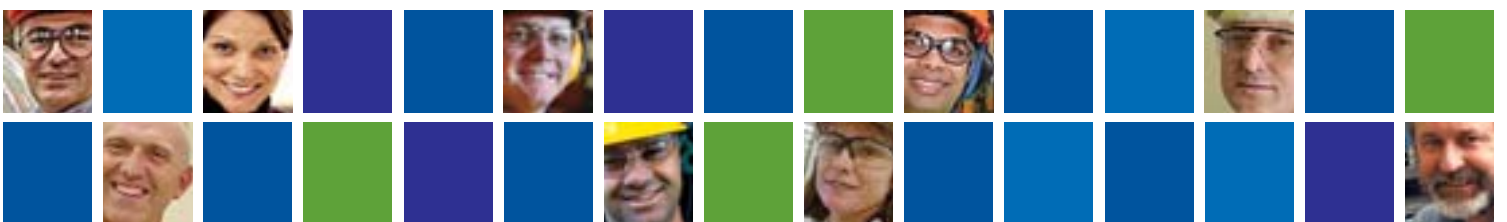




REPORT TO OUR ILLAWARRA EMPLOYEES AND COMMUNITY 2004





HIGHLIGHTS OF THE YEAR

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

**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%)**

99% OF EMPLOYEES ARE SHAREHOLDERS

**93% OF EMPLOYEES INVOLVED
IN MONTHLY SAFETY AUDITS**

**BEST EVER LOST TIME INJURY FREQUENCY
RATE OF 1.3 (DOWN 28%)**

**IMPROVED ENVIRONMENTAL
PERFORMANCE**

**ENVIRONMENTAL LICENCE EXCEEDENCES
REDUCED BY MORE THAN 30%**

**MORE THAN \$2 MILLION SPENT
ON COMMUNITY PROGRAMS**

EFFECTIVE COMMUNITY PARTNERSHIPS

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 all 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.



After two outstanding years since our public listing and a lot of hard work, BlueScope Steel's people have plenty of reasons to smile.



Dear employees and neighbours,

Our communities are our homes. At BlueScope Steel, we know our success relies on communities supporting our business and products.

Over the past year, the support from our communities has been strong. But we know we can't take it for granted. We need to earn it - by caring for the environment, creating wealth, respecting local values and encouraging involvement.

At a practical level, we do this by supporting youth, the disadvantaged and emergency services, and by investing in projects that improve our environment, enhance community facilities, boost education, and bring the arts to a wider audience.

In addition, in November 2004 we introduced an Australian Workplace Giving Program, which encourages employees to donate a proportion of their pay to charity, with matched contributions from the Company.

Many of our community programs are outlined in this Report. We hope you will take a few moments to read it. As a result of the strong support from our communities and employees, the major measures of our performance have continued to climb.

Net profit after tax increased by 29 per cent to \$584 million. Shareholders enjoyed a total shareholder return that was amongst the best of any company on the Australian Stock Exchange. And one of the great things about BlueScope Steel is that 99 per cent of our employees are shareholders. So they, too, are benefiting from our success.

Thanks to the dedication and skill of our employees, we set new production records.

We committed to investments of over \$1 billion, including the acquisition of US-based company Butler Manufacturing, a \$100 million investment in Port Kembla's Hot Strip Mill, and \$120 million to construct a new COLORBOND® steel plant in Western Sydney.

We made further progress in improving the environmental performance of the Company's plants and operations. Some examples are provided in this Report.

In safety, we achieved a record low lost time injury frequency rate of 1.3 hours lost per million hours worked. Tragically, our otherwise improved safety performance was overshadowed by a fatality in June 2004.

As well as telling you our story, we would like to hear from you. If you would like to provide us with feedback, you can e-mail to question@bluescopesteel.com

BlueScope Steel has become a global company with operations in 16 countries. But we haven't forgotten that our communities are our homes.

Sincerely

Kirby Adams
Managing Director & CEO

Noel Cornish
President Australian Building
and Manufacturing Markets

Lance Hockridge
President Industrial Markets

CONTRIBUTING TO OUR COMMUNITIES

At BlueScope Steel, we pride ourselves on being a good corporate citizen and contributor to the communities in which we operate around the world. We aim to make a positive impact on people's lives and to build a sense of community.

We aim to communicate regularly and openly with all stakeholders and seek to demonstrate the respect we have for the wide range of cultures represented in our workforce and our communities.

Each year, we spend more than A\$2 million on community programs around the world. In kind support is also provided, in the form of products and materials and our employees' time, energy, skills and experience.

Our community activities are guided by best practice Community Relations Management Plans, which underpin our efforts to deliver on our promises and identify opportunities for improvement.

In the Illawarra, BlueScope Steel provides substantial support to the community through a range of Community Partnerships, which are targeted mainly towards young people, education, the arts and culture.

We strive to be valued corporate citizens in our communities.

BlueScope Steel Health, Safety, Environment & Community Policy

Significant Community Partnerships in 2003/2004 included the BlueScope Steel Star Theatre at the Wollongong Science Centre and Planetarium, the *Children as Creative Social Beings* project at Wollongong City Gallery and BlueScope Steel's *Growing Great Gardens* project, which incorporates a schools program and the Port Kembla Steelworks' Site Improvement Project.

The Company continues to support the BlueScope Steel Youth Orchestra and the region's Surf Life Saving branches.

In addition to its Community Partnerships program in the Illawarra, BlueScope Steel also provides one-off donations to a range of local community groups, events and causes.

The Company is also a strong supporter of the region's emergency services. In conjunction with BlueScope Steel's Corporate Donations and Sponsorship program, the Illawarra Donations and Sponsorships committee has provided \$300,000 worth of financial, material and in-kind support for the State Emergency Service's new South Coast regional headquarters building.

As *Our Bond* says, 'our communities are our homes' and we continue to strive to be a valued member of the communities in which we live and work.

CHILDREN AS CREATIVE SOCIAL BEINGS

Wollongong City Gallery is making art more accessible to children and families through its *Children as Creative Social Beings* project, sponsored by BlueScope Steel.

Gallery Director, Peter O'Neill says the project encompasses a broad range of strategies that help junior primary children use art as a window to the world, so that they can explore their own inner and outer lives more completely.

"The *Children as Creative Social Beings* project recognises that an involvement in, and understanding of the arts and all forms of creative activity helps develop self-expression, self-esteem, creativity, problem solving, flexibility, risk-taking and other life-long learning skills and attitudes that are essential for preparing the children of today for the world of tomorrow," Peter says.

Some of the child-friendly activities now available at Wollongong City Gallery include a Reading Rug – a place in the Gallery where children and families can relax and read a book, participate in gallery story times or have a break from looking, and Eye Spy labels and trails - where questions designed to encourage younger visitors to interact with artwork are posted next to exhibits.

Another initiative of the project, the ARTSight after school program, has brought children into the gallery to participate in a series of workshops. The workshops help children understand art and develop skills in a fun and nurturing environment. The ARTSight program fosters self-expression, the building of self-esteem and the growth of life-long learning skills.

Another aspect of the program was the *A Question of Time* exhibition, which was co-curated by ARTSight participants. The exhibition ran from June to December 2004 and included Eye Spy labels with the children's comments, child friendly wall text and interactive activities. It explored the way in which artists show time in their work and how art has changed over time. The exhibition also included work by ARTSight participants.

BlueScope Steel has contributed \$40,000 over the past two years to support Wollongong City Gallery in this innovative project. Our association with the Gallery has helped to create a lasting impact on children in the local community and is a key part of our sponsorship of the Gallery over its 25 year history.

BLUESCOPE STEEL STAR THEATRE

The Wollongong Science Centre and Planetarium has become one of the Illawarra's leading tourist attractions, with the BlueScope Steel Star Theatre proving popular with the centre's 64,000 annual visitors.

The BlueScope Steel Star Theatre houses the only major planetarium in New South Wales and plays a vital role in providing astronomy education to schools across the state. Amongst school groups, 93 per cent select a planetarium presentation as part of their visit.

BlueScope Steel's annual support of \$25,000 provides equipment and maintenance, skilled staff and evolving technologies for the planetarium and its laser shows. The planetarium offers a variety of shows designed to appeal to tourists, schools and social and cultural groups.

Hands-on exhibits allow visitors to the Science Centre to see scientific concepts in action. Two spectacular new exhibits introduced in 2004 were

designed and built by BlueScope Steel Engineering Cadets.

The *Sound Tree* responds to the frequencies of sounds by lighting up a multi-coloured tree of pulsating light. Different volumes and frequencies create different effects on the tree and visitors can clap, whistle or sing to see the sound they produce.

The second exhibit, *Million to One*, is a clever assembly of cogs and gears that visually demonstrates the relationship between small and large numbers. Turning large metal gears triggers counts on a digital display with each gear moving ten times slower than the previous one. The slowest gear moves a million times slower than the fastest. The *Million to One* exhibit has been operated over 2 million times since it was installed in March, stimulating many people to think more deeply about mathematics and engineering.

BlueScope Steel has supported the Wollongong Science Centre since 1984.



BLUESCOPE STEEL'S GROWING GREAT GARDENS PROJECT

BlueScope Steel is working to improve the look of the local community through BlueScope Steel's *Growing Great Gardens* project, assisting schools to go 'green' while improving the visual amenity of our Port Kembla sites.

Through the *Growing up Green in the Living Classroom* project, the Company is funding garden projects at six local primary schools. Local non-profit community group, the North Wollongong Garden and Cultural Development Association, is working with schools to develop and implement environmental management plans and establish sustainable gardens.

The program is very hands-on, with the children taking an active role in planning, planting and managing their gardens.

The garden at Cringila Public School was launched in December 2004 and Coniston Public School's garden is now at implementation stage.

Similar projects are planned at four more local schools.

Through the Site Improvement Plan, BlueScope Steel is improving the visual amenity of the perimeter of the Port Kembla Steelworks, at a cost of up to \$5 million per year, over 3 years.

To date, the project has concentrated on Springhill Road, Centenary Oval and Five Islands Road. More than 12,000 trees and shrubs have been planted, buildings have been painted and fences have been relocated and upgraded. A major visual improvement strategy is also underway on the site's two large Gas Holders.

In addition, a series of Community Banners installed along Springhill Road provide community groups with a high profile promotional opportunity for significant local events, while providing a colourful feature to the roadway.

SAFETY OLYMPICS 2004

During August 2004, and timed to coincide with the Athens Olympic Games, the Port Kembla Steelworks held their own version of an Olympic event.

President Industrial Markets, Lance Hockridge launched the Safety Olympics on 27 July 2004 and acknowledged the Company's performance in safety as amongst the best in the international steel industry.

During the financial year ending June 2004 the Port Kembla Steelworks achieved a tremendous improvement in its safety performance. A Lost Time Injury Frequency rate of 1.8 (the average LTIFR for manufacturing industry in NSW is around 20) was achieved, as well as a 43 per cent improvement in the Medically Treated Injury Frequency Rate, reflecting a fantastic effort by all employees.

The Safety Olympics acknowledged the Company's world class safety performers. Gold medals were awarded to individuals for auditing and accident near miss reporting. Team medals were awarded for best team initiatives or activities within a department.

A miner's lamp was symbolically lit at the Opening Ceremony of the Safety Olympics and a special Zero Harm flag was flown at the main entrance to the Steelworks.

The aim of the program was to focus the Steelworks on being not just an excellent safety performer, but the world's best performer – a gold medal winner on the world stage.

STOP FOR SAFETY

In the wake of a fatality at our Brisbane Logistics Terminal on 29 June 2004, we took immediate action.

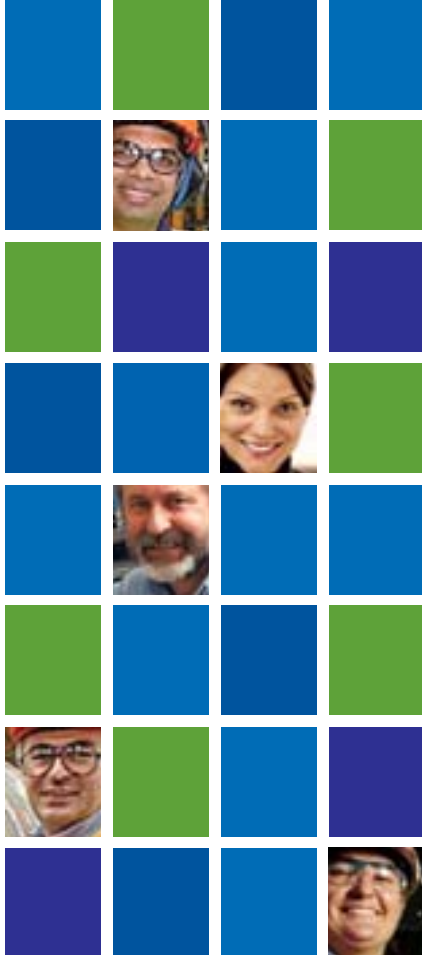
In early July 2004, every employee and on-site contractor across BlueScope Steel's global operations stopped work for a four-hour safety briefing. *Stop for Safety* underlined our belief that employee engagement is essential if we are to achieve our goal of Zero Harm.

A number of safety measures were immediately mandated across the Company. And our employees generated some excellent ideas for further improvements, which we are now implementing.

The aim of these measures is to ensure that anyone who enters one of our sites – employee, contractor, supplier, customer or member of the public – leaves that site in the same condition as they arrived.

Health, Safety, Environment and Community Report - From early 2005, view BlueScope Steel's online HSEC Report at www.bluescopesteel.com The Report sets out performance data and outlines the full range of BlueScope Steel's actions to improve safety, care for the environment and contribute to our communities across our global operations.

CARING FOR THE ENVIRONMENT



At BlueScope Steel, we take our environmental responsibilities very seriously. Many of our major production facilities – for example, at Port Kembla in New South Wales, Western Port in Victoria and Glenbrook in New Zealand – are located in visually appealing and environmentally sensitive areas.

BlueScope Steel's sites are spread throughout Australia, New Zealand, Thailand, Malaysia, Indonesia, the Asia Pacific region, North America and China, and operate under many different regulatory environments, licence requirements and legal jurisdictions.

We are aware of our responsibilities in caring for the environment and place great importance on the way we manage the impact of our operations and products on our communities.

We are committed to responsible environmental management and continuous improvement in our environmental performance and seek to meet and exceed community expectations.

Our aim is to continuously reduce the impact of our activities on the environment, to ensure the impact is neither serious nor long lasting, and through this, be supported by the communities in which we operate.

Although licence requirements continue to become more stringent, BlueScope Steel aims for continuous improvement in this area, seeking to reduce licence exceedences by at least 20 per cent every year. We have achieved our targets in recent years and in 2003/2004, reduced non-compliances by more than 30 per cent at our Port Kembla and New Zealand steelworks.

We have continued to focus on ensuring our 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. All BlueScope Steel's major operating facilities are now accredited to this standard.

Our Port Kembla and Western Port steelworks have undertaken a series of Environmental Improvement Plans, in consultation with the relevant state governments' environmental protection authorities. Similar improvement plans have been undertaken at our New Zealand steelworks.

These plans address environmental issues such as water efficiency and quality, air quality, waste, noise and land contamination. They have involved significant investment in pollution control equipment, education and awareness programs, site improvement plans and equipment upgrades.

BlueScope Steel has made a significant financial investment in our environmental performance. For example, at our Port Kembla Steelworks, we have invested more than \$400 million in environmental improvements since 1976, and continue to spend around \$50 million per year on operation and maintenance of pollution control equipment.

We continue to care for our environment and strive for improvement at all our sites. Going forward, we will particularly focus on behavioural change, through environmental awareness and education programs, to ensure all our employees are committed to environmental improvement and actively involved in following procedures, compliance auditing and reporting activities.





PORT KEMBLA SINTER MACHINE EMISSION REDUCTION PLANT OFFICIALLY OPENED

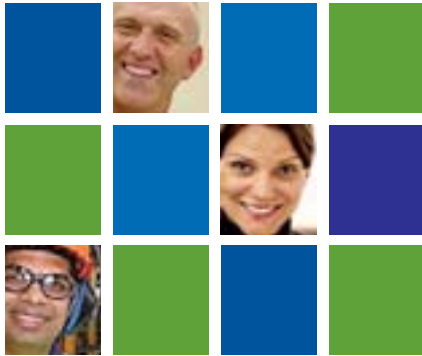
The opening of the Sinter Machine Emissions Reduction Plant in September 2004 represented a \$94 million investment in cleaner air for employees and neighbours of BlueScope Steel's Port Kembla Steelworks.

The Premier of New South Wales, Hon. Bob Carr MP officially opened one of the most significant environmental improvement projects in the Port Kembla Steelworks' long term environmental management plan.

The investment does not add to the Company's bottom line, in fact it costs BlueScope Steel to run and maintain the plant. The project is an example of the Company's commitment to do what is right, and to significantly improve environmental conditions in and around the Steelworks.

Prior to installing the gas cleaning plant, dust in the Sinter Plant waste gas stream was around 80-100 milligrams per normal cubic metre and dioxin levels were at around 3 nanograms per normal cubic metre of waste gas (1 nanogram is 1 billionth of a gram. A grain of sand weighs around 300,000 nanograms). Tests to date indicate the plant is achieving its target for less than 20 milligrams of dust per normal cubic metre, an 80 per cent reduction, and is exceeding the dioxin target of 0.3 nanograms per normal cubic metre, and achieving a reduction of nearing 97 per cent.

The upgrade has reduced both dust levels and dioxin emissions; virtually eliminating the single biggest plume from the Port Kembla Steelworks.



Water Conservation – reducing use and increasing efficiency

At a number of our sites around the world, water is a scarce and valuable resource.

Water is required for the production and processing of steel; therefore our main production facilities have traditionally been large users of water. These sites have been actively pursuing water management strategies to reduce freshwater consumption and increase the use of recycled water in the steelmaking process, where possible.

The Port Kembla Steelworks has reached a landmark agreement to take 20 megalitres of recycled water per day, reducing the Steelworks' externally supplied fresh water by more than 50 per cent. The recycled water will come from Sydney Water's new, state-of-the-art sewage treatment facility just north of the Steelworks. Construction of a pipeline connecting the treatment facility and the Steelworks is currently underway.

These projects and other strategies and technologies implemented across the Company have resulted in a reduction in freshwater usage and increased water use efficiency.

Improving Water Quality

The quality of water discharged from our sites is also important, as it has a potential impact on the health of waterways. Discharge water encompasses process water and stormwater.

BlueScope Steel continues to improve the quality of water discharged from its sites and has implemented a number of measures to improve water quality, including more effective water treatment processes, improved systems to prevent leaks and spills of chemicals and better kerbing and drainage to reduce stormwater run-off.

Despite increasingly strict licence requirements over the years, the Company has continued to reduce licence exceedences from its major operating sites.

Every Drop Counts

All BlueScope Steel's Illawarra sites are participating in Sydney Water's *Every Drop Counts* Program, a water management initiative involving audits and improvement plans to reduce water usage.

The program is very much a partnership between BlueScope Steel and Sydney Water, where water usage is mapped and reduction opportunities identified.

Sydney Water has recognised the outstanding efforts of the Springhill plant, where a 40 per cent reduction in daily water consumption was achieved in 2002/2003.

Following the introduction of mandatory water restrictions in November 2003, the Springhill plant convened a drought committee, which aims to reduce the site's freshwater consumption by at least 15 per cent. Significant improvement opportunities have been identified and are currently being progressed. The program is bearing fruit, with Springhill achieving its lowest monthly domestic water use on record in August 2004 – 45 per cent lower than that for August 2003.

Planned installation of BlueScope Water rainwater tanks will see a further reduction in domestic consumption at Springhill and across our Illawarra operations.

HEALTH AND SAFETY

Our goal of Zero Harm remains firm and we have continued to make strong overall progress, with many businesses reporting noteworthy results.

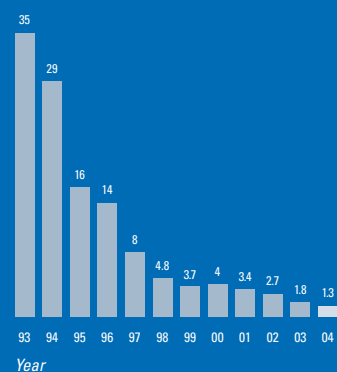
Safety performance

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 26 per cent, and MTIFR was reduced by 36 per cent compared to 2002/03.

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

We will never be satisfied with our safety performance until we reach our goal of Zero Harm; when every person who enters any one of our sites around the world, leaves in the same condition in which they arrived.

Lost Time Injury Frequency Rate (LTIFR)

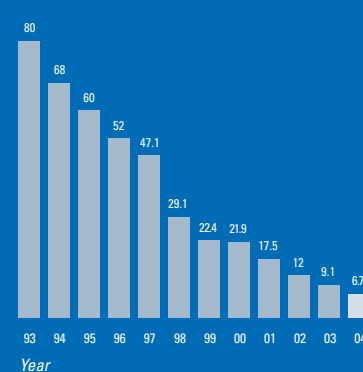


A Lost Time Injury (LTI) occurs when an employee is absent from work due to injury for at least one full shift. LTIFR is the number of lost time injuries per million hours worked (formerly known as man-hours).

Many companies use LTIFR to measure their safety performance and compare their performance with that of other companies and industries. Using a rate of injury, rather than the number of injuries, allows comparison between companies of different sizes.

In 2003/04, we improved our record low injury performance, achieving an LTIFR of 1.3, which was 26 per cent lower than the previous year. The total number of LTIs for the year was 45 across our global employee base of more than 16,000 people (12,000 prior to the Butler Manufacturing acquisition).

Medical Treatment Injury Frequency Rate (MTIFR)



MTIFR is the number of injuries that require medical treatment, per million hours worked.

Our substantial safety performance improvement has been partly the result of our self-auditing processes.

We achieved 36 per cent fewer medical treatment injuries (MTIs) in 2003/04, with an MTIFR of 6.7.

In 2003/04, 93 per cent of our people were involved in conducting monthly safety audits, against a target of 90 per cent. Many teams have every person involved in conducting audits on a monthly basis.

Another proactive strategy is near miss reporting. Our people have been involved in reporting more near misses than ever before – our near miss to injury ratio is 8 to 1. In the past year, more than 17,000 near misses were reported and followed up.

Note: Although Butler Manufacturing was part of BlueScope Steel for two months of the 2003/2004 year, its safety performance is not included in these figures.

OUR PRODUCTS AND SERVICES

BlueScope Steel's products bring inspiration, strength and colour to communities across Australia and the globe.

Products such as COLORBOND® steel are household names and benchmarks for quality. They provide architects and designers with the colour range and design flexibility to create landmark buildings, such as Melbourne's

Federation Square. And they feature in the complete home package – from roofing, to fencing, rainwater tanks, and even the humble garden shed.

BlueScope Steel's products are also vital components in many everyday items, including food and beverage containers, white goods and cars.

