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Transcript

BHP Billiton

Interim Results

Investor and analyst briefing

20 February 2013

Interim Results

Investor and analyst briefing

1. Performance Overview – Marius Kloppers

Ladies and gentlemen, welcome to today's presentation of BHP Billiton's interim results for the December 2012 half-year. I'm speaking to you from Sydney. Our chief financial officer, Graham Kerr, joins us from London. We're also joined on the telephone line by other members of the management team. I would like to thank you for accommodating a one-hour delay that was required as a result of our announcement on CEO succession. I would like to personally congratulate Andrew Mackenzie on his election, and I welcome him to Sydney, where he joins me for today's presentation. I will come back to Andrew's appointment in due course, but I would firstly like to focus on the strong results we've delivered in what has been a more challenging environment for the industry.

Before we begin, I would like to point you to the disclaimer and remind you of its importance in relation to today's results.

With regard to the format, I will give a general overview of performance. Graham will then review our financial results. I will then conclude by discussing commodity outlook as well as our unchanged strategy, which has been the cornerstone of our outperformance for more than a decade.

As we present the results today, I'm sure you will notice the congruence between our operating performance and the primary focus areas of the group as articulated. I'm proud to say that we are delivering on the commitments we've made. We've reported strong and predictable operating results, and our production guidance remains intact. We recognised a changed environment earlier than others in our industry. As a result, our usual focus on costs has been intensified over the last year, and on an annualised basis we've already reduced controllable cash costs by \$1.9 billion. Our project slate remains on schedule and budget. We've made good progress on the ongoing simplification of our portfolio, and we remain confident of the outlook for our business. This focused approach and our well-established and unchanged strategy ensures that BHP Billiton is very well positioned to continue to outperform its peer group.

But let me begin, as I always do, by discussing one of our core charter values – sustainability. The basic premise of putting health and safety first, being environmentally responsible and providing support for the communities in which we operate is intrinsically tied to our licence to operate. In this regard, our total recordable injury frequency rate for the December 2012 half-year improved by a further two per cent from the already record-low level achieved in our 2012 financial year. And, considering a slightly longer time horizon, our total recordable injury frequency rate over the last five years has declined by 38 per cent. Regrettably, however, we suffered the tragic loss of two of our colleagues during the financial year. The impact of these losses on family, friends and colleagues are immeasurable and only reinforces the continuing need to eliminate fatal risks in our business.

Turning to our financial results, the first half of our 2013 financial year was characterised by slowing global growth and a heightened sense of economic uncertainty. Commodity markets were volatile and a substantial reduction in our realised prices, as well as a persistent strength in producer currencies, weighed heavily on profitability. Strong operating performance across our assets and a material reduction in cash costs were not sufficient to offset these price and currency imposts. More specifically, EBITDA declined by 29 per cent to \$13.2 billion, while Underlying EBIT declined by 38 per cent to \$9.8 billion. Attributable profit declined by 58 per cent to \$4.2 billion, and that is inclusive of exceptional items totalling \$1.4 billion. Net operating cash flows declined by 48 per cent to \$6.4 billion. Pleasingly, however, cash generated from operations before working capital declined by a more modest 29 per cent, a strong performance, particularly relative to profit variance or price-driven profit variance, and this again illustrates the strength of our portfolio and strategy, which emphasises asset quality and diversification.

Ongoing portfolio simplification realised significant value for shareholders, with transactions totalling \$4.3 billion announced or completed during the period. Consistent with our disciplined approach, these transactions were priced at a substantial premium to the values ascribed to these assets by the market. Capital and exploration expenditure was according to plan at \$12.2 billion, and our full-year guidance is unchanged at \$22 billion. Our 20 relatively low-risk, largely brownfield projects remain on-budget and on-schedule, with the majority, as previously scheduled, to commence production before the end of our 2015 financial year. With gearing of 31 per cent at the end of the December 2012 half-year, the capital structure remains strong and within the parameters defined by our solid A credit rating, and today we declared an interim dividend at 57 US cents per share, extending the unbroken track record of our progressive dividend.

I would now like to discuss our production results in a little bit more detail, which continue to meet or exceed previous guidance. The chart on this slide shows and clearly illustrates the strong and consistent performance of our operations in the December 2012 half-year. At Escondida, copper concentrate production increased by 70 per cent as we transitioned to higher ore grade and as we completed major maintenance programs. We're confident

Interim Results

Investor and analyst briefing

that we will achieve our targeted 20 per cent copper production increase at this asset this financial year, and confident that we will grow production to over 1.3 million tonnes in our 2015 financial year.

In our petroleum business, liquids volumes increased by four per cent during the period. Development drilling at Shenzi, the recommencement of production in our Gulf of Mexico joint interest operations, and a more than 100 per cent increase in the liquids contribution of our onshore US business, offset natural field decline elsewhere. Our plan to increase total petroleum production to 240 million barrels of oil equivalent this financial year is unchanged.

At Queensland Coal, metallurgical coal production had largely recovered to supply-chain capacity by the end of the year – by the end of the calendar year, I should say. The associated increase in productivity, broader economies of scale and closure of high-cost capacity is expected to deliver a significant reduction in unit costs over the remainder of the financial year. Substantial effort is underway to ensure that this business returns to profitability even in the absence of higher prices.

Our single-largest earnings contributor, Western Australia Iron Ore, maintained its strong momentum, delivering a twelfth consecutive December half-year production record. The recent commissioning of our fifth car dumper at Port Hedland ensures that this business remains well positioned for future growth. In this regard, we now estimate that car dumper, ship loader and rail capacity to be around 300 million tonnes per annum, and in due course we look forward to approving what could be one of the lowest capital cost expansion opportunities in the industry as we add mining capacity to match that logistics chain.

We are therefore on track to grow our copper equivalent production volumes at a compound annual growth rate of 10 per cent this year and next year – financial year, that is – in line with previous guidance. More broadly, record production of five operations, together with the release of latent capacity that I just referred to, as well as the decisive action that we've taken to arrest and then reverse cost inflation, will continue to support margins and returns. While external factors, particularly price, were therefore less than supportive in the reporting period, we continued to deliver on those things we can control: safety, volume and costs.

And with that, I would like to hand over to Graham, who will discuss our financial results, with a particular focus on the progress that we have made in reducing our operating cost and discretionary spend. Graham.

2. Financial Results – Graham Kerr

Thank you, Marius. I am pleased to be here today to present our results for the December 2012 half year. As Marius mentioned, this period has been characterised by significantly weaker commodity prices, which has affected the profitability of the industry. While our profits have declined as a result of these weaker prices, I hope that by drilling down into our financial results with you today, I can highlight the strong underlying performance of the company and the success we have had in managing those things that we control.

In this section of the presentation, I would like to cover four major topics: our solid financial results that were built on the foundations of strong operating performance; the substantial \$1.9 billion annualised reduction in controllable cash costs that we have delivered in the period, and the ongoing initiatives that are expected to realise additional gains; our well-defined growth pipeline and our capital expenditure plans; and, finally, the significant value that our targeted divestment program has delivered for our shareholders. I would like to begin by stepping through the various components of our solid financial results.

You will see on this chart that this period was largely a story about reduced price. In fact, lower commodity prices, along with exchange variations and inflation, reduced underlying EBIT by a considerable \$6.4 billion, which more than accounted for the 38 per cent decline in overall underlying EBIT during the period. The level of price volatility was most acute in the iron ore market as a significant destocking cycle temporarily disrupted the supply/demand balance. Weak demand and a recovery in low-cost supply also led to a significant decline in metallurgical coal prices. Together, lower iron ore and metallurgical coal prices reduced underlying EBIT by \$5.1 billion during the period.

This decline in prices would normally be associated with a softening in producer currencies, with direct benefits to our cost base. However, as you can see from this slide, this historical relationship broke down during the period, as the continued strength of producer currencies led to a \$418 million reduction in Underlying EBIT.

Notwithstanding these significant external influences, what should be of particular interest is the \$1.1 billion positive earnings contribution from the two major drivers that we directly influenced: volume and controllable cash costs. I will expand on both of these items in a moment.

Interim Results

Investor and analyst briefing

Included in non-cash and one-off items were a number of charges which relate to the group's restructuring initiatives. For example, we incurred over \$50 million in costs associated with the closure of Norwich Park and Gregory metallurgical coal mines in the Bowen Basin. The curtailment of these high-cost mines is an example of the targeted measures that we have implemented as part of our ongoing cost reduction program. Also included in one-off items were costs associated with the recovery of potline capacity at our Hillside aluminium operations following the major technical outage that occurred in the March 2012 quarter.

The variance for new and acquired and ceased and sold operations reflects a \$222 million one-off gain in the prior period that related to Legacy US gas derivatives in our onshore US business. I would now like to discuss the strong contribution of volumes before expanding upon the significant progress we have made in reducing controllable cash costs during the period.

As Marius has mentioned, the release of latent capacity at a number of our highest margin businesses and strong growth across the broader portfolio is expected to deliver a compound annual production growth rate of 10 per cent in copper equivalent terms over the two years to the end of our 2014 financial year. This unchanged guidance is underpinned by the strong production performance that is reflected on this slide.

Record sales volumes at five of our operations contributed to a \$435 million volume-related increase in Underlying EBIT. Looking ahead, higher margin volume growth for our core businesses will continue to drive earnings momentum. Notwithstanding the general level of improvement recorded across the group, lower diamonds production at EKATI reduced Underlying EBIT by \$131 million. I should note here that we recently announced the sale of our diamonds business to Harry Winston. I will comment further on this in a moment.

Finally, you will see that we have again treated our petroleum business separately in the waterfall chart as oil fields, by their very nature, decline over time. In this context, natural field decline, most notably at our successful operated Pyrenees field, largely accounted for the negative volume variance in petroleum. Now I would like to turn our attention to costs.

Almost 15 months ago, we initiated an internal process to respond to general inflationary pressure and the persistent strength of producer currencies that continued to compress margins in the industry. Since that time, as part of a series of group-wide initiatives, we have implemented significant measures to reduce discretionary spend and overhead costs across the group. In fact, our early recognition of these challenges and our targeted response has enabled us to reduce our controllable cash costs by \$944 million in the December 2012 half, or \$1.9 billion on an annualised basis. This included operating cost efficiencies at \$397 million, a reduction in overheads of \$87 million, and a decline in exploration and business development expenditure of \$557 million. Let me now spend some time expanding on each of these categories so I can help you appreciate the extent to which these targeted initiatives have delivered real benefits across the portfolio.

The operating cost savings of \$397 million includes a general reduction of consumables spend across the portfolio, and a significant reduction in contractor usage and rates at our Queensland Coal operations. The \$87 million reduction in overheads reflects a number of optimisation initiatives, which includes the combination of the Aluminium and Nickel CSGs, as well as a general reduction in functional headcount across the group. In fact, since we initiated our group-wide cost reduction programs, we have already delivered a 20 per cent reduction in actual overhead numbers.

In contrast, volume-related efficiencies achieved across the broader portfolio were more than offset by \$164 million in higher costs associated with our decision to increase operating capability at Western Australia Iron Ore prior to the full ramp-up of expanding capacity. We will benefit from this spend in future periods. The efficiencies we have achieved to date will be further supported through the second half of our financial year, as we continue to benefit from the release of latent capacity at Escondida and Queensland Coal, and the ongoing ramp-up of production at Western Australia Iron Ore.

The \$557 million decline in exploration and business development expenditure, which includes an overall reduction in expense and capitalised activity, reflects the targeted nature of our exploration program, and the ongoing rationalisation of non-essential expenditure. Greenfield minerals activity is now solely focused on advancing copper targets within Chile and Peru, while in Petroleum, exploration is principally targeting high-value prospects in the Gulf of Mexico and offshore Western Australia.

The reduction in business development expenditure reflects the focused manner in which shareholder capital is being deployed across the business. For example, following the identification of substantial latent capacity in the Inner Harbour at Port Hedland, we have significantly reduced the spend associated with the Outer Harbour and West Africa iron ore development options. In Metallurgical Coal, the persistent strength of the Australian dollar, higher royalties and weaker market outlook have also led to a reduction in business development expenditure. Our streamlined approach in this coal business is now focused on the successful delivery of projects in execution along with the ongoing optimisation of our existing operating footprint in Queensland and New South Wales.

Interim Results

Investor and analyst briefing

Finally, I should note that price linked costs declined by \$287 million during the period, largely reflecting a reduction in royalty related payments in our iron ore and metallurgical coal businesses. This is partially offset by a \$98 million increase in fuel and energy input costs. If I include price linked and fuel and energy costs, which we deem to be uncontrollable, the total cash cost savings of the period equates to over \$2.2 billion on an annualised basis.

Therefore, in summary, our early recognition of the challenges facing the industry has enabled us to act decisively, and I am pleased to report the real progress we have made in delivering a \$1.9 billion annualised reduction in controllable cash costs. In talking to you about cost savings, I hope you have noted the emphasis on delivery, not aspiration, and our effort to be fully transparent. Clearly I think it is important that our shareholders can track our performance in this area given its potential to become a substantial value driver for the company.

Looking ahead, reducing our discretionary spend and overhead costs will remain a core objective, along with the continued safety of our people and delivery of high margin production growth, as these priorities are the key measures of success for this management team. Now I would like to highlight some other factors in our financial results that are often difficult to model.

As I touched upon earlier, exchange rate movements had a negative impact on our Underlying EBIT during the period. The Australian dollar strengthened in December 2012 half year despite the significant decline in average iron ore and coal prices, while the Chilean peso continued to reflect the compelling, longer term fundamentals of the copper market. The period end restatement of monetary items in the balance sheet associated with the general strength of these and other producer currencies reduced Underlying EBIT by \$574 million. It is important to note that in a stable currency environment, this significant reduction to earnings would not reoccur and over time should unwind as producer currencies mean revert. Now, let me move away from earnings for a moment, so I can update you on the group's capital expenditure program.

Capital expenditure for our minerals and conventional oil and gas businesses totalled \$9.3 billion for the period, in line with our unchanged full year guidance of \$18 billion. This includes major project spend, exploration, minor and sustaining capital. In addition, our onshore US drilling and development expenditure for the period was \$2.1 billion and guidance for our 2013 financial year remains unchanged at \$4 billion. Over 80 per cent of this expenditure will be focused on the liquids rich areas of the Eagle Ford and Permian.

In this chart, I have rolled forward the project pipeline I presented to you six months ago to highlight the progress we have made in the December 2012 half year. Projects that achieved first production include the Western Australia Iron Ore Port Hedland Inner Harbour expansion and the Orebody 24 project. In our Bass Strait oil and gas business, the Kipper project was completed while the Longford Gas Conditioning plant was approved.

The 20 relatively low risk, high return projects currently in development remain on schedule and budget with the majority expected to deliver first production before the end of our 2015 financial year. The level of spend associated with these major projects declines relatively quickly from the end of our current financial year affording the company significant flexibility. As we look beyond the current suite of projects in execution, the depth of high return development options that we have in our core OECD basins means that if the returns in any one project don't stack up, we will not invest. In summary, I would again like to confirm that capital expenditure guidance remains unchanged for our 2013 financial year.

While our development activities continue to drive strong returns for our shareholders, we are also delivering substantial value through our ongoing divestment program. Consistent with our commitment to simplify the portfolio, we continue to selectively pursue asset divestment opportunities with a firm focus on value. Asset sales totalling \$4.3 billion were either announced or complete during the period. These included the \$1.7 billion sale of our 37 per cent interest in Richards Bay Minerals, the \$430 million sale of our Yeelirrie uranium deposit, the sale of our diamonds business of \$500 million and our agreement to sell an interest in the East and West Browse Joint Ventures for a cash consideration of \$1.6 billion.

Notably, these transactions have been delivered at an overall premium to average market valuations with minimal impact to future earnings. As we continue to simplify the portfolio, realising value will remain a core objective. This successful divestment program has supplemented the strong cash flow generating capacity of the group. With a gearing ratio of 31 per cent at period end, the company's capital structure remains strong and within the parameters defined by our solid A credit rating.

Finally, our robust cash flow has enabled us to grow our interim dividend at a compound annual growth rate of 24 per cent over the last 10 years. For the December 2012 half year, we declared an interim dividend of 57 US cents per share, a four per cent increase from the prior corresponding period. It is the careful planning and disciplined application of our unchanged capital management priorities that has enabled us to maintain our progressive dividend policy despite significant volatility in commodity markets. While we don't target a particular dividend payout ratio, it is significant to note that our interim dividend represents a payout ratio of 53 per cent. To close my section of the presentation, I would like to touch on royalties, taxes and exceptional items.

Interim Results

Investor and analyst briefing

During the period, the company paid \$6.1 billion in the form of federal and state taxes and production royalties. Our underlying effective tax rate for the period, including royalty related taxation, was 38 per cent. This also included \$150 million non-cash expense associated with the revaluation of the third Australian resource rent tax balances. In future periods, excluding the impact of non-cash variations to deferred tax balances, our underlying effective tax rate, including royalty related taxation, should average between 34 and 36 per cent.

As an aside, in January 2013, we paid a \$77 million instalment of minerals resource rent tax to the Australian Government in respect of our 2013 financial year. This instalment is based on our view of the Australian dollar and iron ore and coal prices over the remainder of the financial year. More broadly, we paid A\$4.8 billion of taxes, production royalties and resource rent taxes on Australian based earnings in the December 2012 half year.

Exceptional items reduced Attributable profit by \$1.4 billion during the period. These included gains on sale of \$1.6 billion following the completion of the Richards Bay Minerals and the Yeelirrie divestments, a \$211 million impairment charge associated with the yet to be completed sale of our diamonds business, a tax benefit arising from the announced sale of our interest in East and West Browse Joint Venture, impairment charges recognised at our Worsley and Nickel West assets and other impairments arising from the group's capital project review.

The impairment charges at Worsley and Nickel West reflect the continued challenges of a strong Australian dollar coupled with the persistent weakness in alumina and nickel prices. We recognised the challenges in the aluminium and nickel industry early, and as you will note from our project pipeline, for some time now we have deprioritised these commodities for further investment. While we are pleased of correctly predicted the influence that the new Chinese capacity would have on the aluminium and nickel markets. In hindsight, we would have liked to identify the changes in the alumina market earlier on.

The major charge reflected in the group's capital review of projects relates to an impairment of early works associated with our Western Australia Iron ore Outer Harbour development option. As you may recall, late last year we detailed a number of factors that have positively influenced the potential growth path of our Western Australia Iron Ore business. These included: (1) an increased understanding of the potential capacity of the Port Hedland Harbour, along with greater clarity as to how unutilised capacity will be allocated; (2) the Port Hedland Port Authority granted us the option to develop two new berths in the Inner Harbour; and (3) as Marius mentioned earlier, with installed car dumper, ship loader, and rail capacity now approaching around 300 million tonnes per annum, the significant debottlenecking and optimisation potential that exists in the Inner Harbour has only become more clear. Therefore, in due course, we look forward to approving one of the lowest capital costs expansion opportunities in the iron ore industry. In this regard, our incremental iron ore dollar is likely be directed towards a high returning Inner Harbour option in the first instance. As a consequence of this value-driven decision to defer the Outer Harbour development beyond our five-year planning horizon, we have written off all associated investment, despite the inherent value of the environmental studies and design and engineering works that form part of our dual harbour strategy.

Finally, I would like to note that we have donated more than \$1 billion in the communities in which we operate over five and a half year period, consistent with our commitment to voluntary invest one per cent of pre-tax profits.

So let me summarise before I hand back to Marius. We have delivered strong and predictable operating performance. The \$1.9 billion annualised reduction in controllable cash costs delivered during the period is real, is measurable, and sets the platform for future gains. Our major projects are on schedule on budget, and our ongoing divestment program continues to create substantial shareholder value.

With that, I would like to hand back to Marius.

Marius Kloppers

Thank you, Graham. I would now like to focus on the factors influencing commodities demand before discussing our unchanged strategy that uniquely positions us for ongoing rebalancing and commodity markets.

As mentioned, the start of our 2013 financial year was characterised by global growth slowing and a heightened level of economic uncertainty. As a result, commodity markets were volatile. Since then, the American economy has made steady progress, partly driven by an improvement in the housing market, in combination with loose monetary policy. China's recovery is also in place. Consequently, the world seems set to benefit from a period of improving economic growth, as highlighted on the top right-hand slide – graph of this slide.

From a commodities perspective, China of course continues to be the primary driver of underlying demand, and while many commentators were perhaps too bearish on the prospect for China some time ago, during the reporting period, in particular, citing rising inflation and the real estate bubble, our view of China has remained largely unchanged throughout. We continue to believe that measured stimulus, a rebalancing of the Chinese economy,

Interim Results

Investor and analyst briefing

and the underlying trends of urbanisation and industrialisation will sustain the Chinese GDP growth rate at the government's target rate. However, just as I've said that many commentators have been too pessimistic on China in the recent past, we would caution those who now expect growth rates in China to rise significantly from this point onwards. Rather, we see infrastructure investment and fiscal policy as measures to be adjusted in a measured manner to underpin stable growth in China rather than cause a sharp acceleration in activity from here onwards. Furthermore, as we've articulated before, the ongoing broader rebalancing of the Chinese economy suggests that the resource intensity per unit of GDP will eventually consolidate at a fraction of GDP, not at a multiple of GDP.

As a result, demand growth rates for many of our core products within China are expected to remain within a range of two to four per cent per annum, as illustrated on the bottom part of this slide. And given those growth rates that we expect, that are unchanged essentially from what we've articulated before, the differential supply response across the various commodities is likely to play an increasingly important role in price formation.

For copper, robust supply growth in the very near term is expected to result in a more balanced market, despite numerous past project delays and curtailments. The longer term outlook for copper price, however, continues to be underpinned by operating and capital cost pressure associated with rising strip ratios and declining grades at existing operations, as well as a scarcity of advanced, high-quality development opportunities. As such, the demand for new copper capacity, if supply is to meet demand, suggest that the price in the medium to long term will need to be supported at a level high enough to induce these lower-grade, higher-cost supplies.

In iron ore, there is no apparent scarcity of high-quality results. Rather, the barrier to entry relates to the large scale, you know, the substantial cost of developing, particularly Greenfield capacity, and the timeframe. The rate of underlying growth is therefore particularly important as it governs the ability of low-cost producers to keep pace with demand. Over the last decade, high-demand growth rates in China associated with that steel-intensive phase of development at times overwhelmed the capacity of the – or the capability of the low-cost producers to expand, and instead, higher cost capacity was induced, you know, in a sort of an opportunistic manner.

This led to a steepening of the global cost curve, as schematically illustrated on the top right-hand side. This steepening of the cost curve and the addition of low cost capacity since then has led to the accentuated price volatility, as customer stocking cycles now have a more significant impact on price formation.

Now, given our belief in the continuing decline in steel intensity per unit of GDP growth that we referred to previously, significant low-cost supply planned in Australia and Brazil, particularly in the second half of this year and beyond, will eventually meet and then exceed incremental Chinese demand. As this trend becomes increasingly established, high cost supply will continue to be displaced off the top of the cost curve, the cost curve will flatten, and prices will tend to mean revert over time.

The supply side equation is arguably even more important for metallurgical coal, given the relatively low demand growth rates of the traditional markets. And, as you can see on this slide, the sharp rise in the price of metallurgical coal in 2011 induced a substantial production response from the traditionally higher cost swing suppliers primarily located in the United States, as we can see here. As a result, the market rebalanced and the price declined. And at today's level, the price appears to be well-supported by the cost of Australian production, which has of course increased quite dramatically, given the strong Australian dollar, and the very significant increase in Queensland royalty rates. Any sustained price increase beyond what we've got today, however, is likely to just draw US supply back into the market. This suggests that, in the absence of a very major supply disruption of some kind, the price of metallurgical coal is likely to be range-bound going forward.

The longer term supply and demand fundamentals for aluminium – if we contrast the two what we've just discussed – and copper stand in stark contrast. Whereas one million tonnes of new copper capacity will be required each year, the aluminium market is forecast to remain in overcapacity throughout the forecast period. Whereas the next generation of copper mines are likely to be lower grade and have higher operating and capital costs, actually, in contrast, Chinese aluminium capacity appears to be progressively moving down the global cost curve. The likelihood of a further flattening of the aluminium cost curve and an expectation that overcapacity will constrain the price on average to below the marginal cost of production will be quite impactful for producers given the relatively capital intensive nature of the aluminium industry and hence our longstanding approach to deprioritise these areas for investment.

These differences in supply and demand fundamentals, as we look through the various commodities, explain why it is so important for us to plan for the longer term and why BHP places such value on both diversification and asset quality.

Now, talking about that strategy, our diversified and high quality asset portfolio is a function of our unique resource endowment, and I should point out again that endowment is largely placed within the OECD. On this slide, we've displayed our global operating footprint. The size of the various bubbles reflects the relative contribution of each asset expressed here as copper equivalent units in our 2012 financial year. And the shade of the bubble

Interim Results

Investor and analyst briefing

represents the rate of production growth in that two year plan that we have outlined for you. In simple terms, blue denotes rapid growth and what should be immediately apparent when looking at the slide is the dominant contribution of our major basins and four key commodities that are key to current production and future growth, and those are Western Australia Iron Ore, the Queensland metallurgical coal operations, Escondida and copper, and US conventional and unconventional oil and gas businesses.

Perhaps another way of just looking at the importance of these key assets and where we allocate capital, on the next slide we have shown the bubbles representing the capital expenditure being allocated to our major projects. The shade of each bubble reflects the historic margin in this case of the customer sector group where the capital is being deployed, hence in this case blue denotes strong EBITDA margins. And what should be clear, therefore, is that we are investing most of our capital in the same businesses that dominate our current production and earnings mix.

The pie chart embedded in this chart shows that over 95 per cent of our \$22 billion project approved capital budget associated with these 20 projects is directed towards customer sector groups that have generated an average Underlying EBITDA margin of 40 per cent or more over the last five financial years, again illustrating those businesses which we have deprioritised for capital allocation.

So simply put, we continue to invest in the same assets that have been instrumental to driving our outperformance relative to our peer group in years past. These investments also illustrate that we are focusing them on largely Brownfield projects in our backyard, and as a result the risk/reward equation on balance is more attractive. As we continue to simplify our business in the manner Graham referred to earlier, these core basins will ensure the benefits of diversity are maintained on the one hand while our average operating margin is expected to rise and the capital intensity to decline. And, given our view that we have entered a new phase in the commodities pricing cycle, and that we cannot rely on commodity price appreciation for share price appreciation, or put a different way, where margins and returns will no longer be supported by the tailwind of higher prices, our focus on cost and our disciplined allocation of capital will only intensify.

Prior production guidance remains unchanged. Western Australia Iron Ore is expected to grow to a run rate of 220 million tonnes per annum before the end of our 2015 financial year, liquids rich production in the Eagle Ford to 200,000 barrels of oil equivalent per day in the same timeframe, and in addition, the release of latent capacity at Escondida and Queensland Coal is expected to underpin unchanged guidance of 10 per cent copper equivalent production growth in each of this financial year and the next.

Before I conclude, I would like to highlight our strong track record. Over the last five and a half years, the distribution of a significant portion of our earnings to shareholders, together with prudent investment in our business, has contributed to outstanding total shareholder returns of 47 per cent. This compares to a negative return for our peer group overall. Over a 10 and a half year period, we have returned \$57 billion to shareholders through a combination of dividends and buybacks. That's more than all of our immediate peers combined.

I would also like to reiterate my long-term confidence in our business. Long-term planning based on detailed analysis of the various commodity markets, our unchanged strategy centred on low cost and diversified assets coupled with the ongoing simplification of our portfolio has positioned BHP Billiton to outperform its peer group through the cycle.

So, in conclusion, I am proud to say we are delivering on the commitments we have made. We've got strong and predictable operating results. Our production guidance remains intact. We recognised the changed environment earlier than our peers, so we got started earlier than our peers on costs and that focus has only intensified over the last 15 months or so that we have really worked at it. And on an annualised basis, we have – Graham has taken you through great detail of how we have already reduced controllable cash costs by \$1.9 billion off a known base. Our major projects remain on schedule and budget, and we have made good progress in simplifying the portfolio. I would now like to come back and say a few words on the important topic of succession, and once again congratulate Andrew Mackenzie.

Leadership development and succession planning at all levels within an organisation like BHP Billiton is one of the most important tasks. In this regard, with the appointment of Andrew as an internal candidate, I am very pleased that our process has worked well. Now, perhaps a little bit more anecdotally. I first met Andrew in a joint venture context, where I was the BHP representative and Andrew was the Rio Tinto representative. We had a particular sticky problem to solve. And at the end of the process, I was absolutely convinced that I wanted him as my colleague – not the usual outcome of what I recall was a pretty intense argument at the time. It took a couple of calls at the beginning of my tenure to convince him to join us, and I made that call right at the start as I was putting together my original team. Andrew eventually said yes, and trusted me enough to sit at home for 12 months while he waited to join the team. Andrew, I am thankful that you said yes, and I am thankful that you've trusted me. But

Interim Results

Investor and analyst briefing

what I want to illustrate by this anecdote is that there is nothing accidental about this, and I hope that in due course Andrew will prove that there's nothing accidental about the process going forward either.

As chief executive for our Non-ferrous business, Andrew has overseen a substantial portion of our portfolio with great impact and success. Notably, Andrew is one of the few, the very few, people in our industry with very deep senior level expertise in upstream oil and gas and upstream minerals, a very, very unique combination. As a co-shareholder, I am happy to know that BHP Billiton is in safe hands, and I would like to wish Andrew the very best. I am very pleased for you, Andrew.

And on that note, I would like to move to questions on our results, but, of course, I understand that everybody wants to hear from Andrew as well. So what I will do is we will go through questions for a while. At some point in time, somebody is going to give me a signal that it's time, and I will invite Andrew on to the stage who will then make a few comments. We will start here in Sydney before moving to London, and then we will move to the phone lines. As ever, if you could state your name, and address your questions to me in the first instance, I will pass them to Graham as appropriate. May I have the first question, please?

3. Questions and Answers

Paul Young – Deutsche Bank

Yes. Hi, Marius. It's Paul Young from Deutsche Bank – a couple of questions. The first one is on costs. If I look at your cost reduction targets, to me it's all about reducing controllable, fixed costs, because variable costs are difficult to cut and unit costs are purely an outcome of cost control or cost cutting and increasing asset utilisation. So if I look at your fixed controllable cost base, which in FY12 was around \$20 billion, and a majority of your fixed costs were in met coal, iron ore and copper, which are about \$3.5 billion each.

Marius Kloppers

That is correct.

Paul Young – Deutsche Bank

I would just like to know what programs you have in place to reduce that \$3.5 billion for those three divisions and can you actually quantify your targets? And the second question is actually on growth and high returning growth, because I noticed the bubble chart you put up there really is just projects in execution. I just want to understand the thinking – and this brings probably Andrew into the Q and A as well – about high returning growth such as the Permian and Spence Hypogene which on my numbers are 15, 20 per cent IRR plus. Why aren't they achieving incremental dollars, and where do they fit into the future of the company? And, you know, they could be – probably represent all of the high returning growth, going forward.

Marius Kloppers

Paul, let me first describe our program on how we address costs. When I stood here last time, I explained to all of you how we prioritised our capital, and I remember spending a lot of time with Warren going through the details of our bottom-up program on capital allocation. We're just entering into that part of our budgeting cycle again, and at the full-year result, that's going to result in the capital budget.

One of the things I've spoken about passionately is a very boring topic, which is the systems to create cost transparency from the bottom up. So you must understand that our process is perhaps – that we're following for cost reduction – is perhaps different from what our peer groups described. It is not – and I repeat not – a top-down process. It is a bottom-up process, following from deep and detailed data that is available, and that flows up through the organisation. We expressed a desire to do two things for you, as we're moving forward. We expressed a copper equivalent unit cost target, and our stated objective was to arrest the cost increase and then to decline, and our stated objective was to keep our cash cost per unit of copper production at nominal US dollar flat terms.

Now, if you do the numbers today and you strip out the implementation cost that Graham has spoken about for those closure costs, you will see – which is not a large amount – you will have seen that we achieved about a 2.5%

Interim Results

Investor and analyst briefing

nominal US dollar cost reduction target. There's perhaps one or two other things that, if you permit me, I just want to continue to dig in on costs, because costs is the theme of the day, and I just want to say we led that. We led that, and we made that call first. Embedded in our cost numbers – so if I step back and I look at our results, we came in at about three per cent above consensus on underlying EBIT, which means that we came ahead of analyst average expectations for costs savings, because we're all working on the same price deck. What is not in that underlying EBIT number is that nearly \$600 million of adverse D/E on the balance sheet that Graham said is once-off, \$164 million of costs in iron ore, which is directly associated with the ramping up stuff, and then \$270 million of restructuring costs. If I add all of those things – and all of that actually are impacts that, in a real underlying sense, I think we feel that we've delivered and we feel that we've delivered on cost targets that are measurable from our results, off a known base.

However, that's only the start. The objective here was to arrest and then to decline, and there is no doubt that if you look at the – for example, wage settlements in Chile. You know, Chile is still coming off the investment peak in copper, and wage settlements there were still very strong. What I think the management team's deep, deep transparent systems are going to deliver is very clear transparency on where we're going from here. We really wouldn't like to nominate a number that cannot be verified from a top line, and we really wouldn't like to put a big target out there – we would like to stand up here in six months again and increase on the \$2 billion number.

I also want to note that our approach is not to include the non-controllable costs in that target. I mean, energy and royalties, quite frankly, are just things that are – unit usage, a little bit, the other things are just not in our control. So we would like – we're going to come back here again and again – and I know I speak for Andrew as well – and focus on delivery, verifiable cost savings, and we're going to move that on from where we are today, but I don't want to be drawn on more – you know, elaborating another dollar target. We want to continue to decrease. Therefore, from this point onwards, our unit costs per copper equivalent unit, as expressed in US dollars, which is the currency in which we do our books.

In terms of growth, there is no change from what we said in the previous period. Clearly the near-term cash generation started changing some 18 months ago. And you have seen we made a significant adjustment in our forward options portfolio. Some of those options are very valuable options, but got pushed out over a five-year period. We are long options, and given the gearing and given the cash flow in the corporation, we have not changed guidance today on a five per cent growth rate that we articulated forward in the past. That is unchanged. We did, however, also articulate that, on balance, instead of approving new projects this year, project approvals will come later, and that as part of our cash flow generation, we do want to pay some debt down on the balance sheet; again, that remains unchanged. So I think that, you know, these options for growth, we are blessed to have options for growth that substantially exceed what we believe our cost of capital to be. They will keep – we're not going to overextend ourselves, and we will do them later, if time requires.

For now, I think – I don't recollect the exact words that Graham used, but he said, "We don't give guidance at this point of the year because our budgeting cycle is not complete, but given the trends that we see in capital approvals and so on, we see lower capital expenditure next year in our FY14 than we've seen in FY13." I'm sorry for the comprehensive answer, but I'm hoping that I've covered off some of the questions that others want to ask as well. So if we can have the next question, please.

Lyndon Fagan – JP Morgan

Lyndon Fagan at JP Morgan. First question is on the US onshore business. After you made the acquisition, you outlined a plan of over \$20 billion of capex, with some longer-dated production targets. Right now all we're really being given is the Eagle Ford production target longer term. Just wondering if you can perhaps give us a bit more detail on the other assets, and what level of capex. Is it four a year, is it more?

Marius Kloppers

Lyndon, let me just give you a little bit more in-detail insight into our strategy than we shared in the presentation here today.

How does Mike look at his petroleum business? He looks at one curve that is backwardated, oil, and he looks at another curve that is in contango, gas. And so he concludes that what he wants to do is he wants to produce the barrels in the commodity that is backwardated as soon as possible in order to get the highest price for them – given that the market price is the best indication – and he wants to produce the barrels in the market that is in contango later on. And that's what has resulted in the prioritisation that we've seen. We reassess that all the time. And if I look at where the contango and backwardation curves have looked, and where the well yields and the well productivities are going in that business, I think, on balance, without wanting to call this completely, Andrew is

Interim Results

Investor and analyst briefing

going to stand up here next time and tell you that we've continued to prioritise oil, and we've continued to deprioritise gas over the next financial year. And, again, I don't want to make an exact prediction of that, because things will change between now and then, but that is what has happened. Which means that the activity rates that you're seeing at the moment is kind of the activity rates that, at least for the foreseeable future, you should model, at that four or maybe a little bit more run rate.

As to the Permian, which was another part of the question that Paul asked, we are still in appraisal there. It's looking good. You know, there is, you know, some more appraisal to be done. You know, we – you've got a chief executive that is more qualified than I am to update you in the future on exactly what he's seeing there. But the way I look at it is that there's still some infrastructure missing there, there is still some appraisal to be done, and I should stress that in the two – in the Permian and the Eagle Ford combined – we probably had a hundred wells which at period end were drilled and completed but not yet tied in, which means that the business is really probably, on balance, on target and on budget, but probably in terms of activities completed, I would say that Mike, as usual, has probably done a little bit more than he set for himself as a target. So I hope that helps.

Marius Kloppers

Craig.

Craig Sainsbury – Goldman Sachs

Craig Sainsbury here from Goldman Sachs. Two questions. One is just on Jansen. It has sort of fallen off the bubble chart as probably the only mega-project that you haven't yet totally walked away from. I think there's meant to be a board approval or board announcement on some stage of that this year. I was just wondering if you can just give a bit of an update on where Jansen is sitting in the growth profile. And then the second question is probably a bit more for Graham. You mentioned a 53 per cent, I think it was, dividend payout ratio for the half. I know you guys don't model on dividend payout ratio – it's a progressive dividend – but I was just wondering, from a financial perspective, is there an upper end of that range where you start to get a little less comfortable from a sustainability standpoint? Is it 60, 65 – is there a grey band there where you would start to say, "Look, that dividend payout is actually getting a little bit too high, we'd stepped back from it." Cheers.

Marius Kloppers

So, I can confirm it's the next chief executive that will have the Jansen project, so there's no change in guidance from 'we won't approve it in this financial year', Craig. We like the product. We like the country. We like Saskatchewan as a place to do business. The project continues to track tremendously well. I'm sure that Tim and Andrew in due course will update you on our shaft-sinking activities there, which – where the shaft borers continue to look very good. We continue to be very optimistic that that project, even in the first phase, is going to clear the financial hurdles and the risk hurdles that we've set. So you are correct in assessing that the teams are working tirelessly there to do that – to do that project. However, they've been handed down a pretty strenuous set of metrics to achieve, and before they achieve those, we're not going to approve it. And it's certainly not within this year.

But we do think that that product is an important part for us in the diversified portfolio in due course. On dividend payout ratio, we – you're right: we don't model it – we don't model it like that. Instead, what we look at is sort of the at long run prices and at the trend growth of the portfolio size, what the cash generation for the assets could be. Clearly, we understand that there comes a point where a cent of dividend paid makes us postpone the types of projects that Paul has spoken about, and I think that you – from the dividend announcement today, you are correctly assuming that we're saying, "Well, perhaps we have just got to see where everything is going before we take another step here," because we have a finite appetite for capex. That finite appetite next year is lower than the appetite this year. We would, on balance, like to pay some of the debt back over time, and obviously the dividend decisions come into that as well.

Let me perhaps just go to the lines for just one or two questions, and then I will come back here. Operator, can I have the first question, please?

Clarke Wilkins – Citi

Hi, Marius. Just a couple of questions sort of further to your comments on the market. That sort of mean reversion in the iron ore prices – do you think that has changed at all in terms of timeframe we take to get there, given the

Interim Results

Investor and analyst briefing

volatility we've seen in iron ore and also some of the projects being pushed out? Also, just on the comment on aluminium, obviously quite various comments on the market. In terms of maintaining the aluminium assets within the company, you know, it clearly doesn't sit with those comments, so, you know, what sort of options would a divestment aluminium sort of take? You know, would look at in-specie or an IPO of those assets to sort of get them out of the company?

Marius Kloppers

Our view on iron ore probably hasn't change that much over the last 18 months or so. You know, we saw the destocking cycle in China for exactly – I think I'm on the record as just saying the end of the destocking cycle will come. However, now we have indicated that we think that the absolute global iron ore market starts declining in around 2025 or so in absolute size and continues to decline for a significant period. In terms of – so no change in that. We do believe in the mean-reversion – our long-term prices take that into account. We haven't materially updated either the long-run addition of capacity, nor have we made any changes as a result of remodelling to the long-run demand. We're more or less where we were six months ago, and six months ago we were more or less where we were 12 months ago.

But a little bit shorter term, order of magnitude, I think, in this year – our expectations are – and we don't want to make any forecasts – is that there will be, from this level onwards, quite a substantial increase in steelmaking capacity in China over the next six months. But overall, across the year and across future years, we think that the steel demand growth rate will be at that sort of .5 of GDP in China that we have articulated to you earlier. That means order of magnitude – there's maybe – I don't know – 60 million tonnes of incremental iron ore required on that trend growth, and again, there will be a difference between the front and back ends of the year, and there's 100 million tonnes of capacity in iron ore that is coming on, and pretty definitively coming on seeing who's building it, who's supplying it and so on. These are projects are well advanced.

So I think that our base outlook is basically the same for the iron ore business, as the market – the now-efficient market or reasonably efficient market tells us we will have higher prices nearby and a price decline following that, because this is a non-storable commodity and therefore volume and – you know, there's no inter-temporal arbitrage here. So that's more or less where we are.

In terms of the aluminium assets, for us, value is paramount. You know, we probably at any given moment in time work a dozen transactions. Some of them go on for years. Some of them complete very quickly. I wouldn't like to call it on aluminium assets. I think suffice it to say that they are not core for new capital addition, but I would be a foolish CEO if we just hoof assets out of the portfolio at whatever price the market will bear. I mean, you have seen us work some assets for a long time, and I think that that's what we will do in those assets and other assets that we may be looking at.

If I can have the next question, please. Operator, can I have the next question, please.

Per Gullberg – Churchill Capital

Good afternoon, gentlemen. Thank you for this opportunity to ask questions. I was wondering if you could perhaps comment a bit further on capital management, following on from that previous question on dividends. At this point in time, how do you look at the decision of whether to return cash to shareholders via buybacks as opposed to dividends? Do you feel that you have the capacity to launch a new buyback program if you chose to do so, or should shareholders rather expect to receive distributions via dividends in the short to mid term?

Marius Kloppers

Firstly, I would say that we've been at pains to stress in the last period, and I want to stress this period, that our capital priorities are unchanged: invest in our business, maintain the balance sheet, grow the progressive dividend, return surplus cash. That has always been our priority, and that is going to continue to be our priority. We have reprioritised our capex. We're going to reprioritise it again over the next couple of months. I've indicated that the second priority, which is to maintain the strong balance sheet, will probably receive a little bit more focus as we make those project decisions. So if you put those together and you add the progressive dividend in there, I don't think that we should expect, over the next short to medium term, that there's the capacity available for additional buybacks.

Then we get to the question of how do we return capital if there is surplus cash available. There are some investors that would like to see a dividend, and there are other investors that would like to see a buyback, seeing that as

Interim Results

Investor and analyst briefing

equivalent. Mandates differ. Some funds cannot sell into a buyback and therefore would like a dividend. On balance, the value-maximising equation for us, given the peculiarities of the Australian franking credit system, which is available only to Australian taxpayers but can be utilised in a buyback in a way that it benefits all shareholders – on balance, our bias is towards that. And again, if you call our investor relations people, they would be very happy to take you through the mechanics of that. But it's largely a point that's probably a little bit moot between now and the next period.

Let me come back to Melbourne and take another couple of questions here, then I will loop back to the phones again.

Paul McTaggart – Credit Suisse

Hi, Marius. It's Paul McTaggart from Credit Suisse. We talked a little about aluminium and whether it should or shouldn't be in the portfolio. I just wanted to get a sense, please, of how you're thinking about bauxite. We talked earlier about – you talked about China expanding aluminium production. Obviously there's a potential that Indonesia may not export bauxite. How does the company think about that and does that impact on your view on how the value of the aluminium assets plus alumina might change?

Marius Kloppers

Paul, I think your best guidance is what Graham said today in his speech, and he said we had great foresight on aluminium. We wish we had as much foresight on alumina and one should never – you know, the retrospectroscope is a remarkably effective instrument, but I did pull out some time ago an email that I wrote to our aluminium team long before I became CEO, more than 10 years ago now. And it basically said through decreasing capital cost, things that didn't – that aren't considered as resource in China will become resource which in hindsight is exactly what happened in the alumina business.

Now, personal view, perhaps not a company view, I do think that we probably reached some sort of an end point in that process, or we are perhaps a little bit closer to an end point in that process, than we are in aluminium. In aluminium, the march goes on. In alumina, maybe the capital cost reductions that could have been made have been made. And there's probably on balance a little bit of upside on the pressure as a result of those exact factors that you've got. Is that enough to change our view on alumina? No. Are you going to see us invest in alumina? No. Are we, on balance, set for a future where those products – that product becomes a smaller proportion of the portfolio over time? Yes. So, no change there.

Phil Chippendale - CIMB

Thanks, Marius. Phil Chippendale from CIMB. A couple of questions, firstly, you referred to a willingness to pay down some debt over time. I think the gearing level at the moment is around 31 per cent. Can you, sort of, guide us to where you view, you know, an appropriate level of gearing for the company? That's my first question. Second question, on met coal you highlighted in the presentation there that you believe that met coal prices over the near term are range bound. Can you just make a comment as to what extent your – if I can put it as cooling towards the met coal business is based on your outlook for price versus your own cost structure.

Marius Kloppers

Yes. Sorry, Phil. My brain goes – I wrote down a note here that I can't – what was the first part of the – gearing. So, yes, our gearing is within the parameters. We always say strong A, and if you run our beta through a conventional model, you will find that we're very comfortable. However, we have had volatile times, and I think while the world has on balance poured a lot more money into equities, the reality is that the underlying situation in the world has probably not changed as much as the equity markets reflect. I think that our comments on on balance paying down some debt – and I don't want to, you know, sort of, say, "We're going to stop investing and pay down all of the debt," because we're comfortable with the gearing – but on balance we probably want to carry a few more options, and one option that you carry is balance sheet capacity. So I wouldn't say that it's from a point of discomfort, but it's more from a point of prudence given what volatility we've seen.

On met coal, last period in the – particularly in the one on ones, we said that met coal is the product where we've had the greatest strategic reappraisal of where that product is heading. Let me just recap. We did a longer term met coal forecast than we historically had and extended our model, maybe 18 months ago, two years ago, to extend to 2040 where previously our models had largely gone to 2025. The met coal curve basically looks the

Interim Results

Investor and analyst briefing

same as the iron ore curve in terms of overall demand. It flattens out in 2025 or 2030, around there. The met coal curve stays flat, so it doesn't decline like iron ore, but it tops out and then is flat. And getting there, we've got about – from memory again, please don't quote me, but I can supply the exact number if needs be because we shared that before – about a one per cent rate of met coal growth over the period until it gets to the plateau. That is not a high growth rate. So the combination of changes in our model for steel intensity in India, and so on, and so on, the longer term forecasting meant that met coal you were in a window, the same as you are in iron ore, which then biases us not to new geographies and new places but really optimising our backyard.

And so Hubie and Steve Dumble and all of the other guys are doing exactly the same as Jimmy out west which is to say, "How do I not build new things but get more out of the existing structure?" That's a change. The second huge change is that the royalty structures have been punitive in Australia – punitive. That together with the higher exchange rate has moved the overall Australian met coal business to a different place on the cost curve. That changes your investment behaviour, and certainly as we do our bottom up pecking order changes the pecking order where those products go. The third element is that the US exports have become more competitive. The same way that the Australian exports have become less competitive, the US exports have come more competitive, and that means that the cap comes on in a different place. You add those three things together, and we've seen probably the only real strategic reappraisal of a business over the last 12 months in that business.

So I hope that answers the question. Let's take one more question here, and then I will try the phones again. And somebody must just indicate to me when I've got to stop, please. Is there a next question here? Sorry. From the phones operator?

Facilitator

Your next question comes from the line of Ephrem Ravi from Barclays. Please ask your question.

Ephrem Ravi - Barclays

Hi, Marius. Just a quick question on the timing of the divestments of your assets. The outlook for nickel is not getting any better, at least according to us, because of the RKEFs and aluminium, as you mentioned, the Chinese are going down the cost curve. The longer you wait, the more difficult it gets to, kind of, get a fair price for your assets. Is there any timeline that you've set for these divestments, just so that you can clean up your portfolio and look forward? Thank you.

Marius Kloppers

No, we don't have a timeline. Our experience is that assets that are sold in distress or in haste you often repent at your leisure, Ephrem, and I think it's not only the price prognosis, and in nickel I suspect we won't be making big changes to our price protocol this year. There are also things like operational results and exploration results in a business to take into account when maximising value, and the nickel business has actually done a great job of both exploration results as well as reducing costs. So that clearly – not that we want to invest fresh capital in that business, but which changes our value attribution to that business to the positive. If I can have – I've got a signal here that it's time. My apologies that it's the end of our session. Andrew, do you want to make a view comments?

Andrew Mackenzie

Yes. Thanks, Marius. I'm just going to make a few remarks. Some of them I covered off earlier in the media briefing we did about my appointment. Look, it's great to see so many familiar faces, so we're obviously – we've already got to know each other quite well, and we're going to get to know each other a lot better, I'm sure. I'm obviously, you know, extremely honoured by the appointment. BHP Billiton is an enormous and truly great company, so it does humble me greatly. Marius referred to the fact that he persuaded me to join the company about five years ago and since then, of course, I've had a huge experience, the great pleasure and privilege working with him, the Board, the top team and thousands of talented employees across BHP Billiton, and Marius has prepared me, I believe, exceptionally well for the possibility that I might take over from him. Just a tribute to Marius, we spent a bit more time on the press conference. I mean, I strongly believe, as a great CEO, he had left the company in much better shape than he found it which is a phenomenal platform on which I can build.

And you've heard a bit more about that in the results, today. I mean, some of the things that I particularly have a passion for because of my background – I will say more about that in a moment – 've built real momentum around issues of cost control, capital discipline and, as some of you know, I spent quite a bit of time in the chemicals

Interim Results

Investor and analyst briefing

industry where we rarely see the kind of margins that occasionally visits parts of the resources industry. And that's where I honed many of my skills. So I am extremely keen, Paul and others, to your comments, to really continue to build on that momentum as I go forward. Now, of course, the strength of that platform means that, you know, there's a lot of things I'm not going to change. I mean, we're very committed to – I am – to the strategy. It has served us extremely well, and it served our shareholders well as well, and as Marius introduced his remarks, you know, we will maintain this undying focus on improving the health and safety of our employees. I mean, what I will do in building on this momentum is really provide an even sharper focus in how we execute against that strategy, and extend our pressure on costs and our commitment to real capital discipline to drive us – or keep us, in many cases, at the bottom of costs per mined tonne, and at the upper ranges of capital productivity. And there, of course, I am committed to extending Marius', as he reported through the results, you know, fantastic track record of sector leading returns to shareholders. You know, I mean, a couple of you asked questions about some of the cost issues and targets, and clearly I'm not going to say too much today. I think the only thing that I would add to Marius' comments about, you know, track us, and we will give you a lot of transparency to track us, and, you know, this is probably just the beginning of things that we're going to do. I and the team have lots of new ideas.

I mean, one thing we perhaps didn't mention in our bottom-up approach is the importance of forensic benchmarking. The systems that Marius has introduced allows us to be extremely detailed in finding the best in class performance in our company, and therefore inducing, causing, and inspiring the people who work for us to move their performance to the best in class of the company, and therefore move the mean of the company to best in class. And that's not something that requires any new technology or anything like that, it's just about the motivation and the leadership to get there, and you can count on me applying that. And, of course, we will take a lot of that benchmarking well beyond the boundaries of our company, into many other competitors and so on, where we can get access to it. And that's probably particularly applicable in the areas of capital, where perhaps unlike some of the operations piece, you know, we do have to think about ways in which we can pool through new technology and change the way, for the better, in terms of performance, that we run our business.

The company is unquestionably one of the world's great resources companies. We are, as you all know, the world's biggest mining company. We have, as Marius referred to, the licence to operate some of the best ore bodies in the world, some of the best opportunities in oil and gas, so that gives us, if you like, a critical role on a sort of broader stage, if I might, in ensuring that the world has the supplies of the basic commodities it needs to grow, both in terms of its population and in wealth, and, you know, and Marius, through his time, has made a very successful contribution that way, through applying some of the leading age management techniques, the systems that he referred to, and, indeed, technology, to make sure that that supply that the world needs – you know, often for peaceful and harmonious reasons is there. And I fully intend to continue that success.

We said a little bit more about the process itself. I mean, it's obviously perhaps a little bit biased of me to say it was a great process, given that I kind of liked the results, but one of the really nice things about it is that Marius is not rushing away. As he said, he's – you know, he's committed to raise the bar relative to Chip, to work with me. He's going to spend the next two and a half/three months in the job, while I get up to speed, and I'm going to take that – the opportunity very seriously; it's a great luxury. I mean, I will pay tribute to you. I mean, I've had a lot of opportunities over the last year to talk to many of you, collectively and individually. You've given me a lot of good ideas. I've listened quite hard, and some of them I've built into my thoughts for the future, and some of them, you know, are yet to come. But I want to carry on listening for just a little bit longer, until I sit in the seat. You know, we will meet one-on-one, and we will meet and inquire, deliberate, and really try to refine my ideas, of course.

You know, with my background experience, I've already got quite a lot of thoughts. Most of them are extensions, but I think they will benefit through further airing, particularly with you, and obviously many of our shareholders and owners. And I'm looking forward to a similar dialogue with other important stakeholders. You know, obviously in a job like this, you know, we talk about over a hundred thousand people working for the company. As many of you know, you get to meet a lot of them when you go on our site tours and so on. You know they're incredibly talented, and it's certainly a real privilege that I will get to lead them, to inspire them, and push them along this direction of productivity, both in the operation realm and the capital realm. But, you know, we have a broader role to play that I described already, about supply, but also to ensuring that we really are a force for good in all the communities in which we operate.

I guess I will see a lot more of you guys, because I'm going to move to Melbourne pretty sharply. I kind of made the comment that it's sort of probably a little bit insensitive here in Sydney to say that my wife, Liz, and I are really pleased that Melbourne has just been voted the most liveable city in the world, but that we completely understand within our family the tension between great cities that are next to one another. I'm from Glasgow; my wife is from Edinburgh, and I tend to think Glasgow is more Sydney, and Edinburgh is more Melbourne. So even though I will be kind of Melbourne-based, you know, I will still have an interest in sticking up for Sydney and getting to know the city even better as well. I mean, this is a fabulous opportunity for me. You know, this is one of the world's great

Interim Results

Investor and analyst briefing

companies. I want to keep it that way and build on that, and make sure it's appreciated as such, because I know you are, and I will be too, down to the hard numbers.

There's a lot of benefits that flow from that, you know, I think, in a global sense, but also, I think, to our home here in Australia. There's no other job I would rather do, so I'm really looking forward to the dialogue that's coming up that I'm going to have with you so that, you know, we make sure that we extend Marius' track record, and run the company with ever-increasing attention to excellence. Well, thank you, and thank you for listening to us today, and I look forward to it.

Marius Kloppers

Thanks, Andrew. Andrew and I plan on spending a substantial chunk with shareholders over the next period as I hand over, so we're obviously going to run into a lot of you around the world and so on. So with that, I would like to close this session. Thank you again for being with us this morning. Thank you very much.