

***'TRUSTED STEEL INSPIRED SOLUTIONS'***  
**EXTRACT FROM SPEECH TO THE SECURITIES INSTITUTE OF  
AUSTRALIA BY KIRBY ADAMS, MANAGING DIRECTOR AND CHIEF  
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MELBOURNE, TUESDAY, 13 MAY 2003**

**Group overview: BHP Steel Limited**

Some of you might be wondering exactly what BHP Steel does and how we differ from the other listed Australian steel companies?

BHP Steel is Australia's largest steel company. We produce around 80 per cent of the flat steel products sold in Australia and New Zealand each year.

Our customers are primarily in the building and construction, white goods, packaging, automotive and general manufacturing industries.

We compete everyday with the world's biggest and best steel producers.

BHP Steel supplies customers in Australia, New Zealand, Asia, the US, Europe, the Middle East, and the Pacific.

Our annual raw steel production is over 6.3 million tonnes, from our plants at Port Kembla in New South Wales, Glenbrook in New Zealand, and our joint venture North Star BHP Steel plant in the United States.

What do I mean by flat steel products?

BHP Steel's crude steel product is steel slab. Some of our steel slab is sold to external customers - generally long-standing customers in Asia and the US. These include, for example, the Dongkuk Iron & Steel Company in Korea, who convert our slab into plate for the giant Korean shipbuilding industry.

The majority of our steel slab is further processed through our operations into hot and cold rolled steel coil or steel plate, or sold to our Coated Products business where it is converted into coated and painted steel products, such as ZINCALUME® zinc/aluminium alloy-coated steel and COLORBOND® pre-painted steel.

Coated and painted steels are supplied directly to industries such as the automotive, automotive component and white goods industries.

ZINCALUME® steel and COLORBOND® steel are sold to external customers, such as distributors and rollformers, and also to BHP Steel's wholly owned building products business - BHP Steel Lysaght.

BHP Steel Lysaght operates a network of 40 roll-forming plants across Australia and the Asia Pacific region. We have at least one roll-forming plant in each of the mainland states of Australia.

Roll-formers take BHP Steel's ZINCALUME® and COLORBOND® steels and cut and shape them for applications such as residential roofing, fencing, and industrial roofing and walling.

Next month we will officially open the rollforming plant at Lyndhurst, near Melbourne, which I mentioned a moment ago. This is a state-of-the-art building products facility, employing about 115 people and producing our full range of steel building products.

The design and layout of the plant on a greenfields site, and the quality of the people we have recruited, will enable us to further advance the level of service we provide to the building industry.

OneSteel and Smorgon Steel - the other listed Australian steel companies are long products producers. They produce steel products such as rod and bar, structural beams, wire rope and rails. In fact, OneSteel and Smorgon Steel are important customers for BHP Steel as pipe-makers and as distributors.

So, BHP Steel is one of Australia's largest listed manufacturing companies, with strong sales in our domestic markets, but also a major exporter (with exports of over \$1.5 billion per annum).

We are customer-focused and market-driven – we are now looking at our business from the market, not the mine.

And we are a steel solutions provider – summed-up in our strapline: 'Trusted Steel Inspired Solutions'.

### **Sales and markets**

BHP Steel generated sales revenue in the six months to December 2002 of A\$2.59 billion.

About 44 per cent of the Group's sales by tonnage were to the Australian domestic market - our largest single market - during this period.

Sales in the US, New Zealand and Asian markets make up 26 per cent, 4 per cent and 20 per cent respectively in total.

Our exports are concentrated on a number of long-established customers, mainly in Asia and the United States.

In the US we export to steel re-rollers on the West Coast – largely hot rolled coil exports which form essential feedstock for these customers, who don't have their own primary steelmaking capability.

## **Downstream products: a key strength**

Turning to our product mix, about 56 per cent of our sales by revenue were generated from our downstream, value-added steel products - namely our coated products, such as ZINCALUME® steel; our tinplate product; our painted products, such as COLORBOND® steel; and our roll formed products, such as the LYSAGHT® range of steel building and fencing products.

The mixture of multi-domestic and export markets, and the predominance of high value-added steel products in our sales mix, makes us very different kind of steel company.

BHP Steel's downstream steel products are one of our key strengths.

In addition, BHP Steel is one of the ten lowest cost Hot Rolled Coil producers in the world with global scale.

And we are working hard to maintain this position by continuing productivity improvements across our business and through a continuous focus on costs.

Overall, our net conversion and related costs were reduced by \$25 million in the six months to December 2002, compared to the same period in 2001.

## **The strength of our brands**

Added to our downstream strength is the fact that many of our steel products brands are highly regarded.

COLORBOND® steel has a truly unique place in the Australian landscape - it is used in everything from the iconic Aussie shearing shed, to inner-city apartments and state-of-the-art sporting facilities.

COLORBOND® steel has strong awareness and acceptance in the building industry and growing consumer demand, particularly in the major capital cities. It is a proven performer in Australian conditions and is backed up by the warranty and service of BHP Steel.

And our LYSAGHT® building products have a long-established reputation, stretching back to the founding of the John Lysaght (Australia) Company in 1918.

In other domestic markets, such as Asian markets and New Zealand, we have developed local brands, many with performance characteristics particularly suited to local conditions.

For example, Clean COLORBOND® steel has been developed for our Asian markets and is especially resistant to staining and discolouration in tropical conditions.

And in Malaysia, BHP Steel markets PrimaDesa™ and in Indonesia ANCOR™ steel.

### **Marketing footprint**

Our downstream, value-added products are also the basis for our success in Asia - one of the most important sources of growth for BHP Steel.

Asia is a core growth region for BHP Steel. The financial performance of our Asian businesses has improved year-on-year for the last four financial years.

And in the six months to December 2002, our Asian businesses contributed \$47 million in EBIT, up from \$36 million in the same period in 2001.

BHP Steel has a unique marketing footprint in Asia.

Our growth in this region will come from both innovative products and solutions and from growth in the use of steel in construction.

In Asia, BHP Steel's sales are concentrated at the premium end of the building and construction industry, and in niche specialties such as pre-engineered buildings.

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