BlueScope Steel Limited
ABN 16 000 011 058

Interim financial report - 31 December 2008

Contents

Directors' report

Your directors present their report on the consolidated entity consisting of BlueScope Steel Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2008.

Directors
The following persons were directors of BlueScope Steel Limited during the whole of the half-year and up to the date of this report:

G J Kraehe AO
R J McNeilly
D J Grady AM
H K McCann AM
Y P Tan
D B Grollo
P F O'Malley

D K Jukes was appointed a director on 20 October 2008.

It is with great regret that BlueScope Steel Limited advises that Mr D K Jukes died suddenly on 3 January 2009. The Company's deepest condolences have been conveyed to his wife and family.

P J Rizzo resigned as a director on 4 December 2008 after serving as a director since 10 May 2002.

Review of operations
A summary of consolidated revenues and results by reporting segment is set out below:

	Segment revenues		**Segment EBIT**	
	Six-months to 31 December 2008 $M	Six-months to 31 December 2007 $M	**Six-months to 31 December 2008 $M**	Six-months to 31 December 2007 $M
Coated & Industrial Products Australia	**3,471.6**	2,875.6	**643.8**	383.5
Australia Distribution & Solutions	**1,248.6**	993.0	**73.6**	(7.5)
New Zealand & Pacific Steel Products	**372.0**	343.3	**55.7**	43.8
Coated & Building Products Asia	**879.8**	747.7	**(74.7)**	(198.8)
Hot Rolled Products North America	**-**	-	**14.6**	36.2
Coated & Building Products North America	**1,319.9**	399.0	**(55.2)**	43.3
Corporate and Group	**0.9**	29.9	**(87.4)**	58.7
Intersegment eliminations	**(1,137.1)**	(656.1)	**94.3**	(28.1)
Total continuing operations	**6,155.7**	4,732.4	**664.7**	331.1
Unallocated revenue less unallocated expenses			**(73.2)**	(63.4)
Profit before income tax			**591.5**	267.7
Income tax			**(184.4)**	(145.1)
Profit from continuing operations			**407.1**	122.6
Profit (loss) from discontinued operations (net of tax)			**-**	(1.9)
Profit for the year			**407.1**	120.7
Profit (loss) attributable to minority interest			**(0.2)**	(4.8)
Profit attributable to members of BlueScope Steel Limited			**406.9**	115.9
Earnings per share for profit from continuing operations (cents per share)				
Basic earnings per share			**52.7**	16.0
Diluted earnings per share			**52.6**	15.9
Earnings per share for profit (cents per share)				
Basic earnings per share			**52.7**	15.7
Diluted earnings per share			**52.6**	15.6

Review of operations (continued)

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

The Company's half-year revenue from continuing operations increased $1,423.3 million to $6,155.7 million, primarily through the acquisition of IMSA Steel Corp, higher global slab and hot rolled coil prices and the flow-on to domestic prices, a weaker average AUD and higher scrap sales and realised coke sales prices within Coated and Industrial Products Australia. These were partly offset by reduced export and domestic sales volumes.

Net profit after tax attributable to the shareholders of the Company increased $291.0 million to $406.9 million driven by higher global slab and hot rolled coil prices and the flow-on to domestic prices in the first quarter, higher Coated and Building Products prices in North America and Asia, favourable foreign exchange impact due to the weakening AUD and impairment of the China coating line and Vietnam coating line in the prior comparative period.

These were partly offset by lower export and domestic sales volumes in the second quarter, higher raw material costs, lower conversion cost recoveries driven by reduced production volumes at Coated and Industrial Products Australia, New Zealand Steel and Coated and Building Products Asia, higher net realisable value provisions for inventory and profit on sale of the 19.9% shareholding in Smorgon Steel in the prior comparative period.

Coated and Industrial Products Australia

The earnings contribution from the Coated and Industrial Products Australia segment increased significantly, primarily as a result of higher export and domestic prices in the first quarter and favourable foreign exchange impacts due to a weakening AUD.

These were partly offset by higher net realisable value provisions for inventory destined for export markets, higher coal, iron ore, scrap and alloys costs and freight and conversion cost increases more than offsetting cost reduction initiatives to improve yield, labour productivity and other costs.

Australia Distribution and Solutions

The earnings contribution from the Australia Distribution and Solutions segment was significantly improved compared to the previous comparative period's loss primarily due to improved margins, a full half-year benefit of the acquisition of Smorgon Steel's Distribution business on 3 August 2007. In addition, the previous comparative period had been negatively affected by the impairment and subsequent closure of the Lysaght Home Improvements business, write-off of capitalised Movex costs, together with integration costs and one-off intercompany profit eliminations in inventory associated with the acquisition of Smorgon Steel's Distribution business.

These were partly offset by lower underlying despatch volumes driven by lower market activity particularly a depressed residential market across the east coast of Australia and higher freight costs driven by the cost of fuel.

New Zealand and Pacific Steel Products

The earnings contribution from the New Zealand and Pacific Steel Products segment increased principally as a result of higher export prices particularly for hot rolled coil and plate and higher domestic prices across most products, favourable USD and AUD exchange rate movements relative to NZD and higher realised export prices on iron sand despatches.

These were partly offset by higher raw material costs, higher repairs and maintenance spend, and lower conversion cost recoveries driven by reduced production volumes. The result was also affected by the write-off of feasibility costs previously capitalised in relation to deferred capital projects and 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) during the previous comparative period.

Coated and Building Products Asia

The earnings contribution from the Coated and Building Products Asia segment was significantly higher as a result of impairment of the China coating line and Vietnam coating line in the previous comparative period, partially offset in the current period by further impairment of the China coating line and additional impairment of China's Lysaght Panels business. The underlying results also benefited from improved margins as selling price increases more than offset steel feed cost increases in the first quarter, and lower coating metal costs. These were partly offset by reduced sales volumes, lower conversion cost recoveries driven by reduced production volumes and higher inventory net realisable value provisions.

Review of operations (continued)

Hot Rolled Products North America

The earnings contribution from the Hot Rolled Products North America segment was lower mainly due to lower volumes and higher conversion costs at North Star BlueScope Steel driven by higher natural gas and alloy prices, together with higher inventory net realisable value provisions. These were partly offset by improved spread at North Star BlueScope Steel with hot rolled coil prices in the first quarter in North America increasing more than the cost of scrap and a favourable movement in the AUD relative to the USD.

Coated & Building Products North America

The earnings contribution from the Coated and Building Products North America segment declined significantly primarily due to higher net realisable value provisions for inventory, plant rationalisation and other integration costs following the acquisition of IMSA Steel Corp, together with redundancy costs associated with staff downsizing.

These were partly offset by improved margins as sale price increases exceeded raw material cost increases, write-back of an over-provided liability in relation to a general insurance provision and a favourable movement in the AUD relative to the USD.

Significant changes in the state of affairs

The following significant events occurred during the half-year:

- During December 2008, the Company successfully completed a $300M institutional placement of ordinary shares at $3.10 per share. The issue of 96,774,194 shares took place on 19 December 2008.
- 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.
- 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.

Matters subsequent to the end of the financial half-year

Prior to 31 December 2008, the Company announced details of its Share Purchase Plan available to eligible shareholders in Australia and New Zealand. The plan offered participants the opportunity to acquire up to $5,000 of new shares at a discount and free of brokerage fees. A total of $113M was raised with 36,442,921 shares issued on 13 February 2009.

A USD 400M bridging loan outstanding at the half-year and due in January 2009 was refinanced subsequent to 31 December 2008. Three 364-day bilateral loan facilities for USD 275M, USD 75M and USD 25M were established and the remaining USD 25M portion was repaid utilising headroom within pre-existing facilities.

A $350M working capital facility was also refinanced subsequent to half-year end. The facility, due to mature in October 2009, was converted to a multi-currency facility with a $100M 1-year tranche maturing January 2010, a $125M 2-year tranche maturing January 2011 and a $125M 3-year tranche maturing January 2012.

Likely developments and expected results

As previously advised the No.5 Blast Furnace reline and Sinter Plant Upgrade projects are being undertaken during the second half of FY2009.

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. 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.

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.

Auditor's independence declaration

The auditor's independence declaration for the half-year ended 31 December 2008 has been received from Ernst & Young. This can be referred to on page 5 of the directors' report.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and half-year financial report. Amounts in the directors' and financial report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollar.

This report is made in accordance with a resolution of directors.

Graham Kraehe AO
Chairman

Paul O'Malley
Managing Director & CEO

Melbourne
20 February 2009

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

In relation to our review of the financial report of BlueScope Steel Limited for the half-year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Bruce Meehan

Bruce Meehan
Partner
20 February 2009

BlueScope Steel Limited
Consolidated income statement
For the half-year ended 31 December 2008

	Half-year 2008 $M	Half-year 2007 $M
Revenue from continuing operations	**6,155.7**	4,732.4
Other income	**86.6**	134.7
Changes in inventories of finished goods and work in progress	**615.5**	(48.6)
Raw materials and consumables used	**(3,798.1)**	(2,274.3)
Employee benefits expense	**(939.6)**	(730.5)
Depreciation and amortisation expense	**(192.6)**	(173.6)
Impairment of non-current assets	**(56.9)**	(239.5)
Freight on external despatches	**(330.9)**	(316.5)
External services	**(621.3)**	(566.1)
Finance costs	**(75.8)**	(66.0)
Other expenses	**(263.6)**	(225.7)
Share of net profits of associates and joint venture partnership accounted for using the equity method	**12.5**	41.4
Profit before income tax	**591.5**	267.7
Income tax expense	**(184.4)**	(145.1)
Profit from continuing operations	**407.1**	122.6
Profit (loss) from discontinued operations	**-**	(1.9)
Profit for the half-year	**407.1**	120.7
Profit is attributable to:		
Equity holders of BlueScope Steel Limited	**406.9**	115.9
Minority interest	**0.2**	4.8
	407.1	120.7
	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**52.7**	16.0
Diluted earnings per share	**52.6**	15.9
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**52.7**	15.7
Diluted earnings per share	**52.6**	15.6

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

BlueScope Steel Limited
Consolidated balance sheet
As at 31 December 2008

	31 December 2008 $M	30 June 2008 $M
ASSETS		
Current assets		
Cash and cash equivalents	**35.1**	44.1
Receivables	**1,286.7**	1,497.3
Inventories	**2,753.2**	1,600.1
Derivative financial instruments	**-**	4.9
Other	**79.3**	54.8
Total current assets	**4,154.3**	3,201.2
Non-current assets		
Receivables	**36.5**	39.9
Inventories	**62.0**	59.7
Investments accounted for using the equity method	**379.4**	254.4
Property, plant and equipment	**4,139.9**	3,807.3
Deferred tax assets	**112.2**	99.4
Intangible assets	**1,191.4**	998.6
Other	**5.7**	5.7
Total non-current assets	**5,927.1**	5,265.0
Total assets	**10,081.4**	8,466.2
LIABILITIES		
Current liabilities		
Payables	**1,048.8**	1,282.0
Interest bearing liabilities	**828.4**	1,082.1
Current tax liabilities	**15.5**	156.3
Provisions	**471.7**	493.6
Deferred income	**155.2**	106.3
Derivative financial instruments	**1.1**	-
Total current liabilities	**2,520.7**	3,120.3
Non-current liabilities		
Payables	**10.5**	7.5
Interest bearing liabilities	**1,846.9**	683.7
Deferred tax liabilities	**307.1**	308.4
Provisions	**210.6**	200.1
Retirement benefit obligations	**462.5**	204.4
Total non-current liabilities	**2,837.6**	1,404.1
Total liabilities	**5,358.3**	4,524.4
Net assets	**4,723.1**	3,941.8
EQUITY		
Contributed equity	**2,533.0**	2,151.2
Reserves	**21.6**	(281.6)
Retained profits	**2,070.2**	1,997.5
Parent entity interest	**4,624.8**	3,867.1
Minority interest	**98.3**	74.7
Total equity	**4,723.1**	3,941.8

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

	2008 $M	2007 $M
Gain (loss) on cash flow hedges taken to equity	**(6.2)**	(4.3)
Gain (loss) on revaluation of available-for-sale financial assets	**-**	(29.2)
Transfer to profit of gain on disposal of available-for-sale financial assets	**-**	(128.0)
Net gain (loss) on hedges of net investments	**(122.2)**	29.2
Exchange differences on translation of foreign operations	**422.2**	(53.0)
Actuarial gain (loss) on defined benefit superannuation plans	**(251.0)**	(88.2)
Income tax on items taken directly to or transferred from equity	**161.7**	56.5
Net income (expense) recognised directly in equity	**204.5**	(217.0)
Profit for the half-year	**407.1**	120.7
Total recognised income and expense for the half-year	**611.6**	(96.3)
Total recognised income and expense for the half-year is attributable to:		
Members of BlueScope Steel Limited	**586.4**	(100.8)
Minority interest	**25.2**	4.5
	611.6	(96.3)

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

	Half-year 2008 $M	2007 $M
Cash flows from operating activities		
Receipts from customers	**6,891.9**	5,189.1
Payments to suppliers and employees	**(6,846.5)**	(4,645.1)
	45.4	544.0
Dividends received	**6.3**	14.8
Joint venture partnership distributions received	**-**	27.9
Interest received	**2.4**	3.3
Other revenue	**11.1**	13.8
Finance costs paid	**(75.4)**	(69.9)
Income taxes paid	**(241.6)**	(139.3)
Net cash (outflow) inflow from operating activities	**(251.8)**	394.6
Cash flows from investing activities		
Purchases of controlled entities net of cash acquired	**(2.7)**	(791.0)
Payments for property, plant and equipment	**(281.3)**	(135.8)
Payments for intangibles	**(3.3)**	(5.4)
Payments for investment in joint venture partnerships	**(10.6)**	(12.3)
Payments for investment in business assets	**(2.3)**	(1.0)
Proceeds from sale or redemption of investments	**-**	458.7
Proceeds from sale of property, plant and equipment	**11.0**	0.7
Repayment of loans by related parties	**2.1**	1.9
Net cash (outflow) inflow from investing activities	**(287.1)**	(484.2)
Cash flows from financing activities		
Proceeds from issues of shares	**306.2**	5.0
Capital share raising costs	**(9.1)**	-
Proceeds from borrowings	**11,337.5**	4,918.1
Repayment of borrowings	**(10,963.1)**	(4,708.2)
Dividends paid to Company's shareholders	**(148.6)**	(131.0)
Dividends paid to minority interests in subsidiaries	**(1.7)**	(1.5)
Net cash inflow (outflow) from financing activities	**521.2**	82.4
Net increase (decrease) in cash and cash equivalents	**(17.7)**	(7.2)
Cash and cash equivalents at the beginning of the half-year	**19.6**	26.9
Effects of exchange rate changes on cash and cash equivalents	**16.6**	-
Cash and cash equivalents at end of the half-year	**18.5**	19.7

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

Contents of the notes to the financial statements

1 Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and other mandatory reporting requirements.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by BlueScope Steel Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Early adoption of new accounting standards
AASB 8 *Operating Segments* replaces AASB 114 *Segment Reporting* and was early adopted by the Group in 2008. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in the segments being reported in a manner that is materially consistent with the internal reporting provided to the Managing Director and Chief Executive Officer for BlueScope Steel Limited. Comparatives for 2007 have been restated.

Changes in accounting policies
The accounting policy for discounting the defined benefits obligation in our Australian and New Zealand defined benefits superannuation funds has amended the discount rate from net of tax to gross of tax in line with amendments to AASB 119 *Employee Benefits*. The impact on retained earnings is a favourable adjustment of $69.7M.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of cash-generating units, including goodwill
The Group tests at least annually whether goodwill, other intangible assets with indefinite useful lives and other assets have suffered any impairment. All cash-generating units (CGUs) were tested for impairment at the half-year. The recoverable amounts of CGU units have been determined based on value-in-use (VIU) calculations. The following describes assumptions on which management has based its cash flow projections when determining VIU:

Cash flows
VIU calculations use cash flow projections based on financial projects approved by management, being the basis of the Group's forecasting and planning processes. Cash flows are extrapolated to 30 years with major adjustments where necessary to reflect changes in long-term operating conditions. No terminal value is calculated.

Growth rate
The growth rate used to extrapolate the cash flows is typically 2.5% (2007: 2.5%). The growth rate represents a steady indexation rate which does not exceed management's expectations of the long-term average growth rate for the business in which each CGU operates.

Discount rate
The base discount rate applied to the cash flow projections is 10.5% post-tax (2007: 10.0% post-tax). The discount rate is a post-tax rate that reflects the current assessment of the time value of money, and the overall perceived risk profile of the Company.

Given the differing characteristics, currencies and geographical locations of the Group's CGUs, where appropriate the discount rate is adjusted by a country risk premium (CRP) to reflect country specific risks. Such adjustments do not reflect risks for which cash flow forecasts have already been adjusted. The CRP is derived from a combination of external sources including observed bond market spreads, market commentator surveys and analysis, and Standard & Poor's foreign currency ratings. This adjusted discount rate is then translated to a pre-tax rate for each CGU based on the specific tax rate applicable to where the CGU operates.

2 Critical accounting estimates and judgements (continued)

(ii) Income taxes
The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

(iii) Workers compensation
Calculations for the Group's self-insured workers compensation are determined by external actuaries. These calculations require assumptions in relation to the expectation of future events.

(iv) Defined benefit plans
Various actuarial assumptions underpin the determination of the Group's pension obligations. These assumptions and the related carrying amounts are discussed in note 7.

(v) Product claims
Provision for claims is based on modelled data combining sales volumes with past experiences of repair and replacement levels in conjunction with any specifically identified product faults. The provision requires the use of assumptions in relation to the level of future claims made.

(vi) Share-based payment transactions
The Group measures cost of equity settled transactions with employees by reference to the fair value of equity instruments at grant date. The fair value is determined by an external valuer using a binomial model. These calculations require assumptions to be made.

(vii) Restructuring and redundancy provisions
Provisions for restructuring and redundancy are based on the Group's best estimate of the outflow of resources required to settle commitments made by the Group to those likely to be affected. Where the outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income statement in the period in which such determination is made.

(viii) Plant and machinery useful lives
The estimation of the useful lives of plant and machinery has been based on historical experience and judgement with respect to technical obsolescence, physical deterioration and usage capacity of the asset in addition to any legal restrictions on usage. The condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

3 Segment information

(a) Description of segments

The Company has early adopted AASB 8 *Operating Segments*. The new standard requires a 'management approach' under which segment information is prepared on the same basis as that used for internal reporting purposes. This has resulted in the segments being reported in a manner that is materially consistent with the internal reporting provided to the Managing Director and Chief Executive Officer for BlueScope Steel Limited. Comparatives for 2007 have been restated.

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

Coated and Industrial Products Australia
Coated and Industrial Products Australia includes the Port Kembla Steelworks, a steel making operation with an annual production capacity of approximately 5.2 million tonnes of crude steel. The Port Kembla Steelworks is the leading supplier of flat steel in Australia, manufacturing slab, hot rolled coil and plate products. The segment also comprises two main metallic coating facilities located at Springhill, New South Wales and Western Port, Victoria together with steel painting facilities in western Sydney and Acacia Ridge, Queensland. Steel from the Port Kembla Steelworks is processed by these facilities to produce a range of COLORBOND® pre-painted steel and ZINCALUME® zinc/aluminium branded products. Export offices are also incorporated within this segment to trade steel manufactured at these facilities on global markets.

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

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

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

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

Coated and Building Products North America
Coated and Building Products North America includes the North American Buildings Group, which designs, manufactures and markets pre-engineered steel buildings and component systems; Steelscape, producer of metal coated and painted steel coils; Metl-Span, manufacturer of insulated steel panels for commercial, industrial and cold-storage buildings; and ASC Profiles, manufacturer of building components, including architectural roof and wall systems and structural roof and decking.

3 Segment information (continued)

(b) Primary reporting format - operating segments

Half-year 2008	Coated & Industrial Products Australia $M	Australia Distribution & Solutions $M	New Zealand & Pacific Steel Products $M	Coated & Building Products Asia $M	Hot Rolled Products North America $M	Coated & Building Products North America $M	Discontinued Operations $M	Total $M
Total segment sales revenue	3,470.7	1,247.4	369.9	877.9	-	1,314.9	-	7,280.8
Intersegment revenue	(1,031.7)	(1.3)	(50.8)	(52.9)	-	(1.1)	-	(1,137.8)
Revenue from external customers	**2,439.0**	**1,246.1**	**319.1**	**825.0**	**-**	**1,313.8**	**-**	**6,143.0**
Segment EBIT	**643.8**	**73.6**	**55.7**	**(74.7)**	**14.6**	**(55.2)**	**0.2**	**658.0**
Depreciation and amortisation	107.2	15.3	15.3	25.9	-	28.6	-	192.3
Impairment (write-back) of non-current assets	-	-	19.9	36.0	1.0	-	-	56.9
Share of profit from associates and joint venture partnership	-	0.1	2.1	(6.6)	15.0	1.9	-	12.5
Total segment assets	4,473.6	1,491.0	616.3	1,514.2	288.5	1,747.9	0.4	10,131.9
Total assets includes:								
Investments in associates and joint venture partnership	-	3.1	6.2	80.8	286.5	2.8	-	379.4
Additions to non-current assets (other than financial assets and deferred tax)	141.3	14.2	20.5	37.6	-	22.2	-	235.8
Total segment liabilities	947.8	343.5	306.8	306.6	-	576.2	31.7	2,512.6

Half-year 2007	Coated & Industrial Products Australia $M	Australia Distribution & Solutions $M	New Zealand & Pacific Steel Products $M	Coated & Building Products Asia $M	Hot Rolled Products North America $M	Coated & Building Products North America $M	Discontinued Operations $M	Total $M
Total segment sales revenue	2,870.5	991.6	341.1	745.5	-	394.6	2.1	5,345.4
Intersegment revenue	(540.2)	(1.4)	(65.2)	(18.1)	-	(1.5)	-	(626.4)
Revenue from external customers	**2,330.3**	**990.2**	**275.9**	**727.4**	**-**	**393.1**	**2.1**	**4,719.0**
Segment EBIT	**383.5**	**(7.5)**	**43.8**	**(198.8)**	**36.2**	**43.3**	**(2.9)**	**297.6**
Depreciation and amortisation	106.1	17.2	15.1	27.4	-	7.5	-	173.3
Impairment (write-back) of non-current assets	-	1.7	(8.6)	224.0	0.8	-	-	217.9
Gain (loss) on disposal of subsidiary	-	-	-	-	-	-	-	-
Share of profit from associates and joint venture partnership	-	0.1	2.6	(0.4)	37.7	1.4	-	41.4
Total segment assets	3,679.6	1,431.9	622.1	1,220.5	234.6	261.3	0.3	7,450.3
Total assets includes:								
Investments in associates and joint venture partnership	-	2.8	6.6	68.1	232.1	3.4	-	313.0
Additions to non-current assets (other than financial assets and deferred tax)	23.3	562.7	9.3	3.8	-	38.1	2.3	639.5
Total segment liabilities	869.1	344.2	220.7	239.9	-	150.6	50.1	1,874.6

3 Segment information (continued)

(c) Other segment information

(i) Segment revenue

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

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

	Half-year ended 2008 $M	Half-year ended 2007 $M
Total segment revenue	**7,280.8**	5,345.4
Intersegment eliminations	**(1,137.8)**	(626.4)
Revenue attributable to discontinued operations	**-**	(2.1)
Other revenue	**12.7**	15.5
Total revenue from continuing operations	**6,155.7**	4,732.4

(ii) Segment EBIT

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

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

	Half-year ended 2008 $M	Half-year ended 2007 $M
Total segment EBIT	**658.0**	297.6
Intersegment eliminations	**94.3**	(28.1)
Interest income	**2.4**	2.6
Finance costs	**(76.0)**	(66.1)
EBIT (gain) loss attributable to discontinued operations	**(0.2)**	2.9
Corporate operations	**(87.0)**	58.8
Profit before income tax from continuing operations	**591.5**	267.7

3 Segment information (continued)

(iii) Segment assets

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

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

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

Reportable segment assets are reconciled to total assets as follows:

	December 2008 $M
Segment assets	**10,131.9**
Intersegment eliminations	**(235.7)**
Unallocated:	
Deferred tax assets	**112.2**
Cash	**35.1**
Corporate operations	**37.9**
Total assets as per the balance sheet	**10,081.4**

(iv) Segment liabilities

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

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

Reportable segment liabilities are reconciled to total liabilities as follows:

	December 2008 $M
Segment liabilities	**2,512.6**
Intersegment eliminations	**(195.9)**
Unallocated:	
Current interest bearing liabilities	**828.4**
Non-current interest bearing liabilities	**1,846.9**
Current tax liabilities	**15.5**
Deferred tax liabilities	**307.1**
Accrued borrowing costs payable	**15.3**
Corporate operations	**28.4**
Total liabilities as per the balance sheet	**5,358.3**

4 Expenses

	Half-year ended 2008 $M	2007 $M
Profit before income tax includes the following specific expenses:		
Impairment of non-current assets		
China plant and equipment (a)	**11.1**	-
New Zealand Steel capital project cancellations (b)	**20.8**	-
China coating line (c)	**24.9**	189.6
Castrip joint venture	**1.0**	0.9
Lysaght - Fiji	**(0.9)**	2.8
Manakau reversal of impairment loss	**-**	(11.4)
Vietnam coating line	**-**	34.8
Lysaght - Home Improvements	**-**	12.3
Movex accounting system	**-**	10.5
Total impairment of non-current assets	**56.9**	239.5

Inventory net realisable value expense (write-back)
During the six-month period to 31 December 2008 a $204M expense was recognised in connection to the write-down of inventories to net realisable value as a result of an expected decline in future selling prices.

(a) Impairment - China plant and equipment

Impairment write-downs of $11.1M were recorded in connection with the China's steel fabricated panels business at Langfang which forms part of the Coated and Buildings Products Asia segment. The write-down was due to lower than expected demand for the product. Impairment write-downs have been allocated to the underlying plant and equipment assets of the business.

(b) Impairment - New Zealand Steel capital project cancellations

New Zealand Steel has written-off previously capitalised feasibility costs in relation to capital projects not proceeding due to the current decline in the economic climate.

(c) Impairment - China coating line

A second impairment write-down of $24.9M was recorded in connection with the metallic coating and painting facility located in Suzhou, China. This facility forms part of the Coated and Buildings Products Asia segment. The write-down is due to less favourable coated margins than anticipated when assessed for impairment in the prior period.

5 Equity securities issued

	2008 Shares	2007 Shares	**2008 $M**	2007 $M
Issues of ordinary shares during the half-year				
Opening balance	**759,943,380**	733,828,317	**2,151.2**	1,896.0
Institutional capital raising	**96,774,194**	-	**290.9**	-
Dividend reinvestment plan - shareholders	**8,511,145**	5,552,248	**57.8**	60.1
Exercise of share rights under the Long Term Incentive Plan	**2,181,488**	1,488,252	**9.3**	6.5
General Employee Share Plan issues	**2,480,399**	1,564,557	**20.2**	15.7
Forfeited shares from employee share plans	**-**	-	**-**	0.3
Tax credit recognised directly in equity	**-**	-	**3.6**	-
	869,890,606	742,433,374	**2,533.0**	1,978.6

Institutional capital raising
During December 2008, the Company successfully completed a $300M institutional placement of ordinary shares at $3.10 per share. The issue of 96,774,194 shares took place on 19 December 2008.

Dividend Reinvestment Plan
The Dividend Reinvestment Plan enables shareholders to receive some or all of their future dividends as ordinary BlueScope Steel Limited shares instead of cash.

Long Term Incentive Plan
The Long Term Incentive Plan is an award of share rights to eligible senior managers. The August 2004 and November 2005 awards both fully vested in the current period, while the November 2006 award remains partially vested at 2% due to Vistawall executives leaving the plan as a result of the sale of Vistawall on 29 June 2007. The full details of the operation of these plans are detailed in the June 2008 Remuneration Report.

General Employee Share Plan
In China and Thailand, shares were granted under the September 2005 General Employee Share Plan which vested during the period. In addition, employees from Australia, USA and New Zealand were issued shares under the FY09 General Employee Share Plan.

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

6 Discontinued operations

(a) Description

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

In April 2007, the Company closed its loss making tinplate manufacturing facility which was the major component of the Packaging Products cash generating unit. Divestment of remaining components of the Packaging Products cash generating unit have continued in the six months to 31 December 2008.

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

(b) Financial performance of discontinued operations

The results of the discontinued operations for the half-year 31 December 2008 until disposal are presented below.

	Consolidated							
	Six-months to 31 December 2008				**Six-months to 31 December 2007**			
	Vistawall $M	**Packaging $M**	**Lysaght Taiwan $M**	**TOTAL $M**	**Vistawall $M**	**Packaging $M**	**Lysaght Taiwan $M**	**TOTAL $M**
Revenue	**-**	**-**	**-**	**-**	-	2.0	0.1	2.1
Other income	-	**-**	**0.3**	**0.3**	-	-	-	-
Expenses	**-**	**(0.1)**	**-**	**(0.1)**	(3.4)	(1.4)	(0.2)	(5.0)
Gross profit (loss)	**-**	**(0.1)**	**0.3**	**0.2**	(3.4)	0.6	(0.1)	(2.9)
Finance costs	**-**	**-**	**(0.2)**	**(0.2)**	-	-	(0.1)	(0.1)
Profit (loss) before tax from discontinued operations	**-**	**(0.1)**	**0.1**	**-**	(3.4)	0.6	(0.2)	(3.0)
Income tax (expense) credit	**-**	**-**	**-**	**-**	1.3	(0.2)	-	1.1
Profit (loss) for the half-year from discontinued operations	**-**	**(0.1)**	**0.1**	**-**	(2.1)	0.4	(0.2)	(1.9)

(c) Cash flow information - discontinued operations

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

	Consolidated							
	Six-months to 31 December 2008				**Six-months to 31 December 2007**			
	Vistawall $M	**Packaging $M**	**Lysaght Taiwan $M**	**TOTAL $M**	**Vistawall $M**	**Packaging $M**	**Lysaght Taiwan $M**	**TOTAL $M**
Net cash inflow (outflow) from operating activities	**-**	**(6.6)**	**(10.4)**	**(17.0)**	(1.7)	30.0	(1.2)	27.1
Net cash inflow (outflow) from investing activities	**-**	**-**	**-**	**-**	-	1.8	-	1.8
Net cash inflow (outflow) from financing activities	**-**	**6.6**	**10.4**	**17.0**	1.7	(31.8)	0.9	(29.2)
Net increase in cash generated by the operation	**-**	**-**	**-**	**-**	-	-	(0.3)	(0.3)

7 Non-current liabilities - Retirement benefit obligations

(a) Defined benefit funds to which BlueScope Steel employees belong:

December 2008	**BlueScope Steel Superannuation Fund**	**New Zealand Pension Fund**	**Coated and Building Products North America**	**Total**
	$M	**$M**	**$M**	**$M**
Present value of the defined benefit obligation	(497.6)	(297.5)	(405.2)	**(1,200.3)**
Fair value of defined benefit plan assets	423.7	175.1	212.3	**811.1**
Adjustment for contributions tax	(13.1)	(60.2)	-	**(73.3)**
Net (liability) asset in the balance sheet	(87.0)	(182.6)	(192.9)	**(462.5)**
Defined benefit expense (half-year)	4.2	4.8	(3.3)	5.7
Employer contributions (half-year)	12.2	8.5	9.7	30.4
Principal actuarial assumptions	%	%	%	
Discount rate (gross of tax)	4.0	4.7	6.3	
Expected return on plan assets (net of tax)	7.5	6.0	8.0	
Future salary increases	3.5	4.0	4.0	

June 2008	**BlueScope Steel Superannuation Fund**	**New Zealand Pension Fund**	**Coated and Building Products North America**	**Total**
	$M	**$M**	**$M**	**$M**
Present value of the defined benefit obligation	(518.4)	(270.8)	(280.7)	**(1,069.9)**
Fair value of defined benefit plan assets	513.7	186.3	208.0	**908.0**
Adjustment for contributions tax	(0.8)	(41.7)	-	**(42.5)**
Net (liability) asset in the balance sheet	(5.5)	(126.2)	(72.7)	**(204.4)**
Defined benefit expense (full year)	0.6	7.7	0.3	8.6
Employer contributions (full year)	13.3	18.4	19.6	51.3
Principal actuarial assumptions	%	%	%	
Discount rate (net of tax)	5.4	4.5	6.3	
Expected return on plan assets (net of tax)	7.5	6.0	8.0	
Future salary increases	4.0	4.0	4.0	

The Group does not have a legal liability to make up a deficit in the plan and has no legal right to benefit from any surplus in the plans. Any surplus will be realised through reduced future Company contributions.

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these major categories.

7 Non-current liabilities - Retirement benefit obligations (continued)

(b) Reconciliations

	Six-months ending 31 December 2008 $M	Twelve-months ending 30 June 2008 $M
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Opening balance	**1,069.9**	1,067.8
Current service cost	**16.9**	30.6
Interest cost	**35.2**	64.3
Actuarial (gains) and losses	**(5.6)**	(13.7)
Foreign currency exchange rate changes	**126.1**	(70.5)
Benefits paid	**(32.8)**	(92.8)
Losses (gains) on curtailments	**(8.8)**	(9.9)
Acquired in business combination	**-**	95.1
Other	**(0.6)**	(1.0)
Closing balance	**1,200.3**	1,069.9
Reconciliation of the fair value of plan assets:		
Opening balance	**908.0**	1,020.4
Expected return on plan assets	**36.9**	77.5
Actuarial gains and (losses)	**(225.7)**	(156.4)
Foreign currency exchange rate changes	**96.6**	(54.9)
Contributions by Group companies	**30.5**	51.3
Tax on employer contributions	**(4.7)**	(8.1)
Contributions by plan participants	**2.9**	6.3
Benefits paid	**(32.8)**	(92.8)
Gain (loss) on curtailments	**-**	(4.7)
Acquired in business combination	**-**	70.4
Other	**(0.6)**	(1.0)
Closing balance	**811.1**	908.0

(c) Amounts recognised in income statement

	Six-months ending 31 December 2008 $M	Twelve-months ending 30 June 2008 $M
Current service cost	**16.9**	30.6
Contributions by plan participants	**(2.9)**	(6.3)
Interest cost	**35.2**	64.3
Expected return on plan assets	**(36.9)**	(77.5)
Losses (gains) on curtailments and settlements	**(8.8)**	(5.2)
Increase in allowance for contributions tax on net liability	**2.2**	2.7
Total included in employee benefits expense	**5.7**	8.6
Actual return on plan assets	**(188.8)**	(78.9)

8 Dividends

	Half-year ended	
	2008	2007
	$M	$M
(a) Ordinary shares		
Dividends provided for or paid during the half-year	**206.3**	191.2
A dividend reinvestment plan is established to enable shareholders to receive some or all of their future dividends as ordinary BlueScope Steel Limited shares instead of cash.		
Dividends provided for or paid during the half-year		
Paid in cash	**148.6**	131.0
Satisfied by issue of shares	**57.8**	60.1
Movement in DRP residual owing	**(0.1)**	0.1
	206.3	191.2
(b) Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 5 cents per fully paid ordinary share (2007 - 22 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 31 March 2009 out of retained profits at 31 December 2008, but not recognised as a liability at the end of the half-year, is:	**43.5**	163.4

9 Contingencies

(a) Contingent liabilities

Since the last annual reporting date, there have been no material changes of any contingent liabilities or contingent assets.

10 Events occurring after the balance sheet date

Capital raising - Share Purchase Plan

Prior to 31 December 2008, the Company announced details of its Share Purchase Plan available to eligible shareholders in Australia and New Zealand. The plan offered participants the opportunity to acquire up to $5,000 of new shares at a discount and free of brokerage fees. A total of $113M was raised with 36,442,921 shares issued on 13 February 2009.

Debt refinancing

A USD 400M bridging loan outstanding at the half-year and due in January 2009 was refinanced subsequent to 31 December 2008. Three 364-day bilateral loan facilities for USD 275M, USD 75M and USD 25M were established and the remaining USD 25M portion was repaid utilising headroom within pre-existing facilities.

A $350M working capital facility was also refinanced subsequent to half-year end. The facility, due to mature in October 2009, was converted to a multi-currency facility with a $100M 1-year tranche maturing January 2010, a $125M 2-year tranche maturing January 2011 and a $125M 3-year tranche maturing January 2012.

The current Group's debt facilities and associated maturity profiles are as follows:

Debt facilities	Term	Maturity	Currency	Committed (USD/THB $M)	Committed (AUD $M)
Loan Note Facility					
Tranche 1	364 days	16 Dec 2009	Multiple		91.7
Tranche 2	3 years	19 Dec 2011	Multiple		550.0
Tranche 3	5 years	19 Dec 2010	Multiple		550.0
2004 USPP Notes					
Series A	7 years	1 Jul 2011	USD	100.0	144.7
Series B	10 years	1 Jul 2014	USD	200.0	289.4
2008 USPP Notes					
Series A	7 years	30 Jun 2015	USD	81.0	117.2
Series B	10 years	30 Jun 2018	USD	204.0	295.1
Series C	12 years	30 Jun 2020	USD	40.0	57.9
Other facilities					
Bilateral	364 days	7 Dec 2009	USD	275.0	397.9
Bilateral	364 days	20 Feb 2010	USD	75.0	108.5
Bilateral	364 days	20 Jan 2010	USD	25.0	36.2
Working capital	364 days	29 Jan 2010	AUD		100.0
Working capital	2 years	29 Jan 2011	AUD		125.0
Working capital	3 years	29 Jan 2012	AUD		125.0
Sale & leaseback		31 Aug 2011	AUD		199.1
Subsidiary loan	3 years	13 Nov 2010	THB	THB2,000	83.0
Subsidiary loan	3 years	9 Oct 2010	THB	THB1,000	41.5
Other facilities					157.0
Total					**3,469.2**

* Table above excludes sold receivables. As at 31 December 2008, $84.8M was drawn of the $190M program. This program matures in August 2009.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 6 to 23 are in accordance with the *Corporations Act 2001,* including:

  (i) complying with AASB 134 *Interim Financial Reporting,* the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Graham Kraehe AO
Chairman

Paul O'Malley
Managing Director & CEO

Melbourne
20 February 2009

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To the members of BlueScope Steel Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BlueScope Steel Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BlueScope Steel Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of BlueScope Steel Limited is not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Bruce Meehan

Bruce Meehan
Partner
Melbourne
20 February 2009