BlueScope Steel Limited
A.B.N. 16 000 011 058
Level 11, 120 Collins Street
Melbourne, Victoria 3001
Ph: +61 (03) 9666 4000 Fax: +61 (03) 9666 4111
Website: www.bluescopesteel.com
ASX Code: BSL

Results for Announcement to the Market
(Under ASX listing rule 4.2A)

Half Year Earnings Report Six Months Ended 31 December 2009

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 – 15 February 2010 – BlueScope Steel Limited (ASX Code: BSL) today reported its financial results for the six months ended 31 December 2009.

Table 1 provides a recap of headlines for the first half FY 2010.

Table 1: 1H FY 2010 Headlines

Financial items	**1H FY 2010**	**1H FY 2009**
▪ NPAT [(1)]	($28M) / ($53M)	$407M / $479M
▪ Earnings per share[(1)]	(1.6)cps / (2.9)cps	43.5cps / 51.2cps
▪ Return on invested capital (annualised EBIT / invested capital) [(1)]	(0.7%) / (0.7%)	18.5% / 21.0%
▪ Net debt	$734M	$2,640M
▪ Gearing (net debt/net debt plus equity)	11.6%	35.9%
▪ Interim ordinary dividend	0 cps	5 cps fully franked

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

Core outcomes/issues for the half

- Reported a small net loss after tax, as previously flagged (up from $473M net loss after tax in 2H FY 2009)
- Improvement in Australian domestic demand in 1H FY 2010, but still meaningfully below highs during the middle of CY 2008
- Strong export despatches from Australia, continuing to support current 100% slab-make utilisation at Port Kembla Steelworks (average for 1H FY 2010 utilisation was 83% given No. 5 Blast Furnace was relit on 19 August 2009 and did not fully ramp up until October 2009).
- Considerable improvement in all Asian businesses' profitability
- Our China coating business continues to improve and our Buildings and Lysaght businesses have good order books
- Indonesian coated steel demand remains strong. Supports our announced intention to complete the development of the second metallic coating line, with in-line painting
- Challenging conditions remain in North American buildings market (given weakness in non-residential construction spending)
- Margins improved in Q2 FY 2010 for North Star BlueScope JV following the depletion of stocks of high-priced pig iron feed. Continues to operate at higher than national average utilisation rate
- Pursuit of major cost reductions – the cost base was reduced by $216 million in 1H FY 2010 (over FY 2009 levels) through permanent and temporary savings. We are on track to deliver in excess of $325 million of cumulative permanent reductions in the cost base by end FY 2010 (against FY 2008 cost base).
- Continued containment of gearing and inventory levels. Inventory $1.6B at Dec 2009, $1.7B at Jun 2009 and $2.8B at Dec 2008
- Some increase in imports into Australia are being observed, and bringing Q3 FY 2010 prices under pressure
- Outlook – currently expecting to deliver a small reported profit for the full year.

Consolidated Results

Table 2a provides the 1H FY2010 consolidated financial results and the comparable FY 2009 period. Table 2b reconciles underlying operational earnings to reported earnings.

Table 2a : Financial Headlines
Six months ended 31-Dec-2009 ("1H 2010") and 31-Dec-2008 ("1H 2009")

Financial Measure			1H 2010	1H 2009	Variance $	Variance %
Total revenue (1)		A$M	4,103	6,156	(2,053)	(33)
Earnings before interest tax, depreciation and amortisation (EBITDA) (2)	**– Reported**	A$M	154	857	(703)	(82)
	– Underlying	A$M	155	946	(791)	(84)
EBIT (2)	**– Reported**	A$M	(23)	665	(688)	(104)
	– Underlying	A$M	(22)	753	(775)	(103)
Interest expense		A$M	(56)	(76)	20	26
NPAT attributable to BlueScope Steel Shareholders	**– Reported**	A$M	(28)	407	(435)	(107)
	– Underlying	A$M	(53)	479	(532)	(111)
Earnings per share(3)	**– Reported**	¢/s	(1.6)	43.5	(45.1)	(104)
	– Underlying	¢/s	(2.9)	51.2	(54.2)	(106)
Diluted earnings per share	**– Reported**	¢/s	(1.6)	43.4	(45.0)	(104)
Interim Dividend		¢/s	0	5	(5)	(100)
Net cash flow from operating and investing activities (pre-tax and interest)			39	(224)	263	117
Return on invested capital (4)	**– Reported**	**%**	(0.7%)	18.5%		
	– Underlying	%	(0.7%)	21.0%		
Return on equity (5)	**– Reported**	%	(1.0%)	18.5%		
	– Underlying	%	(1.9%)	21.8%		
Gearing (net debt / net debt plus equity) (6)		%	11.6%	35.9%		
Net tangible assets per share		$/s	2.47	5.16		

(1) Excludes the company's 50% share of North Star BlueScope Steel revenue of $280M in 1H 2010 ($448M in 1H 2009). Includes revenue other than sales revenue of $12M in 1H 2010 ($13M in 1H 2009). Includes revenue from discontinued businesses of $0M in 1H 2010 ($0M in 1H 2009).
(2) Includes 50% share of net profit from North Star BlueScope Steel of $15M in 1H 2010 ($15M in 1H 2009).
(3) Earnings per share is based on the average number of shares on issue during the respective reporting periods, ie. 1,823.3M vs. 772.7M. In accordance with AASB 133 Earnings per Share, comparative earnings per share calculations have been restated for the bonus element of the one-for-one share rights issue undertaken in May and June 2009. The previously reported December 2008 weighted average number of shares has been adjusted by a factor of 1.21 being the market price of one ordinary share immediately before the last date of entitlement to participate in the bonus issue ($2.38), divided by the theoretical ex-rights value per share of ($1.97).
(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) 1H 2010 gearing was 24.3% lower than 1H 2009 mainly driven by stronger operating cash flows during 2H 2009 and 1H 2010 in comparison to 1H 2009 and $1.5B of equity raisings during 2H 2009.

Variance Analysis (1H 2010 vs. 1H 2009)

- <u>Total revenue</u>

  The $2,053M (33%) decrease principally reflects:
  - Lower global slab and hot rolled coil prices.
  - Lower domestic selling prices across all segments.
  - Higher average AUD:USD exchange rate for 1H 2010 of 0.872 compared to the previous corresponding period of 0.781.

- <u>EBIT</u>

  The $775M (103%) decrease in underlying EBIT principally reflects:

  Spread ($823M unfavourable)

Prices ($1,584M unfavourable)

- Lower domestic selling prices across all segments.
- Lower export prices, particularly slab and hot rolled coil from Coated & Industrial Products Australia and hot rolled coil from New Zealand Steel.

Raw material costs ($761M favourable)

- Lower steel feed costs within Australia Distribution & Solutions and Coated & Building Products Asia and North America.
- Lower inventory net realisable value provisions for inventory on hand at December 2009 compared to 2008.
- Lower USD coal, iron ore, scrap and alloys purchase prices partly offset by higher value of opening inventory carried forward at Coated & Building Products Australia.

North Star BlueScope Steel ($0M movement)

Exchange rates ($73M unfavourable)

- Unfavourable movement in the AUD:USD relative to the previous comparative period. Average exchange rate for 1H 2010 was 0.872 compared to 0.781 in 1H 2009.

Sales volumes and product mix ($122M unfavourable)

- Unfavourable destination mix to lower margin export despatches away from higher margin domestic despatches in Coated & Industrial Products Australia.
- Lower domestic sales volumes due to continued weakness in steel demand in North America, Australia and New Zealand.

Costs ($254M favourable) comprising the following components:

Cost improvement initiatives ($318M favourable)

- Cost reductions delivered through right-sizing of manufacturing facilities to match market demand profiles.
- Lower repairs and maintenance, conversion, operational, overhead and discretionary costs delivered through cost reduction initiatives.
- No employee ownership share plan in 1H 2010.

Cost escalation ($47M unfavourable)

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

One-off and discretionary costs ($23M unfavourable)

- Lower fixed conversion cost absorption mainly driven by reduced production volumes at Coated & Industrial Products Australia.

Partly offset by:

- Lower costs in relation to the short-term incentive plan award.
- Timing of repairs and maintenance spend mainly in New Zealand Steel.

Other costs ($6M favourable)

- Lower freight costs primarily due to rate reductions.

Partly offset by:

- Lower vanadium and scrap recoveries within New Zealand Steel.

Other items ($11M unfavourable)

- Higher depreciation expense primarily in Coated & Industrial Products Australia.

Unusual or non-recurring items in reported EBIT include ($87M favourable)

- Reduced provisioning in relation to outstanding claims and an insurance recovery within the Lysaght Taiwan business that was closed during 2007 and reduced provisioning in relation to the closed Packaging Products business during 1H 2010 ($7M).
- Profit on sale and leaseback of properties within Australia Distribution & Solutions ($4M) during 1H 2010.
- Restructuring costs in relation to the announced closure of the loss making Flat Products Cold Mill ($22M) during 1H 2009 partly offset by staff redundancies and other internal restructuring costs at Coated & Industrial Products Australia ($12M) during 1H 2010.
- Redundancy and restructuring costs, including plant rationalisations following the acquisition of IMSA Steel Corp, at Coated and Building Products North America ($15M) during 1H 2009.
- Closure provisions within Australia Distribution & Solutions in relation to Lysaght Home Improvements ($2M) during 1H 2009.
- Integration costs associated with the acquisition of IMSA Steel Corp ($3M) during 1H 2009.
- Write off of previously capitalised feasibility costs at New Zealand in relation to capital projects not proceeding ($22M) during 1H 2009.
- Hedge loss on anticipated proceeds in relation to the sale of the Taharoa Iron Sands mine which did not eventuate ($5M) during 1H 2009.
- Impairment of Lysaght Panels, China ($11M) and further impairment of China Coating Line ($25M) during 1H 2009 as a result of lower than expected demand.

Partly offset by:

- Write back of over-provided liabilities in relation to a general insurance provision and North American pension fund within Coated and Building Products North America ($16M) during 1H 2009.

- Funding

  Financing costs for the six months ended 31 December 2009 were $56M ($76M in 1H FY 2009). The decrease in costs reflects a $1,485M decrease in average borrowings to $946M following the repayment of AUD denominated debt mainly during 2H 2009, partly offset by a higher average interest rate of 7.5% (6.1% on 1H FY 2009).

- Tax

  The effective tax rate for the six months ended 31 December 2009 was 71.0% benefit (31.1% expense in 1H FY 2009). The tax benefit for 1H FY 2010 includes the recognition of unbooked deferred tax assets in New Zealand. Excluding the recognition of these deferred tax assets the effective tax rate would be 38.3% and is higher than the Australian tax rate of 30% primarily due to the mix of earning/losses before tax by different tax regions.

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

Table 2b: Reconciliation of Underlying Operational Earnings to Reported Earnings
1H 2010 vs. 1H 2009; $ millions

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

	EBIT		NPAT		EPS(9)	
Factors	**1H 2010**	**1H 2009**	**1H 2010**	**1H 2009**	**1H 2010**	**1H 2009**
Reported earnings	(23)	665	(28)	407	(0.02)	0.44
Net (gains)/losses from businesses discontinued (1)	(7)	0	(6)	0	(0.00)	0.00
Reported earnings (from continuing operations)	(30)	665	(34)	407	(0.02)	0.44
Unusual or non-recurring events:						
Asset impairment (2)	0	36	0	36	0.00	0.04
Restructure and redundancy costs (3)	12	39	8	26	0.00	0.02
Profit on Sale and Leaseback of Properties (4)	(4)	0	(3)	0	(0.00)	0.00
Integration costs associated with IMSA Steel Corp (5)	0	3	0	2	0.00	0.00
Write off of feasibility costs on capital projects (6)	0	22	0	15	0.00	0.02
New Zealand tax adjustment (7)	0	0	(24)	0	(0.01)	0.00
Other (8)	0	(12)	0	(7)	0.00	(0.01)
Underlying Operational Earnings	**(22)**	**753**	**(53)**	**479**	**(0.03)**	**0.51**

(1) 1H 2010 reflects reduced provisioning in relation to outstanding claims and an insurance recovery within the Lysaght Taiwan business that was closed during 2007 and reduced provisioning in relation to the closed Packaging Products business.
(2) 1H 2009 reflects impairment of Lysaght Panels, China and further impairment of China Coating Line.
(3) 1H 2010 reflects staff redundancies and other internal restructuring costs at Coated & Industrial Products Australia. 1H 2009 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) 1H 2010 reflects profit on sale and leaseback of properties within Australia Distribution & Solutions.
(5) 1H 2009 reflects integration costs associated with the acquisition of IMSA Steel Corp.
(6) 1H 2009 reflects write off of previously capitalised feasibility costs at New Zealand in relation to capital projects not proceeding and placed on hold.
(7) Recognition of previously unbooked deferred tax assets in New Zealand Steel.
(8) 1H 2009 reflects the write back of over-provided liabilities in relation to a general insurance provision and North American pension fund within Coated and Building Products North America partly offset by a hedge loss on anticipated proceeds in relation to the sale of the Taharoa Iron Sands mine which did not eventuate.
(9) Earnings per share is based on the average number of shares on issue during the respective reporting periods, ie. 1,823.3M vs. 772.7M. In accordance with AASB 133 Earnings per Share, comparative earnings per share calculations have been restated for the bonus element of the one-for-one share rights issue undertaken in May and June 2009. The previously reported December 2008 weighted average number of shares has been adjusted by a

factor of 1.21 being the market price of one ordinary share immediately before the last date of entitlement to participate in the bonus issue ($2.38), divided by the theoretical ex-rights value per share of ($1.97).

Equity, Financial Flexibility and Cash Flow

Table 3 below provides a summary of consolidated equity and return measures at 31 December 2009 and 2008.

Table 3: Consolidated – Return Statistics
1H 2010 and 1H 2009; mixed measures

Financial Measure	1H 2010	1H 2009	%
Shares outstanding – end of period (million)	1,823.3	869.9	110
Average shares – for the period (million) (1)	1,823.3	772.7	136
Return on equity – based on reported NPAT attributable to shareholders (%)	(1.0%)	18.5%	
Return on equity – based on underlying operational NPAT earnings (%)	(1.9%)	21.8%	
Return on invested capital – based on reported EBIT (%)	(0.7%)	18.5%	
Return on invested capital – based on underlying EBIT (%)	(0.7%)	21.0%	

(1) In accordance with AASB 133 Earnings per Share, comparative earnings per share calculations have been restated for the bonus element of the one-for-one share rights issue undertaken in May and June 2009. The previously reported December 2008 weighted average number of shares has been adjusted by a factor of 1.21 being the market price of one ordinary share immediately before the last date of entitlement to participate in the bonus issue ($2.38), divided by the theoretical ex-rights value per share of ($1.97).

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

Table 4: Consolidated – Financial Flexibility Measures
1H 2010 and 1H 2009; mixed measures

				Variance	
Financial Measure		1H 2010	1H 2009	$M	%
Underlying Operational EBITDA	$M	155	946	(791)	(84)
Interest expense	$M	56	76	(20)	(26)
Borrowings	$M	948	2,675	(1,727)	(65)
Underlying Operational EBITDA / interest	times	3	12	(10)	(80)
Debt / Underlying Operational EBITDA	times	6.1	2.8	3.3	116

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

Table 5: Consolidated Cash Flow
1H 2010 and 1H 2009; $ millions

			Variance	
Factors	**1H 2010**	**1H 2009**	**$M**	**%**
Reported EBITDA [(1)]	154	857	(703)	(82)
Add back non cash items				
- Share of profits from associates and joint venture partnership not received as dividends	(6)	(6)	0	0
- Impaired assets[(2)]	(1)	57	(58)	(102)
- Net (gain) loss on sale of assets	(4)	(1)	(3)	(300)
- Expensing of share-based employee benefits	1	19	(18)	(95)
Cash EBITDA	144	926	(782)	(84)
Changes in working capital [(3)]	108	(863)	971	113
Net cash from operating activities	252	63	189	300
Net cash from investing activities	(213)	(287)	74	26
Cash from operating and investing (pre-tax)	39	(224)	263	117
Interest paid	(52)	(73)	21	29
Tax received / (paid)	12	(242)	254	105
Cash from operating and investing (post-tax) (as per statutory cash flow)	(1)	(539)	538	100

(1) Refer EBIT Variance analysis for major changes in EBITDA.
(2) 1H 2009 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) 1H 2010 changes in working capital primarily reflects a reduction in inventories mainly delivered through lower raw material and steel feed costs partly offset by an increase in volumes on hand. 1H 2009 changes in working capital primarily reflects an increase in inventories in preparation for the No. 5 Blast Furnace reline shut and the substantial weakness in world steel demand and a corresponding decrease in creditors and trade receivables.

GROUP REVIEW

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

Business Review – 1H FY2010

In the half year to 31 December 2009, BlueScope Steel continued on the recovery pathway from the very weak market conditions principally in the second half of FY2009, however conditions remained challenging.

The Company reported a loss for the half of $28 million (up from a $473 million loss in 2H FY2009), comprised of an unaudited $61 million loss in the September quarter followed by an improvement to a $33 million profit in the December quarter. Despite the weight of the strong Australian dollar, the business improvement and return to profitability in the December quarter is encouraging. Increased steel despatch volumes, generally increased prices, the depletion of higher priced inventory including raw materials and a sharp focus on cost savings contributed to the improvement. As foreshadowed at the Company's Annual General Meeting in November, the Board has not declared an interim dividend, however is committed to resuming dividend payments as a high priority once sustainable economic recovery becomes more certain.

In Australia, in light of improved domestic and export demand, the No. 5 Blast Furnace at Port Kembla was restarted following successful reline on 19 August 2009 and fully ramped up in October 2009. Slab-make from both our blast furnaces was 83% of capacity for the half. The Coated & Industrial Products Australia division (C&IPA) EBIT improved in the December quarter, over the September quarter, in light of higher despatch volumes and the depletion of higher priced inventory including raw materials.

Domestic demand improved 51% in the first half compared to the previous six months (2H FY2009). This was particularly evident in the residential construction segment and in despatches to pipe and tube and distribution channel customers. Non-residential construction sales remain soft. Domestic pricing, while constrained by the strong Australian dollar, improved into the September quarter, reflecting the lagged flow-through of regional spot prices in the first few months of the financial year.

Export demand, particularly from external customers in Asia, and from the Company's affiliates in Asia and North America improved. International prices improved through the September quarter, moderated late in the December quarter and are increasing again into the third quarter.

New Zealand Steel's domestic sales increased by 28% compared to the previous six months, with market share improving relative to imports.

Pleasingly, in Asia, profitability improved strongly to $50 million EBIT for the half. In South East Asia, Indonesian residential steel demand remains strong and in December we announced our intention to complete construction of the second metallic coating line with in-line painting. Thailand's agricultural and residential segments are strengthening and we have decided to resume production on our second metallic coating line in Thailand. In China, our overall business continues to improve. China Coating business despatches increased 21% in the first-half compared to the previous six months. Our Buildings business saw a 24% increase in despatches, reflecting improvements in both our Lysaght and PEB business units.

In terms of our North American Coated and Building Products business, the non-residential construction segment of the US market continued to remain weak, with no improvement in the immediate outlook. However, the NorthStar BlueScope Joint Venture has seen improved margins in the December quarter (following the depletion of stocks of high-priced pig iron feed) and continues to operate at higher than national average utilisation rates. Steelscape despatches rose by 57% compared to the previous six months, as a result of increased domestic demand and a decline in imports.

With global markets (apart from China, which is well advanced), now cautiously recovering from the worst of the global financial crisis, the Company continues to take a conservative view of the near term and is focused on maintaining the strength of its balance sheet position.

Management continued to pursue the initiatives which were initiated in FY2009 when markets weakened:

- Major cost reductions – the cost base was reduced by $216 million in 1H FY2010 (over FY2009 levels) through permanent and temporary savings. We are on track to deliver in excess of $325 million of cumulative permanent reductions in the cost base by end FY2010 against the FY2008 cost base.
- Focus on cash flow – each business focused on initiatives to improve cash flow and working capital.
- Production and inventory appropriate for demand – inventory held was reduced from $2.8 billion at 31 December 2008 to $1.7 billion at 30 June 2009. 1H FY2009 saw a further slight decrease, to $1.6 billion, despite the increase in business activity levels.
- Curtailment of capital expenditure – capital expenditure was limited to essential requirements only, with growth and business development activities suspended, with the principal exception being the Indonesia coating expansion.
- Management of capital structure – following the capital restructuring effected during FY2009, gearing at 30 June 2009 was 11.8%. Comparable levels have been maintained during 1H FY2010, with gearing of 11.6% at 31 December 2009. The Company has no material refinancing obligations due until July 2011 and liquidity remained at a strong $1,631 million at 31 December 2009.

The continued strong focus on safety by all our employees has resulted in us moving closer to our goal of zero harm.

Industry

We currently see supply and demand in balance in China, however we can expect some volatility. The Chinese Government's stimulus package has certainly supported its economy to date. However the key to future overall Chinese growth will be to achieve higher domestic consumer demand. The continued consumption growth in India, Brazil and other developing economies is also good for the steel industry.

Capacity utilisation in the rest of the world is increasing off a low base. Higher levels of capacity utilisation are required to support a sustainable recovery in steel prices. This can occur through improved economic conditions, including lower unemployment in the developed economies.

Raw material costs remain a concern. Prices for steel-making raw materials are being driven by continued strong demand and the ongoing growth of Chinese steel demand and production. As the world recovers from the global financial crisis, margins for steel producers will be volatile.

We expect growth to continue in China and across Asia and we are focused on better business execution in these markets to ensure we benefit from that growth.

Markets – 2H FY2010

We expect Australian domestic markets will continue their recovery in the June 2010 half. Residential construction sales are anticipated to continue to achieve moderate growth. While Federal Government expenditure under the Building Education Revolution program will provide some support, we expect non-residential construction sales to decline marginally due to the lagging recovery in aggregate commercial investment. We anticipate that the pipe & tube and distribution segments will consolidate on improved volumes, with some ongoing volatility. Domestic prices will reduce during the March quarter in most products in response to the potential for increased import competition due to the strengthened Australian dollar. We then expect improvement into the June quarter as global steel prices improve.

Export demand, particularly in Asia, remains robust. East Asian regional prices of hot rolled coil have increased in the March quarter and range from US$570/t to US$590/t CFR for the later part of the quarter, however we expect ongoing volatility in the half. It remains important that global steel supply will match demand and therefore supports steel prices to offset the expected increases in raw material costs.

Outlook

We expect to deliver a small reported profit for the full year largely due to:

- Continued improvement in domestic/export demand conditions
- Improved steel prices
- Further cost reduction initiatives.

Key sensitivities in the second half include steel prices, iron ore prices and the exchange rate.

Coming out of the global economic downturn, BlueScope Steel is well positioned with:

- a strong balance sheet and liquidity position;
- significant upside when economies fully recover in all our markets; and
- a sustainable reduction in our cost base.

After a tough period across all our businesses, we are pleased to report a more positive trend in demand and pricing and expect a profit in the second half. We will continue working on safety, cost management and serving our customers.

Finally, I would like to thank all BlueScope Steel employees for their valued contribution during the past six months and for their continued commitment to our goal of zero harm.

Business Unit Reviews

Table 6a: Sales Revenue
1H 2010 and 1H 2009; 2H 2009; $ millions

Segment	1H 2010	1H 2009	2H 2009
Coated & Industrial Products Australia	2,131	3,471	1,820
Australia Distribution & Solutions	896	1,247	874
Inter-segment(1)	(316)	(415)	(236)
Sub-total Australia	2,711	4,303	2,458
New Zealand and Pacific Steel Products	278	370	325
Coated and Building Products Asia	629	878	665
Hot Rolled Products North America (2)	0	0	0
Coated and Building Products North America	693	1,315	874
Inter-segment (1)	0	0	0
Sub-total North America	693	1,315	874
Corporate and Group	0	0	0
Inter-segment (1)	(220)	(723)	(163)
Continuing Businesses	**4,091**	**6,143**	**4,159**
Discontinued Businesses (4)	0	0	0
Inter-segment	(0)	(0)	0
Total BLUESCOPE STEEL	**4,091**	**6,143**	**4,159**

Table 6b: Reported EBIT
1H 2010 and 1H 2009; 2H 2009; $ millions

Segment	1H 2010	1H 2009	2H 2009
Coated & Industrial Products Australia	(92)	644	(438)
Australia Distribution & Solutions	7	74	(97)
Inter-segment(1)	(8)	(25)	19
Sub-total Australia	(93)	693	(516)
New Zealand and Pacific Steel Products	21	56	9
Coated and Building Products Asia	50	(75)	(19)
Hot Rolled Products North America	14	15	(73)
Coated and Building Products North America	11	(55)	(38)
Inter-segment (1)	0	0	0
Sub-total North America	25	(40)	(111)
Corporate and Group (3)	(31)	(87)	(42)
Inter-segment (1)	(2)	118	14
Continuing Businesses	**(30)**	**665**	**(665)**
Discontinued Businesses (4)	7	0	15
Inter-segment	0	0	0
Total BLUESCOPE STEEL	**(23)**	**665**	**(650)**

Table 6c: Underlying EBIT
1H 2010 and 1H 2009; 2H 2009; $ millions

Segment	1H 2010	1H 2009	2H 2009
Coated & Industrial Products Australia	(80)	553	(412)
Australia Distribution & Solutions	3	75	(66)
Inter-segment (1)	(8)	(25)	20
Sub-total Australia	(85)	603	(458)
New Zealand and Pacific Steel Products	21	78	9
Coated and Building Products Asia	50	(75)	(19)
Hot Rolled Products North America	14	15	(73)
Coated and Building Products North America	11	37	(28)
Inter-segment (1)	0	0	0
Sub-total North America	25	52	(101)
Corporate and Group (3)	(31)	(82)	(39)
Inter-segment (1)	(2)	118	12
Continuing Businesses	**(22)**	**753**	**(582)**
Discontinued Businesses	0	0	0
Inter-segment	0	0	0
Total BLUESCOPE STEEL	**(22)**	**753**	**(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$280M in 1H 2010 (A$448M in 1H 2009 and A$221M in 2H 2009).
(3) Corporate and Group reflects corporate office activities. The decrease in 1H 2010 Corporate and Group costs primarily reflects foreign exchange losses on net foreign currency denominated debt, including inter-company debt, booked during 1H 2009, general employee share plan costs incurred during 1H 2009 and reduced costs delivered from cost reduction programmes.
(4) Reflects reduced provisioning in relation to outstanding claims and an insurance recovery within the Lysaght Taiwan business that was closed during 2007 and reduced provisioning in relation to the closed Packaging Products business.

BLUESCOPE STEEL AUSTRALIA

Coated & Industrial Products Australia

This segment 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;
- Acacia Ridge COLORBOND® steel facility; and
- North America, European and Asian export trading offices.

(i) Financial Performance

Table 7a: Financial Performance
1H 2010 and 1H 2009; $ millions

Financial Measure	1H 2010	1H 2009	Variance $	Variance %
Sales revenue (1), (2)	2,131	3,471	(1,340)	(39)
Reported EBITDA (2)	9	751	(742)	(99)
Reported EBIT	(92)	644	(736)	(114)
Underlying operational EBIT (3)	(80)	553	(633)	(114)
Capital and investment expenditure (4)	65	134	(69)	(51)
Net operating assets (pre tax) (5)	3,363	3,526	(163)	(5)
Return on net assets (pre tax) (6)	(6%)	39%		

Table 7b: Financial Performance
1H 2010 vs. 2H 2009; $ millions

Financial Measure	1H 2010	2H 2009	Variance
Sales revenue (1), (2)	2,131	1,820	311
Reported EBITDA(2)	9	(349)	358
Reported EBIT	(92)	(438)	345
Underlying operational EBIT (3)	(80)	(412)	332
Capital and investment expenditure (4)	65	425	(360)
Net operating assets (pre tax)	3,363	3,322	41
Return on net assets (pre tax) (6)	(6%)	(25%)	

(1) 1H 2010 includes coke sales of 125kt (1H 2009 99kt and 2H 2009 183kt). 1H 2010 includes export trading office principal sales of 158kt, with 155kt to North America and 3kt to Europe (1H 2009 257kt with 253kt to North America and 4kt to Europe and 2H 2009 108kt with 102kt to North America and 6kt to Europe).

(2) Sales revenue and EBITDA includes $1,547M and $(18M) respectively in relation to the old Hot Rolled Products Australia segment (1H 2009 $2,728M and $648M respectively and 2H 2009 $1,208M and $(308M) 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 within the new Coated & Industrial Products Australia segment due to sales between the businesses in this segment.

(3) 1H 2009 EBIT has been adjusted for inter-company inventory net realisable value provisions ($113M) partly offset by closure provisions driven by the announced closure of the packaging products cold mill at Port Kembla $22M. 2H 2009 EBIT has been adjusted for the fire at Western Port, net of reversal of previous asset impairment charges, ($10M) and staff redundancies and other internal restructuring costs ($19M) partly offset by inter-company inventory net realisable value provisions ($1M) and partial write back of the closure provisions relating to the closure of the packaging products cold mill at Port Kembla ($2M).

(4) 1H 2010 includes finance leases of $36M (1H 2009 $0M and 2H 2009 $0M)

(5) Decrease in net operating assets primarily reflects lower inventories resulting from lower raw material costs and a reduction in volumes on hand and lower receivables mainly driven by lower selling prices partly offset by lower provisions mainly in relation to the defined benefit superannuation fund.

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

(ii) Variance Analysis (1H 2010 vs. 1H 2009)

The $1,340M decrease in sales revenue is primarily due to lower international slab and hot rolled coil prices, lower domestic prices across all commoditised products driven by lower international steel prices and a stronger AUD, lower sales volumes in the domestic market across all sectors due to the impact of the global financial crisis, and an adverse foreign exchange impact due to the stronger AUD. These were partly offset by higher export volumes, largely slab, due to constrained export volumes in Q1 FY 2009.

The $633M decrease in underlying EBIT was largely due to:

- Reduced spread
  - Lower international slab and hot rolled coil prices.
  - Lower domestic prices across all commoditised products driven by lower international steel prices and a stronger AUD.

Partly offset by

- Lower USD coal, iron ore, scrap and alloys purchase prices partly offset by higher value of opening inventory carried forward from FY 2009.

- Lower inventory net realisable value provisions for inventory on hand at December 2009 compared to 2008.
- Unfavourable movement in the AUD:USD vs. 1H 2009. Average exchange rate for 1H 2010 was 0.872 compared to 0.781 in 1H 2009. The lower AUD adversely impacts prices achieved on export sales.
- Unfavourable destination mix to lower margin export despatches away from higher margin domestic despatches.
- Lower fixed conversion cost absorption driven by reduced production volumes.

These were partly offset by:

- Lower labour and discretionary costs as part of cost reduction initiatives.
- Lower utilities and freight costs.

Unusual and non-recurring items in reported EBIT included:

- Staff redundancies and other internal restructuring costs during 1H 2010 ($12M).
- Reversal of 1H 2009 margins on inter-company sales where a subsequent inventory net realisable value provision was required to be booked by a separate reporting segment (Coated & Building Products North America and Asia) ($113M).
- Closure provisions driven by the announced closure of the packaging products cold mill at Port Kembla during 1H 2009 ($22M).

(iii) Operations Report

Port Kembla Steelworks

- Iron & Slab
  - Ironmaking production of 2.20Mt, was 0.15Mt lower than the 2.35Mt in 1H FY 2009 due to only operating Blast Furnace (BF) No. 6 until 19 August 2009 and from there onwards operating two blast furnaces when BF No. 5 recommenced operations**.**
  - In Q1 FY 2010 both BF No. 5 and BF No. 6 operated at a combined utilisation rate of 70%. BF No. 5 completed its ramp-up in October 2009 in line with plan and both BF's have been operating at 100% utilisation since.
  - Slab production was correspondingly lower, with 2.19Mt (vs. 2.40Mt for 1H FY 2009).
  - BF No.5 reline and start-up:
    - Total capital cost was in line with budget at A$362M.
    - Ramp up was the best in BlueScope (and BHP)'s history and No. 5 has operated continuously with no significant issues since blow-in.
  - Iron Ore Supply arrangements:
    - Contracts in place with BHP Billiton (5Mtpa / 10 year contract) and Savage River (Grange Resources) in Tasmania.
    - Also supply of additional fines and pellets from IOC (RIO) and Vale:
      - Short term supply arrangements in place and negotiations underway for additional term contracts (as is the case with OneSteel)
      - Expect market prices in 2H FY 2010 (mixture of next year's benchmark and index prices)

- Hot Strip Mill (HSM)
  - Hot rolled coil production of 1.18Mt (vs. 1.17Mt in 1H FY 2009 and 0.87Mt in 2H FY 2009).

- Plate Mill
  - Plate production of 0.135Mt (vs 0.195Mt for 1H FY 2009).
  - Lower production in line with reduced market demand.
  - During the half both re-heat furnaces have undergone significant repair to restore the mill to nameplate capacity and the mill is well positioned to increase throughput when demand returns.

- Sinter Plant Upgrade

  - The Sinter Plant re-commenced production on 29th June 2009 after the successful completion of the upgrade capital project. In 1H FY 2010 2.4Mt of sinter was produced (vs. 2.5Mt in 1H FY 2009) with improved quality and a reduction in operating costs. The upgrade will allow an increase of 1.1Mtpa to 6.6Mtpa.
  - The final capital cost of the project was A$142M.
  - Increased production of sinter increases sinter in the blast furnace burden (displacing iron ore pellets).
  - Improved sinter quality has also improved the blast furnace burden permeability and increased lower cost pulverised coal injection rates. PCI coal consumed in 1H FY 2010 was 309kt vs. 297kt in 1H FY 2009.

Coated Businesses

- Western Port

  - HSM production was 483kt (vs. 529kt in 1H FY 2009) due to reduced demand.
  - Metal coating line production was 314kt (vs. 361kt for 1H FY 2009) due to lower demand. Two of the three metal coating lines operated at full capacity whilst the third ran at reduced shifts.
  - Paint line production was 120kt (vs. 131kt for 1H FY 2009). Production was impacted by lower demand.

- Springhill

  - The coupled pickle cold mill production was 444kt (vs. 405kt for 1H FY 2009).
  - Metal coating line production was 381kt (vs. 354kt for 1H FY 2009).
  - No. 3 paint line production was 81kt (vs. 73kt for 1H FY 2009).
  - All lines operated at full capacity during Q2 FY 2010.

- Western Sydney Centre (Paint Line)

  - The paint line production was 45kt (vs. 35kt for 1H FY 2009).
  - 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 was 45kt vs. 45kt in 1H FY 2009.

(iv) Markets

- Australian Domestic Building Sector

  - Sales volumes recovered in the domestic Building market after a rapid decline in volume in 2H FY 2009, which was driven by significantly reduced activity levels and moderate inventory destocking. Volumes in 1H FY 2010 were 23% higher than 2H FY 2009.
  - Whilst volumes recovered, against 1H FY 2009, domestic Building market volume was still down 10%.
  - The achieved sales volumes were influenced by moderately improving residential activity, government stimulus driven projects, and strong steel market share. Commercial/Industrial activity remains a weak point.
  - Whilst the pricing environment has been depressed, pricing levels in the premier branded product COLORBOND® steel remained stable through 1H FY 2010. Pricing levels of other products continued to increase from 1Q into 2Q due to improved global steel prices, however will moderate in 3Q primarily due to the strengthening of the AUD.

- Australian Domestic Industrial Sectors

  - There has been a significant increase in volume in domestic Industrial markets after a rapid decline in volume in 2H FY 2009, which was driven by declining activity levels in key segments such as Automotive, Mining and Engineering Construction and abnormally high channel inventory, particularly in the Distribution and Pipe and Tube sectors. Volumes in 1H FY 2010 have approximately doubled from 2H FY 2009, based on activity levels and significant inventory restocking after heavy inventory reductions in 2H FY 2009. This increase in volume has also been supported by an increase in market share across our product range.

- Whilst volume has recovered, against 1H FY 2009 domestic Industrial markets volume was still down approximately 15%.
- The pricing environment in domestic Industrial markets has been challenging, with pricing across the board softening in Q4 FY09 and in some products into Q1 FY 2010. This was driven by declining steel prices in global markets, however global prices commenced recovery in 1Q FY 2010 resulting in improved domestic prices in late 1Q FY 2010 and into Q2 FY 2010. Domestic price recovery has been impacted by the strengthening of the A$, ultimately resulting in price reduction into 3Q FY 2010.

- Export Markets
  - Global demand improved in 1Q FY 2010 on the back of 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 10-15% compared to the previous quarter. Due to the No.5 Blast Furnace reline, 1Q FY2010 export volume was significantly lower than the previous corresponding period.
  - HRC prices continued to increase in 2Q FY 2010 (approximately 5-10%) vs. 1Q FY 2010. Export tonnes increased significantly in 2Q FY 2010 on the back of increased production from the start up of No. 5 Blast Furnace. Across 1H FY 2010 all capacity available for export was sold.

Australia Distribution & Solutions

This segment comprises:
- BlueScope Distribution with 80 sites throughout Australia;
- BlueScope Lysaght, with 38 sites throughout Australia;
- Sheet and Coil Processing Services, with 6 sites across Australia
- Emerging Businesses, comprising BlueScope Water with 6 manufacturing and 7 retail sites across Australia and 2 manufacturing sites and 1 retail site in the United States and BlueScope Buildings

(i) Financial Performance

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

Table 8a: Financial Performance
1H 2010 and 1H 2009; $ millions

Financial Measure	1H 2010	1H 2009	Variance $	Variance %
Sales revenue	896	1,247	(351)	(28)
Reported EBITDA	22	89	(67)	(75)
Reported EBIT	7	74	(67)	(91)
Underlying operational EBIT (1)	3	75	(72)	(96)
Capital and investment expenditure	3	14	(11)	(79)
Net operating assets (pre tax) (2)	900	1,148	(248)	(22)
Return on net assets (pre tax) (3)	2%	13%		

Table 8b: Financial Performance
1H 2010 vs. 2H 2009; $ millions

Financial Measure	1H 2010	2H 2009	Variance
Sales revenue	896	873	23
Reported EBITDA	22	(81)	103
Reported EBIT	7	(97)	104
Underlying operational EBIT (1)	3	(66)	69
Capital and investment expenditure	3	11	(8)
Net operating assets (pre tax)	900	926	(26)
Return on net assets (pre tax) (3)	2%	(18%)	

(1) 1H 2010 EBIT has been adjusted for profit on sale and leaseback of properties ($4M). 1H 2009 EBIT has been adjusted for costs relating to the closure of the Lysaght Home Improvements business $1M. 2H 2009 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 ($9M), 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 lower inventory volumes on hand and lower receivables primarily driven by lower despatch volumes.

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

(ii) Variance Analysis (1H 2010 vs. 1H 2009)

The $351M decrease in sales revenue was primarily due to lower despatch volumes combined with lower average domestic selling prices.

The $72M reduction in underlying EBIT was largely due to:

- Reduced margins with lower average domestic selling prices being partly offset by lower steel feed costs.
- Lower despatch volumes.

These were partly offset by:

- Lower labour and discretionary costs as part of cost reduction initiatives.

Unusual and non-recurring items in reported EBIT include:

- Profit on sale and leaseback of properties during 1H 2010 ($4M).
- Lysaght Home Improvements closure provisions booked during 1H 2009 ($1M).

(iii) Operations Report

- <u>BlueScope Distribution</u>
  - 1H FY 2010 has seen some recovery in sales volumes, after weak demand in 2H FY 2009, but volumes are still 15% below 1H FY 2009 levels. The recovery has been due to customer re-stocking early in the period as well as improvements in the manufacturing/fabrication sector and in residential construction.
  - Sales volumes have not benefited significantly from the major Australian resources development projects, which are substantially being fabricated offshore (eg: Gorgon). However, we would expect to see some benefit from local contractor activity, e.g. warehouses, etc.
  - Cost saving initiatives, implemented in response to weaker market conditions, have been significant during the period.

- <u>BlueScope Lysaght</u>
  - Sales volumes have improved from 2H FY 2009 but still remain 10% lower than 1H FY 2009.
  - Improvement in the residential housing sector has been evident in 1H FY 2010, in particular in Victoria, although soft market conditions have continued across most regions with concern about the Global Financial Crisis and increasing interest rates continuing to affect consumer demand.
  - The Government funded Building Education Revolution has had a material 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 have been successfully implemented across the business.

- <u>Sheet and Coil Processing Services (S&CPS)</u>
  - Demand for processed product by internal BlueScope customers and external customers (slit coil and sheared sheet) has steadily increased during 1H FY 2010 driven by improvements in building and industrial sectors. Demand was above the low levels experienced in 2H FY 2009 and only marginally below the levels of 1H FY 2009.
  - Notwithstanding the increased demand, the S&CPS business has continued to focus on containing costs and achieving productivity improvements, including optimisation of the combined processing capabilities of the existing BlueScope Service Centres and the ex-Smorgon Distribution Sheet Metal Supplies processing operations.

- <u>BlueScope Water</u>
  - Improved sales volumes have been achieved by the east coast Urban Water business through coordinated marketing campaigns to the metropolitan retro-fit market while the new construction market is showing signs of recovery with increased order activity.
  - Demand continued to be depressed in rural markets, while commercial demand weakened as projects continue to be delayed. Some improvement in export demand was evident during the period, however these markets are becoming increasingly competitive.

- BlueScope Buildings
    - Interest in BlueScope Buildings pre-engineered buildings segment is growing with positive customer feedback from owners of completed projects and increased quoting activity.

BLUESCOPE STEEL NEW ZEALAND

New Zealand and Pacific Steel Products

This segment comprises:

- New Zealand Steel; and
- Lysaght Pacific Islands

(i) Financial Performance

Table 9a: Financial Performance
1H 2010 and 1H 2009; $ millions

			Variance	
Financial Measure	**1H 2010**	**1H 2009**	**$**	**%**
Sales revenue	278	370	(92)	(25)
Reported EBITDA	38	71	(33)	(46)
Reported EBIT	21	56	(35)	(63)
Underlying operational EBIT (1)	21	78	(57)	(73)
Capital and investment expenditure	21	20	1	5
Net operating assets (pre tax) (2)	395	309	86	28
Return on net assets (pre tax) (3)	12%	31%		

Table 9b: Financial Performance
1H 2010 vs. 2H 2009; $ millions

Financial Measure	**1H 2010**	**2H 2009**	**Variance**
Sales revenue	278	325	(47)
Reported EBITDA	38	24	14
Reported EBIT	21	9	12
Underlying operational EBIT (1)	21	9	12
Capital and investment expenditure	21	11	10
Net operating assets (pre tax) (2)	395	346	49
Return on net assets (pre tax) (3)	12%	6%	

(1) 1H 2009 EBIT has been adjusted for the write off of feasibility costs previously capitalised in relation to capital projects that have now been placed on hold ($22M).

(2) 1H 2010 vs 1H 2009 increase in net operating assets primarily reflects a decrease in the defined benefit superannuation fund provision of $142M partly offset by higher inventories and receivables. 1H 2010 vs 2H 2009 increase in net operating assets primarily reflects a decrease in the defined benefit superannuation fund provision of $38M.

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

(ii) Variance Analysis (1H 2010 vs. 1H 2009)

The $92M decrease in sales revenue is primarily due to lower international and domestic selling prices.

The $57M decrease in underlying EBIT was largely due to:

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

These were partly offset by:

- Lower labour and discretionary costs as part of cost reduction initiatives.
- Higher repairs and maintenance spend in 1H 2009.

Unusual and non-recurring items in reported EBIT include:

- During 1H 2009, write off of feasibility costs previously capitalised in relation to capital projects that were placed on hold during FY 2009 due to global conditions and the uncertain investment environment in New Zealand ($22M).

(iii) Operations Report

- Steel production of 262kt (vs. 273kt 1H FY 2009 and 270kt in 2H FY 2009) was impacted by the early shut of kiln 2 in August (brought forward from March 2010 due to refractory failure). Also, successful completion of a major 14 day shutdown during November in Steelmaking to replace the vessel fume hood.
- Hot rolled production of 238kt (vs. 247kt 1H FY 2009 and 294kt in 2H FY 2009) as a consequence of reduced slab production.
- Metal coating production of 107kt (vs. 107kt 1H FY 2009 and 104kt 2H FY 2009) with throughput matched to market demand.
- Paint line production of 23kt (vs. 23kt in 1H FY 2009 and 21kt in 2H FY 2009) being primarily market driven.
- Cost control continues to be a major focus for all operational areas with maintenance and labour spend reduction being the priority.
- Vanadium volumes were down 14% on 1H 2009 due to lower production.
- Iron sands exports from Taharoa of 467kt, an increase of 25% on both previous half yearly periods. The increase over 1H FY 2009 relates to timing of shipments, and over 2H FY 2009 is due to a scheduled dry dock for the slurry vessel.

(iv) New Zealand Markets

- <u>New Zealand Domestic</u>

  - Domestic sales were down 16% (1H FY 2010 122kt vs. 1H FY 2009 146kt) impacted by the adverse economic conditions. Imported product into New Zealand has fallen to a greater extent.

  - Residential building consents remain near historic low levels with banks requiring increased deposits. The loss of finance from the non-banking sector has impacted a significant number of property developments. Non-residential building, especially in the commercial sector, has dropped as a consequence of reduced economic activity, and agriculture has been impacted by lower returns to dairy farmers.

<u>BLUESCOPE STEEL ASIA</u>

<u>Coated and Building Products Asia</u>

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

Table 10a: Financial Performance
1H 2010 and 1H 2009; $ millions

			Variance	
Financial Measure	**1H 2010**	**1H 2009**	**$**	**%**
Sales revenue	629	878	(249)	(28)
Reported EBITDA	71	(49)	120	245
Reported EBIT	50	(75)	125	167
Underlying operational EBIT (1)	50	(16)	66	413
Capital and investment expenditure (2)	26	46	(20)	(43)
Net operating assets (pre tax) (3)	791	1,208	(417)	(35)
Return on net assets (pre tax) (4)	13%	(13%)		

Table 10b: Financial Performance
1H 2010 vs. 2H 2009; $ millions

Financial Measure	1H 2010	2H 2009	Variance
Sales revenue	629	665	(36)
Reported EBITDA	71	4	67
Reported EBIT	50	(19)	69
Underlying operational EBIT (1)	50	(5)	55
Capital and investment expenditure	26	25	1
Net operating assets (pre tax)	791	833	(42)
Return on net assets (pre tax) (4)	13%	(4%)	

(1) 1H 2009 EBIT has been adjusted for inter-company inventory net realisable value provisions, principally HRC feed to Thailand from Port Kembla Steelworks ($23M) and impairment write-downs of Langfang Panels ($11M) and China Coating lines ($25M). 2H 2009 EBIT has been adjusted for staff redundancies and other internal restructuring costs ($14M).
(2) Capital expenditure largely reflects spend on the second metal coating line in Indonesia.
(3) Decrease in net operating assets primarily reflects lower inventory volumes on hand principally from reduced steel feed purchases, lower receivables mainly reflecting lower selling prices combined with lower despatch volumes 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 (1H 2010 vs. 1H 2009)

The $249M decrease in sales revenue is primarily due to lower selling prices across all regions and lower despatch volumes mainly in Thailand and Malaysia.

The $66M increase in underlying EBIT is largely due to:

- Improved margins principally driven by:
  - Lower cost of steel feed.

  Partly offset by
  - Lower domestic and export prices.
  - Higher coating metal costs, predominantly higher zinc costs.
- Lower inventory net realisable value provisions in regard to product manufactured from externally sourced feed.
- Lower labour and discretionary costs as part of cost reduction initiatives.

Partly offset by:

- Unfavourable foreign exchange movements mainly in Indonesia, China and Vietnam.
- Lower despatch volumes mainly in Thailand and Malaysia.

Unusual and non-recurring items in reported EBIT include:

- Removal of inter-company inventory net realisable value provision where there is an offsetting inter-company margin booked in a separate reporting segment, namely Coated & Industrial Products Australia, during 1H 2009 ($23M).
- Impairment of Lysaght Panels, China ($11M) and further impairment of China Coating line ($25M) in 1H 2009.

(iii) Operations and Market Report

Thailand

- **Current Operations**
  - Metal coating line No. 1 remained on continuous 7 day roster, with shift patterns on other production units reduced. Metal coating line No. 2 production was stopped in December 2008 in response to market decline and political instability.

Production volumes (kt)	1H FY 2010	1H FY 2009	Variance
Cold Roll Line	85	99	(14)
Metallic Coating Lines	73	106	(33)
Paint Line	23	26	(3)

  - With the apparent stabilisation of the political environment, the domestic market in Thailand has improved in the recent months. This indicates a significant growth potential for BST in the Thailand coated steel market, especially in the residential and agricultural segments. As such, BST decided in October 2009 to re-start metal coating line No. 2 production in January 2010.

- **Markets**
  - Thailand's reliance on exports to drive its economy continues to impact most segments in which BlueScope Steel sells. 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.
  - 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.
  - Cheap imported steel continued to enter the Thailand market throughout FY 2009 and 1H FY 2010. During Q4 CY 2009, BST sales volumes were lower than expected due to this higher import competition, which is expected to bottom out by early February 2010.

<u>Vietnam</u>

- **Current Operations**
  - In 1H FY 2010, both coating and building businesses had recovered strongly due to improved domestic market demand. Metal coating production volumes were 53kt in 1H FY 2010 vs. 45kt in 1H FY 2009, and paint line production volumes were 26kt in 1H FY 2010 vs. 23kt in 1H FY 2009. Strong focus continued on cost control measures.
  - The metal coated and painted production facility at Phu My has ramped up to 80% of rated capacity in 1H FY 2010 with 3rd operation crews re-instated. Full capacity is planned after Tet festive season in February 2010, to support stronger projected domestic demand and Indonesia seeding program.
  - The roll forming and fabricated beam facilities in Bien Hoa, Ho Chi Minh City in southern Vietnam have also improved utilisation in 1H FY2010. The Hatay facility in Northern Vietnam, which was decommissioned in March 2009 was successfully disposed of in November 2009.

- **Markets**
  - After registering its lowest GDP rise at the beginning of CY 2009 (3.1%), the Vietnam economy has recovered with year-on-year growth of 4.5% in Q2 and 5.8% in Q3. Construction sector has benefited significantly from various government-led infrastructure projects. Foreign Direct Investment for FY 2010 is projected to be around USD 20bn, mainly in industrial and commercial segment, as many projects that were put on hold last year are recommencing.
  - In November 2009, the government moved the official exchange rate between VND/USD from 17,700 to 18,500. With the continued shortage of USD in the market, the levels of steel imports reduced with domestic customers turning to domestic steel manufacturers.

<u>Indonesia</u>

- **Current Operations**
  - The Cilegon paint line has operated at full capacity since March 2009 (production of 23kt 1H FY 2010 vs. 18kt 1H FY 2009) and the metal coating line has operated at full capacity since May 2009 (production of 56kt 1H FY 2010 vs. 38kt 1H FY 2009), both due to improved domestic market conditions, including increased demand for residential steel roofing and steel building frames.
  - With improving domestic market conditions, demand for Lysaght and PEB products is showing signs of improvement for the new calendar year. Orders have already been secured for the PEB business for animal farming applications starting early in CY 2010. Demand for SMARTRUSS steel roof framing is holding strong as the Indonesian government continues its program of re-roofing schools throughout the country. Multistorey construction and building activity related to foreign investment are forecast to remain flat in 1H of CY 2010.
- **Markets**
  - Domestic markets, particularly residential steel demand, have significantly improved in the last 12 months. Residential tile, lightweight steel truss and manufacturing market coated steel demand have returned to Q2 FY 2008 levels. This is driven by improved consumer spending on the back of government grants, lower interest rates and improved consumer and business confidence.
  - Industrial/commercial roofing and walling markets have shown some recovery in Kalimantan and Sulawesi. Following the recent government elections, mining and agricultural companies have recommenced investment, which has been well received by the local business community.
  - Imported finished good seeding from BlueScope Vietnam recommenced in 1H FY 2010 to supplement local production and improved domestic demand. This seeding is expected to continue until the second metal coating line is fully operational.
  - There is continued price pressure from imported steel, as some Taiwanese and Vietnamese mills have obtained Indonesian National Standards certification.

- **Capital Growth Project Status**
  - In Dec 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 expected to be in production by mid-2011.

Malaysia

- **Current Operations**
  - Metal coating line production was 67kt 1H FY 2010 (vs. 74kt in 1H FY 2009) and paint line production was 36kt (vs. 31kt).
  - In the last 6 months, conversion costs have been driven down due to better management and applying business strategy tools (Six Sigma).
- **Markets**
  - Overall domestic market demand has improved in 1H FY 2010, particularly in the residential and Government segments, however domestic customers remain cautious. Import competition continues, particularly in the truss and hardware segments.
  - PEB projects continue to face stiff competition, whilst the Lysaght roll-forming business is experiencing improvements through government projects.
  - The Malaysian government has 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. We have not yet seen any significant impact to our business or market to date.

China

- **Current Operations**
  - **Coated**
    - Metal coating production was 66kt 1H FY 2010 (vs. 49kt 1H FY 2009) whilst paint line production was 30kt (vs. 23kt 1H FY 2009).
    - 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 FY 2009) due to increased demand.
    - There was continued improvement in manufacturing prime first time for both the metal coating line (1H FY 2010 98.7% vs. 2H FY 2009 98.1% and FY 2009 98.0%) and the paint line performance (1H FY 2010 99.5% vs. 2H FY 2009 of 99.5% and FY 2009 99.3%) due to increased reliability of equipment through improved planning and maintenance.
  - **Butler Buildings (PEB)**
    - 1H FY 2010 order intake was 50% higher than for 2H FY 2009 and 17% higher than for 1H FY 2009, with strong performance in North and Southern regions and the backlog was 34% higher compared to same time last year due to improved demand from increasing fixed asset investment.
    - A$ reported EBIT impacted by relative movements in exchange rates between 2H FY 2009 and 1H FY 2010 and 2H FY 2009. 2H FY 2009 also included the write back of STI provisions not paid of A$3.5M.
    - 1H FY 2010 sales volumes were 16% higher than 1H FY 2009 also reflecting improved demand.
    - 1H FY 2010 sales volumes were 22% higher than 2H FY 2009 due to improved demand, particularly from large local customers.
  - **Lysaght**
    - Total despatches in 1H FY 2010 were 24% higher than 1H FY 2009 and 25% higher than 2H FY 2009 due to improved demand conditions, particularly in the public buildings segment which has benefited from the stimulus package.
    - Order intake in 1H FY 2010 was 16% higher than 1H FY 2009. The business won a number of large public projects such as the Taiyuan Coal Center and also industrial projects such as Guangzhou Tobacco.
    - Lysaght has also introduced new decking and roofing profiles to the market which have also contributed to sales growth.
- **Markets**
  - **Coated**
    - China's real estate sector is currently maintaining an upward trend albeit this could moderate in the short term following a recent announcement restricting bank lending. The West region market is growing stronger with Central government planning to promote the social and economic progress in the western part of the country.

- The effects of the Chinese Central government's stimulus package, even with reduced funding, is expected to continue in 2H FY 2010 and a return of Foreign Direct Investment is being seen in key markets for BlueScope Steel.

- **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.
  - The West region market is growing stronger with Central government planning to move foreign and Chinese private investments to the West, coupled with significant investment related to the stimulus package.
- **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%.
  - Lysaght China has been effective in winning public building projects (A$27 million) in 1H FY 2010 reflecting the spending under the Chinese stimulus plan.

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

- **Current Operations**
  - All PEB and Lysaght businesses are fully operational, and the primary focus of the joint venture is on market development and sales.

- **Markets**
  - Currently the most significant PEB manufacturers in India are Tata BlueScope Steel, Kirby, Interarch and Phenix VP. While Kirby is a volume leader, Tata BlueScope Steel has fast earned the reputation of being the quality leader in offering PEB solutions in the market.
  - Special emphasis on Lysaght market for roofing & cladding and retail market through Durashine brand is now gaining benefits by way of higher volumes.
  - India's economic prospects remain strong with growth likely to average more than 6.5% in the medium term, according to Standard & Poor's. Growth is underpinned by gradual deregulation of the industrial sector, continued trade liberalization, a dynamic service sector, and improvements in infrastructure.

- **Capital growth project status**
  - The planned start-up date of the coated project is currently expected to be in mid CY 2010 and the project capital cost remains at A$270M (100% project). Current completion status of the project is as follows:
    - Piling work – complete
    - Civil work – 70% complete
    - Primary & Secondary Building – 85% complete
    - Equipment Installation – 40% complete
    - Electrical work – 30% complete
  - In January 2009 the joint venture entered into a project financing arrangement to fund the remainder of this project.

BLUESCOPE STEEL NORTH AMERICA

Hot Rolled Products North America

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

(i) Financial Performance

Table 11a: Financial Performance
1H 2010 and 1H 2009; $ millions

			Variance	
Financial Measure	**1H 2010**	**1H 2009**	**$**	**%**
Sales revenue [1]	0	0	0	0
Reported EBITDA [2]	14	15	(1)	(7)
Reported EBIT [2]	14	15	(1)	(7)
Underlying operational EBIT	14	15	(1)	(7)
Capital and investment expenditure	1	1	0	0
Net operating assets (pre tax) [3]	175	288	113	(39)
Return on net assets (pre tax) [4]	16%	11%		

Table 11b: Financial Performance
1H 2010 vs. 2H 2009; $ millions

Financial Measure	**1H 2010**	**2H 2009**	**Variance**
Sales revenue [1]	0	0	0
Reported EBITDA [2]	14	(73)	87
Reported EBIT [2]	14	(73)	87
Underlying operational EBIT	14	(73)	87
Capital and investment expenditure	1	1	0
Net operating assets (pre tax)	175	183	(8)
Return on net assets (pre tax) [4]	16%	(57%)	

(1) Excludes the company's 50% share of North Star BlueScope Steel's sales revenue being A$280M in 1H 2010 (A$448M 1H 2009 and A$221M in 2H 2009).

(2) Includes 50% share of net profit before tax from North Star BlueScope Steel of A$15M in 1H 2010 (A$15M 1H 2009 and A$(73)M in 2H 2009).

(3) Decrease in net operating assets primarily reflects the net loss generated during 2H 2009 (partly offset by a small profit in 1H 2010) and a stronger AUD:USD exchange rate resulting in a lower AUD equivalent net operating assets balance.

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

(ii) Variance Analysis (1H 2010 vs. 1H 2009)

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

- Reduced spreads driven by lower hot rolled coil selling prices (coming off record high hot rolled coil prices in 1H 2009) and consumption of higher priced pig iron carried over from FY2009 during Q1 FY 2010.

Partly offset by:

- Lower inventory net realisable value provisions for pig iron raw material inventory on hand at December 2009 compared to 2008.
- Lower labour and discretionary costs as part of cost reduction initiatives.
- 20% improvement in despatch volumes.

(iii) Operations Report

- North Star BlueScope Steel (BlueScope Steel has a 50% interest)
  - Average capacity utilization for 1H FY 2010 was well above the USA steel industry level of approximately 50%. The reputation for on-time delivery, quality and ability to produce "urgent" customer orders promptly, allows the achievement of above average utilisation rates.
  - The high priced pig iron inventories were consumed in 1H FY 2010.
  - Dividends paid to BSL in 1H FY 2010 totalled US$4.5M.

- Castrip LLC
  - Castrip LLC is a joint venture that owns the Castrip® technology, a revolutionary process for the direct casting of steel strip. It is owned 47.5% by BlueScope; 47.5% by Nucor (the third largest steel maker in North America) and 5% by IHI (Japan). BlueScope has exclusive rights to use and licence the technology in Australia, New Zealand, Thailand, Indonesia, Malaysia and the Philippines.
  - Nucor has commenced production using Castrip® at two facilities, one at Crawfordsville IN and a second recently commissioned facility at Blytheville, AR.

(iv) Markets

- North Star BlueScope Steel
  - Operating rates and shipments recovered in 1H FY 2010. End users as well as service centers began to rebuild inventory levels. Demand from the automotive sector also increased as the automakers ramped up production to fill inventory holes. Also benefited from an expansion of despatches into Canada as well as south-eastern USA.

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
1H 2010 and 1H 2009; $ millions

			Variance	
Financial Measure	**1H 2010**	**1H 2009**	**$**	**%**
Sales revenue	693	1,315	(622)	(47)
Reported EBITDA	34	(27)	61	226
Reported EBIT	11	(55)	66	120
Underlying operational EBIT (1)	11	37	(26)	(70)
Capital and investment expenditure	13	16	(3)	(19)
Net operating assets (pre tax) (3)	790	1,172	(382)	(33)
Return on net assets (pre tax) (4)	3%	9%		

Table 12b: Financial Performance
1H 2010 vs. 2H 2009; $ millions

Financial Measure	1H 2010	2H 2009	Variance
Sales revenue	693	874	(181)
Reported EBITDA	34	(9)	43
Reported EBIT	11	(38)	49
Underlying operational EBIT (1)	11	(28)	39
Capital and investment expenditure (2)	13	40	(27)
Net operating assets (pre tax) (3)	790	919	(129)
Return on net assets (pre tax) (4)	3%	(7%)	

(1) 1H 2009 EBIT has been adjusted for inter-company inventory net realisable value provision ($90M), plant closure and rationalisation costs ($12M), integration costs associated with the acquisition of IMSA Steel Corp ($3M) and redundancy costs associated with staff downsizing ($3M) partly offset by the write back of over-provided liabilities in relation to a general insurance provision ($8M) and North American pension fund ($8M). 2H 2009 EBIT has been adjusted for plant closures and rationalisation costs ($3M), redundancy costs associated with staff downsizing ($6M) and integration costs associated with the acquisition of IMSA Steel Corp ($1M).
(2) Decrease in capital and investment expenditure mainly relates to expenditure on IMSA integration and synergy activities during 2H 2009.
(3) 1H 2010 vs. 1H 2009 decrease in net operating assets mainly reflects a stronger AUD:USD exchange rate resulting in a lower AUD equivalent net operating assets balance and lower inventories resulting from lower volumes on hand at year end due to reduced steel feed purchases and lower cost of steel feed combined with lower receivables, reflecting the substantial weakness in demand. These were partly offset by lower creditors mainly driven by lower steel feed purchases and lower pension fund provisions due to improved asset returns during 2H 2009. 1H 2010 vs. 2H 2009 decrease in net operating assets primarily reflects a stronger AUD:USD exchange rate resulting in a lower AUD equivalent net operating assets balance and lower inventories resulting from lower volumes on hand due to reduced steel feed purchases and lower cost of steel feed combined with lower receivables, reflecting the substantial weakness in demand.
(4) Return on net assets is defined as EBIT (annualised in case of half year comparison) / average monthly net operating assets.

(ii) Variance Analysis (1H 2010 vs. 1H 2009)

The $622M 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 $26M decrease in underlying EBIT was largely due to:

- Weaker despatch volumes across all businesses except Steelscape.

Partly offset by:

- Cost savings initiatives taken across all North America, including the permanent closure of three BlueScope Buildings facilities and one ASC Profile facility during 2H 2009 to bring capacity more in line with demand, closure of the Dallas Head Office facility, plant lay-offs and shift reductions, permanent staff reductions and discretionary spend reductions.
- Lower inventory net realisable value provisions for inventory on hand at December 2009 compared to 2008.

Unusual and non-recurring items in reported EBIT include:

- Reversal of inventory net realisable value provisions where there is an offsetting inter-company margin booked in a separate reporting segment ($90m) principally HRC sales from Port Kembla Steelworks to Steelscape during 1H 2009.
- Plant closure and rationalisation costs following the acquisition of IMSA Steel Corp ($12m) during 1H 2009 and ($3M) during 2H 2009.
- Redundancy costs associated with staff downsizing ($3m) during 1H 2009 and ($6M) during 2H 2009.
- Write back of over-provided liabilities in relation to a general insurance provision and North American pension fund ($16m) during 1H 2009.
- Integration costs associated with the acquisition of IMSA Steel Corp ($3m) during 1H 2009 and ($1M) during 2H 2009.

(iii) Operations Report

- BlueScope Buildings
  - External despatches for 1H FY 2010 were down 44% compared to 1H FY 2009.
  - BlueScope Buildings announced in December 2009 the substantial idling of the Monterrey, Mexico plant to better align production with demand.

- Steelscape (metal coating & pre-painted steel)
  - Total Steelscape despatches for 1H FY 2010 were up 27% compared to 1H FY 2009 and 57% compared to H2 FY 2009. Volumes were positively impacted by relative increases in demand from rollformers, service centers, agricultural sector and decline in imports partially offset by decline in volumes to the Metal Building sector.
  - Metal coating capacity utilisation in 1H FY 2010 was circa 90% (vs. 55% in 2H FY 2009) due to improved sales.

- ASC Profiles (components)
  - ASC external shipments for 1H FY 2010 were down 40% vs. 1H FY 2009.
  - Closed its Buildings Products Dallas facility 1H FY 2010 to better align production with demand.

- Metl-Span (insulated metal panels)
  - Metl-Span external despatches for 1H FY 2010 were down 33%.
  - Increased competitive pressures are forcing product prices lower while materials costs have been unchanged.

(iv) Markets

- USA overview:
  - There were significant declines in the US non-residential market due to economic recession, existing inventory overhang and tight credit markets evidenced by:
    - Per F.W. Dodge that total non-residential construction building awards (Sq. ft) in CY2009 through December were down 46% vs. same period last year.
    - The AIA Architectural Billings Index finished the period at 43.4 in December 2009 (being below 50, indicating that billings are still in decline).
    - The Industrial Capacity Utilization Rate, a leading indicator of industry despatches was at 72 in December 2009. The index average from 1972 to 2008 was 80.9.

- BlueScope Buildings
  - BlueScope Buildings primarily sells low-rise metal building systems into the industrial, commercial and community segments of the non-residential building market in North America.
  - BlueScope's market share of the Metal Building Manufacturers Association ("MBMA") (including exports) in FY 2010 stood at circa 30%, largely unchanged from FY 2009.
  - BlueScope and industry volumes were negatively impacted by the decline in the U.S. non-residential construction market. Industry despatches in the six months to December, as reported by MBMA, decreased 42% over same period last year.
  - There has been an increase in competitive bid work (vs. design build).

- 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 US non-residential market negatively impacted all segments, with the deck market most impacted.

- 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.

- Steelscape
  - Steelscape's primary market is producing metallic-coated and pre-painted steel for the West Coast U.S. non-residential building, and construction market.
  - Following typical winter season demand and price declines, steel prices in the U.S. are anticipated to recover in 2H FY 2010. Inquiries have increased and order activity is positioned to rise as customers prepare for a busier spring season demand-wise.
  - Good discipline among US domestic producers has helped market supply / demand balance. Imports have been minimal in 1H FY 2010 and are not expected to have a material impact on the US market in2H.

OTHER INFORMATION

Capital Management

- Debt facilities update
  - Committed available undrawn capacity at 31 December 2009 under bank debt facilities (A$1,416M), plus cash (A$215M) was A$1,631M (A$1,757M at 31 July 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.

- Net debt
  - During the period, the company's net debt reduced by $22M to $734M (with the stronger AUD:USD exchange rate decreasing net debt by approximately $67M) resulting in a gearing ratio of 11.6% (net debt/(net debt plus equity). The operating cash flow of $252M (before interest and income tax paid) combined with a net tax refund of $12M was primarily applied to funding capital expenditure and investments ($213M) and interest payments ($52M).

Safety, Environment & Health

- **Safety**
  - The company remains committed to its aspirational goal of Zero Harm for all its people anywhere in the world.
  - The company's injury levels remain at world best standards with the Lost Time Injury Frequency Rate (LTIFR) remaining below one for the fifth consecutive year. The Medically Treated Injury Frequency Rate (MTIFR) also finished at a record low level.
  - Some of the noteworthy safety achievements in the period include:
    - Asia – Lysaght Sabah, Malaysia 16 years LTI free; Malaysia Kapar achieved 6 years LTI free; Buildings Vietnam celebrated 15 years LTI free; BlueScope Steel Vietnam achieved the milestone of 7 million hours LTI free; Lysaght Malaysia 7 years LTI free; BlueScope Steel Thailand 13 years LTI free.
    - China – China Business achieved 5 continuous months MTI free; Lysaght China 10 years LTI free and 6 continuous months work injury free; Suzhou achieved 4 continuous months work injury free.
    - ANZSMB – New Zealand Steel 12 months/5 million hours LTI free; Western Port record number of LTI free days reached; Mills & Coating 1 million hours LTI free.
    - AD&S – achieved their first month LTI & MTI free since the formation of AD&S; Distribution, Coffs Harbour 17 years LTI free; Darwin 14 years LTI free; 16 sites comprising the NSW Distribution Business achieved the milestone of 1 year MTI & LTI free; Lysaght Archerfield 5 years LTI free.
    - North America – Buildings at Rainsville achieved 1 year LTI free; Metl-Span Indiana 2 years LTI free and 1 year MTI free; Steelscape Kalama 5 years LTI free; ASC Profiles, Anchorage 10 years LTI free.
    - ACIM – achieved 1 year/2 million hours LTI free; Supply Chain & Logistics 1 year LTI free; Braeside Logistics 11 years LTI free & 4 years MTI free.
    - Tata BlueScope Steel – Jamshedpur achieved 5.75 million hours LTI free breaking their previous best record.
    - ANZSMB, ACIM and AD&S sites in NSW achieved successful Self-Insurers, with a 3 year cycle re-instated.

- Noteworthy external recognition includes:
  - AD&S, Sheet & Coil Processing Services, Forrestfield received the 2009 IFAF (Industrial Foundation for Accident Prevention)/CGU Gold Safe Way Achiever Award.
  - ACIM Supply Chain & Logistics was awarded the Special Commendation Award for the Project "No Dogs" by the CILTA (Chartered Institute of Logistics & Transport Australia).
- 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 themselves 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 reducing the greenhouse gas intensity of its operations and continuously improving its environment footprint.
  - 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.
  - The production of greenhouse gases is inherent in the iron and steelmaking processes and there is currently no technology capable of eliminating these direct greenhouse gas emissions. Despite this, BlueScope Steel has continued to work to find ways to further improve energy efficiency and reduce its indirect greenhouse gas emissions and greenhouse gas intensity.

Carbon Pollution Reduction

The company notes the ongoing national and international debate about emissions trading and the current uncertainty surrounding the legislation in Australia.

Copenhagen did not produce an international agreement and BlueScope Steel restates the position it has consistently argued for, namely; that Australia should move in concert with, not ahead of, its global competitors, and that there must be no material cost on the Australian steel industry until our international competitors, in particular China, India, Japan, Korea and Taiwan face comparable carbon costs.

The company recognizes that the New Zealand Government is, at this point in time, still proceeding with its own ETS. BlueScope will continue to work directly with the NZ Government to achieve an outcome consistent with our stated position expressed above.

Water efficiency

- The company continues to reduce its consumption of freshwater by increasing its use of recycled water, improving process management and sourcing alternative water supplies.
- Since October 2006 the Port Kembla Steelworks has accepted over 18,000 megalitres of recycled water from the Sydney Water Recycled Water Plant.
- A significant water saving project is also planned 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. South East Water is currently reviewing the project, which is technically complex, to ensure it meets the needs of all project partners. BlueScope remains committed to the project and is awaiting official notification of project commencement from South East Water.

Environmental Incidents and Legal Compliance

- During the fist half of FY 2010 there were no serious environmental incidents, 14 reportable non-compliances and no fines or prosecutions.

For further information:

- **Media:** **Michael Reay, Manager – Corporate Affairs**
  Tel: +61 3 9666 4004 +61 (0) 437 862 472

- **Investor Relations:** **John Knowles, Vice President Investor Relations**
  Tel: +61 3 9666 4150 +61 (0) 419 893 491

  Don Watters, Manager Investor Relations & Special Projects
  Tel: +613 9666 4206 +61 (0) 409 806 691

ATTACHMENT 1
PRODUCTION AND DESPATCH REPORT

000 Tonnes	1H 2010	1H 2009	Variance	2H 2009
AUSTRALIA				
Raw Steel Production (1)	**2,187**	**2,400**	**(9%)**	**1,117**
External Despatches				
Coated & Industrial Products Australia				
- Domestic - HRC(2)	336	403	(17%)	145
- Plate	82	126	(35%)	49
- Other	449	497	(10%)	315
- Total	867	1,026	(16%)	509
- Export - Slab	375	161	133%	141
- HRC (3)	173	111	56%	325
- Plate	10	18	(44%)	28
- Other	119	100	19%	198
- Total	677	390	74%	692
Sub-total(4) (5)	1,544	1,416	9%	1,201
Australia Distribution & Solutions				
- Domestic (6)	376	440	(15%)	315
- Export (6)	6	5	20%	4
Sub-total	382	445	(14%)	319
Total Australian Despatches				
- Domestic	1,243	1,466	(15%)	824
- Export	683	395	73%	696
Total	**1,926**	**1,861**	**3%**	**1,520**
NEW ZEALAND / PACIFIC (7)				
Raw Steel Production	**262**	**273**	**(4%)**	**270**
External Despatches				
- Domestic	122	146	(16%)	95
- Export	70	80	(12%)	193
Total	**192**	**226**	**(15%)**	**288**
ASIA (Coated & Building Products)				
Raw Steel Production (8)	0	0	0	0
External Despatches				
- Domestic	420	360	17%	357
- Export (9)	34	70	(52%)	39
Total	454	430	6%	396
NORTH AMERICA				
Raw Steel Production (10)	**474**	**383**	**24%**	**322**
External Despatches				
North Star BlueScope Steel (10)				
- Domestic	455	379	20%	314
- Export	0	0	0	0
Coated & Building Products North America				
- Domestic	270	335	(19%)	218
- Export	8	13	(42%)	6
Total	**733**	**727**	**1%**	**538**
DISCONTINUED BUSINESSES				
Raw Steel Production	0	0	0	0
External Despatches				
- Domestic	0	0	0	0
- Export	0	0	0	0
Total	0	0	0	0
GROUP				
Raw Steel Production	**2,923**	**3,056**	**(4%)**	**1,710**
External Despatches				
- Domestic	2,510	2,686	(7%)	1,808
- Export	794	558	42%	934
Total	**3,304**	**3,244**	**2%**	**2,742**

Notes:

(1) Raw steel production at Port Kembla Steelworks (PKSW).
(2) 80kt of the 336kt of domestic despatches for 1H 2010 were from Western Port (1H 2009 88kt and 2H 2009 36kt).
(3) 1kt of the 173kt of export despatches for 1H 2010 were from Western Port (1H 2009 23kt and 2H 2009 4kt).
(4) Total 1H 2010 internal and external despatches from PKSW (slab, HRC and plate) were 2,081kt (1H 2009 2,118kt and 2H 2009 1,348kt).
(5) Total 1H 2010 internal and external despatches from Coated & Industrial Products Australia (CIPA) were 2,033kt (1H 2009 2,051kt and 2H 2009 1,430kt), comprised of external 1,544kt (1H 2009 1,416kt and 2H 2009 1,201kt) and internal 489kt (1H 2009 635kt and 2H 2009 229kt). CIPA internal despatches comprised:
    - 148kt of despatches to Steelscape Inc (1H 2009 218kt and 2H 2009 25kt);
    - 65kt to BlueScope Thailand (1H 2009 78kt and 2H 2009 20kt); and
    - 276kt of despatches to other BlueScope businesses including Distribution, Lysaght and BlueScope Malaysia and Vietnam (1H 2009 339kt and 2H 2009 184kt).
(6) 1H 2010 includes 164kt of domestic despatches and 3kt of export despatches via BlueScope Distribution (1H 2009 192kt and 3kt and 2H 2009 140kt and 4kt respectively), which were not sourced internally, i.e. long products.
(7) Includes New Zealand Steel & Pacific island 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 2(a)
COATED AND BUILDING PRODUCTS ASIA – COUNTRY DESPATCH AND FINANCIAL DETAILS

1H 2010 and 1H 2009; 2H 2009 tonnes $millions

Financial Measure	1H 2010	1H 2009	Change	2H 2009
External Despatches (tonnes)				
- Thailand	78	110	(33)	87
- Indonesia	70	66	4	55
- Malaysia	79	86	(7)	67
- Vietnam	43	34	9	37
- China	154	134	20	125
- Other	30	(1)	31	25
- Total	454	430	24	396
Sales Revenue ($M)				
- Thailand	119	240	(121)	158
- Indonesia	112	140	(28)	100
- Malaysia	111	185	(74)	116
- Vietnam	71	99	(28)	53
- China	242	266	(24)	247
- Other	(26)	(52)	26	(9)
- Total	629	878	(249)	665
Reported EBIT ($M)				
- Thailand	13	(6)	19	4
- Indonesia	9	(10)	19	(10)
- Malaysia	11	3	8	(8)
- Vietnam	6	(4)	10	(4)
- China	17	(46)	63	8
- Other	(6)	(12)	6	(9)
- Total	50	(75)	125	(19)
Underlying EBIT ($M)				
- Thailand	13	16	(3)	7
- Indonesia	9	(10)	19	(8)
- Malaysia	11	3	8	(6)
- Vietnam	6	(3)	9	(2)
- China	17	(10)	27	8
- Other	(6)	(12)	6	(4)
- Total	50	(16)	66	(5)
Net operating Assets (pre tax) ($M)				
- Thailand	258	407	(149)	288
- Indonesia	148	210	(62)	142
- Malaysia	97	159	(63)	89
- Vietnam	76	122	(46)	83
- China	132	209	(77)	150
- Other	80	100	(20)	81
- Total	791	1,208	(417)	833

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

1H 2010 and 1H 2009; 2H 2009 tonnes $ millions

Financial Measure	1H 2010	1H 2009	Change	2H 2009
External despatches (tonnes)				
- China Coated	35	33	2	29
- China Buildings (1)	119	101	18	96
- Other / Eliminations	0	0	0	0
- Total	154	134	20	125
Sales revenue ($M)				
- China Coated	75	80	(5)	71
- China Buildings (1)	205	222	(17)	213
- Other / Eliminations	(38)	(36)	(2)	(37)
- Total	242	266	(24)	247
EBIT ($M) – Reported				
- China Coated	8	(38)	46	(3)
- China Buildings (1)	12	(5)	17	15
- Other / Eliminations	(3)	(3)	0	(4)
- Total	17	(46)	63	8
EBIT ($M) – Underlying Operational				
- China Coated	8	(13)	21	(3)
- China Buildings (1)	12	6	6	15
- Other / Eliminations	(3)	(3)	0	(4)
- Total	17	(10)	27	8

Notes:

(1) Includes BlueScope Lysaght businesses.

ATTACHMENT 2(c)
DISCONTINUED BUSINESSES

1H 2010 and 1H 2009; 2H 2009 tonnes $ millons

Financial Measure	1H 2010	1H 2009	Change	2H 2009
External Despatches (tonnes)				
- Packaging Products	0	0	0	0
- Lysaght Taiwan	0	0	0	0
- Vistawall	0	0	0	0
- Total	0	0	0	0
Sales revenue ($M)				
- Packaging Products	0	0	0	0
- Lysaght Taiwan	0	0	0	0
- Vistawall	0	0	0	0
- Total	0	0	0	0
EBIT ($M)				
- Packaging Products	3	0	3	5
- Lysaght Taiwan	4	1	3	9
- Vistawall	0	0	0	0
- Total	7	1	6	14
Net operating assets (pre-tax) ($M)				
- Packaging Products	(9)	(22)	13	(9)
- Lysaght Taiwan	(5)	(22)	17	(5)
- Vistawall	0	0	0	0
- Total	(14)	(44)	30	(14)

ATTACHMENT 3
RECONCILIATION OF UNDERLYING EBIT TO UNDERLYING NPAT

$ millons

	1H 2010	1H 2009	2H 2009
Underlying EBIT	**(22)**	**753**	**(582)**
Interest expense	(56)	(76)	(59)
Interest revenue	5	2	4
Tax on Underlying Earnings	27	(200)	213
Outside equity interest	(7)	-	1
Underlying NPAT	**(53)**	**479**	**(423)**