



**Financial results
for the year ended
30 June 2021
Investor and
analyst briefing
speech**

17 August 2021

Mike Henry

Slide 1: Growing value and positioning for the future

Hello. Thank you for joining David Lamont and me for this briefing.

Today David and I are pleased to be able to speak with you about the great operational and financial results we've delivered during the 2021 financial year, which enable us to declare a record dividend.

We'll also talk about a number of transformative changes to our portfolio and structure to strengthen our ability to continue to protect and grow long-term value. These include:

- Investing in the Jansen Stage 1 potash project in Canada – a Tier 1 asset with growth potential.
- Creating a global top 10 independent energy company through our agreement to pursue a merger of our Petroleum business with Woodside.
- And, finally, making BHP simpler and more agile through our intent to unify our corporate structure under Limited.

Our current performance and our plans for the future are built upon our portfolio of world-class assets, our commitment to sustainability and social value creation, and most importantly the capabilities and culture of BHP and its people.

I'd like to thank our employees. You've delivered some great outcomes this year. We've shown what we can achieve together, and we are carrying momentum into the year ahead.

I'd also like to acknowledge all those who support us, including our communities, customers, suppliers and the traditional owners of the lands on which BHP operates.

Thank you.

Slide 2: Disclaimer

Slide 3: Financial results

We're proud of the results we achieved in financial year 2021.

We've maintained our focus on becoming safer, lower cost, more reliable and more productive. We're striving to be a leaner and more consistently higher performing company. The industry's best operator. And this is because we believe that operational and financial excellence drive higher and more consistent returns for shareholders, and enable us to outcompete in the long-run for opportunities and growth. Our results from the past 12 months reflect this belief and commitment.

While ensuring we're maximising near-term returns, we're also focused on ensuring that we have a portfolio that is future fit. As demonstrated in our climate change presentation last September, we expect our current portfolio to perform even better in a world of strong climate action. But we need to further increase our positive leverage to the mega trends playing out around us. And this includes through an intent to add more growth options in future-facing commodities.

Slide 4: Delivering on our strategy

We've made strong progress in delivering against our aims.

We're generating excellent returns for shareholders, and not just through high commodity prices, but through our reliable delivery of operational results and our financial decisions. These are the foundations upon which we are building an even brighter future.

Before I talk about our future plans, let me outline our results for the 2021 financial year.

Slide 5: FY21 operational highlights

Nothing at BHP is more important than keeping our people and our communities safe.

We've now had over two and a half years without a fatality in BHP, and we've seen a sustained improvement in our key leading and lagging safety performance indicators – including events with potential to cause a fatality and our Total Recordable Injury Frequency. Our commitment to safety is unwavering and we continue to seek improvement every day.

Our operations are running well. We continue to unlock incrementally better performance and capacity from our equipment and infrastructure.

- Two of our largest assets, Western Australia Iron Ore and the Escondida copper mine, have continued to set production and throughput records.
- Our Petroleum business beat full year guidance for both production and unit costs.
- And, benefiting from a multi-year programme of asset integrity remediation and capability building, Olympic Dam has recorded its highest copper production since BHP acquired it 16 years ago, and its highest ever gold production.

Combined with disciplined cost control, this strong operational performance has helped us derive maximum benefit from high iron ore and copper prices.

We delivered four major projects during the year, on budget, and on or ahead of time. These were the Spence growth project in copper, South Flank in iron ore, and Ruby and Atlantis Phase 3 in petroleum. And we've established additional exploration partnerships, acquired new tenements and progressed greenfields exploration... adding to our early-stage options in future-facing commodities.

Slide 6: FY21 financial highlights

This trifecta of strong operational performance, high commodity prices and capital discipline underpinned excellent financial results for the year.

We generated record free cash flow, return on capital employed strengthened to over 32 per cent and our balance sheet remains strong, with net debt finishing the year at US\$4 billion.

With these results, having taken into account our Capital Allocation Framework, we announced today a record final dividend of US\$2 per share.

This brings BHP's returns to shareholders to more than US\$15 billion for the full year and to more than US\$38 billion over the past three years.

Our shareholders are capturing the benefit of our performance...

Slide 7: FY21 social value highlights

... and not just shareholders. We're also creating significant value for the communities, governments, partners and employees who support BHP.

We're continuing to build a more diverse workforce – an important driver of the uplift in performance I've just spoken about. Since 2016, we've increased female representation in our workforce by more than two thirds, to almost 30 per cent.

We're supporting communities and investing in social programs around the world, whether through conservation projects... funding education and training courses... or working with councils to fund infrastructure that builds community resilience.

And we continue our track record of taking action to reduce operational emissions and working with others to reduce emissions in our value chain.

- We've signed new renewable power agreements at a number of our operations.
- We've established research and development partnerships with some of the world's largest steelmakers.
- And we're working with the maritime industry to support greener freight.

We continue to deliver strong operational and financial performance, and ever more sustainable outcomes. We're unlocking growth and taking a number of steps to further ensure we have a portfolio that is fit for the future.

BHP has never been better positioned!

I'd like to now hand over to David to take you through our results in more detail. David, over to you.

David Lamont

Slide 8: Financial results

Thanks, Mike.

It's great to be back at BHP and to be able to deliver such a strong set of financial results. They really do represent the capability and commitment of the people across the BHP business.

Slide 9: Financial performance

As Mike said, our continued focus on operational excellence underpinned our financial performance and enabled us to fully capitalise on the higher realised prices in iron ore and copper.

Underlying EBITDA was up 69 per cent to over US\$37 billion, at a record margin of 64 per cent, while our Underlying EBIT was up 91 per cent to US\$30 billion. Our adjusted effective tax rate, including royalties and PRRT payments, was 41 per cent. And net exceptional items were US\$5.8 billion after tax.

This primarily relates to:

- A US\$1.2 billion current year impact of the Samarco dam failure;
- A US\$2.2 billion impairment of our energy coal assets;
- And a US\$2.1 billion impairment relating to Potash.

In relation to this, we've previously acknowledged the capital invested to date has been significant, and that our approach would be different if considering the project again today. The impairment follows an analysis of

what we'd expect a market participant to attribute to our investments to date. We remain very positive on the growth potential of the commodity and the Jansen project.

Reflecting our strong performance, our dividend for the year was a record 301 US cents per share – an 89 per cent payout ratio.

Slide 10: Segment performance

Across the business, we've delivered on our production and cost guidance.

Some key highlights are:

- Record EBITDA margin of 77 per cent at Western Australia Iron Ore.
- A 3 percentage point increase in our Petroleum EBITDA margin, to 58 per cent, despite significant weather events in the Gulf of Mexico, partly due to around US\$250 million of cost savings and value creation initiatives which will help enhance its business resilience and cost competitiveness.
- An almost doubling in EBITDA in Copper, to US\$8.5 billion, driven by higher prices and strong underlying cost management across all operations, despite the continuing impacts of COVID.
- And finally, our Met Coal business had a strong second half, although full year volumes were impacted by significant weather events in Queensland.

Turning to FY22, we expect inflation and exchange rates to remain volatile. We are experiencing increases in a number of commodity-linked uncontrollable costs, and constraints on the free movement of our workforce due to COVID.

Despite this, our businesses are performing well and capitalising on the strong demand for the commodities we produce. We continue to control costs well.

As an example of this, we expect our unit costs in iron ore to be between US\$17.50 and US\$18.50 per tonne. This reflects an increase in our expected US-to-Australian dollar exchange rate from 70 cents to 78 cents, and the inclusion of COVID costs, which were treated as exceptional in this year's results.

Slide 11: Continued capital allocation discipline

Reflecting our strong performance, we generated record operating cash flow of more than US\$27 billion for the year. Our balance sheet is robust, with net debt at US\$4.1 billion, well below our current target range. We invested US\$2.3 billion in maintenance, in line with our plans, and we are seeing rewards in the reliability of our operations. And we invested more than US\$5 billion in development, growth and exploration across our business, including the counter cyclical acquisition of a 28 per cent stake in Shenzi when oil prices were below US\$50 a barrel.

Off the back of our strong results, we announced a record final dividend of more than US\$10 billion, which takes our full year dividend to more than US\$15 billion. We continue to deliver outstanding returns to shareholders and maintain our ongoing capital discipline.

The business today is performing better than ever. Through outstanding operational performance, we have capitalised on some historically strong commodity prices, invested in growth and returned significant cash to shareholders. Some near term uncertainty remains. In Australia, we have seen COVID outbreaks resulting in border closures and the ongoing pandemic creates uncertainty for our business. Despite this, we remain positive in our outlook for long-term global economic growth and commodity demand.

Thank you. Back to you, Mike.

Mike Henry

Slide 12: Strategic update

Thanks, David.

We have a simple strategy at BHP, which is designed to deliver exceptional value and returns through the cycle.

We do this through owning a winning portfolio of world-class assets with exposure to highly attractive commodities which benefit from the trends unfolding around us, and by operating them exceedingly well – safer, more productive and lower cost... we do it through being exceptional allocators of capital... and through being leaders in sustainability and the creation of social value.

Today's announcements both fit with, and accelerate, this strategy.

Slide 13: Delivering on our objectives

Our progress against the objectives we've set out for BHP have laid strong foundations for these changes.

- Through our systematic focus on improving reliability and debottlenecking our operations... our Western Australia Iron Ore business is the lowest cost major iron ore producer in the world.
- We're continuing to enable our people and invest in capability through our FutureFit Academy and our centres of excellence.
- We've made an offer to acquire Canada's Noront Resources – which their Board has recommended to their shareholders – to gain access to a highly prospective nickel basin in an attractive region.
- And we've made progress on focusing our coal portfolio on higher quality metallurgical coals, with our recent agreement to sell our interest in the Cerrejon thermal coal mine in Colombia.

We're delivering improved performance and a better portfolio. We're focused on continuing to deliver sustainable long-term value growth for shareholders and our other stakeholders.

Slide 14: Sustainability shapes our approach

Doing so requires that we operate ever more sustainably.

- This means advancing the technologies and practices that enable us to reduce the emissions produced in our operations and to minimise our overall environmental footprint, be it through water stewardship or through mitigating biodiversity impacts.
- It means working with others to reduce the emissions generated in the transport and use of our products by our customers, while at the same time recognising that many of the products we produce are critical enablers of the energy transition.
- And it means working in the spirit of true partnership to create value for all those who depend on and who support BHP, including business partners, communities and first peoples.

This intent shapes our approach, and we're embedding it into all of our decisions.

We're supporting employment in the communities in which we operate. As well as our target for Indigenous employment in Australia, we've now set a target in Chile... of 10 per cent by mid-2026... and in Potash... of 20 per cent a year later.

And we've long recognised, and have responded to the risks of climate change. We've set and delivered on targets to reduce operational emissions since the 1990s. And in September last year, we announced a

medium term climate-related target and Scope 3 goals which have been followed by a number of new partnerships and commercial agreements.

Building on this momentum, and to give our shareholders greater direct voice on this topic, we plan to put forward a Say on Climate advisory resolution at our 2021 Annual General Meetings in relation to a soon-to-be-announced Climate Transition Action Plan. The plan will cover the focus areas of the Climate Action 100+ Net Zero Company Benchmark, and provide further information on our approach to addressing emissions in our value chain.

BHP continues to improve and evolve.

Slide 15: Our portfolio benefits in a decarbonising world

The world is also changing in ways that play to BHP's strengths.

The past year has seen growing global commitment and action towards tackling the challenge of climate change.

There is growing recognition of the critical role that copper, nickel, iron ore, and even metallurgical coal for steel making, as well as potash for improved farming practices, have to play in the energy transition and in ensuring a sustainable world for future generations.

The increased focus and awareness reinforce our conviction that the mega-trends of decarbonisation, electrification, population growth and higher living standards will drive strong demand for many of the commodities we produce, and that there will be an increasing call for these commodities to be supplied by companies with a track record of sustainable operations and strong social value creation. That's BHP.

I would also note that while BHP's diversified portfolio is expected to remain resilient under a number of different long-term scenarios, our 1.5 degree scenario is the most positive for us.

Slide 16: Sector leading assets across our commodities

We are actively positioning BHP to benefit from the trends unfolding around us. We will deliver the products the world needs today and in the future.

Our focus on ensuring we can meet the world's long-term demand for certain commodities will enable us to create significant new value, over generations, for all our stakeholders.

We continue to evolve the portfolio... through our decision on Jansen... and through our intention to merge our Petroleum business with Woodside. These are transformational decisions.

After implementing these changes, BHP will have a far greater relative exposure to future facing commodities through some of the world's largest and most sustainable resources:

- Copper to support unprecedented demand for electrification and renewable energy;
- Nickel for batteries;
- And potash to support sustainable farming.

And we'll retain our world-class iron ore and metallurgical coal assets. These will remain essential for the steel used in the infrastructure needed to decarbonise, and to drive economies forward.

BHP will be even stronger.

Slide 17: Jansen is a top tier potash asset in a future facing commodity

The approval of Jansen Stage 1 is aligned with our strategy of growing our exposure to future facing commodities.

While we haven't always gotten everything right with Jansen in the past, we are confident in the decision we are taking today.

Demand for potash is underpinned by the need for more productive agriculture with a lower environmental footprint to provide affordable nutrition for a growing global population. It will benefit from increased demand for the biofuel required for decarbonisation and from the need to increase global food production from constrained arable land. And it provides positive differentiation from the rest of our portfolio, in terms of commodity, country and customer.

Slide 18: Modern, high margin, long life and expandable

The US\$5.7 billion investment will deliver 4.35 million tonnes of potash per year. First ore is targeted in 2027, and it will ramp up to full production over two years.

Jansen plays to BHP's strengths in mining, processing and bulk logistics. It will enter the market towards the bottom end of the global operating cost curve. It incorporates the latest equipment and technology. And it will be one of the world's most sustainable potash mines, with a low carbon footprint and low water intensity embedded into its design.

Located in the world's largest potash basin, it will support up to a century of future production and growth.

Slide 19: Jansen S1 is resilient with through the cycle returns

Jansen Stage 1 has an attractive risk-return profile. It is expected to have strong returns through the cycle, a short pay-back period and high operating margins.

Jansen will generate strong cash flows and value for decades to come.

I hope you can tell that we're excited by this new chapter in BHP's history...

Slide 20: Creating a global top 10 independent energy company

... as we are by the next chapter for our oil and gas assets.

We regularly review our portfolio to ensure our assets are owned in a way that maximises value, and today we announce our intention to separate our Petroleum and Minerals businesses.

This decision will:

- Give shareholders greater choice about how to weight their exposure to the different investment and sector propositions.
- It will accelerate BHP's relative exposure to future facing commodities.
- And it will allow a greater proportion of capital in BHP's remaining portfolio to be allocated towards these future facing commodities and enhanced shareholder returns.

Having made the decision to separate these parts of our business, we believe a merger of BHP Petroleum with Woodside delivers the most value for shareholders.

Oil and gas provide more than half of the world's primary energy today. They remain essential to the processes and products that support everyday life. And high-quality assets and projects are expected to continue to generate attractive returns for the next decade and likely beyond.

The question is not whether these resources have a role – but rather, how to position them to deliver the best shareholder and societal outcomes during the energy transition. And today's announcement will achieve that.

Slide 21: Combined business creates significant scale

The merged entity will to be a global top 10 independent energy company. It will unlock synergies, and bring together complementary skills, including exceptional operational and technical capability in deep-water oil and in LNG. And it will have:

- Significant scale, with current production of around 200 million barrels of oil equivalent per year;
- A portfolio of assets, with greater diversity by product, geography and end market;
- And a continued focus on sustainable operations, carbon management and ESG leadership.

Slide 22: Merger creates platform for strong returns

The combined company will have expanded growth optionality, with a suite of high-return brownfield and greenfield projects, along with attractive exploration prospects, in some of the world's best oil and gas basins. And, with low cash break-evens and greater financial resilience than on a standalone basis, it will have the capacity to support phasing and delivery of these.

Even as the world's economy decarbonises, it will still need oil and gas for decades to come. Significant new investment will be required to meet this demand as operating assets inevitably decline. And we believe that responsible producers with high-quality projects and competitive emissions intensity – like the combined business – will be well placed to deliver this.

The merger, which is subject to Board and other approvals, is expected to be completed during the second quarter of the 2022 calendar year.

Slide 23: Unification to drive simplicity and flexibility

Strong delivery against our objectives and the changes announced today position BHP well to continue to pursue long-term value growth.

Simplification of the BHP corporate structure through unification is a natural flow on from the portfolio changes we have effected over recent years, which have left no material profit generation on the Plc side of BHP. And, it will improve strategic flexibility by allowing transactions to be undertaken more simply, including the planned merger of our Petroleum business with Woodside announced today.

We've also seen a material reduction in the costs associated with unification. And hence, now is the time to unify!

Unification will not change BHP's strong underlying business. The underlying operation of our assets; our cash flow generation; our dividend policy and ability to pay fully franked dividends; and shareholders' proportionate interests will remain the same.

There will be one BHP share price, globally. The same BHP share will be traded around the world from Australia to South Africa to the United Kingdom and the US. BHP will retain listings on all key stock exchanges.

Subject to final Board approval, it's expected that shareholder meetings and votes will occur early in 2022.

Following unification, BHP will be simpler with even greater ability to continue to shape our portfolio for the future, while retaining our same strong foundations.

Slide 24: Growing value and positioning for the future

Over recent years, we have been successful in delivering our purpose and creating value for our shareholders, customers, suppliers and communities.

We have excellent assets and they're being run exceptionally well. We're consistently disciplined with our capital allocation. And we're committed to sustainability and creating value for those around us.

The decisions we've announced today will further strengthen BHP's positioning for the future. Through the portfolio changes, we're increasing our leverage towards the world's changing needs. And through unification, we'll be more streamlined, efficient and agile.

We will be even better-placed to deliver long-term value.

Thank you.