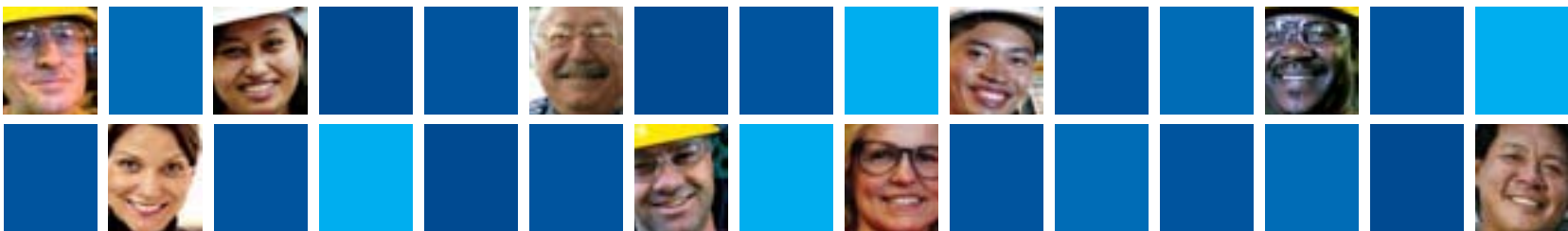




**BEING A PART OF
SOMETHING STRONG
ALWAYS MAKES YOU SMILE**



**AFTER TWO
OUTSTANDING YEARS
AND A LOT OF HARD
WORK, BLUESCOPE
STEEL'S PEOPLE HAVE
PLENTY OF REASONS
TO SMILE.**

**NET PROFIT AFTER TAX
OF \$584 MILLION (UP 29%)**

**EARNINGS BEFORE
INTEREST AND TAX OF
\$818 MILLION (UP 34%)**

**RETURN ON INVESTED
CAPITAL OF 18.5% (UP 28%)**

**EARNINGS PER SHARE
OF 77.8 CENTS (UP 36%)**

**DIVIDENDS OF 40 CENTS
PER SHARE, FULLY
FRANKED (UP 38%)**

**DEBT OF \$593 MILLION
(GEARING OF 12.9% NET
DEBT BASIS)**

**REVENUE OF
\$5.8 BILLION (UP 9%)**

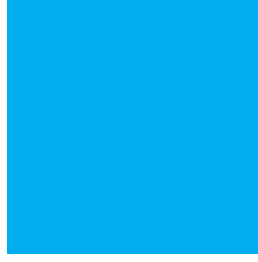
**RECORD PRODUCTION
OF 6.6 MILLION TONNES
OF RAW STEEL (UP 2%)**



ENERGETIC



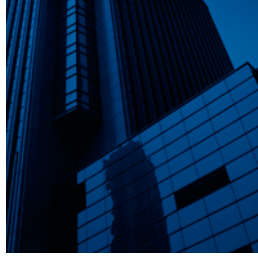
CONFIDENT



OPTIMISTIC



AGILE



INVOLVED

RESPONSIVE



TRUSTED





FOCUSED



GROWING



REWARDING



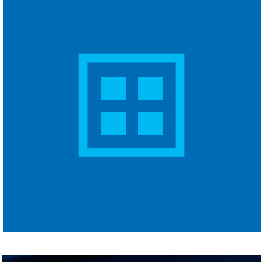
INSPIRED



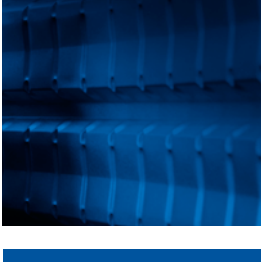
RENEWED



LEADING



VALUED



IMAGINATIVE



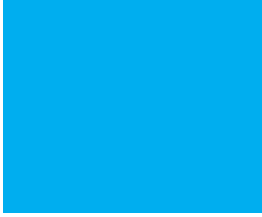
OPPORTUNITY



INNOVATIVE



AWARE



RESPECTED

OUTSTANDING PERFORMANCE

"AS AN EMPLOYEE, BY MANAGING OUR CUSTOMERS WELL I AM LOOKING AFTER OUR SHARE PRICE. AS A SHAREHOLDER, THAT MAKES ME SMILE."

MANDY ARMISTEAD // ACCOUNT MANAGER, BRAESIDE, VICTORIA, AUSTRALIA.

MANDY PICTURED IN FRONT OF THE AWARD-WINNING MOONAH LINKS HOUSE, MORNINGTON PENINSULA, AUSTRALIA WHICH USES NATURAL SHADES OF COLORBOND® STEEL TO BLEND WITH THE NATIVE LANDSCAPE.



**TOTAL DIVIDENDS OF 40 CENTS,
SHARE PRICE HAS MORE**



**FULLY FRANKED.
THAN DOUBLED SINCE LISTING.**



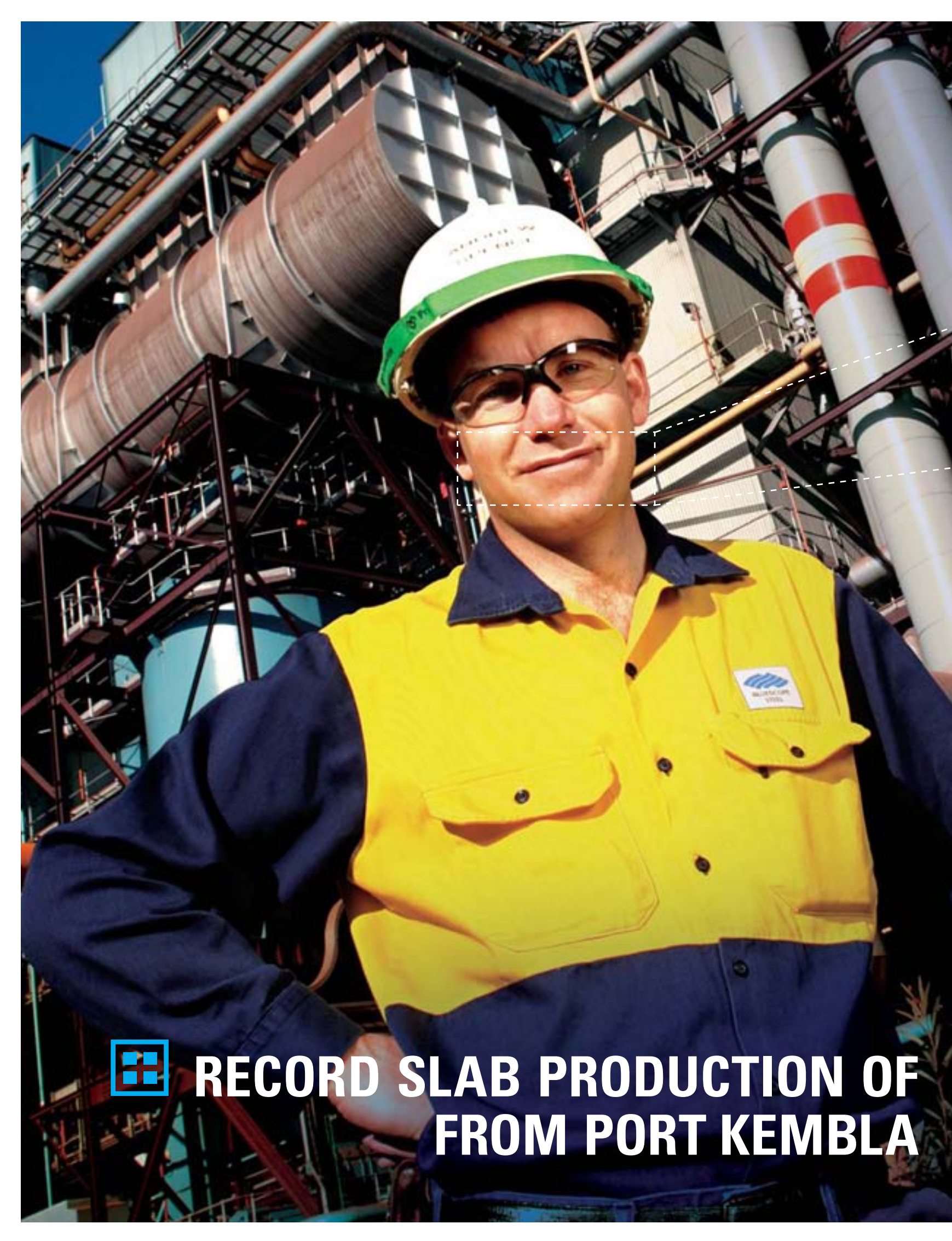
75 MANUFACTURING PLANTS IN 16 COUNTRIES ACROSS THREE CONTINENTS.

QUALITY PEOPLE AND PRODUCTS

"I AM PROUD TO WORK FOR BLUESCOPE LYSAGHT. THIS BUSINESS LOOKS AFTER ITS PEOPLE WELL, AND CARES ABOUT PRODUCT QUALITY."

THONGLANG WONGMUAI // PRODUCTION OPERATOR AT THE BLUESCOPE LYSAGHT RANGSIT PLANT, PRATHUMTHANI, THAILAND.

THONGLANG IS PICTURED HERE WITH CRIMP CURVE TRIMDEK® USED IN STRUCTURAL DECKING APPLICATIONS.



**RECORD SLAB PRODUCTION OF
FROM PORT KEMBLA**



PROUDLY INNOVATIVE

"WE'RE EXPECTED TO BE IMAGINATIVE, AND TO INNOVATE. THIS PROJECT HAS MADE A BIG DIFFERENCE TO THE BUSINESS AND THE COMMUNITY, AND THAT MAKES US SMILE."

ANDREW SPENCE // MECHANICAL ENGINEER,
PORT KEMBLA STEELWORKS

ANDREW IS PICTURED IN FRONT OF THE SINTER WASTE GAS TREATMENT PLANT. IT CAPTURES AND TREATS GAS AND DUST EMISSIONS, SOME OF WHICH WILL BE RECYCLED FOR COMMERCIAL PURPOSES.

5.145 MILLION TONNES STEELWORKS, AUSTRALIA.



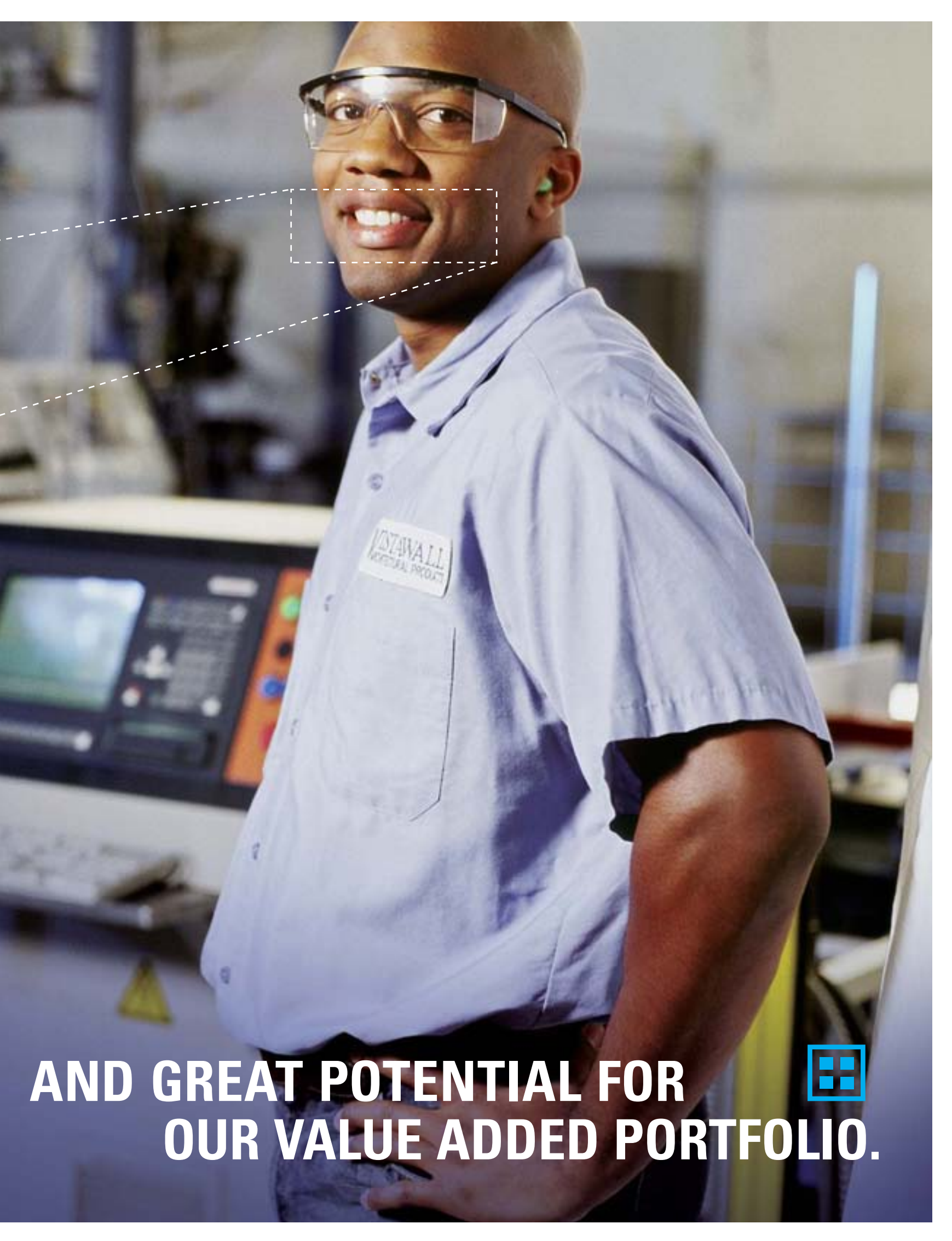
STRONGER, WITH GREATER SCOPE

“NEW KNOWLEDGE, BEST IN CLASS PRACTICES, EXTRA CAPITAL AND PEOPLE – IT ALL ADDS UP TO A FUTURE WORTH SMILING ABOUT.”

KYEMBA McMILLIAN // INDUSTRIAL ENGINEER,
VISTAWALL ARCHITECTURAL PRODUCTS, TERRELL, TEXAS, USA.

KYEMBA WORKS WITH ADVANCED FABRICATION MACHINERY SUCH AS THE HIGH-PRECISION ELUMATEC SBZ 130 SHOWN.

WE WELCOME BUTLER MANUFACTURING – 4,400 PEOPLE



**AND GREAT POTENTIAL FOR
OUR VALUE ADDED PORTFOLIO.**



POSITIONED TO GROW

"ASIA IS INCREDIBLY EXCITING... POSSIBLY THE LARGEST-SCALE MODERNISATION IN HISTORY. WE'RE BUILDING A GREAT REPUTATION HERE, AND PLENTY OF OTHER COMPANIES WOULD LIKE TO HAVE OUR Foothold."

MAY GOH // MANAGER EXTERNAL AFFAIRS, ASIA.

MAY PICTURED IN FRONT OF THE TALLEST BUILDING IN CHINA, SHANGHAI'S JIN MAO TOWER, FEATURING BLUESCOPE STEEL'S PREMIUM PRODUCTS.

A FORCE IN THE WORLD'S MOST NO.1 IN PREMIUM STEEL



**DYNAMIC REGION.
BUILDING PRODUCTS IN ASIA.**





**REWARDING
SHAREHOLDERS
AS WE GROW**

Graham Kraehe AO

CHAIRMAN

BUILDING OUR REPUTATION, AND OUR NAME

Since our public listing on 15 July 2002, BlueScope Steel has become known as a company that creates shareholder value, and a company that rewards its shareholders. In the 2003/04 financial year we continued building this reputation.

We also changed our name from BHP Steel to BlueScope Steel, and we are delighted at how seamlessly this transition was achieved. We are now identified by a unique name that befits our strong reputation, and our new corporate brand is widely recognised.

HIGH SHAREHOLDER RETURNS

The ability of BlueScope Steel to reward our shareholders is an indication of our strength. Our Total Shareholder Return (growth in share price plus dividends) from 15 July 2002 to 30 June 2004 ranks 'BSL' as one of the best performing stocks on the ASX.

The dividends we have declared represent an attractive yield. Total dividends were 40 cents per share (fully franked), an increase of 11 cents over last year. Our return on invested capital was a strong 18.5 per cent.

We have also had great success with our Employee Share Ownership initiatives. Over 99 per cent of our employees have become BlueScope Steel shareholders. In March 2004, we completed a share buyback program which resulted in some 60 million shares being re-purchased, at an average price of \$4.70 per share. The effect of this buyback is that earnings per share this year are 4.2 cents higher than they otherwise would have been.



The Company's Board and management are focused on creating shareholder value. The strong performance over the two years since public listing has delivered excellent returns for shareholders.

STRONG PERFORMANCE

Over the past year, the major measures of our Company's performance continued to climb. NPAT increased by 29 per cent to \$584 million and earnings per share by 36 per cent to 77.8 cents.

In addition, the strong net cash flow generated by BlueScope Steel – \$315 million in FY04 – has allowed us to fund our growth without placing undue strain on our balance sheet.

At 30 June 2004, total debt outstanding was \$593 million, a gearing ratio on a net debt/net debt plus equity basis of 12.9 per cent. BlueScope Steel has one of the strongest balance sheets in the global steel industry.

Tragically, on 29 June 2004, a fatality occurred in our business, at our Brisbane Logistics Terminal. This terrible occurrence marred an otherwise impressive safety performance.

GROWTH – OUR STRATEGY IN ACTION

Our strategy is about increasing our market presence as a steel solutions company. In line with this strategy, BlueScope Steel has embarked on a significant growth program. Our product range is growing, new offerings are available for our customers, and we have made strategic acquisitions.

New manufacturing facilities are also being constructed, and existing plants upgraded. These initiatives are summarised in this Report. We are now well advanced in construction of our major new metallic coating and painting facilities in China, at Suzhou west of Shanghai, and Vietnam, near Ho Chi Minh City, while a number of other new plant expansions are underway.

In total, the Board has, over the course of the past year, made commitments to new capital projects with a planned value of over A\$1 billion. This includes a major landmark in the evolution of our Company – the acquisition of Butler Manufacturing for

US\$206 million (net of cash acquired). Acquiring this company, which was formerly listed on the New York Stock Exchange, will increase our revenue by over A\$1 billion on a full year basis.

The Butler acquisition brings exciting new possibilities, intellectual property and capabilities to BlueScope Steel. It also establishes our Company as the leading pre-engineered building business in both North America and China.

BEST PRACTICE GOVERNANCE

The corporate governance arrangements in place at BlueScope Steel comply with the ASX Principles of Good Corporate Governance and Best Practice Recommendations. These arrangements are summarised in this Report. Ours is an effective Board, a talented and experienced team with the vision to help shape our future. I thank my fellow Directors for the leadership they have provided. I would also like to acknowledge the contribution made by John Crabb, who recently retired as a Director.

This financial year has seen BlueScope Steel achieve growth and greater financial strength, while simultaneously rewarding our shareholders. Our success has been made possible by adherence to the principles of 'Our Bond', BlueScope Steel's values statement. Each of our 16,000 employees, under the leadership of Managing Director and CEO Kirby Adams, can feel very proud of their achievements since our public listing two years ago.

So, on behalf of the Board of Directors and all shareholders, I congratulate and thank them for their efforts and their skill.



GRAHAM KRAEHE, AO CHAIRMAN

OUR BOND

We and our customers proudly bring inspiration, strength and colour to communities with BlueScope Steel.

Our customers are our partners.

Our success depends on our customers and suppliers choosing us. Our strength lies in working closely with them to create value and trust, together with superior products, service and ideas.

Our people are our strength.

Our success comes from our people. We work in a safe and satisfying environment. We choose to treat each other with trust and respect and maintain a healthy balance between work and family life. Our experience, teamwork and ability to deliver steel inspired solutions are our most valued and rewarded strengths.

Our shareholders are our foundations.

Our success is made possible by the shareholders and lenders who choose to invest in us. In return, we commit to continuing profitability and growth in value, which together make us stronger.

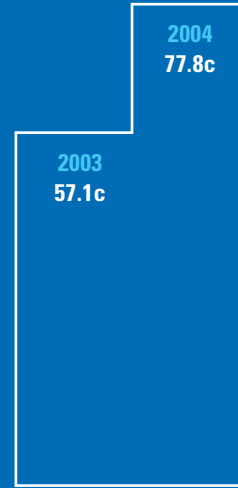
Our communities are our homes.

Our success relies on communities supporting our business and products. In turn, we care for the environment, create wealth, respect local values and encourage involvement. Our strength is in choosing to do what is right.

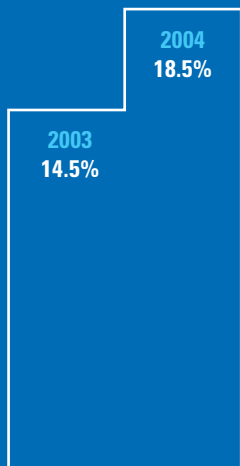




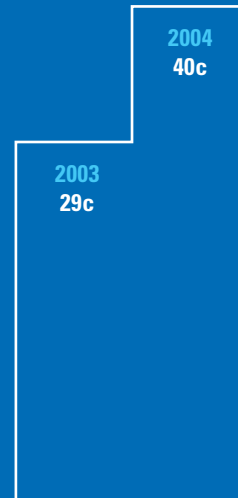
NET PROFIT AFTER TAX



EARNINGS PER SHARE



RETURN ON INVESTED CAPITAL



TOTAL DIVIDENDS

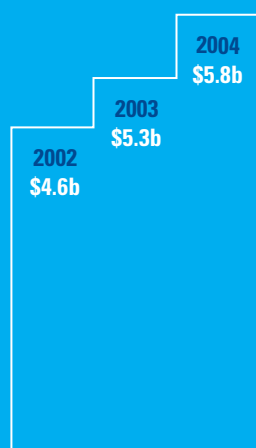
We are committed to safe operations, providing inspired and competitive solutions for our customers and strong financial performance. Our focus is on total shareholder return.



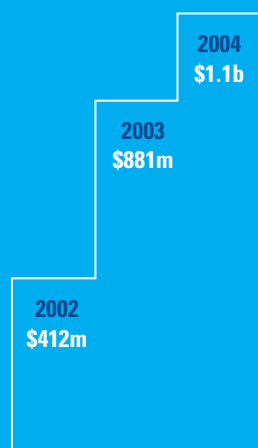
**NET PROFIT
AFTER TAX
OF \$584M**



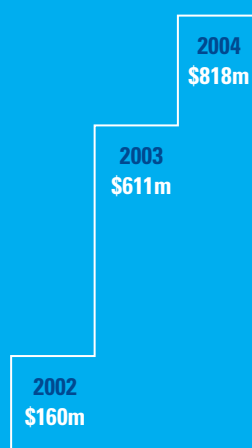
Kirby Adams MANAGING DIRECTOR AND CEO



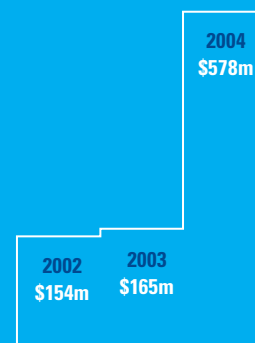
TOTAL REVENUE



EBITDA



EBIT



CAPITAL EXPENDITURE AND INVESTMENTS

It is two years since BlueScope Steel's public listing, and in that time we have matured, grown and become more agile. During 2002/03 we worked hard to beat our prospectus forecast, further improve our performance and establish our credibility. As a consequence, we gained your permission to grow.

The 2003/04 financial year has seen us enter this growth phase. We have further implemented our downstream value added strategy, while continuing to reward shareholders. So with another outstanding 12 months behind us, I am pleased to report some of the highlights of your Company – BlueScope Steel.

A SECOND CONSECUTIVE OUTSTANDING YEAR

Once again, our financial performance has been strong. Revenue for 2003/04 was \$5.8 billion, up from \$5.3 billion in 2002/03, and \$4.6 billion in 2001/02. This indicates strong market demand, but more importantly, it demonstrates that we have positioned ourselves to capitalise on that demand. We continue to develop long-term relationships of integrity with our customers around the world.

Net profit after tax increased 29 per cent, or \$132 million, to \$584 million. This is a measure of the skill with which people across all our businesses have managed production volumes, product mix, pricing and unit costs. Our earnings per share of 77.8 cents was up 36 per cent from 57.1 cents in 2002/03, and our after tax return on invested capital was a healthy 18.5 per cent. These two outcomes demonstrate how we have maintained shareholder returns as a priority.

Our Board of Directors generously extended \$27 million of share offers to our employees in 2003 and 2004. As a result, more than 99 per cent of our employees who have taken advantage of our Employee Share Ownership Plans are now sharing in the capital appreciation and dividends that are flowing to all shareholders.

SAFETY – THE ZERO HARM IMPERATIVE.

During the financial year we have experienced many safety successes, but one tragedy overshadows them all. On 29 June 2004, a contractor at our Brisbane Logistics Terminal in Queensland, Australia, was killed in a forklift accident.

If we cannot operate our business safely, then all our achievements are hollow. We must drive for even better safety and must persevere towards our imperative of Zero Harm.

It is my great hope that we shall never have another fatality. To achieve this goal, we have implemented a global program at every operating site to reduce and, where possible, eliminate the interaction of people and forklifts.

Our safety performance has otherwise continued to improve. Our lost time injury frequency rate is at a record low of 1.3 hours lost per million hours worked and our medical treatment injury frequency rate has been similarly reduced, as shown on page 23.



A YEAR AS CHAIRMAN OF THE WORLD'S PEAK STEEL BODY.

This financial year coincided with Kirby Adams' year as Chairman of the International Iron and Steel Institute (IISI).

The Brussels-based IISI serves as a world forum for the international steel industry and is one of the largest and most dynamic industry associations in the world.

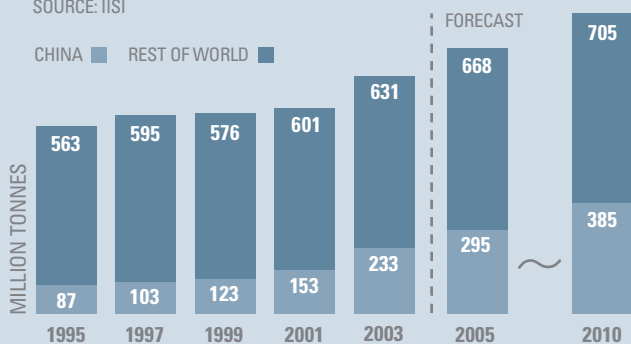
For the global steel industry, this is a time of great change and progress. Enormous growth in consumption in China has driven massive increases in world steel demand over the past two years. The forecasts of the IISI indicate that this growth is likely to continue.

In 2003, China's demand for steel was 233 million tonnes— 27 per cent of global steel demand. In 2010, the IISI expects China's demand to reach 385 million tonnes, representing 35 per cent of global demand.

The IISI aims to consolidate steel's position as a major foundation of a sustainable world. To achieve this, a number of initiatives are underway within the Institute. These cover: steel business information, benchmarking of best practices, developing new markets for steel, addressing sustainability and communicating a positive image of steel.

WORLD APPARENT CONSUMPTION OF FINISHED STEEL

SOURCE: IISI



EXCELLENCE IN STEELMAKING

BlueScope Steel's strong financial results were achievable because of our solid foundation of low cost, high quality steelmaking. Our steelmaking operations were a major contributor to profitability over the last financial year.

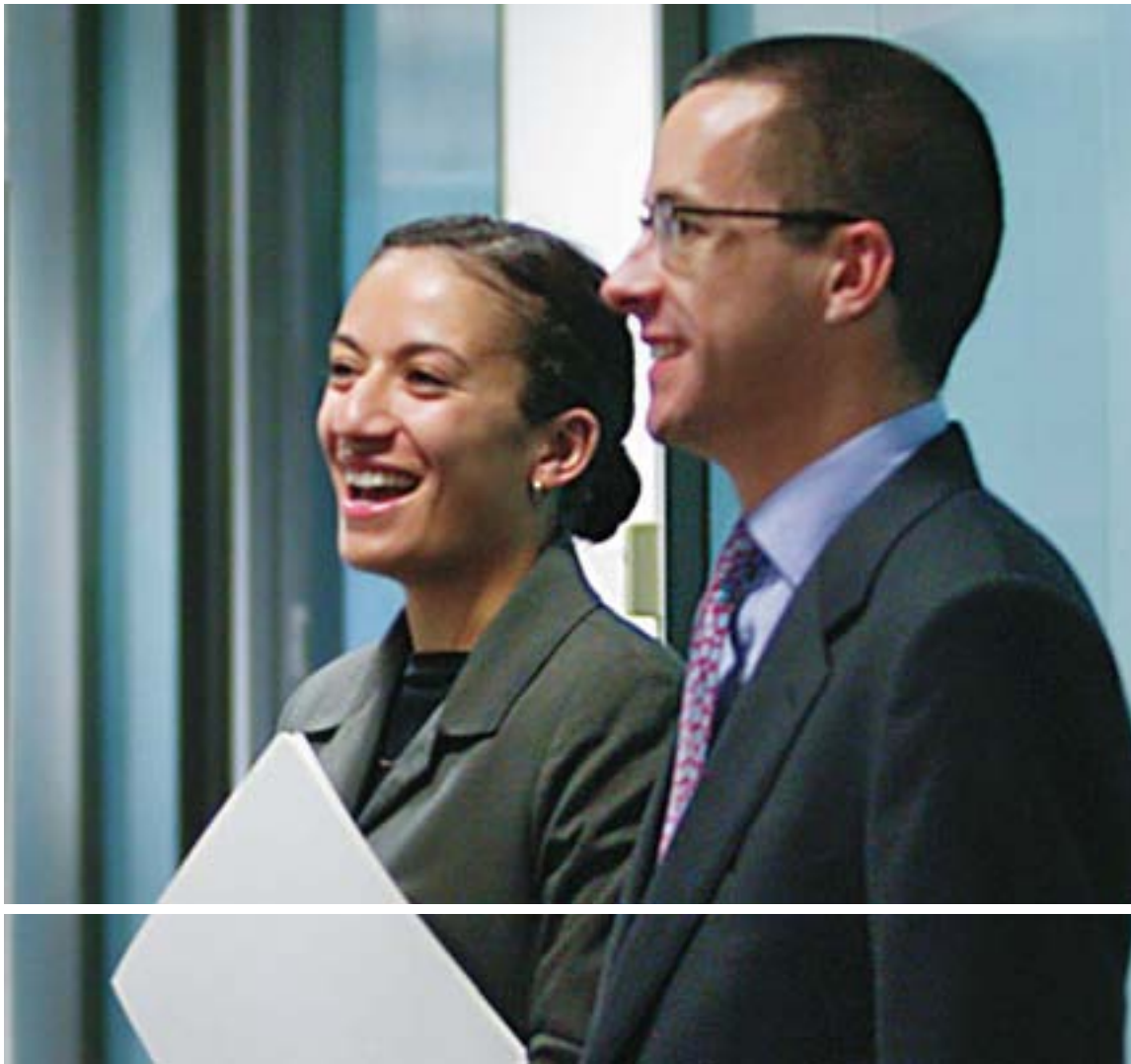
Port Kembla Steelworks in Australia, New Zealand Steel at Glenbrook and North Star BlueScope Steel in Ohio, USA are among the world's finest steelmaking facilities. Each utilises a completely different technique to produce steel – one from iron ore and coke, one from iron sands, and one from scrap.

This financial year, Port Kembla Steelworks set a new production record of 5.145 million tonnes. North Star BlueScope Steel returned a strong profit and excellent operational performance, and for the third year in a row it was rated the number one flat rolled steel supplier in North America in the prestigious Jacobsen survey. New Zealand Steel completed a strong turnaround.

Our facilities have maintained their position at the low end of the international cost curve, helping ensure that our foundations remain strong and our comparative costs low.

GROWTH – ACCELERATING OUR PROGRAM

The past financial year has seen the Company accelerate its growth program. In keeping with our strategy of developing our downstream, value-added businesses, much of our investment has been in these areas.



A RENEWED SELF-BELIEF AND CAN-DO SPIRIT.

COMMITTED // Employees like Chelsea Patten and Matt Coghlan at head office in Melbourne are contributing to our success. +

In this financial year, we announced commitments to growth projects totalling over A\$1 billion. These projects are in China, Vietnam, Thailand, Indonesia, North America, Australia and New Zealand. Of course, this figure includes the US\$206 million acquisition of the US-based Butler Manufacturing – an event which we consider company defining, and which brings 4,400 new employees into our Company. We have put a lot of energy into making their transition to BlueScope Steel a great one.

Our steel coating, painting and rollforming businesses have also shown solid growth, reflecting our overall Company strategy. In Australia, innovative and timely products are adding even more value to our steel. For example, our BlueScope Water business has launched the Waterpoint® range of rainwater harvesting products, as well as the HydroRib® range, which supports stormwater management and irrigation.

In Asia, we are continuing to develop new brands in response to local market demand, including the Lysaght SMARTRUSS® system of steel roof trusses.

So this has been a year in which our Company has grown in innovation, capability and geographical presence. This growth is an expression of our strategy, and a response to global economic conditions. Stories about these exciting products follow in this Report.

A GLOBAL COMPANY

The recent acquisition of Butler Manufacturing substantially increases our presence in China, and dramatically raises our

profile in downstream businesses in North America. It also emphasises the fact that BlueScope Steel has become a more global company, employing more than 16,000 people in 23 countries.

In Asia, for example, BlueScope Steel employees will soon number more than 3,000. Our extensive BlueScope Lysaght rollforming network is unmatched by any other company, with over 40 sites across 13 countries. We are the largest Australian manufacturing investor in China, Thailand, Indonesia, Malaysia and Vietnam.

In China, the Company is now the clear leader in pre-engineered steel buildings and premium steel building materials – both are high value-added applications of steel.

Our North American businesses have great potential. We have already taken significant steps to improve the performance of the Buildings Group, while the Vistawall business shows plenty of promise for future growth.

To conclude, this has been a challenging and rewarding financial year. BlueScope Steel is in a new growth phase and we are executing that growth in a controlled manner. There is a renewed self-belief and can-do spirit evident among our people. We are committed to safe operations, providing inspired and competitive solutions for our customers and strong financial performance. Our focus is on total shareholder return.

KIRBY ADAMS, MANAGING DIRECTOR AND CEO



AN INTERNATIONAL STEEL SOLUTIONS COMPANY.

DELIVERING QUALITY // Our rollformed products from operations like those in Thailand, above, enable the delivery of innovative building solutions.

ICONIC ARENAS // The Melbourne Cricket Ground, right, is one of many landmark sporting arenas around the world that feature BlueScope Steel's products. When the current re-build is complete, the stadium will seat 100,000 people. Our Company has worked with customers like fabricator Alfasi Steel Constructions, and roof manufacturer Fielders, to provide structural steelwork and steel roofing. XLERPLATE®, ZINCALUME® and COLORBOND® steels all feature prominently in the redevelopment. +





BLUESCOPE STEEL IS AIMING TO ENHANCE ITS POSITION AS AN INTERNATIONAL STEEL SOLUTIONS COMPANY. THIS DEMANDS ONGOING INNOVATION IN EVERY ASPECT OF OUR BUSINESS.

+ THE STORY OF BLUESCOPE STEEL

FAMOUS ORIGINS

BlueScope Steel is a young company – we came into existence in July 2002 with our spin-out from BHP Billiton and public listing on the Australian Stock Exchange. We believe that our vitality and can-do attitude are a reflection of our youth. However, within our company are five famous businesses with long and substantial steel industry histories covering Australia, New Zealand, the United States and increasingly, the countries of Asia.

Our roots go back to The Broken Hill Proprietary Company Limited, formed in 1885 to mine silver, lead and zinc in outback New South Wales and moving into steel manufacturing in 1915.

John Lysaght (Australia) Pty Ltd was formed in 1918, as demand for steel intensified during the First World War, to serve the Australian building and construction industry. The galvanised steel from Lysaght's English factory was already well known in Australia, and 'corrugated iron' has since become a unique feature of the Australian architectural landscape.

In 1928, Australian Iron and Steel Limited (AIS) was formed to operate a steelworks at Port Kembla in New South Wales, close to the region's rich coal deposits.

AIS was acquired by BHP in 1935, while John Lysaght (Australia) became a wholly owned subsidiary in 1979.

New Zealand Steel was formed in 1968 to convert the ironsands of Waikato North Head, near Auckland, into modern steel products for the New Zealand and export markets. This unique business became part of the BlueScope Steel portfolio in 1989.

Butler Manufacturing Company is an iconic US-based business that began in 1901. It went on to establish highly successful operations in pre-engineered buildings and window, roofing and wall systems. In 1996 the company expanded into China. Butler Manufacturing was acquired by BlueScope Steel on 27 April 2004.

So, while our Company is young, our component businesses have deep roots, and embody many years of skill and experience in the steel industry.

A GROWING REPUTATION

BlueScope Steel is the leading steel company in Australia and New Zealand, and ranks among the top 50 companies on the Australian Stock Exchange. We supply the majority of flat steel products sold in these markets – used in vehicles, houses and landmark buildings. Our products make a big difference to the lives of people in many countries.

Within our portfolio are three very fine steelmaking facilities – Port Kembla in Australia, Glenbrook in New Zealand, and Delta, Ohio in the USA. We also have a network of roll-forming facilities across Australia, Asia and the Pacific that is unmatched by any other steel company. In keeping with our downstream value-adding strategy, we are growing and enhancing our reputation as a global steel solutions company – expanding our existing capacity and constructing new facilities across the Asia-Pacific region.

With the recent acquisition of Butler Manufacturing Company, we are now the leader in pre-engineered buildings in North America and China, and number one in premium steel building products in China.

We supply customers in Australia, New Zealand, Asia, the USA, Europe, the Middle East, the Pacific and elsewhere with purpose-designed products backed by comprehensive after-sales service.

FOCUSED ON THE FUTURE

BlueScope Steel is aiming to enhance its position as an international steel solutions company. This demands ongoing innovation in every aspect of our business. Advances, such as the revolutionary Castrip® thin strip casting process, provide a glimpse of tomorrow's steelmaking technology. Brand building and marketing initiatives will help drive steel into new applications and expand our customer base.

Our global presence has positioned us to grow in conjunction with some of the world's most dynamic economies. BlueScope Steel is a company firmly focused on the future.

TOTAL REVENUE

\$5.8b

WHERE DOES THE MONEY GO?

We generate revenue by providing products and solutions to our customers. This revenue is distributed to employees, suppliers and governments in the communities in which we operate. Cash which is not reinvested in the business is returned to our shareholders.

Additional monies, not shown here, are reinvested in the business in other ways, such as depreciation, and we directly invested more than \$2 million in community programs in the 2003/04 year.

\$1.1b
WAGES AND SALARIES

\$1.6b
RAW MATERIALS

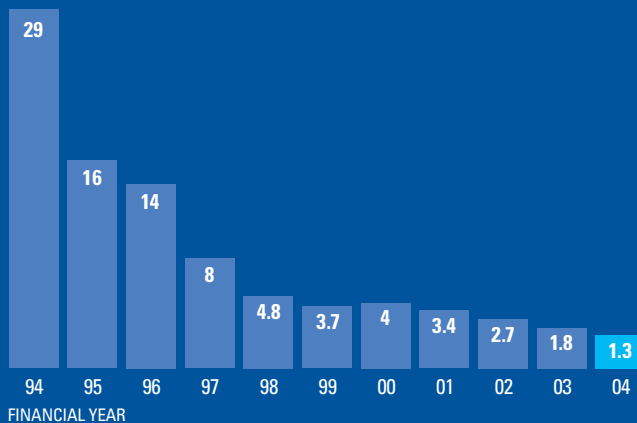
\$1.6b
SUPPLIERS,
SERVICES AND UTILITIES

\$200m
INCOME TAX

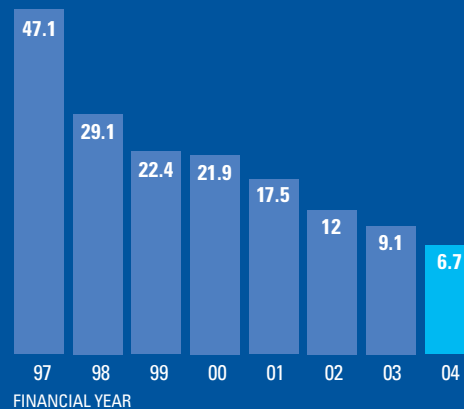
\$420m
OUTWARD FREIGHT

\$240m
DIVIDENDS TO
SHAREHOLDERS

\$260m
SHARE BUYBACKS



LOST TIME INJURY FREQUENCY RATE
INJURIES RESULTING IN LOST TIME PER MILLION HOURS WORKED



MEDICAL TREATMENT INJURY FREQUENCY RATE
MEDICALLY TREATED INJURIES PER MILLION HOURS WORKED

+ HEALTH SAFETY ENVIRONMENT AND COMMUNITY

SAFETY – TOWARDS ZERO HARM

Tragically, a fatality occurred in our business on 29 June 2004 with the death of a contractor at our Brisbane Logistics Terminal in Australia.

Our goal of Zero Harm remains firm. As shown by the charts above, we have continued to make strong overall progress, with many businesses reporting noteworthy results.

In the 2003/04 financial year, we achieved further reductions in our two key safety indicators: Lost Time Injury Frequency Rate (LTIFR) and Medical Treatment Injury Frequency Rate (MTIFR). LTIFR was reduced by 28 per cent, and MTIFR was reduced by 26 per cent compared to 2002/03. 93 per cent of our employees were involved in conducting monthly safety audits.

ENVIRONMENT – CONTINUING PROGRESS

The 2003/04 financial year has seen us make further progress in improving the environmental performance of the Company's plants and operations.

BlueScope Steel products feature prominently in state-of-the-art sustainable housing developments such as Melbourne's GreenSmart display village.

A range of water-saving measures are being implemented at sites such as Port Kembla Steelworks and Western Port. Our Springhill operation is adopting a water conservation strategy that will save over 500,000 litres a day.

As a significant emitter of greenhouse gases, BlueScope Steel is working to achieve improvements in the carbon intensity

of our operations and is continually taking steps to improve our energy management.

We have also continued to focus on ensuring our environmental management systems are robust.

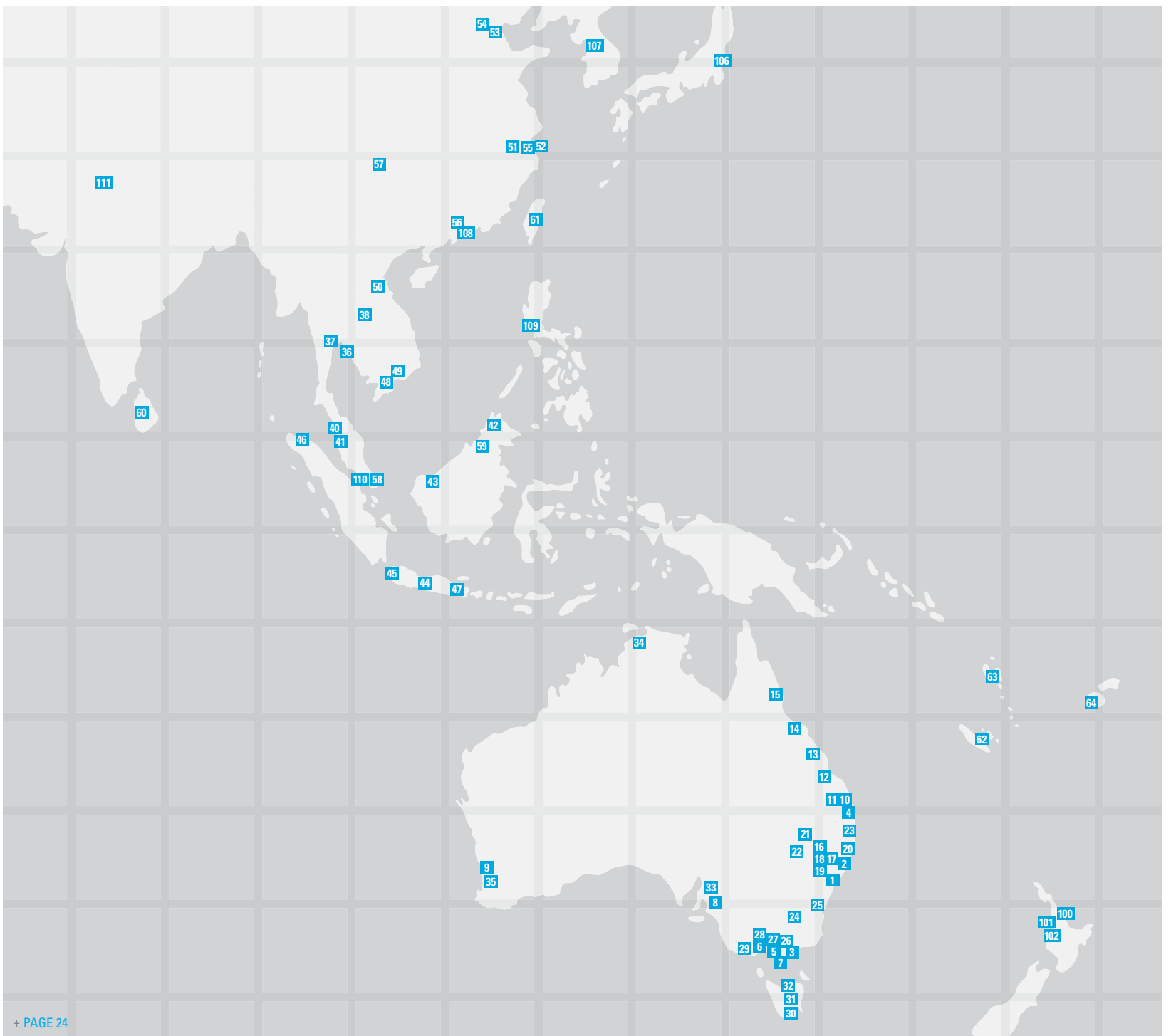
COMMUNITY – OUR HOMES

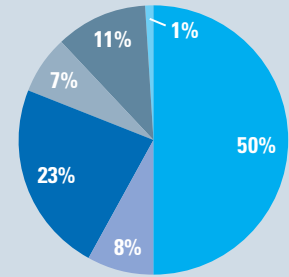
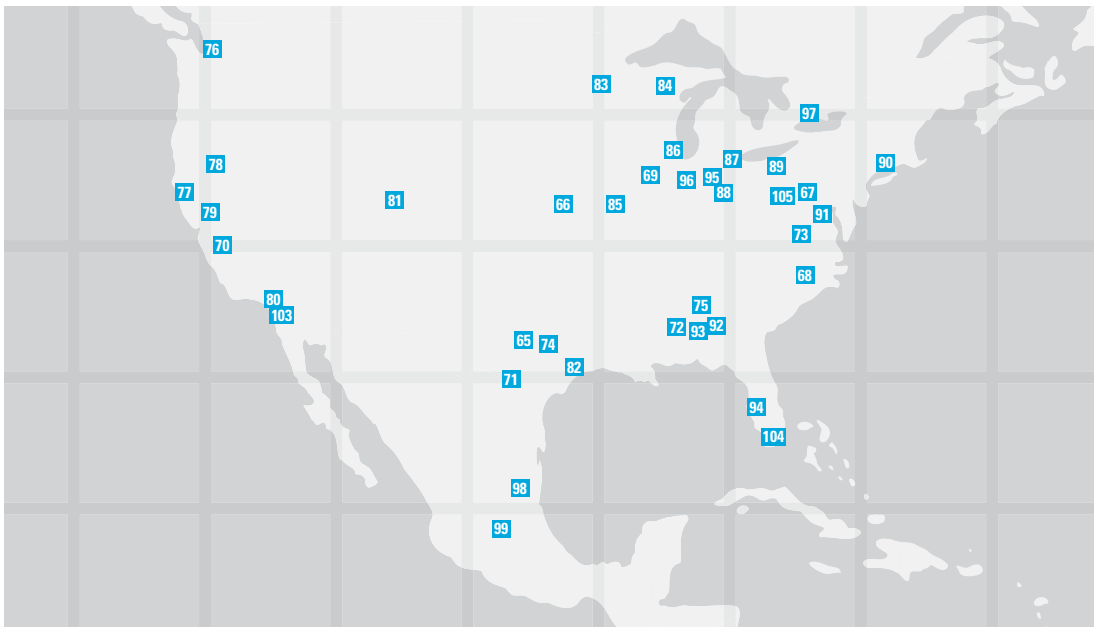
The importance we place on our responsibilities as a corporate citizen is evidenced in Our Bond, which states: 'Our communities are our homes.' Our Bond links our success as a company to our success as a community member. Consequently, we conduct hundreds of projects and programs each year aimed at making a positive impact on people's lives.

Each year, BlueScope Steel supports a range of community programs around the world. We collaborate with community groups and support youth, the disadvantaged, the environment, the arts and cultural diversity. Some programs are also direct responses to emergency situations, such as earthquakes and floods. We are proud of the fact that many people continue to benefit from our programs. Over the 2003/04 financial year, we have continued our efforts to be a valued member of every community in which we operate.

HEALTH SAFETY ENVIRONMENT AND COMMUNITY REPORT // BlueScope Steel's credentials and progress in these areas will be reported in detail in the Company's 2003/04 Health Safety Environment and Community Report. This will be available in December 2004. Shareholders wishing to register and receive a copy of the Report can do so by visiting our website www.bluescopesteel.com or contacting BlueScope Steel Direct in Australia on 1800 675 230.

+ OPERATIONS AROUND THE WORLD





EMPLOYEE PROFILE BY COUNTRY
AT 30 JUNE 2004

- AUSTRALIA
- NORTH AMERICA
- CHINA
- SE ASIA
- NEW ZEALAND
- OTHER



A REGIONAL NETWORK STRADDLING 3 CONTINENTS

AUSTRALIA

STEEL PRODUCTION, ROLLING,
COATING AND PAINTING FACILITIES

- 1 Port Kembla, NSW, Port Kembla Steelworks
- 1 Port Kembla, NSW, Springhill Works
- 2 Sydney, NSW, Chullora
- 3 Hastings, VIC, Western Port Works
- 4 Brisbane, QLD, Acacia Ridge
- CORPORATE OFFICE
- 5 Melbourne, VIC
- SERVICE CENTRES
- 4 Acacia Ridge, QLD
- 1 CRM, Port Kembla, NSW
- 2 Chullora, NSW
- 6 Sunshine, VIC
- 7 Braeside, VIC
- 8 Wingfield, SA
- 9 Myaree, WA
- BLUESCOPE LYSAGHT AUSTRALIA
- 10 Archerfield, QLD
- 11 Rocklea, QLD
- 12 Rockhampton, QLD
- 13 Mackay, QLD
- 14 Townsville, QLD
- 15 Cairns, QLD
- 2 Chullora, NSW
- 16 Emu Plains, NSW
- 17 Smithfield, NSW
- 18 Minchinbury, NSW
- 19 Smeaton Grange, NSW
- 20 Cardiff, NSW
- 21 Tamworth, NSW
- 22 Dubbo, NSW
- 23 Coffs Harbour, NSW
- 24 Albury, NSW
- 25 Queanbeyan, ACT
- 26 Lyndhurst, VIC
- 27 Dandenong, VIC
- 28 Campbellfield, VIC
- 29 Geelong, VIC
- 30 Hobart, TAS
- 31 Launceston, TAS
- 32 Devonport, TAS
- 33 Gillman, SA
- 34 Darwin, NT
- 35 Forrestfield, WA

THAILAND

- 36 Map Ta Phut, Rayong, BlueScope Steel Thailand

BLUESCOPE LYSAGHT

- 37 Bangkok
- 38 Khon Kaen
- 36 Map Ta Phut, Rayong

MALAYSIA

- 40 Kapar, BlueScope Steel Malaysia

BLUESCOPE LYSAGHT MALAYSIA

- 41 Shah Alam, Kuala Lumpur
- 42 Kota Kinabalu, Sabah
- 43 Kuching Bintulu, Sarawak

INDONESIA

- 44 Cilegon, Java, BlueScope Steel Indonesia

BLUESCOPE LYSAGHT INDONESIA

- 45 Jakarta
- 46 Medan
- 47 Surabaya

VIETNAM

- 48 Ba Ria-Vung Tau Province, BlueScope Steel Vietnam (operational 2006)

BLUESCOPE LYSAGHT VIETNAM

- 49 Ho Chi Minh City
- 50 Hanoi

CHINA

- 51 Suzhou Province-BlueScope Steel China (operational 2006)
- 52 Shanghai - BlueScope Butler
- 53 Tianjin - BlueScope Butler
- BLUESCOPE LYSAGHT CHINA
- 54 Langfang
- 55 Shanghai
- 56 Guangzhou
- 57 Chengdu

OTHER BLUESCOPE LYSAGHT - ASIA PACIFIC

- 58 SINGAPORE - Jurong
- 59 BRUNEI - Bandar Seri Begawan
- 60 SRI LANKA - Colombo
- 61 TAIWAN - Kaohsiung
- 62 NEW CALEDONIA - Noumea
- 63 VANUATU - Port Vila
- 64 FIJI - Suva, Nadi and Lautoka

USA

CORPORATE OFFICES

- 65 Dallas, TX - Regional Headquarters
- 66 Kansas City, MO - Business Services group & research facility

BUTLER BUILDINGS

MANUFACTURING PLANTS

- 67 Annville, PA
- 68 Laurinburg, NC
- 69 Galesburg, IL
- 70 Visalia, CA
- 71 San Marcos, TX
- 72 Birmingham, AL - Sales & Engineering
- 73 Staunton, VA - R-Steel

VISTAWALL MANUFACTURING PLANTS

- 74 Terrell, TX
- 75 Greeneville, TN

VISTAWALL SERVICE/
DISTRIBUTION CENTRES

- 76 Seattle, WA
- 77 San Francisco, CA
- 78 Sacramento, CA
- 79 Modesto, CA
- 80 Los Angeles, CA
- 81 Denver, CO
- 65 Dallas, TX
- 82 Houston, TX
- 83 Minneapolis, MN
- 84 Wausau, WI
- 85 St Louis, MO
- 86 Chicago, IL
- 87 Detroit, MI
- 88 Cincinnati, OH
- 89 Cleveland, OH
- 90 Warwick, RI
- 91 Washington, DC
- 92 Tucker, GA
- 93 Newnan, GA
- 94 Tampa, FL

JOINT VENTURE OPERATING SITES

- 95 Delta, OH - North Star BlueScope Steel
- 96 Crawfordsville, IN - Castrip

CANADA

REGIONAL SALES OFFICE

- 97 Toronto, ONT

MEXICO

BUTLER BUILDINGS
MANUFACTURING PLANT

- 98 Monterrey, Nuevo Leon
- BUTLER SALES AND
ENGINEERING OFFICE
- 99 Mexico City

NEW ZEALAND

- 100 Glenbrook - New Zealand Steel
- 101 Waikato North Head - Ironsands Mine
- 102 Taharoa - Ironsands Mine

INTERNATIONAL MARKETS
SALES OFFICES

- 103 USA - Long Beach, CA
- 104 USA - Miami, FL
- 105 USA - Pittsburgh, PA
- 76 USA - Seattle, WA
- 106 JAPAN - Tokyo
- 107 SOUTH KOREA - Seoul
- 108 CHINA - Hong Kong
- 61 TAIWAN - Kaohsiung
- 49 VIETNAM - Ho Chi Minh City
- 109 PHILIPPINES - Manila
- 110 SINGAPORE - Singapore
- 111 INDIA - New Delhi
- ENGLAND - London (not shown)



+ A SNAPSHOT OF OUR GROWING BRAND PORTFOLIO

WE HAVE STRENGTHENED OUR EXISTING BRANDS ...

In Australia, we continue to drive our core product brands – COLORBOND®, ZINCALUME®, XLERPLATE® steel and the LYSAGHT® range. Vigorous marketing activity is ensuring that COLORBOND® steel remains Australia’s No.1 pre-painted steel brand. Over 40 per cent of new homes in Australia are now built with a COLORBOND® steel roof, and increasingly, the brand is being chosen for fencing.

We have also strengthened the LYSAGHT® range with a number of new branded solutions. LYSAGHT POWERDEK® has met with great success in Singapore and is now being launched in Australia. The LYSAGHT® Metro branches are increasing the visibility of the LYSAGHT® brand, as well as the level of customer service.

In New Zealand, we have relaunched our COLORSTEEL® range with a new suite of products and revitalised colour range. COLORSTEEL® Endura™ and COLORSTEEL® Maxx™ are designed to meet the demands of New Zealand’s wide range of environments.

In Asia, we lead the market with our Clean COLORBOND® steel product. In line with our local business approach to the region, we continue to develop and market a number of brands for specific countries including Indonesia, Thailand, Vietnam, Malaysia and China.

... AND INTRODUCED SOME EXCITING NEW ONES

Our most visible new brand is our Company name. As a brand, BlueScope Steel is becoming more widely recognised, and will increase in impact as we grow and become stronger.

The purchase of Butler manufacturing has added a range of world-leading building sector brands to our portfolio. These include the ‘Butler’ and ‘Vistawall’ business brands, as well as their services and products – ‘Butler Builder,’ ‘MR24 Roofing System,’ ‘Naturalite,’ ‘Skywall’ and ‘Moduline’ are highly recognised in their home markets.

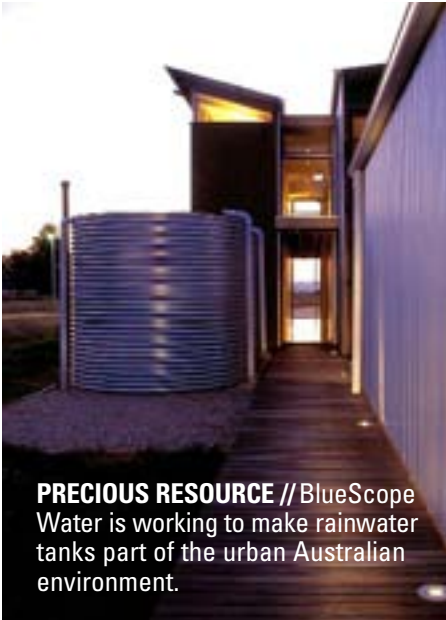
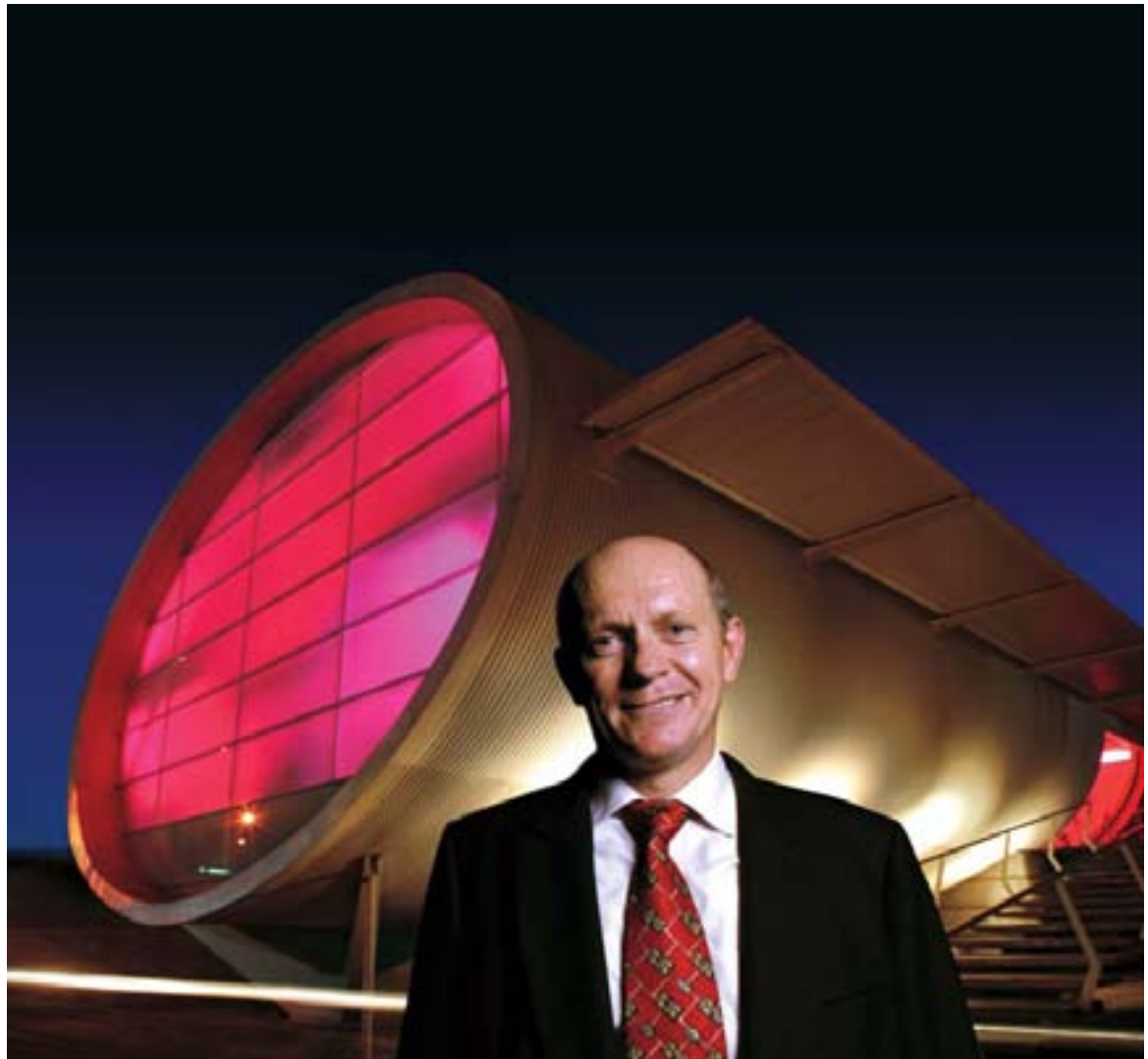
We have also expanded the range of colours available in the COLORGRAIN® Designer steel range. This is a unique pre-painted steel product with a distinctive ‘consistently inconsistent’ finish.

In Asia, we have integrated the ‘Butler’ business into BlueScope Steel under the new BlueScope Butler brand, and we are repositioning this as the region’s premium PEB brand.

In Australia, we have launched the new BlueScope Water business, which is building new brands such as HYDRORIB™ steel for culverts, WATERPOINT™ rainwater tanks, and the THINKTANK™ rainwater harvesting system. These will complement our established range of premium coated steel products. See story opposite.

UNIQUE STEEL DESIGN //

Metecno Thailand General Manager Chris Moor outside Bangkok's Oxygen Bar. The building uses over 30 tonnes of BlueScope Steel products, with variable radius curves that exemplify the rollforming craft. The COLORBOND® steel exterior is an undeniable attention grabber, while the all-steel building was also modelled to optimise interior acoustics. A perforated steel ceiling helps create the ideal sound environment for both music and conversation. With an all-white space-age interior, Oxygen Bar highlights the expressiveness and design flexibility of steel.†



PRECIOUS RESOURCE // BlueScope Water is working to make rainwater tanks part of the urban Australian environment.

+ **BLUESCOPE WATER**

As a steel solutions company with its origins in one of the world's driest continents, it was perhaps a natural step for BlueScope Steel to develop steel-based water management products.

During the year, we launched a new business called BlueScope Water. The foundation for this business is the Company's many years of experience supplying steel-based products to our customers for the manufacture of rainwater tanks.

RAINWATER HARVESTING

Over nine million Australians live in urban communities with water restrictions. While the traditional steel water tank has long been a familiar sight in the Australian bush, it is now increasingly popular in towns and cities. Governments are mandating water conservation, and BlueScope Water is working with councils and developers to introduce rainwater harvesting solutions for both new and existing buildings.

BlueScope Water launched two rainwater tank brands during the year: the WATERPOINT CLASSIC® and WATERPOINT SLIMLINE®. Steel water tanks will be available in a range of sizes, shapes and colours, to suit almost any site and style of building. They are currently offered in the greater Sydney area and will be available in other east coast capital cities later this year.

WATER INFRASTRUCTURE

Securing sustainable water supplies for cities is only part of the challenge. Modernising irrigation and stormwater infrastructure is equally important.

The basis for BlueScope Water's water infrastructure products is the HYDRORIB™ pipe system – a unique ribbed profile pipe made from a steel composite material. HYDRORIB™ is lightweight, strong and easy to install. The steel composite material increases resistance to corrosion and abrasion, and offers outstanding performance over a long service life.

WATERPOINT™, WATERPOINT CLASSIC®, WATERPOINT SLIMLINE®, and HYDRORIB™ are trademarks of BlueScope Steel Limited.

BRIAN KRUGER
Chief Financial Officer
Age 42

Chief Financial Officer of BlueScope Steel since the Company's public listing in July 2002, and responsible for finance, treasury, taxation, supply, investor relations, investments, audit and insurance. From 1983 to 2002, held various positions with the BHP Group including Practice Leader, Corporate Finance and Vice President Finance, North Star BHP Steel.

KIRBY ADAMS
Managing Director and
Chief Executive Officer
Age 48

Appointed Managing Director and Chief Executive Officer of BlueScope Steel Limited in July 2002, having been Chief Executive Officer of its predecessor business BHP Steel since March 2000. Current Chairman of the International Iron and Steel Institute.

IAN CUMMIN
Executive Vice President
Human Resources
Age 49

Joined BlueScope Steel in September 2003. Responsible for the group management of human resources and safety. In previous roles has managed his own consulting business and was Executive General Manager of Human Resources and Corporate Services with Southcorp Limited from 1995 until 2001. Has held senior human resources and industrial relations management positions in the chemicals, energy and construction industries.

EXECUTIVE LEADERSHIP TEAM

BlueScope Steel's Executive Leadership Team is pictured in the newly named BlueScope Steel Indigenous Art Galleries at the National Gallery of Victoria in Melbourne.

BRINGING COLOUR TO COMMUNITIES // BlueScope Steel has undertaken a long-term partnership with NGV, which will involve a major exhibition tour aimed at bringing some of the finest and most colourful indigenous artworks in Australia to our communities.+



LANCE HOCKRIDGE

President, Industrial Markets
Age 50

President of BlueScope Steel's Industrial Markets businesses comprising Port Kembla Steelworks, New Zealand Steel and the Company's North American assets since 2000. Butler Manufacturing and Vistawall operations in North America have been added to his responsibilities. Previously held various positions within the BHP Group including Group General Manager BHP Transport, Corporate General Manager International and President Long Products. Currently Chairman of North Star BlueScope Steel and a Director of the Australian Industry Group.

KATHRYN FAGG

President, Market
and Logistics Solutions
Age 43

Responsible for BlueScope Lysaght in Australia, BlueScope Water, International Markets, Logistics and Information Services as well as the overall marketing, sales and service capability across BlueScope Steel. Before joining the Company in 2000, held a number of senior positions with ANZ Banking Group including Managing Director Banking Products and General Manager Retail Banking, New Zealand. Previously with McKinsey & Company as an Associate, and with Esso Australia Limited as a petroleum engineer. Current Chairperson of Parks Victoria.

MICHAEL COURTNALL

President, Asian Building
and Manufacturing Markets
Age 55

Responsible for the performance of the BlueScope Steel's Asian steel businesses since 2000. Previously held various positions within the BHP Group including President Coated Steel Asia and Export and Group General Manager BHP Steel Americas. Previously worked for Fletcher Steel in New Zealand and British Steel Corporation in the United Kingdom.

NOEL CORNISH

President, Australian Building
and Manufacturing Markets
Age 54

Responsible for the Company's coated products businesses in Australia since July 2002. Previously held positions within the BHP Group, including President Packaging Products, President North Star BHP Steel and Group General Manager Whyalla Steelworks. Vice President of the Packaging Council of Australia and member of the International Iron and Steel Institute Packaging Committee.





PERFORMANCE OVERVIEW

BLUESCOPE STEEL BUSINESS SEGMENTS



+ CORPORATE AND GROUP

HIGHLIGHTS

- + Corporate name change to BlueScope Steel effective 17 November 2003.
- + Company successfully acquires Butler Manufacturing on 27 April 2004 and creates new business segment.
- + Strong Net Profit After Tax and Earnings per Share performance for second consecutive year.
- + Continued focus on rewarding shareholders with total dividends announced for FY2004 of 40 cents per share, fully franked.
- + Successful share buyback program concluded in March 2004 with 60 million shares purchased at an average cost of \$4.70 per share.

+ COATED AND BUILDING PRODUCTS AUSTRALIA

KEY CUSTOMERS: Building, construction, automotive and packaging industries and general manufacturers.

HIGHLIGHTS

- + Record domestic sales of 1.86 million tonnes.
- + Brownfield capacity programs continue at Western Port, Springhill and Service Centres.
- + Western Port achieves record production performance for metal coating line number 4.
- + A number of annual production records achieved in hot rolled, metal coating and painting at Springhill.
- + Opened 8 new BlueScope Lysaght sites to increase geographic presence in metro and regional growth areas and more effectively service customers.
- + Launched new BlueScope Water business offering products for rainwater harvesting and water infrastructure.

EXTERNAL DESPATCHES ('000s of tonnes)

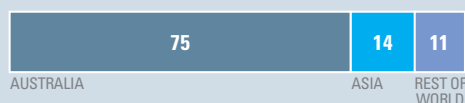
Domestic	1,855
Export	619

REVENUE \$2.884 billion

NET OPERATING ASSETS
(pre-tax) \$1.255 billion

RETURN ON NET ASSETS
(pre-tax) 16.0%

TOTAL SALES % (TONNES)



+ COATED AND BUILDING PRODUCTS ASIA

KEY CUSTOMERS: Building and construction industries and general manufacturers.

HIGHLIGHTS

- + Earnings before interest and tax reaches \$100 million.
- + New major investments announced to build our position in downstream markets in Vietnam, China and Thailand totalling more than A\$500 million.
- + Completed expansion to double paint line at Indonesia's metallic coating and painting facility to 50,000 tonnes per annum.
- + Continued strong growth in steel roof trusses and pre-engineered buildings.

EXTERNAL DESPATCHES ('000s of tonnes)

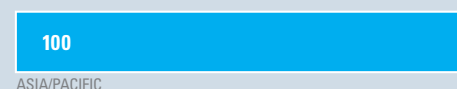
Domestic	438
Export	91

REVENUE \$689 million

NET OPERATING ASSETS
(pre-tax) \$619 million

RETURN ON NET ASSETS
(pre-tax) 21.5%

TOTAL SALES % (TONNES)





+ HOT ROLLED PRODUCTS

KEY CUSTOMERS: Engineering, construction, mining and manufacturing industries and export customers who re-roll our steel.

HIGHLIGHTS

- + Production records for slab (5.145 mt), iron-making (5.024 mt) and hot rolled coil (2.5 mt) at Port Kembla Steelworks.
- + Enterprise Bargaining Agreement at Port Kembla concluded.
- + North Star BlueScope Steel capitalises on strong pricing, good customer relationships and record production levels to improve earnings.
- + Castrip® process moves closer to commercialisation with cumulative production of 100,000 tonnes at partner Nucor's Crawfordsville, Indiana plant in USA.

EXTERNAL DESPATCHES ('000s of tonnes)

Domestic	981*
Export	1,504

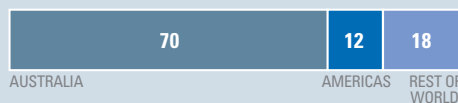
REVENUE \$2.732 billion*

NET OPERATING ASSETS
(pre-tax) \$1.859 billion

RETURN ON NET ASSETS
(pre-tax) 30.7%

* Data excludes 50% share of North Star BlueScope Steel.

TOTAL SALES % (TONNES)



+ NEW ZEALAND STEEL

KEY CUSTOMERS: Building and construction industry, roll-formers and manufacturing industries.

HIGHLIGHTS

- + Record domestic market sales of 261,000 tonnes due to strong economic conditions and market share gains.
- + Paint line production increased by 11 per cent over last year to reach a record of 52,000 tonnes annually.
- + New kiln maintenance program introduced to reduce length of down-time and improve slab production in FY2005.
- + Commissioning of expanded metal coating line continues.

EXTERNAL DESPATCHES ('000s of tonnes)

Domestic	261
Export	325

REVENUE \$560 million

NET OPERATING ASSETS
(pre-tax) \$428 million

RETURN ON NET ASSETS
(pre-tax) 14.1%

TOTAL SALES % (TONNES)



+ COATED AND BUILDING PRODUCTS NORTH AMERICA

KEY CUSTOMERS: Consumers of pre-engineered buildings (PEB) and aluminium and glass architectural products.

HIGHLIGHTS

- + New management structure in place following acquisition of Butler Manufacturing.
- + Specialty parts production at Galesburg to be relocated with facility closing mid-CY2005.
- + Despatches for Buildings Group up strongly in May and June over same period in 2003.
- + Order entries for Vistawall up 7 per cent in May and June over same period in 2003 but margins affected by increased cost of aluminium feedstock.
- + Ability to access steel improves through BlueScope Steel plants and resources.

EXTERNAL DESPATCHES ('000s of tonnes)

Domestic	28
Export	1

REVENUE \$191 million

NET OPERATING ASSETS
(pre-tax) \$232 million

RETURN ON NET ASSETS
(pre-tax) (17.5%)*

* This is a negative figure. Data covers only 2 months.

TOTAL SALES % (TONNES)





LOCAL FOCUS // Many of our products are developed to suit the climatic conditions of specific Asian countries. BlueScope Steel's products feature throughout this international French school in Thailand.+

\$100m

**RECORD EBIT
FOR OUR ASIAN BUSINESS**

+ ASIA COATED AND BUILDING PRODUCTS

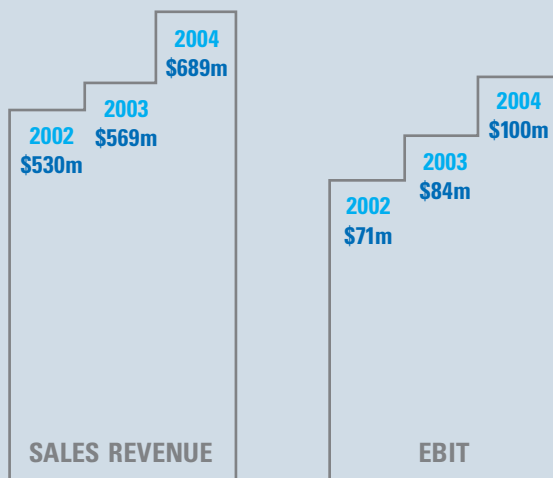
Positioned in many of the world's most energised economies, BlueScope Steel's Coated and Building Products Asia businesses continued to grow during the year, in conjunction with this powerhouse region.

BlueScope Steel began manufacturing in Asia in 1965, with a rollforming facility in Singapore. Our network of metallic coating, painting and rollforming operations is now the most extensive of any company. We are also focused on growing our leading position in pre-engineered buildings in Asia.

We are a leading Australian manufacturing investor in each Asian country in which we operate. Our Asian businesses sell to customers in the building, construction and manufacturing industries across the Asia-Pacific region, and hold premium positions in niche markets in a range of Asian countries with our range of branded products.

As the results show, we have continued our progress in building the profitability of our Asian businesses. In 1999/00, our Asian business segment contributed \$11 million in earnings before interest and tax. This progressively increased to \$54 million in 2000/01, \$71 million in 2001/02, and \$84 million in 2002/03. In 2003/04 this figure reached \$100 million.

During the year, BlueScope Steel announced new Asian investments totalling over A\$500 million, with the expenditure to occur over the next two years in Vietnam, China and Thailand. These investments are targeted at building our position in the downstream, value-added markets we service.





SOLID FOUNDATIONS // Over the past 12 months, we have approved investments of \$500 million to drive the growth of our Asian businesses. Construction of our new coating and painting facility in Ba Ria, Vung Tau Province near Ho Chi Minh City in Vietnam, above, is now well advanced.

DYNAMIC SKYLINE // Shanghai's futuristic skyline is a showcase of steel products.†

In 2003/04, Coated and Building Products Asia again showcased the advantages of operating as a network of local businesses. As participants in domestic markets we supply products which meet our customers' needs. We also offer our customers shorter lead times, better technical support and better delivery performance than our competitors.

This local focus is also demonstrated by our market-leading brands, many of which have been tailored to specific countries. For example our Clean Room Chicken Sheds have helped control the spread of disease in Thailand. The expansion of our Asian operations means BlueScope Steel will soon have over 3,000 employees working in the Asia-Pacific region. For our Asia-based employees, the workplace is becoming safer. In 2003/04, this business segment achieved 2.5 million working hours without any injuries that resulted in lost time.

Through BlueScope Lysaght Asia, we operate 23 steel rollforming facilities in 12 countries in Asia and the Pacific – China, Indonesia, Malaysia, Thailand, Vietnam, Brunei, Singapore, Sri Lanka, Taiwan, Fiji, New Caledonia and Vanuatu. These facilities produce and distribute the LYSAGHT® brand of steel rollformed products and accessories for roofing and walling applications, as well as structural decking and pre-engineered buildings, using our own coated steel.

We also operate 60 sales and marketing offices across the region, selling to the commercial, industrial and residential sectors of the building and construction industry. Our Coated Products Asia businesses include metallic coating and painting facilities in Thailand, Malaysia and Indonesia. New facilities

are under construction in Vietnam and China, with a major facility extension underway in Thailand.

Among our premium brands in Asia are Clean COLORBOND® steel and ZINCALUME® steel, as well as the newly acquired brands of the BlueScope Butler and Vistawall businesses, and specific branded products developed for individual markets. All hold strong market positions.

VIETNAM

BlueScope Lysaght Vietnam has built its current market position from rollforming operations which commenced in Ho Chi Minh City in 1993, and Hanoi in 1996. These two facilities have provided the foundation for us to move into larger scale production.

In August 2003, we announced our intention to construct a A\$160 million metallic coating and painting facility in Ba Ria, Vung Tau Province, 80 kilometres south east of Ho Chi Minh City. This will be 100 per cent owned by BlueScope Steel. The facility will have an annual production capacity of 125,000 tonnes of metallic coated and 50,000 tonnes of painted flat steel products. The zinc-aluminium alloy coating technology utilised at the facility will be a first for the Vietnam market.

Work progressed to schedule during the year. Initial earthworks were completed, construction of the main plant buildings is progressing well, and we expect the plant to start operating early in the 2006 calendar year. During the year we also conducted a successful customer product-seeding program, one of a number of initiatives designed to generate market demand for BlueScope Steel products.



UNIQUE SOLUTIONS // Architect and Rangsit University lecturer, Janejud Sri-Aroon, stands outside his redesigned President Building at Rangsit University near Bangkok, Thailand.

The 11-storey building features a striking, curved wall of over 300 windows, and houses a 700-seat auditorium. The design demonstrates energy conservation and acoustic principles to the University's 450 architecture students. Around five tonnes of BlueScope Lysaght's ZINCALUME® steel were used in construction, with many structures pre-fabricated to ensure safety and minimise disruption. +

INDONESIA

Our Indonesia business is the country's only local manufacturer of zinc/aluminium coated and pre-painted steel. We market a number of Indonesia-only brands to the building and construction industries. These include PELANGI®, ABADI®, GEMILANG® and ANCOR™ steel.

In January 2004, an expansion was completed at our Indonesia metallic coating and painting facility in Cilegon, near Jakarta, doubling our paint line capacity from 25,000 to 50,000 tonnes per year. Strong sales in residential roofing – up 50 per cent year on year – means this capacity increase is now fully utilised.

We also have BlueScope Lysaght operations at three locations – Jakarta, Medan and Surabaya. Sales of our LYSAGHT® SMARTRUSS™ steel roof trusses increased sharply, by over 100 per cent, from the same period last year. During the year, we also increased our metallic coating capacity from 90,000 tonnes to 100,000 tonnes. This was achieved largely through software modifications. Sales of pre-engineered buildings commenced in Indonesia this year, in line with our PEB expansion strategy.

MALAYSIA

Our Malaysia operation serves customers in the building and manufacturing markets in Malaysia, Singapore, Brunei, Sri Lanka and China, and is currently the main supplier of feedstock to BlueScope Steel's China business. BlueScope Steel (Malaysia) experienced robust demand in 2003/04. An increase in domestic sales was supported by the development

of new applications in door and window frames, as well as strong sales to the domestic hardware market.

BlueScope Steel owns 60 per cent of our metallic coating and painting facility at Kapar-Selangor, in Malaysia. Our partner is PNB Equity Resource Corporation Sdn Bhd, a large local equity fund. BlueScope Lysaght operates rollforming facilities at Shah Alam in Kuala Lumpur, Kota Kinabalu in Sabah and Bintulu in Sarawak.

THAILAND

BlueScope Steel (Thailand) operates a high quality cold rolling, metallic coating and painting facility, selling to local and export markets. We own 75 per cent of this facility, with the remaining 25 per cent held by Loxley, a local investor. Market demand for BlueScope Steel (Thailand) products was healthy during 2003/04.

Sales of PEBs increased significantly, with innovative new products achieving strong sales in the chicken and duck shed segments. LYSAGHT SMARTRUSS™ sales were also strong, doubling year on year. Our growth initiatives for Thailand reflect this demand. In January 2004, we announced a second metallic coating line at our Rayong site, to more than double our metallic coating capacity to 420,000 tonnes per annum. This metallic coating line is scheduled for start up around the middle of the 2005 calendar year, with significant construction work having occurred during the year.

BlueScope Lysaght operates three rollforming facilities at Bangkok, Khon Kaen and Rayong, supplying coated steel building products for commercial, industrial and residential uses.



CUSTOMER SATISFACTION // Jian Kai, Chief Engineer Shanghai Xinan (Group) Co. is a satisfied customer of BlueScope Butler in China. He is pictured inside a completed pre-engineered building (PEB) at Shanghai Industrial Park. +



**NO. 1 IN CHINA WITH
BLUESCOPE BUTLER AND
BLUESCOPE LYSAGHT.
WE NOW OPERATE THE
WORLD'S LEADING
PRE-ENGINEERED
BUILDING BUSINESS.**

+ **OUR CHINA STORY**

BlueScope Steel now holds the number one position in pre-engineered buildings and premium steel building products in China. We are Australia's leading manufacturing investor in that country. Our involvement with China spans 89 years, since we began exporting steel there in 1915.

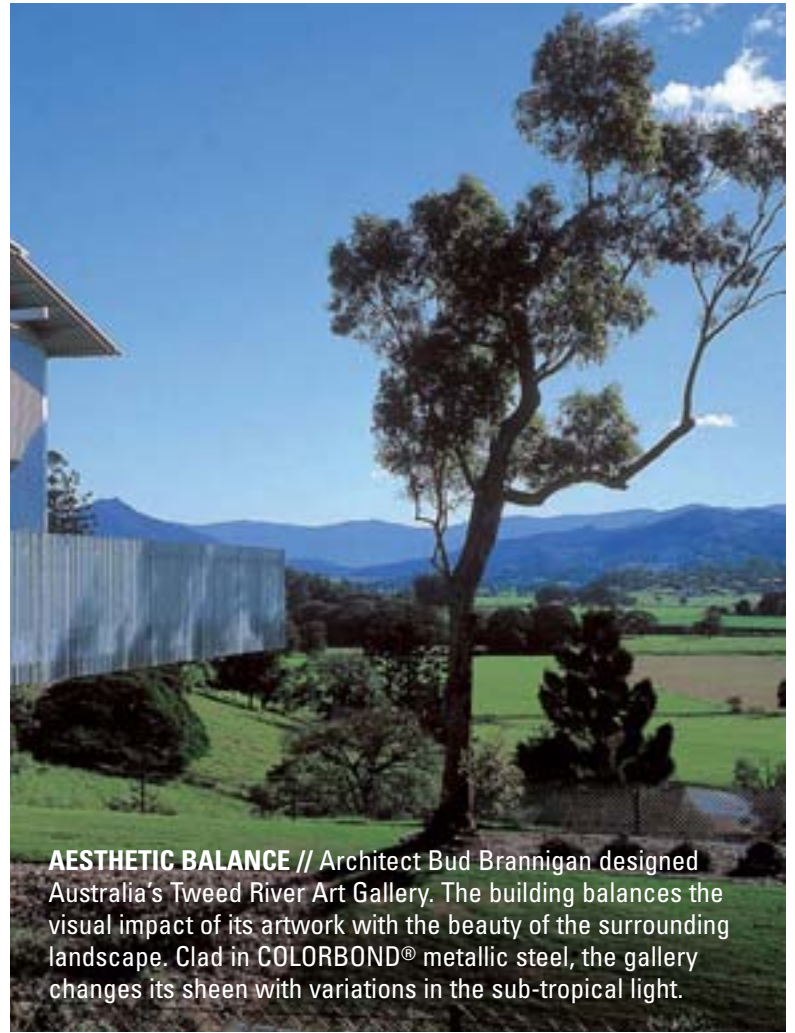
In 1995, we commenced operating on the ground in China, with the commissioning of our Shanghai and Guangzhou rollforming plant. In 2003, we opened two modern factories at Langfang (near Beijing), and at Chengdu, both of which are operating profitably. These four manufacturing centres cover the east, south, north and west growth regions of China. To support these facilities, we have developed an extensive distribution network of over 30 sales and technical offices.

BlueScope Steel's acquisition of Butler Manufacturing in April 2004 brings two additional manufacturing sites to our China operations. These are in Shanghai (1996) and Tianjin (2003). The addition of BlueScope Butler China to our portfolio has added great capabilities and products, and a new group of employees skilled in premium PEB design and construction.

In February 2004, we commenced construction of a major metallic coating and painting facility at Suzhou, 80 km west of Shanghai. This facility, which will involve capital investment \$A280 million, is planned for completion in 2006. It will supply China's booming building and construction markets. The new plant will manufacture 250,000 tonnes of metallic coated steel, and 150,000 tonnes of painted steel. All our facilities in China are 100 per cent owned by BlueScope Steel.

Demand for steel in China has exploded since 1995. At that time, China was consuming 13 per cent of world steel production. In 2003, it accounted for 27 per cent, or 233 million tonnes of steel. The strong growth in China's demand for steel is expected to continue. China is modernising on an unprecedented scale, and BlueScope Steel has developed an important niche in this dynamic market.

Consequently, we are poised to grow with China, and we look forward to an exciting future for our operations in this vibrant and fascinating country.



AESTHETIC BALANCE // Architect Bud Brannigan designed Australia's Tweed River Art Gallery. The building balances the visual impact of its artwork with the beauty of the surrounding landscape. Clad in COLORBOND® metallic steel, the gallery changes its sheen with variations in the sub-tropical light.

1.86m

**TONNES OF VALUE-ADDED STEEL
SOLD TO THE AUSTRALIAN MARKET**



+ AUSTRALIA COATED AND BUILDING PRODUCTS

For the Coated and Building Products Australia segment, 2003/04 was a very good year. Our safety performance continued to improve. For every million hours worked, less than 1.8 injuries occurred that resulted in lost work time. During the year, this business segment further developed its position as Australia's leading supplier of metallic coated and pre-painted steel products.

Our main markets – in the building and construction sector – were especially robust. But the segment also achieved strong sales to customers in the automotive, manufacturing and packaging areas, and through our distributors. Coated and Building Products Australia comprises a dynamic group of businesses that produce many well-known brands. A number of these have particularly high recognition in the marketplace – COLORBOND® steel, ZINCALUME® steel and LYSAGHT® are leading brands in Australia.

The business segment also works closely with some prominent architectural firms, and during the year, its products featured in some striking and award-winning examples of contemporary Australian architecture. Our sales and marketing strengths were also evident, with brand extensions such as COLORBOND® fencing, supported by successful advertising campaigns.

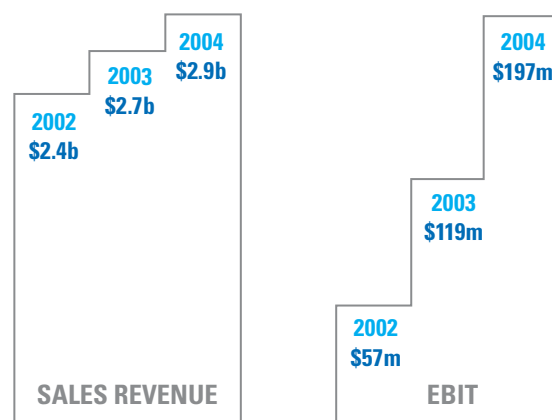
Innovative and timely product development – such as our introduction of the new BlueScope Water range – and sharp customer focus continue to make this segment an exciting part of BlueScope Steel.

The major businesses are: Western Port, Victoria (hot rolling, cold rolling, metal coating and painting), Springhill NSW (cold rolling, metal coating and painting), Packaging Products (cold rolling and metallic coating), Port Kembla NSW, Service Centre network (seven sites across Australia) and Lysaght Australia (27 sites across Australia).

WESTERN PORT

Western Port converts steel slab from our Port Kembla Steelworks into hot and cold rolled coil, metallic coated and pre-painted steel products. This business is of considerable importance to the manufacturing, automotive, and building and construction industry supply chains in southern Australia. Western Port exemplifies BlueScope Steel's world-leading coating and painting capabilities.

Outstanding results were achieved in delivery performance – 95 per cent for the year – a record for the business segment. Customer recognition was also a highlight, with the operation receiving the prestigious Toyota President's Award for Excellence in Customer Service.



Western Port achieved excellent production performance during the year. Metal Coating Line number 4 set an annual record of 234,200 tonnes, up from 230,900 in 2001/02. Paint Line number two almost equalled its 1999/00 record with 106,200 tonnes, falling short by just 0.2 per cent.

In 2003/04, Western Port undertook important steps to improve its competitiveness. The implementation of a maintenance alliance with Silcar resulted in greater plant reliability and cost savings, due to uptime initiatives and better maintenance planning. Environmental management was also a priority. Innovative new technologies will decrease gas and electricity consumption, and increase freshwater recycling by up to 80 per cent.

SPRINGHILL

Springhill is adjacent to Port Kembla Steelworks, from which it sources hot rolled coil. Springhill adds value to hot rolled coil through various facilities. A coupled pickling and cold rolling mill increases the strength of steel, reduces thickness and produces a bright, smooth surface. Three metallic coating lines and a paint line produce branded products including COLORBOND® steel and ZINCALUME® steel.

During 2003/04, Springhill achieved excellent performance with a number of production records and process improvements. The operation's Cold Mill increased production to 904,000 tonnes, up 3.7 per cent from 2002/03. This was due to improved cycle times and line speed, with equipment upgrades reducing delays and enabling extra throughput.



AWARD WINNERS // BlueScope Steel's outstanding customer service was recognised with the 2004 Toyota President's Award. Our winning employees are shown above.

WINNING PARTNERSHIP // Ray Borg, Manager Corporate Purchasing Toyota, and Brett Johnson, Manager Regional Sales Victoria/Tasmania are shown, right, at Toyota's new Port Melbourne headquarters. This building incorporates BlueScope Steel products. +

IN AUSTRALIA, WE ARE INCREASINGLY DEFINED BY PRODUCT INNOVATION, NEW END-USE CREATION, AND BRAND BUILDING.

Metal Coating production increased to 742,400 tonnes, up 0.7 per cent from last year – the result of a range of process initiatives, despite a delay caused by an equipment upgrade. New equipment is expected to increase capacity by 35,000 tonnes in 2004/05.

And as a result of process improvements, Springhill's Paint Line number 3 increased production to 152,000 tonnes, up 2.0 per cent from the previous year.

Springhill also introduced an important environmental initiative – a water conservation plan that will save half a million litres a day.

PACKAGING PRODUCTS

This facility operates at Port Kembla, converting hot rolled coil to tinplate and blackplate. It sells to both Australian-based packaging manufacturers and export customers. Business conditions remained difficult for the packaging sector during the year. Significant efforts continue to be made to improve throughput, quality and efficiency.

A new six-monthly production record was set on the electrolytic tinning lines, with production of 171,870 tonnes, an increase of 4.7 per cent compared with the previous record set during 2002/03.

SERVICE CENTRE NETWORK

BlueScope Steel maintains a capital city network of Service Centres, through which about 40 per cent of our coated and painted sales are delivered. The Service Centres are hubs for state-based sales activities, and offer custom slitting and shearing services. During the year, we undertook initiatives to refresh and energise this network, in recognition of our expanding customer base and to enable us to better service our customers' needs.

Record annual production of painted products was achieved by the Service Centre paint lines. Production was 162,000 tonnes, up 17 per cent on 2002/03. This result includes production of 90,000 tonnes at Acacia Ridge in Brisbane and 63,000 tonnes at Port Kembla.

BlueScope Steel's Service Centres are innovators. The solid block painting process pioneered at Chullora in Sydney is an example of innovation in action.

New facilities are being developed in Sydney and Western Australia to support increased sales and customer needs. The planning of our proposed COLORBOND® steel Centre in Penrith, western Sydney, is at an advanced stage. This Centre will service the nation's fastest growing population corridor. Land has been acquired, and good progress made with planning approvals and provision of infrastructure.



CONTEMPORARY ARCHETYPE //
Architect Peter Woolard's Virgo Residence near Geelong, Victoria, showcases ZINCALUME® steel in LYSAGHT CUSTOM ORB® and LYSAGHT KLIP-LOK® profiles. The house showcases contemporary Australian architecture.†

BLUESCOPE LYSAGHT AUSTRALIA

BlueScope Lysaght Australia operates at the value-added end of our product chain, manufacturing and distributing finished steel products and services for the domestic building and construction industry, under the LYSAGHT® brand. This brand has a strong presence in the Australian building products market, stretching back to the establishment of John Lysaght (Australia) Pty Ltd in 1918.

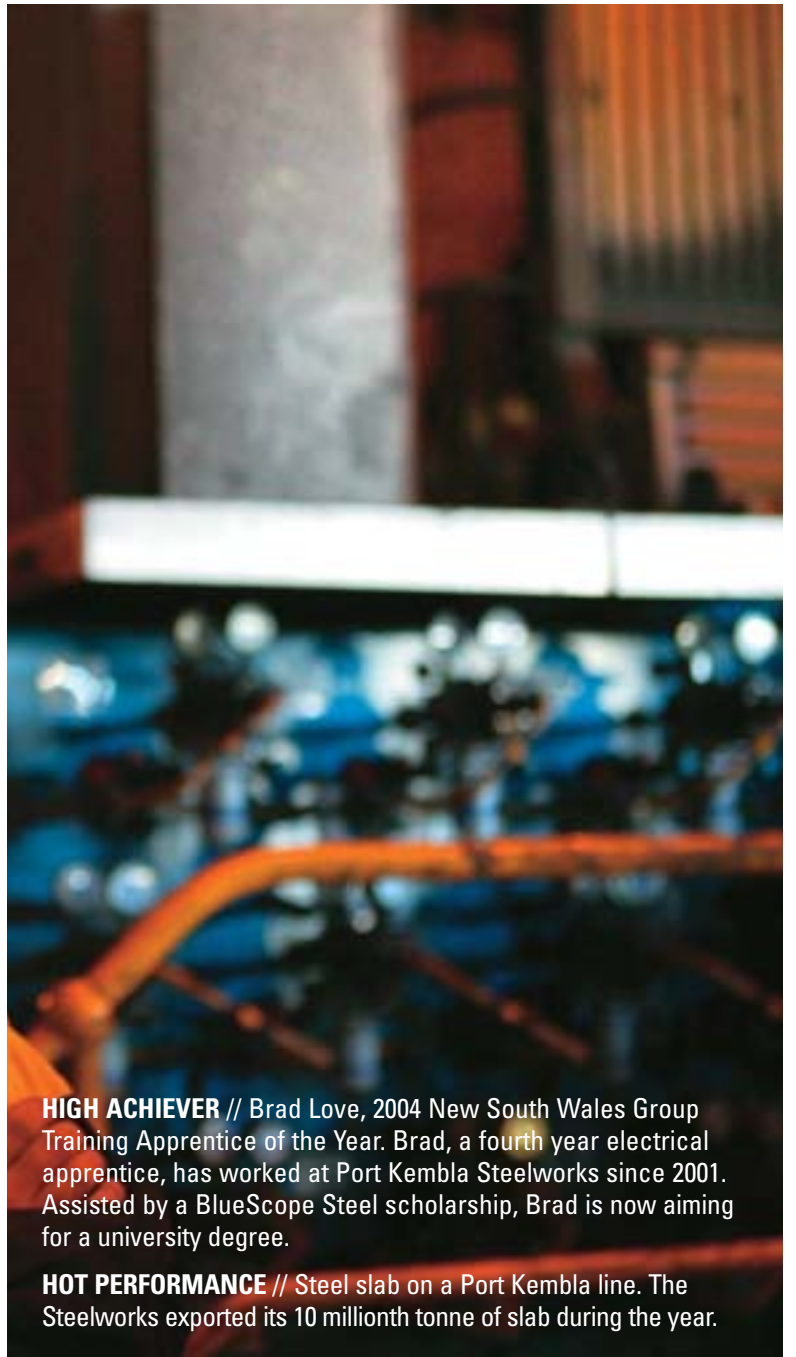
BlueScope Lysaght's products are primarily manufactured from COLORBOND®, ZINCALUME® GALVSPAN® and DECKFORM® steels. These are purchased from our upstream businesses, then cut and shaped ('rollformed') to make steel roofing, walling, fencing, structural decking, and a range of other steel building products and systems.

Today, many of the products manufactured by BlueScope Lysaght are benchmarks for quality and performance. They include such well-known brands as LYSAGHT TRIMDEK®, LYSAGHT NEETASCREEN® fencing, LYSAGHT BONDEK® and the perennial LYSAGHT CUSTOM ORB®.

High recognition of the LYSAGHT® brand and strong customer relationships, are key elements in the BlueScope Lysaght Australia business, which is an important channel for BlueScope Steel's metallic coated and painted products.

During the year, BlueScope Lysaght Australia further developed this channel to market by opening new sites and acquiring businesses, thereby increasing our geographic presence in metropolitan and regional growth areas, and improving our service offer to the residential sector. The combination of new sites and acquisitions saw an expansion of BlueScope Lysaght's network from 19 to 27 sites, employing 900 people in total.

This expansion will enable existing and new customers to be serviced more effectively. For example, our acquisition of Acelowe Roofing, Coffs Harbour – a traditional alliance partner of BlueScope Lysaght Australia – will assist us to capitalise on strong growth occurring along the New South Wales mid-north coast.



HIGH ACHIEVER // Brad Love, 2004 New South Wales Group Training Apprentice of the Year. Brad, a fourth year electrical apprentice, has worked at Port Kembla Steelworks since 2001. Assisted by a BlueScope Steel scholarship, Brad is now aiming for a university degree.

HOT PERFORMANCE // Steel slab on a Port Kembla line. The Steelworks exported its 10 millionth tonne of slab during the year.

1.5m

**TONNES OF HOT ROLLED PRODUCTS
SOLD TO EXPORT CUSTOMERS**



+ HOT ROLLED PRODUCTS

This has been a record-breaking year for BlueScope Steel's Hot Rolled Products business segment. These businesses are Port Kembla Steelworks in New South Wales, Australia, and our joint venture interests in the United States – North Star BlueScope Steel in Delta, Ohio, and Castrip LLC. Most sales are to industrial customers.

In 2003/04, records were set in safety, production, revenue and profitability. During the financial year we saw very strong pricing for our steel products. By serving our customers well, we were able to capitalise on this market opportunity. Each business within this segment uses a different steelmaking technique, and each met with great success during the year.

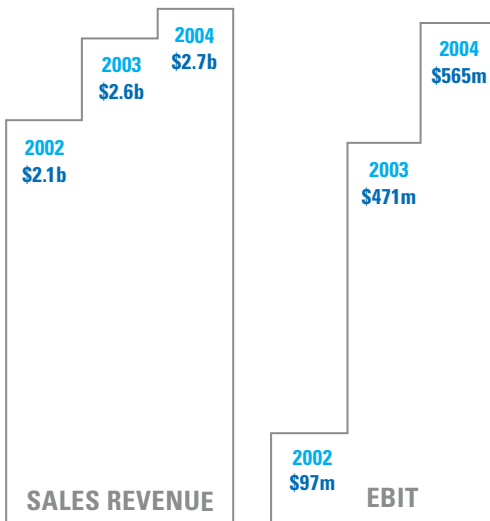
PORT KEMBLA STEELWORKS

In 2003/04, Port Kembla consolidated its reputation as one of the world's finest steelworks.

Port Kembla Steelworks is fully integrated, which means all three major production phases – ironmaking, steelmaking and shaping – take place at one site. It produces steel in the forms of slab, hot rolled coil, and plate. The Steelworks provides direct employment for over 5,000 people, and occupies an 800 hectare site. It has its own deepwater seaport, road and rail infrastructure, which give it significant competitive advantages.

We use the Basic Oxygen Steelmaking (BOS) method, in which high-pressure oxygen heats molten iron, scrap steel and other additives to produce three forms of steel (slab, hot rolled coil and plate). Port Kembla Steelworks is placed at the low end of the international steelmaking cost curve. To help maintain our leading position, we are continuing to invest in the Steelworks.

Construction of a second Walking Beam Furnace, at an indicative cost of \$100 million, will enable us to convert a greater proportion of slab to hot rolled coil. This will increase the value-added component of our output.



PORT KEMBLA'S BRANDED STEEL PRODUCTS – NEW OPPORTUNITIES, NEW INNOVATIVE APPLICATIONS.



CLEAN POWER // Our XLERPLATE® steel plate is an essential component of towers at new wind farm projects such as the one at Lake Bonney, near Mt Gambier in South Australia, pictured right. Ted Lojszczyk, Sales Manager in our Adelaide office, manages the relationship with this customer. †



A range of domestic and export customers buy from Port Kembla Steelworks. Our own downstream businesses are a major buyer. Key customers include the other two listed Australian steel companies – OneSteel and Smorgon Steel – as well as other steel product fabricators, pipe and tube manufacturers and general distributors. Our customers benefited from strong economic activity in Australia during 2003/04. Prominent export customers include Steelscape and California Steel of the United States, Dongkuk Steel of South Korea, and Sahaviriya Steel Industries of Thailand.

During the year, the Port Kembla Steelworks produced a record 5.145 million tonnes of raw steel, up from 5.049 million tonnes in the previous year – a result of higher usage of scrap steel, improvements in plant reliability and increased iron production. The operation achieved an ironmaking record 5.024 million tonnes due to improved blast furnace technology and process control. The previous record of 4.985 million tonnes of iron was set in 1997/98.

New safety records were also achieved, with over one million hours worked without lost time through injury. And in 2003/04, Port Kembla Steelworks celebrated a number of milestones. We exported our 10 millionth tonne of slab, and marked 25 years of slabcasting.

As a result of improvements in furnace process speed and control, we also produced a record 2.501 million tonnes of hot rolled coil, beating the previous 1995/96 record by 2.6 per cent. A new, five-year Enterprise Bargaining Agreement, covering the majority of our workforce at the site, was concluded.

Progress was also made in environmental management – a priority area for Port Kembla Steelworks. A sinter waste gas treatment plant commissioned in July 2003, which captures and treats gas and dust emissions, has made a real difference to the environment of the Illawarra region.

We have continued building premium steel brands for our hot rolled products. The successful launch of XLERPLATE® (steel plate) and XLERCOIL® (hot rolled coil) has assisted us in capitalising on new opportunities – the steel plate used in the wind towers shown on the previous page is a good example.



AMAZING CAREERS // People such as Alison Halstead, Development Officer Ironmaking Technology at Port Kembla Steelworks, above, and Melissa Hildreth, Electric Arc Furnace Operator at North Star BlueScope Steel, right, are building careers in roles where, traditionally, women have not been involved.†

NORTH STAR BLUESCOPE STEEL PROVIDING GROUNDBREAKING ROLES FOR EXPERT PEOPLE.



NUMBER ONE AGAIN. NORTH STAR BLUESCOPE STEEL RECORDED ITS THIRD SUCCESSIVE WIN IN THE COVETED JACOBSEN SURVEY.



STRONG PARTNERSHIPS // Doug Kovach, District Sales Representative at our Delta, Ohio joint venture is responsible for servicing the account of Worthington Industries. Worthington, the largest customer of the business, operates on a neighbouring site and receives rail shipments of over one-third of the hot rolled coil produced each year.†

NORTH STAR BLUESCOPE STEEL

This was also an outstanding year for North Star BlueScope Steel, the Ohio-based Steelworks of which we hold 50 per cent. Our joint venture partner is a subsidiary of Cargill Inc, one of the world's largest private companies. In 2003/04, North Star BlueScope Steel was able to capitalise on strong pricing and good customer relationships to achieve excellent results.

The business earned its third successive win in the coveted Jacobsen Survey, again voted 'number one flat rolled steel supplier in North America'. The customers of this business include Worthington Steel, which buys around one-third of production, Steel Technologies, Kenwal Steel Corporation and National Material.

Financial performance was helped by a healthy spread between the cost of scrap raw material and the selling price of finished steel products. A scrap related surcharge, introduced in January, helped compensate for the rapid escalation of scrap costs.

In 2003/04, the operation achieved record production of 1.669 million tonnes, up 3.8 per cent from the previous year. Capital developments have been completed which will allow annual capacity to increase to 1.724 million tonnes over the coming year.

North Star BlueScope Steel, known in the steel industry as a 'mini-mill', uses leading-edge steelmaking technologies and processes to produce new steel from scrap metal. The operation uses the Electric Arc Furnace (EAF) steelmaking method.

Inside the mini-mill's two furnaces, electrodes produce an arc similar to a lightning bolt. The energy from the arc melts the scrap to produce new steel. Cars are a significant source of scrap, but washing machines, refrigerators, bicycles and steel

from demolished buildings can also be recycled using the EAF method. The process also utilises iron and other materials.

CASTRIP®

At the cutting edge of steelmaking is a new strip casting process, based on technology pioneered by BlueScope Steel and our Japanese partner IHI at Port Kembla Steelworks in the late 1980s and 1990s. In 2000, the technology was sufficiently advanced to attract Nucor, a large and innovative US company.

Nucor (47.5 per cent) joined with BlueScope Steel (47.5 per cent) and IHI (Ishikawajima-Harima Heavy Industries – 5 per cent) to form Castrip LLC – a joint venture company formed to license and commercialise thin strip casting technology.

The Castrip® technology allows direct production of thin hot rolled coil from liquid steel, bypassing slab casting and hot rolling. There is also potential to replace cold rolling. The process, if proven commercially, will be lower in investment and operating costs than current technologies, with smaller scale plants and environmental advantages.

Our partner, Nucor, is utilising the technology at its facility in Crawfordsville, Indiana, USA. In 2003/04, Castrip moved closer to commercialisation, with material from Nucor's Crawfordsville facility introduced to market. In June 2004, cumulative production exceeded 100,000 tonnes since the plant began operating in May 2002.

The Castrip® process produces ultra-thin hot band gauges that can compete with traditional cold rolled steel. During the year, a gauge record was set. The Castrip plant produced steel sheet down to a thickness of 0.84 mm.



\$59m

**RECORD EBIT FOR
NEW ZEALAND STEEL**



STEEL FROM SANDS // Karl Partridge a production supervisor for New Zealand Steel, is involved in the conversion of iron-rich sands to a wide range of steel products. The unique black ironsands are mined by New Zealand Steel on the west coast of the North Island. †





GROWING MARKET // Buildings such as this New Zealand school demonstrate the growing demand for steel building products in New Zealand. +

+ NEW ZEALAND STEEL

Our New Zealand Steel business is a unique, fully integrated operation based at Glenbrook, near Auckland. The business covers the entire steel supply chain, mining iron-rich sands on the west coast of the North Island, producing a wide range of steel products, and running an extensive customer service network.

The Steelworks produces iron from iron sands by electrical melting. This iron is converted to steel using conventional basic oxygen steelmaking, cast into slab, and processed to produce hot rolled coil. New Zealand Steel adds value to hot rolled coil through cold rolling, painting, metallic coating, plate, welded beam and pipe making facilities.

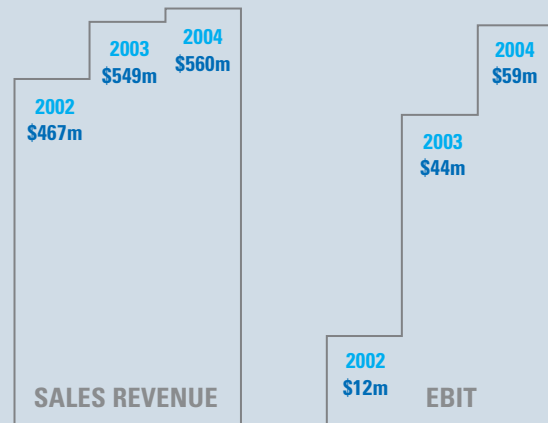
A new maintenance initiative will reduce down-time and improve slab production in 2004/05. Unplanned maintenance in the fourth quarter of 2003/04 marginally affected slab production, resulting in a 1.3 per cent decrease for the year.

In 2003/04 the operation increased paint line production to 53,000 tonnes, up 10.9 per cent from the previous year. A metal coating line expansion was implemented, and further work in the first half of the new financial year is expected to deliver this facility's expected capacity increase of 11.3 per cent, to 230,000 tonnes per year. Due to these upgrade works, total metal coating production was 197,000 tonnes, down 7.5 per cent from last year.

The New Zealand Steel management team was reshaped during the year and is focused on achieving further manufacturing improvements and maximising the market potential of the business.

In 2003/04, a record 261,000 tonnes of product (44 per cent of New Zealand Steel's production) was sold into strong domestic markets. The balance was sold into export markets, utilising BlueScope Steel's international sales network.

New Zealand Steel specialises in servicing key niche export markets, and maintains a broad portfolio of export customers. Customer demand for New Zealand Steel products continued to grow during the year. Building approvals exceeded expectations, driven in part by New Zealand's immigration policies.





ENORMOUS POTENTIAL, NEW EXPERTISE AND CAPABILITIES – NORTH AMERICA IS AN EXCITING FRONTIER FOR BLUESCOPE STEEL.

+ NORTH AMERICA COATED AND BUILDING PRODUCTS

In April 2004, BlueScope Steel purchased the former Butler Manufacturing Company, creating this new business segment. It is comprised of two businesses: the North American Buildings Group and the Vistawall Group. Butler's Directors announced the Company was for sale in October 2003. The acquisition by BlueScope Steel was completed on 27 April 2004 for A\$277 million (net of cash acquired).

Acquisition of this business has helped fulfil our strategy to increase the proportion of downstream (high value-added) branded products we make and sell. Since acquisition, we have worked to integrate the two businesses into our Company. An integration team has been established in Dallas, Texas. We are also well advanced in introducing BlueScope Steel's policies and procedures and in integrating information technology, accounting and reporting, safety, environment and a range of other systems.

NORTH AMERICAN BUILDINGS GROUP

The North American Buildings Group manufactures and markets the renowned Butler® brand of pre-engineered buildings (PEBs). These buildings are sold and erected by a network of 1,100 Butler Builders, also a well-recognised brand in North America. Starting life in the early 1900s with the iconic Butler grain bin – still seen on many farms in the United States – Butler® is now the market-leading brand for non-residential PEBs in the United States, Canada and Mexico.

Today, Butler® buildings fulfil applications as diverse as warehouses and distribution centres, schools, churches, offices, restaurants and retail stores. Customers include major retailers, such as Wal-Mart, manufacturers, transport and logistics companies and government agencies.

A new management structure has been put in place for the Buildings Group, introducing a regional reporting and profit centre structure. Regional general managers, with accountability for regional performance, have been appointed.

In June 2004, the Company announced that the high cost manufacturing plant at Galesburg, Illinois, would close by

mid calendar year 2005. Production at the plant – which currently produces specialty components – will be moved to another location in North America. These changes are designed to lay the foundations for a turn-around in the performance of the Buildings Group. After a prolonged downturn in the US non-residential construction market, Butler's Buildings Group had suffered three years of financial losses before being purchased by BlueScope Steel.

An improvement in non-residential construction activity in the United States occurred during the first half of calendar 2004, with Buildings Group despatches in May and June 2004 up strongly over the same period in 2003. Higher steel prices and a shortage of steel feedstock have presented challenges for the Buildings Group since acquisition. The latter was partially alleviated by sourcing steel products for the first time from North Star BlueScope Steel and New Zealand Steel.

The North American Buildings Group also includes the R-Steel business, which manufactures thermal panels (galvanised steel embedded in an expanded polystyrene insulation), and Butler Construction (BUCON), which works with major purchasers to design, plan and construct large-scale building projects, in conjunction with Butler Builders.

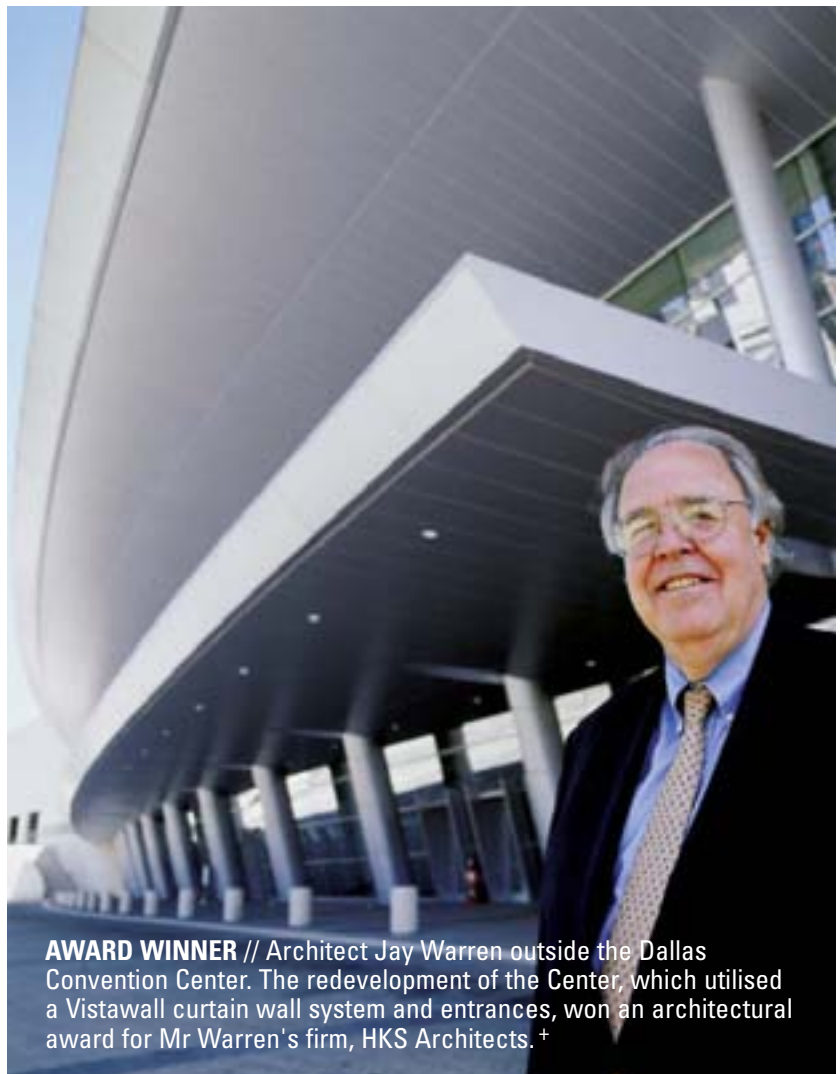
VISTAWALL GROUP

The Vistawall Group manufactures and markets extruded aluminium and glass architectural products, including store-fronts, curtain walls, doors, windows and skylights. The Group's other brands include Naturalite, Skywall and Moduline. Its products are used in a range of non-residential building and construction applications, including shopping centres, hotels, motels, convention centres and office buildings.

Vistawall's products are sold both independently, and as part of a complete, turn-key Butler® building product offer. The Vistawall business remained profitable throughout the downturn in the US non-residential construction market. There was a marked improvement in business for Vistawall in 2004, with orders in May and June 2004 7 per cent higher than the same period in 2003.

1,100

BUTLER BUILDERS IN NORTH AMERICA



AWARD WINNER // Architect Jay Warren outside the Dallas Convention Center. The redevelopment of the Center, which utilised a Vistawall curtain wall system and entrances, won an architectural award for Mr Warren's firm, HKS Architects. †



TWO GIANTS // Utah's Rocky Mountains provide a dramatic backdrop to this 93,000 square metre Butler® pre-engineered building – a Wal-Mart Distribution Center. PEBS of this size have been erected in just 28 working days. †





The Directors photographed at New Zealand Steel, home of the market-leading Colorsteel® brand, during a Board meeting in March 2004. +

KEVIN McCANN

Non-Executive Director (Independent), Age 63, BA LLB (Hons), LL.M Director since: May 2002

Non-Partner Chairman of Partners of Allens Arthur Robinson, a national law firm. Was a Partner of the firm from 1970 to 2004, specialising in mergers and acquisitions, mineral and resources law and capital markets transactions.

Currently Chairman of Healthscope Limited, Origin Energy Limited, Triako Resources Limited, and the Sydney Harbour Federation Trust. A Director of Macquarie Bank Limited and member of the Defence Procurement Advisory Board and has served on the Boards of Pioneer International Limited, Ampol Limited and the State Rail Authority of New South Wales. Also a member of the Takeovers Panel.

Brings extensive legal expertise, commercial experience as a Director of a number of major listed companies and experience in corporate governance to the Board.

TAN YAM PIN

Non-Executive Director (Independent), Age 63, BEc (Hons), MBA, CA Director since: May 2003

Resides in Singapore. A chartered accountant by profession, was 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 Limited. A Member of the Public Service Commission of Singapore since 1990. Chairman of PowerSereya Limited (Singapore) and is also a member of the Supervisory Board of the East Asiatic Company Limited A/S (Denmark), Keppel Land Limited (Singapore), and International Enterprise Singapore.

Brings extensive knowledge of Asian markets, an area of strategic importance to the Company and has financial and leadership skills that complement the existing Board.

PAUL RIZZO

Non-Executive Director (Independent), Age 59, BCom, MBA Director since: May 2002

A Director of National Australia Bank Limited from September 2004. A member of the Advisory Board of Mallesons Stephen Jaques, Innovation Economy Advisory Board for Victoria and Chairman of Foundation for Very Special Kids. Formerly Chief Executive Officer and Dean, Director and Professorial Fellow of the Melbourne Business School. Held positions as Group Managing Director – Finance and Administration of Telstra Corporation Limited, Chief General Manager – Retail Banking Commonwealth Bank of Australia, Chief Executive Officer of State Bank of Victoria, and held a range of senior executive positions at Australia and New Zealand Banking Group Limited.

Extensive financial experience is valuable to the Board and in his role as Chairman of the Audit and Risk Committee.

DIANE GRADY

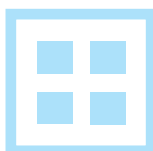
Non-Executive Director (Independent), Age 56, BA (Hons), MA (Chinese Studies), MBA Director since: May 2002

A full time Non-Executive Director of various companies since 1994 and is currently a Director of Woolworths Limited and Watty Limited. Also a Trustee of the Sydney Opera House, a Director of the Australian Institute of Management (New South Wales) and a Governor of Ascham School.

As a former Partner with McKinsey & Co, spent 15 years consulting to clients in a broad range of industries on strategic and organisational issues. In Australia, led the firm's marketing, retailing and consumer goods practice and was a global leader of McKinsey's Change Management Centre.

Contributes expertise in areas of strategy and organisational performance and development.

BLUESCOPE STEEL BOARD OF DIRECTORS



AN EXPERIENCED TEAM, WITH THE VISION TO SHAPE OUR FUTURE

KIRBY ADAMS

Managing Director and Chief Executive Officer, Age 48, BSc (Industrial Eng), MBA
Director since: May 2002

Appointed Managing Director and Chief Executive Officer of BlueScope Steel Limited in July 2002. Joined the BHP group in 1995 and held various positions including President BHP Services, Group General Manager and Chief Executive Officer BHP Service Companies, and Corporate General Manager Planning and Development.

Current Chairman of the International Iron and Steel Institute.

GRAHAM KRAEHE AO

Chairman (Independent), Age 61, BEc
Director since: May 2002

Has extensive background in manufacturing and was Managing Director and Chief Executive Officer of Southcorp Limited from 1994 to February 2001. Currently Chairman of the National Australia Bank and a board member of Djerriwarrh Investments Limited. Former Non-Executive Director of News Corporation and Brambles.

Brings skills and experience in manufacturing management and in companies with substantial and geographically diverse industrial operations. Experience with a wide range of organisations is relevant for his role as Chairman of the Board.

RON McNEILLY

Deputy Chairman (Independent), Age 61, 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 2002 held various positions with the BHP (now BHP Billiton) Group, including Executive Director and President BHP Minerals, Chief Operating Officer, Executive General Manager and Chief Executive Officer BHP Steel. In the latter role, gained practical experience of many of the businesses that today comprise BlueScope Steel.

Chairman of Melbourne Business School Limited and Ausmelt Limited, Deputy Chairman of Worley Group Limited, and a director of Alumina Ltd. Also Vice President of the Australia Japan Business Cooperation Committee and a member of the Council on Australia Latin America Relations.

JOHN CRABB

Non-Executive Director (Independent), Age 64
Director from May 2002 to July 2004

Was Managing Director and Chief Executive Officer of Simsmetal Limited from 1988 until 2002. Joined the Simsmetal Group in 1965 and held a variety of management positions with the group. Chairman of Capral Aluminium Limited.

Resigned: 28 July 2004.

+ DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2004

The Directors of BlueScope Steel Limited ("BlueScope Steel") present their report on the consolidated entity ("BlueScope Steel Group") consisting of BlueScope Steel Limited and its controlled entities for the financial year ended 30 June 2004.

PRINCIPAL ACTIVITIES

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

- a. Manufacture and distribution of flat steel products;
- b. Manufacture and distribution of metallic coated and painted steel products; and
- c. Manufacture and distribution of steel building products.

In addition, the BlueScope Steel Group extended its principal activities to include:

- d. Design and manufacture of pre-engineered steel buildings and building solutions through the acquisition of Butler Manufacturing Company.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant events occurred during the year:

- a. On 17 November 2003, following shareholder approval, the Company changed its name from BHP Steel Limited to BlueScope Steel Limited.
- b. On 27 April 2004, the BlueScope Steel Group acquired Butler Manufacturing Company, a steel pre-engineered buildings and building components business with operations in North America and China. The acquisition cost \$277 million (net of cash acquired) and is consistent with BlueScope Steel's long-term strategy to grow downstream branded products and building solutions.
- c. The BlueScope Steel Group is progressing a range of growth initiatives aimed at expanding the manufacture and distribution of metallic coating and painted steel products. The following projects are progressing to schedule:

- Vietnam: the construction of a new metallic coating (capacity: 125,000 tonnes) and painting (capacity: 50,000 tonnes per annum) facility. The facility will cost approximately \$160 million and is expected to commence operation in early calendar year 2006;
- Thailand: installing a second metallic coating line (capacity: 200,000 tonnes per annum) at the Map Ta Phut plant. The facility will cost approximately \$80 million and is expected to commence operations mid calendar year 2005; and
- China: a new metallic coating (capacity: 250,000 tonnes per annum) and painting (capacity: 150,000 tonnes per annum) facility. The facility will cost approximately \$280 million and is expected to commence operation in mid calendar year 2006.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The following matters or circumstances have arisen since 30 June 2004 that have significantly affected, or may significantly affect, the BlueScope Steel Group operations, results or state of affairs in future financial years.

- a. On 1 July 2004 BlueScope Steel Group completed a debut debt raising in the US private placement market totalling US\$300 million with terms of seven years (US\$100 million) and 10 years (US\$200 million).
- b. On 28 July 2004, the Board approved an investment of approximately \$100 million to increase the nominal capacity of the Hot Strip Mill at Port Kembla from 2.4 to 2.8 million tonnes per annum. The upgrade is expected to be completed in the first quarter of financial year 2006/2007.

DIVIDENDS

BlueScope Steel paid a fully franked interim dividend of 12 cents per share in March 2004 to its shareholders. On 19 August 2004, it was announced that the Directors have declared a final fully franked dividend of 18 cents per share, which is to be paid on 18 October 2004 (record date 5 October 2004) to shareholders. The Directors have also declared a fully franked special dividend of 10 cents also payable on 18 October 2004.

REVIEW AND RESULTS OF OPERATIONS

	SEGMENT REVENUES		SEGMENT RESULTS	
	2003	2004	2003	2004
	\$M	\$M	\$M	\$M
Sales Revenue				
Hot Rolled Products	2,625.5	2,731.5	471.2	565.1
New Zealand Steel	548.6	560.2	44.4	58.5
Coated and Building Products Australia	2,728.3	2,883.5	118.5	196.7
Coated and Building Products Asia	568.6	689.1	84.0	100.2
Coated and Building Products North America	—	191.5	—	(8.8)
Corporate and Group	715.9	669.0	(101.8)	(61.7)
Intersegment eliminations	(1,914.8)	(1,986.7)	(5.2)	(32.1)
Other Revenue	30.0	31.5		
Operating Revenue/EBIT	5,302.1	5,769.6	611.1	817.9
Net unallocated expenses			(17.5)	(14.5)
Profit from ordinary activities before income tax			593.6	803.4
Income tax expense			(120.9)	(201.6)
Profit from ordinary activities after income tax expense			472.7	601.8
Net profit attributable to outside equity interest			(21.0)	(17.7)
Net profit attributable to members of BlueScope Steel			451.7	584.1
Earning per Share (cents)			57.1	77.8

The BlueScope Steel Group has achieved strong financial results for the second consecutive year, delivering a net profit of \$584.1 million and earnings per share of 77.8 cents.

The company's revenue increased \$467.5 million to \$5,769.6 million, primarily due to additional despatch volumes and product mix, and improved price being partly offset by a reduction in the A\$ denominated value of sales, due to the strengthening of the Australian dollar.

Net profit after tax increased \$132.4 million to \$584.1 million. This improvement was due primarily to higher international and domestic steel prices, and higher product despatches. These were partly offset by higher raw material and operating costs, and the net impact of a higher AUD/USD on US\$ denominated revenues and costs.

Every reporting segment contributed to BlueScope Steel Group's improved performance. Earnings contributions of the Hot Rolled Products segment increased as a result of stronger hot rolled coil and slab pricing and product despatching. However, higher hot rolled coil and slab feed costs in the second half of the year compressed margins in our downstream Australian Coated and Building segment which otherwise delivered a very positive year on year result. There was a marked improvement in the New Zealand Steel business with the New Zealand domestic market remaining strong. In Asia, BlueScope Steel continues to grow with sales revenue from this segment increasing 21% to \$689 million and EBIT of \$100 million for the first time.

Butler Manufacturing Company, the world's premier manufacturer of pre-engineered buildings, was acquired in April 2004 bringing a new suite of building and construction products to our Company in China and North America.

The Company commenced a number of growth initiatives, principally a new China coating and painting facility, new Vietnam coating and painting facility and a second Thailand coating line.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

During financial year 2004/05, the Company will continue to work on improving those factors within its control.

The Company's domestic and export markets continue to be strong. Steel slab and hot rolled coil demand continues to be high, with a tightening of markets globally. With increasing demand for steel worldwide, the Company expects steel prices will remain attractive through the first half of financial year 2004/05. China continues to play a pivotal role in global steel industry supply and demand although the direct impact on our sales is currently less than 5%. The Company remains optimistic about the economic prospects in China and Asia generally.

The Company will experience significantly higher raw material costs for iron ore, coking coal, energy and coating metals of aluminium, zinc and tin during financial year 2004/05, together with higher rates on marine freight.

The Company is increasing its research and technology spending by 30% to \$40 million in financial year 2004/05 to further advance its competitive edge and increasing its spending on repairs and maintenance by a further \$40 million to ensure its increased production capacity and asset lives are protected and extended.

The continued focus on monetary policy as well as elections in both the US and Australia will also add to uncertainty for these economies and exchange rates.

Overall, the Company is experiencing a strong start to financial year 2004/05, however, it is too early to be more definitive regarding the Company's full year results.

INFORMATION ON DIRECTORS

The following were Directors for the year: Graham John Kraehe, AO (Chairman), Ronald John McNeilly (Deputy Chairman), Kirby Clarke Adams (Managing Director and Chief Executive Officer), John Crabb, Diane Jennifer Grady, Harry Kevin (Kevin) McCann, Paul John Rizzo and Tan Yam Pin.

Particulars of the skills, experience, expertise and special responsibilities of the Directors are set out on pages 48-49 and form part of this report. Mr Crabb resigned as a Director of BlueScope Steel on 28 July 2004.

INFORMATION ON COMPANY SECRETARIES

Michael Barron, Chief Legal Officer and Company Secretary, BEc, LLB, ACIS

Michael Barron joined BlueScope Steel in 2002. He is responsible for the legal affairs of BlueScope Steel and for Company Secretarial matters. Prior to joining BlueScope Steel, Mr Barron held the position of group general counsel of Orica Limited where he was employed for 16 years, holding a variety of legal positions in Australia and overseas. His responsibilities at Orica Limited included membership of the executive team and management of the company secretarial, corporate affairs and internal audit functions.

Lisa Nicholson, BSc, LLB, Grad Dip CSP

Lisa Nicholson joined BlueScope Steel in May 2004. She is responsible for Company Secretarial matters for BlueScope Steel and its subsidiaries. Prior to joining BlueScope Steel Limited, Ms Nicholson worked in the company secretariat department of Coles Myer Ltd for 3 years with responsibility for compliance reporting, director-related parties and company policies. She has also worked as a corporate lawyer for companies such as Lend Lease Employer Systems Ltd and DaimlerChrysler Australia/Pacific Pty Ltd.

Laurence Mandie, BSc (Hons), LLB (Hons)

Laurence Mandie joined BlueScope Steel in 2002. He is responsible for the legal affairs of the Market & Logistics Solutions businesses, and corporate functions such as finance and IT, as well as being a company secretary for the group. Mr Mandie joined BlueScope Steel from Freehills, a national law firm, where he had worked in the Mergers & Acquisitions group and as Acting General Counsel and Company Secretary of Pasmenco Limited.

PARTICULARS OF DIRECTORS' INTERESTS IN SHARES AND OPTIONS OF BLUESCOPE STEEL LIMITED

Director	Ordinary shares	Share rights
G J Kraehe	104,190	0
K C Adams*	902,212	1,448,800
J Crabb	41,572	0
D J Grady	30,432	0
H K McCann	20,131	0
R J McNeilly	512,239	0
P Rizzo	22,657	0
Y P Tan	131	0

* Kirby Adams' current holding of BlueScope Steel Limited Ordinary shares has no connection with any BlueScope Steel Limited executive remuneration program and such shares have been acquired with his own funds.

MEETINGS OF DIRECTORS

The attendance of the current Directors at Board and Board Committee meetings from 1 July 2003 to 30 June 2004 is as follows:

	BOARD MEETINGS		COMMITTEE MEETINGS							
	A	B	Audit and Risk		Remuneration and Organisation Committee		Health, Safety & Environment		Nomination	
			A	B	A	B	A	B	A	B
G J Kraehe	12	12	*	*	6	6	5	5	2	2
K C Adams	12	12	*	*	*	*	5	5	*	*
J Crabb	12	12	*	*	*	*	5	5	2	2
D J Grady	12	12	*	*	6	6	5	5	2	2
H K McCann	12	12	7	6	*	*	5	5	2	2
R J McNeilly	12	12	7	7	6	6	5	5	2	2
P Rizzo	12	12	7	7	*	*	5	5	2	2
Y P Tan	12	12	*	*	1 ⁽¹⁾	1	5	5	2	2

(1) Mr Tan was appointed to the Remuneration and Organisation Committee at the Board meeting on 17 May 2004, which was prior to the Committee meeting on the same day.

All Directors have held office for the entire 2003/04 financial year. Mr Crabb resigned as a director of BlueScope Steel on 28 July 2004.

A = number of meetings held during the period 1 July 2003 to 30 June 2004 during the time the Director was a member of the Board or the Committee as the case may be.

B = number of meetings attended by the director from 1 July 2003 to 30 June 2004 while the director was a member of the Board or the Committee as the case may be.

* = not a member of the relevant Committee, however Directors who are not members of the relevant Committee often attend meetings.

The Non-Executive Directors met once during the 2003/04 financial year without the presence of management.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Board has determined to review Non-Executive Directors' fees and payments annually. The Board has sought the advice of an expert external remuneration consultant to ensure Non-Executive Directors' fees and payments reflect their duties and are in line with the market. The Chairman's fees are determined independently to the fees of other Non-Executive Directors, based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-Executive Directors do not receive share rights. Non-Executive Directors are expected to accumulate over time a shareholding in the Company at least equivalent in value to their annual remuneration. Non-Executive Directors are required to salary sacrifice a minimum of 10% of their remuneration each year to purchase BlueScope Steel shares (instead of cash fees), which are acquired on-market. Shareholders approved this arrangement at the Annual General Meeting in November 2003, and Non-Executive Directors commenced participation in this arrangement in January 2004.

The current remuneration of Non-Executive Directors was last reviewed with effect from 1 January 2004. The Chairman and Deputy Chairman's remuneration is inclusive of Board Committee fees. Other Non-Executive Directors who chair a Board Committee receive additional yearly fees and members of the Audit and Risk Committee also receive an additional yearly fee. Mr Tan (a resident of Singapore) receives a travel and representation allowance recognising his involvement in representing the Board in activities with BlueScope Steel's Asian business and the significant travel requirement imposed in respect of attendance at meetings.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum fee pool limit currently stands at \$1,750,000 per annum (inclusive of superannuation).

Compulsory superannuation contributions on behalf of each Director are paid in addition to the fees. Non-Executive Directors do not receive any other retirement benefits.

Details of the remuneration for the year ended 30 June 2004 for each Non-Executive Director of BlueScope Steel is set out in the following table.

Name	Base Fee \$	Committee Fee Allowance \$	Non-monetary benefits \$	Superannuation \$	Total \$
GJ Kraehe	331,712	–	7,227	19,070	358,009
RJ McNeilly	167,365	–	–	12,286	179,651
J Crabb	116,058	12,827	–	10,832	139,717
DJ Grady	116,058	15,269	–	10,832	142,159
HK McCann	116,058	7,327	–	10,347	133,732
PJ Rizzo	127,742	20,154	–	–	147,896
YP Tan	121,827	9,769	–	10,842	142,438

SENIOR EXECUTIVES' REMUNERATION

BlueScope Steel's remuneration policy is directed at underpinning a high performance organisation. The focus of its remuneration strategy is on performance and accountability. Executive remuneration packages are designed to support the delivery of outstanding returns for shareholders by aligning performance-related reward with the value delivered to shareholders.

To compete, BlueScope Steel must be able to attract and retain the very best talent that is available within the global steel industry, while maintaining shareholder value. Our remuneration strategy enables BlueScope Steel to:

- Compete for executive talent by providing competitive remuneration; and
- Maintain an appropriate 'at risk mix' in total remuneration to ensure BlueScope Steel delivers superior performance and grows shareholder value.

The Company complies with the legal requirements applicable to shareholder approval for participation in equity-based executive remuneration plans. Shareholder approval is sought for any shares or share rights to be granted to its Executive Director.

The reward structure combines base salary, short-term and long-term incentive plans and post-retirement benefit arrangements. The cost and value of components of the remuneration package are considered as a whole and are designed to ensure an appropriate balance between fixed and variable performance-related components, linked to short-term and long-term objectives and to reflect market competitiveness. Details of the policy applied in each component are outlined below.

BASE SALARY

Base salaries are quantified by reference to the scope and nature of an individual's role, performance, experience and market data. Base salary drives the ultimate delivery of total remuneration including both short-term and long-term incentive targets.

Market data is obtained from external sources to determine the market value of positions.

INCENTIVE PLANS

The Short-Term Incentive Plan is an annual 'at risk' cash bonus scheme. Goals are established for each participant under the following categories:

Shareholder Value Delivery – financial performance measures are used including Net Profit After Tax, Cash Flow, and Earnings Before Interest and Tax.

Zero Harm – safety and environmental performance measures, including Lost Time Injury Frequency Rates, Medical Treatment Injury Frequency Rates and environmental measures.

Business Excellence – performance measures for the financial year ending 30 June 2004 were focused on delivery performance, days of inventory and the cost of poor quality product.

Strategy – implementation of specific initiatives.

Executives have a weighting of 60% of their bonus on the Shareholder Value measures.

For executives, target bonus levels range from 20% of base salary to 100% of base salary and are set to reflect market competitiveness. For outstanding results, participants may receive up to 150% of their target bonus amount.

The Long-Term Incentive Plan is an award of share rights to eligible executives. Eligibility, performance hurdles and quantity of share rights awarded is at the discretion of the Board. This decision is made annually taking into account the annual business performance results. No financial assistance is provided to executives in respect of any tax liability or costs arising from the exercising of share rights.

Executives are expected to accumulate over time a shareholding in the Company. For senior executives this shareholding is expected to be at least equivalent in value to their annual base salary.

POST-RETIREMENT BENEFITS

BlueScope Steel operates superannuation funds in Australia, New Zealand and North America for its employees. In these locations there are a combination of defined benefit and accumulation type plans.

Contributions are also made to other international superannuation plans for employees outside of Australia, New Zealand and North America.

OTHER BENEFITS

Additionally, executives are eligible to participate in an annual health assessment program designed to ensure that executives have their health status reviewed on a regular basis.

DETAILS OF SENIOR EXECUTIVES' (INCLUDING EXECUTIVE DIRECTOR'S) REMUNERATION

The following information represents the annual salary for the year ended 30 June 2004 for the top six executives and the Managing Director and CEO.

Name	Cash Salary and Fees \$	PRIMARY	Non-monetary benefits \$	Sub total \$	POST-EMPLOYMENT	EQUITY	Total \$
		At Risk Cash Bonus ² \$			Superannuation \$	Share Rights ¹ \$	
EXECUTIVE DIRECTOR							
KC Adams Managing Director and CEO ³	1,391,346	1,990,000	7,227	3,388,573	204,528	815,218	4,408,319
EXECUTIVES							
LE Hockridge President Industrial Markets	612,500	560,000	17,325	1,189,825	90,038	320,806	1,600,669
KJ Fagg President Market and Logistics Solutions	525,385	370,000	1,554	896,939	73,608	282,882	1,253,429
BG Kruger Chief Financial Officer	494,338	430,000	7,794	932,132	71,578	247,623	1,251,333
NH Cornish President Australian Building and Manufacturing Markets	456,153	330,000	37,535	823,688	66,546	242,733	1,132,967
M Courtall President Asian Building and Manufacturing Markets	405,095	320,000	13,040	738,135	59,040	199,569	996,744
IR Cummin Executive Vice President Human Resources (from 1/9/03)	322,500	320,000	–	642,500	45,000	71,256	758,756

1. Valuation of equity remuneration in the form of share rights granted, excludes the effect of tenure risk. For each award, total fair value is pro-rated over the award period, from grant date to expected vesting date.

2. Refer to page 53 for details of the at risk cash bonus (Short-Term Incentive Plan). Amounts reflect the estimated annual cash bonus for the 12 months to 30 June 2004 based on actual performance. Actual annual cash bonus amounts will be paid in September 2004.

3. Mr Adams has elected to take his short term incentive payment in the form of shares in the Company, under the Share Purchase Plan approved by Shareholders on 12 November 2003.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – OUTLINE OF EMPLOYMENT CONTRACT

Outlined below are the key terms and conditions of employment contained within the employment contract for Kirby Adams, the Managing Director and Chief Executive Officer.

Kirby Adams' employment contract, commenced on 1 July 2002. He receives an annual base pay of \$1,350,000. This amount is reviewed on an annual basis in accordance with the Board's senior executive salary review policy. In addition, Mr Adams is eligible to participate in the Short-Term Incentive Plan and, subject to shareholder approval, Long-Term Incentive Plan awards.

Mr Adams may terminate the contract by giving three months' written notice, upon which he is entitled to his annual base pay, which has been accrued but not paid up to the date of termination, plus any vested awards under the Long-Term Incentive Plan, and any other payments which he is

eligible for under the Short-Term Incentive Plan. The company may terminate the contract by giving one months' written notice (or a payment in lieu of notice based on Mr Adams' annual base pay) and a gross termination payment equal to 24 months of Mr Adams' annual base pay, plus any applicable Short-Term Incentive Plan and Long-Term Incentive Plan awards, and reimbursement for the reasonable costs of relocation from Australia to the United States of America. The company may also terminate the contract on 30 days' notice in the event of serious misconduct or a serious breach of the contract. In this event, Mr Adams is only entitled to his annual base pay which has accrued but not been paid up to the date of termination plus any vested Long-Term Incentive Plan awards.

SHARE RIGHTS GRANTED TO EXECUTIVE DIRECTORS AND THE MOST HIGHLY REMUNERATED OFFICERS

The Company has implemented performance-based executive plans incorporating the granting of share rights.

The following share rights have been granted.

A. JULY 2002 AWARD

Nominated executives were awarded share rights in BlueScope Steel Limited in lieu of the awards that would otherwise have been made under BHP Billiton Limited's Long Term Incentive Plans in October 2001. For this award a once-only increase equivalent to an additional 50% of the value of the award was made. This once-only increase was to recognise that, but for the Steel separation, the nominated employees would have been eligible for an award under the BHP Billiton Limited's Long Term Incentive Plans in October 2001, and the first performance period under the BlueScope Steel Long Term Incentive Plan will be shorter than the three year period usually adopted under BHP Billiton Limited's plans. A Share Right is a right to acquire an ordinary share in BlueScope Steel Limited at a later date, subject to the satisfaction of certain performance criteria.

TSR PERFORMANCE HURDLE	FIRST PERFORMANCE PERIOD % OF SHARE RIGHTS THAT VEST	SECOND PERFORMANCE PERIOD % OF SHARE RIGHTS THAT VEST
80th – 100th percentile	100%	50%
70th – < 80th percentile	90%	50%
60th – < 70th percentile	70%	50%
50th – < 60th percentile	50%	50%
< 50th percentile	50% of share rights awarded will lapse and 50% will be carried over to a second performance period at the Board's discretion	None – all unvested share rights will lapse immediately.

Exercise Price

The share rights awarded in July 2002 comprised both nil priced and market priced share rights. The exercise price established for the Market Priced share rights was based on the volume weighted average price of the BlueScope Steel Limited shares sold under the sale facility at the time of the demerger from BHP Billiton and BlueScope Steel shares on the Australian Stock Exchange during the first five trading days. Selected executives received share rights with a nil exercise price.

DETAILS OF THE JULY 2002 AWARD

	Market Price Share Rights	Nil Priced Share Rights
Grant Date	25 July 2002	25 July 2002
Exercise Date	From 30 September 2004	From 30 September 2004
Latest Expiry Date	25 July 2007	31 March 2006
Share rights Granted	14,335,000	2,800,300
Number of Participants at Grant Date	105	12
Number of Current Participants	99	11
Exercise Price	\$2.85	nil
Fair Value Estimate at Grant Date ¹	\$5,734,000	\$3,276,351
Share rights Lapsed since Grant Date	976,170	194,900

¹ External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the Executive share rights at grant date. The valuation has been made using the Binomial Option Pricing Model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk-free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account. Currently, these fair values are not recognised as expenses in the financial statements. However, were these grants to have been expensed they would have been amortised over the vesting period resulting in an estimated increase in employee benefits expense of \$4.2 million for the 2004 (2003: \$3.8 million) financial year. Note that no adjustments to these amounts have been made to reflect actual forfeiture of shares.

Performance Period

Under the July Award there are two potential performance periods. The first performance period commenced on 15 July 2002 and ends on 30 September 2004. The Board will determine whether there will be a second performance period. If such a determination is made, the second performance period will commence on 15 July 2002 and end on 30 September 2005.

Vesting

The proportion of share rights that vest at the end of the relevant performance period will be determined by the Company's performance measured in terms of Total Shareholder Return ('TSR'), relative to the TSR of the companies in the ASX/S&P 100 index at the award grant date. The TSR performance hurdle, and percentages of share rights that become exercisable on meeting the performance hurdle is as follows:

B. SEPTEMBER 2002 PLAN

Executives were awarded share rights over ordinary shares in BlueScope Steel Limited. These share rights are subject to achievement of performance criteria and other terms on which they were awarded.

Performance Period

The performance period commenced on 1 October 2002 and ends on 30 September 2005.

Vesting

The proportion of share rights that vest at the end of the relevant performance period will be determined by the Company's performance measured in terms of Total Shareholder Return ('TSR'), relative to the TSR of the companies in the ASX/S&P 100 index at the award grant date. The TSR performance hurdle, and percentages of share rights that become exercisable on meeting the performance hurdle is as follows:

TSR PERFORMANCE HURDLE	% OF SHARE RIGHTS THAT VEST
80th – 100th percentile	100%
70th – < 80th percentile	90%
60th – < 70th percentile	70%
51st – < 60th percentile	50%
< 51st percentile	None – all unvested share rights will lapse immediately

Exercise Price

The exercise price for all share rights in the September award is nil.

Restriction on Sale of Shares

The executive cannot sell the shares acquired under this award prior to 30 September 2007. Furthermore, any executive who resigns during the two-year holding period forfeits any shares acquired under this award.

DETAILS OF THE SEPTEMBER 2002 AWARD

	Nil Priced Share Rights
Grant Date	30 September 2002
Exercise Date	From 1 October 2005
Expiry Date	30 September 2006
Share rights Granted	4,645,100
Number of Participants at Grant Date	118
Number of Current Participants	116
Exercise Price	Nil
Fair Value Estimate at Grant Date ¹	\$4,552,198
Share rights Lapsed since Grant Date	191,600

¹ External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the Executive share rights at grant date. The valuation has been made using the Binomial Option Pricing Model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk-free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account. Currently, these fair values are not recognised as expenses in the financial statements. However, were these grants to have been expensed they would have been amortised over the vesting period resulting in an estimated increase in employee benefits expense of \$1.5 million for the 2004 (2003: \$1.1 million) financial year. Note that no adjustment to this amount has been made to reflect actual forfeiture of shares.

C. SEPTEMBER 2003 PLAN

Executives were awarded share rights over ordinary shares in BlueScope Steel Limited. These share rights are subject to achievement of performance criteria and other terms on which they were awarded.

Performance Period

The performance period commenced on 1 October 2003 and ends on 30 September 2006.

Vesting

The proportion of share rights that vest at the end of the relevant performance period will be determined by the Company's performance measured in terms of Total Shareholder Return ('TSR'), relative to the TSR of the companies in the ASX/S&P 100 index at the award grant date. The TSR performance hurdle, and percentages of share rights that become exercisable on meeting the performance hurdle is as follows:

TSR PERFORMANCE HURDLE	% OF SHARE RIGHTS THAT VEST
75th – 100th percentile	100%
51st – < 75th percentile	A minimum of 52% plus a further 2% for each percentage ranking. Any unvested SRs will be carried over to be assessed at subsequent performance periods.
< 51st percentile	All SRs will be carried over to be assessed at subsequent performance periods.

If the performance hurdles are not met at the end of the first performance period (or are only partially met), four subsequent performance periods will apply. The subsequent performance periods commence on 1 October 2003 and end on 31 March 2007, 30 September 2007, 31 March 2008 and 30 September 2008 respectively.

Exercise Price

The exercise price for all share rights in the September 2003 award is Nil.

DETAILS OF THE SEPTEMBER 2003 AWARD

	Nil Priced share rights
Grant Date	24 October 2003 (All executives excluding MD & CEO) 13 November 2003 (MD & CEO)
Exercise Date	From 1 October 2006
Expiry Date	30 September 2008
Share rights Granted	2,511,600
Number of Participants at Grant Date	144
Number of Current Participants	143
Exercise Price	Nil
Fair Value Estimate at Grant Date ¹	\$6,887,769
Share rights Lapsed since Grant Date	24,800

¹ External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the Executive share rights at grant date. The valuation has been made using the Binomial Option Pricing Model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk-free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account. Currently, these fair values are not recognised as expenses in the financial statements. However, were these grants to have been expensed they would have been amortised over the vesting period resulting in an estimated increase in employee benefits expense of \$1.6 million for the 2004 financial year. Note that no adjustment to this amount has been made to reflect actual forfeiture of shares.

Share rights granted to Directors and the top six senior executives during the financial year ended 30 June 2004 were as follows:

NAME	NUMBER	TOTAL FAIR VALUE ¹ GRANTED	EXERCISE PRICE PER SHARE
		\$	\$
Directors			
K C Adams	273,300	860,895	Nil
Executives			
L E Hockridge	97,100	313,633	Nil
K Fagg	82,600	266,798	Nil
B G Kruger	77,700	250,971	Nil
N Cornish	71,200	229,976	Nil
M Courtnall	64,000	208,981	Nil
I Cummin	94,700	305,881	Nil

¹ External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the Executive share rights. The valuation has been made using the Binomial Option Pricing Model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk-free interest rates and expected share price volatility. In addition, the likely achievement of performance hurdles of the share rights have been taken into account.

ENVIRONMENTAL REGULATION

The Company's values document, Our Bond and Health, Safety, Environment and Community ('HSEC') Policy sets out the philosophy of the BlueScope Steel Group with respect to the environment. The Company seeks to continuously improve its performance by reducing and preventing pollution and taking account of changing community expectations and evolving scientific knowledge. A copy of Our Bond is available on BlueScope Steel's website – www.bluescopesteel.com

The BlueScope Steel Group has continued to focus on ensuring its systems are robust and that environmental responsibilities are managed. The international standard of ISO 14001 provides a framework for the Company's environmental management system. By 31 December 2003 all then existing BlueScope Steel Group sites had attained certification to this standard. On 2 July 2004, an external audit of the environmental management system at the Port Kembla Steelworks located in New South Wales, Australia confirmed compliance with ISO 14001. Acquisitions over the second half of the financial year have resulted in new sites coming into the company. The BlueScope Steel Group also has underway construction activities at a number of greenfield and brownfield sites. The Company intends that its environmental management system will be implemented at these sites.

The Company notified relevant authorities of 76 breaches of environmental regulations occurring in the Company's operations in Australia during the reporting period. During the financial year, the Company was fined \$70,500 under the Protection of the Environment Operations Act 1997 (NSW) ('PEO Act') over an incident at the Port Kembla Steelworks in October 2001 that caused contamination of Allans Creek, a fish kill and air emissions.

The Company was prosecuted by the NSW Department of Environment and Conservation in relation to one Tier 2 offence under the PEO Act for failure to maintain equipment following emissions to air arising from a loss of power to the Port Kembla Steelworks in March 2003. A fine of \$70,000 was received in respect of that prosecution after the close of the financial year.

The Port Kembla Steelworks has entered into voluntary agreements with the NSW Environment Protection Authority to investigate possible land contamination of two areas within its site, the No.2 Steelworks and the recycling area. The investigations have not revealed any immediate concerns however, they have indicated areas that need to be investigated further.

BlueScope Steel periodically publishes reports concerning its environmental performance and proposes to issue a 2004 Health, Safety, Environment and Community Report prior to the end of the 2004 calendar year. The report will provide further details on the Company's environmental performance.

INDEMNIFICATION AND INSURANCE OF OFFICERS

BlueScope Steel has entered into Directors' and Officers' insurance policies and paid an insurance premium in respect of the insurance policies, to the extent permitted by the Corporations Act 2001. The insurance policies cover former Directors of BlueScope Steel along with the current Directors of BlueScope Steel (listed on pages 48 and 49). Executive officers and employees of BlueScope Steel and its related bodies corporate are also covered.

In accordance with Rule 21 of its Constitution, BlueScope Steel, to the maximum extent permitted by law, must indemnify any current or former Director or Secretary of BlueScope Steel or any of its subsidiaries, against all liabilities (and certain legal costs) incurred as such a Director or Secretary by a person, including a liability incurred as a result of appointment or nomination by BlueScope Steel or subsidiary as a trustee or as a Director, officer or employee of another corporation.

The current Directors of BlueScope Steel have each entered into an Access, Insurance and Indemnity Deed with BlueScope Steel. The Deed addresses the matters set out in Rule 21 of the Constitution and includes, among other

things, provisions requiring BlueScope Steel to indemnify a Director to the extent to which they are not already indemnified as permitted under law, and to use its best endeavours to maintain an insurance policy covering a Director while they are in office and seven years after ceasing to be a Director.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability insurance contract, as (in accordance with normal commercial practice) such disclosure is prohibited under the terms of the contract.

In respect of executive officers, under rule 21 of the Company's Constitution the Company, to the maximum extent permitted by law, may indemnify current or former executive officers of the Company or any of its subsidiaries, against all liabilities (and certain legal costs) incurred as such an executive officer to a person, including a liability incurred as a result of appointment or nomination by the Company or subsidiary as a trustee, or as a director, Officer or employee of another corporation.

Under the terms of the agreement for the acquisition of Butler Manufacturing Company, the Company undertook to assume Butler Manufacturing's commitments to indemnify, and maintain insurance in respect of, former Directors and officers of Butler Manufacturing against liabilities incurred by them as Directors and officers, to the extent permitted by Delaware law.

PROCEEDINGS ON BEHALF OF BLUESCOPE STEEL

As at the date of this report, there are no leave applications or proceedings brought on behalf of BlueScope Steel under section 237 of the Corporations Act 2001.

ROUNDING OF AMOUNTS

BlueScope Steel is a company of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars.

AUDITOR

Ernst & Young was appointed as auditor for BlueScope Steel at the 2002 Annual General Meeting.

This report is made in accordance with a resolution of the Directors.



G J KRAEHE, AO CHAIRMAN



K C ADAMS MANAGING DIRECTOR AND CEO
Melbourne 18 August 2004

+ 2004 CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Board operates in accordance with a set of corporate governance policies which take into account relevant best practice recommendations including the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations ("ASX CGC Recommendations"). The Board considers that BlueScope Steel complies with the requirements in the ASX CGC Recommendations.

For ease of reference, the table below notes those ASX CGC Recommendations that deal with information to be disclosed in the Corporate Governance Statement and indicates where they can be found in this report.

DISCLOSURE REQUIRED BY THE ASX CGC RECOMMENDATIONS	REFERENCE
Functions reserved to the Board and those delegated to management	See Role of the Board on page 59
Skills experience and expertise relevant to the position of Director	See Information on Directors on pages 48, 49
Names of Directors considered by the Board to constitute independent Directors and BlueScope Steel's relevant thresholds	See Independent Non-Executive Directors on page 60
Procedure for independent professional advice	See Access to information and independent advice on page 60
Directors' terms of office	See Information on Directors on pages 48, 49
Names of the Nomination Committee members and attendance	See Nomination Committee and Board Meetings of Directors on pages 64 and 61
Composition of Board Chairperson and role of Chairman and Managing Director and Chief Executive Officer	See Role and Composition of the Board on pages 59 and 60
Code of conduct for Directors and executives	See Guide to Business Conduct on page 65
Securities Trading Policy	See Share ownership and dealing on page 65
Audit and Risk Committee members and their qualifications	See Audit and Risk Committee on page 63
Audit and Risk Committee meetings and attendance	See Board Meetings of Directors on page 61
Financial statements sign-off and structure of Audit and Risk Committee	See Audit and Risk Committee on page 63
Procedures for ASX disclosure requirements	See Shareholders on page 59
Shareholder communications strategy	See BlueScope Steel's website www.bluescopesteel.com
Attendance of external auditor	See the External audit on page 65
Risk oversight committee	See Audit and Risk Committee on page 63
Risk management and internal controls	See Internal audit on page 63
Performance evaluation	See Performance evaluation on page 62
Company's remuneration policies and disclosure	See Directors' remuneration and Non-Executive Directors' remuneration on page 62
Remuneration and Organisation Committee members and attendance	See Remuneration and Organisation Committee and Board Meetings of Directors on pages 64 and 61
Retirement benefits for Non-Executive Directors	See Directors' remuneration on page 62
Company code of conduct	See Guide to Business Conduct on page 65

BlueScope Steel is a global organisation, with businesses operating in many countries, including Australia, New Zealand, the United States, China and throughout Asia. Entities within the BlueScope Steel Group must, therefore, comply with a range of varying legal, regulatory and governance requirements.

The Board places great importance on the governance of BlueScope Steel and, in particular, the need to focus on carrying out prudent risk-taking activities which achieve a balance between:

- the generation of rewards for shareholders who invest their capital;
- the supply of goods and services of value to the BlueScope Steel's global customers; and
- the provision of safe and meaningful employment for employees in a way which contributes to the welfare of the community.

This Corporate Governance Statement outlines the key aspects and mechanisms of the Company's governance framework, which were established, and are continually reviewed, by the Board.

Summaries of the policies and charters (and a copy of the Audit and Risk Committee charter) referred to in this Corporate Governance Statement are available on BlueScope Steel's website – www.bluescopesteel.com

SHAREHOLDERS

A fundamental role in the governance of BlueScope Steel is performed by shareholders who elect the Board. In accordance with BlueScope Steel's Constitution, one-third of the Directors must retire each year by rotation and are subject to re-election.

The Board's task is to govern on behalf of all shareholders. The Board recognises that, to carry out this role, shareholders must receive high quality relevant information in a timely manner. BlueScope Steel's arrangements for communicating with its shareholders are summarised on BlueScope Steel's website www.bluescopesteel.com. Timely disclosure of relevant information will facilitate an efficient, competitive and informed market in BlueScope Steel's shares.

BlueScope Steel is subject to continuous disclosure obligations under the Listing Rules of the Australian Stock Exchange, which are supplemented by Australian corporations legislation. Subject to some limited exceptions, under the continuous disclosure requirements, BlueScope Steel must immediately notify the market, through the Australian Stock Exchange of any information which a reasonable person would expect to have a material effect on, or lead to a substantial movement in, the price or value of its shares.

To achieve these objectives and satisfy the regulatory requirements, the Board provides information to shareholders and the market in several ways, including:

- Communicating with all shareholders in annual reports and financial statements, releases of results to the Australian Stock Exchange each half year and at BlueScope Steel's Annual General Meeting;
- Releasing price sensitive announcements and other relevant significant announcements directly to the market via the Australian Stock Exchange. Copies of these announcements are immediately placed on BlueScope Steel's website – www.bluescopesteel.com;
- Conducting briefings with analysts and institutions from time to time – in doing so, BlueScope Steel recognises the importance of making sure that any price sensitive information provided during these briefings is made available to all shareholders and the market at the same time and in accordance with the requirements of the Australian Stock Exchange and the Australian Securities and Investments Commission; and
- Providing information on BlueScope Steel's website, which contains extensive information about the BlueScope Steel Group and its activities, including statutory reports and investor information.

BlueScope Steel has a Market Disclosure Committee, comprising the Chairman, the Managing Director and Chief Executive Officer, the Chief Financial Officer, Company Secretary, the Vice-President, Investor Relations and the Executive Vice-President, Corporate Affairs, to monitor and assess all significant information which may require disclosure. The Company Secretary is responsible for providing announcements to the Australian Stock Exchange. A summary of BlueScope Steel's Continuous Disclosure Policy is available on BlueScope Steel's website – www.bluescopesteel.com.

THE BOARD OF DIRECTORS

ROLE OF THE BOARD

The Board is responsible for the effectiveness of governance practices and the overall management and control of all entities within the BlueScope Steel Group.

The Board has developed and adopted a Charter that sets out:

- Its specific powers and responsibilities;
- The matters specifically reserved to the Board and those delegated to the Managing Director and Chief Executive Officer; and
- Procedures aimed at ensuring the effective operation of the Board.

Matters reserved to the Board include those relating to:

- **Values and standards** – setting the Company's values and standards of conduct and monitoring adherence to these standards, in the interests of the Company's shareholders, employees, customers, suppliers and the communities in which it operates and, generally, safeguarding the reputation of the Company;
- **Leadership** – providing leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
- **Direction and objectives** – setting the Company's direction, strategies and financial objectives and being satisfied that the necessary financial and human resources are in place for the Company to meet its objectives;
- **Performance assessment** – ensuring that the performance of management, and the Board itself, is regularly assessed and monitored;
- **Compliance** – monitoring compliance with regulatory and ethical standards; and
- **Appointing Managing Director** – appointing, terminating and reviewing the performance of the Managing Director and Chief Executive Officer.

A summary of the Board Charter is available at BlueScope Steel's website – www.bluescopesteel.com

The Board has delegated responsibility for the day-to-day operation and administration of the BlueScope Steel Group to the Managing Director and Chief Executive Officer, Mr Kirby Adams. The Executive Leadership Team assists the Managing Director and Chief Executive Officer in the day-to-day management of the business. The levels of authority for management are documented in detail in a Delegation of Authority Policy established under the Board Charter.

The Delegation of Authority Policy is readily available on the Company's intranet to all employees, along with detailed guidelines setting the internal approvals that must be obtained in order to enter into specific transactions.

The roles of the Chairman, and the Managing Director and Chief Executive Officer are separate.

During the financial year the Board reviewed the operation of the delegations to the Managing Director and Chief Executive Officer under the Board Charter and the Delegation of Authority Policy and made some modifications to improve the operation of the policy and increased the authority of the Managing Director and Chief Executive Officer for the conduct of certain transactions.

The Board has approved a risk management programme that is being adopted progressively throughout BlueScope Steel. The programme involves identification and assessment of significant risks and rating of the effectiveness of associated controls. Mitigation strategies are developed and implemented. Periodic reports are made to the Board on progress with this work and the Audit and Risk Committee reviews selected detailed business risk reports.

Access to information and independent advice

Directors are entitled to full access to the information required to discharge their responsibilities, including access to executives of the BlueScope Steel Group.

The Board (as well as Board Committees and individual Directors) may also obtain independent professional advice, at the expense of the Company, in carrying out their responsibilities, including in the absence of BlueScope Steel's management, where they consider it appropriate to do so. Procedures have been adopted to set out the practical steps by which independent professional advice is to be obtained.

The Board is assisted by the Company Secretary, who advises on the management of meetings, the implementation of governance procedures and compliance with regulatory requirements.

Composition of the Board

For the 2003/04 financial year, the Board comprised eight Directors, including seven independent Non-Executive Directors and one Executive Director (the Managing Director and Chief Executive Officer). Since 28 July 2004, with the resignation of John Crabb, there are six Non-Executive Directors.

The Board collectively brings significant commercial, business, operational, financial, legal and international experience in a range of industries. The Directors all bring skills and expertise which, in aggregate, combine to form a Board which is equipped to discharge its responsibilities. For the Directors' biographies, their term of office and information about their skills, experience and qualifications relevant to their position please refer to pages 48 and 49.

BlueScope Steel's Constitution and the Listing Rules of the Australian Stock Exchange require that no member of the Board (other than the Managing Director and Chief Executive Officer) may serve for more than three years without being re-elected by shareholders at an Annual General Meeting of BlueScope Steel. Also, one-third of the Directors (not including the Managing Director and Chief Executive Officer) must retire, and are eligible to be re-elected by the shareholders at each Annual General Meeting. The Managing Director and Chief Executive Officer serves as a Director until he ceases to be the Chief Executive Officer. At the 2004 Annual General Meeting, Ron McNeilly and Diane Grady will stand for re-election.

Where the Board appoints a person as a Director (rather than the shareholders), that person must resign at the Annual General Meeting following their appointment and seek approval of shareholders to continue as a Director.

Independent Non-Executive Directors

The Board, excluding the Director in question, assesses the independence of each Non-Executive Director at least annually in light of the interests disclosed by that Director, as part of its overall commitment to standards of corporate governance in line with best practice.

The Board believes that independence is one important attribute of an effective Non-Executive Director. Other important attributes include business acumen and experience, an inquiring mind and personal integrity. In addition, the Board as a whole must work together effectively to combine

and leverage the skills, knowledge and experience of its members to provide leadership to BlueScope Steel in generating value for shareholders and meeting the expectations of other stakeholders. The work of the Board must be supported by robust structures and processes that facilitate depth and breadth of understanding of BlueScope Steel's business, foster open and constructive debate, define roles and responsibilities clearly and ensure proper compliance with laws.

The governance process implemented by the Board has been designed, as a whole, to address all of these issues in a manner that will maximise the contribution of the Board to the success of the business.

In assessing the independence of a Non-Executive Director, consideration is given to the underlying purpose behind each of the specific relationships identified as relevant to independence (see below), and the overall purpose of independence.

The Board considers that the overall purpose of independence is to ensure that a Director does not have a relationship where there are, or are perceived to be, matters which could materially interfere with the Director:

- Making decisions on matters that regularly come before the Board or its committees;
- Objectively assessing information and advice given, or obtained, by management;
- Setting policy for general application across the BlueScope Steel group of companies; and
- Generally, carrying out the performance of his or her role as a Director, or which could inhibit free Board discussion of matters coming before the Board.

The Board considers all of the circumstances relevant to a Director, in determining whether the Director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of BlueScope Steel. Amongst the circumstances considered by the Board are a range of factors, including the relations described in Box 2.1 of the ASX CGC Recommendations.

In determining whether a sufficiently material relationship (as described in Box 2.1 of the ASX CGC Recommendations) exists between BlueScope Steel and a third party, the Board has regard to all the circumstances of the relationship, including, among other things:

- **expenses/revenues** – the proportion of a class of expenses or revenues that the relationship represents to both BlueScope Steel and the third party;
- **strategic importance** – the strategic importance to BlueScope Steel's business of the goods or services purchased or supplied by BlueScope Steel;
- **uniqueness of services** – the extent to which the services supplied are integral to the operation of BlueScope Steel's business, including the extent to which the services provided are unique and not readily replaceable;
- **goods/services** – the nature of the goods or services;
- **transaction** – the nature of the transaction; and
- **value** – the value of the transaction to BlueScope Steel and the other party to the transaction.

Materiality is considered from the perspective of both BlueScope Steel and its Directors.

The Board considers that each Non-Executive Director is independent when assessed on the criteria above, taking into account all relevant matters and relationships of the particular Non-Executive Director. Relevantly, the Board's reasons include:

- Mr Kraehe is the Non-Executive Chairman of the National Australia Bank Limited, a supplier of banking services and funding facilities. The National Australia Bank Limited forms part of a consortium of eleven banks providing funding to the BlueScope Steel Group. Decisions required by the consortium are by majority of the banks (as a minimum). Having considered the goods and services supplied by the National Australia Bank Limited and the materiality criteria set out above, the Board considers that this relationship is not material for the purpose of independence. Mr Kraehe does not participate in any decisions regarding transactions with the National Australia Bank Limited.
- Mr McCann was a partner of Allens Arthur Robinson from 1974 until 30 June 2004, a national law firm, which is one of a number of law firms that provide legal advisory services to BlueScope Steel. He will remain as a non-partner Chairman of the firm until the end of the calendar year. Allens Arthur Robinson is not the exclusive or primary provider of legal services to BlueScope Steel and provides legal services to BlueScope Steel on normal terms and conditions. The Board considers that, having regard to Mr McCann's role with the firm, the amount of the fees paid to Allens Arthur Robinson and the nature of the services supplied, and based on the materiality criteria set out above, Allens Arthur Robinson is not a material professional adviser for the purposes of independence. The Board also notes that Mr McCann is not involved in Allens Arthur Robinson providing legal advice to BlueScope Steel or in selecting BlueScope Steel's legal advisers.
- Mr Rizzo will become a Director of the National Australia Bank Limited, a supplier of banking services and funding facilities, in September 2004. Mr Rizzo will not participate in any decisions regarding transactions with National Australia Bank Limited. Mr Rizzo is also a member of the Advisory Board of Mallesons Stephen Jaques, a national law firm, which is one of a number of law firms that provide legal advisory services to BlueScope Steel. It is noted that Mallesons Stephen Jaques is not the exclusive or primary provider of legal services to BlueScope Steel. The Board considers that, having regard to Mr Rizzo's role with the firm, the amount of the fees paid to Mallesons Stephen Jaques and the nature of the services supplied, and based on the materiality criteria set out above, Mallesons Stephen Jaques is not a material supplier for the purposes of independence. The Board also notes that Mr Rizzo is not involved in Mallesons Stephen Jaques providing legal advice to BlueScope Steel or in selecting BlueScope Steel's legal advisers.
- None of Mr McNeilly, Mr Crabb, Ms Grady or Mr Tan had any relationships that required assessment for independence purposes.

Board succession planning and training

The Board is conscious of the need to ensure that proper processes are in place to deal with succession issues at Board level. This will require the Board periodically to assess the skill-set necessary to meet the BlueScope Steel Group's demands.

The Board has established a Nomination Committee, chaired by Mr Graham Kraehe, and comprising all the Non-Executive Directors.

Newly appointed Directors receive appropriate induction and training. This includes management briefings to familiarise themselves with the significant operations of the BlueScope Steel Group. Arrangements are made for new

Directors to visit BlueScope Steel's major operational sites at Port Kembla and Western Port. New Directors also receive briefing materials, which include minutes of recent Board meetings and copies of fundamental Board and Company policies.

Each Non-Executive Director has received a formal letter of appointment setting out the expectations and time commitments, among other things, required of them.

Board meetings

During the 2003/2004 financial year, the Board has met 12 times to review matters such as the financial performance of the BlueScope Steel Group, current trading and key business initiatives, and the BlueScope Steel Group's strategy, budget and business plans. Included in the Board's schedule was a separate meeting held to specifically consider BlueScope Steel's Group strategy.

Procedures are also in place to ensure that Directors can meet to consider and decide urgent matters, as and when they arise.

Materials for Board and Board committee meetings are circulated to the Directors in advance. The agenda for meetings is formulated with input from the Managing Director and Chief Executive Officer, the Chairman and the Executive Leadership Team. Directors are free to nominate matters for inclusion on the agenda for any Board or Board Committee meeting.

The Chairman regularly requests a member of the Board, review the conduct of the Board meeting at its conclusion.

Members of senior management frequently make presentations to the Board, and telecommunication technologies may be utilised to facilitate participation.

In the 2003/04 financial year, Board meetings have been held in various locations, including in Melbourne (where BlueScope Steel's head office is located), Sydney, Asia (home to our various Asian operations), New Zealand (home to the New Zealand Steel operations), Port Kembla (home to BlueScope Steel's integrated steelworks operations in Australia) and Western Port (home to BlueScope Steel's major steel rolling and coating operations in Australia). The Board has a programme to meet at various sites in Australia, Asia and the United States during the remainder of 2004 and in 2005.

Meetings without management

The Non-Executive Directors hold occasional meetings without the presence of management.

Conflicts of interest

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between their duty to BlueScope Steel and their own interests. The Board has adopted a procedure to ensure that conflicts and potential conflicts of interest are disclosed to the Board. Where a matter is to be considered by the Board, the Chairman (or where the Chairman has a conflict or potential conflict, the Deputy Chairman) in consultation with Company Secretary may implement procedures to avoid the Director with the interest acting or being perceived to act in conflict with his or her duties to BlueScope Steel. The Company Secretary maintains a register of Directors' interests.

Directors' remuneration

Under BlueScope Steel's Constitution the maximum remuneration payable by the company for the services of Non-Executive Directors in total is \$1,750,000 per annum. Shareholder approval is required to increase this amount. The total remuneration paid to the Non-Executive Directors in the financial year ended 30 June 2004 was well under the maximum amount provided in the Constitution.

Non-Executive Directors receive remuneration based on membership of the Board, and for chairing Board committees. Non-Executive Directors do not receive any performance-based incentives and are not entitled to any retirement benefits. Details of remuneration paid to the Non-Executive Directors are listed in the Directors' Report on page 53.

Non-Executive Directors are expected to accumulate over time a shareholding equivalent in value to their annual fee. At the 2003 Annual General Meeting of BlueScope Steel, shareholders approved a Non-Executive Director Share Plan, under which Non-Executive Directors are required to receive part of their remuneration as BlueScope Steel shares (rather than cash).

For equity-based remuneration available to executive Directors or executives, shareholder approval will be sought as required by the Corporations Act 2001 or the ASX Listing Rules. At the 2004 Annual General Meeting, shareholder approval will be sought to permit Mr Adams to participate in BlueScope Steel's Long-Term Incentive Plan. Awards under equity-based remuneration plans are only made in accordance with the performance thresholds set out in the terms of those plans (the relevant thresholds are described further in the Directors' Report on page 56).

PERFORMANCE EVALUATION

Board

The Board reviews its effectiveness and individual performance regularly.

In its Corporate Governance Statement last year, the Board foreshadowed that it would undertake its first review of Board effectiveness towards the end of the 2003/2004 financial year after approximately two years of working together. The Board has now completed this review utilising an expert external consultant. Interviews were conducted with each Board member and with senior management and additional feedback was gathered by completion of a detailed (confidential) questionnaire. The review concluded that the Board is functioning well with an appropriate mix of skills and experience on the Board and effective working relationships amongst Board members and between the Board and management.

The Nomination Committee has also reviewed the performance of individual Directors seeking re-election.

Board Committees

The Charter of each BlueScope Steel Board Committee requires the Committee to regularly review its performance and, where necessary, make recommendations to the Board for improving the committee's effectiveness. During the financial year each Board Committee conducted a formal review of its performance that involved seeking feedback from Committee members, management and other regular Committee participants such as, in the case of the Audit and Risk Committee, the external auditors.

Executives

All BlueScope Steel executives are subject to annual performance planning and review.

The annual performance planning and review involves a key executive being evaluated by their immediate superior, usually the Managing Director and Chief Executive Officer. The executive is assessed against:

- achievement of financial goals;
- completion of key job specifications and goals;
- achievement of other specific business objectives; and
- contribution towards specific business plan objectives.

In assessing a key executive's performance, the Managing Director and Chief Executive Officer may consult with the Chairman. The outcomes of performance reviews are reported to the Remuneration and Organisation Committee, which has overall responsibility for ensuring that performance management processes are in place for all key executives. The Remuneration and Organisation Committee (formerly the Remuneration Committee) considers executive remuneration.

The Remuneration and Organisation Committee also considers the overall amount of any short-term incentive to be provided to eligible executives, and reviews and approves the specific amount of any short-term incentive bonus award to particular senior executives. This takes into account the overall performance of BlueScope Steel against a range of measures, and the contribution made by a particular executive.

The Chairman and the Board conduct the performance evaluation of the Managing Director and Chief Executive Officer. The evaluation of the Managing Director and Chief Executive Officer involves an assessment of a range of factors including the overall performance of BlueScope Steel and the achievement of specific pre-determined goals.

BOARD COMMITTEES

Given the importance of certain matters to corporate governance, the Board has established a number of committees to assist in the execution of its responsibilities:

- the Audit and Risk Committee;
- the Remuneration and Organisation Committee (formerly the Remuneration Committee);
- the Health, Safety and Environment Committee; and
- the Nomination Committee.

Other Committees of the Board may be formed from time to time to deal with specific matters.

Each of the Board's Committees operates under terms of reference (charters), detailing their role and responsibilities. The charters contain a number of common features, including the ability of a committee to obtain independent professional advice at the expense of BlueScope Steel, the requirement for reporting to the Board and periodic reviews of committee operations.

The number of Board Committee meetings held during the year ended 30 June 2004 and the attendance at those meetings by members is set out in the Directors' Report on page 52.

Regular reports of the Committees' activities are provided to the Board and minutes are circulated to all Directors.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in the effective discharge of its responsibilities for financial reporting, internal controls, risk management, internal and external audit and insurance (with the exception of Directors' and Officers' Liability Insurance).

The primary objectives of the Audit and Risk Committee, as set out in its Charter, are to:

External reporting

- **review of financial statements** – review all published financial statements which are required to be signed by Directors, prior to approval by the Board;
- **review of reports** – review the annual report and the Directors' report to the extent that such a report discusses the financial position or operating results of BlueScope Steel;
- **accounting policies** – review and assess the appropriateness of BlueScope Steel's accounting policies and principles; compliance processes) review and consider the processes used by management to monitor and ensure compliance with laws, regulation and other requirements relating to external reporting of financial information;
- **regulatory changes** – review proposed professional and regulatory pronouncements regarding accounting policies and financial reporting and assess their impact on BlueScope Steel.

Internal control and risk management

- **risk management systems** – consider whether BlueScope Steel has effective risk management systems in place to review, assess and manage business, financial and operational risk;
- **internal controls** – review and approve management's programs and policies which deal with the adequacy and effectiveness of internal controls over BlueScope Steel's business processes, including the determination of financial statements;
- **theft and fraud reports** – receive reports concerning material actual and suspected breaches of law, including fraud and theft and assess systems to manage this risk;
- **litigation and contingencies** – review any litigation, claim or other contingency which could have a material effect upon the financial position or operating results of BlueScope Steel;
- **superannuation plans** – receive reporting concerning the accounting treatment of BlueScope Steel's superannuation plans and determine questions of accounting treatment raised;
- **related party transactions** – review and monitor related party transactions and assess their propriety.

External audit

- **appointment/replacement** – make recommendations to the Board on the appointment, reappointment or replacement and remuneration of the external auditor;
- **terms of engagement** – review and agree with the external auditor the terms of engagement;
- **effectiveness and independence** – monitor the effectiveness and independence of the external auditor;
- **scope of audit** – review the scope of the external audit with the external auditor including identified risk areas and approve external audit plans;

- **non-audit services** – review and assess provision of non-audit services by the external auditor;
- **policies for non-audit services** – develop policies for approval by the Board, in respect of the provision of non-audit services by the external auditor;
- **coordination with internal audit** – ensure the external auditor is coordinated with internal audit programs;
- **external audit findings** – review and monitor management's responsiveness to the external audit findings;
- **external auditor meetings** – on a regular basis meet with the external auditor without the presence of management.

Internal audit

- **appointment** – approve the internal auditor;
- **scope of audit and plan** – review and assess the scope of the audit and the internal audit plan, work program and resources and approve internal audit plans;
- **internal audit findings** – review and monitor management's responsiveness to the internal audit findings;
- **internal auditor meetings** – on a regular basis meet with the internal auditor without the presence of management.

Insurance

- **insurance** responsibility for reviewing and approving all aspects of the company's insurance programme except for the Directors' and Officers' Liability insurance, which is the responsibility of the Board.

A complete copy of the Audit and Risk Committee Charter is available on BlueScope Steel's website – www.bluescopesteel.com

The Audit and Risk Committee meets before the finalisation of all major financial announcements of BlueScope Steel and, in any event, is required to meet four scheduled times a year.

The Committee assists the Board with the implementation of the risk management programme approved by the Board. The programme involves identification and assessment of significant risks and rating of the effectiveness of associated controls. Mitigation strategies are developed and implemented. Periodic reports are made to the Board on progress with this work and the Audit and Risk Committee reviews selected detailed business risk reports.

As required by its charter, the Audit and Risk Committee is composed entirely of independent Non-Executive Directors.

The members of the Audit and Risk Committee are Mr Paul Rizzo (Committee Chairman), Mr Kevin McCann and Mr Ron McNeilly. In addition to their experience of business, each member of the Committee brings particular experience relevant to the functions of the Committee. Mr Rizzo has significant financial management and reporting experience. Mr McNeilly has an understanding of the industry in which BlueScope Steel operates and Mr McCann has both financial and legal experience which is valuable to the functioning of the Audit and Risk Committee.

All Board members are invited to attend meetings of the Audit and Risk Committee, with standing invitations also extended (except for certain consultations referred to above) to the Managing Director and Chief Executive Officer, Chief Financial Officer and the external and internal auditors.

Health, Safety and Environment Committee

The primary objectives of the Health, Safety and Environment Committee, as set out in its Charter, are to:

- **HSEC Policy** adopt a Health, Safety, Environment and Community (HSEC) Policy and, as it considers necessary, recommend changes to that policy;
- **compliance** monitor BlueScope Steel's compliance with the approved HSEC Policy;
- **HSEC standards** assess the HSEC standards of BlueScope Steel;
- **HSEC risks** assess the operations of BlueScope Steel and make recommendations for assessing, avoiding, eliminating, controlling and minimising HSEC risks;
- **legislation** assess compliance by BlueScope Steel with applicable legislation;
- **acceptable practices** research and recommend the adoption of acceptable HSEC practices in the industries in which BlueScope Steel operates;
- **incident reporting** receive reports concerning HSEC incidents within BlueScope Steel; and
- **implications** consider HSEC issues that may have strategic, business and reputational implications for BlueScope Steel.

The Chairman of the Committee for the 2003/04 financial year was Mr John Crabb, an independent Non-Executive Director and because of the importance of health, safety and the environment to BlueScope Steel's operations, all Directors are members of the Committee. The composition of the Committee has been reviewed during the year and the Committee resolved to maintain its existing membership. Following Mr Crabb's resignation as a Director of BlueScope Steel on 28 July 2004, the Board has appointed Mr McNeilly as Chair of the Committee. The Health, Safety and Environment Committee charter requires that the Committee meets at least four scheduled times per year.

Remuneration and Organisation Committee (formerly the Remuneration Committee)

The Remuneration and Organisation Committee assists the Board in ensuring that BlueScope Steel:

- **human resources strategy** has a human resources strategy aligned to the overall business strategy, which supports the BlueScope Steel Business Charter Our Bond;
- **practices and policies** has remuneration policies and practices that are observed and that enable it to attract and retain executives and Directors who will create value for shareholders;
- **remuneration and performance** fairly and responsibly rewards executives having regard to the performance of BlueScope Steel, the creation of value for shareholders, the performance of the executive and the external remuneration environment; and
- **succession** plans and implements the development and succession of executive management and Directors.

The Remuneration and Organisation Committee has authority to advise the Board on specific remuneration matters, as well as determining certain matters. The specific areas of responsibility are human resources strategy, remuneration policy, executive incentive and equity based plans, awards under executive incentive and equity based plans, executive Directors and senior management remuneration, performance management, succession planning, termination, succession and Non-Executive Director remuneration.

The Board has ultimate authority over the following matters:

- **contract variation** changes to the remuneration or contract terms of executive Directors;
- **incentive plans** the design of new equity plans or executive cash-based incentive plans;
- **incentive awards** total level of award proposed from equity plans or executive cash-based incentive plans;

- **Managing Director selection** selection of the Managing Director and Chief Executive officer;
- **Managing Director compensation** compensation and all performance related matters for the Managing Director and Chief Executive Officer; and
- **executive termination payments** termination payments to executive Directors.

The Remuneration and Organisation Committee is composed entirely of independent Non-Executive Directors.

The members of the Remuneration and Organisation Committee are Ms Diane Grady (Committee Chairman), Mr Graham Kraehe and Mr Ron McNeilly. All members of the Remuneration and Organisation Committee are independent Non-Executive Directors. The committee meets at least four scheduled times a year.

The Committee seeks advice and guidance, as appropriate, from the Managing Director and Chief Executive Officer, and the Executive Vice President Human Resources. It may also seek advice from external experts, as appropriate, including in the absence of management of BlueScope Steel.

Information on BlueScope Steel's remuneration policies in respect of the costs and benefits of those policies and the link between remuneration paid to Directors and executives and Company performance is detailed in the Directors' Report on pages 53 to 56.

Nomination Committee

The Nomination Committee of the Board is responsible for reviewing the membership of the BlueScope Steel Board and for consideration of candidates for membership of the Board. Mr Graham Kraehe chairs the Committee. All Non-Executive Directors are members of the Committee. The Board believes that the responsibilities of the Committee will be performed most effectively if all Non-Executive Directors are involved. Detailed work of the Committee may be delegated to a sub-committee.

The purpose of the Committee is to assist the Board in the effective discharge of its responsibilities for ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of Directors' having regard to the law and the highest standards of governance. This purpose will be achieved by:

- **required skills** assessing the skills required on the Board;
- **Board skills** assessing the extent to which the required skills are represented on the Board from time to time;
- **review processes** establishing processes for the review of the performance of the Board as a whole and individual Non-Executive Directors; and
- **Board candidates** establishing processes for the identification of suitable candidates for appointment to the Board.

Executive Leadership Team

BlueScope Steel's Executive Leadership Team (ELT) is responsible to the Managing Director and CEO for the day-to-day leadership and management of BlueScope Steel as a whole. The ELT performs its role in consultation with, and obtains guidance from the Board and Board committees. The ELT's specific responsibilities, include:

- **BlueScope Steel corporate strategy** developing and implementing the strategic direction of the BlueScope Steel Group;
- **business area strategies** reviewing and developing strategies for business areas;
- **safety** reviewing and developing safety strategy, high level processes and procedures;
- **capital expenditure** reviewing and endorsing all capital proposals over \$5 million. The ELT recommends to the Board all capital proposals over \$25 million;

- **human resources** reviewing and discussing human resource talent and succession and developing human resource strategies and practices;
- **policies and standards** discussing and endorsing major policies and standards that have been delegated to management by the Board in areas such as Human Resources, Information Technology, Risk Management and Finance; and
- **performance** reviewing company and business unit financial performance and operational performance and agreeing any necessary actions.

The members of the Executive Leadership Team are Kirby Adams (Managing Director and Chief Executive Officer), who is Chairman of the ELT, Lance Hockridge (President Industrial Markets), Noel Cornish (President Australian Building and Manufacturing Markets), Mike Courtnall (President Asian Building and Manufacturing Markets), Kathryn Fagg (President Market and Logistics Solutions), Brian Kruger (Chief Financial Officer) and Ian Cummin (Executive Vice President Human Resources). The ELT meets monthly, generally at BlueScope Steel sites.

ACCOUNTABILITY AND AUDIT

Internal control and risk management

The Board has overall responsibility for the BlueScope Steel Group's systems of internal control. These systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations, with a view to managing the risk of failure to achieve business objectives. It must be recognised, however, that internal control systems can provide only reasonable and not absolute assurance against the risk of material loss.

The Board reviews the effectiveness of the internal control systems and risk management on an ongoing basis, and monitors risk through the Audit and Risk Committee (see the Audit and Risk Committee). The Board regularly receives information about the financial position and performance of BlueScope Steel. For annual and half-yearly accounts released publicly, the Managing Director and Chief Executive Officer and the Chief Financial Officer sign-off to the Board:

- the accuracy of the accounts and that they represent a true and fair view, in all material respects, of the BlueScope Steel Group's financial condition and operational results, and have been prepared in accordance with applicable accounting standards; and
- that the representations are based on a system of risk management and internal compliance and control relating to financial reporting which implements the policies adopted by the Board, and that those systems are operating efficiently and effectively in all material respects.

PricewaterhouseCoopers assists the Board by providing a comprehensive internal audit service.

External audit

Ernst & Young are BlueScope Steel's external auditors.

The lead audit partner and review partner of our external auditors rotate every five years. The current lead audit partner and review partner were first appointed for the 2001/02 audit of BlueScope Steel.

Non-audit work is prohibited, where independence may be compromised or conflicts arise. Any proposal for the performance of permitted non-audit related work by the auditor will require prior consultation with, and approval of, the Chief Financial Officer for certain matters under \$300,000 in value. The Audit and Risk Committee must approve permitted services with a value above this amount.

Representatives of Ernst & Young attend the Annual General Meetings of BlueScope Steel and are available to answer questions from shareholders as appropriate.

Share ownership and dealing

Details of shares in BlueScope Steel Limited held by Directors are set out in the Directors' Report on page 52.

The Board has put in place a Securities Trading Policy covering dealings in BlueScope Steel's shares. The objective of the Policy is to ensure that shareholders, customers and the business community have confidence that Directors and senior management comply with the law and best practice in corporate governance, and handle confidential information lawfully and with integrity. The Policy highlights the restrictions imposed by Australian corporations legislation on trading in BlueScope Steel shares and other entities' securities at a time when a person has non-public price sensitive information.

Under the Policy, Directors and senior management are required to notify the Company Secretary and obtain clearance before dealing in BlueScope Steel Limited shares. Directors and senior management are prohibited from dealing in BlueScope Steel Limited shares outside designated trading windows.

Any dealings in BlueScope Steel's shares by a Director are reported to the Board at its next meeting. The Australian Stock Exchange is notified of any share dealings by a Director within five business days.

Corporate social responsibility

BlueScope Steel is committed to meeting high standards of compliance with respect to its health, safety, environmental and community responsibilities, which are essential to the way in which the BlueScope Steel Group conducts its business.

Some of these important issues are the responsibility of the Health, Safety and Environment committee. However, BlueScope Steel views these matters as key issues, for which BlueScope Steel can have an impact in every aspect of its operations and interactions within the communities in which it operates.

The Health, Safety, Environmental and Community Policy addressing these issues can be found on BlueScope Steel's website www.bluescopesteel.com

BlueScope Steel Guide to Business Conduct

BlueScope Steel Limited has a Guide to Business Conduct which provides an ethical and legal framework for all employees in the conduct of BlueScope Steel's business. The Guide defines how the BlueScope Steel Group relates to its customers, employees, shareholders and the community.

At the core of the Guide to Business Conduct is the desire to build trust between BlueScope Steel and these stakeholders, through the implementation of principles of legal compliance and proper process; fair competition; the application of industry best practice to the health, safety and well-being of BlueScope Steel's employees; a focus on long-term benefits rather than short-term advantage for individuals; cooperation, driven by BlueScope Steel's belief in people and teamwork; and respect for the diverse range of people and cultures.

The Guide to Business Conduct provides a common behavioural framework for all BlueScope Steel's employees, irrespective of their specific job, direct employer or location around the world.

The Guide to Business Conduct applies to all employees of BlueScope Steel.

It also applies to the activities of Non-Executive Directors, to extent that the provisions of the Guide are relevant to a Director's conduct in relation to BlueScope Steel.

Political contributions

BlueScope Steel does not contribute funds to any political party, politician, or candidate for public office. It may, however, incur costs for attendance at events hosted by a political party for briefing purposes or for the purpose of meeting and having dialogue with political figures and contributes to the public debate of policy issues that may affect it in the countries in which it operates.

+ CONCISE FINANCIAL REPORT

30 JUNE 2004

EXPLANATORY STATEMENT TO THE CONCISE FINANCIAL REPORT

BlueScope Steel Limited legally separated from the BHP Billiton Group on 22 July 2002, having listed on the Australian Stock Exchange on 15 July 2002. For accounting purposes the effective separation date was 1 July 2002, and therefore the financial results for the previous corresponding 12 month period to 30 June 2003 in this report reflect a complete 12 months' results. However, certain cash flows associated with the separation were not complete until after 30 June 2002 and therefore cash flows from investing and financing activities in the previous corresponding period are not reflective of the underlying BlueScope Steel Group which separated from the BHP Billiton Group. Where necessary these transactions have been highlighted in this report.

On 17 November 2003, the Company changed its name from BHP Steel Limited to BlueScope Steel Limited.

+ BLUESCOPE STEEL LIMITED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 \$M	2003 \$M
Revenue from ordinary activities		5,769.6	5,302.1
Changes in inventories of finished goods and work in progress		1.7	36.1
Raw materials and consumables used		(2,145.6)	(2,029.3)
Employee benefits expense		(1,075.2)	(1,031.9)
Depreciation and amortisation expenses		(286.7)	(270.1)
Diminution in value of non-current assets		(1.4)	(12.6)
External services		(800.0)	(734.7)
Freight on external despatches		(418.7)	(410.0)
Carrying amount of non-current assets sold		(6.0)	(4.5)
Other expenses from ordinary activities		(288.7)	(298.7)
Borrowing costs expense		(16.8)	(22.0)
Shares of net profits of associates and joint venture partnership accounted for using the equity method		71.2	69.2
Profit from ordinary activities before income tax expense		803.4	593.6
Income tax expense		(201.6)	(120.9)
Profit from ordinary activities after income tax expense		601.8	472.7
Net profit attributable to outside equity interest		(17.7)	(21.0)
Net profit attributable to members of BlueScope Steel Limited	7	584.1	451.7
Decrease in retained profits on adoption of revised accounting standard: AASB 1028 'Employee Benefits'		–	(2.8)
Net increase (decrease) in foreign currency translation reserve		12.7	(77.9)
Total revenue, expenses and valuation adjustments attributable to members of BlueScope Steel Limited recognised directly in equity		12.7	(80.7)
Total changes in equity other than those resulting from transactions with owners as owners		596.8	371.0
Basic earnings per share	5	Cents 77.8	Cents 57.1

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes and discussion and analysis.

DISCUSSION AND ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

A breakdown of revenue and profit from ordinary activities before income tax by reporting segment is set out in note 2.

Key points to note on revenue from ordinary activities are:

- The BlueScope Steel Group acquired Butler Manufacturing Company and its controlled entities on 27 April 2004. In addition, a number of other minor controlled entities were acquired during the year. These acquisitions contributed an additional \$237.5 million revenue for the year.
- Revenue from existing operations increased primarily due to higher steel prices and higher product despatches, partly offset by the impact of a higher AUD/USD on USD denominated revenues.

Key points to note on the profit from ordinary activities before income tax expense are:

- Earnings before interest and tax (EBIT) increased 34% from \$611.1 million to \$817.9 million. This improvement was due primarily to higher international and domestic steel prices, and higher product despatches. These were partly offset by the higher raw material and operating costs, and by the net impact of a stronger AUD/USD on USD denominated revenues and costs.
- The previous corresponding period included significant one-off costs associated with changing the Company's name to BlueScope Steel (\$20.0 million) and improving the financial position of the Australian and New Zealand defined benefit superannuation funds (\$31.8 million).

INCOME TAX

The effective tax rate for the 12 months ended 30 June 2004 was 25.1% (2003: 20.4%).

Following a company-wide review of tax accounting practices the Company has:

- Recognised an under provision of deferred tax liabilities in relation to prior period North Star BlueScope Steel income;
- Commenced tax effecting North Star BlueScope Steel's income;
- Recognised the tax benefit of certain carried forward tax losses in New Zealand and Asia, reflecting increased certainty of recoverability; and
- Recognised an over provision for deferred tax liabilities at Port Kembla Steelworks in relation to depreciable assets. As this related to timing differences that existed prior to the acquisition of the Port Kembla Steelworks in July 2002, the adjustment was made against net tangible assets rather than benefiting tax expense.

These changes, together with the continued utilisation of unbooked tax losses in New Zealand and utilisation of unbooked tax losses and tax exemptions in certain Asian operations explain the difference from the Australian tax rate of 30%.

	Notes	2004 \$M	2003 \$M
Current assets			
Cash assets		119.4	91.0
Receivables		989.2	639.6
Inventories		891.4	639.4
Other financial assets		–	4.1
Other		43.7	17.6
Total current assets		<u>2,043.7</u>	<u>1,391.7</u>
Non-current assets			
Receivables		7.1	10.8
Inventories		71.1	58.2
Investments accounted for using the equity method		236.3	151.6
Other financial assets		4.6	4.5
Property, plant and equipment		3,288.6	3,085.6
Deferred tax assets		58.0	37.3
Intangible assets		60.1	4.5
Other		12.6	8.9
Total non-current assets		<u>3,738.4</u>	<u>3,361.4</u>
Total assets		<u>5,782.1</u>	<u>4,753.1</u>
Current liabilities			
Payables		728.3	493.0
Interest bearing liabilities		416.0	101.5
Current tax liabilities		154.3	108.0
Provisions		294.7	258.7
Other		92.5	8.1
Total current liabilities		<u>1,685.8</u>	<u>969.3</u>
Non-current liabilities			
Interest bearing liabilities		176.7	66.4
Deferred tax liabilities		388.3	395.1
Provisions		337.7	231.2
Total non-current liabilities		<u>902.7</u>	<u>692.7</u>
Total liabilities		<u>2,588.5</u>	<u>1,662.0</u>
Net assets		<u>3,193.6</u>	<u>3,091.1</u>
Equity			
Parent entity interest			
Contributed equity	6	1,914.9	2,182.1
Reserves		(77.5)	(91.2)
Retained profits	7	1,302.9	961.4
Total parent entity interest		<u>3,140.3</u>	<u>3,052.3</u>
Outside equity interest in controlled entities		53.3	38.8
Total equity		<u>3,193.6</u>	<u>3,091.1</u>

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

DISCUSSION AND ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The major impact on the consolidated statement of financial position arose due to the acquisition of the Butler Manufacturing Company on 27 April 2004, together with a number of other minor controlled entities during the year.

The total impact of these acquisitions were as follows:

	\$M
Cash	72.5
External receivables	211.0
Inventories	174.2
Property, plant and equipment	187.0
Deferred tax assets	43.3
Other financial assets	3.8
Other assets	35.1
External payables	(178.4)
Deferred tax liability	(0.9)
Provision for restructuring	(23.4)
Other provisions	(167.5)
Net borrowings	(44.4)
	312.3
Goodwill on consolidation	51.5
Deferred purchase price	(1.3)
Cash consideration	362.5

In order to facilitate the purchase of the Butler Manufacturing Company, a \$217 million bridging facility was negotiated with existing borrowing facilities utilised to pay the total purchase price of \$277.2 million (net of cash acquired). Subsequent to the end of the financial year, the BlueScope Steel Group completed a debut debt raising in the US private placement market for US\$300 million. These funds have been used to refinance existing borrowings including the bridging finance.

Other key notes on balance sheet movements, other than as noted above, are as follows:

ASSETS AND LIABILITIES

- An increase in receivables due to higher sales volumes and prices, together with lower utilisation of the Company's receivables securitisation program.
- An increase in inventories due to higher sales volumes and raw material costs.
- An increase in deferred tax assets arising from the booking of tax losses in New Zealand and Asia due to increased certainty of recoverability.
- An increase in provision for income tax in line with increased earnings from Australian operations.

EQUITY

- The Company's first share buyback program commenced on 14 March 2003 and concluded on 13 March 2004 at which time 60,679,153 shares had been purchased leaving 732,320,847 shares on issue. The total cash cost of the buyback was \$285.3 million including \$0.4 million of transaction costs.

RELATIONSHIP BETWEEN DEBT AND EQUITY

The current gearing ratio, calculated as net debt over net debt plus equity, is 12.9% (2003: 2.4%). The increase in the gearing ratio has been largely driven by the acquisition of the Butler Manufacturing Company on 27 April 2004. Total BlueScope Steel Group debt outstanding at 30 June 2004 is \$592.7 million (2003: \$167.9 million).

	Notes	2004 \$M	2003 \$M
Cash flows from operating activities			
Receipts from customers		5,948.3	5,443.3
Payments to suppliers and employees		(5,099.9)	(4,695.3)
		<u>848.4</u>	<u>748.0</u>
Dividends received		1.0	1.9
Interest received		2.6	2.3
Other revenue		43.3	15.0
Borrowing costs		(15.8)	(26.6)
Income taxes paid		(119.4)	(29.2)
Net cash inflow/(outflow) from operating activities		<u>760.1</u>	<u>711.4</u>
Cash flows from investing activities			
Payment for purchase of controlled entities, net of cash acquired*		(290.0)	(716.1)
Payments for property, plant and equipment		(289.1)	(183.3)
Payments for investments		(5.5)	(26.1)
Proceeds from sale of property, plant and equipment		11.8	8.6
Proceeds from sale or redemption of investments		6.5	–
Associate loan receivable repaid (advanced)		(11.2)	35.6
Net cash inflow/(outflow) from investing activities		<u>(577.5)</u>	<u>(881.3)</u>
Cash flows from financing activities			
Proceeds from issues of shares*		–	2,045.4
Share buyback		(259.4)	(25.9)
Employee share plan		(9.2)	–
Proceeds from demerger borrowings*		–	565.0
Proceeds from other borrowings		3,469.5	1,117.1
Financing provided by BHP Billiton*		–	(1,797.2)
Repayment of borrowings		(3,114.0)	(1,657.0)
Repayment of finance leases		(0.3)	–
Dividends paid	4	(241.6)	(71.4)
Dividends paid to outside equity interests in controlled entities		(3.0)	(5.2)
Net cash inflow/(outflow) from financing activities		<u>(158.0)</u>	<u>170.8</u>
Net increase/(decrease) in cash held		<u>24.6</u>	<u>0.9</u>
Cash at the beginning of the financial year		91.0	98.7
Effects of exchange rate changes on cash		2.5	(8.6)
Cash at the end of the financial year		<u>118.1</u>	<u>91.0</u>

* The prior year consolidated cash flows from investing and financing activities include cash flows related to the separation of BlueScope Steel Limited from the BHP Billiton Group, including the acquisition of the BlueScope Steel (AIS) Pty Ltd Group on 3 July 2002.

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

DISCUSSION AND ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES

The increase in net operating cash flow primarily reflects an increase in operating cash profits partly offset by an increase in net working capital. The increase in net working capital primarily reflects:

- An increase in receivables mainly due to higher prices and despatch volumes, together with lower utilisation of the Company's receivables securitisation program.
- An increase in inventory in the current year primarily reflecting higher raw material and operating costs, together with a build-up of iron ore stocks and an increase in slab stocks due to the timing of export shipments.
- Lower year-on-year increase in provisions primarily due to significant increases in provisions for the Company's name change, Short Term Incentives, and redundancy entitlements being made in the previous corresponding period.

CASH FLOWS FROM INVESTING ACTIVITIES

The increase in investing cash flow, after excluding the purchase of the AIS Group from BHP Billiton in the previous corresponding period, primarily reflects the following:

- The acquisition of Butler Manufacturing Company.
- Expenditure associated with the Vietnam and China coating line developments, the second Thailand metal coating line and the New Zealand metal coating capacity expansion.
- The receipt of funds loaned to North Star BlueScope Steel in the previous corresponding period.

These were partly offset by lower expenditure on the Sinter Plant emissions project at Port Kembla Steelworks.

CASH FLOWS FROM FINANCING ACTIVITIES

Major financing cash flows are as follows:

- \$259.4 million of shares bought back (2003: \$25.9 million).
- The payment of \$241.6 million in dividends (2003: \$71.4 million). This amount includes \$53.8 million in special dividend payments.
- During the period the company borrowed an additional \$355.5 million of debt. This was primarily due to the acquisition of the Butler Manufacturing Company with operating cash flows covering payments made for the share buyback, capital expenditure, dividends and tax.

In the previous corresponding period, cash flows associated with the separation from the BHP Billiton Group included:

- \$2,045.4 million proceeds from the issue of shares;
- (\$716.1) million purchase of the AIS Group. This includes the Port Kembla Steelworks, New Zealand Steel and Packaging Products;
- \$565.0 million proceeds from the raising of external debt; and
- (\$1,797.2) million repayment of loans to the BHP Billiton Group.

NOTE 1

BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

The Concise Financial Report has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 1039 'Concise Financial Reports'.

The Concise Financial Report relates to the consolidated entity incorporating the assets and liabilities of all entities controlled by BlueScope Steel Limited as at 30 June 2004 and the results of all controlled entities for the year then ended. The accounting policies adopted are consistent with those of the previous year.

CHANGES IN ACCOUNTING POLICIES

AASB 1028 'Employee Benefits' (applicable from 1 July 2002)

Under this revised Standard, the liability for wages and salaries, annual leave and other employee entitlements to be settled within the next 12 months are recognised in the financial statements at remuneration rates at which they are expected to be settled, rather than at wage and salary rates current as at reporting date. The adjustments to the prior year consolidated financial statements as a result of the changes in AASB 1028 were:

- \$4.0 million increase in provision for employee benefits
- \$1.2 million increase in deferred taxes
- \$2.8 million decrease in opening retained profits.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in financial reports. Amounts in the Concise Financial Report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars.

a. International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting Australian equivalents to IFRS for application to reporting periods beginning on or after 1 January 2005. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

BlueScope Steel Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents to IFRS. The company engaged its external auditors, Ernst & Young, to perform a diagnostic to isolate key areas that will be impacted by the transition to IFRS. This assessment has formed the basis of structuring the IFRS conversion project within the company. The release of the Australian equivalents to IFRS has enabled specific information to be gathered on the impact on accounting systems, future results, accounting policies and procedures.

Although the Company has not quantified the impacts on the financial statements, the transition is currently on schedule. Updates of the Company's IFRS implementation plan are provided to the Audit and Risk Committee.

Major changes identified to date that will be required to the Company's existing accounting policies include the following:

i. Employee benefits

Under AASB 119 'Employee Benefits', employer sponsors are required to recognise the net deficit in employer sponsored defined benefit funds as a liability. This will result in a change in the Group's current accounting policy in which a liability is only recognised where a legal obligation exists. The Company has defined benefit superannuation plans with deficits in Australia and New Zealand that will require an actuarially determined liability to be recorded. The company also has combined deficits in defined benefit superannuation plans in North America, however due to existing legal requirements relating to these funds, a liability has already been recognised.

The liability to be recognised under AASB 119 would be higher than the deficits disclosed in note 37 of the full Financial Report. AASB 119 requires the deficit to be grossed up for employer contributions tax (Australia 15%, New Zealand 33%) and for the accrued benefits disclosure to be discounted using a government bond rate. At present, the accrued benefits liability is discounted using the expected return on the fund assets which typically is a higher rate than the government bond rate.

ii. Income tax

Under AASB 112 'Income Taxes', the company will be required to use the balance sheet liability method. This method focuses on the tax effect of transactions and other events that affect amounts recognised in either the statement of financial position or a tax-based balance sheet. The impact of this requirement on the opening 1 July 2004 balance sheet is not expected to be significant.

Under current Australian Accounting Standards income tax losses can only be brought to account as an asset if they are considered virtually certain of realisation. AASB 112 requires income tax losses to be brought to account as an asset if they are probable of realisation. Probable is defined as more likely than not. The Group's unbooked tax losses shown in note 5(b) of the full Financial Report, will be assessed for recognition using the less stringent probable of realisation test.

iii. Impairment of assets

AASB 136 'Impairment of Assets' determines the recoverable amount of cash generating assets by assessing the higher of fair value less costs to sell and value in use. In determining value in use, future cash flows are to be discounted using a risk adjusted pre tax discount rate. Cash generating units (CGUs) are described as the smallest group of assets that generate cash flows from continuing use that are largely independent.

The BlueScope Steel Group currently assesses the recoverable value of income generating units (IGUs) using future cash flows discounted at a pre tax company-wide discount rate. IGUs are defined as a groups of assets working together to generate cash flows. The concept of CGUs will require certain assets to be assessed for recoverability on a stand alone basis rather than being grouped into an IGU. As a result, an impairment may be identified through the use of a CGU approach compared to an IGU approach.

The risk adjusted discount rate required by AASB 136 requires inclusion of a country risk premium. Therefore, certain BlueScope Steel assets' future cash flows will be discounted at higher rates, increasing the possibility of asset impairment being taken through the statement of financial performance.

iv. Share based payments

Under AASB 2 'Share Based Payments', the company will be required to recognise an expense in the statement of financial performance for the fair value of share rights granted to employees as remuneration. It applies to all share rights issued after 7 November 2002 which have not vested as at

1 January 2005. BlueScope Steel Limited issues share rights to senior executives in the organisation as part of its remuneration strategy which focuses on performance and accountability and aligning performance-related reward with the value delivered to shareholders. The fair values and other details, including the expense that would otherwise have been recognised, on all outstanding share rights granted by the company are disclosed in note 33 of the full Financial Report.

AASB 2 will only apply in respect to the September 2003 share rights granted and any future grants. The fair value of these grants are to be expensed over the expected vesting period with a corresponding increase in share capital. No tax deduction is allowed for the amount expensed.

In addition, the Company announced its intention to award 150 shares at nil cost to approximately 16,000 BlueScope Steel employees in September 2004. Under AASB 2 the fair value of this issue will be required to be expensed in the year ended 30 June 2005, whereas under the current Australian Accounting Standards the shares are issued at nil cost and no expense is recognised.

v. Goodwill

Under AASB 3 'Business Combinations', goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the Group's accounting policy which currently amortises goodwill over its useful life not exceeding 20 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. The impact on the Company's reported results is not expected to be material given the amount of goodwill currently recorded in the financial statements (refer note 17 of the full Financial Report).

vi. Classification of financial instruments

Under AASB 139 'Financial Instruments: Recognition and Measurement', financial assets are only able to be derecognised where an entity transfers substantially all the risks and rewards of ownership of the financial asset. The Company's sale of receivable program does not currently meet the requirement of substantially transferring all of the risk and rewards of ownership. As a result, the sale of receivables program will be recorded as a liability rather than an offset against trade debtors (refer note 7 of the full Financial Report).

vii. Hedge accounting

Under AASB 139 'Financial Instruments: Recognition and Measurement', in order to achieve a qualifying hedge, the Company is required to meet the following criteria:

- Identify the type of the hedge;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be effective; and
- Document the hedging relationship.

The impact of this standard is not expected to have a material impact on the financial statements of the Company given the low level of hedging activity currently undertaken (refer note 32 of the full Financial Report).

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition of Australian equivalents to IFRS, as not all standards have been analysed in detail, and some decisions have not been made where specific accounting policy elections are available.

NOTE 2 SEGMENT INFORMATION

BUSINESS SEGMENTS

The consolidated entity has five business reporting segments: Hot Rolled Products, Coated and Building Products Australia (formerly Coated Products Australia), New Zealand Steel, Coated and Building Products Asia (formerly Coated Products Asia) and Coated and Building Products North America.

On 3 July 2002, BlueScope Steel Limited acquired BlueScope Steel (AIS) Pty Ltd from the BHP Billiton Group. The operating assets of BlueScope Steel (AIS) Pty Ltd includes Port Kembla Steel Works, Packaging Products and New Zealand Steel. For accounting purposes, the effective acquisition date was 1 July 2002 and therefore the financial results for the previous corresponding 12 month period to 30 June 2003 reflects a full year's results.

HOT ROLLED PRODUCTS

Hot Rolled Products includes the Port Kembla Steelworks, a steel making operation with an annual production capacity of 5.1 million tonnes of crude steel. The Port Kembla Steelworks manufactures and distributes slab, hot rolled coil and plate. Slab and hot rolled coil is supplied to Coated and Building Products Australia for further processing, as well as to other domestic and export customers.

The segment also includes a 50% interest in the North Star BlueScope Steel joint venture, a steel mini-mill in the United States, and a 47.5% shareholding in Castrip LLC.

COATED AND BUILDING PRODUCTS AUSTRALIA

Coated and Building Products Australia (formerly Coated Products Australia) markets a range of products and material solutions to the Australian building and construction industry and is also a key supplier to the Australian automotive sector, major white goods manufacturers and general manufacturers. Coated and Building Products Australia is a leader in metallic coating and painting technologies supplying a wide range of branded products such as COLORBOND® pre-painted steel, ZINCALUME® zinc/aluminium alloy-coated steel and the LYSAGHT® range of building products. The Coated and Building Products business comprises two main production facilities at Springhill in New South Wales and Western Port in Victoria together with a network of manufacturing and distribution facilities throughout Australia.

The segment also includes Packaging Products, an operation producing tinplate and blackplate in Australia which are used by the packaging industry in applications for food, beverages, paint, oil and other steel packaging.

COATED AND BUILDING PRODUCTS NORTH AMERICA

On 27 April 2004, BlueScope Steel Limited acquired Butler Manufacturing Company, a leading designer and manufacturer of pre-engineered steel building systems for the non-residential market in North America, with six manufacturing plants across the US and Mexico.

Butler has two main North American divisions: the North American Buildings Group, which designs, manufactures and markets pre-engineered steel buildings and component systems; and Vistawall, which manufactures and sells extruded aluminium and glass products for the building and construction sector.

COATED AND BUILDING PRODUCTS ASIA

Coated and Building Products Asia (formerly Coated Products Asia) manufactures and distributes a range of metallic coated and painted steel products primarily to the building and construction industry and to some sections of the manufacturing industry across Asia and the Pacific.

On 27 April 2004, BlueScope Steel Limited acquired the Butler Manufacturing Company, which includes BlueScope Butler China, a business which designs, manufactures and markets pre-engineered steel building systems and components across China. In addition, Vistawall has operations in China which manufacture and sell extruded aluminium and glass products for the building and construction sector.

NEW ZEALAND STEEL

The New Zealand Steel operations at Glenbrook, New Zealand, produces a full range of flat steel products for both domestic and export markets. It has an annual production capacity of 0.6 million tonnes.

CORPORATE AND GROUP

Corporate and Group relates primarily to logistics, export trading and corporate activities

INTERSEGMENT PRICING AND SEGMENT ACCOUNTING POLICIES

Intersegment sales are made on a commercial arm's-length basis. Segment accounting policies are the same as the consolidated entity's policies outlined in the full Financial Report.

NOTE 2 SEGMENT INFORMATION
PRIMARY REPORTING – BUSINESS SEGMENTS

	Hot Rolled Products ¹	New Zealand Steel	Coated and Building Products Australia	Coated and Building Products Asia	Coated and Building Products North America	Corporate and Group	Consolidated
2004	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Sales to external customers	1,268.6	484.7	2,742.3	673.8	191.1	377.6	5,738.1
Intersegment sales	1,462.9	75.5	141.2	15.3	0.4	291.4	1,986.7
Intersegment elimination							(1,986.7)
Total sales revenue	2,731.5	560.2	2,883.5	689.1	191.5	669.0	5,738.1
Other revenue	4.7	1.3	3.2	11.5	2.0	9.5	32.2
Intersegment elimination							(0.7)
Total other revenue	4.7	1.3	3.2	11.5	2.0	9.5	31.5
Total segment revenue	2,736.2	561.5	2,886.7	700.6	193.5	678.5	5,769.6
Segment result	565.1	58.5	196.7	100.2	(8.8)	(61.7)	850.0
Intersegment elimination							(32.1)
Total segment result	565.1	58.5	196.7	100.2	(8.8)	(61.7)	817.9
Unallocated revenue less unallocated expenses							(14.5)
Profit from ordinary activities before income tax expense							803.4
Income tax expense							(201.6)
Net profit							601.8
Segment assets	2,311.8	520.9	1,684.0	822.7	518.9	124.2	5,982.5
Unallocated assets ²							124.7
Intersegment elimination							(325.1)
Total assets							5,782.1
Segment liabilities	452.6	92.8	428.7	203.3	286.9	147.8	1,612.1
Unallocated liabilities ²							1,225.6
Intersegment elimination							(249.2)
Total liabilities							2,588.5
Investments in associates and joint venture partnership	232.1	–	–	–	4.2	–	236.3
Acquisition of property, plant and equipment, intangibles and other non-current segment assets ³	64.5	26.5	104.2	164.1	176.0	4.0	539.3
Depreciation and amortisation expense	127.8	35.4	93.6	22.3	3.6	4.0	286.7
Other non-cash expenses	0.4	(1.0)	1.6	1.2	0.2	(0.9)	1.5

1. The Hot Rolled Products segment results includes \$71.1 million share of net profits of joint venture partnership.

2. External borrowings, sale of receivables program, cash and tax balances are classified as unallocated.

3. Includes property, plant and equipment acquired on 27 April 2004 from the purchase of the Butler Manufacturing Company for \$186.1 million. This is reflected in the Coated and Building Products North America and Asia segments.

NOTE 2 SEGMENT INFORMATION
PRIMARY REPORTING – BUSINESS SEGMENTS CONTINUED

	Hot Rolled Products ¹	New Zealand Steel	Coated and Building Products Australia	Coated and Building Products Asia	Corporate and Group	Consolidated
2003	\$M	\$M	\$M	\$M	\$M	\$M
Sales to external customers	1,198.7	468.7	2,622.9	553.5	428.3	5,272.1
Intersegment sales	1,426.8	79.9	105.4	15.1	287.6	1,914.8
Intersegment eliminations						(1,914.8)
Total sales revenue	2,625.5	548.6	2,728.3	568.6	715.9	5,272.1
Other revenue	6.3	2.0	6.9	6.7	6.2	28.1
Intersegment eliminations						1.9
Total other revenue	6.3	2.0	6.9	6.7	6.2	30.0
Total segment revenue	2,631.8	550.6	2,735.2	575.3	722.1	5,302.1
Segment result	471.2	44.4	118.5	84.0	(101.8)	616.3
Intersegment eliminations						(5.2)
Total segment result	471.2	44.4	118.5	84.0	(101.8)	611.1
Unallocated revenue less unallocated expenses						(17.5)
Profit from ordinary activities before income tax expense						593.6
Income tax expense						(120.9)
Net profit						472.7
Segment assets	2,236.3	501.4	1,607.1	483.2	108.1	4,936.1
Unallocated assets ²						28.6
Intersegment elimination						(211.6)
Total assets						4,753.1
Segment liabilities	396.5	78.0	399.0	79.3	138.3	1,091.1
Unallocated liabilities ²						738.6
Intersegment elimination						(167.7)
Total liabilities						1,662.0
Investments in associates and joint venture partnership	151.6	–	–	–	–	151.6
Acquisition of property, plant and equipment, intangibles and other non-current segment assets ³	1,898.4	346.5	49.2	40.3	10.8	2,345.2
Depreciation and amortisation expense	119.9	37.0	83.5	24.6	5.1	270.1
Other non-cash expenses	(0.9)	11.9	1.0	0.9	0.2	13.1

1. The Hot Rolled Products segment result includes \$69.2 million share of net profits of joint venture partnership.

2. External borrowings, sale of receivables program, cash and tax balances are classified as unallocated.

3. Includes property, plant and equipment acquired on 3 July 2002 from the purchase of BlueScope Steel (AIS) Pty Limited for \$2,175.5 million. This is primarily reflected in the Hot Rolled Products and New Zealand Steel reporting segments.

NOTE 3 REVENUE

	2004 \$M	2003 \$M
Sale of goods	5,614.5	5,144.6
Services	123.6	127.5
Sales revenue	5,738.1	5,272.1
Other revenue	31.5	30.0
Total revenue	5,769.6	5,302.1

NOTE 4 DIVIDENDS

	2004 \$M	2003 \$M
Total dividends paid	241.6	71.4

As at 30 June 2004, the Company's franking credits available for subsequent years is \$148.0 million (2003: \$85.3 million). The franking credits balance includes franking credits that are expected to arise from the payment of income tax payable as at the end of the financial year.

A fully franked final dividend of 13 cents (\$100 million) and a fully franked special dividend of 7 cents (\$53.8 million) per fully paid ordinary share was paid on 10 October 2003. A fully franked interim dividend of 12 cents per fully paid ordinary share was paid on 29 March 2004 (\$87.9 million).

The Directors have declared a fully franked final dividend of 18 cents and a fully franked special dividend of 10 cents per fully paid ordinary share. The estimated final dividend payable of \$131.8 million and the special dividend payable of \$73.2 million, to be paid on 18 October 2004 (record date 5 October 2004), have not been recognised as a liability at 30 June 2004.

NOTE 5 EARNINGS PER SHARE

	2004 Cents	2003 Cents
Basic earnings per share	77.8	57.1

There is no diluted earnings per share impact from the executive share rights scheme as it is the current intention of the company to satisfy their entitlements through the buyback and cancellation of an equivalent number of BlueScope Steel Limited issued shares.

	2004 Number	2003 Number
Weighted average number of shares		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	750,542,940	791,544,061

	2004 \$M	2003 \$M
Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Net profit	601.8	472.7
Net profit attributable to outside equity interest	(17.7)	(21.0)
Earnings used in calculating basic earnings per share	584.1	451.7

NOTE 6 MOVEMENTS IN ORDINARY SHARE CAPITAL

	2004 Shares	2003 Shares	2004 \$M	2003 \$M
Opening balance	784,685,949	100,000,000	2,182.1	164.0
Demerger from BHP Billiton	–	693,000,000	–	2,045.4
Share buyback	(52,365,102)	(8,314,051)	(257.7)	(27.2)
Employee share plan	–	–	(9.2)	–
Less: Transaction costs arising on share buyback			0.3	0.1
	732,320,847	784,685,949	1,914.9	2,182.1

SHARE BUYBACK

The company commenced a 10% on-market buyback of share capital on 14 March 2003. The total number of shares that could be repurchased was 79,300,000. At the conclusion of the share buyback on 13 March 2004, the total number of shares bought back was 60,697,153 (\$285.3 million, including \$0.4 million of transaction costs).

EMPLOYEE SHARE PLAN

In September 2003, the company provided 200 BlueScope Steel Limited shares at nil cost to 9,403 eligible employees (1,880,600 shares). The objective was to recognise and reward employees for their contribution to the company's first year financial and workplace safety performance and provide them with the opportunity to become long term shareholders. An equivalent number of shares were bought back at \$4.88 per share.

NOTE 7 RETAINED PROFITS

	Notes	2004 \$M	2003 \$M
Retained profits			
Retained profits at the beginning of the financial year		961.4	387.7
Net profit attributable to members of BlueScope Steel Limited		584.1	451.7
Adjustment resulting from adoption of revised accounting standard AASB 1028 'Employee Benefits'	1	—	(2.8)
Dividends paid	4	(241.6)	(71.4)
Aggregate of amounts transferred from reserves		(1.0)	196.2
		<u>1,302.9</u>	<u>961.4</u>

NOTE 8 EVENTS OCCURRING AFTER REPORTING DATE

PRIVATE PLACEMENT – DEBT

On 1 July 2004, the BlueScope Steel Group completed a debut debt raising in the US private placement market for US\$300 million. These funds have been used to refinance existing borrowings including bridging finance utilised for the acquisition of Butler Manufacturing Company. Of the US\$300 million notes issued, US\$100 million are due for repayment in 2011, and US\$200 million are due in 2014.

HOT STRIP MILL UPGRADE

On 28 July 2004, the BlueScope Steel Group announced Board approval for investment of approximately \$100 million to increase the nominal capacity of the Hot Strip Mill at Port Kembla Steelworks from 2.4 to 2.8 million tonnes per annum. The upgrade is expected to be completed in the first quarter of the 2006/07 financial year and will be undertaken in a manner that will minimise the impact on current plant operations.

NOTE 9 FULL FINANCIAL REPORT

Further financial information can be obtained from the full Financial Report which is available from the Company, free of charge, on request. A copy may be requested by contacting the Company's share registrar whose details appear in the Corporate Directory. Alternatively, both the full Financial Report and the Concise Financial Report can be accessed via the internet at: www.bluescopesteel.com

DIRECTORS' DECLARATION

The Directors declare that in their opinion, the Concise Financial Report of the consolidated entity for the year ended 30 June 2004 as set out on pages 50 to 57 complies with Accounting Standard AASB 1029: 'Concise Financial Reports'.

The financial statements and specific disclosures included in this Concise Financial Report have been derived from the full financial report for the year ended 30 June 2004.

The Concise Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which as indicated in note 9, is available on request.

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



G J KRAEHE, AO CHAIRMAN



K C ADAMS MANAGING DIRECTOR & CEO

Melbourne 18 August 2004

+ INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF BLUESCOPE STEEL LIMITED

SCOPE

The Concise Financial Report and Directors' responsibility

The Concise Financial Report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both BlueScope Steel Limited (the company) and the entities it controlled during the year.

The Directors of the company are responsible for preparing a Concise Financial Report that complies with Accounting Standard AASB 1039 'Concise Financial Reports', in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the Concise Financial Report.

Audit approach

We conducted an independent audit on the Concise Financial Report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the Concise Financial Report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the Concise Financial Report is presented fairly in accordance with the Accounting Standard AASB 1039 'Concise Financial Reports'.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information in the Concise Financial Report is consistent with the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the Concise Financial Report that were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the company for the year ended 30 June 2004. Our audit report on the full financial report was signed on 18 August 2004, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the full and Concise Financial Reports, we were engaged to undertake the services disclosed in the notes to the financial statements of the full financial report. The provision of these services has not impaired our independence.

AUDIT OPINION

In our opinion, the Concise Financial Report of BlueScope Steel Limited complies with Accounting Standard AASB 1039 'Concise Financial Reports'.



Ernst & Young



A I Beckett
Partner

Melbourne
18 August 2004

+ SHAREHOLDER INFORMATION

DISTRIBUTION SCHEDULE

RANGE	NO. OF HOLDERS	NO. OF SHARES	% OF ISSUED CAPITAL
1–1,000	118,874	48,977,215	6.69
1,001–5,000	53,743	119,121,654	16.27
5,001–10,000	6,756	48,206,791	6.58
10,001–100,000	3,450	71,426,193	9.75
100,001 and over	158	444,588,994	60.71
Total	182,981	732,320,847	100.00

There were 5,235 holders with less than a marketable parcel of BlueScope Steel shares (that is, a parcel with a value of less than \$500) as at Friday, 13 August 2004.

TWENTY LARGEST REGISTERED SHAREHOLDERS AS FRIDAY 13 AUGUST 2004

RANK	NAME OF SHAREHOLDER	TOTAL UNITS	% OF ISSUED CAPITAL
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	97,660,101	13.34
2	NATIONAL NOMINEES LIMITED	92,994,899	12.70
3	WESTPAC CUSTODIAN NOMINEES LIMITED	79,364,054	10.84
4	CITICORP NOMINEES PTY LIMITED	20,972,719	2.86
5	ANZ NOMINEES LIMITED	20,873,680	2.85
6	AMP LIFE LIMITED	13,709,146	1.87
7	QUEENSLAND INVESTMENT CORPORATION	13,634,023	1.86
8	COGENT NOMINEES PTY LIMITED	13,015,932	1.78
9	RBC GLOBAL SERVICES AUSTRALIA NOMINEES PTY LIMITED	9,830,416	1.34
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,285,374	0.86
11	IAG NOMINEES PTY LIMITED	5,023,815	0.69
12	IOOF INVESTMENT MANAGEMENT LIMITED	4,550,190	0.62
13	GOVERNMENT SUPERANNUATION OFFICE	4,331,268	0.59
14	COGENT NOMINEES PTY LIMITED	4,231,937	0.58
15	WESTPAC FINANCIAL SERVICES LIMITED	2,567,143	0.35
16	PSS BOARD	2,368,908	0.32
17	TRANSPORT ACCIDENT COMMISSION	2,334,536	0.32
18	CSS BOARD	2,110,464	0.29
19	VICTORIAN WORKCOVER AUTHORITY	1,805,634	0.25
20	HEALTH SUPER PTY LTD	1,397,437	0.19
	Total for Top 20	399,061,676	54.49
	Total other investors	333,259,171	45.51
	Grand total	732,320,847	100.00

On Thursday 19 August 2004, the Company announced an on-market buyback of up to 18,400,000 fully-paid ordinary shares.

+ CORPORATE DIRECTORY

DIRECTORS

G J Kraehe AO Chairman
R J McNeilly Deputy Chairman
K C Adams Managing Director and Chief Executive Officer
D J Grady
H K McCann
P J Rizzo
Y P Tan
J Crabb resigned 28 July 2004

SECRETARY

M G Barron

EXECUTIVE LEADERSHIP TEAM

K C Adams Managing Director and Chief Executive Officer
N Cornish President Australian Building and Manufacturing Markets
M Courtnall President Asian Building and Manufacturing Markets
I Cummin Executive Vice President Human Resources
K Fagg President Market and Logistics Solutions
L Hockridge President Industrial Markets
B Kruger Chief Financial Officer

Other direct reports to Managing Director

M G Barron Company Secretary and Chief Legal Officer
D Goodwin Executive Vice President Corporate Affairs
S Mann Executive Vice President Strategy and Business Development

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of BlueScope Steel Limited will be held on Tuesday, 19 October 2004 commencing at 2.00 pm (local time)
The Westin, 1 Martin Place,
Sydney, Australia

REGISTERED OFFICE

Level 11, 120 Collins Street (BlueScope Steel Centre)
Melbourne, Victoria 3000
+ 61 3 9666 4000

SHARE REGISTRAR

ASX Perpetual Registrars Limited
Level 4, 333 Collins Street
Melbourne, Victoria 3000
+ 61 3 9615 9130 or 1300 855 998

AUDITOR

Ernst & Young Chartered Accountants
Level 33, 120 Collins Street
Melbourne, Victoria 3000

STOCK EXCHANGE

BlueScope Steel Limited shares are quoted on the Australian Stock Exchange (ASX code: BSL).

WEBSITE ADDRESS

www.bluescopesteel.com

ACKNOWLEDGMENTS

Page 28, left to right.

Ginger Riley Munduwalawala

Mara c.1937–2002
Mara country (1992)
synthetic polymer paint on canvas, 244.0 x 244.0 cm
Presented through The Art Foundation of Victoria by the artist, Fellow, 1997
© Courtesy of the artist's estate and Alcaston Gallery, Melbourne

Djambu Barra Barra

Wagilak born c.1946
Preparing for ceremony 1988
synthetic polymer paint on canvas, 176.8 x 218.7 cm
Purchased from Admission Funds, 1990
© Courtesy of the artist and Alcaston Gallery, Melbourne

Ian Abdulla

Ngarrindjeri born 1947
Night story 1997
synthetic polymer paint on canvas, 122.4 x 183.4 cm
Purchased 1998
© Ian Abdulla, 1997/Licensed by VISCOPY, Sydney 2004

Ginger Riley Munduwalawala

Mara c.1937–2002
Ngak Ngak and the Four Archers 1993
synthetic polymer paint on canvas, 171.0 x 288.7 cm
Gift of the National Gallery Society of Victoria, 1994
© Courtesy of the artist's estate and Alcaston Gallery, Melbourne

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The 16,000 staff who are the strength behind Australia's leading steel company have something to tell you.

Our new name is BlueScope Steel.

This unique name reflects our strong reputation and recognises optimism, vision and the colour we bring to the world.

And while our name's changed, the products we make haven't. COLORBOND®, ZINCALUME®,



XLERPLATE®, GALVSPAN® steel and LYSAGHT® continue to be as strong, durable and architecturally pleasing as they've always been.

Just as importantly, they're backed by the same company whose innovation, technical support and warranties are second to none.

For more details visit www.bluescopesteel.com
BlueScope Steel. The new name in steel.



BLUESCOPE STEEL LIMITED

LEVEL 11, 120 COLLINS STREET, MELBOURNE
VICTORIA 3000 AUSTRALIA
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