



# Petroleum Year End Review FY2008

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Lehman Brothers CEO Energy / Power Conference



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References in this presentation to "\$" are to United States dollars unless otherwise specified.

# Today's agenda

## FY2008 Financial Results – BHP Billiton and Petroleum

### How We Run BHP Billiton Petroleum

### FY2008 Petroleum Performance

- Safety/Environment
- Volumes
- Costs
- Growth-Replenishment



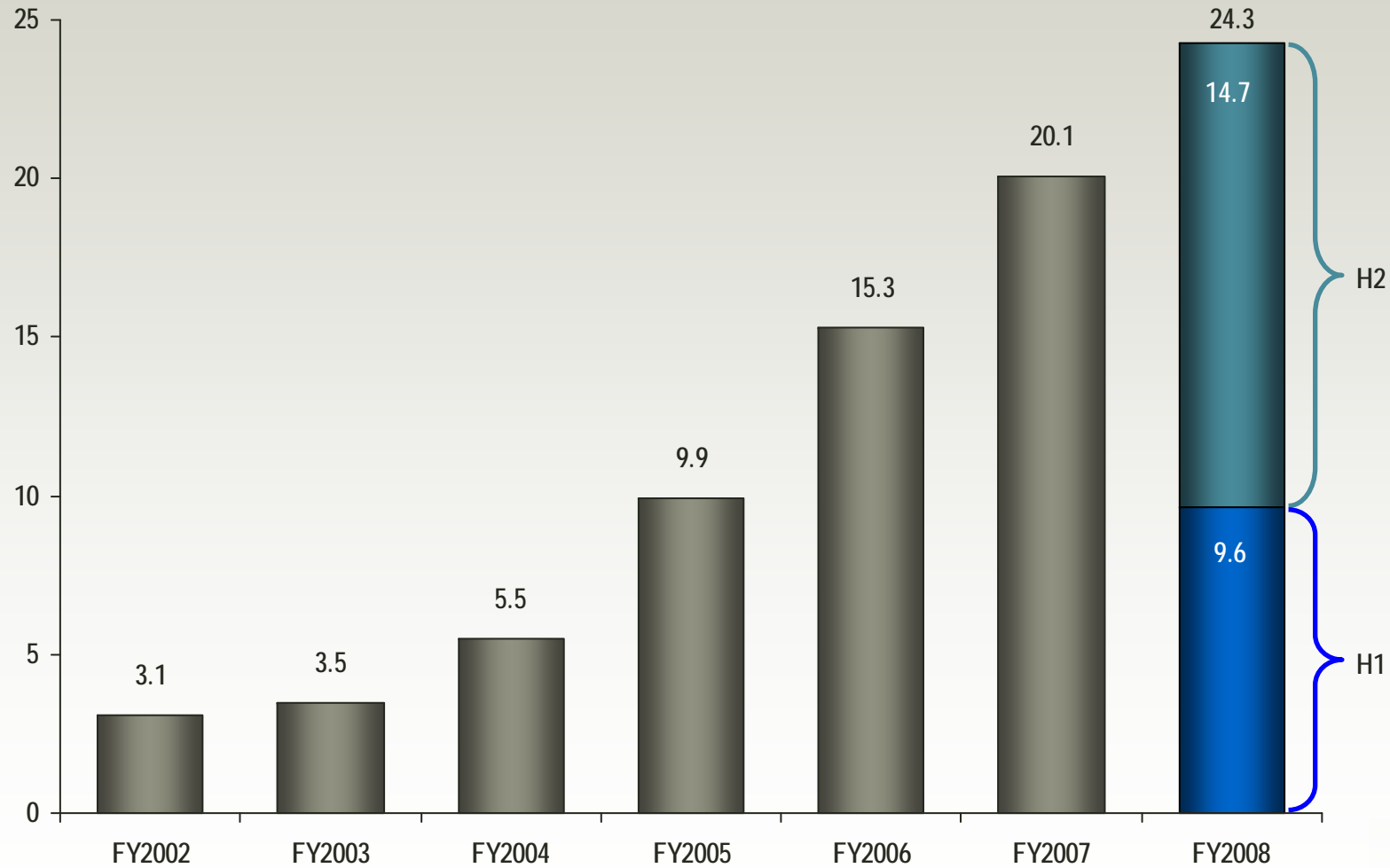
### Results

## BHP Billiton financial highlights

Year ended June (US\$m)	2008	2007	% Change
Revenue	59,473	47,473	25.3
Underlying EBITDA	28,031	22,950	22.1
Underlying EBIT	24,282	20,067	21.0
Attributable profit (excluding exceptionals)	15,368	13,675	12.4
Attributable profit	15,390	13,416	14.7
Net operating cash flow	18,159	15,957	13.8
EPS (excluding exceptionals) (US cents)	274.9	233.9	17.5
Dividend per share (US cents)	70.0	47.0	48.9

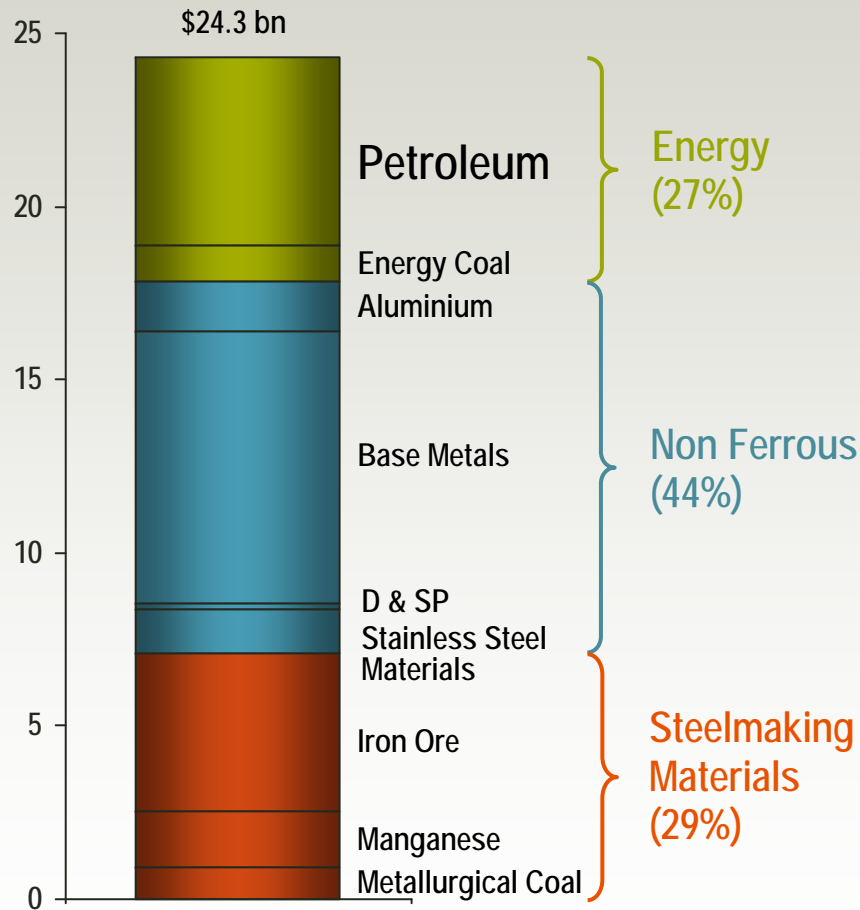
# BHP Billiton results driven by strategy and execution

Underlying EBIT<sup>(a)</sup>  
(US\$bn)

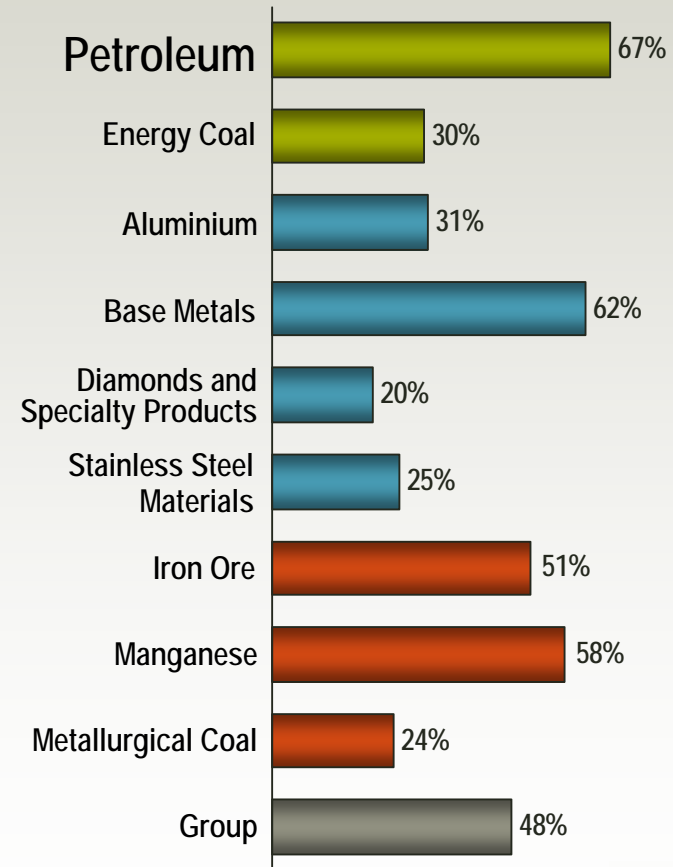


# BHP Billiton portfolio performance

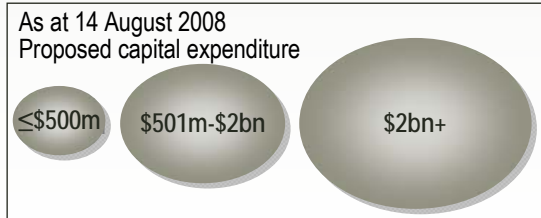
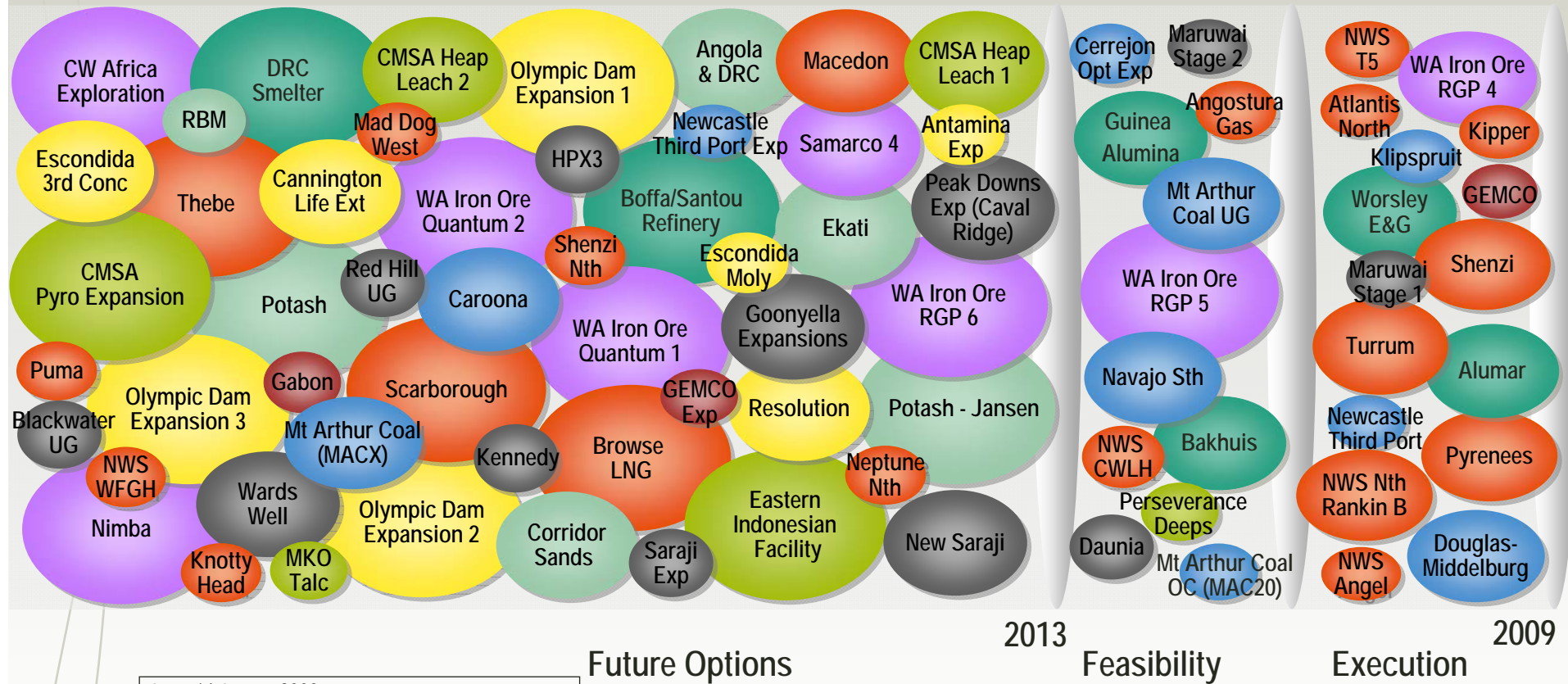
**Underlying EBIT**  
(FY2008, US\$bn)



**Underlying EBIT Margin<sup>(a)</sup>**  
(FY2008)

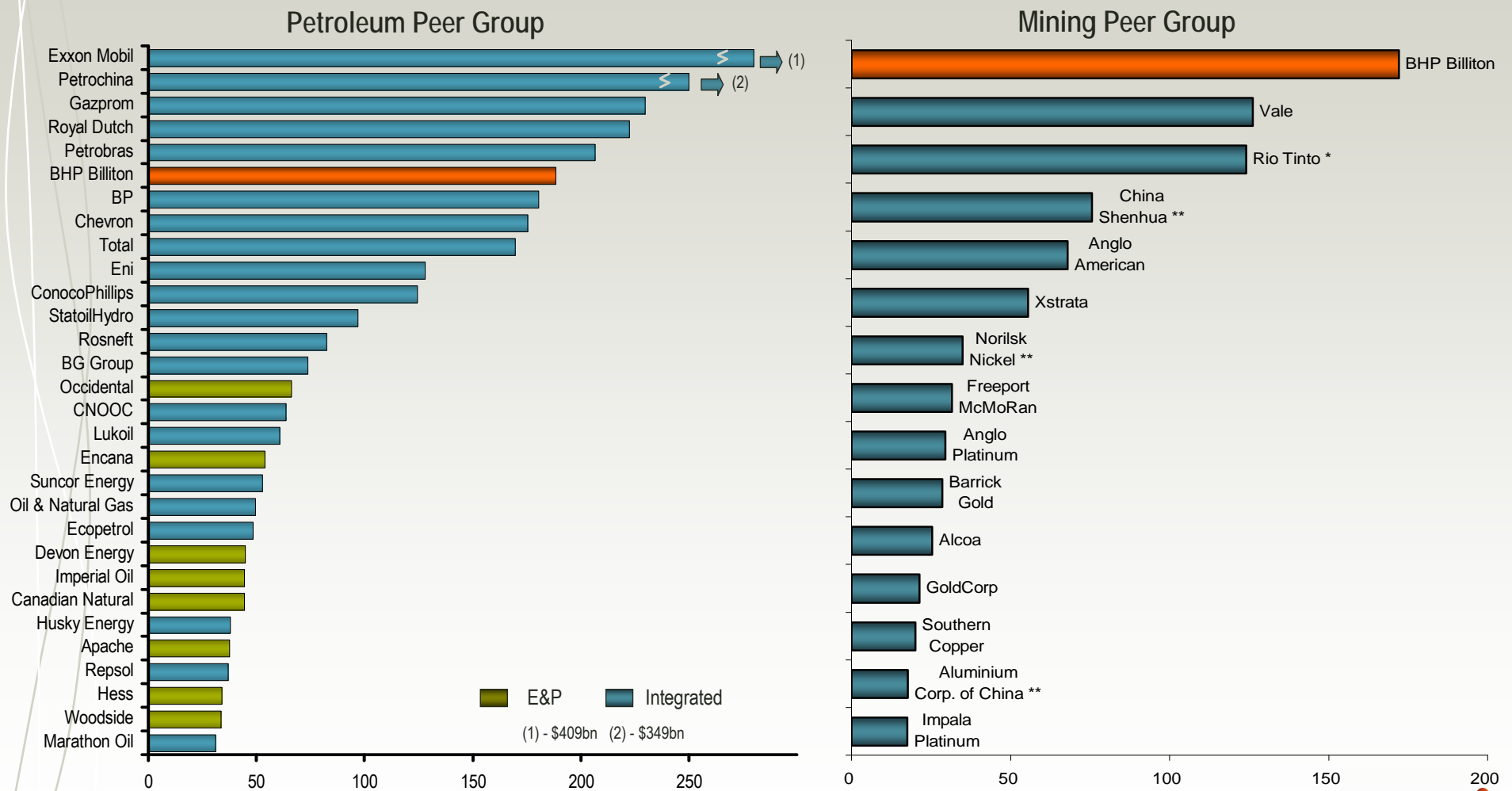


# Petroleum is a key element of the growth portfolio



# An E&P player with the power and reach of a super-major

Market capitalization (US\$bn, August 2008)



\*Rio Tinto Market Cap = Market Cap of Rio Tinto Plc + 62.6% of Market Cap of Rio Tinto Ltd (due to Rio Tinto Plc's approximate 37.4% holding of Rio Tinto Ltd, as per [www.riotinto.com/investors/590\\_data\\_book.asp](http://www.riotinto.com/investors/590_data_book.asp))

\*\*Market value may be unreliable due to a high percentage of non free-float shares.

Sources: Datastream, Bloomberg



## Petroleum financial highlights

Year ended June (US\$m)	2008	2007	% Change
Production <sub>(a)</sub> (mmboe)	129.5	115	13
Revenue Ex 3rd Party Products	8,128	4,964	64
Underlying EBIT	5,489	3,014	82
EBIT Margin <sub>(b)</sub> (%)	67.5	60.6	11
EBIT ROCE (%)	68	50	36
Capital Expenditure	2,116	1,703	24
Exploration (net)	692	395	75
Reserve Replacement Ratio (%)	>100	103	

*Notes:*

a) *Production from continuing operations.*

b) *EBIT margin excludes revenue and EBIT from third party trading activities.*

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Results

# Global operational focus

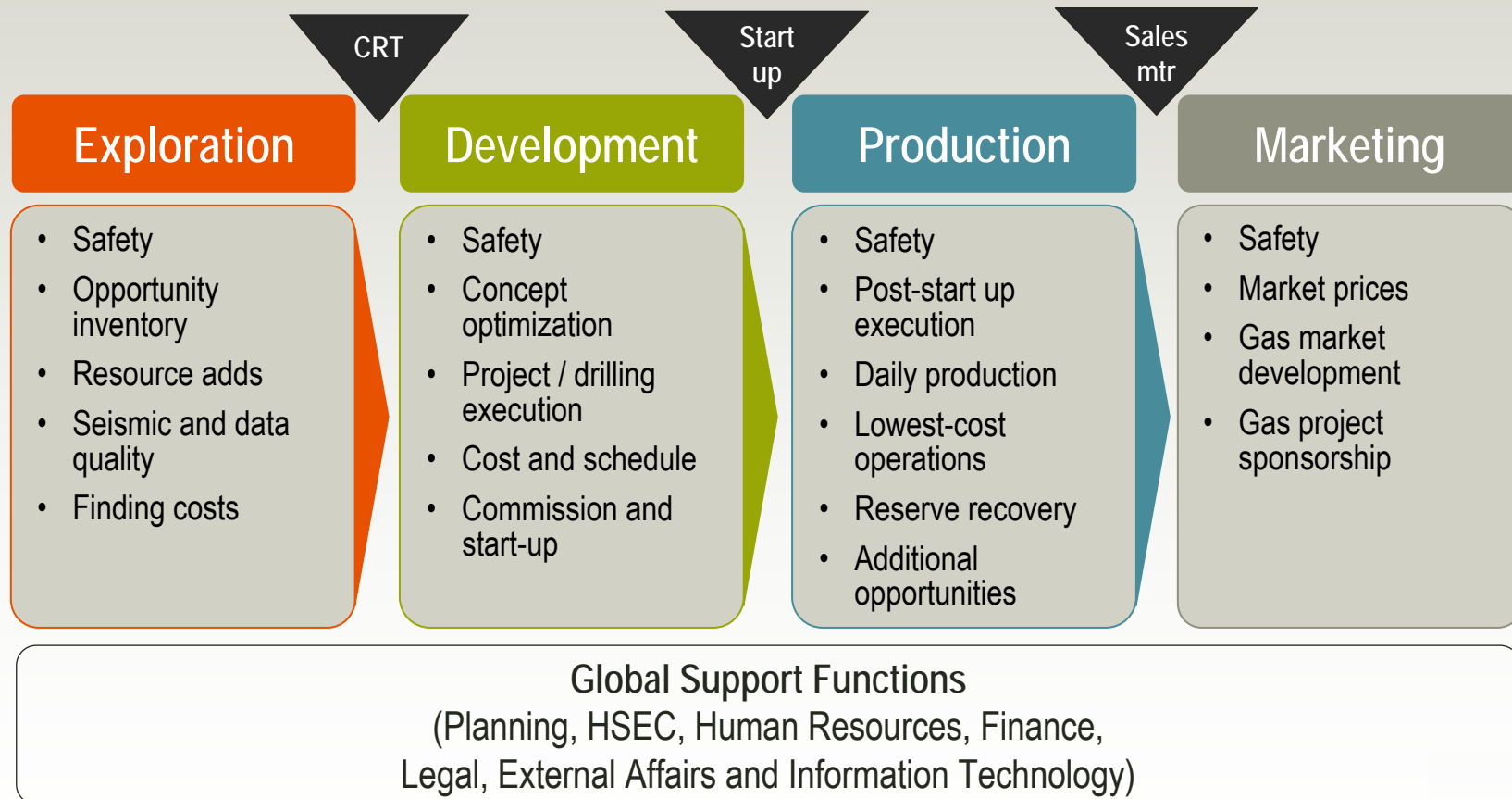


# Our core strategy and competitive advantages

- The core strategy
  - Large, long-life upstream assets with multiple options – that we operate
  - Target organic growth opportunities that are material to BHP Billiton
  - Balanced proven plays and frontier exploration
  - Functional organizational model to achieve top quartile performance
- Our competitive advantages
  - Balance sheet strength of a super major, with the energy of a start-up
  - Able to compete technically with super majors in chosen locations
  - Industry leading geoscience imaging technology in deepwater subsalt
  - Trusted and dynamic partner
  - Speed of decisions versus competitors

# The functional organization

- Very simple organizational model – worldwide functional accountability
- Management focus on the parts of the business which are critical to success



# Management team in place to execute

J. Michael Yeager  
Chief Executive  
Petroleum



Stephen O'Rourke  
President  
Exploration



Nigel Smith  
President  
Development



Timothy Cutt  
President  
Production



Renee  
Klimczak  
President  
Gas Marketing



Alex Green  
Marketing Director  
Crude Marketing



Zlatko  
Todorcevski  
Chief Financial  
Officer

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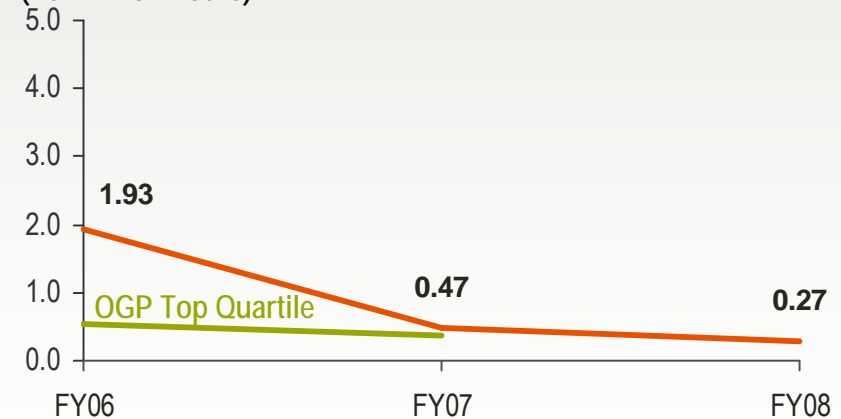
# Delivered significant HSEC improvements despite significant ramp-up in drilling and construction activities

- Achieved 9% reduction in TRIFR and 43% reduction in LTIFR between FY07 and FY08
  - 3 LTIs in FY08 vs 20 in FY06
  - No fatalities
  - LTIFR in industry top quartile
- Reduced hydrocarbon spills by 74% between FY07 and FY08
- Reduced high potential near miss incidents by 45%
- Good Safety = Good Business

Total Recordable Injury Frequency Rate (TRIFR)  
(Per million hours)



Lost Time Injury Frequency Rate (LTIFR)  
(Per million hours)





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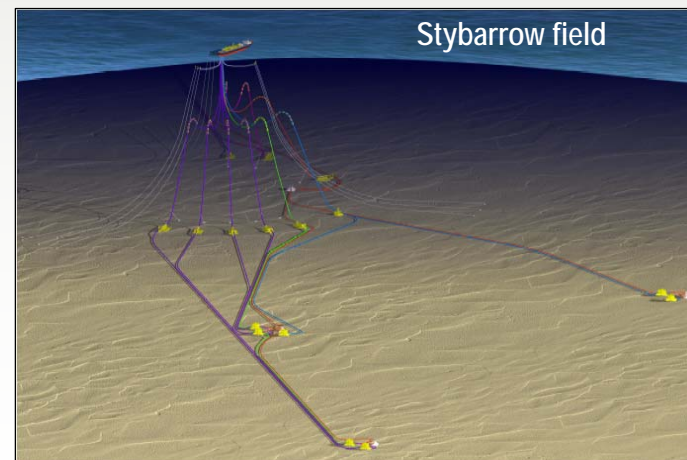
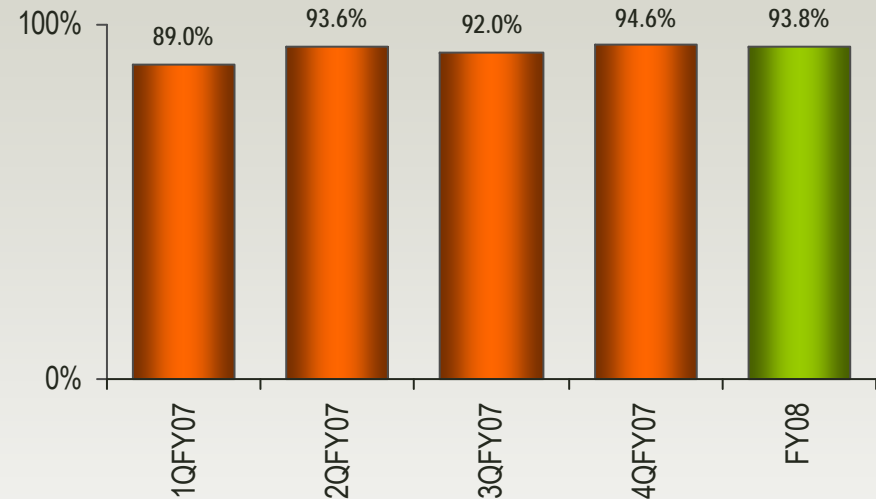
Results



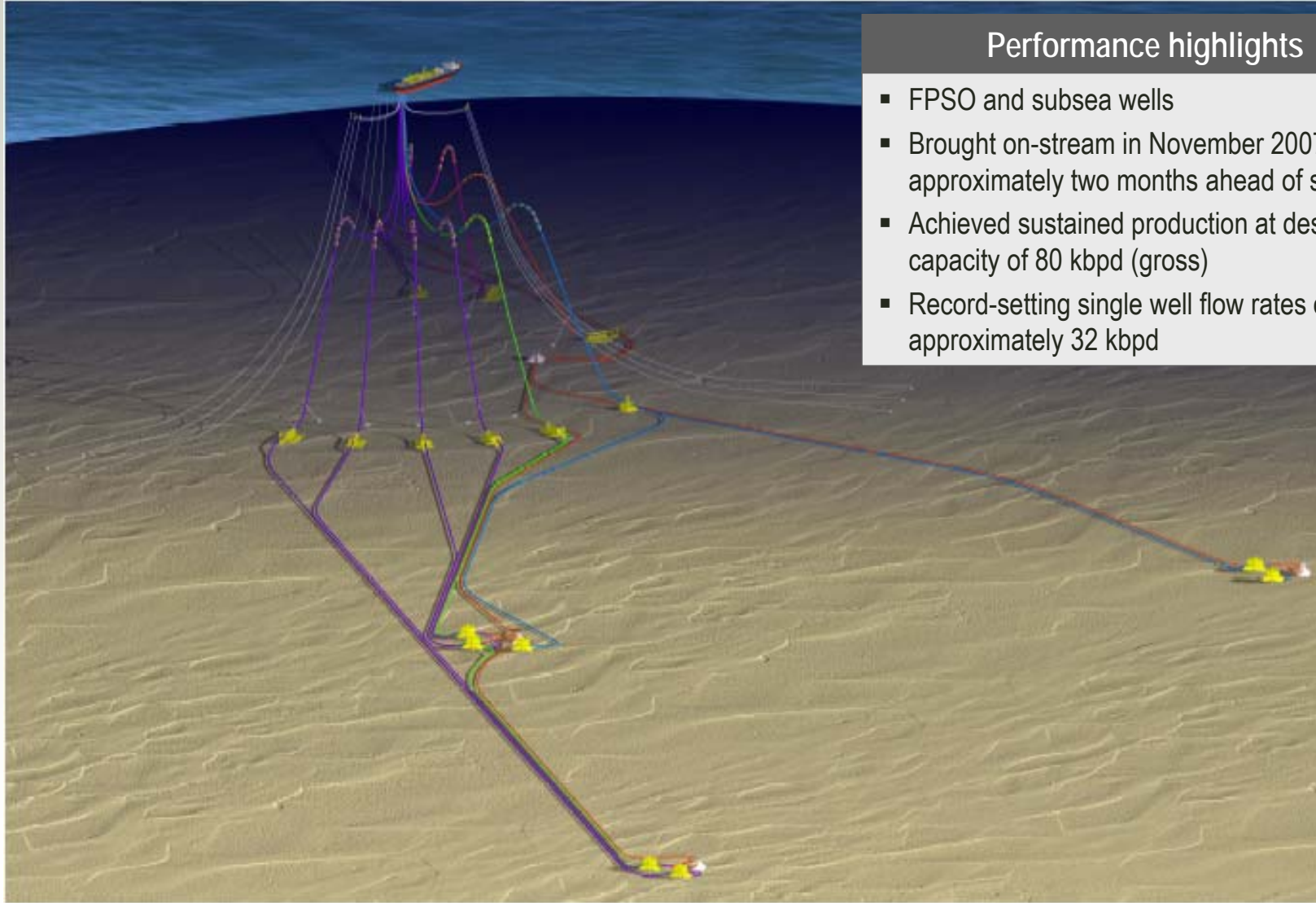
# Produced 355 kboed in FY08, up 13% from FY07

- Base production well managed
  - 93.8% uptime vs. 100, 100, 100
  - Significant improvements  
FY08: 93.8% vs 1QFY07: 89.0%
  - 1% improved uptime = ~1.5 mmboe (~4 kboed)
- Start-up of new projects
  - Stybarrow, Genghis Khan, Atlantis
  - Zamzama Phase 2
  - Neptune (July 2008)
  - NWS Train V (September 2008)
- Record production ramp-ups from new projects
  - Stybarrow and Neptune
  - Multiple high rate wells

Production efficiency<sup>(a)</sup>  
(Uptime)



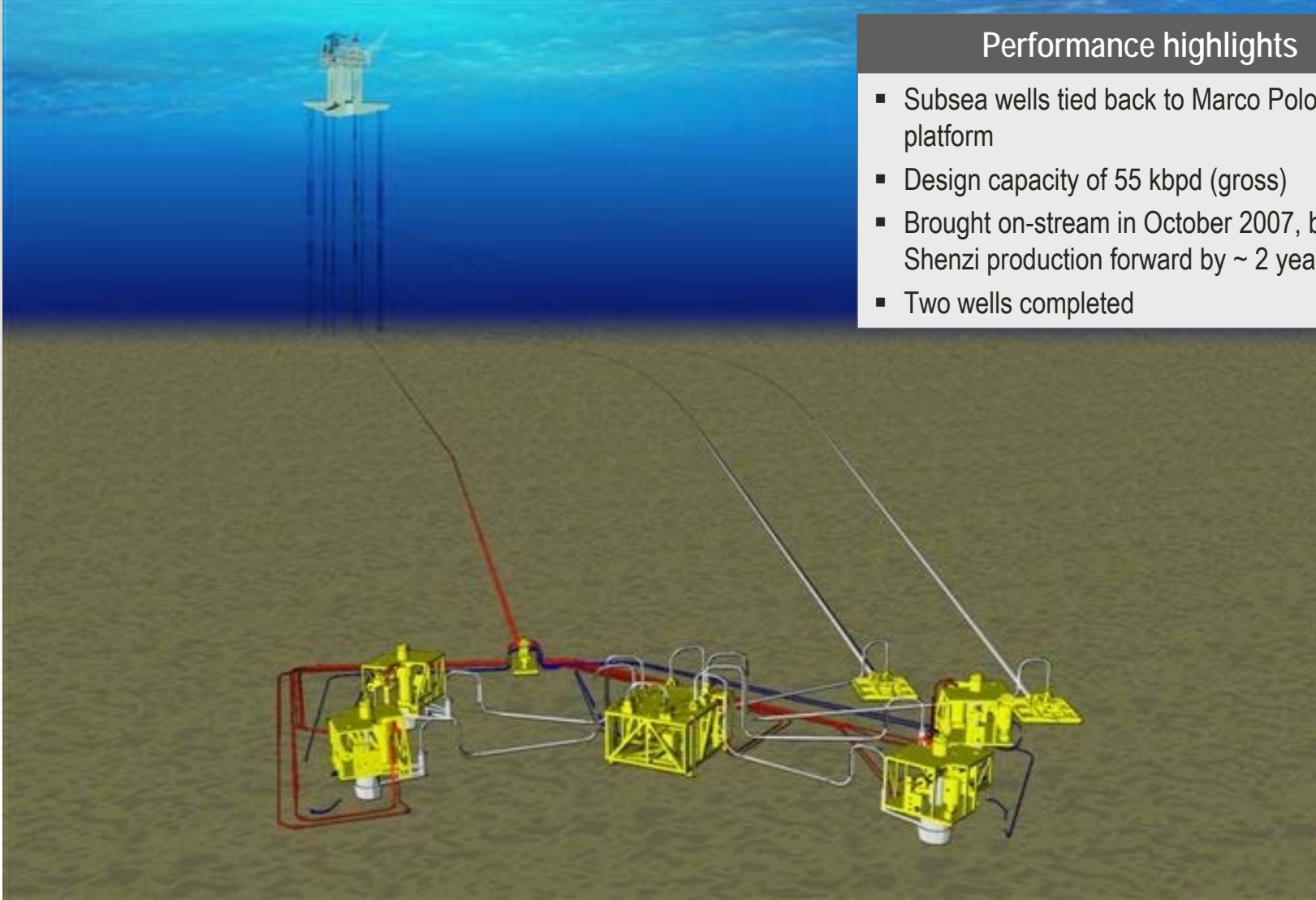
# Stybarrow (50% working interest, BHP Billiton operated)



## Performance highlights

- FPSO and subsea wells
- Brought on-stream in November 2007 approximately two months ahead of schedule
- Achieved sustained production at design capacity of 80 kbpd (gross)
- Record-setting single well flow rates of approximately 32 kbpd

# Genghis Khan (44% working interest, BHP Billiton operated)



## Performance highlights

- Subsea wells tied back to Marco Polo platform
- Design capacity of 55 kbpd (gross)
- Brought on-stream in October 2007, bringing Shenzi production forward by ~ 2 years
- Two wells completed



## Zamzama Phase II (38.5 % working interest, BHP Billiton operated)



### Performance highlights

- Plant expansion started up February 2008
- Gas plant expansion design capacity of 150 mmcf (gross)
- Currently optimizing production systems



# Atlantis (44% working interest, non-operated)

## Performance highlights

- Semi-submersible platform with deepwater subsea wells
- Brought on-stream in October (crude) & December 2007 (gas)
- Design capacity of 200 kbpd; 180 mmcf/d (gross)
- 8 wells currently producing at 85 kbpd (gross), 2 additional wells planned on-stream by end of Q2 FY2009
- Initiation of Water Injection planned by end of FY2009
- Atlantis North Startup (1 well) by H2 CY09



# Neptune (35% working interest, BHP Billiton operated)

## Performance highlights

- Tension leg platform and subsea wells
- 4,250ft water depth
- 50 kbpd and 50mmcfcd capacity (gross)
- Hull remediation completed with no incidents
- Startup July 2008; currently producing oil at facility capacity with 6 wells available



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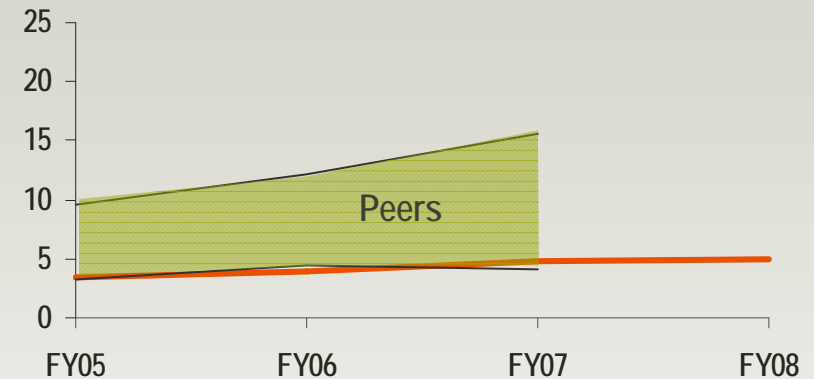
Results



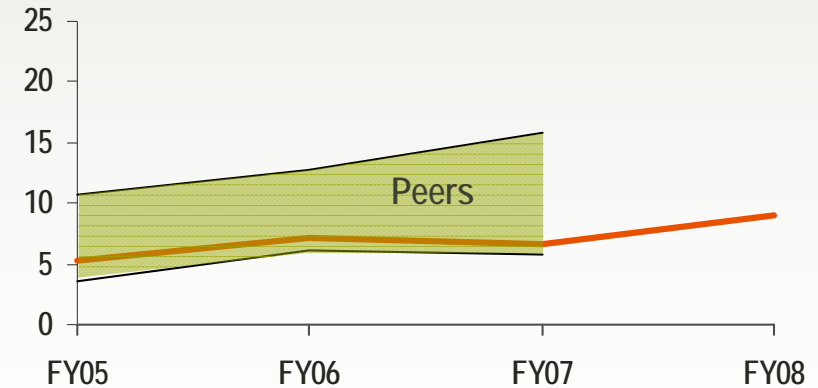
# Cost – unit cost structure is highly competitive among peers

- Cost focus is on unit cost per barrel oil equivalent
- Unit operating costs holding steady ~US\$5.00/boe
  - Lower year-on-year price and fx adjusted
- Unit DD&A at ~US\$9.00/boe worldwide
  - Forecast to rise as major projects come on-line
- Both unit operating costs and unit DD&A are highly competitive vs. peers

Cash operating costs  
(US\$/boe)



DD&A  
(US\$/boe)



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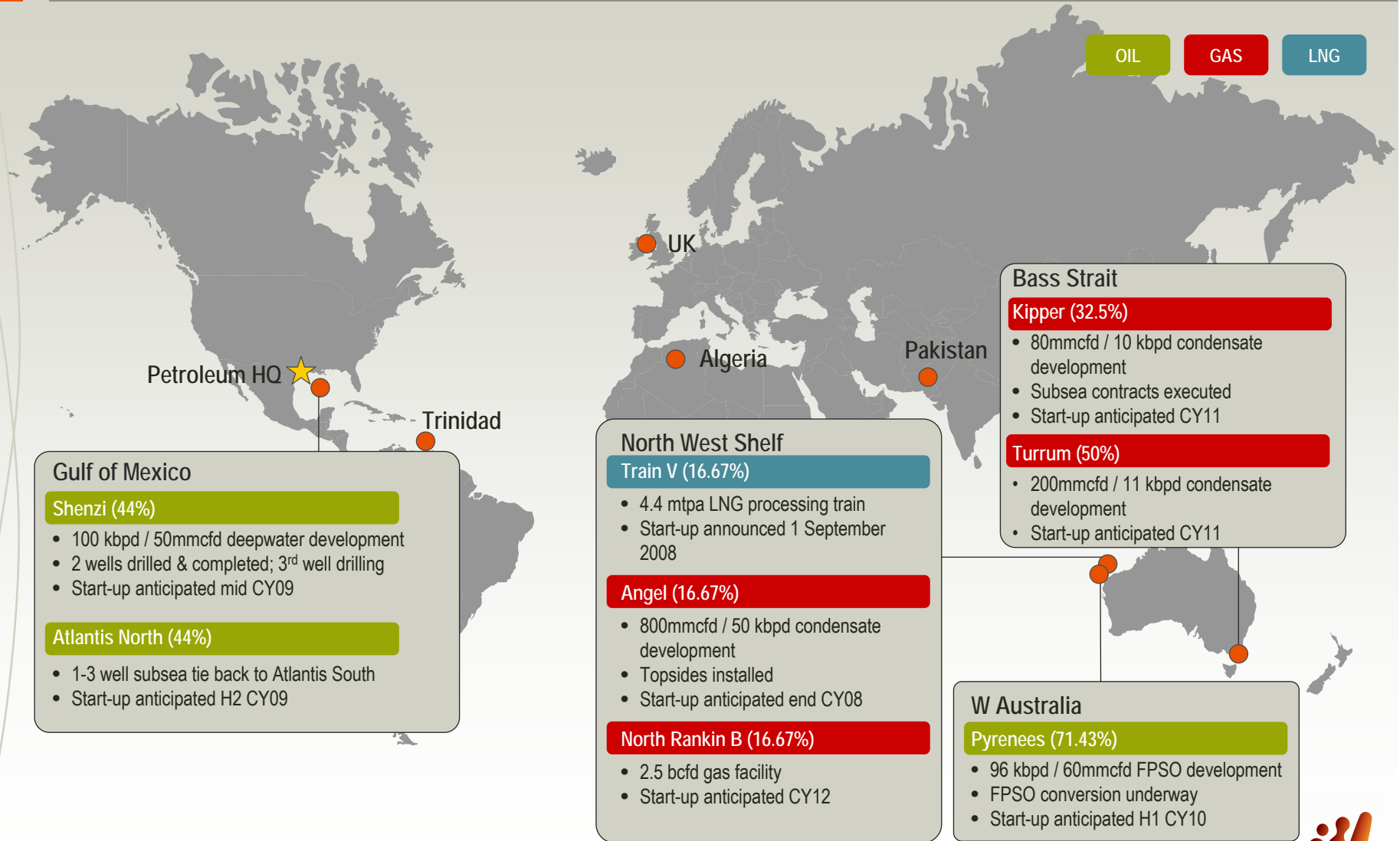
FY2008 Petroleum Performance

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Results



# Projects in execution



# Shenzi (44% working interest, BHP Billiton operated)

## Project overview

- TLP and subsea wells
- 4,300ft water depth – 2nd deepest TLP in the world
- 100 kbpd and 50mmcf/d capacity (gross)
- Fabrication in progress; 2 wells drilled & completed; 3<sup>rd</sup> well being drilled
- Start-up mid CY09



# Pyrenees (71.43% working interest, BHP Billiton operated)

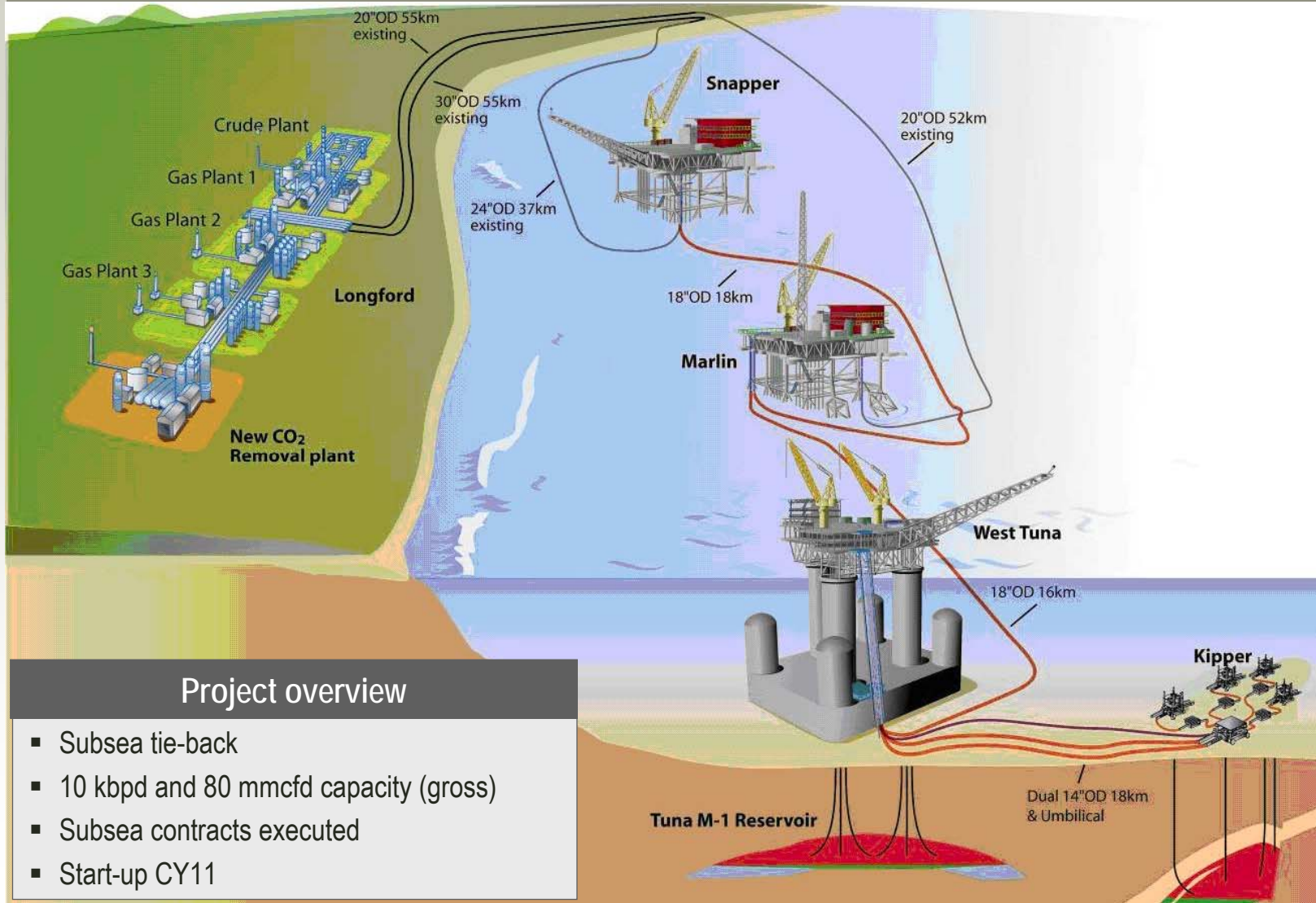


## Project overview

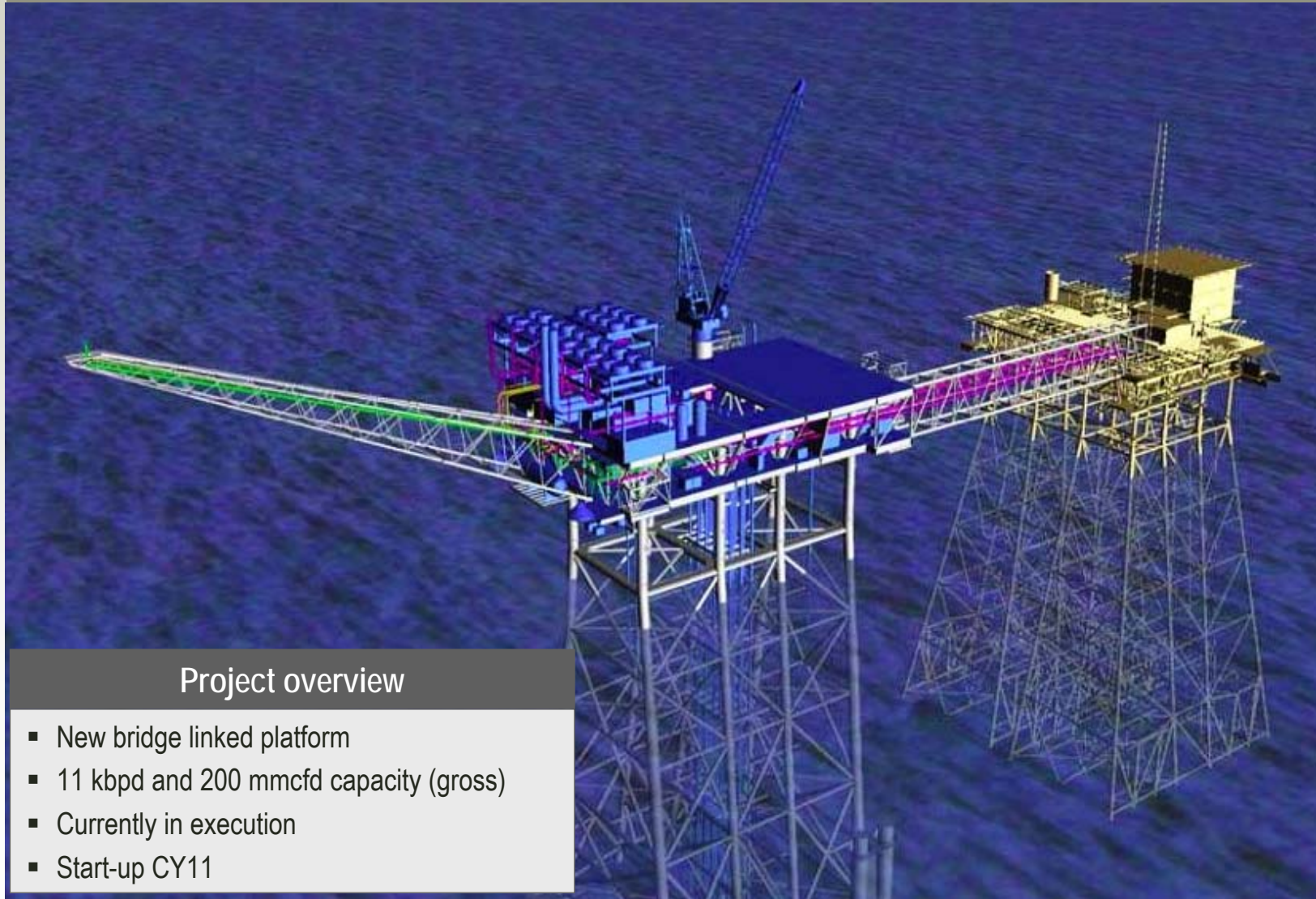
- FPSO and subsea wells
- 96 kbpd and 60 mmcf/d capacity (gross)
- FPSO conversion underway
- Drilling to commence December 2008
- Start-up H1 CY10



# Kipper (32.5% working interest, non-operated)



# Turrum (50% working interest, non-operated)

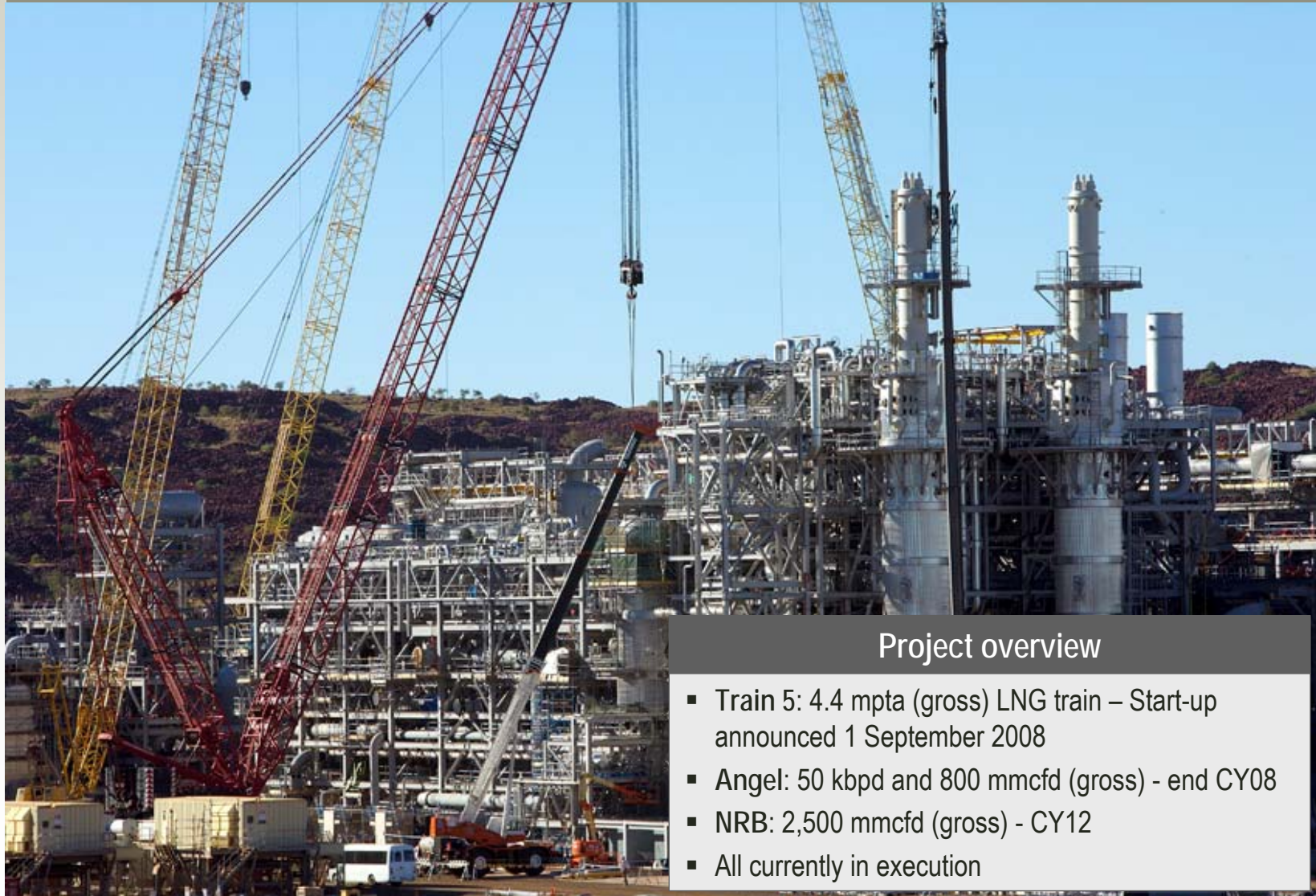


## Project overview

- New bridge linked platform
- 11 kbpd and 200 mmcfd capacity (gross)
- Currently in execution
- Start-up CY11



# North West Shelf (16.67% working interest, non-operated) Train 5, Angel, North Rankin B



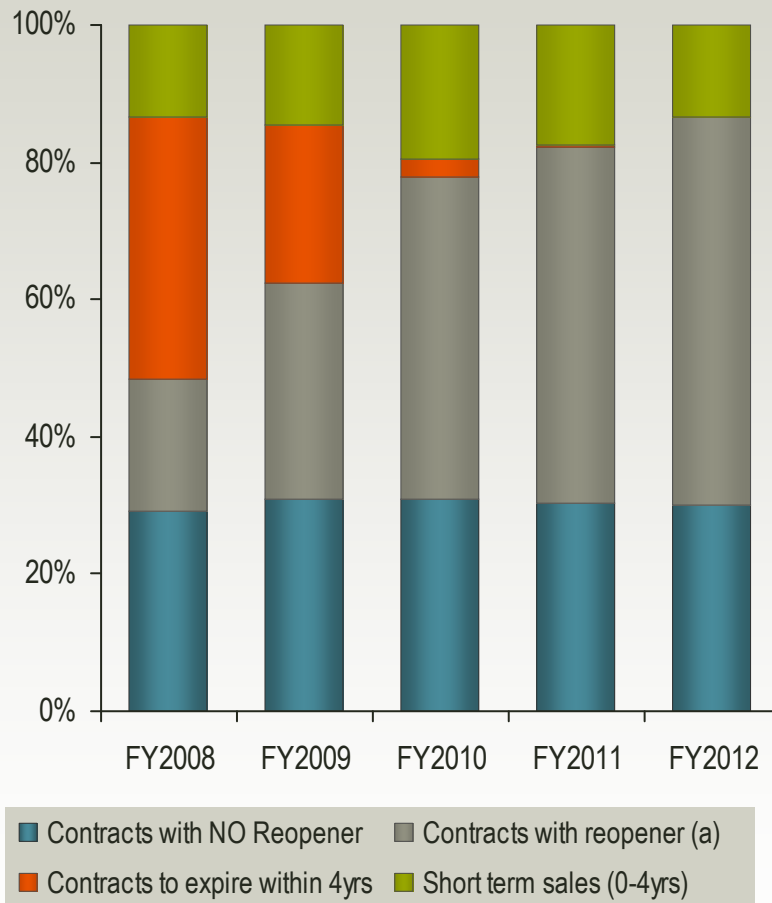
## Project overview

- Train 5: 4.4 mpta (gross) LNG train – Start-up announced 1 September 2008
- Angel: 50 kbpd and 800 mmcf/d (gross) - end CY08
- NRB: 2,500 mmcf/d (gross) - CY12
- All currently in execution



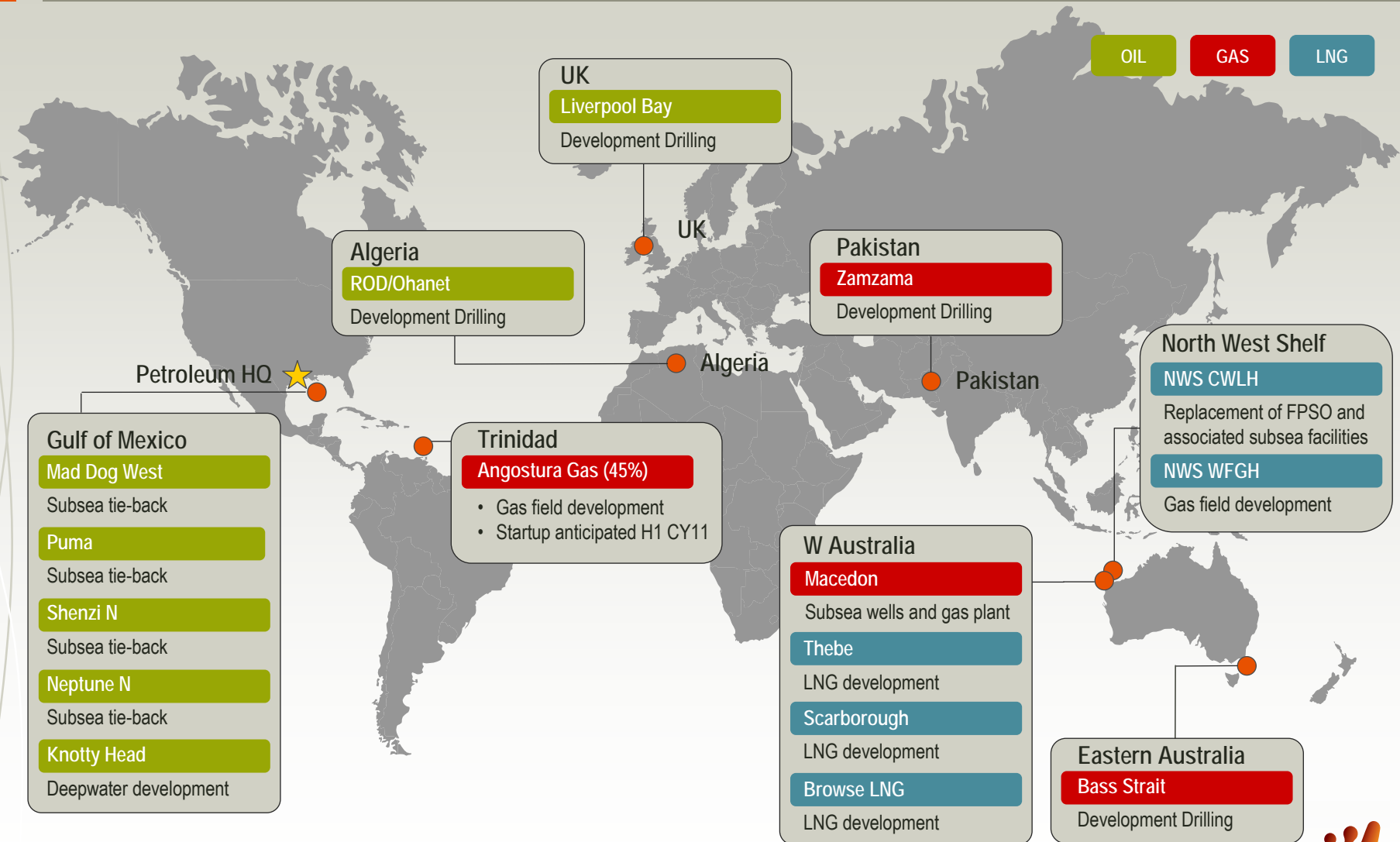
# By 2012, ~60% of gas and LNG production will have price reopener mechanisms available

## Gas and LNG contracts pricing structure

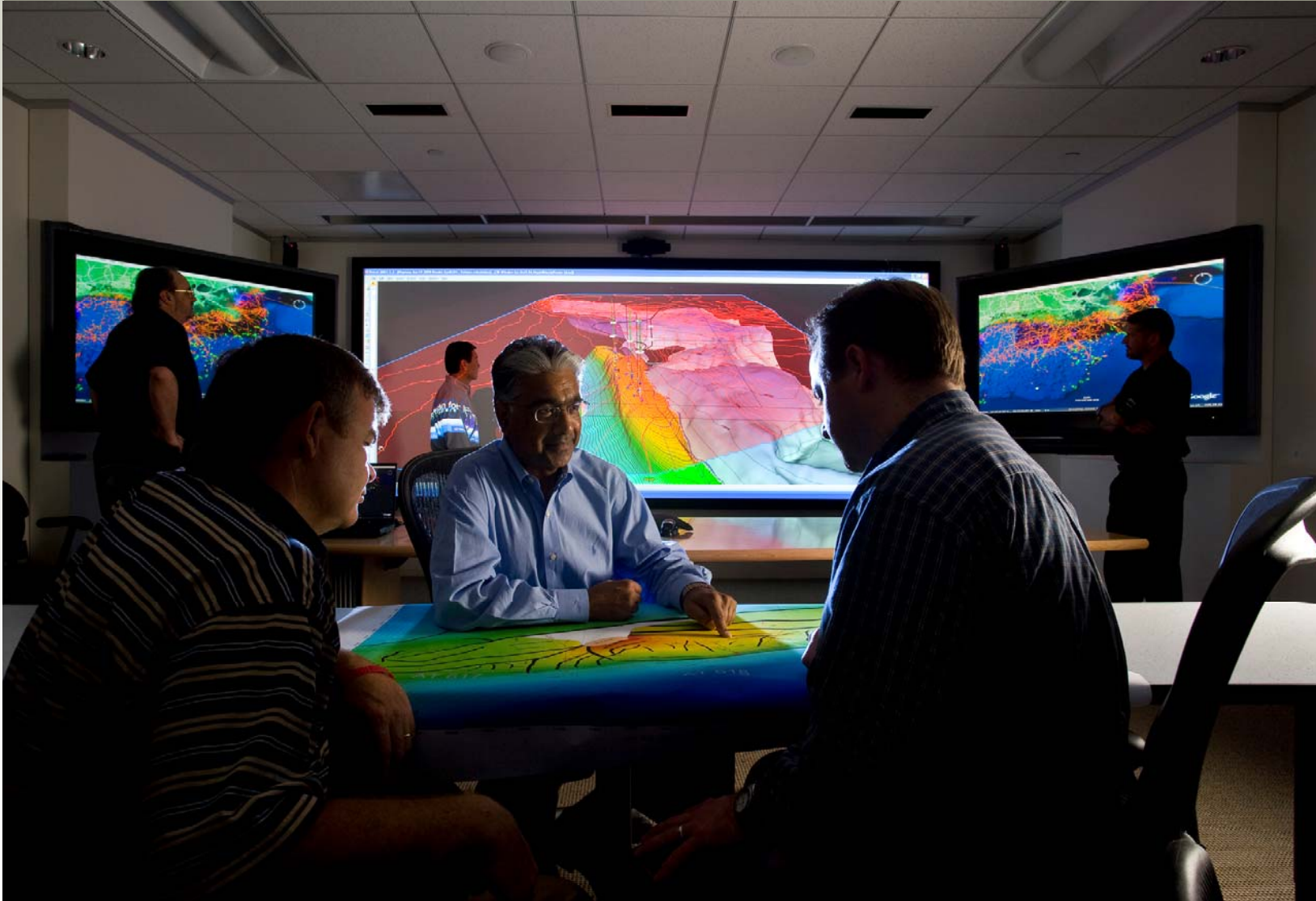


- Most current long-term LNG contracts contain regular price reopeners
- Old LNG contracts were negotiated at lower prevailing crude prices
- LNG contract reopeners are leading to large price increases - tied to crude
- Also our new, large volume LNG contracts capture current crude price terms
- Significant revenue upside from old and new contracts

# Projects – Pre-execution

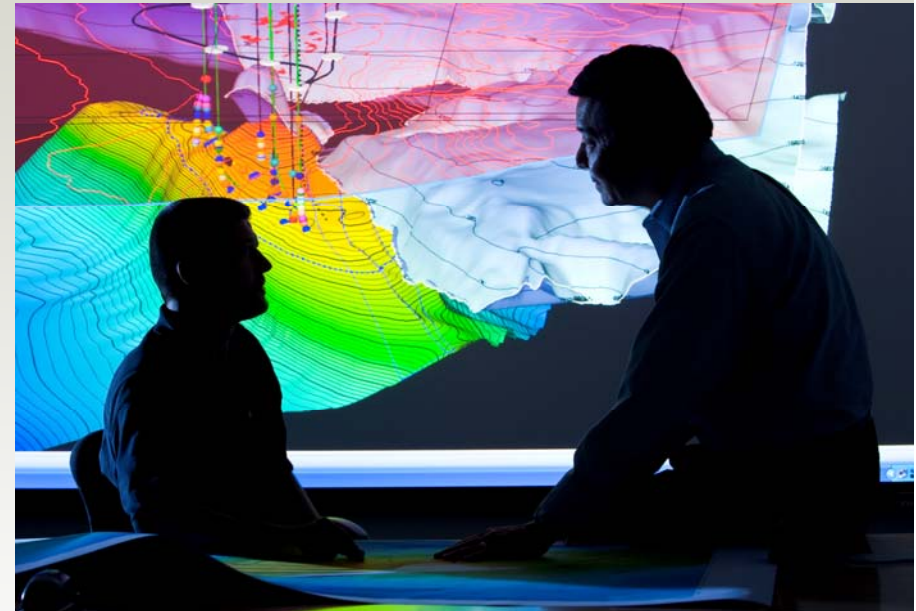


# Exploration FY2008 results



## A rejuvenated exploration program is now underway

- Increased spending by 75% to US\$692m in FY08 from US\$395m in FY07 (net)
- Spent US\$284m to capture 84 GoM blocks
  - Total of 376 Blocks, 264 Operated
- Progressed multiple 3D seismic programs
  - Malaysia offshore
  - Western Australia offshore
  - Colombia offshore
- Captured large acreage offshore Falklands Islands
- Progressed strategy to own higher working interest and operate



# Key exploration and appraisal wells anticipated over coming years



## Exploration Strategy

- Material in size to BHP Billiton
- Balance proven plays and frontier exploration
- Opportunities with potential for multiple successes
- Control and Operatorship

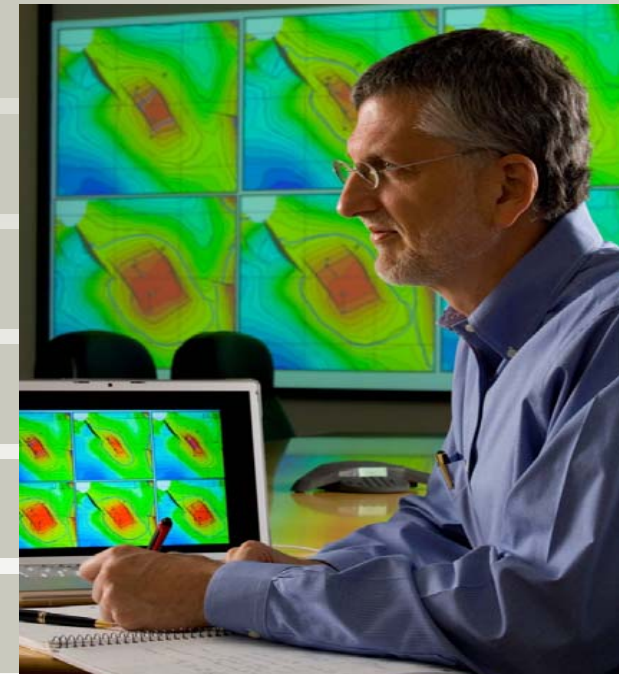
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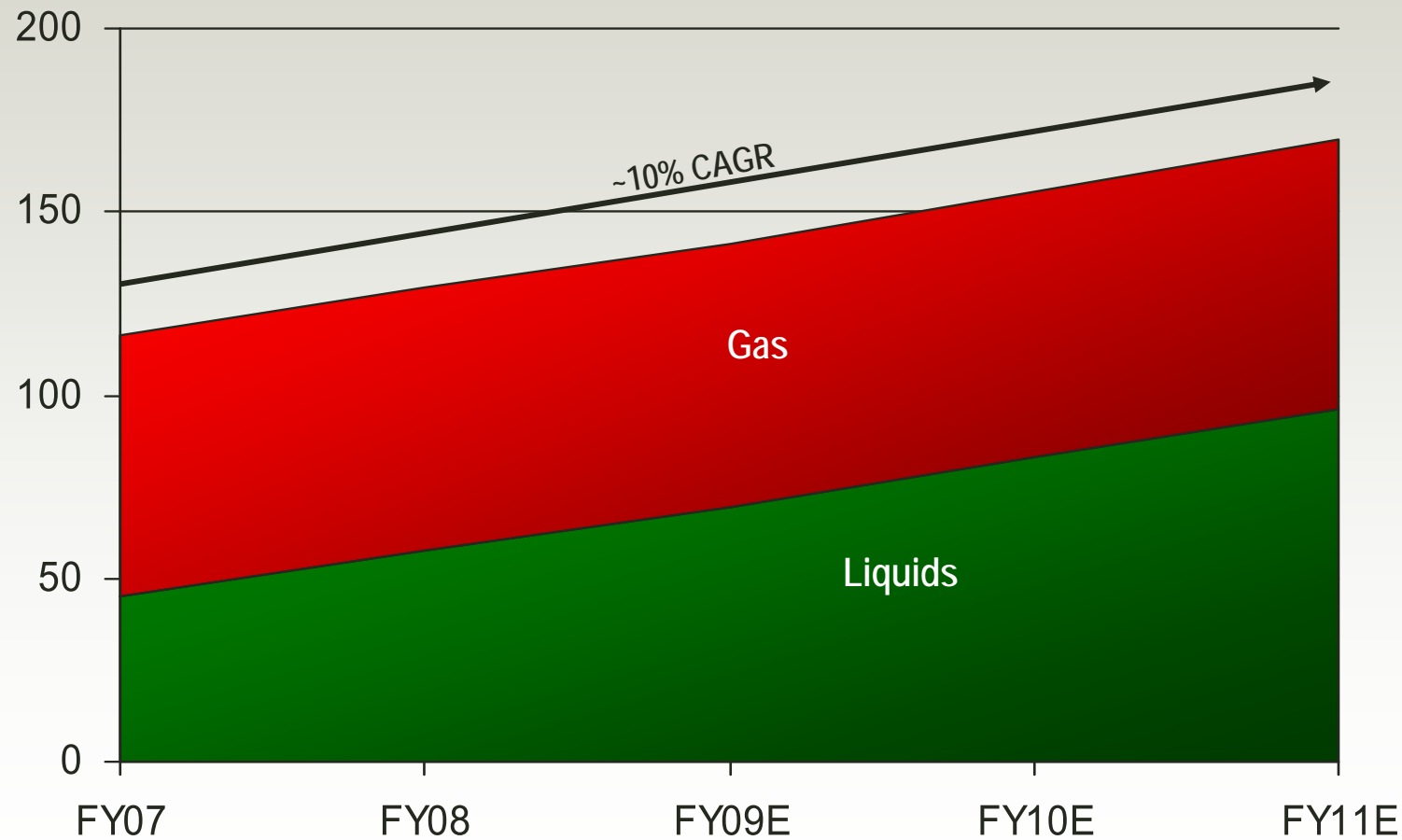
## Results

# Delivering results in FY08

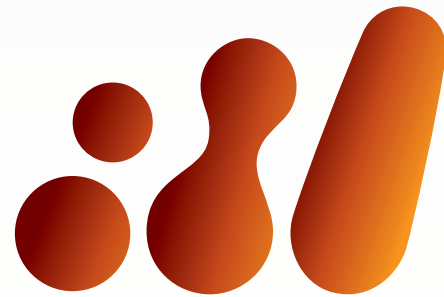
Financial Results	<ul style="list-style-type: none"><li>• Underlying EBIT of US\$5.5bn, 22% of BHP Billiton, 82% year-on-year growth</li><li>• EBIT ROCE of 68%</li><li>• EBIT margin of 67.5%, highest in BHP Billiton</li></ul>
How we run BHP Billiton Petroleum	<ul style="list-style-type: none"><li>• Functional business model has been established</li><li>• An experienced management team is in place and executing</li><li>• The core strategy is clear and simple</li></ul>
Performance	<ul style="list-style-type: none"><li>• Top quartile industry safety performance</li><li>• Produced 355 kboed, 13% increase over FY07</li><li>• 93.8% production uptime</li><li>• Low cost operations</li><li>• Gas and LNG contract reopeners, coupled with new volumes, capture current prices</li></ul>
Growth-Replenishment	<ul style="list-style-type: none"><li>• Capital expenditure of US\$2.1bn, 27% of BHP Billiton</li><li>• Deep inventory of development projects</li><li>• Over 100% reserve replacement two years in a row</li><li>• Exploration portfolio has been rejuvenated with new acreage acquired</li><li>• 75% increase in exploration expenditure to US\$692m (net)</li><li>• Increased working interest equity and Operatorship</li><li>• Forecast volume growth of ~10% CAGR to FY11, underpinned by projects in execution</li></ul>

# Forecast volume growth of ~10% CAGR to FY11, underpinned by projects in execution

BHP Billiton net production forecast  
(mmboe/yr)







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