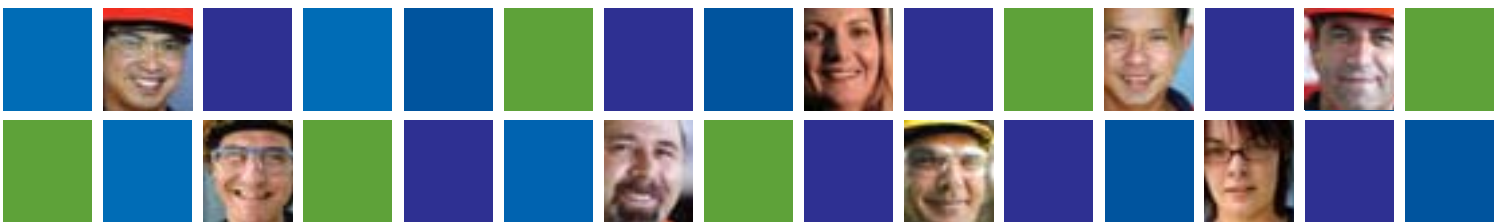




REPORT TO OUR VICTORIAN EMPLOYEES AND COMMUNITIES 2004



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

Greg Waters
President Western Port

Kathryn Fagg
President Market and
Logistics Solutions

Noel Cornish
President Australian Building
and Manufacturing Markets

Lee de Vryer
President Service Centres



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 range of cultures represented in our workforce and our communities.

Each year, we spend more than \$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 Victoria, BlueScope Steel provides support to our communities through a range of community partnerships, which are targeted mainly towards young people, education, the environment, emergency services, the arts and culture, and fostering a sense of community.

We strive to be valued corporate citizens in our communities.

BlueScope Steel Health, Safety, Environment & Community Policy

FIT TO DRIVE – HELPING REDUCE ROAD ACCIDENT RISK

In Victoria's Mornington Peninsula, the *Fit to Drive* young driver education program is helping to reduce teenage road fatalities.

Supported by BlueScope Steel, the initiative is now in its fourth year. It was established in 2001 with a seeding grant from the Company and continues to be a priority for BlueScope Steel, with a \$15,000 contribution made in 2004 to ensure the continuation of the program.

Over the next 12 months, more than 10,000 young people in Years 10, 11 and 12, from 18 secondary colleges across Victoria will learn

Our significant community partnerships over the past year included those with emergency services organisations and the Hastings Community Centre, and our financial support for construction of a major new aquatic centre in Hastings.

The Company also continues to support the *Fit To Drive* young driver education initiative which operates on the Mornington Peninsula to educate young people in Years 10, 11 and 12 about road safety issues.

In addition to its community partnerships program, BlueScope Steel also provides one-off donations to local community groups, events and causes. A major new initiative announced in the second half of 2004 is the Company's 3-year sponsorship of the BlueScope Steel Indigenous Art Galleries at the National Gallery of Victoria's Ian Potter Centre at Federation Square, Melbourne. BlueScope Steel is also the principal sponsor of NGV's exciting exhibition, *Colour Power: Aboriginal art post 1984*.

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.

about road safety, the dangers of alcohol and speed and the need for driving experience in all road conditions, through the *Fit to Drive* program.

The program was established after seven young drivers lost their lives in car accidents on the Mornington Peninsula in 2001.

The *Fit to Drive* program encourages young drivers to clock up 120 hours of driving experience in all road conditions before getting their licence – a move which experts say will cut the accident risk by 30 per cent.



BRINGING COLOUR TO COMMUNITIES THROUGH COLOUR POWER SPONSORSHIP

BlueScope Steel will bring colour to its communities through an innovative sponsorship of Australia's leading collection of indigenous art at the National Gallery of Victoria (NGV).

The Company has entered into a three-year partnership with the NGV and has become naming rights sponsor of the Indigenous Galleries located on the ground floor of NGV's Federation Square gallery.

The BlueScope Steel Indigenous Galleries hold one of the finest collections of indigenous Australian art in the world. Featured in the collection are the works of Emily Kam Kngwarrarr, Eubena Nampitjin, Ginger Riley, Tommy Watson, Jimmy Pike, Julie Dowling, Peter Skipper and many more of Australia's most talked-about indigenous artists.

The works in the collection are bursting with colour and vibrancy. Many are filled with deep blues, blazing oranges, yellows and greens, rather than the more typical red and brown ochres that many people associate with Australian indigenous art.

Our Bond confirms that we will bring "inspiration, strength and colour" to our communities. BlueScope Steel's association with the NGV and sponsorship of the BlueScope Steel Indigenous Galleries reinforces the Company's corporate identity and confirms our position as an innovator in the Australian marketplace and a supporter of Australia's cultural heritage.

The works BlueScope Steel is supporting will not only be seen in Melbourne. The Company is currently working with the NGV on proposals to tour selected works to Sydney and Wollongong during 2005, and potentially outside Australia in future years.

Along with the permanent collection, the BlueScope Steel Indigenous Galleries will host new exhibitions over the next few years that will showcase the colour and vibrancy of the new wave of Aboriginal art.



PELICAN PARK OPENS

The Mornington Peninsula in Victoria has a much needed hub for community activity, with the new Pelican Park Aquatic Centre now operating.

The recently opened centre, which showcases BlueScope Steel's building products, is situated on the foreshore at Hastings and has already become a focal point for visitors and tourists, as well as providing aquatic and fitness activities for local residents.

The Pelican Park Aquatic Centre is the result of successful partnership between BlueScope Steel, the Mornington Peninsula Shire Council,

the Victorian State Government and other significant employers in the Mornington Peninsula area.

BlueScope Steel provided support valued at approximately \$210,000 consisting of \$150,000 of structural steel building components and roofing materials, as well as a cash donation of \$60,000 towards the project.

The Pelican Park Aquatic Centre includes a 25 metre multi-purpose pool with a disabled ramp, a leisure pool and adjoining toddler pool, large spa and steam room, a substantial gymnasium area, two multi-purpose rooms, crèche and café.

SUNSHINE SERVICE CENTRE ACHIEVES NEW LTI FREE RECORD

During 2003/04, BlueScope Steel Australian Building & Manufacturing Market's Sunshine Service Centre in Victoria reached the significant safety milestone of 1000 days Lost Time Injury (LTI) free. This surpassed the site's previous best record of 917 days LTI free.

The site celebrated the occasion with a barbeque. All employees were presented with a gift bag containing a customised shirt and beanie. They also received a personal letter thanking them for their support and commitment to the Zero Harm drive at Sunshine.

LYSAGHT GEELONG ACHIEVES 8 YEARS LTI FREE

BlueScope Lysaght's Geelong site achieved eight years without a Lost Time Injury (LTI) in 2003/04.

This safety success is based on a strong environment of auditing, incident reporting and open feedback from the shopfloor to management, which has resulted in no serious injury since 1995.

EXCELLENCE IN SAFETY REWARDED

BlueScope Lysaght sites have won the Australian Steel Institute's National Site Safety Excellence Award two years running.

The BlueScope Lysaght Archerfield site in Queensland won the Award in 2003 and our Lyndhurst site in Victoria was the winner in 2004.

Lyndhurst's Award followed the February 2003 relocation of all BlueScope Lysaght's Melbourne operations to a new site at Lyndhurst. The judges commented that with 90 per cent of the 135 person workforce being new to the steel industry, the achievement of zero Lost Time Injuries (LTIs) for the first year of operations was a tribute to the safety systems put in place.

The Site Safety Excellence Awards were developed by the ASI National Safety Committee to recognise and promote improvement and excellence in safety among ASI member companies.

WORKPLACE GIVING PROGRAM

BlueScope Steel recently launched a major new Australian Workplace Giving Program, which will provide the Company's Australian employees with the opportunity to donate a proportion of their pay to charity.

BlueScope Steel will match employee donations, up to a maximum of \$200,000 this financial year.

The Workplace Giving Program recognises that our success is built upon the support of the communities in which we operate. It gives employees the opportunity to make a real difference to their communities, by giving directly to charities to help those in need.

The following eight charities were selected to participate in the program, taking into consideration feedback from an employee survey - Australian Bush Heritage Fund,

Australian Red Cross, Cancer Council Australia, RSPCA, Salvation Army, Surf Living Saving Australia, The Children's Hospital at Westmead (NSW), and The Royal Children's Hospital, Melbourne.

Workplace giving is a 'tax friendly' way for employees to donate regularly to charity, and 100% per cent of the donation goes directly to the chosen charity or charities. Effectively, the donations are made from pre-tax pay with the tax deduction taken immediately.

The charities will receive a regular income stream and will be able to cut their administrative costs by only having to process one donation, rather than many individual donations.

The Company's matched donations will be allocated amongst the selected charities in the same proportion as employees' donations.

STOP FOR SAFETY

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

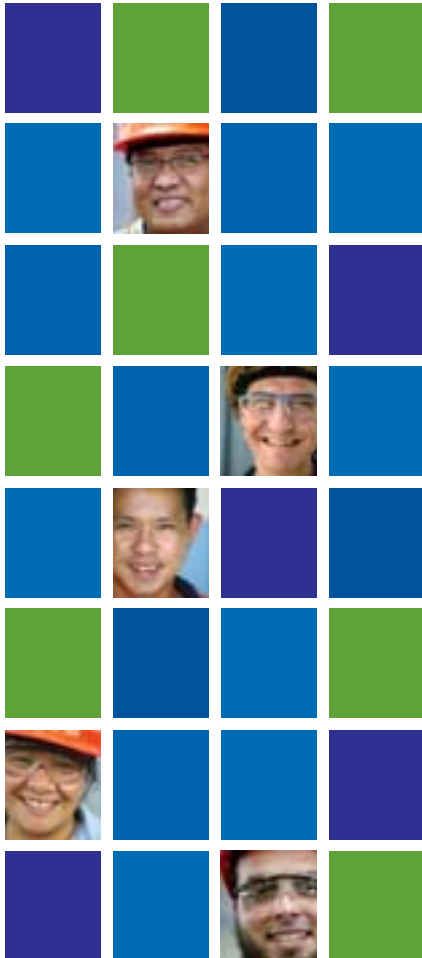
In early July 2004, every employee and on-site contractor across BlueScope Steel's global operations stopped work for a four-hour safety briefing. *Stop for Safety* underlined our belief that employee engagement is essential if we are to achieve our goal of Zero Harm.

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.



WATER RECYCLING AT WESTERN PORT

BlueScope Steel's Western Port plant on the Mornington Peninsula has the capacity to process more than 1.4 million tonnes of steel each year and needs water for its manufacturing processes.

Two large stormwater lagoons capture all rainwater falling on the site for reuse in manufacturing operations. Under normal conditions, this provides 30 per cent of the water needed for recirculating cooling water systems at Western Port's Hot Strip Mill. Unfortunately, with the onset of drought, this water storage has dried up, forcing a reversion to reticulated water and redoubling of the plant's efforts to maximise water recycling.

Already, waste water discharged from the Western Port plant has been reduced by up to 40 per cent. Now, a more ambitious water saving program is planned as one part of a partnership with the Environmental Protection Authority and the community to develop the

next Environmental Improvement Plan for the plant for the period 2006-2011.

The Western Port plant proposes to meet its target of reusing up to 80 per cent of waste water by taking advantage of the best available technology.

The largest user of fresh water at Western Port is the Cold Reduction Mill (where steel is rolled to its final thickness). A Cyclovap – a unit that reclaims almost distilled quality water from dirty or oily water - is being installed. The Cyclovap removes contaminants so that treated water can be reused in the cold reduction process, reducing fresh water usage at the Mill by 40 to 80 per cent.

Water usage has never been more critical in heavy industry. As a large manufacturing plant, Western Port wants to lead the way towards a sustainable future.



WESTERN PORT CONTINUOUS PAINT LINE REDUCTION IN GREENHOUSE GAS EMISSIONS

The partial redesign of Western Port's Continuous Paint Line No2 (CPL2) has resulted in a reduction of both natural gas consumption and greenhouse gas emissions.

The CPL2 has traditionally been a large user of energy, producing 30,000 tonnes of CO₂ emissions each year. A team of engineers at Western Port undertook a project to reduce gas usage and ultimately gas emissions.

The paint line was modified in three main areas, including a redesign of the coater room, alteration to the oven design - including reduction in the size of incinerator burners and oven volume – and improvement in oven exhaust flow.

The most significant environmental improvements have been brought about by increasing exhaust

velocity, improving exhaust flow temperature and reducing oven exhaust flow. This represents close to a 40 per cent reduction (6.3GJ/tonne to 3.8GJ/tonne) in natural gas consumption and equates to a greenhouse gas (CO₂) reduction of approximately 14,000 tonnes per year.

The project was entered in the 2003 Premier's Business Sustainability Awards in Victoria and in February 2004 the Environment Protection Authority recognised Western Port for its 32 - 67 per cent reduction in a range of airborne emissions, despite an increase in production.

The Western Port team is not resting on its success and intends to explore further opportunities to reduce natural gas consumption and greenhouse gas emissions.

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.

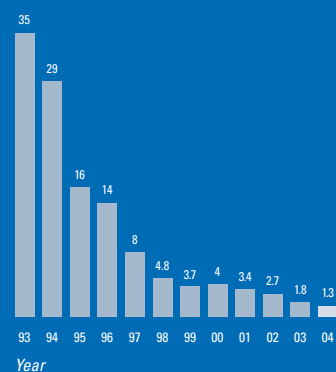
Safety performance

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)

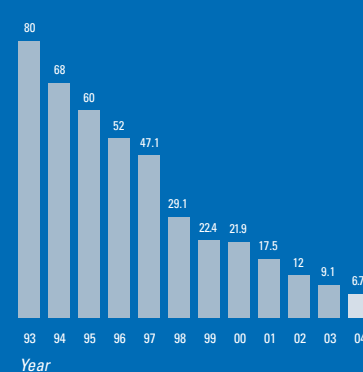


A Lost Time Injury (LTI) occurs when an employee is absent from work due to injury for at least one full shift. LTIFR is the number of lost time injuries per million hours worked (formerly known as man-hours).

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.

