

Chris Lynch, Chief Financial Officer

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MR LYNCH: Good morning to those of you in Europe, South Africa, and the US, and good afternoon to those of you in the Australasian region. Welcome to this presentation of BHP Billiton's results for the nine months ended 31 March 2003.

By way of introduction my name is Chris Lynch; I am the Chief Financial Officer. I am pleased to be able to talk to you today about what is a very solid set of results achieved in market conditions which continue to be challenging. I intend to spend the first half of this call going through a short presentation that is available on the investor centre page of the bhpbilliton.com website, and then I'll take questions at the end of that process.

All dollars referred to in this presentation will be US dollars, which is our functional currency, and the currency of the vast majority of our revenue.

Moving to the second slide, EBITDA of US\$3.9 billion and EBIT of US\$2.6 billion for the nine months ended March 2003 were both considerably higher than for the same period last year. It is notable that despite the economic challenges we faced, we have reported in the March quarter the highest quarterly EBITDA and EBIT since the merger. EBITDA of US\$1.4 billion reflects again the strength and stability of the company's cashflows.

At the EBIT level, results for the March quarter were approximately 18 percent, or US\$149 million higher than the December 2002 quarter.

As well as strong oil prices increasing the petroleum results, improvements have also been reported in aluminium, base metals, carbon steel materials, and stainless steel materials. On a year to date basis the strong results were principally driven by

improved sales volumes, our continued pursuit of cost savings, higher product prices, continued strong demand from China and East Asia, and the benefits of a diversified portfolio of resource businesses.

This has allowed us to continue to invest in our pipeline of growth projects. We sanctioned the Phase I development of the Greater Angostura oil and gas field in Trinidad, and completed our Board approval process for the Atlantis project in the Gulf of Mexico.

Since we last reported, a number of milestones have also been achieved on projects under development. In April 2003, first metal was cast at the Mozal aluminium smelter expansion in Mozambique, more than five months ahead of schedule and also below budget. Project costing for the Escondida Phase IV expansion has also been completed, and we are pleased to report that the actual costs of US\$944 million were well below the budget of US\$1.045 billion on a 100 percent of project basis.

Since the merger we have completed six projects, all on or ahead of schedule, and on budget. All other projects remain on schedule and on budget.

Our inaugural ten year global bond was successfully launched in April 2003. The size of the issue was increased from the initial targeted amount to US\$850 million due to strong demand. The price achieved was very competitive, at 80 basis points above the US treasury benchmark. This was our first issue in the US markets as a combined group, and furthers our objective of diversifying funding sources.

We have continued to actively manage our portfolio of assets and recently announced the sale of our 2.1 percent indirect stake at CVRD, and our 25 percent interest in the Alumbrera mine in Argentina. The CVRD sale completed in March of 2003, and the Alumbrera sale will close in June, subject to customary closure conditions. Together these sales will generate over US\$520 million of cash for the group.

Directors also today declared a final dividend of 7.5 US cents per share. Together with the interim dividend paid in December of 2002, total dividends declared for this

financial year are 14.5 US cents per share, an increase of 11.5 percent compared to 13 US cents per share last year. This increase once again shows the confidence we have in our ability to generate significant cash flow to fund our major capital investment programme, notwithstanding the generally weak market conditions.

Moving to the overall financial highlights for the nine month period on slide three. Turnover increased by 12 percent due to overall higher prices and volumes. I will cover average realised prices by commodity in more detail later in the presentation. Suffice to say for now that the most significant price increase related to petroleum products.

Volumes increased EBIT by approximately US\$170 million. Sales volumes of iron ore, copper, diamonds, energy coal, and aluminium were higher compared with last year. Petroleum product volumes were lower, reflecting natural field decline and higher down time at Liverpool Bay and Typhoon.

As we outlined in our half year results, the strategy of our marketing organisation is threefold: to maximise returns on our equity product; to determine and serve the current needs of our customers; and, to gain an understanding of where our customers are heading in the future. One of the tools used to deliver on this strategy is our aggregation activity related to third party product. You will see that turnover from this activity has increased to US\$1.4 billion in the current period.

As I have already mentioned, EBITDA and EBIT increased 9 and 12 percent respectively, reflecting strong performance from our diversified asset base. Attributable profit of US\$1.4 billion was US\$178 million lower than for the same period last year due, to unfavourable foreign currency adjustments on net debt and tax. Period on period the unfavourable impact on our profits solely from restatements of monetary items due to exchange rates fluctuations was a swing of approximately US\$650 million, and these are essentially non-cash items.

As reported in our half year results, the exceptional item of US\$19 million relates to the demerger of BHP Steel.

EBITDA to interest cover continued to be strong, reaching 12.9 times, considerably above our target of eight times.

On slide four I will take you through the EBIT results by customer sector group. These show stronger results reported by petroleum, aluminium, base metals, diamonds, and specialty products, and stainless steel materials in the current nine month period. Total EBIT from continuing operations increased by 12 percent.

Petroleum benefited from a 31 percent increase in average realised prices for crude oil, and a 23 percent price increase for LPG. Exploration expense was US\$29 million lower than the same period last year, and sales volumes were higher from the North West Shelf due to timing of shipments. Higher royalty and tax related price linked costs provided a partial offset to these improvements, as did lower volumes.

The decline in our petroleum production is mainly a reflection of natural field decline in Bass Strait, Laminaria and Griffin, and a combination of natural field decline and higher down time at both Liverpool Bay and Typhoon. We expect our full year production on a barrels of oil equivalent basis to be in the range of 120 to 125 million barrels, and based on our volumes to date we anticipate we will be at the lower end of that range.

A number of offsetting one-off items have impacted the petroleum result in the March quarter. A write down of our Bolivian assets of US\$35 million following a change of fiscal arrangement in that country was largely off-set by renegotiation of gas sales contracts from the Bruce field in the UK, and profits reported on the farm out of exploration acreage in February 2003, together totalling US\$28 million in the current period. So a net off-set cost there of US\$7 million.

Aluminium EBIT benefited from higher volumes and benefits from cost saving initiatives and operational improvements at Hillside, Worsley, and Alumar. Improves results at Hillside reflect the continued success of operating excellence projects and a lower number of pots being relined in the current period, which lowered the

maintenance costs. Production improvements at Alumar are attributable to the end of government enforced power restrictions. These increases to EBIT were partly off-set by the unfavourable impact of inflation on costs in South Africa, and the effect of the strengthening rand and Australian dollar.

Base metals benefited from a 4 percent increase of average realised copper prices compared with the same period last year. Last year's results also included a US\$38 million write-off of the La Granja project. The current period reflects a full nine months' contribution from Antamina, as well as the ramp-up of the Phase IV expansion at Escondida. Notwithstanding these improvements base metals continues to be affected by self-imposed production cut-backs at Escondida and Tintaya.

Performance from carbon steel materials was down, mainly due to the impact of the stronger Australian dollar exchange rate on operating costs and inflationary pressures in Australia and South Africa. Contract prices for iron ore were lower than in the corresponding period. Off-setting these unfavourable factors, on 23 April we reported quarterly Australian iron ore shipments of 19.4 million tonnes. That's the second highest quarter on record. This continues to be driven by strong demands from all Asian markets. In addition, demand from the European pellet market has shown improvement, resulting in higher shipments from Samarco in Brazil. Prices and volumes for manganese alloys and volumes at Illawarra Coal were also higher than the same period last year. Operating performance continues to improve at Boodarie Iron, and prices for its products have increased.

Diamonds and specialty products, excluding exploration and technology, is slightly higher than last year. Higher plant through-put and processing efficiencies were achieved at Ekati, as well as higher volumes, but were off-set by lower average realised prices per carat for the diamond, reflecting a change in the product mix. Notwithstanding weak market conditions, titanium sales were higher in the current period. This mainly reflects shipment delays in the corresponding period last year.

With regard to Integris, our metals distribution joint venture with Alcoa in North America, this has benefited from the synergies achieved by merging our

businesses in November of 2001.

EBIT for energy coal is down, mainly due to a significant decrease in prices for export energy coal, adverse movements in the rand, and inflationary pressures on costs in South Africa. Also, last year's figures included total contributions of US\$60 million from PT Arutmin assets in Indonesia which were sold in November 2001, and the Rietspruit mine in South Africa which closed in May of 2002. Profit on disposal of the Indonesian assets included in the prior period added US\$64 million to EBIT in that period. This was partly off-set by profits from the additional share of Colombian operations, higher sales volumes at Ingwe, and increased production following the ramp up of Mount Arthur North in the Hunter Valley.

Stainless steel materials has shown significant improvement compared with last year. Prices were higher, with a 32 percent increase for nickel and 19 percent for ferrochrome.

Sales volumes for all products were over 10 percent higher than for the same period last year, reflecting increased production capacity from the ramp up of Cerro Matoso Line 2 in Colombia, and increasing market demand for ferrochrome, enabling the restart of idle furnaces. Cost savings initiatives have also contributed to increased EBIT at Cerro Matoso and at the UNI nickel refinery in Queensland. Inflationary pressure of costs in South Africa partially off-set these improvements.

Group and unallocated items shows significant improvement over last year. Base overhead costs reduced by 21 percent to US\$148 million. Losses from legacy currency hedging activities reduced year on year from US\$249 million to US\$105 million in the current period. The underlying improvement in group and unallocated items is actually better than the numbers on the slide indicates, because last year we had the benefit of some one-off favourable items.

Moving to price impacts on slide five, these show a breakdown of the US\$375 million favourable price variance by commodity for the group, and demonstrates the effect or benefit of the diversified portfolio. The green bars in this graph show the commodities

where prices rose compared with the same period last year. In total this resulted in an increase to EBIT of approximately US\$625 million. Biggest single impact was higher prices for petroleum products. The current period also saw higher nickel, chrome, copper, and manganese prices. Lower prices for export energy coal, diamond, iron ore, and aluminium decreased EBIT by approximately US\$250 million. So a US\$375 million net benefit at the turnover line. However, this was partially off-set by higher price link costs of US\$115 million mainly due to higher royalties and taxes for petroleum products, giving a net EBIT benefit of US\$260 million from price effect.

Slide six provides further detail of some non-EBIT items. Net interest expense before exchange related impacts is down US\$35 million compared with the same period last year. We achieved lower average interest rates due to lower benchmark rates, execution of our funding strategy, and broad recognition of the strength of our credit position.

The exchange loss on net debt was US\$106 million in the current year compared with a gain of US\$220 million last year; a movement of US\$326 million period on period. This is mainly due to the translation of rand denominated debt and period end. The rand depreciated by 22 percent during the current period, compared with depreciation of 42 percent in the same nine month period last year. The tax charge, excluding exchange impacts, was US\$697 million and represents an effective tax rate of 31.3 percent, or 37.2 percent after exchange related restatement effects for the period.

I would like to show you the impact of exchange rate movements in more detail on slide number seven. As you are aware we operate under a US dollar functional currency, based on the fact that the vast majority of our revenue is US dollar denominated. The major impact of this is the restatement of monetary assets and liabilities denominated in currencies other than US dollars; in our case mainly Australian dollars and rand. What is important to note on this slide is the swing in this item for the prior period. The total impact of the restatements of net monetary liability at balance date was to reduce our attributable profit in this nine month period by US\$306 million. Over the same period last year it actually increased attributable profit by US\$345 million. A total adverse swing of US\$651 million period on period.

I want to take some time here to be sure we're clear on the underlying business performance. The attributable profit for the nine months ended March 2003 was US\$1.375 billion, but this was after currency related reduction of US\$306 million. These restatements are essentially non-cash items. Exclude them, and attributable profit would have been US\$1.681 billion.

For the same period last year reported attributable profit was US\$1.553 billion, boosted by currency related gains of US\$345 million, again largely non-cash. Excluding those gains, last year's attributable profit would have been US\$1.208 billion.

So the total underlying improvement is actually US\$473 million, or almost 40 percent compared with last year, representing a very strong operating performance in the current period.

To summarise today's results on slide eight, BHP Billiton has presented once again a strong set of financial results, demonstrating both stability and cash generating capability. EBITDA and EBIT are both up, despite the difficult economic environment of the last nine months. We remain on track to deliver all sanctioned projects within schedule and budget. Our ability to deliver projects under budget, at cost, and ahead of schedule continues with our recent examples in Mozal, where we were ahead of schedule for first metal for the expansion project by five months, and under budget, and Escondida where project costs were US\$100 million below budget. Our organic growth projects are a major differentiating feature for BHP Billiton.

Notwithstanding our capital commitments to growth projects, we have increased dividends by 11.5 percent compared with the last financial year.

Demand from China has remained strong since we last reported. Total sales of our products to China over the last nine months generated around US\$800 million in revenue, which on an analysed basis is a further increase since we last reported at the end of December 2002. This makes BHP Billiton one of the largest suppliers of

resources into China. Over 20 percent of our iron ore and 30 percent of our alumina has been sold to Chinese customers. In both cases significantly higher than the volumes sold at the full 12 months of our last financial year. In recent weeks we have continued to experience strong Chinese demand for these products. As yet we have seen no decrease in product demand due to SARS, but we continue to monitor this situation very closely.

Tensions from the conflict in Iraq appear to have subsided. The global economy however shows little sign of recovery, and we remain cautious in our outlook for key commodity markets.

This result shows the strength of the BHP Billiton group. We are well placed to benefit from opportunities both in the current environment and once an economic upturn occurs.

With that I'm happy to take questions. Could we have the first question please, operator.

QUESTION: Looks like a good result overall. You mentioned that petroleum, the production for this year's expected to be at the lower end, about 120 million barrels. Can you give us any outline for what it's going to do next year?

And also aluminium, the result in aluminium seems particularly strong, and I'm just a bit reluctant to factor all of that in to ongoing quarters. Can you just give us some guidance there as to whether it was oddly strong in this quarter?

And also on your diamond prices in your pricing chart you've got a negative \$40 million impact from diamond pricing. I'm just wondering whether that is the price per carat, or just the fact that your quality of carats has gone down, or whether it was the market price of diamonds that's gone down?

MR LYNCH: I will address those in reverse order. The diamond price is as a result largely of mix. It's a result of a change in the average grade based on grade of the

various diamonds that are coming through there. So that's a mix issue.

With regard to aluminium, I think you have got two issues. One is a very strong underlying performance, as you rightly point out. They have done some very good work in terms of their cost structures and their projects and so on. They have had increased volumes, and I think you should expect a continuation of that. There's probably a little bit of a boost in the comparable with last year based on the higher pot lining activities and last year's numbers. Other than that I think it is a very strong performance.

And with regards to petroleum, I would expect it to be in a similar range to the 120 to 125 in '04, but I think Phil Aitken will probably cover that in future presentations to the market.

QUESTION: Congratulations on the result, very good numbers considering all the circumstances you've been through, particularly in the last quarter. Chris, I just wanted to follow up on the aluminium. It looks like you had in that last quarter an average cost of around US\$840 per tonne, and would we be right in putting that lower cost base through into the future, particularly given that in your other South African based operations, chrome, coal, titanium, the rand appeared to have a bit of an impact on the numbers there, but in aluminium you seem to have done an exceptional job?

MR LYNCH: I think I would refer to the previous answer I gave, I think they have had a very solid performance, they have done some good work in terms of their cost structures and so on. I think you do have to be a little bit careful about the rand and how that strengthening can affect that number. I think we finished this period just under the 8 rand per dollar, and if you've seen it over the last couple of months, or couple of weeks, it's tested down in the early 7s and bounced around a fair bit. So I think you need to be a bit wary of that. But I think you should expect a continued good performance coming out of aluminium.

QUESTION: And Chris, I also have a follow up there. Just in terms of coal, with the Chinese currency pegged to the US dollar, and we're seeing the weakening of the

US dollar going through at the moment, do you expect Chinese coal exports to suppress prices going forward for the rest of this year?

MR LYNCH: I think our key challenge for coal is really around the overall price, obviously, but our bigger market's really Europe. Notwithstanding we are obviously very keenly interested in the Asian market as well. The Chinese export situation is always a little bit hard to get a clear guide on, so I don't really have anything that I could give you that would be too directive there. But from our South African coal operations, obviously we're fighting the strengthening rand, higher inflation, and a lower market price generally. So that's the challenge there.

QUESTION: Again, I think congratulations on the result, and I think that a lot of analysts may operationally be upgrading. However, equally a lot of analysts will probably be rand and foreign exchange rate down grading. You seem to spend a lot of time talking about the operational performance and backing out the functional currency, and this is something which sets you apart from your peers, particularly Rio Tinto. Have you given any extra thought to actually taking the currency fluctuations again through the balance sheet so that you don't get this volatility in the earnings?

MR LYNCH: I think it is an issue that obviously compounds with quarterly reporting, because we're reporting these figures four times rather than twice.

The key issue from the accounting policy standpoint is that in order to change, and this is something that really dates back to the date of the merger where the functional currency was adopted as US dollar, but in order to change you need to have a triggering event in order to be able to change your accounting policy for this issue, and we've also got international accounting standards coming down the pike.

So I think what we're trying to do at the moment is make sure people understand the way that these essentially non-cash items do come through and affect the headline attributable profit number, but if you go to the underlying performance of the revenue stream and the underlying performance of the business, the strength of that is there and clear, as I tried to show in the presentation.

QUESTION: A follow up: the group unallocated number was substantially better than we had expected and I do understand a fair bit of a turnaround is in the easing off of the legacy hedging. Could you give us an indication of what we should expect on that group unallocated line on a quarterly basis moving forward?

MR LYNCH: I think the overheads are showing good signs, and they're down roughly 20 percent year on year from last year. And the legacy hedging, I think there's a detailed description of that included in the pack, so you'll see that they basically peter out over the course of fiscal year 2004. And also obviously the Aussie dollar strengthening is dampening down the effect of the currency.

The other thing that's in the group and unallocated this time was there is a slight profit on the CVRD sale of US\$13 million. So that might be the surprise aspect of that if you've got a good line of sight on the legacy hedging.

QUESTION: Look, I really wanted to focus on cashflow. In particular being a quarterly result we haven't got cashflow statements, but given the various non-cash items that are running through, can you give us please an update please of where gearing sits, and try and help us understand the underlying cashflow generation that went through the business, and you know, incremental debt reduction increases?

MR LYNCH: We don't do the full cashflow on quarters, so I really can't give you a lot of guidance on that, other than to refer you probably to the EBITDA line which is the best proxy for it at the quarter level, which is very robust. It's in fact a record since the merger. But obviously we will have the full suite of cashflows and balance sheets with the annual result.

QUESTION: Good morning. I just had a question on the SARS epidemic, and you give some indication in your earnings report that there is a potential impact in the short and immediate term. I was wondering if you could replace "short to immediate" with actual months. Short could mean anything from a day to what, six months. Can you give us some sense of timing on that?

MR LYNCH: We haven't seen any reduction in demand for our products as yet. We're obviously monitoring this situation very closely, but we have nothing other than broadly available information. Our own data shows that demand for our products hasn't really been affected.

QUESTION: And what about, if there is an effect, which of your commodities would you expect to be affected first, or the hardest?

MR LYNCH: Look, I think that's too hypothetical really to sort of address. We're selling a lot of iron ore into China; that hasn't been affected. We're selling copper into China; it hasn't been affected, and so on. So I think it's way too specific to be addressed at this stage.

QUESTION: I would just like to focus on the cost reduction drive, and then just if you'd like to please compare your achievements to date, US\$170 million of cost reduction, US\$205 million removed due to inflation, to your targets of \$500 million for three years and 2 percent per annum real cost reduction, and just give us a view as to how you're faring with respect to those targets, and then what sort of run rate we can expect over the next year or two, given that you are facing quite a few pressures in terms of curtailed production and inflation in South Africa. I have one further question after that.

MR LYNCH: Okay. Well first up we'll go through the costs in chapter and verse at the halves and the full year. Internally we are comfortably on target to achieve our numbers. Bear in mind when we talk about the numbers we do talk about the cost reductions. We exclude the impact of inflation, we exclude the impact of price linked costs, and we exclude the impact of foreign exchange at that line item. So we're talking about the getting after the controllable cost that are there. We're progressing well on that, we're making good progress, we'll have more detail about it at the full year result.

Running rate wise, I think it's fair to assume that we're progressing toward the targets

that are in the market, including the US\$500 million. And you recall at the half year we declared the merger benefits target of US\$270 million behind us with US\$285million achieved. So we're targeting now US\$770 million in benefits between the start of the merger and 2005. So we're in line to do all of that.

QUESTION: Just the second point is in South Africa obviously the rand and inflation, a major impact there, and obviously the new regulation with the score card adding to all your costs in those businesses. Any thoughts as to the increased costs in those businesses going forward?

MR LYNCH: The quandary in South Africa is the strengthening rand and high inflation. And it's largely the rand largely being an issue about high interest rate differential between the South African rand and the US dollar, so it's probably attracted quite a bit of short-term investment and that sort of thing into that money market there.

We've launched a turn around project with regard to the Ingwe business, this is under way now as we speak, and they're looking to be in a position to deliver acceptable returns to shareholders throughout the business cycle. So that's not something that we're sitting on our hands ignoring, but that's something that equally I think it's unlikely that it can persist with strong inflation and a strengthening rand. But notwithstanding that we are looking to get some changes into our cost structure, particularly in the Ingwe business, that's the one that's mostly affected, because it has the third leg of our price challenge in the external market.

But I think that economy is struggling a little bit with exports of everything, really, with the dual problems of a strengthening currency and a high inflation rate.

QUESTION: Morning, gentlemen. A question on exploration. I notice from the waterfall chart that the exploration line for Q3 was a little adverse. But your comments on the petroleum division and in base metals say that actually that was a boost to the profits. Can you therefore indicate to me where the exploration line was higher?

MR LYNCH: Well the exploration on the waterfalls are positive.

QUESTION: Yeah, but if I look at Q3 in isolation after taking the figures for the first half, the exploration then was 5 million adverse. Your comments provisionally actually suggest that exploration for the quarter was actually somewhat lower. I'm just trying to reconcile those two figures.

MR LYNCH: Well the key issues in comparison results is that in petroleum we drilled less wells in the period, this period versus the corresponding period, slightly less wells. The capitalisation rate was very similar if you go to the data there. And then last year we had a write-off of the La Granja project in that area as well, and so that - I think that's getting to the difference that you're seeing.

QUESTION: Okay. I then had a second question on the base metals business and reassessment of when the hold back on the copper output may be relaxed, given that's going to be a key component in the cost drive going forward, and the move from a low grading to a higher grading. What is the timing on that, has there been any assessment there?

MR LYNCH: Next review on that will be in June. Next month.

QUESTION: I think most of my questions have been answered, but I have just got sort of a few more. Just in the context of the dividend having been raised, which I think probably was a surprise, and I know you don't give any sort of cashflow numbers at this sort of results, but maybe if you could comment in terms of why, I know you mentioned that it was a strong operational performance, but I think your capital expenditure is also certainly below budget. If you could comment on that.

Secondly, just in terms of the segmentation analysis, I have got two questions. One is the, you know, when you group the titanium and the Integris together there's a sharp drop in the quarterly profit - I know you've given year to date - but if you could comment on that. Secondly the diamond appreciation and amortisation for the quarter,

that went through the roof. If you could just comment on that as well. If it's too detailed I could talk to some guys afterwards.

MR LYNCH: Let me address the dividend question, and I think the segment stuff would be probably better handled off line with Investor Relations. But the dividend policy we have is a progressive dividend policy, and that is to say that we seek to maintain or increase our dividend as we go forward.

With regard to the capital management side of things, our first source, or our first application of funds is really for our pipeline of growth projects and where we can add to shareholder wealth by investing in the those projects. And I think we have those under way, I reported on some of the performance on those being inside time and also under budget, and that's true for all of the projects that are currently under way. So we have a fairly aggressive growth pipeline in train, and we're able to fund that with internally generated cash.

The second thing we would look at would be if we needed to do anything regarding our balance sheet, and if you look at our half year balance sheet and so on you'll see the interest coverage and the gearing ratios and so on, so our balance sheet is in the conservative end of our ranges, and so we're in good shape on that one.

And then finally the third issue for cash is to return value to our shareholders, be that by things like the spin out of steel, or dividends or some form of distribution to shareholders. So increased dividend is really the reflection of those two policies, and I think it's something that the Board obviously thought it was an appropriate thing to do at this stage, and given of the progressive dividend policy we would see that we could maintain that into the future.

The beauty of this asset base, really, is the ability to generate cash. And if you look at the stability of the EBITDA performance quarter on quarter, it's not really a function of near term profitability and so on with regard to our capacity to pay dividends. So I think the dividend, if you like, can be managed as a separate entity in that regard.

QUESTION: Just one last question on the dividend. The debate between paying a higher dividend and doing share buy-backs, can you comment on that?

MR LYNCH: We're authorised to buy back in both jurisdictions, and so that's something that we can do, and we look at that from time to time. We may be doing some of that at some stage here, but the dividend obviously is one way of returning it. The BHP Steel spin out was another return to shareholders and the bonus issue in the Plc side. So it's a different way of getting capital back to the shareholders.

QUESTION: Yeah, just a couple of questions. The first one I guess just flowing on from a previous question and the perhaps the prior one there, just in terms of the EBITDA line for the March quarter, US\$1.4 billion. That's quite a step change given the group's been really tracking along at sort of US\$1.2 billion. Is that sort of number sustainable, notwithstanding commodity prices?

MR LYNCH: Well I think - I mentioned on the way through the presentation that there was a net price impact in the nine months of US\$260 million, and petroleum I think, when you isolate the quarter for petroleum you will see a significant impact in there. But I think the key is that what it does do is underlines the strength of that line. I think the stability level is probably around the US\$1.2 billion and higher, but I think it would be too early to call it to say that we'd do US\$1.4 billion every quarter.

QUESTION: Just on Mozal, when do you expect that to start having an impact in terms of the sales, and when are you targeting full production?

MR LYNCH: The ramp up there, it's basically commissioning pots progressively. You know, the team that have done this project have been together now for several years. Essentially they've built the entire Hillside and Mozal complexes, so they're very good at what they do. But there is a limit to how many pots you can bring on at any given time. That expansion will hit absolute full production by about December.

QUESTION: G'day Chris, just wanting to ask the slightly populist question now, it's about the departure of Brian Gilbertson. As I understood it the announcement of what

the deal was with Brian was going to go out in the annual report. You are now saying that you will notify that immediately. Is that a change in policy, and if so why? And secondly, how would you characterise discussions with Mr Gilbertson over his separation pay out?

MR LYNCH: Well the first thing is I think we have had a consistent message in the market is that as soon as that was final we would disclose it on the basis of a normal disclosure policy, and also that we think that's the right thing to do.

With regard to the status of any sort of talks with Brian and so on, that's all between Brian and his lawyers and the company and our lawyers, and I'm not privy to those. But suffice to say that given that we haven't disclosed, you can take that as read that we haven't concluded.

QUESTION: I wonder, Chris, if you will do an AMP and make him a final offer and take us to court?

MR LYNCH: I'm not open to speculate on that.

QUESTION: Most of the questions have been asked at the moment. But look, just one. Do you expect an impact from SARS?

MR LYNCH: We haven't noticed any change in demand for our products thus far. But I think everybody sees the popular press coverage of the issue and so on, and I think if you surveyed the tourist industry you would see that there are less people travelling and those types of things. Eventually that may lead to some sort of reduction in commerce, but there's a lot of things you can do over a telephone, like this conference for instance, or you know video links and so on.

We do still have a significant presence in China with Chinese nationals, and so on. Part of our marketing organisation is based in China, obviously with Chinese speakers and primarily Chinese nationals and so on, so they're still there conducting business and doing business in the normal course of events. But I mean, we're just watching

that issue closely.

QUESTION: One question: I thought you might have made more of the progression of the EBIT margin. You did touch upon the proportion of sales coming from trading activities. I thought a way to progress, to measure the progression of the company with cost reductions and others is to really look at the operating margins, and I didn't see in the release those figures disclosed. Would you care to just comment on what your real operating margin was without legacy hedge book losses and without the trading revenue?

MR LYNCH: I take your input on that. I think you always have to sort of make a call about how you're going to go about these things, and that may be a better way to do it.

I think the underlying issue, the margin improvement has been strong, but we obviously have been impacted by the strengthening currencies in the rand and the Aussie. If you exclude trading and exclude the hedging losses, our EBIT margin is 25.4 percent. And that would be over the total of the products. And if you look at just the total without excluding the hedging it's about 24.4 percent. So, that's the impact, excluding trading and excluding hedging, would be about 25.4 percent overall that.

QUESTION: I would just like to go back to the very first question you fielded there, and I would just like to confirm, you mentioned there barrels of oil equivalent this year, around the - well the bottom of the range of 120-125, and you're looking at budgeting for much the same range for the financial year 2004, 120-125 million barrels of oil equivalent?

MR LYNCH: Yeah, that's correct for both the ranges. This year towards the bottom end of the range, and the same range for next year.

QUESTION: Can you just give me some guidance here, because I mean with Mad Dog, Algeria and Pakistan due to come on stream in the coming financial year, is the Bass, the Australian Bass Strait, Laminaria, are declining even more rapidly than

perhaps we were anticipating?

MR LYNCH: I'm not sure - define more than you've anticipated. I can't really answer that on a broadcast call on the basis that everyone on the thing may have a different view about how it's going to deteriorate and so on. But I think Phil Aitken will address that in future presentations as they go through from the petroleum customer sector group.

But there is continuing field decline in the legacy assets, and there will be new production coming on. But overall we would talk at this stage about a similar range of 120 to 125 million barrels of oil equivalent. So I think you probably need to wait for a bit more granular presentation from the petroleum customer sector group in the future.

QUESTION: Okay. It's just that it was a little disappointing as we were expecting a build up to come through and off-set that decline, and I accept that my forecast's obviously different from someone else's, but you're saying it's going to be flat production, essentially, for 2003/2004?

MR LYNCH: I'm saying it's going to be similar ranges. I think in a way we've been victims of our own success with in field programmes in the past where we've given range guidance people have sort of had an expectation that the great results of earlier in terms of infield programmes would continue indefinitely, and you just can't do that. But I think the best answer to that one, Peter, would be to make sure you get along to Phil Aitken's next presentation whenever he's on the road.

QUESTION: You mentioned on the copper situation that the review will be in June. You also spoke about the about the self-imposed cuts at Escondida which will take about 200,000 tonnes off the copper market this year. Now yourself and Phelps and Rio obviously have the bulk of this idle capacity, and whilst you can't prejudge that review, it might be useful for us just to have an idea of the some of the conditions required in terms of perhaps inventory levels or price ranges that might colour that suggestion. It's obviously - I think just to put some background, I think most of us expect there to be something like a million tonnes still surplus copper to requirements

in the global market.

MR LYNCH: I don't want to pre-empt that discussion and that decision and so on. I think if you go to the physical market it's reasonably in balance at the moment, much better shape than it was a year ago, and I think it's reasonably well placed for when industrial production does pick up. But other than that I really don't want to pre-empt that June discussion. That will be an issue for Brad Mills and the base metals guys, and with the executive of the company and so on. So I think we need to go through that process. But the market has become much better balanced over the course of the last 12 months.

QUESTION: Just a few questions really related to the energy coal side of the business. I see in the comments that you've pushed up the depreciation charges in South Africa after a review of asset lives. I was wondering if you could give some more background on that, what it's related to, is it related to the potential imposition of royalties within South Africa, or, you know, what's the reason behind it?

MR LYNCH: I think the key issue here is that any change in depreciation lines is purely incidental on the normal flow of the business. That's not a significant issue for us. I think if you look at the energy coal customer sector group in total, the reduction in EBIT for the nine month period is something like just under US\$300 million, and when you compare that with the prior period it was things around - last year we had the benefit from the Arutmin and Rietspruit operations, that added about US\$60 million to last year's number, and also the profit on disposal of Arutmin was US\$60 million. And then the impact in this period has been lower prices, stronger rand, and high inflation in South Africa.

But with regard to the South African assets, we have launched a process, it's really a turnaround project that's going to look at all aspects of that business, and trying to make sure that it's robust at levels that are less favourable than the current market even. So, we will be going through that process over the next couple of months. But it's going to be a process that will take some time, but it's under way.

QUESTION: Right. As I understand it then you're sort of taking into account a relatively stronger rand and potentially a weaker long term coal price when you're looking at that, and perhaps sort of following on from that, I'm interested - - -

MR LYNCH: Sorry, what we're looking for is robustness in adverse economic conditions. That's not a forecast of adverse economic conditions. That's looking to be more robust in adverse times, and to be in a position to take full advantage of more favourable conditions as they present, as they inevitably will from time to time.

QUESTION: Understood. I mean, I suppose sort of the other situation is just in terms of the global coal market and the fact that prices are still so low, and I'm interested in the increases in production, higher sales volumes that you've been pushing through, and wondering what's happened in terms of sort of global production cuts in the coal industry that were anticipated to follow on from the cut backs in the copper industry?

MR LYNCH: I think you're talking about a fairly significantly different market, and there is a seasonality impact in the external coal market that isn't there with copper and so on. But I don't think the two - I don't think you can read one to sort of translate it across to the other.

QUESTION: And finally, in coal there's obviously a big increase in third party traded sales as well, revenues coming in there. And there has been some speculation within the UK you're bidding for supply contracts here in for the electricity generators. Is that as far as you're going to be going, because there's also some speculation you're actually looking at UK electricity generating assets?

MR LYNCH: Well I guess the key targets of our marketing strategy: the first point is to maximise the returns on our equity production, the second part is to determine and service the current needs of our customers, and the third one really is to get a clear guidance and understanding of where our customers are headed. So this third party sales activity really helps us to do all three of those. It's a function of understanding the customer's needs and finding ways to service those needs, and that's really what we're after. So that's the origination process. And you won't always see the return for

that on the trading EBIT line as such, or that marketing EBIT line. It's going to be spread across the underlying revenue line as well.

QUESTION: Right. So we shouldn't expect you to bid for a UK electricity generator then?

MR LYNCH: We never comment on potential acquisitions, divestitures, etcetera. So I can't give you any guidance on that.

QUESTION: Just two questions. First one is on working capital, and I know you don't give the figures on it, but your sales in especially alumina and iron ore were substantially bigger than the production numbers. Can we take that as a shipment discrepancy, or has there been a considerable tightening of the stock pile movements?

And the my second question is about the dividends. You're paying out on 2 July. Is there any move to make it actually in this financial year, as in paid out on 30 June?

MR LYNCH: Okay, maybe the second one first. With regard to the dividend, we will be paying it in early July. If we were to pull it through into June that would mean three dividends in one year. It's not a big difference, but it is an issue for the fiscal year reporting of dividends and so on. But that's something that can be looked at into the future, and I don't think a major issue.

With regard to working capital, I think the best guidance I can give you is that we can't really take you through that given we haven't published balance sheets and so on. But we're constantly looking at making sure that we don't have surplus working capital tied up in the business. I can't really give you a more granular answer than that given that we haven't published balance sheet information.

QUESTION: Chris, I've got a question with regard to minerals exploration. Only \$5 million for the year to date, and we're aware that a lot of the effort and the risks goes into supporting alliance deals. But with regard to Resolution, which would be one of the larger projects that you're involved with, when do you expect to make a

contribution to that, or has Rio Tinto yet finished their \$25 million worth of expenditure?

That's the first question, and the second question in the same regard is: any expenditures in Resolution, would you envisage they be capitalised or expensed, knowing what you know about the project?

MR LYNCH: I'm just getting some info here now Tim, but I guess the key thing from - we talked about this in 1998, and Rio has the right to earn into an interest in that project, which is Resolution. I think it's just got to play out its course. We don't see any spending on our part going there.

QUESTION: So they're nowhere near completing their \$25 million worth of expenditures?

MR LYNCH: I think a better question for them.

QUESTION: Right well put another way, in your budget you're nowhere near making allowances for that money?

MR LYNCH: We haven't completed our budgets for the next financial year, but it's more an issue for them than us, I think.

Okay, with that I think we're pretty much out of time, so thank you very much to everyone on the line.

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