

BHP STEEL LIMITED

ANNUAL GENERAL MEETING – 18 NOVEMBER 2002

CHAIRMAN'S ADDRESS

As you registered for the meeting today, one of the documents handed to you was a copy of the Directors' Report for the year ended 30 June 2002 which includes a Corporate Governance Statement by your Directors.

The other part of our statutory report is, of course, the financial statements.

The timing of the demerger from BHP Billiton gave rise to a number of unusual issues concerning reporting of the BHP Steel financial year ended 30 June 2002.

Some of those issues relate to the contents of the financial statements and I will address those issues when we come to that item of business later in the meeting.

Your Directors thought it important that the Directors' Report and Corporate Governance Statement provide shareholders with information relevant to the new BHP Steel.

Accordingly, the Directors' Report and Corporate Governance Statement reflect the policies we have put in place subsequent to public listing.

Your Directors wanted to give shareholders a report, which outlines comprehensively our approach to corporate governance and remuneration policy and with full transparency.

Corporate governance and remuneration policy were explained in some detail in the public listing documents but we have been very active since then.

Also, since remuneration is currently a sensitive issue we have decided to go beyond the strict disclosure requirements and provide forward looking information in respect of the 2002/03 year.

Additional copies of the Directors' Report and copies of the financial statements are available here today and on the Company website, or shareholders can request a copy from the Share Registry.

I encourage you to read the Corporate Governance and Remuneration Statements in particular.

Corporate Governance

Let me now make some comments about corporate governance which is a key focus of shareholders following recent, well- publicised corporate excesses, particularly those in the United States.

Your Board places great importance on governance of the Company and, in particular, the need to focus on carrying out prudent risk-taking activities which achieve a balance between:

- * the generation of rewards for shareholders;
- * the supply of goods and services to our global customers; and
- * the provision of meaningful employment for employees - in a way which contributes to the welfare of the community.

The Board's task is to govern on behalf of all shareholders and it recognises that, to carry out this role, shareholders must receive high quality relevant information in a timely manner.

Timely disclosure of relevant information will facilitate an efficient, competitive and informed market in the Company's shares.

The Board is responsible for the effectiveness of governance practices and the overall management and control of all entities within the BHP Steel group and is implementing a set of corporate governance policies which we believe represent best practice.

We will continue to review and develop these policies.

With the exception of the CEO, your Board is comprised of independent non-executive Directors, with a wide range of complementary business experience and skills.

The Board has specifically reserved to itself a number of key matters, including:

- * confirming the strategic direction of the Group;
- * succession planning and appointment of senior executives;
- * approval of CEO performance targets;
- * appointment of auditors;
- * approval of the financial statements;
- * approval of significant capital expenditure;
- * approval of the Company's remuneration policy; and
- * review of operating results.

The Board has delegated responsibility for day-to-day operation and administration to executive management, led by Chief Executive, Kirby Adams.

The levels of authority for management are documented.

To assist in the discharge of its duties, the Board has established a number of sub-committees.

These are:

- * the Audit and Risk Committee;
- * the Remuneration Committee;
- * the Health, Safety and Environment Committee; and
- * the Nomination Committee.

In addition a Public Listing Committee, chaired by Kevin McCann, was formed in March and met on a total of 16 occasions before and immediately after the public listing.

The role of the Public Listing Committee was to prepare for the formal separation of BHP Steel from BHP Billiton.

Since public listing, the full Board has met five times to:

- * establish a governance framework;
- * review business performance;
- * establish new delegated authorities;
- * review reporting systems;
- * agree CEO performance targets; and
- * meet with key staff and line management to review presentations, performance, and strategy.

Meetings have been held in Melbourne, Sydney and Port Kembla and next year the Board plans to meet at those locations and also at Western Port here in Victoria, and in Asia.

In addition, individual Directors have visited various sites as part of their induction.

The Board is scheduled to meet at least nine times in the current financial year to review matters such as the financial performance, current trading and key business initiatives, strategy, budget and business plans.

Procedures are also in place to ensure that Directors can meet to consider and decide urgent matters, as and when they arise.

The Remuneration Committee, chaired by Diane Grady, has been very active, having met eight times since public listing.

Its activities have included:

- * reviewing remuneration schemes;
- * reviewing performance hurdles and agreeing performance targets for 2002/03; and
- * revisiting the composition of executive incentive arrangements taking into account market comparisons, shareholder expectations, commitments by BHP Billiton and contractual issues.

As a result, for a September 2002 issue under the Long-term Incentive Plan, we modified our approach from options to performance rights (although we reserve the right to further modify the mix in future).

We are of the view that both options and performance rights can be an appropriate part of remuneration strategy provided the performance targets are challenging.

The targets for BHP Steel are based on Total Shareholder Return or TSR (share price & dividends) outperforming the ASX 100.

There will be no awards against this criteria unless we outperform 50% of the other companies in this index while full awards require us to outperform 80% of the companies so that executives will be rewarded if shareholders are rewarded.

Short-term targets also relate largely to shareholder value and profit measures with a smaller component based on safety and business excellence targets.

All members of the Remuneration Committee are independent, non-executive Directors.

In relation to audit and risk management, the Board reviews the effectiveness of internal control systems and risk management on an ongoing basis, and monitors risk through the Audit and Risk Committee.

PriceWaterhouse Coopers assists the Board by providing a comprehensive internal audit service and Ernst & Young was engaged as external auditor following the separation of your Company from BHP Billiton.

A resolution of shareholders to approve this appointment will be proposed later in this meeting.

The Audit and Risk Committee, chaired by Paul Rizzo, has met twice since public listing and, in addition to the matters already outlined, has:

- * reviewed external and internal audit plans; and
- * reviewed the risk profile of the organisation.

The Audit and Risk Committee is composed entirely of independent, non-executive Directors.

Your Company is also committed to meeting high standards of compliance in relation to its health, safety, environmental and community responsibilities.

The Health Safety & Environment Committee, chaired by John Crabb has met since public listing to:

- * review and approve the Health, Safety, Environment & Community Policy; and
- * ensure that performance in the area of occupational health and safety is an integral part of reporting systems in the Company.

The Health, Safety and Environment Committee Charter requires that the Committee meet at least four times per year.

The Board is conscious of the need to ensure that proper processes are in place to deal with succession issues at Board level.

This will require us to periodically assess the skill-set necessary to meet the BHP Steel Group's demands.

A Nomination Committee comprising all the non-executive Directors will be chaired by me and will hold its first meeting early next year.

We have also held one non-executive Director meeting for a preliminary review of Board practice and effectiveness.

Similar meetings are scheduled for next year.

In addition to the work of the Board and its sub-committees, a Code of Conduct and policies covering dealings in the Company's shares and continuous disclosure have also been put in place.

The Code of Conduct provides a common behavioural framework for all the Company's employees, irrespective of their specific job, direct employer or location in the world.

The objective of the share dealing policy is to ensure that shareholders, customers and the

business community have confidence that Directors and senior management comply with the law and best practice in corporate governance, and handle confidential information lawfully and with integrity.

So, in summary, your Board has been hard working and very active in reviewing and approving the governance structure of your Company.

Our objective has been to adopt and establish best practice and I am confident that the governance systems we have put in place are of a high order.

I think it is important to note that the systems inherited from BHP Billiton reflected a strong corporate governance culture and we have been able to modify these systems, where appropriate, to reflect the scale and focus of BHP Steel as a stand-alone entity.

Let me now make a few brief comments on the 2002 year.

2002 year

As I have explained, we are required to provide accounts for the business as it was structured last year.

Therefore the accounts required by law are tabled today and are also available on the BHP Steel website.

We would be happy to take questions on those accounts after the meeting, but I must warn shareholders that the accounts relate to a very different business from today's BHP Steel.

Much more relevant for today's meeting is the pro-forma Annual Earnings Report for the year ending June 2002 and comparison to the forecast contained in the public listing documents.

This was released to the market in August with profit before interest and tax of A\$160 million versus a forecast of A\$167 million.

This earnings result was achieved despite:

- * record low international prices for steel;
- * global industry overcapacity in excess of 150 million tonnes; and
- * unnecessary industrial action at our Port Kembla and Western Port plants.

Current Trading and Outlook

I would now like to turn to the 2003 year and give shareholders an outline of current trading and the outlook for the full year.

The public listing documents outlined a number of risk factors associated with the business and the sensitivity around key assumptions in the 2003 forecast.

In particular the high level of sensitivity to movements in international hot rolled coil prices was highlighted.

Other sensitivities included:

- * US tariffs;
- * Australian dollar/US dollar exchange rate relativities;
- * slab production in Australia and New Zealand; and
- * the spread between hot rolled coil and scrap prices in North America as they impact on North Star BHP Steel.

For the four months to the end of October hot rolled coil prices, particularly in the US market, have been well ahead of the forecast assumptions, partly offset by exchange rates which have been unfavourable.

All other profit drivers have been in line with, or positive compared with the forecast assumptions. In addition:

- * production volumes and conversion costs at Port Kembla, New Zealand Steel and North Star have been in line with, or better than plan, with Port Kembla achieving record production in several months;
- * Australian domestic demand has continued to be strong driven by housing, manufacturing and automotive markets - while export demand has also been strong;
- * our Asian operations are also performing ahead of plan despite absorbing feed material price increases; and
- * safety performance continues to achieve a high standard with new records being set.

So in summary, performance for the first 4 months has been excellent.

Your Board met this morning to review management's updated outlook for the 2003 year.

Following the meeting we released an announcement to the Stock Exchange that we now expect the full-year profit to be in the order of A\$400 million.

This represents a significant lift on the Scheme Booklet full year forecast of A\$254 million.

Copies of this morning's announcement were available as you entered the meeting.

I am sure you will agree that BHP Steel has had a great start as an independent public company.

Mr Adams will elaborate on the factors underpinning our current performance in a few minutes.

Dividends

As a result of the excellent start to the year your Directors are able to reconfirm their intention to pay the dividends outlined in the public listing documents, that is 9 cents in April and 11 cents in October.

A strong first half profit will also improve the franking position and we now anticipate that the October dividend will be franked at close to 100% versus the Scheme Booklet Forecast of 40%.

Capital Management

With strong cash flow, and working capital running below forecast levels, BHP Steel now has a very strong balance sheet.

This will enable us to pursue the growth strategies outlined in the public listing process, to pay down debt and to evaluate alternative capital management strategies.

The Board is committed to the Asian growth strategy, has approved capital for expansion in China and is considering other Asian opportunities.

We will also undertake a series of initiatives to increase our Australian coating capacity in response to market demand.

A number of projects, involving the expenditure of approximately A\$36 million, will increase our Australian metallic coating capacity by 150,000 tonnes (or 10%) and increase the capacity of our Australian paint lines by 115,000 tonnes (or 19%).

Shareholder Base

The demerger of BHP Steel and its separate listing has seen a considerable churn of shareholders with some 70% of shares being traded in the period 15 July to 15 November.

This was in line with expectations.

The other key feature of our share register is the total of 270,000 shareholders which reflects in part the old BHP Billiton shareholder base.

This is an extremely large number of shareholders for a company of our size and is costly to service.

I encourage small shareholders who hold less than 179 shares, and are eligible, to top-up their holding using the Top-Up Facility currently operating.

I would also remind small shareholders with less than 179 shares that, under the Small Holding Sale Facility, your shares will be sold on market unless you have elected to top-up your holding or have notified the Company.

Documentation was mailed to shareholders with the Notice of Meeting.

The closing date is 27 November.

Shareholders wanting more information on the facility can contact the Company's Share Registry or can visit BHP Steel's website.

I conclude by thanking Kirby Adams, our CEO, and his management team and all employees for an excellent performance over the past year and for their major contribution to the success of the public listing.

My Board colleagues have worked very hard in preparing for the public listing, establishing a governance structure and reviewing the Company's performance and strategy.

This has enabled us to "hit the ground running" and has contributed to the successful launch of BHP Steel and to the great start it has made as an independent company.

I thank them for their input and support.

I now ask the CEO, Kirby Adams, to speak to you about your Company, BHP Steel.

Mr Adams has been CEO of BHP Steel for about two and a half years, and during that time has been driving considerable change through the organisation.

Last month Mr Adams was elected a Vice Chairman of the world's steel organisation, the International Iron & Steel Institute which is a positive endorsement of Mr Adams personally and of BHP Steel's status in the international steel industry.

Kirby also had the good judgement to become an Australian citizen in July this year!

I now ask him to address you.

Graham Kraehe
Chairman