



ANNUAL REPORT 2018/2019



CHAIRMAN'S MESSAGE

BlueScope delivered another very good financial result in 2019 – our third year with back to back underlying Earnings Before Interest & Tax (EBIT) above \$1.1 billion. This occurred despite some softening in commodity steel spreads and volumes in the second half and, of course, rising uncertainty in global markets caused by geopolitical factors and the US-China trade dispute.

At the time of writing, 1H FY2020 outlook sees weaker commodity steel prices and spreads across our steelmaking businesses in the US, Australia and New Zealand. Accordingly we expect underlying EBIT around 45 per cent lower than 2H FY2019. This is the short term outlook, but we are now a very resilient global Company with a strong balance sheet and high quality assets which provide the capacity to withstand and potentially take advantage of tough cyclical conditions.

BlueScope is very focused on generating returns above its cost of capital so we create value for shareholders. Your Company has delivered \$1.14 billion in shareholder returns since FY2017 to June this year with up to a further \$281 million in dividends and buy-back this half.

Long term investment focus

The United States is an attractive market for BlueScope, and the North Star BlueScope Steel facility in Delta, Ohio, is recognised as a best-in-class asset. After careful due diligence your Board has approved a US\$700 million expansion of this successful business, subject to anticipated receipt of necessary air permits and local and state incentives. The expansion will add around 850,000 metric tonnes per annum of domestic steelmaking capacity in the US taking annual output from about two million tonnes to three million tonnes in a 100 million tonne per annum US domestic market.

This project is a perfect fit with our strategy, **offering long term sustainable earnings growth** from a high-quality asset. It is a significant tribute to the approximately 390 employees who work hard to make it such a strongly performing business.



JOHN BEVAN
Chairman

BLUESCOPE IS VERY FOCUSED ON GENERATING RETURNS ABOVE ITS COST OF CAPITAL SO WE CREATE VALUE FOR SHAREHOLDERS.

Safety

Regrettably, last November a contractor was fatally injured in Thailand. He was working on an independently managed construction site for a contracting company engaged by BlueScope Lysaght Thailand. We are using the lessons learnt from this tragic incident to make sure we do all we can to prevent this happening again. This includes conducting safety training for customers and contractors at the dedicated training centre at our Map Ta Phut site in Thailand.

Your Directors and I continue to drive safety in the business, focusing on better managing risk and ensuring the care of our people. We are reviewing our traditional approach and response to workplace injuries, with a greater focus on the severity of injuries and the time and care given to injured employees to pave their return to meaningful work. During the year we experienced an increased number of soft tissue injuries that often require longer time, care and proper treatment to ensure a full return to work, and this contributed to an increased Lost Time Injury Frequency Rate of 1.16, and Medically Treated Injury Frequency Rate of 5.6 in FY2019.

Strategy

Our Bond, our Strategy, our Financial Framework and our approach to Sustainability continue to guide what we aim to achieve and how we do it.

A new Strategy & Transformation team was charged with designing BlueScope for the future. The team's work focuses on innovation, digital transformation, strategic marketing and research and development. To date transformation opportunities have been identified in coating and painting technology, while robotics and automation are also unlocking the next wave of productivity and cost savings in manufacturing.

Financial Framework

Our financial framework is focused on delivering returns to our shareholders, disciplined capital allocation and an optimal capital structure. It guides our measurement and rewarding of financial performance. The Company achieved a very creditable underlying ROIC of 19.5 per cent in FY2019. Underlying EBIT and ROIC across all business units underpin our focus on delivering top quartile shareholder returns.

BlueScope finished FY2019 with net cash of nearly \$693 million. Given the transformation of the business in recent years – where we now have strong earnings and cash flows through prudent balance sheet management - we will now target a capital structure of around zero net debt for the consolidated Company.

We continually watch for appropriate growth opportunities, that fit our strategy. Our capital expenditure focus is: to maintain safe and reliable operations; to invest in foundation and new technologies; to invest to maximise value from 'best in class' assets; and to invest for growth in premium branded products.

In the short term, we will continue with our 1H FY2020 buy-back of up to \$250 million, and your Board approved the payment of a final unfranked dividend of 8 cents per share for FY2019.

FY2019 FINANCIAL HEADLINES

REPORTED NET PROFIT AFTER TAX (NPAT)

\$1,015.8 million

UNDERLYING NPAT

\$966.3 million

UNDERLYING EBIT

\$1,348.3 million

UNDERLYING PRE-TAX ROIC

19.5%

CAPITAL MANAGEMENT

1H FY2020 BUY-BACK

up to \$250 million

FINAL DIVIDEND (UNFRANKED)

8 cents per share

Sustainability

BlueScope continues to embed sustainability in all that we do. Our FY2019 Sustainability Report published in September provides further disclosures aligned to TCFD (Task Force on Climate-related Financial Disclosure), and our achievements to date on supply chain sustainability.

Also, the report highlights our progress on the five key material sustainability topics:

- ▶ **Safety, health & wellness** – A new five year health, safety and environment strategy focuses on rigorously challenging the effectiveness of our critical risk controls, and adopting a more holistic approach. As we have pursued our goal of Zero Harm year on year, it has become harder to make continuous improvements. While we will continue to report on lost time and medically treated injury frequency rates, we are also looking at other indicators to guide us in adequately managing health and safety risks and drive toward Zero Harm. These include building leadership awareness of safety risks, and increasing employee engagement in safety improvement projects.
- ▶ **Climate change and energy** – We developed a shadow carbon pricing approach in our Capital Investment Framework, climate risk scenarios and GHG emissions intensity reduction target – which we met, with a one per cent reduction of CO₂ emissions per tonne of steel produced.

▶ **Supply chain sustainability** – We have improved sourcing standards and due diligence capabilities, published a Supplier Code of Conduct, implemented a supplier assessment framework in all business units, and are well advanced in preparing for our reporting obligations under Australia's new Modern Slavery Act.

▶ **Governance & business conduct** – The Company promotes a culture of integrity and the highest possible standards across our global operations. A new 'Speak Up' policy offers whistleblower protection to all employees, we have strengthened the ethics and compliance function, and conducted extensive business conduct training throughout the Company.

As previously disclosed, the Australian Competition and Consumer Commission (ACCC) has been investigating potential cartel conduct by BlueScope. In late August, the ACCC announced it had commenced civil proceedings against the Company and a former employee alleging contraventions of the Australian competition law cartel provisions.

The proceedings relate to conduct that allegedly involve the employee, during the period September 2013 to June 2014, attempting to induce various steel distributors in Australia and overseas manufacturers to enter agreements containing a price fixing provision. The ACCC has not alleged that an agreement was reached or that an agreement was implemented. The ACCC disclosed that it has been working closely with the Commonwealth Director of Public Prosecutions (CDPP) in relation to this matter, and the CDPP's consideration of the matter is continuing.

Since becoming aware of the ACCC's investigation, we have constructively engaged with the ACCC and conducted our own internal investigation. While we have not seen all of the evidence that has been relied on by the ACCC, based on what we know today, we do not believe that BlueScope, or any current or former employees, have engaged in cartel conduct.

I will keep shareholders informed when I am in a position to do so, bearing in mind the matter is now before the courts.

▶ **Diversity & inclusion** – BlueScope's diversity profile continues to improve. Women comprise 21 per cent of our workforce, up from 19 per cent; 40 per cent of all recruits to operator roles; 38 per cent of the Board of Directors; and 40 per cent of the Executive Leadership Team. Renewed efforts are underway to ensure that our workplace offers an inclusive environment to all employees.

I encourage shareholders to read the FY2019 Sustainability Report, available on the Company's website.

Business performance

Turning to BlueScope's performance across its portfolio, produced by 14,000 employees at 162 sites in 18 countries:

In the US, **North Star BlueScope Steel** delivered underlying EBIT of \$654.7 million, up 52 per cent on FY2018, driven by strong steel spreads combined with a favourable foreign exchange translation. The business continues to operate at full capacity.

In **Australian Steel Products**, realised steel spreads were stronger, particularly due to pricing lags, however domestic volumes weakened due to some slowing in residential construction activity and customer destocking. More positively, demand for COLORBOND® steel remained broadly resilient. The business delivered underlying EBIT of \$535.4 million, down 9 per cent on FY2018.

In **Building Products Asia and North America**, margins in ASEAN and North America were lower due to higher steel feed costs combined with weaker despatch volumes. The businesses are focused on 'getting fit', through a cost reduction and manufacturing improvement program which delivered around \$20 million already in FY2019, and aims to deliver a full-year run-rate of \$40 million during FY2020. The China and India businesses continued to perform very well. Underlying EBIT for this segment was \$134.2 million, down 27 per cent on FY2018. Notwithstanding turnaround plans and a recent improvement in business performance, the Company recognised a \$64 million non-current asset impairment in its Thailand operations.

In New Zealand, overall, domestic demand remained robust for **New Zealand and Pacific Steel**, however underlying EBIT of \$80.6 million was down 28 per cent on FY2018, primarily due to increases in raw material costs and softer selling prices for steel. However, sales of the by-product, vanadium slag, made a positive contribution.

In **Buildings North America** sales of buildings for the industrial, manufacturing, aviation and energy sectors remain strong. The business delivered underlying EBIT of \$53.4 million, down 28 per cent on FY2018, due to lower despatch volumes on seasonality, and following an unusually high contribution from BlueScope Properties Group in FY2018.

Executive appointments

Appointments made to the Executive Leadership Team during the year reflect BlueScope's focus on the future and strategic growth opportunities. Andrew Garey was appointed to the new role of Chief Strategy & Transformation Officer. Other changes ensure appropriate management and governance of the North Star expansion project, with Pat Finan appointed to the new role of Chief Executive Hot Rolled Products North America, responsible for both the North Star operations and the expansion project. Alec Highnam replaces Mr Finan in the role of Chief Executive BlueScope Buildings with responsibility for the engineered steel building business in North America. Kristie Keast was appointed Chief People Officer, with a key focus on sustainability, safety and organisation capability and performance.

Board governance review

Understandably, the expectations of our shareholders and other external stakeholders continue to rise. Keeping true to Our Bond, in May 2018 the Board initiated a comprehensive review of the recommendations and guidance in the Australian Prudential Regulation Authority's (APRA) report into the Commonwealth Bank of Australia.

This review confirmed that, though a very different organisation to those regulated by APRA, BlueScope's governance and risk practices were generally robust. Nonetheless, the review identified areas for improvement, and a program of work to address these areas has now commenced.

Public policy

BlueScope has continued to urge policymakers and regulators to adopt policies that help keep manufacturing competitive.

In Australia, we have urged state and federal governments of all parties to implement policies that reduce energy costs, increase energy reliability and meet Australia's Paris Agreement targets. That includes arguing for measures to increase the supply of natural gas, which is both an important fuel for BlueScope's manufacturing processes, and for electricity generation.

The Company also supports policies that boost the reliability of electricity supply, such as the Retailer Reliability Obligation. A new demand response rule being developed by regulators will allow major electricity users like BlueScope to benefit financially by cutting electricity demand at peak times. We also support building new, lower-emissions generation capacity that reduces electricity prices, and we are technology agnostic in this.

In New Zealand, BlueScope has supported that country's efforts to reduce its greenhouse gas emissions, while seeking to ensure public policy does not impair the competitiveness of domestic manufacturers.

On the trade front, we have sought policies that reduce barriers to trade and encourage all countries to abide by international trade rules. This has included supporting the Indonesia – Australia Comprehensive Economic Partnership Agreement (IA-CEPA), which will cut tariffs on steel trade between the two countries, and opposing the imposition of steel tariffs by the US Administration. We have also sought to ensure the countries in

which we manufacture have fair and effective anti-dumping policies that discourage the predatory dumping of steel which undermines the viability of those domestic markets, costs jobs and discourages further investment.

BlueScope's investment proposition

Today BlueScope comprises a strong suite of assets and options, capabilities and discipline – all focused on building long term shareholder value and returns. The global portfolio includes:

- ▶ a resilient Australian business integrated through the value chain, delivering returns through the cycle, and an iconic brand position with COLORBOND® steel;
- ▶ a global leader in coating and painting for building and construction markets;
- ▶ profitable operations in the world's two largest construction markets, China and the US, and high growth markets in ASEAN and India; and
- ▶ a unique low cost expansion opportunity at North Star, one of the most profitable mini mills in the US.

This proposition is enhanced by the Company's capital discipline combining; a strong balance sheet with a target of around zero net debt, a returns focus, and disciplined competition for capital between investments for long term growth and returns to shareholders.

Conclusion

This is the third year of strong financial and operational performance by the Company.

I thank management and employees for their commitment to our Company, which has put BlueScope in the strong and very resilient position it enjoys today. I also thank my fellow Directors for their support, and join with all shareholders in looking forward to another successful year in FY2020.



John Bevan, Chairman

DIRECTORS' REPORT

BLUESCOPE STEEL
ANNUAL REPORT 2018/2019



Directors' Report for the year ended 30 June 2019

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 2019.

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

North Star 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.

THE BLUESCOPE INVESTMENT PROPOSITION

Disciplined and advantaged steel building products company focussed on growing long term shareholder value

<p>ASSETS & CAPABILITY</p> 	<ul style="list-style-type: none"> • Integrated and resilient Australian business delivering returns across the cycle • Iconic industrial brand position with COLORBOND® steel • Global leader in coating and painting for Building and Construction Markets • Operate in the world's two largest construction markets of China and US, and high growth markets in ASEAN and India • Have the lowest cost expansion opportunity in the US at North Star, which is one of the most profitable mini-mills in the US
<p>CAPITAL DISCIPLINE</p> 	<ul style="list-style-type: none"> • Strong balance sheet with target of around zero net debt • Returns-focussed process with disciplined competition for capital between investment for long-term growth and returns to shareholders
<p>RETURNS FOCUS</p> 	<ul style="list-style-type: none"> • Target ROIC > WACC through the cycle • Target at least 50% of free cash flow to shareholders • Target EPS growth through the cycle

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 17 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

OUR FINANCIAL FRAMEWORK

Our Financial Framework guides our measurement of performance and capital allocation.

<h3>1 RETURNS FOCUS</h3> <ul style="list-style-type: none"> • ROIC > WACC through the cycle • ROIC incentives for management and employees • Maximise free cash flow generation 	<h3>2 OPTIMAL CAPITAL STRUCTURE</h3> <ul style="list-style-type: none"> • Strong balance sheet, with a target of around zero net debt¹ • Retain strong credit metrics • Intent to have financial capacity through the cycle to make opportunistic investments or fund a shutdown of steelmaking if not cash positive • Leverage for M&A but only if accompanied by active debt reduction program 	<h3>3 DISCIPLINED CAPITAL ALLOCATION</h3> <p>Invest to maintain safe and reliable operations, and in foundation and new technologies</p> <p>Returns-focussed process with disciplined competition for capital between:</p> <ul style="list-style-type: none"> • Growth capital <ul style="list-style-type: none"> – Investments – M&A (but avoid top of the cycle) • Shareholder returns <ul style="list-style-type: none"> – Distribute at least 50% of free cash flow to shareholders in the form of consistent dividends and on-market buy-backs²
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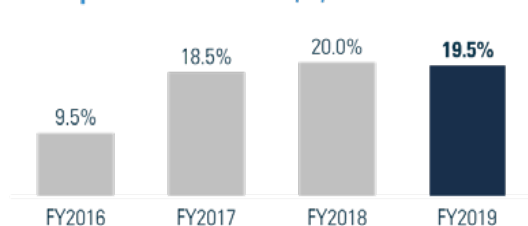
(1) Excluding the impact of leases as per AASB16

(2) On-market buy-backs are seen as the most effective method of returning capital to shareholders after considering various alternatives and given BlueScope's lack of franking capacity. The Board reserves the right to suspend or terminate the buy-back at any time.

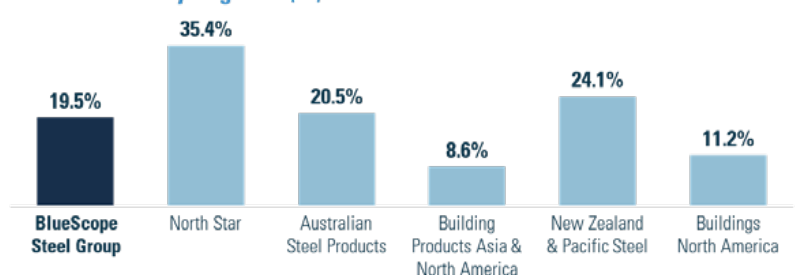
RETURNS FOCUS

Underlying EBIT ROIC is the primary measure of performance across all business units and the group. It underpins our objective of delivering top quartile shareholder returns and is a key discipline for performance management, project assessment, and executive incentives.

Group ROIC Performance (%)

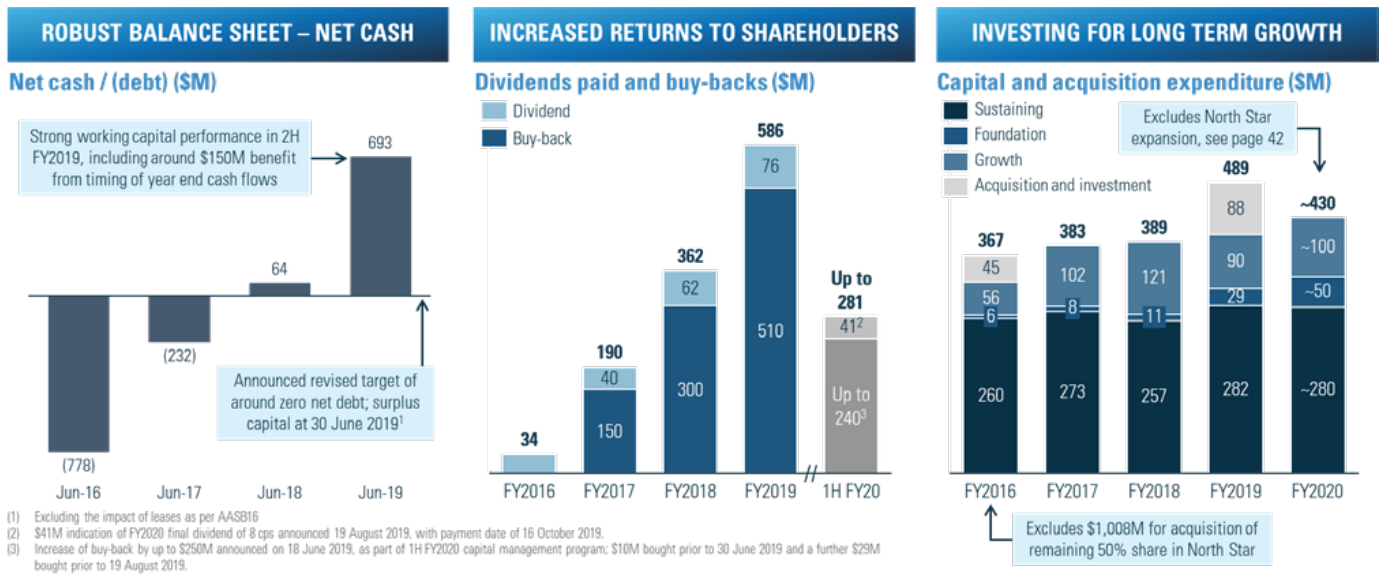


FY2019 ROIC by Segment (%)



OPTIMAL CAPITAL STRUCTURE & DISCIPLINED CAPITAL ALLOCATION

Given the transformation of the business in recent years, with strong earnings and cash flows we have reassessed our optimal capital structure. We will now target a revised capital structure of group net debt around zero (pre lease capitalisation), in contrast to our previously stated target of net cash in the range of \$200 million to \$400 million.



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., Australia and New Zealand.

Capital expenditure focus areas

- MAINTAIN SAFE AND RELIABLE OPERATIONS
- INVEST IN FOUNDATION AND NEW TECHNOLOGIES
- INVEST FOR GROWTH IN PREMIUM BRANDED PRODUCTS
- INVEST TO MAXIMISE VALUE FROM 'BEST-IN-CLASS' ASSETS

Examples of growth opportunities

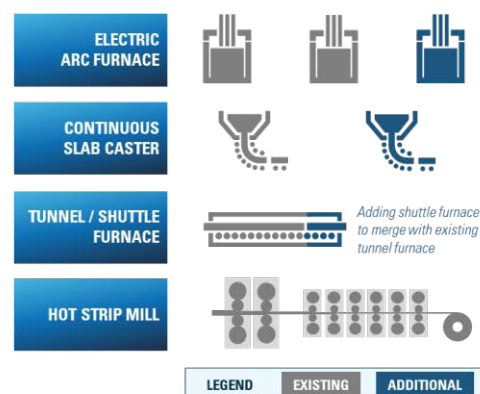


NORTH STAR EXPANSION PROJECT

After careful due diligence, the Board has approved the expansion of the successful North Star business at Delta, Ohio – subject to the anticipated receipt of necessary air permits and local and state incentives. BlueScope will add an additional ~850,000 metric tonnes per annum of domestic steelmaking capacity in the U.S. This is a key long-term growth initiative for the Company.

- Board has approved expansion of our 'best-in-class' mini-mill in Delta, Ohio, to add a third EAF and second caster
- Incremental ~850ktpa (metric) on commissioning, with further 500ktpa potential upside in subsequent years, subject to further progressive plant debottlenecking
 - Further enhancing our ability to supply high quality product and leading customer service
- Expected total cost of approximately US\$700M
- Anticipate commissioning new plant in mid FY2022, and full ramp-up approximately 18 months later
- Targeting a minimum 15% IRR and 15% ROIC when fully ramped-up, based on long-term historical spreads
- Project subject to the anticipated receipt of necessary air permits and local and state incentives
- Pat Finan (Chief Executive Hot Rolled Products North America) is responsible for both the North Star operations and expansion project

Indicative overview of existing and additional equipment



OUR APPROACH TO SUSTAINABILITY

BlueScope continues to focus on building resilience, embedding sustainability in all that we do. Our sustainability reports cover this in detail; the FY2018 Sustainability Report was released in October 2018 and our FY2019 report is targeted for release in September 2019.

We have identified five sustainability topics that matter most to our stakeholders: climate change and energy; safety, health and wellbeing; 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

- Aligning climate change reporting with Task Force on Climate-related Financial Disclosure (TCFD) recommendations.
- Detailed our approach to shadow carbon pricing in our Capital Investment Framework approach, climate risk scenarios and GHG emissions intensity reduction targets for our steelmaking sites.
- Current focus on implementing energy efficiency and emission reduction projects in line with our three-year climate plans.
- Average aggregated GHG emissions intensity of three steelmaking facilities reduced by 1.2% in FY2019 from FY2018¹.
- Our commitment to action is outlined below:

Support the Paris agreement and the commitments of the countries in which we operate	Acknowledge steelmaking produces emissions; working to reduce the impact	Governance structures seek to ensure understanding and management of climate risk	Steel plays a key role in sustainable development, given its longevity and endless recyclability
<ul style="list-style-type: none">• Developed 1% YoY aggregated emissions intensity reduction targets in reference to detailed sector scenarios from the IEA 2° scenario model• Founding member of ResponsibleSteel 	<ul style="list-style-type: none">• Implementing energy efficiency and emissions reduction projects in line with three year plans• Aggregated GHG emissions intensity of three steelmaking facilities reduced by 1.2% in FY2019 from FY2018	<ul style="list-style-type: none">• Aligning climate change reporting with Task Force on Climate-related Financial Disclosure (TCFD), including outcomes of scenario analysis, with the one of three scenarios consistent with a 2° scenario (Global Cooperation)	<ul style="list-style-type: none">• Extensive reuse and recycling of by-products (over 97% material efficiency)• Contributing to circular economy, with significant lifecycle energy and GHG benefits

2. Safety, Health and Wellbeing

- We are evolving to the next level of maturity with our new five-year health, safety and environment strategy launched mid-2019.
- Continuing our focus on rigorously challenging the effectiveness of our significant risk controls.
- Collaboratively developing a health and wellbeing program.
- 64% of employees involved in health, safety and environment improvement projects in FY2019.
- LTIFR and MTIFR of 1.16 and 5.6 respectively per million hours worked in FY2019.

3. Supply Chain Sustainability

- Established improved sourcing standards and due diligence capabilities.
- Supplier Code of Conduct published in early 2019 – now in 8 languages.
- Implementation of the supplier assessment framework.
- Over 25 training sessions completed, attended by over 180 procurement practitioners and business unit leaders.
- Well advanced for the reporting requirements of the Modern Slavery Act.
- Own site assessments in line with our supplier assessment framework to commence in FY2020.

4. Diversity and Inclusion

- Female workforce participation has increased to 21 per cent in FY2019, with 40 per cent of new recruits to operating roles being women.
- Rate of women hired to all roles across BlueScope has doubled since FY2016.
- In FY2020 we will retain our focus on gender diversity with greater focus on inclusion, supported by a regional focus on local talent succession and cultural diversity of leadership teams.

5. Governance and Business Conduct

- We encourage a culture of speaking up and protecting those who do.
- Launched the new 'Speak Up' policy, available on our website.
- Continued focus on increasing our employees' understanding of how they can report misconduct concerns, including via our externally managed conduct hotline.
- As previously disclosed, the ACCC investigation into alleged cartel conduct in the Australian business is ongoing.

FY2019 Sustainability Report

The FY2019 Sustainability Report is targeted for release in September 2019, more closely aligned to the timing of the publication of BlueScope's annual financial results.

¹ Preliminary data. Final emissions and energy intensity measures will be published in the FY2019 Sustainability Report

GROUP FINANCIAL REVIEW

HIGHLIGHTS

Sales from continuing operations

\$12,532.8m  9% on FY2018

2H result \$6,134.7M, down \$263.4M on H1

Reported net profit after tax

\$1,015.8m  35% on FY2018

2H result \$391.6M, down \$232.7M on H1

Underlying EBIT

\$1,348.3m  6% on FY2018

2H result \$498.7M, down \$350.9M on H1

ROIC

19.5%  from 20.0% in FY2018

Capital management

8.0cps final dividend (6.0cps interim)

\$510M buy-back completed in FY2019

Up to \$250M buy-back for 1H FY2020¹

Net cash

\$692.7m  from \$63.6M at June 2018

(1) Increase of buy-back by up to \$250M announced on 18 June 2019, as part of 1H FY2020 capital management program; \$10M bought prior to 30 June 2019 and a further \$29M bought prior to 19 August 2019.

FINANCIAL SUMMARY

Table 1: Financial summary

\$M unless marked	FY2019	FY2018	Variance %
Sales revenue from continuing operations	12,532.8	11,497.8	9%
EBITDA – underlying ¹	1,761.4	1,644.6	7%
EBIT – reported	1,340.8	1,462.9	(8)%
EBIT – underlying ¹	1,348.3	1,269.3	6%
ROIC (%)	19.5%	20.0%	-0.5%
NPAT – reported	1,015.8	1,569.1	(35)%
NPAT – underlying ¹	966.3	826.0	17%
Final ordinary dividend (cents)	8.0 cps	8.0 cps	-
Reported earnings per share (cents)	189.9 cps	281.8 cps	(33)%
Underlying earnings per share (cents)	180.6 cps	148.3cps	22%
Net cash / (debt)	692.7	63.6	989%
Gearing (%)	N/A – net cash	N/A – net cash	N/A
Leverage (ND / proforma underlying EBITDA)	N/A – net cash	N/A – net cash	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 sales revenue from continuing operations was principally due to higher steel prices in all regions and favourable translation impacts from a weaker Australian dollar exchange rate (A\$:US\$).

EARNINGS BEFORE INTEREST AND TAX

The 6% increase in underlying EBIT reflects:

- **\$219.5M spread increase**, primarily due to:
 - increased domestic and export prices due to higher global steel prices combined with the favourable influence of a weaker A\$:US\$ (\$617.3M)
 - partly offset by higher raw material costs – higher iron ore and coal costs (partly offset by higher contribution from export coke) at ASP, higher scrap and pig iron costs at North Star and higher steel feed costs at Building Products Asia & North America and Buildings North America (\$397.8M).
- **\$110.1M unfavourable movement in costs**, comprised of:
 - \$72.7M cost improvement initiatives, predominantly in Building Products Asia & North America, Australian Steel Products, and Buildings North America
 - \$115.0M unfavourable impact of general cost escalation, together with unusually high increases for electrodes, refectories and alloys at North Star and electricity at New Zealand & Pacific Steel. These were partly offset by lower remuneration expense linked to financial performance of the Group.
 - \$67.8M unfavourable movement in other costs, mainly in relation to higher unit costs from lower production volumes largely at Australian Steel Products, higher depreciation due to the write-back of previously impaired plant and equipment in June 2018 and higher freight costs. These were partly offset by a higher contribution from vanadium slag by-product recoveries.
- **\$55.7M favourable translation impact** from a weaker A\$:US\$ exchange rate.
- **\$73.1M unfavourable impact from volume and mix** due to lower despatch volumes across most regions.
- **\$10.0M unfavourable movement in other items**, including the one-off recognition in FY2018 of previously unrecognised deferred tax assets at Tata BlueScope Steel (\$10.7M).

The \$122.1M (8%) decrease in reported EBIT reflects the movement in underlying EBIT discussed above and \$201.1M favourable movement in underlying adjustments as outlined in Tables 12 and 13.

FINANCE COSTS AND FUNDING

The \$65.9M decrease 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, in FY2018
- increased interest revenue earned on higher cash balances
- lower cost of drawn debt (FY2019 4.8%, FY2018 5.8%)
- a decrease in average gross borrowings (FY2019 \$948.5M, FY2018 \$1,095.1M).

Financial liquidity was \$2,525.3M at 30 June 2019 (\$2,135.7M at 30 June 2018), comprised of \$880.8M committed undrawn bank debt capacity and \$1,644.5M cash. Liquidity in the NS BlueScope Coated Products JV was \$417.0M, included in the Group liquidity measure.

During FY2019 BlueScope:

- refinanced the syndicated bank debt facility to \$500M (down from \$850M) on improved terms and pricing in August 2018
- increased the size of the off balance sheet receivables programs from \$440M to \$493M. These programs were drawn to \$493.0M at 30 June 2019 (\$396.5M at 30 June 2018).

Subsequent to 30 June 2019, the \$250M tranche of the syndicated bank debt facility due in August 2020 was extended to July 2022.

TAX

FY2019 tax expense of \$292.7M (FY2018 tax credit \$269.5M) was favourably impacted by the utilisation of previously unbooked capital tax losses on the \$73.7M profit from the sale of Buildings Guangzhou, utilisation of unrecognised tax losses in New Zealand and lower tax rates in North America following U.S. tax reform. The Company has benefitted from a 7% rate reduction on U.S. derived earnings in FY2018 and an 11% tax rate reduction thereafter.

The FY2018 tax credit of \$269.5M 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 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.

As at 30 June 2019, the BlueScope Australian consolidated tax group is estimated to have carried forward booked tax losses of approximately \$1.4Bn. There will be no Australian income tax payments until these losses are recovered. The Group continues to defer the full recognition of past tax losses in New Zealand until a history of taxable profits has been demonstrated. New Zealand tax losses are able to be carried forward indefinitely.

DIVIDEND & CAPITAL MANAGEMENT

During FY2019, BlueScope paid dividends totalling 14.0 cents per share and bought back \$510M of shares on-market.

The Board of Directors has approved payment of a final dividend of 8.0 cents per share. 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: 11 September 2019.
- Record date for dividend: 12 September 2019.
- Payment of dividend: 16 October 2019.

BlueScope's capital management policy:

- The Group will continue to seek to retain strong credit metrics, and will target around zero net debt.
- The Group pursues a returns-focussed process with disciplined competition for capital that balances annual shareholder returns and long-term profitable growth.
- Having regard to the above, our current policy is to distribute at least 50% of free cash flow to shareholders in the form of consistent dividends and buy-backs, reflecting no present franking availability.

FINANCIAL POSITION

Net assets increased \$453.9M to \$7,341.5M at 30 June 2019 from \$6,887.6M at 30 June 2018. Significant movements were:

- \$629.1M increase in net cash through strong cash flow
- \$116.8M increase in inventory driven by the impact of the weaker A\$:US\$ exchange rate combined with higher unit costs and volume
- \$98.2 increase in property, plant and equipment
- \$80.0M increase in intangible assets
- \$265.1M increase in payables
- \$225.7M decrease in receivables.

BUSINESS UNIT REVIEWS

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.

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, 10% manufacturing/industrial and 5% agricultural.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 2: Segment performance

\$M unless marked	FY2019	FY2018	Var %	2H FY2019
Sales revenue	2,375.7	1,923.9	23%	1,110.8
Reported EBIT	654.7	430.6	52%	243.2
Underlying EBIT	654.7	430.6	52%	243.2
NOA (pre-tax)	1,850.2	1,820.8	2%	1,850.2
ROIC	35.4%	24.8%	+10.6%	26.0%
Despatches (kt)	2,110.4	2,104.7	0%	1,073.9

Table 3: Segment performance in US\$M

US\$M unless marked	FY2019	FY2018	Var %	2H FY2019
Sales revenue	1,700.9	1,488.4	14%	784.6
Underlying EBITDA	514.3	374.4	37%	194.3

FINANCIAL PERFORMANCE – FY2019 VS. FY2018

Sales revenue

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

EBIT performance

The \$224.1M 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
- favourable foreign exchange translation rate impacts due to a weaker A\$:US\$ exchange rate
- partly offset by higher consumables costs including electrodes, alloys and refractories.

Return on invested capital

ROIC was 35.4% driven by strong EBIT contribution more than offsetting higher net operating assets. Net operating assets at 30 June 2019 were \$29.4M higher than at 30 June 2018 primarily due to the foreign exchange translation impact of a weaker A\$:US\$.

MARKETS AND OPERATIONS

- FY2019 represented a record year for production, despatches and profitability for the North Star business.
- A strong U.S. economy has supported robust demand from North Star's end market segments:
 - Automotive sales remained robust through FY2019 at approximately 17 million units.
 - The manufacturing and construction sectors remain robust, with both sectors showing growth on FY2018.

- The U.S. steel industry remains healthy, with a favourable regulatory and trade environment, strong demand and stable raw material prices combining to provide a robust spread environment in FY2019.
 - More recently, domestic hot rolled coil spreads have fallen from the sentiment driven highs seen during 1H FY2019 including the negative pricing impacts of a level of customer de-stocking observed through the period.
- Based on January 2019 data from the Jacobson survey of steel mill customer service performance, North Star was ranked first in quality, service, delivery, and overall customer satisfaction. North Star has consistently ranked first in overall customer satisfaction over the survey's history.
- Some cost pressure was felt during FY2019 due to recent increases in market pricing of graphite electrodes, refractories and alloys.

Capacity expansion (matter subsequent to year end)

- On 19 August 2019, the Board approved the expansion of the North Star facility, subject to the anticipated receipt of necessary air permits and local and state incentives.
- The expansion will increase annual hot rolled coil production by around 850ktpa (metric). The incremental installed melt capacity of 1.4 million equivalent metric coiled tonnes allows for further potential upside over time with further debottlenecking of the hot strip mill.
- The expansion will be achieved through the addition of a third electric arc furnace, second slab caster and a new shuttle furnace, with spare capacity on the existing hot strip mill to be utilised.
- The project is expected to cost approximately US\$700M and is targeting a minimum 15% IRR and 15% ROIC when fully ramped-up, based on long-term historical spreads.
- Anticipate commissioning the new plant in mid FY2022, and full ramp-up approximately 18 months later.

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.

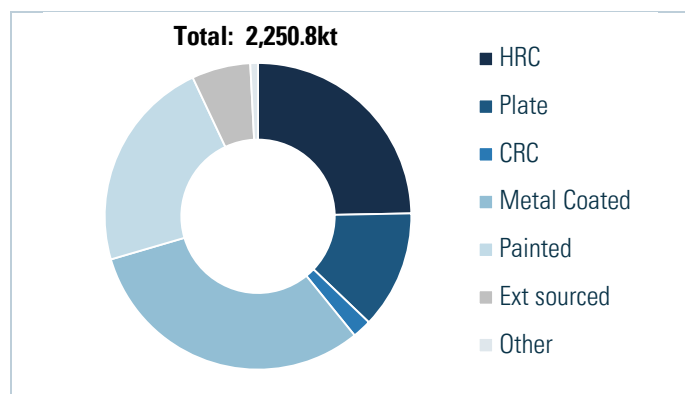
KEY FINANCIAL & OPERATIONAL MEASURES

Table 4: Segment financial performance

\$M	FY2019	FY2018	Var %	2H FY2019
Sales revenue	5,707.5	5,423.2	5%	2,837.6
Reported EBIT	527.5	803.4	(34%)	208.5
Underlying EBIT	535.4	587.4	(9%)	216.4
NOA (pre-tax)	2,229.9	2,478.5	(10%)	2,229.9
ROIC	20.5%	24.6%	-4.1%	16.6%

Table 5: Steel sales volume

000 tonnes	FY2019	FY2018	Var %	2H FY2019
Domestic				
- ex-mill	2,111.4	2,204.7	(4%)	1,004.3
- ext sourced	139.4	162.6	(14%)	59.6
Export	864.9	749.3	15%	584.8
Total	3,115.7	3,116.6	0%	1,648.7

Chart 1: ASP domestic steel sales volume mix FY2019**FINANCIAL PERFORMANCE – FY2019 VS. FY2018****Sales revenue**

The \$284.3M increase in sales revenue was primarily due to higher domestic and export prices driven by higher global steel prices combined with the favourable influence of a weaker A\$:US\$ exchange rate and higher revenue from export coke sales.

EBIT performance

The decrease in underlying EBIT was largely due to:

- lower domestic volumes, particularly hot rolled coil and galvanised into Pipe & Tube applications, galvanised and plate into the distribution channel, and painted and TRU-SPEC® products
- higher costs driven by higher unit costs with lower production volumes due to short term operational instability (within normal operating range), higher depreciation due to the write-back of previously impaired plant and equipment in June 2018, and increases in freight costs.
- one-off \$32.1M benefit from settlement of an historical coal supply dispute during 1H FY2018.

These were partly offset by:

- higher steelmaking spread with the impact of higher global steel prices offsetting higher coal, iron ore, coating metals and scrap purchase costs
- higher contribution from export coke.

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

Return on invested capital

ROIC decreased to 20.5% driven by lower EBIT more than offsetting lower net operating assets. Net operating assets were \$248.6M lower than at 30 June 2018 primarily due to higher creditors, lower receivables partly offset by higher inventories driven by higher raw material input costs.

MARKETS AND OPERATIONS**Mill sales to domestic markets**

- Domestic sales volumes declined around 5% in FY2019, compared to FY2018, with 2H FY2019 volume 10% down on 1H FY2019.
 - The decline in 2H FY2019 volume was driven largely by destocking in the distributor channel coinciding with a fall in regional benchmark steel prices. Seasonality also contributed, with the January holiday period and the combined Easter and ANZAC Day holiday period.
 - Orderly pullback in underlying demand, however volume remains at historically robust levels.
- Underlying demand for ASP's products in the residential construction sector moderated through FY2019, from record high levels in FY2018.
 - The alterations and additions subsegment (which indicatively consumes half of ASP's dwelling volumes) remained resilient, underpinned by a sound labour market and relatively high house prices.
 - Commencements of construction of new residences slowed through FY2019, particularly evident for multi-residential projects, to which ASP's exposure is limited.
 - There has been an orderly pull-back in detached dwelling approvals – moderating to the mid-110,000 levels, being the mid-point of the historic range of 90,000 to 130,000.
 - Sales of COLORBOND® steel remained broadly resilient across the residential construction sector compared to other product groups.
- Sales into non-residential construction remained stable in FY2019 at levels seen in FY2018.
 - 2H FY2019 despatches were softer, but this appears to have been driven more by a combination of distributor destocking activity and the lumpy timing and nature of large-scale projects in the sector.
 - Investment demand remains strong across both the Commercial and Industrial, and Social and Institutional subsegments, concentrated within offices, accommodation, education, health, prisons and defence.
- Sales into the engineering and mining sectors softened in 2H FY2019 largely due to distributor destocking, seasonality and some earlier constraints in meeting customer demand. Underlying demand softened slightly, but is still reasonably robust supported by infrastructure activity and mining consumables demand. Demand in the agriculture segment was weaker due to the impact of the drought in the eastern states of Australia.
- While overall sales to manufacturing end-use applications were also impacted by distributor destocking, underlying demand was assessed to be steady – with improved conditions in the transport and mining consumables areas, offset by weaker pull-through demand into the residential applications.

Mill sales to export markets

- Despatches to export market customers were up 15% in FY2019, due to lower domestic demand.
- Overall prices in export markets were higher in FY2019, supported by a lower Australian dollar, but softened with lower benchmark prices 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 Corporation (NSC) and in India with Tata Steel. Both are 50/50 joint ventures, with BlueScope controlling and therefore consolidating the joint venture with NSC, and jointly controlling and therefore equity accounting the joint venture with Tata Steel.

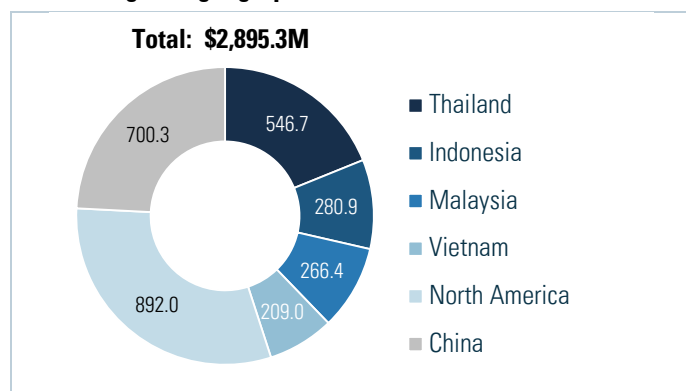
This segment also includes Building Products China, comprising metal coating, painting and Lysaght operations, and Engineered Buildings Solutions (EBS).

KEY FINANCIAL & OPERATIONAL MEASURES

Table 6: Segment performance

\$M unless marked	FY2019	FY2018	Var %	2H FY2019
Sales revenue	2,879.4	2,693.8	7%	1,398.2
Reported EBIT	63.9	188.3	(66%)	(10.1)
Underlying EBIT	134.2	184.5	(27%)	55.5
NOA (pre-tax)	1,489.3	1,445.8	3%	1,489.3
ROIC	8.6%	13.3%	-4.7%	6.9%
Despatches (kt)	1,667.3	1,758.1	(5%)	819.1

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



1) Chart does not include \$15.9M of eliminations (which balances back to total segment revenue of \$2,879.4M). Chart also does not include India, which is equity accounted.

FINANCIAL PERFORMANCE – FY2019 VS. FY2018

Sales revenue

The \$185.6M increase in sales revenue was mainly due to favourable foreign exchange translation rate impacts (against the A\$) combined with higher regional steel prices in North America and China partly offset by lower despatch volumes in all countries except China.

EBIT performance

The \$50.3M decrease in underlying EBIT was largely due to:

- lower margins as a result of higher steel feed costs combined with lower despatch volumes in North America and ASEAN

- the one-off \$10.7M benefit in FY2018 from recognition of a previously unrecognised deferred tax asset in India. These were partly offset by lower costs.

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

Return on invested capital

ROIC decreased to 8.6% driven by lower EBIT and higher net operating assets, mainly reflecting higher net fixed assets due to the acquisition of the YKGI cold-rolling assets in Malaysia.

MARKETS AND OPERATIONS

North America (Steelscape & ASC Profiles)

- Underlying steel demand remained robust through FY2019 particularly in the building and construction sector. However, despatch volumes were 11% lower compared to FY2018. Despatch volumes were negatively impacted by customer de-stocking in a rapidly declining price environment where Midwest index HRC prices fell by over US\$500/t across FY2019, with a ~\$200/t reduction observed in Q4 FY2019.
- Margins were lower particularly during 2H FY2019 where lower selling prices combined with higher raw material input costs.
- Steelscape's (coating and painting) refreshed strategy execution is in progress, focusing on delivering a differentiated customer offering, enhanced painted product mix and achieving operational efficiencies through automation.
- ASC Profiles (building components) performed well across FY2019 supported by robust volumes into the decking construction segment combined with materially improved pricing and margins. The manufacturing footprint restructure is in progress to deliver additional productivity and cost benefits.

China

- Chinese economic activity moderated slightly in FY2019 on the back of rising global trade tensions. The China construction market also saw some softening driven by tightening local credit conditions and slower infrastructure spending across both private and government sectors, which was also evident in the premium project segment in which we participate.
- However, within the easing macroeconomic environment, the China business delivered a 13% increase in despatch volumes during FY2019. This improvement was enabled by sales and marketing activities focused on increasing penetration into existing channels and developing new applications to assist with offsetting market softness. This included targeting higher growth end-use segments including advanced manufacturing, distribution, healthcare and agribusiness, which have each demonstrated growth rates on average twice that of GDP. Volume growth has been delivered by increasing share in these high growth segments, particularly in the Buildings business. Positioning as a premium supplier of coated steel was further supported through the launch of Next Generation Zincolume® into the China market during 2H FY2019.
- The China business overall performed strongly delivering FY2019 underlying EBIT of \$50.1M, a material increase over FY2018 of \$16.8M. The improvement was driven by higher despatch volumes, margins and lower costs.
- Coated China delivered a stronger result in FY2019 despite the softer demand environment, with despatch volumes at a record high of 188kt compared to 167kt in FY2018. This improvement was delivered through a number of key external customer initiatives combined with demand growth from internal downstream customers.
- Improvement at Buildings China continued in FY2019 following the turnaround in FY2018, through a range of initiatives such as enhanced project management, sales capability including value

selling, plant restructuring and productivity improvement initiatives.

- As a result of recent business restructuring and plant rationalisations in China, the surplus Buildings Guangzhou site including land and buildings was sold during the period. The sale closed in April 2019 with net cash proceeds of approximately \$71M and resulted in a net accounting gain on sale of \$74M pre-tax.

ASEAN

- Comprehensive business review:
 - We remain optimistic around the long-term growth potential of our ASEAN businesses, which have an outstanding footprint in large and growing markets.
 - Growth continues in the retail segment with expansion in number of Authorised Dealers by 30% resulting in 240 stores across ASEAN at the end of FY2019. The business continues to invest in brands and channels to develop a long-term sustainable position in this significant market.
 - However, the region has performed below expectations, with tightened margins across all countries, on the back of incomplete pass-through of rapidly rising regional steel prices and intense competition from domestic and import suppliers.
 - A reassessment of the size of the home appliance market in Thailand has substantially reduced expectations of volumes and returns in this segment, with home appliance volumes currently running approximately 100kt below expectations.
 - As a result of these dynamics, a comprehensive review of the ASEAN businesses has been undertaken with a number of actions now well advanced to drive productivity and optimise the manufacturing footprint to suit current market conditions:
 - Launch of the Ignite 5G strategy in November 2018, focused on each of the businesses getting lean and agile to ensure they operate with a sustainable and strong foundation whilst continuing to invest in growth.
 - A key element of the strategy is an ASEAN-wide cost reduction and manufacturing improvement program, which delivered a \$20M improvement in FY2019 with \$30M in gross productivity benefits and cost savings offsetting \$10M of cost escalation. The business is targeting a full year run rate of \$40M by FY2020.
 - The acquisition of YKGI's West Malaysian assets was completed in April 2019, including a Push-Pull Pickling Line and Cold Rolling Mill. Once integrated into the Malaysian operation, this will deliver further cost reduction opportunities including the potential provision of cold rolled coil feed across the ASEAN footprint.
 - The new high-speed metal coating and inline painting line in Thailand commenced ramp-up during the period with first commercial despatches achieved in March 2019. This will improve the cost position of the business, particularly products being sold into the growing retail segment.
 - As a result of this new more efficient capacity coming online and the reduced volume expectations in the home appliance segment of approximately 100kt, a decision has been taken to take MCL1 off-line.
 - These initiatives are contributing to improved performance of the ASEAN businesses, with Q4 FY2019 underlying EBIT of \$17.4M representing a considerable improvement over the run-rates seen in Q3 FY2019 and throughout 1H FY2019.
 - Notwithstanding turnaround plans and a recent improvement in business performance, at 30 June 2019, Building Products Thailand recognised a \$63.8M impairment

of plant and equipment as a result of softer than expected volumes and lower margins in the project and retail segments, and slower than expected uptake in the home appliance segment.

- Thailand:
 - The higher margin project segment saw continuing softer demand through FY2019 due to the political climate resulting in lower private and foreign direct investment.
 - The retail segment was impacted by the competitive environment and pricing pressure from imports. To enhance our competitive position, the business continued to grow the Authorised Dealer retail channel adding 10 new stores expanding the nation-wide network to 62 stores, invest in consumer brands and connect with and train local builders.
 - Home appliance steels:
 - Substantial progress has been made in manufacturing quality which has assisted with customer uptake.
 - However, the market is highly competitive, more than anticipated at JV formation with home appliance manufacturers consolidating globally, and some preferring the lower priced galvanised alternative.
 - This has resulted in a reassessment of the size of the home appliance market opportunity in Thailand substantially reducing expectations of volumes and returns in this segment.
 - Overall despatches in Thailand were 9% lower than FY2018.
- Indonesia:
 - Project work underway remains solid and new registered projects in the pipeline are expected to pick up, with the existing administration remaining in power after the April 2019 election.
 - The business continues to focus on expanding its retail distribution footprint across the country whilst driving manufacturing excellence and cost efficiencies to improve quality, reduce waste and lower fixed costs.
 - FY2019 despatch volume was 23% lower than FY2018, with the retail segment seeing increased competition from aggressively priced boron-added imports and domestic competitors building new coating capacity.
- 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 Authorised Dealer retail channel adding 44 additional outlets, whilst expanding the BlueScope distribution footprint, enhancing brand value and building customer loyalty.
 - FY2019 volume of 126kt was 5% lower than FY2018.
- Malaysia
 - The project segment remained soft with a reduced number of new government projects under the new administration.
 - The business remains strategically focused on strengthening its value proposition in the project segment and expanding its Authorised Dealer channel.
 - FY2019 despatch volume was marginally lower in FY2019 at 166kt (FY2018 169kt).
- Myanmar:
 - Lysaght roll-forming facility saw continued growth from its emerging projects segment.

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

- The joint venture delivered underlying EBIT of \$53.3M (100% basis), compared to \$58.3M in FY2018, mainly driven by lower margins with the rapid increase in regional steel prices offsetting selling price increases, combined with lower despatch volumes.
- Revenue grew by 8% in FY2019 driven by higher regional steel prices partly offset by lower volumes. Domestic prime coated steel sales volume fell marginally compared to FY2018 with painted volumes declining 2% and bare volumes remaining flat. The paint line continues to operate at full capacity.
- Business confidence and end customer demand were dampened by softer demand from regional areas reflecting weaker monsoon conditions and specific market liquidity issues as a result of the failure of one of the leading infrastructure finance companies in late 1H FY2019, contributing to lower despatch volumes during the period.
- However, the business continues to deliver strong returns and broader market dynamics remain robust with the coated and pre-painted steel markets growing at 9% during FY2019 and real GDP growth expected at 6-7% per annum across the medium term.
- Our joint venture partner in India, Tata Steel, has acquired Bhushan Steel, which includes coating and painting assets. BlueScope is working through the implications of this acquisition for the joint venture with Tata Steel.

Table 7: India performance

\$M unless marked	FY2019	FY2018	Var %	2H FY2019
Tata BlueScope Steel (100% basis)				
Sales revenue	416.9	386.4	8%	228.6
Underlying EBIT	53.3	58.3	(9%)	29.7
Underlying NPAT ¹	33.4	57.8	(42%)	18.5
Despatches (kt)	248.5	254.5	(2%)	131.8
BlueScope share (50% basis)				
Underlying equity accounted profit ²	16.3	29.7	(45%)	9.4

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	FY2019	FY2018	Var %	2H FY2019
Sales revenue	1,178.0	1,106.4	6%	590.6
Reported EBIT	53.4	73.7	(28%)	31.3
Underlying EBIT	53.4	74.6	(28%)	31.3
NOA (pre-tax)	548.9	369.6	49%	548.9
ROIC	11.2%	19.7%	-8.5%	12.0%
Despatches (kt)	226.5	237.7	(5%)	107.3

FINANCIAL PERFORMANCE – FY2019 VS. FY2018

Sales revenue

The \$71.6M increase in sales revenue was mainly due to favourable foreign exchange translation rate impacts due to the weaker A\$:US\$ and higher regional steel prices. This was partly offset by lower volumes.

EBIT performance

The \$21.2M decrease in underlying EBIT was largely due to:

- lower despatch volumes and margins
- moderate contribution from BlueScope Properties Group.

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

Return on invested capital

ROIC decreased to 11.2% driven by lower EBIT and higher net operating assets, primarily due to the foreign exchange translation impact of a weaker A\$:US\$ and lower pension liabilities.

MARKETS AND OPERATIONS

- BNA designs, manufactures and markets Engineered Building Solutions (EBS) into the large and stable low-rise non-residential U.S. construction market, under leading brands Butler and Varco Pruden.
- It is effectively an engineering and technology company with competitive advantages in product innovation, sophisticated proprietary system technologies and strong in-house engineering capability:
 - Innovative product range including MR-24™ roofing system, TBS™ and Thermalift™ insulation systems and Truss Purlin XT™ clear-span construction systems
 - Industry-leading proprietary Vision engineering system with builders having desktop access to the system enabling design, costing, engineering all the way to full integration of the manufacturing shop floor.
- Customer demand in the industrial, manufacturing, aviation and energy sectors remained strong. Order intake increased during the year – with 2H FY2019 orders 26% higher than 1H FY2019, however, despatch volumes were lower on seasonality.
- A number of key initiatives are being progressed to drive improved performance and support future growth potential:
 - investment in resources to achieve a step change in customer lead times. This will likely take at least 18 months to bring that additional capacity fully online
 - foundational technology investment is progressing to modernise and provide a complete digital engineering and customer experience
 - continued focus on growing the BlueScope Properties Group, providing downstream demand for the builder network and delivering returns in its own right.
- During the period, US\$78M was contributed to fully fund the US Defined Benefit Pension plan.

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	FY2019	FY2018	Var %	2H FY2019
Sales revenue	888.1	833.6	7%	424.6
Reported EBIT	80.6	111.7	(28%)	8.7
Underlying EBIT	80.6	111.7	(28%)	8.7
NOA (pre-tax)	263.7	346.4	(24%)	263.7
ROIC	24.1%	31.6%	-7.5%	5.6%

Table 10: Steel sales volume

000 tonnes	FY2019	FY2018	Var %	2H FY2019
Domestic flats	273.8	259.6	5%	127.3
Domestic longs	187.9	183.4	2%	95.7
Domestic (steel)	461.7	443.0	4%	223.0
Export flat	144.2	172.4	(16%)	76.2
Export longs	1.4	34.7	(96%)	0.6
Export (steel)	145.6	207.1	(30%)	76.8

FINANCIAL PERFORMANCE – FY2019 VS. FY2018

Sales revenue

The \$54.5M increase in sales revenue was primarily due to:

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

EBIT performance

The \$31.1M decrease in underlying EBIT was primarily due to:

- higher raw material input costs including coal, alloys and scrap
- higher electricity and freight costs
- partly offset by lower costs arising from a higher contribution from vanadium slag by-product recoveries due to increased volumes and higher global vanadium prices.

Underlying EBIT in 2H FY2019 of \$8.7M was lower compared to 1H FY2019 of \$71.9M mainly due to:

- higher costs mainly due to a lower contribution from vanadium slag by-product recoveries and timing of scheduled maintenance shuts
- lower sales prices and higher raw material costs including coal, alloys and scrap
- lower domestic volumes.

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

Return on invested capital

ROIC decreased to 24.1% driven by lower EBIT partly offset by lower net operating assets, primarily due to higher provisions.

MARKETS AND OPERATIONS

Domestic market

- FY2019 volume was strong, with conditions remaining buoyant in the building and construction segments. New dwelling consents remained at elevated levels.
- Metal coated and COLORSTEEL® products saw particularly strong demand.
- Long product sales continued to be robust, driven by residential and commercial construction activity. The infrastructure segment remained particularly strong due to ongoing government expenditure on roads, retaining walls and bridges.

Export market

- Export markets appeared relatively stable despite disruption in trade flows from the U.S. tariffs.
- Softening in the U.S. HRC price was seen in 2H FY2019.

Vanadium

- Vanadium slag by-products have been an ongoing cost-offset for the New Zealand operation for a number of years. The business also buys-in both ferro and nitrided vanadium as inputs into the steelmaking process (mainly for rebar strengthening purposes) which has the effect of dampening any price related increase in vanadium slag contribution.
- Net vanadium contribution in FY2019 was \$23M higher than FY2018.
- The net vanadium slag contribution was down approximately \$20.9M in 2H FY2019 compared to 1H FY2019. This was due to the rapid decline in vanadium index prices observed during the period, with export volumes broadly consistent.
- Net vanadium slag contribution is expected to remain at similar levels during 1H FY2020, subject to index price movements.

OUTLOOK, FUTURE PROSPECTS AND RISKS

1H FY2020 OUTLOOK

Expectations for the performance of our businesses in 1H FY2020 are as follows:

- North Star:
 - Expect a softer result on average benchmark spread through 1H FY2020, approximately US\$90/t lower than 2H FY2019, noting specific sales mix to benchmark¹
 - Volume lower on seasonality
 - Modest increase in consumables costs including electrodes
- ASP:
 - Expect a softer result, due to:
 - lower Asian benchmark spreads
 - ~\$60M unfavourable impact of realised pricing (export destination pricing and domestic pricing lags)
 - reduced coke contribution; due to reduced demand in seaborne market
 - \$15M unfavourable impact from minor blast furnace instability in early 1H FY2020 within normal operating range and since resolved.
 - Expected to be offset in part by a modest improvement in domestic volumes.
- BP:
 - Overall, expect a stronger result.
 - ASEAN – ongoing benefit from cost reduction and manufacturing improvement program; expect some modest improvement in volume and margins.
 - China – considerably stronger result due to seasonality.
 - North America – improvement on higher margins and volumes.
- NZPac:
 - Expect a better result mainly driven by cost improvements and favourable timing of scheduled maintenance.
 - Offset in part by lower net contribution from vanadium slag by-product sales (down \$5M).
- BNA:
 - Similar result in the EBS business; investing in resource capacity.
 - Offset in part by a smaller contribution from BlueScope Properties Group.

1H FY2020 Group outlook:

- The Company currently expects weaker commodity steel spreads in North Star and ASP, leading to an underlying EBIT around 45% lower than 2H FY2019 (which was \$499 million).
- This is based on assumptions of average (all prices on a metric tonne basis):
 - East Asian HRC price of ~US\$510/t².
 - 62% Fe iron ore price of ~US\$95/t CFR China².
 - Index hard coking coal price of ~US\$170/t FOB Australia².
 - U.S. mini-mill benchmark spreads to be US\$90/t lower than 2H FY2019³.
 - A\$:US\$ at US\$0.70².
- Relative to 2H FY2019, expect: lower underlying net finance costs; a similar underlying tax rate; and higher profit attributable to non-controlling interests.
- Expectations are subject to spread, FX and market conditions.

MATTERS SUBSEQUENT TO YEAR END

On 19 August 2019, the Board approved the expansion of the North Star facility, subject to the anticipated receipt of necessary air permits and local and state incentives.

BlueScope will increase annual hot rolled coil production by around 850ktpa (metric) with a capital investment of approximately US\$700M.

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. Relative to conditions experienced on average across FY2019, these forecasters expect a broadly stable steel demand environment impacting our Australian business over the next few years, with growth in non-residential construction offsetting some softness in residential construction. Decline in Asian commodity steel prices relative to iron ore and coking coal raw material costs, and a comparatively stable Australian dollar relative to the U.S. dollar are also expected. In addition, North America commodity steel prices decreased relative to scrap and pig iron raw material costs from their historically high levels towards the end of FY2019, and recognised external forecasters expect these spreads to be relatively stable 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

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

² All prices quoted on an unlagged basis; volumes quoted in metric tonnes

³ US mini-mill benchmark spreads quoted on a lagged basis in metric tonnes

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.

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 performance and 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.
- Unilateral government regulation of greenhouse gas emissions without sufficient measures to maintain international competitiveness could impact the viability of steelmaking in Australia and New Zealand. The New Zealand Government has recently reviewed the design of the emissions Trading Scheme (NZ ETS) and a select committee is considering draft legislation, the Zero Carbon Bill. The full implications for the Company of the NZ ETS review and Zero Carbon Bill are uncertain but expected to become clearer during FY2020.
- Not adapting and appropriately responding to long term implications of climate change such as increased frequency and intensity of natural hazards, disruption to supply chains and changes in demand for steel products. Our FY2019 Sustainability Report which is expected to be released in September 2019, provides further information including disclosures against the Task force for Climate Related Financial Disclosure (TCFD) framework.

Compliance & Conduct:

- As previously disclosed, the Australian Competition and Consumer Commission (ACCC) continues to investigate 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, employment, modern slavery, 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 requirements 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, including as a result of cyber-attack.
- Supply chain disruption including security of supply for raw materials.

Financial:

- Not being able to realise or sustain expected benefits of internal restructuring, project execution, joint ventures or future acquisitions, including in relation to the construction and integration of the expansion at North Star.
- Significant asset impairment, particularly if market conditions deteriorate.
- Substantial Group contributions to its employees' defined benefit fund in New Zealand, 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: North Star BlueScope Steel (North Star); Australian Steel Products (ASP); Building Products Asia & North America (BP); Buildings North America (BNA); and New Zealand & Pacific Steel (NZPac).

Table 11: Detailed income statement

\$M	Revenue		Reported Result ¹		Underlying Result ²	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
Sales revenue/EBIT³						
North Star BlueScope Steel	2,375.7	1,923.9	654.7	430.6	654.7	430.6
Australian Steel Products	5,707.5	5,423.2	527.5	803.4	535.4	587.4
Building Products Asia & North America	2,879.4	2,693.8	63.9	188.3	134.2	184.5
Buildings North America	1,178.0	1,106.4	53.4	73.7	53.4	74.6
New Zealand & Pacific Steel	888.1	833.6	80.6	111.7	80.6	111.7
Discontinued operations	12.8	51.9	(2.1)	(25.3)	0.0	0.0
Segment revenue/EBIT	13,041.5	12,032.8	1,378.0	1,582.4	1,458.3	1,388.8
Inter-segment eliminations	(495.9)	(483.1)	3.9	(11.0)	3.8	(11.0)
Segment external revenue/EBIT	12,545.6	11,549.7	1,381.9	1,571.4	1,462.1	1,377.8
Other revenue/(net unallocated expenses)	40.8	28.5	(41.1)	(108.5)	(113.8)	(108.5)
Total revenue/EBIT	12,586.4	11,578.2	1,340.8	1,462.9	1,348.3	1,269.3
Finance costs			(56.9)	(112.5)	(55.0)	(80.7)
Interest revenue			19.0	8.7	19.0	8.7
Profit/(loss) from ordinary activities before income tax			1,302.9	1,359.1	1,312.3	1,197.3
Income tax (expense)/benefit			(292.7)	269.5	(318.1)	(308.9)
Profit/(loss) from ordinary activities after income tax expense			1,010.1	1,628.6	994.2	888.4
Net (profit)/loss attributable to outside equity interest			5.7	(59.5)	(27.8)	(62.4)
Net profit/(loss) attributable to equity holders of BlueScope Steel Limited			1,015.8	1,569.1	966.3	826.0
Basic earnings per share (cents)			189.9	281.8	180.6	148.3

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

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

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

B. RECONCILIATION OF UNDERLYING EARNINGS TO REPORTED EARNINGS

Table 12: Reconciliation of Underlying Earnings to Reported Earnings

The Company has provided an analysis of unusual items included in the reported IFRS financial information. These items have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying operating business. Throughout this report the 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	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
Reported earnings	1,753.8	1,839.5	1,340.8	1,462.9	1,015.8	1,569.1	1.90	2.82
<i>Underlying adjustments:</i>								
Net (gains) / losses from businesses discontinued ¹	2.1	24.1	2.1	25.3	4.1	23.3	0.01	0.04
Asset impairments ²	63.8	-	63.8	-	33.2	-	0.06	-
Asset impairment write back ³	-	(216.0)	-	(216.0)	-	(216.0)	-	(0.39)
Business development, transaction and pre-operating costs ⁴	4.7	-	4.7	-	2.1	-	-	-
Restructure and redundancy costs ⁵	18.6	3.9	18.6	3.9	9.3	1.8	0.02	-
Asset sales ⁶	(81.7)	(6.8)	(81.7)	(6.8)	(74.1)	(3.6)	(0.14)	(0.01)
Debt restructuring costs ⁷	-	-	-	-	-	30.9	-	0.06
Tax asset impairment / (write back) ⁸	-	-	-	-	(24.0)	(503.2)	(0.04)	(0.90)
U.S. tax reform one-off impact ⁹	-	-	-	-	-	(76.3)	-	(0.14)
Underlying Operational Earnings	1,761.4	1,644.6	1,348.3	1,269.3	966.3	826.0	1.81	1.48

- 1) FY2019 reflects losses from the discontinued Engineered Buildings ASEAN business (\$5.5M pre-tax), royalty revaluation gain (\$3.3M pre-tax) and legal costs (\$2.9M pre-tax) relating to the previously sold Taharoa iron sands operations, warranty provision write-back relating to the previously sold Australian water tank business (\$2.8M pre-tax) and foreign exchange translation gain within the closed Lysaght Taiwan business (\$0.2M pre-tax). FY2018 mainly includes losses from the discontinued Engineered Buildings ASEAN business (\$27.2M pre-tax) partly offset by residual profits relating to the previously sold Taharoa iron sands operations (\$2.5M pre-tax).
- 2) FY2019 reflects impairment of plant and equipment at Building Products Thailand (\$63.8M pre-tax), as a result of softer than expected volumes and lower margins in the project and retail segments, and slower than expected uptake in the home appliance segment.
- 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) FY2019 reflects costs relating to the development of the cold rolling business acquired from YKGI Holdings Berhad in Malaysia (\$4.7M pre-tax).
- 5) FY2019 reflects staff redundancy and restructuring costs at Building Products Asia & North America (\$10.8M pre-tax) and at Australian Steel Products (\$7.9M pre-tax). FY2018 reflects staff redundancy and restructuring costs at Buildings North America (\$5.3M pre-tax), partly offset by Building Products Asia & North America (\$1.5M pre-tax).
- 6) FY2019 reflects the sale of Buildings Guangzhou legal entity for \$73.8M pre-tax and the profit on the sale of other assets at Building Products Asia & North America (\$7.9M pre-tax). 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 Asia & North America (\$2.4M pre-tax).
- 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).
- 8) FY2019 reflects utilisation of carried forward tax losses against current year taxable income in New Zealand (\$11.2M) and Building Products (\$12.8M). 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).
- 10) Earnings per share are based on the average number of shares on issue during the respective reporting periods (534.9M in FY2019 vs. 556.8M in FY2018).

Table 13: Segmental underlying EBITDA and underlying EBIT

FY2019 underlying EBIT adjustments \$M	ASP	North Star	BP	BNA	NZPac	Corp	Discon Ops	Elims	Total
Net (gains) / losses from businesses discontinued	-	-	-	-	-	-	2.1	-	2.1
Asset Impairments	-	-	63.8	-	-	-	-	-	63.8
Business development and acquisition costs	-	-	3.6	-	-	1.1	-	-	4.7
Restructure and redundancy costs	7.9	-	10.8	-	-	-	-	-	18.6
Asset sales	-	-	(7.9)	-	-	(73.8)	-	-	(81.7)
Underlying Adjustments	7.9	-	70.3	-	-	(72.7)	2.1	-	7.5

C. CASH FLOW STATEMENT

Table 14: Consolidated cash flow statement

\$M	FY2019	FY2018	Variance %
Reported EBITDA	1,753.8	1,839.5	(5%)
Add cash/(deduct non-cash) items			
- Share of profits from associates and joint venture partnership not received as dividends	(14.3)	(29.5)	52%
- Expensing of share-based employee benefits	12.9	16.2	(20%)
- Exchange reserve transferred to the P&L	(7.3)	0.2	(4,027%)
- Impaired assets	65.8	(208.0)	132%
- Net (gain) loss on sale of assets	(79.1)	(7.2)	(999%)
Cash EBITDA	1,731.8	1,611.2	7%
Changes in working capital	179.4	(308.1)	158%
Gross operating cash flow	1,911.2	1,303.1	47%
Finance costs	(56.5)	(104.7)	46%
Interest received	17.1	8.7	97%
Tax received / (paid) ¹	(189.5)	(66.4)	(185%)
Net cash from operating activities	1,682.3	1,140.7	47%
Capex: payments for P, P & E and intangibles	(378.2)	(409.9)	8%
Other investing cash flows	(10.0)	29.5	(134%)
Net cash flow before financing	1,294.1	760.3	70%
Equity issues / (buy-backs)	(502.0)	(300.3)	(67%)
Dividends to non-controlling interests ²	(43.4)	(64.9)	33%
Dividends to BlueScope Steel Limited shareholders	(75.8)	(61.7)	(23%)
Net drawing/(repayment) of borrowings	18.8	(154.6)	112%
Other	(3.6)	0.0	100%
Net increase/(decrease) in cash held	688.1	178.8	285%

1) The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 30 June 2019, of approximately \$1.43Bn. There will be no Australian income tax payments until these are recovered.

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

ABBREVIATIONS

1H	Six months ended 31 December in the relevant financial year
1H FY2018	Six months ended 31 December 2017
1H FY2019	Six months ended 31 December 2018
1H FY2020	Six months ended 31 December 2019
2H	Six months ended 30 June in the relevant financial year
2H FY2018	Six months ending 30 June 2018
2H FY2019	Six months ending 30 June 2019
ASEAN	Association of South East Asian Nations
ASP	Australian Steel Products segment
A\$, \$	Australian dollar
BNA	Buildings North America segment
BP or Building Products	Building Products Asia and North America segment
BPG	BlueScope Properties Group
BlueScope or the Group	BlueScope Steel Limited and its subsidiaries (ie. the consolidated group)
the Company	BlueScope Steel Limited (ie. the parent entity)
DPS	Dividend per share
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBS	Engineered building solutions, a key product offering of the Buildings North America and Building Products segments
EPS	Earnings per share
FY2018	12 months ending 30 June 2018
FY2019	12 months ending 30 June 2019
FY2020	12 months ending 30 June 2020
Gearing ratio	Net debt divided by the sum of net debt and equity
HRC	Hot rolled coil steel
IFRS	International Financial Reporting Standards
IRR	Internal rate of return
Leverage, or leverage ratio	Net debt over LTM underlying EBITDA
LTM	Last twelve months
MCL	Metal coating line
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
NSC	Nippon Steel Corporation
NZD	New Zealand dollar
NZPac	New Zealand & Pacific Steel segment
ROIC	Return on invested capital (or ROIC), being underlying EBIT 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)
Penelope Bingham-Hall
Ewen Graham Wolseley Crouch AM
Lloyd Hartley Jones
Rebecca Patricia Dee-Bradbury
Jennifer Margaret Lambert
Mark Royce Vassella
Richard Mark Hutchinson Appointed 1 October 2018
Daniel Bruno Grollo Retired 23 November 2018
Kenneth Alfred Dean Retired 23 November 2018

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 62, 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), 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 56, 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.

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

Age 59, 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), 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, Macquarie Specialised Asset Management and Crescent Foundation 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 63, 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), Corporate Travel Management Limited (March 2019 to date)

Mr Crouch is a director of Westpac Banking Corporation and a director and Chairman of Corporate Travel Management Limited. 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 66, BEng, MBA, GAICD

Director since: September 2013

Directorships of other Australian listed entities in past three years: Non-executive director of RCR Tomlinson Ltd (In Liquidation) (delisted from ASX on 5 July 2019) (November 2013 to August 2019)

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 former non-executive director of RCR Tomlinson Ltd and a former member of the Advisory Council to the Dean of Engineering & Mathematical Sciences at the University of Western Australia.

Mr Jones is a qualified engineer and spent 25 years of his career in a variety of senior management roles with Alcoa including General Manager of WA Operations, President of US Smelting and President Asia Pacific (based in Tokyo and Beijing). Most recently Mr Jones has served as President of Cerberus Capital Management's Asia Advisors Unit. 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 and is a member of the Audit Committee and the Nomination Committee.

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

Age 51, BBus (Mkt), GAICD

Director since: April 2014

Directorships of other Australian listed entities in the past three years: Non-executive director of Tower Limited (NZ) (August 2014 to September 2016), 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, Australian Foundation Investment Company Ltd and a former director of Tower Limited (NZ). 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 52, 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 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 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 is a former non-executive director of Investa Office Management Pty Ltd.

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 and is a member of the Risk and Sustainability Committee, the Health, Safety and Environment Committee and the Nomination Committee.

Mark Hutchinson, Non-executive Director (Independent)

Age 59, D Bus, BCom

Director since: October 2018

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

Mr Hutchinson has extensive business and leadership experience at the senior executive level. He has held various roles at General Electric (GE) over a 25 year career, the two most recent as President and Chief Executive Officer Europe (2015 – 2017) and China (2010 - 2014). In these roles, Mr Hutchinson's responsibilities included strengthening GE's operations across China and Europe and developing and executing a shared growth strategy for all GE businesses. Prior to joining GE China, he was President of GE Capital Real Estate International where he led the Real Estate team in Europe and Asia. He previously held various financial services roles at Barclays Capital Asia Limited in Australia and Hong Kong (1983 – 1994).

Mr Hutchinson brings to BlueScope 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.

Mr Hutchinson is a member of the Health, Safety and Environment Committee, the Nomination Committee, the Risk and Sustainability Committee and the Remuneration and Organisation 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	914, 816	643,415
P Bingham-Hall	57,834	-
E G W Crouch	32,500	-
L H Jones	46,245	-
R P Dee-Bradbury	27,300	-
J M Lambert	10,100	-
R M Hutchinson	11,720	-

MEETINGS OF DIRECTORS

Attendance of the Directors at Board and Board Committee meetings from 1 July 2018 to 30 June 2019 is as follows:

	Board meetings		Audit Committee		Remuneration & Organisation Committee		Health, Safety & Environment Committee	
	A	B	A	B	A	B	A	B
J A Bevan	14	14	-	4 ²	6	6	4	4
M R Vassella	14	13	-	4 ¹	-	6 ¹	4	4
D B Grollo	6	6	-	-	3	3	2	2
K A Dean	6	6	2	2	-	-	2	2
P Bingham-Hall	14	14	-	-	6	6	4	4
E G W Crouch	14	14	4	4	-	1 ²	4	4
L H Jones	14	14	4	4	-	1 ²	4	4
R P Dee-Bradbury	14	14	4	4	6	6	4	4
J M Lambert	14	14	4	4	-	1 ²	4	4
R M Hutchinson	11	10	-	-	3	2	3	2

	Nomination Committee		Risk & Sustainability Committee		Annual General Meeting	
	A	B	A	B	A	B
J A Bevan	5	5	-	5 ²	1	1
M R Vassella	-	5 ¹	-	5 ¹	1	1
D B Grollo	2	2	-	-	1	1
K A Dean	2	2	3	3	1	1
P Bingham-Hall	5	5	5	5	1	1
E G W Crouch	5	5	5	5	1	1
L H Jones	5	5	-	-	1	1
R P Dee-Bradbury	5	5	-	-	1	1
J M Lambert	5	5	5	5	1	1
R M Hutchinson	4	4	2	2	1	1

With the exception of Messrs Grollo, Dean and Hutchinson, all current Directors have held office for the entire year ended 30 June 2019.

A = Number of meetings held in the period 1 July 2018 to 30 June 2019 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 2018 to 30 June 2019.

- (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.

Directors meet regularly in the absence of management.

REMUNERATION REPORT (AUDITED)



In FY2019, the first full year under the leadership of our new management team, BlueScope has delivered a strong financial result despite softening in commodity steel spreads and domestic volumes in the second half. Under the MD & CEO, Mark Vassella, the transition of the leadership team has been seamless and positions us well to execute our strategy and deliver sustainable profitability over the cycle. Our safety performance this year has been disappointing, with both our key safety measures under the Short Term Incentive falling short of the threshold level. The Board takes this very seriously and we will continue to drive safety in our business, with a focus on better managing risk and ensuring the care of our people.

Dear fellow shareholder,

On behalf of the Directors of BlueScope Steel Limited, I am pleased to present our Remuneration Report for FY2019.

FY2019 PERFORMANCE & REWARD OUTCOMES

BlueScope's focus on returns continued to deliver results in FY2019 – underlying earnings before interest and tax (EBIT) were up 6 per cent to \$1.35 billion, Return on Invested Capital (ROIC) remained very robust at 19.5 per cent, and the Company generated operating and investing cash flow of \$1.29 billion. This strong cash flow has allowed us to further strengthen the balance sheet, and through our disciplined approach to capital allocation, return nearly \$600 million to shareholders during the year and invest in long-term growth through the decision to proceed with the approximately US\$700 million expansion of our North Star mill in Delta, Ohio in the USA. Throughout the year BlueScope maintained focus on conducting business in a sustainable way, with progress across our most material sustainability focus areas.

Awards under the FY2019 Short Term Incentive (STI) plan were reflective of the overall performance of BlueScope for the year. Performance against the annual underlying ROIC measure was just below target, and above target for free cash flow. Although this year was a strong result for BlueScope, the STI results reflect the challenging levels at which targets were set for the year by the Board.

In FY2019, our Lost Time Injury Frequency Rate (LTIFR) fell short of the level required to achieve our gateway condition and we did not meet the threshold level for the Medically Treated Injury Frequency Rate (MTIFR). Accordingly, no STI was awarded in respect of the safety objective. Disappointingly, this is the second year in a row that the safety measure in the STI has not been achieved. Our safety performance reflects a greater number of workplace incidents requiring longer time, care and proper treatment to ensure a full return to work. The Board and management remain focused on reducing the severity of any injuries, challenging the effectiveness of our critical risk controls and ensuring a holistic approach to health and wellbeing across BlueScope.

The actual STI awarded to the Managing Director and Chief Executive Officer (MD & CEO) was 80 per cent of maximum, and for other Executive Key Management Personnel (KMP) ranged from 59 to 87 per cent of maximum. The Board is satisfied that these outcomes appropriately reflect both Group and individual performance during the year. In FY2019, the MD & CEO again elected to take his full STI award in equity.

The FY2016 Long Term Incentive award vested in full in the first quarter of this financial year. As reported last year, the compound annual growth in Earnings per Share (CAGR EPS) target was significantly exceeded at 74 per cent and performance against the relative Total Shareholder Return (rTSR) hurdle, which was assessed in September 2018, was at the 100th percentile relative to the ASX100.

Awards under the FY2017 LTI plan are the final tranche of awards subject to the rTSR and CAGR EPS hurdles. Performance against the CAGR EPS hurdle exceeded the maximum performance level set by the Board, and accordingly that portion will vest in full. Performance against the rTSR hurdle will be assessed in September 2019 and the results disclosed at the 2019 Annual General Meeting and in the FY2020 Remuneration Report.

PURPOSE OF THE REMUNERATION FRAMEWORK

As outlined in detail in the FY2018 Remuneration Report, last year we introduced a new remuneration framework. The framework has been designed to maintain a deliberate and continued focus by executives on financial fundamentals and provide more value to executives at less cost to shareholders. The remuneration framework is designed such that:

- The quantum of Total Reward is set with reference to our market peers, with fixed pay set at or slightly above the median and STI set conservatively below the median with challenging annual performance targets.
- The LTI component is set low relative to our market peers, reflecting the increased likelihood of equity vesting as a result of performance hurdles that are set at a threshold level that, if achieved over the cycle, will generate good returns for shareholders.
- The structure drives executive and shareholder alignment through equity ownership, both through the design of the Alignment Rights and above market minimum shareholding requirements for Executive KMP. Almost all Executive KMP hold shares in excess of their minimum shareholding requirement (ranging from 200 to over 600 per cent of fixed pay).

GOVERNANCE, RISK & CULTURE

In FY2019, the Board considered the new ASX Corporate Governance guidelines and made changes to ensure that BlueScope is adhering to, or progressing towards, these guidelines. In addition, we have undertaken a review of the key areas highlighted in the Australian Prudential Regulation Authority review into the Commonwealth Bank of Australia and, where relevant, assessed our performance against the findings. We have improved visibility of organisational culture through consideration of a quarterly dashboard of indicators spanning social and environmental factors, compliance and conduct, and customer and product metrics that are reported to the Risk and Sustainability Committee. The Board considers its appetite for risk in these areas annually.

We continue to work towards ensuring our workplace reflects the communities in which we operate and have made good progress this year in diversity and inclusion initiatives across the business. This year we have increased the recruitment of women across the business, moving from 33 per cent to 40 per cent for operator/trade roles and from 40 per cent to 43 per cent across all roles. At all levels we have increased the percentage of female representation. More information on this and our diversity and inclusion objectives for FY2020 will be included in the FY2019 Corporate Governance Statement which will be released along with our Annual Report in September 2019.

Our Bond is our commitment to operating in an ethical, fair and transparent manner and in accordance with high standards of governance. We have clear and consistent policies in place for identifying and managing misconduct and we continue to review these to ensure that they remain appropriate for our changing business. The Board and the 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 ROC each year. Both STI and LTI awards are subject to the Board's discretion (through the ROC) to adjust for any inappropriate outcomes, and our performance assessment frameworks are reviewed, and the outcomes monitored throughout the year. The Board, through the ROC, retains discretion to limit, defer or cancel any awards granted under the STI or Alignment Rights plans. In FY2019, the Board exercised this discretion for three senior leaders below KMP, forfeiting some or all outstanding LTI awards.

This year, BlueScope introduced a clawback mechanism (effective from 1 August 2019) which applies to all outstanding LTIP awards held by members of the Executive Leadership Team as well as future grants to all LTIP participants. The clawback mechanism has been introduced in response to changing stakeholder expectations, and as a matter of good governance and is consistent with practices in many of our peer organisations. The clawback provision will further align remuneration outcomes with the sustainable long-term performance of the Company. More details on the clawback approach are included in Section 3.4 and Section 4.3.

I trust that the FY2019 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 Annual General Meeting in November.



Penny Bingham-Hall

Chair of the Remuneration and Organisation Committee

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The Board of Directors (Directors) of BlueScope Steel Limited (the Company) present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and its consolidated entities ('BlueScope' or 'Group') for the year ended 30 June 2019. 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

The following people were KMP for the full FY2019 reporting period except where otherwise indicated.

Name	Position
Senior Executives	
Mr Mark Vassella	Managing Director & Chief Executive Officer
Ms Tania Archibald	Chief Financial Officer
Mr Charlie Elias	Chief Executive, NS BlueScope
Mr Pat Finan	Chief Executive, BlueScope Buildings
Mr John Nowlan	Chief Executive, Australian Steel Products
Ms Gretta Stephens	Chief Executive, New Zealand and Pacific Islands
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 ¹	Non-executive Director
Ms Rebecca Dee-Bradbury	Non-executive Director
Mr Daniel Grollo ²	Non-executive Director
Mr Mark Hutchinson ³	Non-executive Director
Mr Lloyd Jones	Non-executive Director
Ms Jennifer Lambert	Non-executive Director

1) Mr Dean ceased being a Non-executive Director of the Company on 23 November 2018

2) Mr Grollo ceased being a Non-executive Director of the Company on 23 November 2018

3) Mr Hutchinson was appointed a Non-executive Director of the Company on 1 October 2018

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 can be easily explained

OBJECTIVE AND GUIDING PRINCIPLES

The Company's remuneration framework is designed to align executive and shareholder outcomes through executive share ownership and reward the delivery of sustainable profitability across the cycle. The overall quantum of Total Reward is set conservatively against our market peers, with fixed pay set slightly above the median and variable reward targets set below the median.

	PURPOSE & PHILOSOPHY	REMUNERATION STRATEGY/ PERFORMANCE LINK	PERFORMANCE MEASURES
FIXED PAY Salary and other benefits (including statutory superannuation)	<ul style="list-style-type: none"> Set slightly above the median of peer group Set to attract and retain experienced and capable leaders 	<ul style="list-style-type: none"> Rewards sustained performance in role 	Considerations: <ul style="list-style-type: none"> Skills, experience, accountability Role and responsibility Market benchmarking around 55th percentile against peer group
SHORT TERM INCENTIVE Annual incentive opportunity delivered in cash, equity or a mixture of both (as elected by each executive)	<ul style="list-style-type: none"> Target and maximum set below median of peer group Drive and reward the achievement of challenging annual growth and performance targets 	<ul style="list-style-type: none"> 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 	Financial Performance (50% of total): <ul style="list-style-type: none"> Group and business unit underlying Return on Invested Capital (2/3) Cash flow from operations (1/3) Zero Harm (5% of total): Gateway of no fatalities and LTIFR <1 <ul style="list-style-type: none"> MTIFR Strategic objectives (45% of total): <ul style="list-style-type: none"> Measures based on the execution and implementation of strategic business priorities
ALIGNMENT RIGHTS Three year incentive opportunity delivered through share rights, with vesting dependent on achievement of threshold measures	<ul style="list-style-type: none"> Set below median of peer group Achieve shareholder alignment through equity ownership by executives, expected to vest regularly Incentivise executives to behave as owners of the business, providing optimum shareholder alignment 	<ul style="list-style-type: none"> Awards vest on achievement of hurdles that are set at a threshold level The measures are set to ensure the Group is well placed to weather downturns in the cycle 	Gateway Condition: <ul style="list-style-type: none"> Adherence to company values Vesting Conditions: <ul style="list-style-type: none"> Minimum 10% rolling three year average underlying ROIC Average debt leverage of Net Debt to EBITDA ratio of <1.0x over three years

TOTAL REMUNERATION

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

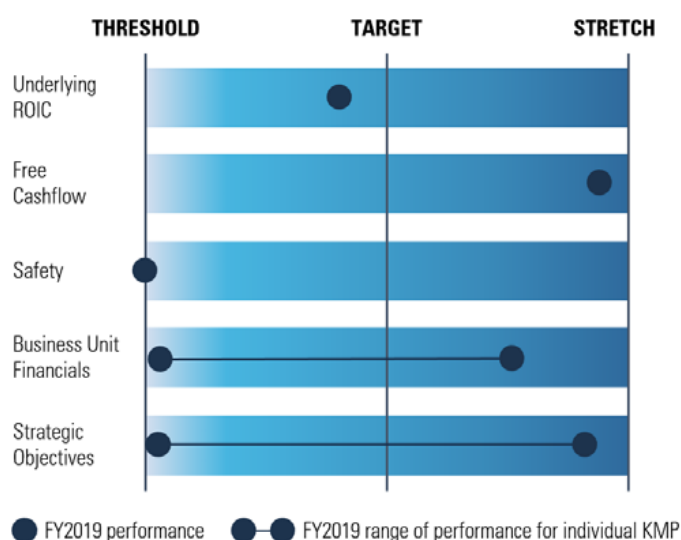
Non-executive Directors: 100% of base fees | MD & CEO: 200% of fixed pay | Executive KMP: 100% of fixed pay

REMUNERATION REPORT SNAPSHOT

PAY MIX



FY2019 STI OUTCOMES



Underlying ROIC

- We delivered solid underlying ROIC in FY2019 despite softening market conditions. Underlying ROIC was 19.5%, which was slightly below the target set by the Board.

Free Cash Flow

- The performance against the free cash flow target was above target for the year

Safety

- There were no fatalities at BlueScope controlled sites in FY2019, however LTIFR was 1.16, not meeting the gateway conditions for our safety objective. Accordingly, no STI was awarded for this measure.

Business Unit Financials

- Business Unit financial measures ranged from threshold to above target.

Strategic Objectives

- Individual strategic objectives for Executive KMP ranged from below threshold to between target and stretch.

FY2019 LTI OUTCOMES

The FY2016 LTI subject to the rTSR hurdle was tested and vested in full following the release of the FY2018 Remuneration Report. The FY2017 LTI exceeded the maximum CAGR EPS hurdle and as a result this portion of the award will vest in full. The rTSR hurdle will be tested following the release of the FY2019 Remuneration Report and disclosed in the FY2020 Report.

Plan	Performance Measure	Result	Proportion of award vested / to vest	Commentary
FY2016	CAGR EPS at 15% or higher	74%	50%	The CAGR EPS maximum was exceeded.
	r TSR against the ASX 100 ¹	100 th percentile ²	50%	The absolute TSR for the period was 445.667%, which was at the 100 th percentile of the comparator group
FY2017	CAGR EPS at 15% or higher	62%	50% will vest in September 2019	The CAGR EPS maximum was 15% which has been exceeded.
	r TSR against the ASX 100	To be tested in September 2019	50% to be tested in September 2019	

1) Absolute TSR measured over the period 1 September 2015 to 31 August 2018 for FY2016 LTIP

2) The peer group consists of the ASX100

1. BUSINESS PERFORMANCE

Guided by our clear and sustainable strategy, and our financial framework, in FY2019 BlueScope built on its strong performance of underlying EBIT over \$1 billion in the two prior years. The Company again generated a robust return on invested capital. The balance sheet is in very good shape to allow us to both invest for future growth, and to continue to deliver returns to shareholders. Achievements for the year are set out below.

FY2019 GROUP FINANCIAL PERFORMANCE

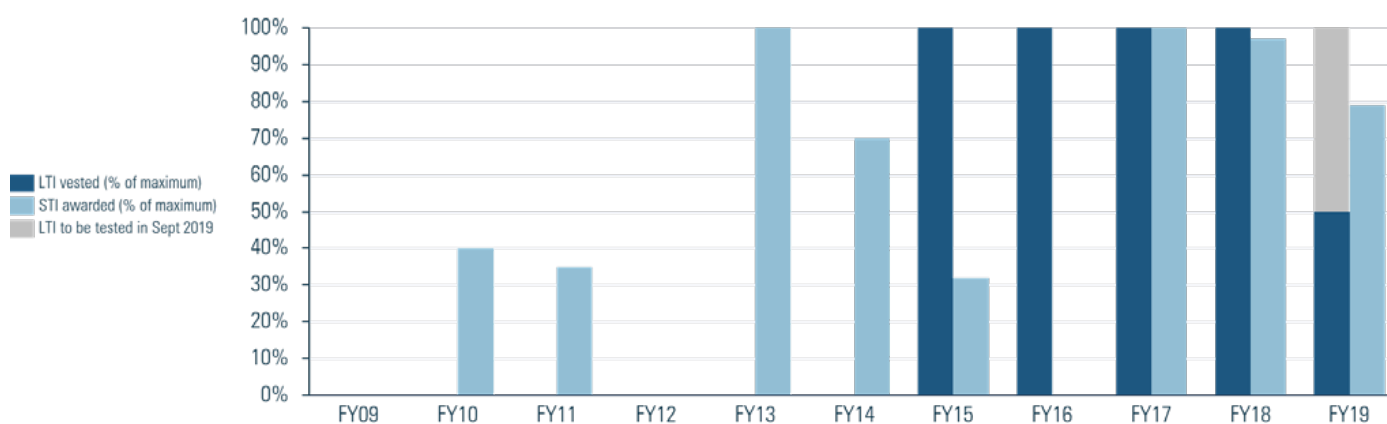


HISTORICAL COMPANY PERFORMANCE AND REWARD OUTCOMES

The Company's incentive awards are designed to align executive remuneration with business performance. The table and chart below outline annual and three-year rolling ROIC and relative TSR performance along with STI and LTI outcomes for the MD & CEO (P O'Malley for FY2009 – FY2017 and M Vassella for FY2018 -FY2019) for the corresponding period. The table below presents the overall relative TSR outcome for each award tested for the period, which may not correspond exactly to the financial year as under the previous remuneration framework awards were tested over several performance periods.

Year ending	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Annual ROIC performance (%)	2.2	4.1	-1.4	-4.3	1.8	4.5	6.4	9.5	18.5	20.0	19.5
Three-year rolling ROIC performance (%)	14.2	9.3	1.6	-0.5	-1.3	0.7	4.3	6.8	11.5	16.0	19.3
Relative TSR performance (percentile)	6.67	2.53	3.66	7.23	8.14	-	90.00	93.18	95.75	100.00	-

MD & CEO REWARD OUTCOMES



The table below summarises the Company's performance for FY2019 and the previous four years.

	FY2015	FY2016	FY2017	FY2018	FY2019
Underlying NPAT (\$M)	161	307	652	826	966
Underlying EBIT (\$M)	326	582	1,105	1,269	1,348
Share price at end of period (\$)	3.00	6.37	13.21	17.26	12.05
Dividend per Ordinary Share (cents)	6	6	9	14	14
Buybacks (\$M)	-	-	150	300	510
Earnings per Share (cents)	24.3	62.1	125.3	281.8	189.9

2. PERFORMANCE AND REWARD OUTCOMES

Following the release of the FY2018 Remuneration Report, the portion of the FY2016 LTI subject to the rTSR hurdle was tested for vesting and vested in full. In FY2019, the portion of the FY2017 LTI subject to the CAGR EPS hurdle, was tested for vesting and vested in full. The portion of this award subject to the relative TSR hurdle will be tested following the release of the FY2019 Remuneration Report.

The FY2017 LTIP is the final grant under the previous remuneration framework that was granted to Executive KMP in FY2016 and was designed to focus executives on delivering turnarounds in underperforming businesses. The FY2017 award was the second tranche of LTI granted in FY2016 and had a four year vesting period. The FY2016 and FY2017 LTI grants were combined with an STI measured over two years and awarded entirely in equity, and fixed pay freezes for all Executive KMP in both FY2016 and FY2017. The weighting towards equity, granted when the share price was low, meant that executives were able to realise significant upside return if they successfully delivered the performance hurdles.

2.1 FIXED PAY ADJUSTMENTS

There was no fixed pay adjustment for the MD & CEO in FY2019.

For the majority of Executive KMP, FY2019 was the first full year in their new roles, and accordingly comparisons to the prior year are not like-for-like roles. For example, in FY2018, the MD & CEO's remuneration was split between 50 per cent as CEO of Australian Steel Products and New Zealand and Pacific Steel and 50 per cent in his current role as MD & CEO. There were no adjustments to fixed pay for most roles except for an increase of 5.9% for Mr Finan reflecting his sustained performance and the competitive US market.

2.2 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 scorecard' outlines 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.

In FY2019, the Board set strategic objectives in the STI scorecard for the MD & CEO based on the key organisational priorities for the year. Sustainability is a core value and is reflected in objectives related to the Company's Australia and New Zealand sustainability plan, as well as a challenging emissions reduction target. With the changes in the leadership team in FY2018, it was critical that the transition to the new team be seamless, while building global leadership capability and ensuring our employees remain engaged. The final objectives in the MD & CEO's FY2019 STI scorecard related to the execution of strategic projects and our growth plan, consistent with our disciplined approach to investing for long term growth. More details on the MD & CEO's performance against these objectives is provided overleaf.

The annual assessment of performance includes both consideration of what is achieved and how it is achieved, by assessing each executive's behaviour against the expectations outlined in Our Bond. The actual STI awarded can be adjusted where these expectations are deemed not to have been met. No such adjustments have been made for Executive KMP in FY2019.

MD & CEO FY2019 STI SCORECARD

Measures	Target Weighting (range of outcomes)	Actual Outcome	Performance
BlueScope Financials		57.6%	
Underlying ROIC	35% (0 - 70%)	Below target	<ul style="list-style-type: none"> Strong underlying ROIC of 19.5% was delivered just below the target of 20.6%.
Free Cash Flow	15% (0 - 30%)	Above target	<ul style="list-style-type: none"> FCF of \$1,259M was just below the stretch level of performance set at \$1,287M.
Safety		0%	
MTIFR per million hours worked	5% (0 - 10%)	Below threshold	<ul style="list-style-type: none"> The gateway condition of LTIFR < 1 per million hours worked was not achieved. While an MTIFR of 5.81 per million hours worked is considered an industry-leading result, it was below the threshold and therefore there was no contribution to the scorecard for this measure.
Strategic objectives		62.4%	
Sustainability agenda including a reduction in emissions intensity	45% (0 - 90%)	Above target	<ul style="list-style-type: none"> Positive progress made on developing the Company's sustainability plan for Australia and NZ with 1.2% reduction in emissions intensity across the Group.
Leadership capability and engagement		Above target	<ul style="list-style-type: none"> Seamless transition to new leadership team and improved engagement scores from employee surveys.
Execution of strategic projects		Above target	<ul style="list-style-type: none"> Fast track approval on North Star expansion, successful acquisition in Malaysia to add cold rolled coil capacity and good progress on growth plans in India and China.
Growth plan		Target	<ul style="list-style-type: none"> New strategic growth plan and foundation capability in technology, systems, digital and innovation is on track.
Total	100% (0 - 150%)	120%	

EXECUTIVE KMP STI OUTCOMES

The performance against the FY2019 STI objectives resulted in the individual awards for Executive KMP shown below.

KMP	% of maximum STI achieved	Value of cash STI for FY2019 (\$)	Value of equity STI for FY2019 (\$)¹	STI forfeited % of maximum	Award as % of Fixed Pay
Mark Vassella	80	-	960,000	20	53
Tania Archibald	87	411,705	-	13	46
John Nowlan	75	355,950	-	25	40
Charlie Elias	59	357,420	-	41	31
Pat Finan	70	339,411	-	30	37
Gretta Stephens	75	239,575	-	25	39

1) The equity STI is valued in accordance with AASB 2 Share Based Payment although the grant is made at face value.

2.3 LONG TERM INCENTIVE (LTI) OUTCOMES

In FY2016, at the time that both the FY2016 and FY2017 LTI awards were granted, the Board set EPS growth targets which at the time were considered very challenging levels. The targets were 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 that executives can be rewarded for the achievement of this result through vesting of the EPS component of the FY2017 LTI plan. Outcomes for the LTI plans granted to KMP tested during the year are shown in the table below. Individual LTI awards are also subject to an assessment of adherence to Our Bond. In FY2019 all Executive KMP demonstrated adherence to Our Bond.

Plan	Performance Measure	Result	Proportion of total award vested / to vest	Commentary
FY2016	CAGR EPS at 15% or higher	74%	50%	The CAGR EPS maximum was exceeded.
	rTSR against the ASX 100	100 th percentile	50%	The absolute TSR for the period was 445.667%, which was at the 100 th percentile of the comparator group
FY2017	CAGR EPS at 15% or higher	62%	50% will vest in September 2019	The CAGR EPS maximum was exceeded.
	Relative TSR against the ASX 100	To be tested in September 2019	50% to be tested in September 2019	

2.4 CHANGES IN FY2020

There are no significant changes proposed to the remuneration framework in FY2020.

Some fixed pay adjustments for Executive KMP will be made in FY2020 and disclosed in the FY2020 Remuneration Report. These adjustments will be considered in accordance with our remuneration philosophy to set remuneration slightly above the median for our peer group and in recognition of the skills, experience and accountability of the individual. There will be no fixed pay increase for the MD & CEO in FY2020.

NORTH STAR EXPANSION

On 19 August 2019 the Board approved a US\$700 million-dollar expansion of our successful North Star business at Delta, Ohio. Commissioning of the expansion is targeted for mid FY2022 with full ramp up approximately 18 months later.

Mr Pat Finan will commence in the role of Chief Executive Hot Rolled Products North America shortly after the release of the FY2019 Remuneration Report. He will have full responsibility for the North Star operations and expansion project. Specific incentive arrangements, linked to the delivery of key project milestones and aligned with the competitive US market, have been developed for Mr Finan. These incentives will be delivered part in cash and part through an additional equity award to be delivered on completion of the project, in three years' time.

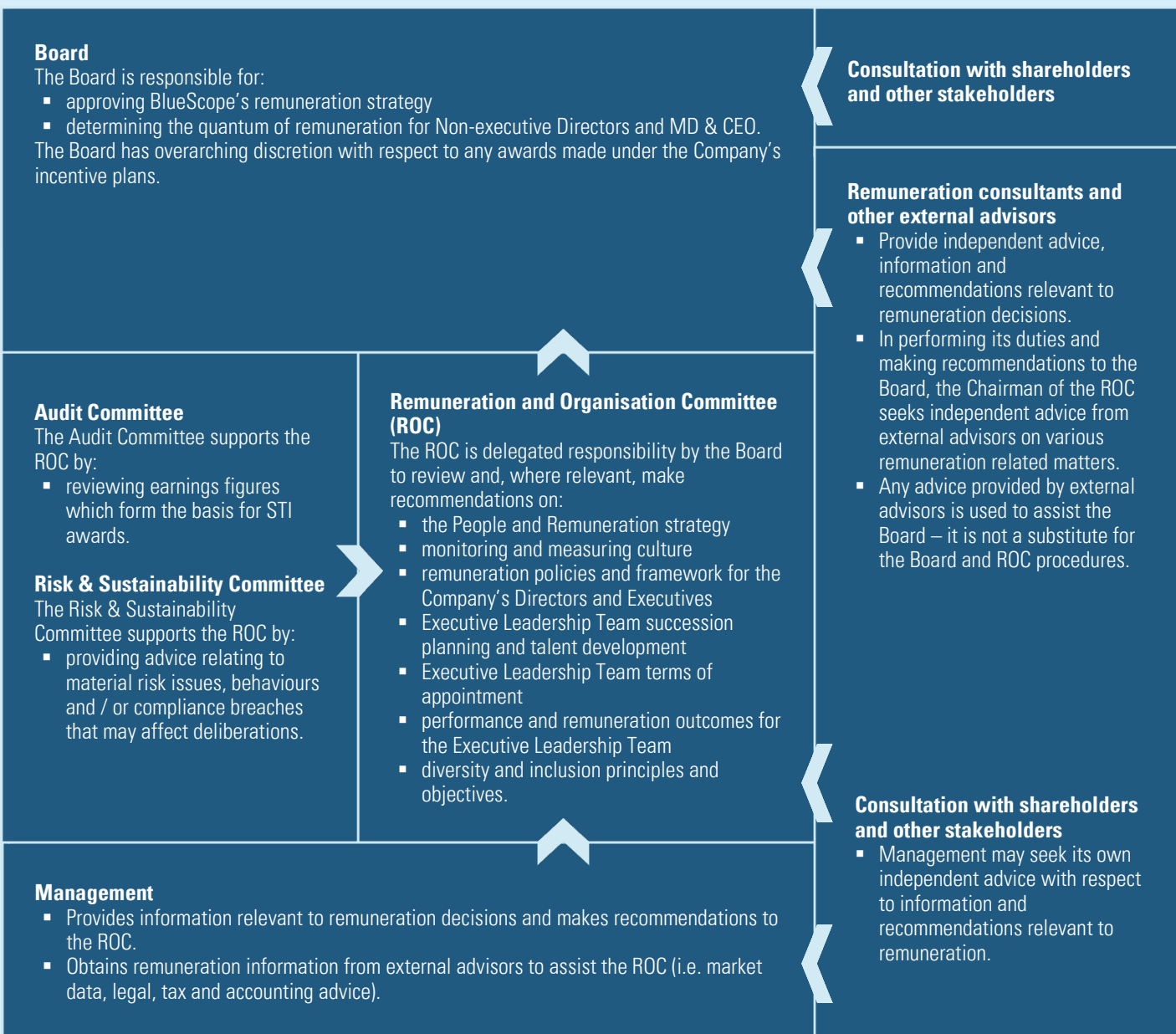
The Board has exercised its discretion to exclude the approved capital spend from the assessment of ROIC for the period of the approved build and ramp up, to ensure participants are not penalised for undertaking an investment which is expected to deliver long term profitable growth. Any earnings associated with the ramp up period will also be excluded until full ramp up is achieved.

3. REMUNERATION GOVERNANCE

3.1 ROLE OF THE REMUNERATION AND ORGANISATION COMMITTEE (ROC)

The Board oversees the Company’s People and Remuneration strategy and policies, both directly and through the ROC. The ROC consists entirely of independent Non-executive Directors.

The ROC seeks input from the MD & CEO and the Chief People Officer, who attend ROC meetings, except where matters relating to their own remuneration are considered.



3.2 ACTIVITIES OF THE ROC IN FY2019

In FY2019, the activities of the Committee included:

- Setting STI objectives for the year and reviewing fixed pay
- Considering Group remuneration outcome recommendations to the Board, taking into account the overall financial result against the risk management framework, strategic objectives and qualitative factors.
- Considering individual performance and impact on individual variable reward outcomes.
- Overseeing consequence management outcomes for conduct and regulatory breaches and incidents of behaviour that are inconsistent with the Group's risk appetite, desired culture or Our Bond.
- Review of US remuneration market trends and practices and pension schemes.
- Consideration of the results of the annual employee engagement survey and associated actions.
- Monitoring talent development and management succession planning.
- Monitoring progress on diversity and inclusion objectives, particularly focused on but not limited to gender diversity of senior executives.
- Considering a range of governance-related topics as they relate to people and remuneration, including consideration of culture metrics, introduction of a clawback provision for LTI awards and an extensive review of the ROC charter to incorporate relevant matters from the recently released ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition) and to ensure clarity of accountability and appropriate reflection of relevant risk appetite.

3.3 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 FY2019, the ROC 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.

3.4 BOARD DISCRETION

The Committee and the Board consider it critical that they can 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.

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.

Forfeiture

In the event of serious misconduct by management which undermines the Company's performance, financial soundness and/or reputation, or inappropriate ethics and/or behaviour, 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.

In FY2019, the Board exercised this discretion for three individuals below KMP forfeiting some or all of their LTI and STI as a result of misconduct.

Clawback

Following amendments to the outstanding LTI plans in August 2019, the Board has discretion, in certain circumstances to clawback LTI awards, resulting shares or the financial benefit of those shares. These circumstances include fraud or gross misconduct, breach of law, material breach of policies or standards, bringing BlueScope into disrepute, material misstatement in financial statements, certain oversight failures or any other circumstances where there would be an inappropriate benefit. The clawback provisions apply to participants who were members of the ELT at the time any relevant circumstance occurred for the outstanding FY2017, FY2018 and FY2019 awards and, from the FY2020 award, the clawback provision will apply to all participants.

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.

3.5 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. It also prohibits entry into transactions in associated products that limit the economic risk of participating in unvested entitlements under equity-based remuneration schemes. In addition, nominated employees, including KMP, are prohibited from dealing in the Company's securities outside prescribed trading periods.

3.6 MINIMUM SHAREHOLDING REQUIREMENTS

A key principle 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 the Company's share price and dividends.

Accordingly, the following minimum shareholding requirements are in place:

- the value of 100 per cent of base fees 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. The Board regularly monitors the shareholding of KMP and executives. The Alignment Rights plan is an important mechanism to drive executive share ownership through the regular vesting of rights on the achievement of the threshold performance hurdles.

4. EXECUTIVE REMUNERATION

BlueScope's remuneration philosophy is guided by the following 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

The principles extend to all elements of remuneration as described separately below.

4.1 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. To attract and retain experienced and capable leaders, BlueScope aims to set fixed pay at slightly above the median 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 FY2019 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	

4.2 SHORT TERM INCENTIVE (STI)

The following table summarises the STI plan that applied in FY2019.

Feature	Description																			
Purpose	To achieve BlueScope's overall strategic objectives by motivating executives to deliver on annual team-based outcomes.																			
Eligibility	All members of the ELT, including Executive KMP disclosed in this report.																			
Value/opportunity	<p>Target STI levels are set conservatively against our peer group reflecting our overall remuneration philosophy. Target and maximum STI levels (as a percentage of fixed pay) are shown below.</p> <table border="1"> <thead> <tr> <th>% of fixed pay</th> <th>Target</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>MD & CEO</td> <td>44%</td> <td>67%</td> </tr> <tr> <td>Other Executive KMP</td> <td>35%</td> <td>52.5%</td> </tr> </tbody> </table>	% of fixed pay	Target	Maximum	MD & CEO	44%	67%	Other Executive KMP	35%	52.5%										
% of fixed pay	Target	Maximum																		
MD & CEO	44%	67%																		
Other Executive KMP	35%	52.5%																		
Performance conditions	<p>The performance measures and relative weightings for the FY2019 STI Plan are shown below:</p> <table border="1"> <thead> <tr> <th colspan="2">Performance measures</th> <th>MD & CEO</th> <th>Other Executive KMP</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Financial performance</td> <td>BSL underlying ROIC (2/3), Free 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> </tbody> </table> <p>Financial Measures</p> <p>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.</p> <p>Safety-related Measures</p> <p>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.</p> <p>For individual business units, a benchmark (best practice LTIFR and MTIFR) is set at the highest business level 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.</p> <p>Strategic Measures</p> <p>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.</p> <p>FY2019 was the first year where Executive KMP each had a component of their strategic measures linked to BlueScope's material sustainability topics. This included measures linked to the achievement of BlueScope's greenhouse gas emissions intensity reduction targets for the MD & CEO and the leaders of each of our three steelmaking sites.</p>	Performance measures		MD & CEO	Other Executive KMP	Financial performance	BSL underlying ROIC (2/3), Free Cash Flow from Operations (1/3)	50%	25%	Business Unit underlying ROIC (2/3), Cash Flow from Operations (1/3)	0%	25%	Zero harm	Safety performance measures, including LTIFR and MTIFR	5%	5%	Strategic objectives	Performance measures based on results from the execution and implementation of business priorities included in the strategic plan	45%	45%
Performance measures		MD & CEO	Other Executive KMP																	
Financial performance	BSL underlying ROIC (2/3), Free Cash Flow from Operations (1/3)	50%	25%																	
	Business Unit underlying ROIC (2/3), Cash Flow from Operations (1/3)	0%	25%																	
Zero harm	Safety performance measures, including LTIFR and MTIFR	5%	5%																	
Strategic objectives	Performance measures based on results from the execution and implementation of business priorities included in the strategic plan	45%	45%																	
Target setting	<p>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 performance targets that are challenging yet sufficiently motivating to drive executive performance towards the objectives.</p> <p>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.</p>																			

Feature	Description
Performance assessment	<p>All performance conditions under the STI are defined and measurable. The Board, on recommendation from the ROC, approves the targets and assesses the performance outcomes of the MD & CEO. The ROC, on recommendation from the MD & CEO, approves the targets and assesses the performance outcomes of the other members of the Executive Leadership Team.</p> <p>The Board has adopted a rigorous process for assessing performance under the STI plan, which includes verification of financial results by the Audit Committee.</p> <p>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.</p>
Payment/deferral	<p>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 the Company's shares over the three month period to 31 August at the beginning of the performance year.</p> <p>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.</p> <p>In FY2019 the MD & CEO elected for 100 per cent of his STI payment to be delivered in equity.</p>

4.3 LONG TERM INCENTIVE (LTI)

The following table summarises the LTI plan that applied in FY2019.

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 good returns for shareholders through industry and economic cycles, and provides executives with a consistent award of shares if this performance is achieved.
Eligibility	All members of the ELT, including Executive KMP disclosed in this report.
Value/opportunity	<p>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).</p> <p>The maximum LTI opportunity 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.</p> <p>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 month period to 31 August at the beginning of the performance period. No amount is payable by participants on exercise.</p>
Instrument	Each Alignment Right vests into one fully paid ordinary shares in the Company subject to time and performance conditions being met. No dividends are payable on unvested Alignment Rights.
Vesting conditions	<p>The hurdles for Alignment Rights are aligned with the delivery of sustainable earnings over a three-year period. The vesting conditions are:</p> <ul style="list-style-type: none"> ▪ 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. <p>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.</p> <p>There are no re-testing provisions under the Alignment Rights plan.</p>

Feature	Description
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 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	<p>The Board, on recommendation from the ROC, assesses the performance outcomes after the end of the performance period.</p> <p>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.</p> <p>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.</p>
Clawback	<p>The FY2019 LTI plan has been amended to include a provision allowing the Board to clawback LTI awards, any resulting shares from exercise of the awards or the financial benefit of those resulting shares arising from the LTI awards made to ELT members at the time any of the following circumstances occurred:</p> <ul style="list-style-type: none"> ▪ Fraud, dishonesty or gross misconduct ▪ Breach of law or material breach of BlueScope policies or standards ▪ Bringing BlueScope into disrepute ▪ Where there is a material misstatement in financial statements ▪ Certain oversight or supervision failures ▪ Any other act, error, omission or circumstance that would result in a participant obtaining an inappropriate benefit. <p>The clawback applies for a period of three years after the vesting of any share rights.</p>
Hedging	Executives are not permitted to hedge (such as 'cap and collar' arrangements) LTI awards.

4.4 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.

5. EXECUTIVE REMUNERATION TABLES

The table below sets out remuneration for Executive KMP in FY2019, along with comparative information from FY2018 in accordance with statutory reporting requirements. Given that the majority of the Executive KMP were appointed to new roles in FY2018, comparisons between FY2018 and FY2019 are not considered like for like.

5.1 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	2019	1,775,000	13,654	-	-	-	1,788,654	25,000	44,375	1,875,548	3,733,577	50.2
	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
KMP Executives												
T Archibald	2019	875,000	(13,462)	411,705	-	-	1,273,243	25,000	21,871	473,195	1,793,309	49.3
	2018	292,788	18,948	124,676	1,161	-	437,573	8,365	7,253	130,892	584,083	43.8
S R Elias	2019	1,125,000	21,635	357,420	(223,918)	-	1,280,137	25,000	28,500	596,363	1,930,000	49.4
	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
P J Finan	2019	878,646	11,156	339,411	699	-	1,229,912	29,677	-	508,231	1,767,820	47.9
	2018	748,387	(2,393)	394,917	645	-	1,141,556	26,371	-	489,390	1,657,317	53.4
J Nowlan	2019	875,000	(13,832)	355,950	14,238	-	1,231,356	25,000	(6,662)	336,667	1,586,361	43.7
	2018	437,500	10,096	228,375	300,204	-	976,175	12,500	11,083	128,145	1,127,903	31.6
G Stephens ⁹	2019	554,116	35,223	239,575	1,161	-	830,075	55,412	-	120,282	1,005,769	35.8
	2018	79,612	689	-	40,274	-	120,575	1,048	-	-	121,623	-
Previous KMP												
P F O'Malley ¹⁰	2019	-	-	-	-	-	-	-	-	-	-	-
	2018	928,288	43,436	-	12,007	117,460	1,101,191	12,500	(12,308)	961,296	2,062,679	46.6
S Daya ¹¹	2019	-	-	-	-	-	-	-	-	-	-	-
	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
Total 2019		6,082,762	54,374	1,704,061	(207,820)	-	7,633,377	185,089	88,084	3,910,286	11,816,836	
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	

1) There were no base pay increases for Executive KMP during FY2019 apart from P J Finan who received a base pay increase of 5.9%. Exchange rate differences affected overseas based KMP (P Finan & G Stephens). All Executive KMP changed roles in FY2018 and FY2019 is the first full year in their current roles, and accordingly comparison with prior year payments should be made with caution.

2) Negative movement in annual leave provision indicates leave taken during the year exceeded leave accrued during the current year.

3) The amount disclosed 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 includes executive health check and benefits provided under the Company's international assignment policy e.g. accommodation, tax equalisation, relocation benefits and medical coverage and, where 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.

8) The percentage of remuneration that is performance related includes STI and LTI based on accounting values and not vested amounts actually received by executives.

9) G Stephens was granted 5,460 restricted shares as part of her arrangement to join BSL. These shares will be subject to a restriction period which will end on 25 June 2021. These shares are being expensed over a three year period.

10) P F O'Malley retired as MD&CEO effective 31 December 2017.

11) S Daya ceased to be a KMP effective 28 February 2018.

5.2 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 the Company and other Executive KMP, 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 the performance period.

There were no options or rights vested and unexercisable at the end of FY2019. No amount is payable on the exercise of unvested options. There have been no grants of options or rights post year end.

During the year the following equity awards vested.

Share Rights holdings for FY2019

	Balance at 30 June 2018	Granted in year ended 30 June 2019 ¹	Exercised in year ended 30 June 2019 ²	Lapsed in year ended 30 June 2019	Balance at 30 June 2019	Vested and not yet exercised at 30 June 2019	Unvested at 30 June 2019	Total Share Rights vested in year ended 30 June 2019	Value of Share Rights granted during the year at grant date ³	Value of Share Rights exercised during the year ⁴
	#	#	#	#	#	#	#	#	\$	\$
Executive Director										
MR Vassella	921,581	167,595	443,337	15,832	630,007	53,630	576,377	426,680	2,050,357	7,612,093
KMP Executives										
T Archibald	225,388	32,680	130,000	-	128,068	-	128,068	130,000	395,101	2,232,100
S R Elias	443,300	41,750	193,440	-	291,610	-	291,610	193,440	504,758	3,321,365
P J Finan	405,960	35,470	181,290	-	260,140	-	260,140	181,290	428,832	3,112,749
J Nowlan	189,620	32,680	130,000	-	92,300	-	92,300	130,000	395,101	2,232,100
G Stephens	-	21,590	-	-	21,590	-	21,590	-	261,023	-

1) The number of share rights granted includes rights awarded under the FY2019 Long Term Incentive (LTI) Alignment Rights Award which are subject to Company performance hurdles. The MD&CEO also received share rights under the FY19 Short Term Incentive (STI) Award. As per S.300 (1)(d) of the Corporations Act, Alec Highnam, President BlueScope North America is in the top five most highly remunerated officers of the Company. A Highnam was granted 25,700 share rights under the FY2019 Long Term Incentive (LTI) Alignment Rights 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. For the MD&CEO this amount includes 70,287 performance rights in respect of the FY2018 STI Award which vested in FY2018 and were exercised during FY2019.

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 2019. The valuation has been made using the Black-Scholes Option Pricing Model (BSM) that includes a Monte Carlo simulation analysis. The fair value per instrument of the Share Rights granted in the year ended 30 June 2019 was: FY2019 LTI Award - \$12.09 and FY2019 STI Award - \$12.45.

4) Shares Rights exercised during the year under the FY2018 STI Award, FY2016 TSR/EPS Long Term Incentive Plans, FY2016 Share Rights Long Term Incentive Plan and FY2016 Deferred Equity Incentive (DEI) Long Term Incentive Plan. The value of share rights exercised during the year was at the date of exercise, 6 September 2018. The share price at the date of exercise was \$17.17.

There were 5,494,552 unvested securities on issue at the time of this report.

The table below sets out the details of each specific share right tranche and awards granted and vested during FY2019 for Executive KMP.

2019	Award Details	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2019	% forfeited in year ended 30 June 2019	Share Rights yet to vest	Financial year in which awards may vest
Executive Director							
M R Vassella	FY 16 LTI Award (TSR) - 3 yr ¹	186,525	26-Nov-15	100	-	-	2019
	FY 16 LTI Award (EPS) - 3 yr ¹	186,525	26-Nov-15	100	-	-	2019
	FY 17 LTI Award (TSR) - 4 yr	186,525	26-Nov-15	-	-	186,525	2020
	FY 17 LTI Award (EPS) - 4 yr	186,525	26-Nov-15	-	-	186,525	2020
	FY 18 LTI Award - 3 yr	102,770	01-Sep-17	-	-	102,770	2021
	FY 19 LTI Award - 3 yr ²	100,557	01-Sep-18	-	-	100,557	2022
	FY 19 STI Award - 1 yr ³	67,038	01-Sep-18	80	20	-	2019
KMP Executives							
T Archibald	FY 16 LTI SR Award - 3 yr	80,000	26-Nov-15	100	-	-	2019
	FY 16 LTI DEI Award - 3 yr	50,000	26-Nov-15	100	-	-	2019
	FY 17 Supp LTI Award (TSR) - 3 yr	30,619	01-Sep-16	-	-	30,619	2020
	FY 17 Supp LTI Award (EPS) - 3 yr	30,619	01-Sep-16	-	-	30,619	2020
	FY 18 LTI Award - 3 yr	34,150	01-Sep-17	-	-	34,150	2021
	FY 19 LTI Award - 3 yr ²	32,680	01-Sep-18	-	-	32,680	2022
S R Elias	FY 16 LTI Award (TSR) - 3 yr ¹	96,720	26-Nov-15	100	-	-	2019
	FY 16 LTI Award (EPS) - 3 yr ¹	96,720	26-Nov-15	100	-	-	2019
	FY 17 LTI Award (TSR) - 4 yr	96,720	26-Nov-15	-	-	96,720	2020
	FY 17 LTI Award (EPS) - 4 yr	96,720	26-Nov-15	-	-	96,720	2020
	FY 18 LTI Award - 3 yr	56,420	01-Sep-17	-	-	56,420	2021
	FY 19 LTI Award - 3 yr ²	41,750	01-Sep-18	-	-	41,750	2022
P J Finan	FY 16 LTI Award (TSR) - 3 yr ¹	90,645	26-Nov-15	100	-	-	2019
	FY 16 LTI Award (EPS) - 3 yr ¹	90,645	26-Nov-15	100	-	-	2019
	FY 17 LTI Award (TSR) - 4 yr	90,645	26-Nov-15	-	-	90,645	2020
	FY 17 LTI Award (EPS) - 4 yr	90,645	26-Nov-15	-	-	90,645	2020
	FY 18 LTI Award - 3 yr	43,380	01-Sep-17	-	-	43,380	2021
	FY 19 LTI Award - 3 yr ²	35,470	01-Sep-18	-	-	35,470	2022
J Nowlan	FY 16 LTI SR Award - 3 yr	80,000	26-Nov-15	100	-	-	2019
	FY 16 LTI DEI Award - 3 yr	50,000	26-Nov-15	100	-	-	2019
	FY 17 LTI SR Award - 3 yr	23,370	01-Sep-16	-	-	23,370	2020
	FY 17 LTI DEI Award - 3 yr	15,625	01-Sep-16	-	-	15,625	2020
	FY 18 LTI Award - 3 yr	20,625	01-Sep-17	-	-	20,625	2021
	FY 19 LTI Award - 3 yr ²	32,680	01-Sep-18	-	-	32,680	2022
G Stephens	FY 19 LTI Award - 3 yr ²	21,590	01-Sep-18	-	-	21,590	2022

1) Following the release of the FY2018 Remuneration Report and based on performance against targets, the Board approved vesting of share rights granted under the FY2016 LTI Award (TSR/EPS), FY2016 LTI SR Award and FY2016 DEI Award. Refer Section 2.3 for further details.

2) The FY2019 Long Term Incentive (LTI) Alignment Rights Award expiry date is 31 December 2024.

3) The FY19 Short Term Incentive (STI) Award expiry date is 31 December 2022.

5.3 SHAREHOLDINGS IN BLUESCOPE STEEL LIMITED

The numbers of shares in the Company held during the financial year by each Director of the Company and other KMP of the Group, including their personally related parties are set out below.

Name	Ordinary shares held as at 30 June 2018	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 2019
Non-executive Directors					
J A Bevan	55,326	-	-	-	55,326
P Bingham-Hall	57,834	-	-	-	57,834
E G W Crouch	32,500	-	-	-	32,500
R P Dee-Bradbury	27,300	-	-	-	27,300
M Hutchinson ³	11,720	-	-	-	11,720
L H Jones	46,245	-	-	-	46,245
J Lambert	4,100	-	-	6,000	10,100
Previous Non-executive Directors					
K A Dean ⁴	40,488	-	-	-	40,488
D B Grollo ⁵	38,447	-	-	(4,247)	34,200
Executive Director					
M R Vassella	471,479	443,337	-	-	914,816
KMP Executives					
T Archibald	11,250	130,000	-	(80,000)	61,250
S R Elias	421,334	193,440	-	-	614,774
P J Finan	469,753	181,290	-	(127,606)	523,437
J Nowlan	223,881	130,000	-	(45,000)	308,881
G Stephens ⁶	-	-	-	5,460	5,460

1) Exercise of share rights awarded under the FY2016 Long Term Incentive Plans and FY2018 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 rights awards.

3) M Hutchinson was appointed as a Director on 1 October 2018 and the shareholding is represented at that date.

4) KA Dean ceased being a Director on 23 November 2018 and the shareholding is represented at that date.

5) DB Grollo ceased being a Director on 23 November 2018 and the shareholding is represented at that date.

6) G Stephens received 5,460 sign-on shares which are subject to a restriction period which will end on 25 June 2021. These shares are being expensed over a 3 year period.

6. RELATED PARTY TRANSACTIONS

6.1 LOANS TO KEY MANAGEMENT PERSONNEL

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

6.2 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.

7. NON-EXECUTIVE DIRECTOR REMUNERATION

7.1 POLICY AND APPROACH

There was no increase in the fees payable to Non-executive Directors during FY2019.

Non-executive Directors receive a base fee in relation to their service as a Director of the Board, 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.

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 2019 amounted to \$2,132,871 (FY2018 \$2,150,427).

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

Role		Base plus super (effective Jan 2019)
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

7.2 DIRECTORS' REMUNERATION

Details of the audited remuneration for FY2019 for each Non-executive Director of the Company are set out in the following table.

Name	Year	Short-term benefits			Post-employment benefits ²		Total \$
		Fees ¹ \$	Non-monetary \$	Sub-total \$	\$	\$	
Non-executive Directors							
J A Bevan	2019	486,000	-	486,000	20,530	506,530	
	2018	486,000	-	486,000	20,049	506,049	
P Bingham-Hall	2019	240,500	-	240,500	20,530	261,030	
	2018	230,265	-	230,265	20,035	250,300	
E G W Crouch	2019	240,500	-	240,500	20,530	261,030	
	2018	239,104	-	239,104	20,049	259,153	
R P Dee-Bradbury	2019	220,500	-	220,500	20,530	241,030	
	2018	218,000	-	218,000	20,049	238,049	
M Hutchinson ³	2019	159,414	1,500	160,914	15,017	175,931	
	2018	-	-	-	-	-	
L H Jones	2019	219,500	-	219,500	20,530	240,030	
	2018	198,000	-	198,000	18,810	216,810	
J Lambert	2019	240,500	-	240,500	20,530	261,030	
	2018	176,284	-	176,284	15,811	192,095	
Previous Non-executive Directors							
K A Dean ⁴	2019	89,048	-	89,048	8,356	97,404	
	2018	232,373	-	232,373	20,049	252,422	
D B Grollo ⁵	2019	81,147	-	81,147	7,709	88,856	
	2018	215,500	-	215,500	20,049	235,549	
Total 2019		1,977,109	1,500	1,978,609	154,262	2,132,871	
Total 2018		1,995,526	-	1,995,526	154,901	2,150,427	

1) There was no increase in Chairman or Directors' base fees.

2) Non-executive Directors receive statutory superannuation contributions in line with the Superannuation Guarantee. No other post-employment benefits apply.

3) M Hutchinson was appointed as a Director on 1 October 2018.

4) KA Dean ceased being a Director on 23 November 2018.

5) DB Grollo ceased being a Director on 23 November 2018.

OTHER MATTERS

ENVIRONMENTAL REGULATION

BlueScope's Australian manufacturing operations are subject to significant environmental reporting. In the 12 months to 30 June 2019, the Group notified relevant authorities of 9 incidents resulting in environmental non-compliance, 6 of which occurred in Australia, with the compliance status of an additional 5 incidents that occurred in Australia in May and June 2019 yet to be determined. To date, no penalty infringement notices have been received.

In addition, in BlueScope's Australian manufacturing operations, boundary remediation has continued, and source remediation commenced during FY2019 at the 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 FY2020. 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 20). 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 FY2019 the Company has paid \$178,493 for 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 2019 has been received from Ernst & Young. This is set out at page 46 of the Directors' Report.

NON-AUDIT SERVICES

Ernst & Young provided \$746,000 of non-audit services during the year ended 30 June 2019, comprising:

- \$ 171,000 for taxation compliance services;
- \$ 408,000 for assurance services; and
- \$ 167,000 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
19 August 2019



**Building a better
working world**

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

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

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

As lead auditor for the audit of the financial report of BlueScope Steel Limited for the financial year ended 30 June 2019, 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
19 August 2019



FINANCIAL REPORT

BLUESCOPE STEEL
ANNUAL REPORT 2018/2019

Annual Financial Report - 30 JUNE 2019

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Statement of Comprehensive Income

BLUESCOPE STEEL LIMITED
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Consolidated	
		2019 \$M	2018 \$M
Revenue from continuing operations	2	12,573.1	11,526.3
Other income	3	140.9	42.0
Changes in inventories of finished goods and work in progress		0.7	113.9
Raw materials and consumables used		(7,519.5)	(6,801.6)
Employee benefits expense		(1,705.3)	(1,679.7)
Depreciation and amortisation expense	12,13	(413.1)	(375.3)
Net impairment write-back (expense) of non-current assets	14(f)	(65.6)	216.0
Freight on external despatches		(521.3)	(496.5)
External services		(853.3)	(838.9)
Net restructuring costs	10(e)	(5.1)	(1.6)
Finance costs	16(g)	(56.8)	(112.4)
Other expenses		(283.4)	(239.9)
Share of net profits of associates and joint venture partnerships accounted for using the equity method	23(a),24(a)	16.4	32.6
Profit before income tax		1,307.7	1,384.9
Income tax benefit (expense)	4(a)	(292.6)	270.0
Profit from continuing operations		1,015.1	1,654.9
Loss from discontinued operations after income tax	25(b)	(5.0)	(26.3)
Net profit for the year		1,010.1	1,628.6
<i>Items that may be reclassified to profit or loss</i>			
Net gain (loss) on cash flow hedges		(1.6)	3.5
- Income tax (expense) benefit		0.3	(0.1)
Net gain (loss) on net investments in foreign subsidiaries	18(a)	30.2	32.9
- Income tax (expense) benefit		(9.1)	(25.1)
Exchange fluctuations on translation of foreign operations attributable to BlueScope Steel Limited	18(a)	110.2	77.8
Exchange fluctuations transferred to profit on translation of foreign operations disposed	18(a)	(7.3)	0.2
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial losses on defined benefit superannuation plans	11(i)	(122.7)	(4.3)
- Income tax (expense)		40.4	(13.2)
Investment revaluation	21	(19.3)	-
Exchange fluctuations on translation of foreign operations attributable to non-controlling interests		34.7	29.6
Other comprehensive income for the year		55.8	101.3
Total comprehensive income for the year		1,065.9	1,729.9
Profit is attributable to:			
Owners of BlueScope Steel Limited		1,015.8	1,569.1
Non-controlling interests		(5.7)	59.5
		1,010.1	1,628.6
Total comprehensive income for the year is attributable to:			
Owners of BlueScope Steel Limited		1,036.2	1,639.6
Non-controlling interests		29.7	90.3
		1,065.9	1,729.9
Earnings per share for profit attributable to ordinary equity holders of the Company from:			
	Notes	2019 Cents	2018 Cents
Continuing operations:			
Basic earnings per share	5	190.9	285.8
Diluted earnings per share	5	188.5	279.8
Total operations:			
Basic earnings per share	5	189.9	281.8
Diluted earnings per share	5	187.6	275.8

Statement of Financial Position

BLUESCOPE STEEL LIMITED
AS AT 30 JUNE 2019

		Consolidated	
	Notes	2019 \$M	2018 \$M
ASSETS			
Current assets			
Cash and cash equivalents	15	1,644.5	944.4
Trade and other receivables	6	1,199.4	1,419.7
Contract assets	2(c)	25.5	34.6
Inventories	7	2,056.9	1,945.9
Operating intangible assets	8	27.2	28.2
Derivative financial instruments	33(d)	1.5	4.7
Deferred charges and prepayments		122.5	112.2
		5,077.5	4,489.7
Non-current assets classified as held for sale	12(a)	1.1	4.0
Total current assets		5,078.6	4,493.7
Non-current assets			
Trade and other receivables	6	34.9	31.3
Inventories	7	73.3	67.5
Operating intangible assets	8	76.3	42.6
Derivative financial instruments	33(d)	12.3	7.0
Investments accounted for using the equity method	23,24	90.4	72.7
Other investments - Fair value through OCI	21	24.7	-
Property, plant and equipment	12	4,147.5	4,049.3
Intangible assets	13	1,723.5	1,676.2
Deferred tax assets	4(c)	419.1	487.7
Deferred charges and prepayments		15.7	3.0
Total non-current assets		6,617.7	6,437.3
Total assets		11,696.3	10,931.0
LIABILITIES			
Current liabilities			
Trade and other payables	9	2,052.0	1,797.8
Borrowings	16	212.2	95.9
Current tax liabilities		7.6	38.7
Provisions	10	432.0	446.7
Contract liabilities	2(c)	163.2	200.5
Deferred income		26.3	26.7
Derivative financial instruments	33(d)	3.7	1.9
Total current liabilities		2,897.0	2,608.2
Non-current liabilities			
Trade and other payables	9	78.3	67.4
Borrowings	16	739.6	784.9
Deferred tax liabilities	4(c)	182.1	158.9
Provisions	10	143.3	139.5
Contract liabilities	2(c)	10.5	1.2
Retirement benefit obligations	11	300.4	280.9
Deferred income		3.6	2.4
Total non-current liabilities		1,457.8	1,435.2
Total liabilities		4,354.8	4,043.4
Net assets		7,341.5	6,887.6
EQUITY			
Contributed equity	17(a)	3,832.8	4,311.2
Reserves	18	369.0	272.8
Retained profits		2,662.3	1,809.8
Parent entity interest		6,864.1	6,393.8
Non-controlling interests	22	477.4	493.8
Total equity		7,341.5	6,887.6

Statement of Changes in Equity

BLUESCOPE STEEL LIMITED
AS AT 30 JUNE 2019

Consolidated - 30 June 2019		Contributed equity \$M	Reserves \$M	Retained profits \$M	Non- controlling interests \$M	Total \$M
	Notes					
Balance at 1 July 2018		4,311.2	272.8	1,809.8	493.8	6,887.6
Accounting policy changes (AASB9/AASB15) - July 2018	35(a)(i)(ii)	-	-	(12.1)	-	(12.1)
- Tax credit	35(a)(i)(ii)	-	-	2.1	-	2.1
Non-controlling interest share of accounting policy changes after tax		-	-	2.7	(2.7)	-
Restated Balance at 1 July 2018		4,311.2	272.8	1,802.5	491.1	6,877.6
Profit (loss) for the period		-	-	1,015.8	(5.7)	1,010.1
Other comprehensive income (loss)		-	104.1	(83.7)	35.4	55.8
Total comprehensive income (loss) for the year		-	104.1	932.1	29.7	1,065.9
Transactions with owners in their capacity as owners:						
Issue of share awards	17(b),18(a)	17.3	(17.3)	-	-	-
Share-based payment expense	18(a)	-	12.9	-	-	12.9
Share buybacks	17(c)	(510.4)	-	-	-	(510.4)
Dividends paid		-	-	(75.8)	(43.4)	(119.2)
Tax credit recognised directly in equity	17(b)	14.7	-	-	-	14.7
Other		-	(3.5)	3.5	-	-
		(478.4)	(7.9)	(72.3)	(43.4)	(602.0)
Balance at 30 June 2019		3,832.8	369.0	2,662.3	477.4	7,341.5

Consolidated - 30 June 2018		Contributed equity \$M	Reserves \$M	Retained profits \$M	Non- controlling interests \$M	Total \$M
	Notes					
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 (loss) 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

Statement of Cash Flows

BLUESCOPE STEEL LIMITED
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Consolidated	
		2019 \$M	2018 \$M
Cash flows from operating activities			
Receipts from customers		13,275.4	11,924.8
Payments to suppliers and employees		(11,390.9)	(10,647.3)
		1,884.5	1,277.5
Associate dividends received		3.0	3.1
Interest received		17.1	8.7
Other revenue		23.7	22.5
Finance costs paid		(56.5)	(104.7)
Income taxes paid		(189.5)	(66.4)
Net cash inflow from operating activities	15(a)	1,682.3	1,140.7
Cash flows from investing activities			
Payments for business acquisition	20	(45.5)	-
Payments for other investments	21	(42.2)	-
Payments for disposal of subsidiary	3(a)	-	3.1
Payments for property, plant and equipment		(362.3)	(395.4)
Payments for intangibles		(15.9)	(14.5)
Proceeds from sale of property, plant and equipment		15.6	15.3
Proceeds from sale of partnership		0.2	-
Proceeds from sale of subsidiaries	3(a)	70.3	11.1
Repayment of deposit on sale of subsidiary		(8.4)	-
Net cash (outflow) from investing activities		(388.2)	(380.4)
Cash flows from financing activities			
Proceeds from borrowings		564.4	1,672.3
Repayment of borrowings		(545.6)	(1,826.9)
Dividends paid to Company's shareholders	19(a)	(75.8)	(61.7)
Dividends paid to non-controlling interests in subsidiaries		(43.4)	(64.9)
Share buybacks	17(c)	(502.0)	(300.3)
Other		(3.6)	-
Net cash inflow (outflow) from financing activities		(606.0)	(581.5)
Net increase in cash and cash equivalents		688.1	178.8
Cash and cash equivalents at the beginning of the financial year		943.0	751.9
Effects of exchange rate changes on cash and cash equivalents		12.3	12.3
Cash and cash equivalents at end of financial year	15	1,643.4	943.0
Reconciliation of liabilities arising from financing activities	16(a)		
Financing arrangements	16(c)		
Non-cash financing activities	16(h)		

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 2019 was authorised for issue in accordance with a resolution of the Directors on 19 August 2019.

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 2019 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 and other investments fair valued through other comprehensive income.
- 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 2018 as disclosed in note 35(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 35(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 29	Share-based payments

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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.

Segment	Description
<p style="color: #004a87;">Australian Steel Products</p>	<ul style="list-style-type: none"> • 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.
<p style="color: #004a87;">North Star BlueScope Steel</p>	<ul style="list-style-type: none"> • 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.
<p style="color: #004a87;">Building Products Asia and North America</p>	<ul style="list-style-type: none"> • 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 Corporation (NSC) and in India with Tata Steel. Both are 50/50 joint ventures, with BlueScope controlling and therefore consolidating the joint venture with NSC, and jointly controlling and therefore equity accounting the joint venture with Tata Steel. • This segment also includes Building Products China, comprising metal coating, painting, Lysaght operations and Engineered Building Solutions.
<p style="color: #004a87;">Buildings North America</p>	<ul style="list-style-type: none"> • Leader in engineered building solutions, 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.
<p style="color: #004a87;">New Zealand & Pacific Steel</p>	<ul style="list-style-type: none"> • 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 2019 is as follows:

30 June 2019

	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	5,707.5	2,375.7	2,879.4	1,178.0	888.0	12.7	13,041.3
Intersegment revenue	(353.5)	-	(95.5)	(1.8)	(45.1)	-	(495.9)
Revenue from external customers	5,354.0	2,375.7	2,783.9	1,176.2	842.9	12.7	12,545.4
Segment EBIT	527.5	654.7	63.9	53.4	80.6	(2.1)	1,378.0
Depreciation and amortisation	211.6	60.9	71.8	20.0	48.4	-	412.7
Impairment expense (write-back) of non-current assets	1.8	-	63.8	-	-	0.2	65.8
Share of profit (loss) from associates and joint venture partnerships	-	-	16.4	(1.3)	1.3	-	16.4
Total segment assets	3,636.7	2,245.4	2,204.6	769.8	817.4	21.0	9,694.9
Total assets includes:							
Investments in associates and joint venture partnerships	-	-	85.6	-	4.8	-	90.4
Additions to non-current assets (other than financial assets and deferred tax)	201.1	41.3	139.8	26.1	39.6	-	447.9
Total segment liabilities	1,406.8	395.3	715.3	220.9	553.7	6.0	3,298.0

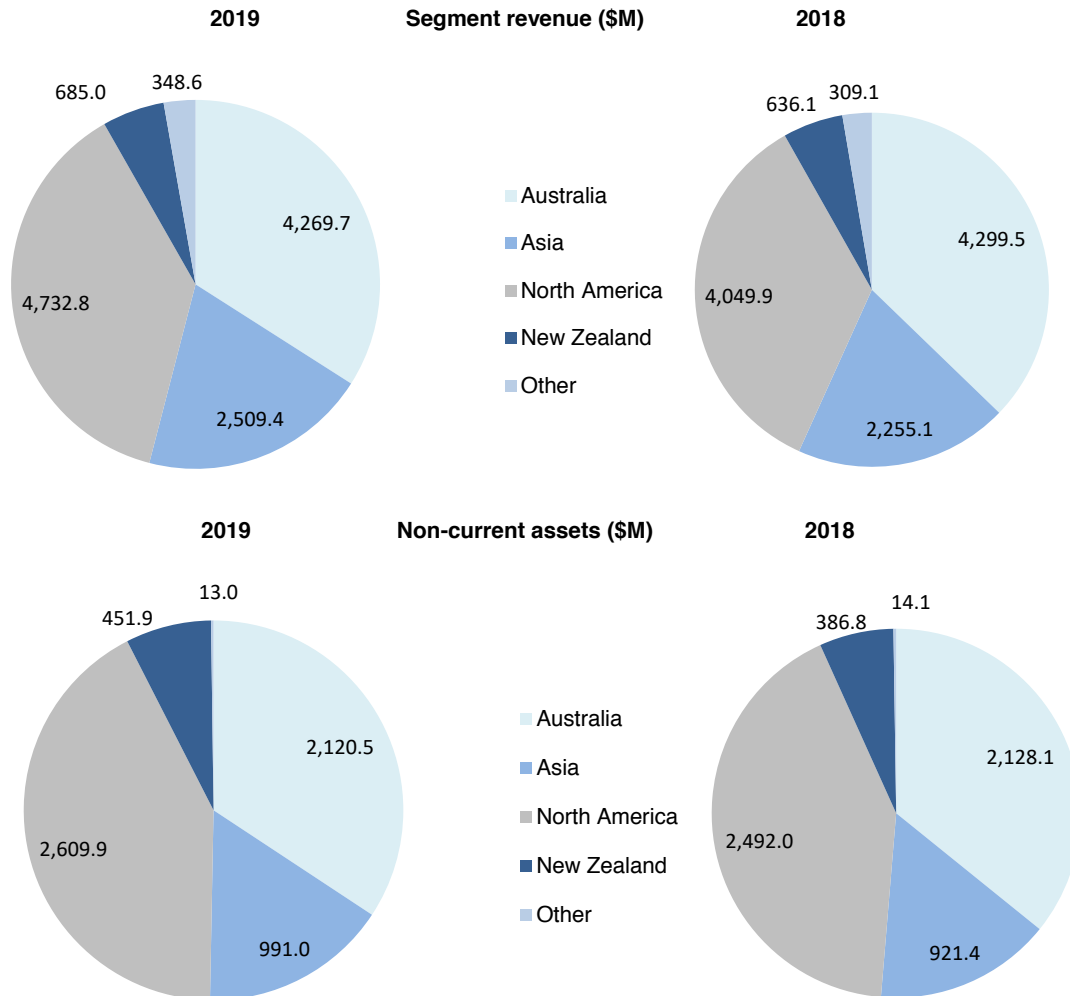
30 June 2018

	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 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

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.

	Note	Consolidated	
		2019 \$M	2018 \$M
Total segment sales revenue		13,041.3	12,032.8
Intersegment eliminations		(495.9)	(483.1)
Discontinued operations	25(b)	(12.7)	(51.9)
Other revenue		40.4	28.5
Total revenue from continuing operations		12,573.1	11,526.3

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	
	2019 \$M	2018 \$M
Total segment EBIT	1,378.0	1,582.4
Intersegment eliminations	3.8	(11.0)
Interest income	19.0	8.7
Finance costs	(56.8)	(112.4)
Discontinued operations	2.1	25.3
Corporate operations	(38.4)	(108.1)
Profit before income tax from continuing operations	1,307.7	1,384.9

(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 are not considered to be segment assets and liabilities respectively due to these being managed by the Group's centralised treasury function.

	Consolidated	
	2019 \$M	2018 \$M
Segment assets	9,694.9	9,553.4
Intersegment eliminations	(303.1)	(298.6)
Unallocated:		
Deferred tax assets	419.1	487.7
Cash	1,644.5	944.4
Accrued interest receivable	1.9	0.1
Corporate operations	239.0	244.0
Total assets	11,696.3	10,931.0

	Consolidated	
	2019 \$M	2018 \$M
Segment liabilities	3,298.0	3,079.6
Intersegment eliminations	(294.7)	(286.3)
Unallocated:		
Borrowings	951.8	880.8
Current tax liabilities	7.6	38.7
Deferred tax liabilities	182.1	158.9
Accrued borrowing costs payable	2.7	4.0
Corporate operations	207.3	167.7
Total liabilities	4,354.8	4,043.4

2 Revenue

	Note	Consolidated	
		2019 \$M	2018 \$M
Sales revenue from contracts with customers		12,532.7	11,497.8
<i>Other revenue</i>			
Interest		19.0	8.7
Other		21.4	19.8
		40.4	28.5
Total revenue from continuing operations		12,573.1	11,526.3
From discontinued operations			
Sales revenue from contracts with customers		12.7	51.9
Other revenue		0.6	-
Total revenue from discontinued operations	25(b)	13.3	51.9

(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.

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

Revenue is recognised at a point in time for goods being upon delivery to the customer or over the ship's rail. Revenue is recognised over time for bundled goods and services such as design, construction or installation services. The Group has determined that the output method is the best method in measuring bundled goods and the input method for measuring services as there is a direct relationship between the Group's effort and the transfer of goods and services to the customer. The Group recognises revenue on the basis of the total goods delivered and costs expected relative to the total expected goods to be delivered and total expected costs.

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

The majority of the Group's product warranties are assurance type warranties. However, the North American Buildings and Building Product businesses offer service warranties to customers, ranging from 5 to 30 years. Service warranty premium is treated as a separate performance obligation with revenue recognised over the warranty period.

2 Revenue (continued)

(b) Disaggregation of sales revenue from contracts with customers

30 June 2019

	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
External sales revenue recognition							
Point in time	5,354.0	2,375.7	2,392.2	43.8	842.9	-	11,008.6
Over time	-	-	391.7	1,132.4	-	12.7	1,536.8
	5,354.0	2,375.7	2,783.9	1,176.2	842.9	12.7	12,545.4

External sales revenue by destination

Australia	4,184.8	-	37.3	-	47.6	-	4,269.7
Asia	578.8	-	1,899.8	-	18.0	12.7	2,509.3
North America	372.7	2,375.7	808.2	1,176.2	-	-	4,732.8
New Zealand	59.3	-	-	-	625.7	-	685.0
Other	158.4	-	38.6	-	151.6	-	348.6
	5,354.0	2,375.7	2,783.9	1,176.2	842.9	12.7	12,545.4

External sales revenue by category

Steelmaking Products	1,460.9	2,375.7	-	-	89.4	-	3,926.0
Building Products	3,580.1	-	2,392.2	-	753.5	-	6,725.8
Engineered Building Solutions	-	-	391.7	1,176.2	-	12.7	1,580.6
Other	313.0	-	-	-	-	-	313.0
	5,354.0	2,375.7	2,783.9	1,176.2	842.9	12.7	12,545.4

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
External sales revenue recognition							
Point in time	5,119.3	1,923.9	2,286.2	60.1	752.5	-	10,142.0
Over time	-	-	310.4	1,045.3	-	51.9	1,407.6
	5,119.3	1,923.9	2,596.6	1,105.4	752.5	51.9	11,549.6

External sales revenue by destination

Australia	4,202.4	-	37.0	-	45.9	14.2	4,299.5
Asia	412.4	-	1,763.6	-	41.4	37.7	2,255.1
North America	270.5	1,923.9	750.0	1,105.4	-	-	4,049.8
New Zealand	27.9	-	3.5	-	604.7	-	636.1
Other	206.1	-	42.5	-	60.5	-	309.1
	5,119.3	1,923.9	2,596.6	1,105.4	752.5	51.9	11,549.6

External sales revenue by category

Steelmaking Products	1,254.3	1,923.9	-	-	82.2	-	3,260.4
Building Products	3,538.4	-	2,286.2	-	670.3	-	6,494.9
Engineered Building Solutions	-	-	310.4	1,105.4	-	51.9	1,467.7
Other	326.6	-	-	-	-	-	326.6
	5,119.3	1,923.9	2,596.6	1,105.4	752.5	51.9	11,549.6

2 Revenue (continued)

(c) Assets and liabilities related to contracts with customers

	30 June 2019 \$M	1 July 2018* \$M	30 June 2018 \$M
Current contract assets			
Engineered Building Solutions	25.5	-	34.6
Current contract liabilities			
Customer deposits received in advance of work performed	162.3	-	200.5
Service warranties	0.9	0.9	-
Total current contract liabilities	163.2	0.9	200.5
Non-current contract liabilities			
Customer deposits received in advance of work performed	2.8	-	1.2
Service warranties	7.7	7.6	-
Total non-current contract liabilities	10.5	7.6	1.2

* Reclassified and remeasured amounts arising from the implementation of AASB 15 Revenue from Contracts with Customers - refer note 35(a)(i).

There have been no contract assets recognised from costs to fulfil a contract. The non-current customer deposits will be recognised as revenue in FY 2021.

The service warranties relate to our North American Buildings and Building Product businesses and range from 5 to 30 years. Revenue brought to account during the year was immaterial.

3 Other income

	Notes	Consolidated	
		2019 \$M	2018 \$M
Net gain on disposal of non-current assets	12(c)	4.5	5.1
Net gain on sale of subsidiaries	3(a)	74.7	2.1
Carbon permit income		43.5	29.0
Government grant		0.8	0.8
Insurance recoveries		0.7	-
Net foreign exchange gains		16.6	5.0
Other		0.1	-
		140.9	42.0

(a) Net gain on sale of subsidiaries

In April 2019, BlueScope sold 100% of its share in BlueScope Buildings (Guangzhou) Ltd for \$70.3M net of selling expenses, recognising a gain on sale of \$73.7M (includes \$6.3M gain on recycling of the exchange fluctuation reserve).

4 Income tax

(a) Income tax (benefit) expense

	Note	Consolidated	
		2019 \$M	2018 \$M
Current tax		170.4	134.8
Deferred tax		129.1	(371.4)
Net investment in foreign operations	18(a)	(9.1)	(25.1)
Adjustments for current tax of prior periods		2.3	(7.8)
		292.7	(269.5)
Income tax (benefit) expense is attributable to:			
Continuing operations		292.6	(270.0)
Discontinued operations	25(b)	0.1	0.5
Total income tax (benefit) expense		292.7	(269.5)

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

	Note	Consolidated	
		2019 \$M	2018 \$M
Profit from continuing operations before income tax expense		1,307.7	1,384.9
Loss from discontinuing operations before income tax expense	25(b)	(4.9)	(25.8)
		1,302.8	1,359.1
Tax at the Australian tax rate of 30.0% (2018 - 30.0%)		390.9	407.7
Tax effect of amounts which are not deductible/(taxable):			
Manufacturing credits		-	(9.0)
Research and development incentive		(3.1)	(2.9)
Withholding tax		4.7	3.1
Non-taxable gains		(22.7)	(14.7)
Share of net profits of associates and joint ventures		(6.1)	(11.0)
US tax reform	4(b)(i)	(1.6)	(76.3)
Sundry items		3.8	8.7
		365.9	305.6
Difference in overseas tax rates		(52.8)	(8.0)
Adjustments for current tax of prior periods		2.3	(7.8)
Temporary differences and tax losses not recognised		5.2	4.6
Previously unrecognised tax losses now recouped		(25.1)	(178.9)
Temporary differences and tax losses now recognised		(2.8)	(390.5)
Deferred tax assets derecognised		-	5.5
Income tax (benefit) expense		292.7	(269.5)

(i) US Tax reform

In late December 2017 the US tax reform bill was passed. BlueScope 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 withholding tax on distributable US foreign earnings in China. The one-off reduction to income tax expense for the prior year was \$76.3M.

(ii) Australia

For the year ended 30 June 2018, \$155.2M of Australian tax losses were utilised through tax expense. At 30 June 2018, \$325.7M remaining unbooked Australian tax assets were recognised through tax expense following ongoing improved operating performance. As at 30 June 2019, the Australian consolidated tax Group has \$1.43 billion of carried forward recognised tax losses which are able to be carried forward indefinitely.

4 Income tax (continued)

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

	Consolidated			
	DTA		DTL	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
The balance comprises temporary differences attributable to:				
Employee benefits provision	182.1	146.6	(10.0)	(42.1)
Other provisions	30.7	32.8	(6.8)	(6.7)
Property, plant and equipment	(247.7)	(249.5)	97.3	80.0
Foreign exchange (gains) losses	(15.4)	(22.6)	-	-
Intangible assets	(7.6)	5.3	103.0	111.1
Inventory	(2.3)	(2.4)	3.6	4.6
Tax losses	469.9	573.4	(16.3)	(7.3)
Other	9.4	4.1	11.3	19.3
	419.1	487.7	182.1	158.9

	Consolidated			
	DTA		DTL	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Movements:				
Opening balance at 1 July	487.7	155.3	158.9	175.9
Charged/(credited):				
Charged (credited) to profit or loss	(107.4)	328.8	21.7	(42.6)
Charged (credited) to other comprehensive income	35.6	4.9	(5.0)	18.2
Accounting policy changes - AASB 9 /AASB 15	0.4	-	(1.7)	-
Exchange fluctuation	2.8	(1.3)	8.2	7.4
Closing balance at 30 June	419.1	487.7	182.1	158.9

(d) Tax losses

	Consolidated	
	2019 \$M	2018 \$M
Unused tax losses for which no deferred tax asset has been recognised	138.6	190.7
Potential tax benefit	37.5	51.5

(i) New Zealand

For the year ended 30 June 2019, \$11.3M (2018: \$21.1M) of New Zealand deferred tax assets has been utilised within tax expense. The Group 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\$150.3M (gross NZ\$157.8M) are able to be carried forward indefinitely.

(ii) China

The Group also has unrecognised tax losses arising in China of \$44.9M (2018: \$63.2M) which are able to be offset against taxable profits within five years of being incurred.

(e) Unrecognised temporary differences

	Consolidated	
	2019 \$M	2018 \$M
Temporary difference relating to investment in subsidiaries for which deferred tax liabilities have not been recognised	155.7	136.7
Tax effect of the above unrecognised temporary differences	27.8	20.6

4 Income tax (continued)

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 \$160.0M (2018: \$156.1M) 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 Group operates and generates 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.

(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 tax consolidated group has recognised a \$284.0M (2018: 412.1M) deferred tax asset. 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.

New Zealand Steel has recognised a NZ\$93.0M deferred tax asset at 30 June 2019 (2018: NZ\$56.4M). 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
	2019 Cents	2018 Cents	2019 Cents	2018 Cents
Continuing operations	190.9	285.8	188.5	279.8
Discontinued operations	(1.0)	(4.0)	(0.9)	(4.0)
Earnings per share	189.9	281.8	187.6	275.8

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

	Note	Consolidated	
		2019 \$M	2018 \$M
Profit (loss) used in calculating basic earnings (loss) per share:			
Continuing operations		1,020.9	1,591.6
Discontinued operations	25(b)	(5.1)	(22.5)
		1,015.8	1,569.1

(b) Weighted average number of shares used as denominator

	Consolidated	
	2019 Number	2018 Number
Weighted average number of ordinary shares (Basic)	534,904,974	556,843,500
Weighted average number of share rights	6,704,781	12,009,323
Weighted average number of ordinary and potential ordinary shares (Diluted)	541,609,755	568,852,823

(c) 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.

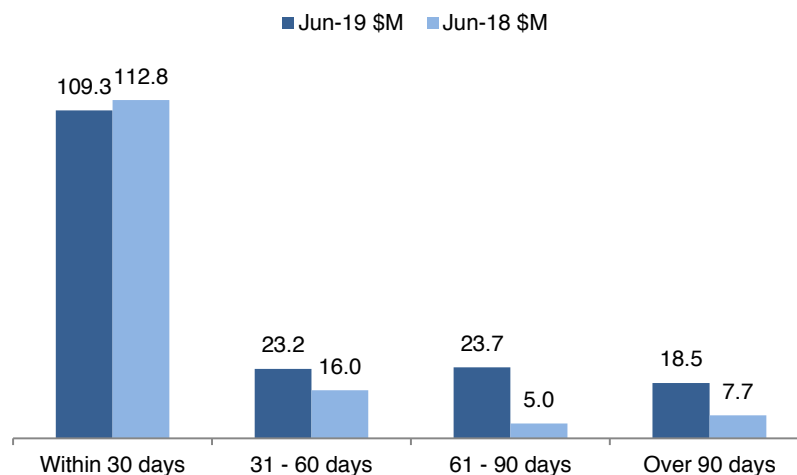
6 Trade and other receivables

	Notes	Consolidated			
		2019		2018	
		Current \$M	Non- current \$M	Current \$M	Non- current \$M
Trade receivables		1,120.2	-	1,286.7	-
Provision for impairment of trade receivables	6(a)	(21.7)	-	(18.6)	-
		1,098.5	-	1,268.1	-
Loans to related parties - associates	30(d)	1.3	-	1.2	-
Workers compensation receivables	10(g)	-	19.9	-	20.5
Sale of receivables	6(c)	30.0	-	70.4	-
Other receivables		69.8	15.0	80.4	10.8
Provision for impairment of sundry receivables	6(a)	(0.2)	-	(0.4)	-
		100.9	34.9	151.6	31.3
		1,199.4	34.9	1,419.7	31.3

(a) Provision for impairment of trade and other receivables

	Note	Consolidated	
		2019 \$M	2018 \$M
At 1 July		19.0	19.5
Transfer to retained profits - AASB 9 accounting policy change	35(ii)	5.5	-
Additional provision recognised		6.1	10.1
Amounts used during the period		(4.5)	(4.5)
Unutilised provision written back		(5.0)	(7.0)
Exchange fluctuations		0.8	0.9
		21.9	19.0

(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 maintains receivables securitisation programs for \$492.8M (2018: \$440.0M). The two main facilities mature in November 2019 and December 2020. These programs involve the sale of relevant trade receivables across Australian Steel Products, 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.

6 Trade and other receivables (continued)

The receivables securitisation programs qualify for derecognition of trade receivables in their entirety, when the contractual rights to the cash flows from the trade receivables have expired or are transferred. 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 \$30.0M 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 programs were \$17.0M (2018: \$10.3M), recorded within other expenses in the statement of comprehensive income.

In the event bad or doubtful debts exceed a specified limit, the Group will have to recognise the trade receivables on the balance sheet. Under these securitisation programs, BlueScope is exposed to a small proportion of the first loss and to qualify for derecognition bad or doubtful debts must not exceed a specified limit. Current experience and bad debt history is below this level. In the event this limit is exceeded, the Group would have to recognise the trade receivables on the balance sheet with the program recorded as borrowings. The carrying amount of trade receivables de-recognised as at 30 June 2019 is \$493.0M (2018: \$396.5M) which is reflected by a decrease in trade receivables of \$155.5M (2018: \$185.0M), an increase in sundry payables of \$367.5M (2018: \$281.9M) offset by a \$30.0M (2018: \$70.4M) increase in sundry receivables which approximates fair value.

(d) Recognition and measurement

Trade receivables are held with the objective to collect contractual cash flows representing 'solely payment of principal and interest' on the principal amount outstanding. Trade receivable 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 and contract assets

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 current receivables are not discounted if the effect of discounting is immaterial.

In addition, a provision for impairment is recognised using a forward looking expected credit loss (ECL) approach.

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

7 Inventories

	Consolidated			
	2019		2018	
	Current	Non-current	Current	Non-current
	\$M	\$M	\$M	\$M
At lower of cost and net realisable value:				
Raw materials and stores	617.2	-	581.9	-
Work in progress	658.3	-	520.7	-
Finished goods	635.5	-	730.7	-
Spares and other	145.9	73.3	112.6	67.5
	2,056.9	73.3	1,945.9	67.5

(a) Inventory expense

During the year, \$22.6M (2018: \$8.8M write-back) was recognised as an expense for inventories carried at net realisable value. The increase 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			
	2019		2018	
	Current \$M	Non- current \$M	Current \$M	Non- current \$M
Emission unit permits - not held for trading	27.2	76.3	28.2	42.6

(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 emissions trading scheme.

9 Trade and other payables

	Note	Consolidated			
		2019		2018	
		Current \$M	Non- current \$M	Current \$M	Non- current \$M
Trade payables		1,556.7	-	1,400.3	-
Sale of receivables	6(c)	367.5	-	281.9	-
Other payables		127.8	78.3	115.6	67.4
		2,052.0	78.3	1,797.8	67.4

(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			
	2019		2018	
	Current \$M	Non- current \$M	Current \$M	Non- current \$M
Annual leave (d) (i)	77.2	-	75.0	-
Long service leave (d) (i)	129.3	15.1	121.1	14.3
Redundancy (d) (ii)	7.0	-	3.4	-
Other employee benefits (d) (iii)	155.5	11.1	178.2	12.6
Restructure (e)	6.3	12.9	12.8	12.3
Product claims (f)	13.7	10.0	19.4	10.0
Workers compensation (g)	10.3	67.2	11.0	66.1
Restoration and rehabilitation (h)	9.7	25.4	10.0	23.2
Carbon emissions (i)	17.9	-	10.0	-
Other provisions	5.1	1.6	5.8	1.0
Total provisions	432.0	143.3	446.7	139.5

10 Provisions (continued)

(a) Movements in provisions

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

Consolidated - 2019 (\$M)	Restructure	Product claims	Workers compensation	Restoration and rehabilitation	Carbon emissions
Current and non-current					
Carrying amount at start of the year	25.1	29.4	77.1	33.2	10.0
Additional provisions recognised	6.3	11.4	14.4	2.2	28.5
Unutilised provisions written back	(1.2)	(4.9)	(1.9)	(0.9)	-
Amounts used during the period	(12.0)	(11.7)	(13.5)	(1.5)	(21.3)
Asset additions	-	-	-	1.3	-
AASB 15 accounting policy change	-	(1.8)	-	-	-
Exchange fluctuations	0.3	0.8	0.4	0.2	0.7
Transfers	0.5	-	-	-	-
Unwinding of discount	0.2	0.5	1.0	0.6	-
Carrying amount end of year	19.2	23.7	77.5	35.1	17.9

(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.

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 \$119.9M (2018: \$115.0M).

(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.

10 Provisions (continued)

(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 14 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 26(a)(ii)).

For the Group, an actuarially determined asset of \$19.9M (2018: \$20.5M) 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 \$6.5M (2018: \$4.3M) 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.

(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 2019, the defined contribution expense recognised in the profit and loss amounted to \$83.8M (2018: \$103.4M).

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.

11 Retirement benefit obligations (continued)

(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 2019.

In March 2019, a A\$110.1M (US\$78.0M) employer contribution was paid to the North American fund.

(c) Statement of financial position amounts

	Consolidated	
	2019 \$M	2018 \$M
Present value of the defined benefit obligation	(1,152.2)	(955.7)
Fair value of defined benefit plan assets	851.8	674.8
Net (liability) in the statement of financial position	(300.4)	(280.9)

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

\$M	New Zealand Pension Fund		Butler Manufacturing Base Retirement Plan		Total	
	2019	2018	2019	2018	2019	2018
Present value of the defined benefit obligation	(749.5)	(581.6)	(402.7)	(374.1)	(1,152.2)	(955.7)
Fair value of defined benefit plan assets	448.5	415.1	403.3	259.7	851.8	674.8
Net (liability) in the statement of financial position	(301.0)	(166.5)	0.6	(114.4)	(300.4)	(280.9)
Defined benefit expense	12.7	13.7	8.5	10.9	21.2	24.6
Employer contribution	12.5	13.1	126.2	15.5	138.7	28.6
Average duration of defined benefit plan obligation (years)	13.8	13.2	12.3	11.9		
<i>Significant actuarial assumptions</i>		%		%		
Discount rate (gross of tax)	1.9	3.2	3.4	4.1		
Future salary increases (i)	2.0	2.0	-	-		

(i) Buildings 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	
	2019 \$M	2018 \$M
Cash	5.2	7.8
Equity instruments	186.3	219.8
Debt instruments	614.4	402.0
Property	45.9	37.6
Other assets	-	7.6
	851.8	674.8

11 Retirement benefit obligations (continued)

(f) Actuarial assumptions and sensitivity

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption \$M	Decrease in assumption \$M
Discount rate	+/-1%	(173.8)	198.6
Salary growth rate	+/-1%	19.7	(18.9)

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 2019.

(g) Reconciliations

	Consolidated			
	Plan assets		Defined benefit obligation	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Balance at the beginning of the year	674.8	730.3	955.7	1,011.3
Current service cost	-	-	7.8	8.7
Interest income (net of tax paid)	19.1	17.7	-	-
Interest cost	-	-	24.4	24.0
Actuarial losses (gains) arising from changes in demographic assumptions	-	-	0.5	0.3
Actuarial losses (gains) arising from changes in financial assumptions	57.8	(0.8)	183.2	3.2
Foreign currency exchange rate changes	28.6	(3.1)	39.7	(3.2)
Benefits paid	(60.5)	(90.7)	(60.5)	(90.7)
Allowance for contributions tax on net liability	-	-	-	0.2
Contributions by the Group	138.7	28.9	-	-
Tax on employer contributions	(4.1)	(4.3)	-	-
Contributions by plan participants	1.7	1.9	-	-
Plan expenses	(4.3)	(5.1)	-	-
Loss on curtailment - North America	-	-	1.4	1.9
Balance at the end of the year	851.8	674.8	1,152.2	955.7

(h) Amounts recognised in profit or loss

	Consolidated	
	2019 \$M	2018 \$M
Current service cost	7.8	8.7
Contributions by plan participants	(1.7)	(1.9)
Net interest	5.3	6.3
Plan expenses	4.3	5.1
Allowance for contributions tax	4.1	4.5
Loss on curtailment - North America	1.4	1.9
Total included in employee benefits expense	21.2	24.6
Actual return on plan assets	72.6	11.8

(i) Amounts recognised in other comprehensive income

	Consolidated	
	2019 \$M	2018 \$M
Actuarial (losses) recognised in other comprehensive income - DB plans	(125.9)	(4.3)
Actuarial gains recognised in other comprehensive income - retirement plans	3.2	-
Total actuarial (losses) recognised in other comprehensive income during the year	(122.7)	(4.3)
Cumulative actuarial (losses) recognised in other comprehensive income	(535.4)	(412.7)

11 Retirement benefit obligations (continued)

(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 2020 are \$12.8M.

(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

	Notes	Land and Buildings \$M	Plant, machinery and equipment \$M	Total \$M
Year ended 30 June 2019				
Opening net book amount		744.4	3,304.9	4,049.3
Additions		16.4	370.6	387.0
Business acquisitions	20(a)	37.6	6.6	44.2
Depreciation charge		(39.6)	(323.0)	(362.6)
Disposals		(8.1)	(2.4)	(10.5)
Impairment (charge) write-back	14(f)	-	(65.8)	(65.8)
Asset reclassifications		14.1	(14.1)	-
Asset reclassifications to computer software		-	(2.8)	(2.8)
Exchange fluctuations		26.7	82.0	108.7
Closing net book amount		791.5	3,356.0	4,147.5
At 30 June 2019				
Cost		1,583.6	11,492.4	13,076.0
Accumulated depreciation and impairment		(792.1)	(8,136.4)	(8,928.5)
Net book amount		791.5	3,356.0	4,147.5
Assets under construction included above:		-	234.3	234.3

12 Property, plant and equipment (continued)

	Note	Land and Buildings \$M	Plant, machinery and equipment \$M	Total \$M
At 1 July 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
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

(a) Assets held for sale

Assets held for sale are associated with the restructuring of the Building Products China businesses.

(b) Leases

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

	Consolidated	
	2019	2018
	\$M	\$M
Leasehold assets		
Cost	189.3	184.6
Accumulation depreciation and impairment	(119.7)	(108.7)
Net book amount	69.6	75.9

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

	Consolidated	
	2019	2018
	\$M	\$M
Net gain (loss) on sale and disposal of property, plant and equipment	4.5	5.1

(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	Goodwill \$M	Patents, trademarks and other rights \$M	Computer software \$M	Customer relation- ships \$M	Other intangible assets \$M	Total \$M
Year 30 June 2019						
Opening net book amount	1,210.2	5.5	82.4	347.1	31.0	1,676.2
Additions	-	-	15.9	-	-	15.9
Amortisation charge	-	(0.4)	(18.1)	(30.3)	(1.7)	(50.5)
Reclassifications from PP&E	-	-	2.8	-	-	2.8
Exchange fluctuations	58.8	0.3	2.5	16.3	1.2	79.1
Closing net book amount	1,269.0	5.4	85.5	333.1	30.5	1,723.5
At 30 June 2019						
Cost	1,787.8	22.5	382.3	513.8	42.9	2,749.3
Accumulated amortisation and impairment	(518.8)	(17.1)	(296.8)	(180.7)	(12.4)	(1,025.8)
Net book amount	1,269.0	5.4	85.5	333.1	30.5	1,723.5

13 Intangible assets (continued)

Consolidated	Note	Goodwill \$M	Patents, trademarks and other rights \$M	Computer software \$M	Customer relation- ships \$M	Other intangible assets \$M	Total \$M
At 1 July 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
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

(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 2019, \$26.1M (2018: \$24.7M) was recognised for research and development expenditure within other expenses in the statement of comprehensive income. 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	2019 \$M	2018 \$M
Building Products North America	Building Products Asia and North America	4.0	3.8
Buildings North America	Buildings North America	312.4	297.9
North Star BlueScope Steel	North Star BlueScope Steel	949.3	905.2
Buildings China	Building Products Asia and North America	3.3	3.3
Total goodwill		1,269.0	1,210.2

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 \$4.1M (2018: \$3.9M) 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • The growth rate used to extrapolate the cash flows for each CGU beyond the forecast period does not exceed 2.5% (2018: 2.5%). • The growth rate represents a steady indexation rate which does not exceed the Group's expectations of the long-term average growth rate for the business in which each CGU operates.
Discount rate	<ul style="list-style-type: none"> • 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 7.9% to 9.1% (2018: 7.8% to 8.9%). • Given the differing characteristics, currencies and geographical locations of the Group's CGUs, where appropriate the base discount rate is adjusted by a country risk premium (CRP) to reflect country specific risks. Such adjustments do not reflect risks for which cash flow forecasts have already been adjusted. The CRP is derived from a range of externally sourced foreign country risk ratings. • The adjusted post-tax discount rate is translated to a pre-tax rate for each CGU based on the specific tax rate applicable to where the CGU operates. • All foreign currency cash flows are discounted using a discount rate appropriate for that currency.
Raw material costs	<ul style="list-style-type: none"> • Based on commodity price forecasts derived from a range of external commodity forecasters.
Selling prices	<ul style="list-style-type: none"> • Based on management forecasts, taking into account commodity steel price forecasts derived from a range of external commodity forecasters.
Sales volume	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Based on forecasts derived from a range of external banks.
Climate Related Risks	<ul style="list-style-type: none"> • A cost of carbon net of assistance is considered based on a continuation of legislation as it is currently enacted and external forecasts (in jurisdictions where legislation has been enacted).

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 26 years. Pre-tax VIU cash flows are discounted utilising a 10.1% pre-tax discount rate (2018: 10.3%).

At 30 June 2019 the recoverable amount of this CGU is 2.7 times (2018: 3.0 times) the carrying amount of \$537.5M (2018: \$465.4M), including non-current assets and net working capital. This CGU is most sensitive to assumptions in relation to North American non-residential building and construction activity. Taking into account external forecasts, the Group expects non-residential building and construction activity to increase 3.3% per annum (2018: 3.8%) from the 2018/19 financial year over the three-year projection period.

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

North Star BlueScope Steel

The Company acquired a controlling interest in North Star BlueScope Steel 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 26 years. Pre-tax VIU cash flows are discounted utilising pre-tax discount rate of 11.5% (2018: 11.3%).

At 30 June 2019 the recoverable amount of the CGU is 1.8 times (2018: 1.9 times) the carrying amount of \$1,833.0M (2018: \$1,820.8M), including non-current assets and net working capital. This CGU is most sensitive to assumptions in relation to the spread between North American hot rolled coil and purchased scrap prices. This spread decreased from its historically high levels towards the end of the 2018/2019 financial year and after taking into account external forecasts, the Group expects the spread to remain relatively stable 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 were to decrease by 44% (2018: 46%) 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's, Australian Steel Products (ASP) and New Zealand & Pacific Steel (NZPac), which have property, plant and equipment of \$2,013.7M and \$303.8M respectively, 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 2018/19 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 54% (2018: 58%) 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 2018/19 level and a decrease in global commodity steel prices relative to the average 2018/19. The Group believes that the long term assumptions adopted are appropriate. NZPac is exposed to the New Zealand Emissions Trading Scheme (NZ ETS), as at 30 June 2019 the CGU holds surplus of credits (New Zealand Units), in the absence of any legislative change this position is assumed to continue. To illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flow forecasts were to decrease by 49% (2018: 10%) across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

(f) Recognised impairment charges (write-backs)

Cash generating units	2019 \$M	2018 \$M	Discount rates	
			2019 (%)	2018 (%)
Australian Steel Products - PP&E impairment (write-back) (i)	1.8	(216.0)	-	12.7
Building Products Thailand - PP&E impairment (ii)	63.8	-	11.8	-
Net impairment (write-back) expense of non-financial assets from continuing operations	65.6	(216.0)	-	-
Discontinued operations (iii)	0.2	8.0	-	-
Net impairment (write-back) expense recognised	65.8	(208.0)	-	-

14 Carrying value of non-financial assets (continued)

(i) Australian Steel Products

The 30 June 2019 impairment for \$1.8M arose from restructuring activities. 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 A\$:US\$, that future estimated cash flows support the uplift in asset values.

(ii) Building Products Thailand (Building Products Asia and North America)

As at 30 June 2019, Building Products Thailand recognised a PP&E impairment for \$63.8M as a result of softer than expected volumes and lower margins in the project and retail segments, and slower than expected uptake in the home appliance segment. The impairment was based on a recoverable amount of \$404.9M.

(iii) Buildings ASEAN (Discontinued operations)

On 12 March 2018, management decided to close down the Buildings ASEAN business as a result of ongoing weak business performance and uncertain future earnings.

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	
	2019	2018
	\$M	\$M
Cash at bank and on hand	1,643.0	941.3
Deposits at call	1.5	3.1
	1,644.5	944.4
Bank overdrafts	(1.1)	(1.4)
Balance per statement of cash flows	1,643.4	943.0

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

	Consolidated	
	2019	2018
	\$M	\$M
Profit for the year	1,010.1	1,628.6
Depreciation and amortisation	413.1	376.5
Net impairment charge (write-back) of non-current assets	65.8	(208.0)
Foreign exchange reserve transferred to P&L	(7.3)	0.2
Non-cash employee benefits expense - share-based payments	12.9	16.3
Net (gain) on disposal of non-current assets	(79.1)	(7.0)
Share of net profits of associates and joint venture partnership	(16.4)	(32.6)
Associate and joint venture partnership dividends received	2.1	3.1
Change in operating assets and liabilities:		
Decrease (increase) in trade receivables	215.3	(93.8)
Decrease (increase) in other receivables	51.2	4.1
Decrease (increase) in other operating assets	(49.9)	(30.5)
Decrease (increase) in inventories	(54.5)	(238.3)
Increase (decrease) in trade payables	110.9	9.4
Increase (decrease) in other payables	76.5	(13.2)
Increase (decrease) in borrowing costs payable	(2.0)	5.6
Increase (decrease) in income taxes payable	(31.6)	31.1
Increase (decrease) in deferred tax balances	134.8	(366.9)
Increase (decrease) in other provisions and liabilities	(169.2)	56.9
Other variations	(0.4)	(0.8)
Net cash inflow from operating activities	1,682.3	1,140.7

15 Cash and cash equivalents (continued)

(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			
	2019	2018	2019	2018
	Current \$M	Non- current \$M	Current \$M	Non- current \$M
Secured				
Lease liabilities	11.4	108.6	10.7	117.3
Other loans	9.6	-	14.1	-
Total secured borrowings	21.0	108.6	24.8	117.3
Unsecured				
Bank loans	191.0	207.2	70.5	263.2
Other loans	-	428.2	-	408.3
Bank overdrafts	1.1	-	1.4	-
Deferred borrowing costs	(0.9)	(4.4)	(0.8)	(3.9)
Total unsecured borrowings	191.2	631.0	71.1	667.6
Total borrowings	212.2	739.6	95.9	784.9

(a) Reconciliation of liabilities arising from financing activities

	Borrowings \$M	Lease Liabilities \$M	Total \$M
Balance at the beginning of the year	751.4	128.0	879.4
Cash flows	30.4	(11.6)	18.8
Non-cash changes			
Additions	-	0.2	0.2
Borrowing costs capitalised	(0.5)	-	(0.5)
Foreign Exchange differences	49.4	3.4	52.8
Balance at the end of the year (excluding bank overdrafts)	830.7	120.0	950.7

(b) Secured liabilities and assets pledged as security

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

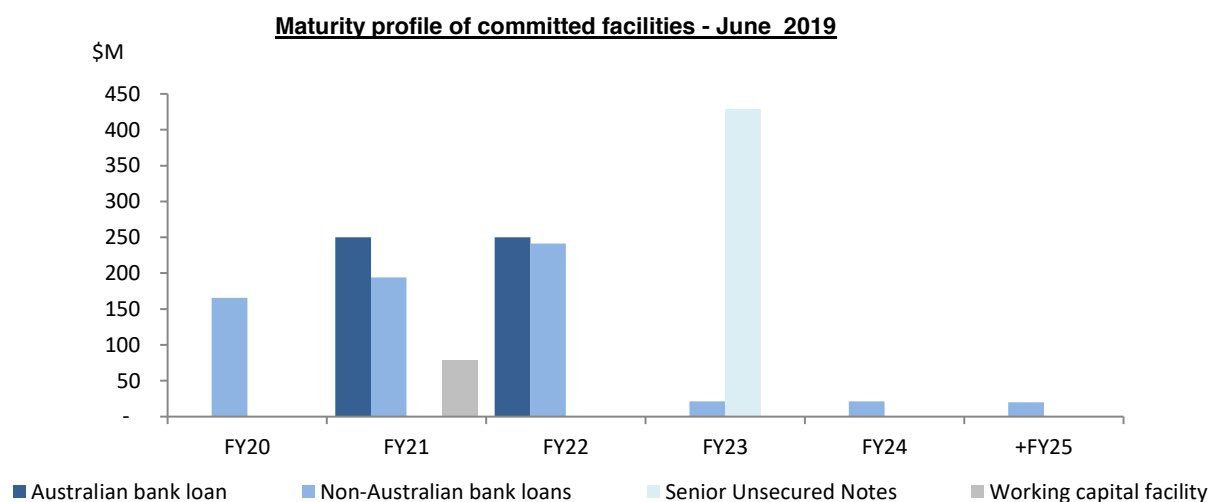
	Consolidated	
	2019 \$M	2018 \$M
<i>Lease liabilities</i>		
Property, plant and equipment	69.6	75.9
Total assets pledged as security	69.6	75.9

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.

16 Borrowings (continued)

(c) Financing arrangements

Financing facilities available	Description
Australian bank loan	<ul style="list-style-type: none"> \$500M syndicated bank facility with a syndicate of banks. The facility is currently undrawn. Comprises two tranches, maturing in August 2020 (subsequent to 30 June 2019 this has been extended to August 2022) and August 2021.
Non-Australian bank loans	<ul style="list-style-type: none"> Six facilities totalling THB 4,300M (\$199M), maturing January 2020 to December 2025, available for NS BlueScope Steel (Thailand) Ltd cash requirements. Two facilities totalling MYR 200M (\$69M), maturing March 2020 and July 2020, to support working capital and other short-term cash requirements for NS BlueScope Steel (Malaysia) Sdn Bhd. One US\$7M term facility maturing March 2021 and one US\$25M revolving facility maturing March 2022, available for NS BlueScope Steel (Indonesia) cash requirements. Two US\$100M revolving facilities maturing March 2021 and March 2022 for NS BlueScope Coated Products joint venture. One US\$45M term facility maturing August 2019 for NS BlueScope Coated Products joint venture.
Senior Unsecured Notes	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 August 2020. The facility is currently undrawn.



(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.

16 Borrowings (continued)

(e) Lines of credit

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

	Consolidated	
	2019	2018
	\$M	\$M
Bank overdrafts	43.6	42.9
Bank loan facilities	1,279.1	1,525.0
Total facilities	1,322.7	1,567.9
Bank overdrafts	1.1	1.4
Bank loan facilities	398.2	333.7
Used at balance date	399.3	335.1
Bank overdrafts	42.5	41.5
Bank loan facilities	880.9	1,191.3
Unused at balance date	923.4	1,232.8

(f) Contractual maturity analysis

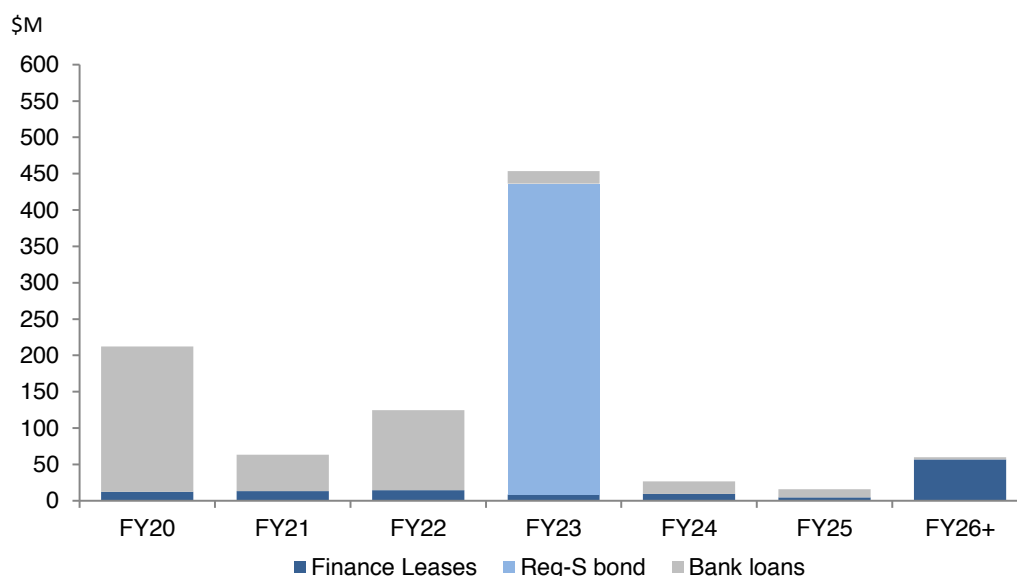
The table below reflects all contractual repayments of principal and interest resulting from recognised financial liabilities. The amounts disclosed represent undiscounted, contractual cash flows for the respective obligations in respect of upcoming fiscal years and therefore do not equate to the values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

		Contractually maturing in:						Total
		< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years	
		\$M	\$M	\$M	\$M	\$M	\$M	\$M
30 June 2019	Notes							
Payables	9	2,052.0	6.0	6.0	6.0	6.0	54.3	2,130.3
Derivative financial instruments	33(d)	3.7	-	-	-	-	-	3.7
Borrowings								
-Principal		213.1	62.4	124.9	454.0	27.0	75.7	957.1
-Interest		39.2	34.5	31.3	26.5	6.8	35.8	174.1
		252.3	96.9	156.2	480.5	33.8	111.5	1,131.2

		Contractually maturing in:						Total
		< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years	
		\$M	\$M	\$M	\$M	\$M	\$M	\$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	33(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

16 Borrowings (continued)

Maturity profile of drawn debt - June 2019



(g) Finance costs

	Consolidated	
	2019	2018
	\$M	\$M
Interest and finance charges paid/payable	48.1	86.1
Ancillary finance charges	8.4	24.4
Provisions: unwinding of discount	2.3	2.2
Amount capitalised	(2.0)	(0.3)
Finance costs expensed	56.8	112.4

(h) Non-cash financing activities

	Consolidated	
	2019	2018
	\$M	\$M
Acquisition of plant and equipment by means of finance leases	0.2	0.3

(i) 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	
	2019	2018	2019	2018
	Shares	Shares	\$M	\$M
Issued fully paid ordinary shares	516,463,073	546,875,343	3,832.8	4,311.2

(b) Movements

Date	Details	Number of shares	Issue Price (\$)	\$M
1 July 2018	Opening balance	546,875,343		4,311.2
	CEO & STI share awards	70,287	11.64	0.8
	Retention share awards	1,498,955	3.69	5.5
	CEO & ELT LTIP awards	2,122,550	2.48/3.69	6.6
	LTIP share awards	1,747,815	2.48	4.4
	Share buybacks (c)	(35,851,877)	(14.24)	(510.4)
	Share rights - Tax deduction (d)	-	-	14.7
30 June 2019	Balance	516,463,073		3,832.8

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

(c) Share buybacks

Since February 2017 the company has announced various share buy-backs of up to \$250M. At 30 June 2019, a total of 35,851,877 shares had been bought back at an average cost of \$14.24 (transaction costs of \$510,000).

(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 metrics with an emphasis on net debt. The Group's net debt 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 net debt 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.

17 Contributed equity (continued)

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.

	Notes	Consolidated	
		2019 \$M	2018 \$M
Total borrowings	16	951.8	880.8
Less: Cash and cash equivalents	15	(1,644.5)	(944.4)
Net (cash) debt		(692.7)	(63.6)
Total equity		7,341.5	6,887.6
Total capital		6,648.8	6,824.0
Gearing ratio		0.0%	0.0%

(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	
	2019 \$M	2018 \$M
Hedging (b) (i)	-	1.0
Share-based payments (b) (ii)	57.6	62.0
Foreign currency translation (b) (iii)	128.3	4.0
Non-distributable profits (b) (iv)	35.4	38.8
Asset realisation (b) (v)	188.9	188.9
Asset revaluation (b) (vi)	(19.3)	-
Controlled entity acquisition (b) (vii)	(21.9)	(21.9)
	369.0	272.8

(a) Movements in reserves

Consolidated - Jun 2019 (\$M)	Hedging	Share based payments	Foreign currency translation	Non-Distributable profits	Asset realisation/revaluation	Controlled entity acquisition	Total
Opening balance	1.0	62.0	4.0	38.8	188.9	(21.9)	272.8
Net gain (loss) on cash flow hedges	10.0	-	-	-	-	-	10.0
Net gain (loss) on net investments in foreign subsidiaries	-	-	30.2	-	-	-	30.2
Share-based payments expense	-	12.9	-	-	-	-	12.9
Vesting of share awards	-	(17.3)	-	-	-	-	(17.3)
Deferred tax	0.3	-	(9.1)	-	-	-	(8.8)
Transfer to inventory/PP&E	(10.9)	-	-	-	-	-	(10.9)
Transfer to profit and loss	-	-	(7.3)	-	-	-	(7.3)
Transfers from retained profits	-	-	-	(3.5)	-	-	(3.5)
Transfers	(0.4)	-	0.4	-	-	-	-
Investment revaluation	-	-	-	-	(19.3)	-	(19.3)
Exchange fluctuations	-	-	110.2	-	-	-	110.2
Other	-	-	(0.1)	0.1	-	-	-
Closing balance	0.0	57.6	128.3	35.4	169.6	(21.9)	369.0

18 Reserves (continued)

Consolidated - Jun 2018 (\$M)	Hedging	Share based payments	Foreign currency translation	Non-Distributable profits	Asset realisation/ revaluation	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

(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 (subsequently renamed Nippon Steel Corporation) in March 2013.

(vi) Asset revaluation reserve

Arises from the investment held by New Zealand Steel Ltd in Steel & Tube Holdings Ltd. Designated changes in fair value are recognised in the asset revaluation reserve (refer to note 21).

(vii) 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 established 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	
	2019 \$M	2018 \$M
Final unfranked dividend for 30 June 2018 of 8 cents per fully paid ordinary share paid on 16 October 2018 (2018: 5 cents fully franked at 30%).	43.8	28.3
Interim unfranked dividend of 6 cents per fully paid ordinary share was paid on 2 April 2019 in relation to the year ended 30 June 2019 (2018: 6 cents unfranked).	32.0	33.4
Total dividends paid	75.8	61.7

(b) Dividends not recognised at year-end

For the year ended 30 June 2019, the Directors have approved the payment of a final unfranked dividend of 8 cents per fully paid ordinary share.

(c) Franked dividends

	Parent entity	
	2019 \$M	2018 \$M
Actual franking account balance as at the reporting date	-	-
Franking credits available for subsequent financial years based on a tax rate of 30%	-	-

(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 Business combinations

(a) Summary of acquisitions

In April 2019, NS BlueScope Malaysia acquired YKGI Holdings Berhad's (YKGI) manufacturing facility in Klang, Malaysia for a purchase price of \$42.0M plus spares.

The assets to be utilised comprise a Push-Pull Pickling Line and Cold Rolling Mill and will form part of BlueScope's joint venture operations in South East Asia with NSC.

(b) Purchase consideration - cash outflow

	Malaysia Cold Roll \$M
Outflow of cash to acquire subsidiaries, net of cash acquired	
Purchase consideration	44.2
Add: Acquisition costs	1.3
	45.5
Cash consideration	
Less: Cash balances acquired	-
Outflow of cash	45.5

20 Business combinations (continued)

(c) Assets acquired and liabilities assumed

	Malaysia Cold Roll \$M
Assets	
Property, plant and equipment	44.2
	44.2
Total identifiable net assets at fair value	44.2
Goodwill recognised on acquisition	-
Fair value of net assets and liabilities acquired	44.2

21 Other investments - Fair value through OCI

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

This investment is recorded at fair value. The company has elected to designate changes to the fair value to be recognised in an equity reserve. Upon disposal the amount recognised in equity is not recycled through the profit and loss but will be transferred directly to retained earnings. As at 30 June 2019, the fair value of the Steel & Tube investment was \$24.7M (NZ\$25.7M). This resulted in \$19.3M (NZ\$20.2M) being recorded as a negative asset revaluation reserve.

22 Subsidiaries and non-controlling interests

(a) Investments in subsidiaries

Name of entity	Note	Principal place of business	Equity holding 2019 %	Equity holding 2018 %
Amari Wolff Steel Pty Ltd	(a)	Australia	100	100
Australian Iron & Steel Pty Ltd		Australia	100	100
BlueScope Building and Construction Ltd	(a)	Australia	100	100
BlueScope Distribution Pty Ltd	(a)	Australia	100	100
BlueScope Pacific Steel (Fiji) Pty Limited	(a)	Australia	100	100
BlueScope Pty Ltd		Australia	100	100
BlueScope Solutions Holdings Pty Ltd	(a)	Australia	100	100
BlueScope Steel (AIS) Pty Ltd		Australia	100	100
BlueScope Steel (Finance) Ltd		Australia	100	100
BlueScope Steel Americas Holdings Pty Ltd		Australia	100	100
BlueScope Steel Asia Holdings Pty Ltd		Australia	100	100
BlueScope Steel Employee Share Plan Pty Ltd		Australia	100	100
BlueScope Water Australia Pty Ltd	(a)	Australia	100	100
Fielders Manufacturing Pty Ltd	(a)	Australia	100	100
Glenbrook Holdings Pty Ltd		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
Metalcorp Steel Pty Ltd	(a)	Australia	100	100
New Zealand Steel (Aust) Pty Ltd	(a)	Australia	100	100
Orrcon Distribution Pty Ltd	(a)	Australia	100	100
Orrcon Manufacturing Pty Ltd	(a)	Australia	100	100
Permalite Aluminium Building Solutions Pty Ltd	(a)	Australia	100	100
The Roofing Centre (Tasmania) Pty Ltd	(a)	Australia	100	100
Butler do Brazil Limitada	(g)	Brazil	-	100
NS BlueScope Lysaght (Brunei) Sdn Bhd	(b)	Brunei	30	30
BlueScope Bliss Buildings (Shanghai) Co Ltd		China	100	100
BlueScope Building Systems (Xi'an) Co Ltd		China	100	100
BlueScope Buildings (Guangzhou) Ltd	(h)	China	-	100
BlueScope Lysaght (Langfang) Ltd	(g)	China	-	100
BlueScope Lysaght (Shanghai) Ltd		China	100	100

22 Subsidiaries and non-controlling interests (continued)

Name of entity	Note	Principal place of business	Equity holding 2019 %	Equity holding 2018 %
BlueScope Steel (Suzhou) Co. Ltd		China	100	100
BlueScope Steel Investment Management (Shanghai) Co Ltd		China	100	100
Butler (Shanghai) Inc		China	100	100
Butler (Tianjin) Inc		China	100	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 BlueScope Buildings Indonesia		Indonesia	100	100
PT BlueScope Distribution Indonesia		Indonesia	100	100
PT NS BlueScope Indonesia	(b)	Indonesia	50	50
PT NS BlueScope Lysaght Indonesia	(b)	Indonesia	50	50
PT NS BlueScope Service Center Indonesia	(b)	Indonesia	50	50
BlueScope Buildings (Malaysia) Sdn Bhd		Malaysia	60	60
NS BlueScope (Malaysia) Sdn Bhd	(b)	Malaysia	50	50
NS BlueScope Asia Sdn Bhd	(b)	Malaysia	50	50
NS BlueScope Engineering Systems Sdn Bhd (Malaysia)	(b),(f)	Malaysia	50	50
NS BlueScope Lysaght (Malaysia) Sdn Bhd	(b)	Malaysia	30	30
NS BlueScope Lysaght (Sabah) Sdn Bhd	(b)	Malaysia	25	25
Global BMC (Mauritius) Holdings Ltd		Mauritius	100	100
Butler de Mexico S. de R.L. de C.V.		Mexico	100	100
Butler Manufacturas S de R.L. de C.V.		Mexico	100	100
NS BlueScope Lysaght Myanmar Limited	(b)	Myanmar	50	50
BlueScope Acier Nouvelle Calédonie SA	(c)	New Caledonia	65	65
BlueScope Steel Finance NZ Ltd		New Zealand	100	100
BlueScope Steel Trading NZ Ltd		New Zealand	100	100
New Zealand Steel Development 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
Steltech Structural Ltd		New Zealand	100	100
Tasman Steel Holdings Ltd		New Zealand	100	100
Toward Industries Ltd		New Zealand	100	100
Waikato North Head Mining Limited		New Zealand	100	100
BlueScope Steel International Holdings SA	(f)	Panama	100	100
BlueScope Steel Philippines Inc		Philippines	100	100
BlueScope Buildings (Singapore) Pte Ltd		Singapore	100	100
NS BlueScope Holdings Thailand Pte Ltd	(b)	Singapore	50	50
NS BlueScope Lysaght Singapore Pte Ltd	(b)	Singapore	50	50
NS BlueScope Pte Ltd	(b)	Singapore	50	50
Steelcap Insurance Pte Ltd		Singapore	100	100
BlueScope Steel Southern Africa (Pty) Ltd		South Africa	100	100
BlueScope Lysaght Taiwan Ltd		Taiwan	80	80
BlueScope Buildings (Thailand) Ltd		Thailand	80	80
NS BlueScope (Thailand) Ltd	(b)	Thailand	40	40
NS BlueScope Lysaght (Thailand) Ltd	(b)	Thailand	40	40
Steel Holdings Co Ltd	(b)	Thailand	50	50
BlueScope Steel International Ltd		UK	100	100
ASC Profiles LLC	(b)	USA	50	50
BIEC International Inc		USA	100	100
BlueScope Buildings North America Inc		USA	100	100
BlueScope Construction Engineering (Michigan) LLC		USA	100	100
BlueScope Construction Inc		USA	100	100
BlueScope Finance (Americas) LLC		USA	100	100
BlueScope Properties Development LLC		USA	100	100
BlueScope Properties Group LLC		USA	100	100
BlueScope Properties Holdings LLC		USA	100	100
BlueScope Steel Americas LLC		USA	100	100
BlueScope Steel Finance (USA) LLC		USA	100	100
BlueScope Steel Holdings (USA) Partnership		USA	100	100

22 Subsidiaries and non-controlling interests (continued)

Name of entity	Note	Principal place of business	Equity holding 2019 %	Equity holding 2018 %
BlueScope Steel Investments 2 LLC		USA	100	100
BlueScope Steel Investments 3 LLC		USA	100	100
BlueScope Steel Investments Inc		USA	100	100
BlueScope Steel North America Corporation		USA	100	100
BlueScope Steel Technology Inc		USA	100	100
BMC Real Estate Inc		USA	100	100
BPG Apopka Properties 1 LLC		USA	100	100
BPG Laredo 1 LLC		USA	100	100
BPG Laredo 2 LLC		USA	100	100
BPG North Canton 1 LLC		USA	100	100
BPG Ocoee 1 LLC		USA	100	100
BPG Sanford 1 LLC	(e)	USA	100	-
Butler Holdings Inc		USA	100	100
Butler Pacific Inc		USA	100	100
North Star BlueScope Steel LLC		USA	100	100
NS BlueScope Holdings USA LLC	(b)	USA	50	50
Steelscape LLC	(b)	USA	50	50
Steelscape Washington LLC	(b)	USA	50	50
VSMA Inc		USA	100	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 31(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 32.
- (b) These entities are part of the joint venture established between BlueScope and Nippon Steel & Sumitomo Metal Corporation in March 2013 (subsequently renamed Nippon Steel Corporation) 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 Calédonie 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) These entities were liquidated and deregistered during the year.
- (h) This entity was sold during the year.

(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.

22 Subsidiaries and non-controlling interests (continued)

(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	2019	2018
		%	%
Proportion of equity interest held by non-controlling interests:			
NS BlueScope (Steel) Thailand Ltd	Thailand	60	60
Steelscape LLC	USA	50	50
		2019	2018
		\$M	\$M
Accumulated balances of material non-controlling interest:			
NS BlueScope (Steel) Thailand Ltd		155.1	164.1
Steelscape LLC		150.2	159.6
Profit (loss) allocated to material non-controlling interest:			
NS BlueScope (Steel) Thailand Ltd		(28.0)	10.6
Steelscape LLC		5.0	27.8

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	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Summarised statement of financial position				
Current assets	196.1	189.9	284.8	289.4
Non-current assets	319.8	290.1	140.7	134.3
Total assets	515.9	480.0	425.5	423.7
Current liabilities	145.4	93.0	105.2	80.8
Non-current liabilities	112.0	113.4	19.9	23.7
Total liabilities	257.4	206.4	125.1	104.5
Net assets	258.5	273.6	300.4	319.2
Attributable to:				
Owners of BlueScope Steel Limited	103.4	109.4	150.2	159.6
Non-controlling interests	155.1	164.2	150.2	159.6

22 Subsidiaries and non-controlling interests (continued)

	NS BlueScope (Steel) Thailand Ltd		Steelscape LLC	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Summarised statement of comprehensive income				
Revenue	504.9	492.1	777.7	723.5
Expenses	(501.0)	(471.2)	(767.7)	(667.9)
Asset impairment	(63.8)	-	-	-
Profit (loss) before tax	(59.9)	20.9	10.0	55.6
Income tax (expense)	13.3	(3.3)	-	-
Profit (loss) after tax	(46.6)	17.6	10.0	55.6
Attributable to non-controlling interests	(28.0)	10.6	5.0	27.8
Dividends paid to non-controlling interest	2.5	15.1	21.6	29.8

	NS BlueScope (Steel) Thailand Ltd		Steelscape LLC	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
Summarised statement of cash flows				
Cash inflow from operating activities	42.9	8.9	26.1	44.5
Cash (outflow) inflow from investing activities	(38.0)	(96.6)	(13.9)	(9.5)
Cash inflow (outflow) from financing activities	(5.1)	79.7	(25.5)	(38.8)
Net increases (decrease) in cash and cash equivalents	(0.2)	(8.0)	(13.3)	(3.8)

23 Investment in associates

	Consolidated	
	2019 \$M	2018 \$M
Investment in associates	5.3	7.5

Name of entity	Principal place of business	Equity holding 2019 %	Equity holding 2018 %
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	
	2019 \$M	2018 \$M
Carrying amount at the beginning of year	7.5	7.5
Share of profits after income tax	0.1	3.0
Dividends received/receivable	(2.1)	(3.1)
Sale of investment	(0.3)	-
Reserve movements	(0.1)	-
Currency fluctuation	0.2	0.1
Carrying amount at the end of the year	5.3	7.5

(b) Contingent assets and liabilities relating to associates

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

23 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.

24 Investment in joint ventures

	Consolidated	
	2019	2018
	\$M	\$M
Interest in joint venture partnerships	85.1	65.2

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	
	2019	2018
	\$M	\$M
Carrying amount at beginning of year	65.2	36.7
Share of profit after income tax	16.3	29.6
Reserve movements	(0.1)	-
Exchange fluctuations	3.7	(1.1)
Carrying amount at the end of the year	85.1	65.2

24 Investment in joint ventures (continued)

(b) Summarised financial information

	Tata BlueScope Steel	
	2019 \$M	2018 \$M
Summarised statement of financial position		
Current assets		
Cash and cash equivalents	10.1	12.1
Receivables	24.3	20.5
Inventories	60.5	62.1
Assets held for sale	3.6	-
Prepayment and other assets	7.5	8.5
Financial assets held at fair value	23.9	29.4
Non-current assets		
Property plant and equipment	154.5	158.3
Deferred tax asset	13.2	16.3
Other	7.9	2.9
Total assets	305.5	310.1
Current liabilities		
Payables	59.5	68.3
Borrowings	0.3	-
Provisions	2.9	2.2
Deferred income	5.9	5.6
Current tax liabilities	1.5	2.2
Non-current liabilities		
Borrowings	61.9	98.4
Provisions	3.4	2.9
Total liabilities	135.4	179.6
Net assets	170.1	130.5
Proportion of the Group's ownership (%)	50.0	50.0
Carrying amount of the investment	85.1	65.2

	Tata BlueScope Steel	
	2019 \$M	2018 \$M
Summarised statement of comprehensive income:		
Revenues	416.9	389.6
Expenses	(353.9)	(319.4)
Depreciation and amortisation expense	(10.5)	(10.4)
Finance costs	(6.7)	(13.4)
Profit before income tax	45.8	46.4
Income tax (expense) benefit	(13.2)	12.8
Profit after income tax	32.6	59.2
Group's share of profit for the year	16.3	29.6
Group's share of capital commitments	0.4	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 \$2.8M (2018: \$2.7M).

24 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 \$5.8M (2018: \$5.5M).

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 \$6.2M (2018: \$5.8M).

(d) Secured liabilities and assets pledged as security

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

(e) 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.

25 Discontinued operations

(a) Description

(i) New Zealand Steel Mining Ltd

The Taharoa New Zealand Steel Mining business was sold on 1 May 2017.

(ii) Buildings ASEAN

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

(b) Financial performance of discontinued operations

	Consolidated							
	2019				2018			
	Taharoa Mining \$M	Buildings ASEAN \$M	Other \$M	Total \$M	Taharoa Mining \$M	Buildings ASEAN \$M	Other \$M	Total \$M
Revenue	-	13.3	-	13.3	-	51.9	-	51.9
Other income	3.3	0.7	-	4.0	4.5	-	-	4.5
Impairment of non-current assets (note 14(e))	-	(0.2)	-	(0.2)	-	(8.0)	-	(8.0)
Restructuring expense	-	-	-	-	-	(8.2)	-	(8.2)
Finance costs	-	-	-	-	-	(0.1)	-	(0.1)
Other expenses	(2.9)	(18.4)	(0.7)	(22.0)	(0.9)	(64.4)	(0.6)	(65.9)
Profit (loss) before income tax	0.4	(4.6)	(0.7)	(4.9)	3.6	(28.8)	(0.6)	(25.8)
Income tax expense	-	(0.1)	-	(0.1)	-	(0.5)	-	(0.5)
Profit (loss) after income tax from discontinued operations	0.4	(4.7)	(0.7)	(5.0)	3.6	(29.3)	(0.6)	(26.3)
Outside equity interest in discontinued net profit/(loss)	-	0.1	-	0.1	-	(3.8)	-	(3.8)
Profit (loss) after income tax from discontinued operations attributable to owners of BlueScope Steel Limited	0.4	(4.8)	(0.7)	(5.1)	3.6	(25.5)	(0.6)	(22.5)

25 Discontinued operations (continued)

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							
	2019				2018			
	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	(2.9)	(2.9)	(0.7)	(6.5)	(4.4)	(13.2)	(4.4)	(22.0)
Net cash inflow (outflow) from investing activities	-	1.3	-	1.3	-	(0.2)	-	(0.2)
Net cash inflow (outflow) from financing activities	-	0.8	-	0.8	-	1.8	-	1.8
Net increase in cash generated by the operation	(2.9)	(0.8)	(0.7)	(4.4)	(4.4)	(11.6)	(4.4)	(20.4)

UNRECOGNISED ITEMS

26 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2019 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).

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 proceedings.

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 (2018: \$87.6M) in guarantees to various state workers compensation authorities as a prerequisite for self-insurance. An amount, net of recoveries, of \$51.1M (2018: \$49.8M) 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 2019 totalled \$86.9M (2018: \$116.8M).

26 Contingencies (continued)

(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) Contingent assets

There are no material contingent assets required for disclosure as at 30 June 2019.

27 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	
	2019	2018
	\$M	\$M
Property, plant and equipment		
Payable:		
Within one year	71.5	65.1
Later than one year but not later than five years	-	-
Total capital commitments	71.5	65.1

(b) Lease commitments: Group as lessee

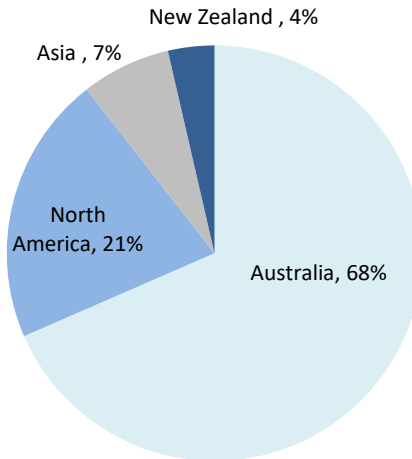
(i) Non-cancellable operating leases

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 2019 was \$97.3M (2018: \$94.5M). 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	
	2019	2018
	\$M	\$M
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	101.5	99.8
Later than one year but not later than five years	251.0	233.6
Later than five years	173.4	178.5
Total operating lease commitments	525.9	511.9

27 Commitments (continued)

Operating lease commitments by geographic region



(ii) Finance leases

The Group leases various property, plant and equipment with a carrying amount of \$69.6M (2018: \$75.9M).

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	
		2019 \$M	2018 \$M
Commitments in relation to finance leases are payable as follows:			
Within one year		23.4	23.0
Later than one year but not later than five years		77.8	83.5
Later than five years		94.6	109.2
Minimum lease payments		195.8	215.7
Future finance charges		(75.8)	(87.7)
Recognised as a liability		120.0	128.0
Representing lease liabilities:			
Current	16	11.4	10.7
Non-current	16	108.6	117.3
Total finance lease liabilities		120.0	128.0

(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.

28 Events occurring after balance date

On 19 August 2019 the Board approved the expansion of the North Star facility in Delta Ohio, subject to the anticipated receipt of necessary air permits and local and state incentives. BlueScope will increase the annual hot rolled coil production by 850,000 metric tonnes per annum with a capital investment of approximately US\$700M.

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.

29 Share-based payments

(a) Share award schemes

(i) STI share award - CEO

The Board approved the annual FY 2019 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 2019.

(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 BlueScope 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 2019 are as follows:

Fair Value inputs	CEO FY 2019 STI award	FY 2019 AR plan
Grant date	1-Jul-18	1-Jul-18
Latest expiry date	30-Jun-19	30-Jun-21
Share rights granted	67,038	885,127
Fair value estimate at grant date (\$)	12.45	12.09
Cash rights (i)	-	36,175
Valuation date share price (\$)	12.55	12.55
Expected dividend yield (%)	1.35	1.45
Expected risk-free interest rate (%)	1.92	2.03
Expected share price volatility (%)	40.00	40.00

29 Share-based payments (continued)

(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.

(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	72,711	8,178,374	2,320,338
Granted during the year	67,038	921,302	-
Exercised during the year	(70,287)	(3,909,955)	(1,570,405)
Lapsed during the year	(2,424)	(209,010)	(80,735)
Outstanding at the end of the year	67,038	4,980,711	669,198
Exercisable at the end of the year	-	-	-

(i) The average share price for the year ended 30 June 2019 was \$14.13 (2018: \$14.55). The weighted average remaining contractual life of share rights outstanding at the end of the period was 1 year (2018: 1 year).

(d) Expense arising from share-based payment transactions

	Consolidated	
	2019 \$M	2018 \$M
Employee share rights expense	12.9	16.3
Employee share awards expense	0.6	1.2
Total net expense arising from share-based payments	13.5	17.5

The carrying amount of the liability relating to share-based payment plans at 30 June 2019 is \$0.9M (30 June 2018: \$2.4M). 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.

29 Share-based payments (continued)

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.

30 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	
	2019 \$'000	2018 \$'000
Short-term employee benefits	9,516.3	10,309.2
Post-employment and other long-term benefits	427.4	807.5
Share-based payments	4,077.2	4,431.2
	14,020.9	15,547.9

(c) Transactions with other related parties

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

	Consolidated	
	2019 \$M	2018 \$M
<i>Sales of goods and services</i>		
Sales of goods to associates	3.6	4.8
Sales of goods to joint ventures	-	4.0
<i>Interest revenue</i>		
Interest revenue	0.1	0.1
<i>Superannuation contributions</i>		
Contribution to superannuation funds on behalf of employees	223.4	132.0

(d) Outstanding balances

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

	Note	Consolidated	
		2019 \$M	2018 \$M
<i>Current receivables (sales of goods and services)</i>			
Associates		0.8	0.9
<i>Current receivables (loans)</i>			
Associates	6	1.3	1.2
<i>Current payable (purchase of goods and services)</i>			
Associates		3.4	3.0

(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 31(d)(ii).

Outstanding balances are unsecured and are repayable in cash.

30 Related party transactions (continued)

Other director transactions with Group entities

Transactions with related parties of directors of subsidiaries within the BlueScope Steel Group total \$1.6M (2018: \$1.2M). These transactions have been made on commercial arm's length terms and conditions.

31 Parent entity financial information

(a) Summary financial information

Summarised Statement of comprehensive income

	2019 \$M	2018 \$M
Revenue	3,211.9	3,126.1
Other Income	(2.5)	3.1
Net impairment (expense) write-back of non-current assets	(506.9)	441.0
Finance costs	(97.8)	(92.2)
Other expenses	(2,252.6)	(3,080.3)
Profit before income tax	352.1	397.7
Income tax benefit	48.2	646.1
Net profit for the year	400.3	1,043.8
Other comprehensive income (loss) for the year	-	-
Total comprehensive income for the year	400.3	1,043.8

Summary of movements in retained losses

Retained losses at the beginning of the year	(1,523.5)	(1,523.5)
Net profit for the year	400.3	1,043.8
Transfer to profits reserve	(400.3)	(1,043.8)
AASB 9 accounting policy changes, net of tax	(0.4)	-
Retained losses at the end of the year	(1,523.9)	(1,523.5)

Summarised Statement of financial position

	2019 \$M	2018 \$M
Assets		
Current assets	4,004.8	4,581.8
Non-current assets	2,865.9	2,469.9
Total assets	6,870.7	7,051.7
Liabilities		
Current liabilities	2,273.2	2,297.0
Non-current liabilities	56.6	56.2
Total liabilities	2,329.8	2,353.2
Net assets	4,540.9	4,698.5
Equity		
Contributed equity	3,832.8	4,311.2
Share-based payments reserve	50.1	53.4
Profits reserve	2,181.9	1,857.4
Retained losses	(1,523.9)	(1,523.5)
Total equity	4,540.9	4,698.5

Profits reserve

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

31 Parent entity financial information (continued)

(b) Guarantees entered into by the parent entity

In Australia, the parent entity has given \$87.6M (2018: \$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 (32). Additionally, the parent entity has provided financial guarantees in respect to subsidiaries amounting to:

	Parent entity	
	2019 \$M	2018 \$M
Bank overdrafts and loans of subsidiaries	571.4	918.1
Other loans (unsecured)	428.2	408.3
Trade finance facilities	214.1	204.2
	1,213.7	1,530.6

(c) Capital commitments

As at 30 June 2019, the parent entity had capital commitments of \$10.0M (2018: \$14.7M). 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 \$196.5M (2018: \$162.8M) and intercompany payables of \$4.2M (2018: \$Nil) of BlueScope Steel Limited have been recognised as a tax consolidated adjustment.

32 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'.

Statement of comprehensive income	2019	2018
	\$M	\$M
Revenue	4,086.1	3,997.4
Other income	2.7	3.1
Changes in inventories of finished goods and work in progress	(30.0)	101.3
Raw materials and consumables used	(2,850.4)	(2,851.8)
Employee benefits expense	(578.7)	(541.8)
Depreciation and amortisation expense	(70.6)	(67.6)
Net impairment write-back of non-current assets	521.7	435.9
Freight on external despatches	(240.6)	(223.4)
External services	(287.7)	(256.9)
Finance costs	(101.1)	(93.0)
Other expenses from ordinary activities	(106.7)	(92.5)
Profit before income tax	344.7	410.7
Income tax benefit	47.4	658.6
Net profit for the year	392.1	1,069.3
Other comprehensive income for the year	-	-
Total comprehensive income (loss) for the year	392.1	1,069.3

Summary of movements in consolidated retained losses	2019	2018
	\$M	\$M
Retained losses at the beginning of the year	(1,477.4)	(1,295.0)
Net profit for the year	392.1	1,069.3
Acquisition/disposal	-	(207.8)
Transfer to profits reserve	(400.3)	(1,043.8)
AASB 9 accounting policy changes, net of tax	(0.9)	-
Other	-	(0.1)
Retained losses at the end of the year	(1,486.5)	(1,477.4)

32 Deed of cross - guarantee (continued)

(b) Statement of financial position

	2019 \$M	2018 \$M
Current assets		
Cash and cash equivalents	0.3	41.6
Trade and other receivables	3,898.3	4,370.7
Inventories	577.4	605.9
Deferred charges and prepayments	15.4	19.6
Total current assets	4,491.4	5,037.8
Non-current assets		
Receivables - external	8.4	8.4
Inventories	19.6	15.4
Other financial assets	1,533.4	1,020.3
Property, plant and equipment	635.1	614.8
Deferred tax assets	481.9	608.6
Intangible assets	23.4	27.6
Total non-current assets	2,701.8	2,295.1
Total assets	7,193.2	7,332.9
Current liabilities		
Trade and other payables	638.4	589.3
Borrowings	1,696.9	1,737.6
Provisions	172.9	172.7
Deferred income	6.6	13.6
Total current liabilities	2,514.8	2,513.2
Non-current liabilities		
Payables	25.3	0.4
Borrowings	17.6	18.9
Provisions	55.9	53.3
Deferred income	1.2	2.3
Total non-current liabilities	100.0	74.9
Total liabilities	2,614.8	2,588.1
Net assets	4,578.4	4,744.8
Equity		
Contributed equity	3,832.8	4,311.2
Share-based payments reserve	50.1	53.5
Hedging reserve	0.1	0.1
Profits reserve	2,181.9	1,857.4
Retained losses	(1,486.5)	(1,477.4)
Total equity	4,578.4	4,744.8

33 Financial instruments and risk

(a) Financial assets and liabilities

		Debt instruments at amortised cost \$M	Equity instruments at FVOCI \$M	Derivative instruments at fair value \$M	Financial liabilities at amortised cost \$M	Total carrying amount \$M
30 June 2019	Notes					
Financial assets						
Receivables	6	1,234.3	-	-	-	1,234.3
Equity investment	21	-	24.7	-	-	24.7
Derivative financial instruments	33(d)	-	-	13.8	-	13.8
		1,234.3	24.7	13.8	-	1,272.8
Financial liabilities						
Payables	9	-	-	-	(2,130.3)	(2,130.3)
Borrowings	16	-	-	-	(951.8)	(951.8)
Derivative financial instruments	33(d)	-	-	(3.7)	-	(3.7)
		1,234.3	24.7	10.1	(3,082.1)	(1,813.0)

		Debt instruments at amortised cost \$M	Equity instruments at FVOCI \$M	Derivative instruments at fair value \$M	Financial liabilities at amortised cost \$M	Total carrying amount \$M
30 June 2018	Notes					
Financial assets						
Receivables	6	1,451.0	-	-	-	1,451.0
Derivative financial instruments	33(d)	-	-	11.7	-	11.7
		1,451.0	-	11.7	-	1,462.7
Financial liabilities						
Payables	9	-	-	-	(1,865.2)	(1,865.2)
Borrowings	16	-	-	-	(880.8)	(880.8)
Derivative financial instruments	33(d)	-	-	(1.9)	-	(1.9)
		1,451.0	-	9.8	(2,746.0)	(1,285.2)

(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.

33 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 (2019: \$408.9M, 2018: \$349.2M) and investments in cash and cash equivalents (2019: \$1,644.5M, 2018: \$944.4M).	Sensitivity analysis	The profit impact from a reasonably possible movement in interest rates (+/- 50 basis points) is +/- \$4.5M net of tax.
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 (Counterparties/Geographical)	<ul style="list-style-type: none"> • 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 Kanji Group, Southern Group, Liberty OneSteel and Fletcher Building Group within the Australian and New Zealand operations and Worthington Industries Inc. within the North American operations. 	Ageing analysis and fair value exposure management	<ul style="list-style-type: none"> • 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.

33 Financial instruments and risk (continued)

(c) Foreign currency risk exposure and sensitivity analysis (A\$/US\$)

	Consolidated	
	2019 \$M	2018 \$M
Cash and cash equivalents	376.6	161.9
Trade and other receivables	65.1	38.4
Forward foreign exchange contracts	-	4.4
Commodity option	10.7	7.0
Financial assets	452.4	211.7
Trade and other payables	234.9	144.7
Borrowings	72.8	89.8
Forward foreign exchange contracts	1.5	0.5
Financial liabilities	309.2	235.0
Net exposure	143.2	(23.3)

This exposure for the Group does not reflect the natural hedge of US\$ assets against US\$ liabilities of A\$ 18.8M (2018: A\$ 218.1M).

Judgement of reasonably possible movements:	Post-tax profit higher (lower)		Equity higher (lower)	
	2019 \$M	2018 \$M	2019 \$M	2018 \$M
A\$/US\$ + 10% (2018: +10%)	(7.9)	2.9	(7.9)	2.9
A\$/US\$ - 10% (2018: -10%)	9.1	(3.9)	9.1	(3.9)

(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	
	2019 \$M	2018 \$M
Forward foreign exchange contracts - cash flow hedges (i)	1.5	4.7
Commodity option - non-current asset (iii)	10.7	7.0
Solar PPA - non-current asset (iv)	1.6	-
Financial assets	13.8	11.7
Forward foreign exchange contracts - cash flow hedges (i)	3.7	0.3
Forward commodity contracts - cash flow hedges (ii)	-	1.6
Financial liabilities	3.7	1.9
Net exposure	10.1	9.8

(i) Forward foreign exchange contracts

The Group has entered into forward foreign exchange contracts designated as cash flow hedges relating to foreign currency sales and purchases, plant and equipment purchases and hedging of net working capital exposures. For the cash flow hedges relating to future commitments not recognised in the statement of financial position the effective portion of gains and losses are recognised directly in equity. Otherwise they are being marked to market through the profit and loss in line with the Group's risk management strategy.

33 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 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\$7.5M as at 30 June 2019. 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.

(iv) Solar PPA

The Group entered into a solar power purchase agreement (PPA) in June 2018 for a period of seven years from the commencement of commercial production. The solar farm is situated in Finley NSW. The project is being completed in two stages with Stage 1 target completion date of 31 August 2019. Stage 1 will see construction of an 88MW facility and Stage 2 construction of an additional 45MW. The Group's percentage offtake is equal to 100% of Stage 1 (or 66% of the total solar farm output). The Group has no involvement in constructing, financing, operating and maintaining the solar farm.

The PPA is not a physical electricity supply contract. It operates as a "contract for differences" (CfD) whereby the parties have agreed to a 'strike price'. If the NSW electricity spot price is higher than the strike price then the solar farm will pay the difference to the company and vice versa if the spot price is lower than the strike price. The CfD is a derivative and is required to be fair valued at each reporting date with any movements recorded in the profit or loss.

The key inputs impacting the value of the derivative are the strike price, the contract period forward NSW electricity spot prices (Level 3 unobservable input), future estimates of the Group's share of solar output and the credit worthiness of the service provider. The 30 June 2019 PPA derivative receivable was valued at \$1.6M. A \$1.5M fair value loss has been recorded in the June 19 profit and loss in the ASP segment.

(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:

	2019		2018	
	Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
<i>Non-traded financial liabilities</i>				
Other loans	428.2	471.6	408.3	439.8
Net assets (liabilities)	(428.2)	(471.6)	(408.3)	(439.8)

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

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 33(d)) and the commodity royalty option is considered level 3.

33 Financial instruments and risk (continued)

(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 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).

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 the cash flows of hedged items is assessed and documented on an ongoing basis.

(i) Cash flow hedges

Changes in the fair value of derivatives that are designated as cash flow hedges are recognised in the profit or loss for hedges of recognised working capital items, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Cash flow hedges for forecast items are recognised in the 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.

(ii) Net investment in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. 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.

(iii) 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.

(iv) 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.

34 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	
2019	2018
\$	\$

Audit and review of financial statements and other audit work under the Corporations Act 2001:

Ernst & Young (including overseas Ernst & Young firms)	4,304,000	3,929,000
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34 Remuneration of auditors (continued)

(b) Other services

	Consolidated	
	2019 \$	2018 \$
Other non-audit services		
Ernst & Young Australian firm		
Tax compliance services	103,000	165,000
Advisory services	166,000	267,000
Assurance related	408,000	383,000
Related practices of Ernst & Young Australian firm (including overseas Ernst & Young firms)		
Tax compliance services	68,000	208,000
	745,000	1,023,000

35 Other accounting policies

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

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

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

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

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

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

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

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

AASB 15 requires revenue to be disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Revenue has been disaggregated between product categories being Steelmaking Products, Building Products and Engineered Building Solutions. Segment revenue has been disaggregated by point of recognition, being recognised at a point in time or over time, and by the geography of our customers (refer note 2(b)).

35 Other accounting policies (continued)

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

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

On the date of initial application, AASB 9 had no material impact on the existing classification and measurement of the Group's financial assets and liabilities whilst all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. The new impairment requirements results in an earlier recognition of impairment provisions through the use of an expected credit loss model for the Group's financial assets, primarily trade receivables. The impact on initial application was to increase the trade receivables doubtful debts provision by \$5.5M, increase deferred tax assets by \$1.1M with a corresponding \$4.4M reduction in opening retained earnings. There has been no material impact on the Group's June 2019 financial statements from adopting AASB 9.

Classification and measurement

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

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

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

Other financial assets are classified and subsequently measured as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to the profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition. The 15.8% investment in Steel & Tube Holdings Limited, acquired on 17 October 2018 for \$42.2M, has been classified and subsequently measured under this category (refer to note 21).
- Financial assets at FVPL, comprise derivative financial instruments that are not accounted for under hedge accounting requirements and quoted equity investments which the Group has not irrevocably elected, at initial recognition, to classify at FVOCI. This category would include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held with the objective of either to collect contractual cash flows, or to both collect and sell contractual cash flows. The Group holds forward foreign exchange contracts that minimise foreign exchange exposures on designated receivables and payables.

The accounting for the financial liabilities that are currently held by the Group are largely the same as under the previous standard *AASB 139 Financial Instruments: Recognition and Measurement*.

Impairment

AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward looking expected credit loss (ECL) approach. AASB 9 requires the Group to record an allowance for ECLs for all loans, contract assets and other debt financial assets not held at FVPL.

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

There has been no material impact from ECL provisioning on the June 2019 financial statements.

35 Other accounting policies (continued)

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

Certain new Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

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

AASB 16 replaces AASB 117 Leases and AASB Interpretation 4 'Determining whether an arrangement contains a lease'. AASB 16 provides a new model for lessee accounting by eliminating the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. A lessee is required to recognise a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value (< \$10K when brand new). The subsequent amortisation of the right-of-use asset and the interest expense related to the lease liability is recognised in the profit or loss over the lease term.

AASB 16 will change the timing in which lease expenses are recognised, switch earnings categories from operating expense to depreciation and interest expense, increase gearing levels with lease liabilities included in net debt and change the classification of operating cash flows to interest payments and repayments of debt, presented as financing cash flows. The changes will have no material cost effect to the Group.

The Group has reassessed the existing population of leases under the new AASB 16 definition of a lease. The Group will 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.

On transition the standard permits, on a lease-by-lease basis, the right-of-use asset to be measured either at an amount equal to the lease liability or on an historical basis as if the standard had always applied. The Group has elected to use the historical asset measurement where historical cash flows can be identified.

Under the transition provision of AASB 16, the remaining terms of certain leases have been redetermined with the benefit of hindsight, existing finance leases will continue to be recognised based on the 30 June 2019 values assigned to the right-of-use assets and lease liabilities and any onerous lease provisions recognised as at 30 June 2019 will be adjusted against the carrying amounts of the right-of-use asset as at 1 July 2019. The Group will also exclude any initial direct costs from the measurement of the right-of-use asset at transition.

The Group's evaluation of the effect of the adoption of the standard is substantially complete. A material effect on the Group's balance sheet at 1 July 2019 is anticipated and the table below provides an indicative expected range.

	\$M Dr	\$M Cr
Increase in right of use (ROU) leased assets	320 - 370	
Increase in lease liabilities		380 - 480
Decrease in other assets and liabilities	10 - 20	
Increase in deferred tax assets	10 - 30	
Decrease in 1 July 2019 retained earnings	40 - 60	
	380 - 480	380 - 480

Whilst the Group has some property sub lease arrangements these are not material to the Group.

These numbers are based on work completed to date and will be subject to further change with ongoing management review, with particular emphasis on assessments of leases and lease rentals embedded within existing service contracts and the appropriate lease terms for property leases containing option renewals. The evaluation will be completed prior to 31 December 2019.

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

AASB 23 Interpretation 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 has not resulted in any material adjustments.

(c) 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.

35 Other accounting policies (continued)

(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.

(d) 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 2019

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 67 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 2019 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 32 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 32.
- (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
19 August 2019



**Building a better
working world**

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

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

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 2019, 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 2019 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.



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1. Carrying value of property, plant & equipment (PPE) and intangible assets (including goodwill)

Why significant

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 an impairment charge during the financial year relating to the assets of the Building Products Thailand Cash Generating Unit (CGU) totaling \$64M.

This impairment write down was recorded due to deterioration in future forecast earnings triggered by current year performance. There remains a risk that any further deterioration in macroeconomic factors or a failure to achieve business initiatives, could result in additional impairment charges in future periods.

At 30 June 2019, the CGUs with significant goodwill balances include North Star BlueScope Steel (goodwill balance of \$949M) and Buildings North America (goodwill balance of \$312M). The CGU with a significant PPE balance is Australian Steel Products (PPE balance of \$2,014M).

The carrying value of PPE and intangible assets, (including goodwill) was a key audit matter due to the significance of these balances, the complex judgements in the impairment assessment process such as forecast foreign exchange rates, 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 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.

How our audit addressed the key audit matter

Our audit procedures included assessing the appropriateness of the CGUs where impairment testing was performed, taking into consideration the levels at which Management monitors business performance and the interdependency of cash flows.

In respect to the Group's cashflow forecasts, for relevant CGUs, where indicators of impairment were present or in CGUs that contained significant goodwill balances as at 30 June 2019, 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 relevant
- Assessed the Group's results in comparison to historical forecasts to assess forecast accuracy
- Compared future cash flows to board approved budgets
- Assessed the Group's assumptions for long term growth rates in comparison to economic and industry forecasts
- Assessed the adequacy of capital expenditure forecasts
- Assessed discount rates through comparing the cost of capital for the Group with comparable businesses
- Considered the EBITDA multiples against comparable companies as a valuation cross check
- Tested the mathematical accuracy of the discounted cash flow model.

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, or for a previous impairment to be reversed where applicable. 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).



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2. Recoverability of Deferred Tax Assets

Why significant

The Group's income and deferred tax positions are subject to complexity and estimation risk around the utilisation of tax losses and calculation of tax balances in different jurisdictions around the Group. In particular, the Australian Tax Consolidated Group's (ATCG) deferred tax asset of \$284M as at 30 June 2019 includes significant amounts relating to carry forward tax losses, the recoverability of which is subject to the generation of future taxable profits.

The recoverability of the deferred tax assets was a key audit matter due to the significance of the balances and the judgements involved in determining forecast profitability.

The Group's disclosures are included in Note 4 of the consolidated financial report.

How our audit addressed the key audit matter

Our audit procedures included assessing the Group's cash flow forecast for the ATCG by comparing these cash flows for consistency with the cash flows utilised in the Group's impairment testing for the associated CGU and testing the mathematical accuracy of the Group's calculation to derive current and deferred taxes.

We also assessed the adequacy of the Group's disclosures with regards to the closing tax balances recorded 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 2019 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.



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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.
 - 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 24 to 43 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of BlueScope Steel Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.



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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
19 August 2019



EXTENDED FINANCIAL HISTORY

BLUESCOPE STEEL
ANNUAL REPORT 2018/2019

10 Year Financial History

A\$M unless marked; years ended 30 June

Income Statement Key Items

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Revenue ⁽¹⁾	8,624	9,134	8,622	7,290	8,007	8,572	9,203	10,758	11,578	12,586
EBITDA ⁽²⁾ - Reported	590	(687)	(489)	339	430	640	1,010	1,425	1,840	1,754
- Underlying	598	254	101	391	538	663	963	1,484	1,645	1,761
EBIT ⁽²⁾ - Reported	240	(1,043)	(820)	23	102	297	622	1,045	1,463	1,341
- Underlying	259	(91)	(219)	77	217	326	582	1,105	1,269	1,348
NPAT - Reported	126	(1,054)	(1,044)	(107)	(82)	136	354	716	1,569	1,016
- Underlying	119	(110)	(228)	(2)	77	161	307	652	826	966

Segment underlying EBIT

Australian Steel Products	109	(270)	(365)	(55)	48	150	361	459	587	535
North Star BlueScope Steel	61	72	62	67	105	107	147	407	431	655
Building Products Asia & North America	138	121	92	100	104	108	163	209	185	134
Buildings North America	(41)	(41)	(6)	(6)	7	32	34	58	75	53
New Zealand and Pacific Steel Products	73	83	69	34	32	(7)	(40)	61	112	81
Corporate & Group	(68)	(68)	(69)	(63)	(80)	(65)	(81)	(89)	(109)	(114)
Inter-segment	(12)	12	(2)	(1)	2	0	(1)	1	(11)	4
Continuing businesses underlying EBIT	260	(91)	(220)	77	217	326	582	1,105	1,269	1,348

Financial Performance Measures

Return on invested capital ⁽³⁾	4.1%	-1.4%	-4.3%	1.8%	4.5%	6.4%	9.5%	18.5%	20.0%	19.5%
Return on equity ⁽⁴⁾	2.1%	-2.0%	-5.6%	-0.1%	1.9%	3.8%	6.7%	13.5%	15.3%	14.4%

Capital, Earnings Per Share & Dividends

Weighted average number of ordinary shares	(millions)	1,823.3	1,836.5	2,668.7	558.2	558.6	570.1	571.1	556.8	534.9
Earnings per share (reported) ⁽⁵⁾	¢/s	6.9	(57.4)	(39.1)	(19.2)	(14.8)	62.1	125.3	281.8	189.9
Earnings per share (adjusted) ⁽⁶⁾	¢/s	35.0	(291.3)	(234.6)	(19.1)	(14.8)	62.1	125.3	281.8	189.9
Dividends per share (reported) ⁽⁵⁾	¢/s	5.0	2.0	0.0	0.0	0.0	6.0	9.0	14.0	14.0
Dividends per share (adjusted) ⁽⁷⁾	¢/s	25.4	10.2	0.0	0.0	0.0	6.0	9.0	14.0	14.0

A\$M unless marked; years ended 30 June

2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

Cash Flow Summary

Net cash inflow (outflow) from operating activities	377	28	267	161	407	539	1,132	1,141	1,682
Net cash inflow (outflow) from investing activities	(327)	(367)	(80)	(310)	(438)	(411)	(408)	(380)	(388)
Net cash inflow (outflow) from financing activities	(160)	273	(148)	429	(15)	(115)	(509)	(582)	(606)
Net increase (decrease) in cash held	(110)	(65)	39	281	(45)	13	215	179	688

Financial Position

Total assets	8,998	7,793	6,734	7,331	7,519	7,878	9,575	10,931	11,696
Total liabilities	3,242	3,397	2,955	2,871	3,062	3,138	4,037	4,043	4,355
Net assets	5,756	4,396	3,779	4,460	4,457	4,739	5,539	6,888	7,342
Net Operating Assets (pre-tax)	6,559	5,399	4,047	4,441	4,664	4,888	5,750	6,538	6,417
Net Debt / (Cash)	743	1,068	384	148	262	275	232	(64)	(693)
Gearing (net debt / net debt plus equity)	11.4%	19.5%	9.2%	3.2%	5.5%	5.5%	4.0%	NA	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)



SHAREHOLDER INFORMATION AND CORPORATE DIRECTORY

BLUESCOPE STEEL
ANNUAL REPORT 2018/2019

SHAREHOLDER INFORMATION

As at 23 August 2019

Distribution Schedule

Range	No of Holders	Securities	%
1 to 1,000	60,294	17,702,993	3.45
1,001 to 5,000	11,495	23,863,098	4.65
5,001 to 10,000	1,160	8,168,256	1.59
10,001 to 100,000	579	13,637,799	2.66
100,001 and Over	56	449,915,910	87.65
Total	73,584	513,288,056	100.00

Based on a closing share price of \$12.550 on 23 August 2019, the number of shareholders holding less than a marketable parcel of 40 shares is 7,721 and together they hold 158,094 shares.

Twenty Largest Registered Shareholders

Rank	Name	Securities	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	187,622,162	36.55%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	91,632,918	17.85%
3	CITICORP NOMINEES PTY LIMITED	75,158,310	14.64%
4	NATIONAL NOMINEES LIMITED	29,334,952	5.72%
5	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	12,950,549	2.52%
6	BNP PARIBAS NOMS PTY LTD <DRP>	11,241,217	2.19%
7	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	7,848,077	1.53%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,915,416	1.15%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	4,013,914	0.78%
10	CS FOURTH NOMINEES PTY LTD <HSBC CUST NOM AU LTD 11 A/C>	2,875,888	0.56%
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	2,626,344	0.51%
12	NATIONAL NOMINEES LIMITED <N A/C>	1,954,872	0.38%
13	AMP LIFE LIMITED	1,600,997	0.31%
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,048,241	0.20%
15	UBS NOMINEES PTY LTD	910,571	0.18%
16	NATIONAL NOMINEES LIMITED <DB A/C>	834,891	0.16%
17	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	828,529	0.16%
18	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LTD <MLPRO A/C>	827,012	0.16%
19	CS THIRD NOMINEES PTY LTD <HSBC CUST NOM AU LTD 13 A/C>	755,601	0.15%
20	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	727,287	0.14%
	TOTAL	440,707,748	85.86%
	Balance of Register	72,580,308	14.14%
	Grand TOTAL	513,288,056	100.00%

Substantial Shareholders

As at 23 August 2019, 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 3 December 2018, BlueScope announced its intention to undertake an on-market share buy-back of up to \$250 million, which on 18 June 2019 was extended by up to a further \$250 million for the period to 31 December 2019.

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.

Unquoted equity securities

There are 5,561,590 employee share/alignment rights on issue which are held by 224 holders.

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	<p>J A Bevan Chairman</p> <p>M R Vassella Managing Director and Chief Executive Officer</p> <p>P Bingham-Hall</p> <p>E G W Crouch AM</p> <p>L H Jones</p> <p>R P Dee-Bradbury</p> <p>J M Lambert</p> <p>R M Hutchinson</p>
Secretaries	<p>D J Counsell</p> <p>P Grau</p>
Executive Leadership Team	<p>M R Vassella Managing Director and Chief Executive Officer</p> <p>T J Archibald Chief Financial Officer</p> <p>D J Counsell Chief Legal Officer and Company Secretary</p> <p>S R Elias Chief Executive NS BlueScope</p> <p>P Finan Chief Executive, Hot Rolled Products North America</p> <p>A Highnam Chief Executive, BlueScope Buildings</p> <p>J Nowlan Chief Executive, Australian Steel Products</p> <p>G Stephens Chief Executive, New Zealand & Pacific Islands</p> <p>Andrew Garey Chief Strategy & Transformation Officer</p> <p>Kristie Keast Chief People Officer</p>
Notice of Annual General Meeting	<p>The Annual General Meeting of BlueScope Steel Limited will be held at the Stamford Plaza Brisbane, 39 Edward Street, Brisbane at 10.00am Brisbane time (11.00am Melbourne time) on Thursday 21 November 2019.</p>
Corporate Governance Statement	<p>An overview of BlueScope Steel Limited's corporate governance structures is presented in the 2019 Corporate Governance Statement which is available online at: http://www.bluescope.com/about-us/governance</p>
Registered Office	<p>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</p>
Share Registrar	<p>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</p>
Auditor	<p>Ernst & Young 8 Exhibition Street, Melbourne, Victoria 3000</p>
Securities Exchange	<p>BlueScope Steel Limited shares are quoted on the Australian Securities Exchange (ASX).</p>
Website Address	<p>www.bluescope.com</p>



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

WWW.BLUESCOPE.COM