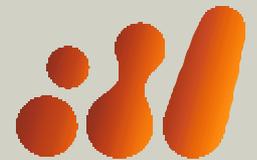


# Energy Coal CSG Investment Community Briefing

July 9, 2002

Sydney, Johannesburg and London



**bhpbilliton**

# Objective

To provide an overview of BHP Billiton's Energy Coal business and an update of our strategy, markets, assets and growth opportunities

# Agenda

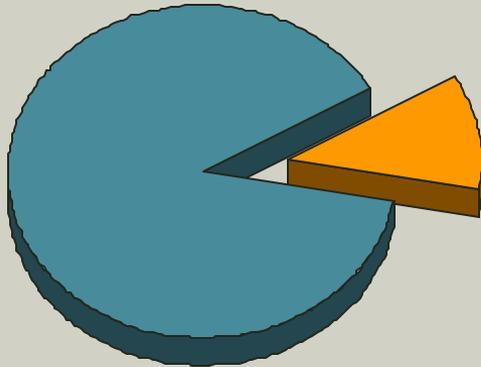
- Energy Coal CSG overview Mike Oppenheimer
- Markets Jon Dudas
- Assets Mike Oppenheimer
- Financials David Lamont
- Industry and growth John Smith
- Wrap up Mike Oppenheimer

# Our Energy Coal business

- Servicing power markets globally
- 96 mtpa of coal, more than 2000 PJ of energy
- Number 1 energy coal exporter
- Major supplier to domestic markets
- Multi-source supply capability
- Diverse operations and markets
- Headroom for growth

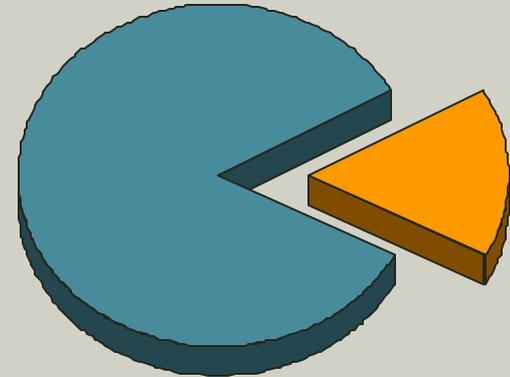
# A key part of BHP Billiton

Energy Coal 11% of Revenue



Total Revenue \$13.6bn 9 months to 31 Mar, 2002

Energy Coal 16% of EBIT

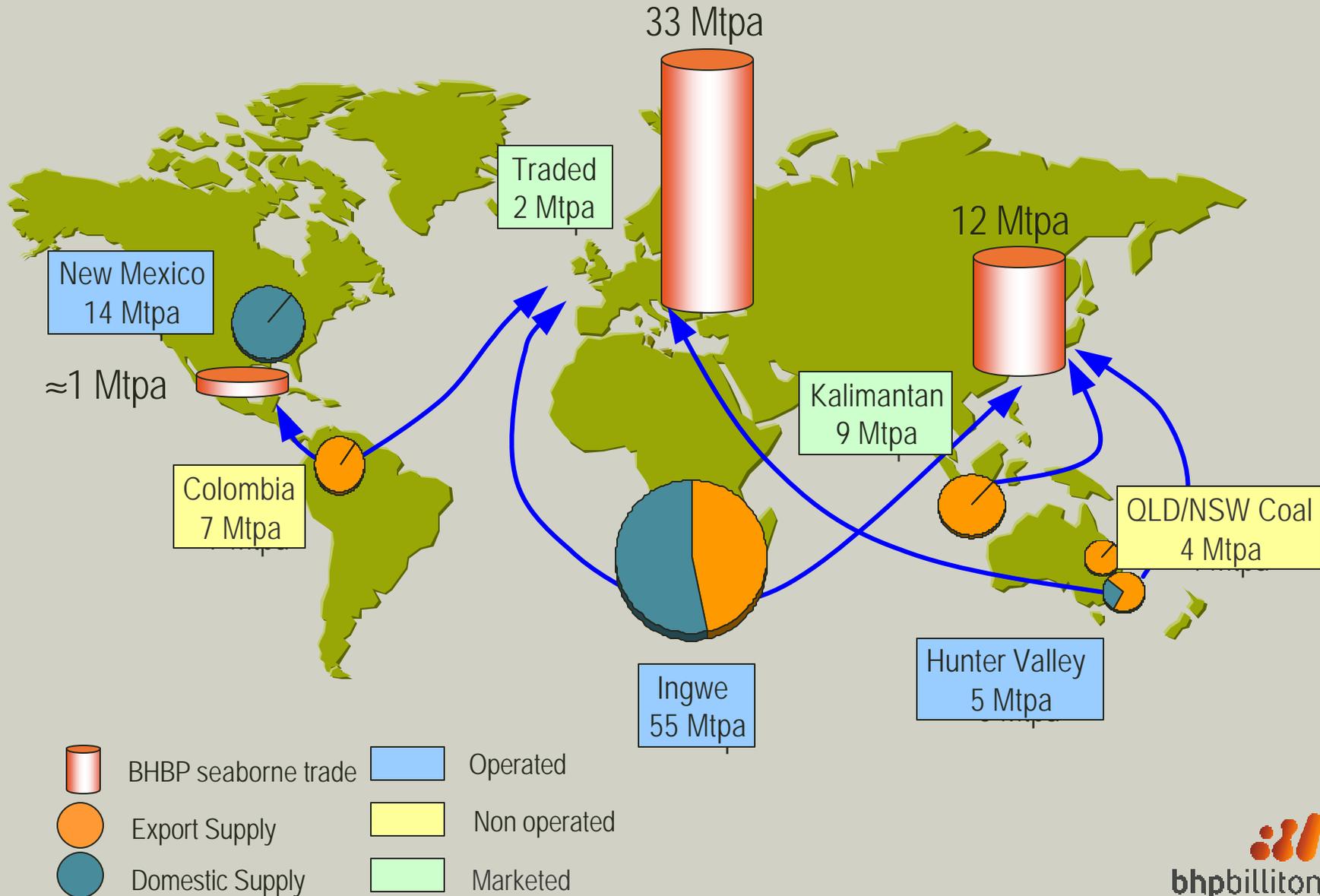


Total CSG EBIT \$2.8bn 9 months to 31 Mar, 2002\*

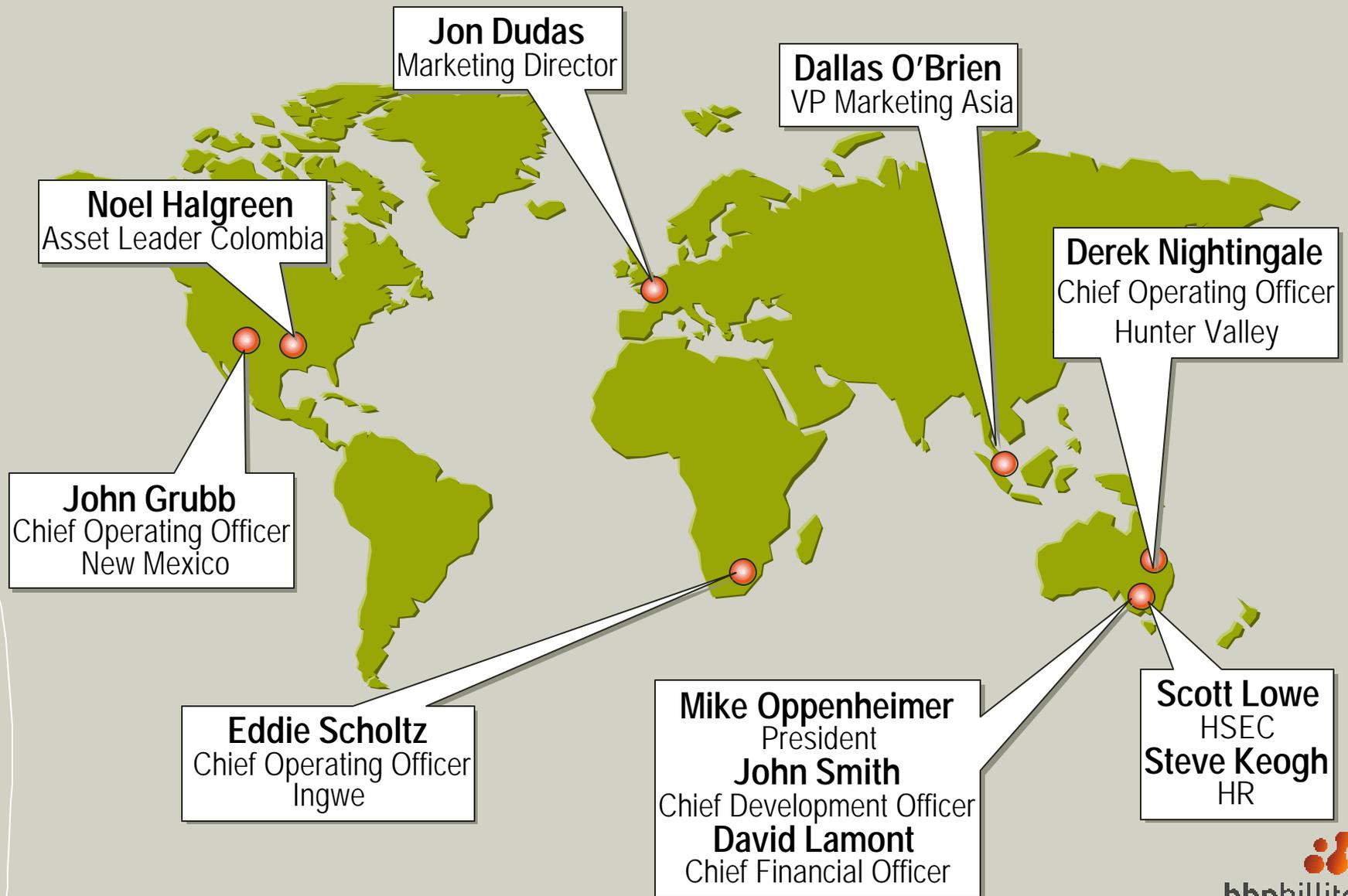
- Earnings diversity
- Growth potential
- Major exposure to non-oil energy markets
- Leverages upstream and market links across BHPB

\* EBIT contribution excludes group and unallocated items

# Business overview

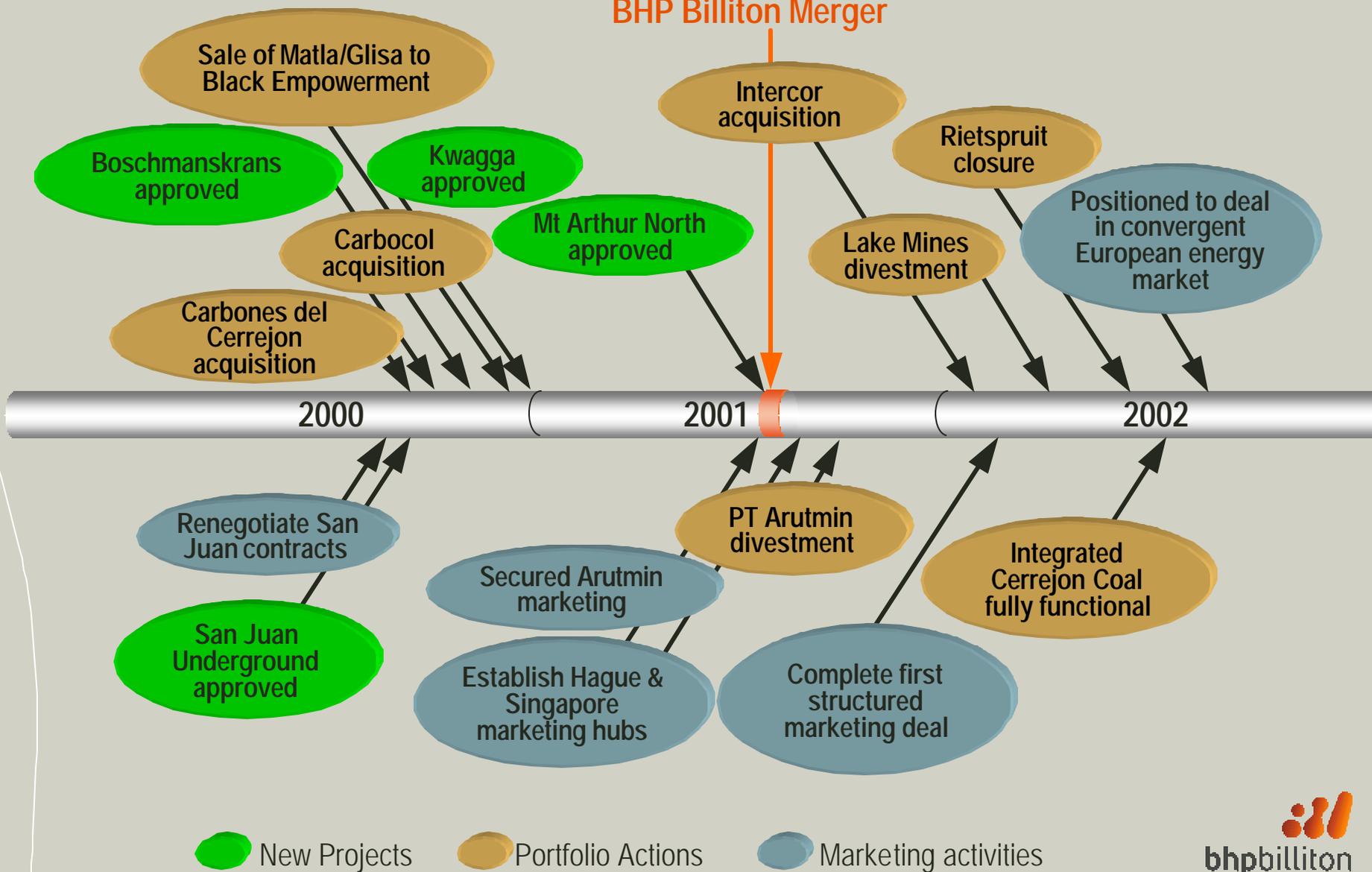


# Led by an experienced management team

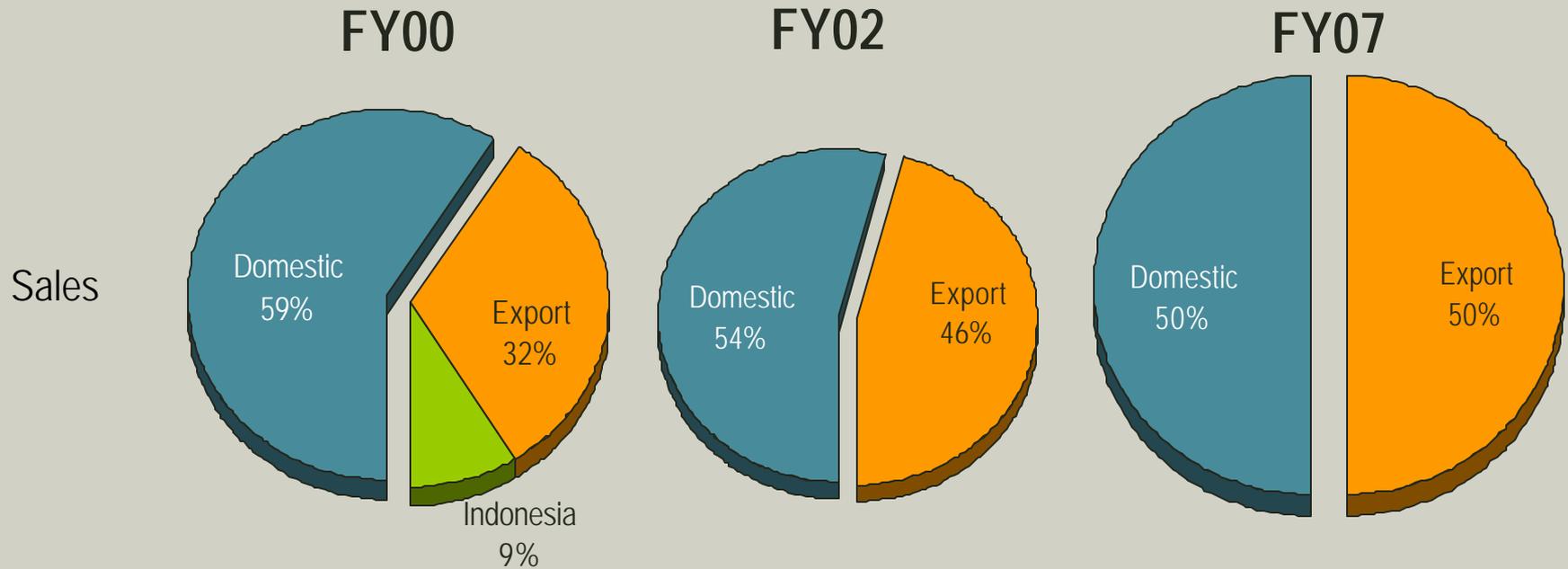


# Aggressive actions to create world class business

## BHP Billiton Merger



# Continued portfolio improvement

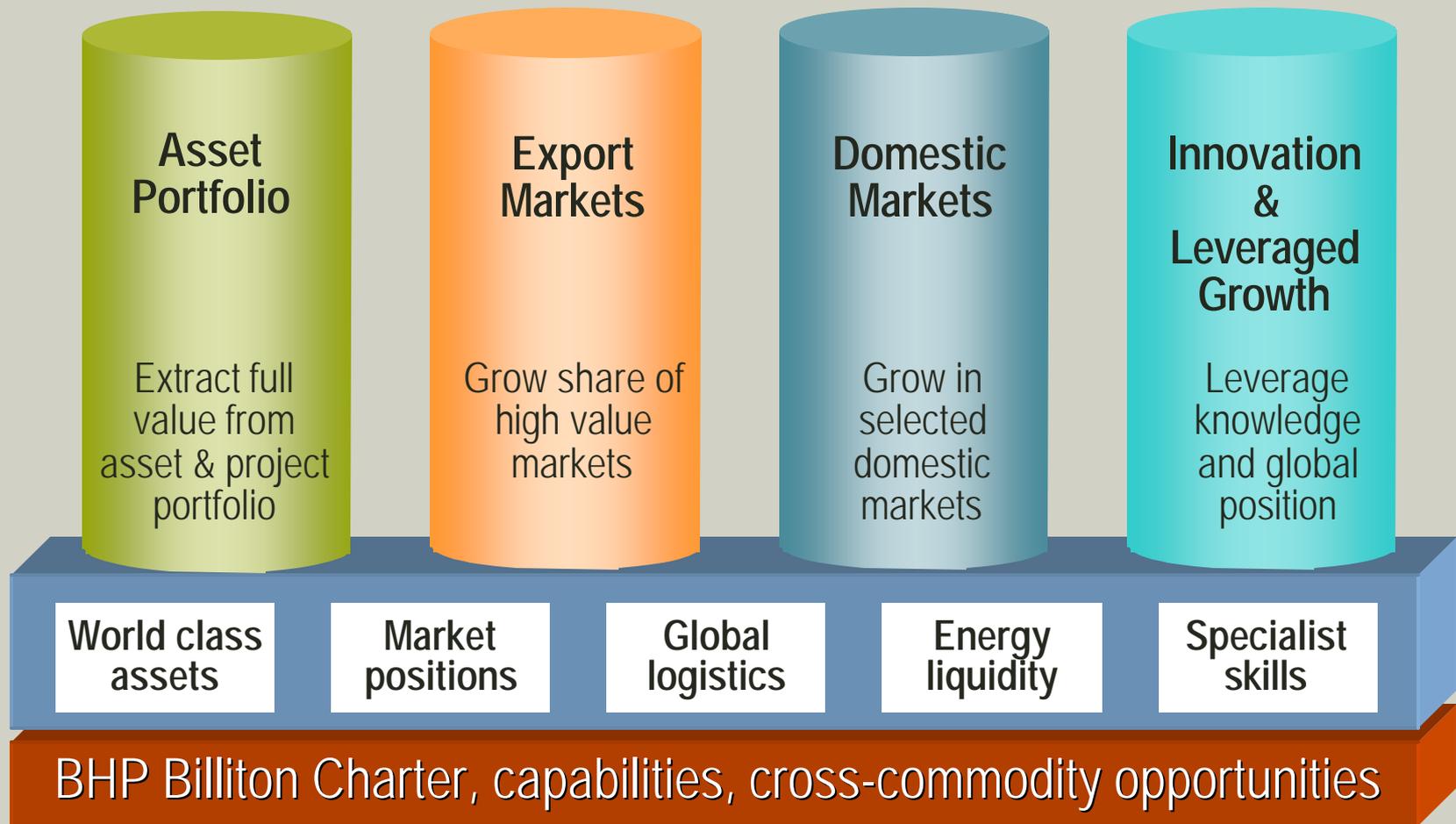


## Relative indices

Unit Earnings*	100	110	146
Unit Cash Cost*			
– Plan	100	94	84
– 2% Target	100	96	87

\* Normalised to FY00 FX/Price/Inflation

# Focused strategy

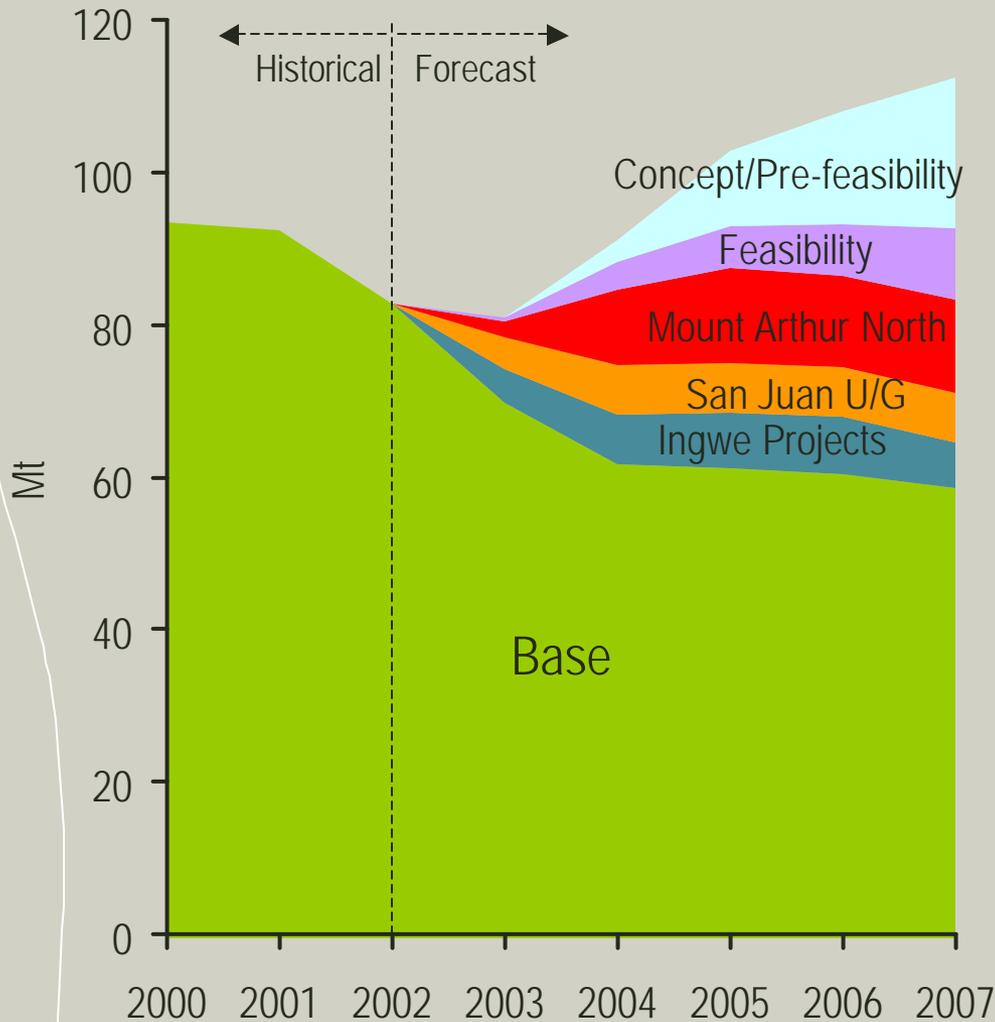


# Aligned with BHPB strategy value drivers

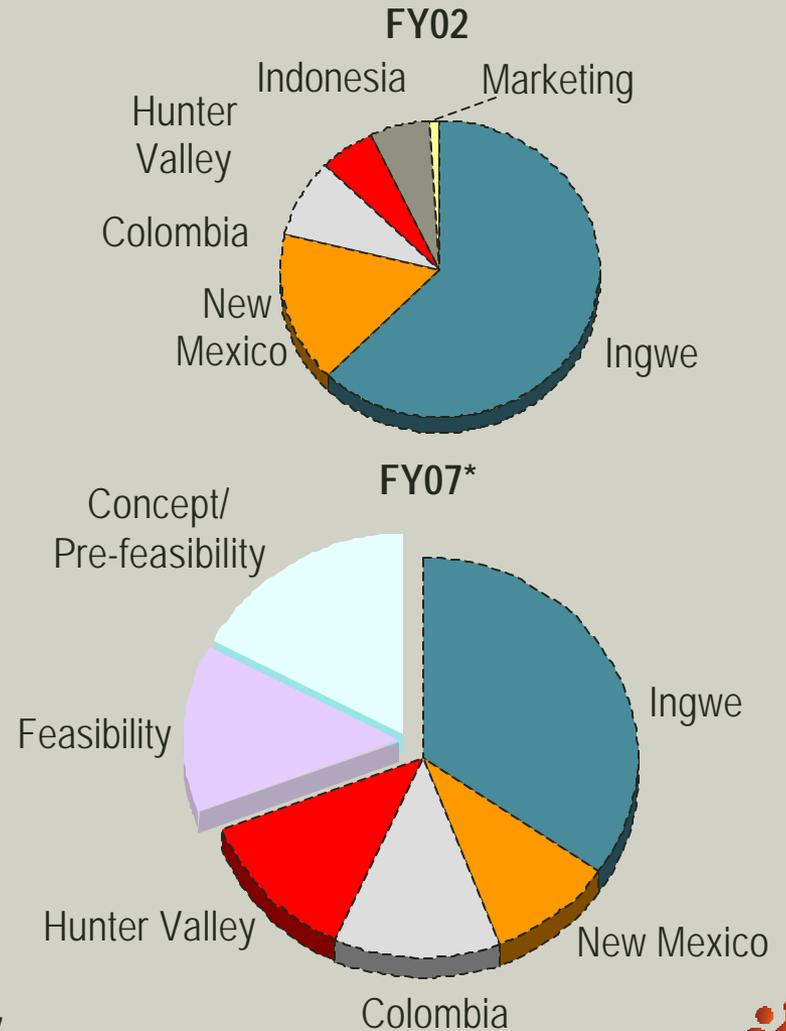


# Strategy to deliver value adding growth

## Production profile



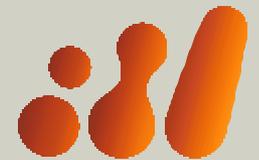
## Indicative earnings growth



\* Indicative earnings based upon normalised FX/Price/Inflation

# Energy coal markets

Jon Dudas - Marketing Director



**bhpbilliton**

# Coal has a future

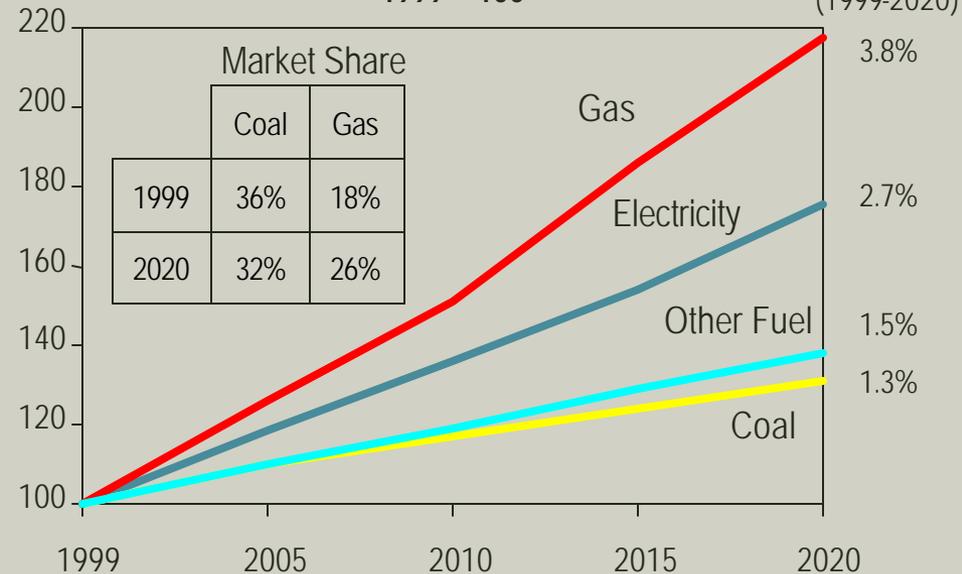
## Cons

- Climate change issues
- Gas perceived as being a 'clean' fuel

## Pros

- Competitive
- Low price volatility
- Abundant
- Easy to store and transport
- Largest share of global generation

Electricity and generation fuel demand  
1999 = 100



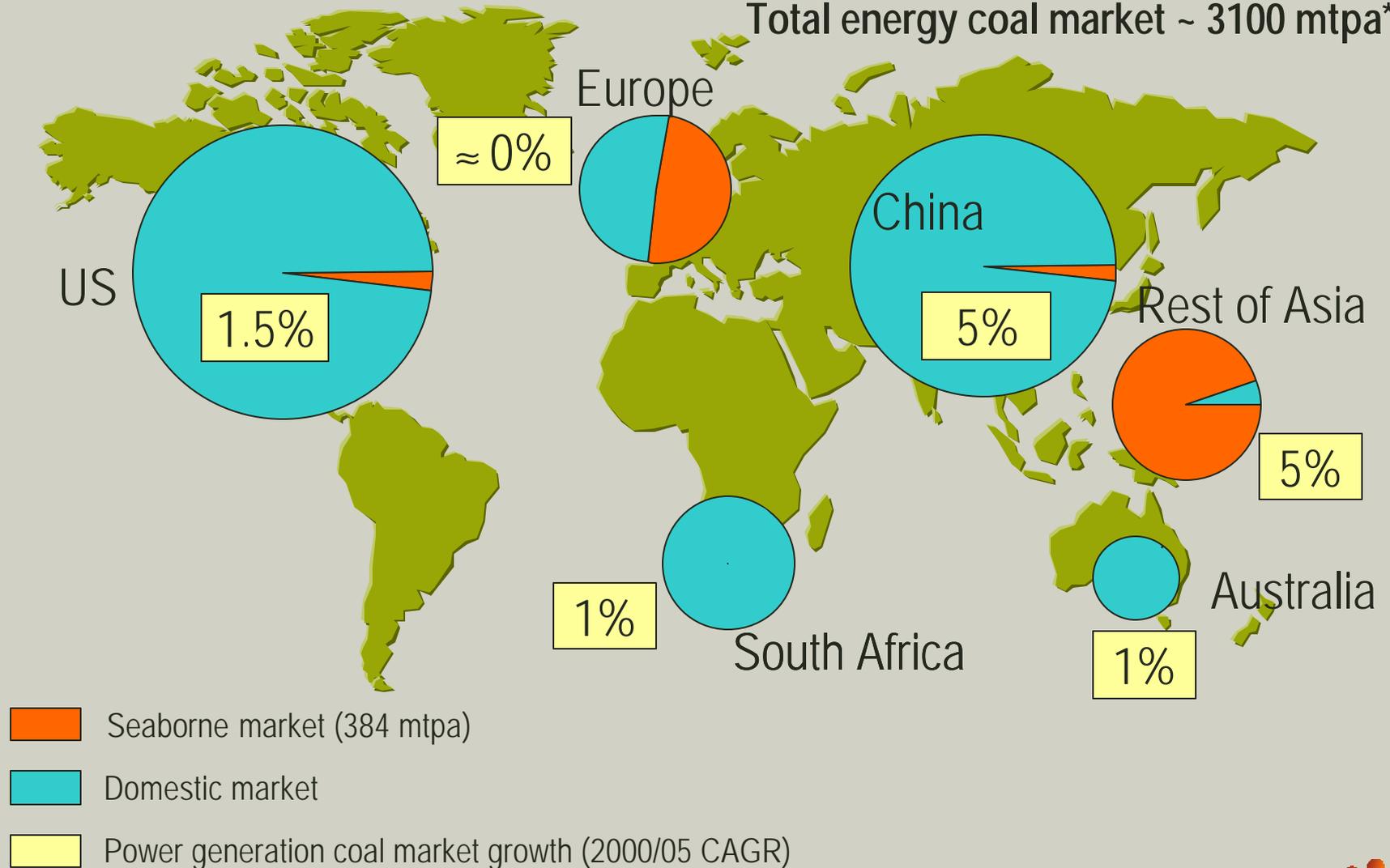
Source: EIA – International Energy Outlook 2002

## Conclusion

- Coal is relevant
- Substitution is not the answer
- Clean coal solutions being developed

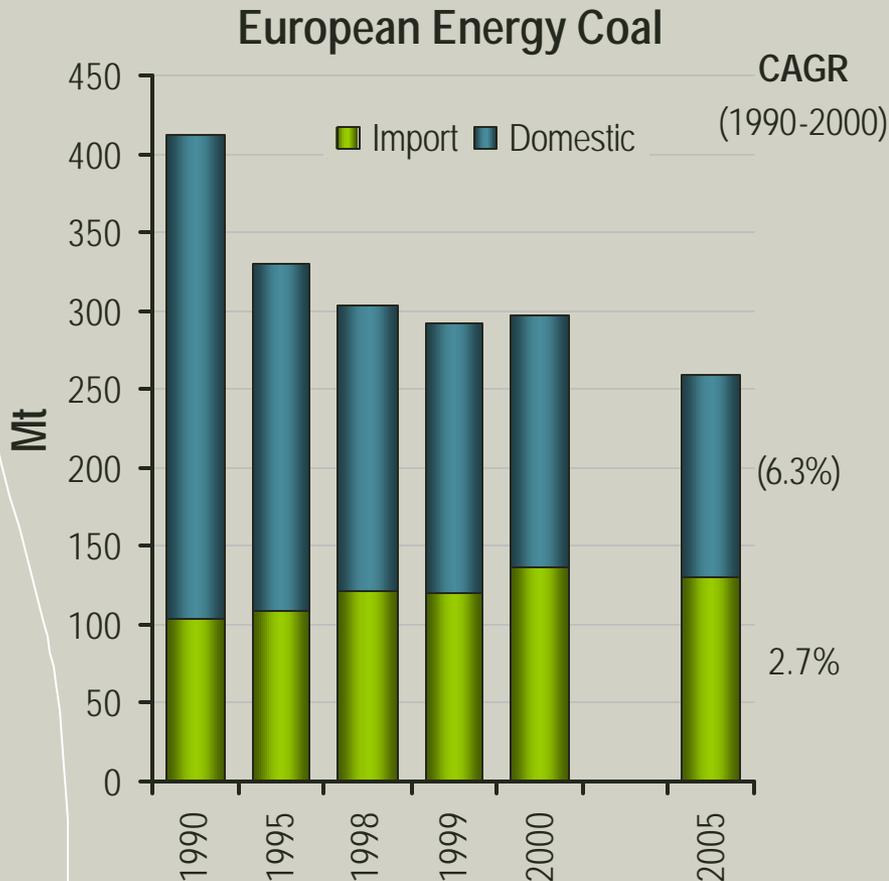
# Energy coal market growth to continue

Total energy coal market ~ 3100 mtpa\*



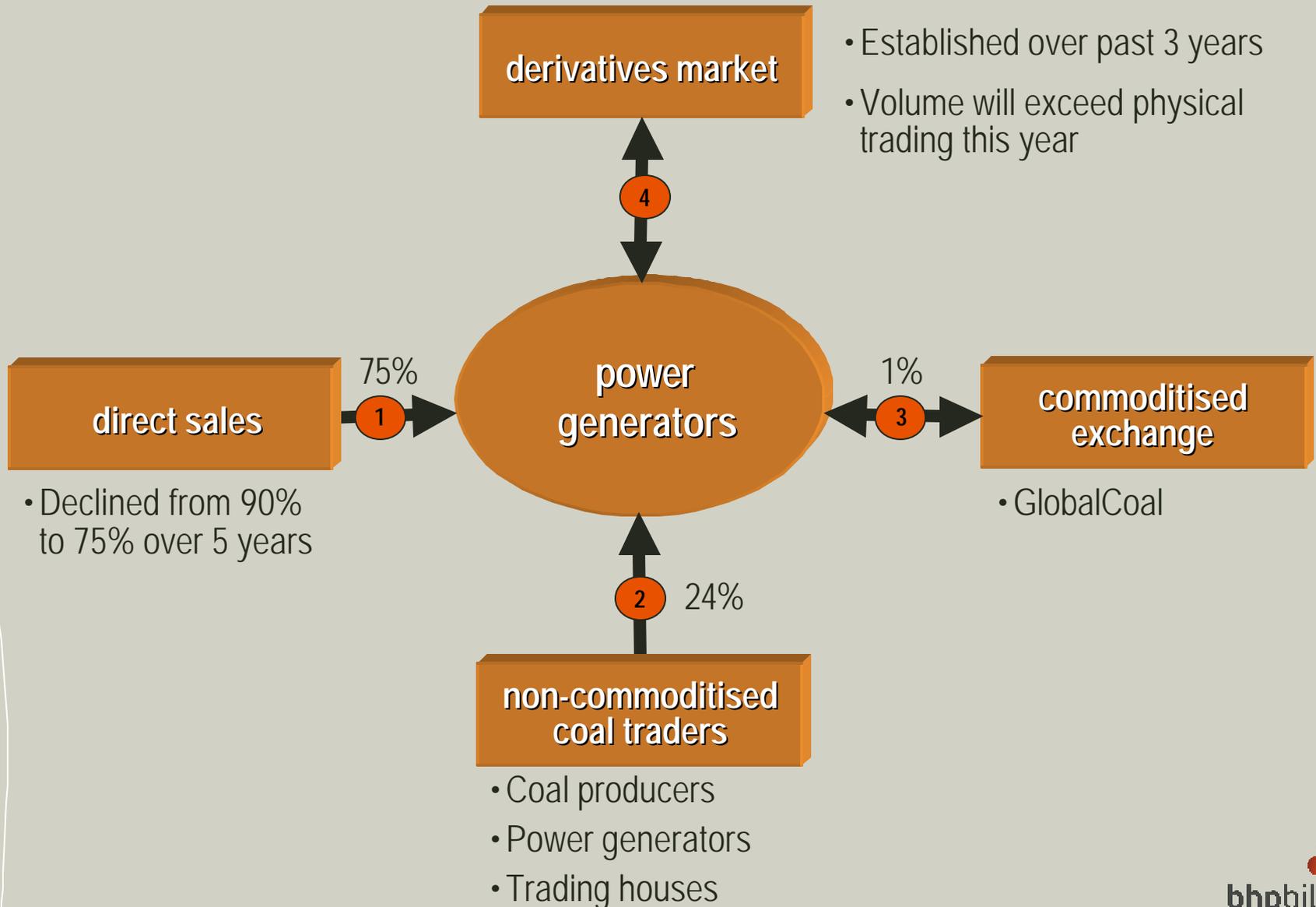
Source: McCloskey's Steam Coal Forecaster, IEA ; \* Excludes Lignite

# Europe – A market undergoing considerable change

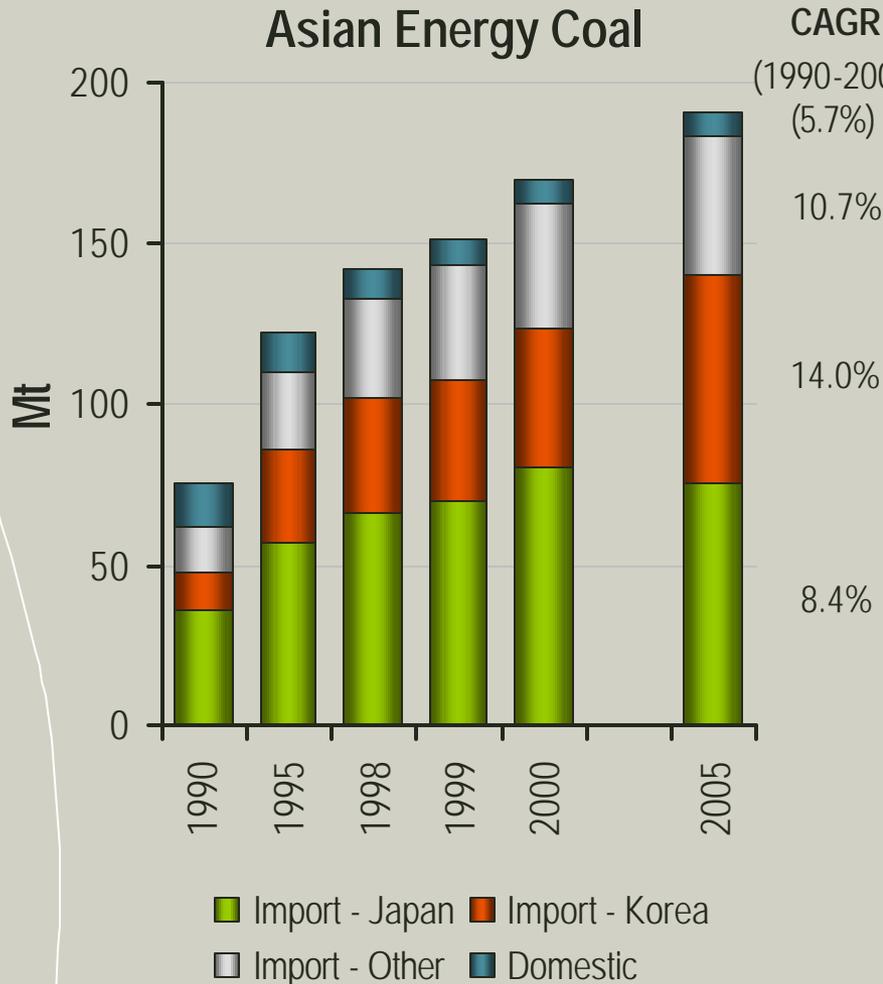


- Demand declining – imports growing slowly
- Kyoto already influencing market
- EU subsidy reduction program
- Energy market convergence
  - Power generation growth from gas
  - Strong coal/gas competition
- Deregulation and liberalisation
- Emergence of spot and derivative markets
- Changing customer buying patterns

# BHPB participates in all areas of an evolving market

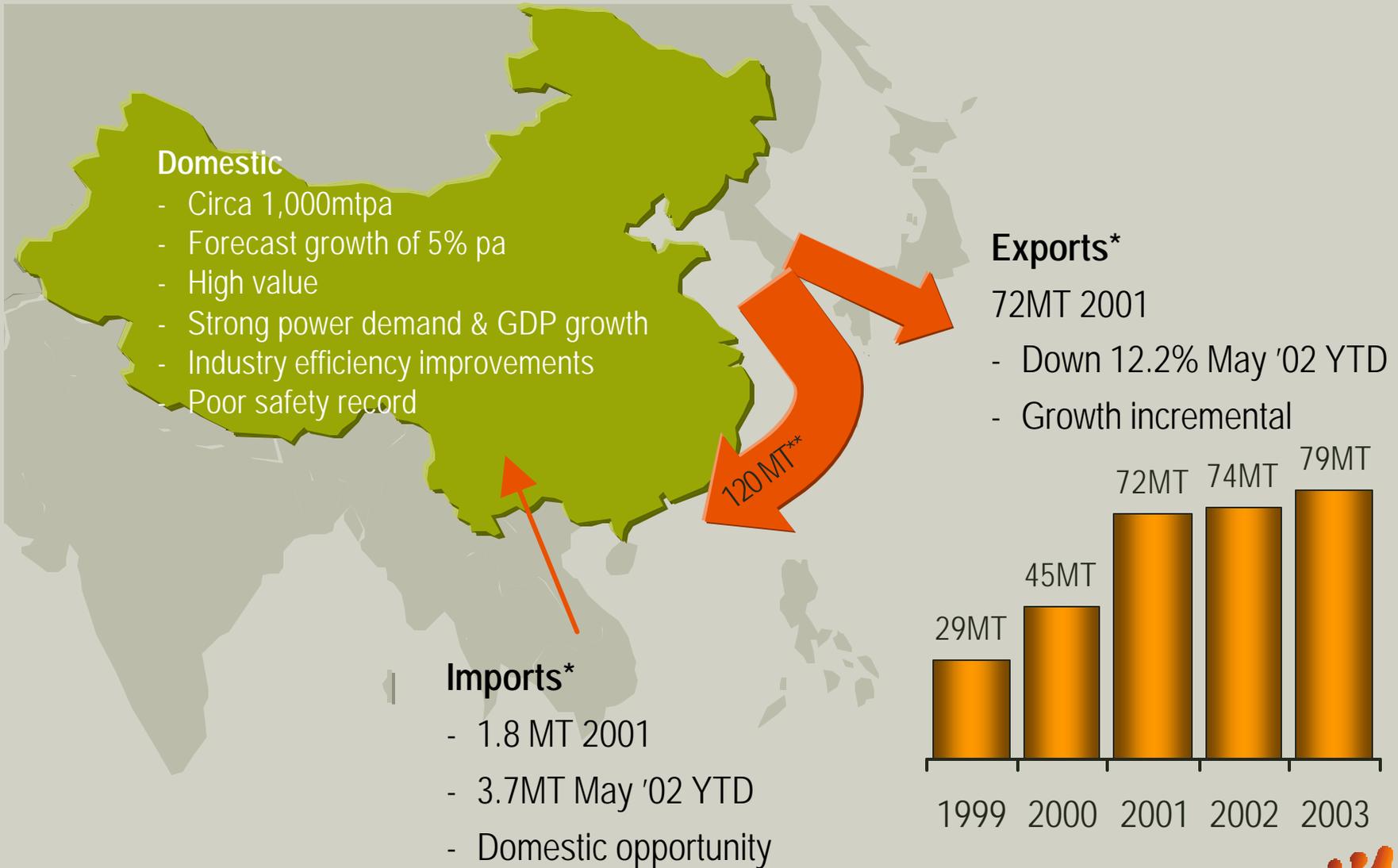


# Asia - Strong demand growth



- Increasing flexibility in coal purchasing
  - China penetration
  - spot purchases
- Lack of pipeline gas alternatives
- LNG competitiveness
- Nuclear concerns
- Slowly embracing deregulation
- Asian market model emerging
- Environmental consideration on the rise
- Japan only Kyoto Annex B country

# China will play a key role



Source: \* McCloskey's Steam Coal Forecaster Q1 2002, [www.globalcoal.com](http://www.globalcoal.com); \*\* Barlow Jonker

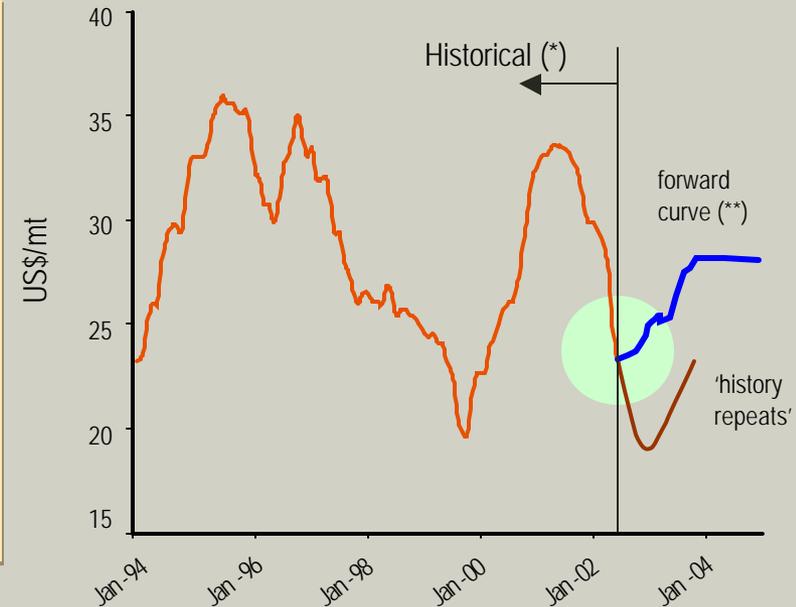
# Today's market

- Simultaneous slowdown in US and European growth
- Warm winters in the US and Europe
- Record UK gas availability in 2001, low gas prices
- Prolonged economic malaise in the East
- Spot energy prices convergence in Europe
- Merit order of fuel burn (per region) is critical

Current market situation to be short lived?

## South African spot price

(FOB RBCT, 6000 NAR)

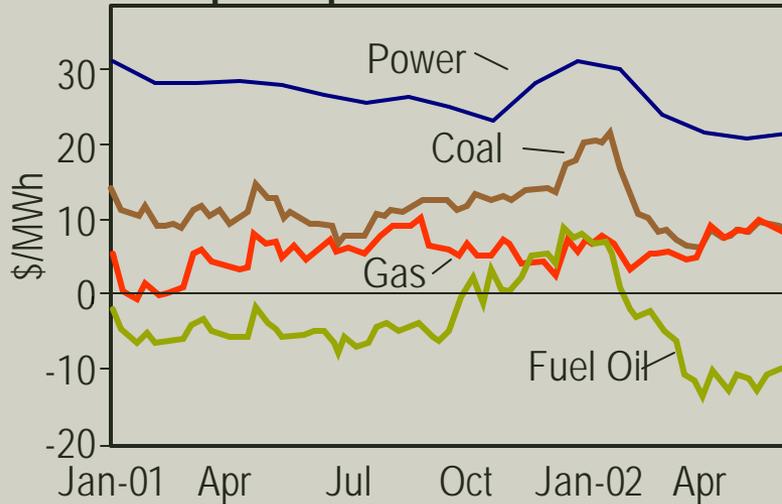


(\*) McCloskey SA marker

(\*\*) TFS API#2

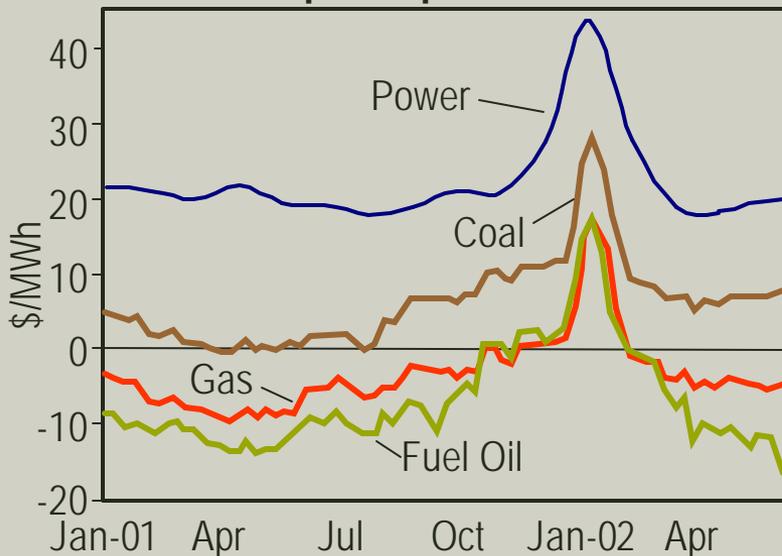
# Different fuels continue to compete

## UK spark spread



- Gas and coal competing head on
- Deregulated gas market

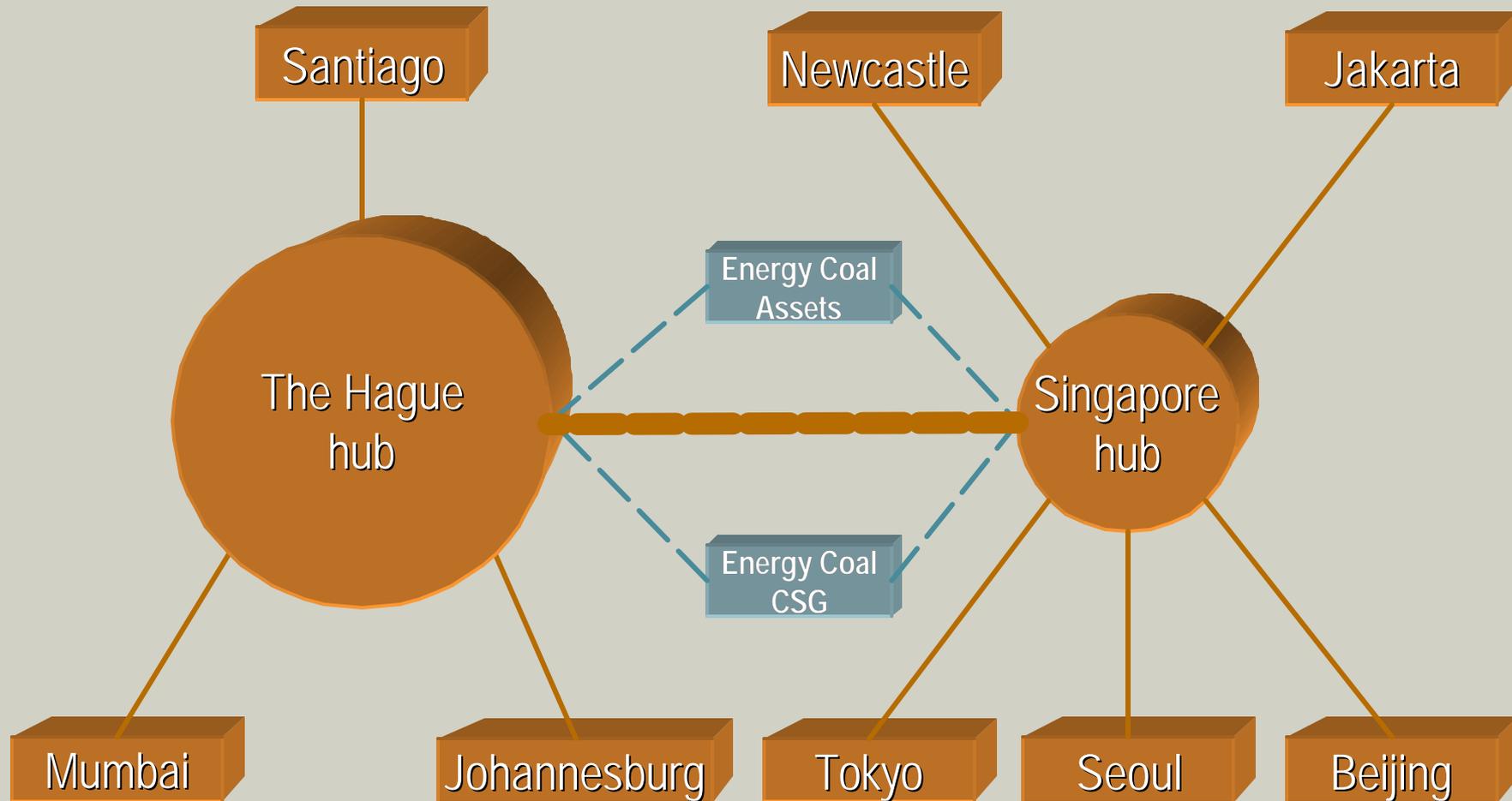
## German spark spread



- Coal still favoured
- Regulated gas market in the process of deregulating



# Customer focused marketing



# Example - Customer centric marketing

## The deal

'Just in time' coal service

## Customer value

Close purchasing dept  
Risk free sourcing  
Reduced inventory costs

## BHPB value

(commodity \$  
+  
service \$)

Supply partnership  
Multisource optionality  
Freight arbitrage  
Benefits transferable  
Participation in customer expansion



# Marketing strategy: 'Coal plus'

## Drivers

- Liberalising markets in Europe changing customer needs
- Energy market convergence in Europe
- Increase share of growing Asian market share
- Asian market model evolving

## Strategy

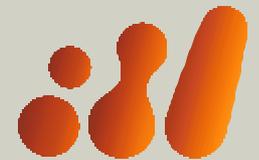
- Utilize BHP Billiton profile
- Differentiated products
- Customer solutions
- Selective trading

## Outcome

- Adds expanded range of services to the basic commodity
- Creates a stronger and broader real customer base
- Grows contribution without simply increasing equity volumes
- Increased share of high value markets

# Energy Coal assets

Mike Oppenheimer - President



**bhpbilliton**

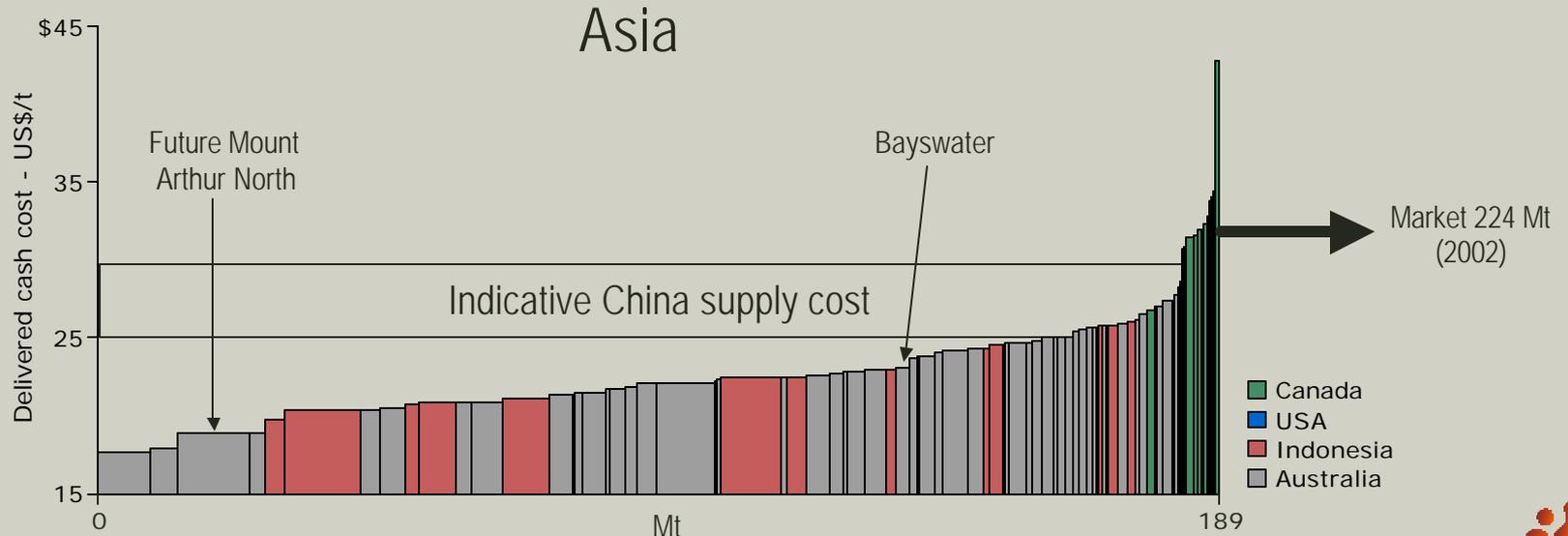
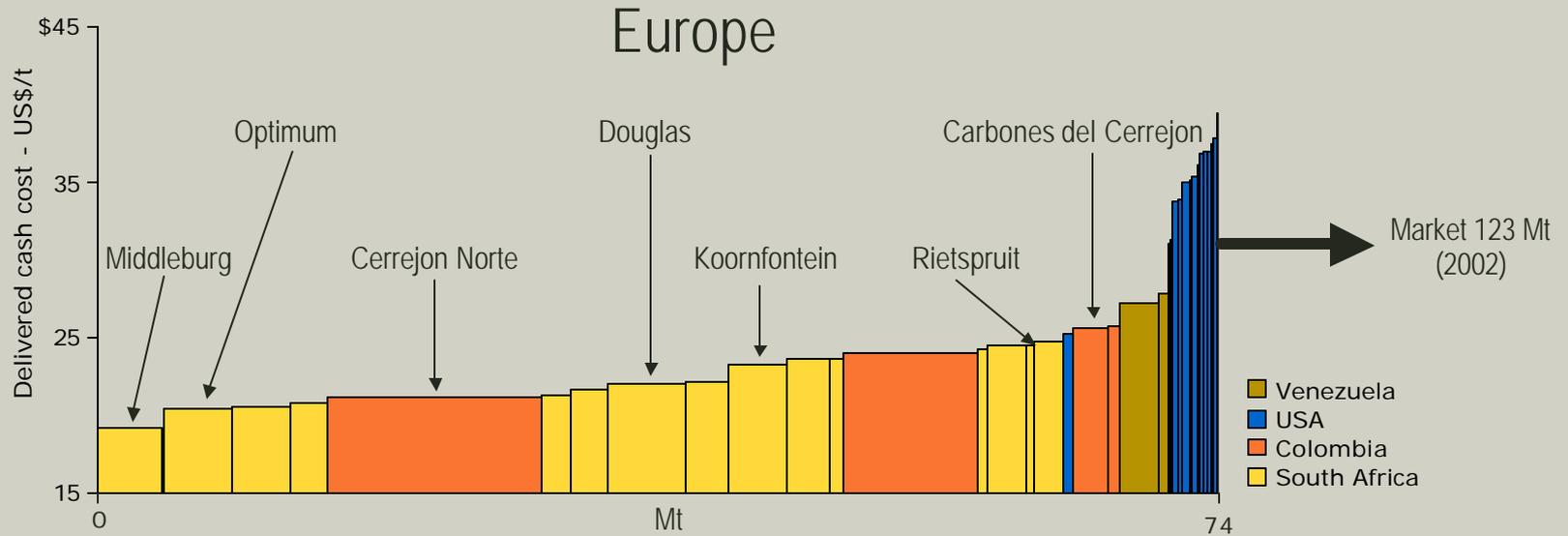
# World class asset portfolio



\* 100% production for operated assets, equity production for non-operated assets

\*\* Reserves for producing assets only

# Low cost supply position



Source: AME 2002 FOB cash costs plus freight (excludes China, Russia and Poland)  
 China cost band - BHP Billiton estimate

# Major focus on enhancing competitive position

## **HSEC**

- 10 point safety plan
  - Leadership, behaviours, fatal risk management
- Community relations integral to business success

## **Operating Excellence**

- Actively identifying and improving global business processes
- Six Sigma Plus improvement methodology
  - striving for BHPB best practice
- Knowledge transfer across BHPB coal assets
- Knowledge networks and benchmarking across CSGs

## **Leverage Infrastructure & Logistics**

- Rail, storage, barging & shipping

## **Influencing non-operated assets**

# Ingwe, South Africa



## Value Drivers

- World class, low cost assets
- Leverage domestic supply position
- Shareholding in Richards Bay Terminal

## Strategic Focus

- Multi-product mining
- Cross lease synergies
- Utilisation of Richards Bay entitlement
- Safety behaviour and fatality focus
- Health and community issues
- Cost management

# Hunter Valley, Australia



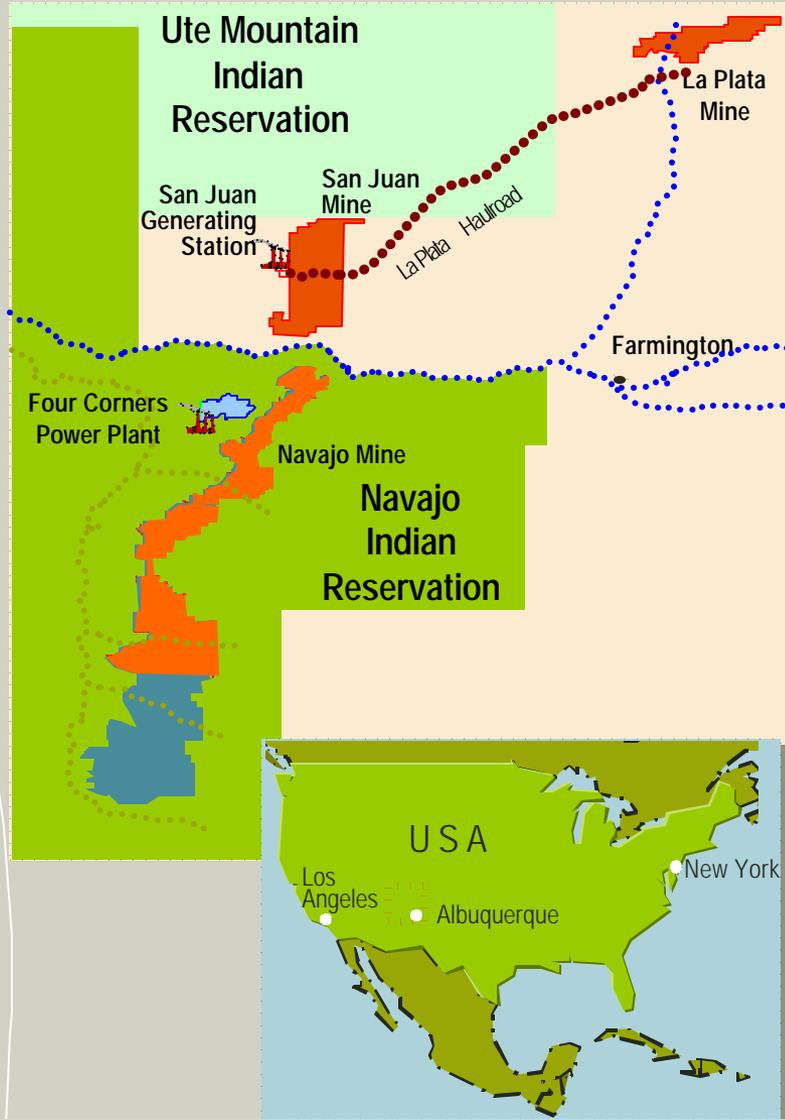
## Value Drivers

- Bayswater/Mount Arthur North integration
- Low cost supply into growth market
- Increasing production footprint
- Leverage domestic supply position

## Strategic Focus

- Deliver Mount Arthur North project
- Grow Asian market share
- Domestic and export mix

# New Mexico, US



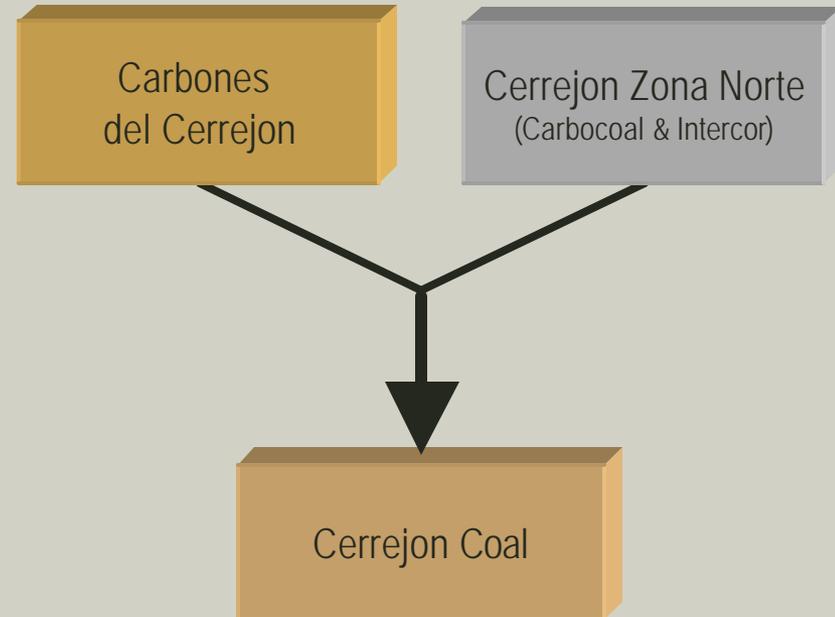
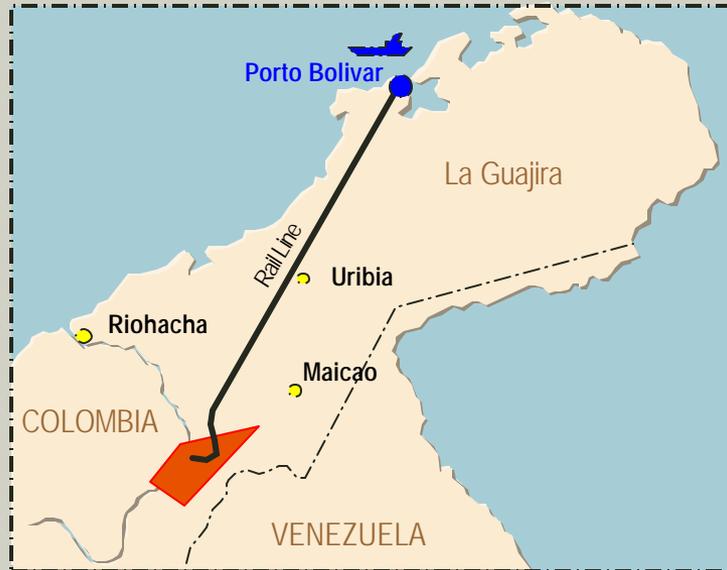
## Value Drivers

- Long term stable contracts
- Mine mouth generation
- Western regional electricity market position
- Resource (coal and water)
- Relationship with Navajo nation

## Strategic Focus

- Deliver San Juan Underground
- Pursue expansion opportunities
- Maintain customer competitiveness

# Colombia



## Value Drivers

- Unique positioning for US and Europe
- Significant and scalable operation
- Quality product
- Competitive cost

## Strategic Focus

- Integrate acquisitions
- Extract synergies
- US market

# Energy Coal financials

By David Lamont



**bhpbilliton**

# Earnings analysis

## EBIT by Asset

9 months to 31 March

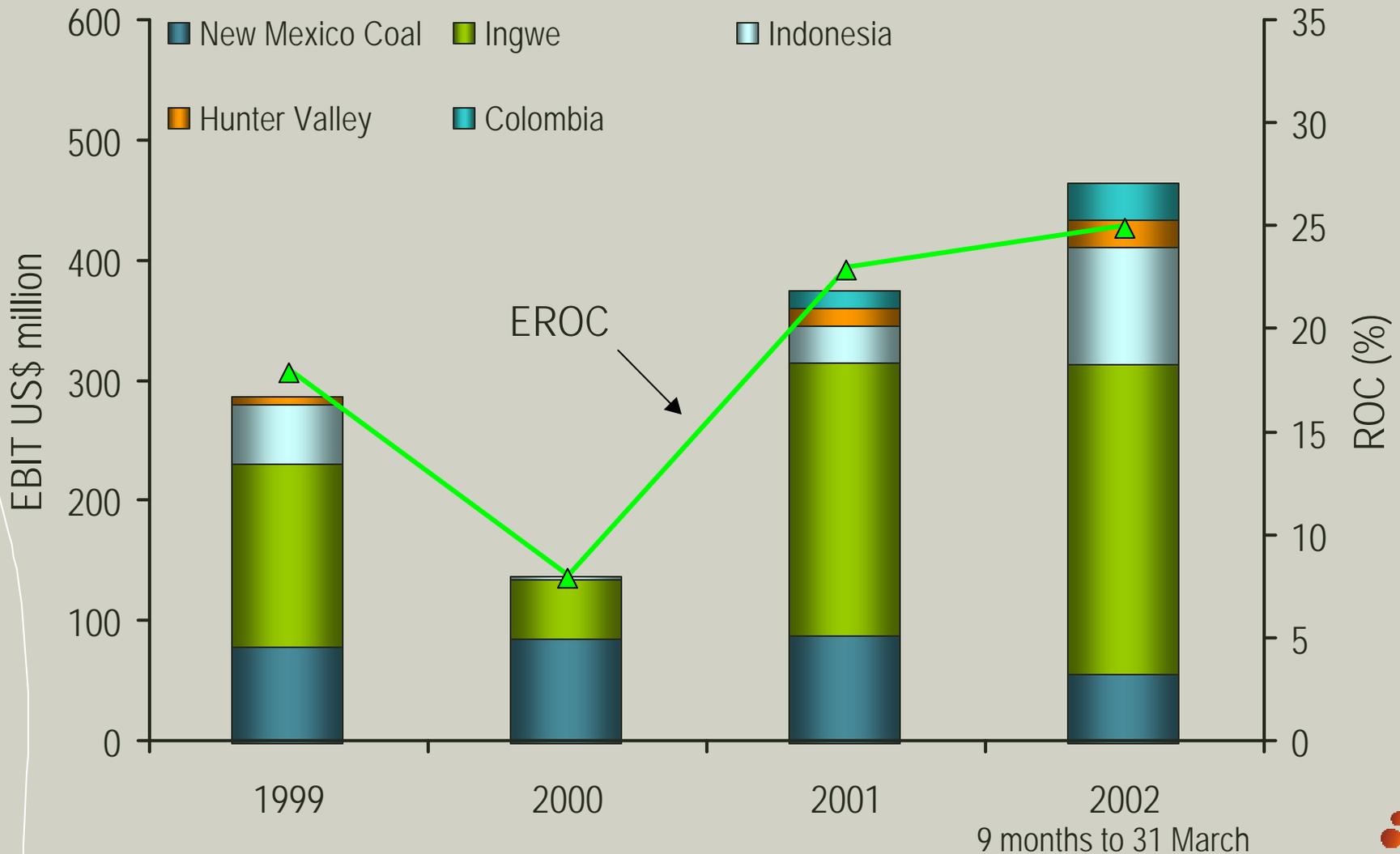


## EBIT by Driver

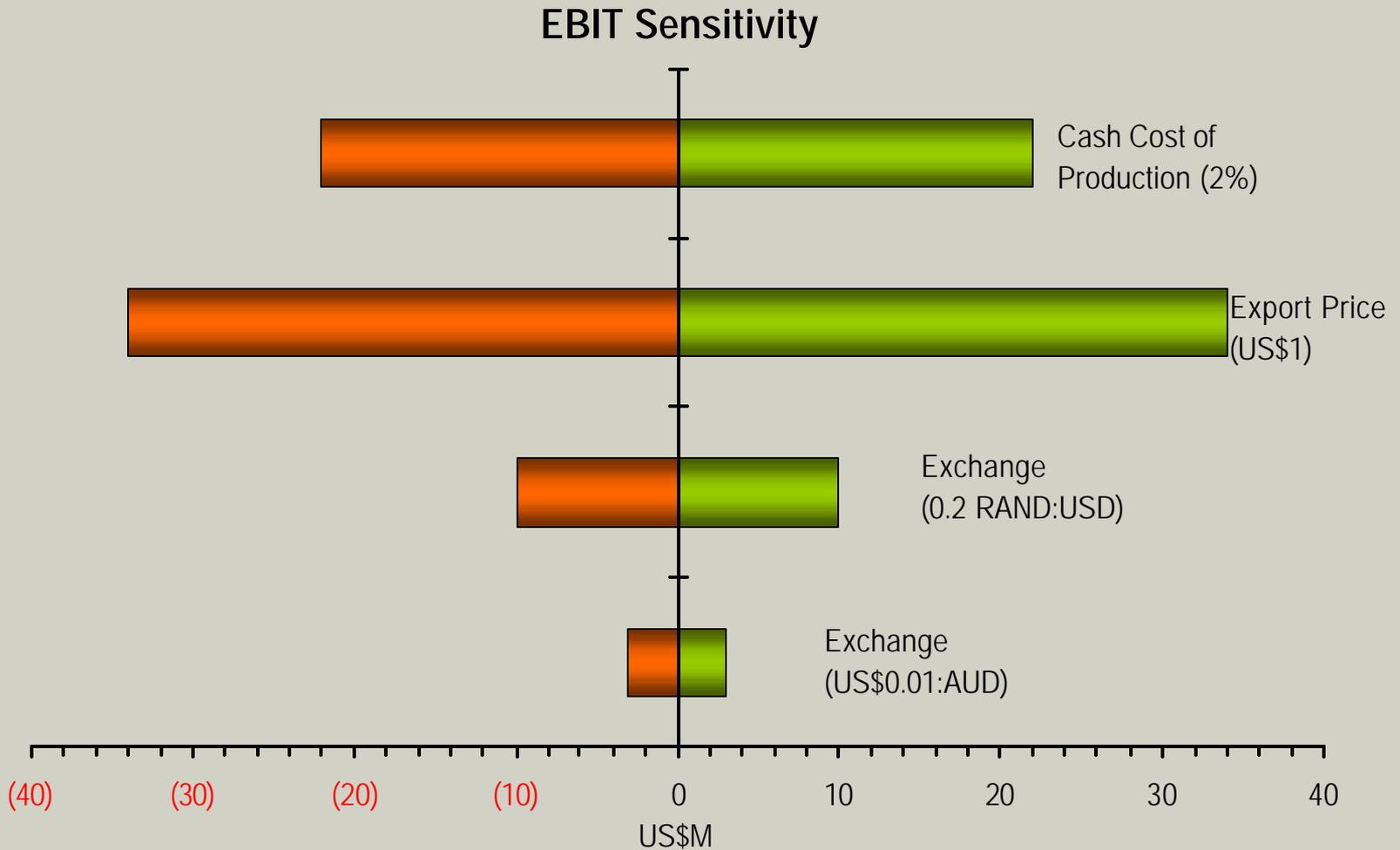
9 months to 31 March



# Substantial earnings improvement to date



# Sensitivities – FX and price impacts on EBIT



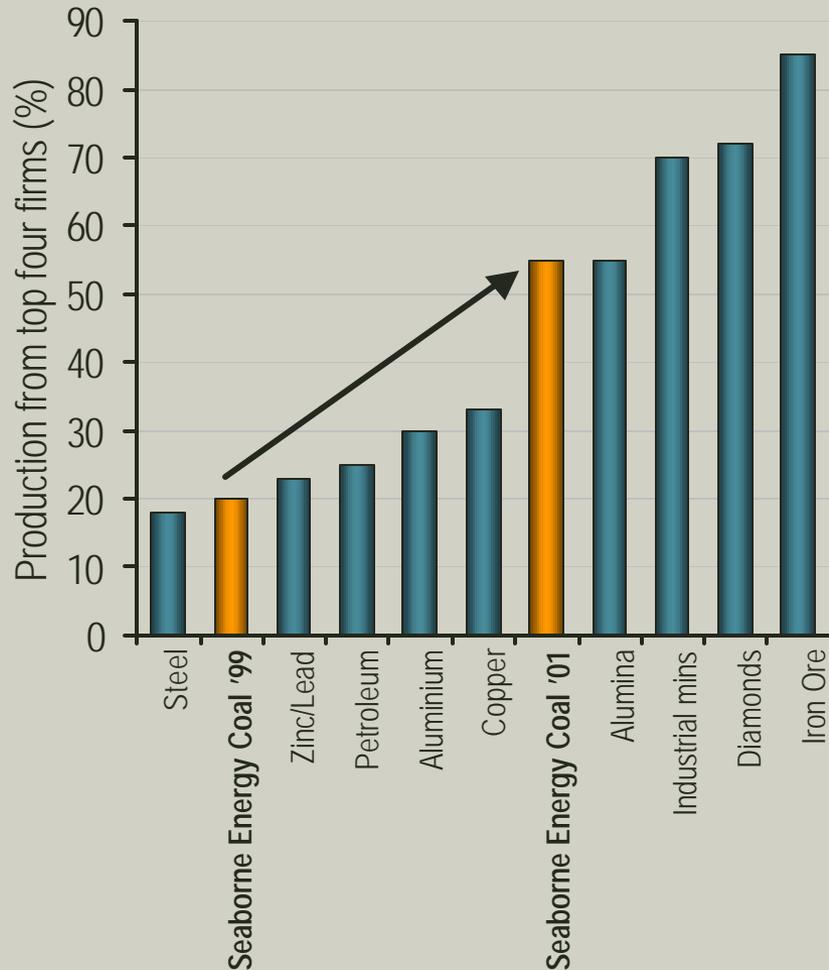
# Energy coal industry and growth

John Smith – Chief Development Officer



# Industry structure has significantly improved

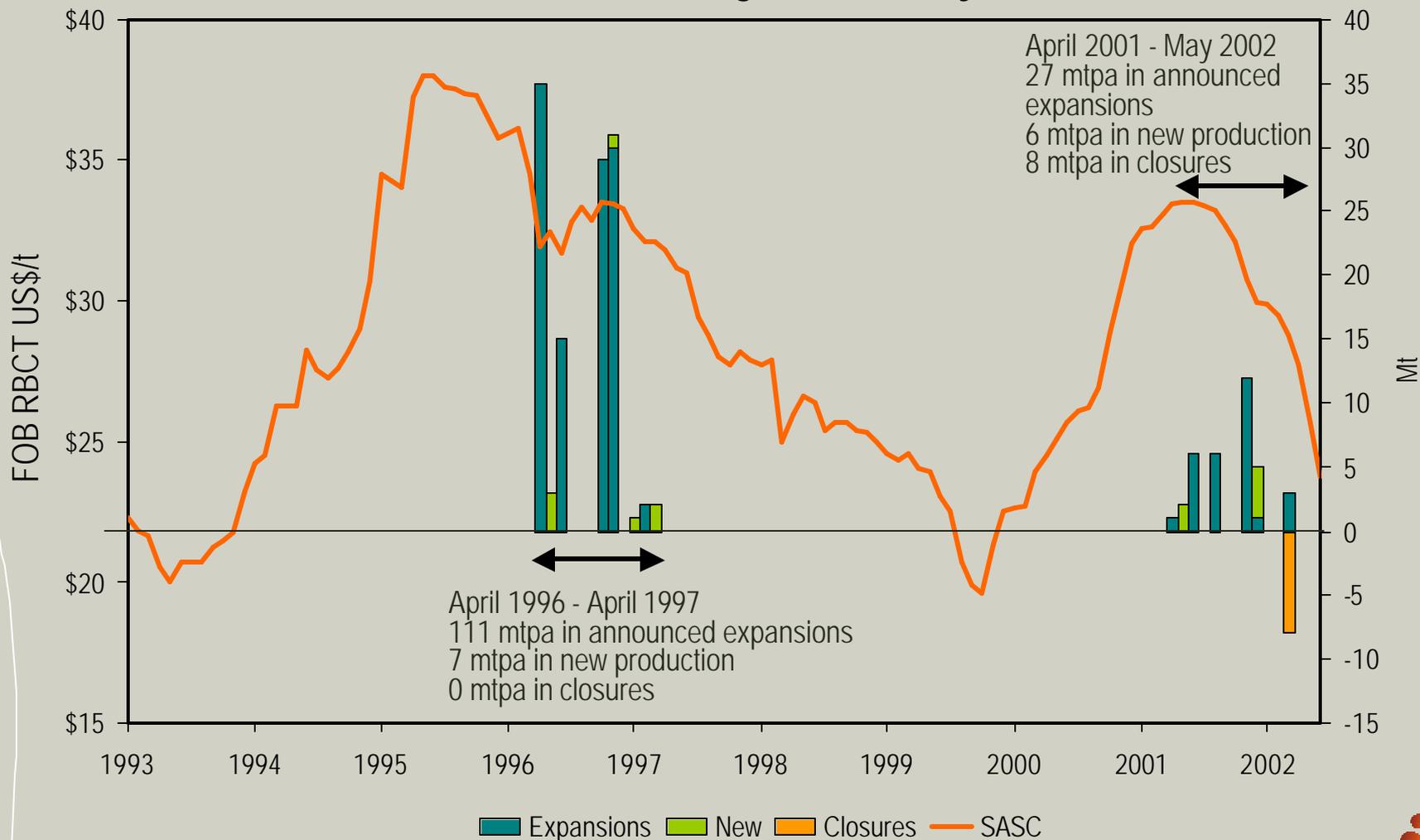
## Industry Consolidation Comparisons



- Producer gains
  - Economies of scale and efficiency
  - Cost structure change
  - Rational investment decisions
- Consumer gains
  - Price stability
  - Security of supply
  - Share of efficiency gains

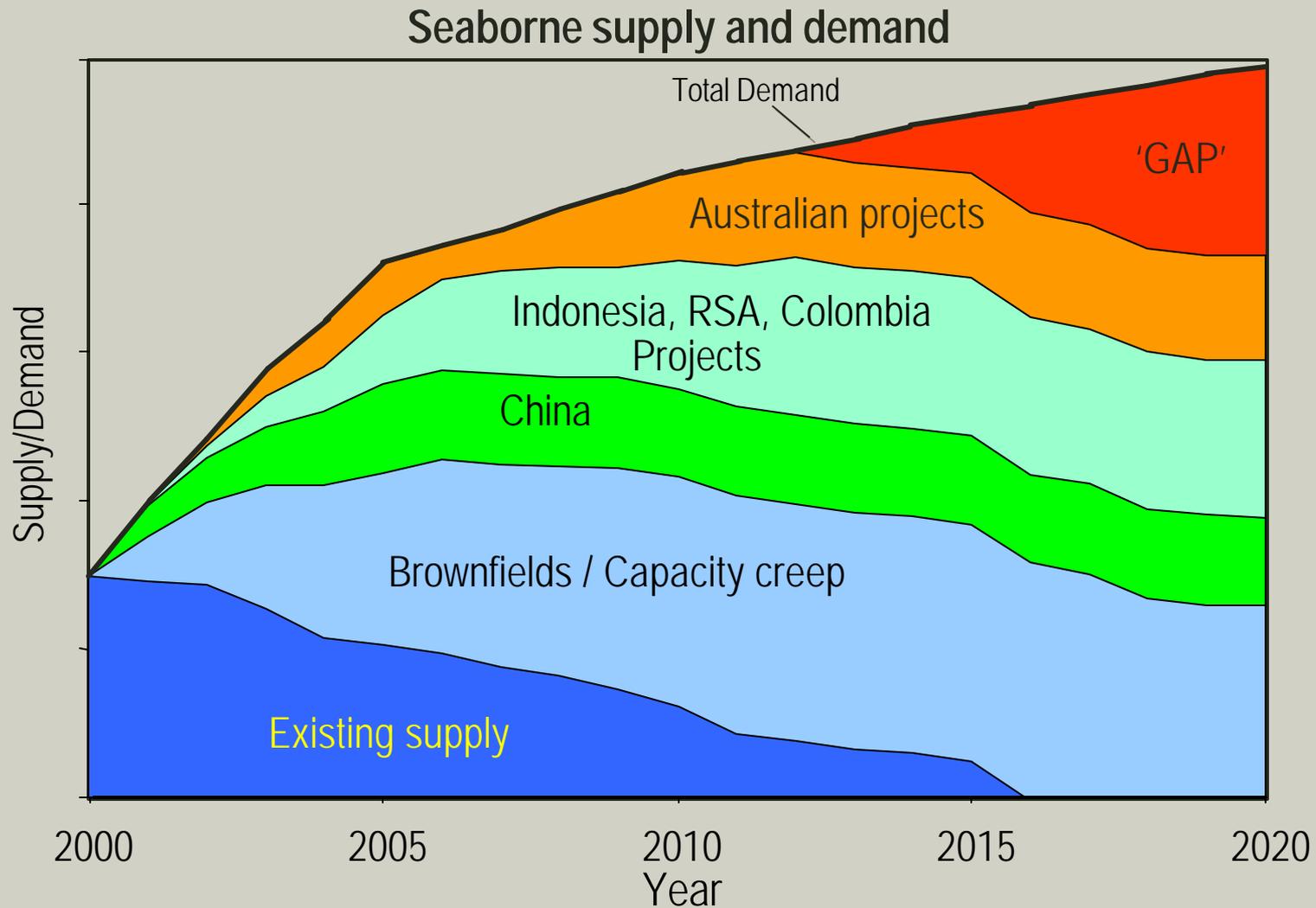
# Evidence of more rational supply side behaviour

## Announcements during downward cycle\*

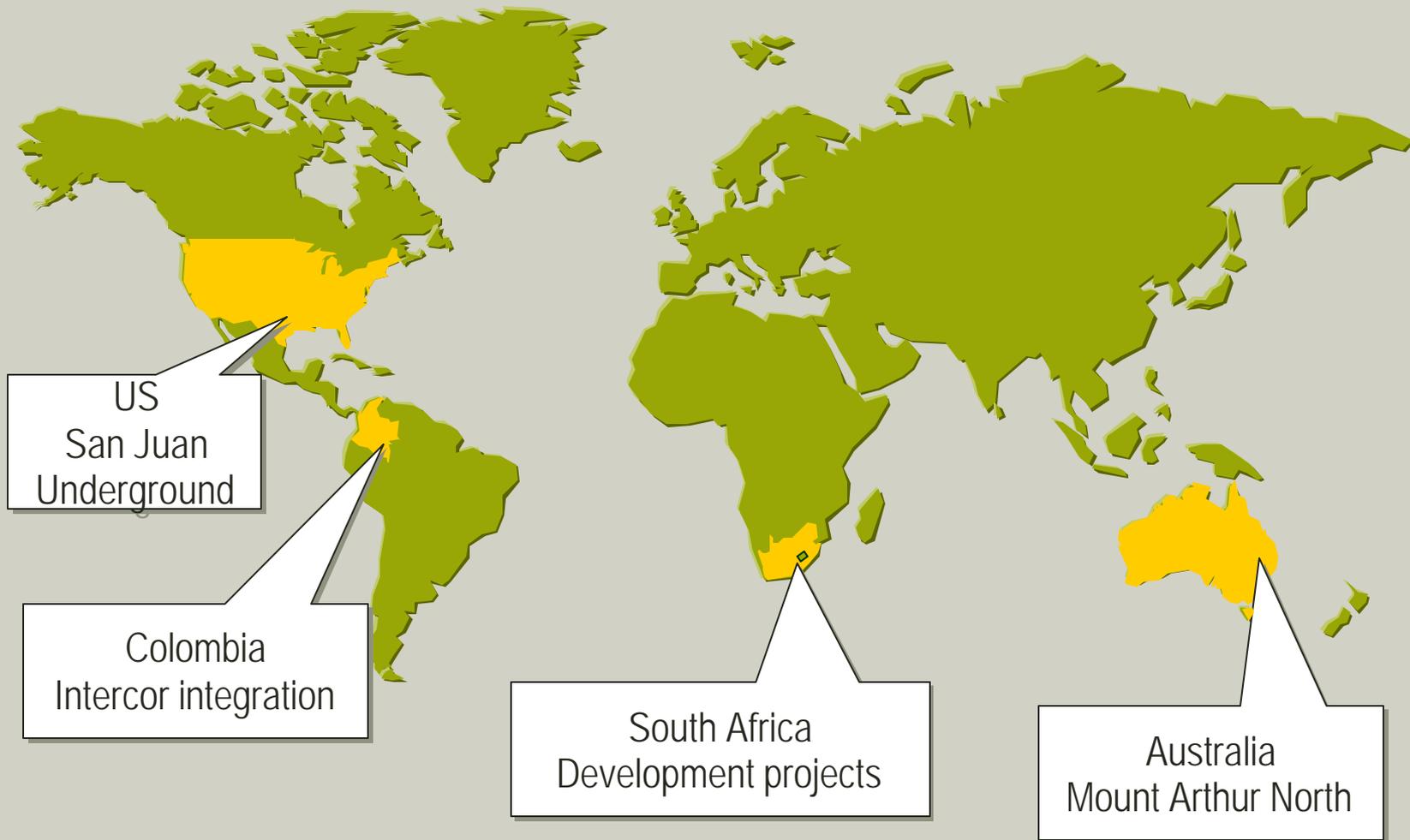


Source: \* AME Export Coal Outlook, Barlow Jonker Australian Coal Report, Barlow Jonker South African Coal Report

# World seaborne coal supply/demand balance

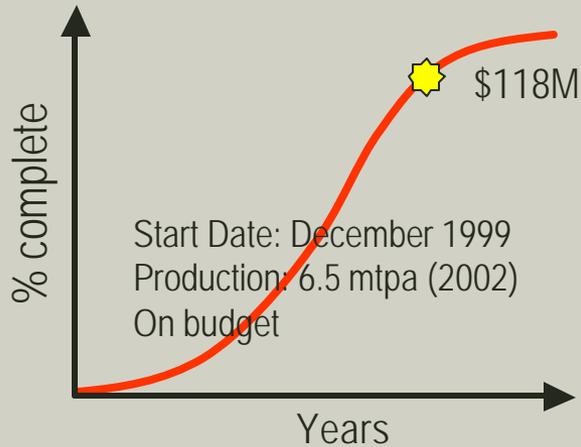


# Development projects update

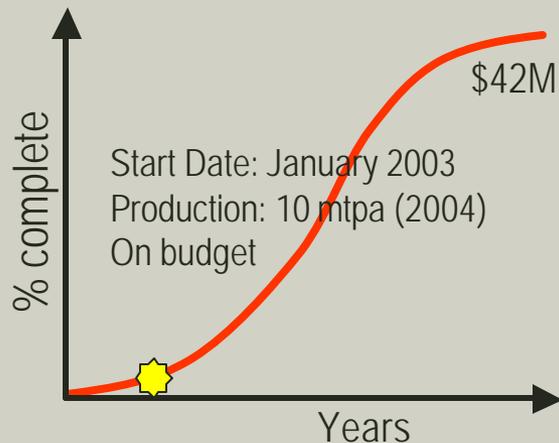


# Boschmanskrans & Kwagga, Ingwe, South Africa

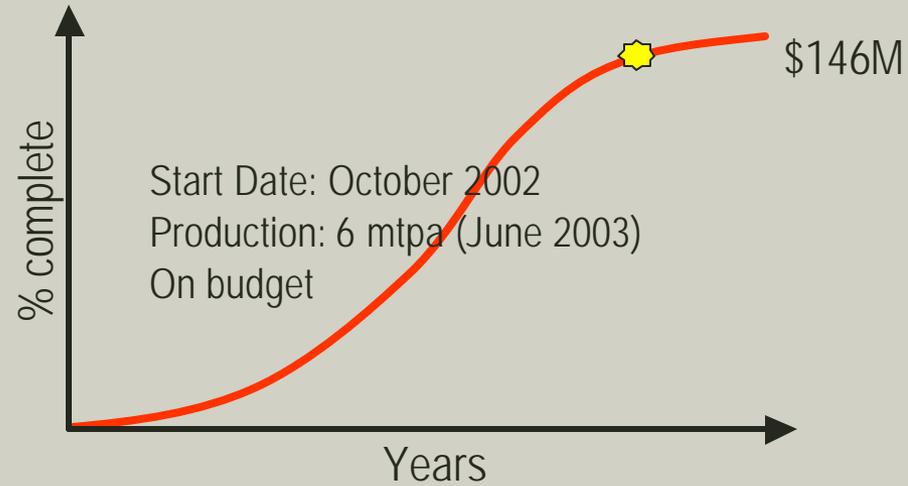
## Boschmanskrans



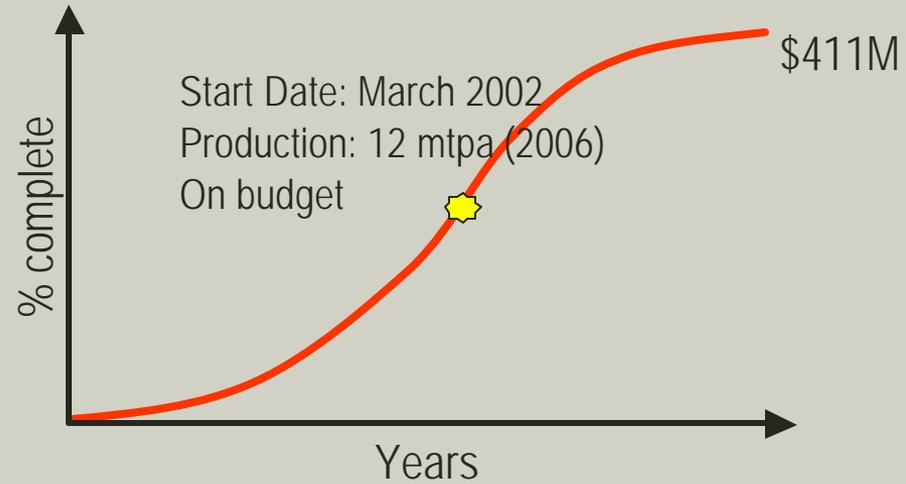
## Kwagga



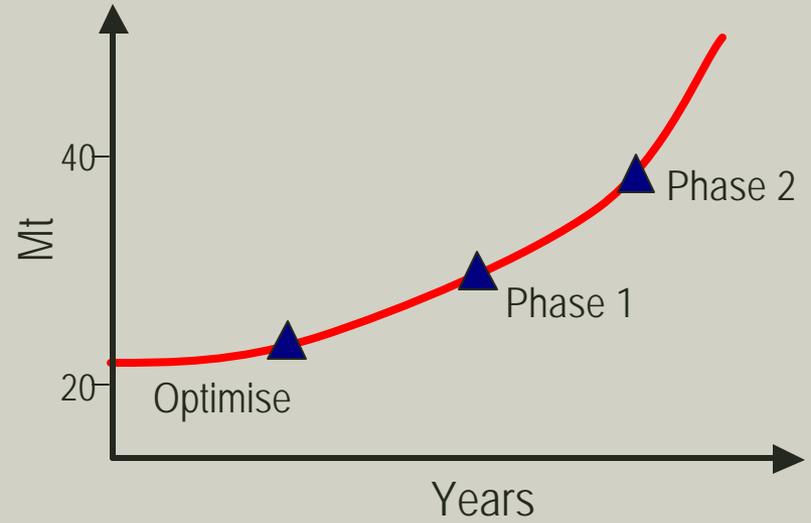
# San Juan Underground – New Mexico, US



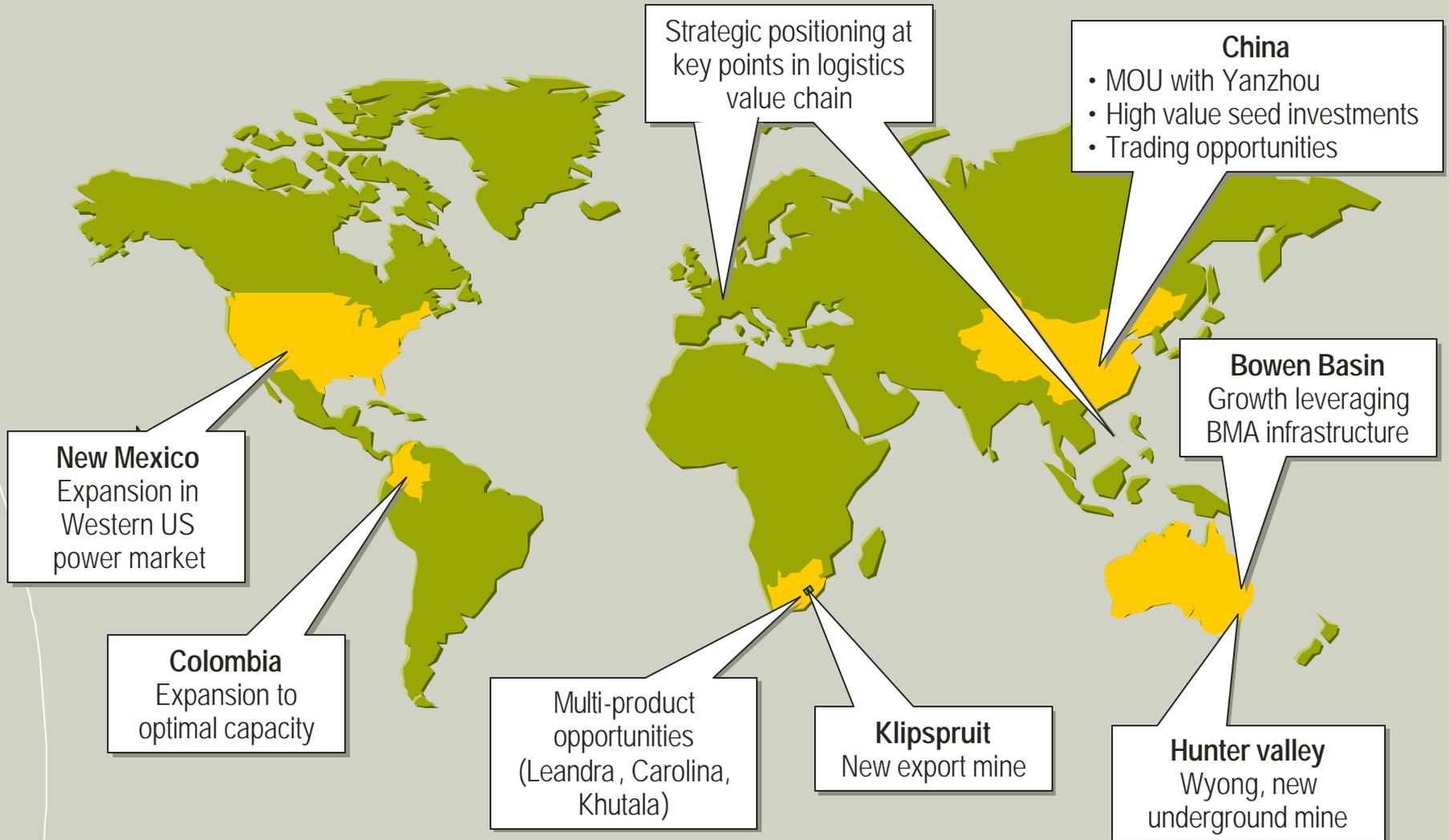
# Mount Arthur North - Hunter Valley, Australia



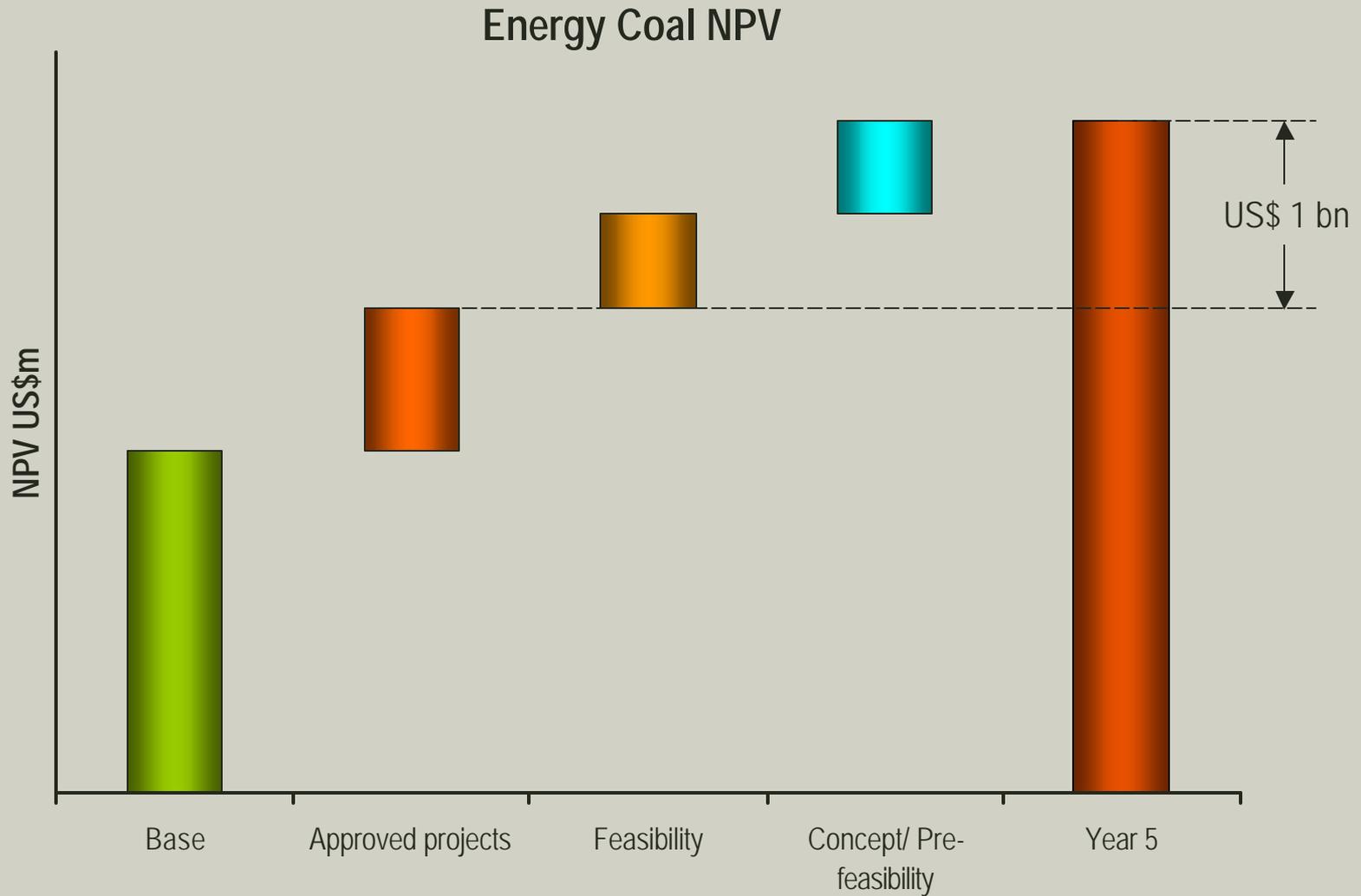
# Cerrejon Coal - Colombia



# Growth opportunities



# Project pipeline potential of \$1 billion



# Wrap up

- Unique platform for value delivery
- Market innovation critical
- Premier asset portfolio
- Focus on asset competitiveness & project delivery
- Strong market driven growth potential
- Organised for success

# Questions and Answers



Richards Bay Coal Terminal