CHIP GOODYEAR: Welcome to our presentation of BHP Billiton full year financial results for the year 2004. Joining me in Melbourne today is Bob Kirkby. He is the Group President of our Carbon Steel Materials and obviously I am Chip Goodyear, the Chief Executive Officer. We have in London via videoconference Chris Lynch. Chris is our Chief Financial Officer and he will be joining me making some prepared comments today. We also have with Chris, Phil Aiken. Phil is the Group President for Energy and then with him also is Marius Kloppers. Marius is our Chief Commercial Officer. Then we have in Johannesburg Mike Salamon. Mike is an executive director as well as Group President for Non-ferrous Materials. These individuals will assist me in answering some of your questions later on in our presentation.

There are also three special guests here today. You may wonder what they are here for. Those guests are my wife Elizabeth and my kids Charlie and Adelaide. Now, the story is pretty simple, actually. Some time ago I was sitting in my office and they came by to visit and I had the TV on watching a news conference and a couple of months later I heard somebody asking the kids, "What does your dad do?" and their answer was, "He goes into the office and watches TV all day", so I am still working my way through that one.

But, in any case, before I go on to the highlights for the year, I did want to talk about our health, safety and environment performance, particularly in the area of safety. Despite continued improvement in our Classified Injury Frequency Rate and some excellent performances across a number of our assets, last year we had 17 fatalities in operations that were controlled by us.

We target Zero Harm as a key driver for this organisation and that kind of result is just unacceptable. Regardless of how strong our financial outcomes are, we are simply not going to be a world-class company until we get the health, safety and environment, essentially Zero Harm, right. We have refocused the organisation on that activity. I can assure you we will see a better performance in the year 2005.

But I do want to say that we did see improvement in a number of areas. As I mentioned, our injury rate was down. In addition, we saw that our work-related illnesses decreased 13 per cent and we generated 12 per cent less hazardous waste in 2004 than we did in 2003. But, as I said, we are going to see a significant improvement in 2005 in that health and particularly safety area.

Now moving to the highlights for the year. We saw increased volumes and prices lead to an EBITDA improvement of 40 per cent. That number came in at about US$7.5 billion for the year 2004. We also saw EBIT at a record US$5.5 billion, up 58 per cent. I think one of the things that I take comfort from in particular is the fact that every CSG saw an improvement in EBIT performance in 2004 relative to 2003 and, in addition, the second half of 2004 for every one of our CSGs, or business units, was better than the first half of the year.

We saw record attributable profit; attributable profit for the year was up 83 per cent to US$3.5 billion. We also saw our cashflow available for investment increase to US$5.2 billion. In the last six months the efficiency gains, total merger benefits and cost savings have exceeded our $770 million target. Again that's been done 12 months ahead of schedule.

In the project area we commissioned seven projects in the year 2004. We have 14 major projects in development and by major we mean projects requiring over $100 million of investment by us. Our total project pipeline now stands at 23 projects, representing some US$8.5 billion and that is an investment period over the next three and a half years.

I think it is important to note that our strong cashflow allowed us not only to continue to invest in projects, but also to continue our progressive dividend policy. We increased the final dividend to 9.5 cents; that's up 27 per cent from the final dividend for '03. In addition, we announced the capital management program and that's US$2 billion that would be involved in that activity.

I think you will find, and I will talk about this later, that a key driver to this is not just price, but really a driver around a strategic direction which has been implemented over the last three years. But before I go into that, I would like to turn this over to Chris Lynch. Chris is going to go through our numbers and then I will come back and talk about those strategic drivers. Chris, over to you.

CHRIS LYNCH: Thanks, Chip, and hello to everybody. As Chip has already mentioned, this has been a record year for BHP Billiton both operationally and financially. Just to remind you that all the dollars we refer to today will be US dollars and comparisons to the prior period are to the period ended 30 June 2003 and when referring to headline numbers, these will exclude the exceptional items.

Turning to the headline numbers firstly on slide number 6, turnover increased by 43 per cent due to higher commodity prices, which added $3.1 billion, but also due to higher volumes. Production records were set by many of our operations, reflecting increased capacity from a number of growth projects commissioned in the last three years, which have positioned us to take advantage of this strong market demand. Third-party sales increased by over $3 billion compared to the prior period, also driven by higher prices and volumes.

Record EBITDA of $7.5 billion and EBIT of $5.5 billion are up 40 and 58 per cent respectively compared with last year. Attributable profit of $3.5 billion for the year is 83 per cent higher than last year's profit of $1.9 billion.

Exceptional items totaled $131 million negative for the year and I will cover these in more detail later in the presentation. Available cashflow, Earnings Per Share and EBITDA interest cover have also achieved record levels during the year.

The group declared three dividends during the year totaling 26 US cents per share. The first interim dividend was 8 cents per share, half a cent up on last year's final dividend. The second declared in March was up a further half a cent and this was declared to realign the timing of dividend declarations and payments with the half-yearly reporting seasons. Today's final dividend of nine and a half cents per share is a full two US cents per share or 27 per cent higher than last year's final dividend.

Turning to slide number 7, you can immediately see that each of our customer sector groups contributed to the increased result compared with last year. In the Petroleum CSG, prices were up for both oil, at 15 per cent, and natural gas at 17 per cent, and commissioning of Ohanet and Boris had a favorable impact on total production, while the divestment of the Bolivian assets offset this to some extent.

EBIT last year was reduced as a result of the write down of the Group's Bolivian assets and offsetting these positive factors was a decrease in oil and condensate production, mainly due to expected field decline at a number of assets and higher price-linked royalty costs.

As we flagged in our half-year results, funding for Petroleum exploration was increased following success in the Gulf of Mexico and Trinidad and Tobago. Gross exploration spend at $340 million was 40 per cent higher than the previous period. The capitalisation rate for the year increased from 37 per cent to 48 per cent this year, based upon the success of this drilling activity. In total, EBIT increased by 18 per cent to $1.4 billion.

The Aluminium CSG achieved a 34 per cent increase in EBIT to $776 million, with higher prices and volumes driving the result. The average LME price for aluminium metal increased by 15 per cent compared to last year and higher sales volume reflected the early full commissioning of the Mozal II project in August of 2003 and the Hillside III project in December of 2003. These increases were partly offset by the impact on operating costs of the strengthening Australian dollar and South African rand, higher price-linked costs, higher transportation costs and the impacts of inflation on our operations in Brazil.

Base Metals EBIT of $1.2 billion was more than four times the EBIT contribution for last year. Average realised copper prices of $1.14 per pound were 56 per cent higher than for the same period last year. This, combined with higher prices for silver, lead and zinc, increased EBIT by more than $900 million.

Strong operating performances were reported by several of our base metals operations. Record production was achieved at Escondida and volumes increased at Tintaya as these operations ramped up in response to improving market conditions. Record production was also achieved at Cannington and higher zinc production at Antamina also positively impacted EBIT.

These improvements were partly offset by the strengthening Australian dollar and Chilean peso, higher operating costs and maintenance costs at Escondida and higher costs at Antamina, where access to the deposit was restricted to the flanks until removal of lake bed sediments was completed in the June 2004 quarter. The corresponding period also benefited from a $40 million contribution from Alumbrera which was sold in April of 2003.

In Carbon Steel Materials, EBIT increased by 9 per cent to $1.1 billion. Higher prices for bulk commodities and higher sales from iron ore operations in Western Australia, Queensland coal and Australian manganese ore all had a favorable impact on EBIT. The Australian dollar and South African rand were more expensive when expressed in US dollars. This adversely impacted EBIT in this CSG by $450 million. Inflation in these two countries also decreased EBIT by a further $65 million.

Depreciation charges of Western Australian iron ore increased compared with last year, following the capitalisation of the Mining Area C and Product and Capacity Expansion Projects. Stripping and demurrage costs also rose in Western Australia and at Queensland coal as we accelerated our development to meet market demand.

Diamonds and Specialty Products earnings of $446 million were 21 per cent higher than last year. At Ekati we had higher realised prices on all grades, improved processing efficiencies, offset by higher depreciation charges. This business had an EBIT result more than 60 per cent higher than last year.

At Integris, our metals distribution business in the US, we also had improved prices for the metal products sold, tempered by higher price-linked costs and at Richards Bay, minerals production and sales volumes were lower and costs were higher due to the strengthening rand.

Energy Coal EBIT rose by 18 per cent to $234 million. In both the Atlantic and Pacific markets strong demand has seen prices for energy coal increase substantially during the period. However, Ingwe has been challenged by the strong rand, higher contractor and demurrage and inflationary pressures. In addition, annual export sales decreased to 39 per cent of total production during the current year following safety interventions at

Koornfontein. We don't expect a significant improvement in availability of export products from Ingwe in the next financial year.

In Columbia, cost savings and increased sales volumes from Cerrejon Coal had a positive impact on EBIT and the contribution from New Mexico in the US remains steady. In Australia, along with higher prices, the Hunter Valley Coal results benefited from increasing sales volumes from Mount Arthur North. These were offset by the impact of higher Australian dollar exchange rates and the write-down of two development projects.

In Stainless Steel Materials EBIT is more than three times last year's figure. One of the primary drivers of this improvement was an increase of more than 50 per cent in prices for both nickel and ferrochrome. Importantly, record production was also achieved at both of our nickel operations through ongoing improvement programs, this at a time of high market prices. Also, EBIT was enhanced by profits from the sale of mineral rights in South Africa.

Offsetting these benefits was the impact on operating costs of the stronger Australian dollar and South African rand, higher price-linked and shipping costs incurred in our nickel operations and higher inflation in South Africa.

The Exploration and Technology result of $36 million is more favorable than last year, reflecting profits on the sale of non-core assets, including $37 million from the sale of the Oyu Tolgoi royalty interest stream.

Excluding gains and losses from legacy currency hedging activities, net corporate operating costs were $258 million, a decrease of $9 million compared to last year. Profits from legacy hedging activities were $39 million in the current year, compared with losses of $86 million in the prior period. These legacy positions have now fully expired.

Looking at the year-on-year variations in a slightly different way, this chart shows the EBIT contribution by CSG for 2003. You can see here that Petroleum was the largest contributor at 31 per cent, closely followed by Carbon Steel Materials. Base Metals was down at 8 per cent and Stainless Steel Materials at just 4 per cent of the total.

If we now look at the data for 2004, I want to highlight two points. First, the 2004 chart is obviously larger, representing the overall EBIT growth to $5.5 billion. Second, the benefit of the diversified portfolio is clear when you look at the EBIT contribution by Customer Sector Group. The 2004 data shows our leverage to Base Metals and Stainless Steel Materials in particular, while Petroleum and Carbon Steel Materials, both growing billion-dollar-plus EBIT contributors, have actually decreased as a percentage of the total.

Before I step through price impacts in more detail, you can see highlighted on slide number 9 the impact of those drivers that are not under our direct control. Firstly, commodity prices themselves increased EBIT by $3.1 billion, as I have already mentioned. However, the benefits from these higher commodity prices is then partly offset by higher price-linked costs of $325 million. These arise mainly as a result of increased taxes for petroleum products, higher power and raw material costs linked to LME prices and higher costs at Integris.

If exchange rate and inflationary impacts on costs are seen as additional price effects, then both the $775 million and $300 million increases in US costs for these two items reduce the overall residual benefit from market prices to $1.7 billion at the EBIT line.

Turning these price impacts aside, the net benefit of those drivers which we are more able to control is approximately $260 million, or $345 million on the basis that the increased exploration spend is in fact an investment in the business longer term.

Slide number 10 shows a breakdown of the $3.1 billion favorable price variants. Prices for all commodities are up compared with last year. By far the biggest single impact was $785 million arising from higher copper prices. Increased production of all major mineral commodities, which you can see on slide 11, was driven by a combination of increased capacity from commissioning of growth projects, operational efficiencies and our unique marketing structure. This has allowed us to take advantage of the current high price environment.

You will see a shaded portion on the Petroleum products variance. This represents the offsetting benefit of additional volumes from Ohanet, which is classified in the current year as a new operation and so doesn't show up in volumes in our waterfall chart.

Moving on to the non-EBIT items on slide number 12. Net interest expense of $355 million is $48 million lower than last year. Our interest payments have fallen over this period due to the reduction in our debt by $1 billion and active management of the group's debt portfolio. This has resulted in lower effective average interest rates. These factors have combined to increase our EBITDA to interest coverage above 20 times and, in turn, rating agencies have recognised the underlying financial strength of the business and improved our credit ratings once again over the last year. The exchange loss on translation of debt was $133 million in the current year, compared with a loss of $140 million last year. These relate predominantly to the South African rand. During the year a significant proportion of that debt has been repaid, so that exposure will be lower in future periods.

The tax charge for the year, excluding exchange impacts, was $1.3 billion and represents an effective underlying rate of about 26.4 per cent. We have continued to recognise the benefit of US tax losses with $100 million being recognised in the current period. In addition, investment incentives, development entitlements and other unbenefited tax losses and credits were recognised within a number of entities. In future periods we expect an effective underlying rate of around 30 per cent before any impact of foreign exchange restatements.

This slide briefly touches on the restatement of net monetary liabilities, which is essentially a non-cash item. The first thing to observe is the impact from this area is much lower this year. The currencies, particularly the Australian dollar, went through a period of quite some significant strength, effectively a US dollar weakness on the way through the year, so you saw a big impact on the underlying costs, $775 million. But by the time the year end came around, the Australian dollar had stabilised back to somewhere close to where it started the year, so the impact from these restatements is much lower this year than what it was in previous years, so we're using this graph just for completeness on the basis we have shown it in prior years where the moves were more significant.

But, as you can see, the restatement impacts this year by $278 million, versus last year's $380 million. So if you drive to the underlying numbers, the $3.5 billion would become something like $3.8 billion underlying performance and last year's figure would become $2.3 billion for an overall increase of about 65 per cent on the underlying data, excluding the effects of the monetary liability restatements.

Slide 14 shows the exceptional items charged to profit during the current year, totaling $131 million negative. The reassessment of closure plans for Southwest Copper and other closed sites resulted in an increase in provisions of $512 million in total. In addition, there were three positive exceptional items recognised during the year. The first is a $48 million after-tax gain from the successful settlement of a claim dating back to

1996 against the supplier of an underwater pipeline at Liverpool Bay. This was recognised in the first half. The second is a tax benefit of $95 million which has been recognised following the Group's election to enter the Australian tax consolidation regime. $78 million of this amount was taken in the first half also. Thirdly, the removal of provisions against deferred tax assets.

The level of certainty related to benefits arising from prior period tax deductions and foreign tax credits in the US and Canada has increased, mainly as a result of higher income generation and the effective utilisation of tax credits in the current year, along with changes in legislation. Therefore provisions of $238 million previously raised against the deferred tax assets are no longer required.

If I could spend a little more time explaining the $512 million exceptional item related to closure plans. As you can see on slide 15, the main component is a $425 million charge related to Southwest Copper. Southwest Copper covers the San Manuel, Pinto Valley operations and Superior properties. You will recall that we sold the Robinson property during the current year.

The first component of the increases in the provision relates to short-term capital works. This covers earthworks activities such as regrading, recovering, and revegetating, as well as the demolition costs associated with the removal of physical infrastructure including the San Manuel smelter that remains on these sites.

While we have previously provided the capital works, it is now expected that these activities will commence in the short term at San Manuel and in two to three years at Pinto Valley and plans necessarily become more comprehensive and less conceptual in nature as you move towards commencement. As a consequence, our estimates of these costs have increased by about $160 million.

This was then largely offset by a benefit of $130 million, which mainly related to increases in residual value of assets, for example relating to the sale of the Robinson property and the reduction in liabilities due to the partial farm out of the Superior property during the year.

We have also provided for expected ongoing costs including such costs as longer-term water management, site maintenance and administration costs. In relation to these costs we have made two changes. We have extended the period over which we expect to have an obligation to continue these activities at these sites and, secondly, we have now provided for these on an ongoing activity basis, whereas previously we were expensing them against profit in each period. In total, this increase amounts to $255 million.

Finally, our reassessment has also included risk costs of about $140 million. This relates to activities where there is some probability but not certainty that action will be required. For example, to determine the reclamation work required on some old heap leaching operations, we need to conduct further studies over the next couple of years but we have made certain provisions on the basis of our best estimate, at this time, of the probable outcomes.

In addition, provisions have been raised covering costs that would likely be incurred in the event of uncertain future events such as extremely severe storms, for instance, which could lead to additional ground or surface water issues. These risks costs will require regular reassessment in future, particularly as more information comes to hand from our studies and, as expectations change, this component of the provision may require further adjustment from time to time. All up, the net adjustment for Southwest Copper comes to $425 million after tax.

Moving to the cashflow on the next slide, operating cash before interest and tax was $6.9 billion for the year, 38 per cent higher than last year. Included in that number is a net increase in working capital of around $550 million, which mainly reflects higher commodity prices. Our marketing and credit organisations were successful in reducing the level of overdue receivables to below one per cent by year-end, well below what most would consider the benchmark. In our own case, at the time of the merger, our overdues were approximately 15 per cent of our total outstanding debtors, so that improvement has been significant.

After the payment of interest and tax, available cashflow increased by 46 per cent to $5.2 billion. Capital expenditure of $2.6 billion includes $1.7 billion of growth expenditure as we continue to invest in the pipeline of development projects and $926 million of sustaining and minor growth capital. Exploration expenditure has increased by $106 million, mainly in the Petroleum Customer Sector Group, based on successful appraisal activities.

You should note that in the 2005 financial year we expect our capital expenditure to total in excess of $4 billion. This will be made up of about $1.2 billion of sustaining and minor capital, about $450 million of exploration, with the remainder being spent on the pipeline of development projects.

Total proceeds from sale of fixed assets, investments and subsidiaries was significantly higher in the prior period, where proceeds from the demerger of BHP Steel were received. The increase in dividends paid reflects the payment of the second interim dividend during the current year, along with increases in each of the three dividends paid during the period.

The final thing I would like to touch on is the Group's progress towards our target of $770 million of merger benefits, cost savings and efficiency gains, which was to be achieved by June of 2005. As Chip mentioned earlier, total savings have exceeded the target 12 months ahead of schedule. During the current year, $115 million of cost savings and efficiency gains were accumulated across the group, bringing the total achieved since the merger, including merger benefits, to $710 million.

But, in addition to these savings, a further $70 million of other efficiency gains have been accumulated, which have not been counted toward the cost saving targets in previous periods. These other gains include previously unrecognised savings at a number of operations, which we believe are valid cost savings for the purposes of the targets set in April of 2002. So, in total, we believe we have accumulated savings of $780 million.

You should note that our unit cost calculation includes a number of items which have had an adverse impact on our cost savings, such as additional stripping activities undertaken at some of our operations to accelerate development. This is something we didn't have to do; although we were conscious of our savings targets, overriding this is our aim of driving value for shareholders, so we were happy to take on the additional cost.

So, even though we have achieved and exceeded the target, we expect to see margins further improve as the benefits of these programs in future periods continue to kick in. However, there is growing pressure on input costs, in many ways based on strong commodity prices, so it is very difficult for us to argue against, for instance, higher steel prices given the prices we are receiving for iron ore, metallurgical coal, manganese, nickel and chrome.

Across the Group, the business improvement activities that result in these savings have helped us to meet increasing market demand whilst maintaining cost discipline. This has been achieved through our operating excellence programs, Six Sigma, which is the way we are driving cost improvements, volume increases and revenue improvements, utilisation of knowledge sharing networks to capture learnings from employees across the entire company and also from our strategic sourcing initiatives.

We have been on this journey for over four years. It is pleasing to see the culture around business improvement being embedded in the way we do business at BHP Billiton. This has laid the foundation for us to continue to improve. As we have on previous occasions, in each of the venues today we have displayed examples of some of the projects that have resulted in permanent reductions in operating costs and productivity improvements during the period. As can you see from those, some of the benefits are not individually significant in dollar terms, but the combined benefit from each of the hundreds of projects currently underway and the many more that are planned for future periods will see our progress continue.

Chip will talk later about our improving margins. This is where you should look to see the impacts of the gains that we have made in this area. And with that, I will hand it back to you, Chip.

CHIP GOODYEAR: Thanks, Chris. Given that it is year end, it is appropriate for us to spend a little time on the value drivers that we announced almost three years ago. I might go to our first slide. We presented those as we addressed the market in April 2002 but these are drivers that we had really set up in the December and January period, earlier than that.

You will see seven different value drivers there. What I would like to do is review some of these. I am not going to have a chance to review all of them, but they are indeed the critical aspects that we believe will have an impact on the performance of BHP Billiton in the long run.

The first item is the area of outstanding assets and, as I have said many times, outstanding assets are the cornerstone of this company. Running these assets well is critical for our long-term performance.

If we go to the first slide, iron ore over the last year, we have seen record production from Mining Area C, from the port expansion project and from our rapid growth projects. In the manganese business we produced five million tonnes of manganese ore. Our Australian operation was particularly impressive this year as it was able to rapidly respond to demand in China.

Aluminium production increased to 1.3 million tonnes driven by Mozal II, Hillside III and the capacity creep across operations. In the alumina business we saw production also increase as a result of increased efficiencies across our businesses. In the diamonds area we had record production. This record production was driven by a combination of mill throughput as well as processing a higher grade zone in the Koala pipe.

At Cannington we had record mill throughput. This was the main driver for our increase in silver production. In the nickel business we saw record production and capacity creep as a result at Cerro Matoso and Yabulu. And then, finally, natural gas production was a record, mainly due to increased demand from Bass Strait here in Australia and the commissioning of the Zamzama Phase One project in Pakistan. And not only did we have record production in these areas, but every CSG, as I said earlier, has increased profits. We are not simply about increasing volumes, we are about increasing value.

This next slide illustrates that success over the last three years. We are showing here our margins over those periods from 2002 to 2004 and our return on capital. This steady increase in those areas has come from primarily five major areas. First has been maximising the performance of these assets.

The second is sharing knowledge across our businesses and benefiting from the economies of scale that we have as a global organisation. Next, it is delivering our project pipeline on time and on budget. The contribution from our marketing structure and our new marketing program, which again was a 2001 activity, has certainly paid benefits and I will talk about that in a few minutes. Then recently we have seen a significant improvement in prices.

I would also say there is another factor. We have exited a number of businesses over the last several years. Total sales, including the disposal of BHP Billiton Steel, has been about US$3.5 billion over the last three years. When you multiply the volume growth that we have by the margin growth, you certainly see an impressive growth in EBIT by itself over the last three years.

It is interesting to look across CSGs at their market performance. This slide shows the margins in each of our businesses from 2003 to 2004. You will see that five CSGs increased their margins over that period. There were two that didn't; one was Carbon Steel Materials. If you broke that down, you would find that iron ore and manganese actually were about flat, despite year-on-year currency increases. The coking coal area did see margin contraction. That was as a result of operating performance at the Illawarra and stripping costs at BMA. The Energy Coal margins would have been an increase with the exception that we did take an impairment charge for several developments projects in that business.

Now going to our next value driver, which is growth. We are showing on this slide our 17 projects that have been developed and delivered over the last three years. Those projects have a budgeted capital cost of US$4.2 billion. Our outcomes were savings of $300 million from those budget amounts or about 7 per cent. One thing I think you will find as you look at our results is the ability and willingness to invest in our business through the cycle has certainly paid benefits as we have come on-stream in a particularly strong resource environment.

Let's now take a look at growth in a different way. Here we are looking at volumes. Now, one commodity that is not on here is our Diamonds business. The Diamonds business had an increase in volumes from the year 2001 to 2004 of 280 per cent. We didn't want to depreciate the value of everybody else's contribution by that significant amount, but what we are showing here are our production volumes in '01 relative to where we are in the year '04.

You will note that this growth has come from a number of areas. It has come from new products and projects, it has come from operating excellence and it has come from our debottlenecking programs. In addition, in the case of the alumina business and diamonds, we have seen an increase in ownership over that period, but the majority of that growth has come from our projects pipeline.

As I said earlier, volume growth coupled with increased price in margin has been very beneficial to our EBIT growth. This slide sets out that EBIT growth since the merger in half-year periods. The main point to note here is that over that period we have seen half-year EBIT more than double from a little less than $1.6 billion in the December '01 period to over $3.3 billion in the last six months.

Now, many of you will look at this and say this is a petroleum story. Well, you will be incorrect. Despite the increase in oil price, the EBIT contribution for Petroleum is only up 37 per cent from the December '01 half. The rest of the increase has come from the minerals businesses and those items of operating efficiency and capacity increases.

Now let's take a look at our growth pipeline and where we expect to go from here. Many of you are familiar with this, so I am not going to explain it in any greater detail, but what we show here is projects in development and projects that are in the feasibility stage. As I said earlier, 23 different projects with a capital investment over the next three-and-a-half years of US$8.5 billion.

The major changes to this pipeline since you last saw it is the addition of Alumar. That project is two million tonnes of capacity at 100 per cent. We own 36 per cent of that project. That is in Brazil. We have also split out Yabulu and Ravensthorpe as two separate projects. This brings to eight the number of new projects we have added to this pipeline in fiscal 2004.

I may also comment that we are just showing projects in feasibility and development. Over the next six months I would expect some of the projects we have in pre-feasibility will work their way onto this pipeline and, as I have said, this is essentially a standing wave of our investment opportunities. As some projects are completed and move off this pipeline, others will come onto the pipeline. These projects, plus the 17 we have completed to date, are a total over that six-and-a-half year period from 2001 of approximately 40 projects.

Now, I said I could comment on marketing and I will do that next. I certainly believe that the marketing activity we initiated in 2001 has had a significant benefit to this company. Understanding our customers' needs and their value and use of our products has allowed us to get full pricing for these products and allowed us to eliminate discounts.

In the iron ore business the technical marketing done by our team has illustrated the Marra Mamba ores have value in use that is comparable to traditional hematite ores and we now receive a price for that product that reflects this. In addition, we have been able to access new customers through cross selling. In the last year we have picked up 75 per cent of the demand growth in China in manganese ores off the back of our relationship with our iron ore customers. This growth has also shown up in the coking coal area.

We have saved tens of millions of dollars by eliminating agents from our distribution chain. Given that many of these contracts are tied to the revenue, in this price environment that's certainly had an important effect. In addition, we have been able to manage some of the timing of our mine restarts. The Tintaya situation is an example of that, where we were able to identify an opportunity to bring that project on-line in time to pick an upswing in that market.

We have been able to largely mitigate and in some cases benefit from the huge volatility we have seen in freight markets this year. We do that by understanding our total exposure and the window that this provides us on the freight markets. As Chris mentioned, our overdue receivables are now around one per cent of outstanding receivables. As a professional marketing business, we know you do not just have to move the product, you also have to get paid for it.

We have also been able to utilise our knowledge of petroleum markets and our scale to assist minerals businesses in procuring fuel on a most advantageous basis. These results show up in terms of margins and I think you will know, as you look at our margins and as you look at our margin improvement over the last several years, that this success is borne out through this improvement.

The next area is Petroleum. At the half-year we recognised the opportunities here by increasing the exploration spend this year in Petroleum by US$100 million. That money has been well spent. In that area we have continued our appraisal program in the Gulf of Mexico, including results at Neptune, Shenzi and the shelf gas prospects. We have commenced exploration activity in Western Australia, with two very interesting developments at block 255P and block 12R. In addition, we have completed the seismic work at Scarborough in Australia.

In addition this year, developments in the Gulf of Mexico continue at Mad Dog and Atlantis and these remain on track. We have continued our development projects in Algeria, Trinidad and Australia. This year is going to be a very important year for Petroleum. In the next six months we should see five major projects come on line in that business. In addition, in the year ahead we look to put one or two more projects on our growth pipeline from this business. We also look to continue our appraisal and exploration activity.

I just want to spend a couple of minutes on innovation and people. Those are at the bottom of that slide you see in front of you. First, in innovation: I am not going to spend a lot of time here but I just wanted to mention some of the outcomes of our efforts in this area and you have seen these things show up in projects and it is a cashflow benefit and a performance benefit we'd expect to see in the years ahead.

Some of those areas are the utilisation of nickel atmospheric leach as a supplement to the production process at Ravensthorpe, the bio-leach enhancement at the Escondida Sulphide project in Chile. The FALCON exploration tool continues to get excellent utilisation. Our kilometres flown last year were up 25 per cent to 225,000 kilometres last year and the alliance project with Codelco is another bio-leaching project in the copper business.

The people value driver is really one of our most critical for the organisation. Although we talk about great assets, it's the people in this organisation, the ones that are here today and those that have come before us, that have taken great resources and turned them into great business. In the last 18 months we have significantly increased our graduate recruitment program, we have cascaded a talent identification and succession planning program through the company, we have put together individual development programs and these are actually quite extensive for approximately 100 individuals and that will continue to move through the company and in the last 12 months we have changed 29 of the 90 roles that I have an approval say in what happens; quite a significant change.

But I would also say that we have been able to attract some excellent people to this organisation over that period of time. As I said earlier, by identifying first class people, by giving them experience and training in the organisation, by giving them an opportunity to experience a global group, we believe we are going to be developing talent that will carry BHP Billiton to prosperity for years to come.

Let me take a few moments and a few slides to take a look at what's happening in our business going forward. First, China. China has had an outstanding impact on our business over the last several years and it would be difficult to talk about our business without mentioning China. You are certainly aware of our marketing activity in China and how our unique footprint has certainly given us visibility to interesting things in that market.

We have done a number of studies in this area over the last several years and this has involved mainly raw material and raw material demand and we have concluded that the demand for these materials in this market is not a short-term phenomenon. This is actually the result of a change and a major structural change in China that has been going on for many years and we have seen it across the commodity spectrum that we have looked at. We not only look at that raw material demand but the reasons for that raw material demand and the utilisation of those end products and it is quite strong and it is weighted very heavily to domestic demand in China.

We believe the government is committed to this reform, infrastructure development and economic growth is a key platform but, increasingly, they are focused on high quality growth. Speculative expansion does not make sense in their long-term view and they've started to cool that off and it has had an impact in cooling down the economy and it has met that aim.

The other fundamental attraction of China is that it is short of many of the commodities we produce and in order to sustain that activity in the years ahead it is going to be an important market for us. I just want to remind you what we sell there. We sell iron ore, coking coal, manganese, petroleum, ferrochrome, nickel, alumina, copper, occasionally energy coal and in the near future LNG. This visibility into that market gives us excellent relationships with our customers, cross-selling opportunity and an understanding for these broad relationships that will grow in the future.

But with regard to China as we see it going forward, we focus on where we are today. This slide shows the importance of China in our business. In the last six months we have sold about US$1.4 billion of product in China. That's about 10 per cent of total sales. For the full year it has been US$2.4 billion. Sales in China have doubled over the 2003 period but, as you can see from the pie chart on the top, China still is only, as I said, 10 per cent of our sales and we actually sell 90 per cent obviously in other locations.

But, as I said, we see forging closer links with China as an important element in maximising our opportunity. Those closer links come through joint ventures like the Guangdong LNG facility and the Wheelarra joint venture in iron ore. We see it through increased technical marketing to enhance our sales capabilities like the Marra Mamba ores I mentioned earlier and, by eliminating agents through direct participation in the market, we identify opportunities that allow us to capture more market share there and manganese is an excellent example of that.

We also sell to the market in different ways. We continue to sell through our Wholly Owned Foreign Enterprise, which has allowed us to enhance margins on the product we sell through that. I would expect the value of our sales in China to continue to grow but we will obviously keep that balance.

I do want to take a little bit more time on China. China itself, we see it cooling down from where it was, but that comes from a blistering pace of growth of 11 to 12 per cent and that really isn't sustainable. But across our businesses we focus on high quality companies, the top producers in the country; we see demand continue to grow and grow quite strongly. Our Wheelarra joint venture has allowed to us to expand our sales to those customers and expand sales to others. So, although you hear about China slowing down, remember it is slowing down from a blistering pace to a very exciting pace.

We often make the mistake in the western world to think slow-down means decrease in growth. That happens when we talk about it in Australia, Europe and the United States. It is not the case in China. In those markets slow-down is taking a little off the top but demand, again in the market that we see, continues to be very strong.

On the outlook side, Japan generally continues to be in a positive direction, particularly as it relates to raw material demand and Asian markets continue to see very good demand for our products. The US market was showing very good growth in the first half. Certainly in some of the statistics in the last few weeks there seems to be some slowdown that's happened there as a result of higher oil prices and perhaps slower job growth but, having said that, I have commented a number of times on our window into that market through our Integris joint venture, metal distribution joint venture, with Alcoa.

As we have looked at that, we continue to see very good demand particularly in the areas of transportation, engineering and construction and manufacturing but, despite seeing a few bubbles at the consumer level, the industrial level seems to be quite strong and I think the evidence of the increase in interest rates last week indicates they are seeing a similar aspect with the growth in underlying demand.

So, strong economic growth around the world, certainly coupled with lower inventory, has caused prices to rise, no doubt about that. The supply side does take time to respond. We have obviously tried to do that quite aggressively to try to meet our customer demand. I can assure you that we will play our role in terms of expanding capacity to meet those customers' demand and to continue to be a quality and reliable supplier to that market.

So finally, in summary, HSEC issues are critical to our long-term success and certainly you will see continued improvements in many of those areas and significant improvements in that safety area. A very good operating financial performance for this year, no doubt about it, a number of production records set and I think very importantly across all of our businesses you see very good signs of success in the way of delivering those key messages strategically.

Demand in China, although slowing, continues to be quite strong. Our customers are performing well and demand for our products, as I said, continues to be very robust. Our strategy has not changed. Our strategy of running the assets well, finding efficiencies and sharing them across the business, developing that project pipeline on time and on budget, maximising the value of our customer relationship through marketing and, when appropriate, being opportunistic; that strategy is a good one in tough times and it is a good one in great times and years like this come when preparation meets opportunity and that's certainly what you have seen in these current environments.

I would just say that our strong cash flows, the stability of that cash flow means we can continue to finance all the growth that we see out there, we can return cash to shareholders as appropriate and we can implement capital management opportunities when they make sense. This allows us to take advantage of what we see currently and what we see as opportunities in the years ahead.

With that, that's the end of our prepared comments. What I would like to do now is take your questions. What I will do is rotate around our locations. I will start here in Melbourne, I will then go to London, then Sydney, Johannesburg and finally to the phone and what we will do is take two or three questions in each location and then we'll move around and continue that for as long as we have time available. What I will do is ask you to address your questions to me and then I will turn it over to my colleagues as appropriate.

With that, we will start with the first question here in Melbourne.

QUESTION: Just with the capital management initiative, the $2 billion. Do you really believe you will give money back over the next 12 months and do you see your future projects drying up or do you really intend to give it back now?

CHIP GOODYEAR: A couple of things; future projects drying up. We have added to the pipeline, as I said, eight projects this year. We have behind that, in other words in pre-feasibility and concept, many more, and when we consider capital management, whether it is dividends or other strategies, we look over a longer period of time and certainly with the performance in the business, the pricing environment we see, we feel quite comfortable with our position, to fund our growth and go through capital management strategies, as well as manage the balance sheet, by the way.

In terms of what our intent is around that up to $2 billion, our intent certainly is to provide that back in some form. The question is exactly how to do it, but I would say the intent is to do it. We made the announcement; there is no reason to necessarily sit around and study this for months or certainly not to do it. I think one of the things that I think is a very important message over the last three years is that when we focus on something, we intend to deliver that, and that's certainly the case in the capital management.

QUESTION: Would you like to put some timeframe in terms of that capital management program, Chip, and then a second question in terms of your cost reduction target. Now you have exceeded or passed the $770 million, will you be setting another target?

CHIP GOODYEAR: In terms of timeframes, first we need to make sure that we understand the most efficient way to give that back. We have just gone through our budget, which is a once a year look. We have obviously just completed our full year and we are a complicated structure. We try to shelter the world from that but it is a DLC and there are different tax implications and different requirements in what is essentially three jurisdictions for us; in addition to the UK and Australia, the US is included in that, so we would expect to try to move that forward in an expeditious way and when we have identified the best way to do that, we would move forward.

It may take several different forms to do it, but this isn't something we would look to study and hang around for a long period of time. But it is in the context of having looked at what our outlook for that cash demand is, what our cash needs are.

Next, cost savings. We have a continuous objective that we announced in 2002 of two per cent real cost savings on an annual basis. That doesn't go away. That doesn't mean every year we get it and I would make the point that in the environment today could we go ahead and make a big cut? Sure. Does that make value sense? Absolutely not.

For instance, if Bob here has a customer who says, "Listen, I need x tonnes of iron ore and if you can't give it to me I'm going to go support somebody else's project", well, guess what, it is a much better decision for us to supply that than allow that customer to go on and support another project, another producer, whatever. So, we make sure we make decisions on value. So, again, within that context the two per cent real cost savings over time, state and place.

QUESTION: Chris, I'd just like to examine the sustainability of this US carry forward tax loss and if there are more losses to absorb there, why wouldn't you achieve better than 30 per cent in the years ahead? Is this something you might be surprising us with in 12 months time? That was my first question.

CHRIS LYNCH: I think the effective tax rate is really a function of a couple of things. One is we do have an anticipation of a continuation of recognition of some of the US tax losses. That number is still a bit variable. You could put a line under it at about $100 million, it could go higher than that. It depends a little bit about success of various development projects that need to bring the profit stream to meet the losses.

The second thing that you need to consider in the effective tax rate is where the profits are actually made and, for instance, the increasing profitability of copper and the Chilean influence on copper has a fairly high effective tax rate on the overall earnings there, so we are conservatively talking about - we think the number is about 30 per cent. It could vary a little bit around that, but that's the best guidance that I can give you today.

QUESTION: The second part of the question to Chip is that perhaps an unintended consequence of the paying of three dividends this year, giving shareholders 26 cents, means that if you are falling back into the recurring progressive dividend you may have to top it up with a special to achieve the 26 cents and at a time of what appears to be very strong earnings, are you suggesting that there will be a shortfall in the dividend or would you match or exceed the 26 cents that you have already paid?

CHIP GOODYEAR: We paid the extra dividend this year, as Chris mentioned, to try to align to a dividend announcement consistent with our full year and half year earnings announcement. As you know, we used to report quarterly; we don't do that any longer, so that's why you saw three dividends. We don't see that as a 26 cents benchmark, we see that as a unique situation for that year to align.

Now, having said that, we continue a progressive policy, we put in place a dividend that we believe is sustainable for the long term based on our outlook over a significant period of time. So, we have increased the dividend I guess the last four or five times in a row, probably five times in a row, and as long as we see the opportunity to do that, progressive dividend off of a regular situation is how we would look at it.

QUESTION: Just a question on the oil business. The production of gas, if you add LPG to the natural gas, is actually bigger than the oil production overall. Can you just give us an idea of the pricing structure? A lot of the gas is obviously sold in contracts. How much of the $46 oil price are you actually receiving?

PHIL AIKEN: It is a combination of LNG, pipeline gas and LPG, as you said. Most of our pipeline gas is sold in Australia and in Australia we have actually got long-term contracts, which have got the Australian CPI inflation linked to those areas and therefore we are not getting anything like $46. Those prices obviously are a lot less.

In the case of LNG we are actually linked into a Japanese crude cocktail and that has a cap in the ceiling and therefore it caps out well lower than the $46 and LPG is actually, mostly sold out of Australia, is linked to a Saudi LPG price so you do get there quite a bit of linkage overall but, really, to answer your question, very little of our pipeline gas is actually linked to the oil price, it is actually linked to Australian CPI. Here in the UK our contract with Powergen is not directly linked to the oil price.

QUESTION: Just another question on this capital management program. You have come to the market and said, "We are going to put $2 billion worth of cash back into the market in some shape or form". It doesn't seem to me that you have come out with a structure that you have really thought through. You said you are going to return cash, you don't know what shape or form it is going to be in yet, you are going to think about it over the near term but at some stage give that back to shareholders. That doesn't seem to be particularly rigorous in terms of the market and how that's coming back. You said there are some key things that you are looking at over the near term that will determine whether it is a share buyback or whether it is going to be a special dividend or what shape and form is that in.

I'm just wondering what are some of those key hurdles and, looking at when you've last done a share buyback the price was about three pounds, so in the UK market buying back at sort of 5 (pounds) 20 is obviously a massive differential in terms of the price. Is that a reflection that possibly you've changed some of the underlying assumptions going longer term and I just really want to know what are these critical hurdles over the next two or three months that you are going to look at to determine how we get our cash back.

CHIP GOODYEAR: In terms of the things we look at, we look at how it impacts our shareholders. That's the ultimate driver for essentially every decision we make in here and it's one we see based on value, so that's how we go about doing that. In terms of comparing it to what the price was a while ago, certainly there are lots of ways to go through a capital management program, but commenting on the buyback several years ago, sure, we'd love to buy back at one pound but that's not the market today.

At the same time, I think if you look at that simply as a standalone and that's the only thing you look at, buying back even at today's price is an accretive transaction from an earnings point of view. So, the world changes and it changes all the time and as a result we have to look at those situations, but also in terms of what drives us, it is going to be a function of how do we get that back to a diverse shareholder base in the most efficient way and that's the test.

Certainly I would say, again, we have gone through our budget process, we've gone through the year end, we've taken a look at what all that means in terms of our outlook and, as we have taken a look at it, we just talked to the board last week about it and therefore we are moving forward and again stay tuned, you will see what happens.

QUESTION: I was wondering, a question firstly for Chris. Could he clarify a little bit with regard to Southwest Copper and the removal of the provisions, if you like, from the P&L, what that might mean going forward for the next couple of years, favourable impact on the P&L, and also what level of capital spend you would expect over the next couple of years going out with the cash flow.

CHRIS LYNCH: You are referring to the ongoing costs provision, which is largely around the ongoing costs that we expect regarding water treatment and administrative costs and so on. We have provided the $255 million there in the provision. The expectation would be that we would reduce the year-on-year cost for that type of activity by somewhere between $15 million and $20 million.

With regard to the capital expenditure side of things, the only project under way as we speak is the removal of the San Manuel smelter, which will take probably from 12 to 24 months for completion and that's a relatively modest capital expenditure there, but we do have an expectation that over the next two to four year timeframe, we will see a bit more spending and we will update you a bit closer to that event.

QUESTION: Could we assume 40 or 50 million a year or something considerably less than 100, presumably?

CHRIS LYNCH: That would be safe for now, and we will update that as that changes.

QUESTION: Sorry, just one more question for Phil. With regard to coal within the Petroleum division, could you perhaps explain a little bit more how that is proceeding and the logic and the advantages of that move and whether in fact it's doing as expected? Thank you.

PHIL AIKEN: I will first make a comment. Coal is not part of the Petroleum division, coal is actually part of the Energy group which has oil and gas and also has Energy Coal. It's fairly early days yet. I mean obviously the coal operation is quite different to the oil and gas operations, but I think one of the areas we see which is quite significant is that gas and energy coal are both sold into the power sector and therefore the markets are much more similar than, say, the oil and gas markets. Oil goes into refineries and there is a screen-traded commodity, where as I said before gas is usually tied into either long-term or short-term contracts.

Therefore, we are not trying to run the Energy Coal business like a Petroleum business but we are looking at the synergies which take place in the marketplace. We think there are some synergies in looking at HSEC, for example, and overall at this stage we are considering the operations quite separately but seeing some good benefits in how we look at markets and how we see longer term opportunities.

QUESTION: Chip, just wonder if you could make some comments. You talk about obviously how the high prices right now will encourage demand to come in or, sorry, supply to come in and fill the gap. Could you talk through firstly which commodities you see will the gap close the fastest and, in answering that, then giving you believe that gap will close, what about hedging, given we have got prices obviously that will come back when that gap closes and can you give some consideration in that answer then to the talk about three year coking coal contracts and, if that is the case, I mean that constitutes hedging as well. Thanks.

CHIP GOODYEAR: Yes. Let's see. The first question of where do we see markets coming into balance more rapidly than others. I think if you read the comment as more a general comment, that over time markets react. That doesn't mean that tomorrow you are going to be able to see balance in any of these markets. Certainly we'll see demand continue to be quite strong, but you can certainly turn on your, whatever it is, Bloomberg, Reuters or whatever you want and people who used to be in the internet business have now decided they are going to get into the mining business and you see those comments and so on, but have you seen the producers who have financial staying-power, who have the systems to manage growth and expansion, to be early on and to be there when that demand needs to be satisfied with supply. And, over time, it is going to come into balance.

We actually see that generally as a positive thing. Things that stay out of line too long are going to encourage that inefficient expansion which in the long run sits around for 20 years and weighs on our business for many years to come because, as you know, once they are built they stay there for 20 years and run at cash cost as opposed to economic profit.

So, you should read that comment as a longer term comment, not as a short term comment and you should also read it as we have our finger on the pulse of the market, we understand our opportunities to develop our resources and we are going to be the ones who are going to capture that market and there will be others that will do so also, but we see this environment and our focus and our internal capabilities as the ones that will make that work.

In terms of will we change our hedging strategy, no, we won't change our hedging strategy. There are a number of reasons for that. One, many of the markets are in backwardation, so you look at today, so you're going to get that price? You won't for very long, now that standing wave of demand continues to come through and brings us longer-term prices in the futures market up to the current prices and that's what we see. So you don't get the price that you see today.

Second of all, even if you did decide you wanted to hedge, those markets are liquid for two years, maybe. Take a look at where the value in this company lies. It is not in the next two-year cash flow and so, if we did that, you are really not protecting the underlying value of your investment. Third of all, it doesn't make sense. The natural hedges that exist in this portfolio across the commodities we are in and the currencies we produce from provide that stability in the tough times and certainly, as you see now, allow us to benefit in the great times.

So, the coking coal, Bob, I don't know if you have any comments, or Marius. We wouldn't comment on any of that. I realise there's plenty of speculation in the press, but we don't comment on that speculation. Certainly the coking coal market is very strong and there is lots of discussion, it will be an interesting year, as it will for many of these negotiated commodities, but I would look at that as speculation.

QUESTION: Hi, Chip, obviously we talked about the several growth options you've got coming through and they are a key driver of value for you. Obviously again we have talked about the stressed nature of the supply chains for raw materials. Having spoken with other management teams in recent times, they have also pointed to the stressed nature of the supply chain for capital equipment and supplies. What I'm interested in, is that providing any degree of stress to you in being able to procure equipment and does that present any risk to the timing of your project pipeline and commissioning of the timeframe?

CHIP GOODYEAR: Why don't I hand over to Bob. He can make a few comments there. Bob, in addition to his responsibilities as group President of Carbon Steel Materials, also looks after the supply side as well as Operating Excellence. So Bob might have a few comments. In addition to Carbon Steel, he obviously has some pretty significant expansions, certainly in a couple of its businesses, so, Bob, maybe just a couple of comments.

BOB KIRKBY: Yes, thanks, Chip. You are right; we are seeing particular areas where things are tight looking forward to supplies. And to name some, I mean, haul trucks for mining equipment is an issue right across our business. In Australia, ammonium nitrate supply is an issue for our business. In some cases, even on the human side, project management, people are in issue.

We have taken a number of steps to protect our position there. As many of you know, we have a global alliance with Caterpillar for instance on our earth moving equipment. We have some long-term contracts of course for ammonium nitrate supply. We have put a lot of work into our supply organisation also which doesn't get talked so much about, and we have a global supply group who oversee these problem areas as Chip said. That group now reports to me, and in fact I was having a discussion about some of these issues yesterday.

So it is an area we need to watch. We are watching it. I can say today, I haven't heard of any of our projects that have been delayed to any extent by these issues over and above the normal ebb and flow of things. We've also, I just comment, we have also taken some steps and decisions at our senior level to accelerate the purchase of some long lead items and projects which we can see coming on to the drawing board. We have taken some decisions to continue the services, for instance, of some of the engineering companies in Western Australia, provide them with continuity so that we are assured of their services. So there are a number of things that we are doing on this front.

CHIP GOODYEAR: Now maybe we go to Mike in Johannesburg.

MIKE SALAMON: Just possibly on the project management side, we have got some pretty robust systems and structures that operate really with a view to dealing precisely with these issues. So when we go from pre-feasibility study through to feasibility study through to implementation, these risks are well-defined, well understood. Our project teams also have to be in place prior going into implementation but that means that even prior to D-day on any given project we are already implementing transparent and well understood risk management actions precisely to be able to deliver.

QUESTION: Hi, Chip. I've got two questions. The first question is relating to cost savings and we saw that you have achieved your target already and I know that we are in a very much revenue generation environment. But maybe could you comment and give us some guidance in terms of what your cost savings could be in the next two years. I know it's going to be tough and also in the context of the rising oil price, which I would imagine may swamp those to some extent.

The second question is with respect to the dividend going forward. Did I understand you saying correctly that for us as owners to try and project a dividend going forward, the basis effectively is sort of basically two-thirds of the 26 cents, i.e. two dividends and not three, or is it more likely to be 26 cents? Thank you?

CHIP GOODYEAR: Yes, certainly. With regard to costs savings, again our target is this 2 per cent real reduction annually, again, it doesn't come every year. To project that over the next couple of years, I think it would be difficult to do that. You see, there's a lot of moving parts and we need to understand that. Certainly many of the items that we get a benefit from on the revenue side, iron ore, come back at us in terms of steel. Obviously we are much more favourably impacted by the raw materials.

But what I would say is we continue to drive for that 2 per cent number. That's our target over time and again, year in and year out, we may exceed it, we may not get it, but over time we should get there and obviously want to see that. I would say, our system around capturing benefits is improving dramatically in the organisation. We are getting some very good things out of that but, having said that, I want to stick with our 2 per cent number.

In terms of dividend, what we have done in the past, I am sure you've noticed, is that every time we come to a dividend decision, we have increased that number - certainly in the last five times or so - we have increased it. We originally increased it by half a cent and, obviously, this time we increased it by US1 cent. So that's how you should look at it, and we make dividend decisions now at the full year and the half year. You saw 9-and-a-half cents. That's the way you ought to think about the base from which we move forward.

QUESTION: Chip, I'm just a bit confused on group and unallocated items. I see in the commentary that it says net corporate operating costs were down $9 million to $258 million for this year but if I look at the corresponding documents last year, corporate costs were only $220 million. Can you just perhaps shed some light in terms of the change of definition there. Just on the Petroleum side, Phil, you used to show a lovely graph showing forecast production in boe and you used to have it at about 175 million boe by 2007. With all the developments in the last year, is that still on track? Are Mad Dog and Atlantis proceeding well?

CHIP GOODYEAR: We'll turn it over to London. Maybe, Chris, if you can try to get Mike's first question and then just turn it over to Phil to answer the Petroleum question.

CHRIS LYNCH: Okay, thanks, Chip. The underlying group in that allocated issue, you referenced the $220 million last year. The raw number was actually $256. There was an $8 million re-allocation into one of the businesses. There were losses from legacy hedging of $86 million, then there was some corresponding gains, $40 million on foreign exchange, restatements for monetary assets in that area, and also some profits on sale of assets of $20 million, which gets you back to the $220 million.

I think the key there is there is always going to be a lot of puts and takes in that area based on things like the currency, although the legacy hedges have now completed so we need to continue to talk about that only now in a comparable sense for the next year and then that will be off the table. Phil, do you want to pick up the one on the Petroleum.

PHIL AIKEN: Sure. I think Chip made the comment during the presentation that the next six months is a very important six months for Petroleum. We have five projects which will be commissioned in the next six months. The fourth train in the North West Shelf is currently going through its final precommissioning. We have two oil projects, Angostura and Mad Dog, coming on stream at the end of the year and we have also got a gas project in Minerva, plus we have also got the oil project rights that will also come back in the back end of this year.

You asked specifically about Mad Dog. Mad Dog looks as though it's in pretty good shape. The top sides were actually taken out a few weeks ago and now the facility is in fact installed in the Gulf of Mexico. The pipeline has been connected up and it's now about drilling the wells. We are pretty confident about Mad Dog coming on stream on time. Atlantis is still somewhere to go. It's due on stream in the mid third quarter of 2006. Again, everything is going to plan. I think the operators picked up a lot of good knowledge with the other projects in deep water and Gulf of Mexico and therefore we would be at this stage pretty confident that Atlantis also will be on stream on time.

We have always said in the six months following Atlantis coming on stream, you will see that big jump in our production. Atlantis is a very, very big project. It's 150 thousand barrels a day oil plus gas. We own 44 per cent of it and that's going to give a big boost to our production. We still feel that we will be in that sort of range 170, 175 in the second half of that '07 year, in the six months after Atlantis comes on stream.

So, so far so good but the next six months we are obviously going to be very busy with these five projects to commission.

CHIP GOODYEAR: If you have any other questions about Group and Unallocated the investor relations people can help you walk through that. I know it's somewhat complicated.

QUESTION: Two questions linked to South Africa; the first is could you give us the percentage of SA contribution to your EBIT; and secondly, Chris mentioned the mineral rights sale. I just wondered are there any more details, perhaps who you sold them to, where these mineral rights are and perhaps even how much you sold them for. Thanks.

CHIP GOODYEAR: Maybe, Chris if you had the information on the SA contribution and then maybe, Mike, if you want to make a few comments on the second question if appropriate.

CHRIS LYNCH: Sorry, Chip, I don't have that data directly to hand on the SA contribution.

CHIP GOODYEAR: Okay, good. We will get back to you, and then, Mike, anything on the second?

MIKE SALAMON: In the transaction which I'm looking at, I'm not really in a position to say exactly who they were sold to. It was a conventional part of our ongoing business. We have a very, very substantial mineral rights portfolio and it was sold to someone who was better equipped to use those minerals rights than we were.

CHIP GOODYEAR: Okay, very good. All right, how about if we go to the phones. Are there any questions on the telephone?

QUESTION: G'day, Chip, great results. Just a couple of questions for you: at the moment, I believe the HBI plant is still shut down. Are you able to give us any guidance as to when the plant might be brought back on line and where we are at in the review process for HBI. And also, in terms of the capex spend for next year, you mentioned a figure of $4 billion. I think that's going to be a record spend for the company. Going further out, could we expect similar sorts of capex spend particularly given where you are at with Petroleum?

CHIP GOODYEAR: Sure, okay. I will ask Bob to just come in on HBI. Let me take your second question first. Certainly, it is a record spend, no doubt about it. Going out it is very much a function of the projects that are developed internally and what we see externally. So again that will be the driver. Obviously between capital management and our current spend you get an idea of what we are capable of doing. Obviously, we have to make sure that internal skills and the market opportunities, in other words, the value created makes sense. So our capital will be what we can efficiently put to work and that adds value as we go forward. Bob, just a quick comment on HBI.

BOB KIRKBY: Yes, a quick comment. As you know, there are a number of investigations underway in the HBI plant; some of them internal, some of them external. A key one of those is one that is being undertaken by the state mining engineer. He is due to report his findings at the end of August into the causes of the accident. We will then have to take that information and assess what it means and what the remedies are and whether we can remedy the situation and then whether those remedies will be economical.

There are other investigations, of course, there's a ministerial inquiry and they will come in later. So it's going to be some months before we come to a landing on the future of that plant.

CHIP GOODYEAR: Thanks, Bob. Next question on the telephone.

QUESTION: Hi, Chip. You commented before that a share buy-back would be accretive. Is it NPV accretive?

CHIP GOODYEAR: Listen, our decisions around here are value decisions so ultimately that's how we have to make decisions around here.

QUESTION: Australian coal write-offs, you mentioned if I heard it correctly, Hunter Valley, there were some write-offs of properties there. Could you identify what they were?

CHIP GOODYEAR: Yes. These issues, let's see, Wyong and Togara South, those two.

QUESTION: I tried to understand the pricing mechanisms of steaming coal and Marius gave us quite a detailed explanation about that. I just want to understand what's transpired during the half because it looks as if the prices you received, particularly in Australia, look lighter than the numbers he suggested you would have got. I just want to understand the difference between that suggestion and when it actually came out.

CHIP GOODYEAR: Okay. What I would like to do, Marius, if you can answer the question and then if you might just, because we haven't had a chance to really talk about marketing and I am sure people are interested in it, if you might just give a brief commentary to try to fill in that marketing part of our discussion.

MARIUS KLOPPERS: Yes, thanks, Chip. On the guidance on the coal price out of Australia, we feel comfortable that we have hit our targets. We should recall that unlike the European market where we can effectively de-price coal, follow the market almost perfectly; in Australia there's no liquid derivatives market to do so, so effectively what we have been doing is we have been selling into a rising market, obviously keeping coal on as short term as possible in that market given our view that that market was going to go up. And if I look at our price realisation, unfortunately I don't have the figures for the half in front of me, but I do know that for the full year we realised just a tad over $30 average over the year. For the little published data that is available on some of the other competitors out of Australia, it looks to me as we have realised about a 10 per cent higher price on average than our competition in that regard.

But I think the salient factor to take into account on coal in Australia is that you can't precisely follow the market because there's no liquid derivatives market to allow you to do so, unlike what you can do in Europe.

CHIP GOODYEAR: Marius, if you might just make some general comments about marketing. Again I thought we had more questions but maybe you can just cover it relatively quickly.

MARIUS KLOPPERS: Chip, I would like to come back to one of the questions asked earlier because I think that actually presents us with a very good lead in on how we see the supply developing and I thought I would make one or two additional comments on how supply will catch up with demand. The message that we have been sending to the market very strongly, particularly in the bulks, and I'm going to use an iron ore example here, is that the large stable producers of these products have significant brownfield expansion capacity in their portfolios.

The message that we have pretty consistently been sending to our customers is that we will meet that demand in the medium term. We will continue to trigger those expansion options as they go forward in order to meet the market in a responsible manner. The reason for that is simply that that is the most NPV-positive outcome for us in the market as a whole, but because by promising that to our customers, we actually deter those projects that are non-viable, non-NPV accretive of other players from actually coming on the market. And going forward, you are going to see a very strong communication from us also on some of the other products where we do have market-leading positions that we are going to expand our production, that it's our full intent to meet the customer demand in the medium term.

Then, just going forward, I thought it's perhaps instructive in several of our major markets to just look at where spot indications lie, and I think tying in to some of the comments that you made, Chip, on China, we saw what we believe is a market overreaction following the announcement of the Chinese government that it's going to steer the economy with a little bit more of a visible hand.

We saw, for example, that spot iron ore prices were very elevated prior to that announcement, so that it came down quite sharply. What we have also seen over the past couple of months is that there has been a correction in the iron ore price. We still see for the May/June figures that I've got in front of me, we see Indian iron ore and Chinese concentrates trading in the sort of $35 to $40 range, FOB Australian expressed on FOB Australian benchmark. I think the market consensus for iron ore forecast for next year's settlement is $33. That's what I read in the press expressed on a similar basis.

So the market actually there is still trading very strongly. We have seen strong volume demand. We have had to limit our quarterly nominations to our production capacity where we see the market very strong and I want to re-emphasise some of the comments I've heard on iron ore in China in particular is that some people, soya beans, iron ore and so on had some credit exposure.

I want to reinforce that our philosophy is to deal with A-grade customers. We take virtually no credit risk in China, so you can rest assured that despite these strong market conditions, we actually take a very conservative approach there.

Another commodity that I want to comment on is perhaps coking coal. We saw settlements earlier this year. A lot of productive capacity disappeared from the market in a series of mishaps around the major producers. We had avalanches. Some of the long-haul problems in some of our competition in Queensland and Illawarra for us is not completely producing like we would have liked that to. The net result of that is still that the coking coal market is very tight.

We see some evidence of hot metal production curtailment in some sub-regions due to a lack of availability of reductants. I thought I would make two comments about that, a short term comment and a long term comment: Obviously for the short term and perhaps for next year's pricing settlements, again spot cargo seem to be trading in the $80 to $120 range in that market.

Obviously if those conditions persist next year, settlements, it could be interesting, but I think in the longer term, the comment that I would like to make on coking coal is that the main suppliers of that product and obviously we are a market leader, we remain committed to supplying our customers. So perhaps those two comments in particular, Chip, I don't know if there are any other comments that anybody wants me to make in particular.

QUESTION: Hi Chip. A great result. It indicates many years of hard work. Just a few questions. Ravensthorpe, given that the former Murrin Murrin is performing far better, are you folks confident that you will be able to tackle the technology on the $1.4 billion investment; and second, looking at coking coal, is there a potential, this is possibly for Bob, to increase exports of coking coal over the next three to five years to China?

One other; is there a likelihood that you will be able to actually have your own development in China in the foreseeable future? Will they allow you to and are you planning some real investments there? Thank you.

CHIP GOODYEAR: What I would like to do maybe is, I will, let me just make a couple of comments and then maybe, Mike, if you want to say something about Ravensthorpe. I think I can hit most of them briefly though. Let me see, first of all, if we didn't think we could deal with Ravensthorpe, we wouldn't have approved it. So we feel quite confident that the technology is one that's going to be quite successful.

With regard to coking coal, you can be sure we expect that we will not only continue to sell product there, we will increase the sales of coking coal into that market and then whether we would do investments in China, it is really a function of what is the resource available to develop in that area and in China in this case, and that's true anywhere. And what we have not found to date in general is a resource base that goes to that value-added question.

We found that the expansions of what we currently have or in certain cases, greenfield opportunities outside of China, is the best way to service that market. That's a quick answer. Mike, did you have anything you would like to add around Ravensthorpe?

MIKE SALAMON: Yes, just a few points. It has been seven years in development. We spent $100 million on it before we triggered it. That has included very extensive and fully integrated metallurgical test work and that test work emanated from work done both by the former Billiton and the former BHP and so I mean, absolutely, we feel confident that we can hit it. I think it also indicates the period to which it can take to bring greenfield supply on.

It will be ten years from the inception of that project to when we have that thing delivering material through Yabulu and I think that also goes to one of the earlier questions of how long the markets can take to react.

QUESTION: Question for Marius. Marius, we acknowledge that quality demand is expanding strongly. You said that the Group is committed to meeting customers needs. I assume that sentence ends "at the right price". Can you tell us in which commodities you think that is the biggest challenge?

MARIUS KLOPPERS: I think the correct ending to that sentence is actually "in the most optimal NPV-accretive manner for the Group" and that's really what drives us as we think about these expansions. Perhaps just by way of illustration, I think the effort that we and others have made on iron ore, for example, to meet exactly the demand of our customers, has actually contributed to a better outcome for that industry in the medium and long-term.

Clearly, I have indicated that if one looks at these bulks, the demand we identified I think as long as 18 months ago, that we thought that there was a market for coking coal in China. I think it's fair to say that the speed at which that demand manifested itself coupled with the production problems we have seen in the coking coal industry as a whole across a number of continents have caught the industry somewhat by surprise.

So I think clearly, from a longer-term NPV perspective, we would have liked to see the coking coal market slightly better supplied at the moment than it is and I think that that's probably the area where I see the greatest tightness.

QUESTION: I think Chris mentioned that the South African Rand debt had declined during the period. First of all, am I right in assuming that that reduces the impact on the functional currency adjustments in the P&L?

Secondly, I think other currencies, whatever those are, your net cash position there has increased over the period. Does that have an equal impact?

CHRIS LYNCH: Yes, you are right. The Rand debt, we still have some debt left in Rand but it's primarily now structural. It's embedded in joint ventures and those types of things. The position that we have had pretty much since the time of the merger has now been fully reduced and paid down.

The other currencies, I think the key too for us is obviously the Rand and the Aussie dollar. We do have some exposure to Canadian dollar and Chilean peso but those are less significant in the overall scheme of things. I think the first part of your question, the Rand debt, other than what is compulsory, thereby a joint venture or something such as that, that has all been paid down. And the second one, don't expect a great impact outside of those two currencies still in regard to the underlying costs.

QUESTION: I just wanted to ask about your commitment to the single A credit rating in view of the capital management program. You're rated a notch higher than that at the moment. Given that your bond rate is extremely tight, is it an issue for you that you had a one notch downgrade there and your MTN maturing in November, is there any intention to refinance that?

CHIP GOODYEAR: Okay, Michael, we shared a strong single A credit rating. That's our objective. There's nothing that we have said today that ought to change that. Obviously we look across a lot of things to determine our capabilities in, one, invest and, two, return funds so again, I think we are where we want to be in terms of credit rating.

In terms of refinancing the MTN, we will see about that.

QUESTION: Hi, Chip, thanks very much. Just a couple of questions, perhaps the first one for Chris. Just looking at the exploration charged in Petroleum, looks to be down I guess relative to the actual expenditure. What is the basis to derive the number and can you give us a direction on what that's going to look like over the next couple of years.

And just the other question on diamonds, a stunning result from there, can you give some indication of what the average price received was or at least increase was; what is the outlook in terms of volumes and, is that sort of number sustainable?

CHIP GOODYEAR: Chris, I'm going to pass that to you or Marius. Certainly the first one to you and you all handle it as appropriate.

CHRIS LYNCH: Okay. Between Phil and myself, we will cover off on the exploration side. The exploration expense was increased or the expenditure was increased as we announced at the half by $100 million. That was largely around the further development work, and the capitalisation rate accordingly was much higher on that. It was about 47 per cent versus usually somewhere in the low 30s.

Going forward, we expect something in the order of $300 million this year in Petroleum and that's as far as we would go with regard to the exploration expense.

MARIUS KLOPPERS: On diamond prices, I think we should separate two things here. We have got a tight market for diamonds at the moment. That's led to the market leader publishing in the public domain several price increases totaling some number in the double digits. But the major factor that you are actually seeing in our revenue line, obviously that's very helpful, the price increases and the tight market; the major factor that we have actually given guidance on previously is just the quality of the diamonds coming through our processing stream. The diamond price per carat can vary from $50 to over $200 per carat. What we have given guidance on is that we had a particularly rich, in terms of carat value, stream of diamonds come through. That's carried on for a little longer than we anticipated and I don't think that there's any fundamental change on the guidance that we have given previously on the longer-term outlook for this asset.

CHIP GOODYEAR: Thank you, Marius and Chris and Phil. As always we have got more questions than time. We are about to come up to two hours here. What I would like to encourage you to do, if there are additional questions, be sure to talk to the investor relations people in your area and we will be able to get you an answer back.

Let me just summarise the results as follows: certainly the headline numbers I have to say we feel pretty good about; EBITDA increases, EBIT increases and attributable profit increases, all records and really by a substantial margin and that's great. But I think if you look underneath those and see what has really happened in this company, not only in the last year but over the last several years, you will see those record production numbers. You will see that each of the CSGs outperformed this year compared to last year and the second half was better than the first half.

The project delivery was outstanding and that pipeline still continues to be robust. At the end of the day, we are in the business of making money around here and making money for the shareholders, so buy-ins are great but value is the key driver and we've said that about ten times tonight.

In terms of the capital and cash generation, we have increased that dividend consistently over the last five times we have addressed it. This is the biggest increase yet. We see that as sustainable and consistent with progressive dividend policy and if we find opportunities, particularly in markets like this, to return that money and give back value to the shareholders, then obviously we are required to do that.

We get a lot better value out of this organisation by making sure we keep the capitalisation correct and, therefore, sitting around with cash on the balance sheet doesn't make money for us and it doesn't make money for you. But that entire story of operating the business, to generating financial return, to focusing on shareholders, is all part of the BHP Billiton story and is very well illustrated, and again focus on our markets their improvement.

So again, thanks for your time, I appreciate it and for any additional questions, talk to your local shareholder relations person. Thank you.

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