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ASX Code: BSL

BLUESCOPE STEEL

21 February 2011

The Manager – Listings
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

Re: Compliance with Listing Rule 4.2A for the six months ended 31 December 2010

Attached in accordance with Listing Rule 4.2A is the financial report for BlueScope Steel Limited (ASX Code: BSL) for the six months ended 31 December 2010.

The financial report has been prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board. References to underlying results have been prepared based on the principles provided by the Financial Services Institute of Australasia and the Australian Institute of Company Directors.

Yours faithfully

Michael Barron
Company Secretary
BlueScope Steel Limited

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

Melbourne – 21 February 2011 – BlueScope Steel Limited (ASX Code: BSL) today reported its financial results for the six months ended 31 December 2010.

Table 1: 1H FY2011 Headlines

Financial items	**1H FY2011**	**1H FY2010**	**Movements**
▪ Sales revenue from continuing operations	$4,622M	$4,103M	+ $519M (+13%)
▪ Reported NPAT (NLAT)	($55M)	($28M)	- $27M (-96%)
▪ Underlying NPAT (NLAT) (1)	($47M)	($53M)	+ $6M (+11%)
▪ Interim ordinary dividend (2)	2 cps fully franked	0 cps	
▪ Earnings per share (3)	(3.0)cps / (2.5)cps	(1.6)cps / (2.9)cps	
▪ Gearing (net debt/net debt plus equity)	14.2%	11.6%	

Notes:
(1) underlying results 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
(2) The record date with respect to the entitlement to FY2011 interim dividend is 4 March 2011.
(3) Shows reported / underlying. Please refer to Table 2(b) on page [5] for a detailed reconciliation.

Core outcomes/issues for the half

- Sales revenue of $4,622M for 1H FY2011, up $519M compared to 1H FY2010, was primarily due to higher international and domestic selling prices partly offset by a higher average AUD:USD exchange rate for 1H 2011 of 0.945 (vs. 0.872).
- Reported NLAT of $55M for 1H FY2011, $27M worse off than the 1H FY2010, was mainly due to net impairment write down of $9M and one-off tax benefits in the previous comparative period.
- In accordance with accounting standards the net impairment write-down comprised a write-down of goodwill in BlueScope Distribution business of $77M due to the recent poor financial performance and uncertain medium term outlook. The Company wrote back $68M of previous impairment write-downs in the Coated China business due to the material improvement in its financial performance and positive outlook.
- Underlying NLAT of $47M for 1H FY2011, was marginally up on 1H FY2010 largely due to lower costs offsetting reduced spread and adverse foreign exchange impacts. 1H FY2011 underlying results include higher inventory net realisable value (NRV) provisions for inventory on hand at December 2010 of A$42M vs. A$27M at December 2009 (both after tax). The pre-NRV underlying NLAT was in accordance with the Company's earnings guidance provided in November 2010.
- Group raw steel production was 3.45Mt (vs. 2.92 Mt in 1H FY2010), with Port Kembla production being 2.64Mt (vs. 2.19Mt).
- Total Australian domestic / export sales volume mix was 41:59 vs.54/46 in 1H FY2010. Due to lower domestic sales and increased production from Blast Furnace No. 5 in 1H FY2011.
- Australian domestic external sales volumes in 1H FY2011 were down 75kt (or 6%) on 1H FY2010 and down 214kt (or 15%) on 2H FY2010 largely due to lower volumes in the Manufacturing and Pipe and Tube markets primarily resulting from imports, reduced Government stimulus spending, a stronger AUD and customer de-stocking.
- Segment underlying earnings results:
    1. New Zealand and Pacific Steel Products produced another strong result, largely due to increased iron sands prices.
    2. Asian EBIT result was largely unchanged ie. A$46M vs. A$50M 1H FY2010, but down 30% on 2H FY2010 largely due to lower selling prices in Indonesia and Thailand. These were partly offset by improved earnings from China businesses.
    3. The deterioration in Coated & Industrial Products Australia and Hot Rolled Products North America results was driven by reduced spread.
    4. Australia Distribution & Solutions and Coated & Building Products North America results were driven by lower margins.
- Maintained the A$340M permanent and $318M temporary savings reported as at 30 June 2010.
- Consolidated inventory of A$1,962M at 31 December 2010 vs. A$1,829M at 30 June 2010.
- Liquidity A$1,332M at 31 December 2010 vs. A$1,620M at 30 June 2010.
- Syndicated loan facility was refinanced with maturity extended and pricing improved.
- 2H FY2011 financial performance will largely depend on performance in Q4 FY2011 spread.. We currently expect to deliver a break-even reported NPAT (excluding NRV adjustments) in 2H FY2011.

Consolidated Results

Table 2a provides the 1H FY2011 consolidated financial results and the comparable FY2010 period. Table 2b reconciles underlying operational earnings to reported earnings.

Table 2a : Financial Headlines
Six months ended 31-Dec-2010 (“1H 2011”) and 31-Dec-2009 (“1H 2010”)

Financial Measure			1H 2011	1H 2010	Variance $	Variance %
Total revenue [1]		A$M	4,622	4,103	519	13
Earnings before interest tax, depreciation and amortisation (EBITDA) [2]	– Reported	A$M	127	154	(27)	(18)
	– Underlying	A$M	134	155	(21)	(14)
EBIT/(EBIT loss)[2]	– Reported	A$M	(48)	(23)	(25)	(109)
	– Underlying	A$M	(41)	(22)	(19)	(86)
Interest expense		A$M	(52)	(56)	4	7
NPAT/(NLAT) attributable to BlueScope Steel Shareholders	– Reported	A$M	(55)	(28)	(27)	(96)
	– Underlying	A$M	(47)	(53)	6	11
Earnings per share[3]	– Reported	¢/s	(3.0)	(1.6)	(1.4)	(90)
	– Underlying	¢/s	(2.5)	(2.9)	0.4	14
Diluted earnings per share	– Reported	¢/s	(3.0)	(1.6)	(1.4)	(88)
Interim Dividend		¢/s	2	0	2	-
Net cash flow from operating and investing activities (pre-tax and interest)			(192)	39	(231)	(592)
Return on invested capital [4]	– Reported	%	(1.5%)	(0.7%)		
	– Underlying	%	(1.2%)	(0.7%)		
Return on equity [5]	– Reported	%	(2.0%)	(1.0%)		
	– Underlying	%	(1.7%)	(1.9%)		
Gearing (net debt / net debt plus equity) [6]		%	14.2%	11.6%		
Net tangible assets per share		$/s	2.47	2.47		

(1) Excludes the company’s 50% share of North Star BlueScope Steel revenue of $316M in 1H 2011 ($280M in 1H 2010). Includes revenue other than sales revenue of $22M in 1H 2011 ($12M in 1H 2010). Includes revenue from discontinued businesses of $0M in 1H 2011 ($0M in 1H 2010).
(2) Includes 50% share of net profit from North Star BlueScope Steel of $10M in 1H 2011 ($15M in 1H 2010).
(3) Earnings per share is based on the average number of shares on issue during the respective reporting periods, ie. 1,830.8M in 1H 2011 vs. 1,823.3M in 1H 2010.
(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 2011 gearing was 2.6% higher than 1H 2010 mainly driven by additional borrowings to support operating and investing activities.

Variance Analysis (1H 2011 vs. 1H 2010)

- Total revenue

  The $519M (13%) increase principally reflects:
  - Higher international slab and hot rolled coil prices.
  - Higher export sales volumes at Coated & Industrial Products Australia, driven by lower domestic volumes and the successful restart of the No. 5 Blast Furnace in the comparative period.
  - Higher export sales volumes from New Zealand & Pacific Steel Products.
  - Higher domestic sales volumes at Coated & Building Products Asia.
  - Higher domestic selling prices at Coated & Building Products North America.

  These were partly offset by:
  - Higher average AUD:USD exchange rate for 1H 2011 of 0.945 compared to the previous corresponding period of 0.872.
  - Lower domestic selling prices at Australia Distribution & Solutions.

- <u>EBIT</u>

  The $19M (82%) decrease in underlying EBIT principally reflects:

  Spread ($20M unfavourable)

  Prices ($333M favourable)
  - Higher international slab and hot rolled coil prices.
  - Higher Taharoa iron sand selling prices at New Zealand Steel.
  - Higher hot rolled coil, cold rolled coil and coated product international selling prices at New Zealand Steel.
  - Higher domestic selling prices at Coated & Building Products North America.

  Partly offset by:
  - Lower average domestic selling prices at Australia Distribution & Solutions.

  Raw material costs ($353M unfavourable)
  - Principally higher USD coal and iron ore purchase prices partly offset by lower value of opening inventory carried forward at Coated & Industrial Products Australia compared to higher value of opening inventory carried forward in 1H 2010.
  - Higher inventory net realisable value provisions for inventory on hand at December 2010 ($59M) compared to December 2009 ($39M).
  - Higher cost of scrap, coal, zinc and aluminium at New Zealand Steel.
  - Higher steel feed costs at Coated & Building Products Asia and North America.

  Partly offset by:
  - Lower steel feed costs at Australia Distribution & Solutions.

  North Star BlueScope Steel ($6M unfavourable)

  Exchange rates ($13M unfavourable)
  - Net unfavourable foreign exchange movement in the AUD:USD vs. 1H 2010 in respect of the unfavourable impact on export sales revenue partly offset by the favourable impact in respect of raw materials purchased in USD within Coated & Industrial Products Australia. Average exchange rate for 1H 2011 was 0.945 compared to 0.872 in 1H 2010.

  Sales volumes and product mix ($4M unfavourable)
  - Unfavourable destination mix to lower margin export despatches combined with higher export despatches at negative margins.

  Partly offset by:
  - Higher despatch volumes at Coated & Building Products Asia, predominantly Thailand and China.

  Costs ($24M favourable) comprising the following components:

  Cost improvement initiatives ($23M favourable)
  - Lower repairs and maintenance, conversion, operational, overhead and discretionary costs delivered through cost reduction initiatives.

  Cost escalation ($76M unfavourable)
  - Escalation of employment, utilities, consumables and other costs.

  One-off and discretionary costs ($85M favourable)
  - Higher fixed conversion cost absorption driven by increased production volumes at Coated & Industrial Products Australia and New Zealand Steel.

  Other costs ($8M unfavourable)
  - Higher freight costs primarily due to rate increases.

Unusual or non-recurring items in reported EBIT include ($7M unfavourable)
- Profit on sale and leaseback of properties within Australia Distribution & Solutions during 1H 2010 ($4M).
- Reduced provisioning in relation to the discontinued Packaging Products business during 1H 2010 ($7M) partly offset by profit on sale of Packaging Products assets during 1H 2011 ($1M).
- Net asset impairment write down during 1H 2011 ($9M). Impairment write down at Australia Distribution ($77M) partly offset by reversal of previous impairment in Coated China ($68M). Refer table 2b for a full description.

Partly offset by:
- Staff redundancies and other internal restructuring costs at Coated & Industrial Products Australia ($12M) during 1H 2010.

- Funding

Financing costs for the six months ended 31 December 2010 were $52M ($56M in 1H FY2010). The decrease in financing costs was largely the result of a decrease in the average interest rate partly offset by a $28M increase in average borrowings to $974M.

- Tax

The net tax benefit in 1H FY2011 was $47M (in 1H FY2010 $53M). The effective tax benefit for the six months ended 31 December 2010 was 48.6% (71.0% benefit in 1H FY2010). The effective tax benefit is more favourable than the Australian tax rate of 30% primarily due to the mix of earning/losses before tax by different tax regions, tax losses and timing difference utilised primarily in relation to operating profits generated in Coating Steel China and Steel Vietnam and tax provision adjustments as a result of finalising the Australian 2010 tax return.

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 benefit would be 38.3% and is more favourable than the Australian tax rate of 30% primarily due to the mix of earning/losses before tax by different tax regions.

Table 2b: Reconciliation of Underlying Operational Earnings to Reported Earnings
1H 2011 vs. 1H 2010; $ 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$[6]	
Factors	**1H 2011**	**1H 2010**	**1H 2011**	**1H 2010**	**1H 2011**	**1H 2010**
Reported earnings	(48)	(23)	(55)	(28)	(0.03)	(0.02)
Net (gains)/losses from businesses discontinued [1]	(2)	(7)	(1)	(6)	(0.00)	(0.00)
Reported earnings (from continuing operations)	(50)	(30)	(56)	(34)	(0.03)	(0.02)
Unusual or non-recurring events:						
Restructure and redundancy costs [2]	0	12	0	8	0.00	0.00
Profit on Sale and Leaseback of Properties [3]	0	(4)	0	(3)	0.00	(0.00)
Asset impairment [4]	9	0	9	0	0.00	0.00
New Zealand tax adjustment [5]	0	0	0	(24)	(0.00)	(0.01)
Underlying Operational Earnings	(41)	(22)	(47)	(53)	(0.03)	(0.03)

(1) 1H 2011 reflects profit on sale of Packaging Products assets and a foreign exchange translation gain within the Lysaght Taiwan business. 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 2010 reflects staff redundancies and other internal restructuring costs at Coated & Industrial Products Australia.
(3) 1H 2010 reflects profit on sale and leaseback of properties within Australia Distribution & Solutions.
(4) Net asset impairment write down ($9M) comprising:
BlueScope Distribution – an impairment write down of goodwill totalling $77M. The company acquired the Distribution asset in August, 2007 for a total investment of $750M. The reasons for this write down are reduced market demand and increased import competition driving margins lower.
The company is actively progressing initiatives to grow volumes and improve earnings, however expectations are that these challenging set of circumstances in the Australian distribution sector could delay a return to improved financial performance in the medium term.
China Coated business – An impairment write back of $68M to the asset base. BlueScope built the coated facility, which commenced operations in 2006, at a capital cost of $274M. An $190M asset write down was recognised in the December 2007 accounts due to poor financial performance of the coated business (both lower sales volumes and weaker margins) and continued weaker outlook. A further $25M write-down was recognised in December 2008 at the height of the global financial crisis as improvement initiatives had not taken hold. At the time of the first write-down the company announced changes to senior management team in China. The new team made a number of changes to the business operations in China which have, along with the continued strength of the Chinese economy, resulted in a material improvement in earnings over the last two years.
(5) Recognition of previously unbooked deferred tax assets in New Zealand Steel.
(6) Earnings per share is based on the average number of shares on issue during the respective reporting periods, ie. 1,830.8M in 1H 2011 vs. 1,823.3M in 1H 2010.

Equity, Financial Flexibility and Cash Flow

Table 3 below provides a summary of consolidated equity and return measures at 31 December 2010 and 2009.

Table 3: Consolidated – Return Statistics
1H 2011 and 1H 2010; mixed measures

Financial Measure	1H 2011	1H 2010	%
Shares outstanding – end of period (million)	1,842.2	1,823.3	1
Average shares – for the period (million)	1,830.8	1,823.3	0
Return on equity – based on reported NPAT attributable to shareholders	(2.0%)	(1.0%)	-
Return on equity – based on underlying operational NPAT earnings	(1.7%)	(1.9%)	-
Return on invested capital – based on reported EBIT	(1.5%)	(0.7%)	-
Return on invested capital – based on underlying EBIT	(1.2%)	(0.7%)	-

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

Table 4: Consolidated – Financial Flexibility Measures
1H 2011 and 1H 2010; mixed measures

				Variance	
Financial Measure		1H 2011	1H 2010	$M	%
Underlying Operational EBITDA	$M	134	155	(21)	(14)
Interest expense	$M	52	56	(4)	(7)
Borrowings	$M	999	948	51	5
Underlying Operational EBITDA / interest (1)	times	5.3	(2.2)		
Debt / Underlying Operational EBITDA (2)	times	1.7	(3.7)		

(1) Calculated on a 12 month trailing basis for both underlying operational EBITDA and interest.
(2) Calculated on a 12 month trailing basis for underlying operational EBITDA, using borrowings on hand at the respective balance dates.

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

Table 5: Consolidated Cash Flow
1H 2011 and 1H 2010; $ millions

			Variance	
Factors	1H 2011	1H 2010	$M	%
Reported EBITDA (1)	127	154	(27)	(18)
Add back non cash items				
- Share of profits from associates and joint venture partnership not received as dividends	26	(6)	32	533
- Impaired assets	9	(1)	10	1000
- Net (gain) loss on sale of assets	0	(4)	4	100
- Expensing of share-based employee benefits	4	1	3	300
Cash EBITDA	166	144	22	15
Changes in working capital (2)	(182)	108	(290)	(269)
Net cash from operating activities	(16)	252	(268)	(106)
Net cash from investing activities	(176)	(213)	37	17
Cash from operating and investing (pre-tax)	(192)	39	(231)	(592)
Net interest paid	(61)	(52)	(9)	(17)
Tax received / (paid) (3)	4	12	(8)	(67)
Cash from operating and investing (post-tax) (as per statutory cash flow)	(249)	(1)	(248)	(24,800)

(3) Refer EBIT Variance analysis for major changes in EBITDA.

(4) 1H 2011 changes in working capital primarily reflect higher inventories resulting from higher raw material costs and an increase in volumes on hand partly offset by lower receivables and creditors. 1H 2010 changes in working capital primarily reflect a reduction in inventories mainly delivered through lower raw material and steel feed costs partly offset by an increase in volumes on hand.

(5) The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 31 December 2010, in excess of $800M. There will be no Australian income tax payments until these are recovered.

GROUP REVIEW

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

BlueScope Steel today reported a $55 million net loss after tax (NLAT) for the six months ended 31 December 2010 (compared to a NLAT of $28 million in the previous corresponding period). In accordance with accounting standards, the reported NLAT was inclusive of a $77 million write-down of the goodwill in the BlueScope Distribution business and a $68 million write-back to the Coated China asset base. The write-down was due to a revised medium term outlook for that business that is influenced by the current reduced market demand and increased import competition which is driving margins lower. The write-back to the Coated China asset base was due to the material growth in its financial performance and positive outlook.

The underlying NLAT for the half was $47 million (NLAT of $53 million in 1H FY2010). This included net realisable value (NRV) provisions of $42 million, mainly for finished product inventory on hand at 31 December 2010.

The result is in line with the Company's guidance at the Annual General Meeting and reflective of the developed world steel industry performing near the bottom of its cycle.

The result was largely driven by three key external factors:

- Stronger A$ vs. US$, negatively impacting export margins, Australian commoditised product volumes and margins, and translation of offshore earnings;
- Reduced spreads, ie higher raw material costs more than offsetting slight improvements in steel prices; and
- Lower demand in the Australian market.

The Board declared a 2 cent per share interim dividend (fully franked), noting there will be no Dividend Reinvestment Plan attaching to this dividend.

At the reporting segment level:

- Coated & Industrial Products Australia (C&IPA) – $97M underlying earnings loss before interest and tax (EBIT loss) in the first half of FY2011 (vs. $80M EBIT loss in 1H FY2010), largely driven by the abovementioned three external factors. Australian sales volumes were lower due to softer demand, particularly in the Manufacturing and Pipe and Tube markets.
- Australia Distribution and Solutions – $15M underlying EBIT loss in the first half of FY2011 (vs. $3M underlying EBIT in 1H FY2010) due to increased competition from imports driving lower margins.
- New Zealand Steel – $49M underlying EBIT in the first half of FY2011 (vs. $21M underlying EBIT in 1H FY2010). A good start to the year with a solid contribution from the minerals businesses, stronger margins and improved fixed cost recoveries.
- Asia – $46M underlying EBIT in the first half of FY2011 (vs. $50M underlying EBIT in 1H FY2010). Continued strong performance largely driven by the increased sales volumes in China (up 40% on 1H FY2010), partly offset by unfavourable exchange rate movements and increased competition in Thailand impacting margins.
- Hot Rolled Products North America – $8M underlying EBIT in the first half of FY2011 (vs. $14M underlying EBIT in 1H FY2010). A modest start to the year due to low steel prices and higher input costs.
- Coated & Building Products North America – $16M underlying EBIT loss in the first half of FY2011 (vs. $11M underlying EBIT in 1H FY2010) largely due to the continued depressed non residential building market conditions.

Our employees continued to do an outstanding job on the cost reduction front. In August 2010 we reported that we had taken

- $340M of permanent costs out of our system since FY 2008; and
- $318M of temporary costs out in respect of FY 2010.

These permanent cost savings have been maintained and even more pleasing is that we have also been able to retain the temporary savings to 31 December 2010.

We continue to maintain a strong balance sheet, with:

- Gearing below 15%;
- Liquidity of $1,332 million; and also
- Refinanced the loan note facility, extending the tenor and improved pricing.

Outlook

Commenting on the outlook, Managing Director and CEO, Mr Paul O'Malley, said: "We are still in a volatile period as we come out of the low point of this steel cycle. There are signs of stronger industrial activity in the developed world this calendar year. However, steel supply, excluding China, remains in an oversupply position. We need to see GDP in the developed world improve, and drive increased steel demand, to narrow the supply/demand gap.

Steel margins continue to be impacted by the high cost of raw materials. Spot coal prices have spiked higher following the recent flooding and cyclone in Queensland, which supplies 50-60% of the global seaborne coking coal market.

The three key drivers which affected trading in the first half FY 2011 will continue to be strong influences in the second half.

"The second half FY2011 financial performance will largely depend upon the steel spread (steel price less raw material cost) outcome for Q4. This spread is difficult to forecast", Mr O'Malley said. "At the moment we expect to deliver a break-even reported NPAT (excluding NRV's) in 2H FY2011."

However we are encouraged by our upside earnings leverage to a number of factors, including:

- the current higher steel price environment;
- recovery in developed economies, principally USA;
- continuing strong performance in Asia, including our China expansion."

I would like to thank all BlueScope employees for their continued contributions on a whole range of fronts, including their commitment to achieving our goal of zero harm.

Business Unit Reviews

Table 6a: Sales Revenue
1H 2011 and 1H 2010; 2H 2010; $ millions

Segment	1H 2011	1H 2010	2H 2010
Coated & Industrial Products Australia	2,502	2,131	2,614
Australia Distribution & Solutions	867	896	866
Inter-segment (1)	(286)	(316)	(312)
Sub-total Australia	3,083	2,711	3,168
New Zealand and Pacific Steel Products	330	278	340
Coated and Building Products Asia	740	629	720
Hot Rolled Products North America (2)	0	0	0
Coated and Building Products North America	675	693	614
Inter-segment (1)	0	0	0
Sub-total North America	675	693	614
Corporate and Group	0	0	0
Inter-segment (1)	(228)	(220)	(336)
Continuing Businesses	**4,600**	**4,091**	**4,506**
Discontinued Businesses	0	0	1
Inter-segment	0	(0)	0
Total BLUESCOPE STEEL	**4,600**	**4,091**	**4,507**

Table 6b: Reported EBIT
1H 2011 and 1H 2010; 2H 2010; $ millions

Segment	1H 2011	1H 2010	2H 2010
Coated & Industrial Products Australia	(97)	(92)	176
Australia Distribution & Solutions	(92)	7	5
Inter-segment (1)	1	(8)	6
Sub-total Australia	(188)	(93)	187
New Zealand and Pacific Steel Products	49	21	52
Coated and Building Products Asia	114	50	66
Hot Rolled Products North America	8	14	47
Coated and Building Products North America	(16)	11	(32)
Inter-segment (1)	0	0	0
Sub-total North America	(8)	25	15
Corporate and Group	(34)	(31)	(40)
Inter-segment (1)	17	(2)	(17)
Continuing Businesses	**(50)**	**(30)**	**263**
Discontinued Businesses (3)	2	7	0
Inter-segment	0	0	0
Total BLUESCOPE STEEL	**(48)**	**(23)**	**263**

Table 6c: Underlying EBIT
1H 2011 and 1H 2010; 2H 2010; $ millions

Segment	1H 2011	1H 2010	2H 2010
Coated & Industrial Products Australia	(97)	(80)	188
Australia Distribution & Solutions	(15)	3	(1)
Inter-segment [(1)]	1	(8)	6
Sub-total Australia	(111)	(85)	193
New Zealand and Pacific Steel Products	49	21	52
Coated and Building Products Asia	46	50	66
Hot Rolled Products North America	8	14	47
Coated and Building Products North America	(16)	11	(27)
Inter-segment [(1)]	0	0	0
Sub-total North America	(8)	25	20
Corporate and Group	(34)	(31)	(37)
Inter-segment [(1)]	17	(2)	(17)
Continuing Businesses	**(41)**	**(22)**	**277**
Discontinued Businesses	0	0	0
Inter-segment	0	0	0
Total BLUESCOPE STEEL	**(41)**	**(22)**	**277**

(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$316M in 1H 2011 (A$280M in 1H 2010 and A$347M in 2H 2010).
(3) Reflects profit on sale of Packaging Products assets and a foreign exchange translation gain within the Lysaght Taiwan 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, Australia (cold rolled coil, metal coated and painted steel production);
- Western Port facility, Hastings, VIC, Australia (hot rolled coil, cold rolled coil, metal coated and painted steel production);
- Western Sydney COLORBOND® steel facility, NSW, Australia;
- Acacia Ridge COLORBOND® steel facility, Queensland, Australia; and
- North America, European and Asian export trading offices.

(i) Financial Performance

Table 7a: Financial Performance
1H 2011 and 1H 2010

			Variance	
Financial Measure ($M, unless marked)	**1H 2011**	**1H 2010**	**$**	**%**
Sales revenue [(1), (2)]	2,502	2,131	371	17
Reported EBITDA [(2)]	3	9	(6)	(67)
Reported EBIT/(EBIT loss)	(97)	(92)	(5)	(5)
Underlying operational EBIT/(EBIT loss) [(3)]	(97)	(80)	(17)	(21)
Capital and investment expenditure	90	101	(11)	(11)
Net operating assets (pre tax) [(4)]	3,582	3,363	219	7
Return on net assets (pre tax) [(5)]	(5%)	(6%)		

Table 7b: Financial Performance
1H 2011 vs. 2H 2010;

Financial Measure ($M, unless marked)	1H 2011	2H 2010	Variance
Sales revenue (1), (2)	2,502	2,614	(112)
Reported EBITDA(2)	3	273	(270)
Reported EBIT/(EBIT loss)	(97)	176	(273)
Underlying operational EBIT/(EBIT loss) (3)	(97)	188	(285)
Capital and investment expenditure	90	123	(33)
Net operating assets (pre tax) (4)	3,582	3,464	118
Return on net assets (pre tax) (5)	(5%)	10%	

(1) 1H 2011 includes coke sales of 87kt (1H 2010 125kt and 2H 2010 50kt).
(2) Sales revenue and EBITDA includes $2,014M and $(62M) respectively in relation to the old Hot Rolled Products Australia segment (1H 2010 $1,547M and $(18M) respectively and 2H 2010 $1,909M and $126M 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 2010 EBIT has been adjusted for staff redundancies and other internal restructuring costs ($12M). 2H 2010 EBIT has been adjusted for staff redundancies and other internal restructuring costs ($11M).
(4) Increase in net operating assets primarily reflects higher inventories resulting from higher raw material costs and an increase in volumes on hand partly offset by higher creditors due to considerably higher production volumes.
(5) Return on net assets is defined as EBIT (annualised in case of half year comparisons) / average monthly net operating assets.

(ii) Variance Analysis (1H 2011 vs. 1H 2010)

The $371M increase in sales revenue is primarily due to higher international slab and hot rolled coil prices and higher export sales volumes driven by lower domestic volumes and the successful restart of the No. 5 Blast furnace in the comparative period. These were partly offset by an adverse foreign exchange impact due to the stronger AUD.

The $17M decrease in underlying EBIT was largely due to:

- Unfavourable destination mix due to lower margin export despatches combined with higher overall export despatches.
- Higher inventory net realisable value provisions for inventory on hand at December 2010 compared to 2009.

These were partly offset by:

- Higher fixed conversion cost absorption driven by increased production volumes.

Spread remained flat due to higher export and domestic prices offset by higher raw material costs, principally iron ore and coal.

Unusual and non-recurring items in reported EBIT included:

- Staff redundancies and other internal restructuring costs during 1H 2010 ($12M).

(iii) Variance Analysis (1H 2011 vs. 2H 2010)

The $285M decrease in underlying EBIT was largely due to:

- Reduced spread
  - Higher USD denominated coal and iron ore purchase prices

  Partly offset by:
  - Higher domestic prices primarily driven by higher international steel prices at the end of 2H 2010 (three month lag into the domestic market).
  - Higher international slab prices partly offset by lower international hot rolled coil prices.
- Lower domestic despatch volumes primarily within the Distribution and Pipe and Tube markets driven by Government stimulus spending during 2H 2010 not continuing throughout 1H 2011 and customer de-stocking following re-stocking during 2H 2010.
- Higher inventory net realisable value provisions for inventory on hand at December 2010 compared to June 2010.

These were partly offset by:

- Improved domestic mix with a higher proportion of sales into the Building market following de-stocking in the Industrial market.
- Higher fixed conversion cost absorption driven by increased production volumes.

Unusual and non-recurring items in reported EBIT included:

- Staff redundancies and other internal restructuring costs during 2H 2010 ($11M).

(iv) Operations Report

<u>Port Kembla Steelworks</u>

- <u>Iron & Slab</u>
  - Ironmaking production of 2.56Mt in 1H FY2011 was 0.36Mt higher than the 2.20Mt in 1H FY2010 (2.52Mt in 2H FY2010) as both blast furnaces operated for the duration of 1H FY2011. In 1H FY2010, Blast Furnace (BF) No. 6 was the only furnace running until 19 August 2009 when BF No. 5 recommenced operations.
  - Slab production was 2.64Mt in 1H FY2011 (vs. 2.19Mt for 1H FY2010).
  - Iron ore supply arrangements:
    - Contracts in place for the supply of iron ore as follows:
      - BHP Billiton for lump and fines (total 5.03Mtpa to 30 June 2019)
      - Grange Resources for pellets (0.8Mtpa to 30 June 2012)
      - Vale for pellets and fines (total 1.72Mtpa to December 2011)
    - Supply of additional requirements are secured through short term supply arrangements.
    - Further detail on supply arrangements can be found in the 1H FY2011 investor presentation.
  - <u>Coal supply arrangements:</u>
    - Hard coking coal
      - Principally sourced from BHP Billiton Illawarra mines adjacent to Steelworks in southern New South Wales. There are no supply issues and the contract has approximately 21 years to run.
      - Historically, annual pricing (June year end); pricing periodicity under review; currently provisionally priced in line with market quarterly level (from 1 July 2010).
    - Semi-soft coal, used for pulverised coal injection (PCI) process:
      - Principally sourced from Hunter Valley – Peabody (no supply issues). Immaterial volume sourced from Queensland; alternate arrangements are in place with no material impact.
      - Pricing in line with market quarterly contract level.
- <u>Hot Strip Mill (HSM)</u>
  - Hot rolled coil production of 1.50Mt (vs. 1.18Mt in 1H FY2010 and 1.54Mt in 2H FY2010).
  - 13 day mill maintenance outage scheduled for March 2011
- <u>Plate Mill</u>
  - Plate production of 0.17Mt (vs. 0.14Mt for 1H FY2010 and 0.18Mt in 2H FY2010).
  - 31 day mill maintenance outage undertaken in December 2010

<u>Coated Businesses</u>

- <u>Western Port</u>
  - Hot rolled coil production of 0.48Mt in 1H FY2011 (vs. 0.48Mt in 1H FY2010 and 0.53Mt in 2H FY2010).
  - Metal coating line production of 0.38Mt in 1H FY2011, 20% up on same period last year, (vs. 0.31Mt in 1H FY2010 and 0.37Mt in 2H FY2010) due to continuing steady building market demand.
  - Paint line production of 0.14Mt in 1H FY2011, 19% up on same period last year, (vs. 0.12Mt in 1H FY2010 and 0.14Mt in 2H FY2010) due to continuing steady building market demand.
- <u>Springhill</u>
  - Coupled pickle cold mill production of 0.43Mt in 1H FY2011 (vs. 0.44Mt in 1H FY2010 and 0.48Mt in 2H FY2010).
  - Metal coating line production of 0.37Mt in 1H FY2011 (vs. 0.38Mt in 1H FY2010 and 0.40Mt in 2H FY2010).
  - No. 3 paint line production of 0.09Mt in 1H FY2011 (vs. 0.08Mt in 1H FY2010 and 0.10Mt in 2H FY2010).

- Western Sydney Centre (Paint Line)
  - Paint line production of 0.04Mt in 1H FY2011 (vs. 0.04Mt in 1H FY2010 and 0.05Mt in 2H FY2010).

- Acacia Ridge Centre
  - Paint line production of 0.05Mt in 1H FY2011 (vs. 0.05Mt in 1H FY2010 and 0.04Mt in 2H FY2010).

Markets

- Direct Sales to Domestic Building Sector (customers who participate in dwelling and non-dwelling segments)
  - This market sector is referred to as the Australian Domestic Building Sector.
  - Sales volumes to the Domestic Building sector for 1H FY2011 were flat when compared with 2H FY2010, however up 3% on 1H FY2010.
  - Volumes were influenced by continued growth in residential activity, offset by weaker non-residential construction activity.
    - Private commercial and industrial activity weakened
    - Government BER (Building the Education Revolution) stimulus continues to provide support for volumes although this is starting to taper and will not be a sales driver moving forward.
  - Despite the threat of competition from imports, BlueScope has maintained market share this half in the high margin residential construction sector, supported by strong sales of painted products.
  - COLORBOND® steel pricing remained stable through 1H FY2011 with an increase announced for Q3 FY2011. Pricing levels of other metallic coated products continued to increase from Q4 FY2010 into Q1 FY2011 but then reduced into Q2 FY2011 due to the strength of the AUD and global over-supply of steel leading to availability of low price imports.

- Sales to Domestic Customers and Distributors who participate across all end market segments
  - These market sectors are referred to as the Australian Domestic Industrial Sector.
  - Sales volumes decreased 25% in 1H 2011 (vs. 2H FY2010).
    - Inventory re-stocking in late 2H FY2010 saw the Distribution and Pipe and Tube sectors carrying high inventory into 1H FY2011.
    - Ongoing market uncertainty saw customers take decisions to reduce these inventories, impacting C&IPA sales volumes.
      - Sales into the Distribution sector, whose end-use demand remained essentially constant, have been impacted by destocking largely due to customer uncertainty around the market outlook for both activity and price in FY2011.
    - A reduction in underlying demand, particularly in the Manufacturing and Pipe & Tube sectors, has been evident in 1H FY2011, primarily driven by:
      - Impact of the high Australian dollar reducing the competitiveness of domestic fabricators and manufacturers, and
      - A reduction in project activity. Project activity has tapered off with the completion of major works projects such as the QSN3 gas pipeline and Melbourne Desalination Project.
    - Increased import competition into the Engineering, Manufacturing and Mining segments, largely driven by the strong Australian dollar, contributed to a moderate loss of market share over the last six months.

  - Pricing of most Industrial Markets products increased through Q4 FY2010 and into Q1 FY2011 on the back of increasing raw materials costs, but downwards pressure due to sustained strength in the AUD and high import availability resulted in reduced prices in Q2 FY2011.

- Export Markets
  - Global demand softened in Q1 FY2011 as buyers took a cautious 'wait and see' approach with uncertainty around economic recovery and the combined impact of higher raw materials costs with the new quarterly pricing mechanism for iron ore. This resulted in Hot Rolled Coil (HRC) prices reducing by 10% compared to June quarter FY2010.
  - Q1 FY2011 export volumes were significantly higher than Q1 FY2010 due to Blast Furnace 5 operating at full production.

- HRC prices softened further during Q2 FY2011 vs. Q1 FY2011 with continued uncertainty in world economic markets fuelling weaker demand resulting in buyers de-stocking to minimum operating levels. Weaker demand in the Australian domestic market resulted in higher volume of export tonnes despatched in Q2 FY2011 compared to Q1 FY2011.
- Signs of improved pricing, particularly in USA occurred during December 2010 for 2H FY2011 shipments with price increases upward of 30% witnessed into 2H FY2011. Price increases are also evident in Asia and Europe, but they lag North America to date with increases in the order of 20-25%.

Australia Distribution & Solutions

This segment comprises:
- BlueScope Distribution with 77 sites throughout Australia;
- BlueScope Lysaght, with 37 sites throughout Australia;
- Sheet and Coil Processing Services, with 6 sites across Australia
- Design Manufacture Construct ("DMC", formerly known as Emerging Businesses), comprising Highline, Pioneer Water, Urban Water and BlueScope Buildings with 5 manufacturing and 6 retail sites across Australia and 1 manufacturing site and 1 retail site in the United States

(i) Financial Performance

Table 8a: Financial Performance
1H 2011 and 1H 2010

Financial Measure ($M, unless marked)	1H 2011	1H 2010	Variance $	Variance %
Sales revenue	867	896	(29)	(3)
Reported EBITDA/(EBITDA loss)	(77)	22	(99)	(450)
Reported EBIT/(EBIT loss)	(92)	7	(99)	(1,414)
Underlying operational EBIT/(EBIT loss) (1)	(15)	3	(18)	(600)
Capital and investment expenditure	12	3	9	300
Net operating assets (pre tax)	816	900	(84)	(9)
Return on net assets (pre tax) (2)	(21%)	2%		

Table 8b: Financial Performance
1H 2011 vs. 2H 2010

Financial Measure ($M, unless marked)	1H 2011	2H 2010	Variance
Sales revenue	867	866	1
Reported EBITDA/(EBITDA loss)	(77)	21	(98)
Reported EBIT/(EBIT loss)	(92)	5	(97)
Underlying operational EBIT/(EBIT loss) (1)	(15)	(1)	(14)
Capital and investment expenditure	12	7	5
Net operating assets (pre tax)	816	881	(65)
Return on net assets (pre tax) (2)	(21%)	1%	

(1) 1H 2010 EBIT has been adjusted for profit on sale and leaseback of properties ($4M). 2H 2010 EBIT has been adjusted for profit on sale and leaseback of properties ($8M) partly offset by plant rationalisation costs within Lysaght, Sheet and Coil Processing Services and BlueScope Water ($2M).

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

(ii) Variance Analysis (1H 2011 vs. 1H 2010)

The $29M decrease in sales revenue was mainly due to lower domestic selling prices primarily driven by the stronger AUD (average exchange rate for 1H 2011 was 0.945 compared to 0.872 in 1H 2010).

The $18M reduction in underlying EBIT was largely due to:
- Reduced spread as lower domestic prices more than offset reduced steel feed costs.

Unusual and non-recurring items in reported EBIT include:

- Asset impairment write down during 1H 2011 ($77M) due to a revised medium term outlook that is influenced by the current reduced market demand and increased import competition which is driving margins lower.
- Profit on sale and leaseback of properties during 1H 2010 ($4M).

(iii) Variance Analysis (1H 2011 vs. 2H 2010)

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

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

Unusual and non-recurring items in reported EBIT include:

- Asset impairment write down during 1H 2011 ($77M).
- Profit on sale and leaseback of properties during 2H 2010 ($8M).
- Plant rationalisation costs within Lysaght, Sheet and Coil Processing Services and BlueScope Water during 2H 2010 ($2M).

(iv) Operations Report

- <u>BlueScope Distribution</u>
  - There has been a 1% reduction in sales volumes which is predominantly due to exiting a product segment that was unprofitable. BlueScope manufactured products were up 2% whilst all other products were consistent with prior period 1H FY2010. The benefit to Distribution of Government stimulus which underpinned a lot of activity in 2009 via first home buyer grants, 'Building the Education Revolution' (school projects, or 'BER'), and tax incentives for capital expenditure has tailed-off.
  - Interest rate rises and weak demand from first home buyers adversely impacted residential building volumes whilst manufacturing activity continued to decline with basic metals, transport and machinery & equipment sub-sectors all depressed. Growth in the Mining, Oil & Gas segment has been positive; however steel related requirements continue to move offshore for fabrication particularly in regard to WA projects.
  - Despite price rises for some products early in 1H FY2011, prices have declined across all product groups for the remainder of the half. The high AUD has improved affordability of imports, resulting in margin pressure.
  - Year to date "delivery in full on time" performance of 93.5% highlights the significant focus on customer service and is a record.

- <u>BlueScope Lysaght</u>
  - Sales volumes in 1H FY2011 were slightly down (1%) on 1H FY2010 but were 4% higher than 2H FY2010.
  - Extensive wet weather across all states during the period, especially in Queensland and NSW, has constrained volume growth.
  - Consumer confidence in the residential segment has been negatively impacted by increasing interest rates, leading to a decline in the number of new housing starts. This is particularly evident in Queensland whilst most other states have been steady, although at a low level.
  - Commercial and BER construction has been steady, however we believe the volume benefit to Lysaght from BER work is starting to decline.
  - Cost initiatives implemented in CY2009 continue to benefit the business
  - Construction of a new facility adjacent to the current Lysaght site in Emu Plains will consolidate two locations to one in the Sydney Basin, improving on operating and transport costs
  - A new branch was opened on the Gold Coast in Queensland to grow sales in the home improvements and fencing segments.
  - Investment in new capital equipment has seen benefits in reducing costs and improving product quality.

- <u>Sheet and Coil Processing Services (S&CPS)</u>
  - Demand for processing (slit coil and sheared sheet) was at similar levels to FY2010, with S&CPS production in 1H FY2011 2.7% higher than 1H FY2010, but 3.6% lower than 2H FY2010.
  - The consolidation of the two S&CPS NSW sites (Chullora and Padstow) to a single site at Chullora is well underway and completion is expected in the second half of FY2011. The combined NSW operation will lead to lower operating costs and improved efficiencies.

- <u>BlueScope Design Manufacture Construct (formally known as Emerging Businesses)</u>
  - The Highline Buildings business revenue on commercial projects continues to improve largely on the back of increased commercial and industrial project activity in WA.
  - A number of Highline construction projects were secured in FY2010 and have been constructed in 1H FY2011. In addition the forward order book for Highline has continued to grow, which will underpin a solid 2H FY2011
  - The commercial tank segment remains strong in WA (mining sector) and in NSW.
  - The rural sector has been weak due to unusually wet conditions on the Eastern Seaboard and dry weather in WA.

<u>BLUESCOPE STEEL NEW ZEALAND</u>

<u>New Zealand and Pacific Steel Products</u>

This segment comprises:

- New Zealand Steel; and
- Lysaght Pacific Islands

(i) Financial Performance

Table 9a: Financial Performance
1H 2011 and 1H 2010

Financial Measure ($M, unless marked)	1H 2011	1H 2010	Variance $	Variance %
Sales revenue	330	278	52	19
Reported EBITDA	67	38	29	76
Reported EBIT	49	21	28	133
Underlying operational EBIT	49	21	28	133
Capital and investment expenditure	17	21	(4)	(19)
Net operating assets (pre tax)	400	395	5	1
Return on net assets (pre tax) (1)	25%	12%		

Table 9b: Financial Performance
1H 2011 vs. 2H 2010; $ millions

Financial Measure ($M, unless marked)	1H 2011	2H 2010	Variance
Sales revenue	330	340	(10)
Reported EBITDA	67	69	(2)
Reported EBIT	49	52	(3)
Underlying operational EBIT	49	52	(3)
Capital and investment expenditure	17	16	1
Net operating assets (pre tax)	400	398	2
Return on net assets (pre tax) (1)	25%	26%	

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

(ii) Variance Analysis (1H 2011 vs. 1H 2010)

The $52M increase in sales revenue is primarily due to higher export despatch volumes, higher international and domestic selling prices and higher Taharoa iron sand selling prices partly offset by an unfavourable movement in the USD relative to the NZD and in the AUD relative to the NZD.

The $28M increase in underlying EBIT was largely due to:

- Higher Taharoa iron sand selling prices.
- Improved spread
  - Higher international selling prices mainly across hot rolled coil, cold rolled coil and metal coated products.
  - Higher domestic prices driven by higher international steel prices.

Partly offset by
- Higher scrap, coal, zinc and aluminium prices.

- Higher fixed conversion cost absorption driven by increased production volumes.

These were partly offset by:

- Timing of discretionary spend, labour escalations and higher spot prices for electricity.

(iii) Variance Analysis (1H 2011 vs. 2H 2010)

- 1H 2011 underlying EBIT was largely in line with 2H 2010.

(iv) Operations Report

- Steel production of 305kt (vs. 262kt 1H FY2010 and 315kt in 2H FY2010). 1H FY2010 production was impacted by the vessel fume hood replacement and an additional kiln shut. There were no kiln shuts in 2H FY2010.
- Hot rolled production of 300kt (vs. 238kt 1H FY2010 and 314kt in 2H FY2010) was impacted by scheduled bi annual shut activity and 1H FY2010 constrained by reduced slab production.
- Metal coating production of 107kt (vs. 107kt 1H FY2010 and 114kt 2H FY2010).
- Paint line production of 26kt (vs. 23kt in 1H FY2010 and 29kt in 2H FY2010).
- Cost control continues to be a major focus for all operational areas with maintenance and labour spend reduction being the priority along with business improvement initiatives across the site.
- Vanadium volumes were up 39% on 1H FY2010 due to increased steel production.
- Iron sands exports from Taharoa of 467kt were in line with prior periods.

(v) New Zealand Markets

- Domestic

  - Domestic sales were 2% up on last year (1H FY2011 125kt vs. 1H FY2010 122kt) despite a deterioration in building consents. Gains in market share were evident from both import and inter-material substitution.
  - Consents for commercial building are down 17% on a year ago reflecting higher vacancy rates in this sector.
  - Residential consents decreased 16% over the last three months of 1H FY2011.
  - Demand in the rural sector has been steady reflecting higher incomes on the back of agricultural commodity price increases.
  - The impact of the rebuilding activity following the Christchurch earthquake is anticipated to start in the second half of calendar 2011 with a moderate impact spread over a number of years.

- Export

  - 1H FY2011 volumes were up 17% (1H FY2011 113kt vs. 1H FY2010 97kt) primarily due to better operational performance and timing of shuts.
  - Global demand for the 1H FY2011 has been flat with no improvement in prices. The weakness of the US$ has also impacted on returns for export sales.
  - Iron sand pricing strengthened in 1H FY2011.

BLUESCOPE STEEL ASIA

Coated and Building Products Asia

This segment comprises:

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

(i) Financial Performance (Refer to Attachment 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 2011 and 1H 2010

			Variance	
Financial Measure ($M, unless marked)	**1H 2011**	**1H 2010**	**$**	**%**
Sales revenue	740	629	111	18
Reported EBITDA	134	71	63	89
Reported EBIT	114	50	64	128
Underlying operational EBIT	46	50	(4)	(8)
Capital and investment expenditure	27	38	11	(29)
Net operating assets (pre tax)	867	791	76	10
Return on net assets (pre tax) (1)	27%	13%		

Table 10b: Financial Performance
1H 2011 vs. 2H 2010

Financial Measure ($M, unless marked)	**1H 2011**	**2H 2010**	**Variance**
Sales revenue	740	720	20
Reported EBITDA	134	86	48
Reported EBIT	114	66	48
Underlying operational EBIT	46	66	(20)
Capital and investment expenditure	27	19	8
Net operating assets (pre tax)	867	899	(32)
Return on net assets (pre tax) (1)	27%	16%	

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

(ii) Variance Analysis (1H 2011 vs. 1H 2010)

The $111M increase in sales revenue is primarily due to higher despatch volumes in China and Thailand partly offset by unfavourable exchange rate movements versus the AUD mainly in China, Indonesia and Vietnam.

The $4M decrease in underlying EBIT is largely due to:

- Reduced spread with higher domestic and international selling prices more than offset by higher cost of steel feed.
- Unfavourable foreign exchange movements.

Partly offset by:

- Higher despatch volumes in China and Thailand.

Unusual and non-recurring items in reported EBIT include:

- Part reversal of previous impairment write downs at Coated China during 1H 2011 ($68M) due to the material improvement in its financial performance and positive outlook.

(iii) Variance Analysis (1H 2011 vs. 2H 2010)

The $20M decrease in underlying EBIT is largely due to:

- Reduced spread with lower domestic selling prices mainly in Indonesia and Thailand combined with higher cost of steel feed in China.
- Unfavourable exchange rate movements versus the AUD mainly in Thailand and Indonesia.

Partly offset by:

- Higher despatch volumes in China.

Unusual and non-recurring items in reported EBIT include:

- Part reversal of previous impairment write downs at Coated China during 1H 2011 ($68M).

(iv) Operations and Market Report

<u>China</u>

- **Markets**
  - <u>Coated</u>
    - Coated China produces metallic coated and pre-painted steel primarily for the building and construction market.
    - Despite some abatement of stimulus-led Government spend on infrastructure projects, current order activity is strong, pointing to a positive outlook. This is supported by continuing growth in Foreign Direct Investment and Chinese private investment, together with State Owned Enterprise expenditure growth.
  - <u>Butler Buildings (PEB)</u>
    - Butler PEB business sells predominantly into the domestic buildings and construction sector in China from manufacturing facilities located in the North, Central and Southern regions.
    - Improved demand, particularly from automotive-related industries and large key customers, continued to drive growth for Butler.
    - Western region market growth is strengthening and the Central government is planning to direct greater foreign and Chinese private investments there, coupled with significant stimulus-related investments.
  - <u>Lysaght</u>
    - The Lysaght business supplies roofing, walling and decking solutions to the key market segments of industrial, public buildings, power stations and commercial / high rise buildings.
    - The industrial and premium public building segments have been the key strategic focus during the last two years and Lysaght's estimated market share has increased from 5% to 7% over this past period.

- **Current Operations**
  - <u>Coated</u>
    - Metal coating production was 75kt in 1H FY2011 (vs. 66kt 1H and 68kt 2H FY2010) whilst paint line production was 33kt (vs. 30kt 1H and 36kt 2H FY2010)
    - Driven by increasing demand, the metal coating and paint lines at Suzhou operated at between 65% to 75% of capacity.
  - <u>Butler Buildings (PEB)</u>
    - 1H FY2011 order intake was 5% higher than 1H FY2010 and 19% higher than 2H FY2010, reflecting continuing improvement in demand in the industrial segment.
    - 1H FY2011 sales volume was 46% higher than 1H FY2010 and 28% higher than 2H FY2010, reflecting improved demand and high backlog from June 2010.
    - 1H FY2011 order backlog is 1% lower compared to June 2010. The demand trend in 2H FY2011 so far is quite positive on increasing quote / order activity.
  - <u>Lysaght</u>
    - 1H FY2011 order intake was 14% higher than 1HFY2010 and 108% higher than 2H FY2010, reflecting strong performance from Industrial, Power & Commercial Building segments.
    - 1H FY2011 sales volume was 23% higher than 1H FY2010 and 13% higher than 2H FY2010 reflecting strong order intake and improved demand.
    - 1H FY2011 order backlog is 19% higher than Jun 2010 mainly due to improved demand of Public Building & Industrial / Commercial building.

- **Capital Growth Project Status**
  - The Company has approved development of a new Butler PEB and Lysaght rollforming plant
  - Details:
    - Located in Xi'an, Shaanxi province (geographic centre of China)
    - Capital cost approximately A$60M
    - Construction: expected to be operational by end CY2012.

Thailand (BST)

- **Markets**
  - Thailand's reliance on exports to drive its economy continues to impact most end-use segments to which BST is exposed. Cheap imported steel continued to enter the Thailand market throughout 1H FY2011 and resulted in lower BST sales volumes, ie. 117kt in 1H FY2011 vs. 121kt in 2H FY2010. The management team is activating strategies to mitigate further adverse impact on the business including new product lines designed to replace imported steel.
  - The political environment has stabilised since the May 2010 political unrest, with foreign investment gradually returning to Thailand. In December 2010, the number of specification requests (typically a lead indicator for future work requirements) increased by 20% (compared to November 2010) indicating that engineering and architectural activity is improving (a positive sign for Q3 FY2011).
  - Market activity in the residential and agricultural segments in the North & North East of Thailand, significantly impacted by flooding at the start of CY2010, is quickly returning to normal conditions.
  - BST launched a more market-competitive pricing strategy and whilst realising gains in market share, it affected overall profitability. This was further aggravated by (1) removal of import duty for imported steel from China since January 2010 and (2) strengthening THB against USD, making imports cheaper. As part of the mitigation plans, BST submitted two applications to Thailand Government and Board of Investment, in December 2010: (1) Anti dumping application to combat the import competition from China (2) Removal of duty on imported HRC from Australia – BST currently have to pay 5% duty.
  - The PEB market in Thailand, whilst improving, is seeing intense competition from both imported Chinese PEB's and the local steel fabrication market. A focus on delivering a higher quality Butler solution is part of the business improvement plans underway.

- **Current Operations**
  - Reduced sales resulted in metal coating line No. 1 and No. 2 running primarily at night and on the weekend (optimum energy cost periods) to ensure lowest cost production.
  - BST is currently investigating further cost reduction initiatives in its manufacturing processes, including improved utility planning and waste management.
  - Production volumes remained flat period on period, ie.

(kt)	1H FY2011	2H FY2010	1H FY2010
Cold Rolling Mill	115	111	85
Metallic Coating Lines	115	112	73
Paint Line	27	34	23

Vietnam (BSV)

- **Markets**
  - Overall market demand remained soft throughout 1H FY2011 due to unfavourable market sentiment on steel price trends and the seasonal wet period. This was further impacted by the devaluing Vietnam Dong and higher bank interest rate, reducing business borrowing and leading to lower domestic private sector investment and a slow down in construction activities. For example, current high inflation rate has affected consumption capacity of low income earners; to control inflationary pressure, the Central Bank has increased interest rates to 18+% affecting private sector investment in 1H FY2011.

- **Current Operations**
  - Metal coating production volumes were 52kt in 1H FY2011 (vs. 53kt in 1H FY2010 and 47kt in 2H FY2010), and paint line production volumes were 29kt in 1H FY2011 (vs. 26kt in 1H FY2010 and 22kt in 2H FY2010), with improved domestic sales loading. The business has benefited from cost reductions, improved business processes, and domestic growth focused initiatives despite the softer market environment in 1H FY2011.

- Seasonal cyclical shortage of electricity supply during the dry season remains an ongoing concern, and industrial players are stepping up government lobbying for investment in power plants. During the dry season, from April to June 2010, Phu My operation was disrupted up to 7 days a month due to power supply interruptions.

Indonesia (BSI)

- **Markets**
  - Indonesian building & construction market continues to grow.
  - Industrial/commercial roofing and walling markets have shown some recovery as local investors re-enter the market. Foreign investment has slowly improved although it is still below levels experienced before the Global Financial Crisis (GFC). Key areas of investment are Palm Oil plantations, mining and agriculture.
  - Imports from Korea, Taiwan, China and Vietnam continued to enter the Indonesian market, further aggravated by strengthening IDR against USD.
  - Demand for Lysaght and PEB Lite products has improved, for example, orders have already been secured for the PEB Lite business for animal farming applications.

- **Current Operations**
  - The Cilegon metal coating line and the coil paint line operated at close to full capacity throughout 1H FY2011. Metal coating production volumes were 50kt in 1H FY2011 (vs. 58kt in 1H FY2010 and 57kt in 2H FY2010), and paint line production volumes were 20kt in 1H FY2011 (vs. 23kt in 1H FY2010 and 20kt in 2H FY2010).
  - Imported finished goods seeding from BlueScope Vietnam, BlueScope Malaysia and BlueScope Thailand has continued in 1H FY2011 and will increase in 2H FY2011 to supplement local production and satisfy domestic demand. The seeding program is expected to continue until the second metal coating line is fully operational.

- **Capital Growth Project Status**
  - In December 2009, BlueScope announced it would complete construction of its second metal coating line, with in-line painting capability. The new line will produce thin gauge coil for residential construction applications and is on track to be operational later in Q3 FY2011.

Malaysia (BSM)

- **Markets**
  - Lower domestic demand in 1H FY2011, particularly in light weight steel truss use, was due to cessation of the government stimulus package post GFC coupled with slow contribution from private investment.
  - Lower export volumes in 1H FY2011 of 21kt compared to 27kt in 2H FY2010. Spreads on exports have materially reduced due to increased competition in destination markets.
  - Imported steel from Korea, Taiwan, China and Vietnam has continued to enter the Malaysian market. This is seen specifically in thin-gauge RW residential application and truss segment. This was further aggravated by strengthening of the MYR against USD, making imports cheaper.
  - In October 2010, the Malaysian government announced the 2011 Budget, highlighting the emphasis on heath care, construction, infrastructure and oil & gas segments. Key plans include Greater KL MRT lines, a new landmark 100 storey tower and the acceleration of major regional development projects. Several PPP projects (Public-Private Partnerships) were also identified and scheduled for implementation in FY2011 through private investment of RM12.5B (approx A$4B). The plans will see improved steel demand from 2H CY2011.

- **Current Operations**
  - Metal coating production volumes were 66kt in 1H FY2011 (vs. 67kt in 1H FY2010 and 77kt in 2H FY2010), and paint line production volumes were 35kt in 1H FY2011 (vs. 36kt in 1H FY2010 and 39kt in 2H FY2010).

<u>India (in joint venture with Tata Steel (50:50) for all operations)</u>

- **Current Operations / Markets**
  - Tata BlueScope Steel (TBSL) operates PEB and Lysaght roll forming businesses in India. The PEB Business is operating at full capacity.
  - Steel buildings (PEB) are gaining acceptance in the manufacturing and warehousing segments, with customers preferring to contract to a single supplier who takes responsibility for full design, supply and erection.

- The Indian government is driving infrastructure development, which comprises a meaningful part of GDP growth.
- Currently, the most significant PEB manufacturers in India are TBSL, Kirby, Interarch and Phenix VP.

- **Capital growth project status**
  - The planned start-up date of the coated project is currently expected to be 1H CY2011. Project capital cost remains at A$270M (100% project). Completion status of the project, as at December 31, 2010, was:
    - Piling work – complete
    - Civil work – 95% complete
    - Primary & Secondary Building – 95% complete
    - Equipment Installation – 90% complete
    - Electrical work – 80% complete
  - The coating and painting line in Jamshedpur was initially funded with a Rs 830Cr (A$186M) project finance facility. This facility was recently re-financed through the issue of a Rs 500Cr (A$112M) Indian domestic bond. The balance of the project funding requirement is expected to be met through a syndicated rupee term loan of Rs 406Cr (A$91M). This facility is currently under negotiation with completion expected during 2H FY2011.

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 2011 and 1H 2010

Financial Measure ($M, unless marked)	1H 2011	1H 2010	Variance $	Variance %
Sales revenue (1)	0	0	0	0
Reported EBITDA (2)	8	14	(6)	(43)
Reported EBIT (2)	8	14	(6)	(43)
Underlying operational EBIT	8	14	(6)	(43)
Capital and investment expenditure	1	1	0	0
Net operating assets (pre tax) (3)	123	175	(52)	(30)
Return on net assets (pre tax) (4)	11%	16%		

Table 11b: Financial Performance
1H 2011 vs. 2H 2010

Financial Measure ($M, unless marked)	1H 2011	2H 2010	Variance
Sales revenue (1)	0	0	0
Reported EBITDA (2)	8	47	(39)
Reported EBIT (2)	8	47	(39)
Underlying operational EBIT	8	47	(39)
Capital and investment expenditure	1	0	1
Net operating assets (pre tax)	123	172	(49)
Return on net assets (pre tax) (4)	11%	52%	

(1) Excludes the company's 50% share of North Star BlueScope Steel's sales revenue being A$316M in 1H 2011 (A$280M in 1H 2010 and A$347M in 2H 2010).

(2) Includes 50% share of net profit before tax from North Star BlueScope Steel of A$10M in 1H 2011 (A$15M 1H 2010 and A$47M in 2H 2010).

(3) Decrease in net operating assets primarily reflects dividend payments 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 net profit before tax (annualised in case of half year comparison) / average monthly net operating assets (includes equity investment).

(ii) Variance Analysis (1H 2011 vs. 1H 2010)

The $6M decrease in underlying EBIT was largely due to:

- Higher cost of additives, alloys, and fluxes.
- Higher maintenance spend to improve plan reliability (labour, outside repairs and consumables).

(iii) Variance Analysis (1H 2011 vs. 2H 2010)

The $39M decrease in underlying EBIT was largely due to:

- Reduced spread driven by lower hot rolled coil prices combined with higher cost of scrap.

(iv) Operations Report

- <u>North Star BlueScope Steel (BlueScope Steel has a 50% interest)</u>
  - High capacity utilisation rates have been maintained at North Star BlueScope Steel due to its reputation for on-time delivery, quality and ability to produce "urgent" customer orders promptly.
  - Despatches for 1H FY2011 were up 6% on 1H FY2010, and up 3% on 2H FY2010.
  - Dividends paid to BSL in 1H FY2011 totalled US$30M (US$52M in 2H FY2010).

- <u>Castrip LLC</u>
  - 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 and 5% by IHI. BlueScope has exclusive rights to use and license the technology in Australia, New Zealand, Thailand, Indonesia, Malaysia and the Philippines.

(v) Markets

- <u>North Star BlueScope Steel</u>
  - North Star sells approximately 85% of its production in the Mid-West, U.S.A, with its end customer segment mix being broadly 35% automotive, 25% construction, 10% agricultural and 30% manufacturing/industrial applications.
  - Sales volumes were aided by additional improvement in auto sales/production and stronger shipment to the service centre sector.
  - North Star continues to add new accounts with notable successes into the construction and mining sectors.

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 2011 and 1H 2010

Financial Measure ($M, unless marked)	1H 2011	1H 2010	Variance $	Variance %
Sales revenue	675	693	(18)	(3)
Reported EBITDA	4	34	(30)	(88)
Reported EBIT/(EBIT loss)	(16)	11	(27)	(245)
Underlying operational EBIT/(EBIT loss)	(16)	11	(27)	(245)
Capital and investment expenditure	8	13	(5)	(38)
Net operating assets (pre tax) (2)	692	790	(98)	(12)
Return on net assets (pre tax) (3)	(4%)	3%		

Table 12b: Financial Performance
1H 2011 vs. 2H 2010

Financial Measure ($M, unless marked)	1H 2011	2H 2010	Variance
Sales revenue	675	614	61
Reported EBITDA/(EBITDA loss)	4	(10)	14
Reported EBIT/(EBIT loss)	(16)	(32)	16
Underlying operational EBIT/(EBIT loss) (1)	(16)	(27)	11
Capital and investment expenditure	8	13	(5)
Net operating assets (pre tax) (2)	692	806	(114)
Return on net assets (pre tax) (3)	(4%)	(8%)	

(1) 2H 2010 EBIT has been adjusted for staff redundancies and other internal restructuring costs ($5M).
(2) Decrease in net operating assets primarily reflects a stronger AUD:USD exchange rate resulting in a lower AUD equivalent net operating assets balance.
(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 2011 vs. 1H 2010)

The $18M decrease in sales revenue is primarily resulting from adverse foreign exchange translation due to the stronger AUD against the USD partly offset by higher domestic selling prices and higher volumes.

The $27M decrease in underlying EBIT was largely due to:
- Reduced margins as higher steel feed costs more than offset higher selling prices.

(iii) Variance Analysis (1H 2011 vs. 2H 2010)

The $11M improvement in underlying EBIT was largely due to:
- Higher despatch volumes.
- Improved margins at BlueScope Buildings as higher selling prices more than offset the increased cost of steel feed.

Partly offset by:
- Reduced margins at Steelscape driven by lower selling prices combined with higher cost of steel feed.

Unusual and non-recurring items in reported EBIT include:
- Staff redundancies and other internal restructuring costs during 2H 2010 ($5M).

(iv) Operations Report

- BlueScope Buildings
  - External despatches for 1H FY2011 were up 5% on 1H FY2010, and up 21% on 2H FY2010. The increase in despatch tonnes over 2H FY2010 is positive, however, it is an increase off a very deep cyclical low point.
  - The Vision engineering system rollout is largely complete. The system fully integrates engineering with manufacturing and interfaces with customers for project proposals and execution. With this unique system, Vision vastly improves the speed to market for building solutions, expands the building solution offer into more complex markets, and increases efficiency throughout the value chain.

- Steelscape (metal coating & pre-painted steel)
  - Total Steelscape despatches for 1H FY2011 were up 3% compared to 1H FY2010 and 8% compared to 2H FY 2010.
  - Steelscape increased its market share with new and existing customers. The higher volume produced at Steelscape maintained manufacturing efficiencies.
  - Metal coating capacity utilisation in 1H FY2011 remained high but was lower than 2H FY2010 as a result of a higher proportion of sales volumes coming out of inventory to minimise inventory holdings.

- ASC Profiles (components)
  - External despatches for 1H FY2011 were down 13% on 1H FY2010 due to continued weakness in the U.S. residential and non-residential markets as well as increased despatches to sister companies. External despatches were up 10% on 2H FY2010 due to bigger seasonality impact in 2H (January-March) and new customers.
  - New business has been generated by supplying metal structures (light gauge purlins) to the solar industry.
  - Increased competitive pressures have resulted in margin compression, which was partially offset by steel cost reductions in 1H FY2011.

- Metl-Span (insulated metal panels)
  - Metl-Span external despatches for 1H FY2011 were up 23% on 1H FY2010 and up 22% on 2H FY2010.
  - Improved performance in 2Q FY2011 was due to a return in demand for cold storage products.
  - Increased competitive pressures continue to hold product prices low despite raw material cost increases.

(v) Markets

- U.S. overview (Noting: Coated & Building Products North America is almost solely exposed to the US non-residential construction market.)
  - The U.S. non-residential construction market saw continued, but moderating, declines in 1H FY2011 due to a sluggish U.S. economy. F.W. Dodge sq. ft. contract awards (CYTD) were down 18% compared to the same period last year. However, the latter part of 1H FY2011 delivered a number of positive signals, including:
    - The AIA Architectural Billings Index (ABI), a leading economic indicator of construction activity, finished December 2010 at 54.2, up more than two points from the previous month. This is the strongest measure of the index since December 2007. The ABI reflects the approximate nine to twelve month lag between architectural billings and construction spending.
    - The Industrial Capacity Utilization Rate, a leading indicator of industry despatches was at 76.0 in December 2010. The rate is at the highest level since late 2008, but remains below the index average from 1972 to 2009 of 80.6.

- BlueScope Buildings
  - BlueScope Buildings (BBNA) primarily sells low-rise metal building systems into the industrial, commercial and community segments of the non-residential building market in North America.
  - BBNA, and the broader metal buildings industry, experienced an increase in despatches against a broad decline in the U.S. non-residential construction market during the period. Industry despatches (tonnage) in the six months to December, as reported by the MBMA, increased 10% over same period last year. However, volume growth favoured buildings of lower value than those typically marketed by BBNA.

- Market indicators have shown there is increased interest in traditional design-build compared to pure bid projects. Design-build work puts control of project delivery under a single project owner as opposed to bid projects, which utilize open bidding for different project deliverables. There are also signs of increased interest in manufacturing and industrial related projects.
- BBNA maintained pricing discipline in the marketplace and experienced slightly softer demand from large corporate accounts when compared to 1H FY2010. This has resulted in a marginal decrease in overall market share.

- Steelscape
  - Steelscape produces metallic-coated and pre-painted steel primarily for the U.S. non-residential building and construction market.
  - Despite broader non-residential construction market weakness, Steelscape's volumes have recovered to more historical levels from active customer recruitment efforts and increasing share with existing customers.
  - The increase in shipments compared to 2H FY2010 is principally due to an increase in share with HVAC and studs customers as well as increased sales to sister companies, partially offset by lower shipments to the commercial construction segment (siding / roofing).

- ASC Profiles
  - ASC Profiles supplies metal components to the West Coast U.S. residential, agricultural, commercial, non-residential and governmental construction markets.
  - The weak U.S. markets negatively impacted all ASC segments. However, growth was seen in the segment supplying metal structural components to the solar industry.

- Metl-Span
  - Metl-Span sells composite insulated panels into the cold storage, commercial and industrial segments of non-residential construction across the U.S.
  - 1H FY2011 shipments to the cold storage segment were particularly higher than 1H FY2010, however the commercial and industrial segments remain soft.
  - Strong activity related to government projects continues to be seen.
  - The green building segment is expected to continue to grow in North America aided by changing building energy codes, which should result in increased demand for Metl-Span products.

OTHER INFORMATION

Capital Management

- Dividend
  - The Directors have declared a 2 cents per share, fully franked, FY2011 interim dividend.
    - Ex-dividend date: Monday, 28 February, 2011
    - Dividend record date: Friday, 4 March, 2011
    - Dividend payment date: Monday, 4 April, 2011
  - The BlueScope Steel Dividend Reinvestment Plan will not be available to shareholders in respect of this interim dividend.

- Debt facilities update
  - On 20 December 2010 BlueScope executed an A$1,350M Syndicated Facility Agreement. The facility comprises two equal A$675M tranches with the three year tranche maturing in December 2013 and the five year tranche maturing in December 2015. The new facility replaced the previous A$1,275M Syndicated Loan Note Facility which was due to mature in July 2011 (A$200M) and July 2012 (A$1,075M). The new facility has extended the company's debt maturity profile and attracted more favourable pricing.
  - Committed available undrawn capacity at 31 December 2010 under bank debt facilities (A$1,245M), plus cash (A$87M) was A$1,332M (A$1,620M at 30 June 2010).
  - Current average cost of drawn debt is approximately 7.55%. In addition finance costs include commitment fees on undrawn facilities (at an average of 110 basis points under the extended Syndicated Facility), amortisation of facility establishment fees and the discount cost of long-term provisions.

- Net debt
  - During the period, the company's net debt increased by $169M to $912M resulting in a gearing ratio of 14.2% (net debt/(net debt plus equity)). During the half year, debt was drawn principally to fund capital and investment expenditure ($176M), net interest payments ($61M), net dividends ($51M) and operating cash outflows ($16M). The impact of these cash outflows on net debt was offset by the benefit of foreign exchange translation on foreign currency debt ($125M) and a net tax refund ($4M).

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 – Malaysia, Lysaght Sabah achieved 17 years LTI free. The BlueScope Steel Thailand Team at the Pickle Line, Cold Mill, MCL1 & 2 and Painting reached the phenomenal milestone of 25 million hours LTI free. Lysaght Thailand achieved 1 year LTI free. Project Badak, Indonesia achieved 3 million hours LTI free. BlueScope Buildings Vietnam achieved 1 year LTI free and Lysaght Vietnam achieved 16 years LTI free.
    - China – Lysaght Shanghai achieved 11 years LTI free. BlueScope Steel Suzhou achieved 5 million hours LTI free. Lysaght Chengdu achieved 8 years LTI free and 6 years MTI free. Lysaght Langfang achieved 8 years LTI free.
    - ANZSMB – Port Kembla Steelworks, Ironmaking achieved 1 year LTI free; and Hot Strip Mill achieved their 'best ever' result of 4 years & 8 months LTI free. Springhill Metal Coating Lines achieved 1 million hours LTI free. New Zealand Steel Skinpass Operations achieved 10 years LTI free. Western Port Organic Finishing Department achieved 2 years LTI free.
    - AD&S – Distribution Acacia Ridge achieved 8 years LTI free. Supply Chain Nudgee Road achieved 3 years LTI free. Pioneer Water achieved 1 year LTI free for the first time. Distribution Woodridge Qld achieved 7 years LTI & MTI free and Launceston 10 years LTI free.
    - North America –Steelscape Kalama achieved 1 year MTI free. Metl-Span achieved 1 year LTI free. ASC Southern California Deck achieved 4 years LTI free and McClellans site achieved 5 years Zero Harm. Buildings Arlington & San Marcos achieved 2 years LTI free.
    - ACIM – NSW Logistics Stainless achieved 9 years LTI free. Supply Chain & Logistics, Islington Terminal achieved 14 years LTI free.
  - Noteworthy external recognition includes:
    - ACIM – SA/NT Logistics Manager won the "Individual Safety Leader" Award (at the Steel Logistics Safety & Environment Excellence Awards 2010).
    - ACIM – Supply Chain & Logistics received the Victorian Transport Associated Best Safety Practice Award at the National Freight Industry Awards.
    - AD&S – Western Sydney Service Centre Coil Handling Team won a Recognition Award by the World Steel Association for their development of the Coil Loading & Unloading of Trucks Safe Practice.
    - AD&S – Lysaght Forrestfield received the Western Australian WorkSafe Platinum Award.
    - North America – Steelscape Kalama won "Best Safety Practices" Award from the National Coil Coaters Association; and also won the "Better Workplace Award" from the Association of Washington Business Group for Safety.
    - North America – Buildings, Annville received Certificate of Recognition and acceptance into OSHA's SHARP program (VPP for small business).
  - 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 continuously improving the environmental footprint of its operations.
  - The BlueScope Steel Environment Management System comprises the following major elements:
    - Our Bond
    - HSEC Policy
    - Environment Principles
    - Environment Standards
    - BSL wide Procedures and Guidelines
    - Operational Procedures
  - BlueScope continues to work on improving its systems and performance through its network of environment reviews and audits, implementation of the compliance system, the business planning process and development of an environment e-learning package.

Noteworthy external recognitions include:

- Even in difficult times, BlueScope Steel's commitment to caring for the environment remains strong, and the performance of a number of BlueScope Steel sites has been recognised by external bodies:
  - BlueScope Thailand received an Excellent Environmental Governance Award from the Map Ta Phut Industrial Estate Authority of Thailand (IEAT).
  - Steelscape Rancho was awarded by Inland Empire Utilities Agency for water discharge accomplishments
  - Western Port awarded state finalist (Waste Reduction) in the Sustainable Communities competition.
  - Lysaght Sarawak (Malaysia) won two awards; the National Prime Minister's Award for Small and Medium Enterprise, and the Prime Minister's Award for Environmental Performance.
  - Port Kembla Steelworks won the Largest Volume Reduction category at the November 2010 Sydney Water Business Customer awards

Energy Efficiency and Greenhouse Gas Regulation

- The production of greenhouse gases is inherent in the primary chemical process used to produce iron and steel. The opportunities to reduce direct emissions from these processes are therefore very limited. Despite this, BlueScope Steel is committed to reducing the greenhouse gas intensity of its operations. The company is also playing an active role in the global steel industry's efforts to reduce greenhouse gas emissions.
- BlueScope Steel's steel products will play an integral role in reducing society's greenhouse gas emissions, including as components in renewable energy infrastructure (e.g. wind towers; solar power plants), in more sustainable transport infrastructure (e.g. trains, buses; lighter, more efficient steel products for cars), and in greener, more energy efficient buildings. Steel is 100% recyclable and its life is potentially infinite.
- A range of BlueScope Steel's operations, particularly iron and steelmaking in Australasia and the U.S., are emissions intensive and trade exposed, and consequently the company remains acutely aware of the ongoing national and international debate about the regulation of greenhouse gas emissions, including carbon taxes and emissions trading schemes.
- In Australia, the Federal Government has established a Multi-Party Climate Change Committee of the Federal parliament, which will provide advice to Cabinet regarding the introduction of a carbon price. The Committee is starting from the position that a carbon price is a necessary economic reform required to reduce carbon pollution, to encourage investment in low emissions technologies and complement other measures including renewable energy and energy efficiency. The Committee will report to the Cabinet on agreed options through the Minister for Climate Change and Energy Efficiency. It is expected that the Committee will meet monthly during 2011, with recommendations to government made as early as mid-2011. The Government has said it intends to legislate for a carbon price during its current term, although the exact timing and form of policy is yet to be announced.
- The Government has also established a number of other bodies to advise it, including a Business Roundtable on Climate Change. Managing Director and CEO, Paul O'Malley was appointed by the Minister for Climate Change and Energy Efficiency as a member of the roundtable. Mr O'Malley has outlined the company's position on the adoption of a domestic carbon price, including:
  - The Australian steel industry believes that reducing greenhouse gas (GHG) emissions is very important. We are committed to reducing the GHG intensity of our operations and are investing in research to find new, lower emissions iron and steelmaking technology.
  - Reducing GHG emissions is a global problem that requires a global approach.
  - Climate change policy must recognise there is a fundamental difference between the trade-exposed and non trade-exposed sectors of the economy. For the former, prices for

their products are set on international markets, with little ability to pass on a carbon price to consumers.
    - The adoption of a carbon price in Australia, in the absence of international action, risks undermining the trade competitiveness of the Australian steel industry. A domestic carbon price must not become a driver for the off shoring of Australian manufacturing.
    - Accordingly, trade-exposed industries should only be liable for a domestic carbon tax or trading scheme when a significant proportion of their international sectoral competitors have adopted comparable carbon constraints. Until such time, trade-exposed industries should receive an exemption or rebate from any domestic carbon price.
- The Australian Government also made significant changes to the Renewable Energy Target (RET) scheme in 2010. The RET mandates the proportion of Australia's electricity that must be supplied from renewable sources. The enhanced RET had a target of 14,400 GWh of renewable energy for calendar year 2011, with an ultimate goal of achieving 45,000 GWh or 20 per cent of electricity being supplied from renewable sources by 2020. After amendments in 2010, the RET was split into two components - the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES).
- Changes to these targets, and uncapped nature of SRES, has seen the estimated net impact on BlueScope Steel, after receiving the partial exemption for emissions-intensive trade-exposed activities, associated with the supply of electricity to its operations increase by approximately 180% to $4.4M over a 2010 equivalent comparison. BlueScope Steel, along with a number of other companies and industry associations, has raised concerns with government regarding the unexpected blow-out in the SRES and has urged it to cap the scheme in line with its original targets.
- In September 2010, the Victorian Parliament passed a Climate Change Act, which committed the State to a 20 per cent reduction in greenhouse gas emissions by 2020 (on year 2000 levels). The then (Labor) government proposed a number of measures to achieve this target, including subsidising electricity generators to close down high emissions generating capacity and mandating energy efficiency measures. An election was held in Victoria in November 2010, which resulted in a change of government (Liberal-National coalition). The new government has said it remains committed to the State's GHG reduction target, though it has not yet outlined how it proposes to achieve the target.
- New Zealand Steel was included in the New Zealand emissions trading scheme (ETS) commenced on 1 July 2010. New Zealand Steel has been allocated a proportion of permits as an emissions-intensive, trade-exposed entity. It is bearing some carbon costs from suppliers (Scope 3 costs) for which it does not receive allocated permits. The New Zealand Government has announced the terms of the 2011 ETS Review which will report to the Minister on 30 June 2011, The review panel will have regard to the process being led by the Australian Multi-Party Committee on Climate Change and will take into account whether comparable carbon regulation has been introduced by major trading partners. The company will continue to put its view to the government during this review process and make a submission to the review Panel that the ETS Review must not impose any additional costs that would adversely affect New Zealand Steel's competitiveness.

Water efficiency

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

- Increasing the use of recycled water. For example, a significant water-recycling project is being progressed at BlueScope Steel's Western Port facility in Victoria, Australia. The project, jointly funded by BlueScope Steel, South East Water and the Victorian Government, includes a significant upgrade to the Somers Treatment Plant. It is expected to cut fresh water consumption at the Western Port site by up to 65 per cent, as well as reducing wastewater discharged to Western Port and Bass Strait. This project is similar in design to a major recycled water initiative operating since 2006 at Port Kembla Steelworks that has saved in excess of 28 billion litres of fresh water.   It is anticipated that the project will be fully commissioned by the end of CY2011.
- Improving process management has enabled incremental improvements in water consumption. The high awareness of BSL employees to the matter of water conservation has led to a number of successful operational improvements. For example BlueScope Steel's Port Kembla operations has won the Largest Volume Reduction category at the November 2010 Sydney Water Business Customer awards. The Steelworks has saved more than one million litres of water a day by actively promoting water efficiency in new capital projects and improving existing manufacturing processes.
- In addition to increasing the use of recycled water from municipalities, further investigations are underway to determine if there are other alternative water supplies that could be used to displace fresh water consumption. The harvesting of stormwater and the beneficial reuse of waste water from other industries are two significant potential ideas.

Non-compliances, Fines and Prosecutions:

BlueScope Steel notified relevant authorities of 11 statutory non-compliances with environmental regulations during the six months to 31 December 2010. During the period there were no serious environmental incidents, and BlueScope Steel did not receive any material environment related fines.

Senior Management Changes

- **Pat Finan – Executive General Manager, Global Building & Construction Markets**
  - Effective 1 November 2010, Mr Pat Finan was appointed as Executive General Manager of the Company's new Global Building and Construction Markets business development group, and has joined the Company's Executive Leadership Team.
  - Mr Finan will assist country Presidents to rapidly improve sales in the growing building and construction markets. His immediate focus will be to coordinate global sales, and to identify and pursue opportunities in new markets.
  - Mr Finan joined BlueScope in 2004 and prior to assuming this new role was President BlueScope Buildings North America.

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ATTACHMENT 1
PRODUCTION AND DESPATCH REPORT

000 Tonnes	1H 2011	1H 2010	Variance	2H 2010
AUSTRALIA				
Raw Steel Production (1)	**2,643**	**2,187**	**21%**	**2,537**
External Despatches				
Coated & Industrial Products Australia				
- Domestic – Slab	0	0	0	21
- Domestic - HRC(2)	289	336	(14%)	404
- Plate	83	82	1%	101
- Other	426	449	(5%)	477
- Total	798	867	(8%)	1,003
- Export - Slab	351	375	(7%)	296
- HRC (3)	479	156	207%	399
- Plate	84	10	740%	43
- Other	190	109	74%	188
- Total	1,104	650	70%	926
Sub-total(4) (5)	1,902	1,517	25%	1,929
Australia Distribution & Solutions				
- Domestic (6)	370	376	(2%)	378
- Export (6)	8	6	33%	5
Sub-total	378	382	(1%)	383
Total Australian Despatches				
- Domestic	1,168	1,243	(6%)	1,381
- Export	1,112	656	70%	931
Total	**2,280**	**1,899**	**20%**	**2,312**
NEW ZEALAND / PACIFIC (7)				
Raw Steel Production	**305**	**262**	**17%**	**315**
External Despatches				
- Domestic	125	122	2%	143
- Export	113	97	17%	144
Total	**238**	**219**	**8%**	**287**
ASIA (Coated & Building Products)				
Raw Steel Production (8)	**0**	**0**	**0**	**0**
External Despatches				
- Domestic	516	420	23%	469
- Export (9)	33	34	(3%)	55
Total	**549**	**454**	**21%**	**524**
NORTH AMERICA				
Raw Steel Production (10)	**499**	**474**	**5%**	**476**
External Despatches				
North Star BlueScope Steel (10)				
- Domestic	484	455	6%	469
- Export	0	0	0	0
Coated & Building Products North America				
- Domestic	282	270	5%	251
- Export	8	8	0%	6
Total	**774**	**733**	**6%**	**727**
GROUP				
Raw Steel Production	**3,447**	**2,923**	**18%**	**3,328**
External Despatches				
- Domestic	2,575	2,510	3%	2,713
- Export	1,266	794	59%	1,137
Total	**3,841**	**3,304**	**16%**	**3,850**

Notes:

(1) Raw steel production at Port Kembla Steelworks (PKSW).
(2) 76kt of the 289kt of domestic despatches for 1H 2011 were from Western Port (1H 2010 80kt and 2H 2010 105kt).
(3) 0kt of the 479kt of export despatches for 1H 2011 were from Western Port (1H 2010 1kt and 2H 2010 0kt).
(4) Total 1H 2011 internal and external despatches from PKSW (slab, HRC and plate) were 2,494kt (1H 2010 2,081kt and 2H 2010 2,555kt).
(5) Total 1H 2011 internal and external despatches from Coated & Industrial Products Australia (C&IPA) were 2,406kt (1H 2010 2,007kt and 2H 2010 2,510kt), comprised of:
   - external 1,903kt (1H 2010 1,517kt and 2H 2010 1,929kt); and
   - internal 503kt (1H 2010 489kt and 2H 2010 582kt).

   C&IPA internal despatches comprised:
   - 182kt of despatches to Steelscape Inc (1H 2010 148kt and 2H 2010 208kt);
   - 91kt to BlueScope Thailand (1H 2010 65kt and 2H 2010 95kt); and
   - 230kt of despatches to other BlueScope businesses including Distribution, Lysaght and BlueScope Malaysia and Vietnam (1H 2010 276kt and 2H 2010 278kt).
(6) 1H 2011 includes 160kt of domestic despatches and 5kt of export despatches via BlueScope Distribution (1H 2010 164kt and 3kt and 2H 2010 166kt and 3kt 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 2011 and 1H 2010; 2H 2010

Financial Measure	1H 2011	1H 2010	Change	2H 2010
External Despatches (tonnes)				
- Thailand	117	78	39	121
- Indonesia	67	70	(3)	72
- Malaysia	76	79	(3)	87
- Vietnam	38	43	(5)	40
- China	216	154	62	172
- Other	35	30	5	32
- Total	**549**	**454**	**95**	**524**
Sales Revenue ($M)				
- Thailand	154	119	35	157
- Indonesia	107	112	(5)	126
- Malaysia	122	111	11	129
- Vietnam	72	71	1	68
- China	320	242	78	261
- Other	(35)	(26)	(9)	(21)
- Total	**740**	**629**	**111**	**720**
Reported EBIT ($M)				
- Thailand	5	13	(8)	14
- Indonesia	10	9	1	20
- Malaysia	12	11	1	17
- Vietnam	4	6	(2)	5
- China	88	17	71	14
- Other	(5)	(6)	1	(4)
- Total	**114**	**50**	**64**	**66**
Underlying EBIT ($M)				
- Thailand	5	13	(8)	14
- Indonesia	10	9	1	20
- Malaysia	12	11	1	17
- Vietnam	4	6	(2)	5
- China	21	17	4	14
- Other	(6)	(6)	0	(4)
- Total	**46**	**50**	**(4)**	**66**
Net operating Assets (pre tax) ($M)				
- Thailand	249	258	(9)	303
- Indonesia	184	148	36	183
- Malaysia	103	97	6	115
- Vietnam	80	76	4	91
- China	176	132	44	121
- Other	75	80	(5)	86
- Total	**867**	**791**	**76**	**899**

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

1H 2011 and 1H 2010; 2H 2010

Financial Measure	1H 2011	1H 2010	Change	2H 2010
External despatches (tonnes)				
- China Coated	47	35	12	39
- China Buildings (1)	169	119	50	133
- Other / Eliminations	0	0	0	0
- Total	**216**	**154**	**62**	**172**
Sales revenue ($M)				
- China Coated	93	75	18	88
- China Buildings (1)	272	205	67	218
- Other / Eliminations	(45)	(38)	(7)	(45)
- Total	**320**	**242**	**78**	**261**
EBIT ($M) – Reported				
- China Coated	78	8	70	5
- China Buildings (1)	14	12	2	10
- Other / Eliminations	(4)	(3)	(1)	(1)
- Total	**88**	**17**	**71**	**14**
EBIT ($M) – Underlying Operational				
- China Coated	10	8	2	5
- China Buildings (1)	14	12	2	10
- Other / Eliminations	(3)	(3)	0	(1)
- Total	**21**	**17**	**4**	**14**

Notes:

(1) Includes BlueScope Lysaght businesses.

ATTACHMENT 2(c)
DISCONTINUED BUSINESSES

1H 2011 and 1H 2010; 2H 2010

Financial Measure	1H 2011	1H 2010	Change	2H 2010
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 ($M)				
- Packaging Products	0	0	0	0
- Lysaght Taiwan	0	0	0	1
- Vistawall	0	0	0	0
- Total	**0**	**0**	**0**	**1**
EBIT ($M)				
- Packaging Products	1	3	(2)	0
- Lysaght Taiwan	1	4	(3)	0
- Vistawall	0	0	0	0
- Total	**2**	**7**	**(5)**	**0**
Net operating assets (pre-tax) ($M)				
- Packaging Products	(6)	(9)	4	(8)
- Lysaght Taiwan	(4)	(5)	0	(5)
- Vistawall	0	0	0	0
- Total	**(10)**	**(14)**	**4**	**(13)**

ATTACHMENT 3
RECONCILIATION OF UNDERLYING EBIT TO UNDERLYING NPAT

$M	1H 2011	1H 2010	Change	2H 2010
Underlying EBIT	**(41)**	**(22)**	**(19)**	**277**
Interest expense	(52)	(56)	4	(57)
Interest revenue	5	5	0	4
Tax on Underlying Earnings	46	27	19	(52)
Outside equity interest	(5)	(7)	2	(6)
Underlying NPAT	**(47)**	**(53)**	**6**	**166**