BLUESCOPE

ANNUAL REPORT

2017/2018

BlueScope Steel Limited ABN 16 000 011 058

CHAIRMAN'S *message*

BlueScope's performance for the 2018 financial year shows that the Company's straightforward strategy across our international portfolio of businesses is working very well.

Early in the year we had a smooth transition to a new Managing Director & CEO, Mark Vassella, following the retirement of Paul O'Malley. Mark and his Executive Leadership Team are committed to pursuing growth opportunities in line with our strategy to deliver returns to shareholders, and they delivered outstanding performance in the 2018 financial year.

A different kind of steel building products company

The transformation of BlueScope in recent years has resulted in a more diversified business with a greater contribution from value-added products, principally focused on building and construction markets. Today, we also enjoy greater geographic diversity that provides growth opportunities and a broader spread of earnings, and both of these factors have given rise to more even profitability. In short, we have created a steel building products company that is differentiated from its peers by six factors:

1. **Technology, branding and channels** – We continue to invest in research and development to maintain our leadership position in steel coating and painting technologies. We have a portfolio of well-known and respected brands in building materials and home appliance steel, with a clear focus on knowing our end-customers and maintaining strong channels to market.
2. **Business diversification** – The Company's geographic diversity in 18 countries – a mix of rich developed and developing economies – provides significant growth opportunities to expand the contribution from our high value-added products made in-country.
3. **Cost competitiveness** – Our strategy calls for us to be cost breakeven through the cycle. BlueScope's Australian steelmaking operations are now breakeven at minimum recent spreads, but must maintain a sharp eye on costs. North Star has the leading EBIT margin amongst US steelmakers and is a world class asset.
4. **Disciplined growth** – We evaluate growth opportunities rigorously, and approach them with discipline.
5. **Cash generation and capital management** – Under our capital management framework we seek to maintain safe and reliable operations; maintain balance sheet strength, invest to grow and optimize shareholder returns.
6. **Approach to sustainability** – We have conducted a materiality assessment to identify the sustainability topics that matter most to our stakeholders. These are: safety, health and wellness; climate change and energy; supply chain sustainability; governance and business conduct; and diversity and inclusion.

Financial performance in FY2018

The Company achieved an outstanding Earnings Before Interest & Tax (EBIT) performance in FY2018 – a $1,269.3 million result. The return on invested capital was 20.0 per cent, delivering a net cash position on the balance sheet. This result also included the return of a further $362 million to shareholders during the year through dividends and the share buy-back.

Looking across a sample of our portfolio:

North Star BlueScope Steel continues to operate at full capacity and to pursue incremental volume growth initiatives. Performance in 2H FY2018 strengthened, driven by increases in selling prices and spreads, fuelled by US Government trade measures and the strength of the US economy.

The performance of our **Building Products** joint venture with Nippon Steel Sumitomo Metal Corporation was affected by slower project activity in some Asian nations. By contrast, the North America, China and India businesses performed well.

Business in Asia is a long term process, and our focus is to further grow in the region, which is seeing a rapid rise in the wealth of the middle class. For example, we continue to diversify our marketing offering by growing our retail and home appliance segments in Asia.

In **Buildings North America** sales for end-use applications such as logistics facilities and warehousing and data centres have been particularly strong. The order intake was strong, leading to robust volumes and margins during 2H FY2018.

The Building Properties Group in the US made an unusually high $16.4 million EBIT contribution to the Buildings business during FY2018. This business develops industrial properties, such as warehouses and distribution centres, and gives Buildings North America direct access to this growing market, driven by strength in ecommerce and consumer goods activities. In addition, it creates value for our 2000-strong North America builder network by providing access to new projects.

The **Australian Steel Products** business has done an excellent job in boosting profitability in the last three years. The business delivered good results in FY2018, however we must not be complacent in our pursuit of continued productivity improvements and long-term sustainability of our steelmaking operations.

Demand for premium branded coated and painted product continues to be strong. The team is pursuing a number of specific inter-material product and innovation opportunities in new markets – such as TRUECORE® steel framing.

New Zealand and Pacific Islands delivered a strong underlying EBIT performance, primarily through productivity and cost improvement initiatives and higher realised selling prices. Our New Zealand steelmaking operations have also made good headway on productivity initiatives and cost savings – a constant essential focus for the business.

In line with our strategy, commodity steelmaking in Australia and New Zealand is a valuable option for BlueScope, provided it can deliver target returns and is cash flow breakeven at the bottom of the cycle. These businesses must remain cost competitive in their markets to ensure their future viability.

FY2018 FINANCIAL HIGHLIGHTS

- **Reported net profit after tax (NPAT)**
  $1,569.1 million – 119% or $853.2 million increase on FY2017
  - including unusual and one-off benefits of $743.1 million
- **Underlying NPAT**
  $826.0 million
- **Underlying EBIT**
  $1,269.3 million up 15 per cent on FY2017
  - 2H FY2018 underlying EBIT $745.0 million – up $220.7 million on the first half driven by strong demand and steel spreads in Australasian and US markets and an unusually high $18.3 million contribution from BlueScope Properties Group. Our best half since December 2008

The balance sheet is in good shape, reaching a $63.6 million net cash position at 30 June 2018 – improved from $262.1 million net debt at 31 December 2017, and progressing towards our target of $200 million to $400 million of net cash. Across the business we continue to maintain a focus on controllable costs.

Capital management

The Board approved the payment of a final dividend of 8.0 cents per share and an on-market share buy-back of $250 million to be conducted during 1H FY2019.

Our capital management framework focuses on ROIC and Earnings Per Share growth to drive shareholder returns. An important priority is to distribute 30 to 50 per cent of free cash flow to shareholders in the form of consistent dividends and buybacks. The Company will continue to review its capital management approach, having regard to the balance sheet, credit metrics and investment priorities.

In April, two credit ratings agencies, S&P and Moody's, upgraded the Company to an investment grade credit rating. We have subsequently refinanced our capital markets and syndicated bank debt to deliver improved cost, scale and tenor. This is just another example of the "new BlueScope".

Strategy

BlueScope's strategy and focus on shareholder returns is delivering results. Since completing our transformational cost saving initiatives in Australasia and the acquisition of the 50 per cent of North Star we did not own, we have now delivered underlying EBIT of over $1.1 billion in each of the last two years.

The BlueScope balance sheet is robust, with great flexibility, and we have a clear capital management framework in place. Capital expenditure principles focus on investing to maximise value from 'best in class' assets, investing for growth in premium branded products, and investing in customer, technology and innovation.

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

We have initiated a comprehensive study to examine an expansion at our successful North Star business to add at least 600,000 to 900,000 tonnes per annum of steelmaking capacity. The project under evaluation involves adding a third electric arc furnace and second slab caster, and may cost in the range of US$500 million to US$700 million. If this project proceeds, it would take two to three years to develop. We believe the project may deliver BlueScope compelling results through the cycle, which the study will seek to confirm.

Examples of other growth opportunities include nVision in Buildings North America – game changing design and detail software; the launch of Next Generation ZINCALUME® steel and the rollout of retail outlets in Building Products Asia; and inter-material growth in light gauge steel framing through TRUECORE® steel. We expect commercial production on the third metal coating line with in-line painting in Thailand to begin early in the second half of FY2019.

Sustainability

To BlueScope, sustainability means developing, manufacturing and selling steel products and solutions in a manner that provides for a sustainable future.

During the year we strengthened our approach to sustainability governance, modifying the Board committee structure to create a Risk and Sustainability Committee.

The Risk and Sustainability Committee has oversight of BlueScope's environmental, social and governance (ESG) responsibilities and reporting, including reviewing and recommending to the Board the Company's annual Corporate Governance Statement and Sustainability Report.

We also established a Sustainability Council comprised of members of the Executive Leadership Team and senior management. This Council is responsible for understanding our sustainability exposures, engaging with key stakeholders and directing the consistent implementation of sustainability initiatives across our global businesses. The Sustainability Council reports quarterly to the Board through the Risk and Sustainability Committee.

BlueScope's vision and strategy for health, safety and environment continue to be guided by the Board Health, Safety and Environment (HSE) Committee. Each member of the Board is a member of this Committee, which reviews and recommends actions to the Board with respect to policy, plans, performance against targets, risks and emerging issues.

We continue to focus our attention on the five priority areas of importance to our business, and on adopting a more mature approach to sustainability reporting and governance.

- **Safety, health and wellness** – The safety and health of all our people is central to the way we work. BlueScope is a global leader in safety performance, recording a 30 per cent improvement in the Lost Time Injury Frequency Rate to 0.62, which remains below 1.0 for the fourteenth consecutive year. The Medically Treated Injury Frequency Rate improved 5 per cent to 5.4. Across the business, health and safety teams continue to seek out opportunities to ensure the effectiveness of safety risk controls, to engage all BlueScope people in the lessons learnt and value gained from safety audits, and to better understand and manage health and wellness in the workplace.
- **Climate change and energy** – BlueScope has adopted four pillars of commitment to action on climate change:
  - We support Australia's 2030 emissions target under the 2015 Paris agreement, as well as the commitments made for all the countries where we operate. In FY2017 the average emissions intensity of our three steelmaking facilities fell by 8 per cent, and we have used this performance to develop continuous improvement targets for the future. We are implementing energy efficiency and emissions reduction projects, such as the 2017 self-generation upgrade at Port Kembla Steelworks which reduced electricity grid demand by 7 per cent.

- We believe our steel products play a key role in sustainable development, given their strength, versatility, longevity and endless recyclability. In Australian and New Zealand steelmaking, around 20 per cent recycled scrap content is used as manufacturing feed, while in the US the North Star mini mill uses around 75 per cent recycled scrap content. We are building a culture of sustainability with extensive recycling of by-products produced by manufacturing operations.
- We acknowledge steelmaking produces emissions, and are working hard to reduce the impact. Recently, we announced a landmark seven-year Power Purchase Agreement (PPA), where BlueScope will offtake 66 per cent of the 133MW of energy generated from our partner's 500,000 solar panel farm. This PPA is one of Australia's largest corporate offtake agreements, and is the largest with a solar farm to date. It complements our firm electricity supply arrangements, which provide the reliable electricity supply we need for manufacturing processes that must operate around the clock. The PPA will help keep downward pressure on our energy costs, and will support the gradual transition to renewable energy. The volume under the agreement is equivalent to 20 per cent of BlueScope's total Australian electricity purchases.
- In addition to the new governance structures highlighted above which ensure we understand climate risk and manage it effectively, we are aligning climate change reporting with the global Task Force on Climate-related Financial Disclosure.

- **Supply chain sustainability** – BlueScope is committed to respecting human rights, and during the year we published a Statement on Human Rights and a Responsible Sourcing Standard. A risk assessment of the Company's ESG profile has been completed, as has an analysis of supply chain management processes. A significant project is underway to segment the Company's supply chain on a risk-based approach, and to develop plans to ensure that suppliers are committed to operating in line with the values expressed in Our Bond.
- **Governance and Business Conduct** – At BlueScope, the Board, management, employees, contractors and agents are all expected to behave in line with Our Bond and all policies and standards. Systems are in place to report and investigate any cases of misconduct, including an externally managed business conduct hotline available to all employees to anonymously report issues. In FY2018, 12 reports of alleged misconduct were reported and investigated. So far this has resulted in disciplinary action being taken against two employees.

  As disclosed last year, the Australian Competition and Consumer Commission (ACCC) is investigating potential cartel conduct by BlueScope relating to the supply of steel products in Australia, that allegedly involved a small number of BlueScope employees in the period from late 2013 to mid-2014. It is not known when the ACCC's investigation will be completed, or what the outcome might be. Possible outcomes include the commencement of either civil or criminal proceedings or no action being taken. BlueScope has co-operated and continues to co-operate with the ACCC's investigation.
- **Diversity and inclusion** – We maintain a strong focus on BlueScope's diversity goal: that our workplaces reflect the communities where we operate. Strategies implemented to increase gender diversity have seen the percentage of women recruited to permanent roles increase to 40 per cent, and in operator and trade roles women now comprise one third of all new recruits. Women now make up 19 per cent of BlueScope's global workforce of around 14,300 people, and one third of each of our Board and Executive Leadership Team.

BlueScope's FY2018 Sustainability Report will be published in October.

Board composition

BlueScope recently announced the appointment of Mark Hutchinson as a non-executive director, effective 1 October 2018. Mark has extensive business and leadership experience at the senior executive level, having held various roles at GE over a 25 year career, most recently as President and Chief Executive Officer China (2010–2014) and Europe (2014–2017). The Directors are very pleased to welcome Mark onto the Board. He brings with him a global perspective including direct operational experience in Asia. He also has extensive experience in companies which have used technology and digital to undertake transformational change which will benefit BlueScope in the execution of its strategy.

As advised to shareholders at the 2017 Annual General Meeting, Mr Ken Dean and Mr Daniel Grollo will be retiring at the 2018 AGM and will not stand for re-election. Together with the rest of the Board, I would like to thank Ken and Daniel for their invaluable service to BlueScope over a number of years. They have both been outstanding Board members, and Chairs of the Audit Committee and the Health, Safety and Environment Committee respectively. They have also been instrumental in helping guide BlueScope through its challenging times, and have helped shape the "new BlueScope". On behalf of the Board I wish them well in their future endeavours.

Conclusion

BlueScope's performance in FY2018 reflects the continued hard work of management and employees, and I thank them all for their commitment to the Company's success.

I thank my fellow Directors for their continued support, and join with all shareholders in looking forward to BlueScope continuing to prosper in FY2019 and beyond.

John Bevan, Chairman

Directors' REPORT

BlueScope Steel Limited ABN 16 000 011 058

Directors' Report for the year ended 30 June 2018

The Directors of BlueScope Steel Limited ('the Company') present their report on the consolidated entity ('BlueScope' or 'the Group') consisting of BlueScope Steel Limited and its controlled entities for the year ended 30 June 2018.

OPERATING AND FINANCIAL REVIEW

DESCRIPTION OF OPERATIONS

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

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

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

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

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

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

OUR VALUES, GOALS AND STRATEGY

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

OUR BOND – GUIDING OUR VALUES FOR OVER 16 YEARS

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

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

OUR STRATEGY

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

Our Strategic Focus areas

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

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

Capital expenditure principles

- **INVEST TO MAXIMISE VALUE FROM "BEST IN CLASS" ASSETS**
- **INVEST FOR GROWTH IN PREMIUM BRANDED PRODUCTS**
- **INVEST IN CUSTOMER, TECHNOLOGY AND INNOVATION**

Examples of growth opportunities

OUR FINANCIAL PRINCIPLES

Financial principles guide our measurement of performance and capital allocation.

RETURN HURDLES

- Every business to deliver ROIC > WACC
- ROIC incentives for management and employees
- Disciplined capital allocation

INVESTMENT TIMING

- Intent to have financial capacity through the cycle to make opportunistic investments
- Will avoid M&A at the top of the cycle

BALANCE SHEET CAPACITY

- Target positive cash of ~$200M to $400M
- Retain strong credit metrics
- Leverage for M&A but only if accompanied by active debt reduction program
- Reward shareholders from free cash flow as an active strategy

STEELMAKING

- Commodity steelmaking in Australia & NZ is a valuable option provided it can deliver target returns and is cash flow breakeven[1] at bottom of the cycle
- Intent to maintain capacity to fund a shutdown of steelmaking if not cash positive

Note (1): EBITDA less stay in business capital expenditure

OUR APPROACH TO SUSTAINABILITY

BlueScope is committed to building a sustainable business that operates with sustainable business practices. Our sustainability reports cover this in detail; the FY2017 Sustainability Report was released earlier in 2018 and our FY2018 report is targeted for release in October 2018.

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

1. Climate Change and Energy
BlueScope has four pillars of commitment to action on climate change.

Support Australia's 2030 emissions target, in line with the Paris commitment

- **As at FY2017, ASP has achieved a 43% cut in Australian greenhouse gas (GHG) emissions from 2011 to 2017**
  - By reducing excess global steel capacity
  - Significant contribution to Australia's commitment under Paris Agreement
- **Reduced emissions intensity**
  - Average GHG intensity of three steelmaking facilities fell by 8% in FY2017
- **Implementing energy efficiency and emissions reduction projects**
  - E.g. self-generation upgrade at PKSW in 2017 reduced electricity grid demand by 7%, equivalent to 46,000t CO2-e p.a.

CO_2 Equal to taking approximately 15,000 cars off the road or powering 10,000 homes

Acknowledge steelmaking produces emissions; working to reduce the impact

- **Support National Energy Guarantee (NEG)**
  - To address 'trilemma' of emissions reduction, affordability and reliability
- **Signed renewable energy agreement equivalent to 20% of our Australian electricity consumption**
  - 500,000 solar panel farm at Finley, NSW, going online mid 2019
  - BSL off taking 66% of 133MW AC generated
  - Project will support decarbonisation of electricity grid by 300,000t CO2-e p.a.

CO_2 Equal to taking approximately 90,000 cars off the road or powering 60,000 homes

- **Developing emissions intensity reduction targets in line with detailed sector scenarios from the IEA 2° scenario model; expect to communicate this in FY2018 Sustainability Report**

Governance structures seek to ensure understanding and management of climate risk

- **Climate addressed from Board & down**
  - Risk and Sustainability Committee
  - Sustainability Council (with exec. lead team representation)
  - VP Sustainability and Sustainability Manager
- **Aligning climate change reporting with Task Force on Climate-related Financial Disclosure (TCFD)**
  - Further alignment in 2018 Sustainability Report (to be released October 2018), including outcomes of scenario analysis

Steel plays a key role in sustainable development, given its longevity and endless recyclability

- **Recycled steel as manufacturing feed**
  - ~20% recycled pre and post consumer scrap content in Aust. and NZ steel production
  - ~75% at U.S. mini-mill (North Star)
- **Driving certification**
  - Founding member of ResponsibleSteel, and its industry supply chain certification scheme, currently under development

Responsible Steel

- **Building a culture of sustainability**
  - Extensive recycling of by-products (over 96% material efficiency)
  - Contributing to circular economy, with significant national energy and GHG benefits

2. Safety, Health and Wellness
- Continuing our journey towards Zero Harm.
- In FY2018, LTIFR (lost time injuries per million man-hours worked) of 0.62, remained at low levels.
- MTIFR (medically treated injuries per million man-hours worked) also remained at low levels, below FY2017 performance, at 5.4.

3. Supply Chain Sustainability
- Committed to respecting human rights.
- Published Statement on Human Rights and Responsible Sourcing Standard earlier this year.
- Completed ESG risk assessment and analysis of Supply Chain management processes.
- Designed a risk-prioritised approach to engaging suppliers regarding our standards and expectations, and undertaking verification exercises.

4. Diversity and Inclusion
- Strong focus and effective strategies creating demonstrable improvement in workforce diversity.
- Female participation in the total BSL workforce has increased from 17% in FY2016 to 19% in FY2018.
- Women made up 40% of total new recruitment in FY2018, nearly double that of FY2016 at 23%.
- Of this new recruitment, women made up one third of new recruits into operations and trade based roles, nearly 5 times the levels of FY2016.

5. Governance and Business Conduct
- All employees have access to an externally managed business conduct hotline for anonymous reporting of issues. In FY2018:
  - 12 reports of alleged misconduct were reported to the hotline
  - All allegations were taken seriously and investigated by an independent panel
  - Disciplinary actions were taken against two employees.

FY2018 Sustainability Report
In our FY2018 Sustainability Report, targeted for release in October 2018, we intend to provide:
- further enhanced disclosure on material sustainability topics
- further TCFD-based disclosure, in particular, on the organisation's resilience under different climate-related scenarios
- an expanded discussion of progress on supply chain sustainability.

BLUESCOPE – STEEL BUILDING PRODUCTS

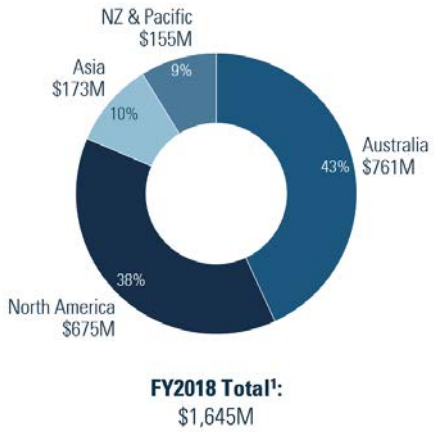
BlueScope's focus is on steel building products. Why are we different?

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

Note: SuperDyma® and VIEWKOTE™ are brands of our NS BlueScope Coated Products joint venture partner, Nippon Steel & Sumitomo Metal Corporation

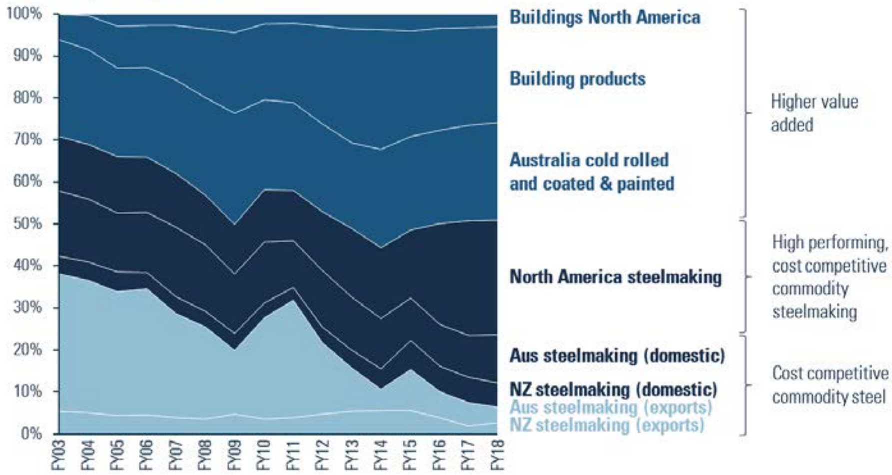
2. **Business Diversification:** Geographic diversity in earnings and increasing contribution from value-added products.

Underlying EBITDA by region ($M)



(1) Total includes corporate costs & eliminations of $119M, excluded from pie chart

BlueScope despatch volume mix

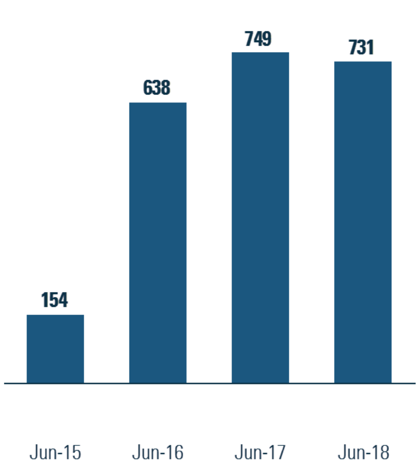


3. **Cost Competitiveness:** Australian steelmaking is cash breakeven at 'bottom of the cycle' spreads; North Star operates at the highest margin amongst its six major U.S. steelmaker peers, based on CY2017 performance.

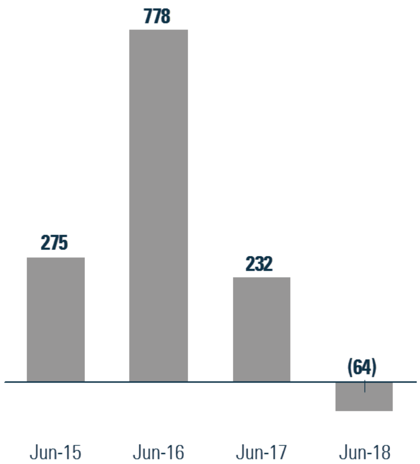
4. **Disciplined Growth:** We have a disciplined approach to growth and will invest:
   - to maximise value from "Best in Class" assets
   - for growth in premium branded products
   - in customer, technology and innovation.

5. **Cash Generation and Capital Management:** With a disciplined, returns focused process, we seek to drive competition for capital across investments in the business, M&A and returns to shareholders. Strong free cash flow in the last three years has allowed the Company to deliver returns to shareholders while simultaneously reducing debt.

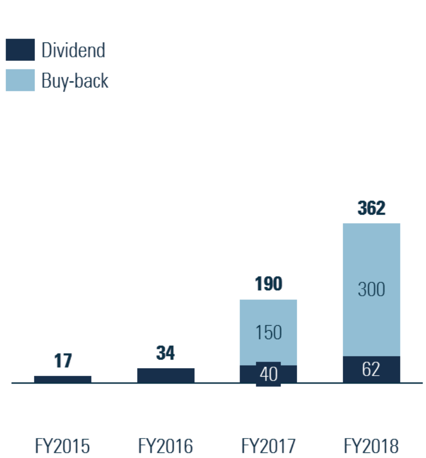
Free cash flow ($M)
Operating cash flow less capex



Net debt / (cash) ($M)



Shareholder returns ($M)



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

GROUP FINANCIAL REVIEW

HIGHLIGHTS

Sales from continuing operations

$11,497.8M 9% on FY2017

2H result $6,049.4M, up $566.3M

Reported net profit after tax

$1,569.1M 119% on FY2017

2H result $1,127.9M, up $771.2M

Underlying EBIT

$1,269.3M 15% on FY2017

2H result $745.0M, up $220.7M

Underlying return on invested capital

20.0% from 18.5%

Capital management

8.0cps final dividend (6.0cps interim)
$300M buy-back completed in FY2018
$250M buy-back announced for 1H FY2019

Net cash

$63.6M from $232.2M net debt Jun 17

FINANCIAL SUMMARY

Table 1: Financial summary

$M unless marked	FY2018	FY2017	Variance %
Sales revenue from continuing operations	11,497.8	10,529.8	9%
EBITDA – underlying [1]	1,644.6	1,484.4	11%
EBIT – reported	1,462.9	1,044.5	40%
EBIT – underlying [1]	1,269.3	1,105.4	15%
Return (underlying EBIT) on invested capital (%)	20.0%	18.5%	+1.5%
NPAT – reported	1,569.1	715.9	119%
NPAT – underlying [1]	826.0	652.4	27%
Final ordinary dividend (cents)	8.0 cps	5.0 cps	60%
Reported earnings per share (cents)	281.8 cps	125.3 cps	125%
Underlying earnings per share (cents)	148.3cps	114.2 cps	30%
Net debt / (cash)	(63.6)	232.2	(127%)
Gearing (%)	N/A – net cash	4.0%	N/A
Leverage (ND / proforma underlying EBITDA)	N/A – net cash	0.16x	N/A

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

REVENUE

The 9% increase in total revenue was principally due to higher steel prices in all regions; increased sales volumes in the ASP segment; and unfavourable translation impacts from a stronger Australian dollar exchange rate (AUD:USD).

EARNINGS BEFORE INTEREST AND TAX

The 15% increase in underlying EBIT reflects:

- **$216.4M spread increase**, primarily due to:
  - increased domestic and export prices due to higher global steel prices, partly offset by the unfavourable influence of a stronger AUD:USD ($735.1M)
  - higher raw material costs – higher coal and iron ore costs partly offset by higher contribution from export coke and a $32.1M one-off benefit from the settlement of an historical coal supply dispute at ASP, higher scrap and pig iron costs at North Star and higher steel feed costs at BP and BNA ($518.7M)
- **$107.8M unfavourable movement in costs**, comprised of:
  - $122.9M cost improvement initiatives across all segments
  - $59.9M higher utility costs mainly driven by rate increases
  - $93.5M unfavourable impact of other cost escalation including higher remuneration expense linked to financial performance of the Group, consumables and other costs
  - $77.3M unfavourable movement in other costs mainly provision changes, market development costs and other one-off costs
- **$53.5M benefit from volume and mix** due to higher despatches at ASP, NZPac and North Star partly offset by lower volumes at BNA and BP
- **$1.8M favourable movement in other items**, including the unfavourable impact of foreign exchange translation partly offset by a one-off recognition of a previously unrecognised deferred tax asset following a sustained period of taxable profits at Tata BlueScope Steel ($10.7M).

The $418.4M (40%) increase in reported EBIT reflects the movement in underlying EBIT discussed above and $254.5M favourable movement in underlying adjustments primarily in relation to the full write-back of previously impaired plant and equipment at ASP ($216.0M). The adjustments are explained in Tables 12 and 13.

FINANCE COSTS AND FUNDING

During the last six months, the Company was upgraded to an investment grade credit rating by both S&P Global Ratings (BBB-) and Moody's (Baa3). In light of the improved ratings and decreasing net debt, initiatives were undertaken to improve cost, scale and tenor of debt funding:

- the US$500M of 144A Notes with 6.5% pa coupon were replaced with US$300M of Reg-S five-year notes with a 4.625% pa coupon
- syndicated bank debt facilities of $850M were refinanced by new $500M facilities on improved terms in August 2018.

The $15.0M increase in net finance costs was largely due to:

- the one-off cost of early redemption of the US$500M May 2021 Senior Unsecured Notes (144A Notes), replaced with the smaller and lower cost issuance of Reg-S notes
- partly offset by a decrease in average gross borrowings and cost of drawn debt.

Financial liquidity was $2,135.7M at 30 June 2018 ($1,932.4M at 30 June 2017), comprised of $1,191.3M committed undrawn bank debt capacity and $944.4M cash. Liquidity in the NS BlueScope Coated Products JV was $383.5M; included in the group liquidity measure.

BlueScope's off balance sheet receivables securitisation programs were drawn to $396.5M at 30 June 2018 ($377.4M at 30 June 2017).

TAX

The FY2018 tax credit of $269.5M (FY2017 $181.8M tax expense) was favourably impacted by two significant one-off items. At 30 June 2018, $325.7M of previously unbooked Australian tax losses were fully recognised in tax expense following a sustained period of improved taxable income. In addition, due to the passing of the U.S. tax reform bill in December 2017, a $76.3M tax expense gain was booked (consisting of an initial $52.1M estimate in 1H FY2018 and $24.2M true-up in 2H FY2018) arising from a downward revision in deferred tax liabilities offset by a tolling charge and withholding tax payable on distributable U.S. foreign earnings currently held in China. BlueScope has also benefitted from a 7% rate reduction on U.S. derived earnings in FY2018 and will benefit by an 11% tax rate reduction thereafter.

After adjusting for these one-off impacts, the tax expense primarily relates to income generated in businesses outside of Australia and New Zealand. In Australia and New Zealand, the Group has utilised previously unrecognised tax losses to offset taxable income generated during the period. As at 30 June 2018 the BlueScope Australian consolidated tax group is estimated to have carried forward tax losses of approximately $1.84Bn. There will be no Australian income tax payments until these losses are recovered

The Group has now recognised all previously impaired Australian tax losses but continues to defer the recognition of past tax losses in New Zealand until a history of taxable profits has been demonstrated. New Zealand tax losses are able to be carried forward indefinitely.

FINANCIAL POSITION

Net assets increased $1,348.9M to $6,887.6M at 30 June 2018 from $5,538.7M at 30 June 2017. Significant movements were:

- $327.6M increase in property, plant and equipment including the write-back of previously impaired plant and equipment at ASP
- $327.5M full recognition of previously unbooked Australian tax losses
- $295.8M decrease in net debt through strong cash flow
- $280.2M increase in inventory driven by higher unit costs and volume combined with the weaker AUD:USD exchange rate
- $121.7M increase in receivables.

DIVIDEND & CAPITAL MANAGEMENT

During FY2018, BlueScope paid dividends totalling 11.0 cents per share and bought back $300.0M of shares on-market.

The Board of Directors has approved payment of a final dividend of 8.0 cents per share and a $250M on-market buy-back for 1H FY2019. The final dividend will be unfranked for Australian and New Zealand tax purposes and is declared to be conduit foreign income. BlueScope's dividend reinvestment plan will not be active for the final dividend.

Relevant dates for the final dividend are as follows:

- Ex-dividend share trading commences: 7 September 2018.
- Record date for dividend: 10 September 2018.
- Payment of dividend: 16 October 2018.

BlueScope's capital management policy:

- BlueScope will continue to seek to retain strong credit metrics, and will target positive net cash of ~$200M to $400M.
- The Company will drive competition for capital between investments in the business and returns to shareholders with a disciplined, returns focused process.
- Having regard to the above, our existing policy is to distribute 30% to 50% of free cash flow to shareholders in the form of consistent dividends and buy-backs, reflecting no present franking availability.
- The Company will continue to review its capital management approach having regard to its balance sheet, credit metrics and investment priorities.

AUSTRALIAN STEEL PRODUCTS (ASP)

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

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

KEY FINANCIAL & OPERATIONAL MEASURES

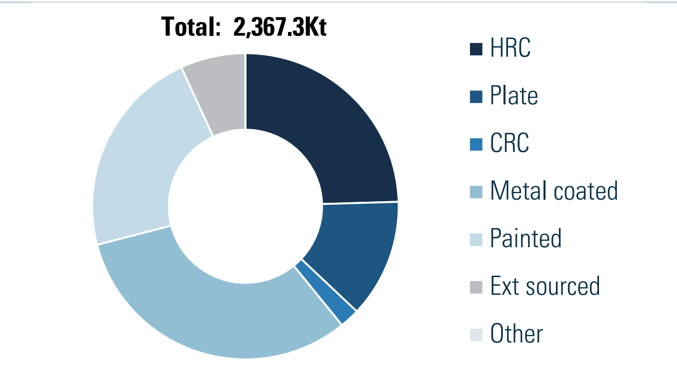
Table 2: Segment financial performance

$M	FY2018	FY2017	Var %	2H FY2018
Sales revenue	5,423.2	4,918.7	10%	2,857.4
Reported EBIT	803.4	459.5	75%	541.7
Underlying EBIT	587.4	459.4	28%	325.7
NOA (pre-tax)	2,478.5	2,140.6	16%	2,478.5
Underlying ROIC	24.6%	20.5%	+4.1%	26.6%

Table 3: Steel sales volume

000 tonnes	FY2018	FY2017	Var %	2H FY2018
Domestic				
- ex-mill	2,204.7	2,109.6	5%	1,108.4
- ext sourced	162.6	143.9	13%	79.5
Export	749.3	837.2	(10%)	413.5
Total	**3,116.6**	**3,090.7**	**1%**	**1,601.3**

Chart 1: ASP domestic steel sales volume mix FY2018



FINANCIAL PERFORMANCE – FY2018 VS. FY2017

Sales revenue

The increase in sales revenue was primarily due to:

- higher domestic and export prices driven by higher global steel prices, partly offset by a stronger AUD:USD exchange rate
- higher domestic volumes, particularly hot rolled coil and plate into the distribution and manufacturing sectors and painted products.

EBIT performance

The increase in underlying EBIT was largely due to:

- higher steelmaking spread with the impact of higher global steel prices offsetting higher coal, iron ore, coating metals and scrap purchase prices
- higher domestic volumes, particularly hot rolled coil and plate into the distribution and manufacturing sectors and painted products
- higher contribution from export coke
- one-off $32.1M benefit from settlement of an historical coal supply dispute during 1H FY2018.

These were partly offset by higher costs driven by cost escalation, particularly utility rate increases, partly offset by lower unit costs with higher production volumes.

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

Return on invested capital

Underlying ROIC increased to 24.6% driven by stronger EBIT offsetting higher net operating assets. Net operating assets were $337.9M higher than at 30 June 2017 primarily due to:

- higher fixed assets due to the write-back of previously impaired plant and equipment during the period
- higher inventories driven by higher raw material input prices and activity levels
- offset by higher creditors.

MARKETS AND OPERATIONS

Sales direct to Australian building sector

- Domestic building sector direct sales volumes remained at high levels in FY2018, increasing marginally compared to FY2017.
- Activity within residential construction continued to remain strong in FY2018.
  - New residential building approvals have held up firmly and development activity has remained at solid levels, supported by strong population growth, low interest rates, and strengthening economic conditions.
  - Strong investment within VIC, QLD, NSW, and SA delivered positive sales growth, particularly in metropolitan markets. WA was softer than FY2017 with this state still feeling the effects of the decline in mining investment. There are signs that the WA market is stabilising with 2H FY2018 volumes broadly in line with 2H FY2017 and 1H FY2018.
  - Alterations and additions activity continued its slow and steady improvement, up marginally in FY2018.
  - Sales of COLORBOND® steel increased, supported predominantly by growth in activity across the eastern seaboard.
  - FY2018 saw the relaunch of TRUECORE® steel with new branding and an advertising campaign targeted at consumers, builders and fabricators. Growth in this area has exceeded forecasts, with a number of builders having already converted, or are in the process of trialling the product.
- Non-residential construction activity has continued to improve supported mainly by growth in commercial and industrial.
  - Demand for office buildings, warehouses and accommodation has strengthened, influenced by increased activity across the eastern states.
  - Social and institutional construction also improved supported by investment in education, aged care, and defence related projects.

Sales direct to domestic non-building sector customers

- Sales volumes to distributors, pipe and tube makers and manufacturers were strong in FY2018, with automotive declining.
  - Increased public and private based infrastructure spending has strengthened market conditions during FY2018.
  - Solid global demand together with a stable Australian dollar delivered favourable conditions for local manufacturing activity.
- Sales to distributors strengthened through:
  - increased demand for steel plate from project activity in roads and bridges
  - initiatives targeting growth in residential steel fabrication activity
  - other growth initiatives focused on increasing the flexibility of our service offerings as well as improving our price competitiveness.
- Sales to pipe and tube makers increased in FY2018 due to:
  - growth in project activity with the Broken Hill Pipeline Project commencing in October 2017
  - increased customer capacity levels
  - customer restocking activity supported by improved pricing conditions.
- Despite the lift in sales activity, pipe and tube makers and manufacturing continue to feel margin pressure driven by competition from imported finished goods.
- Sales to manufacturers improved during FY2018 supported by initiatives targeting the substitution of imported finished goods with locally manufactured steel. Business conditions across some categories have improved within manufacturing with this sector benefiting from:
  - the uplift in residential construction activity
  - mining expansion in gold, zinc and copper as well as tunnel civil activity increasing growth in friction bolts, trucks and buckets.
- Sales to the automotive industry were lower due to both Toyota and GMH closing in October 2017, resulting in the full closure of automotive manufacturing in Australia.

Mill sales to export markets

- Despatches to export market customers in FY2018 were 749.3kt, 10% lower than FY2017 due to higher domestic demand.
- Prices in export markets were higher in FY2018 than the prior corresponding period supported by higher global steel prices.

Operations

- ASP's main facilities continued to operate well. FY2018 saw finished steel despatches of 3,116.6kt, a record under single blast furnace operations.
- No stave-exchange activities were required during FY2018, nor are any expected during FY2019.

NORTH STAR BLUESCOPE STEEL

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

KEY FINANCIAL & OPERATIONAL MEASURES

Table 4: Segment performance

$M unless marked	FY2018	FY2017	Var %	2H FY2018
Sales revenue	1,923.9	1,700.9	13%	1,063.3
Reported EBIT	430.6	433.3	(1%)	285.4
Underlying EBIT	430.6	406.6	6%	285.4
NOA (pre-tax)	1,820.8	1,735.6	5%	1,820.8
Underlying ROIC	24.8%	22.4%	+2.4%	32.7%
Despatches (kt)	2,104.7	2,093.0	1%	1,067.2

Table 5: Segment performance in US$M

US$M unless marked	FY2018	FY2017	Var %	2H FY2018
Sales revenue	1,488.4	1,282.5	16%	817.9
Underlying EBITDA	374.4	348.3	7.5%	239.9

FINANCIAL PERFORMANCE – FY2018 VS. FY2017

Sales revenue

The increase in sales revenue was primarily due to higher regional steel prices. This was partly offset by unfavourable foreign exchange translation rate impacts due to a stronger AUD:USD exchange rate.

EBIT performance

The $24.0M increase in underlying EBIT was largely due to higher steel spread, due mainly to rises in Midwest U.S. steel prices in excess of raw material cost increases. This was partly offset by unfavourable foreign exchange translation rate impacts due to a stronger AUD:USD exchange rate.

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

Return on invested capital

Underlying ROIC was 24.8% driven by strong EBIT contribution offsetting higher net operating assets. Net operating assets at 30 June 2018 were $85.2M higher than at 30 June 2017 primarily due to the foreign exchange translation impact of a weaker AUD:USD.

MARKETS AND OPERATIONS

- North Star sells approximately 90% of its production in the Midwest U.S., with its end customer segment mix being broadly 50% automotive, 35% construction, 5% agricultural and 10% manufacturing/industrial applications.
- North Star continues to benefit from strength in the automotive sector as well as in the construction sector.
- Service centre inventory levels being maintained at the low end of normal has led to more consistent purchasing patterns. Uncertainty around imports associated with section 232 as well improving world prices has helped support higher domestic prices.
- High capacity utilisation rates have been maintained through an ability to retain existing customers and win new customers by consistent high performance in on-time delivery, service and quality.

- The continuous improvement program has delivered over $10M per annum in margin improvement over the last several years. Some cost pressure is being felt due to recent increases in market pricing of graphite electrodes, refractories and alloys.

Initiation of capacity expansion review

- A comprehensive study has been initiated to evaluate adding between 600,000 to 900,000 metric tonnes per annum of steelmaking capacity, through the addition of a third electric arc furnace and second caster. The project may also open up further debottlenecking options.
- The preliminary estimate of capital cost is a range of US$500M to US$700M.
- The assessment will need to confirm compelling through-cycle economics.
- The project is expected to take two or three years to develop if we proceed.
- We expect to provide an update in 2H FY2019.

BUILDING PRODUCTS ASIA AND NORTH AMERICA

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

The 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.

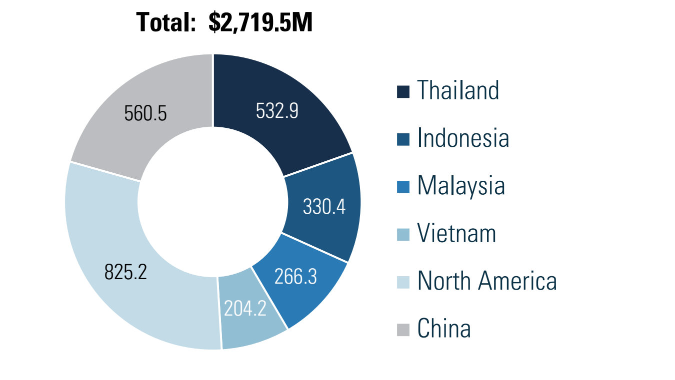
This segment also includes Building Products China, comprising metal coating, painting and Lysaght operations, and Engineered Buildings Solutions (EBS).

KEY FINANCIAL & OPERATIONAL MEASURES

Table 6: Segment performance

$M unless marked	FY2018	FY2017	Var %	2H FY2018
Sales revenue	2,693.8	2,459.9	10%	1,384.6
Reported EBIT	188.3	89.2	111%	78.6
Underlying EBIT	184.5	208.7	(12%)	76.2
NOA (pre-tax)	1,445.8	1,205.9	20%	1,445.8
Underlying ROIC	13.3%	16.1%	-2.8%	10.6%
Despatches (kt)	1,758.1	1,780.0	(1%)	877.9

Chart 2: Segment geographic sales revenue FY2018, $M [1]



1) Chart does not include $25.7M of eliminations (which balances back to total segment revenue of $2,693.8M). Chart also does not include India, which is equity accounted.

FINANCIAL PERFORMANCE – FY2018 VS. FY2017

Sales revenue

The $233.9M increase in sales revenue was mainly due to higher regional steel prices favourably impacting all countries partly offset by unfavourable foreign exchange translation rate impacts (against the AUD) in most countries.

EBIT performance

The $24.2M decrease in underlying EBIT was largely due to:

- lower margins across most countries, including North America where FY2017 benefitted from a one-off favourable inventory pricing effect arising from the timing of raw material purchases
- higher costs.

These were partly offset by recognition of a previously unrecognised deferred tax asset at Tata BlueScope Steel ($10.7M BlueScope share).

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

Return on invested capital

Underlying ROIC decreased to 13.3% driven by lower EBIT and higher net operating assets, mainly reflecting higher net fixed assets due to the Thailand coating line investment and higher receivables and inventory.

MARKETS AND OPERATIONS

North America (Steelscape & ASC Profiles)

- Strong earnings driven by domestic demand, improved product pricing and favourable inventory cost effect arising from the timing of raw materials purchases.
- Steelscape's refreshed strategy execution is in progress, focusing on delivering a differentiated customer offering, enhanced painted product mix and achieving operational efficiencies through automation.
- The business has pursued a comprehensive sourcing strategy to navigate changes in trade rules and deliver cost-effective feed supply.
- ASC Profiles' (building components) performance was supported by robust volumes into the decking construction segment combined with materially improved pricing and margins. The manufacturing footprint restructure remains in progress to deliver additional productivity and cost benefits.

China

- Chinese economic activity levels remained robust throughout FY2018 demonstrating resilience in the face of rising global trade tensions. However, the China construction market generally, and specifically the premium project segment in which we participate, have seen some softening driven by tightening local credit conditions and slower infrastructure spending across both private and government sectors.

- Buildings China delivered a strong performance which has offset some weakness in the coated business. Buildings continues to deliver on sales force effectiveness, plant restructuring and productivity improvement initiatives. This has delivered a 17% increase in FY2018 sales revenue compared to FY2017 and a $22.1M increase in underlying EBIT (FY2017 $17.3M loss; FY2018 $4.8M).
- Coated steel despatch volumes decreased by 2% compared to FY2017 mainly due to softness in the project segment. Soft demand combined with an increase in local supply availability has placed downwards pressure on coated margins. Sales and marketing activities have been focused on increasing penetration into the distribution and pre-engineering buildings channel to assist with off-setting market softness. Further benefit from these initiatives is expected throughout FY2019.
- Compared to 1H FY2018, the overall performance of the China business was negatively impacted by a substantial bad debt write-off.

ASEAN

- We remain optimistic around the growth potential of our ASEAN businesses – a region that is witnessing significant growth in demand from the emerging middle-class. BlueScope's footprint, brands, channels are strongly positioned to capture and lead the market despite some common issues impacting their performance during the year.
  - Margins across all nations have tightened, with incomplete pass-through of rapidly rising regional steel prices; this is typically however a matter of timing with realised price moves 'catching up' through the cycle.
  - Some additional competitive pressure from higher import levels and some local capacity additions have been observed.
  - The higher margin project markets have been impacted by political uncertainty, particularly in Thailand and Malaysia. The timing of elections in Thailand is uncertain, and Malaysia has just been through significant elections and the new government and bureaucracy regime is still being established. Once political dynamics have stabilised, project spending is expected to pick up.
  - We have seen growth in the retail segment and continue to invest in our brands and channels to develop a sustainable position in this significant market. However, as this segment typically delivers lower margins, there has been an unfavourable product mix impact on margins
- Thailand:
  - The project segment performed well albeit overall demand continues to be softer due to the political climate resulting in lower private and foreign direct investment.
  - The retail segment impacted by the competitive environment with import volumes expanding placing pressure on margins and the volume/mix trade off. The business continued to roll-out the Authorised Dealer retail channel and invest in consumer brand and connect with local builders.
  - Home appliance steels:
    - The market opportunity remains attractive.
    - Customer uptake continues but at a slower rate than expected.
    - Substantial progress in manufacturing quality has been made to increase the rate of customer uptake.
  - Overall despatches were 2% lower than FY2017
  - The third metal coating line expansion is progressing with first commercial despatch expected in early 2H FY2019.
- Indonesia:
  - The business is continuing to focus on expanding Retail distribution footprint across the diverse archipelago with continuing investment in brand and engagement with end user and small local builders
  - Positive developments on steel feed sourcing initiatives with improved diversification of suppliers, together with increased optionality to lower feed-costs once the Australia – Indonesia free trade agreement is finalised.
  - FY2018 volume was 4.3% lower than FY2017, largely caused by subdued project segment demand.
- Vietnam
  - Demand in the Project segment remained strong. However, competition with imports mainly from China, and new coating entrants has impacted margins.
  - The business continues to focus on growing the retail channel, whilst expanding BlueScope distribution footprint, enhancing brand value and building customer loyalty.
  - FY2018 volume was 11% lower than FY2017, due to lower exports as a result of the trade restrictions.
- Malaysia
  - Demand in both the Project and Retail segments remain subdued during the election year with renewed confidence by year end with surprise election result.
  - The business continued to focus on strengthening our market leading position in the Project segment whilst developing the newer retail Authorised Dealer channel and brand.
  - FY2018 volume was 9% lower than FY2017, mainly coming from lower exports despatches to the U.S. as a result of the trade restrictions.
- Myanmar:
  - Lysaght roll-forming facility saw continued growth.

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

- The joint venture delivered underlying EBIT of $58.3M (100% basis), compared to $50.9M in FY2017, driven by higher sales volumes and favourable product mix.
- Revenue grew by 13% in FY2018 driven by higher sales volumes. Domestic prime coated steel sales volume grew by 16% compared to FY2017 with 24% growth in bare products and 12% growth in painted products. The paint line continues to operate at full capacity.
- Market dynamics remain positive with the coated and pre-painted steel markets growing at 9% during FY2018. The joint venture experienced ongoing success in the Retail segment, where volumes increased 21% due to continued strength of the DURASHINE® brand and market channels including the Tata Shaktee dealer network. Project segment volume growth was more moderate at 8% with some impact felt from the introduction of the Goods and Services Tax from June 2017.
- Restructuring of the underperforming Engineered Buildings business has been completed, including manufacturing reconfiguration and exit of unprofitable customer accounts. The business is stabilising under the new operating model.
- Reflecting the current and expected future performance of the business, a $21.3M (100%) previously unrecognised deferred tax asset was recognised for the first time at December 2017 and TBSL commenced recognising tax expense. The deferred tax asset at 30 June 2018 was $13.0M (100%) or $6.5M recognised in BlueScope's equity accounted 50% share.
- Our joint venture partner in India, Tata Steel, has acquired Bhushan Steel, which includes coating and painting assets. BlueScope is considering the implications of this acquisition in relation to our TBSL joint venture. As a result, the feasibility study on additional paint line capacity at TBSL has been paused.

Table 7: India performance

$M unless marked	FY2018	FY2017	Var %	2H FY2018
Tata BlueScope Steel (100% basis)				
Sales revenue	386.4	340.5	13%	206.8
Underlying EBIT	58.3	50.9	15%	30.2
Underlying NPAT[1]	57.8	30.9	87%	16.2
Despatches (kt)	254.5	239.2	6%	133.8
BlueScope share (50% basis)				
Underlying equity accounted profit[2]	29.7	16.2	83%	8.5

1) FY2018 includes recognition of a previously unrecognised deferred tax asset of $21.3M.
2) FY2018 includes recognition of a previously unrecognised deferred tax asset of $10.7M.

BUILDINGS NORTH AMERICA

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

KEY FINANCIAL & OPERATIONAL MEASURES

Table 8: Segment performance

$M unless marked	FY2018	FY2017	Var %	2H FY2018
Sales revenue	1,106.4	1,173.9	(6%)	583.1
Reported EBIT	73.7	49.8	48%	48.2
Underlying EBIT	74.6	57.5	30%	48.2
NOA (pre-tax)	369.6	338.5	9%	369.6
Underlying ROIC	19.7%	16.2%	+3.5%	25.5%
Despatches (kt)	237.7kt	246.9kt	(4%)	121.5kt

FINANCIAL PERFORMANCE – FY2018 VS. FY2017

Sales revenue

The $67.5M decrease in sales revenue was mainly due to lower despatches and unfavourable foreign exchange translation rate impacts due to a stronger AUD:USD exchange rate. This was partly offset by higher selling prices.

EBIT performance

The $17.1M increase in underlying EBIT was largely due to:

- higher margins mainly due to higher regional steel prices partly offset by lower despatch volumes
- continuous improvement program offsetting escalation, however some unfavourable one off costs during the period
- an unusually high $16.4M profit from the sale of developments at BlueScope Properties Group.

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

Return on invested capital

Underlying ROIC increased to 19.7% driven by higher EBIT partly offset by an increase in net operating assets, primarily due to the foreign exchange translation impact of a weaker AUD:USD.

MARKETS AND OPERATIONS

- Following soft order intake in Q4 FY2017 and Q1 FY2018, order intake recovered strongly from Q2 FY2018 leading to robust volumes and margins during 2H FY2018.
- Sales of buildings for end-use applications such as logistics and warehousing, and data centres have been particularly strong.
- Ongoing productivity improvements and cost saving initiatives, including the sale of the Laurinburg manufacturing facility and centralised engineering services more than offset lower despatch volumes in FY2018.
- Continued investment in innovative solutions aimed to create differentiation and additional value to the extensive BNA builder networks, such as new engineering systems, customer focussed apps and projects focusing on lead time reduction.
- The Building Properties Group (BPG) business made an unusually high $16.4M EBIT contribution during FY2018:
  - BPG develops, leases and sells industrial warehouse and distribution properties throughout the United States and Canada.
  - It provides direct access to the growing warehouse and distribution centre market, which is driven by strength in eCommerce, Food/Beverage, Consumer Goods and Medical Supply industries.
  - The business creates value for the BNA Builder network by providing builders access to tenant-based leased development projects.
  - BPG earnings are expected to be modest relative to the total BNA segment, but can be lumpy due to the project nature of its activities.
  - Risks are managed:
    - BPG completes extensive due diligence prior to committing to any development.
    - The BNA Builder network constructs the projects.
    - All projects must satisfy leasing and hurdle rate requirements prior to commencement.
  - BPG recently completed projects include the 441,000 square foot, two building facility at Park 429 in Orlando, FL and a 206,000 square foot distribution centre in Laredo, Texas, both of which were sold shortly after construction completion. Current projects under development are located in Canton, Ohio and a second project in Laredo, Texas.

NEW ZEALAND AND PACIFIC STEEL

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

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

Supplied with billet from New Zealand Steel, Pacific Steel is the sole producer of long steel products such as rod, bar, reinforcing coil and wire in New Zealand.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 9: Segment financial performance

$M	FY2018	FY2017	Var %	2H FY2018
Sales revenue	833.6	747.5	12%	446.8
Reported EBIT	111.7	87.2	28%	70.7
Underlying EBIT	111.7	61.1	83%	70.7
NOA (pre-tax)	346.4	336.4	3%	346.4
Underlying ROIC	31.6%	26.7%	+4.9%	39.0%

Table 10: Steel sales volume

000 tonnes	FY2018	FY2017	Var %	2H FY2018
Domestic flats	259.6	270.7	(4%)	128.0
Domestic longs	183.4	183.1	0	85.9
Domestic (steel)	**443.0**	**453.8**	**(2%)**	**213.9**
Export flat	172.4	129.0	34%	116.5
Export longs	34.7	22.1	57%	12.2
Export (steel)	**207.1**	**151.1**	**37%**	**128.7**

FINANCIAL PERFORMANCE – FY2018 VS. FY2017

Sales revenue

The increase in sales revenue was primarily due to higher domestic and export prices driven by higher global steel prices and higher despatch volumes. This was partly offset by unfavourable foreign exchange translation.

EBIT performance

The $50.6M increase in underlying EBIT was primarily due to:

- productivity improvements and cost savings, mainly volume benefit from plant throughput improvements
- increased steel selling prices on higher regional steel prices, and vanadium prices
- partly offset by higher coal and coating metal costs.

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

Return on invested capital

Underlying ROIC increased to 31.6% primarily driven by higher EBIT.

MARKETS & OPERATIONS

- Domestic market
  - FY2018 sales volume was strong with continued momentum in the building and construction segments. Metal coated and COLORSTEEL® formed the basis for solid performance.
  - New dwelling consents continued their robust momentum in FY2018, however construction continues to be constrained by land availability and labour resourcing.
  - Construction activity in the agricultural segment is robust.
  - Long products sales remained strong. Robust infrastructure demand continues with civil works performed under the government's Roads of National Significance (RONS) scheme across the country.
- Export market
  - Export steel and vanadium prices improved driven by increases in global steel and vanadium commodity markets.
  - Export volumes experiencing strong growth enabled by higher production and increased demand throughout the APAC region.

OUTLOOK, FUTURE PROSPECTS AND RISKS

1H FY2019 OUTLOOK

Expectations for the performance of our businesses in 1H FY2019 are as follows:

- ASP:
  - Expect benchmark spreads improving with stronger regional HRC prices and improvement in raw material prices, particularly coal.
  - Expect a range of offsetting factors:
    - Increased depreciation charge following asset write-up.
    - Assumed lower coke margins.
    - Impact of specific raw materials mix relative to benchmark.
- North Star:
  - Average benchmark spread through 1H FY2019 expected to be ~US$90/t higher than 2H FY2018, noting specific sales mix relative to benchmark.
  - Expect lower despatch volumes on seasonality.
  - Expect ~US$10M of incremental consumables cost – electrodes, refractories and alloys.
- BP:
  - Expect continuing strong performance across North America, China and India.
  - Expect soft demand in projects segment in South East Asia combined with selling prices lagging feed cost rises.
  - Continued roll-out of retail networks and home appliance steel uptake.
- BNA:
  - Expect continuation of strong building demand.
  - Expect negligible contribution from BlueScope Properties Group.
- NZPac:
  - Expect prices and domestic demand similar.
  - Expect modest increase in raw material cost.

Group outlook:

- The Company currently expects 1H FY2019 underlying EBIT to be around 10% higher than 2H FY2018 underlying EBIT (which was $745.0M). This is based on assumptions of average (all prices on a metric tonne basis):
  - East Asian HRC price of ~US$575/t
  - 62% Fe iron ore price of ~US$65/t CFR China
  - Hard coking coal price of ~US$180/t FOB Australia
  - U.S. mini-mill spreads to be US$90/t higher than 2H FY2018
  - AUD:USD at US$0.76
- Underlying net finance costs in 1H FY2019 are expected to be lower than 2H FY2018; expect a slightly lower underlying tax rate and similar profit attributable to non-controlling interests to 2H FY2018.
- Expectations are subject to spread, FX and market conditions.

MATTERS SUBSEQUENT TO YEAR END

The Board has approved an on-market share buy-back of up to $250M.

FUTURE PROSPECTS AND RISKS

BlueScope operates in markets which are impacted by economic cycles and short-term volatility which can affect the Group's financial performance and financial outcomes both positively and negatively. On the negative side, periods of slower demand for its products, lower global commodity steel prices relative to raw material costs, and unfavourable exchange rate movements, in particular a stronger Australian dollar relative to the U.S. dollar are some of the macroeconomic factors to which the Group is exposed.

BlueScope considers a number of recognised external forecasters when assessing possible future operating and market conditions. These forecasters expect modest growth in steel demand impacting our Australian business over the next few years, particularly driven by growth in non-residential construction, decline in Asian commodity steel prices relative to iron ore and coking coal raw material costs, and a relatively stable Australian dollar relative to the US dollar. In addition, recognised external forecasters expect North America commodity steel prices relative to scrap and pig iron raw material costs to decrease from the current historically high levels in the next few years.

Key macroeconomic and market risk factors for BlueScope include:

a) Economic downturn or weaker economic conditions.

   An economic downturn in developed economies or significantly slower growth in emerging economies, particularly China, could have a material adverse effect on the global steel industry which may affect demand for the Group's products and financial prospects.

b) A significant cyclical or permanent downturn in the industries in which the Group supplies its products.

   The Group'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. As many of the Group'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 Group's financial prospects.

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 Group'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 Group'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.

   A sustained decline could impact the long term competitiveness of supply of steel from our Australian and New Zealand steelmaking businesses and impact ongoing reinvestment.

   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 Group'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 Group is exposed to the effects of exchange rate fluctuations.

   The Group's financial prospects are sensitive to foreign exchange rate movements, in particular the Australian dollar relative to the U.S. dollar. A stronger Australian dollar relative to the U.S. dollar has adverse effects on the Group.

This is because in the Australian market a strong Australian dollar makes imported steel products less expensive to Australian customers, potentially resulting in more imports of steel products and/or lower domestic prices. These are offset in part by a significant amount of raw material purchases being denominated in U.S. dollars.

In addition, earnings from BlueScope's 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 Group'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.

The global steel industry is also currently characterised by significant excess capacity and the Group 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 Group's products.

An increase in trade restrictions such as tariffs or unique local standards could also disadvantage our business model, including the indirect effect of other steel producers redirecting product to markets currently supplied by BlueScope e.g. the Group is monitoring China's response to increased US tariffs.

BlueScope monitors and responds to the above risks as required through business diversification, market and product development, cost control, operational restructuring and maintaining adequate liquidity.

In addition to these external macroeconomic and market factors, BlueScope is also exposed to a range of other market, operating, compliance and financial risks.

The Group has risk management and internal control systems which identify and manage risk across five broad categories: Markets & Products; Social & Environment; Compliance & Conduct; Operations; and Financial. BlueScope's systems are designed to ensure the Group understands its appetite for risk across each of these broad categories, monitors tolerance metrics, identifies current and emerging risks, and implements internal controls and mitigating actions.

The nature and potential impact of risks are by their nature uncertain and change over time. The risks identified as having the potential to materially impact the achievement of the Group's strategies and future prospects include, but are not limited to:

Markets & Products:

- Political, social and economic policies and uncertainties specific to the countries in which we operate.
- Potential product warranty claims.

Social & Environment:

- Loss of key Board, management or operational personnel, or an inability to secure the technical and management skills required to deliver strategic plans and manage risk.
- Industrial disputes with unions that disrupt operations.
- Failure to maintain effective occupational health and safety systems.
- Not adapting and appropriately responding to climate change, including physical risk to our facilities and supply chain as well as the possible implications on demand for our products. Note that our FY2017 Sustainability Report, released in March 2018, contains more information on climate change related risk. Our FY2018 Sustainability Report which is expected to be released in October 2018, will further build on this.

Compliance & Conduct:

- As disclosed last year, the Australian Competition and Consumer Commission (ACCC) is investigating potential cartel conduct by BlueScope relating to the supply of steel products in Australia, that allegedly involved a small number of BlueScope employees in the period from late 2013 to mid-2014. It is not known when the ACCC's investigation will be completed, or what the outcome might be. Possible outcomes include the commencement of either civil or criminal proceedings or no action being taken. BlueScope has co-operated and continues to co-operate with the ACCC's investigation.
- Complying with extensive government laws and regulation, including environmental, greenhouse gas emissions, tax, accounting, occupational health and safety, competition law and trade restrictions in each of the countries in which it operates. The Group is also subject to the risk of regulatory investigations into compliance with these laws and regulations which could be lengthy and costly.
- The conduct of our employees and other participants in the supply chain not complying with regulatory requirement or our ethical standards.
- Disruptive behaviours by external parties, including cyber-attack and special interest groups, impacting our business or supply chain.
- Potential legal claims.

Operations:

- An inability to maintain a competitive cost base, particularly at Port Kembla and Glenbrook, including maintaining, extending or renewing key raw materials, wages, operational supplies, services and funding on acceptable terms.
- Energy pricing and security of supply.
- A major operational failure or disruption to our manufacturing facilities or commercial systems.
- Supply chain disruption including security of supply for raw materials.

Financial:

- Not being able to realise or sustain expected benefits of internal restructuring, project developments, joint ventures or future acquisitions.
- Significant asset impairment, particularly if market conditions deteriorate.
- Substantial company contributions to its employees' defined benefit funds, which are currently underfunded.

For an expanded discussion on social, environment, compliance and conduct matters please refer to the Sustainability and Governance areas of BlueScope's website.

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 of BlueScope for future financial years. 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.

DETAILED EXPLANATORY TABLES

A. DETAILED INCOME STATEMENT

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

Table 11: Detailed income statement

	Revenue		Reported Result[1]		Underlying Result[2]	
$M	**FY2018**	**FY2017**	**FY2018**	**FY2017**	**FY2018**	**FY2017**
Sales revenue/EBIT[3]						
Australian Steel Products	5,423.2	4,918.7	803.4	459.5	587.4	459.4
North Star BlueScope Steel	1,923.9	1,700.9	430.6	433.3	430.6	406.6
Building Products Asia & North America	2,693.8	2,459.9	188.3	89.2	184.5	208.7
Buildings North America	1,106.4	1,173.9	73.7	49.8	74.6	57.5
New Zealand & Pacific Steel	833.6	747.5	111.7	87.2	111.7	61.1
Discontinued operations	51.9	205.5	(25.3)	17.7	0.0	0.0
Segment revenue/EBIT	**12,032.8**	**11,206.4**	**1,582.4**	**1,136.7**	**1,388.8**	**1,193.3**
Inter-segment eliminations	(483.1)	(471.1)	(11.0)	1.1	(11.0)	1.1
Segment external revenue/EBIT	**11,549.7**	**10,735.3**	**1,571.4**	**1,137.8**	**1,377.8**	**1,194.4**
Other revenue/(net unallocated expenses)	28.5	22.3	(108.5)	(93.3)	(108.5)	(89.0)
Total revenue/EBIT	**11,578.2**	**10,757.6**	**1,462.9**	**1,044.5**	**1,269.3**	**1,105.4**
Finance costs			(112.5)	(95.0)	(80.7)	(86.4)
Interest revenue			8.7	6.2	8.7	6.2
Profit/(loss) from ordinary activities before income tax			1,359.1	955.7	1,197.3	1,025.2
Income tax (expense)/benefit			269.5	(181.8)	(308.9)	(289.5)
Profit/(loss) from ordinary activities after income tax expense			1,628.6	773.9	888.4	735.7
Net (profit)/loss attributable to outside equity interest			(59.5)	(58.0)	(62.4)	(83.3)
Net profit/(loss) attributable to equity holders of BlueScope Steel Limited			**1,569.1**	**715.9**	**826.0**	**652.4**
Basic earnings per share (cents)			281.8	125.3	148.3	114.2

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

B. RECONCILIATION OF UNDERLYING EARNINGS TO REPORTED EARNINGS

Table 12: Reconciliation of Underlying Earnings to Reported Earnings

The Company has provided an analysis of unusual items included in the reported IFRS financial information. These items have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying operating business. Throughout this report the Company 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 $M		EPS $ [10]	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Reported earnings	**1,839.5**	**1,425.0**	**1,462.9**	**1,044.5**	**1,569.1**	**715.9**	**2.82**	**1.25**
Underlying adjustments:								
Net (gains) / losses from businesses discontinued [1]	24.1	(19.2)	25.3	(17.7)	23.3	(12.8)	0.04	(0.02)
Asset impairments [2]	0.0	98.9	0.0	98.9	0.0	73.7	0.00	0.13
Asset impairment write back [3]	(216.0)	0.0	(216.0)	0.0	(216.0)	0.0	(0.39)	0.00
Business development, transaction and pre-operating costs [4]	0.0	4.3	0.0	4.3	0.0	3.0	0.00	0.01
Restructure and redundancy costs [5]	3.9	32.3	3.9	32.3	1.8	28.2	0.00	0.05
Asset sales [6]	(6.8)	(57.0)	(6.8)	(57.0)	(3.6)	(47.7)	(0.01)	(0.08)
Debt restructuring costs [7]	0.0	0.0	0.0	0.0	30.9	2.2	0.06	0.00
Tax asset impairment / (write back) [8]	0.0	0.0	0.0	0.0	(503.2)	(110.2)	(0.90)	(0.19)
US tax reform one-off impact [9]	0.0	0.0	0.0	0.0	(76.3)	0.0	(0.14)	0.00
Underlying Operational Earnings	**1,644.6**	**1,484.4**	**1,269.3**	**1,105.4**	**826.0**	**652.4**	**1.48**	**1.14**

1) FY2018 mainly includes losses from the discontinued Engineered Buildings ASEAN business ($27.2M pre-tax – includes asset impairment recognised in December 2017) partly offset by residual profits relating to the previously sold Taharoa iron sands operations ($2.5M pre-tax). FY2017 mainly includes profits from the disposed Taharoa iron sands operations ($19.2M pre-tax – this is net of the fixed asset write off of $7.0M recognised in December 2016).
2) FY2017 includes the following asset impairments:
   - Building Products: fixed assets write off at PT NS BlueScope Indonesia ($50.3M pre-tax) recognised in June 2017 due to the uncertain regulatory environment and ongoing margin compression.
   - Building Products: write off at Engineered Buildings China ($43.9M pre-tax) in relation to assets that will no longer be required, goodwill and other intangibles.
   - Building Products: fixed asset write off at the India joint venture ($4.7M pre-tax) in relation to engineered building solutions business assets that will no longer be required.
3) FY2018 reflects the full reversal of previously impaired plant and equipment at Australian Steel Products due to improved earnings and increased confidence that the cash flows necessary to support the uplifted asset values are sustainable.
4) FY2017 reflects corporate transaction costs ($4.3 pre-tax).
5) FY2018 reflects staff redundancy and restructuring costs at Buildings North America ($5.3M pre-tax) relating to the cost reduction program, partly offset by Building Products ($1.5M pre-tax). FY2017 reflects staff redundancy and restructuring costs at Buildings North America ($7.6M pre-tax) relating to the cost reduction program, Building Products ($20.5M pre-tax) and ASP ($4.2M pre-tax).
6) FY2018 reflects the profit on the sale of assets at Buildings North America ($4.4M pre-tax) and profit on sale of assets at Building Products ($2.4M pre-tax). FY2017 reflects the profit on the sale of BSL's 47.5% interest in Castrip in North America ($26.6M pre-tax), profit on sale of the Taharoa iron sands business ($26.1M pre-tax) and the reversal of a provision relating to the sale of an intangible asset in ASP in FY2013 ($3.4M pre-tax) and property, plant and equipment ($0.8M pre-tax) in ASP.
7) FY2018 reflects the make whole payment on the re-issue of US$110M 144A senior unsecured notes ($21.6M) and the write-off of unamortised borrowing costs ($9.3M). FY2017 reflects the early redemption premium on the US$110M 144A senior unsecured notes due in May 2018 and the write-off of unamortised borrowing costs.
8) FY2018 reflects the utilisation of carried forward tax losses against current year taxable income in Australia and New Zealand ($177.5M) and full recognition of previously unbooked Australian tax losses at 30 June 2018 ($325.7M).
9) FY2018 reflects a one-off tax accounting adjustment relating to impacts of U.S. tax reform announced in December 2017 ($76.3M). The company has benefitted from a 7% rate reduction on U.S. derived earnings in FY2018 with an 11% tax rate reduction thereafter. The tax rate reduction has necessitated a downward revision in deferred tax liabilities currently held on the balance sheet, with a corresponding reduction in income tax expense in the period. This has been partially offset by a tolling charge and withholding tax payable on distributable U.S. foreign earnings currently held in China associated with the tax reform.
10) Earnings per share are based on the average number of shares on issue during the respective reporting periods (556.8m in FY2018 vs. 571.1m in FY2017).

Table 13: Segmental underlying EBITDA and underlying EBIT

FY2018 underlying EBIT adjustments $M	ASP	North Star	BP	BNA	NZPac	Corp	Discon Ops	Elims	Total
Net (gains) / losses from businesses discontinued	0.0	0.0	0.0	0.0	0.0	0.0	25.3	0.0	25.3
Asset Impairments	(216.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(216.0)
Restructure and redundancy costs	0.0	0.0	(1.4)	5.3	0.0	0.0	0.0	0.0	3.9
Asset sales	0.0	0.0	(2.4)	(4.4)	0.0	0.0	0.0	0.0	(6.8)
Underlying Adjustments	**(216.0)**	**0.0**	**(3.8)**	**0.9**	**0.0**	**0.0**	**25.3**	**0.0**	**(193.7)**

C. CASH FLOW STATEMENT

Table 14: Consolidated cash flow statement

$M	FY2018	FY2017	Variance %
Reported EBITDA	**1,839.5**	**1,425.0**	**29%**
Add cash/(deduct non-cash) items			
- Share of profits from associates and joint venture partnership not received as dividends	(29.5)	(4.8)	(515%)
- Expensing of share-based employee benefits	16.2	24.0	(33%)
- Impaired assets	(208.0)	101.2	(306%)
- Foreign exchange reserve transferred to P&L	0.2	0.0	N/A
- Net (gain) loss on sale of assets	(7.2)	(51.0)	86%
Cash EBITDA	**1,611.2**	**1,494.4**	**8%**
Changes in working capital	(308.1)	(119.0)	(159%)
Gross operating cash flow	**1,303.1**	**1,375.3**	**(5%)**
Finance costs	(104.7)	(90.8)	(15%)
Interest received	8.7	6.1	43%
Tax received / (paid)[1]	(66.4)	(158.3)	58%
Net cash from operating activities	**1,140.7**	**1,132.4**	**1%**
Capex: payments for P, P & E and intangibles	(409.9)	(383.0)	(7%)
Other investing cash flows	29.5	(25.3)	217%
Net cash flow before financing	**760.3**	**724.2**	**5%**
Equity issues / (buy-backs)	(300.3)	(150.4)	(100%)
Dividends to non-controlling interests [2]	(64.9)	(63.4)	(2%)
Dividends to BlueScope Steel Limited shareholders	(61.7)	(40.2)	(53%)
Transactions with non-controlling interests	0.0	0.0	100%
Net drawing/(repayment) of borrowings	(154.6)	(254.7)	39%
Net increase/(decrease) in cash held	**178.8**	**215.4**	**(17%)**

1) The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 30 June 2018, of approximately $1.84Bn. There will be no Australian income tax payments until these are recovered.
2) These dividend payments primarily relate to dividend payments to Nippon Steel & Sumitomo Metal Corporation (NSSMC) in respect of NS BlueScope Coated Products joint venture.

ABBREVIATIONS

1H	Six months ended 31 December in the relevant financial year
1H FY2017	Six months ended 31 December 2016
1H FY2018	Six months ended 31 December 2017
1H FY2019	Six months ended 31 December 2018
2H	Six months ended 30 June in the relevant financial year
2H FY2017	Six months ending 30 June 2017
2H FY2018	Six months ending 30 June 2018
ASEAN	Association of South East Asian Nations
ASP	Australian Steel Products segment
A$, $	Australian dollar
BNA	Buildings North America segment
BP or Building Products	Building Products Asia and North America segment
BPG	BlueScope Properties Group
BlueScope or the Group	BlueScope Steel Limited and its subsidiaries (ie. the consolidated group)
the Company	BlueScope Steel Limited (ie. the parent entity)
DPS	Dividend per share
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBS	Engineered building solutions, a key product offering of the Buildings North America and Building Products segments
EPS	Earnings per share
FY2017	12 months ending 30 June 2017
FY2018	12 months ending 30 June 2018
FY2019	12 months ending 30 June 2019
Gearing ratio	Net debt divided by the sum of net debt and equity
HRC	Hot rolled coil steel
IFRS	International Financial Reporting Standards
Leverage, or leverage ratio	Net debt over LTM underlying EBITDA
LTM	Last twelve months
Net debt, or ND	Gross debt less cash
n/m	Not meaningful
NOA	Net operating assets pre-tax
North Star	North Star BlueScope Steel
NPAT	Net profit after tax
NSSMC	Nippon Steel & Sumitomo Metal Corporation
NZD	New Zealand dollar
NZPac	New Zealand & Pacific Steel segment
ROIC	Return on invested capital (or ROIC) – underlying EBIT (annualised in case of half year comparison) over average monthly capital employed
TBSL	Tata BlueScope Steel
U.S.	United States of America
US$	United States dollar

BOARD COMPOSITION

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

John Andrew Bevan (Chairman)	
Daniel Bruno Grollo	
Kenneth Alfred Dean	
Penelope Bingham-Hall	
Ewen Graham Wolseley Crouch AM	
Lloyd Hartley Jones	
Rebecca Patricia Dee-Bradbury	
Jennifer Margaret Lambert	Appointed 1 September 2017
Mark Royce Vassella	Appointed Managing Director and Chief Executive Officer 1 January 2018
Paul Francis O'Malley	Retired 31 December 2017

Particulars of the skills, experience, expertise and special responsibilities of the Directors in office at the date of this report are set out below.

DIRECTORS' BIOGRAPHIES

John Bevan, Chairman (Independent)
Age 61, BCom (Mkt)
Director since: March 2014
Directorships of other Australian listed entities in the past three years: Non-executive director of Ansell Limited (August 2012 to date), Nuplex Industries Limited (September 2015 to September 2016) and Alumina Limited (from January 2018 to date).

Mr Bevan was CEO and a director of Alumina Limited from 2008 to 2014. 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 the Deputy Chairman of Ansell Limited. In July 2017, Mr Bevan was appointed to the Board of the Humpty Dumpty Foundation.

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

Mr Bevan is Chair of the Nomination Committee and is a member of the Remuneration and Organisation Committee and the Health, Safety and Environment Committee.

Mark Vassella, Managing Director & Chief Executive Officer
Age 55, BCom, MBA
Director since: January 2018
Directorships of other Australian listed entities in the past three years: Nil

Mark Vassella was appointed Managing Director and Chief Executive Officer of BlueScope in January 2018.

He joined the Company following BlueScope's 2007 acquisition of Smorgon Steel Distribution where he was the Chief Executive. He was appointed Chief Executive Australian Distribution and Solutions before moving to the US as President, BlueScope Steel North America in 2008. He returned to Australia in 2011 to take up the role of Chief Executive BlueScope Australia and New Zealand.

Mr Vassella is a past Board member, President and Treasurer of the Family Life charitable organisation.

Mr Vassella is a member of the Health, Safety and Environment Committee.

Daniel Grollo, Non-executive Director (Independent)
Age 48
Director since: September 2006
Directorships of other listed entities in the past three years: Nil

Mr Grollo is Executive Chairman of Grocon Group Holdings Pty Ltd, one of Australia's largest privately owned development and construction companies. He brings extensive knowledge of the building and construction industry to the Board.

Mr Grollo has previously held positions as Chairman of the Green Building Council of Australia and National President of the Property Council of Australia and Member of the Prime Minister's Business Advisory Council.

Mr Grollo was Chair of the Health, Safety and Environment Committee until 30 June 2018. He remains a member of this Committee and is also a member of the Remuneration and Organisation Committee and the Nomination Committee.

Ken Dean, Non-executive Director (Independent)
Age 65, BCom (Hons), FCPA, FAICD
Director since: April 2009
Directorships of other Australian listed entities in the past three years: Non-executive director of Santos Limited (February 2005 to May 2016) and Virgin Australia Holdings Limited (December 2016 to date)

Mr Dean is Chairman of Mission Australia, a director of Energy Australia Holdings Ltd, Virgin Australia Holdings Ltd and is a member of the Director Advisory Panel of the Australian Securities & Investments Commission. He has held directorships with Santos Limited, 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 was Chair of the Audit Committee until 28 February 2018. He remains a member of the Audit Committee and is also a member of the Risk and Sustainability Committee, the Health Safety and Environment Committee and the Nomination Committee.

Penny Bingham-Hall, Non-executive Director (Independent)
Age 58, BA (Ind.Des) FAICD, SF(Fin)
Director since: March 2011
Directorships of other Australian listed entities in the past three years: Non-executive director of Dexus Funds Management Limited (responsible entity for the Dexus Property Group) (June 2014 to date) and Fortescue Metals Group Ltd (November 2016 to date)

Ms Bingham-Hall is a director of Dexus Property Group, Fortescue Metals Group Ltd, the Port Authority of NSW and Macquarie Specialised Asset Management, 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 Tourism & Transport Forum, Infrastructure Partnerships Australia and as the inaugural Chairman of Advocacy Services Australia. Ms Bingham-Hall is a member of Chief Executive Women and of the WomenCorporateDirectors Foundation.

Ms Bingham-Hall spent more than 20 years in a variety of roles with Leighton Holdings (now Cimic Group) 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 Chair of the Remuneration and Organisation Committee and is a member of the Risk and Sustainability Committee, the Health, Safety and Environment Committee and the Nomination Committee.

Ewen Crouch AM, Non-executive Director (Independent)
Age 62, BEc (Hons) LLB, FAICD
Director since: March 2013
Directorships of other listed entities in the past three years: Non-executive director of Westpac Banking Corporation (February 2013 to date)

Mr Crouch is a director of Westpac Banking Corporation. He is a member of the Commonwealth Remuneration Tribunal, a Fellow of the Australian Institute of Company Directors and a member of its Law Committee. Mr Crouch is also a board member of Sydney Symphony Orchestra and Jawun.

Mr Crouch was a Partner at Allens from 1998 to 2013 where his roles included Chairman of Partners, Co-Head Mergers and Acquisitions and Equity Capital markets, Executive Partner – Asian Offices and Deputy Managing Partner, as well as 11 years' service on its board.

He was a member of the Takeovers Panel from 2010 to 2015 and served as a director of Mission Australia between 1995 and 2016 including 7 years as its chairman.

Mr Crouch brings to the Board the breadth of his experience in service industries, financial markets, governance and risk management together with his knowledge of strategic mergers, acquisitions and capital markets transactions.

Mr Crouch is Chair of the Risk & Sustainability Committee and is a member of the Audit Committee, the Health, Safety and Environment Committee and the Nomination Committee.

Lloyd Jones, Non-executive Director (Independent)
Age 65, BEng, MBA, GAICD
Director since: September 2013
Directorships of other Australian listed entities in past three years: Non-executive director of RCR Tomlinson Ltd (November 2013 to date)

Mr Jones is a director of RCR Tomlinson Ltd. He is also a member of the Advisory Council to the Dean of Engineering & Mathematical Sciences at the University of Western Australia. Mr Jones was a director of Myer Family Investments Pty Ltd from November 2010 to October 2016 and was an advisory director to a division of Deutsche Bank in Australia between 2012 and 2017.

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. Cerberus Capital is a $35B New York based private equity company. His experience encompasses metals, smelting and roll forming, plant operations, energy, construction, mergers and acquisitions, corporate affairs and finance.

Mr Jones is Chair of the Health, Safety and Environment Committee since 1 July 2018 and is a member of the Audit Committee and the Nomination Committee.

Rebecca Dee-Bradbury, Non-executive Director (Independent)
Age 50, BBus (Mkt), GAICD
Director since: April 2014
Directorships of other Australian listed entities in the past three years: Non-executive director of TOWER Limited (August 2014 to September 2016) and GrainCorp Limited (September 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 director of GrainCorp Limited, Energy Australia Holdings Ltd and former director of TOWER Limited. She is also an inaugural Member of the Business Advisory Board for the Monash Business School, a member of Chief Executive Women and of the WomenCorporateDirectors Foundation, and a former member of the Federal Government's Asian Century Strategic Advisory Board. Ms Dee-Bradbury brings to the Board significant experience in strategic brand marketing, customer relationship management and innovation.

Ms Dee-Bradbury is a member of the Audit Committee, the Remuneration and Organisation Committee, the Health, Safety and Environment Committee and the Nomination Committee.

Jennifer Lambert, Non-executive Director (Independent)
Age 51, BBus, MEc, CA, FAICD
Director since: September 2017
Directorships of other Australian listed entities in the past three years: Nil

Ms Lambert is a non-executive director of Investa Office Management Pty Ltd, Place Management NSW (part of Property NSW) and Mission Australia. She is a Fellow of the Australian Institute of Company Directors and a member of its Reporting Committee. Ms Lambert is also on the Council of the Sydney Church of England Grammar School and is the Chairman of Mosman Church of England Preparatory School.

Ms Lambert has extensive business and leadership experience at the senior executive and board level. Ms Lambert was Group Chief Financial Officer of 151 Property (previously known as Valad Property Group) from 2003 to 2016, where her responsibilities included operational and strategic finance, tax, treasury, legal and compliance. Prior to this, Ms Lambert was a director at PricewaterhouseCoopers specialising in capital raisings, and structuring and due diligence for acquisitions and disposals across various industries.

Ms Lambert brings more than 25 years of financial management and accounting experience, along with over 15 years specialising in the property industry.

Ms Lambert is Chair of the Audit Committee since 1 March 2018 and is a member of the Risk and Sustainability Committee, the Health, Safety and Environment Committee and the Nomination Committee.

COMPANY SECRETARIES

The following are Company Secretaries of BlueScope Steel Limited:

Debra Counsell, BA, LLB
Responsible for the legal affairs of BlueScope and for company secretarial matters. Appointed Chief Legal Officer on 1 January 2017 and the Company Secretary on 1 July 2017. Prior to that occupied position of General Counsel – Corporate at BlueScope since 2014, following 23 years of private practice in Australia, Asia and Europe.

Penny Grau, BCom, LLB, LLM
Appointed Group Counsel – Secretariat with BlueScope on 6 November 2017 and appointed a company secretary on 27 November 2017. Previously occupied positions of general counsel and company secretary of a number of listed companies for 10 years, and prior to this practised as a corporate lawyer for 18 years.

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

As at the date of this Directors' Report the interests of the Directors in shares and options of the Company are:

Director	Ordinary shares	Share rights
J A Bevan	55,326	-
M R Vassella	471,479	921,581
D B Grollo	38,447	-
K A Dean	40,488	-
P Bingham-Hall	57,834	-

Director	Ordinary shares	Share rights
E G W Crouch	32,500	-
L H Jones	46,245	-
R P Dee-Bradbury	27,300	-
J M Lambert	4,100	-

MEETINGS OF DIRECTORS

Attendance of the Directors at Board and Board Committee meetings from 1 July 2017 to 30 June 2018 is as follows:

	Board meetings		Audit & Risk Committee[3]		Remuneration & Organisation Committee		Health, Safety & Environment Committee	
	A	B	A	B	A	B	A	B
J A Bevan	14	14	-	4[2]	7	7	4	4
P F O'Malley	8	7	-	4[1]	-	4[1]	2	2
M R Vassella	6	6	-	2[1]	-	3[1]	2	2
D B Grollo	14	12	-	-	7	7	4	4
K A Dean	14	14	4	4	-	2[2]	4	4
P Bingham-Hall	14	14	-	-	7	7	4	4
E G W Crouch	14	14	4	4	-	2[2]	4	4
L H Jones	14	14	4	4	-	2[2]	4	4
R P Dee-Bradbury	14	12	4	3	7	6	4	3
J M Lambert	11	11	3	3	-	-	3	3

	Nomination Committee		Risk & Sustainability Committee[3]		Other Sub-Committees		Annual General Meeting	
	A	B	A	B	A	B	A	B
J A Bevan	7	7	-	7[2]	9	9	1	1
P F O'Malley	-	1[1]	-	3[1]	2	6[1]	1	1
M R Vassella	-	4[1]	-	5[1]	-	2[1]	-	-
D B Grollo	7	7	-	-	-	1[2]	1	1
K A Dean	7	7	8	8	5	5	1	1
P Bingham-Hall	7	7	8	8	4	5[4]	1	1
E G W Crouch	7	7	8	8	7	7	1	1
L H Jones	7	7	-	-	2	3[4]	1	1
R P Dee-Bradbury	7	6	-	-	2	3[4]	1	1
J M Lambert	5	5	4	4	2	2	1	1

With the exception of Ms Lambert and Messrs O'Malley and Vassella, all current Directors have held office for the entire year ended 30 June 2018.

A = Number of meetings held in the period 1 July 2017 to 30 June 2018 during which time the relevant Director was a member of the Board or the Committee, as the case may be.

B = Number of meetings attended by the relevant Director from 1 July 2017 to 30 June 2018.

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

(2) The Director is not a Committee member and attended pursuant to their standing invitation.

(3) In September 2017, the Audit & Risk Committee was separated into two committees, with the existing Committee being renamed the Audit Committee and a separate Risk & Sustainability Committee established.

(4) Director attended those sub-committee meetings for which they were a member as well as an additional sub-committee meeting pursuant to their standing invitation.

Directors meet regularly in the absence of management.

REMUNERATION REPORT (AUDITED)

FY2018 has been a strong year of performance for the BlueScope business. It has also been a year of change, with the appointment of Mark Vassella our new Managing Director and Chief Executive Officer, and changes to the Executive Leadership Team. The Board is confident that the successful transition of the leadership team positions us well to continue to execute our strategy and deliver zero harm and sustainable profitability.

The new remuneration framework approved at our AGM last year better aligns remuneration outcomes with our long-term strategy and the shareholder experience. The outcomes for FY2018 reflect the outstanding performance achieved, and the strong Group performance in recent years means that executives have been rewarded through the vesting of prior equity awards.

Dear fellow shareholder,

On behalf of the Directors of BlueScope Steel Limited, I am pleased to present our Remuneration Report for FY2018.

FY2018 PERFORMANCE & REWARD OUTCOMES

BlueScope's performance shows the Group's strategy and focus on shareholder returns is producing results. Since delivering transformational cost saving initiatives in Australasia and the acquisition of the other 50 per cent of North Star, we have now delivered underlying EBIT of over $1.1 billion in each of the last two years. The BlueScope balance sheet is robust, with great flexibility, and we have a clear capital management framework in place. Whilst we remain focussed on further efficiencies to counter inflationary pressures such as energy costs, there are many organic growth opportunities across our portfolio of businesses. We continue to review opportunities that fit our strategy in markets as diverse as India, ASEAN, the U.S., Australia and New Zealand, and we place a strong emphasis on sustainability, innovation and diversity as we implement our plans.

Performance against the key Short Term Incentive (STI) financial measures was at stretch for underlying Return on Invested Capital (ROIC) and above target for cashflow. Despite the gateway condition for the safety objective being achieved (no fatalities and a Lost Time Injury Frequency Rate (LTIFR) less than one), no STI was paid in respect of this measure as the performance against the Medical Treatment Injury Frequency Rate (MTIFR) measure, while better than in FY2017, was below threshold. Due to the safety result, the Board decided to reduce the maximum STI that could be awarded from 150 per cent to 145 per cent. The actual STI awarded for the Managing Director and Chief Executive Officer (MD&CEO) was 145 per cent of target, and for other executive KMP between 128 per cent and 145 per cent of target. The Board is satisfied that this result appropriately reflects both Group and individual performance for the year.

The performance conditions for the Long Term Incentive (LTI) plan granted in FY2015 and the remainder of the FY2014 plan were tested in August 2017 and, based on performance of Total Shareholder Return (TSR) relative to the ASX100 at the 95th percentile and 93rd percentile respectively, both awards vested in full.

Awards under the FY2016 LTI plan are subject to a relative TSR and compound annual growth in Earnings Per Share (EPS) hurdle. Performance against the EPS hurdle exceeded the maximum performance level set by the Board and accordingly that portion will vest in full. Performance against the TSR hurdle for this award will be assessed in September 2018 and the results disclosed at the 2018 Annual General Meeting (AGM).

EXECUTIVE CHANGES

On 21 August 2017, BlueScope announced the appointment of new Managing Director and CEO Mark Vassella, following Paul O'Malley's retirement. The details of Mr Vassella's remuneration and Mr O'Malley's termination arrangements were disclosed at the time of the announcement, and are outlined again in this report.

In FY2018 we announced the reorganisation of the executive team. Details of these appointments are also outlined further in this report.

CHANGES TO THE REMUNERATION FRAMEWORK IN FY2018

Following a detailed review of our remuneration strategy in FY2017, we have introduced a new remuneration framework. These changes were made following extensive consultation with major shareholders, the Australian Shareholders' Association, and proxy advisors, and we are pleased that they were strongly supported and approved at our AGM last year.

The changes to the remuneration framework have been made in order to provide a stronger link between executive and shareholder outcomes through incentive plans which create a greater level of share ownership for executives. Performance measures for the STI plan focus on annual financial, safety and strategic objectives. The focus of the LTI plan is on sustainable long-term earnings, appropriately managing costs and debt, and reducing volatility in business performance. Vesting of the LTI remains dependent on a minimum level of business performance, to ensure shareholder value. Furthermore, the higher weighting to equity in the mix of total reward, combined with the minimum shareholding requirements, means that executive remuneration outcomes will be directly aligned to the shareholder experience.

In summary, the key changes to the remuneration framework for FY2018 are:

- The prior LTI plan has been replaced with Alignment Rights, which vest subject to individual adherence to Our Bond, and achievement of a threshold level of Return on Invested Capital (ROIC) and a maximum debt leverage hurdle.
- The mix of total reward has changed, with a higher weighting to long-term equity and a reduction in the total quantum of STI.
- The deferred component of the STI has been effectively reallocated to Alignment Rights, with a vesting period of three years (compared to one year in the previous STI deferral).
- The quantum of LTI and total remuneration has also been reduced, reflecting the increased likelihood of equity vesting compared to the prior plan.
- The minimum shareholding requirements have doubled, for both the MD & CEO and other executive KMP.

The Board is confident that the changes made to the remuneration framework will deliver greater value to shareholders at less cost, maintain a deliberate and continued focus by executives on financial fundamentals, and provide for more perceived value to executives despite a significant reduction in quantum of incentives to both the MD & CEO and other executive KMP.

GOVERNANCE, RISK & CULTURE

Appropriate governance and proper business conduct is crucial to the ongoing success of our business. Accordingly, the Board and all employees, including KMP, are required to behave in accordance with Our Bond and BlueScope policies and standards. We have clear and consistent practices in place for managing misconduct and the Board and our Remuneration and Organisation Committee (ROC) take any breaches very seriously. Our remuneration framework supports this by ensuring that Alignment Rights can only vest when executives conduct themselves in accordance with Our Bond, with an individual assessment made by the Board each year.

The Board, through the ROC, retains discretion to limit, defer or cancel any awards granted under the STI or Alignment Rights plans. In FY2018, the Board exercised this discretion in a small number of instances for senior leaders below KMP, forfeiting some or all the LTI and STI awards.

In addition, the weighting towards equity in the total remuneration offer, and the requirement for executives to hold a significant portion of equity, provides strong alignment between remuneration and the management of longer term risk, business reputation and conduct.

I trust that the FY2018 Remuneration Report clearly outlines the links between our strategy, performance and executive remuneration outcomes. We welcome your feedback on our remuneration practices and disclosures, and look forward to your continued support at our AGM in November.

Penny Bingham-Hall.

Penny Bingham-Hall

Chair of the Remuneration & Organisation Committee

CONTENTS

The Directors of BlueScope Steel Limited present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and the consolidated entities for the year ended 30 June 2018. 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.

This Report outlines the remuneration strategy, framework and other conditions of employment for the Key Management Personnel (KMP) of the Company, and sets out the role and accountabilities of the Board and relevant Committees that support the Board on these matters. In this report, KMP include those members of the Executive Leadership Team who have the authority and responsibility for planning, directing and controlling the activities of the Group.

KEY MANAGEMENT PERSONNEL

Name	Position
Senior Executives	
Mr Paul O'Malley	Managing Director & CEO (until 31 December 2017)[1]
Mr Mark Vassella	Managing Director & CEO (from 1 January 2018) Chief Executive BlueScope Australia and New Zealand (until 31 December 2017)
Ms Tania Archibald	Chief Financial Officer (from 1 March 2018)[2]
Mr Sanjay Dayal	Chief Executive, NS BlueScope (until 28 February 2018)[3]
Mr Charlie Elias	Chief Executive, NS BlueScope (from 1 March 2018) Chief Financial Officer (until 28 February 2018)
Mr Pat Finan	Chief Executive, BlueScope Buildings
Mr John Nowlan	Chief Executive, Australian Steel Products (from 1 January 2018)[4]
Ms Gretta Stephens	Chief Executive, New Zealand Steel and Pacific Islands (from 25 June 2018)[5]
Non-executive Directors	
Mr John Bevan	Chairman of the Board
Ms Penny Bingham-Hall	Non-Executive Director
Mr Ewen Crouch AM	Non-Executive Director
Mr Ken Dean	Non-Executive Director
Ms Rebecca Dee-Bradbury	Non-Executive Director
Mr Daniel Grollo	Non-Executive Director
Mr Lloyd Jones	Non-Executive Director
Ms Jennifer Lambert	Non-Executive Director (from 1 September 2017)[6]

1) Mr O'Malley ceased to be KMP on 31 December 2017, and ceased full time employment with the Company on 23 February 2018. See Section 1: Executive Remuneration Changes
2) Ms Archibald was appointed Chief Financial Officer on 1 March 2018 and became KMP at this date.
3) Mr Dayal ceased to be KMP on 28 February 2018 and subsequently left the Company on 30 June 2018.
4) Mr Nowlan was appointed Chief Executive Australian Steel Products on 1 January 2018 and became KMP at this date.
5) Ms Stephens was appointed Chief Executive New Zealand Steel and Pacific Islands on 25 June 2018 and became KMP at this date.
6) Ms Lambert was appointed a Non-Executive Director of the Company on 1 September 2017.

REMUNERATION REPORT SNAPSHOT

OBJECTIVE AND GUIDING PRINCIPLES

OBJECTIVE

"To pay fairly for delivering on our strategy and to create value over time in the eyes of internal and external stakeholders."

PRINCIPLES

RETENTION
Keeps the right people

OWNERS
Encourages executives to behave like owners

STRATEGY
Enables the delivery of the strategy

FAIR
Feels fair over the cycle for all stakeholders

SIMPLE
Remuneration framework can be easily explained

REMUNERATION FRAMEWORK

	PERFORMANCE MEASURES	REMUNERATION STRATEGY/ PERFORMANCE LINK	CHANGES IN FY2018
FIXED PAY Salary and other benefits (including statutory superannuation)	**Considerations:** ▪ Skills, experience, accountability. ▪ Role and responsibility. ▪ Market benchmarking around 55th percentile against peer group noted at Section 5.1.	▪ Set to attract and retain experienced and capable leaders.	▪ New MD & CEO's fixed pay was set at 15% below his predecessor. ▪ New Executive Leadership Team appointments (including Mr Elias) were set based on competitive benchmarking and capability & experience of individuals.
SHORT TERM INCENTIVE Annual incentive opportunity delivered in cash, equity or a mixture of both (as elected by each executive)	**Financial Performance (50% of total):** ▪ Group underlying Return on Invested Capital (ROIC) (2/3). ▪ Cash flow from operations (1/3). **Zero Harm (5% of total):** Gateway of no fatalities and LTIFR <1 ▪ MTIFR **Strategic objectives (45% of total):** ▪ Measures based on the execution and implementation of strategic business priorities.	▪ Drive and reward the achievement of annual growth and performance targets. ▪ Significant proportion of outcomes are subject to the achievement of financial targets. ▪ Threshold, target and stretch levels for each measure are set by the Board to ensure that they are both challenging yet meaningful. ▪ The Board has the discretion to adjust STI outcomes up or down to ensure that individual outcomes are appropriate.	▪ Reduction in overall STI opportunity by at least one third. ▪ Given the reduction in STI opportunity and the equivalent increase in long term deferral through the Alignment Rights (of three years), there is no additional deferral of STI.
ALIGNMENT RIGHTS Three year incentive opportunity delivered through share rights, with vesting dependent on achievement of threshold measures	**Gateway Condition:** ▪ Adherence to 'Our Bond' (company values). **Vesting Conditions:** ▪ Minimum 10% rolling three-year average underlying ROIC. ▪ Average debt leverage of Net Debt to EBITDA ratio of <1.0x over three years.	▪ Achieve shareholder alignment through equity ownership by executives ▪ Awards vest on achievement of hurdles that are set at a threshold level and are expected to vest regularly. ▪ The plan incentivises executives to behave as owners of the business, providing the optimum form of shareholder alignment. ▪ The measures are set to ensure the Group is well placed to weather downturns in the cycle.	▪ Replaces performance rights granted under the previous LTI plan. ▪ Underlying ROIC and Net Debt to underlying EBITDA ratio replace the relative TSR and CAGR EPS measures in the prior LTI plan. ▪ No re-testing provisions. ▪ Total quantum has been reduced, to reflect the greater potential for vesting.

TOTAL REMUNERATION

Overall, total remuneration is designed to attract and retain capable and experienced executives, reward them for creating long term, sustainable value and provide a direct link between the interests of executives and shareholders.

MINIMUM SHAREHOLDING REQUIREMENT

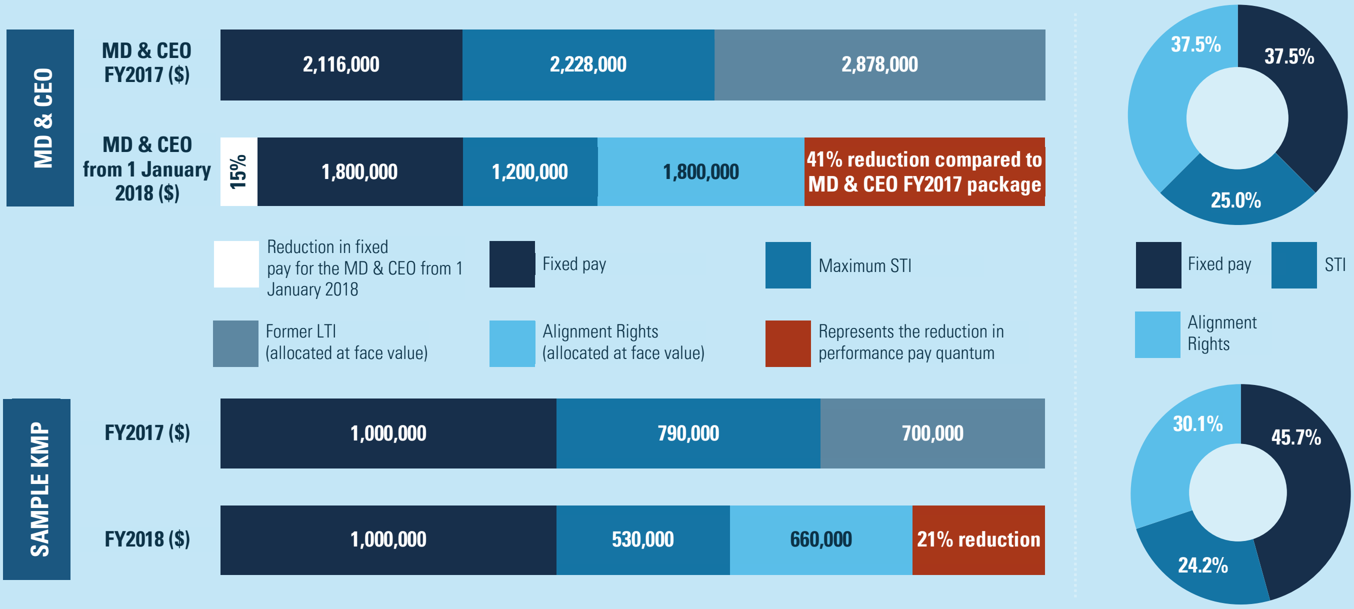
Non-executive Directors: 100% of base fees | MD & CEO: 200% of fixed pay | Executive KMP: 100% of fixed pay

REMUNERATION REPORT SNAPSHOT

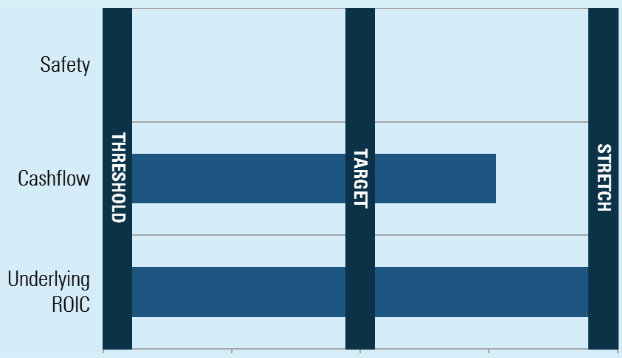
BLUESCOPE

TOTAL REMUNERATION CHANGES FROM FY2017

The de-emphasis on STI coupled with increased frequency of payout inherent in the Alignment Rights results in a reduction in maximum performance pay levels for the MD & CEO of 41% compared to the previous MD & CEO.



FY2018 STI OUTCOMES



Safety

There were no fatalities in FY2018, and LTIFR was 0.62, meeting the gateway conditions for our safety objective. While MTIFR was 5.38, an improvement on FY2017, it was below the threshold of 5.18 and accordingly no STI was awarded for this measure.

Cash Flow

The performance of cash flow was between target and stretch in FY2018.

Underlying ROIC

We delivered strong underlying ROIC in FY2018, achieving a ROIC of 20% which was a stretch level of performance.

FY2018 LTI OUTCOMES

- The FY2014 LTI was retested and the remainder of the award vested.
- The FY2015 LTI was tested and vested in full.
- The FY2016 LTI was tested against the EPS hurdle at the end of FY2018 and achieved above the maximum. The relative TSR hurdle will be tested following the release of the FY2018 Remuneration Report and the result disclosed in the FY2019 Report.

	FY2014 LTIP	FY2015 LTIP
BlueScope Total Shareholder Return[(1)]	169.6%	129.2%
Relative TSR ranking against peer group[(2)]	93rd percentile	95th percentile
Proportion of award vested	100%	100%

(1) Absolute TSR measured over the period 1 September 2013 to 31 August 2017 for FY2014 LTIP and 1 September 2014 to 31 August 2017 for the FY2015 LTIP
(2) The peer group consists of the ASX100

1. EXECUTIVE REMUNERATION CHANGES

REVIEW OF REMUNERATION FRAMEWORK

The Board believes that executive remuneration is a key enabler of the delivery of the Group's strategy for the benefit of shareholders, customers, employees and our communities. After extensive internal and external consultation, the Board determined that an incentive plan which has less extreme peaks and troughs whilst enabling greater share ownership would better align executive and shareholder interests. The framework was supported by shareholders and approved at the 2017 AGM.

The FY2018 remuneration framework will support the delivery of BlueScope's strategy by aligning reward outcomes based on:

- reducing the impact of cyclicality in business performance.
- maintaining cost control, debt management, and balance sheet integrity.
- growing the business and delivering ROIC and cash flow targets annually.

In addition, the new framework will provide more value to shareholders through:

- improving alignment of shareholder and executive outcomes from a higher weighting to equity in the mix of total reward combined with doubling the minimum shareholding requirements for executives.
- reduced volatility in executive reward outcomes.
- less cost to shareholders due to an overall reduction in executive remuneration.
- a continued focus on sustainable long-term earnings, measured by three-year average Underlying ROIC.

	WHAT'S CHANGED?	WHY?
FIXED PAY	▪ New MD & CEO's pay is 15% lower than his predecessor. ▪ New Executive Leadership Team appointments (and previous CFO increase) were set based on competitive benchmarking and capability and experience of individuals.	▪ Lower fixed pay for new MD & CEO reflects market practice for the appointment of new CEOs. ▪ Fixed pay will continue to be benchmarked against BlueScope's industry peer group. ▪ Fixed pay for new KMP set with reference to the competitive market, the role, and skills and experience of each incumbent.
SHORT TERM INCENTIVE	▪ Opportunity reduced by at least one third. ▪ Underlying ROIC now a key component of financial hurdles which include threshold and stretch performance. ▪ Executives can elect to be paid STI in cash, equity or a combination of both. ▪ For FY2018, the MD & CEO elected to take his full STI award in rights	▪ Retains an incentive component focused on the delivery of annual growth, business performance targets and safety. ▪ Underlying ROIC performance is the key driver of business performance. ▪ Allows executives to choose the mix of cash or equity for STI.
ALIGNMENT RIGHTS	▪ Alignment rights replace the prior LTI plan. ▪ Total quantum has been reduced to reflect the greater potential for vesting ▪ Requirement to adhere to Our Bond, the key principles that guide the way we operate. ▪ Relative TSR and CAGR EPS measures have been replaced by: – minimum 10% rolling three year average underlying ROIC – average net debt to EBITDA ratio of <1.0x over three years ▪ Retest provisions have been removed.	▪ The key driver is to build executive share ownership in order to align reward outcomes with shareholder experience. ▪ At threshold, the ROIC hurdle achieves top quartile performance compared to major steel companies, and median performance compared with the ASX100. ▪ The Net Debt to Underlying EBITDA ratio hurdle ensures executives focus on sustainable investment and balance sheet protection. ▪ The focus on the two measures (and adherence to Our Bond) are designed to ensure we are able to weather downturns in the cycle. ▪ The Board is able to reduce the quantum prior to vesting to protect against unforeseen events and anomalous outcomes.
SHAREHOLDING REQUIREMENT	▪ The minimum shareholding requirement has been increased: – from 100 per cent of base pay to 200 per cent of fixed pay for the MD & CEO – from 50 per cent of base pay to 100 per cent of fixed pay for other executive KMP.	▪ The requirement for executives to build ownership and hold shares is the most effective means of aligning the interests of executives with those of shareholders.

EXECUTIVE LEADERSHIP CHANGES

MD & CEO Transition	
Retirement of Mr O'Malley	In August 2017, Mr O'Malley announced his intention to retire as MD & CEO effective 31 December 2017. Following his retirement as Managing Director and Chief Executive Officer on 31 December 2017, Mr O'Malley continued to work out his notice period on a full-time basis to 23 February 2018. From 24 February 2018, Mr O'Malley commenced a part-time employment agreement (up to two days per month) with BlueScope to assist with the transition to the new MD & CEO, and to provide specialist advice to the Group as required. Mr O'Malley receives a fixed pay of $5,000 per month (inclusive of superannuation), and will not be entitled to any incentives. His part-time employment will cease on 28 September 2019. Mr O'Malley will continue to be subject to a non-compete restraint for 12 months after ceasing employment with BlueScope. No termination payments will be made at that time. Mr O'Malley did not receive an STI award in FY2018. No share rights were granted to Mr O'Malley in FY2018 and no further share rights will be granted to Mr O'Malley in the future. Mr O'Malley's unvested share rights granted under previous Long Term Incentive Plans (LTIPs) will remain and will be subject to the relevant performance hurdles before any vesting occurs.
Appointment of Mr Vassella	From his appointment as MD & CEO on 1 January 2018, Mr Vassella is entitled to the following remuneration: ▪ Fixed pay of $1,800,000 (inclusive of superannuation) ▪ Target STI opportunity of $800,000, and maximum STI opportunity of $1,200,000 ▪ LTI in the form of Alignment Rights opportunity (at face value) of $1,800,000 Mr Vassella's STI and LTI have been pro-rated for FY2018 to reflect the period of employment as MD & CEO and his prior role as Chief Executive BlueScope Australia & New Zealand.
Other KMP Changes	
Appointment of Chief Financial Officer	Ms Archibald was appointed to the role of Chief Financial Officer from 1 March 2018, from her previous role as Chief Financial Officer of BlueScope ANZ.
Appointment of Chief Executive NS BlueScope	After 10 years as BlueScope Chief Financial Officer, Mr Elias was appointed Chief Executive of NS BlueScope on 1 March 2018.
Chief Executive Australian Steel Products	Mr Nowlan was appointed to the role of Chief Executive Australian Steel Products from 1 January 2018, from his previous role of General Manager Manufacturing and General Manager New Zealand & Pacific Islands. He also continued to act in the role of Chief Executive New Zealand and Pacific Islands until 24 June 2018.
Chief Executive New Zealand & Pacific Islands	Ms Stephens was appointed to the role of Chief Executive New Zealand and Pacific Islands and commenced on 25 June 2018. Ms Stephens joins BlueScope from New Zealand's Aluminium Smelters, a joint venture between Pacific Aluminium and Sumitomo Chemical Company.
Former Chief Executive NS BlueScope	Mr Dayal moved from the role of Chief Executive NS BlueScope to the role of Chief Executive Strategy and Optimisation effective 28 February 2018, and ceased to be KMP from this date. Mr Dayal subsequently left the Group on 30 June 2018.

2. BUSINESS PERFORMANCE

BlueScope's performance in FY2018 demonstrates the Group's clear and sustainable strategy across a complex and diverse business is working. The businesses are generating strong cash earnings and the balance sheet is in good shape. Achievements for the year are set out below.

FY2018 GROUP FINANCIAL PERFORMANCE

UNDERLYING EBIT	UNDERLYING EBIT RETURN ON INVESTED CAPITAL	REPORTED NPAT	FREE CASH FLOW (Operating cash flow less capex)	NET CASH
$1,269M[1]	20.0%	$1,569M[3]	$731M	$64M
Up $164M on FY2017 2H underlying EBIT $745M[2]	Up from 18.5% in FY2017	Up 119% on FY2017	Down from $749M on FY2017	Up from ($262.1)M net debt at 31 December 2017

(1) Includes $32.1M one-off benefit from settlement of historical coal dispute (cash settlement and reversal of prior year provisions) and an unusually high $16.4M contribution from BlueScope Properties Group
(2) Includes contribution from BlueScope Properties Group
(3) Includes unusual and one-off benefits of $743.1M.

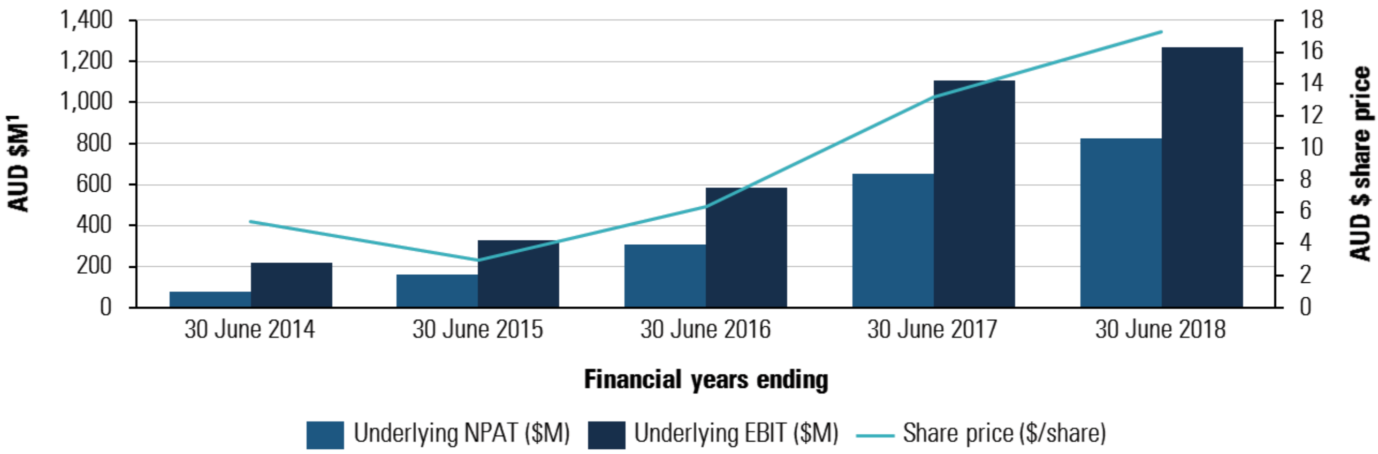
FY2018 SEGMENT FINANCIAL PERFORMANCE – UNDERLYING EBIT[3]

AUSTRALIAN STEEL PRODUCTS	NORTH STAR	BUILDING PRODUCTS ASIA & NORTH AMERICA	BUILDINGS NORTH AMERICA	NEW ZEALAND & PACIFIC STEEL
$587M[1]	$431M	$185M	$75M[2]	$112M
Up 28% on FY2017 2H underlying EBIT $326M	Up 6% on FY2017 2H underlying EBIT $285M	Down 12% on FY2017 2H underlying EBIT $76M	Up 30% on FY2017 2H underlying EBIT $48M	Up 83% on FY2017 2H underlying EBIT $71M

(1) Includes $32.1M one-off benefit from settlement of historical coal dispute (cash settlement and reversal of prior year provisions)
(2) Includes an unusually high $16.4M contribution from BlueScope Properties Group
(3) Excludes Corporate and Eliminations underlying EBIT of ($120M)

The table and graph below summarises the Company's performance for FY2018 and the previous four years.

	FY2014	FY2015	FY2016	FY2017	FY2018
Share price at end of period ($)	5.42	3.00	6.37	13.21	17.26
Dividend per Ordinary Share (cents)	0	6	6	9	14
Buybacks ($M)	-	-	-	150	300
Earnings per Share (cents)	-14.8	24.3	62.1	125.3	281.8



1) Underlying earnings (NPAT and EBIT) are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information, issued in December 2011. Non-IFRS financial information while not subject to audit or review has been extracted from the financial report which has been audited by our external auditors. Underlying adjustments have been considered in relation to their size and nature, to assist readers to better understand the financial performance of the underlying business. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items.

3. PERFORMANCE AND REMUNERATION OUTCOMES

3.1 FIXED PAY ADJUSTMENTS

The new MD & CEO's fixed pay was set at a level 15 per cent below that of his predecessor, reflecting the reward principles and the Board's desire to ensure pay levels reflect competitive benchmarking, and capability and experience of individuals in roles.

In FY2018, fixed pay continued to be frozen for all KMP, other than Mr Elias who received an increase in his role of CFO and a further adjustment on appointment to his new role.

Fixed pay for executive appointments made throughout the year was set with reference to BlueScope's comparator market, and the capability and experience of the individuals.

3.2 SHORT TERM INCENTIVE (STI) OUTCOMES

The STI plan is designed such that a proportion of executives' remuneration is at risk, to be delivered based on the achievement of performance measures linked to annual business objectives. The STI scorecards for the MD & CEO for FY2018 are shown below, reflecting the proportion of the year he spent as Chief Executive BlueScope Australia and New Zealand and as MD & CEO. The scorecards outline the weighting and results of each of the STI performance measures that were set by the Board at the beginning of the financial year. Performance for each measure is assessed on a range from threshold, being the minimum acceptable level of performance for which an award can be made, to stretch, being the level at which outstanding performance justifies the maximum STI to be paid.

MD & CEO - 1 January to 30 June 2018

Objective	Target Weighting	Achievement	Result	Commentary
BlueScope Financials				
Underlying ROIC	35%	**Stretch**	70%	The Group delivered underlying ROIC for the year ended 30 June 2018 of 20% which was at the maximum hurdle for underlying ROIC
Free Cash Flow	15%	**Target to stretch**	25%	Free cash flow performance (excluding BlueScope dividends and share buy-backs for the year) was $731m, which was above target
Safety MTIFR	5%	**Below threshold**	0%	No fatalities and LTIFR below 1.0, however the MTIFR performance was 5.38 compared to the threshold of 5.18
Strategic Objectives				
Aligned to business strategy	45%	**Target** **Target to stretch** **Target** **Target to stretch**	60%	▪ Create a step change In Felt Leadership on Safety, with visible intervention on policy and practice and demonstrated change from the Executive Leadership Team. ▪ Transition – ensure that no momentum is lost through organisational change and that all teams continue to deliver on the strategy. ▪ Strategy Execution – Deliver a capital allocation strategy to support the long term growth of the organisation. ▪ Strategy execution – implement corporate strategy objectives delivering material benefits to BlueScope.
Total Awarded	**100%**		**145%**	Note: total reduced to a maximum outcome of 145%

Chief Executive BlueScope Australia and New Zealand – 1 July to 31 December 2017

Objective		Target Weighting	Achievement	Result	Commentary
BlueScope Financials					
	Underlying ROIC	16.5%	**Stretch**	33%	As above
	Free Cash Flow	8.5%	**Target to stretch**	14%	As above
BlueScope Australia and New Zealand Financials					
	Underlying ROIC	16.5%	**Stretch**	33%	BlueScope Australia and New Zealand achieved underlying ROIC at stretch for the first half of the financial year.
	Free Cash Flow	8.5%	**Threshold to target**	7%	BlueScope Australia and New Zealand delivered free cash flow above threshold for the first half of the financial year.
Safety	MTIFR	5%	**Below threshold**	0%	No fatalities and LTIFR below 1.0, however the MTIFR performance was 5.38 compared to the threshold of 5.18.
Strategic Objectives					
	Aligned to business strategy	45%	**Target to stretch** **Stretch** **Target** **Target**	63%	▪ BlueScope Australia and New Zealand safety leadership. ▪ Deliver cost savings associated with Australia Steelmaking sustainability. ▪ Deliver cost savings associated with New Zealand Steelmaking sustainability. ▪ Successful execution of strategy for Coated and Painted Australia.
Total Awarded		**100%**		**145%**	Note: total reduced to a maximum outcome of 145%

The performance against the FY2018 STI objectives resulted in the individual awards shown below.

KMP	% of maximum STI achieved	Value of cash STI for FY2018 ($)	Value of equity STI for FY2018 ($)[1]	STI forfeited % of maximum	Award as % of FY2018 Fixed Pay[2]
Mark Vassella	97	-	846,356	3	56
Tania Archibald[3]	97	124,676	-	3	41
John Nowlan[3]	97	228,375	-	3	51
Charlie Elias	97	560,957	-	3	51
Pat Finan	93	394,917	-	7	51
Gretta Stephens	-	-	-	-	-
Paul O'Malley	-	-	-	-	-
Sanjay Dayal[3]	85	323,282	-	15	45

1. The value of equity STI is valued in accordance with AASB 2 Share Based Payment.
2. Fixed pay includes Salary and Fees, Other and Superannuation as show in in section 6.1.
3. The value of the cash STI for FY2018 is pro-rated to reflect the period that Ms Archibald, Mr Nowlan and Mr Dayal were KMP.

3.3 LONG TERM INCENTIVE (LTI) OUTCOMES

In FY2016 the Board set EPS growth targets which at the time were considered very challenging levels. The target was set with reference to long-term business plans and financial projections, market practice and consensus forecasts. The outstanding result reflects the hard work of the leadership team in turning around our business. The Board is pleased that the growth in EPS at BlueScope has been so strong, and executives can be rewarded for the achievement of this result through vesting of the EPS component of the FY2016 Long Term Incentive Plan. Outcomes for the LTI plans tested during the year are shown in the table below.

Plan	Performance Measure	Result	Proportion of total award vested / to vest	Commentary
FY2014	Relative TSR against the ASX 100	93rd percentile	100%	The performance condition was retested in September 2017, following the release of the FY2017 Remuneration Report. Due to the result, 100 per cent of the remaining 43.05 per cent of the award vested.
FY2015	Relative TSR against the ASX 100	95th percentile	100%	The performance condition for the FY2015 LTI plan was tested in September 2017, following the release of the FY2017 Remuneration Report. Due to the result, 100 per cent of the award vested.
FY2016	CAGR EPS at 15% or higher	74%	50%	Awards under the FY2016 LTI plan are subject to TSR and CAGR EPS hurdles. The CAGR EPS maximum was 15% which has been exceeded.
	Relative TSR against the ASX 100	To be tested in September 2018	50%	The TSR hurdle will be tested following the release of the FY2018 remuneration report and the result disclosed at the AGM.

4. REMUNERATION GOVERNANCE

4.1 ROLE OF THE 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 consists entirely of independent Non-executive Directors.

The Committee seeks input from the MD & CEO and the Executive General Manager People, who attend Committee meetings, except where matters relating to their own remuneration are considered.

Board
The Board is responsible for:
- defining BlueScope's remuneration strategy
- determining the quantum of remuneration for Non-executive Directors and Executive Directors.

The Board has overarching discretion with respect to any awards made under the Company's incentive plans.

Consultation with shareholders and other stakeholders

Remuneration consultants and other external advisors
- Provide independent advice, information and recommendations relevant to remuneration decisions.
- In performing its duties and making recommendations to the Board, the Chairman of the ROC seeks independent advice from external advisors on various remuneration related matters.
- Any advice provided by external advisors is used to assist the Board – it is not a substitute for the Board and ROC procedures.

Audit Committee
The Audit Committee supports the ROC by:
- reviewing earnings figures which form the basis for STI awards.

Risk & Sustainability Committee
The Risk & Sustainability Committee supports the ROC by:
- providing advice relating to material risk issues, behaviours and / or compliance breaches that may affect deliberations.

Remuneration and Organisation Committee (ROC)
The ROC is delegated responsibility by the Board to review and make recommendations on:
- the Human Resources strategy
- monitoring and measuring culture
- remuneration policies and framework for the Company's Directors and Executives
- Executive Leadership Team succession planning
- Executive Leadership Team terms of appointment
- performance and remuneration outcomes for the Executive Leadership Team
- diversity and inclusion principles and objectives.

Management
- Provides information relevant to remuneration decisions and makes recommendations to the ROC.
- Obtains remuneration information from external advisors to assist the ROC (i.e. market data, legal, tax and accounting advice).

- Management may seek its own independent advice with respect to information and recommendations relevant to remuneration.

4.2 INDEPENDENT REMUNERATION CONSULTANT

The Committee engages and considers advice from independent remuneration consultants where appropriate in relation to remuneration matters and Director fees at BlueScope. 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. The Chairman of the Board does not participate in any discussions relating to the determination of his own fees.

During FY2018, 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 Executive KMP. No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were provided.

4.3 BOARD DISCRETION

The Committee and the Board consider it critical that they are able to exercise appropriate discretion in order to ensure that remuneration outcomes for executives appropriately reflect the performance of the Group and individuals, and meet the expectations of shareholders. Some of the ways that this discretion can be exercised are outlined below.

Forfeiture

In the event of serious misconduct by management which undermines the Company's performance, financial soundness and/or reputation, the Board has absolute discretion to cancel and withdraw any unvested STI or LTI awards that executives elect to take in cash or equity. These events include misrepresentation or material misstatements due to errors, omissions or negligence.

Change of Control

The Board may permit Share Rights or Alignment Rights to vest if, at any time while there are Share Rights or Alignment Rights which have not lapsed or vested, a takeover bid is made to acquire the whole of the issued ordinary share capital of the Company or a transaction is announced by the Company which, if implemented, would result in a person owning all of the issued shares in the Company. The Company must permit the Share Rights and Alignment Rights to vest if a person acquires more than 50 per cent of the issued share capital of the Company provided that the Board determines that the performance hurdles have been satisfied as assessed at that time having regard to the shorter performance period.

Variable reward outcomes

The Board retains the discretion to limit, defer or cancel any STI or LTI awards in exceptional circumstances, including determining that a reduced award or even no award should be paid/vest.

In FY2018, the Board exercised this discretion in a small number of instances for senior leaders below KMP, forfeiting some or all of the LTI and STI awards for a number of individuals.

4.4 SECURITIES TRADING POLICY

The BlueScope Securities Trading Policy prohibits employees from dealing in BlueScope securities while in possession of material non-public information relevant to the entity. In addition, nominated employees, including KMP, are:

- prohibited from dealing in BlueScope Steel Limited securities outside prescribed trading periods
- prohibited from hedging or entering into any margin lending arrangement, or entering into any other encumbrances over the securities of BlueScope Steel Limited at any time.

4.5 MINIMUM SHAREHOLDING REQUIREMENTS

A key principle for the design of the remuneration framework is to encourage executives to behave like owners. The Board believes that the interests of all KMP should be closely aligned to those of shareholders through significant exposure to BlueScope Steel Limited's share price and dividends.

Accordingly, the following minimum shareholding requirements are in place:

- the value of 100 per cent of fixed pay for non-executive directors
- the value of 200 per cent of fixed pay for the MD & CEO
- the value of 100 per cent of fixed pay for the Executive Leadership Team, including KMP.

The Executive Leadership Team, including KMP are expected to build their shareholding on a progressive basis over a reasonable period of time. The Board regularly monitors the shareholding of KMP and executives. The newly introduced Alignment Rights plan is an important mechanism to drive executive share ownership through the regular vesting of rights on the achievement of the performance hurdles.

5. EXECUTIVE REMUNERATION

5.1 FIXED PAY

Fixed pay recognises the market value of an individual's skills, experience, accountability and their expected sustained contribution in delivering the requirements of their role. In order to attract and retain skilled leaders, BlueScope aims to maintain a competitive position for fixed pay – around the 55th percentile of the peer group noted below. Fixed pay includes base pay and superannuation.

Remuneration Peer Group

The Board has selected (and reviews annually) a peer group of companies for the purposes of benchmarking remuneration that reflects 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 on the ASX. The peer group is not solely based on market capitalisation, as the Board believes that this would lead to unmanageable fluctuations in executive remuneration, and could result in an inability to attract and retain the skills required to manage a business operating in the complex and volatile environment in which BlueScope operates globally.

The peer group for FY2018 remains the same as last year and is listed below:

Adelaide Brighton Ltd	Boral Ltd	Fletcher Building Ltd	Orora Ltd
AGL Energy Ltd	Caltex Australia Ltd	Incitec Pivot Ltd	Qantas Airways Ltd
Amcor Ltd	CIMIC Group Ltd	Lend Lease Corp Ltd	South32 Ltd
Aurizon Holdings Ltd	CSR Ltd	Orica Ltd	WorleyParsons Ltd
Brambles Ltd	Downer EDI Ltd	Origin Energy Ltd	

5.2 SHORT TERM INCENTIVE (STI)

The following table summarises the STI plan that applied in FY2018.

<table>
<tr><th>Feature</th><th>Description</th></tr>
<tr><td>Purpose</td><td>To achieve BlueScope's overall strategic objectives by motivating executives to deliver on annual team-based outcomes.</td></tr>
<tr><td>Eligibility</td><td>All members of the Executive Leadership Team, including KMP Executives disclosed in this report.</td></tr>
<tr><td>Value/opportunity</td><td>Target STI levels are set having regard to appropriate levels in the market and are shown below.
<table>
<tr><th>% of fixed pay</th><th>Target</th><th>Maximum</th></tr>
<tr><td>MD & CEO</td><td>44%</td><td>67%</td></tr>
<tr><td>Other KMP Executives</td><td>35%</td><td>52.5%</td></tr>
</table></td></tr>
<tr><td>Performance conditions</td><td>The performance measures and relative weightings for the FY2018 STI Plan are shown below:
<table>
<tr><th colspan="2">Performance measures</th><th>MD & CEO weighting</th><th>Other KMP Executives weighting</th></tr>
<tr><td rowspan="2">Financial performance</td><td>BSL underlying ROIC (2/3), Cash Flow from Operations (1/3)</td><td>50%</td><td>25%</td></tr>
<tr><td>Business Unit underlying ROIC (2/3), Cash Flow from Operations (1/3)</td><td>0%</td><td>25%</td></tr>
<tr><td>Zero harm</td><td>Safety performance measures, including LTIFR and MTIFR</td><td>5%</td><td>5%</td></tr>
<tr><td>Strategic objectives</td><td>Performance measures based on results from the execution and implementation of business priorities included in the strategic plan</td><td>45%</td><td>45%</td></tr>
</table>
Financial Measures
Financial measures are selected in order to align with BlueScope's annual budget, targets and longer-term plan. They are designed to reinforce and drive business strategy.
Safety-related Measures
Safety remains BlueScope's number one priority. A gateway of no fatality and a LTIFR less than one is in place for the safety measure. If this is achieved, MTIFR improvement is assessed against targets set with reference to the previous year's performance.</td></tr>
</table>

Feature	Description
	For individual business units, a benchmark (Best practice LTIFR and MTIFR) is set at the highest business level (NS BlueScope, BlueScope Buildings North America, China, North Star BlueScope Steel, New Zealand & Pacific Islands or Australian Steel Products) based on the previous year's results. Business Units whose performance is worse than the best practice benchmark are required to maintain improvement targets focused on output (LTIFR/MTIFR) measures. Business Units performing at or better than the best practice benchmark can substitute output measures with input measures best suited to their individual circumstances and drive improved performance. **Strategic Measures** The strategic measures vary by role and from year to year for each individual. They are primarily linked to the successful achievement of material and strategic projects with long term impact on BlueScope's success. Projects can be either corporate or business unit driven.
Target setting	Performance targets for the STI, including Threshold, Target and Stretch levels of performance, are set by the Board at the beginning of the year for all Executive KMP. Threshold is the minimum level of performance at which a payment can be made, and stretch is the level at which the maximum STI for that measure is awarded. The Board takes care to set threshold, target and stretch performance at levels that are challenging yet sufficiently motivating to drive executive performance towards the objectives. Targets are set with reference to annual budgets and business plans, economic conditions and market outlook, and are set with a range between threshold to stretch to enable outperformance to be rewarded.
Performance assessment	All performance conditions under the STI are defined and measurable. The MD & CEO sets the targets and determines the extent to which the targets have been met for the Executive Leadership Team, including other Executive KMP, with consideration of the advice of the ROC. These outcomes are approved by the ROC. The Board, on recommendation from the ROC, approves the targets and assesses the performance outcomes of the MD & CEO. The Board has adopted a rigorous process for assessing performance under the STI plan, which includes verification of financial results by the Audit Committee. The Board has discretion to adjust STI outcomes up or down to ensure that they accurately reflect the achievement of results that are consistent with BlueScope's strategic priorities, are in line with Our Bond and enhance shareholder value.
Payment/deferral	Each Executive KMP may elect (at the beginning of the year) to take none, 50 per cent or 100 per cent of their potential STI payment in equity, with the remainder in cash. The equity, if selected, is in the form of rights, which are awarded based on face value at a price determined as the volume weighted average price of BlueScope shares over the three month period to 31 August at the beginning of each financial year. Given the reduction in STI opportunity from previous years, and the equivalent increase in long term deferral through the Alignment Rights (of three years), there is no additional deferral of STI. In FY2018 the MD & CEO elected for 100 per cent of his STI payment to be delivered in equity.

5.3 LONG TERM INCENTIVE (LTI)

The following table summarises the LTI plan that applied in FY2018.

Feature	Description
Purpose	LTI, in the form of Alignment Rights, rewards executives for the delivery of sustainable financial performance over the cycle and aligns executive outcomes with the creation of value for shareholders. The vesting conditions provide a minimum level at which the Board believes the Company will continue to produce acceptable returns for shareholders through industry and economic cycles, and provides executives with a more consistent award of shares if this performance is achieved.
Eligibility	All members of the Executive Leadership Team, including Executive KMP disclosed in this report.
Value/opportunity	The quantum of the Alignment Rights has been reduced compared to the prior LTI plan to reflect the greater potential for payment (subject to performance conditions being met). The LTI award level for the MD & CEO is 100 per cent of fixed pay and for other Executive KMP is 65 per cent of fixed pay. The allocation of share rights is based on face value. The quantum of LTI awards is calculated based on the percentage of fixed pay divided by the face value of shares using the volume weighted average price over the three months prior to the commencement of the performance period. No amount is payable by participants on exercise.
Instrument	Each Alignment Right vests into one fully paid ordinary BlueScope Steel Limited share subject to time and performance conditions being met. No dividends are payable on unvested Alignment Rights.

Feature	Description
Vesting conditions	The hurdles for Alignment Rights are aligned with the delivery of sustainable earnings over a three-year period. The vesting conditions are: • as a 'gateway' condition, to be eligible for any vesting, executives must conduct themselves in accordance with Our Bond, with an individual assessment made by the Board each year • minimum 10% rolling three-year average Underlying Return on Invested Capital (ROIC), which achieves our weighted average cost of capital (WACC), top quartile performance compared to major steel companies, and median performance compared to the ASX100 • average net debt to EBITDA ratio of <1.0x over three years, which ensures executives focus on sustainable investment, and protection of the Company's balance sheet. If each of the above conditions is met, all Alignment Rights in the relevant year will vest. If they are not achieved then no Rights will vest. Board discretion continues to apply to protect against unintended outcomes. There are no re-testing provisions under the Alignment Rights plan.
Target setting	Targets for the Alignment Rights have been deliberately set at a level of minimum performance expectations to deliver vesting to participants and alignment with shareholders through the performance cycle. As a result, whilst the Board, on recommendation from the ROC, considers and approves the targets at the commencement of the performance period, they are not expected to fluctuate significantly from year to year. The plan is designed to encourage participants to focus on the key performance drivers which underpin sustainable and consistent shareholder value and to achieve alignment through executive equity ownership.
Performance assessment	The Board, on recommendation from the ROC, assesses the performance outcomes after the end of the performance period. Each participant is subject to an individual assessment of their conduct against Our Bond, which is undertaken by the MD & CEO for the Executive Leadership Team (including KMP), and by the ROC in respect of the MD & CEO. Performance against the financial measures includes verification of financial results by the Audit Committee. The Board has discretion to adjust LTI outcomes up or down to ensure that they accurately reflect the achievement of results that are consistent with BlueScope's strategic priorities, are in line with Our Bond and enhance shareholder value.
Hedging	Executives are not permitted to hedge (such as 'cap and collar' arrangements) LTI awards.

5.4 EXECUTIVE SERVICE AGREEMENTS

The following table outlines the summary terms of employment for the MD & CEO and other executive KMP.

Role	Term of agreement	Notice period by executive	Notice period by Company	Termination Benefits
MD & CEO	Open	12 months	12 months	12 months fixed pay
Other Executive KMP	Open	6 months	6 months	12 months fixed pay

Agreements are also in place for executive KMP detailing the approach the Group 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.

Executives are also subject to restraints which will apply upon cessation of their employment to protect the business interests of BlueScope. No separate amount is payable in relation to these restraints over and above the contractual entitlements outlined above.

The maximum payment on termination (including notice) is capped at 12 months fixed pay.

6. EXECUTIVE REMUNERATION TABLES

The information contained in the following tables represents the annual remuneration for KMP for the year ended 30 June 2018.

6.1 EXECUTIVE REMUNERATION

Name	Year	Salary and fees [1] $	Movement in annual leave provision [2] $	Short Term Incentive [3] $	Non-monetary [4] $	Other [5] $	Sub-total $	Superannuation [6] $	Movement in Long Service Leave [2] $	Share Rights [3 7] $	Total $	% of performance related pay [8] %
Executive Director												
M R Vassella [9]	2018	1,417,950	12,911	-	2,711	61,763	1,495,335	25,000	430,397	1,897,789	3,848,521	49.3
	2017	1,060,900	(4,194)	-	-	118,526	1,175,232	30,000	2,003	1,945,432	3,152,667	61.7
KMP Executives												
T Archibald [10]	2018	292,788	18,948	124,676	1,161	-	437,573	8,365	7,253	130,892	584,083	43.8
	2017	-	-	-	-	-	-	-	-	-	-	-
J Nowlan [10]	2018	437,500	10,096	228,375	300,204	-	976,175	12,500	11,083	128,145	1,127,903	31.6
	2017	-	-	-	-	-	-	-	-	-	-	-
S R Elias	2018	1,008,558	70,415	560,957	20,351	71,862	1,732,143	25,000	72,720	572,019	2,401,882	47.2
	2017	825,185	19,982	-	1,161	85,526	931,854	30,000	49,702	1,344,734	2,356,290	57.1
P J Finan	2018	748,387	(2,393)	394,917	645	-	1,141,556	26,371	-	489,390	1,657,317	53.4
	2017	769,129	(3,168)	-	663	-	766,624	26,605	-	1,210,884	2,004,113	60.4
G Stephens [10 14]	2018	79,612	689	-	40,274	-	120,575	1,048	-	-	121,623	-
	2017	-	-	-	-	-	-	-	-	-	-	-
Previous KMP												
P F O'Malley [11]	2018	928,288	43,436	-	12,007	117,460	1,101,191	12,500	(12,308)	961,296	2,062,679	46.6
	2017	1,856,575	6,943	-	1,161	229,921	2,094,600	30,000	(53,621)	4,792,278	6,863,257	69.8
S Dayal [12 13]	2018	633,260	4,880	323,282	285,697	72,022	1,319,141	16,635	16,073	251,653	1,603,502	35.9
	2017	951,720	(10,982)	-	127,824	103,241	1,171,803	30,000	24,110	3,328,673	4,554,586	73.1
Total 2018		5,546,343	158,982	1,632,207	663,050	323,107	8,323,689	127,419	525,218	4,431,184	13,407,510	
Total 2017		5,463,509	8,581	-	130,809	537,214	6,140,113	146,605	22,194	12,622,001	18,930,913	

1) There were no base pay increases during FY2018 other than the MD & CEO, Mr Elias during his period as the CFO and those appointed to new positions. Exchange rate differences affected overseas based KMPs.
2) Negative movement in annual and long service leave provisions indicates leave taken during the year exceeded leave accrued during the current year. This is to be read in conjunction with the column "Salary and Fees".
3) The amount disclosed under the heading Short Term Incentive represents STI payable in cash. The MD&CEO has elected to receive his STI in equity which is included as a share based payment.
4) Non-monetary benefits include executive health checks and benefits provided under the Company's international assignment policy (e.g. accommodation, tax equalisation, relocation benefits and medical coverage) including any applicable Fringe Benefits Tax.
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) No other post-employment benefits apply in addition to superannuation.
7) Includes all awards of share rights including awards under Short Term and Long Term Incentive Plans valued in accordance with AASB 2 Share Based Payment.
8) The percentage of remuneration that is performance related recognises LTI based on accounting values and not vested amounts received by executives.
9) M Vassella commenced as MD & CEO effective 1 January 2018.
10) T Archibald, J Nowlan and G Stephens commenced as KMP effective 1 March 2018, 1 January 2018 and 25 June 2018 respectively.
11) P O'Malley retired as MD & CEO effective 31 December 2017. P O'Malley remains at BlueScope as a Special Adviser. P O'Malley received no severance payment and will retain 100 per cent of his equity awards which are subject to performance hurdles
12) S Dayal had previously been awarded only cash rights due to certain Singapore restrictions. Changes were introduced in FY2015 to enable equity rewards to be made.
13) S Dayal ceased to be a KMP effective 28 February 2018 and ceased employment with BlueScope 30 June 2018. S Dayal received a severance payment of 12 months' base salary and retained 100 per cent of his FY2016 and FY2017 unvested equity awards and a pro-rata of his FY2018 equity awards, all of which are subject to performance hurdles. The non-cash benefits for FY2017 have been restated to reflect the tax calculation in the prior year.
14) G Stephens will be granted restricted shares to the value of $100,000 as part of her arrangement to join BSL. These shares will be restricted for three years from commencement of employment and are subject to continuous service. G Stephens was also paid a one-off cash allowance of $69,137 and support to cover costs associated with her relocation to Glenbrook, New Zealand.

6.2 SHARE RIGHTS AWARDED AS REMUNERATION AND 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 KMP Executives, including their related parties, as well as the value of share rights granted and exercised, are set out in the tables which follow. Vesting is subject to achieving challenging performance targets over a two to four year period consistent with the terms approved by shareholders. During the year the following equity awards vested:

- The FY2016 and FY2017 STI Plan were assessed at the end of FY2017 and 100% of the awards vested as a result of performance against objectives. Full details of performance achievement were included in the FY2017 Remuneration Report.
- The FY2014 and remainder of the FY2015 LTIP awards also vested in full reflecting the Company's top quartile relative TSR performance during the vesting periods.

There were no options or rights vested and unexercisable at the end of FY2018.

Share Rights holdings for FY2018

	Balance at 30 June 2017	Granted in year ended 30 June 2018[1]	Vested and exercised in year ended 30 June 2018[2]	Lapsed in year ended 30 June 2018	Balance at 30 June 2018	Vested and not yet exercised in year ended 30 June 2018	Unvested at 30 June 2018	Total Share Rights vested in year ended 30 June 2018	Value of Share Rights granted during the year at grant date[3]	Value of Share Rights exercised during the year[4]
	#	#	#	#	#	#	#	#	$	$
Executive Director										
M R Vassella	1,093,071	175,481	346,971	-	921,581	-	921,581	346,971	2,084,779	1,714,117
KMP Executives										
T Archibald[5]	225,388	-	-	-	225,388		225,388	-	-	-
J Nowlan[5]	189,620	-	-	-	189,620		189,620	-	-	-
S R Elias	993,156	56,420	606,276	-	443,300	-	443,300	606,276	640,367	2,240,406
P J Finan	889,538	43,380	526,958	-	405,960	-	405,960	526,958	492,363	1,957,230
G Stephens[6]	-	-	-	-	-	-	-	-	-	-
Previous KMP										
P F O'Malley[7]	3,737,664	-	2,051,144	-	1,686,520	-	1,686,520	2,051,144	-	7,575,124
S Dayal[7]	1,145,456	56,520	699,236	-	502,740	-	502,740	699,236	641,502	2,583,938

1) The number of share rights granted includes rights awarded under the FY2018 Long Term Incentive (LTI) Alignment Right Award which are subject to Company performance hurdles. The MD & CEO also received share rights under the FY18 Short Term Incentive (STI) Award.
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. Due to restrictions relating to awards of equity in Singapore, Mr Dayal was awarded Cash Rights in 2014 which delivered a cash payment on vesting.
3) External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of share rights awarded in the year ended 30 June 2018. The valuation has been made using the Black-Scholes Option Pricing Model (BSM) that includes a Monte Carlo simulation analysis.
4) Shares Rights vested during the year under the FY2016 & FY2017 STI Awards, FY2017 STI Award, FY2014 Long Term Incentive Plan and FY2015 Long Term Incentive Plan.
5) T Archibald and J Nowlan commenced as KMP effective 1 March 2018 and 1 January 2018 respectively. The opening balance is reflected on these dates.
6) G Stephens commenced as KMP effective 25 June 2018. G Stephens was not awarded any Share Rights in FY2018.
7) P O'Malley and S Dayal ceased to be KMP effective 31 December 2017 and 28 February 2018 respectively. The closing balance is reflected from these dates.

The table below sets out the details of each specific share right tranche and awards granted and vested during FY2018 for each executive KMP.

2018	Award Details	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2018	% forfeited in year ended 30 June 2018	Share Rights yet to vest	Financial year in which awards may vest
Executive Director							
M R Vassella	FY14 LTI Award (TSR) - 3 yr[1]	167,560	01-Sep-13	43.05	-	-	2018
	FY15 LTI Award (TSR) - 3 yr[1]	147,725	01-Sep-14	100	-	-	2018
	FY16 LTI Award (TSR) - 3 yr	186,525	26-Nov-15	-	-	186,525	2019
	FY16 LTI Award (EPS) - 3 yr	186,525	26-Nov-15	-	-	186,525	2019
	FY17 LTI Award (TSR) - 4 yr	186,525	26-Nov-15	-	-	186,525	2020
	FY17 LTI Award (EPS) - 4 yr	186,525	26-Nov-15	-	-	186,525	2020
	FY17 STI Award - 1 yr[1]	127,111	01-Sep-16	100	-	-	2018
	FY18 LTI AR Award - 3 yr	102,770	01-Sep-17	-	-	102,770	2021
	FY18 STI Award - 1 yr	72,711	01-Sep-17	-	-	72,711	2019

2018	Award Details	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2018	% forfeited in year ended 30 June 2018	Share Rights yet to vest	Financial year in which awards may vest
KMP Executives							
S R Elias	FY14 LTI Award (TSR) - 3 yr [1]	130,385	01-Sep-13	43.05	-	-	2018
	FY15 LTI Award (TSR) - 3 yr [1]	114,905	01-Sep-14	100	-	-	2018
	FY16 & FY17 STI Award - 2 yr [1]	435,240	26-Nov-15	100	-	-	2018
	FY16 LTI Award (TSR) - 3 yr	96,720	26-Nov-15	-	-	96,720	2019
	FY16 LTI Award (EPS) - 3 yr	96,720	26-Nov-15	-	-	96,720	2019
	FY17 LTI Award (TSR) - 4 yr	96,720	26-Nov-15	-	-	96,720	2020
	FY17 LTI Award (EPS) - 4 yr	96,720	26-Nov-15	-	-	96,720	2020
	FY18 LTI AR Award - 3 yr	56,420	01-Sep-17	-	-	56,420	2021
P J Finan	FY14 LTI Award (TSR) - 3 yr [1]	90,750	01-Sep-13	43.05	-	-	2018
	FY15 LTI Award (TSR) - 3 yr [1]	79,990	01-Sep-14	100	-	-	2018
	FY16 & FY17 STI Award - 2 yr [1]	407,900	26-Nov-15	100	-	-	2018
	FY16 LTI Award (TSR) - 3 yr	90,645	26-Nov-15	-	-	90,645	2019
	FY16 LTI Award (EPS) - 3 yr	90,645	26-Nov-15	-	-	90,645	2019
	FY17 LTI Award (TSR) - 4 yr	90,645	26-Nov-15	-	-	90,645	2020
	FY17 LTI Award (EPS) - 4 yr	90,645	26-Nov-15	-	-	90,645	2020
	FY18 LTI AR Award - 3 yr	43,380	01-Sep-17	-	-	43,380	2021
Previous KMP							
P F O'Malley	FY14 LTI Award (TSR) - 3 yr [1]	568,126	14-Nov-13	43.05	-	-	2018
	FY15 LTI Award (TSR) - 3 yr [1]	500,885	01-Sep-14	100	-	-	2018
	FY16 & FY17 STI Award - 2 yr [1]	1,305,680	26-Nov-15	100	-	-	2018
	FY16 LTI Award (TSR) - 3 yr	421,630	26-Nov-15	-	-	421,630	2019
	FY16 LTI Award (EPS) - 3 yr	421,630	26-Nov-15	-	-	421,630	2019
	FY17 LTI Award (TSR) - 4 yr	421,630	26-Nov-15	-	-	421,630	2020
	FY17 LTI Award (EPS) - 4 yr	421,630	26-Nov-15	-	-	421,630	2020
S Dayal [2]	FY14 LTI Award (TSR) - 3 yr [1]	150,315	01-Sep-13	43.05	-	-	2018
	FY15 LTI Award (TSR) - 3 yr [1]	132,525	01-Sep-14	100	-	-	2018
	FY16 & FY17 STI Award - 2 yr [1]	502,000	26-Nov-15	100	-	-	2018
	FY16 LTI Award (TSR) - 3 yr	111,555	26-Nov-15	-	-	111,555	2019
	FY16 LTI Award (EPS) - 3 yr	111,555	26-Nov-15	-	-	111,555	2019
	FY17 LTI Award (TSR) - 4 yr	111,555	26-Nov-15	-	-	111,555	2020
	FY17 LTI Award (EPS) - 4 yr	111,555	26-Nov-15	-	-	111,555	2020
	FY18 LTI AR Award - 3 yr	56,520	01-Sep-17	-	-	56,520	2021

1) Following year end and based on performance against targets, the Board approved vesting of share rights granted under the FY2014 LTI Award, FY2015 LTI Award and FY2016 & FY2017 STI Award. Refer Section 3.3 for further details.
2) Due to restrictions relating to awards of equity in Singapore, S Dayal was awarded Cash Rights in FY2014 which delivered a cash payment on vesting.

6.3 SHAREHOLDINGS 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 KMP of the Group, including their personally related parties are set out below.

Name	Ordinary shares held as at 30 June 2017	Received during the year on the exercise of share rights[1]	Shares granted as compensation	Net changes (other)[2]	Ordinary shares held as at 30 June 2018
Non-executive Directors					
J A Bevan	52,746	-	-	2,580	55,326
D B Grollo	38,447	-	-	-	38,447
K A Dean	40,488	-	-	-	40,488
P Bingham-Hall	57,834	-	-	-	57,834
E G W Crouch	32,500	-	-	-	32,500
L H Jones	42,000	-	-	4,245	46,245
R P Dee-Bradbury	27,300	-	-	-	27,300
J Lambert [3]	-	-	-	4,100	4,100
Executive Director					
M R Vassella	344,368	346,971	-	(219,860)	471,479
KMP Executives					
T Archibald [4]	11,250	-	-	-	11,250
J Nowlan [4]	239,131	-	-	(15,250)	223,881
S R Elias	315,043	606,276	-	(499,985)	421,334
P J Finan	241,699	526,958	-	(298,904)	469,753
G Stephens [4]	-	-	-	-	-
Previous KMP					
P F O'Malley [5]	683,172	2,051,144	-	(632,936)	2,101,380
S Dayal [6]	24,878	634,525	-	-	659,403

1) Exercise of share rights awarded under the FY2014 Long Term Incentive Plan, FY2015 Long Term Incentive Plan and FY2016 & FY2017 STI Plan.
2) These amounts represent on market acquisitions and disposals of shares including shares sold to fund payment of income tax liabilities arising from vesting of share right awards.
3) J Lambert was appointed to the Board with effect from 1 September 2017.
4) T Archibald, J Nowlan and G Stephens commenced as KMP effective 1 March 2018, 1 January 2018 and 25 June 2018 respectively. The opening shareholding is represented as at these dates.
5) P F O'Malley retired as MD & CEO effective 31 December 2017. The shareholding is represented as at 31 December 2017.
6) S Dayal ceased to be a KMP effective 28 February 2018. The shareholding is represented as at 28 February 2018.

7. RELATED PARTY TRANSACTIONS

7.1 LOANS TO KEY MANAGEMENT PERSONNEL

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

7.2 OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

In the normal course of business the Group occasionally enters into transactions with various entities that have directors in common with BlueScope Steel Limited. 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.

8. NON-EXECUTIVE DIRECTOR REMUNERATION

8.1 POLICY AND APPROACH

Non-executive Directors receive a base fee in relation to their service as a Director of the Company, and an additional fee for membership of, or for chairing a Committee. The Chairman, considering the greater time commitment required, receives a higher fee but does not receive any additional payment for service on committees. There was no increase in the base fees payable to Non-Executive Directors during FY2018.

As a result of changes to the legislation governing the payment of superannuation, we have updated our remuneration policy to reflect a Total Fixed Remuneration approach, being total fees inclusive of superannuation. These fees are presented in the table opposite and apply from 1 July 2018. It should be noted that this is not a change in the total amount paid to Non-executive Directors, but a change in the way that we communicate the applicable base fees and superannuation.

Fees are normally reviewed annually on 1 January. Following a review this year, the Board decided that there would be no increase in Chairman or Director's base fees. Effective 1 January 2018, Committee fees were aligned for all Committees.

Role		Fees effective Jan 2018
Chairman[1]		$506,530
Non-executive Director		$178,030
Audit Committee	Chair	$41,000
	Member	$21,000
Remuneration and Organisation Committee	Chair	$41,000
	Member	$21,000
Health, Safety and Environment Committee	Chair	$41,000
	Member	$21,000
Risk and Sustainability Committee	Chair	$41,000
	Member	$21,000

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

Non-executive Directors are expected to build a shareholding in the Company equivalent to one year's base fees.

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 2018 amounted to $2,150,427 (FY2017 $1,841,879). This is reflective of the change in Board headcount (one additional Director) and the introduction of the Risk and Sustainability Committee.

Compulsory superannuation contributions per Director are paid on behalf of each Director with no other retirement benefits provided.

8.2 DIRECTORS' REMUNERATION

Details of the audited remuneration for FY2018 for each Non-Executive Director of BlueScope are set out in the following table.

Name	Year	Short-term benefits Fees[1] $	Non-monetary $	Sub-total $	Post-employment benefits[2] $	Total $
Non-executive Directors						
J A Bevan	2018	486,000	-	486,000	20,049	506,049
	2017	479,224	-	479,224	19,616	498,840
D B Grollo	2018	215,500	-	215,500	20,049	235,549
	2017	206,481	-	206,481	19,416	225,897
K A Dean [3]	2018	232,373	-	232,373	20,049	252,422
	2017	213,990	-	213,990	19,616	233,606
P Bingham-Hall	2018	230,265	-	230,265	20,035	250,300
	2017	207,990	-	207,990	19,607	227,597
E G W Crouch [3]	2018	239,104	-	239,104	20,049	259,153
	2017	193,990	-	193,990	18,429	212,419
L H Jones	2018	198,000	-	198,000	18,810	216,810
	2017	193,990	-	193,990	18,429	212,419
R P Dee-Bradbury	2018	218,000	-	218,000	20,049	238,049
	2017	211,485	-	211,485	19,616	231,101
J Lambert [4]	2018	176,284	-	176,284	15,811	192,095
	2017	-	-	-	-	-
Total 2018		1,995,526	-	1,995,526	154,901	2,150,427
Total 2017		1,707,150	-	1,707,150	134,729	1,841,879

1) There was no increase in Chairman or Director's base fees. Effective 1 January 2018, Committee fees were aligned for all Committees.
2) Non-executive Directors receive statutory superannuation contributions in line with the Superannuation Guarantee. No other post-employment benefits apply.
3) Additional fee was payable to K A Dean and E G W Crouch for the establishment of the Risk & Sustainability Committee.
4) J Lambert was appointed to the Board with effect from 1 September 2017.

OTHER MATTERS

ENVIRONMENTAL REGULATION

BlueScope's Australian manufacturing operations are subject to significant environmental reporting. Throughout its Australian operations in the 12 months to 30 June 2018, the Group notified relevant authorities of 5 incidents resulting in non-compliances. No penalty infringement notices were received.

Boundary remediation has continued during FY2018 at the Group's former Stainless Steel manufacturing site at Port Kembla, which had been previously notified to the NSW EPA and declared by it to be "significantly contaminated". This work will continue throughout FY2019. The NSW EPA has confirmed that BlueScope's other sites at Port Kembla, including the main Steelworks site, do not require regulation under the contaminated land legislation. BlueScope will regularly report to the NSW EPA on the results of contamination monitoring at its Port Kembla sites.

BlueScope submits annual reports under the National Greenhouse Gas and Energy Reporting Scheme (greenhouse gas emissions and energy consumption for all Australian facilities), and the National Pollutant Inventory (substance emissions to air and water for a number of facilities).

Each year the Company publishes a Sustainability Report, which is available on our website. The report provides further details of the Group's environmental performance and initiatives.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company 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 the Company along with the current Directors of the Company (listed on page 22). Executive officers and employees of the Company and its related bodies corporate are also covered.

In accordance with Rule 21 of its Constitution, the Company 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 the Company 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 the Company or its subsidiaries as a trustee or as a Director, officer or employee of another corporation.

Current and previous Directors of the Company and the previous Chief Financial Officer and the Chief Legal Officer and Company Secretary have entered into an Access, Insurance and Indemnity Deed (Deed) with the Company. The Deed addresses some or all of the matters set out in Rule 21 of the Constitution and includes, among other things, provisions requiring the Company 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. It is the Company's practice that its employees should be protected from any liability they incur as a result of acting in the course of their employment, while acting in good faith. In FY2018 the Company has paid reasonable legal costs incurred by an officer of the Company acting in that capacity.

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 THE COMPANY

As at the date of this Report, there are no leave applications or proceedings made in respect of the Company or that a person has brought or intervened in on behalf of the Company under section 237 of the Corporations Act 2001.

ROUNDING OF AMOUNTS

Amounts in the Directors' Report are presented in Australian dollars with values rounded to the nearest hundred thousand dollars, or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) instrument 2016/191.

AUDITOR INDEPENDENCE DECLARATION

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

AUDITOR INDEPENDENCE

The Auditor's Independence Declaration for the year ended 30 June 2018 has been received from Ernst & Young. This is set out at page 49 of the Directors' Report.

NON-AUDIT SERVICES

Ernst & Young provided $1,023,000 of non-audit services during the year ended 30 June 2018, comprising:

- $373,000 for taxation compliance services;
- $383,000 for assurance services; and
- $267,000 for advisory 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.

J A BEVAN
Chairman

M VASSELLA
Managing Director and Chief Executive Officer

Melbourne
13 August 2018

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

As lead auditor for the audit of BlueScope Steel Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
13 August 2018

Financial REPORT

BlueScope Steel Limited ABN 16 000 011 058
Annual Financial Report - 30 JUNE 2018

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Statement of Comprehensive Income

BLUESCOPE STEEL LIMITED
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Consolidated 2018 $M	*Restated 2017 $M
Revenue from continuing operations	2	**11,526.3**	10,551.9
Other income	3	**42.0**	92.6
Changes in inventories of finished goods and work in progress		**113.9**	179.9
Raw materials and consumables used		**(6,801.6)**	(6,096.5)
Employee benefits expense		**(1,679.7)**	(1,636.2)
Depreciation and amortisation expense	12, 13	**(375.3)**	(378.9)
Net impairment write-back (expense) of non-current assets	14(f),22(e)	**216.0**	(94.2)
Freight on external despatches		**(496.5)**	(473.3)
External services		**(838.9)**	(874.1)
Net restructuring costs	10(e)	**(1.6)**	(15.2)
Finance costs	16(f)	**(112.4)**	(90.2)
Other expenses		**(239.9)**	(231.4)
Share of net profits of associates and joint venture partnerships accounted for using the equity method	21(a),22(a)	**32.6**	9.1
Profit before income tax		**1,384.9**	943.5
Income tax benefit (expense)	4(a)	**270.0**	(181.7)
Profit from continuing operations		**1,654.9**	761.8
Profit (loss) from discontinued operations after income tax	23(b)	**(26.3)**	12.1
Net profit for the year		**1,628.6**	773.9
Items that may be reclassified to profit or loss			
Net gain (loss) on cash flow hedges		**3.5**	(4.2)
- Income tax (expense) benefit		**(0.1)**	0.7
Net gain (loss) on net investments in foreign subsidiaries	18(a)	**32.9**	(15.8)
- Income tax (expense) benefit		**(25.1)**	-
Exchange fluctuations on translation of foreign operations attributable to BlueScope Steel Limited	18(a)	**77.8**	(48.3)
Exchange fluctuations transferred to profit on translation of foreign operations disposed	18(a)	**0.2**	1.7
Items that will not be reclassified to profit or loss			
Actuarial gain (loss) on defined benefit superannuation plans	11(i)	**(4.3)**	118.4
- Income tax (expense)		**(13.2)**	(36.2)
Exchange fluctuations on translation of foreign operations attributable to non-controlling interests		**29.6**	(13.0)
Other comprehensive income for the year		**101.3**	3.3
Total comprehensive income for the year		**1,729.9**	777.2
Profit is attributable to:			
Owners of BlueScope Steel Limited		**1,569.1**	715.9
Non-controlling interests	20	**59.5**	58.0
		1,628.6	773.9
Total comprehensive income for the year is attributable to:			
Owners of BlueScope Steel Limited		**1,639.6**	733.3
Non-controlling interests	20	**90.3**	43.9
		1,729.9	777.2

Earnings per share for profit attributable to ordinary equity holders of the Company from:	Notes	2018 Cents	*Restated 2017 Cents
Continuing operations:			
Basic earnings (loss) per share	5	**285.8**	127.4
Diluted earnings (loss) per share	5	**279.8**	123.7
Total operations:			
Basic earnings (loss) per share	5	**281.8**	125.3
Diluted earnings (loss) per share	5	**275.8**	121.6

*Certain amounts shown here have been restated to reflect retrospective changes made to discontinued operations (refer to note 23).

Statement of Financial Position

BLUESCOPE STEEL LIMITED
AS AT 30 JUNE 2018

	Notes	Consolidated 2018 $M	2017 $M
ASSETS			
Current assets			
Cash and cash equivalents	15	**944.4**	753.0
Trade and other receivables	6	**1,454.3**	1,331.5
Inventories	7	**1,945.9**	1,658.8
Operating intangible assets	8	**28.2**	24.0
Derivative financial instruments	31(d)	**4.7**	2.0
Deferred charges and prepayments		**112.2**	98.5
		4,489.7	3,867.8
Non-current assets classified as held for sale	12(a)	**4.0**	5.3
Total current assets		**4,493.7**	3,873.1
Non-current assets			
Trade and other receivables	6	**31.3**	32.4
Inventories	7	**67.5**	74.4
Operating intangible assets	8	**42.6**	25.8
Derivative financial instruments	31(d)	**7.0**	5.3
Investments accounted for using the equity method	21,22	**72.7**	44.2
Property, plant and equipment	12	**4,049.3**	3,721.7
Intangible assets	13	**1,676.2**	1,639.9
Deferred tax assets	4(c)	**487.7**	155.3
Deferred charges and prepayments		**3.0**	3.3
Total non-current assets		**6,437.3**	5,702.3
Total assets		**10,931.0**	9,575.4
LIABILITIES			
Current liabilities			
Trade and other payables	9	**1,797.8**	1,802.9
Borrowings	16	**95.9**	53.2
Current tax liabilities		**38.7**	5.0
Provisions	10	**446.7**	419.0
Deferred income		**227.2**	163.1
Derivative financial instruments	31(d)	**1.9**	4.8
Total current liabilities		**2,608.2**	2,448.0
Non-current liabilities			
Trade and other payables	9	**67.4**	44.9
Borrowings	16	**784.9**	932.0
Deferred tax liabilities	4(c)	**158.9**	175.9
Provisions	10	**139.5**	152.4
Retirement benefit obligations	11	**280.9**	281.0
Deferred income		**3.6**	2.5
Total non-current liabilities		**1,435.2**	1,588.7
Total liabilities		**4,043.4**	4,036.7
Net assets		**6,887.6**	5,538.7
EQUITY			
Contributed equity	17(a)	**4,311.2**	4,554.4
Reserves	18	**272.8**	174.7
Retained profits (losses)		**1,809.8**	341.3
Parent entity interest		**6,393.8**	5,070.4
Non-controlling interests	20	**493.8**	468.3
Total equity		**6,887.6**	5,538.7

Statement of Changes in Equity

BLUESCOPE STEEL LIMITED
AS AT 30 JUNE 2018

Consolidated - 30 June 2018	Notes	Contributed equity $M	Reserves $M	Retained profits $M	Non-controlling interests $M	Total $M
Balance at 1 July 2017		**4,554.4**	**174.7**	**341.3**	**468.3**	**5,538.7**
Profit for the period		-	-	1,569.1	59.5	1,628.6
Other comprehensive income (loss)		-	87.9	(17.4)	30.8	101.3
Total comprehensive income for the year		**-**	**87.9**	**1,551.7**	**90.3**	**1,729.9**
Transactions with owners in their capacity as owners:						
Issue of share awards	17(b),18(a)	27.6	(27.6)	-	-	-
Share-based payment expense	18(a)	-	16.3	-	-	16.3
Share buybacks	17(c)	(300.3)	-	-	-	(300.3)
Dividends paid		-	-	(61.7)	(64.9)	(126.6)
Tax credit recognised directly in equity	17(b)	29.5	-	-	-	29.5
Other		-	21.5	(21.5)	0.1	0.1
		(243.2)	10.2	(83.2)	(64.8)	(381.0)
Balance at 30 June 2018		**4,311.2**	**272.8**	**1,809.8**	**493.8**	**6,887.6**

Consolidated - 30 June 2017	Notes	Contributed equity $M	Reserves $M	Retained profits $M	Non-controlling interests $M	Total $M
Balance at 1 July 2016		**4,688.1**	**224.9**	**(415.8)**	**488.1**	**4,985.3**
Profit for the period		-	-	715.9	58.0	773.9
Other comprehensive income (loss)		-	(65.0)	82.4	(14.1)	3.3
Total comprehensive income (loss) for the year		**-**	**(65.0)**	**798.3**	**43.9**	**777.2**
Transactions with owners in their capacity as owners:						
Issue of share awards	17(b),18(a)	10.7	(10.2)	-	-	0.5
Share-based payment expense	18(a)	-	24.0	-	-	24.0
Share buybacks	17(c)	(150.4)	-	-	-	(150.4)
Dividends paid		-	-	(40.2)	(63.4)	(103.6)
Tax credit recognised directly in equity	17(b)	6.0	-	-	-	6.0
Other			1.0	(1.0)	(0.3)	(0.3)
		(133.7)	14.8	(41.2)	(63.7)	(223.8)
Balance at 30 June 2017		**4,554.4**	**174.7**	**341.3**	**468.3**	**5,538.7**

Statement of Cash Flows

BLUESCOPE STEEL LIMITED
FOR THE YEAR ENDED 30 JUNE 2018

		Consolidated	
		2018	2017
	Notes	**$M**	$M
Cash flows from operating activities			
Receipts from customers		**11,924.8**	11,149.3
Payments to suppliers and employees		**(10,647.3)**	(9,813.0)
		1,277.5	1,336.3
Associate dividends received		**3.1**	4.3
Interest received		**8.7**	6.1
Other revenue		**22.5**	34.8
Finance costs paid		**(104.7)**	(90.8)
Income taxes paid		**(66.4)**	(158.3)
Net cash inflow from operating activities	15(a)	**1,140.7**	1,132.4
Cash flows from investing activities			
Payments for disposal of subsidiary	3(a)(i)	**3.1**	(55.1)
Payments for property, plant and equipment		**(395.4)**	(368.7)
Payments for intangibles		**(14.5)**	(14.3)
Proceeds from sale of property, plant and equipment		**15.3**	3.2
Proceeds from sale of investments	3(a)(iii)	**-**	26.6
Proceeds from sale of subsidiaries		**11.1**	-
Net cash (outflow) from investing activities		**(380.4)**	**(408.3)**
Cash flows from financing activities			
Proceeds from borrowings		**1,672.3**	1,261.5
Repayment of borrowings		**(1,826.9)**	(1,516.2)
Dividends paid to Company's shareholders	19(a)	**(61.7)**	(40.2)
Dividends paid to non-controlling interests in subsidiaries		**(64.9)**	(63.4)
Share buybacks	17(c)	**(300.3)**	(150.4)
Net cash inflow (outflow) from financing activities		**(581.5)**	(508.7)
Net increase in cash and cash equivalents		**178.8**	215.4
Cash and cash equivalents at the beginning of the financial year		**751.9**	548.9
Effects of exchange rate changes on cash and cash equivalents		**12.3**	(12.4)
Cash and cash equivalents at end of financial year	15	**943.0**	751.9

Reconciliation of liabilities arising from financing activities	16(a)
Financing arrangements	16(c)
Non-cash financing activities	16(g)

ABOUT THIS REPORT

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 1(a) and the Directors' Report.

The financial report of BlueScope Steel Limited for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 13 August 2018.

Basis of preparation

This financial report is a general purpose financial report, prepared by a for-profit entity, which:

- Has been prepared in accordance with the requirements of the *Australian Corporations Act 2001* , Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

- Includes consolidated financial statements, incorporating the assets and liabilities of all subsidiaries of BlueScope Steel Limited ('the Company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. BlueScope Steel Limited and its subsidiaries together are referred to in this financial report as 'the Group'.

- Has been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value.

- Is presented in Australian dollars with values rounded to the nearest hundred thousand dollars or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

- Presents comparative information where required for consistency with the current year's presentation.

- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2017 as disclosed in note 33(a).

- Does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective as disclosed in note 33(b).

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is BlueScope Steel Limited's functional and presentation currency.

Key estimates and judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the following notes:

Note 4	**Income tax**
Note 10	**Provisions**
Note 11	**Retirement benefit obligations**
Note 12	**Property, plant and equipment**
Note 14	**Carrying value of non-financial assets**
Note 27	**Share-based payments**

Contents of the notes to the consolidated financial statements

FINANCIAL PERFORMANCE

This section of the notes includes segment information and provides further information on key line items relevant to financial performance that the Directors consider most relevant, including accounting policies, key judgements and estimates relevant to understanding these items.

1 Segment information

(a) Description of segments

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

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

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

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

1 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 2018 is as follows:

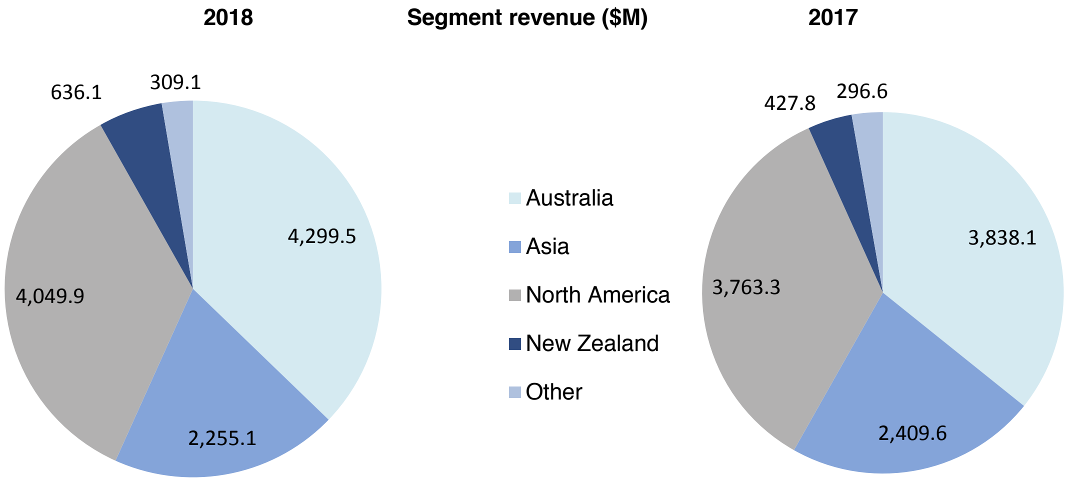
30 June 2018	Australian Steel Products $M	North Star BlueScope Steel $M	Building Products Asia & North America $M	Buildings North America $M	New Zealand & Pacific Steel $M	Discontinued Operations $M	Total $M
Total segment sales revenue	5,423.2	1,923.9	2,693.8	1,106.4	833.6	51.9	12,032.8
Intersegment revenue	(303.9)	-	(97.2)	(0.9)	(81.1)	-	(483.1)
Revenue from external customers	**5,119.3**	**1,923.9**	**2,596.6**	**1,105.4**	**752.5**	**51.9**	**11,549.6**
Segment EBIT	**803.4**	**430.6**	**188.3**	**73.7**	**111.7**	**(25.3)**	**1,582.4**
Depreciation and amortisation	182.0	54.9	74.1	19.5	44.4	1.2	376.1
Impairment expense (write-back) of non-current assets	(216.0)	-	-	-	-	8.0	(208.0)
Share of profit (loss) from associates and joint venture partnerships	-	-	29.6	0.3	2.7	-	32.6
Total segment assets	**3,716.6**	**2,206.3**	**2,115.8**	**742.5**	**733.9**	**38.3**	**9,553.4**
Total assets includes:							
Investments in associates and joint venture partnerships	-	-	65.8	1.5	5.4	-	72.7
Additions to non-current assets (other than financial assets and deferred tax)	170.4	26.9	132.0	22.8	36.9	0.1	389.1
Total segment liabilities	**1,238.1**	**385.6**	**670.0**	**372.9**	**387.5**	**25.5**	**3,079.6**

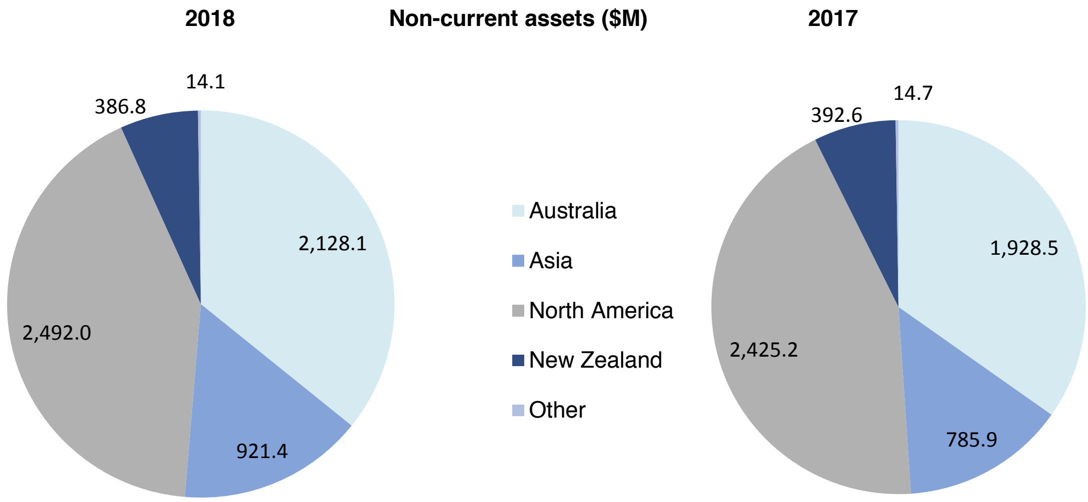
30 June 2017	Australian Steel Products $M	North Star BlueScope Steel $M	Building Products Asia & North America $M (Restated)	Buildings North America $M (Restated)	New Zealand & Pacific Steel $M	Discontinued Operations $M (Restated)	Total $M
Total segment sales revenue	4,918.7	1,700.9	2,459.9	1,173.8	747.5	205.5	11,206.3
Intersegment revenue	(271.7)	-	(138.6)	(1.2)	(59.5)	-	(471.0)
Revenue from external customers	**4,647.0**	**1,700.9**	**2,321.3**	**1,172.6**	**688.0**	**205.5**	**10,735.3**
Segment EBIT	**459.5**	**433.3**	**89.2**	**49.8**	**87.2**	**17.7**	**1,136.7**
Depreciation and amortisation	178.2	55.0	82.8	20.3	42.1	1.5	379.9
Impairment expense of non-current assets	-	-	98.9	-	-	7.0	105.9
Share of profit (loss) from associates and joint venture partnerships	-	-	5.6	1.1	2.4	-	9.1
Total segment assets	**3,342.2**	**2,054.3**	**1,881.8**	**688.2**	**725.6**	**45.8**	**8,737.9**
Total assets includes:							
Investments in associates and joint venture partnerships	-	-	37.1	2.2	4.9	-	44.2
Additions to non-current assets (other than financial assets and deferred tax)	206.1	37.8	78.0	17.9	34.0	16.3	390.1
Total segment liabilities	**1,201.7**	**318.7**	**675.9**	**349.7**	**389.2**	**29.4**	**2,964.6**

1 Segment information (continued)

(c) Geographical information

The Group's geographical regions are based on the location of markets and customers. Segment non-current assets exclude 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 that is consistent with the statement of comprehensive income.

		Consolidated	
	Note	**2018** **$M**	Restated 2017 $M
Total segment sales revenue		**12,032.8**	11,206.3
Intersegment eliminations		**(483.1)**	(471.0)
Discontinued operations	23(b)	**(51.9)**	(205.5)
Other revenue		**28.5**	22.1
Total revenue from continuing operations		**11,526.3**	10,551.9

1 Segment information (continued)

(ii) Segment EBIT

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

	Consolidated	
		Restated
	2018	2017
	$M	$M
Total segment EBIT	**1,582.4**	1,136.7
Intersegment eliminations	**(11.0)**	2.6
Interest income	**8.7**	6.2
Finance costs	**(112.4)**	(90.2)
Discontinued operations	**25.3**	(17.7)
Corporate operations	**(108.1)**	(94.1)
Profit before income tax from continuing operations	**1,384.9**	943.5

(iii) Segment assets and liabilities

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

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

	Consolidated	
	2018	2017
	$M	$M
Segment assets	**9,553.4**	8,737.9
Intersegment eliminations	**(298.6)**	(257.9)
Unallocated:		
Deferred tax assets	**487.7**	155.3
Cash	**944.4**	753.0
Corporate operations	**244.1**	187.1
Total assets	**10,931.0**	9,575.4

	Consolidated	
	2018	2017
	$M	$M
Segment liabilities	**3,079.6**	2,964.6
Intersegment eliminations	**(286.3)**	(256.6)
Unallocated:		
Borrowings	**880.8**	985.2
Current tax liabilities	**38.7**	5.0
Deferred tax liabilities	**158.9**	175.9
Accrued borrowing costs payable	**4.0**	7.0
Corporate operations	**167.7**	155.6
Total liabilities	**4,043.4**	4,036.7

2 Revenue

	Note	Consolidated 2018 $M	*Restated 2017 $M
Sales revenue		**11,497.8**	10,529.8
Other revenue			
Interest		**8.7**	6.1
Other		**19.8**	16.0
		28.5	22.1
Total revenue from continuing operations		**11,526.3**	10,551.9
From discontinued operations			
Sales revenue		**51.9**	205.5
Other revenue		**-**	0.2
Total revenue from discontinued operations	23(b)	**51.9**	205.7

*Certain amounts shown here have been restated to reflect retrospective changes made to discontinued operations (refer to note 23).

(a) Recognition and measurement

Sales revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. This is considered to have occurred when legal title of the product is transferred to the customer and the Group is no longer responsible for the product. The point at which title is transferred is dependent upon the specific terms and conditions of the contract of sale. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met.

Contract revenue is recognised using the percentage of completion method.

Advance payments received from customers are recognised as a liability on the Statement of Financial Position as deferred income, until goods have been sold or services rendered.

3 Other income

	Notes	Consolidated 2018 $M	2017 $M
Net gain on disposal of non-current assets		**5.1**	-
Net gain on sale of subsidiaries	3(a)(i)(ii)	**2.1**	26.7
Net gain on sale of investment	3(a)(iii)	**-**	26.6
Carbon permit income		**29.0**	18.0
Government grant - other		**0.8**	0.6
Insurance recoveries		**-**	3.6
Foreign exchange gains (net)		**5.0**	3.2
Litigation settlement		**-**	13.9
		42.0	92.6

3 Other income (continued)

(a) Net gain on sale of investments

(i) New Zealand Steel Mining
On 1 May 2017, BlueScope sold 100% of its share in New Zealand Steel Mining Limited, its Taharoa export iron sands businesses, to Taharoa Mining Investments Limited (TMIL), recognising NZ$30.3M (A$26.7M) net gain in June 2017. As part of completion, a NZ$1.3M(A$1.1M) working capital adjustment gain less additional selling costs was recognised during the year.

(ii) Buildings China
Current period includes a $1.0M (A$2.7M cash inflow) net gain recognised from the sale of Lysaght Chengdu, associated with the restructuring of the engineered buildings businesses.

(iii) Castrip
On 8 July 2016, the Group sold its 47.5% interest in Castrip for US$20M (A$26.6M). The investment in Castrip was held at $Nil value.

4 Income tax

(a) Income tax (benefit) expense

	Note	Consolidated	
		2018	2017
		$M	$M
Current tax		**134.8**	154.0
Deferred tax		**(371.4)**	24.9
Hedge of net investment in subsidiaries	18(a)	**(25.1)**	-
Adjustments for current tax of prior periods		**(7.8)**	2.9
		(269.5)	181.8
Income tax (benefit) expense is attributable to:			
Continuing operations		**(270.0)**	181.7
Discontinued operations		**0.5**	0.1
Total income tax (benefit) expense		**(269.5)**	181.8

(b) Reconciliation of income tax (benefit) expense to prima facie tax payable

	Note	Consolidated	
			*Restated
		2018	2017
		$M	$M
Profit from continuing operations before income tax expense		**1,384.9**	943.5
Profit (loss) from discontinuing operations before income tax expense	23(b)	**(25.8)**	12.2
		1,359.1	955.7
Tax at the Australian tax rate of 30.0% (2017 - 30.0%)		**407.7**	286.7
Tax effect of amounts which are not deductible/(taxable):			
Manufacturing credits		**(9.0)**	(9.9)
Research and development incentive		**(2.9)**	(4.8)
Withholding tax		**3.1**	4.6
Non-taxable gains		**(14.7)**	(23.6)
Share of net profits of associates		**(11.0)**	(2.6)
US tax reform	4(b)(i)	**(76.3)**	-
Sundry items		**8.7**	6.5
		305.6	256.9
Difference in overseas tax rates		**(8.0)**	18.4
Adjustments for current tax of prior periods		**(7.8)**	2.9
Temporary differences and tax losses not recognised		**4.6**	28.9
Deferred tax restatement		-	(5.2)
Previously unrecognised tax losses now recouped		**(178.9)**	(131.4)
Temporary differences and tax losses now recognised		**(390.5)**	-
Deferred tax assets now derecognised		**5.5**	11.3
Income tax (benefit) expense		**(269.5)**	181.8

*Certain amounts shown here have been restated to reflect retrospective changes made to discontinued operations (refer to note 23).

4 Income tax (continued)

(i) US Tax reform

In late December 2017 the US tax reform bill was passed. BlueScope has benefited from a 7% rate reduction on US earnings in FY 2018 with a 11% rate reduction thereafter. The tax rate reductions have necessitated a downwards revision to deferred tax liabilities, with a corresponding reduction in income tax expense, which has been partially offset by a tolling charge and witholding tax on distributable US foreign earnings in China. The one-off reduction to income tax expense for the year was $76.3M.

(c) Deferred tax assets (DTA) and liabilities (DTL)

	Consolidated			
	DTA		DTL	
	2018 $M	2017 $M	**2018 $M**	2017 $M
The balance comprises temporary differences attributable to:				
Employee benefits provision	**146.6**	137.8	**(42.1)**	(66.6)
Other provisions	**32.8**	32.4	**(6.7)**	(6.0)
Depreciation	**(249.5)**	(224.2)	**80.0**	98.1
Foreign exchange (gains) losses	**(22.6)**	(10.5)	**-**	0.1
Intangible assets	**5.3**	(4.2)	**111.1**	167.4
Inventory	**(2.4)**	(20.0)	**4.6**	(4.3)
Tax losses	**573.4**	236.4	**(7.3)**	(21.4)
Other	**4.1**	7.6	**19.3**	8.6
	487.7	155.3	**158.9**	175.9

	Consolidated			
	DTA		DTL	
	2018 $M	2017 $M	**2018 $M**	2017 $M
Movements:				
Opening balance at 1 July	**155.3**	196.7	**175.9**	162.4
Charged/credited:				
Charged (credited) to profit or loss	**328.8**	(15.6)	**(42.6)**	9.3
Charged (credited) to other comprehensive income	**4.9**	(25.5)	**18.2**	10.1
Exchange fluctuation	**(1.3)**	(0.3)	**7.4**	(5.9)
Closing balance at 30 June	**487.7**	155.3	**158.9**	175.9

(d) Tax losses

	Consolidated	
	2018 $M	2017 $M
Unused tax losses for which no deferred tax asset has been recognised	**190.7**	1,764.2
Potential tax benefit	**51.5**	522.2

(i) Australia

As at 30 June 2018, $155.2M (2017: $124.2M) of Australian tax losses has been utilised within tax expense. At 30 June 2018, the $325.7M remaining unbooked Australian tax assets were recognised through tax expense following ongoing improved operating performance.The Australian consolidated tax Group has $1.84 billion of carried forward booked tax losses which are able to be carried forward indefinitely.

(ii) New Zealand

For the year ended 30 June 2018, $21.1M (2017: $4.2M) of New Zealand deferred tax assets has been utilised within tax expense. The Company has deferred the recognition of any further New Zealand tax credits until a sustainable return to taxable profits has been demonstrated. New Zealand tax losses of A$127.5M (gross NZ$138.6M) are able to be carried forward indefinitely.

(iii) China

The Group also has unrecognised tax losses arising in China of $63.2M (2017: $43.4M) which are able to be offset against taxable profits within five years of being incurred.

4 Income tax (continued)

(e) Unrecognised temporary differences

	Consolidated	
	2018	2017
	$M	$M
Temporary difference relating to investment in subsidiaries for which deferred tax liabilities have not been recognised	**136.7**	131.3
Tax effect of the above unrecognised temporary differences	**20.6**	18.7

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 its subsidiaries and is not expected to distribute these profits in the foreseeable future.

Unrecognised deferred tax assets for the Group totalling $156.1M (2017: $210.4M) in respect of temporary differences have not been recognised as they are not probable of realisation.

(f) Recognition and measurement

Current taxes
The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Offsetting deferred tax balances
Deferred tax assets and liabilities are offset when deferred tax balances relate to the same taxation authority and there is a legally enforceable right to offset current tax assets and liabilities.

4 Income tax (continued)

(g) Key judgements and estimates

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

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

The Australian consolidated tax group has recognised a $412.1M deferred tax asset at 30 June 2018 (2017: $84.6M). As at 30 June 2018, $327.5M of previously unbooked Australian tax losses were fully recognised following continued improved operating performances.

New Zealand Steel has recognised a NZ$56.4M deferred tax asset at 30 June 2018 (2017:NZ$50.4M). The utilisation of the deferred tax asset amount depends upon future taxable amounts in excess of profits arising from the reversal of temporary differences. The Group believes these amounts to be recoverable based on taxable income projections. The Group has deferred the recognition of any further tax credits for New Zealand tax group until a sustainable return to taxable profits has been demonstrated.

5 Earnings (loss) per share

	Consolidated			
	Basic		Diluted	
	2018 Cents	Restated 2017 Cents	**2018 Cents**	Restated 2017 Cents
Continuing operations	**285.8**	127.4	**279.8**	123.7
Discontinued operations	**(4.0)**	(2.1)	**(4.0)**	(2.1)
Earnings per share	**281.8**	125.3	**275.8**	121.6

(a) Earnings used in calculating earnings (loss) per share

		Consolidated	
	Note	**2018 $M**	Restated 2017 $M
Profit (loss) used in calculating basic earnings (loss) per share:			
Continuing operations		**1,591.6**	728.0
Discontinued operations	23(b)	**(22.5)**	(12.1)
		1,569.1	715.9

(b) Weighted average number of shares used as denominator

	Consolidated	
	2018 Number	2017 Number
Weighted average number of ordinary shares (Basic)	**556,843,500**	571,146,269
Weighted average number of share rights	**12,009,323**	17,457,466
Weighted average number of ordinary and potential ordinary shares (Diluted)	**568,852,823**	588,603,735

(c) Earnings (loss) per share restated

The comparative earnings (loss) per share calculations have been restated for the retrospective adjustment made to discontinued operations (refer to note 23).

5 Earnings (loss) per share (continued)

(d) Calculation of earnings per share

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

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

WORKING CAPITAL AND PROVISIONS

This section of the notes provides further information about the Group's working capital and provisions, including accounting policies and key judgements and estimates relevant to understanding these items.

6 Trade and other receivables

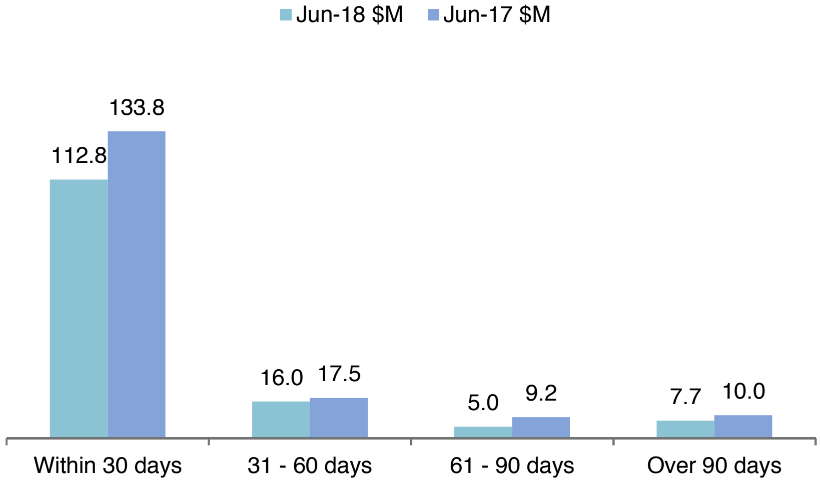
		Consolidated			
		2018		2017	
	Notes	**Current $M**	**Non-current $M**	Current $M	Non-current $M
Trade receivables		**1,321.3**	**-**	1,190.4	-
Provision for impairment of trade receivables	6(a)	**(18.6)**	**-**	(19.5)	-
		1,302.7	**-**	1,170.9	-
Loans to related parties - associates	28(d)	**1.2**	**-**	1.3	-
Workers compensation receivables	10(g)	**-**	**20.5**	-	24.0
Sale of receivables	6(c)	**70.4**	**-**	81.5	-
Other receivables		**80.4**	**10.8**	77.8	8.4
Provision for impairment of sundry receivables	6(a)	**(0.4)**	-	-	-
		151.6	**31.3**	160.6	32.4
		1,454.3	**31.3**	1,331.5	32.4

(a) Provision for impairment of receivables

	Consolidated	
	2018 $M	2017 $M
At 1 July	**19.5**	18.0
Additional provision recognised	**10.1**	7.0
Amounts used during the period	**(4.5)**	(4.4)
Unutilised provision written back	**(7.0)**	(0.6)
Exchange fluctuations	**0.9**	(0.5)
	19.0	19.5

6 Trade and other receivables (continued)

(b) Past due but not impaired



None of the non-current receivables are impaired or past due.

(c) Transferred financial assets that are derecognised

The Group has two receivables securitisation programs for $440M (2017: $460M) in total, maturing in September and December 2019. These programs involve the sale of relevant trade receivables across its Australian businesses, New Zealand Steel and North Star BlueScope Steel. The business acts as a servicer under the programs and continues to collect cash from its customers for which a fee is received.

The receivables securitisation programs qualify for derecognition of trade receivables in their entirety. The Group has transferred the significant risks and rewards of the trade receivables. The Group maintains a continuing involvement in the de-recognised financial assets by virtue of reserving requirements under the programs. The maximum exposure to loss for the Group from its continuing involvement is $70.4M which is determined by the amount of reserves funded by BlueScope, less customer collections during the month. Interest income is earned on this financial asset. Total net costs from selling the receivables and running the program were $10.3M (2017: $11.1M).

In the event bad or doubtful debts exceed a specified limit, the Group will have to recognise the trade receivables on the balance sheet. Current experience and bad debt history is below this level. The carrying amount of the trade receivables de-recognised as at 30 June 2018 is $396.5M (2017: $377.4M) which is reflected by a decrease in trade receivables of $185.0M (2017: $148.9M), an increase in sundry payables of $281.9M (2017: $310.0M) offset by a $70.4M (2017: $81.5M) increase in sundry receivables which approximates fair value.

(d) Recognition and measurement

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 to 90 days.

Impairment of trade receivables
Debts which are known to be uncollectible are written off when identified. A provision for impairment is recognised when there is objective evidence that amounts due may not be received. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

7 Inventories

	Consolidated 2018 Current $M	Consolidated 2018 Non-current $M	2017 Current $M	2017 Non-current $M
At lower of cost and net realisable value:				
Raw materials and stores	**581.9**	**-**	409.6	-
Work in progress	**520.7**	**-**	585.3	-
Finished goods	**730.7**	**-**	569.0	-
Spares and other	**112.6**	**67.5**	94.9	74.4
	1,945.9	**67.5**	1,658.8	74.4

(a) Inventory expense

During the year, $8.8M (2017: $1.1M write-back) was recognised as a write-back for inventories carried at net realisable value. The write-back has been included in 'raw materials and consumables used' in the profit and loss.

(b) Recognition and measurement

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials. Costs are assigned to inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to sell.

8 Operating intangible assets

	Consolidated 2018 Current $M	Consolidated 2018 Non-current $M	2017 Current $M	2017 Non-current $M
Emission unit permits - not held for trading	**28.2**	**42.6**	24.0	25.8

(a) Recognition and measurement

Emission unit (EU) permits which are not held for trading are classified as intangible assets and are carried at cost. Intangible EU assets are not amortised or subject to impairment as the economic benefits are realised from surrendering the rights to settle obligations arising from the ETS.

9 Trade and other payables

	Note	Consolidated 2018 Current $M	Consolidated 2018 Non-current $M	2017 Current $M	2017 Non-current $M
Trade payables		**1,400.3**	**-**	1,381.7	-
Sale of receivables	6(c)	**281.9**	**-**	310.0	-
Other payables		**115.6**	**67.4**	111.2	44.9
		1,797.8	**67.4**	1,802.9	44.9

(a) Recognition and measurement

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 62 days of recognition.

10 Provisions

	Consolidated 2018 Current $M	Consolidated 2018 Non-current $M	Consolidated 2017 Current $M	Consolidated 2017 Non-current $M
Annual leave (d) (i)	**75.0**	**-**	71.2	-
Long service leave (d) (i)	**121.1**	**14.3**	120.7	16.7
Redundancy (d) (ii)	**3.4**	**-**	4.6	-
Other employee benefits (d) (iii)	**178.2**	**12.6**	145.1	11.2
Restructure (e)	**12.8**	**12.3**	15.5	16.3
Product claims (f)	**19.4**	**10.0**	21.5	12.0
Workers compensation (g)	**11.0**	**66.1**	11.3	71.6
Restoration and rehabilitation (h)	**10.0**	**23.2**	8.8	23.5
Carbon emissions (i)	**10.0**	**-**	7.0	-
Other provisions	**5.8**	**1.0**	13.3	1.1
Total provisions	**446.7**	**139.5**	419.0	152.4

(a) Movements in provisions

Movement in significant provisions, other than employee benefits, are set out below.

Consolidated - 2018 ($M)	Restructure	Product claims	Workers compensation	Restoration and rehabilitation
Current and non-current				
Carrying amount at start of the year	**31.8**	**33.5**	**82.9**	**32.3**
Additional provisions recognised	**16.3**	**12.0**	**14.0**	**3.4**
Unutilised provisions written back	**(6.5)**	**(8.7)**	**(5.6)**	**(0.8)**
Amounts used during the period	**(15.8)**	**(9.5)**	**(12.0)**	**(2.0)**
Exchange fluctuations	**0.2**	**0.4**	**0.2**	**-**
Transfers	**(1.2)**	**1.2**	**(3.5)**	**-**
Unwinding of discount	**0.3**	**0.5**	**1.1**	**0.3**
Carrying amount end of year	**25.1**	**29.4**	**77.1**	**33.2**

(b) Recognition and measurement

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(c) Key judgements and estimates

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(d) Employee benefits

(i) Annual leave and long service leave
The liability for annual leave and long service leave expected to be settled after 12 months is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on high quality corporate bonds other than New Zealand where Government bonds are used, with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

10 Provisions (continued)

Amounts not expected to be settled within 12 months for current leave provisions
The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service. The entire annual leave amount and vested portion of long service leave are presented as current. Since the Group does not have an unconditional right to defer settlement, based on past experience, the Group does not expect all employees to take the full amount of accrued annual leave and long service leave or require payment within the next 12 months. Current annual leave and long service leave obligation expected to be settled after 12 months is $115.0M (2017: $112.9M).

(ii) Termination benefits
Liabilities for termination benefits, not in connection with a business combination or the closure of an operation, are recognised when the Group is demonstrably committed to either terminating the employment of current employees according to a formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

The employee redundancy provision balance reflects a range of internal reorganisations. All redundancies are expected to take effect within 12 months of the reporting date.

(iii) Short Term Incentive plans (STI)
The Group recognises a liability and an expense for STI plan payments made to employees. The Group recognises a provision where past practice and current performance indicates that a probable constructive obligation exists.

(e) Restructuring costs

Liabilities arising directly from undertaking a restructuring program, defined as the closure of an operating site, are recognised when a detailed plan of the restructuring activity has been developed and implementation of the restructuring program as planned has commenced, by either entering into contracts to undertake the restructuring activities or making a detailed announcement such that affected parties are in no doubt the restructuring program will proceed.

The restructuring provisions primarily relate to Australian Steel Products segment to cover estimated future costs of site closures. The provisions are to be utilised over various terms up to a maximum period of 15 years.

(f) Product claims

Provision for claims is based on modelled data combining sales volumes with past experiences of repair and replacement levels in conjunction with any specifically identified product faults.

(g) Workers compensation

In Australia and North America, the Company is a registered self-insurer for workers compensation. Provisions are recognised based on calculations performed by an external actuary in relation to the expectation of future events. A contingent liability exists in relation to guarantees given to various state workers compensation authorities, due to self-insurance prerequisites (refer to note 24(a)(ii)).

For the Group, an actuarially determined asset of $20.5M (2017: $24.0M) has been recognised for expected future reimbursements associated with workers compensation recoveries from third parties. This amount is included in non-current other receivables (refer to note 6) as there is no legal right offset against the workers compensation provision.

(h) Restoration and rehabilitation

Restoration and rehabilitation provisions includes $4.3M (2017: $4.2M) for New Zealand & Pacific Steel segment in relation to its operation of its iron sands mine in Waikato North Head. The provision has been classified as non-current as the timing of payments to remedy the site will not be made until cessation of its operation, which is not expected for many years.

The balance of the provision relates to leased sites that require rectification and restoration work at the end of their respective lease periods.

Recognising restoration, remediation and rehabilitation provisions requires assumptions to be made as to the application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

10 Provisions (continued)

(i) Carbon emissions

The Group is a participant in the New Zealand Government's uncapped Emissions Trading Scheme (ETS).

The emissions liability is recognised as a provision for carbon and is measured at the carrying amount of Emission Units (EUs) held with excess units, if any, held for trading measured at the current market value of EUs. ETS costs passed through from suppliers are included as part of the underlying cost of the good or service rendered. The liability is either included within trade creditors or recorded as an emissions liability within the carbon provision account when an agreement has been reached with the supplier to settle the ETS cost by transferring EUs.

When EUs are delivered to the government or a third party, the EU asset along with the corresponding carbon provision is derecognised from the statement of financial position.

11 Retirement benefit obligations

(a) Defined contribution plans

The Group makes superannuation contributions to defined contribution funds in respect of the entity's employees located in Australia and other countries. As at 30 June 2018, the defined contribution expense recognised in the profit and loss amounted to $103.4M (2017: $87.4M).

The defined contribution plans receive fixed contributions from Group companies with the Group's legal obligation limited to these contributions. Contributions to defined contribution funds are recognised as an expense as they become payable.

(b) Defined benefit plans

Country	Fund type	Description
New Zealand	Pension Fund and Retirement Savings Plan (closed to new participants)	New Zealand employees are members of the New Zealand Steel Pension Fund.
North America	Butler Manufacturing Base Retirement Plan (closed to new participants)	Employees previously belonging to the Butler Manufacturing Company are members of the Butler Manufacturing Base Retirement Plan.

Defined benefit funds provide defined lump sum benefits based on years of service and final or average salary. Actuarial assessments of the defined benefit funds are made at no more than three-yearly intervals, with summary assessments performed annually. The last formal actuarial assessments were made of the New Zealand Steel Pension Fund as at 30 June 2018, and the Butler Base Retirement Plan as at 1 January 2018.

(c) Statement of financial position amounts

	Consolidated	
	2018	2017
	$M	$M
Present value of the defined benefit obligation	**(955.7)**	(1,011.3)
Fair value of defined benefit plan assets	**674.8**	730.3
Net (liability) in the statement of financial position	**(280.9)**	(281.0)

11 Retirement benefit obligations (continued)

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

	New Zealand Pension Fund		Butler Manufacturing Base Retirement Plan		Total	
$M	**2018**	2017	**2018**	2017	**2018**	2017
Present value of the defined benefit obligation	**(581.6)**	(588.1)	**(374.1)**	(423.2)	**(955.7)**	(1,011.3)
Fair value of defined benefit plan assets	**415.1**	433.1	**259.7**	297.2	**674.8**	730.3
Net (liability) in the statement of financial position	**(166.5)**	(155.0)	**(114.4)**	(126.0)	**(280.9)**	(281.0)
Defined benefit expense	**13.7**	19.2	**10.9**	9.7	**24.6**	28.9
Employer contribution	**13.1**	14.6	**15.5**	2.3	**28.6**	16.9
Average duration of defined benefit plan obligation (years)	**13.2**	13.5	**11.9**	12.3		
Significant actuarial assumptions	**%**		**%**			
Discount rate (gross of tax)	**3.2**	3.3	**4.1**	3.7		
Future salary increases (i)	**2.0**	2.0	**-**	-		

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

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

(e) Categories of plan assets

	Consolidated	
	2018 **$M**	2017 $M
Cash	**7.8**	8.2
Equity instruments	**219.8**	242.4
Debt instruments	**402.0**	419.9
Property	**37.6**	51.4
Other assets	**7.6**	8.4
	674.8	730.3

(f) Actuarial assumptions and sensitivity

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption $M**	**Decrease in assumption $M**
Discount rate	+/-1%	(138.7)	158.3
Salary growth rate	+/-1%	16.7	(16.0)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions for the year ended 30 June 2018.

11 Retirement benefit obligations (continued)

(g) Reconciliations

	Consolidated			
	Plan assets		Defined benefit obligation	
	2018 $M	2017 $M	**2018 $M**	2017 $M
Balance at the beginning of the year	**730.3**	718.7	**1,011.3**	1,109.5
Current service cost	**-**	-	**8.7**	11.1
Interest income (net of tax paid)	**17.7**	18.8	**-**	-
Interest cost	**-**	-	**24.0**	27.6
Actuarial losses (gains) arising from changes in demographic assumptions	**-**	-	**0.3**	1.6
Actuarial losses (gains) arising from changes in financial assumptions	**(0.8)**	41.9	**3.2**	(78.1)
Foreign currency exchange rate changes	**(3.1)**	(9.9)	**(3.2)**	(13.2)
Benefits paid	**(90.7)**	(48.7)	**(90.7)**	(48.7)
Allowance for contributions tax on net liability	**-**	-	**0.2**	1.5
Contributions by the Group	**28.9**	16.9	**-**	-
Tax on employer contributions	**(4.3)**	(4.8)	**-**	-
Contributions by plan participants	**1.9**	2.3	**-**	-
Plan expenses	**(5.1)**	(4.9)	**-**	-
Gain on curtailment - North America	**-**	-	**1.9**	-
Balance at the end of the year	**674.8**	730.3	**955.7**	1,011.3

(h) Amounts recognised in profit or loss

	Consolidated	
	2018 $M	2017 $M
Current service cost	**8.7**	11.1
Contributions by plan participants	**(1.9)**	(2.3)
Net interest	**6.3**	8.8
Plan expenses	**5.1**	4.9
Allowance for contributions tax	**4.5**	6.4
Gain on curtailment - North America	**1.9**	-
Total included in employee benefits expense	**24.6**	28.9
Actual return on plan assets	**11.8**	55.8

(i) Amounts recognised in other comprehensive income

	Consolidated	
	2018 $M	2017 $M
Actuarial gains (losses) recognised in other comprehensive income during the year - DB plans	**(4.3)**	118.4
Cumulative actuarial (losses) recognised in other comprehensive income	**(412.7)**	(408.4)

(j) Employer contributions

Employer contributions to the defined benefit section of the Group's plans are based on recommendations by the plan's actuaries. The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable.

Total employer contributions expected to be paid for the year ending 30 June 2019 are $32.1M.

11 Retirement benefit obligations (continued)

(k) Recognition and measurement

A liability or asset in respect of defined benefit superannuation plans is measured as the present value of the defined benefit obligation less the fair value of the superannuation fund's assets. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the end of the reporting period, calculated half yearly by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields on government or corporate bonds where a deep market exists, with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, in other comprehensive income.

Past service costs are recognised in profit or loss, unless the changes to the superannuation plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the entity and are part of the provision of the existing benefit obligation (e.g. taxes on investment income and employer contributions) are taken into account in measuring the net liability or asset.

INVESTED CAPITAL

This section of the notes provides further information about property, plant and equipment, non-current intangibles assets and carrying amount of these non-financial assets, including accounting policies, key judgements and estimates relevant to understanding these items.

12 Property, plant and equipment

	Note	Land and Buildings $M	Plant, machinery and equipment $M	Total $M
Year ended 30 June 2018				
Opening net book amount		**743.9**	**2,977.8**	**3,721.7**
Additions		**9.2**	**365.4**	**374.6**
Depreciation charge		**(37.3)**	**(286.9)**	**(324.2)**
Disposals		**(4.7)**	**(2.3)**	**(7.0)**
Disposal of subsidiary		**(1.5)**	**-**	**(1.5)**
Impairment (charge) write-back	14(f)	**(3.7)**	**211.8**	**208.1**
Asset reclassifications		**10.8**	**(10.8)**	**-**
Assets reclassified to held for sale from PP&E (a)		**1.5**	**-**	**1.5**
Asset reclassifications to computer software		**-**	**(3.7)**	**(3.7)**
Exchange fluctuations		**26.2**	**53.6**	**79.8**
Closing net book amount		**744.4**	**3,304.9**	**4,049.3**
At 30 June 2018				
Cost		**1,495.3**	**10,968.8**	**12,464.1**
Accumulated depreciation and impairment		**(750.9)**	**(7,663.9)**	**(8,414.8)**
Net book amount		**744.4**	**3,304.9**	**4,049.3**
Assets under construction included above:		**0.6**	**309.0**	**309.6**

12 Property, plant and equipment (continued)

	Note	Land and Buildings $M	Plant, machinery and equipment $M	Total $M
At 1 July 2016				
Cost		1,519.0	10,681.7	12,200.7
Accumulated depreciation and impairment		(714.5)	(7,652.1)	(8,366.6)
Net book amount		804.5	3,029.6	3,834.1
Year ended 30 June 2017				
Opening net book amount		804.5	3,029.6	3,834.1
Additions		20.4	355.3	375.7
Depreciation charge		(39.9)	(288.0)	(327.9)
Disposals		(0.4)	(4.4)	(4.8)
Disposal of subsidiary		(3.1)	(1.4)	(4.5)
Impairment charge	14(f)	(16.7)	(69.3)	(86.0)
Asset reclassifications		3.5	(3.5)	-
Assets reclassified to held for sale from PP&E (a)		(5.3)	-	(5.3)
Asset reclassifications to computer software		-	(3.5)	(3.5)
Exchange fluctuations		(19.1)	(37.0)	(56.1)
Closing net book amount		743.9	2,977.8	3,721.7
At 30 June 2017				
Cost		1,451.8	10,622.4	12,074.2
Accumulated depreciation and impairment		(707.9)	(7,644.6)	(8,352.5)
Net book amount		743.9	2,977.8	3,721.7
Assets under construction included above:		0.1	297.7	297.8

(a) Assets held for sale

Buildings China reclassified $4.0M (2017: $5.3M) from land and buildings to assets held for sale, associated with the restructuring of the engineered building solutions businesses.

(b) Leases

Total property, plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	Consolidated	
	2018 $M	2017 $M
Leasehold assets		
Cost	**184.6**	195.4
Accumulation depreciation and impairment	**(108.7)**	(106.7)
Net book amount	**75.9**	88.7

(c) Sale and disposal of property, plant and equipment

	Consolidated	
	2018 $M	2017 $M
Net (loss) on sale and disposal of property, plant and equipment	**5.1**	(2.3)

(d) Recognition and measurement

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost also includes transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

12 Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation
Property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives or, in the case of leasehold improvements and finance leases, the shorter lease term, unless there is reasonable certainty that the Group will obtain ownership at the end of the lease term.

The useful lives of major categories of property, plant and equipment are as follows:

Category	Useful Life
Land	Not depreciated
Buildings	30-40 years
Iron and steel making plant and machinery	20-40 years
Coating lines	20-30 years
Building components plant and equipment	12-18 years
Other plant and equipment	5-15 years

Derecognition
Property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits.

(e) Key estimates

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

13 Intangible assets

Consolidated	Note	Goodwill $M	Patents, trademarks and other rights $M	Computer software $M	Customer relation-ships $M	Other intangible assets $M	Total $M
Year 30 June 2018							
Opening net book amount		**1,156.6**	**5.9**	**83.5**	**360.4**	**33.5**	**1,639.9**
Additions		**-**	**-**	**14.5**	**-**	**-**	**14.5**
Amortisation charge		**-**	**(0.6)**	**(21.6)**	**(28.4)**	**(1.7)**	**(52.3)**
Impairment charge	14(f)	**-**	**-**	**(0.1)**	**-**	**-**	**(0.1)**
Reclassifications from PP&E		**-**	**-**	**3.7**	**-**	**-**	**3.7**
Exchange fluctuations		**53.6**	**0.2**	**2.4**	**15.1**	**(0.8)**	**70.5**
Closing net book amount		**1,210.2**	**5.5**	**82.4**	**347.1**	**31.0**	**1,676.2**
At 30 June 2018							
Cost		**1,725.3**	**21.6**	**355.9**	**491.0**	**41.1**	**2,634.9**
Accumulated amortisation and impairment		**(515.1)**	**(16.1)**	**(273.5)**	**(143.9)**	**(10.1)**	**(958.7)**
Net book amount		**1,210.2**	**5.5**	**82.4**	**347.1**	**31.0**	**1,676.2**

13 Intangible assets (continued)

Consolidated	Notes	Goodwill $M	Patents, trademarks and other rights $M	Computer software $M	Customer relation-ships $M	Other intangible assets $M	Total $M
At 1 July 2016							
Cost		1,704.6	21.3	321.6	483.4	42.2	2,573.1
Accumulated amortisation and impairment		(502.1)	(14.4)	(230.8)	(82.5)	(6.8)	(836.6)
Net book amount		1,202.5	6.9	90.8	400.9	35.4	1,736.5
Year 30 June 2017							
Opening net book amount		1,202.5	6.9	90.8	400.9	35.4	1,736.5
Additions		-	-	14.4	-	-	14.4
Amortisation charge		-	(0.9)	(20.3)	(29.6)	(1.7)	(52.5)
Impairment charge	14(f)	(12.0)	-	(3.2)	-	-	(15.2)
Reclassifications from PP&E		-	-	3.5	-	-	3.5
Exchange fluctuations		(33.9)	(0.1)	(1.7)	(10.9)	(0.2)	(46.8)
Closing net book amount		1,156.6	5.9	83.5	360.4	33.5	1,639.9
At 30 June 2017							
Cost		1,668.3	20.8	326.6	470.1	41.9	2,527.7
Accumulated amortisation and impairment		(511.7)	(14.9)	(243.1)	(109.7)	(8.4)	(887.8)
Net book amount		1,156.6	5.9	83.5	360.4	33.5	1,639.9

(a) Recognition and measurement

(i) Goodwill
Goodwill represents the excess of the cost to purchase a business less the fair market value of the tangible assets, identifiable intangible assets and the liabilities obtained in the purchase. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

(ii) Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair market value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less amortisation and any impairment losses. Intangible assets with finite lives are amortised on a straight line basis over their useful life. The amortisation period and method is reviewed at each financial year end.

A summary of the useful lives of intangible assets is as follows:

Category	Useful Life
Patents, trademarks and other rights	Indefinite and finite (7-15 years)
Computer software	Finite (3-10 years)
Customer relationships	Finite (10-20 years)

(iii) Research and development
Research expenditure is recognised as an expense as incurred. For the year ended 30 June 2018, $24.7M (2017: $26.2M) was recognised for research and development expenditure in the profit and loss. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably.

14 Carrying value of non-financial assets

(a) Recognition and measurement
The Group tests property, plant and equipment (note 12) and intangible assets with definite useful lives (note 13) when there is an indicator of impairment. Goodwill and other intangible assets with indefinite useful lives are tested at least annually for any impairment.

14 Carrying value of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting period to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. A previously recognised impairment loss is reversed only if there has been a change in the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

(b) Allocation of goodwill and intangible assets with indefinite useful lives to cash generating units

Goodwill is allocated to the Group's cash generating units (CGUs) for impairment testing purposes as follows:

Cash generating units	Reportable segments	2018 $M	2017 $M
Building Products North America	Building Products Asia and North America	**3.8**	3.6
Buildings North America	BlueScope Buildings North America	**297.9**	284.7
North Star BlueScope Steel LLC	North Star BlueScope Steel	**905.2**	865.0
Buildings China	Building Products Asia and North America	**3.3**	3.3
Total goodwill		**1,210.2**	1,156.6

The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. In addition to goodwill, the Group has other intangible assets with indefinite useful lives of $3.9M (2017: $3.8M) allocated to the Buildings North America CGU which primarily relates to the Varco Pruden trade names acquired in February 2008. All of the above CGUs were tested for impairment at the reporting date.

(c) Key assumptions and estimates

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

Key assumptions	Basis of estimation
Future cash flows	• VIU calculations use pre-tax cash flows, inclusive of working capital movements which are based on financial projections approved by the Group covering a three-year period, being the basis of the Group's forecasting and planning processes, or up to five years where circumstances pertaining to a specific CGU support a longer period. • Cash flows beyond the projection period are extrapolated to provide a maximum of 30 years of cash flows with adjustments where necessary to reflect changes in long-term operating conditions. No terminal value is calculated.
Growth rate	• The growth rate used to extrapolate the cash flows for each CGU beyond the forecast period does not exceed 2.5% (2017: 2.5%). • The growth rate represents a steady indexation rate which does not exceed the Group's expectations of the long-term average growth rate for the business in which each CGU operates.
Discount rate	• The discount rate applied to the cash flow projections has been assessed to reflect the time value of money and the perceived risk profile of the industry in which each CGU operates. • The base post-tax discount rates range from 7.8% to 8.9% (2017: 8.4% to 9.3%). • Given the differing characteristics, currencies and geographical locations of the Group's CGUs, where appropriate the base discount rate is adjusted by a country risk premium (CRP) to reflect country specific risks. Such adjustments do not reflect risks for which cash flow forecasts have already been adjusted. The CRP is derived from a range of externally sourced foreign country risk ratings. • The adjusted post-tax discount rate is translated to a pre-tax rate for each CGU based on the specific tax rate applicable to where the CGU operates. • All foreign currency cash flows are discounted using a discount rate appropriate for that currency.
Raw material costs	• Based on commodity price forecasts derived from a range of external commodity forecasters.
Selling prices	• Based on management forecasts, taking into account commodity steel price forecasts derived from a range of external commodity forecasters.
Sales volume	• Based on management forecasts, taking into account external forecasts of underlying economic activity for the market sectors and geographies in which each CGU operates.
AUD:USD and NZD:USD	• Based on forecasts derived from a range of external banks.

14 Carrying value of non-financial assets (continued)

(d) Cash generating units with significant goodwill

Buildings North America
Buildings North America is tested for impairment on a VIU basis using three year cash flow projections, followed by a long-term growth rate of 2.5% for a further 27 years. Pre-tax VIU cash flows are discounted utilising a 10.3% pre-tax discount rate (2017: 13.3%).

At 30 June 2018 the recoverable amount of this CGU is 3.0 times (2017: 2.1 times) the carrying amount of $465.4M (2017: $452.0M), including non-current assets and net working capital. This CGU is most sensitive to assumptions in relation to North American non-residential building and construction activity. Taking into account external forecasts, the Group expects non-residential building and construction activity to increase 3.8% per annum (2017: 4.4%) from the 2017/18 financial year over the three-year projection period.

However, the timing and extent of this increase is uncertain. To illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts for Buildings North America were to decrease by 66% (2017: 51%) across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

North Star BlueScope Steel LLC
The Company acquired a controlling interest in North Star BlueScope Steel LLC on 30 October 2015. This is tested for impairment on a VIU basis using three year cash flow projections, followed by a long-term growth rate of 2.5% for a further 27 years. Pre-tax VIU cash flows are discounted utilising pre-tax discount rate of 11.3% (2017: 13.6%).

At 30 June 2018 the recoverable amount of the CGU is 1.9 times (2017: 1.6 times) the carrying amount of $1,820.8M (2017: $1,735.6M), including non-current assets and net working capital. This CGU is most sensitive to assumptions in relation to the spread between North American hot rolled coil and purchased scrap prices. Taking into account external forecasts, the Group expects the spread to decrease from the current historically high levels over the term of the three-year projection period. To illustrate the sensitivity of these assumptions, if they were to decrease further, such that the expected cash flow forecasts for North Star BlueScope Steel LLC were to decrease by 46% (2017: 37%) across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

(e) Sensitivity of carrying amounts

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

For ASP, recognised external forecasters estimate the US dollar relative to the Australian dollar to remain around the average 2017/18 level and a decrease in Asian commodity steel prices relative to iron ore and coking coal costs. The Group believes that the long term assumptions adopted are appropriate. ASP is exposed to variable macroeconomic factors and to illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts were to decrease by 58% (2017: 36%) across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

For NZPac, recognised external forecasters estimate the US dollar relative to the New Zealand dollar to remain around the average 2017/18 level and a decrease in global commodity steel prices relative to the average 2017/18. The Group believes that the long term assumptions adopted are appropriate. NZPac is exposed to variable macroeconomic factors and to illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts were to decrease by 10% across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

14 Carrying value of non-financial assets (continued)

(f) Recognised impairment charges (write-backs)

Cash generating units	2018 $M	2017 $M	Discount rates 2018 (%)	Discount rates 2017 (%)
Australian Steel Products - PP&E impairment writeback (i)	**(216.0)**	-	12.7	13.7
Building Products Indonesia - PP&E impairment (iii)	**-**	50.3	**-**	14.8
Buildings China - PP&E, goodwill and intangibles (iv)	**-**	43.9	**-**	13.0
Building Products India PP&E 23(e)	**-**	4.7	**-**	-
Net impairment (write-back) expense of non-financial assets from continuing operations	**(216.0)**	98.9	**-**	-
Discontinued operations (ii) & (v)	**8.0**	7.0	**-**	13.5
Net impairment (write-back) expense recognised	**(208.0)**	105.9	**-**	-

(i) Australian Steel Products
At 30 June 2018, ASP recognised a $216.0M write-back of PP&E that had been impaired in previous periods. The write-back represents the full asset value available to be reversed and was due to the sustained improvement in ASP financial performance and an increased confidence, supported by external forecasts for raw material prices, selling prices, sales volumes and the AUD:USD, that future estimated cash flows support the uplift in asset values.

(ii) Buildings ASEAN
At 31 December 2017, $8.0M impairment of PP&E was recognised in Buildings ASEAN following management's decision to close down the business on 12 March 2018 as a result of ongoing weak business performance and uncertain future earnings (note 23(b).

(iii) Building Products Indonesia
At 30 June 2017, Building Products Indonesia recognised an impairment as a result of uncertain regulatory environment including tariffs, import quotas and other regulatory measures and ongoing margin compression. The impairment was based on a recoverable amount of $190.0M.

(iv) Buildings China
At 31 December 2016, Buildings China recognised impairments in relation to engineered buildings for $28.6M of property, plant and equipment no longer required, together with $12.0M of goodwill and $3.3M of other intangible assets as a result of uncertainty regarding future earnings. The impairment was based on a recoverable amount of $12.9M.

(v) New Zealand Steel Mining
At 31 December 2016, further impairments were recognised in relation to Taharoa iron sand mining assets within the New Zealand and Pacific Steel segment. The Taharoa iron sand mining business was subsequently sold on 1 May 2017.

CAPITAL STRUCTURE AND FINANCING ACTIVITIES

This section of the notes provides further information about the Group's cash, borrowings, contributed equity, reserves and dividends, including accounting policies relevant to understanding these items.

15 Cash and cash equivalents

	Consolidated 2018 $M	Consolidated 2017 $M
Cash at bank and on hand	**941.3**	750.1
Deposits at call	**3.1**	2.9
	944.4	753.0
Bank overdrafts	**(1.4)**	(1.1)
Balance per statement of cash flows	**943.0**	751.9

15 Cash and cash equivalents (continued)

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2018	2017
	$M	$M
Profit for the year	**1,628.6**	773.9
Depreciation and amortisation	**376.5**	380.4
Net impairment charge of non-current assets	**(208.0)**	101.2
Non-cash employee benefits expense - share-based payments	**16.3**	24.0
Net (gain) on disposal of non-current assets	**(7.0)**	(51.0)
Share of net profits of associates and joint venture partnership	**(32.6)**	(9.1)
Associate and joint venture partnership dividends received	**3.1**	4.3
Change in operating assets and liabilities:		
Decrease (increase) in trade receivables	**(93.8)**	(105.1)
Decrease (increase) in other receivables	**4.1**	(80.6)
Decrease (increase) in other operating assets	**(30.5)**	6.0
Decrease (increase) in inventories	**(238.3)**	(322.3)
Increase (decrease) in trade payables	**9.4**	228.6
Increase (decrease) in other payables	**(13.2)**	130.0
Increase (decrease) in borrowing costs payable	**5.6**	1.6
Increase (decrease) in income taxes payable	**31.1**	(7.5)
Increase (decrease) in deferred tax balances	**(366.9)**	31.0
Increase (decrease) in other provisions and liabilities	**56.9**	23.5
Other variations	**(0.6)**	3.5
Net cash inflow from operating activities	**1,140.7**	1,132.4

(b) Recognition and measurement

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

16 Borrowings

	Consolidated			
	2018		2017	
	Current $M	**Non-current $M**	Current $M	Non-current $M
Secured				
Lease liabilities	**10.7**	**117.3**	14.2	130.6
Other loans	**14.1**	**-**	7.8	-
Total secured borrowings	**24.8**	**117.3**	22.0	130.6
Unsecured				
Bank loans	**70.5**	**263.2**	34.3	161.1
Other loans	**-**	**408.3**	-	650.3
Bank overdrafts	**1.4**	**-**	1.1	-
Deferred borrowing costs	**(0.8)**	**(3.9)**	(4.2)	(10.0)
Total unsecured borrowings	**71.1**	**667.6**	31.2	801.4
Total borrowings	**95.9**	**784.9**	53.2	932.0

16 Borrowings (continued)

(a) Reconciliation of liabilties arising from financing activities

	Borrowings $M	Lease Liabilities $M	Total $M
Balance at the beginning of the year	**839.3**	**144.8**	**984.1**
Cash flows	**(139.9)**	**(14.7)**	**(154.6)**
Non-cash changes			
Additions	**-**	**0.3**	**0.3**
Borrowing costs capitalised	**9.4**	**-**	**9.4**
Foreign Exchange differences	**42.6**	**(2.4)**	**40.2**
Balance at the end of the year (excluding bank overdrafts)	**751.4**	**128.0**	**879.4**

(b) Secured liabilities and assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated	
	2018 $M	2017 $M
Bank loans		
Trade receivables	**-**	505.5
Inventories	**-**	1,113.8
	-	1,619.3
Lease liabilities		
Property, plant and equipment	**75.9**	88.7
Total assets pledged as security	**75.9**	1,708.0

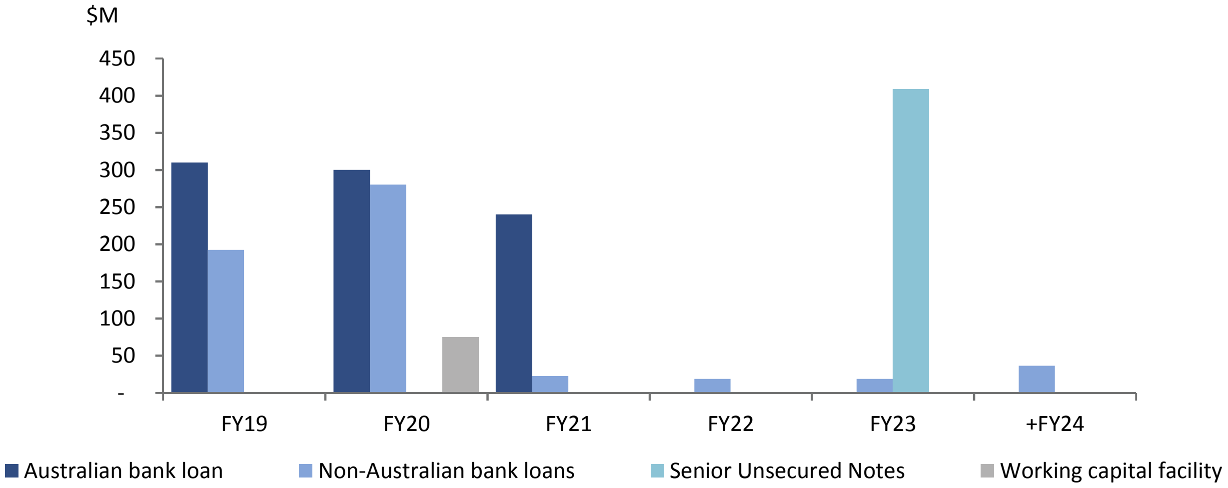
The terms and conditions of the syndicated bank facility were amended during the year and it is now an unsecured facility. Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

(c) Financing arrangements

Financing facilities available	Description
Australian bank loan	• $850M syndicated bank facility with a syndicate of banks. The facility is currently undrawn. • Comprises three tranches, maturing in December 2018, November 2019 and November 2020.
Non-Australian bank loans	• Six facilities totalling THB 4,300M ($177M), maturing December 2018, March 2019 and January 2020, available for NS BlueScope Steel (Thailand) Ltd cash requirements. • One facility totalling MYR 30M ($10M), maturing July 2019, to support working capital and other short-term cash requirements for NS BlueScope Steel (Malaysia) Sdn Bhd. • One US$11M term facility maturing March 2021 and one US$25M revolving facility maturing March 2019, available for NS BlueScope Steel (Indonesia) cash requirements. • Two US$100M revolving facilities maturing March 2019 and March 2020 for NS BlueScope Coated Products joint venture. • One US$45M term facility maturing July 2019 for NS BlueScope Coated Products joint venture.
Senior Unsecured Notes	• US$300M senior unsecured Reg-S notes offered to qualified institutional investors primarily located in Asia, Europe and Australia, issued in May 2018, which mature May 2023. Interest of 4.625% on the Notes will be paid semi-annually on 25 May and 25 November of each year.
Working capital facility	• An inventory financing facility for BlueScope Steel (AIS) operates as a sale and repurchase facility whereby the inventory is sold upon shipment and repurchased by the Company at the point of consumption. The facility limit is US$55M (inclusive of GST) and matures November 2019. The facility is currently undrawn.

16 Borrowings (continued)

Maturity profile of committed facilities



(d) Bank overdrafts

Bank overdraft facilities are arranged with a number of banks with the general terms and conditions agreed to on a periodic basis.

(e) Lines of credit

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated	
	2018 $M	2017 $M
Bank overdrafts	**42.9**	48.9
Bank loan facilities	**1,525.0**	1,374.8
Total facilities	**1,567.9**	1,423.7
Bank overdrafts	**1.4**	1.1
Bank loan facilities	**333.7**	195.4
Used at balance date	**335.1**	196.5
Bank overdrafts	**41.5**	47.8
Bank loan facilities	**1,191.3**	1,179.4
Unused at balance date	**1,232.8**	1,227.2

16 Borrowings (continued)

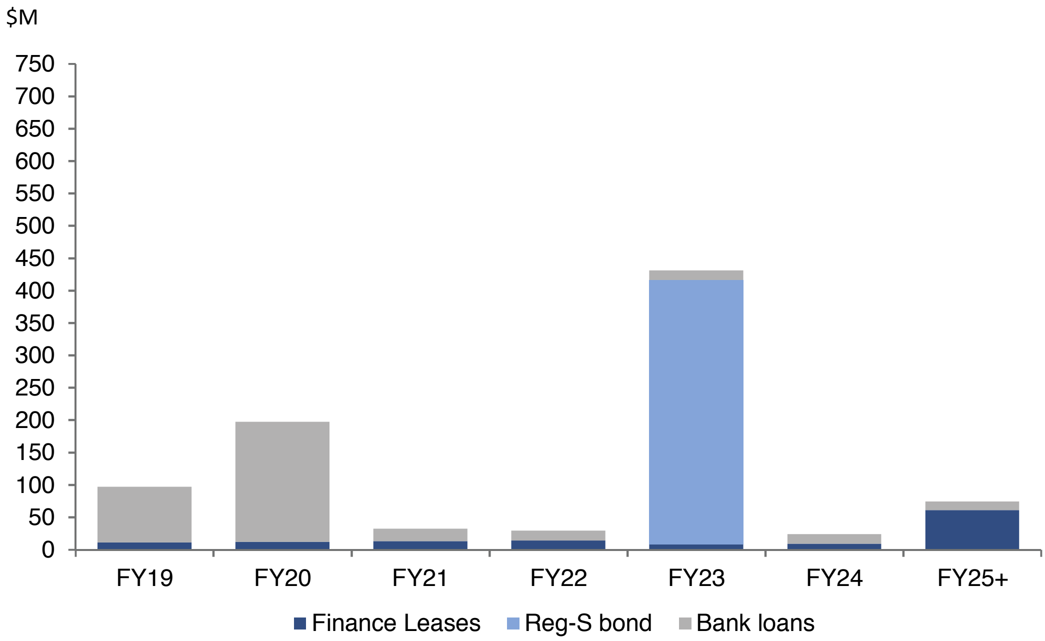
(f) Contractual maturity analysis

The table below reflects all contractual repayments of principal and interest resulting from recognised financial liabilities. The amounts disclosed represent undiscounted, contractual cash flows for the respective obligations in respect of upcoming fiscal years and therefore do not equate to the values shown in the statement of financial position.

		Contractually maturing in:						
		< 1 year $M	1 - 2 years $M	2 - 3 years $M	3 - 4 years $M	4 - 5 years $M	> 5 years $M	Total $M
30 June 2018	Notes							
Payables	9	1,797.8	3.0	6.0	6.0	6.0	46.4	1,865.2
Derivative financial instruments	31(d)	1.9						1.9
Borrowings								
-Principal		96.9	196.7	32.1	29.6	431.8	98.4	885.5
-Interest		38.6	33.8	30.2	28.5	25.4	41.4	197.9
		135.5	230.5	62.3	58.1	457.2	139.8	1,083.4

		Contractually maturing in:						
		< 1 year $M	1 - 2 years $M	2 - 3 years $M	3 - 4 years $M	4 - 5 years $M	> 5 years $M	Total $M
30 June 2017	Notes							
Payables	9	1,802.9	-	3.0	6.0	6.0	29.9	1,847.8
Derivative financial instruments	31(d)	4.8	-	-	-	-	-	4.8
Borrowings								
-Principal		57.4	16.8	163.5	666.8	14.6	80.3	999.4
-Interest		59.6	58.1	55.0	47.1	8.7	49.1	277.6
		117.0	74.9	218.5	713.9	23.3	129.4	1,277.0

Maturity profile of drawn debt- June 2018



16 Borrowings (continued)

(f) Finance costs

	Consolidated	
		*Restated
	2018	2017
	$M	$M
Interest and finance charges paid/payable	**86.1**	71.2
Ancillary finance charges	**24.4**	16.9
Provisions: unwinding of discount	**2.2**	2.1
Amount capitalised	**(0.3)**	-
Finance costs expensed	**112.4**	90.2

*Certain amounts shown here have been restated to reflect retrospective changes made to discontinued operations (refer to note 23).

(g) Non-cash financing activities

	Consolidated	
	2018	2017
	$M	$M
Acquisition of plant and equipment by means of finance leases	**0.3**	6.8

Prior period represents a US$4.3M finance lease addition in Buildings North America segment for a warehouse lease.

(h) Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are consequently recognised in profit or loss over the term.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

17 Contributed equity

(a) Share capital

	Parent Entity		Parent Entity	
	2018	2017	**2018**	2017
	Shares	Shares	**$M**	$M
Issued fully paid ordinary shares	**546,875,343**	561,111,434	**4,311.2**	4,554.4

(b) Movements

Date	Details	Number of shares	Issue Price ($)	$M
1 July 2017	**Opening balance**	**561,111,434**		**4,554.4**
	CEO & KMP STI share awards	3,612,593	3.79/8.49	14.9
	Retention share awards	765,682	4.90	3.8
	CEO & ELT LTIP awards	1,706,734	3.30/3.51/3.53	6.0
	LTIP share awards	857,639	3.41	2.9
	Share buybacks (c)	(21,178,739)	($14.18)	(300.3)
	Share rights - Tax deduction (d)	-	-	22.3
	Other	-	-	7.2
30 June 2018	**Balance**	**546,875,343**		**4,311.2**

17 Contributed equity (continued)

Date	Details	Number of shares	Issue Price($)	$M
1 July 2016	**Opening balance**	**571,346,300**		**4,688.1**
	FY15 KMP STI share awards	129,621	4.12	0.5
	FY13 LTIP share award	393,362	3.30	1.3
	FY13 CEO LTIP share award	323,547	3.51	1.1
	FY13 Retention share award	1,700,497	4.57	7.8
	FY15 KMP STI share buy-back	-	-	(0.3)
	Share buybacks (c)	(12,781,893)	(11.74)	(150.1)
	Share rights - Tax deduction (d)	-	-	6.0
30 June 2017	**Balance**	**561,111,434**		**4,554.4**

(c) Share buybacks

On 21 August 2017 the Company announced an on-market share buyback program of up to $150M which was extended by a further $150M on 26 February 2018. At 30 June 2018, a total of 21,178,739 shares had been bought back at an average cost of $14.18 (transaction costs of $309,000).

(d) Share rights- tax deduction

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

(e) Capital risk management

Management monitors its capital structure through various key financial ratios with emphasis on the gearing ratio (net debt/total capital). The Group's gearing ratio is managed through the economic price cycle to ensure access to finance at reasonable cost regardless of the point in the cycle. On occasions, the Group will take advantage of certain investment opportunities where an increased level of gearing will be tolerated, provided there is sufficient future cash flow strength and flexibility to be confident of credit strengthening rather than uncertainty and risk of credit weakening.

In managing equity, all methods of returning funds to shareholders outside of dividend payments or raising funds are considered within the context of its balance sheet objectives. In managing debt, the Group seeks a diversified range of funding sources and maturity profiles. Sufficient flexibility is maintained within committed facilities in order to provide the business with the desired liquidity support for operations and to pursue its strategic objectives.

		Consolidated	
	Notes	**2018 $M**	2017 $M
Total borrowings	16	**880.8**	985.2
Less: Cash and cash equivalents	15	**(944.4)**	(753.0)
Net (cash) debt		**(63.6)**	232.2
Total equity		**6,887.6**	5,538.7
Total capital		**6,824.0**	5,770.9
Gearing ratio		0.0%	4.0%

(f) Recognition and measurement

Ordinary shares
Ordinary shares are classified as equity and have no par value. Ordinary shares carry one vote per share, the right to participate in dividends and entitle the holder to the proceeds on winding up of the Group in proportion to the number of shares held.

The proceeds of share buybacks are deducted from equity, including directly attributable incremental costs (net of income taxes). No gain or loss is recognised in profit and loss.

18 Reserves

	Consolidated 2018 $M	Consolidated 2017 $M
Hedging (b) (i)	**1.0**	(1.0)
Share-based payments (b) (ii)	**62.0**	73.3
Foreign currency translation (b) (iii)	**4.0**	(81.8)
Non-distributable profits (b) (iv)	**38.8**	17.3
Asset realisation (b) (v)	**188.9**	188.8
Controlled entity acquisition (b) (vi)	**(21.9)**	(21.9)
	272.8	174.7

(a) Movements in reserves

Consolidated - Jun 2018 ($M)	Hedging	Share based payments	Foreign currency translation	Non-Distributable profits	Asset realisation	Controlled entity acquisition	Total
Opening balance	**(1.0)**	**73.3**	**(81.8)**	**17.3**	**188.8**	**(21.9)**	**174.7**
Net gain (loss) on cash flow hedges	**0.2**	**-**	**-**	**-**	**-**	**-**	**0.2**
Net gain (loss) on net investments in foreign subsidiaries	**-**	**-**	**32.9**	**-**	**-**	**-**	**-** **32.9**
Share-based payments expense	**-**	**16.3**	**-**	**-**	**-**	**-**	**16.3**
Vesting of share awards	**-**	**(27.6)**	**-**	**-**	**-**	**-**	**(27.6)**
Deferred tax	**(0.1)**	**-**	**(25.1)**	**-**	**-**	**-**	**(25.2)**
Transfer to inventory	**1.4**	**-**	**-**	**-**	**-**	**-**	**1.4**
Transfer to profit and loss	**-**	**-**	**0.2**	**-**	**-**	**-**	**0.2**
Transfer to PP&E	**0.5**	**-**	**-**	**-**	**-**	**-**	**0.5**
Transfers from retained profits	**-**	**-**	**-**	**21.5**	**-**	**-**	**21.5**
Asset acquisitions	**-**	**-**	**-**	**-**	**0.1**	**-**	**0.1**
Exchange fluctuations	**-**	**-**	**77.8**	**-**	**-**	**-**	**77.8**
Closing balance	**1.0**	**62.0**	**4.0**	**38.8**	**188.9**	**(21.9)**	**272.8**

Consolidated - Jun 2017 ($M)	Hedging	Share based payments	Foreign currency translation	Non-Distributable profits	Asset realisation	Controlled entity acquisition	Total
Opening balance	1.6	59.5	(19.4)	16.3	188.8	(21.9)	224.9
Net gain (loss) on cash flow hedges	1.9	-	-	-	-	-	1.9
Net gain (loss) on net investments in foreign subsidiaries	-	-	(15.8)	-	-	-	(15.8)
Share-based payments expense	-	24.0	-	-	-	-	24.0
Vesting of share awards	-	(10.2)	-	-	-	-	(10.2)
Deferred tax	0.7	-	-	-	-	-	0.7
Transfer to inventory	(5.2)	-	-	-	-	-	(5.2)
Transfer to profit and loss	-	-	1.7	-	-	-	1.7
Transfer to PP&E	-	-	-	-	-	-	-
Transfers from retained profits	-	-	-	1.0	-	-	1.0
Exchange fluctuations	-	-	(48.3)	-	-	-	(48.3)
Closing balance	(1.0)	73.3	(81.8)	17.3	188.8	(21.9)	174.7

18 Reserves (continued)

(b) Nature and purpose of reserves

(i) Hedging reserve
Records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship.

(ii) Share-based payments reserve
Recognises the value of equity-settled share-based payments provided to employees, including Key Management Personnel, as part of their remuneration.

(iii) Foreign currency translation reserve
Records exchange fluctuations arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of the translation of the net investments in foreign operations. The cumulative amount is reclassified to profit and loss when the net investment is disposed of.

(iv) Non-distributable profit reserve
In certain overseas operations local regulations require a set amount of retained profit to be set aside and not be distributed as a dividend.

(v) Asset realisation reserve
Arises from the disposal of 50% interest in BlueScope's ASEAN and North American building product businesses to Nippon Steel and Sumitomo Metal Corporation in March 2013.

(vi) Controlled entity acquisition reserve
Arises from the Group's acquisition of the remaining 40% non-controlling interest in BlueScope Steel (Malaysia) Sdn Bhd and 5% of Lysaght Thailand Ltd and BlueScope Steel Thailand Ltd, adjusted for the subsequent 50% disposal of their additional interests into BlueScope and Nippon Steel and Sumitomo Metal Corporation joint venture establised in March 2013. This item represents the difference between the amount paid and the balance of the non-controlling interest acquired.

19 Dividends

(a) Ordinary shares

	Parent entity	
	2018	2017
	$M	$M
Final dividend for 30 June 2017 of 5 cents per fully paid ordinary share paid on 16 October 2017 (2017: 3 cents).		
Fully franked based on tax paid at 30%	**28.3**	17.2
Interim dividend of 6 cents per fully paid ordinary share was paid on 3 April 2018 in relation to the year ended 30 June 2018 (2017: 4 cents).		
Fully franked based on tax paid at 30%	**33.4**	23.0
Total dividends paid	**61.7**	40.2

(b) Dividends not recognised at year-end

For the year ended 30 June 2018, the Directors have approved the payment of a final unfranked dividend of 8 cents per fully paid ordinary share.

19 Dividends (continued)

(c) Franked dividends

	Parent entity	
	2018 **$M**	2017 $M
Actual franking account balance as at the reporting date	**-**	14.1
Franking credits available for subsequent financial years based on a tax rate of 30%	**-**	14.1

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) Recognition and measurement

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the balance sheet date.

GROUP STRUCTURE

This section of the notes provides information which will help users understand how the group structure affects the financial position and performance of the Group.

20 Subsidiaries and non-controlling interests

(a) Investments in subsidiaries

Name of entity	Note	Principal place of business	Equity holding 2018 %	Equity holding 2017 %
Amari Wolff Steel Pty Ltd	(a)	Australia	**100**	100
Australian Iron & Steel Pty Ltd		Australia	**100**	100
BlueScope Distribution Pty Ltd	(a)	Australia	**100**	100
BlueScope Steel Asia Holdings Pty Ltd		Australia	**100**	100
BlueScope Steel (AIS) Pty Ltd		Australia	**100**	100
BlueScope Steel Employee Share Plan Pty Ltd		Australia	**100**	100
BlueScope Steel (Finance) Ltd		Australia	**100**	100
BlueScope Pacific Steel (Fiji) Pty Limited	(a)	Australia	**100**	100
BlueScope Steel Americas Holdings Pty Ltd		Australia	**100**	100
BlueScope Pty Ltd		Australia	**100**	100
BlueScope Solutions Holdings Pty Ltd	(a)	Australia	**100**	100
BlueScope Water Australia Pty Ltd	(a)	Australia	**100**	100
BlueScope Building and Construction Ltd	(a)	Australia	**100**	100
Permalite Aluminium Building Solutions Pty Ltd	(a)	Australia	**100**	100
Glenbrook Holdings Pty Ltd		Australia	**100**	100
Fielders Manufacturing Pty Ltd	(a)	Australia	**100**	100
John Lysaght (Australia) Pty Ltd		Australia	**100**	100
Laser Dynamics Australia Pty Ltd	(a)	Australia	**100**	100
Lysaght Building Solutions Pty Ltd	(a)	Australia	**100**	100
Orrcon Distribution Pty Ltd	(a)	Australia	**100**	100
Orrcon Manufacturing Pty Ltd	(a)	Australia	**100**	100
Metalcorp Steel Pty Ltd	(a)	Australia	**100**	100
New Zealand Steel (Aust) Pty Ltd	(a)	Australia	**100**	100
The Roofing Centre (Tasmania) Pty Ltd	(a)	Australia	**100**	100
Butler do Brazil Limitada	(f)	Brazil	**100**	100
NS BlueScope Lysaght (Brunei) Sdn Bhd	(b)	Brunei	**30**	30

20 Subsidiaries and non-controlling interests (continued)

Name of entity	Note	Principal place of business	Equity holding 2018 %	Equity holding 2017 %
BlueScope Buildings (Guangzhou) Ltd		China	**100**	100
BlueScope Lysaght (Shanghai) Ltd		China	**100**	100
BlueScope Steel (Shanghai) Co Ltd		China	**100**	100
BlueScope Steel Investment Management (Shanghai) Co Ltd		China	**100**	100
BlueScope Lysaght (Langfang) Ltd		China	**100**	100
BlueScope Lysaght (Chengdu) Ltd	(h)	China	**-**	100
BlueScope Building Systems (Xi'an) Co Ltd		China	**100**	100
BlueScope Steel (Suzhou) Co. Ltd		China	**100**	100
Butler (Shanghai) Inc		China	**100**	100
Butler (Tianjin) Inc		China	**100**	100
Shanghai BlueScope Butler Construction Engineering Co. Ltd	(g)	China	**-**	100
BlueScope Lysaght Fiji Ltd		Fiji	**64**	64
BlueScope Steel North Asia Ltd		Hong Kong	**100**	100
BlueScope Steel India (Private) Ltd		India	**100**	100
PT NS BlueScope Indonesia	(b)	Indonesia	**50**	50
PT NS BlueScope Lysaght Indonesia	(b)	Indonesia	**50**	50
PT BlueScope Distribution Indonesia		Indonesia	**100**	100
PT NS BlueScope Service Center Indonesia	(b)	Indonesia	**50**	50
PT BlueScope Buildings Indonesia		Indonesia	**100**	100
BlueScope Buildings (Malaysia) Sdn Bhd		Malaysia	**60**	100
BlueScope Steel Transport (Malaysia) Sdn Bhd	(g)	Malaysia	**-**	100
NS BlueScope Engineering Systems Sdn Bhd (Malaysia)	(b)	Malaysia	**50**	50
NS BlueScope (Malaysia) Sdn Bhd	(b)	Malaysia	**50**	50
NS BlueScope Lysaght (Malaysia) Sdn Bhd	(b)	Malaysia	**30**	30
NS BlueScope Lysaght (Sabah) Sdn Bhd	(b)	Malaysia	**25**	25
NS BlueScope Asia Sdn Bhd	(b)	Malaysia	**50**	50
NS BlueScope Lysaght Myanmar Limited		Myanmar	**100**	100
Global BMC (Mauritius) Holdings Ltd		Mauritius	**100**	100
Butler Manufacturas S de R.L. de C.V.		Mexico	**100**	100
Butler de Mexico S. de R.L. de C.V.		Mexico	**100**	100
BlueScope Acier Nouvelle Caledonie SA	(c)	New Caledonia	**65**	65
BlueScope Steel Finance NZ Ltd		New Zealand	**100**	100
Tasman Steel Holdings Ltd		New Zealand	**100**	100
New Zealand Steel Holdings Ltd		New Zealand	**100**	100
New Zealand Steel Ltd		New Zealand	**100**	100
Pacific Steel (NZ) Limited		New Zealand	**100**	100
New Zealand Steel Development Ltd		New Zealand	**100**	100
Toward Industries Ltd		New Zealand	**100**	100
Steltech Structural Ltd		New Zealand	**100**	100
BlueScope Steel Trading NZ Ltd		New Zealand	**100**	100
Waikato North Head Mining Limited		New Zealand	**100**	100
BlueScope Steel International Holdings SA		Panama	**100**	100
BlueScope Steel Philippines Inc		Philippines	**100**	100
BlueScope Buildings (Singapore) Pte Ltd		Singapore	**100**	100
Steelcap Insurance Pte Ltd		Singapore	**100**	100
NS BlueScope Lysaght Singapore Pte Ltd	(b)	Singapore	**50**	50
NS BlueScope Pte Ltd	(b)	Singapore	**50**	50
NS BlueScope Holdings Thailand Pte Ltd	(b)	Singapore	**50**	50
BlueScope Steel Southern Africa (Pty) Ltd		South Africa	**100**	100
BlueScope Lysaght Taiwan Ltd		Taiwan	**80**	80
NS BlueScope (Thailand) Ltd	(b)	Thailand	**40**	40
Steel Holdings Co Ltd	(b)	Thailand	**50**	50
NS BlueScope Lysaght (Thailand) Ltd	(b)	Thailand	**40**	40
BlueScope Buildings (Thailand) Ltd		Thailand	**80**	80
BlueScope Steel International Ltd		UK	**100**	100

20 Subsidiaries and non-controlling interests (continued)

Name of entity	Note	Principal place of business	Equity holding 2018 %	Equity holding 2017 %
ASC Profiles LLC	(b)	USA	**50**	50
BlueScope Steel Finance (USA) LLC		USA	**100**	100
BlueScope Steel Holdings (USA) Partnership		USA	**100**	100
BlueScope Steel North America Corporation		USA	**100**	100
BlueScope Steel Technology Inc		USA	**100**	100
BlueScope Steel Americas LLC		USA	**100**	100
BlueScope Finance (Americas) LLC		USA	**100**	100
BlueScope Steel Investments Inc		USA	**100**	100
BlueScope Steel Investments 2 LLC		USA	**100**	100
BlueScope Steel Investments 3 LLC		USA	**100**	100
North Star BlueScope Steel LLC		USA	**100**	100
VSMA Inc		USA	**100**	100
BIEC International Inc		USA	**100**	100
BMC Real Estate Inc		USA	**100**	100
Butler Holdings Inc		USA	**100**	100
BlueScope Construction Inc		USA	**100**	100
Butler Pacific Inc		USA	**100**	100
Steelscape LLC	(b)	USA	**50**	50
Steelscape Washington LLC	(b)	USA	**50**	50
BlueScope Buildings North America Inc		USA	**100**	100
NS BlueScope Holdings USA LLC	(b)	USA	**50**	50
BlueScope Properties Development LLC		USA	**100**	100
BlueScope Properties Group LLC		USA	**100**	100
BlueScope Properties Holdings LLC		USA	**100**	100
BPG Laredo 1 LLC		USA	**100**	100
BlueScope Construction Engineering (Michigan) LLC		USA	**100**	100
BPG Ocoee 1 LLC		USA	**100**	100
BPG Apopka Properties 1 LLC	(e)	USA	**100**	-
BPG Laredo 2 LLC	(e)	USA	**100**	-
BPG North Canton 1 LLC	(e)	USA	**100**	-
BlueScope Lysaght (Vanuatu) Ltd	(c) (d)	Vanuatu	**39**	39
BlueScope Buildings Vietnam Ltd		Vietnam	**100**	100
NS BlueScope Lysaght (Vietnam) Ltd	(b)	Vietnam	**50**	50
NS BlueScope Vietnam Ltd	(b)	Vietnam	**50**	50

All subsidiaries incorporated in Australia are members of the BlueScope Steel Limited tax consolidated group. Refer to note 29(d)(ii).

(a) These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC Corporations (wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission. For further information refer to note 30.

(b) These entities are part of the joint venture established between BlueScope and Nippon Steel & Sumitomo Metal Corporation in March 2013 and have been classified as controlled entities because of the Group's unilateral right to appoint the CEO (and other Key Management Personnel), approval of the operating budget and retaining significant decision making authority.

(c) These controlled entities are audited by firms other than Ernst & Young and affiliates.

(d) The Group's ownership of the ordinary share capital in this entity represents a beneficial interest of 39% represented by its 65% ownership in BlueScope Acier Nouvelle Caledonie SA, which in turn has 60% ownership of the entity.

(e) New entities incorporated during the year.

(f) This entity is in the process of being liquidated and deregistered.

(g) This entity was liquidated and deregistered during the year.

(h) This entity was was sold during the year.

20 Subsidiaries and non-controlling interests (continued)

(b) Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Non-controlling interests (NCI)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Financial information of subsidiaries that have material non-controlling interests, as determined by reference to the net assets of the Group, are provided below:

Name of entity	Place of business/ country of incorporation	2018 %	2017 %
Proportion of equity interest held by non-controlling interests:			
NS BlueScope (Steel) Thailand Ltd	Thailand	**60**	60
Steelscape LLC	USA	**50**	50

	2018 $M	2017 $M
Accumulated balances of material non-controlling interest:		
NS BlueScope (Steel) Thailand Ltd	**164.1**	155.8
Steelscape LLC	**159.6**	155.3
Profit (loss) allocated to material non-controlling interest:		
NS BlueScope (Steel) Thailand Ltd	**10.6**	19.2
Steelscape LLC	**27.8**	39.3

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

	NS BlueScope (Steel) Thailand Ltd		Steelscape LLC	
Summarised statement of financial position	**2018 $M**	2017 $M	**2018 $M**	2017 $M
Current assets	**189.9**	173.9	**289.4**	295.0
Non-current assets	**290.1**	191.9	**134.3**	131.9
Total assets	**480.0**	365.8	**423.7**	426.9
Current liabilities	**93.0**	102.3	**80.8**	94.0
Non-current liabilities	**113.4**	3.8	**23.7**	22.3
Total liabilities	**206.4**	106.1	**104.5**	116.3
Net assets	**273.6**	259.7	**319.2**	310.6
Attributable to:				
Owners of BlueScope Steel Limited	**109.4**	103.9	**159.6**	155.3
Non-controlling interests	**164.2**	155.8	**159.6**	155.3

20 Subsidiaries and non-controlling interests (continued)

	NS BlueScope (Steel) Thailand Ltd		Steelscape LLC	
Summarised statement of comprehensive income	**2018 $M**	2017 $M	**2018 $M**	2017 $M
Revenue	**492.1**	433.5	**723.5**	663.5
Expenses	**(471.2)**	(395.0)	**(667.9)**	(584.9)
Profit before tax	**20.9**	38.5	**55.6**	78.6
Income tax (expense)	**(3.3)**	(6.5)	**-**	-
Profit after tax	**17.6**	32.0	**55.6**	78.6
Attributable to non-controlling interests	**10.6**	19.2	**27.8**	39.3
Dividends paid to NCI	**15.1**	23.1	**29.8**	25.6

	NS BlueScope (Steel) Thailand Ltd		Steelscape LLC	
Summarised statement of cash flows	**2018 $M**	2017 $M	**2018 $M**	2017 $M
Cash inflow from operating activities	**8.9**	26.1	**44.5**	61.3
Cash (outflow) inflow from investing activities	**(96.6)**	(30.5)	**(9.5)**	(8.3)
Cash inflow (outflow) from financing activities	**79.7**	(31.6)	**(38.8)**	(48.9)
Net increases (decrease) in cash and cash equivalents	**(8.0)**	(36.0)	**(3.8)**	4.1

21 Investment in associates

	Consolidated	
	2018 $M	2017 $M
Investment in associates	**7.5**	7.5

Name of entity	Principal place of business	Equity holding 2018 %	Equity holding 2017 %
Saudi Building Systems Manufacturing Company Ltd	Saudi Arabia	**30**	30
Saudi Building Systems Ltd	Saudi Arabia	**30**	30
NS BlueScope Lysaght (Sarawak) Sdn Bhd	Malaysia	**25**	25
SteelServ Limited	New Zealand	**50**	50

(a) Movements in carrying amounts

	Consolidated	
	2018 $M	2017 $M
Carrying amount at the beginning of year	**7.5**	8.6
Share of profits after income tax	**3.0**	3.4
Dividends received/receivable	**(3.1)**	(4.3)
Currency fluctuation	**0.1**	(0.2)
Carrying amount at the end of the year	**7.5**	7.5

(b) Contingent assets and liabilities relating to associates

There were no contingent assets and liabilities relating to investments in associates.

21 Investment in associates (continued)

(c) Recognition and measurement

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates in the consolidated financial statements reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

22 Investment in joint ventures

	Consolidated	
	2018	2017
	$M	$M
Interest in joint venture partnerships	**65.2**	36.7

The Group also has a 50% interest in Tata BlueScope Steel Ltd (TBSL), an Indian resident, the principal activity of which is to manufacture metallic coated and painted steel products.

(a) Movements in carrying amounts

	Tata BlueScope Steel	
	2018	2017
	$M	$M
Carrying amount at beginning of year	**36.7**	30.7
Share of profit after income tax	**29.6**	5.7
Reserve movements	**-**	(0.3)
Exchange fluctuations	**(1.1)**	0.6
Carrying amount at the end of the year	**65.2**	36.7

22 Investment in joint ventures (continued)

(b) Summarised financial information

	Tata BlueScope Steel	
	2018 $M	2017 $M
Summarised statement of financial position		
Current assets		
Cash and cash equivalents	**12.1**	10.4
Receivables	**20.5**	21.7
Inventories	**62.1**	55.4
Prepayment and other assets	**8.5**	11.3
Financial assets held at fair value	**29.4**	24.4
Non-current assets		
Property plant and equipment	**158.3**	170.2
Deferred tax asset	**16.3**	-
Other	**2.9**	3.6
Total assets	**310.1**	297.0
Current liabilities		
Payables	**68.3**	38.2
Provisions	**2.2**	1.5
Deferred income	**5.6**	5.3
Current tax liabilities	**2.2**	-
Non-current liabilities		
Borrowings	**98.4**	175.8
Provisions	**2.9**	2.8
Total liabilities	**179.6**	223.6
Net assets	**130.5**	73.4
Proportion of the Group's ownership (%)	**50.0**	50.0
Carrying amount of the investment	**65.2**	36.7

	Tata BlueScope Steel	
	2018 $M	2017 $M
Summarised statement of comprehensive income:		
Revenues	**389.6**	344.0
Expenses	**(319.4)**	(300.7)
Depreciation and amortisation expense	**(10.4)**	(11.9)
Finance costs	**(13.4)**	(20.0)
Profit before income tax	**46.4**	11.4
Income tax (expense) benefit	**12.8**	-
Profit after income tax	**59.2**	11.4
Group's share of profit for the year	**29.6**	5.7
Group's share of capital commitments	**0.1**	-

(c) Contingent liabilities relating to joint ventures

Export Promotion Capital Goods Scheme (EPCG)

TBSL has imported goods under the Government of India's EPCG scheme at the concessional rates of duty with an obligation to fulfill the specified exports. Failure to meet this export obligation within the stipulated time would result in payment of the aggregate differential duty saved along with interest. TBSL is confident of meeting the obligation. BlueScope's 50% share of this contingent liability is $2.7M (2017: $2.8M).

22 Investment in joint ventures (continued)

Disputed rent
The Jharkhand Government has been in a land rental dispute with Tata Steel for several years and this matter impacts the rental costs of TBSL as a sub-tenant of Tata Steel. BlueScope's 50% share of this contingent liability is $5.5M (2017: $5.2M).

Taxation
TBSL has direct and indirect tax computations which have been submitted but not agreed by the relevant authorities. TBSL has provided for the amount of tax it expects to pay taking into account professional advice it has received. The matters currently in dispute could result in amendments to the original computations. BlueScope’s 50% share of the potential amendments is $5.8M (2017: $5.6M).

(d) Secured liabilities and assets pledged as security

The Tata BlueScope Steel borrowings are secured against property, plant and equipment.

(e) Impairment losses

Prior period includes fixed asset write-downs of $4.7M within Building Products Asia & North America segment for the India joint venture in relation to engineered building solutions assets no longer required.

(f) Recognition and measurement

Joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement ("joint operators") have rights to the assets, and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement ("joint venturers") have rights to the net assets of the arrangement.

The interests in joint ventures are accounted for in the financial statements using the equity method. Under the equity method, the share of the profits or losses of the partnerships is recognised in profit or loss, and the share of post-acquisition movements in reserves is recognised in other comprehensive income.

Profits or losses on transactions establishing a joint venture and transactions with a joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

23 Discontinued operations

(a) Description

(i) New Zealand Steel Mining Ltd
The Taharoa New Zealand Steel Mining business was sold on 1 May 2017.

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

23 Discontinued operations (continued)

(b) Financial performance of discontinued operations

	Consolidated							
	2018				2017			
	Taharoa Mining $M	Buildings ASEAN $M	Other $M	Total $M	Taharoa Mining $M	Buildings ASEAN $M	Other $M	Total $M
Revenue	**-**	**51.9**	**-**	**51.9**	108.8	96.9	-	205.7
Other income	**4.5**	**-**	**-**	**4.5**	0.5	-	0.6	1.1
Impairment of non-current assets (note 14(e))	**-**	**(8.0)**	**-**	**(8.0)**	(7.0)	-	-	(7.0)
Restructuring expense	**-**	**(8.2)**	**-**	**(8.2)**	-	-	-	-
Finance costs	**-**	**(0.1)**	**-**	**(0.1)**	(4.8)	-	-	(4.8)
Other expenses	**(0.9)**	**(64.4)**	**(0.6)**	**(65.9)**	(83.0)	(99.7)	(0.1)	(182.8)
Profit (loss) before income tax	**3.6**	**(28.8)**	**(0.6)**	**(25.8)**	14.5	(2.8)	0.5	12.2
Income tax expense	**-**	**(0.5)**	**-**	**(0.5)**	-	-	(0.1)	(0.1)
Profit (loss) after income tax from discontinued operations	**3.6**	**(29.3)**	**(0.6)**	**(26.3)**	14.5	(2.8)	0.4	12.1
Outside equity interest in discontinued net profit/(loss)	**-**	**(3.8)**	**-**	**(3.8)**	-	-	-	-
Profit (loss) after income tax from discontinued operations attributable to owners of BlueScope Steel Limited	**3.6**	**(25.5)**	**(0.6)**	**(22.5)**	14.5	(2.8)	0.4	(12.1)

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

(c) Cash flow information - discontinued operations

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

	Consolidated							
	2018				2017			
	Taharoa Mining $M	Buildings ASEAN $M	Other $M	Total $M	Taharoa Mining $M	Buildings ASEAN $M	Other $M	Total $M
Net cash inflow (outflow) from operating activities	**(4.4)**	**(13.2)**	**(4.4)**	**(22.0)**	13.0	(13.8)	0.1	(0.7)
Net cash inflow (outflow) from investing activities	**-**	**(0.2)**	**-**	**(0.2)**	(10.5)	(0.6)	-	(11.1)
Net cash inflow (outflow) from financing activities	**-**	**1.8**	**-**	**1.8**	(10.3)	(0.1)	-	(10.4)
Net increase in cash generated by the operation	**(4.4)**	**(11.6)**	**(4.4)**	**(20.4)**	(7.8)	(14.5)	0.1	(22.2)

UNRECOGNISED ITEMS

24 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2018 in respect of:

(i) Outstanding legal matters

As announced to the market on 30 August 2017, proceedings have been issued in New Zealand against BlueScope's subsidiary, Toward Industries Limited (Toward), by a special purpose vehicle (NZ Iron Sands Holdings Limited (NZIS)), representing a consortium of small private investors. The proceedings relate to NZIS' failed attempt to buy Toward's Taharoa Iron Sands mining business (NZSM).

24 Contingencies (continued)

After an extended sale process, a sale to NZIS failed because the required consents and conditions were not achieved. NZIS is now claiming $506M on the basis of a claimed loss of opportunity to acquire the shares of NZSM for the period 2017 to 2029. NZIS' calculations are based on unsubstantiated assumptions.

BlueScope and Toward consider the NZIS claims to be completely unfounded. Toward will vigorously defend these preceedings.

In addition, there was a range of outstanding legal matters that were contingent on court decisions, arbitration rulings and private negotiations to determine amounts required for settlement. The Group does not believe that any adverse outcomes would have a material effect on the financial statements.

(ii) Guarantees
In Australia, BlueScope Steel Limited has provided $87.6M (2017: $87.6M) in guarantees to various state workers compensation authorities as a prerequisite for self-insurance. An amount, net of recoveries, of $49.8M (2017: $51.5M) has been recognised as recommended by independent actuarial advice.

Bank guarantees have been provided to customers and suppliers in respect of the performance of goods and services provided and purchases of goods and services which are immediately callable by default. Bank guarantees outstanding at 30 June 2018 totalled $116.8M (2017: $93.0M).

(iii) Taxation
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.

(iv) Regulatory
The Group is subject to extensive government laws and regulation, including environmental, greenhouse gas emissions, tax, occupational health and safety, competition law and trade restrictions in each of the countries in which it operates. The Group is also subject to risks posed by the conduct of our employees and other participants in the supply chain and to the risk of regulatory investigations into compliance with government laws and regulations which could be lengthy and costly.

The Australian Competition and Consumer Commission (ACCC) is investigating potential cartel conduct by BlueScope relating to the supply of steel products in Australia, that allegedly involved a small number of BlueScope employees in the period from late 2013 to mid-2014. It is not known when the ACCC's investigation will be completed, or what the outcome might be. Possible outcomes include the commencement of either civil or criminal proceedings or no action being taken. BlueScope has co-operated and continues to co-operate with the ACCC's investigation.

(b) Prior year contingent liability settled

The legal proceedings initiated by BlueScope against South32 alleging certain coal supply contract non-compliances, and subsequent proceedings by South32 against BlueScope alleging certain other coal supply contract non-compliances, have been settled with a $32.1M one-off benefit to BlueScope related to prior period supply arrangements recognised during the period. The benefit includes cash settlement and reversal of prior year provisions.

(c) Contingent assets

There are no material contingent assets required for disclosure as at 30 June 2018.

25 Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

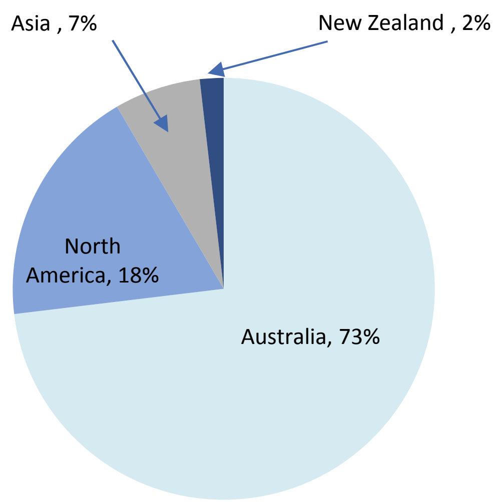
	Consolidated 2018 $M	Consolidated 2017 $M
Property, plant and equipment		
Payable:		
Within one year	**65.1**	67.9
Later than one year but not later than five years	**-**	-
Total capital commitments	**65.1**	67.9

(b) Lease commitments: Group as lessee

(i) Non-cancellable operating leases
The Group leases various property, plant and equipment under non-cancellable operating leases. The rental expense relating to operating leases for year ended 30 June 2018 was $94.5M (2017: $88.8M). The leases have varying terms escalation clauses and renewal rights. On renewal the terms of the leases are renegotiated. There are no restrictions placed upon the lessee by entering into these leases.

	Consolidated 2018 $M	Consolidated 2017 $M
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**99.8**	89.7
Later than one year but not later than five years	**233.6**	223.4
Later than five years	**178.5**	153.6
Total operating lease commitments	**511.9**	466.7

Operating lease commitments by geographic region



25 Commitments (continued)

(ii) Finance leases
The Group leases various property, plant and equipment with a carrying amount of $75.9M (2017: $88.7M).

The terms and conditions of other leases include varying terms, purchase options and escalation clauses. On renewal, the terms of these are renegotiated. There are no restrictions of use placed upon the lessee by entering into any of these leases.

	Notes	Consolidated 2018 $M	2017 $M
Commitments in relation to finance leases are payable as follows:			
Within one year		**23.0**	27.9
Later than one year but not later than five years		**83.5**	92.7
Later than five years		**109.2**	127.3
Minimum lease payments		**215.7**	247.9
Future finance charges		**(87.7)**	(103.1)
Recognised as a liability		**128.0**	144.8
Representing lease liabilities:			
Current	16	10.7	14.2
Non-current	16	117.3	130.6
Total finance lease liabilities		**128.0**	144.8

(c) Recognition and measurement - Lease liabilities

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to control the use of the asset, even if that right is not explicitly specified in an arrangement.

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

26 Events occurring after balance date

The board has approved an on-market share buy-back of $250 million.

OTHER INFORMATION

This section of the notes includes information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements but are not considered critical in understanding the financial performance or position of the Group.

27 Share-based payments

(a) Share award schemes

(i) STI share award - CEO
The Board approved the annual FY18 STI plan for the CEO, being a one year equity STI program. No amount will be paid in cash. Performance was assessed against a range of financial and other measures aligned with the returns delivered to shareholders from the implementation of initiatives under the Group's strategic plan. The shares will be issued in late August 2018.

(ii) The Long Term Incentive Plan
The Long Term Incentive Plan (LTIP) is a program determined annually by the Board, which awards share rights to eligible senior management of BlueScope Steel Limited. LTIPs are designed to reward senior management for long-term value creation, and are part of the Group's overall recognition and retention strategy. The share rights give the right to receive an ordinary share at a later date subject to the satisfaction of certain performance criteria and continued employment with the Group.

The share rights available for exercise are contingent on the Group's Total Shareholder Return (TSR) percentile ranking relative to the TSR of companies in the S&P/ASX 100 index at the reward grant date or a compound annual growth rate of Earnings per Share (EPS) condition. Share rights that fail to meet performance vesting conditions will lapse upon the LTIP's expiry date, or sooner upon employee resignation or termination. Plans have been granted to senior management, all at $Nil exercise price.

(iii) Deferred Equity Award
The Board awarded deferred equity awards to senior management throughout the Group, with no performance hurdles required to be met. The equity award gives the right to receive an ordinary share at a later date subject to continued employment with the Group.

(iv) Alignment Rights (AR) Plan
The Alignment Rights plan is a program determined annually by the Board, which awards share rights to eligible senior management of BlueScope Steel Limited. Alignment Rights are designed to build share ownership and reward senior management for long-term value creation, and are part of the Group's overall recognition and retention strategy. The share rights give the right to receive an ordinary share at a later date subject to the satisfaction of certain performance criteria and continued employment with the Group.

The share rights available for exercise are contingent on the Group's achievement of a three-year rolling average level of Return on Invested Capital (ROIC) and debt leverage, as well as individual adherence to the BluesScope Bond. Share rights that fail to meet performance vesting conditions will lapse upon the Alignment Rights expiry date, or sooner upon employee resignation or termination. Plans have been granted to senior management, all at $Nil exercise price.

(b) Fair value of share rights granted

The fair value of the share rights granted during the year ended 30 June 2018 are as follows:

Fair Value inputs	CEO FY18 STI award	FY18 AR plan KMP	FY18 AR plan (Senior management)
Grant date	1-Jul-17	1-Jul-17	1-Jul-17
Latest expiry date	30-Jun-18	30-Jun-20	30-Jun-20
Share rights granted	72,711	385,125	791,800
Fair value estimate at grant date ($)	11.64	11.35	11.35
Cash rights (i)	-	-	38,900
Valuation date share price ($)	11.74	11.74	11.74
Expected dividend yield (%)	1.25	1.25	1.25
Expected risk-free interest rate (%)	1.79	2.11	2.11
Expected share price volatility (%)	45.00	45.00	45.00

(i) The cash rights have been issued to eligible employees in Asia who are entitled to receive cash bonuses three years from grant date, in place of shares. The fair value of the cash rights is calculated as the sum of the market value of shares and dividends that would have otherwise been received.

27 Share-based payments (continued)

(c) Cash and equity settled awards outstanding

	STI share awards (CEO & KMP)	LTIP (CEO, KMP & Senior management)	Deferred Equity (Senior management)
Outstanding at the beginning of the year	3,612,593	10,649,413	3,420,434
Granted during the year	72,711	1,177,825	-
Exercised during the year	(3,612,593)	(3,279,870)	(813,856)
Lapsed during the year	-	(368,994)	(286,240)
Outstanding at the end of the year	72,711	8,178,374	2,320,338
Exercisable at the end of the year	-	-	-

(i) The average share price for the year ended 30 June 2018 was $14.55 (2017: $9.93).The weighted average remaining contractual life of share rights outstanding at the end of the period was 1 year (2017: 1 year).

(d) Expense arising from share-based payment transactions

	Consolidated	
	2018 $M	2017 $M
Employee share rights expense	**16.3**	24.0
Employee share awards expense	**1.2**	3.5
Total net expense arising from share-based payments	**17.5**	27.5

The carrying amount of the liability relating to share-based payment plans at 30 June 2018 is $2.4M (30 June 2017: $4.3M). This liability represents the deferred cash amounts payable under LTIPs and Deferred equity awards.

(e) Recognition and measurement

Equity settled transactions
The fair value of equity settled awards is recognised as an employee benefit expense with a corresponding increase to the share based payments reserve within equity. The amount to be expensed is determined by reference to the fair value of the share awards or share rights granted, which includes any market performance conditions but excludes the impact of non-market performance vesting conditions.

The fair value of equity settled awards at grant date is independently determined by an external valuer using Black-Scholes option pricing model that includes a Monte Carlo simulation analysis, which takes into account the exercise price, the term of the share right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share right.

Non-market vesting conditions are included in assumptions about the number of share awards or share rights that are expected to vest. The expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are expected to be satisfied. At the end of each period, the entity revises its estimates of the number of share awards and share rights that are expected to vest based on non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the expected vesting period has expired and the number of rights that are expected to ultimately vest. This number is based on the best available information at the reporting date. No expense is recognised for awards that do not ultimately vest due to a performance condition not being met, except for share rights where vesting is only conditional upon a market condition. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Upon the exercise of equity settled share awards, the balance of the share-based payments reserve relating to those rights and awards is transferred to share capital. The dilutive effect, if any, of outstanding rights is reflected as additional share dilution in the computation of diluted earnings per share.

Cash settled transactions
The ultimate expense recognised in relation to cash-settled transactions will be equal to the actual cash paid to the employees, which will be the fair value at settlement date. The expected cash payment is estimated at each reporting date and a liability is recognised to the extent that the vesting period has expired and in proportion to the amount of the awards that are expected to ultimately vest.

28 Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is BlueScope Steel Limited, which is incorporated in Australia.

(b) Key Management Personnel compensation

	Consolidated	
	2018	2017
	$'000	$'000
Short-term employee benefits	**10,319.2**	7,847.3
Post-employment and other long-term benefits	**807.5**	303.5
Share-based payments	**4,431.2**	12,622.0
	15,557.9	20,772.8

(c) Transactions with other related parties

The following transactions occurred with related parties other than Key Management Personnel or entities related to them:

	Consolidated	
	2018	2017
	$M	$M
Sales of goods and services		
Sales of goods to associates	**4.8**	3.3
Sales of goods to joint ventures	**4.0**	-
Interest revenue		
Interest revenue	**0.1**	0.1
Superannuation contributions		
Contribution to superannuation funds on behalf of employees	**132.0**	104.4

(d) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties other than key management personnel:

		Consolidated	
	Note	**2018**	2017
		$M	$M
Current receivables (sales of goods and services)			
Associates		**0.9**	0.5
Joint ventures		**-**	1.6
Current receivables (loans)			
Associates	6	**1.2**	1.3
Current payable (purchase of goods and services)			
Associates		**3.0**	3.3

(e) Terms and conditions

Sales of finished goods and purchases of raw materials from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. There are no fixed terms for the repayment of loans between the parties.

The terms and conditions of the tax funding agreement are set out in note 29(d)(ii)).

Outstanding balances are unsecured and are repayable in cash.

Other director transactions with Group entities

Transactions with related parties of directors of wholly owned subsidiaries within the BlueScope Steel Group total $1.2M (2017: $1.2M). These transactions have been made on commercial arm's length terms and conditions.

29 Parent entity financial information

(a) Summary financial information

Summarised Statement of comprehensive income

	2018 $M	2017 $M
Revenue	**3,126.1**	2,894.2
Other Income	**3.1**	13.8
Net impairment write-back of non-current assets	**441.0**	14.6
Finance costs	**(92.2)**	(100.5)
Other expenses	**(3,080.3)**	(2,750.3)
Profit before income tax	**397.7**	71.8
Income tax benefit	**646.1**	102.0
Net profit for the year	**1,043.8**	173.8
Other comprehensive income (loss) for the year	**-**	-
Total comprehensive income for the year	**1,043.8**	173.8

Summary of movements in retained losses

	2018 $M	2017 $M
Retained losses at the beginning of the year	**(1,523.5)**	(1,523.4)
Net profit for the year	**1,043.8**	173.8
Transfer to profits reserve	**(1,043.8)**	(173.8)
Other	**-**	(0.1)
Retained losses at the end of the year	**(1,523.5)**	(1,523.5)

Summarised Statement of financial position

	2018 $M	2017 $M
Assets		
Current assets	**4,581.8**	4,615.5
Non-current assets	**2,469.9**	1,542.9
Total assets	**7,051.7**	6,158.4
Liabilities		
Current liabilities	**2,297.0**	2,122.3
Non-current liabilities	**56.2**	62.6
Total liabilities	**2,353.2**	2,184.9
Net assets	**4,698.5**	3,973.5
Equity		
Contributed equity	**4,311.2**	4,554.4
Share-based payments reserve	**53.4**	67.4
Profits reserve	**1,857.4**	875.2
Retained losses	**(1,523.5)**	(1,523.5)
Total equity	**4,698.5**	3,973.5

Profits reserve
Profits reserve represents profits available for distribution to BlueScope Steel Limited shareholders as dividends.

29 Parent entity financial information (continued)

(b) Guarantees entered into by the parent entity

In Australia, the parent entity has given $87.6M (2017: $87.6M) in guarantees to various state workers compensation authorities as a prerequisite for self-insurance and has entered into a deed of cross-guarantee with certain Australian wholly-owned subsidiaries note (30). Additionally, the parent entity has provided financial guarantees in respect to subsidiaries amounting to:

	Parent entity	
	2018	2017
	$M	$M
Bank overdrafts and loans of subsidiaries	**918.1**	915.0
Other loans (unsecured)	**408.3**	650.3
Trade finance facilities	**204.2**	195.1
	1,530.6	1,760.4

(c) Capital commitments

As at 30 June 2018, the parent entity had capital commitments of $14.7M (2017: $6.6M). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

(d) Recognition and measurement

The financial information for the parent entity BlueScope Steel Limited has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investment in subsidiaries
Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the financial statements of BlueScope Steel Limited.

(ii) Tax consolidation legislation
BlueScope Steel Limited and its wholly-owned Australian controlled entities have entered into a tax sharing and funding agreement in relation to their participation in the tax consolidation regime. Under the terms of this agreement, the wholly-owned entities reimburse BlueScope Steel Limited for any current tax payable assumed and are compensated by BlueScope Steel Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to BlueScope Steel Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from BlueScope Steel Limited, which is issued as soon as practicable after the end of each financial year. BlueScope Steel Limited may require payment of interim funding amounts to assist with its obligations to pay tax instalments.

The tax sharing agreement limits the joint and several liability of the wholly-owned entities in the case of a default by BlueScope Steel Limited. At balance date, the possibility of default is considered remote.

The tax consolidated group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. Intercompany receivables of $162.8M (2017: $108.0M) and intercompany payables of $Nil (2017: $6.1M) of BlueScope Steel Limited have been recognised as a tax consolidated adjustment.

30 Deed of cross - guarantee

BlueScope Steel Limited and certain Australian wholly owned subsidiaries are parties to a deed of cross-guarantee (Deed) under which each company guarantees the debts of the others. The companies in the Deed are as follows:

Amari Wolff Steel Pty Ltd
BlueScope Building and Construction Ltd
BlueScope Distribution Pty Ltd
BlueScope Pacific Steel (Fiji) Pty Limited
BlueScope Steel Limited
BlueScope Solutions Holdings Pty Ltd
BlueScope Water Australia Pty Ltd
Fielders Manufacturing Pty Ltd
Lysaght Building Solutions Pty Ltd
Laser Dynamics Australia Pty Ltd
Metalcorp Steel Pty Ltd
New Zealand Steel (Aust) Pty Ltd
Orrcon Distribution Pty Ltd
Orrcon Manufacturing Pty Ltd (added by way of assumption Deed in June 2018)
Permalite Aluminium Building Solutions Pty Ltd
The Roofing Centre (Tasmania) Pty Ltd

By entering into the deed, the wholly owned subsidiaries have been relieved from the requirement to prepare a financial report and Directors’ report under ASIC (wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

(a) Consolidated income statement and a summary of movements in consolidated retained losses

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross-guarantee that are controlled by BlueScope Steel Limited, they also represent the 'extended closed group'.

	2018 $M	2017 $M
Statement of comprehensive income		
Revenue	**3,997.4**	3,681.1
Other income	**3.1**	14.2
Changes in inventories of finished goods and work in progress	**101.3**	26.5
Raw materials and consumables used	**(2,851.8)**	(2,409.8)
Employee benefits expense	**(541.8)**	(523.6)
Depreciation and amortisation expense	**(67.6)**	(63.9)
Net impairment write-back of non-current assets	**435.9**	18.7
Freight on external despatches	**(223.4)**	(215.0)
External services	**(256.9)**	(264.5)
Finance costs	**(93.0)**	(102.0)
Other expenses from ordinary activities	**(92.5)**	(77.2)
Profit before income tax	**410.7**	84.5
Income tax benefit	**658.6**	102.7
Net profit for the year	**1,069.3**	187.2
Other comprehensive income for the year	**-**	-
Total comprehensive income (loss) for the year	**1,069.3**	187.2

30 Deed of cross - guarantee (continued)

Summary of movements in consolidated retained losses

	2018 $M	2017 $M
Retained losses at the beginning of the year	**(1,295.0)**	(1,308.3)
Net profit for the year	**1,069.3**	187.2
Acquisition/disposal	**(207.8)**	-
Transfer to profits reserve	**(1,043.8)**	(173.8)
Other	**(0.1)**	(0.1)
Retained losses at the end of the year	**(1,477.4)**	(1,295.0)

(b) Statement of financial position

	2018 $M	2017 $M
Current assets		
Cash and cash equivalents	**41.6**	69.7
Trade and other receivables	**4,370.7**	4,475.5
Inventories	**605.9**	478.2
Deferred charges and prepayments	**19.6**	18.5
Total current assets	**5,037.8**	5,041.9
Non-current assets		
Receivables - external	**8.4**	8.4
Inventories	**15.4**	15.7
Other financial assets	**1,020.3**	1,012.2
Property, plant and equipment	**614.8**	584.1
Deferred tax assets	**608.6**	84.6
Intangible assets	**27.6**	32.6
Other	**-**	0.3
Total non-current assets	**2,295.1**	1,737.9
Total assets	**7,332.9**	6,779.8
Current liabilities		
Trade and other payables	**589.3**	778.0
Borrowings	**1,737.6**	1,547.7
Provisions	**172.7**	166.5
Deferred income	**13.6**	7.5
Total current liabilities	**2,513.2**	2,499.7
Non-current liabilities		
Payables	**0.4**	0.7
Borrowings	**18.9**	19.5
Provisions	**53.3**	55.4
Deferred income	**2.3**	2.6
Total non-current liabilities	**74.9**	78.2
Total liabilities	**2,588.1**	2,577.9
Net assets	**4,744.8**	4,201.9
Equity		
Contributed equity	**4,311.2**	4,554.4
Share-based payments reserve	**53.5**	67.4
Hedge reserve	**0.1**	(0.1)
Profits reserve	**1,857.4**	875.2
Retained losses	**(1,477.4)**	(1,295.0)
Total equity	**4,744.8**	4,201.9

31 Financial instruments and risk

(a) Financial assets and liabilities

30 June 2018	Notes	Loans and receivables $M	Derivative instruments $M	Financial liabilities at amortised cost $M	Total carrying amount $M
Financial assets					
Receivables	6	**1,485.6**	**-**	**-**	**1,485.6**
Derivative financial instruments	31(d)	**-**	**11.7**	**-**	**11.7**
		1,485.6	**11.7**	**-**	**1,497.3**
Financial liabilities					
Payables	9	**-**	**-**	**(1,865.2)**	**(1,865.2)**
Borrowings	16	**-**	**-**	**(880.8)**	**(880.8)**
Derivative financial instruments	31(d)	**-**	**(1.9)**	**-**	**(1.9)**
		1,485.6	**9.8**	**(2,746.0)**	**(1,250.6)**

30 June 2017	Notes	Loans and receivables $M	Derivative instruments $M	Financial liabilities at amortised cost $M	Total carrying amount $M
Financial assets					
Receivables	6	1,363.9	-	-	1,363.9
Derivative financial instruments	31(d)	-	7.3	-	7.3
		1,363.9	7.3	-	1,371.2
Financial liabilities					
Payables	9	-	-	(1,847.8)	(1,847.8)
Borrowings	16	-	-	(985.2)	(985.2)
Derivative financial instruments	31(d)	-	(4.8)	-	(4.8)
		1,363.9	2.5	(2,833.0)	(1,466.6)

(b) Risk management

The Board of Directors has overall responsibility for overseeing the management of financial risks, and approves policies for financial risk management with the objective of supporting the delivery of financial targets while protecting future financial security.

The Group's Audit Committee regularly reviews the financial risk management framework to ensure it is appropriate when considering any changes in market conditions. It reviews financial risk management controls and procedures and oversees how management monitors compliance with these, and monitors the levels of exposure to fluctuations in commodity prices, interest rates, and foreign exchange rates.

31 Financial instruments and risk (continued)

Risk	Exposure arising from	Measurement	Management
Foreign exchange Risk	Foreign currency payables and receivables (primarily USD) and net investments in foreign currency.	Sensitivity analysis and cash flow forecasting	Hedged with forward foreign exchange contracts or internal (net investment) of foreign operations as disclosed in note (c).
Interest rate risk	Floating interest rate bearing liabilities (2018: $349.2M, 2017: $203.4M) and investments in cash and cash equivalents (2018: $944.4M, 2017: $753.0M).	Sensitivity analysis	Given the level of exposure, any impact from reasonably possible movements in interest rates (+/- 50 basis points) will be immaterial.
Commodity price risk	International steel prices (primarily hot rolled coil and slab), and commodity prices including iron ore, coal, scrap, zinc, aluminium and electricity.	Sensitivity analysis	Forward commodity contracts as disclosed in note (c). Any impact from reasonably possible movements based on an historical basis and market expectations (+/- 20%) in electricity will be immaterial.
Liquidity risk	Difficulty in meeting obligations associated with financial liabilities.	Rolling cash flow forecasts	The Group's net exposure to liquidity risk is not significant based on available funding facilities and cash flow forecasts. Refer to note 16(b) for a summary of the Group's material financing facilities. When undertaking financing facilities, the Group takes into account a liquidity buffer which is reviewed at least annually.
Credit risk (Counter-parties/Geo-graphical)	•Possibility that counterparties to the Group's financial assets, including cash, receivables and derivative financial instruments, will fail to settle their obligations under their contracts. •Large number of customers internationally dispersed with trades in several major geographical regions. •Regions in which the Group has a significant credit exposure are Australia, USA, China, South-East Asia and New Zealand. •Significant transactions with major customers, being Liberty OneSteel and Fletcher Building Group within the Australian operations.	Ageing analysis and fair value exposure management	•Establish credit approvals and limits, including the assessment of counterparty creditworthiness. •Undertake monitoring procedures such as periodic assessments of the financial viability of its counterparties and reviewing terms of trade. •Obtain letters of credit from financial institutions to guarantee the underlying payment from trade customers. •Undertake debtor insurance to cover selective receivables for both commercial and sovereign risks.

31 Financial instruments and risk (continued)

(c) Foreign currency risk exposure and sensitivity analysis (AUD/USD)

	Consolidated	
	2018 $M	2017 $M
Cash and cash equivalents	**161.9**	103.9
Trade and other receivables	**38.4**	35.2
Forward foreign exchange contracts	**4.4**	1.0
Commodity option	**7.0**	5.3
Financial assets	**211.7**	145.4
Trade and other payables	**144.7**	165.5
Borrowings	**89.8**	72.8
Forward foreign exchange contracts	**0.5**	2.4
Financial liabilities	**235.0**	240.7
Net exposure	**(23.3)**	(95.3)

This exposure for the Group does not reflect the natural hedge of USD assets against USD liabilities of AUD 218.1M (2017: AUD 183.4M).

Judgement of reasonably possible movements:	**Post-tax profit higher (lower)**		**Equity higher (lower)**	
	2018 $M	2017 $M	**2018 $M**	2017 $M
AUD/USD + 10% (2017: +10%)	**2.9**	4.9	**2.9**	4.9
AUD/USD - 10% (2017: -10%)	**(3.9)**	(6.0)	**(3.9)**	(6.0)

(d) Commodity price and foreign exchange risk management

The Group uses derivative instruments to manage commodity price risk and foreign exchange risk by entering into forward contracts. Derivatives are used only for the purposes of managing these risks and not for speculative purposes.

	Consolidated	
	2018 $M	2017 $M
Forward foreign exchange contracts - cash flow hedges (i)	**1.5**	-
Forward foreign exchange contracts - fair value hedges (i)	**3.2**	1.0
Forward commodity contracts - cash flow hedges (ii)	**-**	1.0
Commodity option - non-current asset (iii)	**7.0**	5.3
Financial assets	**11.7**	7.3
Forward foreign exchange contracts - cash flow hedges (i)	**-**	2.4
Forward commodity contracts - cash flow hedges (ii)	**1.6**	-
Forward foreign exchange contracts - fair value hedges (i)	**0.3**	2.4
Financial liabilities	**1.9**	4.8
Net exposure	**9.8**	2.5

(i) Forward foreign exchange contract

The Group has entered into forward foreign exchange contracts designated as cash flow hedges and fair value hedges relating to foreign currency sales and purchases, plant and equipment purchases and hedging of net working capital exposures. For the cash flow hedges, the effective portion of gains and losses are recognised directly in equity. The fair value hedges are being marked to market through the profit and loss in line with the Group's risk management strategy.

31 Financial instruments and risk (continued)

(ii) Forward commodity contracts
The Group has entered into forward contracts for the purchase of electricity for its New Zealand Steel business. This forward contract has been designated as a cash flow hedge with the effective portion of gains and losses recognised directly in equity.

(iii) Commodity option
As part of the sale agreement of New Zealand Steel Mining Limited to Taharoa Mining Investments Limited (TMIL), BlueScope is eligible to receive future royalties of US$1.66 per dry metric tonne (DMT) when the Platts Index Quotation is equal or greater than US$65 per DMT. The royalty period is for iron sand shipments made between years 2 and 11 from 1 May 2017. The royalty agreement ends on 10 May 2028.

The key model variable inputs impacting the value of the derivative are the Platts index iron ore price, the historical volatility of iron ore prices, the credit worthiness of TMIL and production risk. The June 2017 royalty value was assessed at US$4M and revised to US$5.2M as at 30 June 2018 . The royalty value will need to be reassessed at each reporting date with any movement in the fair value of the derivative to be fair valued through the profit and loss and included in discontinued operations.

(e) Fair values

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

	2018		2017	
	Carrying amount $M	Fair value $M	Carrying amount $M	Fair value $M
Non-traded financial liabilities				
Other loans	**408.3**	**439.8**	650.3	682.6
Net assets (liabilities)	**(408.3)**	**(439.8)**	(650.3)	(682.6)

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

Valuation of financial instruments
(i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
(ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (i.e. derived from prices); and
(iii) Level 3 - inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Derivatives valued using valuation techniques with market observable inputs are primarily foreign exchange forward contracts and commodity forward contracts. These valuations reference forward pricing using present value calculations. The forward price incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, and forward rate curves of the underlying commodity. The fair value of forward commodity exchange contracts and forward foreign exchange contracts are considered level 2 valuations (note 32(d)) and the commodity royalty option is considered level 3.

(f) Recognition and measurement of derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- Hedges of a net investment in a foreign operation (net investment hedges).

31 Financial instruments and risk (continued)

The relationship between hedging instruments and hedged items, the risk management objective and the strategy for undertaking hedge transactions, is documented at the inception of the hedge transaction. The effectiveness of the derivatives in offsetting changes in fair values or cash flows of hedged items is assessed and documented on an ongoing basis.

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedges
Changes in the fair value of derivatives that are designated as cash flow hedges are recognised in other comprehensive income and accumulated in the hedging reserve in equity. The gain or loss relating to the effective portion is recognised in other comprehensive income and accumulated in the hedging reserve, whilst ineffective portions are recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in the hedging reserve are reclassified to profit or loss in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in the hedging reserve are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation in the case of fixed assets.

(iii) Net investment hedges
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses. Gains and losses accumulated in the foreign currency translation reserve are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(iv) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(v) Discontinuation of hedge accounting
When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the hedging reserve is immediately reclassified to profit or loss.

32 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group, and its related practices:

(a) Audit services

	Consolidated	
	2018	2017
	$	$
Audit and review of financial statements and other audit work under the Corporations Act 2001:		
Ernst & Young (including overseas Ernst & Young firms)	**3,929,000**	3,950,000

32 Remuneration of auditors (continued)

(b) Other services

	Consolidated	
	2018	2017
	$	$
Other non-audit services		
Ernst & Young Australian firm		
Tax compliance services	**165,000**	38,000
Advisory services	**267,000**	694,000
Assurance related	**383,000**	61,000
Related practices of Ernst & Young Australian firm (including overseas Ernst & Young firms)		
Tax compliance services	**208,000**	80,000
	1,023,000	873,000

33 Other accounting policies

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

(i) AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 (effective 1 July 2017)

This standard amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group has applied this amendment from 1 July 2017 (note 16(a)).

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

Certain new Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments (effective from 1 July 2018)

This standard addresses the classification, measurement and derecognition of financial assets in addition to new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures and includes a new impairment model for financial assets.

The new standard has no impact on the Group’s current classification, measurement and derecognition of financial assets and liabilities.

The new hedge accounting rules will, as a general rule, more closely align the accounting for hedging instruments with the group’s risk management practices. The current hedge relationships outlined in note 31(d) qualify as continuing hedges under AASB 9. Accordingly, there is no significant impact on the accounting treatment for the Group’s hedging relationships.

The new impairment requirements result in an earlier recognition of impairment provisions through the use of an expected credit loss (ECL) model compared to the incurred credit loss model under AASB 139. In the case of the Group it applies to financial assets classified at amortised cost. Based on the Group’s assessment of historical provision rates and forward-looking analysis the impact on adoption is an increase in the impairment provision of $5.5M recognised through opening retained earnings.

33 Other accounting policies (continued)

(ii) AASB 15 Revenue from Contracts with Customers (effective 1 July 2018)
AASB 15 replaces AASB 118 Revenue which covers contracts for goods and services, and AASB 111 Construction Contracts, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of good or service transfers to a customer, so the notion of control replaces the existing notion of risk and rewards. This standard has the potential to change the timing and in some cases the quantum of revenue recognised.

In order to assess if the new standard would have a material impact on the Group's financial statements, management selected representative samples of customer contracts to review from all material locations. The findings resulted in no material impact on the Group's financial statements arising from adoption of AASB 15. However, a different accounting treatment is required for some identified service warranties.

The majority of the Group's product warranties are assurance type warranties and therefore do no not require a different accounting treatment. However, based on the completed assessment, management identified service warranties, ranging from 5 to 30 years, in our North America Buildings and Building Product businesses. Instead of currently recognising revenue upon receipt of the warranty premium and raising a claims provision based on known claims and a past history of claims experience, the new standard requires the service warranty premium to be deferred and revenue recognised across the warranty period with any claims costs to be expensed as incurred. As the Group has elected to apply the modified retrospective approach upon transition, the impact is as follows:-

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

(iii) AASB 16 Leases (effective 1 July 2019)
AASB 16, the new lease accounting standard was released in January 2016. The standard eliminates the classification of leases as either operating leases or finance leases as required by the current lease accounting standard and, instead, introduces a single lessee accounting model. A lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and depreciate lease assets separately from interest on lease liabilities in the income statement.

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

The current lease commitments note as disclosed in Note 25(b)(i) is indicative of the lease commitments to be discounted to present value and recognised on the balance sheet upon adoption. However, this undiscounted number will be subject to change due to a number of factors including:

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

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

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

(iii) AASB Interpretation 23 – Uncertainty over income tax treatments (effective 1 July 2019)
AASB 23 clarifies the application of recognition and measurement requirements in AASB 112 Income Taxes when there is uncertainty over income tax treatments and removes most of the choice about how to reflect uncertain tax positions in the financial statements.

A full assessment of the amendments to the standard is yet to be carried out.

33 Other accounting policies (continued)

(b) Foreign currency translation

(i) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(ii) Foreign operations
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold, a proportionate share of such exchange differences is reclassified to profit or loss as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(c) Other taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Directors' Declaration

BLUESCOPE STEEL LIMITED
FOR THE YEAR ENDED 30 JUNE 2018

In the Directors' opinion:

(a) the financial statements and notes set out on pages 1 to 66 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date, and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 30 will be able to meet any liabilities to which they are, or may become, subject by virtue of the deed of cross-guarantee described in note 30.

(d) the financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

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

J Bevan
Chairman

M Vassella
Managing Director & CEO

Melbourne
13 August 2018

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of BlueScope Steel Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying value of property, plant & equipment and intangible assets (including goodwill)

Why significant	How our audit addressed the key audit matter
As required by Australian Accounting Standards the Group annually tests goodwill for impairment and tests other non-current assets where indicators of impairment exist using a discounted cash flow model to estimate the recoverable value. The Group recorded a reversal of prior period impairment charges to the property, plant and equipment (PPE) balance of the Australian Steel Products cash generating unit ("CGU") totaling $216M as at 30 June 2018. This reversal resulted from a change in recoverable amount due to the improvement in future estimated cash flows as compared to when the original impairment charge was recorded against this CGU. The increase in future estimated cash flows is primarily due to a sustained improvement in macroeconomic assumptions in regards to forecast steel pricing relative to forecast iron ore and coal pricing. The Group recorded an impairment charge during the financial year relating to the assets of the Buildings ASEAN CGU totaling $8M. The asset values in the Buildings ASEAN CGU were written down to its recoverable value due to the deterioration in future forecast earnings and the Group's decision to close this business. There are also CGUs with significant goodwill balances. These CGUs include North Star BlueScope Steel (goodwill balance of $905M) and BlueScope Buildings North America (goodwill balance of $298M). The carrying value of property, plant and equipment (PPE) and intangible assets, including goodwill was a key audit matter due to the significance of these balances and because the impairment assessment process is complex and judgmental and is based on assumptions such as foreign exchange, steel product, iron ore and coal pricing that are affected by future market or economic conditions. The Group's disclosures are included in Note 14 of the consolidated financial report, which specifically explain the key operating	The audit procedures we performed included testing the mathematical accuracy of the discounted cash flow model, and evaluation of the assumptions and methodologies used by the Group, in particular those relating to key operating assumptions set out in Note 14 of the consolidated financial report. We involved our valuation specialists to assist in these audit procedures. These procedures were performed for selected CGUs where indicators of impairment were present and CGUs that contained significant goodwill balances as at 30 June 2018. In respect to the Group's cash flow forecasts, for the CGUs selected and where relevant, we: • Assessed key assumptions such as forecast steel, iron ore and coal pricing, foreign exchange rates and domestic sales volumes in comparison to external independent data where available; • Assessed the Group's results in comparison to historical forecasts to assess forecast accuracy; • Assessed the Group's assumptions for growth rates in comparison to economic and industry forecasts; • Considered capital expenditure forecasts; • Assessed discount rates through comparing the cost of capital for the Group with comparable businesses; and • Considered the EBIDTA multiples against comparable companies as a valuation cross check. We performed sensitivity analysis in respect of the assumptions noted above, which were considered to have the most significant impact on carrying values, to ascertain the extent of changes in those assumptions which either individually or collectively would be required for the PPE and intangible assets (including goodwill) to be impaired. We assessed the likelihood of these changes in assumptions arising. We assessed the adequacy of the Group's disclosures of those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of PPE and intangible assets (including goodwill).

Why significant	How our audit addressed the key audit matter
assumptions used; and sensitivity of changes in the key assumptions which could give rise to an impairment loss or impairment reversal of the PPE and intangible assets (including goodwill) balance in the future.	

2. Accounting for tax positions

Why significant	How our audit addressed the key audit matter
Accounting for tax positions was a key audit matter because the assessment process is complex, includes estimation uncertainty and the amounts involved are significant to the consolidated financial report. The Group's operations are subject to income and deferred taxes in various jurisdictions which results in complexities around the applicability of various tax legislations. Through improved earnings performance over several recent financial years, an improvement in forecast profitability and after utilisation of previously unrecognised tax losses against current year earnings, an additional deferred tax asset has been recognised in the Australian Consolidated Tax Group (ACTG) as at 30 June 2018 totaling \$327.5M. Additionally the US tax reform bill, which was passed into law on 22 December 2017, added further complexities to the group's global tax environment. This resulted in a one-off reduction to income tax expense for the financial year of \$76.3M. The Group's disclosures are included in Note 4 of the consolidated financial report.	The audit procedures we performed included testing the mathematical accuracy of the Group's calculation to derive current and deferred taxes. We involved our taxation specialists to assess the tax positions adopted by the Group for each of their material components and to assess the methodology, estimations and assumptions applied by each material component in its particular jurisdiction. As part of these procedures we also assessed the Group's cash flow forecast for the ACTG to support the recognition of additional deferred tax assets in the current year and compared these cash flows for consistency with the Group's impairment testing, as well as assessing the availability of the previously unrecognised tax losses. We also assessed the adequacy of the Group's disclosures in regards to the closing tax balances and tax positions adopted at year end.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Building a better working world

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 46 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of BlueScope Steel Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
Melbourne
13 August 2018

Extended FINANCIAL HISTORY

10 Year Financial History

A$M unless marked; years ended 30 June		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Income Statement Key Items											
Total Revenue[1]		10,329	8,624	9,134	8,622	7,290	8,007	8,572	9,203	10,758	11,578
EBITDA[2] - Reported		380	590	(687)	(489)	339	430	640	1,010	1,425	1,840
- Underlying		511	598	254	101	391	538	663	963	1,484	1,645
EBIT[2] - Reported		15	240	(1,043)	(820)	23	102	297	622	1,045	1,463
- Underlying		160	259	(91)	(219)	77	217	326	582	1,105	1,269
NPAT - Reported		(66)	126	(1,054)	(1,044)	(107)	(83)	136	354	716	1,569
- Underlying		44	119	(110)	(228)	(2)	77	161	307	652	826
Segment underlying EBIT											
Australian Steel Products		185	109	(270)	(365)	(55)	48	150	361	459	587
North Star BlueScope Steel		(58)	61	72	62	67	105	107	147	407	431
Building Products Asia & North America		(64)	138	121	92	100	104	108	163	209	185
Buildings North America		30	(41)	(41)	(6)	(6)	7	32	34	58	75
New Zealand and Pacific Steel Products		87	73	83	69	34	32	(7)	(40)	61	112
Corporate & Group		(122)	(68)	(68)	(69)	(63)	(80)	(65)	(81)	(89)	(109)
Inter-segment		101	(12)	12	(2)	(1)	2	0	(1)	1	(11)
Continuing businesses underlying EBIT		**160**	**260**	**(91)**	**(220)**	**77**	**217**	**326**	**582**	**1,105**	**1,269**
Financial Performance Measures											
Return on invested capital[3]		2.2%	4.1%	-1.4%	-4.3%	1.8%	4.5%	6.4%	9.5%	18.5%	20.0%
Return on equity[4]		1.0%	2.1%	-2.0%	-5.6%	-0.1%	1.9%	3.8%	6.7%	13.5%	15.3%
Capital, Earnings Per Share & Dividends											
Weighted average number of ordinary shares	(millions)	930.6	1,823.3	1,836.5	2,668.7	558.2	558.6	561.2	570.1	571.1	556.8
Earnings per share (reported)[5]	¢/s	(7.1)	6.9	(57.4)	(39.1)	(19.2)	(14.8)	24.3	62.1	125.3	281.8
Earnings per share (adjusted)[6]	¢/s	(36.0)	35.0	(291.3)	(234.6)	(19.1)	(14.8)	24.3	62.1	125.3	281.8
Dividends per share (reported)[5]	¢/s	5.0	5.0	2.0	0.0	0.0	0.0	6.0	6.0	9.0	14.0
Dividends per share (adjusted)[7]	¢/s	20.4	25.4	10.2	0.0	0.0	0.0	6.0	6.0	9.0	14.0

A$M unless marked; years ended 30 June	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Cash Flow Summary										
Net cash inflow (outflow) from operating activities	424	377	28	267	161	407	539	952	1,132	1,141
Net cash inflow (outflow) from investing activities	(728)	(327)	(367)	(80)	(310)	(438)	(411)	(1,290)	(408)	(380)
Net cash inflow (outflow) from financing activities	639	(160)	273	(148)	429	(15)	(115)	368	(509)	(582)
Net increase (decrease) in cash held	**336**	**(110)**	**(65)**	**39**	**281**	**(45)**	**13**	**30**	**215**	**179**
Financial Position										
Total assets	8,865	8,998	7,793	6,734	7,331	7,519	7,878	9,149	9,575	10,931
Total liabilities	3,201	3,242	3,397	2,955	2,871	3,062	3,138	4,163	4,037	4,043
Net assets	**5,663**	**5,756**	**4,396**	**3,779**	**4,460**	**4,457**	**4,739**	**4,985**	**5,539**	**6,888**
Net Operating Assets (pre-tax)	6,480	6,559	5,399	4,047	4,441	4,664	4,888	5,750	5,803	6,538
Net Debt / (Cash)	756	743	1,068	384	148	262	275	778	232	(64)
Gearing (net debt / net debt plus equity)	**11.8%**	**11.4%**	**19.5%**	**9.2%**	**3.2%**	**5.5%**	**5.5%**	**13.5%**	**4.0%**	**NA**

(1) Excludes the company's 50% share of North Star BlueScope Steel revenue until 30 October 2015. Includes revenue other than sales revenue. Includes revenue from discontinued businesses - that is, total revenue has not been restated for sale or closure of any businesses after that date.

(2) Includes 50% share of net profit from North Star BlueScope Steel until 30 October 2015, and 100% consolidated profit thereafter.

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

(4) Return on equity is defined as underlying 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 four-for-five share rights issue undertaken in December 2011, the six for one share consolidation undertaken in December 2012, and adjustments required in applying the revised AASB119 Employee Benefits standard in 2013.

(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, the six for one share consolidation undertaken in December 2012, and adjustments required in applying the revised AASB119 Employee Benefits standard in 2013.

(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

Underlying results are re-stated for all periods for re-classifications of any businesses to discontinued.
- businesses re-classified to discontinued - Lysaght Taiwan (2006), Packaging Products (2006), Vistawall (2007), Metl-Span (2012), Building Solutions Australia (2015), Taharoa Export Iron Sands (2017), Buildings Asean (2018)
- as announced in June 2018, Buildings ASEAN business, which is in the process of being closed, has been reclassified into Discontinued Operations.

shareholder INFORMATION *and* *corporate* DIRECTORY

SHAREHOLDER INFORMATION
As at 24 August 2018

Distribution Schedule

Range	No of Holders	Securities	%
1 to 1,000	61,458	17,996,990	3.30
1,001 to 5,000	11,340	23,073,098	4.24
5,001 to 10,000	1,096	7,674,616	1.41
10,001 to 100,000	542	12,586,528	2.31
100,001 and Over	57	483,194,111	88.74
Total	**74,493**	**544,525,343**	**100.00**

Based on a closing share price of $17.830 on 24 August 2018, the number of shareholders holding less than a marketable parcel of 29 shares is 5,453 and together they hold 78,589 shares.

Twenty Largest Registered Shareholders

Rank	Name	Securities	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	199,648,998	36.66%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	113,786,579	20.90%
3	CITICORP NOMINEES PTY LIMITED	67,763,961	12.44%
4	NATIONAL NOMINEES LIMITED	39,121,178	7.18%
5	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	14,610,587	2.68%
6	BNP PARIBAS NOMS PTY LTD <DRP>	11,463,762	2.11%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	7,484,249	1.37%
8	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	4,532,537	0.83%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	3,365,048	0.62%
10	NATIONAL NOMINEES LIMITED <N A/C>	2,401,535	0.44%
11	AMP LIFE LIMITED	1,953,928	0.36%
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,568,145	0.29%
13	ECAPITAL NOMINEES PTY LIMITED <ACCUMULATION A/C>	1,081,070	0.20%
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,025,160	0.19%
15	NATIONAL NOMINEES LIMITED <DB A/C>	958,973	0.18%
16	BNP PARIBAS NOMS PTY LTD <ARBITAGE SNC DRP>	858,419	0.16%
17	UBS NOMINEES PTY LTD	818,747	0.15%
18	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	629,581	0.12%
19	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	572,000	0.11%
20	UBS NOMINEES PTY LTD	570,000	0.10%
	TOTAL	**474,214,457**	**87.09%**
	Balance of Register	**70,310,886**	**12.91%**
	Grand TOTAL	**544,525,343**	**100.00%**

Substantial Shareholders
As at 24 August 2018, BlueScope has been notified of the following substantial shareholdings:

Name	Number of securities held
The Vanguard Group Inc	27,559,047
BlackRock Group	34,947,589

On-Market Share Buy-Back
On 13 August 2018, BlueScope announced its intention to undertake an on-market share buy-back of up to $250 million.

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.

Stock exchanges on which our debt securities are listed
Debt securities (Unsecured Guaranteed Euro Medium Term Notes) are listed on the Singapore Stock Exchange (SGX).

CORPORATE DIRECTORY

Directors	J A Bevan *Chairman* M R Vassella *Managing Director and Chief Executive Officer* D B Grollo K A Dean P Bingham-Hall E G W Crouch AM L H Jones R P Dee-Bradbury J M Lambert
Secretaries	D J Counsell P. Grau
Executive Leadership Team	M R Vassella *Managing Director and Chief Executive Officer* T J Archibald *Chief Financial Officer* D J Counsell *Chief Legal Officer and Company Secretary* S R Elias *Chief Executive NS BlueScope [and executive responsibility for BlueScope China]* P Finan *Chief Executive, BlueScope Buildings* A Highnam *Executive General Manager, People and Performance* J Nowlan *Chief Executive, Australian Steel Products* G Stephens *Chief Executive, New Zealand Steel & Pacific Islands* Andrew Garey *Chief Executive, Strategy & Optimisation*
Notice of Annual General Meeting	The Annual General Meeting of BlueScope Steel Limited will be held at the Intercontinental Sydney, 117 Macquarie Street, Sydney at 10.00am on Friday, 23 November 2018
Corporate Governance Statement	An overview of BlueScope Steel Limited's corporate governance structures is presented in the 2018 Corporate Governance Statement which is available online at: http://www.bluescope.com/about-us/governance
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).
Website Address	www.bluescope.com

BLUESCOPE

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