

BHP Billiton

Industry Trends - Consolidation & Diversification

Chip Goodyear - Executive Director and
Chief Development Officer

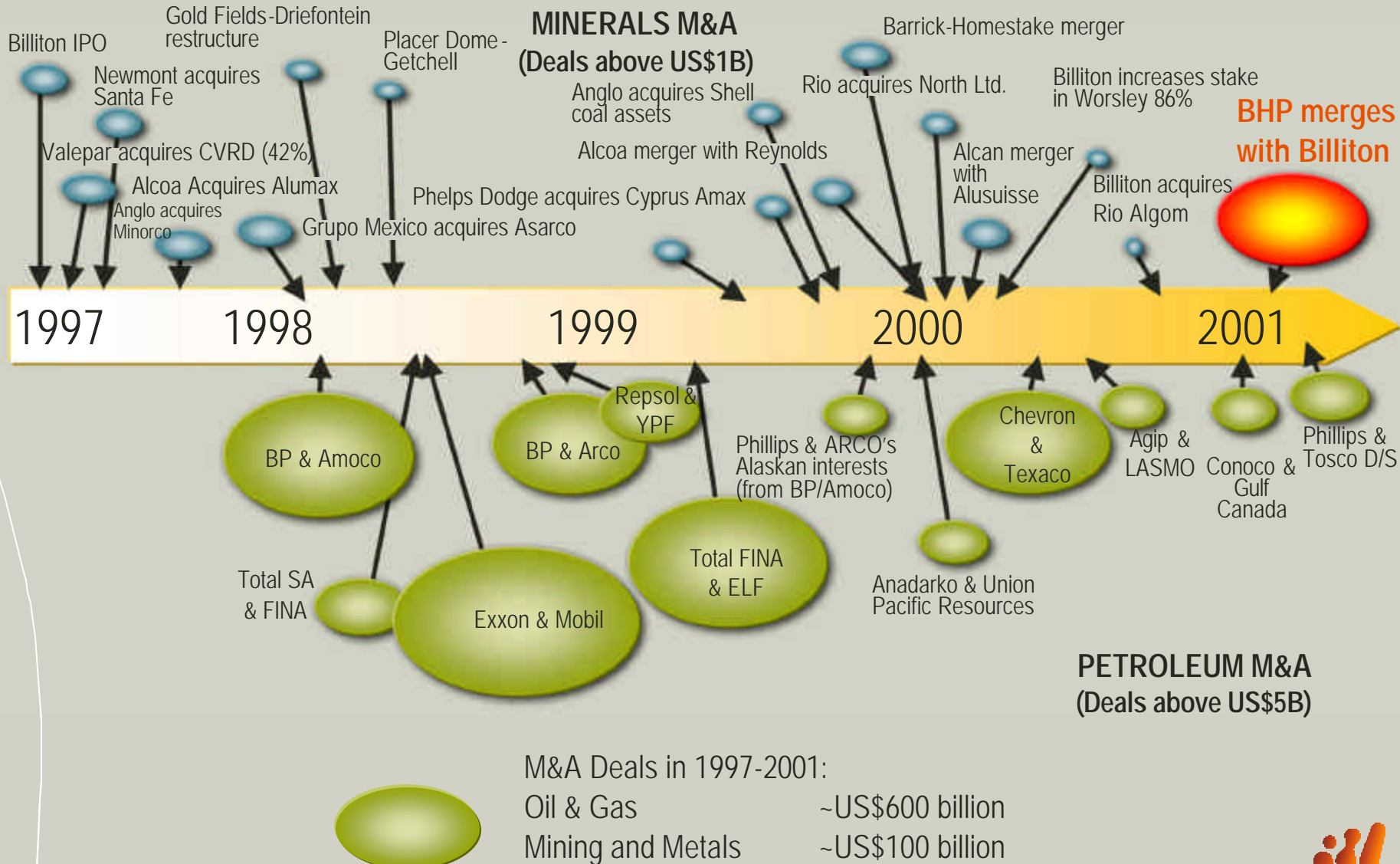
Morgan Stanley Basic Materials Conference

London

September 2002



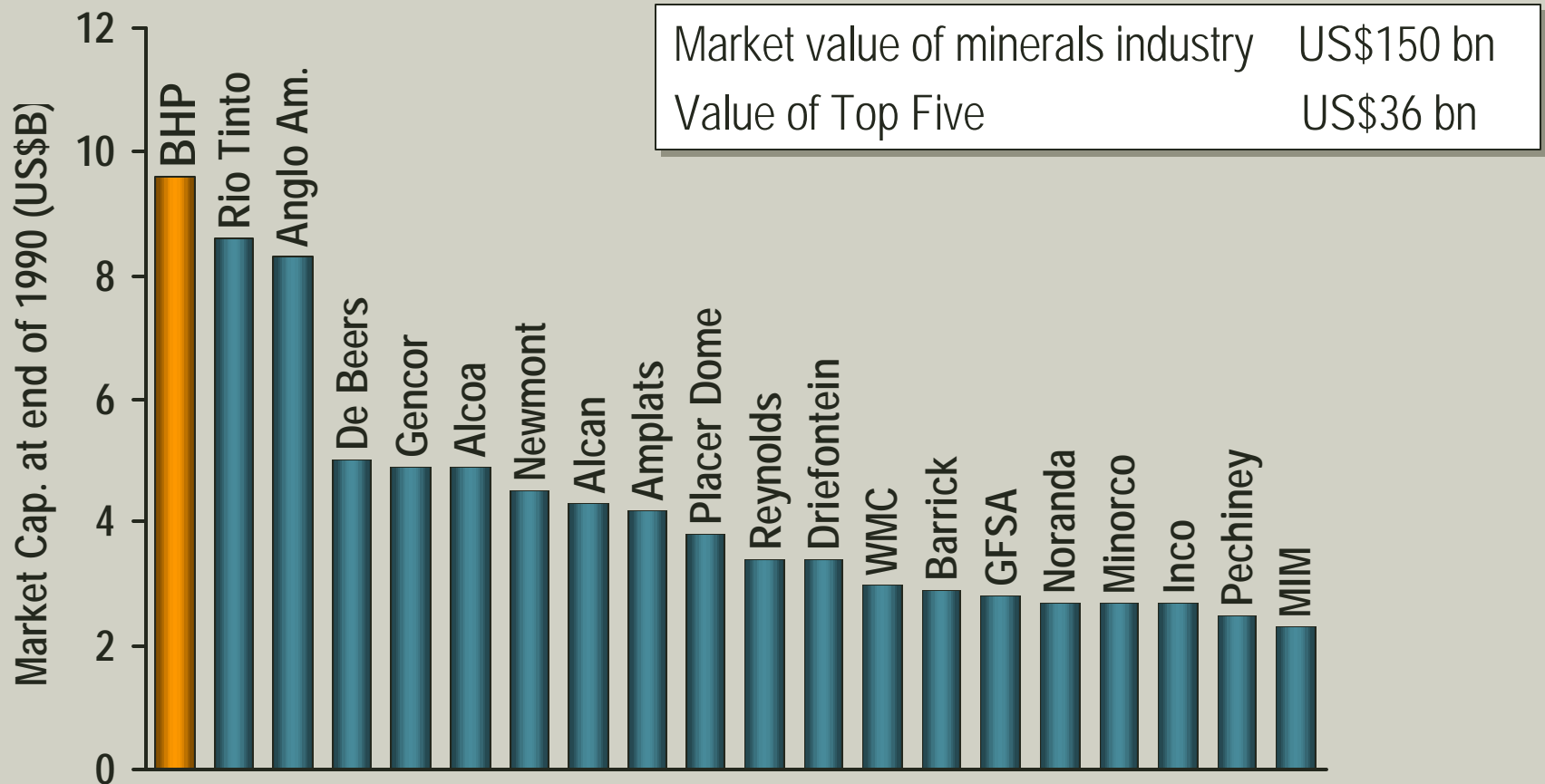
Industry Consolidation



Source: John S Herold M&A Database (Petroleum), Goldman Sachs (Minerals), RMG Database, Bloomberg

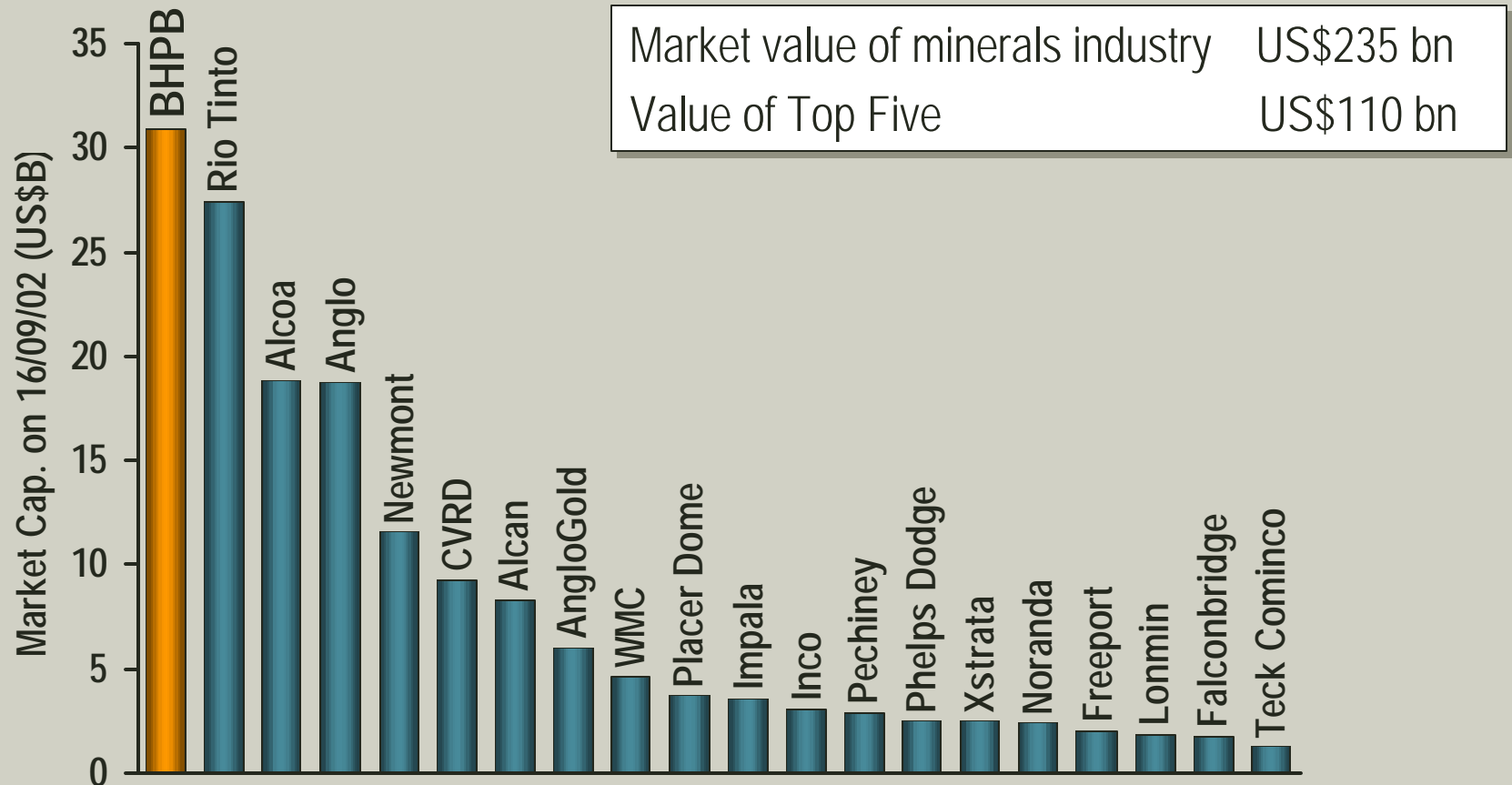
1990 – Industry Structure

In 1990 the top five companies accounted for less than 25% of total resource equity market value



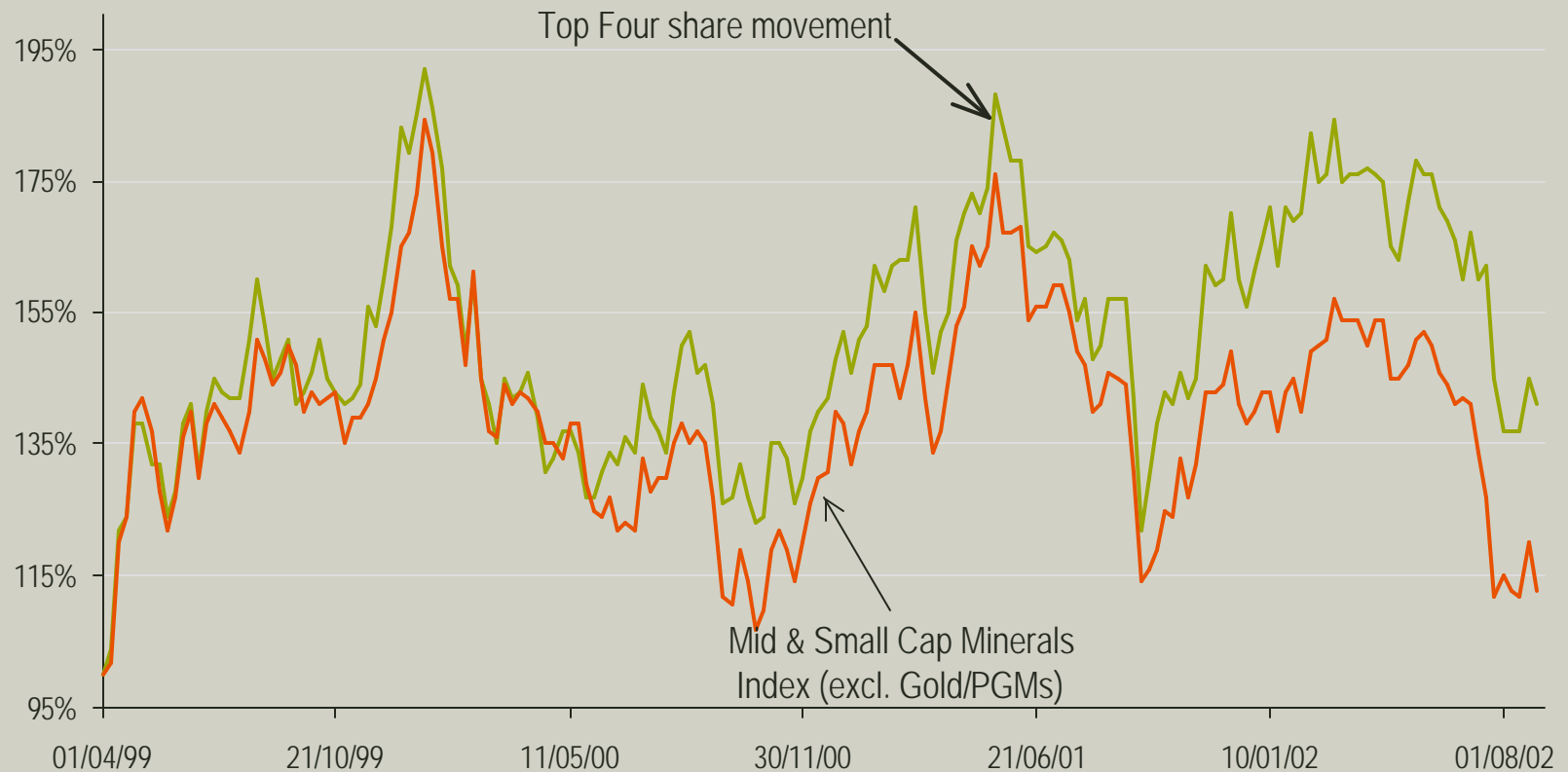
2002 - Industry Structure

Top five companies account for around 50% of resource equity market value – double their share of 10 years ago



Mining Industry Return Analysis

Consolidation driving better share growth return for Top Four



Source: Datastream

A Global Footprint

Stainless Steel



Aluminium



Carbon Steel



Petroleum



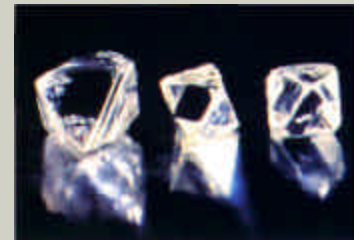
Energy Coal



Base Metals



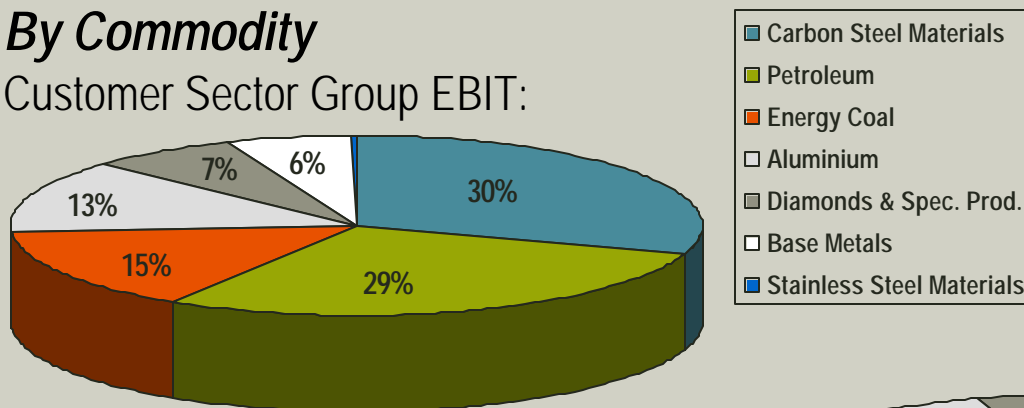
Diamonds



Outstanding Diversification

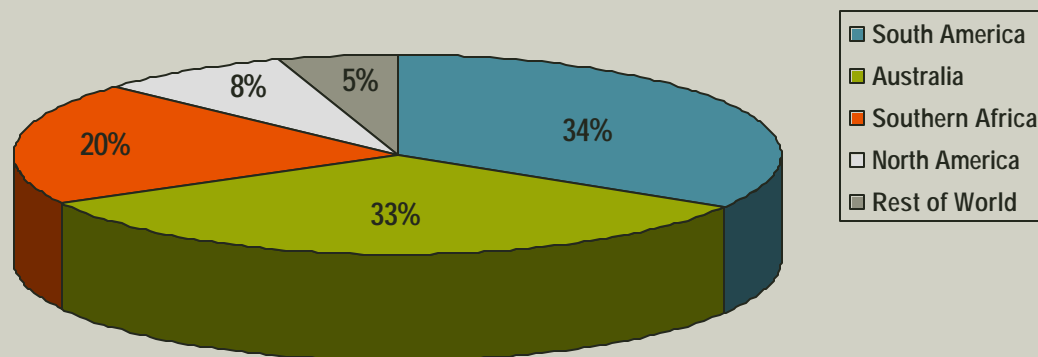
By Commodity

Customer Sector Group EBIT:



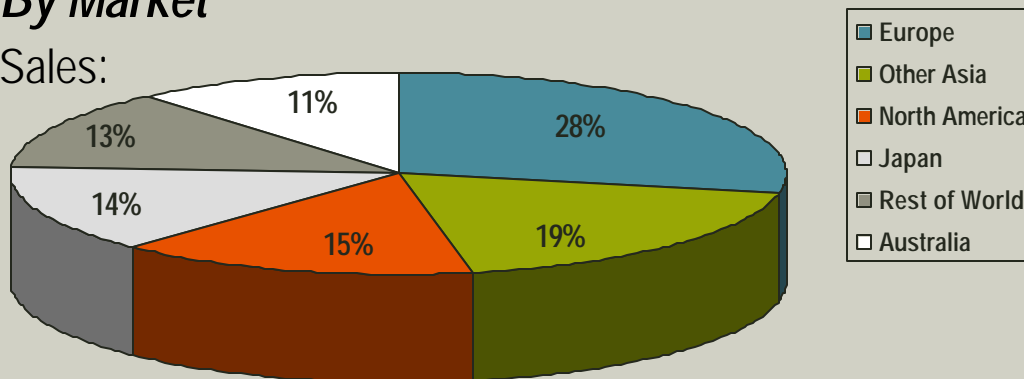
By Geography

Net Operating Assets:



By Market

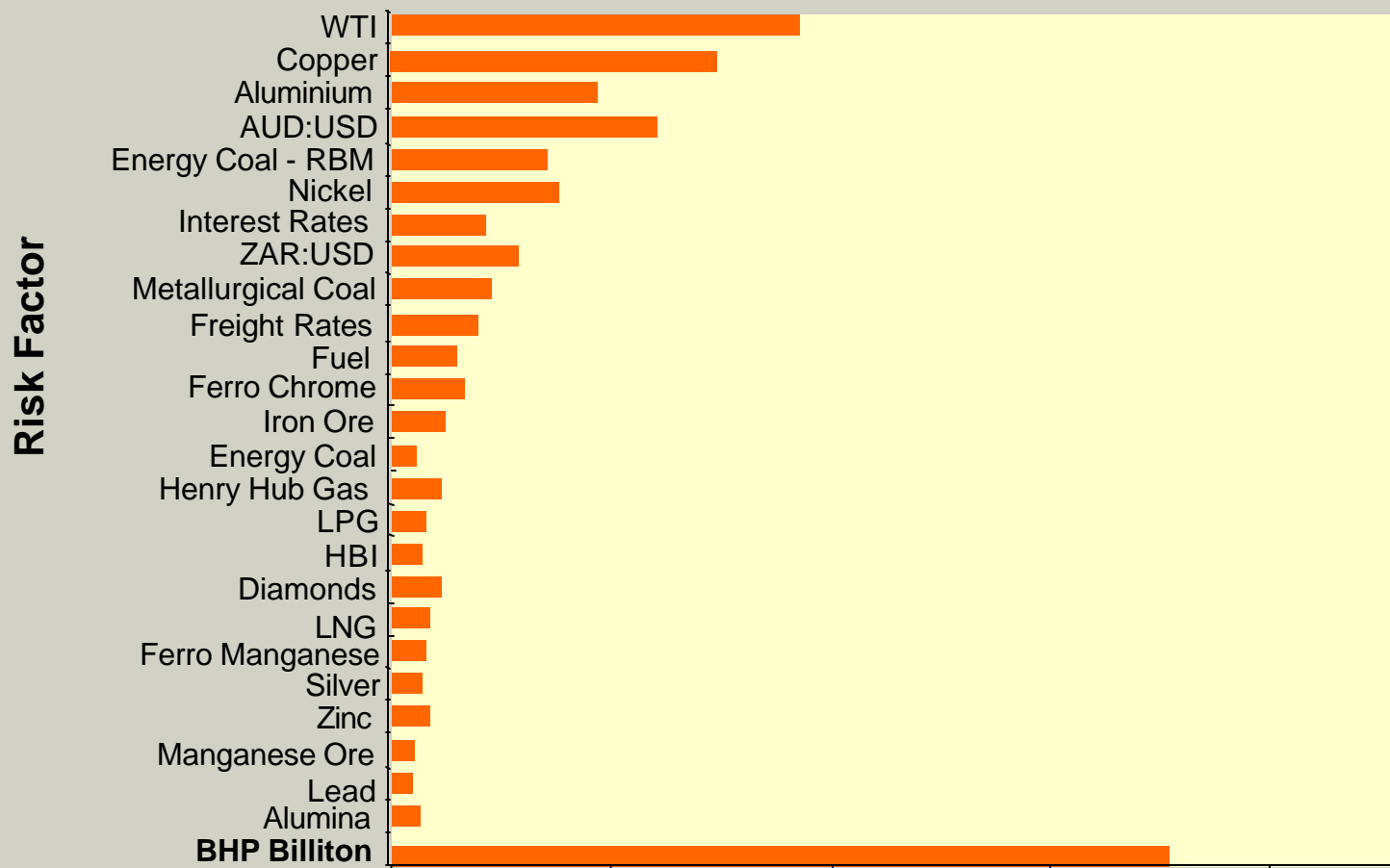
Sales:



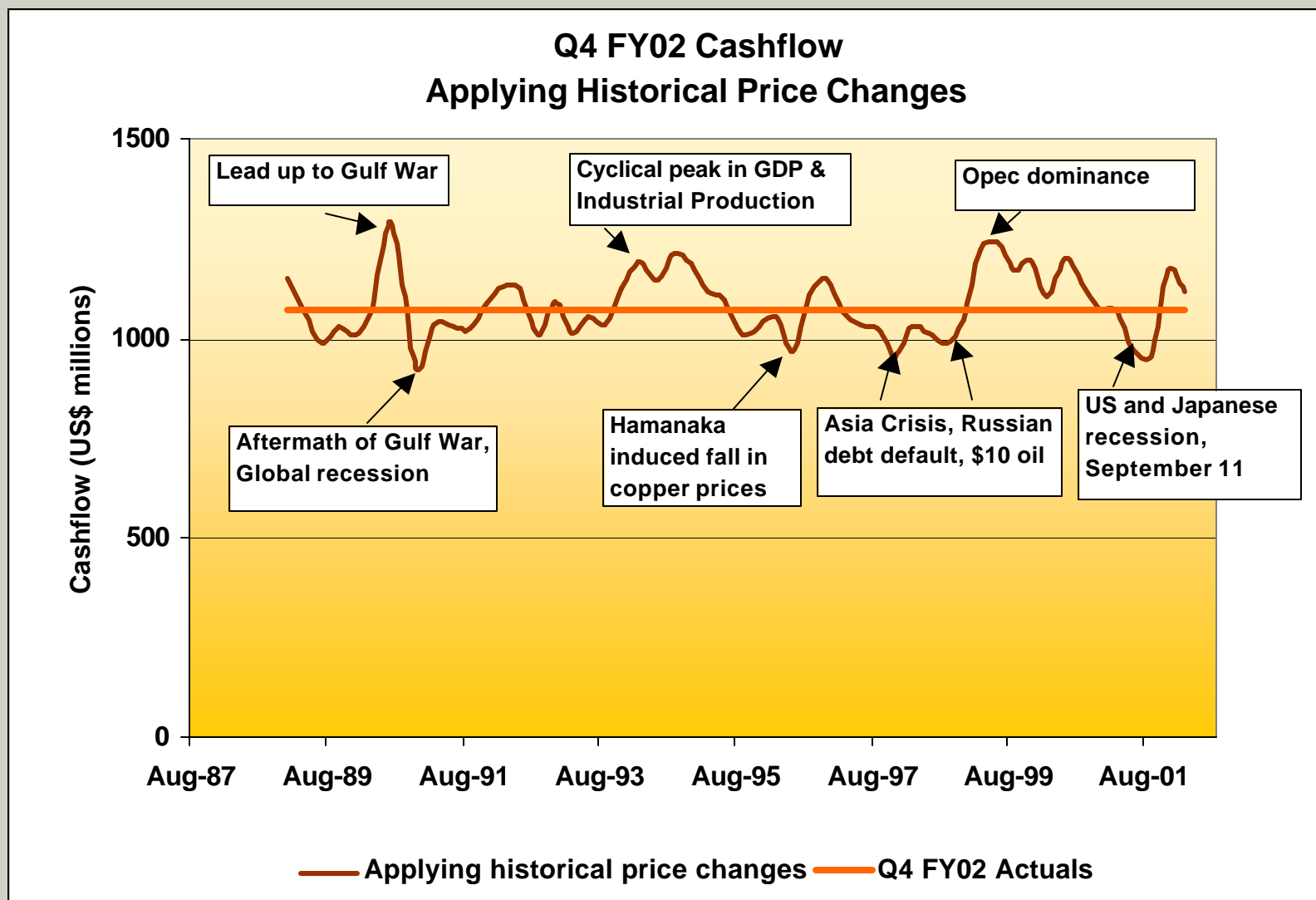
Data for FY2002 (continuing operations)

Diversified Portfolio Reduces Overall Cash Flow at Risk

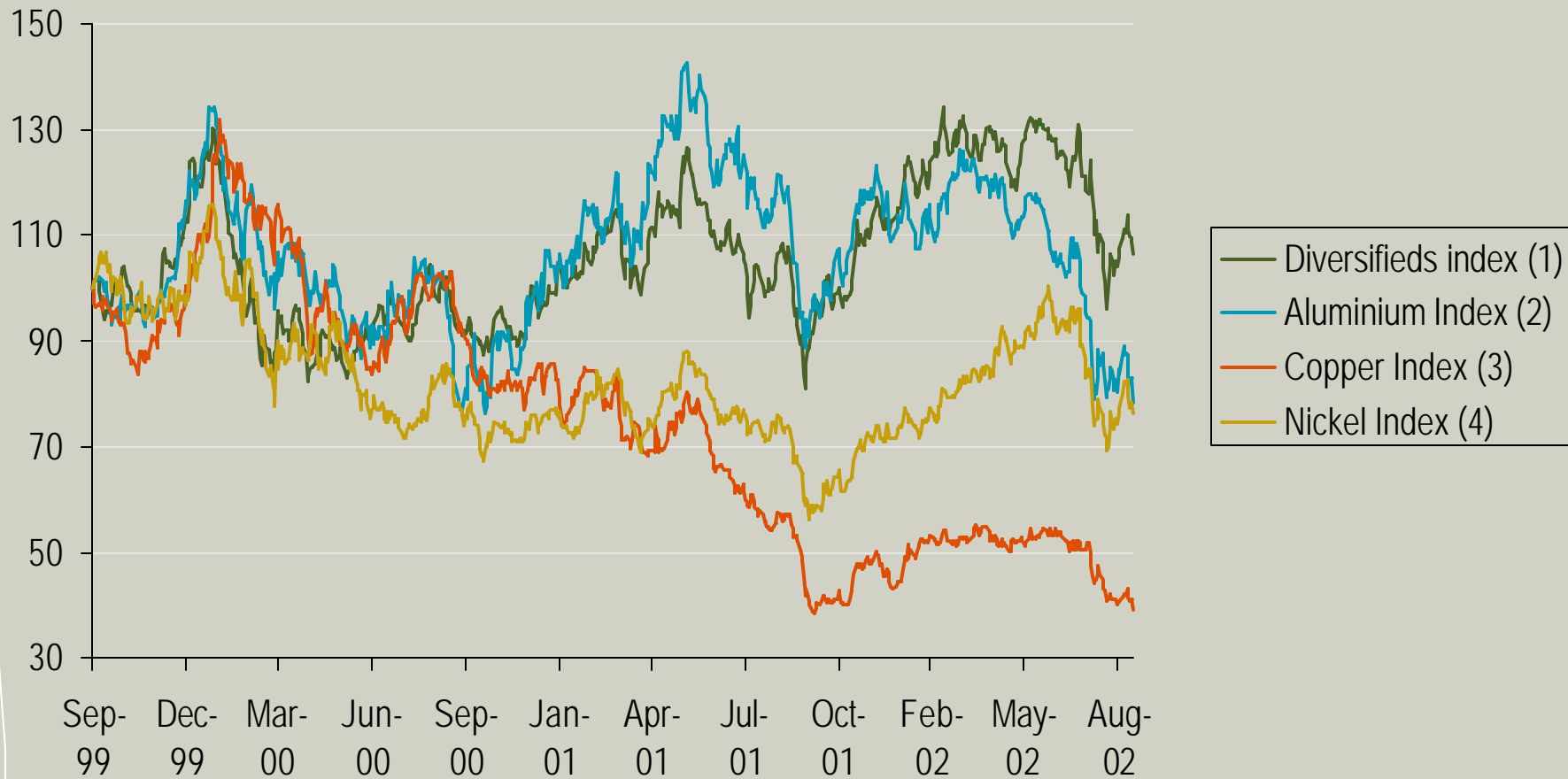
Undiversified Cash Flow at Risk



Diversified Portfolio Reduces Overall Cash Flow at Risk

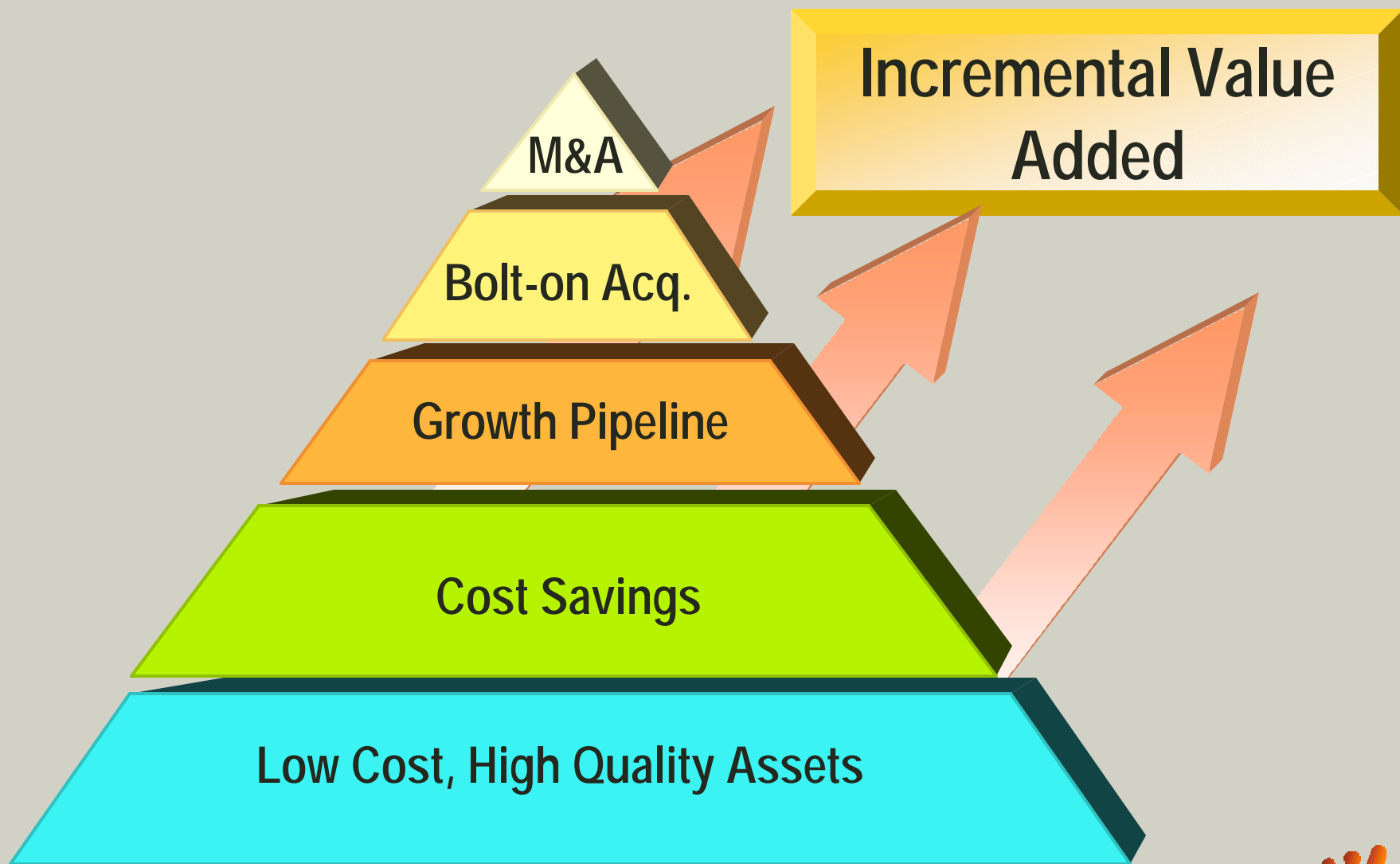


Diversified Stocks Perform Better



Indices comprise: (1) BHP Billiton, Rio Tinto and Anglo American; (2) Alcoa, Alcan and Pechiney; (3) Phelps Dodge, Grupo Mexico, and KGHM; (4) Inco, Falconbridge and Eramet. All indices adjusted for market cap weights
Source: Bloomberg

Pyramid Of Opportunity



"Secular v Cyclical"

"Mining has been amongst the best industries in terms of earnings reliability... Market EPS growth has averaged 6% pa over the last 10 years. We expect that BHP Billiton can deliver above market long run EPS growth on flat commodity prices... Oddly, in our opinion, the diversified miners trade at a PER discount to the UK market."

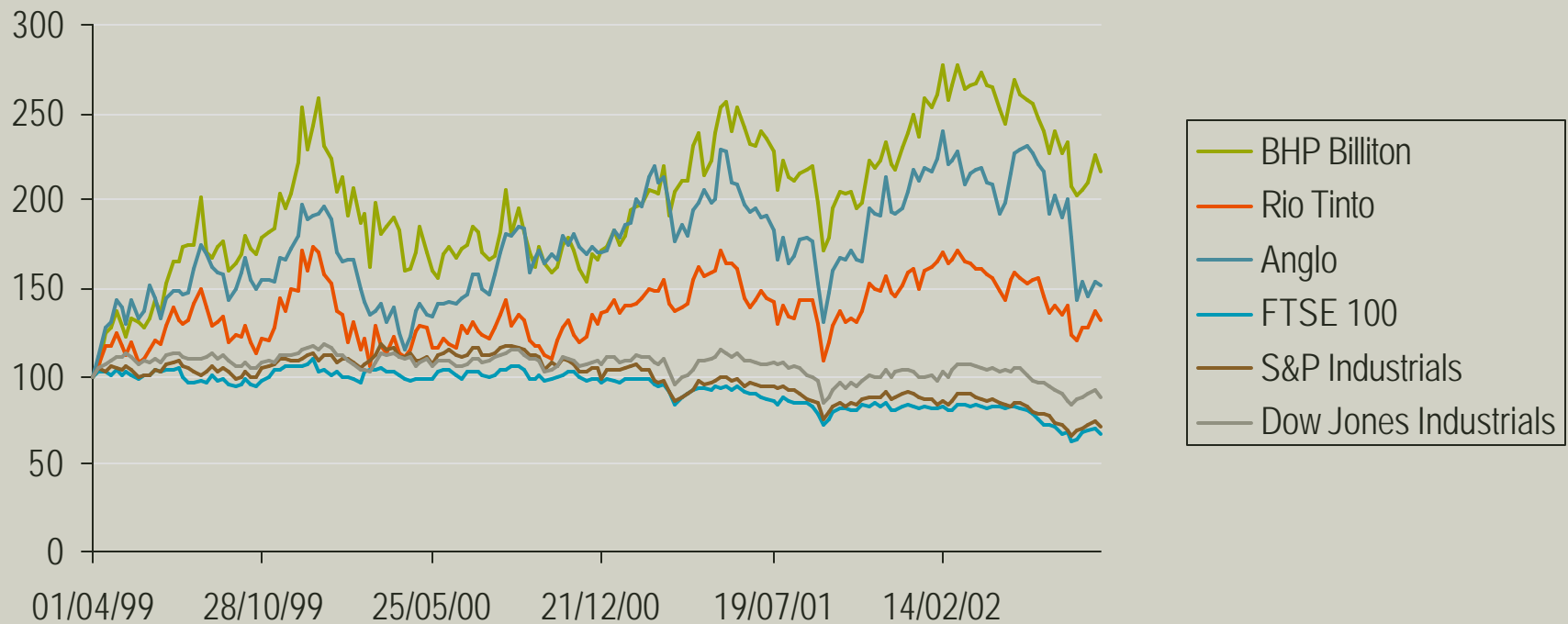
Morgan Stanley - 27 May 2002

"The much anticipated commodity price recovery continues to be delayed... We believe that companies with diverse earnings will be relatively better placed."

Morgan Stanley - 25 July 2002

The Case For Re-rating?

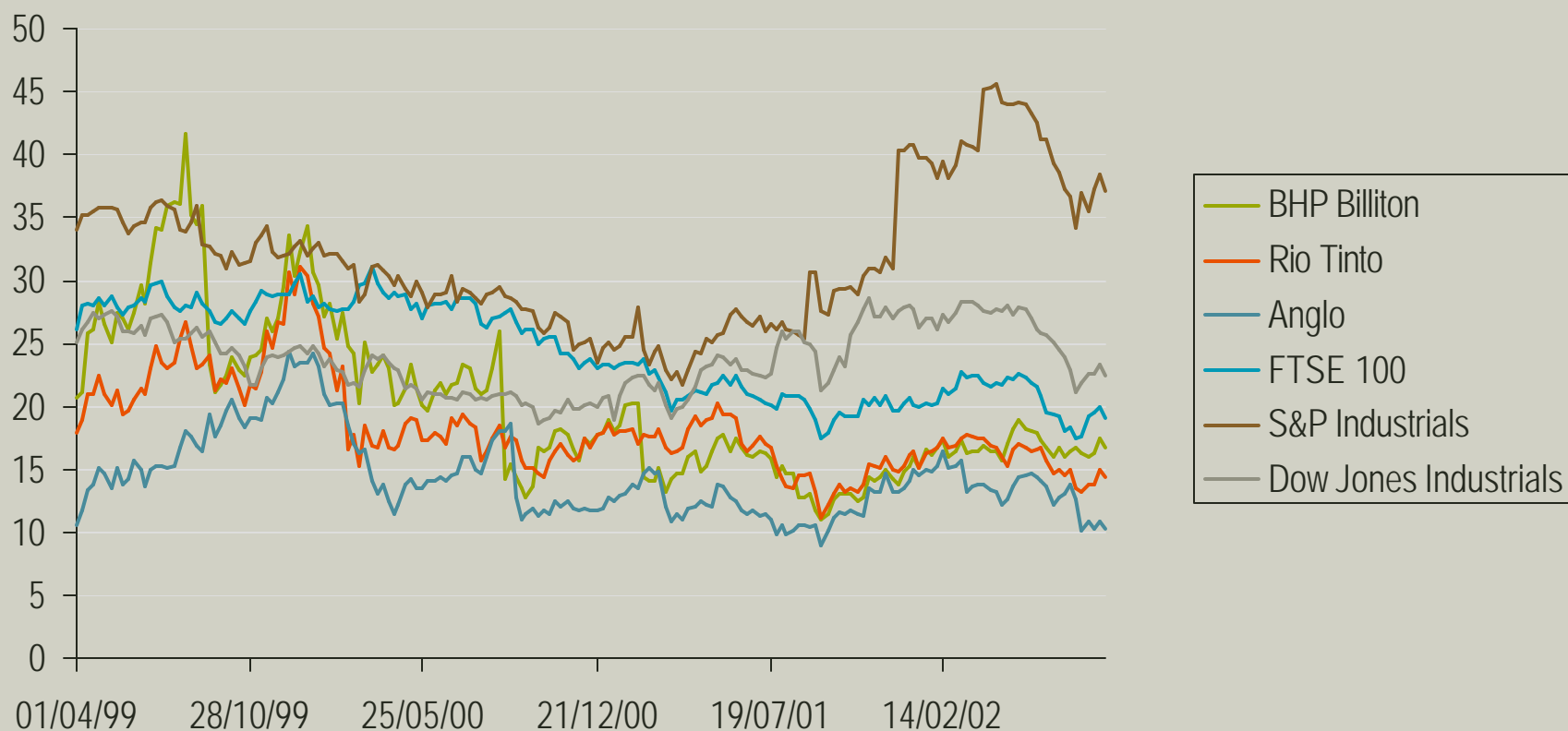
Total Shareholder Returns – 1999-2002



Source: Datastream

Shareholder Returns Not Reflected In The Market Rating

Price-Earnings Ratios – 1999-2002



Source: Datastream



bhpbilliton