



GRAHAM KRAEHE, CHAIRMAN

CHAIRMAN'S REPORT

DELIVERING RESULTS FOR OUR SHAREHOLDERS

Inspiration, strength and colour, the theme for our Annual Report taken from the wording of *Our Bond*, are apt words to sum up the events of this past year. It has been a privilege to be involved with this iconic Australasian business and have the chance to help re-fashion it into the strong, independent company that it has become.

We had the advantage of beginning from a strong base – a healthy business with 88 years of history, sound values and significant assets. Everyone involved in the Company has worked as a team to capitalise on the unique opportunity presented to us, and together we have had an inspirational year marked with many colourful moments and milestones.

The initial focus was on completing the separation of the Company from our former parent. Our listing as a public corporation occurred on 15 July 2002, with the legal separation entirely complete by 22 July 2002. Our shares initially traded at a price of \$2.90. Since that time, the investment market has increasingly recognised the performance and worth of the Group.

SHAREHOLDER VALUE

Since the Company's listing, the focus has been squarely on the creation of shareholder value, through continuing profitability and growth in value. This is reflected in our inaugural net profit after tax of \$452 million, and net cash flow of \$598 million. The strength of our financial performance reflects the underlying calibre of our assets and the exceptional efforts of our people.

The commitment of your Board and the management team to generating returns for shareholders is evident in the decisions we took to declare significant dividends as the extent of the Company's improving performance became clear. In February 2003, an interim dividend of 9 cents was declared, and then in August 2003 a final dividend of 13 cents and a special dividend of 7 cents were declared. The total distribution has been 29 cents per share (all fully franked). This compares with the forecast prior to listing that dividends of 20 cents per share (partly franked) would be made in respect of the 2003 financial year.

During the year, \$540 million in debt was repaid. Total debt outstanding at 30 June 2003 was \$168 million – a gearing ratio of 2.4 per cent, reflecting one of the strongest balance sheets in the global steel industry.

In February 2003, a share buy-back program was initiated. The objectives are to boost earnings per share, increase the return on shareholders' funds and reduce the weighted average cost of capital. As at 30 June 2003, the Company had purchased over 8.3 million shares under the program. A further 13.5 million shares were purchased between 1 July and 27 August 2003.

I believe that the Company's share price appreciation reflects the strength of our financial performance combined with recognition of our focus on delivering value for shareholders.

GOVERNANCE

One of the advantages of our status as a newly listed company is that the Board has had the opportunity to put in place current best-practice corporate governance arrangements, and these are summarised in this Report. Comprehensive structures for the overall management and control of all entities within the Group have been established.

While our actions have demonstrated our focus on delivering value to our shareholders, we have also delivered benefits for our employees, customers and host communities, and these are described in the early sections of this Report.

I thank all employees, led by CEO Kirby Adams, and my Board colleagues for their contributions to an outstanding performance.

THE FUTURE

Our strong balance sheet has enabled the simultaneous pursuit of a range of growth initiatives. These include incremental capacity increases at existing operations in Australia, New Zealand, Thailand and Indonesia, and the establishment of four new roll-forming facilities in Australia and China. In August 2003, we announced that the Company will proceed with a new \$160 million steel coating and painting investment in Vietnam.

Going forward, we will maintain our focus on creating wealth for shareholders, and further expansion of the business to take advantage of the growth opportunities that are open to the Company.

NAME CHANGE

A further announcement on 1 September revealed the proposed change of our Company name to BlueScope Steel Limited. Shareholder approval of the name change will see BlueScope Steel inherit a strong history, positive momentum from a great performance in 2002/03 and excellent prospects for future growth.



GRAHAM KRAEHE, CHAIRMAN

MANAGING DIRECTOR AND CEO'S REPORT



**KIRBY ADAMS,
MANAGING
DIRECTOR AND CEO**

DELIVERING ON OUR PROMISES

"We and our customers proudly bring inspiration, strength and colour to communities..."

These words, developed last year by a team of about 200 employees from across the Company, are the opening words of *Our Bond* – the document that spells out our promises to shareholders, customers, people and communities.

Our Company has had a very good first year. I am pleased to report that in the period since our public listing, we have made excellent progress in delivering on our promises.

For shareholders we have delivered profitability and growth in value; for customers we have delivered new products and colours; for communities we have provided assistance where it counts; and for employees we have worked together to ensure a safe and satisfying environment.

Independence has given rise to a new spirit of teamwork among our employees – this "can do" attitude is reflected in our achievements.

GROWING OUR BUSINESS

"Our customers are our partners... Our strength lies in working closely with them to create value and trust, together with superior products, service and ideas."

Throughout Australia, New Zealand, Asia and the USA we are undertaking a range of initiatives to grow our markets and to increase our production capacity, through expanding existing operations and building new facilities.

Our customers are realising that our inspiration and innovative thinking let them create just about anything they can imagine. In May we launched a new range of contemporary colours for our Australian COLORBOND® steel range, ensuring this valuable trademark remains at the forefront of design and performance.

We are undertaking capacity upgrades, at minimal capital cost, to our metal coating and painting facilities in Port Kembla, Western Port, New Zealand, Indonesia and Thailand.

We are planning to establish a major new metal coating and painting operation in Vietnam and a new, state-of-the-art COLORBOND® steel centre in western Sydney.

Our Lysaght business opened two new major roll-forming plants in Australia, producing our market-leading range of steel building products, and in March two further Lysaght plants were opened in China to service that country's fast growing building and construction sector, in the lead-up to the 2008 Olympics.

CAPITALISING ON STRONG MARKET AND INTERNAL PERFORMANCE

AS MILLION

	1999 ¹	2000 ¹	2001 ¹	2002 ¹	2003
Revenue	4,849	4,898	4,941	4,593	5,302
EBITDA ²	525	711	568	412	881
EBIT ²	257	445	305	160	611
Net profit ²					452
Earnings per share (cents) ³					57.1

1. 1999 to and including 2002 normalised. 2. Includes net profit/loss for North Star. 3. Shares on issue 30 June 2003 – 784 685 949, weighted average: 791 544 061.

A STRONG FINANCIAL PERFORMANCE

“Our shareholders are our foundations... we commit to continuing profitability and growth in value, which together, make us all stronger.”

In the 12 months to 30 June 2003, we achieved a net profit after tax and minority interests of \$452 million. Earnings before interest and tax for the year were \$611 million, a 282 per cent increase on the result for the preceding 12 months.

Our financial performance was achieved by attaining improved international and domestic prices for our products, higher production and despatch levels across all reporting segments, and further cost and process improvements.

Improved labour productivity, successful cost reduction initiatives and reduced freight costs made a positive contribution to our financial performance.

OUR BEST EVER SAFETY PERFORMANCE

“Our people are our strength... We work in a safe and satisfying environment.”

This year was our safest ever. We achieved a company-wide lost time injury frequency rate of 1.8 for the 12 months to June 2003. This means that for every million hours worked, there were 1.8 injuries that resulted in employees or contractors having to take time off work. While any injury in the workplace is unacceptable, this is nevertheless a very good result and places our Company among the best performers in the global steel industry. It is a 36 per cent improvement on the previous year and means we are closer than ever to achieving our goal of Zero Harm.

We believe that if you cannot manage safety, you cannot manage. Our goal is Zero Harm to our employees, contractors, suppliers, communities and the environment.

IMPROVED ENVIRONMENTAL PERFORMANCE

“Our communities are our homes... we care for the environment.”

We have improved the way we care for our environment. Our environmental performance improved steadily, with a 23 per cent reduction in non-compliances

with the conditions of our environmental operating licences. We achieved zero non-compliances at the majority of our sites.

A major achievement was the attainment of certification to the international environment management standard ISO 14001 at all our steel operating sites by the end of June 2003 and our Transport & Logistics business is on track to achieve certification by December 2003. We also commissioned the \$94 million Sinter Machine Emission Reduction Project at the Port Kembla Steelworks.



LOOKING AHEAD

Looking ahead to 2003/04, we will continue to work diligently to delight our customers, grow our markets and product range, further reduce costs, improve labour productivity, and incrementally increase production and throughput at our facilities.

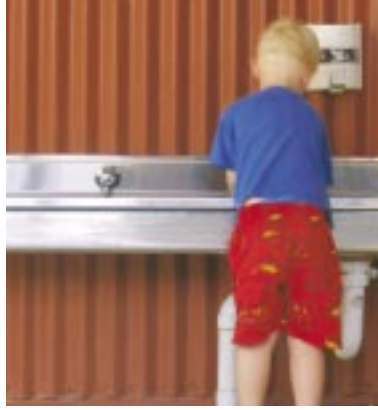
Our business will continue to be influenced by a range of external factors, including hot rolled coil prices, exchange rates and prices for raw materials. We remain focused on managing well those factors that are within our control.

We are moving ahead with great vigour and refreshed confidence. As BlueScope Steel Limited, we and our customers will proudly bring inspiration, strength and colour to our communities.

KIRBY ADAMS, MANAGING DIRECTOR AND CEO

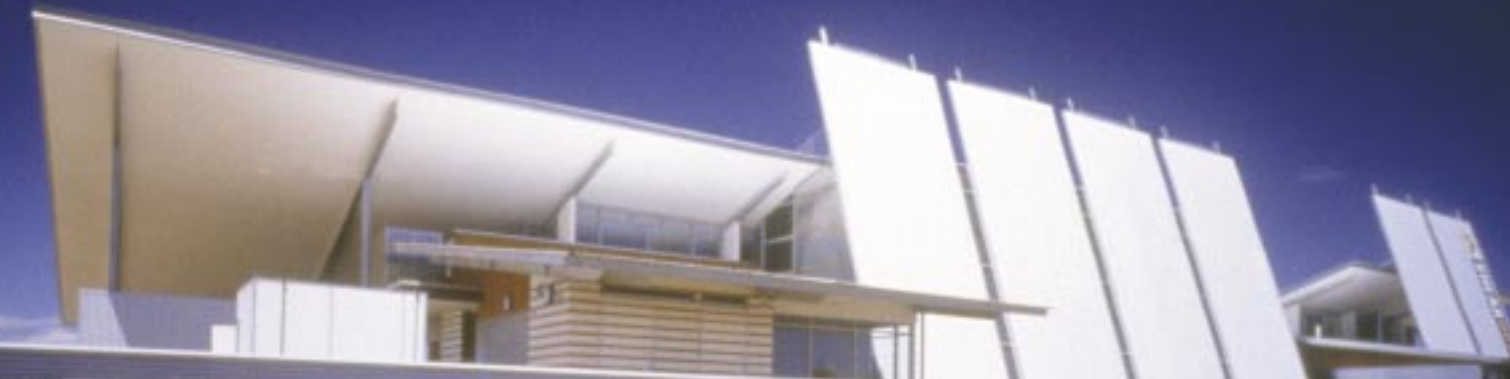
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OUR CUSTOMERS ARE
REALISING THAT OUR
INSPIRATION AND
INNOVATIVE THINKING
LET THEM CREATE JUST
ABOUT ANYTHING THEY
CAN IMAGINE.



OUR PRODUCT AND MARKET DIVERSIFICATION MAKES US A DIFFERENT KIND OF STEEL COMPANY

We have a strong set of values and beliefs, as expressed in *Our Bond*, and a clear strategy and vision for the future.



COMPANY PROFILE

We are the largest steel company in Australia and New Zealand, the only producer of flat steel in these countries and a significant niche player in the Asian steel industry. We produce about 60 per cent of Australia's overall steel production, and supply around 80 per cent of all flat steel products sold in Australia and New Zealand. With our growing presence in Asia and investments in the USA, we are playing an increasing role in the revitalisation of the global steel industry.



We are customer-focused and market driven. The customers we serve are primarily in the building and construction, packaging, pipe and tube, automotive and general manufacturing industries. Our focus is on supplying their needs for value-added metallic coated, painted and roll-formed steel products, and other flat steel products like slab, hot rolled coil and plate.

Our key strengths include our leading brands, low-cost operations, ability to tailor solutions to customers' needs and our product and market diversification.

BRANDS

Our brands have long been market leaders in Australia and New Zealand and have a growing presence in Asia.

In Australia, our COLORBOND® steel is a leading consumer brand and has strong acceptance in the building industry. There have been several recent COLORBOND® steel innovations including, in May 2003, the launch of a new range of fashion colours.

ZINCALUME® metallic coated steel, GALVABOND® and GALVSPAN® steel are prominent brands in the building and construction industry, and our LYSAGHT® building products have a solid reputation stretching back to 1918.

In 2003, we branded our plate and hot rolled coil products over 3.2 mm thick as the premium XLER® steel range, including XLERPLATE® and XLERCOIL®.

In New Zealand, COLORSTEEL®, GALVSTEEL™ and ZINCALUME® steel are market leading brands.

In other domestic markets, we have developed local brands suited to local conditions, such as Clean COLORBOND® steel, which is ideal for the tropical conditions of Asia. In Indonesia we market PELANGI™, ABADI™, GEMILANG™ and ANCOR™ steel. TRUZINC™ steel was developed for Thailand and PRIMADESA™ steel for Malaysia. Across South East Asia, our most recent "inspired" solutions include SMARTRUSS™, a lightweight roof frame for pre-engineered buildings, and our SANTAI™ roll-formed product.

The growing number of branded innovations in our product lines reflects our focus on meeting customers' needs with trusted steel inspired solutions.

Colorbond®

LYSAGHT

Xlerplate®

Galvabond®

COLOR
STEEL®

Zincalume®

clean Colorbond®

OPERATIONS

In Australia, our Port Kembla Steelworks in New South Wales is the nation's largest steel manufacturing facility, producing slab, hot rolled coil and plate.

At Western Port in Victoria, we operate hot rolling, cold rolling, metal coating and painting facilities. Another cold rolling, metal coating and painting facility is located at Springhill, adjacent to the Port Kembla Steelworks, and we have painting operations at service centres in Sydney and in Brisbane.

Our network of seven service centres across Australia slits and shears steel for a wide range of manufacturing applications and delivers product to customers' requirements.

In New Zealand, we operate the only integrated steelworks at Glenbrook near Auckland.

In the Asian region, we have cold rolling, metal coating and painting operations in Thailand, and metal coating and painting operations in Malaysia and Indonesia.

Lysaght, our building products business, operates 42 roll-forming plants across Australia and twelve other countries in the Asia Pacific region.

In the USA, we own a 50 per cent share in the North Star BHP Steel mini-mill in Ohio, producing hot rolled coil, and a 47.5 per cent share in Castrip LLC, a joint venture company formed to develop the Castrip® technology, usually referred to as 'thin strip casting'.

In the past year, our steelmaking operations produced 6.494 million tonnes of raw steel. Across the Company, we have more than 11,000 employees located in 20 countries.

TOP LEFT: SHEAR OUTBACK AND THE SHEARERS' HALL OF FAME – HAY, NEW SOUTH WALES, AUSTRALIA

LEFT: THE MAGNEY HOUSE – BINGIE BINGIE, NEW SOUTH WALES, AUSTRALIA BELOW: THE LOOKOUT HOUSE – RED HILL, VICTORIA, AUSTRALIA





OPERATIONS AROUND THE WORLD

WE HAVE A UNIQUE MARKETING FOOTPRINT, ENCOMPASSING THE GROWTH REGION OF ASIA

RAW STEEL PRODUCTION FACILITIES

LOCATION	OPERATION	MAP NO
Port Kembla, NSW, Australia	Port Kembla Steelworks	1
Glenbrook, New Zealand	New Zealand Steel	2
Delta, Ohio, USA	North Star BHP Steel	3

ROLLING, COATING AND PAINTING FACILITIES

Port Kembla, NSW, Australia	Port Kembla Steelworks	1
Port Kembla, NSW, Australia	Springhill Works	1
Sydney, NSW, Australia	Chullora	4
Hastings, VIC, Australia	Western Port Works	5
Brisbane, QLD, Australia	Acacia Ridge	6
Glenbrook, New Zealand	New Zealand Steel	2
Delta, Ohio, USA	North Star BHP Steel	3
Map Ta Phut, Rayong, Thailand	BST	7
Ba Ria-Vung Tau Province, Vietnam	BSV (operational 2006)	8
Cilegon, Java, Indonesia	BSI	9
Kapar, Klang, Malaysia	BSM	10

ROLL-FORMING AND DISTRIBUTION FACILITIES

Lysaght Australia

Archerfield, QLD	11
Rockhampton, QLD	12
Mackay, QLD	13
Townsville, QLD	14
Cairns, QLD	15
Chullora, NSW	4
Emu Plains, NSW	16
Cardiff, NSW	17
Tamworth, NSW	18
Dubbo, NSW	19
Coffs Harbour, NSW	20
Lyndhurst, VIC	21
Albury, VIC	22
Geelong, VIC	23
Launceston, TAS	24

Gillman, SA	25
Darwin, NT	26
Forrestfield, WA	27

Lysaght Asia

Langfang, China	28
Chengdu, China	29
Shanghai, China	30
Guangzhou, China	31
Kaohsiung, Taiwan	32
Hanoi, Vietnam	33
Ho Chi Minh City, Vietnam	34
Bangkok, Thailand	35
Khon Kaen, Thailand	36
Shah Alam, Malaysia	37
Kota Kinabalu, Malaysia	38
Bintulu, Malaysia	39
Kuching, Malaysia	40
Jakarta, Indonesia	41

Medan, Indonesia	42
Surabaya, Indonesia	43
Jurong, Singapore	44
Bandar Seri Begawan, Brunei	45
Colombo, Sri Lanka	46
Noumea, New Caledonia	47
Port Vila, Vanuatu	48
Suva, Nadi and Lautoka, Fiji	49

Service Centres

Acacia Ridge, QLD	6
CRM, Port Kembla, NSW	1
Chullora, NSW	4
Sunshine, VIC	50
Braeside, VIC	51
Wingfield, SA	52
Myaree, WA	53

With our diverse group of customers, our leading products and brands, and our valuable network of manufacturing operations, roll-formers and service centres, we are ideally positioned in our region to assist architects, builders, engineers and families realise their dreams in steel.

CUSTOMER BASE

Throughout the world, we have an array of channels to market, including direct selling to end-use customers in diverse markets and via steel distributors.

The products we sell into Australian domestic markets have a wide array of end-uses. Sales are made to the construction (dwellings, non-dwellings and infrastructure), manufacturing, automotive and transport, packaging, rural and mining segments.

In Australia, the majority of our steel slab is processed through our operations into hot and cold rolled steel coil or steel plate.

We sell hot rolled coil to other Australian manufacturers, who convert it into pipe and tube. Steel plate is sold to fabricators for products such as wind towers. Manufacturers convert our tinplate into cans for everyday items such as tinned fruit. Our high-quality coated and painted steel is sought by manufacturers of whitegoods and automotive industry customers.

We sell our ZINCALUME® and COLORBOND® steel to roll-formers throughout our region, including our own Lysaght operations. These customers cut and shape our coated and painted steel for residential roofing and fencing use, as well as roofing and walling for industrial and commercial applications. In the building products segment, Lysaght sells steel for construction applications ranging from house roofing to BONDEK® structural decking in high-rise buildings.

In New Zealand, we supply a full range of flat steel products to the building and construction industry, including to roll-formers and merchants.

In Asia, we have achieved the premier market position for our world-class coated products Clean COLORBOND® steel and ZINCALUME® steel, with a full array of supplementary products for our target market segments. Our Lysaght steel solution companies focus on delivering innovative building supply packages to discerning customers in 12 countries. Landmark buildings such as the new Beijing and Hanoi airports, Taipei Civil Sports Centre and Guangzhou Sports Stadium have all specified LYSAGHT® products.

In the USA, our North Star BHP Steel joint venture produces hot rolled coil for local markets. We also export slab and hot rolled coil from Australia to the USA, to be re-rolled and supplied to the West Coast building and construction market.

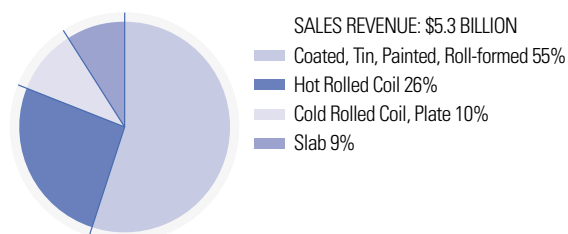
We also export a range of products to customers located elsewhere in Asia, the Americas, as well as in Europe and Africa.

To complement our global sales operations, we have market-leading e-commerce systems that enable customers to directly place orders, and our transport and logistics business delivers supply chain solutions to support our market offers.

PRODUCT DIVERSITY

About 55 per cent of our revenue in 2002/03 was generated from value-added coated, tin, painted and roll-formed products.

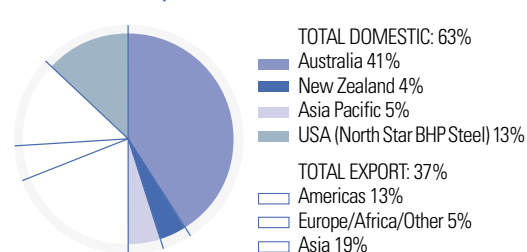
GLOBAL EXTERNAL SALES BY REVENUE 2002/03



MARKET DIVERSITY

By tonnage, about 41 per cent of our total sales in 2002/03 were to the Australian domestic market, which is our largest single market.

GEOGRAPHIC BREAKDOWN OF EXTERNAL SALES VOLUMES 2002/03



GOING FORWARD

WE ARE BUILDING ON OUR SOLID FOUNDATION AND CHARTING A VIBRANT FUTURE

THIS IS A STRONG BUSINESS WITH MANY OPPORTUNITIES FOR CONTINUED PROFITABLE GROWTH AND THE CAPABILITY TO REALISE THOSE OPPORTUNITIES.



STRATEGY FOR GROWTH

We have a strong foundation in Australia, New Zealand and Asia, and profitable growth opportunities from this base.

We will invest in existing facilities and sustainable growth opportunities to ensure we deliver on our commitments to our shareholders, our customers, our employees and our communities.

In summary, we will be a flat steel products and building solutions company that is focused on delivering shareholder value by:

- vigorously maintaining and enhancing the value of our existing businesses through:
 - branded value-added products and services
 - being a world-class, low-cost steelmaker
- pursuing growth in selected regions and market segments; and
- disciplined capital management.

We will continue to build on our market and production strengths, which include:

- being a provider of branded value-added flat steel products and building solutions to the Australian, New Zealand and Asian building and construction industries
- being a leading supplier of flat steel products and solutions to other market sectors in Australia and New Zealand

- maintaining low-cost, high-quality steelmaking and steel processing facilities in Australia, New Zealand and Asia and, through our joint ventures in the USA
- marketing and technology innovation in flat steel processes, products and building solutions
- nurturing long-term relationships with customers in many parts of the world.

Asia is our major geographical growth focus and we will continue to invest in and grow our Australian and New Zealand businesses. In particular, we will seek profitable growth avenues in the building and construction market segment, while responding to attractive opportunities in other market segments.

We have already made a number of announcements regarding our growth initiatives, including some that have been implemented. They include:

- commissioning two new roll-forming businesses in China, at Langfang near Beijing and in the western city of Chengdu
- doubling the capacity of our Indonesian paint line
- announcing capacity expansions of our existing Australian paint lines by 115,000 tonnes per annum and existing Australian metallic coating lines by

150,000 tonnes per annum over three years, with limited capital outlay

- progressing the development of a new COLORBOND® steel centre in western Sydney
- announcing the expansion of New Zealand Steel's existing metallic coating capacity by 24,000 tonnes per annum
- announcing that we plan to build a metallic coating line and paint line in the Ba Ria-Vung Tau Province of Vietnam.

Our new status as an independent company has enabled us to respond more quickly and creatively to the needs of our customers, to reinvest in our business, and to start implementing our plans for profitable growth.

We are also continuing the hard work that we have undertaken over many years to improve the foundations of our business by continuously lifting our safety performance, as we strive to achieve our goal of Zero Harm. In addition, we are looking to strengthen relationships with our host communities, and further reduce the impact of our activities on the environment.

LEFT: STADIUM AUSTRALIA, SYDNEY OLYMPICS PRECINCT, AUSTRALIA
BELOW LEFT: LYSAGHT SOLUTIONS CENTRE, THAILAND
BELOW RIGHT: BEIJING INTERNATIONAL AIRPORT, CHINA



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