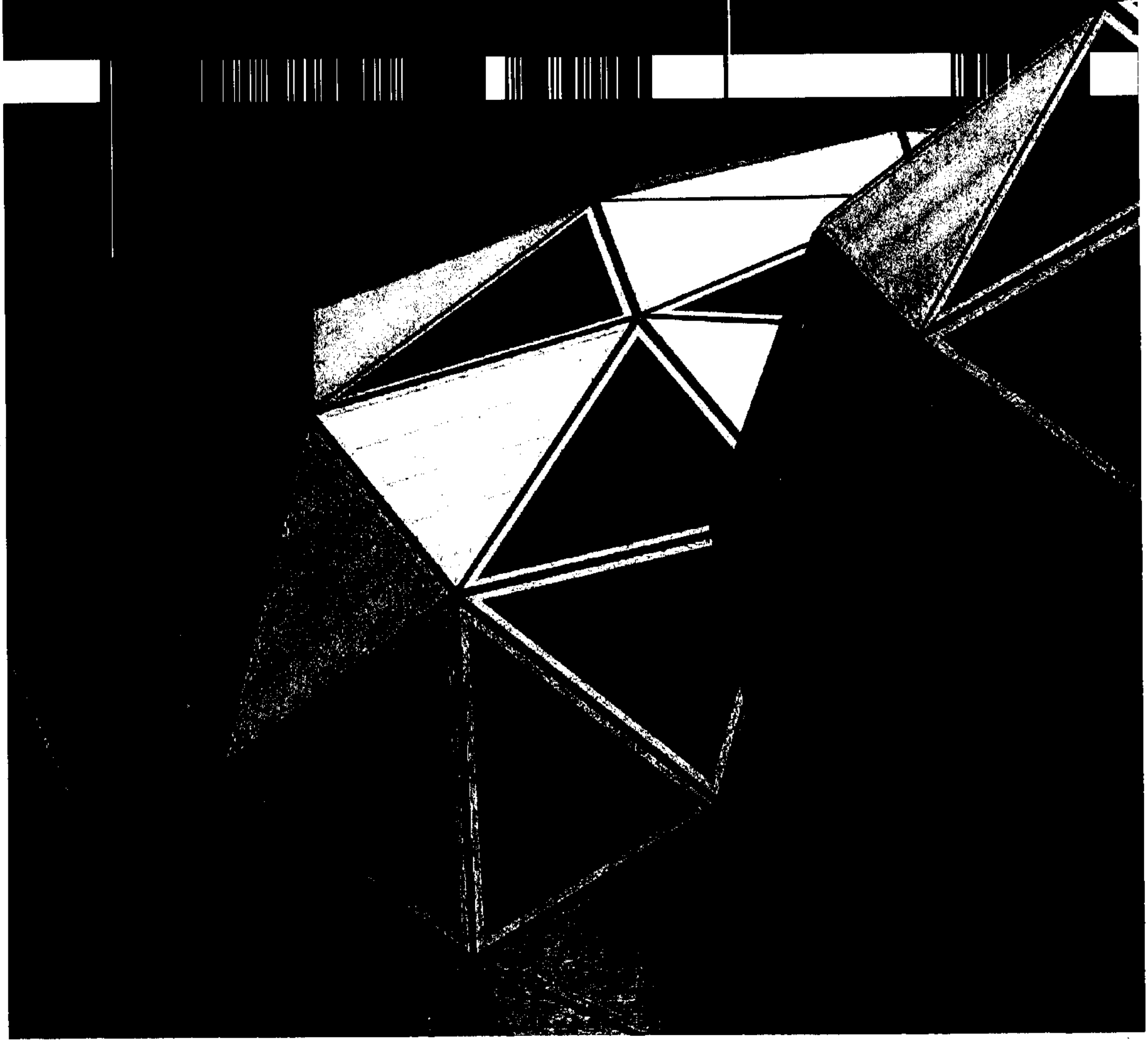
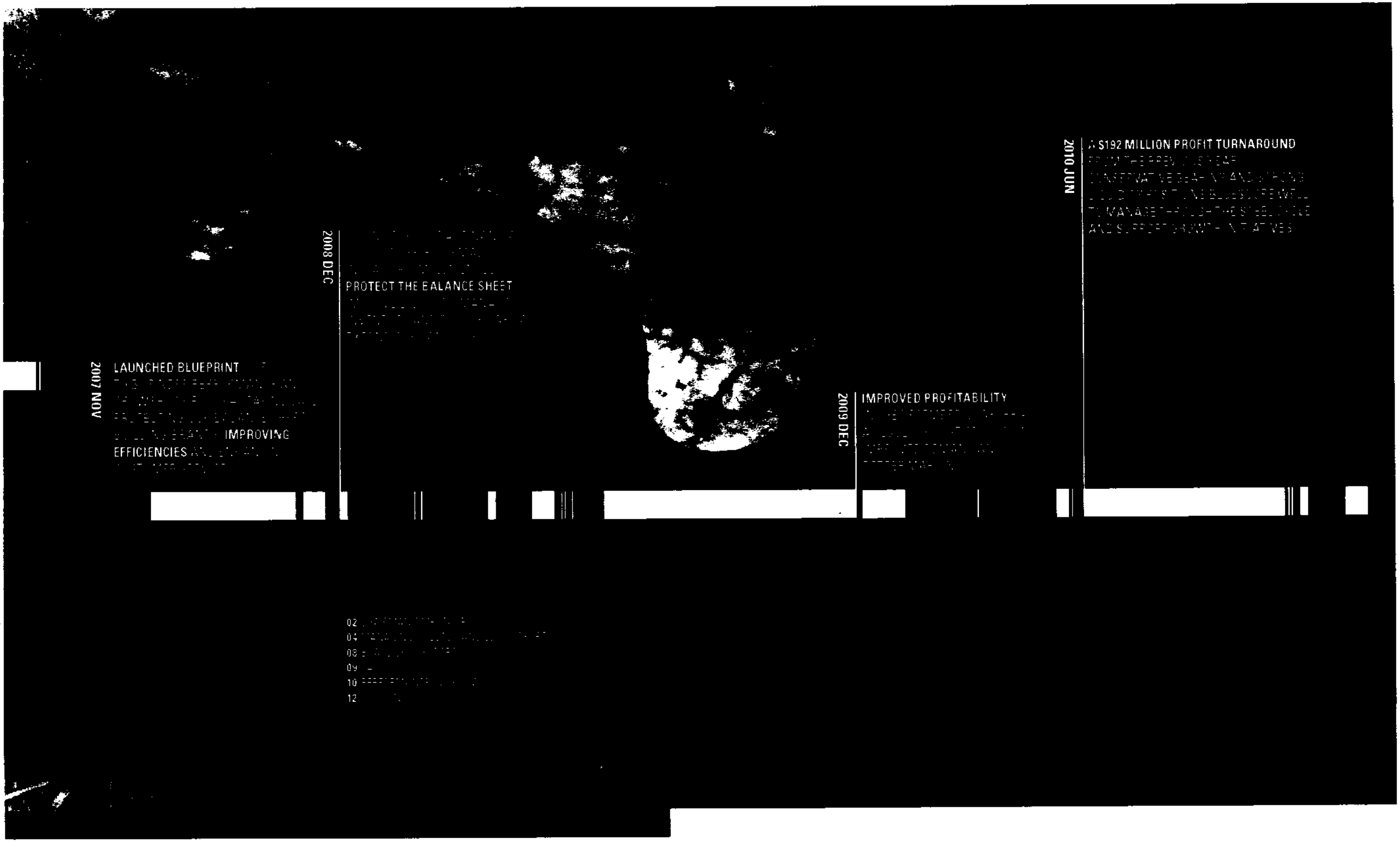
BLUESCOPE
STEEL

THE TURNAROUND
THE POTENTIAL



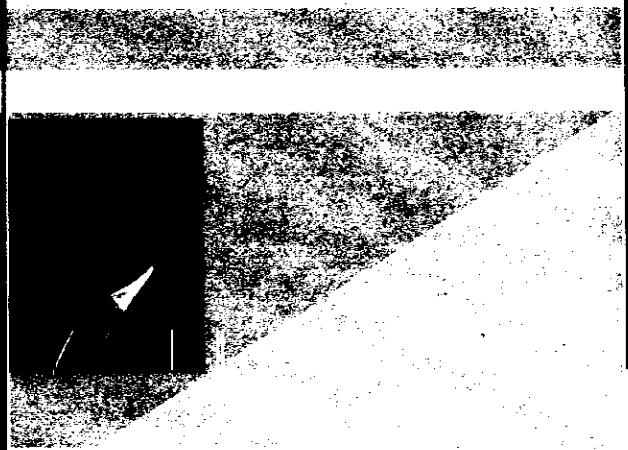


FIVE YEAR PERFORMANCE*

Year	REVENUE ($M)	EBIT ($M)	NET PROFIT AFTER TAX ($M)	RETURN ON INVESTED CAPITAL (%)	EARNINGS PER SHARE (CENTS PER SHARE)	ORDINARY DIVIDEND (CENTS PER SHARE)
10	8624	240	126	3.8	6.9	5
09	10329	15	-66	0.2	-7.1	5
08	10485	1063	596	18.2	66.2	49
07	8913	1099	686	19.6	78.7	47
06	8031	556	338	11.0	39.6	44

*REPORTED RESULTS

CHAIRMAN'S MESSAGE



BLUESCOPE STEEL EMERGED FROM THE TOUGH TIMES OF THE GLOBAL ECONOMIC CRISIS WITH A STRONG BALANCE SHEET, STRONG LIQUIDITY AND A RETURN TO PROFIT IN 2010.

Our profit for FY2010 represents a significant turnaround on the previous year's net loss. Importantly, the Company is now well positioned to gain from continued strong Asian growth and a global economic recovery.

The strong business performance improvement came from concentrated effort and hard work by our 18,000 employees worldwide.

Everyone across the Company took effective measures to reduce costs and increase sales volumes. The Company has reduced gearing to a conservative level and BlueScope has a strong liquidity position. As a result, BlueScope now has improved its cost base and balance sheet to enable it to manage through business cycles and look at opportunities as the market improves.

Currently, we are seeing a continued, although patchy, worldwide economic recovery and strength in most of the Asian economies in which we operate.

ASIA POSTS STRONG IMPROVEMENT

The most pleasing result was the turnaround in the Company's Asian businesses.

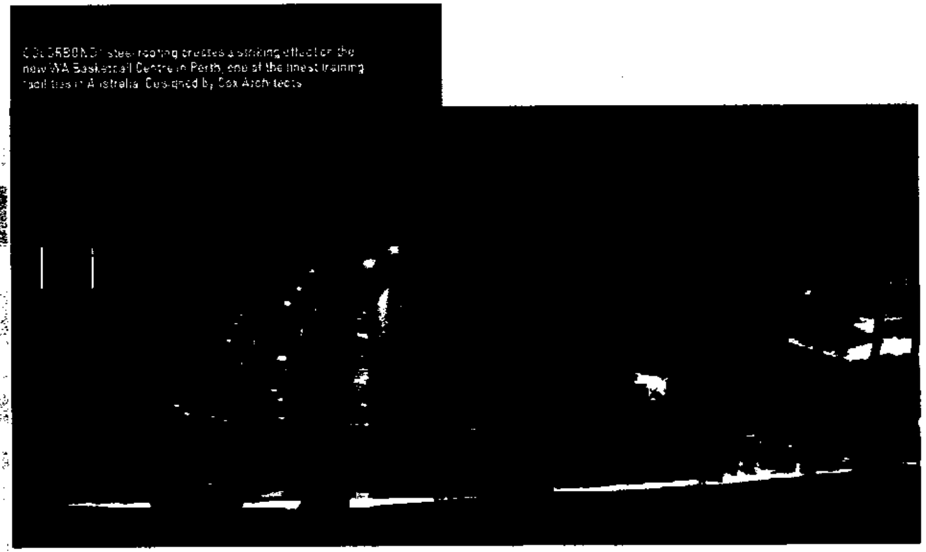
Today, BlueScope has the best Asian footprint for mid and downstream products of any steel company. We have been operating in China for more than 20 years and in the Asian region for over 40 years. Our presence there gives us exposure to the most populous and fastest growing markets in the world.

The Board will be in Shanghai in October where we are scheduled to hold a Board meeting and customer function in the Australian Pavilion at the Shanghai World Expo. This Pavilion, that showcases Australian architectural vision and our steel to the world, is one of the most popular of the Expo sites. We are very proud of this unique building.

Expo has hosted more than 53 million visitors to date, including hundreds of BlueScope customers in China where we have found it a successful platform for sales and business development opportunities.

SHAREHOLDER VALUE

The Board committed to resuming dividend payments as a high priority once economic recovery became more apparent. The Board has therefore declared a 5 cent per share fully franked final ordinary dividend for FY2010. The decision to reinstate the dividend payments reflects the Company's improved financial performance following the global financial crisis, our confidence in the medium to long term outlook for BlueScope Steel and the global steel industry, and the growth in the economies where we operate.



COLORBOND® steel roofing creates a striking effect on the new WA Basketball Centre in Perth, one of the finest training facilities in Australia. Designed by Cox Architects.

STRATEGIC DIRECTION

During FY2010, the Company undertook a strategy review which builds on the 2007 Blueprint.

The Board has endorsed the renewed strategy which will see us leverage our existing capabilities and capitalise on our market strengths.

Managing Director and CEO Paul O'Malley discusses the strategy further, in his Report to shareholders.

CORPORATE CITIZENSHIP

BlueScope is committed to continuously improving the environmental footprint of our operations. The Company is working to improve its systems and performance through its network of environmental reviews and audits.

In April 2010, the then Australian Federal Government deferred consideration of its Carbon Pollution Reduction Scheme until 2012. Also, on 1 July 2010, the New Zealand Government introduced an Emissions Trading Scheme (ETS). BlueScope's New Zealand Steel operation will be affected by this ETS, but the New Zealand government policy recognises the global nature of the steel industry and its trade exposure so the net impact to New Zealand Steel should be minimal.

The Company has developed a set of Greenhouse Policy Principles by which it will assess environmental policies in countries where we operate. In essence, we advocate policy that reduces emissions but minimises any loss of international competitiveness. These Principles can be viewed on BlueScope's corporate website.

GOVERNANCE

Since BlueScope's inception, the Company has been committed to the highest standards of Corporate Governance and to complying with the Australian Stock Exchange Corporate Governance Principles and Recommendations.

In some cases, we have been at the forefront in key practices such as remuneration. The Board's prime objective in managing remuneration has been to ensure employee remuneration reflects the Company's performance, both in times of excellent results and in downturn years, so that they are aligned with the experience of shareholders. Directors and executives are required to personally build a holding of BlueScope shares and all employees are encouraged to become shareholders.

The Company welcomes recent changes to diversity disclosures introduced by Australia's Corporate Governance Council. BlueScope is committed to building a diverse workforce and considers that diversity, including gender diversity, is a key business issue.

The complementary skills and experience of our individual Board members is the key to its strength and I thank all of our Board members for their contribution through the past year.

On behalf of the Board, I would like to thank our 18,000 employees for the turnaround performance, and Managing Director and CEO Paul O'Malley and his team for sound leadership and guidance.

GRAHAM KRAEHE AO CHAIRMAN

MANAGING DIRECTOR AND CEO'S REPORT

LAST YEAR WAS A TURNAROUND YEAR FOR YOUR COMPANY. OUR PERFORMANCE STEADILY IMPROVED EACH QUARTER, DESPITE THE MARKET CHALLENGES REMAINING AFTER THE GLOBAL FINANCIAL CRISIS.

As the year progressed, we saw improved demand, better margins and the benefits of a substantially lower cost base.

The biggest turnaround was the performance of our Asia businesses which posted a record $116 million Earnings Before Interest and Taxes (EBIT). At a company-wide level, we delivered significant permanent cost savings. Our lower cost base provides us valuable operating leverage when demand and steel prices improve. We successfully maintained our conservative gearing and strong liquidity which positions us well to manage through the steel cycle and support growth initiatives.

Our New Zealand business delivered another solid result and despatch volumes for our Australian Coated and Industrial Products business rebounded. In North America, North Star BlueScope Steel, with its strong focus on production quality and customer service, also had a much improved performance. Overall, BlueScope achieved a good result given the unprecedented circumstances of the previous year and the challenging business environment.

GROUP PERFORMANCE OVERVIEW

At the start of FY2010, continued weak global demand for steel meant we operated significantly below our full steel making production capability. During the half, a strong export and domestic sales campaign, on the back of improving demand in Australia and Asia, supported returning the No 5 Blast Furnace at Port Kembla Steelworks to near full production capacity, after a successful reline. Still, we reported a small loss for the first half.

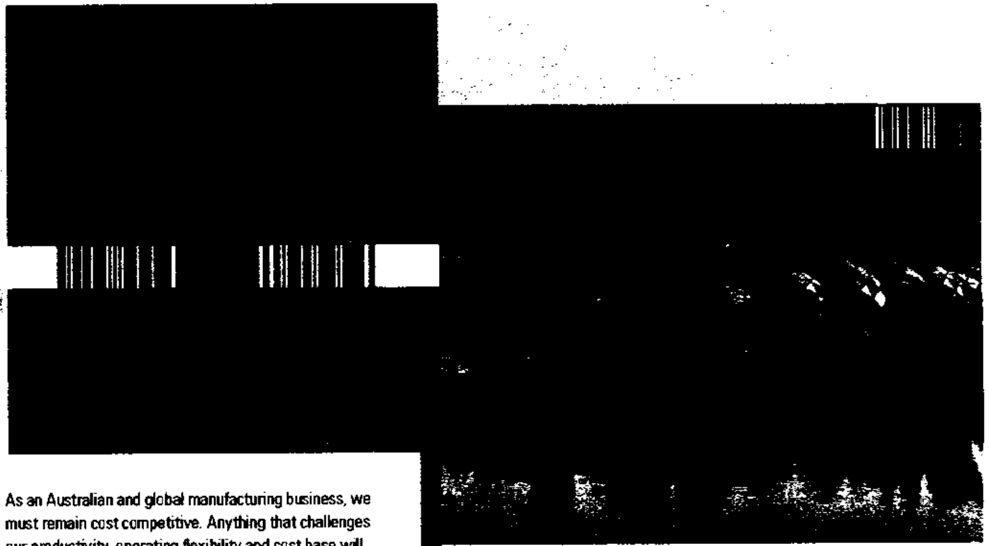
Business performance improved during the second half with the benefits of cost reductions, further demand for our products and better steel margins all contributing to deliver a full year reported Net Profit After Tax (NPAT) of $126 million, a $192 million positive turnaround from the previous year. Underlying* NPAT doubled to $113 million equating to underlying earnings per share of 6.2 cents. A final ordinary dividend, fully franked, of 5 cents per share was declared.

Total revenue was $8.6 billion, lower by 17 per cent in comparison to FY2009, reflecting lower domestic pricing across all segments of our business, the higher Australian dollar, and lower domestic sales volumes for Coated and Building Products North America.

Net operating cash flow improved significantly and at the end of FY2010, was close to half a billion dollars for the year.

The focus on maintaining the strength of the balance sheet and reducing costs continued into FY2010. We have maintained our conservative approach to gearing, held at around 11 per cent, and our strong liquidity position with $1.6 billion in undrawn debt and cash.

*refer to page 17 in the Directors' Report regarding underlying earnings



As an Australian and global manufacturing business, we must remain cost competitive. Anything that challenges our productivity, operating flexibility and cost base will put us at a disadvantage to our global competitors.

During the financial year, $526 million in total cost savings were delivered. By the end of FY2010, $340 million of permanent savings had been achieved over our FY2008 cost base. Continuing to lower our cost base is an ongoing priority.

SAFETY

At BlueScope Steel, there's nothing more important than safety. It's our number one priority. Despite this, tragically in March, an operator at our Phu My site in Vietnam was killed while working on the coating and painting lines. Our sincere condolences go to his family, workmates, and friends.

This tragedy reminds us all that we must remain diligent in ensuring our safety and the safety of our workmates. We believe that all work can be done safely.

In our pursuit of Zero Harm, there were a number of positive safety initiatives and results for the year. The Company's injury levels remain at world's best standard with Lost Time Injury Frequency Rate (LTIFR) remaining below one incident for every million hours worked for the sixth consecutive year. The Medically Treated Injury Frequency Rate (MTIFR) ended the year at a record low level of 4.9.

BUSINESS PERFORMANCE HIGHLIGHTS

ASIA

Our Asian business performance was a highlight of FY2010, with record profits in China, Indonesia, Malaysia and Vietnam. Underlying EBIT for the year was $116 million, $31 million of that from our China business, compared to a loss of $21 million in FY2009. A new leadership team with its strong market focus, along with major cost reductions, led to improved domestic sales volumes and margins.

The Indonesian domestic market strengthened during the year, particularly in the residential segment. Construction of the second coating line is on schedule to be operational by the third quarter of this financial year.

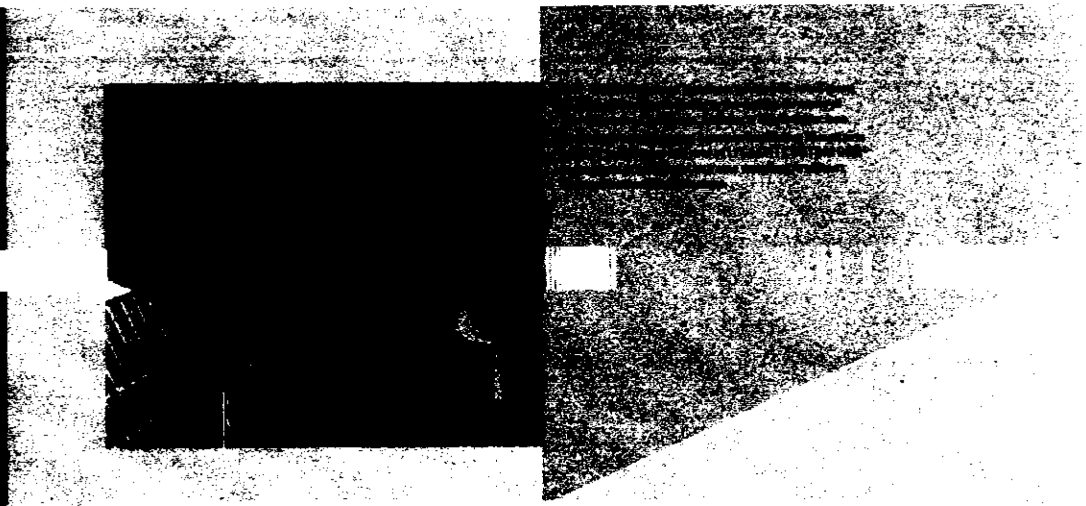
In China, the Government's economic stimulus package aided in improving demand for our coated business and we expect it will continue to positively impact the key infrastructure segment in FY2011. Our Butler pre-engineered building (PEB) business saw improved demand.

Historically, in our Buildings business many customer orders are from major international corporations. Pleasingly, half our customers in the Butler China business now come from domestic Chinese companies that see our value proposition as helping them be successful in the market. Lysaght China further grew its market share in the industrial and premium public building segments.

In Thailand, the political environment stabilised in April but customers in that market remain cautious. Our Vietnam coating and building businesses, under a new leadership team, recovered strongly with increased domestic demand, cost reductions and improved business processes.

Asia, including China, is home to the world's most populous and fastest growing economies. As they grow, demand for steel products grows. We are well placed with our business footprint in this area and plan a number of product developments to strengthen our market offer.

Over the next few years the assets we have today, and the new metal coating line which will commence operation in Indonesia next year, provide increased earnings potential in Asia.



AUSTRALIA

In Australia, our Coated and Industrial Products Australia business ended the year positively. Underlying EBIT was $108 million for the year, $188 million in the second half.

Global steel demand continued to improve in all regions at the beginning of the fourth quarter of the year with hot rolled coil prices increasing by 20 to 25 per cent, improving margins.

Our Australian Distribution and Solutions business, which includes BlueScope Lysaght, BlueScope Buildings Australia, BlueScope Water, our service centres and emerging businesses, struggled in an extremely competitive market segment with volumes and margins flat in the second half.

NEW ZEALAND & PACIFIC ISLANDS

Our New Zealand & Pacific Steel Products business delivered another solid performance with an underlying EBIT result of $73 million, achieving $52 million in the second half of the year. Domestic sales for the year rose by 10 per cent with higher demand from the manufacturing sector and increased government infrastructure investment.

NORTH AMERICA

North Star BlueScope Steel, our 50 per cent joint venture mini mill, delivered an impressive result with earnings for our Hot Rolled Products North America segment improving to $61 million profit for the year compared to a loss of $58 million in FY2009. For the eighth consecutive year, North Star BlueScope Steel received the highest customer satisfaction rating in the Jacobson & Associates survey of 2,000 North American steel customers.

Steelscape saw increased sales with despatches up by 37 per cent but margins softer. However, even during a challenging year, it was able to increase its market share. With the continued weakness in the US non-residential construction market, the Buildings business in our Coated and Building Products segment struggled.

A good deal of hard work has been done over the past two years to rationalise the integrated Buildings businesses in the US and lower its cost base. We are confident that when market conditions turn around we will deliver improved results given our very competitive cost structure and market offer.

STRATEGY – SCOPE TO GROW

BlueScope is a leading global provider of steel building products and solutions. We are a diverse company with over 100 manufacturing plants in 17 countries. Of our 18,000 employees around the world, over 90 per cent are shareholders.

Three years ago, we released our Blueprint to guide our business performance and growth. This encompassed:

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

During the global financial crisis, our focus on the Blueprint fundamentals served us well – protecting our balance sheet, building brands, improving efficiencies through significant cost reductions, and enhancing customer service.

During this time, we also reviewed our strategy to ensure we were ready for renewed growth around the world.

As a result of this review, we have broadened our strategy to include three additional core elements:

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

At the same time, we will continue to focus on the fundamentals of running our production lines at full capacity, reducing structural costs and managing to strict financial targets.

ENVIRONMENT

Our Company has a long standing commitment to improving our environmental footprint across all our operations. This continues today with many environmental improvement initiatives underway.

One key initiative is at our Western Port plant in Victoria where a significant water saving project under construction is expected to deliver a 65 per cent reduction in fresh water use and a 75 per cent reduction in wastewater discharge. The project is similar in design to a major recycled water initiative operating at our Port Kembla Steelworks since 2006 that has saved more than 20 billion litres of fresh water.

PEOPLE

BlueScope is committed to building a diverse, global workforce that reflects the countries, communities and cultures in which we operate. We consider gender diversity, in particular, a key business priority. We are driving initiatives to attract, develop and retain women and to improve the participation of women throughout the organisation and in management positions.

A Gender Diversity Project, commissioned by the Executive Leadership Team, has led to enhancements to our existing gender diversity programs.

Recent initiatives include establishing a Diversity Council to provide visible leadership, sponsoring and monitoring of key programs, introducing diversity educational materials, and adopting diversity objectives with measures of success and targets against which the businesses will be monitored and assessed. The Board monitors progress against these initiatives.

Our goal is to create a more diverse and inclusive workplace that will attract, encourage and develop a talented and capable workforce. We know significant improvements are needed to reach our goal and we are committed to making this happen.

LOOKING AHEAD

As we move into the first half of FY2011, we have a strong balance sheet, good liquidity and financial flexibility with low gearing. Our significantly reduced cost base positions us well for an upturn in market conditions across our footprint.

We expect to see continued strong performance from our Asian businesses and the ongoing benefit of permanent cost reductions over the course of FY2011.

BlueScope Steel is poised to benefit from a global recovery in the medium to long term. Our aim is to increase the market penetration of our products, to capitalise on improving market conditions, and grow our presence in the building and construction markets.

This financial year has proven our resilience. I would like to thank all our employees and my management team for their strong commitment to Zero Harm and their outstanding contribution to achieving this profitable result in a very challenging time. I would also like to thank you, our shareholders, and also our customers, for your continued support.

Paul O'Malley

PAUL O'MALLEY MANAGING DIRECTOR & CEO

OUR BOARD OF DIRECTORS

BLUESCOPE STEEL IS COMMITTED TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE.

Seated, left to right: Tan Yam Pin, Diane Grady, Chairman Graham Kraehe. Back, left to right: Daniel Grollo, Ken Dean, Paul O'Malley, Kevin McCann, Ron McNeilly.
For the Directors' biographies, please refer to pages 20 and 21.

OUR COMPANY

Our Company is a leading supplier of premium metallic coated and painted steel building products and one of the world's largest manufacturers of pre-engineered steel buildings (PEBs).

BlueScope's brand portfolio contains many well-known and iconic names including COLORBOND®, ZINCALUME®, and XLERPLATE® steels and LYSAGHT® building products. Our BlueScope Water business has achieved a leading position as a supplier of premium steel rainwater harvesting solutions. Products such as our WATERPOINT Slimline® and WATERPOINT Classic® steel tanks have been well received by the market.

In North America, the BUTLER® brand has been part of the landscape for a century and is a premium brand in PEB systems. In our Asian markets, we have built an enviable reputation for quality with our purpose-designed Clean COLORBOND® steel which is ideal for tropical conditions. SMARTRUSS® is a well established and popular roof framing brand in Thailand and Indonesia.

BlueScope Steel employs over 18,000 people in 17 countries, with more than 100 manufacturing facilities worldwide. The Company is a recognised global leader in safety, and is engaged in a range of initiatives to improve our environmental performance and the sustainability of our products.

AT BLUESCOPE STEEL, SAFETY COMES FIRST. OUR GOAL IS ZERO HARM ACROSS OUR ORGANISATION FROM WORKING IN OUR MANUFACTURING OPERATIONS TO DISTRIBUTING OUR PRODUCTS AND IN OUR OFFICES.

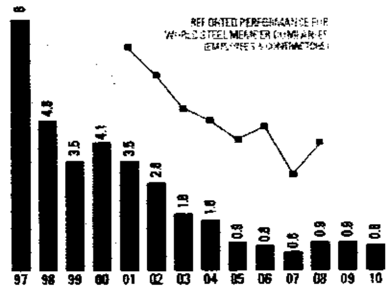
Our belief that all work can be done safely means we work continuously to improve our health and safety performance at every level.

In 2009/2010, the Company's injury levels are at world's best standard with the Lost Time Injury Frequency Rate (LTIFR) remaining below one for the sixth consecutive year. Our actual LTIFR performance of 0.8 compares with the average for the World Steel members' performance of 4.0. BlueScope Steel's Medically Treated Injury Frequency Rate (MTIFR) was below five.

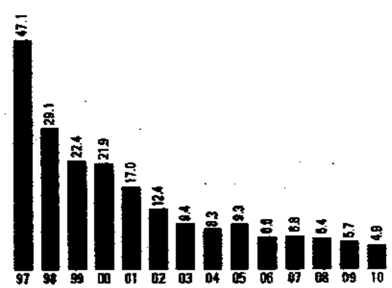
Tragically, in our Vietnam business in March 2010, an operator was fatally injured. This tragedy reminds us that we must remain diligent in ensuring our own safety and the safety of our workmates. We believe that all injuries can be prevented.

During the year, there were a number of safety improvements in many of our businesses and some were recognised by external safety awards.

All of us at BlueScope are committed to making our workplace injury free. The result is that fewer people are being injured than ever before and the Company is cited for its best practice in workplace safety. We remain focused on reaching our goal of Zero Harm.



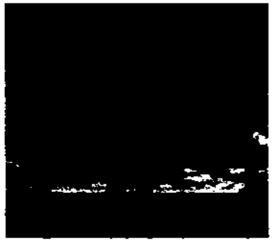
LOST TIME INJURY FREQUENCY RATE
LOST TIME INJURIES PER MILLION HOURS WORKED
Includes Contractors, Butler from 2004 and 2007/8 acquisitions



MEDICALLY TREATED INJURY FREQUENCY RATE
MEDICALLY TREATED INJURIES PER MILLION HOURS WORKED
Includes Contractors, Butler from 2004 and 2007/8 acquisitions

BLUESCOPE STEEL BUSINESS SEGMENTS

COATED AND INDUSTRIAL PRODUCTS AUSTRALIA

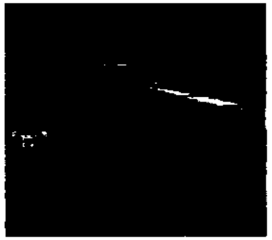


Lower result from reduced spread and strong Australian dollar

- Impacted by lower margins, but still delivered an underlying EBIT of $108 million with a 22% increase in domestic sales volume and the benefit of significant cost improvement initiatives
- External export sales volume improved 46% over FY2009 on improved customer demand, and supported by resumed production from No 5 Blast Furnace from August 2009, following its successful reline
- Pricing of COLORBOND® steel remained stable; metal coated products pricing declined compared to FY2009 largely due to the strong Australian dollar
- Western Port and Springhill production volumes increased across all lines as customer demand improved
- Second half result improved over first half particularly due to stronger international steel prices

	FY 2010	FY 2009
EXTERNAL DESPATCHES ('000s of tonnes)		
Domestic	1,870	1,535
Export	1,576	1,082
REVENUE ($M)	4,745	5,291
EBIT ($M)	84	206
UNDERLYING EBIT ($M)	108	141
NET OPERATING ASSETS (pre-tax) ($M)	3,464	3,322
RETURN ON NET ASSETS (pre-tax)	2%	6%

AUSTRALIA DISTRIBUTION AND SOLUTIONS



Lower margins reduce earnings

- Strong Australian dollar results in pricing pressure in domestic market, leading to lower margins
- Despatch volumes for BlueScope Lysaght marginally higher
- Soft market conditions continue due to lower consumer demand across most regions of Australia in residential housing sector
- Stronger demand in the building market led to higher production for the Sheet and Coil Processing business
- Pioneer Water has stronger sales activity from seasonal rural spending but building delays in West Australia reduce revenues for Highline
- Interest in BlueScope Buildings range, including pre-engineered steel buildings, remote steel framing supply, and steel building facades, is growing

	FY 2010	FY 2009
EXTERNAL DESPATCHES ('000s of tonnes)		
Domestic	754	755
Export	11	9
REVENUE ($M)	1,762	2,121
EBIT ($M)	12	(23)
UNDERLYING EBIT ($M)	2	9
NET OPERATING ASSETS (pre-tax) ($M)	881	926
RETURN ON NET ASSETS (pre-tax)	1%	(2%)

NEW ZEALAND AND PACIFIC STEEL PRODUCTS

Year of solid performance

- Domestic despatches 10% higher on improved demand, particularly driven by manufacturing end-use segment
- New steel framing brand, Axxis®, launched with total framing sales up 24%
- Export demand relatively strong but conditions remain challenging
- Markets and project work in Pacific Islands business underpinned strong coated volumes
- Production levels higher across the product range
- Iron sands exports rose by 33% and vanadium volumes up 4%

	FY 2010	FY 2009
EXTERNAL DESPATCHES ('000s of tonnes)		
Domestic	265	241
Export	241	273
REVENUE ($M)	618	695
EBIT ($M)	73	65
UNDERLYING EBIT ($M)	73	87
NET OPERATING ASSETS (pre-tax) ($M)	398	346
RETURN ON NET ASSETS (pre-tax)	19%	20%

COATED AND BUILDING PRODUCTS ASIA

Performance turnaround with record profits

- Asia business led overall results with underlying EBIT $116 million
- Strong market focus and major cost reductions resulted in improved domestic sales volumes and margins
- Improved domestic market conditions in Indonesia increased demand for residential steel roofing and steel building frames
- Construction of second metallic coating line in Indonesia on track to be operational in third quarter FY2011
- Political environment in Thailand stabilised but markets remain cautious
- Sales volumes rise for China Butler Buildings by 27% and by 29% for Lysaght from improved industrial and public sector demand

	FY 2010	FY 2009
EXTERNAL DESPATCHES ('000s of tonnes)		
Domestic	889	717
Export	89	109
REVENUE ($M)	1,349	1,543
EBIT ($M)	116	(94)
UNDERLYING EBIT ($M)	116	(21)
NET OPERATING ASSETS (pre-tax) ($M)	899	833
RETURN ON NET ASSETS (pre-tax)	14%	(8%)

HOT ROLLED PRODUCTS NORTH AMERICA

Impressive result from North Star BlueScope Steel, our US steel-making joint venture

- $119 million increase in underlying EBIT mainly due to a 33% increase in despatch volumes
- High capacity utilisation rates maintained due to reputation for on-time delivery, quality and customer responsiveness
- Recovery in auto sales and production, service centre restocking and an improved agricultural sector lifts sales volumes
- Receives highest customer satisfaction rating in Jacobson & Associates survey for eighth consecutive year

	FY 2010	FY 2009
EXTERNAL DESPATCHES ('000s of tonnes)		
Domestic	924	693
Export	–	–
REVENUE ($M)	–	–
EBIT ($M)	61	(58)
UNDERLYING EBIT ($M)	61	(58)
NET OPERATING ASSETS (pre-tax) ($M)	172	183
RETURN ON NET ASSETS (pre-tax)	34%	(23%)

COATED AND BUILDING PRODUCTS NORTH AMERICA

Challenging year in a tough market

- Steelscape increased market share with despatches up 37% due to improved demand
- Demand for new non-residential buildings weak with external despatches down 35% for BlueScope Buildings
- Integration program in Buildings business over last 2 years improves its ability to handle current market weakness and materially benefit from future market improvement
- External shipments lower for ASC Profiles and Metl-Span from continued weak economic conditions

	FY 2010	FY 2009
EXTERNAL DESPATCHES ('000s of tonnes)		
Domestic	521	553
Export	14	19
REVENUE ($M)	1,307	2,189
EBIT ($M)	(21)	(93)
UNDERLYING EBIT ($M)	(16)	9
NET OPERATING ASSETS (pre-tax) ($M)	806	919
RETURN ON NET ASSETS (pre-tax)	(3%)	(8%)

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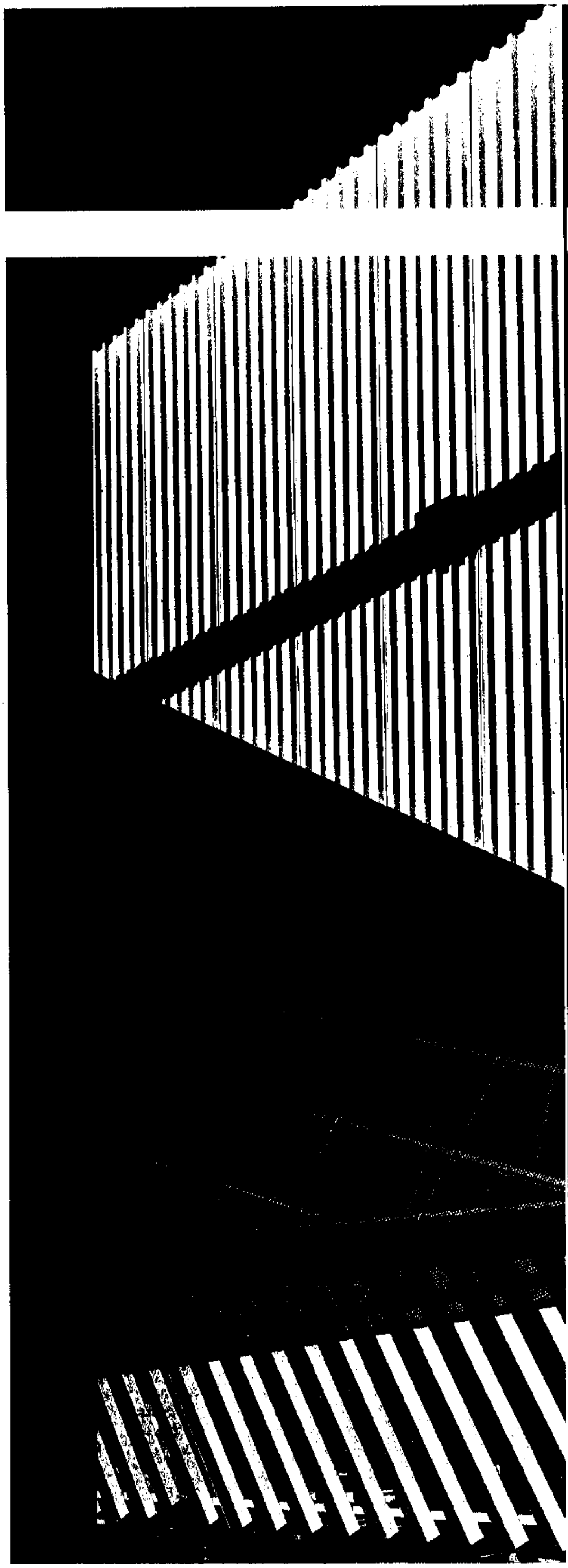
BLUESCOPE
STEEL



BLUESCOPE STEEL LIMITED
2009/2010

DIRECTORS' REPORT AND CONCISE FINANCIAL REPORT

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

The Directors of BlueScope Steel Limited ('BlueScope Steel') present their report on the consolidated entity ('BlueScope Steel Group' or 'the Company') consisting of BlueScope Steel Limited and its controlled entities for the year ended 30 June 2010.

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the BlueScope Steel Group, based principally in Australia, New Zealand, North America, China and elsewhere in Asia, were:

(a) Manufacture and distribution of flat steel products;
(b) Manufacture and distribution of metallic coated and painted steel products;
(c) Manufacture and distribution of steel building products; and
(d) Design and manufacture of pre-engineered steel buildings and building solutions.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant events occurred during the year.

The reline of its No.5 Blast Furnace (one of two at Port Kembla Steelworks). The Company completed the reline of its No. 5 Blast Furnace which was blown-in during August 2009.

Sinter plant upgrade at Port Kembla Steelworks. The sinter plant upgrade at Port Kembla Steelworks coincided with the reline of the No. 5 Blast Furnace and has been brought up to a rate consistent with the requirements of the blast furnace operations. The project increased the competitiveness of the Port Kembla Steelworks through reducing the use of more expensive iron ore pellets and using less expensive iron ore fines in the iron making process.

The Company is progressing a number of growth initiatives mainly aimed at expanding the manufacture and distribution of metallic coated and painted steel products. The status of these projects is:

— Indonesia: a second metallic coating facility (capacity: 165,000 tonnes per annum) with in-line painting at Cilegon, which was temporarily placed on hold during the year ended 30 June 2009, received Board approval to recommence construction and is now planned for completion during FY2011; and
— India: the metallic coating and painting facilities project in India which forms part of a 50/50 joint venture with Tata Steel, is planned for completion during FY2011.

MATTERS SUBSEQUENT TO THE YEAR ENDED 30 JUNE 2010

There were no material matters subsequent to the year ended 30 June 2010.

DIVIDENDS

In view of the financial performance of the Company in the second half of the year ended 30 June 2009 and the half year ended 31 December 2009 the Directors determined not to pay any dividends during the year ended 30 June 2010.

On 13 August 2010, the Directors determined to pay a final fully franked dividend of 5 cents per share, which is to be paid to shareholders on 20 October 2010 (record date 24 September 2010).

PUBLIC FILE 241

REVIEW AND RESULTS OF OPERATIONS

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

	Revenues 2010 $M	Revenues 2009 $M	Earnings 2010 $M	Earnings 2009 $M
Sales revenue/EBIT				
Coated & Industrial Products Australia	4,744.5	5,290.7	84.3	206.3
Australia Distribution & Solutions	1,761.6	2,120.7	11.9	(23.3)
New Zealand & Pacific Steel Products	618.1	694.9	72.9	65.1
Coated & Building Products Asia	1,348.6	1,542.6	115.6	(94.1)
Hot Rolled Products North America	0.0	0.0	60.7	(58.0)
Coated & Building Products North America	1,306.8	2,188.8	(21.3)	(93.2)
Discontinued operations	0.7	0.2	7.0	14.2
Segment revenue/EBIT	9,780.3	11,838.1	331.1	17.0
Inter-segment eliminations	(1,182.3)	(1,535.8)	(19.8)	126.4
Segment external revenue/EBIT	8,598.0	10,302.3	311.3	143.4
Other revenue/(net unallocated expenses)	25.8	26.6	(71.2)	(128.3)
Total revenue/EBIT	8,623.8	10,328.9	240.1	15.1
Net borrowing costs			(103.2)	(128.5)
Profit/(loss) from ordinary activities before income tax			136.9	(113.4)
Income tax (expense)/benefit			2.6	46.6
Profit/(loss) from ordinary activities after income tax expense			139.5	(66.8)
Net (profit)/loss attributable to outside equity interest			(13.5)	0.4
Net profit/(loss) attributable to equity holders of BlueScope Steel			126.0	(66.4)
Earnings per share (cents)			6.9	(7.1)

Underlying earnings

The reported earnings includes the following unusual and non-recurring items:

	EBIT 2010 $M	EBIT 2009 $M	NPAT 2010 $M	NPAT 2009 $M	EPS 2010 CPS	EPS 2009 CPS
Reported earnings	240.1	15.1	126.0	(66.4)	6.9	(7.1)
Unusual or non-recurring events:						
Net (gains)/losses from businesses discontinued	(7.0)	(14.7)	(6.0)	(13.0)	(0.3)	(1.4)
Asset impairment	–	36.0	–	36.0	–	3.8
Restructure and redundancy costs	30.6	110.4	21.0	77.4	1.2	8.3
Profit on sale and leaseback of properties	(12.6)	–	(8.8)	–	(0.5)	–
Integration costs associated with IMSA Steel Corp	–	3.5	–	2.4	–	0.3
Write-off of feasibility costs on capital projects	–	22.0	–	15.0	–	1.6
New Zealand tax adjustment	–	–	(21.5)	–	(1.2)	–
Business development costs	3.7	–	2.6	–	0.1	–
Western Port fire	–	10.2	–	7.1	–	0.8
Other	–	(11.1)	–	(2.2)	–	(0.2)
Underlying earnings	254.8	171.4	113.3	56.3	6.2	6.1

GROUP REVIEW

Given the unprecedented circumstances in the year ended 30 June 2009 and the challenging business environment in the year ended 30 June 2010, we are pleased with the improvement in our overall business performance.

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

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

Importantly for shareholders, the Directors have decided to reinstate dividend payments. This decision reflects our view of the financial performance of the business post the global financial crisis, the medium to long-term outlook for the Company and the global steel industry, and improved conditions in economies where we operate.

During the year ended 30 June 2010 earnings improved as the year progressed.

First Half – Net underlying loss after tax of $53.2M

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

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

Second Half – Net underlying profit after tax of $166.5M

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

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

A highlight for the year was our greatly improved performance in Asia, the future growth corridor of the world, with $115.6M underlying EBIT for the year versus a loss of $21.0M in the previous year. A new leadership team is driving our product offering and sales strategy. This, combined with a significant reduction in costs, particularly from streamlining manufacturing operations and a leaner back-office structure, underpinned the turnaround. We increased domestic sales volumes, and margins improved. Our Thailand business continued to be impacted by political instability and higher imports. Elsewhere, our second coating line (with in-line painting) development in Indonesia remains on schedule for completion in early calendar year 2011.

In Australia, our CIPA segment finished the year positively having increased despatch volumes with an improved sales mix. Underlying EBIT was $107.6M for the year and $187.5M in the second half. External export despatches increased 42% in the second half (compared to the first half), and improved prices in the fourth quarter enhanced margins. We also saw second half domestic demand improve by 11% on average across our core sectors. Despite this, our Distribution business struggled in a very competitive market segment with volumes and margins flat in the second half.

Our New Zealand & Pacific Steel Products segment delivered another solid underlying EBIT result of $72.9M, of which $51.6M was achieved in the second half. Domestic sales, to the manufacturing end-use sector in particular, increased notably in this half. The team also achieved increased export margins and despatch volumes.

In North America, the North Star BlueScope Steel mini mill delivered a significantly improved result. Earnings from our Hot Rolled Products North America segment improved to $60.7M (profit), over a $58.0M loss in the prior year. The North Star team continued to produce quality products and achieve excellent delivery performance to customers. This delivered volume improvements through the year and, along with better margins, contributed to the turnaround in the second half. However in our Coated & Building Products segment the Buildings business struggled due to continued weakness in the non-residential construction market. This was partly offset by improved performance from our Steelscape coated business, with improved sales volumes but softer margins.

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

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

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

Segment Results

Coated & Industrial Products Australia

The earnings contribution from the Coated and Industrial Products Australia segment decreased significantly, primarily as a result of lower domestic selling prices across all commoditised products, lower export hot rolled coil and slab prices and a stronger Australian dollar.

These were partly offset by lower coal, iron ore and scrap costs, cost reduction initiatives, higher domestic and export despatch volumes combined with lower per unit conversion costs arising from the increased production volumes, and lower inventory net realisable value provisions.

Australia Distribution & Solutions

The earnings contribution from the Australia Distribution & Solutions segment increased compared to the previous year's loss primarily due to lower steel feed costs, cost reduction initiatives and inventory net realisable value provisions taken during the prior comparative period. These were partly offset by lower domestic selling prices.

New Zealand & Pacific Steel Products

The earnings contribution from the New Zealand & Pacific Steel Products segment increased principally as a result of higher domestic despatch volumes and shipments of Taharoa iron sands, cost reduction initiatives, one-off costs incurred during the prior comparative year relating to the write-off of feasibility costs previously capitalised on capital projects placed on hold and lower inventory net realisable value provisions. These were partly offset by lower domestic and export selling prices and an unfavourable movement in the US dollar relative to the NZ dollar.

Coated & Building Products Asia

The earnings contribution from the Coated & Building Products Asia segment improved significantly compared to the prior year loss as a result of higher sales volumes, lower steel feed costs, cost reduction initiatives and one-off costs incurred during the prior comparative year relating to asset impairment charges and internal restructuring costs. These were partly offset by lower domestic and export prices and unfavourable foreign exchange movements in China, Thailand and Malaysia.

Hot Rolled Products North America

The earnings contribution from the Hot Rolled Products North America segment increased significantly compared to the previous year's loss primarily due to higher despatch volumes, lower per unit conversion costs driven by the increased volumes, cost reduction initiatives and inventory net realisable value provisions taken during the comparative period. These were partly offset by reduced spread at North Star BlueScope Steel driven by lower hot rolled coil prices partly offset by lower average scrap and pig iron prices.

Coated & Building Products North America

The earnings contribution from the Coated & Building Products North America segment increased primarily due to cost reduction initiatives and lower inventory net realisable value provisions. These were partly offset by lower sales volumes and unfavourable exchange rate translation movements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Steel Industry

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

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

Strategy

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

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

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

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

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

Outlook

In the first half of the year ended 30 June 2011 we expect continued strong performance from our Asian businesses and the ongoing benefit of permanent cost reductions. However, in the first quarter we currently see:

- significant spread contraction (recent fall in export steel prices by more than USD$100/tonne) coupled with higher raw material costs;
- softer demand where customers, particularly distributors, buy less during periods of price pessimism;
- continued demand weakness in the US; and
- an ongoing drag due to the strong AUD vs. USD.

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

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

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DIRECTORS' BIOGRAPHIES

BOARD COMPOSITION

The following were Directors for the year ended 30 June 2010: Graham John Kraehe AO (Chairman), Ronald John McNeilly (Deputy Chairman), Diane Jennifer Grady AM, Daniel Bruno Grollo, Harry Kevin (Kevin) McCann AM, Kenneth Alfred Dean, Paul Francis O'Malley (Managing Director and Chief Executive Officer) and Tan Yam Pin.

Particulars of the skills, experience, expertise and special responsibilities of the Directors are set out below.

GRAHAM KRAEHE AO

Chairman
(Independent)
Age 67, BEc
Director since: May 2002

Extensive background in manufacturing and was Managing Director and Chief Executive Officer of Southcorp Limited from 1994 to February 2001. Chairman of Brambles Industries Limited since February 2008 and a Non-Executive Director since December 2000. Member of the Board of the Reserve Bank of Australia since February 2007. Djerriwarrh Investments Limited since July 2002. Member of the Board of Governors of CEDA and a Director of European Australian Business Council. Mr Kraehe was a Non-Executive Director of National Australia Bank Limited from August 1997 to September 2005 and Chairman from February 2004 to September 2005, and was a Non-Executive Director of News Corporation Limited from January 2001 until April 2004.

He brings skills and experience in manufacturing management and in companies with substantial and geographically diverse industrial operations. Mr Kraehe's experience with a wide range of organisations is relevant for his role as Chairman of the Board.

RON McNEILLY

Deputy Chairman
(Independent)
Age 67, BCom, MBA, FCPA
Director since: May 2002

Deputy Chairman of the Board with over 30 years experience in the steel industry. He joined BHP in 1962, and until December 2001 held various positions with the BHP Group (now BHP Billiton), including Executive Director and President BHP Minerals, Chief Operating Officer and Executive General Manager, and was Chief Executive Officer BHP Steel until 1997. The latter role developed his knowledge of many of the businesses comprising BlueScope Steel today.

Chairman of Worley Parsons Limited and a Director since October 2002 and a Director of Alumina Ltd since December 2002. Vice President of the Australia Japan Business Cooperation Committee and a Member of the Council on Australia Latin America Relations until December 2009. Chairman of Melbourne Business School Limited until May 2010.

DIANE GRADY AM

Non-Executive Director
(Independent)
Age 62
BA (Hons), MA (Chinese Studies), MBA
Director since: May 2002

Director of Woolworths Ltd since July 1996 and Goodman Group from September 2007. Wattyl Ltd from December 1994 until October 2006 and Senior Adviser to McKinsey & Co. Has served on the boards of a number of public and not-for-profit organisations including Lend Lease Corporation, Greengrocer.com (Chair), Sydney Opera House Trust, Ascham School (current Chair) and as President of Chief Executive Women. Formerly a partner of McKinsey & Co. serving clients in a wide range of industries on strategic growth and change initiatives.

Diane is an experienced director who brings valuable strategic and business expertise to the Board and to her role as Chair of the Remuneration and Organisation Committee.

KEVIN McCANN AM

Non-Executive Director
(Independent)
Age 69, BA LLB (Hons), LLM, FAICD
Director since: May 2002

Chairman of Origin Energy Limited since February 2000, the Sydney Harbour Federation Trust and the Corporate Governance Committee of the Australian Institute of Company Directors since May 2009. Lead independent director of Macquarie Bank Limited and Macquarie Group Limited. Director of the Sydney Harbour Conservancy. Member of the Board and NSW President of the Australian Institute of Company Directors. Member of the Council of the National Library of Australia, the Evans and Partners Advisory Board and the University of Sydney Senate.

Chairman of Healthscope Ltd from May 1994 to October 2008. Chairman of Triako Resources Limited from April 1999 until September 2006. Member of the Takeovers Panel from 2001 to March 2010. Member of the Defence Procurement Advisory Board from March 2004 until March 2008 and has served on the Boards of Pioneer International Limited, Ampol Limited and the State Rail Authority of New South Wales. Acting Chairman of Macquarie Bank Limited and Macquarie Group Limited from November 2008 to August 2009.

Former Chairman of Partners of Allens Arthur Robinson, a national and international Australian law firm, and a partner of the firm from 1970 until June 2004, specialising in mergers and acquisitions, mineral and resources law and capital markets transactions. He brings extensive legal expertise, commercial experience as a director and former director of a number of major listed companies and experience in corporate governance to the Board.

TAN YAM PIN

Non-Executive Director
(Independent)
Age 69, BEc (Hons), MBA, CA
Director since: May 2003

A chartered accountant by profession, formerly Managing Director of Fraser and Neave Group, one of South-East Asia's leading public companies, and Chief Executive Officer of its subsidiary company, Asia Pacific Breweries Ltd. A member of the Public Service Commission of Singapore since 1990 and a Director of the Board of Keppel Land Limited (Singapore), Singapore Post Limited, Great Eastern Holdings Limited, Leighton Asia Limited and The Lee Kuan Yew Scholarship Fund. Mr Tan previously served as Chairman of PowerSeraya Limited (Singapore) from 2004 to 2009, as Director of Certis CISCO Security Pte. Ltd from 2005 to 2009, as Director of The East Asiatic Company Limited A/S (Denmark) from 2003 to 2006, as Director of International Enterprise Singapore from 2004 to 2008 and as a Director of Singapore Food Industries Ltd from 2005–2009.

Mr Tan resides in Singapore. He brings extensive knowledge of Asian markets, an area of strategic importance to BlueScope Steel. His financial and leadership skills complement the skills on the Board.

DANIEL GROLLO

Non-Executive Director
(Independent)
Age 40
Director since: September 2006

Chief Executive Officer of Grocon Pty Ltd, Australia's largest privately owned development and construction company. He is a Director of the Green Building Council of Australia and a Director and National President of the Property Council of Australia. Mr Grollo was appointed a Director of CPI Limited in June 2007.

He brings extensive knowledge of the building and construction industry to the Board.

PAUL O'MALLEY

Managing Director and
Chief Executive Officer
Age 46, BCom, M. App Finance, ACA
Director since: August 2007

Appointed Managing Director and Chief Executive Officer of BlueScope Steel on 1 November 2007.

Joined BlueScope Steel as its Chief Financial Officer in December 2005. Formerly the CEO of TXU Energy, a subsidiary of TXU Corp based in Dallas, Texas, and held other senior management roles within TXU including Senior Vice President and Principal Financial Officer and, based in Melbourne, Chief Financial Officer of TXU Australia. Before joining TXU, he worked in investment banking and consulting.

KEN DEAN

Non-Executive Director
(Independent)
Age 57, BCom (Hons), FCPA, FAICD
Director since: April 2009

Mr Dean has been a Director of Santos Limited since February 2005 and has held past directorships with Alcoa of Australia Limited, Woodside Petroleum Limited and Shell Australia Limited.

Mr Dean spent more than 30 years in a variety of senior management roles with Shell in Australia and the United Kingdom. His last position with Shell, which he held for five years, was as Chief Executive, Officer of Shell Finance Services based in London. Upon his return to Australia in 2005, he was Chief Financial Officer of Alumina Limited, a position from which he resigned in 2009 to focus on non-executive directorship roles.

He brings extensive international financial and commercial experience to the Board.

COMPANY SECRETARIES

Michael Barron, Chief Legal Officer and Company Secretary, BEc, LLB, ACIS
Responsible for the legal affairs of BlueScope Steel and for company secretarial matters. Joined the Company as Chief Legal Officer and Company Secretary in January 2002. Prior to that occupied position of Group General Counsel for Orica.

Darren Mackenzie, BA, LLB (Hons)
Corporate counsel with BlueScope Steel. A lawyer with over 10 years experience in private practice and corporate roles.

Clayton McCormack, BCom, LLB
Corporate counsel with BlueScope Steel. A lawyer with over 10 years experience in private practice and corporate roles.

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