



# OUT OF THE BLUE

BLUESCOPE STEEL LIMITED  
ANNUAL REPORT 2006/07 PART 2 OF 2

# CONTENTS

<b>DIRECTORS' REPORT</b>	<b>43</b>
<b>CORPORATE GOVERNANCE STATEMENT</b>	<b>66</b>
<b>CONCISE FINANCIAL REPORT</b>	<b>75</b>
<b>INDEPENDENT AUDIT REPORT TO THE MEMBERS</b>	<b>89</b>
<b>SHAREHOLDER INFORMATION</b>	<b>90</b>
<b>CORPORATE DIRECTORY</b>	<b>92</b>

## DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

The directors of BlueScope Steel Limited ("BlueScope Steel") present their report on the consolidated entity ("BlueScope Steel Group") consisting of BlueScope Steel Limited and its controlled entities for the financial year ended 30 June 2007.

### 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

The following significant events occurred during the year:

- (a) The Company is progressing a range of growth initiatives mainly aimed at expanding the manufacture and distribution of metallic coated and painted steel products. The status of these projects is:

#### Commenced operation

- Australia: the expansion of the Hot Strip Mill (capacity increase: 2.4 to 2.8 million tonnes per annum) at the Port Kembla Steelworks commenced operation in July 2006;
- Australia: Lysaght acquired Kiteley's Roofing World in November 2006 and Highline Limited in June 2007;
- Australia: BlueScope Water expanded capacity in Queensland and Victoria;
- China: the new metallic coating and painting line (capacity: 250,000 tonnes per annum) facility commenced metallic coating during September 2006;
- India: the new Pune Lysaght/Butler PEB facility (50% interest) commenced operations during August 2006;
- India: the new Lysaght facilities at Bhiwadi (50% interest) commenced operations during October 2006; and
- India: the new Lysaght facilities at Chennai (50% interest) commenced operations during January 2007.

#### Under construction

- Australia: the new painting facility (capacity: 120,000 tonnes per annum) in western Sydney. This facility commenced production in August 2007;

- Australia: BlueScope Water is to open new factories in Brisbane and Melbourne during 1H FY 2008; and
- India: the metallic coating and painting facilities project in India, which forms part of a 50/50 joint venture with Tata Steel, is planned to commence production mid CY 2009.

#### Projects approved during the year

- Australia: sinter plant upgrade at Port Kembla Steelworks will coincide with the reline of the #5 Blast Furnace during March 2009. The project will increase the competitiveness of the Port Kembla Steelworks through reducing the use of more expensive iron ore pellets and using less expensive iron ore fines to produce additional sinter;
- Australia: acquisition of Smorgon Steel Distribution. This business was acquired on 3 August 2007; and
- Indonesia: a second metallic coating (capacity: 165,000 tonnes per annum) facility at Cilegon, which was placed on hold during the previous financial year, recommenced construction in May 2007 with production scheduled to commence towards the end of CY 2007.
  - (b) During FY 2007, as part of a range of restructuring initiatives, the Company completed the closure of the loss-making tin mill at Port Kembla, closed its operations in Taiwan, eliminated approximately 300 management and staff jobs across all operations and sold its Vistawall business.

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 3 August 2007, BlueScope Steel acquired the distribution business of Smorgon Steel for approximately \$700M. As part of the consideration for this acquisition the 179,124,278 Smorgon Steel shares, previously acquired by the Company for \$319.3M, are to be bought back based on 0.4091 OneSteel Limited shares for each Smorgon Steel share valued using the volume weighted price of OneSteel shares for the 10-day period to 17 August 2007. The gain on the disposal of the Smorgon Steel shares will be taken to the income statement in the 2008 financial year.

The Board of BlueScope Steel announced on 6 August 2007 that Chief Financial Officer Paul O'Malley will succeed Kirby Adams as Managing Director and CEO effective from 1 November 2007. As part of the transition to his new role, Mr O'Malley has joined the Board of BlueScope Steel.

### DIVIDENDS

BlueScope Steel paid a fully franked dividend for the year ended 30 June 2006 of 24 cents per share and a fully franked interim dividend of 21 cents per share in April 2007 to its shareholders.

On 20 August 2007, it was announced that the Directors determined to pay a final fully franked dividend of 26 cents per share, which is to be paid to shareholders on 23 October 2007 (record date 28 September 2007).

## REVIEW AND RESULTS OF OPERATIONS

The BlueScope Steel Group comprises six business reporting segments: Hot Rolled Products Australia, Coated and Building Products Australia, New Zealand and Pacific Steel Products, Coated and Building Products Asia, Hot Rolled Products North America and Coated and Building Products North America.

	SEGMENT REVENUES 2007 \$M	SEGMENT REVENUES 2006 \$M	SEGMENT RESULTS 2007 \$M	SEGMENT RESULTS 2006 \$M
<b>SALES REVENUE</b>				
Hot Rolled Products Australia	3,919.0	3,471.9	758.7	456.4
Coated and Building Products Australia	3,185.8	2,766.8	41.1	(3.0)
New Zealand and Pacific Steel Products	728.5	708.9	90.1	104.6
Coated and Building Products Asia	1,387.3	1,047.9	41.8	19.2
Hot Rolled Products North America	566.2	500.4	180.2	187.6
Coated and Building Products North America	788.0	834.1	37.2	9.3
Corporate and Group	464.9	420.4	(42.2)	(77.5)
Discontinuing Operations	747.2	706.9	15.8	(197.2)
Inter-segment eliminations	(2,926.8)	(2,444.7)	(24.0)	56.3
Other revenue	52.5	18.9		
Operating revenue/EBIT	8,912.6	8,031.5	1,098.7	555.7
Net unallocated expenses			(135.9)	(87.1)
Profit from ordinary activities before income tax			962.8	468.6
Income tax expense			(259.8)	(125.8)
Profit from ordinary activities after income tax expense			703.0	342.8
Net profit attributable to outside equity interest			(17.4)	(5.2)
Net profit attributable to members of BlueScope Steel			685.6	337.6
Earnings per share (cents)			95.3	47.9

The Company's revenue increased \$881.1 million to a record level of \$8,912.6 million, primarily through record production volumes at the Port Kembla Steelworks, higher global slab and hot rolled coil prices and the flow-on to domestic prices, favourable mix of Australian domestic/export sales driven mainly by stronger demand in the pipe and tube, building and distribution markets, sales growth in Coated and Building Products across all regions within Asia and North America. These were partly offset by a stronger average AUD.

Net profit after tax increased \$348.0 million to \$685.6 million driven by higher international steel prices, higher domestic prices in the distribution and building markets, favourable mix of Australian domestic sales driven mainly by stronger demand in the pipe and tube, building and distribution markets, together with one-off restructuring costs in the previous year. These were partly offset by higher iron ore, coal, coating metal and scrap costs and an adverse foreign exchange impact due to the strengthening AUD.

### Hot Rolled Products Australia

The earnings contribution from the Hot Rolled Products segment increased significantly, primarily as a result of record production tonnes, higher export, domestic pipe and tube and inter-segment prices for Coated and Building Products Australia, improved domestic export mix with strong demand in the pipe and tube market and inter-segment volumes to Coated and Building Products Australia, combined with the impact of high restructuring costs (staff and other internal restructuring) during the previous year.

These were partly offset by higher iron ore, coal, and scrap costs and freight, repairs and maintenance and conversion cost increases more than offsetting cost reduction initiatives to improve yield, labour productivity and other costs.

### New Zealand and Pacific Steel Products

The earnings contribution from the New Zealand and Pacific Steel Products segment decreased primarily as a result of a strengthening NZD relative to the USD, higher imported feed and metal coating costs and reduced contributions from vanadium recoveries due to softening world prices. These were partly offset by higher New Zealand domestic prices on the back of strong demand, higher export prices, reduced maintenance costs, decrease in the spot price of electricity and reduced freight costs primarily due to a destination mix.

### Coated and Building Products Australia

The earnings contribution from the Coated and Building Products Australia segment was significantly improved compared to the previous year's loss primarily driven by higher domestic and export sales prices, increased domestic (particularly in the building and distribution markets) and export despatch volumes, together with restructuring costs and Western Port fire in the previous year. These were partly offset by significantly higher zinc and aluminium costs, higher steel feed costs from Hot Rolled Products Australia, stronger AUD exchange rate and higher research and development costs.

### Coated and Building Products Asia

The earnings contribution from the Coated and Building Products Asia segment was significantly higher primarily due to increased domestic despatches across all regions, higher domestic and export prices and reduced business development and pre-operating costs as metal coating operations in Vietnam, Thailand and China commenced production. These were partly offset by higher unit costs mainly as a result of commissioning and ramp-up of production volumes at the Vietnam and China coating lines, net adverse foreign exchange impact from a strengthening AUD and higher coating metal and steel feed costs.

### Hot Rolled Products North America

The earnings contribution from the Hot Rolled Products North America segment was slightly lower primarily due to an unfavourable movement in the AUD relative to the USD and higher conversion costs at North Star BlueScope Steel driven by electricity and alloys. These were partly offset by an improved spread at North Star BlueScope Steel with hot rolled coil prices in North America improving more than the cost of scrap feed and higher export volumes increasing earnings from trading activities.

### Coated and Building Products North America

The earnings contribution from the Coated and Building Products North America segment improved significantly, primarily due to improved plant efficiencies and increased volumes at lower unit cost facilities and improved margins as sale price increases exceeded raw material cost increases. These were partly offset by an unfavourable movement in the AUD relative to the USD.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company's long-term view of the global steel industry remains positive on the back of strong demand in China, the US and Europe. In the short-term, high coating metal costs and a strong AUD will continue to put pressure on margins.

## BOARD COMPOSITION

The following were Directors for the full financial year: Graham John Kraehe AO (Chairman), Ronald John McNeilly (Deputy Chairman), Kirby Clarke Adams (Managing Director and Chief Executive Officer), Diane Jennifer Grady, Harry Kevin (Kevin) McCann AM, Paul John Rizzo, Tan Yam Pin. Daniel Bruno Grollo was appointed as a Director on 27 September 2006 and Paul Francis O'Malley was appointed as a Director on 6 August 2007.

Particulars of the skills, experience, expertise and special responsibilities of the Directors are set out on pages 73 and 74 under Information on Directors and form part of this report.

BlueScope Steel announced on 6 August 2007 that Mr O'Malley was selected by the Board to replace Mr Adams as Managing Director and Chief Executive Officer on his retirement.

## COMPANY SECRETARIES

**Michael Barron**, Chief Legal Officer and Company Secretary, BEc, LLB, ACIS - Michael Barron is responsible for the legal affairs of BlueScope Steel and for company secretarial matters.

**Laurence Mandie**, BSc (Hons), LLB (Hons) - Laurence Mandie is a corporate counsel with BlueScope Steel.

**Darren Mackenzie**, BA, LLB (Hons) - Darren Mackenzie is a corporate counsel with BlueScope Steel.

## 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
G J Kraehe	130,354	0
R J McNeilly	544,257	0
D J Grady	52,405	0
H K McCann	42,847	0
P J Rizzo	33,869	0
Y P Tan	26,038	0
D B Grollo	2,955	0
K C Adams#	2,612,846	569,637
P F O'Malley*	25,000	121,100

# Mr Adams' current holding of BlueScope Steel Limited shares includes 1,440,163 arising from the BlueScope Steel Long Term Incentive Plan. The remaining shares have been acquired with his own funds.

\* Mr O'Malley will be awarded 50,000 shares shortly after the release of this report as announced on 6 August 2007.

## MEETINGS OF DIRECTORS

The attendance of the current Directors at Board and Board Committee meetings from 1 July 2006 to 30 June 2007 is as follows:

	BOARD MEETINGS				COMMITTEE MEETINGS					
	A	B	Audit and Risk Committee		Remuneration & Organisation Committee		Health, Safety & Environment Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
G J Kraehe	14	14	4	3 <sup>1</sup>	9	8	4	4	7	7
R J McNeilly	14	13 <sup>3</sup>	4	4	9	9	4	4	7	7
D J Grady	14	13 <sup>3</sup>	–	–	9	9	4	4	7	7
H K McCann	14	13 <sup>3</sup>	4	4	–	–	4	4	7	7
P J Rizzo	14	13 <sup>3</sup>	4	4	–	–	4	4	7	7
Y P Tan	14	10 <sup>3</sup>	–	–	9	8 <sup>3</sup>	4	4	7	7
D B Grollo	11	11	3	1	–	–	3	3	5	5
K C Adams	14	14	4	2 <sup>2</sup>	9	5 <sup>2</sup>	4	4	–	4 <sup>2</sup>

All Directors have held office for the entire 2006/07 financial year, with the exception of Mr Grollo who became a Director on 27 September 2006. Mr O'Malley became a Director on 6 August 2007 and is therefore not reflected in the table.

A = number of meetings held during the period 1 July 2006 to 30 June 2007 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 2006 to 30 June 2007 while the Director was a member of the Board or the Committee, as the case may be.

1. The Chairman of the Board attends as part of his duties as Chairman.

2. The Chief Executive Officer attends by invitation as required.

3. All meetings not attended were unscheduled.

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

Board meetings: 7

ROC meetings: 2

The Non-Executive Directors met twice during the 2006/07 financial year without the presence of management.

## REMUNERATION REPORT

### 1. POLICY AND STRUCTURE

#### 1.1. BOARD POLICY SETTING

The Board oversees the BlueScope Steel Human Resources Strategy, both directly and through the Remuneration and Organisation Committee of the Board. The purpose of the Committee as set out in its charter is "... to assist the Board to ensure 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 executive and the external remuneration environment; and
- Plans and implements the development and succession of executive management."

As part of its charter the Committee considers remuneration strategy, policies and practices applicable to Non-Executive Directors, the Managing Director and Chief Executive Officer, senior managers and employees generally.

Input to the Committee's operations is sought from the Managing Director and Chief Executive Officer and the Executive Vice President People and Performance, who both may attend Committee meetings by invitation.

In addition, advice is received from independent expert advisers in a number of areas including:

- Remuneration benchmarking
- Short-term incentives
- Long-term incentives
- Contract terms

Remuneration consultants who provided advice to the Board during the year ended 30 June 2007 are set out below:

- John Egan – Directors and Senior Executive remuneration advice
- PricewaterhouseCoopers – Executive remuneration data/advice
- Hay Group Pty Limited – data only

During the year the Board appointed PricewaterhouseCoopers as the independent remuneration adviser to the Remuneration and Organisation Committee.

The Board recognises that the Company operates in a highly competitive global environment and that the performance of the Company depends on the quality of its people.

The Company's approach to remuneration for Non-Executive Directors and employees, with particular reference to salaried employees and senior managers is set out below.

## 1.2. NON-EXECUTIVE DIRECTORS' REMUNERATION

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually. The Board seeks the advice of an expert external remuneration consultant to ensure that fees and payments to Non-Executive Directors, the Chairman of the Board and the Chairman of Committees of the Board reflect their duties and are in line with the market. The Chairman and the Deputy Chairman of the Board are not present at any discussions relating to the determination of their own remuneration.

Non-Executive Directors do not receive share rights or other performance-based rewards. Non-Executive Directors are expected to accumulate over time a shareholding in the Company at least equivalent in value to their annual remuneration. Non-Executive Directors are required to salary sacrifice a minimum of 10% of their remuneration each year and be provided with BlueScope Steel shares (instead of cash fees), which are acquired on-market in the approved policy windows. Shareholders approved this arrangement at the 2003 Annual General Meeting, and Non-Executive Directors commenced participation in this arrangement in January 2004.

The current annual base fees for Non-Executive Directors have not changed from FY06 and remain as follows:

- Chairman – \$450,000
- Deputy Chairman – \$235,000
- Directors – \$150,000

The remuneration of the Chairman and Deputy Chairman is inclusive of Board Committee fees. Other Non-Executive Directors who chair a Board Committee receive additional yearly fees and members of the Audit and Risk Committee also receive an additional yearly fee on the basis of advice from the remuneration consultant. The current annual Committee Chair fees remain the same as FY06 as follows:

- Remuneration and Organisation Committee – \$20,000
- Audit and Risk Committee – \$30,000
- Health, Safety, Environment and Community Committee – \$15,000 (currently chaired by the Deputy Chairman of the Board so no fee is currently paid).

Members of the Audit and Risk Committee (other than Chairman and Deputy Chairman of the Board and the Chairman of the Committee) receive a fee of \$15,000 per annum.

Mr Tan (a resident of Singapore) receives a travel and representation allowance recognising his involvement in representing the Board in activities with BlueScope Steel's Asian business and the significant travel requirement imposed in respect of his attendance at meetings. This allowance is currently \$20,000 per annum.

Non-Executive Directors' fees are determined within an aggregate Directors' fees pool limit, which is approved by shareholders. The maximum fee pool limit is \$2,250,000 per annum (inclusive of superannuation) as approved by shareholders at the Annual General Meeting in 2005.

Compulsory superannuation contributions capped at \$13,129 commencing 1 July 2007 are paid on behalf of each Director. Non-Executive Directors do not receive any other retirement benefits.

Non-Executive Directors' fees and payments were reviewed in January 2007 where no changes were recommended. These arrangements will be next reviewed by an independent expert in January 2008.

## 1.3. SALARIED EMPLOYEES

### 1.3.1. PRINCIPLES

BlueScope Steel has approximately 9,300 salaried employees. Other employees are covered by Collective Agreements or statutory instruments in the countries in which BlueScope Steel operates.

BlueScope Steel's remuneration and reward practices aim to attract, motivate and retain talent of the highest calibre and support "Our Bond" by creating distinguishable differences in remuneration, consistent with performance.

The Company's salaried remuneration framework is designed to:

- Make a clear link between rewarding employees and the creation of value for the shareholders and the business.
- Recognise and reward individual performance and accountability for key job goals.
- Provide distinguishable remuneration differences between levels.
- Maintain a competitive remuneration level relative to the markets in which the Company operates.

The framework is built on an appropriate mix of base salary/pay (including work and expense related allowances), variable pay/short-term incentives and long-term equity participation opportunities.

Long term equity participation opportunities are specifically tied to company performance. As a result, participating employees in BlueScope Steel Long Term Incentive Plans are specifically excluded from selling, assigning, charging or mortgaging their share rights. It is BlueScope Steel policy, and it is stated in the terms of the awards, that the share rights are personal to the employee. Accordingly employees are specifically excluded from transferring any risk or benefit from the share rights to any other party. So called "cap and collar" deals cannot be made and could not in the past be made over BlueScope Steel share rights.

### 1.3.2. BASE SALARY/PAY

Base salary/pay is determined by reference to the scope and nature of an individual's role, performance, experience, work requirements and market data.

Market data is obtained from external sources to establish appropriate guidelines for positions, with the goal to pay slightly above median.

### 1.3.3. VARIABLE PAY AND SHORT TERM INCENTIVES

Most employees have access to a variable/at risk component of remuneration in the form of a performance related pay, or other variable pay schemes in which reward is at risk. All senior managers and many salaried employees participate in a formal Short-Term Incentive Plan (STI).

The STI is an annual "at risk" cash bonus scheme which is structured to deliver total remuneration in the upper quartile for the respective market group when stretch performance is attained. STI awards are not an entitlement but rather the reward for overall company results and the individual or team contribution to performance. The scheme is applied at the discretion of the Board which has established rules and protocols to ensure that STI payments are aligned with organisation and individual performance outcomes.

Target STI levels are set having regard to appropriate levels in the market and range from 10% of base salary through to 100% at CEO level. These levels are reviewed annually. For outstanding results, participants may receive a further 50% of their target bonus amount.

Goals are established for each participant under the following categories which are drawn from the "Our Bond" charter. Each year objectives are selected to focus on key areas which underpin the achievement of outstanding performance including:

- Shareholder Value Delivery – financial performance measures are used including Net Profit After Tax, Cash Flow, and Earnings Before Interest and Tax. Company-wide financial performance goals are predetermined by the Board with the goals for the combined individual businesses required to exceed the overall goal. A minimum of 30% of STI Plans at senior manager level (with 60% at CEO level), is based on BlueScope Steel wide financials. For other participants, 20% of the plan is based on BlueScope Steel corporate financials.
- Zero Harm – safety and environmental performance measures, including Lost Time Injury Frequency Rates, Medically Treated Injury Frequency Rates and environmental measures.
- Business Excellence – performance measures for the financial year ended 30 June 2007 were focused on delivery performance, days of inventory and quality measures.
- Strategy – implementation of specific longer-term strategic initiatives.

STI Plans are developed using a balanced approach to financial/shareholder value and key performance indicator (KPI) metrics. At the senior executive level, 60% of the STI award is based on financial/shareholder value measures with 40% based on KPI metrics. For other participants, 50% of the STI award is based on financial/shareholder value measures and 50% is based on KPI metrics.

Predetermined performance conditions including threshold, target and stretch hurdles are set for each plan and are assessed against these conditions using quantified and verifiable measures or an assessment of value contribution. Target levels are set for particular periods having regard to the desired result for each goal. Corresponding threshold and stretch ranges are set taking into account the degree of stretch inherent in the target. The threshold is the minimum performance level for which a payment will be made for each goal or period. The stretch is the maximum level. Consequently, if threshold 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.

### 1.3.4. EQUITY BASED OPPORTUNITIES

The Board gives consideration each year to the creation of opportunities for employees to participate as equity owners in the Company based on Company performance and other relevant factors. Shareholder approval is sought for any shares or share rights to be granted to the Managing Director and Chief Executive Officer.

#### (a) Employee Share Plans

From time to time employees are invited to participate in a General Employee Share Plan.

A plan has been offered to eligible employees each year since 2003. For the 2006 year, the plan was deferred and offers made in February 2007 following the Company's achievement of satisfactory financial performance for the half year ending 31 December 2006.

The allocation of shares to employees under such schemes and the form of the offer is at the discretion of the Board and is considered (subject to company performance) on a year by year basis.

In the 2007 financial year, in Australia, New Zealand and USA the plan provided for employees to purchase shares from their after tax pay via payroll deduction (minimum of AUD100 to a maximum of AUD500). For every share purchased by the employee, the Company provided two shares at no additional cost to the employee. These shares acquired and provided must be retained by employees for at least three years.

In countries where payroll deductions are not practicable, employees were awarded rights to acquire 60 ordinary BlueScope Steel shares at no cost (or will receive a cash reward of equal value in countries where the issue of shares is not practicable) subject to a three-year employment period.

The aim of the Plan is in recognition of Company performance to assist employees to build a stake in the Company by enabling each eligible employee to acquire a parcel of shares. Employees who become shareholders have the potential to benefit from dividends paid on the shares, growth in the market value of their shares and any bonus shares or rights issues the Board of Directors may approve from time to time.

#### (b) Long Term Incentive Plan – Approach

Consideration is also given on an annual basis to the award of share rights to senior managers under the Long Term Incentive Plan. The Long Term Incentive Plan is designed to reward senior managers for long-term value creation. It is part of the Company's overall recognition and retention strategy having regard to the long term incentives awarded to senior managers in the markets in which the Company operates.

The decision to make an award of share rights is made annually by the Board. Awards to members of the Executive Leadership Team are determined collectively and based on a percentage of Base Pay. Individual participation for other executives is determined based on the:

- Strategic significance of the role and outcomes achieved.
- Impact on strategic outcomes in terms of special achievements or requirements.
- Future potential and succession planning requirements.
- Performance and personal effectiveness in achieving outstanding results.

Details of the award under the Plan since the demerger are set out below. In summary, the main features of the Plan are as follows:

- The awards are generally made in the form of share rights. Share rights are a right to acquire an ordinary share in BlueScope Steel at a later date subject to the satisfaction of certain performance criteria.
- The vesting of share rights under the Plan requires a sustained performance over a number of years (usually 3) with a hurdle based on Total Shareholder Return (TSR) relative to the TSR of the companies in the S&P/ASX 100 index at the award grant date. The hurdles have been set to underpin the creation of superior Total Shareholder Return in the context of the top 100 Australian companies.
- The share rights available for exercise are contingent on BlueScope Steel's TSR percentile ranking, with the minimum ranking required for vesting being the 51<sup>st</sup> percentile. The total number of share rights that vest for a senior manager increase proportionally as BlueScope Steel's TSR percentile ranking increases. Maximum vesting (100%) occurs at the 75<sup>th</sup> percentile or above.
- Given the cyclical nature of the markets in which the Company operates, provision is generally made for limited retesting at 6 monthly intervals. This helps moderate short-term share price volatility that may arise due to market view of Hot Rolled Coil prices and not reflective of company performance. At each retest period shares only vest if they have reached the hurdles for the total period covered.
- Any share rights which do not vest, lapse on resignation or termination for cause or at the expiry of the relevant performance period, whichever comes first.
- The Board has discretion to vest share rights in the event of a change in control. The Board has determined that any outstanding share rights can vest before the end of the performance period if a "change in control" occurs. Vesting will then depend upon early testing of the relevant performance hurdles at that time. A "change of control" is generally an entity acquiring unconditionally more than 50% of the issued shares of the Company.

- External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine, for accounting purposes, the value of the executive share rights at grant date for each award. The valuation has been made using the binomial option pricing model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk-free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles have been taken into account.
- In September 2006, 206 senior and high potential managers were invited to participate in the Long Term Incentive Plan.

### (c) Long Term Incentive Plan – Outline of Specific Awards

A detailed summary of each award follows the commentary.

#### (i) September 2002 Award

This award vested on 1 October 2005.

On 30 September 2007 the holding lock on all shares acquired under this award will be lifted.

#### (ii) September 2003 Award

The September 2003 Award was tested at the end of the first performance period (30 September 2006). At this time BlueScope Steel's TSR ranking was the 60.71 percentile resulting in 71.42% of share rights held vesting. Participants were provided the opportunity to exercise vested share rights at that time.

The second performance period ended on 31 March 2007 at which time the company's TSR ranking was the 73.42 percentile resulting in 96.84% of the total number of share rights vesting, leaving 3.16% to carry over to the next performance period.

After consideration, the Board exercised its discretion under clause 15.1 of the BlueScope Steel Employee Share Plan Trust Deed, to determine that the vesting of the final 3.16% remaining share rights under the 2003 LTIP Award for all participants (except the MD and CEO) would occur, taking into account the following:

- vesting the remaining share rights from the 2003 Award will close out that Plan Award for participants other than the MD & CEO;
- the strong financial performance of the Company around the period of time at which performance for vesting purposes was assessed.

Mr Adams' remaining 3.16% was carried over to the third performance period and will be retested on 30 September 2007. Any further vesting will be subject to the TSR performance at that time.

#### (iii) September 2004 Award

The September 2004 Award will be tested after the first performance period ends on 31 August 2007 using the relative TSR ranking against the ASX/S&P 100. The TSR ranking of the 2004 Award at 30 June 2007 was the 57th percentile. If that ranking were to apply on 31 August 2007, then 64% of the share rights held by eligible participants would vest at that time.

#### (iv) September 2005 Award

The September 2005 Award is first due for testing on 31 August 2008.

#### (v) September 2006 Award

The September 2006 Award is first due for testing on 31 August 2009.

## SUMMARY TABLE OF LONG TERM INCENTIVE PLAN AWARDS

	September 2003	September 2004	September 2005	September 2006
Grant Date	24 October 2003 (all executives excluding MD & CEO) 13 November 2003 (MD & CEO)	31 August 2004 (The grant to the MD & CEO was subject to shareholder approval at the 2004 AGM)	18 November 2005 (The grant to the MD & CEO was subject to shareholder approval at the 2005 AGM)	18 November 2006 (The grant to the MD & CEO was subject to shareholder approval at the 2005 AGM)
Exercise Date	From 1 October 2006	From 1 September 2007	From 1 September 2008	From 1 September 2009
Expiry Date	31 October 2008	31 October 2009	31 October 2010	31 October 2011
Total Number of Share Rights Granted	3,183,800	2,306,400	1,938,100	2,310,950
Number of Participants at Grant Date	144	201	228	206
Number of Current Participants	55	183	206	205
Exercise Price	Nil	Nil	Nil	Nil
Fair Value Estimate at Grant Date	\$9,678,752	\$11,139,912	\$7,094,170	\$11,937,799
Fair Value per Share Right at Grant Date	\$3.23 (24 Oct 2003) \$3.15 (13 Nov 2003)	\$5.14	\$3.89	\$5.53
Share Rights Lapsed since Grant Date	272,345	265,746	236,696	31,500

## VESTING REQUIREMENTS

TSR Performance Hurdle	% of Share Rights that Vest	
75th –100th percentile	N/A	100%
51st –< 75th percentile	N/A	A minimum of 52% plus a further 2% for each increased percentage ranking. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.
< 51st percentile	N/A	All Share Rights will be carried over for assessment at subsequent performance periods.

**(d) Employee Share Purchase Plan**

Facility is also made available to Australian employees only at this stage (due to tax and regulatory requirements), to be provided with shares at market price through certain salary sacrifice arrangements.

Under the purchase plan, shares can be provided on a tax deferred basis and therefore sale or transfer is restricted. Shares provided under the Plan are entitled to participate in dividends.

**(e) Sale of Vistawall Business**

On 28 June 2007 the Board approved the sale of the Vistawall business in the US. The Long Term Incentive Plan Terms of Issue do not specify the treatment of unvested share rights in the event that a BlueScope Steel Group member company or business is divested.

The Board used its discretion under the Plan to approve a performance testing of each Award at the effective date of sale of the Vistawall business, for participating employees who would be leaving BlueScope Steel as a result of the sale.

The testing of each Award at 29 June 2007 for these affected participants resulted in the following vesting:

2004 Award	64% of share rights held vested
2005 Award	52% of share rights held vested
2006 Award	100% of share rights held vested

A subsequent performance test of the unvested share rights will be made on 29 September 2007. Any share rights remaining unvested at that time will lapse.

**1.3.5. SUPERANNUATION**

BlueScope Steel operates superannuation funds in Australia, New Zealand and North America for its employees. In these locations there are a combination of defined benefit and accumulation type plans. The defined benefit schemes are closed to new members.

Contributions are also made to other international retirement benefit plans for employees outside of Australia, New Zealand and North America.

**1.3.6. OTHER BENEFITS**

Additionally, executives are eligible to participate in an annual health assessment program designed to safeguard the Company against loss or long-term absence for health related reasons.

**2. RELATIONSHIP BETWEEN COMPANY PERFORMANCE AND REMUNERATION**

The graph outlines the performance of BlueScope Steel in terms of Total Shareholder Return compared to the performance of the S&P/ASX 100 for the same period. The TSR Index for BlueScope Steel as at 30 June 2007 was 452.66 compared to 238.7 for the S&P/ASX 100.

BLUESCOPE STEEL LIMITED TOTAL SHAREHOLDER RETURN INDEX COMPARED TO S&P/ASX 100 15/7/02 TO 29/6/07 Source: ABN AMRO



## BlueScope Steel Performance Analysis

Measure	30 June 2002	30 June 2003	30 June 2004	30 June 2005	30 June 2006	30 June 2007	Change increase from 30/6/02 to 30/6/07
Share Price	\$2.85 <sup>1</sup>	\$3.72	\$6.74	\$8.23	\$7.95	\$10.34	
Change in Share Price (\$)	–	\$0.87	\$3.02	\$1.49	-\$0.28	\$2.39	\$7.49
Change in Share Price (%)	–	30.5	81.2	22.1	-3.4	30.1	263
Dividend Per Share:							
Ordinary (cents)	N/A	22	30	42	44	47	N/A
Special (cents)	N/A	7	10	20	–	–	N/A
Earnings Per Share (cents)	N/A	57.1	77.8	134	47.9	95.3	N/A
NPAT \$ million	N/A	\$452	\$584	\$982	\$338	\$686	N/A
% movement		–	29.2	68.1	-66	103	N/A
EBIT \$ million	\$160	\$611	\$818	\$1,388	\$556	\$1,099	\$939
% movement	–	282	34	70	-59	98	587
EBITDA \$ million	\$412	\$881	\$1,105	\$1,696	\$850	\$1,423	\$1,011
% movement	–	114	25	53	-49	67	245

Note: Up until 30 June 2004, financial information is based on Australian Generally Accepted Accounting Principles (AGAAP). From 1 July 2004 financial information is based on Australian International Financial Reporting Standards (AIFRS).

1. Share Price as at 15 July 2002.

## BSL Performance Related Remuneration Analysis for Executive Leadership Team

Measure	Year ended 30 June 2003	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006	Year ended 30 June 2007
Average % change in Short Term Incentive Payments	1st year	11.0	16.5	-70.1	294
% change in NPAT	1st year	29.2	68.1	-65.6	103

The short-term incentive component of the remuneration strategy takes into account business unit financial performance and non-financial and strategic hurdles. Market consensus on future earnings is also taken into account in setting financial targets, these include forecast movements in steel prices, exchange rate and other external factors likely to impact financial performance. Short-term incentive payments for the year ended 30 June 2007 reflect the financial performance of the business.

Short-term incentive payments for the executive leadership team as related to changes in NPAT are provided above to indicate the relationship between reward and the performance of the company.

In relation to long term incentives, share price and dividend payments over the relevant performance period when measured against the companies in the S&P/ASX 100 index are the key factors impacting the value of long term equity incentives and their likelihood of meeting the required hurdles for vesting.

### 3. SPECIFIC REMUNERATION DETAILS

#### 3.1. KEY MANAGEMENT PERSONNEL – DIRECTORS' REMUNERATION

Details of the audited remuneration for the year ended 30 June 2007 for each Non-Executive Director of BlueScope Steel is set out in the following table.

2007	Short-term employee benefits		Sub-Total \$	Post-employment benefits \$ <sup>2</sup>	Total \$
	Salary & Fees \$	Non-monetary \$			
G J Kraehe	450,000	8,848	458,848	12,686	471,534
R J McNeilly	235,000	–	235,000	12,686	247,686
D J Grady	170,000	–	170,000	12,686	182,686
H K McCann	165,000	–	165,000	12,686	177,686
P J Rizzo	180,000	–	180,000	12,686	192,686
Y P Tan	170,000	–	170,000	12,686	182,686
D Grollo	102,692	–	102,692	8,783	111,475
<b>TOTAL</b>	<b>1,472,692</b>	<b>8,848</b>	<b>1,481,540</b>	<b>84,899</b>	<b>1,566,439</b>

2. Post-employment benefits relate to Superannuation arrangements.

2006	Short-term employee benefits		Sub-Total \$	Post-employment benefits \$ <sup>2</sup>	Total \$
	Salary & Fees \$	Non-monetary \$			
G J Kraehe	435,000	6,144	441,144	12,139	453,283
R J McNeilly	227,500	—	227,500	12,139	239,639
D J Grady	165,000	—	165,000	12,139	177,139
H K McCann	160,000	—	160,000	12,139	172,139
P J Rizzo	185,739	—	185,739	1,401	187,140
Y P Tan	165,000	—	165,000	12,139	177,139
D Grollo	—	—	—	—	—
<b>TOTAL</b>	<b>1,338,239</b>	<b>6,144</b>	<b>1,344,383</b>	<b>62,096</b>	<b>1,406,479</b>

2. Post-employment benefits relate to Superannuation arrangements.

### 3.2. KEY MANAGEMENT PERSONNEL – EXECUTIVES' (INCLUDING THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S) REMUNERATION

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

The audited information contained in the tables below represent the annual remuneration for the year ended 30 June 2007 for the Key Management Personnel.

The aggregate remuneration of the key management personnel of the Company is set out below:

	Company	
	2007 \$	2006 \$
Short-term employee benefits	11,099,798	6,440,987
Post-employment benefits	680,576	617,115
Other long-term benefits	240,871	177,232
Share-based payment	1,836,989	1,969,841
<b>TOTAL</b>	<b>13,858,234</b>	<b>9,261,549</b>

The remuneration of each member of the Key Management Personnel of the company is set out on the following pages:

Short-Term employee benefits					
2007	Salary & Fees \$	Movement in annual leave provision \$	Bonus \$	Non-monetary \$	Sub Total \$
<b>Executive director</b>					
KC Adams	1,586,666	77,889	2,256,000	9,038	3,929,593
<b>KMP executives</b>					
L E Hockridge	720,834	24,856	539,400	153,165 <sup>3</sup>	1,438,255
K J Fagg	625,833	22,503	403,200	343,220 <sup>3</sup>	1,394,756
N H Cornish	640,000	-15,456	585,000	–	1,209,544
P F O'Malley <sup>4</sup>	641,667	-81	569,400	–	1,210,986
B G Kruger	593,333	12,321	388,800	1,854	996,308
I R Cummin	488,334	26,668	403,500	1,854	920,356
<b>TOTAL</b>	<b>5,296,667</b>	<b>148,700</b>	<b>5,145,300</b>	<b>509,131</b>	<b>11,099,798</b>

Short-Term employee benefits					
2006	Salary & Fees \$	Movement in annual leave provision \$	Bonus \$	Non-monetary \$	Sub Total \$
<b>Executive director</b>					
KC Adams	1,504,167	71,518	413,250	6,350	1,995,285
<b>KMP executives</b>					
L E Hockridge	695,833	51,610	266,700	316,429 <sup>3</sup>	1,330,572
N H Cornish	585,000	26,831	141,600	–	753,431
K J Fagg	550,833	-157	168,498	–	719,174
B G Kruger	560,000	30,673	60,480	–	651,153
I R Cummin	426,667	5,011	125,460	–	557,138
P F O'Malley (Commenced 19 December 2005)	323,077	19,157	92,000	–	434,234
<b>TOTAL</b>	<b>4,645,577</b>	<b>204,643</b>	<b>1,267,988</b>	<b>322,779</b>	<b>6,440,987</b>

1. Post employment benefits relate to superannuation arrangements.
2. This shows movement in long service leave benefits during the year.
3. These benefits relate to international assignment costs including accommodation, tax equalisation and medical arrangements.
4. Mr O'Malley was appointed a Director on 6 August 2007. The remuneration disclosed relates to his position as CFO for the year ending 30 June 2007.

Post-employment benefits <sup>1</sup>	Other long-term employee benefits <sup>2</sup>	Share-based payments		Total	% of Remuneration that is performance related
		Shares & Units	Options & Rights		
\$	\$	\$	\$	\$	%
196,800	58,207	–	660,197	4,844,797	60.2
89,175	30,365	–	243,744	1,801,539	43.5
82,436	27,024	–	200,242	1,704,458	35.4
79,950	58,230	–	194,551	1,542,275	50.5
89,923	17,163	–	178,747	1,496,819	50.0
73,800	32,255	–	195,533	1,297,896	45.0
68,492	17,627	–	163,975	1,170,450	48.5
<b>680,576</b>	<b>240,871</b>	<b>–</b>	<b>1,836,989</b>	<b>13,858,234</b>	

Post-employment benefits <sup>1</sup>	Other long-term employee benefits <sup>2</sup>	Share-based payments		Total	% of Remuneration that is performance related
		Shares & Units	Options & Rights		
\$	\$	\$	\$	\$	%
201,400	56,374	–	630,067	2,883,126	36.2
92,750	27,108	–	549,447	1,999,877	40.8
78,175	88,439	–	171,655	1,091,700	28.7
77,162	16,365	–	188,901	1,001,602	35.7
74,200	25,968	–	183,806	935,127	26.1
59,769	11,627	–	180,127	808,661	37.8
33,659	7,725	35,232	30,606	541,456	22.6
<b>617,115</b>	<b>233,606</b>	<b>35,232</b>	<b>1,934,609</b>	<b>9,261,549</b>	

It should be noted that there were no changes to the Executive Leadership Team during the past year.

#### GRANTS OF CASH BONUSES, PERFORMANCE-RELATED BONUSES AND SHARE-BASED PAYMENT REMUNERATION BENEFITS

During the period performance-related cash bonuses were paid to the Key Management Personnel as disclosed in the table below under the Company's short-term incentive plan.

Eligibility to receive a bonus is subject to the terms and conditions of the plan, including a minimum of 6 months performance during the plan year and that employment during the period is not terminated for resignation or performance-related reasons.

Each KMP performance is measured against an agreed scorecard that contains both financial and non-financial KPIs. This process is further described at 1.3.3.

Under the company's Short Term Incentive plan each KMP has a minimum incentive opportunity of zero and a maximum incentive opportunity of 150% of their target percentage. The following table shows the STI opportunity, actual % outcome achieved and % forfeited for the financial year ended 30 June 2007.

KMP	Target of Annual Base Pay %	Actual % Outcome Achieved year ended 30 June 2007 %	Forfeited year ended 30 June 2007 %
<b>Directors</b>			
K C Adams	100	94	6
<b>KMP Executives</b>			
L E Hockridge	60	83	17
K J Fagg	60	70	30
N H Cornish	60	100	–
P F O'Malley	60	97	3
B G Kruger	60	72	28
I R Cummin	60	90	10

## SHARE RIGHTS HOLDINGS

Share Rights granted, exercised and forfeited to and by the Key Management Personnel during the financial year ended 30 June 2007 were as follows:

Name	Remuneration Consisting of Share Rights <sup>1</sup> %	Value of Share Rights Granted during the Year at Grant Date <sup>2</sup> \$	Value of Share Rights exercised during the year <sup>3</sup> \$	Value of Share Rights at lapse date, that lapsed during the year <sup>4</sup> \$	Total Value of Share Rights granted, exercised and lapsed during the year \$
<b>Directors</b>					
K C Adams	25%	1,193,927	833,688	–	2,027,615
<b>KMP Executives</b>					
L E Hockridge	24%	432,446	541,997	–	974,443
K J Fagg	22%	381,570	190,547	–	572,117
N H Cornish	25%	387,653	229,976	–	617,629
P F O'Malley	26%	387,653	–	–	387,653
B G Kruger	28%	357,791	179,242	–	537,033
I R Cummin	25%	298,067	305,881	–	603,948

1. This figure is calculated on the value of share rights awarded in the year ended 30 June 2007 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 the Executive Share Rights. The valuation has been made using the binomial option pricing model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk free interest rates and expected share price volatility. In addition, the likely achievement of performance hurdles of the share rights have been taken into account.
3. External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the Executive Share Rights for the September 2003 award that were exercised in the year ended 30 June 2007.
4. No Share Rights held by KMP lapsed during the year ended 30 June 2007.

The Share Rights awarded to Executives (other than the MD & CEO) under the September 2003 Award vested at the 100% level in two tranches during the year ending 30 June 2007.

Details of the audited Share Rights holdings for the year ending 30 June 2007 for the Key Management Personnel are set out below.

Please refer to the Summary Table of Long Term Incentive Plan Awards for details with respect to fair values, exercise price, and key dates:

2007	Balance at 30 June 2006	Granted in year ended 30 June 2007	Vested and Exercised in year ended 30 June 2007	Lapsed in year ended 30 June 2007	Balance at 30 June 2007	Vested and Not Yet exercised in year ended 30 June 2007	Total Share Rights Vested in year ended 30 June 2007
K C Adams	618,400	215,900	264,663	–	569,637	–	264,663
<b>KMP Executives</b>							
L E Hockridge	266,200	78,200	109,349	–	235,051	27,751	137,100
K J Fagg	184,300	69,000	58,993	–	194,307	23,607	82,600
N H Cornish	170,900	70,100	71,200	–	169,800	–	71,200
P F O'Malley	51,000	70,100	–	–	121,100	–	–
B G Kruger	179,900	64,700	55,493	–	189,107	22,207	77,700
I R Cummin	173,500	53,900	94,700	–	132,700	–	94,700

Comparative data for year ending 30 June 2006 for Key Management Personnel is set out below:

2006	Balance at 30 June 2005	Granted in year ended 30 June 2006	Vested and Exercised in year ended 30 June 2006	Lapsed in year ended 30 June 2006	Balance at 30 June 2006	Vested and Not Yet exercised in year ended 30 June 2006	Total Share Rights Vested in year ended 30 June 2006
K C Adams	945,000	163,900	490,500	–	618,400	–	490,500
<b>KMP Executives</b>							
L E Hockridge	331,800	100,400	166,000	–	266,200	40,000	206,000
K J Fagg	284,400	47,800	147,900	–	184,300	–	147,900
N H Cornish	246,700	50,900	126,700	–	170,900	–	126,700
P F O'Malley	–	51,000	–	–	51,000	–	–
B G Kruger	258,300	48,300	126,700	–	179,900	–	126,700
I R Cummin	136,400	37,100	–	–	173,500	–	–

The table below sets out details of each specific share right tranche and awards granted and vested during the year ended 30 June 2007 for KMP.

2007	Number of Share Rights Awarded	Date of Grant	% Vested in year ended 30 June 2007	% forfeited in year ended 30 June 2007	Share Rights yet to Vest	Financial year in which awards may vest	Value of Share Rights outstanding 30 June 2007 <sup>1</sup>	
							\$ Min	\$ Max
K C Adams	273,300	Nov 03	96.84	—	8,637	2008 <sup>2</sup>	—	27,207
	181,200	Sep 04	—	—	181,200	2008	—	931,368
	163,900	Nov 05	—	—	163,900	2009	—	637,571
	215,900	Nov 06	—	—	215,900	2010	—	1,193,927
<b>KMP Executives</b>								
L E Hockridge	97,100	Oct 03	100	—	—	—	—	—
	68,700	Sep 04	—	—	68,700	2008	—	353,118
	60,400	Nov 05	—	—	60,400	2009	—	234,956
	78,200	Nov 06	—	—	78,200	2010	—	423,446
K J Fagg	82,600	Oct 03	100	—	—	—	—	—
	53,900	Sep 04	—	—	53,900	2008	—	277,046
	47,800	Nov 05	—	—	47,800	2009	—	185,942
	69,000	Nov 06	—	—	69,000	2010	—	381,570
N H Cornish	71,200	Oct 03	100	—	—	—	—	—
	48,800	Sep 04	—	—	48,800	2008	—	250,832
	50,900	Nov 05	—	—	50,900	2009	—	198,001
	70,100	Nov 06	—	—	70,100	2010	—	387,653
P F O'Malley	51,000	Nov 05	—	—	51,000	2009	—	198,390
	70,100	Nov 06	—	—	70,100	2010	—	387,653
B G Kruger	77,700	Oct 03	100	—	—	—	—	—
	53,900	Sep 04	—	—	53,900	2008	—	277,046
	48,300	Nov 05	—	—	48,300	2009	—	187,887
	64,700	Nov 06	—	—	64,700	2010	—	357,791
I R Cummin	94,700	Oct 03	100	—	—	—	—	—
	41,700	Sep 04	—	—	41,700	2008	—	214,338
	37,100	Nov 05	—	—	37,100	2009	—	144,319
	53,900	Nov 06	—	—	53,900	2010	—	298,067

1. External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of Share Rights held by KMP at 30 June 2007.

2. Third performance test will occur on 30 September 2007.

## SHARE HOLDINGS<sup>1</sup> IN BLUESCOPE STEEL LIMITED

The following table details the shares held by Directors, Key Management Personnel as well as any related party interests in BlueScope Steel Limited as at 30 June 2007.

Director or KMP	Ordinary shares held as at 30 June 2007	Ordinary shares held as at 30 June 2006
<b>Non Executive Directors</b>		
G J Kraehe	130,354	125,004
R J McNeilly	544,257	541,887
D J Grady	52,405	50,685
H K McCann	42,847	31,185
P J Rizzo	33,869	32,024
Y P Tan	26,038	24,017
D Grollo	2,955	—
<b>Executive Director</b>		
K C Adams	2,612,846	2,346,381
<b>KMP Executives</b>		
L E Hockridge	619,359	509,851
K J Fagg	207,552	148,400
N H Cornish	149,041	180,000
P F O'Malley	25,000	25,000
B G Kruger	201,837	211,185
I R Cummin	180,948	106,089

1. Including Related Party Interests.

## 4. EMPLOYMENT CONTRACTS

### 4.1. MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – OUTLINE OF EMPLOYMENT CONTRACT

Outlined below are the key terms and conditions of employment contained within the employment contract for Mr Kirby Adams, the Managing Director and Chief Executive Officer.

Mr Adams' base employment contract conditions were determined prior to the demerger on 7 July 2002 and are regularly reviewed by the Board of BlueScope Steel. He received an annual base payment of \$1,600,000 with effect from 1 September 2006. This amount is reviewed on an annual basis in accordance with the Board's senior executive salary review policy. It has been increased to \$1,696,000 with effect 1 September 2007. In addition, Mr Adams is eligible to

participate in the Short Term Incentive Plan and, subject to shareholder approval, Long Term Incentive Plan awards.

Under Mr Adams' base employment contract conditions determined prior to the demerger, he may terminate the contract by giving three months written notice, upon which he is entitled to his annual base pay, which has been accrued but not paid until the date of his termination, plus any vested awards under the Long Term Incentive Plan, and any other payment for which he is eligible under the Short Term Incentive Plan. The Company may terminate the contract by giving one month's written notice (or a payment in lieu of notice based on Mr Adams' annual base pay) and a gross termination payment equal to 24 months of Mr Adams' annual base pay, plus any applicable Short Term Incentive Plan and Long Term Incentive Plan awards and reimbursement for the reasonable costs of relocation from Australia to the United States of America. The Company may also terminate the contract on 30 days' notice in the event of serious misconduct or a serious breach of the contract. In this event, Mr Adams is only entitled to his annual base pay which has accrued, but not been paid, up to the date of termination plus any vested Long Term Incentive Plan awards.

The Company has agreed with Mr Adams that he will be treated consistently with other senior executives in the event of a change of control of the Company. In addition, to facilitate orderly succession, if Mr Adams decides to leave the Company and, notwithstanding his contractual entitlement to give three months' notice, he provides 12 months' notice, the Board has reached an understanding with Mr Adams the key terms of which are that it intends to allow a two year period for vesting or exercise of any outstanding share rights held by him and Short Term Incentive payments will be assessed and paid on a pro rata basis.

On 6 August 2007 the Board of BlueScope Steel announced that Chief Financial Officer, Paul O'Malley, will succeed Mr Adams as Managing Director and Chief Executive Officer effective from 1 November 2007.

Under Mr O'Malley's contract he will receive an annual base pay of \$1,600,000, effective from the date he is appointed as a director. This amount will be reviewed on an annual basis 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.

In addition Mr O'Malley will be provided with 50,000 BlueScope Steel shares (purchased on-market) to be held subject to certain restrictions, or a cash equivalent. Some or all of these shares will be forfeited by Mr O'Malley if his employment with BlueScope Steel 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 6 months' notice by either party. If BlueScope Steel 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 Steel 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 Steel. In this circumstance, Mr O'Malley will be entitled to his annual Base Pay up to the date of termination.
- **illness or disablement:** BlueScope Steel 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 6 months in any 12 month period and, in this circumstance, will make a payment of 6 months' notice based on the annual Base Pay.
- **fundamental change:** Mr O'Malley may resign if a fundamental change in his employment terms occurs and within 3 months of the fundamental change Mr O'Malley gives notice to BlueScope Steel. In this event, the Company will provide Mr O'Malley with 6 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 LTI and STI awards on termination of his employment, including the STI and LTI rules which provide that STI and LTI awards will be forfeited if Mr O'Malley's employment is terminated for cause. Provision has also been made for early vesting (subject to testing) of Long Term Incentive awards on a change of control.

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

#### 4.2. Other Key Management Personnel

Remuneration and other terms of employment for the Key Management Personnel set out above are formalised in employment contracts which can be terminated with notice. Each of these agreements provides for the annual review of annual base pay, provision of performance-related cash bonuses, other benefits including annual health assessment, and participation, when eligible, in the Long Term Incentive Plan. The contracts provide for notice of three to 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 or the Company Redundancy Policy, whichever is the greater, will apply. The current Company Redundancy Policy provides for 14 weeks' pay plus 2.5 weeks' for each year of service.

Agreements are also in place for Key Management Personnel 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 Health, Safety, Environment and Community (HSEC) Policy provides the foundation for the way in which the environment is managed at all levels of the organisation. BlueScope Steel cares for the environment and is committed to the efficient use of resources, reducing and preventing pollution and product stewardship. The BlueScope Steel Environmental Standards detail the requirements for implementation of the Policy throughout the business.

BlueScope Steel has developed a compliance system to enable its environmental responsibilities to be appropriately managed. The environmental compliance system has been successfully implemented at all of BlueScope Steel's 102 global operations.

BlueScope Steel notified relevant authorities of 78 statutory non-compliances with environmental regulations during the reporting period. The Company received two fines during the reporting period. A US\$4,000 fine was imposed for operating without prior permit validation of emissions (HAP) capture equipment. A RM2000 (AUD718) fine was received when storage of material (dross) did not comply with Environmental Quality (Scheduled Wastes) Regulations 2005. A suspended fine (US\$1,000), subject to no further breaches over the next two years, was also received for not submitting the appropriate permit documentation within the time limits. There were three significant environmental incidents recorded during the reporting period. All three relate to waste water treatment plant discharge exceeding regulatory limits. The three incidents have been thoroughly investigated with mitigating control strategies employed.

The Western Port Works 2006–2011 Environmental Improvement Plan has been finalised with the local Victorian EPA.

The Port Kembla Steelworks and the NSW Department of Environment and Climate Change have signed an agreement for a fifth Pollution Reduction Program for the five year period, 2008–2012.

## 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 45). 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 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.

## 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 2007 has been received from Ernst & Young. This is set out at page 65 of the Directors' Report. Ernst & Young provided the following non-audit services during the year ended 30 June 2007:

- \$195,000: country specific taxation compliance services mainly in North America, New Zealand, Thailand, Malaysia, Singapore, Hong Kong, United Kingdom, South Korea, Brunei and Fiji.

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 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.

#### 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 2007, 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



**G J KRAEHE AO**  
Chairman



**B R MEEHAN**  
Partner



**K C ADAMS**  
Managing Director and Chief Executive Officer

17 August 2007

Melbourne  
17 August 2007

# CORPORATE GOVERNANCE STATEMENT

DISCLOSURE REQUIRED BY THE ASX CGC RECOMMENDATIONS	REFERENCE
Functions reserved to the Board and those delegated to management	See Role of the Board on page 67
Skills, experience and expertise relevant to the position of Director	See Information on Directors on page 73
Names of Directors considered by the Board to constitute independent Directors and BlueScope Steel's relevant thresholds	See Independent Non-Executive Directors on page 68
Procedure for independent professional advice	See Access to Information and Independent Advice on page 68
Directors' terms of office	See Information on Directors on page 73
Names of the Nomination Committee members and attendance	See Nomination Committee and Meetings of Directors on page 71 and 46
Composition of Board, Chairperson and role of Chairman and Managing Director and Chief Executive Officer	See Role and Composition of the Board on page 67 and 68
Code of conduct for Directors and executives	See Guide to Business Conduct on page 72
Securities trading policy	See Share ownership and dealing on page 72
Audit and Risk Committee members and their qualifications	See Audit and Risk Committee on page 70
Audit and Risk Committee meetings and attendance	See Meetings of Directors on page 46
Financial statements sign-off and structure of Audit and Risk Committee	See Audit and Risk Committee on page 70
Procedures for ASX disclosure requirements	See Shareholders on page 67
Shareholder communications strategy	See BlueScope Steel's website <a href="http://www.bluescopesteel.com">www.bluescopesteel.com</a>
Attendance of external auditor	See External Audit on page 72
Risk oversight committee	See Audit and Risk Committee on page 70
Risk management and internal controls	See Internal Audit on page 71
Performance evaluation	See Board and executive performance reviews on page 69
Company's remuneration policies and disclosure	See Directors' remuneration and Non-Executive Directors' remuneration on page 46
Remuneration and Organisation Committee members and attendance	See Remuneration and Organisation Committee and Meetings of Directors on page 70 and 46
Retirement benefits for Non-Executive Directors	See Directors' remuneration on page 47
Company code of conduct	See Guide to Business Conduct on page 72

## INTRODUCTION

The Board operates in accordance with a set of corporate governance policies which take into account relevant best practice recommendations including the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations ("ASX CGC Recommendations"). The Board considers that BlueScope Steel complies with the requirements in the ASX CGC Recommendations.

BlueScope Steel is a global organisation, with businesses operating in many countries, including Australia, New Zealand, North America, China and elsewhere in Asia. Entities within the BlueScope Steel Group must, therefore, comply with a range of varying legal, regulatory and governance requirements.

The Board places great importance on the governance of BlueScope Steel and, in particular, the need to focus on carrying out prudent risk-taking activities, which achieve a balance between:

- The generation of rewards for shareholders who invest their capital;
- The supply of goods and services of value to BlueScope Steel's global customers; and
- The provision of safe and meaningful employment for employees in a way which contributes to the welfare of the community.

This Corporate Governance Statement outlines the key aspects and mechanisms of BlueScope Steel's governance framework which have been established, and reviewed by the Board.

Summaries of the charters under which the Board and Board Committees operate (including a copy of the Audit and Risk Committee charter) and other relevant information referred to in this Corporate Governance Statement are available on BlueScope Steel's website [www.bluescopesteel.com](http://www.bluescopesteel.com).

## SHAREHOLDERS AND COMMUNICATION

Shareholders perform a fundamental role in the governance of BlueScope Steel through the election of the Board.

The Board recognises that shareholders must receive high-quality relevant information in a timely manner. Arrangements for communicating with shareholders are summarised on BlueScope Steel's website: [www.bluescopesteel.com](http://www.bluescopesteel.com).

BlueScope Steel is subject to continuous disclosure obligations under the Listing Rules of ASX Limited (ASX) and Australian corporations legislation. Subject to limited exceptions under the continuous disclosure requirements, BlueScope Steel must immediately notify the market, through the ASX, of any information

that a reasonable person would expect to have a material effect on the price or value of its shares.

To achieve these objectives and satisfy the regulatory requirements, the Board provides information to shareholders and the market in several ways, including:

- Communicating with all shareholders in annual reports and financial statements, releases of results to the ASX each half year and at BlueScope Steel's Annual General Meeting;
- Releasing price sensitive announcements and other relevant significant announcements directly to the market via the ASX. Copies of these announcements are immediately placed on BlueScope Steel's website [www.bluescopesteel.com](http://www.bluescopesteel.com);
- Communication with analysts and institutions from time to time, particularly after release of full and half-year results. Copies of analyst briefings are placed on the Company's website. In doing so, BlueScope Steel recognises the importance of making sure that any price sensitive information provided during these briefings is made available to all shareholders and the market at the same time and in accordance with the requirements of the ASX and the Australian Securities and Investments Commission; and
- Providing information on BlueScope Steel's website, which contains extensive information about the BlueScope Steel Group and its activities, including statutory reports and investor information.

BlueScope Steel has a Market Disclosure Committee, comprising the Chairman, Managing Director and Chief Executive Officer, Chief Financial Officer, Company Secretary, Vice-President Investor Relations and Executive Vice-President Corporate Affairs, to monitor and assess all significant information which may require disclosure. The Company Secretary is responsible for providing announcements to the ASX. A summary of BlueScope Steel's Continuous Disclosure Policy is available on BlueScope Steel's website [www.bluescopesteel.com](http://www.bluescopesteel.com).

## THE BOARD OF DIRECTORS

### ROLE OF THE BOARD

The Board's role is to oversee the management of the Company on behalf of all shareholders.

The Board has developed and adopted a Charter that sets out:

- Its specific powers and responsibilities;
- The matters delegated to the Managing Director and Chief Executive Officer and those specifically reserved to the Board; and
- Procedures aimed at ensuring the effective operation of the Board.

Matters reserved to the Board include:

- (Values and standards) setting the Company's values and standards of conduct and monitoring adherence to these standards in the interests of the Company's shareholders, employees, customers, suppliers and the communities in which it operates, and generally safeguarding the reputation of the Company;
- (Leadership) providing leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
- (Direction and objectives) setting the Company's direction, strategies and financial objectives and being satisfied that the necessary financial and human resources are in place for the Company to meet its objectives;
- (Performance assessment) ensuring that the performance of management, and the Board itself, is regularly assessed and monitored;
- (Compliance) monitoring compliance with regulatory and ethical standards; and
- (Appointing Managing Director) appointing, terminating and reviewing the performance of the Managing Director and Chief Executive Officer.

A summary of the Board Charter is available at BlueScope Steel's website [www.bluescopesteel.com](http://www.bluescopesteel.com)

The Board has delegated responsibility for the day-to-day operation and administration of the BlueScope Steel Group to the Managing Director and Chief Executive Officer. The Executive Leadership Team assists the Managing Director and Chief Executive Officer in the day-to-day management of the business. The levels of authority for management are documented in detail in a Delegation of Authority Policy established under the Board Charter.

The Delegation of Authority Policy is readily available on the Company's intranet to all employees, along with detailed guidelines setting out the internal approvals that must be obtained in order to enter into specific transactions.

The roles of the Chairman and the Managing Director and Chief Executive Officer are separate.

#### ACCESS TO INFORMATION AND INDEPENDENT ADVICE

Directors are entitled to full access to the information required to discharge their responsibilities, including access to executives of the BlueScope Steel Group.

The Board (as well as Board Committees and individual Directors) may also obtain independent professional advice, at the expense of the Company, in carrying out their responsibilities. Independent advice can be obtained without the involvement of BlueScope Steel's management, where the Board or the relevant director

considers it appropriate to do so. Procedures have been adopted to set out the practical steps by which independent professional advice is to be obtained.

#### COMPOSITION OF THE BOARD AND DIRECTOR APPOINTMENT

For the 2006/07 financial year, the Board comprised eight Directors, including seven independent Non-Executive Directors and one Executive Director (the Managing Director and Chief Executive Officer). In September 2006 Mr Daniel Grollo was appointed as a Non-Executive Director.

On 6 August 2007, BlueScope Steel announced that Mr Paul O'Malley has been selected by the Board to replace Mr Kirby Adams as Managing Director and Chief Executive Officer. This appointment will take effect when Mr Adams' appointment ends. To assist with transitional arrangements, Mr O'Malley was appointed as a director on 6 August 2007.

The Board collectively brings significant commercial, business, operational, financial, legal and international experience in a range of industries. The Directors all bring skills and expertise, which, in aggregate, combine to form a Board, which is equipped to discharge its responsibilities. For the Directors' biographies, their term of office and information about their skills, experience and qualifications relevant to their position please refer to page 73.

BlueScope Steel's Constitution and the Listing Rules of the ASX require that no member of the Board (other than the Managing Director and Chief Executive Officer) may serve for more than three years without being re-elected by shareholders at an Annual General Meeting of BlueScope Steel. Also, one-third of the Directors (not including the Managing Director and Chief Executive Officer) must retire, and are eligible to be re-elected by the shareholders at each Annual General Meeting. The Managing Director and Chief Executive Officer serves as a Director until he ceases to be the Chief Executive Officer. At the 2007 Annual General Meeting, Mr Ron McNeilly and Ms Diane Grady will stand for re-election.

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board, excluding the Director in question, assesses the independence of each Non-Executive Director at least annually in light of the interests disclosed by that Director, as part of its overall commitment to standards of corporate governance in line with best practice.

The Board believes that independence is one important attribute of an effective Non-Executive Director. Other important attributes include business acumen and experience, an inquiring mind and personal integrity. In addition, the Board as a whole must work together effectively to combine and leverage the skills, knowledge and experience of its members to provide leadership to BlueScope

Steel in generating value for shareholders and meeting the expectations of other stakeholders.

The work of the Board must be supported by robust structures and processes that facilitate depth and breadth of understanding of BlueScope Steel's business, foster open and constructive debate, define roles and responsibilities clearly and ensure proper compliance with laws.

The governance process implemented by the Board has been designed, as a whole, to address all of these issues in a manner that will maximise the contribution of the Board to the success of the business.

In assessing the independence of a Non-Executive Director, consideration is given to the underlying purpose behind each of the specific relationships identified as relevant to independence, and the overall purpose of independence.

Further details regarding the circumstances considered by the Board in making the relevant assessments of independence are contained on the Company's website, [www.bluescopesteel.com](http://www.bluescopesteel.com).

The Board considers that each Non-Executive Director is independent when assessed on the criteria set out on the Company's website, taking into account all relevant matters and relationships of the particular Non-Executive Director.

#### BOARD MEETINGS

During the 2006/07 financial year, the Board has met 14 times to review matters such as the financial performance of the BlueScope Steel Group, current trading and key business initiatives, and its strategies, budgets and business plans. Included in the Board's schedule was a separate meeting held to specifically consider BlueScope Steel Group's strategy.

Procedures are also in place to ensure that Directors can meet to consider and decide urgent matters, as and when they arise.

Materials for Board and Board Committee meetings are circulated to the Directors in advance. The agenda for meetings is formulated with input from the Chairman and the Managing Director and Chief Executive Officer and, if required, other Directors.

The Chairman regularly requests that a member of the Board review the conduct of the Board meeting at its conclusion.

Members of senior management frequently make presentations to the Board, and telecommunication technologies may be used to facilitate participation. In the 2006/07 financial year, Board meetings were held in various locations, including in China and New Zealand, and at the Company's sites in Melbourne (at BlueScope Steel's head office), Sydney, Shanghai and Port Kembla.

The Board has a program to meet at various sites in Australia and internationally during the remainder of 2007 and in 2008. The Board has also visited key customer operations.

#### MEETINGS WITHOUT MANAGEMENT

The Independent Non-Executive Directors hold regular meetings without the presence of management. There have been two such meetings in the 2006/07 financial year.

#### CONFLICTS OF INTEREST

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between their duty to BlueScope Steel and their own interests. The Board has a procedure to deal with conflicts and potential conflicts of interest. In 2007 the Board updated its conflicts procedure to take account of, among other things, current practice in this area. Where a matter is to be considered by the Board, the Chairman (or where the Chairman has a conflict or potential conflict, the Deputy Chairman) in consultation with the Company Secretary may implement procedures to manage the relevant Director's actual or perceived conflict of interest. The Company Secretary maintains a register of Directors' interests.

#### DIRECTORS' AND EXECUTIVES' REMUNERATION

Details of the remuneration policies of BlueScope Steel (including relevant shareholder approvals) are set out in the Remuneration Report contained in this report on pages 46 to 63.

#### BOARD AND EXECUTIVE PERFORMANCE REVIEWS

The Board reviews its effectiveness and individual performance regularly. The Board charter requires that the Board conduct a detailed review of its performance every two years. The Board last completed a review of its effectiveness in 2006 with the assistance of an external consultant. The review concluded that the Board is functioning well with an appropriate mix of skills and experience and effective working relationships exist among Board members and between the Board and management.

The Nomination Committee has reviewed the performance of Directors seeking re-election and endorses their re-election.

#### EXECUTIVES

All BlueScope Steel executives are subject to annual performance planning and review. The annual performance planning and review involves a key executive being evaluated by their immediate superior, usually the Managing Director and Chief Executive Officer. The executive is assessed against:

- achievement of financial goals;
- completion of key job specifications and goals;
- achievement of other specific business and strategic objectives;
- contribution towards specific business plan objectives; and
- adherence to values expressed in "Our Bond".

In assessing a key executive's performance, the Managing Director and Chief Executive Officer may consult with the Chairman. The outcomes of performance reviews are reported to the Remuneration and Organisation Committee, which has overall responsibility for ensuring that performance management processes are in place for all key executives. The Remuneration and Organisation Committee considers executive remuneration.

The Remuneration and Organisation Committee also considers the overall amount of any short-term incentive to be provided to eligible executives, and reviews and approves the specific amount of any short-term incentive bonus award to particular senior executives. The review takes into account the overall performance of BlueScope Steel against a range of measures, and the contribution made by a particular executive.

The Chairman and the Board conduct the performance evaluation of the Managing Director and Chief Executive Officer. This evaluation involves an assessment of a range of factors including the overall performance of BlueScope Steel and the achievement of predetermined goals.

## BOARD COMMITTEES

Given the importance of certain matters coming before the Board, the Board has established a number of committees to assist in the execution of its responsibilities:

- Audit and Risk Committee;
- Remuneration and Organisation Committee;
- Health, Safety and Environment Committee; and
- Nomination Committee.

Other committees of the Board may be formed to deal with specific matters.

Each of the Board's committees operates under terms of reference (charters), detailing its roles and responsibilities. The charters contain a number of common features, including the ability of a committee to obtain independent professional advice at the expense of BlueScope Steel, the requirement for reporting to the Board, and for reviews of committee operations and performance every two years.

The number of Board committee meetings held during the year ended 30 June 2007 and the attendance at those meetings by members is set out in the Directors' Report on page 46.

Regular reports of the Committees' activities are provided to the Board and Committee papers and minutes are circulated to all Directors. Persons other than Committee members are invited or permitted to attend all or part of a meeting of the Committee when their attendance will assist the Committee in discharging its responsibilities or otherwise as the Committee Chairman considers appropriate.

## AUDIT AND RISK COMMITTEE

The Audit and Risk Committee 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 BlueScope Steel's website [www.bluescopesteel.com](http://www.bluescopesteel.com).

The Audit and Risk Committee charter is periodically reviewed and was most recently updated by the Board in August 2006. The Audit and Risk Committee meets before the finalisation of all major financial announcements of BlueScope Steel and must meet at least four scheduled times a year. As required by its charter, the Audit and Risk Committee is composed entirely of Independent Non-Executive Directors.

The members of the Audit and Risk Committee are Mr Paul Rizzo (Committee Chairman), Mr Kevin McCann and Mr Ron McNeilly. In addition to their business experience, each member brings particular experience relevant to the functions of the Committee. Mr Rizzo has significant financial management and reporting experience.

Mr McNeilly has an understanding of the industry in which BlueScope Steel operates and Mr McCann has both financial and legal experience, which is valuable to the functioning of the Audit and Risk Committee.

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

## HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The primary objectives of the Health, Safety and Environment Committee (HSEC) are set out in its charter. A summary of the charter is available on the Company's website [www.bluescopesteel.com](http://www.bluescopesteel.com).

The Chairman of the HSEC is Mr Ron McNeilly, an independent Non-Executive Director. All Directors are members of the HSEC because of the importance of health, safety and the environment to BlueScope Steel's operations. The HSEC charter requires that the Committee meets at least three scheduled times per year. There are opportunities provided for discussions to be held without management present.

## REMUNERATION AND ORGANISATION COMMITTEE

A summary of the Remuneration and Organisation Committee charter is available on the Company's website [www.bluescopesteel.com](http://www.bluescopesteel.com).

The Committee is composed entirely of Independent Non-Executive Directors. The members of the Committee are Ms Diane Grady (Committee Chairman), Mr Graham Kraehe, Mr Ron McNeilly and Mr Tan Yam Pin. All members of the Committee are independent Non-Executive Directors. The Committee meets at least two scheduled times a year.

The Committee seeks advice and guidance, as appropriate, from the Managing Director and Chief Executive Officer, and the Executive Vice President People and Performance. It may also seek advice from external experts, including in the absence of management of BlueScope Steel.

Information on BlueScope Steel's remuneration policies in respect of the costs and benefits of those policies and the link between remuneration paid to Directors and executives and Company performance is detailed in the Directors' Report on pages 46 to 63.

#### NOMINATION COMMITTEE

The Nomination Committee is responsible for reviewing the membership of the Board and for considering candidates for membership of the Board. Mr Graham Kraehe chairs the Committee. All Non-Executive Directors are members, as the Board believes that the responsibilities of the Committee will be performed most effectively if all Non-Executive Directors are involved. Detailed work of the Committee may be delegated to a sub-committee. A summary of the Committee's charter is available on the Company's website [www.bluescopesteel.com](http://www.bluescopesteel.com).

The Nomination Committee must meet twice a year, and this year met on a number of additional occasions in connection with the appointment of a new Managing Director and Chief Executive Officer. The Committee commissioned an international search for candidates, with the assistance of a leading recruitment consultant.

#### EXECUTIVE LEADERSHIP TEAM

BlueScope Steel's Executive Leadership Team (ELT) is responsible to the Managing Director and Chief Executive Officer for the day-to-day leadership and management of BlueScope Steel as a whole. The ELT performs its role in consultation with, and obtains guidance from, the Board and Board Committees. The ELT's specific responsibilities include:

- (BlueScope Steel corporate strategy) developing and implementing the strategy of the BlueScope Steel Group;
- (business area strategies) reviewing and developing strategies for business areas;
- (safety) reviewing and developing safety strategy, high-level processes and procedures;
- (capital expenditure) reviewing and endorsing all capital proposals over \$5 million. The ELT recommends to the Board all capital proposals over \$25 million;
- (human resources) reviewing and discussing human resource talent and succession and developing human resource strategies and practices;
- (policies and standards) discussing and endorsing major policies and standards that have been delegated to management by the Board in areas such as Human Resources, Information Technology, Risk Management and Finance; and

- (performance) reviewing company and business unit financial performance and operational performance and agreeing any necessary actions.

The members of the Executive Leadership Team during the 2006/07 financial year were Mr Kirby Adams (Managing Director and Chief Executive Officer), who is Chairman of the ELT, Mr Lance Hockridge (President North America), Mr Noel Cornish (President, Australian and New Zealand Industrial Markets), Ms Kathryn Fagg (President Asian Building and Manufacturing Markets), Mr Paul O'Malley (Chief Financial Officer), Mr Brian Kruger (President Australian Manufacturing Markets) and Mr Ian Cummin (Executive Vice President People and Performance). The ELT meets regularly and prior to all Board meetings, generally at BlueScope Steel sites.

Mr O'Malley will become the Chairman of the ELT upon commencement of his appointment as Managing Director and Chief Executive Officer, in place of Mr Adams.

#### ACCOUNTABILITY AND AUDIT

##### INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for the BlueScope Steel Group's systems of internal control. These systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations, with a view to managing the risk of failure to achieve business objectives.

The Board reviews the effectiveness of the internal control systems and risk management on an ongoing basis, and monitors risk through the Audit and Risk Committee (see Audit and Risk Committee). The Board regularly receives information about the financial position and performance of BlueScope Steel.

PricewaterhouseCoopers assists the Board by providing a comprehensive internal audit service.

##### CEO AND CFO ASSURANCES

For annual and half-yearly accounts released publicly, the Managing Director and Chief Executive Officer and the Chief Financial Officer assure the Board that:

1. The financial records of the BlueScope Steel Group have been properly maintained.
2. The BlueScope Steel financial statements and notes required by the accounting standards, for external reporting:
  - (a) give a true and fair view of the financial position and performance; and
  - (b) comply with the accounting standards (and any further requirements in the Corporations Regulations), and applicable ASIC Class Orders.

3. The above representations are based on a system of risk management and internal compliance and control relating to financial reporting which implements the financial reporting and risk management policies adopted by the Board, and ensures that those systems are operating efficiently and effectively in all material respects.

#### EXTERNAL AUDIT

Ernst & Young are BlueScope Steel's external auditors.

The lead audit partner and the review partner of BlueScope Steel's external auditors rotate every five years. The current lead audit partner and review partner were first appointed for the 2006/07 and 2004/05 audits respectively.

Non-audit work is prohibited where independence may be compromised or conflicts arise. All non-audit services provided by the Company's external auditor require approval by the Audit and Risk Committee which assesses whether any independence issues or conflicts of interest arise. The Company's policy also requires Audit and Risk Committee approval for the employment of partners or senior engagement team staff by the Company within two years of leaving the external audit firm.

The lead auditors of BlueScope Steel, or a suitable member from the audit team, will attend the 2007 Annual General Meeting of BlueScope Steel and be available to answer questions from shareholders as appropriate. Shareholders also have the right to submit written questions to the auditors, and the auditors may table answers to the questions at the AGM.

#### SHARE OWNERSHIP AND DEALING

Details of shares in BlueScope Steel held by Directors are set out in the Directors' Report on page 45.

The Board has established a Securities Trading Policy covering dealings in BlueScope Steel's shares and derivative securities. The objective of the policy is to ensure that shareholders, customers and the business community have confidence that Directors and senior management comply with the law and best practice in corporate governance, and handle confidential information lawfully and with integrity. The policy highlights the restrictions imposed by Australian corporations legislation on trading in BlueScope Steel and other entities' securities at a time when a person has non-public price sensitive information.

Under the policy, Directors and senior management are required to notify the Company Secretary and obtain clearance before dealing in BlueScope Steel securities. Directors and senior management are prohibited from dealing in BlueScope Steel securities outside designated trading windows.

Any dealings in BlueScope Steel securities by a Director are reported to the Board at its next meeting. The ASX is notified of any share dealings by a Director within the time prescribed by the ASX Listing Rules.

#### CORPORATE SOCIAL RESPONSIBILITY

BlueScope Steel is committed to meeting high standards of compliance with respect to its health, safety, environmental and community responsibilities, which are essential to the way in which the BlueScope Steel Group conducts its business.

Some of these important issues are the responsibility of the Health, Safety and Environment Committee. However, BlueScope Steel views these matters as key issues, for which BlueScope Steel can have an impact in every aspect of its operations and interactions within the communities in which it operates.

The Health, Safety, Environmental and Community Policy addressing these issues can be found on BlueScope Steel's website [www.bluescopesteel.com](http://www.bluescopesteel.com).

#### BLUESCOPE STEEL GUIDE TO BUSINESS CONDUCT

BlueScope Steel has 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.

At the core of the Guide to Business Conduct is the desire to build trust between BlueScope Steel and these stakeholders, through the implementation of principles of legal compliance and proper process; fair competition; the application of industry best practice to the health, safety and wellbeing of BlueScope Steel's employees; a focus on long-term benefits rather than short-term advantage for individuals; cooperation, driven by BlueScope Steel's belief in people and teamwork; and respect for the diverse range of people and cultures.

The Guide to Business Conduct provides a common behavioural framework applicable to all BlueScope Steel's employees, irrespective of their specific job, direct employer or location around the world. The Guide also applies to BlueScope Steel's Non-Executive Directors.

Guidelines are available to assist employees to report suspected incidents of business misconduct, such as fraud, misappropriation and breach of legislative requirements. Reports of suspected business misconduct may be made directly to line managers, to BlueScope Steel's Business Conduct Panel or a whistleblower hotline. Disclosures to the hotline may be made on a confidential basis. The Guidelines also detail how BlueScope Steel will respond to allegations of business misconduct, in particular, the protections that will be offered to employees who report suspected misconduct and how the outcomes of investigations will be reported.

## POLITICAL CONTRIBUTIONS

BlueScope Steel does not contribute funds to any political party, politician, or candidate for public office. It may, however, incur costs for attendance at events hosted by a political party for briefing purposes or for the purpose of meeting and having dialogue with political figures, and contributes to the public debate of policy issues that may affect it in the countries in which it operates.

## INFORMATION ON DIRECTORS

**Graham Kraehe AO**, Chairman (Independent)

Age 65, 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. A board member of Brambles Industries Limited since December 2005, Djerriwarrh Investments Limited since July 2002, the Innovation Economy Advisory Board for Victoria since December 2002 and the Reserve Bank of Australia since February 2007. Mr Kraehe was a Non-Executive Director of National Australia Bank Limited from August 1997 to September 2005, including as Chairman from February 2004 to September 2005, and a Non-Executive Director of News Corporation Limited from January 2001 until April 2004 and Brambles Industries Limited from December 2000 until March 2004.

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

**Ron McNeilly**, Deputy Chairman (Independent)

Age 64, 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, 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.

He is Chairman of Melbourne Business School Limited, Chairman of Worley Parsons Limited and a director since October 2002, and a director of Alumina Ltd since December 2002. Vice President of the Australia Japan Business Cooperation Committee and a member of the Council on Australia Latin America Relations. A Director of Ausmelt Limited from September 2002 until November 2004.

**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.

A 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.

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. serving clients in a wide range of industries on strategic growth and change initiatives.

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 66, BA LLB (Hons), LLM

Director since: May 2002

Chairman of Healthscope Limited since March 1994, Origin Energy Limited since February 2000, and the Sydney Harbour Federation Trust. Lead independent director of Macquarie Bank Limited and appointed as Director in December 1996 and a member of the Defence Procurement Advisory Board. A member of the Takeovers Panel and the Council of the National Library of Australia.

He was Chairman of Triako Resources Limited from April 1999 until September 2006 and has served on the Boards of Pioneer International Limited, Ampol Limited and the State Rail Authority of New South Wales.

Former Chairman of Partners of Allens Arthur Robinson, a national and international Australian law firm, and a partner of the firm from 1970 until June 2004, specialising in mergers and acquisitions, mineral and resources law and capital markets transactions.

Brings extensive legal expertise, commercial experience as a director and former director of a number of major listed companies and experience in corporate governance to the Board.

**Paul Rizzo, Non-Executive Director (Independent)**

Age 62, BCom, MBA  
Director since: May 2002.

A Director of National Australia Bank Limited since September 2004, member of the Advisory Board of Mallesons Stephen Jaques, Chairman of Foundation for Very Special Kids and Director of Villa Maria. Formerly Chief Executive Officer and Dean, Director and Professorial Fellow of the Melbourne Business School. Held positions as Group Managing Director – Finance and Administration of Telstra Corporation Limited and senior executive positions at Commonwealth Bank of Australia, State Bank of Victoria and Australia and New Zealand Banking Group Limited. Formerly a director of Seven Network Limited and N M Rothschild & Sons (Australia) Pty Limited, and Chairman of the Financial Reporting Council. His extensive financial and commercial experience is valuable to the Board and in his role as Chairman of the Audit and Risk Committee.

**Tan Yam Pin, Non-Executive Director (Independent)**

Age 66, 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 Limited. A Member of the Public Service Commission of Singapore since 1990. Chairman of PowerSereya Limited (Singapore) and is also a member of the Supervisory Board of Keppel Land Limited (Singapore), Singapore Post Limited, Great Eastern Holdings Limited, CISCO Security Pte. Ltd, and International Enterprise Singapore. He resigned as Director of The East Asiatic Company Limited A/S (Denmark) in April 2006.

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 37  
Director since: September 2006

Mr Grollo is Chief Executive Officer of Grocon Pty Ltd, Australia's largest privately owned development and construction company. He is a Director of the Green Building Council of Australia. Mr Grollo was President of the Property Council of Australia until May 2007. Mr Grollo was appointed a director of CPI Limited in June 2007.

Mr Grollo brings extensive knowledge of the building and construction industry to the Board.

**Paul O'Malley, Executive Director**

Age 43, BCom, M. App. Fin., ACA  
Director since: August 2007

Mr O'Malley will take up the position of Managing Director and Chief Executive Officer of BlueScope Steel Limited from 1 November 2007 (or as otherwise agreed). Mr O'Malley joined BlueScope Steel as CFO in December 2005, and in this role was responsible for leading the Company's finance and IT functions including mergers and acquisitions, treasury, tax, accounting, audit and investor relations.

Mr O'Malley was formerly the CEO of TXU Energy, a subsidiary of TXU Corp based in Dallas, Texas. As CEO he ran a \$9 billion revenue business serving more than 2 million customers throughout Texas. Prior to working at TXU Mr O'Malley worked in Melbourne and Sydney in investment banking and consulting.

# 2007 CONCISE FINANCIAL REPORT

## BLUESCOPE STEEL LIMITED CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 \$M	2006 \$M
Revenue from continuing operations	5	8,164.5	7,323.8
Other income		19.6	52.4
Changes in inventories of finished goods and work in progress		31.5	65.3
Raw materials and consumables used		(3,823.7)	(3,394.5)
Employee benefits expense		(1,295.9)	(1,238.5)
Depreciation and amortisation expense		(316.6)	(286.5)
Impairment of non-current assets		(1.2)	(18.6)
Freight on external despatches		(575.6)	(527.8)
External services		(843.9)	(1,005.2)
Finance costs		(140.7)	(89.9)
Other expenses		(432.4)	(389.1)
Share of net profits of associates and joint venture partnership accounted for using the equity method		161.7	174.7
<b>Profit before income tax</b>		<b>947.3</b>	<b>666.1</b>
Income tax (expense) revenue		(229.0)	(177.3)
Profit from continuing operations		718.3	488.8
Loss from discontinued operations	6	(15.3)	(146.0)
<b>Profit for the year</b>		<b>703.0</b>	<b>342.8</b>
Profit is attributable to:			
Equity holders of BlueScope Steel Limited		685.6	337.6
Minority interest		17.4	5.2
		703.0	342.8
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	9	97.4	68.7
Diluted earnings per share	9	96.7	68.3
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	9	95.3	47.9
Diluted earnings per share	9	94.6	47.7

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

## BLUESCOPE STEEL LIMITED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2007

	2007 \$M	2006 \$M
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	36.4	61.9
Receivables	1,219.4	1,319.2
Inventories	1,212.3	1,270.2
Derivative financial instruments	7.7	0.2
Available-for-sale financial assets	476.5	–
Other	56.0	55.9
	<u>3,008.3</u>	<u>2,707.4</u>
Non-current assets classified as held for sale	–	34.1
Total current assets	<u>3,008.3</u>	<u>2,741.5</u>
<b>Non-current assets</b>		
Receivables	49.5	24.5
Retirement benefit assets	59.9	24.8
Inventories	58.8	59.2
Investments accounted for using the equity method	301.3	302.8
Property, plant and equipment	3,670.7	3,743.2
Deferred tax assets	136.1	121.1
Intangible assets	220.9	226.8
Other	0.7	16.7
Total non-current assets	<u>4,497.9</u>	<u>4,519.1</u>
<b>Total assets</b>	<u>7,506.2</u>	<u>7,260.6</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	878.8	957.6
Interest bearing liabilities	633.0	689.7
Current tax liabilities	56.7	31.2
Provisions	477.5	504.1
Deferred income	70.9	76.8
Derivative financial instruments	2.5	0.6
Total current liabilities	<u>2,119.4</u>	<u>2,260.0</u>
<b>Non-current liabilities</b>		
Payables	2.0	–
Interest bearing liabilities	905.1	1,262.3
Deferred tax liabilities	317.0	284.2
Provisions	168.3	178.7
Retirement benefit obligations	127.3	189.3
Derivative financial instruments	2.1	1.2
Total non-current liabilities	<u>1,521.8</u>	<u>1,915.7</u>
<b>Total liabilities</b>	<u>3,641.2</u>	<u>4,175.7</u>
<b>Net assets</b>	<u>3,865.0</u>	<u>3,084.9</u>
<b>EQUITY</b>		
Contributed equity	1,896.0	1,653.9
Reserves	7.0	(87.0)
Retained profits	1,894.7	1,467.1
Parent entity interest	3,797.7	3,034.0
Minority interest	67.3	50.9
<b>Total equity</b>	<u>3,865.0</u>	<u>3,084.9</u>

The above balance sheet should be read in conjunction with the accompanying notes.

BLUESCOPE STEEL LIMITED  
 CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2007

	2007 \$M	2006 \$M
Cash flow hedges:		
Gains (losses) taken to equity	(7.1)	(1.0)
Transferred to balance sheet	5.8	(0.6)
Gain on available-for-sale financial assets	157.2	—
Net gains (losses) on hedge of net investments	(91.7)	98.0
Exchange differences on translation of foreign operations	26.4	(96.5)
Actuarial gains (losses) on defined benefit plans	70.1	62.7
Income tax on items taken directly to or transferred from equity	(26.1)	(42.5)
<b>Net income recognised directly in equity</b>	<b>134.6</b>	<b>20.1</b>
<b>Profit for the year</b>	<b>703.0</b>	<b>342.8</b>
<b>Total recognised income and expense for the year</b>	<b>837.6</b>	<b>362.9</b>
Total recognised income and expense for the year is attributable to:		
Members of BlueScope Steel Limited	822.1	354.4
Minority interest	15.5	8.5
	<b>837.6</b>	<b>362.9</b>

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

## BLUESCOPE STEEL LIMITED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 \$M	2006 \$M
<b>Cash flows from operating activities</b>			
Receipts from customers		9,294.1	8,095.6
Payments to suppliers and employees		(8,144.6)	(7,623.9)
		<u>1,149.5</u>	<u>471.7</u>
Dividends received		27.2	5.1
Joint venture partnership distributions received		145.4	168.5
Interest received		5.5	2.7
Other revenue		21.6	18.4
Finance costs paid		(156.0)	(78.7)
Income taxes paid		(228.8)	(356.0)
		<u>964.4</u>	<u>231.7</u>
<b>Net cash (outflow) inflow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Payment for subsidiaries, net of cash acquired		(8.5)	(2.2)
Disposal of subsidiary into joint venture partnerships		–	(3.6)
Payments for property, plant and equipment		(399.6)	(764.5)
Payments for intangibles		(13.8)	(32.7)
Payments for investment in joint venture partnerships		(30.4)	(1.3)
Payments for investment in associates		–	(0.7)
Payments for investment in business assets		(11.0)	(11.5)
Payments for available-for-sale financial assets		(319.3)	–
Proceeds from sale of property, plant and equipment		48.2	20.8
Proceeds from sale of business assets		216.9	2.3
Loans to related parties		(29.4)	–
Repayment of loans by related parties		5.5	–
		<u>(541.4)</u>	<u>(793.4)</u>
<b>Net cash (outflow) inflow from investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		124.8	1.3
Payments for shares bought back		–	(95.0)
Proceeds from borrowings		11,555.8	8,904.5
Repayment of borrowings		(11,912.0)	(7,819.9)
Dividends paid to company's shareholders	7	(223.1)	(453.2)
Dividends paid to minority interests in subsidiaries		(1.3)	(2.5)
Capital return to minority interests in subsidiaries		–	(0.3)
Capital injection by minority interests in subsidiaries		2.2	2.1
		<u>(453.6)</u>	<u>537.0</u>
<b>Net cash inflow (outflow) from financing activities</b>			
<b>Net increase (decrease) in cash and cash equivalents</b>			
		(30.6)	(24.7)
Cash and cash equivalents at the beginning of the financial year		59.0	83.0
Effects of exchange rate changes on cash and cash equivalents		(1.5)	0.7
		<u>26.9</u>	<u>59.0</u>
<b>Cash and cash equivalents at end of year</b>		<b>26.9</b>	<b>59.0</b>
Non cash investing and financing activities	8		

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

## 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, or during, the year ended 30 June 2007. The accounting policies adopted have been consistently applied to all years presented, unless otherwise stated.

The full financial report on which this concise financial report is based is prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs). The concise financial report has been prepared in accordance with the Corporations Act 2001 and 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 2007. 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 as the full financial report. Further financial information can be obtained from the full financial report.

### Rounding of Amounts

The company is 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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars.

## 2 PRESENTATION CURRENCY

The presentation currency used in the concise financial report is Australian dollars.

## 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, both the full financial report and the concise financial report can be accessed via the internet at [www.bluescopesteel.com](http://www.bluescopesteel.com).

## 4 SEGMENT INFORMATION

### Description of business segments

The consolidated entity has six business reporting segments: Hot Rolled Products Australia, Coated and Building Products Australia, New Zealand and Pacific Steel Products (formally New Zealand Steel), Coated and Building Products Asia, Hot Rolled Products North America, and Coated and Building Products North America.

#### *Hot Rolled Products Australia*

Hot Rolled Products includes the Port Kembla Steelworks, a steel making operation with an annual production capacity of

approximately 5.1 million tonnes of crude steel. The Port Kembla Steelworks manufactures and distributes slab, hot rolled coil and plate. Slab and hot rolled coil is supplied to Coated and Building Products Australia for further processing, as well as to other domestic and export customers.

#### *Coated and Building Products Australia*

Coated and Building Products Australia markets a range of products and material solutions to the Australian building and construction industry and is also a key supplier to the Australian automotive sector, major white goods manufacturers and general manufacturers. Coated and Building Products Australia is a leader in metallic coating and painting technologies supplying a wide range of branded products such as COLORBOND® pre-painted steel, ZINCALUME® zinc/aluminium alloy coated steel and the LYSAGHT® range of building products. The Coated and Building Products business comprises two main metallic coating production facilities at Springhill in New South Wales and Western Port in Victoria together with a network of manufacturing and distribution facilities throughout Australia.

#### *New Zealand and 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 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 and Building Products Asia*

Coated and 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, a 47.5% shareholding in Castrip LLC, and North American export trading activities.

#### *Coated and Building Products North America*

Coated and Building Products North America includes the North American Buildings Group, which designs, manufactures and markets pre-engineered steel buildings and component systems.

#### *Corporate and Group*

Corporate and Group relates primarily to logistics and corporate activities.

SEGMENT INFORMATION (CONTINUED)  
 PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

2007	Hot Rolled Products Australia \$M	Coated and Building Products Australia \$M	New Zealand and Pacific Steel Products \$M	Coated and Building Products Asia \$M	Hot Rolled Products North America \$M	Coated and Building Products North America \$M	Corporate and Group \$M	Discontinuing operations \$M	Inter-segment eliminations/ unallocated \$M	Total \$M
<b>Segment revenue</b>										
Sales to external customers	1,861.1	2,905.4	605.0	1,309.0	540.3	785.3	107.4	746.6	–	8,860.1
Intersegment sales	2,057.9	280.4	123.5	78.3	25.9	2.7	357.5	0.6	(2,926.8)	–
Total sales revenue	3,919.0	3,185.8	728.5	1,387.3	566.2	788.0	464.9	747.2	(2,926.8)	8,860.1
Other revenue	1.3	1.2	4.9	5.3	0.7	6.8	32.5	0.9	(1.1)	52.5
Total segment revenue	3,920.3	3,187.0	733.4	1,392.6	566.9	794.8	497.4	748.1	(2,927.9)	8,912.6
<b>Segment result</b>										
Segment result	758.7	41.1	87.2	45.9	23.9	30.6	(42.2)	15.4	(24.0)	936.6
Share of net profits of associates and joint venture partnerships	–	–	2.9	(4.1)	156.3	6.6	–	0.4	–	162.1
Share of gain(loss) on sale of investments	–	–	–	–	–	–	–	–	–	–
Segment EBIT	758.7	41.1	90.1	41.8	180.2	37.2	(42.2)	15.8	(24.0)	1,098.7
Unallocated revenue less unallocated expenses										(135.9)
Profit before income tax										962.8
Income tax expense										259.8
Profit for the year										703.0
<b>Segment assets and liabilities</b>										
Segment assets	2,368.1	1,970.8	631.9	1,379.3	153.4	236.7	575.7	98.6	(406.0)	7,008.5
Investments in associates and joint venture partnerships	–	–	4.6	60.0	231.2	5.5	–	–	–	301.3
Allocated assets	2,368.1	1,970.8	636.5	1,439.3	384.6	242.2	575.7	98.6	(406.0)	7,309.8
Unallocated assets										196.4
Total assets										7,506.2
Segment liabilities	586.3	485.0	205.8	259.2	151.7	179.6	81.0	115.9	(353.1)	1,711.4
Unallocated liabilities										1,929.8
Total liabilities										3,641.2
<b>Other segment information</b>										
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	141.9	142.2	38.9	31.4	0.1	10.5	2.4	5.4	–	372.8
Depreciation and amortisation expense	140.0	76.7	28.5	54.8	0.2	13.9	2.5	7.4	–	324.0
Impairment of associates and joint venture partnerships	–	–	–	–	1.2	–	–	–	–	1.2

## SEGMENT INFORMATION (CONTINUED)

## PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS (CONTINUED)

2006	Hot Rolled Products Australia \$M	Coated and Building Products Australia \$M	New Zealand and Pacific Steel Products \$M	Coated and Building Products Asia \$M	Hot Rolled Products North America \$M	Coated and Building Products North America \$M	Corporate and Group \$M	Discontinuing operations \$M	Inter-segment eliminations/ unallocated \$M	Total \$M
<b>Segment revenue</b>										
Sales to external customers	1,634.6	2,653.2	575.0	1,016.2	486.0	831.9	109.4	706.3	–	8,012.6
Intersegment sales	1,837.3	113.6	133.9	31.7	14.4	2.2	311.0	0.6	(2,444.7)	–
Total sales revenue	3,471.9	2,766.8	708.9	1,047.9	500.4	834.1	420.4	706.9	(2,444.7)	8,012.6
Other revenue	0.6	1.0	5.5	3.2	0.3	7.2	3.5	0.8	(3.2)	18.9
Total segment revenue	3,472.5	2,767.8	714.4	1,051.1	500.7	841.3	423.9	707.7	(2,447.9)	8,031.5
<b>Segment result</b>										
Segment result	456.4	(3.0)	101.7	16.3	18.6	6.0	(77.5)	(197.5)	56.3	377.3
Share of net profits of associates and joint venture partnerships	–	–	2.9	(0.5)	169.0	3.3	–	0.3	–	175.0
Share of gain(loss) on sale of investments	–	–	–	3.4	–	–	–	–	–	3.4
Segment EBIT	456.4	(3.0)	104.6	19.2	187.6	9.3	(77.5)	(197.2)	56.3	555.7
Unallocated revenue less unallocated expenses										(87.1)
Profit before income tax										468.6
Income tax expense										(125.8)
Profit for the year										342.8
<b>Segment assets and liabilities</b>										
Segment assets	2,451.5	1,806.9	570.5	1,499.3	166.9	300.1	69.2	304.3	(394.8)	6,773.9
Investments in associates and joint venture partnerships	–	–	4.5	35.7	256.4	5.8	–	0.4	–	302.8
Allocated assets	2,451.5	1,806.9	575.0	1,535.0	423.3	305.9	69.2	304.7	(394.8)	7,076.7
Unallocated assets										183.9
Total assets										7,260.6
Segment liabilities	614.9	426.0	233.1	317.8	165.4	238.9	68.3	183.7	(366.0)	1,882.1
Unallocated liabilities										2,293.6
Total liabilities										4,175.7
<b>Other segment information</b>										
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	206.7	212.2	55.3	290.0	0.4	16.8	14.1	44.3	–	839.8
Depreciation and amortisation expense	132.6	73.6	27.1	36.3	0.4	14.1	2.4	7.0	–	293.5
Impairment of associates and joint venture partnerships	–	–	–	–	1.3	–	–	–	–	1.3
Impairment of property, plant and equipment	–	13.9	–	3.0	–	0.4	–	37.0	–	54.3
Impairment of inventory	–	–	–	–	–	–	–	9.3	–	9.3

## 5 REVENUE SUMMARY

	2007 \$M	2006 \$M
<b>From continuing operations</b>		
Sale of goods	8,002.4	7,192.0
Services	110.5	113.7
Other revenue	51.6	18.1
<b>Total revenue from continuing operations</b>	<b>8,164.5</b>	<b>7,323.8</b>
<b>From discontinued operations</b>		
Sales revenue	747.2	706.9
Other revenue	0.9	0.8
<b>Total revenue from discontinuing operations</b>	<b>748.1</b>	<b>707.7</b>

## 6 DISCONTINUED OPERATIONS

### (a) Description

On 29 June 2007, Coated and Building Products North America sold its Vistawall division, which manufactures and sells extruded aluminium and glass products for the building and construction sector.

In June 2006, the Company announced its intention to close its loss making tinsplate manufacturing operation which was the major component of its Packaging Products cash generating unit. Packaging Products formed part of the Coated and Building Products Australia segment. This facility was closed in April 2007.

Following a series of construction contract losses in the financial year 2006, the Company closed down and sold the assets of its Lysaght Taiwan business during the first half of the financial year. The company continues to progressively complete pre-existing construction projects.

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

### (b) Financial performance of discontinued operations

The results of the discontinued operations for the year until disposal are presented below.

	Consolidated							
	2007				2006			
	Vistawall \$M	Packaging \$M	Lysaght Taiwan \$M	TOTAL \$M	Vistawall \$M	Packaging \$M	Lysaght Taiwan \$M	TOTAL \$M
Revenue	414.4	324.5	9.2	748.1	380.0	298.0	29.7	707.7
Expenses	(387.9)	(377.2)	(26.3)	(791.4)	(362.5)	(493.2)	(49.7)	(905.4)
Share of net profit (loss) of equity accounted associate	0.4	–	–	0.4	0.3	–	–	0.3
Gross profit (loss)	26.9	(52.7)	(17.1)	(42.9)	17.8	(195.2)	(20.0)	(197.4)
Gain on disposal	58.6	–	–	58.6	–	–	–	–
Finance costs	–	–	(0.2)	(0.2)	–	–	(0.1)	(0.1)
Profit (loss) before tax from discontinued operations	85.5	(52.7)	(17.3)	15.5	17.8	(195.2)	(20.1)	(197.5)
Income tax (expense) credit	(46.4)	15.8	(0.2)	(30.8)	(6.8)	58.6	(0.3)	51.5
Profit (loss) for the year from discontinued operations	39.1	(36.9)	(17.5)	(15.3)	11.0	(136.6)	(20.4)	(146.0)

**6 DISCONTINUED OPERATIONS (CONTINUED)**
**(c) Cash flow information – discontinued operations**

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

	Consolidated							
	2007				2006			
	Vistawall \$M	Packaging \$M	Lysaght Taiwan \$M	TOTAL \$M	Vistawall \$M	Packaging \$M	Lysaght Taiwan \$M	TOTAL \$M
Net cash inflow (outflow) from operating activities	(22.4)	(83.2)	(0.4)	(106.0)	(2.3)	(9.4)	(7.4)	(19.1)
Net cash inflow (outflow) from investing activities	214.6	(2.9)	5.0	216.7	(11.7)	(32.4)	(1.3)	(45.4)
Net cash inflow (outflow) from financing activities	(192.6)	86.1	(5.1)	(111.6)	14.0	41.8	7.2	63.0
<b>Net increase in cash generated by the operation</b>	<b>(0.4)</b>	<b>–</b>	<b>(0.5)</b>	<b>(0.9)</b>	<b>–</b>	<b>–</b>	<b>(1.5)</b>	<b>(1.5)</b>

**(d) Assets and liabilities and cash flow information of disposed entity**

The major classes of assets and liabilities of the Vistawall group disposed of on 29 June 2007 are as follows:

	2007 \$M
<b>Assets</b>	
Receivables	77.2
Inventories	37.1
Derivative financial instruments	0.2
Equity accounted associates	0.9
Property, plant and equipment	51.6
Intangible assets	12.0
Other	0.4
	<b>179.4</b>
<b>Liabilities and reserves</b>	
Payables	28.9
Interest bearing loans	0.1
Provisions	13.9
Hedging reserve	0.2
Other	0.2
	<b>43.3</b>
<b>Net assets attributable to discontinued operations</b>	<b>136.1</b>

## 6 DISCONTINUED OPERATIONS (CONTINUED)

Consideration received or receivable for the disposal of the Vistawall group on 29 June 2007 is as follows:

	2007 \$M
Cash	225.9
Transaction costs	(9.0)
Total disposal consideration	216.9
<b>Less</b>	
Net assets disposed of	136.1
Transfer of exchange fluctuation reserve to the profit and loss	22.2
Gain on disposal before income tax	58.6
Income tax expense	35.5
Gain on disposal after income tax	23.1
<b>Net cash inflow on disposal</b>	
Cash and cash equivalents consideration	216.9
Less cash and cash equivalents balance disposed of	—
<b>Reflected in the consolidated cash flow statement</b>	216.9

## 7 DIVIDENDS

	2007 \$M	2006 \$M
<b>(a) Ordinary shares</b>		
Final dividend for the year ended 30 June 2006 of 24 cents (2005: 24 cents plus 20 cents special dividend) per fully paid share paid on 24 October 2006 (2005: 24 October 2005)		
Final fully franked based on tax paid @ 30% – 24 cents (2005: 24 cents) per share	168.3	170.9
Special fully franked based on tax paid @ 30% – Nil (2005: 20 cents) per share	—	142.5
	168.3	313.4
Interim dividend for the year ended 30 June 2007 of 21 cents (2006: 20 cents) per fully paid share paid on 2 April 2007 (2006: 3 April 2006)		
Fully franked based on tax paid @ 30%	152.9	139.8
Total dividends provided for or paid	321.2	453.2
<b>(b) Dividends not recognised at year end</b>		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 26 cents (2006: 24 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 23 October 2007 out of retained profits at 30 June 2007, but not recognised as a liability at year end, is	190.8	168.3

## 7 DIVIDENDS (CONTINUED)

### (c) Franked Dividends

The franked portions of the final dividends recommended after 30 June 2007 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2007.

	2007 \$M	2006 \$M
Actual franking account balance as at the reporting date	129.7	148.1
Franking credits that will arise from the payment of income tax payable as at the reporting date	25.1	10.3
Franking credits available for subsequent financial years based on a tax rate of 30% (2006: 30%)	154.8	158.4

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

- (a) franking credits that will arise from the payment 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.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$81.8M (2006: \$72.1M).

## 8 NON-CASH INVESTING AND FINANCING ACTIVITIES

	2007 \$M	2006 \$M
Dividend reinvestment plan	97.8	—

During the year, the Company introduced a dividend reinvestment plan which enables participating shareholders to receive dividends as ordinary BlueScope Steel Limited shares instead of cash. A total of 12,728,860 shares were issued under this plan.

## 9 EARNINGS PER SHARE

	2007 Cents	2006 Cents
<b>(a) Basic earnings per share</b>		
Profit from continuing operations attributable to the ordinary equity holders of the Company	97.4	68.7
Loss from discontinued operations	(2.1)	(20.8)
Profit attributable to the ordinary equity holders of the Company	<u>95.3</u>	<u>47.9</u>
<b>(b) Diluted earnings per share</b>		
Profit from continuing operations attributable to the ordinary equity holders of the Company	96.7	68.3
Loss from discontinued operations	(2.1)	(20.6)
Profit attributable to the ordinary equity holders of the Company	<u>94.6</u>	<u>47.7</u>
<b>(c) Reconciliations of earnings used in calculating earnings per share</b>		
	2007 \$M	2006 \$M
<i>Earnings per share</i>		
Profit from continuing operations	718.3	488.8
Profit from continuing operations attributable to minority interests	(17.4)	(5.2)
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating earnings per share	<u>700.9</u>	<u>483.6</u>
Profit (loss) from discontinued operations	(15.3)	(146.0)
Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	<u>685.6</u>	<u>337.6</u>
<b>(d) Weighted average number of shares used as the denominator</b>		
	2007 Number	2006 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	719,675,585	704,064,627
Adjustments for the effect of dilution:		
Weighted average number of share rights	5,257,948	3,809,488
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>724,933,533</u>	<u>707,874,115</u>

### (e) Earnings per share calculation

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing net profit 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 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 to which they are dilutive.

**10 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

**(a) Acquisition of Smorgon Steel Distribution business**

On 3 August 2007, BlueScope Steel Limited acquired the distribution business of Smorgon Steel Limited for approximately \$700M. As part of the consideration for this acquisition the 179,124,278 Smorgon Steel Limited shares, previously acquired by the company for \$319.3M, are to be bought back based on 0.4091 OneSteel Limited shares for each Smorgon Steel Limited share valued using the volume-weighted price of OneSteel Limited shares for the 10 day period to 17 August 2007. The gain on the disposal of the Smorgon Steel Limited shares will be taken to the income statement in the 2008 financial year.

**(b) Appointment of new managing director and chief executive officer**

The Board of BlueScope Steel Limited announced on 6 August 2007 that Chief Financial Officer Paul O'Malley will succeed Kirby Adams as Managing Director and CEO effective from 1 November 2007. As part of the transition to his new role, Mr O'Malley has joined the Board of BlueScope Steel Limited.

**DIRECTORS' DECLARATION**

The Directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2007 as set out in page 75 to 88 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 2007. 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



**K C ADAMS**  
Managing Director and Chief Executive Officer

Melbourne  
17 August 2007

# INDEPENDENT AUDIT

## REPORT TO THE MEMBERS OF BLUESCOPE STEEL LIMITED

### REPORT ON THE CONCISE FINANCIAL REPORT

The accompanying concise financial report of BlueScope Steel Limited comprises the balance sheet as at 30 June 2007, the income statement, statement of recognised income and expenses and cash flow statement for the year then ended and related notes, derived from the audited financial report of BlueScope Steel Limited for the year ended 30 June 2007. 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 and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. 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 2007. Our audit report on the financial report for the year was signed on 17 August 2007 and was not subject to any modification. 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.

Our procedures in respect of the concise financial report 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 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 Accounting Standard 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 2007 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.



ERNST & YOUNG



B R MEEHAN

Partner

Melbourne  
17 August 2007

# SHAREHOLDER INFORMATION

## DISTRIBUTION SCHEDULE

Ranges	No. of holders	No. of shares	% of Issued Capital
1 to 1,000	106,526	46,470,172	6.33
1,001 to 5,000	56,306	125,660,888	17.12
5,001 to 10,000	7,663	54,166,005	7.38
10,001 to 100,000	3,906	82,030,054	11.17
100,001 and Over	169	425,770,341	58.00
<b>Total</b>	<b>174,570</b>	<b>734,097,460</b>	<b>100.00</b>

The number of security investors holding less than a marketable parcel of 47 securities (\$10.72 on 3/9/2007) is 4,136 and they hold 101,013 securities.

## TWENTY LARGEST REGISTERED SHAREHOLDERS AS AT MONDAY 3 SEPTEMBER 2007

Rank	Name of shareholder	Total units	% Issued Capital
1.	JP MORGAN NOMINEES AUSTRALIA LIMITED	120,070,741	16.36
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	104,003,673	14.17
3.	NATIONAL NOMINEES LIMITED	54,975,348	7.49
4.	ANZ NOMINEES LIMITED	38,954,365	5.31
5.	CITICORP NOMINEES PTY LIMITED	22,695,340	3.09
6.	COGENT NOMINEES PTY LIMITED	15,100,877	2.06
7.	UBS NOMINEES PTY LTD	6,140,000	.84
8.	AMP LIFE LIMITED	3,888,314	.53
9.	AUSTRALIAN REWARD INVESTMENT ALLIANCE	3,389,370	.46
10.	QUEENSLAND INVESTMENT CORPORATION	2,939,019	.40
11.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,858,451	.39
12.	KIRBY CLARKE ADAMS	2,581,044*	.35
13.	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,232,051	.30
14.	IAG NOMINEES PTY LIMITED	2,036,970	.28
15.	ANZ NOMINEES LIMITED	1,953,935	.27
16.	CITICORP NOMINEES PTY LIMITED	1,770,772	.24
17.	UBS NOMINEES PTY LTD	1,478,938	.20
18.	AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED	1,200,000	.16
19.	CITICORP NOMINEES PTY LIMITED	1,105,050	.15
20.	ECON (WA) PTY LTD	1,073,450	.15
	<b>Total for top 20</b>	<b>390,445,496</b>	<b>53.19</b>
	<b>Total other investors</b>	<b>343,651,964</b>	<b>46.81</b>
	<b>Grand Total</b>	<b>734,097,460</b>	<b>100.00</b>

\*Mr Adams' total shareholding in BlueScope Steel ordinary shares as at Monday 3 September has changed from the shareholding of 2,612,846 (as at 30 June 2007) reported on page 45 of the Directors' Report, as a result of a transaction entered into after 30 June 2007 and disclosed to ASX. His total holding includes shares registered in his own name and relevant interests he holds in shares registered in the names of other persons or entities.

## SUBSTANTIAL SHAREHOLDERS

The Capital Group Companies, Inc. by a notice of initial substantial holder dated 23 May 2006, advised that it and its associates were entitled to 35,299,687 ordinary shares. M&G Investment Funds by a notice of initial substantial holder dated 13 July 2007, advised that it and its associates were entitled to 36,968,207 ordinary shares. MIR Investment Management Limited by a notice of initial substantial holder dated 31 July 2007, advised that it and its associates were entitled to 37,896,107 ordinary shares.

<b>Directors</b>	<p>G J Kraehe AO, Chairman R J McNeilly Deputy Chairman K C Adams Managing Director and Chief Executive Officer D J Grady H K McCann AM P J Rizzo Y P Tan D B Grollo P F O'Malley</p>
<b>Company Secretary</b>	<p>M G Barron</p>
<b>Executive Leadership Team</b>	<p>K C Adams Managing Director and Chief Executive Officer N H Cornish President Australian and New Zealand Industrial Markets I R Cummin Executive Vice President People and Performance K J Fagg President Asia L E Hockridge President North America B G Kruger President Australian Manufacturing Markets P F O'Malley Chief Financial Officer</p>
<b>Notice of Annual General Meeting</b>	<p>The Annual General Meeting (AGM) will be held: Wednesday 14 November 2007 2.00 pm (local time) Palladium Ballroom, Crown Towers, 8 Whiteman Street, Southbank, Victoria 3006.</p>
<b>Webcast</b>	<p>The AGM will be webcast live on <a href="http://www.bluescopesteel.com">www.bluescopesteel.com</a> and an archived version will be lodged on the website for viewing at a convenient time.</p>
<b>Registered Office</b>	<p>Level 11, 120 Collins Street, Melbourne, Victoria 3000 Telephone: +61 3 9666 4000 Fax: +61 3 9666 4111 Email: <a href="mailto:bluescopesteel@linkmarketservices.com.au">bluescopesteel@linkmarketservices.com.au</a> Postal Address: PO Box 18207, Collins Street East, Melbourne, Victoria 8003</p>
<b>Share Registrar</b>	<p>Link Market Services Limited Level 12, 680 George Street, Sydney, NSW 2000 Telephone (within Australia): 1300 855 998 Telephone (outside Australia): +61 2 8280 7760 Fax: +61 2 9287 0303 Fax (Proxies Only): +61 2 9287 0309 Email: <a href="mailto:bluescopesteel@linkmarketservices.com.au">bluescopesteel@linkmarketservices.com.au</a> Website: <a href="http://www.linkmarketservices.com.au">www.linkmarketservices.com.au</a> Postal Address: Link Market Services Limited Locked Bag A14 Sydney South, NSW 1235</p>
<b>Auditor</b>	<p>Ernst &amp; Young Chartered Accountants 8 Exhibition Street, Melbourne, Victoria 3000</p>
<b>Stock Exchange</b>	<p>BlueScope Steel Limited shares are quoted on the Australian Securities Exchange (ASX code: BSL)</p>
<b>Website Address</b>	<p><a href="http://www.bluescopesteel.com">www.bluescopesteel.com</a></p>



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