

BHP STEEL LIMITED

ANNUAL GENERAL MEETING – 18 NOVEMBER 2002

MANAGING DIRECTOR & CEO'S ADDRESS

Ladies and gentlemen, we know our shareholders are the foundation to our Company.

Since our public listing (100 days ago) you have chosen to retain your shares or purchase more.

Thank you for your support and confidence.

We believe "you have made the right choice".

In return, we have, and will continue to operate this business in a safe and profitable manner.

We strive to deliver you returns, both in the form of dividends and capital appreciation.

How are we going to achieve this?

By being a very different kind of steel products business within the global steel industry.

Structurally, our demerger from BHP Billiton has significantly enhanced our ability to manage and grow our business, to give due attention to our customers, and to maximise value for all stakeholders.

Next there are the values and beliefs your Company holds, which I will talk about in a minute.

And lastly, our mix of operations, products, customers and channels to market.

Values / Beliefs

Before BHP Steel's public listing, a team of employees – people from plants across our business and senior executives like myself – came together to develop a new charter for our Company which we've called *Our Bond*.

What is *Our Bond*?

It's a statement of what we believe and of what we value.

Our Bond provides every employee with a clear focus on the things that really matter at BHP Steel.

And it provides you, our shareholders, with a guide to how we think.

Here it is on the screen.

The fact that "*our customers are our partners*" is a central and defining message of the new BHP Steel.

Our people are our strength ...and they are the essence of the enterprise you know and invest in today.

For you, *our investors*, we commit to *continuing profitability and growth in value, which together make us all stronger*.

And of course, we live and work in the communities in which we produce our steel products.

We acknowledge we are guests in those communities and we have to make sure we don't wear out our welcome.

So, what am I trying to get across to you?

That BHP Steel is a customer focused, market driven manufacturing company.

We are not a mining company.

We provide trusted steel inspired solutions.

We are one of the largest listed manufacturing companies in Australia, and one of the largest exporters of value-added manufactured goods.

Products

Let's talk now about our products and customers.

BHP Steel specialises in the production of flat steel products –including slab, coil, plate, tinplate, and value-added metallic coated and painted steel products.

BHP Steel supplies around 80 per cent of all flat steel products sold in the Australian and New Zealand markets.

And we have a strong and growing presence in the markets of Asia.

Our customers who use BHP Steel are primarily in the building and construction, manufacturing, packaging and automotive industries.

We have an array of channels to market, including direct sales to end-use customers, and selling through multiple steel distributors.

Our steel is converted into over 600,000 tonnes of pipe and tube by important customers such as OneSteel, Smorgon Steel and Orrcon.

We also sell to more than 50 steel roll formers throughout our region.

These rollforming customers take our Zinalume® and Colorbond® steel and cut and shape it for applications such as residential roofing, fencing and industrial roofing and walling.

These rollforming customers include our own BHP Steel Lysaght Division.

In the building products segment, Lysaght has a strategic imperative to grow applications for steel in construction, from roofing, to fencing, to steel high rise construction and steel framed houses.

We sell steel plate to fabricators for conversion into products such as water tanks and wind towers.

We sell tinplate to can producers such as Visy, Amcor and National Can Industries.

So when you go to the supermarket and buy a can of baked beans, or to the hardware store to buy a can of paint, you are buying products that are safely packaged in BHP Steel.

We also sell steel to the four Australian automotive manufacturers.

And to automotive component manufacturers, here in Melbourne and elsewhere.

On the roads, many of you will have seen the new Toyota Camry.

BHP Steel supplies about 65% of the steel in the new Camry.

And BHP Steel has developed a prototype ultra-light steel auto body or ULSAB, which is on display in the foyer of this building.

The ULSAB was developed by BHP Steel in conjunction with the automotive industry and promises to deliver significant environmental and safety benefits if adopted by the carmakers.

In the whitegoods industry we sell steel to Electrolux and others for the manufacture of refrigerators, cookers, washers and dryers.

So our Colorbond® and Zinalume® steel and tinsplate steel are all around us, everywhere, everyday.

Offshore

We also have a number of important international customers.

Customers who purchase our steel slab or coil for further processing into finished steel products.

In Korea, the Dongkuk Iron & Steel Company has been purchasing slabs from BHP Steel for 24 years.

These slabs are processed into plate, primarily for the giant Korean shipbuilding industry.

In June this year BHP Steel supplied its two millionth tonne of slab to Dongkuk.

Here we are with our customer celebrating this occasion.

Steelscape, once a BHP Steel operation, located in Washington state, buys 250,000 tonnes of hot rolled coil per year to supply the US building and construction market.

Last week we celebrated the supply of the one-millionth tonne of steel coil since our relationship with Steelscape began in 1997.

Technology

Your Company also has some very interesting steel technologies.

One example is our joint venture with Nucor Corporation and IHI of Japan to develop Castrip technology.

This initiative is to market and license the intellectual property related to the twin-roll direct casting of carbon and stainless steels.

This is usually referred to as 'thin strip casting'.

This technology was developed by BHP Steel in the 1990s.

In May this year, the first Castrip plant at Crawfordsville, Indiana was commissioned, and it's now routinely casting carbon steel coils – the first in the world.

Brands

Another reason why BHP Steel is a different kind of steel products company is our range of market leading, value-added brands as reinforced in our recent Colorbond TV ads - "The Right Choice".

So, with this globally diverse group of customers, with our leading products and brands, and with our unrivalled network of operations, rollformers and service centres in our region, we have the foundations in place for continued profitability, growth and success.

Financials

Let me remind you that BHP Steel has:

- * been profitable throughout the ups and downs of the steel business cycle;
- * a consistent record of strong cash flows;
- * a strong and flexible capital structure;
- * a very good and improving safety record; and
- * relative to most steel producers, BHP Steel is low cost.

Since 1999, your Company, BHP Steel, has remained consistently profitable and generated, on average, over A\$500 million EBITDA per year.

In FY 2002, BHP Steel generated A\$227 million in net cash and generated earnings before interest and tax of A\$160 million.

This result was delivered despite record low international prices for flat steel – the lowest for 20 years despite global industry overproduction, despite unnecessary and harmful industrial action at several sites, and despite the challenges of public listing.

We are proud of last year's performance given these challenges.

But, this is a new year and a new beginning for BHP Steel Limited.

Accordingly, we are delighted that the Chairman has been able to announce an upgrade of over 50 per cent in our expected net profit after tax for this current financial year to approximately A\$400 million.

So, how has this upgrade come about?

The Directors and senior management of BHP Steel have made this upward revision after consideration of the overall production, despatch, productivity, cost and prices achieved in the first four months of this financial year, and with a good understanding of how those factors will look for the next few months.

In particular, we have realised an increase in the average price of hot rolled coil in overseas markets of over US\$40 per tonne for the first four months of 2003.

The spread between scrap costs and selling prices in the USA has widened more than anticipated at North Star BHP Steel.

Overall, our production levels are up and despatches are running 16 per cent ahead of last year.

Unit costs are down and productivity is up.

We will provide all of these details when our first half results are released in February 2003.

Balance Sheet / Gearing

As well as being consistently profitable, BHP Steel also has a strong and flexible capital structure.

In July, we started our new life with a gearing ratio – expressed as net debt to net debt plus equity - of approximately 18%, and an ability to achieve an investment grade credit rating.

Since July we have repaid about A\$200 million of debt, bringing our net debt level to A\$420 million and gearing to 12 per cent.

We now have one of the strongest balance sheets in the world steel industry. This provides a strong foundation for future growth, and gives us confidence we can meet whatever challenges may come our way.

So that's our record in financial terms, but what about the other qualitative aspects of our business?

Safety

At BHP Steel we are passionate about safety.

We have a series of core safety beliefs.

We believe in zero harm to our employees, to our suppliers and to our contractors.

Put simply, our commitment to anyone on our 65 sites is for them to leave in the same condition as they arrive.

In our industry, as well as many others, safety is measured in terms of Lost Time Injury Frequency Rate (LTIFR) – 10 years ago at BHP Steel, the LTIFR was 35.

I'm enormously proud to tell you that in the year just finished we've reduced that to 2.7 for nearly 12,000 employees and over 4,000 equivalent contractors on our 65 sites in 20 countries.

That's an exceptional performance and it makes BHP Steel a leader in safety in the steel industry and indeed in the Australian manufacturing sector.

In Thailand we just celebrated 10 million hours without a Lost Time Injury or 'LTI'.

We have an expression at BHP Steel: "If you can't manage safely, you can't manage."

Cost / Productivity

Our strong track record continues with numerous initiatives to reduce costs, improve our operating performance, and enhance our service to customers.

Since 1999, productivity at BHP Steel's Port Kembla Steelworks has improved 45 per cent, from 830 tonnes of crude steel produced per employee, per year, to almost 1,200 tonnes in 2002 and these trends are continuing this year.

Service

In the area of customer service, our US joint venture - North Star BHP Steel - was awarded one of the US steel industry's most coveted awards in September.

In the annual Jacobsen & Associates customer survey North Star BHP Steel was named the "Number One flat roll steel supplier".

In a poll of 38,000 US steel customers, your Company was voted the number one supplier in quality, number one in service and number one for on-time delivery.

And that's against 27 competitor North American steel companies!

Where over half our product goes to the demanding auto sector.

Fix Up

Closer to home, in the area of Packaging Products, we have engineered an impressive turnaround.

Three years ago, we were losing customers to offshore manufacturers of tinsplate and packaged products, and there were some people calling for the sale or closure of our operation – at a huge loss to shareholders.

We took a different view.

Our view was that closure didn't create value for our shareholders, our customers, our employees or the community.

So we set about fixing the business – the hard way.

Yes, we lost 320 jobs in the process. But we've saved 500.

We have now reclaimed 100% of the Australian market share for Australian-made tin plate and packaging products.

What about ongoing improvements?

Well, as I've said before, BHP Steel is one of the lowest cost steel producers in the world, with operations in the lowest quartile of the world steel production cost curve.

But if we stand still, we will certainly lose this advantage.

In the steel industry, cost reduction is a continuous process.

As an example, outsourcing of selected maintenance services at our Port Kembla Steelworks will result in a saving of at least A\$10 million for the current year.

The introduction of pulverised coal injection will save about A\$20 million this year.

At Western Port, here in Victoria, we have succeeded in introducing significant improvements in workforce flexibility, including a very innovative provision in our enterprise bargaining agreement at that site; this provides that, whatever industrial disputation might be underway, employees will continue to supply critical product to our customers.

Through direct engagement with our employees, we aim to put in the past the crippling industrial disputes which reduce our employees' pay cheques, hurt our Company and cause damage to customers and the Australian economy.

Global Market

I would now like to touch on the global steel market, where we have seen a strong recovery in the past six months.

The global steel industry is highly fragmented, with little of the consolidation we have seen in other metals industries, such as aluminium.

At the close of 2001, the top five steel companies accounted for less than 20 per cent of the world steel market.

By comparison, the top five aluminium producers accounted for almost 50 per cent of the world market.

The global steel industry also continues to be plagued by over-capacity and frequent over-production.

Rationalisation of steel companies and steel plants and a reduction in global overcapacity are essential to the long-term health of the world steel industry.

Already, we have seen some consolidation underway in Europe, Japan and the US, but much more needs to be done.

In the short to medium-term, the continuing key to a global steel recovery is the balance between supply and demand in China – Chinese steel production is surging.

In 2000, production totaled 127mt, and in 2002 it is estimated to reach 170mt.

To put that in perspective, that's nearly twenty times Australia's production, and nearly twice that of the US.

China is now positioned to be the leading player in the global steel industry in the 21st century.

This is not surprising – Europe, the USA and Japan have all had their turns as the industry's leaders as their economies grew in the 1950s, 60s and 70s.

For the time being, however, China remains a large net importer – 25mt last year.

Asia Growth

The poster on the screen behind me promotes one of BHP Steel's success stories in China – the provision of Lysaght and Clean Colorbond materials for the new Beijing International Airport.

We too are expanding our operations in China and we're seeing a number of opportunities in that country, based in part on our experience with the 2000 Sydney Olympic Games.

Amongst the steel companies of the world, BHP Steel has a unique footprint in Asia.

As you can see on this map, BHP Steel already operates rolling, metal coating and painting plants in Thailand, Malaysia and Indonesia.

We have a network of 40 roll forming plants throughout Asia, Australia and the Pacific Islands.

And we're in the process of building two more in China.

Summary / Conclusion

Ladies and gentlemen, I trust I have demonstrated to you that BHP Steel truly is a different kind of steel products business, with strengths and attributes that set it apart.

As the Chairman said, BHP Steel is highly respected by its peers in the global steel industry.

At BHP Steel we have a clear strategy and vision, and a strong set of values and beliefs – as expressed in *Our Bond*.

Although it's only four months since BHP Steel listed on the Australian Stock Exchange, we have the foundations in place for growth, profitability and success.

The demerger from BHP Billiton is good for your Company, for our customers, and for our host communities.

Why? Because BHP Steel now has a Board and management team which are totally focused on the interests of this business alone.

And our Board is committed to best practice in corporate governance.

Our degrees of freedom to deal with our business and relate to other steel companies are significantly enhanced.

And the strong cash flow from this Company will either be reinvested in the business or tax-effectively returned to shareholders.

We have a very strong balance sheet.

We have a solid financial history and established track record.

We have an absolute focus on safety and zero harm.

We continue to enhance productivity across our businesses, with a goal to maintain our position as one of the world's lowest cost and most highly regarded steel products producers.

We have a talented, experienced and energised management team.

We have market-leading brands, and a more robust customer focus.

We have a unique footprint in the growing markets of Asia.

And we see many growth opportunities for your Company which we will undertake with care and diligence.

Employees

Of course, a company does not get any outcomes without the engagement of its employees.

At BHP Steel, we have nearly 12,000 employees and thousands of contractors.

Every day, it is the commitment of these women and men to *Our Bond* which creates the results you have heard about today and will hear about in future.

These people make BHP Steel sites some of the most clean and safe and efficient in the industry.

They engineer and produce and market the great products which roof your house and hold your car together.

I offer a special thanks to our committed employees for their contribution during the past year and the four months since public listing.

Thanks to their ingenuity and hard work within our organisation, we can transform millions of tonnes of dirty ore and scrap steel into one of the most widely used and most recycled products in the world – colourful, shiny steel!

We hope you all share our pride and enthusiasm for the future, and I thank you for your support and investment.

We are confident you have made the right choice!

Kirby Adams
Managing Director & CEO