTI awards have reflected the Company's financial performance and shareholder feedback related to LTI. In FY2013, the quantum of rights for KMP Executives was 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. Post vesting holding locks applied when KMP Executive LTI awards comprised a combination of LTI Share Rights and Retention Rights. In view of the current policy not to award Retention Rights to KMP Executives, post vesting holding locks have been replaced by a shareholding policy which requires a KMP Executive to build a minimum value of shares equivalent to 50% of base pay to be accumulated over time.

As advised to shareholders in the FY2013 Remuneration Report, and approved by more than 98% of shareholders at the 2013 Annual General Meeting, the following terms applied to the LTI program for FY2014:

- All Share Rights are subjected to a relative TSR performance hurdle compared to the ASX 100.
- The vesting scale for LTI Share Rights starts with 40% vesting at the 51st percentile and vests progressively from the 51st percentile to the 75th percentile when 100% vests.
- The LTI has a single re-test (compared to the 4 retests over 2 years that applied prior to the temporary arrangements in place for FY2013). The retest operates 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. 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 recognises this 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. 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 six years.

V) RETENTION EQUITY

In exceptional circumstances in the past, the Board has awarded retention shares to a limited number of executives, where their retention is critical to the successful delivery of business strategy. Awards made on 29 August 2011 to support retention of key executives crucial to the implementation of the Company's restructure vested on 1 July 2014. The Board is satisfied these awards were successful in achieving their retention objectives.

The Board resolved not to reissue Retention Rights to KMP Executives for FY2014.

VI) 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 2014.

	LTIP Rights	Retention shares	STI rights	Total equity awards	General employee share plan	Issued share capital
Number of awards	17,630,978	494,955	591,083	18,717,016	1,707,909	558,848,896
As a % of issued share capital	3.15%	0.09%	0.11%	3.35%	0.31%	100%

4. 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

Following a market based review, the Board approved a base pay increase for Mr O'Malley of 3% from 1 September 2013. This was his first increase in base pay since 1 September 2010. Consistent with market movement, an increase of 3% has been awarded from 1 September 2014.

II) SHORT TERM INCENTIVE (STI)

Shareholders were advised in the FY2013 Remuneration Report that STI objectives for FY2014 would be based on improving underlying profit, maintaining a strong balance sheet and the implementation of growth strategies in each of our four reporting segments and payment of a target STI for FY2014 would depend upon the achievements against quantifiable targets for each of these measures. 1/3rd of any STI awarded will be delivered in equity. The equity will be subject to a one year trading lock and will lapse on termination due to resignation or for cause.

The Board has resolved that the MD & CEO should receive 70% of the STI available in recognition of his leadership in the delivery of the following:

- A significant increase in underlying NPAT – the Company has reported an underlying NPAT of \$112.3M an increase of \$105.6M from FY2013.
- Excellent cash management resulting in a continuing low net debt position at year-end of \$261.6M.
- Targeted acquisitions across Australia and New Zealand to lower our cost base, improve our customer offerings and deliver returns in excess of our cost of capital and increased sales at NS BlueScope Coated Products to construction companies and white goods manufacturers.

STI objectives for FY2015 will be based on improving underlying profit, cash flow from operations and balance sheet strength, zero harm and business unit performance improvement and growth.

III) LONG TERM INCENTIVE (LTI)

The MD & CEO received an award of Share Rights for FY2013 under the then 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 approved a new LTI plan at the 2013 Annual General Meeting for the MD & CEO to apply in FY2014 and FY2015 which reflect the terms described above at section 3(IV) namely a three year performance period with one retest after the fourth year, with the vesting scale starting at 40% at the 51st percentile. The new LTI plan is more restrictive than previous awards with only one retest, a reduction in the number of shares that will vest at the 51st percentile from 52% to 40%. Share Rights are not eligible for dividends until they vest.

Share Rights have been awarded for FY2014 on the terms described above at section 3(IV) 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.

5. HOW THIS POLICY APPLIES TO KMP EXECUTIVES

This section explains how the executive remuneration policies have been applied to KMP Executives during FY2014.

I) BASE PAY

A market based review of KMP Executive base pay was undertaken by the Board and increases in the order of 3% applied from 1 September 2013 were awarded. Consistent with market movements, increases in the order of 3% have been awarded from 1 September 2014.

II) SHORT TERM INCENTIVE (STI)

The Company has reported an underlying NPAT of \$112.3M. This compares to an underlying NPAT of \$6.7M in FY2013. BlueScope's financial performance of a \$105.6M year on year improvement exceeded internal earnings targets to enable above target STI to be payable for Company Financials. 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 STI outcomes for each of the KMP Executives are included under section 8.4. In addition, KMP Executives will have one third 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.

- Delivered strong group profit outcomes: group underlying NPAT up from \$6.7M in FY2013 to \$112.3M in FY2014. Underlying EBIT up from \$74.1M in FY2013 to \$249.7M in FY2014.
- The balance sheet remains strong, with a net debt position of \$261.6 million. Cash flow from operations was particularly strong driven by business performance and timing of working capital. Gearing at 30 June 2014 stood at 5.5%.
- All operating segments' earnings increased, with particularly good performances in Coated and Industrial Products Australia, New Zealand Steel and Hot Rolled Products North America.
- In Australia and New Zealand (Mark Vassella supported by Corporate KMP Michael Barron, Charlie Elias and Ian Cummin)
 - Coated & Industrial Products Australia underlying EBIT of \$65.4M, a \$95.7M increase on FY2013, driven by improved domestic despatch volumes, lower loss-making export despatches and improved AUD spread.
 - NZ Steel & Pacific underlying EBIT of \$74.7M, a \$40.9M increase on FY2013, driven by improved despatch mix, higher export iron sands volumes and improved steel spread.
 - Delivered growth initiatives: (i) the second and third iron sands export ships are on track for commencement during CY2015 and FY2016 respectively; (ii) acquired Orrcon and Fielders from Hills Holdings on 28 February 2014; (iii) acquired OneSteel sheet and coil distribution assets on 1 April 2014; and (iv) acquired the downstream long-products rolling and marketing operations of Pacific Steel Group in New Zealand on 3 June 2014.
 - Achieving product and channel development objectives including revenue and production performance targets from the launch of the next generation Colorbond.
- In Global Business Solutions (Bob Moore and Pat Finan supported by Corporate KMP Michael Barron, Charlie Elias and Ian Cummin)
 - Cash flow from operations exceeded targets but STI awards for financial performance were restricted as underlying EBIT performance did not meet the minimum level required for an STI award.
 - Management intervention to enhance future profitability in Buildings China.
 - Revenue growth from the global program accounts which doubled from previous year and sales achievements from new markets.
- In the Building Products business (Sanjay Dayal supported by Corporate KMP Michael Barron, Charlie Elias and Ian Cummin)
 - \$9.3M improvement in segment underlying EBIT through improved margins and volume/mix.
 - Restructure of the North American business contributing to an underlying EBIT improvement of \$8M in FY2014.
 - Implementation of new revenue opportunities in the Asian business delivering incremental EBIT of \$4M.
 - Delivery of improved raw material sourcing arrangements and new market opportunities.
- In Hot Rolled Products North America (Pat Finan supported by Corporate KMP Michael Barron, Charlie Elias and Ian Cummin)
 - \$37.9M improvement in HRPNA earnings through higher 2H dispatches, increased volumes and initiatives to contain costs, whilst maintaining industry leading customer service.
 - A strong and robust evaluation of DRI opportunities in North Star BlueScope Steel.

III) LONG TERM INCENTIVE (LTI)

Awards were made to KMP under the same terms as approved by more than 98% of shareholders for the award to the MD & CEO. These terms comprised a three year performance period with one retest after the fourth year, with the vesting scale starting at 40% at the 51st percentile. Share Rights are not eligible for dividends until they vest.

IV) RETENTION EQUITY

No retention rights were awarded to KMP Executives in FY2014.

V) LONG TERM INCENTIVE PLAN

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

Grant Date	FY2009		FY2010		FY2011		FY2012		FY2013		1 September 2012 and 20 December 2012	
	28 November 2008	30 November 2009	30 November 2010	16 April 2012	1 September 2012	30 November 2010	16 April 2012	1 September 2012	1 September 2012	1 September 2012	1 September 2012 and 20 December 2012	Terms of Issue for Personnel and Executives
Grant Date	(The grant to the MD & CEO was subject to shareholder approval at the 2008 AGM)	(The grant to the MD & CEO was subject to shareholder approval at the 2008 AGM)	(The grant to the MD & CEO was subject to shareholder approval at the 2009 AGM)	(In view of Company financial performance, the MD & CEO did not receive a grant of Share Rights this year)	(The grant to the MD & CEO was subject to shareholder approval at the 2010 AGM)	(The grant to the MD & CEO was subject to shareholder approval at the 2011 AGM)	(The grant to the MD & CEO was subject to shareholder approval at the 2012 AGM)	(The grant to the MD & CEO was subject to shareholder approval at the 2010 AGM)	(The grant to the MD & CEO was subject to shareholder approval at the 2010 AGM)	(The grant to the MD & CEO was subject to shareholder approval at the 2010 AGM)	(The grant to the MD & CEO was subject to shareholder approval at the 2010 AGM)	Terms of Issue for Personnel and Executives
Exercise Date	From 1 September 2011	From 1 September 2012	From 1 September 2013	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
Expiry Date	31 October 2013	31 October 2014	31 October 2015	31 January 2016	31 January 2016	31 January 2016	31 January 2016	31 October 2017	31 October 2015	31 October 2015	31 October 2015	31 October 2015
Total Number of Share Rights Granted	374,708	1,348,413	1,756,092	7,198,483	7,198,483	7,198,483	7,198,483	1,367,464	695,449	695,449	695,449	4,506,475
Total Number of Cash Rights Granted ²	26,333	26,333	27,667	520,422	520,422	520,422	520,422	-	146,667	146,667	146,667	365,650
Number of Participants at Grant Date	255	313	285	266	266	266	266	1	7	7	7	257
Number of Current Participants	0	183	178	242	242	242	242	1	7	7	7	251
Exercise Price	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Fair Value Estimate at Grant Date	\$2,765,343	\$10,516,812	\$9,723,180	\$7,234,294	\$7,234,294	\$7,234,294	\$7,234,294	\$1,805,052	\$997,204	\$997,204	\$997,204	\$8,402,825
Fair Value per Share Right at Grant Date	\$9.84	\$10.20	\$7.20	\$1.26	\$1.26	\$1.26	\$1.26	\$1.32	\$1.01	\$1.01	\$1.01	\$1.06 (1 Sept 2012)
Share Rights Lapsed since Grant Date	374,708	569,204	654,487	1,120,220	1,120,220	1,120,220	1,120,220	0	0	0	0	\$2.52 (20 Dec 2012)
Cash Rights Lapsed since Grant Date	-	3,327	6,993	6,667	6,667	6,667	6,667	0	0	0	0	161,244
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 and minimum share price of \$2.40	Minimum share price of \$2.40
Vesting Schedule	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	N/A
TSR Hurdle - 75th-100th percentile	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	N/A
TSR Hurdle - 51st-<75th percentile												
	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 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.	No vesting until 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.	No vesting until 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.	No vesting until 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.	No vesting until 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.	No vesting until 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will lapse.	No vesting until 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will lapse.	No vesting until 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will lapse.	N/A
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 lapse.	All Share Rights will lapse.	All Share Rights will lapse.	All Share Rights will lapse.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will lapse.	All Share Rights will lapse.	All Share Rights will lapse.	N/A
Vesting Outcome 1st Performance Period	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%	-	-	-	-	No retesting
Vesting Outcome 3rd Performance Period	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%	-	-	-	-	No retesting
Vesting Outcome 5th Performance Period	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	No retesting

¹ These grants are within the first performance period and are yet to be tested.

² 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.

FY2014 ¹			
Grant Date	14 November 2013	1 September 2013	12 November 2013
	(The grant to the MD & CEO was subject to shareholder approval at the 2013 AGM)	Nil-Exercise Price Share Rights offered to Key Management Personnel	Terms of Issue for Retention Rights offered to Executives
Exercise Date	From 1 September 2016	From 1 September 2016	From 1 September 2016
Expiry Date	31 October 2017	31 October 2017	31 August 2016
Total Number of Share Rights Granted	568,126	722,135	1,988,110
Total Number of Cash Rights Granted ²	-	150,315	141,780
Number of Participants at Grant Date	1	7	203
Number of Current Participants	1	7	201
Exercise Price	Nil	Nil	Nil
Fair Value Estimate at Grant Date	\$1,994,122	\$3,134,621	\$7,831,113
Fair Value per Share Right at Grant Date	\$3.51	\$3.30	\$4.57
Share Rights Lapsed since Grant Date	0	0	14,624
Cash Rights Lapsed since Grant Date	0	0	6,960
Performance Hurdle	As per vesting schedule	As per vesting schedule	N/A
<u>Vesting Schedule</u>			
TSR Hurdle - 75th-100th percentile	100%	100%	N/A
TSR Hurdle - 51st-<75th percentile	No vesting until 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will lapse.	No vesting until 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will lapse.	N/A
TSR Hurdle - < 51st percentile	All Share Rights will be carried over for assessment at subsequent performance period.	All Share Rights will be carried over for assessment at subsequent performance period.	N/A
Vesting Outcome 1st Performance Period	-	-	-
Vesting Outcome Last Performance Period	-	-	-

¹ These grants are within the first performance period and are yet to be tested.

² 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.

6. KMP EXECUTIVES – SUMMARY OF TERMS OF EMPLOYMENT

I) 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.

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 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.

II) OTHER KEY MANAGEMENT PERSONNEL – EXECUTIVES

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 month's 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.

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 constrained reflecting Company financial performance. The uplift in financial performance achieved in FY2013 has continued in FY2014 and it is appropriate that the remuneration outcomes this year reflect that.

The table below summarises the Company's performance for FY2014 and the previous four years. FY2014 represents the best financial performance in four years across each of the financial performance metrics. Notwithstanding this improvement the Company reported a \$82.4M NLAT, however, importantly this included \$55.8M restructuring provisions which will improve future profitability and \$110.5M impairment of Australian tax assets which are available to be recovered when the Australian business returns to taxable profits.

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

- There has been no vesting of LTI awards in the past six years.
- Significantly below target STI payments were made in FY2010, FY2011 and FY2012.
- Higher STI awards were made in FY2013 and FY2014 reflecting the significant improvement in performance in those years.

BLUESCOPE STEEL PERFORMANCE ANALYSIS

Measure	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Share Price (\$) ¹	12.60	7.26	1.80	4.67	5.42
Dividend per Share					
Ordinary (cents)	25	10	0	0	0
Earnings per Share (cents) ¹	35.0	-291.3	-234.6	-19.1	-14.8
REPORTED ²					
NPAT \$ M	126.0	-1054.0	-1043.5	-107.1	-82.4
EBIT \$ M	240.0	-1043.0	-819.9	23.1	102.3
EBITDA \$ M	590.0	-687.0	-489.1	338.7	429.9
UNDERLYING ²					
NPAT \$ M	110.0	-127.0	-237.5	6.7	112.3
EBIT \$ M	253.0	-107.0	-224.3	74.1	249.7
EBITDA \$ M	594.0	240.0	98.9	389.7	577.4

- 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.
- 3) Changes to AASB 119 Employee Benefits came into effect for BlueScope on 1 July 2013. The impact of this revised accounting standard is to increase defined benefit plan pension expense. Australian Accounting Standards require that comparative period financial information be adjusted to reflect the revised approach Accordingly, each of the FY 2013 earnings metrics are adjusted down by \$28.7M pre-tax and \$23.0M post-tax compared to those reported in the FY2013 financial statements. The comparative figures for 2010, 2011 and 2012 have not been restated.

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 2014. 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 2014, and which currently applies, is as follows:

Role	Fees effective 1 Jan 2014
Chairman ¹	\$472,500
Deputy Chairman ¹	\$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

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

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 2014 amounted to \$1,979,631 (FY2013 \$2,018,387).

Compulsory superannuation contributions per Director capped at \$18,783 per annum (commencing 1 July 2014) are paid on behalf of each Director. Compulsory superannuation contributions for the year ended 30 June 2014 were \$17,775 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 2014 for each Non-executive Director of BlueScope are set out in the following table.

KMP Remuneration – Non-executive Directors

Name	Year	Short-term benefits			Sub-total	Post-employment benefits ²		Total
		Fees ¹	Non-monetary					
		\$	\$	\$	\$	\$	\$	\$
Director - Current								
G J Kraehe	2014	472,500	10,227	482,727	17,775	500,502		
	2013	472,500	9,708	482,208	16,470	498,678		
R J McNeilly	2014	273,000	-	273,000	17,775	290,775		
	2013	273,000	-	273,000	16,470	289,470		
Y P Tan ³	2014	79,154	-	79,154	6,837	85,990		
	2013	205,800	1,324	207,124	16,470	223,594		
D B Grollo	2014	199,157	-	199,157	17,775	216,932		
	2013	202,650	-	202,650	16,470	219,120		
K A Dean	2014	207,900	-	207,900	17,775	225,675		
	2013	207,900	-	207,900	16,470	224,370		
P Bingham-Hall	2014	197,400	-	197,400	17,775	215,175		
	2013	188,968	-	188,968	16,470	205,438		
E G W Crouch ⁴	2014	190,050	-	190,050	17,580	207,630		
	2013	57,434	-	57,434	5,008	62,442		
L H Jones ⁵	2014	147,521	-	147,521	12,482	160,003		
	2013	-	-	-	-	-		
J A Bevan ⁵	2014	44,762	-	44,762	4,140	48,902		
	2013	-	-	-	-	-		
R P Dee-Bradbury ⁵	2014	25,672	-	25,672	2,375	28,047		
	2013	-	-	-	-	-		
D J Grady ⁶	2014	-	-	-	-	-		
	2013	124,389	1,324	125,713	10,378	136,091		
H K McCann ⁶	2014	-	-	-	-	-		
	2013	145,271	1,324	146,595	12,589	159,184		
Total 2014		1,837,115	10,227	1,847,342	132,289	1,979,631		
Total 2013		1,877,912	13,680	1,891,592	126,795	2,018,387		

1) There was no increase in Directors’ fees during the year.

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

3) Y P Tan retired with effect 31 October 2013.

4) E G W Crouch was appointed to the Board during year ended 30 June 2013

5) L H Jones, J A Bevan and R P Dee-Bradbury were appointed to the Board with effect from 2 September 2013, 12 March 2014 and 22 April 2014 respectively.

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

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 2014
P F O'Malley	Managing Director and Chief Executive Officer	1 July 2013 – 30 June 2014
M G Barron	Chief Legal Officer and Company Secretary	1 July 2013 – 30 June 2014
I R Cummin	Executive General Manager, People and Organisation Performance	1 July 2013 – 30 June 2014
S Dayal	Chief Executive, Building Products	1 July 2013 – 30 June 2014
S R Elias	Chief Financial Officer	1 July 2013 – 30 June 2014
P Finan	President Global Building Solutions	1 July 2013 – 30 June 2014
R Moore	Chief Executive, Global Building Solutions	1 July 2013 – 30 June 2014
M R Vassella	Chief Executive, BlueScope Australia and New Zealand	1 July 2013 – 30 June 2014

The audited information contained in the following tables represents the annual remuneration for the year ended 30 June 2014 for the KMP. The aggregate remuneration of the KMP of the Company is set out below.

	2014 ¹	2013
	\$	\$
Short-term employee benefits ²	11,227,789	12,299,364
Post-employment benefits	205,826	196,516
Other long-term benefits	228,948	108,168
Termination benefits	-	852,000
Share-based payments ^{3,4}	7,671,072	7,448,763
Total	19,333,635	20,904,811

1) The change in remuneration from FY2013 to FY2014 is largely attributable to a reduction in the number of KMP Executives.

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 – 2014

Name	Year	Short-term employee benefits										Share-based payments			Total	% of performance related pay ⁸
		Salary and fees ¹	Movement in annual leave provision ²	Short Term Incentive ³	Non-monetary ⁴	Other ⁵	Sub-total	Post-employment benefits ⁶	Other long-term employee benefits ⁷	Termination benefits	Shares and units	Options and rights ³				
Executive Director																
P F O'Malley	2014	1,792,929	28,424	1,011,323	0	225,795	3,058,471	25,000	56,727	0	0	0	1,807,940	4,948,138	57.0	
	2013	1,750,000	14,472	1,050,000	995	220,000	3,035,466	25,000	41,890	0	0	3,726	2,039,381	5,145,463	60.0	
KMP Executives																
M R Vassella	2014	1,023,654	-21,592	457,732	0	118,311	1,578,105	25,000	40,687	0	0	268,667	715,997	2,628,456	44.7	
	2013	1,000,000	-18,654	395,100	88,620	115,000	1,580,066	25,000	23,937	0	0	268,667	772,291	2,669,961	43.7	
I R Cummin	2014	636,198	11,833	274,598	46,834	61,161	1,030,624	24,221	18,937	0	0	166,562	458,035	1,698,379	43.1	
	2013	620,000	-21,101	222,828	995	61,800	884,522	25,000	14,841	0	0	166,562	478,225	1,569,150	44.7	
M G Barron	2014	636,198	-13,669	286,093	1,041	63,853	973,516	25,000	21,865	0	0	166,562	463,782	1,650,725	45.4	
	2013	620,000	41,896	242,358	995	61,800	967,049	25,000	14,841	0	0	166,562	497,755	1,671,207	44.3	
S R Elias	2014	794,969	70,501	403,139	1,041	86,031	1,355,681	25,000	25,893	0	0	204,996	592,825	2,204,395	45.2	
	2013	763,000	18,047	295,510	1,015	81,820	1,159,392	25,000	18,264	0	0	204,996	603,620	2,011,273	44.7	
S Dayal	2014	912,999	67,390	389,189	-206,349	102,820	1,266,049	25,000	28,227	0	0	224,609	1,599,843	3,143,728	63.3	
	2013	881,587	61,028	330,528	-158,803	98,200	1,212,540	25,000	22,329	0	0	164,134	1,273,357	2,697,361	59.5	
P J Finan	2014	539,991	8,268	142,771	643	0	691,673	21,609	0	0	0	126,763	291,950	1,131,995	38.4	
	2013	471,367	5,513	144,474	234,756	0	856,110	0	0	0	0	126,763	296,564	1,279,437	34.5	
R J Moore	2014	766,875	3,746	206,721	213,965	82,363	1,273,670	34,996	36,612	0	0	162,301	420,240	1,927,819	32.5	
	2013	713,739	33,253	245,250	354,125	74,797	1,421,163	25,000	44,425	0	0	162,301	473,236	2,126,125	33.8	
K A Mitchell ⁹	2014	0	0	0	0	0	0	0	0	0	0	0	0	0	-	
	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		
Total 2014		7,103,813	154,901	3,171,566	57,175	740,334	11,227,789	205,826	228,948	0	1,320,460	6,350,612	19,333,635			
Total 2013		7,526,779	167,526	3,116,182	697,983	790,892	12,299,364	196,516	108,168	852,000	1,147,234	6,301,529	20,904,811			

1) All KMPs received a base pay increase of 3% apart from S R Elias and S Dayal who received 5%. Exchange rate differences also affected 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 represents the 2/3 of STI payable in cash. The remaining 1/3 is withheld and payable in restricted equity which is included as a share based payment. For FY2013 50% was payable in cash and 50% withheld and payable as restricted equity.

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 % of remuneration that is performance related recognises LTI based on accounting values rather than the amounts actually received. The last LTI award to vest was the 2005 Award that vested in September 2008.

9) K A Mitchell left the company during FY2013.

8.4 SHORT TERM INCENTIVE AWARDS

For the year ended 30 June 2014 STI awards were made for the achievement of quantifiable objectives including a significant improvement in underlying profit, excellent cash management and improvements in business operating performance. One third 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 due to resignation, for cause 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 2014.

SHORT TERM INCENTIVES

Name	Actual STI as a % of maximum STI for year ended 30 June 2014 ¹	% of maximum STI forfeited for year ended 30 June 2014
Executive Director	%	%
P F O'Malley	70	30
KMP Executives		
M R Vassella	74	26
I R Cummin	72	28
M G Barron	75	25
S R Elias	84	16
S Dayal	70	30
P J Finan	48	52
R J Moore	45	55

1) One third of total STI awarded 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 2014 were as follows:

VALUE OF SHARE RIGHTS HOLDINGS

Name	Remuneration consisting of Share Rights ¹	Value of Share Rights granted during the year at grant date ²	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
	%	\$	\$	\$	\$
Executive Director					
P F O'Malley	62	3,044,057	-	67,338	3,111,395
KMP Executives					
M R Vassella	36	948,022	359,330	15,309	1,322,661
I R Cummin	33	565,635	111,393	11,511	688,539
M G Barron	35	585,163	111,393	11,511	708,067
S R Elias	33	725,761	137,086	13,345	876,191
S Dayal	26	826,546	217,395	12,410	1,056,351
P J Finan	39	443,941	82,611	6,834	533,386
R J Moore	34	659,944	154,638	7,657	822,239

1) This figure is calculated on the value of Share Rights awarded in the year ended 30 June 2014 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 2014. The valuation has been made using the Black-Scholes Option Pricing Model (BSM) that includes a Monte Carlo simulation analysis.

The Share Rights awarded to executives under the September 2008 Award were tested after the last (31 August 2013) performance period and no vesting occurred. As this was the final performance period for the 2008 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 2009 Award was tested after the third (31 August 2013) and fourth (28 February 2014) performance periods and no vesting occurred. The September 2010 Award was tested after the first (31 August 2013) and the second (28 February 2014) performance periods and no vesting occurred. Both the September 2009 and 2010 Awards will be tested after the conclusion of the fifth and third performance period respectively on 31 August 2014.

Details of the audited Share Rights holdings for year ended 30 June 2014 for the KMP - Executives are set out in the following table. Refer to the Summary Table of Long Term Incentive Plan Awards (section 5(V)) for details with respect to fair values, exercise price and key dates.

BSL LTIP VESTING HISTORY

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

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
FY 2010 - September 2009	First	September 2012	• Nil vesting
	Second	February 2013	• Nil vesting
	Third	September 2013	• Nil vesting
	Fourth	February 2014	• Nil vesting
	Fifth	September 2014	• Nil vesting expected
FY 2011 - September 2010	First	September 2013	• Nil vesting
	Second	February 2014	• Nil vesting
	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
FY2013 - September 2012 ELT FY2013 - September 2012 ELT	Retention Rights	September 2015	• \$2.40 share price hurdle
	Single test Release date	September 2015 September 2017	• To be tested
FY2013 - September 2012 CEO	First	September 2015	• To be tested
	Second	February 2016	
	Third	September 2016	
	Fourth	February 2017	
	Fifth	September 2017	
FY2014 - September 2013 (MD & CEO and ELT)	First	September 2016	• To be tested
	Second	September 2017	

Note: Retention shares awarded on in 2011 vested 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

The numbers of rights over ordinary shares in the company held during the financial year by each director of BlueScope Steel Limited and other key management personnel of the Group, including their personally related parties, are set out below.

Share Rights holdings for the financial year ended 30 June 2014

2014	Balance at 30 June 2013	Granted in year ended 30 June 2014 ¹	Vested and exercised in year ended 30 June 2014 ²	Lapsed in year ended 30 June 2014	Balance at 30 June 2014	Vested and not yet exercised in year ended 30 June 2014	Unvested at 30 June 2014	Total Share Rights vested in year ended 30 June 2014
Executive Director								
P F O'Malley	1,763,561	780,234	-	41,060	2,502,735	-	2,502,735	-
KMP Executives								
M R Vassella	862,974	247,373	159,702	9,335	941,310	-	941,310	159,702
I R Cummin	497,345	148,898	49,508	7,019	589,716	-	589,716	49,508
M G Barron	497,345	152,843	49,508	7,019	593,661	-	593,661	49,508
S R Elias	608,964	190,080	60,927	8,137	729,980	-	729,980	60,927
S Dayal	715,153	217,084	96,620	7,567	828,050	-	828,050	96,620
P J Finan	394,246	119,935	36,716	4,167	473,298	-	473,298	36,716
R J Moore	520,284	175,212	68,728	4,669	622,099	-	622,099	68,728

- 1) The number of share rights granted includes rights awarded under the FY2013 short term incentive plan disclosed in the FY2013 Remuneration Report.
- 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.

Share Rights holdings for the financial year ended 30 June 2013

2013	Balance at 30 June 2012	Granted in year ended 30 June 2013 ¹	Exercised in year ended 30 June 2013 ²	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
Executive Director								
P F O'Malley	434,606	1,367,464	-	38,509	1,763,561	-	1,763,561	-
KMP Executives								
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 ³	362,728	56,695	-	177,805	241,618	-	241,618	-

- 1) The number of Share Rights granted includes rights awarded under the FY2013 Short Term Incentive plan disclosed in the FY2013 Remuneration Report.
- 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) K A Mitchelhill retains pro-rata Share Rights with vesting subject to achieving performance hurdles. The balance is represented as at 31 March 2013.

The table below sets out the details of each specific share right tranche and awards granted and vested during the year ended 30 June 2014 for each KMP.

2014	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2014	% forfeited in year ended 30 June 2014	Share Rights yet to vest	Financial year in which awards may vest	Value of Share Rights not vested 30 June 2014 ¹	
							\$ Min	\$ Max
Executive Director								
	P F O'Malley							
	41,060	28-Nov-08	-	100%	-	-	-	-
	155,000	30-Nov-09	-	-	155,000	2015	-	1,581,000
	200,037	30-Nov-10	-	-	200,037	2015	-	1,440,266
	0	16-Apr-12	-	-	-	-	-	-
	1,367,464	01-Sep-12	-	-	1,367,464	2016	-	1,805,052
	212,108	16-Aug-13	-	-	212,108	2015	-	1,049,998
	568,126	14-Nov-13	-	-	568,126	2018	-	1,994,122
KMP Executives								
	M R Vassella							
	9,335	28-Nov-08	-	100%	-	-	-	-
	35,239	30-Nov-09	-	-	35,239	2015	-	359,438
	44,969	30-Nov-10	-	-	44,969	2015	-	323,777
	322,062	16-Apr-12	-	-	322,062	2015	-	405,798
	159,702	17-Aug-12	100%	-	-	2014	-	-
	166,667	01-Sep-12	-	-	166,667	2016	-	168,334
	125,000	01-Sep-12	-	-	125,000	2016	-	132,500
	79,813	16-Aug-13	-	-	79,813	2015	-	395,098
	167,560	01-Sep-13	-	-	167,560	2018	-	552,948
	I R Cummin							
	7,019	28-Nov-08	-	100%	-	-	-	-
	26,495	30-Nov-09	-	-	26,495	2015	-	270,249
	33,810	30-Nov-10	-	-	33,810	2015	-	243,432
	199,679	16-Apr-12	-	-	199,679	2015	-	251,596
	49,508	17-Aug-12	100%	-	-	2014	-	-
	103,334	01-Sep-12	-	-	103,334	2016	-	104,367
	77,500	01-Sep-12	-	-	77,500	2016	-	82,150
	45,013	16-Aug-13	-	-	45,013	2015	-	222,828
	103,885	01-Sep-13	-	-	103,885	2018	-	342,821

2014	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2014	% forfeited in year ended 30 June 2014	Share Rights yet to vest	Financial year in which awards may vest	Value of Share Rights not vested 30 June 2014 ¹		
							\$ Min	\$ Max	
M G Barron	7,019	28-Nov-08	-	100%	-	-	-	-	
	26,495	30-Nov-09	-	-	26,495	2015	-	270,249	
	33,810	30-Nov-10	-	-	33,810	2015	-	243,432	
	199,679	16-Apr-12	-	-	199,679	2015	-	251,596	
	49,508	17-Aug-12	100%	-	-	2014	-	-	
	103,334	01-Sep-12	-	-	103,334	2016	-	104,367	
	77,500	01-Sep-12	-	-	77,500	2016	-	82,150	
	48,958	16-Aug-13	-	-	48,958	2015	-	242,357	
	103,885	01-Sep-13	-	-	103,885	2018	-	342,821	
	S R Elias	8,137	28-Nov-08	-	100%	-	-	-	-
		30,715	30-Nov-09	-	-	30,715	2015	-	313,293
		40,909	30-Nov-10	-	-	40,909	2015	-	294,545
		245,734	16-Apr-12	-	-	245,734	2015	-	309,625
60,927		17-Aug-12	100%	-	-	2014	-	-	
127,167		01-Sep-12	-	-	127,167	2016	-	128,439	
95,375		01-Sep-12	-	-	95,375	2016	-	101,098	
59,695		16-Aug-13	-	-	59,695	2015	-	295,508	
130,385		01-Sep-13	-	-	130,385	2018	-	430,271	
S Dayal ²		7,567	28-Nov-08	-	100%	-	-	-	-
		30,000	30-Nov-09	-	-	30,000	2015	-	306,000
		40,885	30-Nov-10	-	-	40,885	2015	-	294,372
		283,414	16-Apr-12	-	-	283,414	2015	-	357,102
	96,620	17-Aug-12	100%	-	-	2014	-	-	
	146,667	01-Sep-12	-	-	146,667	2016	-	148,134	
	110,000	01-Sep-12	-	-	110,000	2016	-	116,600	
	66,769	16-Aug-13	-	-	66,769	2015	-	330,527	
	150,315	01-Sep-13	-	-	150,315	2018	-	496,040	

2014	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2014	% forfeited in year ended 30 June 2014	Share Rights yet to vest	Value of Share Rights not vested 30 June 2014 ¹	
						Financial year in which awards may vest	\$ Min
P. J Finan	4,167	28-Nov-08	-	100%	-	-	-
	16,667	30-Nov-09	-	-	16,667	2015	170,003
	29,202	30-Nov-10	-	-	29,202	2015	210,254
	170,504	16-Apr-12	-	-	170,504	2015	214,835
	36,716	17-Aug-12	100%	-	-	2014	-
	78,280	01-Sep-12	-	-	78,280	2016	79,063
	58,710	01-Sep-12	-	-	58,710	2016	62,233
	29,185	16-Aug-13	-	-	29,185	2015	144,475
	90,750	01-Sep-13	-	-	90,750	2018	299,475
	4,669	28-Nov-08	-	100%	-	-	-
R. J Moore	17,625	30-Nov-09	-	-	17,625	2015	179,775
	30,570	30-Nov-10	-	-	30,570	2015	220,104
	194,525	16-Apr-12	-	-	194,525	2015	245,102
	68,728	17-Aug-12	100%	-	-	2014	-
	116,667	01-Sep-12	-	-	116,667	2016	117,834
	87,500	01-Sep-12	-	-	87,500	2016	92,750
	49,542	16-Aug-13	-	-	49,542	2015	245,248
	125,670	01-Sep-13	-	-	125,670	2018	414,711

1) External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of Share Rights held by KMP at 30 June 2014.

2) Due to restrictions relating to awards of equity in Singapore, S Dayal was awarded Cash Rights in FY2014 which delivers a cash payment on vesting.

8.6 SHARES AWARDED AS REMUNERATION

The following table shows shares awarded during year ended 30 June 2012 which vested on 1 July 2014 (year ending 30 June 2015). No shares were awarded during year ended 30 June 2014.

Share Award Summary

2014	Number of Shares awarded	Date of grant	% vested in year ended 30 June 2014	% forfeited in year ended 30 June 2014	Shares yet to vest	Financial year in which awards may vest	Value of Shares not vested 30 June 2014 ¹
							\$ Min \$ Max
Executive Director							
	-	-	-	-	-	-	-
KMP Executives							
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 ²	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

1) External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of Share Rights held by KMP at 30 June 2014.

2) Due to restrictions relating to awards of equity in Singapore, S Dayal was awarded Cash Rights in FY2014 which delivers a cash payment on vesting.

8.7 SHARE HOLDINGS IN BLUESCOPE STEEL LIMITED

The numbers of shares in the Company held during the financial year by each director of BlueScope Steel Limited and other key management personnel of the Group, including their personally related parties are set out below

SHARE HOLDINGS¹ IN BLUESCOPE STEEL LIMITED

Name	Ordinary shares held as at 30 June 2013	Received during the year on the exercise of share rights ²	Shares granted as compensation	Net changes (other) ³	Ordinary shares held as at 30 June 2014
Non-executive Directors					
G J Kraehe	106,883	-	-	-	106,883
R J McNeilly	396,452	-	-	-	396,452
Y P Tan ⁴	47,135	-	-	-	47,135
D B Grollo	38,447	-	-	-	38,447
K A Dean	29,488	-	-	6,000	35,488
P Bingham-Hall	47,834	-	-	10,000	57,834
E G W Crouch ⁵	14,500	-	-	10,500	25,000
L H Jones ⁶	-	-	-	20,000	20,000
J A Bevan ⁶	-	-	-	3,881	3,881
R P Dee-Bradbury ⁶	-	-	-	-	-
Executive Director					
P F O'Malley	83,286	-	-	-	83,286
KMP Executives					
M R Vassella	117,952	159,702	-	-160,027	117,627
I R Cummin	123,651	49,508	-	-50,080	123,079
M G Barron	99,255	49,508	-	-49,508	99,255
S R Elias	93,581	60,927	-	-60,927	93,581
S Dayal ⁷	3,334	96,620	-	-96,620	3,334
P J Finan	82,309	36,716	-	-67,125	51,900
R J Moore	224,453	68,728	-	-88,728	204,453

1) Including related party interests.

2) Exercise of share rights awarded under the FY2012 STI Plan. No amounts were payable on exercise of the share rights.

3) These amounts represent 'on market' acquisitions and disposals of shares

4) Y P Tan resigned from the Board effective 31 October 2013. The shareholding is represented as at 31 October 2013.

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

6) L H Jones, J A Bevan and R P Dee-Bradbury were appointed to the Board with effect from 2 September 2013, 12 March 2014 and 22 April 2014 respectively.

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

9.0 RELATED PARTY TRANSACTIONS

9.1 LOANS TO KEY MANAGEMENT PERSONNEL

There have been no loans granted to directors and executives or their related entities.

9.2 OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Mr Daniel Grollo is a director of Grocon Group Holdings Pty Ltd, a privately owned company. Grocon occasionally purchases Lysaght building products from the BlueScope Steel Group on normal terms and conditions. Total amounts purchased from the BlueScope Steel Group by Grocon for the 12 months ended 30 June 2014 was \$1,919,839 (2013: \$350,444).

In the normal course of business the Company occasionally enters into transactions with various entities that have directors in common with BlueScope Steel. Transactions with these entities are made on commercial arm's length terms and conditions. The relevant directors do not participate in any decisions regarding these transactions.

Mr Cornish was the Chief Executive of the Australian and New Zealand Steel Manufacturing Business before he retired from the Company on 31 July 2011. No payments other than statutory entitlements were paid. The Company entered into an agreement with Mr Cornish for the provision of consultancy services for the period of up to two years which expired on 31 August 2013 and was not renewed. As part of this arrangement Mr Cornish was a member of the Boards of North Star BlueScope Steel and Tata BlueScope Steel. He also represented BlueScope on the Executive of Al Group and provides safety leadership across our operations, particularly in Asia. Mr Cornish was paid \$90,000 for the period ending 30 June 2014 (2013 \$540,000).

10.0 REMUNERATION PEER GROUP

The current remuneration peer group is listed below.

Company	Market Cap (\$m) ¹	Revenue (\$m) ²	Employees ²	Geographic complexity ³
Brambles Ltd	14,363	6,507	18,037	A
Amcor Ltd/Australia	12,586	12,612	35,354	A
Aurizon Holdings Ltd	10,644	3,763	8,000	C
Lend Lease Corp Ltd	7,571	12,431	16,536	A
Orica Ltd	7,226	6,742	14,000	A
Leighton Holdings Ltd	6,676	20,368	55,990	A
Caltex Australia Ltd	5,824	24,968	3,638	C
Fletcher Building Ltd	5,627	8,873	18,830	B
Asciano Group	5,491	3,757	8,891	C
Incitec Pivot Ltd	4,770	3,442	5,286	A
WorleyParsons Ltd	4,239	8,825	28,800	A
Boral Ltd	4,109	5,260	12,610	B
Toll Holdings Ltd	3,657	8,795	42,500	B
Qantas Airways Ltd	2,767	15,902	33,265	A
Adelaide Brighton Ltd	2,210	1,231	1,300	C
Downer EDI Ltd	1,968	8,375	17,586	B
CSR Ltd	1,766	1,802	5,492	B
Arrium Ltd	1,086	6,175	10,078	B
Transfield Services Ltd	556	3,452	9,138	B
Median	4,770	6,742	14,000	
BlueScope Steel Ltd	3,029	7,485	17,063	A^D

Notes:

1. Market capitalisation is at close of business on 30 June 2014.
2. Revenue and employee numbers are based on the latest annual reports to 30 June 2013.
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.

OTHER MATTERS

ENVIRONMENTAL REGULATION

BlueScope's Australian manufacturing operations are subject to significant environmental regulation. Throughout its Australian operations in the 12 months to 30 June 2014, the Company notified relevant authorities of 17 incidents resulting in statutory non-compliances and received two minor Penalty Infringement Notices from the NSW Environment Protection Authority (NSW EPA). The Company also notified two sites at Port Kembla containing legacy contamination to NSW EPA in August 2013, in accordance with legislative requirements. In addition, the former stainless steel manufacturing site at Port Kembla, which had been previously notified to NSW EPA as containing legacy contamination, was declared 'significantly contaminated' by NSW EPA during the period. BlueScope has commenced remediation and is working with NSW EPA to develop a voluntary management proposal for this site. During the period there were no serious environmental incidents or prosecutions.

BlueScope submits annual reports to the Department of the Environment, which detail greenhouse gas emissions and energy consumption and production under the National Greenhouse Gas and Energy Reporting scheme, and substance emissions to air and water for the National Pollutant Inventory. Additionally, under the Department of Industry's Energy Efficiency Opportunities Program, BlueScope assesses its energy efficiency and reports publicly and to the government on its performance.

Each year BlueScope 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 20). 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.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

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 2014 has been received from Ernst & Young. This is set out at page 51 of the Directors' Report. Ernst & Young provided the following non-audit services during the year ended 30 June 2014:


\$86,652 for taxation compliance services.

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
25 August 2014



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

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

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

In relation to our audit of the financial report of BlueScope Steel Limited for the financial year ended 30 June 2014, 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
25 August 2014

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

INTRODUCTION

As a global organisation with businesses operating in many countries, the BlueScope 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'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 2014.

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 20 to 22 of the Directors' Report set out the qualifications, expertise and experience of each Director in office at the date of the 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 material business or other relationship that could, or could reasonably be perceived to 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 [Director 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 and in recent years has seen the appointment of Ewen Crouch, Lloyd Jones, John Bevan and Rebecca Dee-Bradbury to the Board following the retirement in 2013 of Tan Yam Pin, 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 23 of the Directors' Report.

The Board reviews its effectiveness and the performance of each Director regularly.

The Board completed an internal review of its effectiveness in August 2014 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 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 strengthens 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.

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, along with requirements for setting objectives, reporting, and monitoring, can be found in our Diversity Policy on the Company's [website](#).

Our diversity priorities are to continue to improve gender diversity in both our overall population and in management positions, increase diversity of perspective on leadership teams and build on the success we have achieved to date in reducing past reliance on Australian expatriates in overseas management teams.

The following table shows the percentage of women employed in the workforce as at 30 June 2014:

Board	20%
Executives ¹	14%
Salaried	28%
Wages workforce	3%
Total BlueScope population	17%

Although contraction of the business over a number of years has meant limited opportunities to improve gender diversity through recruitment, in the past five years female representation at Executive levels has increased from 8 per cent to 14 per cent. With the appointment of an additional female Director in the last twelve months, female Board representation has increased from 13 per cent to 20 per cent.

The Board annually reviews and approves objectives for achieving diversity, and assesses progress in achieving these.

Consistent with the objective set out in the 2013 Corporate Governance Statement, the BlueScope Diversity Council (chaired by the MD and CEO) monitors progress against diversity action plans in key focus areas, reporting the following developments:

¹ Executive group includes all members of BlueScope's Executive Leadership Team and all executives that have strategic and/or full operational leadership of a business or group-wide function.

- *Attraction and recruitment of females to the business:* During the year, female representation at Board and Executive levels improved. In addition, 24 per cent of all appointments to the Company were female, a greater proportion than the overall percentage of women in BlueScope.
- *Equal opportunity for and representation of females into learning and development programs:* BlueScope provides development programs for graduates through to executives. The process for appointing delegates on these programs is designed to ensure equal opportunity for, and representation of, females across all programs. During the year, the percentage of female delegates on these programs was 31 per cent, which is greater than the proportion of females employed in the graduate to executive population.
- *Pay equity at all levels in our workforce:* BlueScope reviews gender pay equity on an annual basis. Interventions put in place have led to equal pay in Asia and pay equity within 5 per cent of the male average in all other regions. Where there are differences, the main reasons relate to 'time in role' and compensation for shift work performed in some manufacturing areas with significant male representation.

Our key gender diversity objective for the year ending 30 June 2015 is to continue to recruit and develop females in the business. Our broader diversity goals continue to focus on gender, cross-functional and cross-business appointments, and regional talent development.

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 23 of the Directors' Report. The qualifications of the members are set out on pages 20 to 22 of the Directors' Report.

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.

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 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 26 to 48 of the Directors' Report) 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 23 of the Directors' Report.

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](#).

The background of the page is a detailed architectural floor plan in white lines on a dark blue background. The plan shows various rooms, corridors, and structural elements. A large, light blue curved shape is on the right side of the page, partially overlapping the floor plan. A horizontal blue band is positioned across the middle of the page, containing the title text.

CONCISE FINANCIAL REPORT

BlueScope Steel Limited ABN 16 000 011 058
Concise Financial Report - 30 June 2014

	Page
Financial report	
Statement of comprehensive income	2
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the consolidated financial statements	8
Directors' declaration	26
Independent audit report to the members	27

BlueScope Steel Limited
Statement of comprehensive income
For the year ended 30 June 2014

		Consolidated		
		2014	Restated*	
Notes		\$M	2013 \$M	
	Revenue from continuing operations	5	8,006.8	7,290.3
	Other income	6	165.0	198.4
	Changes in inventories of finished goods and work in progress		29.5	(14.0)
	Raw materials and consumables used		(4,582.6)	(4,248.4)
	Employee benefits expense		(1,579.9)	(1,380.9)
	Depreciation and amortisation expense		(327.6)	(315.6)
	Net impairment charge of non-current assets	7	(2.3)	(2.6)
	Direct carbon emission expense	7	(135.2)	(138.8)
	Freight on external despatches		(499.9)	(441.8)
	External services		(842.7)	(830.6)
	Restructuring costs	7	(36.0)	(3.6)
	Finance costs		(68.2)	(82.9)
	Other expenses		(191.1)	(144.4)
	Share of net profits (losses) of associates and joint venture partnerships accounted for using the equity method		102.3	59.1
	Profit (loss) before income tax		38.1	(55.8)
	Income tax (expense) benefit	8	(78.0)	(31.5)
	Loss from continuing operations		(39.9)	(87.3)
	Profit (loss) from discontinued operations after income tax		(0.3)	1.7
	Net loss for the year		(40.2)	(85.6)
	<i>Items that may be reclassified to profit or loss</i>			
	Gain (loss) on cash flow hedges taken to equity		0.3	(2.4)
	(Gain) loss on cash flow hedges transferred to inventory		(0.6)	1.1
	- Income tax (expense) benefit	8(c)	0.1	0.4
	Net gain (loss) on hedges of net investments in foreign subsidiaries		(3.8)	17.6
	- Income tax (expense) benefit	8(c)	0.1	0.1
	Exchange differences on translation of foreign operations attributable to BlueScope Steel Limited		36.1	73.0
	<i>Items that will not be reclassified to profit or loss</i>			
	Actuarial gain (loss) on defined benefit superannuation plans		58.2	224.4
	- Income tax (expense) benefit	8(c)	(10.0)	(46.9)
	Exchange differences on translation of foreign operations attributable to non-controlling interests		(13.5)	39.4
	Other comprehensive income (loss) for the year		66.9	306.7
	Total comprehensive income (loss) for the year		26.7	221.1
	Profit (loss) is attributable to:			
	Owners of BlueScope Steel Limited		(82.4)	(107.1)
	Non-controlling interests		42.2	21.5
			(40.2)	(85.6)
	Total comprehensive income (loss) for the year is attributable to:			
	Owners of BlueScope Steel Limited		(3.7)	160.2
	Non-controlling interests		30.4	60.9
			26.7	221.1

*Certain amounts shown here do not correspond to the June 2013 concise financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1 of the full financial report.

BlueScope Steel Limited
Statement of comprehensive income
For the year ended 30 June 2014
 (continued)

	Notes	2014 Cents	Restated* 2013 Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company			
Basic loss per share	13	(14.8)	(19.4)
Diluted loss per share	13	(14.8)	(19.4)
Earnings per share for profit (loss) attributable to the ordinary equity holders of the Company			
Basic loss per share	13	(14.8)	(19.1)
Diluted loss per share	13	(14.8)	(19.1)

*Certain amounts shown here do not correspond to the June 2013 concise financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1 of the full financial report.

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 2014

	Consolidated	
	2014	2013
	\$M	\$M
ASSETS		
Current assets		
Cash and cash equivalents	466.6	513.7
Receivables	1,062.5	952.3
Inventories	1,503.1	1,363.5
Derivative financial instruments	-	0.4
Intangible assets	35.9	38.8
Other	59.8	64.1
	3,127.9	2,932.8
Non-current assets classified as held for sale	3.7	8.5
Total current assets	3,131.6	2,941.3
Non-current assets		
Receivables	46.1	145.4
Inventories	68.1	71.2
Investments accounted for using the equity method	138.7	139.1
Property, plant and equipment	3,515.3	3,419.6
Deferred tax assets	162.6	153.8
Intangible assets	448.7	457.6
Other	7.8	2.8
	4,387.3	4,389.5
Total assets	7,518.9	7,330.8
LIABILITIES		
Current liabilities		
Payables	1,218.6	1,031.7
Borrowings	40.5	8.1
Current tax liabilities	9.7	8.7
Provisions	508.7	441.8
Deferred income	150.0	177.2
Derivative financial instruments	2.2	1.3
	1,929.7	1,668.8
Total current liabilities	1,929.7	1,668.8
Non-current liabilities		
Payables	41.8	8.3
Borrowings	687.7	654.0
Deferred tax liabilities	31.2	13.7
Provisions	205.8	222.0
Retirement benefit obligations	162.6	217.0
Deferred income	3.4	86.7
	1,132.5	1,201.7
Total non-current liabilities	1,132.5	1,201.7
Total liabilities	3,062.2	2,870.5
Net assets	4,456.7	4,460.3
EQUITY		
Contributed equity	4,659.4	4,650.1
Reserves	73.8	37.5
Retained profits (loss)	(671.7)	(634.7)
Parent entity interest	4,061.5	4,052.9
	395.2	407.4
Non-controlling interest	395.2	407.4
Total equity	4,456.7	4,460.3

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 2014

Consolidated - 30 June 2014	Contributed equity \$M	Reserves \$M	Retained earnings \$M	Non- controlling interests \$M	Total \$M
Balance at 1 July 2013	4,650.1	37.5	(634.7)	407.4	4,460.3
Profit (loss) for the period	-	-	(82.4)	42.2	(40.2)
Other comprehensive income (loss)	-	32.2	46.5	(11.8)	66.9
Total comprehensive loss for the year	-	32.2	(35.9)	30.4	26.7
Transactions with owners in their capacity as owners:					
Shares issued					
- FY12 KMP STI share awards	1.3	-	-	-	1.3
- Retention share awards - Treasury shares	8.0	(8.0)	-	-	-
Share-based payment expense	-	14.4	-	-	14.4
Dividends declared	-	-	-	(42.9)	(42.9)
Transactions with non-controlling interests	-	(3.3)	-	0.3	(3.0)
Other	-	1.0	(1.1)	-	(0.1)
	9.3	4.1	(1.1)	(42.6)	(30.3)
Balance at 30 June 2014	4,659.4	73.8	(671.7)	395.2	4,456.7

Consolidated - 30 June 2013	Contributed equity \$M	Reserves \$M	Restated* Retained earnings \$M	Non- controlling interests \$M	Total \$M
Balance at 1 July 2012	4,650.1	(267.0)	(703.8)	99.5	3,778.8
Profit (loss) for the period	-	-	(107.1)	21.5	(85.6)
Other comprehensive income (loss)	-	89.8	177.5	39.4	306.7
Total comprehensive loss for the year	-	89.8	70.4	60.9	221.1
Transactions with owners in their capacity as owners:					
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	-	(21.9)	-	-	(21.9)
Other	-	0.6	(1.3)	0.5	(0.2)
	-	214.7	(1.3)	247.0	460.4
Balance at 30 June 2013	4,650.1	37.5	(634.7)	407.4	4,460.3

*Certain amounts shown here do not correspond to the June 2013 concise financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1 of the full financial report.

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 2014

	Consolidated	
Notes	2014	2013
	\$M	\$M
Cash flows from operating activities		
Receipts from customers	8,328.2	7,729.4
Payments to suppliers and employees	(7,953.6)	(7,493.7)
	374.6	235.7
Associate dividends received	3.3	3.6
Joint venture partnership distributions received	95.1	55.0
Interest received	3.7	3.5
Other revenue	26.4	18.6
Finance costs paid	(55.6)	(91.0)
Income taxes (paid)/received	(40.4)	(64.4)
	407.1	161.0
Net cash (outflow) inflow from operating activities		
Cash flows from investing activities		
Payments for property, plant and equipment	(297.8)	(293.2)
Payments for intangibles	(8.3)	(9.6)
Payments for investments in joint venture partnerships	(1.6)	(15.4)
Payments for purchase of business assets, net of cash acquired	(153.6)	-
Payments for disposal of subsidiary	-	(38.5)
Proceeds from sale of property, plant and equipment	23.4	7.7
Proceeds from sale of associate	-	2.0
Proceeds from sale of intangibles	-	37.5
	(437.9)	(309.5)
Net cash (outflow) inflow from investing activities		
Cash flows from financing activities		
Proceeds from borrowings	1,365.3	9,518.9
Repayment of borrowings	(1,338.5)	(9,525.0)
Dividends paid to non-controlling interests in subsidiaries	(42.9)	(3.4)
Transactions with non-controlling interests	1.6	438.9
	(14.5)	429.4
Net cash inflow (outflow) from financing activities		
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the financial year	512.9	212.6
Effects of exchange rate changes on cash and cash equivalents	(1.7)	19.4
	465.9	512.9
Cash and cash equivalents at end of financial year		

Non-cash investing and financing activities

12

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

Contents of the notes to the consolidated financial statements

		Page
1	Basis of preparation of the concise financial report	8
2	Corporate information	8
3	Full Financial report	8
4	Segment information	9
5	Revenue	13
6	Other income	13
7	Expenses	14
8	Income tax expense	16
9	Dividends	19
10	Contingencies	20
11	Business combinations	21
12	Non-cash investing and financing activities	23
13	Earnings (loss) per share	24
14	Events occurring after balance date	25

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 2014. 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 2014. 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 2014 was authorised for issue in accordance with a resolution of the directors on 25 August 2014.

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.

4 Segment information

(a) Description of segments

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

Coated & Industrial Products Australia

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

Building Components & Distribution Australia

Building Components & Distribution Australia contains a network of service centres and distribution sites from which it forms a key supplier to the Australian building and construction industry, automotive sector, major white goods manufacturers and general manufacturers. The operating segment also holds the Lysaght steel solutions business, providing a range of LYSAGHT® branded products to the building and construction sector. The segment also includes the recently acquired Australian businesses: Orrcon, a pipe and tube manufacturer and distributor and Fielders, a building products business, from Hills Holdings Limited; and OneSteel sheet and coil processing and distribution businesses in Sydney, Brisbane, and Adelaide from Arrium Limited. These acquisitions were effective 28 February 2014 and 1 April 2014 respectively.

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. Additionally, the segment includes the Auckland based long products rolling mill and wire drawing facility acquired from Fletcher Steel Limited, effective 3 June 2014.

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 2014 is as follows:

30 June 2014	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	3,602.2	1,585.6	870.9	1,522.8	1,742.9	-	-	9,324.4
Intersegment revenue	(1,082.6)	(30.5)	(130.8)	(4.6)	(94.8)	-	-	(1,343.3)
Revenue from external customers	2,519.6	1,555.1	740.1	1,518.2	1,648.1	-	-	7,981.1
Segment EBIT	(26.2)	(88.4)	73.6	51.4	81.4	101.6	(0.3)	193.1
Depreciation and amortisation	170.2	15.9	52.8	37.4	51.1	-	-	327.4
Impairment (write-back) of non-current assets	8.5	52.0	-	(59.8)	-	1.6	-	2.3
Share of profit (loss) from associates and joint venture partnerships	-	-	4.2	0.7	(8.0)	105.4	-	102.3
Total segment assets	3,083.6	692.1	923.9	1,135.3	1,124.2	103.3	0.2	7,062.6
Total assets includes:								
Investments in associates and joint venture partnerships	-	-	9.2	1.4	24.8	103.3	-	138.7
Additions to non-current assets (other than financial assets and deferred tax)	170.8	12.8	151.6	24.9	48.3	-	-	408.4
Total segment liabilities	882.9	357.3	278.3	546.8	279.3	-	3.9	2,348.5
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)
Revenue from external customers	2,452.3	1,342.7	570.0	1,358.6	1,550.6	-	-	7,274.2
Segment EBIT (restated*)	(54.9)	(31.0)	33.8	10.0	70.5	66.7	(0.4)	94.7
Depreciation and amortisation	170.7	17.3	47.0	32.8	47.7	-	-	315.5
Impairment (write-back) 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
Total segment assets	3,097.9	571.8	717.0	1,100.6	1,218.1	95.3	0.2	6,800.9
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
Total segment liabilities	1,030.3	249.3	250.2	504.2	282.1	-	4.2	2,320.3

*Certain amounts shown here do not correspond to the June 2013 concise financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1 of the full financial report.

4 Segment information (continued)

(c) Geographical information

	Segment revenues from sales to external customers		Non-current assets	
	2014 \$M	2013 \$M	2014 \$M	2013 \$M
Australia	3,705.6	3,454.2	2,140.2	2,348.6
New Zealand	376.5	312.7	617.7	469.1
Asia	1,733.2	1,704.0	795.7	716.0
North America	1,538.2	1,331.8	638.1	669.9
Other	627.6	471.5	11.8	10.9
	7,981.1	7,274.2	4,203.5	4,214.5

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	
		2014 \$M	2013 \$M
Total segment revenue		9,324.4	8,404.8
Intersegment eliminations		(1,343.3)	(1,130.6)
Other revenue	5	25.7	16.1
Total revenue from continuing operations		8,006.8	7,290.3

(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	
	2014 \$M	2013 \$M
Total segment EBIT	193.1	94.7
Intersegment eliminations	(3.7)	(5.9)
Interest income	3.7	3.6
Finance costs	(68.2)	(82.9)
EBIT (gain) loss attributable to discontinued operations	0.3	0.4
Corporate operations	(87.1)	(65.7)
Profit (loss) before income tax from continuing operations	38.1	(55.8)

*Certain amounts shown here do not correspond to the June 2013 concise financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1 of the full financial report.

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	
	2014	2013
	\$M	\$M
Segment assets	7,062.6	6,800.9
Intersegment eliminations	(203.8)	(187.4)
Unallocated:		
Deferred tax assets	162.6	153.8
Cash	466.6	513.7
Corporate operations	9.7	9.2
Tax receivables	21.2	40.6
Total assets as per the statement of financial position	7,518.9	7,330.8

(iv) *Segment liabilities*

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

Liabilities arising from borrowing and funding initiatives, including deferred purchase price on business acquisition, 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	
	2014	2013
	\$M	\$M
Segment liabilities	2,348.5	2,320.3
Intersegment eliminations	(185.3)	(172.4)
Unallocated:		
Current borrowings	40.5	8.1
Non-current borrowings	687.7	654.0
Current tax liabilities	9.7	8.7
Deferred tax liabilities	31.2	13.7
Accrued borrowing costs payable	6.5	5.0
Corporate operations	41.2	33.1
Deferred purchase price on business acquisition	82.2	-
Total liabilities as per the statement of financial position	3,062.2	2,870.5

5 Revenue

	Consolidated	
	2014 \$M	2013 \$M
Revenue from operating activities		
<i>Sales revenue</i>		
Sale of goods	7,959.8	7,252.2
Services	21.3	22.0
Total sales revenue	7,981.1	7,274.2
<i>Other revenue</i>		
Interest external	3.6	3.5
Interest related parties	0.1	0.1
Royalties external	2.5	0.8
Rental external	6.2	6.4
Other	13.3	5.3
Total other revenue	25.7	16.1
<i>Total revenue from ordinary activities</i>	8,006.8	7,290.3

6 Other income

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

	Notes	Consolidated	
		2014 \$M	2013 \$M
Carbon permit - Government grant (a)		148.8	153.9
Government grant - other		1.9	4.8
Discount on acquisition (b)	11	8.1	-
Net gain on sale of non-current assets (c)		3.7	37.6
Net gain on sale of available-for-sale financial assets (d)		1.3	-
Insurance recoveries		1.2	0.6
Foreign exchange gains (net)		-	0.9
Litigation settlement		-	0.6
		165.0	198.4

(a) Carbon permit income

Carbon permit income arises from Carbon Pricing Scheme (CPS) permits granted by the New Zealand and Australian Governments. The Australian Carbon Tax, which came into effect 1 July 2012, was abolished by the Australian Federal Government, effective 1 July 2014.

(b) Discount on acquisition

On 28 February 2014, the Group acquired Orrcon and Fielders businesses from Hills Holdings Limited, which resulted in a gain of \$8.1M recognised on acquisition. Refer to note 11 for further details on these acquisitions.

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

Current year net gain on sale of non-current assets includes \$11M gain on sale of land at Coated & Industrial Products Australia, offset by a \$6.0M loss on the sale of the Buildings Products North America Fairfield facility. The \$37.6M in other income for prior period includes a \$37.5M profit on sale of a previously unrecognised intangible asset at Coated & Industrial Products Australia.

6 Other income (continued)

(d) Proceeds from sale of Western Port Hot Strip Mill (HSM) asset

The \$1.3M gain to EBIT represents the non-refundable deposit received in relation to the HSM held for sale asset. The sale has not eventuated in 2014. Following a review of the likely recoverable value, the asset was fully impaired for \$8.5M in June 2014, resulting in a net EBIT loss of \$7.2M.

7 Expenses

	Consolidated	
	2014	2013
	\$M	\$M
Loss before income tax includes the following specific expenses for continuing operations:		
Net restructure provision expense (a)	36.0	3.6
Employee redundancy provision expense (b)	47.2	21.1
Direct carbon emission expense (c)	135.2	138.8
Workers compensation insurance recoveries (d)	-	(36.6)
 <i>Impairment of non-current assets</i>		
BlueScope Distribution PP&E and other intangibles	52.0	-
Coated & Industrial Products Australia PP&E (HSM)	8.5	-
Buildings Australia PP&E and other intangibles	8.3	-
Buildings Australia goodwill	7.3	-
BlueScope Australia Water PP&E other intangibles	5.6	-
BlueScope Australia Water investment	2.8	-
BlueScope Australia Water goodwill	4.3	-
Castrip joint venture	1.6	2.1
BlueScope Water Solutions PP&E	-	0.5
Total impairment charge of non-current assets	90.4	2.6
Reversal of impairment loss - China Coated	(88.1)	-
Net impairment charge of non-current assets	2.3	2.6

(a) Restructuring costs

Current period restructuring costs primarily includes \$17.4M in Global Building Solutions in relation to our China operations and \$12.2M in Coated and Industrial Products Australia associated with various business restructuring.

(b) Redundancy expense

At 30 June 2014, Coated and Industrial Products Australia (CIPA) recognised \$33.0M in redundancy expense for manufacturing and overhead cost reduction initiatives. In addition, BlueScope Distribution raised a \$6.0M provision in relation to integration synergies arising from the acquisition of OneSteel Sheet & Coil processing and distribution businesses in Sydney, Brisbane, and Adelaide from Arrium Limited in April 2014.

(c) Direct carbon emission expense

The \$135.2M (2013: \$138.8M) 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 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. The Australian Carbon Pricing Mechanism (CPM), which came into effect on 1 July 2012, was abolished by the Australian Federal Government, effective 1 July 2014.

7 Expenses (continued)

(d) Workers compensation insurance recoveries

In December 2012, \$36.6M in workers compensation insurance recoveries was recognised in earnings.

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 charges (write-backs) are included in the line item 'net impairment charge of non current assets' in the profit or loss.

Current and prior period impairment charges (write-back)

(i) *BlueScope Distribution Australia*

At 30 June 2014, within the Buildings Component and Distribution Australia segment, property, plant and equipment totalling \$51.0M and \$1.0M computer software intangibles have been impaired in the BlueScope Distribution operating business due to lower sales volumes, challenges of a high AUD/USD improving the affordability of imports and strong market competition negatively impacting margins. While financial performance is expected to improve its extent is uncertain.

(ii) *Buildings Australia and BlueScope Water Australia*

At 30 June 2014, within the Global Building Solutions segment, goodwill totalling \$11.6M, property, plant and equipment totalling \$7.6M and other intangibles totalling \$6.3M was impaired in the BlueScope Buildings and BlueScope Water operating businesses resulting from challenging market conditions. Additionally, \$2.8M was impaired in BlueScope Australia Water for its 50% equity accounted investment in BlueScope Barlett Liners Pty Ltd.

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

At 30 June 2014, \$8.5M of property, plant and equipment was impaired relating to the Western Port Hot Strip Mill as a result of a review of the likely recoverable value of this previously held for sale asset. The net impact was a \$7.2M loss, net of the \$1.3M proceeds received (refer to note 6(d)).

(iv) *Write-back - Building Products China*

The Global Building Solutions segment has fully reversed impairments previously recognised for plant and equipment at the metallic coating and painting facility in Suzhou, China by \$88.1M as a result of strong historical and projected financial performance.

(v) *BlueScope Water Solutions*

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

(vi) *Hot Rolled Products North America*

Impairment losses of \$1.6M (2013: \$2.1M) were recognised in relation to the Group's 47.5% investment in Castrip LLC which has a carrying value of \$Nil (2013: \$Nil).

8 Income tax expense

(a) Income tax expense (benefit)

	Consolidated	
	2014	Restated* 2013
	\$M	\$M
Current tax	52.6	50.2
Deferred tax	36.0	(6.9)
Adjustments for current tax of prior periods	(10.6)	(13.9)
	78.0	29.4
Income tax expense (benefit) is attributable to:		
Profit (loss) from continuing operations	78.0	31.5
Profit (loss) from discontinued operations	-	(2.1)
Aggregate income tax expense	78.0	29.4
Deferred income tax (benefit) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets	22.5	(5.7)
(Decrease) increase in deferred tax liabilities	13.5	(1.3)
Investments in subsidiaries	-	0.1
	36.0	(6.9)

*Certain amounts shown here do not correspond to the June 2013 concise financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1 of the full financial report.

8 Income tax expense (continued)

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

	Consolidated	
	2014 \$M	Restated* 2013 \$M
Profit (loss) from continuing operations before income tax expense	38.1	(55.8)
Profit (loss) from discontinuing operations before income tax expense	(0.3)	(0.4)
	<u>37.8</u>	<u>(56.2)</u>
Tax at the Australian tax rate of 30.0% (2013 - 30.0%)	11.3	(16.9)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Depreciation and amortisation	0.6	0.5
Manufacturing credits	(3.1)	(1.9)
Research and development incentive	(6.5)	(5.9)
Withholding tax	7.2	0.9
Non-taxable (gains) losses	(5.5)	(7.2)
Share of net profits (losses) of associates	2.0	3.3
Entertainment	1.7	1.0
Share-based payments	1.8	2.0
Sundry items	5.9	4.6
	<u>15.4</u>	<u>(19.6)</u>
Difference in overseas tax rates	(7.6)	(5.6)
Adjustments for current tax of prior periods	(10.6)	(13.9)
Temporary differences and tax losses not recognised	116.9	84.8
Previously unrecognised tax losses now recouped to reduce current tax expense	(37.9)	(16.3)
Previously recognised temporary differences and tax losses now derecognised	1.8	-
Income tax expense (benefit)	<u>78.0</u>	<u>29.4</u>

*Certain amounts shown here do not correspond to the June 2013 concise financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1 of the full financial report.

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

	Consolidated	
	2014 \$M	Restated* 2013 \$M
Cash flow hedges	(0.1)	(0.4)
Actuarial gain (loss) on defined benefit superannuation plans	10.0	46.9
Net (gain) loss on hedges of net investments in subsidiaries	(0.1)	(0.1)
Total income tax expense (benefit) on items of other comprehensive income	<u>9.8</u>	<u>46.4</u>

*Certain amounts shown here do not correspond to the June 2013 concise financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1 of the full financial report.

(d) Tax losses

	Consolidated	
	2014 \$M	2013 \$M
Unused tax losses for which no deferred tax asset has been recognised	2,310.8	1,922.9
Potential tax benefit	<u>687.1</u>	<u>569.6</u>

8 Income tax expense (continued)

As at 30 June 2014, \$103.2M (2013: 55.8M) of Australian deferred tax assets generated during the period have been impaired with a \$7.3M offsetting credit (2013: \$20.2M credit) 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 \$2.2M (2013: \$2.6M) and China of \$62.5M (2013: \$79.2M) 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 10).

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

	Consolidated	
	2014	2013
	\$M	\$M
Temporary difference relating to investment in subsidiaries for which deferred tax liabilities have not been recognised	345.7	241.4
Tax effect of the above unrecognised temporary differences	34.7	37.3

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 \$115.5M (2013: \$145.5M) in respect of temporary differences have not been recognised as they are not probable of realisation.

9 Dividends

(a) Ordinary shares

	Parent entity	
	2014	2013
	\$M	\$M
There was no final dividend declared in relation to the year ended 30 June 2013.	-	-
There was no interim dividend declared for the year ended 30 June 2014.	-	-
Total dividends provided for or paid	-	-

(b) Dividends not recognised at year-end

For the year ended 30 June 2014 the Directors decided that there will be no final dividend declared (2013: \$Nil).

(c) Franked dividends

	Parent entity	
	2014	2013
	\$M	\$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 (2013: \$Nil) as presented in the statement of cash flows.

10 Contingencies

(a) Contingent liabilities

(i) Outstanding legal matters

	Consolidated	
	2014	2013
	\$M	\$M
Contingencies for various legal disputes	6.2	11.2
	6.2	11.2

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.

Guarantees

In Australia, BlueScope Steel Limited has provided \$103.4M (2013: \$139.6M) in guarantees to various state workers compensation authorities as a prerequisite for self insurance. An amount, net of recoveries, of \$59.6M (2013: \$67.9M) 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 2014 totalled \$74.6M (2013: \$51.1M).

Associates and joint ventures

For contingent liabilities relating to associates and joint ventures refer to notes 46 and 47 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.

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 2014.

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.

10 Contingencies (continued)

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

There are no material contingent assets required for disclosure as at 30 June 2014.

11 Business combinations

(a) Summary of acquisitions

(i) *Hills Holdings Limited Acquisitions*

On 28 February 2014, the Group acquired from Hills Holdings Limited two businesses: Orrcon, a pipe and tube manufacturer and distributor, and Fielders, a building products business for a total purchase consideration of \$89.6M.

These businesses are close to BlueScope's core Australian operations with the objective of improving the efficiency with which we can serve Australian customers by further lowering costs through the integration of these businesses with our existing operations.

From the date of acquisition, Orrcon and Fielders have contributed revenues of \$193.3M and earnings before interest and tax of \$3.0M to the Group, which includes \$1.1M of integration costs.

(ii) *OneSteel sheet and coil acquisition from Arrium*

On 1 April 2014, the Group acquired from Arrium Limited its OneSteel sheet and coil processing and distribution businesses in Sydney, Brisbane, and Adelaide for a purchase consideration of \$25.7M.

Similar to the acquisitions of Orrcon and Fielders from Hills Holdings, the OneSteel Sheet and Coil business is close to BlueScope's core Australian operations and is a further step towards improving the efficiency with which we can serve Australian customers by lowering costs through the integration of these businesses with our existing operations.

From the date of acquisition, the OneSteel Sheet and Coil business has contributed revenues of \$31.2M and a loss before interest and tax of \$7.1M to the Group, which includes \$7.8M of integration costs.

(iii) *Pacific Steel acquisition from Fletcher Steel Limited*

On 3 June 2014, the Group acquired the Auckland flat products rolling mill and wire drawing facility from Pacific Steel Group (PSG), a division of Fletcher Steel Limited, for a total purchase price of AUD 107.2M (NZD 113.9M). The acquired assets (renamed Pacific Steel) currently form part of a larger operating business which also includes a billet casting mill that supplies the feed for the acquired assets.

The acquisition of the Pacific Steel downstream assets provides an opportunity to better leverage our low cost iron sands and better serve customers with a full range of long products, together with our existing flat products.

The acquisition includes a transition period of approximately 1.5 years in which Fletcher Steel Limited will continue to operate the billet caster and sell billet to Pacific Steel. Following the transition period Fletcher Steel Limited will permanently close its steel making operation and billet feed will be supplied by New Zealand Steel via a newly constructed billet caster.

From the date of acquisition, Pacific Steel has contributed revenues of AUD 20.7M and a loss before interest and tax of AUD 0.8M to the Group which includes AUD 1.1M of integration costs.

11 Business combinations (continued)

Details of the purchase consideration and the net assets acquired for the above acquisitions are as follows:

	Orrcon & Fielders \$M	OneSteel Sheet & Coil \$M	Pacific Steel \$M	Total \$M
Purchase consideration (b)				
Cash paid	89.6	25.7	25.5	140.8
Contingent consideration	-	-	6.4	6.4
Deferred consideration	-	-	75.3	75.3
Total purchase consideration	<u>89.6</u>	<u>25.7</u>	<u>107.2</u>	<u>222.5</u>
Fair value of net identifiable assets acquired (c)	97.7	25.7	107.2	230.6
Goodwill/ (Discount on acquisition) (i)	<u>(8.1)</u>	<u>-</u>	<u>-</u>	<u>(8.1)</u>

(i) The discount on acquisition is included in other income in the statement of comprehensive income for the year ending 30 June 2014. Refer to note 6.

(b) Purchase consideration - cash outflow

	Consolidated 2014 \$M
Outflow of cash to acquire subsidiaries, net of cash acquired	
Purchase consideration	222.5
Add: Acquisition costs (i)	12.8
Less: Deferred purchase consideration payments (ii)	(75.3)
Less: Contingent consideration liability (iii)	<u>(6.4)</u>
Cash consideration	<u>153.6</u>
Less: Cash balances acquired	<u>-</u>
Outflow of cash	<u>153.6</u>

(i) Acquisition-related costs of \$12.8M are included in other expenses in profit or loss and in investing cash flows in the statement of cash flows.

(ii) The purchase consideration for Pacific Steel consists of \$26.8M deferred payment due at the end of the transition period, representing 50% of consideration for acquired assets and \$48.5M for acquisition of working capital to be paid by September 2014. The discount rate used to determine the fair value of the deferred payment at acquisition is 3.4%.

(iii) As part of the purchase agreement with Fletchers Steel Limited, a contingent consideration has been agreed. There will be additional cash payments which will include an estimate of earnings to be shared with Fletchers during the transition period. In the event that actual earnings are greater or less than forecast profit share earnings, this variance will be recorded to the profit or loss. The estimated range of payment outcomes is from \$4.3M (NZD 4.4M) to \$8.8M (NZD 10.0M).

11 Business combinations (continued)

(c) Provisional assets acquired and liabilities assumed

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

	Orrcon & Fielders \$M	OneSteel Sheet & Coil \$M	Pacific Steel \$M	Total \$M
Assets				
Trade receivables	64.2	-	36.1	100.3
Inventories	71.0	23.8	18.0	112.8
Property, plant and equipment	-	4.1	21.3	25.4
Intangible assets	-	-	32.8	32.8
Deferred tax	5.8	2.8	4.3	12.9
Other assets	2.0	-	0.1	2.1
	143.0	30.7	112.6	286.3
Liabilities				
Payables	(28.9)	-	(2.4)	(31.3)
Employee benefits provisions	(8.9)	(1.6)	(2.4)	(12.9)
Other provisions	(7.5)	(3.4)	(0.6)	(11.5)
	(45.3)	(5.0)	(5.4)	(55.7)
Total identifiable net assets at fair value	97.7	25.7	107.2	230.6
Goodwill/ (Discount on acquisition)	(8.1)	-	-	(8.1)
Purchase consideration transferred	89.6	25.7	107.2	222.5

The \$8.6M of deferred tax asset recognised on the Australian acquisitions relating to temporary differences on accounting provisions and acquisition costs has been subsequently impaired to the profit and loss as it is not probable of realisation given the significant unbooked tax losses residing within the Australian tax group (refer to note 8(d)).

12 Non-cash investing and financing activities

	Consolidated	
	2014 \$M	2013 \$M
Acquisition of plant and equipment by means of finance leases (i)	29.1	33.5

- (i) New Zealand Steel entered into a finance lease agreement for the construction of a new Air Separation Unit (ASU) and has recognised the remaining 50% of the value of the finance lease of NZD 31.4M as at 30 June 2014.
- (ii) There were no dividends paid in the current period.
- (iii) Details of share-based payments are shown in note 51 of the full financial report.

13 Earnings (loss) per share

(a) Basic earnings (loss) per share

	Consolidated	Restated*
	2014	2013
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	(14.8)	(19.4)
From discontinued operations	-	0.3
Total basic earnings (loss) per share attributable to the ordinary equity holders of the Company	(14.8)	(19.1)

*Certain amounts shown here do not correspond to the June 2013 concise financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1 of the full financial report.

(b) Diluted earnings (loss) per share

	Consolidated	Restated*
	2014	2013
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	(14.8)	(19.4)
From discontinued operations	-	0.3
Total diluted earnings (loss) per share attributable to the ordinary equity holders of the Company	(14.8)	(19.1)

*Certain amounts shown here do not correspond to the June 2013 concise financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1 of the full financial report.

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

	Consolidated	Restated*
	2014	2013
	\$M	\$M
<i>Basic and diluted earnings (loss) per share</i>		
Profit (loss) attributable to the ordinary equity holders of the Group used in calculating basic earnings (loss) per share:		
From continuing operations	(82.1)	(108.8)
From discontinued operations	(0.3)	1.7
	(82.4)	(107.1)

*Certain amounts shown here do not correspond to the June 2013 concise financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1 of the full financial report.

13 Earnings (loss) per share (continued)

(d) Weighted average number of shares used as denominator

	Consolidated	
	2014 Number	2013 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings (loss) per share</i>	558,640,171	558,243,305
Adjustments for calculation of diluted earnings (loss) per share:		
Weighted average number of share rights	14,922,525	11,869,595
<i>Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings (loss) per share</i>	573,562,696	570,112,900

(e) Earnings (loss) per share restated

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

(f) Information on the classification of securities

(i) *Basic earnings (loss) per share*

Basic earnings (loss) 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 (loss) per share*

Diluted earnings (loss) 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 2014 Remuneration Report. Details relating to the share rights are set out in note 51 of the full financial report.

There are 1,880,814 share rights relating to the 2009 and 2010 LTIPs that are not included in the calculation of diluted earnings per share because they are not dilutive for the year ended 30 June 2014. These share rights could potentially dilute basic earnings per share in the future.

14 Events occurring after balance date

The Australian Federal Government abolished the Australian Carbon Pricing Mechanism and the Steel Transformation Plan (STP), effective 1 July 2014.

Directors' declaration

The Directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2014 as set out in pages 1 to 25 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

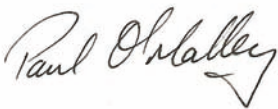
The concise financial report is an extract from the full financial report for the year ended 30 June 2014 . The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

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
25 August 2014



AUDITORS' 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 consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and related notes, derived from the audited financial report of BlueScope Steel Limited for the year ended 30 June 2014. 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 the *Corporations Act 2001*, 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 Limited for the year ended 30 June 2014. We expressed an unmodified audit opinion on the financial report in our report dated 25 August 2014. 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 complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion, the concise financial report including the directors' declaration of BlueScope Steel Limited for the year ended 30 June 2014 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

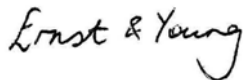
Report on the Remuneration Report

The following paragraphs are copied from our Report on the Remuneration Report for the year ended 30 June 2014.

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Rodney Piltz
Partner
Melbourne
25 August 2014



**EXTENDED
FINANCIAL HISTORY**

10 Year Financial History

A\$M unless marked; years ended 30 June

2005 2006 2007 2008 2009 2010 2011 2012 2013^(e) 2014

Income Statement Key Items

Total Revenue⁽¹⁾	7,965	8,031	8,913	10,495	10,329	8,624	9,134	8,622	7,290	8,007
EBITDA ⁽²⁾ - Reported	1,655	850	1,423	1,420	380	590	(687)	(489)	339	430
- Underlying	1,856	1,127	1,374	1,618	505	595	240	99	390	577
Depreciation & Amortisation	(297)	(294)	(324)	(357)	(365)	(350)	(356)	(331)	(316)	(328)
EBIT⁽²⁾ - Reported	1,358	556	1,099	1,063	15	240	(1,043)	(820)	23	102
- Underlying	1,559	840	1,057	1,267	152	254	(107)	(224)	74	250
Net finance costs	(41)	(87)	(136)	(125)	(128)	(103)	(99)	(117)	(79)	(65)
NPAT - Reported	982	338	686	596	(66)	126	(1,054)	(1,044)	(107)	(82)
- Underlying	1,129	555	643	809	35	110	(127)	(238)	7	112

Segment underlying EBIT

Coated & Industrial Products Australia	1,236	569	766	1,000	141	108	(258)	(327)	(30)	65
Building Components & Distribution Australia	12	22	0	87	23	9	(22)	(46)	(25)	(23)
New Zealand and Pacific Steel Products	188	105	90	85	87	73	83	69	34	75
Inter-segment	0	(5)	3	(26)	26	(8)	5	3	(5)	0
BlueScope Australia & New Zealand	1,436	691	860	1,146	277	181	(192)	(302)	(27)	117
Global Building Solutions	(8)	13	20	61	16	(15)	(14)	33	18	19
Building Products ASEAN, Nth Am & India	73	43	66	110	(62)	107	82	51	80	89
Hot Rolled Products North America	193	167	155	105	(58)	61	72	62	67	105
Corporate & Group	(54)	(84)	(40)	(62)	(122)	(68)	(67)	(69)	(63)	(80)
Inter-segment	(6)	0	(4)	(93)	101	(12)	12	1	(1)	1
Continuing Businesses	1,634	830	1,057	1,267	152	254	(107)	(224)	74	250
Discontinued Businesses	(73)	0	0	0	0	0	0	0	0	0
Inter-segment	(2)	10	0	0	0	0	0	0	0	0
Total underlying EBIT	1,559	840	1,057	1,267	152	254	(107)	(224)	74	250

Financial Performance Measures

Return on invested capital⁽³⁾	32.0%	11.0%	19.6%	18.2%	0.2%	3.8%	-16.2%	-16.0%	1.2%	2.1%
Return on equity ⁽⁴⁾	30.7%	10.4%	20.3%	15.7%	-1.4%	2.3%	-19.6%	-25.5%	-2.3%	-2.0%

Capital, Earnings Per Share & Dividends

Weighted average number of ordinary shares (m)	733.0	704.1	719.7	744.2	930.6	1,823.3	1,836.5	2,668.7	558.2	558.6
Earnings per share (reported) ⁽⁵⁾ - ¢/s	134.0	47.9	95.3	80.1	(7.1)	6.9	(57.4)	(39.1)	(19.2)	(14.8)
Earnings per share (adjusted) ⁽⁶⁾ - ¢/s	561.8	201.1	399.5	335.9	(36.0)	35.0	(291.3)	(234.6)	(19.2)	(14.8)
Ordinary dividends paid (reported) ⁽⁵⁾	42.0	44.0	47.0	49.0	5.0	5.0	2.0	0.0	0.0	0.0
Special dividends paid (reported) ⁽⁵⁾	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ordinary dividends paid (adjusted) ⁽⁷⁾	171.1	179.2	191.5	199.6	20.4	25.4	10.2	0.0	0.0	0.0
Special dividends paid (adjusted) ⁽⁷⁾	81.5	0.0	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	889	232	964	1,304	424	377	28	267	161	407
Net cash inflow / (outflow) from investing activities	(622)	(793)	(541)	(1,510)	(728)	(327)	(367)	(80)	(310)	(438)
Net cash inflow / (outflow) from financing activities	(289)	537	(454)	203	639	(160)	273	(148)	429	(15)
Net increase / (decrease) in cash held	(22)	(25)	(31)	(3)	336	(110)	(65)	39	281	(45)

Financial Position

Total assets	6,386	7,261	7,506	8,466	8,865	8,998	7,793	6,734	7,331	7,519
Total liabilities	3,125	4,176	3,641	4,524	3,201	3,242	3,397	2,955	2,871	3,062
Net assets	3,260	3,085	3,865	3,942	5,663	5,756	4,396	3,779	4,460	4,457
Net operating assets (pre-tax)	4,430	5,195	5,598	6,025	6,480	6,559	5,399	4,047	4,441	4,664
Net debt	791	1,890	1,502	1,722	756	743	1,068	384	148	262
Gearing (net debt / net debt plus equity)	19.5%	38.0%	28.0%	30.4%	11.8%	11.4%	19.5%	9.2%	3.2%	5.5%

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.
- (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 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.
- (8) Changes to AASB 119 Employee Benefits came into effect for BlueScope on 1 July 2013. The impact of this revised accounting standard is to increase defined benefit plan pension expense. Australian Accounting Standards require that comparative period financial information be adjusted to reflect the revised approach. Accordingly, FY2013 reported NLAT is adjusted down by \$23.0M to \$107.1M, and other FY2013 comparative data in this history have been adjusted to reflect this



SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

As at 1 September 2014

Distribution Schedule

Range	No of Holders	Securities	%
1 to 1,000	74,397	22,775,860	4.07
1,001 to 5,000	17,618	37,174,412	6.65
5,001 to 10,000	1,976	13,943,008	2.49
10,001 to 50,000	979	18,776,356	3.36
50,001 to 100,000	66	4,767,671	0.85
100,001 and Over	74	461,790,564	82.58
Total	95,110	559,227,871	100.00

Based on a closing share price of \$5.49 on 1 September 2014, the number of shareholders holding less than a marketable parcel of 92 shares is 19,550 and they hold 843,581 shares.

Twenty Largest Registered Shareholders

Rank	Name	Securities	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	102,138,210	18.26%
2	NATIONAL NOMINEES LIMITED	87,348,363	15.62%
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	86,740,069	15.51%
4	CITICORP NOMINEES PTY LIMITED	71,390,426	12.77%
5	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	40,630,922	7.27%
6	BNP PARIBAS NOMS PTY LTD <DRP>	26,859,546	4.80%
7	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	10,981,426	1.96%
8	AMP LIFE LIMITED	6,967,981	1.25%
9	PACIFIC CUSTODIANS PTY LIMITED <BSL PLANS CTRL>	2,523,790	0.45%
10	ECAPITAL NOMINEES PTY LIMITED <SETTLEMENT A/C>	2,429,248	0.43%
11	QIC LIMITED	1,984,131	0.35%
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,931,973	0.35%
13	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIIC A/C>	1,777,722	0.32%
14	NATIONAL NOMINEES LIMITED <N A/C>	1,758,988	0.31%
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,097,133	0.20%
16	UBS NOMINEES PTY LTD	1,048,236	0.19%
17	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	927,000	0.17%
18	MIRRABOOKA INVESTMENTS LIMITED	750,000	0.13%
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	602,164	0.11%
20	INVIA CUSTODIAN PTY LIMITED <GSJBW MANAGED A/C>	542,345	0.10%
	TOTAL	450,429,673	80.54%
	Balance of Register	108,798,198	19.46%
	Grand TOTAL	559,227,871	100.00%

Substantial Shareholders

As at 1 September 2014, BlueScope has been notified of the following substantial shareholdings:

Name	Number of securities held
Sumitomo Mitsui Trust Holdings, Inc.	28,159,376
Ausbil Dexia Limited	28,290,135
Commonwealth Bank of Australia	65,945,214

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

Directors	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> D B Grollo K A Dean P Bingham-Hall E G W Crouch AM L H Jones J A Bevan R P Dee-Bradbury
Secretary	M G Barron
Executive Leadership Team	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>
Notice of Annual General Meeting	The Annual General Meeting of BlueScope Steel Limited will be held at the Melbourne Convention and Exhibition Centre, 2 Clarendon Street, Southbank, Victoria at 2.00pm on Thursday 13 November 2014.
Registered Office	Level 11, 120 Collins Street, Melbourne, Victoria 3000 Telephone: +61 3 9666 4000 Fax: +61 3 9666 4111 Email: bluescopesteel@linkmarketservices.com.au Postal Address: PO Box 18207, Collins Street East, Melbourne, Victoria 8003
Share Registrar	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: bluescopesteel@linkmarketservices.com.au
Auditor	Ernst & Young 8 Exhibition Street, Melbourne, Victoria 3000
Securities Exchange	BlueScope Steel Limited shares are quoted on the Australian Securities Exchange (ASX code: BSL)
Website Address	www.bluescope.com

BLUESCOPE STEEL LIMITED
ABN 16 000 011 058
LEVEL 11, 120 COLLINS STREET
MELBOURNE, VICTORIA 3000 AUSTRALIA
WWW.BLUESCOPE.COM

