

BHP Billiton Marketing

Presentation to investors

10 July 2003



Introduction

Presentation to Investors

Marius Kloppers – Chief Marketing Officer



Presentation to investors

- Outstanding assets
- Growth from deep inventory of projects
- Customer centric marketing
- The portofolio effect
- The petroleum CSG
- Innovation

Topics

- Marketing Organisation and Scope - Michael McMullen
- Marketing Systems - Peter McLure
- Measurement, Risk Management & Governance - Tommy Schutte
- Energy Coal In Liberalising European Energy Market - Jon Dudas
- Carbon Steel Materials In China - Andrew Offen

Marketing Organisation and Scope

Presentation to Investors

Michael McMullen – Manager Human Resources Marketing

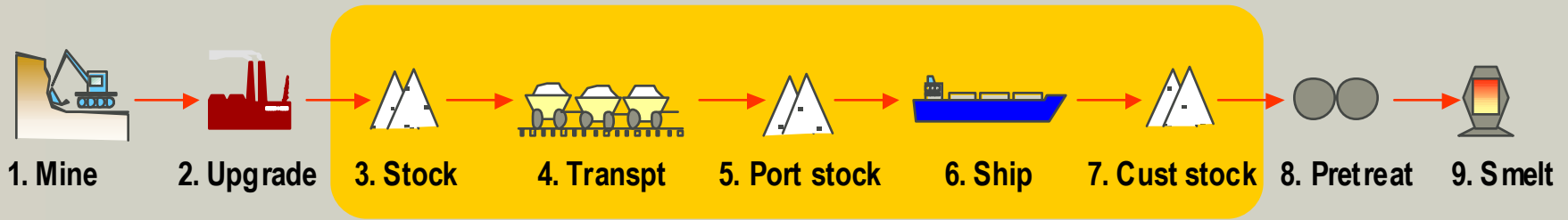


Marketing aims at increasing BHP Billiton's margins

The objective of the marketing group is to:

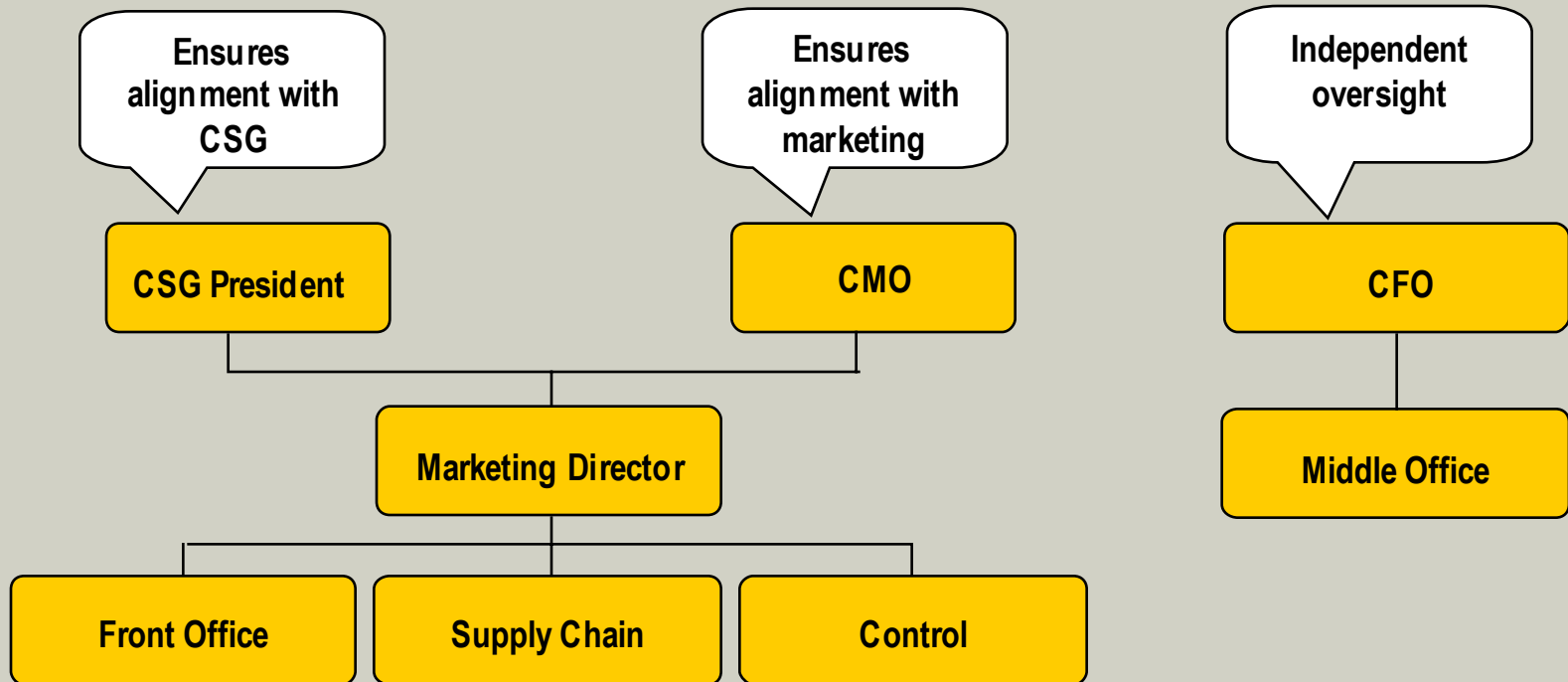
- Sell more product
- At higher average profit margins
- By better meeting the needs of our customers

Marketing spans finished product to customer

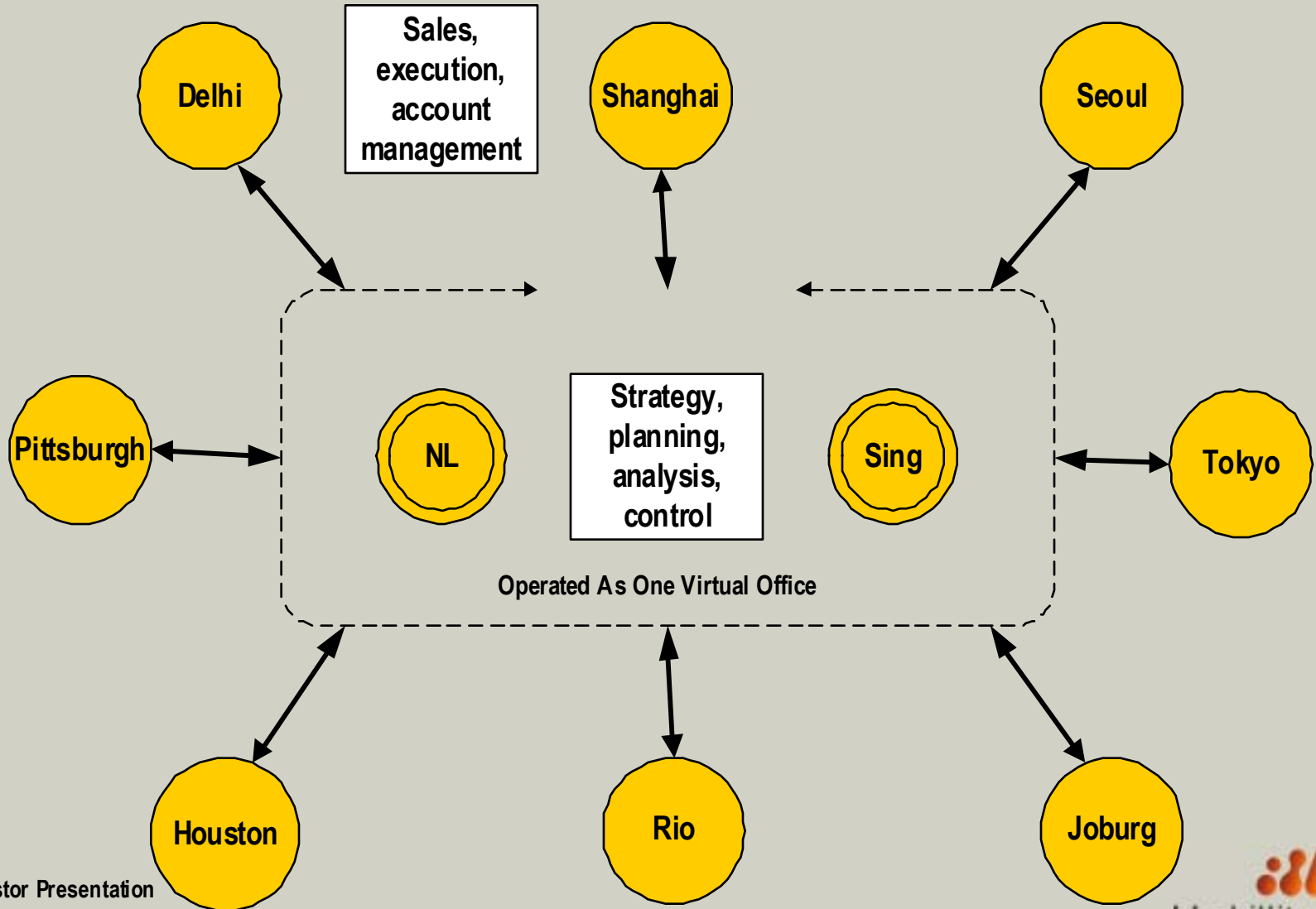


- Marketing spans final product through to customers
- Managing the product pipeline of finished product/stock
- Key interface with customer
- Managing group revenue
- Managing the majority of BHP Billiton working capital

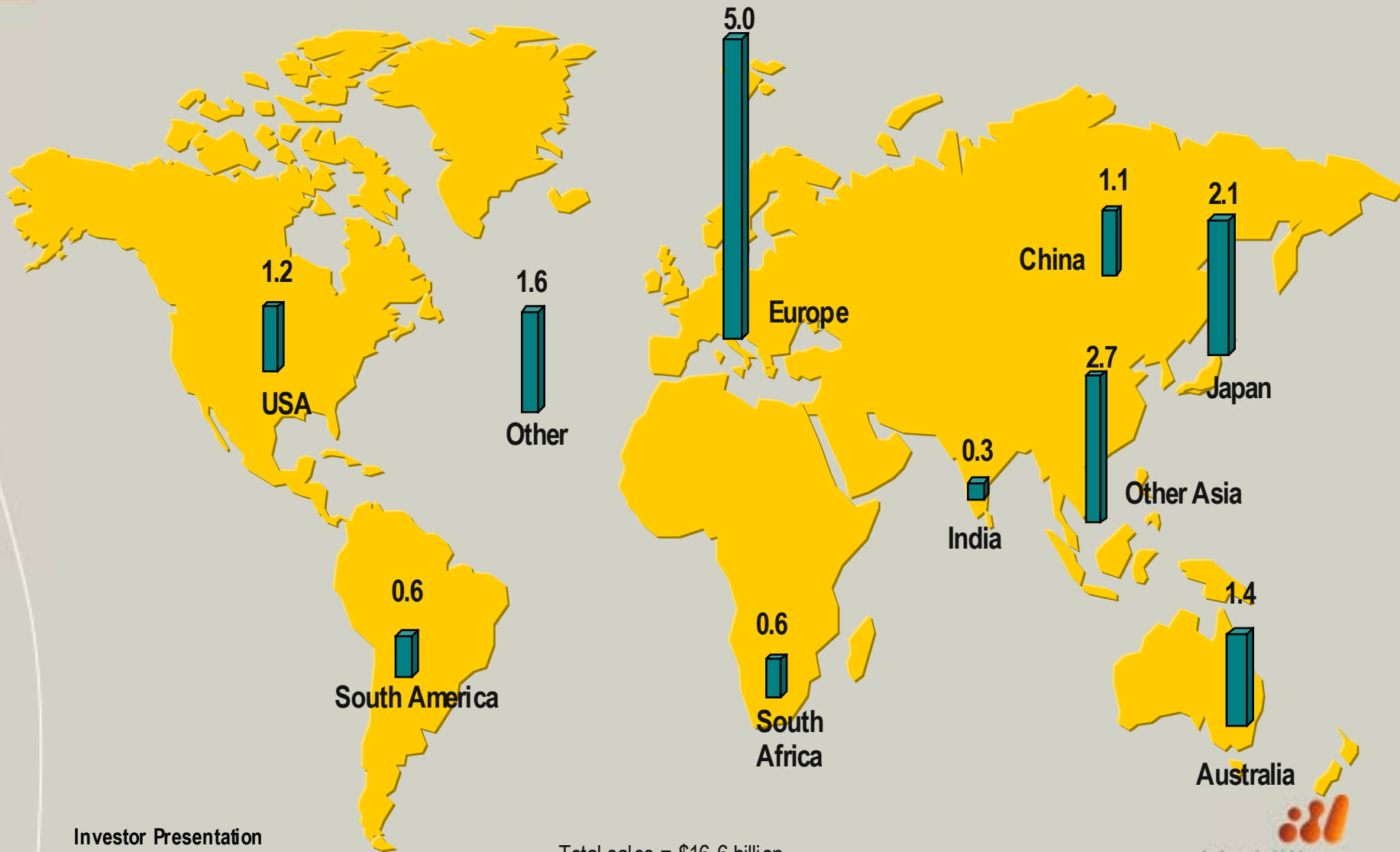
Each marketing unit reports to a CSG and marketing in a matrix structure



Marketing is organised as two “hubs” operated as a single virtual office, with network offices forming “spokes”



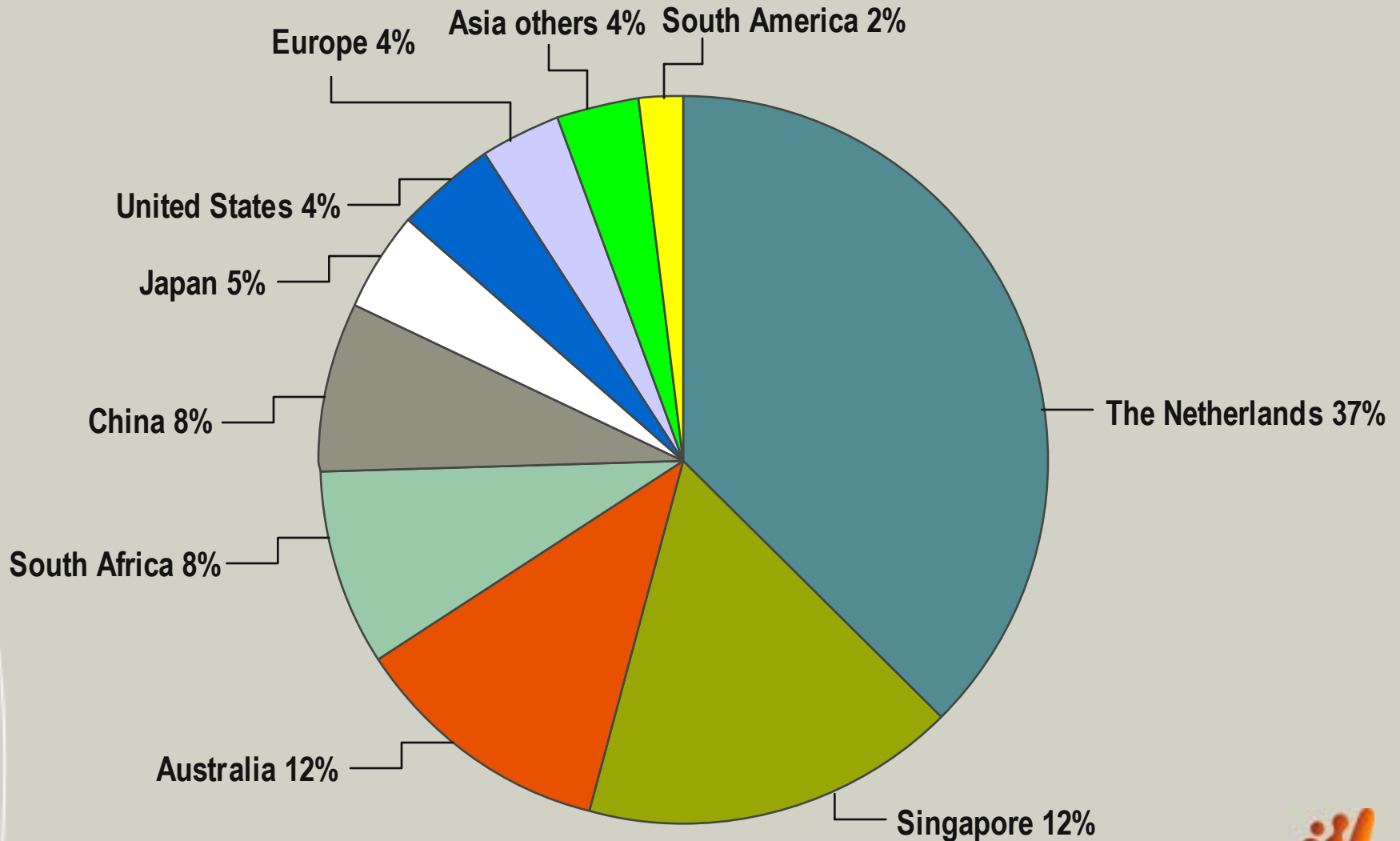
Sales are predominantly from operations in the southern hemisphere to customers in the northern hemisphere



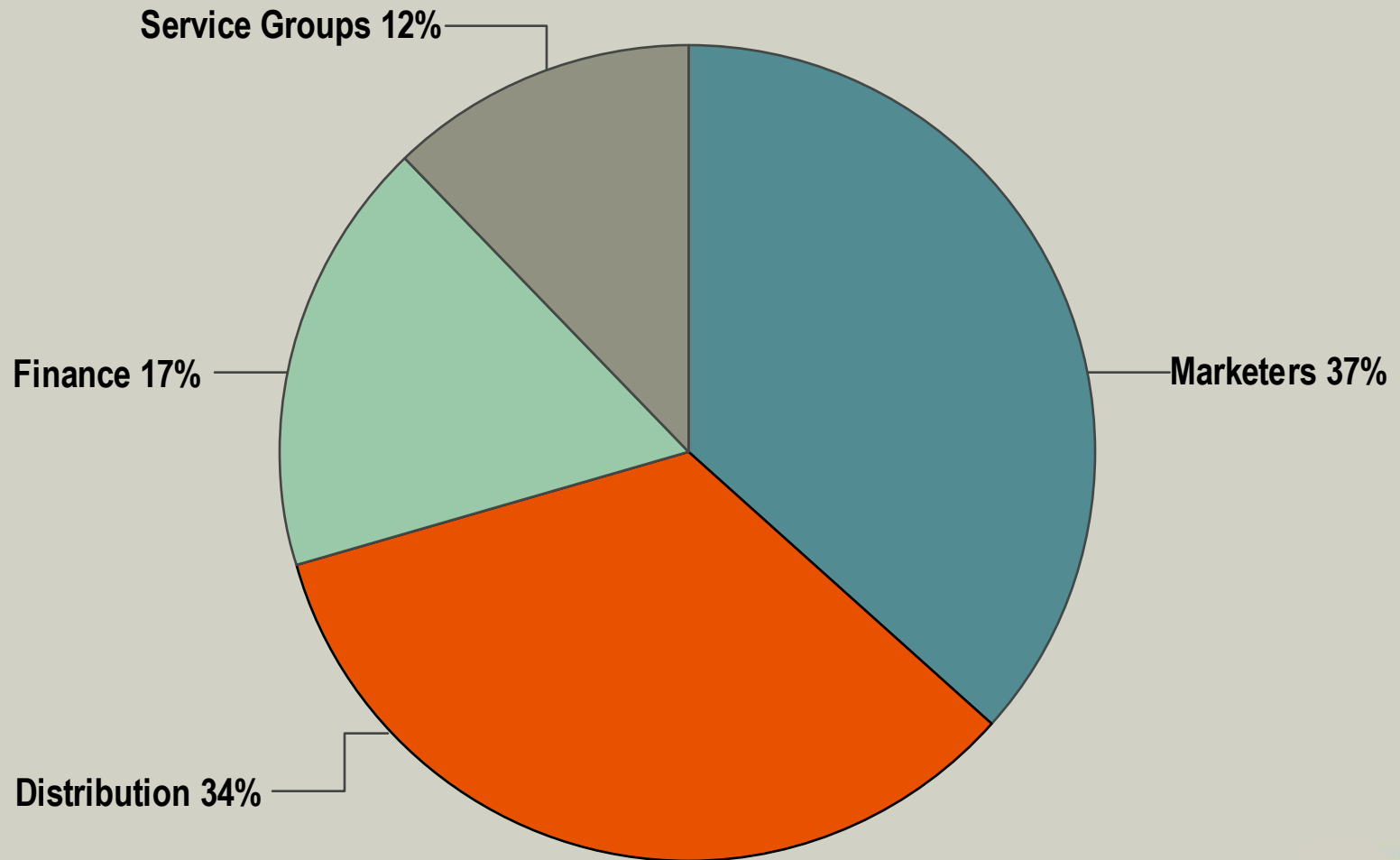
Total sales = \$16.6 billion

Numbers are excluding diamonds, inclusive of 100% of marketed JVs

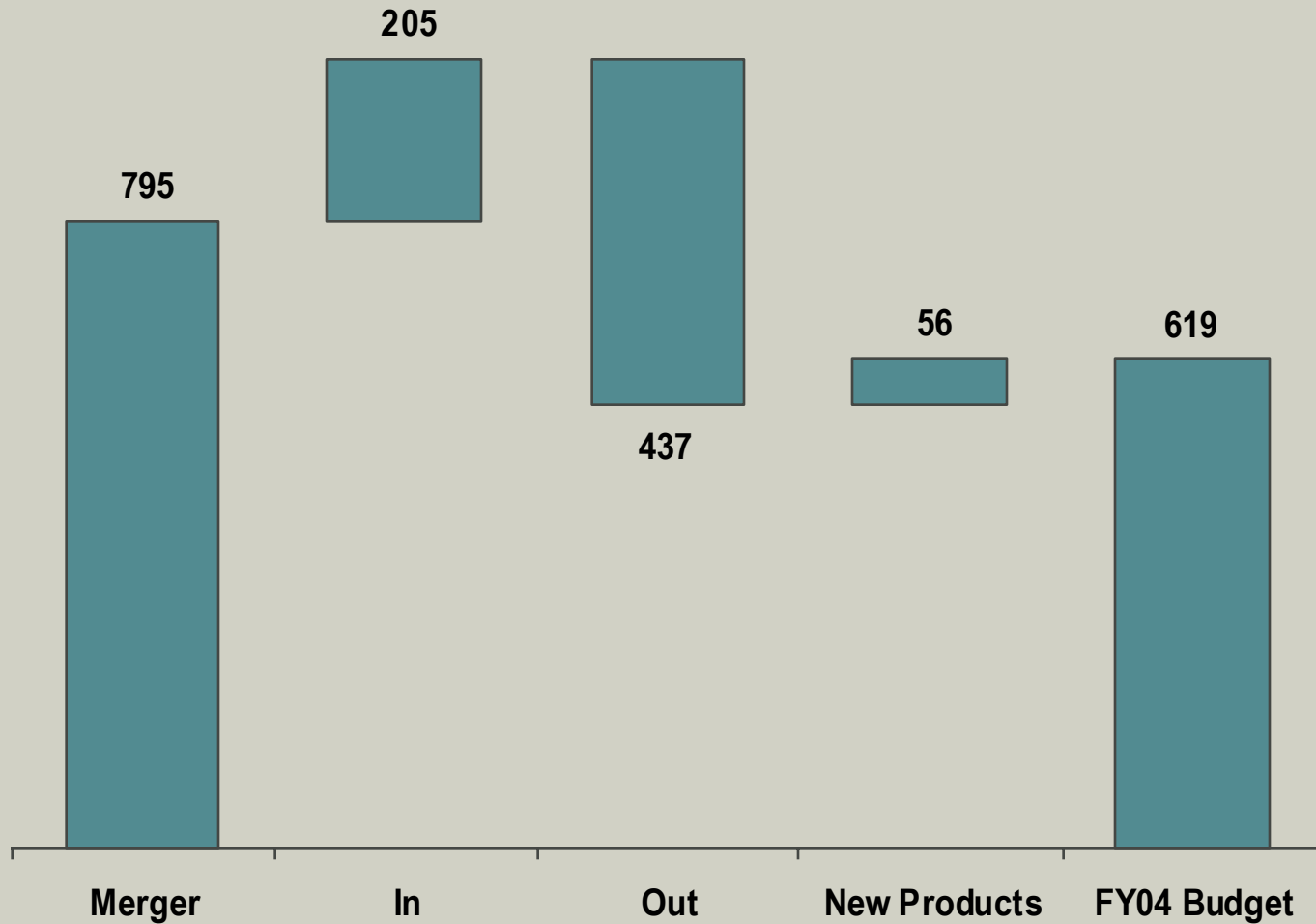
Marketing employees are located in 37 different locations



Majority of marketing employees are front line marketers or involved in distribution



Marketing workforce has reduced by greater than 20% since the merger



Areas of focus are centered around knowing and meeting the needs of customers

- Leveraging our market position
- Knowing the needs of our customers better
- Having the skills to fulfil those needs
- Incubating new areas of growth for the group
- Measuring the value added
- Managing marketing risk

Marketing Systems

Presentation to Investors

Peter McLure – Chief Information Officer Marketing

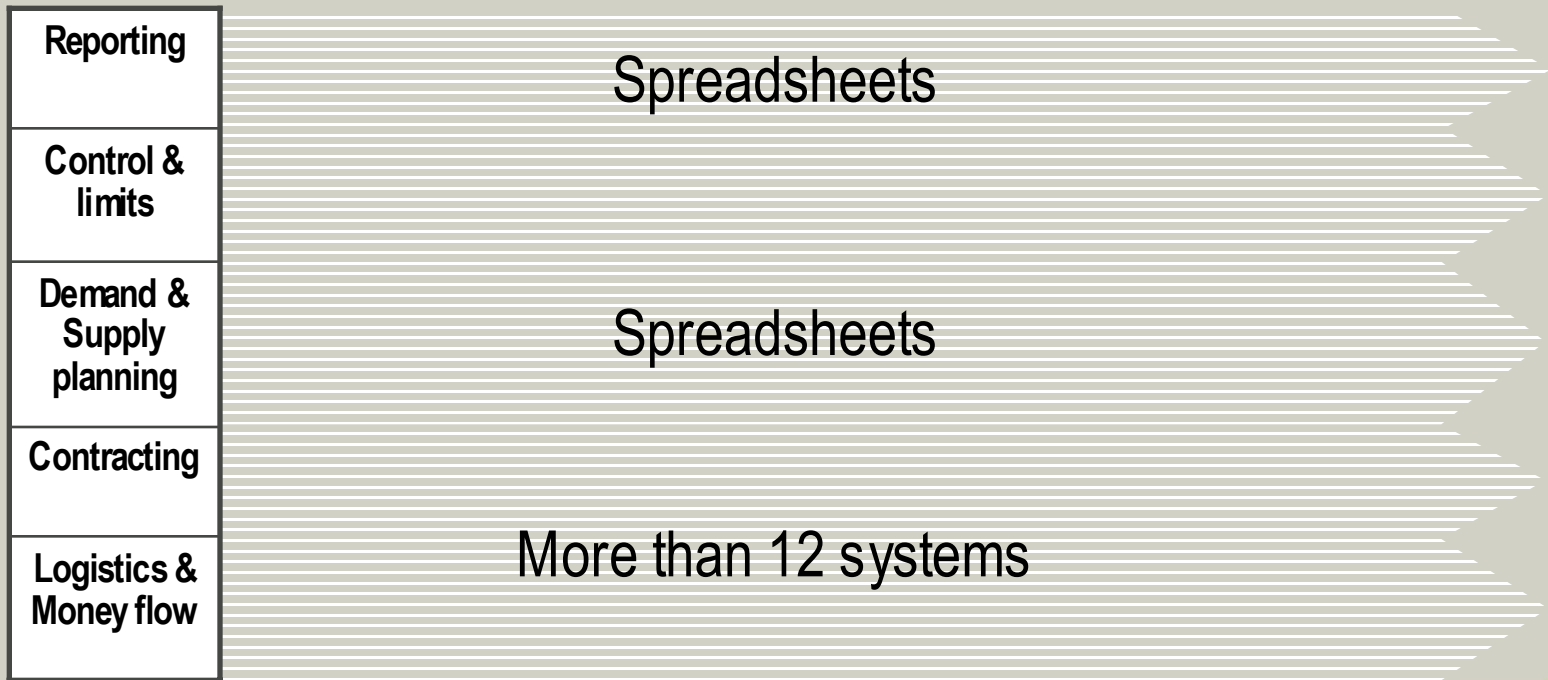


bhpbilliton

Our common execution system provides a distinctive advantage to the organisation...

- Started off with many, poorly developed, non-integrated systems
- We built one integrated system spanning total global supply chain
- This system forms the basis for building a distinctive capability
- A demonstration will show how we already exploit the capabilities

Mid 2001 we had a multiplicity of systems...

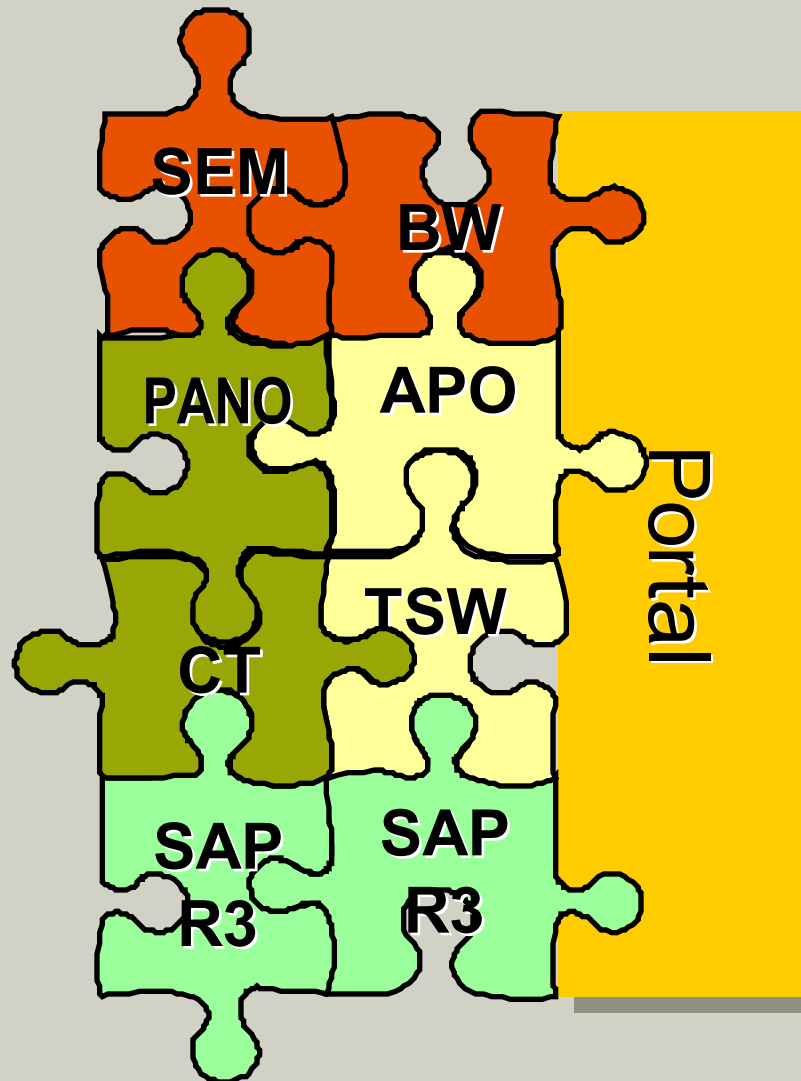


Our legacy position was not sustainable...



| | |
|--------------------------|--|
| Reporting | <ul style="list-style-type: none">• No coverage of key functional requirements |
| Control & limits | <ul style="list-style-type: none">• Multiple logistics and money flow systems |
| Demand & Supply planning | <ul style="list-style-type: none">• No single view of customer• No single view of stock |
| Contracting | <ul style="list-style-type: none">• No single view of exposures |
| Logistics & Money flow | <p><i>Decision: replace all legacy systems with single integrated system</i></p> |

The new marketing systems form an integrated whole spanning the entire supply chain



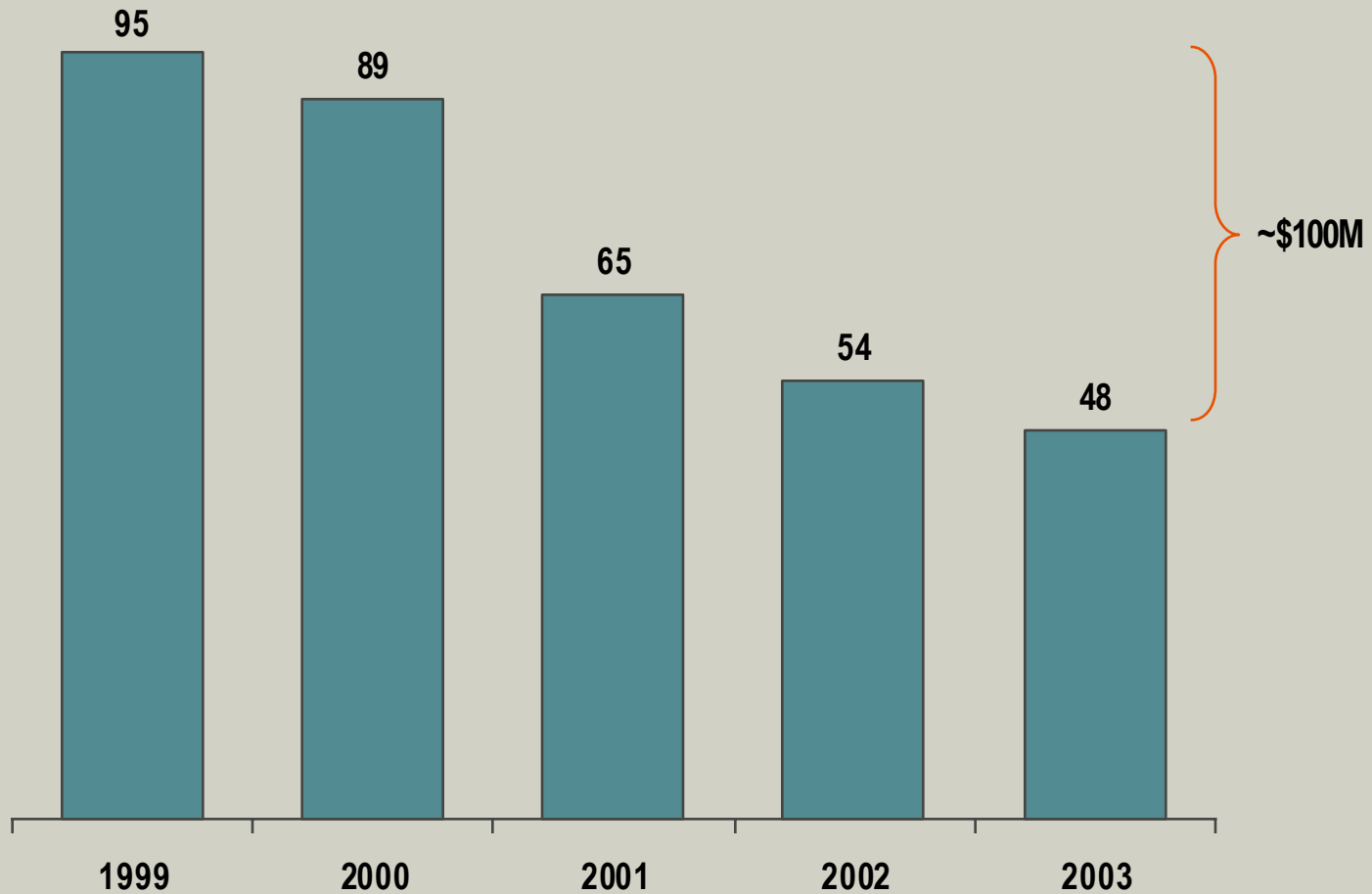
The system has been substantially completed and has been rolled out to most parts of our business

- Contracting, logistics and back office systems
 - Fully implemented in Aluminium, Carbon Steel Materials, Stainless Steel Materials and Energy Coal
 - Petroleum and Base Metals to be completed in the next six months
- Supply chain components
 - Implemented in most of the bulk products (coking coal, iron ore, manganese and thermal coal)
 - Roll-out for this fiscal year will focus on Base Metals, Stainless Steel Materials

Our integrated systems are already delivering value

- Shared view of business data
- From periodic to real time management
- Information available everywhere
- Integrated supply chain management
- Common metrics

Manganese working capital – debtor days





BHP Billiton Marketing Portal - Microsoft Internet Explorer provided by Computer Sciences Corporation

File Edit View Favorites Tools Help

Back Forward Stop Home Search Favorites Media

Address http://marketing.bhpbilliton.net/SAPPortal Go Links


bhpbilliton People Directory Company Directory Global Link Directory

Marketing Portal Welcome guest4 guest4 Log on | Personalize: Page | Portal Search People Go

Home TMUs Services Help Self Registration

BHP Billiton Marketing Portal Homepage

WELCOME TO THE
MARKETING PORTAL



Feedback and Suggestions

Please provide your feedback [+ Go](#)

Read suggestions [+ Go](#)

Useful Links

- [BHP Billiton Corporate Intranet](#)
- [BHP Billiton Internet](#)
- [Billinet](#)
- [CSC - Advantage](#)
- [Marketing Portal user manual](#)

Portal Hotline

please call +31703496301

or email us:
intranet.marketing@bhpbilliton.com

News 1 - 3 of 3

sort results per page: 10

June 26, 2003

[New layout and functionalities for the document sections](#) [Reckenfeld, Markus]

In the document sections the layout has changed and new functionalities have been added. The changes have been accomplished for the document sections in "TMUs" and on top level for "Services". The "Locations" for each "Service" will be finished in the next days. A manual which describes the added functionalities of the new iViews can be found under "Help" -> "How to manage files". [more...](#)

June 24, 2003

[Please let us have your feedback on the Marketing Portal & training session!](#) [de Gier, Liesbeth]

The training sessions on the Marketing Model and Portal have successfully been finalised in the larger marketing offices. In total 85% of our Marketing staff in Singapore, Shanghai, Tokyo, The Hague, Jakarta, Essen and Pittsburgh attended. Your urgent assistance to provide us feedback on the Marketing Portal and the training sessions is required. Please complete the Feedback and Suggestions section on the left hand side on the home page of the Portal. [more...](#)

February 9, 2003

[Petroleum's Liquids Trading and Marketing Team is today launching its new GlobalOil website.](#) [Underwood, Rachel]

The site has evolved from their innovative and award winning GlobalOil CD-ROM, which was first released in 1996 and updated in 1998. [more...](#)

World Times

| | | | |
|-----------|---|----------|-----|
| Baar | ☀ | 08:48 AM | WED |
| Santiago | 🌙 | 02:48 AM | WED |
| Shanghai | ☀ | 02:48 PM | WED |
| Singapore | ☀ | 02:48 PM | WED |
| The Hague | ☀ | 08:48 AM | WED |
| Tokyo | ☀ | 03:48 PM | WED |

Trading Performance

BHP Billiton (Ordinary)
Latest Price (20 min delay)

| | | |
|------------|--------|---------|
| ASX (AUD) | 8.36 | ↓ -0.20 |
| LSE (GBP) | 311.00 | ↓ -8.00 |
| NYSE (USD) | 11.48 | ↓ -0.11 |

Move your mouse over the stock markets to see the local time

Done Local intranet

Measurement, Risk Management & Governance

Presentation to Investors

Tommy Schutte – Chief Finance Officer Marketing



Our measurement and risk management philosophy has a strong focus on quantification and measurement

- Philosophy – not only awareness
 - Quantification
 - Measurement
 - Management
- Develop skills on existing business, then apply to new business
 - Existing business first
 - Apply lessons learned to new business opportunity

Measurement of performance and risk relies on common processes and standards

- Common risk management platform
 - Capabilities, methodologies, systems, governance framework
- Consistent approach to risk
 - Disaggregation
 - Measurement
- Common risk definitions
 - Commodity price risk, freight risk, credit, currency, interest rates
 - Market risk
 - Operational risk
 - Credit risk

Importance of performance measurement

- Importance of measurement increases with contract complexity
 - Wide range of products
 - Logistically exceptionally intense
 - Substantial number of “basic instruments”
- Risk mitigation and performance measurement are synonymous
 - Better performance measurement implies
 - Better risk identification & control
 - The same systems are used for both purposes

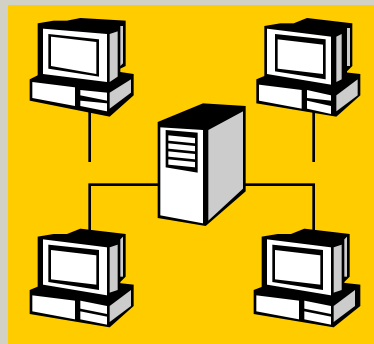
Focus is on understanding the base business

By using our systems each contract is disaggregated into its risk components

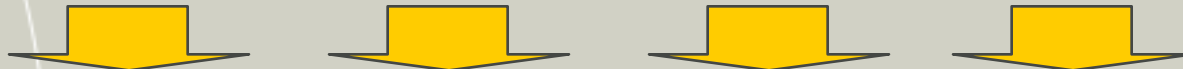


Contract

$$\text{Price} = 0.5 * \text{Power} + 0.25 * \text{Gas} + 0.1 * \text{Coal} + 0.15 * \text{Oil}$$



System



Power



Gas



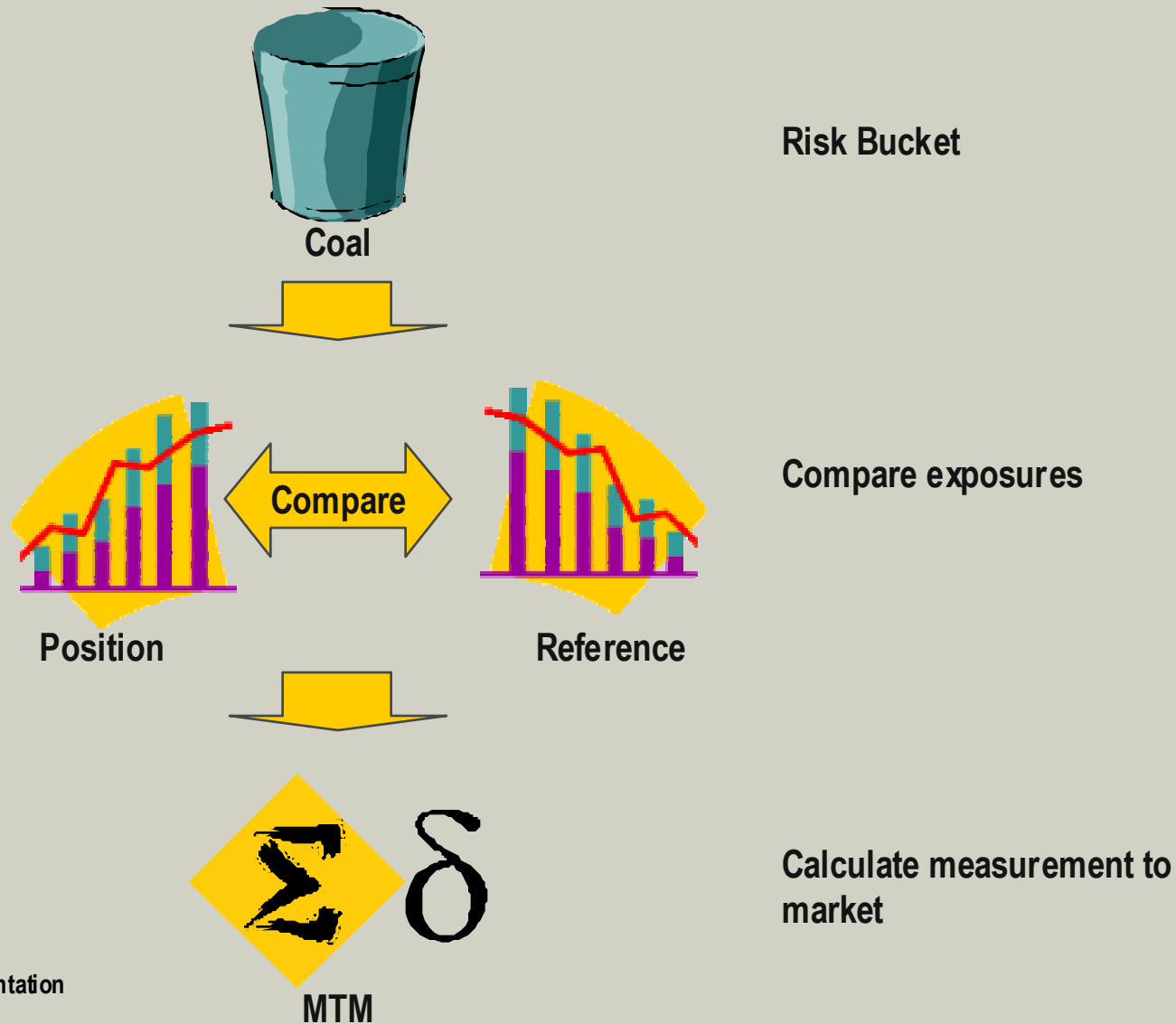
Coal



Oil

Risk types quantified

Each risk type is then compared with the market reference price



Outperformance against market

Risks managed per book



“One book principle”

Comparison to market



Drive improvement

We measure we know



“We measure you know”

Governance is based on five key principles

- Maximum segregation of responsibilities (front office, middle office and back office roles)
- Delegated authorities to the sales level
- Management reporting on risk and performance; and
- Strict limits and controls
- Strive for best practice as per financial institution



Level of control equaled by none in the resource sector

Credit policy – key principles

- Applies to all customers
- Independent credit function
- Marketer takes responsibility
- Standardized approval processes
- Consolidated daily view on credit exposures
- Accurate reporting of credit exposures daily

A real example of credit management in action

- Pre-integrated credit policy
 - Independent review per asset/product, aggregate limit close to \$100 million
- Credit policy implementation
 - Assessment on integrated basis justified only half of above amount
 - Customer placed on watch immediately, quarterly review
- Quarterly review indicates caution
 - Insurance cover put in place as temporary measure
 - Exposure managed down, initially 50% and then 40% of original amount
 - Predicted credit downgrade
- By the time insurance cover is lifted
 - Exposure 10% of original limit
 - No loss of business

Energy Coal In Liberalising European Energy Market

Presentation to Investors

Jon Dudas – Marketing Director Energy



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European Coal Macro-environment

Demand issues

**Variability in growth
by region**

**Threat of substitution
from gas and new
technologies**

**Ageing coal-fired
power plants**

**Impact of new
environmental
policies**

Supply/competitiveness issues

Declining prices

**Industry
consolidation**

New entrants - China

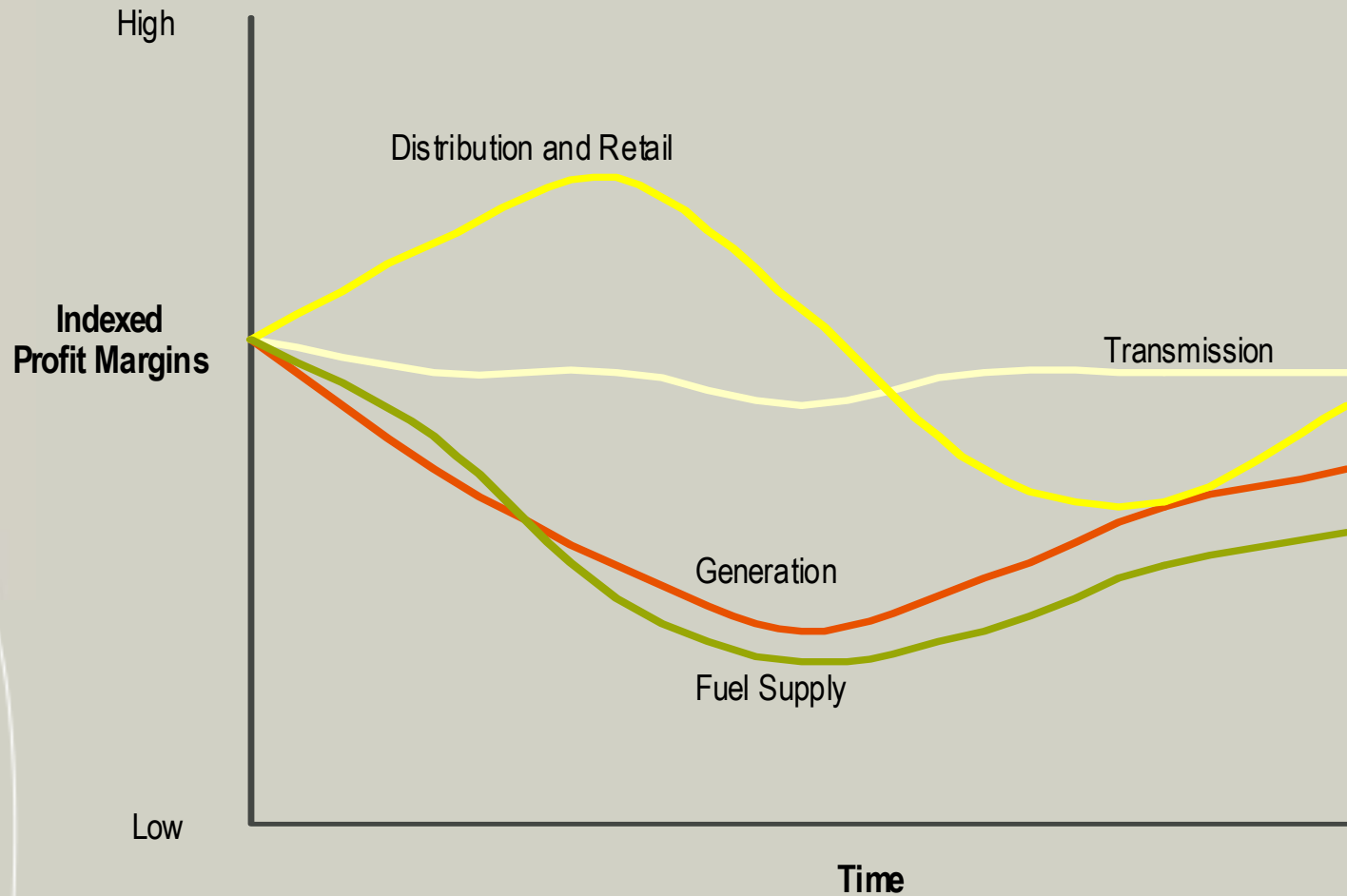
**Advent of paper
trading**

The “new” coal environment has rapidly evolved

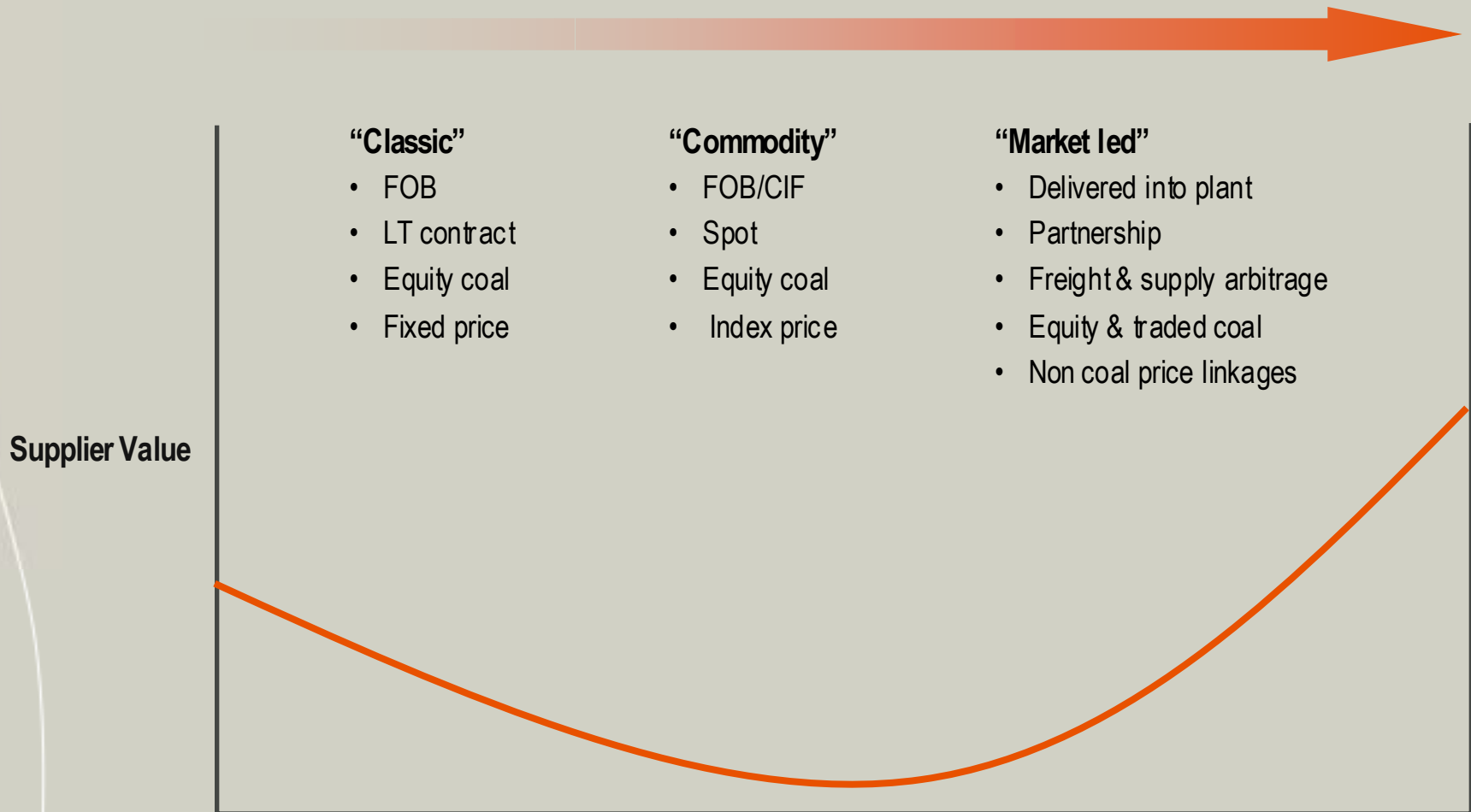
- Coal now a traded (physical & derivative) market
- Change in buying pattern
 - Europe (spot) 1996: 29% 2003: >80%
 - RoW (spot) 1996: 20% 2003: >60%
- Greenhouse issues affect fuels purchasing & investment
- Power, gas and coal prices are converging

***Being in one market increasingly means...
being in them all from a risk perspective***

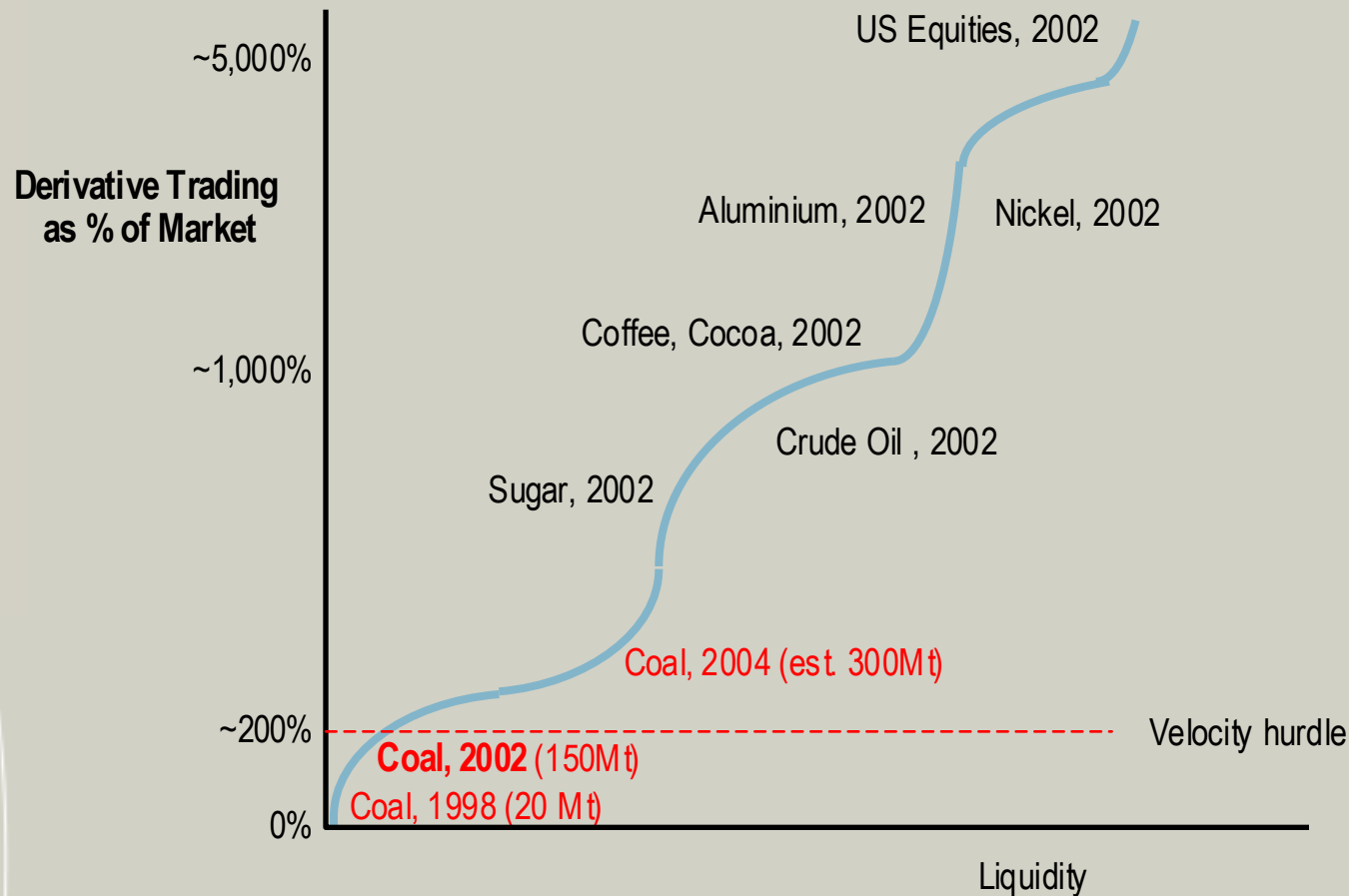
Greatest change induced by deregulation process



Supplier needs “market” mindset



Coal derivatives have breached liquidity hurdle



Key changes in coal marketing over last 3 years

- Restructuring of sales book for limited volume exposure
- New products - index linked pricing contracts
 - Multi source supply contracts
 - Delivery to plant contracts
 - Coal tolling contracts
- Improved logistics capability
 - “Fortress” ARA
 - CIF book 4 to 17 million tons per annum
- No agents...traders only when appropriate
- Zero sales into “dumping” markets
- Global analyst support team

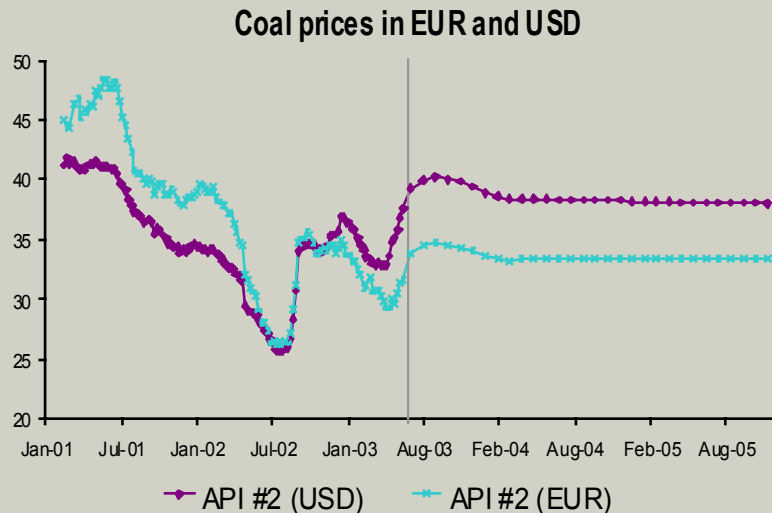
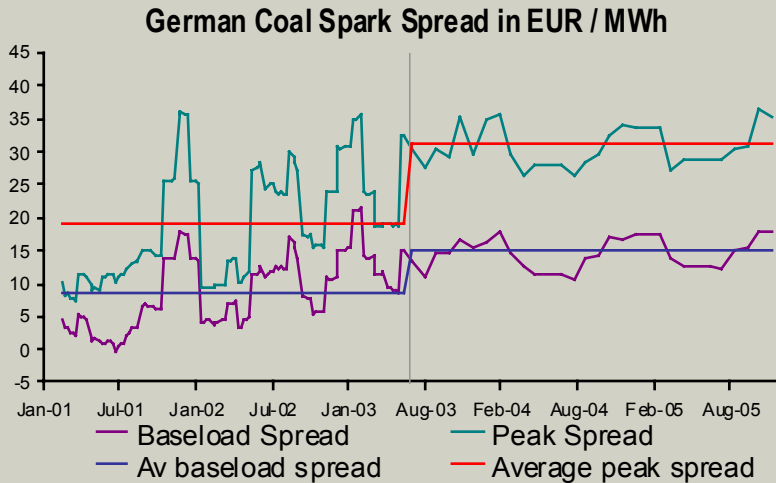
Key changes in coal marketing over last 3 years (continued...)

- Skills added
 - Aggregation (physical /paper)
 - Structuring
 - Risk management
- Mine
 - Marketing coordination
- Systems
 - Contract management
 - Logistics
 - Credit and risk management
 - Forecasting
 - Off a common data base for assets and marketing

Delivered to plant deals have been expanded

- Concept
 - Derisking medium term coal supply for generator
- Multiyear contracts concluded in Germany, Holland and the UK
- Manage
 - Sourcing + transportation + stockpiles
- Margin gain
 - Own and traded tonnage arbitrage
 - Freight & barging volume discount
 - Gain in mine yield
- Value added: ~ \$1.05/ mt above market

Analysis: what can a generator pay?



Dec 03 Rotterdam delivery (\$/t)

- at June 02 \$49
- at Jan 03 \$59
- at June 03 \$71

Marginal costs covered at this level

Quo vadis ?

- Coal indexation to power, gas, oil and emissions
- Financially settled options
- CO₂ emissions – bundled with coal supply
- Pattern is repeating in the East
- Need for “flexible” production

World class assets fundamental... but not sufficient for long term success

BHP Billiton is different

- Traditionalist strategy
 - Discount forward prices to secure volume
- BHP Billiton strategy
 - Balanced book = index linked sales
 - + fixed price sales
 - + balance via spot sales
 - Minimal volume exposure
 - Equity and 3rd party product
 - Margin from services
 - Ability to secure pricing outcomes

Products & services that suit our customers and us

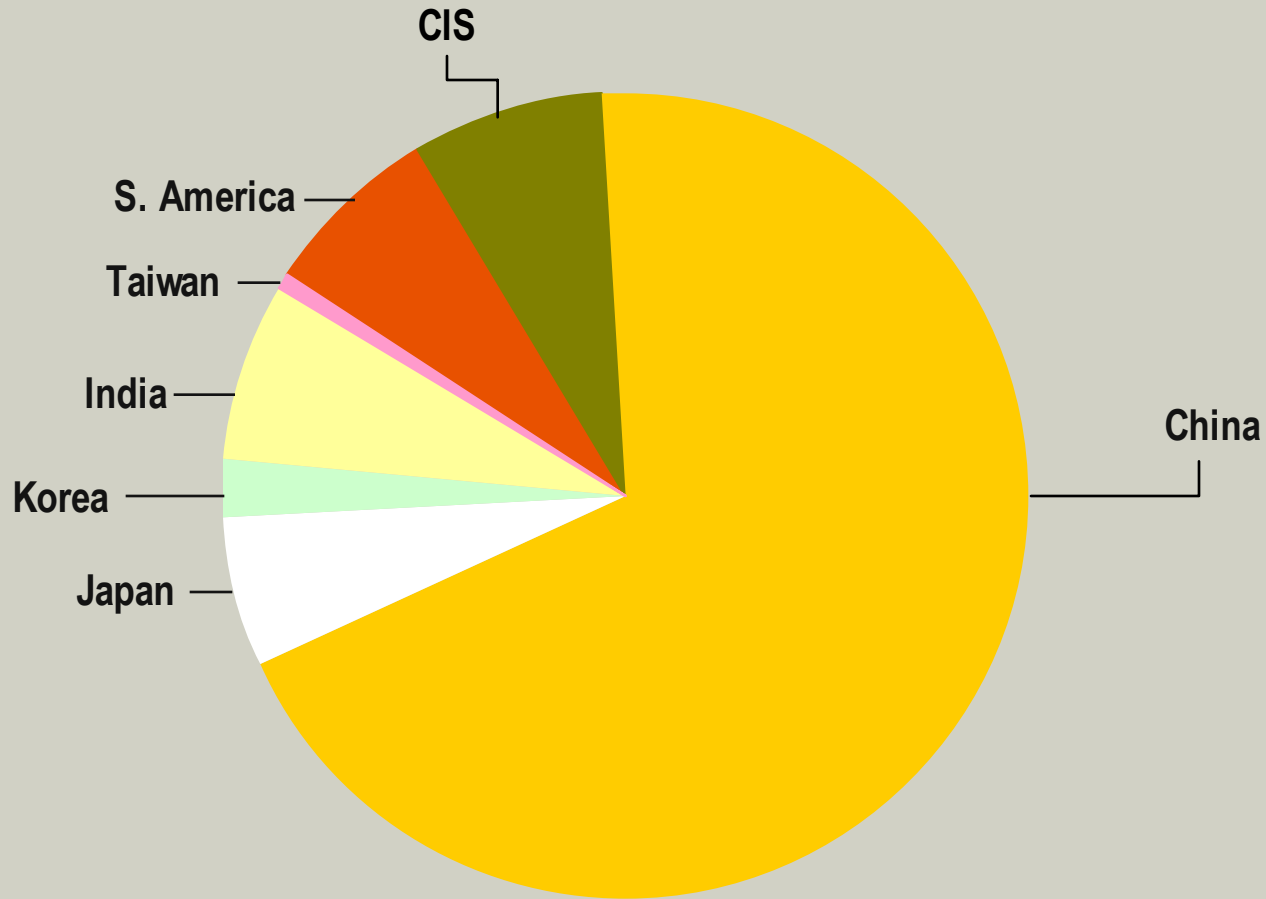
Carbon Steel Materials In China

Presentation to Investors

Andrew Offen – Marketing Director Carbon Steel Materials



Chinese growth – China dominates pig iron growth



Chinese growth – implications & challenges for CSM

- Iron Ore – market boom
 - How to ensure short term stability of supply
 - How can we increase capacity quickly enough to maintain market share
 - Be prepared for the inevitable downturn
- Met Coal - uncertainty
 - Will China retract from the met coal export market
 - Is there a sustainable import market niche for HCC
 - What will happen with merchant coke and what opportunities will it generate
- Manganese - opportunity
 - Ore quality related opportunities to develop significant import market

Chinese growth – the customer challenge

■ CSM Steel Mill Customers in China's top 10 Steel Companies

● Other CSM Steel Mill Customers

— Yangtze River



Marketing strategy stage one – post merger consolidation in Shanghai

- Six offices rationalized to two
- Shanghai established as major commercial centre
- Beijing established as satellite office
- Two organisations rationalised and merged

Marketing strategy stage two – Shanghai capability build

- New commercial talent recruited
- Market intelligence function upgraded
- Technical marketing capability increased
- Credit & trade finance specialist added
- Logistics management specialist added
- Commercial systems upgraded
- “WOFE” established

Marketing strategy stage three – leverage our position

- Establish one “CSM” face to the market
- Direct customer interface
- Refocus on direct relationships with “winning” mills
- Increase proportion of CFR business
- Explore logistics initiatives
- Leverage the IO relationships and business experience across the other commodities

The results

- China Iron Ore sales up from 12Mt in 2001 to 18Mt in 2003
- Agents removed from the business
- Improved technical marketing has seen :
 - our product quality advantage recognized
 - a decision to improve Iron Ore grade
 - improved customer lock in
- Iron Ore price discounts eliminated
- Over 1Mt CFR business captured
- Iron Ore margins increased by >\$2/mt (excl. benchmark moves)

The results (continued...)

- Cross selling opportunities captured on back of Iron Ore relationships
- Identified the China boom early
- Led expansion planning for CSM
- High level of confidence in our understanding of the China market

Summary

Presentation to Investors

Marius Kloppers – Chief Marketing Officer



Questions?