



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)

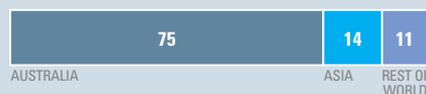
Domestic	1,855
Export	619

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)

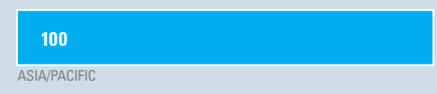
Domestic	438
Export	91

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

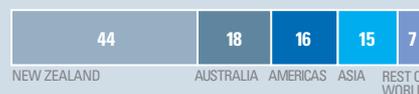
NET OPERATING ASSETS

(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**

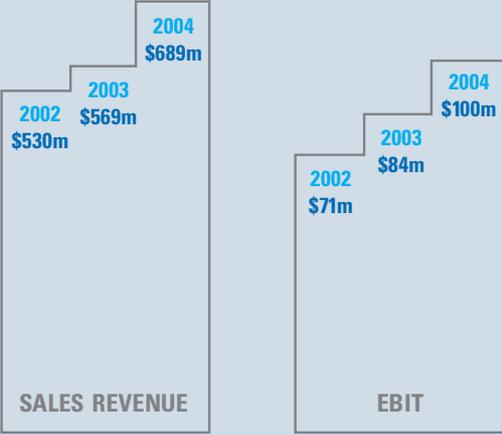
Positioned in many of the world's most energised economies, BlueScope Steel's Coated and Building Products Asia businesses continued to grow during the year, in conjunction with this powerhouse region.

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.

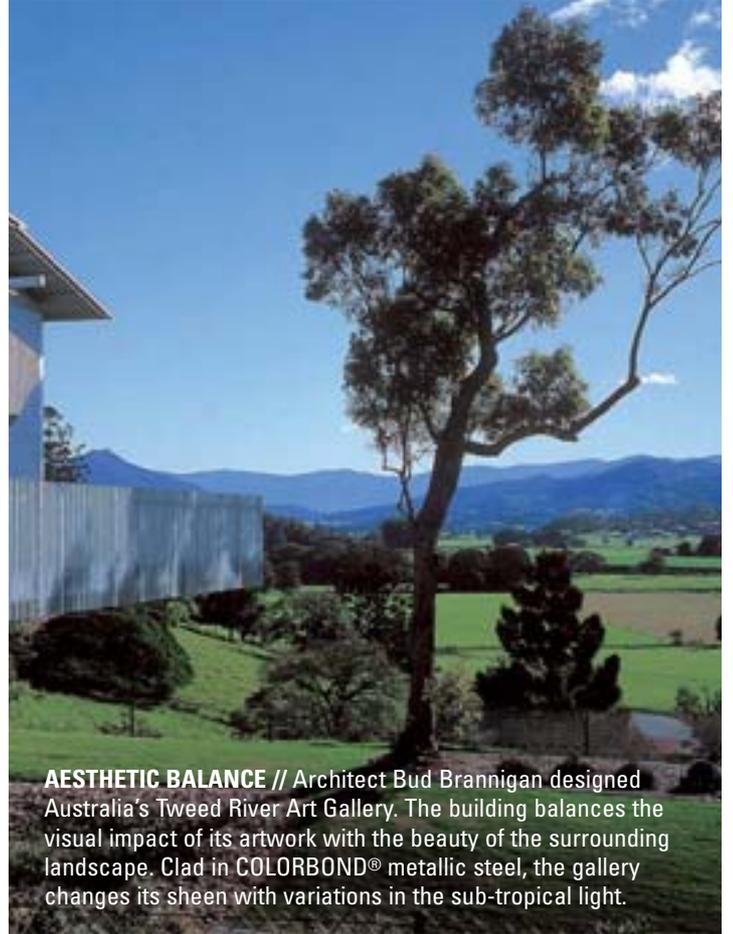
In 1995, we commenced operating on the ground in China, with the commissioning of our Shanghai and Guangzhou rollforming plant. In 2003, we opened two modern factories at Langfang (near Beijing), and at Chengdu, both of which are operating profitably. These four manufacturing centres cover the east, 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.

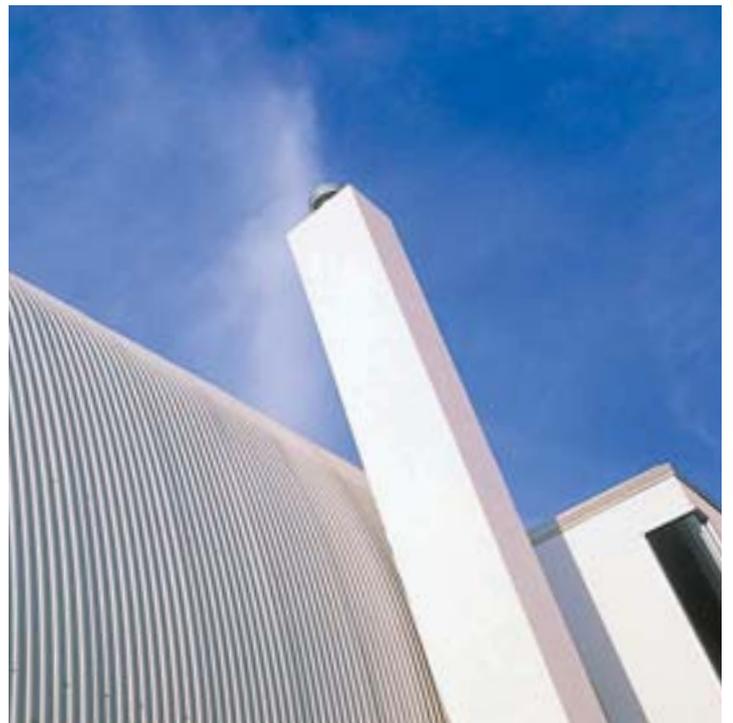
Consequently, we are poised to grow with China, and we look forward to an exciting future for our operations in this vibrant and fascinating country.



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.

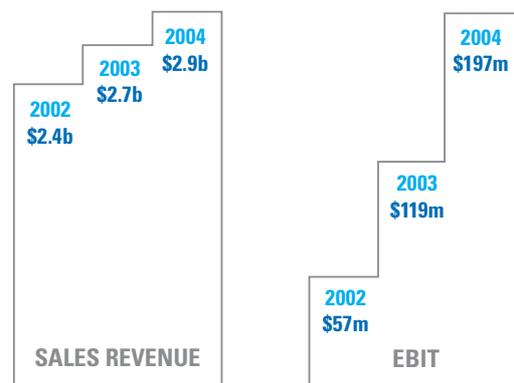
Innovative and timely product development – such as our introduction of the new BlueScope Water range – and sharp customer focus continue to make this segment an exciting part of BlueScope Steel.

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.

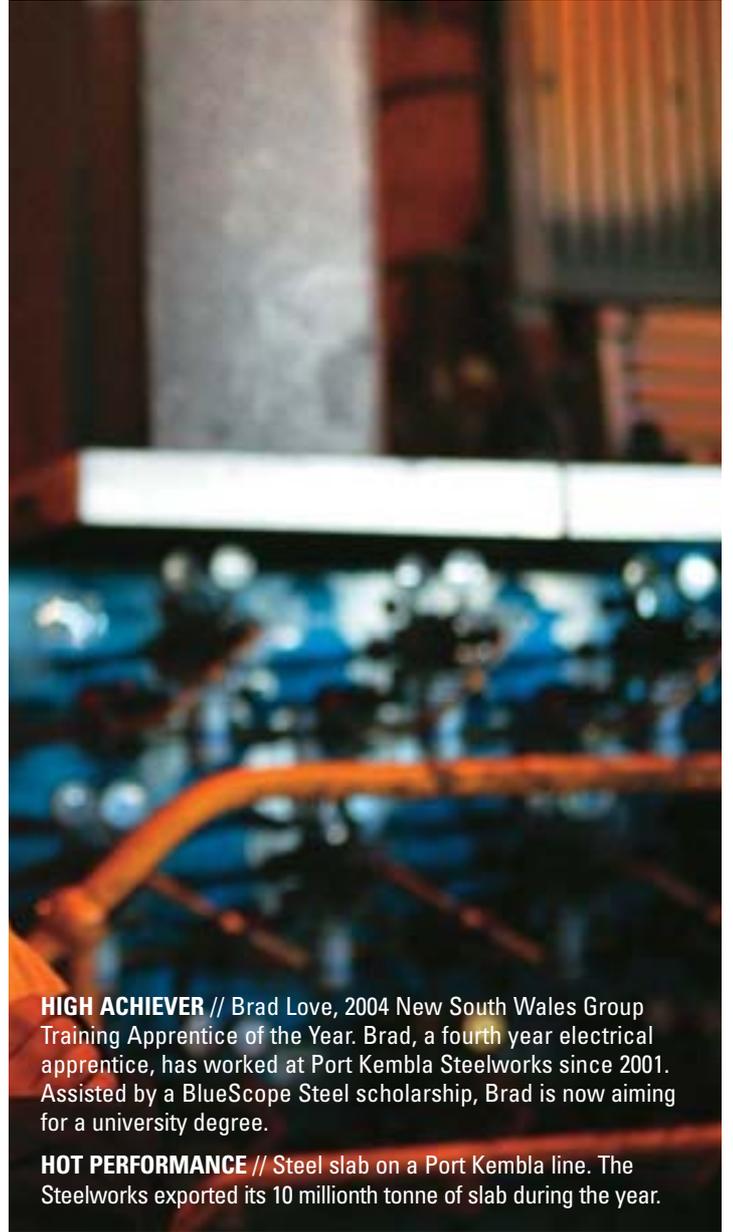
BlueScope Lysaght's products are primarily manufactured from COLORBOND®, ZINCALUME® GALVSPAN® and DECKFORM® steels. These are purchased from our upstream businesses, then cut and shaped ('rollformed') to make steel roofing, walling, fencing, structural decking, and a range of other steel building products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

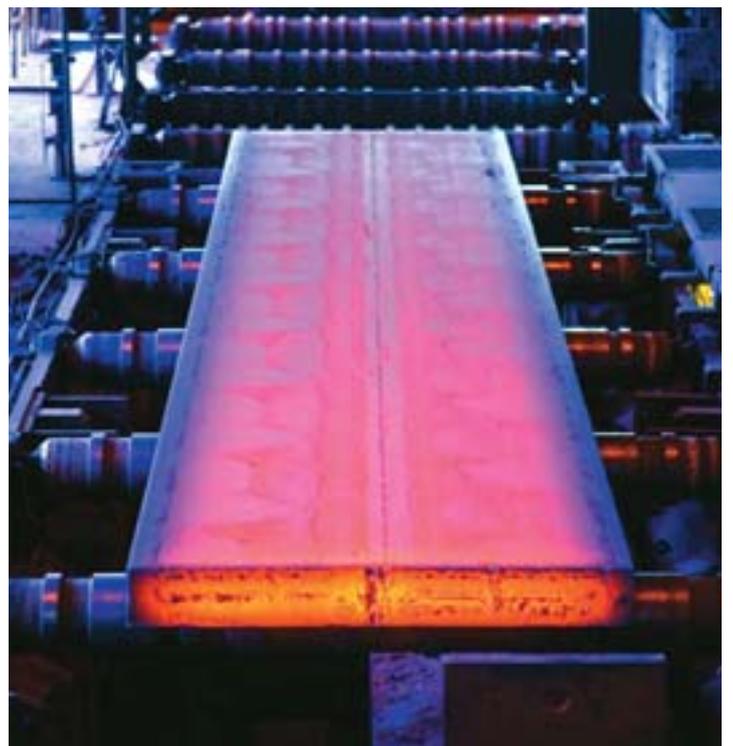


HIGH ACHIEVER // Brad Love, 2004 New South Wales Group Training Apprentice of the Year. Brad, a fourth year electrical apprentice, has worked at Port Kembla Steelworks since 2001. Assisted by a BlueScope Steel scholarship, Brad is now aiming for a university degree.

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.

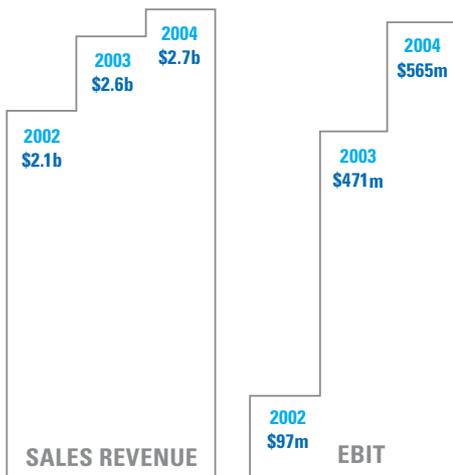
PORT KEMBLA STEELWORKS

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.

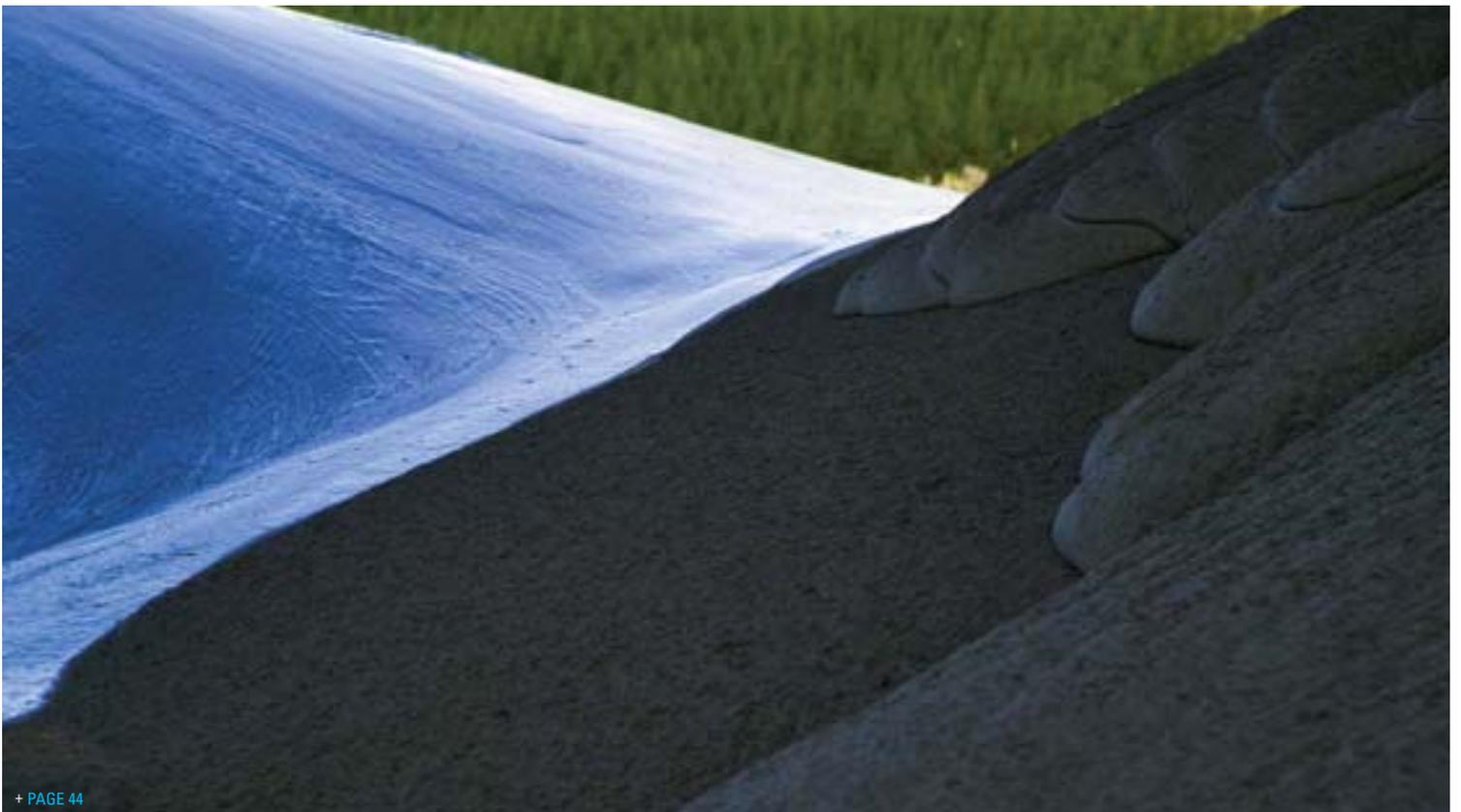


\$59m

**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.

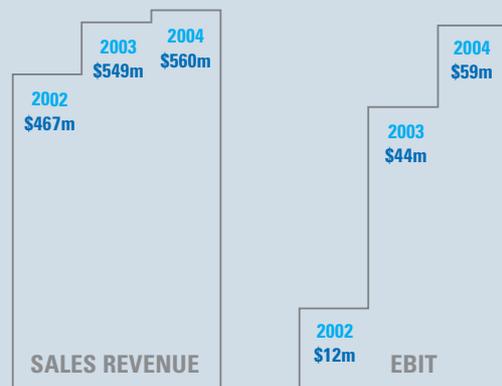
A new maintenance initiative will reduce down-time and improve slab production in 2004/05. Unplanned maintenance in the fourth quarter of 2003/04 marginally affected slab production, resulting in a 1.3 per cent decrease for the year.

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.

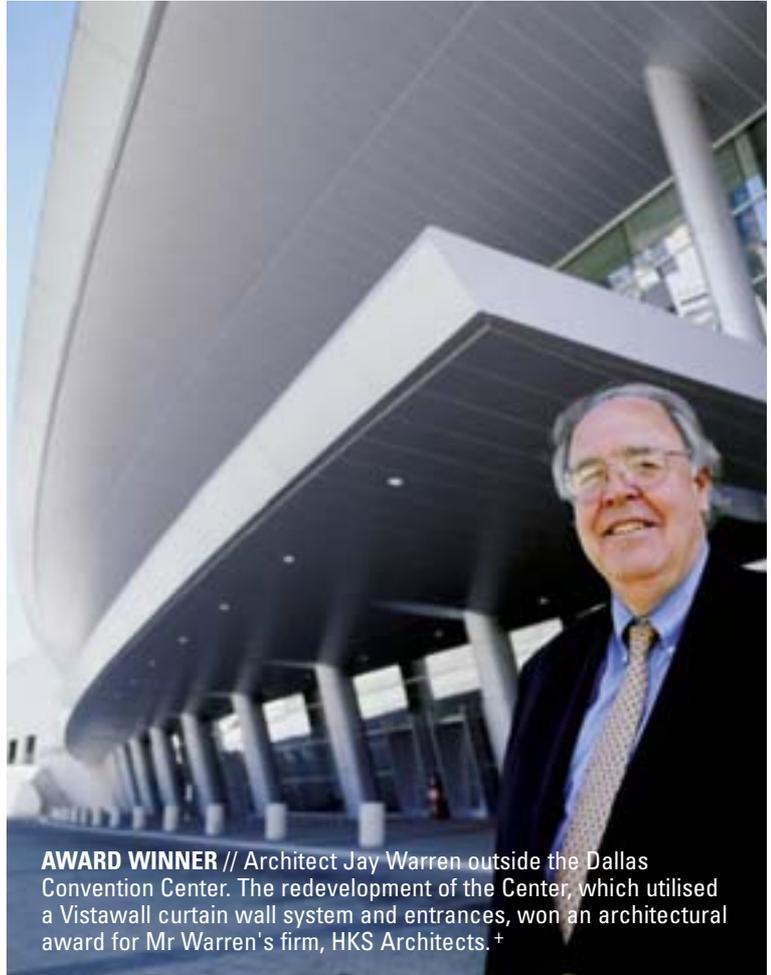
VISTAWALL GROUP

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. +

