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27 February 2003

Half Year Earnings Report
Six Months Ended 31 December 2002

PLEASE NOTE

BHP Steel Limited ("BHP Steel") legally separated from the BHP Billiton Group on 22 July 2002, having listed on the Australian Stock Exchange on 15 July 2002. However, for accounting purposes the effective separation date was 1 July 2002, and therefore the financial results for the six month period to 31 December 2002 in this report reflect a complete six months' results.

The comparative financial results, for the six month period to 31 December 2001, reflect a period when BHP Steel was a business unit of the BHP Billiton Group. This comparative financial information has been prepared on a basis consistent with pro forma information presented by the BHP Billiton Group in the Scheme Booklet dated 13 May 2002. Normalisation adjustments have been made to the financial information to adjust for discontinued activities, to exclude the impact of certain non-recurring items and to reflect the costs of operating as an independent company.

A comparative NPAT result is not presented as the assets and entities that comprise BHP Steel were part of the BHP Billiton Group during the half year ended 31 December 2001 and operated under different corporate structures with different gearing, treasury and tax profiles. Accordingly, reporting borrowing costs and income tax for this period is not considered meaningful or appropriate.

Originally issued by BHP Steel. On 17 November 2003 BHP Steel became BlueScope Steel Limited.

2002 HALF YEAR CONSOLIDATED RESULTS VERSUS 2001 PRO-FORMA RESULTS

Earnings before interest and tax (EBIT) for the half year ended 31 December 2002 was \$332m compared to a pro-forma EBIT for the half year ended 31 December 2001 of \$95m. Group net profit after tax (NPAT) and minority interests for the half year ended 31 December 2002 was \$242m.

The Board has approved an interim dividend of 9¢ which will be fully franked and payable on 22 April, 2003. Due to the stronger than expected earnings of the Australian operations, the Company is now able to fully frank the interim dividend whereas it was previously expected this dividend would be unfranked. This initiative is in accord with the Company's previously stated intention to, where possible, tax effectively return funds to shareholders. As previously advised, the final dividend is still expected to be fully franked.

The Board has also approved an on market buyback of up to 79.3 million (10%) of BHP Steel Limited's ordinary shares. The shares will be purchased over the next 12 months, subject to market conditions. It should be noted however, that because of the Company's lower number of shares on issue prior to the demerger from BHP Billiton in July 2002, the Company will be limited under the Corporations Law to purchasing a maximum of 10 million of its ordinary shares prior to 12 July 2003. After this date the Company will be able to acquire any remaining balance up to the total of 79.3 million ordinary shares. The Company believes the share buyback should:

- Increase earnings per share.
- Increase the return on shareholders' funds.
- Reduce the Group's weighted average cost of capital.

		6 MTHS TO 31 DEC		**VARIANCE**
		2002	**2001 (1)**	
Revenue	A\$m	2,590	2,299	291 (+13%)
Earnings before interest, tax, depreciation and amortisation (EBITDA) (2) (3)	A\$m	464	221	243 (+110%)
EBIT (2) (3)	A\$m	332	95	237 (+249%)
Net borrowing costs	A\$m	(11)	N/A	-
NPAT attributable to BHP Steel shareholders	A\$m	242	N/A	-
Earnings per share	¢/s	30.6	N/A	
Interim dividend	¢/s	9.0	N/A	
Net cash flow from operating and investing activities	A\$m	343	188	
Return on invested capital (4)	**%/a**	**15.7%**	**N/A**	
Gearing (net debt / net debt plus equity)	**%**	**6.5%**	**N/A**	

Notes:

(1) **Pro forma information as presented by the BHP Billiton Group in the Scheme Booklet dated 13 May 2002.**

(2) **Includes 50% share of net profit from North Star BHP Steel of $63m in 2002 ($14m loss in 2001).**

(3) **Includes one off contribution to the Australian Defined Benefit Superannuation Fund of $20m.**

(4) **Return on Invested Capital is defined as annualised net operating profit after tax over average capital employed.**

HEADLINES FOR THE HALF YEAR

- Hot Rolled Products – six month production records were achieved at the Sinter Plant and Hot Strip Mill.
- North Star BHP Steel - voted the No. 1 flat rolled steel supplier in North America in the 2002 Jacobsen Survey.
- Coated Products Australia – projects initiated to expand existing metallic coating production capacity by 150,000tpa and painting by 115,000tpa. This will support the new branded products growth strategies.
- Coated Products Asia – approved an increase in the paint line capacity in Indonesia (30,000 to 50,000tpa); moved to 100% equity in the Indonesian Coated Products business; Thailand paint line capacity increased from 75,000 to 90,000tpa; 2 new rollforming centres to be commissioned in China in March 2003.
- Safety – achieved best ever safety performance with a record low Lost Time Injury Frequency Rate (number of injuries resulting in lost work days, per million hours of work time) of 1.4, a 50% improvement over 2001/02.

VARIANCE ANALYSIS

- **Revenue**

  The $291m increase principally reflects:
  - Higher international steel prices.
  - Stronger demand in domestic markets in all reporting segments.
  - Higher export slab sales by Hot Rolled Products.
  - Partly offset by a stronger AUD/USD exchange rate.

- **EBIT**

  The $237m increase principally reflects:

  Prices ($172m favourable)
  - Higher international slab and hot rolled coil prices and the related flow-on to export coated product and Australian hot rolled coil prices.
  - Australian and Asian domestic coated product price increases.

  Sales Volumes and Product Mix ($53m favourable)
  - Significantly higher despatches largely due to increased production and stronger selling in domestic markets in all reporting segments.

  North Star BHP Steel ($77m favourable)

- Higher domestic prices received by North Star BHP Steel due to the impact of higher international prices and introduction of tariffs on hot rolled coil imported into USA, partly offset by higher scrap costs.

Costs

Conversion and other costs ($23m favourable).

- Improved labour productivity, partly offset by wage increases.
- Favourable unit cost effect of higher production volumes mainly from the Port Kembla Steelworks and Coated Products Australia together with lower maintenance costs at New Zealand Steel.

Raw material costs ($21m unfavourable)

- Higher coal and scrap costs at Port Kembla.
- Higher hot rolled and cold rolled purchased steel feed costs by the downstream Asia coating operations.
- Partly offset by lower zinc and aluminium costs.

Exchange Rates ($9m unfavourable)

- Reflects the net impact of stronger AUD/USD and NZD/USD exchange rates on both US$ denominated revenue and costs.

Other ($58m unfavourable)

- Mainly due to restructuring costs and one off $20m contribution to the Defined Benefit division of the Australian Superannuation Fund.

- **Tax**
  The effective tax rate for the six months ended 31 December 2002 was 19%. This differs from the Australian tax rate of 30% primarily due to equity accounting the net profit from the North Star BHP Steel joint venture, the utilisation of unbooked tax losses in New Zealand and tax exemptions in certain Asian operations.

CASH FLOWS AND VARIANCE ANALYSIS

	6 MTHS TO 31 DEC		VARIANCE
	2002	2001 (1)	
	A$m	A$m	A$m
Net operating cash flow before borrowing costs and income tax	386	244	142 (+58%)
Net investing cash flows (2)	(43)	(56)	13 (+23%)
Net cash fom operating and investing activities	343	188	155 (+82%)

Notes:

(1) **Pro forma information as presented by the BHP Billiton Group in the Scheme Booklet dated 13 May 2002.**

(2) **Includes the repayment of funds loaned to North Star BHP Steel of $36m in 2002 ($Nil in 2001).**

Variance

The $155m increase in net cash from operating and investing activities primarily reflects an increase in operating cash profits and the partial repayment of funds loaned to the North Star BHP Steel Joint Venture. Net cash movement associated with working capital is largely in line with the corresponding period. An increase in inventories in the lead up to planned maintenance in the second half of the financial year was offset by an increase in cash generated from the sale of receivables.

GROUP REVIEW

In commenting on the half year results, the Managing Director and CEO of BHP Steel Limited, Mr Kirby Adams, said:

"I am pleased to report on our performance for the first six months as a publicly listed company. Our shareholders are being rewarded with a 100% franked dividend and a 10% share repurchase initiative. Our bank debt has been reduced during this 6 month period by $379m. Our non-executive employees were recently rewarded with a $9m accelerated incentive reward for this great start and demonstrated safe work practices throughout the Company. Net profit after tax (NPAT) for the half of $242m reflects higher prices, strong sales of our products and productivity improvements across our businesses.

The Hot Rolled Products segment has capitalised on the strong pricing environment with Port Kembla Steelworks delivering an excellent production performance whilst continuing to implement cost efficiencies. North Star BHP Steel in the USA has also set new production records and was voted the No. 1 flat rolled steel supplier in North America in the 2002 Jacobsen Survey, a major achievement. New Zealand Steel had a solid first half performance resulting from stronger sales into the New Zealand market and improved operational performance.

Major new growth initiatives to improve market share in branded products like COLORBOND®, ZINCALUME® and GALVASPAN® contributed to a very good result from the Coated Products Australia segment. This will be supported by investment in increased painting, coating and roll-forming capacity at existing sites and possible greenfield expansions currently under study."

Our Coated Products Asia segment has continued to improve its profitability, underlining the opportunities available to BHP Steel in the region. We are examining a range of market opportunities, which leverage BHP Steel's demonstrated strengths in coating, painting and forming value-added and branded flat steel products. This includes future expansion of our unique presence in Asia as well as new product and service offers."

Mr Adams continued, "Based on our first half performance, we are confident we will exceed the full year net profit of $400m, as indicated at the November 2002 Annual General Meeting. This takes into account that our second half performance will be tempered by issues such as scheduled maintenance down time at several sites, less favourable exchange rates and higher scrap prices. These higher scrap prices coupled with lower USA Midwest Hot Rolled Coil prices are expected to reduce North Star BHP Steel's second half result. In all other markets and across most products we expect prices in the second half to be at least equivalent to those realised in the first half.

Longer term, the pricing environment for flat steel products will be influenced by the extent of continued strong demand growth in China and the completion of capacity reduction initiatives internationally where we are encouraged by rationalisations recently announced in Europe, USA and Japan".

The strong operational performance is exemplified by our continued commitment to safe work processes, record low injury performance and business excellence.

The strength of our balance sheet allows us to initiate a share buyback program as well as enabling us to consider a series of growth initiatives earlier than anticipated. We will focus our growth aspirations mainly in the area of value-added branded products whilst continuing to extract additional value from our current operations through process improvements and new marketing initiatives.

We take this opportunity of thanking our customers, communities and employees for their support during public listing and our first six months as a newly listed company."

BUSINESS SEGMENT REVIEW

Summary of Results by Segment

	Revenue ($m)		EBIT ($m)	
	Half Year Ended 31 December			
	2002	2001 (1)	2002	2001 (1)
Hot Rolled Products	1,339	1,067	265	61
New Zealand Steel	277	239	21	12
Coated Products Australia	1,344	1,194	64	40
Coated Products Asia	286	266	47	36
Corporate & Group (2)	350	433	(39)	(33)
Inter-segment (2) (3)	(1,006)	(900)	(26)	(21)
Total BHP Steel	2,590	2,299	332	95

Notes:

(1) Pro forma information as presented by the BHP Billiton Group in the Scheme Booklet dated 13 May 2002.

(2) Corporate and Group reflects the Transport & Logistics, Export Trading and corporate office activities. Note: the half year ended 31 December 2001 pro forma revenue as presented in the Scheme Booklet has been increased by $268m (offset by a corresponding increase in inter-segment elimination) as the Scheme Booklet was normalised to take out the effect of inter-segment Transport& Logistics and Export Trading activities.

(3) Inter-segment revenue reflects the elimination of internal sales between reporting segments. Inter-segment EBIT reflects an entry to remove the impact of profit-in-stock associated with inter-segment sales.

Hot Rolled Products

This segment comprises:

- Port Kembla Steelworks, NSW, Australia (covering coke, iron, slab, plate and hot rolled coil production).
- BHP Steel's 50% interest in North Star BHP Steel, USA.
- BHP Steel's 47.5% interest in Castrip LLC, USA.

(i) Financial Performance

	6 MTHS TO 31 DEC		VARIANCE
	2002	2001	
	$m	$m	$m
Total Revenue	1,339	1,067	272 (+25%)
EBITDA (1)	323	118	205 (+174%)
EBIT (1)	265	61	204 (+334%)
Capex	31	17	14 (+82%)
Net Operating Assets	1,520	1,487	33 (+2%)

Notes:

(1) Includes 50% share of net profit from North Star BHP Steel of $63m in 2002 ($14m loss in 2001).

The $204m EBIT increase was largely due to:

- Higher Australian domestic and export prices for all products together with the benefit of higher US domestic prices for North Star BHP Steel.
- Increased production and despatches, in particular increased slab exports to Korea and USA.
- Improved operating costs mainly reflecting higher throughput and lower employment costs. The main drivers effecting throughput were additional scrap usage to increase raw steel production and the absence of the negative factors that affected the previous corresponding period such as industrial stoppages and blast furnace operational problems.
- Partly offset by higher coal and scrap costs at Port Kembla Steelworks and scrap costs at North Star BHP Steel, together with restructuring costs and the cost of a one off superannuation contribution.

The increase in capital expenditure was largely due to:

- Higher expenditure on the sinter plant emissions project which is consistent with the project schedule (this project will significantly reduce airborne emissions).

(ii) Operations Report

- Six month production records at the Hot Strip Mill (HSM) and Sinter Plant.
- The Pulverised Coal Injection Project was successfully implemented, which will reduce hot metal costs in the order of $3-4/t.
- Agreement was reached with Metserv to provide a briquetting service to convert iron bearing dusts to furnace feed (approximately 150,000t/a). This will enable the Company to cost effectively meet its EPA obligation to process these waste dusts.
- North Star BHP Steel was voted the No. 1 flat rolled steel supplier in North America in the 2002 Jacobsen Survey (ranked second in 2001).
- North Star BHP Steel increased its annual sustainable production capacity from 1.42 to 1.63mt (100% basis).
- Castrip – the successful start up continues at Nucor's new facility, in Crawfordsville, Indiana, that utilises the Castrip® technology with ramp up of this facility proceeding according to schedule.

New Zealand Steel

(i) Financial Performance

	6 MTHS TO 31 DEC		VARIANCE
	2002	2001	
	$m	$m	$m
Total Revenue	277	239	38 (+16%)
EBITDA	38	28	10 (+36%)
EBIT	21	12	9 (+75%)
Capex	2	6	-4 (-67%)
Net Operating Assets	491	458	33 (+7%)

The $9m EBIT increase was largely due to:

- Strong domestic demand, with higher sales to the construction and agriculture sectors.
- Higher export prices, including higher prices for export HRC to the United States, which accounted for 23% of NZ Steel's exports. Net prices, after allowing for the S.201 tariff impact, were higher than for the corresponding period.
- Lower maintenance and utility costs.
- Partly offset by a stronger NZ$ / US$ exchange rate.

(ii) Operations Report

- All operations continued to perform well following the rebuild of the No. 2 Melter during the second half of FY2002.
- Process control improvements resulted in higher yields and improved product quality.
- The Taharoa iron sands mine celebrated 30 years continuous operations.

Coated Products Australia

This segment comprises:

- Coated Products operations at Springhill, NSW and Western Port, Victoria.
- Lysaght Australia.
- Packaging Products.
- Service Centres.

(i) Financial Performance

	6 MTHS TO 31 DEC		VARIANCE
	2002	2001	
	$m	$m	$m
Total Revenue	1,344	1,194	150 (+13%)
EBITDA	105	78	27 (+35%)
EBIT	64	40	24 (+60%)
Capex	13	18	-5 (-28)%
Net Operating Assets	1,136	1,161	-25 (-2%)

The $24m EBIT increase was largely due to:

- Strong domestic demand. This has been led by increased demand for COLORBOND® and ZINCALUME® branded products principally in the building and construction markets.
- Higher product prices for both export and domestic sales.
- Lower zinc and aluminium metal costs.
- Partly offset by a one off superannuation contribution, higher wage rates and higher inter-segment steel feed costs.

(ii) Operations Report

- A number of projects, including process debottlenecking and equipment upgrades are underway at the Springhill and Western Port plants which will result in the metallic coating production capacity being increased by 150,000t/a and painting by 115,000t/a over the next 2-3 years at minimal capital cost. This will support the branded products market growth strategies introduced in the December half, including growth in residential roofing and fencing.
- Production records were set at the Acacia Ridge Service Centre and Western Port paint lines.
- Commissioned a new COLORBOND® slitting facility at Acacia Ridge in Queensland which will both enhance capability and enable retirement of older, less efficient equipment.
- At Packaging Products there were significant improvements in conversion and overhead costs and continued improvement in inventory turnover, whilst production increased 7% due to improved equipment efficiency and utilisation.
- Lysaght opened a new rollforming site at Forrestfield, Western Australia, replacing the Myaree and Osborne Park operations. Lysaght has also completed a new $15m rollforming site at Lyndhurst, Victoria, which will commence operations in the second quarter CY2003 and replaces the Nunawading site (to be sold in May 2003).

Coated Products Asia

This segment comprises:

- Coated Products operations in Indonesia, Malaysia and Thailand.

- Lysaght Asia & Pacific operations in 12 countries.

(i) Financial Performance

	6 MTHS TO 31 DEC		VARIANCE
	2002	**2001**	
	$m	**$m**	**$m**
Total Revenue	286	266	20 (+7%)
EBITDA	60	48	12 (+25%)
EBIT	47	36	11 (+31%)
Capex	14	4	10 (+250%)
Net Operating Assets	456	474	-18 (-4%)

The $11m EBIT increase was largely due to:

- Higher sales volumes due to strong demand in:
  - Thailand domestic roofing and walling market.
  - Malaysia for Zincalume® trusses and frame products.
  - Indonesia in the industrial and residential building markets.
- Lower unit costs due to higher utilisation, improved operating performance and lower coating metal costs.
- Increased sales by the Lysaght Asian/Pacific operations of new products such as lightweight steel trusses and pre-engineered buildings.
- Higher sales prices across all products were offset by higher purchased steel feed costs.

The increase in capital expenditure was largely due to:

- Construction of 2 new rollforming operations in China (at Langfang and Chengdu), which are expected to be commissioned in March 2003.
- Commissioning of Smartruss™ machinery and equipment in Thailand, Malaysia and Indonesia. A Smartruss™ is a computer designed light weight roof frame.

(ii) Operations Report

- Approval was given to upgrade the paintline at Coated Products Indonesia operations. This initiative, driven by increased demand, will result in annual capacity being increased from 25,000tpa to in excess of 50,000tpa. The upgrade is expected to be completed by the end of September 2003.
- Yields were significantly improved at the metallic coating lines.
- During the period, the average production capacity at the Thailand paint line was increased from 75,000tpa to 90,000tpa at minimal capital cost.
- The Company increased its equity interest in the Indonesian coating business to 100% (previously 74%) in early January 2003.

OTHER INFORMATION

Capital Management

- During the period, the Company repaid A$379m of debt. Total debt outstanding at 31 December 2002 was A$352m.
- In terms of off balance sheet financing, North Star BHP Steel also repaid US$52m of its debt, reducing its total outstanding external debt to US$157m (100% basis) at 31 December 2002. In addition, the Company had sold A$222m of its trade receivables under its receivables securitisation program. This represents an A$44m increase from 30 June 2002.

Environment Safety & Health

- The Company continues to improve its record low injury performance. For example, the Thailand operations recently achieved 10 million man hours lost time injury free (LTI).
- The North Star BHP Steel operation has achieved a major milestone with over 2 million work hours (approaching 3 years) LTI free.
- Work continues on achieving ISO 14001 certification for environmental management systems at all operations. The majority of sites have been certified, with work progressing well at both Port Kembla Steelworks and New Zealand Steel.
- The IISI released their Charter for Sustainable Development in August 2002. BHP Steel assisted with the development of the Charter and is committed to meeting its objectives.
- The Company released details of its fifth Environmental Improvement Program for the Port Kembla Steelworks on 3 February 2003, which includes tasks such as continuous monitors for the coke ovens waste heat stacks. Since the first program was introduced in 1976, some $300m has been spent on a wide range of projects that have delivered cleaner air, cleaner water and less noise.

Interim Dividend Schedule

- Record date - 18 March 2003.
- Payment date - 22 April 2003.

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ATTACHMENT 1

PRODUCTION AND DESPATCH REPORT

	HALF YEAR ENDED	
	DEC 2002	DEC 2001
RAW STEEL PRODUCTION ('000t)		
Port Kembla	2,582	2,347
New Zealand Steel	305	297
Sub-total	**2,887**	**2,644**
North Star BHP Steel (1)	427	392
Total	**3,314**	**3,036**
EXTERNAL DESPATCHES ('000t)		
Hot Rolled Products		
- Domestic	460	400
- Export	761	504
Coated Products Australia		
- Domestic	949	860
- Export	290	274
New Zealand Steel		
- Domestic	130	117
- Export	167	151
Coated Products Asia		
- Domestic	158	121
- Export	27	23
Total		
- Domestic	1,697	1,498
- Export	1,245	952
Sub-total	**2,942**	**2,450**
North Star BHP Steel (1)	406	380
Total	**3,348**	**2,830**

(1) Reflects BHP Steel's 50% share from North Star BHP Steel.