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FOR IMMEDIATE RELEASE

RESULTS FOR ANNOUNCEMENT TO THE MARKET
(Under ASX listing rule 4.2A)

Half Year Earnings Report Six Months Ended 31 December 2008

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

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

Melbourne – 23 February 2009 – BlueScope Steel Limited (ASX Code: BSL) today reported its financial results for the six months ended 31 December 2008.

Table 1 provides a recap of headlines for the first half FY 2009.

Table 1: 1H FY 2009 Headlines

Earnings performance

- The reported net profit after tax (NPAT) for the first half FY 2009 was \$407M vs. \$116M in the previous corresponding period. The underlying NPAT was \$479M for 1H FY 2009 (vs. \$305M for 1H FY 2008). PLEASE REFER TO TABLE 2(b) ON PAGE 6 FOR A DETAILED RECONCILIATION BETWEEN REPORTED AND UNDERLYING EARNINGS BEFORE INTEREST AND TAX (EBIT), NPAT AND EARNINGS PER SHARE (EPS).

Financial Ratios	**1H FY 2009**	**1H FY 2008**
▪ Return on equity (based on annualised NPAT attributable to shareholders) [(1)]	18.5% (21.8%)	6.0% (15.9%)
▪ Earnings per share[(1)]	52.7cps (62.0cps)	15.7cps (41.4cps)
▪ Return on invested capital (based on annualised NPAT) [(1)]	13.3% (15.5%)	5.8% (12.6%)
▪ Gearing (net debt/net debt plus equity)	35.9%	31.8%
▪ Interest cover (underlying operational EBITDA/ interest expense)	12 times	10 times

Note: (1) Reported vs. (underlying).

Dividends

- Interim ordinary dividend 5cps fully franked (vs. 22 cps in 1H FY 2008).
- Dividend reinvestment plan (DRP) will apply to the FY 2009 interim dividend.

Business Performance (relative to 1H FY 2008)

- Australia
  - Coated & Industrial Products Australia – an excellent first quarter largely due to improved spread. However, both spread and demand (export and domestic) materially weakened in Q2. No. 5 Blast Furnace was shut early on 18 January 2009 given the softer global demand conditions. The reline will substantially take place between March-June 2009 with some reline activities completed early. This segment also recognised $155M net realisable value provision for inventory on hand at 31 December as a result of weaker global pricing and demand outlook in 2H.
  - Australian Distribution & Solutions – increased earnings generated from improved spread and an additional month's ownership of Smorgon Distribution (acquired 3 August 2007).

- New Zealand
  - Marked increase in underlying earnings largely due to improved spread, weaker NZD:USD and AUD:NZD and higher realised iron sands export prices from Taharoa, partly offset by higher repairs and maintenance costs due to a melter failure in July 2008.

- Asia
  - The $42M reduction in Asia's underlying earnings to ($16M), a major contributor being $25M net realisable value provision for inventory on hand at 31 December as a result of weaker global pricing and demand. This segment also experienced a strong Q1 partly offset by reduced sales volumes principally in Thailand (political turmoil) and China, Indonesia and Vietnam (weaker demand) in Q2.
  - The company also recognised impairment write-downs on its Panels business in Langfang, China ($11M), and further write-down for the metal coating and painting facilities in Suzhou, China ($25M) as a result of lower than expected demand and margins.

- North America
  - North Star – reduction in underlying earnings of $23M to A$15M largely due to $26M net realisable value provision for inventory, lower despatches (91kt) partly offset by improved Q1 spread and weaker AUD vs. USD.
  - Coated and Building Products North America – strong underlying earnings improvement largely due to the earnings contribution from IMSA Steel Corp (acquired 1 February 2008) and weaker AUD:USD. Synergy benefits generated from the IMSA integration are tracking well ahead of schedule. However, these were offset by $23M net realisable value provision for inventory on hand at 31 December as a result of weaker US pricing.

Capital Growth Projects and Acquisitions

- The second Indonesian coating line project, which remained on schedule and budget, was intentionally put on hold at the end of the period due to the decision to reduce capital spend across the BlueScope Group and weaker demand in Indonesia.
- The coated project development in India remains on schedule for start up in CY2010. Expenditure to be funded by the Joint Venture under a new project financing arrangement recently signed.

Funding

- US$125M debt due to be refinanced in January 2009, has been refinanced as follows – US$75M and US$25M tranches of Bilateral Loan facilities established and the remaining US$25M repaid from existing facilities.
- The company has also extended the A$350M Working Capital facilities due in October 2009, with tranches of $100M to January 2010, $125M to January 2011 and $125M to January 2012.

Equity Raising

- Raised A$300M (gross) through an institutional investor share placement in December 2008.
- Raised A$113M (gross) through a Share Purchase Plan in February 2009.
- The purpose of both raisings was to strengthen the balance sheet.

Defined Benefit/Pension Fund Shortfall

- An actuarial assessment has identified the need to recognise a $463M provision for Defined Benefits funds and pension plans, an increase of $259M since 30 June 2008 primarily due to the performance of global share market, resulting in a reduction in retained earnings.

Interim Dividend Schedule

  - **Ex-dividend – 26 February 2009**
  - **Record date – 4 March 2009**
  - **Payment date – 31 March 2009**

Consolidated Results
Table 2a provides the 1H FY2009 consolidated financial results and the comparable FY 2008 period. Table 2b reconciles underlying operational earnings to reported earnings.

Table 2a : Financial Headlines
Six months ended 31/12/08 ("1H 2009") and 31/12/07 ("1H 2008")

Financial Measure			**1H 2009**	**1H 2008**	**Variance $**	**Variance %**
Total revenue (1)		A$M	6,156	4,734	1,422	30
Earnings before interest tax, depreciation and amortisation (EBITDA) (2)	**– Reported**	A$M	857	502	355	71
EBITDA	**– Underlying**	A$M	946	668	278	42
EBIT (2)	**– Reported**	A$M	665	328	337	103
	– Underlying	A$M	753	494	259	52
Interest expense		A$M	(76)	(66)	(10)	(15)
NPAT attributable to BlueScope Steel Shareholders	**– Reported**	A$M	407	116	291	251
	– Underlying	A$M	479	305	174	57
Earnings per share(3)	**– Reported**	¢/s	52.7	15.7	37.0	236
	– Underlying	¢/s	62.0	41.4	20.6	50
Diluted earnings per share	**– Reported** (4)	¢/s	52.6	15.6	37.0	237
Interim Dividend		¢/s	5	22	(17)	(77)
Net cash flow from operating and investing activities (pre-tax)		A$M	(224)	116	(340)	(293)
Return on invested capital (5)	**– Reported**	**%**	13.3%	5.8%		
	– Underlying	%	15.5%	12.6%		
Return on equity (6)	**– Reported**	%	18.5%	6.0%		
	– Underlying	%	21.8%	15.9%		
Gearing (net debt / net debt plus equity) (7)		%	35.9%	31.8%		
Net tangible assets per share		$/s	3.95	3.98		

(1) Excludes the company's 50% share of North Star BlueScope Steel revenue of $448M in 1H 2009 ($310M in 1H 2008). Includes revenue other than sales revenue of $13M in 1H 2009 ($15M in 1H 2008). Includes revenue from discontinued businesses of $0M in 1H 2009 ($2M in 1H 2008).
(2) Includes 50% share of net profit from North Star BlueScope Steel of $15M in 1H 2009 ($38M in 1H 2008).
(3) Earnings per share is based on the average number of shares on issue during the respective reporting periods, ie. 772.7M vs. 737.3M.
(4) Earnings per share are diluted for executive share right awards that are likely to vest based on current TSR performance.
(5) Return on invested capital is defined as net profit after tax (annualised in case of half year comparison) over average monthly capital employed.
(6) Return on equity is defined as net profit after tax (annualised in case of half year comparison) attributable to shareholders over average monthly shareholders' equity.
(7) Target gearing range of 30% to 35%. 1H 2009 gearing was 35.9% representing a 4.1% increase over 1H 2008. An increase of 5.1% was driven by the weaker AUD:USD exchange rate on US dollar denominated debt. Excluding this impact, gearing would have been 30.8%.

Variance Analysis (1H 2009 vs. 1H 2008)

- <u>Total revenue</u>

  The $1,422M (30%) increase principally reflects:
  - Higher global slab and hot rolled coil prices, particularly during Q1 FY 2009.
  - Additional volume delivered following the acquisition of IMSA Steel Corp on the 1st February 2008.
  - Lower average AUD:USD exchange rate for 1H 2009 of 0.781 compared to the previous corresponding period of 0.868.
  - Higher scrap sales to OneSteel from Coated & Industrial Products Australia following the agreement reached as part of the Smorgon Steel Distribution acquisition.

Partly offset by:

- Reduced underlying export and domestic sales volumes due to substantial weakness in world steel demand during Q2 FY 2009 across all reporting segments.

- <u>EBIT</u>

The $259M (52%) increase in underlying EBIT principally reflects:

Spread ($608M favourable)

Prices ($1,242M favourable)

- Higher export prices, predominantly during Q1 FY 2009, particularly slab and hot rolled coil from Coated & Industrial Products Australia.
- Higher domestic prices across all market sectors at Coated & Industrial Products Australia driven by higher international steel prices.
- Higher domestic prices at Australia Distribution and Solutions.
- Higher domestic and export prices at New Zealand Steel.
- Higher Coated and Building Product prices in North America and Asia.

Raw material costs ($634M unfavourable)

- Higher USD coal, iron ore, scrap and alloys purchase prices at the Port Kembla Steelworks.
- Higher purchase prices for carbons, fluxes, additives and limestones at New Zealand Steel.
- Higher steel feed costs principally in Coated and Building Products Asia and Australia Distribution and Solutions.

Partly offset by:

- Lower zinc and aluminium coating metal costs.

North Star Bluescope Steel ($23M unfavourable)

- Higher conversion costs driven by higher cost of electricity and alloy purchase prices.
- Lower despatch volumes.
- Inventory net realisable value provision for inventory on hand at 31 December due to rapid decline in US steel prices

Partly offset by:

- Improved spread driven by higher hot rolled coil prices partly offset by higher scrap costs in North America.

Exchange rates ($109M favourable)

- Favourable movement in the AUD:USD relative to the previous comparative period. Average exchange rate for 1H 2009 was 0.781 compared to 0.868 in 1H 2008.

Sales volumes and product mix ($92M unfavourable)

- Lower export and domestic sales volumes due to substantial weakness in world steel demand during Q2 FY 2009 across all reporting segments.

Partly offset by:

- Higher volumes driven by the acquisition of IMSA Steel Corp on the 1st February 2008.

Costs ($140M unfavourable) comprising the following components:

Cost improvement initiatives ($47M favourable)

- Cost reductions reflecting the effect on unit costs of initiatives to improve yield, labour productivity and other costs.

Cost escalation ($67M unfavourable)

- Escalation of employment, utilities, consumables and other costs.

One-off and discretionary costs ($102M unfavourable)

- Lower fixed conversion cost absorption driven by reduced production volumes at Coated and Industrial Products Australia, New Zealand Steel and Coated and Building Products Asia.
- Additional maintenance at Port Kembla Steelworks to maintain No. 5 Blast Furnace volumes prior to the planned reline and at New Zealand Steel following the melter failure in July 2008.

Other costs ($18M unfavourable)

- Higher freight costs primarily due to additional cost of fuel and rate increases.

Other items ($203M unfavourable)

- Inventory net realisable value provisions for inventory on hand at 31 December. These were predominantly at Coated and Industrial Products Australia ($155M) for inventory destined for export customers following the rapid decline in global steel prices and Coated and Building Products North America for inventory on hand at 31 December 2008.

Unusual or non-recurring items in reported EBIT include ($78M favourable)

- Impairment of China Coating Line ($190M) and Vietnam Coating Line ($35M) facilities, Lysaght Home Improvements ($12M) and Lysaght Fiji ($3M) due to lower than expected domestic volumes and margins in these businesses during 1H 2008.
- Write off of capitalised Movex application costs driven by the acquisition of Smorgon Steel's distribution business and the intention to migrate Lysaght Australia onto the ERP system utilised by Distribution ($11M) during 1H 2008.
- Integration costs and accounting adjustments associated with the acquisition of Smorgon Steel's distribution business ($7M) and IMSA Steel Corp ($3M) and the one-off impact of recognising inter-company profit eliminations in inventory ($19M) during 1H 2008.
- Lower redundancy and restructuring costs at Coated and Industrial Products Australia relating to the announced closure of the CPL 1 paint line and internal business restructure costs within Corporate and Group ($24M) during 1H 2008 partly offset by restructuring costs in relation to the announced closure of the Flat Products Cold Mill ($22M) during 1H 2009.
- Write back of over-provided liabilities in relation to a general insurance provision and North American pension fund within Coated and Building Products North America ($16M) during 1H 2009.

Partly offset by:

- Profit on sale of the 19.9% shareholding in Smorgon Steel ($128M) during 1H 2008.
- Redemption of B class preference shares in Manukau International Limited, an investment vehicle of the New Zealand Steelworks pension fund, which had previously been impaired ($11M) during 1H 2008.
- Higher redundancy and restructuring costs, including plant rationalisations following the acquisition of IMSA Steel Corp, at Coated and Building Products North America ($15M).
- Integration costs associated with the acquisition of IMSA Steel Corp during 1H 2009 ($3M).
- Write off of previously capitalised feasibility costs at New Zealand in relation to capital projects not proceeding ($22M) during 1H 2009.
- Hedge loss on anticipated proceeds in relation to the sale of the Taharoa Iron Sands mine which did not eventuate ($5M) during 1H 2009.
- Impairment of Lysaght Panels, China ($11M) and further impairment of China Coating Line ($25M) during 1H 2009 as a result of lower than expected demand.

▪ Funding

Financing costs for the six months ended 31 December 2008 were $76M ($66M in 1H FY 2008). The increase in costs reflects a $723M increase in average borrowings to $2,431M partly offset by a lower average interest rate of 6.1% (7.9% on 1H FY 2008) primarily driven by a higher proportion of USD denominated debt following the acquisition of IMSA Steel Corp.

▪ Tax

The effective tax rate for the six months ended 31 December 2008 was 31.1% (54.4% in 1H FY 2008). The effective tax rate for 1H FY 2008 includes the non-tax deductible impairments of the China Metal Coating Line, Vietnam Metal Coating Line, Lysaght Home Improvements and Lysaght Fiji. The effective tax rate for 1H FY 2008, after excluding these impairment write-downs, was 27.5%.

The tax rate for 1H FY 2009 differs from the Australian tax rate of 30% primarily due to our North American operations being taxed at approximately 36% (35% US tax rate plus state taxes) and non-tax deductible impairments of China Coating Line and China Panels business, excluding these impairment write-downs the effective tax rate would be 29.4%.

Table 2b: Reconciliation of Underlying Operational Earnings to Reported Earnings
1H 2009 vs. 1H 2008; $ millions

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

	EBIT		NPAT		EPS[10]	
Factors	**1H 2009**	**1H 2008**	**1H 2009**	**1H 2008**	**1H 2009**	**1H 2008**
Reported earnings	665	328	407	116	0.53	0.16
Net (gains)/losses from businesses discontinued [1]	0	3	0	3	0.00	0.00
Reported earnings (from continuing operations)	665	331	407	119	0.53	0.16
Unusual or non-recurring events:						
Business development and pre-operating costs [2]	0	6	0	4	0.00	0.01
Asset impairment [3]	36	251	36	247	0.05	0.34
Restructure and redundancy costs [4]	39	24	26	17	0.03	0.02
Profit on Sale of Smorgon Steel shares	0	(128)	0	(90)	0.00	(0.12)
Profit in stock elimination adjustments and integration costs associated with Smorgon Steel's distribution business [5]	0	26	0	18	0.00	0.02
Integration costs associated with IMSA Steel Corp [6]	3	0	2	0	0.00	0.00
Write off of feasibility costs on capital projects [7]	22	0	15	0	0.02	0.00
Manukau International Limited investment redemption [8]	0	(11)	0	(7)	0.00	(0.01)
Other [9]	(12)	(7)	(7)	(3)	(0.01)	(0.00)
Underlying Operational Earnings	**753**	**494**	**479**	**305**	**0.62**	**0.41**

(1) 1H 2009 reflects the project completion revenue within the Lysaght Taiwan business that was closed during 2007. 1H 2008 reflects to a Vistawall post completion sale price adjustment. Refer Attachment 2(c) for a breakdown of discontinued businesses.
(2) 1H 2008 reflects pre-operating costs in Coated and Industrial Products Australia associated with the start up of the Western Sydney COLORBOND® Steel Centre and Corporate M&A activity.
(3) 1H 2009 reflects impairment of Lysaght Panels, China and further impairment of China Coating Line. 1H 2008 reflects impairment of China Coating Line and Vietnam Coating Line facilities, Lysaght Home Improvements and Lysaght Fiji due to lower than expected domestic volumes and margins in these businesses; also write off of capitalised Movex application costs driven by the acquisition of Smorgon Steel's distribution business and the intention to migrate Lysaght Australia onto the ERP system utilised by Distribution.
(4) 1H 2009 reflects restructuring costs at Coated and Industrial Products Australia in relation to the announced closure of the packaging products Cold Mill, plant rationalisations at Coated and Building Products North America following the acquisition of IMSA Steel Corp, staff redundancies within Coated and Building Products North America and closure provisions within Australia Distribution and Solutions in relation to Lysaght Home Improvements. 1H 2008 reflects staff redundancies and other internal restructuring costs at Coated and Industrial Products Australia in relation to the announced closure of the CPL 1 paint line combined with internal business restructure costs within Corporate.
(5) Integration costs associated with the acquisition of Smorgon Steel's distribution business and the one-off effect of recognising inter-company profit eliminations in inventory.
(6) Integration costs associated with the acquisition of IMSA Steel Corp.
(7) Write off of previously capitalised feasibility costs at New Zealand in relation to capital projects not proceeding and placed on hold.
(8) In FY 2003, in support of the New Zealand Steel Pension Fund, an investment of $11M was made in redeemable preference shares of Manukau International Limited, a company that has financial obligations to the Fund. While the investment resulted in an improvement in the financial position of the Pension Fund, it was fully provided for in FY 2003 on the basis that it was not considered recoverable by the company. In 1H 2008 Manukau International Limited repaid this investment in full.
(9) 1H 2009 reflects the write back of over-provided liabilities in relation to a general insurance provision and North American pension fund within Coated and Building Products North America partly offset by a hedge loss on anticipated proceeds in relation to the sale of the Taharoa Iron Sands mine which did not eventuate. 1H 2008 reflects the write back of over-provided liabilities in relation to a UK pension fund within Coated and Building Products North America.
(10) Earnings per share is based on the average number of shares on issue during the respective reporting periods, ie. 772.7 M vs. 737.3M.

Equity, Financial Flexibility and Cash Flow

Table 3 below provides a summary of consolidated equity and return measures at 31 December 2008 and 2007.

Table 3: Consolidated – Return Statistics
1H 2009 and 1H 2008; mixed measures

Financial Measure	1H 2009	1H 2008	%
Shares outstanding – end of period (million)	869.9	742.4	17
Average shares – for the period (million)	772.7	737.3	5
Return on equity – based on reported NPAT attributable to shareholders (%)	18.5%	6.0%	213
Return on equity – based on underlying operational NPAT earnings (%)	21.8%	15.9%	40
Return on investment capital – based on reported NPAT (%)	13.3%	5.8%	135
Return on invested capital – based on underlying operational NPAT earnings (%)	15.5%	12.6%	25

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

Table 4: Consolidated – Financial Flexibility Measures
1H 2009 and 1H 2008; mixed measures

				Variance	
Financial Measure		1H 2009	1H 2008	$M	%
Underlying Operational EBITDA	$M	946	668	278	42
Interest expense	$M	76	66	10	15
Borrowings	$M	2,675	1,745	930	53
Underlying Operational EBITDA / interest	times	12	10	2	20
Debt / Underlying Operational EBITDA	times	2.8	2.6	0.2	8

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

Table 5: Consolidated Cash Flow
1H 2009 and 1H 2008; $ millions

			Variance	
Factors	**1H 2009**	**1H 2008**	**$M**	**%**
EBITDA [1]	857	502	355	71
Add back non cash items				
- Share of profits from associates and joint venture partnership not received as dividends	(6)	(10)	4	40
- Impaired assets[2]	57	251	(194)	(77)
- Net (gain) loss on sale of assets	(1)	(139)	138	99
- Expensing of share-based employee benefits	19	13	6	46
Cash EBITDA	926	617	309	50
Changes in working capital [3]	(863)	(17)	(846)	(4,976)
Net cash from operating activities	63	600	(537)	(90)
Net cash from investing activities [4]	(287)	(484)	197	41
Cash from operating and investing (pre-tax)	(224)	116	(340)	(293)
Interest paid	(73)	(67)	(6)	(9)
Tax paid	(242)	(139)	(103)	(74)
Cash from operating and investing (post-tax) (as per statutory cash flow)	(539)	(90)	(449)	(499)

(1) Refer EBIT Variance analysis for major changes in EBITDA.
(2) Includes write off of previously capitalised feasibility costs in relation to capital projects not proceeding and placed on hold.
(3) The increase in changes in working capital primarily reflects an increase in inventories in preparation for the No. 5 Blast Furnace reline shut and reflects the substantial weakness in world steel demand and a corresponding decrease in creditors and trade receivables.
(4) The decrease in investing activities primarily reflects the acquisition of Smorgon Steel's distribution business (net of proceeds on sale of 19.9% shareholding in Smorgon Steel) in 1H 2008.

GROUP REVIEW

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

BlueScope Steel has had a good first half financial result with underlying NPAT up 57% over H1 FY2008. The bulk of this result came in Q1 (underlying $430m) largely due to improved spread.

Coming into the second quarter, export sales from Australia slowed materially due to the worsening economic and financial conditions in the developed world. Furthermore we also experienced a reduction in domestic demand off what were record levels. Both factors contributed to an increase in inventory. As at the end of December 2008 the increase in inventory since June 2008 was $1,155M (mainly $319M relating to weaker AUD vs USD, $385M higher raw material prices and $655M to increased product stock).

Today we are seeing low international steel prices whilst still experiencing peak raw material costs. Indications are that the domestic market remains in a de-stocking and low demand phase. As a result of these current market conditions we have taken net realisable value provisions on inventory totalling $204M. We have also taken a further asset impairment write-down on the Suzhou metal coating facility ($25M), and written down the Langfang Panel factory in China ($11M).

I don't propose to comment on the segment by segment performance. You can obtain a very detailed variance and operational review for each segment in this ASX Release and also in the half year presentation pack released today.

The global steel industry has been very responsive to the current challenging circumstances, with unprecedented reductions in steel making by bringing forward repairs and maintenance schedules and closing facilities to reduce the supply/demand gap. Global crude steel production was 84mt in December 2008 and 112mt in December 2007, a 25% reduction. BlueScope Steel is also reducing production to match demand. We closed No. 5 Blast Furnace on January 18, 2009, ahead of the scheduled reline period of March to June 2009, to more closely align our supply/demand position and reduce the risk of an additional inventory build. We are also operating our other global manufacturing plants, including coating, roll-forming and PEB lines at lower production levels.

Should these market conditions continue, we expect to see a negative NPAT contribution in the second half, the extent of which will be dependent upon demand and spread conditions. Government stimulus packages may translate into some improvement in economic activity later this calendar year, but it remains to be seen how it will affect steel demand.

The Board's decision to reduce the interim dividend from 22cps, 1H FY 2008, to 5cps in respect of 1H FY 2009, reflects the unforseen changes in demand and price contributing to an expected significant downturn in financial performance in the second half and uncertainty as to the duration of the global economic downturn.

So given all of this, what is BlueScope Steel doing differently in managing its business? Key actions relating to balance sheet, liquidity, capital expenditure and costs, include:

- capital expenditure has been significantly curtailed to essential business activities, including No. 5 blast furnace reline and sinter plant upgrade. All growth and business development type activities are frozen, apart from the completion of the metallic coating and painting facility in India which our joint venture is funding itself under a new project financing facility.
- a major cost reduction program was initiated back in October 2008 across the BlueScope Steel group. This is on target to deliver savings of approx A$150m (previously A$100m) by 30 June 2009.
- capital raising of $300 million and $113 million from an institutional placement and Share Purchase Plan respectively over the December 2008/February 2009 period (net proceeds $400M).

BlueScope Steel faces the imposition of higher costs if the Carbon Pollution Reduction Scheme (CPRS) in the White Paper is implemented and this will put steel jobs and investment at risk. The proposed CPRS needs an effective transitional plan to minimise the financial impact in the early years and minimise competitive disadvantage to Australian industry until its major global competitors are carbon constrained. We are engaging constructively with Government, with proposals that promote reductions in carbon emissions while protecting this vital manufacturing industry and Australian jobs.

BlueScope Steel has very good quality assets that are well positioned to benefit when demand returns globally but also in the specific markets in which we operate. We are seeing some signs of demand recovery in China.

I would like to thank all BlueScope Steel employees who continue to do an outstanding job whilst maintaining their focus on safety in a challenging environment.

Business Unit Reviews

Table 6a: Sales Revenue
1H 2009 and 1H 2008; 2H 2008; $ millions

Segment	1H 2009	1H 2008	2H 2008
Coated & Industrial Products Australia	3,471	2,870	3,171
Australia Distribution & Solutions	1,247	992	1,210
Inter-segment(1)	(415)	(349)	(389)
Sub-total Australia	4,303	3,513	3,992
New Zealand and Pacific Steel Products	370	341	384
Coated and Building Products Asia	878	746	824
Hot Rolled Products North America (2)	0	0	0
Coated and Building Products North America	1,315	395	1,012
Inter-segment (1)	0	0	0
Sub-total North America	1,315	395	1,012
Corporate and Group	0	0	0
Inter-segment (1)	(723)	(261)	(471)
Continuing Businesses	**6,143**	**4,734**	**5,741**
Discontinued Businesses (4)	0	2	1
Inter-segment	(0)	(17)	0
Total BLUESCOPE STEEL	**6,143**	**4,719**	**5,742**

Table 6b: Reported EBIT
1H 2009 and 1H 2008; 2H 2008; $ millions

Segment	1H 2009	1H 2008	2H 2008
Coated & Industrial Products Australia	644	384	603
Australia Distribution & Solutions	74	(8)	53
Inter-segment(1)	(25)	(19)	23
Sub-total Australia	693	357	679
New Zealand and Pacific Steel Products	56	44	49
Coated and Building Products Asia	(75)	(199)	50
Hot Rolled Products North America	15	36	69
Coated and Building Products North America	(55)	43	47
Inter-segment (1)	0	0	0
Sub-total North America	(40)	79	116
Corporate and Group (3)	(87)	59	(48)
Inter-segment (1)	118	(9)	(111)
Continuing Businesses	**665**	**331**	**735**
Discontinued Businesses (4)	0	(3)	0
Inter-segment	0	0	0
Total BLUESCOPE STEEL	**665**	**328**	**735**

Table 6c: Underlying EBIT
1H 2009 and 1H 2008; 2H 2008; $ millions

Segment	1H 2009	1H 2008	2H 2008
Coated & Industrial Products Australia	553	398	602
Australia Distribution & Solutions	75	22	64
Inter-segment(1)	(25)	0	24
Sub-total Australia	603	420	690
New Zealand and Pacific Steel Products	78	36	49
Coated and Building Products Asia	(16)	26	50
Hot Rolled Products North America	15	36	69
Coated and Building Products North America	37	38	61
Inter-segment (1)	0	0	0
Sub-total North America	52	74	130
Corporate and Group (3) (5)	(82)	(54)	(28)
Inter-segment (1)	118	(8)	(112)
Continuing Businesses	**753**	**494**	**779**
Discontinued Businesses (4)	0	0	0
Inter-segment	0	0	0
Total BLUESCOPE STEEL	**753**	**494**	**779**

(1) Inter-segment revenue reflects the elimination of internal sales between reporting segments. Inter-segment EBIT reflects an entry to eliminate profit-in-stock associated with inter-segment sales.
(2) Excludes the company's 50% share of North Star BlueScope Steel's sales revenue of A$448M in 1H 2009 (A$310M in 1H 2008 and A$411M in 2H 2008).
(3) Corporate and Group reflects corporate office activities. The decrease in 1H 2009 EBIT primarily reflects profit on sale of the 19.9% shareholding in Smorgon Steel booked during 1H 2008 and foreign exchange losses on net foreign currency denominated debt, including inter-company debt, compared to foreign exchange gains booked during 1H 2008 partly offset by reduced costs associated with internal business restructures.
(4) Reflects the discontinued Packaging Products, Lysaght Taiwan and Vistawall businesses. 1H 2009 EBIT relates to project completion revenue within the Lysaght Taiwan business that was closed during 2007. 1H 2008 EBIT relates to a Vistawall post completion sale price adjustment. Refer to Attachment 2(c) for a breakdown of discontinued businesses.
(5) The decrease in 1H 2009 EBIT primarily reflects foreign exchange losses on net foreign currency denominated debt, including inter-company debt, compared to foreign exchange gains booked during 1H 2008.

BLUESCOPE STEEL AUSTRALIA

Coated & Industrial Products Australia

This segment includes the previously reported Hot Rolled Products Australia and Coated and Building Products Australia but excluding Lysaght, Distribution, Water and other downstream business solutions. It also includes the export trading offices previously included under Hot Rolled Products North America and Coated & Building Products Asia.

This segment now comprises:

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

(i) Financial Performance

Table 7a: Financial Performance
1H 2009 and 1H 2008; $ millions

Financial Measure	1H 2009	1H 2008	Variance $	Variance %
Sales revenue (1), (2)	3,471	2,870	601	21
Reported EBITDA (2)	751	490	261	53
Reported EBIT	644	384	260	68
Underlying operational EBIT (3)	553	398	155	39
Capital and investment expenditure	134	93	41	44
Net operating assets (pre tax) (4)	3,526	2,810	716	25
Return on net assets (pre tax) (5)	39%	27%		

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

Financial Measure	1H 2009	2H 2008	Variance
Sales revenue (1), (2)	3,471	3,171	300
Reported EBITDA(2)	751	704	47
Reported EBIT	644	602	42
Underlying operational EBIT (3)	553	602	(49)
Capital and investment expenditure	134	210	(76)
Net operating assets (pre tax) (4)	3,526	2,841	685
Return on net assets (pre tax) (5)	39%	43%	

(1) 1H 2009 includes coke sales of 98,951 tonnes (1H 2008 150,555 tonnes and 2H 2008 113,721 tonnes). 1H 2009 includes export trading office principal sales of 257kt, with 253kt to North America and 4k to Europe (1H 2008 227kt with 222kt to North America and 5kt to Europe and 2H 2008 300kt with 295kt to North America and 5kt to Europe.

(2) Sales revenue and EBITDA includes $2,728M and $648M respectively in relation to the old Hot Rolled Products Australia segment (1H 2008 $2,020M and $423M respectively). These numbers represent sales revenue and EBITDA for the old Hot Rolled Products Australia segment and have not been adjusted for profit in stock eliminations that will now be occurring in the new Coated and Industrial Products segment due to sales between the businesses in this segment.

(3) 1H 2009 EBIT has been adjusted for inter-company inventory net realisable value provisions ($113M) partly offset by closure provisions driven by the announced closure of the packaging products cold mill at Port Kembla $22M. 1H 2008 has been adjusted for redundancy costs relating to the announced closure of No. 1 paint line at Port Kembla $11M and for pre-operating costs on the Western Sydney paint line $3M.

(4) Increase in net operating assets primarily reflects an increase in inventories in preparation for the No. 5 Blast Furnace reline shut, substantial weakness in world steel demand, higher raw material costs and weaker AUD.

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

(ii) Variance Analysis (1H 2009 vs. 1H 2008)

The $601M increase in sales revenue is primarily due to higher international slab and hot rolled coil prices, predominantly during Q1 FY 2009, higher domestic prices across all sectors, additional scrap sales to OneSteel and a weaker AUD:USD exchange rate compared to 1H 2008. These were partly offset by lower sales volumes in both the domestic and international markets due to substantial weakness in Q2 FY 2009 world steel demand.

The $155M increase in underlying EBIT was largely due to:

- Improved spread
  - Higher export prices, predominantly during Q1 FY 2009, particularly slab, hot rolled coil and cold rolled coil.
  - Higher domestic market prices across all sectors driven by higher international steel prices in Q1 FY 2009 and supported by lower AUD in Q2 FY 2009.

  Partly offset by
  - Higher USD coal, iron ore, scrap and alloys purchase prices.

- Favourable movement in the AUD:USD vs 1H FY 2008. Average exchange rate for 1H 2009 was 0.781 compared to 0.868 in 1H 2008. The lower AUD directly benefits prices achieved on export sales and negatively impacts import competing product prices in the domestic market.
- Lower labour costs as part of cost reduction initiatives.

These were partly offset by:

- Higher inventory net realisable value provision for inventory destined for external export markets.
- Lower export and domestic sales volumes due to substantial weakness in Q2 FY 2009 world steel demand.
- Lower fixed conversion cost absorption driven by reduced production volumes.
- Higher cost of utilities driven by rate increases.

Unusual and non-recurring items in reported EBIT included:

- Reversal of 1H 2009 margins on inter-company sales where a subsequent inventory net realisable value provision was required to be booked by a separate reporting segment (Coated and Building Products North America and Asia) ($113M).
- Closure provisions driven by the announced closure of the packaging products cold mill at Port Kembla during 1H 2009 ($22M).
- Redundancy costs during 1H 2008, driven by the announced closure of the paint line number 1 at the Service Centre in Port Kembla ($11M).
- Pre-operating costs on the Western Sydney paint line during 1H 2008 ($3M).

(iii) Operations Report

<u>Port Kembla Steelworks</u>

- <u>Iron & Slab</u>
  - Ironmaking production of 2.23 million tonnes (Mt), was 0.33Mt lower than the 2.56Mt in 1H FY 2008 due to an unplanned power outage at the Port Kembla Steelworks in October and planned production slowdowns at both blast furnaces in November and December. This was in response to softer domestic and export market conditions**.**
  - As at December 31, 2008, No. 6 Blast Furnace was operating at an annualised rate of 2.46mtpa vs. its peak load rate in FY 2008 of 2.76mtpa. If market conditions further deteriorate then production could be reduced to 2.39mt (annualised) without having to turn off the furnace.
  - Slab production was correspondingly lower, with 2.4Mt (vs. 2.63Mt for 1H FY 2008).
  - In response to the weaker market conditions No. 5 Blast Furnace was shut on 18 January 2009 (ahead of the scheduled reline period). No. 5 Blast Furnace achieved an outstanding campaign production of 42.54Mt (6,433 days). Previous campaign was 25.2Mt (4,450 days).
  - The shut went according to plan and during January and February the following reline activities were undertaken:
    - Furnace emptied of residual burden and skull material
    - Internal stave lining removal
    - Removal of all pipework, cabling, valves and furnace top equipment
    - Slag Granulator stack removal
    - Hot blast main refractory removal
  - The core reline construction activities will still take place during the original March – June 2009 schedule. Currently there are approximately 700 personnel on site per day.
  - The estimated total capital cost remains at $370 million and the reline is expected to be completed by June 2009 consistent with the original schedule.
  - If global market conditions remain flat or worsen then we have the option of delaying the start up of No. 5. This decision would need to be taken no later than May 2009.
  - The early shut of No. 5 Blast Furnace and reduced utilisation of No. 6 Blast Furnace have the following implications for production and raw material requirements in FY 2009:
    - it is expected that iron make and raw steel production will be reduced by 0.64mt and 0.68mt respectively, in addition to the 0.67mt of lower raw steel production previously reported in respect of the reline;
    - we would expect to see the hot strip mills, plate mill, cold mills and coating lines operating at reduced levels to more closely align with demand, so as to avoid further material inventory build;
    - coking coal requirements will fall by 990kt, or 30% of our planned purchases. This includes a reduction in coking coal purchases that were planned in order to produce export coke during the

period of the No.5 blast furnace reline. There will be no financial penalties or exposures as a result of the reduction in coking coal purchases.

- PCI coal requirements will fall by 300kt or 40% of our planned purchases, again with no penalties.
- Scrap requirements will be reduced to 0.75mpta vs. normal 1.0mtpa, with no penalties.
- Iron ore purchases will be reduced by 2.05Mt or approximately 25% compared to normal requirements, including the impact of the reline:

1. The additional reduction in iron ore purchases has been applied across all suppliers and all grades (ie lump, fines and pellets). In order to maintain efficient blast furnace operations on No.6 Blast Furnace at lower production, reductions in lump and pellet purchases have been greater than that of fines; and
2. The treatment of reducing purchases of iron ore is different under each contract. The commercial outcome remains the subject of ongoing discussions**.**

- Iron Ore Contract Renewals:
  - In September 2008 BlueScope Steel concluded a new 10-year iron ore contract with BHP Billiton. The new contract commences in July 2009, upon expiry of the current contract. Pricing under the new contract will be reviewed quarterly and is linked to movements in iron ore prices paid by BHPB's other customers in Asia. The new contract also secures an additional 730kt of iron ore fines to feed increased sinter production following the sinter plant upgrade.
  - A contract is already in place with Grange Resources for continued pellet supply from Tasmania, which secures 60% of our forecast future pellet requirements.
  - Negotiations are continuing with other suppliers for the balance of our fines and pellet requirements.

- Hot Strip Mill (HSM)
  - Hot rolled coil production of 1.17Mt (vs. 1.371Mt in 1H FY 2008). Operations in the first quarter improved through increased utilisation and rolling rates. This was offset by a reduction in production during November and December to align with lower demand.
  - An automated coil tracking system was commissioned. The system will deliver operational efficiencies leading to higher labour productivity.
- Plate Mill
  - Plate production of 0.195Mt (vs. 0.217 for 1H FY 2008). Production was at record levels for the first four months of the half year largely due to improved operational performance and extra shifts to meet market demand, whereas the last two months of production were impacted by reduced demand.
- Sinter Plant Upgrade
  - Planning for the $134M project is well underway and is scheduled to commence in mid April 2009 (take approximately 35 days). The upgrade will result in sinter production increasing by 1.1mtpa to 6.6mtpa and the increased capacity will allow for a lower cost mix of raw material input to ironmaking through an ability to reduce usage of iron ore pellets from FY2010.
- Cogeneration Plant
  - A feasibility study for a new steam generation and cogeneration plant in Port Kembla has been completed. Given the current market conditions, a revised plan for executing the project with significantly lower expenditure in FY 2009 and FY 2010 has been developed. The alternatives being considered are designed to maintain the full configuration but with an extended time for execution.

Coated Businesses

- Western Port
  - Metal coating line production was 361kt (vs. 391kt for 1H FY 2008) with slowing demand reducing production output in November and December 2008.
  - Paint line production was 131kt (vs. 141kt for 1H FY 2008). Production was impacted by lower demand in the second quarter.

- <u>Springhill</u>
  - Comprehensive workplace program on the metal coating lines and the coupled pickle cold mill will assist in containing labour costs to 2007 levels.
  - Metal coating line production was 354kt (vs. 399kt for 1H FY 2008). Production across all metal coating lines was impacted by lower demand in Q2 FY 2009.
  - No. 3 paint line production was 73kt (vs.101kt for 1H FY 2008). Production was impacted by lower demand in Q2 FY 2009.
  - The closure of the No. 1 paint line, which was originally scheduled for 27th February 2009, occurred on the 24th December 2008 due to reduced demand. The site continued its excellent safety, quality and manufacturing excellence performance up until closure, producing 22kt (vs. 31kt in 1H FY 2008).
  - The packaging products pickle line production was 47kt (vs. 61kt in 1H FY 2008) and cold mill production was 42kt (vs. 56kt in 1H FY 2008). The reduced production is largely due to lower export cold rolled orders. The Board approved the closure of the cold mill effective February 2009.

- <u>Western Sydney Centre (Paint Line)</u>
  - The laminator on the paint line was installed four months ahead of schedule in January 2009, with commissioning currently progressing. The early start-up of the laminator enables Western Sydney to produce laminated painted product facilitating the early closure of the No. 1 paint line at Springhill.
  - Achieved 100% delivery performance during 1H FY 2009.
  - The paint line continued its ramp up and produced 35kt (vs. 20kt for 2H FY 2008 (commissioning was in 1H FY 2008)).
- <u>Acacia Ridge Centre</u>
  - Paint line production was 45kt vs. 49kt in 1H FY 2008.

(iv) Markets

- <u>Domestic Building Sector</u>
  - Strong sales volumes through the first four months of 1H FY 2009 were underpinned by robust activity levels across all our product range. Sales volumes moderated during the last two months of the half as a result of increased import levels (we believe largely attributed to orders placed during July/August, a period of unprecedented domestic demand), high customer inventories and reduced activity levels, particularly in the commercial and industrial segments.
  - During the 1H FY 2009 we launched a successful COLORBOND® steel brand refreshment programme, supported by a new colour range and comprehensive marketing campaign.
- <u>Domestic Industrial Sectors</u>
  - Domestic despatches to distribution customers were at peak levels through the first four months of the 1H FY 2009. Sales volumes during the last two months of the half were adversely impacted as a result of slowing activity levels combined with the arrival of import shipments, which resulted in an extended period of high customer inventory levels.
  - Record sales volumes to pipe and tube and manufacturing markets through Q1 FY 2009 moderated in Q2 as a result of slowing activity levels.
  - Sales into the automotive market slowed consistently through the half, attributable to lower local vehicle build rates.
- <u>International Markets</u>
  - Record global demand and price levels experienced across all products in Q1 FY 2009. BlueScope Steel export despatches through this period were constrained due to strong domestic demand levels.
  - The July to August period saw record market hot rolled coil prices ($US1100-US$1200 CFR), that was offset by a strong Australian dollar (0.92). Pricing changed significantly during the November to December period for hot rolled coil ($US570 CFR), however the reduction was partially offset by a softening Australian dollar (0.65).
  - During Q2 FY 2009, markets were dramatically affected by the downturn in demand. This impacted both price levels and the ability to execute sales, primarily for upstream products.
  - Despite the downturn in global markets, export sales for BlueScope Steel's coated products were increased to mitigate some of the capacity gap.

Australia Distribution & Solutions

This segment comprises:

- BlueScope Distribution (previously Smorgon Distribution) with 86 operating sites throughout Australia;
- BlueScope Lysaght, with 41 operating sites throughout Australia;
- Service Centres, with 6 operating sites across Australia
- BlueScope Water with 9 operating sites across Australia and 1 operating site in the United States; and
- BlueScope Buildings

(i) Financial Performance

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

Table 8a: Financial Performance
1H 2009 and 1H 2008; $ millions

			Variance	
Financial Measure	**1H 2009**	**1H 2008**	**$**	**%**
Sales revenue	1,247	992	255	26
Reported EBITDA	89	10	79	790
Reported EBIT	74	(8)	82	1,025
Underlying operational EBIT (1)	75	22	53	241
Capital and investment expenditure	14	16	(2)	(13)
Net operating assets (pre tax) (2)	1,148	1,088	60	6
Return on net assets (pre tax) (3)	13%	(2%)		

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

Financial Measure	1H 2009	2H 2008	Variance
Sales revenue	1,247	1,210	37
Reported EBITDA	89	71	18
Reported EBIT	74	53	21
Underlying operational EBIT (1)	75	64	11
Capital and investment expenditure	14	30	(16)
Net operating assets (pre tax) (2)	1,148	1,038	110
Return on net assets (pre tax) (3)	13%	10%	

(1) 1H 2009 EBIT has been adjusted for costs relating to the closure of the Lysaght Home Improvements business. 1H 2008 EBIT has been adjusted for the impairment of the Lysaght Home Improvements business, write-off of Lysaght Movex application costs and integration costs associated with the acquisition of Smorgon Steel's distribution business. 2H 2008 EBIT has been adjusted for closure of the Lysaght Home Improvements business, integration costs associated with the acquisition of Smorgon Steel's distribution business and structure costs associated with integration of the existing BlueScope Service Centres and the ex-Smorgon Distribution Sheet Metals Supplies processing business.

(2) Increase in net operating assets primarily reflects the increase in inventories driven by higher raw material costs and reduced demand during Q2 FY 2009 and the increase in net fixed assets partly offset by reduced receivables.

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

(ii) Variance Analysis (1H 2009 vs. 1H 2008)

The $255M increase in sales revenue is primarily due to higher domestic prices and additional volumes flowing from the acquisition of Smorgon Steel's distribution business on the 3rd August 2007 partly offset by lower underlying despatch volumes.

The $53M increase in underlying EBIT was largely due to:

- Improved margins.
- Full half year benefit of the acquisition of Smorgon Steel's distribution business on the 3rd August 2007.

These were partly offset by:

- Lower underlying despatch volumes in Q2 driven by lower market activity particularly a depressed residential market across the east coast.
- Higher freight costs mainly driven by higher cost of fuel.

Unusual and non-recurring items in reported EBIT include:

- Lysaght Home Improvements closure provisions booked during 1H 2009 ($2M).
- Write off of capitalised Movex application costs driven by the acquisition of Smorgon Steel's distribution business and the intention to migrate Lysaght Australia onto the Enterprise Resource Planning system utilised by Distribution during 1H 2008 ($11M).
- Integration costs associated with the acquisition of Smorgon Steel's distribution business during 1H 2008 ($7M) and 2H 2008 ($3M).
- Impairment and subsequent closure of the Lysaght Home Improvements business during 2H 2008 ($4M).
- Restructure costs associated with integration of the existing BlueScope Service Centres and the ex-Smorgon Distribution Sheet Metals Supplies processing business during 2H 2008 ($3M).

(iii) Operations Report

- BlueScope Distribution
  - Q1 FY2009 was characterised by very strong demand.
  - Lower 2Q sales volumes were due to reduced activity in the construction, manufacturing and automotive segments combined with delays in major projects in the mining segment, particularly in Western Australia. This stemmed from weaker economic conditions with stimulus packages and lower interest rates not yet translating into higher activity.
  - To offset weaker market conditions cost saving initiatives have been implemented across the business.
- BlueScope Lysaght
  - Solid demand in the commercial and industrial segment continued in Queensland, Western Australia and South Australia during 1H FY 2009 as companies completed projects that had commenced construction. However late in 1H FY 2009 projects scheduled to commence were beginning to be deferred.
  - Demand in the residential segment softened significantly across all states.
  - Cost saving initiatives have been implemented with a focus on reducing conversion costs and overheads. This focus will continue over the next 12 months driven by further site relocations / consolidations, installation of new equipment and further introduction of lean manufacturing.
- Sheet and Coil Processing Services (S&CPS)
  - The integration of BlueScope Service Centres and the ex-Smorgon Distribution Sheet Metal Supplies processing business is continuing. The South Australia S&CPS operation was consolidated to an integrated facility at Wingfield during Q1 FY 2009, resulting in the closure of the Dry Creek site. The integrated facility has performed well during 1H FY 2009. Further options for consolidation are being progressed but no significant changes are expected in the balance of FY 2009.
  - In addition to the consolidation and restructuring activities, S&CPS is continuing to optimise processing capability and resources across all facilities within the S&CPS business to improve safety, efficiency and further reduce costs.
- BlueScope Water
  - The 'Tank A Day' programme entered its second year continuing the support provided to local communities in water saving initiatives.
  - Higher steel feed prices and a competitive market had an unfavourable impact on margins in 1H FY 2009.
  - A significant softening in retail markets and some softening in rural markets has been experienced, partly offset by strong demand in commercial and export markets.

BLUESCOPE STEEL NEW ZEALAND

New Zealand and Pacific Steel Products

This segment comprises:

- New Zealand Steel; and
- Lysaght Pacific Islands

(i) Financial Performance

Table 9a: Financial Performance
1H 2009 and 1H 2008; $ millions

			Variance	
Financial Measure	**1H 2009**	**1H 2008**	**$**	**%**
Sales revenue	370	341	29	9
Reported EBITDA	71	59	12	20
Reported EBIT	56	44	12	27
Underlying operational EBIT (1)	78	36	42	117
Capital and investment expenditure	20	9	11	122
Net operating assets (pre tax) (2)	309	401	(92)	(23)
Return on net assets (pre tax) (3)	31%	21%		

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

Financial Measure	**1H 2009**	**2H 2008**	**Variance**
Sales revenue	370	384	(14)
Reported EBITDA	71	64	7
Reported EBIT	56	49	7
Underlying operational EBIT (1)	78	49	29
Capital and investment expenditure	20	37	(17)
Net operating assets (pre tax)	309	346	(37)
Return on net assets (pre tax) (3)	31%	26%	

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

(2) Decrease in net operating assets primarily reflects an increase in the defined benefit superannuation fund provision of $57M.

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

(ii) Variance Analysis (1H 2009 vs. 1H 2008)

The $29M increase in sales revenue is primarily due to higher realised export hot rolled coil and plate prices and higher domestic prices achieved across most products, particularly coated and plate and favourable USD and AUD exchange rate movements relative to NZD in the prior comparative period. These were partly offset by reduced export despatch volumes principally hot rolled coil as a result of reduced steel production.

The $42M increase in underlying EBIT was largely due to:

- Improved spread
  - Higher export prices particularly hot rolled coil and plate.
  - Higher domestic market prices achieved across most products particularly coated and plate.

  Partly offset by
  - Higher purchase prices for coal, largely due to the new Solid Energy coal contract, partly offset by lower coating metal prices for aluminium and zinc.
  - Higher steel feed costs due to the need to import 7,400kt of slab from Port Kembla following the melter failure in July 2008.
- Favourable USD and AUD exchange rate movements relative to NZD in the prior comparative period.

- Higher realised export prices on iron sand despatches from Taharoa partly offset by lower despatch volumes driven by timing of shipments (1H 2009 351kt, 1H 2008 412kt and 2H 2008 464kt).

These were partly offset by:

- Higher repairs and maintenance spend following the melter failure in July 2008, timing of kiln shut and two yearly hot strip mill shut during 1H 2009.
- Lower fixed conversion cost absorption driven by reduced production volumes.
- Reduced scrap sales volumes.

Unusual and non-recurring items in reported EBIT include:

- Write off of feasibility costs previously capitalised in relation to capital projects that have now been placed on hold during 1H 2009 due to global conditions and an increasingly uncertain investment environment in New Zealand ($22M).
- Redemption of B class preference shares in Manukau International Limited within 1H 2008, an investment vehicle of the New Zealand Steel Pension Fund, which had previously been impaired ($11M).
- Impairment of BlueScope Lysaght Fiji in 1H 2008 ($3M).

(iii) Operations Report

- Steel production of 273kt (vs. 312kt 1H FY 2008) was largely due to melter and high voltage switch failures.
- Hot rolled production of 247kt (vs. 302kt 1H FY 2008) was largely due to lower slab feed, as noted above, and the two yearly hot strip mill shut taken in November 2008.
- Higher metal coating production of 107kt (vs. 106kt in 1H FY 2008) was largely due to higher line speed capability as a result of the drive upgrade program.
- Paint line production of 23kt (vs. 31kt in 1H FY 2008) largely due to softer domestic market demand.
- Several plant closures were undertaken over the Christmas & New Year period to align capacity with slowing demand in domestic markets.
- A five year coal supply agreement was concluded with Solid Energy during 1H FY 2009. The new contract, effective 1 July 2008, is for the supply of 770kt of specified quality thermal coal per annum. This volume remains unchanged from the previous 10 year contract. Pricing has been set at a base rate plus quarterly price adjustments based on a basket of indices reflecting relevant New Zealand and Australian indices. Previously, pricing was based on a base rate plus quarterly adjustments reflecting movements in the New Zealand Producer Price Index. The basis of pricing under the new contract is expected to maintain BlueScope Steel’s competitive position in the industry.
- Plant optimisation projects, including increased vanadium slag recovery and extraction of titania are on hold because of global conditions and an increasingly uncertain investment environment in New Zealand.
- Increased global prices for vanadium (V_2O_5 benchmark high of US$17/lb) and scrap by-products achieved in the early months of 1H FY 2009 were partly offset in latter months by lower availability and demand, and lower global prices (vanadium US$7/lb as at 31 December 2008).

(iv) Other

- <u>Taharoa iron sands sale update</u>
  - On 17 December 2008, the application of Cheung Kong Infrastructure (CKI) to the New Zealand Overseas Investment Office for approval of the proposed acquisition of New Zealand Steel’s Taharoa Iron Sands Business was declined and CKI purported to cancel the sale and purchase contract. BlueScope Steel is considering its position, including its legal position, and will keep the market informed as appropriate.

(v) Markets

- <u>Domestic</u>
  - Despite weaker residential activity domestic sales tonnes were only marginally down on last year. Prices and margins held up due to the weakness of the NZD and strength of the commercial sector.
- <u>Export</u>
  - Market conditions and prices were strong, and foreign exchange movements favourable, however, volumes were negatively impacted by production issues early in the period.

- Pacific Islands
  - BlueScope Lysaght Fiji business was restructured during 1H FY 2009 resulting in the closure of the structurals factory and surplus assets being sold. The business has traded profitably during the period despite difficult economic conditions. BlueScope Acier New Caledonia traded very strongly throughout 1H FY 2009 managing to maintain margins despite rising steel raw material costs and fluctuating foreign exchange rates.

BLUESCOPE STEEL ASIA

Coated and Building Products Asia

This segment comprises:

- Metal coating and paint line operations in Thailand, Indonesia, Malaysia, Vietnam and China;
- Butler PEB and Lysaght businesses across Asia (use product from these coating lines).
- Joint venture in India with Tata Steel Limited covering the development and construction of a metal coating line and paint line and existing Butler PEB and 3 Lysaght rollforming operations.

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

Table 10a: Financial Performance
1H 2009 and 1H 2008; $ millions

			Variance	
Financial Measure	**1H 2009**	**1H 2008**	**$**	**%**
Sales revenue	878	746	132	18
Reported EBITDA	(49)	(171)	122	71
Reported EBIT	(75)	(199)	124	62
Underlying operational EBIT (1)	(16)	26	(42)	(162)
Capital and investment expenditure (2)	46	12	34	283
Net operating assets (pre tax) (3)	1,208	981	227	23
Return on net assets (pre tax) (4)	(13%)	(34%)		

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

Financial Measure	1H 2009	2H 2008	Variance
Sales revenue	878	824	54
Reported EBITDA	(49)	72	(121)
Reported EBIT	(75)	50	(125)
Underlying operational EBIT (1)	(16)	50	(66)
Capital and investment expenditure	46	49	(3)
Net operating assets (pre tax) (3)	1,208	932	276
Return on net assets (pre tax) (4)	(13%)	10%	

(1) 1H 2009 EBIT has been adjusted for inter-company inventory net realisable value provisions, principally HRC feed to Thailand from Port Kembla Steelworks and impairment write-downs of Langfang Panels and China Coating lines. 1H 2008 EBIT has been adjusted for impairment of China Coating and Vietnam Coating lines.
(2) Capital expenditure increase largely reflects higher expenditure in Indonesia and India.
(3) Increase in net operating assets primarily reflects the increase in net fixed assets, higher inventories reflecting the substantial weakness in world steel demand and foreign exchange movements resulting in a higher equivalent AUD net operating assets balance.
(4) Return on net assets is defined as EBIT (annualised in case of half year comparisons) / average monthly net operating assets. Excluding impairment write-downs, the return on net assets for 1H 2008 was 4%.

(ii) Variance Analysis (1H 2009 vs. 1H 2008)

The $132M increase in sales revenue is primarily due to higher sales prices across all regions, predominantly in the first quarter.

The $42M decrease in underlying EBIT is largely due to:

- Higher inventory net realisable value provisions in regard to product manufactured from externally sourced feed.

- Reduced sales volumes predominantly Thailand, China, Vietnam and Indonesia.
- Lower conversion cost recoveries driven by reduced production volumes.
- Unfavourable foreign exchange movements in Indonesia, partly offset by favourable exchange movements in China.

Partly offset by:

- Improved margins in the first quarter as selling price increases more than offset steel feed cost increases.
- Lower coating metal costs, predominantly lower zinc costs.

Unusual and non-recurring items in reported EBIT include:

- Removal of inter-company inventory net realisable value provision where there is an offsetting inter-company margin booked in a separate reporting segment, namely Coated and Industrial Products Australia ($23M).
- Impairment of Lysaght Panels, China ($11M) and further impairment of China coating line ($25M) in 1H 2009 and China coating line and Vietnam coating line facilities ($225M) in 1H 2008 due to lower than expected domestic volumes and margins in these businesses.

(iii) Operations and Market Report

<u>Thailand</u>

- **Current Operations**
  - All production units, with the exception of metal coating lines No. 1, operated well below rated capacity due to the political instability and significant reduction in global steel demand. Operational shift patterns have been altered to reflect market conditions and reduce costs. Only metal coating line No. 1 will continue to operate on a continuous 7 day roster in the foreseeable future.
  - Repairs and maintenance and capital expenditure were reduced to align with lower plant activity levels.
  - A range of cost initiatives were implemented across the business including a reduction in the number of contractors used, lower overtime and improved rates from suppliers.
  - Lysaght rollforming facilities in Map Ta Put have full order books until March 2009 principally in the steel pre-engineering segment. However, plant production loadings at the Rangsit and Khon Khen facilities dropped by approximately 30%-40% driven by lower demand for roofing and walling products in the hardware segment.

- **Markets**
  - Political instability has had a severe impact on business confidence and consumer sentiment in Thailand. Since early September a number of large construction projects have been placed on hold. A new coalition government formed, with the leader of the Democrats as the new Prime Minister, but it will take some months to restore consumer/business confidence.
  - Demand in the commercial and industrial markets is significantly weaker than prior periods. Level of demand in the residential market has dropped however the opportunity for inter-material share replacement is still high.
  - Weaker market conditions in surrounding countries has also seen a marked increase in imported steel.

<u>Vietnam</u>

- **Current Operations**
  - The metal coated and painted production units at Phu My are operating at approximately 25% of rated capacity, in line with current orders and forecast demand patterns driven by the Government implementing tighter financial controls to reign in rampant inflation. Operational shift patterns have been altered to reflect market conditions and reduce costs.
  - Repairs and maintenance and capital expenditure were reduced to align with lower plant activity levels.
  - A range of cost initiatives were implemented across the business including reduction in the number of contractors used, reduced overtime and lower supply rates from suppliers.
- **Markets**
  - Continued financial controls implemented by the Government to reign in inflation are having a severe impact on business confidence and consumer sentiment in Vietnam. Since early September a number of large construction projects have been placed on hold and current sales are to customers finishing off work that is near completion.
  - Demand in the commercial and industrial and residential markets is significantly weaker than prior periods.

<u>Indonesia</u>

- **Current Operations**
    - The Cilegon metal coating and paint lines operated to capacity during Q1 FY 2009. Both units operated on a campaign basis during Q2 with reduced market demand to ensure operational efficiencies were maximised.
    - Lysaght business grew steadily, up 10% in 1H FY 2009 vs. 1H FY 2008. Significant contribution came from the steel pre-engineering buildings business, where volume increased threefold compared to the same period last year largely due to increased market requirements.
- **Markets**
    - Industrial and commercial roofing and walling, residential tile, lightweight steel truss and manufacturing market coated steel volumes were maintained to FY 2008 levels in Q1.
    - In 2Q FY 2009 demand in the industrial roofing and walling project market declined by approximately 50% due to lower demand. The residential tile and lightweight steel truss market declined to a lesser extent (approximately 25%) due to continued underlying Indonesian consumer spending.
    - Imported finished goods from BlueScope's Vietnam and Malaysia operations continued through Q1 FY 2009 to support domestic market seeding.
- **Capital Growth Project Status**
    - The second metal coating line project, with in line painting, continued ahead of schedule and on budget through 1H FY 2009. However, given weaker market conditions in Indonesia and the decision to reduce capital spend across the BlueScope group it was decided in December 2008 to defer the equipment installation and commissioning. The project team will complete buildings, site works and equipment receipt prior to demobilising. A decision on when this project will recommence has not yet been made.

<u>Malaysia</u>

- **Current Operations**
    - Yield performance on the metal coating line improved over the 1H FY 2008 (97.2% vs. 96.3%) whereas the paint line achieved 99.4% during 1H FY 2009 (vs. 99.7%).
    - The downstream business experienced lower sales volumes in Q2 FY 2009 due to project delays and weaker market conditions. Contractors delayed projects with the expectation of further softening of steel prices.
- **Markets**
    - The market was strong in Q1 FY 2009 with the business achieving year on year record EBIT results, however market demand softened considerably in Q2 FY 2009. In December this decline in demand has started to negatively affect domestic prices.
    - Export sales to South Africa have declined due to the stronger USD against the Rand.

<u>China</u>

- **Current Operations**
    - **<u>Coated</u>**
        - There was ongoing significant improvement from FY 2008 performance in manufacturing prime first time production for both the metal coating line (1H FY 2009 98.0% vs. FY 2008 97.1%) and the paint line performance (1H FY 2009 99.0% vs. FY 2008 98.1%).
        - Production volumes were adversely affected by softening demand in Q2 FY 2009 with an average sales despatch of 8kt per month for 1H FY 2009 (vs 11kt 1H FY 2008). The metal coating and paint lines at Suzhou are operating at approximately 50% of capacity.
        - Margins remained under pressure with heavy discounting during Q2 FY 2009, as high inventory levels were drawndown across the market.
    - **<u>Butler Buildings (PEB)</u>**
        - Order intake increased with Q1 FY 2009 49% higher than Q4 FY 2008, and Q2 FY 2009 improved 12% on Q1 FY 2009.
        - Sales revenue increased 14% in 1H FY 2009 vs. 2H FY 2008 as the Northern region's performance turned around post Beijing Olympics with Q2 FY 2009 despatches increasing 40% over Q1 FY 2009. The Southern region's performance improved post Sichuan earthquake and August/September 2008

seasonal bad weather with an increase in revenue of 15% and tonnes despatched of 4% over 1H FY 2008.

- **Lysaght**
  - 1H FY 2009 performance run rates have shown improving operational performance with the strong backlog on hand and strong project leads being actively followed up. The order backlog has almost doubled compared to 1H FY 2008. Lysaght order intake has increased 27% over 1H FY 2008.

- **Markets**
  - Chinese steel industry began its consolidation process, in 1H FY 2009, at the “upstream” integrated steel section of the value chain. The industry continues to receive directives from National and Provincial Governments on commercial issues.
  - Apparent steel demand started to improve towards the end of 1H FY 2009 as did domestic steel prices due to the Cinese stimulus package activity, low inventory levels and reduced production.
  - Underlying demand is anticipated to increase through CY 2009 based on the Chinese Government’s fiscal stimulus package and consequential increase in construction and infrastructure activity.

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

- **Current Operations**
  - All PEB and Lysaght facilities are fully operational.
- **Markets**
  - The coated steel and PEB markets continued to be strong.
  - Currently the most significant PEB manufacturers in India are Tata BlueScope Steel, Kirby, Interarch, Varco Pruden, Tiger, Zamil and Lloyds.
- **Capital growth project status**
  - The metal coating line and paint line project (A$270M) (BSL’s 50% share A$135M) is being built at Jamshedpur. The metal coated and paint lines are expected to be completed in CY 2010.
  - In January 2009 the joint venture entered into a project financing arrangement to fund the remainder of this project.

BLUESCOPE STEEL NORTH AMERICA

Hot Rolled Products North America

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

(i) Financial Performance

Table 11a: Financial Performance
1H 2009 and 1H 2008; $ millions

Financial Measure	1H 2009	1H 2008	Variance $	Variance %
Sales revenue (1)	0	0	0	0
Reported EBITDA (2)	15	36	(21)	(58)
Reported EBIT (2)	15	36	(21)	(58)
Underlying operational EBIT	15	36	(21)	(58)
Capital and investment expenditure	1	1	0	0
Net operating assets (pre tax) (3)	288	235	53	23
Return on net assets (pre tax) (4)	11%	30%		

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

Financial Measure	1H 2009	2H 2008	Variance
Sales revenue (1)	0	0	0
Reported EBITDA (2)	15	69	(54)
Reported EBIT (2)	15	69	(54)
Underlying operational EBIT	15	69	(54)
Capital and investment expenditure	1	1	0
Net operating assets (pre tax)	288	183	105
Return on net assets (pre tax) (4)	11%	64%	

(1) Excludes the company's 50% share of North Star BlueScope Steel's sales revenue being A$448M in 1H 2009 (A$310M 1H 2008 and A$411M in 2H 2008).

(2) Includes 50% share of net profit from North Star BlueScope Steel of A$15M in 1H 2009 (A$36M 1H 2008 and A$69M in 2H 2008).

(3) Increase in net operating assets primarily reflects a weaker AUD:USD exchange rate resulting in a higher AUD equivalent net operating assets balance.

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

(ii) Variance Analysis (1H 2009 vs. 1H 2008)

The $21M decrease in underlying EBIT was largely due to:

- Higher net realisable value provisions for pig iron raw material inventory on hand at 31 December as a result of higher inventory volumes and the rapid decline in US hot rolled coil prices.
- Higher conversion costs at North Star BlueScope Steel driven by higher cost of natural gas and alloy purchase prices.
- Lower external despatches, down 19% to 379kt (50% share) vs. 1H FY 2008, due to weaker market conditions.

Partly offset by:

- Improved spread, particularly during Q1 FY 2009, driven by higher hot rolled coil prices partly offset by higher scrap and pig iron costs in North America.
- Favourable movement in the AUD:USD relative to the previous comparative period.

(iii) Operations Report

- North Star BlueScope Steel (BlueScope Steel has a 50% interest)
  - During H1 a total of 43 full operating days have been taken out of production for inventory control purposes (matching production with the order book) due to much softer market conditions.
  - Average capacity utilisation rate for the first half was 77%, well above USA steel industry levels.
- Castrip LLC
  - Castrip LLC is a joint venture that owns the Castrip® technology, a revolutionary process for the direct casting of steel strip. It is owned 47.5% by BlueScope; 47.5% by Nucor (the third largest steel maker in North America) and 5% by IHI (Japan). BlueScope has exclusive rights to use and licence the technology in Australia, New Zealand, Thailand, Indonesia, Malaysia and the Philippines.
  - Nucor built the world's first commercial Castrip® facility at Crawfordsville IN and also has a second facility nearing completion at Blytheville, AR.

(iv) Markets

- North Star BlueScope Steel
  - North Star sells most of its product in the Mid-West, U.S.A, with its end customer segment mix being broadly 40% automotive, 20% construction and 40% manufacturing. In view of the much weaker demand conditions North Star is looking to grow sales volumes via new accounts, Canada and to pipe and tube manufacturers.

Coated and Building Products North America

This segment comprises:

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

(i) Financial Performance and Operating Report

Table 12a: Financial Performance
1H 2009 and 1H 2008; $ millions

			Variance	
Financial Measure	**1H 2009**	**1H 2008**	**$**	**%**
Sales revenue	1,315	395	920	233
Reported EBITDA	(27)	51	(78)	(153)
Reported EBIT	(55)	43	(98)	(228)
Underlying operational EBIT (1)	37	38	(1)	(3)
Capital and investment expenditure (2)	16	42	(26)	(62)
Net operating assets (pre tax) (3)	1,172	111	1,061	956
Return on net assets (pre tax) (4)	9%	89%		

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

Financial Measure	1H 2009	2H 2008	Variance
Sales revenue	1,315	1,012	303
Reported EBITDA	(27)	75	(102)
Reported EBIT	(55)	47	(102)
Underlying operational EBIT (1)	37	61	(24)
Capital and investment expenditure (2)	16	870	(854)
Net operating assets (pre tax) (3)	1,172	881	291
Return on net assets (pre tax) (4)	(9%)	18%	

(1) 1H 2009 EBIT has been adjusted for inter-company inventory net realisable value provision, plant closure and rationalisation costs, integration costs associated with the acquisition of IMSA Steel Corp and redundancy costs associated with staff downsizing partly offset by the write back of over-provided liabilities in relation to a general insurance provision and North American pension fund. 1H 2008 EBIT has been adjusted for the write back of over-provided liabilities in relation to a UK pension fund within Butler Buildings. 2H 2008 EBIT has been adjusted for integration costs and accounting adjustments associated with the acquisition of IMSA Steel Corp and the one-off impact of recognising inter-company profit eliminations in inventory.
(2) Decrease in capital and investment expenditure mainly relates to the acquisition of IMSA Steel Corp in 2H 2008 and HCI Steel Building Systems in 1H 2008.
(3) 1H 2009 vs. 1H 2008 increase in net operating assets mainly reflects the acquisition of IMSA Steel Corp and a weaker AUD:USD exchange rate resulting in a higher AUD equivalent net operating assets balance partly offset by defined superannuation actuarial adjustments. 1H 2009 vs. 2H 2008 increase in net operating assets primarily reflects a weaker AUD:USD exchange rate resulting in a higher AUD equivalent net operating assets balance partly offset by defined superannuation actuarial adjustments.
(4) Return on net assets is defined as EBIT (annualised in case of half year comparison) / average monthly net operating assets.

(ii) Variance Analysis (1H 2009 vs. 1H 2008)

The $920M increase in sales revenue is primarily due to the acquisition of IMSA Steel Corp on the 1st February 2008, improved domestic sales prices and a favourable movement in the AUD:USD relative to the previous comparative period.

The $1M decrease in underlying EBIT was largely due to:

- Inventory net realisable value provisions as a result of the rapid decline in US hot rolled coil prices; and
- Lower underlying sales volumes and higher unit costs due to lower production volumes and plant closures.

Largely offset by:

- full six months earnings from IMSA (acquired on 1 Feb 2008)
- in terms of BlueScope Buildings, improved margins

Unusual and non-recurring items in reported EBIT include:

- Reversal of inventory net realisable value provisions where there is an offsetting inter-company margin booked in a separate reporting segment, ($90m), principally HRC sales from Port Kembla Steelworks to Steelscape during 1H 2009.
- Plant closure and rationalisation costs following the acquisition of IMSA Steel Corp, ($12m), during 1H 2009.
- Redundancy costs associated with staff downsizing, ($3m), during 1H 2009.
- Write back of over-provided liabilities in relation to a general insurance provision and North American pension fund ($16m) during 1H 2009.
- Integration costs associated with the acquisition of IMSA Steel Corp ($3m).
- Write back of over-provided liabilities in relation to a UK pension fund ($5m) during 1H 2008.

(iii) Operations Report

- BlueScope Buildings (Steel pre-engineered buildings (PEB))
  - Total BlueScope Buildings external despatches for 1H FY 2009 were up 54% to 168k tonnes vs. 1H FY 2008 of 109k tonnes due to the HCI and Varco Pruden acquisitions (partly offset by market softening), Industry despatches through December, as reported by the Metal Building Manufacturers Association ("MBMA"), decreased 19.4% versus the same period last year.
  - BlueScope's market share of the MBMA (including exports), through December FY 2009, stood at 28.7% (vs. 17.4% during the same period last year) due to the acquisition of Varco Pruden.
  - BlueScope Buildings backlog at 31 December 2008 was US$302m (vs. US$172m in prior year) due to the Varco Pruden acquisition and higher selling prices.
  - Three facilities (Liberty Building System's Selmer, Tennessee, Varco Pruden's Turlock, California, and Kernersville, North Carolina, plants) were closed to reduce costs and regional duplication and increase utilisation across existing footprint. This was a part of the integration exercise.
- IMSA Steel Corp acquisition
  - The IMSA business integration continues to progress well.
  - Year to date synergy results are tracking ahead of plan although reduced volumes will have an impact in 2H FY 2009.
  - The execution phase for all plant rationalization projects, within the Buildings group, has commenced with all projects currently on or ahead of schedule and within budget.
  - We have increased inter-company sales between Steelscape and the down-stream businesses (Metl-Span, VP, BlueScope Buildings and ASC Profiles) as well as from MetlSpan to BlueScope Buildings.
  - Investments have been made at all sites to improve safety performance.

(iv) Markets

- USA overview:
  - The marketplace is currently faced with uncertainty as residential housing prices continue to decline, employment contracts and the credit markets have further tightened, impacting the ability for companies and consumers to raise funds.
  - Globally steel prices fell in Q2 FY 2009, which has led to some customers holding off purchasing steel or steel products until prices stabilise.
  - Although formal details have not been announced regarding the new administration's US$787 billion financial stimulus package, the company believes it is well positioned to take advantage of some of the investment in new and more energy efficient federal government and school buildings.
  - There has been a very active response in the U.S.A to the reduction in steel demand and prices. U.S. steel companies have taken a number of initiatives to reduce production, noting it has been reported that 20 out of 29 blast furnaces have been banked or closed in U.S.A.
- BlueScope Buildings
  - BlueScope Buildings primarily sells metal building systems into the industrial, commercial and community segments of low-rise non-residential building and construction markets in North America.

- The business continues to benefit from U.S. government projects and various types of green business opportunities.
- The business is well placed to utilise its broad North American manufacturing presence, its increased use of energy efficient insulated metal panels and focus on the strongest segments and geographies such as the growing petroleum market of NW Canada and other energy related markets.

- ASC Profiles
  - ASC Profiles is a component company focused on the West Coast US commercial segments of non-residential building and construction, multi-family and single-family residential building and construction markets.
  - Volumes were down due to softening market conditions associated with tightening of the credit markets. The company's residential segment, tied to re-roofing has not contracted as severely as the rest of non-residential construction. The shortfall in volume has been partially offset by higher prices.
  - ASC is seeing a reduction in backlog due to the inability of some projects to get financing.
- Meti-Span
  - Metl-Span is a US wide business selling composite insulated panels into the cold storage, commercial and industrial segments of non-residential construction.
  - Continues to see the growing recognition of the importance of insulation for all types of building construction.
  - Customers can benefit from the significant energy savings available from the use of insulated panels versus other building materials.
  - The green building segment is expected to continue to grow in North America aided by the new administration's stimulus package.
- Steelscape
  - Steelscape's primary market is producing metallic-coated and pre-painted steel for the West Coast US non-residential building and construction market.
  - The company experienced about a 40% fall in demand on the back of a significant slowdown in Q2 FY09 exacerbated by constrained credit in the U.S. West Coast building market.

OTHER INFORMATION

Capital Management

- **Equity raising**
  - In early December 2008, the company announced its intention to raise equity to proactively strengthen its balance sheet in view of weaker industry, economic and financial outlook.
  - There were two parts to the raising:
    1. Institutional investor placement (early December)
       - raised A$300m
       - price $3.10 per share
       - issued approx. 96.8 million shares.
    2. Share purchase plan (for retail investors)
       - closed 6 February 2009
       - raised A$113m
       - price $3.10 per share
       - issued approx 36.4 million shares.
  - The total proceeds received was $400M net of costs.
  - The number of shares on issue, as at 20 February 2009, was 906.3 million.

- **Dividend reinvestment program (DRP)**
  - A discount of 2.5% was applied to the reinvestment of the FY 2008 final dividend (paid in October 2008) resulting in 28% of shareholders participating in the DRP. Consequently, 8,511,145 shares were issued on 22 October 2008 at an issue price of $6.79
  - The DRP discount of 2.5% will also be applied to reinvestment of the FY 2009 interim dividend. This DRP will not be underwritten.

- **Debt facilities update**
  - During the period the company extended its bank bilateral 364-day working capital facility of $350M until October 2009. Subsequent to period end, the facility was converted to a multicurrency facility with $100M 1-year tranche maturing January 2010, a $125M 2-year tranche maturing January 2011 and a $125M 3-year tranche maturing January 2012.
  - Bridge Facility for the acquisition of IMSA Steel Corp

    The acquisition of IMSA Steel Corp in February 2008 for US$725M was funded by a 364-day bridge facility. The company has successfully refinanced US$625m of this bridge facility;

    - In July 2008, the company completed a US private placement note issue of US$325M. Of the US$325M notes issued, US$81M is due for repayment in 2015, US$204M is due for repayment in 2018 and US$40M is due for repayment in 2020.
    - In December 2008, the company entered into a 364-day US$275m Bilateral Loan Agreement to replace and extend their existing US$200m commitment under the bridge facility.
    - In January 2009, the company entered into a 364-day US$25M Bilateral Loan.
    - In February 2009, the company entered into a 364-day US $75M Bilateral Loan Agreement.
    - The remaining US$25M was repaid from existing facilities.

- **Net debt**
  - During the period, the company's borrowings increased by $909M (of which $543M was driven by the weaker AUD:USD exchange rate), to $2,675M resulting in a gearing ratio of 35.9% (net debt/(net debt plus equity) or 30.8% excluding the exchange rate effect. The operating cash flow of $63M (before interest and income tax paid) combined with the increase in borrowings were primarily applied to funding capital expenditure and investments ($287M), dividends ($149M), tax payments ($242M) and interest payments ($73M).

Safety, Environment & Health

- **Safety**
  - The company remains committed to its goal of Zero Harm for all its people anywhere in the world.
  - The company's injury levels remain at world best standards with the Lost Time Injury Frequency Rate (LTI) of 1.02. The Medically Treated Injury Frequency Rate (MTI) is at a low of 4.99.
  - Some of the noteworthy safety achievements in the period include:

- BlueScope Steel Thailand (Map Ta Phut site) has passed 22 million hours and 12 years LTI free. Lysaght Malaysia – 7 years LTI free. Sabah, Malaysia – 15 years LTI free and was awarded the 4th placing under the Small Medium Industry (SMI) National Occupational Health & Safety Excellence Award. BlueScope Buildings Vietnam – 5 million hours LTI free. Lysaght Singapore – 10 years LTI free.
- Suzhou, China passed their previous best and achieved 3.5 million hours LTI free. Lysaght Langfang and Chengdu – 6 years LTI free. Buildings Guangzhou – 2 years MTI free. Lysaght Panels – 3 years LTI and MTI free and 1 year injury free.
- ANZSMB, No. 6 Blast Furnace – a new record of 3 years LTI and MTI free. Research passed 13 years LTI free and 2 years MTI free. Western Port has passed 2 million hours LTI free and Cold Reduction PKL – 2 years MTI free
- Australian Distribution & Solutions, Sheet & Coil Processing Services, Acacia Ridge – passed 1 year MTI free. Padstow – 1 year LTI free. Lysaght Emu Plains – 10 years LTI free. Distribution, Mareeba – 8 years LTI and MTI free, Gold Coast – 7 years LTI and MTI free. BlueScope Distribution (the old Smorgon Distribution business) had its first LTI free month (December) on record and then repeated the performance in January 2009.
- North America Buildings, Laurinburg and San Marcos both achieved 4 years LTI free. Visalia – 1 year MTI free. Jackson – 4 years LTI free. SteelScape, Fairfield – 2 years LTI free. ASC Profiles – 9 years LTI free.
- Australian Coated & Industrial Markets, Supply Chain & Logistics, No.2 Products Berth – 2 years injury free and 15 years LTI free. Melbourne Steel Terminal – 12 years LTI free. Braeside Warehouse – 10 years LTI free.

- Noteworthy external recognition includes:
  - BlueScope Steel was awarded the Safety & Health Excellence Recognition Award 2008 from the World Steel Association.
  - BlueScope Steel Malaysia was awarded the OSH Gold Class II Award from the Malaysian Society for Occupational Safety & Health.
  - Tata BlueScope Steel have been awarded a Bronze Trophy – Construction Safety 2007 for our Hinjewadi and Bhiwadi plant and a "Prashansa Patra (Certificate)" for the Chennai plant from National Safety Council (NSC) for implementing best HSE systems during the construction of these plants in 2007.

- **Environment**
  - The BlueScope Steel Environment Management System is hierarchical in nature, with Our Bond at the apex. Each level of the hierarchy supports those above, and all components of the hierarchy are aligned to assist BlueScope Steel in achieving and demonstrating its sound environmental performance.
    - Our Bond
    - HSEC Policy
    - Environmental Principles
    - Environmental Standards
    - BSL wide Procedures and Guidelines
    - Operational Procedures
  - The Environment Principles, which also include expectations, have recently been developed and we are in the process of rolling them out across the business.
  - During the first half of FY2009 BlueScope Steel maintained a strong focus on issues related to Energy and Greenhouse Gas.
  - Australia - BlueScope Steel faces the imposition of higher costs if the Carbon Pollution Reduction Scheme (CPRS) in the White Paper is implemented and this will put steel jobs and investment at risk. The proposed CPRS needs an effective transitional plan to minimise the financial impact in the early years and minimise competitive disadvantage to Australian industry until its major global competitors are carbon constrained. The steel industry will present to Government, detailing the changes which are essential to protect this vital manufacturing industry and Australian jobs.
  - New Zealand - the incoming National Government, through a Climate Change Select Committee, has initiated a significant review of the New Zealand Emissions Trading Scheme (NZ ETS). BlueScope Steel is engaged with the NZ Government to ensure the outcome of this review does not adversely affect the competitiveness of New Zealand Steel.
  - As further details of these schemes are released, BlueScope Steel continues to assess and respond to the potential impacts of the Australian Carbon Pollution Reduction Scheme and New Zealand Emissions Trading Scheme.

- Across BlueScope Steel we have continued to work to find ways to further improve energy efficiency and reduce our direct and indirect greenhouse gas emissions. As a business we remain committed to reducing the greenhouse gas intensity of our operations and continuously improving our environmental footprint.
- Water efficiency - has remained a focus for the company with many operations situated in areas affected by water shortages. Continuing reductions in water use have resulted.
  - Port Kembla Steelworks implemented a number of improvement initiatives to reduce water consumption and continued to increase the amount of recycled water it uses on site.
  - The Western Port site continues work on a significant water-recycling proposal. To be jointly funded by BlueScope Steel, South East Water and the Victorian Government it is expected to deliver a 60 percent reduction in fresh water use and a 75 percent reduction in wastewater discharged.
- During the first half of the year BlueScope Steel was recognized for a number of initiatives:
  - Western Port won the 2008 Keep Australia Beautiful – Victorian Sustainable Communities State Award for Environmental Innovation and was State Finalist in the Water Conservation Category.
  - Western Port was re-certified to the Environmental Management System Standard - ISO 14001 in October 2008.

Senior Management Changes

- Brian Kruger, President BlueScope North America, Corporate Strategy and Innovation, left the company on 19 September 2008 to pursue a career in the corporate advisory and merchant banking industry.
- Mark Vassella, Chief Executive Australian Distribution and Solutions, was appointed President BlueScope North America to replace Brian Kruger. This appointment was effective 1 August 2008.
- Sanjay Dayal has been appointed to the role of Chief Executive Asia. Sanjay commenced with the company on 5 January 2009.
- Keith Mitchelhill has been appointed to the role of Chief Executive Australia Distribution and Solutions. Keith commenced with the company on 2 February 2009.

Interim Dividend Schedule

- Ex-Dividend date – 26 February 2009
- Record date – 4 March 2009
- Payment date – 31 March 2009

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ATTACHMENT 1
PRODUCTION AND DESPATCH REPORT

000 Tonnes	1H 2009	1H 2008	Variance	2H 2008
AUSTRALIA				
Raw Steel Production (1)	**2,400**	**2,632**	**(9%)**	**2,653**
External Despatches				
Coated & Industrial Products Australia				
- Domestic – HRC	403	403	0%	424
- Plate	126	150	(16%)	142
- Other	497	487	2%	535
- Total	1,026	1,040	(1%)	1,101
- Export - Slab	161	462	(65%)	301
- HRC	111	393	(72%)	250
- Plate	18	23	(22%)	17
- Other	100	218	(54%)	187
- Total (2)	390	1,096	(64%)	755
Sub-total	1,416	2,136	(34%)	1,856
Australia Distribution & Solutions				
- Domestic (3)	440	447	(2%)	513
- Export (3)	5	7	(29%)	6
Sub-total	445	454	(2%)	519
Total Australian Despatches				
- Domestic	1,466	1,487	(1%)	1,614
- Export	395	1,103	(64%)	761
Total	**1,861**	**2,590**	**(28%)**	**2,375**
NEW ZEALAND / PACIFIC (4)				
Raw Steel Production	**273**	**312**	**(12%)**	**293**
External Despatches				
- Domestic	146	144	2%	156
- Export	80	132	(40%)	145
Total	**226**	**276**	**(18%)**	**301**
ASIA (Coated & Building Products)				
Raw Steel Production (5)	**-**	**-**	**-**	**-**
External Despatches				
- Domestic	360	437	(18%)	471
- Export (6)	70	107	(35%)	104
Total	**430**	**544**	**(21%)**	**575**
NORTH AMERICA				
Raw Steel Production (7)	**383**	**483**	**(21%)**	**500**
External Despatches				
North Star BlueScope Steel (7)				
- Domestic	379	470	(19%)	490
- Export	-	-	-	-
Coated & Building Products North America				
- Domestic(8)	335	99	239%	391
- Export(8)	13	10	34%	11
Total	**727**	**579**	**26%**	**892**
DISCONTINUED BUSINESSES				
Raw Steel Production	**-**	**-**	**-**	**-**
External Despatches				
- Domestic	-	0	(100%)	0
- Export	-	0	(100%)	-
Total	**-**	**0**	**(100%)**	**0**
GROUP				
Raw Steel Production	**3,056**	**3,427**	**(11%)**	**3,446**
External Despatches				
- Domestic	2,686	2,638	2%	3,122
- Export	558	1,352	(59%)	1,022
Total	**3,244**	**3,990**	**(19%)**	**4,144**

Notes:

(1) Port Kembla Steelworks.
(2) 1H 2009 does not include 218kt of despatches to Steelscape Inc (1H 2008 0kt and 2H 2008 185kt), which would have previously been reported as external despatches. These are now external despatches from the Coated and Buildings Products North America segment.
(3) 1H 2009 includes 193kt of domestic despatches and 3kt of export despatches via BlueScope Distribution (1H 2008 191kt and 4kt and 2H 2008 246kt and 4kt respectively), which were not sourced internally, ie. long products.
(4) Includes New Zealand Steel and Pacific island operations.
(5) BlueScope Steel does not make steel in Asia. The Asian businesses source steel from a range of local suppliers as well as from BlueScope Steel's Port Kembla or New Zealand operations.
(6) Reflects despatches from the Asian country of production to external customers in other countries within Asia, the Pacific Islands, South Africa and Europe.
(7) Reflects BlueScope Steel's 50% share from North Star BlueScope Steel.
(8) The increase in external despatch volumes is driven predominantly by the acquisition of IMSA Steel Corp.

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

1H 2009 and 1H 2008; 2H 2008 tonnes $millions

Financial Measure	1H 2009	1H 2008	Change	2H 2008
External Despatches (tonnes)				
- Thailand	110	176	(65)	195
- Indonesia	66	76	(10)	93
- Malaysia	86	79	7	94
- Vietnam	34	44	(10)	50
- China	134	167	(33)	145
- Other	(1)	2	(3)	(2)
- Total	430	544	(114)	575
Sales Revenue ($M)				
- Thailand	240	222	18	265
- Indonesia	140	111	29	143
- Malaysia	185	129	56	141
- Vietnam	99	83	16	94
- China	266	234	32	207
- Other	(52)	(33)	(19)	(26)
- Total	878	746	132	824
Reported EBIT ($M)				
- Thailand	(6)	15	(21)	37
- Indonesia	(10)	7	(17)	11
- Malaysia	3	9	(6)	11
- Vietnam	(4)	(33)	29	4
- China	(46)	(185)	139	(4)
- Other	(12)	(12)	0	(9)
- Total	(75)	(199)	124	50
Underlying EBIT ($M)				
- Thailand	16	15	1	37
- Indonesia	(10)	7	(17)	11
- Malaysia	3	9	(6)	11
- Vietnam	(3)	2	(5)	4
- China	(10)	(2)	(8)	(4)
- Other	(12)	(5)	(7)	(4)
- Total	(16)	26	(42)	(50)
Net operating Assets (pre tax) ($M)				
- Thailand	407	346	61	320
- Indonesia	210	110	100	123
- Malaysia	159	122	37	107
- Vietnam	122	110	12	107
- China	209	207	2	203
- Other	101	86	15	72
- Total	1,208	981	227	932

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

1H 2009 and 1H 2008; 2H 2008 tonnes $ millions

Financial Measure	1H 2009	1H 2008	Change	2H 2008
External despatches (tonnes)				
- China Coated	33	38	(5)	51
- China Buildings (1)	101	130	(29)	94
- Other / Eliminations	0	(1)	1	0
- Total	134	167	(33)	145
Sales revenue ($M)				
- China Coated	80	70	10	81
- China Buildings (1)	222	196	26	154
- Other / Eliminations	(36)	(32)	(4)	(28)
- Total	266	234	32	207
EBIT ($M) – Reported				
- China Coated	(38)	(190)	152	0
- China Buildings (1)	(5)	8	(13)	(1)
- Other / Eliminations	(3)	(3)	0	(3)
- Total	(46)	(185)	139	(4)
EBIT ($M) – Underlying Operational				
- China Coated	(13)	(7)	(6)	0
- China Buildings (1)	6	8	(2)	(1)
- Other / Eliminations	(3)	(3)	0	(3)
- Total	(10)	(2)	(8)	(4)

Notes:

(1) Includes BlueScope Lysaght businesses.

ATTACHMENT 2(c)
DISCONTINUED BUSINESSES

1H 2009 and 1H 2008; 2H 2008 tonnes $ millions

Financial Measure	1H 2009	1H 2008	Change	2H 2008
External Despatches (tonnes)				
- Packaging Products	0	0	0	0
- Lysaght Taiwan	0	0	0	0
- Vistawall	0	0	0	0
- Total	0	0	0	0
Sales revenue ($M)				
- Packaging Products	0	2	(2)	1
- Lysaght Taiwan	0	0	0	0
- Vistawall	0	0	0	0
- Total	0	2	(2)	1
EBIT ($M)				
- Packaging Products	0	0	0	0
- Lysaght Taiwan	1	0	1	0
- Vistawall	0	(3)	3	0
- Total	1	(3)	4	0
Net operating assets (pre-tax) ($M)				
- Packaging Products	(22)	6	(28)	(22)
- Lysaght Taiwan	(22)	(24)	2	(22)
- Vistawall	0	0	0	0
- Total	(44)	(18)	(26)	(44)