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OUR BOND RECOGNISES OUR EMPLOYEES AS THE STRENGTH OF OUR COMPANY. BLUESCOPE STEEL’S LEADERSHIP IN SAFETY AND EMPLOYEE SHAREHOLDING HELPS US ATTRACT AND RETAIN TALENTED PEOPLE, CREATING A BETTER COMPANY.
IN 2002, WE MADE A COMMITMENT TO REWARD SHAREHOLDERS AS WE GROW. SINCE THEN, TOTAL SHAREHOLDER RETURN HAS BEEN UP TO 500 PER CENT. WE CONTINUE TO BUILD A REPUTATION AS A SOUND, LONG-TERM INVESTMENT.
The steel water tank, manufactured by BlueScope Water, has long been a feature of Australia’s rural landscape and is becoming a common sight in urban areas.

WE WORK HARD TO REDUCE OUR ENVIRONMENTAL FOOTPRINT IN EACH COMMUNITY IN WHICH WE OPERATE. INDUSTRY-LEADING PRACTICES IN WATER RECYCLING AND A FOCUS ON Reducing CARBON EMISSIONS UNDERSCORE OUR COMMITMENT TO BUILDING BETTER COMMUNITIES.

5.5 BILLION LITRES OF RECYCLED WATER USED AT PORT KEMBLA.

REDUCING FRESH WATER USE BY 60% AT WESTERN PORT.
ZINCALUME® and COLORBOND® steel coils at our Lysaght plant at Lyndhurst, Victoria Australia, are ready for processing into steel building products.

WE NOW HAVE 91 MANUFACTURING PLANTS IN 17 COUNTRIES AND ARE EARNING MORE INCOME FROM HIGH-VALUE DOWNSTREAM OPERATIONS. THROUGH OUR CAPITAL INVESTMENT IN THE WORLD’S HIGH-GROWTH REGIONS, WE ARE BUILDING AN EXCITING FUTURE.
RE-DEFINING THE COMPANY

At the time of demerger, our company was simply a steel manufacturing division of BHP. Our Bond was developed to keep us focused on our promises to customers, employees, shareholders and communities. In 2003, we redefined this business and became BlueScope Steel. We also refined and articulated our strategy. Our aim was to increase the value created from steelmaking, by expanding our downstream operations, capturing greater margins and offsetting traditional steel market volatility.

EMBARKING ON A GROWTH JOURNEY

The US$206 million acquisition of the US-based Butler Manufacturing Company signalled the beginning of our growth phase. Our mid and downstream capital investment projects saw us double metallic coating capacity in Thailand and commence construction of our new metallic coating and painting facility in Suzhou, China, and expansion of our Indonesian coating and painting operations. This was a period of innovation, expanded capability and greater geographic presence, during which our workforce grew to 16,000 people.
TRUECORE® steel is being recognised by the building industry as having significant advantages over traditional framing materials. Frank Pacitto at No.5 Blast Furnace operations at Port Kembla Steelworks. Working on the Tapping Floor at New Zealand Steel.

RE-BALANCING OUR PORTFOLIO

BlueScope Steel’s footprint had grown considerably and our Company could now be defined as truly global, with operations in 17 countries. Our expansionist $2 billion capital investment program positioned us in high value markets in the world’s major growth economies. Mid and downstream projects in countries such as Thailand, Vietnam, India, and Australia saw us build and transform our businesses, creating a multinational franchise with greater balance and diversity in geography, products and markets.

CONSTRUCTION TO PRODUCTION

As our new operations reached start-up, we moved from construction to production and focused on growing the markets for our premium steel brands. In the Asia-Pacific region, our reputation for quality led to BlueScope Steel products being featured in prestigious projects, including the Tianjin Olympic Stadium and the Shanghai World Financial Centre in China, and the Melbourne Cricket Ground (MCG) in Australia. In North America, markets responded favourably to the reinvigorated Butler and Vistawall businesses.

A WORLD-CLASS STEEL BUSINESS

In five years we have built a company with an enviable record for safety, shareholder rewards and international growth. Our operations across Asia are ramping up and will grow with their markets, while our steelmaking businesses in Australia, New Zealand and North America continue to set production and profit records. The successful US$190 million sale of the Vistawall business and the A$600 million (net) acquisition of Smorgon Steel Distribution represent a new level of ambition and capability in asset management and another exciting step in our journey.

SINCE THE COMPANY’S DEMERGER, WE HAVE WORKED OFF A BLUEPRINT AIMED AT GROWTH THROUGH CAPITAL INVESTMENT AND ADDING VALUE TO OUR STEEL. EACH OF THE PAST FIVE YEARS DEMONSTRATES A SPECIFIC PHASE OF OUR PLAN TO REWARD SHAREHOLDERS AS WE GROW.
A YEAR CHARACTERISED BY STRONG PROFIT GROWTH, PRO-ACTIVE ASSET MANAGEMENT AND A SMOOTH CEO SUCCESION. THE COMPANY IS WORKING HARD TO BALANCE ENVIRONMENTAL SUSTAINABILITY WITH ECONOMIC DEVELOPMENT.

VALUE AND GROWTH

CHAIRMAN’S MESSAGE

The 2006/07 financial year was our Company’s second best year and a significant improvement on the previous year’s results. The strong performance was due to improved pricing and sales, better performance from our existing Asian operations, and profit from the divestiture of the Vistawall business in North America.

Net Profit After Tax was $686 million, an increase of 103% on the previous year’s result of $338 million. Earnings Per Share nearly doubled, increasing by 47 cents to 95 cents, and every business segment was profitable. Notwithstanding the impact on margins from higher raw material costs and adverse foreign exchange rates, this was an excellent year for BlueScope Steel.

SHAREHOLDERS

Since its public listing, BlueScope Steel has remained committed to rewarding shareholders, and this year was no exception. We paid a total ordinary dividend of 47 cents per share, fully franked, up 3 cents per share or 7 per cent over the previous year. Our focus on shareholder rewards has seen us return a tax effective $3.15 per share, or a total of $2.3 billion, to shareholders in our first five years.

During the year, the Company managed its assets effectively. Significant value was generated from the sale of the Vistawall business which was acquired as part of the USA-based Butler Manufacturing Company three years ago. Vistawall, an aluminium business, was not seen as core to our US strategy. BlueScope Steel revitalised this business and the sale of Vistawall for US$190 million was an excellent result for shareholders when compared with the US$206 million paid for Butler and Vistawall.

During the course of the year, BlueScope Steel also participated in the consolidation of the Australian steel industry. In August, the Company purchased 19.9 per cent of Smorgon Steel. By the end of the financial year, it had been agreed that BlueScope Steel would acquire the Smorgon Steel Distribution business for $700 million. As part of this transaction, BlueScope Steel sold its 19.9 per cent shareholding, realising a gain of $128 million (including dividends) before tax which will be reflected in the FY2008 earnings. This acquisition provides a new channel to market for our products and will strengthen our downstream market presence in Australia.
LONG TERM STRATEGY
BlueScope Steel has a strategy designed to differentiate itself and address the volatility which is typical in the steel sector. In accordance with this strategy, the Company continued developing its businesses around the world. During the year, major projects were completed in Asia, North America and Australia on time and on budget.

Our Asian investments position us in the world’s fastest growing economies. In 2006/07 we saw significantly improved performance from existing operations in Vietnam, Thailand and Malaysia, while the Indonesian coating lines continue to exceed expectations. Our new Chinese coating line investment is on-stream and ramping up according to plan, but is operating in tough market conditions.

SUCCESSION
Last year, Managing Director and CEO Kirby Adams announced his retirement from BlueScope Steel, effective at the end of October 2007. The long notice period provided sufficient time for a smooth succession process and in August 2007, we were pleased to announce the plan to appoint Paul O’Malley as the Company’s new CEO. Mr O’Malley joined BlueScope Steel as Chief Financial Officer in 2005. He is an experienced global executive and the Board is confident that he has the qualities to maintain our Company values, including our focus on long-term shareholder returns.

The Board thanks Kirby Adams for his leadership and guidance since the founding of BlueScope Steel. During his tenure, the Company re-defined itself from a steel manufacturer to a steel solutions provider and built a significant presence in Asia and North America. This was a period of growth, shareholder value creation and world class safety performance. On behalf of the Board of Directors, employees and shareholders, I wish Mr Adams well in his future endeavours.

CORPORATE AND SOCIAL RESPONSIBILITY
Our Bond – the Company’s values statement – emphasises respect for the communities in which we do business. Accordingly, we take our environmental responsibilities seriously. During the year, BlueScope Steel launched major water saving programs at Port Kembla Steelworks and Western Port. These programs will save a combined total of nearly eight billion litres of water per year, equivalent to the annual water consumption of 29,000 households.

BlueScope Steel is also committed to reducing its energy use and greenhouse gas emissions and is actively contributing to the debate to establish a national policy framework that balances environmental sustainability with economic development, jobs and exports while acknowledging the need for global solutions for trade-exposed industries.

The Company is actively considering a project to significantly reduce greenhouse gas emissions at Port Kembla Steelworks by recycling waste gases for use in electricity generation. This project requires an appropriate policy framework, similar to that which we have negotiated with the NSW government.

The year was also a record for safety performance, with the excellent results largely due to high levels of participation in safety programs by BlueScope Steel employees.

In September 2006, we welcomed Mr Daniel Grollo to the BlueScope Steel Board, with his directorship approved at the 2006 Annual General Meeting. Mr Grollo brings valuable building and construction experience to the Board. BlueScope Steel maintains high standards of corporate governance, complying with the ASX principles of Good Corporate Governance and Best Practice Recommendations.

On behalf of the Board of Directors, I thank my fellow directors for their contribution and support. I also thank Kirby Adams, his management team and our 18,000 employees for their hard work and commitment during the year.
The 2006/07 financial year was an excellent one for your Company. New records in safety and environmental performance, revenue of nearly nine billion dollars and a doubling of net profit made this a very profitable year in all respects.

This great result reflects the efforts of all BlueScope Steel employees and as the end of my tenure approaches, it is very pleasing to see your Company demonstrating such strong performance. So in my final report as CEO and Managing Director of BlueScope Steel, I am proud to convey the details of a strong FY2007 and the dramatic growth achieved in our first five years since listing as a public company in 2002.

SAFETY – OUR PASSION AND OUR ACHIEVEMENTS

Five years ago, we promised our employees, contractors and their families that we would make BlueScope Steel an even safer place to work. Since then, we have been uncompromising in our efforts to achieve Zero Harm. During this year, we moved even closer to our goal.

In 2006/07, our Company incurred no fatal incidents, while our injury rate is at world-best standards. Lost Time Injury Frequency Rate (LTIFR) was 0.4, remaining below 1.0 for the third year running. This is a significant achievement when compared against the International Iron and Steel Institute (IISI) average of 4.0. Medically Treated Injury Frequency Rate (MTIFR) was 6.5. Today, BlueScope Steel is recognised as an industry leader and world-class employer in safety.

These results are due to a high level of dedication among our 18,000 employees, with 95 per cent regularly involved in voluntary safety audits. Many of our businesses around the world are now logging millions of hours worked without injury. Our BlueScope Steel Asia business, which covers nine countries, has not incurred a single lost time injury for 18 months with 23 million hours worked. These results are testament to the hard work and attention to safety by all of our employees and a powerful statement about the values of your Company.

Our safety journey has been an inspiring one, which I feel truly privileged to have led.

FINANCIAL PERFORMANCE – 2006/07 MARKS A GREAT YEAR

Even with the Australian dollar appreciating 5.2 per cent, revenue for the year was $8.9 billion, an increase of 11 per cent on the previous year, while EBIT rose by $543 million to $1.1 billion. Net Profit After Tax and Earnings Per Share also doubled over last year to $686 million and 95 cents respectively. Strong operating cash flow and focus on balance sheet management enabled us to reduce gearing from 38 per cent to 28 per cent which provides BlueScope Steel with a very strong financial platform for continuing growth.

These results were largely due to securing higher prices for our hot rolled coil and steel slab, improved value added exports, a favourable mix of sales into our domestic markets and stronger coated and painted coil sales volumes and pricing.
Your Company also enjoyed the full-year benefit of the Hot Strip Mill expansion at Port Kembla Steelworks, along with record steel production from this world-class operation.

Our strong operational performance led to a very strong net cash flow from operations, increasing by 67 per cent to a record $1.343 billion. Raw materials cost inflation was, again, a major impost on the Company, adding $365 million to our costs of production, primarily in the form of higher costs for iron ore, scrap, zinc, aluminium and freight.

OUR BUSINESSES

In 2006/07, all BlueScope Steel businesses achieved excellent operational performance. Numerous production records were set at our many facilities around the world and all BlueScope Steel reporting segments were profitable. The stronger Australian and New Zealand dollars reduced our relative global competitiveness against imports, lowering some product margins.

Our Australian and New Zealand Industrial Markets had another very good year, with Port Kembla Steelworks continuing to be the profit and cash flow engine of the Company.

In Asia, our established operations in Thailand, Indonesia and Malaysia recorded substantial volume growth with revenue and EBIT growing to record levels. New operations in China, Vietnam, and India were commissioned and ramped up. In China, industry-wide sales margins in coated products were weaker than anticipated, while the Thailand political coup delayed the expected economic expansion and reduced steel demand.

Margin compression in our metallic coating and painting businesses prevailed through most of the year. These midstream businesses confronted significant increases in zinc and steel feed costs, as well as growing exports from expanding north Asian production. They responded with solid operational performance, record production, and higher despatches.

In North America our upstream operation, joint venture North Star BlueScope Steel, delivered another outstanding year in terms of operational performance, customer service and earnings. Downstream, our Butler Buildings business delivered another improved result driven by strong market demand in the non residential building sector, improved plant efficiencies, lower costs and a strengthening of customer relationships. The $70 million EBIT turnaround since our acquisition of the Butler business in 2004 has been a great contributor to shareholder value.

STEEL INDUSTRY CHANGE AND GROWTH

The global steel industry continues on its path of consolidation, with principal benefits being better matching of production to demand and global economies of scale and marketing. We expect this momentum to continue over the next few years.

Architects have come to appreciate the design possibilities of ZINCALUME® and COLORBOND® steels, as demonstrated in the award winning Thunder and Lightning alpine lodges at Thredbo, Australia.
During the year, BlueScope Steel was actively involved in the consolidation of the Australian steel industry. Recently, our Company completed the acquisition of Smorgon Steel Distribution, our largest acquisition since listing, at a net cost of $600 million. This is a great business, which brings 1,800 dedicated new employees and more than 12,000 new customers to the BlueScope Steel family. We welcome them all.

The new BlueScope Distribution business (rebranded from the recently acquired Smorgon Steel Distribution business) will provide an important channel to market, significantly expand our distribution capability for our high quality products in Australia, and further our growth strategy in downstream markets.

In June, we realised the value of our Vistawall business, which we acquired through our US$206 million purchase of Butler Manufacturing in 2004. The sale of Vistawall to Oldcastle Glass for US$190 million represents a strong financial return for shareholders and capitalises on the excellent work undertaken by BlueScope Steel’s and Vistawall’s management and employees in improving the business.

During the year, we closed our loss making business in Taiwan, and ceased our tinmill operations. The tinmill closure was achieved smoothly and with lower than expected costs, thanks to the excellent performance of the tinmill employees.

In May, we announced a US$101 million investment in our Indonesia operation to complete the construction of a second metallic coating line with in-line painting capability. This new facility will produce thin gauge coil to meet the strong residential demand.

Our $150 million Western Sydney COLORBOND® steel facility commenced operations in August 2007 and BlueScope Water continues to experience strong growth with an expanding order book for our commercial and urban water products.

**FIVE YEAR ANNIVERSARY**

This is our fifth year since demerger and public listing and we can now truly say the transformation of BlueScope Steel from the former BHP Steel is complete.

From the beginning, our focus has been on creating value for shareholders while we grow. In building this ‘very different kind of steel company’ we have never strayed from the principle of shareholder rewards. BlueScope Steel’s Enterprise Value has now more than tripled to approximately $9 billion. The initial share price in 2002 has been fully returned to owners via $2.3 billion in dividends and share buybacks.

Our growth strategy has been successful in diversifying the Company’s revenue, products, and markets. Consequently, revenue and EBITDA have each doubled over the past five years. BlueScope Steel has grown from 11,000 to 18,000 employees and approximately 90 per cent of our employees are also shareholders.
In 2002, we were known as an Australian steel maker. Today, our Company is also a leading global provider of steel building products and solutions. We have become a globally diverse company with 91 manufacturing plants in 17 countries around the world. BlueScope Steel has invested in its future and over five years, 20 major capital projects in 8 countries have been implemented with operations now ramping up for our next exciting growth phase.

ENVIRONMENT
In 2006/07 we demonstrated our commitment to the environment with the announcement of two major water saving initiatives. The first was a major recycling program between BlueScope Steel and Sydney Water. This has halved the use of fresh water at Port Kembla, equivalent to the annual water use of 26,000 households. The second initiative, a $21 million landmark project with South East Water and the Victorian Government, will cut fresh water use at our Western Port plant by over 60 per cent or 660 million litres annually. This is equivalent to water consumption of about 3,000 homes.

Your Company is committed to reducing greenhouse gas emissions. We recognise global warming as a serious community concern and a global issue that requires a global response.

We are currently examining the feasibility of a new co-generation plant at Port Kembla Steelworks. This plant will use by-product gases to produce steam for our internal use. It will also generate electricity, to be fed into the NSW grid. The result would be a net reduction of 800,000 tonnes of greenhouse gases a year – the equivalent of taking 185,000 cars off the road. We expect to have a clear view on how to proceed with this project by June 2008.

PEOPLE
The Company recently announced Paul O’Malley as the next Managing Director and CEO of BlueScope Steel. I believe Paul will be a strong successor and am particularly pleased the Board has chosen your new CEO from within the ranks of our very strong executive leadership team.

OUTLOOK
This year, the global steel market was very strong with the forecast for steel demand worldwide remaining positive. China, the USA and Europe are driving this healthy outlook. The Asia region now produces more than half of worldwide demand growth.

While the Chinese government has been working to close and eliminate inefficient mills and reduce exports through its recent export tax, these initiatives have not significantly slowed production growth nor reduced the global effect of exports. In Australia, we started FY2008 with a stronger local currency, stable global steel price environment and high metal coating costs. In North America, the commercial industrial construction market remains strong for our Butler business which has no residential exposure, but the spread between HRC prices and scrap cost has narrowed for our North Star BlueScope Steel joint venture business. Asian markets and opportunities are slightly improved and the operational ramp-up of new sites is growing revenue while coated product margins continue to be under pressure, particularly in China.

We will continue to aggressively manage those factors we can control, including safety and environment, containing costs, improving our processes, achieving volume and production efficiencies, and optimising mix and margins. Clearly, the benefit of a global footprint and the diversity of our product lines will be advantageous going forward.

After five years of growth and with another very strong year concluded, we thank our shareholders and customers for their continuing support.

I would like to personally thank our employees for their commitment and dedication. They have made BlueScope Steel an outstanding company, of which we are all very proud.

Finally, I thank shareholders for the opportunity to lead, build, and transform the iconic BlueScope Steel which is now strongly positioned for its next phase of growth.

KIRBY ADAMS, MANAGING DIRECTOR AND CEO

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<td>EBIT ($MILLION)</td>
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*includes $185 million restructuring charges
OUR CUSTOMERS ARE OUR PARTNERS
Our success depends on our customers and suppliers choosing us. Our strength lies in working closely with them to create value and trust, together with superior products, service and ideas.

OUR PEOPLE ARE OUR STRENGTH
Our success comes from our people. We work in a safe and satisfying environment. We choose to treat each other with trust and respect and maintain a healthy balance between work and family life. Our experience, teamwork and ability to deliver steel inspired solutions are our most valued and rewarded strengths.

OUR SHAREHOLDERS ARE OUR FOUNDATIONS
Our success is made possible by the shareholders and lenders who choose to invest in us. In return, we commit to continuing profitability and growth in value, which together, make us all stronger.

OUR COMMUNITIES ARE OUR HOMES
Our success relies on communities supporting our business and products. In turn, we care for the environment, create wealth, respect local values and encourage involvement. Our strength is in choosing to do what is right.

Machale Edwards, Coke Ovens operator, preparing a 7A battery door for service.
Since our public listing, BlueScope Steel has invested in 20 major capital projects in eight countries in Asia, North America and Australia. These operations, which are now ramping up, represent a total capital investment of $2 billion. While we invest considerably to improve our traditional steelmaking operations, most of our new capital projects are what we term ‘midstream and downstream’ businesses. These businesses make products out of steel made by our steelworks in Port Kembla, New Zealand and the United States. Our midstream products include COLORBOND® and ZINCALUME® steels, while downstream products include BUTLER® pre-engineered buildings, THINKTANK® rainwater harvesting systems and SURELINE® power distribution solutions.

There are two main reasons for our investment strategy. The first is that we earn higher margins from the sale of midstream and downstream products. Each step in the conversion of steel slab to painted or coated steel, then to a building product, then to a pre-engineered building, adds significant value to that steel. By investing in new downstream facilities, particularly in high growth regions such as Asia, we are maximising the opportunity to earn downstream revenue.

The second reason is that revenue derived from the sale of value-added steel products is more stable than revenue from ‘upstream’ steel slab and hot rolled coil, as these are prone to the volatility of world commodities markets. By deriving a greater proportion of total revenue from mid and downstream value-added products, we secure higher margins while reducing the effect of steel price volatility. In summary, our strategy makes BlueScope Steel a more desirable ongoing investment. Our focus and strategy for long-term shareholder rewards makes BlueScope Steel ‘a different kind of steel company.’
At BlueScope Steel, nothing is more important than our safety. BlueScope Steel has now moved a step closer to our goal of Zero Harm. Our Company incurred no fatal incidents in the past year, while our injury rates remain at world-best standards.

In 2006/07, our Lost Time Injury Frequency Rate (LTIFR) was 0.4, remaining below 1.0 for the third year running. This result compares very well to the International Iron and Steel Institute rate of around 4.0. Our Medically Treated Injury Frequency Rate (MTIFR) was 6.5. (Both rates express incidence per one million hours worked).

A key factor in our safety performance was a very high level of employee participation. For example, during the year, an average of 95 per cent of employees across our entire Company were involved in conducting safety audits each month. In addition, 28,000 near misses were reported. These measures are a strong indication that our people are focused on staying safe, and on watching out for each other every day.

During the year there were many fine safety achievements.

**ASIA**

Every business in all nine Asian countries in which we operate achieved an LTIFR of zero. Our Asian facilities continue to set new safety benchmark levels. For example, Thailand’s Map Ta Phut facility achieved over 19 million hours lost time injury free. BlueScope Steel Malaysia has had nine consecutive months without any injury. This is a world-leading result.

**AUSTRALIA AND NEW ZEALAND**

Australian and New Zealand Industrial Markets achieved 5.9 million hours lost time injury free while Australian Manufacturing Markets also posted a record lost time injury free period of 3.8 million hours.

Within these groups, specific businesses performed very well. Port Kembla Steelworks recorded 15 million hours lost time injury free while Illawarra Coated Products operated for a full year, comprising over 2 million hours lost time injury free. Port Kembla Iron & Slab (Slabmaking) posted 5 million hours lost time injury free. Our New Zealand Steel contractors have worked for two years lost time injury free. The construction of our Western Sydney Service Centre was completed without lost time injury and Western Port ended the year with no medically treated injury for the last three months.

**NORTH AMERICA**

A number of BlueScope Steel North American businesses achieved new record lost time injury free periods. These include: Vistawall and Butler Buildings Laurinburg and Visalia.

We believe these efforts demonstrate that Zero Harm is achievable and we will continue to work toward this goal. Meanwhile, BlueScope Steel is building a reputation, within and beyond the steel industry, as a world-class performer and leader in safety.
Zero Harm is the focus at BlueScope Steel. Our employees recognise that nothing is more important than safety.

From left to right: Lucy Carson, QA Technologist at Western Port’s Hot Strip Mill. Disha Saxena, Hot Strip Mill electrical engineering graduate, talks with Perry Naylor, HSM operator. Staying within the safety barrier. Kevin Anderson on New Zealand Steel’s recoil line.

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<th>Year</th>
<th>LOST TIME INJURY FREQUENCY RATE</th>
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Per million hours worked
Includes contractor performance from 1996
Includes Butler performance from 2004

Reported performance for ISSI member companies (employees & contractors)

Per million hours worked
Includes contractor performance from 2004
Includes Butler performance from May 2004
**EXECUTIVE LEADERSHIP TEAM**

Brian Kruger is President of Australian Manufacturing Markets. This business comprises the Illawarra Coated Products business, including the Springhill facility, the Western Port operation and the Service Centre network. Mr Kruger was previously BlueScope Steel’s Chief Financial Officer.

Lance Hockridge is President of the Company’s North American business, which includes North Star BlueScope Steel, Butler Buildings, Castrip LLC, and prior to its divestiture, Vistawall. Mr Hockridge has held this position since 2005 and was previously President of Industrial Markets. Mr Hockridge announced his resignation in August 2007 and will step down from his role at the end of October 2007.

Kathryn Fagg is President of BlueScope Steel Asia and is also responsible for BlueScope Steel’s domestic building products and solutions businesses, including BlueScope Lysaght.

Noel Cornish is President of Australian and New Zealand Industrial Markets, with responsibility for the Port Kembla Steelworks, New Zealand and Pacific Steel Products businesses, and the Company’s worldwide Logistics operations. Mr Cornish was previously President of the Coated Products business in Australia.

Paul O’Malley was appointed Managing Director and CEO-elect, taking up the role on 1 November 2007, and became a Director of the Board in August 2007. He joined the Company as its Chief Financial Officer (CFO) in December 2005, responsible for leading BlueScope Steel’s Finance function and Information Services. Before joining BlueScope Steel, he was CEO of a leading energy company based in the United States.

Kirby Adams is Managing Director and Chief Executive Officer of BlueScope Steel. Mr Adams was appointed to the Board on 10 May 2002, having been Chief Executive Officer of BHP Steel since March 2000. Mr Adams retires from his role on 31 October 2007.

Ian Cummin is responsible for People and Performance. This role includes Human Resources, Safety and Corporate Affairs.
Developing market-leading brands is a key component of our strategy. The brands express our Company values to our customers and are key business assets. As a manufacturer of premium steel solutions, we work hard to ensure that BlueScope Steel brands are associated with quality in each of our markets around the world.

Our brand portfolio contains some established and respected names. In Australia, COLORBOND®, ZINCALUME® and XLERPLATE® steels and LYSAIGT® building products are highly recognised, and leaders in their respective markets. In North America, the BUTLER® brand has been part of the landscape for a century and is the world’s premier brand in pre-engineered building systems. In newer Asian markets, we have built an enviable reputation for quality with our purpose-designed Clean COLORBOND® steel.

We have also produced a number of brands tailored to the conditions of specific countries in Asia. These include PrimaMaju® and PrimaDesa® in Malaysia, TRUZINC® in Thailand and PELANGI® and ABADI® steels in Indonesia. We are regularly adding to our brand portfolio. New products such as HYDRORIB® drainage pipes, WATERPOINT® rainwater tanks, AGRIRIB® low-pressure irrigation pipes and GALAXY® water tanks express BlueScope Steel quality to new markets. We also allow domestic trade customers to benefit from our reputation through the BlueScope ‘Steel By’ program.

In this program, thousands of businesses that use our premium steel products gain a competitive advantage by promoting their partnership with BlueScope Steel.
SOLID OPERATIONS IN A CHALLENGING MARKET

Production records set at Springhill facility for cold rolled coil (963 kt), metal coating (822 kt), and painting (202 kt).

Sales revenue increased by 15% on FY 2006, due to higher despatches and sales pricing.

Margins reduced by high coating metal costs, stronger Australian dollar and import competition.

Commissioning commenced on state-of-the-art Western Sydney COLORBOND® steel facility.

BlueScope Water growing strongly, based on product demand.

Closure of loss-making tinmill at Port Kembla.

OUTSTANDING PERFORMANCE FROM PORT KEMBLA STEELWORKS

Production records set for ironmaking (5.23 Mt), slab (5.30 Mt), hot rolled coil (2.82 Mt) and plate (0.41 Mt).

Domestic demand increased with despatches up 22%.

Sales revenue increased by 13% on FY 2006, to $3.9 billion.

Earnings increase driven by higher sales prices.

Preparations underway for $330 million reline of No.5 blast furnace in CY 2009.

Earnings partly offset by stronger AUD vs USD.

Preparations underway for co-generation electricity plant at Port Kembla Steelworks to reduce greenhouse gas.

A STRONG YEAR FOR NEW ZEALAND STEEL

Production records set for metallic coating (224kt) and painting (63kt).

Annualised Q4 FY 2007 slab production very promising - in excess of 600kt.

Domestic despatches up 9% mainly due to stronger construction market.

Sales revenue increased by 3% on FY 2006.

Earnings decrease due to a stronger NZD vs USD and higher metal coating costs.

Opportunities identified in plant optimisation and mineral extraction from ironsands resources.

NEW ZEALAND AND PACIFIC ISLANDS STEEL PRODUCTS

Australia

HOT ROLLED PRODUCTS

TOTAL SALES% (TONNES)

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NEW ZEALAND AND PACIFIC ISLANDS STEEL PRODUCTS

TOTAL SALES% (TONNES)

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Australia

COATED AND BUILDING PRODUCTS

TOTAL SALES% (TONNES)

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ASIA
COATED AND BUILDING PRODUCTS

ESTABLISHED OPERATIONS IMPROVED, NEW FACILITIES RAMPING UP

- Improved operational performance in Vietnam, Thailand and Malaysia.
- $29 million EBIT contribution from established businesses in Thailand, Indonesia and Malaysia offset by $6 million decrease from start-up businesses in Vietnam, China and India.
- China coating lines ramping up at new $280 million Suzhou facility.
- Indonesia coating lines exceeded expectations – plant up-time 90% in FY 2007, market demand strong.
- Recommencing US$101 million second metal coating line in Cilegon, Indonesia.

NORTH AMERICA
HOT ROLLED PRODUCTS

ANOTHER OUTSTANDING OPERATIONAL PERFORMANCE FROM NORTH STAR BLUESCOPE STEEL JOINT VENTURE

- Customer satisfaction very high - voted number one for fifth consecutive year in Jacobson Survey.
- High levels of raw steel production (956 kt) maintained.
- EBIT decreased by 4%, mainly due to lower hot rolled coil to scrap spread and higher electricity costs.
- New baghouse (US$40 million) completed – significantly improves working conditions.
- Castrip LLC joint venture develops stronger, higher-grade steels. Construction of second plant in Blythesville, Arkansas commenced.

NORTH AMERICA
COATED AND BUILDING PRODUCTS

BUTLER BUILDINGS STRONGER, VISTA WALL SALE SUCCESSFUL

- Vistawall business sold on 29 June 2007 for US$190 million - total acquisition cost for all Butler and Vistawall businesses in 2004 was US$206 million.
- Sales revenue decreased by 6%, reflecting higher AUD vs USD.
- Butler total despatches increased to 196,135 tonnes, production up marginally on FY 2006.
- Improved earnings largely due to better margins, lower costs and improved efficiencies.
- Pre-engineered building (PEB) market stronger – year-end order backlog up 25% on FY 2006.
Australia Hot Rolled Products covers the operations of Port Kembla Steelworks, which manufactures steel slab, hot rolled coil and plate. New Zealand and Pacific Steel Products is a fully integrated operation with its own raw materials resource. President Noel Cornish discusses a very strong year.

Q. WHAT WAS THE HIGHLIGHT OF 2006/07?
A. While Port Kembla Steelworks and New Zealand Steel both had an extremely good year financially, we are most proud of our safety performance. These businesses achieved a Lost Time Injury Frequency Rate (LTIFR) of 0.23, for both employees and contractors. This is an excellent performance. Further, Port Kembla Steelworks – a very large, complex facility – achieved an LTIFR of zero. These results are due to a tremendous amount of work by our people in Australia and New Zealand.

Q. WHAT OTHER ACHIEVEMENTS WERE NOTABLE DURING THE YEAR?
A. Another highlight for 2006/07 was the reliable supply of products and services to our customers. At both Port Kembla Steelworks and New Zealand Steel, demand was strong for all our products.

We met this demand through increased production volumes and solid delivery performance.

Underpinning this success was a strong financial result. Port Kembla Steelworks achieved revenue of $3.9 billion, an increase of 13 per cent on the previous year.

Higher domestic and international prices and outstanding operational performance resulted in an EBIT increase of 66 per cent to $759 million. Production records were set for ironmaking, steelmaking, hot rolled coil and plate.

Our New Zealand Steel and Pacific Islands businesses also had good year, with revenue increasing by three per cent to $728 million. The business set records in metallic coated and painted production and showed a 24% pre-tax return on net assets.

Higher zinc costs, a strong New Zealand dollar and capacity constraints led to a 14 per cent decrease in EBIT, to $90 million. Slab production was much stronger toward the end of 2006/07, so we’re looking forward to improved throughput in the coming year.

It is worth mentioning that many of these results are records on records. These operations were already demonstrating excellent performance, so to have improved on this is a real achievement.

Q. GIVEN STRONG OPERATIONAL PERFORMANCE IN PREVIOUS YEARS, HOW HAVE WE MANAGED TO ACHIEVE EVEN HIGHER PRODUCTION LEVELS?
A. It comes down to one factor - people. Our employees are educated, well trained, motivated and committed and they constitute an extremely stable workforce.
OUR WORLD-CLASS SAFETY PERFORMANCE, ROBUST FINANCIAL RESULTS AND OPERATIONAL RECORDS ALL REFLECT THE OUTSTANDING EFFORTS OF THE MEN AND WOMEN IN THESE BUSINESSES.

NOEL CORNISH - PRESIDENT OF AUSTRALIAN AND NEW ZEALAND INDUSTRIAL MARKETS

SURELINE® steel power poles, developed in conjunction with the electricity industry, are light weight and long-lasting, as those shown here in Mt Gambier, South Australia.

While other businesses may experience labour shortages, we do not have this problem. Many of the improvements we make are the result of employee initiatives. They are prepared to do whatever it takes to implement good ideas that improve our business. I want to say that we are very proud and appreciative of them all.

A good example is the expansion of the Port Kembla Steelworks hot strip mill.

This project required capital expenditure of $100 million dollars. It was achieved on time and on budget. To give an indication of the quality of the work, the first hot rolled coil from this new furnace was prime and was sold into the market.
Q. WHAT CHALLENGES DID THESE BUSINESSES FACE IN 2006/07?
A. One challenge was preparing for the relining of No. 5 blast furnace at Port Kembla. This work will be undertaken in 2009 and is a $330 million project that must be executed precisely and safely. The fact that we’ve still achieved a record in ironmaking indicates how well our people have managed to keep this furnace stable and reliable, despite its age.

New Zealand Steel has done a lot of work to optimise slabmaking capacity during the year and we are starting to see the benefits of these efforts.

Q. COULD YOU TELL US ABOUT OTHER SIGNIFICANT PROJECTS UNDERWAY?
A. We are conducting a feasibility study on a major electricity co-generation project at Port Kembla. This project involves generating electricity from gases produced during steelmaking and has the potential to save over 800,000 tonnes of greenhouse gases being released each year. This is equivalent to taking 185,000 cars off the road every year.

Again at Port Kembla, we are ready to upgrade our sinter plant capacity. Increasing iron ore prices have been a major cost impost and this $134 million project will help by enabling the plant to use lower-cost iron ore fines, rather than pellets.

We’ve also invested in some standout environmental projects.

Our water recycling initiative at Port Kembla Steelworks, in conjunction with Sydney Water, celebrated the use of its three billionth litre of recycled water in May. In the past 10 years, the Port Kembla operation has halved its fresh water consumption, which is having a major positive effect on local water supplies. Ninety-eight per cent of the water we use in steelmaking is now either salt or recycled water.

During the year we also signed a new five-year pollution reduction program. Recent work, such as improvements to our sinter plant to capture and treat gas and dust emissions, has drawn a positive community response.

At New Zealand Steel we are studying a number of projects to further add value by extracting additional minerals from our ironsands deposits.

Q. WHAT DOES THE COMING YEAR HOLD FOR THESE BUSINESSES?
A. We expect demand for our products to remain strong. The drop in coking coal prices in 2006/07 was positive, however raw material prices for the coming year appear to be increasing.

Q. HOW WOULD YOU SUM UP THE 2006/07 FINANCIAL YEAR?
A. It has been a remarkable year during which all our businesses performed well. We have a highly skilled, talented and motivated team and I thank everyone for contributing to another outstanding result.
Major environmental projects are underway. We have achieved significant reductions in water use, and are examining a project that could reduce greenhouse gas emissions by 800,000 tonnes per year, equal to taking 185,000 cars off the road every year.
Q. WHAT WERE THE HIGHLIGHTS FOR 2006/07?
A. We performed very well in a number of key areas. The first was safety, where we achieved a 66 percent improvement in LTIFR (Lost Time Injury Frequency Rate). Our rate was 0.7 lost time injuries per million hours worked compared to 2.1 last year. We also recorded a 15 per cent improvement in MTIFR (Medically Treated Injury Frequency Rate).

In addition, a number of businesses set production and quality records and our efforts in these areas helped offset increased raw materials costs. So our operational performance was a vital factor during 2006/07, and our employees did this while achieving significant improvements in safety performance.

Record sales to the building market segment were also a highlight, with our branded products continuing to be in strong demand in that sector.

Q. WHAT WERE THE MAJOR CHALLENGES FOR THE BUSINESS?
A. We faced a number of challenges — market conditions were difficult, and our raw material costs were higher.

Imports from Asian countries, particularly China, together with the strong Australian dollar, created a challenging market for us and our customers, especially in the second half of the year. The regional availability of imports increased during 2006/07 and this led to some intense competition.

We also faced increased zinc and aluminium costs. These are key materials in our metal coating processes and the negative impact of these increases was almost $100 million.

With prices for our feedstock — hot rolled coil and slab — remaining high, and tough market conditions requiring some keen pricing strategies, our manufacturing businesses experienced significant margin squeeze.

This is why our strong operational performance was so important — it gave us the volumes we needed to reduce conversion costs.

Australia Coated and Building Products is involved in the manufacture, sales and distribution of painted and coated products such as COLORBOND® and ZINCALUME® steels. This business includes our Illawarra Coated Products and Western Port facilities, and the Service Centre network. Business President Brian Kruger talks about the achievements and challenges of 2006/07.
Q. COULD YOU DISCUSS SOME OTHER ACHIEVEMENTS AND INITIATIVES THAT TOOK PLACE DURING THE YEAR?

A. We set a new record for COLORBOND® steel sales, underpinned by high painting and coating volumes from a number of facilities. Production records were set at Illawarra Coated Products, Acacia Ridge in Brisbane and Western Port.

We also saw solid growth – around 30 per cent – in TRUECORE® steel sales volumes. This product continues to gain recognition as the preferred material for residential building frames and trusses.

Our $150 million Western Sydney Service Centre is now operational and the location of this facility will allow us to better service the Greater Sydney area with COLORBOND® steel.

Our new Western Australia Service Centre at Forrestfield continued its strong operational improvement in the second half, with growing volumes and improved service levels for our Western Australian customers.

We successfully closed our loss making tinplate business, as announced in June 2006. During the lead up to closure, we were particularly proud that our employees achieved significant safety, quality and operational milestones.

In the environmental area, we announced a $21 million water recycling project to supply our Western Port plant. This will reduce Western Port’s fresh water use by over 60 per cent, or 660 million litres per year. Our partners in this project are South East Water and the Victorian Government, with BlueScope Steel contributing $8 million.

Q. WHAT DOES THE COMING YEAR HOLD FOR OUR AUSTRALIAN MANUFACTURING MARKETS BUSINESSES?

A. Our goal will be to continue improving our operational performance and at the same time, taking action to address the margin squeeze issues that affected us in FY2006/07.

We will be examining ways of increasing sales into the Australian domestic market. For example, we’ll be working even more closely with our customers, developing unique solutions that will help them find greater success. We will continue to grow the use of steel in the building and construction market, while the acquisition of the Smorgon Steel Distribution business will allow us to compete more effectively against imports in the distribution market segment.

We are also aiming to improve the profitability of our export sales. By working more closely with BlueScope Steel’s extensive network of offshore sales offices, we can provide a more consistent supply of product to our core export customers. This reliability of supply should enable us to reduce the costs of supply, as well as achieving improved pricing.

On the costs side, I am encouraged by the array of cost reduction opportunities we have identified. Our challenge will be to implement these opportunities as quickly as possible.

Of course, we’ll be aiming to do all of this while we strive to make our business an ever-safer place to work, as we continue our journey toward Zero Harm.
BLUESCOPE LYSAGHT CONTINUED ITS GROWTH THROUGH ACQUISITIONS AND PRODUCT INNOVATION. DEMAND FOR WATER STORAGE AND RAIN WATER HARVESTING SOLUTIONS GREW STRONGLY AS BLUESCOPE WATER EXPANDED ITS CAPACITY, OPENING NEW FACTORIES IN BRISBANE AND MELBOURNE.

BLUESCOPE LYSAGHT AUSTRALIA
BlueScope Lysaght designs, manufactures and distributes an extensive range of steel building products for residential, commercial, industrial and agricultural applications. The LYSAGHT® brand appears on wall cladding, rainwater products, steel house framing, fencing and structural products such as roof trusses.

LYSAGHT® is recognised throughout Australia as the premium name in its field and the business has built a reputation for quality, reliability and customer service. In recent years, BlueScope Lysaght has focused on delivering building products tailored to the needs of individual customers.

In 2006/07, market conditions remained buoyant in Queensland and Western Australia, but were difficult in NSW and Victoria, particularly in the residential building sector. Drought conditions and water restrictions also had a softening effect on building activity.

In addition to continuing to develop our customer base, we have successfully grown the Lysaght business through acquisitions and product innovation.

In November, BlueScope Lysaght acquired Kiteley’s Roofing World, based on the south coast of New South Wales. In June, we acquired the Perth-based Highline Limited. Both businesses are part of the Building Solutions activities of Lysaght. This group offers customers tailored services in Design and Construction, Facades and Mobile Rollforming.

BlueScope Lysaght also introduced several new products during the year. Azure® and L’Attitude® are a range of durable facade systems that offer enormous flexibility in materials, from copper and zinc to weathering steel, and a wide range of highly durable colours. Professional design, supply and installation are included as part of the Facades® product offering.

Quikform® is a structural walling system in which two pre-engineered steel skins are filled with concrete to create load-bearing walls that have superior acoustic properties and fire ratings. The Quikform® system also makes concrete pouring more efficient.

BLUESCOPE WATER
In 2006/07 water scarcity remained a major issue in Australia, with concern over water consumption resulting in usage restrictions in many parts of the country. The drought affecting much of Australia is the longest on record. BlueScope Water was established in 2004 in anticipation of increased water scarcity. The business has developed and released a range of products designed to help ease the pressure on Australia’s water resources. This product range has consolidated BlueScope Water’s position as the premium brand for rainwater harvesting products, culvert and irrigation infrastructure.

Our water tanks are becoming a feature of new urban housing developments, enabling Australians to reduce their dependency on mains water, while new products such as our WATERPOINT® in-ground system and AGRIRIB® irrigation pipes are positioned to grow BlueScope Water’s agricultural and commercial markets.

BlueScope Water has also developed the THINKTANK® rainwater harvesting system, exemplifying our ‘total solutions’ approach to maximising water savings. THINKTANK® incorporates a WATERPOINT® rainwater tank, diversions, filters, mains water back up and a pressure pump to capture and use rainwater. In 2006/07, demand for water storage and rainwater harvesting solutions grew strongly. To support this growth, we have expanded capacity in Queensland and Victoria and expect to open new factories in Brisbane and Melbourne in late CY2007.

Pioneer Water Tanks, which we acquired in 2005, is expanding production capacity to meet strong growth in demand in Australian rural, commercial and export markets. An expanded Pioneer Water Tanks production facility is due to be commissioned in late 2007. In addition, the opening of a new warehouse and sales office in Austin, Texas in late CY2007, will further support the US market entry for BlueScope Water. Given the political and social prominence of water management issues in Australia and in other regions, we anticipate continued strong growth for BlueScope Water in the coming year.

Australia Coated and Building Products also includes BlueScope Lysaght Australia and BlueScope Water. Highlights for the year for these two businesses are outlined below.
ZINCALUME® and COLORBOND® steels in a range of LYSAGHT® profiles were used in the redevelopment of the Melbourne Showgrounds, Australia. The project called for the restoration of heritage-listed buildings, as well as the construction of the striking new Royal Agricultural Society of Victoria (RASV) Centre shown here.
The spectacular BOH Tea Centre overlooks the Tea Estate in the Cameron Highlands, Malaysia. The 140 metre facade contrasts BlueScope Steel products with natural materials set against the rows of tea trees.

With headquarters in Singapore, BlueScope Steel Asia manufactures and markets premium steel products in nine countries across the region – China, India, Indonesia, Malaysia, Thailand, Vietnam, Singapore, Brunei and Sri Lanka. In addition, there are 22 building solutions facilities, producing the high quality BUTLER® brand of pre-engineered buildings (PEBs) and the LYSAGHT® range of steel building components. There are 106 sales offices across the region providing sales and technical services to customers in the commercial, industrial and residential sectors of the building and construction industry. Business President Kathryn Fagg discusses our journey in Asia.

The spectacular BOH Tea Centre overlooks the Tea Estate in the Cameron Highlands, Malaysia. The 140 metre facade contrasts BlueScope Steel products with natural materials set against the rows of tea trees.
Q. WHAT WAS THE HIGHLIGHT OF THE YEAR FOR OUR ASIA BUSINESSES?
A. Without question, our most outstanding achievement was our safety record. In the 2006/07 financial year, our Lost Time Injury Frequency Ratio (LTIFR) was zero. This means that across our Asia operations, we accrued around 22 million work hours without losing any time to injury. We’re extremely pleased with the work that’s been done by our employees to lift safety standards in this region. In addition, our Medically Treated Injury Frequency Ratio (MTIFR) was less than one, which represents a reduction of 20% on the previous year.

We are also creating a safety culture beyond our business – working closely with contractors to help them raise safety standards above those that are typical for the Asia region, and pushing for higher levels of protection for contractors as well as our employees.

Overall, we are building a reputation for BlueScope Steel as a company that cares for its people - we are perceived as a desirable employer, which helps us attract and retain good people.

Q. WHAT OTHER ACHIEVEMENTS WERE THERE IN ASIA FOR 2006/07?
A. There were a number of notable achievements. We saw a major improvement in performance from our established operations, while some exciting new investments have reached start up. Overall, this was a stronger year for our Asia businesses, with revenue increasing by 32 per cent to nearly $1.4 billion, and EBIT up 121 per cent to $42 million.

In Vietnam, our new A$136 million metallic coating and painting facility near Ho Chi Minh City was officially opened by Australian Prime Minister, The Hon. John Howard, in November 2006. This facility showed a significant improvement in operations in the second half of the year and we look forward to building market share in this country.

Another investment that has high growth potential is our joint venture with India’s Tata Steel. In January this year, we opened our third plant, a rollforming facility at Chennai in the south of India. This completes our $100 million investment in a network of manufacturing facilities, which includes: Chennai; Tata BlueScope Steel headquarters with a LYSAGHT® and BUTLER® design and manufacturing centre in Pune; and our New Delhi rollforming operation. All three downstream facilities are operating ahead of schedule, with good PEB (pre-engineered building) sales.

Also in India, construction is underway on a fourth facility, a $270 million metallic coating and painting plant, adjacent to Tata Steel’s existing steelworks at Jamshedpur, in the east of that country.

Elsewhere in Asia, among our established businesses, our Indonesian plant is operating at capacity, servicing strong domestic demand. We’ve also committed US$101 million dollars to complete a second metallic coating line, with in-line painting capability, at our Cilegon operation west of Jakarta. This new facility will give us the scale and efficiency we need to meet growing market demand in this country.

In Thailand, we recorded very strong operational performance from our recently completed metallic coating line. Exports from Thailand increased and our new PEB facility is operational.

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

DESPITE TOUGH CONDITIONS IN SOME COUNTRIES, WE IMPROVED PERFORMANCE AND EXPANDED OUR REGIONAL FOOTPRINT, BUILDING OUR REPUTATION AS A PREMIUM STEEL BRAND IN ASIA.

KATHRYN FAGG - PRESIDENT OF BLUESCOPE STEEL ASIA
Our Malaysia business also continued its strong turnaround, with improved yields, good domestic demand and a diversification of its export markets.

In addition, our new China metallic coating and painting facility at Suzhou, near Shanghai, was officially commissioned. It’s operationally and technically proven and we are now looking forward to ramping up this facility.

During the year, we implemented our information technology business management systems across our Asia operations, and relocated our Asia headquarters from Sydney to Singapore. This move underlines our commitment to building closer relationships with our customers in Asia.

Q. WHAT CHALLENGES DID BLUESCOPE STEEL FACE IN ASIA?

A. Our Asia businesses, which we operate in mid and downstream markets, were affected by high steel and coating metal prices, while in some countries, we also experienced fluctuations in demand for our products. This meant pressure on the production side and from the market, which reduced the spread for our midstream businesses.

In Thailand, demand softened as a result of the country’s political coup. However, we were able to offset this by increasing our export sales, delivering high quality products, and through new market offerings. Given the difficult domestic conditions, this business achieved very good results in a market where many competitors were unable to remain profitable.

We also experienced tighter margin spread in China for our metallic coating and painting business. In that country, a shift in government policy relating to exports led to buyer uncertainty, downward pressure on prices, and significant volatility in our Chinese markets.

Another challenge was the number of start-up businesses across the region. In many cases, we are building new markets, which means creating an understanding within each market of the value of our premium steel building brands.

Q. WHAT DOES THE IMMEDIATE FUTURE HOLD FOR BLUESCOPE STEEL ASIA?

A. Across the region, we’ll be focusing on operational efficiencies. BlueScope Steel has undertaken rapid growth in Asia. With many of our capital investments now reaching ramp-up stage, we’ll be concentrating our energies on creating new markets for our premium steel brands, on continued expansion in solutions such as PEBs, and on new product development.

Asia is one of the great growth centres, encompassing three of the world’s most populous nations – India, Indonesia and China. Each Asian country in which we do business presents unique opportunities and challenges. We are helping to shape the built environment in Asia through our contributions to architecture and building and we are very enthusiastic about our prospects in this dynamic part of the world.

BlueScope Steel supplied tsunami relief housing at Desa Paterik, Banda Aceh, Indonesia.
Colour and light on the detail of the National Audit Department building, Malaysia. The building typifies contemporary Asian architecture. BlueScope Steel products have featured in many high profile building projects throughout the region.

WE ARE BECOMING KNOWN THROUGHOUT ASIA AS A WORLD-CLASS COMPANY - A PROVIDER OF HIGH QUALITY STEEL BUILDING PRODUCTS, AND A LEADER IN SAFETY. OUR PROSPECTS ARE VERY STRONG IN THIS FAST-GROWING REGION.
Our North America operations include: Butler Buildings, a pre-engineered building business, North Star BlueScope Steel, a steel mini-mill, Castrip LLC, developing a new strip casting technology, and Steel Americas and Europe, our export arm. Business President Lance Hockridge outlines a year of solid progress.

Q. COULD YOU DISCUSS THE PROGRESS OF OUR NORTH AMERICAN BUSINESSES?
A. Overall we’ve made enormous strides in improving our North American operations. In 2006/07, we focussed on customer relationships in both our downstream and upstream businesses and we saw the benefits of a disciplined approach in areas such as safety, financial and operational expertise.

At the downstream end, our Butler Buildings business had a great year, with a strengthening in customer relationships, improved operations, and better product mix. EBIT was $37 million, up by $28 million on the previous year. This was due to greater plant efficiencies and improved margins and pricing.

Revenue was $788 million, down six per cent on last year - a result of the unfavourable exchange rate between the Australian and US dollars.

Product quality and output was vastly improved and there’s a new sense of vitality among our Butler employees. During the year, a group of Butler Builders® visited a number of BlueScope Steel facilities in Australia and New Zealand. This trip furthered the understanding of BlueScope Steel’s values and reinforced the fact that the Butler Builder® network is part of the BlueScope Steel family.

Our Vistawall business showed a similar level of re- invigoration with sales volumes increasing by 50 per cent during the year.
The new product launch of Moduline doors was a success and we increased R&D spending to drive new product development. The introduction of BlueScope Steel management systems led to large gains in productivity.

At the upstream end, our North Star BlueScope Steel joint venture in Ohio had a good year, setting many daily, weekly and monthly production records. Our half of sales revenue increased by one per cent to $722 million, while EBIT was $156 million - down eight per cent, due to the stronger Australian dollar and higher costs of electricity and alloys. We are excited by the business winning its fifth consecutive Jacobson Survey of customer satisfaction. It was again voted the best of over 30 steel mills in quality, service and delivery performance.

The North Star BlueScope Steel mini-mill has continued to outperform its original capacity, and during the year, we invested US$40 million in a new baghouse, which is a dust and emission filtering facility. Its installation affected the full-year performance of the operation, but has resulted in a dramatic improvement in the quality of working conditions, and in environmental performance. The place now has a better atmosphere and these efforts have been well received by our employees.

Our Steel Americas and Europe Business also had a strong year. This is a small group of employees involved in selling our steel to export customers, and you could say they are unsung heroes. During the year, they sold over 1.5 million tonnes of our product to customers in Europe, America and the Middle East, including our four millionth tonne to California Steel.

This business maintained very high quality relationships with hundreds of customers, both large and small and these relationships provide BlueScope Steel with a real strategic advantage.

Finally, Castrip LLC, our joint venture company pioneering continuous strip casting, is making encouraging progress, particularly in improving product quality. BlueScope Steel continues to provide a high level of support in both the US and at our Port Kembla Research Laboratories.

One of our joint venture partners, Nucor, uses the Castrip® process at its Indiana plant, and has a second mill under construction in Arkansas. This process is potentially revolutionary. It promises lower energy use, smaller scale, and less capital costs. It’s an exciting project but we are being patient. These things take time.
WE HAVE FOCUSED ON CUSTOMER RELATIONSHIPS IN BOTH OUR DOWNSTREAM AND UPSTREAM BUSINESSES. WE ARE SEEING THE BENEFITS OF A DISCIPLINED APPROACH IN AREAS SUCH AS SAFETY, FINANCE AND OPERATIONS AND ARE READY TO MEET THE CHALLENGE OF GROWTH.

Q. WHAT WAS THE HIGHLIGHT OF THE YEAR FOR BLUESCOPE STEEL NORTH AMERICA?
A. I think our safety journey in North America has been a real achievement. The extent of our progress has been nothing short of remarkable and the feedback we’ve been getting from our Butler employees, as well as from people in our recently sold Vistawall business, has been very positive. In fact, the greatest lasting legacy of BlueScope Steel’s ownership of Vistawall has been the building of a very strong safety culture.

Q. COULD YOU DISCUSS THE SALE OF THE VISTAWALL BUSINESS?
A. On June 28, we announced the sale of Vistawall for US$190 million. The business was part of Butler Manufacturing Company, which BlueScope Steel acquired in April 2004 for US$206 million, so this was an excellent result. The Vistawall people put enormous efforts into the business during the past three years and the value of their work has now been realised. It is important to mention that Vistawall was not our core business. It is an aluminium and glass business that specialises in storefronts, curtainwalls, skylights, translucent roofs, and other such systems. The buyer, Oldcastle Glass, is a more natural owner with a business style and values similar to ours. Vistawall’s employees are pleased with this outcome, and are excited by the prospect of further growth.

Q. WHAT ARE THE CHALLENGES FOR OUR NORTH AMERICA BUSINESSES IN THE COMING YEAR?
A. To continue our safety journey, to maximise the return on our investments, and to grow our businesses. We’ve built a solid platform. A lot of the hard work has been done, and we now have to deliver on the challenge of growth. We must also keep building our reputation as a good employer, and as a good company to do business with.
Butler Buildings employee Mike Clayburg inside the 11,600 square metre US Coast Guard aircraft maintenance hangar at Mobile, AL. The US Coast Guard is one of many government agencies to utilise Butler Building expertise.
Our Bond guides us to respect the communities where we operate. Our communities are our homes. In 2006/07, environmental issues such as greenhouse gas emissions and water scarcity remained matters of public concern. We are responding with a number of programs and initiatives that represent industry leading environmental practice.

In May, BlueScope Steel launched the Tank a Day Challenge. This program will see us donate 200 water tanks to Australian primary schools — one tank for each day of the primary school year. BlueScope Steel will also share its expertise in rainwater harvesting and water management, helping schools to minimise storm water run-off, reduce their reliance on mains water systems, and cut school water bills. The project is designed to initiate water conservation programs in schools, and help imbue a generation of young Australians with a water saving philosophy.

During the year we invested in major water saving projects at Port Kembla Steelworks and Western Port. Our water recycling initiative at Port Kembla Steelworks, in conjunction with Sydney Water, has celebrated the use of five and a half billion litres of recycled water. In the past 10 years, the Port Kembla operation has halved its fresh water consumption, significantly reducing its reliance on local water supplies. Ninety-eight per cent of the water we use in steelmaking at Port Kembla is now either salt or recycled water.
In 2006/07, we also announced a $21 million water recycling project to supply our Western Port plant, in partnership with the Victorian Government and South East Water. This project will reduce Western Port’s fresh water use by over 60 per cent, or 660 mega litres per year – equivalent to the annual water consumption of around 3,000 homes. The project, which involves the installation of a new 13 kilometre pipeline to take recycled water to our Western Port plant, will also reduce sewage discharge and landfill.

In the area of greenhouse gas emissions, we commenced a feasibility study into a major electricity co-generation project at Port Kembla Steelworks. This project will involve building a power plant to generate electricity from the gases produced during steelmaking. The electricity will then be fed back into the state power grid. The co-generation plant would save around 800,000 tonnes of greenhouse gas emissions from entering the atmosphere each year. This is equivalent to taking 185,000 thousand cars off the road annually.

During the year, BlueScope Steel also signed a new five-year pollution reduction agreement for Port Kembla Steelworks. Recent work at Port Kembla, such as a project that captures and treats sinter plant gas and dust emissions, has drawn a positive community response.
GRAHAM KRAEHE AO  
Chairman (Independent)  
Age 65, BEc  
Director since: May 2002  

RON McNEILLY  
Deputy Chairman (Independent)  
Age 64, BCom, MBA, FCPA  
Director since: May 2002  
Over 30 years’ experience in the steel industry. Held various positions with the BHP Group (now BHP Billiton), including Executive Director and President BHP Minerals, Chief Operating Officer, Executive General Manager and was Chief Executive Officer BHP Steel until 1997.  

KIRBY ADAMS  
Managing Director and Chief Executive Officer  
Age 51, BSc (Industrial Eng), MBA  
Director since: May 2002  
Appointed Managing Director and Chief Executive Officer of BlueScope Steel Limited in July 2002. Joined the BHP Group in 1995 and held various positions including President BHP Services, Group General Manager and Chief Executive Officer BHP Service Companies, Corporate General Manager Planning and Development and President BHP Steel since February 2000.  
Director and previous Chairman of the International Iron and Steel Institute and a member of the Business Council of Australia.

DIANE GRADY  
Non-Executive Director (Independent)  
Age 59, BA (Hons), MA (Chinese Studies), MBA  
Director since: May 2002  
Chair of Remuneration and Organisation Committee. Director of Woolworths Ltd since July 1996, Wattyl Ltd from December 1994 until October 2006, Member of ASIC Business Consultative Panel and Senior Advisor to McKinsey & Co. Has served on the Board of a number of public and not-for-profit organisations including Lend Lease Corporation, MLC, Greengrocer.com (Chair), Sydney Opera House and as President of Chief Executive Women. Formerly a partner of McKinsey & Co. Experienced Director who brings valuable strategic business expertise to the Board.
AUSTRALIA
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Hastings VIC
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Western Sydney NSW
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Acacia Ridge QLD
Braeside VIC
Chullora NSW
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Port Kembla NSW
Sunshine VIC
Wingfield SA
BLUESCOPE LYSAGHT
Albury NSW
Archerfield QLD
Arndell Park NSW
Cairns QLD
Campbellfield VIC
Cardiff NSW
Carole Park QLD
Chinderah NSW
Coffs Harbour NSW
Coolum QLD
Dandenong VIC
Darwin NT
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Gilman SA
Launceston TAS
Lyndhurst VIC
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Rockhampton QLD
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Taren Point NSW
Wollongong NSW

NEW ZEALAND
Glenbrook – New Zealand Steel
Waikato North Head – Ironsands Mine
Taharoa – Ironsands Mine

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