BlueScope Steel Limited

ABN 16 000 011 058

Interim financial report - 31 December 2009

Contents

Directors' report

Your directors present their report on the consolidated entity consisting of BlueScope Steel Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

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

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

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

	Segment revenues		**Segment EBIT**	
	Six-months to 31 December 2009 $M	Six-months to 31 December 2008 $M	**Six-months to 31 December 2009 $M**	Six-months to 31 December 2008 $M
Coated & Industrial Products Australia	**2,132.2**	3,471.6	**(91.8)**	643.8
Australia Distribution & Solutions	**897.6**	1,248.6	**6.6**	73.6
New Zealand & Pacific Steel Products	**279.9**	372.0	**21.3**	55.7
Coated & Building Products Asia	**629.7**	879.8	**49.9**	(74.7)
Hot Rolled Products North America	**-**	-	**14.3**	14.6
Coated & Building Products North America	**695.9**	1,319.9	**10.9**	(55.2)
Corporate and Group	**1.3**	0.9	**(30.6)**	(87.4)
Intersegment eliminations	**(533.1)**	(1,137.1)	**(10.5)**	94.3
Total continuing operations	**4,103.5**	6,155.7	**(29.9)**	664.7
Unallocated revenue less unallocated expenses			**(51.0)**	(73.2)
Profit (loss) before income tax			**(80.9)**	591.5
Income tax benefit (expense)			**53.5**	(184.4)
Profit (loss) from continuing operations			**(27.4)**	407.1
Profit (loss) from discontinued operations (net of tax)			**5.9**	-
Profit (loss) for the year			**(21.5)**	407.1
Profit (loss) attributable to non-controlling interest			**7.0**	0.2
Profit (loss) attributable to members of BlueScope Steel Limited			**(28.5)**	406.9

Earnings per share for profit (loss) from continuing operations (cents per share)

Basic earnings per share	**(1.9)**	43.5
Diluted earnings per share	**(1.9)**	43.4

Earnings per share for profit (loss) (cents per share)

Basic earnings per share	**(1.6)**	43.5
Diluted earnings per share	**(1.6)**	43.4

Review of operations (continued)

Net profit after tax attributable to the shareholders of the Company decreased $435.4 million to a loss of $28.5 million driven mainly by lower global slab and hot rolled coil prices, lower domestic prices across all segments, lower domestic volumes in Australia, North America and New Zealand, and an unfavourable foreign exchange impact due to the strong Australian dollar. These were partly offset by lower raw material and steel feed costs, and cost reductions delivered through right-sizing of manufacturing facilities and reductions in discretionary costs. In addition there where higher redundancy, restructure, inventory net realisable value provisions and asset impairment charges in the comparative period.

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

The loss for the half of $28.5 million, 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 a successful reline on 19 August 2009 and fully ramped up in October 2009. Slab-make for the half was 83% of capacity. 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 a $49.9 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.

Review of operations (continued)

- Production and inventory appropriate for demand – inventory held was reduced from $2,815.2 million at 31 December 2008 to $1,701.8 million at 30 June 2009. 1H FY2009 saw a further slight decrease, to $1,586.7 million, despite the increase in business activity levels.
- Curtailment of capital expenditure – capital expenditure continues to be limited to essential requirements only, with growth and business development activities suspended.
- 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.

Segment results

Coated & Industrial Products Australia

The earnings contribution from the Coated & Industrial Products Australia segment decreased significantly, primarily as a result of lower export and domestic prices, unfavourable foreign exchange impacts due to the strong Australian dollar, unfavourable destination mix to lower margin export sales away from higher margin domestic sales and higher per unit conversion costs driven by reduced production volumes.

These were partly offset by lower inventory net realisable value provisions for product destined for export markets, lower coal, iron ore, scrap and alloys costs and cost reduction initiatives to reduce discretionary costs.

Australia Distribution & Solutions

The earnings contribution from the Australia Distribution & Solutions segment significantly declined due to reduced margins, with lower average domestic selling prices being only partly offset by lower steel feed costs, and lower despatch volumes. These were partly offset by cost reduction initiatives to reduce discretionary costs.

New Zealand & Pacific Steel Products

The earnings contribution from the New Zealand & Pacific Steel Products segment decreased principally as a result of lower export and domestic prices and an unfavourable US dollar exchange rate relative to NZ dollar.

These were partly offset by cost reduction initiatives to reduce discretionary costs, lower raw material costs, lower repairs and maintenance spend and one-off costs incurred during the comparative half in relation to the write-off of previously capitalised feasibility costs.

Coated & Building Products Asia

The earnings contribution from the Coated & Building Products Asia segment was significantly higher as a result of improved margins with lower steel feed costs more than offsetting lower selling prices, cost reduction initiatives to reduce discretionary costs and lower inventory net realisable value provisions. These were partly offset by unfavourable foreign exchange movements. The comparative period also included an impairment of the China coating line and China panels businesses.

Hot Rolled Products North America

The earnings contribution from the Hot Rolled Products North America segment was consistent with the comparative period. Lower hot rolled coil selling prices and consumption of higher priced pig iron were offset by lower costs and higher sales volumes.

Coated & Building Products North America

The earnings contribution from the Coated & Building Products North America segment improved primarily due to lower inventory net realisable value provisions and cost reduction initiatives to reduce discretionary costs including plant closures and shift reductions to bring capacity more in line with demand. These were partly offset by significantly lower sales volumes.

Significant changes in the state of affairs

The following significant events occurred during the half-year:

- India: the planned start-up date of the coated project is currently expected to be in mid 2010 and the project capital cost remains at AUD 270 million (100% project).
- Indonesia: the Company announced it would complete construction of its second metal coating line. The new line will produce thin gauge coil for residential construction applications and is expected to be in production mid 2011.

Matters subsequent to the end of the financial half-year

There were no significant matters that arose subsequent to 31 December 2009 and up until the date of this report.

Likely developments and expected results

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 USD 570/t to USD 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 exchange rates.

Likely developments and expected results (continued)

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.

Carbon Pollution Reduction

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

After Copenhagen did not produce an international agreement, 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 cost on the Australian steel industry until our international competitors, in particular China, India, Japan, Korea and Taiwan face comparable carbon costs.

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

Auditor's independence declaration

The auditor's independence declaration for the half-year ended 31 December 2009 has been received from Ernst & Young. This can be referred to on page 6 of the directors' report.

Rounding of amounts

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

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

Graham Kraehe AO
Chairman

Paul O'Malley
Managing Director & CEO

Melbourne
12 February 2010

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

In relation to our review of the interim financial report of BlueScope Steel Limited for the half-year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Bruce Meehan
Partner
12 February 2010

BlueScope Steel Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2009

		Half-year	
		2009	2008
		$M	$M
Revenue from continuing operations		**4,103.4**	6,155.7
Other income		**5.0**	86.6
Changes in inventories of finished goods and work in progress		**(61.6)**	615.5
Raw materials and consumables used		**(2,339.6)**	(3,798.1)
Employee benefits expense		**(765.9)**	(939.6)
Depreciation and amortisation expense		**(176.8)**	(192.6)
Impairment reversal (expense) of non-current assets		**0.9**	(56.9)
Freight on external despatches		**(250.2)**	(330.9)
External services		**(441.1)**	(621.3)
Finance costs		**(55.3)**	(75.8)
Other expenses		**(114.7)**	(263.6)
Share of net profits of associates and joint venture partnerships accounted for using the equity method		**15.0**	12.5
Profit (loss) before income tax		**(80.9)**	591.5
Income tax benefit (expense)		**53.5**	(184.4)
Profit (loss) from continuing operations after income tax		**(27.4)**	407.1
Profit from discontinued operations		**5.9**	-
Net profit (loss) for the period		**(21.5)**	407.1
Other comprehensive income			
Gain (loss) on cash flow hedges taken to equity		**-**	(6.2)
Net gain (loss) on hedges of net investments		**(29.5)**	(122.2)
Exchange differences on translation of foreign operations		**(67.1)**	422.2
Actuarial gain (loss) on defined benefit superannuation plans		**75.8**	(251.0)
Income tax on items of other comprehensive income	(Note 4)	**(13.2)**	161.7
Other comprehensive income for the year, net of tax		**(34.0)**	204.5
Total comprehensive income for the period		**(55.5)**	611.6
Profit (loss) is attributable to:			
Members of BlueScope Steel Limited		**(28.5)**	406.9
Non-controlling interest		**7.0**	0.2
		(21.5)	407.1
Total comprehensive income for the period is attributable to:			
Members of BlueScope Steel Limited		**(57.4)**	586.4
Non-controlling interest		**1.9**	25.2
		(55.5)	611.6
		Cents	Cents
Earnings per share for profit (loss) from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**(1.9)**	43.5
Diluted earnings per share		**(1.9)**	43.4
		Cents	Cents
Earnings per share for profit (loss) attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**(1.6)**	43.5
Diluted earnings per share		**(1.6)**	43.4

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

BlueScope Steel Limited
Consolidated statement of financial position
As at 31 December 2009

	31 December 2009 $M	30 June 2009 $M
ASSETS		
Current assets		
Cash and cash equivalents	**214.6**	369.2
Receivables	**927.9**	976.8
Inventories	**1,512.7**	1,628.9
Other	**67.5**	54.4
	2,722.7	3,029.3
Non-current assets classified as held for sale	**22.2**	28.8
Total current assets	**2,744.9**	3,058.1
Non-current assets		
Receivables	**31.5**	36.4
Inventories	**74.0**	72.9
Investments accounted for using the equity method	**248.4**	262.4
Property, plant and equipment	**4,187.7**	4,261.6
Deferred tax assets	**82.5**	79.5
Intangible assets	**1,024.8**	1,089.4
Other	**3.8**	4.3
Total non-current assets	**5,652.7**	5,806.5
Total assets	**8,397.6**	8,864.6
LIABILITIES		
Current liabilities		
Payables	**882.2**	939.8
Interest bearing liabilities	**112.8**	236.7
Current tax liabilities	**4.0**	2.7
Provisions	**374.2**	392.3
Deferred income	**96.4**	108.6
Total current liabilities	**1,469.6**	1,680.1
Non-current liabilities		
Payables	**8.4**	19.9
Interest bearing liabilities	**835.5**	888.2
Deferred tax liabilities	**115.7**	143.2
Provisions	**205.6**	209.3
Deferred income	**1.6**	-
Retirement benefit obligations	**153.8**	260.6
Total non-current liabilities	**1,320.6**	1,521.2
Total liabilities	**2,790.2**	3,201.3
Net assets	**5,607.4**	5,663.3
EQUITY		
Contributed equity	**4,032.7**	4,032.6
Reserves	**(178.5)**	(104.8)
Retained profits	**1,669.2**	1,651.7
Parent entity interest	**5,523.4**	5,579.5
Non-controlling interest	**84.0**	83.8
Total equity	**5,607.4**	5,663.3

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

31 December 2009	**Contributed equity $M**	**Reserves $M**	**Retained earnings $M**	**Non-controlling interest $M**	**Total $M**
Balance at 1 July 2009	4,032.6	(104.8)	1,651.7	83.8	5,663.3
Profit (loss) for the half-year	-	-	(28.5)	7.0	(21.5)
Other comprehensive income	-	(82.6)	53.7	(5.1)	(34.0)
Total comprehensive income for the period	**-**	**(82.6)**	**25.2**	**1.9**	**(55.5)**
Transactions with owners in their capacity as owners:					
Shares issued					
- exercise of share rights	0.1	(0.1)	-	-	-
Share-based payment expense	-	1.3	-	-	1.3
Dividends declared	-	-	-	(1.7)	(1.7)
Transfer to undistributable profits reserve	-	7.7	(7.7)	-	-
Balance at 31 December 2009	**4,032.7**	**(178.5)**	**1,669.2**	**84.0**	**5,607.4**

31 December 2008	**Contributed equity $M**	**Reserves $M**	**Retained earnings $M**	**Non-controlling interest $M**	**Total $M**
Balance at 1 July 2008	2,151.2	(281.6)	1,997.5	74.7	3,941.8
Profit for the half-year	-	-	406.9	0.2	407.1
Other comprehensive income	-	307.3	(127.9)	25.1	204.5
Total comprehensive income for the period	**-**	**307.3**	**279.0**	**25.3**	**611.6**
Transactions with owners in their capacity as owners:					
Shares issued					
- institutional capital raising	290.9	-	-	-	290.9
- General Employee Share Plan	20.2	(0.6)	-	-	19.6
- exercise of share rights	9.3	(9.3)	-	-	-
Share-based payment expense	-	5.8	-	-	5.8
Dividends declared	-	-	(206.3)	(1.7)	(208.0)
Dividend reinvestment plan	57.8	-	-	-	57.8
Tax credits recognised directly in equity	3.6	-	-	-	3.6
Balance at 31 December 2008	2,533.0	21.6	2,070.2	98.3	4,723.1

The above statement of changes in equity should be read in conjunction with the accompanying notes.

	Half-year 2009 $M	Half-year 2008 $M
Cash flows from operating activities		
Receipts from customers	**4,329.5**	6,891.9
Payments to suppliers and employees	**(4,100.9)**	(6,846.5)
	228.6	45.4
Dividends received	**4.4**	6.3
Joint venture partnership distributions received	**5.0**	-
Interest received	**4.7**	2.4
Other revenue	**13.7**	11.1
Finance costs paid	**(56.8)**	(75.4)
Income taxes refunded (paid)	**11.9**	(241.6)
Net cash (outflow) inflow from operating activities	**211.5**	(251.8)
Cash flows from investing activities		
Purchases of controlled entities net of cash acquired	**-**	(2.7)
Payments for property, plant and equipment	**(227.2)**	(281.3)
Payments for intangibles	**(2.9)**	(3.3)
Payments for investment in joint venture partnerships	**(0.5)**	(10.6)
Payments for investment in business assets	**(0.4)**	(2.3)
Proceeds from sale of property, plant and equipment	**16.0**	11.0
Repayment of loans by related parties	**2.4**	2.1
Net cash (outflow) inflow from investing activities	**(212.6)**	(287.1)
Cash flows from financing activities		
Proceeds from issues of shares	**-**	306.2
Capital share raising costs	**-**	(9.1)
Proceeds from borrowings	**710.0**	11,337.5
Repayment of borrowings	**(862.7)**	(10,963.1)
Dividends paid to Company's shareholders	**-**	(148.6)
Dividends paid to minority interests in subsidiaries	**(1.7)**	(1.7)
Net cash inflow (outflow) from financing activities	**(154.4)**	521.2
Net increase (decrease) in cash and cash equivalents	**(155.5)**	(17.7)
Cash and cash equivalents at the beginning of the half-year	**363.8**	19.6
Effects of exchange rate changes on cash and cash equivalents	**(7.5)**	16.6
Cash and cash equivalents at end of the half-year	**200.8**	18.5

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

Contents of the notes to the financial statements

1 Basis of preparation of the interim report

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and other mandatory reporting requirements.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by BlueScope Steel Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

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

New accounting standards
From 1 July 2009, the Group has adopted AASB 101 (revised) *Presentation of Financial Statements* which is mandatory for annual reporting periods beginning on or after 1 January 2009. The adoption of this standard has impacted the presentation of the financial statements through the replacement of the income statement, balance sheet, statement of recognised income and expense, and cash flow statement with a statement of comprehensive income, a statement of financial position, a statement of changes in equity, and a statement of cash flows.

Restatement of earnings per share
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).

Deferred tax assets
At the half-year, previously unrecognised temporary depreciation differences of $24.2M (NZD 30.4M) have been recognised as they are now considered probable of realisation.

2 Critical accounting estimates and judgements

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

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

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

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

Foreign currency cash flows are discounted using CGUs in their functional currency and then translated to the Group's presentation currency using the closing exchange rate.

In preparing long range cash flow projections the Company bases volume, price, cost and foreign exchange drivers on expected outcomes taking into account forecast and past actual performance.

2 Critical accounting estimates and judgements (continued)

In determining VIU, the Company has not included any potential impact of either the Australian Carbon Pollution Reduction Scheme (CPRS) on its Australian operations, or a New Zealand Emissions Trading Scheme on its New Zealand operations. This is due to a number of variables, including the final form of these schemes and extent to which suppliers will pass on costs, remaining unknown as at the date of this report. This has precluded management from assessing with any degree of certainty the quantitative impact of these schemes in a manner that is meaningful to users of this interim report. The Australian Government and New Zealand Government have announced an intention to commence their respective schemes on 1 July 2011 and 1 July 2010.

Growth rate
The growth rate used to extrapolate the cash flows beyond the three-year period is typically 2.5% (June 2009: 2.5%). The growth rate represents a steady indexation rate which does not exceed management's expectations of the long-term average growth rate for the business in which each CGU operates.

Discount rate
The base discount rate applied to the cash flow projections is 10.5% post-tax (June 2009: 10.5% post-tax). The discount rate is a post-tax rate that reflects the current assessment of the time value of money, and the overall perceived risk profile of the Company.

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

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

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

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

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

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

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

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

2 Critical accounting estimates and judgements (continued)

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

3 Segment information

(a) Description of segments

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

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

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

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

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

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

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

3 Segment information (continued)

(b) Reportable segments

Half-year 2009	Coated & Industrial Products Australia $M	Australia Distribution & Solutions $M	New Zealand & Pacific Steel Products $M	Coated & Building Products Asia $M	Hot Rolled Products North America $M	Coated & Building Products North America $M	Discontinued Operations $M	Total $M
Total segment sales revenue	2,131.4	896.2	277.9	628.7	-	692.8	-	4,627.0
Intersegment revenue	(499.5)	(0.9)	(30.1)	(1.5)	-	(4.5)	-	(536.5)
Revenue from external customers	**1,631.9**	**895.3**	**247.8**	**627.2**	**-**	**688.3**	**-**	**4,090.5**
Segment EBIT	**(91.8)**	**6.6**	**21.3**	**49.9**	**14.3**	**10.9**	**7.1**	**18.3**
Depreciation and amortisation	100.3	15.2	16.7	20.7	-	23.1	-	176.0
Impairment (write-back) of non-current assets	-	(0.4)	(1.0)	-	0.5	-	-	(0.9)
Share of profit from associates and joint venture partnership	-	-	1.7	(2.2)	15.3	0.2	-	15.0
Total segment assets	4,149.1	1,205.6	538.1	1,044.2	174.8	1,078.2	0.3	8,190.3
Total assets includes:								
Investments in associates and joint venture partnership	-	3.0	7.0	62.3	173.5	2.6	-	248.4
Additions to non-current assets (other than financial assets and deferred tax)	105.1	5.6	20.8	27.4	-	13.0	-	171.9
Total segment liabilities	786.5	305.4	143.4	253.1	-	288.5	14.6	1,791.5

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

3 Segment information (continued)

(c) Other segment information

(i) Segment revenue

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

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

	Half-year ended	
	2009	2008
	$M	$M
Total segment revenue	**4,627.0**	7,280.8
Intersegment eliminations	**(536.5)**	(1,137.8)
Revenue attributable to discontinued operations	**-**	-
Other revenue	**12.9**	12.7
Total revenue from continuing operations	**4,103.4**	6,155.7

(ii) Segment EBIT

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

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

	Half-year ended	
	2009	2008
	$M	$M
Total segment EBIT	**18.3**	658.0
Intersegment eliminations	**(10.5)**	94.3
Interest income	**4.6**	2.4
Finance costs	**(55.6)**	(76.0)
EBIT (gain) loss attributable to discontinued operations	**(7.1)**	(0.2)
Corporate operations	**(30.6)**	(87.0)
Profit (loss) before income tax from continuing operations	**(80.9)**	591.5

3 Segment information (continued)

(iii) Segment assets

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

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

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

Reportable segment assets are reconciled to total assets as follows:

	December 2009 $M
Segment assets	**8,190.3**
Intersegment eliminations	**(124.9)**
Unallocated:	
Deferred tax assets	**82.5**
Cash	**214.6**
Corporate operations	**35.1**
Total assets as per the balance sheet	**8,397.6**

(iv) Segment liabilities

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

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

Reportable segment liabilities are reconciled to total liabilities as follows:

	December 2009 $M
Segment liabilities	**1,791.5**
Intersegment eliminations	**(106.3)**
Unallocated:	
Current interest bearing liabilities	**112.8**
Non-current interest bearing liabilities	**835.5**
Current tax liabilities	**4.0**
Deferred tax liabilities	**115.7**
Accrued borrowing costs payable	**9.9**
Corporate operations	**27.1**
Total liabilities as per the balance sheet	**2,790.2**

4 Expenses

	Half-year ended 2009 $M	2008 $M
Disclosure of tax effects relating to each component of other comprehensive income:		
Loss on cash flow hedges taken to equity	**-**	1.9
Actuarial (gain) loss on defined benefit superannuations plans	**(22.1)**	123.2
Net (gain) loss on hedges of net investments	**8.9**	36.6
Total income tax on items of other comprehensive income	**(13.2)**	161.7
Profit before income tax includes the following specific expenses:		
Reversal of impairment losses (a)	**(1.4)**	(0.9)
China plant and equipment	**-**	11.1
New Zealand Steel capital project cancellations	**-**	20.8
China coating line	**-**	24.9
Castrip joint venture	**0.5**	1.0
Total impairment of non-current assets	**(0.9)**	56.9

Inventory net realisable value expense (write-back)
During the six-month period to 31 December 2009 a $39M expense was recognised in connection to the write-down of inventories to net realisable value as a result of an expected decline in future selling prices (December 2008: $204M).

(a) Reversal of impairment losses

Lysaght Pacific (Fiji) recognised an impairment reversal for $1.0M which was recorded against property, plant and equipment ($0.6M) and computer software intangibles ($0.4M) following improved economic conditions in the region. This reversal falls within the New Zealand & Pacific Steel Products segment.

Australian Distribution & Solution's "Trustek" business recognised an impairment reversal for $0.4M against plant and equipment following revised estimates from its closure in June 2009.

5 Equity securities issued

	Six-months to 31 Dec 2009 Shares	Six-months to 31 Dec 2008 Shares	**Six-months to 31 Dec 2009 $M**	Six-months to 31 Dec 2008 $M
Issues of ordinary shares during the half-year				
Opening balance	**1,823,297,662**	759,943,380	**4,032.6**	2,151.2
Institutional capital raising	**-**	96,774,194	**-**	290.9
Dividend reinvestment plan - shareholders	**-**	8,511,145	**-**	57.8
Exercise of share rights under the Long Term Incentive Plan	**8,889**	2,181,488	**0.1**	9.3
General Employee Share Plan issues	**-**	2,480,399	**-**	20.2
Tax credit recognised directly in equity	**-**	-	**-**	3.6
	1,823,306,551	869,890,606	**4,032.7**	2,533.0

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

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

Long Term Incentive Plan
The Long Term Incentive Plan is an award of share rights to eligible employees. The full details of the operation of these plans are detailed in the June 2009 Remuneration Report.

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

There was no General Employee Share Plan entered into during the period.

Equity securities issued during the six-months to 30 June 2009
The following significant movements in share capital took place between the 31 December 2008 comparative date and the beginning of the current interim period:

- In February 2009, the Company offered eligible shareholders in Australia and New Zealand to participate in its Share Purchase Plan. The plan offered participants the opportunity to acquire up to $5,000 of new shares at a discount and free of brokerage fees. A total of $113M was raised with 36,442,921 shares issued on 13 February 2009.
- In May 2009, the Company invited shareholders to participate in a non-renounceable share issue entitling eligible shareholders to subscribe for 1 new share for every 1 share held at $1.55 per share. The offer was fully underwritten and raised $1,413M with 911,633,716 shares issued. The offer was not fully subscribed to the extent of 59 million shares with subscriptions for these shares obtained under the terms of the underwriting agreement.

6 Discontinued operations

(a) Description

In April 2007, the Company closed its loss making tinplate manufacturing facility which was the major component of the Packaging Products cash generating unit.

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

(b) Financial performance of discontinued operations

The results of the discontinued operations for the half-year 31 December 2009 until disposal are presented below.

	Consolidated					
	Six-months to 31 Dec 2009			Six-months to 31 Dec 2008		
	Packaging $M	Lysaght Taiwan $M	TOTAL $M	Packaging $M	Lysaght Taiwan $M	TOTAL $M
Revenue	**-**	**-**	**-**	-	-	-
Other income	-	**4.0**	**4.0**	-	0.3	0.3
(Expense) Expense write-back	**3.1**	**-**	**3.1**	(0.1)	-	(0.1)
Gross profit (loss)	**3.1**	**4.0**	**7.1**	(0.1)	0.3	0.2
Finance costs	**-**	**(0.3)**	**(0.3)**	-	(0.2)	(0.2)
Profit (loss) before tax from discontinued operations	**3.1**	**3.7**	**6.8**	(0.1)	0.1	-
Income tax (expense) credit	**(0.9)**	**-**	**(0.9)**	-	-	-
Profit (loss) for the half-year from discontinued operations	**2.2**	**3.7**	**5.9**	(0.1)	0.1	-

(c) Cash flow information - discontinued operations

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

	Consolidated					
	Six-months to 31 Dec 2009			Six-months to 31 Dec 2008		
	Packaging $M	Lysaght Taiwan $M	TOTAL $M	Packaging $M	Lysaght Taiwan $M	TOTAL $M
Net cash inflow (outflow) from operating activities	**(1.0)**	**3.0**	**2.0**	(6.6)	(10.4)	(17.0)
Net cash inflow (outflow) from investing activities	**4.0**	**-**	**4.0**	-	-	-
Net cash inflow (outflow) from financing activities	**(3.0)**	**(3.0)**	**(6.0)**	6.6	10.4	17.0
Net increase in cash generated by the operation	**-**	**-**	**-**	-	-	-

7 Non-current liabilities - Retirement benefit obligations

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

December 2009	**BlueScope Steel Superannuation Fund $M**	**New Zealand Pension Fund $M**	**Coated and Building Products North America $M**	**Total $M**
Present value of the defined benefit obligation	(467.2)	(241.6)	(325.8)	**(1,034.6)**
Fair value of defined benefit plan assets	457.5	200.3	223.0	**880.8**
Net (liability) asset in the statement of financial position	(9.7)	(41.3)	(102.8)	**(153.8)**
Defined benefit expense (half-year)	7.5	1.8	2.8	12.1
Employer contributions (half-year)	8.1	7.7	16.1	31.9
Principal actuarial assumptions	%	%	%	
Discount rate (gross of tax)	5.5	6.2	6.0	
Expected return on plan assets (net of tax)	7.0	6.0	8.0	
Future salary increases	3.5	4.0	4.0	

June 2009	**BlueScope Steel Superannuation Fund $M**	**New Zealand Pension Fund $M**	**Coated and Building Products North America $M**	**Total $M**
Present value of the defined benefit obligation	(473.3)	(254.1)	(321.6)	**(1,052.0)**
Fair value of defined benefit plan assets	413.9	175.5	202.0	**791.4**
Net (liability) asset in the statement of financial position	(62.4)	(78.6)	(119.6)	**(260.6)**
Defined benefit expense (full year)	8.3	9.4	1.6	19.3
Employer contributions (full year)	22.1	16.6	28.5	67.2
Principal actuarial assumptions	%	%	%	
Discount rate (gross of tax)	5.5	6.1	6.7	
Expected return on plan assets (net of tax)	7.0	6.0	8.0	
Future salary increases	3.5	4.0	4.0	

The net liability is not immediately payable. Any surplus will be realised through reduced future Company contributions.

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

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

(b) Reconciliations

	Six-months ending 31 December 2009 $M	Twelve-months ending 30 June 2009 $M
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Opening balance	**1,052.0**	1,069.9
Current service cost	**13.8**	29.5
Interest cost	**29.6**	71.4
Actuarial losses (gains)	**37.4**	(135.6)
Foreign currency exchange rate changes	**(41.8)**	52.8
Benefits paid	**(54.0)**	(72.5)
Increase in allowance for contributions tax on net liability	**(1.2)**	46.8
Losses (gains) on curtailments	**-**	(8.6)
Other	**(1.2)**	(1.7)
Closing balance	**1,034.6**	1,052.0
Reconciliation of the fair value of plan assets:		
Opening balance	**791.4**	908.0
Expected return on plan assets	**29.7**	71.6
Actuarial gains (losses)	**103.0**	(239.2)
Foreign currency exchange rate changes	**(18.4)**	61.0
Contributions by Group companies	**31.9**	67.2
Tax on employer contributions	**(3.8)**	(8.8)
Contributions by plan participants	**2.8**	5.8
Benefits paid	**(54.0)**	(72.5)
Other	**(1.8)**	(1.7)
Closing balance	**880.8**	791.4

(c) Amounts recognised in income statement

	Six-months ending 31 December 2009 $M	Twelve-months ending 30 June 2009 $M
Current service cost	**13.8**	29.5
Contributions by plan participants	**(2.8)**	(5.8)
Interest cost	**29.6**	71.4
Expected return on plan assets	**(29.7)**	(71.6)
Losses (gains) on curtailments and settlements	**-**	(8.6)
Increase in allowance for contributions tax	**0.6**	4.4
Other	**0.6**	-
Total included in employee benefits expense	**12.1**	19.3
Actual return on plan assets	**132.7**	(166.3)

8 Dividends

	Half-year ended 2009 $M	2008 $M
(a) Ordinary shares		
Dividends provided for or paid during the half-year	-	206.3
A dividend reinvestment plan is established to enable shareholders to receive some or all of their future dividends as ordinary BlueScope Steel Limited shares instead of cash.		
Dividends provided for or paid during the half-year		
Paid in cash	-	148.6
Satisfied by issue of shares	-	57.8
Movement in DRP residual owing	-	(0.1)
	-	206.3
(b) Dividends not recognised at the end of the half-year		
Based on the Group's performance for the half-year ended 31 December 2009, the directors have proposed that no interim dividend be paid. This is consistent with the decision made in August 2009 in respect to the 30 June 2009 final dividend, following recent capital restructuring activities in light of market conditions that significantly improved the Group's financial flexibility and financial position. The amount not recognised at 31 December 2008 in relation to the related period's interim dividend was:	-	43.5

9 Contingencies

(a) Contingent liabilities

Two suppliers are seeking damages based on alleged breaches of contract totalling $139M. The two cases are pending in the Supreme Court of NSW. As the Company believes there has been no breach of contract in either case a provision has not been recognised.

10 Events occurring after the balance sheet date

There were no significant matters that arose subsequent to 31 December 2009 and up until the date of this report.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 23 are in accordance with the *Corporations Act 2001,* including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and

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

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

Graham Kraehe AO
Chairman

Paul O'Malley
Managing Director & CEO

Melbourne
12 February 2010

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To the members of BlueScope Steel Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of BlueScope Steel Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Interim Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BlueScope Steel Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Bruce Meehan
Partner
Melbourne
12 February 2010