BLUESCOPE STEEL LIMITED
PROSPECTUS

ABN 16 000 011 058

BLUESCOPE STEEL

PROSPECTUS FOR THE 1 FOR 1 NON-RENOUNCEABLE ENTITLEMENT OFFER OF UP TO APPROXIMATELY 911.7 MILLION NEW SHARES AT AN OFFER PRICE OF $1.55 PER NEW SHARE TO RAISE UP TO APPROXIMATELY $1,413 MILLION

THIS PROSPECTUS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE AN ELIGIBLE RETAIL SHAREHOLDER, YOU SHOULD READ THIS PROSPECTUS IN ITS ENTIRETY BEFORE DECIDING WHETHER TO ACCEPT THE OFFER OF NEW SHARES. YOUR ENTITLEMENT MAY HAVE VALUE AND YOU SHOULD THEREFORE CONSIDER WHETHER TO TAKE UP YOUR ENTITLEMENT RATHER THAN ALLOW IT TO LAPSE.

IF YOU DO NOT UNDERSTAND ANY PART OF THIS PROSPECTUS, OR ARE IN DOUBT AS TO HOW TO DEAL WITH IT OR YOUR ENTITLEMENT, YOU SHOULD CONSULT YOUR STOCKBROKER, ACCOUNTANT, LAWYER OR OTHER PROFESSIONAL ADVISER.

THIS DOCUMENT MAY NOT BE DISTRIBUTED INTO THE UNITED STATES OR TO ANY U.S. PERSON, AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), EXCEPT ACCOMPANIED BY THE INSTITUTIONAL OFFERING MEMORANDUM AND TO A LIMITED NUMBER OF QUALIFIED INSTITUTIONAL BUYERS, AS DEFINED IN RULE 144A UNDER THE U.S. AS PART OF THE INSTITUTIONAL OFFER (AS DEFINED HEREIN).

SOLE LEAD MANAGER, UNDERWRITER & BOOKRUNNER

CREDIT SUISSE

IMPORTANT NOTICE

This Prospectus relates to the 1 for 1 Offer of new shares ("New Shares") by BlueScope Steel. This Prospectus is dated 5 May 2009 and a copy was lodged with the Australian Securities and Investments Commission ("ASIC") on that date. The Expiry Date of this Prospectus is the date that is 13 months after the date of this Prospectus ("Expiry Date"). No New Shares will be issued on the basis of this Prospectus after the Expiry Date. BlueScope Steel will apply within seven days of the date of this Prospectus for quotation of the New Shares on ASX. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus.

This Prospectus is important and requires your immediate attention. You should read the entire Prospectus carefully before deciding whether to invest in New Shares. In particular you should consider the risk factors that could affect the performance of BlueScope Steel or the value of an investment in BlueScope Steel, some of which are outlined in Section 6. However, the information provided in this Prospectus is not investment advice or financial product advice and has been prepared without taking into account your individual investment objectives, financial situation, tax position or needs. Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives, financial situation, tax position and particular needs and having regard to the merits or risks involved. If, after reading this Prospectus, you have any questions about the Offer you should contact your stockbroker, accountant or other professional adviser.

The potential tax effects of the Offer will vary between investors. A summary of the potential Australian tax implicationas for Eligible Retail Shareholders is set out in Section 8. However, this summary does not take into account any of your individual circumstances, and you should satisfy yourself of any possible tax consequences of the Offer by consulting your own professional tax adviser. All investors should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers.

The past performance of the price of Shares or other securities in BlueScope Steel provides no guidance or indication as to how the price of Shares, including New Shares, will perform in the future. Entitlements are not transferable. If you decide not to take up all or part of your Entitlement to subscribe for New Shares, a number of New Shares, equivalent to the balance of your Entitlement, may be sold to other Eligible Retail Shareholders who subscribe for New Shares in excess of their Entitlement (see Section 2.11 for more information). You will not receive any value in respect of Entitlements that you do not take up or are not eligible to receive. Please carefully read and follow the instructions in Section 3 of this Prospectus and on the accompanying Entitlement and Acceptance Form when subscribing for New Shares.

PROSPECTUS AVAILABILITY

Eligible Retail Shareholders will be mailed a copy of this Prospectus together with an accompanying personalised Entitlement and Acceptance Form. Eligible Retail Shareholders can obtain a copy of this Prospectus during the Retail Offer Period (free of charge) from BlueScope Steel's website at http://www.bluescopesteel.com or by calling the BlueScope Steel Offer Information Line on 1300 855 998 from within Australia or +61 2 8280 7760 if calling from outside Australia between 8:30am and 5:30pm (AEST) Monday to Friday during the Retail Offer Period. Shareholders in other jurisdictions (including the U.S.) are not entitled to access a copy of the Prospectus on BlueScope Steel's website. Persons who access the electronic version of this Prospectus on BlueScope Steel's website should ensure they download and read the entire Prospectus. The electronic version of the Prospectus on BlueScope Steel's website will not include an Entitlement and Acceptance Form.

Any references to documents located on BlueScope Steel's website are provided for convenience only, and none of the documents or other information contained on BlueScope Steel's website are incorporated by reference into this Prospectus.

Neither this Prospectus nor the accompanying Entitlement and Acceptance Form may be sent to persons outside Australia or New Zealand or to persons in the U.S. or that are, or are acting on behalf of or for the account or benefit of, a U.S. Person, or otherwise be distributed in the U.S.

NEW ZEALAND

This Prospectus contains an offer to Eligible Retail Shareholders in Australia or New Zealand of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. The New Shares being offered under this Prospectus are being offered to Eligible Retail Shareholders with registered addresses in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). This Prospectus is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (or any other relevant New Zealand law). This Prospectus may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

OTHER FOREIGN JURISDICTIONS

This Prospectus has been prepared to comply with the requirements of the securities laws of Australia. This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the New Shares or otherwise permit a public offering of the New Shares in any jurisdiction other than Australia or New Zealand. In particular, you should read Section 3.3 carefully which sets out details of the selling restrictions in relation to New Shares issued in connection with the Offer. This Prospectus does not constitute an offer of securities in the U.S. or to, or for the account of, any U.S. Persons.

The distribution of this Prospectus outside Australia and New Zealand may be restricted by law. If you come into possession of this Prospectus, you should observe any such restrictions and should seek your own advice on such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. BlueScope Steel disclaims all liability to such persons.

This Prospectus may not be distributed to, or relied upon by, persons in the U.S. or who are U.S. Persons unless accompanied by the institutional offering memorandum as part of the Institutional Offer. By returning a completed Entitlement and Acceptance Form, or making a payment of the Application Monies for New Shares by BPAY®, you will be taken to make the statements on the Entitlement and Acceptance Form and represent and warrant that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

Neither the New Shares nor the Entitlements under the Offer have been, or will be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the U.S., and may not be offered or sold in the U.S., or to, or for the account or benefit of, a U.S. Person, except in a transaction exempt from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer is not being extended to any Shareholder outside of Australia or New Zealand, other than Eligible Institutional Shareholders and to certain Institutional Investors as part of the Institutional Offer. This Prospectus does not constitute an offer of securities in the U.S. or to any U.S. Person or to any person acting for the account or benefit of a U.S. Person. The return of a duly completed Entitlement and Acceptance Form or payment of the Application Monies for New Shares by BPAY® will be taken by BlueScope Steel to constitute a representation and warranty made by the applicant to BlueScope Steel that there has been no breach of such laws.

See Section 3.3 for further details.

FUTURE PERFORMANCE AND FORWARD-LOOKING STATEMENTS

Except as required by law, and then only to the extent required by law, neither BlueScope Steel nor any other person warrants the future performance of BlueScope Steel, the Shares or any return on any investment made by you under this Prospectus. The pro-forma financial information provided in this Prospectus is for illustrative purposes only and does not represent a forecast or expectation by BlueScope Steel as to its future financial performance.

This Prospectus contains forward-looking statements that, despite being based on BlueScope Steel's current expectations about future events, are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of BlueScope Steel and the Directors. These known and unknown risks, uncertainties and assumptions, could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions include but are not limited to the risks outlined in Section 6. Forward-looking statements include those containing such words as "anticipate", "estimate", "expect", "opportunity", "plan", "intend", "aim", "seek", "believe", "should", "will", "may" or similar expressions.

PREPARATION OF FINANCIAL INFORMATION

BlueScope Steel's audited consolidated financial statements are prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act. The consolidated financial statements comply with Australian Accounting Standards issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. BlueScope Steel publishes its financial statements in Australian dollars with a financial year end of 30 June. A reference to $, or cents in this Prospectus is to Australian currency unless otherwise indicated. The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding and accordingly may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

DISCLAIMER OF REPRESENTATIONS

You should rely only on the information in this Prospectus. No person is authorised to provide any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by BlueScope Steel, the Sole Lead Manager and Underwriter or their respective Related Bodies Corporate in connection with the Offer.

DEFINITIONS AND ABBREVIATIONS

Some words and expressions used in this Prospectus have defined meanings, which are explained in the Glossary at the end of this Prospectus. All references to time in the Prospectus are references to Australian Eastern Standard Time ("AEST") unless otherwise noted.

PHOTOGRAPHS AND DIAGRAMS

The assets or products or services depicted in photographs and diagrams in the Prospectus may not be assets or products or services provided by BlueScope Steel. Diagrams and maps in this Prospectus are provided for illustrative purposes only and are not to scale.

ENQUIRIES

If you are an Eligible Retail Shareholder and have questions about the Offer, please contact your stockbroker, accountant, lawyer or other professional adviser. If you have any questions in relation to the calculation of your Entitlement, how to complete your Entitlement and Acceptance Form or how to take up your Entitlement you can call the BlueScope Steel Offer Information Line on 1300 855 998 from within Australia or +61 2 8280 7760 if calling from outside Australia between 8:30am and 5:30pm (AEST) Monday to Friday during the Retail Offer Period.

PRIVACY

Please read the privacy statements in Section 9.12. By submitting the Entitlement and Acceptance Form in or accompanying this Prospectus or making a payment of the Application Monies by BPAY®[1], you consent and agree to the matters outlined in Section 9.12.

[1] Registered to BPAY Pty Ltd (ABN 69 079 137 518)

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THE NET PROCEEDS FROM THIS OFFER WILL BE USED TO REDUCE DEBT. AS A RESULT, IT WILL STRENGTHEN BLUESCOPE STEEL'S BALANCE SHEET AND ENHANCE ITS FINANCIAL FLEXIBILITY.

Cover: This contemporary home in Woodend, Victoria, is clad in ZINCALUME® steel in MINI ORB® profile.

Cover background: TRUECORE® steel.

Singapore Expo. One of Asia's largest exhibition venues, this complex has over 100,000 square metres of column free space. BlueScope Lysaght structural and cladding products were used throughout the complex.

LETTER FROM THE CHAIRMAN

5 May 2009

Dear Shareholder,

On behalf of the Board of Directors of BlueScope Steel, I am pleased to invite you to participate in this Offer of New Shares in BlueScope Steel Limited. This non-renounceable Entitlement Offer entitles Eligible Shareholders to subscribe for 1 New Share for every 1 Share held at 7:00pm on 8 May 2009 at the Offer Price of $1.55 per New Share. The Offer Price represents a 23.0% discount to the Theoretical Ex-Rights Price of $2.01 based on BlueScope Steel's volume weighted average share price ("VWAP") on 4 May 2009.

This equity raising is part of a broad restructuring of BlueScope Steel's balance sheet and further details of other restructuring measures to be made in line with this Offer are contained within this Prospectus.

The net proceeds from this Offer will be used to reduce debt. As a result, it will strengthen BlueScope Steel's balance sheet and enhance its financial flexibility.

When we announced BlueScope Steel's financial results for the six months ended December 2008, we advised you that the Company was facing challenging market conditions driven by the global economic downturn, and that it was difficult to determine future product demand. Since December 2008, steel prices have fallen and global markets remain challenging.

Consistent with BlueScope Steel's other actions to strengthen its balance sheet and maintain financial flexibility in light of current market conditions, BlueScope Steel does not believe it would be appropriate to propose a final dividend for the year ending 30 June 2009.

BlueScope Steel remains focused on responsibly managing its cash flow through cost reduction and reduced capital expenditure, and maintaining a robust balance sheet and liquidity position. The combined effect of this equity raising and other restructuring measures will be to strengthen the Company's balance sheet through reduced gearing and extension of debt maturities. In turn, this should better position the Company for current market conditions and enable it to take advantage of opportunities as market conditions improve.

The Offer will enable BlueScope Steel to raise up to approximately $1,413 million, of which $825 million is underwritten. The Offer comprises an Institutional Offer of approximately 521.4 million New Shares and a Retail Offer of approximately 390.2 million New Shares. The Retail Offer will be open from 11 May 2009 to 5:00pm on 29 May 2009.

Assuming $825 million of gross proceeds are raised from the underwritten amount of the Offer, pro-forma gearing at 31 December 2008 would be reduced from 35.9% to 24.0%. Assuming $1,413 million of maximum gross proceeds are raised, then pro-forma gearing at 31 December 2008 would be reduced from 35.9% to 16.3% as described in Section 5.2.

This Prospectus sets out the details of the Offer. I encourage you to read it, including the risk factors set out in Section 6, and consider it carefully before making your investment decision.

Any questions regarding the Offer may be directed to the BlueScope Steel Offer Information Line on 1300 855 998 from within Australia or +61 2 8280 7760 if calling from outside Australia between 8:30am and 5:30pm (Australian Eastern Standard Time) Monday to Friday during the Retail Offer Period. If you are in any doubt regarding the action you should take, please contact your professional adviser.

All Directors of BlueScope Steel intend to participate in the Offer.

On behalf of the Directors of BlueScope Steel, I thank you for your continued support.

Yours faithfully,

GRAHAM KRAEHE AO, CHAIRMAN

SUMMARY OF THE OFFER AND KEY DATES

KEY DATES

Event	Indicative Date
Offer Period	5 May 2009 to 29 May 2009
Institutional Offer period	5 May 2009 to 6 May 2009
Record date for the Offer ("Record Date")	7:00pm on 8 May 2009
Retail Offer opens	11 May 2009
Despatch of Prospectus and Entitlement and Acceptance Forms	14 May 2009
Settlement of the Institutional Offer	14 May 2009
Allotment of New Shares under the Institutional Offer ("Institutional Allotment Date")	15 May 2009
New Shares under the Institutional Offer commence trading on ASX	15 May 2009
Retail Offer closes ("Closing Date")	5:00pm on 29 May 2009
Settlement of the Retail Offer	4 June 2009
Allotment of New Shares under the Retail Offer ("Final Allotment Date")	5 June 2009
New Shares under the Retail Offer commence trading on ASX	9 June 2009
Despatch of Transaction Confirmation Statements	11 June 2009

Note: The above timetable is subject to change and dates are indicative only. BlueScope Steel in conjunction with the Sole Lead Manager and Underwriter reserves the right to amend this indicative timetable subject to the Corporations Act and Listing Rules and other applicable laws. In particular, BlueScope Steel reserves the right to amend any or all of these dates and times, to accept late Applications either generally or in particular cases, or to cancel the Offer without prior notice. The commencement of quotation of New Shares is subject to confirmation from ASX. All references to time in this Prospectus are references to Australian Eastern Standard Time.

KEY STATISTICS

OFFER PRICE	$1.55 per New Share
ENTITLEMENT	1 New Share for each 1 Share held at the Record Date

	New Shares	$million
INSTITUTIONAL OFFER	521.4 million[1]	$808
RETAIL OFFER	10.8 – 390.2 million[2]	$17 – $605
TOTAL OFFER	532.3 – 911.7 million[3]	$825 – $1,413

1 Due to rounding of Entitlements and reconciliation of Entitlements under the Institutional Offer to shareholdings on the Record Date, the exact number of New Shares to be issued, and the number of New Shares to be issued under each part of the Offer will not be known until completion of the Offer.

2 The total underwritten amount of the Offer is $825 million, resulting in a portion of the Retail Offer being underwritten, with the balance not underwritten. The maximum number is calculated on the basis that the Retail Offer is fully subscribed.

3 The minimum number is calculated on the basis that subscriptions are received under the Retail Offer to the extent it is underwritten. The maximum number is calculated on the basis that the Retail Offer is fully subscribed. The final number of New Shares issued and the total amount raised, may be less than shown.

WHAT SHOULD YOU DO?

This Prospectus contains important information in relation to the Offer. You should read it carefully and in its entirety, including Section 6 which contains a summary of the key risks associated with an investment in BlueScope Steel. If you are in doubt as to the course of action you should follow, you should seek appropriate professional advice before making an investment decision. If you are an Eligible Retail Shareholder, you may either take up all or some of your Entitlement or decline to take up your Entitlement (refer to Section 3 for more details).

INVESTMENT HIGHLIGHTS

LEADING MARKET POSITIONS

BlueScope Steel currently supplies approximately 70 – 80% of the total tonnage of flat steel products sold in the Australian and New Zealand domestic markets[1]. BlueScope Steel's flat steel products include hot rolled coil, cold rolled coil, plate and galvanised steel, as well as branded value-added products such as pre-painted COLORBOND® steel and zinc/aluminium alloy-coated ZINCALUME® steel that have historically attracted premium pricing.

BlueScope Steel also operates metallic coating and painting, roll-forming and pre-engineered steel building ("PEB") facilities in the Asia-Pacific region. These PEB facilities, combined with its PEB business in North America, place BlueScope Steel as a global competitor in the provision of steel-based PEB solutions.

Left: ZINCALUME® and COLORBOND® steels in a range of LYSAGHT® profiles were used in the redevelopment of the Melbourne Show Grounds, Australia. The project called for the restoration of heritage-listed buildings, as well as the construction of the striking new Royal Agricultural Society of Victoria (RASV) Centre shown here.

Above: The curved design for the Malaysian National Audit Department called for flexible building materials. ZINCALUME® and Clean COLORBOND® steels were chosen to detail the curves of the walls and roof.

Above right: The innovative Macquarie Bank Centre in Sydney, New South Wales, features a steel exoskeleton. BlueScope Lysaght Design and Construction provided the entire structural package for the project.

1 BlueScope Steel has estimated its market share based on data available from ABS. This calculation does not take into account segments of the market for which BlueScope Steel does not make products or for which import data is not available. For example, information on hot rolled coil thicker than 4.75mm is not reported in ABS figures, BlueScope Steel does not produce electro-galvanised products or aluminised steel.

COST-COMPETITIVE STEEL MANUFACTURER

BlueScope Steel operates two integrated steelworks – one at Port Kembla, New South Wales, Australia and another at Glenbrook, New Zealand. The Company also operates a number of other steel manufacturing facilities in Australia, New Zealand, the U.S. and Asia.

BlueScope Steel's flagship production facility, Port Kembla Steelworks, is capable of producing more than five million tonnes per annum of flat steel products including slab, hot and cold rolled coil, and plate. With transport infrastructure, direct access to a deep-water port, close proximity to large deposits of high quality coking coal used for steelmaking, and a highly skilled workforce, the Port Kembla Steelworks is an efficient, cost-competitive producer of quality steel.

BlueScope Steel's integrated steel plant at Glenbrook, New Zealand also benefits from natural cost advantages due to its close proximity to low-cost steaming coal supplies and large reserves of low-cost iron sands supplied from a mine that is currently operated by the Company under a long-term exclusive licence from the New Zealand Government.

In the U.S., BlueScope Steel's joint venture operation North Star BlueScope Steel is capable of producing two million tonnes per annum of steel from scrap metal (BlueScope Steel 50% share one million tonnes). The mill is strategically located close to many of its key customers in the heart of the mid-west U.S. manufacturing region. For six consecutive years, North Star BlueScope Steel has been voted number one for customer satisfaction in the annual Jacobson Survey of steel customers in North America.

These operations are underpinned by BlueScope Steel's focus on maintaining high safety standards across its global operations. BlueScope Steel has historically demonstrated a strong performance on safety measures, with injury statistics currently among industry leading lows.

GEOGRAPHICALLY DIVERSE BUSINESS WITH OPERATIONS IN AUSTRALIA, NEW ZEALAND, ASIA AND NORTH AMERICA

BlueScope Steel's globally diverse business encompasses operations in Australia, New Zealand, the U.S. and Asia. This geographical diversity, coupled with its diversified product mix, help to moderate the Company's exposure to variable global steel prices. Since its listing on ASX in 2002, BlueScope Steel has developed its business through investment in operations that supply value-added coated and painted steel products and customer-focused steel solutions.

The Company is established with its value-added, branded steel products in some of the world's most populous markets including China, Indonesia, the U.S. and India.

WELL KNOWN AND RESPECTED BRANDS

BlueScope Steel's brand portfolio contains many well-known and respected names including COLORBOND® steel, ZINCALUME® steel and LYSAGHT® building products in Australia and COLORSTEEL® steel in New Zealand. The brands are well recognised, and leaders in their respective markets. BUTLER® is a leading brand in pre-engineered building systems. In Asia, BlueScope Steel has built a reputation for quality with its purpose-designed Clean COLORBOND® steel brand.

In recent years, new product lines have been added to the brand portfolio such as WATERPOINT® rainwater tanks and TRUECORE® residential steel framing.

Above: The lighthouse at Waiheke Island, New Zealand, showcases the durability and design scope of ZINCALUME® steel.

Above right: Armed Forces Development Command, Bangkok, Thailand. This striking example of contemporary Asian architecture uses ZINCALUME® steel to reinterpret traditional Thai building design. BlueScope Steel products were selected for their aesthetic appeal, design flexibility and durability in tropical conditions.

LYSAGHT

BUTLER A BlueScope Steel Company

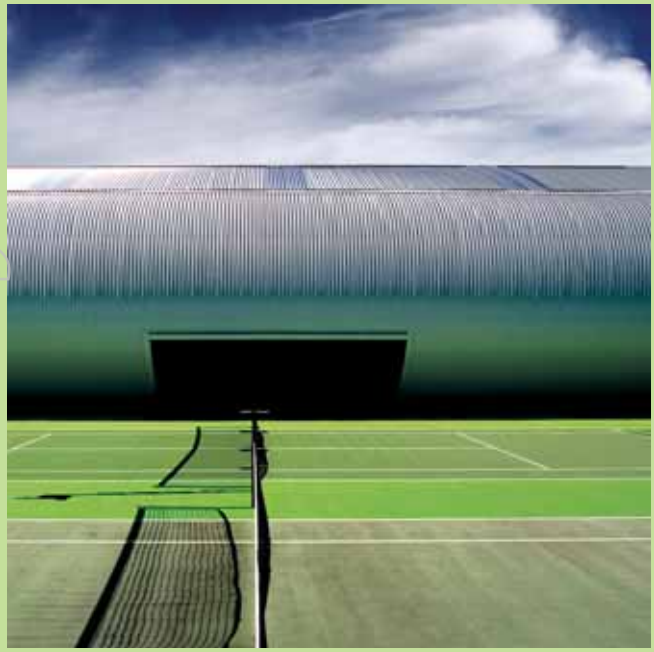
Colorbond®

Galvaspan®

COLOR STEEL

clean Colorbond®

Zincalume®



The flexibility of steel is used to dramatic effect in the Tennis Centre at Hamilton, New Zealand.

Background: BlueScope Steel's products feature prominently in the iconic Melbourne Cricket Ground (MCG).

STRENGTHENED BALANCE SHEET POSITION

The Offer and the new loan facilities have been arranged to strengthen the Company's balance sheet and to provide the Company with additional financial flexibility to operate in the current challenging market conditions. In turn, this should better position the Company for current market conditions and enable it to take advantage of opportunities as market conditions improve.

As a result of this refinancing, the Company will have a strong balance sheet with:

- 24.0% gearing on a pro forma basis as at 31 December 2008;
- committed and undrawn debt facilities of $775 million as at 31 March 2009; and
- no material debt refinancing event until at least 2 years from the date the new facilities are drawn.

BLUESCOPE'S FOCUS IS ON MAINTAINING HIGH SAFETY STANDARDS ACROSS ITS GLOBAL OPERATIONS. BLUESCOPE STEEL HAS HISTORICALLY DEMONSTRATED A STRONG PERFORMANCE ON SAFETY MEASURES, WITH INJURY STATISTICS CURRENTLY AMONG INDUSTRY LEADING LOWS.

SUMMARY

RISK FACTORS

In addition to normal risks affecting any listed equity investment, an investment in New Shares is subject to risks associated with BlueScope Steel's businesses. The following risk factors should be considered before applying for New Shares.

Further details regarding these risk factors, and certain other risks which may affect BlueScope Steel or an investment in BlueScope Steel, are contained in Section 6 of, and elsewhere in, this Prospectus. The list below is not exhaustive and you should consider Section 6 in detail, as well as the rest of the information in this Prospectus, before deciding whether or not to invest in New Shares.

- The downturn in the global economy has caused a reduction in worldwide demand for steel. A protracted global recession would materially impact the steel industry and the Company

  Steel demand is linked to economic activity. A protracted global recession (and any further deterioration in global macroeconomic conditions) would continue to have a material impact on demand for steel products and hence on the Company's business, financial position and results of operation.

- The Company's financial performance is strongly influenced by international steel prices, which can fluctuate significantly over time and are difficult to forecast, and any material and sustained steel price deterioration in the absence of corresponding raw materials price declines could adversely affect the Company's business and financial performance

  Factors that affect international steel prices, such as economic growth, exchange rate fluctuations, changes in global steel production capacity, changes in the cost of raw materials and trade barriers, are outside of the Company's control. Sustained international steel price reductions would have an overall material adverse impact on the Company's financial results.

- The Company's financial performance is strongly influenced by international prices for raw materials including iron ore and coal, which fluctuate significantly over time and are difficult to forecast. Any material and sustained increases in the price of such raw materials in the absence of corresponding steel price increases could adversely affect the Company's business and financial performance

  Steel production requires the use of large volumes of bulk raw materials, in particular iron ore and coking coal. Iron ore and coking coal prices have increased over the last four years. The Company is impacted by the long-term price trajectory of raw material prices as well as short-term fluctuations. Generally, movements in raw material input costs will lag movements in steel prices. A material movement in electricity pricing could have an adverse impact on the business and financial performance of the Company's EAF steelmaking operations.

- Excess capacity, resulting in part from expanded production in China and other developing economies in recent years, may hamper the steel industry's recovery and prolong the downward cycle

  The steel industry is currently characterised by over-capacity, and it is possible in the context of the current downturn that global production levels will fail to adjust fully to falling demand or that production increases will outstrip demand increases at times during the early stages of recovery, resulting in fluctuating prices and industry weakness. Any significant excess capacity in China and increased exports by Chinese steel companies may weigh on steel prices in many markets in which the Company operates.

- The Company is exposed to the effects of exchange rate fluctuations

  BlueScope Steel operates and transacts in multiple currencies and reports financial results in A$. As a result, the Company's earnings and equity are exposed to risk associated with foreign exchange rate movements. BlueScope Steel's primary exposure is to movements in the A$/US$ exchange rate because export sales are typically denominated in US$, a material proportion of the Company's operating costs are in A$ and the Company has significant operations in the U.S. and earnings from these operations must be translated into A$ for financial reporting purposes. An appreciation of the A$ relative to the US$ will typically have an adverse affect on the Company's earnings.

- **The Company could be significantly affected by a major operational failure or disruption at Port Kembla Steelworks**

  Steel manufacturing processes are dependent on critical steelmaking equipment, such as furnaces, steam boilers, continuous casters, rolling mills and electrical equipment (such as transformers), and such equipment may incur downtime as a result of unanticipated failures or other events, such as fires, furnace breakdowns or loss of external power supply. An interruption of energy supply to the Company's steel making operations, could have an adverse impact on the Company's business and financial performance. Should a significant facility or process failure occur at Port Kembla Steelworks, the Company may be required to suspend production at the facility for repairs. This could also lead to a shutdown at some of its downstream operations until Port Kembla Steelworks is again operational. The Company's insurance may not be adequate to cover all losses or liabilities that may arise as a result of any such shutdowns or operational failures and may have high deductibles.

- **The Company could be significantly affected by any unexpected adverse occurrence relating to the completion of the Port Kembla No. 5 Blast Furnace reline project**

  The Company is currently undertaking a scheduled refurbishment of its No. 5 Blast Furnace at Port Kembla Steelworks. The completion of the reline project exposes the Company to a number of risks, including higher than anticipated capital spend due to unexpected conditions, and impact on customers and market share if restart of its No. 5 Blast Furnace is delayed or unable to ramp up as planned when the steel market recovers. The project has now moved into the reconstruction phase.

- **The Company relies on contracts with certain long-term suppliers for its raw materials**

  Steel production requires substantial amounts of raw materials and energy, including iron ore, coking coal and coke, scrap steel, electricity and natural gas. In particular, the Company considers the supply under certain long-term coking coal supply contracts as essential to its operations due to a lack of low cost alternative sources of suitable coal. If coal ceases to be supplied to the Company under these contracts, this could be expected to have a material adverse impact on the costs of producing steel at the Company's Port Kembla Steelworks facility and, hence, on the Company's financial performance.

- **The Company may incur significant additional costs if regulation of greenhouse gas emissions is introduced including the proposed Carbon Pollution Reduction Scheme in Australia**

  The introduction of regulatory change by governments or governmental bodies in response to the potential impacts of climate change and greenhouse gas emissions may affect the Company's operations including in Australia, New Zealand and the U.S. The Australian white paper and exposure draft bills implementing the CPRS contemplate that there will be an emissions-intensive trade-exposed ("EITE") assistance program which will involve an allocation of some permits to companies in eligible industries. While the Company may qualify for a level of assistance under this program, the detail of the assistance program has not been resolved and the CPRS could materially impact the Company's operations and financial performance, directly or indirectly, depending on its final form unless there are further amendments to the regulatory framework governing EITE industries.

- **The Company has indebtedness, which, along with adverse conditions prevailing in global credit markets, could make it more difficult or expensive to refinance its maturing debt, incur new debt and/or reduce flexibility in managing its business**

  Failure to comply with the financial covenants in the Company's debt facilities could enable the lenders to accelerate the Company's repayment obligations.

  The Company's ability to obtain debt or equity financing on acceptable terms depends on a variety of factors that are beyond the Company's control, including market conditions, credit availability and interest rates. As such, there can be no assurances that the Company will be able to obtain sufficient financing from external sources as required on terms satisfactory to the Company, or at all.

- **Underfunded defined benefit funds to which the Company's employees belong and the possible need to make substantial cash contributions to these funds, which may increase in the future, may reduce the cash available for the Company's business**

  The Company's defined benefit pension plans are currently underfunded as a result of recent equity market declines, and the value of US$ liabilities as disclosed in the Company's financial statements has increased as a result of the recent depreciation of the A$ against the US$.

  Because of the large number of variables that determine pension funding requirements, which are difficult to predict, as well as any legislative action, future cash funding requirements for the Company's pension plans could be significantly higher than currently estimated amounts. If so, these funding requirements could have a material adverse effect on the Company's business, financial position, results of operations or prospects.

- **Changes in assumptions underlying the carrying value of certain assets, including inventory, as a result of deteriorating market conditions, could result in impairment of such assets, including intangible assets such as goodwill**

  At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use (excluding goodwill, which is reviewed at least annually). If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the amount of the impairment, if any. The carrying value of inventory is also assessed for impairment at each reporting date with reference to expected future selling prices for the inventory. No assurance can be given as to the absence of significant impairment charges in future periods, particularly if weak market conditions persist.

OTHER KEY RISKS

- Environmental laws impose obligations on the Company, and violations of these laws could result in penalties and other liabilities, including clean-up costs and remediation
- The Company operates in industries which are cyclical
- The Company is subject to political, social and economic policy risks and uncertainties in the countries in which it operates or proposes to operate. Any deterioration or disruption of the political, social or economic environment and business climate in those countries may have an effect on the Company's business, financial position, results of operations or prospects
- Competition from other materials could significantly reduce market prices and demand for steel products and thereby reduce the Company's cash flow and profitability
- The Company is exposed to interest rate fluctuations
- The Company could be adversely affected by increased competition in the Australian and New Zealand steel market
- The Company's business benefits from some key customer relationships
- The Company's business is exposed to variable insurance market conditions and the insurance cover of the Company may not cover all risks or be sufficient to cover all losses
- Industrial disputes between the Company and unions could disrupt the Company's operations
- The Company is exposed to risks relating to occupational health and safety
- The Company faces potential liability for various legal claims
- The Company has a reduced level of control over some of its activities since they are operated through joint ventures
- The Company is subject to extensive government regulation that may have a negative impact on its business, financial condition and its results of operations
- The Company depends on the availability and affordability of transportation to deliver its products to market
- National trade restrictions could reduce or eliminate the Company's access to steel markets and the Company may be exposed to unfair practices
- The future price of the Company's shares is subject to the uncertainty of equity market conditions
- Future share issuance
- Reduction in dividends

QUESTIONS AND
ANSWERS

SECTION 1

QUESTIONS AND 1.ANSWERS

QUESTION	ANSWER	WHERE TO FIND MORE INFORMATION
THE OFFER		
What is the Offer?	The Offer is a non-renounceable pro rata entitlement offer made to Eligible Shareholders. The Offer comprises two parts: ■ the Institutional Offer; and ■ the Retail Offer. The Offer is underwritten to $825 million (the "Underwritten Amount").	Sections 2.2 and 9.4
What is the purpose of the Offer?	The purpose of the Offer and debt refinancing is to increase BlueScope Steel's financial flexibility and strengthen its balance sheet by extending the tenor of its debt facilities and reducing gearing. In turn, this should better position the Company for current market conditions and enable it to take advantage of opportunities as market conditions improve. The Offer forms one key element in a comprehensive refinancing package that is being implemented by BlueScope Steel. The net proceeds from the Offer will be used to repay debt. In conjunction with the Offer, BlueScope Steel has also established a new A$1,275 million syndicated loan note facility which will comprise a A$200 million tranche that has a maturity date that is the earlier of two years from the date at which the facility is drawn and 31 July 2011 and a A$1,075 million tranche that has a maturity date that is the earlier of three years from the date at which the facility is drawn and July 2012. The new loan note facility and proceeds from the Offer will be used to refinance A$2,095 million of existing loan facilities. These existing facilities have maturity commitments ranging from December 2009 to January 2012.	Sections 2 and 4.3.3
How much is BlueScope Steel seeking to raise through the Offer?	BlueScope Steel is seeking to raise up to approximately $1,413 million under the Offer before expenses, comprising an Institutional Offer of up to $808 million and a Retail Offer of up to $605 million. The Offer is underwritten to $825 million. The actual amount raised depends on the level of subscriptions received from the Retail Offer. As the Retail Offer is only partly underwritten there is no certainty as to the total amount that will be raised under the Retail Offer.	Sections 2.1 to 2.3
What is the Offer Price?	$1.55 per New Share. This represents a discount of 23.0% to the Theoretical Ex-Rights Price (assuming the Retail Offer is fully subscribed) based on BlueScope Steel's VWAP on 4 May 2009.	Section 2.2

QUESTION	ANSWER	WHERE TO FIND MORE INFORMATION
What are some of the key risks associated with an investment in New Shares in BlueScope Steel?	Some of the key risks associated with an investment in New Shares are described in Section 6. Before making an investment decision you should read the entire Prospectus and carefully consider these risk factors.	Section 6
PARTICIPATION IN THE RETAIL OFFER		
Who is an Eligible Retail Shareholder for the Retail Offer?	Eligible Retail Shareholders are those persons who: ■ are registered as BlueScope Steel Shareholders as at 7:00pm on the Record Date; ■ have a registered address in Australia or New Zealand; ■ are not in the U.S. and are not U.S. Persons or acting for the account or benefit of a U.S. Person; ■ are not Eligible Institutional Shareholders or Ineligible Institutional Shareholders; ■ do not hold BlueScope Steel Shares solely as a result of post ex-date transactions which are disregarded as described in Section 9.11; and ■ are eligible under all applicable securities laws to receive an offer under the Retail Offer.	Section 2.2.2.1
What is my Entitlement?	Each Eligible Shareholder is entitled to subscribe for 1 New Share for every 1 Share held by the Eligible Shareholder on the Record Date. Eligible Shareholders can also subscribe for New Shares in excess of their Entitlement. However, no Eligible Shareholder is assured of being allocated any New Shares in excess of their Entitlement. Where fractions arise in the calculations of Entitlements, they will be rounded up to the nearest whole number of New Shares. If you are an Eligible Retail Shareholder, your Entitlement is set out on your personalised Entitlement and Acceptance Form accompanying this Prospectus. If you are an Eligible Retail Shareholder and you did not receive your personalised Entitlement and Acceptance Form you should call the BlueScope Steel Offer Information Line on 1300 855 998 from within Australia or +61 2 8280 7760 if calling from outside Australia between 8:30am and 5:30pm (AEST) Monday to Friday during the Retail Offer Period to find out your Entitlement and be sent your personalised Entitlement and Acceptance Form.	Entitlement and Acceptance Form, Sections 2 and 3

QUESTION	ANSWER	WHERE TO FIND MORE INFORMATION
What can I do with my Entitlement?	There are a number of things you can do with your Entitlement. You can either: ■ accept your Entitlement in full; ■ accept your Entitlement in full and apply for New Shares in excess of your Entitlement; ■ accept part of your Entitlement and reject the balance; or ■ not accept your Entitlement. If you do not accept your Entitlement in full or are an Ineligible Retail Shareholder, your percentage Shareholding in BlueScope Steel will be reduced following the issue of the New Shares under the Offer.	Section 3
Can I trade my Entitlement?	No. Entitlements cannot be traded on ASX or any other exchange, nor can they be privately transferred.	Section 2.2.2.2
What do I do if I want to accept my Entitlement?	If you wish to accept all or any part of your Entitlement you should: ■ complete the personalised Entitlement and Acceptance Form accompanying this Prospectus in accordance with the instructions set out on the Entitlement and Acceptance Form; ■ attach payment for the full amount payable ($1.55 multiplied by the number of New Shares applied for) to the Entitlement and Acceptance Form; and ■ return the Entitlement and Acceptance Form and Application Monies to the Share Registry. Alternatively, if you are an Eligible Retail Shareholder with an Australian bank account, you may elect to pay the Application Monies by BPAY® in accordance with the instructions on the Entitlement and Acceptance Form. In this case you do not need to submit an Entitlement and Acceptance Form. The completed Entitlement and Acceptance Form or BPAY® payment must be received by the Share Registry no later than 5:00pm on 29 May 2009. You should check the processing cut-off time for BPAY® transactions with your bank, credit union or building society to ensure that your payment will be received by the Share Registry in time.	Section 3.1

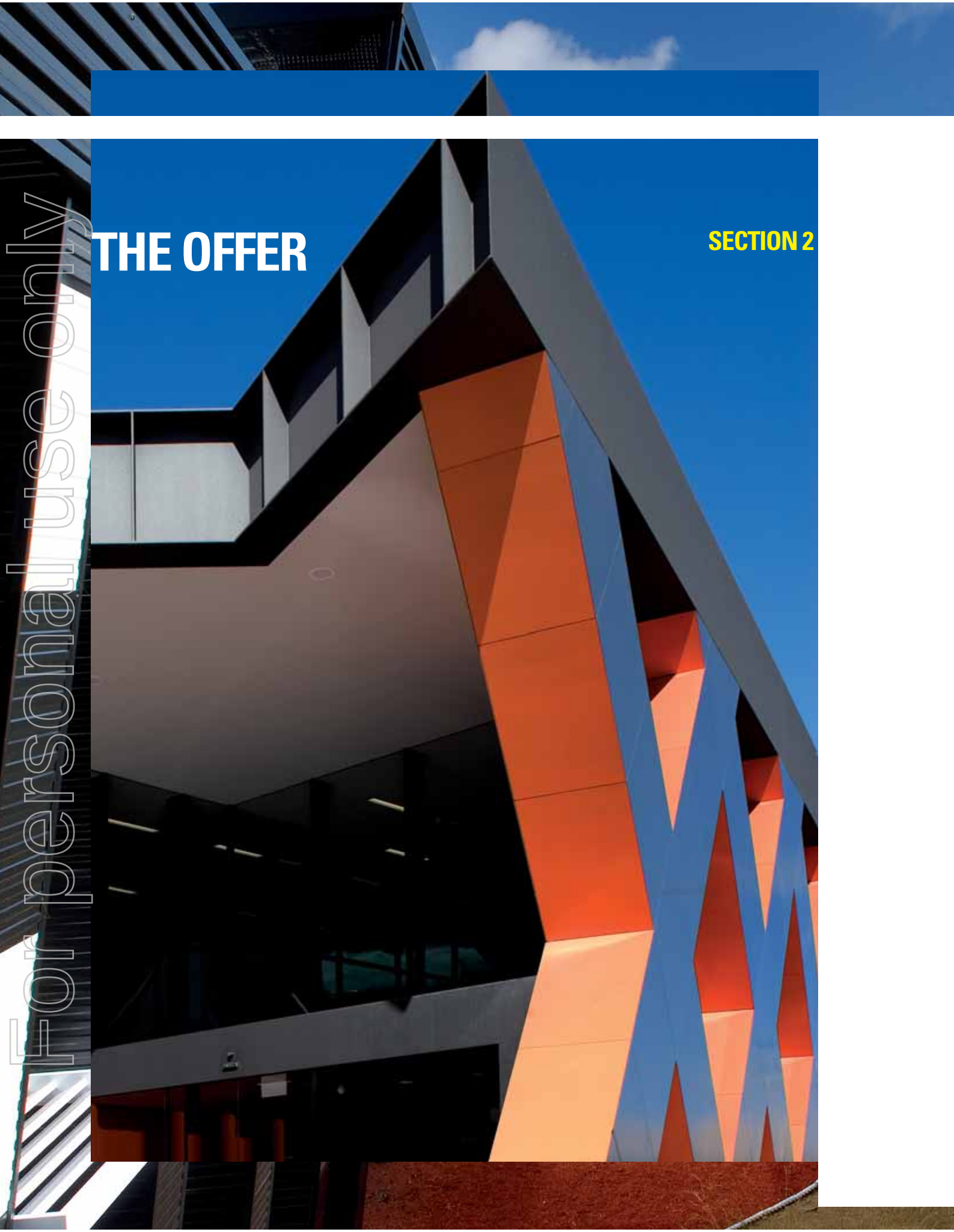
QUESTION	ANSWER	WHERE TO FIND MORE INFORMATION
PARTICIPATION IN THE RETAIL OFFER (CONTINUED)		
What do I do if I want to accept my Entitlement and apply for New Shares in excess of my Entitlement?	Subject to the Listing Rules, BlueScope Steel may offer you the opportunity to subscribe for New Shares in excess of your Entitlement. If you wish to accept all of your Entitlement and apply for New Shares in excess of your Entitlement, you should: ■ complete the personalised Entitlement and Acceptance Form accompanying this Prospectus in accordance with the instructions set out on the Entitlement and Acceptance Form; ■ attach payment for the full amount payable ($1.55 multiplied by the number of New Shares applied for) to the Entitlement and Acceptance Form; and ■ return the Entitlement and Acceptance Form and Application Monies to the Share Registry. Alternatively, if you are an Eligible Retail Shareholder with an Australian bank account, you may elect to pay by BPAY® in accordance with the instructions on the Entitlement and Acceptance Form. In this case you do not need to submit an Entitlement and Acceptance Form. The completed Entitlement and Acceptance Form or BPAY® payment must be received by the Share Registry no later than 5:00pm on 29 May 2009. You should check the processing cut-off time for BPAY® transactions with your bank, credit union or building society to ensure that your payment will be received by the Share Registry in time. There is no guarantee that you will be allocated all or any of the New Shares you have applied for in excess of your Entitlement. The number, if any, of New Shares you will be issued in excess of your Entitlement will depend on demand for New Shares from other Eligible Retail Shareholders. If you are allotted less than the number of New Shares you applied for, you will receive a refund cheque for the relevant amount of Application Monies (without interest) not applied towards the issue of New Shares, as soon as practicable after the Closing Date.	Sections 2.2.2.2 and 3.1
What do I do if I do not want to accept any of my Entitlement?	If you do not wish to accept any part of your Entitlement, you should do nothing. If you do nothing, then the number of New Shares under your Entitlement will be offered for subscription to Eligible Retail Shareholders who subscribe for New Shares in excess of their Entitlement. If there is not sufficient demand for New Shares from Eligible Retail Shareholders who applied for New Shares in excess of their Entitlement, then the Retail Offer will lapse in respect of those New Shares for which there is no demand (unless BlueScope Steel and the Sole Lead Manager and Underwriter agree on other arrangements). You should note that if you do not take up your Entitlement, you will not receive any amounts in respect of your Entitlement.	Section 3

QUESTION	ANSWER	WHERE TO FIND MORE INFORMATION
What happens if I am an Ineligible Retail Shareholder?	If you are an Ineligible Retail Shareholder you will be sent a letter telling you so. The New Shares that would have been offered to you had you been an Eligible Retail Shareholder may be offered to other Eligible Retail Shareholders who subscribe for New Shares in excess of their Entitlement. As the Offer is non-renounceable, you will not be paid any money for the New Shares that would have been offered to you had you been an Eligible Retail Shareholder. You should note that your percentage Shareholding in BlueScope Steel will be reduced following the issue of the New Shares under the Offer.	Section 3
Will my shareholding in BlueScope Steel be diluted?	If you do not take up your Entitlement or take up less than your full Entitlement, or if you are ineligible to take up your Entitlement, there will be a reduction in your percentage shareholding in BlueScope Steel following the issue of the New Shares under the Offer. If you take up your Entitlement in full, your percentage shareholding in BlueScope Steel should not be diluted (unless Top-Up Shares are issued), and in certain circumstances, it may increase following the issue of the New Shares under the Offer.	
INFORMATION ABOUT BLUESCOPE STEEL AND THE FINANCIAL EFFECT OF THE OFFER		
What is BlueScope Steel's dividend for the year ended 30 June 2009?	Consistent with BlueScope Steel's other actions to strengthen its balance sheet and maintain financial flexibility in light of current market conditions, BlueScope Steel does not believe it would be appropriate to propose a final dividend for the year ended 30 June 2009.	
Is the Offer underwritten?	The Offer is underwritten to $825 million by the Sole Lead Manager and Underwriter.	Sections 2.5 and 9.4
What is the financial impact of the Offer on BlueScope Steel?	The financial effect of the Offer on BlueScope Steel is shown in the consolidated historical pro forma balance sheet in Section 5.	Section 5

QUESTION	ANSWER	WHERE TO FIND MORE INFORMATION
OTHER INFORMATION ABOUT THE OFFER		
What are the rights and liabilities attaching to the New Shares issued under the Offer?	New Shares issued under the Offer will be issued with the same rights and liabilities as existing Shares.	Section 9.3
What are the fees and costs of the Offer?	Assuming the Retail Offer is fully subscribed, the fees and costs associated with the Offer are expected to be approximately $55 million and will be paid out of the proceeds of the Offer.	Section 9.10
Can the Offer be withdrawn?	Yes. The Directors reserve the right to withdraw the Offer and this Prospectus at any time, subject to the Corporations Act, the Listing Rules and other applicable laws. If the Offer is withdrawn, BlueScope Steel will refund Application Monies (without interest) in respect of New Shares which have not yet been issued in accordance with the Corporations Act.	Section 2.6
What are the taxation implications of the Offer?	A summary of the general Australian taxation implications for Eligible Retail Shareholders is set out in Section 8. The discussion is in general terms only and is not intended to provide specific advice in relation to circumstances of any particular Shareholder. Eligible Retail Shareholders should seek their own taxation advice before deciding how to deal with their Entitlements.	Section 8
How can further information be obtained?	You should read this Prospectus in its entirety and carefully, including the risk factors set out in Section 6. Eligible Retail Shareholders can obtain more information by: ■ contacting their stockbroker, accountant or other professional adviser; or ■ by calling the BlueScope Steel Offer Information Line on 1300 855 998 from within Australia or + 61 2 8280 7760 if calling from outside Australia between 8:30am and 5:30pm (AEST) Monday to Friday during the Retail Offer Period.	

THE OFFER

SECTION 2



DETAILS OF 2.THE OFFER

2.1. PURPOSE OF THE OFFER AND USE OF PROCEEDS

BlueScope Steel is seeking to raise between $825 million and $1,413 million before fees and costs from the Offer. The final amount raised will depend on the extent to which the Retail Offer is subscribed. BlueScope Steel expects fees and costs relating to the Offer to be approximately $55 million assuming that the Retail Offer is fully subscribed.

The Offer forms one key element in a comprehensive refinancing package that is being implemented by BlueScope Steel. The net proceeds from the Offer will be used to repay debt. In conjunction with the Offer, BlueScope Steel has also established a new A$1,275 million syndicated loan note facility which will comprise a A$200 million tranche that has a maturity date that is the earlier of two years from the date at which the facility is drawn and July 2011 and a A$1,075 million tranche that has a maturity date that is the earlier of three years from the date at which the facility is drawn and July 2012. The new loan note facility and proceeds from the Offer will be used to refinance A$2,095 million of existing loan facilities. These existing facilities have maturity commitments ranging from December 2009 to January 2012.

The purpose of the Offer and debt refinancing is to increase BlueScope Steel's financial flexibility and strengthen its balance sheet by extending the tenor of its debt facilities and reducing gearing. In turn, this should better position the Company for current market conditions and enable it to take advantage of opportunities as market conditions improve.

2.2. STRUCTURE OF THE OFFER

The Offer is structured as a non-renounceable Offer of approximately 911.7 million New Shares at an Offer Price of $1.55 per share. Under the Offer, BlueScope Steel seeks to raise gross proceeds of up to $1,413 million. Each Eligible Shareholder is invited to subscribe for 1 New Share for every 1 Share held by the Eligible Shareholder at 7:00pm on the Record Date.

The Offer is non-renounceable, which means that the Entitlements are non-transferable and cannot be sold or traded, and Shareholders will not receive any value in respect of Entitlements which they do not take up or which they are ineligible to receive.

The Offer comprises two parts, which are described in more detail below:

1. An Institutional Offer; and
2. A Retail Offer

The Offer is underwritten to $825 million.

2.2.1. INSTITUTIONAL OFFER

Eligible Institutional Shareholders are invited to choose to accept all or part of their Entitlement or apply for New Shares in excess of their Entitlement. In addition, under the Institutional Offer, New Shares equivalent to the number not taken up by Eligible Institutional Shareholders (and potentially some New Shares expected to be not taken up by Eligible Retail Shareholders), together with any New Shares that would have been offered to Ineligible Institutional Shareholders had they been eligible to participate in the Institutional Offer, will be offered to Eligible Institutional Shareholders who applied for New Shares in excess of their Entitlements and to certain other Institutional Investors.

A total of 521.4 million New Shares are expected to be allocated to Eligible Institutional Shareholders under the Institutional Offer to raise approximately $808 million, and is underwritten by the Sole Lead Manager and Underwriter.

Eligible Institutional Shareholders are Institutional Shareholders as at the Record Date to whom the Sole Lead Manager and Underwriter makes an offer on behalf of BlueScope Steel under the Institutional Offer (whether or not they accept that offer) or a nominee for such an Institutional Shareholder in respect of New Shares held for such an Institutional Shareholder.

Additionally, certain Institutional Investors who are not Shareholders will be invited by BlueScope Steel, including through the Sole Lead Manager and Underwriter acting on behalf of BlueScope Steel, to subscribe for New Shares.

Settlement of the Institutional Offer is expected to occur on 14 May 2009. Allotment of New Shares under the Institutional Offer is expected to occur on the Institutional Allotment Date, being 15 May 2009. Trading on ASX is expected to commence on 15 May 2009.

2.2.2. RETAIL OFFER

The Retail Offer is an offer to Eligible Retail Shareholders of approximately 390.2 million New Shares at the Offer Price of $1.55 per New Share. As the Retail Offer is underwritten to $17 million, the Retail Offer is underwritten in part.

2.2.2.1. Who are Eligible Retail Shareholders?

Eligible Retail Shareholders are those Shareholders who:

- are registered as Shareholders at 7:00pm on the Record Date, being 8 May 2009;
- have a registered address in Australia or New Zealand;
- are not in the U.S. and are not U.S. Persons, or acting for the account or benefit of, a U.S. Person;
- are not Eligible Institutional Shareholders or Ineligible Institutional Shareholders;
- do not hold BlueScope Steel Shares solely as a result of post ex-date transactions which are disregarded as described in Section 9.11; and
- are eligible under all applicable securities laws to receive an offer under the Retail Offer.

By returning a completed Entitlement and Acceptance form, or making a payment of the Application Monies by BPAY®, persons claiming to be Eligible Retail Shareholders will be taken to have represented and warranted that they satisfy each of the above criteria. BlueScope Steel reserves the right to reject any application that it believes comes from a person who is not an Eligible Retail Shareholder (or who does not provide substantiating information as referred to in Section 2.13).

BlueScope Steel, in its absolute discretion, reserves the right to determine whether a Shareholder is an Eligible Retail Shareholder and therefore able to participate in the Retail Offer, or an Ineligible Retail Shareholder and therefore unable to participate in the Retail Offer. BlueScope Steel disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether a Shareholder is an Eligible Retail Shareholder or an Ineligible Retail Shareholder.

The Retail Offer is not being extended to any Shareholder whose registered address is outside Australia or New Zealand, or who is a person in the U.S. or who is, or is acting for the account or benefit, of a U.S. Person.

It is the responsibility of each Applicant to ensure compliance with the laws of any country relevant to their Application.

Nominees, trustees and custodians must not apply on behalf of any beneficial holder that would not itself be an Eligible Retail Shareholder. Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how they should proceed. Shareholders who hold Shares on behalf of persons whose registered address is not in Australia or New Zealand are responsible for ensuring that accepting the Retail Offer does not breach securities laws in the relevant overseas jurisdictions.

2.2.2.2. Applications under the Retail Offer

Each Eligible Retail Shareholder is entitled to apply for 1 New Share for every 1 Share held by the Eligible Retail Shareholder at 7:00pm on the Record Date. The amount of their Entitlement is shown on the personalised Entitlement and Acceptance Form accompanying this Prospectus. In calculating Entitlements, fractional entitlements have been rounded up to the nearest whole number.

The Offer Price is $1.55 per New Share for Eligible Retail Shareholders. This is the same price paid for New Shares by Eligible Institutional Shareholders under the Institutional Offer. This is payable on applying for your Entitlement.

Eligible Retail Shareholders may apply for all of their Entitlement, part of their Entitlement or none of their Entitlement. The Entitlements are personal and cannot be traded, transferred, assigned or otherwise dealt with.

Eligible Retail Shareholders also have the opportunity to apply for New Shares in excess of their Entitlement at the Offer Price. These New Shares may be sourced from Entitlements not taken up by other Eligible Retail Shareholders. There is no guarantee that Eligible Retail Shareholders who apply for New Shares in excess of their Entitlement will be allocated all or any of the New Shares applied for in excess of their Entitlement. The number, if any, of New Shares Eligible Retail Shareholders may be issued in excess of their Entitlement will depend on demand for New Shares from other Eligible Retail Shareholders.

Eligible Retail Shareholders may accept the Retail Offer in full or in part by returning their Entitlement and Acceptance Form and payment to the Registry (by cheque, bank draft or money order) or, if they have an Australian bank account, by BPAY® payment instruction, by no later than 5:00pm on the Closing Date (being 29 May 2009).

BlueScope Steel reserves the right to extend the Closing Date without notice, subject to the Corporations Act, the Listing Rules and other applicable laws. For Eligible Retail Shareholders who do not accept the Retail Offer in full by the Closing Date, the Offer will lapse in respect of those New Shares which they did not accept (unless BlueScope Steel and the Sole Lead Manager and Underwriter agree other arrangements) and their proportion of ownership of BlueScope Steel may be diluted.

2.2.2.3. Allotment of New Shares under the Retail Offer

New Shares under the Retail Offer will be allotted on the Final Allotment Date (being 5 June 2009).

No certificates will be issued in respect of the New Shares. Following allotment, Shareholders will receive a Transaction Confirmation Statement which sets out the number of New Shares allotted to them.

Applicants may call the Share Registry after the Final Allotment Date on 1300 855 998 (within Australia) or +61 2 8280 7760 (outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday to seek confirmation of their allocation.

2.3. REASONS FOR USING THE ENTITLEMENT OFFER TO RAISE CAPITAL

The structure of the Entitlement Offer is expected to provide a number of benefits to BlueScope Steel and Shareholders as a whole, including:

- Eligible Shareholders do not have to pay brokerage or other transaction costs to participate in the Offer;
- Shareholders' percentage shareholding in BlueScope Steel should not be reduced if they participate fully in the Offer (assuming no "Top-Up" shares are issued);
- Eligible Retail Shareholders have the benefit of knowing the outcome of the Institutional Offer, and can observe BlueScope Steel's share price performance in the market, before deciding whether or not to take up their Entitlement;
- Eligible Retail Shareholders can subscribe for New Shares in excess of their Entitlement. However, whether an Eligible Retail Shareholder receives New Shares in excess of their Entitlement will depend on demand from other Eligible Retail Shareholders. No Eligible Retail Shareholder is assured of receiving any New Shares in excess of their Entitlement; and
- As the Institutional Offer will be conducted at the beginning of the Offer, BlueScope Steel will receive gross proceeds of approximately $808 million from the Institutional Offer several weeks before the Retail Offer is finalised.

2.4. ISSUED CAPITAL

The effect of the Offer on the issued capital of BlueScope Steel is set out in the table below:

	Number of shares [1,2]
Before the Offer (as at 4 May 2009)	911.7 million
Institutional Offer	521.4 million
Retail Offer	10.8 – 390.2 million[3]
Total (post completion of the Offer)	1,443.9 – 1,823.3 million

1 Numbers have been rounded to one decimal place.

2 Due to rounding of Entitlements and reconciliation of Entitlements under the Institutional Offer to shareholdings on the Record Date, the exact number of New Shares to be issued, and the number of New Shares to be issued under each part of the Offer will not be known until completion of the Offer.

3 The minimum number is calculated on the basis that subscriptions are received under the Retail Offer to the extent it is underwritten. The maximum number is calculated on the basis that the Retail Offer is fully subscribed. The final number of New Shares issued and the total amount raised, may be less than shown.

2.5. UNDERWRITING OF THE OFFER

The Offer is being fully underwritten by the Sole Lead Manager and Underwriter up to $825 million. This means that the Sole Lead Manager and Underwriter will subscribe at the Offer Price for any New Shares that are not subscribed for by Shareholders or new investors under the Institutional Offer, and part of the Retail Offer. A summary of the terms and conditions of the Underwriting Agreement is set out in Section 9.4.

2.6. WITHDRAWAL OF THE OFFER

The Directors reserve the right to withdraw the Offer and this Prospectus at any time, in which case BlueScope Steel will refund Application Monies in accordance with the Corporations Act and without interest.

2.7. RANKING OF NEW SHARES

Each New Share will be issued fully paid. From the date of issue, they will rank equally with existing Shares. Details of the rights and liabilities attaching to the New Shares are set out in Section 9.3.

2.8. ASX QUOTATION AND TRADING OF NEW SHARES

Application for quotation of the New Shares on ASX will be made no later than seven days after the date of this Prospectus. Subject to approval being granted, trading of the New Shares issued under the Institutional Offer is expected to commence on ASX on 15 May 2009, with trading of New Shares issued under the Retail Offer expected to commence on ASX on 9 June 2009.

If ASX does not grant permission for official quotation of the New Shares within three months after the date of this Prospectus, none of the New Shares offered under the Offer will be issued, unless ASIC grants BlueScope Steel an exemption permitting the issue.

Transaction Confirmation Statements are expected to be despatched to Eligible Retail Shareholders on 11 June 2009. It is the responsibility of each Applicant to confirm their holding before trading in New Shares. Any Applicant who sells New Shares before receiving confirmation of their holding in the form of their holding statement will do so at their own risk. BlueScope Steel and the Sole Lead Manager and Underwriter disclaim all liability, whether in negligence or otherwise (and to the maximum extent permitted by law), to persons who trade New Shares before receiving their holding statements, whether on the basis of confirmation of the allocation provided by BlueScope Steel, the Share Registry or the Sole Lead Manager and Underwriter.

2.9. CHESS

The New Shares will participate from the date of commencement of quotation in CHESS. The New Shares must be held in uncertificated form (i.e. no share certificate will be issued) on CHESS sub-register under sponsorship of a participant (usually a broker) or on the issuer-sponsored sub-register. Arrangements can be made at any subsequent time to convert your holding from the issuer-sponsored sub-register to CHESS sub-register or vice versa by contacting your sponsoring participant.

2.10. APPLICATION MONIES AND INTEREST

Application Monies received from an Applicant will, until the New Shares in respect of the Application Monies are issued, be held by BlueScope Steel in a trust account. If you are allotted less than the number of New Shares you applied for, you will receive a refund cheque for the relevant amount of Application Monies (without interest) not applied towards the issue of New Shares, as soon as practicable after the Closing Date.

BlueScope Steel reserves the right to cancel the Offer at any time, in which case all Application Monies will be refunded without interest.

To the fullest extent permitted by law, each Applicant agrees that such Application Monies shall not bear or earn interest for the Applicant, irrespective of whether or not all or any of the New Shares applied for by the Applicant are issued to the Applicant, and that any interest earned on Application Monies held by BlueScope Steel shall be the property of BlueScope Steel.

2.11. ALLOCATION POLICY

All Eligible Retail Shareholders will be allocated New Shares applied and paid for up to their Entitlement. Under the Retail Offer, all New Shares not taken up by Eligible Retail Shareholders will lapse or otherwise be allocated at the discretion of the Sole Lead Manager and Underwriter, in consultation with BlueScope Steel.

Under the Institutional Offer, New Shares not taken up by Eligible Institutional Shareholders may be allocated to:

- other Eligible Institutional Shareholders wishing to subscribe for more than their Entitlement; and
- Institutional Investors.

BlueScope Steel and the Sole Lead Manager and Underwriter reserve the right to reject any Application. The Directors of BlueScope Steel reserve the right to issue any Shares not taken up under the Offer to other investors, at their discretion.

2.12. MARKET PRICES OF BLUESCOPE STEEL SHARES ON ASX

The closing price on ASX on 4 May 2009 (the last day of trading on ASX in Shares before the announcement of the Entitlement Offer) was $2.57.

The VWAP of Shares on ASX during the relevant periods up to and including 4 May 2009 (being the last day of trading on ASX in Shares before announcement of the Entitlement Offer) are set out below.

	VWAP
One week	$2.40
One month	$2.64
Three months	$2.66
Six months	$3.02

2.13. RECONCILIATION, TOP-UP SHARES AND THE RIGHTS OF BLUESCOPE STEEL AND THE SOLE LEAD MANAGER AND UNDERWRITER

The Offer is a complex process and in some instances investors may believe that they own more Shares in BlueScope Steel on the Record Date than they actually own. This results in reconciliation issues. Reconciliation issues may also arise if New Shares not expected to be taken up in the Retail Offer are issued in the Institutional Offer but then Eligible Retail Shareholder demand exceeds expectations. If reconciliation issues occur, it is possible that BlueScope Steel may need to issue a small quantity of Top-Up Shares to ensure all Eligible Shareholders receive their full Entitlement.

The price at which any Top-Up Shares are issued will be the Offer Price.

The Company reserves the right to reduce the number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated, or if they fail to provide information requested to substantiate their claims.

Without limiting the foregoing, if any Eligible Institutional Shareholders (or persons claiming to be an Eligible Institutional Shareholder) under the Institutional Offer subscribe for a greater number of New Shares than their Entitlement at the Record Date then, at the absolute discretion of BlueScope Steel and the Sole Lead Manager and Underwriter, the relevant person may be required to transfer to the Sole Lead Manager and Underwriter the number of New Shares oversubscribed at the Offer Price. If necessary, the relevant person will be required to remit existing Shares held by them or to purchase Shares on market to meet this obligation. The relevant person will bear any and all losses caused by the overstatement of their holding and any actions they are required to take with respect to this overstatement.

By applying under the Institutional Offer, those applying irrevocably acknowledge and agree to do the above as required by BlueScope Steel or the Sole Lead Manager and Underwriter in their absolute discretion. Those applying acknowledge that there is no time limit on the ability of BlueScope Steel or the Sole Lead Manager and Underwriter to require any of the actions set out above.

2.14. TAXATION

Taxation implications will vary depending upon the specific circumstances of individual Eligible Retail Shareholders. Investors should obtain their own professional advice in order to determine the particular taxation treatment which will apply to them. Section 8 contains a summary of the taxation implications for Australian Eligible Retail Shareholders.

2.15. BROKER STAMPING FEES

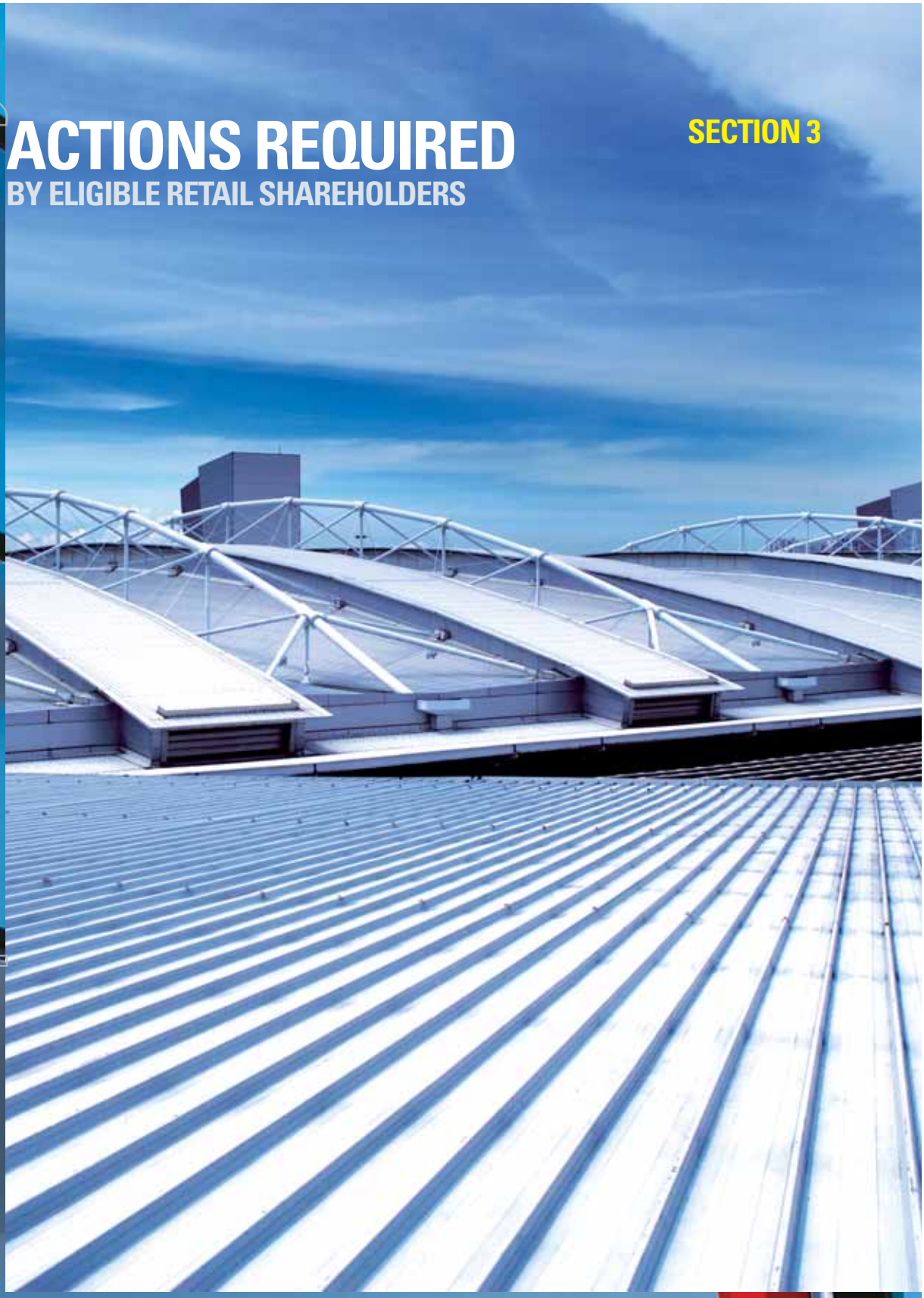
A stamping fee equal to 0.75% of Application Monies (exclusive of GST) on New Shares issued will be paid to stockbrokers (being those entities named as full service (advisory) brokers or non-advisory brokers on the ASX website) who submit a valid claim for a broker stamping fee on successful applications, subject to a limit of $100 (exclusive of GST) per Application.

2.16. DISCLAIMERS

BlueScope Steel and the Sole Lead Manager and Underwriter disclaim all liability (to the maximum extent permitted by law) in respect of the determination as to whether a Shareholder is an Eligible Retail Shareholder, an Eligible Institutional Shareholder, an Ineligible Retail Shareholder or an Ineligible Institutional Shareholder.

ACTIONS REQUIRED
BY ELIGIBLE RETAIL SHAREHOLDERS

SECTION 3



3. ACTIONS REQUIRED
BY ELIGIBLE RETAIL SHAREHOLDERS

Before taking any action in relation to the Offer, Eligible Retail Shareholders should read this Prospectus in its entirety, particularly noting Section 6 (Risk factors) and Section 8 (Taxation implications). If you are an Eligible Retail Shareholder, you may either:

- accept all or some of your Entitlement;
- accept your Entitlement in full and apply for New Shares in excess of your Entitlement; or
- decline to accept your Entitlement by doing nothing.

The Offer will lapse in respect of any New Shares you have not applied for under the Retail Offer by 5:00pm on the Closing Date. A number of New Shares equal to the number of New Shares not taken up under your Entitlement (together with any New Shares that would have been offered to Ineligible Retail Shareholders if they had been eligible to participate in the Retail Offer) will be offered for subscription to Eligible Retail Shareholders who subscribe for New Shares in excess of their Entitlement (or may be issued in the Institutional Offer). If there is not sufficient demand for New Shares from Eligible Retail Shareholders who applied for New Shares in excess of their Entitlement, then the Retail Offer will lapse in respect of those New Shares for which there is no demand (unless the Sole Lead Manager and Underwriter and BlueScope Steel agree on other arrangements).

The percentage holding of Eligible Retail Shareholders who do not accept or who partially accept the Offer will be reduced as a result of the Offer. If you are an Ineligible Retail Shareholder, you may not accept any of, or do anything in relation to, your Entitlement. As a result, your percentage holding in BlueScope Steel will be reduced.

3.1. HOW TO ACCEPT SOME OR ALL OF YOUR ENTITLEMENT, AND APPLY FOR NEW SHARES IN EXCESS OF YOUR ENTITLEMENT AND MAKE PAYMENT

Eligible Retail Shareholders may only apply for New Shares under the Retail Offer by using the personalised Entitlement and Acceptance Form accompanying this Prospectus or, if they have an Australian bank account, by making a BPAY® payment in accordance with the instructions set out on the Entitlement and Acceptance Form.

The Closing Date for receipt by the Share Registry of valid Applications is 5:00pm on 29 May 2009. Eligible Retail Shareholders should return their completed Entitlement and Acceptance Form and their cheque, bank draft or money order for the relevant Application Monies, or pay those Application Monies by BPAY® payment and ensure it is received in cleared funds before that time.

Cheques, bank drafts or money orders must be:

- in Australian currency drawn on an Australian branch or a financial institution for the amount required to pay for the New Shares
- applied for on the Entitlement and Acceptance Form; and
- made payable to "BlueScope Steel Entitlement Offer Account" and crossed "Not Negotiable".

Cash payments will not be accepted. Receipts for payment will not be issued.

Payment by BPAY® must be in accordance with the instructions on the personalised Entitlement and Acceptance Form. The biller code and reference number appears on that form.

You must check the processing cut off time for BPAY® transactions with your bank, credit union or building society as it may be earlier than 5:00pm on the Closing Date.

If you pay by BPAY® and do not pay for your full Entitlement, the remaining Entitlement will be treated as not having been taken up.

Eligible Retail Shareholders are not required to submit a completed Entitlement and Acceptance Form if they pay their Application Monies by BPAY® but are taken to make the statements on the Entitlement and Acceptance Form.

Completed Entitlement and Acceptance Forms, together with cheques, bank drafts or money orders can be sent to the Share Registry using the reply paid envelope enclosed with this Prospectus. If mailed in Australia, no postage stamp is required.

Alternatively, completed Entitlement and Acceptance Forms, together with cheques, bank drafts or money orders, can be sent or delivered to the Share Registry at:

POSTAL ADDRESS:	HAND DELIVERIES:
BlueScope Steel Entitlement Offer C/- Link Market Services Limited GPO Box 3560 Sydney NSW 2001	BlueScope Steel Entitlement Offer C/- Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000

3.2. WHAT TO DO IF YOU DO NOT WISH TO ACCEPT ANY OF YOUR ENTITLEMENT

If you do not wish to accept any part of your Entitlement, you should do nothing.

3.3. TREATMENT OF FOREIGN SHAREHOLDERS

3.3.1. GENERAL

This Prospectus is being sent to retail shareholders who BlueScope Steel believes are or may be Eligible Retail Shareholders, and who are on the register as at 7:00pm on the Record Date with registered addresses in Australia and New Zealand. This Prospectus and the accompanying Entitlement and Acceptance Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. By submitting the Entitlement and Acceptance Form in or accompanying this Prospectus or by making a payment of Application Monies by BPAY® you represent and warrant that there has been no breach of such laws.

The distribution of this Prospectus outside of Australia and New Zealand may be restricted by law and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. BlueScope Steel disclaims all liabilities to such persons. Eligible Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how they should proceed. Eligible Shareholders who hold Shares on behalf of persons who are not resident in Australia or New Zealand are responsible for ensuring that taking up New Shares under the Offer does not breach the selling restrictions set out in this Prospectus or otherwise violate the securities laws in the relevant overseas jurisdictions.

No action has been taken to register or qualify this Prospectus, the New Shares or the Offer, or otherwise to permit a public offering of the New Shares, in any jurisdiction outside Australia and New Zealand. In particular, neither the New Shares nor the Entitlements under the Offer have been, or will be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the U.S., and may not be offered or sold in the U.S., or to, or for the account or benefit of, a U.S. Person, except in a transaction exempt from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. This Prospectus does not constitute an offer of securities in the U.S. or to any U.S. Person or to any person acting for the account or benefit of a U.S. Person, and may not be distributed to, or relied upon by, persons in the U.S. or who are U.S. Persons unless accompanied by the institutional offering memorandum as part of the Institutional Offer.

3.3.2. NEW ZEALAND

This Prospectus is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (or any other relevant New Zealand law). This Prospectus may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain. Securities are offered to the public of New Zealand under this Prospectus in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).

3.3.3. INELIGIBLE RETAIL SHAREHOLDERS

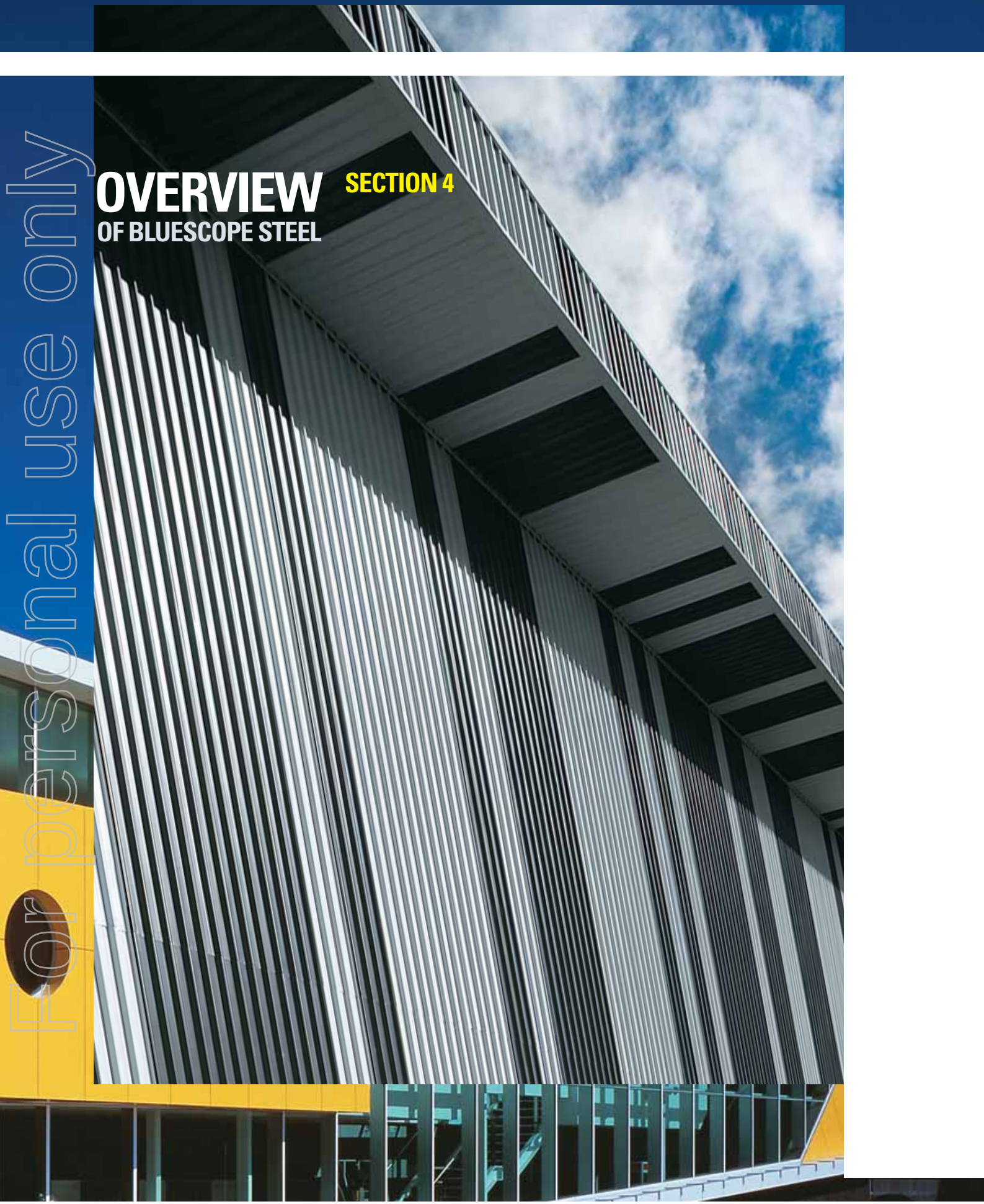
BlueScope Steel is of the view that it is unreasonable to extend the Retail Offer to Ineligible Retail Shareholders, having regard to:

- the number of Ineligible Retail Shareholders;
- the number and value of the New Shares which would be offered to Ineligible Retail Shareholders if they were Eligible Retail Shareholders; and
- the cost of complying with the legal requirements, and requirements of the regulatory authorities, in the respective overseas jurisdictions.

Accordingly, the Retail Offer is not being extended to any Shareholders with a registered address outside of Australia and New Zealand. BlueScope Steel will send all Ineligible Retail Shareholders details of the Retail Offer and advise that BlueScope Steel is not extending the Retail Offer to Ineligible Retail Shareholders.

OVERVIEW OF BLUESCOPE STEEL

SECTION 4



4. Overview of BlueScope Steel

4.1. Introduction

BlueScope Steel Limited ("BlueScope Steel", or the "Company") is an international steel solutions company, with a manufacturing and marketing footprint that spans Australia, New Zealand, Asia and North America. The Company has vertically integrated operations for flat steel products in Australia and New Zealand including steel slab, hot rolled coil, cold rolled coil, steel plate and value-added metallic coated and painted solutions. It is also a designer and manufacturer of pre-engineered steel buildings and building solutions products. BlueScope Steel continues to invest in metallic coating and painting technologies, supplying a wide range of branded products, including pre-painted COLORBOND® steel, zinc/aluminium alloy-coated ZINCALUME® steel and the LYSAGHT® range of building products.

Operating as Australia's largest steel manufacturer by volume, and New Zealand's sole flat steel producer, the Company supplies approximately 70-80% of flat steel sales in Australia and New Zealand by volume[1]. Through its focus on cost efficient manufacturing and strong brand recognition, the Company enjoys strong market shares in each of the Australian and New Zealand sectors in which it operates, serving customers in the building and construction, manufacturing, automotive and transport, agricultural and mining industries.

BlueScope Steel operates a national network of service centres and steel distribution sites throughout Australia and acts as a major steel product supplier to the Australian building and construction, automotive and general manufacturing industries. The Company also operates metallic coating and painting, roll-forming and PEB facilities in the Asia-Pacific region. These PEB facilities, combined with its PEB business in North America, help position BlueScope Steel as a global competitor in the provision of steel-based PEB solutions.

BlueScope Steel has six business reporting segments or divisions: Coated and Industrial Products Australia, Australian Distribution and Solutions, New Zealand and Pacific Steel Products, Coated and Building Products Asia, Hot Rolled Products North America and Coated and Building Products North America.

For an overview of the global steel industry and steel production and consumption in BlueScope Steel's key geographies, refer to the Appendix of this Prospectus.

[1] BlueScope Steel has estimated its market share based on data available from ABS. This calculation does not take into account segments of the market for which BlueScope Steel does not make products or for which import data is not available. For example, information on hot rolled coil thicker than 4.75mm is not reported in ABS figures, BlueScope Steel does not produce electro-galvanised products or aluminised steel.

4.2. History

BlueScope Steel's corporate history extends back to 1918 and the establishment of John Lysaght (Aust) P/L. BHP Co. Ltd. ("BHP") established or acquired many of BlueScope Steel's predecessor companies from 1935 to 2002, at which time BlueScope Steel was demerged from BHP Billiton and listed on ASX as a standalone business.

Since its demerger, BlueScope Steel has grown through a series of acquisitions in the Australian and U.S. markets as well as through the establishment of metal coating and painting operations in China and a joint venture in India. The following table sets out key milestones in BlueScope Steel's corporate history:

History and evolution	
1885	■ BHP founded to mine silver, lead and zinc deposits in far Western New South Wales
1918	■ John Lysaght (Aust) P/L was founded. Lysaght pioneered modern steel coating technologies
1928	■ Australian Iron & Steel Ltd ("AIS") was formed to operate a steel manufacturing facility located at Port Kembla
1935	■ BHP acquired AIS
1966	■ COLORBOND® steel made its debut on the Australian market
1969	■ Establishment of the first Asian roll-former in Malaysia
1972	■ Commissioning of the No. 5 Blast Furnace at Port Kembla Steelworks
1979	■ John Lysaght (Aust) P/L becomes wholly owned by BHP (acquired initial 50% equity interest in 1970)
1986	■ Acquired BIEC International Inc, the company holding worldwide rights for the metallic coating patent supporting the ZINCALUME® steel and GALVALUME® steel products
1989	■ Acquired a 31% shareholding in New Zealand Steel Holdings Ltd
1996	■ Expansion to roll-formers in Vietnam, Indonesia and Thailand ■ New Zealand Steel Holdings Ltd became a wholly owned subsidiary (having acquired an initial 31% interest in 1989 and increased this stake to 81% in 1992) ■ Commissioning of the No. 6 Blast Furnace at Port Kembla Steelworks ■ Commissioning of North Star BlueScope Steel facilities, in which BlueScope Steel holds a 50% equity interest
1998	■ Commission of a cold rolling mill, metallic coating and paint lines in BlueScope Steel Thailand, in which BlueScope Steel holds a 75% equity interest
2002	■ Demerger of BlueScope Steel from BHP Billiton, BlueScope Steel listed on ASX
2003	■ BHP Steel Limited changes its name to BlueScope Steel Limited
2004	■ Acquires Butler Manufacturing Company for US$206 million
2005	■ BlueScope Steel and Tata Steel establish a 50/50 joint venture for the construction of a new metallic coating and painting facility in India ■ Vietnam metal coating and painting lines commence operations
2006	■ Opens its largest manufacturing facility in Asia at Suzhou, China, a $276 million flat steel metallic coating (250,000 tonnes per annum) and painting facility (150,000 tonnes per annum)
2007	■ BlueScope Steel acquired Smorgon Steel Distribution for $730 million ■ Completes the acquisition of HCI Steel Buildings Systems Inc ■ Completes the sale of The VistaWall Group for US$190 million (originally acquired in 2004 as part of the US$206 million acquisition of Butler Manufacturing Company)
2008	■ Completes the acquisition of IMSA Steel Corp for US$730 million

BlueScope Steel has undertaken several acquisitions since its 2002 demerger to complement its operational footprint:

- in April 2004, BlueScope Steel completed the acquisition of Butler Manufacturing Company for approximately US$206 million. The acquisition provided BlueScope Steel with access to a portfolio of value-added and branded steel products and facilitated its entry to the U.S. building products and solutions markets.
- in August 2007, BlueScope Steel completed the acquisition of Smorgon Steel Distribution for approximately $730 million. The acquisition provided BlueScope Steel with improved channels to the Australian steel distribution market and increased its ability to add value to its commodity hot rolled coil and other flat steel products through an increased national network of steel service centres.
- in February 2008, BlueScope Steel completed the acquisition of IMSA Steel Corp. from Ternium S.A. for approximately US$730 million, its largest acquisition since listing on ASX. The acquisition increased BlueScope Steel's presence in the North American building products and solutions markets by broadening its scope and geographic reach beyond the platform that was originally established through the acquisition of Butler Manufacturing Company in 2004.

4.3. Strategy

4.3.1. Long-term strategic objectives

On 29 November 2007, BlueScope Steel announced the BlueScope Steel Blueprint strategy (the "Blueprint"), which sets out a three-year plan designed to improve the financial and operating performance of BlueScope Steel's businesses globally. The aim of the Blueprint is to increase shareholder value through three key objectives:

- reinvigorating the Australian and New Zealand domestic businesses;
- continuing to improve the Asian and North American businesses; and
- growing or acquiring new businesses that build on BlueScope Steel's global business platform.

The Blueprint established eight key areas of focus for all businesses to support these objectives:

- increasing customer and market focus;
- improving productivity year on year;
- optimising return on capital;
- building an integrated BlueScope Steel operating system;
- further developing organisational capability;
- continuing BlueScope Steel's world-class safety performance;
- improving BlueScope Steel's environmental footprint and the sustainability of its products; and
- increasing shareholder value.

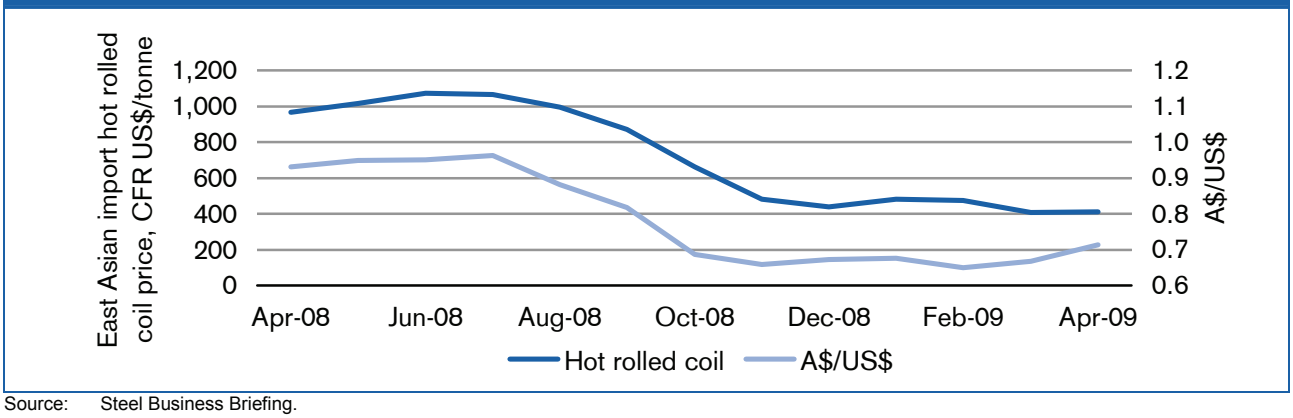
BlueScope Steel remains committed to implementation of the Blueprint in the longer term and continuing to focus on improving the financial and operating performance of its businesses. However, BlueScope Steel will place priority on those objectives that support the near term initiatives to protect the balance sheet and maintain liquidity by controlling capital expenditure and costs to the greatest extent possible. This focus on maintaining a strong balance sheet through the downturn should better position the Company to capitalise on opportunities when economic and market conditions improve.

4.3.2. Current market conditions

The Company generated strong financial results for the three months ended 30 September 2008, largely due to an improvement in the spread between steel prices and raw material purchase prices. This was primarily as a result of steel prices, driven by tight global steel supply conditions, and the carryover of low-priced raw materials inventory from the previous period. In response to the tight steel supply conditions, steel distributors and users placed larger import orders during this period, resulting in high steel inventories towards the end of calendar year 2008.

In the six months ended 31 December 2008, global steel prices fell significantly driven by slowing steel demand as a result of the slowdown in the global economy. The impact on steel prices was compounded by many buyers delaying steel purchases and attempting to liquidate their steel inventories on the expectation of further decreases in steel prices. Throughout this period, softer prices for both domestic and export sales, as well as softer domestic demand in each of the countries in which we operate, gradually emerged. The following chart sets out the decline in the international price of hot rolled coil during the six months ended 31 December 2008. As shown below, the impact of the decrease in export steel prices on the Company was partially offset by a depreciation of the A$ versus the US$ over the same period:

Monthly average hot rolled coil price and A$/US$ exchange rate, April 2008 to April 2009



Source: Steel Business Briefing.

Global market conditions remain challenging, although BlueScope Steel has seen the deterioration in domestic sales volumes that emerged towards the end of 2008 level out in March and April of 2009 at low levels, with de-stocking abating. Global export markets remain challenging. Current domestic and export prices are generally below what they were in the six months ended 31 December 2008.

Under normal market conditions, approximately half of the Company's annual steel production of its operations in Port Kembla and in New Zealand is sold to domestic customers with the balance sold to export customers.[1] Domestic steel prices for commodity based products follow a similar trend as international steel prices due to competition from imports in the domestic market. The Company usually achieves higher prices for its domestic sales than for its export sales. This is because it can offer shorter lead times and greater certainty of supply to its domestic customers and domestic sales include a greater proportion of higher margin painted and coated steel. Due to this price differential between domestic sales and export sales, the Company generally tries to maximise its domestic sales. In the current market environment, however, demand from both the domestic and export markets remains weak.

Despite the Company currently experiencing low steel prices and soft demand, its raw materials prices have remained relatively high because the Company has contracted most of its iron ore and coking coal supplies until the end of June 2009 at fixed prices. Given current market conditions, the Company expects that the pricing of its raw materials supplies will be lower upon prices being reset in July 2009.

Steel companies globally, including BlueScope Steel, have been responding to the challenging economic circumstances for the steel sector. Steel companies have implemented reductions in steelmaking by accelerating repair and maintenance schedules as well as closing facilities in an attempt to close the gap between steel supply and steel demand. Global crude steel production in March 2009 was approximately 23% lower than in March 2008.

The Company has even more limited visibility on the outlook for steel prices and demand than is usually the case. Expected lower iron ore and coking coal prices may have a positive impact on profit margins, provided that steel prices do not fall further. However, depending on demand for steel, there is a risk that customers will be able to extract lower steel prices from steel companies, in particular steel companies which have their own source of iron ore[2]. There is also a risk that, if demand for steel increased, steel companies may increase production too quickly leading to oversupply and lower steel prices. Please refer to Section 6 for details regarding the risks related to the Company.

BlueScope Steel continues to actively reduce its inventory levels. The Company had inventory at 31 December 2008 of $2,815 million, including $218 million of pre-tax net realisable value provisions as a result of the significant decline realised prices. While the Company continues to actively reduce its inventory levels, based on current market conditions an additional $100 million to $140 million of after-tax net realisable provisions may be required in the six months ending 30 June 2009, primarily as result of the further weakening in realised prices.

4.3.3. BlueScope Steel's response to the global economic downturn

BlueScope Steel has responded proactively to the recent global economic downturn and declines in global steel demand by implementing a range of initiatives relating to balance sheet, liquidity, capital expenditure and costs, of which the Offer that is the subject of this Prospectus forms an important component.

The Offer forms one key element in a comprehensive refinancing package that is being implemented by BlueScope Steel. The net proceeds from the Offer will be used to repay debt. In conjunction with the Offer, BlueScope Steel has also established a new A$1,275 million syndicated loan note facility which will comprise a A$200 million tranche that has a maturity date that is the earlier of two years from the date at which the facility is drawn and July 2011 and a A$1,075 million tranche that has a maturity date that is the earlier of three years from the date at which the facility is drawn and July 2012. The new loan note facility and proceeds from the Offer will be used to refinance A$2,095 million of existing loan facilities. These existing facilities have maturity commitments ranging from December 2009 to January 2012.

The purpose of the Offer and debt refinancing is to increase BlueScope Steel's financial flexibility and strengthen its balance sheet by extending the tenor of its debt facilities and reducing gearing. In turn, this should better position the Company for current market conditions and enable it to take advantage of opportunities as market conditions improve.

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[1] Refers to sales to both internal and external customers.
[2] These companies can lower steel prices by taking losses on their iron ore operations.

The Company has signed commitments with a number of existing lenders in relation to a new syndicated loan note facility ("Replacement Syndicated Loan Note Facility") with a total size of $1,275 million. This facility will be able to be utilised on, and not before, the full repayment and cancellation of the Company's existing loan note facility, certain bilateral facilities and working capital facility ("Cancelled Facilities"), which will occur no later than 31 July 2009. The repayment of the Cancelled Facilities will be funded through a combination of proceeds from the Offer and the Replacement Syndicated Loan Note Facility.

This Replacement Syndicated Loan Note Facility will allow the Company to fully repay its existing loan note facility, certain bilateral debt facilities and the working capital facility[1]. The debt restructure will result in:

- no material refinancing event until the date that is the earlier of two years from the date at which the facility is drawn and 31 July 2011; and
- increased balance sheet flexibility, with pro-forma gearing as at 31 December 2008 of 24.0% (based on underwritten Offer proceeds of $825 million).

Following implementation of these funding initiatives, BlueScope Steel will continue to focus on maintaining its financial flexibility in the uncertain economic environment, and intends to continue to evaluate additional capital management initiatives including the potential divestment of non-core assets.

Other key initiatives undertaken since October 2008 include the following:

- Capital expenditure has been curtailed to meet essential requirements only, and major approved capital projects and investment will be reduced in the year ended 30 June 2010. These essential activities include the No. 5 Blast Furnace reline and Sinter Plant upgrade, rationalisation of Coated and Building Products North America, and maintenance capital expenditure relating to operational integrity, maintenance and safety (also known as 'stay in business' capital expenditure). Planned growth and business development activities have been suspended, except for the completion of the metallic coating and painting facility in India, which the joint venture itself is funding under a new project financing facility that is non-recourse to the Company. The partially complete project to construct a new coating and painting facility in Indonesia has been suspended pending an improvement in the outlook for steel demand[2].
- The scheduled shut-down and reline of the No. 5 Blast Furnace at Port Kembla Steelworks provided the Company with a ready and timely opportunity to materially reduce its production levels in response to soft demand conditions. Initially scheduled to be shut down ahead of the reline in March 2009, BlueScope Steel shut down the No. 5 Blast Furnace ahead of schedule on 18 January 2009 given lower demand conditions. The reline is expected to strengthen the Company's ability to meet future demand when markets recover as a result of enhanced production efficiency.
- A major operating cost reduction program was initiated in October 2008 across BlueScope Steel and the Company is on track to achieve targeted reductions. The key elements of this program include significant re-scheduling of manufacturing production to meet reduced market demand and minimise cash costs and inventory levels, labour cost initiatives including reductions in overtime, casual and contractor hours, the introduction of flexible leave arrangements, and reductions in discretionary spending. However, the high fixed cost structure associated with raw steelmaking facilities does affect margins when production is reduced significantly relative to production capacity, and limits the extent to which cost reductions can be made.
- Since 31 December 2008, BlueScope Steel has restructured a number of its debt facilities. A US$400 million bridging loan outstanding was refinanced via the establishment of three 364-day bilateral loan facilities for US$275 million, US$75 million and US$25 million and the remaining US$25 million portion was repaid utilising headroom within pre-existing facilities. Also, a $350 million working capital facility was converted to a multi-currency facility with a $100 million one-year tranche maturing January 2010, a $125 million two-year tranche maturing January 2011 and a $125 million three-year tranche maturing January 2012. In conjunction with this Offer, the Company will repay and cancel the facilities discussed above as well as its outstanding loan note facilities. A discussion of the debt restructure is provided in Section 5.1.9.
- An equity capital raising of $300 million and $113 million from an institutional placement and Share Purchase Plan, respectively, was completed over the December 2008 to February 2009 period (net proceeds $400 million) to increase BlueScope Steel's available liquidity.

[1] Refer to Section 5.1.9 for more information on these debt facilities.
[2] Refer to Section 4.5.4.4 for more information.

Consistent with its focus on optimising production to meet demand and target inventory levels, and based on current demand, it is likely that BlueScope Steel will defer the start-up of the No. 5 Blast Furnace following completion of the reline. The Board will continue to monitor demand conditions, noting that it will take one to two months to commission the furnace prior to re-start.

For each month that the Port Kembla No. 5 Blast Furnace is off-line, BlueScope Steel expects slab production will be reduced by approximately 220,000 tonnes, and approximate consumption of key raw materials reduced as follows:

- iron ore – 320,000 tonnes;
- coking coal – 108,000 tonnes;
- PCI coal – 30,000 tonnes; and
- purchased scrap – 15,000 tonnes.

BlueScope Steel has flexibility to increase its production from the Port Kembla No. 6 Blast Furnace[1], which is currently operating below its full capacity, should demand conditions improve. BlueScope Steel also has flexibility to ramp up steelmaking through the use of increased scrap steel in production to increase slab output rates, and through the sourcing of additional slab from New Zealand Steel or external suppliers. BlueScope Steel may also divert internal export volumes that would otherwise be despatched to international BlueScope Steel businesses that have alternate supply options in their own geographies.

4.4. Overview of operations

4.4.1. Global operations footprint

BlueScope Steel is a flat steel products company with a focus on the provision of value-added products and services tailored to meet the specific requirements of its customers and markets. BlueScope Steel operates steel manufacturing plants located in Australia, New Zealand, and the U.S. and a number of metal coating and painting, roll-forming, and PEB facilities located throughout Australia, Asia and the U.S. BlueScope Steel also operates steel distribution and service centres in a number of domestic and international markets.

The geographic coverage of BlueScope Steel's steelmaking, coating and painting, roll-forming and PEB facilities and service and distribution network is illustrated in the map and diagrams on the following pages:

[1] The Port Kembla No. 6 Blast Furnace was constructed in 1996 and has an estimated 15 to 20-year life from the date of construction before it would require a reline. BlueScope Steel believes that the timing for this reline could possibly be extended depending on operating circumstances.

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BLUESCOPE STEEL

A GEOGRAPHICALLY DIVERSE BUSINESS

CRUDE STEEL PRODUCTION FACILITIES

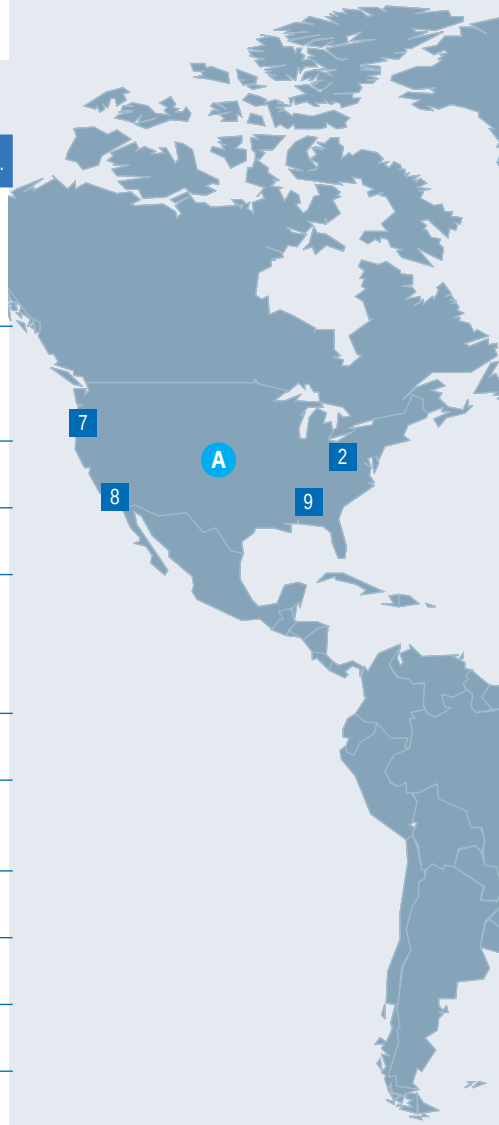
COUNTRY	SITE / ASSET	SEGMENT	ANNUAL CAPACITY [1]	MAP REF NO.
Australia	Port Kembla, New South Wales	Coated and Industrial Products Australia	5.3 mt	1
USA	Delta[2]	Hot Rolled Products North America	2.0 mt	2
New Zealand	Glenbrook	New Zealand and Pacific Steel Products	625 kt	3

ROLLING, COATING AND PAINTING FACILITIES

COUNTRY	SITE / ASSET	SEGMENT	ANNUAL CAPACITY [1]		MAP REF NO.
Australia	Port Kembla, New South Wales	Coated and Industrial Products Australia	Hot rolling Cold rolling Plate Metallic coating Painting	2.9 mt 990 kt 450 kt 825 kt 200 kt	1
Australia	Western Port, Victoria	Coated and Industrial Products Australia	Hot rolling Cold rolling Metallic coating Painting	1.43 mt 1.0 mt 830 kt 310 kt	4
Australia	Acacia Ridge, Queensland	Coated and Industrial Products Australia	Painting	90 kt	5
Australia	Erskine Park, New South Wales	Coated and Industrial Products Australia	Painting	120 kt	6
New Zealand	Glenbrook	New Zealand and Pacific Steel Products	Hot rolling Cold rolling Metallic coating Painting Hollow sections	750 kt 360 kt 230 kt 65 kt 45 kt	3
USA	Delta[2]	Hot Rolled Products North America	Hot rolling	2.0 mt	2
USA	Kalama, Rancho Cucamonga and Fairfield	Coated and Building Products North America	Cold rolling Metallic coating Painting	456 kt 446 kt 332 kt	7,8,9
Indonesia	Cilegon	Coated and Building Products Asia	Metallic coating Painting	100 kt 40 kt	10
Malaysia	Kapar	Coated and Building Products Asia	Metallic coating Painting	160 kt 70 kt	11
China	Suzhou	Coated and Building Products Asia	Metallic coating Painting	250 kt 150 k	12
Vietnam	Phu My	Coated and Building Products Asia	Metallic coating Painting	125 kt 50 kt	13
India	Jamshedpur[2]	Coated and Building Products Asia	Metallic coating Painting	250 kt 150 kt	14
Thailand	Map Ta Phut	Coated and Building Products Asia	Cold rolling Metallic coating Painting	350 kt 375 kt 90 kt	15

(1) Annual capacity volumes expressed in thousands of tonnes (kt) and millions of tonnes (mt).

(2) JV facilities in which BlueScope Steel owns a 50% interest. Quoted capacity reflects total capacity of facility.



DOWNSTREAM OPERATIONS AND RAW MATERIALS

A: NORTH AMERICA	SITES
BlueScope Steel Buildings	
USA	8
Mexico	1
ASC Profiles	10
Metl-Span	5
BlueScope Water	3

B: ASIA	SITES
Butler PEB	4
BlueScope Lysaght	19
Other PEB facilities	3

C: AUSTRALIA	SITES
BlueScope Distribution	82
BlueScope Lysaght	38
Sheet Metal Supplies	4
BlueScope Water	16

D: NEW ZEALAND & PACIFIC ISLANDS	SITES
New Zealand Steel Iron sands mines	2
BlueScope Lysaght	4

In Australia, BlueScope Steel's total annual crude steelmaking capacity is approximately 5.3 million tonnes, assuming full utilisation of Port Kembla Steelworks' two blast furnaces. In the six months ended 31 December 2008, Port Kembla Steelworks produced 2.4 million tonnes of slab, of which 2.1 million tonnes was despatched to internal and external customers in the form of slab, hot rolled coil and plate. The remainder of production net of yield losses in the period was retained as inventory primarily due to weaker demand conditions. Approximately 66% of Port Kembla's steel despatches in the six months ended 31 December 2008 were processed further through BlueScope Steel's network of hot and cold rolling, metallic coating, coil painting and roll-forming facilities in Australia. In Australia, despatch of these products is supported by a range of processing, distribution and customer service centres.

In New Zealand, total annual crude steelmaking capacity is approximately 625,000 tonnes from the Glenbrook manufacturing facility. In the six months ended 31 December 2008, this facility produced 273,000 tonnes of slab. Typically, all of New Zealand Steel's production is processed further through BlueScope Steel's domestic New Zealand hot and cold rolling, pipe and tube and metallic coating and coil painting facilities before despatch to domestic and internal and external international customers.

In the U.S., BlueScope Steel's 50%-owned North Star BlueScope Steel joint venture has a total annual crude steelmaking capacity of 2.0 million tonnes (BlueScope Steel share 1.0 million tonnes). In the six months ended 31 December 2008, this joint venture produced 758,000 tonnes of raw steel (BlueScope Steel share 379,000 tonnes).

4.4.2. Key markets and segments

BlueScope Steel is a global manufacturer and distributor of high-quality metallic coated and painted steel products for the building and construction, manufacturing, automotive and transport, agricultural and mining industries. BlueScope Steel's key products and primary end use markets are summarised in the following table:

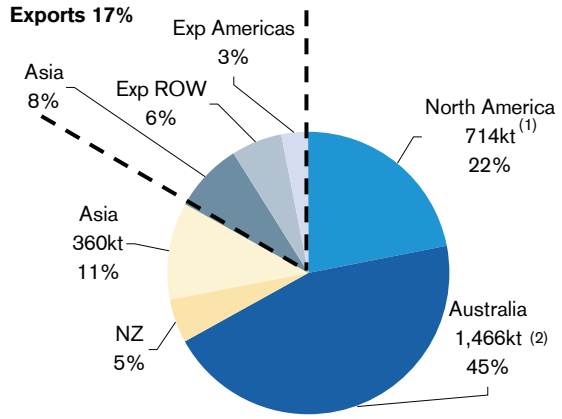
Product	Primary end use markets	Applications
Slab	■ Steel manufacturing	■ Hot rolled coil and plate
Plate	■ Manufacturing, building and construction and mining	■ Infrastructure projects, mining equipment and structural applications
Hot rolled coil	■ Building and construction, mining, automotive and transport, manufacturing	■ Mining equipment, racking, guard rails, building and construction products, structural tubing, water pipelines, oil/gas pipelines and automotive components
Cold rolled coil	■ Automotive and transport, manufacturing	■ Automotive, packaging (drums) and storage systems
Galvanised (including GALVASPAN® steel) and special zinc finishes	■ Building and construction, manufacturing, automotive and transport	■ General manufacturing, automotive, structural sections for commercial and industrial buildings and structural decking
Zinc/aluminium alloy-coated ZINCALUME® steel	■ Building and construction	■ Commercial and industrial construction including roofing, walling, rain water goods and residential framing
Painted (including pre-painted COLORBOND® steel)	■ Building and construction	■ Residential, commercial and industrial construction including roofing, walling, fencing, rain water goods, architectural panels, sheds and garages
Roll-formed LYSAGHT® products	■ Building and construction	■ High strength and lightweight roofing and walling, industrial / commercial roofing and cladding support systems, premium residential products
BlueScope Buildings (including Butler Buildings)	■ Building and construction	■ Industrial building and construction (buildings for manufacturing, warehouses, storage and retail)
BlueScope Water	■ Building and construction, infrastructure, agricultural	■ Residential water tanks for domestic household applications and commercial water tanks for heavy industrial, rural and agriculture applications, pipeline supplies, valves, irrigation

BlueScope Steel sells its products domestically in each of its key operating geographies (Australia, New Zealand, Asia, U.S.) and also exports its products into global markets, principally from Australia and New Zealand. Exports accounted for 17% of BlueScope Steel's sales to external customers in the six months ended 31 December 2008. Approximately 45% of BlueScope Steel's external customer sales for the same period were to Australian customers in a variety of end markets and industries including building and construction, manufacturing, automotive and transport, and agriculture and mining. BlueScope Steel's largest

end market in Australia is the building and construction industry, which accounted for 61% of sales in the six months ended 31 December 2008. The following graphs set out additional information regarding BlueScope Steel's global external customer sales by geography and Australian external customer sales by end market for the six months ended 31 December 2008:

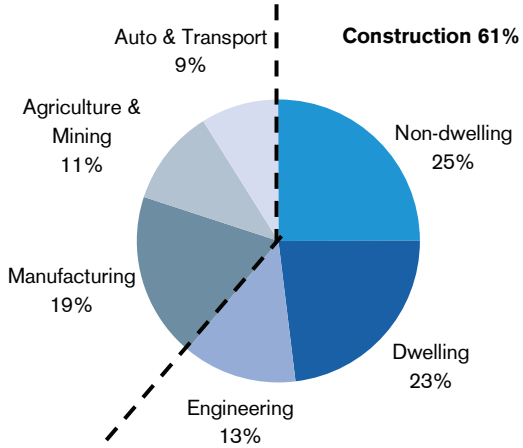
Global external customer sales by geography for the six months ended 31 December 2008

3,244,000 tonnes



Australian external customer sales by end market for the six months ended 31 December 2008

1,466,000 tonnes

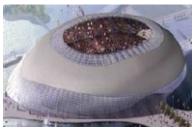


Note: Percentages have been rounded. Internal (intercompany) sales volumes are not included.
(1) Includes BlueScope Steel's 50% share of despatches from the North Star BlueScope Steel joint venture.
(2) Includes 196,000 tonnes of sales of long steel products (not manufactured by BlueScope Steel) by Australian Distribution and Solutions.

BlueScope Steel has six business reporting segments or divisions: Coated and Industrial Products Australia, Australian Distribution and Solutions, New Zealand and Pacific Steel Products, Coated and Building Products Asia, Hot Rolled Products North America and Coated and Building Products North America. These operating segments are summarised in the following diagram:

Key Operating Segments

Corporate / Group

Coated & Industrial Products Australia	Australian Distribution & Solutions	New Zealand & Pacific Steel Products	Coated & Building Products Asia	Hot Rolled Products North America	Coated & Building Products North America
					
▪ Leading supplier of flat steel products in Australia ▪ Global scale steelworks ▪ Largest supplier of metal coated and painted steel in Australia	▪ Leading supplier of flat steel solutions in Australia	▪ Only fully integrated flat steel maker in New Zealand ▪ Leading domestic market share of flat products	▪ Leading seller of branded steel in Asia	▪ 50:50 joint venture with Cargill Inc. ▪ Voted no. 1 flat rolled steel supplier in North America (Jacobson Survey) for last six years	▪ Significant global designer / supplier of Pre-engineered buildings ▪ Leading positions in North America ▪ IMSA assets (from Feb 2008)
▪ Port Kembla Steelworks, NSW ▪ Springhill, NSW ▪ Western Port, VIC ▪ Western Sydney COLORBOND® steel facility, NSW ▪ Acacia Ridge, QLD ▪ North America, Europe & Asia Export trading offices	▪ BlueScope Steel Distribution ▪ Lysaght Rollforming ▪ BlueScope Water ▪ Service Centres ▪ BlueScope Buildings	▪ Glenbrook, NZ ▪ Pacific Islands	▪ Indonesian, Malaysian, Thailand and Vietnamese operations ▪ China, including Butler ▪ Lysaght Asia ▪ India – Tata BlueScope JV	▪ Delta, Ohio	▪ BlueScope Buildings ▪ MetlSpan ▪ ASC Profiles ▪ Steelscape

4.5. Major operating segments

4.5.1. Coated and Industrial Products Australia

4.5.1.1. Overview

Coated and Industrial Products Australia produces a wide range of steel products for Australian and international internal and external customers including slab, hot rolled coil and plate, cold rolled coil, zinc/aluminium alloy-coated ZINCALUME® steel, galvanised and pre-painted COLORBOND® steel. Coated and Industrial Products Australia incorporates the following facilities:

- Port Kembla Steelworks, an integrated steelmaking operation with an annual production capacity of approximately 5.3 million tonnes of crude steel. Port Kembla Steelworks is the largest manufacturer and supplier of flat steel in Australia by volume and manufactures slab, hot rolled coil and plate products;
- two metallic coating and painting facilities located in Springhill, New South Wales and Western Port, Victoria;
- steel painting facilities in Western Sydney, New South Wales, and Acacia Ridge, Queensland; and
- export trading offices based in North America, Europe, the Middle East and Asia.

4.5.1.2. Products, markets and applications

Coated and Industrial Products Australia's main products, the markets for those products and their applications are set out in the following table:

Coated and Industrial Products Australia: products, markets and applications

Product	Primary end use markets	Applications
Slab	■ Steel manufacturing	■ Hot rolled coil and plate
Plate	■ Manufacturing, building and construction and mining	■ Mining infrastructure, structural construction and engineering construction
Hot rolled coil	■ Building and construction, mining, automotive and transport, manufacturing	■ Mining equipment, racking, guard rails, building and construction products, structural tubing, water pipelines, oil/gas pipelines and automotive components
Cold rolled coil	■ Automotive and transport, manufacturing	■ Automotive, packaging (drums) and storage systems
Galvanised (including GALVASPAN® steel) and special zinc finishes	■ Building and construction, manufacturing, automotive and transport	■ General manufacturing, automotive, structural sections for commercial and industrial buildings and structural decking
Zinc/aluminium alloy-coated ZINCALUME® steel and TRUECORE® steel	■ Building and construction	■ Commercial and industrial construction including roofing, walling, rain water goods and residential framing
Painted (including pre-painted COLORBOND® steel)	■ Building and construction	■ Residential, commercial and industrial construction including roofing, walling, rain water goods, architectural panels, sheds and garages

4.5.1.3. Customers, sales and distribution

Coated and Industrial Products Australia sells into two primary market segments in Australia: the Building and Construction market and Industrial markets. The Industrial markets segment is further broken down into key sectors which include pipe and tube, distribution, manufacturing and automotive. Coated and Industrial Products Australia also manages the sale of steel volumes into international markets.

BlueScope Steel produces and supplies approximately 70-80% of the total tonnage of flat steel products sold in the Australian market[1]. Imports comprise the bulk of the remaining 20-30%. Flat steel products also face competition from substitutes such as plastics and aluminium in the automotive sector, and timber, concrete, aluminium and tiles in the building sector.

[1] BlueScope Steel has estimated its market share based on data available from ABS. This calculation does not take into account segments of the market for which BlueScope Steel does not make products or for which import data is not available. For example, information on hot rolled coil thicker than 4.75mm is not reported in ABS figures, BlueScope Steel does not produce electro-galvanised products or aluminised steel.

Approximately half of Coated and Industrial Products Australia's annual production is typically sold domestically and the balance in the export market[1]. In the six months ended 31 December 2008, approximately 2.1 million tonnes of steel products was despatched to internal and external customers. Domestically, this segment sells a broad range of products from hot rolled coil to pre-painted COLORBOND® steel, with key market segments including building and construction (typically 30-40%), pipe and tube (typically 20%), distribution (typically 35-40%) and the remaining volume being sold to automotive and manufacturing companies. In the domestic market, the division has two major customers that are owned by BlueScope Steel: BlueScope Distribution and BlueScope Lysaght. Approximately 60-70% of sales are despatched directly from Coated and Industrial Products Australia's major manufacturing sites, with a further 30-40% despatched from in-market service centres that may also manage further product processing. The domestic sales and marketing functions are coordinated from a divisional head office located in Melbourne, Victoria, with supporting sales offices in New South Wales, Queensland, Victoria, South Australia and Western Australia.

Coated and Industrial Products Australia's exports are primarily comprised of slab and hot rolled coil (typically 70-80% in combination), however export sales also incorporate all other major products. Although global export markets for slab and hot rolled coil are very competitive, BlueScope Steel's external steel slab exports are generally sold to long-standing customers in Asia and the U.S. Export sales are coordinated through an International Markets sales team located in Port Kembla, New South Wales, with sales offices located in Asia, Europe, South Africa and North America.

4.5.1.4. Facilities and processes

Port Kembla Steelworks is an integrated steel plant situated on an 800-hectare site. Its facilities consist of coke batteries, a Sinter Plant, two blast furnaces, three basic oxygen steelmaking vessels, three continuous slab casting machines, a hot strip mill and a plate mill.

The facilities are of varying ages and types of construction, and are in good condition, suitable for their present use and have sufficient capacity to meet expected production requirements. Port Kembla Steelworks is currently operating at a production rate that is below its capacity due to the shut-down of the No. 5 Blast Furnace for its scheduled reline, as well as weaker market conditions that have led to lower capacity utilisation at the No. 6 Blast Furnace.

In the period from 1 July 2005 to 31 December 2008, BlueScope Steel spent $729 million of capital expenditure on property, plant and equipment at Port Kembla Steelworks. This capital has been spent across a range of assets and projects including those aimed at expanding the plant's production capacity and various environmental initiatives. Recent key capital projects at Port Kembla Steelworks are described in Section 4.5.1.5. BlueScope Steel owns Port Kembla Steelworks and the land on which it is located.

Port Kembla Steelworks' annual steelmaking production capacity is approximately 5.3 million tonnes. The steelmaking process at Port Kembla Steelworks involves iron ore being converted into molten iron, using a blast furnace. The molten iron is processed in basic oxygen steelmaking vessels to produce liquid steel, which is then cast into slab. The majority (approximately 60%) of slab steel made at this facility is then fed into Port Kembla Steelworks' rolling mills (approximately 2.9 million tonnes capacity) to produce hot rolled coil and plate (approximately 450,000 tonnes capacity).

BlueScope Steel operates a range of hot and cold rolling mills, metallic coating and paint lines and service centres across Australia. The two main coating production facilities are Springhill Works, located adjacent to Port Kembla Steelworks in New South Wales, Australia, and Western Port Works, located in Hastings, Victoria, Australia. Springhill Works and Western Port Works are currently running on reduced shifts and, where sensible, extended shutdowns to balance production with current demand conditions.

Springhill Works sources hot rolled coil from Port Kembla Steelworks and then processes it through various downstream mills to produce cold rolled coil, metallic coated and pre-painted steel products. Springhill Works has annual production capacities of approximately 990,000 tonnes of cold-rolling, approximately 825,000 tonnes of coating, and approximately 200,000 tonnes of painting. In the six months ended 31 December 2008, Springhill Works was impacted by slowing demand reducing production output in the last two months. Springhill Works produced 354,000 tonnes of metallic coated steel and 73,000 tonnes of painted steel for the period. In light of current market conditions, BlueScope Steel decided to bring forward the closure of a paint line at Port Kembla Steelworks to 24 December 2008, approximately two months ahead of schedule.

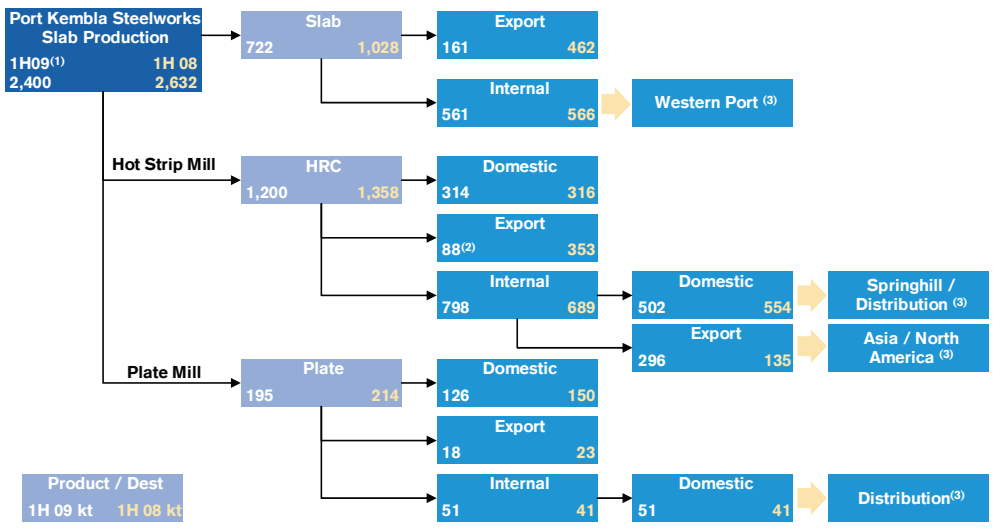
[1] Includes internal and external sales.

BlueScope Steel closed the former packaging products cold mill effective February 2009. Cold rolled coil production for the period was 42,000 tonnes.

Western Port Works sources slab primarily from Port Kembla Steelworks, transported by rail and ocean freight. Slab is processed through a series of mills to produce hot and cold rolled coil, metallic coated and pre-painted steel products. Western Port Works has annual production capacities of approximately 1.43 million tonnes of hot rolling, approximately 1.0 million tonnes of cold rolling, approximately 830,000 tonnes of coating and approximately 310,000 tonnes of painting. In the six months ended 31 December 2008, Western Port Works was impacted by slowing demand which led the Company to reduce production output in the last two months. Western Port Works produced 361,000 tonnes of metallic coated steel and 131,000 tonnes of painted steel in the six months ended 31 December 2008.

The key production flows for Coated and Industrial Products Australia for the six months ended 31 December 2008 and 31 December 2007 are set out in the diagram below:

Coated and Industrial Products Australia: production flows



Note: For the six months ended 31 December 2008.

(1) The difference between slab production of 2,400kt and Port Kembla Steelworks steel despatches of 2,117kt represents an increase in inventories and yield losses during the six months ended 31 December 2008. Coated and Industrial Products Australia's total despatches (internal and external) in the six months ended 31 December 2008 were 2,051kt (six months ended 2007: 2,576kt). External despatches in the six months ended 31 December 2008 were 1,416kt (six months ended 31 December 2007: 2,136kt).

(2) Export hot rolled coil ex Port Kembla Steelworks only; excludes export hot rolled coil despatches from Western Port.

(3) In the six months ended 31 December 2008, despatches from Coated and Industrial Products Australia to other BlueScope Steel-controlled entities were 635kt, including 218kt of hot rolled coil to Steelscape, 78kt of hot rolled coil to BlueScope Steel Thailand, 238kt of plate, hot rolled coil and coated products to Australian Distribution and Solutions, and 101kt of products to other entities, predominantly in Asia. Internal despatches from Coated and Industrial Products Australia in the six months ended 31 December 2007 totalled 440kt, including 135kt of hot rolled coil to BlueScope Steel Thailand, 238kt of plate, hot rolled coil and coated products to Australian Distribution and Solutions, and 67kt of products to other entities, predominantly in Asia.

The primary raw materials used in the production process at Port Kembla Steelworks are iron ore, coking coal and scrap steel.

BlueScope Steel consumed approximately 7.7 million tonnes of iron ore in the year ended 30 June 2008. Iron ore is principally sourced from BHP Billiton, OneSteel, Savage River (Grange Resources), IOC (majority owned by Rio Tinto) and Vale (CVRD). The price of iron ore has typically been reviewed annually, with contract prices effective from 1 July (for approximately 85% of BlueScope Steel's iron ore purchases).

In September 2008, BlueScope Steel concluded a new ten-year 5.03 million tonnes per annum iron ore contract with BHP Billiton, to supply approximately 60% of the Company's total annual iron ore requirements. The new contract commences in July 2009, upon expiry of the existing contract. It consists of two components:

- 4.30 million tonnes per annum with pricing adjusted quarterly to reflect iron ore prices paid by a basket of customers of BHP Billiton in Asia; and
- 0.73 million tonnes per annum of additional fines with pricing on an index basis (which is intended to approximate the market price over the month prior to delivery).

The Company is currently negotiating a variation to the contract, which would reduce the first component to an obligation to acquire 3.90 million tonnes per annum of lump and fines, and increase the second

component to an obligation to acquire 1.13 million tonnes of fines. A contract is also in place with Grange Resources for continued iron ore pellet supplies from Tasmania.

The early shutdown of No. 5 Blast Furnace for the reline project and current reduced utilisation of No. 6 Blast Furnace is expected to reduce iron ore purchases by approximately 2 million tonnes in the year ending 30 June 2009. These reductions have been applied across all suppliers and all iron ore grades. BlueScope Steel does not expect to have any material exposure into the year ended 30 June 2010 relating to the year ending 30 June 2009 iron ore supply contracts.

Coking coal is principally sourced from local BHP Billiton mines in the Illawarra region and Pulverised Coal Injection ("PCI") coal is principally sourced from Xstrata mines located in the Hunter Valley in New South Wales. Prices of coal are reviewed annually, with prices effective from 1 July. Approximately 3.0 million tonnes of coking coal and 0.8 million tonnes of PCI coal were consumed by BlueScope Steel in the year ended 30 June 2008. However, the early shutdown of No. 5 Blast Furnace for the reline project and current reduced utilisation of No. 6 Blast Furnace is expected to reduce coking coal purchases by approximately 0.85 million tonnes and PCI coal requirements by 0.3 million tonnes in the year ending 30 June 2009. The Company does not expect to have any material exposure in the year ended 30 June 2010 relating to the year ending 30 June 2009 coal supply contracts. BlueScope Steel also sells excess coking coal externally as coke on a spot basis. In the year ended 30 June 2008, a record 264,000 tonnes of coke was exported, compared with 248,000 tonnes in the year ended 30 June 2007.

The extent to which some raw materials suppliers are due compensation in respect of changes made to raw material offtake arrangements in the year ending 30 June 2009 is the subject of ongoing discussions.

Approximately 1.0 million tonnes of scrap steel was consumed by BlueScope Steel in the year ended 30 June 2008. The early shutdown of No. 5 Blast Furnace for the reline project and current reduced utilisation of No. 6 Blast Furnace is expected to reduce annual scrap steel usage to 0.66 million tonnes, with no financial penalties under the Company's supply contracts. Scrap steel is mainly sourced through internal channels, and approximately 40% is sourced externally.

Under normal operating conditions, Port Kembla Steelworks requires approximately 1,270 GWh of electricity, of which around 270 GWh is internally generated with the balance purchased under contract. The contract is terminable upon 12 months notice by either party, with pricing reset annually based on market prices. Electricity requirements for Springhill Works are approximately 170,000 MWh annually. The current Springhill Works contract expires in December 2009.

4.5.1.5. Key capital projects at Port Kembla Steelworks

BlueScope Steel is currently implementing two key capital projects at Port Kembla Steelworks: the No. 5 Blast Furnace reline and the Sinter Plant upgrade. BlueScope Steel has also evaluated the feasibility of a third potential capital project that would involve the replacement of ageing steam generation assets and establishment of a co-generation plant at Port Kembla Steelworks, although this project is currently on hold.

4.5.1.5.1. Port Kembla Steelworks No. 5 Blast Furnace reline project

BlueScope Steel is currently undertaking a reline of the No. 5 Blast Furnace in a $372 million project that commenced on 18 January 2009. The purpose of the reline is to repair and refurbish the blast furnace, including replacement of the existing lining and refractory materials. The No. 5 Blast Furnace was previously relined in 1978 and 1991, having been first commissioned in 1972. The project involves emptying the furnace of residual raw materials followed by a construction phase to reline the blast furnace. The project was commenced in January 2009 ahead of the planned March 2009 shut-down. This early shut-down has enabled the Company to take advantage of a period of weaker demand. BlueScope Steel expects the reline project to be successfully completed on schedule and on budget by June 2009.

The No. 5 Blast Furnace reline is estimated to result in a significant reduction in hydrogen sulphide stack emissions. Other aspects of this project are expected to deliver fresh water savings, reduced fugitive dust emissions and noise levels and improved energy efficiency.

Consistent with its focus on optimising production to meet demand and target inventory levels, and based on current demand, it is likely that BlueScope Steel will defer the start-up of the No. 5 Blast Furnace following completion of the reline. The Board will continue to monitor demand conditions, noting that it will take one to two months to commission the furnace prior to re-start.

4.5.1.5.2. Sinter Plant upgrade

The Sinter Plant at Port Kembla Steelworks is used to convert iron ore fines into sinter to be used as feedstock into the blast furnaces. The iron ore is blended with various other materials and is converted to sinter using a combustion process.

BlueScope Steel is currently upgrading the Sinter Plant's annual production capacity from 5.5 million tonnes to 6.6 million tonnes with a budgeted cost of $134 million to coincide with the No. 5 Blast Furnace reline. In the current market conditions, with lower steel demand and production, the demand for sinter is likewise reduced. The upgrade project is expected to improve the cost competitiveness of the Port Kembla Steelworks by reducing the raw material costs for the blast furnaces through reduced use of more expensive iron ore pellets. This upgrade project will result in greater use of less expensive iron ore fines. BlueScope Steel expects the Sinter Plant upgrade to be completed on schedule and substantially on budget, with the plant ready to be brought into service by June 2009.

The Sinter Plant upgrade will deliver improvements in dust emissions, water consumptions and reduce the NOx (oxides of nitrogen), SOx (sulphur oxides), and greenhouse gas intensity of the Sinter Plant operations.

4.5.1.5.3. Steam generating assets and co-generation plant

At Port Kembla Steelworks, BlueScope Steel has undertaken a study to replace ageing steam-producing assets. Steam is critical to production processes. The replacement of these assets creates a potential opportunity to lower indirect greenhouse gas emissions by incorporating a new co-generation plant. The proposed plant would use surplus gas from iron and steelmaking operations to produce electricity and steam. This would reduce the need for coal-fuelled electricity from the national grid, and has the potential to significantly reduce the Company's greenhouse gas emissions. In light of the current weaker trading environment, uncertain demand outlook and uncertainty regarding the Government's proposed Emissions Trading Scheme, BlueScope Steel has put the project on hold and now intends to implement a lower cost short-term solution that will defer the need to replace its steam generating assets for several years. BlueScope Steel intends to install a new steam main and boiler to replace the old steam main, boiler 21 and boiler 22. Other life-extension work will also be undertaken. Anticipated total capital expenditure for the project is approximately $50 million for the years ended 30 June 2010 and 30 June 2011.

4.5.2. Australian Distribution and Solutions

4.5.2.1. Overview

The Australian Distribution and Solutions segment brings together BlueScope Steel's Australian-based downstream businesses. The segment contains a network of service centres and distribution sites through which it acts as a major steel product supplier to the Australian building and construction, automotive, white goods manufacturing and general manufacturing industries. The operating segment also holds the LYSAGHT® steel solutions business, providing a range of LYSAGHT® branded products to the building and construction sector and BlueScope Water, which provides residential and commercial water storage and water harvesting solutions. The key businesses forming part of Australian Distribution and Solutions are described briefly below.

BlueScope Distribution

BlueScope Distribution operates an integrated network of 82 metropolitan and regional sites around Australia that offer a diverse range of flat and long steel products to more than 16,000 customers operating in industries including mining, automotive and transport, building and construction, infrastructure and agriculture. BlueScope Distribution offers processing services which range from simple cutting, slitting, and stamping of coil to complex multiple precision processing of plate and beams. These solutions help to reduce customer costs by reducing fabrication times, stock holdings and waste.

BlueScope Lysaght

BlueScope Lysaght competes in the steel building products and roll-forming market and is also a provider of PEB solutions including mobile roll-forming, facades, structural walling and design and construction services. Through its well-recognised brands such as the premium LYSAGHT® range of steel building products supported by modern products such as SMARTASCREEN® fencing and the QUIKA-FLOOR® steel flooring system, BlueScope Lysaght provides a comprehensive range of steel building products from a network of 38 operating sites throughout Australia.

Sheet Metal Supplies

Sheet Metal Supplies offers a diverse range of sheet and coil steel products, comprising galvanised, zinc coated, aluminium zinc coated, hot rolled, cold rolled, pre-painted, aluminised, COLORBOND® steel and ZINCALUME® steel. Sheet Metal Supplies is supported by a number of modern and well-equipped sheet and coil processing service centres located strategically around the country to service its customer base.

BlueScope Water

BlueScope Water is a key manufacturer of steel based products for the water industry in Australia, with nine manufacturing and seven retail sites across Australia and two manufacturing and one retail sites in the U.S.

It has developed a premium range of water tanks and innovative water management and water harvesting products and solutions and also offers a broad range of pipeline and irrigation supplies and fittings.

4.5.2.2. Products, markets and applications

Australian Distribution and Solutions' main products, the markets for those products and their applications are set out in the following table:

Australian Distribution and Solutions: products, markets and applications

Business	Products	End markets and applications
BlueScope Distribution	■ Steel plate, tube, structural steel, merchant bar, reinforcing steels, and processing services	■ Steel, building and construction, mining and manufacturing ■ Building structures, componentry and residential steel framing applications, automotive components, air conditioning ducting, structural sections for commercial and industrial buildings and structural decking
BlueScope LYSAGHT®	■ Roofing, walling, guttering, rainwater goods, fencing, and mobile roll-forming	■ Building and construction ■ Residential, commercial and industrial construction including roofing, walling, guttering, architectural panels, sheds and garages, and hot water systems
Sheet Metal Supplies	■ Hot rolled coil, cold rolled strip, plate, stainless steel, aluminium, and processing / slitting	■ Building and construction, manufacturing ■ Mining equipment, racking, guard rails, building and construction products, structural tubing, water pipelines, oil/gas pipelines, automotive components, goods drums and packaging, office furniture, shelving and tubing
BlueScope Water and other	■ Pipeline supplies, valves, fittings, tanks, irrigation, installation, facades, design and construct, and solar	■ Rainwater harvesting, culvert and irrigation infrastructure, rural, commercial and export markets

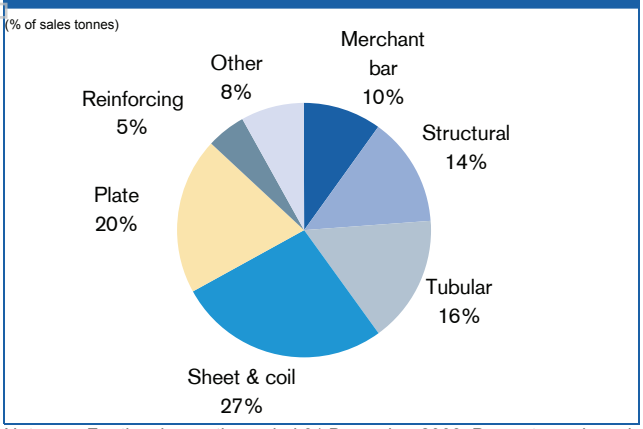
4.5.2.3. Customers, sales and distribution

Australian Distribution and Solutions primarily despatches its steel products to domestic customers in the building and construction industry, manufacturing, and mining sectors as well as other steel distributors. The primary competition for Australian Distribution and Solutions' key products is from locally sourced and imported steel products and substitute products such as plastics and aluminium in the automotive, water infrastructure and pipeline sectors; and timber, concrete, and aluminium in the building and construction sector. The key competitors for BlueScope Distribution include OneSteel's Australian steel distribution business, Southern Steel, and numerous other smaller steel distributors. Competition is based on price competitiveness, service standards, product availability, the range and variety of product offerings and distributors' ability to demonstrate broad distribution capabilities.

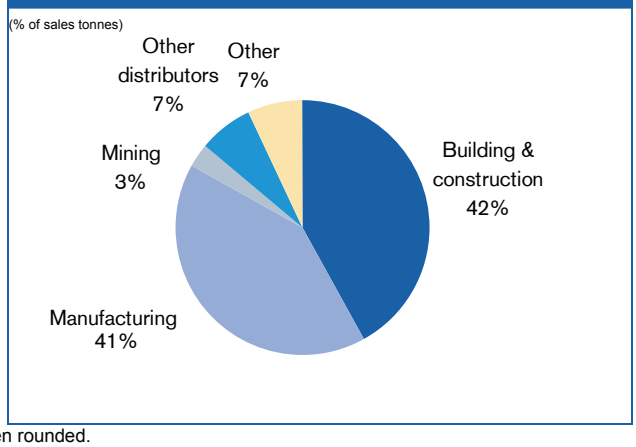
An estimated breakdown of Australian Distribution and Solutions' sales volume by product and end market for the six months ended 31 December 2008 is set out in the following charts:

Australian Distribution and Solutions: market structure in Australia

Estimated domestic sales volume by product



Estimated domestic sales volume by end market



Note: For the six months ended 31 December 2008. Percentages have been rounded.

4.5.2.4. Facilities and processes

Australian Distribution and Solutions services more than 20,000 customers through a network of 140 sites in Australia and three sites in the U.S. In the year ended 30 June 2008, Australian Distribution and Solutions sold 989,000 tonnes of steel products in Australia and exported a further 13,000 tonnes. Of these despatches, 437,000 tonnes of domestic despatches and 8,000 tonnes of export despatches via BlueScope Distribution were sourced externally, primarily long steel products sourced from OneSteel.

The Australian Distribution and Solutions operating network includes the following facilities:

- **BlueScope Distribution:** integrated network of 82 sites, each distributing a large range of steel plate, tube, structural steel, merchant bar, reinforcing steels and offering a variety of processing services;
- **BlueScope Lysaght:** 38 sales offices of which five include manufacturing facilities, typically consisting of roll-formers, purlin machines, metal presses and storage facilities. Key raw material requirements are metallic coated and pre-painted steel primarily sourced internally from Coated and Industrial Products Australia;
- **Sheet Metal Supplies:** network of four service centres located in New South Wales, Victoria, Queensland and South Australia, each distributing a wide variety of hot rolled coil, cold rolled coil and metallic coated and painted flat steel products. Each service centre offers materials processing, stock management and warehousing services; and
- **BlueScope Water:** a network of nine manufacturing sites and a further seven retail sites in Australia as well as one retail outlet/warehouse in Texas in the U.S. and one tank fabrication business and one retail outlet in California in the U.S.

Australian Distribution and Solutions principally sources steel internally through the Australian Coated and Industrial Markets sales and marketing team. Long steel products are sourced externally from a range of suppliers including OneSteel and Orrcon.

4.5.3. New Zealand and Pacific Steel Products

4.5.3.1. Overview

New Zealand Steel supplies customers in the building and construction industries, as well as processors such as roll-formers and an established merchant network. New Zealand Steel's products include hot and cold rolled coil, plate, welded hollow sections, structural beams, metallic coated and painted steel products. In the six months ended 31 December 2008, New Zealand Steel exported approximately 35% of its external steel despatches through BlueScope Steel's network of international sales offices.

New Zealand Steel operates a steel plant at Glenbrook, producing a full range of flat steel products for both domestic and export markets. It has an annual crude steel production capacity of approximately 625,000 tonnes. The segment also includes facilities in New Caledonia, Fiji and Vanuatu, which manufacture and distribute the LYSAGHT® range of products.

4.5.3.2. Products, markets and applications

New Zealand and Pacific Steel Products' main products, the markets for those products and their applications are set out in the following table:

New Zealand and Pacific Steel Products: products, markets and applications

Product	Primary end use markets	Applications
Slab	■ Steel manufacturing	■ Hot rolled coil and plate
Plate	■ Manufacturing, building and construction, and mining	■ Infrastructure projects, mining equipment and structural applications
Hot rolled coil	■ Steel, building and construction, mining and manufacturing	■ Mining equipment, racking, guard rails, building and construction products, structural tubing, water pipelines, oil/gas pipelines and automotive components
Cold rolled coil	■ Automotive and transport, and manufacturing	■ Goods drums and packaging, automotive components, office furniture, shelving and tubing
Galvanised (including GALVSTEEL® steel) and special zinc finishes	■ Building and construction, manufacturing, automotive and transport	■ Building structures, automotive components, air conditioning ducting, structural sections for commercial and industrial buildings and structural decking
Zinc/aluminium alloy-coated ZINCALUME® steel	■ Building and construction, and manufacturing	■ Primarily commercial and industrial construction including roofing, walling, guttering, steel house framing, kit garden sheds and garage doors
Painted (including pre-painted COLORSTEEL® steel)	■ Building and construction	■ Residential, commercial and industrial construction including roofing, walling, guttering, architectural panels, sheds and garages and hot water systems
Roll-formed LYSAGHT® products	■ Building and construction	■ High strength and lightweight roofing and walling, industrial/ commercial roofing and cladding support systems, and premium residential products
Iron sands	■ Internal and export steel manufacturers	■ Crude steel manufacturing

4.5.3.3. Customers, sales and distribution

As New Zealand's only raw steel manufacturer, New Zealand Steel supplies approximately 80% of the country's total flat steel sales by volume, and imported flat steel accounts for the remaining 20%. The only other significant New Zealand steel producer is Fletcher Building Limited's subsidiary, Pacific Steel, which produces long steel and painted steel products. New Zealand Steel competes with importers of hot rolled coil in domestic markets. The key domestic customers for New Zealand steel include Fletcher Building, Steel and Tube Holdings (which is 50.3% owned by OneSteel), Metalcraft and Vulcan.

In coated and painted steel products, the key competitors include Pacific Coil Coaters, which is also a large customer for New Zealand Steel, Australian Tube Mills which manufactures hollow sections, OneSteel for structural beams and also importers of coated steel products. New Zealand Steel also faces competition from substitute materials such as concrete, aluminium, plastics, glass and timber.

New Zealand Steel exports its steel products internally and externally to a range of international markets including Australia, North America, Asia and the Pacific, including its own network of roll-forming businesses in Fiji, Vanuatu and New Caledonia. Domestically, the building and construction industry and agricultural sectors are the primary customers for New Zealand Steel, particularly for its metallic coated and painted products, including ZINCALUME® steel and COLORSTEEL® steel. Other domestic customers include roll-formers and direct and merchant channels. Approximately 30% of metallic coated and painted steel products are sold directly to roll-formers, with the majority of other products distributed through Fletcher Steel and Steel and Tube Holdings.

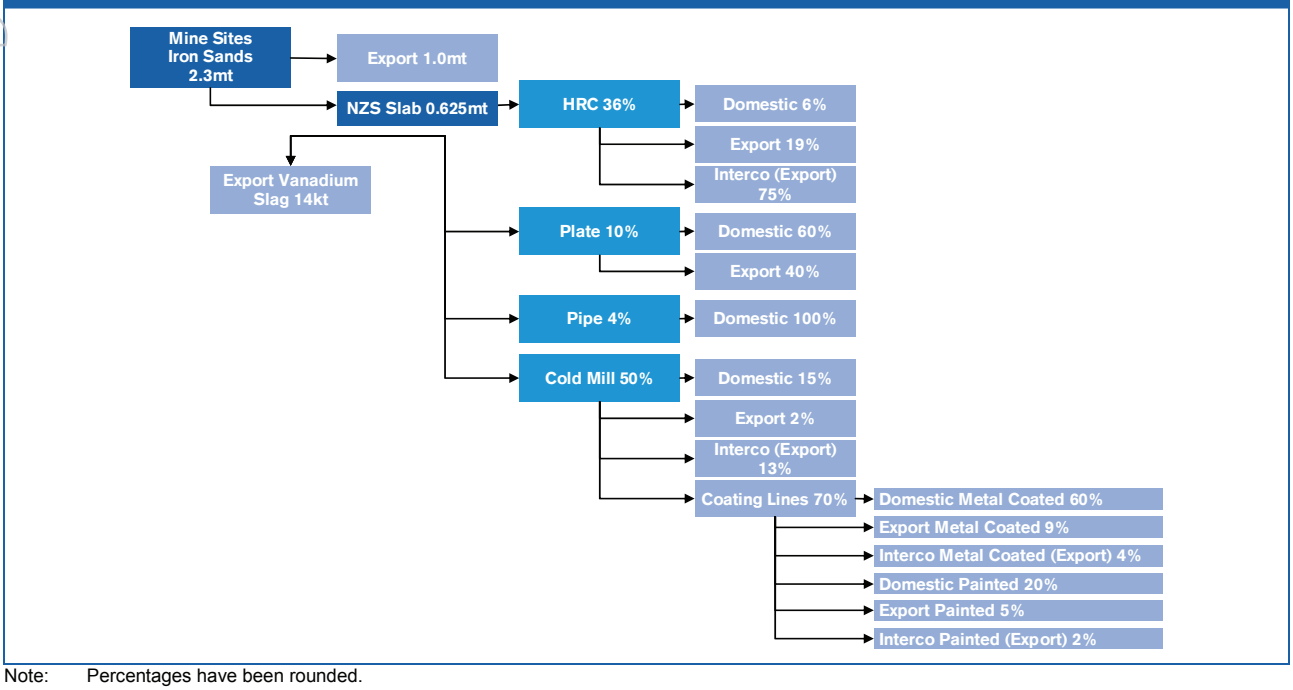
4.5.3.4. Facilities and processes

The New Zealand Steel facility includes a steel plant utilising a direct reduction process followed by electrical melting to produce molten iron from iron sands. The molten iron is then processed in a basic oxygen steelmaking vessel to produce liquid steel, which is then cast into slab. This slab is then processed through New Zealand Steel's rolling mills into hot rolled coil and plate. Approximately two-thirds of the hot rolled coil produced is further processed into cold rolled coil, plate and hollow sections at the New Zealand Steel facility. Cold rolling mills process hot rolled coil to produce thinner gauges required for the metallic coating line. Cold rolled coil is then either distributed locally, exported to select markets or used as a feed for the metallic coating line which manufactures both galvanised and zinc/aluminium alloy-coated ZINCALUME® steel. The

painting line uses metallic coated coil to manufacture COLORSTEEL®. A hollow section mill is used to produce pipe and tube sections in both black and galvanised finishes.

The facility has the capacity to produce approximately 625,000 tonnes of steel slab, 750,000 tonnes of hot rolled coil, 360,000 tonnes of cold rolling coil, 230,000 tonnes of metal coating, and 65,000 tonnes of painting per year. The following diagram provides a brief overview of New Zealand Steel's nominal production flows:

New Zealand and Pacific Steel Products: nominal production flows



Note: Percentages have been rounded.

Iron sands and steaming coal are the main raw materials used in the steelmaking process at New Zealand Steel, both of which are sourced locally. Iron sands are transported via a slurry pipeline from a mine owned and operated by New Zealand Steel, located 18 kilometres from Glenbrook. Coal is transported by rail approximately 50 kilometres from the Solid Energy mine which is owned by the New Zealand Government. A five-year coal supply agreement was executed with Solid Energy during the six months ended 31 December 2008. This new contract, effective 1 July 2008, is a take or pay arrangement securing the supply of 770,000 tonnes of specified quality thermal coal per annum. Pricing is set in NZ$ at a base rate plus quarterly price adjustments based on a basket of indices reflecting relevant New Zealand and Australian indices.

New Zealand Steel operates two iron sands mines. One mine is located at Waikato North Head, which supplies approximately 1.2 million tonnes per year of iron sands concentrate to the steel mill. This tonnage is considered sufficient to meet New Zealand Steel's production requirements. A smaller mine located at Taharoa has annual capacity to supply approximately 1 million tonnes of iron sands and primarily exports its production to markets in Japan and China. On 26 August 2008, BlueScope Steel announced that it had signed an agreement to sell the Taharoa Iron Sands Business to Cheung Kong Infrastructure ("CKI") for NZ$250 million. On 17 December 2008, CKI's application to the New Zealand Overseas Investment Office for approval of the proposed acquisition of the Taharoa Iron Sands Business was declined and CKI purported to cancel the sale and purchase contract. BlueScope Steel is taking action to enforce its contractual rights, but at the same time investigating other sale options for the Taharoa Iron Sands Business.

New Zealand Steel's single largest non-labour input cost is electricity. Approximately 60% of the electricity used in the Glenbrook mill is generated onsite using co-generation by utilising captured process gasses. The co-generation plant is owned by Babcock and Brown Power. The balance of electricity used is sourced from the electricity grid via a range of spot market and contract arrangements.

New Zealand and Pacific Steel Products also includes roll-formed roofing and cladding businesses in Fiji, New Caledonia and Vanuatu.

4.5.4. Coated and Building Products Asia

4.5.4.1. Overview

Coated and Building Products Asia operates metallic coating and painting lines, LYSAGHT® roll-forming facilities and PEB facilities throughout the Asian region including:

- metal coating and paint line operations in Thailand, Indonesia, Malaysia, Vietnam and China;
- Butler PEB and LYSAGHT® businesses across Asia (using products from the coating and painting lines); and
- a joint venture in India with Tata Steel Limited covering the development and construction of a metal coating line and paint line, and existing Butler PEB and LYSAGHT® roll-forming operations.

The segment manufactures and distributes a range of metallic coated, painted steel products and pre-engineered steel building systems primarily to the building and construction industry and to certain sections of the manufacturing industry across Asia. The key businesses that comprise Coated and Building Products Asia are described below.

BlueScope Steel Thailand

BlueScope Steel Thailand is a joint venture with Loxley Public Company, which owns 25%. BlueScope Steel Thailand provides metal coated and pre-painted products for the domestic markets in Thailand, as well as to Southeast Asian export markets. BlueScope Steel Thailand currently sources the majority of its hot rolled coil from BlueScope Steel's Australian operations. BlueScope Steel also operates one LYSAGHT® roll-forming facility and one PEB facility in Thailand.

BlueScope Steel Indonesia

BlueScope Steel Indonesia is the sole domestic manufacturer of zinc/aluminium metallic coated and painted steel. The operation currently sources 80% of its cold rolled coil locally from PT Krakatau Steel ("PTKS"), with the remaining 20% being sourced from BlueScope Steel and other domestic participants. BlueScope Steel Lysaght Indonesia operates in Jakarta, Medan and Surabaya, producing a total annual volume of approximately 25,000 tonnes. It is also the largest steel truss supplier across the BlueScope Steel Asia network.

BlueScope Steel Malaysia

BlueScope Steel Malaysia is a joint venture between BlueScope Steel (60%) and PNB Equity Resource Corporation Sdn Bhd (40%), a large local equity fund. Located in Kapar, the operation is the sole local manufacturer of high quality coated and painted steel. The operation currently sources its cold rolled coil from BlueScope Steel (Australia), SUS (Thailand), PTKS (Indonesia), POSCO (Korea) and Mycron (Malaysia). BlueScope Lysaght also has operations located throughout Malaysia.

BlueScope Steel China

In China, BlueScope Steel operates three businesses:

- BlueScope Steel Suzhou, a flat steel metallic coating and paint facility. The operation sources its cold rolled coil from domestic manufacturers and imports;
- Butler China, consisting of PEB manufacturing and sales activities; and
- Lysaght China, consisting of two business units, Products and Solutions. The Products business includes LYSAGHT® manufacturing facilities and a panels business that manufactures high quality pre-painted steel architectural sandwich insulated panels for a wide range of applications. The Solutions business comprises Lysaght Residential, which provides a full range of services for residential construction from cold-formed steel including design and product manufacture, project management and construction support services.

BlueScope Steel Vietnam

BlueScope Steel Vietnam is a leading domestic manufacturer of premium coated and pre-painted products used in the local construction market. BlueScope Steel Vietnam currently sources its cold rolled coil from Port Kembla Steelworks, Phu My Flat Steel (Vietnam), and POSCO (Korea). BlueScope Steel Vietnam also operates two PEB facilities at Ha Tay and Bien Hoa.

Tata BlueScope Steel India

Tata BlueScope Steel is a 50-50 joint venture between Tata Steel and BlueScope Steel. Tata Steel is a major steel producer in India. Tata BlueScope Steel undertakes LYSAGHT® roll-forming across several sites and is currently constructing a metallic coating and painting facility at Jamshedpur that is due to be commissioned in 2010. The operations also include a Butler PEB and design centre. Once the Jamshedpur

facility is commissioned in 2010, cold rolled coil for the coating line will be sourced from the neighbouring Tata Steel facility, while feed for the roll-forming and PEB facilities will be sourced from the new Jamshedpur metal coating and paint line facility.

Other facilities

BlueScope Steel also has BlueScope Lysaght operations in Singapore, Brunei and Sri Lanka. These operations manufacture, supply and install steel and non-steel roofing and wall cladding and a range of LYSAGHT® roofing and walling products.

4.5.4.2. Products, markets and applications

Coated and Building Products Asia's main products, the primary end markets for those products and their applications are summarised in the following table:

Coated and Building Products Asia: products, markets and applications

Product	Primary end use markets	Applications
Cold rolled coil	■ Automotive and transport, and manufacturing	■ Goods drums and packaging, automotive components, office furniture, shelving and tubing
Galvanised (including GALVASPAN® steel) and special zinc finishes	■ Building and construction, manufacturing, and automotive and transport	■ Structural sections for commercial and industrial buildings and structural decking
Zinc/ aluminium alloy-coated ZINCALUME® steel	■ Building and construction, and manufacturing	■ Primarily commercial and industrial construction including roofing, walling, guttering, and steel residential house framing
Painted (including pre-painted COLORBOND® steel)	■ Building and construction	■ Residential, commercial and industrial construction including roofing, walling, guttering, panels, sheds and garages
Roll-formed LYSAGHT® products	■ Building and construction	■ High strength and lightweight roofing and walling, industrial/commercial roofing and cladding support systems, and premium residential products
Pre-engineered Buildings (PEB)	■ Building and construction	■ Industrial, commercial and community segments of low-rise non-residential building and construction markets in China

Note: Products, end markets and applications may vary from country to country.

4.5.4.3. Customers, sales and distribution

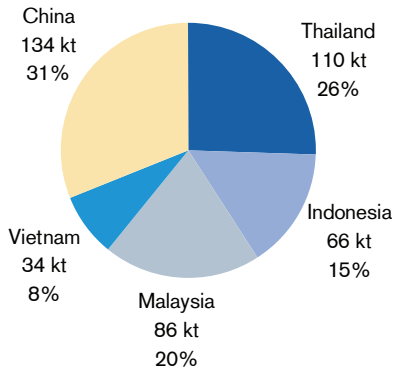
While the Coated and Building Products Asia businesses supply both domestic and export markets, they primarily supply the domestic building and construction and manufacturing industries in their respective geographies. Customers are serviced through direct and merchant distribution channels, including third-party roll-forming companies, building contractors and distributors.

The main source of competition for Coated and Building Products Asia, although varied from country to country, consists of imports and local metal coating and building products manufacturers as well as substitute building materials. In general, most regional markets in Asia are very competitive, with the market for roll-formed products tending to be relatively fragmented and regionally focused. The Company competes in these markets on the basis of its high product quality and standards, service levels and in-market manufacturing capabilities.

An overview of Coated and Building Products Asia's external steel despatches by geography (excluding Tata BlueScope Steel India) for the six months ended 31 December 2008 is presented below:

Coated and Building Products Asia: External steel despatches for the six months ended 31 December 2008

(thousands of tonnes)



Note: For the six months ended 31 December 2008. Percentages have been rounded.

4.5.4.4. Facilities and processes

The Coated and Building Products Asia operating network includes the facilities described below.

BlueScope Steel Thailand

In Thailand, BlueScope Steel's facilities comprise:

- a flat steel products facility in Map Ta Phut, with annual cold rolling capacity of 350,000 tonnes, a metallic coating line production capacity of 375,000 tonnes and a paint line production capacity of 90,000 tonnes;
- one LYSAGHT® manufacturing facility; and
- one PEB roll-forming facility.

BlueScope Steel Indonesia

In Indonesia, BlueScope Steel's facilities and operations comprise:

- a metallic coating and paint line in Cilegon that was commissioned in 1995. The facility has an annual metallic coating line production capacity of 100,000 tonnes and a paint line production capacity of 40,000 tonnes; and
- three LYSAGHT® roll-forming facilities.

BlueScope Steel had commenced a project to upgrade its coating and painting facility to add further annual metal coating capacity of 165,000 tonnes and additional painting capacity of 120,000 tonnes, but has suspended the project due to the current economic downturn and pending an improvement in the outlook for steel demand. Approximately $67 million of the total estimated capital cost for the project of $134 million had been spent at 31 December 2008.

BlueScope Steel Malaysia

In Malaysia, BlueScope Steel's facilities and operations comprise:

- a metallic coating and paint line in Kapar with an annual metallic coating line production capacity of 160,000 tonnes and a paint line production capacity of 70,000 tonnes; and
- four LYSAGHT® roll-forming facilities.

China

In China, BlueScope Steel's key facilities and operations comprise:

- one metal coating and painting line facility with annual production capacity of 250,000 tonnes of metallic coated steel and 150,000 tonnes of painted steel;
- three Butler PEB manufacturing facilities;
- four LYSAGHT® roll-forming facilities that process high quality pre-painted steel architectural sandwich insulated panels; and
- a total of 51 sales offices.

The operation sources its cold rolled coil from domestic manufacturers and imports.

BlueScope Steel Vietnam

In Vietnam, BlueScope Steel's key facilities and operations comprise:

- one metallic coating and line facility with annual production capacity of 125,000 tonnes of metallic coated steel and 50,000 tonnes of painted steel; and
- two PEB manufacturing facilities.

Tata BlueScope Steel India

In India, Tata BlueScope Steel's operations comprise:

- four LYSAGHT® roll-forming facilities; and
- a Butler PEB and design centre in Pune.

Tata BlueScope Steel is also currently constructing a metal coating and painting facility in Jamshedpur, with an expected annual capacity of 250,000 tonnes of metal coating and 150,000 tonnes of painting.

Other facilities

BlueScope Steel's other operations in Asia comprise one BlueScope Lysaght roll-forming facility in each of Singapore, Brunei and Sri Lanka.

4.5.5. Hot Rolled Products North America

4.5.5.1. Overview

Hot Rolled Products North America comprises two areas of operations:

- BlueScope Steel's 50% interest in the North Star BlueScope Steel joint venture, a steel manufacturer in the U.S.; and
- BlueScope Steel's 47.5% shareholding in Castrip LLC.

North Star BlueScope Steel ("NSBS")

North Star BlueScope Steel, located in Delta, Ohio is a 50-50 joint venture between BlueScope Steel and North Star Steel, a subsidiary of Cargill Inc. ("Cargill"). NSBS's electric arc furnace produces hot rolled coil from scrap metal, pig iron and various other sources. BlueScope Steel's 50% share of NSBS's external despatches was 379,000 tonnes in the six months ended 31 December 2008 and 960,000 tonnes in the year ended 30 June 2008.

Castrip LLC

Castrip LLC is a joint venture between BlueScope Steel (47.5%) and Nucor Corporation (47.5%), the twelfth largest steelmaker globally, and Ishikawajima–Harima Heavy Industries (5%). Castrip LLC was formed to commercialise and license the Castrip thin strip casting technology. This technology was developed at Port Kembla Steelworks to produce thin hot rolled coil from liquid steel, avoiding the use of slab casting and hot rolling methods. Typical applications include building products, decking and racking where Castrip's light gauge capability gives it an advantage over conventional hot rolled coil.

BlueScope Steel has exclusive rights to use and license the Castrip technology in Australia, New Zealand, Thailand, Indonesia, Vietnam, Malaysia and the Philippines.

BlueScope Steel continues to support the partnership, with several technical experts working with Nucor in the U.S., as well as products and process development work at Port Kembla Research Laboratories.

4.5.5.2. Products, markets and applications

Hot Rolled Products North America's key product is hot rolled coil, which is sold to customers in the steel, building and construction, mining and manufacturing industries for use in a range of applications including mining equipment, racking, guard rails, building and construction products, structural tubing, water pipelines, oil/gas pipelines and infrastructure, agricultural and farm equipment, and automotive components. NSBS's end customer segment mix in the six months ended 31 December 2008 was approximately 40% automotive, 20% construction, 30% industrial applications and 10% agriculture.

4.5.5.3. Customers, sales and distribution

Worthington Steel, NSBS's largest customer (typically representing approximately 30% of annual sales by revenue), is located on a property adjacent to the NSBS mill. Worthington Steel is a steel processor, wholesaler and distributor that supplies its steel products to the automotive, construction, hardware, aerospace, and many other industries. Many of NSBS's other key customers are located within a 250-mile radius of the facility. All of NSBS's top ten customers have maintained a relationship with the Company for at least ten years. In view of the much weaker demand conditions that have emerged in global steel markets,

NSBS is currently pursuing additional sales via new accounts in the U.S. and Canada and to pipe and tube manufacturers.

NSBS does not conduct any direct business with the automotive industry, but does sell to steel service centres that ultimately produce products for the sector. Products are also sold to customers in the construction, agricultural, infrastructure, and consumer products manufacturing sectors both directly and indirectly through service centres.

NSBS maintains a high level of customer satisfaction as measured by the Jacobson Survey, a third-party measure of North American steel customers' satisfaction with their mill suppliers. In 2008, NSBS was rated the highest in overall customer satisfaction in the Sheet Mills category. This is the sixth year in a row that NSBS has received this rating from the Jacobson Survey.

4.5.5.4. Facilities and processes

NSBS's production facilities were newly built between 1995 and 1996 and include two Electric Arc Furnaces ("EAFs"), a caster, and a hot strip mill. Originally built with production capacity of 1.45 million tonnes per year, the mill's capacity has been progressively expanded to its current level of 2.0 million tonnes per year[1].

Scrap metal, pig iron, and hot briquetted iron are delivered to NSBS's facility and fed into one of two EAFs. The melted steel drains from the EAFs into ladles that are transported to the ladle metallurgical furnaces, which are designed to control chemistry, cleanliness and temperature for optimum slab quality and throughput. The steel mixture is then transferred from the ladle metallurgical furnaces to NSBS's slab caster, which moulds the steel into rectangular slabs.

The steel slabs leave the slab caster and are heated before being fed into the rolling mill. The rolling mill consists of eight stands, including two roughing stands and six finishing stands. The roughing stands flatten the slabs into longer and thinner slabs, while the finishing stands roll the steel according to customer specifications for gauge and width. After cooling, the steel is transferred to the down coilers, which form the steel into coils and apply banding and stamping.

NSBS's financial performance is largely dependent on the spread between the cost of its two key raw materials – scrap metal and pig iron – and the price of hot rolled coil. NSBS primarily purchases scrap steel from several vendors such as Omni Source, Ferrous Processing, General Motors and Pro Trade and also receives scrap through buy-back from a customer. Scrap steel is delivered to the Company's facility by truck or rail. Pig iron is purchased primarily from vendors in Brazil, Russia, and Ukraine and is then shipped to New Orleans and delivered to the NSBS facility by river barge and rail. Electricity is another key cost for NSBS in operating its EAFs, with electricity rates set by the Public Utility Authority of Ohio.

4.5.6. Coated and Building Products North America

4.5.6.1. Overview

Coated and Building Products North America is engaged in the manufacturing, construction and sale of pre-engineered buildings, metal coating and painting, the manufacture of insulated metal panels and of building components. The segment represents the most recent addition to BlueScope Steel's global operations and comprises:

- **BlueScope Buildings**, including Butler Buildings (acquired 28 April 2004), HCI Buildings (acquired 31 October 2007) and Varco Pruden Buildings (acquired as part of the IMSA Steel Corp acquisition on 1 February 2008). Now operating as a fully integrated business, this group designs, manufactures and markets PEBs and component systems;
- the remaining IMSA Steel Corp assets, which were acquired by BlueScope Steel in February 2008:
  - **ASC Profiles**, a manufacturer of building components including architectural roof and wall systems and structural roof and decking;
  - **Metl-Span**, a manufacturer of insulated steel panels for commercial, industrial and cold-storage buildings; and
  - **Steelscape**, a producer of metal coated and painted steel coils.

[1] BlueScope Steel's 50% share of this capacity is 1.0 million tonnes.

4.5.6.2. Products, markets and applications

Coated and Building Products North America's main products, markets and applications are summarised in the table below:

Coated and Building Products North America: products, markets and applications		
Business	**Products**	**End markets and applications**
BlueScope Buildings	■ Pre-engineered metal building systems and components	■ Industrial, commercial and community segments of low-rise non-residential building and construction markets in North America
ASC Profiles	■ Steel building components, including architectural roof and wall systems and structural roof and floor decking	■ Light commercial and industrial roofing and walls, residential roofing, commercial and industrial roof and floor systems in North America, primarily the West Coast of the U.S.
Metl-Span	■ Composite insulated metal panels and fire resistant panels	■ Cold storage, panels for walls, ceilings and roofs, commercial and industrial non-residential construction
Steelscape	■ Metallic-coated and pre-painted steel	■ Non-residential building and construction markets in North America

4.5.6.3. Customers, sales and distribution

The primary competition for Coated and Building Products North America's products is from competing manufacturers of PEBs, steel building components and metal panels including NCI Building Systems, Nucor, California Steel, UPI, Kingspan, USS (with Pre-Coat and Rollcoater), SDI and imports. The business also competes with a number of substitute products in the building and construction sector such as timber, concrete, fibre cement sheeting and aluminium.

BlueScope Buildings

BlueScope Buildings North America's key end markets include manufacturing, commercial, community and government applications. BlueScope Buildings draws upon a number of distribution channels to bring its product to the end customer. Its main distribution channels include:

- the "Butler Builder" network of construction professionals from North America;
- VP Builders, also a network of construction professionals from across North America;
- the HCI and Liberty products, a direct end customer channel to market; and
- BlueScope Construction, an in-house general contractor specialising in large construction projects and government work.

ASC Profiles

ASC Profiles operates three building product lines:

- ASC Building Products – manufactures light commercial and industrial roof and wall and residential roofing products;
- AEP Span – manufactures architectural, commercial and industrial products and retrofit roof systems; and
- ASC Steel Deck – manufactures floor and roof deck products.

ASC sells these building products lines primarily through a national network of offices and sales representatives.

Metl-Span

Metl-Span supplies its insulated metal panels to the refrigeration and construction markets in the U.S. and Canada. Its key products include: commercial and industrial panels (used as walls, ceilings and roofs for commercial and industrial buildings); cold storage panels (used as walls, ceilings and roofs for coolers, freezers, and food processing buildings); and ThermalSafe® (fire resistant panels used in manufacturing plants, auxiliary buildings and refineries and other at-risk for fire building installations). These product lines are distributed primarily through a network of manufacturing representatives located on both the east and west coast of the U.S. servicing the U.S. and Canadian markets.

Steelscape

Steelscape sells its metal-coated and painted steel products to a broad range of customers in the construction end markets in the U.S. and Canada. The key customer end uses of these pre-painted products include metal buildings, roof and wall panels, steel framing and decking. The products are primarily distributed to the U.S. east and west coasts with approximately 60% of sales to roll-formers and metal builder

customers. Steelscape competes with other manufacturers of coated and painted steel in North America such as CSI, UPI, USS (with Pre-Coat and Rollcoater), SDI and imports.

4.5.6.4. Facilities and processes

Coated and Building Products North America's operating footprint includes the facilities described below:

BlueScope Buildings

As part of the integration of Varco Pruden, Butler and HCI, BlueScope Buildings Manufacturing North America was created to develop a single PEB manufacturing footprint for the North American PEB businesses. As a result, three facilities were closed and the manufacturing footprint now consists of a total of nine facilities, of which eight are located in the U.S. in Pennsylvania, North Carolina, California, Texas, Alabama, Missouri, Wisconsin, Washington and one is located in Monterrey, Mexico.

ASC Profiles

ASC Profiles has ten U.S. manufacturing facilities located in the states of California, Washington State, Oregon, Utah, Alaska and Texas.

Metl-Span

Metl-Span has five U.S. manufacturing facilities with a total annual capacity of 68 million square feet located in Texas, Virginia, Nevada and Indiana.

Steelscape

Steelscape has three manufacturing facilities in the U.S., located in Washington, California and Alabama. The California facilities include metal coating, painting and slitting equipment with Washington also operating a pickling and cold mill line while Alabama only operates as a painting facility. Steelscape has a total annual capacity of approximately 446,000 tonnes of metal-coated steel products and 332,000 tonnes of painting capacity.

4.6. Corporate office and Group functions

4.6.1. Corporate office

BlueScope Steel's corporate office, located at Level 11, 120 Collins Street, Melbourne, Australia, comprises the office of the Chief Executive Officer and a small number of specialists in the areas of finance, strategy, information systems, human resources, corporate affairs, investor relations and legal. BlueScope Steel has outsourced selected business support activities to an external provider, Capgemini, which operates a shared business service centre in Adelaide, South Australia. These business support activities relate primarily to payroll, accounting and human resources.

4.6.2. Research and development

The BlueScope Steel research and development teams provide the technological base for future growth and competitiveness by:

- stimulating creativity for new products and processes;
- providing advanced technical support and implementation of newly developed/acquired technologies;
- maintaining a watch on competitive materials and technologies; and
- providing technological forecasting.

BlueScope Steel's research team under Coated and Industrial Products Australia and located at Port Kembla conducts research across iron and steelmaking; rolling and metalworking; metal and polymer coatings; and product applications. Major achievements in the past 40 years include:

- the adoption and refinement of the technology to produce ZINCALUME® steel;
- the growth and continuing improvement of COLORBOND® steel;
- the invention of the mini-galvanising process line, which has been licensed to a number of operators in Southeast Asia and the Indian sub-continent;
- assisting in the development of strip casting of plain carbon steel; and
- the development of model-based control tools for operating blast furnaces more efficiently.

4.6.3. Information technology

The majority of BlueScope Steel's information technology services are outsourced to Computer Science Corporation. BlueScope Steel 's Corporate Information Services function formulates information technology strategy and architecture, major contracts, coordinates group-wide policies, security and standards, and manages external consultants and service providers to ensure the delivery of required business outcomes.

Additionally, Corporate IS functions as a shared services provider for cross-business unit services including global communications infrastructure, data messaging, SAP support and small applications development.

4.6.4. Employee relations

BlueScope Steel currently employs approximately 19,500 employees in 22 countries. At the end of the reporting periods ended 30 June 2006, 2007 and 2008 and 31 December 2008, BlueScope Steel had approximately 18,300, 18,000, 21,500, and 20,800 employees respectively. BlueScope Steel's approach to employee relations is based upon the key principles of:

- providing a safe and satisfying working environment;
- trust and respect;
- line manager leadership of workplace relations;
- a healthy balance between work and family life; and
- reward for experience, teamwork and performance.

BlueScope Steel's workforce is unionised and non-unionised to differing degrees across its various operating regions. All material unionised sites have negotiated collective bargaining agreements in place, with expiry dates between 2011 and 2012 inclusive. BlueScope Steel is not currently subject to any material disputes or bargaining negotiations.

4.6.5. Superannuation

BlueScope Steel operates superannuation funds in Australia, New Zealand and North America for its employees. In these locations there is a combination of defined benefit and accumulation type plans. The defined benefit schemes are closed to new members. Contributions are also made to other international retirement benefit plans for employees outside of Australia, New Zealand and North America. Refer to Section 5.1.10 for further information.

4.6.6. Corporate governance

As a global organisation with businesses operating in many countries, BlueScope Steel is subject to a wide range of legal, regulatory and governance requirements. The Board places great importance on the proper governance of the Company and is committed to achieving and demonstrating the highest standards of corporate governance.

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

The Company complies with each of the Recommendations in the ASX Principles and Recommendations. Further information on the Company's corporate governance policies and practices can be found on BlueScope Steel's website, http://www.bluescopesteel.com. Any reference to documents located on BlueScope Steel's website is provided for convenience only, and none of the documents or other information contained on BlueScope Steel's website are incorporated by reference into this Prospectus.

4.6.7. Risk management and insurance

4.6.7.1. Risk management policy

The oversight and implementation of risk management systems is fundamental to the effective monitoring of the risks that arise as a normal part of the Company's business. BlueScope Steel has a number of elements to its risk management and internal compliance and control systems, which address a range of specific risks that have the potential to have an adverse impact on BlueScope Steel's business including:

- Financial risk: The Board has adopted a number of financial risk policies which address market price risk, liquidity risk, credit risk and corporate and bank guarantees.
- Business risk: A range of policies and procedures deal with the identification and management of business risks, including: BlueScope Steel's Business Risk Management procedures, Delegation of Authority policy and guiding principles; Capital Investment processes; and Guide to Business conduct.
- Operational risk: Policies for operational risk have been developed, including: health, safety and environment; asset protection and operational security; and insurance.

Procedures exist to monitor risk, with ultimate reporting to the Board, through either the Audit & Risk Committee or the Managing Director and Chief Executive Officer.

4.6.7.2. Internal compliance and control

The Board ultimately has responsibility for internal compliance and control. The Audit and Risk Committee has responsibility for ensuring that internal control systems are in place to monitor and manage risk.

In addition to the risk management policies noted above, BlueScope Steel has an internal compliance and control system based on the following:

- a comprehensive internal audit program;
- a financial reporting control system that aims to ensure that financial reporting is accurate and timely; and
- the Business Conduct Panel.

4.6.7.3. Internal audit

The Audit and Risk Committee is responsible for approving the appointment of the internal auditor and approving the annual internal audit plan. Additionally, the Audit and Risk Committee meets with the internal auditor on a regular basis without management being present.

PricewaterhouseCoopers currently provides the internal audit services.

4.6.7.4. Financial reporting control systems

BlueScope Steel has a number of financial control processes to ensure that the information that is presented to senior management and the Board is both accurate and timely. The control processes include, among other things:

- annual audit and half-year review by the external auditor;
- internal audit program to review the quality and effectiveness of internal processes, procedures and controls;
- management review of the balance sheet and internal control environment;
- monthly review of financial performance compared to budget and forecast;
- ongoing monitoring of accounting policies to ensure consistent application across all BlueScope Steel entities; and
- analysis of financial performance and significant balance sheet items to comparative periods.

4.6.7.5. Compliance with BlueScope Steel policies and standards

As part of the compliance and reporting framework, BlueScope Steel has established the Business Conduct Panel to monitor and receive reports concerning instances of non-compliance with BlueScope Steel's standards and policies.

Serious breaches of BlueScope Steel standards and policies are monitored by the Business Conduct Panel and, where necessary, reported to the Audit and Risk Committee (or the Health, Safety and Environment Committee) for further action.

4.6.7.6. Insurance

BlueScope Steel has a global insurance program in place covering all of its businesses. Within this program, the Company has obtained property, general liability, directors and officers and other insurance coverage to the extent it believes necessary to operate and safeguard its business. The insurance program is placed with a global syndicate of insurance companies, each with a Standard & Poor's rating of not less than "A-."

BlueScope Steel maintains significant policies covering:

- Industrial Special Risks – property damage and business interruption;
- General Liability – third-party property damage and personal injury and product liability;
- Directors' and Officers' Liability – legal liability of directors and officers of the company;
- Marine Insurance – marine transit, chartering liability and marine hull;
- Workers Compensation – Excess of Loss Workers Compensation and Workers Compensation policies for states without self-insurance;
- Corporate Travel – domestic and international travel for all employees; and
- Personal Accident – medical treatment for all directors, officers and employees and payment for kidnap and extortion.

Limits for policies are set to cover the full extent of likely exposure faced by the company. Deductibles are based on providing insurance for significant losses.

BlueScope Steel has entered into directors' and officers' insurance policies and paid an insurance premium in respect of the insurance policies, to the extent permitted by the Corporations Act. The insurance policies cover former Directors of BlueScope Steel along with the current Directors of BlueScope Steel. Executive officers and employees of BlueScope Steel and its Related Bodies Corporate are also covered.

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

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

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

The current Directors of BlueScope Steel have each entered into an Access, Insurance and Indemnity Deed with BlueScope Steel. The deed addresses the matters set out in Rule 21 of the Constitution and includes, among other things, provisions requiring BlueScope Steel to indemnify a Director 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 a Director while they are in office and seven years after ceasing to be a Director.

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.

4.6.8. Emissions Trading Schemes in Australia and New Zealand

The Australian and New Zealand Governments have both announced that they plan to introduce emissions trading schemes, and are presently consulting widely about elements of the design of their schemes.

Australia

The Australian Government has taken steps towards implementing a proposed national greenhouse gas emissions trading scheme to be known as the Carbon Pollution Reduction Scheme ("CPRS"). The Australian Government has announced that it intends to commence the CPRS on 1 July 2011.

If the CPRS is introduced in the form currently proposed by the Australian Government, which is not certain, BlueScope Steel will be exposed to additional operating costs which will have an adverse impact on the financial performance and competitiveness of the Company as well as the sustainability of the domestic Australian steel industry generally without comparable schemes and costs in other countries.

At production levels in line with those of the year ended 30 June 2008, BlueScope Steel is responsible for the emission of approximately 12.6 million tonnes per annum of greenhouse gases. Of this total, about 11 million tonnes consist of direct emissions predominantly from coke, iron and steel-making processes (Scope 1 emissions), while about 1.6 million tonnes consist of indirect emissions attributable to purchased electricity (Scope 2 emissions).

The proposed CPRS, if introduced, will require BlueScope Steel to annually obtain and surrender emission units to cover its direct greenhouse gas emissions (Scope 1 emissions) from facilities within Australia. The CPRS is also likely to increase the costs of electricity (Scope 2 emissions) and of inputs of other goods and services to the Company's operations (Scope 3 emissions). The increased costs attributable to Scope 3 emissions could be significant, however the ultimate impact will depend on how much of this is passed through by suppliers and service providers.

The Company's Australian operations are largely Emissions-Intensive and Trade-Exposed ("EITE"), as BlueScope Steel competes with international steelmaking competitors in the domestic and export steel markets. At present, the majority of these international competitors are not subject to any net carbon cost liabilities. The Government proposes to introduce an EITE assistance program which will involve an allocation of some permits under the CPRS to companies in eligible industries.

On 4 May 2009, the Australian Government announced changes to its proposed CPRS. These changes included:

- a delay in the commencement of the scheme until 1 July 2011;
- a fixed price of A$10 per carbon pollution permit for the first year of the scheme; and
- an increase in the number of free permits to be allocated to EITE industries.

The precise impact of these latest changes to BlueScope Steel is not yet clear.

Based on the details of the proposed CPRS released to date, and assuming a broad EITE activity definition that classifies all major manufacturing processes at the Port Kembla Steelworks site as EITE (e.g. coke making; lime-making; sintering; cryogenics; iron-making; steelmaking; hot rolling), the effective rate of assistance in terms of the proportion of Scope 1 and Scope 2 emissions covered by free permits may be significantly lower than the nominal level of 94.5% announced by the Government. Taking into account Scope 3 emissions, depending on cost pass through, could decrease the effective rate of assistance for all emissions (Scope 1, 2 and 3). Taking a narrower EITE activity definition that excluded some of the activities referred to above would see an even lower effective rate of assistance. The final form of the EITE program and the level of assistance which will be given to BlueScope Steel if the proposed CPRS commences is uncertain. However, if the CPRS is introduced in its current form without further amendments to the

regulatory framework governing EITE industries, it would be likely to adversely impact the Company's operations and financial performance.

The extent of any impact on BlueScope Steel will depend on the extent of comparable schemes and costs in other countries, and final decisions about issues such as:

- the detail of the design of the CPRS;
- the level and manner of assistance provided to EITE industries; and
- the targets that are set for reducing emissions, and the timing for achieving those targets.

Legislation is required for the implementation of the CPRS. In 2007, the Australian Government enacted legislation mandating the measurement and public reporting of greenhouse gas emissions, energy consumption and energy production which will provide the measurement basis for CPRS. However, further legislation is required for introduction of the main elements of the CPRS. This legislation has not been enacted.

In December 2008, the Australian Government released a white paper containing its framework for the design of the CPRS. On 10 March 2009, the Australian Government released an exposure draft of the legislative bills implementing the CPRS and is intending to introduce the bills into Parliament during 2009. The bills may fail to pass through the Senate or may be passed in a different form and with a different commencement date. There is currently no certainty that the CPRS will commence in its current form and there may be further changes to the CPRS as presently proposed.

BlueScope Steel has a corporate objective to reduce its CO_2 emissions and is supportive of the Australian Government's economic and environmental objectives in relation to climate change. BlueScope Steel continues to constructively engage with the Australian Government to highlight the cost impact and competitive disadvantage at which Australian EITE companies, such as BlueScope Steel, will be placed under the domestic CPRS as compared to foreign competitors, the majority of which will not be subject to such a burden.

Please see Section 6 regarding the risks related to BlueScope Steel.

New Zealand

Legislation was passed in October 2008 by the outgoing Labour Government implementing an Emissions Trading Scheme ("ETS") for carbon emissions in January 2010. New Zealand Steel is subject to the present Scheme and emits approximately two million tonnes of carbon emissions per annum.

The ETS presently provides for 90% free allocation of emission permits until 2018, after which they will progressively be reduced to zero. The price of emissions units will be set by international permit prices.

The recently elected New Zealand Government has established a select committee to review the existing legislation to ensure that it does not unduly affect New Zealand's economy and competitiveness. The select committee review is due for completion no later than 30 September 2009. New Zealand Steel has made both written and oral submissions to the committee seeking an exemption until its international competitors are subject to the same carbon charges.

Present indications are that the likely outcome is a modified ETS with delayed implementation and alignment with Australia. BlueScope Steel is actively engaged in consultations on the design elements of the scheme with the New Zealand Government.

Please see Section 6 for details regarding the risks related to BlueScope Steel.

4.6.9. Health, safety, environment and community

BlueScope Steel's health and safety management systems are a key factor in business decision-making processes. BlueScope Steel seeks continual improvement in its performance and aspires towards a goal of zero harm to people. This goal is an important driver for continuous improvement in health and safety performance across BlueScope Steel. BlueScope Steel has in place a comprehensive company-wide Occupational Health and Safety Management System. Its purpose is to ensure the health and safety of employees, customers, contractors, visitors and the public.

BlueScope Steel currently has comprehensive environmental governance arrangements and management systems in place. At the apex of these arrangements are the Health, Safety and Environment Committee of the Board of Directors. Amongst a broad range of governance responsibilities, this Committee is responsible for the Company's Health, Safety, Environment and Community ("HSEC") Policy. BlueScope Steel's HSEC Policy provides the foundation for the way in which the environment is managed at all levels of the organisation. The BlueScope Steel Environmental Standards detail the requirements for Implementation of the policy throughout the business. An environmental compliance management system is in operation across BlueScope Steel's sites globally, to promote compliance with all relevant laws. In addition to its compliance

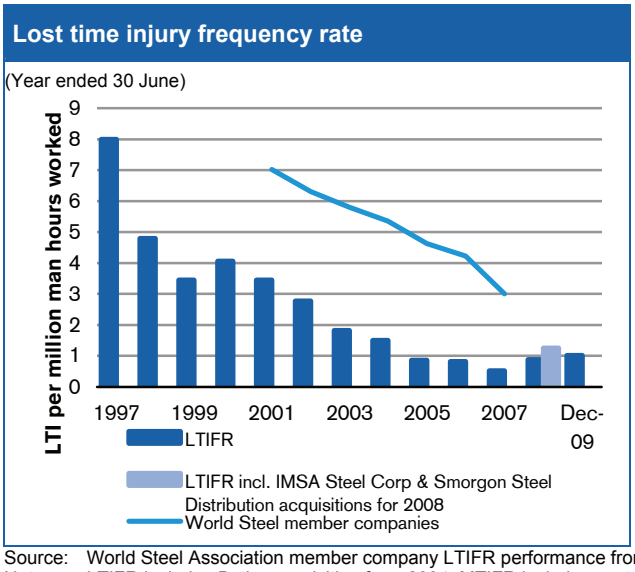
obligations, BlueScope Steel has undertaken a range of initiatives that focus on five main areas: reducing greenhouse gas emissions; reducing pollution to land, air and water; reducing waste to landfill; optimisation of material reuse; and recycling and conserving energy and fresh water. BlueScope Steel is working with government bodies in Australia and New Zealand with respect to greenhouse gas management.

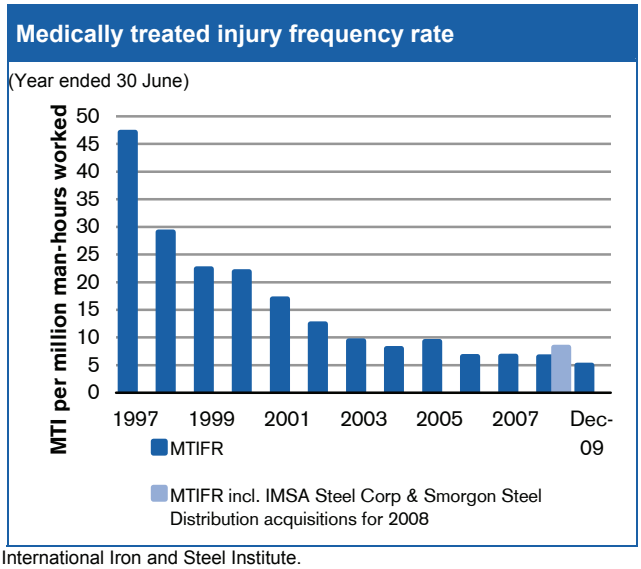
The Sinter Plant upgrade will deliver improvements in dust emissions, water consumptions and reduce the NOx (oxides of nitrogen), SOx (sulphur oxide) and greenhouse gas intensity of the Sinter Plant operations. The No. 5 Blast Furnace reline is estimated to result in a significant reduction in hydrogen sulphide stack emissions. Other aspects of this project are expected to deliver fresh water savings, reduced fugitive dust emissions and noise levels and improved energy efficiency. Since 1995, the Company has invested approximately $500 million on projects with environmental benefits in Australia.

4.6.9.1. Safety performance

BlueScope Steel has historically demonstrated a strong performance on manufacturing safety, with injury levels currently at world best standards with a current Lost Time Injury Frequency Rate ("LTIFR") of 0.81 and a Medically Treated Injury Frequency Rate ("MTIFR") of 5.84[1]. BlueScope Steel's LTIFR and MTIFR performance has improved over time and is shown in the following charts, which also show LTIFR and MTIFR including the Smorgon Steel Distribution and IMSA Steel Corp acquisitions for 2008:

BlueScope Steel's historical safety performance





Source: World Steel Association member company LTIFR performance from International Iron and Steel Institute.
Note: LTIFR includes Butler acquisition from 2004. MTIFR includes contractors and Butler acquisition from 2004.

A fatality occurred in BlueScope Steel's operations during May 2008 when a contractor was injured while operating high-pressure water jetting equipment at Port Kembla Steelworks. A review of the systems relating to high pressure water jetting work has been undertaken, and BlueScope Steel has put in place a program of additional safety warnings and briefings to its employees and contractors around the world.

4.6.9.2. Environmental compliance

The BlueScope Steel Environmental Standards discussed in Section 4.6.9 were developed to meet the requirements of the International Environment Management System Standard, ISO 14001:2004. There are 12 BlueScope Steel Environmental Standards, covering requirements such as leadership, risk management, legal compliance, emergency management, training, communication, incident management and performance management.

BlueScope Steel has also developed Environmental Procedures and Guidelines to assist different areas of the business manage their environmental performance and encourage a consistent approach. Further, each Business, Business Unit and Department has its own set of operational procedures which incorporate environmental requirements.

[1] LTIFR and MTIFR calculated as the number of lost time injuries (LTI) or medically treated injuries (MTI) per million man-hours worked.

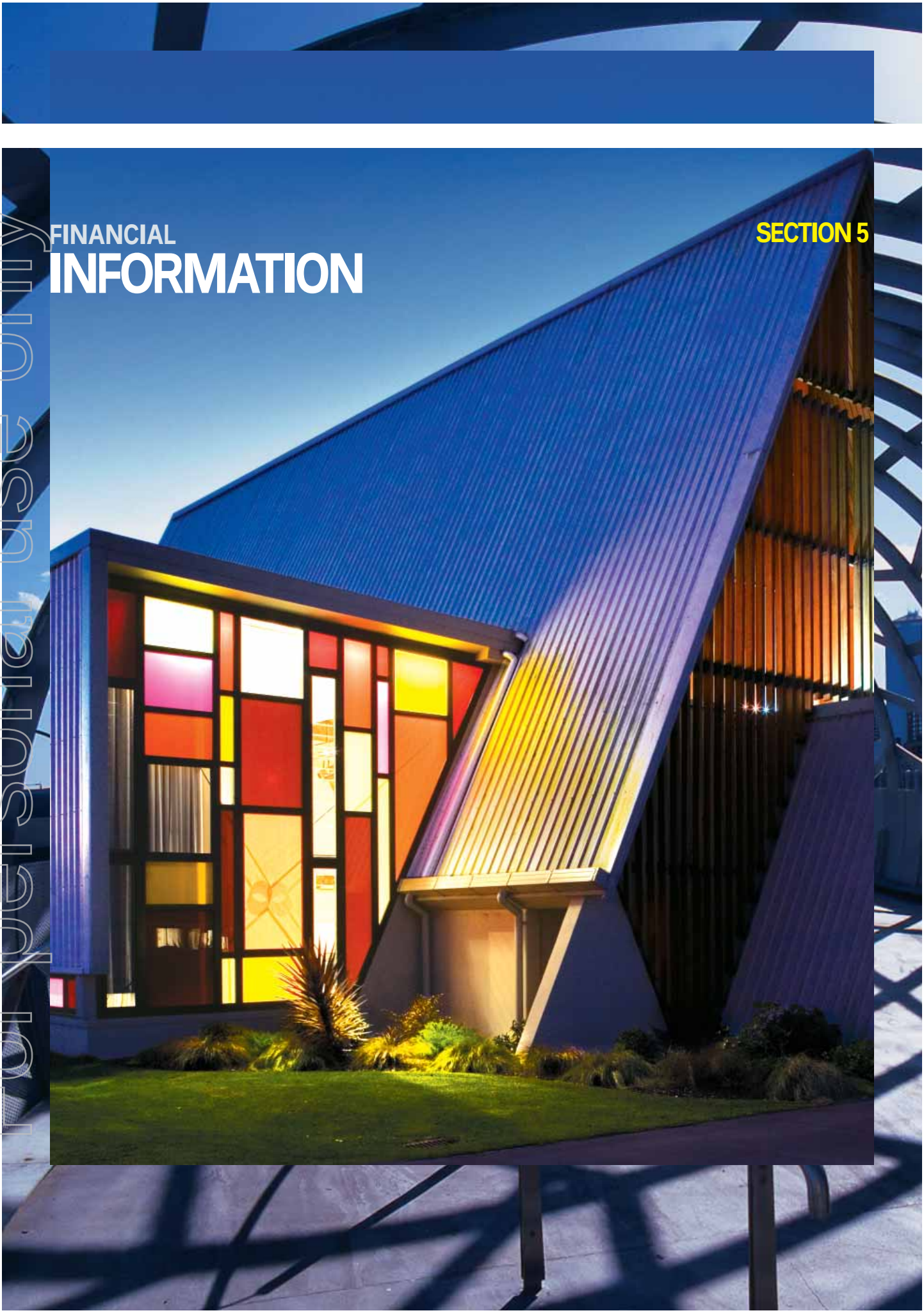
BlueScope Steel is committed to monitoring and publicly reporting on its progress in environmental compliance. It participates in independent external reporting initiatives such as the National Pollutant Inventory and the Carbon Disclosure Project.

BlueScope Steel is committed to reducing air emissions, and monitors emissions at its operations, both on and off site, to maintain compliance with regulatory limits.

BlueScope Steel is also a participant in the Federal Energy Efficiency Opportunities program, under which detailed assessments of energy use and the potential for savings are carried out at a number of key plant departments in Port Kembla Steelworks, Springhill Works and Western Port Works sites.

4.7. Litigation

The Company and its subsidiaries are defendants in a number of legal proceedings arising out of or incidental to their operations. While any litigation has an element of uncertainty, the Company does not expect that the outcome of any such proceedings, either individually or in aggregate, will have a material adverse effect upon the Company's business, financial position and results of operations.



SECTION 5

FINANCIAL INFORMATION

5. Financial information

The summary historical consolidated statement of financial performance, financial position and cash flows for the financial years ended 30 June 2008, 2007 and 2006 and the six months ended 31 December 2008, each set forth below, have been derived from, should be read in conjunction with, and are qualified in their entirety by reference to, the Annual and Interim Financial Reports previously filed with ASIC and the ASX by BlueScope Steel, which, at 30 June 2006, 30 June 2007 and 30 June 2008 have been audited by Ernst & Young, and at 31 December 2008 have been reviewed by Ernst & Young, BlueScope Steel's independent auditors.

The summary historical consolidated financial information has been derived from the Annual and Interim Financial Reports of BlueScope Steel, which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act. The consolidated financial statements comply with Australian Accounting Standards ("AIFRS") issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. The year ended 30 June 2006 consolidated financial statements were the first annual financial statements to be prepared in accordance with IFRS and therefore, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing those financial statements, including the year ended 30 June 2005 comparatives. AASB 1 allowed several transitional exemptions resulting in BlueScope Steel electing to adopt the exemption not to apply the requirements of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement on the transition date of 1 July 2004. The requirements of these Standards have only been applied from 1 July 2005. Therefore, the year ended 30 June 2005 comparative financial information shown in this section does not comply with the requirements of AASB 132 and AASB 139, but nonetheless reflects compliance with AIFRS and IFRS at that time.

Three operations were discontinued in the 30 June 2007 financial year. In the 30 June 2007 Annual Financial Report, the comparatives were restated to take account of these discontinued operations. In the summary historical consolidation financial information set out below, the information for the year ended 30 June 2006 reflects this restatement, however, the information for the year ended 30 June 2005 has not been restated.

Summary historical statement of financial performance

($ in millions)

	Year ended 30 June				Six months ended 31 December	
	2005 (Audited)	2006 (Audited)	2007 (Audited)	2008 (Audited)	2007 (Reviewed)	2008 (Reviewed)
Revenue from continuing operations						
Sales	7,940	7,306	8,113	10,458	4,717	6,143
Other revenue	25	18	52	34	15	13
	7,965	7,324	8,165	10,492	4,732	6,156
Other income	2	52	20	139	135	87
Changes in inventories of finished goods and WIP	147	65	32	(117)	(49)	616
Raw materials and consumables used	(3,297)	(3,394)	(3,824)	(5,254)	(2,274)	(3,798)
Employee benefits expense	(1,334)	(1,238)	(1,296)	(1,596)	(730)	(940)
Impairment of non-current assets	(84)	(19)	(1)	(240)	(240)	(57)
Freight on external despatches	(484)	(528)	(576)	(673)	(317)	(331)
External services	(1,093)	(1,005)	(844)	(910)	(566)	(621)
Other expenses	(364)	(389)	(432)	(521)	(226)	(264)
Depreciation and amortisation	(298)	(287)	(317)	(357)	(174)	(193)
Borrowing costs	(44)	(90)	(141)	(131)	(66)	(76)
	(6,849)	(6,832)	(7,379)	(9,663)	(4,506)	(5,577)
Share of net profit of associates and joint venture partnership accounted for using the equity method	200	175	162	111	41	13
Profit from continuing operations before tax	**1,316**	**666**	**947**	**941**	**268**	**592**
Income tax expense	(334)	(177)	(229)	(327)	(145)	(184)
Profit from continuing operations after tax	**982**	**489**	**718**	**614**	**123**	**407**
Loss from discontinued operations after tax[1]	-	(146)	(15)	(2)	(2)	-
Profit for the period after tax	**982**	**343**	**703**	**612**	**121**	**407**
Profit attributable to:						
Equity Holders of BlueScope Steel Limited	982	338	686	596	116	407
Minority interests	0	5	17	16	5	0

(1) For the years ended 30 June 2006, 30 June 2007 and 30 June 2008 and the six months ended 31 December 2007 and 31 December 2008, discontinued operations include Packaging Products, Vistawall and Lysaght Taiwan. The year ended 30 June 2005 has not been restated to take into account these subsequently discontinued operations. Revenue for these operations in the year ended 30 June 2005 was $842 million while the loss attributable after tax was $118 million.

Summary historical statement of financial position

($ in millions)

	Year ended 30 June				Six months ended 31 December	
	2005 (Audited)	2006 (Audited)	2007 (Audited)	2008 (Audited)	2007 (Reviewed)	2008 (Reviewed)
Assets						
Current assets						
Cash and cash equivalents	85	62	36	44	41	35
Receivables	1,053	1,319	1,219	1,497	1,235	1,287
Inventories	1,152	1,270	1,212	1,600	1,462	2,753
Derivative financial instruments	-	-	8	5	-	-
Available for sale financial assets	-	-	477	-	-	-
Other	39	56	56	55	63	79
Non-current Assets classified as held for sale	-	34	-	-	-	-
Total current assets	**2,329**	**2,742**	**3,008**	**3,201**	**2,801**	**4,154**
Non-current assets						
Receivables	12	25	50	40	39	37
Retirement benefit assets	1	25	60	-	24	-
Inventories	59	59	59	60	57	62
Investments accounted for using equity method	258	303	301	254	313	379
Property, plant and equipment	3,374	3,743	3,671	3,807	3,448	4,140
Deferred tax assets	148	121	136	99	106	112
Intangible assets	200	227	221	999	629	1,191
Other	5	17	1	6	2	6
Total non-current assets	**4,057**	**4,519**	**4,498**	**5,265**	**4,618**	**5,927**
Total assets	**6,386**	**7,261**	**7,506**	**8,466**	**7,419**	**10,081**
Liabilities						
Current liabilities						
Payables	819	958	879	1,282	901	1,049
Interest bearing liabilities	256	690	633	1,082	1,196	828
Current tax liabilities	216	31	57	156	41	16
Provisions	430	504	478	494	428	472
Deferred income	61	77	71	106	74	155
Derivative financial instruments	-	1	3	-	7	1
Total current liabilities	**1,780**	**2,260**	**2,119**	**3,120**	**2,647**	**2,521**
Non-current liabilities						
Payables	5	-	2	8	1	10
Interest bearing liabilities	620	1,262	905	684	549	1,847
Deferred tax liabilities	300	284	317	308	243	307
Provisions	158	179	168	200	173	211
Retirement benefit obligations	262	189	127	204	150	463
Derivative financial instruments	-	1	2	-	1	-
Total non-current liabilities	**1,345**	**1,916**	**1,522**	**1,404**	**1,117**	**2,838**
Total liabilities	**3,125**	**4,176**	**3,641**	**4,524**	**3,764**	**5,358**
Net assets	**3,260**	**3,085**	**3,865**	**3,942**	**3,654**	**4,723**
Equity						
Contributed equity	1,748	1,654	1,896	2,151	1,979	2,533
Reserves	(65)	(87)	7	(282)	(142)	22
Retained profits	1,535	1,467	1,895	1,998	1,748	2,070
Parent entity interest	**3,217**	**3,034**	**3,798**	**3,867**	**3,584**	**4,625**
Minority interest	43	51	67	75	70	98
Total equity	**3,260**	**3,085**	**3,865**	**3,942**	**3,654**	**4,723**

Summary historical statement of cash flows
($ in millions)

	Year ended 30 June				Six months ended 31 December	
	2005 (Audited)	2006 (Audited)	2007 (Audited)	2008 (Audited)	2007 (Reviewed)	2008 (Reviewed)
Cash flows from operating activities						
Receipts from Customers	8,160	8,096	9,294	11,061	5,189	6,892
Payments to suppliers and employees	(7,084)	(7,624)	(8,145)	(9,588)	(4,645)	(6,846)
	1,076	472	1,150	1,473	544	46
Dividends received – Associates	4	5	9	7	4	6
Dividends received – Other	-	-	18	11	11	-
Joint venture partnership distributions received	123	169	145	129	28	-
Interest received	4	3	6	7	3	2
Other revenue	21	18	22	28	14	11
Financing costs paid	(27)	(79)	(156)	(143)	(70)	(75)
Income taxes paid	(312)	(356)	(229)	(208)	(139)	(242)
Net cash inflow (outflow) from operating activities	**889**	**232**	**964**	**1,304**	**395**	**(252)**
Cash flows from investing activities						
Payments for purchase of subsidiary, net of cash acquired	(18)	(2)	(9)	(1,550)	(791)	(3)
Payments for property, plant and equipment	(579)	(765)	(400)	(394)	(136)	(281)
Payments for intangibles	(21)	(33)	(14)	(13)	(5)	(3)
Payments for investment in joint venture partnerships	(2)	(1)	(30)	(22)	(12)	(11)
Payments for investments in associates	(1)	(1)	-	-	-	
Payments for available-for-sale assets	-	-	(319)	-	-	-
Payments for investment in business assets	(43)	(12)	(11)	(1)	(1)	(2)
Loans to related parties	-	-	(29)	-	-	-
Proceeds from sale of property, plant and equipment	7	21	48	6	1	11
Disposal of subsidiary into joint venture partnership	-	(4)	-	-	-	-
Proceeds from sale of business assets and investments	6	2	217	459	459	-
Repayment of loans by related parties	29	-	6	4	2	2
Net cash outflow from investing activities	**(622)**	**(793)**	**(541)**	**(1,510)**	**(484)**	**(287)**
Cash flows from financing activities						
Proceeds from issues of shares (net of share raising costs)	37	1	125	124	5	297
Payments for shares bought back	(327)	(95)	-	-	-	
Proceeds from borrowings	2,895	8,905	11,556	10,912	4,918	11,338
Repayment of borrowings	2,546	(7,820)	(11,912)	(10,581)	(4,708)	(10,963)
Dividends paid to company's shareholders	(343)	(453)	(223)	(250)	(131)	(149)
Dividends paid to minority interests in subsidiaries	(5)	(3)	(1)	(2)	(2)	(2)
Capital injection by minority interests in subsidiaries	-	2	2	-	-	-
Net cash inflow (outflow) from financing activities	**(289)**	**537**	**(454)**	**203**	**82**	**521**
Net decrease in cash held	(22)	(25)	(31)	(3)	(7)	(18)
Cash at the beginning of the period	118	83	59	27	27	20
Effects of exchange rate changes on cash	(13)	1	(2)	(4)	-	17
Cash at the end of the period	**83**	**59**	**27**	**20**	**20**	**19**

5.1. Management's discussion and analysis of financial condition and results of operations

5.1.1. General factors affecting the operating results of the Company

The Company provides its products, solutions and services to customers in the building and construction, manufacturing, automotive and transport and mining industries. Its steel products are sold both directly to end–use customers and through independent distributors. In export markets, the Company has developed long-standing supplier relationships with a core group of customers through its network of international sales offices.

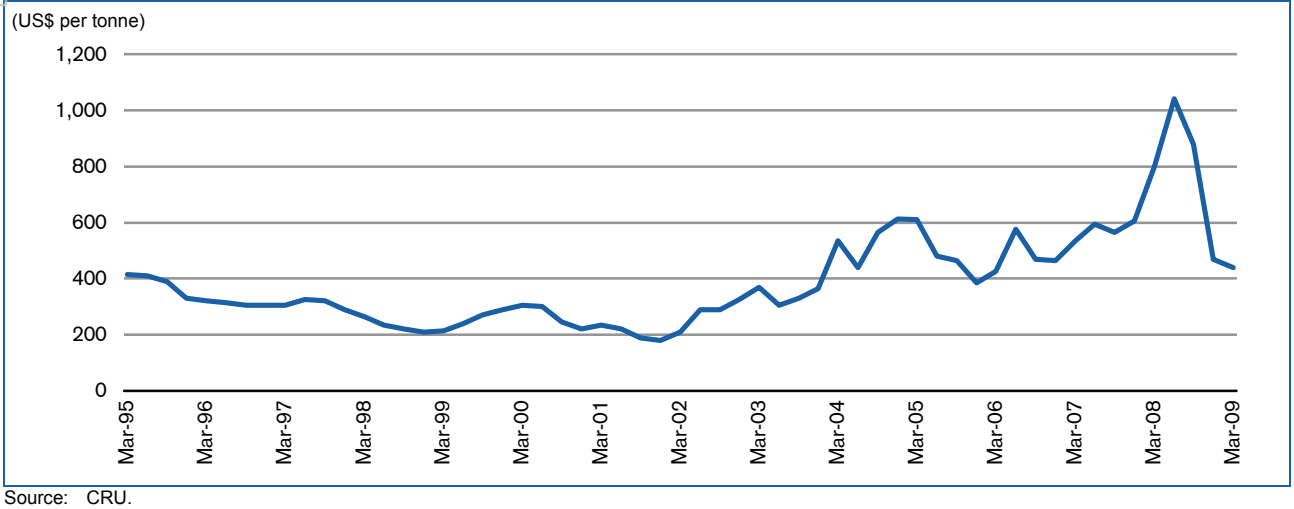
Although the Company is characterised by a diverse product range and high domestic market shares in Australia and New Zealand, it remains subject to both domestic and international macroeconomic factors and competition from other companies.

Below is a brief discussion of the main factors which affected the Company's operating and financial performance in the years ended 30 June 2006, 2007 and 2008 and the six months ended 31 December 2007 and 2008 and which the Company expects may continue to affect operating and financial performance in future periods.

Steel prices

Substantially all of the Company's revenues from operations are derived from sales of steel products. As a result, its operations are strongly influenced by the prices received for these products, which in general, are affected by prevailing international steel prices, particularly prices for hot rolled coil and slab. Historically, international steel prices, which are denominated in US$, have been variable, as demonstrated by movements in the East-Asian hot rolled coil price set out in the chart below:

Historical hot rolled coil prices – Far East-Asia Import hot rolled coil prices (cost and freight)



Source: CRU.

The average prices received by the Company for export sales reflect a similar trend to the East-Asian hot rolled coil price. The average prices received by the Company for domestic sales are also influenced by international prices as a result of import competition. The table below contains the average monthly East Asia hot rolled coil prices over the periods presented:

Average monthly hot rolled coil price

(US$ per tonne)

	Year ended 30 June			Six months ended 31 December	
	2006	2007	2008	2007	2008
East-Asia import hot rolled coil CFR	444	531	756	612	752
Period-on-period change	n.a.	19.6%	42.3%	n.a.	23.0%

Source: Steel Business Briefing.

The Company does not hedge steel prices.

Raw materials prices

The two most important raw materials used in the Company's Australian steelmaking process are iron ore and coking coal. Iron ore and coking coal for Port Kembla Steelworks are sourced from third party mining companies. The New Zealand Steelworks source iron ore from the Company's iron ore sands mines and use steaming coal to produce steel. NSBS uses scrap and electricity to produce steel.

Like many other steel companies, the Company has had long-term contracts in place for its supply of iron ore and coking coal. Under these contracts, prices were fixed for a period of 12 months and negotiated between supplier and buyer every year. The price paid by the Company for iron ore and coking coal is typically set by reference to the price agreed between the mining companies and Asian steel producers. The prices of iron ore and coking coal can vary greatly period to period. Consequently, the Company's results have been impacted by movements in coking coal and iron ore prices.

In September 2008, the Company concluded a new ten-year 5.03 million tonnes per annum iron ore contract with BHP Billiton, to supply approximately 60% of the Company's iron ore requirement at normal operating levels. The new contract commences in July 2009, upon expiry of the current contract. See Sections 4.5.1.4 and 9.5 for more information on the Company's supply arrangements for iron ore and coking coal.

Iron ore and coking coal prices are typically denominated in US$. The table below presents iron ore and coking coal prices and volumes for the years ended 30 June 2006, 2007 and 2008 and the six months ended 31 December 2007 and 2008:

Iron ore and coking coal prices and volumes

	Year ended 30 June			Six months ended 31 December	
	2006	2007	2008	2007	2008
Iron ore fines FOB, US$ per dry metric tonne[1]	38.88	46.27	50.66	50.66	91.14
Period-on-period change	n.a.	19.0%	9.5%	n.a.	79.9%
Iron ore volumes purchased, millions of dry tonnes	8.1	7.8	8.0	4.0	3.7
Hard coking coal, US$ per wet metric tonne	125.00[2]	116.00	98.00	98.00	300.00
Period-on-period change	n.a.	(7.2%)	(15.5%)	n.a.	206.1%
Coking coal volumes purchased, millions of wet tonnes	2.9	3.2	3.2	1.6	1.4

(1) Based on Australian iron ore fines settlement. Brazilian fines settlement was 65-71%.
(2) Benchmark price settlement. BlueScope Steel's effective price was approximately US$102 per tonne due to averaging over the period January 2005 to June 2006.

Foreign currency exchange rates

International steel prices are usually quoted in US$. The Company incurs operating costs in both US$ for certain raw materials supplies and financing costs, and local currency, which would be primarily A$ for its Australian operations. Consequently the Company's results are impacted by movements in foreign currency exchange rates, principally the A$/US$ exchange rate. Generally, an appreciation of the A$ relative to the US$ would be expected to have an adverse effect on the Company's results. Given that both international steel prices and raw materials (i.e. iron ore and coking coal) prices are usually denominated in US$, this provides the Company with a partial hedge to fluctuations in the A$/US$ exchange rate.

The Company also has operations in non-Australian jurisdictions, including in the U.S., New Zealand and Asia. This creates translation risk in converting the results, assets and liabilities of these non-Australian businesses into A$.

The table below presents A$/US$ exchange rates for the years ended 30 June 2006, 2007 and 2008 and the six months ended 31 December 2007 and 2008:

Average monthly A$/US$ exchange rate

	Year ended 30 June			Six months ended 31 December	
	2006	2007	2008	2007	2008
A$ / US$	0.747	0.786	0.897	0.868	0.781
Period-on-period change	n.a.	5.2%	14.1%	n.a.	(10.0%)

Refer to Section 6 for a discussion regarding the Company's exposure to foreign currency exchange rates.

Acquisitions and divestments

On 3 August 2007, the Company announced that it had acquired Smorgon Steel Distribution, a major Australian distributor of flat and long steel products, for $730 million. The acquisition provided the Company an important channel to market, expanded its distribution capability for high-quality products in Australia and further extended its growth strategy in downstream markets.

The consideration paid for Smorgon Steel Distribution consisted of a 19.98% stake held by the Company in Smorgon Steel Limited, Smorgon Steel Distribution's parent, with a value of $447 million and cash paid to Smorgon Steel Limited, which was simultaneously acquired by OneSteel. The Company acquired its 19.98% stake in Smorgon Steel on 17 August 2006 and made a $128 million pre-tax profit on sale on this investment. The acquisition was funded with the Company's available debt facilities.

On 29 June 2007, the Company completed the sale of Vistawall Group, its North American aluminium architectural products business, for US$190 million cash representing a gain on sale of A$59 million. The Vistawall Group had been acquired in 2004 as part of the acquisition of Butler Manufacturing Company and was non-core to the Company's business.

On 1 February 2008, the Company announced that it had acquired IMSA Steel Corp for US$730 million from Ternium. The businesses acquired have manufacturing facilities throughout the U.S. and sales throughout North America:

- ASC Profiles, a manufacturer of building components, including architectural roof and wall systems and structural roof and floor decking. ASC Profiles has ten production facilities;
- Steelscape, a west coast producer of metal coated and painted steel coils with three production facilities;
- Metl-Span, a manufacturer of insulated steel panels for commercial, industrial and cold storage buildings with five production facilities; and
- Varco Pruden Buildings, a manufacturer of pre-engineered building systems for the construction market with five manufacturing facilities.

The acquisition was consistent with the Company's North American strategy of developing an expanded presence in North American building products and solutions markets. The acquisition was initially funded by a 364-day bridge facility.

5.1.2. Developments since 31 December 2008

Port Kembla Steelworks No. 5 Blast Furnace reline

BlueScope Steel is currently undertaking a reline of the No. 5 Blast Furnace in a $372 million project that commenced on 18 January 2009. The purpose of the reline is to repair and refurbish the Blast Furnace, including replacement of the existing lining and refractory materials. The No. 5 Blast Furnace was previously relined in 1978 and 1991, having been first commissioned in 1972. The project involves emptying the furnace of residual raw materials followed by a construction phase to reline the Blast Furnace. The project was commenced in January 2009 ahead of the planned March 2009 shut-down. This early shut-down has enabled the Company to take advantage of a period of weaker demand. BlueScope Steel expects the reline project to be successfully completed on schedule and on budget by June 2009.

Consistent with its focus on optimising production to meet demand and target inventory levels, and based on current demand, it is likely that BlueScope Steel will defer the start-up of the No. 5 Blast Furnace following completion of the reline. The Board will continue to monitor demand conditions, noting that it will take one to two months to commission the furnace prior to re-start.

Sinter Plant upgrade

The Company remains on schedule and within budget ($134 million) to complete the upgrade of its Sinter Plant at Port Kembla Steelworks while the No. 5 Blast Furnace reline is being undertaken. The upgrade will result in annual sinter production increasing by 1.1 million tonnes to 6.6 million tonnes. The increased sinter production capacity will enable the Company to use a lower cost mix of raw material inputs because it can increase the level of relatively less expensive iron ore fines and decrease the amount of relatively more expensive iron ore pellets required for its steelmaking operations.

Share Purchase Plan

In December 2008, the Company announced details of a Share Purchase Plan available to eligible shareholders residing in Australia and New Zealand. The plan offered participants the opportunity to acquire up to $5,000 of new shares at a discount on the then current share price and free of brokerage fees. A total of $113 million was raised with 36.4 million new shares issued on 13 February 2009.

Debt refinancing

A US$400 million bridging loan outstanding at 31 December 2008 and due in January 2009 was refinanced subsequent to 31 December 2008. Three 364-day bilateral loan facilities for US$275 million, US$75 million and US$25 million were established and the remaining US$25 million portion was repaid utilising headroom within pre-existing facilities.

A $350 million working capital facility was also refinanced subsequent to 31 December 2008. The facility, due to mature in October 2009, was converted to a multi-currency facility with a $100 million one-year tranche maturing January 2010, a $125 million two-year tranche maturing January 2011 and a $125 million three-year tranche maturing January 2012.

A US$50 million bilateral debt facility was established subsequent to 31 December 2008. This facility, which was used to provide short term liquidity was cancelled on 4 May 2009.

See Section 5.1.9 for details of the new loan facilities which will be put in place in conjunction with the Offer.

5.1.3. Combined results of operations for the years ended 30 June 2006, 2007 and 2008 and the six months ended 31 December 2007 and 2008

The following table sets out the Company's combined results of operations for the years ended 30 June 2006, 2007 and 2008 and the six months ended 31 December 2007 and 2008:

Combined results of operations
($ in millions)

	Year ended 30 June			Six months ended 31 December	
	2006	2007	2008	2007	2008
Sales revenue	7,306	8,113	10,458	4,717	6,143
Other revenue	18	52	34	15	13
Total revenue from continuing operations	**7,324**	**8,165**	**10,492**	**4,732**	**6,156**

	Year ended 30 June			Six months ended 31 December	
	2006	2007	2008	2007	2008
EBIT from continuing operations before unusual and non-recurring items (Underlying EBIT)	**840**	**1,057**	**1,273**	**494**	**753**
Asset impairments	(17)	-	(251)	(251)	(36)
Restructure and redundancy costs	(48)	5	(32)	(24)	(39)
Business development and pre-operating costs	(40)	(20)	(6)	(6)	-
Significant product disruptions[(1)]	(38)	-	-	-	-
Profit on sale of Smorgon Steel shares	-	-	128	128	-
Profit in stock elimination adjustment and integration costs associated with the acquisition of Smorgon Steel Distribution	-	-	(29)	(26)	-
Profit in stock elimination and accounting adjustments and integration costs associated with the acquisition of IMSA Steel Corp	-	-	(33)	-	(3)
Operating results affected by discontinued businesses	42	34	-	-	-
Other unusual and non-recurring items[(2)]	14	7	16	16	(10)
Total unusual and non-recurring items	(87)	26	(207)	(163)	(88)
EBIT from continuing operations (Reported EBIT)	**753**	**1,083**	**1,066**	**331**	**665**
Borrowing costs	(90)	(141)	(131)	(66)	(76)
Income tax expense	(177)	(229)	(327)	(145)	(184)
Profit from continuing operations after tax	**489**	**718**	**614**	**123**	**407**
Loss from discontinued operations after tax	(146)	(15)	(2)	(2)	-
Profit for the period after tax	**343**	**703**	**612**	**121**	**407**
Profit attributable to:					
Equity Holders of BlueScope Steel Limited	338	686	596	116	407
Minority interests	5	17	16	5	-

Note: EBIT is defined as earnings before interest and tax, including the Company's share of net profit/(loss) of equity accounted associates. Unusual and non-recurring items are items which are included in the reported financial performance which the Company believes are unusual and/or non-recurring including discontinued operations. The Company believes that Reported EBIT and Underlying EBIT provide useful information, but should not be considered as an indication of, or alternative to, net profit as an indicator of financial performance. Other companies may calculate Reported EBIT, Underlying EBIT and EBIT in a different manner than the Company.

(1) This amount represents the management's estimates of the impact of production disruptions as a result of the Western Port fire in the year ended 30 June 2006. The actual impact of disruption in production may be above or below the Company's estimates.

(2) "Other unusual and non-recurring items" includes the write-off of previously capitalised feasibility costs, write-back of over-provided liabilities relating to insurance provisions and pension funds, hedge losses relating to the Taharoa Iron Sands mine sale which was not completed, redemption of the Company's investment in Manukau International, recognition of deferred tax assets in New Zealand steel and sale of properties in New South Wales, Western Australia and Illinois.

5.1.3.1. Six months ended 31 December 2008 compared to the six months ended 31 December 2007

Total revenue from continuing operations

Total revenue from continuing operations increased $1,424 million, or 30.1%, to $6,156 million in the six months ended 31 December 2008 from $4,732 million in the six months ended 31 December 2007. This increase was primarily a result of additional sales volume from the acquisition of IMSA Steel Corp on 1 February 2008, higher global steel prices and the flow-on effect on domestic steel prices predominantly in the first quarter and a lower average A$/US$ exchange rate. These increases were partially offset by a sharp reduction in external customer sales despatches and steel prices in the last three months of the reporting period as a result of weaker global demand for steel.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT increased $259 million, or 52.4%, to $753 million in the six months ended 31 December 2008 from $494 million in the six months ended 31 December 2007. The increase in revenue was partially offset by higher raw material purchase prices, increased expenditure on labour, utilities, and consumables, and additional maintenance expenditure incurred at Port Kembla Steelworks to maintain No. 5 Blast Furnace volumes prior to the planned reline and at New Zealand Steel following the melter failure in July 2008. Underlying EBIT was also reduced by inventory net realisable value provisions (-$204 million) predominantly taken in the six months ended 31 December 2008, following the rapid decline in global steel prices in the last three months of the reporting period.

Reported EBIT increased $334 million, or 100.9%, to $665 million in the six months ended 31 December 2008 from $331 million in the six months ended 31 December 2007. In addition to the factors described above, the major unusual and non-recurring items positively impacting the change in Reported EBIT included impairments of the China Coating Line (-$190 million), Vietnam Coating Line (-$35 million), and other facilities in the six months ended 31 December 2007 (-$16 million), the write-off of previously capitalised costs related to information technology systems in the six months ended 31 December 2007 (-$11 million), lower redundancy and restructuring costs at Coated and Industrial Products Australia relating to the closure

of a paint line (-$11 million) and internal business restructure costs within Corporate and Group in the comparative period partly offset by restructuring costs in relation to the announced closure of the cold mill at Port Kembla (-$22 million) during the six months ended 31 December 2008. The major unusual and non-recurring items having a negative impact on the change in Reported EBIT included a $128 million pre-tax profit on sale of the Company's 19.9% shareholding in Smorgon Steel during the six months ended 31 December 2007, and impairments taken in the six months ended 31 December 2008 to Lysaght Panels China ($11 million) and the China Coating Line ($25 million) as a result of lower than expected demand.

Borrowing costs

Borrowing costs increased $10 million, or 15.2%, to $76 million in the six months ended 31 December 2008 from $66 million in the six months ended 31 December 2007. This change was primarily a result of increased interest bearing liabilities over the period (average increase of $723 million relative to the previous corresponding period), and was partially offset by a lower average interest rate of 6.8% in the six months ended 31 December 2008 compared with 7.9% in the six months ended 31 December 2007. See Section 5.1.9 for a discussion of the change in borrowings.

Income tax expense

Income tax expense from continuing operations increased $39 million, or 26.9%, to $184 million in the six months ended 31 December 2008 from $145 million in the six months ended 31 December 2007. This increase was primarily a result of increased profit before tax, partially offset by the non-recognition of temporary differences related to the asset impairments charged in the six months ended 31 December 2007.

5.1.3.2. Year ended 30 June 2008 compared to the year ended 30 June 2007

Total revenue from continuing operations

Total revenue from continuing operations increased $2,327 million, or 28.5%, to $10,492 million in the year ended 30 June 2008 from $8,165 million in the year ended 30 June 2007. This increase was primarily a result of additional sales volumes following the acquisitions of Smorgon Steel Distribution on 3 August 2007 and IMSA Steel Corp on 1 February 2008, higher global steel prices and their flow-on effect on domestic steel prices, higher sales volumes across all regions within Asia and North America and a favourable change in the product mix towards value-added plate and metallic coated products. These increases were partially offset by a higher average A$/US$ exchange rate in the year ended 30 June 2008.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT increased $216 million, or 20.4%, to $1,273 million in the year ended 30 June 2008 from $1,057 million in the year ended 30 June 2007. In addition to the increase in revenue, factors having a positive impact on Underlying EBIT included cost improvement initiatives to improve production yields, labour productivity and other costs. Factors having a negative impact on Underlying EBIT included higher raw material purchase prices, higher steel feed costs and increased employment, utilities and consumables costs. A number of one-off and discretionary costs also had a negative impact on Underlying EBIT including additional discretionary maintenance at Port Kembla Steelworks to support strong production and maintain No. 5 Blast Furnace volumes prior to the planned reline and the ramp-up costs of the new painting facility in Western Sydney.

Reported EBIT decreased $17 million, or 1.6%, to $1,066 million in the year ended 30 June 2008 from $1,083 million in the year ended 30 June 2007. In addition to the factors described above, the major unusual and non-recurring items negatively impacting the change in Reported EBIT included impairments taken to non-current assets including the China Coating Line (-$190 million), and Vietnam Coating Line (-$35 million) in the year ended 30 June 2008, integration costs and accounting adjustments associated with the Smorgon Steel Distribution (-$10 million) and IMSA Steel Corp (-$12 million) acquisitions and the one-off impact of recognising inter-company profit eliminations in inventory (-$19 million for Smorgon Steel Distribution and -$21 million for IMSA Steel Corp) in the year ended 30 June 2008 and higher redundancy and restructuring costs relating to the closure of a paint line together with internal business restructuring costs within Corporate and Group in the year ended 30 June 2008 (-$32 million). These negative movements were partly offset by a $128 million pre-tax profit on the sale of the 19.9% shareholding in Smorgon Steel during the six months ended 30 June 2008.

Borrowing costs

Borrowing costs reduced $10 million, or 7.1%, to $131 million in the year ended 30 June 2008 from $141 million in the year ended 30 June 2007. This change was primarily a result of a $124 million reduction in average borrowings. See Section 5.1.9 for a discussion of the change in borrowings.

Income tax expense

Income tax expense from continuing operations increased $98 million, or 42.8%, to $327 million in the year ended 30 June 2008 from $229 million in the year ended 30 June 2007. The change was primarily a result of increased taxable income over the period. The effective tax rate for the year ended 30 June 2008 was 34.7%, higher than the Australian tax rate of 30% primarily because of the non recognition of temporary differences related to the asset impairments. The effective tax rate for the full year excluding the impairment write-downs was 27.7%.

5.1.3.3. Year ended 30 June 2007 compared to the year ended 30 June 2006

Total revenue from continuing operations

Total revenue from continuing operations increased $841 million, or 11.5%, to $8,165 million in the year ended 30 June 2007 from $7,324 million in the year ended 30 June 2006. The change was primarily a result of higher steel prices, a favourable change in sales mix of value-added export coated products following recovery from a fire at Western Port in the year ended 30 June 2006 and increased despatches to the Australian domestic market. These increases were partially offset by a higher average A$/US$ exchange rate for the year ended 30 June 2007.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT increased $217 million, or 25.8%, to $1,057 million in the year ended 30 June 2007 from $840 million in the year ended 30 June 2006. In addition to the increase in revenue, factors having a positive impact on Underlying EBIT included cost reductions implemented by the Company. Factors having a negative impact on Underlying EBIT included increased raw material purchase prices, higher zinc and aluminium coating metal costs, and higher steel feed costs. In addition, Underlying EBIT was negatively impacted by an escalation in conversion costs including labour, utilities and consumables.

Reported EBIT increased $330 million, or 43.8%, to $1,083 million in the year ended 30 June 2007 from $753 million in the year ended 30 June 2006. In addition to the factors described above, the key unusual and non-recurring items positively impacting the change in Reported EBIT included redundancy costs at Hot Rolled Products Australia and Coated and Building Products Australia primarily due to staff restructuring provisions taken in the year ended 30 June 2006 (-$48 million), the write-back of redundancy provisions in the year ended 30 June 2007 ($5 million), business development and pre-operating costs in Asia, North America and Corporate in the year ended 30 June 2006 (-$40 million) and the Company's estimates of the impact of production disruptions in the year ended 30 June 2006 associated with the fire at the Western Port facility (-$38 million). The major unusual and non-recurring item having a negative impact on Reported EBIT was the pre-operating costs at the Western Sydney paint line in the year ended 30 June 2007 (-$7 million).

Borrowing costs

Borrowing costs increased $51 million, or 56.6%, to $141 million in the year ended 30 June 2007 from $90 million in the year ended 30 June 2006. This change was primarily a result of a $405 million increase in average borrowings to $2,000 million and an increase in the average interest rate to 7.4% in the year ended 30 June 2007 from 5.9% in the year ended 30 June 2006. See Section 5.1.8 for a discussion of the change in borrowings.

Income tax expense

Income tax expense from continuing operations increased $52 million, or 29.4%, to $229 million in the year ended 30 June 2007 from $177 million in the year ended 30 June 2006. This increase was a result of higher taxable income in the year ended 30 June 2007. The effective tax rate for the year ended 30 June 2007 was 24.2% due to the recognition of additional deferred tax assets in New Zealand, combined with the utilisation of tax exemptions in the Company's Thailand Coating operation. This was partially offset by North American operations being taxed at approximately 38.0%.

5.1.4. Segment reporting structure

For the year ended 30 June 2008, the Company early adopted AASB 8 *Operating Segments*. The new standard requires a 'management approach' under which segment information is prepared on the same basis as that used for internal reporting purposes. This resulted in the segments being reported in a manner that is materially consistent with the internal reporting provided to the Managing Director and Chief Executive Officer of the Company. Comparative financial information for the year ended 30 June 2007 was also restated in the financial statements for the year ended 30 June 2008. The financial information for the year ended 30 June 2006 has been prepared under AASB 114 *Segment Reporting* and has not been restated.

The consolidated entity has six reportable operating segments:

- **Coated and Industrial Products Australia:** Includes Port Kembla Steelworks, the metallic coating lines in Springhill and Western Port, painting facilities in Acacia Ridge and Western Sydney, and export offices to trade steel manufactured at these facilities on global markets;

- **Australian Distribution and Solutions:** Includes a network of service centres and distribution sites. The segment also includes the Lysaght steel solutions business;
- **New Zealand and Pacific Steel Products:** Includes the operations in New Zealand, New Caledonia, Fiji, and Vanuatu;
- **Coated and Building Products Asia:** Includes the operations in Asia which manufacture and distribute a range of metallic coated and painted steel products and pre-engineered steel building systems;
- **Hot Rolled Products North America:** Includes a 50% interest in the North Star BlueScope Steel joint venture and a 47.5% shareholding in Castrip LLC; and
- **Coated and Building Products North America:** Includes BlueScope Buildings, Steelscape, Metl-Span and ASC Profiles.

Prior to the change in segment reporting, the Coated and Industrial Products Australia and Australia Distribution Solutions segments did not exist. Instead, the Company reported segment information for the Hot Rolled Products Australia and Coated and Building Products Australia segments. The Hot Rolled Products Australia segment included Port Kembla Steelworks and export offices. The Coated and Building Products Australia segment included the metallic coating lines in Springhill and Western Port, painting facilities in Acacia Ridge and Western Sydney, service centres and distribution sites, and the Lysaght steel roll-forming and PEB business.

5.1.5. Results of operations under the current segment reporting structure for the years ended 30 June 2007 and 2008 and the six months ended 31 December 2007 and 2008

The following table sets out the segment results of operations for the years ended 30 June 2007 and 2008 and the six months ended 31 December 2007 and 2008 based on the current segment reporting structure:

Consolidated summary of financial performance
($ in millions)

	Year ended 30 June		Six months ended 31 December	
	2007	2008	2007	2008
Sales revenue				
Coated and Industrial Products Australia	5,525	6,042	2,870	3,471
Australian Distribution and Solutions	700	2,202	992	1,247
New Zealand and Pacific Steel Products	728	725	341	370
Coated and Building Products Asia	1,375	1,570	746	878
Hot Rolled Products North America[(1)]	–	–	–	–
Coated and Building Products North America	788	1,407	395	1,315
Inter-segment eliminations	(1,003)	(1,487)	(627)	(1,138)
Sales revenue	**8,113**	**10,458**	**4,717**	**6,143**
Other revenue	52	34	15	13
Total revenue from continuing operations	**8,165**	**10,492**	**4,732**	**6,156**
Underlying EBIT				
Coated and Industrial Products Australia	766	1,000	398	553
Australian Distribution and Solutions	6	86	22	75
New Zealand and Pacific Steel Products	90	85	36	78
Coated and Building Products Asia	44	76	26	(16)
Hot Rolled Products North America	155	105	36	15
Coated and Building Products North America	37	99	38	37
Inter-segment eliminations	1	(115)	(8)	93
Corporate and Group	(42)	(63)	(54)	(82)
EBIT from continuing operations before unusual and non-recurring items (Underlying EBIT)	**1,057**	**1,273**	**494**	**753**
Reported EBIT				
Coated and Industrial Products Australia	799	986	384	644
Australian Distribution and Solutions	13	45	(8)	74
New Zealand and Pacific Steel Products	90	93	44	56
Coated and Building Products Asia	34	(148)	(199)	(75)
Hot Rolled Products North America	155	105	36	15
Coated and Building Products North America	37	90	43	(55)
Inter-segment eliminations	2	(116)	(28)	94
Corporate and Group	(45)	11	59	(87)
EBIT from continuing operations (Reported EBIT)	**1,083**	**1,066**	**331**	**665**

Note: EBIT is defined as earnings before interest and tax, including the Company's share of net profit/(loss) of equity accounted associates. Unusual and non-recurring items are items which are included in the reported financial performance which the Company believes are unusual and/or non-recurring. The Company believes that Reported EBIT and Underlying EBIT provide useful information, but should not be considered as an indication of, or alternative to, net profit as an indicator of financial performance. Other companies may calculate Reported EBIT, Underlying EBIT and EBIT in a different manner than the Company.

(1) Excludes the Company's 50% share of North Star BlueScope Steel joint venture' sales revenue (as results are equity accounted).

The following table sets out the Company's external customer sales volumes for the years ended 30 June 2007 and 2008 and the six months ended 31 December 2007 and 2008 for its current segment reporting structure:

External customer sales volumes
(thousands of tonnes)

	Year Ended 30 June		Six months ended 31 December	
	2007	2008	2007	2008
Coated and Industrial Products Australia				
Domestic	2,281	2,141	1,040	1,026
Export	2,267	1,851	1,096	390
Total	**4,548**	**3,992**	**2,136**	**1,416**
Australian Distribution and Solutions				
Domestic	191	960	447	440
Export	0	13	7	5
Total	**191**	**973**	**454**	**445**
New Zealand and Pacific Steel Products				
Domestic	302	300	144	146
Export	261	277	132	80
Total	**563**	**577**	**276**	**226**
Coated and Building Products Asia				
Domestic	777	908	437	360
Export	157	212	107	70
Total	**934**	**1,120**	**544**	**430**
Hot Rolled Products North America[1]				
Domestic	942	960	470	379
Export	–	–	–	–
Total	**942**	**960**	**470**	**379**
Coated and Building Products North America				
Domestic	182	490	99	335
Export	14	21	10	13
Total	**196**	**511**	**109**	**348**
Consolidated				
Domestic	4,832	5,759	2,637	2,686
Export	2,789	2,374	1,352	558
Total	**7,621**	**8,133**	**3,989**	**3,244**

(1) Reflects the Company's 50% share from the North Star BlueScope Steel joint venture.

5.1.5.1. Six months ended 31 December 2008 compared to the six months ended 31 December 2007

Coated and Industrial Products Australia

Sales revenue

Sales revenue increased $601 million, or 20.9%, to $3,471 million in the six months ended 31 December 2008 from $2,870 million in the six months ended 31 December 2007. This change was primarily a result of higher slab and hot rolled coil export prices, predominantly in the first quarter, higher domestic prices across all sectors and a weaker A$/US$ exchange rate compared to the six months ended 31 December 2007. These were partly offset by lower sales prices and sales volumes in both the domestic and international markets due to a decrease in global steel prices and demand during the three months ended 31 December 2008.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT increased $155 million, or 38.9%, to $553 million in the six months ended 31 December 2008 from $398 million in the six months ended 31 December 2007. The increase in revenue was partially offset by higher raw material purchase prices, increased conversion costs, including higher repair and maintenance costs and the ramp-up costs of the new painting facility in Western Sydney and inventory net realisable value provisions as a result of a sharp decline in demand and prices in the last three months of the period (-$155 million).

Reported EBIT increased $260 million, or 67.7%, to $644 million in the six months ended 31 December 2008 from $384 million in the six months ended 31 December 2007. In addition to the factors described above, unusual and non-recurring items positively impacting the change in Reported EBIT included the reversal of profits on inter-company sales where an inventory net realisable value provision was required to be booked by Coated and Building Products Asia and Coated and Building Products North America in the six months ended 31 December 2008 ($113 million), redundancy costs driven by the announced closure of paint line No.

1 at Port Kembla Steelworks in the six months ended 31 December 2007 (-$11 million) and pre-operating costs relating to West Sydney in the six months ended 31 December 2007 (-$3 million). Unusual and non-recurring items negatively impacting the change in Reported EBIT included provisions relating to the closure of the packaging products cold mill at Port Kembla Steelworks in the six months ended 31 December 2008 (-$22 million).

Australian Distribution and Solutions

Sales revenue

Sales revenue increased $255 million, or 25.7%, to $1,247 million in the six months ended 31 December 2008 from $992 million in the six months ended 31 December 2007. This change was primarily a result of higher domestic prices and additional volumes flowing from the acquisition of Smorgon Steel Distribution on 3 August 2007. Excluding additional sales volumes from the acquisition of Smorgon Steel Distribution, sales volume was lower predominantly in the second quarter.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT increased $53 million, or 240.9%, to $75 million in the six months ended 31 December 2008 from $22 million in the six months ended 31 December 2007. The increase in revenue was partially offset by higher raw material purchase prices and increased conversion and other costs.

Reported EBIT increased $82 million to $74 million in the six months ended 31 December 2008 from a negative contribution of $8 million in the six months ended 31 December 2007. In addition to the factors described above, the unusual and non-recurring items positively impacting the change in Reported EBIT included the write-off of capitalised information technology system costs (-$11 million) integration costs associated with the acquisition of Smorgon Steel Distribution (-$7 million) and the impairment of Lysaght Home Improvements (-$12 million) during the six months ended 31 December 2007. Unusual and non-recurring items negatively impacting the change in reported EBIT were the Lysaght Home Improvement closure provision during the six months ended 31 December 2008 (-$2 million).

New Zealand and Pacific Steel Products

Sales revenue

Sales revenue increased $29 million, or 8.5%, to $370 million in the six months ended 31 December 2008 from $341 million in the six months ended 31 December 2007. This change was primarily a result of higher realised export hot rolled coil and plate prices, higher domestic prices achieved across most products and favourable US$ and A$ exchange rate movements relative to the NZ$ in the prior comparative period. These were partially offset by reduced export despatch volumes, principally hot rolled coil as a result of lower demand and a melter failure at New Zealand Steel in July 2008 which reduced steel production.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT increased $42 million, or 116.7%, to $78 million in the six months ended 31 December 2008 from $36 million in the six months ended 31 December 2007. The increase in revenue was partially offset by higher coal prices under a new supply contract, higher costs of importing steel feed and increased conversion costs both associated with the melter failure.

Reported EBIT increased $12 million, or 27.3%, to $56 million in the six months ended 31 December 2008 from $44 million in the six months ended 31 December 2007. In addition to the factors described above the unusual and non-recurring item positively impacting the change in Reported EBIT was the Lysaght Fiji impairment during the six months ended 31 December 2007 (-$3 million). Unusual and non-recurring items negatively impacting the change in Reported EBIT included the write-off of feasibility costs previously capitalised in relation to capital projects that have been suspended during the six months ended 31 December 2008 (-$22 million) and the redemption of an investment by New Zealand Steel Pension that occurred in the six months ended 31 December 2007 ($11 million).

Coated and Building Products Asia

Sales revenue

Sales revenue increased $132 million, or 17.7%, to $878 million in the six months ended 31 December 2008 from $746 million in the six months ended 31 December 2007. This change was primarily a result of higher sales prices across all regions, predominantly in the three months ended 30 September 2008 and favourable exchange rate movements of Asian currencies compared to the A$. These were partly offset by lower sales volumes in the three months ended 31 December 2008.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT reduced $42 million to a loss of $16 million in the six months ended 31 December 2008 from $26 million in the six months ended 31 December 2007. The increase in revenue was partially offset by increased raw material purchase prices, increased conversion costs, and an inventory net realisable value provision (-$25 million).

Reported EBIT losses decreased by $124 million, or 62.3%, to $75 million in the six months ended 31 December 2008 from $199 million in the six months ended 31 December 2007. In addition to the factors described above, the unusual and non-recurring items negatively impacting the change in Reported EBIT included the allocation of inter-company inventory net realisable value provisions to Coated and Industrial Products Australia in the six months ended 31 December 2008 (-$23 million), impairments of Lysaght Panels – China (-$11 million) and a further impact of the China coating line impairment (-$25 million) in the six months ended 31 December 2008. Unusual and non-recurring items positively impacting the change Reported EBIT included the impairment during the six months ended 31 December 2007 of the China coating line and Vietnam coating line facilities (-$225 million) due to lower than expected domestic volumes and margins in these businesses.

Hot Rolled Products North America

EBIT from continuing operations (Reported EBIT)

Underlying EBIT and Reported EBIT decreased $21 million, or 58.3%, to $15 million in the six months ended 31 December 2008 from $36 million in the six months ended 31 December 2007. This change was primarily the result of higher net realisable value provisions for pig iron raw material inventory on hand, higher conversion costs at the North Star BlueScope Steel joint venture driven by higher cost of natural gas and alloy purchase prices and lower external despatches. These were partially offset by higher hot rolled coil prices predominantly in the first quarter and a favourable movement in the A$/US$ relative to the previous comparative period.

Coated and Building Products North America

Sales revenue

Sales revenue increased $920 million, or 232.9%, to $1,315 million in the six months ended 31 December 2008 from $395 million in the six months ended 31 December 2007. This change was primarily due to the acquisition of IMSA Steel Corp on 1 February 2008, higher domestic sales prices and a favourable movement in the A$/US$ relative to the previous comparative period.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT decreased $1 million, or 2.6%, to $37 million in the six months ended 31 December 2008 from $38 million in the six months ended 31 December 2007. The increase in revenue was more than offset by inventory net realisable value provisions (-$23 million) and increased raw material purchase prices.

Reported EBIT decreased $98 million, or 227.9%, to a loss of $55 million in the six months ended 31 December 2008 from a gain of $43 million in the six months ended 31 December 2007. In addition to the factors described above, the unusual and non-recurring items negatively impacting the change in Reported EBIT included the allocation of inventory net realisable value provisions relating to hot rolled coil sales from Port Kembla Steelworks to Steelscape (-$90 million), plant closure, integration and rationalisation costs following the acquisition of IMSA Steel Corp (-$15 million), redundancy costs associated with staff downsizing in the six months ended 31 December 2008 (-$3 million) and the write back of over-provisioned liabilities in relation to a pension fund occurring in the six months ended 31 December 2007 ($5 million). The unusual and non-recurring item positively impacting the change Reported EBIT was the write back of over-provisioned liabilities relating to a general insurance provision in the six months 31 December 2008 ($16 million).

5.1.5.2. Year ended 30 June 2008 compared to the year ended 30 June 2007

Coated and Industrial Products Australia

Sales revenue

Sales revenue increased $517 million, or 9.4%, to $6,042 million in the year ended 30 June 2008 from $5,525 million in the year ended 30 June 2007. This change was primarily a result of higher global steel prices and higher domestic painted product prices in both the domestic and export markets, a favourable change in product mix to higher value-added plate and metallic coated products and higher prices for coking coal sales. This was partially offset by a strengthening A$/US$ exchange rate.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT increased $234 million, or 30.5%, to $1,000 million in the year ended 30 June 2008 from $766 million in the year ended 30 June 2007. The increase in Underlying EBIT was as a result of the increase in revenue, together with lower coal and metal coating purchase costs. This was partly offset by higher US$ iron ore, scrap and alloys purchase prices, increased conversion and other costs (principally higher freight and maintenance costs) and an unfavourable movement in the A$/US$ exchange rate.

Reported EBIT increased $187 million, or 23.4% to $986 million in the year ended 30 June 2008 from $799 million in the year ended 30 June 2007. In addition to the factors described above, the unusual and non-recurring item positively impacting the change in Reported EBIT was the pre-operating costs related to West Sydney in the year ended 30 June 2007 (-$7 million). Unusual and non-recurring items negatively impacting the change in Reported EBIT included redundancy costs caused by the closure of paint line No. 1 at the Service Centre in Port Kembla (-$11 million) and pre-operating costs related to West Sydney (-$3 million) in the year ended 30 June 2008, domestic transfer pricing margins earned from the discontinued tinplate operations which will not be earned in the future ($35 million) and the write back of redundancy costs in the year ended 30 June 2007 ($5 million).

Australian Distribution and Solutions

Sales revenue

Sales revenue increased $1,502 million, or 214.6%, to $2,202 million in the year ended 30 June 2008 from $700 million in the year ended 30 June 2007. This change was primarily a result of the acquisition of Smorgon Steel Distribution on 3 August 2007.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT increased to $86 million in the year ended 30 June 2008 from $6 million in the year ended 30 June 2007. This was primarily a result of the acquisition of Smorgon Steel Distribution on 3 August 2007 and initiatives to reduce conversion and selling costs. These increases were partially offset by lower domestic selling prices by Lysaght Australia due to a depressed residential market across the east coast.

Reported EBIT increased $32 million, or 246.2%, to $45 million in the year ended 30 June 2008 from $13 million in the year ended 30 June 2007. In addition to the factors described above, the unusual and non-recurring items negatively impacting the change in Reported EBIT included the impairment and subsequent closure of the Lysaght Home Improvements business (-$12 million), the write-off of previously capitalised information technology systems costs (-$11 million), integration costs associated with the acquisition of Smorgon Steel Distribution (-$10 million), restructuring and redundancy costs (-$8 million), all during the year ended 30 June 2008 and the profit on sale of land in New South Wales received in the year ended 30 June 2007 ($7 million).

New Zealand and Pacific Steel Products

Sales revenue

Sales revenue decreased $3 million, or 0.4%, to $725 million in the year ended 30 June 2008 from $728 million in the year ended 30 June 2007. This change was primarily a result of the weakening of the US$ and A$ against the NZ$ relative to the year ended 30 June 2007. This was partially offset by higher export and domestic prices.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT decreased $5 million, or 5.6%, to $85 million in the year ended 30 June 2008 from $90 million in the year ended 30 June 2007. The decrease mainly reflects the lower revenues.

Reported EBIT increased $3 million, or 3.3%, to $93 million in the year ended 30 June 2008 from $90 million in the year ended 30 June 2007. In addition to the factors described above, the unusual and non-recurring item positively impacting the change in Reported EBIT was the redemption of an investment of the New Zealand Steel Pension Fund, which had been previously impaired, during the year ended 30 June 2008 ($11 million). The unusual and non-recurring item negatively impacting the change in Reported EBIT was the impairment to Lysaght Fiji in the year ended 30 June 2008 (-$3 million).

Coated and Building Products Asia

Sales revenue

Sales revenue increased $195 million, or 14.2%, to $1,570 million in the year ended 30 June 2008 from $1,375 million in the year ended 30 June 2007. This change was primarily a result of higher sales volume and prices across all regions. These were partly offset by an unfavourable change in foreign exchange rates relative to the A$ during the period.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT increased $32 million, or 72.7%, to $76 million in the year ended 30 June 2008 from $44 million in the year ended 30 June 2007. The increase in revenue was partly offset by higher steel feed purchase prices, increased conversion and increased freight costs.

Reported EBIT decreased $182 million to a loss of $148 million in the year ended 30 June 2008 from a gain of $34 million in the year ended 30 June 2007. In addition to the factors described above, the unusual and non-recurring items negatively impacting the change in Reported EBIT included the impairment of the China coating line (-$190 million) and the Vietnam coating line (-$35 million) facilities due to lower than expected domestic volumes and margins in these businesses during the year ended 30 June 2008. Unusual and non-recurring items positively impacting the change in Reported EBIT included the business development and pre-operating costs in India and China in the year ended 30 June 2007 (-$10 million).

Hot Rolled Products North America

EBIT from continuing operations (Reported EBIT)

Underlying EBIT and Reported EBIT decreased $50 million, or 32.3%, to $105 million in the year ended 30 June 2008 from $155 million in the year ended 30 June 2007. This change was primarily a result of higher scrap steel purchase prices, unfavourable movements in the A$/US$ exchange rate, and higher conversion costs driven by higher cost of electricity and alloy purchase prices. These decreases were partially offset by higher production volumes and higher hot rolled coil prices.

Coated and Building Products North America

Sales revenue

Sales revenue increased $619 million, or 78.6%, to $1,407 million in the year ended 30 June 2008 from $788 million in the year ended 30 June 2007. This change was primarily a result of the IMSA Steel Corp acquisition on 1 February 2008, higher sales and improved domestic sales prices partly offset by unfavourable movement in the A$/US$ exchange rate in the year ended 30 June 2008.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT increased $62 million, or 167.6%, to $99 million in the year ended 30 June 2008 from $37 million in the year ended 30 June 2007. The increase in revenue was partially offset by increased raw material purchase prices, increased conversion and selling costs and an unfavourable movement in the A$/US$ exchange rate.

Reported EBIT increased $53 million, or 143.2%, to $90 million in the year ended 30 June 2008 from $37 million in the year ended 30 June 2007. In addition to the factors described above, the unusual and non-recurring items positively impacting the change in Reported EBIT included the write back of over-provisioned liabilities in relation to a pension fund during the year ended 30 June 2008 ($5 million). The unusual and non-recurring items negatively impacting the change in Reported EBIT included the integration costs and accounting adjustments associated with the acquisition of IMSA Steel Corp during the year ended 30 June 2008 (-$14 million).

5.1.6. Results of operations under the previous segment reporting structure for the years ended 30 June 2006 and 2007

The following table sets out the Company's combined and segment results of operations for the years ended 30 June 2006 and 2007 based on the previous segment reporting structure prepared in accordance with AASB 114 *Segment Reporting*:

Consolidated summary of financial performance

($ in millions)

	Year ended 30 June	
	2006	2007
Sales revenue		
Hot Rolled Products Australia	3,472	3,919
Coated and Building Products Australia	2,767	3,186
New Zealand and Pacific Steel Products	709	728
Coated and Building Products Asia	1,048	1,387
Hot Rolled Products North America[1]	500	566
Coated and Building Products North America	834	788
Corporate and Group	420	465
Inter-segment eliminations	(2,445)	(2,927)
Sales revenue	**7,306**	**8,113**
Other revenue	18	52
Total revenue from continuing operations	**7,324**	**8,165**
Underlying EBIT		
Hot Rolled Products Australia	465	727
Coated and Building Products Australia	41	33
New Zealand and Pacific Steel Products	107	90
Coated and Building Products Asia	50	52
Hot Rolled Products North America	188	180
Coated and Building Products North America	13	37
Corporate and Group	(71)	(39)
Inter-segment eliminations	47	(23)
EBIT from continuing operations before unusual and non-recurring items (Underlying EBIT)	**840**	**1,057**
Reported EBIT		
Hot Rolled Products Australia	456	759
Coated and Building Products Australia	(3)	41
New Zealand and Pacific Steel Products	105	90
Coated and Building Products Asia	19	42
Hot Rolled Products North America	188	180
Coated and Building Products North America	9	37
Corporate and Group	(78)	(42)
Inter-segment eliminations	56	(24)
EBIT from continued operations (Reported EBIT)	**753**	**1,083**

(1) Excludes the Company's 50% share of North Star BlueScope Steel joint venture's sales revenue (as results are equity accounted).

The following table sets out the Company's external customer sales volumes for the years ended 30 June 2006 and 2007 for its previous segment reporting structure:

External customer sales volumes
(thousands of tonnes)

	Year ended 30 June	
	2006	2007
Hot Rolled Products Australia		
Domestic	826	1,004
Export	2,109	1,572
Total	**2,935**	**2,576**
Coated and Building Products Australia		
Domestic	1,410	1,468
Export	542	695
Total	**1,952**	**2,163**
New Zealand and Pacific Steel Products		
Domestic	278	302
Export	300	261
Total	**578**	**563**
Coated and Building Products Asia		
Domestic	631	777
Export	77	157
Total	**708**	**934**
Hot Rolled Products North America[1]		
Domestic	926	942
Export	15	–
Total	**941**	**942**
Coated and Building Products North America		
Domestic	183	182
Export	11	14
Total	**194**	**196**
Consolidated		
Domestic	4,398	4,832
Export	3,161	2,789
Total	**7,559**	**7,621**

(1) Reflects the Company's 50% share from North Star BlueScope Steel joint venture.

5.1.6.1. Year ended 30 June 2007 compared to the year ended 30 June 2006

Hot Rolled Products Australia

Sales revenue

Sales revenue increased $447 million, or 12.9%, to $3,919 million in the year ended 30 June 2007 from $3,472 million in the year ended 30 June 2006. This increase was primarily due to higher global steel prices and the flow-on to domestic plate and hot rolled coil prices and a higher mix of value-added coated products mainly due to the Western Port fire in the year ended 30 June 2006. The export product mix improved with increased hot rolled coil sales due to increased capacity from the hot strip mill expansion and consequently lower slab sales. These were party offset by the strengthening in the A$/US$ exchange rate compared with the year ended 30 June 2006.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT increased $262 million, or 56.3%, to $727 million in the year ended 30 June 2007 from $465 million in the year ended 30 June 2006. The increase in revenue was partly offset by higher raw material purchase prices for coal, iron ore and scrap and higher freight and discretionary repairs and maintenance costs to support record production rates.

Reported EBIT increased $303 million, or 66.4%, to $759 million in the year ended 30 June 2007 from $456 million in the year ended 30 June 2006. In addition to the factors described above, the unusual and non-recurring items positively impacting the change in Reported EBIT included adjustments for domestic transfer pricing margins from discontinued tinplate operations that will not be earned in the future ($27 million) and the write back of redundancy costs ($5 million) occurring in the year ended 30 June 2007 and internal restructuring and redundancy costs incurred in the year ended 30 June 2006 (-$33 million). The unusual and non-recurring item negatively impacting the change in Reported EBIT was the adjustment for domestic transfer pricing margins from discontinued tinplate operations that will not be earned in the future, made in the year ended 30 June 2006 ($24 million).

Coated and Building Products Australia

Sales revenue

Sales revenue increased $419 million, or 15.1%, to $3,186 million in the year ended 30 June 2007 from $2,767 million in the year ended 30 June 2006. This increase was primarily due to higher domestic demand in the building and distribution markets, higher domestic and export prices, and higher export volumes due to the effect on production volumes of the fire at Western Port during the year ended 30 June 2006. These were partly offset by a stronger A$/US$ exchange rate compared to the year ended 30 June 2006.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT decreased $8 million, or 19.5%, to $33 million in the year ended 30 June 2007 from $41 million in the year ended 30 June 2006. The increase in revenue was offset by higher coating metal purchase prices, in particular zinc, higher steel feed costs, an adverse sales mix change with a higher proportion of lower margin export sales and higher research and development costs.

Reported EBIT increased $44 million to a gain of $41 million in the year ended 30 June 2007 from a loss of $3 million in the year ended 30 June 2006. In addition to the factors described above, the unusual and non-recurring items positively impacting the change in Reported EBIT included the profit on the sale of a property in New South Wales during the year ended 30 June 2007 ($7 million), asset impairments relating to the Chullora paint line and Western Port fire (-$14 million), product disruptions due to the fire (-$38 million) and restructuring and redundancy costs (-$9 million) all in the year ended 30 June 2006. Unusual and non-recurring items negatively impacting the change in Reported EBIT included pre-operating costs associated with the Western Sydney paint line during the year ended 30 June 2007 (-$7 million) and the profit on the sale of a property in Western Australia during the year ended 30 June 2006 ($9 million). There was also an adjustment in both years of $8 million for profit earned in the Packaging Products business which has been discontinued. This had no net effect on the change in Reported EBIT.

New Zealand and Pacific Steel Products

Sales revenue

Sales revenue increased $19 million, or 2.7%, to $728 million in the year ended 30 June 2007 from $709 million in the year ended 30 June 2006. This change was primarily a result of a 9% increase in domestic sales volumes, increased domestic and export prices. These increases were partially offset by a decrease in export tonnes.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT decreased $17 million, or 15.9%, to $90 million in the year ended 30 June 2007 from $107 million in the year ended 30 June 2006. The increase in revenue was more than offset by higher raw material purchase prices predominantly for zinc and imported steel feed, unfavourable exchange rate movements and lower vanadium by-product recoveries due to lower selling prices.

Reported EBIT decreased $15 million, or 14.3%, to $90 million in the year ended 30 June 2007 from $105 million in the year ended 30 June 2006. In addition to the factors described above, the unusual and non-recurring items positively impacting the change in Reported EBIT included the restructuring and redundancy costs during the year ended 30 June 2006 (-$3 million).

Coated and Building Products Asia

Sales revenue

Sales revenue increased $339 million, or 32.3%, to $1,387 million in the year ended 30 June 2007 from $1,048 million in the year ended 30 June 2006. This change was primarily a result of higher sales volumes across all regions together with higher domestic and export prices.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT increased $2 million, or 4.0%, to $52 million in the year ended 30 June 2007 from $50 million in the year ended 30 June 2006. The increase in revenue was offset by higher zinc and steel feed purchase prices, higher unit costs mainly as a result of the commissioning and ramp up of production volumes at the Vietnam and China coating lines and higher depreciation from new facilities, including Thailand, India and China.

Reported EBIT increased $23 million, or 121.1%, to $42 million in the year ended 30 June 2007 from $19 million in year ended 30 June 2006. In addition to the factors described above, the unusual and non-recurring items positively impacting the change in Reported EBIT included business development and pre-operating costs (-$28 million) and restructuring and redundancy costs (-$3 million) during the year ended 30

June 2006. The unusual and non-recurring item negatively impacting the change in Reported EBIT was the pre-operating costs in the year ended 30 June 2007 (-$10 million).

Hot Rolled Products North America

EBIT from continuing operations (Reported EBIT)

Reported EBIT and Underlying EBIT decreased $8 million, or 4.3%, to $180 million in the year ended 30 June 2007 from $188 million in the year ended 30 June 2006. This change was primarily a result of unfavourable movements in the A$/US$ exchange rate relative to the year ended 30 June 2006 and higher conversion costs at North Star BlueScope Steel joint venture driven by higher electricity and alloys costs. These decreases were partially offset by hot rolled coil prices in North America improving by a greater amount relative to increases in the price of scrap feed, and higher export volumes contributing to increased earnings from trading activities.

Coated and Building Products North America

Sales revenue

Sales revenue decreased $46 million, or 5.5%, to $788 million in the year ended 30 June 2007 from $834 million in the year ended 30 June 2006. This change was primarily due to unfavourable movements in the A$/US$ exchange rate relative to the year ended 30 June 2006. These unfavorable exchange rate movements were partly offset by an increase in prices.

EBIT from continuing operations (Reported EBIT)

Underlying EBIT increased $24 million, or 184.6%, to $37 million in the year ended 30 June 2007 from $13 million in the year ended 30 June 2006. The decrease in revenue was more than offset by improved margins due to improved plant efficiencies and increased output from lower cost Mexico facilities combined with higher costs associated with start-up problems at the Jackson plant in the year ended 30 June 2006.

Reported EBIT increased $28 million, or 311.1%, to $37 million in the year ended 30 June 2007 from $9 million in the year ended 30 June 2006. In addition to the factors described above, the unusual and non-recurring items positively impacting the change in Reported EBIT included the business development, pre-operating and internal restructuring costs in the year ended 30 June 2006 (-$9 million). The unusual and non-recurring item negatively impacting the change in Reported EBIT was the profit on the sale of a property in Illinois during the year ended 30 June 2006 ($5 million).

5.1.7. Cash flows

The following table provides a summary of the Company's consolidated operating and investing cash flows for the years ended 30 June 2006, 2007 and 2008 and the six months ended 31 December 2007 and 2008:

Statement of cash flows
($ in millions)

	Year Ended 30 June			Six months ended 31 December	
	2006	2007	2008	2007	2008
EBIT from continuing operations	**753**	**1,083**	**1,066**	**331**	**665**
Net gains (losses) from discontinued businesses	(197)	16	(3)	(3)	–
EBIT	**556**	**1,099**	**1,063**	**328**	**665**
Add back non cash items					
Depreciation and amortisation	294	324	357	174	193
Share of profits from associates and joint venture partnership not received as dividends	(1)	(7)	24	(10)	(6)
Impaired assets	65	1	240	251	57
Writedown of goodwill	–	3	3	–	–
Net (gain) loss on sale of assets	(20)	(71)	(125)	(139)	(1)
Expensing of share-based employee benefits	9	18	17	13	19
Net interest paid	(76)	(150)	(136)	(67)	(73)
Tax paid	(356)	(229)	(208)	(139)	(242)
Changes in working capital	(100)	(24)	69	(17)	(864)
Sale of receivables	(140)	–	–	–	–
Net cash inflow (outflow) from operating activities	**232**	**964**	**1,304**	**395**	**(252)**
Net cash outflow from investing activities	**(793)**	**(541)**	**(1,510)**	**(484)**	**(287)**
Cash flows from financing activities					
Proceeds from issues of shares (net of share issue costs)	1	125	124	5	297
Payments for shares bought back	(95)	-	-	-	
Proceeds from (repayments of) borrowings	1,085	(356)	331	210	375
Dividends paid to company's shareholders	(453)	(223)	(250)	(131)	(149)
Other[(1)]	(1)	1	(2)	(2)	(2)
Net cash inflow (outflow) from financing activities	**537**	**(454)**	**203**	**82**	**521**
Net increase in cash held	**(25)**	**(31)**	**(3)**	**(7)**	**(18)**
Cash at the beginning of the period	**83**	**59**	**27**	**27**	**20**
Effects of exchange rate changes on cash	1	(2)	(4)	–	17
Cash at the end of the period	**59**	**27**	**20**	**20**	**19**

(1) Other is dividends paid to minority interests in subsidiaries, capital returned to minority interests in subsidiaries and capital injected by minority interests in subsidiaries.

5.1.7.1. Six months ended 31 December 2008 compared to the six months ended 31 December 2007

Net cash flow from operating activities

Operating activities resulted in a net cash outflow of $252 million in the six months ended 31 December 2008 compared to a net cash inflow of $395 million in the six months ended 31 December 2007. In the six months ended 31 December 2008 this outflow was primarily the result of changes in working capital due to higher coal and iron ore prices, softer demand and a decision to increase finished goods inventory in preparation for the reline of the No. 5 Blast Furnace.

Net cash flow from investing activities

Net investing activities resulted in a net cash outflow of $287 million for the six months ended 31 December 2008 compared to a net cash outflow of $484 million in the six months ended 31 December 2007. In the six months ended 31 December 2008 this outflow was primarily a result of capital expenditure associated with routine maintenance capital expenditure, the reline of the No. 5 Blast Furnace, the Sinter Plant upgrade and steam generating and co-generation plant at Port Kembla Steelworks, together with capital expenditure to maintain existing operations. Payments for property, plant and equipment were $281 million. In the six months ended 31 December 2007 this outflow primarily reflects the cash component of the acquisition price of Smorgon Steel Distribution. Payments for property, plant and equipment were $136 million.

Proceeds from issue of shares

The Company raised $291 million (being $300 million net of $9 million share issue costs) in the six months ended 31 December 2008 through an institutional placement of new shares. It issued 96.8 million new shares at a price of $3.10 per share.

Proceeds from (repayments of) borrowings

Net proceeds from borrowings resulted in a cash inflow of $375 million in the six months ended 31 December 2008 compared to a cash inflow of $210 million in the six months ended 31 December 2007. In the six months ended 31 December 2008 this inflow was a result of the operating, investing and other financing cash flows of the Company, including the impact of the increase in working capital. In the six months ended 31 December 2007 this inflow was a result of the operating, investing and other financing cash flows of the Company, including the acquisition of Smorgon Steel Distribution.

5.1.7.2. Financial year ended 30 June 2008 compared to the year ended 30 June 2007

Net cash flow from operating activities

Operating activities resulted in a net cash inflow of $1,304 million in the year ended 30 June 2008 compared to a net cash inflow of $964 million in the year ended 30 June 2007. In the year ended 30 June 2008 this improvement was primarily due to the operating performance of the Company over the period.

Net cash flow from investing activities

Net investing activities resulted in a net cash outflow of $1,510 million in the year ended 30 June 2008 compared to a net cash outflow $541 million in the year ended 30 June 2007. In the year ended 30 June 2008 this outflow related primarily to the acquisition of Smorgon Steel Distribution, IMSA Steel Corp, and HCI Steel Buildings Systems and capital expenditure. Payments for property, plant and equipment were $394 million in the year ended 30 June 2008 and $400 million in the year ended 30 June 2007.

Proceeds from issue of shares

The Company raised $124 million in the year ended 30 June 2008 through the issue of new shares under its dividend reinvestment plan compared to $125 million in the year ended 30 June 2007. The Company had entered into an underwriting agreement with respect to its dividend reinvestment plan for the interim dividend for the year ended 30 June 2008 and the final dividend for the year ended 30 June 2006.

Proceeds from (repayments of) borrowings

Proceeds from net borrowings resulted in a cash inflow of $331 million in the year ended 30 June 2008 compared to a net repayment of borrowings of $356 million in the year ended 30 June 2007. In the year ended 30 June 2008 this inflow was a result of the operating, investing and other financing cash flows of the Company, including the acquisition of Smorgon Steel Distribution, IMSA Steel Corp, and HCI Steel Buildings Systems.

5.1.7.3. Financial year ended 30 June 2007 compared to the financial year ended 2006

Net cash flow from operating activities

Operating activities resulted in a net cash inflow of $964 million in the year ended 30 June 2007 compared to a net cash inflow of $232 million in the year ended 30 June 2006. In the year ended 30 June 2007, this inflow was primarily the result of the operating performance of the Company. In the year ended 30 June 2006, this improvement was a result of the operating performance of the company partially offset by an increase in working capital.

Net cash flow from investing activities

Net investing activities resulted in a net cash outflow of $541 million for the year ended 30 June 2007 compared to a net cash outflow of $793 million in the year ended 30 June 2006. In the year ended 30 June 2007 this related primarily to several capital growth projects, including long lead-time equipment for the No. 5 Blast Furnace and the Western Sydney paint line and the acquisition of a 19.98% equity interest in Smorgon Steel Limited and was partially offset by the sale of Vistawall Group. Payments for property, plant and equipment were $400 million. In the year ended 30 June 2006, this outflow related primarily to several growth projects, specifically the China coating and painting facility, the West Sydney paint line, the Port Kembla Hot Strip Mill upgrade and the India developments. Payments for property, plant and equipment were $765 million.

Proceeds from the issue of shares

The Company raised $125 million in the year ended 30 June 2007 through the issue of new shares under its dividend reinvestment plan compared to proceeds of $1 million in the year ended 30 June 2006. The Company had entered into an underwriting agreement with respect to its dividend reinvestment plan for the final dividend for the year ended 30 June 2006.

Proceeds from (repayments of) borrowings

Net repayments of borrowings resulted in a cash outflow of $356 million in the year ended 30 June 2007 compared net proceeds from borrowings providing a cash inflow of $1,085 million in the year ended 30 June 2006. In the year ended 30 June 2007 this outflow was a result of the operating, investing and other financing cash flows of the Company, including the cash proceeds from the sale of Vistawall Group. In the year ended 30 June 2006 this inflow was a result of the operating, investing and other financing cash flows of the Company, including its capital expenditure program.

5.1.8. Capital expenditure

The table below provides a breakdown of a number of the more significant capital projects undertaken by the Company since, and including, the year ended 30 June 2005:

	Year ended 30 June				Six months ended 31 December
	2005	2006	2007	2008	2008
Port Kembla Hot Strip Mill upgrade	59	40	3	–	–
Vietnam coating line	74	20	–	–	–
Thailand coating expansion	71	–	–	–	–
China coating and painting facility	131	104	10	–	–
China - Guangzhou Butler / Lysaght	6	26	–	–	–
West Sydney Colorbond®	12	63	53	2	–
Port Kembla No. 5 Blast Furnace reline	–	–	48	40	27
Sinter plant upgrade	–	–	12	50	33
Steam generating and co-generation plant	–	–	1	19	55
Other capital expenditure	308	539	197	338	104
Total capital costs	**661**	**792**	**324**	**449**	**219**
Capital creditor movement (cash adjustment)	(82)	(27)	76	(55)	63
Payments for property, plant and equipment (as per statutory accounts)	**579**	**765**	**400**	**394**	**281**

In response to the deterioration of steel market conditions, the Company announced that it would put on hold all non-essential capital expenditure plans. This included the potential replacement of significant steam generating assets and the construction of a cogeneration plant at Port Kembla Steelworks. A feasibility study for this project has been completed, design work commenced and some long lead time equipment purchased. Capital expenditure to 31 December 2008 is $75 million. Refer to 4.5.1.5.3 for more information on this project.

5.1.9. Liquidity and capital resources

The Company's primary source of liquidity is funds generated from operations. As at 31 December 2008, the Company had a net debt position of $2,640 million consisting of approximately $35 million in cash and cash equivalents and $2,675 million of interest bearing liabilities. A number of items including operating cash flows, proceeds from the Share Purchase Plan and the impact of a decline in the A$/US$ exchange rate resulted in an increase in net debt from 31 December 2008 of $22 million to $2,662 million as at 31 March 2009.

Existing facilities

The Company's borrowings as at 31 March 2009 consist of the following primary facilities:

- a multi-currency Loan Note facility which has three tranches of varying maturities;
- two issues of U.S. private placement notes incorporating five tranches of varying maturities;
- four US$ bilateral facilities entered into in connection with the refinancing of a US$400 million bridge facility that was originally established as part of the funding arrangements for the acquisition of IMSA Steel Corp in 2008;
- a multi-currency working capital facility which has three tranches of varying maturities;
- a five-year sale and leaseback facility maturing in August 2011; and
- subsidiary loans and other short-term facilities totalling $164 million.

These facilities and loans contain representations and warranties, financial covenants, undertakings and other terms and conditions customarily found in financing agreements of this kind. The covenants of the Company are typically in relation to net worth, gearing and interest coverage.

At 31 March 2009, the Company had $876 million of funds that were committed but undrawn under its facilities. The Company's current debt facilities and associated maturity profile are summarised in the following table:

Overview of the Company's debt facilities as at 31 March 2009 and drawn debt as at 31 March 2009 and 31 December 2008

				As at 31 March 2009			As at 31 December 2008
	Term	Maturity	Currency	Committed US$ / THB million	Committed $ million	Drawn $ million	Drawn $ million
Loan note facility							
Tranche 1	364 days	16 Dec 2009	Multiple		92	37	-
Tranche 2	3 years	19 Dec 2011	Multiple		550	360	489
Tranche 3	5 years	19 Dec 2010	Multiple		550	407	298
2004 U.S. private placement notes							
Series A	7 years	1 Jul 2011	US$	100	147	147	145
Series B	10 years	1 Jul 2014	US$	200	294	294	289
2008 U.S. private placement notes							
Series A	7 years	30 Jun 2015	US$	81	119	119	117
Series B	10 years	30 Jun 2018	US$	204	300	300	295
Series C	12 years	30 Jun 2020	US$	40	59	59	58
Other facilities							
Bilateral	364 days	7 Dec 2009	US$	275	405	405	-
Bilateral	364 days	20 Feb 2010	US$	75	110	-	-
Bilateral	364 days	20 Jan 2010	US$	25	37	37	-
Bilateral		20 May 2009	US$	50	74	43	-
Bridge facility			US$				579
Working capital	364 days	29 Jan 2010	A$		100	75	-
Working capital	2 years	29 Jan 2011	A$		125	70	-
Working capital	3 years	29 Jan 2012	A$		125	-	-
Sale and leaseback		31 Aug 2011	A$		187	187	199
Subsidiary loan	3 years	13 Nov 2010	Thai Baht	2,000	83	-	56
Subsidiary loan	3 years	9 Oct 2010	Thai Baht	1,000	42	-	-
U.S. facilities (1)	Various	Various	US$		39	22	35
Sub-total (committed)					**3,438**	**2,562**	**2,560**
Other subsidiary facilities (2)	Various	Various	Various			158	115
Total					**3,438**	**2,720**	**2,675**

Note: Table above excludes sold receivables. As at 31 March 2009, $57M was drawn of the $190M program, which matures in August 2009.
(1) Comprises US$20 million (A$29 million) line of credit and other loans/finance leases of US$7 million (A$10 million).
(2) Comprises drawings under trade facilities (A$80 million), revolving payables facility (A$36 million), BlueScope Steel Malaysia's short term facilities (A$22 million) and other bank loans and finance leases (A$20 million).

2004 U.S. private placement notes

This is a two series loan note facility. The outstanding notes are:

- Series A notes totalling US$100 million, with a fixed interest rate, due 1 July 2011; and
- Series B notes totalling US$200 million, with a fixed interest rate, due 1 July 2014.

2008 U.S. private placement notes

This is a three series loan note facility. The outstanding notes are:

- Series A notes totalling US$81 million, with a fixed interest rate, due 30 June 2015;
- Series B notes totalling US$204 million, with a fixed interest rate, due 30 June 2018; and
- Series C notes totalling US$40 million, with a fixed interest rate, due 30 June 2020.

Sale and leaseback

In the year ended 30 June 2007, the Company entered into a sale and leaseback transaction which raised approximately $270 million net cash. The relevant assets have been leased back over a five-year period. This transaction has been accounted for as a borrowing. Lease payments over the term of the arrangement are fixed and amortise to a principal amount of A$44m.

Other bank loans

Bank loans are arranged for several businesses and are with a number of banks. Terms and conditions are agreed to on a periodic basis appropriate to the needs of the relevant businesses. Facilities include:

- A US$100 million (A$147 million) revolving payables facility that is subject to annual review.
- Two short-term facilities of US$22.5 million (A$33.1 million) and Thai Baht 700 million (A$29 million) to support working capital and other short-term cash requirements for BlueScope Steel Thailand.
- Three short-term facilities totalling Malaysian Ringgit 179 million (A$72 million) to support working capital and other short-term cash requirements for BlueScope Steel (Malaysia).

Post Entitlement Offer facilities

In conjunction with the Offer, the Company has completed financing arrangements that will allow it to fully repay its existing Loan Note facility, certain bilateral facilities and working capital facility. As a result of this debt restructure, the Company will achieve a number of objectives:

- no material refinancing event for two years from the date the new facilities are drawn;
- committed and undrawn debt facilities of $775 million as at 31 March 2009 (based on underwritten Offer proceeds of $825 million); and
- increases balance sheet flexibility – pro forma gearing (net debt to net debt plus book value of equity) of 24.0% as at 31 December 2008 (based on underwritten Offer proceeds of $825 million) (see Section 5.2).

The Company has signed commitments with a number of existing lenders in relation to a new Replacement Syndicated Loan Note Facility with a total size $1,275 million. This facility will be able to be utilised on, and not before, the full repayment and cancellation of the Company's existing Loan Note facility, certain bilateral facilities and working capital facility ("Cancelled Facilities"), which will occur no later than 31 July 2009. The repayment of the Cancelled facilities will be funded through a combination of proceeds from the Offer and the Replacement Syndicated Loan Note Facility.

The Replacement Syndicated Loan Note Facility is a multi-currency facility which has two tranches of different maturities:

- a $200 million tranche which has a maturity date that is the earlier of two years from the date at which the facility is drawn and 31 July 2011; and
- a $1,075 million tranche which has a maturity date that is the earlier of three years from the date at which the facility is drawn and 31 July 2012.

The facility is denominated in A$ and can be drawn in A$ and US$. Interest rates on US$ drawings are based on the London Inter-bank Offered Rate and are fixed at the commencement of the drawdown period. Interest rates on A$ drawings are based on the Bank Bill Swap Rate and are fixed at the commencement of the drawdown period. Financial covenants of this facility relate to net worth, gearing and interest cover. The interest cover financial covenant of this facility will have regard to trailing 24 months' earnings at each six month interval up to and including June 2010, thereafter reverting to trailing 12 months' earnings. In addition to the financial covenants, the facility also contains representations and warranties, undertakings and other terms and conditions customarily found in financing agreements of this kind. The Replacement Syndicated Loan Note Facility is guaranteed by BlueScope Steel Limited and is subject to a negative pledge by BlueScope Steel Limited, BlueScope Steel (Finance) Limited and certain of its material subsidiaries.

Following the Offer, the Company may elect to use some or all of any proceeds received from the non-underwritten portion of the Retail Offer to reduce the total size of the Replacement Syndicated Loan Note Facility, however this option is at the discretion of the Company.

The Company expects future primary liquidity needs to include interest costs, capital expenditures and operational expenditures. The Company expects to supplement its funding as may be required with capital markets debt and equity, bank borrowing and/or lease transactions depending on market conditions.

BlueScope Steel estimates that, following the Entitlement Offer, its pro-forma weighted average all-in cost of funds at 31 March 2009 is 7.1% to 7.7%, assuming no proceeds from the Retail Offer.

Off-balance sheet arrangements

Leases

The Company leases various plant and machinery under non-cancellable operating leases. These 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.

Guarantees

In Australia, the Company had given $139 million of guarantees as at 30 June 2008 to various state workers' compensation authorities as a prerequisite for self-insurance. Bank guarantees have been provided to customers in respect of the performance of goods and services supplied. Bank guarantees outstanding at 30 June 2008 totalled $34 million.

Market sensitive instruments

During March 2009, the Company entered into two 12 month A$/US$ foreign exchange swaps aggregated to US$100 million. US$ funds received were used to repay US$-denominated debt drawn under the loan note facility.

On the maturity dates of these foreign exchange swaps, the Company has the option of settling the swap in US$ or rolling over the swaps. The foreign exchange swaps are not accounted for as effective hedges and are classified as a foreign exchange swaps held for trading.

The Company generally does not enter into significant derivative hedging or other transactions involving market sensitive instruments. See note 3 "Financial risk management" of the Company's financial statements for the year ended 30 June 2008 for further disclosure on the Company's management of market risk.

Set-off of assets and liabilities

New Zealand Steel Limited deposits surplus funds with a financial institution. The institution makes advances up to an equivalent amount of the deposit to BlueScope Steel (Finance) Limited. The company has established a right set-off with the financial institution. The balance of the particular arrangement as at 31 December 2008 was NZ$1,448.7 million (A$1,212.1 million).

5.1.10. Retirement benefit obligations

Employees of the Company are entitled to benefits from the Company's superannuation plans on retirement, disability or death. The Company has both defined benefit and defined contribution plans. The defined benefit plans provide defined lump sum benefits based on years of service and final average salary. The defined contribution plans receive fixed contributions from the Company and the Company's legal obligation is limited to these contributions. Defined benefit plans have not been extended to new members in Australia since August 1997 and New Zealand since April 1998. For Coated and Building Products North America, the Butler Manufacturing defined benefits plan has not been extended to new members since the end of 2004, and the IMSA defined benefit plans closed to new members from the beginning of 2009. Two small hourly defined benefit plans continue to operate in North America but these are not material.

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 investigations were made of the BlueScope Steel Superannuation Fund as at 30 June 2008, the New Zealand Steel Pension Fund as at 31 March 2006, and the Coated and Buildings North America defined benefit plan as at 1 January 2008. Summary actuarial assessments were performed for all of these funds as at 31 December 2008.

The Company's outstanding retirement benefit obligations liability at 31 December 2008 was $463 million. The table below sets out the defined benefit funds to which the Company employees belong and the net asset or liability in the Company's balance sheet as at 31 December 2008. The table also summarises the principal actuarial assumptions that underpin the determination of the Company's pension obligations:

($ in millions as at 31 December 2008)

	BlueScope Steel Superannuation Fund	New Zealand Pension Fund	Coated and Building Products Nth America	Total
Present value of the defined benefit obligation	(498)	(298)	(405)	**(1,200)**
Fair value of defined benefit plan assets	424	175	212	**811**
Adjustment for contributions tax	(13)	(60)	-	**(73)**
Net (liability) asset in the balance sheet	(87)	(183)	(193)	**(463)**
Principal actuarial assumptions	*%*	*%*	*%*	
Discount rate (gross of tax)	4.0	4.7	6.3	
Expected return on plan assets (net of tax)	7.5	6.0	8.0	
Future salary increases	3.5	4.0	4.0	

The net liability is not immediately payable. Total employer contributions for the six months ended 31 December 2008 were $31 million.

Refer to Section 6 for a discussion of the possibility of further cash contribution to these funds.

5.1.11. Contractual and commercial commitments

The following table sets out the maturity profile of the Company's long-term capital and lease commitments prepared in accordance with AASB101 *Presentation of Financial Statements* and AASB 117 *Leases* as at 30 June 2008, the most recent annual reporting period:

($ in millions)

	Total	< 1 year	1-5 years	> 5 years
Capital expenditure commitments	116	116		
Lease commitments (Non-cancellable operating leases)	543	89	237	217
Total	**659**	**205**	**237**	**217**

There has been no material change in lease arrangements since 30 June 2008. Capital expenditure commitments have increased in relation to the No. 5 Blast Furnace project at Port Kembla Steelworks planned to be completed by June 2009.

The Company's contractual capital expenditure commitments as at 30 June 2008 were primarily with respect to the No. 5 Blast Furnace reline and the Sinter Plant upgrade both at Port Kembla Steelworks and the painting and coating line joint venture with Tata Steel in India.

5.1.12. Significant accounting policies and critical accounting judgements

This discussion and analysis of BlueScope Steel's financial condition and results of operations is based upon consolidated financial statements, which have been prepared in accordance with the requirements of the Corporations Act, AIFRS and IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates that require management to exercise significant judgement in applying BlueScope Steel's accounting policies.

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

However, different policies, estimates and assumptions in critical areas could lead to materially different results. Critical accounting policies are those that are both important to the portrayal of the Company's financial condition and results of operations and require the most difficult, subjective or complex judgement by the Company's management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

In addition, the following significant accounting policies, which are described in more detail in Note 1 to the company's consolidated financial statements, are of particular importance to the portrayal of BlueScope Steel's financial position and results of operations and require the application of judgement by BlueScope Steel's management.

(i) Business Combinations

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Company's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(ii) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. 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. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to a cash-generating unit or group of cash-generating units, for the purpose of impairment testing.

Information technology development software

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from three to ten years.

Information technology development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Company has an intention and ability to use the asset, which requires management judgement.

Customer relationships

Customer relationships and items of similar substance are only recognised as an intangible asset if they are acquired as part of a business combination and meet the recognition criteria as set out in the business combinations accounting policy. This is on the basis that expenditure on these items cannot be distinguished from the cost of developing the business as a whole. Subsequent expenditure on these items is expensed.

When recognised, such items are carried at fair value at the date of acquisition, less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the asset carrying amount over its estimated useful life.

(iii) Impairment of assets and useful lives

Impairment of assets

Goodwill, intangible assets that have an indefinite useful life and are not subject to amortisation and other non-current assets are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use ("VIU"). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units or "CGU"). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Value-in-use calculations require the use of the following assumptions:

Cash flows

VIU calculations use cash flow projections based on financial projects approved by management, being the basis of the Company's forecasting and planning processes. Cash flows are extrapolated to 30 years with major adjustments where necessary to reflect changes in long-term operating conditions. No terminal value is calculated.

Growth rate

The growth rate represents a steady indexation rate which does not exceed management's expectations of the long-term average growth rate for the business in which each CGU operates.

Discount rates

The discount rate is a post-tax rate that reflects the current assessment of the time value of money, and the overall perceived risk profile of the Company.

Given the differing characteristics, currencies and geographical locations of the Company's CGUs, where appropriate, the 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 combination of external sources including observed bond market spreads, market commentator surveys and analysis, and Standard and Poor's foreign currency ratings. This adjusted discount rate is then translated to a pre-tax rate for each CGU based on the specific tax rate applicable to where the CGU operates.

Useful lives

Land is not depreciated. Depreciation of all other assets is calculated on straight line basis to allocate their cost over their estimated useful lives, as follows:

Category	Useful Life
Buildings	Up to 40 years
Plant, machinery and equipment	Up to 30 years

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

(iv) Income taxes

The income tax expense or revenue 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.

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, the deferred income tax is 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(v) Provisions

Provisions are recognised when the Company 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. Where the Company 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. The expense relating to any provision is presented in the income statement net of any reimbursement.

Accounting estimates and judgements are used in the determination of the following provisions:

Workers compensation

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

Product claims

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

Restructuring and redundancy provisions

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

(vi) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(vi) Retirement Benefit Obligations

A liability or an asset in respect of defined benefit superannuation plans is recognised in the balance sheet and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, outside of the statement of recognised income and expense. Refer to Section 5.1.10 for the critical accounting judgments related to the Company's retirement benefit obligations.

5.2. Use of proceeds and pro-forma capitalisation

The net proceeds from the underwritten portion of the Offer (after expenses), estimated to be approximately $792 million (net of costs of $33 million), will initially be used to repay outstanding amounts under the Company's loan note facility, certain bilateral facilities and working capital facility. As at 31 March 2009, the Company had US$330 million ($485 million) outstanding under certain bilateral debt facilities, and total drawn debt of $2,720 million. One of the bilateral debt facilities (US$50 million) outstanding at 31 March 2009 was cancelled on 4 May 2009.

The pro-forma capitalisation set out below has been prepared for illustrative purposes only to show the impact on capitalisation at 31 December 2008 of the proceeds of the Offer and BlueScope Steel's proposed use of the net proceeds to reduce indebtedness under its Loan Note facility, certain bilateral facilities and working capital facilities (which BlueScope Steel proposes to repay in part or in full) as if those transactions had occurred at 31 December 2008.

The pro-forma capitalisation also illustrates the impact on capitalisation of certain other transactions that have occurred since 31 December 2008, being the receipt of the proceeds from the share purchase plan, payments of dividends and other refinancing activities, as if those transactions had occurred at 31 December 2008:

Pro-forma capitalisation as at 31 December 2008
($ in millions)

	Actual as at 31 Dec 08 $m	Jan / Feb 2009 Refinancing $m	Proceeds of Share Purchase Plan $m	Dividends Paid $m	Proceeds of underwritten portion of the Offer $m	Drawdown of Replacement Syndicated Loan Note Facility $m	Pro forma at 31 Dec 08 (assuming underwritten portion of the Offer) $m	Proceeds of the non-underwritten portion of the Retail Offer (assuming full subscription) $m	Pro forma at 31 Dec 08 (assuming the Offer is fully subscribed) $m
Cash and cash equivalents	35						35		35
Current interest bearing liabilities									
■ Bridge facility	579	(579)					-		-
■ Loan note facility	-						-		-
■ Bilateral facilities	-	398			(398)		-		-
■ Working capital facilities	-						-		-
■ Other facilities	249						249	(68)	181
Total current interest bearing liabilities	**828**	**(181)**			**(398)**		**249**	**(68)**	**181**
Non-current interest bearing liabilities									
■ Loan note facility	787	36	(109)	33	(249)	(498)	-		-
■ Bilateral facilities	-	145			(145)		-		-
■ Working capital facilities	-						-		-
■ Syndicated Loan Note Facility						498	498	(498)	-
■ Other facilities	1,060						1,060		1,060
Total non-current interest bearing liabilities	**1,847**	**181**	**(109)**	**33**	**(394)**	**-**	**1,558**	**(498)**	**1,060**
Deferred tax liabilities	307		(1)		(10)		296	(7)	290
Equity									
Contributed equity	2,533		110	12	802		3,457	573	4,030
Reserves	22						22		22
Retained profits	2,070			(45)			2,025		2,025
Parent entity interest	**4,625**		**110**	**(33)**	**802**		**5,504**	**573**	**6,077**
Minority Interest	98						98		98
Total equity	**4,723**		**110**	**(33)**	**802**		**5,602**	**573**	**6,175**

5.2.1. Pro forma transactions

The pro-forma capitalisation table above is presented on the assumption that the following transactions occurred at 31 December 2008:

5.2.1.1. January and February 2009 refinancing

A US$400 million ($579 million) bridging loan outstanding at 31 December 2008 and due in January 2009 was refinanced subsequent to 31 December 2008. Three 364-day bilateral loan facilities for US$275 million,

US$75 million and US$25 million were established and the remaining US$25 million portion was repaid utilising headroom within pre-existing facilities.

A $350 million working capital facility was also refinanced subsequent to 31 December 2008, however this facility was not drawn at 31 December 2008 and therefore the refinancing does not impact the pro-forma capitalisation.

A US$50 million short-term bilateral debt facility was also established subsequent to 31 December 2008 and was cancelled on 4 May 2009.

5.2.1.2. Proceeds of Share Purchase Plan

Prior to 31 December 2008, the Company announced details of its Share Purchase Plan available to eligible shareholders in Australia and New Zealand. The plan offered participants the opportunity to acquire up to $5,000 of new shares at a discount and free of brokerage fees. A total of $109 million (being $113 million net of costs of $4 million) was raised subsequent to 31 December 2008 with 36.4 million shares issued on 13 February 2009. The costs associated with the issue are tax deductible over five years and therefore create a deferred tax asset which is recognised directly in equity.

5.2.1.3. Dividends paid

Subsequent to 31 December 2008, the directors recommended the payment of an interim dividend of 5 cents per fully paid ordinary share. The aggregate amount of the dividend paid on 31 March 2009 out of retained profits was $45 million, of which $12 million was taken up under the Dividend Reinvestment Plan.

5.2.1.4. Estimated net proceeds of the underwritten portion of the Offer

It has been assumed that the estimated net proceeds of the underwritten portion of the Offer of $792 million (being $825 million net of assumed costs of $33 million) have been utilised to repay in part or in full the Company's existing Loan Note facility, certain bilateral facilities and working capital facilities at 31 December 2008. The costs associated with the offer are deductible over five years and therefore create a deferred tax asset of $10 million which is recognised directly in equity.

5.2.1.5. Replacement Syndicated Loan Note Facility

It has been assumed the available funds under the new Replacement Syndicated Loan Note Facility as described in Section 5.1.9 have been drawn down, to the extent necessary, to replace the Cancelled Facilities for the purposes of the pro forma capitalisation table.

5.2.1.6. Estimated net proceeds of the non-underwritten portion of the Retail Offer

It has been assumed that the estimated maximum net proceeds of non-underwritten portion of the Retail Offer of $566 million (being $588 million net of assumed costs of $22 million) have firstly been utilised to repay in part or in full, certain of the Company's loan facilities at 31 December 2008. The costs associated with the offer are deductible over five years and therefore create a deferred tax asset of $7 million which is recognised directly in equity. As a portion of the Retail Offer is not underwritten, the actual net proceeds of the Retail Offer will not be known until the completion of the Retail Offer.

5.2.2. Historical reported earnings per share

		Year ended 30 June			Six months ended 31 December	
		2006 Cents per share	2007 Cents per share	2008 Cents per share	2007 Cents per share	2008 Cents per share
Reported Basic EPS	From Continuing Operations	68.7	97.4	80.4	16.0	52.7
	Total Operations	47.9	95.3	80.1	15.7	52.7
Reported Diluted EPS	From Continuing Operations	68.3	96.7	79.9	15.9	52.6
	Total Operations	47.7	94.6	79.7	15.6	52.6

5.2.3. Earnings per share restated for the bonus element of the underwritten portion of the Offer

Historical reported earnings per share, restated for the bonus element of the underwritten portion of the Offer, is set out in the table below, assuming the issue of 532,258,065 shares took place on 15 May 2009 at the Offer Price and an assumed ex-rights price of $2.19.

		Year ended 30 June			Six months ended 31 December	
		2006 Cents per share	2007 Cents per share	2008 Cents per share	2007 Cents per share	2008 Cents per share
Restated Basic EPS	From Continuing Operations	58.6	83.1	68.6	13.6	45.0
	Total Operations	**40.8**	**81.3**	**68.4**	**13.4**	**45.0**
Restated Diluted EPS	From Continuing Operations	58.3	82.5	68.2	13.6	44.9
	Total Operations	**40.7**	**80.7**	**68.0**	**13.3**	**44.9**

5.2.4. Earnings per share restated for the bonus element of the Offer

Historical reported earnings per share, restated for the bonus element of the Offer, is set out in the table below, assuming the issue of 911,655,762 shares took place on 15 May 2009 at the Offer Price and an assumed ex-rights price of $2.06.

		Year ended 30 June			Six months ended 31 December	
		2006 Cents per share	2007 Cents per share	2008 Cents per share	2007 Cents per share	2008 Cents per share
Restated Basic EPS	From Continuing Operations	55.1	78.1	64.4	12.8	42.2
	Total Operations	**38.4**	**76.4**	**64.2**	**12.6**	**42.2**
Restated Diluted EPS	From Continuing Operations	54.8	77.5	64.0	12.7	42.2
	Total Operations	**38.2**	**75.8**	**63.9**	**12.5**	**42.2**

RISK FACTORS

SECTION 6

6. Risk factors

A number of risks and uncertainties, some of which are specific to the Company and others of a more general nature, may affect the business, financial position and results of operations of the Company, the value of its Shares and its funding requirements. You should carefully consider the following risk factors, as well as the other information in this Prospectus, and consult your financial and legal advisers before deciding whether to invest in the New Shares.

The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties that the Company is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect the Company's business, financial position and results of operations.

The downturn in the global economy has caused a reduction in worldwide demand for steel. A protracted global recession would materially impact the steel industry and the Company

Steel demand is linked to economic activity. The downturn in the economy has caused a reduction in world wide demand for steel. A protracted global recession in economic activity would continue to have a material impact on demand for steel products. The current downturn in the global economy, sparked by uncertainty in credit markets and deteriorating consumer confidence, has reduced demand for steel products. This has had, and continues to have, a negative effect on the Company's business, financial position and results of operations. No prediction can be made regarding the nature, timing, extent and duration of the downturn in the global economy.

If global macroeconomic conditions were to deteriorate further, the outlook of steel producers may worsen. In particular, a prolonged downturn in the U.S. and Europe, or significantly slower growth or the spread of recessionary conditions to emerging economies that are consumers of steel (such as China, Brazil, Russia and India, as well as emerging Asian markets, the Middle East and the Commonwealth of Independent regions) would have a material adverse effect on the steel industry. Continued financial weakness among consumers of steel products, such as the Asian (particularly China), Australian and New Zealand construction, manufacturing, mining and automotive industry or the bankruptcy of any large companies in such industries, may prolong the negative conditions in steel markets. Protracted low levels of steel consumption, whether caused by poor economic conditions in one or more of the Company's major markets or by the deterioration of the financial position of its key customers, or otherwise, may also continue to have a material adverse effect on demand for its products and hence on the Company's business, financial position and results of operations.

The Company has announced and is implementing cost reduction measures, reducing levels of production and working capital and undertaking refinancing and capital management initiatives, including this Offer in response to the market downturn and the worldwide decline in demand for steel products. These initiatives may not prove effective or sufficient to address the current impact on the Company of the downturn in the steel industry. For example, the high fixed cost structure associated with raw steelmaking facilities does affect margins when production is reduced significantly relative to capacity, and limits the extent to which cost reductions can be made.

The Company's financial performance is strongly influenced by international steel prices, which can fluctuate significantly over time and are difficult to forecast, and any material and sustained steel price deterioration in the absence of corresponding raw materials price declines could adversely affect the Company's business and financial performance

Steel prices fluctuate significantly over time and the global steel industry is cyclical. After rising during 2007 and through the first half of 2008, steel prices in global markets fell significantly in the second half of 2008 as a result of falling demand and resulting excess supply in the industry. The fall in prices during this period has led to lower revenues for steel producers generally, including the Company, and write-downs of finished steel products and raw material inventories.

The Company's revenues and earnings are strongly influenced by movements in international steel prices, which fluctuate significantly over time and are difficult to forecast. Short-term price decreases would typically have a direct adverse impact on the profitability of the Company's commodity product businesses, such as slab, hot rolled coil and cold rolled coil production, and a lesser impact on the Company's value-added

domestic metallic coated and painted steel businesses overall. Sustained international steel price reductions would have an overall material adverse impact on the Company's financial results.

The Company's production only accounts for a small part of global steel production, and factors that affect international steel prices, such as economic growth, exchange rate fluctuations, changes in global steel production capacity, changes in the cost of raw materials and trade barriers, are outside of its control.

The Company's financial performance is strongly influenced by international prices for raw materials including iron ore and coal, which fluctuate significantly over time and are difficult to forecast. Any material and sustained increases in the price of such raw materials in the absence of corresponding steel price increases could adversely affect the Company's business and financial performance

Steel production requires the use of large volumes of bulk raw materials, in particular iron ore and coking coal. Iron ore and coking coal prices have increased over the last four years. The Company is impacted by the long-term price trajectory of raw material prices as well as short-term fluctuations. Generally, movements in raw material input costs will lag movements in steel prices. For example, in the current year ended 30 June, steel prices have decreased significantly, while the Company's cost of raw material has not declined to the same degree due to the Company's existing fixed-price and minimum volume offtake raw materials purchase contracts. The Company's iron ore supply arrangements have recently been modified such that the prices paid by the Company will track more closely to periodic movements in benchmark indices for these commodities. In the U.S., the Company's EAF steel making operations require a significant electricity supply. An interruption of this energy supply, or a material movement in electricity pricing, could have an adverse impact on the Company's business and financial performance.

Excess capacity, resulting in part from expanded production in China and other developing economies in recent years, may hamper the steel industry's recovery and prolong the downward cycle

As well as economic conditions and prices, the steel industry is affected by other factors such as worldwide production capacity and fluctuations in steel imports/exports and tariffs. The steel industry is currently characterised by over-capacity, and it is possible in the context of the current downturn that global production levels will fail to adjust fully to falling demand or that production increases will outstrip demand increases at times during the early stages of recovery, resulting in fluctuating prices and industry weakness.

China is currently the largest worldwide steel producer and was the largest exporter in calendar year 2008. Any significant excess capacity in China and increased exports by Chinese steel companies may weigh on steel prices in many markets in which the Company operates.

The Company is exposed to the effects of exchange rate fluctuations

BlueScope Steel operates and transacts in multiple currencies and reports financial results in A$. As a result, the Company's earnings and equity are exposed to risk associated with foreign exchange rate movements. As set out in Section 5.1.1, the A$ generally strengthened against the US$ over the three years ended 30 June 2006, 2007 and 2008. However, in the six months ended 31 December 2008, the A$ depreciated relative to the US$.

BlueScope Steel's primary exposure is to movements in the A$/US$ exchange rate. This results because:

- export sales are typically denominated in US$;
- a material proportion of the Company's operating costs are denominated in A$; and
- the Company has significant operations in the U.S. and earnings from these operations must be translated into A$ for financial reporting purposes.

While the impact on earnings of A$/US$ fluctuations is variable and influenced by several factors including volumes, global steel prices and raw material prices, an appreciation of the A$ relative to the US$ will typically have an adverse affect on the Company's earnings. This results where the fall in the A$ value of US$ denominated export revenues is greater than the fall in the A$ value of US$ denominated costs.

BlueScope Steel is also exposed to foreign exchange rate movements on translation of foreign currency denominated assets and liabilities. Here again, the Company's primary exposure is to A$/US$ fluctuations. A significant proportion of the Company's borrowings, including the 2004 and 2008 U.S.P.P. notes, are denominated in US$. In addition to existing facilities in foreign currencies, the Company may establish new facilities in US$ or other foreign currencies in the future. A depreciation in the A$ relative to the US$ will

increase the value of US$ denominated borrowings in A$ terms but will also increase the A$ value of US$ denominated assets.

In addition to the direct exposures outlined above, the Company's earnings may also be impacted by changes in export and import price competitiveness brought about by exchange rate fluctuation. Once more, the Company's primary exposure is to the A$/US$ exchange rate. This rate is a key determinant in the price competitiveness of Australian manufactured product in both the export market and the Australian domestic market.

The Company could be significantly affected by a major operational failure or disruption at Port Kembla Steelworks

The production of iron and steel products involves a number of inherent risks relating to the nature of the steelmaking process. Specifically, steel manufacturing processes are dependent on critical steel-making equipment, such as furnaces, steam boilers, continuous casters, rolling mills and electrical equipment (such as transformers), and such equipment may incur downtime as a result of unanticipated failures or other events, such as fires, furnace breakdowns or loss of external power supply. The Company's reliance on its Port Kembla facility, which accounted for 77% of the Company's raw steel production in the year ended 30 June 2008 and 79% in the six months ended 31 December 2008, means that the Company could be significantly and adversely affected by a major operational failure at that facility. Should a significant facility or process failure occur at Port Kembla Steelworks, the Company may be required to suspend production at the facility for repairs. This could also lead to a shutdown at some of its downstream operations until Port Kembla Steelworks is again operational.

The Company's insurance may not be adequate to cover all losses or liabilities that may arise as a result of any such shutdowns or operational failures and may have high deductibles. Moreover, the Company cannot predict the continued availability of insurance at acceptable premium levels.

The Company could be significantly affected by any unexpected adverse occurrence relating to the completion of the Port Kembla No. 5 Blast Furnace reline project

The Company is currently undertaking a scheduled refurbishment of its No. 5 Blast Furnace at Port Kembla Steelworks, in a $372 million project that has suspended approximately 50% of the Port Kembla Steelworks' crude steel production capacity. The project was scheduled to commence on 1 March 2009 however in response to subdued demand, the furnace was shut down on 18 January 2009. By mid-April 2009 the demolition phase of the project had been largely completed. The project nominally represents a loss of 680,000 tonnes of slab production for the scheduled 105-day outage.

The completion of the reline project exposes the Company to a number of risks, including the following:

- capital cost blow-outs or over-spend due to unexpected conditions;
- lower production could potentially compromise the technical and operational integrity of the No. 5 Blast Furnace if it were to be operated significantly below its capacity or re-started and then shut down again; and
- impact on customers (such as the need to make new supply arrangements) and market share if restart of its No.5 Blast Furnace is delayed or unable to ramp up as planned when the steel market recovers.

The project has now moved into the reconstruction phase.

The Company relies on contracts with certain long-term suppliers for its raw materials

Steel production requires substantial amounts of raw materials and energy, including iron ore, coking coal and coke, scrap steel, electricity and natural gas. The Company obtains a large portion of its raw materials requirements under long-term supply contracts, including with BHP Billiton. The Company has recently entered into a ten-year supply contract with BHP Billiton for iron ore and principally sources its coking coal from local BHP Billiton mines in the Illawarra region through a 30 year contract which commenced on 1 July 2002. The loss of these key raw material contracts would have a material adverse effect on the Company. In particular, the Company considers the supply under these long-term coking coal supply contracts as essential to its operations due to a lack of low cost alternative sources of suitable coal. If coal ceases to be supplied to the Company under these contracts, this could be expected to have a material adverse impact on the costs of producing steel at the Company's Port Kembla Steelworks facility and, hence, on the Company's financial performance.

The early shutdown of No. 5 Blast Furnace for the reline project and current reduced utilisation of No. 6 Blast Furnace is expected to reduce raw materials purchases in the year ending 30 June 2009. The extent to which some raw materials suppliers are due compensation in respect of changes made to raw material offtake arrangements in the year ending 30 June 2009 is the subject of ongoing discussions. There is also a risk that, in the event of a protracted future deterioration in steel demand, these new contracted raw material purchase volumes may exceed the levels required for steel production.

The Company may incur significant additional costs if regulation of greenhouse gas emissions is introduced including the proposed Carbon Pollution Reduction Scheme in Australia

A number of governments or governmental bodies, including those in Australia, have introduced or are contemplating regulatory change in response to the potential impacts of climate change and greenhouse gas emissions. The December 1997 Kyoto Protocol established a set of greenhouse gas emission targets for the period 2008-2012. The majority of developed countries that have ratified the protocol, including Australia and New Zealand are expected to achieve their targets.

The Australian Government has taken steps towards implementing a national greenhouse gas emissions trading scheme to be known as the Carbon Pollution Reduction Scheme. The Australian Government has announced that it intends to commence the CPRS on 1 July 2011.

The proposed CPRS, if enacted, will require the Company to annually obtain and surrender emission units to cover its direct greenhouse gas emissions from facilities within Australia (Scope 1 emissions). The CPRS is also likely to increase the costs of electricity (Scope 2 emissions) and of inputs of other goods and services to the Company's operations (Scope 3 emissions).

Legislation is required for the implementation of the CPRS. In 2007, the Australian Government enacted legislation mandating the measurement and public reporting of greenhouse gas emissions, energy consumption and energy production which will provide the measurement basis for CPRS. Further legislation is required for the implementation of the framework for the main elements of the CPRS. In December 2008, the Australian Government released a white paper containing its framework for the design of the CPRS. The Australian Government released an exposure draft of the legislative bills implementing the CPRS on 10 March 2009 and is intending to introduce the bills into Parliament during 2009.

The white paper and exposure draft bills contemplate that there will be an emissions-intensive trade-exposed assistance program which will involve an allocation of some permits to companies in eligible industries. While the Company may qualify for a level of assistance under this program, the detail of the assistance program has not been resolved and the CPRS could materially impact the Company's operations and financial performance, directly or indirectly, depending on its final form unless there are further amendments to the regulatory framework governing EITE industries.

On 4 May 2009, the Australian Government announced changes to its proposed CPRS. These changes included a delay in the commencement of the scheme until 1 July 2011, a fixed price of A$10 per carbon pollution permit for the first year of the scheme and an increase in the number of free permits to be allocated to EITE industries. The precise impact of these further changes to BlueScope Steel is not yet clear.

There are greenhouse gas regulatory schemes which are under consideration in other countries which may affect the Company's operations including in New Zealand and the U.S. From a medium-and long-term perspective, the regulation of greenhouse gas emissions in the countries in which the Company operates is likely to become more stringent. The Company is likely to see changes in the returns on its greenhouse gas-intensive assets and energy-intensive assets as a result of regulatory impacts on the industry in which it operates. Although the precise terms of any potential legislation are unclear, in particular, what industries will be covered by the potential legislation and whether certain trade-exposed industries will qualify for certain exemptions, these regulatory mechanisms could materially impact the Company's operations, directly or indirectly.

The Company's ability to abate its greenhouse gas emissions is limited by a number of factors. Most significantly, the production of greenhouse gases is inherent in the iron and steelmaking processes and there is no technology capable of substantially reducing or mitigating emissions of these greenhouse gases.

Please see Section 4.6.8 for further information regarding emissions trading schemes in Australia and New Zealand.

The Company has indebtedness, which, along with adverse conditions prevailing in global credit markets, could make it more difficult or expensive to refinance its maturing debt, incur new debt and/or reduce flexibility in managing its business

As at 31 December 2008, the Company had a net debt position of $2,640 million consisting of approximately $35 million in cash and cash equivalents and $2,675 million of interest bearing liabilities. A number of items including operating cash flows, proceeds from the Company's Share Purchase Plan, capital expenditure, payment of the interim dividend and the impact of a decline in the A$/US$ exchange rate resulted in an increase in net debt of $22 million to $2,662 million as at 31 March 2009. The Company's debt facilities include financial covenants: a leverage ratio, a debt service coverage ratio and consolidated net worth test. Failure to comply with these covenants could enable the lenders to accelerate the Company's repayment obligations.

Notwithstanding the Company's current refinancing initiatives that are intended to repay debt, reduce gearing and extend the term of its remaining debt facilities, a protracted downturn in international steel prices that adversely affects the Company's business, financial position and results of operations could place the Company under liquidity pressure, depending, in particular, on conditions in the credit markets. To increase its financial flexibility during a period of reduced availability of credit, the Company could implement capital raising measures such as further equity offerings or asset disposals which could, in turn, create a risk of receiving relatively low proceeds and/or causing accounting losses, particularly if undertaken in difficult market conditions. The Company's ability to obtain debt or equity financing on acceptable terms depends on a variety of factors that are beyond the Company's control, including market conditions, investors' and lenders' perception of, and demand for, securities offered by the Company, credit availability and interest rates. As such, there can be no assurances that the Company will be able to obtain sufficient financing from external sources as required or on terms satisfactory to the Company.

The Company's level of debt outstanding could have additional adverse consequences, including impairing its ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes, and limiting its flexibility to adjust to changing market conditions or withstand competitive pressures, resulting in greater vulnerability during a downturn in general economic conditions.

Underfunded defined benefit funds to which the Company's employees belong and the possible need to make substantial cash contributions to these funds, which may increase in the future, may reduce the cash available for the Company's business

The Company's principal subsidiaries in Australia, New Zealand and the U.S. provide defined benefit pension plans to a portion of the Company's labour force, although defined benefit plans are currently not being extended to new employees of the Company. These plans are currently underfunded as a result of recent equity market declines, and the value of US$ liabilities as disclosed in the Company's financial statements has increased as a result of the recent depreciation of the A$ against the US$. At 31 December 2008, the value of the Company's defined benefit pension plan assets was $738 million, while the projected benefit obligation was $1,200 million, resulting in a deficit of $463 million.

The Company's funding obligations depend upon future asset performance, the level of interest rates used to discount future liabilities, actuarial assumptions and experience, benefit plan changes and government regulation. In addition, outstanding liabilities may fluctuate as a result of changes in exchange rates and market conditions.

Because of the large number of variables that determine pension funding requirements, which are difficult to predict, as well as any legislative action, future cash funding requirements for the Company's pension plans could be significantly higher than currently estimated amounts. If so, these funding requirements could have a material adverse effect on the Company's business, financial position, results of operations or prospects.

Changes in assumptions underlying the carrying value of certain assets, including inventory, as a result of deteriorating market conditions, could result in impairment of such assets, including intangible assets such as goodwill

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use (excluding goodwill, which is reviewed at least annually). If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the amount of the impairment, if any. The carrying value of inventory is also assessed for impairment at each reporting date with reference to

expected future selling prices for the inventory. No assurance can be given as to the absence of significant impairment charges in future periods, particularly if weak market conditions persist.

Environmental laws impose obligations on the Company, and violations of these laws could result in penalties and other liabilities, including clean-up costs and remediation

The Company's business is subject to environmental laws and regulations that require specific operating licences and impose various requirements and standards. These laws and regulations provide for penalties and other liabilities for the violation of such laws and regulations and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. It could also restrict the ability of the Company to conduct its business economically or restrict some activities altogether. The Company incurs costs to comply with these environmental laws and regulations and violation of them, or changes to such laws and regulations, including changes to operating licence conditions, could result in penalties and other liabilities and could have a significant adverse impact on the Company's operations and financial position.

With heightened government and public sensitivity to environmental sustainability, environmental regulators are increasing the regulatory requirements, oversight and scrutiny with which potential projects and licences are evaluated, which could lead to delays, including slower land permitting processes, increased costs associated with the Company's operations and development projects, such as heightened requirements relating to air quality, water and noise pollution and other discharges of materials into the environment, the reclamation and restoration of certain of the Company's properties, greenhouse gas emissions, the storage, treatment and disposal of waste and the effects of the Company's business on the water table and groundwater quality. The Company's manufacturing processes involve the use of hazardous chemicals and produce hazardous waste. The Company has installed facilities in compliance with relevant environmental laws and regulations for the controlled use and secure storage of hazardous chemicals. However, the Company cannot eliminate the risk of accidental contamination or discharge and any resultant injury from such hazardous materials. Additionally, environmental laws and regulations may become more stringent in the future, and the Company may incur greater costs in complying with the increased regulation, which could have an adverse effect on its operating results and financial performance.

Sanctions for non-compliance with such laws and regulations may include administrative, civil and criminal penalties, revocation of permits and corrective action orders. These laws sometimes apply retroactively. In addition, a party can be liable for environmental damage without regard to that party's negligence or fault. Therefore, the Company could have liability for the conduct of others or for acts that were in compliance with all applicable laws at the time it performed them. Changes in environmental laws and regulations occur frequently, and any changes that result in more restrictions on the Company's operations or more stringent and costly waste management or clean-up requirements could result in substantial costs or impair the Company's ability to operate profitably.

The Company operates in industries which are cyclical

The Company's revenues and earnings are sensitive to the level of activity in a number of industries, but principally the construction and manufacturing industries. These industries are sensitive to a number of factors outside of the Company's control, including general economic conditions. The Company is not able to predict the timing, extent and duration of the economic cycles in the global markets in which it operates. Because many of the Company's costs are fixed, it may not readily be able to reduce its costs in proportion to the extent of an economic downturn. Any significant or extended downturn in the construction or manufacturing industries will negatively affect the Company's revenues, profits and financial position, as would the permanent closure of significant manufacturing operations.

The Company is subject to political, social and economic policy risks and uncertainties in the countries in which it operates. Any deterioration or disruption of the political, social or economic environment and business climate in those countries may have an effect on the Company's business, financial position, results of operations or prospects

The Company currently operates in a number of developing countries. Some of the countries in which it currently operates have been undergoing substantial political transformations from centrally controlled command economies to pluralist market-oriented democracies. Political, economic and legal reforms necessary to complete such transformation may not continue. On occasion, ethnic, religious, historical and other divisions have given rise to tensions and, in certain cases, civil disturbances and military conflict.

Risks of insolvency, unemployment, the deterioration of various sectors of the economies where the Company operates and political instability increased following the global economic downturn. The political systems in these and other developing countries are vulnerable to the populations' dissatisfaction with reforms, social and ethnic unrest and changes in governmental policies and any slowdown in the development of the economies in such countries or any reduction in the investment budgets of governmental agencies and companies responsible for the modernisation of physical infrastructure could have a material adverse effect on the Company's business, financial position, results of operations or prospects.

In addition, the legal systems in some of the countries in which the Company operates remain less than fully developed, particularly with respect to property rights, the protection of foreign investment and bankruptcy proceedings, generally resulting in a lower level of legal certainty or security than in more developed countries. Moreover, the Company may encounter difficulties in enforcing court judgements or arbitral awards in some countries in which it operates or transacts, among other reasons, because those countries may not be parties to treaties that recognise the mutual enforcement of court judgements.

Competition from other materials could significantly reduce market prices and demand for steel products and thereby reduce the Company's cash flow and profitability

In many applications, steel competes with other materials that may be used as steel substitutes, such as aluminium, concrete, composites, plastic and wood. Steel substitutes could result in a significant loss of the Company's market share or margin and hence reduce the Company's cash flow and profitability. The extent of risk from steel substitutes varies by market segment and geography.

The Company is exposed to interest rate fluctuations

A significant proportion of the Company's current borrowings are subject to variable rates of interest and thereby expose it to interest rate risk. For instance, if interest rates rise, the Company's debt service obligations on its variable rate indebtedness would increase. The Company does not currently manage its interest rate risk by using interest rate swaps or options or other derivative instruments. Movements in interest rates could have an adverse effect on the business, financial position or results of operations of the Company.

The Company could be adversely affected by increased competition in the Australian and New Zealand steel markets

Although the Company is the primary supplier of flat steel products in Australia and New Zealand, it faces competition from imports. There can be no assurance that the Company will be able to maintain its current market position. The global steel industry is currently characterised by excess capacity. Increases in steel imports could negatively impact demand or pricing of the Company's steel products.

The Company's business benefits from some key customer relationships

Globally, the Company relies on a number of key customer relationships, such as Worthington in the U.S. and OneSteel in Australia. The loss or impairment of significant relationships such as these could have a material adverse effect on the Company's revenues and profitability. Any financial difficulty or insolvency encountered by a key customer could have a material adverse effect on the Company's results of operations, financial position and prospects, including where it results in an inability to recover moneys owed or delay or deferral of major projects to which the Company is supplying steel products.

The Company's business is exposed to variable insurance market conditions and the insurance cover of the Company may not cover all risks or be sufficient to cover all losses

Although the Company maintains insurance policies including business interruption, property damage, loss or damage to goods in transit and public and product liability, not all risks are insured or insurable (and may have significant deductibles on policies). Accordingly, the Company's insurance policies do not provide coverage for all losses related to the Company's business, and the occurrence of losses, liabilities or damage not covered by such insurance policies could have a material adverse effect on the Company's business, financial position and results of operations. Due to changeable insurance market conditions, there can be no assurance that the insurance that the Company does carry will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. In some cases, coverage is not available or is considered too expensive relative to the perceived risk. If the Company

experiences a loss in the future, the proceeds of the applicable insurance policies, if any, may not be adequate to cover replacement costs, lost revenues, increased expenses and/or liabilities to third parties.

The Company is self-insured for workers' compensation claims in a number of regions where the minimum qualification requirements are met, including Victoria, New South Wales, Western Australia and South Australia. An Excess of Loss Workers' Compensation policy with a deductible of $2 million has been obtained by the Company in relation to these regions. The effect of this arrangement is that the Company funds its own risks associated with workers compensation claims to the level of the Excess of Loss Workers' Compensation Insurance policy.

Industrial disputes between the Company and unions could disrupt the Company's operations

The majority of the Company's production and maintenance employees in Australia and New Zealand are members of trade unions. These employees are generally covered by collective bargaining agreements, which are periodically renegotiated and renewed. In the past, the Company has experienced industrial disputes at its Australian operations, particularly as a result of the outsourcing of certain functions. The Company will continue to restructure operations and pursue other workplace change initiatives designed to improve the performance of its businesses, including in response to the market downturn. Disputes with trade unions could lead to strikes or other forms of industrial action that could disrupt the Company's operations, increase costs and reduce the Company's revenues and profits. The outcome of these disputes could also limit the Company's ability to implement these initiatives, resulting in a loss of relative global competitiveness.

Moreover, the Australian Government has recently enacted major changes to industrial relations laws which could affect the Company's operations. These legislative reforms will become effective from 1 July 2009. The likely impact of these reforms is that trade unions will have greater rights to gain entry to work sites, to enrol employees as members, and to compel employers to engage in collective bargaining processes. The potential for inter-union demarcation disputes, which could adversely impact on employers' operations, will also increase.

These developments may constrain the Company's ability or the ability of the Company's contractors to complete development projects on time and on budget. This could threaten the Company's capacity to deliver on objectives and have a material adverse effect on the Company's business, financial position and results of operations. Further, under Australian legislation, employees and their representatives (trade unions) are and will remain able to organise and initiate lawful "protected" industrial action in support of claims for new collective bargaining agreements.

The Company is exposed to risks relating to occupational health and safety

The Company has been granted self-insurance status for workers' compensation in a number of states. The Company's continued safety performance and compliance with occupational heath and safety systems and practices is a key component to maintaining self-insurance status. If the Company fails to maintain adequate occupational health and safety systems and practices, the Company may lose its self-insurance status, which may have a material adverse effect on the business, financial position and results of operations of the Company.

In common with all industrial companies, the Company faces the risk of workplace injuries (including dust diseases), which may result in production or industrial stoppages, workers' compensation claims, related common law claims and potential occupational health and safety prosecutions.

The Company faces potential liability for various legal claims

The Company is exposed to potential legal and other claims or disputes in the course of its business, including contractual disputes, property damage and personal liability claims, with respect to its operations and in relation to the operations of the businesses that it has acquired. It may also have exposure to claims in connection with its various joint venture interests.

In addition, due to the nature of its operations, it is possible that claims against the Company could arise from defects in material or products manufactured or supplied by the Company. Purchasers and third parties could make claims against the Company based on the Company's delivery of defective materials or products, or for damage or loss arising from the use of these defective material or products. If any claims of this type are determined against the Company, it could have an adverse effect on the financial performance and position of the Company.

The Company has a reduced level of control over some of its activities since they are operated through joint ventures

Some of the Company's activities in Asia, the U.S. and New Zealand are conducted through joint ventures. A number of these joint ventures are not controlled by the Company and, while the Company is represented on the board of those entities, the day-to-day operations of those joint ventures are not managed by the Company.

The governing documents for some of the Company's joint ventures provide that key matters and decisions require the agreement of the Company's joint venture partners. The Company may be unable to reach agreement with its joint venture partners concerning these matters and any disagreements may affect the ability of a joint venture to function properly or distribute income to the Company. In some cases, the Company's arrangements with its joint venture partners may require the Company to make an additional investment in the venture or to provide additional financing. Various provisions contained within the governing documents for some of these entities restrict the Company's ability to sell or transfer its interests.

The Company is subject to extensive government regulation that may have a negative impact on its business, financial condition and its results of operations

The Company's steel production operations are subject to regulation under a wide variety of federal, state and local laws, regulations and policies in the markets in which it operates or transacts business. Such governmental regulations could significantly influence the Company's operating environment and there can be no assurance that such laws and regulations will not be changed in ways that will require us to modify our business models and objectives or affect our returns on investment by making existing practices more restricted, subject to escalating costs or prohibited outright. As a result, such changes in regulations or the imposition of additional regulations could have an adverse impact on the Company's business, financial position and results of operations.

The Company depends on the availability and affordability of transportation to deliver its products to market

The Company depends on roadways, railways, ports and ocean-going vessels to deliver its products to its customers, and supply its plants with raw materials. Any unavailability or increased cost of transportation, including those caused by weather-related problems, infrastructure damage, strikes, lock-outs, fuel shortages or other events, could impair the Company's ability to supply its products to its customers, or the Company's customers' desire to purchase products from the Company. This could have a material adverse effect on the Company's business, financial position and results of operations.

National trade restrictions could reduce or eliminate the Company's access to steel markets and the Company may be exposed to unfair practices

The Company has significant exposure to the effects of trade actions and barriers. Various countries have in the past instituted, or are currently contemplating the institution of, trade actions and barriers. The Company cannot predict the timing and nature of similar or other trade actions. Because of the international nature of the Company's operations (including its exports sales), it may be affected by any trade actions or restrictions introduced by any country in which it sells, or has the potential to sell, its products. Any such trade actions could materially and adversely affect the Company's business by reducing or eliminating the Company's access to steel markets. In addition, the Company may be exposed to the effects of "dumping" and other unfair trade and pricing practices by competitors.

Risks related to the shares

The future price of the Company's shares is subject to the uncertainty of equity market conditions

There are general risks associated with an investment in the share market. Such risks may affect the value of the Company shares. The value of Shares may rise above or fall below the Offer Price, depending on the financial position and operating performance of the Company as well as the price of the Company's steel products. Further, broader market factors affecting the price of Shares are unpredictable and may be unrelated or disproportionate to the financial or operating performance of the Company. Such factors may include the economic conditions in Australia and overseas, investor sentiment in the local and international stock markets, consumer sentiment, changes in fiscal, monetary, regulatory and other government policies, global political and economic stability, interest and inflation rates and foreign exchange rates. Recent turmoil

in global credit markets has negatively affected economies across the globe and led to increased volatility in stock markets, including ASX. Continued volatility in global markets could negatively impact the value of the Company's shares.

Future share issuance

The Company has agreed that, for a period of 90 days following completion of the Retail Offer, it will not propose or activate any equity security or subordinated debt security buy-back, scheme or arrangement or allot or agree to allot, or indicate in any way that it will or might, allot or agree to allot any equity securities (including hybrid, convertible or equity-linked securities) or grant or agree to grant any options in respect of such securities (or do anything economically equivalent to any of the foregoing), other than for certain permitted issues including shares under the Offer, a dividend reinvestment plan or employee incentive plans. Future share issuances or the perception that such issuances may occur could reduce the Company's share price in the future.

Reduction in dividends

Consistent with BlueScope Steel's other actions to preserve capital in light of current market conditions BlueScope Steel does not believe it would be appropriate to propose a dividend for the half year ending 30 June 2009.

If the earnings and cash flows of the Company are substantially reduced, the Company may not be in a position to pay dividends.

DIRECTORS
AND MANAGEMENT

SECTION 7

7. Directors and management

7.1. Board of Directors

Graham Kraehe, AO BEc Age: 66 Chairman (Independent) Director since: May 2002	Extensive background in manufacturing and was Managing Director and Chief Executive Officer of Southcorp Limited from 1994 to February 2001. Chairman of Brambles Industries Limited since February 2008 and a Non-Executive Director since December 2000, and Member of the Board of the Reserve Bank of Australia since February 2007 and Djerriwarrh Investments Limited since July 2002. Adviser to the Australasian Council of INSEAD. Mr. Kraehe acted as a Non-Executive Director of National Australia Bank Limited from August 1997 to September 2005, as Chairman from February 2004 to September 2005, and was a Non-Executive Director of News Corporation Limited from January 2001 until April 2004. He brings skills and experience in manufacturing management and in companies with substantial and geographically diverse industrial operations. Mr. Kraehe's experience with a wide range of organisations is relevant for his role as Chairman of the Board.
Ron McNeilly BCom, MBA, FCPA Age: 65 Deputy Chairman (Independent) Director since: May 2002	Deputy Chairman of the Board with over 30 years experience in the steel industry. He joined BHP in 1962, and until December 2001 held various positions with the BHP Group (now BHP Billiton), including Executive Director and President of BHP Minerals, Chief Operating Officer and Executive General Manager, and was Chief Executive Officer of BHP Steel until 1997. The latter role developed his knowledge of many of the businesses comprising BlueScope Steel today. Chairman of Melbourne Business School Limited, Chairman of Worley Parsons Limited and a director since October 2002, and a director of Alumina Ltd since December 2002. Vice President of the Australia Japan Business Cooperation Committee and a member of the Council of Australia Latin America Relations.
Diane Grady, AM BA (Hons), MA (Chinese Studies), MBA Age: 60 Non-Executive Director (Independent) Director since: May 2002	Director of Woolworths Ltd since July 1996 and Goodman Group from September 2007, Wattyl Ltd from December 1994 until October 2006 and Senior Adviser to McKinsey & Co. Has served on the boards of a number of public and not-for-profit organisations including Lend Lease Corporation, Greengrocer.com (Chair), Sydney Opera House, Ascham School (current Chair) and as President of Chief Executive Women. Formerly a partner of McKinsey & Co. serving clients in a wide range of industries on strategic growth and change initiatives. She is an experienced Director who brings valuable strategic and business expertise to the Board and to her role as Chair of the Remuneration and Organisation Committee.
Kevin McCann, AM BA LLB (Hons), LLM Age: 68 Non-Executive Director (Independent) Director since: May 2002	Chairman of Origin Energy Limited since February 2000 and the Sydney Harbour Federation Trust. Lead independent director and acting Chairman of Macquarie Bank Limited and Macquarie Group Limited. A member of the Takeovers Panel and the Council of the National Library of Australia. Chairman of Healthscope Ltd from May 1994 to October 2008, Chairman of Triako Resources Limited from April 1999 until September 2006 and a member of the Defence Procurement Advisory Board from March 2004 until March 2008 and has served on the Boards of Pioneer International Limited, Ampol Limited and the State Rail Authority of New South Wales. Former Chairman of Partners of Allens Arthur Robinson, a national and international Australian law firm, and a partner of the firm from 1970 until June 2004, specialising in mergers and acquisitions, mineral and resources law and capital markets transactions. He brings extensive legal expertise, commercial experience as a director and former director of a number of major listed companies and experience in corporate governance to the Board.
Ken Dean BCom (Hons), FCPA, MAICD Age: 56 Non-Executive Director (Independent) Director since: April 2009	Mr. Dean has been a director of Santos Limited since February 2005 and has held past directorships with Alcoa of Australia Limited, Woodside Petroleum Limited and Shell Australia Limited. Mr. Dean spent more than 30 years in a variety of senior management roles with Shell in Australia and the United Kingdom. His last position with Shell, which he held for five years, was as Chief Executive Officer of Shell Finance Services based in London. Upon his return to Australia in 2005, he was Chief Financial Officer of Alumina Limited, a position he recently resigned to focus on non-executive directorship roles. He brings extensive international financial and commercial experience.

Tan Yam Pin BEc (Hons), MBA, CA Age: 68 Non-Executive Director (Independent) Director since: May 2003	A chartered accountant by profession, formerly Managing Director of Fraser and Neave Group, one of Southeast Asia's leading public companies, and Chief Executive Officer of its subsidiary company, Asia Pacific Breweries Ltd. A Member of the Public Service Commission of Singapore since 1990 and is a Director of the Board of Keppel Land Limited (Singapore), Singapore Post Limited, Great Eastern Holdings Limited. Previously served as Chairman of PowerSereya Limited (Singapore) from 2004 to 2009, as Director of Certis CISCO Security Pte. Ltd. from 2005 to 2009, as Director of The East Asiatic Company Limited A/S (Denmark) from 2003 to 2006 and as Director of International Enterprise Singapore from 2004 to 2008. Mr. Tan resides in Singapore. He brings extensive knowledge of Asian markets, an area of strategic importance to BlueScope Steel. His financial and leadership skills complement the skills on the Board.
Daniel Grollo Age: 38 Non-Executive Director (Independent) Director since: September 2006	Chief Executive Officer of Grocon Pty Ltd, Australia's largest privately owned development and construction company. He is a Director of the Green Building Council of Australia and a director and National President of the Property Council of Australia. Mr. Grollo was appointed a director of CP1 Limited in June 2007. He brings extensive knowledge of the building and construction industry to the Board.
Paul O'Malley BCom, M. App Finance, ACA Age: 45 Managing Director and Chief Executive Officer Director since: August 2007	Appointed Managing Director and CEO of BlueScope Steel on 1 November 2007. Joined BlueScope Steel as its Chief Financial Officer in December 2005. Formerly the CEO of TXU Energy, a subsidiary of TXU Corp based in Dallas, Texas, and held other senior management roles within TXU including Senior Vice President and Principal Financial Officer and, based in Melbourne, Chief Financial Officer of TXU Australia. Before joining TXU, he worked in investment banking and consulting.

7.2. Executive Leadership Team

Paul O'Malley BCom, M. App Finance, ACA Managing Director and Chief Executive Officer	Refer to Section 7.1
S.R. (Charlie) Elias BA Accounting, ACA Chief Financial Officer	Mr. Elias joined BlueScope Steel as Chief Financial Officer (CFO) in March 2008. He is responsible for finance, treasury, taxation, supply, investor relations, investments, audit and insurance. Prior to this, he was CFO and Director for Linfox Group and CFO, Director and General Manager Strategy and Business Development for TXU Australia. He began his career with Deloitte Consulting as a Senior Consultant. Mr. Elias is a member of the Institute of Chartered Accountants and the Australian Institute of Company Directors.
Noel Cornish BSc (Metallurgy), MEngSc Chief Executive, Australian and New Zealand Steel Manufacturing Businesses	Mr. Cornish was appointed Chief Executive of the Australian and New Zealand Steel Manufacturing Businesses on 2 November 2007, with responsibility to lead the Company's major facilities at Port Kembla and Springhill (NSW), Western Port (Vic) and the paint lines at Port Kembla (NSW), Western Sydney (NSW) and Acacia Ridge (QLD) in Australia and the New Zealand Steel business in Glenbrook, south of Auckland. He also leads the Company's Engineering and Environment operations. Before this role, Mr. Cornish was the President, Australian and New Zealand Industrial Markets. He is a member of the Council of the University of Wollongong, Chairman of The Salvation Army Illawarra Advisory Board, member of the Board of the Illawarra Business Chamber and a member of the National Executive of the Australian Industry Group.
Paul O'Keefe BBus (Accountancy) CPA Chief Executive, Australian Coated and Industrial Markets	Mr. O'Keefe was appointed Chief Executive of Australian Coated and Industrial Markets on 2 November 2007. In this role, he is responsible for the sales, marketing and customer service to the Company's domestic and export markets across its Australian coated and industrial products. Mr. O'Keefe also manages the Company's supply chain, logistics and Australian exports business. Mr. O'Keefe joined the Company in January 2007 as Vice President, Finance for Australian Manufacturing Markets. Before then, he held the position of General Manager, Finance for Smorgon Steel Reinforcing and Steel Products and was a senior executive in the Operations division of Simplot, a multinational food and agri-business.
Mark Vassella BCom, MBA President, BlueScope Steel North America	Mr. Vassella heads up BlueScope Steel North America and is based in Kansas City, Missouri. He is responsible for growing the company's businesses in the North American markets. Prior to this, Mr. Vassella was Chief Executive Australian Distribution and Solutions following BlueScope Steel's acquisition of Smorgon Steel Distribution. Before the acquisition, he was Chief Executive Smorgon Steel Distribution and has held senior roles with Australian National Industries Limited and Palmer Tube Mills Limited.
Sanjay Dayal B. Chemical Engineering Chief Executive, BlueScope Steel Asia	Mr. Dayal was appointed as Chief Executive Asia on 5 January 2009. He is responsible for leading BlueScope Steel's businesses in Indonesia, Thailand, Malaysia, Vietnam and the Company's joint venture with Tata Steel in India. Prior to joining BlueScope Steel, Mr. Dayal was General Manager, Manufacturing and Supply Chain for Orica Mining Services, where he managed its Asia division. Mr. Dayal is based at BlueScope Steel's Asia regional headquarters in Singapore.
Keith Mitchelhill B. Ec., MBA Chief Executive, BlueScope Steel Australian Distribution and Solutions	Mr. Mitchelhill joined BlueScope Steel in February 2009 as Chief Executive, BlueScope Steel Australian Distribution and Solutions, responsible for BlueScope Distribution, BlueScope Lysaght, BlueScope Water and BlueScope Steel Service Centres at more than 100 locations across Australia. Before joining BlueScope Steel, Mr. Mitchelhill was Executive General Manager, Clay and Concrete Products at Boral Limited. He has been in the building products manufacturing industry since the early 1990s working in key general management and marketing roles. Previous roles at Boral Limited included Executive General Manager; Timber. He was marketing director at BTR Laminex for three years and prior to that he worked in the telecommunications sector with NEC Australia.
Ian Cummin BA (Politics) Executive General Manager, People and Organisation Performance	Mr. Cummin joined BlueScope Steel in May 2003. He is responsible for the group management of human resources, corporate affairs, and safety. Previously, Mr. Cummin had established a successful consulting practice after leaving Southcorp Limited, where he was Executive General Manager of Human Resources and Corporate Services from 1995 to 2001. Prior to joining Southcorp, he was Head of Human Resources for ICI Australia Ltd and he has also held senior human resources and industrial relations management positions in the energy, construction and resources industries.

Michael Barron BEc, LLB Chief Legal Officer and Company Secretary	Mr. Barron joined BlueScope Steel in 2002 and has responsibility for legal affairs and for Company Secretarial matters. Prior to joining BlueScope Steel, Mr. Barron held the position of Group General Counsel of Orica Limited where he was employed for 16 years, holding a variety of legal positions in Australia and overseas. His responsibilities at Orica Limited included membership in the executive team and management of the company secretarial, corporate affairs and internal audit functions.

TAXATION
IMPLICATIONS

SECTION 8

8. Taxation implications

8.1. Introduction

The purpose of this section is to provide a general summary of the Australian taxation implications for Eligible Retail Shareholders from participating (including by doing nothing) in the Retail Offer.

The summary is general in nature and is based on the law in force in Australia at 9.00am on the date of this Prospectus. The precise taxation implications from participating in the Offer will depend upon each Eligible Retail Shareholder's specific circumstances. Eligible Retail Shareholders should seek their own independent taxation advice before reaching conclusions as to the possible taxation consequences of the Offer.

This summary is intended as a general guide only and is not an authoritative or complete statement of the potential taxation implications for each Eligible Retail Shareholder. In particular, this summary is only relevant for Eligible Retail Shareholders who hold their Shares on capital account. It does not address the tax considerations applicable to Eligible Retail Shareholders that may be subject to specific tax treatment due to their particular characteristics, such as banks, insurance companies, tax exempt organisations, Eligible Retail Shareholders who trade in Shares or hold their Shares on revenue account, and Eligible Retail Shareholders who change their tax residency while holding Shares. Nor does this summary apply to persons who hold shares in their own right or as trustee or beneficiary under employee share or option plans.

8.2. Grant of Entitlements

Eligible Retail Shareholders that hold their Shares on capital account should not have a tax liability arise on the issue of the Entitlements to them under the Offer, irrespective of whether the Entitlements are taken up. This is because either:

- the market value of the Entitlements received should not be ordinary income of the Eligible Retail Shareholders; or
- given the terms of the Offer, the market value of the Entitlements at the time of issue should not be subject to tax.

8.3. Taking up the Entitlements

The exercise of an Entitlement by an Eligible Retail Shareholder to acquire a New Share should not give rise to any immediate Australian taxation liability for the Eligible Retail Shareholder.

New Shares acquired by Eligible Retail Shareholders will be assets for CGT purposes. Newly issued shares acquired upon exercise of rights are generally acquired for CGT purposes when the Entitlements are exercised rather than the date the New Shares are issued.

However, the relevant acquisition date of the New Shares for CGT purposes under the Offer is not free from doubt. The Australian Tax Office may consider that the New Shares are not acquired for CGT purposes until the date they are issued.

Generally, the CGT cost base of the New Shares will be the amount paid by the Eligible Retail Shareholder to acquire them (i.e. the issue price) plus any non-deductible incidental costs incurred by the Eligible Retail Shareholder in connection with the acquisition of the New Shares.

For Eligible Retail Shareholders who acquired their original Shares prior to 20 September 1985 (i.e. pre-CGT shares), the cost base of the New Shares may be the amount paid by the Eligible Retail Shareholder plus any non-deductible incidental costs incurred by the Eligible Retail Shareholder in connection with the acquisition of the New Shares, and the market value of the Entitlement relating to pre-CGT Shares.

Where the Offer is withdrawn by BlueScope Steel, Eligible Retail Shareholders who had previously accepted the Offer should not have any taxable capital gain.

8.4. Allowing the Entitlement to lapse

The Entitlements offered to Eligible Retail Shareholders are not capable of being traded on ASX, transferred, assigned or otherwise dealt with. An Eligible Retail Shareholder's Entitlements may lapse by the Eligible Retail Shareholder not taking them up through inaction, but an Eligible Retail Shareholder may not otherwise dispose of their Entitlement. In circumstances where the Entitlement lapses, the Eligible Retail Shareholder will not acquire any New Shares under the Offer and should not have any taxation consequences as a result of the Entitlement they receive.

8.5. Receipt of dividends on New Shares

8.5.1. Australian tax residents

Eligible Retail Shareholders who acquire the New Shares may receive dividends in respect of those Shares. Some or all of the dividends may be partially or fully franked.

An Eligible Retail Shareholder who receives dividends must include the amount of the dividend received in their assessable income in the year in which the dividend is paid. In addition, to the extent to which the dividend is franked, the Eligible Retail Shareholder must also include in their assessable income the "franking credits" associated with that dividend. Subject to meeting certain criteria, a tax offset should generally be available for franking credits included in assessable income.

An Eligible Retail Shareholder will be assessed on any franking credits and be entitled to a tax offset provided the Eligible Retail Shareholder satisfies the 45-day holding period rule. Broadly, this requires Eligible Retail Shareholders to hold the New Shares, without a materially diminished risk of loss or opportunities for gain, for at least 45 clear days after the date of acquisition of the New Shares. Alternatively, individual Eligible Retail Shareholders may be entitled to franking credits in relation to the New Shares if the amount of franking credits they receive in the relevant year of income from all sources is $5,000 or less.

For individuals, complying superannuation funds and certain charitable institutions, a cash refund of excess tax offsets may be available to the extent the tax offset for franking credits exceeds the income tax otherwise payable.

8.5.2. Foreign tax residents

Dividends paid to Eligible Retail Shareholders who are not Australian tax residents (non-residents) may be subject to Australian dividend withholding tax at a rate between 5% and 30%, on the portion of the dividend that is not franked and is not declared by BlueScope Steel to be paid from "conduit foreign income". No dividend withholding tax will apply to dividends to the extent to which they are either franked or paid from "conduit foreign income". In addition, no dividend withholding tax should apply if the dividend is paid to a non-resident carrying on business through a permanent establishment in Australia if the dividend is attributable to that permanent establishment. However, in this case the dividend may be included in the Australian assessable income of the non-resident.

Eligible Retail Shareholders who are not Australian tax residents should seek independent specialist advice in respect of the Australian and foreign taxation implications of holding the New Shares.

8.6. Disposal of the New Shares

The disposal of the New Shares may have CGT implications in Australia. The taxation implications will differ depending upon whether or not the holder of the New Share is an Australian tax resident.

8.6.1. Australian tax residents

For Australian tax residents, a capital gain will arise to the extent to which the capital proceeds received in respect of the disposal of the New Shares exceed the cost base for the New Shares.

If the reduced cost base of the New Shares exceeds the capital proceeds on disposal of the New Shares, a capital loss should arise. A capital loss will reduce any other capital gains for the relevant year of income and any unused capital losses generally can be carried forward to offset against future capital gains.

Eligible Retail Shareholders who are individuals or trusts (other than in the capacity as trustee of a complying superannuation fund) may reduce their net capital gain by 50% (after offsetting prior and current year capital losses) provided they hold the New Shares for at least 12 months before disposing of the New Shares.

Eligible Retail Shareholders that are trustees of complying superannuation funds may reduce their net capital gain by one-third (after offsetting current and prior year capital losses), provided the New Shares have been held for at least 12 months before disposal.

8.6.2. Foreign tax residents

Eligible Retail Shareholders who are not Australian tax residents and who hold their New Shares on capital account should not be subject to CGT in Australia on disposal of the New Shares, unless either of the following conditions are met:

- the Eligible Retail Shareholder and its associates beneficially own at the time of the disposal, or owned throughout a continuous period of 12 months during the two years before the disposal, a 10% or greater interest in BlueScope Steel, and BlueScope Steel is land-rich for Australian CGT purposes at the time of disposal; or

- the Eligible Retail Shareholder holds the New Shares in connection with a business that it carried on in Australia through an Australian permanent establishment.

Eligible Retail Shareholders who are not Australian tax residents should seek independent advice in respect of the above Australian taxation implications of disposing of the New Shares.

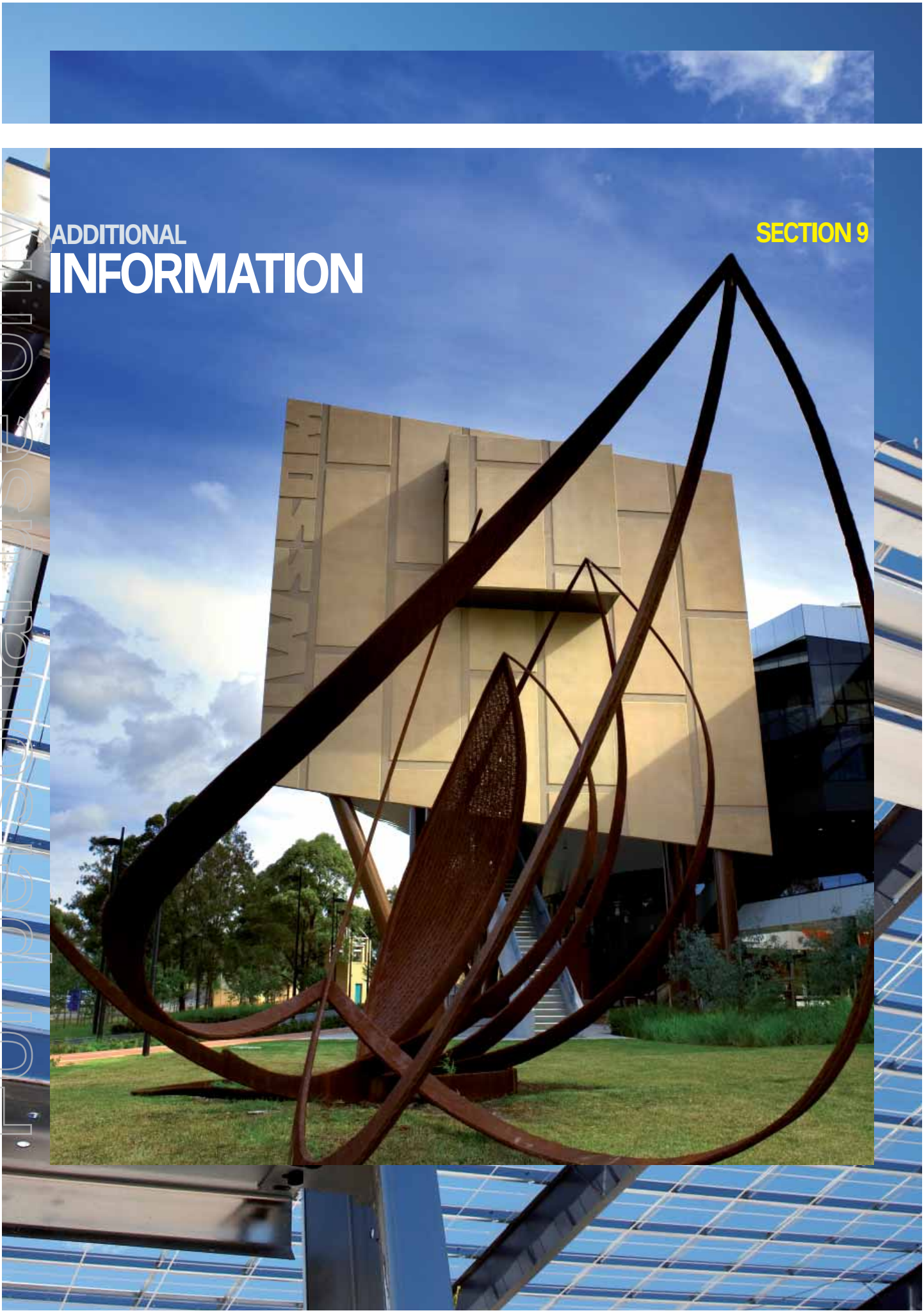
8.7. No Goods and Services Tax (GST)

No Australian GST should be payable on the grant of the Entitlements or the acquisition or disposal of New Shares.

In respect of all other matters and transactions arising under the Prospectus (such as costs related to those incurred by any Eligible Retail Shareholder if any, related to the acquisition or disposal of New Shares), the Australian GST implications may vary depending upon the Eligible Retail Shareholders' Australian GST registration status and residency status. Eligible Retail Shareholders should seek their own independent advice in relation to their individual Australian GST position.

8.8. No Stamp Duty

No Australian stamp duty should arise on the grant of the Entitlements or the acquisition of the New Shares. In addition, no Australian stamp duty should be payable on the disposal of the New Shares, providing that the New Shares remain quoted on ASX at the time of disposal.



SECTION 9

ADDITIONAL INFORMATION

9. Additional information

This Prospectus is a prospectus to which the special content rules under Section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to offers of securities in a class which has been continuously quoted on ASX for the three months prior to the date of the prospectus.

9.1. Reporting and disclosure obligations

BlueScope Steel is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

These obligations require ASX to be continuously notified of information about specific events and matters as they arise for the purpose of ASX making the information available to the financial market operated by ASX.

In particular, BlueScope Steel has an obligation under the Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning BlueScope Steel, of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of the Company's securities. BlueScope Steel is also required to prepare and lodge with ASIC and ASX both yearly and half-yearly financial statements accompanied by a Directors' declaration and report, and an audit or review report.

9.2. Availability of other documents

ASIC maintains records in respect of documents lodged with it by BlueScope Steel, and these may be obtained from or inspected at any office of ASIC.

BlueScope Steel will provide a copy of any of the following documents, free of charge, to any person who requests a copy during the Offer Period in relation to this Prospectus:

- the annual financial report lodged with ASIC by BlueScope Steel for the year ended 30 June 2008;
- the half-year financial report lodged with ASIC by BlueScope Steel for the half-year ended 31 December 2008;
- any other document used to notify ASX of information relating to BlueScope Steel under the continuous disclosure provisions of the Listing Rules and the Corporations Act after the date of lodgement with ASIC of the annual financial report referred to above and before lodgement with ASIC of this Prospectus.

9.3. Rights and liabilities attaching to New Shares

The New Shares will be issued fully paid and will rank equally with existing Shares.

The rights and restrictions attaching to the Shares are set out in BlueScope Steel's Constitution and in the Corporations Act and are subject to statutory, common law and Listing Rule requirements. A summary of the main rights and liabilities attaching to ownership of Shares is set out below.

This Section 9.3 briefly summarises the key rights attaching to the Shares. It is not intended to be an exhaustive summary of the rights and obligations of Members. Investors who wish to inspect the Constitution may do so at the registered office of BlueScope Steel during normal office hours or may obtain a copy as provided under Section 9.2.

9.3.1. Voting rights

Subject to any rights or restrictions attached to any shares or class of shares, each Member is entitled to attend and vote at a general meeting of BlueScope Steel. Any resolution being considered at a general meeting is decided on a show of hands unless a poll is demanded. On a show of hands, each Member present has one vote. On a poll, each Member has one vote for each fully paid share.

9.3.2. General meetings

Notice of a meeting of Shareholders must be given to the Shareholders, Directors and Auditor in accordance with the Corporations Act. The notice must state the general nature of the business and any other matters required by the Corporations Act.

9.3.3. Dividend entitlement

Subject to the Corporations Act, the Constitution and the rights of persons (if any) entitled to shares with special rights to dividend, the Directors may determine that a dividend is payable, fix a record date and the amount and the time for payment and authorise the payment or crediting by the Company to, or at the direction of, each Shareholder entitled to that dividend.

9.3.4. Dividend reinvestment plan

Subject to Listing Rules, the Directors may grant to Shareholders the right to elect to reinvest cash dividends or interest paid by the Company, by subscribing for shares or other securities in the Company (including convertible securities) on such terms and conditions as the Directors think fit.

9.3.5. Rights of Shareholders on a winding up of BlueScope Steel

If BlueScope Steel is wound up and the property of BlueScope Steel is more than sufficient to pay all the debts and liabilities of BlueScope Steel and the costs, charges and expenses of the winding up, the excess must be divided among the Shareholders in proportion to the number of shares held by them, irrespective of the amounts paid or credited as paid on the shares. For the purpose of calculating the excess, any amount unpaid on a share is to be treated as property of BlueScope Steel.

If BlueScope Steel is would up, the liquidator may, with the sanction of a special resolution of the Company, divide among Shareholders in kind the whole or any part of the property of BlueScope Steel and may for that purpose set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the Shareholders and different classes of Shareholders.

9.3.6. Transfer of Shares

Subject to the Listing Rules and to BlueScope Steel's Constitution, Shares are transferable in accordance with the relevant CHESS Rules, instrument approved by Directors or other approved methods of transfer. Shares may be transferred by any means permitted by the Corporations Act or by law. If permitted to do so, the Directors may request ASTC to apply a holding lock to prevent a transfer of CHESS Approved Securities from being registered or refuse to register a transfer of shares in the Company whenever they see fit. The Directors may suspend the registration of transfers at any times, and for any periods, permitted by the ASTC Settlement Rules that they decide.

9.3.7. Proportional takeover provisions

If a proportional takeover bid is made for Shares, the Constitution contains provisions requiring the Directors to submit a resolution to members. The Directors must ensure that the resolution is voted on before the fourteenth day before the last day of the bid period. Unless and until the resolution is passed, registrations of transfers of Shares giving effect to a contract resulting from acceptance of an offer under a proportional bid cannot occur. The resolution will be passed if greater than one-half of the votes cast on the resolution are in favour of it. Under the Corporations Act, the proportional takeover provisions must be renewed every three years or they cease to have effect. The provisions were last renewed at BlueScope Steel's 2008 annual general meeting on 13 November 2008.

9.3.8. Issues of further shares

Subject to a variation in rights of preference shares in the Constitution, the holders of the shares of any class are not to be taken as varied by the issue of further shares ranking equally with the first-mentioned shares unless expressly provided by the terms of issue of the first-mentioned shares or required by the Corporations Act or the Listing Rules.

9.3.9. Variation of rights – preference shares

Where the Company proposes to issue preference shares or to convert issued shares into preference shares and those preference shares are to rank in priority to preference shares already issued, unless expressly permitted by the conditions of issue of the preference shares already issued, the issue or conversion is taken to be a modification of the rights attached to the preference shares already issued.

9.3.10. Variation of the Constitution

The Constitution can only be modified by a special resolution in accordance with the Corporations Act. Under the Corporations Act, for a resolution to be passed as a special resolution it must be passed by at least 75% of the votes cast by members entitled to vote on the resolution.

9.4. Underwriting Agreement

This section contains a summary of the fee, indemnity and termination provisions of the Underwriting Agreement.

BlueScope Steel and the Sole Lead Manager and Underwriter have entered into the Underwriting Agreement where the Sole Lead Manager and Underwriter has agreed to act as the sole lead manager to the Offer, and to underwrite up to $825 million from the Offer.

In consideration of the Sole Lead Manager and Underwriter performing its obligations under the Underwriting Agreement, BlueScope Steel has agreed to pay the Sole Lead Manager and Underwriter an underwriting fee

of 2.4% of the gross proceeds of the Institutional Offer, a management fee of 0.6% of the gross proceeds of the Institutional Offer plus, at BlueScope Steel's absolute discretion, an incentive fee of 0.5% of the gross proceeds of the Institutional Offer. In respect of the Retail Offer, BlueScope Steel has also agreed to pay an underwriting fee of 3.0% of the underwritten portion of the Retail Offer, a management fee of 2.25% of the amount by which the proceeds from the Retail Offer exceed the underwritten portion of the Retail Offer, plus, at BlueScope Steel's absolute discretion, an incentive fee of 0.5% of the gross proceeds of the Retail Offer. BlueScope Steel has also agreed to pay various incidental and out-of-pocket expenses of the Sole Lead Manager and Underwriter.

Customary and usual representations and warranties are given by the parties in relation to matters such as power to enter into the Underwriting Agreement, corporate authority and approvals and BlueScope Steel's compliance with the Corporations Act and the Listing Rules in relation to the Offer. The Company has agreed that, for a period of 90 days following completion of the Retail Offer, it will not propose or activate any equity security or subordinated debt security buy-back, scheme or arrangement or allot or agree to allot, or indicate in any way that it will or might, allot or agree to allot any equity securities (including hybrid, convertible or equity-linked securities) or grant or agree to grant any options in respect of such securities (or do anything economically equivalent to any of the foregoing), other than for certain permitted issues including shares under the Offer, a dividend reinvestment plan or employee incentive plans. Future share issuances or the perception that such issuances may occur could reduce the Company's share price in the future.

BlueScope Steel has agreed to indemnify the Sole Lead Manager and Underwriter (including its affiliates, officers, employees, advisors and related bodies corporate) ("Indemnified Parties") for any claims, demands, damages, losses, costs, expenses and liabilities arising in connection with, among other things, the Entitlement Offer, the Prospectus, associated public documents, a breach by BlueScope Steel of its obligations under the Underwriting Agreement or any of BlueScope Steel's representations and warranties in the Underwriting Agreement being untrue, incorrect, misleading or deceptive. The indemnity will not apply where the claims, demands, damages, losses, costs, expenses and liabilities result from negligence, fraud or willful default of an Indemnified Party (except, in the case of a negligent act or omission, to the extent caused by BlueScope Steel) or a breach of the Sole Lead Manager and Underwriter's underwriting obligation under the Underwriting Agreement.

The Sole Lead Manager and Underwriter may terminate its obligations under the Underwriting Agreement at any time prior to the Retail Settlement Date, in its sole discretion without cost or liability, upon prior written notice to BlueScope Steel, if one or more of the following occurs:

- if any closing certificate required under the Underwriting Agreement is not furnished, or if it is incorrect or untrue;
- if there is a material adverse change or likely material adverse change in BlueScope Steel's financial position, results, operations or prospects from that disclosed in the Prospectus or to ASX prior to the date of the agreement;
- if the terms on which BlueScope Steel has agreed to refinance its debt facilities are amended in any material respect without the Sole Lead Manager and Underwriter's prior consent, or if any financier terminates its binding commitment in respect of the refinancing without the Sole Lead Manager and Underwriter's prior consent;
- ASX announces BlueScope Steel will be removed from the official list or shares will be delisted or suspended for a reason other than arising from the Offer;
- ASIC issues or threatens to issue proceedings in relation to the Offer and they are not withdrawn within two business days or where it is less than two business days before settlement of the Institutional Offer or Retail Offer, they are not withdrawn before that time;
- ASX does not grant official quotation of all the Offer Securities on an unconditional basis; or if on a conditional basis it would not have a material adverse effect on the Offer;
- a director or senior manager of BlueScope Steel is charged with an indictable offence relating to a financial or corporate matter or a director is disqualified from managing a corporation;
- BlueScope Steel alters its capital structure without the prior written consent of the Sole Lead Manager and Underwriter;
- any event in the timetable is delayed by more than one business day without the written consent of the Sole Lead Manager and Underwriter;
- BlueScope Steel withdraws the Prospectus or the Offer;
- if an insolvency event occurs in regard of BlueScope Steel or any of its related bodies corporate;
- BlueScope Steel fails to lodge a Prospectus in accordance with the timetable;
- a statement in the Prospectus or other document in connection with the Offer is misleading or deceptive;

- the institutional offering memorandum or certain other information is misleading or not in all material respects fair, honest and based on reasonable assumptions;
- BlueScope Steel issues a supplementary prospectus to comply with Section 719 of the Corporations Act;
- if any person (other than the Sole Lead Manager and Underwriter) gives a notice under Section 733(3) of the Corporations Act or any person (other than the Sole Lead Manager and Underwriter) who has previously consented to the inclusion of its name in the Underwriting Agreement or to be named in the Underwriting Agreement withdraws that consent;
- any person gives notice under Section 730 of the Corporations Act in relation to the Prospectus
- ASX withdraws, revokes, qualifies or amends the ASX waivers; or
- if in the opinion of the Sole Lead Manager and Underwriter, an event occurs within the meaning of Section 719(1)(c) of the Corporations Act other than the Institutional Offer.

If, at any time prior to the Retail Settlement Date, any one or more of the following events occurs and has, or is likely to have, a material adverse effect on the financial position or prospects of BlueScope Steel or the success of the Offer or leads to a contravention by the Sole Lead Manager and Underwriter of the Corporations Act or other applicable law, the Sole Lead Manager and Underwriter may terminate its obligations under the Underwriting Agreement:

- an actual or likely deterioration in trading results, conditions, financial position or prospects of BlueScope Steel from that disclosed in the Prospectus or to ASX prior to the date of the agreement;
- the introduction or public announcement of a proposal to introduce into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia or any Commonwealth or State authority adopts, or announces a proposal to adopt, a new policy (other than a law or policy that has been announced prior to the date of the Underwriting Agreement);
- trading of all securities quoted on ASX, NYSE, SEHK or LSE is suspended or limited in a material respect;
- a general moratorium declared, or a material disruption occurs in commercial banking activities in Australia, the U.S. or the United Kingdom;
- a major terrorist attack or national emergency is called in Australia, New Zealand, the United States, the United Kingdom, the People's Republic of China, any member of the European Union or Japan;
- hostilities commence or a major escalation occurs involving Australia, the U.S., Japan, Russia, the People's Republic of China or a member state of the European Union;
- there occurs in the Sole Lead Manager and Underwriter's bona fide opinion, any adverse change or disruption in Australia, Japan, the United Kingdom, the U.S. or in the international markets which would make it impractical or inadvisable to proceed with the Offer;
- BlueScope Steel is in breach of terms and conditions of the Underwriting Agreement or any representation or warranty becomes incorrect, untrue or misleading;
- the due diligence report or verification material or other information supplied is or becomes false, misleading or deceptive;
- a change in BlueScope Steel's senior management or the board of directors occurs;
- BlueScope Steel contravenes the Corporations Act, its constitution, any Listing Rules or other applicable law or regulation;
- the Offer does not comply with the Corporations Act or Listing Rules; or
- ASIC commences or gives notice of intention to commence either a prosecution of BlueScope Steel, its directors or employees, or a hearing or investigation into BlueScope Steel and ASIC does not withdraw the action or notice within two business days or where it is less than two business days before settlement of the Institutional Offer or Retail Offer.

The Sole Lead Manager and Underwriter may terminate its underwriting obligations if at any time before the point that the retail shortfall notification is provided:

- in respect of the Institutional Offer and the Retail Offer, the S&P/ASX200 Index at the time of: (a) cessation of the trading halt in connection with the Institutional Offer; or (b) 10.30am on the day of cessation of the trading halt in connection with the Institutional Offer, whichever is the later, is at a level that is 10% or more below the level as at the close of trading on the business day immediately preceding the date of the Underwriting Agreement; or
- in respect of the Retail Offer only, the S&P/ASX200 Index at the close of trading on the business day from and including the cessation of the trading halt in connection with the Institutional Offer until the Retail Settlement Date is 10% or more below the level it was at close of trading on the business day immediately preceding the date of the Underwriting Agreement.

The Sole Manager and Underwriter may acquire voting power of more than 20% in BlueScope Steel as a result of its underwriting obligations in respect of the Offer. The extent of any such voting power will depend

on the amount of any New Shares that are not subscribed for under the Institutional Offer or the portion of the Retail Offer that is being underwritten. As at the date of this Prospectus the Sole Manager and Underwriter has voting power of less than 5% in BlueScope Steel. In the event that no Eligible Shareholders take up their Entitlements and no New Shares are subscribed for under the Institutional Offer, the voting power of the Sole Manager and Underwriter would increase to approximately 38% of BlueScope Steel. In its capacity as an underwriter, the Sole Manager and Underwriter is not a natural long-term holder of shares and would take steps to reduce any holding in an orderly manner, over time and in a manner designed to have minimum impact on the price of shares in BlueScope Steel.

9.5. Material contracts

9.5.1. Debt refinancing

9.5.1.1. Nature of contract

BlueScope Steel Limited and BlueScope Steel (Finance) Limited, a subsidiary of BlueScope Steel, together entered into a syndicated revolving loan note facility of A$1,200 million ("Existing Syndicated Loan Note Facility") on 22 December 2004 with Commonwealth Bank of Australia as lead arranger and facility agent, Westpac Banking Corporation as lead arranger and a number of other financiers who contribute to the banking syndicate. The Existing Syndicated Loan Note Facility was most recently amended and extended on 20 June 2008.

As amended, the Existing Syndicated Loan Note Facility comprises a revolving multicurrency credit facility under which loans are available in three tranches through the issue of loan notes:

- Tranche 1 has a limit of A$92 million and a maturity date of 16 December 2009.
- Tranche 2 has a limit of A$550 million and a maturity date of 19 December 2011.
- Tranche 3 has a limit of A$550 million and a maturity date of 16 December 2010.

The funds provided under the Existing Syndicated Loan Note Facility are to be used to provide funding for the BlueScope group's general corporate purposes.

The Existing Syndicated Loan Note Facility is guaranteed by BlueScope Steel Limited and is subject to a negative pledge by BlueScope Steel Limited, BlueScope Steel (Finance) Limited and certain of its material subsidiaries.

9.5.1.2. Key Terms of the Existing Syndicated Loan Note Facility

The pricing of the Existing Syndicated Loan Note Facility, most recently set out in June 2008, is significantly more favourable than that which the Company may now obtain for similar debt facilities.

The Existing Syndicated Loan Note Facility contains undertakings by BlueScope Steel (Finance) Limited and BlueScope Steel Limited that were customary for a facility of this nature at the time the facility documents were signed.

The Existing Syndicated Loan Note Facility contains events of default that were customary for facilities of this nature at the time the facility documents were signed.

9.5.1.3. Refinancing of the Syndicated Loan Note Facility Agreement

On 5 May 2009 BlueScope Steel Limited and BlueScope Steel (Finance) Limited mandated Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia Limited, Credit Suisse, Sydney Branch and Westpac Banking Corporation to arrange and commit to the refinancing of the Existing Syndicated Loan Note Facility with a new syndicated loan note facility ("Replacement Syndicated Loan Note Facility"). The documents relating to the execution of and commitment to the Replacement Syndicated Loan Note Facility, have been signed by the parties.

9.5.2. Iron ore supply

9.5.2.1. Sales and Purchase Agreement for Iron Ore (2009-2019)

The Sales and Purchase Agreement for Iron Ore made on 18 September 2008 is between BHP Billiton Minerals Pty Ltd and its Mount Newman joint venture partners and BHP Billiton Ore Pty Ltd (collectively the Sellers) and BlueScope Steel (AIS) Pty Limited ("BlueScope Steel AIS"). It replaces a current contract between the same parties which is due to expire on 30 June 2009. Under the agreement, each of the Sellers severally agrees to sell and deliver, and BlueScope Steel AIS agrees to buy and take delivery of, iron ore produced from certain mining properties in Western Australia. The Sellers deliver FOB to Port Hedland under the contract.

The first contract year in which deliveries and acceptances must be made begins on 1 July 2009. The contract term runs until 30 June 2019.

Price and quantities

Under the contract, unless the parties agree otherwise, for example as set out below, BlueScope Steel AIS is obligated to buy 5.03 million tonnes per annum of lump and fines ore (subject to certain permitted reductions), which represents approximately 60% of its normal usage requirements when operating at full capacity. The new contract consists of two components: (i) 4.30 million tonnes per annum for the first year, then as agreed for later years, defaulting to 4.3 million tones per annum absent such agreement, with pricing adjusted quarterly to reflect iron ore prices paid by a basket of customers of BHP Billiton in Asia and (ii) 0.73 million tonnes per annum of additional fines with pricing on an index basis. The Company is currently negotiating a variation to the contract, which would reduce the first component to an obligation to acquire 3.90 million tonnes per annum of lump and fines, and increase the second component to an obligation to acquire 1.13 million tonnes of lump and fines.

BlueScope Steel AIS has negotiated a freight agreement on commercial terms for the life of the iron ore agreement with BHP Billiton, for marine freight from Port Hedland to Port Kembla.

Specifications

The guaranteed specifications for iron ore are defined in the agreement. The Sellers must deliver according to the specifications. The Sellers must also forecast the specifications for later years. The Sellers must also use reasonable endeavours to ensure the iron ore meets additional typical specifications and Bluescope AIS has a limited right to reduce future quantities in the event of certain forecast non-compliance.

Termination

Either party may terminate if the other ceases or threatens to cease to carry on business, or is subject to an insolvency event and is subject to a party's right to terminate if the other commits a fundamental or material breach of its obligations under the agreement.

Failure to deliver

If a Seller becomes unable to deliver iron ore in whole or in part, amongst other consequences, the other Sellers will, so far as practicable, take all reasonable measures to enable the remaining Sellers not so affected to deliver the total tonnages of iron ore required under the agreement.

9.5.3. Coal Supply

9.5.3.1. Contract for Supply of Hard Coking Coal (2002 – 2032)

The Contract for Supply of Hard Coking Coal dated 10 May 2002 is between Illawarra Coal Holdings Pty Ltd ("ICH"), Endeavour Coal Pty Limited, Dendrobium Coal Pty Limited, Illawarra Services Pty Limited, BHP Coal Holdings Pty Limited and BlueScope Steel ("AIS") Pty Limited ("BlueScope AIS").

Illawarra Coal Holdings Pty Ltd, a member of the BHP Billiton group, will supply coking coal to BlueScope AIS to produce iron and steel at its Port Kembla Steelworks.

Sale and purchase obligations

Subject to certain agreed exceptions and a cap, BlueScope AIS must purchase, and ICH must supply 90% of BlueScope AIS' annual hard coking coal requirements for use in iron and steelmaking at Port Kembla Steelworks.

Term

Commencing 1 July 2002, the contract has an initial term of 30 years, and will roll over indefinitely for further terms of five years unless either party gives a five-year notice of non-renewal that will end the contract upon expiry of either the initial term or the end of a further term following the expiry of the five year notice period.

Price

The price is set annually by reference to the market price of an agreed basket of (i) contracts for the supply of coal of a specified blend; and (ii) long-term stable customers under sales contracts for hard coking coal, which must come from a basket of mines in Australia in which the BHP Billiton group has an interest producing similar quality coking coal to that to be supplied to BlueScope AIS. The prices of the basket contracts are then adjusted to take account of differences in coal qualities, loading charges and terminal costs. The price under the contract is then determined by reference to those adjusted basket contract prices. The contract provides that the parties intend that export parity pricing and the benefits of the close location of the Port Kembla Steelworks to the Illawarra Collieries are to be retained by BlueScope AIS. BlueScope AIS has recently negotiated a 15 month price averaging agreement, to apply for the period form 1 April 2009 to

30 June 2010, which provides that BlueScope AIS will pay a price reflecting the weighted average contract price over that 15 month period.

BlueScope AIS' rights in relation to the purchase of the Illawarra Collieries

BlueScope AIS has a right of first acquisition to purchase such of the Illawarra Collieries assets or shares in the companies that own those assets as the BHP Billiton group may determine to sell to a non-affiliated third party. Any sale of assets at the Ilawarra Collieries by relevant BHP Billiton entities must be accompanied by the novation of the relevant rights and obligations under the contract.

In addition, BlueScope AIS has an option to purchase the Illawarra Collieries assets and business (directly or indirectly, depending on specified factors) at fair market value (not to be less than zero) if, amongst other triggers:

- ICH gives notice of termination for a non-valid reason or does not renew the contract after the initial term or after any further five-year term;
- BlueScope AIS terminates the contract due to ICH claiming the occurrence of a force majeure event causing suspension of a material part of its obligations for a continuous period of at least two years;
- ICH terminates the contract because the Illawarra Collieries business (on a consolidated basis) is uneconomic (as set out below); or
- BlueScope AIS terminates the contract due to specified defaults of, or termination event affecting, ICH.

Termination

Amongst other termination triggers:

ICH may terminate the contract if for three consecutive years BlueScope AIS fails to purchase from ICH at least 85% of hard coking coal requirements for use in iron and steel making at Port Kembla Steelworks, subject to certain exceptions and adjustments.

Either party may terminate the contract if the other claims the occurrence of a force majeure event causing the suspension of a material part of its obligations for a continuous period of two years or more.

Either party may terminate the contract on giving two and one half years' notice if the party affected holds a genuine belief on a reasonable basis that there are significant legislative changes, environmental requirement changes or other unforseen changes beyond that party's reasonable control that make that party's business (including in the case of ICH the Illawarra Collieries business on a consolidated basis) uneconomic.

9.5.3.2. Contract No. 2 for supply of Hard Coking Coal

This contract is dated 5 October 2006, made between the same parties as the contract dated 10 May 2002 (the original contract) and supplements that original contract. It allows hard coking coal to be purchased at BlueScope AIS' option, in addition to the quantity specified under this contract.

Key terms

The contract term commences on 1 July 2005 and ends on 30 June 2032, automatically rolling over for further five year terms unless ended on five years' notice expiring at one of the contract rollover dates.

The agreement governs additional tonnage that BlueScope AIS can use for specified purposes over and above the base tonnage under the 10 May 2002 agreement.

The price of the additional coal is based on the price under the original contract, plus a specified premium.

The new contract terminates automatically if the original contract terminates for any reason. If ICH is prevented from supplying, or becomes entitled not to supply, hard coking coal under the original contract, then it is likewise prevented or entitled not to supply hard coking coal under the new contract.

9.5.4. Zinc

BlueScope Steel uses zinc and zinc alloys in all of its metal-coating facilities in Australia, New Zealand, the U.S. and Asia, including Thailand, Malaysia, Vietnam, China and Indonesia. The Company is finalising a new supply contract with Korea Zinc Co., Limited and Sun Metals Corporation Pty Limited for the supply of all its requirements for zinc and zinc alloys to December 2013. The contract commenced on January 1, 2009 and requires BlueScope Steel to purchase either the monthly quantities of zinc or zinc alloy consumed or the shipped amounts of zinc or zinc alloy at a market price based on average LME quoted prices plus a fixed amount based on the locality of the delivery site. There are no minimum purchase quantity requirements under the contract. The contract can be terminated upon notification by either party for insolvency, breach of warranty or material breach, if such breach has not been remedied within 30 business days.

9.5.5. Aluminium

Aluminium is a critical raw material in BlueScope Steel's production processes for coated products. The Company is finalising a new supply agreement with Rio Tinto Aluminium for the supply of aluminium t-bar ingots through March 2010. The contract will commence with retrospective effect from 1 April 2008 and requires BlueScope Steel to purchase from the supplier all of BlueScope Steel's aluminium T-bar ingot requirements for Australia, New Zealand and Asia, at market prices based on average LME quoted prices plus a fixed amount based on the locality of the delivery site. There are no minimum purchase quantity requirements under the contract. The contract can be terminated upon notification by either party for insolvency, breach of warranty or material breach, if such breach has not been remedied within 30 business days.

9.5.6. North Star BlueScope Steel

Nature of joint venture

BlueScope Steel holds indirectly a 50% equity interest in NSBS, which was established in 1995 to construct and operate a steel flat products facility for hot band product and market its products. The operations and facilities of NSBS are located in Delta, Ohio, U.S. The remaining 50% interest in the investment is held by a wholly owned subsidiary of Cargill, Inc ("Cargill").

Two related contracts establish NSBS:

- the Limited Liability Company Agreement between BlueScope Steel Investments, Inc (a wholly owned subsidiary of BlueScope Steel North America Corporation) and NSS Ventures, Inc (a wholly owned subsidiary of Cargill) ("LLC Agreement"); and
- the Shareholders Agreement between BlueScope Steel North America Corporation and Cargill ("Shareholders Agreement").

Each party is required to make equal capital contributions to NSBS, and the parties share control of the Board.

The LLC Agreement and the Shareholders Agreement place certain restrictions on the transfer of either party's joint venture interest or entity and the transfer of interests in parent companies of the joint venture entities. Under the LLC Agreement, BlueScope Steel requires Cargill's consent to the transfer of its interest in the joint venture. If BlueScope Steel or Cargill wishes to sell its interest in its joint venture entity, the Shareholders Agreement grants the other party an initial right of first refusal and an option to purchase the party's interest in accordance with fair market value offer procedures set out in the Shareholders Agreement.

Under the Shareholders Agreement, the parties and their related companies are limited in their ability to build or operate other steel manufacturing facilities according to geographical and production volume constraints.

9.6. Directors

Interests

Except as set out in this Prospectus, no Director or proposed director of BlueScope Steel holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of BlueScope Steel;
- the Offer; or
- any property acquired or proposed to be acquired by BlueScope Steel, respectively, in connection with its formation or promotion of the Offer,

other than in their capacity as a Shareholder. Except as set out in this Prospectus, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit, to any Director or proposed director of BlueScope Steel:

- to induce that person to become, or qualify as, a Director; or
- for services provided by that person in connection with the formation or promotion of BlueScope Steel or the Offer.

Holdings of BlueScope Steel Shares

As at the date of this document, the Directors held relevant interests in BlueScope Steel Shares as follows:

Director	Relevant Interest in BlueScope Steel Shares
Graham Kraehe	173,138
Ron McNeilly	660,751
Paul O'Malley	142,613
Diane Grady	64,191
Kevin McCann	76,360
Tan Yam Pin	78,558
Daniel Grollo	64,078
Ken Dean	812

Each Director (and their related parties) may acquire New Shares offered under this Prospectus subject to the Listing Rules (including any waivers as described in Section 9.11). All Directors of BlueScope Steel intend to participate in the Offer.

Remuneration

As remuneration for services as a Director, each non-executive Director is paid an amount determined by the Directors as a whole. The non-executive Directors' aggregate fees are within the maximum aggregate limit approved by shareholders (currently $2,925,000).

BlueScope Steel has agreements with each of the Directors indemnifying them against liabilities incurred as a Director, to the extent permitted by law.

9.7. BlueScope Steel Long Term Incentive Plan

Under the terms of BlueScope Steel's Long Term Incentive Plan, in the event of a rights issue (such as the Offer), adjustments will be made to the number of Shares which will result from the exercise of the share rights provided under the Long Term Incentive Plan, in the manner BlueScope Steel determines having regard to the Listing Rules. As at the date of this Prospectus, no determination has been made by the Board regarding the basis or manner of any adjustment.

9.8. Consents

Each of the parties referred to as consenting parties who are named below:

- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for part of this Prospectus or any statements in or omissions from this Prospectus;
- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus in the form and context in which it is named.

Role	Consenting parties
Sole Lead Manager and Underwriter	Credit Suisse (Australia) Limited
Co-Lead Manager	Commonwealth Securities
Share Registry	Link Market Services Limited
Australia Legal and Taxation Adviser	Blake Dawson
Auditor	Ernst & Young

9.9. Interests of Advisers

Except as set out in this Prospectus, no:

- Person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- Promoter of BlueScope Steel; or
- Broker to the Offer,

each a "relevant person" holds, at the time of lodgement of this Prospectus with ASIC, or has held in the last two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of BlueScope Steel;
- the Offer; or
- any property acquired or proposed to be acquired by BlueScope Steel in connection with the formation or promotion of BlueScope Steel or the Offer.

Except as set out in this Prospectus, no one has paid or agreed to pay any amount or given or agreed to give any benefit for services provided by a relevant person in connection with the formation or promotion of BlueScope Steel or the Offer.

Credit Suisse (Australia) Limited is acting as Sole Lead Manager and Underwriter to the Offer, in respect of which it will receive fees (see Section 9.4). Related bodies corporate of the Sole Lead Manager and Underwriter who hold BlueScope Steel Shares may be entitled to participate in the Offer by virtue of their shareholdings.

Credit Suisse, Sydney Branch (a related body corporate of Credit Suisse (Australia) Limited) currently provides BlueScope Steel with US$25 million in a bilateral facility and approximately A$30 million under one of BlueScope Steel's existing loan note facilities. This amount will be repaid and cancelled as part of the debt restructuring. Credit Suisse, Sydney Branch has agreed to commit to subscribe for up to approximately A$188 million under the Replacement Syndicated Loan Note Facility.

Commonwealth Securities Limited is acting as Co-Lead Manager to the Offer, in respect of which BlueScope Steel has paid or agreed to pay Commonwealth Securities Limited approximately $500,000 (excluding GST) plus an amount in respect of that portion of the Retail Offer which is underwritten (assuming 10.8 million New Shares are underwritten in the Retail Offer, this amount would be approximately $42,000). Related bodies corporate of the Co-Lead Manager who hold BlueScope Steel Shares may be entitled to participate in the Offer by virtue of their shareholdings.

Blake Dawson has acted as Australian Legal and Taxation Adviser to BlueScope Steel in connection with the Offer. In aggregate, BlueScope Steel has paid or agreed to pay Blake Dawson approximately $340,000 (excluding disbursements and GST) for these services to the date of this Prospectus. Further amounts may be paid to Blake Dawson in accordance with its normal time-based charges.

Ernst & Young has provided services as accounting adviser in relation to the financial information presented in Section 5 of this Prospectus. BlueScope Steel has paid or agreed to pay Ernst & Young approximately $300,000 (excluding disbursements and GST) for services provided in relation to the Offer. Further amounts may be paid to Ernst & Young in accordance with its normal time-based charges.

9.10. Costs of the Offer

The total expenses of the Offer, including underwriting, legal, accounting, tax, marketing and administrative fees as well as printing, advertising and other expense related to this Prospectus and the Offer, are expected to be approximately $55 million assuming the Retail Offer is fully subscribed. These expenses are to be paid by BlueScope Steel.

9.11. ASX waivers

In connection with the Offer, ASX has granted to BlueScope Steel waivers from Listing Rules 7.1 and 10.11 to the extent necessary to:

- permit BlueScope Steel to make the Offer in the manner described in this Prospectus without the requirement to obtain Shareholder approval; and
- permit related parties of BlueScope Steel to participate in the Offer up to the extent of their Entitlements on the same terms as other Shareholders without the requirement to obtain Shareholder approval.

The Listing Rule 7.1 waiver is subject to conditions. The effect of these conditions is to permit BlueScope Steel to offer New Shares pro rata to Eligible Institutional Shareholders on or before the Record Date under the Institutional Offer prior to offering New Shares to Eligible Retail Shareholders under the Retail Entitlement Offer, as long as:

- Eligible Institutional Shareholders and Ineligible Institutional Shareholders who sell down their holding of BlueScope Steel Shares before the Record Date have their pro rata allocations reduced accordingly; and
- New Shares are issued under the Institutional Offer and the Retail Offer at the same price and on the same ratio.

The Listing Rule 10.11 waiver permits related parties of BlueScope Steel to participate in the Retail Offer on the same terms as other Eligible Retail Shareholders without a requirement to obtain Shareholder approval. The waiver is subject to the same conditions imposed in relation to the waiver from Listing Rule 7.1. Additionally, it is a condition of this waiver that the related parties only participate in the Retail Offer up to the extent of their pro rata entitlement unless they do so pursuant to bona fide underwriting arrangements and the terms of the underwriting are included in the offer documents to be sent to all security holders.

The waivers set out the arrangements for dealing with holdings registered in the names of nominees. In particular, a nominee Shareholder is treated as a separate holder in respect of securities held for each of one or more Eligible Retail Shareholders and Eligible Institutional Shareholders (and, accordingly, may receive

offers under both the Institutional Offer and the Retail Offer in respect of BlueScope Steel Shares held as nominee for other persons). Offers under the Institutional Offer will be treated as being made to the nominee, and therefore to an Eligible Institutional Shareholder, even where made directly to the Eligible Institutional Shareholder for whom the nominee holds.

The waivers also allow BlueScope Steel to ignore, for the purposes of determining those entitled to receive Entitlements (both under the Institutional Offer and the Retail Offer) transactions occurring after the announcement of the trading halt in BlueScope Steel Shares (other than registrations of ITS ("Integrated Trading System") transactions which were effected before the announcement) ("post ex-date transactions"). Transactions ignored under this provision are to be ignored in determining holders and registered holders, and holdings and registered holdings, of BlueScope Steel Shares as at the Record Date, and references to such holders, registered holders, holdings and registered holdings are to be read accordingly. Therefore, if you have acquired BlueScope Steel Shares in a post ex-date transaction you will not be entitled to receive an Entitlement in respect of those BlueScope Steel Shares.

ASX has also granted waivers of Listing Rules 3.20 and 7.40 to the extent necessary to permit the Offer to proceed on the timetable described in this Prospectus on condition that the Offer timetable is acceptable to ASX.

9.12. Privacy

As a Shareholder, BlueScope Steel and the Share Registry have already collected certain personal information from you. If you apply for New Shares, BlueScope Steel and the Share Registry may update that personal information or collect additional personal information. Such information will be used to assess your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Company and tax law requires some of the information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, if at all.

BlueScope Steel and the Share Registry may disclose your personal information for purposes related to your shareholding to their agents and service providers, including those listed below or otherwise authorised under the Privacy Act:

- the Sole Lead Manager and Underwriter in order to assess your Application;
- the Share Registry for administration of the Entitlement Offer and ongoing administration of the BlueScope Steel share register; and
- printers and mailing houses for the purposes of preparation and distribution of Shareholder statements and for handling of mail.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) BlueScope Steel or the Share Registry. You can request access to your personal information by contacting the Share Registry as follows:

Link Market Services
Locked Bag A14
Sydney South NSW 1235
Australia

Tel (within Australia) 1300 554 474
Tel (outside Australia) +61 2 8280 7111

If BlueScope Steel's or the Share Registry's record of your personal information is incorrect or out of date, it is important that you contact the Share Registry so that your records can be corrected.

9.13. Directors' consents

Each Director has given, and has not withdrawn, their consent to the issue of this Prospectus and to its lodgement with ASIC under the Corporations Act.

9.14. Governing law

This Prospectus, the Retail Offer and the contracts formed on acceptance of Applications are governed by the laws applicable in Victoria, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

APPENDIX

INDUSTRY OVERVIEW

10. Industry Overview

Steel is an iron-based metal alloy, in which carbon and various metals are used as alloys to achieve improved hardness, tensile strength and other desirable characteristics. Steel is an important engineering and construction material and is used widely in manufacturing, infrastructure and industrial applications.

Steel products can be divided into two broad categories: flat steel products and long steel products. Flat steel products are typically made by rolling steel through sets of rollers to produce the final thickness. Flat steel products include plates, hot rolled strip and sheets, and cold rolled strip and sheets. Flat steel products are used in a wide range of industrial applications including construction sheeting, roofing and facades, automotive sheet metal and white goods manufacturing. Long steel products include bars, rods and wires, structural shapes, rails and tubes. Long steel products are used heavily in construction as columns, girders, rails and as reinforcing rods in concrete. Wire-drawn products and seamless pipes are also long steel products.

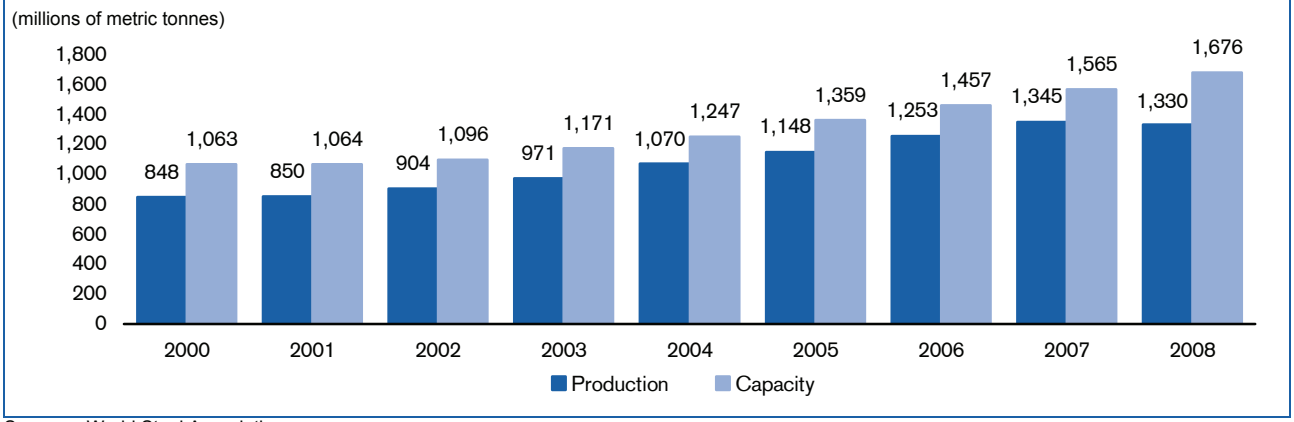
BlueScope Steel is the leading producer and supplier of flat steel products in the Australian and New Zealand markets. BlueScope Steel produces flat steel products, including slab, hot rolled coil, cold rolled coil, plate, and value-added metallic coated and painted steel products for use in the building and construction (commercial, residential and engineering/infrastructure), automotive and manufacturing industries.

10.1. Industry size

Production

World crude steel production reached 1,330 million tonnes in calendar year 2008, down 1% from 2007, ending a ten-year period of continuous growth. According to the Organisation for Economic Co-operation and Development ("OECD"), world crude steel effective production capacity utilisation was 79% in calendar year 2008, down from 86% in calendar year 2007. The chart below compares world crude steel production with effective capacity[1] for the calendar years 2000 to 2008:

World crude steel production and effective production capacity for the calendar years 2000 to 2008

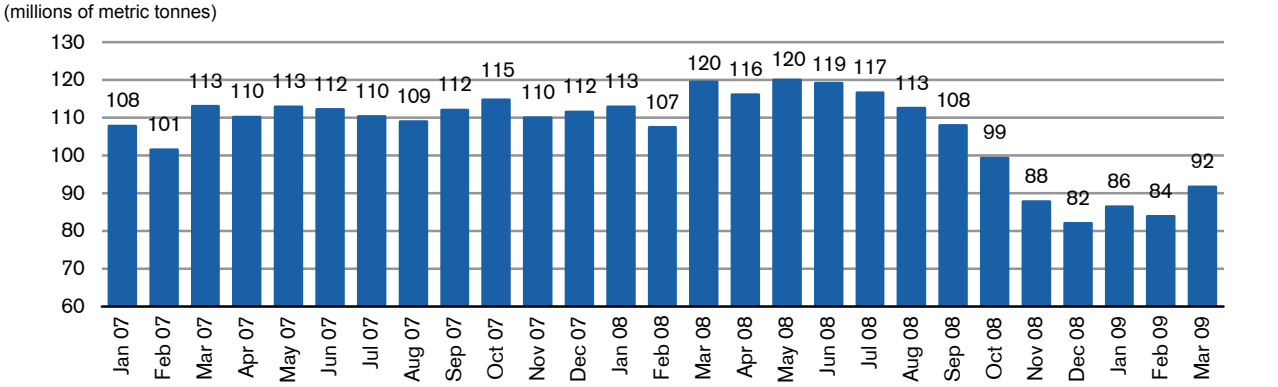


Source: World Steel Association.

In calendar year 2008, steel production declined in nearly all major steel producing countries and regions including the European Union ("E.U."), North America, South America and the Commonwealth of Independent States ("C.I.S.")[2]. World crude steel production declined by 22% in February 2009 compared with the prior corresponding period and then by 23% in March 2009 compared with the prior corresponding period, compared with growth of approximately 6% during the six months ended 30 June 2008. The diagrams below show monthly world crude steel production from January 2007 to March 2009 and the year-on-year change in world monthly crude production from January 2008 to March 2009:

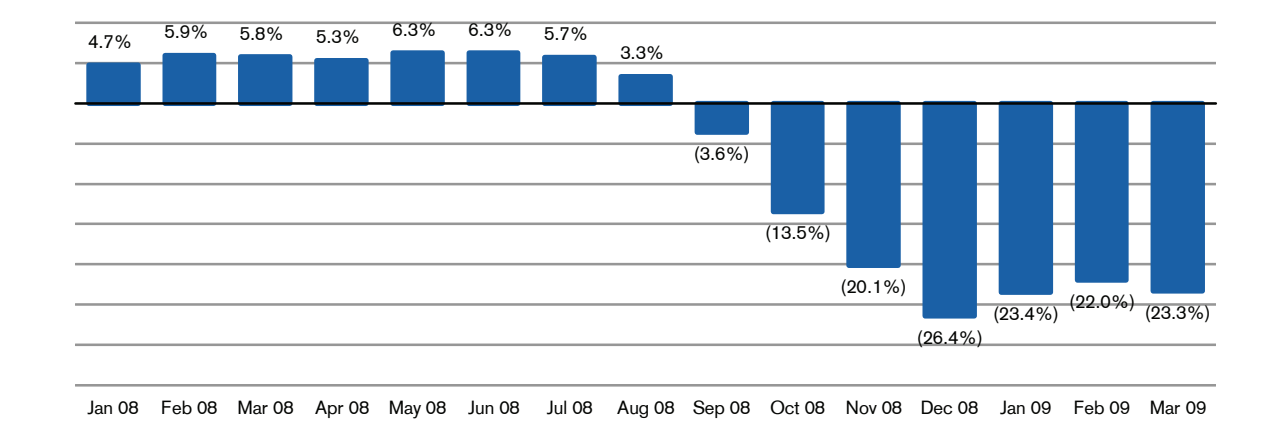
[1] Effective capacity is defined as the maximum production possible under normal working conditions.
[2] C.I.S. consists of Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

Monthly world crude steel production from January 2007 to March 2009



Source: World Steel Association.

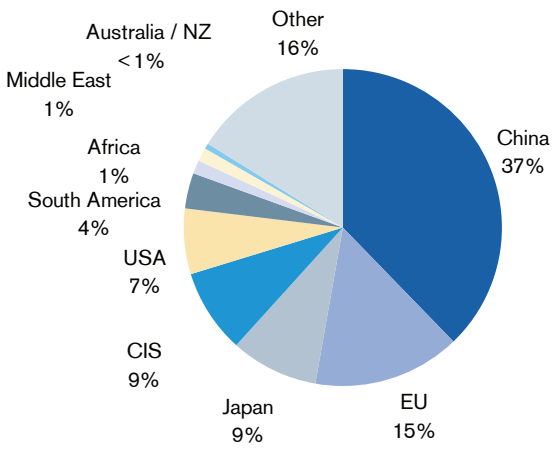
Change in world monthly crude steel production (year-on-year) for the 15 months ended 31 March 2009



Source: World Steel Association.
Note: Percentage increase or decrease.

China accounted for the largest share (37%) of world crude steel production in calendar year 2008. Production volume in China more than doubled from 222 million tonnes in calendar year 2002 to 502 million tonnes in calendar year 2008. Crude steel production in the E.U., Japan, C.I.S. and the U.S. accounted for 15%, 9%, 9% and 7% of world crude steel production respectively, and Australia and New Zealand accounted for less than 1% of world crude steel production combined. The diagram below shows world crude steel production by region or country for calendar year 2008:

World crude steel production tonnes by region/country for calendar year 2008



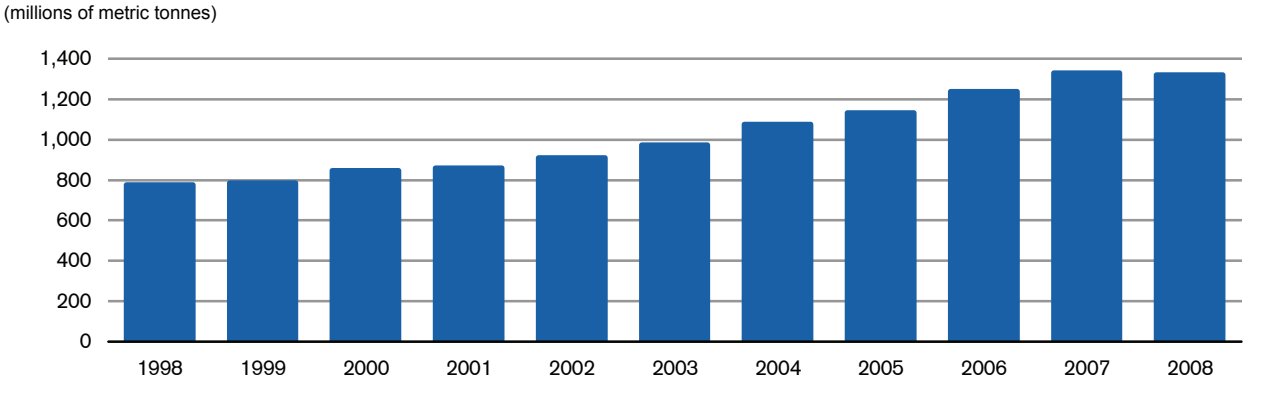
Source: World Steel Association. Percentages have been rounded.

Consumption

World steel consumption was estimated by the Australian Bureau of Agricultural and Resource Economics ("ABARE") to be 1,321 million tonnes in calendar year 2008, down 1% from 2007.

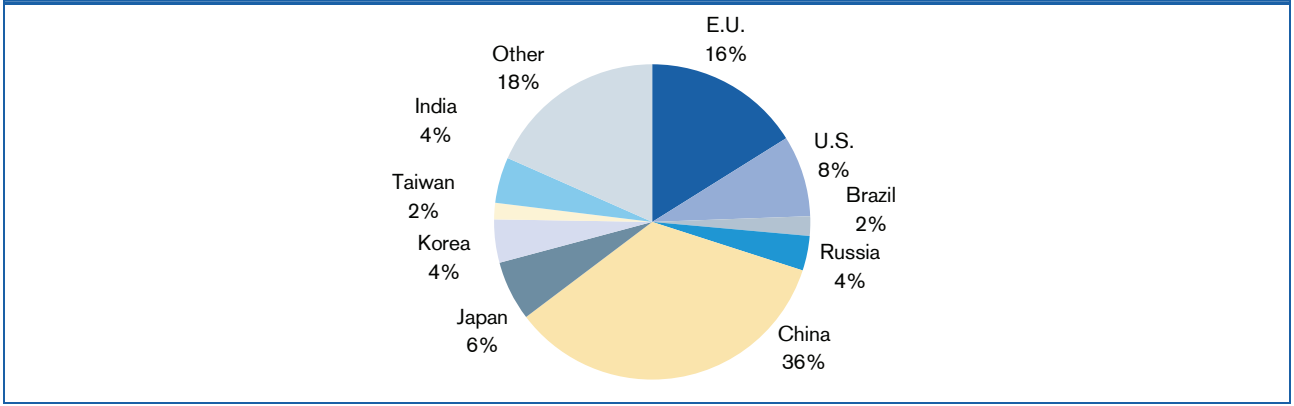
Apparent steel consumption in China accounted for the largest share of world consumption in calendar year 2008 (at 36%). In the same year, the E.U., U.S. and Japan accounted for 16%, 8% and 6% of world steel consumption respectively. The diagrams below show world apparent consumption of crude steel for the calendar years 1998 to 2008 and apparent steel consumption tonnes by region or country for calendar year 2008:

World apparent consumption of crude steel for the calendar years 1998 to 2008



Source: World Steel Association, ABARE.

Apparent steel consumption tonnes by region/country for calendar year 2008



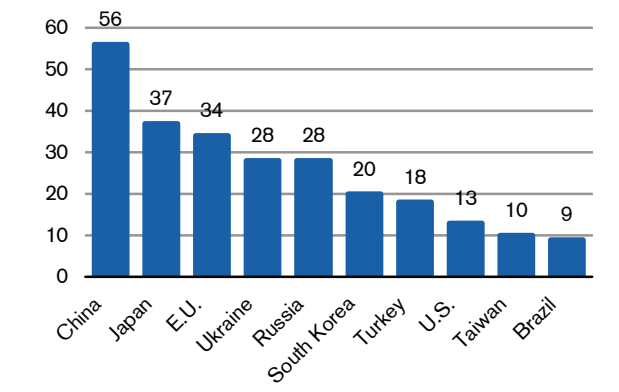
Source: World Steel Association.

Recently, lower consumption of steel-intensive manufactured goods, such as motor vehicles and appliances, and reduced construction activity has led to falling global steel demand. Manufacturing of steel-intensive goods has been migrating out of developed economies and into emerging economies where production costs are lower and end use markets are growing, a trend which is expected to continue. Looking forward, steel consumption in these emerging economies is expected to be driven by factors such as urbanisation, industrialisation and favourable demographics which have historically supported strong growth in steel demand.

According to the Iron and Steel Statistics Bureau, in calendar year 2008, the 10 largest steel exporting countries accounted for approximately 19% of global steel consumption. China and Japan were the largest exporters of steel, with 56 and 37 million tonnes of steel exported, respectively. The E.U. was the main importer of steel, with 40 million tonnes of steel imported in calendar year 2008. The diagrams below show the largest steel exporting and importing regions or countries for calendar year 2008:

Largest steel exporting regions/countries for calendar year 2008

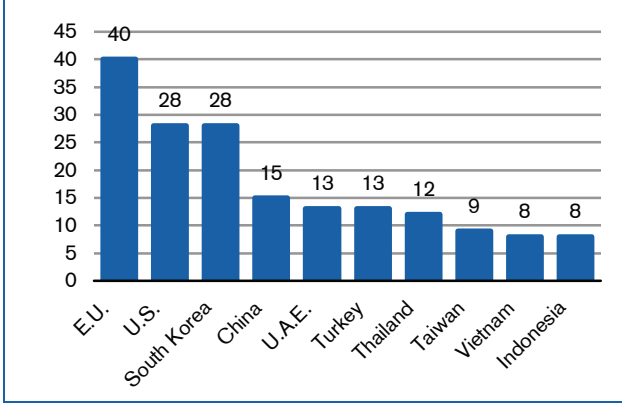
(millions of metric tonnes)



Source: Iron and Steel Statistics Bureau.
Note: Products include semis, long steel products, flat steel products and tubes. Figures exclude E.U. intra-trade.

Largest steel importing regions/countries for calendar year 2008

(millions of metric tonnes)



Source: Iron and Steel Statistics Bureau.
Note: Products include semis, long steel products, flat steel products and tubes. Figures exclude E.U. intra-trade. 2008 Indonesia number contains some estimates.

10.2. Industry drivers

Demand drivers

Globally, demand for steel is influenced by movements in economic cycles. The cyclicality of steel demand is driven by many factors, including a relatively fragmented industry structure; high barriers to entry; high fixed operating costs; the involvement of government and regulatory policies, including trade barriers and other subsidies; cyclical end market demand patterns and fluctuations in steel inventories. These factors drive patterns of supply and demand which can contribute to volatility in selling prices for steel products. The global steel market's volatility is also linked to general economic conditions and GDP growth, with consumption activity in the construction and consumer durables sectors of particular importance. Steel also faces competition from substitute materials, such as concrete, aluminium, plastic, glass and timber.

Recently, global economic conditions have deteriorated significantly. The slowdown in several advanced economies began in late calendar year 2007, initially concentrated in the housing and financial sectors. The broad-based economic contraction in the industrialised countries, especially in recent months, is highlighted across a range of indicators. For example, available GDP data for the United Kingdom and the U.S. show declines of 1% or more in the December 2008 quarter. At 1%, the decline in December 2008 quarter GDP in the U.S. was the largest since calendar year 1982. The Chinese economy, though still growing, also slowed significantly. In March 2009 the World Bank's projection for China's GDP growth for calendar year 2009 was revised down to 6.5% from its estimate of the 9.0% growth that was produced in calendar year 2008. In response to the adverse economic conditions, many central banks and governments globally have announced significant monetary and fiscal stimulus packages. Still, there remains uncertainty surrounding the extent and timing of any potential economic recovery.

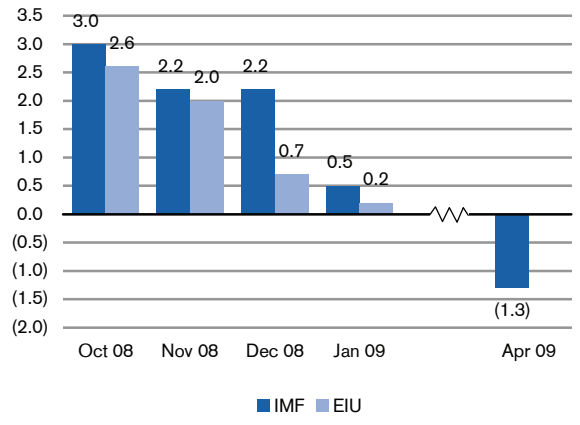
Currently, as with the global economy, there is uncertainty regarding the timing and scale of a potential recovery in the steel industry. The outlook for steel and steel-making raw materials (notably iron ore and coking coal) is uncertain. Global steel production and consumption has declined since late calendar year 2008 driven by the global economic downturn. The contraction in consumer spending in OECD economies has reduced the demand for steel-intensive goods, many of which are manufactured in developing countries.

The charts below highlight the revisions to forecast global and U.S. GDP growth for calendar year 2009. In October 2008, the International Monetary Fund ("IMF") forecast global GDP growth of 3.0% for calendar year 2009. In April 2009, its forecast was revised down to -1.3%[1]. Similarly, the economic downturn experienced by the U.S. has led to a significant negative forecast for GDP growth in calendar year 2009. The diagrams below show changes in global and U.S. GDP forecasts for calendar year 2009:

[1] IMF World Economic Outlook, April 2009.

Changes in global GDP growth forecasts for calendar year 2009

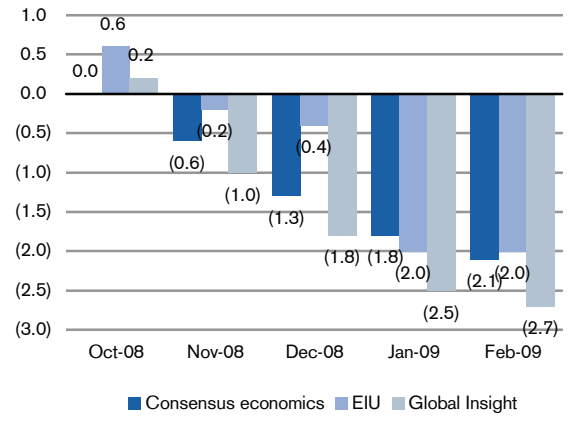
(Expressed as percentages)



Source: International Monetary Fund, EIU Viewswire.
Note: Based on purchasing power parity weightings. February and March 2009 forecasts from IMF not available.

Changes in U.S. GDP growth forecasts for calendar year 2009

(Expressed as percentages)



Source: Consensus Economics 'Consensus Forecasts', EIU Viewswire.

10.2.1.1. Products and uses

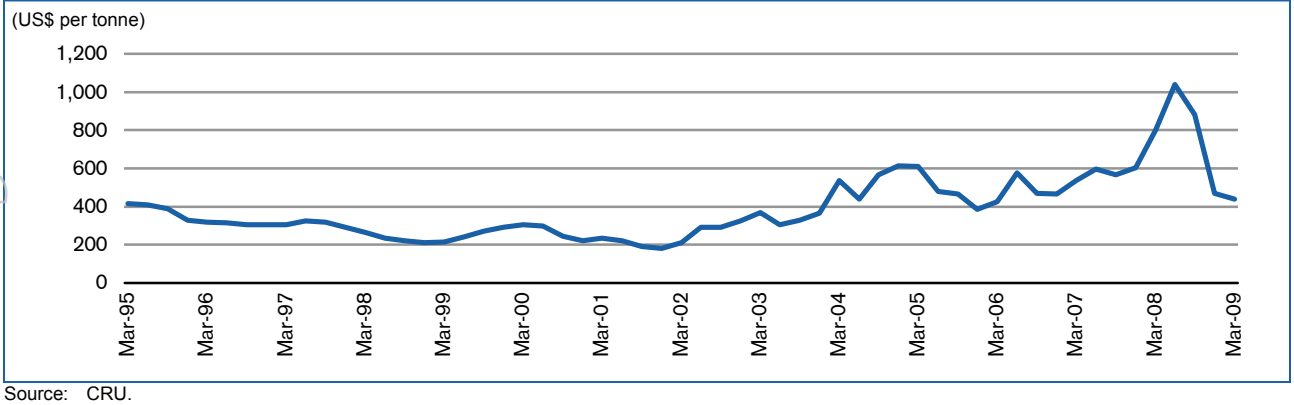
Steel products are used in many different industry sectors. The building and construction, manufacturing, automotive and shipbuilding industries are major consumers of steel worldwide. Flat steel products are used significantly throughout the building and construction industry, in applications such as roofing, wall cladding, fencing, purlins and house framing. In manufacturing, flat steel products are used in white goods, machinery, automobiles and other transport equipment. Long steel products are used extensively throughout the engineering, infrastructure, construction and manufacturing industries, in applications such as structurals, reinforcing mesh and bars. The table below shows the main types of steel products and examples of their uses and applications:

Category	Examples of steel products	Examples of uses and applications
Flat steel products	■ Hot and cold rolled coil ■ Plate ■ Slab	■ Produced from steel slab and includes coated steel used for roofing and fencing, sheet used for motor vehicles and white goods, and plate used in engineering and industrial applications
Long steel products	■ Bars ■ Rods ■ Wires	■ Produced from steel billets, slabs and blooms. Used in general engineering, construction, manufacturing and include structurals, reinforcing mesh and bars
Pipe and tube	■ Pipes ■ Tubes	■ Produced from hot rolled coil used for applications including structural pipes, rectangular hollow sections, precision tubes and oil and gas pipes
Specialty products	■ Grinding media ■ Railway wheels	■ Grinding media used for minerals extraction

10.2.1.2. Pricing

Global steel prices have fluctuated significantly over time, driven by demand and supply patterns that are influenced by global construction activity and GDP growth. Many other factors also influence global steel prices including: structural overcapacity in the market, a relatively fragmented industry structure, high exit barrier, high fixed operating costs, and the involvement of government and regulatory policies, including trade barriers and other subsidies. As shown in the chart below, a significant increase in steel prices occurred between calendar year 2006 and 2008. The Far East Asian Import hot rolled coil price increased by 124% from December 2006 to June 2008. Steel prices have subsequently experienced a significant decline, driven by a range of factors including the global economic downturn and declines in key steel markets. The diagram below shows the historical Far East Asia Import hot rolled coil price from first quarter of calendar year 1995 to the first quarter of calendar year 2009:

Historical Far East-Asia Import hot rolled coil price (cost and freight)



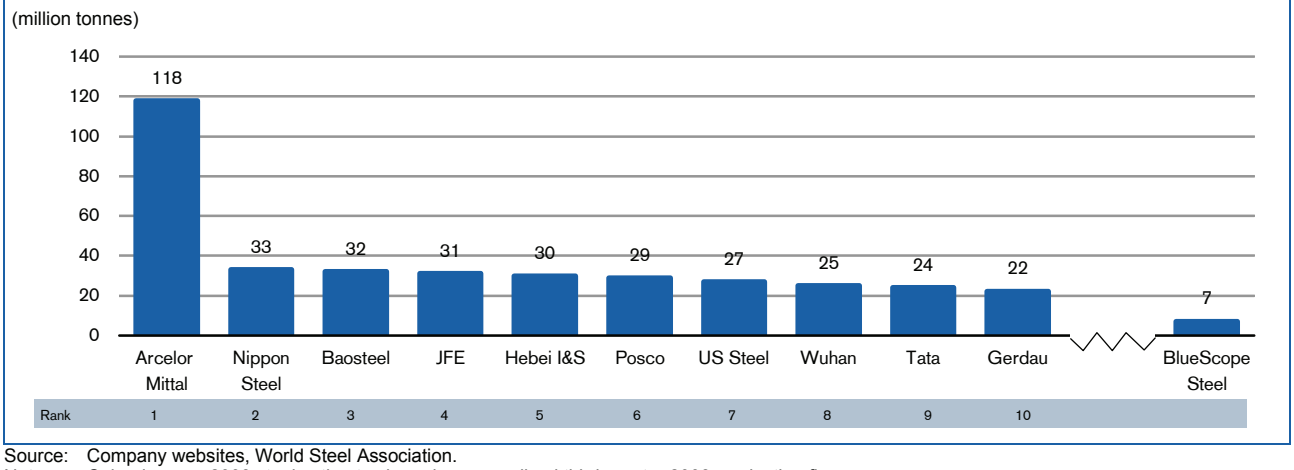
Source: CRU.

Supply drivers

10.2.1.3. Major steel industry participants

There are a large number of global steel industry participants. In the calendar year 2008, the ten largest crude steel producers accounted for approximately 28% of world crude steel production. ArcelorMittal was the largest producer of crude steel in calendar year 2008, producing 118 million tonnes of crude steel and accounting for approximately 9% of world crude steel production. BlueScope Steel (including its 50% interest in NSBS) produced approximately 7 million tonnes of crude steel in calendar year 2008. The diagram below shows the largest crude steel producers for calendar year 2008:

Largest crude steel producers for calendar year 31 December 2008



Source: Company websites, World Steel Association.
Note: Calendar year 2008 steel estimates based on annualised third quarter 2008 production figures.

Steel prices have declined from record highs in calendar year 2008, and the industry is carrying excess inventory levels relative to steel demand. Globally, steel producers have responded to the significant reduction in demand by implementing steel plant closures or reducing production, resulting in world crude steel production declining by 23% in March 2009 versus the previous corresponding period.

10.2.1.4. Raw materials

In the “integrated” steel production process, the two key raw materials used to produce steel are iron ore and coking coal. The spot prices of the key raw materials used in steelmaking have recently experienced significant variability. Alloys such as manganese, nickel, chromium and vanadium are also often added to produce the exact steel properties and specifications required for each product.

Steel manufacturers, including BlueScope Steel, typically purchase some or all of their iron ore and coking coal requirements at prices set periodically under medium or long-term volume contracts. Prices have traditionally been negotiated annually in Asia and Europe between the major steel mills and the major iron ore and coking coal suppliers. Spot markets also exist for iron ore and coking coal. From July 2009 onwards, BlueScope Steel and other steel manufacturers may begin moving to contracts which allow raw material prices to be set on a quarterly basis. Pricing for coking coal contracts is likely to remain on an annual basis.

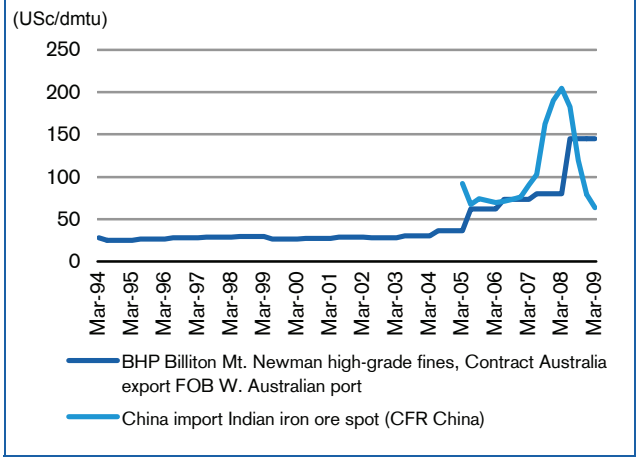
Recent years have been characterised by strong demand for iron ore and coking coal, particularly from China, driven by strong economic growth and infrastructure spending which has, in turn, led to increased steel demand and production. According to Steel Business Briefing, iron ore producers implemented annual price increases for iron ore of 19%, 9% and 80% for the 2006, 2007 and 2008 years[1]. Similarly, according to Access Economics, coking coal producers implemented annual price increases of 15%, 16% and 211% over the same years[2]. Steelmaking raw materials prices have subsequently experienced significant declines in recent months. According to the World Steel Association, China's customs average iron ore import price decreased by 42% from August 2008 to December 2008.

These price declines are due to a number of different factors including, but not limited to, the significant global economic downturn, increased raw materials inventory holdings, the closure of steel mills, reduced steel production and declining steel prices.

The general weakness in raw materials markets reflects the global slowdown in industrial production, particularly in the steel market. This has resulted in announced iron ore production cuts equivalent to roughly 10% of annual production by Australian producers. Production in Brazil, another major iron ore producer, has also been reduced. In addition, a number of coking coal operators have revised down their planned production for calendar year 2009. Moreover, coking coal contract prices have recently experienced significant declines. This trend is highlighted by current spot prices for iron ore, which are trading at a significant discount relative to 2008/09 contract prices. Nonetheless, present expectations for the 2009/10 bulk contract prices would still leave US$ export prices at a high level by historical standards and above the prices that prevailed in early 2007/08.

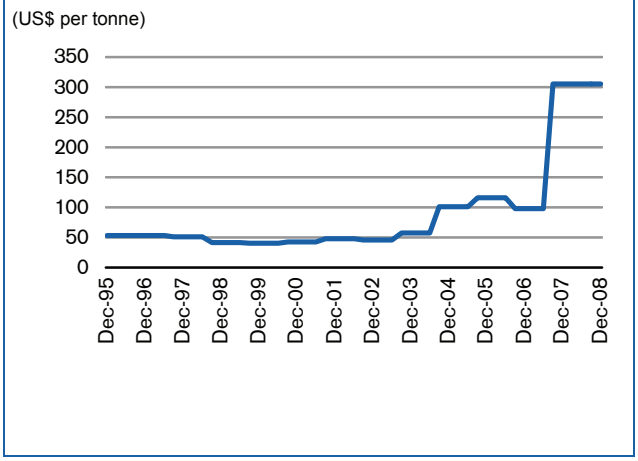
The trends in raw materials prices over the last 15 years are illustrated in following charts below which show indicative benchmark raw materials price series. These price series are indicative of market contract prices and do not specifically represent prices paid by BlueScope Steel.

Historical iron ore fines prices (BHP Billiton Mt. Newman high-grade fines, Australia export FOB West Australian port)



Source: Steel Business Briefing, Bloomberg.

Historical coking coal prices (BHP Billiton contract prices to Japan)



Source: Access Economics.

10.2.1.5. Industry structure

Over the last ten years, there has been an increase in consolidation, capacity rationalisation and restructuring activity in the global steel sector. Consolidation has provided steel companies with greater flexibility to manage their steel production to meet demand levels which has, to a certain extent, dampened cyclicality although this has been less evident in China. In addition, increased breadth of operations and enlarged research and development capabilities have enabled these companies to improve production efficiency, expand their product ranges and service global customer accounts such as global automotive manufacturers.

[1] Based on Japanese fiscal year end of 31 March.
[2] Based on fiscal year end of 30 June.

Over the last few years, steel companies have also focused on expanding up and down the value chain. Referred to as "forward integration", steel slab and hot rolled coil producers acquired rolling and coating capacity in order to gain direct access to high value customers such as those in the automotive industry. "Backward integration" also occurred, as some steel manufacturers acquired coking coal and iron ore assets in order to capture the margin on historically high raw materials prices and ensure continuity of supply.

Over the past 12 months, there has been a slowdown in consolidation and integration activity in the steel industry. The global economic downturn and resultant decrease in steel demand has prompted many steel companies to place a greater focus on prudent capital management, cost control and organic growth.

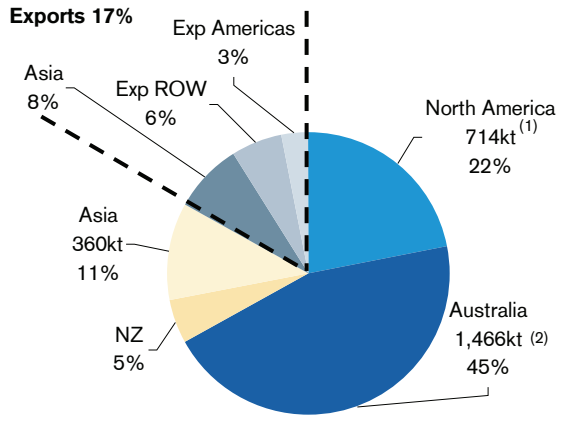
10.3. BlueScope Steel's primary markets

BlueScope Steel's primary markets are Australia and New Zealand, Asia and the U.S. In Australia and New Zealand, it is the leading flat steel manufacturer, supplying a large percentage of flat steel products in these markets. In Asia, BlueScope Steel has significant coating and painting, PEB and roll-forming operations. In the U.S., BlueScope Steel operates NSBS; a 50/50 steel mill joint venture with Cargill, a privately owned U.S. diversified group. BlueScope Steel also has rolling, coating, painting and pre-engineered buildings operations in North America.

BlueScope Steel sells its products domestically in each of its key operating geographies (Australia, New Zealand, Asia, U.S.) and also exports some products globally, principally from Australia and New Zealand. Exports accounted for 17% of BlueScope Steel's sales to external customers in the six months ended 31 December 2008. Approximately 45% of BlueScope Steel's external customer sales volumes for the same period were to Australian customers in a variety of end markets and industries including construction, manufacturing, agriculture and mining, and automotive and transport. BlueScope Steel's largest end market exposure in Australia is the construction industry, which accounted for approximately 61% of sales volumes in the six months ending 31 December 2008. The following diagrams set out additional information regarding BlueScope Steel's global external customer sales by geography and Australian external customer sales volumes by end market for the six months ended 31 December 2008:

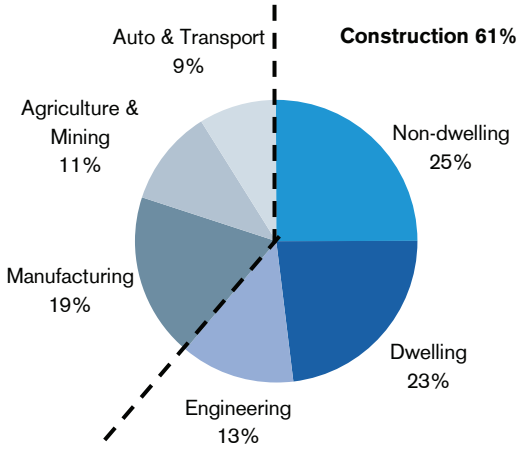
Global external customer sales by geography for the six months ended 31 December 2008

3,244,000 tonnes



Australian external customer sales by end market for the six months ended 31 December 2008

1,466,000 tonnes



Note: Percentages have been rounded. Internal (intercompany) sales volumes are not included.
(1) Includes BlueScope Steel's 50% share of despatches from the North Star BlueScope Steel joint venture.
(2) Includes 196,000 tonnes of sales of long steel products (not manufactured by BlueScope Steel) by Australian Distribution and Solutions.

Australia and New Zealand

BlueScope Steel produces approximately 70-80% of the total tonnage of flat steel products sold in the Australian market[1], with imports making up the bulk of the remaining 20-30%. While Australia represents less than 1% of world production, it is a relatively efficient and competitive sector, having commenced rationalisation several years ahead of many other steel producing regions.

Industry drivers

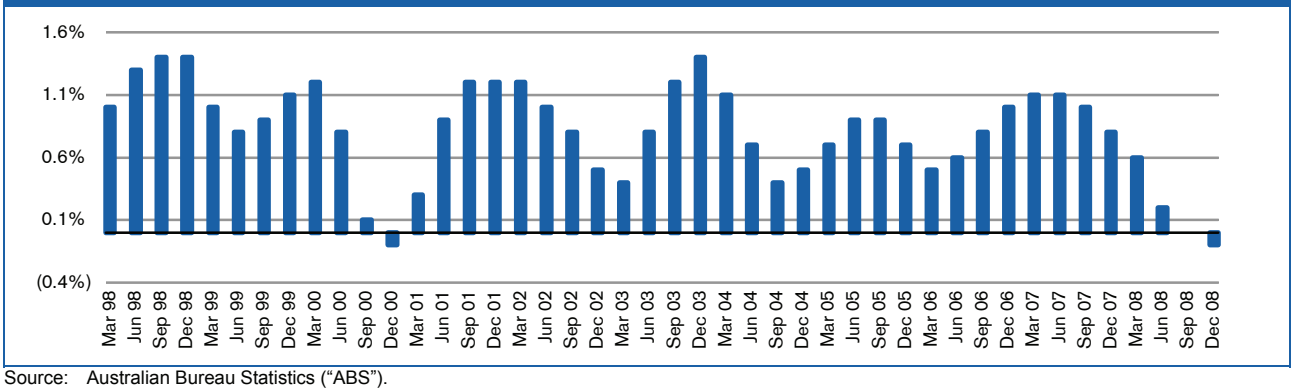
BlueScope Steel is the main domestic producer of flat steel products in Australia. OneSteel is the only other significant producer of steel products in Australia, but produces mainly long steel products which compete with flat steel products in only a limited number of applications (for example, structural products in the building and construction sector). OneSteel also produces small quantities of slab. BlueScope Steel and OneSteel are also the main distributors of steel products in Australia, and source most of their respective long steel and flat steel requirements from each other.

BlueScope Steel's total Australian external customer sales of flat steel products amounted to approximately 3.1 million tonnes in the year ended 30 June 2008 and approximately 1.47 million tonnes in the six months ended 31 December 2008. The majority of this steel was used in the construction sector, the manufacturing sector, the agriculture and mining sector and the automotive and transport sector.

Demand drivers

National accounts data from the Australian Bureau of Statistics up to the September 2008 quarter suggest that demand and activity in Australia had been moderating broadly as expected before the recent deterioration in the global economy occurred. GDP had expanded by 1.9% over the calendar year, while domestic demand, though moderating somewhat, was still growing at a relatively high rate of 4%. The moderation up to that point was mainly the result of a reduction in consumer spending, with business and public spending continuing to expand quite strongly. More recent information indicates that the deterioration in global economic conditions in the December 2008 quarter has unfavourably affected the Australian economy, particularly in the business sector. The diagram below shows the quarterly Australian GDP growth for the calendar years 1998 to 2008:

Quarterly Australian GDP growth for the calendar years 1998 to 2008



Source: Australian Bureau Statistics ("ABS").

Moreover, recent Australian business surveys have also reported a deterioration in confidence in the October/November 2008 period, consistent with global surveys. In some cases this partially improved in December 2008 and January 2009. The overall deterioration in sentiment has been accompanied by significant reductions in investment intentions and a number of major businesses have announced cutbacks in planned investment. Conditions in the mining sector have also been affected by the decline in commodity prices since the middle of calendar year 2008, and there were cutbacks in mining production in the December 2008 quarter in response to weaker external demand.

[1] BlueScope Steel has estimated its market share based on data available from ABS. This calculation does not take into account segments of the market for which BlueScope Steel does not make products or for which import data is not available. For example, information on HRC thicker than 4.75mm is not reported in ABS figures, BlueScope Steel does not produce electro-galvanised products or aluminised steel.

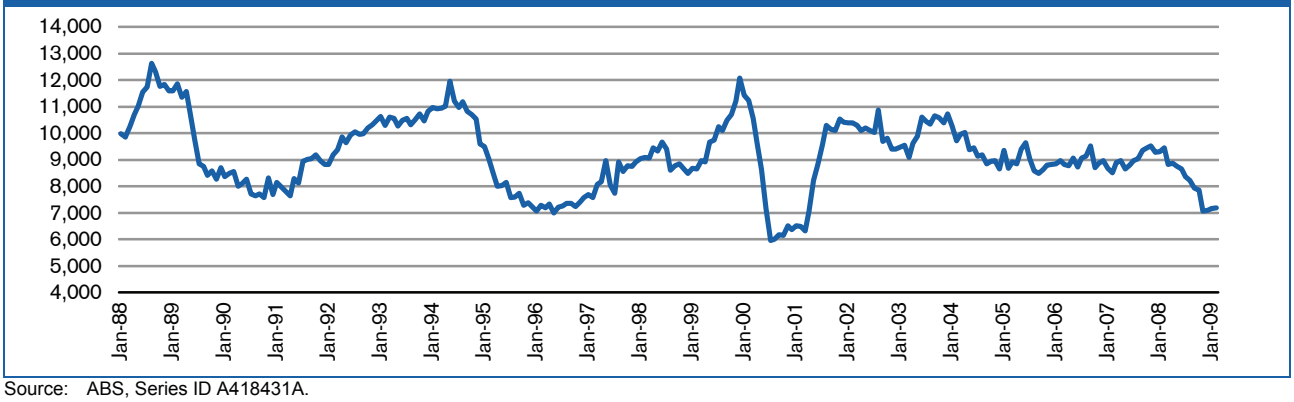
Australian construction sector

The three major steel consuming sectors of the Australian construction market are the residential (or dwelling) construction, non-residential (or non-dwelling) construction and engineering construction sectors. A number of factors affect the level of construction activity in Australia, including economic growth, investment expenditure, consumer and business confidence, labour market conditions, demographic factors, factors affecting housing affordability and rental vacancy rates.

The residential construction sector is cyclical. The most recent cycle started around March 2001. During this cycle, quarterly construction activity almost doubled and peaked in September 2004. Thereafter, activity in the residential construction sector remained relatively flat. From March until September 2008, residential construction activity increased. However, since September 2008, residential construction activity has softened, with forward indicators such as housing approvals pointing to a significant downturn in dwelling investment into calendar year 2009.

The number of residential construction approvals is a forward indicator of residential construction activity. The number of residential construction approvals in Australia peaked in early 2000 and fell thereafter. Between February and September 2001, the number of residential construction approvals grew strongly. This strong increase between February and September 2001 was caused by the introduction of the First Home Owners' Grant by the Australian Government. Residential construction approvals experienced a consistent decline from early 2002 to January 2008, with a further increased rate of decline throughout the majority of calendar year 2008. From December 2008 to February 2009, the number of residential construction approvals increased. The diagram below shows the monthly number of Australian residential construction approvals to January 2009:

Monthly number of Australian residential construction approvals to January 2009



Source: ABS, Series ID A418431A.
Note: Jan 1988 to Feb 2009.

The non-residential construction sector is also cyclical. Activity tends to be more variable and cycles tend to be longer in duration than in the residential construction sector. In the period from calendar year 2001 to 2008, there was an overall steady increase in non-residential construction activity.

Data from the Australian Bureau of Statistics suggest that, since September 2008, there has been a pronounced downturn in the non-residential construction sector. The value of approvals for private non-residential buildings fell by approximately 40% in the December 2008 quarter. The falls have been greater for large-scale projects such as offices and warehouses, with approvals for offices having fallen by almost two-thirds since early calendar year 2008.

Australian manufacturing sector

BlueScope Steel's sales to the Australian manufacturing industry are mainly to the consumer product manufacturing sector. Growth in Australian manufacturing industry gross value added[1] has been low and steady in recent years. It grew at a compound annual rate of 1.5% over the ten-year period between 1998 and 2008.

[1] Defined as the value of output at basic prices less the value of intermediate consumption at purchasers' prices.

Supply drivers

Production capacity

Steelmaking capacity in Australia is estimated to be approximately 8.0 million tonnes per annum. In 2008, apparent consumption (production plus imports less exports) of finished steel product equivalents was 7.56 million tonnes compared to 6.90 million tonnes in 2006. The table below summarises the key production facilities of the two key steel Australian manufacturers, BlueScope Steel and OneSteel in Australia:

BlueScope Steel and OneSteel's steelmaking facilities as of 30 June 2008

Location	Ownership	Type	Capacity (ktpa)	Products
Port Kembla Steelworks	BlueScope Steel	BF / OF	5,300	Flat
Whyalla	OneSteel	BF / OF	1,150	Long, slab
Laverton	OneSteel	EAF	660	Long
Sydney	OneSteel	EAF	620	Long
Waratah	OneSteel	EAF	260	Long

Note: BF / OF = blast furnace ironmaking and basic oxygen furnace steelmaking. EAF = Electric arc furnace steelmaking using scrap feed.

Globally, as steel demand declined in the December 2008 quarter, steel companies responded by implementing steel plant closures or reducing steel production. In Australia, OneSteel and BlueScope Steel both reduced steel production to adjust to the decline in demand.

Since November 2008, OneSteel has implemented capacity reductions in its steel production facilities at Sydney, Laverton and Whyalla. In April 2009, the company announced that it expected its production from its Sydney and Laverton facilities for the 2009 fiscal year to be approximately 725,000 tonnes, compared to total capacity of 1.28 million tonnes.

Similarly, BlueScope Steel has also reduced steel production. The reline of the Port Kembla Steelworks No. 5 Blast Furnace, which was initially scheduled to commence in March 2009, was commenced on 18 January 2009 to take advantage of subdued demand conditions. BlueScope Steel has also reduced its steel rolling, coating and painting throughput at Springhill Works and Western Port Works in order to reflect reduced steel demand.

Imports

Importers supply long steel, flat steel and tubular steel products to Australia. Australian steel producers manufacture a wide range of different steel products to service the Australian market. In contrast with many global manufacturers which specialise in particular steel products, Australia's steel manufacturers compete with steel importers, and also with each other in steel distribution.

In calendar year 2007, 1.1 million tonnes of flat steel products were imported into Australia. For the 12 months ended 30 June 2008, the A$ value of imports of flat steel products into Australia declined by 21% over the prior corresponding period. The value of imports of long steel products largely experienced the same trends as flat steel products over these periods. Total steel imports into Australia declined 52% between October 2008 and March 2009, reflecting weaker domestic demand conditions.

Domestic competition

BlueScope Steel is the main domestic producer of flat steel products in Australia. OneSteel is the only other significant producer of steel products in Australia, but produces mainly long steel products which compete with flat steel products in only a limited number of applications (for example, structural products in the building and construction sector). OneSteel also produces small quantities of slab.

Australian steel producers manufacture a wide range of different steel products to service the domestic market, in contrast with many global manufacturers which specialise in particular steel products. OneSteel's current product range includes columns, girders, reinforcing bar and mesh, merchant bar, pipe and tube, grinding media, wire and fencing products. BlueScope Steel's product range includes roofing, fencing, guttering, automotive steels, walling and cladding.

BlueScope Steel and OneSteel are also the main distributors of steel products in Australia, and source most of their respective long steel and flat steel requirements from each other.

Asia

The Asian steel industry represents approximately 58% of total world crude steel production. China is the largest producer and consumer within Asia, representing 38% of world crude steel production during calendar year 2008.

A key development during the past few months has been the spread of the global economic downturn to Asia. Korea and Singapore recorded large falls in economic output in the December 2008 quarter, while weakness in the second half of 2008 saw year-end GDP growth in China slow to just under 7%, around half the rate recorded in mid-2007. The decline in industrial production in some Asian nations has been greater than in industrialised countries. For example, in the three months ended 31 December 2008, production fell by around 20% in Korea and Thailand, and by more than 25% in Taiwan.

The value of the other East Asia region's exports is estimated to have fallen by around 25% between September and December 2008, only part of which can be attributed to valuation effects from exchange rate movements or falling commodity prices.

More generally, the Chinese economy experienced slowdown in the second half of calendar year 2008, with particular weakness in the construction, industrial production and trade industries. This slowdown has reflected both global influences and country-specific factors such as the authorities' earlier efforts to prevent the economy from overheating. Recent indicators of construction activity have also weakened, with a decline in the growth of floor space under construction, partly in response to the stagnation in house price growth. However, measures of consumer demand such as retail sales have been surprisingly resilient.

In response to the deterioration in economic conditions in November 2008, Chinese authorities announced a stimulus package. Spread over calendar years 2009 and 2010, the size of the package is estimated to be 2% of GDP in calendar year 2009. The stimulus package will be aimed at easing credit restrictions, expanding social welfare services and launching an infrastructure spending program that would include the construction of new railways, roads and airports.

Industry drivers

Demand drivers

Within Asia, the Chinese steel industry continues to act as a key driver to the global market. In calendar year 2008, China accounted for 35% of the world's total crude steel consumption and 38% of the world's total crude steel production. The expansion of China's industrial production and its strong industrialisation trend drove an increase in crude steel consumption of 160 kilograms per capita in calendar year 2002 to 322 kilograms per capita in calendar year 2007. According to ABARE, crude steel consumption in China was 460 million tonnes for the calendar year 2008, up 6% from the previous calendar year 2007.

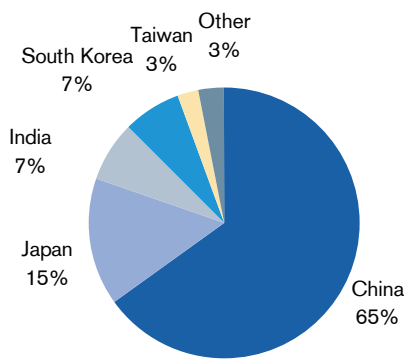
Historically, the construction sector accounts for around half of China's consumption of steel. Steel-intensive manufacturing activities such as automotive production, shipbuilding and household appliances also drive steel demand. Currently, the severe contraction in consumer spending globally has reduced the demand for steel intensive goods, many of which are manufactured in Asia. According to ABARE, short term steel consumption growth is forecast to be weaker than in recent historical years.

On the other hand, short term steel consumption growth in Asia should be supported to a large extent by investment in infrastructure such as railways, roads, pipelines, ports and electricity supply. An example of this is the Chinese Government's stimulus package aimed at infrastructure construction. This will have the potential to drive a recovery in the engineering construction sectors.

Supply drivers

Availability and price of raw materials, domestic and international competitors, imports and government policy are the key supply drivers of the Asian steel industry. The diagram below shows the largest steel producing countries in Asia for calendar year 2008:

Largest steel producing countries in Asia for calendar year 2008



Source: World Steel Association.

The largest steel producer in Asia is China, with 502 million tonnes produced in calendar year 2008. Steel production was up 3% from 489 million tonnes produced in calendar year 2007. Steel demand from manufacturers is driven by the construction, automotive, shipbuilding and industrial machinery industries.

The other major Asian steel producer is Japan. In calendar year 2007, Japanese steel production rose to its highest level since the early 1970s, climbing 3.4% to 120.2 million tonnes. Production continued to remain at these high levels throughout the majority of calendar year 2008, until a contraction began to occur in October 2008. From October 2008 to February 2009, production levels declined by 45.7% driven by the global economic downturn. Since then, production levels have recovered slightly, with a 4.8% month-on-month increase in March 2009.

In addition to China and Japan; Southeast Asia, South Korea, India and Taiwan are other significant steel producers in Asia.

U.S.

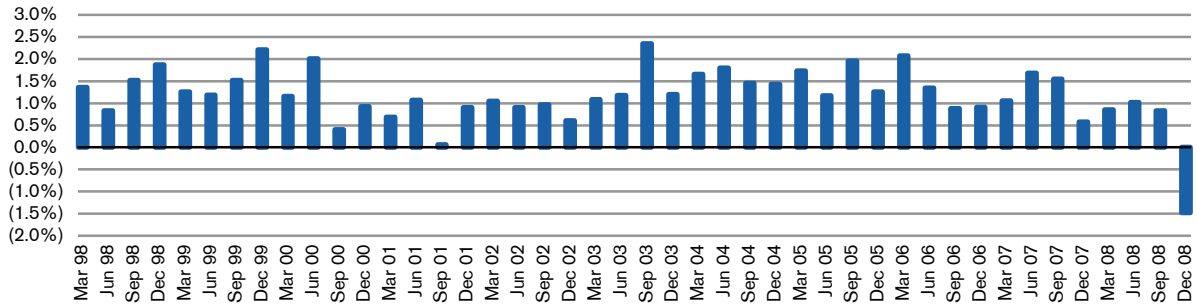
The U.S. steel industry represented 7% of the total world crude steel production in calendar year 2008 and was the third largest steel producing country, with 92 million tonnes of crude steel produced.

Industry drivers

Demand drivers

Macroeconomic data points to a marked deterioration in the U.S. economy in late calendar year 2008. Output contracted significantly in the December 2008 quarter and there were falls in international trade and industrial production. The chart below highlights the negative economic growth experienced in the December 2008 quarter. In response, U.S. authorities have implemented monetary and fiscal policy easing in conjunction with the Troubled Asset Relief Program ("TARP"), which is intended to stimulate credit flow lending liquidity. The diagram below shows the quarterly U.S. GDP growth for the calendar years 1998 to 2008:

Quarterly U.S. GDP growth for the calendar years 1998 to 2008



Source: U.S. Bureau of Economic Analysis.

Demand in the U.S. steel industry is heavily driven by the construction, automotive, shipbuilding and industrial machinery industries. From calendar years 2003 to 2006, favourable economic conditions supported by solid growth in the steel-consuming industries contributed to strong global demand. During this

period, apparent steel consumption in the U.S. increased by 22%. Market conditions softened in 2007 in response to lower automotive production, a weak housing sector and excess inventory levels held by steel distributors. During the first half of calendar year 2007, apparent steel consumption declined by slightly more than 10%, amounting to more than 6 million tonnes.

Weak market conditions continued to reduce demand for steel in the U.S. throughout calendar year 2008, with further declines in both steel consumption and production. During this period, U.S. crude steel consumption declined by 11% and this trend is expected to continue in the short term. The current U.S. economic downturn is expected to lead to lower consumer spending on steel-intensive manufactured goods, such as motor vehicles and appliances, and reduced construction activity. Weak demand for steel manufactured goods and lower construction activity is expected to persist through calendar year 2009.

Supply drivers

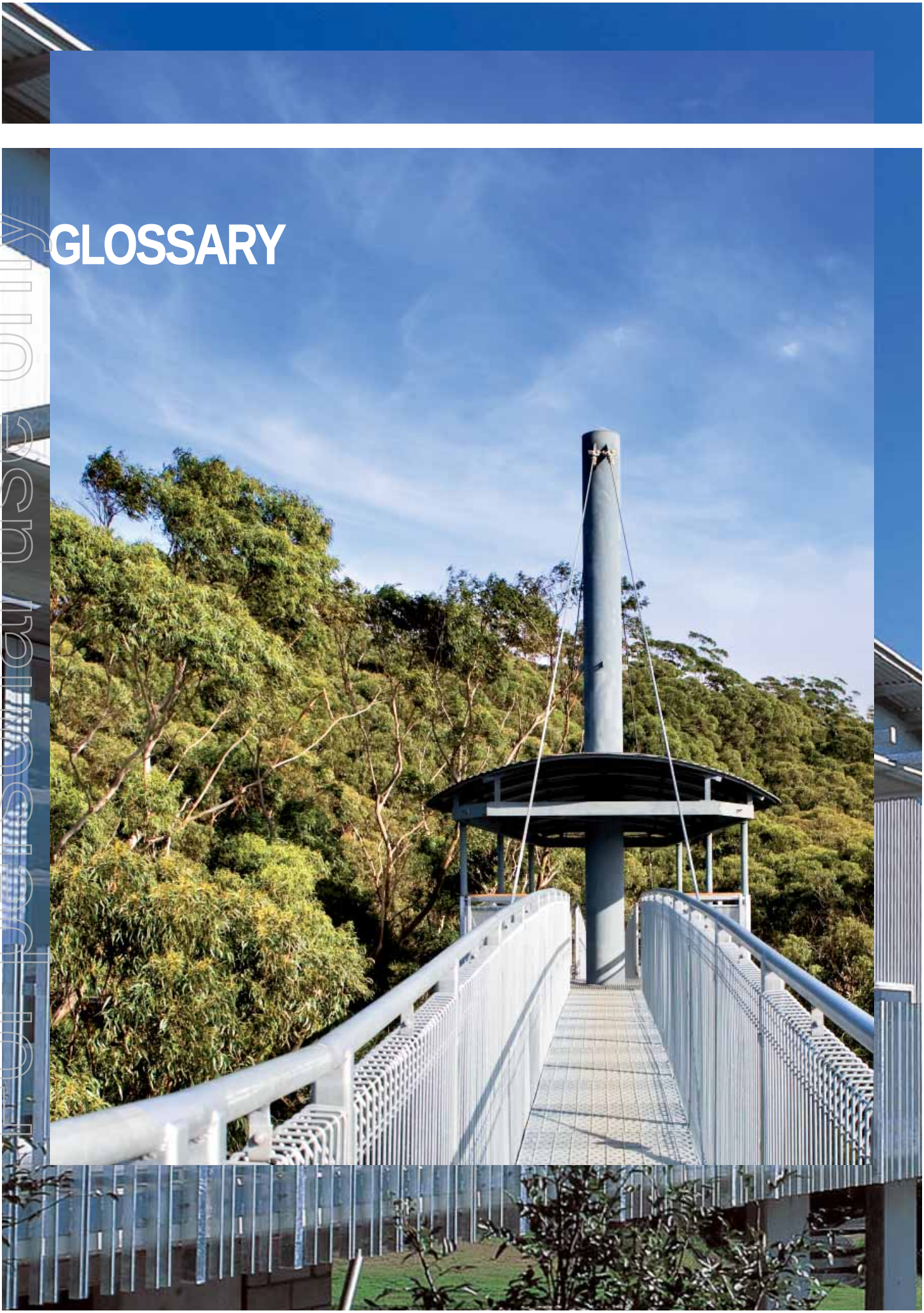
Availability and price of raw materials, domestic and international competitors, imports and government policy are the key supply drivers of the U.S. steel industry.

Compared to other global steel industries, the U.S. industry relies more heavily upon scrap steel rather than iron ore and coking coal as its key raw materials. As a result, the majority of its raw steel is produced from electric arc furnaces as opposed to basic oxygen furnaces. Consequently, ferrous scrap dealers and steel recyclers play a significant role in the U.S. steel markets. In calendar year 2007, the U.S. was the largest scrap steel consumer globally, with 15.4% of global scrap steel consumption.

Imports accounted for 15% of apparent steel consumption in the U.S. in calendar year 2007. The majority of these imports were flat steel products, mainly slab and hot rolled coil. Total steel imports declined in calendar year 2007, down 27% from record-high levels in calendar year 2006. Dollar weakness and slow market conditions resulted in the decline.

According to the American Iron and Steel Institute, U.S. steel producers are estimated to be currently operating at approximately 42% capacity utilisation as at April 2009. On an adjusted year-to-date basis, production through April 2009 was 15.4 million tonnes, at a capacity utilisation rate of 43%, which constitutes a 53% decrease in capacity utilisation compared with the prior corresponding period.

GLOSSARY



Glossary

The following definitions have been used throughout this Prospectus unless stated otherwise:

A$ or $	Australian dollars, the lawful currency of Australia.
ABS	Australian Bureau of Statistics.
ACCC	Australian Competition and Consumer Commission.
AIFRS	Australian equivalents to International Financial Reporting Standards.
Allotment Date	The Institutional Allotment Date and the Final Allotment Date.
Applicants	Persons who submit a valid Entitlement and Acceptance Form pursuant to this Prospectus.
Application	An application for New Shares pursuant to the Offer made in accordance with this Prospectus and the Entitlement and Acceptance Form.
Application Monies	Monies received from Applicants in respect of their Applications.
ASIC	Australian Securities and Investments Commission.
ASTC	ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).
ASTC Operating Rules	The operating rules of ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).
ASTC Settlement Rules	The business rules of ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).
ASX	ASX Limited (ABN 98 008 624 691) or Australian Securities Exchange, as the context requires.
ASX Recommendations	The ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.
BHP Billiton	BHP Billiton Limited (ABN 49 004 028 077).
BlueScope Steel or the Company	BlueScope Steel (ABN 16 000 011 058) and where the context requires, its Related Bodies Corporate.
BlueScope Steel Offer Information Line	1300 855 998 from within Australia or +61 2 8280 7760 if calling from outside Australia between 8:30am and 5:30pm (AEST) Monday to Friday during the Retail Offer Period.
Board	The Board of Directors of BlueScope Steel.
Business Day	Has the meaning given in the Listing Rules.
Cancelled Facilities	Company's Existing Syndicated Loan Note facility, loan note facility and certain bilateral facilities which will be repaid and cancelled on or before 31 July 2009.
CGT	Capital Gains Tax.
CHESS	Clearing House Electronic Subregister System operated by ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).
Closing Date	5:00pm on 29 May 2009 (or as varied).
Co-Lead Manager	CommSec.
CommSec	Commonwealth Securities Limited (ABN 60 067 254 399).
Constitution	The constitution of BlueScope Steel, as amended from time to time.
Corporations Act	Corporations Act 2001 (Cth).
CPI	Consumer Price Index.
Director(s)	A director of BlueScope Steel.
EAF	Electric arc furnace.
EBIT	Earnings before interest, income tax.
EBITDA	Earnings before interest, income tax, depreciation, amortisation.
EITE	Emissions-intensive trade-exposed.
Eligible Institutional Shareholder	Any Institutional Shareholder to whom the Sole Lead Manager and Underwriter make an offer on behalf of BlueScope Steel under the Institutional Offer (whether or not it accepted that offer) or a nominee for such an Institutional Shareholder in respect of Shares held for such Institutional Shareholder.

Eligible Retail Shareholder	A Shareholder as at 7:00pm on the Record Date who (i) has a registered address in Australia or New Zealand; (ii) is not located in the U.S. or a U.S. Person or acting for the account or benefit of a U.S. Person; (iii) is not an Eligible Institutional Shareholder or an Ineligible Institutional Shareholder; (iv) does not hold BlueScope Steel Shares solely as a result of post ex-date transactions which are disregarded as described in Section 2; and (v) is eligible under all applicable securities laws to receive an offer under the Retail Offer.
Eligible Shareholders	Eligible Institutional Shareholders and Eligible Retail Shareholders.
Eligible U.S. Fund Manager	A dealer or professional fiduciary organised, incorporated or (if an individual) resident in the U.S. acting solely for an account (other than an estate or trust) held for the benefit.
Entitlement	The number of New Shares for which an (i) Eligible Retail Shareholder is entitled to subscribe under the Retail Offer; or (ii) Eligible Institutional Shareholder is entitled to subscribe under the Institutional Offer, in each case on the basis of 1 New Share for every 1 Share held at 7:00pm on the Record Date, subject to rounding and the terms of the Offer.
Entitlement and Acceptance Form	Each personalised form accompanying this Prospectus upon which an application for New Shares may be made by an Eligible Retail Shareholder.
EPS	Earnings per Share.
Existing Syndicated Loan Note Facility	Syndicated loan note facility in existence prior to the Offering, most recently amended on 20 June 2008.
Expiry Date	The date that is 13 months after the date of this Prospectus.
Final Allotment Date	5 June 2009.
GDP	Gross Domestic Product.
GST	A goods and services or similar tax imposed in Australia.
Ineligible Institutional Shareholder	A Shareholder as at 7:00pm on the Record Date who is not an Eligible Institutional Shareholder and who BlueScope Steel and the Sole Lead Manager and Underwriter agree is any of the following (i) although an Institutional Investor, should not receive an offer under the Institutional Offer in accordance with rule 7.7.1(a) of the Listing Rules; (ii) although not an Institutional Investor, is a person to whom offers and issues of New Shares could lawfully be made in Australia without the need for disclosure to investors under Chapter 6D of the Corporations Act if that Shareholder had received the offer in Australia, and who should be treated as an Ineligible Institutional Shareholder for the purposes of the Offer or (iii) is located in the U.S. or is a U.S. Person or acting for the account or benefit of a U.S. Persons.
Ineligible Retail Shareholder	A Shareholder as at 7:00pm on the Record Date who is not an Eligible Institutional Shareholder, an Ineligible Institutional Shareholder or an Eligible Retail Shareholder.
Institutional Allotment Date	15 May 2009.
Institutional Investors	Persons who are (i) “professional investors” or “sophisticated investors” for the purposes of Section 708 of the Corporations Act and who are not U.S. Persons or acting on the account of or for the benefit of U.S. Persons, or (ii) who are otherwise entitled to receive an offer of New Shares outside of Australia without the need for a lodged prospectus or other registration or formality (other than a registration or formality which BlueScope Steel, in its absolute discretion, is willing to comply with), provided that such a person is not located in the U.S. or a U.S. Person or acting for the account or benefit of a U.S. Person unless it (and any such underlying holder for whose account or benefit it is acting) is a QIB or an Eligible U.S. Fund Manager.
Institutional Offer	The offers to Eligible Institutional Shareholders and Institutional Investors in connection with the Offer as described in Section 2.2.1.

Institutional Shareholders	Institutional Investors who, to BlueScope Steel's knowledge, hold Shares either directly or through nominees on or before the Record Date.
Listing Rules	The listing rules of ASX.
New Shares	The Shares to be issued under the Offer.
North Star BlueScope Steel	50/50 joint venture between Cargill and BlueScope Steel operating a steel manufacturing facility in Delta, Ohio.
NPAT	Net profit after tax.
NSBS	North Star BlueScope Steel.
NZ$	New Zealand dollars, the lawful currency of New Zealand.
OECD	Organisation for Economic Co-operation and Development.
Offer	A non-renounceable Offer of approximately 911.7 million New Shares at an Offer Price of $1.55 per share.
Offer Period	5 May 2009 to 29 May 2009.
Offer Price	$1.55 per New Share.
OneSteel	OneSteel Limited (ACN 004 410 833).
PCI	Pulverised Coal Injection.
PEB	Pre-engineered steel buildings.
PKSW	Port Kembla Steelworks.
Privacy Act	Privacy Act 1988 (Cth).
Prospectus	The prospectus dated 5 May 2009, being all sections of this document.
QIB	Qualified institutional buyer as such term is defined in Rule 144A under the U.S. Securities Act.
Record Date	7:00pm on 8 May 2009.
Register	The official record of registered shareholdings in BlueScope Steel.
Related Bodies Corporate	Has the meaning given to it by Section 50 of the Corporations Act.
Replacement Syndicated Loan Note Facility	Syndicated loan note facility entered into in conjunction with the Offering.
Reported EBIT	EBIT from continuing operations.
Retail Offer	The Offer to Eligible Retail Shareholders in connection with the Offer as described in Section 2.2.2.
Retail Offer Period	11 May 2009 to 29 May 2009.
Share	Fully paid ordinary share in BlueScope Steel.
Share Registry	Link Market Services Limited.
Shareholder	A registered holder of BlueScope Steel Shares.
Sole Lead Manager and Underwriter	Credit Suisse (Australia) Limited (ABN 94 007 016 300), the key terms of whose appointment are set out in Section 9.4 of this Prospectus.
Subsidiaries	Has the meaning given to it in the Corporations Act.
Tata BlueScope Steel India	A 50/50 joint venture between Tata Steel and BlueScope Steel.
TERP or Theoretical Ex-Rights Price	The theoretical market price for Shares immediately following the Offer, assuming the Retail Offer is fully subscribed. Based on the VWAP on 4 May 2009, being the last day of trading before announcement of the Offer.

Top−Up Shares	A small number of New Shares that BlueScope Steel may need to issue to ensure that all Eligible Shareholders receive their full Entitlement.
Trade Practices Act	Trade Practices Act 1974 (Cth).
Transaction Confirmation Statements	A statement issued to holders of New Shares by the Share Registry setting out their holdings of New Shares.
Underlying EBIT	EBIT from continuing operations before unusual and non-recurring items.
Underwriting Agreement	The Agreement dated on or about 5 May 2009 between BlueScope Steel and the Sole Lead Manager and Underwriter, Credit Suisse (Australia) Limited (ABN 94 007 016 300), in relation to the underwriting of the Offer.
U.S.	The United States of America, its territories and provinces, any state of the United States and the District of Columbia.
U.S. Person	Has the meaning given in Rule 902(k) under Regulation S under the U.S. Securities Act.
U.S.P.P.	U.S. Private Placement.
U.S. Securities Act	United States Securities Act of 1933, as amended.
US$	U.S. dollars, the lawful currency of the U.S.
VWAP	Volume Weighted Average Share Price.

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CORPORATE DIRECTORY

DIRECTORS

Graham Kraehe (Chairman)
Ron McNeilly (Deputy Chairman)
Paul O'Malley (Managing Director & Chief Executive Officer)
Diane Grady
Kevin McCann
Tan Yam Pin
Daniel Grollo
Ken Dean

COMPANY SECRETARY

Michael Barron

REGISTERED OFFICE

Level 11
120 Collins Street
Melbourne VIC 3000

SOLE LEAD MANAGER, UNDERWRITER & BOOKRUNNER

Credit Suisse (Australia) Limited
Level 31, Gateway
1 Macquarie Place
Sydney NSW 2000

CO-LEAD MANAGER

Commonwealth Securities Limited
Darling Park Tower 1
Level 23, 201 Sussex Street
Sydney NSW 2000

INVESTIGATING ACCOUNTANT TO THE OFFER

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

AUSTRALIAN LAWYERS TO THE OFFER

Blake Dawson
Level 26
181 William Street
Melbourne VIC 3000

SHARE REGISTRY

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

BLUESCOPE STEEL OFFER INFORMATION LINE

Call 1300 855 998 (within Australia) or +61 2 8280 7760 (outside Australia) between 8:30 am and 5:30 pm Monday to Friday during the Offer Period.

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

SOLE LEAD MANAGER, UNDERWRITER & BOOKRUNNER

CREDIT SUISSE

CO-LEAD MANAGER

CommSec