

# “Stormproofing” the business

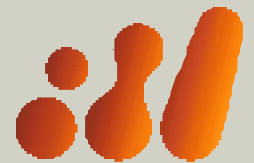
- driving step change improvement in our key assets

Mike Oppenheimer

President Energy Coal

July 25, 2003

Sydney



**bhpbilliton**

# BHP Billiton Energy Coal CSG

The theme of our JB Were conference paper last year;  
'Are good assets enough?'

"Market led"  
approach required

=

World class  
asset portfolio  
+  
"Market driven"  
mindset

# What are world class assets?

## Attributes

- Low delivered cost – quality adjusted
- High margin
- Positive margin throughout commodity cycle
- Long life, sustainable position
- Meets customer needs
- Healthy and safe for workers and community
- Minimised impact on environment
- Integrated with local community
- Contributes to social and economic development

AND

Profits resilient to materially adverse external environment

# The 'Perfect Storm': South Africa Q1 2003

**Appreciating  
Rand**

**Minerals Bill**

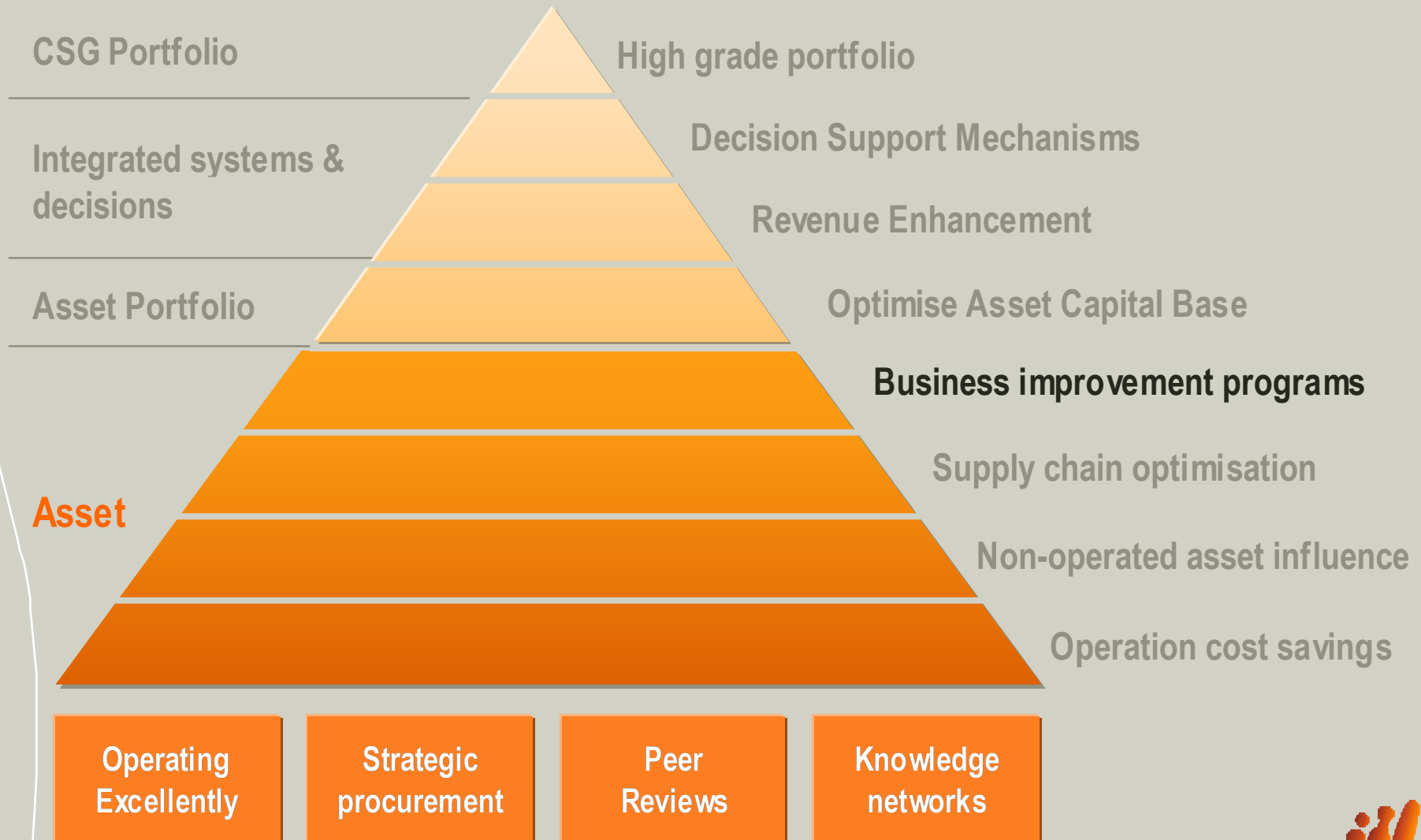
**Money Bill**

**Inflation**

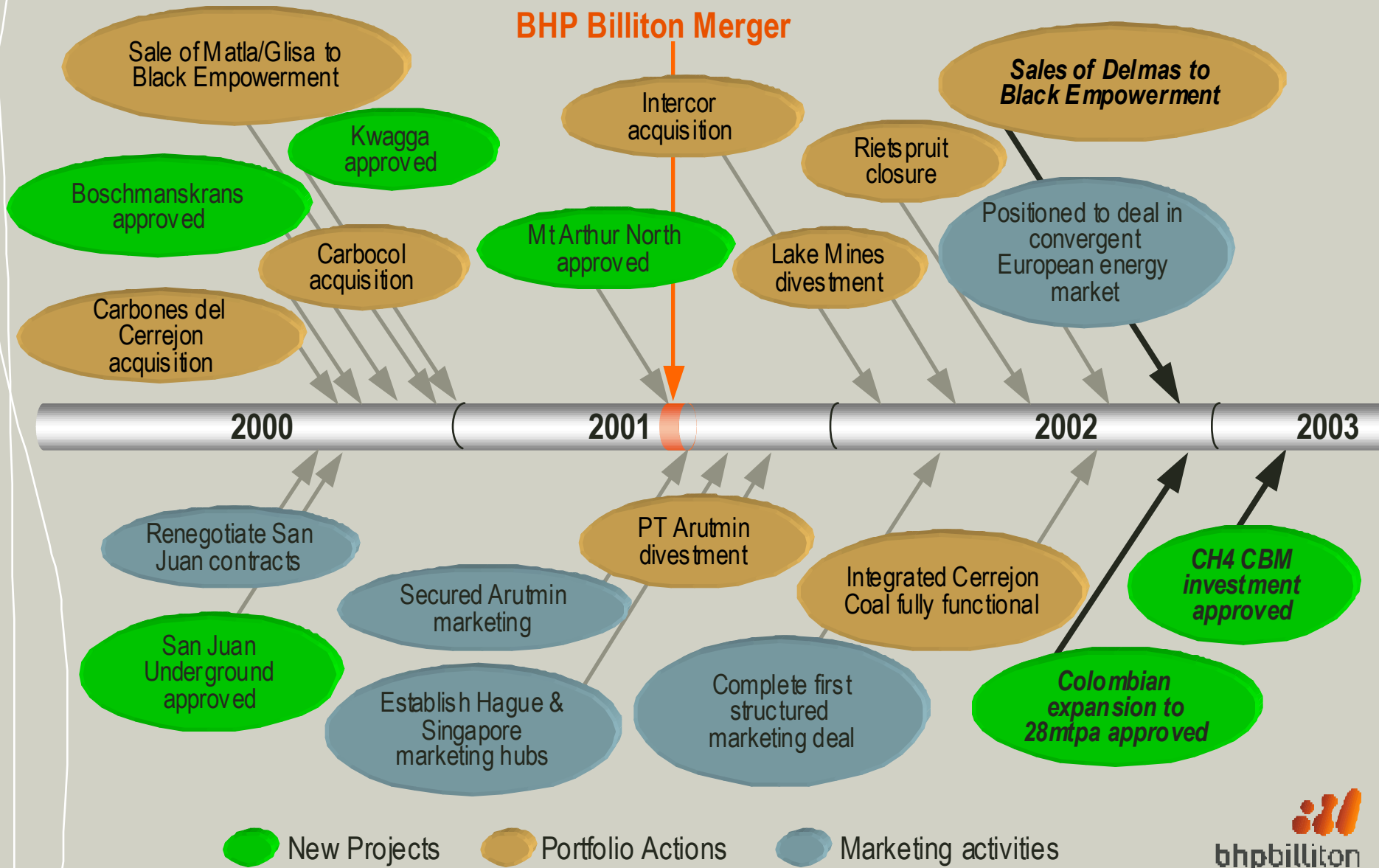
**Volatile export  
prices**

**Socio-economic  
pressures**

# Energy Coal CSG: Integrated process to drive value



# Portfolio actions to build long term performance



# We have delivered the projects

## San Juan underground

- Total capital US\$146m
- Longwall start up in October 2002, on time, under budget
- Ramp up on track

## Boschmanskrans

- Total capital US\$118m
- First coal Dec 1999, on time, on budget
- Reached full production in 2002

## Mount Arthur North

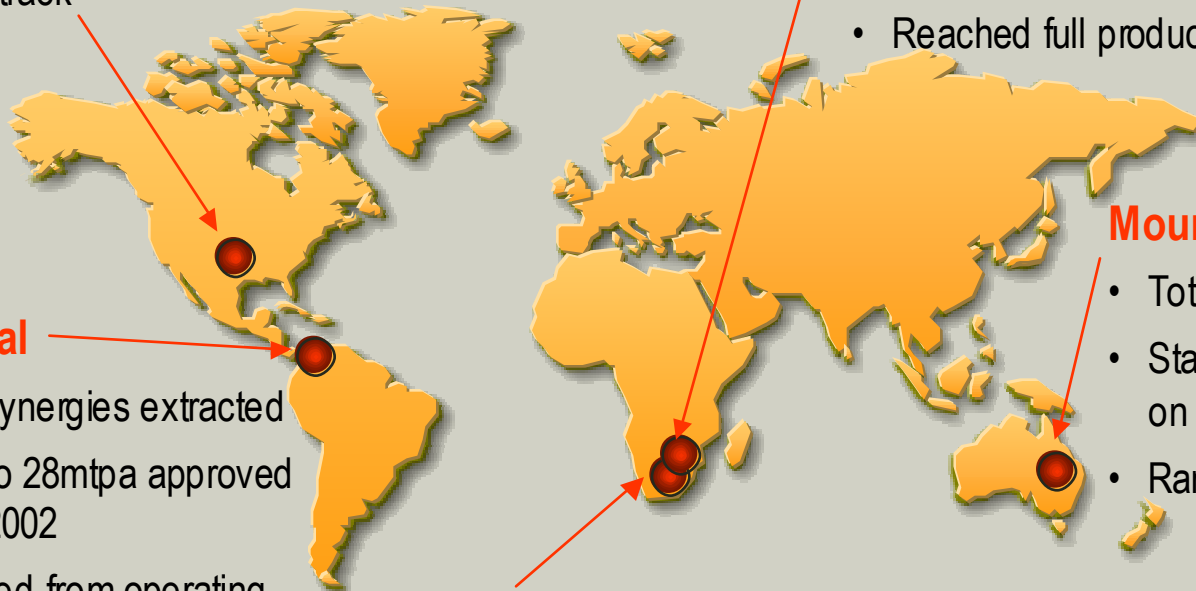
- Total capital US\$411m
- Start up in March 2002, on time, on budget
- Ramp up on track

## Cerrejon Coal

- Significant synergies extracted
- Expansion to 28mtpa approved in October 2002
- Capital funded from operating cashflow
- Ramp up on track

## Kwagga

- Total capital US\$40m
- First coal January 2003, on time, on budget
- Ramp up on track



# Moving asset performance to the next level

- **Setting performance targets for assets in face of adverse external environment**
- **All assets undergoing performance improvement projects**
- **South Africa and Colombia major focus**



# South Africa Ingwe – Our key asset



# Our South African assets face diverse issues

- **Macroeconomic**

- Short term: Appreciating Rand, slowing but relatively high inflation
- Long term: Depreciating Rand, low inflation targets

- **Market**

- Volatile export prices

- **Political**

- Minerals Bill/Black Empowerment Charter
  - In 5 years – 15% HDSA ownership, 40% HDSA management
  - In 10 years – 26% HDSA ownership
- Money Bill
  - Royalty; 2% for export, 1% for 'low-grade' domestic, tax deductible expense


- **Social**

- Attitudes to health and safety
- HIV/AIDS
- Expectations of rising living standards



# Organisation transformation required

- **Poor safety performance crystallised need for change**
  - Embarked on safety transformation
  - Significant overall safety performance improvement
  - Demonstrated ability of management and workforce to embrace transformational change
- **Leadership enhancement**
  - Built commercial capability of management team
  - Higher proportion of HDSAs

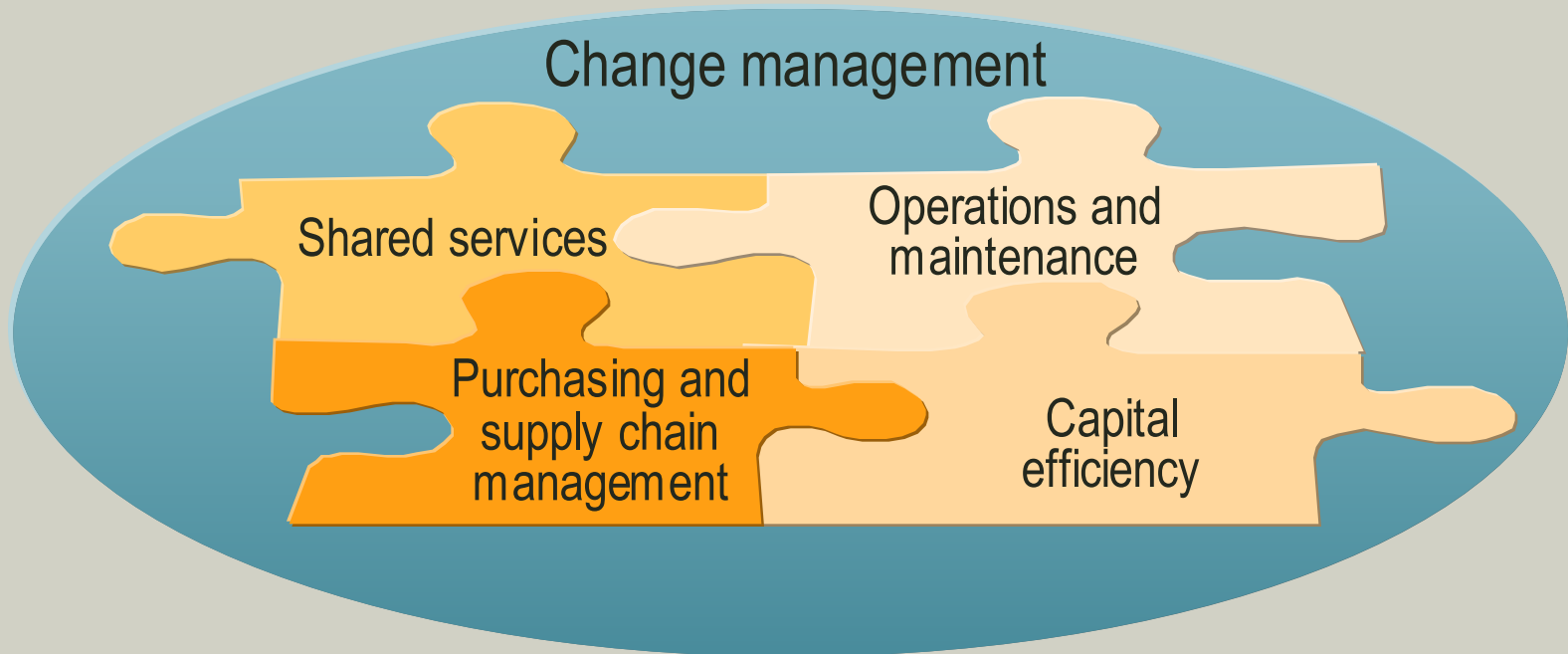


Now ready to launch a step change program to  
move to next level of performance

***Phenduka***

# What is Phenduka?

Phenduka is a cost reduction and business improvement project



Deliver acceptable returns to shareholder throughout the cycle

# Proactive South African Minerals Bill strategy

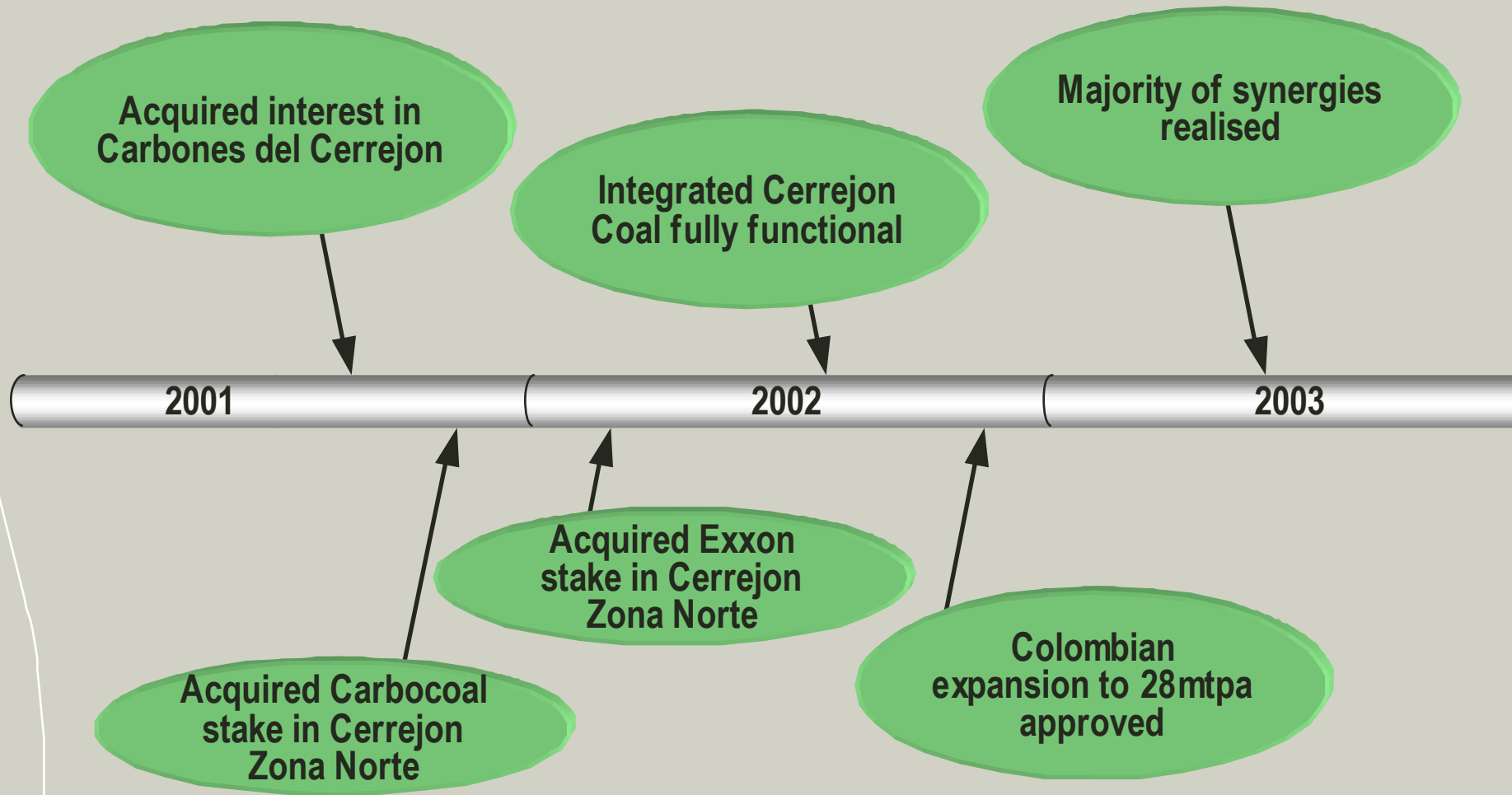
- **Pro-active approach to conversion, bilateral “leadership” with Government**
  - Recognition of existing equity transfer credits (Eyesizwe, Delmas)
  - Ongoing advisory and consulting services to BEE owners of divested assets
  - Working actively with Government on interpretation and application
  - Engaged with Government on conversion process to New Order Rights
- **Proactive organisational and structural change in Ingwe**
  - HDSAs now represented at senior management level
  - HDSAs employment growing overall
- **Ongoing development of HDSA procurement to meet target**
  - BEE companies providing wide range of goods and services
- **Building on our relationship with local communities**
  - Contribute 1% of profit to community development initiatives
  - Committed to provide education to employees and outside community

# Colombia

## Cerrejon Coal – A world class business



# Staged Cerrejon investment required integration



# Integration completed and synergies delivered

- **Physically integrated operations without production disruption**
- **Streamlined, independent, Colombian management team**
- **Captured synergies**
  - Reduced corporate and marketing costs
  - Optimised combined mine plan
  - Combined and reduced maintenance and support services
- **Implemented more capital efficient expansion option**
- **Capable of expansion in response to market growth**
- **Competitive into both European and US markets**



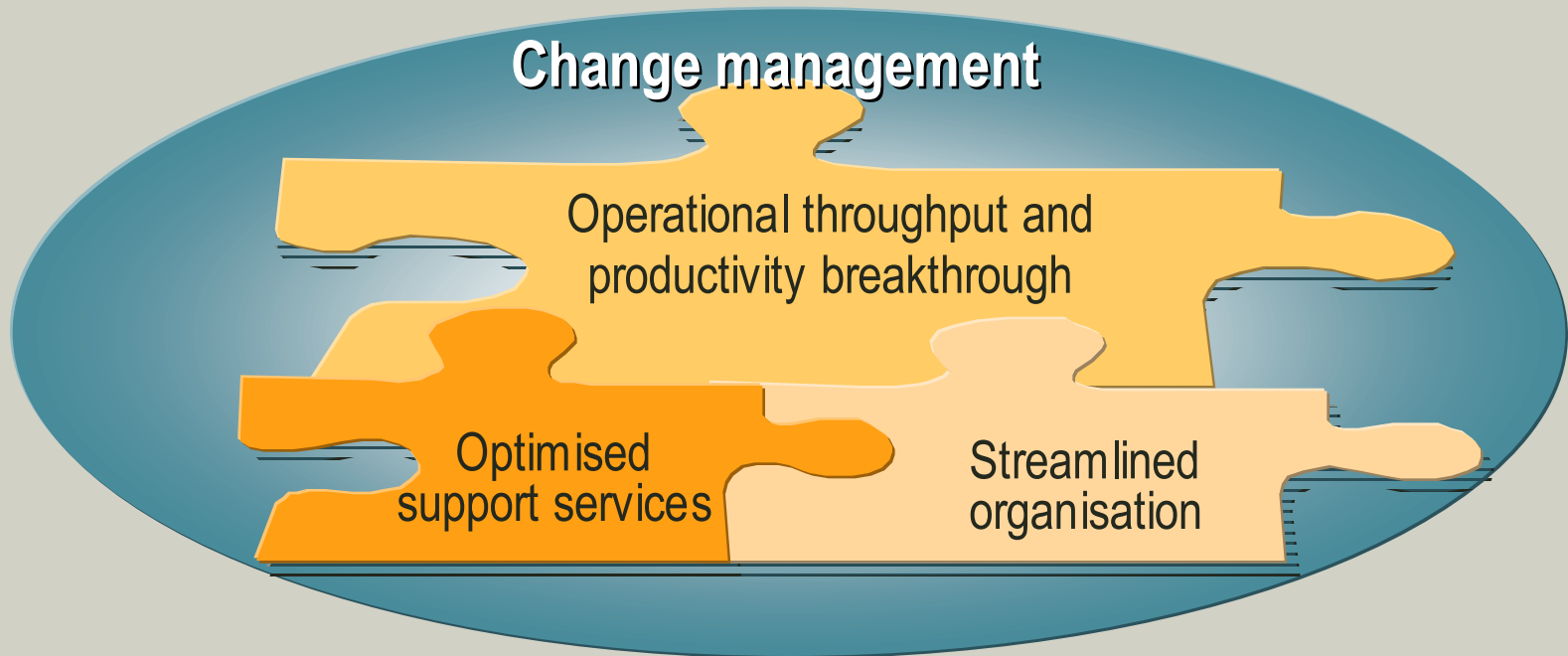
**Building on integration and synergy capture with  
a step change program**

*Crecer*



# What is Crecer?

Crecer is a cost reduction and business improvement project



**Deliver Cerrejon Coal's full performance potential**

# Wrap up

**World class assets exposed to an adverse external environment**

**Moving asset performance to the next level**

**Undertaking structural change in our key assets**

**Ensure profits resilient to materially adverse external environment**



**“Stormproofing” key assets**