



NEWS RELEASE

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BHP BILLITON LAUNCHES DEMERGER OF BHP STEEL

BHP Billiton today announced that it has lodged documents relating to the demerger of BHP Steel Limited (BHP Steel) from BHP Billiton Limited and the related bonus issue of shares to BHP Billiton Plc shareholders with the Australian Securities and Investment Commission (ASIC) and other regulators. Copies of these documents will be available on the Group's Internet site at www.bhpbilliton.com

BHP Billiton Chairman Don Argus said: "Today is a very significant step towards the planned public listing of BHP Steel in July this year. Since we announced our intention to separate and publicly list our steel flat and coated products business more than 12 months ago, there has been solid support for the listing from all of BHP Steel's stakeholders.

"There is recognition that the listing of BHP Steel will maximise the future prospects of that business by creating a stand-alone company focused on maintaining and enhancing its strong market reputation. Significantly, BHP Steel will be master of its own destiny in terms of capital management and that will prove a tremendous positive for the business going forward."

Mr Argus said: "BHP Steel will be able to pursue and capture market opportunities and ensure its long-term competitiveness in a way that would not have been possible if it had remained part of BHP Billiton. That has proven true of our former long steel products business, now OneSteel, which shortly after being spun-out from BHP went on to participate in a major industry consolidation transaction."

Eligible BHP Billiton Limited shareholders will receive one BHP Steel share for every five BHP Billiton Limited shares held. BHP Billiton Plc shareholders will not receive BHP Steel shares. Instead, to ensure equality in the economic treatment of BHP Billiton Plc shareholders, such shareholders will receive a bonus issue of BHP Billiton Plc shares to reflect the market value of the BHP Steel shares being distributed to BHP Billiton Limited shareholders.

The demerger aims to maximise the combined value of BHP Steel and the BHP Billiton Group. Importantly, the process provides eligible BHP Billiton Limited shareholders with the opportunity to retain their BHP Steel shares, to acquire additional shares prior to the public listing of BHP Steel or to sell part or all of their entitlement into a dedicated Sale Facility.

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A member of the BHP Billiton group which is headquartered in Australia

Mr Argus said: “Upon listing, BHP Steel will be a well-capitalised, independent company and will hold an important place within the Australian investment market. It will have an experienced and energetic Board and management team dedicated to maximising value for shareholders, many of whom will also continue to be BHP Billiton Limited shareholders.”

Details of the demerger transaction mechanics are attached in the following appendices.

This announcement does not contain or constitute an offer or invitation to purchase or subscribe for any securities of BHP Billiton Limited, BHP Billiton Plc or BHP Steel in any jurisdiction, including the United States and should not be relied on in connection with any decision to purchase or subscribe for any such securities.

BHP Steel shares have not been and will not be registered under the US Securities Act of 1933, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the US Securities Act.

Offers of shares in BHP Steel Limited are to be accompanied by a copy of the Retail Prospectus, the Shareholder Prospectus or the Institutional Offer Memorandum. Anybody wishing to acquire shares in BHP Steel will need to complete an application form or buy form (in the case of BHP Billiton Limited Shareholders) that will be in or will accompany the Retail Prospectus or the Shareholder Prospectus.

This announcement has been issued by BHP Billiton and the contents have been approved solely for the purposes of section 21 of the Financial Services and Markets Act 2000 by ABN AMRO Corporate Finance Limited and Credit Suisse First Boston (Europe) Limited, which are regulated in the United Kingdom by the Financial Services Authority. ABN AMRO Corporate Finance Limited and Credit Suisse First Boston (Europe) Limited are acting exclusively for BHP Billiton and for no one else in connection with the demerger of BHP Steel and will not be responsible to anyone other than BHP Billiton for providing the protections afforded to clients of ABN AMRO Corporate Finance Limited and Credit Suisse First Boston (Europe) Limited, or for providing advice in relation to the demerger of BHP Steel.

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Appendix A

Capital Reduction, Scheme of Arrangement and Bonus Issue of BHP Billiton Plc Shares

As announced on 24 April 2002, the demerger will be implemented by way of a capital reduction and distribution of 94% of BHP Steel shares. Under the capital reduction and scheme of arrangement (the "Scheme"):

- the share capital of BHP Billiton Limited will be reduced by \$0.69 for each BHP Billiton Limited share on issue at the record date, expected to be Friday, 5 July 2002; and
- eligible BHP Billiton Limited shareholders will be entitled to receive one BHP Steel share for every five BHP Billiton Limited shares held.

The return of capital by BHP Billiton Limited from its share capital account to BHP Billiton Limited shareholders will not be treated (in whole or part) as a dividend for Australian taxation purposes. In this regard, BHP Billiton Limited has sought and obtained a class ruling from the Australian Taxation Office.

BHP Billiton will offer for sale the remaining 6% of BHP Steel shares on issue under a sale facility (see below).

BHP Billiton Plc Shareholders will not receive BHP Steel shares. Instead, to ensure equality in the economic treatment of BHP Billiton Plc shareholders, such shareholders will receive a bonus issue of BHP Billiton Plc Shares to reflect the market value of the BHP Steel shares being distributed to BHP Billiton Limited Shareholders. The total number of shares to be issued under the bonus issue will be determined using the formula contained in Appendix B. The bonus issue is expected to be made on Monday, 22 July 2002 to holders of BHP Billiton Plc shares on the register as at Friday, 19 July 2002 (except for shareholders registered in the South African section of the register where the bonus shares are expected to be issued on 29 July 2002 to holders on the register as at 26 July 2002).

Further details relating to the capital reduction, Scheme and bonus issue of BHP Billiton Plc shares are contained in the Scheme Booklet that is being sent to BHP Billiton Limited shareholders and the BHP Billiton Plc Circular that is being sent to BHP Billiton Plc shareholders along with a copy of the Scheme Booklet.

Approval Process and Timetable

On Friday, 10 May 2002 the Federal Court of Australia ordered the convening of shareholder meetings of BHP Billiton Limited to approve the Scheme of Arrangement.

The Scheme and the bonus issue of BHP Billiton Plc shares to BHP Billiton Plc shareholders are subject to the approval of both sets of BHP Billiton shareholders. An Extraordinary General Meeting of BHP Billiton Plc shareholders will take place at 9.30 a.m. (London time) and a General Meeting of BHP Billiton Limited shareholders will take place at 6.30 p.m. (Melbourne time), both on Wednesday, 26 June 2002. Further details are contained in the Notices of Meeting included within the BHP Billiton Plc Circular and BHP Billiton Limited Scheme Booklet respectively. Documents will be despatched to shareholders on or before 24 May 2002.

The Scheme is also subject to the approval of the Federal Court of Australia at a court hearing due to be held on Monday, 1 July 2002. The demerger is dependent on all of the above approvals being obtained.

BHP Billiton Limited will trade ex the entitlement to BHP Steel shares on 2 July 2002. On this date, the value of each BHP Billiton Limited share would be expected to fall, reflecting the separate value of BHP Steel shares.

Sale Facility and Offer of BHP Steel shares

Sale Facility

The Sale Facility is being offered to eligible BHP Billiton Limited shareholders who wish to offer to sell, prior to the listing of BHP Steel on ASX, some or all of the BHP Steel shares to which they are entitled under the Scheme. The BHP Steel shares attributable to Ineligible Overseas Shareholders will also be offered for sale under the Sale Facility and the proceeds of sale will be remitted to such Ineligible Overseas Shareholders. BHP Billiton will also offer to sell under the Sale Facility its 6% holding of BHP Steel shares to ensure a minimum supply of BHP Steel shares under the Offer.

BHP Steel shares will be sold under the Sale Facility at the final price determined following the close of the institutional bookbuild process (see below) (the "Final Price"). An indicative price range of \$2.60 to \$3.30 per BHP Steel share has been determined by BHP Billiton after consultation with the Joint Global Coordinators, and is based partly on preliminary indications from potential investors. The Final Price will be determined by BHP Billiton after consultation with the Joint Global Coordinators and may be set above, within or below the Indicative Price Range. The Final Price is expected to be announced on Monday, 15 July 2002.

BHP Billiton retains the right not to proceed with the Sale Facility, or to proceed with the Sale Facility but not sell all of the BHP Steel shares available for sale. If the Sale Facility does proceed, BHP Billiton will first sell under the Sale Facility all of the 6% of BHP Steel shares held by it on its own behalf.

Details of the Sale Facility are contained in the Scheme Booklet, the Shareholder Prospectus (for Australian and New Zealand BHP Billiton Limited shareholders) and the Sale Facility Circular (for other BHP Billiton Limited shareholders).

Offer

It is intended that the Offer will consist of a minimum of 54 million BHP Steel shares, being the BHP Steel shares to be offered for sale by BHP Billiton and the estimated number of BHP Steel shares to be offered for sale on behalf of Ineligible Overseas Shareholders. The BHP Steel shares which eligible BHP Billiton Limited shareholders offer to sell under the Sale Facility will also form part of the pool of BHP Steel shares for sale under the Offer. Accordingly, the actual number of BHP Steel shares being offered for sale under the Offer is expected to exceed 54 million BHP Steel shares.

The Offer will be structured in two parts:

- the Retail Offer – to retail investors in Australia and New Zealand, including BHP Billiton Limited shareholders in Australia and New Zealand; and
- the Institutional Offer – to Australian institutional investors and participating member organisations of ASX and, to the extent permitted by applicable law, international institutional investors.

The price ultimately paid by successful applicants under the Retail Offer and the Institutional Offer will be the Final Price (described above).

Details of the Offer are contained in the Shareholder Prospectus being sent to BHP Billiton Limited shareholders in Australia and New Zealand with the Scheme Booklet, and in the Retail Prospectus available to other prospective BHP Steel investors in Australia and New Zealand. The prospectuses are available on our website to BHP Billiton Limited shareholders and other potential retail and institutional investors, except to persons in the United States.

BHP Steel is expected to commence trading on ASX (on a conditional and deferred settlement basis) on Monday, 15 July 2002.

Copies of the Scheme Booklet and other information relating to the demerger of BHP Steel will be available on our Internet site: <http://www.bhpbilliton.com>.

BHP Billiton Shareholder enquiries can be directed to the BHP Billiton Share Department on 1300 655 140 (within Australia only) or (61 3) 9609 3333 (International) weekdays between 9.00a.m. and 5.00p.m. (Australian Eastern Standard Time). Alternatively, please send an email to share.department@bhpbilliton.com.

Advisers

ABN AMRO Corporate Finance Australia Limited and Credit Suisse First Boston Australia Limited are acting as financial advisers to BHP Billiton on the demerger of BHP Steel.

Appendix B

Bonus Issue Formula

The total number of bonus BHP Billiton Plc shares to be issued will be determined by the following formula:

$$A = \frac{(B \times C) \times (D / E)}{F - (B \times C / E)}$$

Where:

- A = number of bonus BHP Billiton Plc shares to be issued
- B = VWAP of BHP Steel shares sold under the Sale Facility and BHP Steel shares traded on ASX during the first five trading days
- C = number of BHP Steel shares to which BHP Billiton Limited shareholders are entitled under the Scheme (including any BHP Steel shares sold on behalf of Ineligible Overseas Shareholders*)
- D = number of BHP Billiton Plc shares on issue as at the BHP Billiton Plc record date (expected to be 19 July 2002)
- E = number of Fully Paid BHP Billiton Limited shares in issue as at the BHP Billiton Limited record date (expected to be 5 July 2002)
- F = VWAP of BHP Billiton Plc shares traded on the LSE over the same five day trading period used to calculate the VWAP of BHP Steel Shares

Note: VWAP = Volume Weighted Average Price

** This number does not include the BHP Steel shares to be sold by BHP Billiton Limited as they are not being distributed to BHP Billiton Limited shareholders. The proceeds from the sale of these BHP Steel shares will benefit BHP Billiton and, as a consequence, all BHP Billiton shareholders*

The VWAP of BHP Billiton Plc shares (F) is reduced by the value distributed per BHP Billiton Limited share (B x C / E) to calculate a theoretical ex bonus price for BHP Billiton Plc.

For illustrative purposes, based on the mid-point of the Indicative Price Range and using a BHP Billiton Plc share price of £3.66 (being the closing price of £3.88 on 8 May 2002, adjusted to give a theoretical ex bonus price), and the Australian dollar/British pound exchange rate of 2.6940 as at 9 May 2002, approximately 139 million new BHP Billiton Plc shares would be issued. This equates to 2.3% of the aggregate number of ordinary shares on issue by BHP Billiton, or approximately a one for 16.72 issue of BHP Billiton Plc shares. The actual number of BHP Billiton plc shares to be issued will depend on the actual value of BHP Steel and BHP Billiton as set out above and may be higher or lower than this indicative figure.