



**BHPSTEEL**

BHP Steel Limited  
ABN 16 000 011 058

## **Half Year Report - 31 December 2002**

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



# Creating Value for Shareholders

## Message from Graham Kraehe and Kirby Adams

It is a great pleasure to report to you on BHP Steel's performance in our first six months as a publicly listed company.

Since public listing, your Company's focus has been on creating shareholder value - through continuing profitability and growth in value.

In the six months to December 2002, BHP Steel achieved a net profit after tax of \$242 million. Our strong profit was a result of higher prices, higher sales in both domestic and export markets, and cost savings and productivity improvements across our business.

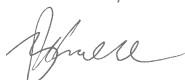
Stronger than expected first half earnings have allowed us to fully frank the interim dividend of 9 cents per share, which we previously expected would be unfranked.

Our strong earnings have also allowed us to reduce our bank debt by \$379 million. Lower debt, combined with a \$155 million increase in net cash from operating and investing activities over the comparative six month period, provides us with the flexibility to pursue growth opportunities and tax effective returns to shareholders. We have announced an on-market buy back of up to 10 per cent of BHP Steel's ordinary shares, aimed at increasing returns to shareholders.

Enclosed in this mailout are a number of documents to facilitate the administration of your shareholding. Please take time to read, complete and return these documents (where appropriate). If you have any queries in relation to these forms, please contact the Company's share registry (details on p.26 of this report).

Thank you for investing in BHP Steel. Our shareholders are our foundations and we look forward to continuing to meet our commitments to you.

Sincerely



**Graham Kraehe**  
Chairman



**Kirby Adams**  
Managing Director & CEO

# Half Year Headlines

	<b>YTD 2002</b>
NPAT attributable to BHP Steel shareholders (A\$m)	242
Earnings per share (¢)	30.6
Interim dividend (¢)	9.0
Return on invested capital (annualised)	15.7%
Gearing (net debt / net debt plus equity) (%)	6.5%

No comparative financial information for the six months to 31 December 2001 has been presented in accordance with Australian Accounting Standard AASB 1029, as this is the first half year in which this standard has been applied.

## **Interim Dividend**

BHP Steel's Board has approved a 9 cents per share interim dividend, which is fully franked and payable on 22 April 2003. Your dividend cheque is enclosed with this report.

If you have not received your dividend payment by either cheque or direct credit, please contact the Company's share registry (details on p.26 of this report).

## Half Year Headlines

(continued)

### Share Buy Back

The Board has approved an on-market share buy back of up to 79.3 million (or 10 per cent) of BHP Steel Limited's ordinary shares. The shares will be purchased over the next twelve months subject to market conditions.

The objectives of the share buy back are to:

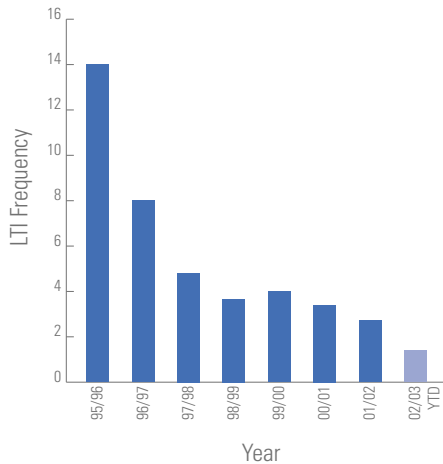
- Increase earnings per share;
- Increase the return on shareholders' funds; and
- Reduce the Group's weighted average cost of capital.

### Best Ever Safety Performance

In the six months to December 2002, BHP Steel further improved its record low injury performance. During this period, we achieved 50 per cent fewer lost time injuries (LTIs) than for the same period last year, falling to a record low of 1.4 LTIs per million hours worked.

In just over seven years, your Company has achieved a ten-fold improvement in its safety performance (as measured by LTIs).

### Lost Time Injury



# Explanatory Statement to the Financial Report

The following Financial Report has been prepared for the consolidated BHP Steel group in accordance with the Corporations Act 2001, Australian Accounting standards and other authoritative pronouncements of the Australian Accounting Standards Board. 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. In preparation for separation, certain significant BHP Steel operating entities previously owned by other entities within the BHP Billiton Group were acquired. In particular, BHP Steel (AIS) Pty Ltd which operates the Port Kembla Steelworks, New Zealand Steel and Packaging Products, was legally acquired on 3 July 2002. For accounting purposes the effective separation date was 1 July 2002 and therefore the consolidated statement of financial performance and consolidated statement of cash flows reflect the results for the entire half year to 31 December 2002. However, the consolidated statement of cash flows also reflects the investing and financing associated with the acquisition of BHP Steel (AIS) Pty Ltd and the legal separation from the BHP Billiton Group.

For a comparison between the six months ended 31 December 2002 and proforma financial performance for the six months ended 31 December 2001, please refer to the Half Year Report dated 27 February 2003 (which is available on the BHP Steel website).

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# Directors' Report

Your directors present their report on the consolidated entity consisting of BHP Steel Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2002.

No comparative financial information for the six months to 31 December 2001 has been presented in accordance with Australian Accounting Standard AASB 1029, as this is the first half year in which this standard has been applied.

## Directors

The following persons were directors of BHP Steel Limited during the whole of the half-year and up to the date of this report:

G J Kraehe

R J McNeilly

K C Adams

J Crabb

D J Grady

H K McCann

P J Rizzo



**Directors' Report**  
(continued)

**Review of operations**

	<b>Segment revenues</b> <b>31 December 2002</b>	<b>Segment results</b> <b>31 December 2002</b>
	<b>\$m</b>	<b>\$m</b>
Hot Rolled Products	1,339.1	265.3
Coated Products Australia	1,344.0	64.1
Coated Products Asia	286.1	47.2
New Zealand Steel	276.8	20.8
Corporate and Group	350.5	(39.0)
Intersegment eliminations	(1,006.1)	(26.5)
<b>Operating revenue</b>	<b>2,590.4</b>	
Operating EBIT		331.9
Net unallocated expenses		(16.2)
Profit from ordinary activities before income tax		315.7
Income tax expense/(benefit)		59.6
Profit from ordinary activities after income tax expense		256.1
Less: Net profit attributable to outside equity interest		13.8
<b>Net profit attributable to members of BHP Steel Limited</b>		<b>242.3</b>

## Directors' Report

(continued)

Net profit after tax (NPAT) for the half of \$242 million 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.

Major new growth initiatives to improve market share in branded products like COLORBOND®, ZINCALUME® and GALVSPAN® 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.

New Zealand Steel had a solid first half performance resulting from stronger sales into the New Zealand market and improved operational performance.

## **Directors' Report**

**(continued)**

### **Rounding of amounts**

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report have been rounded off to the nearest hundred thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of directors.



**G J Kraehe**

Chairman



**K C Adams**

Managing Director & CEO

Melbourne

27 February 2003

# Financial Statements

## Consolidated Statement of Financial Performance For the half-year ended 31 December 2002

	31 December 2002
	\$m
<b>Revenue from ordinary activities</b>	
(excluding shares of equity accounted net profits of associates and joint venture partnership)	2,590.4
Changes in inventories of finished goods and work in progress	34.3
Raw materials and consumables used	(1,002.1)
Employee benefits expense	(512.6)
Depreciation and amortisation expenses	(131.6)
Contracted services	(473.6)
Carrying amount of non-current assets sold	(1.3)
Other expenses from ordinary activities	(232.2)
Borrowing costs expense	(18.3)
Shares of net profits of associates and joint venture partnership accounted for using the equity method	62.7
<b>Profit from ordinary activities before income tax expense</b>	<b>315.7</b>
Income tax benefit/(expense)	(59.6)
<b>Profit from ordinary activities after income tax expense</b>	<b>256.1</b>
Net profit attributable to outside equity interest	(13.8)
<b>Net profit attributable to members of BHP Steel Limited</b>	<b>242.3</b>
Net increase (decrease) in foreign currency translation reserve	25.9

## Financial Statements

### Consolidated Statement of Financial Performance For the half-year ended 31 December 2002 (continued)

	31 December 2002
	\$m
<b>Total revenue, expenses and valuation adjustments attributable to members of BHP Steel Limited recognised directly in equity</b>	<b>25.9</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	<b>268.2</b>
	<b>Cents</b>
Basic earnings per share	30.6
Diluted earnings per share	30.6

*The above consolidated statement of financial performance should be read in conjunction with the accompanying notes.*

# Financial Statements

## Consolidated Statement of Financial Position As at 31 December 2002

	31 December 2002	30 June 2002
	\$m	\$m
<b>Current assets</b>		
Cash assets	136.7	98.7
Receivables	496.7	2,110.8
Inventories	701.3	257.8
Other financial instruments	5.4	2.2
Other	27.6	9.4
<b>Total current assets</b>	<b>1,367.7</b>	<b>2,478.9</b>
<b>Non-current assets</b>		
Receivables	10.8	10.8
Inventories	64.6	23.4
Investments accounted for using the equity method	172.0	146.3
Other financial assets	4.9	0.2
Property, plant and equipment	3,171.3	1,065.1
Deferred tax assets	45.0	19.2
Intangible assets	2.7	0.7
Other	10.8	9.5
<b>Total non-current assets</b>	<b>3,482.1</b>	<b>1,275.2</b>
<b>Total assets</b>	<b>4,849.8</b>	<b>3,754.1</b>

## Financial Statements

### Consolidated Statement of Financial Position As at 31 December 2002 (continued)

	31 December 2002 \$m	30 June 2002 \$m
<b>Current liabilities</b>		
Payables	499.4	351.2
Interest bearing liabilities	157.1	2,279.6
Current tax liabilities	53.7	2.8
Provisions	212.2	94.3
<b>Total current liabilities</b>	<b>922.4</b>	<b>2,727.9</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	194.7	94.5
Deferred tax liabilities	419.1	103.5
Provisions	219.4	56.5
<b>Total non-current liabilities</b>	<b>833.2</b>	<b>254.5</b>
<b>Total liabilities</b>	<b>1,755.6</b>	<b>2,982.4</b>
<b>Net assets</b>	<b>3,094.2</b>	<b>771.7</b>
<b>Equity</b>		
Parent entity interest		
Contributed equity	2,209.4	164.0
Reserves	207.9	182.9
Retained profits	630.8	387.7
Total parent entity interest	3,048.1	734.6
Outside equity interest in controlled entities	46.1	37.1
<b>Total equity</b>	<b>3,094.2</b>	<b>771.7</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

# Financial Statements

## Consolidated Statement of Cash Flows For the half-year ended 31 December 2002

	31 December 2002
	\$m
<b>Cash flows from operating activities</b>	
Receipts from customers (inclusive of goods and services tax)	2,790.0
Payments to suppliers and employees (inclusive of goods and services tax)	(2,415.7)
	374.3
Dividends received	1.4
Interest received	8.4
Other revenue	10.3
Borrowing costs	(20.1)
Income taxes paid	(8.2)
<b>Net cash inflow (outflow) from operating activities</b>	<b>366.1</b>
<b>Cash flows from investing activities</b>	
Payment for purchase of controlled entity, net of cash acquired	(716.2)
Payments for property, plant and equipment	(76.0)
Payments for investments	(4.1)
Proceeds from sale of property, plant and equipment	1.9
Loans repaid from associates	35.6
<b>Net cash inflow (outflow) from investing activities</b>	<b>(758.8)</b>



## Financial Statements

### Consolidated Statement of Cash Flows

For the half-year ended 31 December 2002 (continued)

	31 December 2002
	\$m
<b>Cash flows from financing activities</b>	
Proceeds from issues of shares and other equity securities	2,045.4
Proceeds from demerger borrowings	565.0
Proceeds from other borrowings	357.0
Net financing of related entities	(1,797.2)
Repayment of demerger borrowings	(365.0)
Repayment of other borrowings	(371.2)
Dividends paid to outside equity interests in controlled entities	(4.3)
<b>Net cash inflow (outflow) from financing activities</b>	<b>429.7</b>
<b>Net increase (decrease) in cash held</b>	<b>37.0</b>
Cash at the beginning of the reporting period	98.7
Effects of exchange rate changes on cash	1.0
<b>Cash at the end of the reporting period</b>	<b>136.7</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

# Notes to the Consolidated Financial Statements

31 December 2002

## **Note 1. Basis of preparation of half-year financial report**

This general purpose financial report for the interim half-year reporting period ended 31 December 2002 has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2002 and any public announcements made by BHP Steel Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year. Where applicable, comparatives have been adjusted to disclose them on a comparable basis with current period figures.

## **Notes to the consolidated financial statements**

**31 December 2002**

**(continued)**

### **Note 2. Segment information**

#### **Reporting Segments**

The consolidated entity has five business reporting segments: Hot Rolled Products, Coated Products Australia, New Zealand Steel, Coated Products Asia and Corporate and Group.

#### **Hot Rolled Products**

Hot Rolled Products includes the Port Kembla Steelworks which was legally acquired on 3 July 2002, a 50% interest in North Star BHP Steel, a steel mini-mill in the United States which was legally acquired in June 2002, and a 47.5% shareholding in Castrip LLC. The Port Kembla Steelworks produces a full range of flat steel products for both the domestic and export markets. The annual production capacity is approximately 5 million tonnes.

#### **Coated Products Australia**

Coated Products Australia markets a range of products and material solutions to the Australian building and construction industry and is also a key supplier to the Australian automotive sector, major white goods manufacturers and general manufacturers. Coated Products Australia is a leader in metallic coating and painting technologies supplying a wide range of branded products such as COLORBOND® pre-painted steel, ZINCALUME® zinc/aluminium alloy-coated steel and the LYSAGHT® range of building products. The coated products business comprises two main production facilities at Springhill in New South Wales and Western Port in Victoria together with a network of manufacturing and distribution facilities throughout Australia.

#### **Coated Products Asia**

Coated Products Asia manufactures and distributes a range of metallic coated and painted steel products primarily to the building and construction industry and to some sections of the manufacturing industry across Asia and the Pacific.

**Notes to the consolidated financial statements**  
**31 December 2002**

(continued)

**Note 2. Segment information (continued)**

**New Zealand Steel**

New Zealand Steel comprises an operation at Glenbrook, New Zealand which was legally acquired on 3 July 2002. This operation produces a full range of flat steel products for both domestic and export markets. It has an annual production capacity of approximately 0.6 million tonnes.

**Corporate and Group**

Corporate and Group relates primarily to transport and logistics, export trading and BHP Steel corporate activities.

**Primary reporting - business segments**

<b>Half-year 2002</b>	<b>Hot Rolled Products \$m</b>	<b>Coated Products Australia \$m</b>	<b>Coated Products Asia \$m</b>	<b>New Zealand Steel \$m</b>
Total segment revenue	1,339.1	1,344.0	286.1	276.8
Segment result	265.3	64.1	47.2	20.8
Unallocated revenue less unallocated expenses				
<b>Profit from ordinary activities before income tax expense</b>				

**Notes to the consolidated financial statements**

**31 December 2002**

(continued)

<b>Corporate &amp; Group</b>	<b>Inter-segment eliminations / unallocated</b>	<b>Consolidated</b>
<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
350.5	(1,006.1)	2,590.4
(39.0)	(26.5)	331.9
		(16.2)
		<b>315.7</b>

## Notes to the consolidated financial statements

31 December 2002

(continued)

### Note 3. Significant Items

The half year operating result includes a one-off \$20 million contribution to the Australian Defined Benefit Superannuation Fund. This amount was paid into the fund in January 2003.

### Note 4. Dividends

31 December 2002

\$m

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#### Dividends not recognised at the end of the half-year

Since the end of the half-year the directors have recommended the payment of a fully franked interim dividend of 9 cents per fully paid ordinary share. The aggregate amount of the proposed dividend expected to be paid on 22 April 2003 has not been recognised as a liability at the end of the half-year.

71.4

### Note 5. Equity securities issued

31 December 2002

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	Shares	\$m
Demerger share issue	693,000,002	2,045.4

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## Notes to the consolidated financial statements

31 December 2002

(continued)

### Note 6. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

	31 December 2002	30 June 2002
	\$m	\$m
Other persons:		
Unsecured	3.2	1.6

*The above contingent liabilities relate to outstanding legal matters.*

North Star BHP Steel LLC ("NSBHP"), a 50% joint venture entity, has various borrowings denominated in US dollars in the form of bank and institutional notes. Of these loans, 50% are held by the ANZ Banking Group ("ANZ"). The arrangements with ANZ would permit those loans to be put back to BHP Steel in the event of default by NSBHP. At 31 December 2002, the loans outstanding from NSBHP to ANZ amounted to \$138 million.

### Note 7. Events occurring after reporting date

BHP Steel Limited acquired the 26% minority interest in PT BHP Steel Indonesia on 3 January 2003 at a cost of \$9.9 million.

# Directors' Declaration

## 31 December 2002

The directors declare that the financial statements and notes set out on pages 10 to 21:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2002 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that BHP Steel Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



**G J Kraehe**

Chairman



**K C Adams**

Managing Director & CEO

Melbourne

27 February 2003



# Independent Review Report to the Members of BHP Steel Limited

## Scope

We have reviewed the financial report of BHP Steel Limited for the half-year ended 31 December 2002, set out on pages 10 to 22, including the Directors' Declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising BHP Steel Limited and the entities it controlled at the end of the half-year or from time to time during the half-year. BHP Steel Limited's directors are responsible for the financial report. We have conducted an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements and in order for BHP Steel Limited to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited primarily to inquiries of the disclosing entity's personnel and analytical review procedures applied to financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Continued next page

## Review Statement

As a result of our review, we have not become aware of any matter that makes us believe that the half-year financial report of BHP Steel Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2002 and its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting", and the Corporations Regulations 2001;
- (b) other mandatory professional reporting requirements in Australia.



**Ernst & Young**

Chartered Accountants



**A I Beckett**

Partner

Melbourne

27 February 2003

# Top Twenty Shareholders

(As at 14 March 2003)

Investor	Balance (at 14 March 2003)	% Issued Capital
1 National Nominees Limited	102,084,877	12.87%
2 J P Morgan Nominees Australia Limited	88,824,167	11.20%
3 Westpac Custodian Nominees Limited	62,206,297	7.84%
4 Commonwealth Custodial Services Limited	20,599,988	2.60%
5 Citicorp Nominees Pty Limited	20,193,460	2.55%
6 Queensland Investment Corporation	18,902,890	2.38%
7 AMP Life Limited	16,936,307	2.14%
8 NRMA Nominees Pty Limited	12,808,345	1.62%
9 ANZ Nominees Limited	12,597,345	1.59%
10 Cogent Nominees Pty Limited	11,882,801	1.50%
11 MLC Limited	10,436,055	1.32%
12 RBC Global Services Australia Nominees Pty Limited	10,227,718	1.29%
13 HSBC Custody Nominees (Australia) Limited	9,347,839	1.18%
14 Government Superannuation Office	7,228,397	0.91%
15 Ing Life Limited	5,261,432	0.66%
16 Citicorp Nominees Pty Limited	5,124,017	0.65%
17 Transport Accident Commission	4,750,358	0.60%
18 Cogent Nominees Pty Limited	4,396,829	0.55%
19 Victorian Workcover Authority	3,623,578	0.46%
20 Guardian Trust Australia Limited	2,694,339	0.34%
<b>Total Shareholdings (Top 20)</b>	<b>430,127,039</b>	<b>54.24%</b>

# Corporate Directory

## **BHP Steel Limited**

Registered Office  
BHP Steel Centre  
Level 11, 120 Collins Street  
Melbourne Vic 3000  
Phone: 03 9666 4000  
Fax: 03 9666 4111  
Website: [www.bhpsteel.com](http://www.bhpsteel.com)

## **Postal Address**

PO Box 18207 Collins Street East  
Melbourne Vic 8003

## **Directors**

Graham Kraehe (Chairman)  
Ronald McNeilly (Deputy Chairman)  
Kirby Adams  
John Crabb  
Diane Grady  
Kevin McCann  
Paul Rizzo

## **Company Secretary**

Michael Barron

## **Stock Exchange**

BHP Steel Limited is listed on the Australian Stock Exchange. The Company's home branch is in Melbourne.

## **Shareholders enquiries**

All enquiries regarding shareholdings and changes of address should be directed to the Company's Share Registry.


## **Share Registry**

ASX Perpetual Registrars Limited  
Level 4, 333 Collins Street  
Melbourne Vic 3000  
Freecall: 1800 855 998 (within Australia)  
Phone: +61 3 9615 9130 (outside Australia)  
Fax: +61 3 9615 9900  
E-mail: [bhpsteel@asxperpetual.com.au](mailto:bhpsteel@asxperpetual.com.au)  
Website: [www.asxperpetual.com.au](http://www.asxperpetual.com.au)

# Notes

# Notes





[www.bhpsteel.com](http://www.bhpsteel.com)

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