Industry Consolidation

M&A Deals in 1997-2001:

- Oil & Gas: ~US$600 billion
- Mining and Metals: ~US$100 billion

Source: John S Herold M&A Database (Petroleum), Goldman Sachs (Minerals) , RMG Database, Bloomberg
In 1990 the top five companies accounted for less than 25% of total resource equity market value.

Market value of minerals industry: US$150 bn
Value of Top Five: US$36 bn
Top five companies account for around 50% of resource equity market value – double their share of 10 years ago

Market value of minerals industry    US$235 bn
Value of Top Five                             US$110 bn
Consolidation driving better share growth return for Top Four

Source: Datastream
A Global Footprint

- Stainless Steel
- Aluminium
- Carbon Steel
- Petroleum
- Energy Coal
- Base Metals
- Diamonds
Outstanding Diversification

**By Commodity**
Customer Sector Group EBIT:

- Carbon Steel Materials: 30%
- Petroleum: 29%
- Energy Coal: 15%
- Coal: 13%
- Aluminium: 7%
- Diamonds & Spec. Prod.: 6%
- Base Metals: 13%
- Stainless Steel Materials: 2%

**By Geography**
Net Operating Assets:

- South America: 34%
- Australia: 33%
- Southern Africa: 20%
- North America: 8%
- Rest of World: 5%

**By Market**
Sales:

- Europe: 28%
- Other Asia: 11%
- North America: 29%
- Japan: 15%
- Rest of World: 14%

Data for FY2002 (continuing operations)
Diversified Portfolio Reduces Overall Cash Flow at Risk

Undiversified Cash Flow at Risk

- WTI
- Copper
- Aluminium
- AUD:USD
- Energy Coal - RBM
- Nickel
- Interest Rates
- ZAR:USD
- Metallurgical Coal
- Freight Rates
- Fuel
- Ferro Chrome
- Iron Ore
- Energy Coal
- Henry Hub Gas
- LPG
- HBI
- Diamonds
- LNG
- Ferro Manganese
- Silver
- Zinc
- Manganese Ore
- Lead
- Alumina
- BHP Billiton
Diversified Portfolio Reduces Overall Cash Flow at Risk

Q4 FY02 Cashflow
Applying Historical Price Changes

Cashflow (US$ millions)

- Lead up to Gulf War
- Aftermath of Gulf War, Global recession
- Cyclical peak in GDP & Industrial Production
- Hamanaka induced fall in copper prices
- Opec dominance
- Asia Crisis, Russian debt default, $10 oil
- US and Japanese recession, September 11

Applying historical price changes
Q4 FY02 Actuals
Indices comprise: (1) BHP Billiton, Rio Tinto and Anglo American; (2) Alcoa, Alcan and Pechiney; (3) Phelps Dodge, Grupo Mexico, and KGHM; (4) Inco, Falconbridge and Eramet. All indices adjusted for market cap weights.

Source: Bloomberg
Pyramid Of Opportunity

Incremental Value Added

M&A

Bolt-on Acq.

Growth Pipeline

Cost Savings

Low Cost, High Quality Assets
“Secular v Cyclical”

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

Morgan Stanley - 27 May 2002

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

Morgan Stanley - 25 July 2002
The Case For Re-rating?

Total Shareholder Returns – 1999-2002

Source: Datastream
Shareholder Returns Not Reflected In The Market Rating

Price-Earnings Ratios – 1999-2002

Source: Datastream