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FOR IMMEDIATE RELEASE

Results for Announcement to the Market
(Under ASX listing rule 4.2A)

Annual Earnings Report Twelve Months Ended 30 June 2009

Note (1): This report is based on accounts prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

As a result of recent acquisitions and revised management structure, the Company elected to early adopt the new AIFRS Accounting Standard (AASB 8 – Operating Segments) and change its external reporting segments effective from FY 2008 accounts.

Note (2): The underlying profit results presented in this report have been prepared based on the principles provided by the Financial Services Institute of Australasia and the Australian Institute of Company Directors.

Melbourne – 17 August 2009 – BlueScope Steel Limited (ASX Code: BSL) today reported its financial results for the twelve months ended 30 June 2009.

Table 1 provides a recap of headlines for FY 2009.

Table 1: FY 2009 Headlines

Earnings performance

- The reported net loss after tax (NLAT) for FY 2009 was $66M vs. a reported Net Profit After Tax (NPAT) of $596M in the previous corresponding period and the Board has not declared a final dividend. The underlying NPAT was $56M for FY 2009 (vs. $816M for FY 2008). PLEASE REFER TO TABLE 2(b) ON PAGE 6 FOR A DETAILED RECONCILIATION BETWEEN REPORTED AND UNDERLYING EARNINGS BEFORE INTEREST AND TAX (EBIT), NPAT AND EARNINGS PER SHARE (EPS).

Financial Ratios	**FY 2009**	**FY 2008**
▪ Return on equity (based on annualised NPAT attributable to shareholders) (1)	(1.4)% / 1.2%	15.7% / 21.5%
▪ Earnings per share(1)	(7.1)cps / 6.1cps	66.2cps / 90.6cps
▪ Return on invested capital (based on annualised NPAT) (1)	0.1% / 1.9%	12.0% /15.9%
▪ Gearing (net debt/net debt plus equity)	11.8%	30.4%
▪ Interest cover (underlying operational EBITDA/ interest expense)	4 times	12 times

Note: (1) Reported / underlying

Dividends		
▪ Final ordinary dividend	0	27cps

Shares on issue		
▪ Ordinary shares on issue as at 30 June 2009 and 2008	1,823M	760M
▪ Net Debt	A$756M	A$1,722M
▪ Inventory		

- June 2008 A$1,660M
- Dec 2008 A$2,815M - increase of A$1,155M from June 2008
- June 2009 A$1,702M - decrease of A$1,113M from December 2008

Cost savings

- The group achieved total cost savings of A$295M (target A$150M) inclusive of lower short term incentive payments in FY 2009 vs. FY 2008. Estimated permanent: variable ratio was 45.55. Please refer to FY 2009 results presentation for more details.

Business Performance (relative to FY 2008)

- Australia
  - Coated & Industrial Products Australia – raw steel production was down 33% on FY 2008 due to the No. 5 blast furnace reline and operating BF No. 6 at an annual capacity rate of 73% in 2H FY 2009. The reline project was completed on schedule in June. The company announced its intention on July 16 to restart No. 5 towards the end of August. The sinter plant upgrade was largely completed in June and the plant will be brought up to a rate consistent with the requirements of our Blast Furnace operations.
  - Australian Distribution & Solutions – 90% underlying EBIT reduction was principally due to weaker demand mainly in 2H FY 2009 and higher inventory net realisable value provisions relating to domestic commoditised products.

- New Zealand
  - Small underlying EBIT improvement despite the challenging market conditions. Steel production was 10% down.

- Asia
  - Another challenging year. Positive signs in China pre-engineered building business and in the Indonesian economy. Significant steps have been taken to restructure and reduce the cost base.

- North America
  - North Star – Average production capacity utilisation rate was 71% in FY 2009, well above USA steel industry levels. However, lower despatches (-28%), reduced spread and inventory net realisable value provisions driven by the decline in US steel prices and higher priced pig iron on hand contributed to a 155% EBIT reduction.
  - Coated & Building Products North America – inventory net realisable value provisions, weaker demand, lower spread and higher unit costs resulted in a weaker earnings contribution. Integration of IMSA Group continued.

Capital Growth Projects and Acquisitions

- The second Indonesian metal coating and paint line project was intentionally put on hold in December 2008 due to the decision to reduce capital spend across the BlueScope Group and reflects weaker demand in Indonesia.
- The metallic coating and paint line project in India is now scheduled to start up in 2H CY 2010. Expenditure to be funded by the Joint Venture under a new project financing arrangement finalised in early CY 2009.

Equity Raisings

- Raised A$400M (net) through an institutional investor share placement in December 2008 and Share Purchase Plan in February 2009.
- Raised a further A$1,360M (net) from an entitlement offer in May and June 2009.

Funding

- In May 2009 the company entered into a new Syndicated Loan Note Facility for A$1,275M, with Tranche 1 (A$200M) maturing in July 2011 and Tranche 2 (A$1,075M) maturing in July 2012.
- Proceeds from both the equity raisings and debt refinancing were applied to repay debt. Net debt as at 30 June 2009 was A$756M.

Defined Benefit/Pension Fund Shortfall

- An actuarial assessment has identified the need to recognise a $261M constructive liability for Defined Benefits funds and pension plans, an increase of $57M since 30 June 2008 primarily due to the performance of global share markets. This liability has declined by $202M since December 2008 as a result of improved share market returns and higher interest rates (used to discount future defined benefit obligations).

Consolidated Results
Table 2a provides the FY2009 consolidated financial results and the comparable FY 2008 period. Table 2b reconciles underlying operational earnings to reported earnings.

Table 2a : Financial Headlines
Twelve months ended 30/06/09 ("FY 2009") and 30/06/08 ("FY 2008")

Financial Measure			FY 2009	FY 2008	Variance $	Variance %
Total revenue [1]		A$M	10,329	10,495	(166)	(2)
Earnings before interest tax, depreciation and amortisation (EBITDA) [2]	**– Reported**	A$M	380	1,420	(1,040)	(73)
EBITDA	**– Underlying**	A$M	536	1,630	(1,094)	(67)
EBIT [2]	**– Reported**	A$M	15	1,063	(1,048)	(99)
	– Underlying	A$M	171	1,273	(1,102)	(87)
Interest expense		A$M	(135)	(131)	(4)	(3)
NPAT attributable to BlueScope Steel Shareholders	**– Reported**	A$M	(66)	596	(662)	(111)
	– Underlying	A$M	56	816	(760)	(93)
Earnings per share[3]	**– Reported**	¢/s	(7.1)	66.2	(73.3)	(111)
	– Underlying	¢/s	6.1	90.6	(84.5)	(93)
Diluted earnings per share[4]	**– Reported**	¢/s	(7.1)	65.8	(72.9)	(111)
Final Dividend		¢/s	0	27	(27)	(100)
Full Year Dividend		¢/s	5	49	(44)	(90)
Net cash flow from operating and investing activities (pre-tax)		A$M	56	138	(82)	(59)
Return on invested capital [5]	**– Reported**	%	0.1%	12.0%		
	– Underlying	%	1.9%	15.9%		
Return on equity [6]	**– Reported**	%	(1.4%)	15.7%		
	– Underlying	%	1.2%	21.5%		
Gearing (net debt/net debt plus equity)[7]		%	11.8%	30.4%		
Net tangible assets per share		$/s	2.46	3.77		

(1) Excludes the company's 50% share of North Star BlueScope Steel revenue of $669M in FY 2009 ($721M in FY 2008). Includes interest received, rental income, royalty income and other revenue of $27M in FY 2009 ($34M in FY 2008). Includes revenue from discontinued businesses of $0M in FY 2009 ($3M in FY 2008).
(2) Includes 50% share of net loss from North Star BlueScope Steel of $56M in FY 2009 ($108M net profit in FY 2008).
(3) FY 2009 earnings per share is based on the average number of shares on issue during the reporting period (930.6M). In accordance with AASB 133 Earnings per Share, comparative earnings per share calculations have been restated for the bonus element of the one-for-one share rights issue undertaken in May and June 2009. The previously reported June 2008 weighted average number of shares has been adjusted by a factor of 1.21 being the market price of one ordinary share immediately before the last date of entitlement to participate in the bonus issue ($2.38), divided by the theoretical ex-rights value per share of ($1.97), (FY 2008 restated average 900.5M).
(4) Earnings per share are diluted for executive share right awards that are likely to vest based on current TSR performance. The prior period diluted earnings per share has been restated for the bonus element of the one-for-one share rights issue undertaken in May and June 2009 using a factor of 1.21.
(5) Return on invested capital is defined as net profit after tax (annualised in case of half year comparison) / average monthly capital employed.
(6) Return on equity is defined as net profit after tax (annualised in case of half year comparison) attributable to shareholders / average monthly shareholders' equity.
(7) Target gearing range of 30% to 35%.

Variance Analysis (FY 2009 vs. FY 2008)

- <u>Total revenue</u>

  The $166M (2%) decrease principally reflects:
  - Reduced underlying export and domestic sales volumes due to substantial weakness in world steel demand across all reporting segments.
  - Lower global slab and hot rolled coil prices, particularly during 2H FY 2009.

  Partly offset by:
  - Higher domestic selling prices across all reporting segments.

- Lower average AUD:USD exchange rate for FY 2009 of 0.75 compared to the previous corresponding period of 0.897.

- EBIT

The $1,102M (87%) decrease in underlying EBIT principally reflects:

Spread ($56M favourable)

Prices ($1,266M favourable)
- Higher domestic prices mainly within Industrial Markets and the Building sector at Coated & Industrial Products Australia driven by higher international steel prices during Q1 FY 2009 and a weaker AUD compared to the prior comparative period.
- Higher average domestic prices at Australia Distribution and Solutions.
- Higher domestic prices at New Zealand Steel.
- Higher Coated and Building Product prices in North America and Asia.

Partly offset by:
- Lower export prices, particularly hot rolled coil, from Coated and Industrial Products Australia.

Raw material costs ($1,210M unfavourable)
- Higher USD coal, iron ore and scrap purchase prices at the Port Kembla Steelworks.
- Higher steel feed costs principally in Coated & Building Products Asia and Australian Distribution & Solutions.
  Partly offset by:
  - Lower zinc and aluminium coating metal costs.
- Higher coal purchase prices at New Zealand Steel.

North Star BlueScope Steel ($164M unfavourable)
- Reduced spread driven by lower hot rolled coil prices and higher scrap and pig iron costs in North America.
- Lower despatch volumes.
- Inventory net realisable value provisions for inventory on hand at 30 June 2009 due to the decline in US steel prices and higher priced pig iron on hand.
- Higher per unit conversion costs driven by reduced production volumes.

Exchange rates ($155M favourable)
- Favourable movement in the AUD:USD relative to the previous comparative period. Average exchange rate for FY 2009 was 0.75 compared to 0.897 in FY 2008.

Sales volumes and product mix ($665M unfavourable)
- Lower underlying export and domestic sales volumes due to substantial weakness in world steel demand across all reporting segments.

Partly offset by:
- Favourable product mix to a higher proportion of value added painted product in Coated and Industrial Products Australia.

Costs ($321M unfavourable) comprising the following components:

Cost improvement initiatives ($295M favourable)
- Cost reductions delivered through right-sizing of manufacturing facilities to match market demand profiles.
- Lower repairs and maintenance, conversion, operational, overhead and discretionary costs delivered through cost reduction initiatives.
- Non-payment of short term incentive plan award for FY 2009.

Cost escalation ($113M unfavourable)
- Escalation of employment, consumables and other costs.

Production volume related cost impacts ($471M unfavourable)
- Higher per unit conversion costs driven by lower production volumes mainly at Coated and Industrial Products Australia, New Zealand Steel and Coated & Building Products Asia and North America.

One-off and discretionary costs ($3M unfavourable)

Other costs ($29M unfavourable)
- Lower vanadium and scrap recoveries within New Zealand Steel.

Other items ($163M unfavourable)

- Principally inventory net realisable value provisions for inventory on hand at 30 June 2009 ($166M). These were predominantly at Coated & Industrial Products Australia ($83M) for inventory destined for export customers following the rapid decline in global steel prices, Australian Distribution & Solutions ($41M) in relation to domestic commoditised products, Coated & Building Products North America ($25M), Coated & Building Products Asia ($5M) and New Zealand Steel & Pacific Steel Products ($12M) for inventory on hand at 30 June 2009.
- Other ($3M).

Unusual or non-recurring items in reported EBIT include ($53M favourable)

- Impairment of China Coating Line and Vietnam Coating Line facilities ($224M), Lysaght Home Improvements ($12M) and Lysaght Fiji ($3M) due to lower than expected domestic volumes and margins in these businesses during FY 2008.
- Write off of capitalised Movex application costs driven by the acquisition of Smorgon Steel's distribution business and the intention to migrate Lysaght Australia onto the ERP system utilised by Distribution ($11M) during FY 2008.
- Integration costs and accounting adjustments associated with the acquisition of Smorgon Steel's distribution business ($10M) and IMSA Steel Corp ($12M) and the one-off impact of recognising inter-company profit eliminations in inventory ($40M) during FY 2008.
- Lower redundancy and restructuring costs at Coated & Industrial Products Australia relating to the announced closure of the CPL 1 paint line and internal business restructure costs within Corporate & Group ($24M) during FY 2008 partly offset by restructuring costs in relation to the announced closure of the Flat Products Cold Mill ($20M) during FY 2009.
- Pre-operating costs in Coated & Industrial Products Australia associated with the start up of the Western Sydney COLORBOND® Steel Centre and Corporate M&A activity ($6M) during FY 2008.
- Write back of over-provided liabilities in relation to a general insurance provision and North American pension fund within Coated & Building Products North America ($16M) during FY 2009.
- Reduced provisioning in relation to outstanding claims within the Lysaght Taiwan business that was closed during 2007 and profit on sale of Packaging Products assets ($15M) during FY 2009 and a Vistawall post completion sale price adjustment ($3M) during FY 2008.

Partly offset by:

- Profit on sale of the 19.9% shareholding in Smorgon Steel ($128M) during FY 2008.
- Redemption of B class preference shares in Manukau International Limited (an investment vehicle of the New Zealand Steelworks pension fund, which had previously been impaired) ($11M) during FY 2008.
- Write back of over-provided liabilities in relation to a UK pension fund within Coated & Building Products North America ($5M) during FY 2008.
- Higher staff redundancies within Coated and Industrial Products Australia, Australian Distribution & Solutions, Coated & Building Products Asia and North America and Corporate in response to the global economic downturn and resultant substantial weakness in global steel demand ($55M) during FY 2009.
- Higher redundancy and restructuring costs, including plant rationalisations following the acquisition of IMSA Steel Corp, at Coated & Building Products North America ($18M) during FY 2009.
- Higher restructure and closure provisions within Australian Distribution & Solutions in relation to Lysaght Home Improvements, Trustek, Emerging Business head office and technology centre, Urban Water and BlueScope Buildings ($17M) during FY 2009 partly offset by impairment and subsequent closure of the Lysaght Home Improvements business and structure costs associated with integration of the existing BlueScope Service Centres and the ex-Smorgon Distribution Sheet Metals Supplies processing business ($8M) during FY 2008.
- Integration costs associated with the acquisition of IMSA Steel Corp ($4M) during FY 2009.
- Write off of previously capitalised feasibility costs at New Zealand in relation to capital projects not proceeding ($22M) during FY 2009.
- Hedge loss on anticipated proceeds in relation to the sale of the Taharoa Iron Sands mine which did not eventuate ($5M) during FY 2009.
- Impairment of Lysaght Panels, China ($11M) and further impairment of China Coating Line ($25M) during FY 2009 as a result of lower than expected demand.
- Western Port pickle line fire net of the reversal of previous asset impairment charges on the replacement pickle tanks ($10M) during FY 2009.

▪ Funding

Financing costs for the twelve months ended 30 June 2009 were $135M ($131M in FY 2008). The increase in costs reflects a $471M increase in average borrowings to $2,347M partly offset by a lower average interest rate of 6.3% (7.3% on FY 2008) primarily driven by a higher proportion of USD denominated debt following the acquisition of IMSA Steel Corp.

▪ Tax

As a result of the net pre-tax loss during the twelve months ended 30 June 2009 the company had an effective tax benefit of 41.1% (compared to an effective tax cost of 34.7% in FY 2008). The tax benefit for FY 2009 is higher than the Australian tax rate of 30% primarily due to the mix of earnings/losses before tax by different tax regions and the write back of previously over-provided tax provisions. These were partly offset by timing differences and tax losses not recognised on asset impairments.

The effective tax rate for FY 2008 includes the non-tax effected impairments of the China Metal Coating Line, Vietnam Metal Coating Line, Lysaght Home Improvements and Lysaght Fiji. The effective tax rate for FY 2008, after excluding these impairment write-downs, was 30.5%.

Table 2b: Reconciliation of Underlying Operational Earnings to Reported Earnings
FY 2009 vs. FY 2008; $ millions

Underlying Operational Earnings have been adjusted for unusual or non-recurring events to reflect the underlying financial performance from ongoing operations.

	EBIT		NPAT		EPS[11]	
Factors	**FY 2009**	**FY 2008**	**FY 2009**	**FY 2008**	**FY 2009**	**FY 2008**
Reported earnings	15	1,063	(66)	596	(0.07)	0.66
Net (gains)/losses from businesses discontinued [1]	(15)	3	(13)	3	(0.01)	0
Reported earnings (from continuing operations)	0	1,066	(79)	599	(0.08)	0.66
Unusual or non-recurring events:						
Business development and pre-operating costs [2]	0	6	0	4	0	0.01
Asset impairment [3]	36	251	36	248	0.04	0.26
Restructure and redundancy costs [4]	110	32	77	22	0.08	0.03
Profit on Sale of Smorgon Steel shares	0	(128)	0	(90)	0	(0.10)
Profit in stock elimination adjustments and integration costs associated with Smorgon Steel's distribution business [5]	0	29	0	20	0	0.03
Profit in stock elimination adjustments and integration costs and accounting adjustments associated with IMSA Steel Corp [6]	4	33	2	23	0.00	0.03
Write off of feasibility costs on capital projects [7]	22	0	15	0	0.02	0
Manukau International Limited investment redemption [8]	0	(11)	0	(7)	0	(0.01)
Western Port fire [9]	10	0	7	0	0.01	0
Other [10]	(11)	(5)	(2)	(3)	(0.01)	(0)
Underlying Operational Earnings	171	1,273	56	816	0.06	0.91

(1) FY 2009 reflects reduced provisioning in relation to outstanding claims within the Lysaght Taiwan business that was closed during 2007 and profit on sale of Packaging Products assets. FY 2008 reflects a Vistawall post completion sale price adjustment. Refer Attachment 2(c) for a breakdown of discontinued businesses.

(2) FY 2008 reflects pre-operating costs in Coated & Industrial Products Australia associated with the start up of the Western Sydney COLORBOND® Steel Centre and Corporate M&A activity.

(3) FY 2009 reflects impairment of Lysaght Panels, China and further impairment of China Coating Line. FY 2008 reflects impairment of China Coating Line and Vietnam Coating Line facilities, Lysaght Home Improvements and Lysaght Fiji due to lower than expected domestic volumes and margins in these businesses; also write off of capitalised Movex application costs driven by the acquisition of Smorgon Steel's distribution business and the intention to migrate Lysaght Australia onto the ERP system utilised by Distribution.

(4) FY 2009 reflects restructuring costs at Coated & Industrial Products Australia in relation to the announced closure of the packaging products Cold Mill, plant rationalisations at Coated & Building Products North America following the acquisition of IMSA Steel Corp, restructure and closure provisions within Australian Distribution & Solutions in relation to Lysaght Home Improvements, Trustek, Emerging Business head office and technology centre, Urban Water and BlueScope Buildings and staff redundancies within Coated and Industrial Products Australia, Australian Distribution & Solutions, Coated & Building Products Asia and North America and Corporate in response to the global economic downturn and resultant substantial weakness in global steel demand. FY 2008 reflects staff redundancies and other internal restructuring costs at Coated & Industrial Products Australia in relation to the announced closure of the CPL 1 paint line combined with internal business restructure costs within Corporate.

(5) Integration costs associated with the acquisition of Smorgon Steel's distribution business and the one-off effect of recognising inter-company profit eliminations in inventory.

(6) FY 2009 reflects integration costs associated with the acquisition of IMSA Steel Corp. FY 2008 reflects integration costs and accounting adjustments associated with the acquisition of IMSA Steel Corp and the one-off impact of recognising inter-company profit eliminations in inventory.

(7) Write off of previously capitalised feasibility costs at New Zealand in relation to capital projects not proceeding and placed on hold.

(8) In FY 2003, in support of the New Zealand Steel Pension Fund, an investment of $11M was made in redeemable preference shares of Manukau International Limited, a company that has financial obligations to the Fund. While the investment resulted in an improvement in the financial position of the Pension Fund, it was fully provided for in FY 2003 on the basis that it was not considered recoverable by the company. In FY 2008 Manukau International Limited repaid this investment in full.

(9) Cost of Western Port fire in the pickle line process in May 2009 ($16M) within Coated & Industrial Products Australia partly offset by asset impairment charge reversals ($6M) in relation to packaging products pickle tank assets previously impaired which have been used to replace the pickle tanks damaged in the Western Port fire.

(10) FY 2009 reflects the write back of over-provided liabilities in relation to a general insurance provision and North American pension fund within Coated & Building Products North America partly offset by losses arising from hedging the expected proceeds from the Taharoa Iron Sands mine sale which did not proceed and the repayment of USD debt following the AUD equity raising. FY 2008 reflects the write back of over-provided liabilities in relation to a UK pension fund within Coated & Building Products North America.

(11) FY 2009 earnings per share is based on the average number of shares on issue during the reporting period (930.6M). In accordance with AASB 133 Earnings per Share, comparative earnings per share calculations have been restated for the bonus element of the one-for-one share rights issue undertaken in May and June 2009. The previously reported June 2008 weighted average number of shares has been adjusted by a factor of 1.21 being the market price of one ordinary share immediately before the last date of entitlement to participate in the bonus issue ($2.38), divided by the theoretical ex-rights value per share of ($1.97), (FY 2008 restated average 900.5M).

Equity, Financial Flexibility and Cash Flow

Table 3 below provides a summary of consolidated equity and return measures at 30 June 2009 and 2008.

Table 3: Consolidated – Return Statistics
FY 2009 and FY 2008; mixed measures

Financial Measure	FY 2009	FY 2008
Shares outstanding – end of period (million)	1,823.3	759.9
Average shares – for the period (million)[1]	930.6	900.5
Return on equity – based on reported NPAT attributable to shareholders (%)	(1.4%)	15.7%
Return on equity – based on underlying operational NPAT earnings (%)	1.2%	21.5%
Return on investment capital – based on reported NPAT (%)	0.1%	12.0%
Return on invested capital – based on underlying operational NPAT earnings (%)	1.9%	15.9%

(1) In accordance with AASB 133 Earnings per Share, comparative earnings per share calculations have been restated for the bonus element of the one-for-one share rights issue undertaken in May and June 2009. The previously reported June 2008 weighted average number of shares has been adjusted by a factor of 1.21 being the market price of one ordinary share immediately before the last date of entitlement to participate in the bonus issue ($2.38), divided by the theoretical ex-rights value per share of ($1.97).

Table 4 below provides a summary of key financial flexibility metrics based on underlying operational performance.

Table 4: Consolidated – Financial Flexibility Measures
FY 2009 and FY 2008; mixed measures

				Variance	
Financial Measure		FY 2009	FY 2008	$M	%
Underlying Operational EBITDA	$M	536	1,630	(1,094)	(67)
Interest expense	$M	135	131	4	3
Borrowings	$M	1,125	1,766	(641)	(36)
Underlying Operational EBITDA / interest	times	4	12	(8)	(67)
Debt / Underlying Operational EBITDA	times	2.1	1.1	1.0	91

Table 5 below provides a summary of consolidated operating and investing cash flows.

Table 5: Consolidated Cash Flow
FY 2009 and FY 2008; $ millions

			Variance	
Factors	**FY 2009**	**FY 2008**	**$M**	**%**
EBITDA (1)	380	1,420	(1,040)	(73)
Add back non cash items				
- Share of profits/losses from associates and joint venture partnership not received as dividends	63	24	39	163
- Impaired assets (2)	64	240	(176)	(73)
- Writedown of Goodwill	0	3	(3)	(100)
- Net (gain) loss on sale of assets	5	(125)	130	104
- Expensing of share-based employee benefits	22	17	5	29
Cash EBITDA	534	1,579	(1,045)	(66)
Changes in working capital (3)	250	69	181	262
Net cash from operating activities	784	1,648	(864)	(52)
Net cash from investing activities (4)	(728)	(1,510)	782	52
Cash from operating and investing (pre-tax)	56	138	(82)	(59)
Net interest paid	(154)	(136)	(18)	(13)
Tax paid	(205)	(208)	3	1
Cash from operating and investing (post-tax) (as per statutory cash flow)	(303)	(206)	(97)	(47)

(1) Refer EBIT Variance analysis for major changes in EBITDA.
(2) FY 2009 includes write off of previously capitalised feasibility costs within New Zealand Steel in relation to capital projects not proceeding and placed on hold ($22M), impairment write-downs of Langfang Panels China ($11M) and China Coating Line facility ($25M), Trustek assets ($5M) and Western Port pickle line assets ($9M) partly offset by reversal of prior impairment charges relating to Illawarra Coated Products assets which replaced some of the assets damaged during the Western Port fire ($6M) and other ($2M). FY 2008 includes impairment write-downs of China and Vietnam Coating Line facilities ($225M), Lysaght Home Improvements ($12M) and Lysaght Fiji ($3M) due to lower than expected domestic volumes and margins in these businesses.
(3) The increase in changes in working capital primarily reflects a decrease in receivables mainly driven by the substantial weakness in world steel demand and lower inventory resulting from reduced production utilisation rates and lower raw material and feed purchases to match global steel demand. These were partly offset by lower creditors principally from reduced raw material and feed purchases and lower capital expenditure and provisions.
(4) The decrease in investing activities primarily reflects the acquisitions of Smorgon Steel's distribution business (net of proceeds on sale of 19.9% shareholding in Smorgon Steel), IMSA Steel Corp and HCI Building Systems Inc in FY 2008 combined with lower capital expenditure associated with the Western Sydney COLORBOND® Steel Centre and India developments partly offset by higher capital spend on Port Kembla No. 5 Blast Furnace, the sinter plant upgrade and various other capital projects.

GROUP REVIEW

In commenting on the FY2009 results, BlueScope Steel Managing Director & CEO, Mr Paul O'Malley, said:

Business Review

This was the most challenging year that BlueScope Steel has faced.

The Company generated strong financial results with an underlying NPAT contribution of A$430 million for the three months ended 30 September 2008. This was primarily the result of strong margins benefiting from steel prices, driven by tight global steel supply conditions and the carry over of low-priced raw materials inventory from the previous period.

In the six months ended 31 December 2008, global steel prices fell significantly driven by slowing steel demand caused by the slowdown in the global economy. Throughout this period, softer prices for both domestic and export sales, as well as softer domestic demand in each of the countries in which the Company operates, gradually emerged. Costs of our main steelmaking raw materials, iron ore and coal, remained the same at annual record contracted prices. This led to significant margin pressure and a small NPAT contribution in the second quarter.

The deterioration in domestic sales volumes that emerged towards the end of CY 2008 levelled out in March and April 2009 but at low levels, with destocking abating, although global export markets remained challenging. Domestic and export prices were at even lower levels than December 2008. The regional HRC price eventually reached a low of US$400 per tonne around this time.

Modest improvements in domestic demand and prices were noticed through May and June 2009, albeit from low levels. However, the end result for FY 2009 was a reported net loss after tax of $66M (vs. reported net profit after tax of $596M in FY 2008). Furthermore, the Board has not declared a final dividend.

The rapid decline in demand and steel prices also contributed to the Company reporting a $1.16 billion increase in inventory as at 31 December 2008.

Management has responded proactively to the global economic downturn and decline in global steel demand by implementing a range of initiatives relating to balance sheet, liquidity, capital expenditure and costs:

- Adjusting production – across our operations, production levels were materially reduced in response to softer demand conditions. For instance, the No. 5 blast furnace was shut down on 18 January 2009 earlier than scheduled ahead of the reline; metallic coating and painting lines were operated below normal rates; and the NorthStar BlueScope Steel mill operated at a 71 per cent capacity utilisation rate.
- Focus on cash flow – each business focused on initiatives to improve cash flow. We were particularly pleased with the improvement in cash flow from our Asian businesses
- Pursuit of major cost reductions – a program was initiated in October 2008 across BlueScope Steel. Originally targeting A$150 million, this delivered savings of A$295 million by 30 June 2009. In view of the economic and trading conditions, the Board and management has also now decided there will be no salary increases nor short term incentives paid in respect to FY2009.
- Curtailment of capital expenditure – capital expenditure was significantly curtailed to meet essential requirements only, including the No. 5 blast furnace reline and sinter plant upgrade. Growth and business development activities were suspended.
- Capital restructuring – the Company raised net A$400 million from an institutional placement and Share Purchase Plan over the December 2008/February 2009 period. To further strengthen the Company's balance sheet and enhance its financial flexibility, the Company announced in May a comprehensive capital restructure through an equity entitlement offer raising net proceeds of A$1,360 million and effective replacement of all of the Company's bank debt facilities, through the initiation of a two tranche A$1,275 million syndicate loan note facility; and
- Monetisation of inventory – during the June half, the value of inventory held was reduced from A$2.8 billion to A$1.7 billion.

The capital restructure significantly reduced gearing (11.8% at 30 June 2009), significantly improved debt maturity profile with no material refinancing obligations now due until July 2011 and ensured strong liquidity of A$1,757 million at 31 July 2009.

Despite the challenging trading backdrop, our employees and contractors successfully executed major projects through 2009. All major elements of the A$372 million No. 5 Blast Furnace reline project at the Port Kembla Steelworks (PKSW), other than the blow-in, were completed by June 2009 – on time, on budget and with an outstanding safety performance. Also at PKSW, the coinciding sinter plant upgrade project was substantially completed by the end of June and production is being brought up at a rate consistent with the requirements of our Blast Furnace operations. Final capital cost is estimated at around A$140 million.

On 16 July 2009 we announced that the No. 5 Blast Furnace would restart at the end of August 2009. The decision was made in light of our lower inventory position, the internationally competitive position of Port Kembla steelmaking and a combination of market factors, including improved steel prices and demand.

Regional HRC prices were recently recorded at, or above, US$570 per tonne, up from the lows of US$400 per tonne recorded early in the second quarter of the calendar year referred to above. We remain confident of the volume demand levels assessed in early July, for at least the remainder of the first half and, accordingly, the Company reconfirms that it expects to have both Blast Furnaces operating at a combined annualised rate of at least 75% of capacity (equivalent to approximately 4mtpa slab-make) from mid September.

The continued strong focus on safety by all our employees has resulted in us moving closer to our goal of zero harm. Particularly pleasing was the achievement by our New Zealand business of no lost time injuries during the year. A first for New Zealand Steel.

Carbon Pollution Reduction Scheme

The Directors support the need to reduce global CO2 emissions and will continue work to reduce the Company's CO2 emissions. BlueScope Steel has a proven track record as an environmentally responsible Company, investing $500 million on environmental improvements globally over the last 15 years.

However, the Directors have grave concerns about the current design of the Federal Government's proposed CPRS and the negative impact it would have on the world competitive Australian steel industry.

The Company strongly believes that the cumulative net cost impact of the current design of the proposed CPRS would be highly significant and material, and that it would severely damage our competitiveness, putting domestic investment, Australian jobs and the Australian steel industry at high risk.

The proposed CPRS scheme unfairly discriminates against the Australian steel industry relative to international competitors. Without comparable global action, the CPRS becomes a compounding tax on the Company - needlessly putting Australian steel jobs and investment at risk for no environmental benefit.

This is not a one-off tax. From FY2012-FY2020, the cumulative net cost to BlueScope could be as much as $500 million for Scope 1 and 2 emissions, and potentially up to $1.4 billion if suppliers pass through all their carbon costs. This tax would prevent the Company investing in technology to reduce emissions, such as the Steelworks Co-generation Plant project at Port Kembla.

Importantly, the CPRS undermines Port Kembla Steelworks' current world class competitiveness. It risks the viability of these long-term manufacturing assets. It's a direct threat to this NSW regional economy and the 12,000 workers and their families who rely on the steelworks, and more than 1000 employees and contractors and their families at Western Port in Victoria.

The Company continues to negotiate with the Government to ensure the CPRS meets the Government's own policy objectives and does not impose a carbon price domestically which results in emissions and production transferring overseas for no environmental gain.

Three simple amendments to the CPRS are required:

1. Provide certainty that permit allocations will be maintained, while global competitors do not face comparable carbon costs.
2. Include hot rolled products (HRP) in the activities which will receive permit allocation.
3. Provide assurance that Scope 3 coal costs will not be passed on to the steel industry.

Outlook

Improving global steel demand, pricing and economic conditions are encouraging, however we are currently expecting to deliver a small negative reported NPAT in the first half of FY2010. The main drivers of this are:

- Combined No. 5 and No. 6 blast furnace operations at PKSW will not reach targeted levels of 75% of rated capacity (equivalent to approximately 4mtpa slab-make) until September;
- The improved steel prices seen at the start of FY2010 will not necessarily be achieved by BlueScope throughout 1Q FY2010;
- The negative earnings impact of the stronger A$ vs US$; and
- No expectation of a marked improvement in our US businesses until the second half of FY2010.

We are further increasing our cost reduction efforts to extend on the progress made in 2009 and will continue to limit capital spending. We will provide an update to the market at our AGM in November.
While strategy for growth is not changing we will move forward with an element of caution.

Finally, I would like to thank all BlueScope Steel employees for their dedicated contribution during the volatile and difficult conditions of the past year and their continued commitment to our goal of zero harm.

Business Unit Reviews

Table 6a: Sales Revenue
FY 2009 and FY 2008; 2H FY 2009 and 2H FY 2008; $ millions

Segment	FY 2009	FY 2008	2H FY 2009	2H FY 2008
Coated & Industrial Products Australia	5,291	6,042	1,820	3,172
Australian Distribution & Solutions	2,121	2,202	874	1,210
Inter-segment	(651)	(738)	(236)	(390)
Sub-total Australia	6,761	7,506	2,458	3,992
New Zealand & Pacific Steel Products	695	725	325	384
Coated & Building Products Asia	1,543	1,570	665	824
Hot Rolled Products North America	0	0	0	0
Coated & Building Products North America	2,189	1,407	874	1,012
Inter-segment	0	0	0	0
Sub-total North America	2,189	1,407	874	1,012
Corporate & Group	0	0	0	0
Inter-segment	(886)	(733)	(163)	(471)
Continuing Businesses	**10,302**	**10,475**	**4,159**	**5,741**
Discontinued Businesses	0	3	0	1
Inter-segment	(0)	(17)	0	0
Total BLUESCOPE STEEL	**10,302**	**10,461**	**4,159**	**5,742**

Table 6b: Reported EBIT
FY 2009 and FY 2008; 2H FY 2009 and 2H FY 2008; $ millions

Segment	FY 2009	FY 2008	2H FY 2009	2H FY 2008
Coated & Industrial Products Australia	206	986	(438)	602
Australian Distribution & Solutions	(23)	45	(97)	53
Inter-segment(1)	(6)	4	19	24
Sub-total Australia	177	1,035	(516)	679
New Zealand & Pacific Steel Products	65	93	9	49
Coated & Building Products Asia	(94)	(148)	(19)	50
Hot Rolled Products North America	(58)	105	(73)	69
Coated & Building Products North America	(93)	90	(38)	47
Inter-segment (1)	0	0	0	0
Sub-total North America	(151)	195	(111)	116
Corporate & Group(3)	(129)	11	(42)	(48)
Inter-segment (1)	132	(121)	14	(111)
Continuing Businesses	**0**	**1,065**	**(665)**	**735**
Discontinued Businesses (4)	15	(3)	15	0
Inter-segment	0	1	0	0
Total BLUESCOPE STEEL	**15**	**1,063**	**(650)**	**735**

Table 6c: Underlying EBIT
FY 2009 and FY 2008; 2H FY 2009 and 2H FY 2008; $ millions

Segment	FY 2009	FY 2008	2H FY 2009	2H FY 2008
Coated & Industrial Products Australia	141	1,000	(412)	602
Australian Distribution & Solutions	9	86	(66)	64
Inter-segment(1)	(6)	24	20	24
Sub-total Australia	144	1,110	(458)	690
New Zealand & Pacific Steel Products	87	85	9	49
Coated & Building Products Asia	(21)	76	(5)	50
Hot Rolled Products North America	(58)	105	(73)	69
Coated & Building Products North America	9	99	(28)	61
Inter-segment (1)	0	0	0	0
Sub-total North America	(49)	204	(101)	130
Corporate & Group(5)	(122)	(63)	(39)	(28)
Inter-segment (1)	132	(139)	12	(112)
Continuing Businesses	**171**	**1,273**	**(582)**	**779**
Discontinued Businesses (4)	0	0	0	0
Inter-segment	0	0	0	0
Total BLUESCOPE STEEL	**171**	**1,273**	**(582)**	**779**

(1) Inter-segment revenue reflects the elimination of internal sales between reporting segments. Inter-segment EBIT reflects an entry to eliminate profit-in-stock associated with inter-segment sales.
(2) Excludes the company's 50% share of North Star BlueScope Steel's sales revenue of A$669M in FY 2009 and A$221M in 2H FY 2009 (A$721M in FY 2008 and A$411M in 2H FY 2008).
(3) Corporate & Group reflects corporate office activities. The decrease in FY 2009 EBIT primarily reflects profit on sale of the 19.9% shareholding in Smorgon Steel booked during FY 2008 and foreign exchange losses on net foreign currency denominated debt, including inter-company debt, compared to foreign exchange gains booked during FY 2008.
(4) Reflects the discontinued Packaging Products, Lysaght Taiwan and Vistawall businesses. FY 2009 EBIT relates to reduced provisioning in relation to outstanding claims within the Lysaght Taiwan business that was closed during 2007 and profit on sale of Packaging Products assets. FY 2008 EBIT relates to a Vistawall post completion sale price adjustment. Refer to Attachment 2(c) for a breakdown of discontinued businesses.
(5) The decrease in FY 2009 EBIT primarily reflects foreign exchange losses on net foreign currency denominated debt, including inter-company debt, compared to foreign exchange gains booked during FY 2008.

BLUESCOPE STEEL AUSTRALIA

Coated & Industrial Products Australia

This segment comprises:

- Port Kembla Steelworks, NSW, Australia (coke, iron, slab, plate and hot rolled coil production);
- Springhill Coated, Port Kembla, NSW (cold rolled coil, metal coated and painted production);
- Western Port facility, Hastings, VIC (hot rolled coil, cold rolled coil, metal coated and painted production);
- Western Sydney painted facility;
- Acacia Ridge painted facility; and
- North America, European and Asian export trading offices.

(i) Financial Performance

Table 7a: Financial Performance
FY 2009 and FY 2008; $ millions

Financial Measure	FY 2009	FY 2008	Variance $	Variance %
Sales revenue (1), (2)	5,291	6,042	(751)	(12)
Reported EBITDA (2)	402	1,193	(791)	(66)
Reported EBIT	206	986	(780)	(79)
Underlying operational EBIT (3)	141	1,000	(859)	(86)
Capital and investment expenditure (4)	559	303	256	84
Net operating assets (pre tax) (5)	3,322	2,841	481	17
Return on net assets (pre tax) (6)	6%	35%		

Table 7b: Financial Performance
2H FY 2009 vs. 2H FY 2008 and 1H FY 2009; $ millions

Financial Measure	2H FY 2009	2H FY 2008	Variance	1H FY 2009
Sales revenue (1), (2)	1,820	3,172	(1,352)	3,471
Reported EBITDA(2)	(349)	703	(1,052)	751
Reported EBIT	(438)	602	(1,040)	644
Underlying operational EBIT (3)	(412)	602	(1,014)	553
Capital and investment expenditure	425	210	215	134
Net operating assets (pre tax) (4)	3,322	2,841	481	3,526
Return on net assets (pre tax) (5)	(25%)	43%		39%

(1) FY 2009 includes coke sales volumes of 282,386 tonnes (FY 2008 264,276 tonnes and 2H FY 2009 183,435 tonnes). FY 2009 includes export trading office principal sales of 365kt, with 355kt to North America and 10k to Europe (FY 2008 542kt with 518kt to North America and 24kt to Europe and 2H FY 2009 108kt with 102kt to North America and 6kt to Europe).

(2) Sales revenue and EBITDA includes $3,936M and $340M respectively in relation to the old Hot Rolled Products Australia segment (FY 2008 $4,442M and $1,128M respectively). These numbers represent sales revenue and EBITDA for the old Hot Rolled Products Australia segment and have not been adjusted for profit in stock eliminations that will now be occurring in the new Coated & Industrial Products Australia segment due to sales between the businesses in this segment.

(3) FY 2009 EBIT has been adjusted for inter-company inventory net realisable value provisions ($114M) partly offset by closure provisions driven by the announced closure of the packaging products cold mill at Port Kembla ($20M), Western Port fire net of reversal of previous asset impairment charges ($10M) and staff redundancies and other internal restructuring costs ($19M). FY 2008 has been adjusted for redundancy costs relating to the announced closure of No. 1 paint line at Port Kembla ($11M) and for pre-operating costs on the Western Sydney paint line ($3M).

(4) Increase in capital and investment spend mainly relates to spend on Port Kembla No 5 Blast Furnace reline and sinter plant upgrade.

(5) Increase in net operating assets primarily reflects an increase in fixed assets driven by capital expenditure during FY 2009, higher inventories driven by the substantial weakness in world steel demand, higher raw material costs and weaker AUD partly offset by reduced raw material purchases and lower creditors principally from reduced raw material purchases. These were partly offset by lower receivables primarily driven by the substantial weakness in world steel demand.

(6) Return on net assets is defined as EBIT (annualised in case of half year comparisons) / average monthly net operating assets.

(ii) Variance Analysis (FY 2009 vs. FY 2008)

The $751M decrease in sales revenue is primarily due to lower sales volumes in both the domestic and international markets due to substantial weakness in world steel demand and lower international average hot rolled coil prices from Q2 FY 2009. These were partly offset by higher domestic prices largely achieved in 1H FY 2009 within both the industrial and building sectors, and a weaker average AUD:USD exchange rate compared to FY 2008.

The $859M decrease in underlying EBIT was largely due to:

- Reduced spread
  - Higher USD coal, iron ore and scrap prices.
  - Lower export prices, particularly hot rolled coil.

  Partly offset by

- Higher domestic prices primarily within industrial and building sectors driven by higher international steel prices during Q1 FY 2009 and a weaker AUD compared to the prior comparative period.

- Higher inventory net realisable value provisions for inventory destined for external export markets.
- Lower export and domestic sales volumes due to substantial weakness in world steel demand.
- Higher per unit conversion costs driven by reduced production volumes.
- Higher cost of utilities driven by rate increases.

These were partly offset by:

- Favourable movement in the AUD:USD vs FY 2008. Average exchange rate for FY 2009 was 0.75 compared to 0.897 in FY 2008. The lower AUD directly benefits prices achieved on export sales and indirectly impacts achieved domestic prices via impact on import competing product prices.
- Lower labour and discretionary costs as part of cost reduction initiatives.

Unusual and non-recurring items in reported EBIT included:

- Reversal of FY 2009 margins on inter-company sales where subsequent inventory net realisable value provisions were required to be booked by a separate reporting segment (Coated & Building Products North America and Asia and Australian Distribution & Solutions) during FY 2009 ($114M).
- Closure provisions driven by the announced closure of the packaging products cold mill at Port Kembla during FY 2009 ($20M).
- Western Port fire in the pickle line process partly offset by previous asset impairment charge reversals during FY2009 ($10M).
- Staff redundancies and other internal restructuring costs during FY 2009 ($19M).
- Redundancy costs during FY 2008, driven by the announced closure of the paint line number 1 at the Service Centre in Port Kembla ($11M).
- Pre-operating costs on the Western Sydney paint line during FY 2008 ($3M).

(iii) Operations Report

<u>Port Kembla Steelworks</u>

- <u>Iron & Slab</u>

  - Ironmaking production of 3.46Mt, was 1.71Mt lower than the 5.17Mt in FY 2008 due to the shutdown of No. 5 Blast Furnace in 2H FY 2009 and No. 6 Blast Furnace producing 2.21Mtpa versus its peak load rate in FY 2008 of 2.76Mtpa. In 2H FY 2009, it operated at an annual capacity rate of 73%
  - Slab production was correspondingly lower, with 3.52Mt (vs. 5.29Mt for FY 2008)
  - The core No. 5 Blast Furnace reline construction activities were completed during the original March to June 2009 schedule and the cost estimate is unchanged at $372M, including approx $20M representing the cost associated with restarting the furnace in Q1 FY 2010.
  - As previously reported in the ASX release on July 16 2009, the No. 5 Blast Furnace will be blown-in towards the end of August 2009. The company expects to have both Blast Furnaces operating at a combined annualised capacity of at least 75% of rated capacity (equivalent to approximately 4mtpa slab-make) from September 2009, and will ramp-up output beyond that level as demand dictates. The No. 6 Blast Furnace has moved to operating at 100% of capacity and this will be maintained until the No. 5 Blast Furnace is blown in
  - Iron ore contract renewals:
    - In September 2008 BlueScope Steel concluded a new 10-year iron ore contract with BHP Billiton. The new contract commenced 1 July 2009 and secures 100% of our iron ore lump requirements and up to 60% of BlueScope's future iron ore fines requirement following the Sinter Plant upgrade. Pricing under the new contract will be reviewed quarterly and is linked to movements in iron ore prices paid by BHP Billiton's other customers in Asia
    - A 3-year contract is in place with Grange Resources from July 2009 for continued pellet supply from Tasmania, which secures 60% of our forecast future pellet requirements
    - Negotiations are continuing with other suppliers for the balance of our future fines and pellet requirements

- <u>Hot Strip Mill (HSM)</u>

  - Hot rolled coil production of 2.04Mt (vs. 2.89Mt in FY 2008)
  - Production was impacted by reduced demand. Cost reduction initiatives included utilising only one of two furnaces, planned stoppages and moving to a four day rolling week during 2H FY 2009

- Plate Mill
  - Plate production of 0.29Mt (vs. 0.43MT for FY 2008). Production was impacted by reduced demand. Cost reduction initiatives included planned stoppages and utilising only one of two furnaces to match demand

- Sinter Plant Upgrade
  - The project, which was undertaken in conjunction with the No. 5 Blast Furnace Reline, was completed to hot commissioning on schedule in June 2009. The plant will now be brought up to a rate consistent with the requirements for the Blast Furnace operations. The upgrade will ultimately result in sinter production increasing by 1.1mtpa to 6.6mtpa with the increased capacity allowing for a lower cost mix of raw material input to ironmaking through an ability to reduce usage of iron ore pellets by up to 1mtpa. Final capital cost is expected to be approximately $140M (vs. budget $134M), with circa $10M to be spent in FY 2010.

- Cogeneration Plant
  - Given current market conditions, the project has been deferred. Project closeout activities have been completed such that the project may be recommenced utilising the available feasibility study information to the fullest extent possible.

Coated Businesses

- Western Port
  - On 13 May 2009, a fire occurred at Western Port in the pickle line process, which feeds the cold rolling and subsequent metal coating and painting operations. Principal damage was to the four pickle tanks and to the roof of the building. Four replacement pickle tanks, decommissioned from BlueScope's Packaging Products facility at Port Kembla, were transported to Western Port and installed on the pickle line. Following an outstanding effort from many BlueScope staff at Western Port and across the company, alliance partners and the numerous contractors who have supported the recovery, the pickle line processed its first coil on Sunday 21 June 2009, only 39 days after the fire. There were no Medically Treated Injuries or Lost Time Injuries during the recovery process. The final capital cost was $16M, being less than the initial $20M to $25M expected range. A net impairment charge of $3M was taken comprising impairment of the pickle tanks damaged by the fire of $9M (being within the expected range), partly offset by asset impairment charge reversals of $6M in relation to the reversal of previously impaired pickle tank assets, and the one-off pre-tax cash earnings impact was $7M (below the expected range), principally relating to foregone sales and additional transport costs associated with alternative production sourcing.
  - Hot rolled production was 793kt vs. 1,243kt for FY2008, with reduced demand and the pickle line fire being the main reason for reduced production.
  - Metal coating line production was 589kt vs. 797kt for FY 2008, with slowing demand reducing production output.
  - Paint line production was 238kt vs. 278kt for FY 2008. Production was impacted by lower demand.

- Springhill
  - The coupled pickle cold mill production was 777kt (vs. 923kt for FY 2008). Production has been impacted by lower demand in FY 2009.
  - Metal coating line production was 646kt (vs. 809kt for FY 2008). Production across all metal coating lines was impacted by lower demand in FY 2009.
  - No. 3 paint line production was 133kt (vs. 193kt for FY 2008). Production was impacted by lower demand.
  - The closure of the No. 1 paint line occurred on the 24th December 2008. Remaining employees have been redeployed throughout the organisation.
  - The packaging products pickle line and cold mill plants were closed on 11th February 2009. Remaining employees have been redeployed throughout the organisation.

- Western Sydney Centre (Paint Line)
  - The laminator on the paint line was installed and commissioned in early CY 2009. The early start-up of the laminator facilitated the early closure of the No. 1 paint line at CRM.

- The paint line continued its ramp up and produced 60kt (vs. 24kt for FY 2008 (commissioning was in FY 2008)). The ramp up was impacted by reduced demand.

- Acacia Ridge Centre
  - Paint line production was 89kt (vs. 98kt in FY 2008), impacted by reduced demand

(iv) Markets

- Domestic Building Sector
  - Robust activity levels from July through October underpinned strong sales volumes in 1H FY 2009 across all of BlueScope's product range. This contrasted with 2H FY 2009, which was characterised by lower sales volumes, associated with a rapid decline in activity levels, particularly in Q3. Sales volumes did however stabilise and began to lift through Q4.
  - While pricing levels in the premier branded product COLORBOND® steel remained relatively stable through 2H FY 2009, pricing levels of other products softened given the significant movement in prices globally.
  - During the 1H FY 2009 the company successfully launched the next generation of COLORBOND® steel, incorporating its new THERMATECH® technology and a new colour range.

- Domestic Industrial Sectors
  - Sales volumes were at peak levels was through the first four months of the 1H FY 2009. Sales declined markedly into 2H FY 2009 as a result of slower activity levels and abnormally high channel inventory, particularly across the company's distribution channel and pipe and tube segment (largely driven by import orders placed during the 1H FY 2009 period of unprecedented domestic demand). Inventory levels in some segments appeared to normalise in Q4, underpinning a modest growth in sales volume during May and June.
  - Sales into the automotive market declined through the year as a result of reduced vehicle build rates.
  - Pricing across all sectors softened through 2H FY 2009 broadly in line with movements on global markets.

- International Markets
  - Record global demand and price levels was experienced across all products in Q1 FY 2009. The July to August period saw record market hot rolled coil prices (US$1,100-US$1,200/mt CFR), although partially offset by a strong Australian dollar. BlueScope Steel export despatches through this period were constrained due to strong domestic demand levels.
  - During Q2 FY 2009, markets were dramatically affected by the downturn in demand. This impacted both price levels and the ability to execute sales, primarily for upstream products such as slab, plate and hot rolled coil. Despite the downturn in global markets, export sales for BlueScope's coated products were increased to mitigate some of the capacity gap.
  - In Q3 FY 2009, global steel prices continued to deteriorate with low market hot rolled coil prices (US$400-US$420/mt CFR) with generally weak global steel demand.
  - Export demand moderately improved in Q4 FY 2009 with prices stabilising. Export sales in late Q4 FY 2009 were constrained due to stabilised domestic demand levels and limited steel output due to a single Blast Furnace (BF) operation, with the BF No. 5 reline project still underway.

Australian Distribution & Solutions

This segment comprises:

- BlueScope Distribution (previously Smorgon Distribution) with 82 sites throughout Australia;
- BlueScope Lysaght, with 38 sites throughout Australia;
- Sheet and Coil Processing Services, with 6 sites across Australia
- Emerging Businesses, comprising BlueScope Water with 7 manufacturing and 7 retail sites across Australia and 2 manufacturing sites and 1 retail site in the United States and BlueScope Buildings

(i) Financial Performance

Smorgon Distribution was acquired on 3 August 2007 (subsequently rebranded BlueScope Distribution).

Table 8a: Financial Performance
FY 2009 and FY 2008; $ millions

			Variance	
Financial Measure	**FY 2009**	**FY 2008**	**$**	**%**
Sales revenue	2,121	2,202	(81)	(4)
Reported EBITDA	8	80	(72)	(90)
Reported EBIT	(23)	45	(68)	(151)
Underlying operational EBIT (1)	9	86	(77)	(90)
Capital and investment expenditure	25	46	(21)	(46)
Net operating assets (pre tax) (2)	926	1,038	(112)	(11)
Return on net assets (pre tax) (3)	(2%)	5%		

Table 8b: Financial Performance
2H FY 2009 vs. 2H FY 2008 and 1H FY 2009; $ millions

Financial Measure	**2H FY 2009**	**2H FY 2008**	**Variance**	**1H FY 2009**
Sales revenue	874	1,210	(336)	1,247
Reported EBITDA	(81)	70	(151)	89
Reported EBIT	(97)	53	(150)	74
Underlying operational EBIT (1)	(66)	64	(130)	75
Capital and investment expenditure	11	30	(19)	14
Net operating assets (pre tax) (2)	926	1,038	(112)	1,148
Return on net assets (pre tax) (3)	(18%)	10%		13%

(1) FY 2009 EBIT has been adjusted for costs relating to staff redundancies and other internal restructuring costs ($14M), the closure of Lysaght Trustek and additional closure costs of Lysaght Home Improvements ($10M), restructuring costs associated with the Emerging Business segment combined with asset impairments within Lysaght ($7M) and inter-company inventory net realisable value provisions ($1M). FY 2008 EBIT has been adjusted for the impairment and subsequent closure of the Lysaght Home Improvements business ($16M), write-off of Lysaght Movex application costs ($11M), integration costs associated with the acquisition of Smorgon Steel's distribution business ($10M) and structure costs associated with integration of the existing BlueScope Service Centres and the ex-Smorgon Distribution Sheet Metals Supplies processing business ($4M).

(2) Decrease in net operating assets primarily reflects lower receivables primarily driven by lower despatch volumes and lower inventory volumes on hand at year end.

(3) Return on net assets is defined as EBIT (annualised in case of half year comparison) / average monthly net operating assets.

(ii) Variance Analysis (FY 2009 vs. FY 2008)

The $81M decrease in sales revenue is primarily due to lower underlying despatch volumes, particularly 2H FY 2009, partly offset by higher average domestic prices, principally 1H FY 2009.

The $77M decrease in underlying EBIT was largely due to:

- Lower underlying despatch volumes driven by lower market activity particularly in the construction, manufacturing and residential markets.
- Higher inventory net realisable value provisions mainly relating to domestic commoditised products.
- Higher freight costs mainly driven by higher cost of fuel.

Partly offset by:

- Improved spread as higher domestic prices more than offset higher steel feed costs, largely in 1H FY 2009.
- Reductions in overhead costs, particularly in 2H FY 2009.

Unusual and non-recurring items in reported EBIT include:

- Staff redundancies and other internal restructuring costs during FY 2009 ($14M).
- Lysaght Trustek and additional Lysaght Home Improvements closure provisions booked during FY 2009 ($10M).
- Restructuring costs associated with the Emerging Business segment combined with asset impairments within Lysaght during FY 2009 ($7M)
- Removal of inter-company inventory net realisable value provision where there is an offsetting inter-company margin booked in a separate reporting segment, namely Coated and Industrial Products Australia, during FY 2009 ($1M).
- Write off of capitalised Movex application costs driven by the acquisition of Smorgon Steel's distribution business and the intention to migrate Lysaght Australia onto the Enterprise Resource Planning system utilised by Distribution during FY 2008 ($11M).
- Integration costs associated with the acquisition of Smorgon Steel's distribution business during FY 2008 ($10M).
- Impairment and subsequent closure of the Lysaght Home Improvements business during FY 2008 ($16M).
- Restructure costs associated with integration of the existing BlueScope Service Centres and the ex-Smorgon Distribution Sheet Metals Supplies processing business during FY 2008 ($4M).

(iii) Operations Report

- BlueScope Distribution
  - FY 2009 was characterised by very weak demand, particularly in the last three quarters.
  - Lower sales volumes were due to reduced activity in the construction, manufacturing and automotive segments combined with delays in major projects in the mining segment, particularly in Western Australia. This stemmed from weaker economic conditions, including "de-stocking" by customers as they reduced inventories and managed cashflows.
  - Steel prices and margins also reduced in 2H FY 2009 as global steel prices reduced and steel distributors increasingly competed on price with a focus on de-stocking to reduce inventory levels.
  - To offset weaker market conditions cost saving initiatives were implemented across the business.
- BlueScope Lysaght
  - FY 2009 demand was softer across all segments and regions in Australia due to a weak residential sector impacted by low consumer confidence and the deferral and cancellation of commercial and industrial projects driven by a lack of available credit.
  - Cost saving and working capital initiatives were implemented with a focus on reducing conversion costs and overheads. This focus will continue to be driven by further site relocations / consolidations and installation of new equipment.
- Sheet and Coil Processing Services (S&CPS)
  - Site consolidation and the integration of BlueScope Service Centres and the ex-Smorgon Distribution Sheet Metal Supplies processing business is continuing smoothly, with consolidation opportunities being reviewed in multiple states. S&CPS is continuing to optimise processing capacity across the business to improve performance and reduce costs.
  - Lower market demand has resulted in lower second half processing (slit, shear and recoil), although delivery performance targets have been met. In response to the lower demand, cost saving initiatives were implemented across the business.
- BlueScope Water
  - Lower demand was experienced in retail and rural markets as rainfall increased and water restrictions were eased in some states, while commercial demand was maintained and export demand improved.
  - Higher steel feed prices, in particular in 1H FY 2009, combined with high inventory levels and a competitive market had an unfavourable impact on margins during the year. Lower 2H FY 2009 steel feed prices did not flow through to improved margins given higher cost inventory was still being consumed.

BLUESCOPE STEEL NEW ZEALAND

New Zealand & Pacific Islands Steel Products

This segment comprises:

- New Zealand Steel; and
- Lysaght Pacific Islands

(i) Financial Performance

Table 9a: Financial Performance
FY 2009 and FY 2008; $ millions

			Variance	
Financial Measure	**FY 2009**	**FY 2008**	**$**	**%**
Sales revenue	695	725	(30)	(4)
Reported EBITDA	95	123	(28)	(23)
Reported EBIT	65	93	(28)	(30)
Underlying operational EBIT (1)	87	85	2	2
Capital and investment expenditure	32	46	(14)	(30)
Net operating assets (pre tax)	346	346	0	0
Return on net assets (pre tax) (2)	20%	24%		

Table 9b: Financial Performance
2H FY 2009 vs. 2H FY 2008 and 1H FY 2009; $ millions

Financial Measure	2H FY 2009	2H FY 2008	Variance	1H FY Y2009
Sales revenue	325	384	(59)	370
Reported EBITDA	24	64	(40)	71
Reported EBIT	9	49	(40)	56
Underlying operational EBIT (1)	9	49	(40)	78
Capital and investment expenditure	12	37	(25)	20
Net operating assets (pre tax)	346	346	0	309
Return on net assets (pre tax) (2)	6%	26%		31%

(1) FY 2009 EBIT has been adjusted for the write off of feasibility costs previously capitalised in relation to capital projects that have now been placed on hold ($22M). FY 2008 EBIT has been adjusted for redemption of B class preference shares in Manukau International Limited an investment vehicle of the New Zealand Steel Pension Fund, which had previously been impaired ($11M) partly offset by impairment of Lysaght Fiji ($3M).

(2) Return on net assets is defined as EBIT (annualised in case of half year comparisons) / average monthly net operating assets.

(ii) Variance Analysis (FY 2009 vs. FY 2008)

The $30M decrease in sales revenue is primarily due to adverse product mix with a lower proportion of painted products, lower realised export hot rolled coil and plate prices and lower domestic despatch volumes, particularly in 2H FY 2009, partly offset by higher domestic prices achieved across all products and favourable foreign exchange impacts on export revenues.

The $2M increase in underlying EBIT was largely due to:

- Improved spread principally driven by:
  - Higher domestic prices achieved across all products.

  Partly offset by
  - Higher purchase prices for coal, largely due to the new Solid Energy coal contract, partly offset by lower coating metal prices for aluminium and zinc.
  - Lower export prices particularly hot rolled coil and plate.
- Lower cost of electricity, driven by lower spot rates.
- Favourable USD exchange rate movements relative to NZD.

These were partly offset by:

- Higher per unit conversion costs driven by reduced production volumes.
- Vanadium volumes were down 36% compared to FY 2008 combined with lower realised export prices (V_2O_5 benchmark FY 2009 were US$8.55/lb vs. FY 2008 US$10.17/lb).

- Lower domestic despatch volumes.
- Reduced scrap sales volumes.
- Higher inventory net realisable value provision mainly for inventory destined for external export markets.
- Lower iron sand despatch volumes from Taharoa largely due to scheduled dry dock of the MV Taharoa Express (FY 2009 702kt vs. FY 2008 876kt and 2H FY 2009 351kt).

Unusual and non-recurring items in reported EBIT include:

- Write off of feasibility costs previously capitalised in relation to capital projects that have now been placed on hold during FY 2009 due to global conditions and the uncertain investment environment in New Zealand ($22M).
- Redemption of B class preference shares in Manukau International Limited within FY 2008, an investment vehicle of the New Zealand Steel Pension Fund, which had previously been impaired ($11M).
- Impairment of BlueScope Lysaght Fiji during FY 2008 ($3M).

(iii) Operations Report

- Steel production for the year was 543kt (FY 2008 605kt) down 10% on last year, mainly due to a melter cooling water failure and a high voltage switch failure in 1H FY 2009.
- Hot rolled coil production for the year was 541kt (FY 2008 603kt) down 10% on last year, largely due to lower slab feed as noted above and the two yearly hot strip mill shut taken in November 2008.
- Metal coating production for the year was 211kt (FY 2008 222kt) down 5% on last year, mainly due to the lower NZ domestic market demand for metal coated products.
- Paint line production for the year was 44kt, down 30% on record 2008 year of 63kt, due to softer NZ domestic market conditions.
- Most operating areas have undertaken significant cost reduction projects, including change in shift rosters, significant reduction in overtime, targeted elimination of contractors and optimised maintenance spend.
- Extended leave plans were put in place for non-bottleneck plant employees over the December / January period.

(v) Markets

- Domestic

  - Following a very strong start to the year, there was a significant reduction in demand across all sectors FY 2009 241kt vs FY 2008 300kt – down 20%. New residential building consents dropped by 40% on the previous year and the business was also impacted by large inventory corrections made in the NZ distribution sector. Demand in the agriculture sector was impacted by lower prices for dairy products and manufacturing demand was impacted by the decline in business activity and a high NZD vs USD exchange rate. Non residential consents were flat.

- Export

  - Total external sales tonnes for the year were 273kt (FY 2008 277k – down 1%). New Zealand Steel was able to maintain steel production at or near full capacity by targeting new customers in export markets. Foreign exchange fluctuations have made trading conditions difficult, as has constrained demand and inventory corrections in most export markets.
  - Production of vanadium slag, based on lbs of V_2O_5 contained, was 36% lower in FY 2009 (3.1Mlbs) compared to FY 2008 (4.8Mlbs) due to iron and vanadium production issues in a softer market.

BLUESCOPE STEEL ASIA

Coated & Building Products Asia

This segment comprises:

- Metal coating and paint line operations in Thailand, Indonesia, Malaysia, Vietnam and China;
- Butler PEB and Lysaght businesses across Asia (use product from these coating lines).
- 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 3 Lysaght rollforming operations.

(i) Financial Performance (Refer to Attachment 2(a) for a breakdown of despatch and financial data by country and Attachment 2(b) for a breakdown of the China data by principal business)

Table 10a: Financial Performance
FY 2009 and FY 2008; $ millions

			Variance	
Financial Measure	**FY 2009**	**FY 2008**	**$**	**%**
Sales revenue	1,543	1,570	(27)	(2)
Reported EBITDA	(45)	(100)	55	55
Reported EBIT	(94)	(148)	54	36
Underlying operational EBIT (1)	(21)	76	(97)	(128)
Capital and investment expenditure (2)	72	62	10	16
Net operating assets (pre tax) (3)	833	932	(99)	(11)
Return on net assets (pre tax) (4)	(8%)	(14%)		

Table 10b: Financial Performance
2H FY 2009 vs. 2H FY 2008 and 1H FY 2009; $ millions

Financial Measure	**2H FY 2009**	**2H FY 2008**	**Variance**	**1H FY 2009**
Sales revenue	665	824	(159)	878
Reported EBITDA	4	71	(67)	(49)
Reported EBIT	(19)	50	(69)	(75)
Underlying operational EBIT (1)	(5)	50	(55)	(16)
Capital and investment expenditure	26	50	(24)	46
Net operating assets (pre tax) (3)	833	932	(99)	1,208
Return on net assets (pre tax) (4)	(4%)	11%		(13%)

(1) FY 2009 EBIT has been adjusted for inter-company inventory net realisable value provisions ($23M), principally HRC feed to Thailand from Port Kembla Steelworks, impairment write-downs of Langfang Panels ($11M) and China Coating ($25M) lines and staff redundancies and other internal restructuring costs ($14M). FY 2008 EBIT has been adjusted for impairment of China Coating and Vietnam Coating line facilities ($224M).
(2) Capital expenditure increase largely reflects higher expenditure in Indonesia.
(3) Decrease in net operating assets primarily reflects lower inventory volumes on hand at year end principally from reduced steel feed purchases combined with lower receivables reflecting the substantial weakness in world steel demand partly offset by lower creditors driven by lower steel feed purchases and foreign exchange movements resulting in a higher increase in the equivalent AUD net operating assets balance.
(4) Return on net assets is defined as EBIT (annualised in case of half year comparisons) / average monthly net operating assets. Excluding impairment write-downs, the return on net assets for FY 2008 was 6%.

(ii) Variance Analysis (FY 2009 vs. FY 2008)

The $27M decrease in sales revenue is primarily due to lower despatch volumes across all regions partly offset by favourable foreign exchange movements and higher average domestic sales prices.

The $97M decrease in underlying EBIT is largely due to:

- Reduced sales volumes across all regions.
- Reduced margins principally driven by:
  - Higher cost of steel feed.

  Partly offset by
  - Higher domestic and export prices.
  - Lower coating metal costs, predominantly lower zinc costs.
- Higher inventory net realisable value provisions in regard to product manufactured from externally sourced feed.

- Higher per unit conversion costs driven by reduced production volumes.

Partly offset by:

- Favourable foreign exchange movements in Indonesia, Malaysia, Vietnam and Thailand, partly offset by unfavourable exchange movements in China.
- Favourable sales mix, principally in Thailand.

Unusual and non-recurring items in reported EBIT include:

- Removal of inter-company inventory net realisable value provision where there is an offsetting inter-company margin booked in a separate reporting segment, namely Coated and Industrial Products Australia, during FY 2009 ($23M).
- Staff redundancies and other internal restructuring costs during FY2009 ($15M).
- Impairment of Lysaght Panels, China ($11M) and further impairment of China coating line ($25M) in FY 2009 and China coating line and Vietnam coating line facilities ($225M) in FY 2008 due to lower than expected domestic volumes and margins in these businesses.

(iii) Operations and Market Report

Thailand

- **Current Operations**
  - Only metal coating line No. 1 remained on continuous 7 day roster during FY 2009 with shift patterns on other production units (cold mill and paint line) reduced to match market demand. Metal coating line No. 2 remained non-operational since December 2008 in response to soft domestic and export demand. Operational and maintenance employee numbers have been reduced in accordance with changed operating patterns.
  - Repairs and maintenance expenditure continues to be managed at a lower spend rate to reflect operational activity.

- **Markets**
  - Thailand's reliance on exports to drive its economy continues to impact most segments in which BlueScope Steel sells. Market activity in residential and building construction, for the agriculture segment in the North East of Thailand, have fared marginally better than industrial and commercial building activity in greater Bangkok which have slowed considerably. Foreign investment in Thailand has continued to decline as a result of the world economic crisis. In addition, the domestic political unrest has delayed implementation of a domestic stimulus package which has also impacted the residential and construction sectors.
  - Cheap imported steel continued to enter the Thailand market throughout FY 2009 and particularly in 2H FY 2009. However during May, customers reported that importers started to indicate that prices will increase for August deliveries and that supply is becoming tight.

Vietnam

- **Current Operations**
  - Both the coating and building businesses have been restructured to reduce the cost base and more rigorous cost control measures have been implemented. For example, support function staff have been reduced by 27% between February and April 2009 and direct manufacturing labour on the metal coating and painting line reduced significantly.
  - Break-even volume level of the metal coating and painting line has been reduced by 35-40%.
  - The metal coated and painted production facility at Phu My operated at half of rated capacity in 2H FY 2009 and operational shift patterns have been reduced accordingly.
  - The rollforming plant at Hatay, near Hanoi in North Vietnam, was decommissioned in March 2009 as part of the business restructuring exercise in BlueScope Buildings. The rollforming and fabricated beam facilities continue to operate at reduced loading in Bien Hoa, near Ho Chi Minh City, in South Vietnam.

- **Markets**
  - Foreign Direct Investment spending in Vietnam was down 70% on CY 2008 as a result of the world economic crisis, impacting all industrial and commercial segments, with many major construction projects being put on hold. However, construction activities in residential and agriculture segments remained strong.
  - The Vietnamese Government announced USD8bn stimulus package in May 2009 to stimulate the domestic economy and this is expected to lead to increased economic activity, particularly in the infrastructure segment and will have some flow on effect to the industrial and commercial segments.
  - Higher volume of lower priced regional steel imports into Vietnam continued to depress domestic steel pricing in 2H FY 2009.

Indonesia

- **Current Operations**
  - The Cilegon paint line has operated at full capacity since March 2009 and the metal coating line has operated at full capacity since May 2009 both due to improved domestic market conditions, including increased demand for residential steel roofing tiles.
  - Lysaght business volumes dropped significantly in 2H FY 2009 mainly due to a drop in demand for roofing and walling products used in the industrial and commercial market. Additionally demand for building products in multistorey construction was down by about 30% and in the residential segment sales were down by about 40% compared to FY08. The pre-engineered building business was able to maintain similar volumes to FY 2008.

- **Markets**
  - Industrial/commercial roofing and walling project demand remains below FY 2008 levels. Residential tile, lightweight steel truss and manufacturing market coated steel demand have returned to Q2 FY 2008 levels driven by improved consumer spending.
  - Imported finished good seeding from BlueScope Vietnam and Malaysia was put on hold in 2H FY 2009 but will recommence 1H FY 2010 to supplement local production and improved domestic demand.
  - Industrial sector is showing signs of strengthening in 2H FY 2010 and PEB projects in agriculture and mining sectors are starting to resume.

- **Capital Growth Project Status**
  - Given the weaker market conditions in Indonesia in 1H FY 2009 and the decision to reduce capital spend across the BlueScope group, it was decided in December 2008 to defer the equipment installation and commissioning for the second metal coating line (including in-line painting) project. Current planning has this project activity re-starting in FY 2011 with production on stream in early FY 2012. However, this is under review given current improved market conditions.

Malaysia

- **Current Operations**
  - The metallic and painting lines operated at 75% and 80% capacity respectively in Q4 of FY 2009 (vs. approximately 60% in the previous two quarters).
  - The production workforce fixed cost base has been lowered and made more variable through changing from 3 shifts (for 24 hour operations) to 2 shifts (but will the flexibility for overtime to ramp up to 24 hour operations if required) per day since February 2009. This gives greater flexibility to manage at lower production and sales volumes but also ramp up to meet increased demand.
  - Despite a 10% reduction in despatches yield performance for both metallic and painting lines continued to improve over FY 2008.

- **Markets**
  - The overall domestic market remained weak for most of FY 2009.
  - The Malaysian government has announced measures (effective 1 August 2009) to liberalise the steel industry through lowering of import duties and issuance of steel manufacturing licences. This is consistent with a broader economic liberalisation agenda being pursued by the Malaysian Government. The actual details of these measures and how they will be implemented in practice are still being clarified.
  - More government projects are being tendered out but the private sector remains cautious.

China

- **Current Operations**

Coated

- Production volumes were adversely affected by softening demand in Q2 FY 2009 with an average despatch of 9kt per month (vs 11kt FY 2008). Total external and inter-company despatches for FY 2009 were 106kt compared to FY 2008 of 137kt.
- The metal coating and paint lines at Suzhou are operating at less than 50% capacity.
- There was continued improvement in manufacturing prime first time for both the metal coating line (FY 2009 98.0% vs. FY 2008 97.1%) and the paint line performance (FY 2009 99.3% vs. FY 2008 98.1%).
- Break-even volume level has been lowered by 40%.
- A large reduction in inventory levels and better payment terms improved the working capital position.
- A revised sales strategy and enhanced product range have shown some early penetration into market segments previously not accessed.

Butler Buildings (PEB)

- FY 2009 order intake was 3% lower than for FY 2008, however 2H FY 2009 order intake improved 16% compared to 2H FY 2008 (particularly in the North and South regions and Vistawall businesses).
- Total external and inter-company despatches for FY 2009 were 179kt or 14% lower than FY 2008 due to softer market conditions particularly in the Central region.
- Significant improvement in FY 2009 operating cash flow, 262% (RMB 183m) higher than FY 2008, mainly as a result of higher advance customer payments, cash flow initiatives and improved working capital management.

Lysaght

- Total external and inter-company despatches in FY 2009 were 10% lower than FY 2008, at 27kt, reflecting market conditions and project mix.
- Despatches in 2H FY 2009 were 4% higher than 1H FY 2009 reflecting improving market conditions and the effect of the China stimulus package.
- Lysaght Shanghai signed its first direct China economic stimulus plan project “WenZhou Railway Station” in Q4 FY 2009.
- Order backlog as at 30 June was RMB 201m reflecting an improvement of 17% over the prior corresponding period.

- **Markets**

Coated

- Underlying demand is anticipated to increase through CY 2009 based on the Chinese Government’s fiscal stimulus package and consequential increase in construction and infrastructure activity.

Butler Buildings (PEB)

- Butler PEB business sells predominantly into the domestic buildings and construction sector in China from manufacturing facilities located in the North, Central and Southern regions
- The West region market is growing stronger with Central government planning to move foreign and Chinese private investments to the West, coupled with significant investment related to the stimulus package. The Central and Southern regions are more challenging.

Lysaght

- Lysaght business is focused on the key market segments of industrial, public building and power station and high rise building.
- The industrial segment has been negatively impacted by weaker economic conditions, but is being offset by growth in the infrastructure segment.
- Strong market growth is expected in the infrastructure segment and particularly railways.

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

- **Current Operations**
  - All Pre Engineered Building (PEB) and Lysaght rollforming facilities are fully operational and performing to expectations.
- **Markets**
  - PEB markets continued to be strong. Weaker demand previously experienced in coated steel is beginning to ease.
  - Currently the most significant PEB manufacturers in India are Tata BlueScope Steel, Kirby, Interarch, Varco Pruden, Tiger, Zamil and Lloyds.
- **Capital growth project status**
  - Due to delays expected from the machinery supplier and civil works, the start-up date of the coated project will be delayed by approximately five months to 2H CY 2010. However, we do not anticipate an increase in the project capital cost of A$270M (100% project). Current completion status of the project is as follows:
    - Piling work - complete
    - Civil work - 50% complete
    - Primary & Secondary Building - 70% complete
    - Equipment Installation – approx 10% complete
  - In January 2009 the joint venture entered into a project financing arrangement to fund the remainder of this project.

BLUESCOPE STEEL NORTH AMERICA

Hot Rolled Products North America

- BlueScope Steel's 50% interest in North Star BlueScope Steel, USA (hot rolled coil production).
- BlueScope Steel's 47.5% interest in Castrip LLC, USA (thin strip casting technology), in joint venture with Nucor and IHI Ltd.

(i) Financial Performance

Table 11a: Financial Performance
FY 2009 and FY 2008; $ millions

Financial Measure	FY 2009	FY 2008	Variance $	Variance %
Sales revenue (1)	0	0	0	0
Reported EBITDA (2)	(58)	105	(163)	(155)
Reported EBIT (2)	(58)	105	(163)	(155)
Underlying operational EBIT	(58)	105	(163)	(155)
Capital and investment expenditure	2	1	1	100
Net operating assets (pre tax) (3)	183	183	0	0
Return on net assets (pre tax) (4)	(22%)	46%		

Table 11b: Financial Performance
2H FY 2009 vs. 2H FY 2008 and 1H FY 2009; $ millions

Financial Measure	2H FY 2009	2H FY 2008	Variance	1H FY 2009
Sales revenue (1)	0	0	0	0
Reported EBITDA (2)	(73)	69	(142)	15
Reported EBIT (2)	(73)	69	(142)	15
Underlying operational EBIT	(73)	69	(142)	15
Capital and investment expenditure	1	1	0	1
Net operating assets (pre tax)	183	183	0	288
Return on net assets (pre tax) (4)	(57%)	64%		11%

(1) Excludes the company's 50% share of North Star BlueScope Steel's sales revenue being A$669M in FY 2009 (A$721M FY 2008) and A$221M in 2H FY 2009 (A$411M 2H FY 2008).

(2) Includes 50% share of net loss from North Star BlueScope Steel of A$56M in FY 2009 (A$108M net profit FY 2008) and A$71M net loss in 2H FY 2009 (A$70M net profit in 2H FY 2008).
(3) 2H FY 2009 vs 1H FY 2009 decrease in net operating assets primarily reflects net loss generated during 2H FY 2009 partly offset by a weaker AUD:USD exchange rate resulting in a higher AUD equivalent net operating assets balance.
(4) Return on net assets is defined as EBIT (annualised in case of half year comparison) / average monthly net operating assets.

(ii) Variance Analysis (FY 2009 vs. FY 2008)

The $163M decrease in underlying EBIT was largely due to:

- Reduced spread driven by lower hot rolled coil prices and higher scrap and pig iron costs in North America.
- Inventory net realisable value provisions due to the decline in US steel prices and high priced pig iron inventory on hand.
- Lower external despatches, down 28% to 693kt (50% share) vs. FY 2008, due to weaker market conditions.
- Higher per unit conversion costs at North Star BlueScope Steel driven by reduced production volumes and the higher cost of electricity and alloy prices.

(iii) Operations Report

- North Star BlueScope Steel (BlueScope Steel has a 50% interest)
  - During FY 2009 a total of 105 full operating days were taken out of production for inventory control purposes (matching production with the order book) due to much softer market conditions.
  - Average capacity utilisation rate for FY 2009 was 71%, well above USA steel industry levels primarily due to reduction in automotive exposure and reputation for on-time delivery, quality and service in the market place.
  - No dividend was paid to BlueScope in FY 2009.
- Castrip LLC
  - Castrip LLC is a joint venture that owns the Castrip® technology, a revolutionary process for the direct casting of steel strip. It is owned 47.5% by BlueScope; 47.5% by Nucor (the third largest steel maker in North America) and 5% by IHI (Japan). BlueScope has exclusive rights to use and licence the technology in Australia, New Zealand, Thailand, Indonesia, Malaysia and the Philippines.
  - Nucor built the world's first commercial Castrip® facility at Crawfordsville IN and also has a second facility under construction at Blytheville, AR.

(iv) Markets

- North Star BlueScope Steel ("NSBS")
  - In FY 2008 NSBS sold most of its product in the Mid-West, U.S.A, with its end customer segment mix being broadly 40% automotive, 20% construction and 40% other manufacturing. In view of the much weaker demand conditions in FY 2009, NSBS has focused on growing its sales volumes with new accounts in the U.S and Canada with a particular focus on non-automotive business. Much of the change in mix has come from pipe and tube manufacturers.
  - Recent steel price increase announcements in the U.S.A have given customers an indication that steel prices may have bottomed. Service centres and brokers have indicated increased activity and demand/orders have increased and automotive activity has improved.

Coated & Building Products North America

This segment comprises:

- BlueScope Buildings North America, including Butler Buildings, HCI Buildings (acquired 31 October 2007) and Varco Pruden Buildings (acquired 1 February 2008); and
- IMSA Steel Corp assets, acquired by BlueScope Steel on 1 February, 2008.

(i) Financial Performance

Table 12a: Financial Performance
FY 2009 and FY 2008; $ millions

			Variance	
Financial Measure	**FY 2009**	**FY 2008**	**$**	**%**
Sales revenue	2,189	1,407	782	56
Reported EBITDA	(36)	126	(162)	(129)
Reported EBIT	(93)	90	(183)	(203)
Underlying operational EBIT (1)	9	99	(90)	(91)
Capital and investment expenditure (2)	56	912	(856)	(94)
Net operating assets (pre tax) (3)	919	881	38	4
Return on net assets (pre tax) (5)	(8%)	28%		

Table 12b: Financial Performance
2H FY 2009 vs. 2H FY 2008 and 1H FY 2009; $ millions

Financial Measure	**2H FY 2009**	**2H FY 2008**	**Variance**	**1H FY 2009**
Sales revenue	874	1,012	(138)	1,315
Reported EBITDA	(9)	75	(84)	(27)
Reported EBIT	(38)	47	(85)	(55)
Underlying operational EBIT (1)	(28)	61	(89)	37
Capital and investment expenditure (2)	40	870	(830)	16
Net operating assets (pre tax) (4)	919	881	38	1,172
Return on net assets (pre tax) (5)	(7%)	18%		(9%)

(1) FY 2009 EBIT has been adjusted for inter-company inventory net realisable value provision ($90M), plant closures and rationalisation costs ($15M), redundancy costs associated with staff downsizing ($9M) and integration costs associated with the acquisition of IMSA Steel Corp ($4M) partly offset by the write back of over-provided liabilities in relation to a general insurance provision ($8M) and North American pension fund ($8M). FY 2008 EBIT has been adjusted for the write back of over-provided liabilities in relation to a UK pension fund within Butler Buildings and for costs and accounting adjustments associated with the acquisition of IMSA Steel Corp and the one-off impact of recognising inter-company profit eliminations in inventory.

(2) FY 2009 vs FY 2008 decrease in capital and investment expenditure mainly relates to the acquisitions of IMSA Steel Corp and HCI Steel Building Systems in FY 2008. The $24M increase in capital and investment expenditure between 1H FY 2009 and 2H FY 2009 relates to IMSA integration and synergy activities.

(3) FY 2009 vs. FY 2008 increase in net operating assets mainly reflects a weaker AUD:USD exchange rate resulting in a higher AUD equivalent net operating assets balance partly offset by defined superannuation actuarial adjustments.

(4) 2H FY 2009 vs. 1H FY 2009 decrease in net operating assets primarily reflects lower inventory volumes on hand at year end due to reduced steel feed purchases combined with lower receivables, reflecting the substantial weakness in demand, and a stronger AUD:USD exchange rate, resulting in a smaller increase in the equivalent AUD net operating assets balance. These were partly offset by lower creditors mainly driven by lower steel feed purchases and lower pension fund provisions due to improved asset returns during 2H FY 2009.

(5) Return on net assets is defined as EBIT (annualised in case of half year comparison) / average monthly net operating assets.

(ii) Variance Analysis (FY 2009 vs. FY 2008)

The $782M increase in sales revenue is primarily due to the full year contribution from IMSA Steel Corp acquired during FY 2008, favourable movement in the AUD:USD relative to the previous comparative period and stronger domestic sales prices principally in 1H FY 2009 partly offset by a decline in underlying sales volumes principally in 2H FY 2009.

The $90M decrease in underlying EBIT was largely due to:

- Inventory net realisable value provisions, in respect of higher priced feed stock on hand, as a result of the decline in US hot rolled coil prices and higher than normal hot rolled coil inventory levels purchased in advance of the No. 5 Blast Furnace reline.
- Lower underlying sales volumes and higher unit costs driven by lower production volumes.
- Margin compression due to competition and less design build work.

Partly offset by:

- The full year EBIT benefit from the acquisitions of IMSA Steel Corp and HCI Steel Building Systems during FY 2008.
- Cost savings initiatives taken across all North America, including the permanent closure of three BlueScope Buildings facilities and one ASC Profile facility to bring capacity more in line with demand, plant lay-offs and shift reductions, permanent staff reductions and discretionary spend reductions.
- Favourable movement in the AUD:USD vs. FY 2008.

Unusual and non-recurring items in reported EBIT include:

- Reversal of inventory net realisable value provisions where there is an offsetting inter-company margin booked in a separate reporting segment principally HRC sales from Port Kembla Steelworks to Steelscape during FY 2009 ($90M).
- Plant closure and rationalisation costs following the acquisition of IMSA Steel Corp during FY 2009 ($15M).
- Redundancy costs associated with staff downsizing during FY 2009 ($9M).
- Write back of over-provided liabilities in relation to a general insurance provision and North American pension fund ($16M) during FY 2009.
- Costs associated with the acquisition of IMSA Steel Corp ($4M) during FY2009 and ($14M) during FY 2008.
- Write back of over-provided liabilities in relation to a UK pension fund ($5M) during FY 2008.

(iii) Operations Report

- <u>BlueScope Buildings (Steel pre-engineered buildings (PEB))</u>
  - Total BlueScope Buildings external despatches for FY 2009 were down 9% to 262k tonnes vs. FY 2008 due to market softening partly offset by Varco Pruden acquisition during FY 2008. Industry despatches for FY 2009, as reported by the Metal Building Manufacturers Association ("MBMA"), were down 34% over same period last year.
  - BlueScope's market share of the MBMA (including exports), through June 2009, stood at circa 30%, materially unchanged from FY 2008.
  - BlueScope Buildings backlog at 30 June 2009 was US$205M vs. US$423M in FY 2008 due to deteriorated economic environment, lower end period selling prices and continued challenging credit environment.
  - Three facilities (Liberty Building System's Selmer, Tennessee, Varco Pruden's Turlock, California, and Kernersville, North Carolina, plants) were permanently closed to reduce costs and regional duplication and increase utilisation across existing footprint. Additionally, production at the Laurinburg, North Carolina plant was materially idled due to the reduced demand.
  - As a result, the break-even volume level has been lowered 18% for Butler and 35% for Varco Pruden.
- <u>IMSA Steel Corp</u>
  - The IMSA business integration continues to progress well. Currently on track to achieve target synergy goals.
  - The execution phase for all plant rationalization projects, within the Buildings group, has commenced with all projects currently on or ahead of schedule.
  - Increased inter-company sales between Steelscape and the down-stream businesses as well as between Metl-Span and ASC to BlueScope Buildings, noting BlueScope acquired IMSA February 2008.
  - Investments have been made at all sites to improve safety performance.

(iv) Markets

- <u>USA overview:</u>
  - U.S. GDP up 1.1% in CY 2008 but declined 6.4% in Q1 CY 2009. Preliminary 2Q GDP fell at a 1% annual rate. The decline is smaller than the contraction over the previous 9 months. Housing starts in the U.S. unexpectedly rose in June. As a signal that the market may be stabilizing, construction of single-family dwellings had its highest monthly increase since 2004. U.S. existing home sales rose in June 2009 marking the third consecutive month of improving sales. Furthermore, the Case-Shiller index,

an index of housing prices in 20 U.S. cities, rose 0.5% over May 2009. This is the first time the index grew on a monthly basis in nearly 3 years.

- The AIA Architectural Billings Index was 37.7 in June 2009. Although the data still points to falling business levels, it appears the steepest part of the downturn has already occurred. The AIA reported that inquiries for new projects remained above the 50 level (signifies an increase over the previous month) for the fourth straight month.
- F.W. Dodge reported that total non-residential construction building awards (Sq. ft) in CY 2009 through June were down 49% on the same period last year.

- BlueScope Buildings
  - BlueScope Buildings primarily sells low-rise metal building systems into the industrial, commercial and community segments of the non-residential building market in North America.
  - The Industrial Capacity Utilization Rate, a leading indicator of industry shipments was at 68 in June 2009. The index average from 1972 to 2008 was 80.9.
  - The business continues to benefit from U.S. government projects, and has seen some signs of stimulus projects starting to break ground.
  - Increase in competitive bid work (vs. design build).

- ASC Profiles
  - ASC Profiles is a component company focused on the West coast U.S. commercial segments of non-residential building and construction, multi-family and single-family residential building and construction markets.
  - ASC announced in June 2009 the closure of the Dallas plant to better align production with demand.
- Metl-Span
  - Metl-Span sells composite insulated panels into the cold storage, commercial and industrial segments of non-residential construction across the U.S.
  - Greatest activity is related to government projects, commercial projects demanding more insulation and smaller renovations.
  - The green building segment is expected to continue to grow in North America aided by changing building energy codes.
- Steelscape
  - Steelscape's primary market is producing metallic-coated and pre-painted steel for the West Coast U.S. non-residential building and construction market.
  - Recent steel price increase announcements in the U.S. have given customers an indication that steel prices may have bottomed. Service centers and brokers have indicated increased activity and noted that demand / orders have increased.

OTHER INFORMATION

Capital Management

- Equity raisings
  - During FY 2009, the company undertook two equity raisings to proactively strengthen its balance sheet in view of weaker industry, economic and financial outlook:

    1. In early December 2008 an institutional placement raised A$300M at an issue price of A$3.10 per share (approximately 96.8M shares were issued).
       - The retail share purchase plan (SPP) closed on 6 February 2009 and raised A$113M again at an issue price of A$3.10 per share (approximately 36.4M shares were issued to retail holders).
       - The total proceeds from the institutional placement and SPP were $400M net of costs.

    2. On 5 May 2009, the company announced a 1-for-1 accelerated pro-rata non-renounceable entitlement offer at an offer price of A$1.55 per share. The offer comprised an Institutional Offer (A$798m) and a Retail Offer (A$615m) with maximum gross proceeds of A$1,413m.
       - Both the Institutional and Retail Offers were underwritten with net proceeds from the rights issue being A$1,360M.
  - The number of shares on issue as at 30 June 2009 was 1,823M.

- Dividend reinvestment program (DRP)
  - A discount of 2.5% was applied to the reinvestment of the FY 2008 final dividend (paid in October 2008) resulting in 28% of shareholders participating in the DRP. Consequently, 8,511,145 shares were issued on 22 October 2008 at an issue price of $6.79.
  - The DRP discount of 2.5% was also applied to the reinvestment of the FY 2009 interim dividend (paid in March 2009) resulting in approximately 26% of shareholders participating in the program. Consequently 5,322,235 shares were issued on 31 March 2009 at an issue price of $2.26.
  - A final ordinary dividend was not declared in respect of FY 2009.

- Debt facilities update
  - In May 2009 the company entered into a new Syndicated Loan Note Facility for A$1,275M with Tranche 1 ($200M) maturing in July 2011 and Tranche 2 ($1,075M) maturing in July 2012.
  - This new facility, along with the equity raised during FY 2009, enabled the company to cancel a number of other facilities (effective July 2009) as detailed below:
    - A$1,192M Syndicated Loan Note Facility (original maturity dates of the three facility tranches ranged from Dec 09 to Dec 11)
    - A$350M Working Capital Facility (original maturity dates of the three facility tranches ranged from Jan 10 to Jan 12)
    - US$275M Bilateral Facility (original maturity date Dec 09)
    - US$25M Bilateral Facility (original maturity date Jan 10)
    - US$75M Bilateral Facility (original maturity date Feb 10)
  - Financial covenants under the new facility cover gearing, net worth and interest cover. Interest cover (EBITDA to Interest) is calculated on 24-month rolling basis for test dates to 30 June 2010, reverting to 12-month basis thereafter. Calculation for interest cover under USPP Notes (2004 and 2008 issues) remains unchanged on 24-month rolling basis.
  - Committed available undrawn capacity at 31 July 2009 under bank debt facilities, plus cash, was A$1,757M.
  - Current average cost of drawn debt is approximately 7.3%. In addition finance costs include commitment fees on undrawn facilities (at approximately 225 basis points), amortisation of facility establishment fees and the discount cost of long-term provisions.

- Net debt
  - During the period, the company's net debt reduced by $966M to $756M (with the weaker AUD:USD exchange rate increasing net debt by approximately $132M) resulting in a gearing ratio of 11.8% (net debt/(net debt plus equity). The operating cash flow of $784M (before interest and income tax paid) combined with the proceeds from the two equity issues were primarily applied to funding capital expenditure and investments ($728M), dividends net of dividend reinvestment plan ($183M), tax payments ($205M) and interest payments ($154M).

Safety, Environment & Health

- Safety
  - The company remains committed to its aspirational goal of Zero Harm for all its people anywhere in the world.
  - The company's injury levels remain at world best standards with the Lost Time Injury Frequency Rate (LTIFR) remaining below one for the fifth consecutive year. The Medically Treated Injury Frequency Rate (MTIFR) also finished at a record low level.
  - Noteworthy safety achievements in the period include:
    - Asia - BlueScope Steel Thailand has passed 23 million hours. Lysaght Thailand – 5 years LTI free. Malaysia Kapar – 21 months MTI free (a new record). Lysaght Singapore – 10 years LTI free and 3 years MTI free.
    - Vietnam Phu My – 3 years MTI free (a new milestone) and 1 year "Zero Harm". Buildings Vietnam – 15 years LTI free and 2 years Zero injuries. BlueScope Steel Indonesia achieved 7 years LTI free & 1 year "Zero Harm". Lysaght Indonesia – 14 years LTI free.
    - China, Suzhou passed their previous best and achieved 4 million hours LTI free and 1 year MTI free. Buildings Guangzhou – 3 years LTI free and 2 years MTI free. Lysaght Panels – 3 years LTI and MTI free and 1 year injury free.

  - ANZSMB, No. 6 Blast Furnace – a new record of 3 years LTI and MTI free. Research passed 13 years LTI free and 1000 days MTI free. Mills & Coating, Plate Mill and Metal Painting & Finishing Departments – 1 year LTI & MTI free. Western Port has an MTIFR less than 1 for the first time in its history. New Zealand Steel & Pacific Islands – 1 year LTI free.
  - Australian Distribution & Solutions, Sheet & Coil Processing Services – 2 million hours LTI free, Acacia Ridge – 1 year MTI free. Distribution, Mareeba & Gold Coast – 8 years & 7 years MTI free respectively.
  - North America Buildings, Laurinburg and San Marcos both achieved 4 years LTI free. Visalia – 1 year MTI free. Liberty – celebrated 12 months MTI free. Steelscape, Fairfield – 2 years LTI free. ASC Profiles – 9 years LTI free.
  - Australian Coated Industrial Markets – best ever performance of 1.5 million hours LTI free. Supply Chain & Logistics achieved 1 million hours LTI free and No.2 Products Berth – 2 years injury free and 15 years LTI free.
- Noteworthy external recognition includes:
  - Tata BlueScope Steel is now an ISO 14001:2004 & OHSAS 18001:2007 certified company.
  - BlueScope Steel was awarded the Safety & Health Excellence Recognition Award 2008 from the World Steel Association.
  - BlueScope Steel Malaysia was awarded the OSH Gold Class II Award from the Malaysian Society for Occupational Safety & Health.
  - BlueScope Steel ANZSMB was awarded 2nd place in the Global Corporate Challenge health initiative.
  - BlueScope Buildings, San Marcos received the Gold Safety Award from the Metal Buildings Manufacturers Association 2008 for an injury rate less that 50% of industry average.
  - New Zealand Steel & Pacific Islands – winner of the National OH&S Award for Load Restraints training using 3D animation.
- This is only an indication of the sustained commitment that BlueScope Steel has to the health and safety of its people, and the hard work they themselves have put into looking after themselves and their colleagues. The result of which is that many more employees and contractors are going home today un-harmed, than ever before.

- <u>Environment</u>
  - The company remains committed to reducing the greenhouse gas intensity of its operations and continuously improving its environment footprint.
  - The BlueScope Steel <u>Environment Management System</u> comprises the following major elements:
    - Our Bond
    - HSEC Policy
    - Environment Principles
    - Environment Standards
    - BSL wide Procedures and Guidelines
    - Operational Procedures
  - BlueScope continues to work on improving its systems and performance through its network of environment reviews and audits, implementation of the compliance system, development of an environment e-learning package and the business planning process.

<u>Energy and Greenhouse Gas</u>

- During FY 2009 BlueScope Steel continued to maintain a strong focus on this matter.
- The Directors support the need to reduce global CO2 emissions and will continue work to reduce the Company's CO2 emissions. BlueScope Steel has a proven track record as an environmentally responsible Company, investing $500 million on environmental improvements globally over the last 15 years.
- However, the Directors have grave concerns about the current design of the Federal Government's proposed CPRS and the negative impact it would have on the world competitive Australian steel industry.
- The Company strongly believes that the cumulative net cost impact of the current design of the proposed CPRS would be highly significant and material, and that it would severely damage our competitiveness, putting domestic investment, Australian jobs and the Australian steel industry at high risk.
- The proposed CPRS scheme unfairly discriminates against the Australian steel industry relative to international competitors. Without comparable global action, the CPRS becomes a compounding tax on the Company - needlessly putting Australian steel jobs and investment at risk for no environmental benefit.
- This is not a one-off tax. From FY2012-FY2020, the cumulative net cost to BlueScope could be as much as $500 million for Scope 1 and 2 emissions, and potentially up to $1.4 billion if suppliers pass through all their carbon costs. This tax would prevent the Company investing in technology to reduce emissions, such as the Steelworks Co-generation Plant project at Port Kembla.

- Importantly, the CPRS undermines Port Kembla Steelworks' current world class competitiveness. It risks the viability of these long-term manufacturing assets. It's a direct threat to this NSW regional economy and the 12,000 workers and their families who rely on the steelworks, and more than 1000 employees and contractors and their families at Western Port in Victoria.
- The Company continues to negotiate with the Government to ensure the CPRS meets the Government's own policy objectives and does not impose a carbon price domestically which results in emissions and production transferring overseas for no environmental gain.
- Three simple amendments to the CPRS are required:
  1. Provide certainty that permit allocations will be maintained, while global competitors do not face comparable carbon costs.
  2. Include hot rolled products (HRP) in the activities which will receive permit allocation.
  3. Provide assurance that Scope 3 coal costs will not be passed on to the steel industry.
- The New Zealand Government has established a select committee to review the existing Emissions Trading Scheme ('ETS') 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 the 30 September 2009. 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.
- The production of greenhouse gases is inherent in the iron and steelmaking processes and there is currently no technology capable of substantially reducing or mitigating these direct greenhouse gas emissions. Despite this, and amidst the challenges arising from the current global economic environment (i.e. reduced production output), BlueScope Steel has continued to work to find ways to further improve energy efficiency and reduce its indirect greenhouse gas emissions and greenhouse gas intensity.

- <u>Water efficiency</u>
  - The company continues to reduce its consumption of freshwater by increasing its use of recycled water, improving process management and sourcing alternative water supplies.
  - Since October 2006 the Port Kembla Steelworks has accepted 14,700 megalitres of recycled water from the Sydney Water Recycled Water Plant.
  - The Western Port site continues to progress a significant water-recycling project. The project has been approved by BlueScope Steel, South East Water and the Victorian Government with funding to be shared. The project is expected to be complete by July 2011 and deliver a 65% reduction in fresh water use and a 75% reduction in wastewater discharged.

Board and Senior Management Changes

- Board of Directors Change - Kenneth Dean was appointed as a Director of the company. Ken commenced with the Company on 21 April 2009 and he was appointed chairman of the Audit and Risk Committee on the 14 August 2009. He is also a member of the Health Safety and Environment Committee.

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ATTACHMENT 1
PRODUCTION AND DESPATCH REPORT – EXTERNAL DESPATCHES

000 Tonnes	12 Months Ended June 2009	12 Months Ended June 2008	Variance	6 Months Ended June 2008	6 Months Ended Dec 2008	6 Months Ended June 2009
AUSTRALIA						
Raw Steel Production (1)	**3,517**	**5,285**	**(33%)**	**2,653**	**2,400**	**1,117**
External Despatches						
Coated & Industrial Products Australia						
- Domestic - HRC(2)	548	827	(34%)	424	403	145
- Plate	175	292	(40%)	142	126	49
- Other	812	1,022	(21%)	535	497	315
- Total	1,535	2,141	(28%)	1,101	1,026	509
- Export - Slab	302	763	(60%)	301	161	141
- HRC (3)	436	643	(32%)	250	111	325
- Plate	46	40	15%	17	18	28
- Other	298	405	(26%)	187	100	198
- Total	1,082	1,851	(42%)	755	390	692
Sub-total(4) (5)	2,617	3,992	(34%)	1,856	1,416	1,201
Australian Distribution & Solutions						
- Domestic (6)	755	960	(21%)	513	440	315
- Export (6)	9	13	(31%)	6	5	4
Sub-total	764	973	(21%)	519	445	319
Total Australian Despatches						
- Domestic	2,290	3,101	(26%)	1,614	1,466	824
- Export	1,091	1,864	(41%)	761	395	696
Total	**3,381**	**4,965**	(32%)	**2,375**	**1,861**	**1,520**
NEW ZEALAND / PACIFIC (7)						
Raw Steel Production	**543**	**605**	(10%)	**293**	**273**	**270**
External Despatches						
- Domestic	241	300	(20%)	156	146	95
- Export	273	277	(1%)	145	80	193
Total	**514**	**577**	(11%)	**301**	**226**	**288**
ASIA (Coated & Building Products)						
Raw Steel Production (8)	**0**	**0**	**0**	**0**	**0**	**0**
External Despatches						
- Domestic	717	908	(21%)	471	360	357
- Export (9)	109	212	(49%)	105	70	39
Total	**826**	**1,120**	(26%)	**576**	**430**	**396**
NORTH AMERICA						
Raw Steel Production (10)	**706**	**983**	(28%)	**500**	**383**	**323**
External Despatches						
North Star BlueScope Steel (10)						
- Domestic	693	960	(28%)	490	379	314
- Export	0	0	0	0	0	0
Coated & Building Products North America						
- Domestic(11)	553	490	13%	391	335	218
- Export	19	21	(10%)	11	13	6
Total	**1,265**	**1,471**	(14%)	**892**	**727**	**538**
DISCONTINUED BUSINESSES						
Raw Steel Production	**0**	**0**	0	**0**	**0**	**0**
External Despatches						
- Domestic	**0**	**0**	0	**0**	**0**	**0**
- Export	**0**	**0**	0	**0**	**0**	**0**
Total	**0**	**0**	0	**0**	**0**	**0**
GROUP						
Raw Steel Production	**4,766**	**6,873**	(31%)	**3,446**	**3,056**	**1,710**
External Despatches						
- Domestic	4,494	5,759	(22%)	3,122	2,686	1,808
- Export	1,492	2,374	(37%)	1,022	558	934
Total	**5,986**	**8,133**	(26%)	**4,144**	**3,244**	**2,742**

Notes:

(1) Raw steel production at Port Kembla Steelworks (PKSW).
(2) 124kt of the 548kt of domestic despatches for FY 2009 were from Western Port (FY 2008: 174kt).
(3) 27kt of the 436kt of export despatches for FY 2009 were from Western Port (FY 2008: 82kt).
(4) Total FY 2009 internal and external despatches from PKSW (slab, HRC and plate) were 3,466kt (FY 2008 5,210kt).
(5) Total FY 2009 internal and external despatches from Coated and Industrial Australia (CIPA) were 3,481kt (FY 2008 5,204kt), comprised of external 2,617kt (FY 2008 3,992kt) and internal 864kt (FY 2008 1,212kt). CIPA internal despatches comprised:
    - 243kt of despatches to Steelscape Inc (FY 2008 185kt);
    - 98kt to BlueScope Thailand (FY 2008 299kt); and
    - 523kt of despatches to other BlueScope businesses including Distribution, Lysaght and BlueScope Malaysia and Vietnam (FY 2008 728kt).
(6) FY 2009 includes 332kt of domestic despatches and 7kt of export despatches and 2H FY 2009 includes 140kt and 3kt respectively via BlueScope Distribution (FY 2008 437kt and 8kt and 2H FY 2008 246kt and 4kt respectively), which were not sourced internally, i.e. long products.
(7) Includes New Zealand Steel & Pacific island operations.
(8) BlueScope Steel does not make steel in Asia. The Asian businesses source steel from a range of local suppliers as well as from BlueScope Steel's Port Kembla or New Zealand operations.
(9) Reflects despatches from the Asian country of production to external customers in other countries within Asia, the Pacific Islands, South Africa and Europe.
(10) Reflects BlueScope Steel's 50% share from North Star BlueScope Steel.
(11) The increase in external despatch volumes is driven predominantly by the acquisition of IMSA Steel Corp during February 2008.

ATTACHMENT 2(a)
COATED & BUILDING PRODUCTS ASIA – COUNTRY DESPATCH AND FINANCIAL DETAILS

FY 2009 and FY 2008 and 2H FY 2008; 2H 2008 tonnes $ millions

Financial Measure	FY 2009	FY 2008	Change	2H FY 2009	2H FY 2008	Change
External Despatches (tonnes)						
- Thailand	196	370	(174)	87	194	(108)
- Indonesia	121	169	(48)	55	93	(38)
- Malaysia	153	174	(21)	67	95	(27)
- Vietnam	70	94	(24)	37	50	(13)
- China	259	312	(53)	125	145	(20)
- Other	27	1	26	25	(1)	27
- Total	826	1,120	(294)	396	576	(179)
Sales Revenue ($M)						
- Thailand	398	487	(89)	158	265	(107)
- Indonesia	240	254	(14)	100	143	(43)
- Malaysia	301	269	32	116	141	(25)
- Vietnam	151	177	(26)	53	94	(41)
- China	513	441	72	247	207	40
- Other	(60)	(58)	(2)	(9)	(26)	17
- Total	1,543	1,570	(27)	665	824	(159)
Reported EBIT ($M)						
- Thailand	(2)	53	(55)	4	37	(33)
- Indonesia	(20)	18	(38)	(10)	11	(21)
- Malaysia	(5)	20	(25)	(8)	11	(19)
- Vietnam	(8)	(29)	21	(4)	4	(8)
- China	(38)	(189)	151	8	(4)	12
- Other	(21)	(21)	0	(9)	(9)	(0)
- Total	(94)	(148)	54	(19)	50	(69)
Underlying EBIT ($M)						
- Thailand	23	53	(30)	7	37	(30)
- Indonesia	(18)	18	(36)	(8)	11	(19)
- Malaysia	(3)	20	(23)	(6)	11	(17)
- Vietnam	(5)	7	(12)	(2)	4	(6)
- China	(2)	(6)	4	8	(4)	12
- Other	(16)	(16)	0	(4)	(9)	5
- Total	(21)	76	(97)	(5)	50	(55)
Net Operating Assets (pre tax) ($M)						
- Thailand	288	320	(32)	288	320	(32)
- Indonesia	142	123	19	142	123	19
- Malaysia	89	107	(18)	89	107	(18)
- Vietnam	83	107	(24)	83	107	(24)
- China	150	203	(53)	150	203	(53)
- Other	81	72	9	81	72	9
- Total	833	932	(99)	833	932	(99)

ATTACHMENT 2(b)
COATED & BUILDING PRODUCTS ASIA – COUNTRY DESPATCH AND FINANCIAL DETAILS – CHINA

FY 2009 and FY 2008; 2H FY 2009 and 2H FY 2008 tonnes $ millions

Financial Measure	FY 2009	FY 2008	Change	2H FY 2009	2H FY 2008	Change
External Despatches (tonnes)						
- China Coated	62	89	(27)	29	51	(22)
- China Buildings (1)	197	223	(26)	96	94	2
- Other / Eliminations	0	0	0	0	0	0
- Total	259	312	(53)	125	145	(20)
Sales Revenue ($M)						
- China Coated	150	151	(1)	71	81	(10)
- China Buildings (1)	436	350	86	213	154	59
- Other / Eliminations	(73)	(60)	(13)	(37)	(28)	(9)
- Total	513	441	72	247	207	40
EBIT ($M) – Reported						
- China Coated	(41)	(191)	150	(3)	0	(3)
- China Buildings (1)	10	7	3	15	(1)	16
- Other / Eliminations	(7)	(5)	(2)	(4)	(3)	(1)
- Total	(38)	(189)	151	8	(4)	12
EBIT ($M) – Underlying Operational						
- China Coated	(16)	(8)	(8)	(3)	0	(3)
- China Buildings (1)	21	7	14	15	(1)	16
- Other / Eliminations	(7)	(5)	(2)	(4)	(3)	(1)
- Total	(2)	(6)	4	8	(4)	12

Notes:

(1) Includes BlueScope Lysaght businesses.

ATTACHMENT 2(c)
DISCONTINUED BUSINESSES

FY 2009 and FY 2008; 2H 2009 and 2H FY 2008 tonnes $ millions

Financial Measure	FY 2009	FY 2008	Change	2H FY 2009	2H FY 2008	Change
External Despatches (tonnes)						
- Packaging Products	0	0	0	0	0	0
- Lysaght Taiwan	0	0	0	0	0	0
- Vistawall	0	0	0	0	0	0
- Total	0	0	0	0	0	0
Sales Revenue ($M)						
- Packaging Products	0	3	(3)	0	1	(1)
- Lysaght Taiwan	0	0	0	0	0	0
- Vistawall	0	0	0	0	0	0
- Total	0	3	(3)	0	1	(1)
EBIT ($M)						
- Packaging Products	6	0	6	5	0	5
- Lysaght Taiwan	9	0	9	9	0	9
- Vistawall	0	(3)	3	0	0	0
- Total	15	(3)	18	14	0	14
Net Operating Assets (pre-tax) ($M)						
- Packaging Products	(9)	(22)	13	(9)	(22)	13
- Lysaght Taiwan	(5)	(22)	17	(5)	(22)	17
- Vistawall	0	0	0	0	0	0
- Total	(14)	(44)	30	(14)	(44)	30