BLUESCOPE

BLUESCOPE STEEL LIMITED
ANNUAL REPORT 2011/2012

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CHAIRMAN'S MESSAGE FROM GRAHAM KRAEHE

Dear Fellow Shareholder,

The 2012 financial year was one of transformation for BlueScope.

The Company laid the foundations for a return to profitability and growth through a number of major initiatives.

The recent establishment of our US$1.36 billion joint venture with Nippon Steel Corporation (NSC) in the building products market was a bold initiative. It delivers your Company outstanding potential to capture growth in the $54 billion per annum building and construction sector in ASEAN and North America. It will also facilitate entry into exciting new market segments such as steel for whitegoods being bought by Asia's fast growing middle class.

The Company restructured, establishing four distinct market-focused businesses operating across the globe from our joint ventures in India and Asia, through Australia and New Zealand to our factories and steel mini-mill in the United States. The Company now comprises: BlueScope Australia and New Zealand; BlueScope Building Products (including the JV with NSC); BlueScope Global Building Solutions (our world leading custom-engineered buildings system); and North Star BlueScope Steel (our very profitable steel mini-mill JV in the United States).

In Australia, we undertook a major restructure to better align steel production with domestic demand and exit the loss-making export market. This was a very difficult decision but essential to ensure the long term future of your Company.

All the initiatives during the year had a core objective of strengthening BlueScope's ability to compete successfully in a volatile global economy. Our competitiveness is driven by:

- our global partnerships (in joint ventures with the likes of Nippon and Tata, and with Fortune 500 customers like Costco and Procter & Gamble);
- our global networks – BlueScope's portfolio comprises more than 100 factories in 17 countries employing 17,000 skilled employees;
- our global brands – market leading premium brands like COLORBOND® steel, ZINCALUME® steel, BUTLER® AND LYSAGHT®, with a suite of next generation product updates to come.

The Company's year of transformation occurred as it faced challenging external factors, including; a very strong Australian dollar, high raw material prices, soft steel prices, weak Australian demand and unfairly priced or "dumped" imports. The cost competitiveness of manufacturing in Australia continues to be challenged by a range of factors including energy costs, and the continued need for labour and capital productivity improvements. Combined, these factors created adverse conditions for your Company – and this was reflected in the $1,044 million reported net loss after tax (NLAT) for the year. The underlying NLAT was $238 million. The difference between the numbers is largely due to one-off costs to restructure the Australian steelmaking business and non-cash impairment charges.

During the year, BlueScope continued to make excellent progress in reducing its debt. At the end of the FY2012 financial year, the Company reduced net debt from a peak of $1.55 billion in October 2011 to $384 million, or approximately $580 million, adjusting for favourable timing of year end cashflows. This was driven by a signficiant reduction in working capital and the successful sale of Metl-Span, our North American based steel insulated panels business, for net proceeds before tax of US$140 million.

The wide ranging initiatives involved a heavy workload over an extended period for management and also for the Board, as evidenced by the 25 Board meetings held during the year.

TRANSFORMING OUR BUSINESSES

The new Global Building Solutions business is already one of the world's leading suppliers of custom-engineered buildings, delivering high-tech building solutions to factories, warehouses, stores and stadiums. It is supported by the innovative Vision engineering system for building design and detailing that enables us to share our resources and skills across our sites globally, to reduce engineering costs and increase speed-to-market. Global Building Solutions has more than 5,000 employees across 21 manufacturing plants in North America, China, South East Asia, India and Australia.

Throughout the high growth Asian region and in North America, BlueScope is well known and respected for our branded steel building products, our established production network and strong customer relationships and these are an important component of the NS BlueScope Coated Products joint venture partnership with NSC. BlueScope's net proceeds of approximately US$540 million from NSC's investment will provide the financial flexibility to further grow our international presence and invest in businesses that can deliver strong returns.

BlueScope has had a long-standing relationship with NSC through our 40-year technology collaboration, completing more than 65 projects together since 1970. Currently, we are working together on the next generation COLORBOND® and ZINCALUME® steel products.

The new joint venture with Nippon will assist us to enter new markets, access new technology and sell our world class products to a broader range of customers in new product areas. It will also accelerate entry into emerging economies in the fast-growing ASEAN region. Strategically, BlueScope and Nippon Steel have a complementary vision for expansion in Asia with both partners bringing significant value, skills and innovation capability. This business has more than 3,000 employees in 29 manufacturing plants in seven countries – Indonesia, Thailand, Malaysia, Vietnam, Singapore, Brunei and the United States.

SAFETY

BlueScope's aim is zero harm. The Company's injury levels remained at world's best in FY2012 with its Lost Time Injury Frequency Rate (LTIFR) remaining below one incident for every million hours worked. Its Medically Treated Injury Frequency Rate (MTIFR) improved by 10% to 5.7 per million hours worked.

REMUNERATION

Board decisions in regard to the remuneration of the Managing Director and Chief Executive Officer and senior executives have been made in the context of the challenging circumstances faced by BlueScope operating in an industry undergoing massive structural change and at a cyclical low.

In last year's Remuneration Report, the Board advised it would undertake a comprehensive review of the Company's executive remuneration policies. The Chairman of the Remuneration and Organisation Committee, Diane Grady, and another independent Director, Penny Bingham-Hall, met with over 20 of BlueScope's larger shareholders, corporate governance advisory bodies and the Australian Shareholders Association for feedback and suggestions which have been incorporated into this year's resulting remuneration structure.

Key decisions made by your Board include:

- Reducing the Managing Director and Chief Executive Officer's remuneration by 52% in FY2012 due to no Short Term Incentive (STI) or Long Term Incentive (LTI) awards;
- Freezing the Managing Director and Chief Executive Officer's base salary to his 2010 level and maintaining this freeze until FY2013;
- Withholding at least 50% of total STI awards to Key Management Personnel (KMP Executives) as deferred equity with a one year trading lock;
- Tightening LTI award conditions by:
  - – Eliminating retesting;
  - – Imposing a two year trading lock on awards that vest; and
  - – Reducing payment at the 51st percentile of Total Shareholder Return to 40%.

The Board has considered in detail the complex issues relating to executive remuneration in a business undergoing major structural change. The Managing Director and Chief Executive Officer supports the additional restrictions placed on his remuneration. The Board has also considered the need to retain capable leaders who have a critical contribution to return the Company to profitability. We ask shareholders to understand and respect the approach we have taken to remuneration, and look forward to a positive vote in favour of this Report.

THE FUTURE

We have formed strategic partnerships with two of the most respected companies in the world, Tata Steel in India and more recently, Nippon Steel. In North America, our 50/50 North Star BlueScope Steel joint venture with Cargill continues performing strongly and a joint venture in Saudi Arabia is opening new opportunities in an expanding market.

Our unique manufacturing footprint and our network of people, operations, builders and customers around the globe have developed and grown. Today, we have more than 100 facilities in 17 countries employing 17,000 people, and in North America, are supported by a Butler/ Varco Pruden sales network of 2,000 builders. We are the building partner of choice for many global companies such as Costco, the world's 7th largest retail company.

Our strong partnerships and networks are founded on BlueScope's well regarded and trusted brands including COLORBOND®, Clean COLORBOND®, and ZINCALUME® steels, LYSAGHT® building products and Butler® custom engineered buildings. We continue to build the value of our brands through investment in research and development to create the next generation of coated steel products.

The strength of our partnerships, networks and brands will increasingly reward BlueScope and you, our shareholders, into the future.

I thank you for your continued support and for the support and contribution of my fellow directors, the senior management team and all BlueScope employees.

GRAHAM KRAEHE, AO
CHAIRMAN

ANNUAL RESULTS ASX MEDIA RELEASE

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ASX Media Release

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DEBT REDUCTION TARGETS EXCEEDED, AUSTRALIAN BUSINESS RESTRUCTURE COMPLETED GLOBALLY WELL POSITIONED FOR GROWTH

BlueScope today reported a $1,044 million net loss after tax (NLAT) for FY2012. This compares with a $1,054 million reported NLAT in FY2011.

The reported NLAT includes an impairment charge of $315 million, as foreshadowed last week.

Underlying NLAT[1] for FY2012 was $238 million. This compares to an underlying NLAT of $127 million in FY2011.

Net debt was reduced to $384 million or approximately $580 million, adjusting for favourable timing of year end cashflows.

The Board has decided there will be no final ordinary dividend.

BlueScope's Managing Director and CEO, Mr Paul O'Malley said "FY2012 was a transforming year, we delivered what we promised. Net debt is lower than forecast. Our Australian businesses are expected to be EBITDA positive in FY2013, and globally we are now well positioned for growth.

"BlueScope is now structured into four main businesses: BlueScope Building Products; BlueScope Global Building Solutions; BlueScope Australia and New Zealand and in the US, North Star BlueScope Steel.

"Our Building Products business, across ASEAN and the US, will be incorporated in the new US$1.36 billion NS BlueScope Coated Products joint venture with Nippon Steel Corporation. It will provide a stronger platform to capture growth in new market segments. The net proceeds of approximately US$540 million from Nippon Steel's 50% investment will afford BlueScope further financial flexibility and balance sheet strength to grow businesses that deliver strong returns.

"Our Global Building Solutions business is well placed to capture opportunities in the world's largest and fastest growing non-residential construction markets with the potential to double current revenue of $1.45 billion within three years.

"BlueScope in Australia is delivering its turnaround. New Zealand Steel continues to be profitable and its iron sands export capability is on track to double within two years.

"In the US, our North Star BlueScope Steel business will concentrate on continuing its good operational performance and accelerating specific growth opportunities," said Mr O'Malley.

BLUESCOPE'S OUTLOOK

"For the 1HFY2013, we expect a continued improvement in financial performance with an underlying net after tax loss (before period-end net realisable value adjustments) approaching breakeven (subject to spread, FX and market conditions).

"In FY2013, total capital expenditure for the group is expected to be approximately $300 million with a third to be invested on growth projects," said Mr O'Malley.

[1] Underlying financial results reflect the Company's assessment of financial performance after excluding non-current asset impairments ($315M), restructure costs ($288M), tax impairments ($268M), borrowing amendment fees ($6M), business development costs ($5M); partly offset by the Steel Transformation Plan advance $70M, profits from discontinued businesses ($4M) and asset sales ($2M). This financial information is provided to assist readers to better understand the financial performance of the underlying business.

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INVESTOR PRESENTATION

BLUESCOPE STEEL

FY2012 Financial Results Presentation

Paul O'Malley, Managing Director and Chief Executive Officer
Charlie Elias, Chief Financial Officer

20 August 2012

ASX Code: BSL

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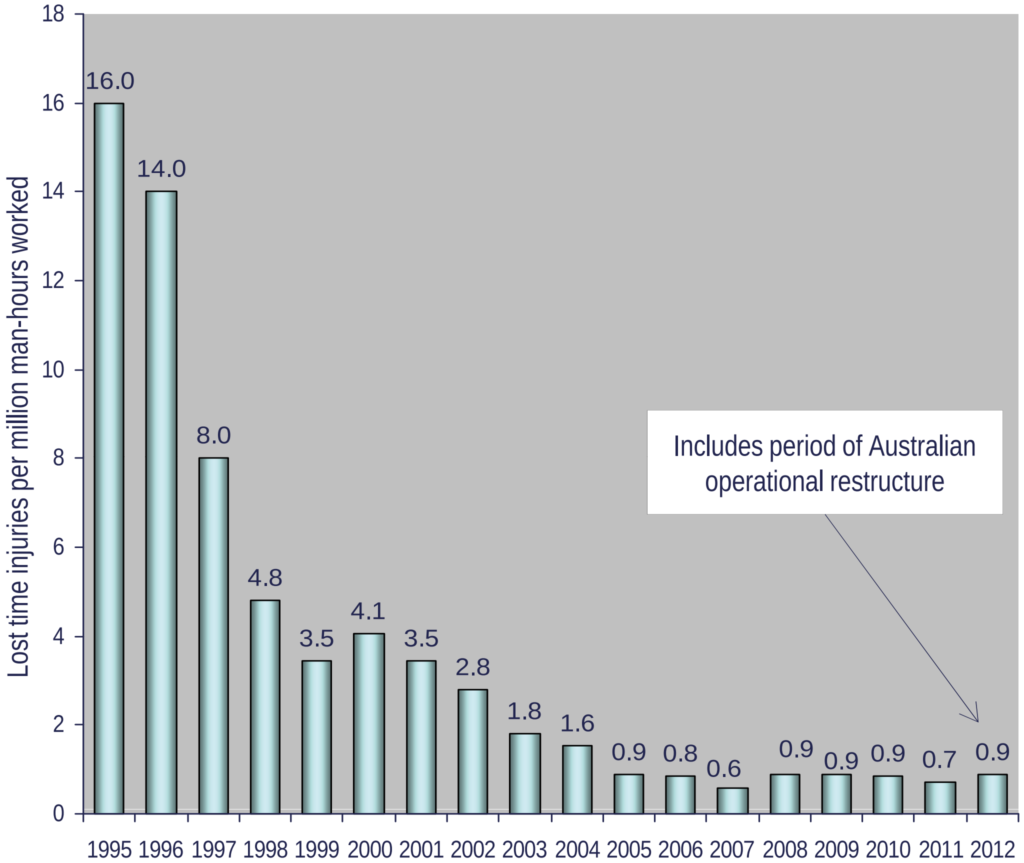
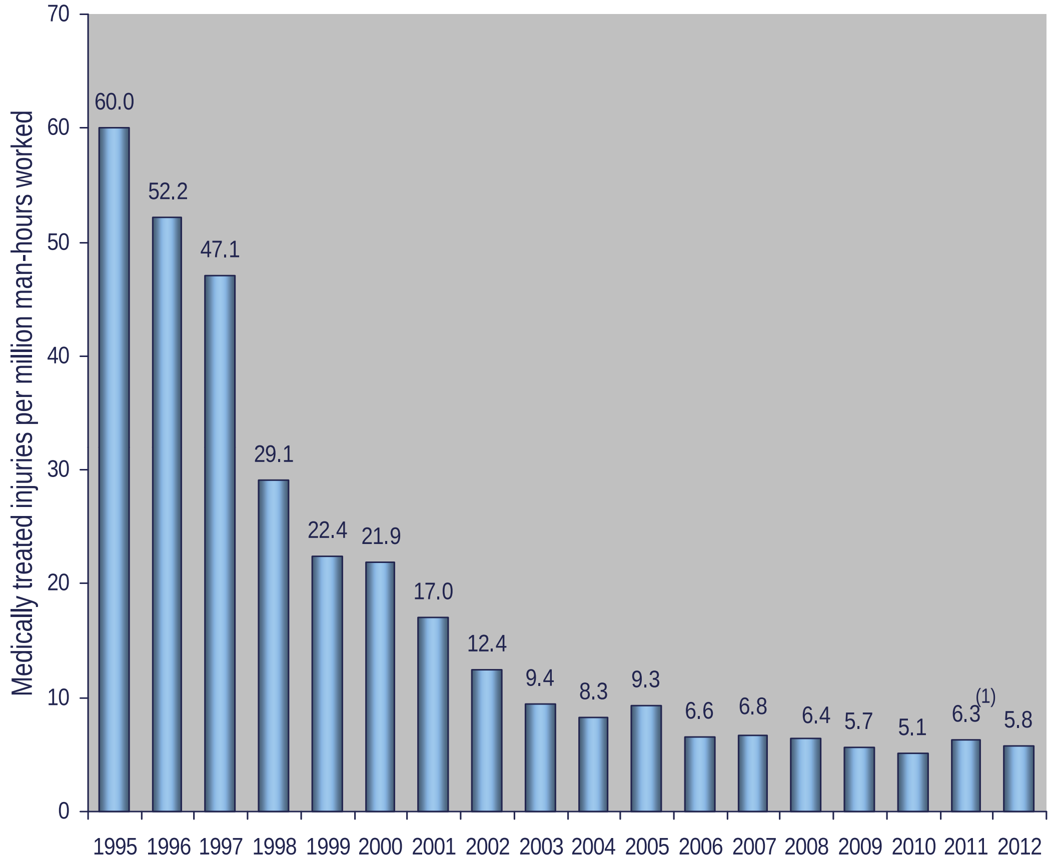
Progress towards our goal of Zero Harm

Lost Time Injury Frequency Rate



Includes Contractors from 1996
Includes Butler from May 2004
Includes 2007/8 acquisitions

Medically Treated Injury Frequency Rate



Includes Contractors from 2004
Includes Butler from May 2004
Includes 2007/8 acquisitions

Note: 1 – The MTIFR baseline has been reset from 4.4 to 6.3. This change relates to revised principles that raise the bar on BlueScope's MTI definition

Recap on US$1.36 Billion Coated Products Joint Venture Announced on 13 August 2012

US$1.36 Billion Joint Venture with Nippon Steel Corporation (NSC)

- 50:50 joint venture over BlueScope's building products business in ASEAN (ex-China & India JV) and the U.S. (Steelscape and ASC Profiles businesses)
- Joint venture enterprise value of US$1,360M (100%)
- BlueScope net proceeds US$540M, which will be used to:
  - Further strengthen the balance sheet
  - Provide ability to invest in businesses delivering strong returns
- JV provides stronger platform to
  - Capture high value-adding growth in exciting markets; and
  - Enter new product segments, especially supply to home appliance and white-goods manufacturers in ASEAN
- JV announcement also touched on FY2012 unaudited results. Will now go into more detail

FY2012 Financial Headlines & Achievements

Reconciliation between FY2012 reported NLAT and underlying NLAT[1]

	2H FY2012 NLAT A$M	FY2012 NLAT A$M
Reported net loss after tax	(514)	(1,044)
Underlying adjustments		
Discontinued operations	3	(4)
Asset sales	(2)	(2)
Restructuring & redundancy costs [2]	34	288
Borrowing amendment fees	-	6
Asset impairment including goodwill [3]	312	315
Business development costs	5	5
Deferred Tax impairment [4]	84	268
Steel Transformation Plan advance [5]	(24)	(70)
Underlying net loss after tax	(102)	(238)

Notes: 1 – Underlying EBIT is provided to assist readers to better understand the underlying consolidated financial performance. Underlying information whilst not subject to audit or review has been extracted from the interim financial report which is been reviewed. Detail can be found in Table 2b of the ASX Earnings Release for twelve months ended 30 June 2012 (document under listing rule 4.3a)

2 – Reflects staff redundancies and restructuring costs at Coated & Industrial Products Australia, in relation to the move to a one blast furnace operation at Port Kembla Steelworks, Coated & Building Products North America, Australia Distribution & Solutions, New Zealand and Corporate. FY2011 reflects staff redundancies and other internal restructuring costs at Coated & Industrial Products Australia and Australia Distribution & Solutions and plant rationalisation costs at Australia Distribution & Solutions

3 – FY2012 reflects non-current asset impairments in the Australian Business comprising Distribution goodwill ($157M), CIPA fixed assets ($136M), Lysaght goodwill ($10M) and BlueScope Water and BlueScope Buildings goodwill and fixed assets ($11M) due to a slower recovery in the domestic demand than previously expected and a higher discount rate applied to expected future cash flows as a result of increased volatility in equity markets. In addition, there were impairment of assets in Coated & Building Products North America associated with restructuring ($4M)

4 – In respect of the impairment of deferred tax assets, the company has deferred the recognition of a tax asset totalling $268M in respect to tax losses generated during the full year, mainly in relation to export losses and restructuring costs. Australian Accounting Standards impose a stringent test for the recognition of a deferred tax asset where there is a history of recent tax losses. The company has deferred the recognition of any further tax asset for the Australian tax group until a return to taxable profits has been demonstrated. Unrecognised Australian tax losses are able to be carried forward indefinitely.

5 – FY2012 reflects receipt of an advance under the Australian Federal Government's Steel Transformation Plan (STP), recognising the STP is provided to assist BSL transition to a carbon tax environment.

Group financial headlines FY2012 vs. FY2011

A$		TWELVE MONTHS ENDED 30 JUNE 2011	TWELVE MONTHS ENDED 30 JUNE 2012	FY2012 vs FY2011 %
Revenue		9,134M	8,622M	(6%)
External despatches		7.7M tonnes	6.8M tonnes	(12%)
EBITDA	– Reported	(687M)	(489M)	29%
	– Underlying [1]	240M	99M	(59%)
EBIT	– Reported	(1,043M)	(820M)	21%
	– Underlying [1]	(107M)	(224M)	(109%)
NPAT	– Reported	(1,054M)	(1,044M)	1%
	– Underlying [1]	(127M)	(238M)	(87%)
EPS	– Reported	(48.6¢)	(39.1¢)	20%
	– Underlying [1]	(5.9¢)	(8.9¢)	(51%)
EBIT Return on Invested Capital		(16.2%)/(1.7%) [2]	(16.0%)/(4.4%) [2]	-
Return on Equity		(19.6%)/(2.4%) [2]	(25.5%)/(5.8%) [2]	-
Net Operating Cashflow				
– From operating activities		142M	455M	217%
– After capex / investments		(225M)	375M	n/a
Dividends (fully franked)		0cps	0cps	n/a
Gearing (ND/ND+E)		19.5%	9.2%	Below 25-30% target

Notes: 1 – Please refer to page 57 for a detailed reconciliation of reported to underlying results. Excludes Metl-Span operational earnings which have been re-categorised to discontinued operations.
2 – Underlying returns in brackets

In addition to the material cost reduction initiatives of $696M in Australasia, Asia and North America since 2008, the Company has delivered on its other FY2012 targets

Coated & Industrial Products Australia restructure

- ☑ Successful equipment closures between mid August and October 2011
- ☑ Cost reductions achieved; full-year benefit in FY2013
- ☑ Total cash restructuring costs of $360-380M expected; below previously anticipated $400-500M range
- ☑ Working capital release of $594M (adjusting for $200M favourable timing of payments) from Oct 2011 to Jun 2012 against $400-500M expectation
- ☑ Excess export volume cleared in Q4 FY2012

Australia Distribution & Solutions restructure

- ☑ Distribution restructure well advanced: closure, sale or consolidation of 17 branches and permanent overhead reductions
- ☑ Lysaght has rationalised its manufacturing footprint

New Zealand growth

- ☑ Iron sands exports from Waikato North Head
- ☑ Expanded Taharoa iron sands export facility and commissioned upgraded ship for 1.2Mtpa despatch rate

Asian growth

- ☑ Successfully commissioned coating & painting lines in Indonesia and India (Tata BlueScope Steel JV)
- ☑ Commenced construction of new Xi'an PEB facility, China

Segment reorganisation

- ☑ Restructured Asian and U.S. businesses to enhance focus on the global growth of the downstream Buildings Solutions business (PEBs), as well as growth in the midstream Building Products business which includes coated/painted coil and Lysaght products

Capital management initiatives

- ☑ Established a $150M receivables program for Distribution that reduced the cost of funds by 35 basis points
- ☑ Repurchase of US$393M USPP Notes (of which $88M in Aug 2012); pro-forma annual interest saving of US$26M
- ☑ Delivery of targeted $100-150M balance sheet initiatives through sale of Metl-Span for US$145M
- ☑ Group net debt reduced to approximately $580M (adjusting for favourable timing of year-end cash flows)

Segment underlying EBIT summary for FY2012; expecting earnings growth in all businesses in FY2013

	Underlying EBIT (A$M) [1]						
	FY10	FY11	1H FY12	2H FY12	FY12	FY2012 vs FY2011	FY2013 Direction
Coated & Industrial Products Australia	108	(258)	(182)	(145)	(327)	• Restructure in FY12; domestic margin pressure; working capital release & monetising excess export tonnes	• Earnings growth due to restructure benefits • Expect EBITDA positive FY13[2]
Australia Distribution & Solutions	2	(34)	(29)	(23)	(52)	• Weaker margins & volumes • Restructure well advanced	• Rationalisation well advanced • Trend improving; target EBIT positive by FY14[2]
New Zealand Steel & Pacific Steel Prod.	73	82	34	35	69	• Lower margin product mix; stronger NZ$ vs US$ • New iron sands ship online late in 2H	• Iron sands growth • Leveraged to domestic market improvement
Coated & Building Products Asia	116	108	47	51	98	• Thailand and Indonesia stronger in 2H • China and India softer due to volumes & start-up respectively	• Continued growth • JV completion • China facility commissioning
Coated & Building Products Nth Am [3]	(17)	(26)	0	(8)	(8)	• Benefit of restructure at Buildings	• Earnings growth from benefit of restructure • Significant leverage to volume growth
Hot Rolled Products North America	61	72	20	42	62	• Reduced spread	• Solid earnings with growth project options
Corporate & inter-segment	(88)	(52)	(27)	(39)	(66)		
TOTAL GROUP [3]	253	(107)	(137)	(87)	(224)		

Note: 1 – Underlying EBIT is provided to assist readers to better understand the underlying business segment financial performance. Please refer to page 58 for a detailed reconciliation of reported EBIT to underlying EBIT for each segment
2 – Subject to spread, FX, domestic margin and demand
3 – Coated and Building Products North America and Group earnings reflect exclusion of Metl-Span earnings owing to its divestment in June 2012

Cash flow – significant working capital release

A$M	FY11	FY12	1H FY12	2H FY12
Cash from operations	308	(162)	(265)	103
Working capital movement	(166)	617	235[1]	382
Net operating cash flow	142	455	(30)	485
Capital & investment expenditure	(404)	(237)	(111)	(126)
Asset sales and other investing cash flow	37	157	6	151
Net cash flow before financing & tax	(225)	375	(135)	510
Financing costs	(108)	(109)	(66)	(43)
Interest received	7	3	1	2
(Payment) / refund of income tax[2]	(12)	(81)	(56)	(25)
Equity issues	-	576	577	(1)
Dividends	(93)	(5)	(1)	(4)
Net drawing / (repayment) of borrowings	366	(719)	(309)	(410)
Net increase/(decrease) in cash held	(65)	40	11	29

Significant improvement in 2H with Australian steelmaking restructure

Large working capital release from October 2011 – more detail on page 44

Capital expenditure minimised

Completed Metl-Span sale for US$145M in June 2012

Lower 2H finance cost due to lower drawn debt and repurchase of U.S. Private Placement Notes

Significant debt reduction in 1H with equity raising, and in 2H with positive cash from operations, working capital release and asset sales

Notes:
(1) Includes movements in provisions relating to restructuring costs
(2) The BlueScope Steel Australian tax consolidated group is estimated to have carried forward tax losses, as at 30 June 2012, in excess of $2.2Bn. There will be no Australian income tax payments until these losses are recovered.

Strategy Update

BlueScope's strategic business focus …

Structured as four main businesses …

Market First Focus

Building Solutions	• Expanding profitable Chinese business – Xi'an plant to be operational by end of FY2013 • North American business restructured – material earnings upside as economy recovers • Access significant global opportunities; global brands, networks and partnerships • Positioned for growth – potential to double revenue to $3 Bn within three years
Building Products	• Growing our leading position in metal coated and painted steel building products in high growth and high value markets across the Asia-Pacific region • Outstanding opportunity from joint venture with NSC, announced 13 August 2012 • Preeminent footprint, well recognised brands, broad channels to market, new products
BlueScope Australia & New Zealand	• CIPA restructure completed: leveraged to domestic market improvement; continued focus on productivity; investing in next generation coated products; expect EBITDA positive in FY2013 (subject to spread, FX, domestic margin and demand) • Taharoa iron sands expansions – double exports within two years • Distribution rationalisation well advanced. Trend improving; target EBIT positive by FY14
Hot Rolled Products North America	• Profitable expansion opportunities before us
Balance Sheet	• Coated Products JV completion will considerably strengthen balance sheet and enhance financial flexibility to invest in growth opportunities

Global Building Solutions business

Market First Focus

- Building Solutions
- Building Products
- BlueScope Australia & New Zealand
- Hot Rolled Products North America
- Balance Sheet

Comprised of:

- Buildings North America
- China: Buildings, Lysaght and Coated. Buildings Asia
- Buildings & Solutions Australia
- Other global buildings activities

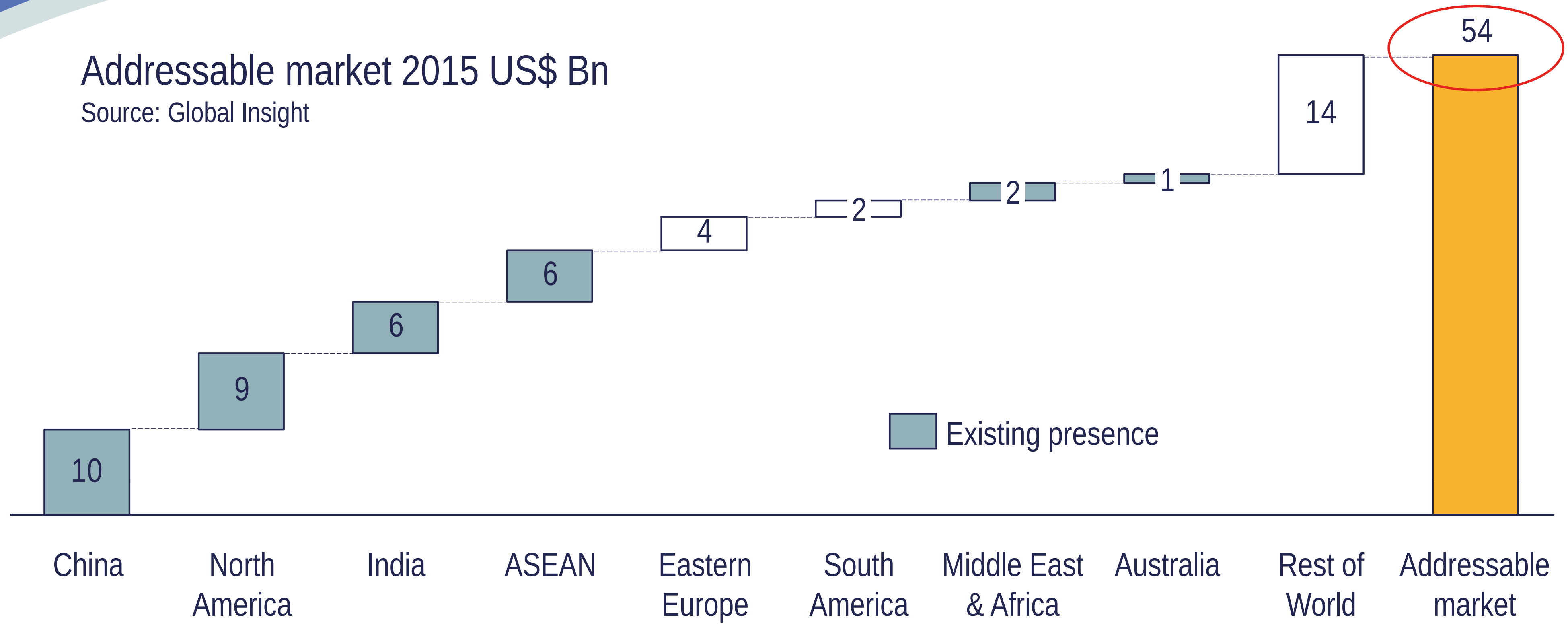
Business strategy:

- Accelerate growth in building solutions to industrial and commercial building segment
- Expanding the sales and installation network for delivery of buildings on a global basis
- Expand the portfolio of cost efficient manufacturing and engineering facilities
- Deliver new products including Day-Lighting to reduce building operating costs, and Long Bay structural solutions with higher load bearing capacity and reduced weight for large scale facilities

Global Building Solutions is well position to capture opportunities in the world's largest and fastest growing non-residential construction markets

Addressable market 2015 US$ Bn

Source: Global Insight



- Suite of global brands and effective global sales network
- Network of over 500 engineers located in 10 countries
- Broadest manufacturing footprint among Engineered Building Solutions players with manufacturing capability in China, North America, India, ASEAN, Middle East and Australia
- Other markets can be serviced by a blend of Licensees (eg Brazil, Korea, Japan) and Joint Ventures
- Also an significant opportunity to penetrate the conventional building market by conversion to Engineered Building Solutions (eg Engineered Building Solutions represent only 15% of the total US non-residential construction market - source: MBMA, FW Dodge)

The new organisational structure also enables Global Building Solutions to better service multi-national corporations with their global expansion requirements

- Unique proposition to design, manufacture and construct for global clients, such as Costco and Procter & Gamble, that want to standardise construction across their footprint
- Our innovative building designs have reduced the weight per square meter by 25% in some cases, saving substantial costs for our global customers
- Speed of construction allows clients to reduce overall construction costs and generate revenue faster
  - Have reduce building erection times by 50% working in partnership with global customers
- Reduces client's risk and enables them to focus on areas of core competency
- BlueScope is targeting some 200 large multi-national corporations, over a quarter of which BlueScope has supplied buildings to in the past two years
- Our Global Sales Team have identified leads representing over $800M in project revenues

COSTCO WHOLESALE

Procter & Gamble

Volume growth for Global Building Solutions is expected to continue to outpace market growth and recent restructuring efforts are expected to deliver ongoing profit growth

- Recently established Global Accounts team to drive penetration of significant global customer opportunity
- Strong market growth potential remains for China
- ASEAN buildings businesses have been integrated with the China Buildings business to provide stronger support services (sales, marketing, engineering) and a better focus on growth
- The North American buildings businesses will benefit from market recovery and recent restructuring efforts which have significantly reduced its cost base
  - Dodge MBMA market forecast growth for USA non-residential construction at 22% for CY13 and 34% for CY14
- Further opportunity to improve Lysaght China sales and margins expanding sales into private sector
- Improvement in volumes and product mix (bare vs painted) will drive Buildings Products China earnings
- A strong focus on innovation and product development (daylight harvesting, solar integration, smaller buildings etc)

$1.45 Bn revenue in FY2012. Potential to double in the next three years

Building Products business

Market First Focus

- Building Solutions
- **Building Products**
- BlueScope Australia & New Zealand
- Hot Rolled Products North America
- Balance Sheet

Comprised of:

- NS BlueScope Coated Products JV (once completed): ASEAN coating lines, Lysaght businesses and Ranbuild businesses. Steelscape and ASC Profiles (U.S.)
- Tata BlueScope Steel JV (India)

Business strategy:

- Grow leading position in metal coated and painted steel building products in high growth and high value markets across the Asia-Pacific region
- Portfolio of highly competitive, locally manufactured premium sustainable products tailored to match market demand across residential and non residential building segments
- Potential new products, such as SuperDyma® coated steel supply to home appliances manufacturers
- Access new customers (especially Japanese manufacturers in ASEAN)

$1.36 Billion Joint Venture with Nippon Steel Corporation (NSC) announced on 13 August 2012, to form NS BlueScope Coated Products

- Establishment of 50:50 joint venture over BlueScope's building products business in ASEAN and the U.S. (Steelscape and ASC Profiles businesses). Transaction completion expected March 2013 quarter, subject to regulatory and other approvals
- Joint venture enterprise value of US$1,360M (100%)
  - Expected FY2012 unaudited underlying EBITDA for the business of A$115M (EBIT A$68M)
  - Valuation reflects the attractive platform and enhanced growth prospects of BlueScope's existing business
  - BlueScope's net proceeds US$540M (after minority interests, taxes and transaction costs)
- Stronger platform to capture growth in existing markets, especially Southeast Asia
  - On-going BSL 50% interest
  - Quicker ramp up to 100% utilisation of existing coating and painting capacity
- Enhancement of existing product mix to higher value products
- Potential new products, such as SuperDyma® coated steel supply to home appliances manufacturers and access to new customers (especially Japanese manufacturers in ASEAN)
- Strengthens BlueScope's balance sheet and enhances ability to fund growth opportunities in our profitable businesses

Growth of the Coated Products business, before creation of the JV

- Anticipated volume and top-line growth driven by:
  - Expansion of downstream manufacturing facilities in domestic markets
  - Best-in-class technology (including in-line painting), quality, product range and R&D capability
  - Increased capacity utilisation in optimised network of facilities through seeding and load balancing
  - Increase in available capacity through thicker gauge-mix and OEE improvements
  - People, processes and systems geared for growth

- EBITDA margin improved through:
  - Product-mix improvement towards higher value-added Tier 1 and Painted products
  - Greater pull-through of Tier 1 products through expansion of Lysaght, Ranbuild and bolt-on acquisitions of consumer facing downstream businesses
  - Cost competitiveness through growing scale, strategic sourcing, in-line painting and yield improvements

Evaluating the opportunities of NS BlueScope Coated Products

Initially quantified opportunities	• New products and solutions for customers utilising NSC's comprehensive solution technologies – Home appliance segment applications of SuperDyma® and VIEWKOTE® will be priorities – SuperDyma® applications in Building & Construction • Stable procurement of coil feed substrates and enhancing consistency of quality and competitiveness of JV products by using substrates that are manufactured under NSC's integrated quality control system	*Initially quantified opportunities to deliver an expected US$30-75M EBITDA to the JV by FY2017 above existing business growth profile – see subsequent pages*
Further opportunities for review and quantification	• Expanding reach of existing JV business & products to existing Japanese FDI participants in ASEAN through NSC linkages and network. Opportunity will grow as Japanese manufacturing continues to migrate to ASEAN • Pursuing growth in other countries in the ASEAN region • Sharing production support resources in ASEAN with NSC's existing presence, and achieving best-of-breed productivity and performance • Accelerate market entry of next generation COLORBOND® and ZINCALUME® into Asia • Development of new demand for non-automobile applications such as agriculture, energy-related and electric appliance applications (JV excludes automotive segment)	*Review and quantification of benefit and costs once JV established*

BlueScope Australia & New Zealand

Market First Focus

- Building Solutions
- Building Products
- **BlueScope Australia & New Zealand**
- Hot Rolled Products North America
- Balance Sheet

Comprised of:

- Coated & Industrial Products Australia
- Building Components & Distribution Australia (BlueScope Distribution & Lysaght)
- New Zealand Steel & Pacific Steel Products

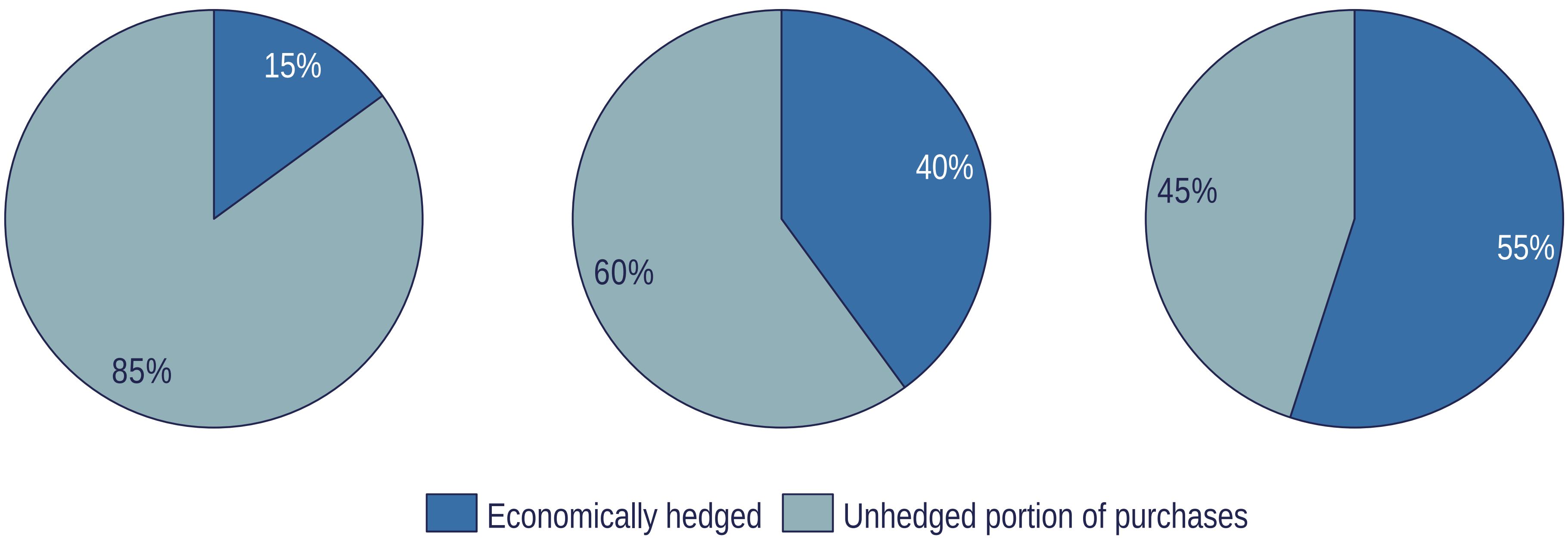
Business strategy:

- Improve profitability in manufacturing and distribution operations
- Harness value of low cost iron sands opportunities in New Zealand
- Pursue structural cost reduction opportunities in raw materials for Port Kembla
- Commitment to domestic market; next generation products

Once Taharoa 2.4 Mtpa iron sands export rate achieved, BlueScope will be 55% economically hedged for iron ore, on a value-in-use basis

Portion of iron ore consumption economically hedged[1] within BlueScope

2011	Today	FY2014 Expected
Before CIPA Restructure, combined with 0.8 Mtpa iron sands exports (9.2 Mtpa usage rate, including NZ)	Post CIPA Restructure, combined with expected 1.2 Mtpa iron sands exports from Taharoa, and exports from Waikato North Head (5.0 Mtpa usage rate, including NZS)	Post CIPA Restructure, combined with expected 2.4 Mtpa iron sands exports from Taharoa, and exports from Waikato North Head (5.0 Mtpa usage rate, including NZS)



Note:

1) Based on current market pricing ratio of iron ore fines to iron sands

Hot Rolled Products North America

Market First Focus

- Building Solutions
- Building Products
- BlueScope Australia & New Zealand
- **Hot Rolled Products North America**
- Balance Sheet

Comprised of:

- North Star BlueScope Steel JV (Ohio)
- Castrip JV

- **Business strategy:**
- Maintain robust profitability through the cycle with low cost, highly flexible operations and a strong focus on customer relationships
- Profitable growth options – increase production capacity; lower feed supply cost structure

Hot Rolled Products North America – growth opportunities

Second slab caster project

- Potential upgrade in production capacity from ~2.2 million to ~2.6 million tons per annum
- Involves installing a second steel slab caster, enhancing the existing electric arc furnace, installing a new shuttle furnace and undertaking general reconfiguration of associated infrastructure
- Total capital cost estimated to be US$200-250M (BSL share 50% of this)
- Feasibility studies and detailed engineering complete
- Project is currently on hold due to DRI feasibility analysis. Depending on outcome, JV may propose giving the DRI project a higher priority

DRI project

- Build a 1 million ton per annum Direct Reduced Iron (DRI) Plant. DRI would replace some of the current higher priced scrap and pig iron supply, lowering the overall cost structure of the JV
- Involves building a plant to feed DRI to the electric arc furnace reducing Pig Iron (Imported from Russia and Brazil) and Prime Scrap purchases
- Capital cost – to be determined
- Feasibility Study underway and planned to be reviewed by end of CY2012
- Project subject to JV partners approval

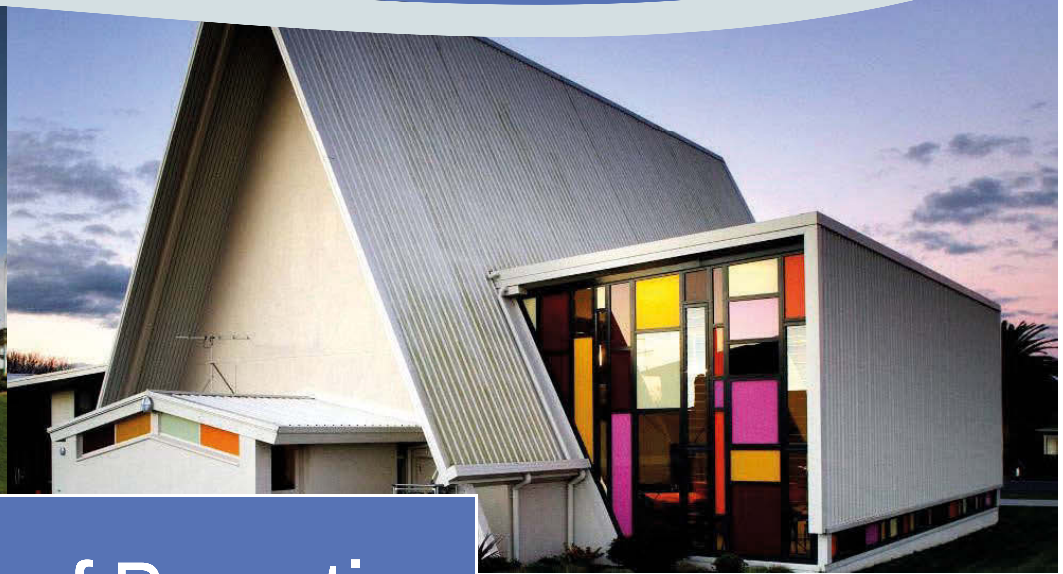
Balance Sheet

Market First Focus

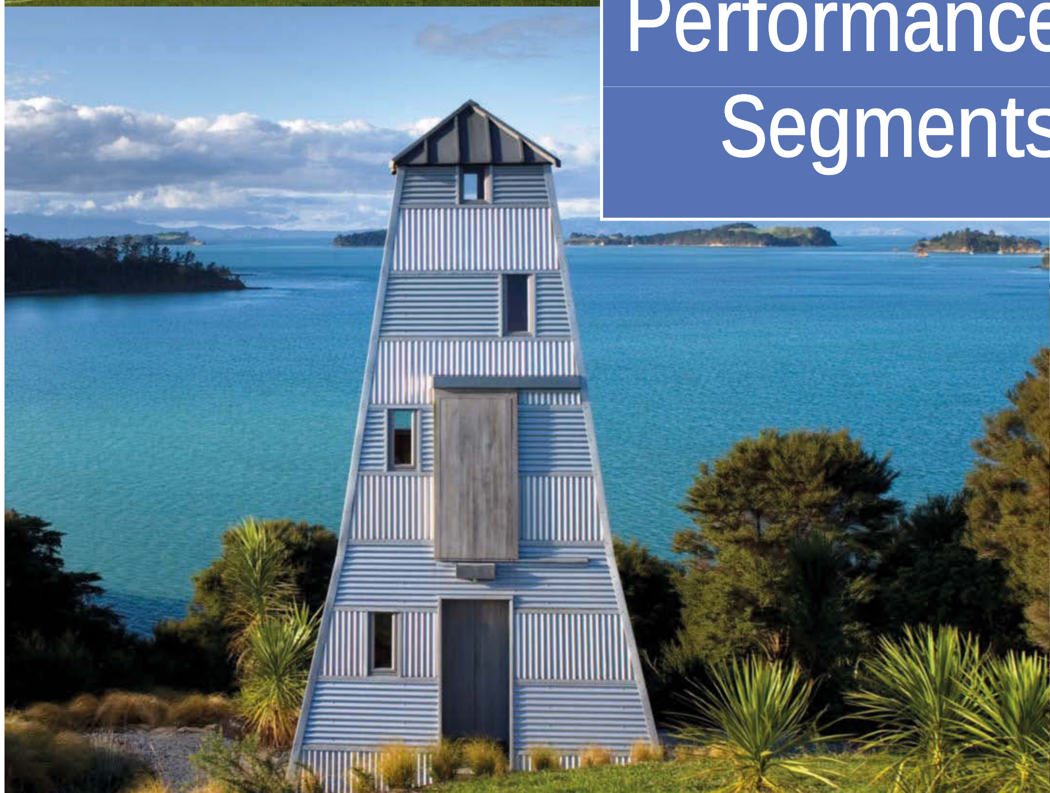
- Building Solutions
- Building Products
- BlueScope Australia & New Zealand
- Hot Rolled Products North America
- **Balance Sheet**

Balance Sheet:

- Maintain a strong balance sheet
- Reduce cost & manage liquidity through the cycle
- Support growth initiatives



Performance of Reporting Segments in FY2012

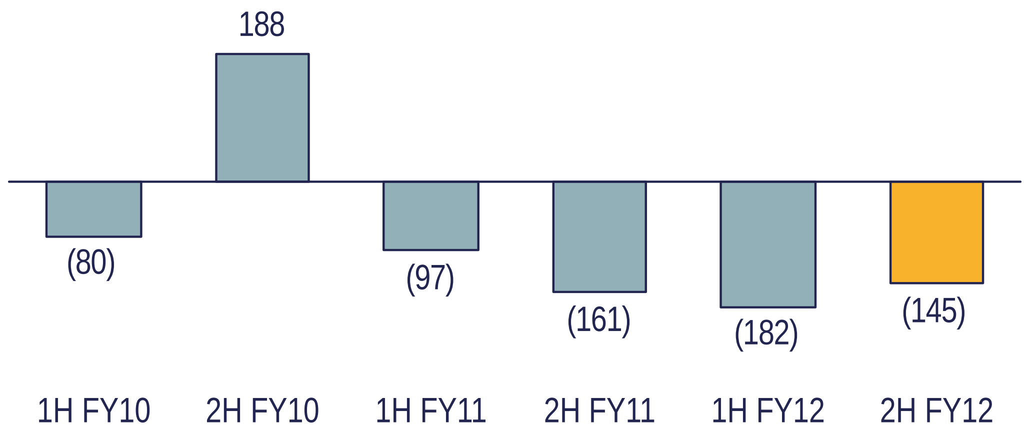


Coated & Industrial Products Australia – segment summary

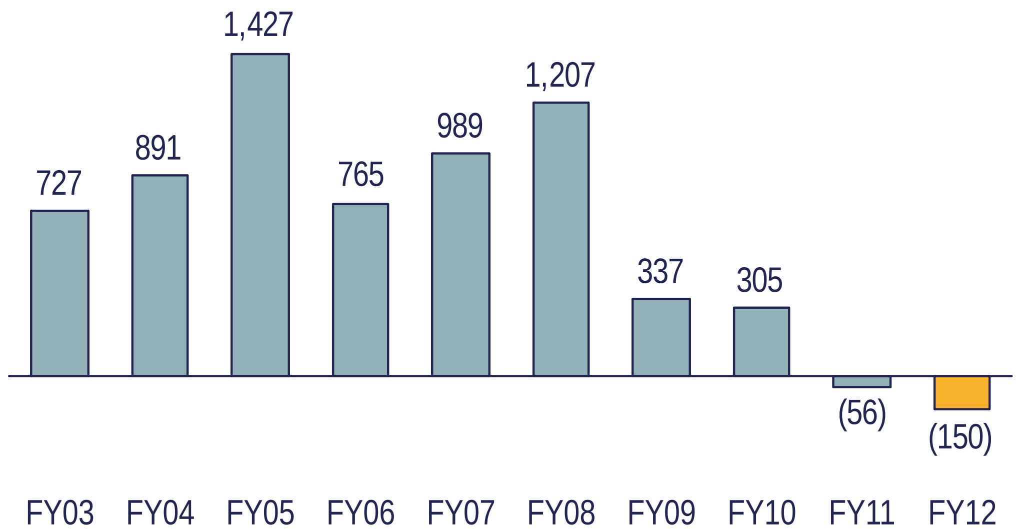
Comments on results and business direction

- 2H FY2012 underlying EBIT loss of $145M driven by (vs. 1H FY2012):
  - ➢ Lower 'loss-making' export volumes
  - ➢ Improved spread:
    - – Lower raw material costs partly offset by lower domestic and international selling prices and higher value of opening inventory carried forward into 2H FY2012 than 1H FY2012
  - ➢ Lower NRV provision at 30 June 2012 vs 31 Dec 2011
  - ➢ Partly offset by:
    - – Higher unit costs due to fixed conversion costs spread over lower production volumes
    - – Adverse domestic product mix to lower margin products and markets
- Commenced using Iron Sands in iron make. Estimate usage at around 3% of iron ore input blend
- Excess export volume despatched in Q4 FY2012 (following restructure and due to slightly lower domestic demand)
- Western Port EBA complete. Illawarra (PKSW & Springhill) remains under negotiation
- Full restructure benefit in FY2013: expect EBITDA positive (subject to spread, FX, domestic margins and demand)

Half yearly underlying EBIT comparison (A$M)

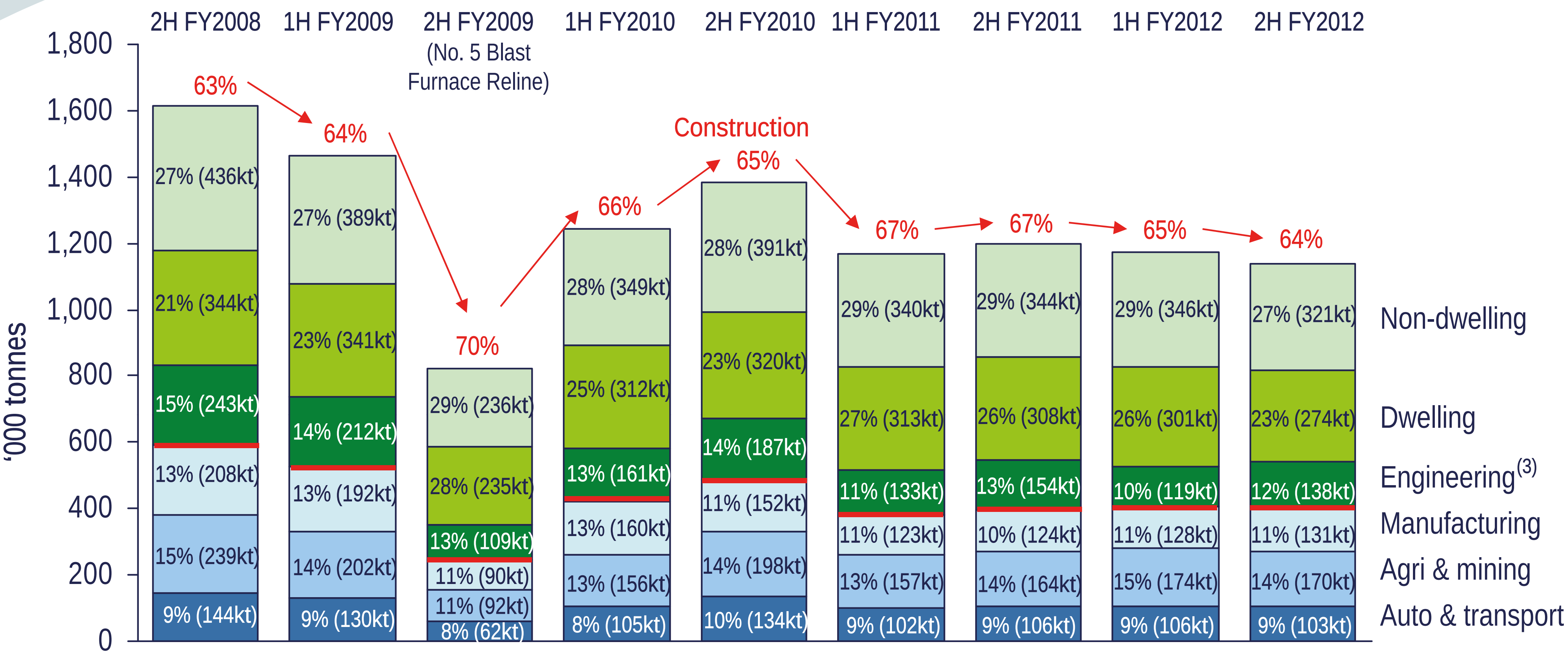


Underlying EBITDA progression (A$M)



2H FY2012 Australian demand broadly in line with preceding two halves, but some mix deterioration away from higher Building & Construction segment

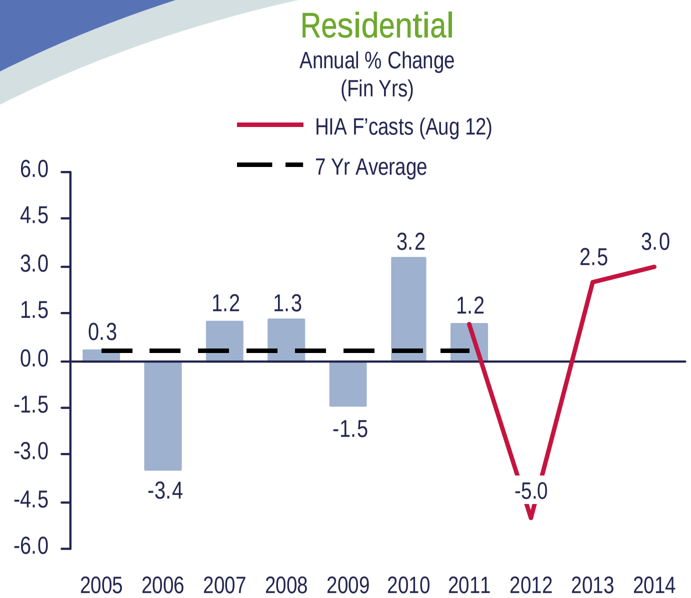
TOTAL BSL AUSTRALIAN EXTERNAL DESPATCH VOLUMES [1]

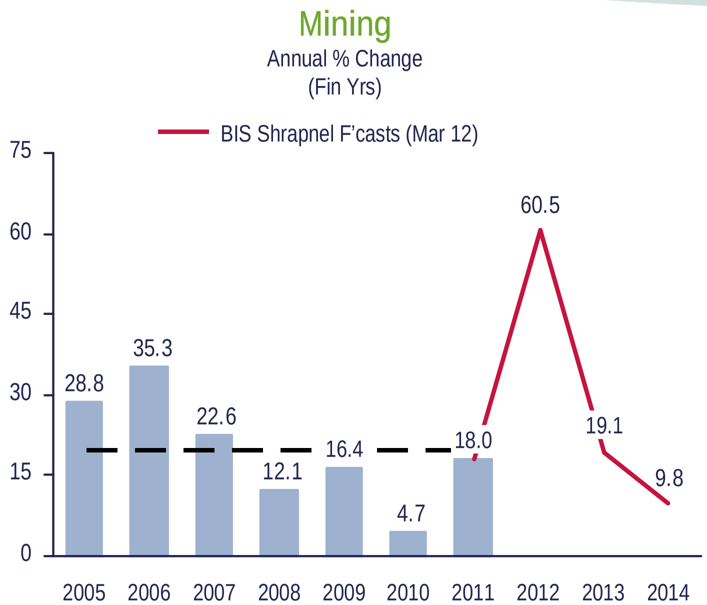


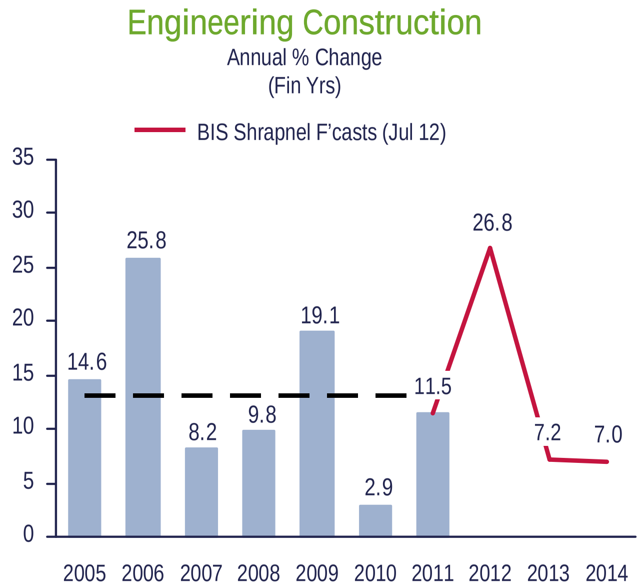
	2H FY2008		1H FY2009		2H FY2009		1H FY2010		2H FY2010		1H FY2011		2H FY2011		1H FY2012		2H FY2012
Gross Despatches	1,614kt	(9%)	1,466kt	(44%)	824kt	51%	1,243kt	11%	1,381kt	(15%)	1,168kt	3%	1,198kt	(2%)	1,174kt	(3%)	1,138kt
less[2]	*(264kt)*		*(192kt)*		*(140kt)*		*(164kt)*		*(166kt)*		*(161kt)*		*(160kt)*		*(160kt)*		*(148kt)*
Normalised Despatches	1,368kt	(7%)	1,274kt	(46%)	684kt	58%	1,079kt	13%	1,215kt[4]	(17%)	1,007kt	3%	1,038kt	(2%)	1,013kt	(2%)	990kt
					FY2009 1,958kt	--	17%	--	FY2010 2,294kt	--	(11%)	--	FY2011 2,045kt	--	(2%)	--	FY2012 2,003kt

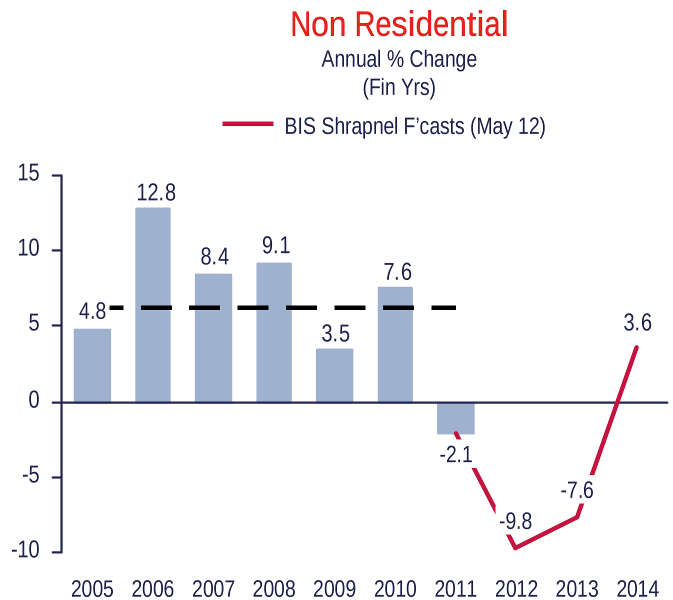
Notes:
(1) Percentages have been rounded.
(2) Normalised despatches exclude third party sourced products, incl long products.
(3) Engineering includes infrastructure such as roads, power, rail, water, pipes, communications and some mining-linked use

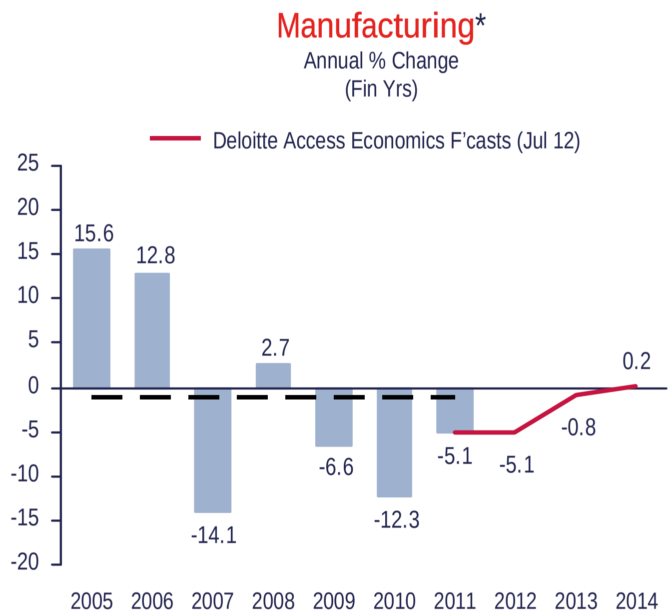
External forecaster expectations of residential construction sector improvement in FY2013 and non-residential improvement in FY2014

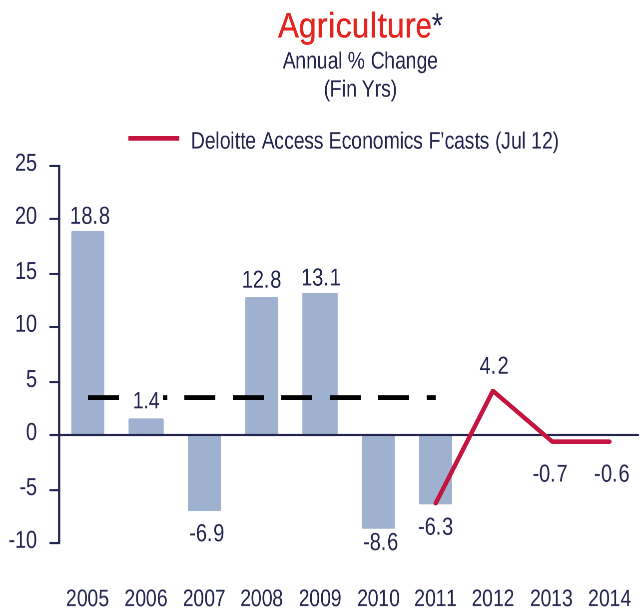






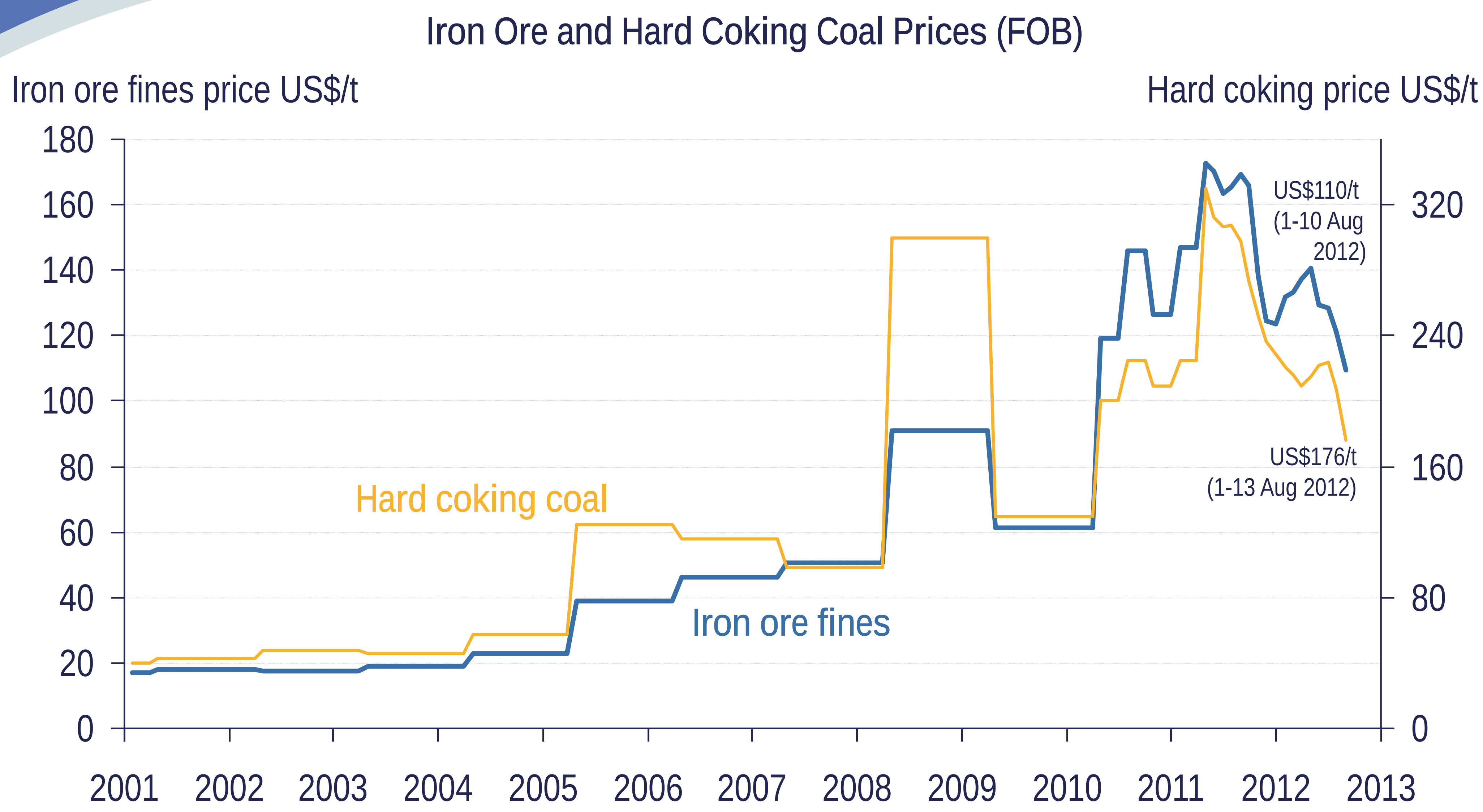






Source: ABS, BIS Shrapnel, HIA, *Deloitte Access Economics (based on Gross Output growth rates)

Recent weakness in raw material input costs encouraging

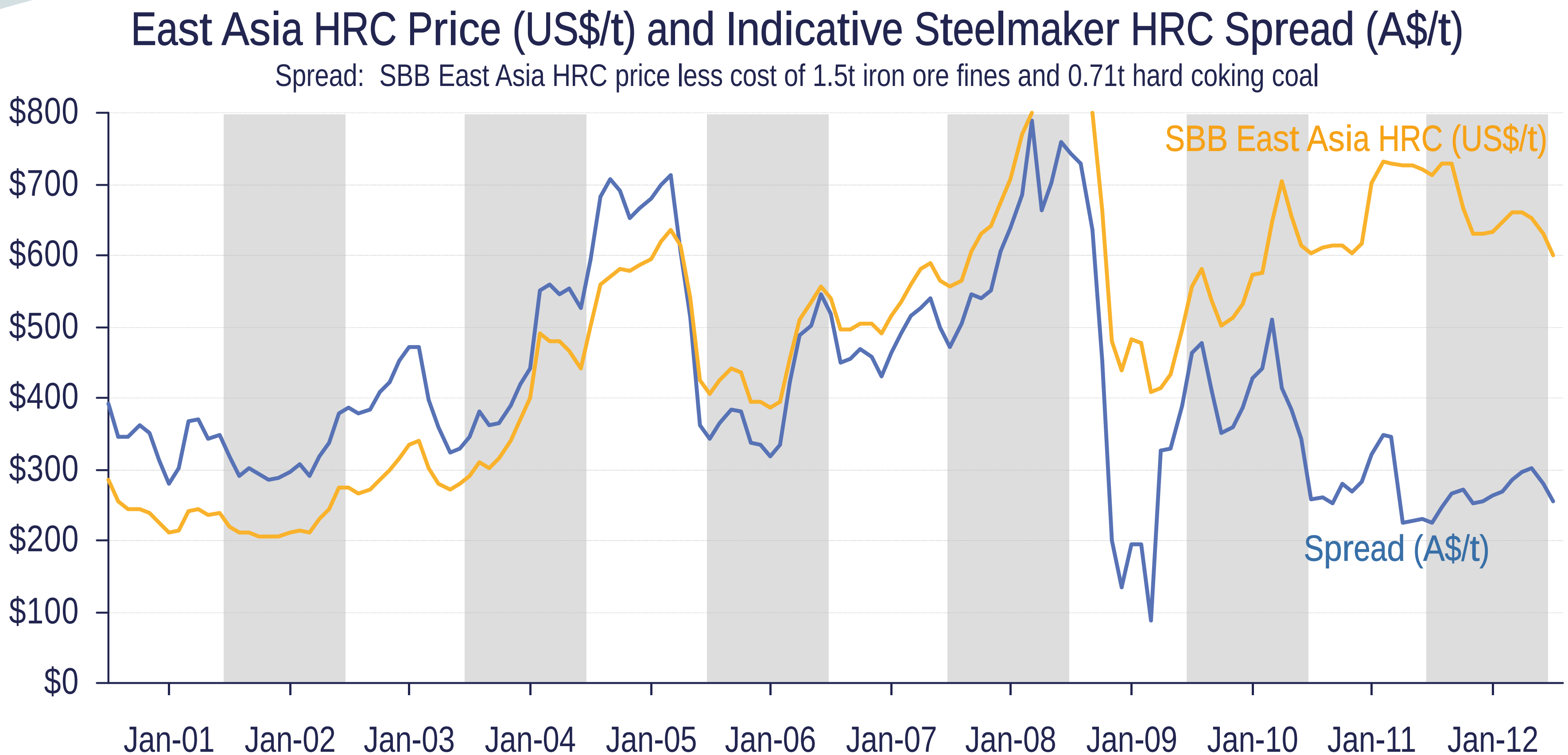


Source: CRU, Platts, TSI, BlueScope Steel calculations

Note:

- Indicative iron ore pricing: 62% Fe iron ore fines price assumed. Industry annual benchmark prices up to March 2010. Quarterly index average prices lagged by one quarter from April 2010 to March 2011; monthly index average thereafter. FOB estimate deducts baltic cape index freight cost from CFR China price.
- Indicative hard coking coal pricing: low-vol; FOB. Industry annual benchmark prices prior to, and including, March 2010; quarterly prices from April 2010 to March 2011; monthly average spot price thereafter.

Spread (steel prices less raw material prices) continues to be a major determinant of C&IPA profitability



Source: SBB, CRU, Platts, TSI, Reserve Bank of Australia, BlueScope Steel calculations

	FY2010	FY2011	1H FY11	2H FY11	1H FY12	2H FY12
Indicative steelmaker HRC spread (US$/t)	365	271	252	291	260	291
Indicative steelmaker HRC spread (A$/t)	414	275	266	283	253	282
A$ / US$ FX	0.88	0.99	0.95	1.03	1.03	1.03

Notes on calculation:

- 'Indicative steelmaker HRC spread' representation based on simple input blend of 1.5t iron ore fines and 0.71t hard coking coal per output tonne of steel. Chart is not a specific representation of BSL realised export HRC spread (eg does not account for iron ore blends, realised steel prices etc), but rather is shown primarily to demonstrate movements from period to period arising from the prices / currency involved.
- Indicative iron ore pricing: 62% Fe iron ore fines price assumed. Industry annual benchmark prices up to March 2010. Quarterly index average prices lagged by one quarter from April 2010 to March 2011; 50/50 monthly/quarterly index average thereafter. FOB estimate deducts baltic cape index freight cost from CFR China price.
- Indicative hard coking coal pricing: low-vol; FOB. Industry annual benchmark prices up to March 2010; quarterly prices from April 2010 to March 2011; 50/50 monthly/quarterly pricing thereafter.

Coated & Industrial Products Australia outlook

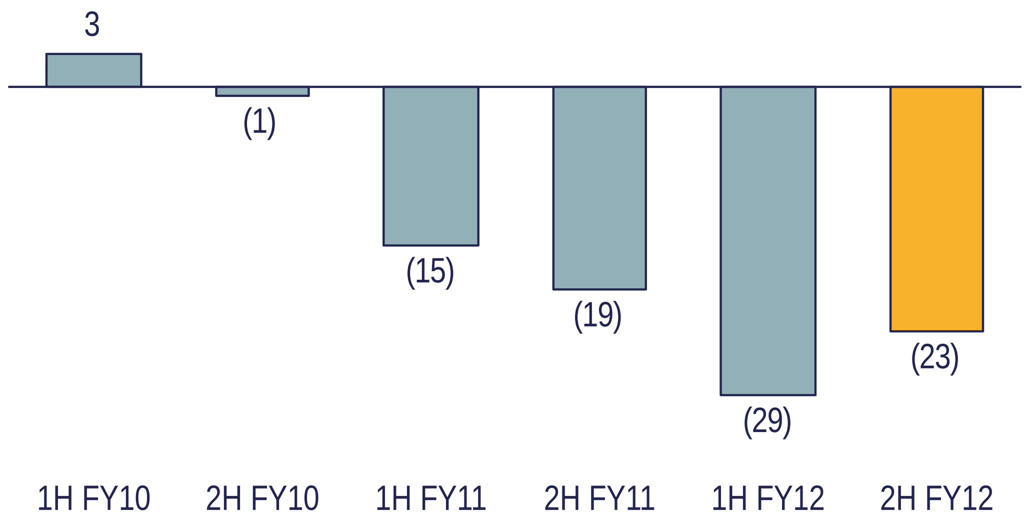
- Expect CIPA to deliver positive underlying EBITDA in FY2013, with a positive contribution in 2H FY2013, and neutral to negative contribution in 1H FY2013 (subject to spread, FX and domestic margin and demand). Improvements driven by:
  - Full-period delivery of restructure benefits: raw material mix, reduction in exports to single blast furnace pro-forma level
  - Potential for slight domestic margin improvement (pre any success in anti-dumping actions)
- Impacts of carbon pricing mechanism included in CIPA outlook:
  - Estimated Scope 1 & 2 liability of 1mt CO_2-e in FY2013 (c.$23M at $23/t). Cost included in underlying earnings
  - Expected that balance of $83M Steel Transformation Plan payments will be received in the latter years of four year period of the Plan (FY2012 to FY2015), therefore there may not be an offsetting payment against Scope 1 & 2 liabilities in FY2013
- FY2013 CIPA capex of approximately $140M (1H: $54M, 2H: $86M). Around a third to be invested in manufacturing facilities to deliver the next generation of Colorbond® and Zincalume® products. Investing in our future
- Expected total cash payments due to restructuring now estimated at $360-380M (below initial $400-500M estimate); of this, residual cash payments (non P&L) of $60M in FY2013 and aggregate $30M FY2014 and beyond

Australia Distribution and Solutions (AD&S) – segment summary

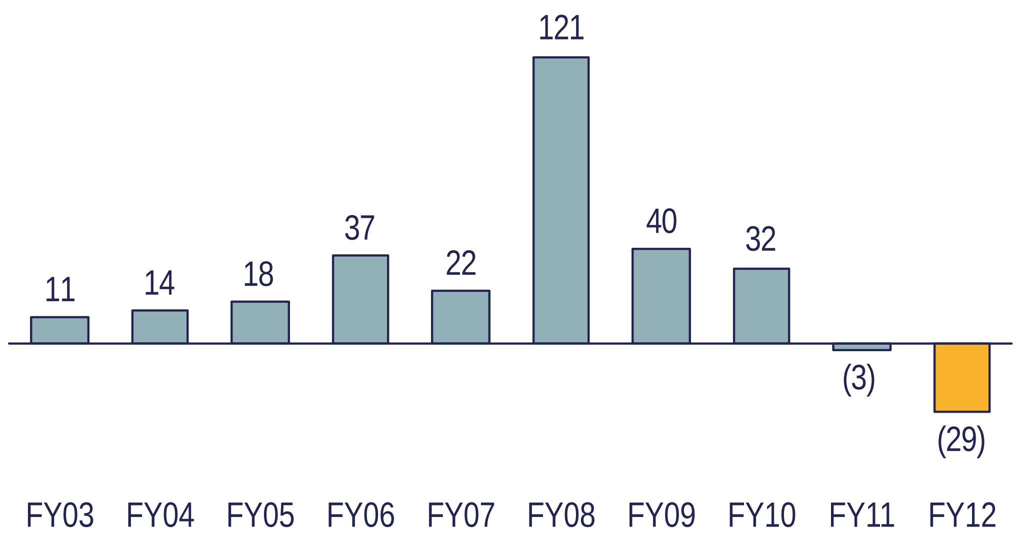
Comments on results and business direction

- 2H FY2012 underlying EBIT loss of $23M driven by (vs. 1H FY2012):
  - ➢ Improved spread driven by lower steel feed costs
  - ➢ Improved conversion costs mainly delivered through cost improvement initiatives
  - ➢ Partly offset by lower volumes
- Restructure of Distribution business well advanced: closure, sale or consolidation of 17 branches and permanent overhead reductions.
- Lysaght has rationalised its manufacturing footprint
- Anticipate Distribution business to be EBIT positive by FY2014

Half yearly underlying EBIT comparison (A$M)



Underlying EBITDA progression (A$M)

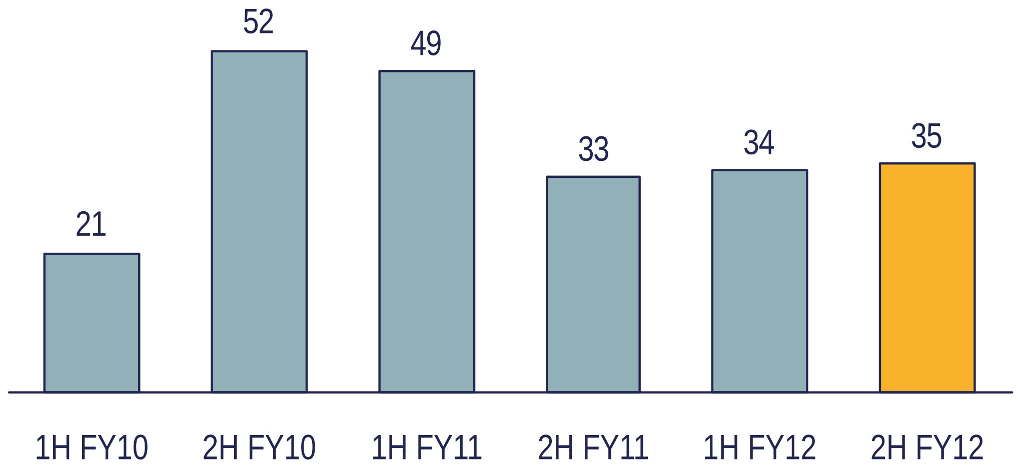


New Zealand and Pacific Steel Products – segment summary

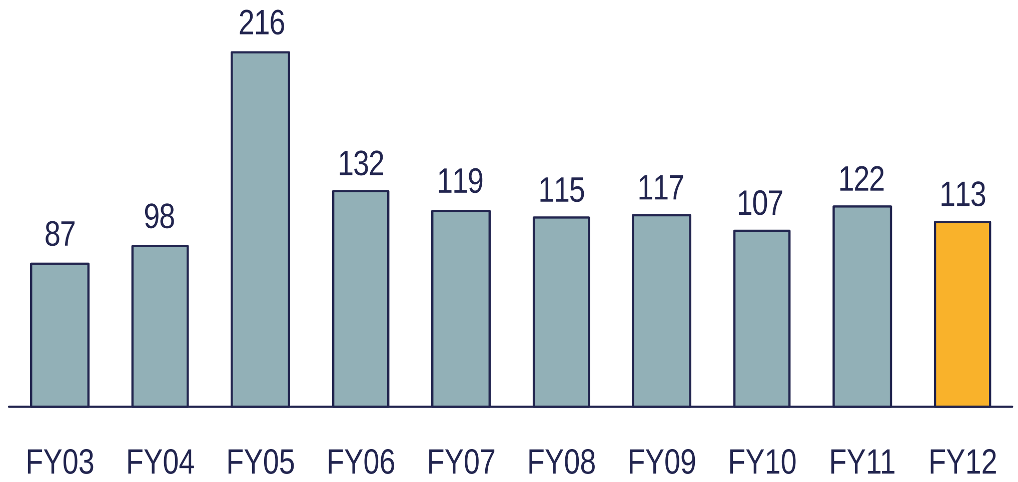
Comments on results and business direction

- 2H FY2012 underlying EBIT of $35M driven by (vs. 1H FY2012):
  - Small improvement in domestic despatch volumes
  - Lower production (melter issue & gas pipeline outage North Island) in 1H FY2012
  - Partly offset by unfavourable FX (AUD/NZD) translation impact
- Expansion of Taharoa iron sands export capacity by 400Ktpa to 1.2Mtpa
  - Larger charter vessel commenced operations in May 2012, replacing the existing vessel
  - Supported by new contracts with existing customers
  - Export capacity expanded for $17M capital cost
- Contract signed for sale of a further 1.2Mtpa iron sands from Taharoa, commencement of which is conditional on customer delivering a shipping solution over next two years
  - Low cost to BSL to initiate: $10-15M

Half yearly underlying EBIT comparison (A$M)



Underlying EBITDA progression (A$M)

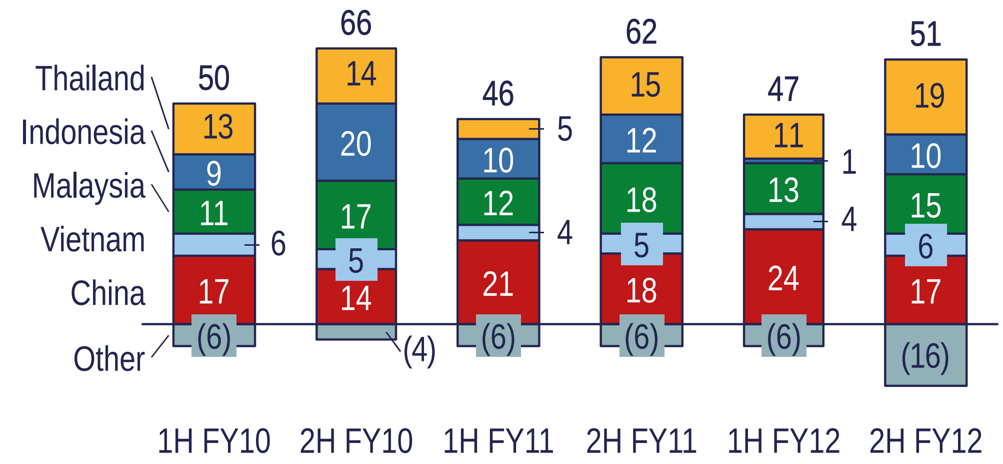


Coated & Building Products Asia – segment summary

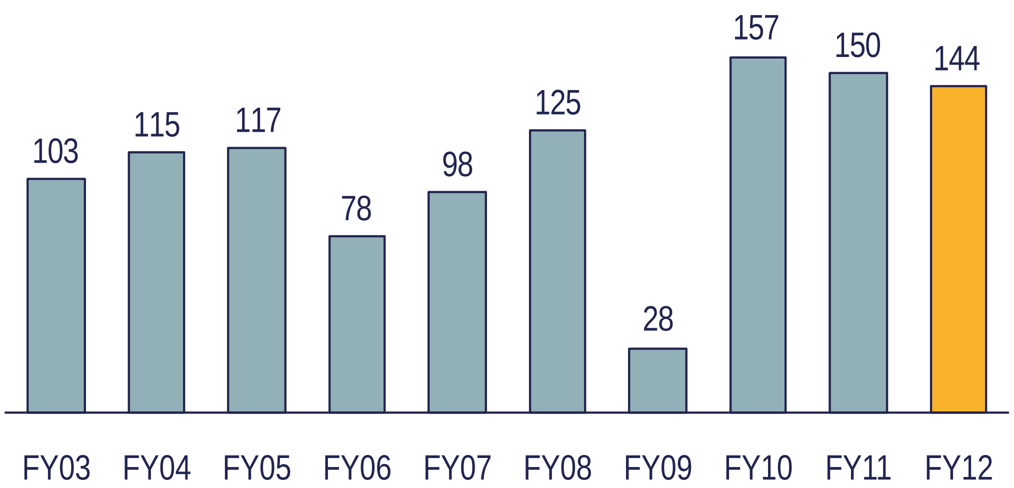
Comments on results and business direction

- 2H FY2012 underlying EBIT of $51M driven by (vs. 1H FY2012):
  - ➢ Improved margins with lower steel feed costs (mainly China and Indonesia) partly offset by weaker domestic and export sales prices (mainly Thailand and Indonesia)
  - ➢ Improved product mix in Thailand
  - ➢ Lower 2H FY2012 despatch volumes in China
  - ➢ Impacted by costs associated with starting second Indonesian coating line, and Thailand floods of $13M
- China: construction of Butler PEB / Lysaght rollforming plant in Xi'an to capitalise on strong market demand in central China and leverage BlueScope's global PEB capability. Expected to be operational at end of 2H FY2013.
- Further incremental investments in capacity and efficiency across ASEAN to support our growth strategy

Half yearly underlying EBIT comparison (A$M)

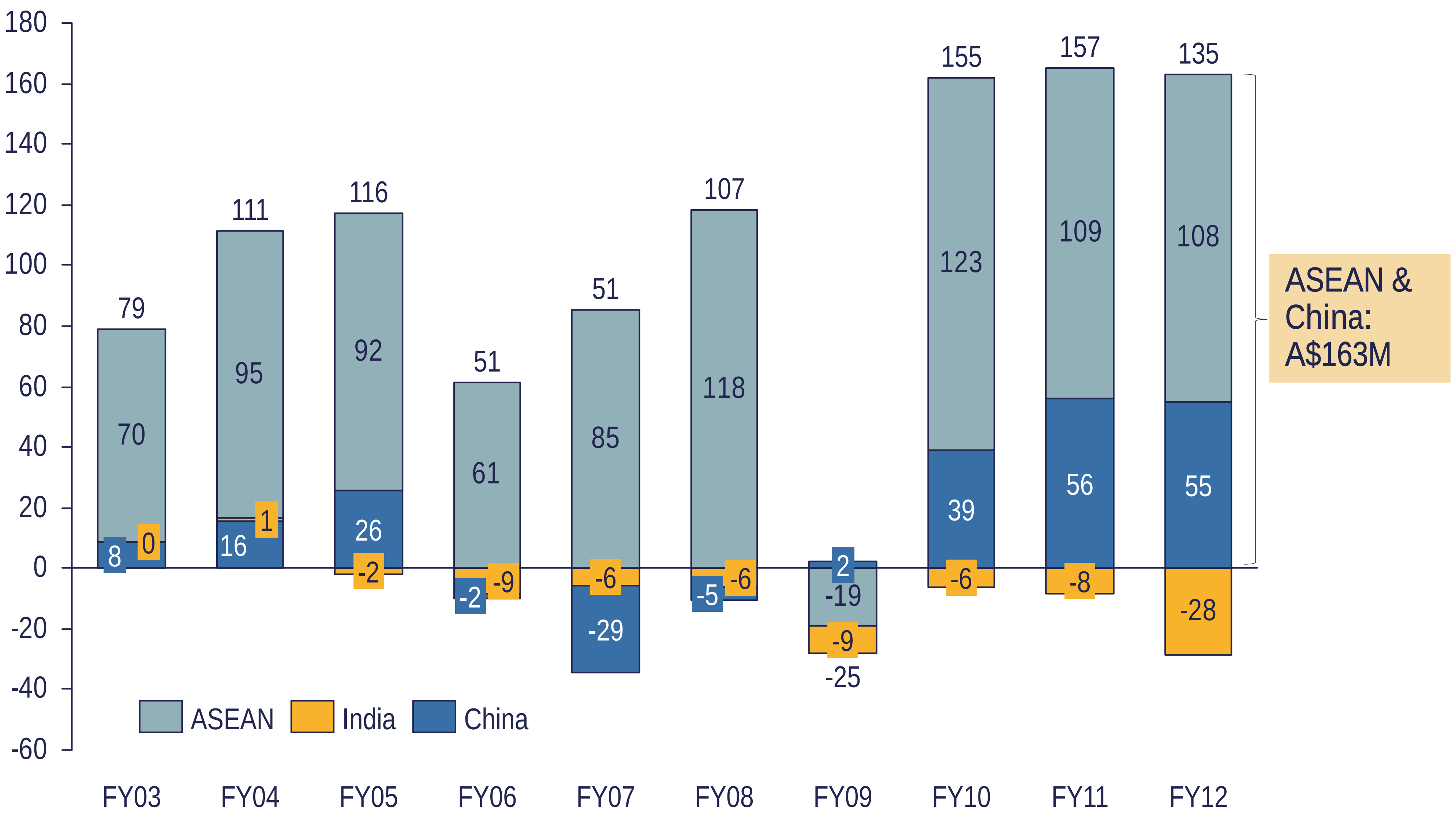


Underlying EBITDA progression (A$M)



Coated & Building Products Asia – Constant currency analysis better demonstrates the real earnings growth in our Asian operations

Coated & Building Products Asia – Underlying EBIT on FY2003 constant currency (A$M)

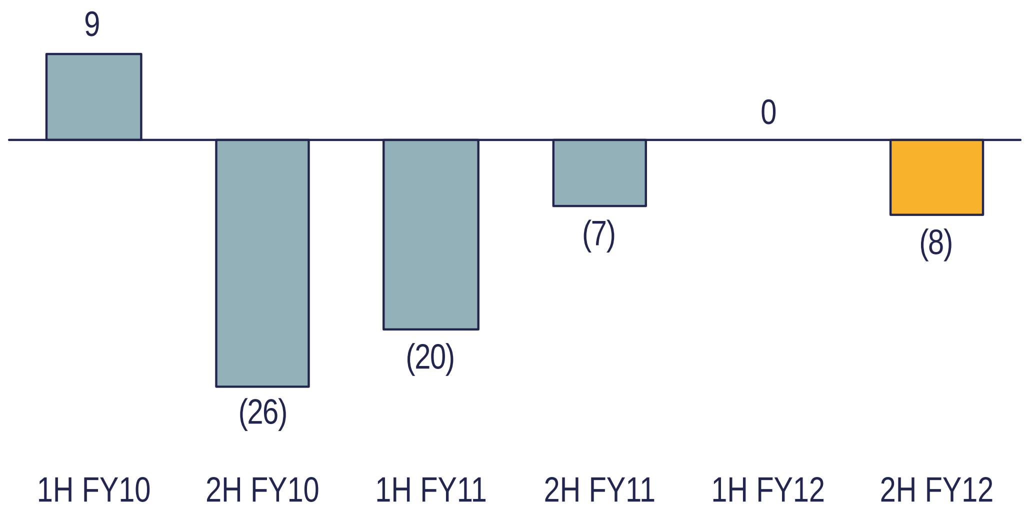


Coated & Building Products North America – segment summary

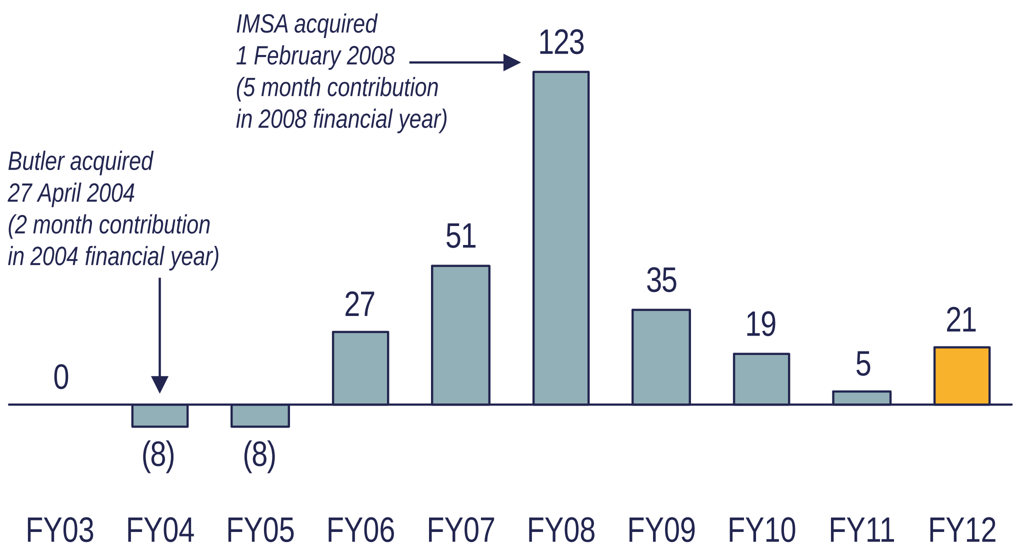
Comments on results and business direction

- 2H FY2012 underlying EBIT loss of $8M driven by (vs. 1H FY2012):
  - Seasonally lower volumes (mainly BlueScope Buildings and ASC Profiles)
  - Higher per unit fixed conversion costs driven by seasonally lower production volumes at BlueScope Buildings
  - Higher 2H FY2012 NRV provision at Steelscape
  - Partly offset by improved spread (mainly Steelscape) as steel feed cost reductions exceeded sell price reductions
- Restructuring completed
  - Improvement in engineering and manufacturing efficiency resulting in a more accurate scheduling of work loads in line with demand
  - Consolidation of production facilities and overhead cost reductions including the consolidation of regional support functions
  - New product development and a strong focus on innovation driving volumes greater than industry averages
- Leverage to volume growth will drive significant earnings improvement

Half yearly underlying EBIT, excluding Metl-Span (A$M)

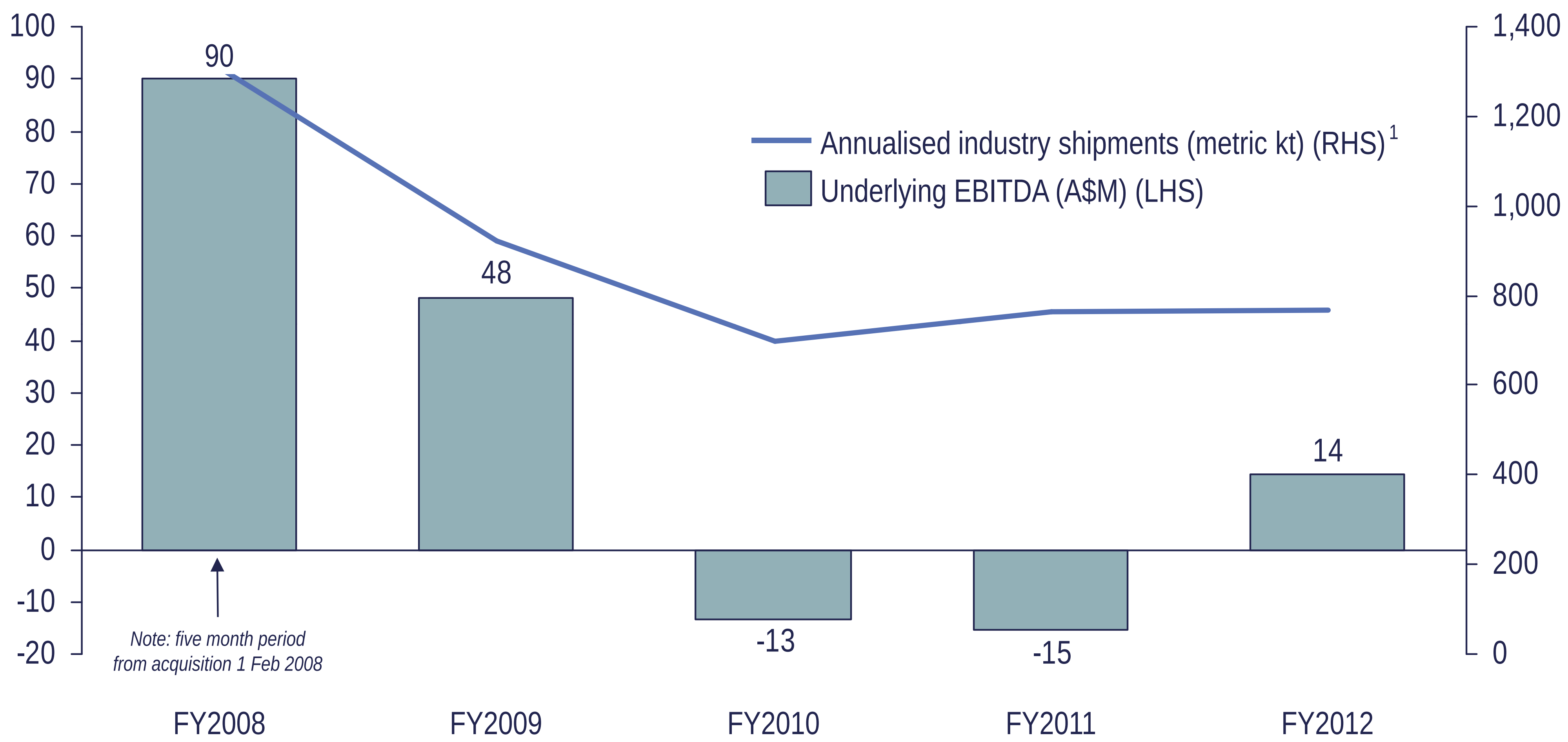


Underlying EBITDA progression, excluding Metl-Span (A$M)



Restructuring of Buildings (PEB) business in North America business to improve current and future earnings potential

Buildings North America – Underlying EBITDA vs MBMA Despatches [1]



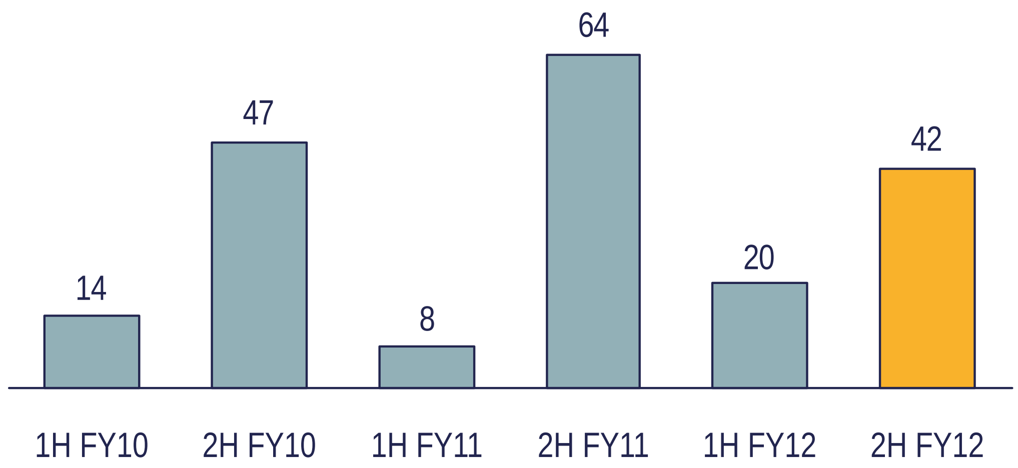
Notes:
(1) Metal Building Manufacturers Association domestic building shipments

Hot Rolled Products North America – segment summary

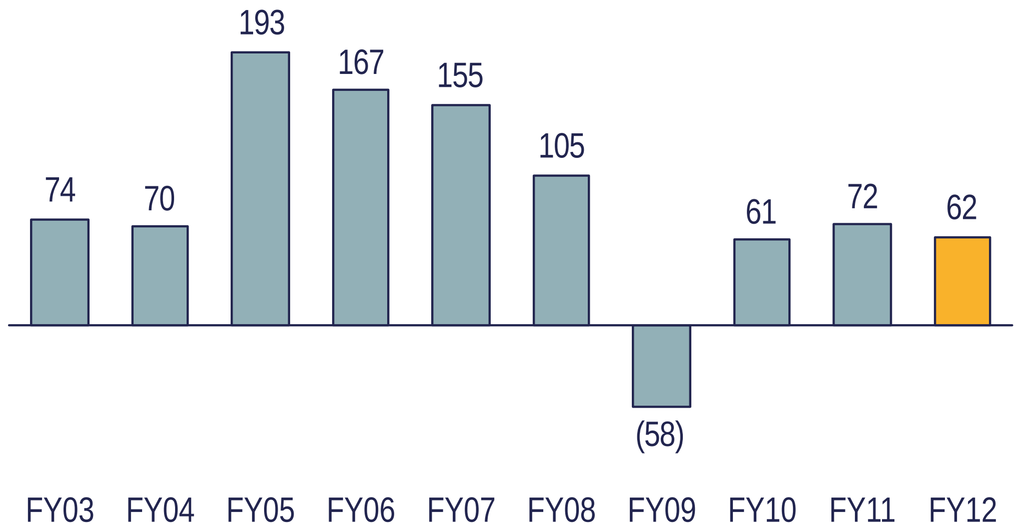
Comments on results and business direction

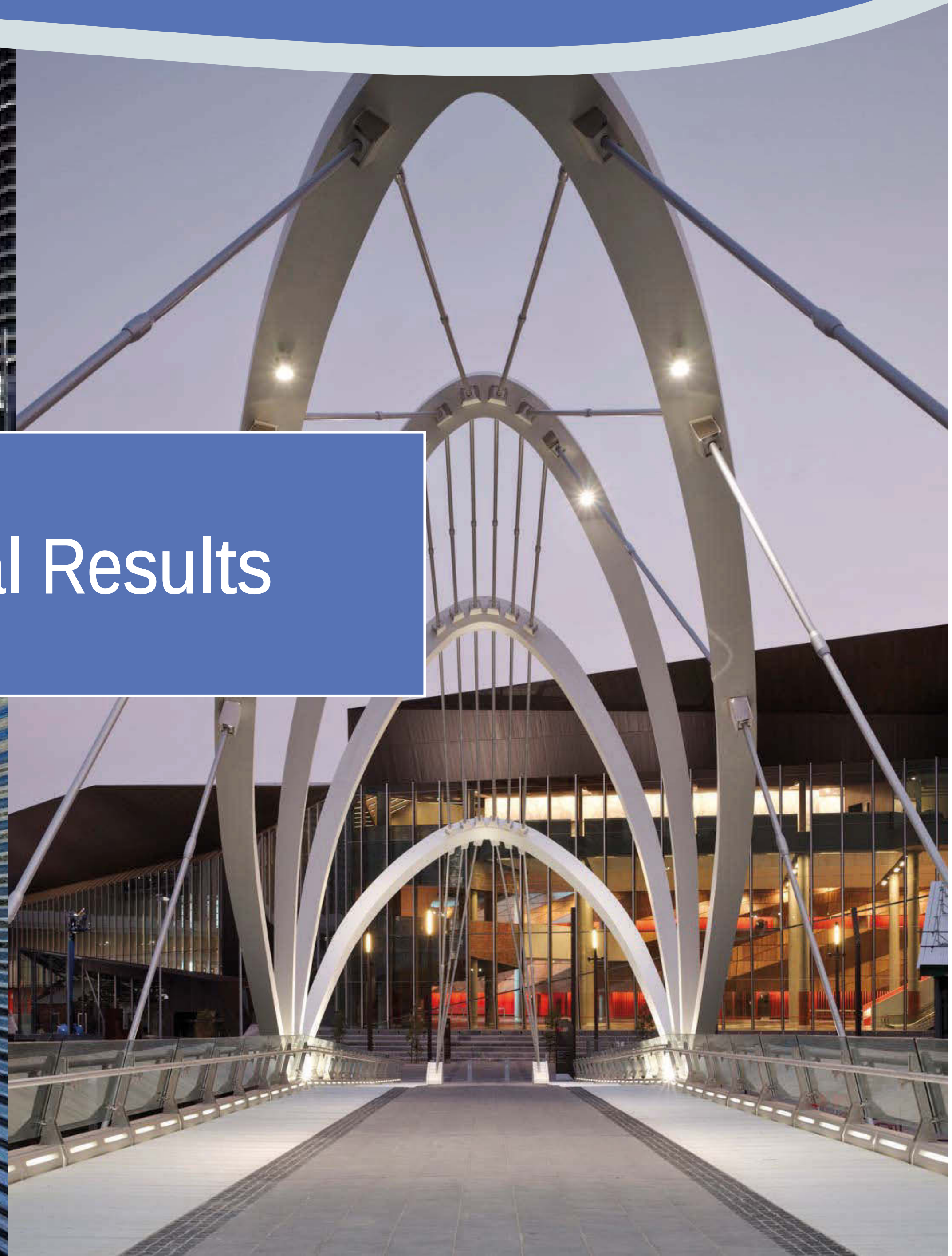
- 2H FY2012 underlying EBIT of $42M driven by (vs. 1H FY2012) increased spread (lower cost of scrap)
- Conversion cost improvements and cost reduction initiatives more than offsetting escalation
- Expected favourable contributors to EBIT in FY2013
  - Significant reduction in depreciation to occur in FY2013 (BSL share US$10M)
  - Increased slab thickness to deliver greater tonnage at minimal incremental cost

Half yearly underlying EBIT comparison (A$M)



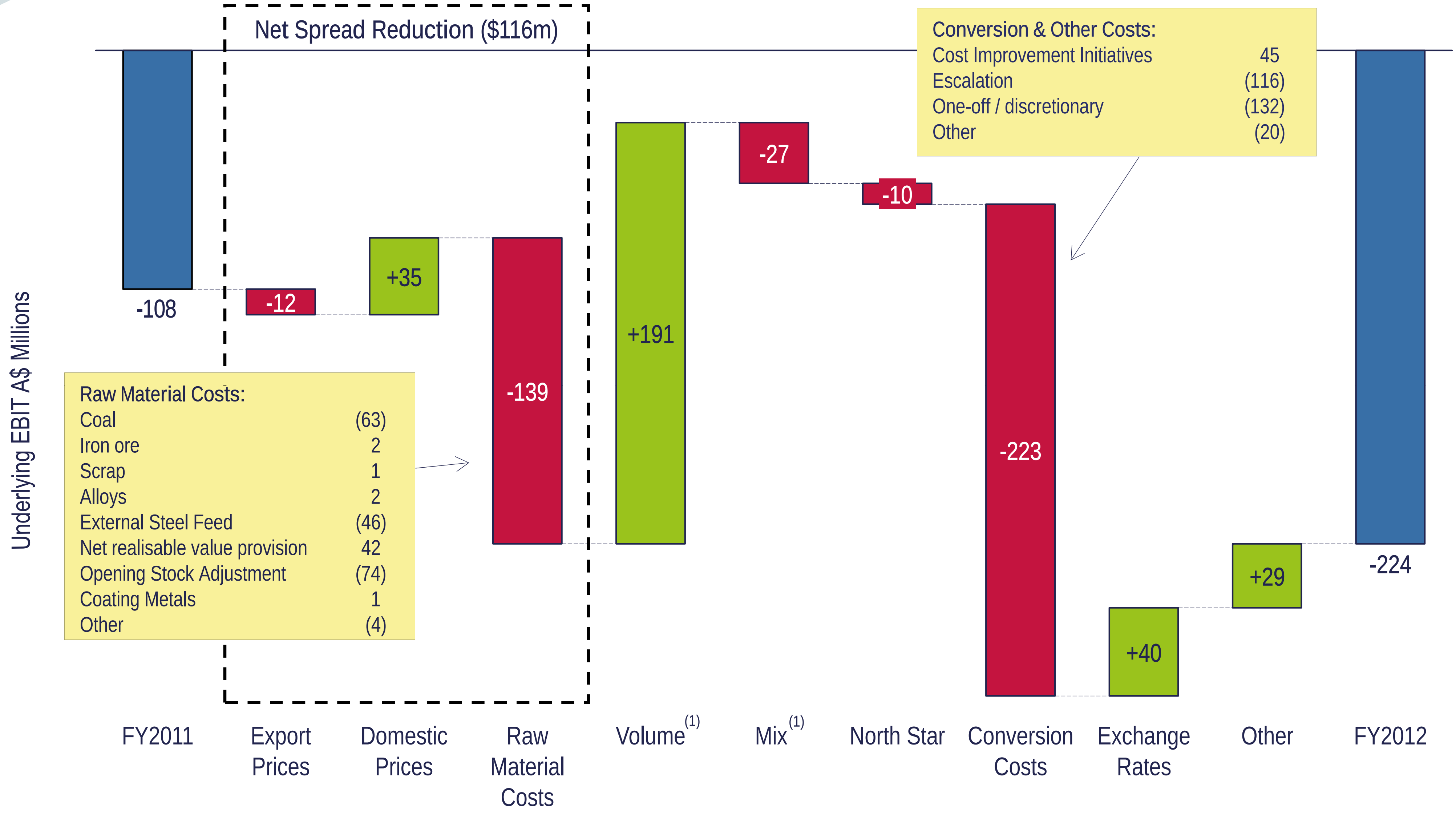
Underlying EBITDA progression (A$M)





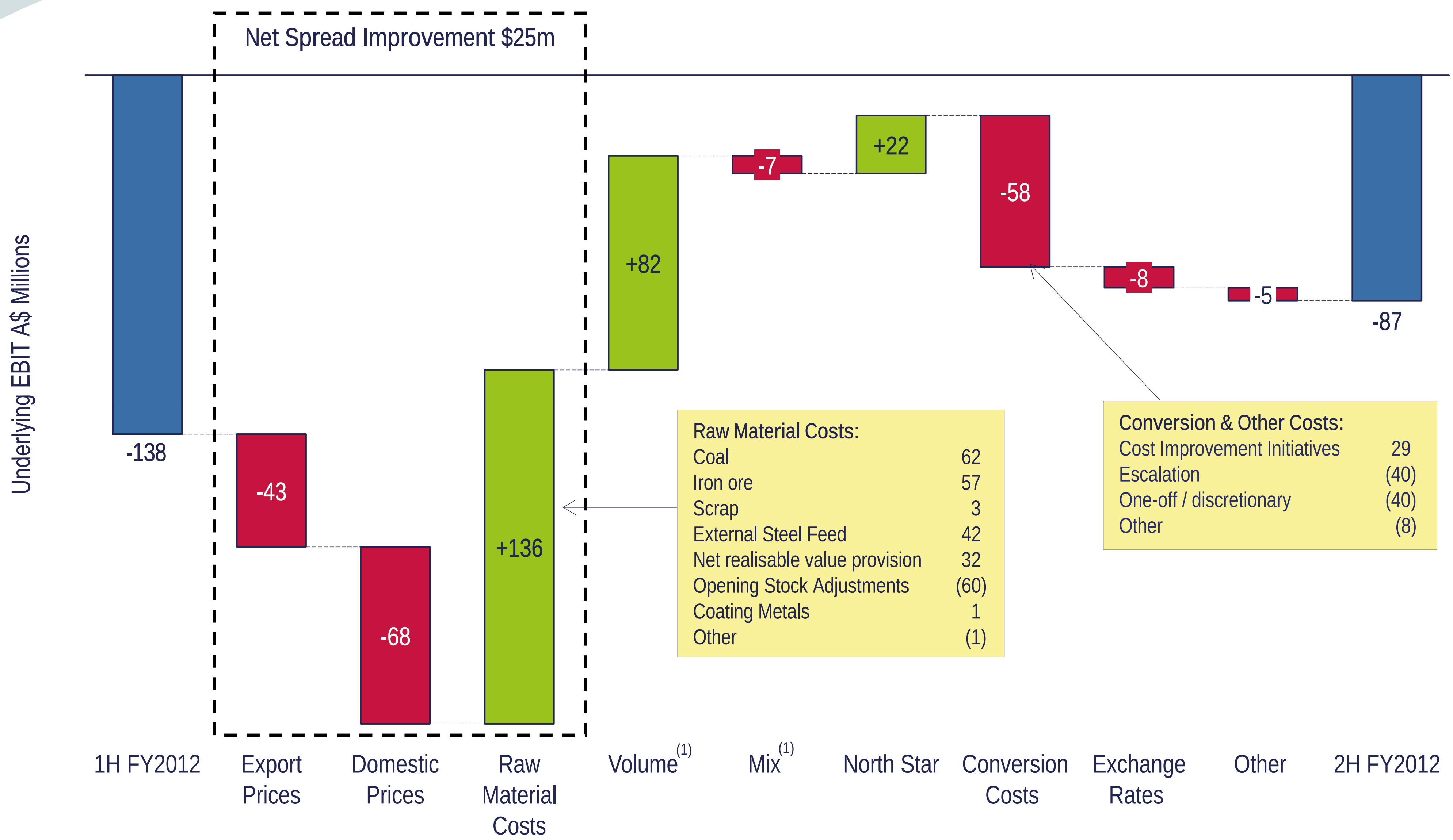
Financial Results

Underlying EBIT variance FY2012 to FY2011 by major item



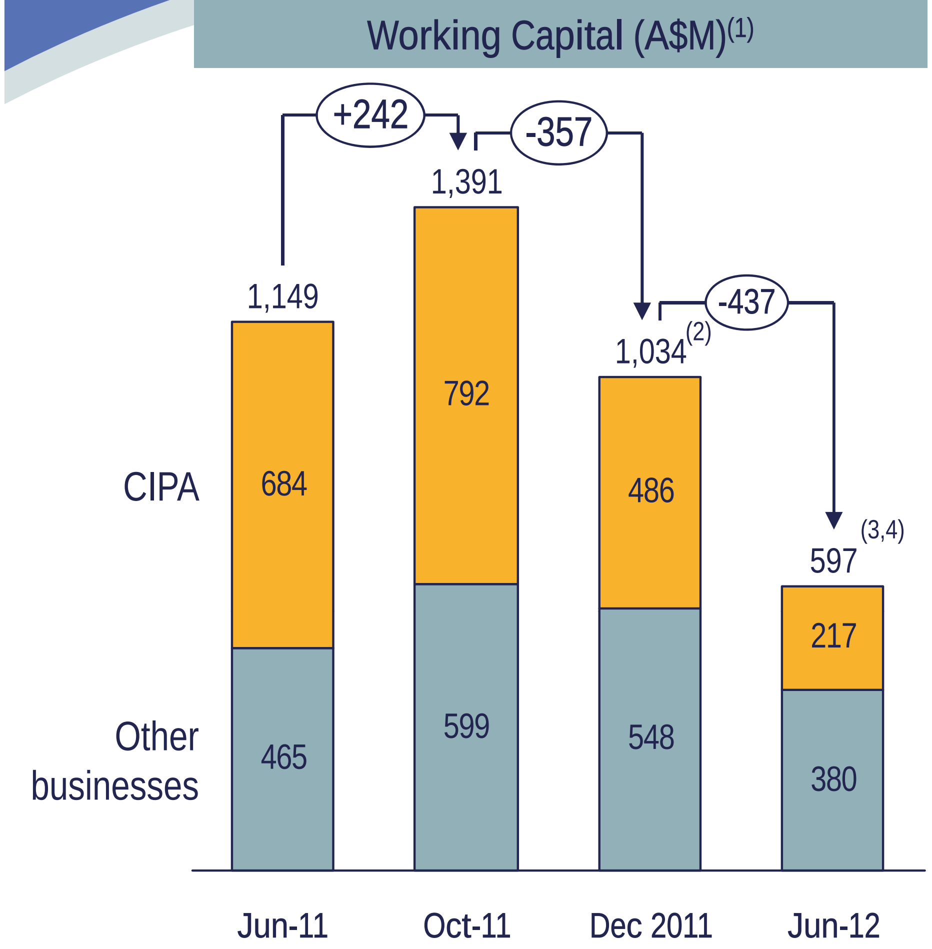
Note:
1) Volume / mix based on FY2011 margins

Underlying EBIT variance 2H FY2012 to 1H FY2012 by major item



Note:
1) Volume / mix based on 1H FY2012 margins

Improvement in operating working capital



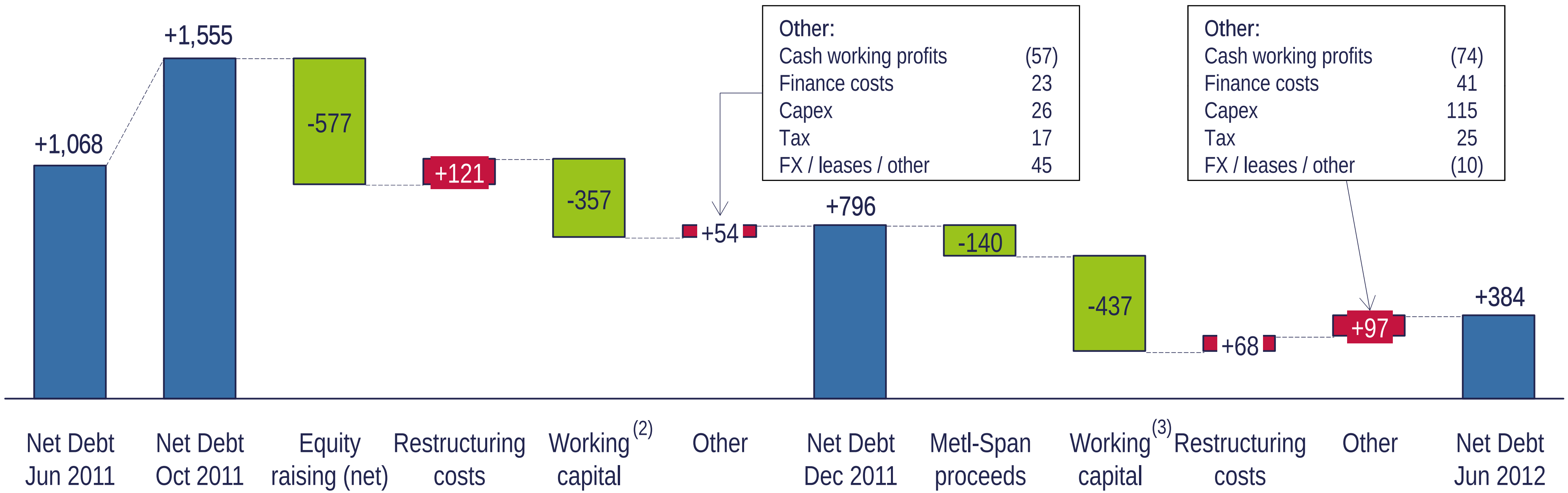
- $437M decrease in working capital from December 2011 to June 2012
  - ➢ $382M decrease in inventory driven by:
    - – $274M in CIPA as a result of PK restructure
    - – $103M in C&BP Asia and North America with build of steel feed inventories in anticipation of external sourcing unwinding in 2H FY2012
    - – $5M other
  - ➢ $55M increase in creditors and other
- $794M decrease in working capital from October 2011 to June 2012 (surpassing $400-500M target)
  - ➢ Equivalent working capital, after adjusting for favourable timing of year-end cash flows, would be around $200M higher than June 2012 levels (implying $594M effective release since October 2011)

Note: (1) Includes receivables, inventory, operating intangible assets, payables, provisions, deferred income, retirement benefit obligations and other assets and liabilities.
(2) $100M receivable (received 13 January 2012) and $34M deferred income at 31 December 2011 in respect of Steel Transformation Plan payment and net restructure provisions of $182M excluded from CIPA working capital. Working capital balances exclude defined benefit superannuation actuarial adjustment of $250M (Australia $67M, other businesses $183M).
(3) Net restructure provisions of $85M excluded from CIPA working capital. Working capital balances exclude defined benefit superannuation full year actuarial adjustment of $279M (Australia $92M, other businesses $187M).
(4) $437M operating working capital movement from December 2011 to June 2012 reconciles to statutory working capital movement $382M shown in cash flow statement on page 11 after allowing for -$97M reduction in restructure cost provisions, +$66M net movement for Steel Transformation Plan payment, -$15M Metl-Span disposal and -$9M FX restatement and other

Strengthened the balance sheet – net debt reduced to $384M (or approx $580M when adjusting for favourable timing of year-end cash flows)

Key Metrics:	30 June 2011	31 Oct 2011	31 Dec 2011	30 June 2012, actual	30 June 2012, adjusted (1)
➢ Net debt	$1,068M	$1,555M	$796M	$384M	~$580M
➢ Gearing (net debt)	19.5%	27.7%	15.7%	9.2%	13.4%
➢ Liquidity (undrawn facilities & cash)	$1,137M	$701M	$1,501M	$1,571M	~$1,375M

Net Debt (A$M)

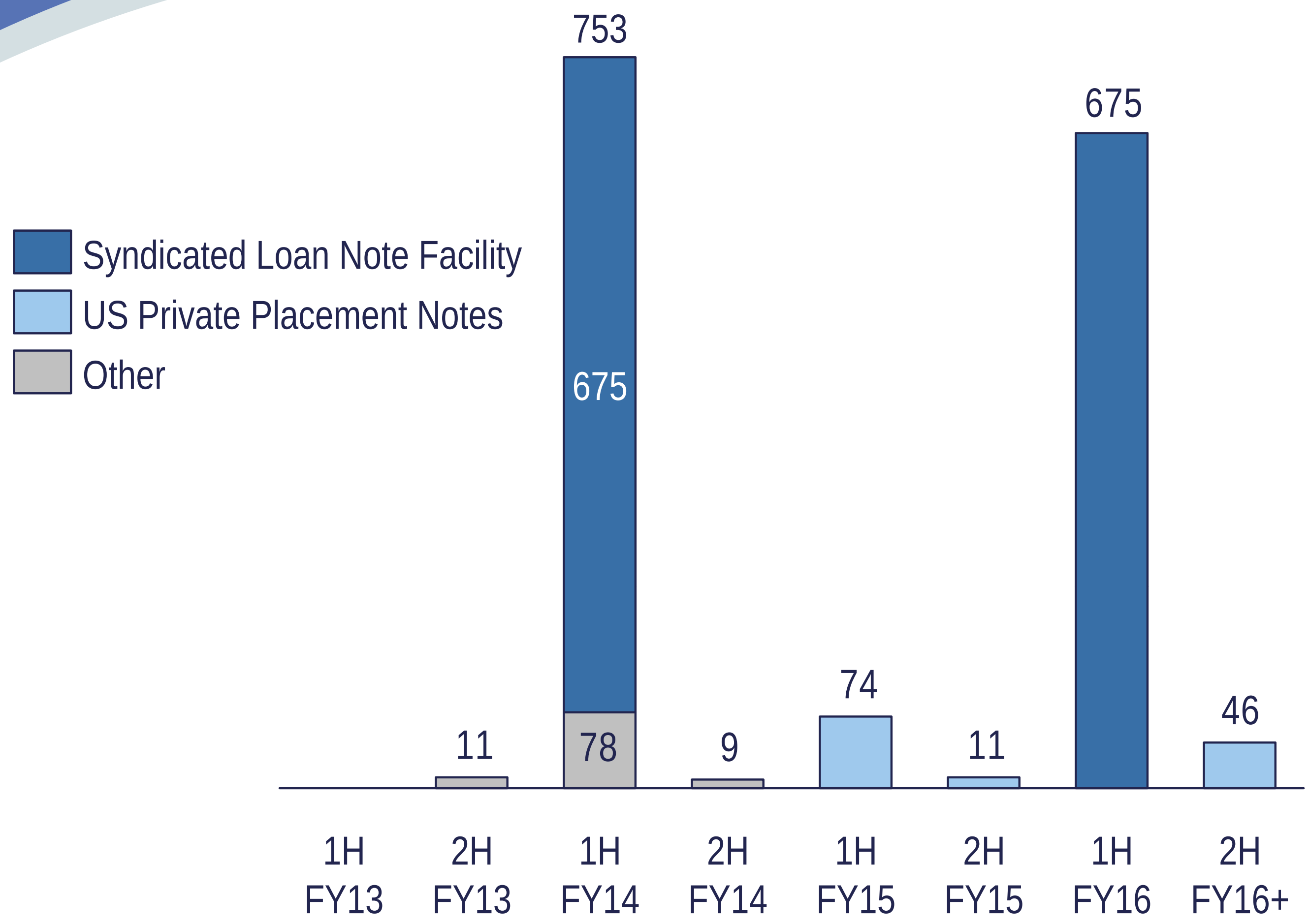


Note: (1) Adjusting for timing of cash flows around year end equivalent working capital balances would be around $200M higher; adjusted net debt shown adds this amount back

(2) $127M working capital benefit from Jun to Dec 2011 ($357M less $230M) reconciles to $235M benefit shown in cash flow statement on page 11 after allowing for +$182M of restructure cost provisions, -$66M net Steel Transformation Plan and +$8M of other items

(3) $437M working capital benefit from Dec 2011 to Jun 2012 reconciles to $411M benefit shown in cash flow statement on page 11 after allowing for -$97M of restructure cost provision movements, +$66M net Steel Transformation Plan, -$15M Metl-Span disposal and -$9M FX restatements and other

Debt facilities maturity profile at 30 June 2012, pro-forma adjusted for 7 August 2012 repurchase of US$88M of U.S. Private Placement Notes



Note: assumes AUD/USD at 1.0032

Receivables securitisation program:

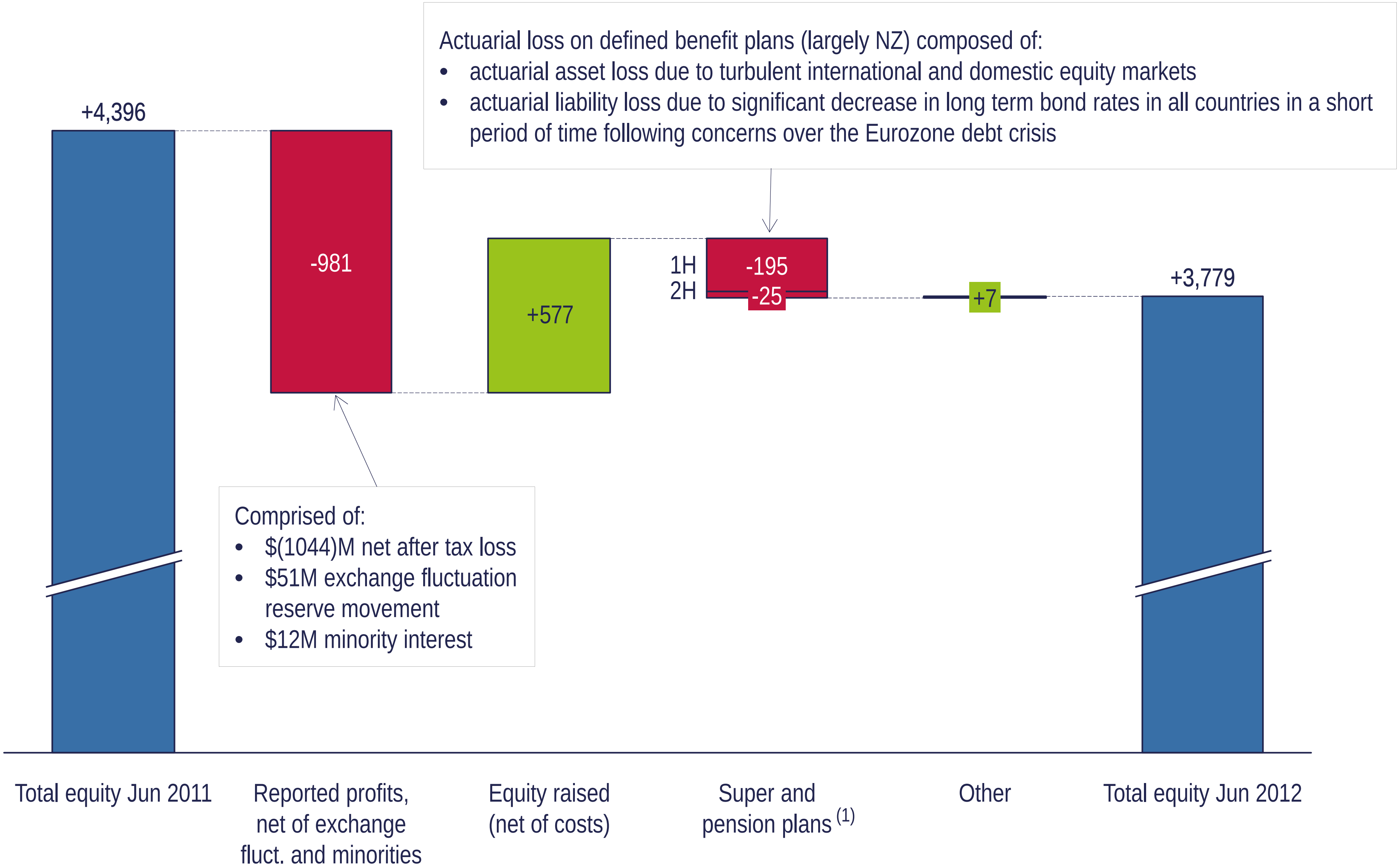
- In addition to debt facilities, BSL has a receivables securitisation program
- $150M maturing August 2013

Current estimated cost of net debt:

- Approximately 6% interest cost on drawn debt; *plus*
- Commitment fee on undrawn part of LNF of 1.1%; *plus*
- Other costs of $6m pa;
- *Less:* interest on cash

- In resizing our finance facilities and to reduce costs, agreement has been reached with the Syndicated Loan Note Facility banks that, upon completion of the Coated Products Joint Venture (expected in March 2013 quarter), the December 2013 A$675M LNF tranche commitment will be reduced by A$450M to A$225M

Movements in total equity (A$M)



Note: (1) $220M movement comprised of $279M actuarial adjustment, net of $59M tax effect. $279M actuarial adjustment reconciles to $261M net increase in retirement benefit obligation provision increase in accounts through $18M of other movements such as payments, charges to P&L and foreign exchange fluctuation

Indicative EBIT sensitivities for 1H FY2013

Assumption	Estimated impact on 1H FY2013 EBIT A$M [1]
+/– US$25 / tonne movement in BlueScope's average realised export HRC price[2]	23
+/– 1¢ movement in Australian dollar / US dollar exchange rate[3]	1
+/– US$10 / tonne movement in coal costs	10
+/ – US$10 / tonne movement in iron ore costs	20

(1) 1H FY13 base exchange rate is US$1.03.

(2) The change in export HRC price assumes proportional effect on export slab, and flow on to domestic pipe and tube market and to other export products. This does not include the potential impact on Australian domestic coated product prices, as the flow on effect in the short term is less certain.

(3) The movement in the Australian dollar/US dollar exchange rate includes the impact on US dollar denominated export prices and costs, restatement of US dollar denominated receivables and payables and the impact of translating the earnings of offshore operations to A$. Does not reflect impact on Australian domestic pricing.

Outlook & Summary

1H FY2013 outlook

- For the 1H FY2013, we expect a continued improvement in financial performance with underlying net after tax loss (before period-end net realisable value adjustments) approaching break-even (subject to spread, FX and market conditions)

- In FY2013 $300M group capex expected, with a third spent through increased focus on growth projects

Summary – growing our four businesses and maintaining a conservative balance sheet

Market First Focus

Building Solutions	• Global brands, global partnerships, global networks • Positioned for growth and to access global opportunities – potential to double revenue to $3 Bn in three years
Building Products	• Outstanding opportunity from joint venture with NSC, announced 13 August 2012 • Preeminent footprint, strong brands, broad channels and markets • New customers and product opportunities
BlueScope Australia & New Zealand	• CIPA restructured and leveraged to domestic market improvement; expect EBITDA positive in FY2013 • Trend improving in Distribution • Iron sands expansions – double exports within two years
Hot Rolled Products North America	• Profitable expansion opportunities
Balance Sheet	• Strategic initiatives strengthened balance sheet; enhanced financial flexibility to invest in growth opportunities

Questions & Answers

Further Detail on Financial Results

Historical earnings performance

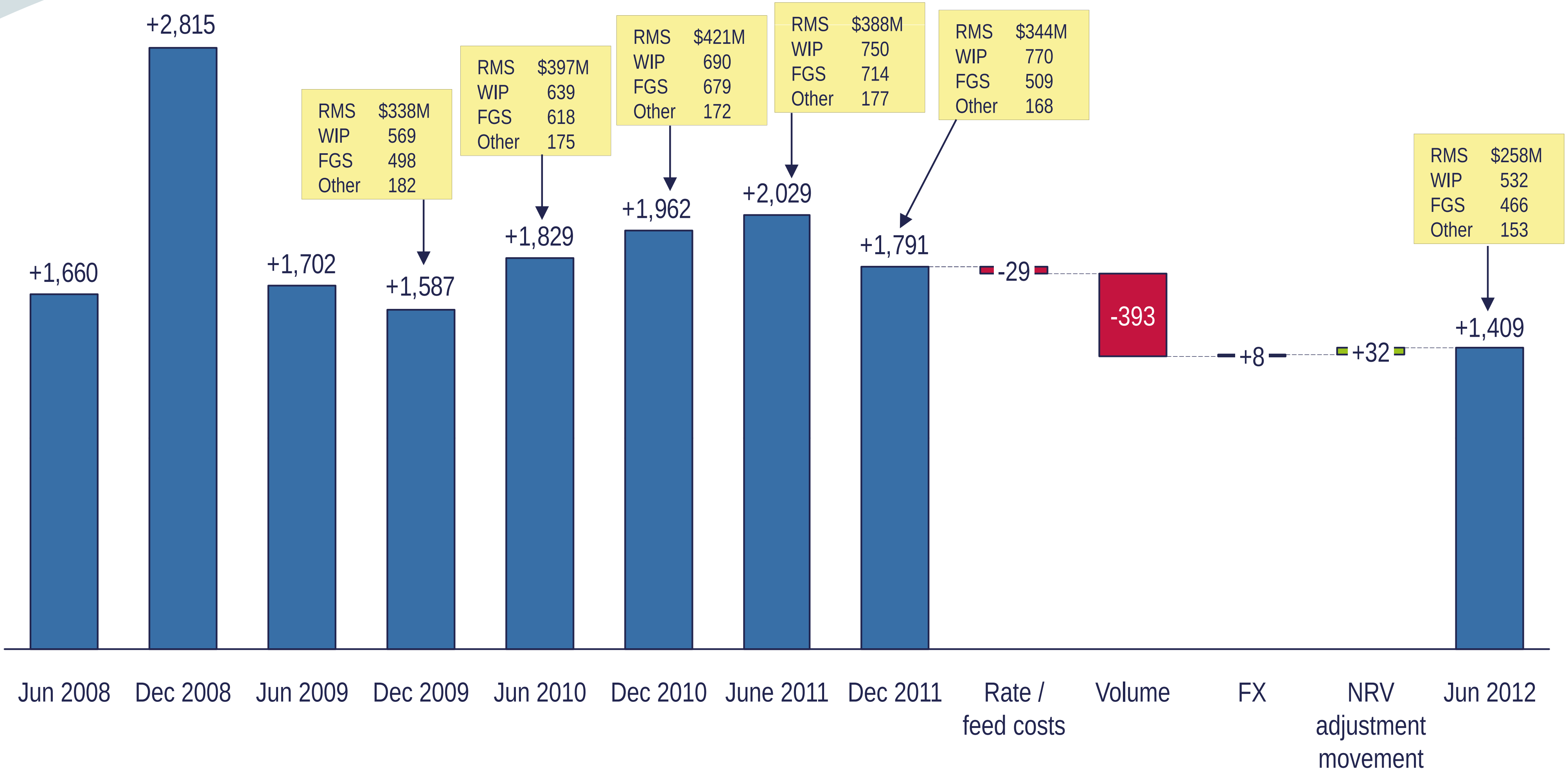
A$ Millions		FY2008[3]	FY2009	FY2010	FY2011	FY2012	1H FY12	2H FY12
Revenue[1]		10,495	10,329	8,624	9,134	8,622	4,549	4,085
EBITDA[2]	– Reported	1,420	380	590	(687)	(489)	(270)	(219)
	– Underlying[4]	1,618	506	594	240	99	23	76
EBIT[2]	– Reported	1,063	15	240	(1,043)	(820)	(435)	(385)
	– Underlying[4]	1,267	152	253	(107)	(224)	(137)	(87)
NPAT	– Reported	596	(66)	126	(1,054)	(1,044)	(530)	(514)
	– Underlying[4]	809	35	110	(127)	(238)	(136)	(102)

Notes:
(1) Does not include North Star BlueScope Steel revenue, which was A$697M (FY2011) vs. A$626M (FY2010).
(2) Includes 50% share of North Star BlueScope Steel net profit before tax.
(3) Includes eleven months of BlueScope Distribution financial results and five months IMSA steel businesses financial results.
(4) Underlying numbers represent Reported numbers adjusted for unusual items to assist in understanding the underlying financial performance of the business. Excludes Metl-Span operational earnings which have been re-categorised to discontinued

Balance Sheet

A$M	30 Jun 2011	31 Dec 2011	30 Jun 2012
Assets			
Cash	172	186	214
Receivables	1,050	1,059	995
Inventory	2,029	1,791	1,409
Other Assets	1,041	1,099	816
Net Fixed Assets	3,501	3,466	3,296
Total Assets	7,793	7,601	6,730
Liabilities			
Creditors	1,163	988	1,057
Interest Bearing Liabilities	1,240	982	598
Provisions & Other Liabilities	994	1,354	1,296
Total Liabilities	3,397	3,324	2,951
Net Assets	4,396	4,277	3,779
▪ Net Debt / (Net Debt + Equity)	19.5%	15.7%	9.2%

Balance Sheet ... $382M reduction in inventory since June 2011 mainly due to reduction in volumes held



Volume change from June 2008	Jun 2008	Dec 2008	Jun 2009	Dec 2009	Jun 2010	Dec 2010	June 2011	Dec 2011	Jun 2012
	+25% vs Jun-2008	-12% vs Jun-2008	-9% vs Jun-2008	-1% vs Jun-2008	+14% vs Jun-2008	+11% vs Jun-2008	-10% vs Jun-2008		-26% vs Jun-2008

Note: "RMS" – Raw Materials (including externally sourced steel feed to BSL businesses)
"WIP" – Work in Progress
"FGS" – Finished Goods

Historical Earnings Performance – Reconciliation of Reported to Underlying (A$M)

		FY 2010	FY2011	FY2012	1H FY2011	2H FY2011	1H FY2012	2H FY2012
Reconciliation of EBITDA and EBIT								
EBITDA [2]	Reported	590	(687)	(489)	127	(814)	(270)	(219)
EBIT [2]	Reported	240	(1,043)	(820)	(48)	(995)	(435)	(386)
	Discontinued Business (gains)/losses	(7)	(2)	(47)[5] / (39)[6]	(2)	0	1	(39)[5] / (34)[6]
	Business Development	4	7	7	-	7	-	7
	Restructure / redundancies	31	14	412	-	14	364	48
	Asset sales	-	-	319	-	-	-	314
	Asset Impairments	-	922	(3)	9	913	5	(3)
	Profit on sale & leaseback of properties	(13)	-	-	-	-	-	-
	Steel Transformation Plan Advance	-	-	(100)	-	-	(66)	(34)
EBITDA [3]	Underlying [1]	605	254	99	134	120	32	76
EBIT [3]	Underlying [1]	255	(101)	(224)	(41)	(61)	(132)	(86)
Reconciliation of NPAT / (NLAT)								
NPAT / (NLAT)	Reported	126	(1,054)	(1,044)	(55)	(999)	(530)	(514)
	Discontinued Business (gains)/losses	(6)	(1)	(4)	(1)	-	(6)	(2)
	Business Development	3	5	5	-	5	-	5
	Restructure / redundancies	21	10	288	-	10	254	34
	Asset sales	-	-	315	-	-	-	312
	Asset Impairments	-	922	(2)	9	913	3	(2)
	Profit on sale & leaseback of properties	(9)	-	-	-	-	-	-
	Steel Transformation Plan	-	-	(70)	-	-	(46)	(24)
	NZ Tax Adjustment	(22)	-	-	-	-	-	-
	Borrowing Amendment Fees	-	-	6	-	-	6	-
	Deferred Tax Asset Impairments	-	-	268	-	-	184	84
NPAT / (NLAT)	Underlying [1]	113	(118)	(238)	(47)	(71)	(136)	(102)
EPS (¢) [4]	Reported	6.9	(57.4)	(39.1)	(2.5)		(26.6)	
EPS (¢) [4]	Underlying [1]	6.2	(6.4)	(8.9)	(2.2)		(7.5)	

Notes

1. Management have provided an analysis of unusual items included in the reported IFRS financial information. These items have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. Non-IFRS financial information whilst not subject to audit or review has been extracted from the interim financial report which has been subject to review by our external auditors.
2. EBIT = EBITDA - Depreciation & Amortisation
3. Underlying adjustments are the same for both EBITDA & EBIT
4. Earnings per share (EPS) reflects reported and underlying NPAT / (NLAT) divided by average shares on issue for the period
5. EBITDA adjustment
6. EBIT adjustment

EBIT Segment Summary – Reconciliation of Reported to Underlying (A$M)

	FY2010	FY2011	FY2012	1H FY2011	2H FY2011	1H FY2012	2H FY2012
Coated & Industrial Products Australia							
Reported EBIT	84	(1,063)	(726)	(97)	(966)	(463)	(263)
Restructure / redundancies	24	8	363	-	8	347	16
Asset Impairments	-	797	136	-	797	-	136
Steel Transformation Plan	-	0	(100)	-	-	(66)	(34)
Underlying EBIT [1]	108	(258)	(327)	(97)	(161)	(182)	(145)
Australian Distribution & Solutions							
Reported EBIT	12	(218)	(260)	(92)	(126)	(33)	(227)
Restructure / redundancies	3	7	30	-	7	4	26
Asset Impairments	-	177	178	77	100	-	178
Profit on sale & leaseback of properties	(13)	-	-	-	-	-	-
Underlying EBIT [1]	2	(34)	(52)	(15)	(19)	(29)	(23)
New Zealand Steel & Pacific Steel Products							
Reported EBIT	73	82	65	49	33	34	31
Restructure / redundancies	-	-	4	-	-	-	4
Underlying EBIT [1]	73	82	69	49	33	34	35
Coated & Building Products Asia							
Reported EBIT	116	176	102	114	62	47	55
Asset sale	-	-	(4)	-	-	-	(4)
Asset impairment write back	-	(68)	-	(68)	-	-	-
Underlying EBIT [1]	116	108	98	46	62	47	51
Coated & Building Products North America							
Reported EBIT	(21)	(36)	(24)	(16)	(20)	(16)	(8)
Restructure / redundancies	5	-	11	-	-	11	-
Asset Impairments	-	16	5	-	16	5	-
Underlying EBIT [1]	(16)	(20)	(8)	(16)	(4)	-	(8)
Hot Rolled Products North America							
Reported & Underlying EBIT [1]	61	72	62	8	64	20	42
Corporate & intersegment							
Reported EBIT	(93)	(58)	(78)	(16)	(42)	(29)	(49)
Restructure / redundancies	-	-	5	-	-	1	4
Business Development Costs	4	7	7	-	7	-	7
Underlying EBIT [1]	(89)	(51)	(66)	(16)	(35)	(28)	(38)
Total Group							
Reported EBIT	232	(1,045)	(859)	(50)	(995)	(440)	(419)
Underlying EBIT [1]	255	(101)	(224)	(41)	(60)	(138)	(86)

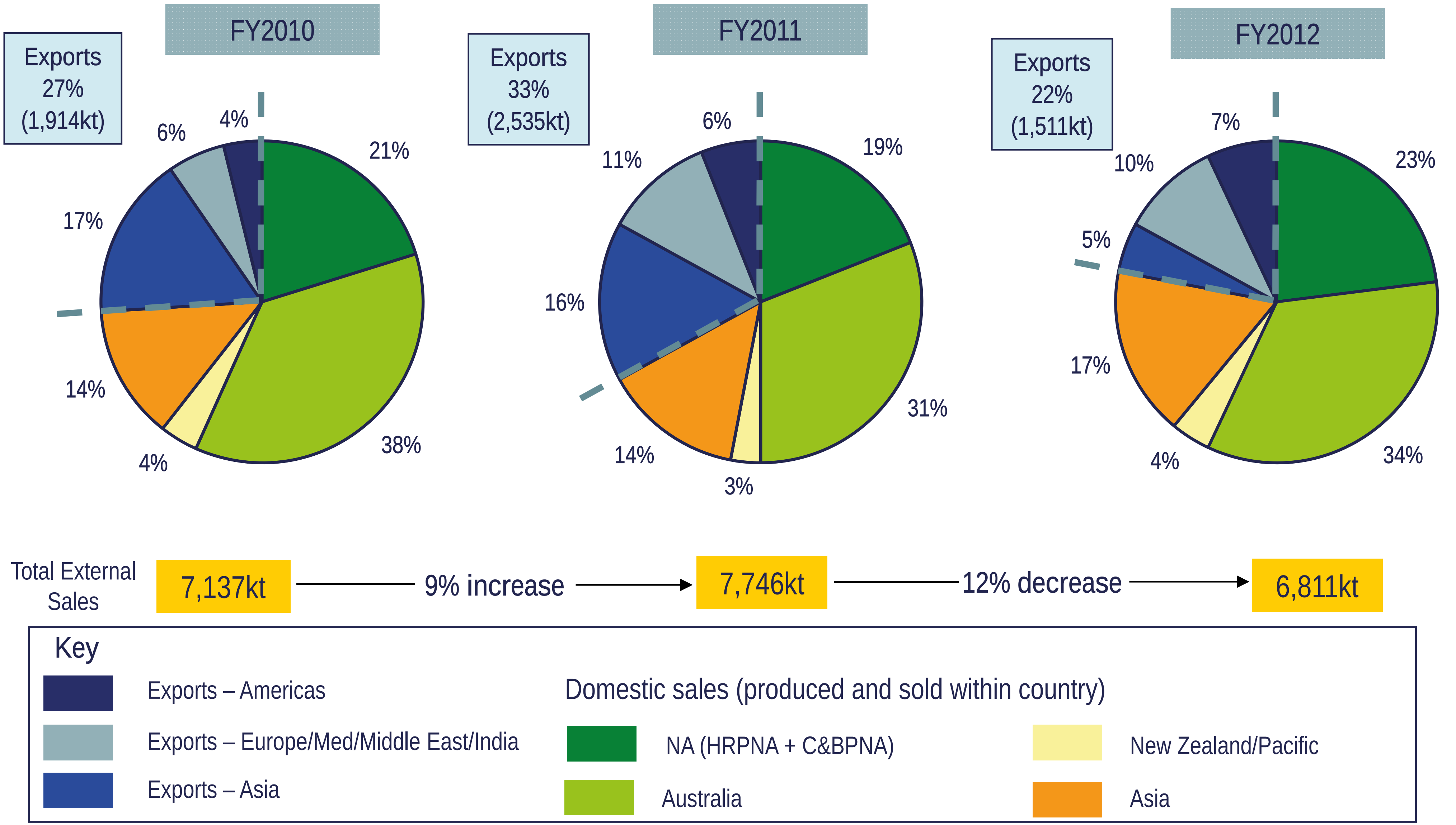
Note:

1. Management have provided an analysis of unusual items included in the reported IFRS financial information. These items have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. Non-IFRS financial information whilst not subject to audit or review has been extracted from the interim financial report which has been subject to review by our external auditors.

Global despatch mix

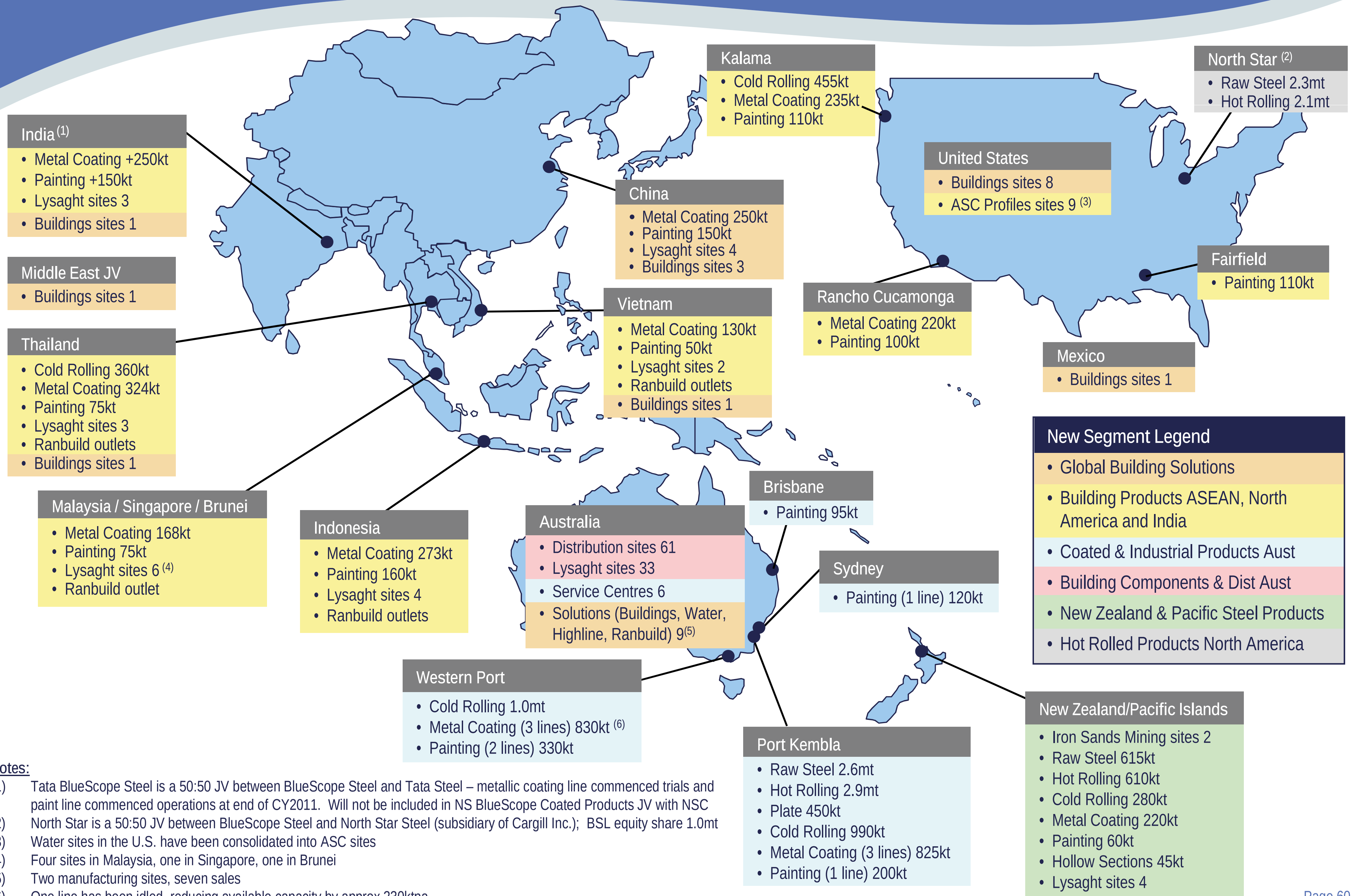
Total BlueScope Group External Despatches

Export Tonnes (kt)	1H	2H
Australia	747	384
NZ	156	159
Asia	34	27
NA (incl Metl-Span)	2	1
	939	572



Note: Percentages have been rounded.

BlueScope's global manufacturing footprint at June 2012 (shown by FY2013 reporting segments)



Notes:
(1) Tata BlueScope Steel is a 50:50 JV between BlueScope Steel and Tata Steel – metallic coating line commenced trials and paint line commenced operations at end of CY2011. Will not be included in NS BlueScope Coated Products JV with NSC
(2) North Star is a 50:50 JV between BlueScope Steel and North Star Steel (subsidiary of Cargill Inc.); BSL equity share 1.0mt
(3) Water sites in the U.S. have been consolidated into ASC sites
(4) Four sites in Malaysia, one in Singapore, one in Brunei
(5) Two manufacturing sites, seven sales
(6) One line has been idled, reducing available capacity by approx 230ktpa

Segment underlying EBIT summary – new segments

	Underlying EBIT (A$M) [1]				
	FY2010	FY2011	1H FY2012	2H FY2012	FY2012
Coated & Industrial Products Australia	108	(258)	(182)	(145)	(327)
Building Components & Distribution Australia	9	(22)	(27)	(19)	(46)
New Zealand Steel & Pacific Steel Products	73	82	34	35	69
Global Building Solutions	(15)	(14)	24	9	33
Building Products ASEAN, North America and India	107	82	21	30	51
Hot Rolled Products North America	61	72	20	42	62
Corporate & inter-segment	(90)	(49)	(27)	(39)	(66)
TOTAL GROUP	253	(107)	(137)	(87)	(224)

Note: Excludes Metl-Span earnings due to divestment in June 2012

DIRECTORS' REPORT

BlueScope Steel Limited

ABN 16 000 011 058

Directors' Report for the year ended 30 June 2012

Contents

CORPORATE DIRECTORY

Directors	G J Kraehe AO *Chairman* R J McNeilly *Deputy Chairman* P F O'Malley *Managing Director and Chief Executive Officer* D J Grady AM H K McCann AM Y P Tan D B Grollo K A Dean P Bingham-Hall
Secretary	M G Barron
Executive Leadership Team	P F O'Malley Managing Director and Chief Executive Officer M G Barron Chief Legal Officer and Company Secretary I R Cummin Executive General Manager, People and Organisation Performance S Dayal Chief Executive, Building Products S R Elias Chief Financial Officer P Finan Executive General Manager, Global Building and Construction Markets K Mitchelhill Executive General Manager R Moore Chief Executive, Global Building Solutions M R Vassella Chief Executive, BlueScope Australia and New Zealand
Notice of Annual General Meeting	The Annual General Meeting of BlueScope Steel Limited will be held at the Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, Victoria at 2.00 pm on Thursday 15 November 2012
Registered Office	Level 11, 120 Collins Street, Melbourne, Victoria 3000 Telephone: +61 3 9666 4000 Fax: +61 3 9666 4111 Email: bluescopesteel@linkmarketservices.com.au Postal Address: PO Box 18207, Collins Street East, Melbourne, Victoria 8003
Share Registrar	Link Market Services Limited Level 12, 680 George Street, Sydney, NSW 2000 Postal address: Locked Bag A14, Sydney South, NSW 1235 Telephone (within Australia): 1300 855 998 Telephone (outside Australia): +61 2 8280 7760 Fax: +61 2 9287 0303 Email: bluescopesteel@linkmarketservices.com.au
Auditor	Ernst & Young 8 Exhibition Street, Melbourne, Victoria 3000
Stock Exchange	BlueScope Steel Limited shares are quoted on the Australian Securities Exchange (ASX code: BSL)
Website Address	www.bluescopesteel.com

DIRECTORS' REPORT FOR THE YEAR ENDED 30 June 2012

The Directors of BlueScope Steel Limited ('BlueScope Steel') present their report on the consolidated entity ('BlueScope Steel Group' or 'the Company') consisting of BlueScope Steel Limited and its controlled entities for the year ended 30 June 2012.

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the BlueScope Steel Group, based principally in Australia, New Zealand, North America, China and elsewhere in Asia, were:

(a) Manufacture and distribution of flat steel products;

(b) Manufacture and distribution of metallic coated and painted steel products;

(c) Manufacture and distribution of steel building products; and

(d) Design and manufacture of pre-engineered steel buildings and building solutions.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In August 2011, the Company announced a major restructure of the Australian manufacturing business to reduce its exposure to loss-making export markets for steel products. At the Port Kembla Steelworks, the changes were broadly to reduce production of steel by half through the closure of No. 6 Blast Furnace and other equipment to reflect the reduced ironmaking capacity. Steelmaking production capacity at Port Kembla has been reduced from approximately 5.3Mtpa to approximately 2.6Mtpa. At the Western Port facility the changes were broadly to reduce production of rolled and coated products through the closure of the Hot Strip Mill and moth balling of Metal Coating Line 5.

The Company commenced operations in its metallic coating and painting facility in India, which forms part of a 50/50 joint venture with Tata Steel, during March 2012.

The Company sold Metl-Span, its North American insulated metal panels business, during June 2012.

MATTERS SUBSEQUENT TO THE YEAR ENDED 30 JUNE 2012

The following matters occurred subsequent to the year ended 30 June 2012:

(a) BlueScope Steel Limited has announced a reorganisation to establish two businesses to focus on growth in the global pre-engineered building market and building products market to take effect on 1 July 2012. As a result of these changes on 26 July 2012 the Company announced changes to its external reporting segments.

BlueScope Global Building Solutions comprises the Company's North American pre-engineered buildings (PEB) businesses, the entire China business and all PEB businesses in ASEAN. BlueScope Building Products comprises the Company's metal coating, painting and roll-forming businesses in ASEAN and North America.

Mr Bob Moore, BlueScope's President, China and a member of the Executive Leadership Team (ELT), will become Chief Executive Global Building Solutions leading more than 5000 employees across 21 manufacturing plants in eight countries. Mr Sanjay Dayal, Chief Executive BlueScope Asia and a member of the ELT will take on a new role as Chief Executive Building Products with additional responsibility for the North American Steelscape and ASC Profiles businesses, leading 3300 employees at 29 manufacturing plants in seven countries.

These reporting segment changes will be applied in respect of the half year ending 31 December 2012 and thereafter.

(b) As announced to the market on 13 August 2012, BlueScope and Nippon Steel Corporation (NSC) agreed to form a new joint venture encompassing BlueScope's ASEAN and North American building products businesses.

The new 50:50 joint venture, called NS BlueScope Coated Products, provides a strong platform to capture expected growth in the $40 billion per annum building and construction sector in ASEAN and North America. The JV will facilitate entry into new markets not currently accessible to BlueScope. For example, the JV will supply whitegoods manufacturers offering products to Asia's fast growing middle class. The JV will also speed up entry into emerging markets in the ASEAN region.

NSC's investment recognises an agreed enterprise valuation for the JV of US$1.36 billion. BlueScope will receive approximately US$540 million in net proceeds through NSC's 50% acquisition of BlueScope's interest in the businesses after allowing for taxes, minority interests and transaction costs. BlueScope will continue to control and consolidate the business for financial reporting purposes. The cash consideration received from NSC will be recognised within equity, therefore no gain or loss on this transaction will be recorded in the income statement.

The joint venture will comprise BlueScope's current building products businesses in ASEAN (Indonesia, Malaysia, Thailand, Vietnam, Singapore and Brunei) and North America (Steelscape and ASC Profiles). The footprint of this business also covers Myanmar, Cambodia, Laos and the Philippines.

NSC and BlueScope will each hold 50 per cent of a new joint venture company, headquartered in Singapore. BlueScope will appoint the Chief Executive of NS BlueScope Coated Products. NSC will appoint the Chairman and a number of key executives to assist with business development and the introduction of new technology and products. The transaction is expected to complete in the March 2013 quarter, once regulatory approvals have been obtained.

The JV does not include BlueScope's building products businesses in Australia, China and India, or its Global Building Solutions business that operates across the world (including in ASEAN countries).

(c) On 7 August 2012 the Company repurchased a further US$88.2 million of its U.S. Private Placement Notes (subsequent to the repurchase of US$305.4 million in May 2012) at par, plus accrued interest. The repurchase will be funded in US dollars using existing undrawn lines under the Company's syndicated bank facility. No early redemption or make-whole costs were incurred by BlueScope in effecting the repurchase, and based on the Company's drawn debt balance at 30 June 2012, the US$88.2 million repurchase is expected to realise a pro-forma reduction in the Company's annual interest expense of approximately A$6 million per annum.

(d) On 16 August 2012 the Company acquired the 40% interest of the BlueScope Steel Malaysia that it did not own.

DIVIDENDS

In view of the financial performance of the Company the Directors determined not to pay an interim for the half year ended 31 December 2011 or final dividend for the year ended 30 June 2012.

REVIEW AND RESULTS OF OPERATIONS

The BlueScope Steel Group comprises six reportable operating segments: Coated & Industrial Products Australia, Australia Distribution & Solutions, New Zealand & Pacific Steel Products, Coated & Building Products Asia, Hot Rolled Products North America and Coated & Building Products North America.

			REPORTED(1)		UNDERLYING(2)	
	REVENUES 2012 $M	REVENUES 2011 $M	EARNINGS 2012 $M	EARNINGS 2011 $M	EARNINGS 2012 $M	EARNINGS 2011 $M
Sales revenue/EBIT(2)						
Coated & Industrial Products Australia	4,279.6	5,193.0	(725.8)	(1,062.5)	(327.3)	(257.8)
Australia Distribution & Solutions	1,612.4	1,675.4	(259.7)	(217.9)	(51.8)	(34.2)
New Zealand & Pacific Steel Products	755.0	672.1	64.7	82.5	68.6	82.5
Coated & Building Products Asia	1,625.8	1,486.8	101.9	175.6	98.5	107.8
Hot Rolled Products North America	-	-	62.2	72.3	62.2	72.3
Coated & Building Products North America	1,257.5	1,197.1	(24.4)	(42.1)	(8.6)	(26.5)
Discontinued operations	164.1	159.4	38.5	8.0	-	-
Segment revenue/EBIT(2)	9,694.4	10,383.8	(742.6)	(984.1)	(158.4)	(55.9)
Inter-segment eliminations	(1,091.7)	(1,271.4)	3.5	16.0	3.5	16.0
Segment external revenue/EBIT	8,602.7	9,112.4	(739.1)	(968.1)	(154.9)	(39.9)
Other revenue/(net unallocated expenses)	18.9	22.1	(80.8)	(74.6)	(69.4)	(67.6)
Total revenue/EBIT(2)	8,621.6	9,134.5	(819.9)	(1,042.7)	(224.3)	(107.5)
Net borrowing costs			(117.3)	(98.9)	(109.0)	(98.9)
Profit/(loss) from ordinary activities before income tax			(937.2)	(1,141.6)	(333.3)	(206.4)
Income tax (expense)/benefit			(90.7)	101.2	111.4	93.1
Profit/(loss) from ordinary activities after income tax expense			(1,027.9)	(1,040.4)	(221.9)	(113.3)
Net (profit)/loss attributable to outside equity interest			(15.6)	(13.8)	(15.6)	(13.8)
Net profit/(loss) attributable to equity holders of BlueScope Steel			(1,043.5)	(1,054.2)	(237.5)	(127.1)
Basic Earnings per share (cents)			(39.1)	(48.6)	(8.9)	(5.9)

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

(2) Performance of operating segments is based on EBIT which excludes the effects of interest and taxes. The Company considers this a useful and appropriate segment performance measure because interest income and expense are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Underlying earnings

The reported earnings include the following unusual items:

Factors	EBIT		NLAT		EPS	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Reported Earnings	**(819.9)**	**(1,042.7)**	**(1,043.5)**	**(1,054.2)**	**(0.39)**	**(0.49)**
Net (gains) / losses from discontinued businesses (1)	(38.5)	(8.0)	(3.8)	(9.9)	(0.00)	(0.00)
Reported earnings (from continuing operations)	(858.5)	(1,050.7)	(1,047.3)	(1,064.0)	(0.39)	(0.49)
Unusual or non-recurring events:						
Restructure and redundancy costs (2)	412.3	14.0	288.4	9.8	0.11	0.00
Borrowing amendment fees (3)	0.0	0.0	5.8	0.0	0.00	0.00
Steel Transformation Plan advance (4)	(100.0)	0.0	(70.0)	0.0	(0.03)	0.00
Asset impairments (5)	318.6	922.3	315.0	922.3	0.12	0.43
Business development and pre-operating costs (6)	6.7	6.9	4.7	4.8	0.00	0.00
Asset sales (7)	(3.4)	0.0	(2.4)	0.0	(0.00)	0.00
Tax asset impairment (8)	0.0	0.0	268.3	0.0	0.10	0.00
Underlying Operational Earnings	**(224.3)**	**(107.5)**	**(237.5)**	**(127.1)**	**(0.09)**	**(0.06)**

(1) 2012 reflects a pre-tax profit/post tax loss on sale of the Metl-Span business during June 2012, Metl-Span operational earnings during 2012 and a foreign exchange translation gain within the Lysaght Taiwan business. 2011 reflects Metl-Span operational earnings during that period, profit on sale of Packaging Products assets and a foreign exchange translation gain within the Lysaght Taiwan business.

(2) 2012 reflects staff redundancies and restructuring costs at Coated & Industrial Products Australia in relation to the move to a one blast furnace operations, Coated & Building Products North America, Australia Distribution & Solutions, New Zealand and Corporate. 2011 reflects staff redundancies and other internal restructuring costs at Coated & Industrial Products Australia and Australia Distribution & Solutions and plant rationalisation costs at Australia Distribution & Solutions.

(3) 2012 reflects the costs associated with restructuring existing financing facilities following the decision to move to a one blast furnace operation at Port Kembla Steelworks.

(4) 2012 reflects recognition of the $100M advance under the Australian Federal Government Steel Transformation Plan (STP).The STP is provided to assist BSL transition to a carbon tax environment.

(5) 2012 reflects non-current asset impairments in the Australian Business comprising Distribution goodwill ($157M), CIPA fixed assets ($136M), Lysaght goodwill ($10M) and BlueScope Water and BlueScope Buildings goodwill and fixed assets ($11M) due to a slower recovery in the domestic demand than previously expected and a higher discount rate applied to expected future cash flows as a result of increased volatility in equity markets. In addition, there were impairment of assets in Coated & Building Products North America ($4M) associated with restructuring. 2011 reflects asset impairment write downs Coated & Industrial Products Australia ($797M); Australia Distribution & Solutions ($177M); and Coated & Building Products North America ($16M); partly offset by a write back at China Coated ($68M).

(6) 2012 and 2011 reflect Corporate business development costs.

(7) 2012 reflects profit on the sale of surplus land in Coated and Building Products Asia.

(8) 2012 reflects impairment of Australian deferred tax asset generated during the period mainly in relation to export losses and restructure costs incurred during the period. Australian Accounting Standards impose a stringent test for the recognition of a deferred tax asset arising from unused tax losses where there is a history of recent tax losses. The Company has deferred the recognition of any further tax asset for the Australian tax group until a return to taxable profits has been demonstrated. Australian tax losses are able to be carried forward indefinitely.

Group Review

The Company reported a $1,043.5 million net loss after tax (NLAT) for 2012. This compares with a $1,054.2 million reported NLAT in 2011. The reported NLAT included non-current asset impairments ($315M), tax impairments ($268M) and restructure costs ($288M), partly offset by the receipt of the Steel Transformation Plan advance ($70M).

Underlying NLAT was $237.5 million, an increase of $110.4 million mainly due to lower spread (HRC selling price less raw material costs) and higher per unit conversion costs as a result of lower volumes.

Net debt was reduced to $384 million or approximately $580 million adjusting for favourable timing of year end cash flows.

The Board has decided there will be no final ordinary dividend.

2012 was a transforming year, we delivered what we promised. Net debt is lower than forecast. Our Australian businesses are expected to be EBITDA positive in 2013, and globally we are now well positioned for growth.

BlueScope is now structured into four main businesses: BlueScope Building Products; BlueScope Global Building Solutions; BlueScope Australia and New Zealand and in the U.S., North Star BlueScope Steel.

Our Building Products business, across ASEAN and the US, will be incorporated in the new US$1.36 billion NS BlueScope Coated Products joint venture with Nippon Steel Corporation. It will provide a stronger platform to capture growth in new market segments. The net proceeds of approximately US$540 million from Nippon Steel's 50% investment will afford BlueScope further financial flexibility and balance sheet strength to grow businesses that deliver strong returns.

Our Global Building Solutions business is well placed to capture opportunities in the world's largest and fastest growing non-residential construction markets with the potential to double current revenue of $1.45 billion within three years.

BlueScope in Australia is delivering its turnaround. New Zealand Steel continues to be profitable and its iron sands export capability is on track to double within two years.

In the US, our North Star BlueScope Steel business will concentrate on continuing its good operational performance and accelerating specific growth opportunities.

Segment Review

Coated and Industrial Products Australia
Coated and Industrial Products Australia delivered a $327.3 million underlying EBIT loss, an increase of $69.5 million mainly due to a lower spread (HRC selling price less raw material cost), lower domestic prices, higher per unit conversion costs on lower volumes and an adverse domestic product mix. These were partly offset by lower loss-making export sales and favourable foreign exchange movements.

The Company delivered the Australian restructure that was announced in August 2011, including:

- positive outcomes for major contract renegotiations, no significant supply or customer issues and significantly reduced exposure to loss-making export sales;
- targeted fixed cost reductions of $385m;
- restructure costs of $380 million, below the expected range of $400-$500m; and
- working capital release of $583 million, after adjusting for the timing of certain year end cash flows, better than the expected range of $400-500m.

We expect this business to deliver positive underlying EBITDA in 2013 (subject to spread, the strength of the Australian dollar relative to the US dollar, domestic margins and demand). Capital expenditure of $140 million is expected with a third of this being invested in manufacturing facilities to deliver the next generation of COLORBOND® and ZINCALUME® steel products, an investment in our future and commitment to the Australian market.

Australian Distribution and Solutions
Australian Distribution and Solutions delivered a $51.8 million underlying EBIT loss, an increase of $17.6 million mainly due to lower margins and volumes. An improvement program is now well advanced and the benefits of this restructure are starting to flow through its financial results.

New Zealand and Pacific Products
New Zealand and Pacific Products delivered a $68.6 million underlying EBIT, a decrease of $13.9 million mainly due to higher utility costs and a stronger NZ dollar relative to the US dollar. This business benefits from access to low cost captive iron units and the export of iron sands from Taharoa and Waikato North Head. The expansion of Taharoa iron sands exports increased to 1.2Mtpa late in the second half of 2012, enabled by the commissioning of a larger ore carrier, the Taharoa Destiny. A contract is in place for sale of a further 1.2Mtpa iron sands from Taharoa, which will commence within two years, once the customer has concluded the necessary shipping arrangements.

Coated and Building Products Asia
Coated and Building Products Asia delivered a $98.5 million underlying EBIT, a decrease of $9.3 million. This segment continues to grow but was affected during the year by start-up costs at our second coating facility in Indonesia and new coating facility in India, floods in Thailand and unfavourable foreign exchange translation as a result of the higher Australian dollar. Our China business continued its strong contribution, as did our Thailand and Indonesia businesses in the second half of 2012. An expansion in Xi'an will capitalise on strong demand for our Butler PEB and Lysaght roll forming products in Central and Western China. This new $60 million facility is expected to be operational by the end the 2013 financial year.

Hot Rolled Products North America
Hot Rolled Products North America delivered a $62.2 million underlying EBIT, a decrease of $10.1 million mainly due to higher scrap costs relative to higher selling prices, with the spread between scrap and selling price improving in the second half. We are actively assessing growth opportunities for this business.

Coated and Building Products North America
Coated and Building Products North America delivered a $8.6 million underlying EBIT loss, an improvement of $17.9 million mainly due to further restructuring steps in the Buildings (PEB) business lowering costs in engineering and manufacturing. The business has rationalised its US building footprint, achieving break-even run rate at volumes almost half pre-GFC levels. It is also leveraged for earnings growth as building and construction activity improves.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

For the first half of the 2013 financial year, we expect a continued improvement in financial performance with an underlying net after tax loss (before period-end net realisable value adjustments) approaching breakeven (subject to spread, FX and market conditions).

In 2013, total capital expenditure for the group is expected to be approximately $300 million with a third to be invested in growth projects.

BOARD COMPOSITION

The following were Directors for the full year ended 30 June 2012: Graham John Kraehe AO (Chairman), Ronald John McNeilly (Deputy Chairman), Diane Jennifer Grady AM, Daniel Bruno Grollo, Harry Kevin (Kevin) McCann AM, Kenneth Alfred Dean, Paul Francis O'Malley (Managing Director and Chief Executive Officer) Tan Yam Pin and Penelope Bingham-Hall.

Particulars of the skills, experience, expertise and special responsibilities of the Directors are set out below.

DIRECTORS' BIOGRAPHIES

Graham Kraehe AO, Chairman (Independent)
Age 69, BEc
Director since: May 2002

Extensive background in manufacturing and was Managing Director and Chief Executive Officer of Southcorp Limited from 1994 to February 2001. Chairman of Brambles Industries Limited since February 2008 and a Non-Executive Director since December 2000, Member of the Board of the Reserve Bank of Australia from February 2007 to February 2012, Member of the Board of Djerriwarrh Investments Limited since July 2002, Member of the Board of Governors of CEDA and a Director of European Australian Business Council. Mr Kraehe was a Non-Executive Director of National Australia Bank Limited from August 1997 to September 2005 and Chairman from February 2004 to September 2005, and was a Non-Executive Director of News Corporation Limited from January 2001 until April 2004.

He brings skills and experience in manufacturing management and in companies with substantial, geographically diverse, industrial operations. Mr Kraehe's experience with a wide range of organisations is relevant for his role as Chairman of the Board.

Ron McNeilly Deputy Chairman (Independent)
Age 69, BCom, MBA, FCPA
Director since: May 2002

Deputy Chairman of the Board with over 30 years experience in the steel industry. He joined BHP in 1962, and until December 2001 held various positions with the BHP Group (now BHP Billiton), including Executive Director and President BHP Minerals, Chief Operating Officer and Executive General Manager, and was Chief Executive Officer BHP Steel until 1997. The latter role developed his knowledge of many of the businesses comprising BlueScope Steel today.

Chairman of Worley Parsons Limited and a Director since October 2002. Director of Alumina Ltd from December 2002 to March 2011, Vice President of the Australia Japan Business Cooperation Committee until November 2010. He also served as a Member of the Council on Australia Latin America Relations and as Chairman of Melbourne Business School.

Mr McNeilly was Chair of the Health, Safety and Environment Committee until 21 March 2012.

Diane Grady AM, Non-Executive Director (Independent)
Age 64, BA (Hons), MA (Chinese Studies), MBA
Director since: May 2002

Director of Macquarie Group Limited and Macquarie Bank Limited since May 2011 and Member of the Advisory Board of McKinsey & Co. Director of Woolworths Ltd from July 1996 until November 2010 and Goodman Group from September 2007 to October 2010. Has served on the boards of a number of other public and not-for-profit organisations including Lend Lease Corporation, Wattyl Limited, Greengrocer.com (Chair), Sydney Opera House Trust, Ascham School (current Chair), The Hunger Project Australia (current Chair) and as President of Chief Executive Women. Formerly a partner of McKinsey & Co. serving clients in a wide range of industries on strategic growth and change initiatives.

Ms Grady is an experienced director who brings valuable strategic and business expertise to the Board and to her role as Chair of the Remuneration and Organisation Committee.

Kevin McCann AM, Non-Executive Director (Independent)
Age 71, BA LLB (Hons), LLM
Director since: May 2002

Mr McCann is Chairman of Macquarie Group Ltd and Macquarie Bank Ltd and has been on the Board of those companies since August 2007 and December 1996 respectively. He is also Chairman of Origin Energy Ltd (since February 2000). Mr McCann is a director of the Australian Institute of Company Directors (AICD) and is a member of the AICD Corporate Governance Committee and President of the NSW Advisory Council. He is a Fellow of the Senate of the University of Sydney and a director of the University of Sydney United States Studies Centre. Community activities include Chairman of the National Library of Australia Foundation.

Former Chairman of the Sydney Harbour Federation Trust, Chairman of ING Management Limited from September 2010 to June 2011 and Director of the Sydney Harbour Conservancy from January 2010 to September 2010. He also served as Chairman of Healthscope Ltd from May 1994 to October 2008 and as a Member of the Takeovers Panel and the Defence Procurement Advisory Board. He has served on the Boards of Pioneer International Limited, Ampol Limited and the State Rail Authority of New South Wales and as a member of the Council of the National Library of Australia.

Former Chairman of Partners of Allens Arthur Robinson, a national and international Australian law firm, and a partner of the firm from 1970 until June 2004. He brings extensive commercial experience as a Chairman and director and former Chairman and director of major listed companies and deep corporate governance and legal expertise to the Board.

Tan Yam Pin, Non-Executive Director (Independent)
Age 71, BEc (Hons), MBA, CA
Director since: May 2003

A chartered accountant by profession, formerly Managing Director of Fraser and Neave Group, one of South-East Asia's leading public companies, and Chief Executive Officer of its subsidiary company, Asia Pacific Breweries Ltd. A member of the Public Service Commission of Singapore since 1990 and a Director of the Board of Keppel Land Limited (Singapore) since June 2003, Singapore Post Limited since February 2005, Great Eastern Holdings Limited since January 2005, Leighton Asia Limited since January 2009 and The Lee Kuan Yew Scholarship Fund since January 2010. Mr Tan previously served as Chairman of PowerSeraya Limited (Singapore) from January 2004 to June 2009, as a Director of Certis CISCO Security Pte. Ltd from July 2005 to January 2009, The East Asiatic Company Limited A/S (Denmark) from 2003 to 2006, International Enterprise Singapore from January 2004 to June 2008 and Singapore Food Industries Ltd from December 2005 to December 2009.

Mr Tan resides in Singapore. He brings extensive knowledge of Asian markets, an area of strategic importance to BlueScope Steel. His financial and leadership skills complement the skills on the Board.

Daniel Grollo, Non-Executive Director (Independent)
Age 42
Director since: September 2006

Chief Executive Officer of Grocon Pty Ltd, Australia's largest privately owned development and construction company. He was appointed a Director of CP1 Limited in June 2007 and is a Director of the Green Building Council of Australia. He has previously been a Director and National President of the Property Council of Australia.

He brings extensive knowledge of the building and construction industry to the Board. In March 2012, Mr Grollo was appointed as Chair of the Health, Safety and Environment Committee.

Paul O'Malley, Managing Director and Chief Executive Officer
Age 48, BCom, M. App Finance, ACA
Director since: August 2007

Appointed Managing Director and Chief Executive Officer of BlueScope Steel on 1 November 2007.

Joined BlueScope Steel as its Chief Financial Officer in December 2005. Formerly the CEO of TXU Energy, a subsidiary of TXU Corp based in Dallas, Texas, and held other senior management roles within TXU including Senior Vice President and Principal Financial Officer and, based in Melbourne, Chief Financial Officer of TXU Australia. Before joining TXU, he worked in investment banking and consulting.

Ken Dean, Non-Executive Director (Independent)
Age 59, BCom (Hons), FCPA, FAICD
Director since: April 2009

Mr Dean has been a Director of Santos Limited since February 2005 and has held past directorships with Alcoa of Australia Limited, Woodside Petroleum Limited and Shell Australia Limited. In July 2012 he was appointed as a non-executive director of to TRUenergy Holdings Pty Ltd.

Mr Dean spent more than 30 years in a variety of senior management roles with Shell in Australia and the United Kingdom. His last position with Shell, which he held for five years, was as Chief Executive Officer of Shell Finance Services based in London. Upon his return to Australia in 2005, he was Chief Financial Officer of Alumina Limited, a position from which he resigned in 2009 to focus on non-executive directorship roles.

He brings extensive international financial and commercial experience to the Board and to his role as Chair of the Audit and Risk Committee.

Penny Bingham-Hall, Non-Executive Director (Independent)
Age 52, BA (Ind.Des) FAICD, SA(Fin)

Ms Bingham-Hall was appointed a Director of BlueScope Steel in March 2011. She spent more than 20 years in a variety of roles with Leighton Holdings prior to retiring from that company at the end of 2009. Senior positions held by her with Leighton include Executive General Manager Strategy, responsible for Leighton Group's overall business strategy and Executive General Manager Corporate, responsible for business planning and corporate affairs. Ms Bingham-Hall is a Director of Australia Post (since May 2011), the Sydney Ports Corporation (since April 2012) and SCEGGS Darlinghurst School (since February 2011). She was the inaugural Chairman of Advocacy Services Australia (the fiduciary company for the Tourism & Transport Forum and Infrastructure Partnerships Australia) from May 2008 to December 2011 and is a former Director of The Global Foundation and the Australian Council for Infrastructure Development and former Member of the Vis Asia Council, Art Gallery of NSW.

She brings extensive knowledge of the building and construction industry in both Australia and Asian markets.

COMPANY SECRETARIES

Michael Barron Chief Legal Officer and Company Secretary, BEc, LLB, ACIS
Responsible for the legal affairs of BlueScope Steel and for company secretarial matters. Joined the Company as Chief Legal Officer and Company Secretary in January 2002. Prior to that occupied position of Group General Counsel for Orica.

Clayton McCormack, BCom, LLB
Corporate Counsel, Governance and Secretariat with BlueScope Steel. A lawyer with over 15 years experience in private practice and corporate roles.

Darren Mackenzie, BA, LLB (Hons)
General Counsel, Corporate with BlueScope Steel. A lawyer with over 15 years experience in private practice and corporate roles.

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

As at the date of this report the interests of the Directors in shares and options of BlueScope Steel are:

Director	**Ordinary shares**	**Share rights**
Director - Current		
G J Kraehe	641,297	-
R J McNeilly	2,378,704	-
P F O'Malley	499,704	2,607,631
D J Grady	377,007	-
H K McCann	162,368	-
Y P Tan	282,809	-
D B Grollo	230,681	-
K A Dean	146,924	-
P Bingham-Hall	122,000	-

MEETINGS OF DIRECTORS

Attendance of the current Directors at Board and Board Committee meetings from 1 July 2011 to 30 June 2012 is as follows:

	Board meetings		**Audit and Risk Committee**		**Remuneration and Organisation Committee**		**Health, Safety and Environment Committee**		**Nomination Committee**		**Other Sub-Committees**		**Annual General Meeting**	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
G J Kraehe	25	25	-	6[1]	7	7	4	4	2	2	5	5	1	1
R J McNeilly	25	23[4]	6	6	7	7	4	4	2	2	-	-	1	1
P F O'Malley	25	25	-	6[2]	-	7[2]	4	4	-	-	5	5	1	1
D J Grady	25	22[4]	-	-	7	7	4	4	2	2	-	-	1	1
H K McCann	25	21[4]	6	6	-	-	4	3	2	2	1	1	1	1
Y P Tan	25	20[3, 4]	-	-	7	6[3]	4	3[3]	2	2	-	-	1	1
D B Grollo	25	22[4]	6	6	-	-	4	4	2	2	-	-	1	1
K A Dean	25	25	6	6	-	-	4	4	2	2	2	2	1	1
P Bingham-Hall	25	23[4]	-	-	3	3	4	4	2	2	-	-	1	1

All Directors have held office for the entire year ended 30 June 2012.

Ms Bingham-Hall became a member of the ROC on 17 February 2012.

A = number of meetings held during the period 1 July 2011 to 30 June 2012 during the time the Director was a member of the Board or the Committee, as the case may be.

B = number of meetings attended by the Director from 1 July 2011 to 30 June 2012.

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

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

3 A scheduled meeting was missed due to illness.

4 An unscheduled meeting was missed through unavailability due to travel or other commitments. Unscheduled meetings are generally called at very short notice and any directors unable to attend are provided with separate briefings on the matters considered.

There were a number of unscheduled meetings held during the year. They are as follows:

Board meetings: 17

Audit & Risk Committee meetings: 2

Remuneration Committee meetings: 1

The Non-Executive Directors have met twice during the year ended 30 June 2012 (without the presence of management). Non-Executive Directors meetings are chaired by the Chairman of the Board.

REMUNERATION SUMMARY (UNAUDITED)

1. Introduction

Over the last two years, BlueScope's remuneration system has been under severe pressure from two competing interests; shareholders who want executive remuneration reduced, reflecting their experience of no dividends and a significant decline in share price and talented executives who are tempted by opportunities in less structurally challenged industries where remuneration prospects are greater.

The BlueScope Board understands and acknowledges the issues raised by shareholders in relation to executive remuneration. The Board also believes it is in both shareholder and Company interests that our executive remuneration policy assists to retain the Managing Director & Chief Executive Officer (MD&CEO) and the Key Management Personnel (KMP) Executives because they are best placed to lead the Company through the major structural challenges facing the industry.

In the Remuneration Report last year, the Board informed shareholders of the intention to conduct a comprehensive review of the Company's executive remuneration policies. As part of this review, the Chairman of the Remuneration and Organisation Committee, Ms Diane Grady, and another Independent Committee member, Ms Penny Bingham-Hall, met with over twenty of the Company's larger shareholders, corporate governance advisory bodies and the Australian Shareholders' Association to obtain feedback in relation to proposals developed by the Board. Those discussions were very valuable and suggestions have been incorporated in the remuneration structure described below.

Some of the more notable decisions include:

- **Reducing the MD & CEO's remuneration by 52% in FY 2012 due to no Short Term Incentive (STI) or Long Term Incentive (LTI) awards;**
- **Again freezing the MD & CEO's base salary to his 2010 level, and maintaining this freeze during FY2013;**
- **Withholding at least 50% of total STI awards by KMP Executives as deferred equity with a one year trading lock;**
- **Paying significantly lower cash STI in aggregate for the MD & CEO and all KMP Executives ($994,476 compared to $3,051,813 for FY 2011).**
- **Tightening LTI award conditions by:**
  - **Eliminating retesting;**
  - **Imposing a two year trading lock on awards that vest; and**
  - **Reducing payment at the 51st percentile of TSR to 40%;**
- **Using the capital raising price of 40 cents as a minimum to determine the quantum of share rights offered to KMP Executives for the FY 2013 LTI award and the addition of a hurdle that the FY 2013 LTI award will not vest unless the share price at the end of the vesting period is at least 40 cents; and**
- **Restructuring the organisation from 6 into 4 divisions thereby reducing the number of KMP Executives and the total cost of their fixed remuneration.**

2. Context

Board decisions in regard to the remuneration of the MD & CEO and senior executives have been made in the context of the challenging circumstances faced by BlueScope operating in an industry undergoing massive structural change and at a cyclical low. These circumstances which have particularly affected our Australian businesses include:

1. Historically high iron ore and coking coal prices;
2. Surplus global steelmaking capacity resulting in depressed prices for steel exports;
3. Increased penetration of imports attracted by the high A$; and
4. Reduced domestic sales due to sluggish demand from the construction and manufacturing sectors. While our Australian businesses are under severe pressure, BlueScope's businesses in Asia are profitable and continue to be well positioned in this fast growing region of the world. These differences in business environments require an appropriate remuneration response.

Management and employees across BlueScope have responded to these pressures by restructuring the business and undertaking a significant change program across all of the Company's operations. As a result of this restructure the number of KMP Executives has been reduced from 10 to 8.Major achievements in FY 2012 included:

- Outstanding cash flow management to outperform challenging debt reduction targets.
- The injury free shutdown of 2.6 million tonnes of export steel-making capacity with the closure of a blast furnace, a coke oven, one hot-strip mill, and the moth-balling of a metal coating line — achieved within 7 weeks and below budgeted cost.
- The sale of the Company's insulated panels business in North America, MetlSpan, at an attractive price.
- The negotiation of the Steel Transformation Plan resulting in an advance of $100m from the Australian Government to BlueScope. (The STP income has been specifically excluded from all calculations relating to STI awards.)
- Capturing more value from the Company's own reserves of NZ iron sands by incorporating this lower cost raw material into the Port Kembla feed-stock blend and by significantly increasing our iron sands export capacity.
- Consolidating businesses which formerly comprised six divisions into four:
  - A Global Building Products business which operates the largest integrated network of sales and manufacturing operations around the Pacific Basin.
  - A Global Building Solutions business to deliver growth in the pre-engineered steel building market through low cost design and manufacturing coupled with dedicated account management serving multi-national customers.
  - A single Australian and New Zealand business called BlueScope ANZ, that better aligns our manufacturing, sales and distribution operations to our customers and will be more responsive to tough markets, with a significant lowering of our total cost base.
  - A profitable joint venture with Cargill - North Star BlueScope Steel – which is the 5th largest producer by volume of hot rolled coil in North America.

A key issue for the Board has been selecting the appropriate peer group for remuneration benchmarking. In the Board's view using market capitalisation as the sole comparison is not appropriate for establishing BlueScope's remuneration benchmarks because it would lead to unmanageable fluctuations in executive remuneration and does not reflect our belief in BlueScope's future. A recent Ernst & Young paper, 'Rethinking market practice', May 2012 advocates the need for companies to establish the 'right' market to support remuneration governance. We believe the peer group shown below is reflective of the size and complexity of BlueScope. In choosing this peer group we have taken into account revenue, number of employees, number of geographies, industry similarities and market capitalisation.

BlueScope Steel Benchmarking Peer Group

Company	Revenue	Employees	Market Cap 23-Mar-2012	Market Cap Average past 3 years to 23-Mar-2012	Market Cap Average past 5 years to 23-Mar-2012	Multiple Geographies Y/N
Adelaide Brighton	1,100	1,600	1,845	1,800	1,774	N
Amcor	12,000	33,000	8,640	7,525	6,728	Y
Asciano	3,056	7,172	4,662	4,382	n.a.	N
Boral	4,700	15,200	3,061	3,132	3,356	Y
Brambles	4,672	17,000	10,245	9,640	11,412	Y
Coca Cola Amatil	4,500	15,000	9,031	8,340	7,654	Y
Caltex	22,105	4,000	3,707	3,215	3,682	N
CSR	1,914	4,000	903	2,042	2,294	Y
Downer	6,975	21,000	1,673	1,854	1,879	Y
Fletcher	7,416	20,000	3,619	3,766	3,807	Y
Incitec Pivot	3,906	5,000	5,065	5,442	5,489	Y
James Hardie	1,200	2,500	3,349	2,759	2,757	Y
Leighton	19,400	51,000	7,793	8,894	10,004	Y
Lend Lease	5,099	17,000	4,191	4,367	4,789	Y
Orica	6,182	14,000	9,647	8,851	8,592	Y
Arrium (formerly OneSteel)	7,133	11,000	1,678	3,233	3,741	Y
Sims	8,900	6,500	3,022	3,729	3,887	Y
Toll	8,225	45,000	4,116	4,388	5,397	Y
Transfield	4,000	27,000	1,336	1,491	1,657	Y
Worley Parsons	5,904	37,800	7,225	6,228	6,665	Y
Median	5,502	15,100	3,912	4,067	3,887	
BSL	9,112	18,344	1,323	3,500	4,763	Y
BSL Ranking (Total 21)	4	8	20	13	10	

Source:

1. Revenue, employees and geographies sourced from 2011 annual reports.
2. Peer Group market cap data as at 23 March 2012 source Factset.

The Board believes management has performed well in extremely difficult business conditions. While some businesses have delivered good financial results and there has been significant progress in restructuring the total organisation, the Company overall has not made a profit and has not resumed paying dividends. Both of these factors have been considered in determining executive remuneration.

The Board considers it particularly important in the transformation program underway in BlueScope to pay STI to KMP Executives for delivering outstanding quantified results even if the Company as a whole is not yet profitable. At the same time we have significantly reduced the cash component of executive remuneration and increased the deferred equity component of incentives. This will allow us to both retain and recognise executives for their achievements as well as reinforce the alignment between future shareholder value and executive reward.

The Board and management believe that at this stage in a major transition process these measures are an appropriate balance of the need for incentive, retention, shareholder alignment and executive accountability. It is expected that once the Company has returned to profitability, there will be further adjustments to the remuneration system.

Key remuneration decisions during the year are outlined below.

3. MD & CEO Remuneration

The Board, with the full support of the MD & CEO, has significantly reduced the MD & CEO's total remuneration package for FY 2012. No salary increase, no LTI and no STI awards have resulted in a 52% year on year reduction in his remuneration. As a result, the MD & CEO's total remuneration will be down from $4,156,129 in 2011 to $1,995,000 for 2012.

The following table summarises the reduction in Mr O'Malley's remuneration from FY 2011 to FY 2012.

	FY 2012 Actual $	FY 2011 $
Base pay including superannuation	1,995,000	1,995,000
STI paid	Nil	720,865
Total take home pay	1,995,000	2,715,865
LTI potential	Nil	1,440,264*
Total remuneration	1,995,000	4,156,129
Reduction in total remuneration from FY 2011	52%	
Actual remuneration received as a % of target remuneration	41%	

*Note: while the MD & CEO is unlikely to receive any value from the FY 2011 LTI which was awarded at $2.26, shareholders have incurred the cost as accounting standards require this fair value expense to be taken through the P&L.

A summary of the decisions made for FY 2012 and FY 2013 are as follows:

i) Base Pay

The Board has determined that base pay is appropriately positioned at about the 60th percentile relative to the selected peer group as of April 2012. Consequently, the MD & CEO has not had a salary increase in FY2012. Furthermore, the MD & CEO's base pay will be frozen during FY2013.

ii) Short Term Incentive

Although the MD & CEO has led the Company to achieve the targets set by the Board in relation to reduction in debt, cash management and Company restructuring, the MD & CEO's STI for FY2012 will be zero in view of EBIT performance.

STI objectives for FY2013 at target are based on the achievement of a major strategic transformational initiative; delivery of a positive underlying profit; and top quartile TSR performance relative to the ASX 100. Details of the targets and results will be disclosed to shareholders in the FY 2013 Remuneration Report. If any STI is awarded it will be delivered equally in cash and equity. The equity will be subject to a 12 month trading lock and will lapse on termination due to resignation or for cause.

The quantum of the MD & CEO's potential STI at target is 80% of base pay and 120% at stretch.

iii) Long Term Incentive (LTI)

The MD & CEO did not receive any LTI share rights in FY2012 in view of the Company's financial performance.

The MD & CEO will receive share rights for FY2013 under the existing terms of his LTI plan, as approved by shareholders at the AGM in 2010. However, notwithstanding the relative performance of share rights awarded in FY2013 under the approved performance hurdles, the MD & CEO has agreed that in addition to the relative total shareholder return hurdle, no share rights will vest unless the share price is at least 40 cents, the price offered to shareholders at the time of the capital raising in November 2011.

Shareholders will be asked to approve a new LTI plan for the MD & CEO to apply in FY 2014 and FY 2015 which will have a five year period from the date of the award of share rights before vested shares can be accessed. The new LTI plan will be more restrictive than the current plan with the removal of re-testing, a reduction in the number of shares that will vest at the 51st percentile of relative ASX100 TSR performance from 52% to 40%, and a requirement to hold any shares that do vest after 3 years for a further period of 2 years. Share rights are not eligible for dividends until they vest.

Share rights would be awarded using the current formula of 155% of base pay per annum. This percentage was agreed when the MD & CEO's initial contract was signed and at that time reflected an increased weighting to LTI and a reduced weighting of his STI. In considering remuneration for the MD & CEO, the Board focuses on total remuneration relative to the peer group recognizing the mix at BlueScope is more skewed toward the long term.

With this remuneration structure, 56% of the MD & CEO's potential remuneration for FY 2013 would be at risk in deferred equity.

4. KMP Executive Remuneration

The Board, with the support of the MD & CEO and KMP Executives implemented the following measures in relation to KMP Executive remuneration for FY 2012 and FY 2013.

i) Base Pay

There have been some significant base pay increases during FY 2012 reflecting the restructure of the business and our need to retain remaining KMP Executives to lead major strategic initiatives. There will be no "across-the-board" base pay increase for all KMP Executives for FY 2013. Examples of increased responsibilities are outlined below.

- Mr Mark Vassella was promoted to the new role of Chief Executive – BlueScope Australia & New Zealand which comprises responsibility for businesses previously led by Mr Noel Cornish, Mr Paul O'Keefe and Mr Keith Mitchelhill. His base pay increased to $1,000,000.
- Mr Sanjay Dayal had his salary increased to $880,000 in recognition of the additional responsibilities arising from the establishment of the Building Products business unit comprising a combination of the ASEAN and Indian businesses and the Steelscape and ASC Profiles businesses on the US West Coast.
- Mr Bob Moore, Chief Executive, China had his salary increased to $700,000 with effect from 1 July 2012 reflecting the increased responsibilities in leading the Company's pre-engineered steel building businesses stretching from North America across China, Asia, India, the Middle East and Australia.

ii) Short Term Incentive (STI)

STI objectives are set and approved by the Board at the beginning of each financial year and include measurable objectives for results achieved in financial, safety, operational excellence and strategic projects. At the end of each year achievements are assessed by the Remuneration and Organisation Committee. Payments have only been made for quantified results. Potential STI payments for KMP Executives at target are 60% of base salary and at stretch are 90% of base salary. All executives have at least 50% weighting to financials, including at least 25% for company-wide results. Safety and operational excellence targets are set using quantifiable measures.

As BlueScope's overall financial performance did not reach the required threshold established by the Board of an underlying profit for the 2nd half of the financial year, no STI is payable for Company Financials which make up 25% of total STI opportunity at target. The Company's safety LTIFR performance for the year did not meet the required hurdle. Accordingly, no STI is payable for safety performance which makes up 5% of STI opportunity at target.

For KMP Executives who achieved quantified results which otherwise would have warranted higher STI, awards have been capped at 60% of target (36% of base pay) if they did not achieve underlying EBIT targets.

STI awards were made for achievement of positive EBIT financial objectives, achieving outstanding cashflow results and implementation of fundamental restructuring initiatives to underpin a turnaround in company financial performance.

In addition, KMP Executives will have half of their STI cash awards withheld, and delivered as restricted shares. These will lapse if the KMP Executive resigns or is terminated for cause within 12 months. No dividends will be payable during the period of the holding lock. Also, the Chief Executive BANZ will have 100% of his STI award withheld and delivered in deferred equity. Half may be released early if certain H1 FY2013 objectives are achieved.

Details of awards to individual KMP are summarised below.

- Mark Vassella, and the corporate team of Charlie Elias, Ian Cummin and Michael Barron delivered the Australian restructure including:
  - Achieving targeted fixed cost reductions of $315m;
  - Containing restructure costs to $380 million, below the budgeted range of $400-$500m;
  - Releasing working capital of $583 million between October 2011 to June 2012, after adjusting for the timing of certain year end cashflows, better than the expected range of $400-500m;
  - Negotiating positive outcomes for major contract renegotiations; and
  - Significantly reducing exposure to loss-making export sales.

  In addition, the corporate team managed the sale of MetlSpan at an attractive multiple, a significant initiative contributing to the reduction in net debt.
- Sanjay Dayal – Delivered business unit threshold EBIT and stretch cashflow objectives for the ASEAN business, including restructuring the cost base of the Asian building products businesses.
- Bob Moore – Delivered business unit EBIT and cashflow objectives, including improving the profitability of the coated business in China by both expanding sales channels and sourcing lower cost feed. In addition, established the Global Buildings Solutions business by merging the US, China, ASEAN and Australian buildings solutions businesses into a single group with a lower cost structure.
- Keith Mitchelhill - Rationalised the US buildings footprint achieving break-even run rate at volumes almost half Pre-GFC levels delivering a significant underlying EBIT improvement versus FY2011.
- Pat Finan - Established the global sales and marketing function for the Global Buildings Solutions business, delivering stretch sales revenue with new global accounts and enabling significant engineering cost reductions through the introduction of BlueScope's proprietary Vision Engineering system in Vietnam and Thailand. In addition, restructured the Australian solutions business to achieve positive underlying run rate and divested the Australian urban water business.

Due to outstanding achievements in cash delivery and debt reduction, overall STI awards are higher than FY 2011. However, because half of the total STI awards has been withheld and delivered in shares which will lapse in the event the executive resigns or is dismissed for cause within 12 months, and the MD and CEO did not receive an STI, the payment of cash STI awards is significantly less than FY 2011 for all KMP. The total cash STI awards in aggregate for the CEO & MD and all KMP Executives for FY 2012 was $994,476 compared to $3,051,813 for FY 2011.

iii) Long Term Incentive (LTI)

For FY2012, as the usual timing of the LTI award for all executives including KMP Executives coincided with the capital raising initiative, the Board deferred this award until 1 February 2012. Share rights were issued at 41.4 cents. At the same time, the Board tightened LTI award conditions as follows:

- Eliminated retesting by making share rights awarded in FY 2012 subject to a single performance hurdle test on 1 February 2015;
- Reduced the number of share rights that will vest at the 51^{st} percentile of relative ASX 100 TSR from 52% to 40%; and
- Established a one year trading lock for any share rights that do vest.

In relation to FY2013, the Board will halve the value of LTI that would normally be awarded, and the quantum of share rights will be set to reflect, as a minimum, the 40 cent capital raising price. In addition, we have increased the trading lock over vested share rights from one to two years. The same tighter TSR hurdle introduced for FY2012 will also be applied, together with a minimum 40 cent share price for vesting and with no re-testing.

iv) Retention Equity

In times of specific need the Board has awarded retention shares to a limited number of executives throughout the Company, where their retention is particularly critical to the successful delivery of business strategy. As the Board stated in last year's Remuneration Report, in light of the major re-structure of the business 8 KMP Executives (not including the MD & CEO) were awarded retention shares. These will lapse if resignation occurs before 30 June 2014. As a condition of the award of retention shares, the KMP Executives agreed to vary their employment contracts to reduce any future severance payment.

The award of retention shares has been successful in retaining the participating executives. As the Company is part way through a significant restructure, in FY 2013 the Board has reduced the LTI award to KMP Executives by half the fair value and diverted this value to KMP Executives in the form of retention rights. Retention rights will have a retention hurdle of three years from the time of the award. These will lapse in circumstances of resignation or termination for cause. This change sees no increase in cost to shareholders. It is not envisioned that this retention rights structure will continue after FY2013.

The Board recognises that the agreed remuneration for KMP Executives in FY2012 will be examined closely by shareholders; however, we knew such intervention was urgent and necessary to safeguard the successful restructure of the businesses in Australia and overseas. As a result of the changes described above, executives will have approximately 43% of their total remuneration paid in deferred equity. These proposed changes, particularly reducing the cash opportunity will be challenging for executives. However, we believe this approach represents a balance between the concerns of shareholders and the need to retain the KMP Executives by offering fair reward for achievement.

5. <u>Summary</u>

The Board has considered in detail the complex issues relating to executive remuneration in a business undergoing major structural change. The MD & CEO supports the additional restrictions placed on his remuneration this year to reflect the performance of the Company. However, the Board has balanced this against the need to retain key capable leaders who have a critical contribution to make to return the Company to profitability. We ask shareholders to understand and respect the approach we have taken to remuneration, and look forward to a positive vote in favour of this Report.

REMUNERATION REPORT (AUDITED).

The Directors of the Company present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and the consolidated entity for the year ended 30 June 2012. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*. This Remuneration Report forms part of the Directors' Report.

INTRODUCTION

Through its remuneration strategy, BlueScope aims to support the achievement of superior business performance over the long term by motivating talented executives to deliver results that reward shareholders.

The Board of Directors oversees BlueScope's remuneration arrangements, including executive remuneration and the remuneration of Non-Executive Directors. This year the Board, led by the Remuneration and Organisation Committee, conducted a comprehensive review of the Company's remuneration strategy to find a way to address the concerns of shareholders expressed in FY 2011 when only 61% voted in favour of our Report. This review included extensive consultation with shareholders and proxy advisors. Our goal has been to develop a remuneration strategy that both keeps our executive team focused on delivering the major restructuring initiatives required to return to profitability and wins widespread support from our shareholders.

Following this year's review, the Board resolved that while our basic remuneration principles (described later in this Report) remain sound, it is appropriate for BlueScope to adopt some transitional remuneration modifications until the Company returns to profit and is paying dividends. These changes have been developed by the Board and are being introduced on a transitional basis with the full support of management who appreciate the need to further align executive rewards with the delivery of superior returns to shareholders. It is intended once the business is stabilised, the Board will again review the Company's approach to remuneration and make further changes, if necessary.

Key elements of this transitional strategy are:

1) Shifting a significant percentage of executive remuneration from cash to deferred equity to more tightly link executive experience with shareholders;
2) Tightening Long Term Incentive (LTI) award conditions by eliminating retesting, imposing a two year trading lock, and reducing vesting at the 51st percentile of Total Shareholder Return (TSR) to 40%;
3) Using the capital raising price of 40 cents as a minimum to determine the quantum of share rights offered to Key Management Personnel (KMP) Executives for the FY 2013 LTI award and the addition of a hurdle that the FY 2013 LTI award will not vest unless the share price at the end of the vesting period is at least 40 cents;
4) Setting special FY 2013 Short Term Incentive (STI) objectives for the Managing Director and Chief Executive Officer (MD & CEO) as disclosed in this Report, after paying no STI or LTI in FY 2012;
5) Paying significantly lower cash STI for all KMP Executives with at least 50% of total STI awarded held as deferred equity with a one year trading lock;
6) For KMP Executives, who achieved quantified results which otherwise would have warranted higher STI, awards have been capped at 60% of target (36% of base pay) if they did not achieve underlying EBIT targets; and
7) Splitting LTI for KMP Executives other than the MD & CEO into a combination of retention rights with a 3 year time-based hurdle, and share rights which vest after 3 years if they meet TSR hurdles but have a further 2 year trading lock.

The table below outlines the issues raised by shareholders and BlueScope's response. Details of BlueScope's remuneration policies and the changes we have made this year are shown in the Report.

Shareholder Concerns with the 2011 Remuneration Report

ISSUES RAISED	BLUESCOPE'S RESPONSE
Fixed • MD & CEO's pay is high compared to ASX 75 to 100 companies. • No disclosure of peer group.	• No MD & CEO base pay increase since September 2010. • BSL peer group is disclosed and takes into account complexity not just market capitalisation.
STI • Cash STI paid despite large loss, share price decline and no dividends. • No specific disclosure of hurdles and targets. • No requirement for minimum level of financial performance before payment of STI.	• No STI for the MD & CEO in FY 2012. • 50% of KMP Executive STI payments will be awarded in deferred equity other than for the Chief Executive BlueScope ANZ who will have 100% delivered in deferred equity. • STI only paid to KMP Executives for demonstrated results with specific measures to be disclosed in FY 2012 Remuneration Report. • No STI will be paid for Companywide financials in FY 2012. • Executives in a structurally challenged industry need to believe they will be fairly rewarded for achievements, especially where businesses operate in very different markets eg BSL China versus BSL Australia. The Board believes it is in shareholders' interests to retain the BSL KMP Executives to drive the transformation program.

ISSUES RAISED	BLUESCOPE'S RESPONSE
LTI • Retention shares may not be effective. • Deficient linking of remuneration to Company performance.	• To date, retention shares have helped keep the BSL leadership team together and focused on the business turnaround. • MD & CEO's pay has dropped 52% between FY 2011 and FY 2012 and FY 2012 remuneration is only 41% of target remuneration. • Under the proposed remuneration structure, the MD & CEO will have 56% and KMP Executives will have approximately 43% of their total potential remuneration in deferred equity.
Directors' Fees • Directors should consider reduction in Directors' Fees as there have been no returns delivered to shareholders.	• Directors' Fees are fixed and reviewed periodically. Directors do not participate in any performance based incentive plans. • The last increase in fees was 5% which occurred on 1 January 2011. The previous increase in base fees occurred on 1 January 2006 and in committee fees on 1 January 2008.

1. CONTEXT: REMUNERATION DECISIONS REFLECT EXECUTIVE ACHIEVEMENTS IN OVERCOMING MAJOR STRUCTURAL CHALLENGES CONFRONTING THE COMPANY

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

- Historically high iron ore and coking coal prices.
- Record high level of the A$ exchange rate, which has placed downward pressure on domestic steel pricing as the Company competes with imports that benefit from the high dollar, as well as unfair trade (dumping).
- A downturn in the building and manufacturing sectors of the Australian economy, while the strong resources sector imports a significant supply of fabricated products.
- The competitive demand for highly trained and capable management, technical and other professionals with skills relevant in other sectors, such as resources.
- The prolonged down-turn and slow pace of recovery in the US economy.

Against this background management and employees across BlueScope have responded to the need to restructure the business to succeed in the toughest business environment the Company has ever experienced. Major achievements included:

- Outstanding cash flow management to achieve a debt reduction outcome at the highest level of the Board's expectations.
- The injury free and operationally secure closure of 2.6 million tonnes of export steelmaking capacity with the closure of a blast furnace, a coke oven, one hot-strip mill, and the moth-balling of a metal coating line – achieved within 7 weeks and below budgeted cost.
- The successful transition to lower priced grades of iron ore, including the introduction of the Company's own reserves of NZ iron sands into the Port Kembla feed-stock blend.
- The sale of the Company's insulated panels business in North America – MetlSpan – at an attractive price.
- The negotiation of the Steel Transformation Plan (STP) resulting in an advance of $100m from the Australian Government to BlueScope. (The STP income has been specifically excluded from all calculations relating to STI awards).
- The restructure of debt and covenant facilities to enable the Company to embark on its operational and business transformation.
- Restructuring the organisation from 6 into 4 divisions effective from 1 July 2012. As a consequence the total cost of fixed remuneration for KMP Executives has reduced. These groups are:
  - i) BlueScope ANZ, comprises the integrated steelmaking, coating, painting, roll-forming and distribution operations across Australia, New Zealand and the Pacific Islands. This business has sales of $5,464m and employees 8,078.
  - ii) Global Building Solutions, a supplier of complete steel buildings worldwide; this business is led from Shanghai and Kansas City, and has manufacturing and sales offices across North America, China, ASEAN, Australia and elsewhere. It is the world's largest design, fabrication and supply business of complete steel buildings. In China, this business includes metal coating and painting operations, and Lysaght China. Sales are $1,442m and employees number 5,000.
  - iii) Building Products, headquartered in Singapore, this business comprises metal coating, painting and roll-forming across ASEAN and North America, along with the Tata BlueScope joint venture in India. 780,000 tonnes are coated and 620,000 tonnes painted per annum, giving this business the largest integrated network of sales and manufacturing operations around the Pacific Basin. Sales are $1,547m and employees number 3,300.
  - iv) Hot Rolled Products North America, comprising North Star BlueScope Steel located in Delta, Ohio a 50 – 50 joint venture between BlueScope and North Star Steel a subsidiary of Cargill and a 47% shareholding in Castrip LLC with Nucor. North Star BlueScope Steel produces around 2 million tonnes of hot rolled coil annually and is ranked fifth by volume in the production of hot rolled coil in North America. Sales are $1,366m and employees number 370.

The Board acknowledges the extremely difficult business conditions and significant achievements by management and employees. The Board identifies with investor concerns regarding the decline in share price and the urgent need to return the business to profit.

All of these factors have been considered by the Board in reaching decisions regarding executive remuneration.

2. REMUNERATION AND ORGANISATION COMMITTEE IS COMPRISED OF INDEPENDENT DIRECTORS AND ASSISTS THE BOARD IN OVERSEEING PEOPLE STRATEGIES AS WELL AS REMUNERATION

The Board oversees the BlueScope Human Resources Strategy, both directly and through the Remuneration and Organisation Committee of the Board (the Committee). The Committee consisted entirely of independent non-executive directors.

The members of the Committee during the year were:

Ms Diane Grady - Independent Director and Chairman of the Committee

Mr Graham Kraehe - Chairman of the Board and Committee Member

Mr Ron McNeilly - Deputy Chairman and Committee Member

Mr Tan Yam Pin - Independent Director and Committee Member

Ms Penny Bingham-Hall – Independent Director and Committee Member (effective 17 February 2012)

The purpose of the Committee is to assist the Board in overseeing that the Company:

- Has a human resources strategy aligned to the overall business strategy, which supports 'Our Bond';
- Has coherent remuneration policies that are observed and that enable it to attract and retain executives and directors who will create value for shareholders;
- Fairly and responsibly rewards executives having regard to the performance of the Company, the creation of value for shareholders, the performance of the executives and the external remuneration environment; and
- Plans and implements the development and succession of executive management.

The Committee has responsibility for overseeing and recommending to the Board remuneration strategy, policies and practices applicable to Non-Executive Directors, the Managing Director and Chief Executive Officer, senior managers and employees generally. The Committee focuses on the following activities in its decision making on the Company's remuneration arrangements:

- Approving the terms of employment of the Key Management Personnel (KMP), including determining the levels of remuneration;
- Ensuring a robust approach to performance management through approval of the STI objectives and awards and reviewing performance of members of the KMP Executives;
- Considering all matters relating to the remuneration and performance of the Managing Director and Chief Executive Officer prior to Board approval;
- Approving awards of equity to employees; and
- Ensuring the Company's remuneration policies and practices operate in accordance with good corporate governance standards, including approval of the Remuneration Report and communications to shareholders on remuneration matters.

The Committee seeks input from the Managing Director and Chief Executive Officer and the Executive General Manager People and Organisation Performance, who attend Committee meetings, except where matters relating to their own remuneration are considered.

The Committee engages and considers advice from independent remuneration consultants where appropriate. Remuneration consultants are engaged by, and report directly to, the Committee. Potential conflicts of interest are considered when remuneration consultants are selected and their terms of engagement regulate their level of access to, and require independence from, BSL's management. Any advice from external consultants is used as a guide, and is not a substitute for thorough consideration of all the issues by the Committee.

During FY2012, the Remuneration and Organisation Committee employed the services of PwC to review and provide recommendations on remuneration strategy and structure which covers KMP. Under the terms of the engagement, PwC provided a remuneration recommendation as defined in section 9B of the Corporations Act 2001 and was paid $24,000 for these services. PwC has confirmed that the remuneration recommendations were made free from undue influence by members of BlueScope Steel Limited's KMP.

The following arrangements were made to ensure that the remuneration recommendation was free from undue influence:

- PwC was engaged by, and reported directly to, the independent Chair of the Remuneration and Organisation Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration and Organisation Committee under delegated authority on behalf of the Board.
- The report containing the remuneration recommendation was provided by PwC directly to the Chair of the Remuneration and Organisation Committee.
- Management provided factual information to PwC throughout the engagement about Company processes, practices and other business issues. However, PwC did not provide any member of management with a copy of the draft or final report that contained the remuneration recommendation.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the KMP.

In addition to providing remuneration recommendations, PwC also provided advice on various other services. PwC was paid a total of $1,306,586 for financial, tax and other remuneration services.

In FY 2012 there was no increase in fees for Non-Executive Directors and all Directors participated in the Capital Raising. The last increase in fees was 5% which occurred on 1 January 2011. The previous increase in base fees occurred on 1 January 2006 and in committee fees on 1 January 2008.

3. EXECUTIVE REMUNERATION POLICY & PRINCIPLES HAVE BEEN MODIFIED THIS YEAR TO REFLECT INVESTOR FEEDBACK

At BlueScope, executive remuneration packages typically comprise three elements – fixed pay (base pay and superannuation), short-term incentive and long-term incentive. In exceptional circumstances, a further element relating to targeted retention may be applied. Although these elements are described separately, they must nevertheless be viewed as part of an integrated package. Whilst each element has a particular design purpose, taken together the intent of the package is to:

- Align executives with the interests of shareholders;
- Competitively reward executives in response to the external market conditions;
- Encourage the retention of highly capable leaders;
- Provide incentive to take well managed risks; and
- Reward executives relative to their performance and accountability.

The mix of elements differs depending on the level in the organisation with a higher skew towards fixed at lower levels. Overall the aim is to provide executives the opportunity to earn top quartile remuneration for stretch performance. For KMP the mix of elements as a proportion of total remuneration at target is shown below.

	Fixed Pay %	STI %	LTI* %	Total %
MD & CEO	40%	29%	31%	100%
KMP Executives	52%	28%	20%	100%

*LTI value based on an estimate of the fair value of target awards. The face value equivalent award levels as a % of base pay are 155% for the MD &CEO and 80% for the KMP Executives.

Careful remuneration benchmarking is critical to achieving these objectives. The Board has taken advice and invested considerable thought in determining the appropriate peer group for BlueScope shown below.

BlueScope Steel Benchmarking Peer Group

Company	Revenue	Employees	Market Cap 23-Mar-2012	Market Cap Average past 3 years to 23-Mar-2012	Market Cap Average past 5 years to 23-Mar-2012	Multiple Geographies Y/N
Adelaide Brighton	1,100	1,600	1,845	1,800	1,774	N
Amcor	12,000	33,000	8,640	7,525	6,728	Y
Asciano	3,056	7,172	4,662	4,382	n.a.	N
Boral	4,700	15,200	3,061	3,132	3,356	Y
Brambles	4,672	17,000	10,245	9,640	11,412	Y
Coca Cola Amatil	4,500	15,000	9,031	8,340	7,654	Y
Caltex	22,105	4,000	3,707	3,215	3,682	N
CSR	1,914	4,000	903	2,042	2,294	Y
Downer	6,975	21,000	1,673	1,854	1,879	Y
Fletcher	7,416	20,000	3,619	3,766	3,807	Y
Incitec Pivot	3,906	5,000	5,065	5,442	5,489	Y
James Hardie	1,200	2,500	3,349	2,759	2,757	Y
Leighton	19,400	51,000	7,793	8,894	10,004	Y
Lend Lease	5,099	17,000	4,191	4,367	4,789	Y
Orica	6,182	14,000	9,647	8,851	8,592	Y
Arrium (formerly OneSteel)	7,133	11,000	1,678	3,233	3,741	Y
Sims	8,900	6,500	3,022	3,729	3,887	Y
Toll	8,225	45,000	4,116	4,388	5,397	Y
Transfield	4,000	27,000	1,336	1,491	1,657	Y
Worley Parsons	5,904	37,800	7,225	6,228	6,665	Y
Median	5,502	15,100	3,912	4,067	3,887	
BSL	9,112	18,344	1,323	3,500	4,763	Y
BSL Ranking (Total 21)	4	8	20	13	10	

Source:

1. Revenue, employees and geographies sourced from 2011 annual reports.
2. Peer Group market cap data as at 23 March 2012 source Factset.

These companies have been selected because they reflect the size and complexity of BlueScope with similarities on one or more of the following dimensions: operate in multiple geographies, have manufacturing or logistics operations in Australia, are involved in the building and construction industry, have similar number of employees, have similar revenue, or similar market capitalisation. In the Board's view it is not appropriate to benchmark against global steel companies, as these are not prime candidates for attracting our executives. Nor is using a simple market capitalisation measure helpful, as the volatile market would result in unmanageable fluctuations in executive remuneration.

i) Fixed Pay

Fixed pay recognises the market value of an individual's skills, experience, accountability and their expected sustained contribution in delivering the fundamental requirements of their role. In order to attract and retain skilled leaders, BlueScope aims to maintain a competitive position for base pay – around the 60th percentile of the most relevant market.

ii) Short Term Incentive (STI)

Whereas base pay recognises the attributes an individual executive brings to their role, short term incentive focuses all executives on priority team based outcomes. The targets are re-set each year in the context of the specific business strategy and new priorities. Short term incentive awards are assessed at the end of each year and covers financial, safety, operational and strategic and new project measures. Failure to achieve a team based target does not necessarily reflect inadequate performance on the part of a particular individual. The threshold, target and maximum STI award settings reflect general market practice for large Australian based industrial companies. Executives are not assured of an STI reward, as the Board retains the discretion to limit, defer or cancel STI awards and specifically considers and approves the objectives and awards for all KMP Executives and the MD&CEO each year.

The Board considers it particularly important in a transformation program to pay STI to KMP Executives for delivering outstanding quantified results even if the Company as a whole is not yet profitable. At the same time we have significantly reduced cash STI by withholding 50% of any STI grant in restricted shares that have a 12 month trading lock and will lapse on resignation or termination for cause.

Target STI levels are set having regard to appropriate levels in the market and range from 10% of base pay through to 60% for the KMP other than the MD & CEO whose STI is 80% of base pay. These levels are reviewed annually. For outstanding results, participants may receive up to a further 50% of their target award amount:

The goals for each participant are drawn from the following categories:

- Companywide Financial Measures - performance measures may include Net Profit After Tax, Cash Flow and Return on Invested Capital;
- Own Business Controllables – performance measures against a range of controllable business unit financial and operational excellence measures based on approved business plans;
- Zero Harm - safety performance measures, including Lost Time Injury Frequency Rates, and Medical Treatment Injury Frequency Rates; and
- Projects & New Initiatives – performance measures based on measurable execution and implementation of business priorities included in the strategic plan.

STI plans are developed using a balanced approach to financial measures and key performance indicator ('KPI') metrics. At the senior executive level, there is a minimum weighting of 25% allocated to Companywide financials and a weighting of 5% to Zero Harm, with the balance of the STI allocated between Own Business Controllables comprising Business Unit financials, and Operational Excellence measures and Projects and New Initiatives. The minimum weighting to financials for KMP Executives is usually 55% comprising a 25% weighting to Companywide financials and 30% to business unit financials.

The weightings that applied for FY 2012 were as follows:

	Company Financials %	Zero Harm %	Own Business Controllables (with a minimum weighting of 30% for business unit financial measures) %	Projects and New Initiatives %	Total %
MD & CEO	60%	5%	0%	35%	100%
KMP Executives	25%	5%	30 –70%	0 – 40%	100%

The allocated weightings will vary from year to year reflecting business priorities and the individual's role.

Performance conditions, including threshold, target and stretch hurdles, are set for each plan and approved by the Board for KMP Executives. If the threshold level is not reached, no payment is made in respect of that goal. The Board retains the discretion to adjust any STI payments in exceptional circumstances, including determining that a reduced award or even no award is paid. In FY 2009 the Board decided that no STI would be paid even though some performance objectives had been met because the overall Company profit performance was poor. Below target STI awards were paid in 2010 and 2011.

Although the MD & CEO has led the Company to achieve the targets set by the Board in relation to reduction in debt, cash management and Company restructuring in view of EBIT performance the MD & CEO's STI for FY2012 will be zero.

For KMP Executives, where businesses did not achieve their underlying EBIT hurdles, the Board has exercised discretion to cap STI at 60% of target notwithstanding higher levels of achievement on measurable results. All KMP received less than their target STI outcome.

iii) Long Term Incentive (LTI)

Long term incentive is one of the means of aligning executives with the experience of shareholders. BlueScope uses a three year time period to test total shareholder return (TSR) relative to the ASX 100, to determine whether or not an executive receives a reward from this element in their remuneration package. The Board considered shifting to a combination of TSR and earnings measures this year, but determined that in light of ongoing volatility in both the cost of raw materials and steel pricing it would be not be appropriate to use an earnings measure at this time.

The quantum of LTI awards is normally calculated based on an agreed percentage of base salary divided by the face value of shares at the time of issue rather than fair value. Fair value however is used for reporting purposes as required by accounting standards, and is also used in benchmarking executive remuneration against the selected peer group which reports fair value.

For FY 2013, the Board has taken into account shareholder feedback and tightened conditions related to long term incentive awards even further. Specifically, we have agreed that the quantum of rights for KMP Executives will be calculated using a minimum share price of 40 cents reflecting the capital raising price even if the share price at the time of the grant is lower. We also extended the trading lock from one to two years which takes the effective period of awards to 5 years, and retained the tighter vesting hurdles introduced in FY 2012.

Executives at BlueScope are not permitted to hedge (such as "cap and collar" arrangements) LTI awards, or vested shares held under trading lock restrictions. The last LTI that vested for BlueScope executives was the 2005 award, which vested in 2008.

iv) Retention Equity

In unprecedented circumstances, the Board has awarded retention shares to a limited number of executives throughout the Company, where their retention is critical to the successful delivery of business strategy. As the Board stated in last year's Remuneration Report, in light of the major re-structure of the business 8 KMP Executives (not including the MD & CEO) were awarded retention shares, which will lapse if resignation occurs before 30 June 2014. As a condition of the award of retention shares KMP Executives agreed to vary their employment contracts to limit any future severance payment to 12 months of final average fixed pay over the previous three years. The award of retention shares has been successful in retaining participating executives.

This year the Board has determined to split executive LTI (except for the MD & CEO) into two parts. Half will be offered under normal LTI conditions described above. The other half will be offered as retention rights which have a 3 year vesting hurdle and will lapse if the executive leaves the Company. The Board does not expect to continue this retention rights offer after FY2013.

v) Deferred Equity Offered

A goal of the Board in developing the remuneration structure for this transition period has been to increase the percentage of remuneration paid in deferred equity to further reinforce the alignment of executive experience with shareholders. At the same time the Board is cognisant of investor concerns regarding further equity dilution. The following table shows the number of shares and percentage of equity potentially available to the MD & CEO, KMP Executives and other participants in long term equity plans in FY 2012 and FY 2013 pending performance against hurdles and satisfying retention conditions. The Share Rights will only vest in the event that the Company achieves its relative TSR hurdles against the ASX 100 and the participant is employed by BlueScope at the end of the 3 year performance period. Retention Rights will only vest if the share price is at least 40 cents and the participant is employed by BlueScope at the end of 3 years. If an executive retires or is made redundant, rights will be retained on a prorata basis but will only be accessible after the normal vesting and holding requirements` are met. The Board, however, has discretion to release sufficient rights to pay any associated tax liability.

LTIP Awards, Retention & STI Shares

	FY2012				FY2013				
	Share Rights (1)	Retention Shares (1)	Total	Total as a % of Issued Shares	Share Rights (2)	Retention Rights (2)	STI Shares for FY 2012 (3)	Total	Total as a % of issued Shares(4)
MD& CEO	0	0	0	0	6,781,250	0	0	6,781,250	0.20%
KMP Executives	11,339,940	3,685,900	15,025,840	0.45%	5,052,679	3,789,510	3,259,575	12,101,764	0.36%
Other Executives & participants	34,973,500	5,056,500	40,030,000	1.20%	11,515,335	20,104,228	0	31,619,563	0.94%
Total	46,313,440	8,742,400	55,055,840	1.65%	23,349,264	23,893,738	3,259,575	50,502,577	1.50%

Notes:

(1) Includes cash rights, vesting subject to satisfying relative TSR hurdles and a minimum 40 cent share price

(2) Allocation based on share price of 40 cents and estimated participation levels. Vesting subject to a minimum 40 cent share price and 3-year service period with prorata vesting on retirement and redundancy.

(3) Assume share price of 40 cents (closing share price on 17 August 2012)

(4) BSL Issued Capital at 3.3b shares

(5) Target parcels calculated on base salary as at 30 June 2012

HOW THESE TRANSITION POLICIES & PRINCIPLES APPLY TO THE MD & CEO

This section of the Remuneration Report provides shareholders with an explanation of how the policies referred to above have been applied to the MD & CEO.

The Board, with his full support, has significantly reduced the MD & CEO's total remuneration package for FY 2012. No salary increase, no Long Term Incentive (LTI) and no Short Term Incentive (STI) awards have been paid, resulting in a 52% year on year reduction in his remuneration or 41% of his target remuneration as shown in this table.

	FY 2012 Actual Remuneration $	FY 2011 Actual Remuneration $
Base pay including superannuation	1,995,000	1,995,000
STI paid	Nil	720,865
Total take home pay	**1,995,000**	**2,715,865**
LTI awarded	Nil	1,440,264
Total remuneration	**1,995,000**	**4,156,129**
Reduction in total remuneration from FY 2011	52%	
Actual remuneration received as a % of target remuneration	41%	

A summary of the decisions made for FY 2012 and FY 2013 follows:

i) Base Pay

The Board has determined that the MD&CEO's base pay is appropriately positioned around the 60th percentile relative to the selected peer group as at 3 April 2012. Consequently, the MD & CEO has not had a salary increase in FY 2012. Furthermore, the MD & CEO's salary will be frozen again in FY 2013.

The following table sets out the MD & CEO's actual remuneration for FY 2012 relative to his potential target remuneration and to the 60th percentile of the selected peer group.

	Fixed pay $	Short term incentive $	Long term incentive $	Total remuneration $
BSL CEO actual remuneration FY 2012	1,995,000	Nil	Nil	1,995,000
BSL CEO Target remuneration	1,995,000	1,400,000	1,491,875	4,886,875
Peer Group remuneration at the 60th%*	1,998,150	1,718,000	1,397,000	5,144,000

(Source PWC remuneration benchmarking report dated 3 April 2012)

*Note the individual remuneration components (including the total) are benchmarked to market separately.

ii) Short Term Incentive (STI)

Although the MD & CEO has achieved the targets set by the Board in relation to reduction in debt, cash management and Company restructuring in view of EBIT performance, the MD & CEO's STI for FY 2012 will be zero. The payment of a target STI for FY 2013 will depend upon the achievement of the following target objectives: delivery of a major strategic transformational initiative; returning to a positive underlying profit and top quartile TSR performance relative to the ASX 100. Details of the targets and results will be disclosed to shareholders in the FY 2013 Remuneration Report. Importantly, if any STI is awarded, it will be delivered equally in cash and equity. The equity will be subject to a 12 month trading lock and will lapse on termination due to resignation or for cause.

iii) Long Term Incentive (LTI)

The MD & CEO did not receive any LTI share rights in FY 2012 in view of the Company's financial performance and no share rights have vested since the 2005 award vested in September 2008.

The MD & CEO will receive share rights for FY 2013 under the existing terms of his LTI plan, as approved by shareholders at the AGM in 2010. However, the MD & CEO agreed that in addition to the relative total shareholder return hurdle previously approved, no share rights will vest unless the share price is at least 40 cents, the price offered to shareholders at the time of the capital raising in November 2011.

Shareholders will be asked to approve a new LTI plan for the MD & CEO to apply in FY 2014 and FY 2015 which will have a five year period from the date of the award of share rights before vested shares can be accessed. The new LTI plan will be more restrictive than the current plan with the removal of re-testing, a reduction in the number of shares that will vest at the 51st percentile of relative ASX100 TSR performance from 52% to 40%, and a requirement to hold any shares that do vest after 3 years for a further period of two years. Share rights are not eligible for dividends until they vest.

Share rights would be awarded using the current formula of 155% of base salary per annum. This percentage was agreed when the MD & CEO's initial contract was signed and at that time reflected an increased weighting to LTI and a reduced weighting of his STI.

The following table shows what the MD & CEO will earn in cash and shares if he achieves target or stretch objectives in FY 2013 including his potential LTI award assuming full vesting in three years.

	Previous Remuneration Structure				New Remuneration Structure			
	Target		Stretch		Target		Stretch	
	$	%	$	%	$	%	$	%
Base Pay	1,750,000		1,750,000		1,750,000		1,750,000	
Super	245,000		245,000		245,000		245,000	
Fixed Pay	1,995,000		1,995,000		1,995,000		1,995,000	
Cash STI	1,400,000		2,100,000		700,000		1,050,000	
Total Cash	**3,395,000**	**69%**	**4,095,000**	**73%**	**2,695,000**	**55%**	**3,045,000**	**55%**
STI Shares	-		-		700,000		1,050,000	
Retention Shares	-		-		-		-	
LTIP Share Rights (based on Fair Value)	1,491,875		1,491,875		1,491,875		1,491,875	
Total Equity	**1,491,875**	**31%**	**1,491,875**	**27%**	**2,191,875**	**45%**	**2,541,875**	**45%**
TOTAL REM	**4,886,875**	**100%**	**5,586,875**	**100%**	**4,886,875**	**100%**	**5,586,875**	**100%**

5. HOW THESE TRANSITION POLICIES & PRINCIPLES APPLY TO KMP EXECUTIVES

This section explains how the executive remuneration policies adopted as part of our transition process have been applied to KMP Executives during FY 2012 and FY2013.

i) Base Pay

The KMP Executive Team was reduced by two in FY 2012 resulting in the total cost of KMP Executive fixed remuneration declining by 10%. However, increased accountabilities from the restructure of the business in FY 2012 and the need to retain remaining KMP Executives to lead major strategic initiatives resulted in increases to base pay reflecting peer group benchmarking. There will be no "across-the-board" base pay increase for all KMP Executives for FY 2013.

Mr Mark Vassella was promoted to the new role of Chief Executive – BlueScope Australia & New Zealand which comprises responsibility for businesses previously led by Mr Noel Cornish, Mr Paul O'Keefe and Mr Keith Mitchelhill. His base pay increased to $1,000,000.

Mr Sanjay Dayal had his base pay increased to $880,000 in recognition of the additional responsibilities arising from the establishment of the Building Products business unit comprising a combination of the ASEAN, Indian, Steelscape and ASC Profiles businesses on the US West Coast.

Mr Bob Moore, Chief Executive, China had his base pay increased to $700,000 with effect from 1 July 2012 reflecting the increased responsibilities in leading the Company's pre-engineered steel building businesses stretching from North America across China, Asia, India, the Middle East and Australia.

Mr Keith Mitchelhill replaced Mr Vassella as Chief Executive, North America. He was seconded to Kansas City and his base pay increased to $852,000.

The Corporate KMP group, Mr Charlie Elias – CFO, Mr Ian Cummin – EGM People & Organisation Performance and Mr Michael Barron – CLO and Mr Pat Finan EGM Global Building and Construction Markets received increases ranging from 8% to 10%. These increases re-aligned their base remuneration to the market, after the salary freeze in FY 2010 and nominal increases in FY 2011. Over the past three years salary increases for corporate KMP Executives have averaged between 4% and 6%.

Mr Noel Cornish, formerly Chief Executive ANZ Manufacturing Businesses, retired on 31 July 2011 and did not receive a base pay increase for FY 2012.

Mr Paul O'Keefe, formerly Chief Executive Australian Coated & International Markets left the Company on 27 January 2012 as a result of the restructure of the Australian business. He did not receive a base pay increase during FY 2012.

ii) Short Term Incentive

As BlueScope's overall financial performance did not reach the required EBIT threshold established by the Board, no STI is payable for Company Financials. This applies notwithstanding that the cash flow performance has been excellent. In addition, the Company's safety LTIFR performance for the year did not meet the required hurdle. Accordingly, no STI is payable for safety performance.

STI awards were made for achievement of positive business unit EBIT objectives, achieving outstanding cashflow results and implementation of fundamental restructuring initiatives to underpin a turnaround in company financial performance.

In addition, KMP Executives will have half of their total STI awards withheld, and delivered as restricted shares. These will lapse if the KMP executive resigns or is terminated for cause within 12 months. No dividends will be payable during the period of the holding lock. Also, the Chief Executive BANZ will have 100% of his STI award withheld and delivered in equity. Half may be released early if certain H1 FY2013 objectives are achieved.

The basis of awards to individual KMP Executives are outlined below:

- Mark Vassella, and the corporate team of Charlie Elias, Ian Cummin and Michael Barron delivered the Australian restructure including:
  - Achieving targeted fixed cost reductions of $315m;
  - Containing restructure costs to $380m, below the targeted range of $400-$500m;
  - Releasing working capital of $583m between October 2011 and June 2012, after adjusting for the timing of certain year end cashflows, better than the expected range of $400-500m;
  - Negotiating positive outcomes for major contract renegotiations; and
  - Significantly reducing exposure to loss-making export sales.

  In addition, the corporate team managed the sale of Metl Span at an attractive price, a significant initiative contributing to the reduction in net debt.
- Sanjay Dayal – Delivered business unit threshold EBIT and stretch cashflow objectives for the ASEAN business, including restructuring the cost base of the ASEAN Building Products.
- Bob Moore – Delivered business unit EBIT and cashflow objectives, including improving the profitability of the coated business in China by expanding sales channels and sourcing lower cost feed. In addition, he established the Global Buildings Solutions business by merging the US, China, ASEAN and Australian businesses into a single group with a lower cost structure.
- Keith Mitchelhill - Rationalised the US buildings footprint achieving break-even run rate at volumes almost half Pre-GFC levels delivering a significant underlying EBIT improvement versus FY2011.
- Pat Finan - Established the global sales and marketing function for the Building Solutions business, delivering stretch sales revenue with new global accounts and enabling significant engineering cost reductions through the introduction of BlueScope's proprietary Vision Engineering system in Vietnam and Thailand. In addition, he restructured the Australian Solutions business to achieve positive underlying run rate and divested the Australian Urban Water business.

Further details of the STI awards are included in this Remuneration Report at paragraph 7.2 and details of the STI forfeited are included at paragraph 7.3.

Due to outstanding achievements in cash delivery and debt reduction, overall STI awards are higher than FY 2011. However, because half of the STI awards have been withheld in "at risk" shares, and the MD and CEO did not receive an STI, the payment of cash STI awards is significantly less than FY 2011 for all KMP. The total cash STI awards in aggregate for the CEO & MD and all KMP Executives for FY 2012 was $994,476 compared to $3,051,813 for FY 2011.

iii) Long Term Incentive

As the usual timing of the award of LTI for KMP Executives generally coincided with the capital raising initiative, the Board deferred this award until 1 February 2012 at 41.1 cents. LTI conditions were significantly tightened reflecting investor feedback including: 1) eliminating the previous two year retesting period in favour of a single performance hurdle test on 1 February 2015; 2) reducing the number of share rights that will vest at the 51st percentile of relative ASX 100 TSR (from 52% of share rights to 40%) through to the 75th percentile where vesting is unchanged at 100% of share rights; and 3) imposing a further one year trading lock on any share rights that do vest.

In relation to FY 2013, and as part of this transition process the Board will halve the value of LTI that would normally be awarded, and the quantum of share rights will be set to reflect, as a minimum, the 40 cent capital raising price. In addition, we have increased the trading lock over vested share rights from one to two years. The same tighter TSR hurdle introduced for FY 2012 will also be applied, together with a minimum 40 cent share price for vesting, only 40% vesting at the 51st percentile and with no re-testing.

iv) Retention Equity

As foreshadowed in the 2011 Remuneration Report, retention shares were awarded to continuing KMP Executives in FY2012. Those retention shares will lapse if the executive resigns or is terminated for cause before 1 July 2014. The Board retains discretion in other circumstances, such as redundancy and agreed retirement. As a condition for participation, KMP Executives agreed to reduce the maximum termination payment previously included in their employment contracts.

This intervention was taken to address the unique circumstances facing the Company and the critical contribution required by KMP Executives in leading the restructure of the Company.

The Board intends to introduce a new retention rights scheme in FY 2013. This has been funded by halving the value of the executive LTI program and there is no change in cost to shareholders. Retention rights will have a retention hurdle of three years from the time of the award, and a minimum share price of 40 cents for vesting to occur. These retention rights will lapse in circumstances of resignation or termination for cause. The Board retains discretion in other circumstances. It is not envisaged that this retention rights structure will continue after FY 2013.

A key objective in determining the remuneration structure during this transition period has been to increase the percentage of remuneration paid in deferred equity and reduce the percentage paid in cash. The following table illustrates what the total remuneration would look like for a sample KMP Executive other than the MD &CEO if the executive were to achieve target or stretch STI outcomes in FY2012 and FY2013 and were also eligible for all LTI and retention rights offered. This example shows the target and maximum outcomes and provides the breakdown of cash and deferred equity with comparisons to the previous structure.

	Previous Remuneration Structure				New Remuneration Structure			
	Target		Stretch		Target		Stretch	
	$	%	$	%	$	%	$	%
Base Pay	800,000		800,000		800,000		800,000	
Super	112,000		112,000		112,000		112,000	
Fixed Pay	912,000		912,000		912,000		912,000	
Cash STI	480,000		720,000		240,000		360,000	
Total Cash	**1,392,000**	**80%**	**1,632,000**	**82%**	**1,152,000**	**66%**	**1,272,000**	**64%**
STI Shares	-		-		240,000		360,000	
Retention Shares	-		-		176,000		176,000	
LTIP Share Rights (based on Fair Value)	352,000		352,000		176,000		176,000	
Total Equity	**352,000**	**20%**	**352,000**	**18%**	**592,000**	**34%**	**712,000**	**36%**
TOTAL REM	**1,744,000**	**100%**	**1,984,000**	**100%**	**1,744,000**	**100%**	**1,984,000**	**100%**

V) Long Term Incentive Plan

The following table summarises the key features of the current unvested long term incentive plan awards.

SUMMARY TABLE OF LONG TERM INCENTIVE PLAN AWARDS

	FY2007	FY2008	FY2009	FY2010[1]	FY2011[1]	FY2012[1]
Grant Date	18 November 2006 (The grant to the MD & CEO was subject to shareholder approval at the 2006 AGM)	5 November 2007 (all executives excluding MD & CEO) 14 November 2007 (MD & CEO)	28 November 2008 (The grant to the MD & CEO was subject to shareholder approval at the 2008 AGM)	30 November 2009 (The grant to the MD & CEO was subject to shareholder approval at the 2008 AGM)	30 November 2010 (The grant to the MD & CEO was subject to shareholder approval at the 2009 AGM)	16 April 2012 (In view of Company financial performance, the MD & CEO did not receive a grant of share rights this year)
Exercise Date	From 1 September 2009	From 1 September 2010	From 1 September 2011	From 1 September 2012	From 1 September 2013	From 1 February 2015
Expiry Date	31 October 2011	31 October 2012	31 October 2013	31 October 2014	31 October 2015	31 January 2015
Total Number of Share Rights Granted	2,310,950	1,934,845	2,248,246	8,090,480	10,536,550	43,190,960
Total Number of Cash Rights Granted[2]				158,000	166,000	3,122,480
Number of Participants at Grant Date	206	217	255	313	285	266
Number of Current Participants	0	113	162	282	265	266
Exercise Price	Nil	Nil	Nil	Nil	Nil	Nil
Fair Value Estimate at Grant Date	$12,012,780	$11,468,263	$2,765,343	$10,516,812	$9,723,180	$7,234,294
Fair Value per Share Right at Grant Date	$5.53	$6.37 (5 Nov 2007) $6.42 (14 Nov 2007)	$1.64	$1.70	$1.20	$0.21
Share Rights Lapsed since Grant Date	2,310,950	860,073	734,850	1,154,049	1,620,369	0
Cash Rights Lapsed since Grant Date	-	-	-	13,000	26,000	0
<u>Vesting Schedule</u>						
TSR Hurdle - 75th-100th percentile	100%	100%	100%	100%	100%	100%
TSR Hurdle - 51st-<75th percentile	There is no vesting until the 51st percentile, at which point 52% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.					No vesting until 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will lapse.
TSR Hurdle - < 51st percentile	All Share Rights will be carried over for assessment at subsequent performance periods.					All Share Rights will lapse.
Vesting Outcome 1st Performance Period	0.00%	0.00%	0.00%	-	-	-
Vesting Outcome 2nd Performance Period	0.00%	0.00%	0.00%	-	-	No retesting
Vesting Outcome 3rd Performance Period	0.00%	0.00%	-	-	-	No retesting
Vesting Outcome 4th Performance Period	0.00%	0.00%	-	-	-	No retesting
Vesting Outcome 5th Performance Period	0.00%	-	-	-	-	No retesting

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

[2] For some countries, where there are additional restrictions relating to awards of equity, a 'Cash Rights' award is made which delivers a cash payment on vesting.

WHAT IS THE RELATIONSHIP BETWEEN COMPANY PERFORMANCE AND REMUNERATION?

The short-term and long-term incentive components of the remuneration structure reward achievement against Company and individual performance measures over one year and multi-year timeframes. Company profit and TSR performance over the last year have been unsatisfactory notwithstanding significant management achievements in restructuring BlueScope to adapt to major challenges affecting the industry. Executive remuneration has been substantially reduced as a consequence. Nevertheless, the Board believes it is important to retain our leadership team to deliver the turnaround initiatives underway and to recognise that some BlueScope businesses are performing well.

The table below summarises the Company's performance for FY 2012 and the previous 4 years.

Measure	**30 June 2008**	**30 June 2009**	**30 June 2010**	**30 June 2011**	**30 June 2012**
Share Price	$11.34	$2.53	$2.10	$1.21	$0.30
Dividend per Share:					
Ordinary (cents)	49	5	5	2	0
Earnings per Share (cents) [1]	56.0	-6.0	5.8	-48.6	-39.1
REPORTED [2]					
NPAT $ million	$596	-$66	$126	-$1,054	-$1,044
EBIT $ million	$1,063	$15	$240	-$1,043	-$820
EBITDA $ million	$1,420	$380	$590	-$687	-$489
UNDERLYING [2]					
NPAT $ million	$809	$35	$110	-$127	-$238
EBIT $ million	$1,267	$152	$253	-$107	-$224
EBITDA $ million	$1,618	$506	$594	$240	$99

[1] Prior period earnings per share has been restated for the bonus element of the four-for-five share rights issue undertaken in December 2011 using a factor of 1.1823.

[2] The use of the terms 'reported' refers to IFRS financial information and 'underlying' to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information, issued in December 2011. Underlying adjustments have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. The non-IFRS financial information, whilst not subject to an audit or review, has been extracted from the financial report which has been subject to audit by our external auditors. A detailed reconciliation of adjustments to the reported financial information is provided on page 5 of the Director's Report.

As BlueScope's overall financial performance did not reach the required threshold established by the Board of an underlying profit for the 2nd half of the financial year, no STI is payable for Company Financials which make up 25% of total STI at target. The Company's safety LTIFR performance for the year did not meet the required hurdle. Accordingly, no STI is payable for safety performance which makes up 5% of STI at target. For KMP Executives, who achieved quantified results which otherwise would have warranted higher STI, awards have been capped at 60% of target (36% of base pay) if they did not achieve underlying EBIT objectives. STI awards were made for achievement of positive EBIT financial objectives, achieving outstanding cashflow results and implementation of fundamental restructuring initiatives to underpin a turnaround in Company financial performance.

SPECIFIC REMUNERATION DETAILS

7.1 Key Management Personnel – Directors' Remuneration

Details of the audited remuneration for the year ended 30 June 2012 for each Non-Executive Director of BlueScope are set out in the following table

KMP Remuneration – Non Executive Directors

Name	Year	Short-term employee benefits Fees	Non-monetary	Sub-Total	Post-employment benefits [1]	Total [2]
		$	$	$	$	$
Director - Current						
G J Kraehe	2012	472,500	10,672	483,172	15,775	498,948
	2011	460,385	10,498	470,883	15,199	486,082
R J McNeilly	2012	273,000	-	273,000	15,775	288,775
	2011	266,000	-	266,000	15,199	281,199
D J Grady	2012	197,400	-	197,400	15,775	213,175
	2011	192,339	-	192,339	15,199	207,538
H K McCann	2012	190,050	-	190,050	15,775	205,825
	2011	185,177	-	185,177	15,199	200,376
Y P Tan	2012	205,800	-	205,800	15,991	221,791
	2011	200,523	-	200,523	15,199	215,722
D B Grollo	2012	193,103	-	193,103	15,775	208,878
	2011	185,177	-	185,177	15,199	200,376
K A Dean	2012	207,900	-	207,900	15,775	223,675
	2011	202,569	-	202,569	15,199	217,768
P Bingham-Hall	2012	175,665	-	175,665	15,775	191,440
	2011	38,838	-	38,838	3,449	42,287
Total 2012		1,915,418	10,672	1,926,090	126,416	2,052,506
Total 2011		1,731,007	10,498	1,741,505	109,842	1,851,347

[1] Post employment benefits relate to government compulsory superannuation contributions.

[2] There was no increase in directors' fees during the year. The FY2011 figures include 6 months of the 5% increase from 1 January 2011 and the FY2012 figure reflects the increase for the full 12 months to 30 June 2012. The previous increase in base fees occurred on 1 January 2006 and in Committee fees on 1 January 2008.

Key Management Personnel – Executives (including Managing Director and Chief Executive Officer's) remuneration

The Key Management Personnel of BlueScope Steel Limited includes those members of the KMP Executive Team who have the authority and responsibility for planning, directing and controlling the activities of the Company. These executives also represent the five most highly remunerated executives within the organisation.

The following table shows the composition of the KMP Executive Team during the year.

Key Management Personnel - Executives		
Current KMP - Executives	**Position**	**Dates position held during year ended 30 June 2012**
P F O'Malley	Managing Director and Chief Executive Officer	1 July 2011 – 30 June 2012
I R Cummin	Executive General Manager, People and Organisation Performance	1 July 2011 – 30 June 2012
M R Vassella	Chief Executive BlueScope Australia and New Zealand	1 July 2011 – 30 June 2012
S R Elias	Chief Financial Officer	1 July 2011 – 30 June 2012
M G Barron	Chief Legal Officer and Company Secretary	1 July 2011 – 30 June 2012
K A Mitchelhill	President North America	1 July 2011 – 30 June 2012
S Dayal	Chief Executive, Asia	1 July 2011 – 30 June 2012
R Moore	President, China	1 July 2011 – 30 June 2012
P Finan	Executive General Manager, Global Building & Construction Markets	1 July 2011 – 30 June 2012
P E O'Keefe[2]	Former Chief Executive, Australian Coated & Industrial Markets	1 July 2011 – 27 January 2012
N H Cornish[1]	Former Chief Executive, Australian & New Zealand Steel Manufacturing Businesses	1 July 2011 – 31 July 2011

[1] Noel Cornish retired from the Company on 31 July 2011.

[2] Following the restructure of the Australian Business involving the consolidation of three ELT roles in Australia to one role, Paul O'Keefe's role became redundant and he left the Company 27 January 2012.

The audited information contained in the following tables represents the annual remuneration for the year ended 30 June 2012 for the KMP. The aggregate remuneration of the KMP of the Company is set out below:

	2012	2011
		$
Short-term employee benefits[1]	11,324,526	12,009,503
Post-employment benefits	346,715	432,438
Other long-term benefits	335,994	231,934
Termination benefits	-	578,810
Share-based payments[2,3]	4,385,420	2,452,180
Total	16,392,655	15,704,867

[1] This includes base salary, annual leave accruals, non-monetary benefits, superannuation received as cash allowance and STI payments.

[2] This relates to awards of share rights that can only vest when performance hurdles are achieved.

[3] For some countries, where there are additional restrictions relating to awards of equity, a 'Cash Rights' award is made which delivers a cash payment on vesting.

The remuneration of each member of the KMP of the Company is set out in the following tables.

KMP - Remuneration –2012

Name	Year	Short-term employee benefits									Share-based payment			
		Salary and fees	Movement in annual leave provision 1	Bonus	Non-monetary	Other 2	Sub-total	Post-employment benefits 3	Other long-term employee benefits 4	Termination benefits	Shares and units	Options and rights 9	Total 13	% of performance related pay 10
		$	$	$	$	$	$	$	$	$	$	$	$	%
Executive Director														
P F O'Malley [5,9]	2012	1,750,000	-20,008	0	995	220,000	1,950,987	25,000	43,811	0	42,725	741,498	2,804,021	26.4
	2011	1,702,346	-11,903	720,865	980	213,404	2,625,692	25,000	51,079	0	88,754	997,804	3,788,329	45.4
KMP executives														
N H Cornish [11]	2012	89,432	0	0	28,394	0	117,826	12,520	0	0	0	-360,031	-229,685	0.0
	2011	770,560	-16,284	254,845	1,869	0	1,010,990	109,526	34,386	0	0	213,279	1,368,181	34.2
M R Vassella [6,9]	2012	961,538	29,917	0	538,312	110,577	1,640,344	24,038	123,188	0	267,921	603,238	2,658,729	22.7
	2011	762,600	-39,619	269,361	261,105	81,190	1,334,637	25,000	27,849	0	7,889	188,745	1,584,120	28.9
P E O'Keefe [12]	2012	356,191	0	50,646	5,167	34,482	446,486	15,384	0	0	0	-106,145	355,725	0.0
	2011	573,298	19,587	182,325	0	55,291	830,501	25,000	16,840	578,810	0	145,355	1,596,506	20.5
I R Cummin [5]	2012	618,376	8,231	111,600	995	30,796	769,998	55,769	24,701	0	166,100	289,008	1,305,576	30.7
	2011	569,752	4,639	196,341	980	53,659	825,371	26,106	17,176	0	0	158,411	1,027,064	34.5
M G Barron	2012	618,376	16,506	111,600	0	35,537	782,019	50,000	26,448	0	166,100	289,008	1,313,575	30.5
	2011	569,752	13,599	196,341	0	29,765	809,457	50,000	17,798	0	0	145,261	1,022,516	33.4
S R Elias	2012	760,590	42,000	137,340	1,493	81,483	1,022,906	25,000	24,888	0	204,427	347,832	1,625,053	29.9
	2011	683,708	38,148	237,554	0	70,771	1,030,181	25,000	20,149	0	0	169,706	1,245,036	32.7
S Dayal [6]	2012	835,710	22,543	217,800	-25,410	67,770	1,118,413	47,917	35,531	0	56,363	423,852	1,682,076	38.1
	2011	680,973	23,713	300,623	-90,007	45,550	960,852	50,000	18,917	0	16,067	115,210	1,161,046	35.8
K A Mitchelhill [5,8]	2012	852,000	44,560	127,800	316,137	94,280	1,434,777	25,000	27,299	0	239,953	329,071	2,056,100	22.2
	2011	747,520	9,686	236,849	50,452	54,653	1,099,160	50,000	19,563	0	19,833	131,694	1,320,250	27.9
P J Finan [6,7,8]	2012	445,506	5,607	82,764	357,392	0	891,269	18,170	0	0	126,411	154,843	1,190,693	20.0
	2011	302,823	-5,706	155,869	198,902	0	651,888	17,639	0	0	0	26,466	695,993	26.2
R J Moore [6,7]	2012	604,000	-17,853	154,926	372,461	35,967	1,149,501	47,917	30,128	0	161,850	241,396	1,630,792	24.3
	2011	334,283	16,317	300,840	161,543	17,792	830,775	29,167	8,179	0	0	27,706	895,827	36.7
Total 2012		7,891,719	131,503	994,476	1,595,936	710,892	11,324,526	346,715	335,994	0	1,431,850	2,953,570	16,392,655	
Total 2011		7,697,615	52,177	3,051,813	585,824	622,076	12,009,503	432,438	231,934	578,810	132,543	2,319,637	15,704,867	

[1] Negative movement in annual leave provision indicates leave taken during the year exceeded leave accrued during the current year.

[2] Due to changes in the superannuation legislation resulting in maximum contribution levels, members of the Defined Contribution Division can elect to receive a proportion of their superannuation as a cash allowance.

[3] Post-employment benefits relate to superannuation arrangements. There are no other post-employment benefits.

[4] This shows movement in long service leave benefits during the year.

[5] Non-monetary includes executive health check.

[6] Non-monetary includes benefits provided under the Company's international assignment policy e.g. accommodation, tax equalisation, and medical coverage. The Company continued to incur costs related to Mr Vassella's North America assignment as a consequence of his early return to Australia on appointment as Chief Executive BlueScope Australia and New Zealand.

[7] KMP appointed to ELT during year ended 30 June 2011. Amounts disclosed for year ended 30 June 2011 are for part year only.

[8] Non-monetary includes relocation expenses.

[9] For the MD&CEO LTI represents the accounting amortisation of prior year awards as no LTI award was made in FY2012.

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

[11] Mr Cornish retired from the Company on 31 July 2011. No payments other than statutory entitlements were paid. The Company entered into an agreement with Mr Cornish for the provision of consultancy services for a period of up to 2 years. As part of this arrangement Mr Cornish is a member of the Boards of North Star BlueScope Steel and Tata BlueScope Steel. He also represents BlueScope on the Executive of AI Group and provides safety leadership across our operations, particularly in Asia. In addition, he provided project management leadership during the commissioning of MCL2 in Indonesia.

[12] Mr O'Keefe left the company on 27 January 2012 due to the restructure of the Australian businesses, at which time he was entitled to a termination payment of 12 months base pay, under the terms of his employment contract. This was disclosed in the FY2011 Remuneration Report.

[13] Notwithstanding the reduction of the two KMP Executives, due to disclosures required under Australian Accounting Standards, total reported KMP remuneration for FY2012 is higher than that reported for FY2011 due to increases in base pay as referred to in paragraph 5(i), the inclusion of remuneration for Mr Finan and Mr Moore on a full year basis in FY2012 compared to a part year basis for FY 2011, an increase in the number of KMP Executives covered by the Company's international assignment policy and the amortisation of the special retention share awards issued during the year.

7.3 Short term incentive awards

For the year ended 30 June 2012 no KMP executive received target STI. In addition half of any STI earned has been withheld and delivered as restricted shares. These will lapse if the executive resigns or is dismissed within 12 months of the award. Also, the Chief Executive BANZ will have 100% of his STI award withheld and delivered in equity. Half may be released early if certain H1 FY2013 objectives are achieved. Eligibility to receive an STI award is subject to the terms and conditions of the plan, including a minimum of six months performance during the plan year and employment during the period is not terminated for resignation or performance-related reasons.

Under the Company's Short Term Incentive Plan each executive can earn between 0% and 150% (maximum) of the STI target award. The table below shows the, actual percentage outcome achieved and percentage forfeited for the year ended 30 June 2012.

SHORT TERM INCENTIVES

Name	Actual STI as a % of maximum STI for year ended 30 June 2012	% of maximum STI forfeited for year ended 30 June 2012
	%	%
Executive Director		
P F O'Malley	0	100
KMP executives		
N H Cornish [1]	0	0
M R Vassella	40	60
P E O'Keefe	17	83
I R Cummin	40	60
M G Barron	40	60
S R Elias	40	60
S Dayal	55	45
K A Mitchelhill	33	67
P J Finan	38	62
R J Moore	57	43

[1] Mr Cornish retired on 31 July 2011 and was not entitled to participate in the STI plan for the year ending 30 June 2012.

7.4 Share Rights Holdings

Share Rights granted, exercised and forfeited by the KMP during the year ended 30 June 2012 were as follows:

Name	Remuneration consisting of share rights[1]	Value of share rights granted during the year at grant date[2]	Value of share rights exercised during the year	Value of share rights at lapse date, that lapsed during the year	Total value of share rights granted, exercised and lapsed during the year
	%	$	$	$	$
Executive Director					
P F O'Malley	0	0		387,653	387,653
KMP executives					
N H Cornish[3]	-	-	-	376,554	376,554
M R Vassella	26	405,798	-	-	405,798
P E O'Keefe[4]	-	-	-	200,840	200,840
I R Cummin	24	251,595	-	298,067	549,662
M G Barron	25	251,595	-	274,288	525,883
S R Elias	25	309,624	-	-	309,624
S Dayal	31	357,101	-	-	357,101
K A Mitchelhill	26	345,740	-	-	345,740
P J Finan	31	214,834	-	154,840	369,674
R J Moore	27	245,102	-	132,720	377,822

[1] This figure is calculated on the value of share rights awarded in the year ended 30 June 2012 as a percentage of the total value of all remuneration received in that same year.

[2] External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of share rights awarded in the year ended 30 June 2012. The valuation has been made using the Black-Scholes Option Pricing Model (BSM) that includes a Monte Carlo simulation analysis.

[3] Mr Cornish retired on 31 July 2011.

[4] Mr O'Keefe left the Company on 27 January 2012 following restructure of the Australian businesses.

The Share Rights awarded to executives under the September 2006 Award were tested after the last (31 August 2011) performance period and no vesting occurred. As this was the final performance period for the 2006 Award and as the Award has not vested, all Share Rights granted under the Award have been lapsed under the terms of the Award. The September 2007 Award was tested after the third (31 August 2011) and fourth (28 February 2012) performance periods and no vesting occurred. The September 2008 Award was tested after the first (31 August 2011) and the second (28 February 2012) performance periods and no vesting occurred. Both the September 2007 and 2008 Awards will be tested after the conclusion of the fifth and third performance period respectively on 31 August 2012.

Details of the audited Share Rights holdings for year ended 30 June 2012 for the KMP - Executives are set out in the following table. Refer to the Summary Table of Long Term Incentive Plan Awards (paragraph 5.V) for details with respect to fair values, exercise price and key dates.

Share Rights holdings for the financial year ended 30 June 2012

2012	Balance at 30 June 2011	Granted in year ended 30 June 2012	Exercised in year ended 30 June 2012[1]	Lapsed in year ended 30 June 2012	Balance at 30 June 2012	Vested and not yet exercised in year ended 30 June 2012	Unvested at 30 June 2012	Total Share Rights vested in year ended 30 June 2012
Executive Director								
P F O'Malley	2,677,731	0	-	70,100	2,607,631	-	2,607,631	-
KMP executives								-
N H Cornish [2]	668,170	-	-	446,977	221,193	-	221,193	-
M R Vassella	584,568	1,932,370	-	-	2,516,938	-	2,516,938	-
P E O'Keefe [2]	454,429	-	-	149,292	305,137	-	305,137	-
I R Cummin	496,289	1,198,070	-	53,900	1,640,459	-	1,640,459	-
M G Barron	491,989	1,198,070	-	49,600	1,640,459	-	1,640,459	-
S R Elias	522,919	1,474,400	-	-	1,997,319	-	1,997,319	-
S Dayal	470,710	1,700,480	-	-	2,171,190	-	2,171,190	-
K A Mitchelhill	529,980	1,646,380	-	-	2,176,360	-	2,176,360	-
P J Finan [3]	347,210	1,023,020	-	28,000	1,342,230	-	1,342,230	-
R J Moore [3]	365,183	1,167,150	-	24,000	1,508,333	-	1,508,333	-

[1] The number of shares issued is equal to the number of rights exercised and no amount was paid or remains unpaid for each share issued.

[2] Mr Cornish and Mr O'Keefe retain pro rata Share Rights with vesting subject to achieving performance hurdles.

[3] Mr Finan and Mr Moore's Share Rights holdings for 30 June 2011 includes share right awards from 2006, 2007, 2008, 2009 & 2010 before becoming a KMP.

SHARE RIGHTS holdings for the financial year ended 30 June 2011

2011	Balance at 30 June 2010	Granted in year ended 30 June 2011	Exercised in year ended 30 June 2011[1]	Lapsed in year ended 30 June 2011	Balance at 30 June 2011	Vested and not yet exercised in year ended 30 June 2011	Unvested at 30 June 2011	Total Share Rights vested in year ended 30 June 2011
Executive Director								
P F O'Malley	1,477,511	1,200,220	-	-	2,677,731	-	2,677,731	-
KMP executives								-
N H Cornish	393,810	274,360	-	-	668,170	-	668,170	-
M R Vassella	314,758	269,810	-	-	584,568	-	584,568	-
P E O'Keefe	249,539	204,890	-	-	454,429	-	454,429	-
I R Cummin	293,429	202,860	-	-	496,289	-	496,289	-
M G Barron	289,129	202,860	-	-	491,989	-	491,989	-
S R Elias	277,469	245,450	-	-	522,919	-	522,919	-
S Dayal	225,400	245,310	-	-	470,710	-	470,710	-
K A Mitchelhill	263,820	266,160	-	-	529,980	-	529,980	-
P J Finan[2]	172,000	175,210	-	-	347,210	-	347,210	-
R J Moore[3]	181,763	183,420	-	-	365,183	-	365,183	-

[1] The number of shares issued is equal to the number of rights exercised and no amount was paid or remains unpaid for each share issued.

[2] Appointed to KMP on 1 November 2010.

[3] Appointed to KMP on 1 December 2010.

The table below sets out the details of each specific share right tranche and awards granted and vested during the year ended 30 June 2012 for each KMP.

Share Rights Award Summary

2012	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2012	% forfeited in year ended 30 June 2012	Share Rights yet to vest	Financial year in which awards may vest	Value of Share Rights not vested 30 June 2012[1]	
							$ Min	$ Max
Executive Director								
P F O'Malley	70,100	18-Nov-06	-	100%	-	2011	-	-
	231,053	14-Nov-07	-	-	231,053	2011	-	1,483,360
	246,358	28-Nov-08	-	-	246,358	2012	-	404,027
	930,000	30-Nov-09	-	-	930,000	2013	-	1,581,000
	1,200,220	30-Nov-10	-	-	1,200,220	2014	-	1,440,264
	0	16-Apr-12	-	-	0	2015	-	-
KMP executives								
N H Cornish	70,100	18-Nov-06	-	100%	-	2011		-
	51,756	05-Nov-07	-	100%	-	2011	-	-
	56,954	28-Nov-08	-	100%	-	2012	-	-
	215,000	30-Nov-09	-	36%	137,361	2013	-	233,514
	274,360	30-Nov-10	-	69%	83,832	2014	-	100,598
M R Vassella	47,320	05-Nov-07	-	-	47,320	2011	-	301,428
	56,008	28-Nov-08	-	-	56,008	2012	-	91,853
	211,430	30-Nov-09	-	-	211,430	2013	-	359,431
	269,810	30-Nov-10	-	-	269,810	2014	-	323,772
	1,932,370	16-Apr-12	-	-	1,932,370	2015	-	405,798
P E O'Keefe[2]	11,500	18-Nov-06	-	100%	-	2011	-	-
	38,817	05-Nov-07	-	10%	34,935	2011	-	222,536
	41,722	28-Nov-08	-	12%	36,507	2012	-	59,871
	157,500	30-Nov-09	-	17%	131,250	2013	-	223,125
	204,890	30-Nov-10	-	50%	102,445	2014	-	122,934
I R Cummin	53,900	18-Nov-06	-	100%	-	2011	-	-
	38,447	05-Nov-07	-	-	38,447	2011	-	244,907
	42,112	28-Nov-08	-	-	42,112	2012	-	69,064
	158,970	30-Nov-09	-	-	158,970	2013	-	270,249
	202,860	30-Nov-10	-	-	202,860	2014	-	243,432
	1,198,070	16-Apr-12	-	-	1,198,070	2015	-	251,595

M G Barron[2]	49,600	18-Nov-06		100%	-	2011	-	-
	38,447	05-Nov-07	-	-	38,447	2011	-	244,907
	42,112	28-Nov-08	-	-	42,112	2012	-	69,064
	158,970	30-Nov-09	-	-	158,970	2013	-	270,249
	202,860	30-Nov-10	-	-	202,860	2014	-	243,432
	1,198,070	16-Apr-12	-	-	1,198,070	2015	-	251,595
S R Elias	44,362	05-Nov-07	-	-	44,362	2011	-	282,586
	48,817	28-Nov-08	-	-	48,817	2012	-	80,060
	184,290	30-Nov-09	-	-	184,290	2013	-	313,293
	245,450	30-Nov-10	-	-	245,450	2014	-	294,540
	1,474,400	16-Apr-12	-	-	1,474,400	2015	-	309,624
S Dayal[3]	45,400	28-Nov-08	-	-	45,400	2012	-	74,456
	180,000	30-Nov-09	-	-	180,000	2013	-	306,000
	245,310	30-Nov-10	-	-	245,310	2014	-	294,372
	1,700,480	16-Apr-12	-	-	1,700,480	2015	-	357,101
K A Mitchelhill	55,250	28-Nov-08	-	-	55,250	2012	-	90,610
	208,570	30-Nov-09	-	-	208,570	2013	-	354,569
	266,160	30-Nov-10	-	-	266,160	2014	-	319,392
	1,646,380	16-Apr-12	-	-	1,646,380	2015	-	345,740
P J Finan[4]	28,000	18-Nov-06	-	100%	-	2011	-	-
	19,000	14-Nov-07	-	-	19,000	2011	-	121,030
	25,000	28-Nov-08	-	-	25,000	2012	-	41,000
	100,000	30-Nov-09	-	-	100,000	2013	-	170,000
	175,210	30-Nov-10	-	-	175,210	2014	-	210,252
	1,023,020	16-Apr-12	-	-	1,023,020	2015	-	214,834
R J Moore[4]	24,000	18-Nov-06	-	100%	-	2011	-	-
	24,000	14-Nov-07	-	-	24,000	2011	-	152,880
	28,013	28-Nov-08	-	-	28,013	2012	-	45,941
	105,750	30-Nov-09	-	-	105,750	2013	-	179,775
	183,420	30-Nov-10	-	-	183,420	2014	-	220,104
	1,167,150	16-Apr-12	-	-	1,167,150	2015	-	245,102

[1] External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of Share Rights held by KMP at 30 June 2012.

[2] Award granted 2006 prior to appointment to ELT.

[3] Due to restrictions relating to awards of equity in Singapore, Mr Dayal was awarded Cash Rights in 2012 which delivers a cash payment on vesting.

[4] Award granted 2006, 2007, 2008 & 2009 prior to appointment to KMP.

7.5 Shares Awarded as Remuneration

In the year ended 30 June 2012 a number of senior executives were awarded shares under a Special Share Retention Plan. Full details of the terms of the award of these shares are included in paragraph 3(iii) above. During the year some shares that were awarded under previous special share awards vested in the year ended 30 June 2012.

Share Award Summary

2012	Number of Shares awarded	Date of grant	% vested in year ended 30 June 2012	% forfeited in year ended 30 June 2012	Shares yet to vest	Financial year in which awards may vest	Value of Shares not vested 30 June 2012[1] $ Min	Value of Shares not vested 30 June 2012[1] $ Max
Executive Director								
P F O'Malley	17,000	06-Aug-07	100	-	-	-	-	-
	18,000	06-Aug-07	-	-	18,000	2013	-	191,520
KMP executives								
N H Cornish	-	-	-	-	-	-	-	-
M R Vassella	649,400	29-Aug-11	-	-	649,400	2015	-	551,990
P E O'Keefe	-	-	-	-	-	-	-	-
I R Cummin	402,600	29-Aug-11	-	-	402,600	2015	-	342,210
M G Barron	402,600	29-Aug-11	-	-	402,600	2015	-	342,210
S R Elias	495,500	29-Aug-11	-	-	495,500	2015	-	421,175
S Dayal[2,3]	20,000	10-Mar-09	100	-	-	2012	-	-
	483,800	29-Aug-11	-	-	483,800	2015	-	411,230
K A Mitchelhill[2]	25,000	27-Feb-09	100	-	-	2012	-	-
	553,300	29-Aug-11	-	-	553,300	2015	-	470,305
P J Finan	306,400	29-Aug-11	-	-	306,400	2015	-	260,440
R J Moore	392,300	29-Aug-11	-	-	392,300	2015	-	333,455

[1] Share price at grant date has been used to determine the value of Shares held by KMP at 30 June 2012.

[2] Granted on appointment to BlueScope in 2009.

[3] Due to restrictions relating to awards of equity in Singapore, Mr Dayal was awarded Cash Rights in 2012 which delivers a cash payment on vesting.

7.6 Share Holdings in BlueScope Steel Limited

The following table details the shares held by KMP – Non Executive Directors and Executives, as well as any related-party interests in BlueScope Steel Limited as at 30 June 2012.

SHARE HOLDINGS[1] IN BLUESCOPE STEEL LIMITED

Name	Ordinary shares held as at 30 June 2012	Ordinary shares held as at 30 June 2011
Non-Executive Directors		
G J Kraehe	641,297	286,279
R J McNeilly	2,378,704	1,321,502
D J Grady	377,007	128,382
H K McCann	162,368	152,720
Y P Tan	282,809	157,116
D B Grollo	230,681	128,156
K A Dean	146,924	41,624
P Bingham-Hall	122,000	-
Executive Director		
P F O'Malley	499,704	227,613
KMP executives		
N H Cornish [2]	67,199	67,199
M R Vassella	707,703	57,303
P E O'Keefe [3]	115,303	15,303
I R Cummin	741,892	336,679
M G Barron	595,524	191,924
S R Elias	561,480	10,000
S Dayal [4]	20,000	20,000
K A Mitchelhill	674,099	77,666
P J Finan	493,851	63,695
R J Moore	1,346,708	355,315

[1] Including related party interests.

[2] Mr Cornish retired on 31 July 2011.

[3] Mr O'Keefe left the company on 27 January 2012 following the restructure of the Australian businesses.

[4] Mr Dayal also holds 483,800 Cash Rights awarded under the Special Retention Award.

8. NON-EXECUTIVE DIRECTORS' REMUNERATION

The Committee, on behalf of the Board, seeks the advice of expert external remuneration consultants to ensure that fees and payments reflect the duties of Board Members and are in line with the market. The Chairman and the Deputy Chairman of the Board do not participate in any discussions relating to the determination of their own fees.

Non-Executive Directors do not receive share rights or other performance-based rewards. Non-Executive Directors are expected to acquire over time a shareholding in the Company at least equivalent in value to their annual remuneration.

Fees are normally reviewed annually on 1 January. In response to the Company's financial performance, the Board decided that there would be no increase in directors' fees on 1 January 2012. The schedule of fees effective 1 January 2012, and which currently applies, is as follows:

Role	Fees effective 1 Jan 2012
Chairman[1]	$472,500
Deputy Chairman[1]	$273,000
Non-Executive Director	$157,500
Chairman of Audit and Risk Committee	$36,750
Member of Audit and Risk Committee	$18,900
Chairman of Remuneration and Organisation Committee	$26,250
Member of Remuneration and Organisation Committee	$13,650
Chairman of Health, Safety and Environment Committee	$26,250
Member of Health, Safety and Environment Committee	$13,650
Travel and Representation Allowance[2]	$21,000

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

[2] Allowance paid to Tan Yam Pin who is based in Singapore.

The maximum fee pool limit is currently $2,925,000 per annum (inclusive of superannuation) as approved by shareholders at the Annual General Meeting in 2008. Total fees paid to Directors for the year ended 30 June 2012 amounted to $2,052,507.

Compulsory superannuation contributions per director capped at $16,470 per annum (commencing 1 July 2012) are paid on behalf of each Director. Compulsory superannuation contributions for the year ended 30 June 2012 were $15,775 per annum. Non-Executive Directors do not receive any other retirement benefits.

9. KMP EXECUTIVES – SUMMARY OF TERMS OF EMPLOYMENT

9.1 Managing Director and Chief Executive Officer – Outline of Employment Contract

Paul O'Malley was appointed to the position of Managing Director and Chief Executive Officer effective from 1 November 2007.

Mr O'Malley's current annual base pay is $1,750,000. This has not changed since 1 September 2010 when he received a 4% increase. Prior to this his base salary had not changed since 1 September 2008. In addition, in view of the Company's financial performance he has agreed no STI or LTI should be awarded for FY 2012 and that no increase in base pay will be made during year ending 30 June 2013.

Remuneration is reviewed annually in accordance with the Board's senior executive salary review policy. In addition, Mr O'Malley is eligible to participate in the Short Term Incentive Plan and, subject to shareholder approval, Long Term Incentive Plan awards.

Upon appointment Mr O'Malley was provided with 50,000 BlueScope Steel Limited shares (purchased on-market) to be held subject to certain restrictions. Some or all of these shares will be forfeited by Mr O'Malley if his employment with BlueScope is terminated within the restriction period specified, other than as a result of fundamental change in his employment terms.

The employment of Mr O'Malley may be terminated in the following circumstances:

- **by notice**: on six months' notice by either party. If BlueScope terminates Mr O'Malley's employment by notice, it may provide payment in lieu of notice and must make an additional payment of 12 months' annual base pay.
- **with cause**: immediate termination by BlueScope if, among other things, Mr O'Malley wilfully breaches his Service Contract, is convicted of various offences for which he can be imprisoned or is disqualified from managing a corporation, or engages in conduct which is likely to adversely impact the reputation of BlueScope. In this circumstance, Mr O'Malley will be entitled to his annual base pay up to the date of termination.

- **illness or disablement**: BlueScope may terminate Mr O'Malley's employment if he becomes incapacitated by physical or mental illness, accident or any other circumstances beyond his control for an accumulated period of six months in any 12-month period and, in this circumstance, will make payment of six months' notice based on annual base pay.

- **fundamental change**: Mr O'Malley may resign if a fundamental change in his employment terms occurs and within three months of the fundamental change Mr O'Malley gives notice to BlueScope. In this event, the Company will provide Mr O'Malley with six months' notice, or a payment in lieu of that notice, and a termination payment of 12 months' annual base pay.

The rules governing the Company's Long Term Incentive Plan and Short Term Incentive Plan will apply to his LTIP and STI awards on termination of his employment. These rules which provide that STI and LTIP awards will be forfeited if Mr O'Malley's employment is terminated for cause. Provision has also been made for early vesting (subject to satisfying performance testing requirements) of LTIP awards on a change of control.

Mr O'Malley is subject to a 12-month non-compete restriction after his employment ceases with BlueScope. Mr O'Malley cannot solicit or entice away from BlueScope any supplier, customer or employee or participate in a business that competes with BlueScope during the 12-month period.

9.2 Other Key Management Personnel - Executives

Remuneration and other terms of employment for the disclosed KMP Executives are formalised in employment contracts that can be terminated with notice. Each of these agreements provide for an annual review of annual base pay, provision of performance-related STI awards, other benefits, including annual health assessment, and participation, when eligible, in the Long Term Incentive Plan. The contracts provide for notice of six months for resignation by the executive or termination by the Company. In the event of termination by the Company other than for cause, a termination payment of 12 months' pay applies. The maximum amount payable on termination will not exceed 12 month's fixed pay.

Agreements are also in place for KMP Executives detailing the approach the Company will take with respect to payment of their termination payments and with respect to exercising its discretion on the vesting of share rights in the event of a 'Change of Control' of the organisation.

ENVIRONMENTAL REGULATION

BlueScope Steel's Australian manufacturing operations are subject to significant environmental regulation. Throughout its Australian operations, the Company notified relevant authorities of 27 incidents resulting in statutory non-compliances with environmental licensing requirements during the financial year. During the period there were no serious environmental incidents. An incident which occurred in May 2011 resulted in a fine of $1500, issued by the regulator in August 2011. The incident related to operations at No 6 Blast Furnace at the Port Kembla Steelworks where process water discharged into a drain and then to Port Kembla Harbour. An incident occurred in February 2012 resulting in two fines of $1500 each, issued by the regulator in March 2012. The incident related to operations at the Basic Oxygen Steelmaking plant at the Port Kembla Steelworks.

BlueScope Steel reports on an annual basis to the National Pollutant Inventory and, under the National Greenhouse and Energy Reporting scheme, on its greenhouse gas emissions and energy consumption and production. BlueScope Steel also assesses and reports publicly upon its energy efficiency opportunities at the Commonwealth level and prepares and monitors progress on water and energy savings plans required under state legislation.

Each year BlueScope Steel publishes a Community Safety and Environment Report which is available on our website. The report provides further details of the Company's environmental performance and initiatives.

INDEMNIFICATION AND INSURANCE OF OFFICERS

BlueScope Steel has entered into directors' and officers' insurance policies and paid an insurance premium in respect of the insurance policies, to the extent permitted by the *Corporations Act 2001*. The insurance policies cover former Directors of BlueScope Steel along with the current Directors of BlueScope Steel (listed on page 2). Executive officers and employees of BlueScope Steel and its related bodies corporate are also covered.

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

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

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

The current Directors of BlueScope Steel, the Chief Financial Officer and the Chief Legal Officer & Company Secretary have each entered into an Access, Insurance and Indemnity Deed with BlueScope Steel. The Deed addresses the matters set out in Rule 21 of the Constitution and includes, among other things, provisions requiring BlueScope Steel to indemnify a Director to the extent to which they are not already indemnified as permitted under law, and to use its best endeavours to maintain an insurance policy covering a Director while they are in office and seven years after ceasing to be a Director.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contract, as (in accordance with normal commercial practice) such disclosure is prohibited under the terms of the contract.

PROCEEDINGS ON BEHALF OF BLUESCOPE STEEL

As at the date of this report, there are no leave applications or proceedings brought on behalf of BlueScope Steel under section 237 of the *Corporations Act 2001*.

ROUNDING OF AMOUNTS

BlueScope Steel is a company of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars, or in certain cases, the nearest thousand or the nearest dollar.

AUDITOR

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

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Auditor's Independence Declaration for the year ended 30 June 2012 has been received from Ernst & Young. This is set out at page 44 of the Directors' Report. Ernst & Young provided the following non-audit services during the year ended 30 June 2012:

Audit related assurance services
$178,333 equity raising related assurance;
$164,403 debt funding related assurance;
$175,000 restructuring activity related assurance; and
$44,800 Greenhouse gas emissions related assurance.

Other services
$184,395 taxation compliance services.

The Directors are satisfied that the provision of these non-audit services is compatible with the general standard of independence for auditors in accordance with the *Corporations Act 2001*. The nature, value and scope of each type of non-audit service provided is considered by the Directors not to have compromised auditor independence.

This report is made in accordance with a resolution of the Directors.

G J KRAEHE AO
Chairman

P F O'MALLEY
Managing Director and Chief Executive Officer

Melbourne

20 August 2012

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

In relation to our audit of the financial report of BlueScope Steel Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Rodney Piltz
Partner
20 August 2012

CORPORATE GOVERNANCE STATEMENT

Introduction
As a global organisation with businesses operating in many countries, the BlueScope Steel Group must comply with a range of legal, regulatory and governance requirements.

The Board places great importance on the proper governance of the Group.

The Board operates in accordance with a set of corporate governance principles that take into account relevant best practice recommendations. These include the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council with 2010 Amendments (2nd edition) (ASX Principles and Recommendations).

The Company complies with each of the recommendations in the ASX Principles and Recommendations. A summary of BlueScope Steel's compliance with the recommendations follows, including details of specific disclosures required by a recommendation.

Further information on the Company's corporate governance policies and practices can be found on the Company's website.

Principle 1 – Lay solid foundations for management and oversight
The Board has adopted a Charter which sets out, among other things, its specific powers and responsibilities and the matters delegated to the Managing Director and Chief Executive Officer and those specifically reserved for the Board.

A statement of the matters reserved for the Board and the areas of delegated authority to senior management is available on the Company's website.

As part of the Board's oversight of senior management, all Company executives are subject to annual performance review and goal planning. This involves evaluation of the executives by their immediate superior. Each executive is assessed against a range of criteria, including achievement of goals relating to financial performance, operational excellence, safety and delivery of strategic projects and initiatives. All senior executives participated in a performance evaluation on this basis during the year ended 30 June 2012.

Principle 2 – Structure the Board to add value
The Board is structured to bring to its deliberations a range of commercial, operational, financial, legal and international experience relevant to the Company's global operations.

Pages 7 and 8 set out the qualifications, expertise and experience of each Director in office at the date of this Directors' Report, and their period of office.

The Board considers all of its Non-Executive Directors to be independent. In making this assessment, the Board considers whether the Director is free of any business or other relationship that could, or could reasonably be perceived to, materially interfere with the exercise by the Director of an independent judgement in the interests of the Company as a whole.

In determining whether a relationship between the Company and a Director is material and would compromise the Director's independence, the Board has regard to all the circumstances of the relationship including, where relevant:

- the proportion of the relevant class of expenses or revenues that the relationship represents to both the Company and the Director; and
- the value and strategic importance to the Company's business of the goods or services purchased or supplied by the Company.

Further details regarding the circumstances considered by the Board in making assessments of independence are contained on the Company's website under 'Directors' Independence Policy'.

The Board seeks to achieve a Board composition with a balance of diverse attributes relevant to the Company's operations and markets including skill sets, background, gender, geography, and industry experience.

Board renewal and succession planning is an ongoing process at BlueScope Steel and in recent years has seen the appointment of Ken Dean and Penny Bingham-Hall to the Board. The Nomination Committee has identified the key skills and experience desirable on the Board as including financial/risk management, legal/governance, people management and operations management expertise; experience in the building and construction and steel or other heavy manufacturing industries; strategic and M&A/transactional experience; and experience with customers. The Board also strives for both gender and geographic diversity within these skill sets. Based on the assessment by the Nomination Committee of the particular skill profile for new appointees, a sub-committee is appointed to engage a search firm to assist in identifying appropriate candidates for consideration by the Board from a broad pool of possible candidates. The renewal process has been suspended to provide continuity as the Company goes through a major re-structuring process, but will re-commence in the current financial year.

The Board (and Board Committees and individual Directors) may obtain independent professional advice, at the Company's cost, in carrying out their responsibilities. Independent advice can be obtained without the involvement of the Company's management, where the Board or the Director considers it appropriate to do so. Procedures have been adopted by the Board setting out the practical steps by which independent advice may be obtained.

All Non-Executive Directors are members of the Nomination Committee. Their attendance at meetings of the Committee are set out on page 9.

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

The Board completed an internal review of its effectiveness in August 2012 involving distribution of a questionnaire to Directors and senior management. Confidential responses were collated by the Company's auditors and discussed by the Board. The review concluded that the Board is functioning well with an appropriate mix of skills and experience and that an effective working relationship exists among Board members and between Board and management.

In addition, each Committee reviews its performance and effectiveness periodically through a confidential questionnaire completed by members of the Committee and relevant management attendees. The results of these reviews are discussed by the Committee. Each Board Committee has conducted a review on this basis in the last 12 months. A formal review of the performance of individual Directors takes place periodically, particularly when a director is standing for re-election. The process generally involves the completion of an evaluation questionnaire by other Board members, the results of which are collated and discussed by the Chairman with the director concerned (or the Deputy Chairman in the case of the review of the Chairman) and with the Board as a whole. In addition, the performance of the Chairman and other Directors are reviewed regularly through other informal mechanisms such as meeting critiques, discussions between Directors and the Chairman, and as part of Board and Committee evaluations. Performance evaluation for individual directors has taken place consistent with the process described above.

Principle 3 – Promote ethical and responsible decision making

Business Conduct

The Company has a set of values known as 'Our Bond' and a 'Guide to Business Conduct', which provides an ethical and legal framework for all employees. The Guide defines how the BlueScope Steel Group relates to its customers, employees, shareholders and the community. Information relating to the Guide and 'Our Bond' is available on the Company's website.

In addition, the Board has established a Securities Trading Policy which governs dealing in the Company's shares and derivative securities. A copy of the policy has been lodged with ASX and is available on the Company's website.

Diversity

At BlueScope Steel, we know that our success comes from our people. We understand that the range of perspectives that result from a diverse and inclusive workplace will strengthen BlueScope Steel's capability for sustained business success. We strive to hire, develop, promote and retain the most qualified people available to reflect the global diversity of our customers, markets, and the communities in which we operate.

The Board and executive leadership team of BlueScope Steel recognise and value the diversity of the skills, perspectives, and backgrounds that our employees bring to the Company. Our aim is to foster an inclusive environment and culture that values difference and thereby attracts, encourages, and develops a talented, diverse, and capable workforce.

Our Board approved Diversity Policy can be found on the Company's website. Included in the policy are the key principles that underpin our approach to Diversity along with requirements for setting objectives, reporting and monitoring.

Our immediate priorities are to continue to improve gender diversity, both through the recruitment pipeline and in management positions and to maintain/improve the representation of local nationals on management teams.

In terms of gender, the proportion of women as at June 30, 2012 is:

-	Total employees	16.6%
-	Senior Executives	10.8%
-	Non-Executive Directors	22.2%

Our key objective for the financial year ended 30 June 2012 was the development and launch of a Diversity Action Plan in each region (Australia/NZ, China, ASEAN, North America). These plans have been developed and identify actions around our strategic drivers for diversity – Raising Awareness, Recruitment, Development and Retention.

Progress and actions to date include:

- In 2011, graduate recruitment programs were run to support business growth across the ASEAN region and in China. More than 50% of the recruits into these programs were women, hired into operational as well as functional areas of the business.
- The proportion of women participating in our leadership programmes globally has steadily improved and is now above the percentage of the workforce by category for all programs.
- Gender pay equity reviews have been conducted annually since 2000 in Australia, 2007 in New Zealand and North America, and 2008 in Asia. Results are reported to the Remuneration and Organisation Committee. Progress has been made with the average pay for female Executives in 2011 now equal to that of males in similar roles.
- The business has a mature EEO complaint investigation process in place.

The Diversity Action Plans will continue to provide the framework and platform for the businesses to drive and monitor improvements in their gender profile and improve/maintain the number of local nationals on leadership teams.

For the year ended 30 June 2013, our diversity objective is therefore to review the implementation and progress of the Diversity Action Plans on a quarterly basis. Each business has a plan identifying actions around recruitment, development, retention and awareness to improve/maintain the proportion of women in the business and local nationals on leadership teams.

Principle 4 – Safeguard integrity in financial reporting
The Board has established an Audit and Risk Committee which assists the Board in the effective discharge of its responsibilities for financial reporting, internal controls, risk management, internal and external audit, and insurance (with the exception of directors' and officers' liability insurance). The Committee's Charter is set out in full on the Company's website.

Separate discussions are held with the external and internal auditors without management present.

The composition and structure of the Audit and Risk Committee complies with the requirements of the ASX Principles and Recommendations.

The names of the members of the Audit and Risk Committee and their attendance at meetings of the Committee are set out on page 9 of this Directors' Report. The qualifications of the members are set out on pages 7 and 8.

Principle 5 – Make timely and balanced disclosure
The Company is subject to continuous disclosure obligations under the ASX Listing Rules and Australian corporations legislation. Subject to limited exceptions, the Company must immediately notify the market, through ASX, of any information that a reasonable person would expect to have a material effect on the price or value of its securities. As part of its continuous disclosure responsibilities, the Company has established market disclosure protocols to promote compliance with these requirements and to clarify accountability at a senior executive level for that compliance.

A summary of the Company's Continuous Disclosure Policy is included on the Company's website.

Principle 6 – Respect the rights of shareholders
Respecting the rights of shareholders is of fundamental importance to the Company and a key element of this is how the Company communicates with its shareholders. In this regard, the Company recognises that shareholders must receive high-quality relevant information in a timely manner in order to be able to properly and effectively exercise their rights as shareholders. The Company's communications policy is summarised on the Company's website.

Principle 7 – Recognise and manage risk

The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks and management has reported that those risks are being managed effectively.

For the annual and half-year accounts released publicly, the Board has received assurance from the Managing Director and Chief Executive Officer and the Chief Financial Officer that, in their opinion:

- the financial records of the Group have been properly maintained;
- the financial statements and notes required by accounting standards for external reporting:
  - (i) give a true and fair view of the financial position and performance of the Company and the consolidated BlueScope Steel Group; and
  - (ii) comply with the accounting standards (and any further requirements in the Corporations Regulations) and applicable ASIC Class Orders; and
- the above representations are based on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Information relating to the Company's policies on risk oversight and management of material business risks is available on the Company's website.

Principle 8 – Remunerate fairly and responsibly
The Remuneration Report (on pages 16 to 41) sets out details of the Company's policy and practices for remunerating Directors, key management personnel and senior executives.

The names of the members of the Remuneration and Organisation Committee and their attendance at meetings of the Committee are set out on page 9.

Information relating to:

- the role, rights, responsibilities and membership requirements for the Remuneration and Organisation Committee; and
- the Company's Securities Trading Policy which prohibits entering into transactions in associated products that limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes,

is also available on the Company's website.

Other than superannuation, there are no schemes for retirement benefits for Non-Executive Directors.

All information referred to in this Corporate Governance Statement as being on the Company's website is included under the 'Responsibilities/Corporate Governance' section of the website at www.bluescopesteel.com/responsibilities/corporate-governance.

A summary of the location of corporate governance information relevant to the ASX Principles and Recommendations can also be found in this section of the website.

CONCISE FINANCIAL REPORT

BlueScope Steel Limited ABN 16 000 011 058
Concise Financial Report - 30 June 2012

BlueScope Steel Limited
Statement of comprehensive income
For the year ended 30 June 2012

	Notes	Consolidated 2012 $M	2011 $M
Revenue from continuing operations	5	**8,472.5**	8,991.3
Other income	6	**113.2**	19.8
Changes in inventories of finished goods and work in progress		**(411.4)**	223.6
Raw materials and consumables used		**(5,032.3)**	(5,797.4)
Employee benefits expense		**(1,397.1)**	(1,493.1)
Depreciation and amortisation expense		**(323.3)**	(347.8)
Impairment of non-current assets	7	**(319.9)**	(925.9)
Freight on external despatches		**(529.8)**	(586.6)
External services		**(884.5)**	(935.6)
Restructuring costs	7	**(403.6)**	1.7
Finance costs		**(120.4)**	(106.1)
Other expenses		**(192.7)**	(267.2)
Share of net profits (losses) of associates and joint venture partnerships accounted for using the equity method		**53.2**	73.3
Loss before income tax		**(976.1)**	(1,150.0)
Income tax (expense) benefit	8	**(50.2)**	103.9
Loss from continuing operations		**(1,026.3)**	(1,046.1)
Profit/(loss) from discontinued operations after income tax	9	**(1.6)**	5.7
Net loss for the year		**(1,027.9)**	(1,040.4)
Other comprehensive income			
Gain (loss) on cash flow hedges taken to equity		**-**	(0.6)
Gain (loss) on cash flow hedges transferred to inventory		**-**	1.1
Net gain (loss) on hedges of subsidiaries		**(2.4)**	(13.0)
Exchange differences on translation of foreign operations		**43.1**	(218.8)
Exchange differences transferred to profit on translation of foreign operations disposed		**11.6**	-
Actuarial gain (loss) on defined benefit superannuation plans		**(278.7)**	(4.9)
Income tax (expense) benefit on items of other comprehensive income	8	**59.0**	3.4
Other comprehensive loss for the year		**(167.4)**	(232.8)
Total comprehensive loss for the year		**(1,195.3)**	(1,273.2)
Profit (loss) is attributable to:			
Owners of BlueScope Steel Limited		**(1,043.5)**	(1,054.2)
Non-controlling interests		**15.6**	13.8
		(1,027.9)	(1,040.4)
Total comprehensive loss for the year is attributable to:			
Owners of BlueScope Steel Limited		**(1,212.5)**	(1,272.1)
Non-controlling interests		**17.2**	(1.1)
		(1,195.3)	(1,273.2)
		Cents	Cents
Earnings per share for profit (loss) from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share	14	**(39.0)**	(48.8)
Diluted earnings per share	14	**(39.0)**	(48.8)
Earnings per share for profit (loss) attributable to the ordinary equity holders of the Company			
Basic earnings per share	14	**(39.1)**	(48.6)
Diluted earnings per share	14	**(39.1)**	(48.6)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

BlueScope Steel Limited
Statement of financial position
As at 30 June 2012

	Consolidated 2012 $M	Consolidated 2011 $M
ASSETS		
Current assets		
Cash and cash equivalents	**214.5**	172.2
Receivables	**952.9**	1,026.8
Inventories	**1,337.4**	1,947.4
Intangible assets	**5.6**	18.2
Other	**56.7**	57.5
Total current assets	**2,567.1**	3,222.1
Non-current assets		
Receivables	**42.2**	22.7
Inventories	**71.6**	81.4
Investments accounted for using the equity method	**117.1**	142.0
Property, plant and equipment	**3,295.6**	3,500.6
Deferred tax assets	**189.0**	160.8
Intangible assets	**448.3**	660.7
Other	**2.6**	2.7
Total non-current assets	**4,166.4**	4,570.9
Total assets	**6,733.5**	7,793.0
LIABILITIES		
Current liabilities		
Payables	**1,049.1**	1,156.6
Borrowings	**144.9**	165.7
Current tax liabilities	**72.7**	23.1
Provisions	**416.2**	399.3
Deferred income	**117.6**	133.5
Derivative financial instruments	**1.7**	-
Total current liabilities	**1,802.2**	1,878.2
Non-current liabilities		
Payables	**7.5**	6.9
Borrowings	**453.5**	1,074.2
Deferred tax liabilities	**18.7**	69.1
Provisions	**236.7**	193.5
Retirement benefit obligations	**432.0**	170.7
Deferred income	**4.1**	4.3
Total non-current liabilities	**1,152.5**	1,518.7
Total liabilities	**2,954.7**	3,396.9
Net assets	**3,778.8**	4,396.1
EQUITY		
Contributed equity	**4,650.1**	4,073.8
Reserves	**(267.0)**	(324.8)
Retained profits (loss)	**(703.8)**	559.8
Parent entity interest	**3,679.3**	4,308.8
Non-controlling interest	**99.5**	87.3
Total equity	**3,778.8**	4,396.1

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated - 30 June 2012	Notes	Contributed equity $M	Reserves $M	Retained earnings $M	Non-controlling interests $M	Total $M
Balance at 1 July 2011		**4,073.8**	**(324.8)**	**559.8**	**87.3**	**4,396.1**
Profit (loss) for the period		-	-	(1,043.5)	15.6	(1,027.9)
Other comprehensive income (loss)		-	51.4	(220.4)	1.6	(167.4)
Total comprehensive loss for the year		**-**	**51.4**	**(1,263.9)**	**17.2**	**(1,195.3)**
Transactions with owners in their capacity as owners:						
Shares issued						
-General Employee Share Plan		0.2	(0.3)	-	-	(0.1)
-Share Plan Retention awards		11.3	-	-	-	11.3
-Capital raisings	11	600.0	-	-	-	600.0
Transaction costs on share issues	11	(23.9)	-	-	-	(23.9)
Share-based payment expense		-	7.0	-	-	7.0
Dividends declared		-	-	-	(5.0)	(5.0)
Treasury shares		(11.3)	-	-	-	(11.3)
Other		-	(0.3)	0.3	-	-
		576.3	6.4	0.3	(5.0)	578.0
Balance at 30 June 2012		**4,650.1**	**(267.0)**	**(703.8)**	**99.5**	**3,778.8**

Consolidated - 30 June 2011	Contributed equity $M	Reserves $M	Retained earnings $M	Non-controlling interests $M	Total $M
Balance at 1 July 2010	**4,032.4**	**(118.4)**	**1,747.3**	**94.4**	**5,755.7**
Profit (loss) for the period	-	-	(1,054.2)	13.8	(1,040.4)
Other comprehensive income (loss)	-	(212.6)	(5.3)	(14.9)	(232.8)
Total comprehensive loss for the year	**-**	**(212.6)**	**(1,059.5)**	**(1.1)**	**(1,273.2)**
Transactions with owners in their capacity as owners:					
Shares issued					
-Dividend Reinvestment Plan	41.3	-	-	-	41.3
-General Employee Share Plan	0.3	(0.3)	-	-	-
-Exercise of share rights	-	-	-	-	-
Transaction costs on share issues	(0.3)	-	-	-	(0.3)
Share-based payment expense	-	6.6	-	-	6.6
Dividends declared	-	-	(128.0)	(6.0)	(134.0)
Tax credits recognised directly in equity	0.1	-	-	-	0.1
Other	-	(0.1)	-	-	(0.1)
	41.4	6.2	(128.0)	(6.0)	(86.4)
Balance at 30 June 2011	**4,073.8**	**(324.8)**	**559.8**	**87.3**	**4,396.1**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

BlueScope Steel Limited
Statement of cash flows
For the year ended 30 June 2012

	Notes	Consolidated 2012 $M	2011 $M
Cash flows from operating activities			
Receipts from customers		**9,032.3**	9,616.9
Payments to suppliers and employees		**(8,776.7)**	(9,630.1)
		255.6	(13.2)
Associate dividends received		**4.9**	3.3
Joint venture partnership distributions received		**78.5**	131.9
Interest received		**3.2**	7.2
Other revenue		**15.9**	19.9
STP Government grant	6	**100.0**	-
Finance costs paid		**(109.2)**	(108.3)
Income taxes (paid) received		**(81.5)**	(12.5)
Net cash (outflow) inflow from operating activities		**267.4**	28.3
Cash flows from investing activities			
Payments for property, plant and equipment		**(215.5)**	(387.2)
Payments for intangibles		**(14.0)**	(14.8)
Payments for investments in joint venture partnerships		**(7.0)**	(1.7)
Payments for investments in business assets		**-**	(0.4)
Proceeds from sale of property, plant and equipment		**11.8**	31.9
Proceeds from sale of subsidiary, net of cash disposed		**140.0**	-
Repayment of loans by related parties		**5.0**	5.7
Net cash (outflow) inflow from investing activities		**(79.7)**	(366.5)
Cash flows from financing activities			
Proceeds from issues of shares	11	**600.0**	-
Capital share raising costs	11	**(23.9)**	(0.3)
Proceeds from borrowings		**10,720.9**	9,347.5
Repayment of borrowings		**(11,440.2)**	(8,981.5)
Dividends paid to Company's shareholders	10(d)	**-**	(86.7)
Dividends paid to minority interests in subsidiaries		**(5.0)**	(6.0)
Net cash inflow (outflow) from financing activities		**(148.2)**	273.0
Net increase (decrease) in cash and cash equivalents		**39.5**	(65.2)
Cash and cash equivalents at the beginning of the financial year		**171.2**	249.3
Effects of exchange rate changes on cash and cash equivalents		**1.9**	(12.9)
Cash and cash equivalents at end of financial year		**212.6**	171.2
Non-cash investing and financing activities	13		

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

Contents of the notes to the consolidated financial statements

1 Basis of preparation of the concise financial report

The concise financial report relates to the consolidated entity consisting of BlueScope Steel Limited and the entities it controlled at the end of or during the year end 30 June 2012. The accounting policies adopted have been consistently applied to all years presented.

The full financial report on which this concise financial report is based complies with the Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). This concise financial report has been prepared in accordance with the *Corporations Act 2011* and *Accounting Standard 1039 Concise Financial Reports.*

The concise financial report is an extract from the full financial report for the year ended 30 June 2012. The concise financial report cannot be expected to provide as full understanding of the financial performance, financial position and financing and investing activities as the full financial report. Further financial information can be obtained from the full financial report.

Presentation Currency

The presentation currency used in this concise financial report is Australian Dollars.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars.

2 Corporate information

The financial report of BlueScope Steel Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 20 August 2012.

BlueScope Steel Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The registered office of the Company is Level 11, 120 Collins Street, Melbourne, Victoria, Australia 3000.

The nature of the operations and principal activities of the Group are described in note 4 and the directors' report.

3 Full Financial report

Further financial information can be obtained from the full financial report which is available from the Company, free of charge, on request. A copy may be requested by contacting the Company's share registrar whose details appear in the Corporate Directory. Alternatively, the full financial report can be accessed via the internet at www.bluescopesteel.com.

4 Segment information

(a) Description of segments

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

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

Australia Distribution & Solutions
Australia Distribution & Solutions contains a network of service centres and distribution sites from which it forms a key supplier to the Australian building and construction industry, automotive sector, major white goods manufacturers and general manufacturers. The operating segment also holds the Lysaght steel solutions business, providing a range of LYSAGHT® branded products to the building and construction sector and BlueScope's water business containing rain storage tank solutions.

New Zealand & Pacific Steel Products
The New Zealand Steel operation at Glenbrook, New Zealand, produces a full range of flat steel products for both domestic and export markets. It has an annual production capacity of approximately 0.6 million tonnes. The segment also includes facilities in New Caledonia, Fiji and Vanuatu, which manufacture and distribute the LYSAGHT® range of products.

Coated & Building Products Asia
Coated & Building Products Asia manufactures and distributes a range of metallic coated, painted steel products and pre engineered steel building systems primarily to the building and construction industry and to some sections of the manufacturing industry across Asia.

Hot Rolled Products North America
Hot Rolled Products North America includes a 50% interest in the North Star BlueScope Steel joint venture, a steel mini mill in the United States and a 47.5% shareholding in Castrip LLC.

Coated & Building Products North America
Coated & Building Products North America includes the North American Buildings Group, which designs, manufactures and markets pre engineered steel buildings and component systems; Steelscape, producer of metal coated and painted steel coils and ASC Profiles, manufacturer of building components including architectural roof and wall systems and structural roof and decking.

Geographical information
The Group's geographical regions are determined based on the location of markets and customers. The Group operates in four main geographical regions being Australia, New Zealand, Asia and North America.

4 Segment information (continued)

(b) Reportable segments

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 June 2012 is as follows:

30 June 2012	Coated & Industrial Products Australia $M	Australia Distribution & Solutions $M	New Zealand & Pacific Steel Products $M	Coated & Building Products Asia $M	Hot Rolled Products North America $M	Coated & Building Products North America $M	Discontinued Operations $M	Total $M
Total segment sales revenue	4,279.6	1,612.4	755.0	1,625.8	-	1,257.5	164.1	9,694.4
Intersegment revenue	(897.7)	(1.7)	(125.9)	(15.0)	-	(36.4)	(15.0)	(1,091.7)
Revenue from external customers	**3,381.9**	**1,610.7**	**629.1**	**1,610.8**	**-**	**1,221.1**	**149.1**	**8,602.7**
Segment EBIT	**(725.8)**	**(259.7)**	**64.7**	**101.9**	**62.2**	**(24.4)**	**38.5**	**(742.6)**
Depreciation and amortisation	176.8	23.2	44.6	46.4	-	29.6	7.6	328.2
Impairment (write-back) of non-current assets	136.0	178.9	-	0.1	1.4	3.5	-	319.9
Share of profit (loss) from associates and joint venture partnerships	-	-	3.1	(14.3)	63.9	0.5	-	53.2
Total segment assets	**3,037.4**	**691.0**	**647.0**	**1,127.1**	**72.9**	**839.1**	**0.2**	**6,414.7**
Total assets includes:								
Investments in associates and joint venture partnerships	-	2.8	6.8	33.9	72.6	1.0	-	117.1
Additions to non-current assets (other than financial assets and deferred tax)	116.6	8.8	82.1	48.4	-	16.8	2.9	275.6
Total segment liabilities	**1,034.0**	**308.5**	**350.8**	**335.3**	**-**	**303.1**	**3.9**	**2,335.6**

30 June 2011	Coated & Industrial Products Australia $M	Australia Distribution & Solutions $M	New Zealand & Pacific Steel Products $M	Coated & Building Products Asia $M	Hot Rolled Products North America $M	Coated & Building Products North America $M	Discontinued Operations $M	Total $M
Total segment sales revenue	5,193.0	1,675.4	672.1	1,486.8	-	1,197.1	159.4	10,383.8
Intersegment revenue	(1,084.2)	(3.5)	(122.8)	(6.2)	-	(38.5)	(16.2)	(1,271.4)
Revenue from external customers	**4,108.8**	**1,671.9**	**549.3**	**1,480.6**	**-**	**1,158.6**	**143.2**	**9,112.4**
Segment EBIT	**(1,062.5)**	**(217.9)**	**82.5**	**175.6**	**72.3**	**(42.1)**	**8.0**	**(984.1)**
Depreciation and amortisation	201.9	31.1	39.3	42.3	-	39.3	-	353.9
Impairment (write-back) of non-current assets	797.3	179.1	-	(67.8)	1.7	15.6	(1.0)	924.9
Share of profit (loss) from associates and joint venture partnerships	-	-	2.9	(4.1)	74.3	0.2	-	73.3
Total segment assets	**3,837.5**	**994.4**	**623.0**	**1,132.2**	**82.3**	**833.4**	**119.3**	**7,622.1**
Total assets includes:								
Investments in associates and joint venture partnerships	-	2.9	8.0	49.2	81.0	0.9	-	142.0
Additions to non-current assets (other than financial assets and deferred tax)	253.0	36.1	85.1	60.4	-	19.8	-	454.4
Total segment liabilities	**1,083.3**	**310.6**	**217.5**	**318.1**	**-**	**242.1**	**26.1**	**2,197.7**

4 Segment information (continued)

(c) Geographical information

	Segment revenues from sales to external customers		Non-current assets	
	2012 $M	2011 $M	**2012 $M**	2011 $M
Australia	**3,924.0**	4,006.7	**2,275.2**	2,664.3
New Zealand	**407.1**	336.0	**412.8**	372.9
Asia	**1,934.4**	2,482.9	**651.2**	641.7
North America	**1,760.2**	1,525.5	**613.7**	727.1
Other	**577.0**	761.3	**3.3**	4.1
	8,602.7	9,112.4	**3,956.2**	4,410.1

Segment revenues are allocated based on the country in which the customer is located.

Segment non-current assets exclude deferred tax assets and are allocated based on where the assets are located.

(d) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in a manner consistent with that in the statement of comprehensive income.

Segment revenue reconciles to total revenue from continuing operations as follows:

	Notes	Consolidated **2012 $M**	2011 $M
Total segment revenue		**9,694.4**	10,383.8
Intersegment eliminations		**(1,091.7)**	(1,271.4)
Revenue attributable to discontinued operations	9	**(149.1)**	(143.2)
Other revenue	5	**18.9**	22.1
Total revenue from continuing operations		**8,472.5**	8,991.3

(ii) Segment EBIT

Performance of the operating segments is based on EBIT. This measurement basis excludes the effects of interest and taxes. Interest income and expense are not allocated to segments, as this type of activity is driven by the centralised treasury function, which manages the cash position of the Group.

A reconciliation of total segment EBIT to operating profit before income tax is provided as follows:

	Consolidated **2012 $M**	2011 $M
Total segment EBIT	**(742.6)**	(984.1)
Intersegment eliminations	**3.1**	15.6
Interest income	**3.1**	7.1
Finance costs	**(120.4)**	(106.0)
EBIT (gain) loss attributable to discontinued operations	**(38.5)**	(8.0)
Corporate operations	**(80.8)**	(74.6)
Profit (loss) before income tax from continuing operations	**(976.1)**	(1,150.0)

4 Segment information (continued)

(iii) Segment assets
Segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Cash is not considered to be a segment asset as it is managed by the Group's centralised treasury function.

As the segment information is focused on EBIT, deferred tax assets, which by their nature do not contribute towards EBIT, are not allocated to operating segments.

Reportable segment assets are reconciled to total assets as follows:

	Consolidated	
	2012	2011
	$M	$M
Segment assets	**6,414.7**	7,622.1
Intersegment eliminations	**(128.4)**	(191.9)
Unallocated:		
Deferred tax assets	**189.0**	160.8
Cash	**214.5**	172.2
Corporate operations	**15.6**	29.8
Tax receivables	**28.1**	-
Total assets as per the statement of financial position	**6,733.5**	7,793.0

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

Liabilities arising from borrowing and funding initiatives are not considered to be segment liabilities due to these being managed by the Group's centralised treasury function. As the segment information is focused on EBIT, tax liabilities, which by their nature do not impact EBIT, are not allocated to operating segments.

Reportable segment liabilities are reconciled to total liabilities as follows:

	Consolidated	
	2012	2011
	$M	$M
Segment liabilities	**2,335.6**	2,197.7
Intersegment eliminations	**(119.2)**	(179.3)
Unallocated:		
Current borrowings	**144.9**	165.7
Non-current borrowings	**453.5**	1,074.2
Current tax liabilities	**72.7**	23.1
Deferred tax liabilities	**18.7**	69.1
Accrued borrowing costs payable	**11.2**	11.0
Corporate operations	**37.3**	35.4
Total liabilities as per the statement of financial position	**2,954.7**	3,396.9

5 Revenue

	Notes	Consolidated 2012 $M	2011 $M
Revenue from operating activities			
Sales revenue			
Sale of goods		**8,428.4**	8,947.2
Services		**25.2**	22.0
Total sales revenue		**8,453.6**	8,969.2
Other revenue			
Interest external		**2.9**	5.9
Interest related parties		**0.2**	1.2
Royalties external		**1.6**	1.6
Rental external		**5.3**	5.3
Other		**8.9**	8.1
Total other revenue		**18.9**	22.1
Total revenue from ordinary activities		**8,472.5**	8,991.3
From discontinued operations			
Sales revenue		**164.1**	159.4
Intersegment eliminations		**(15.0)**	(16.2)
Total revenue from discontinued operations	9	**149.1**	143.2

6 Other income

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

	Consolidated 2012 $M	2011 $M
STP Government grant	**100.0**	-

Steel Transformation Plan Government grant
A $100M advance payment under the Federal Government Steel Transformation Plan (STP) was received on 13 January 2012. The STP was established to encourage investment, innovation and competitiveness in the Australian steel manufacturing industry. In accordance with the Company's accounting policy on accounting for Government grants (refer to note 1(h) of the full financial statements), the $100M STP advance payment has been recognised as income in line with the related costs which it is intended to compensate.

7 Expenses

	Consolidated	
	2012	2011
	$M	$M
Loss before income tax includes the following specific expenses for continuing operations:		
Restructure provision expense (a)	**403.6**	1.7
Impairment of non-current assets		
CGU goodwill (i)	**174.3**	261.4
Coated & Industrial Products Australia PP&E (ii)	**136.0**	728.7
Australia Distribution & Solutions PP&E and other intangibles (iii)	**4.7**	1.9
BlueScope Buildings North America (iv)	**3.5**	-
Castrip joint venture	**1.4**	1.7
Reversal of impairment loss	**-**	(67.8)
Total impairment of non-current assets	**319.9**	925.9

(a) Restructuring costs

The current year restructuring costs includes $365.7M for incurred and estimated future costs arising from the closure of the No.6 Blast furnace at Port Kembla and other equipment to reflect the reduced ironmaking capacity, as announced to the market on 22 August 2011. The remaining current year restructuring costs relates to Coated & Buildings North America and Australia Distribution & Solutions segments.

Current period impairment losses

The Group tests for impairment and measures recoverable amount based on value in use based on the discounted future cash flows derived from continued use of assets. Refer to note 4 of the full financial report for the testing methodology and details of assumptions, including discount rates used. Impairment losses are included in the line item 'impairment of non current assets' in the profit or loss.

(i) Goodwill impairment charges
At 30 June 2012, a total of $174.3M of goodwill impairments were recognised. The goodwill impairments were recorded against BlueScope Distribution ($156.8M), Lysaght Australia ($10.0M) and BlueScope Water ($7.5M) due to a slower than previously expected recovery in Australian domestic demand.

(ii) Coated and Industrial Products Australia
Property, plant and equipment totalling $136.0M has been impaired as a result of a slower than previously expected recovery in Australian domestic demand, and an increase in the discount rate being been applied to expected future cash flows due to increased volatility in equity markets.

(iii) Australia Distribution & Solutions
Property, plant and equipment and other intangibles totalling $4.7M have been impaired as a result of business restructuring in Australia Distribution, BlueScope Buildings and BlueScope Water.

(iv) BlueScope Buildings North America
Property, plant and equipment totalling $3.5M has been impaired as a result of further plant restructuring to align BlueScope Buildings North America production capacity with market demand.

7 Expenses (continued)

Prior period impairment losses and reversals

Goodwill impairment charges
At 30 June 2011, a total of $184.4M of goodwill impairments were recognised. The goodwill impairments were recorded against Coated and Industrial Products ($68.6M) due to macroeconomic factors including the strength of the AUD:USD, low spread (selling price less raw material cost) and low domestic demand, BlueScope Distribution ($100.2M) due to the strength of the AUD:USD which improved the affordability of imports resulting in margin compression and Steelscape ($15.6M) due to to a reduction in forecast margins.

At 31 December 2010, the Australia Distribution & Solutions segment impaired $77.0M of goodwill in relation to its Distribution business acquired from Smorgon Steel in August 2007. The impairment was due to a revised medium term outlook influenced by reduced market demand and increased import competition driving margins lower.

Coated and Industrial Products Australia (CIPA)
At 30 June 2011, a total of $728.7M of property, plant and equipment impairments were recorded against CIPA assets due to macroeconomic factors including the strength of the AUD:USD, low spread (selling price less raw material cost) and low domestic demand. The BlueScope Water business, included in the Australia Distribution & Solutions segment, impaired $1.8M of property, plant and equipment due to restructuring of the business.

A deferred tax asset of $218.6M was not recognised on the $728.7M write down of CIPA property, plant and equipment due to the existence of significant tax losses in the Australian tax consolidated Group.

Australia Distribution & Solutions
The BlueScope Water business, impaired $1.8M of property, plant and equipment due to restructuring of the business and $0.1M in other intangibles due to restructuring of the business.

Reversal China coating line and Packaging Products
The Coated & Building Products Asia segment has partially reversed impairments previously recognised for plant and equipment at the metallic coating and painting facility in Suzhou, China. Previously booked impairment losses have been reversed to the extent of $67.8M following the material improvement in financial performance and positive outlook of the business.

8 Income tax expense

(a) Income tax expense (benefit)

	Consolidated	
	2012 $M	2011 $M
Current tax	**105.0**	29.1
Deferred tax	**(19.1)**	(126.2)
Adjustments for current tax of prior periods	**4.8**	(4.1)
	90.7	(101.2)
Income tax expense (benefit) is attributable to:		
Profit (loss) from continuing operations	**50.2**	(103.9)
Profit (loss) from discontinued operations	**40.5**	2.7
Aggregate income tax expense	**90.7**	(101.2)
Deferred income tax (benefit) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets	**2.6**	(65.5)
(Decrease) increase in deferred tax liabilities	**(22.4)**	(64.6)
Investments in subsidiaries	**0.7**	3.9
	(19.1)	(126.2)

8 Income tax expense (continued)

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

	Notes	Consolidated 2012 $M	2011 $M
Loss from continuing operations before income tax expense		**(976.1)**	(1,150.0)
Profit from discontinuing operations before income tax expense	9	**38.9**	8.4
		(937.2)	(1,141.6)
Tax at the Australian tax rate of 30.0% (2011 - 30.0%)		**(281.2)**	(342.5)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Depreciation and amortisation		**0.6**	0.6
Manufacturing credits		**(2.6)**	(1.4)
Research and development incentive		**(7.3)**	(9.3)
Withholding tax		**3.3**	2.5
Non-taxable (gains) losses		**(5.1)**	(5.7)
Disposal of subsidiary		**25.6**	-
Goodwill impairment		**52.3**	78.4
Share of net profits (losses) of associates		**3.5**	0.4
Entertainment		**1.1**	1.3
Share-based payments		**2.4**	2.0
Sundry items		**5.0**	5.5
		(202.4)	(268.2)
Difference in overseas tax rates		**(5.2)**	(12.4)
Adjustments for current tax of prior periods		**4.8**	(4.1)
Temporary differences and tax losses not recognised		**312.3**	220.4
Deferred tax restatement for New Zealand tax rate change		**-**	(0.2)
Previously unrecognised tax losses and temporary differences now recognised		**(15.3)**	(32.2)
Previously unrecognised tax losses now recouped to reduce current tax expense		**(4.7)**	(4.5)
Previously recognised tax losses now derecognised		**1.2**	-
Income tax expense (benefit)		**90.7**	(101.2)

(c) Amounts recognised directly in equity

	Consolidated 2012 $M	2011 $M
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited (credited) to equity		
Net deferred tax - credit recognised directly in equity	**-**	0.1
	-	0.1

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

	2012 $M	2011 $M
Cash flow hedges	**-**	0.1
Actuarial gain/(loss) on defined benefit superannuation plans	**(58.3)**	0.4
Net (gain) loss on investments in subsidiaries	**(0.7)**	(3.9)
Total income tax expense (benefit) on items of other comprehensive income	**(59.0)**	(3.4)

(e) Tax losses

	2012 $M	2011 $M
Unused tax losses for which no deferred tax asset has been recognised	**1,013.5**	95.7
Potential tax benefit	**295.1**	18.8

8 Income tax expense (continued)

As at 30 June 2012, $296.0M of Australian deferred tax assets generated during the period, mainly in relation to export losses and restructure costs, have been impaired with $27.7M of this amount recognised directly against retained earnings due to actuarial losses from the Australian Defined Benefit Superannuation Plan. Australian Accounting Standards impose a stringent test for the recognition of a deferred tax asset arising from unused tax losses where there is a history of recent tax losses. The Company has deferred the recognition of any further tax asset for the Australian tax group until a return to taxable profits has been demonstrated. Australian tax losses are able to be carried forward indefinitely.

The Group also has unrecognised tax losses arising in Vietnam of $7.2M (2011: $19.6M) and China of $92.1M (2011: $57.5M) which are able to be offset against taxable profits within five years of being incurred. Other unrecognised tax losses can be carried forward indefinitely but can only be utilised in the same tax group in which they are generated.

Tax dispute
The Australian Taxation Office (ATO) has issued BSL with amended assessments in relation to a sale and leaseback transaction entered into by BSL in the 2007 income year (refer to note 12).

In accordance with ATO guidelines, BSL made a $21.2M part payment on 9 July 2012 pending determination of the dispute. Any amount paid will be fully refundable in the event that the matter is resolved in favour of BSL. As at 30 June 2012, this amount has been provided for in the income tax provision with a corresponding increase in non-current tax receivable.

(f) Unrecognised temporary differences

	Consolidated	
	2012 **$M**	2011 $M
Temporary difference relating to investment in subsidiaries for which deferred tax liabilities have not been recognised	**88.3**	133.6
Unrecognised deferred tax liabilities relating to the above temporary differences	**13.3**	17.2

Overseas subsidiaries have undistributed earnings, which, if paid out as dividends, would be subject to withholding tax. An assessable temporary difference exists, however no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from their subsidiaries and is not expected to distribute these profits in the foreseeable future.

Unrecognised deferred tax assets for the Group totalling $159.2M (2011: $290.2M) have not been recognised as they are not probable of realisation.

9 Discontinued operations

(a) Description

On 22 June 2012, the Group sold Metl-Span, its North American insulated metal panels business, to NCI Group Inc. As at 30 June 2012 the results of Metl-Span have been included as part of discontinued operations, with a retrospective change made to the comparative period results.

In June 2007, the Group closed its loss making tinplate manufacturing operation, which was the major component of its Packaging Products cash generating unit.

Following a series of construction contract losses in the financial year 2006, the Group closed down and sold the assets of its Lysaght Taiwan business.

The financial information for these operations identified as discontinued operations is set out below and is reported in this financial report as discontinued operations.

9 Discontinued operations (continued)

(b) Financial performance of discontinued operations

The results of discontinued operations are presented below.

	Consolidated							
	2012				2011			
	Metl-Span $M	**Packaging Products $M**	**Lysaght Taiwan $M**	**Total $M**	**Metl-Span $M**	**Packaging Products $M**	**Lysaght Taiwan $M**	**Total $M**
Revenue	**149.1**	**-**	**-**	**149.1**	143.2	-	-	143.2
Other income	**29.4**	**-**	**-**	**29.4**	-	-	-	-
Depreciation and amortisation	**(7.6)**	**-**	**-**	**(7.6)**	(7.9)	-	-	(7.9)
Other expenses excluding finance costs	**(131.6)**	**-**	**(0.4)**	**(132.0)**	(128.7)	-	0.7	(128.0)
Unutilised provisions written back	**-**	**-**	**-**	**-**	-	0.1	-	0.1
Impairment reversal (i)	**-**	**-**	**-**	**-**	-	1.0	-	1.0
Finance costs	**-**	**-**	**-**	**-**	-	-	-	-
Profit (loss) before income tax (ii)	**39.3**	**-**	**(0.4)**	**38.9**	6.6	1.1	0.7	8.4
Income tax (expense) benefit (ii)	**(40.4)**	**-**	**(0.1)**	**(40.5)**	(2.4)	(0.3)	-	(2.7)
Profit (loss) after income tax from discontinued operations	**(1.1)**	**-**	**(0.5)**	**(1.6)**	4.2	0.8	0.7	5.7

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

(i) *Reversal of impairment loss*
In the prior period, Packaging Products recognised an impairment reversal for $1M against property, plant and equipment after selling previously impaired assets.

(ii) Details on sale of Metl-Span
Included in the 2012 Metl-Span results is a $29.4M pre-tax disposal gain and a $37.2M tax disposal expense. Details of the 22 June 2012 sale are as follows:

	2012 $M
Cash consideration received	**146.2**
Consideration receivable	**0.4**
Selling expenses	**(6.2)**
Net disposal consideration	**140.4**
Carrying amount of net assets sold	**(99.9)**
Exchange loss transferred from foreign currency translation reserve	**(11.1)**
Gain on sale before income tax	**29.4**
Income tax expense	**37.2**
Loss on sale after income tax	**(7.8)**

9 Discontinued operations (continued)

(c) Cash flow information - discontinued operations

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

	Consolidated							
	2012				2011			
	Metl-Span $M	**Packaging $M**	**Lysaght Taiwan $M**	**Total $M**	**Metl-Span $M**	**Packaging $M**	**Lysaght Taiwan $M**	**Total $M**
Net cash inflow (outflow) from operating activities	**14.5**	**-**	**(0.6)**	**13.9**	10.6	(1.7)	0.4	9.3
Net cash inflow (outflow) from investing activities (i)	**137.0**	**-**	**-**	**137.0**	(1.8)	1.0	-	(0.8)
Net cash inflow (outflow) from financing activities	**-**	**-**	**-**	**-**	-	-	-	-
Net increase in cash generated by the operation	**151.5**	**-**	**(0.6)**	**150.9**	8.8	(0.7)	0.4	8.5

(i) The cash received from the sale of Metl-Span on 22 June 2012 is as follows:

	2012 $M
Cash consideration received	**146.2**
Selling expenses paid	**(1.5)**
Net cash received	**144.7**
Net cash disposed	**(4.7)**
Investing cash inflow	**140.0**

10 Dividends

(a) Ordinary shares

	Parent entity	
	2012 $M	2011 $M
In the comparative period, a final dividend of 5 cents per fully paid share was paid on 20 October 2010 in relation to the year ended 30 June 2010. There was no final dividend declared in relation to the year ended 30 June 2011.		
Final fully franked based on tax paid @ 30%	**-**	91.2
In the comparative period, an interim dividend of 2 cents per fully paid share was paid on 4 April 2011 in relation to the year ended 30 June 2011. There was no interim dividend declared for the year ended 30 June 2012.		
Final fully franked based on tax paid @ 30%	**-**	36.8
Total dividends provided for or paid	**-**	128.0

(b) Dividends not recognised at year-end

For the year ended 30 June 2012 the directors recommended that there will be no final dividend declared (June 2011: $Nil).

10 Dividends (continued)

(c) Franked dividends

	Parent entity	
	2012 $M	2011 $M
Actual franking account balance as at the reporting date	**72.1**	52.6
Franking credits available for subsequent financial years based on a tax rate of 30%	**72.1**	52.6

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits (debits) that will arise from the payment (receipt) of the amount of the provision for income tax;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

(d) Dividend cash flows

The total cash paid to shareholders in respect of dividends during the period is $Nil (2011: $86.7M) as presented in the statement of cash flows.

11 Contributed equity

Capital raising

On 22 November 2011, BlueScope Steel Limited announced a fully underwritten four-for-five accelerated renounceable entitlement offer with rights trading of new BlueScope Steel shares at an offer price of $0.40 per new share, which raised $600.0M ($576.1M, net of transaction costs). Refer to note 35 of the full financial report for further details.

12 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2012 in respect of:

(i) Outstanding legal matters

Outstanding legal matters	Consolidated	
	2012 $M	2011 $M
Contingencies for various legal disputes	**10.5**	1.0
	10.5	1.0

A range of outstanding legal matters exist that are contingent on court decisions, arbitration rulings and private negotiations to determine amounts required for settlement. It is not practical to provide disclosure requirements relating to each and every case.

In addition to the above contingencies, a supplier commenced legal proceedings seeking damages for alleged breaches of contract totalling approximately $16.5M, plus interest. The court held BlueScope Steel not liable for the damages claimed. The supplier has appealed the court's decision with the hearing set for October 2012.

12 Contingencies (continued)

Guarantees
In Australia, BlueScope Steel Limited has provided $139.6M (2011: $140.3M) in guarantees to various state workers compensation authorities as a prerequisite for self insurance. An amount, net of recoveries, of $99.1M (2011: $92.8M) has been recorded in the consolidated financial statements as recommended by independent actuarial advice.

Bank guarantees have been provided to customers in respect of the performance of goods and services supplied. Bank guarantees outstanding at 30 June 2012 totalled $46.1M (2011: $42.1M).

Associates and joint ventures
For contingent liabilities relating to associates and joint ventures refer to notes and respectively.

Taxation
The Australian Taxation Office (ATO) has issued BSL with amended assessments in relation to a sale and leaseback transaction entered into by BSL in the 2007 income year for the purpose of raising funding of approximately $270M in connection with its general business operations. The assessments are in respect of the 2007 and 2008 income tax years for a total amount of $174.2M, including penalties and interest of approximately $65M. These assessments are based on two alternative determinations by the ATO relating, firstly, to the assessment of the gain made on the sale of the equipment and, secondly, to the denial of the deduction for lease rentals paid to the new owner of the equipment.

If BSL is unsuccessful, BSL's maximum liability in relation to the first assessment would be approximately $140M (including penalties and interest of $53M) and BSL's maximum liability in relation to the second assessment (after appropriate compensatory adjustments) would be approximately $51M to $63M (including penalties and interest of $18M to $22M). BSL considers that these assessments involve mutually exclusive outcomes and that the real amount of tax in dispute relates to the second assessment.

BSL believes that its treatment of the transaction is correct and is supported by both the existing case law and the ATO's published ruling on sale and leaseback transactions. BSL will defend the assessments and pursue all necessary avenues of objection. However, resolution of this matter is likely to take some time. In accordance with ATO guidelines, BSL made a $21.2M part payment on 9 July 2012 pending determination of the dispute. Any amount paid will be fully refundable in the event that the matter is resolved in favour of BSL. As at 30 June 2012, this amount has been provided for in the income tax provision with a corresponding increase in non-current tax receivable.

In addition to this matter, the Group operates in many countries across the world, each with separate taxation authorities, which results in significant complexity. At any point in time there are tax computations which have been submitted but not agreed by those tax authorities and matters which are under discussion between Group companies and the tax authorities. The Group provides for the amount of tax it expects to pay taking into account those discussions and professional advice it has received. While conclusion of such matters may result in amendments to the original computations, the Group does not believe that such adjustments will have a material adverse effect on its financial position, although such adjustments may be significant to any individual year's income statement.

(b) Contingent assets

No assets have been booked in relation to the recovery of any of the following claims due to the inherent uncertainty surrounding these amounts:

- The Group has lodged a claim for the cumulation of workers compensation insurance recoveries on old 'pre demerger' policies. The insurance company's position is unclear and therefore recoveries remain uncertain.

13 Non-cash investing and financing activities

	Consolidated	
	2012	2011
	$M	$M
Acquisition of plant and equipment by means of finance leases (i)	**34.8**	56.0
Dividend Reinvestment Plan (ii)	**-**	41.3
	34.8	97.3

(i) New Zealand entered into a finance lease agreement of USD 34.2M for the use of equipment associated with the transport of iron sands.

(ii) There were no dividends paid in the current period. In the comparative period, the Company had a formal Dividend Reinvestment Plan (DRP) in relation to the June 2010 final dividend, enabling participating shareholders to receive dividends as ordinary BlueScope Steel Limited shares instead of cash. A total of 18,839,253 shares were issued under the DRP connected to the June 2010 final dividend. There was no DRP attached to the December 2010 interim dividend.

14 Earnings per share

(a) Basic earnings (loss) per share

	Consolidated	
	2012	2011
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(39.0)**	(48.8)
From discontinued operations	**(0.1)**	0.2
Total basic earnings (loss) per share attributable to the ordinary equity holders of the Company	**(39.1)**	(48.6)

(b) Diluted earnings per share

	Consolidated	
	2012	2011
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(39.0)**	(48.8)
From discontinued operations	**(0.1)**	0.2
Total diluted earnings (loss) per share attributable to the ordinary equity holders of the Company	**(39.1)**	(48.6)

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

	Consolidated	
	2012	2011
	$M	$M
Basic and diluted earnings per share		
Profit (loss) attributable to the ordinary equity holders of the Group used in calculating basic earnings per share:		
From continuing operations	**(1,041.9)**	(1,059.9)
From discontinued operation	**(1.6)**	5.7
	(1,043.5)	(1,054.2)

14 Earnings per share (continued)

(d) Weighted average number of shares used as denominator

	Consolidated	
	2012 Number	2011 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**2,668,690,595**	2,171,250,627
Adjustments for calculation of diluted earnings per share:		
Weighted average number of share rights	**-**	8,294
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**2,668,690,595**	2,171,258,921

(e) Earnings per share restated

In accordance with AASB 133 Earnings per Share, the comparative earnings per share calculations have been restated for the bonus element of the four-for-five share rights issue undertaken in December 2011. The previously reported June 2011 weighted average number of shares has been adjusted by a factor of 1.1823 being the market price of one ordinary share at the close of the last day at which the shares traded together with the rights $0.61, divided by the theoretical exrights value per share of $0.52.

(f) Information on the classification of securities

(i) *Basic earnings per share*
Basic earnings per share is calculated by dividing net profit (loss) attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

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

Share rights granted to eligible senior managers under the Long Term Incentive Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are expected to vest based on current TSR (Total Shareholder Return) ranking as per the 30 June 2012 Remuneration Report. Details relating to the share rights are set out in note 50 of the full financial report.

There are 61,631,740 share rights relating to the 2007, 2008, 2009, 2010 and 2012 LTIPs that are not included in the calculation of diluted earnings per share because they are not dilutive for the year ended 30 June 2012. These share rights could potentially dilute basic earnings per share in the future.

15 Events occurring after balance date

(i) New segments
BlueScope Steel Limited has announced a reorganisation to establish two businesses to focus on growth in the global pre-engineered building market and building products market to take effect on 1 July 2012. As a result of these changes, on 26 July 2012, the Company announced changes to its external reporting segments.

- BlueScope Global Building Solutions comprises the Company's North American pre-engineered buildings (PEB) businesses, the entire China business and all PEB businesses in ASEAN.

- BlueScope Building Products comprises the Company's metal coating, painting and roll-forming businesses in ASEAN and North America.

15 Events occurring after balance date (continued)

Mr Bob Moore, BlueScope's President, China and a member of the Executive Leadership Team (ELT), will become Chief Executive Global Building Solutions leading more than 5,000 employees across 21 manufacturing plants in eight countries. Mr Sanjay Dayal, Chief Executive BlueScope Asia and a member of the ELT will take on a new role as Chief Executive Building Products with additional responsibility for the North American Steelscape and ASC Profiles businesses, leading 3,300 employees at 29 manufacturing plants in seven countries.

These reporting segement changes will be applied in respect of the half-year ending 31 December 2012 and thereafter.

(ii) BlueScope Steel and Nippon Steel Joint Venture
As announced to the market on 13 August 2012, BlueScope and Nippon Steel Corporation (NSC) have agreed to form a new joint venture encompassing BlueScope's ASEAN and North American building products businesses.

The new 50:50 joint venture, called NS BlueScope Coated Products, provides a strong platform to capture expected growth in the $40 billion per annum building and construction sector in ASEAN and North America. The JV will facilitate entry into new markets not currently accessible to BlueScope. For example, the JV will supply whitegoods manufacturers offering products to Asia's fast growing middle class. The JV will also speed up entry into emerging markets in the ASEAN region.

NSC's investment recognises an agreed enterprise valuation for the JV of US$1.36 billion. BlueScope will receive approximately US$540 million in net proceeds through NSC's 50% acquisition of BlueScope's interest in the businesses after allowing for taxes, minority interests and transaction costs. BlueScope will continue to control and consolidate the business for financial reporting purposes. The cash consideration received from NSC will be recognised within equity, therefore no gain or loss on this transaction will be recorded in the income statement.

The joint venture will comprise BlueScope's current building products businesses in ASEAN (Indonesia, Malaysia, Thailand, Vietnam, Singapore and Brunei) and North America (Steelscape and ASC Profiles). The footprint of this business also covers Myanmar, Cambodia, Laos and the Philippines.

NSC and BlueScope will each hold 50 per cent of a new joint venture company, headquartered in Singapore. BlueScope will appoint the Chief Executive of NS BlueScope Coated Products. NSC will appoint the Chairman and a number of key executives to assist with business development and the introduction of new technology and products. The transaction is expected to complete in the March 2013 quarter, once regulatory approvals have been obtained.

The JV does not include BlueScope's building products businesses in Australia, China and India, or its Global Building Solutions business that operates across the world (including in ASEAN countries).

(iii) US private placement repurchase
On 7 August 2012, the Company repurchased a further US$88.2M of its US Private Placement Notes (subsequent to the repurchase of US$305.4M in May 2012) at par, plus accrued interest. The repurchase has been funded in US dollars using existing undrawn lines under the Company's syndicated bank facility. No early redemption or make-whole costs were incurred by BlueScope in effecting the repurchase, and based on the Company's drawn debt balance at 30 June 2012, the US$88.2M repurchase is expected to realise a pro-forma reduction in the Company's annual interest expense of approximately A$6M per annum.

(iv) Changes to Malaysia minority interests
On 16 August 2012, the Company acquired the 40% interest of the BlueScope Steel Malaysia business that it did not own.

Directors' declaration

The directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2012 as set out in pages 1 to 23 complies with Accounting Standard AASB 1039 *Concise Financial Reports.*

The concise financial report is an extract from the full financial report for the year ended 30 June 2012. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which is available on request.

This declaration is made in accordance with a resolution of the directors.

G J Kraehe, AO
Chairman

P F O'Malley
Managing Director & CEO

Melbourne
20 August 2012

AUDITOR'S REPORT

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Independent auditor's report to the members of BlueScope Steel Limited

Report on the Concise Financial Report

We have audited the accompanying concise financial report of BlueScope Steel Limited which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and related notes, derived from the audited financial report of BlueScope Steel Limited for the year ended 30 June 2012. The concise financial report also includes the directors' declaration. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' Responsibility for the Concise Financial Report

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*, and for such internal controls as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of BlueScope Steel Limited for the year ended 30 June 2012. We expressed an unmodified audit opinion on the financial report in our report dated 20 August 2012. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with AASB 1039 *Concise Financial Reports*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion, the concise financial report and the directors' declaration of BlueScope Steel Limited for the year ended 30 June 2012 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Report on the Remuneration Report

The following paragraphs are copied from our Report on the Remuneration Report for the year ended 30 June 2012.

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of BlueScope Steel Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Rodney Piltz
Partner
Melbourne
20 August 2012

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

As at 13 August 2012

Distribution Schedule

Range	No. of Holders	No. of shares	% of Issued Capital
1 to 1,000	74,978	32,309,894	0.96
1,001 to 5,000	55,789	136,129,801	4.06
5,001 to 10,000	16,209	118,778,028	3.55
10,001 to 50,000	14,971	308,530,785	9.21
50,001 to 100,000	1,548	109,699,570	3.28
100,001 and Over	997	2,643,737,169	78.94
Total	**164,492**	**3,349,185,247**	**100.00**

The number of shareholders holding less than a marketable parcel of 1,429 securities ($0.3501 on 13/08/2012) is 87,437 and they hold 47,147,279 shares.

Twenty Largest Registered Shareholders

Rank	Name of shareholder	Total Units	% Issued Capital
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	538,492,229	16.08%
2	NATIONAL NOMINEES LIMITED	520,935,825	15.55%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	503,916,874	15.05%
4	CITICORP NOMINEES PTY LIMITED	357,546,050	10.68%
5	BNP PARIBAS NOMS PTY LTD	139,702,332	4.17%
6	CITICORP NOMINEES PTY LIMITED	94,262,038	2.81%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	43,593,681	1.30%
8	JP MORGAN NOMINEES AUSTRALIA LIMITED	42,669,965	1.27%
9	QUEENSLAND INVESTMENT CORPORATION	16,308,020	0.49%
10	AMP LIFE LIMITED	14,180,882	0.42%
11	PACIFIC CUSTODIANS PTY LIMITED	10,122,041	0.30%
12	SHARE DIRECT NOMINEES PTY LTD	10,000,000	0.30%
13	IQ RENTAL & FINANCE PTY LTD	9,000,004	0.27%
14	BOND STREET CUSTODIANS LIMITED	8,101,661	0.24%
15	Y S CHAINS PTY LTD	7,900,000	0.24%
16	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	7,707,888	0.23%
17	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	7,163,039	0.21%
18	BLUESCOPE STEEL EMPLOYEE SHARE PLAN PTY LTD	6,935,600	0.21%
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	6,893,351	0.21%
20	BNP PARIBAS NOMS PTY LTD	4,181,500	0.12%
	TOTAL	**2,349,612,980**	**70.15%**
	Balance of Register	**999,572,267**	**29.85%**
	Grand TOTAL	**3,349,185,247**	**100.00%**

Substantial Shareholders

As at 13 August 2012, BlueScope Steel has been notified of the following substantial shareholdings:

Name	Number of securities held
IOOF Holdings Limited	176,057,173
Government of Singapore Investment Corporation Pte Ltd	172,628,663
Commonwealth Bank of Australia	169,973,347

Voting Rights for Ordinary Shares

The Constitution provides for votes to be cast:

(a) on a show of hands, one vote for each shareholder; and

(b) on a poll, one vote for each fully paid share.

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