BHP Billiton Interim Results - Presentation
Wednesday 10 February 2010
Sofitel Sydney Wentworth
Level 3 Grand Ballroom
61-101 Phillip Street
Sydney
1. CEO’s Address - Marius Kloppers

Introduction

Ladies and gentlemen, welcome to today’s presentation of BHP Billiton’s interim results for the six months ended December 2009. I usually get this wrong, but I’m speaking to you today from Sydney. Alex is in London and we are very happy to be here.

Before I start today, I would like to point you to the disclaimer and remind you of its importance in relation to today’s presentation. I will start by giving you a brief overview of our results. I will then hand over to Alex who will take you through the detail of the financial performance and then I’ll come back and talk to you a little bit about our views on the macro economic environment and I also want to share a few words with you about our strategy and plans.

Financial Results

During the December 2009 half year we did see a strong recovery in demand and prices for most of our commodities, compared to the first half of calendar year 2009. The rally in prices and demand was driven by strong recoveries in China and India and lately by a start of restocking in the developed economies. However, we do want to note that this run up in demand depends on government stimulus and low interest rates in both the OECD, as well as in China.

Before turning to our financial results I do want to point out that while commodity prices have generally recovered, compared to the first half of the calendar year, they are still lower than the comparable reporting period which we report against, which is the second half of the 2008 calendar year.

And mainly on the back of these lower prices, compared to the comparable period, our Underlying EBITDA for the half was down 22 percent to US$10.8 billion dollars, Underlying EBIT down 28.5 percent to US$8.5 billion dollars, and apart from prices, which you will see in Alex’s presentation was a big driver of these variances, exchange rates with stronger producer currencies was another strong driver of variance. Attributable profit for the half was US$5.7 billion dollars before exceptional items, down 7 percent.

Our balance sheet remains strong. Gearing is up a little bit over the last period, but we are standing at 15 percent, a very comfortable level of gearing. Today we announce that we have increased our dividend to 42 US dollar cents per share, an increase of a one cent share over the last period, continuing our progressive dividend policy. Given the volatile trading environment that we had over the 12 months preceding, we are very pleased with these results.
Operating Performance

In addressing our performance I would like to, as I always do, start with safety. I am saddened to report that during the current financial year we have had four fatalities; each one of these a tragic testament to the fact that we have risks in our business, and an important reminder that we can never let up on our quest for zero harm. We have always maintained that any injury is avoidable. I truly believe this to be the case. I am happy to report that we are making progress and that the number of injuries at our operations reduced by 30 percent over the comparable period, continuing a long-term trend of improvement in injury rates. The safety of our people will always continue to be our highest priority.

On an operational level the recovery in demand that I spoke about meant that we achieved strong results in many of our commodities, driven by good operating performance in existing assets, as well as volume growth from new assets. During the half year, we delivered first production from three major products, in iron ore, alumina and energy coal. Pleasingly, we produced record results or record production results in two of our largest businesses, Petroleum and Iron Ore.

We continue to simplify the portfolio which led to the announced sales of the Yabulu and Ravensthorpe nickel businesses and the exit from the bauxite and alumina businesses in Suriname. I want to note that the restructuring of our nickel portfolio is now complete, and as you can see from the results, leaving us with a much simpler and stronger nickel business. Now let me hand over to Alex and then I will come back after Alex has spoken to us about the financial results.

2. CFO’s Address: Alex Vanselow

Thank you, Marius. I am delighted to be presenting today what is described as a very clean and solid set of results. As Marius said earlier, and I am going to re-stress, the last six months was marked by a strong rally in prices for most of our commodities on the back of a recovery in demand. However, the realised price for most of our products were lower than those achieved in the December 2008 half year.

Underlying EBIT Analysis Half Year Ended Dec 2009 vs Dec 2008

So for the December 2009 half year the main negative impacts were lower realised prices and the effect of a weaker US dollar in our cost. Partially offsetting these negative impacts was our continued focus on quality growth and the rigorous cost control across the business. A strong operating performance, cost control and continued project execution contributed to Underlying EBIT by more than $2 billion.

Through the ongoing investment in large-scale projects we are well positioned to continue to capitalise on the growing demand for our products. Volume growth was particularly strong for Petroleum and Iron Ore, in which we have successfully delivered 26 projects since 2001. This
is not just a six month story, but one of focused and sustained volume increases over the long term.

**Rate of Cost Decrease**

In our last set of results we pointed out that costs tend to lag prices and I am pleased to be able to report that we are now seeing a cost decrease going through. With continued focus on cost containment and the benefits of falling input prices, we achieved a cash cost decrease of about four percent. Although this is a positive sign, we should note that the main decrease is due to lower input prices for raw materials, particularly energy and fuel. And just as we have seen a recovery in commodity prices, we expect that this increase in input prices, especially for energy products, will eventually flow through to costs.

**Return on Capital and EBIT Margin**

By consistently adhering to our strategy and delivering strong operational performance and quality growth, we have maintained a healthy Underlying EBIT margin of 38 percent and the Underlying return on capitals was 24 percent, which was an outstanding achievement considering that we have consistently increased our capital expenditure every year, and there is a considerable amount of new, not yet productive capital on the balance sheet. Excluding this not yet productive capital, our return on capital employed would be higher by about 4 percent. Now, let’s review the results of each of our businesses.

**Diversified and Balanced Across High Margin Commodities**

Our diversified portfolio remained well balanced across energy, non-ferrous and ferrous products. I will start with energy, where low prices negatively impact underlying EBIT for both petroleum and energy coal.

Petroleum delivered another record production over the period, with the majority of the volume growth being in the higher margin liquids. Our energy businesses continued to provide us with exciting and significant growth opportunities. We have six petroleum and three energy coal projects currently in execution.

In contrast to other businesses in the group, non-ferrous generated a positive net price variance for all major products, except for aluminium. As Marius mentioned, we took actions to further simplify our nickel and aluminium businesses, and this led to a $445 million dollar favourable variance to Underlying EBIT. The sale of Ravensthorpe also contributed $433 million dollars to exceptional profit after tax. With a much simpler portfolio containing strongly performing assets, Stainless Steel Materials and Aluminium remain core to BHP Billiton’s diversified model.

Underlying EBIT for the ferrous and steel making products was also negatively impacted by the lower realised prices. This was offset by significant increases in sales volumes, underpinned by strong improvement in physical demand from metallurgical coal and manganese. And following a series of successful expansions in our Pilbara operations we continued to set consecutive production and shipment records for iron ore.
Before I wrap up this section, I do want to highlight an important market consequence of China’s growing imports of bulk commodities. As soon as China started importing iron ore in large quantities it effectively connected the global iron ore cost curve with its own domestic cost curve. This create a single global market with an active spot market clearing price.

We are also seeing this manifest itself in other bulk commodities such as metallurgical coal, which Marius will touch on later. But this will have flow on implications to our results, as we are seeing higher volumes sold on shorter term reference pricing. You can see today that the market price for iron ore is about 90 percent above current Australian benchmark prices.

So to sum up, it is fair to say that our focus on simplicity, on delivering excellent production performance and quality growth, combined with a market price approach and rigorous cost control, translated into another solid and clean set of results.

Progressive Investment and Returns

Marius will talk more about how we will continue to invest in value-adding opportunities at a record pace, but right now I just want to give you a sense of how we are progressively deploying our cash to deliver long-term value to our shareholders through the business cycles. On the top left chart, we note that net operating cash flow was basically flat versus the six months ended June 2009. When compared to the December 2008 half period, the result is a noteworthy decrease. This decrease is mostly due to lower cash working profit caused by the lower prices and changes in working capital. It is very important to highlight that we continue to allocate our cash in line with our strategy and, as a refresher, our cash priorities are as follows:

Firstly is to invest in the business, and as you can see on the chart marked 1, we have done so in a progressive way, defying the boom/bust history of our industry, and done it at an annual compound growth rate of 20 percent.

Secondly, as shown in chart 2, we manage our balance sheet to a solid A credit rating and we have done so in the tentative cyclical pressures, acquisitions and buy backs. This provides us with great optionality in a continued volatile economic environment.

The third priority, shown on chart 3, is to return funds to shareholders, primarily via our progressive dividend policy. We have achieved this over the long term, including throughout the recent downturn; and also by periodically rebasing our dividend in line with our growth and long term outlook. Illustrating our commitment to this priority, today we have increased our interim dividends to 42 US cents per share. This consistent and ongoing execution of our strategy is aimed at creating increasing sustainable and stable long term shareholder value which will continue to differentiate us from our peers.

With that, I will now hand you back to Marius who will walk you through our outlook and our growth pipeline. Over to you, Marius.
3. CEO’s Address - Marius Kloppers

Thank you, Alex. Just as a reminder, I’m going to talk a little bit about our views on the external environment, our strategy and then augment some of the things that Alex has spoken about on our growth plans.

Commodity Prices have Generally Recovered

The first half of our financial year 2010 results period saw continued recovery in demand and this has flowed through to prices of most of the products that we produce, as you can see on this chart. This strong rally was driven by strong recovery in China and India, as well as an end to destocking and a start to restocking in the developed economies. Prices were also helped by a weak US dollar over the period. However as noted in Alex’s presentation, obviously a weak US dollar negatively impacts on local currency costs for us.

Even though restocking in the OECD has begun, particularly as illustrated by the most recent US fourth-quarter GDP data, China still dominates current materials demand.

The Short Term is Largely Driven by China

And you can see this near term dependence on China from the chart on the screen, which uses steel production to try and illustrate the point. If you look on the chart, you can see that China’s production has recovered and is now actually higher than it was prior to the financial crisis. In contrast the rest of the world’s production is still well below what it was at the start of the financial crisis. Or if I can put it a different way, in absolute terms what you see on this chart, China steel production accounts for nearly 50 percent of global steel production and this growth in Chinese steel production was driven by strong domestic construction and industrial demand on the back of government programs and increased liquidity.

Economies are Still Dependent on Stimulus

And this leads me to another factor which I want to highlight, which is the extent to which many economies including China are still dependent on government stimulus. On the chart that I show, which shows the US borrowing by sector, the orange shaded area on the right is a dramatic sign of the extent to which US government borrowing, where the US government stepped in to support falling borrowing from households and businesses showed in the other two colours, grey and blue and I just want to point out that in many other OECD countries, governments responded in exactly the same way. So we will watch with interest what will happen when these governments consider what to do about the unsustainable stimulus measures that they have been forced to implement.

Looking at all of the economic data, clearly the world global economic outlook is better than it was in mid 2009. However, the statements that we’ve made over the past couple of results periods, which is that the economic recovery will remain fragile and the duration protracted. We see no reason to change that outlook statement.
But I do want to point out, again as I pointed out in previous results period, that in contrast to our relatively modest outlook for shorter term world economic growth, longer term demand outlook for the products that we produce in the minerals and metals and energy sectors continues to be robust.

**Longer Term Fundamentals Remain Strong**

There are two factors that I would like to again emphasise as we talk about that. Firstly, if we look on the chart on the screen and we look at the left hand side, we continue to expect that the absolute GDP growth rate of China, expressed as a percentage, will remain strong relative to the US and the other developed economies. And secondly, it’s worth remembering as I’ve said before that the materials intensity of the developing economies is much higher per unit of GDP than the developed economies. The reason for this can be seen on the right hand side where we can see that the absolute level of investment in the Chinese economy is basically the same as the absolute level of investment in the US economy, despite the fact that the Chinese economy is much smaller than the US economy. And you can see that by comparing the two darker areas or the darker shaded area on each bar on the right hand side.

So a consequence of this materials intensive growth is that developing countries like China – what tends to happen is they tend to overwhelm their domestic resource endowment over time, product by product, which is basically the same pattern that we saw in the industrialisation of Europe quite a few years ago.

**We Are Well Positioned**

So we’ve all heard the story of China overwhelming its indigenous endowment of iron ore and we’ve spoken about that many times but I thought today that I would talk about a different product and then go on to talk about many of the other products that we produce.

The product that I’d like to explore in a little bit more depth today is that of metallurgical coal and the chart on the left hand side shows how China over time has moved from being a net exporter of coking coal to becoming a significant importer during 2009. Now, just anecdotally I can tell you that I recall vividly how we sent our marketers to go down coking coal mines in China almost a decade ago now to see what was going to happen and we’ve been waiting for this moment to happen where the indigenous endowment is overwhelmed. And while we’re not sure that 2010 will be an exact repeat of 2009, we do expect the trend toward imports in this product to continue.

Therefore, as we talk about coking coal, having a very large resource based endowment in very close proximity to this area of growth, leaves us very, very well positioned to grow our metallurgical coal business, and in that context you would have seen the announcement of pre-commitments in expenditure to our Caval Ridge mine and to the Hay Point expansion in Queensland’s Bowen Basin. Now, I believe we can generalise this trend that I’ve just spoken about, where countries overwhelm their resource base and our access to what I would call tier 1
resource basins extend beyond just iron ore and metallurgical coal and we have this same type of thing in products like uranium, copper, now potash and also in some aspects of energy.

**BHP Billiton Long Term Value Creation from an Unchanged Strategy**

Let me also share a few words about our organisation and strategy. I think we are almost unique in our industry having had a strategy that has been unchanged for so long. In the last decade I don’t recall us making any material changes to our strategy and we believe that this strategy has proved itself throughout the cycle. Again, to emphasise, what defines us is our focus on large resource base contained in large, long life, tier 1 resources with multiple expansion options. A focus on upstream, export oriented assets, which are diversified by commodity, by geography and by customer. And the financial strength which is demonstrated by a single A credit rating. Let me talk to you about some of these elements of strategy and what we have been doing.

Firstly, we have continued to add to that upstream resource base in our portfolio and you will have seen the recent acquisitions of Athabasca potash and also the UMC iron ore acquisition. It’s also true about Petroleum CSG, where we continue to increase our exploration budget to continue to build our resource position. Secondly, we continue to develop these resources into world class operations. The deep inventory of organic growth options embedded in this resource basin in our portfolio is predominantly brownfield in nature which means that they are relatively less complex, less capital intensive to execute. We currently have 12 projects in execution totalling some US$12.4 billion dollars.

Additionally, on the growth side we are obviously delighted to announce in December that we have concluded definitive agreements with Rio Tinto in relationship with our Western Australian Iron Ore Production Joint Venture and we continue to view this as the most value adding transaction that can be done in the mining industry.

Obviously, these announcements in December are a very important milestone in delivering this significant additional value to both sets of shareholders, and to our joint venture partners in the Pilbara.

Alex also showed you some elements of the financial strategy a little bit earlier, but let me remind, particularly for our shareholders, what this means for you.

**Progressive Growth and Income**

In the previous slide, I spoke about growth. We are very pleased that our diversification, the sustainable cash flows from low-cost assets, and our financial strength, continued to allow us to grow, and invest in the company, throughout the financial crisis. And just as an example, in November 2008, basically at the depth of the financial crisis, we approved RGP5, a $5 billion dollar investment in iron ore.

We also made the decision to continue to, in parallel, continue to accelerate work on our RGP6 project, and you will have seen that, very recently, we’ve approved $1.7 billion dollars of pre-commitment expenditure on that project. All of this geared towards building out the installed
capacity of that business to about 240 million tonnes of capacity. And particularly important, you can see on the chart on the screen, on the left-hand side, that we have continued, since 2001, to grow that organic capital expenditure by 20 percent per annum, on various projects that add shareholder value.

And at the same time, while growing the production size and value of our company, it has allowed us to maintain our progressive dividend, which, on the right-hand side, you can see, we’ve grown by a compound rate of 25 percent per annum. We have therefore been able to grow the company at a rapid rate, and at the same time, grow the rate of returns to our shareholders at a rapid rate, at the same time maintaining financial strength.

So, in summary, we are pleased with the results today. We’re particularly pleased that the unchanged strategy has brought us through the downturn, as well as position us for opportunities, as they may arise.

Delivering Strong Results

I want to continue, as I always do, emphasise the positive role that having low-cost assets with strong cash generation has played, in allowing us to be a standout in our industry. I want to emphasise again that we continued to invest throughout the downturn, and continued to grow our rate of investment, at the same time as growing our dividend.

The importance of making sure that our portfolio remains low-cost, against the backdrop of strong producer currencies, will continue to be an ongoing strategic focus. Our strong, long-term outlook for demand means that we want to continue to invest, and grow the company, in order to supply the needs of our customers. And our strong balance sheet therefore allows us to deliver growth, income and value to our shareholders. Importantly, anticipating long-term growth means that we also have to work on our organisation. I’ve spoken to you before about creating a simple and accountable organisation, which is a core tool, to make sure that we continue to effectively manage the larger footprint that will inevitably result, over time, as a result of these investments.

Question and Answers

So, on that note, I would like to thank you, ladies and gentlemen. We would now be pleased to take your questions. We’ll start here in Sydney, then take questions from the phone lines. If you could state your name as you pose the question, and address them to me in the first instance. I will pass them to Alex, as required, and if we could start here in Sydney, please.

MR CAMPBELL: Marius, the result came in ahead of expectations, and certainly shows the strength of the company. Just looking ahead with your capital spend program, you’ve got 20 billion, potentially, coming up next year. You’ve got a balance sheet that is in a very stable condition. What is the likely capital spend beyond 2011? Is it going to be at these very high levels, considering you’ve got Olympic Dam coming up, Potash, etcetera? Just wondering if we could get some guidance on what the potential level of this capex is.
And then, the second question, there’s a lot of talk at the moment about royalties. The West Australian premier, we’ve got the federal review of royalties. Do you have any comments to make on that, and how it might be affecting investment decisions? And also, similarly, there’s been changes to industrial relations laws, and how wages might develop in Australia over the next few years. And then, finally, on coking coal, there’s been a change in the market. We hear a lot of noise from China about wanting to stay on a long-term – or annual contract, but on coking coal, they don’t seem to comment at all about buying on-spot, and I’m just wondering why there’s such a difference in attitude.

MR KLOPPERS: Gosh, that’s quite a few. I’ll try and answer them. I think, on capex the story that I want to tell again is about consistency. You should understand that a very important factor apart from your balance sheet strength, on how you can deploy capex is obviously the resource endowment, but more importantly even, the ability of the organisation to deploy that capital. And one of the things that we talk about a lot in our management team is, what is our capability to deploy capital, and how do we grow that capability.

And therefore, you have seen that while we clearly moderated some plans during the downturn, of a – you know, a bit more risky nature, our baseline has been to progressively grow the capex, in the same way that we progressively grow the dividend, because the combination of the low-cost assets that generate cash, and then the growth assets delivering cash in due course, allows us to grow the dividend. So, I would say that I probably wouldn’t like to give you guidance, going forward – we never do. But I do want to emphasise that we have the capability, we have the resources bases as I’ve again spoken about today, and we do want to progressively grow our capital deployment.

On royalties and taxes, I think that – a few things, perhaps, in the local context here in Australia. I mean, Australia has been a wonderful destination to invest in over the last 20 years, and where the country perhaps missed out in the sixties and seventies on the back of not being the most reliable supplier of products, and not being the most stable investment destination, there has been dramatic progress across the administrations of various political parties. We’re obviously very pleased about that.

The most important thing to mining companies is that they have investment security, that the rules won’t change on them, at the moment when they make an investment. And again, Australia has been very good at sticking to that. So, I’m sure that, as reviews take place – and we can only, you know, react to the speculation, we haven’t seen any fact – that investment stability and continuing to grow the investment in Australia is going to be an important feature of discussion, as we go forward.

On industrial relations, you will have heard me say, a couple of months ago, that we are concerned about skills shortages. To be frank with you, those skills shortages, particularly in Western Australia, and certain skills segments, have come a little bit more quickly than even we anticipated. So, I think it is going to continue to be a feature. For us, the points that I always emphasise on industrial relations is cost, on the one side, but effectiveness is very important on the other side, and so we probably will continue to emphasise flexibility and effectiveness, more than the pure cost. Because that’s, ultimately, where we get our benefits from, but no real update on that.
The last question on coking coal, China is taking, I think, in the last half, 27 percent of our overall coking coal. I would say that almost every tonne – and let me not be completely definitive about it, but almost every tonne was sold at something resembling the market clearing price. So we’ve got our largest market, which has bought every tonne on a market clearing price. And I think, you know, I want to emphasise two things. One is that connection of the Chinese domestic coking coal market, which is enormous, with a traditional seaborne market. And Alex spoke about that, but I do want to emphasise that. The minute that you trade between those two – you know, that there is a flow, the pricing dynamics of that complex basically becomes one.

We saw that, and I remember discussing with some of you as long as five years ago, that it was going to happen in iron ore, and then it happened. And so we effectively have one iron ore market. In coking coal now, we effectively have one pricing complex across the domestic Chinese market, which is – I don’t have the exact figure in my head, but you know, 500 million tonnes of coking coal, and a seaborne market of 200 million tonnes. We have a 700 million tonne pricing complex, which is connected. Which means that our strategy in markets like that is to run at maximum volume, and to let the marginal producers set the price, and that’s going to happen in coking coal.

Why the difference in reaction? I think it’s got to do with the fact that in coking coal, there are fewer long-term volume commitments in the market, and so the market is reacting in a more dynamic manner, to reflect this new reality. You’ve got less long-term benchmark contracts, which is a volume pledge, which exists in this market, and I think that explains the dynamics. So, a little long-winded, but it was quite a question set there.

MR McTAGGART:   Hi Marius, Paul McTaggart from Credit Suisse. RGP5 and 4, obviously a strong market. We’ve talked about that. You were saying, most recently, that full capacity would be in place, end of FY11, from memory.

MR KLOPPERS:   Correct.

MR McTAGGART:   I want to get a sense of, you know, once that’s in place, how quickly you can actually get the volumes to the market. I mean, what’s going to be the lag between, you know, the 205 million tonne capacity level, and your ability to run at that level.

MR KLOPPERS:   Look, I don’t have the exact ramp-up period that we postulate in my head, but I can tell you that our assumptions would be that of a mechanical in nature. I.e, how quickly can you commission things, how quickly can crews get to work at maximum capacity, and so on, and not by market. Again, perhaps the strongest clue of how we view the market, you can see if you go back to the depth of the financial despair in January, February, March, first quarter of the calendar year 2009. We ran our operations at full capacity, selling every tonne into a market clearing market. I mean, I, again, want to emphasise that that market clearing market in China is hundreds of millions of tonnes deep.

A 50 million tonne increment into that just, in our mind, means that, you know, higher cost producers, if the demand is not fully there, will have to take the capacity decisions. But we
always follow a full capacity strategy. And, so, it’s really the ramp-up rate of the mechanical things of crews and so on, and not market that will determine that, in our projections.

MR LAWCOCK: Hi, Marius, it’s Glyn Lawcock, UBS. Look, I just wanted to talk about – if I look at the result, there were three divisions, you know, and two, clearly, of it don’t deliver, or deliver quite sub-standard returns. So you had Iron Ore was good, Petroleum and Base Metals, but there’s Aluminium and, I think, in particular, Stainless Steel which you said you have now finished the restructuring, its is now complete, but it delivers quite low margins and low returns. I mean, what’s the future of that business in the portfolio? I mean, like, where does it sit now? I mean, it doesn’t have the growth that all the other divisions have. You talk about, there’s no investment going into it. I mean – you know, it sort of seems it doesn’t fit.

And then the second question, quite a quick one, is just, of the cost reduction, the four percent, you made the comment in the presentation that a lot of it was, you know, reductions in just your input costs like energy and consumables. How much did you actually pull out of your business yourself? You know, of the controllable costs, I mean, how much have you pulled out that will stay out if, you know, the input costs start going back up again? Thanks.

MR KLOPPERS: I mean, I thought that we were very unequivocal in the role of Aluminium and Stainless Steel. I don’t really have an update which I have shared with all of our investors, which basically says these are good businesses, they’re industry leading businesses in terms of their returns in their particular industries. I think it’s obvious from our investment pipeline that we have presented that we don’t have any imminent new investments targeted in those two businesses, but, you know, they are good businesses which return good cash and good margins, and we really – I have to emphasise – have no plans to change our focus on these businesses.

In terms of cost reduction, I think, again, I’d probably cast it in the same way that Alex casts most of our results. We are about the long term. We don’t promise any changes in our portfolio just, you know, in this respect because things are tough or not. We believe we run effective operations. We believe that there is scope to continue to improve the effectiveness, methodically and consistently over time. But we don’t - to the best of my knowledge, over the last 10 years, we have never said, well, now we’re really going to attack costs. We attack costs every day, and, therefore, I emphasised, in particular in my talk, that being low cost is a job for every day. The best way in which we can do that is to build stability in our business, to build simplicity in the portfolio and build accountability. And myself and my management team spend time on that every day. So you shouldn’t expect any swings in it. Just a methodical reduction over time.

Second thing that we always emphasise is we don’t emphasise hope over reality when it comes to input costs. If our product prices go up, we consume many of the products that we sell, and, with some lag, we expect things to come down. Over the current period, we effectively saw the lag that the lower product prices, 6 to 12 months ago, caused on our input costs, and that’s coming through our cost base. And if prices stay at the levels where they are today, which is materially higher than they were 6 months ago or 12 months ago, one would expect that, in due course, that would flow through to costs – input costs – and also producer currencies, in our analysis of the world.
We have broken out what we would say continuous improvements which is loose of grade, loose of raw material and so on, and that’s probably, I don’t know, 15 percent or so of the $800 million or so cost reductions that we announced. Alex, I don’t know if you can give a more accurate figure than that.

MR VANSELOW: Marius, there is a slide on the pack that breaks down a bit further than what we discussed, but you’re spot on, it’s not an event for us to remove costs from the operations. We have been doing that continually. And the benefit of the prices is it goes back to our policy of being a full floater as much as we can for floating input materials. So there is a little bit of a lag, but we end up getting the benefit like we have been saying. So not really anything else to add.

MR KLOPPERS: Thanks, Alex.

MR WILKINS: Clarke Wilkins from Citi. Just back on the coking coal market. Now, you have got this huge resource base sitting up there in Queensland and the dynamic change with the Chinese market. Now, the infrastructure is a big issue up there. How do you, sort of, balance the – you know, this huge resource base – the need to grow – the growing – the changing market dynamics in China versus the infrastructure owned by other people? You said in the past you’re not the natural owner of those assets, but how do you balance out your growth plans versus, you know, no control over that infrastructure, and how can you make sure that that infrastructure is there and available for your expansion plans?

MR KLOPPERS: Perhaps a couple of comments, and I do want to take it back to the market again, and the fact that the coking coal market, over the last 20 or 30 years, really hasn’t grown. I mean, if you look at the growth rate of hard coking coal, it’s been very modest over that period. Something like one percent from memory. And, so, the event of connecting the coking coal market to the domestic Chinese coking coal market through trade is a hugely important event. Because what that basically means is that you have a full 700 million tonne cost curve which responds to price signals, and which basically produces more if the price goes up, but also the high cost producers cut back. And I cannot over emphasise that event as a first event.

The second event is obviously the growth of the Indian steel industry, and the fact that it is also resource poor. Those two things has altered our forecast of the market going forward from one percent to – and I don’t want to state the figure – but materially higher than that going forward. Which is different from two years ago, four years ago, five years ago and so on. And we were waiting for that connection event. That’s why we are approaching our coking coal business exactly like we approach the iron ore business starting 10 years ago. We put a team in place, they have got a slate of programs, and we’ve started that pre-commitment.

We, you know, obviously wouldn’t have committed to this first 15 percent increase in coking coal output through the projects that we have spoken about - Caval Ridge, the Hay Point expansion and then Daunia and Poitrel which we have spoken about before. If we didn’t think that we have got all of the pieces of that value chain lined up. And I think that, over the course of the next couple of years, my belief is that the industry, as a whole, is going to recognise that there’s been a change, and I think that it will solve its infrastructure problems as an industry. But I want to
emphasise that, for this first 15 percent increment in the BMA business, we feel that we have got all of the pieces of that value chain cemented in.

MR HARRIS: Good morning, Marius. Brendan Harris from Macquarie. I just wanted to focus on more opportunities for growth. Now, we have talked a lot about, obviously, iron ore and coal, and you have put close to $3 billion of commitments into the market place in the last, sort of, month or thereabouts. We haven't talked about copper. And, just shifting away from Australia, interest in Chile. Obviously you control the world's premier copper asset in terms of size, and we have been waiting for that decision on a third concentrator for some time. It's an industry that's heavily supply constrained. I guess a lot of people are looking to BHP to get a sense of what they can do with that asset. Obviously interested not only in your plans, but how you see the issues of water, gas or energy, etcetera in Chile, impacting your ability to expand and also others.

And just apologies for a very short term, I guess, focused question. Just in coking coal, there's been a lot of, obviously, flooding, and we have heard talk of derailments. We know you have got some damage to one of your berths at Hay Point. Specifically interested in what sort of impact you're seeing from your ability to ship at the current time?

MR KLOPPERS: On copper, and perhaps more anecdotally than anything else. You know, we do believe that the Escondida asset is an absolute premier asset. And I if look at the quite dramatic drilling program that we have done there, which has found billions of tonnes of copper ore – at grades that I see greenfield projects being constructed on. My view is equally that, that asset has got a great life ahead of it over a number of decades.

Clearly, during – I indicated during the depth of the financial crisis, we, like others, had to think about which projects do we just slow down a little bit. And in Escondida, one of the things that we encouraged the team to do was to try and find solutions that use less water, less capex and so on. And that's really why, you know, we continued to work those options but in due course we will announce them. And our view would be that that asset is amongst the world's great mines. It is the youngest of them, with an ability to invest to maintain or grow that capacity over many decades. I can't really add to the detail of that but clearly those plans are being worked every day.

The second thing on copper for us is linked to uranium. You know, we are very pleased that every forecast that we see on nuclear from China continues to increase the number of reactors that they are going to build. For Olympic Dam, when we commit to taking the top off the ore body, it is the start of the long investment sequence which has got the same nature as the investment sequence in iron ore, the investment sequence that I've just outlined in coking coal, Escondida, potash and so on. So it is important that at that point in time we do know that we can place the uranium product.

At the moment I would say the rate limiting step is the rate at which we can get through the EIS. I don't know if we have given exact guidance but what I have got in my head is something like an 18 month period to get through all of those questions and so on. And that really will be the next big push for a very large mine.
Operator, if I may have the first question from the telephone, please?

OPERATOR: Certainly. The first question is from Peter O’Connor from Merrill Lynch. Go ahead, please.

MR O’CONNOR: Good morning, Marius. The market likes your performance today. Two questions. Firstly, on long term prices. Which have you reviewed and which have you changed on the back of this zealous view on Chinese/global cost curve? And secondly, the capex pipeline, could you help me backfill some of the numbers in 2011? If I add up from the exploration and development report I get about 6 or 7 billion. I am just trying to plug the gap between that number and, sort of, the 15-ish of organic growth that you have earmarked for next year?

MR KLOPPERS: Yes, Peter, on the second question, perhaps, you know, since it’s difficult to state all of the questions, what I will do is I will ask our investor relations people to immediately after this follow up with you and give you more detail on that. On our long term prices, we only review those once a year. We never make them public. I think the only thing that we have made public historically – at times – is our long run Petroleum price which essentially is just the forward price. So, unfortunately I probably can’t comment on that much. I should state that this year – and I think going forward – one of the vexing questions for us has been, and I think will continue to be, where do the various currencies end up?

And then secondly, on these products that are connected, your are right in stating that the estimation of the cost curve in these connected markets in China, in iron ore and coking coal, is a material portion of the conduct. So I can affirm those two things, but I really wouldn’t like to divulge on whether we have revised them upwards or downwards.

OPERATOR: The next question is from Tony Rizzuto from Dahlman Rose. Go ahead, thank you.

MR RIZZUTO: Thank you very much. Marius, I was intrigued by your comment about countries overwhelming their resources and I am wondering, are you not only referring to the sheer quantity but also quality? And I am thinking specifically with regard to iron ore and met coal.

MR KLOPPERS: Yes, I can confirm that that’s what I am talking about and I – perhaps to add a few comments to that. Not sure, but perhaps six years ago China put out a steel policy. And the steel policy essentially said, shut down all of the small steel mills, consolidate the industry, and build big environmentally efficient blast furnaces. That has happened and is going to continue to happen. They are moving closer to tide water which means that – on average – which means that they require higher quality raw materials at the same time as being positioned more within striking distance of the importation market. So, we have got a number of factors here at play. We are logistically more competitive. The quality requirements are going up and the quality supply in the domestic market is going down. And that is where the opportunity is.

If I could perhaps take one more question?
MR RIZZUTO: If I may?

MR KLOPPERS: Sorry. Please, Tony?

OPERATOR: Tony has just cancelled his question. And there are no further questions from the phone at this stage.

MR KLOPPERS: Thank you. Let me just check. I don't think Alex has got anybody in London but I just wanted to check that there are no questions from London, Alex?

MR VANSELOW: No, no questions, Marius.

MR KLOPPERS: So I just move back to Sydney and take a few questions here.

MR YOUNG: Good morning, Marius. Paul Young from Deutsche Bank. Can you discuss your current gas strategy in Western Australia and I have got three questions. First of all, on Scarborough and Thebe, what are the big picture development options for these fields? And secondly, on the Browse JV we have seen actually just yesterday, the development of a concept for that project was selected. Your stake is 8.7 percent and obviously looking at the North West Shelf, it is a highly profitable and valuable business for you but Browse at 8.7 percent seems – the question is, is that material? And do you believe that you could potentially either exit that project or actually increase your stake? And thirdly, a question on Macedon. This project which seems like it is in the advanced feasibility stage, to my understanding the reservoir does seem compartmentalised and the gas is lean. But the gas for this project, is it destined for the domestic market? And do your mineral projects, ie. iron ore, alumina and nickel, need the gas from this project due to a potential shortfall of gas between commissioning of the large LNG projects in that area?

MR KLOPPERS: Let me start on the last one. Yes, the project is in advanced stage. We have committed some pre-commitment funds there. We have done a lot of work on what is a lean gas to be able to pipeline that and that work has progressed well. And also confirming that we are a large domestic gas user in the combination of our nickel, alumina, iron ore and so on businesses in Western Australia. I think Alex commented on the fact that from an input cost perspective we always look at market prices as a signal. We have got a view of what the Western Australian market prices domestically will be. And we hope to develop this asset on the back of those market prices to input in that Western Australian market and the fact that we have got off-take, which basically balances this, you know, tells the story there.

With respect to Browse, I can’t really comment on that. You again pointed out that it is a relatively minor stake. We have had a decision here. We have taken the decision to support the work program at the moment and what comes out of there as they solve the various technical issues on how to construct rises, lay the pipe to the shore, and so on, in due course will deliver an outcome there. But just because it is a relatively modest stake doesn't mean that we are not interested in it. I wouldn't like to speculate what we would do if some more of that would become available – which I haven't seen any speculation of – nor do I want to speculate on what our intent would be.
And then on Scarborough and Thebe, we are very pleased at, you know, that work has ramped up substantially. Exact decision of where that gas goes obviously hasn't been made – it is too early for that but, you know, we do hope and expect that there will be opportunities to deploy our capital in the commercialisation of that gas in due course, but I can't update any specific plans today. EXXON Mobil obviously is the operator of that. They may be able to shed a few more points on that, but I can’t do so today.

MR GOODWILL: It is Neil Goodwill from Goldman Sachs JBWere. Just a couple of questions. Just on, I guess, realised iron ore prices. I think you sold something like 54 percent on contract prices and the rest on a mixture of index and spots and whatever. Could you quantify just how much difference that made to your realised price? And also, could you give us the sort of profile of how you expect the amount you sell on contract to go over the next few years? And just a second question on petroleum and its growth. You’ve got quite strong growth over the next couple of years but beyond there, certainly in my model, you’ve got flat and then start declining. Can you just give us some indication of how you see the petroleum growth and do you want that to become, I guess, a bigger business in your portfolio. I guess at the moment energy is 30 percent. Do you see that growing as a mix or do you see it levelling off?

MR KLOPPERS: Yes, Neil, taking those in turn. You should understand that our commitment to market clearing prices is longstanding, and what we’ve indicated is that we are prepared to sell a product on the market clearing prices, whether that market clearing price is below the contract price or above. And over the last couple of years, we have indicated that we are not going to sign any new benchmark contracts. So, out of the 46 percent that was sold on non-benchmark prices, there’s obviously a mixture of pure spot, some contracts where, last year, people couldn’t agree on benchmark prices, but are actually benchmark contracts, and we agreed, as a tiebreaker, to price on a shorter term, and then there are some hybrid contracts, and so on and so forth.

And so, in the beginning of that period, we probably sold that iron ore below the benchmark price, and as the market tightened, that price moved on to be above the market price. I think, from our results that we presented, you should probably be able to back calculate that the average realised price over the period, taking into account, sometimes that was sold below the benchmark price, in the beginning of the period, and then, other times, above. It’s probably about, I don’t know, eight percent, please don’t quote me, something like that, above the benchmark price over our entire volume mix. And you see a similar effect, obviously, in coking coal, where, as I’ve said, we’ve sold 27 percent of the product into China, effectively also on a price that has moved.

So, I want to emphasise the two portions of that 46 percent. There are contracts which we agreed to price on an intermediate basis, just for the year, which – this year, we’ve got to decide, again, what we’ve got to do. We haven’t got a solution that can go one way or the other, and then there’s the tonnes that are, you know, as a result of the contracts we’ve signed over the last couple of years, is purely into that index market and so on. The real growth in non-benchmark tonnes, for us, will only come when the next stages of investment kick in. That, rather than the run-off of benchmark contracts, will be the determinant of how much volume we’ve got on the market clearing price, and I hope that gives you a better – a little bit better guidance.
On petroleum, I would say that we don’t like to give volume forecasts, beyond projects that, effectively, have been sanctioned, and it probably goes back towards a couple of years ago, when, whenever we made a discovery in petroleum, we would sort of pencil it in in the forward curve, and then things don’t work out exactly like they do, and then you’re seen as not having given an accurate forecast. Rather, what I would say is that we continue to discover things. I mean, if you look at the announcements that we’ve made in the Gulf of Mexico, around Mad Dog and so on, which, along with the Atlantis field now, is one of the great oil fields of the world.

And so, I think the petroleum business always has the nature that resource replenishment is an important thing, and therefore, for me to make a long-term volume forecast of exactly how that’s going to happen would be a little irresponsible. We would like to grow that business. I mean, if we are growing the rest of our minerals business as aggressively as we are through these backyard expansions, we’ve got to continue to grow our petroleum business as well. So, yes, we would like to deploy more capital. No, I probably can’t give you a volume forecast, Neil, but I do hope that the comments around iron ore and so on helps you to make a little bit better forecast.

MR LASCO: Phil Lasco from the ABC, Mr Kloppers. Two questions. You’ve spoken about the boundless opportunities that China and India presents. Australia is a reliable and stable supplier, which may attract a premium, perhaps, of some sort, when we talk about prices. Under those circumstances, doesn’t the government – isn’t there some room for the government to take an increased dividend from that type of business, without jeopardising jobs and investment? And the second question is, I’m sure you’re aware of the contractual dispute between Resource House and the Chinese. Is that something that could happen to BHP, and if not, why not?

MR KLOPPERS: I wish we attracted premia for our product, but we sell commodity products. Even though, I think, if you go and ask our customers, “Who is the most reliable supplier?” Not only from a geographical perspective, but also from how the company conducts itself when it enters into contracts, we’re – basically, we perform – I think, at most, we get good-quality counterparties for that. We don’t get a premium for our product. I think that fiscal stability is a very important thing, and I was very, very careful in articulating that, at the point where you’re putting the capital into the ground, having a reasonable expectation that things are not going to change throughout the life of that asset is an extraordinarily important thing.

And other countries which have tinkered with that over time, thinking that that is not the case, has always found that, in a depleting asset environment – we consume our assets every day, so reinvestment is always a feature of our industry, that perhaps not in the short-term, but if you measure over a 10, or a 20-year term, you always lose investment, and the most important driver of overall return for a country is always growth and investment. So, I would say that we take a long-term view of how this works.

I don’t want to specifically refer to Australia, but in any country, and we’ve seen, during the nationalisations in the seventies in Latin America, it took decades for them to re-establish fiscal stability again. With some of the issues in Africa and so on, we’ve seen a dramatic loss of good-quality investment, which ultimately just depresses GDP. So, capital is always mobile,
over the long run, and as long as you have a competitive regime, and you know, you have a regime of fiscal stability, at the point that the investment is made, you have good outcomes for countries, and that’s what we’ve had over the last couple of decades. I don’t see any reason why that’s going to change.

Contract disputes, we sometimes have customers that do not honour the contracts that we sign. In particular, that happens when you have priced product, and then the market goes down, and that’s why we like to price product on prices that change every day, because then that propensity not to honour contracts just disappears for the two parties. I really can’t comment, nor do I have any knowledge about the contract dispute that you talk about, but our basic philosophy is, structure our contracts in such a way that the two parties to the contract have no economic reason not to want to pursue the contract, whether things become better or worse.

MR WISATEL: Good morning, Marius. Mark Wisatel from UBS. Look, there’s a couple of things you’ve said this morning. Firstly, you’ve said the three priorities for your business are, number one, to invest in the business. Number two, to manage the balance sheet, and the third would be shareholder returns. You’ve also said that the iron ore joint venture is the most value-adding transaction in the mining industry, and in that context, and also in the context of you being associated with certain M&A transactions in the press, over the last 12 months, a couple of questions for you.

Firstly, do you believe you have enough development projects in your pipeline for the foreseeable future? And secondly, does it still leave you capacity for M&A and/or capital returns, particularly given the fact you’re going to be spending 21 billion next year?

MR KLOPPERS: I can only emphasise, on the development pipeline, what I tried to say this morning. And I don’t even want to talk about Tier 1 assets, but where we have basins of resource in the portfolio, where you can put a team on, and have them invest and grow that business for decades. And if I look at our portfolio, the things that stand out for me is WA iron ore, the Bowen Basin, Escondida, Potash, Olympic Dam, Gulf of Mexico, the Hunter Valley assets, perhaps to a little lesser extent, the Cerrejon asset. We have 10 or so assets which, you know – you don’t put a team on for a project.

What our aim is, we put a team on, and you keep them there for decades, building one project after another, riding down that experience curve. And we think we’ve got the resources, and we’ll obviously continue to add the resources, to maintain that growth of capital deployment in our business. I think Alex was also equally clear in saying, notwithstanding that, where we do stand with the gearing and the balance sheet, if an opportunistic opportunity comes up, to procure something which is long-life, low-cost, etcetera, etcetera, all of those strategic elements, we have got the capacity to do that.

But I think what Alex and I would like to leave you with a message is, this company is not about M&A. You know, M&A is a part of the strategy, but it is about a diversified portfolio proposition which has got the ability to grow. We believe that, if you purely want to speculate on iron ore, or nickel, or copper or whatever, there are other ways to speculate on that. This company’s value proposition is stability of cash flows, long-term growth, and really, the message around that is unchanged over the last 10 years.
MR HARRIWELL: Mike Harriwell from VBY. Just following up on Neil’s questions. What is up for negotiation with respect to iron ore, given that you’ve said you don’t want to sign any more long-term – or annual price contracts? Given that you’re able to move to spot for those – that 46 percent, is there a negotiation where the customers have any power at all to push you back to a long-term contract on those items, or have you actually moved, or – what is the negotiation there?

And in terms of the oil and gas question also, in the old days, BHP seemed to have a problem allocating capital between the oil and gas division and base metals and minerals, because they were two different investment type – the whole nature of the investment was different. Is that still a problem within the organisation, and is it sort of a preference, maybe, to go to something more like gas, which looks more like a long-term mineral deposit, than the sort of crude oil business does?

MR KLOPPERS: On the negotiations, again please don’t quote me on the exact figures but we may have on the order of 100 million tonnes of benchmark contracts in the portfolio. Those contracts have to be renegotiated on an annual basis and we are going to do in good faith, try and discover the market price forward looking for the next 12 months, taking our cues basically from where the market clearing price is, because what the benchmark price is, it is an attempt to discover the supply demand conditions which will prevail over the next 12 months and we obviously now have a forward curve and a swap curve and multiple quoted prices to help us to discover that price, which will be our approach. We will scrupulously honour those contracts and the terms of those contracts as we always have. Again, I want to emphasise if you can ask our customers who are their best performing raw material supplier – I think that in the vast majority of cases they will say, “These guys stick to their contract” and so we will honour those contracts.

Really, what we have indicated as that – over many years is that that price formation, unfortunately, is stressful and we take months where you are in very heated discussion with your customers in order to try and discover that price, and if the market conditions are volatile, the conditions change while you are discussing, resetting that conversation constantly. It’s tough. It works well when prices are constant, it works less well when things are going all over the place, particularly as we have seen over the last six months, or last nine months we moved from, I don’t know, $50 a tonne landed in China to $130 today. It is very difficult to settle a price and for that reason our approach is, let’s move to shorter pricing term contracts. We would love to sign longer term volume contracts priced on an index, we think there’s a value proposition for the customer in having security of supply and knowing what quality will come, but our fallback is always to – if the customers prefer to not sign those contracts we will operate in this multiple hundred million tonne market clearing market and my expectation would be that we would much rather prefer to sell tonnes into that spot market than sign new benchmark contracts where we know we’re just going to have a difficult negotiation.

On capex allocation, you should understand that the way we think about our portfolio is not copper, coking coal, uranium and so on. We think 100 assets, multiple projects, which ones have got the best returns, the lowest risk and the best prospects. Those are the ones we do first. If it’s in copper, it’s in copper. If it’s in met coal, it’s in met coal. If it’s in iron ore, it’s in iron
ore. If it’s an energy, it’s an energy. Over time, what that will tend to do is it will tend to – sometimes one product grows at the expense of another, but – we are comfortable with that. So I don’t see it as a capital allocation between energy and minerals, I see it as what are the best projects in the portfolio.

Can I just go back to the telephone and if the operator can check for us if there are new questions.

OPERATOR: Certainly. The final question from the phone is from David George from JP Morgan. Go ahead, please.

MR GEORGE: Hi, Marius. Just in the event that the iron ore JV with Rio gets knocked back by the EU, is plan B just to press on independently with your own organic growth or is there other potential deal to be done with a smaller player that could deliver a smaller amount of synergies. I’m thinking FMG with its rail parallel to yours and its port capacity near yours.

MR KLOPPERS: I think Rio would tell you the same thing as I would tell you, which is that we have to run – both Tom and myself and our teams have to run our businesses today, running as if this JV does not happen, you know, so we have to take our expansion plans, they have to take their expansion plans, we’ve got to continue to run the businesses independently as we work through the regulatory clearances. Now, I’ve given you every indication today that we continue to make progress, that we’re very pleased with how the teams are getting along and so on, but there isn’t certainty and therefore both parties are continuing to expand their mutual businesses and indeed the term sheet that we signed and the definitive agreements make provision for that.

Our first priority for that business is therefore to complete RGP5 and 6 on a stand alone basis and that’s really the only two projects that I can comment on. Obviously opportunities – obviously we are continuing to work Quantum 1 and 2, the outer harbour things and so on but the things we are working on today are the two things that we’ve put in the public domain and I wouldn’t like to speculate beyond that. Operator, I don’t know if there are any other questions on the phone?

OPERATOR: There are no further questions from the telephone.

MR KLOPPERS: Thanks. We will return to Sydney again. I’m assuming that nobody’s shown up in London in the meantime, Alex?

MR VANSELOW: Just the cleaning lady, Marius.

MR KLOPPERS: Are there further questions there in Sydney? We have one more question in the front.

MR YOUNG: Hi Marius, Paul Young from Deutsche again. Question on your aluminium strategy, you mentioned that you hadn’t approved any new projects in aluminium, yet I note that Global Alumina, your JV partner in Guinea has announced that pre-approval and pre-construction has begun on that refinery in Guinea. If you can just clarify that. And then
secondly, if that project does proceed can you talk maybe about the placement of that alumina. Do you believe that alumina will be placed into potentially your proposed smelter in the DRC or will that alumina, do you believe, be placed into China and can you actually talk about potential pricing – the pricing change in the alumina market. Certainly there’s upward pressure on linkage. Can you maybe talk about potential pricing upside and contract change over time in the alumina business.

MR KLOPPERS: Yes, Paul, we don’t really have any update on that project. We are still some time off spending, you know, substantial amounts of money there and I think we are quite far away from thinking about where that product will go, still. But we have no update on that project, it is not yet close to sanctioning by our measurement of things and again, no view on where that alumina will go. Certainly the DRC smelter is sometime off so it would be speculative to assume that the two are linked. With respect to alumina prices, we are a relatively small player in the merchant alumina market. That market has got the same issues as our other market, which is how do you price the product so that if you sign a fixed price contract and the market price for the product changes, which is now more and more volatile, your customers don’t default on you, and so my answer to your question is that we would continue to like to move our product there also to a more frequent pricing reassessment basis that is reflective of the supply demand conditions in the alumina market, rather than the smelting market. You know, the supply of smelting capacity. But you know, it’s a market where you’ve got few contracts, you’ve got relatively little recontracting and you’ve got very few stable pricing indicators published or traded market indicators which aids you in forming a price and from our vantage point as not the largest player in the industry, it’s actually difficult for us to push our market price view and get any real traction in reforming a market there.

I think we complete here in Sydney. Thank you for coming today. We are pleased with the results. We are pleased with a long standing strategy that allows us to continue to invest in the business, maintain a stable financial rating and continue to return more money to our shareholders and I hope that we’ve given you some view of how our strategy unfolds as we go forward. Alex and I and the rest of my management team thank you for being here today.

PRESENTATION CONCLUDED