# Half Year Results Presentation
# Period Ended 31 December 2005

Kirby Adams, Managing Director and Chief Executive Officer
Paul O'Malley, Chief Financial Officer

20 February, 2006

ASX Code: BSL

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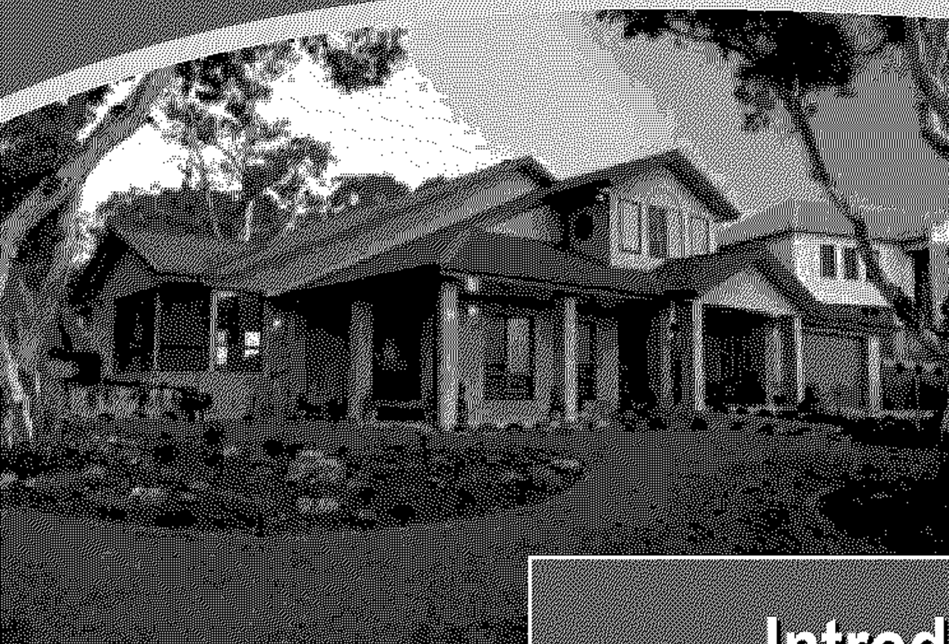
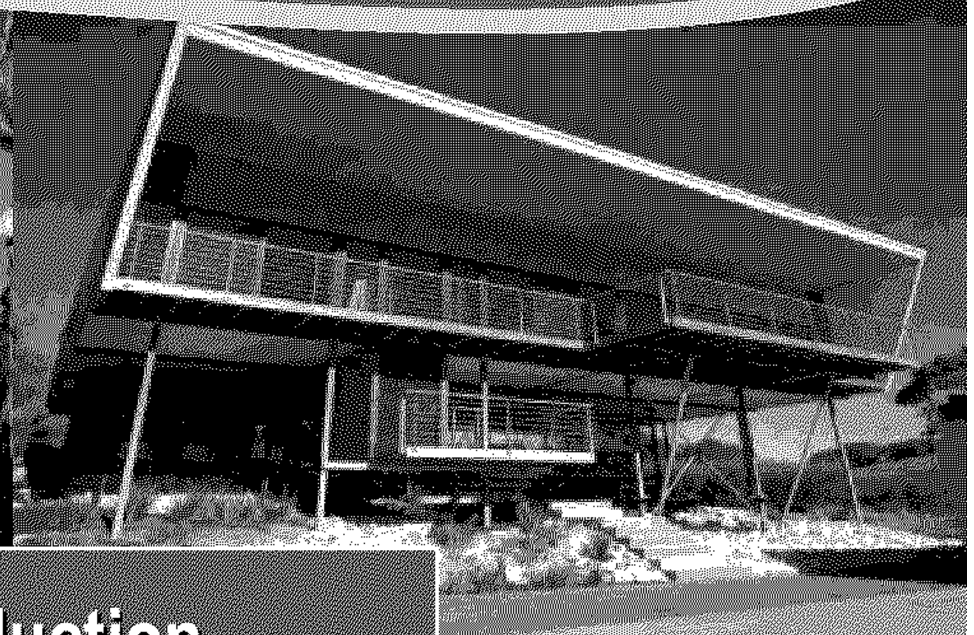
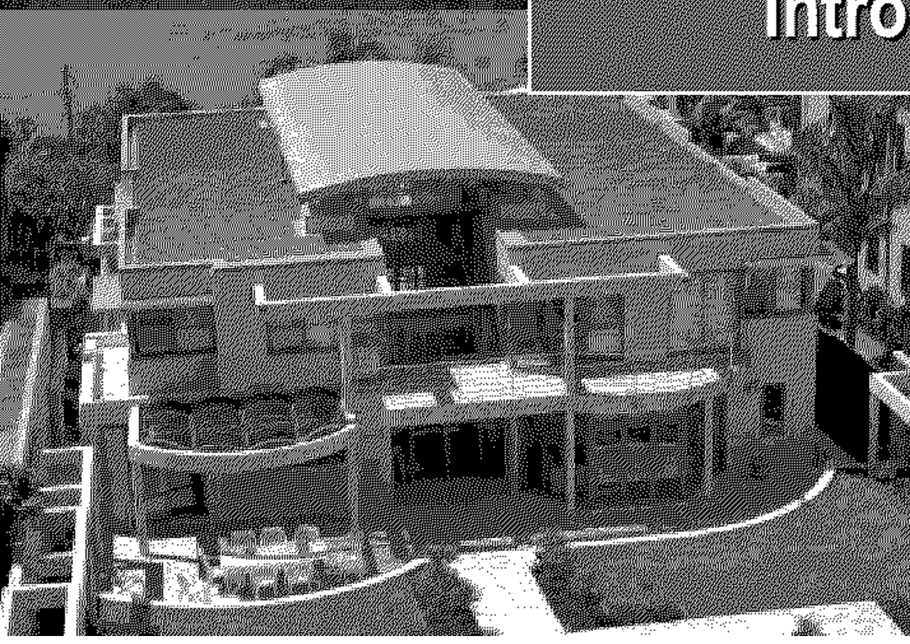
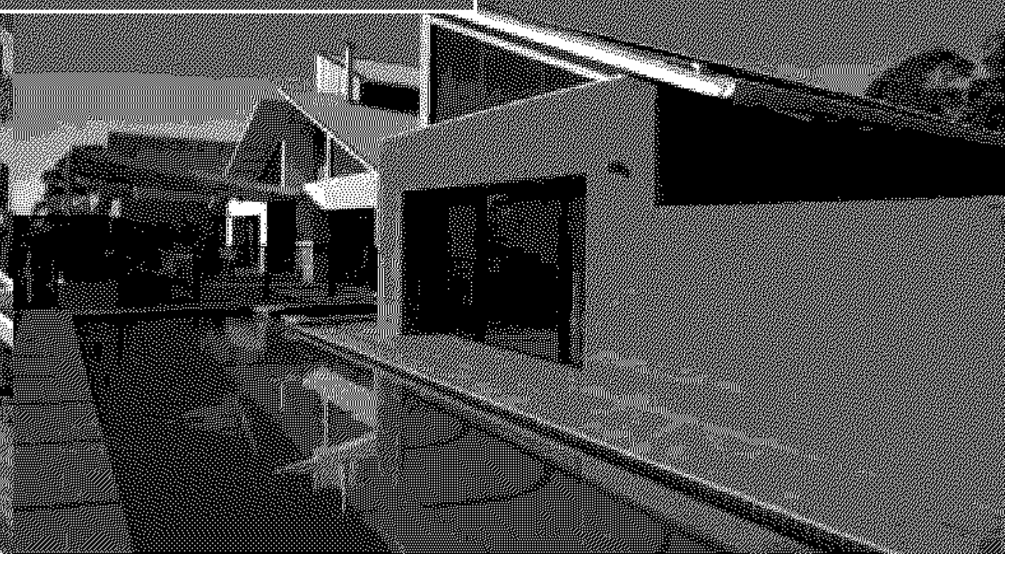




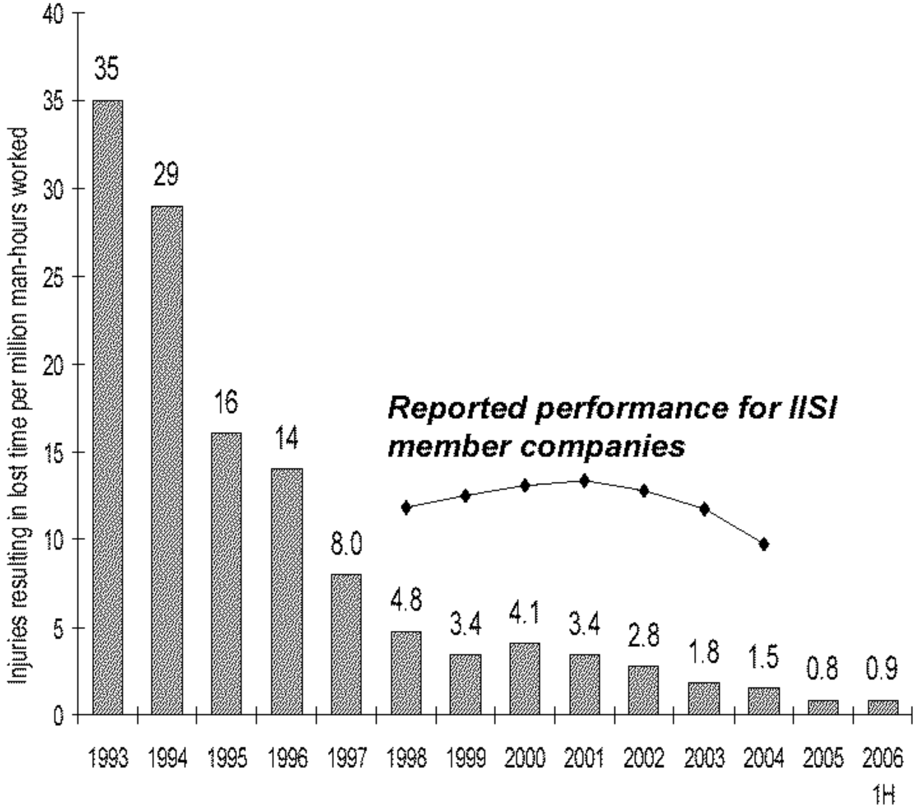
# Introduction





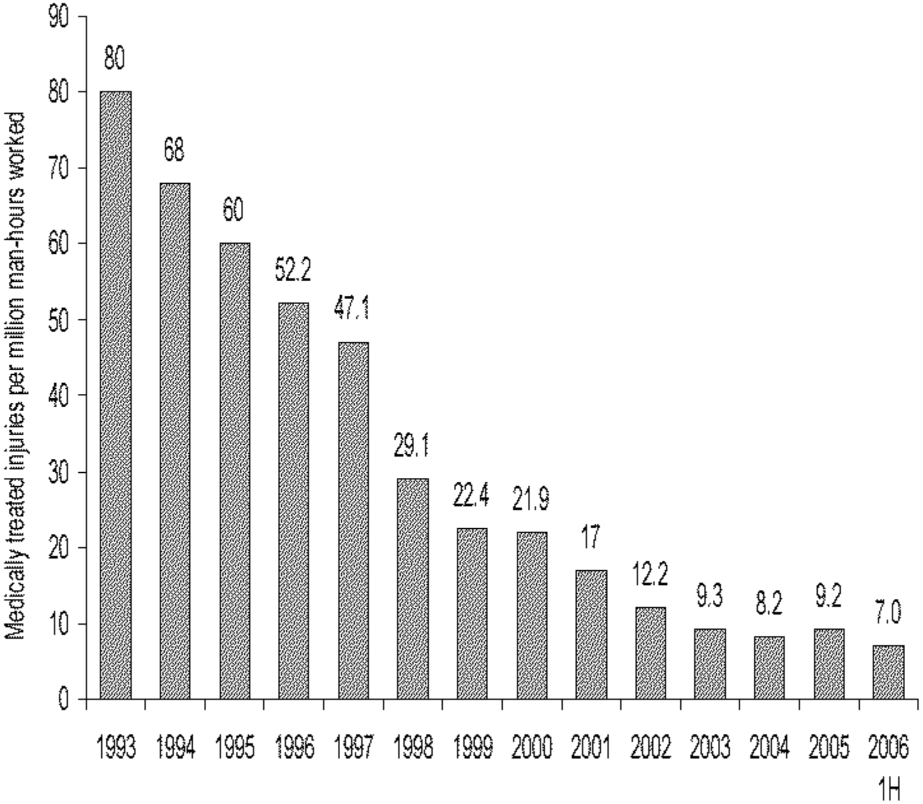
# Zero harm is our goal for our team and communities

## Lost Time Injury Frequency Rate




** *Includes Butler performance from May 2004*

## Medically Treated Injury Frequency Rate




* *Includes Butler performance from May 2004*

***17,500 Employees, 75 manufacturing sites, 17 countries***

# Our shareholders – continuing to reward shareholders as we grow

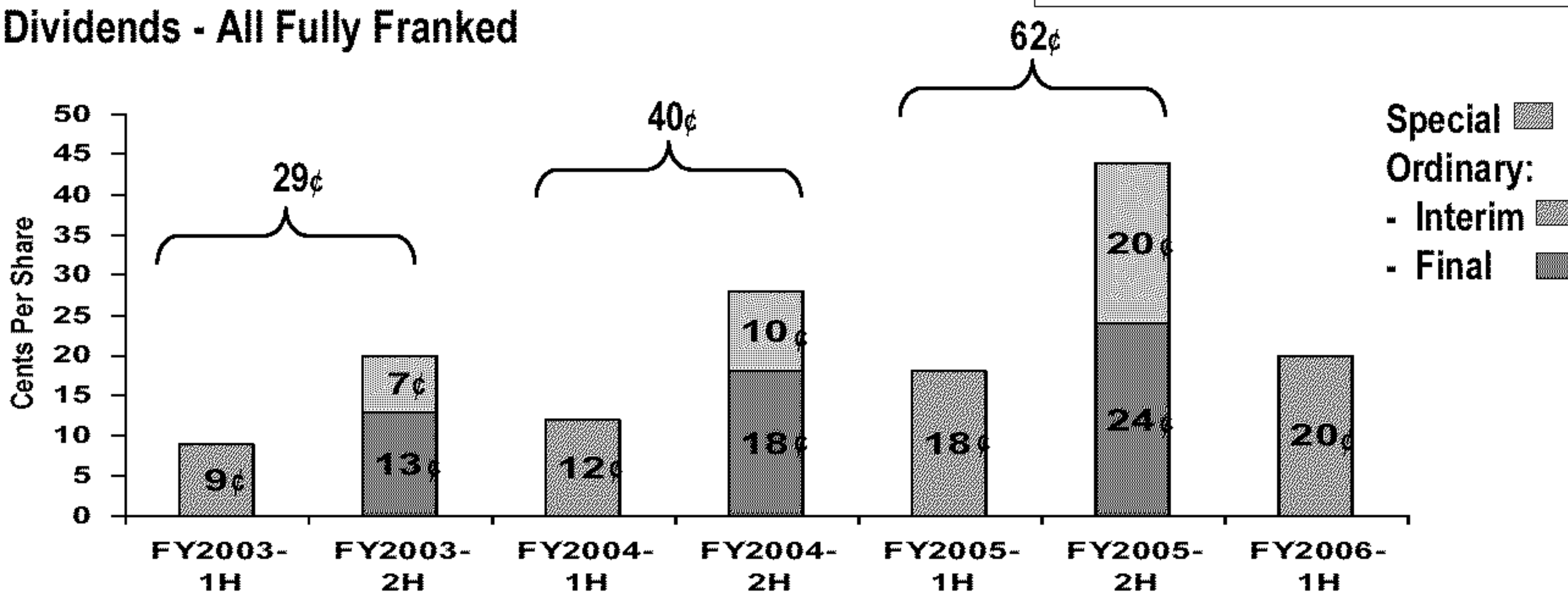
- **Share Buybacks – Public Listing to 31 December 2005**
  - Purchased and cancelled 113m shares
    - * on market – 87m shares
    - * off market – 26m shares

Total return to shareholders since BSL's public listing (July 2002):

| | |
|---|---|
| • Share buybacks | $ 687m |
| • Dividends paid | $ 970m |
| • Interim dividend (to be paid April 06) | $ 140m |
| | $ 1,797m |

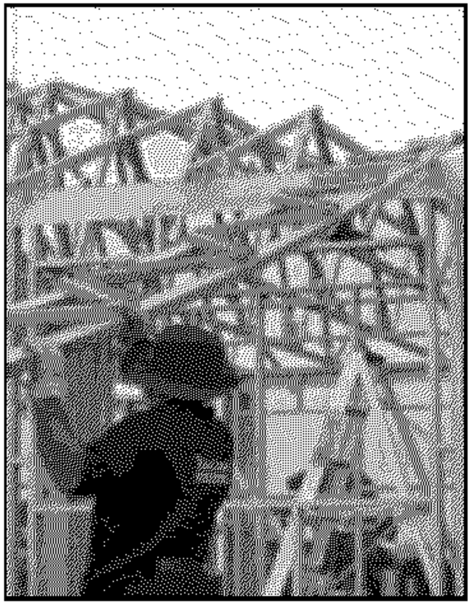
$2.39 share or 77% payout ratio

- **Dividends - All Fully Franked**



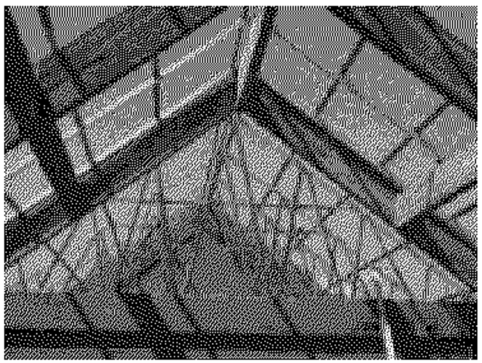
# Our customers are our partners

- **Our Market Offer**
  - ➢ **High quality products**
  - ➢ **Advertising / promotional support**
  - ➢ **Service**
  - ➢ **Delivery**
  - ➢ **Satisfaction**
  - ➢ **Warranty**
  - ➢ **Technical Support**
- **Creating**
  - ➢ **New products**
  - ➢ **New markets**

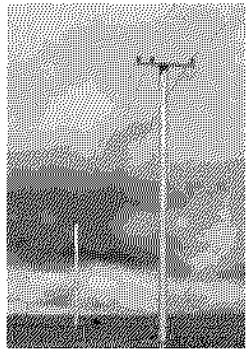
**TrueCore®**

# Value-added Solutions



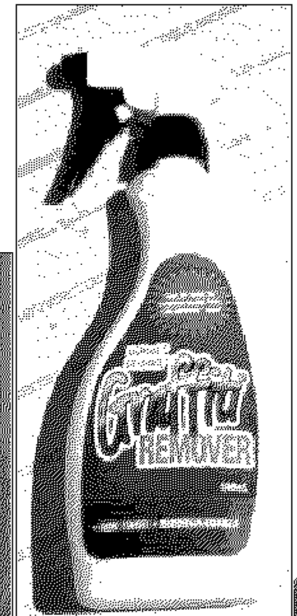
SMARTRUSS

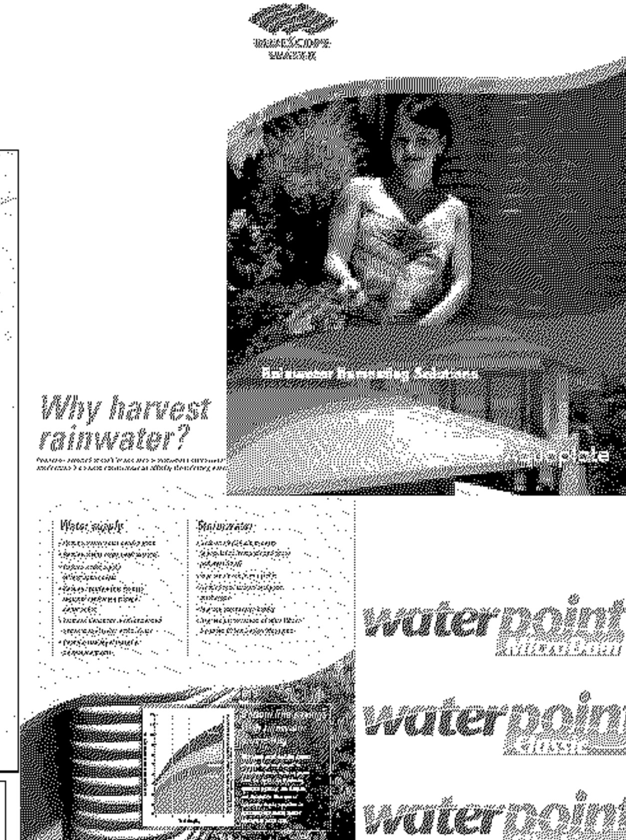
Xlerplate



Sureline


Graffiti Remover

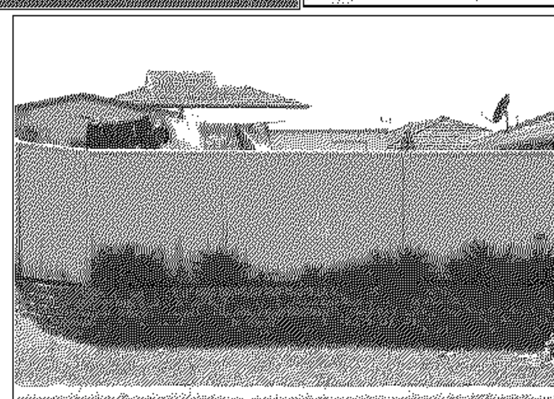



waterpoint MicroPoint

waterpoint Classic

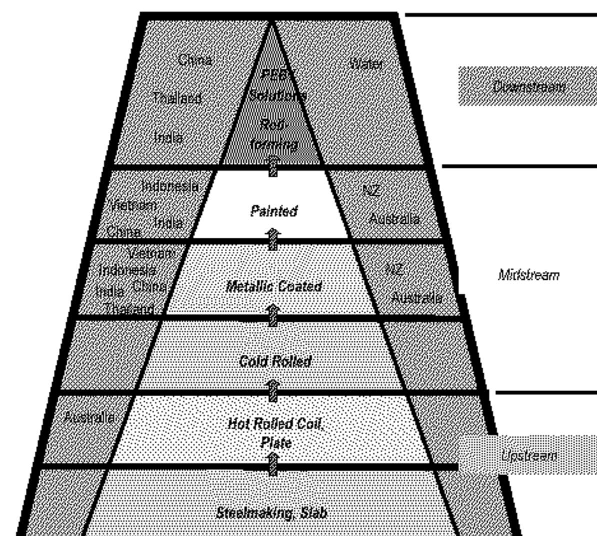
waterpoint Slimline



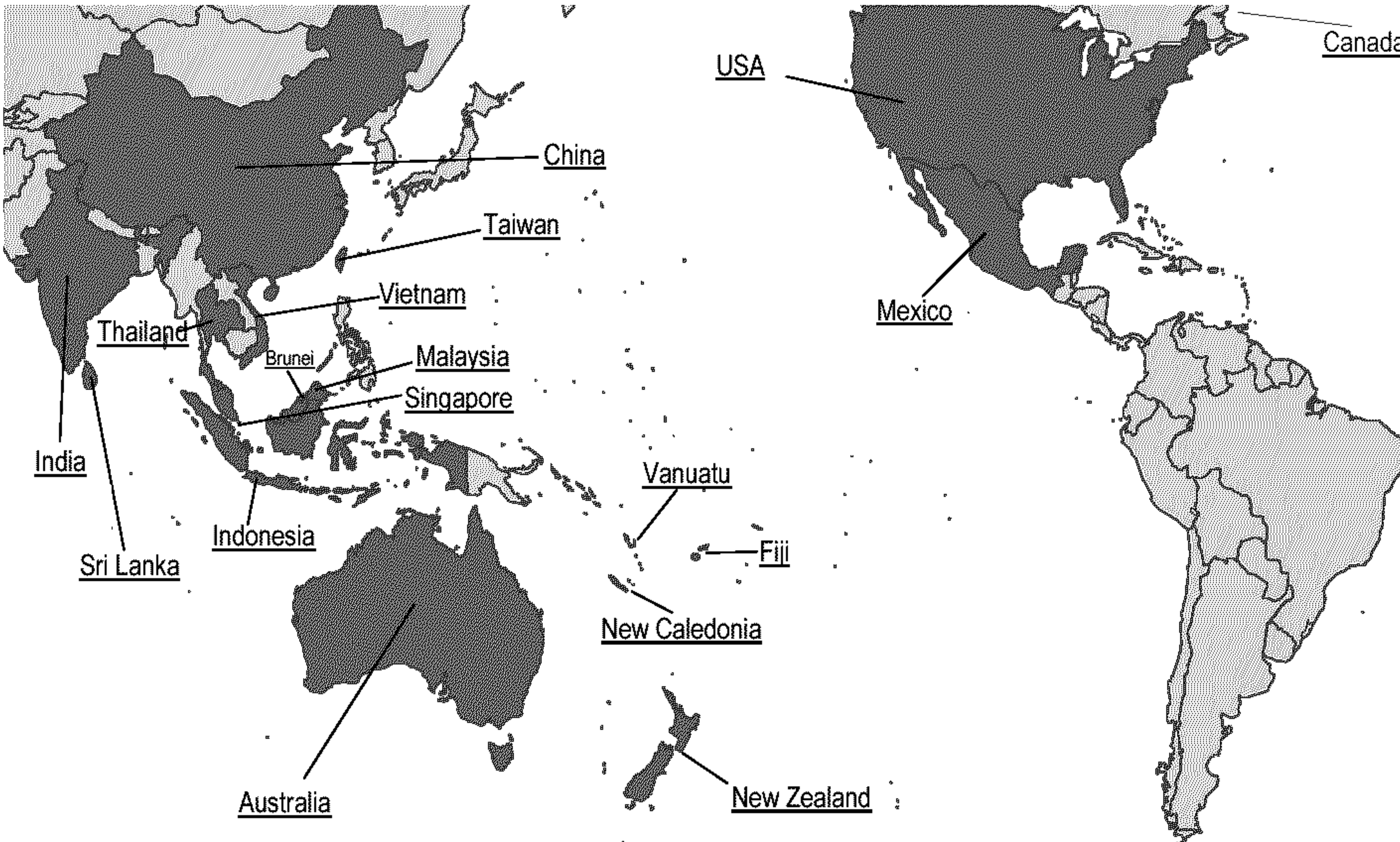
# Industry view and strategy - Consistent

- **Our long term view on the global steel industry remains upbeat**

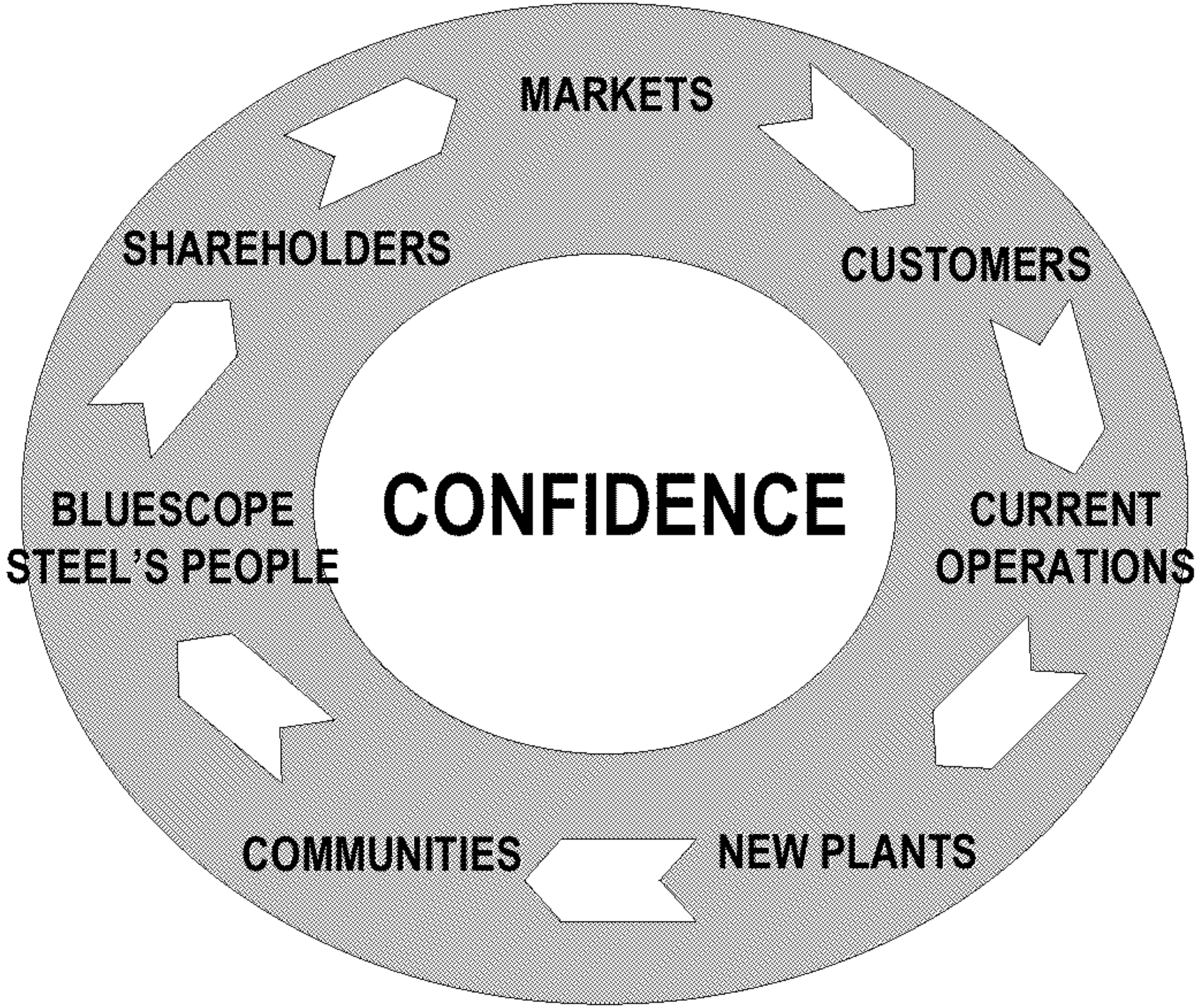
- **Implementation of our strategy is well underway**
  - **Growing mid & downstream solutions**
  - **Always evaluating new opportunities**

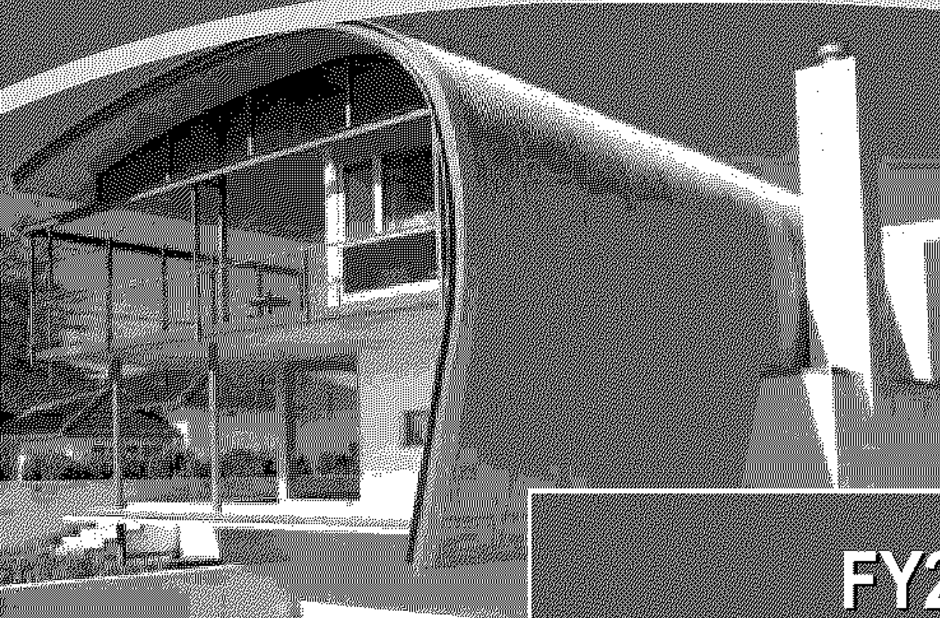


# Building BlueScope Steel – A unique and valuable franchise



# Maintaining the momentum






# FY2006 IN REVIEW

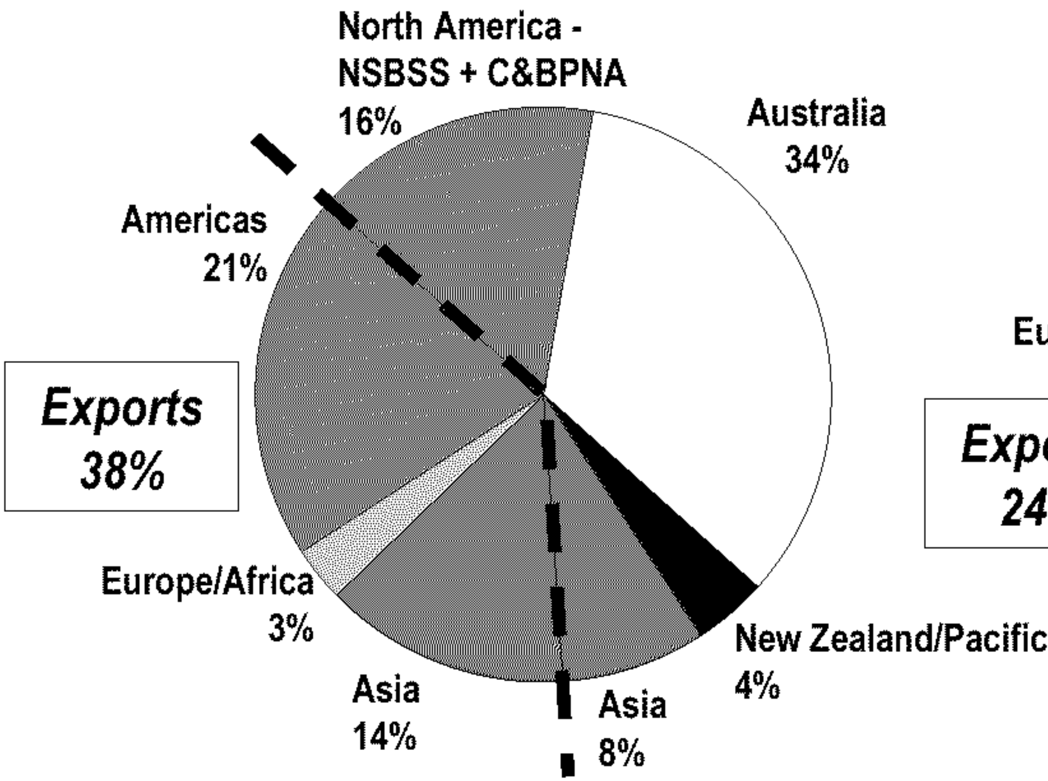

# Group headlines First Half FY2006

| | | |
|---|---|---|
| • Revenue | A$3,892 million | Constant |
| • External despatches | 3.5 million metric tonnes | Up 3% |
| • EBITDA | A$593 million | Down 29% |
| • EBIT | A$449 million | Down 35% |
| • NPAT | A$312 million | Down 38% |
| • EPS | 44¢ | Down from 68¢ |
| • After tax Return on Invested Capital | 14.6% | Down from 27% |
| • After tax Return on Equity | 18.9% | Down from 32% |
| • Net operating Cashflow | | |
| - after capital / investments | ($19 million) | Down 108% |
| - before capital | $347million | Down 33% |
| • Interim Ordinary Dividend (fully franked) | 20¢ per share | Increased 2¢ per share (11%) |
| • Gearing (net debt) | 33.2% | 22.2% (June 05) – including SOR |

# Dramatic changes to geographic destination and product mix

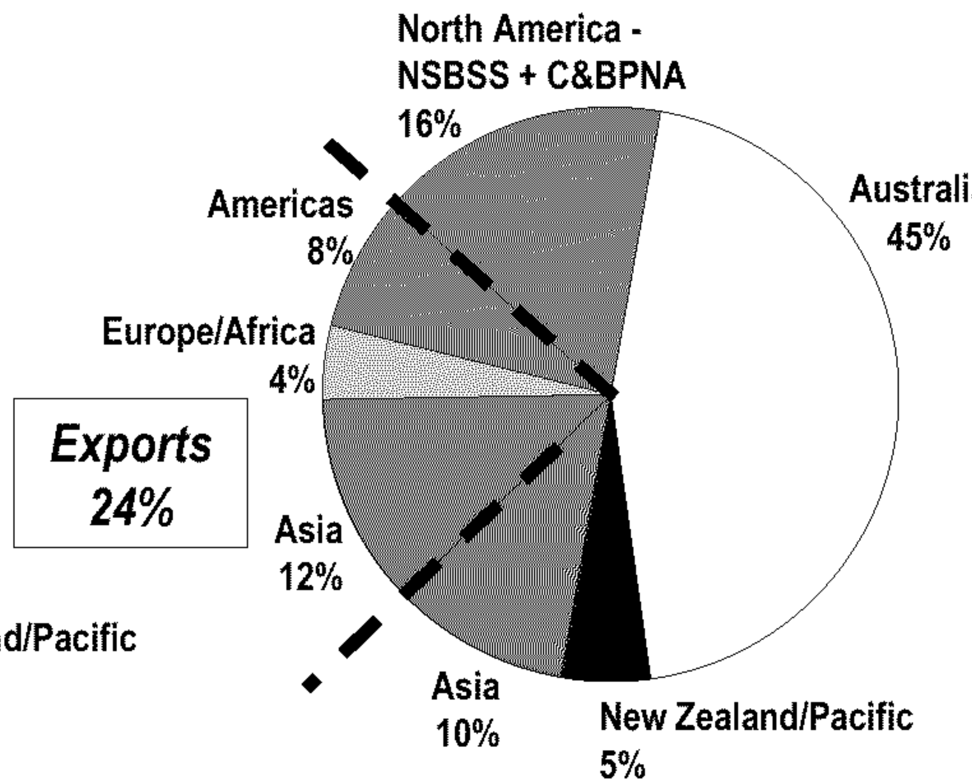
*Indicative*

**First Half 2006 (Sales Tonnes)**




3.545 million tonnes

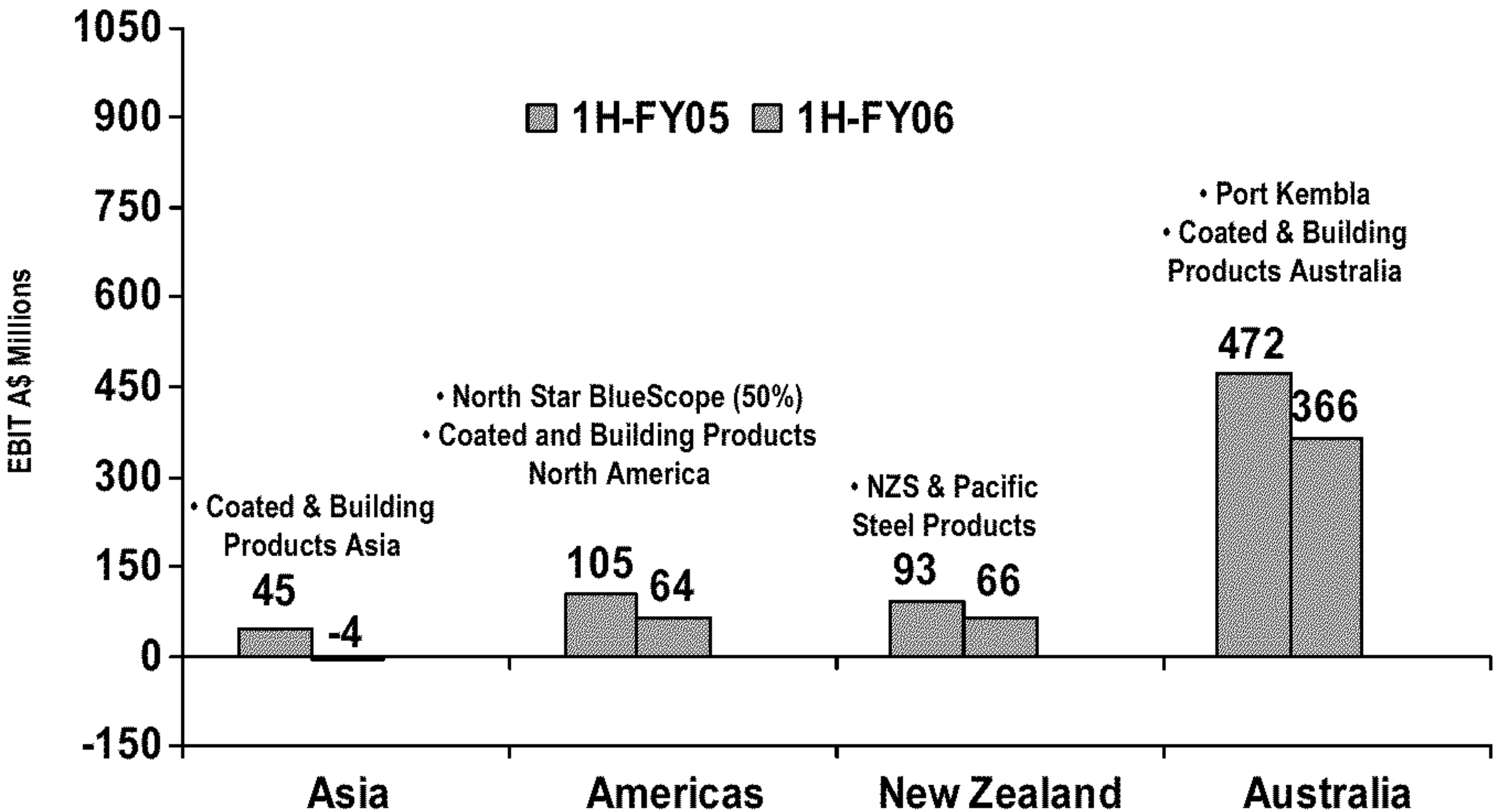
**First Half 2005 (Sales Tonnes)**




3.457 million tonnes

# Unfavourable price and mix drive lower revenue & EBIT

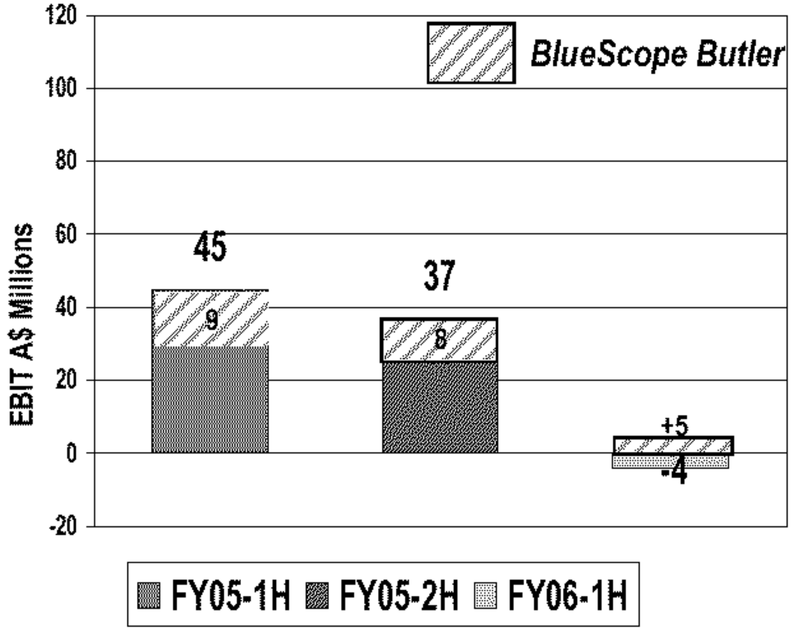
***Based on source of production***




| | Asia | Americas | New Zealand | Australia |
|---|---|---|---|---|
| *Sales Revenue* | *-7%* | *-10%* | *-8%* | *+1%* |
| *($m):* | *520/485* | *1,031/931* | *392/359* | *2,473/2,498* |

# Coated and Building Products Asia – unexpected market weakness

- ***Sales revenue down 7% to A$485m, including A$117m from BlueScope Butler China***




- ***1H-FY2006 return on net assets annualised (pre-tax) (1%)***

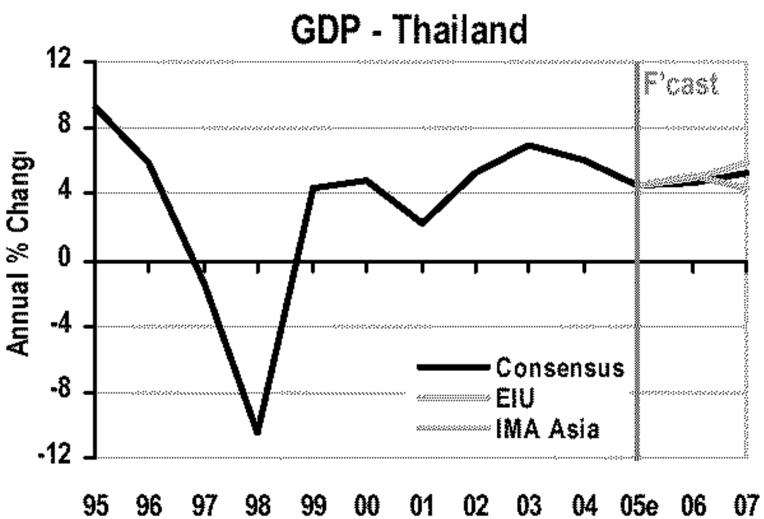
***Markets***

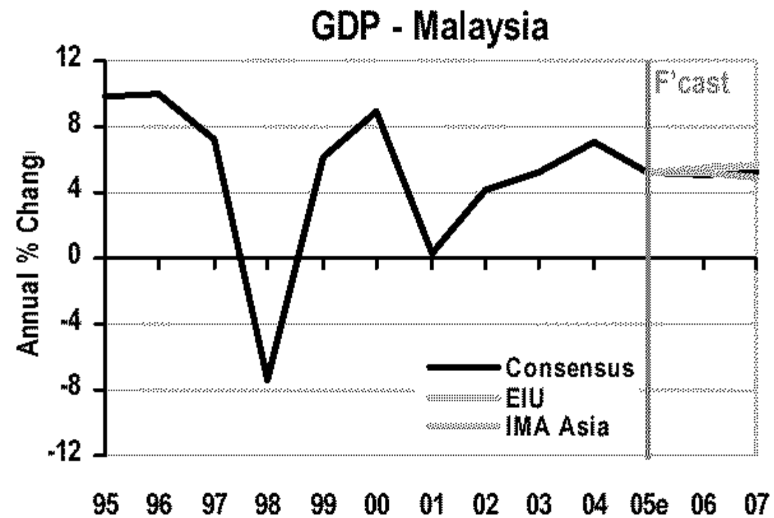
> Lower despatches / weaker markets
> Heightened import competition
> Customers high inventories / destocking
> China – credit controls delayed projects

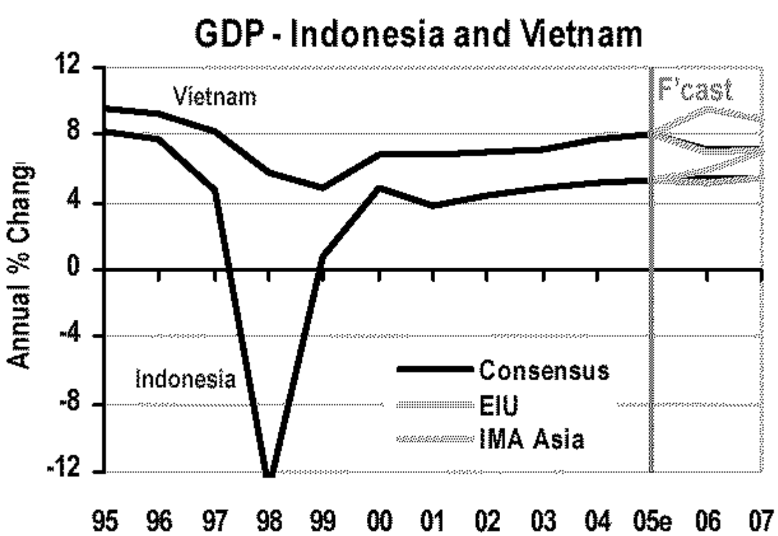
***Performance***

- First half
  > higher feed costs fully utilised in half
  > +$11m in pre-operating and business development costs vs. 1H-05 (gross $18m)
  > unfavourable FX - A$ stronger
  > growth projects on schedule, apart from China metal coating line (+1-3 months)
- Second half
  > improving margins, higher production and increased sales volumes
  > competitive market offers
  > project delivery / start-up

# Continued GDP growth expected in South East Asia



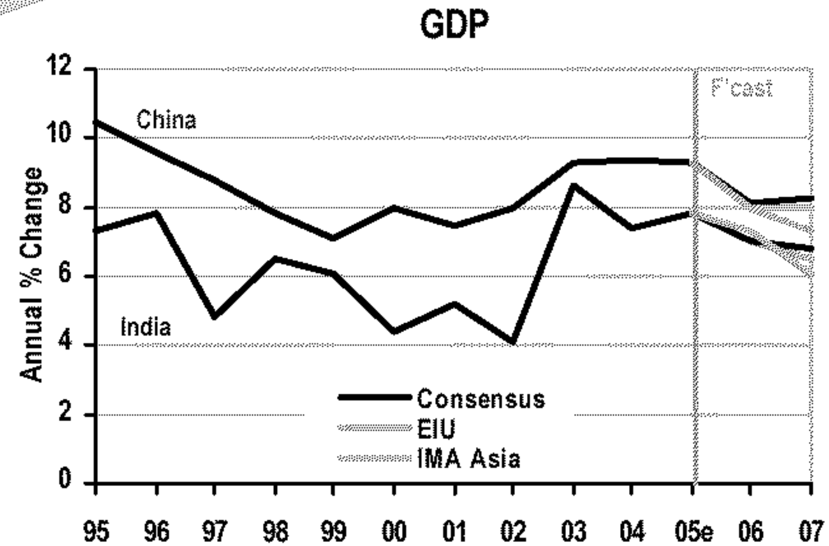



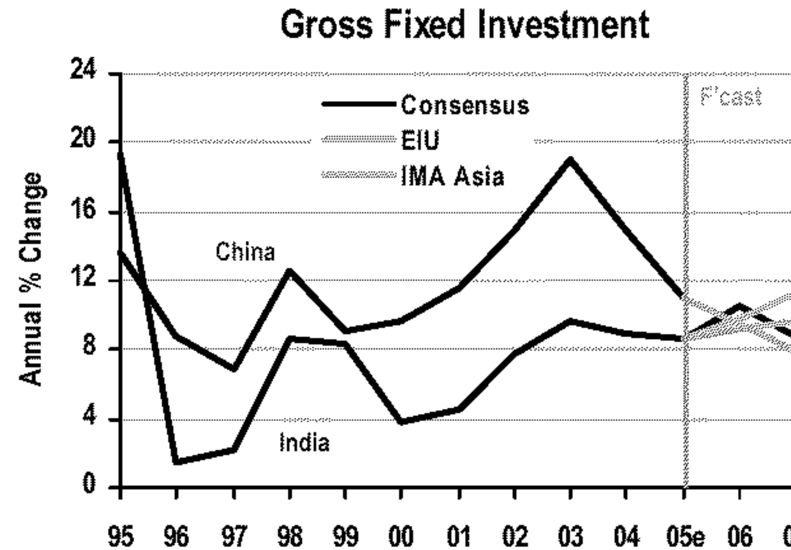


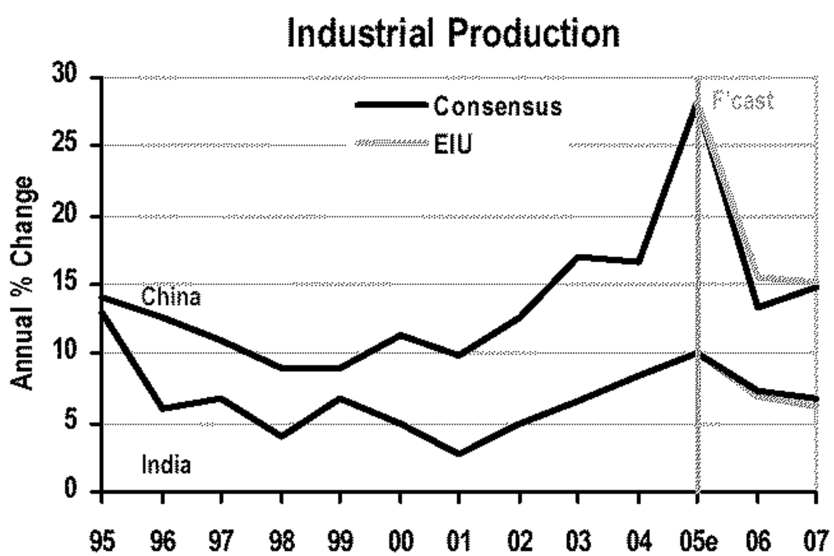
Source: EIU, Consensus Economics, IMA Asia, BSL Economics

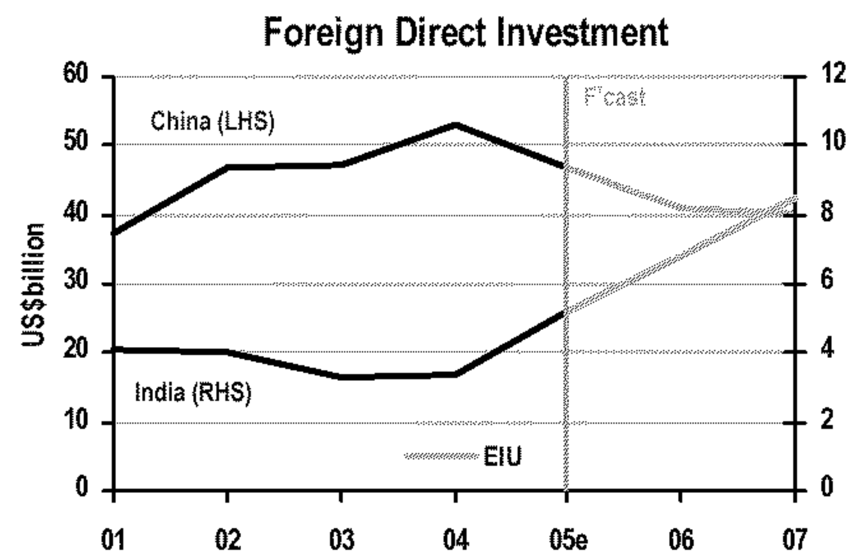
Notes: All charts include calendar year data

# China and India expected to maintain strong growth momentum



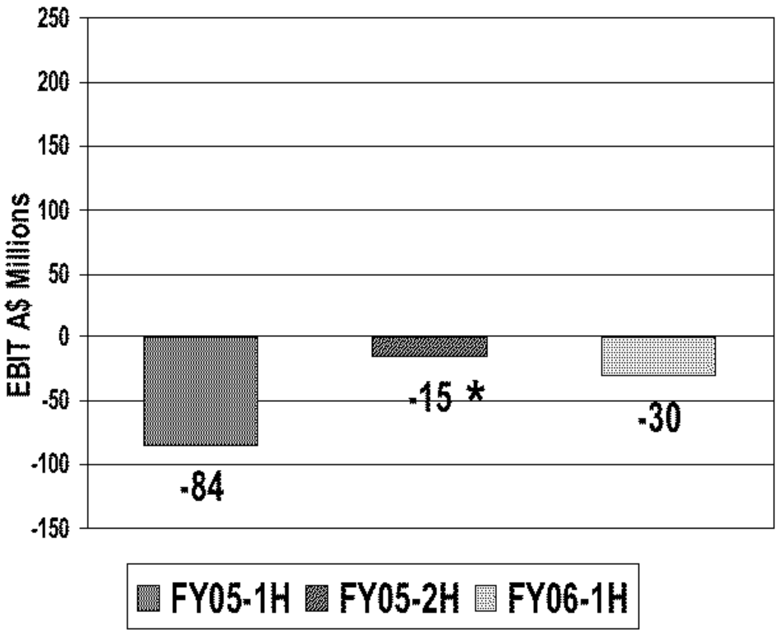




Source: EIU, Consensus Economics, IMA Asia, BSL Economics

Notes: All charts include calendar year data

# Coated & Building Products Australia – Challenged again

- ***Sales revenue of A$1,429m, down 5%***




- ***1H-FY2006 return on net assets annualised (pre-tax) (5%)***

* *Excludes Packaging Products impairment write-down of $82million*

***Markets***

> Lower production & export volumes due to Western Port fire

> Lower domestic demand for Australian canned goods

> Lower domestic demand in manufacturing and distribution for "bare" galvanised

> Increased "bare" product import offers

> Strong domestic demand for higher quality construction products

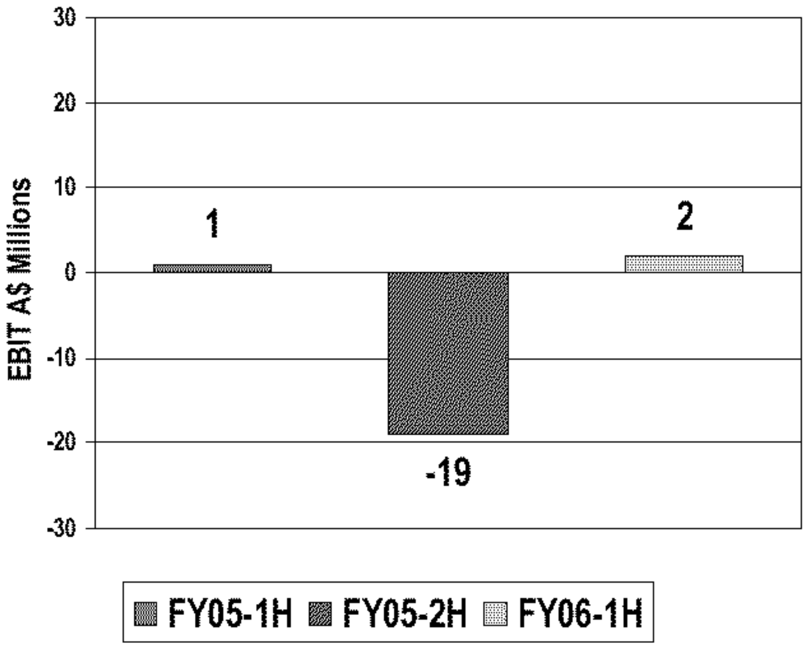
> Higher domestic prices

***Performance***

- First half
  - > significantly higher feed costs (HRC & slab)
  - > Western Port HSM fire August 2005 reduced production capacity – fully operational November 2005
  - > Higher zinc and aluminium costs
  - > Increased metal coating and paint capacity
  - > Western Sydney Colorbond® Centre on schedule
- Second half
  - > Improved sales and production
  - > More competitive market offers
  - > Lower "bare" product prices

# Coated and Building Products North America – Back in the black

- ***Sales revenue = A$607m down 4%***




- **1H – FY2006 return on net assets annualised (pre-tax) 1%**

***Markets***

> Improved non-residential market but not as strong as the previous corresponding period

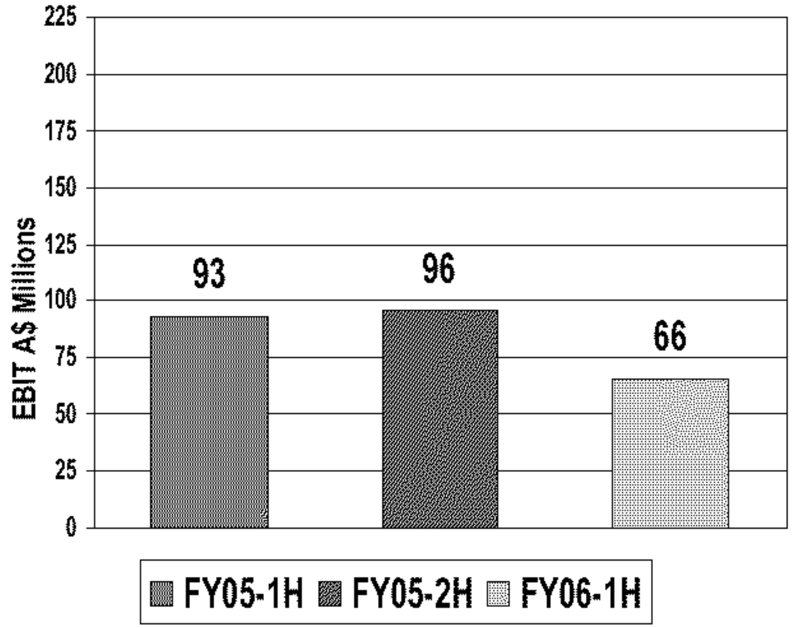
> Good order bookings leading into the second half

***Performance***

- First half
  - > Overall continued improvement
  - > Buildings
    - Jackson Tennessee specialty plant into full production
    - But, despatches down 7.5% due to delayed start-up
    - Sold Galesburg, Illinois facility
  - > Vistawall
    - Tennessee extrusion expansion completed
    - Weekly order intake ($ terms) up 21%
    - Cost increases – aluminium and energy
- Second half
  - > Continued improvement

# New Zealand and Pacific Steel Products – still "All Black"

• ***Sales revenue down 8% to A$359m***




• ***1H-FY2006 return on net assets annualised (pre-tax) 42%***

***Markets***

> Lower domestic sales (softer residential)
> Higher domestic prices
> Lower prices on export HRC sales
> Higher average vanadium prices

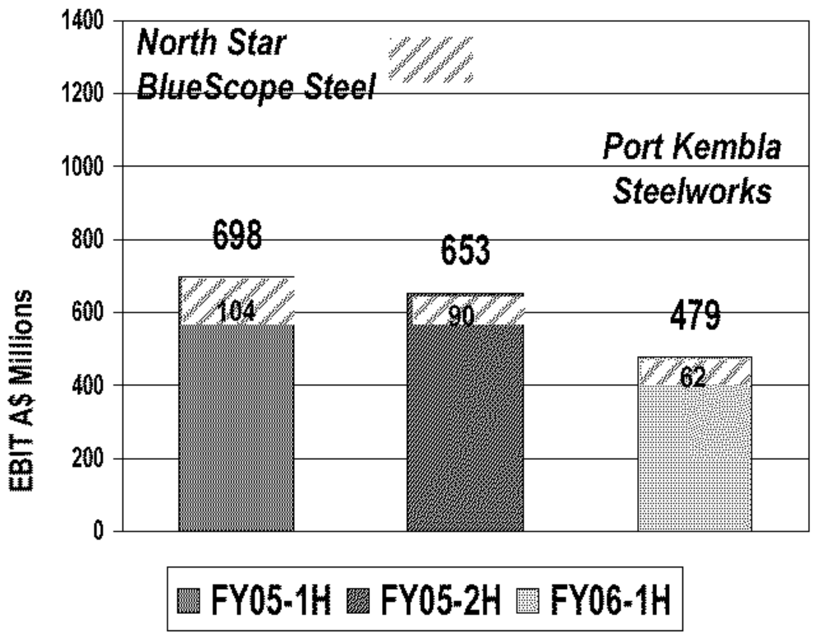
***Performance***

- First half
  > Higher costs, including maintenance, unit costs and coal / electricity
  > Paint line production up due to FY05 upgrade
  > Regrettably had a fatality in July
  > Front end studies underway – steel make and iron sands conversion
- Second half
  > Lower steel prices
  > Flat sales volumes

COLORSTEEL® Maxx™
COLOUR FOR THE EXTREME

# Hot Rolled Products – excellence across the board

- ***PKSW sales revenue up 2% to A$1,900m***
- ***NSBSS revenue US$243m (50%), down 17%***




- ***1H-FY2006 return on net assets annualised (pre-tax) 44%***

***Markets***

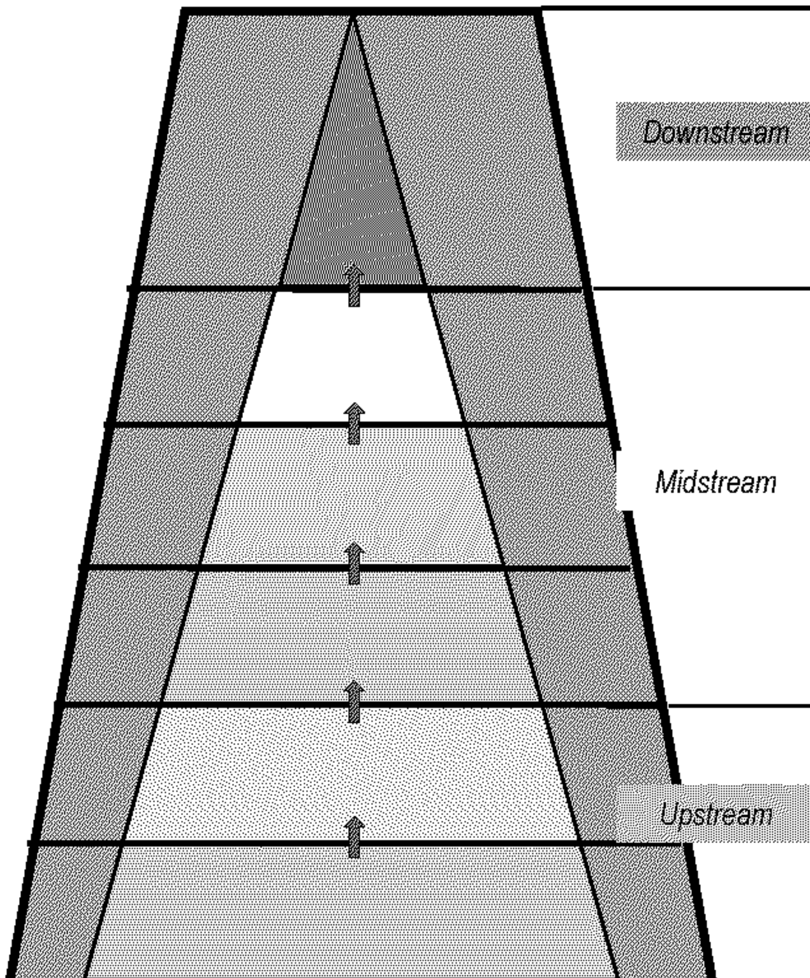
> Increased export (principally slab) sales
> Higher domestic prices; lower export prices
> Strong USA HRC price / scrap spread

***Performance***

- First half
  > Dramatically higher iron ore and coal costs, partly offset by lower priced iron ore inventory
  > Excellent operations / marketing effort post Western Port fire
  > Record 6 month iron make and slab production
  > Enterprise Bargaining Agreement extended to 2009
  > PKSW Hot Strip Mill expansion on schedule
  > North Star BlueScope – record half year production and paid US$50m (100%) dividend
- Second half
  > Full impact of 71% higher iron ore costs
  > Flat steel volumes; weaker prices overall
  > More normal product mix; improved market offer

# Earnings guidance for FY2006 – implies a more challenging second half

- **FY2006 after tax earnings outlook now expected to be in the range of A$0.65 – $0.75 EPS on an AIFRS basis**




## FY2006 – 2H vs. 1H

- Lower "bare" feed costs
- Higher sales volumes
- Greater competition

**Australia**

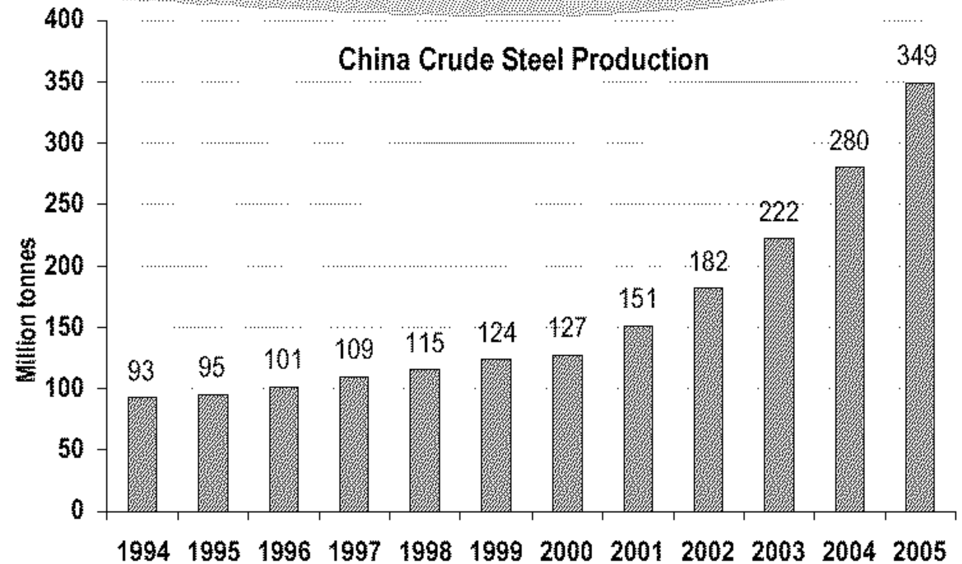
- Improved sales & production
- Displace imports
- Lower "bare" product prices

**Asia**

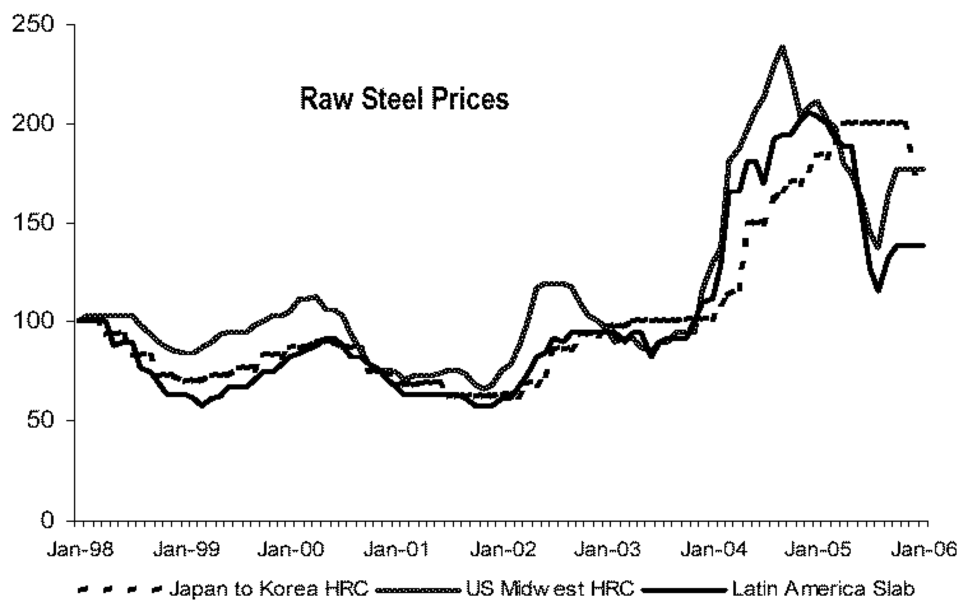
- Improved margins
- Higher production & sales volumes
- Competition
- Vietnam project start up

- Full affect of higher iron ore (PKSW)
- Scrap – free market linked to HRC
- Further softening in Asian export steel prices
- Flat sales volumes
- More normal product / geographical mix

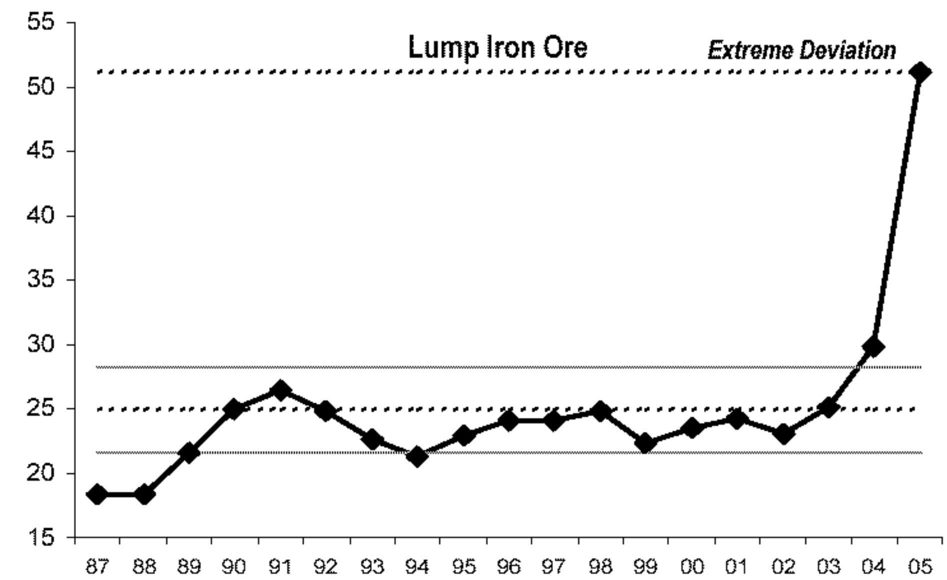
# Global steel industry squeezed by China's increased steel making capacity and higher raw material costs




*Sources: IISI, BSL Research*

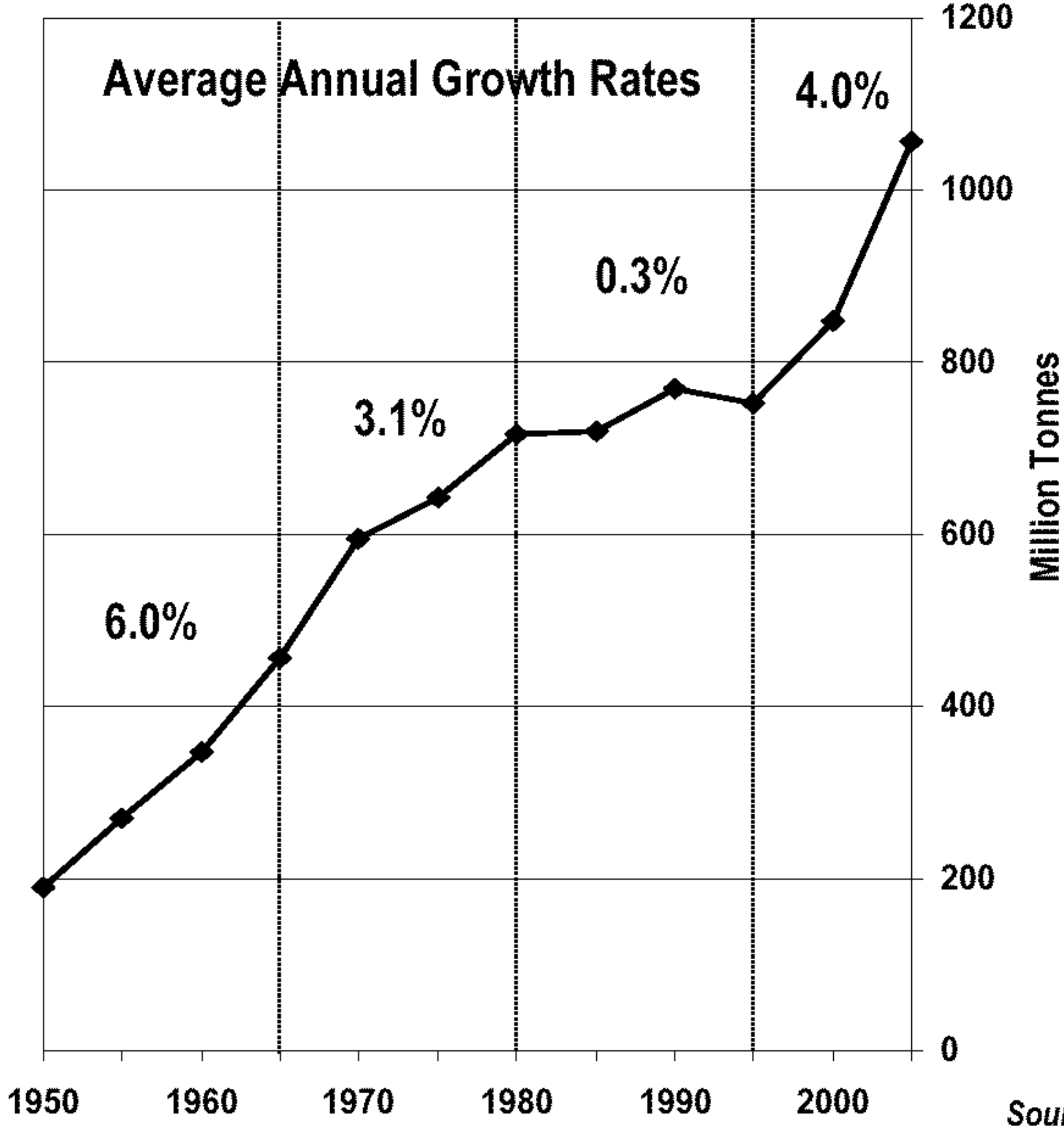



*US$ / Tonne. Indexed, Jan 98 = 100. (CRU)*




*US$ / DMT. Lump iron ore indicative of all iron ore types. JSM Benchmark Pricing.*

# World crude steel production - 1950 to 2004




*Source: IISI*

# Global steel industry – our long term view has not changed

**Current industry issues:**

- China's capacity growth / fragmentation
- Lower Asian steel prices
- Higher raw material costs
- Scrap / iron ore differential
- Higher energy and other costs
- Increased competition

**Likely industry outcomes long term:**

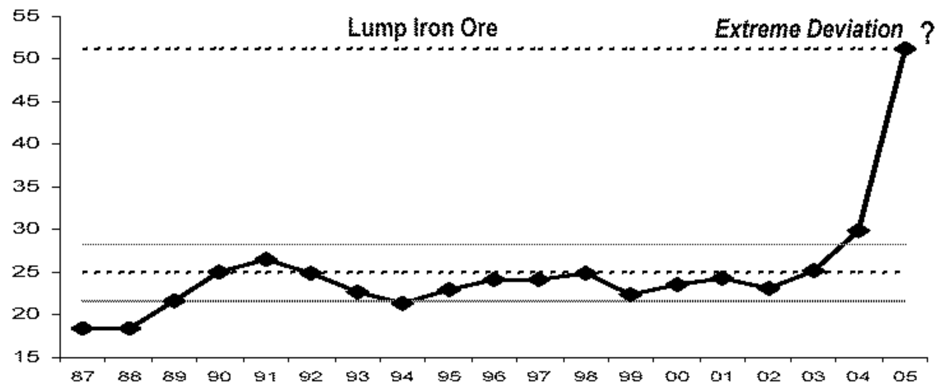
- China – steel reform initiatives taken / exports discouraged
- China – increased demand / steel displaces inter-material
- Prices improve and then stabilise
- Raw material costs moderate
- Other costs remain high
- Competition BUT on increased demand
- Expansion programs being re-evaluated

**Rest of steel world**

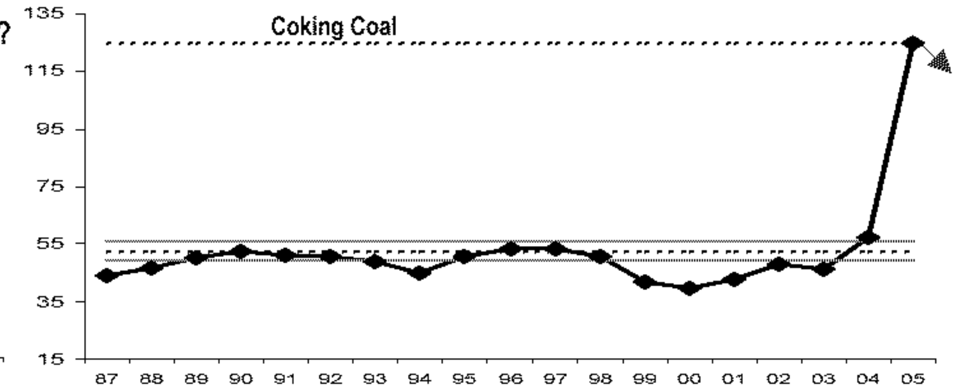
- Continued discipline
- Continued industry consolidation
- India – increased steel requirements (3 - 5 years)

# Raw materials costs extreme – the other side of the resources boom

## Port Kembla Steelworks




US$ / DMT. Lump iron ore indicative of all iron ore types. JSM Benchmark Pricing.




US$ / DMT. Hard Coking Coal. JSM Benchmark Pricing.

| | 1H06 vs. 1H05 | e2H06vs2H05 | Total |
|---|---|---|---|
| Iron Ore | +$189m | +$142m | +$331m |
| Coking Coal | +$75m | +$53m | +$128m |
| | | | +$460m |

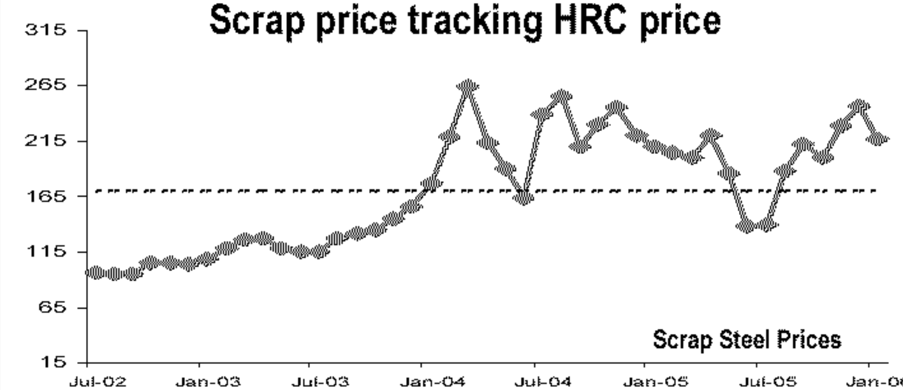
## New Zealand Steel

**Marked improvement in global cost competitiveness**

- Iron Sands – captive resources 100+ years
- Thermal type coal - CPI

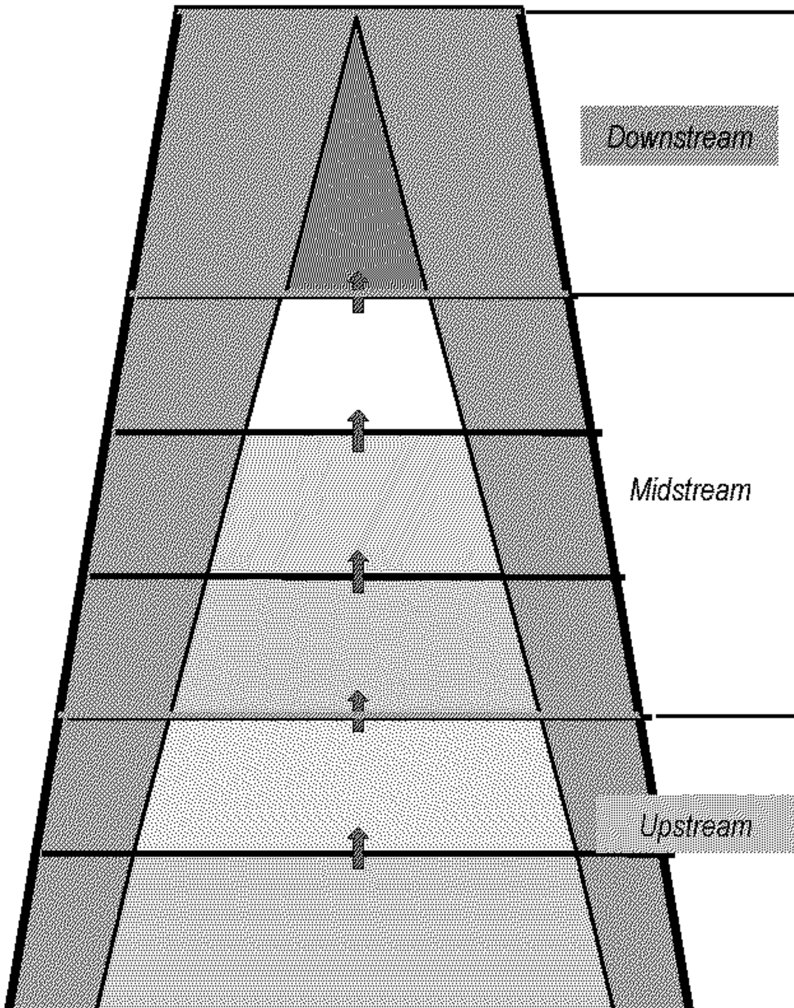
## North Star BlueScope Steel

**Scrap price tracking HRC price**



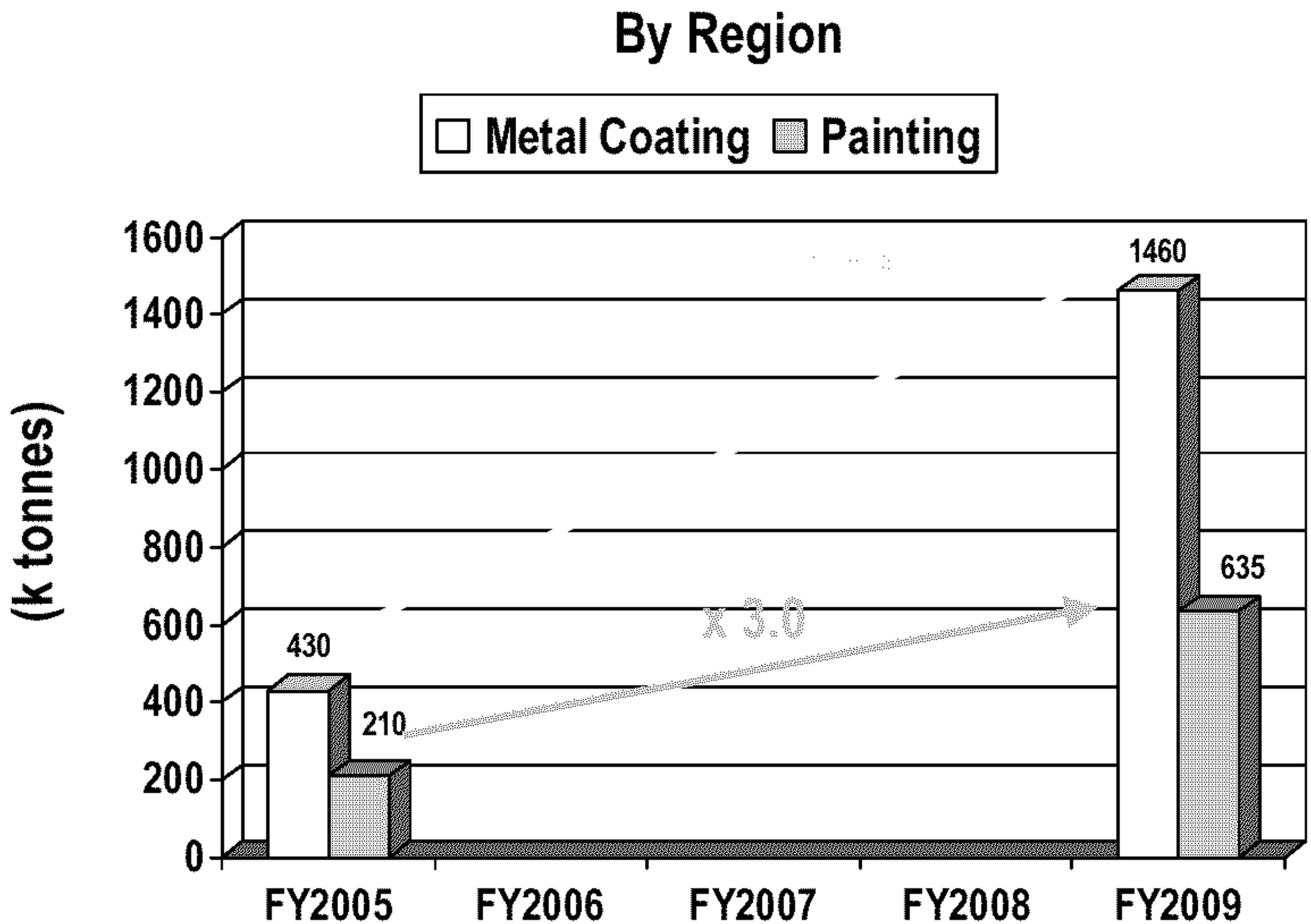

US$ / gross ton. US Pittsburgh Heavy Melt Monthly Prices (Purchasing Magazine).

# Current and expected market conditions confirm our strategic direction




| FUTURE GROWTH PROJECTS | |
|---|---|
| **FY2006–2H** | **FY2007 - 2009** |
| ***Australia***<br>- Water and new building products<br>***Thailand***<br>- First pre-engineered building (PEB)<br>***China***<br>- New panels, residential plants and new beam facility | ***India***<br>- New PEB and Lysaght plants open<br>***China***<br>- New PEB and Lysaght plants open |
| ***Vietnam***<br>- Ramp-up 125kt Metal Coating and 50kt Paint Lines<br>***Thailand***<br>- Ramp-up 200kt Metal Coating expansion | ***Australia***<br>- 120kt Colorbond® plant start up (1H-CY07)<br>***China***<br>- 250kt Metal Coating and 150kt Paint lines start up (1Q-FY07 & 2H-FY06 respectively)<br>***India***<br>- 250kt Metal Coating & 150kt Paint lines start up (mid CY08)<br>***Indonesia***<br>- 205kt Metal Coating & 75kt Paint lines start up (early CY08) |
| ***New Zealand Steel***<br>- Front end study underway<br>***USA***<br>- North Star BlueScope new bag house<br>- Castrip | ***Australia***<br>- 400kt HSM expansion (1Qtr 07)<br>- BF No. 5 reline (expected FY08) |

# Our Asian Coating / Painting / Roll-Forming / PEB Capacity to Triple



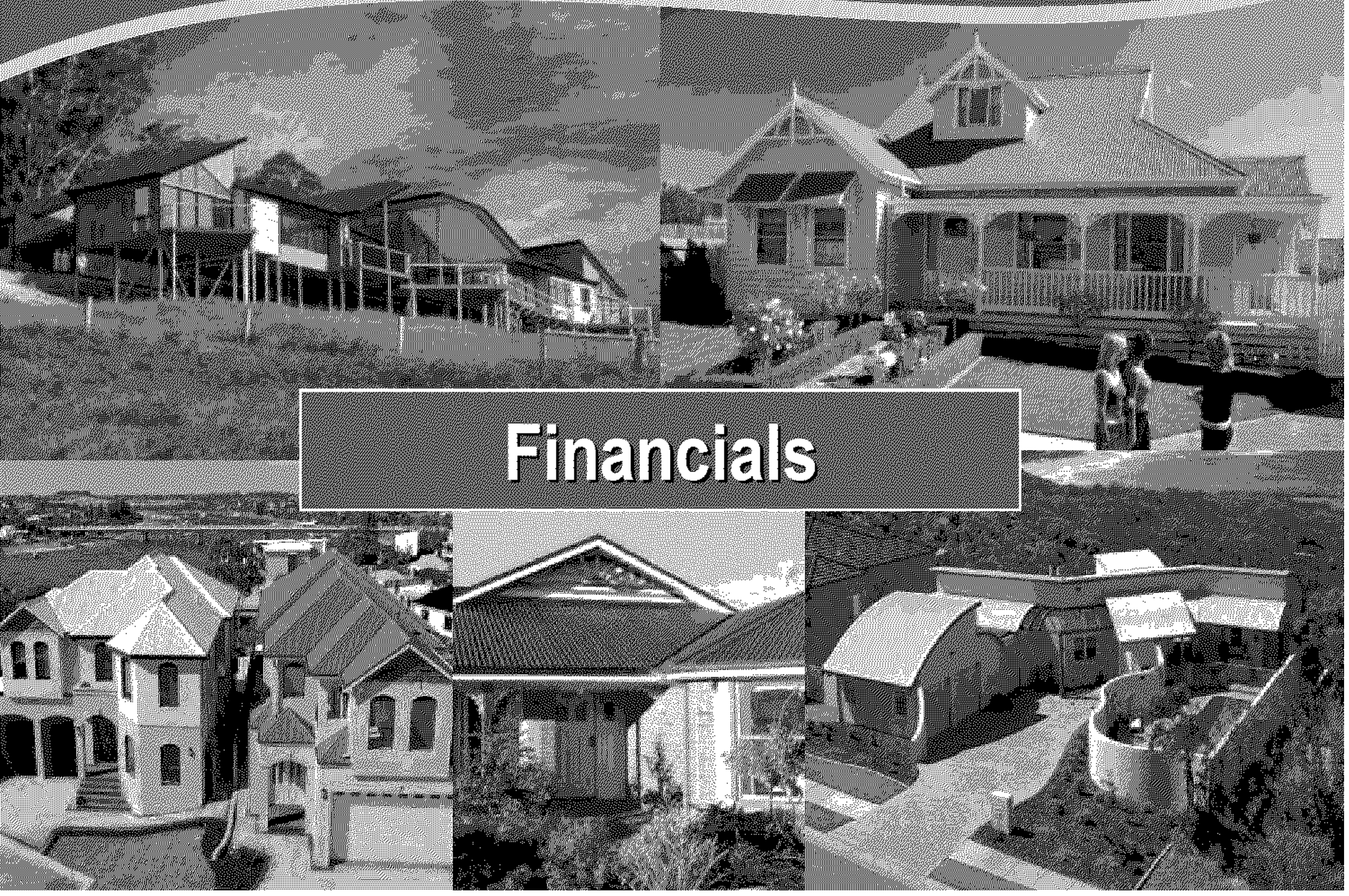
# Investing for the future – FY06 peak capital commitment

- Major project capital spending profile

| All in A$million | Total Est. Capex/Cost | Actual to 30/6/05[2] | Actual 1H-FY2006 | H2 FY2006 | FY2007 | FY2008 | FY2009 |
|---|---|---|---|---|---|---|---|
| Vietnam – Coating / Painting[1] | 160 | 116 | 14 | 30 | - | - | - |
| Indonesia – Coating / Painting[1] | 145 | - | 1 | 28 | 80 | 36 | - |
| China[1] | | | | | | | |
| - Coating and Painting Facility | 280 | 155 | 67 | 43 | 15 | - | - |
| - Guangzhou Butler / Lysaght | 35 | 6 | 15 | 14 | - | - | - |
| India | | | | | | | |
| - Butler / Lysaght facilities[1][3] | 45 | 6 | 9 | 21 | 9 | - | - |
| - Coating / Painting[1][3] | 133 | - | 1 | 8 | 65 | 35 | 24 |
| Western Sydney Colorbond® | 130 | 12 | 18 | 46 | 54 | - | - |
| Port Kembla: | | | | | | | |
| - HSM expansion | 100 | 59 | 23 | 14 | 4 | - | - |
| - Blast Furnace No. 5 Reline[4] | 300[4] | - | 20 | 30[4] | 250[4] | | |
| **Total spending on major projects** | **1,328** | **354** | **168** | **234** | **572 over 3 years** | | |

*(1) Estimated capital costs based on forecast exchange rate assumptions at time of project approval.*
*(2) Capital spent from approval to 30/6/05.*
*(3) India developments represent BlueScope's 50% interest, noting these developments will be funded by the BlueScope Steel and Tata Steel joint venture.*
*(4) Indicative, based on project study. Final cost and phasing confirmed later in FY2006.*

# Financials

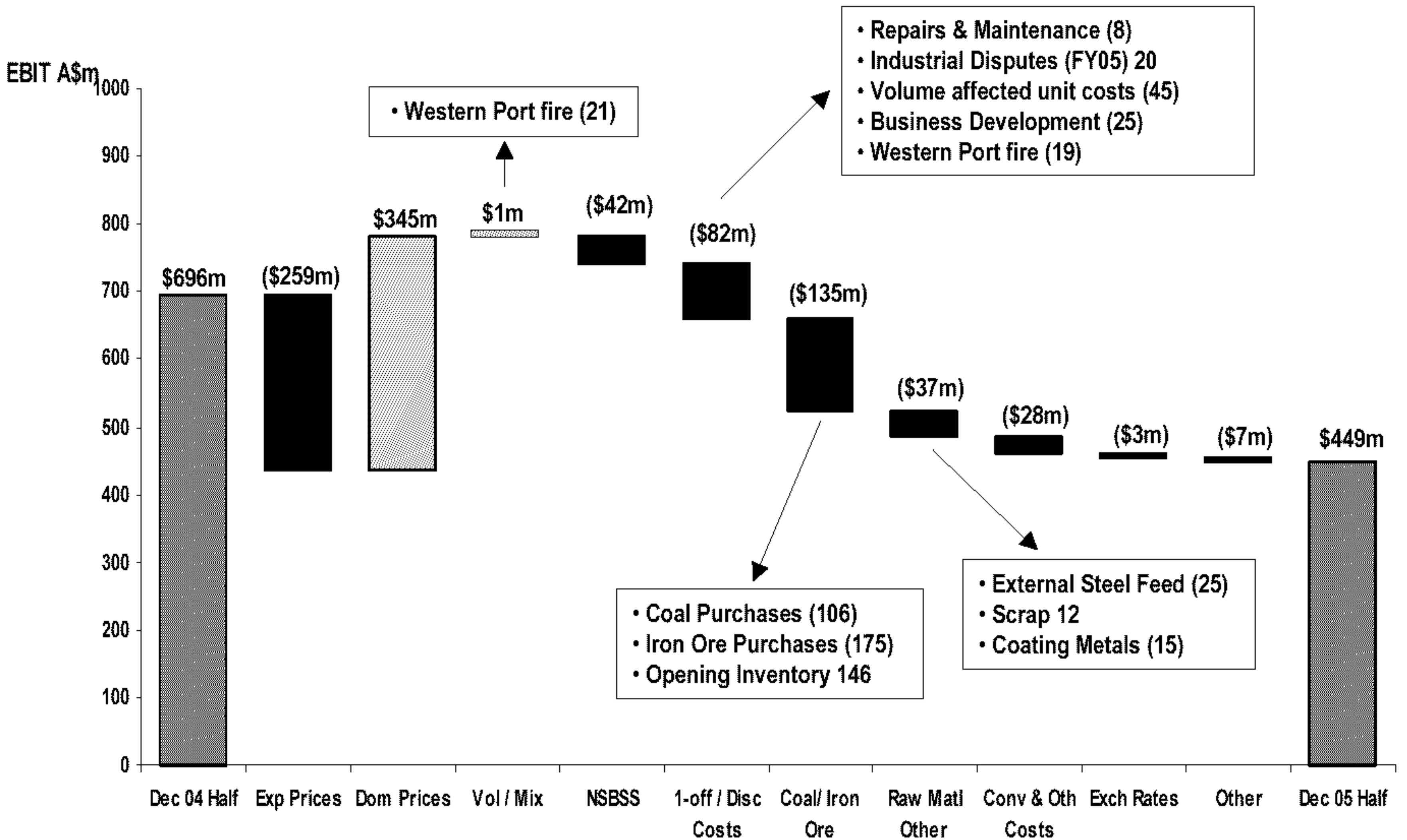


# Stable revenues with margin squeeze

| *A$ Millions* | 2002[1] | FY2003 | FY2004[3] | FY2005 | 2005-1H | 2005-2H | FY2006-1H |
|---|---|---|---|---|---|---|---|
| Revenue | 4,593 | 5,302 | 5,770 | 7,964 | 3,881 | 4,083 | 3,892 |
| EBITDA[2] | 412 | 881 | 1,104 | 1,655 | 837 | 818 | 593 |
| EBIT[2] | 160 | 611 | 818 | 1,358 | 696 | 662 | 449 |
| Net Profit | | 452 | 584 | 982 | 502 | 480 | 312 |
| EPS (¢) | | 57.1 | 77.8 | 134.0 | 68.0 | 66.0 | 44.0 |

***(1) 2002 normalised.***
***(2) Includes EBITDA & EBIT for North Star BlueScope Steel but not revenue.***
***(3) Includes two months of BlueScope Butler financial results.***

# EBIT variance – December half FY2005 vs. December half FY2006



# Balance Sheet – Reflects distributions to shareholders and peak capital investment

| *A$ Millions* | As At 30 June 2005[1] | As At 31 December 2005 |
|---|---|---|
| **Assets** | | |
| Cash | 85 | 79 |
| Receivables | 1,205 | 1,081 |
| Inventory | 1,211 | 1,439 |
| Other Assets | 651 | 732 |
| Net Fixed Assets | 3,374 | 3,592 |
| **Total Assets** | **6,526** | **6,923** |
| **Liabilities** | | |
| Creditors | 824 | 728 |
| Interest Bearing Liabilities | 1,015 | 1,709 |
| Provisions & other Liabilities | 1,427 | 1,207 |
| **Total Liabilities** | **3,266** | **3,644** |
| **Net Assets** | **3,260** | **3,279** |

- **Net Debt / (Net Debt + Equity)** **22.2%** **33.2%**

***(1) Normalised to reflect sale of receivables program as debt ($140 million)***

# Cashflow reflects a strong 2005 result and lower earnings

| *A$ millions* | 2002[1] | 2003 | 2004 | 2005 | 2005-1H | 2005-2H | 2006-1H |
|---|---|---|---|---|---|---|---|
| Cash from operations | | 795 | 1012 | 1636 | 709 | 927 | 569 |
| Working Capital Movement | | (31) | (94) | (399) | (193) | (206) | (222) |
| Net operating cashflow before borrowing costs and income tax | 381 | 764 | 918 | 1,237 | 516 | 721 | 347 |
| Net investing cashflows | | | | | | | |
| - Capital expenditure & Investments | (162) | (209) | (585) | (663) | (303) | (360) | (381) |
| - Other | 8 | 44 | 7 | 41 | 35 | 6 | 15 |
| Net cashflow before financing & tax | 227 | 599 | 340 | 615 | 248 | 367 | (19) |
| Net financing cashflow | | (468) | 309 | 350 | 223 | 127 | 642 |
| Payment of income tax | | (29) | (119) | (312) | (185) | (127) | (240) |
| Share buy-back | | (26) | (259) | (327) | (75) | (252) | (74) |
| Dividends (Normal and Special) | | (75) | (244) | (348) | (212) | (136) | (316) |
| Net increase in cash held | | 1 | 27 | (22) | (1) | (21) | (7) |

***(1) 2002 normalised.***

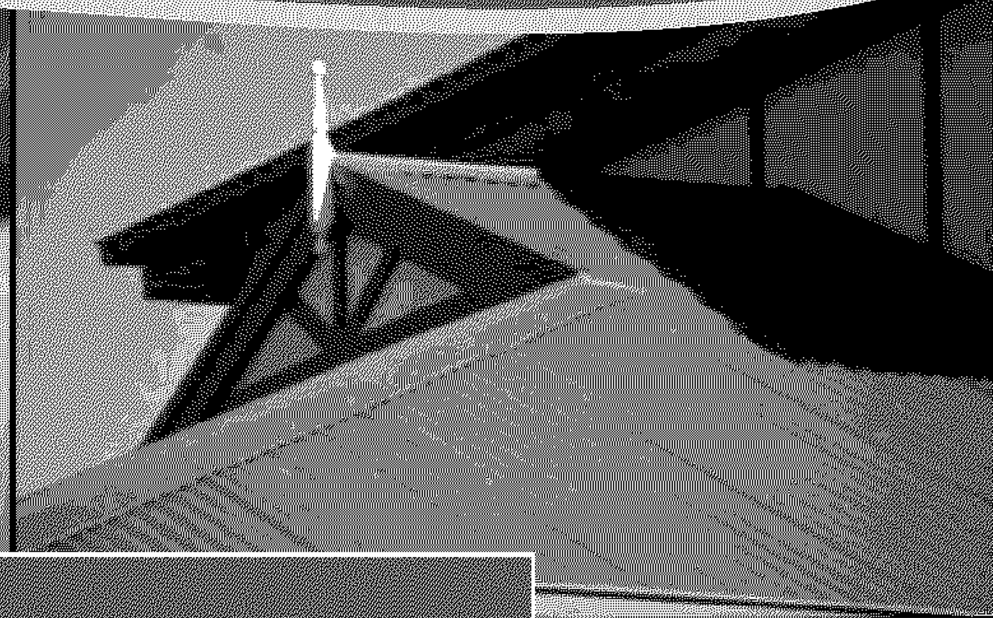
***(2) All periods normalised to reflect sale of receivables program cashflow movements as debt.***

# EBIT remains sensitive to realised hot rolled coil prices and raw material costs

| Assumption | Estimated impact on forecast EBIT (A$mil) Full Year (current) | Full Year (previous) |
|---|---|---|
| +/– US$25 / tonne movement in BlueScope's average realised export HRC price[(1)] | 76 | 66 |
| +/– 1¢ movement in Australian dollar / US dollar exchange rate[(2)] | 7 | 7 |
| +/– US$10 / tonne movement in NSBSS scrap to HRC price spread | 13 | 12 |
| +/– 2% movement in slab production in Australia, New Zealand & USA | 17 | 20 |
| +/– US$10 / tonne movement in coal costs | 50 | 50 |
| +/– US$10 / tonne movement in iron ore costs | 100 | 100 |

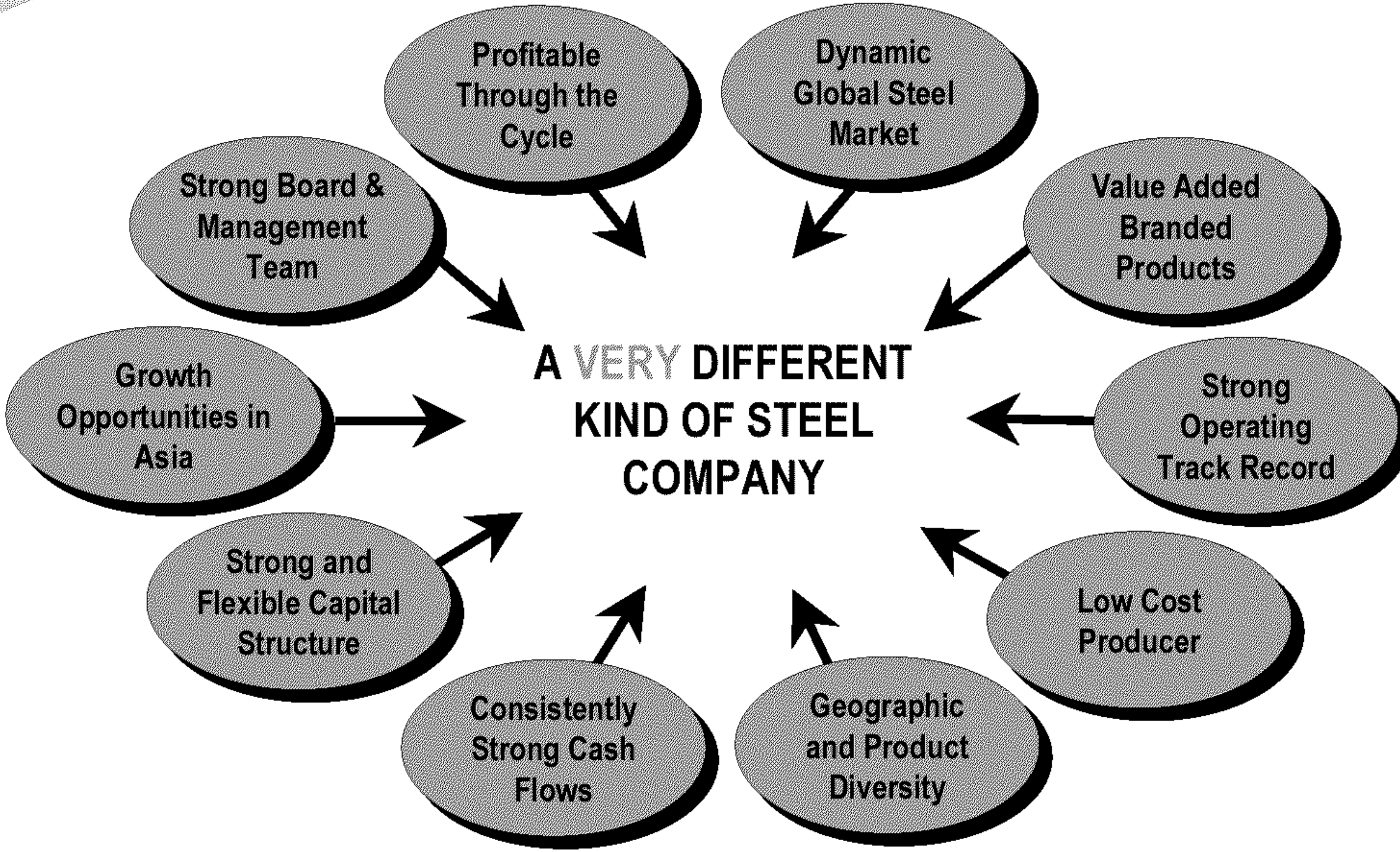
(1) *The change in export HRC price assumes proportional effect on export slab, and flow on to domestic pipe and tube market and to other export products, together with a normal mix of product. Current year is affected by more than these sensitivities due to the significantly higher export slab and HRC volumes associated with reduced Australian domestic demand and Western Port fire.*

(2) *The movement in the Australian dollar/US dollar exchange rate includes the restatement of US dollar denominated receivables and payables and the impact of translating the earnings of offshore operations to A$.*

# Summary

# Questions and Answers



# Half Year Results Presentation Period Ended 31 December 2005

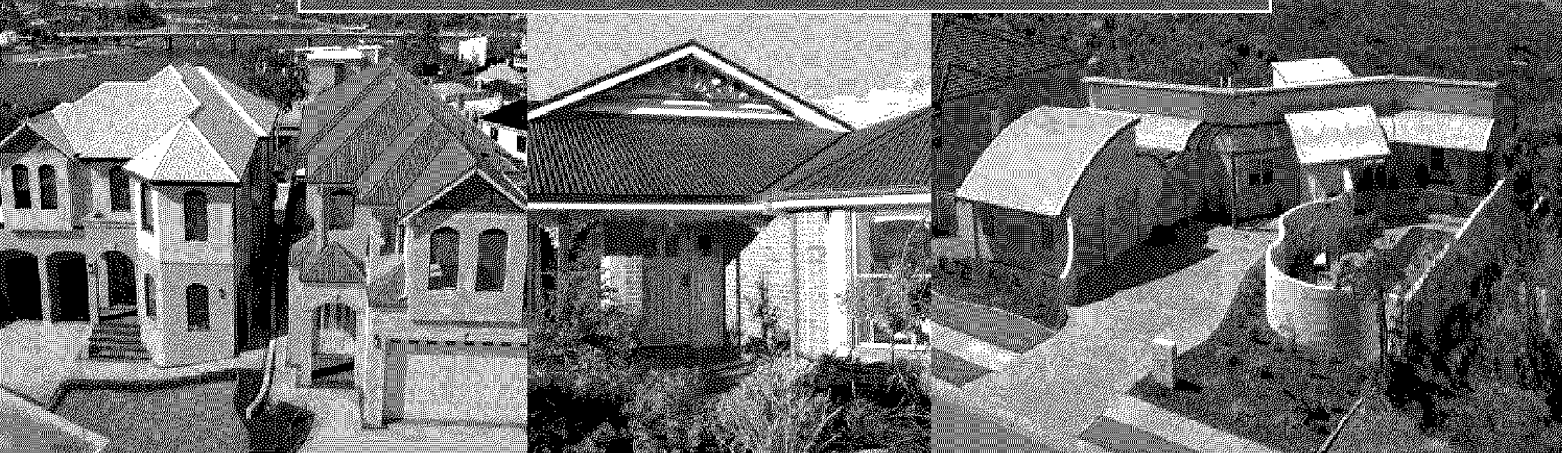
Kirby Adams, Managing Director and Chief Executive Officer

Paul O'Malley, Chief Financial Officer

20 February, 2006

ASX Code: BSL

# Supporting Information



# Annualised Production Capacities and Approved Growth as at December 2005

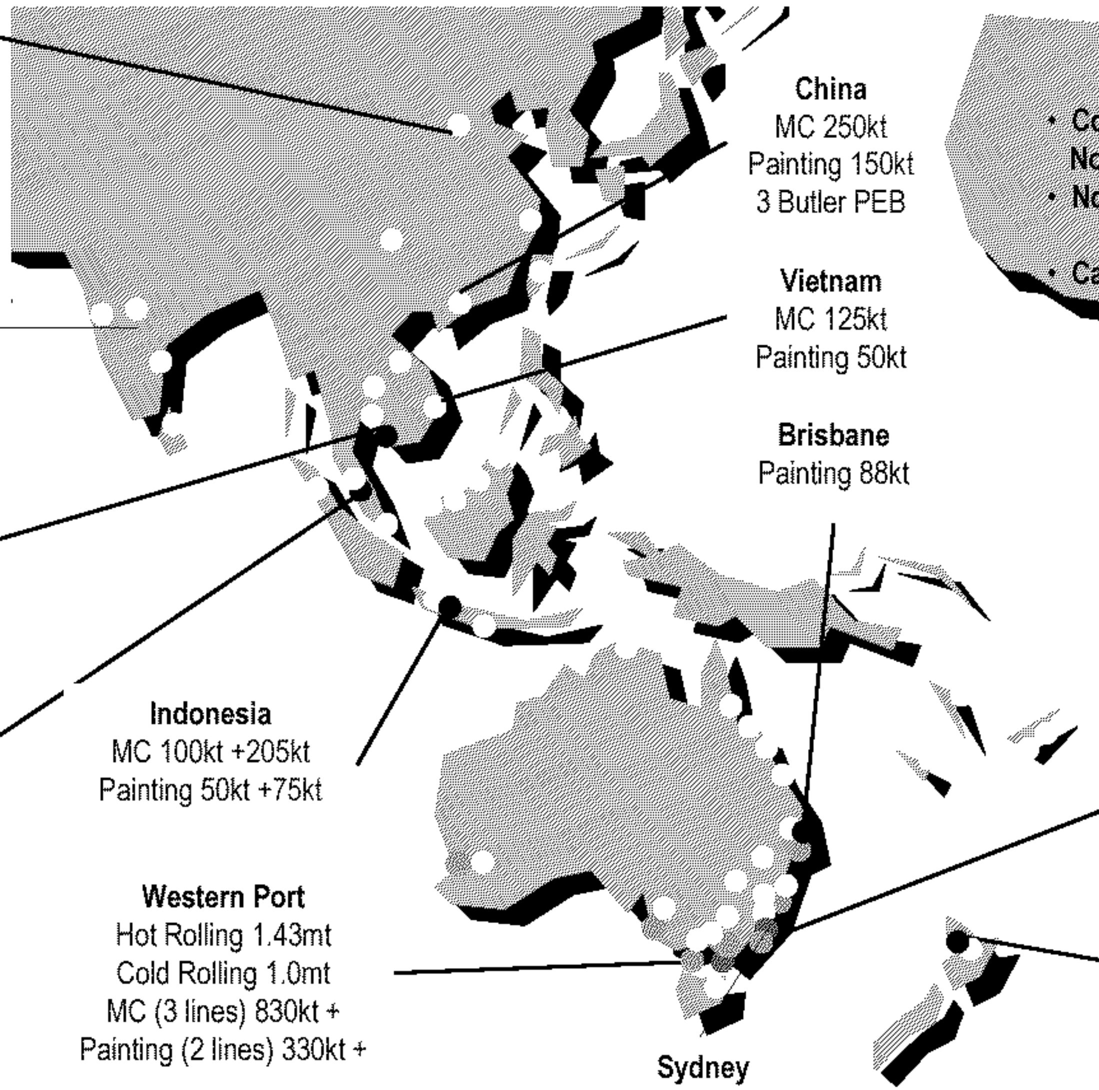
**Asia & China**
20 BlueScope
Buildings Sites

**India**
50:50 JV with Tata
Steel
MC 250kt
Painting 150kt
2 BlueScope
Buildings sites
1 Butler PEB

**Thailand**
Cold Rolling 300kt
MC 375kt
Painting 90kt
PEB

**Malaysia**
MC 160kt
Painting 70kt

**Australia**
7 Service Centres
34 BlueScope
Buildings sites
7 BlueScope Water



**China**
MC 250kt
Painting 150kt
3 Butler PEB

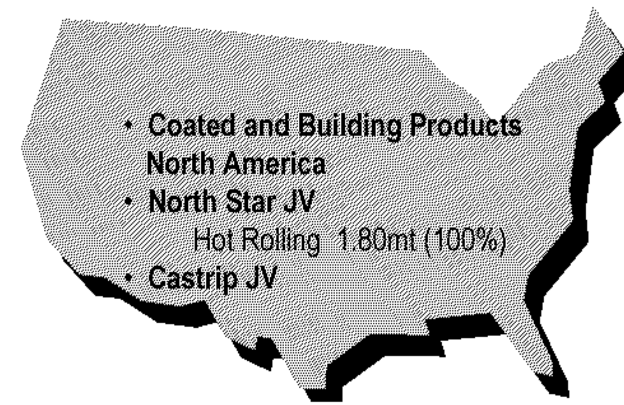
**Vietnam**
MC 125kt
Painting 50kt

**Brisbane**
Painting 88kt

**Indonesia**
MC 100kt +205kt
Painting 50kt +75kt

**Western Port**
Hot Rolling 1.43mt
Cold Rolling 1.0mt
MC (3 lines) 830kt +
Painting (2 lines) 330kt +

**Sydney**
Painting (1 line) 120 kt

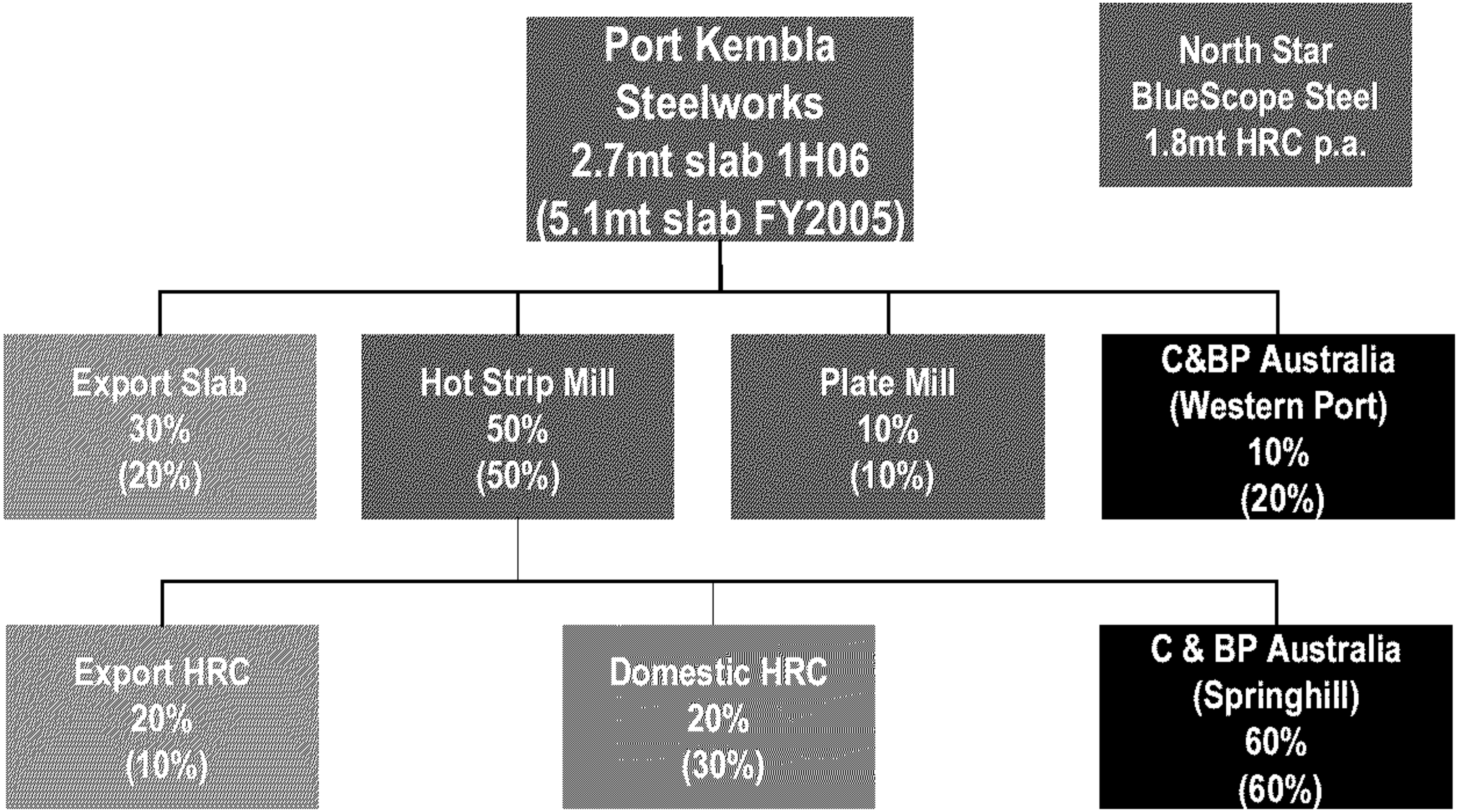


- **Coated and Building Products North America**
- **North Star JV**
  Hot Rolling 1.80mt (100%)
- **Castrip JV**

**Port Kembla / Springhill**
Raw Steel 5.1mt
Hot Rolling 2.4mt +400kt
Plate 360kt
Cold Rolling 930kt
Tinplate/Black plate 450kt
MC (3 lines) 750kt +
PL (2 lines) 207kt +

**New Zealand / Pacific**
Iron sand Mining
Raw Steel 625kt
Hot Rolling 750kt
Cold Rolling360kt
MC 230kt +
Painting 60kt
Hollow Sections 45kt
Pacific BlueScope Buildings
sites 3

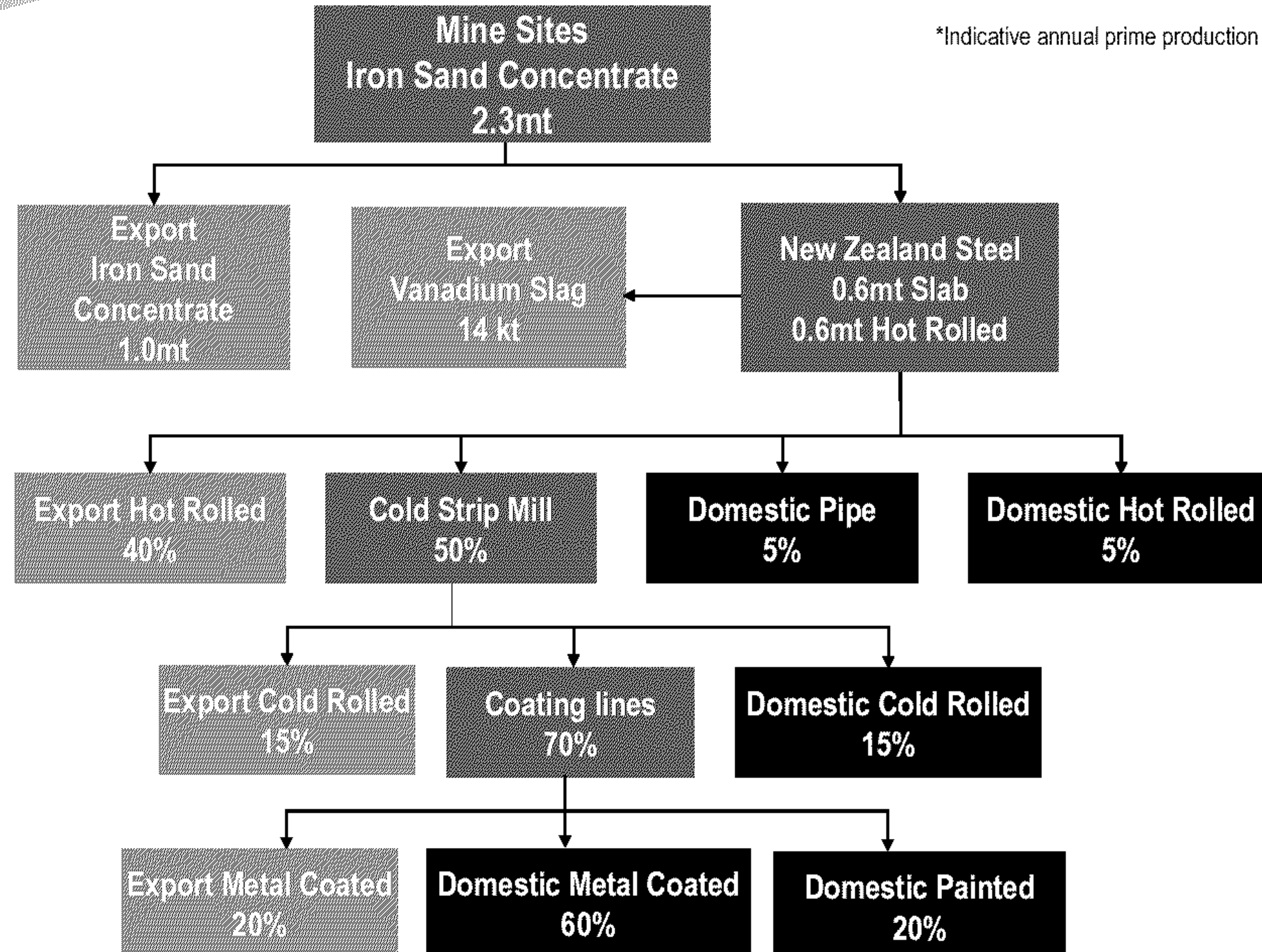
# Port Kembla Steelworks – IH-FY2006 vs. (FY2005) product flow (Indicative)




** "C&BP Australia" is Coated and Building Products Australia*

# New Zealand Steel product flow*

*Indicative annual prime production and sales (t)



# Half Year Results Presentation Period Ended 31 December 2005

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Paul O'Malley, Chief Financial Officer

20 February, 2006

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