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RESULTS FOR ANNOUNCEMENT TO THE MARKET

(Under ASX listing rule 4.2A)

Annual Earnings Report Twelve Months Ended 30 June 2010

Note (1): This report is based on accounts prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board and complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Note (2): The underlying profit results presented in this report have been prepared based on the principles provided by the Financial Services Institute of Australasia and the Australian Institute of Company Directors.

Melbourne – 16 August 2010 – BlueScope Steel Limited (ASX Code: BSL) today reported its financial results for the twelve months ended 30 June 2010.

Table 1: FY2010 Executive Summary

Financial items	**FY2010**	**FY2009**
▪ NPAT/(NLAT) (1)	$126M / $113M	($66M) / $56M
▪ Earnings per share(1)	6.9cps / 6.2cps	(7.1)cps / 6.1cps
▪ Return on invested capital (annualised EBIT / invested capital) (1)	3.8% / 4.0%	0.2% / 2.4%
▪ Net debt	$743M	$756M
▪ Gearing (net debt/net debt plus equity)	11.4%	11.8%
▪ Final ordinary dividend	5 cps Fully Franked	0 cps

Note: (1) Shows reported / underlying. Please refer to Table 2b on page 5 for a detailed reconciliation.

Other

- Tragically in March an operator working at our Vietnam coating facility sustained a fatal injury. Following this fatality safety sessions were held across the entire organisation. For the year we recorded an LTIFR of 0.81 (0.85 in FY2009) and an MTIFR of 4.91 (5.66 in FY2009).
- A$84M increase in underlying consolidated EBIT FY2010 vs. FY2009 principally due to:
  - outstanding turnaround in our Asian businesses
  - lower costs at all operations, and improved result from North Star BlueScope Steel
  - largely offset by reduced spread (lower domestic and export prices) and a stronger AUD
- Variance between FY2010 Reported (excluding discontinued businesses) and Underlying NPAT was A$7M (please refer table 2b on page 5).
- A$299M increase in 2H FY2010 underlying EBIT over 1H FY2010 predominantly from improved spread and more favourable fixed cost absorption over higher production volumes.
- Zero asset impairment in FY2010 (vs. A$36M underlying adjustment in FY2009).
- Group raw steel production was 6.25Mt (vs. 4.77Mt in FY2009), with Port Kembla production being 4.7Mt (vs. 3.5Mt FY2009).
- Australian domestic: export despatch mix in FY2010 was approx 50:50 (excluding long products purchased from OneSteel). Australian demand improved in FY2010 but not back to pre-GFC levels.
- Operations:
  - No. 5 Blast Furnace reline completed. Back to 100% capacity in October 2009.
  - Significant earnings (underlying EBIT) improvement in Asia of A$137M delivering A$116M in FY2010, largely due to higher despatches, improved margins and lower cost base.
  - North Star BlueScope delivered a better result, i.e. A$62M (vs. A$56M loss) whilst New Zealand & Pacific Steel Products delivered another solid result.
  - Australia Distribution & Solutions and Coated & Building Products North America were disappointing, driven by challenging market conditions.
- Coated & Industrial Products Australia was impacted by a lower spread, but still delivered an underlying EBIT of A$108M.
- Delivered A$340M aggregate reduction in the permanent cost base (over FY2008 levels).
- Inventory of A$1.8B at June 2010 vs. A$1.7B at June 2009 despite a significant increase in production volumes.
- Liquidity A$1.6B as at June 2010 vs. A$1.6B as at December 2009.

Consolidated Results

Table 2a provides the FY2010 consolidated financial results and the comparable FY2009 period. Table 2b reconciles underlying operational earnings to reported earnings.

Table 2a: Financial Headlines
Twelve months ended 30/06/10 ("FY2010") and 30/06/09 ("FY2009")

Financial Measure			FY2010	FY2009	Variance $	Variance %
Total revenue [1]		A$M	8,624	10,329	(1,705)	(17)
Earnings before interest tax, depreciation and amortisation (EBITDA) [2]	**– Reported**	A$M	590	380	210	55
	– Underlying	A$M	605	536	69	13
EBIT [2]	**– Reported**	A$M	240	15	225	1,500
	– Underlying	A$M	255	171	84	49
Interest expense		A$M	(113)	(135)	22	16
NPAT/NLAT attributable to BlueScope Steel Shareholders	**– Reported**	A$M	126	(66)	192	291
	– Underlying	A$M	113	56	57	101
Earnings per share[3]	**– Reported**	¢/s	6.9	(7.1)	14	197
	– Underlying	¢/s	6.2	6.1	0.1	3
Diluted earnings per share	**– Reported**	¢/s	6.9	(7.1)	14	197
Interim Dividend		¢/s	0	5	(5)	(100)
Full Year Dividend		¢/s	5	0	5	n/a
Net cash flow from operating and investing activities (pre-tax and interest)		A$M	136	56	80	143
Return on invested capital [4]	**– Reported**	**%**	3.8%	0.2%		
	– Underlying	%	4.0%	2.4%		
Return on equity [5]	**– Reported**	%	2.3%	(1.4%)		
	– Underlying	%	2.0%	1.2		
Gearing (net debt / net debt plus equity) [6]		%	11.4%	11.8%		
Net tangible assets per share		$/s	2.53	2.46		

(1) Excludes the company's 50% share of North Star BlueScope Steel revenue of $626M in FY2010 ($669M in FY2009). Includes revenue other than sales revenue of $26M in FY2010 ($27M in FY2009). Includes revenue from discontinued businesses of $1M in FY2010 ($0M in FY2009).
(2) Includes 50% share of net profit from North Star BlueScope Steel of $62M in FY2010 (net loss of $(56)M in FY2009).
(3) Earnings per share is based on the average number of shares on issue during the respective reporting periods, ie. 1,823.3M vs. 930.6M.
(4) Return on invested capital is defined as earnings before interest and tax (annualised in case of half year comparison) over average monthly capital employed.
(5) 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.
(6) Target gearing range is 25% to 30% (previously 30% to 35%).

Variance Analysis (FY2010 vs. FY2009)

- Total revenue

  The $1,705M (17%) decrease principally reflects:
  - Lower domestic selling prices across all segments.
  - Higher average AUD:USD exchange rate for FY2010 of 0.8828 compared to the previous corresponding period of 0.7466.
  - Lower global slab and hot rolled coil prices.
  - Lower domestic sales volumes at Coated & Building Products North America.

  Partly offset by:
  - Increase in domestic and export volumes at Coated & Industrial Products Australia and Coated & Building Products Asia.

- EBIT

The $84M (49%) increase in underlying EBIT principally reflects:

Spread ($368M unfavourable)

Prices ($1,843M unfavourable)
- Lower domestic selling prices across all segments.
- Lower export prices, particularly slab and hot rolled coil from Coated & Industrial Products Australia and painted and coated product at Coated & Building Products Asia.

Raw material costs ($1,475M favourable)
- Lower USD coal, iron ore, scrap and alloys purchase prices partly offset by higher value of opening inventory carried forward at Coated & Industrial Products Australia from FY2009.
- Lower steel feed costs across all segments.
- Lower inventory net realisable value provisions for inventory on hand at 30 June 2010 ($13M) compared to 2009 ($166M).

North Star Bluescope Steel ($118M favourable)
- 33% increase in despatch volumes during FY2010.
- Nil inventory net realisable value provisions for inventory on hand at 30 June 2010 vs. $26M for FY2009.
- Higher fixed conversion cost absorption driven by higher production volumes.
- Lower labour and discretionary costs due to cost reduction initiatives.

Partly offset by:
- Reduced spread driven by lower hot rolled coil prices partly offset by lower scrap and pig iron costs.

Exchange rates ($123M unfavourable)
- Net unfavourable foreign exchange movement in the AUD:USD vs. FY2009 in respect of the unfavourable impact on export sales revenue partly offset by the favourable impact in respect of raw materials purchased in USD within Coated & Industrial Products Australia.
- Unfavourable foreign exchange movements, mainly in respect of translating China, Thailand and Malaysia earnings to AUD.
- Unfavourable USD exchange rate movement relative to NZD compared to the prior comparative period partly offset by a favourable movement in the AUD relative to the NZD.
- Unfavourable movement in the AUD:USD relative to the previous comparative period. Average exchange rate for FY2010 was 0.8828 compared to 0.7466 in FY2009 adversely impacting translation of USD earnings.

Sales volumes and product mix ($5M unfavourable)
- Lower domestic sales volumes due to continued weakness in non-residential market in North America mainly offset by higher domestic sales volumes in all other segments.

Costs ($465M favourable) comprising the following components:

Cost improvement initiatives ($363M favourable)

Delivered in FY2010 ($526M favourable)
- Permanent structural cost reductions across all business units and cost categories with the most significant in consumables, labour, raw material usage and throughput efficiencies ($208M).
- Temporary cost reductions across all business units and cost categories with the most significant in selling, general and administration, consumables and repairs and maintenance ($318M).

Partly offset by:
- Temporary cost reductions achieved in the comparative period ($163M).

Cost escalation ($136M unfavourable)
- Escalation of employment, utilities, consumables and other costs.
- Allowance for short term incentive plan award for FY2010.

One-off and discretionary costs ($230M favourable)
- Higher fixed conversion cost absorption mainly driven by increased production volumes at Coated & Industrial Products Australia.

Other costs ($8M favourable)

Other items ($3M unfavourable)
- Higher depreciation expense primarily in Coated & Industrial Products Australia.

Unusual or non-recurring items in reported EBIT include ($141M favourable)
- Insurance recovery within the Lysaght Taiwan business that was closed during 2007 and reduced provisioning in relation to the closed Packaging Products business during FY2010 ($7M).

- Impairment of Lysaght Panels, China ($11M) and further impairment of China Coating Line ($25M) during FY2009 as a result of lower than expected demand.
- Redundancy and restructuring costs, including plant rationalisations following the acquisition of IMSA Steel Corp, at Coated & Building Products North America ($18M) during FY2009 partly offset by redundancies and other internal restructuring costs ($5M) during FY2010.
- Higher restructure and closure provisions within Australia Distribution & Solutions in relation to Lysaght Home Improvements, Trustek, Emerging Business head office and technology centre, Urban Water and BlueScope Buildings ($17M) during FY2009 partly offset by plant rationalisation costs within Lysaght, Sheet and Coil Processing Services and BlueScope Water ($2M) during FY2010.
- Higher staff redundancies within Coated & Industrial Products Australia, Australia Distribution & Solutions, Coated & Building Products Asia and North America and Corporate in response to the global economic downturn and resultant substantial weakness in global steel demand ($55M) during FY2009.
- Profit on sale and leaseback of properties within Australia Distribution & Solutions ($13M) during FY2010.
- Integration costs associated with the acquisition of IMSA Steel Corp ($4M) during FY2009.
- Write off of previously capitalised feasibility costs at New Zealand in relation to capital projects not proceeding ($22M) during FY2009.
- Western Port pickle line fire net of the reversal of previous asset impairment charges on the replacement pickle tanks ($10M) during FY2009.
- Hedge loss on anticipated proceeds in relation to the sale of the Taharoa Iron Sands mine which did not eventuate ($5M) during FY2009.

Partly offset by:

- Reduced provisioning in relation to outstanding claims within the Lysaght Taiwan business that was closed during 2007 and profit on sale of Packaging Products assets ($15M) during FY2009.
- Staff redundancies and other internal restructuring costs at Coated & Industrial Products Australia ($23M) during FY2010 partly offset by restructuring costs in relation to the announced closure of the loss making Flat Products Cold Mill ($20M) during FY2009.
- Business development and legal costs in Corporate ($4M) during FY2010.
- Write back of over-provided liabilities in relation to a general insurance provision and North American pension fund within Coated & Building Products North America ($16M) during FY2009.

▪ Funding

Financing costs for the twelve months ended 30 June 2010 were $113M ($135M in FY2009). The decrease in financing costs was largely the result of a $1,382M decrease in average borrowings to $965M partly offset by an increase in the average interest rate to 7.5% (6.3% in FY2009) following the repayment of lower priced floating rate debt from equity proceeds in May 2009 and an increase in commitment fees payable on undrawn funds to $29M ($6M in FY2009).

▪ Tax

The effective tax rate for the twelve months ended 30 June 2010 was a tax benefit of 1.9% (tax benefit of 41.1% in FY2009). The tax benefit for FY2010 includes the recognition of unbooked deferred tax assets in New Zealand partly offset by an adverse tax expense charge following the New Zealand Government's decision to remove depreciation on buildings. Excluding these two items the effective tax rate for FY2010 would be 15.6% and is lower than the Australian tax rate of 30% primarily due to the realisation of tax benefits in Australia and the mix of earning/losses before tax by different tax regions.

The tax benefit for FY2009 is higher than the Australian tax rate of 30% primarily due to the mix of earnings/losses before tax by different tax regions and the write back of previously over-provided tax provisions. These were partly offset by timing differences and tax losses not recognised on asset impairments.

Variance Analysis (2H FY2010 vs. 1H FY2010) - Refer tables 6a to 6c.

▪ Total revenue

The $418M (10%) increase principally reflects:

- Increase in domestic and export volumes across all segments except for Coated & Building Products North America.
- Higher international slab and hot rolled coil prices.

Partly offset by:

- Unfavourable movement in the AUD:USD relative to the previous comparative period. Average exchange rate for 2H FY2010 was 0.8941 compared to 0.8715 in 1H FY2010.

▪ Total underlying EBIT

The $299M increase principally reflects:

- Higher international slab and hot rolled coil prices.

- Favourable fixed conversion cost absorption driven by higher production volumes particularly within Coated & Industrial Products Australia.
- Improved earnings at North Star BlueScope Steel.

Partly offset by:

- Lower domestic prices particularly within Coated & Industrial Products Australia and Australia Distribution & Solutions.

Table 2b: Reconciliation of Underlying Operational Earnings to Reported Earnings
FY2010 vs. FY2009

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

	EBIT		NPAT		EPS[11]	
Financial Measure ($M)	**FY2010**	**FY2009**	**FY2010**	**FY2009**	**FY2010**	**FY2009**
Reported earnings	240	15	126	(66)	0.07	(0.07)
Net (gains)/losses from businesses discontinued [1]	(7)	(15)	(6)	(13)	(0.00)	(0.01)
Reported earnings (from continuing operations)	233	0	120	(79)	0.07	(0.08)
Unusual or non-recurring events:						
Asset impairment [2]	0	36	0	36	0	0.04
Restructure and redundancy costs [3]	31	110	21	77	0.01	0.08
Profit on Sale and Leaseback of Properties [4]	(13)	0	(9)	0	(0.00)	0
Integration costs associated with IMSA Steel Corp [5]	0	4	0	2	0	0
Write off of feasibility costs on capital projects [6]	0	22	0	15	0	0.02
New Zealand tax adjustment [7]	0	0	(22)	0	(0.01)	0
Business Development costs [8]	4	0	3	0	0	0
Western Port fire (9)	0	10	0	7	0	0.01
Other [10]	0	(11)	0	(2)	0	(0.01)
Underlying Operational Earnings	255	171	113	56	0.06	0.06

(1) FY2010 reflects an insurance recovery within the Lysaght Taiwan business that was closed during 2007 and reduced provisioning in relation to the closed Packaging Products business. FY2009 reflects reduced provisioning in relation to outstanding claims within the Lysaght Taiwan business that was closed during 2007 and profit on sale of Packaging Products assets.
(2) FY2009 reflects impairment of Lysaght Panels, China and further impairment of China Coating Line.
(3) FY2010 reflects staff redundancies and other internal restructuring costs at Coated & Industrial Products Australia, and Coated & Building Products North America and plant rationalisation costs at Australia Distribution & Solutions within Lysaght, Sheet and Coil Processing Services and BlueScope Water. FY2009 reflects restructuring costs at Coated & Industrial Products Australia in relation to the announced closure of the Packaging Products Cold Mill, plant rationalisations at Coated & Building Products North America following the acquisition of IMSA Steel Corp, staff redundancies within Coated & Building Products North America and closure provisions within Australia Distribution & Solutions in relation to Lysaght Home Improvements.
(4) FY2010 reflects profit on sale and leaseback of properties within Australia Distribution & Solutions.
(5) FY2009 reflects integration costs associated with the acquisition of IMSA Steel Corp.
(6) FY2009 reflects write off of previously capitalised feasibility costs at New Zealand in relation to capital projects not proceeding and placed on hold.
(7) FY2010 reflects recognition of previously unbooked deferred tax assets in New Zealand Steel ($31M) partly offset by an adverse tax expense charge following the New Zealand Government's decision to remove depreciation on buildings ($9M).
(8) FY2010 reflects business development and legal costs in Corporate.
(9) FY2009 reflects cost of Western Port fire in the pickle line process in May 2009 ($16M) within Coated & Industrial Products Australia partly offset by asset impairment charge reversals ($6M) in relation to Packaging Products pickle tank assets previously impaired which have been used to replace the pickle tanks damaged in the Western Port fire.
(10) FY2009 reflects the write back of over-provided liabilities in relation to a general insurance provision and North American pension fund within Coated & Building Products North America partly offset by losses arising from hedging the expected proceeds from the Taharoa Iron Sands mine sale which did not proceed and the repayment of USD debt following the AUD equity raising.
(11) Earnings per share is based on the average number of shares on issue during the respective reporting periods, ie. 1,823.3M vs. 930.6M.

Equity, Financial Flexibility and Cash Flow

Table 3 below provides a summary of consolidated equity and return measures at 30 June 2010 and 2009.

Table 3: Consolidated – Return Statistics
FY2010 and FY2009; mixed measures

Financial Measure	FY2010	FY2009
Shares outstanding – end of period (million)	1,823.3	1,823.3
Average shares – for the period (million)	1,823.3	930.6
Return on equity – based on reported NPAT attributable to shareholders (%)	2.3%	(1.4%)
Return on equity – based on underlying operational NPAT earnings (%)	2.0%	1.2%
Return on invested capital – based on reported EBIT (%)	3.8%	0.2%
Return on invested capital – based on underlying operational EBIT earnings (%)	4.0%	2.4%

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

Table 4: Consolidated – Financial Flexibility Measures
FY2010 and FY2009; mixed measures

				Variance	
Financial Measure		FY2010	FY2009	$M	%
Underlying Operational EBITDA	$M	605	536	69	13
Interest expense	$M	113	135	(22)	(16)
Borrowings	$M	994	1,125	(131)	(12)
Underlying Operational EBITDA / interest	times	5	4	1	25
Debt / Underlying Operational EBITDA	times	1.6	2.1	(0.5)	(24)

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

Table 5: Consolidated Cash Flow
FY2010 and FY2009

			Variance	
Financial Measure ($M)	FY2010	FY2009	$M	%
Reported EBITDA (1)	590	380	210	55
Add back non cash items	-	-	-	-
- Share of profits from associates and joint venture partnership not received as dividends	8	63	(55)	(87)
- Impaired assets(2)	0	64	(64)	(100)
- Net (gain) loss on sale of assets	(6)	5	(11)	(220)
- Expensing of share-based employee benefits	4	22	(18)	(82)
Cash EBITDA	596	534	62	12
Changes in working capital (3)	(133)	250	(383)	(153)
Net cash from operating activities	463	784	(321)	(41)
Net cash from investing activities	(327)	(728)	401	55
Cash from operating and investing (pre-tax)	136	56	80	143
Net Interest	(93)	(154)	61	40
Tax (paid)/received (4)	7	(205)	212	103
Cash from operating and investing (post-tax) (as per statutory cash flow)	50	(303)	353	117

(1) Refer EBIT Variance analysis for major changes in EBITDA.
(2) FY2009 mainly includes write off of previously capitalised feasibility costs at New Zealand Steel in relation to capital projects not proceeding and placed on hold and impairment of Lysaght Panels, China and further impairment of China Coating Line.
(3) FY2010 changes in working capital primarily reflects a increase in receivables and inventory mainly driven by higher selling prices and despatch volumes partly offset by higher creditors also driven by increased production and despatch volumes. FY2009 changes in working capital primarily reflects a decrease in receivables mainly driven by the substantial weakness in world steel demand and lower inventory resulting from reduced production utilisation rates and lower raw material and feed purchases to match global steel demand. These were partly offset by lower creditors principally from reduced raw material and feed purchases and lower capital expenditure and provisions.
(4) The BlueScope Steel Australian tax consolidated group is estimated to have carried forward tax losses, as at 30 June 2010, in excess of $500M. There will be no Australian income tax payments until these losses are recovered.

GROUP REVIEW

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

Given the unprecedented circumstances of FY2009 and the challenging business environment in FY2010, I am pleased with the improvement in our overall business performance.

We delivered an outstanding improvement in our Asian businesses, including record profits in China, Indonesia, Malaysia and Vietnam. We also achieved a significant reduction in the company's permanent cost base. Also encouraging was increasing demand in Australia, strong export sales and good earnings results both in New Zealand and at North Star BlueScope Steel, our steelmaking joint venture in the United States.

We have been successful in maintaining conservative gearing (held at around 11%, net debt over net debt plus equity) and a strong liquidity position (held at $1.6B of undrawn debt and cash). Our target gearing has been reassessed and we believe a range of 25% to 30%, down from the range of 30% to 35%, to be appropriate for a business operating in a cyclical industry whilst seeking to maintain strong investment grade metrics.

Importantly for shareholders, the Board has decided to reinstate dividend payments. This decision reflects our view of the financial performance of the business post the Global Financial Crisis, the medium to long-term outlook for BlueScope and the global steel industry, and improved conditions in economies where we operate.

Business Review

In FY2010 improved earnings emerged as the year progressed.

First Half - Net underlying loss after tax of A$53M

First Quarter: Low global demand, continuing from the previous year, resulted in a first quarter loss. The company operated below capacity with only No.6 Blast Furnace operating at 100%, whilst No. 5 was ramping up after being restarted in August 2009, at the Port Kembla Steelworks. Additionally, there was a carry-over of higher priced raw materials inventory from 2H FY 2009.

Second Quarter: On the back of improving global demand, the company returned to near full production capacity by early October, following the successful re-line and ramp up of the No.5 Blast Furnace. To support full production, a strong sales campaign resulted in improved volumes in Australia and Asia. We also saw a marked increase in capacity utilisation rates at the North Star BlueScope operations. Allied to this, a material reduction in cost base enabled the company to deliver better margins and a return to profit.

Second Half - Net underlying profit after tax of A$166M

Third Quarter: Reinvigorated sales, including improved domestic and export sales from the Coated & Industrial Products Australia (CIPA) segment, improved export sales volumes from New Zealand Steel and improved net sales volumes in Asia, contributed to a positive result.

Fourth Quarter: More than two thirds of the half year result was delivered in this quarter reflecting the culmination of the hard work done earlier in the year. Collectively, the lower cost base, improved sales and better spreads (export HRC prices increased by 20-25% in Q4 vs. Q3) drove this much stronger final quarter result.

A highlight for the year was our greatly improved performance in Asia, the future growth corridor of the world, with $116M underlying EBIT for the year versus a loss of $21M in FY2009. A new leadership team is driving our product offering and sales strategy. This, combined with a significant reduction in costs, particularly from streamlining manufacturing operations and a leaner back-office structure, underpinned the turnaround. We increased domestic sales volumes, and margins improved. Our Thailand business continued to be impacted by political instability and higher imports. Elsewhere, our second coating line (with in-line painting) development in Indonesia remains on schedule for completion in early CY 2011.

In Australia, our CIPA segment finished the year positively having increased despatch volumes with an improved sales mix. Underlying EBIT was $108M for the year and $188M in the second half. External export despatches increased

42% in the second half (vs. 1H), and improved prices in the fourth quarter enhanced margins. We also saw second half domestic demand improve by 11% on average across our core sectors. Despite this, our Distribution business struggled in a very competitive market segment with volumes and margins flat in the second half.

Our New Zealand & Pacific Steel Products segment delivered another solid underlying EBIT result of $73M, of which $52M was achieved in the second half. Domestic sales, to the manufacturing end-use sector in particular, increased notably in this half. The team also achieved increased export margins and despatch volumes.

In North America, the North Star BlueScope mini mill delivered a significantly improved result. Earnings from our Hot Rolled Products North America segment improved to $61M (profit) in FY2010, over a $58M loss in the prior year. The North Star team continued to produce quality products and achieve excellent delivery performance to customers. This delivered volume improvements through the year and, along with better margins, contributed to the turnaround in the second half. However, in our Coated & Building Products segment the Buildings business struggled due to continued weakness in the non-residential construction market. This was partly offset by improved performance from our Steelscape coated business, with improved sales volumes but softer margins.

Significant work has been completed in the rationalisation of the integrated Buildings businesses in the U.S. (including design, manufacturing and delivery networks) and we are confident this will deliver better results when overall market conditions improve, given our very competitive cost structure and market offers.

Turning to safety, our goal remains Zero Harm. Tragically, in March, an operator working at our Vietnam coating facility sustained a fatal injury. Following this tragedy, safety sessions were held across the entire organisation. It is only through the combined efforts and contributions of everyone that we can achieve our goal of Zero Harm.

On environment matters, we continued our focus on reducing the environmental footprint of our major manufacturing facilities, and improving our environment systems. The company has developed eight Greenhouse Gas Policy Principles, which form the basis for responding to proposed GHG regulations. Central to our position is that such regulations must not undermine the international competitiveness of BlueScope's major operations. We are taking further significant steps to cut water use in our Australian operations, with a recycled water project currently under construction at the Western Port plant that will reduce its freshwater consumption by 65 per cent.

Steel Industry

In the second half of June 2010, global steel prices fell in response to reduced demand and concern about increased exports from China. A prompt response from global steel producers to reduce production and continued supply discipline in China, have contributed to steel prices stabilising in the mid-US$600's/tonne as at mid August. Global capacity utilisation is currently around 80% (or around 75% ex-China). We need to see a return to mid-80% capacity utilisation (including China) to achieve a sustained improvement in the steel pricing environment.

Other major global steel influences are the continued high cost of raw materials and concern about a slowing Chinese economy, due to credit tightening and softer demand. The Chinese Government is taking the appropriate action to move their economy back to a more sustainable growth path. Our businesses in China continue to see robust physical activity through their order books.

Strategy

We recently undertook a review of our strategy to position us for growth, following the end of the Global Financial Crisis. Building on the strategy detailed in our November 2007 'Blueprint, the review reinforced our focus on:

1. reinvigorating our Australian and New Zealand businesses;
2. continuing the turnaround and improvement process across our Asian and North American businesses; and
3. growing, or acquiring, new businesses that build on our distinct competitive advantage:

The review also concluded that we should broaden our strategic activities to include three additional core elements. These are to:

- expand participation in our existing building and construction markets, better leveraging our current product base including custom engineered buildings, insulated panels, quality coated products and light-weight steel structures;
- invest into large, high growth regions leveraging our product capability, especially through our Butler and Varco Pruden brands; and
- evaluate raw material opportunities that reduce our raw material cost base through the cycle.

We will, of course, continue to pursue the fundamentals of maximum asset utilisation, structural cost reductions and management to strict financial targets – both with regard to the operation of our existing business and in our expansion and growth initiatives.

Outlook

Turning to the outlook, Mr O'Malley said: "In the first half of FY2011 we expect continued strong performance from our Asian businesses and the ongoing benefit of permanent cost reductions. However, in the first quarter we currently see:

- significant spread contraction (recent fall in export steel prices by more than USD100/tonne, coupled with higher raw material costs),
- softer demand where customers, particularly distributors, buy less during periods of price pessimism,
- continued demand weakness in the U.S.; and
- an ongoing drag due to the strong A$ vs. US$.

We are seeing a modest real-time increase in export steel prices in our region for Q2 delivery.

Overall, we are planning for significantly improved market conditions over the medium to long term, despite short term concerns. Over the last couple of years we have strengthened the balance sheet and improved the effectiveness of the global BlueScope operations, both in terms of reduced cost base and improved productivity. The strategic imperative now is to increase market penetration in our footprint to enable our company to profitably capitalise on improving market conditions and grow our presence in global building and construction markets.

A further update will be provided at our AGM in November.

I would like thank all BlueScope employees for their continued outstanding contributions, in very difficult times, and for their strong commitment to achieving our goal of zero harm.

Business Unit Reviews

Table 6a: Sales Revenue
FY2010 and FY2009; 2H FY2010, 1H FY2010 and 2H FY2009; $ millions

Segment	FY2010	FY2009	2H FY2010	1H FY2010	2H FY2009
Coated & Industrial Products Australia	4,745	5,291	2,614	2,131	1,820
Australia Distribution & Solutions	1,762	2,121	866	896	874
Inter-segment (1)	(628)	(651)	(312)	(316)	(236)
Sub-total Australia	5,879	6,761	3,168	2,711	2,458
New Zealand & Pacific Steel Products	618	695	340	278	325
Coated & Building Products Asia	1,349	1,543	720	629	665
Hot Rolled Products North America (2)	0	0	0	0	0
Coated & Building Products North America	1,307	2,189	614	693	874
Inter-segment (1)	0	0	0	0	0
Sub-total North America	1,307	2,189	614	693	874
Corporate and Group	0	0	0	0	0
Inter-segment (1)	(556)	(886)	(336)	(220)	(163)
Continuing Businesses	**8,597**	**10,302**	**4,506**	**4,091**	**4,159**
Discontinued Businesses (4)	1	0	1	0	0
Inter-segment	0	0	0	0	0
Total BLUESCOPE STEEL	**8,598**	**10,302**	**4,507**	**4,091**	**4,159**

Table 6b: Reported EBIT
FY2010 and FY2009; 2H FY2010, 1H FY2010 and 2H FY2009; $ millions

Segment	FY2010	FY2009	2H FY2010	1H FY2010	2H FY2009
Coated & Industrial Products Australia	84	206	176	(92)	(438)
Australia Distribution & Solutions	12	(23)	5	7	(97)
Inter-segment (1)	(2)	(6)	6	(8)	20
Sub-total Australia	94	177	187	(93)	(515)
New Zealand & Pacific Steel Products	73	65	52	21	9
Coated & Building Products Asia	116	(94)	66	50	(19)
Hot Rolled Products North America	61	(58)	47	14	(73)
Coated & Building Products North America	(21)	(93)	(32)	11	(38)
Inter-segment (1)	0	0	0	0	0
Sub-total North America	40	(151)	15	25	(111)
Corporate and Group (3)	(71)	(129)	(40)	(31)	(41)
Inter-segment (1)	(19)	132	(17)	(2)	13
Continuing Businesses	**233**	**0**	**263**	**(30)**	**(664)**
Discontinued Businesses (4)	7	15	0	7	14
Inter-segment	0	0	0	0	0
Total BLUESCOPE STEEL	**240**	**15**	**263**	**(23)**	**(650)**

Table 6c: Underlying EBIT
FY2010 and FY2009; 2H FY2010, 1H FY2010 and 2H FY2009; $ millions

Segment	FY2010	FY2009	2H FY2010	1H FY2010	2H FY2009
Coated & Industrial Products Australia	108	141	188	(80)	(412)
Australia Distribution & Solutions	2	9	(1)	3	(66)
Inter-segment (1)	(2)	(6)	6	(8)	20
Sub-total Australia	108	144	193	(85)	(458)
New Zealand & Pacific Steel Products	73	87	52	21	9
Coated & Building Products Asia	116	(21)	66	50	(5)
Hot Rolled Products North America	61	(58)	47	14	(73)
Coated & Building Products North America	(16)	9	(27)	11	(28)
Inter-segment (1)	0	0	0	0	0
Sub-total North America	45	(49)	20	25	(101)
Corporate and Group (3)	(68)	(122)	(37)	(31)	(39)
Inter-segment (1)	(19)	132	(17)	(2)	12
Continuing Businesses	**255**	**171**	**277**	**(22)**	**(582)**
Discontinued Businesses	0	0	0	0	0
Inter-segment	0	0	0	0	0
Total BLUESCOPE STEEL	**255**	**171**	**277**	**(22)**	**(582)**

(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$626M in FY2010 (A$669M in FY2009).
(3) Corporate and Group reflects corporate office activities. The decrease in FY2010 EBIT primarily reflects foreign exchange losses on net foreign currency denominated debt, including inter-company debt, booked during FY2009, general employee share plan costs incurred during FY2009 and reduced costs in FY2010 delivered from cost reduction programmes.
(4) FY2010 reflects an insurance recovery within the Lysaght Taiwan business that was closed during 2007 and reduced provisioning in relation to the closed Packaging Products business. FY2009 reflects reduced provisioning in relation to outstanding claims within the Lysaght Taiwan business that was closed during 2007 and profit on sale of Packaging Products assets.

BLUESCOPE STEEL AUSTRALIA

Coated & Industrial Products Australia

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 steel production);
- Western Port facility, Hastings, VIC (hot rolled coil, cold rolled coil, metal coated and painted steel production);
- Western Sydney COLORBOND® steel facility (NSW);
- Acacia Ridge COLORBOND® steel facility (Queensland); and
- North America, European and Asian export trading offices.

(i) Financial Performance

Table 7a: Financial Performance
FY2010 and FY2009

Financial Measure ($M, unless marked)	FY2010	FY2009	Variance $M	Variance %
Sales revenue [(1), (2)]	4,745	5,291	(546)	(10)
Reported EBITDA [(2)]	282	402	(120)	(30)
Reported EBIT	84	206	(122)	(59)
Underlying operational EBIT [(3)]	108	141	(33)	(23)
Capital and investment expenditure [(4)]	224	559	(335)	(60)
Net operating assets (pre tax) [(5)]	3,464	3,322	142	4
Return on net assets (pre tax) [(6)]	2%	6%		

Table 7b: Financial Performance
2H FY2010 vs. 2H FY2009, and 1H FY2010

Financial Measure ($M, unless marked)	2H FY2010	2H FY2009	Variance	1H FY2010
Sales revenue [(1), (2)]	2,614	1,820	794	2,131
Reported EBITDA [(2)]	273	(349)	622	9
Reported EBIT	176	(438)	614	(92)
Underlying operational EBIT	188	(412)	600	(80)
Capital and investment expenditure [(4)]	123	425	(302)	101
Net operating assets (pre tax)	3,464	3,322	142	3,363
Return on net assets (pre tax) [(6)]	10%	(25%)	0	(6%)

(1) FY2010 includes coke sales of 175kt (FY2009 282kt and 2H FY2010 50kt).
(2) Sales revenue and EBITDA includes $3,456M and $108M respectively in relation to the old Hot Rolled Products Australia segment (FY2009 $3,936M and $340M 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 & Industrial Products Australia segment due to sales between the businesses in this segment.
(3) FY2010 EBIT has been adjusted for staff redundancies and other internal restructuring costs ($24M). FY2009 EBIT has been adjusted for inter-company inventory net realisable value provisions ($114M) partly offset by closure provisions driven by the announced closure of the packaging products cold mill at Port Kembla ($20M), Western Port fire net of reversal of previous asset impairment charges ($10M) and staff redundancies and other internal restructuring costs ($19M).
(4) The reduction in capital and investment expenditure primarily relates to higher spend on the reline of No. 5 Blast Furnace and sinter plant upgrade during FY2009.
(5) Increase in net operating assets primarily reflects higher receivables mainly driven by higher selling prices and volumes and higher fixed assets partly offset by higher creditors due to considerably higher production volumes.
(6) Return on net assets is defined as EBIT (annualised in case of half year comparisons) / average monthly net operating assets.

(ii) Variance Analysis (FY2010 vs. FY2009)

The $546M decrease in sales revenue is due to lower domestic prices across all commoditised products and lower international USD slab and hot rolled coil prices. The stronger average AUD vs. USD exchange rate had a direct negative impact on export revenues and an indirect negative impact on domestic prices by virtue of its influence on the AUD value of imports. These impacts were partly offset by higher domestic and export sales volumes.

The $33M decrease in underlying EBIT was largely due to:

- Reduced spread
  - Lower domestic prices across all commoditised products driven by lower international steel prices and a stronger AUD compared to the USD (average 0.8828 in FY2010 vs. 0.7466 in FY2009).
  - Lower international slab and hot rolled coil prices.

  Partly offset by

  - Lower USD denominated coal, iron ore, scarp and alloys purchase prices partly offset by higher value of opening inventory carried forward from FY2009.

- Net unfavourable foreign exchange movement in the AUD:USD vs. FY2009 in respect of the unfavourable impact on export sales revenue partly offset by the favourable impact in respect of raw materials purchased in USD.

These were partly offset by:

- Favourable fixed conversion cost absorption driven by higher production volumes.
- Lower inventory net realisable value provisions for inventory on hand at June 2010 ($10M) compared to 2009 ($83M) for inventory destined for external export markets.
- Lower costs due to cost reduction initiatives across all major cost categories.
- Higher domestic sales volumes.

Unusual and non-recurring items in reported EBIT included:

- Staff redundancies and other internal restructuring costs during FY2010 ($24M) partly offset by staff redundancies and other internal restructuring costs during FY2009 ($19 M).
- Reversal of FY2009 margins on inter-company sales where a subsequent inventory net realisable value provision was required to be booked by a separate reporting segment (Coated & Building Products North America and Asia and Australia Distribution & Solutions) ($114M).
- Closure provisions driven by the announced closure of the packaging products cold mill at Port Kembla during FY2009 ($20M).
- Western Port fire in the pickle line process partly offset by previous asset impairment charge reversals during FY2009 ($10M).

(iii) Variance Analysis (2H FY2010 vs. 1H FY2010)

The $268M increase in underlying EBIT was largely due to:

- Higher international steel prices partly offset by weaker domestic prices mainly driven by a stronger AUD and increased import competition.
- Improved demand and benefit of No.5 Blast Furnace operating at near full capacity in 2H FY2010 resulted in increased domestic and export despatches. This also allowed higher fixed conversion cost absorption across greater production volumes.
- Higher value of opening inventory carried forward from FY2009 into 1H FY2010 not repeated in 2H FY2010 partly offset by higher USD coal, iron ore and coating metals purchase prices.

(iii) Operations Report

<u>Port Kembla Steelworks</u>

- <u>Iron & Slab</u>
  - Ironmaking production of 4.72Mt in FY2010, was 1.26Mt higher than the 3.46Mt in FY2009 as both Blast Furnaces (BF) No. 5 and No. 6 were operating after 19 August 2009 (BF No. 5 ceased production prior to reline in January 2009). Ironmaking production of 2.52Mt in 2H FY2010, was 0.3Mt higher than the 2.2Mt in 1H FY2010
  - Slab production was 4.72Mt in FY2010 (vs. 3.52Mt for FY2009). Slab production of 2.53Mt in 2H FY2010 was 0.35Mt higher than the 2.19Mt in 1H FY2010. 2H FY2010 annualised slab production of 5.12Mt was slightly below normal annual capacity of 5.3Mt owing to a combination of minor one-off production issues, and scheduled maintenance and process improvement work.
  - Iron ore supply arrangements:
    - Contracts in place for the supply of iron ore as follows:
      - BHP Billiton for lump and fines (total 5Mtpa to 30 June 2019)
      - Grange Resources for pellets (0.8Mtpa to 30 June 2012). BlueScope and Grange have agreed a US$150/t provisional price for purchases during the quarter commencing 1 July 2010. Pricing arrangements for the balance of FY2011 are under review.
      - Vale for fines (a total of 1.87Mt to 31 December 2011, of which 0.63Mt can be purchased during the period April to December 2010 and the balance in the 12 months to December 2011).
    - Supply of additional requirements will be secured through short term supply arrangements
    - Further detail on supply arrangements can be found in FY2010 investor presentation
- <u>Hot Strip Mill (HSM)</u>
  - Hot rolled coil production of 2.71Mt in FY2010 (vs. 2.04Mt in FY2009). HRC production of 1.53Mt in 2H FY2010 (vs. 1.18Mt in 1H FY2010).

- Plate Mill
  - Plate production of 0.32Mt in FY2010 (vs. 0.29Mt in FY2009). Plate production of 0.18Mt in 2H FY2010 (vs. 0.14Mt in 1H FY2010).
  - During 1H FY2010 both re-heat furnaces underwent significant repair to restore furnace capacity and the mill is now well positioned to meet demand.
- Sinter Plant Upgrade
  - The Sinter Plant re-commenced production on 29th June 2009 after the successful completion of the upgrade capital project. In 1H FY2010 2.4Mt of sinter was produced (vs. 2.5Mt in 1H FY2009) with improved quality and a reduction in operating costs. In 2H FY2010 approximately 3.0Mt of sinter was produced, with the plant having achieved its intended production capacity capability of 6.6Mtpa equivalent during 2H FY2010.
  - Increased production of sinter increases sinter in the blast furnace burden (displacing iron ore pellets) by approximate 1:1 ratio.
  - Improved sinter quality has also improved the blast furnace burden permeability and will allow for increased lower cost pulverised coal injection rates. PCI coal consumed in 2H FY2010 was 356kt vs. 309kt in 1H FY2010 (297kt in 1H FY2009).

Coated Businesses

- Western Port
  - Hot rolled coil production of 1.02Mt in FY2010 (vs. 0.79Mt in FY2009). HRC production of 0.54Mt in 2H FY2010 (vs. 0.48Mt in 1H FY2010).
  - Metal coating line production of 0.69Mt in FY2010 (vs. 0.59Mt in FY2009). Production of 0.38Mt in 2H FY2010 (vs. 0.31Mt in 1H FY2010). MCL 6 production was brought up to full capacity from March 2010.
  - Paint line production of 0.26Mt in FY2010 (vs. 0.24Mt in FY2009). Production of 0.14Mt in 2H FY2010 (vs. 0.12Mt in 1H FY2010), with several planned maintenance days during 2H FY2010.
  - Increase in volumes across all lines in response to improving customer demand following recovery from the GFC.
- Springhill
  - Coupled pickled cold mill production of 0.92Mt in FY2010 (vs. 0.78Mt in FY2009). Production of 0.48Mt in 2H FY2010 (vs. 0.44Mt in 1H FY2010).
  - Metal coating line production of 0.78Mt in FY2010 (vs. 0.65Mt in FY2009). Production of 0.40Mt in 2H FY2010 (vs. 0.38Mt in 1H FY2010). Springhill achieved a significant milestone in June 2010, i.e. produced its 10 millionth tonne of Zincalume.
  - No. 3 paint line production of 0.18Mt in FY2010 (vs. 0.13Mt in FY2009). Production of 0.10Mt in 2H FY2010 (vs. 0.08Mt in 1H FY2010).
  - Increase in volumes across all lines in response to improving customer demand following recovery from the GFC.
  - Metal coating lines operated at full capacity in 2H FY2010.
- Western Sydney Centre (Paint Line)
  - Paint line production of 0.09Mt in FY2010 (vs. 0.06Mt in FY2009). Production of 0.05Mt in 2H FY2010 (vs. 0.04Mt in 1H FY2010).
  - The plant was built with adequate capacity for the future. Ramp up since commissioning has been successful and the line is now capable of running at full capacity, and will move towards this level as customer demand in the western Sydney region grows.
- Acacia Ridge Centre
  - Paint line production of 0.09Mt in FY2010 (vs. 0.09Mt in FY2009). Production of 0.04Mt in 2H FY2010 (vs. 0.05Mt in 1H FY2010).

(v) Markets

- Australian Domestic Building Sector
  - Sales volumes recovered by 6% in FY2010 (vs. FY2009). Residential activity improved, as did non-residential activity supported by significant government stimulus driven projects.

- 2H FY2010 volumes were 3% higher in aggregate than 1H FY2010, but 8% higher on a tonnes per-despatch-day basis, reflecting the ongoing improvement of the building market during the year.
- Pricing of the premier branded product COLORBOND® steel remained stable through FY2010. Average pricing in metal coated products declined in FY2010 compared to FY2009 largely due to the strength of the Australian dollar. 2H FY2010 pricing in metal coated products declined marginally on 1H FY2010, with a rebound in pricing at the end of 4Q FY2010.

- Australian Domestic Industrial Sectors
  - Sales volumes increased 27% in FY2010 (vs. FY2009) and 2H FY2010 volume was 16% higher on 1H FY2010. This has been driven by an increase in activity levels and inventory restocking after heavy inventory reductions late in FY2009, particularly in the Distribution and Pipe and Tube sectors. Sales growth has resulted from improved economic activity and increased government stimulus driven projects. This year-on-year increase in volume has also been supported by an increase in market share across BlueScope's commoditised product range.
  - Overall FY2010 pricing was down on FY2009. Domestic prices were buoyant prior to the start of the global financial crisis (GFC) and remained so into Q3 FY09 due to rapid depreciation of the Australian dollar and the lag impact of reduced prices on imported steel. 2H FY2010 prices were on average lower than 1H FY2010 given the peak during 2Q FY2010 and the trough of 3Q FY2010 driven by the strengthening of the Australian dollar and increased import competition. 4Q FY2010 prices recovered on 3Q FY2010 levels.

- Export Markets
  - Global demand improved in 1Q FY2010 due to restocking and tight supply given capacity reductions in the steel industry. Demand improvement was most notable in the Asian region. This resulted in hot rolled coil (HRC) prices improving by approx. 10% compared to the previous quarter. 1Q FY2010 export volumes were significantly lower than 1Q FY2009 due to limited production from No.5 Blast Furnace.
  - HRC prices continued to increase in 2Q FY2010 (approximately 10%) vs. 1Q FY 2010. Export despatch volume increased significantly in 2Q FY2010 with increased production from the start up of No. 5 Blast Furnace which recommenced production in August 2009 post completion of the reline.
  - Global demand continued to rise in all regions, especially in the strongly growing Asian and South American markets in 3Q FY2010. HRC prices also increased in 3Q FY2010 (approximately 5%) compared to the previous quarter.
  - Global steel demand continued to improve in the beginning of 4Q FY2010 in all regions with HRC prices increasing by 20% to 25% compared to the previous quarter. However, steel markets started to soften from May 2010 due to a number of factors including the Northern Hemisphere summer, growing risk aversion from the European sovereign risk crisis, lower global growth expectations for certain geographic regions outside Australia and uncertainty from the impact of higher raw material costs. Towards the end of 4Q FY2010 and at the commencement of 1Q FY2011, the regional East Asian CFR hot rolled coil price had fallen from the US$700-750/t CFR range of early May 2010, to approximately US$600-630/t CFR.
  - Throughout the year, the Coated & Industrial Products division was able to despatch all available steel to export markets having regard to total production, domestic demand and supply chain management.
  - Overall, FY2010 external export volumes were up 46% on FY2009. Further, in 2H FY2010, external sales volumes were materially higher on 1H FY2010 (increased by 42%) and product mix improved considerably.
  - Demand in the early part of Q1 FY2011 has fallen as buyers take a cautious "wait and see" approach due to the uncertainty in the global market recovery and the impact of higher raw materials. Despite this softening observed at the end of 4Q FY2010 and the start of 1Q FY2011, as at mid July, BlueScope has continued to place export orders to meet full production of the division.

Australia Distribution & Solutions

This segment comprises:

- BlueScope Distribution with 78 sites throughout Australia;
- BlueScope Lysaght, with 38 sites throughout Australia;
- Sheet and Coil Processing Services, with 6 sites across Australia; and
- Emerging Businesses, comprising Highline, Pioneer Water, Urban Water and BlueScope Buildings with 6 manufacturing and 7 retail sites across Australia and 2 manufacturing sites and 1 retail site in the United States.

(i) Financial Performance

Table 8a: Financial Performance
FY2010 and FY2009

Financial Measure ($M, unless marked)	FY2010	FY2009	Variance $M	Variance %
Sales revenue	1,762	2,121	(359)	(17)
Reported EBITDA	43	8	35	438
Reported EBIT	12	(23)	35	152
Underlying operational EBIT [(1)]	2	9	(7)	(78)
Capital and investment expenditure	10	25	(15)	(60)
Net operating assets (pre tax) [(2)]	881	926	(45)	(5)
Return on net assets (pre tax) [(3)]	1%	(2%)		

Table 8b: Financial Performance
2H FY2010 vs. 2H FY2009, and 1H FY2010

Financial Measure ($M, unless marked)	2H FY2010	2H FY2009	Variance	1H FY2010
Sales revenue	866	874	(8)	896
Reported EBITDA	21	(81)	102	22
Reported EBIT	5	(97)	102	7
Underlying operational EBIT	(1)	(66)	65	3
Capital and investment expenditure	7	11	(4)	3
Net operating assets (pre tax) [(2)]	881	926	(45)	900
Return on net assets (pre tax),[(3)]	1%	(18%)		2%

(1) FY2010 EBIT has been adjusted for profit on sale and leaseback of properties ($13M) and plant rationalisation costs within Lysaght, Sheet and Coil Processing Services and BlueScope Water ($2M). FY2009 EBIT has been adjusted for costs relating to staff redundancies and other internal restructuring costs ($14M), the closure of Lysaght Trustek and additional closure costs of Lysaght Home Improvements ($10M), restructuring costs associated with the Emerging Business segment combined with asset impairments within Lysaght ($7M) and inter-company inventory net realisable value provisions ($1M).

(2) Decrease in net operating assets primarily reflects higher year end creditors as the business increased purchasing patterns to more normal levels whilst maintaining inventory balances.

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

(ii) Variance Analysis (FY2010 vs. FY2009)

The $359M decrease in sales revenue is primarily due to lower average domestic selling prices.

The $7M decrease in underlying EBIT was largely due to:

- Reduced spread as lower domestic prices more than offset reduced steel feed costs.

These were partly offset by:

- No inventory net realisable value provisions for inventory on hand at 30 June 2010 vs. $40M for FY2009.
- Lower costs due to cost reduction initiatives across all major cost categories.

Unusual and non-recurring items in reported EBIT included:

- Profit on sale and leaseback of properties during FY2010 ($13M).
- Plant rationalisation costs booked during FY2010 ($2M).
- Staff redundancies and other internal restructuring costs during FY2009 ($14M).
- Lysaght Trustek and additional Lysaght Home Improvements closure provisions booked during FY2009 ($10M).
- Restructuring costs associated with the Emerging Business segment combined with asset impairments within Lysaght during FY2009 ($7M).
- 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 & Industrial Products Australia during FY2009 ($1M).

(iii) Variance Analysis (2H FY2010 vs. 1H FY2010)

- 2H FY2010 underlying EBIT was largely in line with 1H FY2010.

(iv) Operations Report

- BlueScope Distribution

  - Stronger demand in building markets, manufacturing and automotive sectors was offset by subdued demand from the mining sector resulting in FY2010 despatch volumes being largely consistent with the FY2009 year. Despatch volumes in 2H FY2010 were 2% higher than 1H FY2010 and 22% higher than 2H FY2009. The Government funded Building Education Revolution program assisted in underpinning volumes in the non-residential building segment, while in the mining segment, completed projects and a slow uptake on project pipelines contributed to lower volumes.
  - A higher Australian dollar during the period reduced the cost of competitors' imported products resulting in selling price pressure in the domestic market and led to lower margins.
  - BlueScope Distribution continues to focus on customer needs and significant improvement has been made in the key DIFOT (delivered in full and on time) metric during the period.
  - A continuing focus on cost control has resulted in further savings in 2H FY2010.

- BlueScope Lysaght

  - Despatch volumes were marginally higher in FY2010 compared to FY2009. Sales volumes in 2H FY2010 were 5% lower than 1H FY2010, but 17% higher than 2H FY2009.
  - Extensive monsoon and wet weather patterns from December 2009 to April 2010 reduced sales across most of Queensland and parts of NSW in 2H FY2010.
  - Improvement in the residential housing sector has been evident in 2H FY2010, in particular in Victoria and South Australia. Soft market conditions have continued across most regions with concern about the Global Financial Crisis, availability of credit and increasing interest rates continuing to affect consumer demand.
  - The Government funded Building Education Revolution has had a strong impact on demand, in part offsetting the continued downturn in industrial and commercial construction which has been adversely affected by the availability of credit.
  - Cost saving initiatives implemented during calendar year 2009 continued to benefit the business in 2H FY2010.

- Sheet and Coil Processing Services (S&CPS)

  - Stronger demand in the building sector has led to higher production levels (slit coil and sheared sheet) with S&CPS FY2010 production up 8% on FY2009. 2H FY2010 production was 5% higher than 1H FY2010 and 38% higher than 1H FY2009.
  - The S&CPS business remains focussed on maintaining high levels of customer satisfaction on a cost efficient basis, through continuous improvement in productivity and cost containment.
  - In May 2010, S&CPS decided to rationalise its asset base in NSW by combining the processing capabilities of the BlueScope Service Centre at Chullora and the ex-Smorgon Distribution Sheet Metal Supplies processing operation at Padstow to a single site located at Chullora. The combined NSW operation will lead to lower operating costs and improved efficiencies.

- Emerging Businesses

  - The Highline buildings and water tank business was impacted by project delays, principally in Western Australia, resulting in lower sales revenue during FY2010 vs. FY2009. Order intake improved towards the end of FY2010 and project work began to be released.
  - The Pioneer Water commercial and rural water tank business experienced stronger 2H FY2010 sales activity largely due to seasonal rural spending. Sales revenue for FY2010 was consistent with FY2009, however production efficiencies and cost reductions increased profitability.
  - The Urban Water business experienced reduced demand during FY2010. Competitor activity in the segment was strong and selling prices reduced. Offsetting this were manufacturing productivity gains and reduced overheads.
  - Interest in BlueScope Buildings range of offers is growing, including the pre-engineered buildings segment, remote building steel framing supply, steel building facades and roll-formed aluminium for harsh environment applications.

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
FY2010 and FY2009

Financial Measure ($M, unless marked)	FY2010	FY2009	Variance $M	Variance %
Sales revenue	618	695	(77)	(11)
Reported EBITDA	107	95	12	13
Reported EBIT	73	65	8	12
Underlying operational EBIT (1)	73	87	(14)	(16)
Capital and investment expenditure	37	32	5	16
Net operating assets (pre tax) (2)	398	346	52	15
Return on net assets (pre tax) (3)	19%	20%		

Table 9b: Financial Performance
2H FY2010 vs. 2H FY2009, and 1H FY2010

Financial Measure ($M, unless marked)	2H FY2010	2H FY2009	Variance	1H FY2010
Sales revenue	340	325	15	278
Reported EBITDA	69	24	45	38
Reported EBIT	52	9	43	21
Underlying operational EBIT (1)	52	9	43	21
Capital and investment expenditure	16	12	4	21
Net operating assets (pre tax)	398	346	52	395
Return on net assets (pre tax) (3)	26%	6%		12%

(1) FY2009 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 ($22M).

(2) Increase in net operating assets primarily reflects higher receivables mainly driven by higher export debtors resulting from higher selling prices and change in export destination mix and a decrease in the defined benefit superannuation fund provision of $15M.

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

(ii) Variance Analysis (FY2010 vs. FY2009)

The $77M decrease in sales revenue is primarily due to lower international and domestic selling prices and an unfavourable movement in the USD relative to the NZD partly offset by a favourable movement in the AUD relative to the NZD and higher domestic volumes particularly for branded products.

The $14M decrease in underlying EBIT was largely due to:

- Lower international and domestic selling prices.
- Unfavourable USD exchange rate movement relative to NZD compared to the prior comparative period partly offset by a favourable movement in the AUD relative to the NZD.

These were partly offset by:

- Lower repairs and maintenance spend in FY2010.
- Lower costs due to cost reduction initiatives across all major cost categories.
- Nil inventory net realisable value provisions for inventory on hand at June 2010 vs. $12M for 2009.
- Higher domestic despatch volumes.
- Higher shipments of Taharoa iron sands during FY2010 mainly due to timing of shipments and repair works on the MV Taharoa Express during FY2009.

Unusual and non-recurring items in reported EBIT included:

- During FY2009, write off of feasibility costs previously capitalised in relation to capital projects that were placed on hold during FY2009 due to global conditions and the uncertain investment environment in New Zealand ($22M).

(iii) Variance Analysis (2H FY2010 vs. 1H FY2010)

The $31M increase in underlying EBIT was largely due to:

- Higher fixed conversion cost absorption driven by higher production volumes.
- Higher international steel prices.
- Higher average iron sand prices during 2H FY2010.

These were partly offset by:

- Higher coating material costs in 2H FY2010.

(iv) Operations Report

- Improved steel production in FY2010 of 577kt (vs. 543kt FY2009) impacted by Melter failure 1H FY2009. The improvement in 2H FY2010, 315kt vs. 262kt 1H FY2010, was due to the timing of planned repairs in 1H.
- Hot rolled coil production of 552kt (vs. 541kt FY2009). The improvement in 2H, 314kt vs. 238kt 1H FY2010, was largely due to slab shortage in 1H.
- Higher metal coating production of 221kt (211kt FY2009, 114kt 2H FY2010 and 107kt 1H FY2010) reflected higher market demand.
- Paint line production of 52kt (44kt FY2009, 29kt 2H FY2010 and 23kt 1H FY2010) reflected higher market demand.
- Cost control continued to be a major focus for all operational areas with maintenance and labour spend reduction being the priority.
- Vanadium volumes were up 4% in FY2010 over FY2009, due to improved process control. 2H FY2010 volume up 50% on 1H FY2010, due to timing of planned shuts in 1H and continuous improvement throughout the year.
- Iron sands exports from Taharoa up 33% to 927kt in FY2010, compared to FY2009 which was impacted by a scheduled dry dock for the ship.

(v) Other

- <u>Taharoa iron sands sale update</u>
  - Legal proceedings in relation to the proposed sale to CKI in 2008 are continuing and the outcome is currently uncertain. Operations are continuing to ensure safe and efficient delivery of iron sands to customers.

(vi) Markets

- <u>Domestic</u>
  - Domestic despatches for FY2010 were 256kt, up 10% on FY2009. 2H FY2010 despatches of 143kt, up 17% on 1H FY2010 on improved demand.
  - 1H FY2010 saw downward pressure on earnings caused by flow-on from the Global Financial Crisis and the weak USD. However, there was some recovery during 4Q largely due to increased sales through distributors to the manufacturing sector and increased indirect exports.
  - The manufacturing sector grew during FY2010, but limited growth was experienced in the agricultural sector. Government infrastructure investments also assisted with higher demand.
  - Demand in the residential sector was at similar levels to FY2009, remaining at a cyclical low. Private sector non-residential building demand was significantly down on FY2009 largely due to an over-supply nationally of existing capacity for warehousing and commercial buildings.
  - Import volumes during FY2010 were low and down 15% on FY2009.
  - A new steel framing brand Axxis® was successfully launched during the year, with total framing sales levels up 24% on last year

- Export
  - FY2010 volumes were down marginally on FY2009 (10kt, 3.5%) in line with increased domestic demand. During FY2009 the export market was utilised to sell excess tonnes. As the domestic market strengthened in FY2010 these previously excess tonnes were reallocated to the domestic market.
  - Demand in FY2010 was relatively strong in most markets.
  - Markets and project work in the Pacific Islands businesses, underpinned strong coated volumes into this region.

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 Pre-Engineered Buildings ("PEB") and Lysaght businesses across Asia (use product from the 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 2a for a breakdown of half year financial data by country and Attachment 2b for a breakdown of the annual China data by principal business)

Table 10a: Financial Performance
FY2010 and FY2009

Financial Measure ($M, unless marked)	FY2010	FY2009	Variance $M	Variance %
Sales revenue	1,349	1,543	(194)	(13)
Reported EBITDA	157	(45)	202	449
Reported EBIT	116	(94)	210	223
Underlying operational EBIT (1)	116	(21)	137	652
Capital and investment expenditure (2)	57	72	(15)	(21)
Net operating assets (pre tax) (3)	899	833	66	8
Return on net assets (pre tax) (4)	14%	(8%)		

Table 10b: Financial Performance
2H FY2010 vs. 2H FY2009, and 1H FY2010

Financial Measure ($M, unless marked)	2H FY2010	2H FY2009	Variance	1H FY2010
Sales revenue	720	665	55	629
Reported EBITDA	86	4	82	71
Reported EBIT	66	(19)	85	50
Underlying operational EBIT (1)	66	(5)	71	50
Capital and investment expenditure	19	26	(7)	38
Net operating assets (pre tax) (3)	899	833	66	791
Return on net assets (pre tax) (4)	16%	(4%)		13%

(1) FY2009 EBIT has been adjusted for inter-company inventory net realisable value provisions ($23M), principally HRC feed to Thailand from Port Kembla Steelworks, impairment write-downs of Langfang Panels ($11M) and China Coating ($25M) lines and staff redundancies and other internal restructuring costs ($14M).
(2) Capital expenditure largely reflects spend on the second metal coating line in Indonesia.
(3) FY2010 vs. FY2009 and 2H FY2010 vs. 1H FY2010 increase in net operating assets primarily reflects higher inventory volumes on hand principally from additional steel feed purchases and higher receivables mainly reflecting higher selling prices combined with stronger despatch volumes partly offset by higher creditors principally higher steel feed purchases and foreign exchange movements resulting in a lower 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.

(ii) Variance Analysis (FY2010 vs. FY2009)

The $194M decrease in sales revenue is primarily due to an unfavourable exchange rate movement versus the AUD and lower selling prices across all regions partly offset by higher despatch volumes across all regions.

The $137M increase in underlying EBIT was largely due to:

- Improved margins principally driven by:
  - Lower cost of steel feed more than offsetting lower domestic and export selling prices across all regions.
- Lower costs due to cost reduction initiatives across all major cost categories.

These were partly offset by:

- Unfavourable foreign exchange movements, mainly in respect of translating China, Thailand and Malaysia earnings to AUD.

Unusual and non-recurring items in reported EBIT included:

- 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 & Industrial Products Australia, during FY2009 ($23M).
- Impairment of Lysaght Panels, China ($11M) and further impairment of China Coating line ($25M) during FY2009.
- Staff redundancies and other internal restructuring costs during FY2009 ($15M).

(iii) Variance Analysis (2H FY2010 vs. 1H FY2010)

The $16M increase in underlying EBIT was largely due to:

- Increased despatch volumes across all regions.
- Lower costs due to cost reduction initiatives across all major cost categories.

These were partly offset by:

- Reduced margins in China with higher steel feed costs combined with lower domestic prices.

(iv) Operations and Markets Report

Thailand (BST)

- **Current Operations**
  - Metal coating line No. 1 remained on continuous 7 day roster, with shift patterns on other production units reduced to match market demand. Metal coating line No. 2 production was recommenced on 15th January 2010, and contributed 28kt incremental volumes in 2H FY2010. The line was stopped from December 2008 to December 2009 in response to market decline and political instability.

Production volumes (kt)	2H FY2010	1H FY2010	FY2010	FY2009
Cold Roll Line	111	85	196	171
Metallic Coating Lines	112	73	185	172
Paint Line	34	23	57	47

- **Markets**
  - The political environment has stabilised since the April political unrest, but the Thailand markets continue to remain cautious.
  - Market activity in residential & building construction and the agriculture segment in the Central & North East of Thailand have fared better than industrial and commercial building activity in greater Bangkok, which has slowed considerably.
  - Thailand's reliance on exports to drive its economy continues to impact most end-use segments to which BST is exposed. Foreign investment in Thailand has continued to decline as a result of the world economic crisis however Government investment has increased through a domestic stimulus package in CY 2010.
  - Cheap imported steel continued to enter the Thailand market throughout FY2009 and FY2010. During 2Q FY2010, BST sales volumes were lower than expected due to this higher import competition, which bottomed out by early February 2010. With the recommencement of metal coating line 2, the management team implemented a more market-competitive pricing strategy and have won back volumes in the domestic market.
  - The PEB market in Thailand, whilst improving, is seeing intense competition from both imported PEB's and the local steel fabrication market. A focus on delivering a higher quality Butler solution is part of the business plans for FY2011.

Vietnam (BSV)

- **Current Operations**
  - In FY2010, both coating and building businesses recovered strongly due to improved domestic market demand, leadership changes at BSV, and cost reductions and improvement in business processes.
  - Metal coating production volumes were 100kt in FY2010 (vs. 80kt in FY2009), and paint line production volumes were 48kt in FY2010 (vs. 25kt in FY2009). 2H FY2010 metal coated steel production was 47kt (vs. 53kt in 1H FY2010) and painted steel production 22kt (vs. 26kt in 1H FY2010).
  - 4Q FY2010 output was constrained due to national electricity supply shortage in the dry season. The electricity issue is expected to be resolved by 1Q FY2011 with the commencement of the rainy season which will assist Vietnam's significant hydro-based power generation.
- **Markets**
  - After registering its lowest GDP rise at the beginning of CY2009 (3.1%), the Vietnam economy has recovered with year-on-year growth of 5.2%. Construction sector has benefited significantly from various government stimulus packages for largely infrastructure projects. Foreign Direct Investment in 2H FY2010 was estimated to be USD8.8bn, mainly in the private industrial and commercial segment. Many projects that were put on hold last year are recommencing.
  - In 3Q FY2010, the Vietnamese government moved the official exchange rate between VND/USD from 17,700 to 18,500, and, together with the continued shortage of USD in the market, the levels of steel imports reduced with domestic customers turning to domestic steel manufacturers.
  - In May 2010, the Vietnamese government introduced non-tariff barriers for cold rolled full hard products (CRFH) where importers are required to obtain import permits from Government, similar to other ASEAN countries, to protect domestic cold rolling mills. This decree has minimal impact on BSV's business, as CRFH as an input material for further production is exempted. BSV currently sources the majority of its CRFH from domestic suppliers in Vietnam.

Indonesia (BSI)

- **Current Operations**
  - The Cilegon metal coating line operated at full capacity throughout FY2010 and the coil paint line at close to capacity. This was driven by favourable domestic market conditions, including increased demand for residential steel roofing and steel building frames.
  - Metal coating production volumes were 114kt in FY2010 (vs. 72kt in FY2009), and paint line production volumes were 44kt in FY2010 (vs. 40kt in FY2009). 2H FY2010 metal coated steel production was 57kt (vs. 57kt in 1H FY2010) and painted steel production 21kt (vs. 23kt in 1H FY2010).
  - Demand for SMARTRUSS steel roof trusses in non-residential applications has softened as forecast expenditure by the Indonesian government on re-roofing schools has been deferred until October 2010,
  - With improving domestic market conditions, demand for Lysaght and PEB products has improved, for example, orders have already been secured for the PEB business for animal farming applications.
  - Imported finished good seeding from BlueScope Vietnam and BlueScope Malaysia has continued throughout FY2010 and will increase in 1H FY2011 to supplement local production and satisfy domestic demand. The seeding program is expected to continue until the second metal coating line is fully operational (3Q FY2011).
- **Markets**
  - Domestic markets have continued to strengthen throughout FY2010, particularly in the residential segment. Demand for residential steel roof tiles and trusses has recovered to similar volumes experienced before the GFC on the back of increasing consumer confidence and economic wealth.
  - Industrial/commercial roofing and walling markets have shown some recovery as local investors re-enter the market. Foreign investment has slowly improved although it is still well below levels experienced before the GFC. Key areas of investment are Palm Oil plantations, mining and agriculture.
  - Imported steel from Korea, Taiwan, China and Vietnam has continued to enter the Indonesian market.
- **Capital Growth Project Status**
  - In December 2009, BlueScope announced it would complete construction of its second metal coating line, with in-line painting capability. The new line will produce thin gauge coil for residential construction applications and is on track to be operational by 3Q FY2011.

Malaysia (BSM)

- **Current Operations**
  - Metal coating production volumes were 144kt in FY2010 (vs. 126kt in FY2009), and paint line production volumes were 75kt in FY2010 (vs. 56kt in FY2009). 2H FY2010 metal coated steel production was 77kt (vs. 67kt in 1H FY2010) and painted steel production 39kt (vs. 36kt in 1H FY2010).
  - During FY2010 the paint line operated at full capacity (vs 78% in FY2009) and the metal coating line at 82% capacity (vs 75% in FY2009). Improvements from FY2009 operating rates were due to improved domestic market conditions, including increased demand for residential steel roofing, steel building frames and in the hardware segment.
  - In FY2010 the cost reduction program continued.
- **Markets**
  - Domestic market demand improved in FY2010, particularly in the residential and Government segments, however domestic customers remain cautious.
  - FY2010 export volumes were broadly in line with FY2009, with South Africa remaining a major market, to which 27kt were despatched (vs. 19kt in FY2009).
  - PEB projects continue to face stiff competition, whilst the Lysaght roll-forming business is experiencing improved sales into Government projects.
  - The Government announced measures (effective 1 August 2009) to liberalise the steel industry through lowering of import duties and issuance of steel manufacturing licences. This is consistent with a broader economic liberalisation agenda being pursued by the Malaysian Government. BSM has not yet seen any significant impact to its business performance.
  - In June 2010, the Government tabled RM230B (A$82B) for domestic development expenditure. Key plans include building & construction budgets (mainly for government schools) of approx RM280M in CY2011/12. It is too early to call the impact on BSM.

China

- **Current Operations**
  - <u>Coated</u>
    - Metal coating production was 133kt FY2010 (vs. 100kt FY2009) whilst paint line production was 66kt (vs. 47kt FY2009)
    - Driven by increasing demand, volumes through the metal coating and paint lines at Suzhou are improving and now operating between 50% to 60% of capacity (vs. average 40% to 50% in FY2009).
    - There was continued improvement in manufacturing prime-first-time performance for both the metal coating line (FY2010 98.6% vs. FY2009 98.1% and FY2008 96.4%) and the paint line (FY2010 99.4% vs. FY2009 99.3% and FY2008 97.3%) due to increased reliability of equipment through improved planning and maintenance.
  - <u>Butler Buildings (PEB)</u>
    - FY2010 order intake was 25% higher than FY2009, with strong performance from Southern region.
    - FY2010 sales volume was 27% higher than FY2009, reflecting improved demand in the industrial segment.
    - 2H FY2010 sales volume was 38% higher than 2H FY2009 and 12% higher than 1H FY2010 due to improved demand, particularly from large key customers.
    - Backlog was 48% higher compared to June 2009 due to improved demand from increasing fixed asset investment particularly from the automotive related industries.
    - Manufacturing output tonnes were 30% above last year, stretching capacity especially in the Southern region.
  - <u>Lysaght</u>
    - FY2010 order intake was 35% higher than FY2009 due to a number of large public infrastructure projects such as Xi'an Railway Station, Fuzhou Railway Station as well as industrial projects.
    - FY2010 sales volume was 29% higher than FY2009 due to improved demand from the public segment.
    - 2H FY2010 sales volume was 33% higher than 2H FY2009 and 6% higher than 1H FY2010, mainly driven from the public buildings segment which has benefited from the stimulus package as well as recovery from economic crisis.

- Backlog was 40% higher compared to June 2009 due mainly to improved demand of public building.
- Lysaght has also introduced new decking and roofing building product systems to the market which have also contributed to sales growth.

- **Markets**
  - Coated
    - The effects of the Chinese Central government's stimulus package, even with reduced funding, has continued to assist ongoing improving demand and the effects are likely to have a positive impact in key infrastructure segment for the next 6 months. Foreign Direct Investment continues to drive key coated product end use markets.
    - We are monitoring the expansion of industry metal coated capacity in some geographic regions.
  - Butler Buildings (PEB)
    - Butler PEB business sells predominantly into the domestic buildings and construction sector in China from manufacturing facilities located in the North, Central and Southern regions.
    - Improved demand from increasing fixed asset investment, particularly from the automotive related industries and large key customers continued to drive growth for Butler.
    - Western region market growth is strengthening and the Central government is planning to direct greater foreign and Chinese private investments there, coupled with significant stimulus-related investments.
  - Lysaght
    - The Lysaght business is focused on supplying roofing, walling and decking solutions to the key market segments of industrial, public buildings, power stations and high rise buildings.
    - The industrial and premium public building segments have been a key strategic focus during the last two years and BlueScope estimate of market share has increased over this period from 5% to 7%.

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

- **Current Operations / Markets**
  - Tata BlueScope Steel (TBSL) operates PEB and Lysaght rollforming businesses in India. The PEB business is operating at full capacity.
  - Steel Buildings (PEBs) are gaining acceptance in the manufacturing and warehousing segments, with customers preferring to contract to a single supplier who takes responsibility for all of design, supply and erection.
  - The Indian Government is driving infrastructure development, which comprises a meaningful part of GDP growth.
  - The Indian economic outlook remains favourable. GDP grew by 8.6% in the June 2010 quarter (vs. 4Q FY2009) and by 7.4% throughout FY2010. Manufacturing was the largest contributor to the GDP, and the segment is expected to continue strong growth.
  - Currently the most significant PEB manufacturers in India are TBSL, Kirby, Interarch and Phenix VP.
- **Capital growth project status**
  - The paint line is expected to commence commercial production during 1H FY2011. The planned start-up date of the coated project is currently expected to be in 2H FY2011. The project capital cost remains approximately at A$270M (100% project). Current completion status of the project is as follows:
    - Piling work – complete
    - Civil work – 82% complete
    - Primary & Secondary Building – 90% complete
    - Equipment Installation – 77% complete
    - Electrical work – 50% complete
  - The coating and painting line project in Jamshepur is project financed.

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
FY2010 and FY2009

Financial Measure ($M, unless marked)	FY2010	FY2009	Variance $M	Variance %
Sales revenue (1)	0	0	0	0
Reported EBITDA (2)	61	(58)	119	205
Reported EBIT (2)	61	(58)	119	205
Underlying operational EBIT	61	(58)	119	205
Capital and investment expenditure	1	2	(1)	(50)
Net operating assets (pre tax)	172	183	(11)	(6)
Return on net assets (pre tax) (3)	34%	(22%)		

Table 11b: Financial Performance
2H FY2010 vs. 2H FY2009, and 1H FY2010

Financial Measure ($M, unless marked)	2H FY2010	2H FY2009	Variance	1H FY2010
Sales revenue (1)	0	0	0	0
Reported EBITDA (2)	47	(73)	120	14
Reported EBIT (2)	47	(73)	120	14
Underlying operational EBIT	47	(73)	120	14
Capital and investment expenditure	0	1	(1)	1
Net operating assets (pre tax)	172	183	(11)	175
Return on net assets (pre tax) (3)	52%	(57%)		16%

(1) Excludes the company's 50% share of North Star BlueScope Steel revenue of $626M in FY2010 ($669M in FY2009) and $347M in 2H FY2010 ($221M in 2H FY2009).
(2) Includes 50% share of net profit from North Star BlueScope Steel of $62M in FY2010 (net loss of $(56)M in FY2009) and $47M in 2H FY2010 ($71M net loss in 2H FY2009).
(3) Return on net assets is defined as EBIT (annualised in case of half year comparison) / average monthly net operating assets.

(ii) Variance Analysis (FY2010 vs. FY2009)

The $119M increase in underlying EBIT was largely due to:

- 33% increase in despatch volumes during FY2010.
- No inventory net realisable value provisions for inventory on hand at 30 June 2010 vs. $26M for FY2009.
- Higher fixed conversion cost absorption driven by higher production volumes.
- Lower costs due to cost reduction initiatives across all major cost categories.

These were partly offset by:

- Reduced spread driven by lower hot rolled coil prices partly offset by lower scrap and pig iron costs.

(iii) Variance Analysis (2H FY2010 vs. 1H FY2010)

Principal $33M increase in underlying EBIT was largely due to:

- Improved spread due to higher average hot rolled coil selling prices more than offsetting higher scrap and pig iron costs.

(iv) Operations Report

- North Star BlueScope Steel (BlueScope Steel has a 50% interest)

- High capacity utilisation rates have been maintained at North Star BlueScope Steel due to its reputation for on-time delivery, quality and ability to produce "urgent" customer orders promptly.
- Dividends paid to BSL in FY2010 totalled US$56.25M ($51.75M in 2H FY2010).

- 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.

(v) Markets

- North Star BlueScope Steel
  - North Star sells approximately 85% of its production in the Mid-West, U.S.A, with its end customer segment mix being broadly 35% automotive, 20% construction, 10% agricultural and 35% manufacturing/industrial applications.
  - Sales volumes were aided by a recovery in auto sales/production, improvement in the agriculture sector, service centre restocking, as well as limited assistance from the recent stimulus package.
  - North Star continues to focus on growing its account base with some expansion into the South-East U.S. as well as greater volume into Canada.
  - Received the highest customer satisfaction rating again this year, for the eighth consecutive year, in the Jacobson & Associates survey of 2,000 North American steel customers

Coated and Building Products North America

This segment comprises:

- BlueScope Buildings North America Pre-Engineered Buildings business;
- Steelscape's pickling, cold rolling, metal coating and paint lines;
- Metl-Span's metal insulated panel business; and
- ASC Profiles' West Coast steel components business.

(i) Financial Performance and Operating Report

Table 12a: Financial Performance
FY2010 and FY2009

Financial Measure ($M, unless marked)	FY2010	FY2009	Variance $M	Variance %
Sales revenue	1,307	2,189	(882)	(40)
Reported EBITDA	24	(36)	60	167
Reported EBIT	(21)	(93)	72	77
Underlying operational EBIT [(1)]	(16)	9	(25)	(278)
Capital and investment expenditure [(2)]	26	56	(30)	(54)
Net operating assets (pre tax) [(3)]	806	919	(113)	(12)
Return on net assets (pre tax) [(4)]	(3%)	(8%)		

Table 12b: Financial Performance
2H FY2010 vs. 2H FY2009, and 1H FY2010

Financial Measure ($M, unless marked)	2H FY2010	2H FY2009	Variance	1H FY2010
Sales revenue	614	874	(260)	693
Reported EBITDA	(10)	(9)	(1)	34
Reported EBIT	(32)	(38)	6	11
Underlying operational EBIT [(1)]	(27)	(28)	1	11
Capital and investment expenditure	13	40	(27)	13
Net operating assets (pre tax)	806	919	(113)	790
Return on net assets (pre tax) [(4)]	(8%)	(7%)		3%

(1) FY2010 EBIT has been adjusted for staff redundancies and other internal restructuring costs ($5M). FY2009 EBIT has been adjusted for inter-company inventory net realisable value provision ($90M), plant closures and rationalisation costs ($15M), redundancy costs associated with staff downsizing ($9M) and integration costs associated with the acquisition of IMSA Steel Corp ($4M) partly offset by the write back of over-provided liabilities in relation to a general insurance provision ($8M) and North American pension fund ($8M).
(2) Decrease in capital and investment expenditure mainly relates to expenditure on IMSA integration and synergy activities during FY2009.
(3) Decrease in net operating assets mainly reflects a stronger AUD:USD exchange rate resulting in a lower AUD equivalent net operating assets balance, higher creditors, lower fixed assets and lower receivables.
(4) Return on net assets is defined as EBIT (annualised in case of half year comparison) / average monthly net operating assets.

(ii) Variance Analysis (FY2010 vs. FY2009)

The $882M decrease in sales revenue is primarily due to reduced domestic sales prices, weaker despatch volumes across all businesses, except Steelscape, and an unfavourable movement in the AUD:USD relative to the previous comparative period.

The $25M decrease in underlying EBIT was largely due to:

- Weaker despatch volumes across all businesses except Steelscape.
- Unfavourable movement in the AUD:USD relative to the previous comparative period.

These were partly offset by:

- Lower costs due to cost reduction initiatives across all major cost categories, including continued savings from the permanent closure of three BlueScope Buildings facilities and one ASC Profile facility during 2H FY2009 to bring capacity more in line with demand, elimination of the Liberty brand as a standalone business, closure of additional engineering businesses, plant lay-offs and shift reductions, permanent staff reductions and discretionary spend reductions.
- Lower inventory net realisable value provisions for inventory on hand at 30 June 2010 ($2M) vs. $25M for FY2009.
- Improved margins at Steelscape with lower selling prices more than offset by reduced cost of steel feed. This was largely offset by margin compression in downstream businesses due to pricing pressure as a result of the economic downturn and less design build work.

Unusual and non-recurring items in reported EBIT included:

- Redundancy and other internal restructuring costs associated with staff downsizing during FY2010 ($5M) versus $9M during FY2009.
- Reversal of inventory net realisable value provisions where there is an offsetting inter-company margin booked in a separate reporting, segment principally HRC sales from Port Kembla Steelworks to Steelscape during FY2009 ($90M).
- Plant closure and rationalisation costs following the acquisition of IMSA Steel Corp during FY2009 ($15M).
- Integration costs associated with the acquisition of IMSA Steel Corp booked during FY2009 ($4M).
- Write back of over-provided liabilities in relation to a general insurance provision and North American pension fund during FY2009 ($16M).

(iii) Variance Analysis (2H FY2010 vs. 1H FY2010)

The $38M decrease in underlying EBIT was largely due to:

- Reduced margins as higher steel feed costs more than offset higher selling prices.
- Lower despatch volumes across all businesses except Steelscape.

(iv) Operations Report

- BlueScope Buildings
  - External despatches for FY2010 were down 35% vs. FY2009 (2H FY2010 despatches 14% down on 1H FY2010) principally due to lower demand.
  - BlueScope Buildings idled frame production at Laurinburg, North Carolina and substantially idled the Monterrey, Mexico facility to better align production with demand. Direct labour costs were reduced across the manufacturing footprint.
  - Several other offices were closed across North America including the administrative office in Dallas (TX) and the engineering offices in Mason (OH), Peoria (IL), and Birmingham (AL).
  - The changes made to the business over the past two years have positioned it to better handle the current weakness in the U.S. non-residential construction market, and positioned it to materially benefit when market conditions improve.
- Steelscape (metal coating & pre-painted steel)
  - Total Steelscape despatches for FY2010 were up 37% vs. FY2009 (2H FY2010 despatches 5% down on 1H FY2010), largely due to improved demand. Steelscape increased its market share with current and

new customers. Furthermore, it was somewhat shielded from the non-residential market downturn through sales into other market sectors that were less impacted by the soft economic conditions.

    - Metal coating capacity utilisation in FY2010 was circa 87% compared to circa 55% in 2H FY2009 due to improved sales.
    - On higher demand levels across FY2010, production returned to 4-crew operations and conversion costs per ton were reduced by circa 15%.

- ASC Profiles (components)
    - External shipments for FY2010 were down 32% vs. FY2009 (2H FY2010 despatches 20% down on 1H FY2010), principally due to weaker demand.
    - The Dallas (TX) manufacturing facility was closed in 1H FY2010 and significant headcount reductions followed to better align production with demand.

- Metl-Span (insulated metal panels)
    - External shipments for FY2010 were down 26% vs. FY2009 (2H FY2010 despatches 1% up on 1H FY2010), largely due to weaker economic conditions.

(v) Markets

- USA overview (Noting: Coated & Building Products North America is almost solely exposed to the US non-residential construction market.)
    - There were continued declines in the US non-residential market due to the economic recession, existing inventory overhang and tight credit markets evidenced by:
        - F.W. Dodge, total non-residential construction building awards (contract Sq. ft) in CY2010 through June were down 26% vs. same period last year.
        - The AIA Architectural Billings Index finished the period at 45.8 in June 2010. This follows May, when the index had its best reading since early 2008.
        - The Industrial Capacity Utilization Rate, a leading indicator of industry despatches was at 74.1 in June 2010. There have been 10 monthly increases in the past 12 months. The index average from 1972 to 2009 was 80.6.

- BlueScope Buildings
    - BlueScope Buildings (BBNA) primarily sells low-rise metal building systems into the industrial, commercial and community segments of the non-residential building market in North America.
    - BBNA and industry volumes were negatively impacted by the decline in the U.S. non-residential construction market, as mentioned above. Industry despatches in the twelve months to June, as reported by the MBMA, decreased 24% over same period last year.
    - BBNA maintained pricing discipline and experienced softer demand due to abnormally inclement weather in the stronger market regions of the north in 2H FY2010. This resulted in a drop of overall market share of circa 1% for the fiscal year.
    - Government spending is driving demand in the public sector and this sector is faring better than the private sector. There is growth activity in energy and some early signs of an up tick in manufacturing projects.

- Steelscape
    - Steelscape produces metallic-coated and pre-painted steel primarily for the West Coast U.S. non-residential building and construction market.
    - Despite broader non-residential construction market weakness, Steelscape’s volumes have recovered to pre-GFC levels from active customer recruitment efforts and increasing share with existing customers.
    - FY2010 sales volumes were also positively impacted by relative increases in demand as customers began to maintain inventory levels (matching purchases with sales) versus 2H FY2009 inventory reductions.

- ASC Profiles
    - ASC Profiles is a component company focused on the West Coast U.S. commercial segments of non-residential building and construction, multi-family and single-family residential building and construction markets.
    - The weak U.S. markets negatively impacted all ASC segments.

- Metl-Span
  - Metl-Span sells composite insulated panels into the cold storage, commercial and industrial segments of non-residential construction across the U.S.
  - Greatest activity is related to government projects, commercial projects demanding more insulation and smaller renovations.
  - The green building segment is expected to continue to grow in North America aided by changing building energy codes.
  - Order entry picked up significantly during 2H FY2010, however many of these orders will not be despatched until early FY2011.

OTHER INFORMATION

Capital Management

- Dividend and reinvestment program (DRP)
  - A final dividend of 5cps has been declared, and the following payment schedule will be applied.
    - Ex-Dividend date – 20 September 2010
    - Record date – 24 September 2010
    - Payment date – 20 October 2010
  - The board did not declare a 1H FY2010 interim ordinary dividend (which, in the ordinary course, would have been paid in March 2010).
  - There will be a dividend reinvestment plan in respect of the final FY2010 dividend payment which will not be under-written.
- Debt facilities update
  - Committed available undrawn capacity at 30 June 2010 under bank debt facilities (A$1,369M), plus cash (A$251M) was A$1,620M (A$1,631M at 31 December 2009).
  - Current average cost of drawn debt is approximately 7.5%. In addition finance costs include commitment fees on undrawn facilities (at approximately 225 basis points), amortisation of facility establishment fees and the discount cost of long-term provisions.
  - Interest cover test changes:
    - Loan Note Facility – 24 month historical rolling EBITDA basis up to and including December 2010. Reverts to 12 month rolling basis thereafter.
    - US Private Placement – one off 12 month historical rolling EBITDA basis at December 2010. Reverts to 24 month rolling basis thereafter.
- Net debt
  - During the period, the company's net debt decreased by A$13M to A$743M with the gearing ratio at year end 11.4% (net debt/(net debt plus equity). The operating cash flow of A$463M (before investing, interest and income tax paid) combined with a net tax refund of A$7M was primarily applied to funding capital expenditure and investments (A$327M) and net interest payments (A$93M).

Safety, Environment & Health

- **Safety**
  - The company remains committed to its aspirational goal of Zero Harm for all of its people anywhere in the world.
  - Tragically in March 2010 an operator working in our Vietnam business sustained a fatal injury.
  - The company's injury levels remain at world best standards with the Lost Time Injury Frequency Rate (LTIFR) remaining below one (0.81 vs. 0.85 FY2009). The Medically Treaded Injury Frequency Rate (MTIFR) was below five (4.91 vs. 5.66 FY2009).
  - Some of the safety achievements in the period include:
    - Asia – Lysaght Malaysia 2 years injury free; Singapore Service Centre 12 years LTI free; Lysaght Indonesia 15 years LTI free; BlueScope Steel Indonesia 8 years LTI free.
    - China – Suzhou achieved 2 years MTI free and achieved 8 continuous months work injury free, Butler Guangzhou 5 years LTI free.
    - Coated & Industrial Products Australia & New Zealand Steel – Mills & Coating 1 year LTI free; Plate Mill 1 year LTI & MTI free; Research 15 years LTI free; Pulverised Coal Injection Plant 10 years LTI free. Springhill – Metal, Painting & Finishing, 2 years LTI free. Supply Chain & Logistics 1 year free; Braeside Logistics 4 years MTI free; Southern & Western Logistics 12 months MTI free. NZS & Pacific Islands, Lysaght Fiji 1 year injury free. HSM achieved a record safety period of 4 years LTI free.
    - Australian Distribution & Solutions (AD&S) – Distribution Coffs Harbour 20 years LTI free; Hobart 14 years LTI free; Dubbo 12 years LTI free and 5 years MTI free.
    - North America – ASC Profiles, Anchorage 5 months injury free. Buildings St Joseph's 1 year LTI free.
  - External recognition includes:
    - AD&S, the National Safety Awards were announced with Lysaght Australia winning three awards: Individual Safety Champions Award, the Best Site Award and the Best State Award. S&CPS Forrestfield received WorkSafe Plan Gold Certificate of Achievement Award.

  - China Suzhou was awarded the "2009 JiangSu Province Safety Integrity Company Award"; and Butler Shanghai was awarded the "Shanghai Songjiang Industry Park Advance Model Unit Safety Production Award 2009".
- This is only an indication of the sustained commitment that BlueScope steel has to the Health and Safety of its people, and the hard work they have put into looking after themselves and their colleagues. The result of which is that many more employees and contractors are going home today un-harmed, than ever before.

- **Environmental Management**
  - The company remains committed to continuously improving its environmental footprint of its operations.
  - The BlueScope Steel Environment Management System comprises the following major elements:
    - Our Bond
    - HSEC Policy
    - Environment Principles
    - Environment Standards
    - BSL wide Procedures and Guidelines
    - Operational Procedures
  - BlueScope continues to work on improving its systems and performance through its network of environment reviews and audits, implementation of the compliance system, the business planning process and development of an environment e-learning package.

Energy Efficiency and Greenhouse Gas Regulation

- The production of greenhouse gases is inherent in the primary chemical process used to produce iron and steel. The opportunities to reduce direct emissions from these processes are therefore very limited. Despite this, BlueScope Steel is committed to reducing the greenhouse gas intensity of its operations. The company is also playing an active role in the global steel industry's efforts to reduce greenhouse gas emissions.
- We also believe BlueScope's steel products will play an integral role in reducing society's greenhouse gas emissions, including as components in renewable energy infrastructure (e.g. wind towers; gas pipelines; solar power plants), in more sustainable transport infrastructure (e.g. trains, buses; lighter, more efficient steel products for cars), and in greener, more energy efficient buildings. Steel is 100% recyclable and its life is potentially infinite.
- A range of BlueScope Steel's operations, particularly iron and steelmaking in Australasia and the U.S., are emissions intensive and trade exposed, and consequently the company remains acutely aware of the ongoing national and international debate about the regulation of greenhouse gas emissions, including carbon taxes and emissions trading schemes.
- In Australia, the Federal Government announced in April 2010 (and subsequently reconfirmed) that consideration of its Carbon Pollution Reduction Scheme would be deferred until 2012, implying the scheme is unlikely to commence before 2013. In July 2010, the Government announced an interim carbon policy that, if re-elected, will include investment in renewable energy infrastructure, energy efficiency measures, and the establishment of a Citizens' Assembly to advise the government. The policy is not expected to impose a carbon price directly on the steel industry, though it is likely to increase the cost of electricity.
- The Victorian Government also announced a new climate change policy in July 2010, with a target of a 20 per cent reduction in greenhouse gas emissions by 2020, compared to year 2000 levels. It is not expected that a carbon price will be imposed directly on the steel industry; however, the policy is also likely to lead to an increase in electricity costs.
- The New Zealand emissions trading scheme (ETS) commenced on 1 July 2010. New Zealand Steel is a liable entity and expects to be allocated a proportion of permits as an emissions-intensive, trade-exposed entity. It is expected to bear some carbon costs from suppliers (Scope 3 costs) for which it will not receive allocated permits. The New Zealand Government will review the ETS in 2011, including the arrangements for allocation of permits, and will take into account whether comparable carbon regulation has been introduced by major trading partners. The company will continue to put its view to the government in the lead up to this review that the ETS must not impose costs that adversely affect New Zealand Steel's competitiveness.
- BlueScope's steelmaking plants are world competitive, and around half the steel products we make each year in our Australian plants are exported. The company works hard to maintain its competitiveness. In contrast, many overseas steelmakers receive subsidies and other support to help them export. Policy that puts higher costs on us but not on overseas steelmakers risks undermining BlueScope's competitiveness.

- Accordingly, the company has developed eight Greenhouse Policy Principles by which it will assess the policies of political parties and governments, and advocate policy that minimises any loss of competitiveness:
    1) Reducing greenhouse gas emissions is a global problem that requires a global approach.
    2) Australia should adopt policy that achieves emissions targets at least cost. Putting a price on carbon which is visible to consumers and producers, through a market mechanism (emissions trading or carbon tax), is likely to drive least cost abatement.
    3) The competitiveness and financial viability of Australia's trade exposed steel industry must not be eroded. We cannot place our industries at a disadvantage to the rest of the world. Transitional measures for trade exposed industries - including the steel industry - will be essential for as long as our global competitors (including India, China, US, Japan, Korea and Taiwan) do not face comparable carbon costs.
    4) A single national carbon policy should be the goal of governments. Complementary policy measures adopted by Federal and State governments must be effective and least cost, and address recognised market failures. These policies must avoid market distortions or perverse incentives, overlap and unnecessary compliance costs and regulatory burden.
    5) Revenue raised by a carbon price should be earmarked for investment in greenhouse gas abatement and assistance for households and industry. Policy should provide incentives for research & development and investment in abatement, including appropriate recognition for early movers.
    6) Policy must not lead to carbon leakage, by which Australian production is simply replaced by foreign production that may, in fact, be less carbon efficient.
    7) Policy should be comprehensive, including all sectors of the economy (and imports where appropriate), and be transparent.
    8) Policy must recognise the very long time horizons for investment in the steel industry, including for potential next generation lower emissions iron and steelmaking technology.

Water efficiency

The company continues to focus on reducing consumption of fresh water including::

- Increasing the use of recycled water. For example, a significant water saving project is currently under construction for the Western Port plant, which is expected to deliver a 65% reduction in freshwater use and a 75% reduction in wastewater discharged. BlueScope Steel, South East Water and the Victorian Government will jointly fund the project. This project is similar in design to a major recycled water initiative operating since 2006 at Port Kembla Steelworks that has saved in excess of 20 billion litres of freshwater.
- Improving process management has enabled incremental improvements in water consumption. The high awareness of BSL employees to the matter of water conservation has led to a number of successful operational improvements.
- In addition to increasing the use of recycled water from municipalities, further investigations are underway to determine if there are other alternative water supplies that could be used to displace fresh water consumption. The harvesting of stormwater and the beneficial reuse of waste water from other industries are two significant potential ideas.

Non-compliances, Fines and Prosecutions

BlueScope Steel notified relevant authorities of 42 statutory non-compliances with environmental regulations during the year ended 30 June 2010. During the year BlueScope Steel did not receive any environment related fines.

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ATTACHMENT 1
PRODUCTION AND DESPATCH REPORT

000 Tonnes	FY2010	FY2009	Variance	2H FY2009	1H FY2010	2H FY2010
AUSTRALIA						
Raw Steel Production (1)	**4,724**	**3,517**	**34%**	**1,117**	**2,187**	**2,537**
External Despatches						
Coated & Industrial Products Australia						
- Domestic – Slab	21	0	0	0	0	21
- HRC (2)	740	548	35%	145	336	404
- Plate	183	175	5%	49	82	101
- Other	926	812	14%	315	449	477
- Total	1,870	1,535	22%	509	867	1,003
- Export - Slab	671	302	122%	141	375	296
- HRC (3)	555	436	27%	325	156	399
- Plate	53	46	15%	28	10	43
- Other	297	298	(0%)	198	109	188
- Total	1,576	1,082	46%	692	650	926
Sub-total (4) (5)	3,446	2,617	32%	1,201	1,517	1,929
Australia Distribution & Solutions						
- Domestic (6)	754	755	0%	315	376	378
- Export (6)	11	9	22%	4	6	5
Sub-total	765	764	0%	319	382	383
Total Australian Despatches						
- Domestic	2,624	2,290	15%	824	1,243	1,381
- Export	1,587	1,091	46%	696	656	931
Total	**4,211**	**3,381**	**25%**	**1,520**	**1,899**	**2,312**
NEW ZEALAND / PACIFIC (7)						
Raw Steel Production	**577**	**543**	**6%**	**270**	**262**	**315**
External Despatches						
- Domestic	265	241	10%	95	122	143
- Export	241	273	(12%)	193	97	144
Total	**506**	**514**	**(1%)**	**288**	**219**	**287**
ASIA (Coated & Building Products)						
Raw Steel Production (8)	**0**	**0**	**0**	**0**	**0**	**0**
External Despatches						
- Domestic	889	717	24%	357	420	469
- Export (9)	89	109	(17%)	39	34	55
Total	**978**	**826**	**18%**	**396**	**454**	**524**
NORTH AMERICA						
Raw Steel Production (10)	**950**	**706**	**35%**	**322**	**474**	**476**
External Despatches						
North Star BlueScope Steel (10)						
- Domestic	**924**	**693**	**33%**	**314**	**455**	**469**
- Export	0	0	0%	0	0	0
Coated & Building Products North America						
- Domestic	521	553	(6%)	218	270	251
- Export	14	19	(28%)	6	8	6
Total	**1,459**	**1,265**	**15%**	**538**	**733**	**726**
DISCONTINUED BUSINESSES						
Raw Steel Production	**0**	**0**	**0%**	**0**	**0**	**0**
External Despatches						
- Domestic	0	0	0%	0	0	0
- Export	0	0	0%	0	0	0
Total	**0**	**0**	**0%**	**0**	**0**	**0**
GROUP						
Raw Steel Production	**6,251**	**4,766**	**31%**	**1,709**	**2,923**	**3,328**
External Despatches						
- Domestic	5,223	4,494	16%	1,808	2,510	2,713
- Export	1,931	1,492	29%	934	794	1,137
Total	**7,154**	**5,986**	**20%**	**2,742**	**3,304**	**3,850**

Notes:

(1) Raw steel production at Port Kembla Steelworks (PKSW).

(2) 185kt of the 740kt of domestic despatches for FY2010 were from Western Port (2H FY2010 105kt, 1H FY2010 80kt, 2H FY2009 36kt and FY2009 124kt).

(3) 1kt of the 555kt of export despatches for FY2010 were from Western Port (2H FY2010 0kt, 1H FY2010 1kt, 2H FY2009 4kt and FY2009 27kt).

(4) Total FY2010 internal and external despatches from PKSW (slab, HRC and plate) were 4,636kt (2H FY2010 2,555kt, 1H FY2010 2,081kt, 2H FY2009 1,348kt and FY2009 3,466kt).

(5) Total FY2010 internal and external despatches from Coated & Industrial Products Australia (CIPA) were 4,517kt (2H FY2010 2,510kt, 1H FY2010 2,007kt, 2H FY2009 1,430kt and FY2009 3,481kt), comprised of:
 - external 3,446kt (2H FY2010 1,929kt, 1H FY2010 1,517kt, 2H FY2009 1,201kt and FY2009 2,617kt), and
 - internal 1,071kt (2H FY2010 582kt, 1H FY2010 489kt, 2H FY2009 229kt and FY2009 864kt)

 CIPA internal despatches of 1,071kt comprised:
 - 356kt of despatches to Steelscape Inc (2H FY2010 208kt, 1H FY2010 148kt, 2H FY2009 25kt and FY2009 243kt);
 - 160kt to BlueScope Thailand (2H FY2010 95kt, 1H FY2010 65kt, 2H FY2009 20kt and FY2009 98kt); and
 - 555kt of despatches to other BlueScope businesses including Distribution, Lysaght and BlueScope Malaysia and Vietnam (2H FY2010 278kt, 1H FY2010 276kt, 2H FY2009 184kt and FY2009 523kt).

(6) FY2010 includes 330kt of domestic despatches and 6kt of export despatches via BlueScope Distribution which were not sourced internally, i.e. long products. Volumes for other periods of reference:
 - 2H FY2010: 166kt of domestic despatches and 3kt of export despatches
 - 1H FY2010: 164t of domestic despatches and 3 kt of export despatches
 - 2H FY2009: 140kt of domestic despatches and 4kt of export despatches
 - FY2009: 332kt of domestic despatches and 7kt of export despatches

(7) Includes New Zealand Steel & Pacific Islands operations.

(8) 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.

(9) Reflects despatches from the Asian country of production to external customers in other countries within Asia, the Pacific Islands, South Africa and Europe.

(10) Reflects BlueScope Steel's 50% share from North Star BlueScope Steel.

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

FY2010 and FY2009; 2H FY2009, 1H FY2010 and 2H FY2010

Financial Measure	FY2010	FY2009	Variance	2H FY2009	1H FY2010	2H FY2010
External Despatches (kt)						
- Thailand	199	196	3	87	78	121
- Indonesia	142	121	21	55	70	72
- Malaysia	166	153	12	67	79	87
- Vietnam	83	70	13	37	43	40
- China	326	259	67	125	154	172
- Other	62	27	35	25	30	32
- Total	**978**	**826**	**151**	**396**	**454**	**524**
Sales Revenue ($M)						
- Thailand	276	398	(122)	158	119	157
- Indonesia	238	240	(2)	100	112	126
- Malaysia	240	301	(61)	116	111	129
- Vietnam	139	151	(12)	53	71	68
- China	503	513	(10)	247	242	261
- Other	(47)	(60)	13	(9)	(26)	(21)
- Total	**1,349**	**1,543**	**(194)**	**665**	**629**	**720**
Reported EBIT ($M)						
- Thailand	27	(2)	29	4	13	14
- Indonesia	29	(20)	49	(10)	9	20
- Malaysia	28	(5)	33	(8)	11	17
- Vietnam	11	(8)	19	(4)	6	5
- China	31	(38)	69	8	17	14
- Other	(10)	(21)	11	(9)	(6)	(4)
- Total	**116**	**(94)**	**210**	**(19)**	**50**	**66**
Underlying EBIT ($M)						
- Thailand	27	23	4	7	13	14
- Indonesia	29	(18)	47	(8)	9	20
- Malaysia	28	(3)	31	(6)	11	17
- Vietnam	11	(5)	16	(2)	6	5
- China	31	(2)	33	8	17	14
- Other	(10)	(16)	6	(4)	(6)	(4)
- Total	**116**	**(21)**	**137**	**(5)**	**50**	**66**
Net operating Assets (pre tax) ($M)						
- Thailand	303	288	15	288	258	303
- Indonesia	183	142	41	142	148	183
- Malaysia	115	89	26	89	97	115
- Vietnam	91	83	8	83	76	91
- China	121	150	(29)	150	132	121
- Other	86	81	5	81	80	86
- Total	**899**	**833**	**66**	**833**	**791**	**899**

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

FY2010 and FY2009; 2H FY2009, 1H FY2010 and 2H FY2010

Financial Measure	FY2010	FY2009	Variance	2H FY2009	1H FY2010	2H FY2010
External despatches (kt)						
- China Coated	74	62	12	29	35	39
- China Buildings (1)	252	197	55	96	119	133
- Other / Eliminations	0	0	0	0	0	0
- Total	**326**	**259**	**67**	**125**	**154**	**172**
Sales revenue ($M)						
- China Coated	163	150	13	71	75	88
- China Buildings (1)	423	436	(13)	213	205	218
- Other / Eliminations	(83)	(73)	(10)	(37)	(38)	(45)
- Total	**503**	**513**	**(10)**	**247**	**242**	**261**
Reported EBIT ($M)						
- China Coated	13	(41)	54	(3)	8	5
- China Buildings (1)	22	10	12	15	12	10
- Other / Eliminations	(4)	(7)	3	(4)	(3)	(1)
- Total	**31**	**(38)**	**69**	**8**	**17**	**14**
Underlying EBIT ($M)						
- China Coated	13	(16)	29	(3)	8	5
- China Buildings (1)	22	21	1	15	12	10
- Other / Eliminations	(4)	(7)	3	(4)	(3)	(1)
- Total	**31**	**(2)**	**33**	**8**	**17**	**14**

Notes:

(1) Includes BlueScope Lysaght businesses.

ATTACHMENT 2c
DISCONTINUED BUSINESSES

FY2010 and FY2009; 2H FY2009, 1H FY2010 and 2H FY2010

Financial Measure	FY2010	FY2009	Variance	2H FY2009	1H FY2010	2H FY2010
External despatches (kt)						
- Packaging Products	0	0	0	0	0	0
- Lysaght Taiwan	0	0	0	0	0	0
- Vistawall	0	0	0	0	0	0
- Total	**0**	**0**	**0**	**0**	**0**	**0**
Sales revenue ($M)						
- Packaging Products	0	0	0	0	0	0
- Lysaght Taiwan	1	0	1	0	0	1
- Vistawall	0	0	0	0	0	0
- Total	**1**	**0**	**1**	**0**	**0**	**1**
Reported EBIT ($M)						
- Packaging Products	3	6	(3)	5	3	0
- Lysaght Taiwan	4	9	(5)	9	4	0
- Vistawall	0	0	0	0	0	0
- Total	**7**	**15**	**(8)**	**14**	**7**	**0**
Net operating assets (pre-tax) ($M)						
- Packaging Products	(8)	(9)	1	(9)	(9)	(8)
- Lysaght Taiwan	(5)	(5)	0	(5)	(5)	(5)
- Vistawall	0	0	0	0	0	0
- Total	**(13)**	**(14)**	**1**	**(14)**	**(14)**	**(13)**

ATTACHMENT 3
RECONCILIATION OF UNDERLYING EBIT TO UNDERLYING NPAT

$M	FY2010	FY2009	Variance	2H FY2009	1H FY2010	2H FY2010
Underlying EBIT	**255**	**171**	**84**	**(582)**	**(22)**	**277**
Interest expense	(113)	(135)	22	(59)	(56)	(57)
Interest revenue	9	6	3	4	5	4
Tax on Underlying Earnings	(25)	13	(38)	213	27	(52)
Outside equity interest	(13)	1	(14)	1	(7)	(6)
Underlying NPAT	**113**	**56**	**57**	**(423)**	**(53)**	**166**