I. Welcome and Introduction

Thank you. Good morning to those in Australia and good evening to those in Europe, South Africa, and the United States. Welcome to this presentation of our results for the quarter ended 30th of September 2003.

By way of introduction, my name is Chris Lynch, and I'm the Chief Financial Officer of BHP Billiton. I intend to spend the first half of this call going through a short presentation that's available on the Investor Centre page of BHPBilliton.com website. I'll then be happy to take your questions.

II. Highlights

Just a reminder that all dollars referred to in tonight's presentation are US Dollars, and so looking first at the highlights for the quarter on slide number 2. Briefly, I want to talk to you today about another set of solid quarterly results, highlighted by continued strong EBITDA of $1.4 billion and EBIT of $935 million. These are the second highest quarterly results achieved since the merger.

Attributable profit of $518 million for the quarter is 9% lower than last year, mainly due to unfavourable foreign currency adjustments on net monetary liabilities, including our net debt and tax. Excluding these non-cash impacts, our attributable profit would have been up by about $160 million, or 36%, compared to last year. I'll cover these adjustments in more detail later in the presentation.

This was a quarter highlighted by solid operating performance across most of our businesses. Highlights were quarterly production records for Western Australian iron ore and aluminium metal, and record quarterly shipments of iron ore.

Good progress was made with our pipeline of growth projects, with first metal cast at the Hillside 3 aluminium smelter expansion in South Africa, and first gas production at the Ohanet wet gas development in Algeria.
In the case of Hillside 3, first metal was achieved six months ahead of schedule, and it's likely the project will be completed under budget.

Directors today declared an interim dividend of 8 US cents per share, an increase of 14% compared to the 7 US cents per share last year.

This once again shows the confidence that we have in our ability to generate substantial cash flow to fund our major capital-investment programme, while at the same time delivering on our progressive dividend policy.

Moving to the overall financial highlights for the quarter on slide number 3. Turnover, including third-party-product turnover of just over a billion dollars increased by 23% to $4.8 billion due to overall higher prices and sales volumes.

I'll cover average realised prices by commodity in more detail later in the presentation. Suffice to say for now that the most significant price increases related to copper and nickel.

**III. Earnings**

Volumes increased EBIT by approximately $15 million dollars. For sales volumes of copper, aluminium, diamonds, iron ore and metallurgical coal were higher compared with last year. Petroleum production volumes were lower, mainly reflecting the natural fuel decline that we've been talking about for some time now, and titanium feedstock sales volumes were also down.

As I've already mentioned, EBITDA and EBIT increased by 10% and 11%, respectively, to the second highest quarterly results since the merger.

Effective this quarter, we've commenced reporting our share of depreciation and amortisation of joint ventures and associates. This change has no impact on EBIT or attributable profit, but it does increase our EBITDA. The increase to EBITDA in the current quarter is $38 million compared with $42 million last year.

The comparative asset figures in your supplementary information have been restated accordingly. The assets impacted by this change are Antamina, Highland Valley Copper, Samarco, Richards Bay Minerals, Integris, and Cerrejon Coal. Alumbrera, which was sold earlier this year is also impacted for last year's figures.

Attributable profit of $518 million was $54 million lower than last year. However, if we exclude the unfavourable non-cash impact from the restatement of monetary items due to the exchange rate fluctuations, our underlying results were significantly stronger than last year, reflecting the benefits of higher prices and sales volumes.

Before I look at EBIT by CSG, I'd just like to highlight again the stability of our EBITDA on slide number 4. This is a chart we've used before and we think it's very important. It shows quarterly EBITDA for the nine quarters since the merger, and demonstrates that quarter in-quarter out – our suite of assets generates a very stable level of cash.

Notwithstanding a variety of external factors, the strength and stability of the cash flow has remained robust throughout, demonstrated again this quarter with $1.4 billion of EBITDA.
IV. Customer Sector Group Summary

1. Overall

On slide number 5, an analysis of EBIT by customer-sector group shows stronger quarterly results were afforded by aluminium, base metals, carbon-steel materials, and stainless-steel materials. Total EBIT increased by 11%.

2. Oil and Condensate

In terms of EBIT, petroleum was at $291 million versus $384 million in the same period last year. Overall production of petroleum products for the quarter was 32.1 million barrels of oil equivalent, 3% lower than last year. Oil and condensate production was 16% lower due to expected natural fuel decline.

Natural gas production increased by 19%, mainly due to the successful commissioning of the Zamzama project in Pakistan.

Last year also benefited from the timing of oil and condensate sales which were 2 million barrels higher than production in that quarter. Our expectation continues to be that total production this year will be in the range of 120-125 million barrels of oil equivalent. Current quarter average realised prices for oil and gas were higher than last year: 6% higher for oil and 15% higher for gas.

Petroleum exploration charged a profit of $50 million, with $29 million higher than last year. The conversion of the Australian Dollar denominator to resource rent tax provisions at balance date also reduced the current quarter EBIT by $8 million.

3. Aluminium

The aluminium CSG achieved stronger results with EBIT up to $150 million from $135 million last year, with higher prices and higher volumes the main drivers.

The average LME price for aluminium metal increased by 10% compared to last year. Volumes were also higher, reflecting full commissioning of the Moza 2 expansion in August, which contributed 26,000 tonnes of metal, combined with higher sales from Hillside and Bayside. These volume increases were offset by 14,000 tonnes of lost metal production at Alumar, following an electrical outage there.

These increases in EBIT were partly offset by inflationary pressures on costs in South Africa and the strengthening Rand and Australian Dollar.

4. Base Metals

Base metals had a significantly improved performance on last year, with EBIT of $95 million versus $16 million in the corresponding period. The primary reason was the benefit from a 28% increase in average realised copper prices compared with last year, combined with higher prices for silver, lead and zinc.

The current quarter also reflects higher copper production from the ramp up to the Phase IV expansion at Escondida, which was completed in October of 2002.
Notwithstanding these improvements, base metals results continue to be impacted by the self-imposed production cutbacks at Escondida. We did announce last week in our production report that Escondida will return to its normal mine plan and production profile commencing in January of 2004.

Copper production at Antamina was lower in the current quarter, due to mining of lakebed sediments falling behind schedule. These sediments were made from the lake drained during the construction of the mine and restricted access to the higher-grade ore sections underlying the sediment. This is expected to continue until mining of these sediments is completed in mid-2004.

The current quarter also saw lower sales of silver from Cannington due to the timing of lead concentrate shipments, which we expect to make up in the coming quarter.

5. **Carbon Steel Materials**

In carbon steel materials, EBIT was relatively flat, $275 million in the current period versus $267 million a year ago. However, we achieved record quarterly iron ore production and shipments from our Western Australian operations, driven by strong demand from all Asian markets, especially China.

Iron ore prices were also higher following the contract settlements announced in May of 2003, and Samarco also contributed stronger earnings resulting from higher prices for its products.

Metallurgical coal earnings were lower in the current quarter mainly due to the impact of the strong Australian Dollar on upgrading costs and the restatement of net monetary liabilities of Queensland Coal and Illawara and scheduled maintenance shutdowns at Norwich Park and Blackwater Mines in Queensland.

Manganese earnings were down mainly due to a shutdown of approximately six weeks at Metalloys in South Africa due to an electrical fault.

The stronger Australian Dollar and Rand provided a significant offset to the improvements in these carbon steel materials earnings.

6. **Diamond and Speciality Products**

Diamonds and specialty products CSG: Expanding exploration and technology produced slightly weaker earnings with EBIT of $61 million compared to $70 million last year.

Richards Bay Minerals sales volumes were materially lower than last year, due to significantly weaker market conditions.

Processing efficiencies and higher ore grade at EKATI contributed to a more than doubling in EBIT from our diamond operations compared with last year. We're currently processing a pocket of high-grade ore in terms of carat per tonne, but containing lower quality stones from the Koala pit. We expect the move into a lower carat phase within a few months, which will then continue into the future.
7. **Energy Coal**

EBIT for energy coal is down to $41 million from $68 million a year ago due to the stronger Rand and the Australian Dollar, and the conversion of Rand and Australian Dollar-denominated net monetary liability at balance date.

While we’ve seen higher index prices for energy coal delivered into Europe, our results this quarter were not materially impacted, as these prices have lagged by up to three months.

8. **Stainless Steel Materials**

Stainless steel materials contributed stronger earnings compared with last year: $61 million as opposed to $23 million. Prices were higher with a 31% increase for nickel and a 57% increase for ferrochrome.

Nickel production was 8% higher than last year, reflecting continued strong operating performance at both Cerro Matosa and Yabulu.

Ferrochrome production was lower than last year, reflecting the planned major maintenance, which combined with the stronger Rand and Aussie Dollar, adversely affected the EBIT.

9. **Group and Unallocated Items**

Group and unallocated items in total were $39 million for the quarter compared to $119 million last year. Corporate overheads were $53 million compared to $68 million in the prior period.

Profits from legacy currency hedging activities this period were $12 million compared with losses of $62 million in the prior period.

10. **Pricing**

Moving on to the price impacts on slide number 6, this slide shows a breakdown of the US$370 million price variants by commodity for the group. The biggest impacts were higher prices for copper, nickel and chrome. The current quarter also saw higher prices for aluminium, petroleum products, iron ore, alumina, manganese, HBI and energy coal.

However, this was partially offset by higher price linked costs of $15 million mainly due to higher royalties and taxes for petroleum products and higher nickel ore supply costs, giving a net EBIT benefit of $355 million compared to last year.

V. **Non-EBIT Items**

Moving on to the non-EBIT items on slide number 7, net interest expense before exchange-related impacts is in line with last year. Exchange loss on net debt was $28 million in the current quarter, compared with a gain of $31 million last year, a movement of $59 million, period on period. This is mainly due to the translation of Rand-denominated debt at period end.

The Rand appreciated by 5% in the current quarter compared with depreciation of 2% last year.
The tax charge, excluding exchange impacts, was $238 million and represents an effective tax rate of 29.3%, but 35.1% after exchange-related restatement effects for the quarter. This is after recognising benefits from US tax losses, as I discussed with you at our full-year results in August. For the full year, we expect an effective tax rate in the range of 31-32%, excluding foreign current impacts, but including the benefits of the US losses.

I'd like to show you the impact of exchange rate movements in more detail on slide number 8. As you are aware, we operate under US Dollar-functional currency, based on the fact that the vast majority of our revenue is US Dollar denominated.

Now, the impact to this is the restatement of net monetary assets and liabilities denominated in currencies other than the US dollar. In our case, mainly Aussie Dollars and Rand. What's important to note on this slide is the change in this item from the prior period. We've adjusted the impact on the 2002 September quarter so it is calculated on a consistent basis with September 2003. In the interest line, we have now included in the September '02 data, gains on the closeout of currency slots associated with the BHP Steel bids. And in tax, we've included for last year certain components of the restatement impact that were included in subsequent quarters.

The total impact of these restatements of net monetary liabilities at balance date was to reduce our attributable profit this quarter by $88 million. Last year, on a comparable basis, it actually increased attributable profit by $126 million, a total adverse charge of $214 million quarter on quarter.

These restatements are essentially non-cash items. Exclude them, and attributable profits for the quarter would have been $606 million compared to $446 million last year on the same basis.

So the total underlying improvements, $160 million or 36% up compared with last year, represented a very strong operating performance in the current quarter.

VI. Summary

So to summarise today's results on slide number 9, BHP Billiton has presented once again a solid set of financial results, demonstrating both stability and strong cash-generation capability. Our quarterly earnings are up strongly on the last year when you adjust for the non-cash restatement of net monetary liabilities. The dividend has been increased again, and we continue to make good progress with our pipeline of growth projects, with two projects achieving commissioning in recent weeks.

The global economy has generated some forward momentum throughout the quarter. Demand and economic activity in China has remained very strong. The US and Japan are both showing signs of improvement, but the European economy is proving to be the laggard.

The diversity of our portfolio and in particular the exposure we have to the stronger Asian economies places us well to benefit from the improving global outlook. The strength of our cash flows gives us the ability to respond to opportunities as and when they arise.

And with that, I'd be happy to take your questions. Operator, could we perhaps have the first question, please.
Questions and Answers

Question

Good morning, Chris. Just great results in going through the businesses. There weren't too many that we were concerned about. One is Richards Bay, and my question really relates to how much of the weakness in the market we're seeing there is down to a fundamental market weakness on the pigment producer side and how much of it may be down to some of your customers just running down inventories at their side of the fence? So not really a market weakness, but more an inventory drawdown-type situation.

Chris Lynch

I think you're aware from previous calls that we are under some constraints about how much we can disclose of our Richards Bay based on the partnership agreement and so on. But I think the short answer to your question is: I think it's both. There is some market weakness, but also some specific customer weakness in terms of the demand – customers running down inventories. So I think you've got both of the attributes you mentioned in your question I think apply here.

Question

Good morning. Just a couple of questions. One was your petroleum exploration charge was quite high in the quarter. Previous guidance was you had $250 million for the year, and usually that's biased to the fourth quarter. Do you expect that $250 million to be spread more evenly across the quarters?

Chris Lynch

It wouldn't change the overall burden for the year. I think we have had a slightly higher expensing rate in the first quarter, but I don't there's any cause to change the expectation for the full year. If you think about the 250 and we have an expectation of a capitalisation rate of about 34% thereabouts. I don't think there's any real need for any change in the guidance.

Question

Okay. Thanks. Just another couple of questions on costs. One was just for the power outage at Alumar. Do you expect additional costs to come through in the December quarter, as well from that? And also if you could give us some indications on what your current demurrage charges were in the first quarter.

Chris Lynch

Firstly, with Alumar, we lost about 14,000 tonnes of production in this quarter, and we expect that that's going to be a little while before it comes back, so there's probably a number not too dissimilar from that still to come in terms of lost production. So that will obviously have an effect on costs in
terms of absorption of fixed costs and so on and then also, some production-specific, repair-type costs.

With regard to demurrage, you'll recall last year, iron ore was probably the one where it was the most pronounced. We had about $18 million for the full year. First quarter this year we had about $5 million.

**Question**

Good morning, Chris. Just a couple of questions. Firstly, I was wondering if you could just provide maybe a bit more update on the tax losses. You spoke of the full year results of guidance of 50 to 100 per annum credit. Just how much was in the first quarter, and with that, can you tighten that range at all for us?

**Chris Lynch**

Go to the top end of that range – 25 million in the quarter.

**Question**

And, secondly, just on your cost savings. You spoke I think quickly in the commentary about 100 million savings. Is that in line with what the 310 you disclosed to date, so we've got an extra 100 now, and of that 100, how much was sustainable versus volume ramp up?

**Chris Lynch**

You've got to be a bit careful with that number. I think there are some offsetting issues in there with regards to costs. We had planned major maintenance programmes at Samancor. We've got some higher depreciation coming through at Escondida based on the new capital coming through. We have some costs with the electrical outage at Alumar and so on. We'll go into more detail obviously, that's our past practice at half year with the cost data. We did say at the full year results presentation that we expected the cost savings rate to slow versus the running rate that we'd established in the previous year, but we'll go through that in detail at the half year.

**Question**

And just quickly – going back to the tax issue then, we would expect then you'll just keep booking this tax credit every quarter from the sounds of it then?

**Chris Lynch**

It should be pretty consistent at that level. That's Dollars, rather than percentage.

**Question**

Good morning, Chris. First question on Escondida. On the production targets that we should expect for, firstly, fiscal year '04 and also perhaps calendar year '04?
Chris Lynch

Well, once we get back into normal mine plan, we'll be about 1.25 million, and prior to that will be at about 1.05.

Question

And, secondly, on Escondida: the depreciation and amortisation. Are you booking it on a unit-of-production basis? Is that the reason for the hike you had in the first quarter?

Chris Lynch

The hike in the first quarter is just the new capital coming on board and it will be on a straight-line basis.

Question

So we shouldn't see another increment over the next 12 months as Escondida Phase IV – actually starts to deliver tonnage?

Chris Lynch

I don’t believe so, no.

Question

And, Chris, lastly, your outlook comments. They were remarkably generic, and you gave no guidance about your own order books in any area or any category. How are you placed for the current quarter, regarding your broad spread of businesses?

Chris Lynch

Without being too specific, in general I think we've got a pretty good volume outlook for most of the products. Iron ore, nickel, met coal, all very strong, alumina, aluminium, all strong. I guess the outlook comment that I would have is that China has continued to grow. Last year, we reported on about 126% increase in our sales into China, with about $1.2 billion for the full year. In this quarter, we've got about $440 million of sales into China, so if you annualise that, you're up about 1.8, which is roughly about another 50% increase on an annualised year-on-year type basis, so I think, that’s solid for volume. Obviously, price will be what price will be, and the other issue we've got out there is currencies. But I think generally from a volume point of view, we're looking pretty strong.

Question

Given that at the full year Chip said – I forget the exact wording, but the indication was that the end user was trying to buy again – but yet, your volume growth for the first quarter was pretty muted at about $15 million gain on prior corresponding period. Any reason for that?
Chris Lynch

We had volume growth in most of our products, the two exceptions being petroleum and Richards Bay Minerals. And the petroleum number was a fairly big reduction in the liquid side there, but it's about 3% in total. But there were about 78 million on the plus side and about 66 on the down side, so that's where the 15 comes from. But we had good growth in five or six of the businesses, and the offset was in those two: petroleum and RBM.

Question

Okay. Last question is about freight rates. What do freight rates at the current levels do to you? I'm not just talking from an FOB basis, but is there any chance these freight rates will come back at you during the current negotiating seasons for the bulk commodities?

Chris Lynch

I think there's a few issues with regard to freight. The first one is that for the line item freight, it's probably of little impact to us on the basis we're about two-thirds FOB. Generally, most of the risk of freight passes through the customer. But I think your question gets to the point about landed cost to the customer's plant. I think that is the core, but it might actually be a benefit in certainly some of the Asian markets for us. I think we need to see how that plays out a bit, but it is a pretty tight market out there for freight.

Question

You have no sales or any cases of sales being dropped because they can't book freight on a CIF basis?

Chris Lynch

Not from us, no. I heard that sort of noise, but they haven't had any direct impact.

Question

Just quickly on South Africa, Chris, if you could just give us an update. I mean, inflation is coming down quite quickly according to the official figures, but obviously, business conditions are quite tight. Could you just give us an indication what’s happening there, and also particularly at Ingwe with that cost-reduction programme?

Chris Lynch

With regards to South Africa, the more pronounced issue is the strength of the Rand and that’s the biggest single issue that we’re finding with South Africa right now. Obviously, inflation was much more extreme last year, or the early part of the last year in particular, but that’s coming through. Ingwe is going through the Phenduka program. There’s been a lot of preliminary work done now at this stage, but the key challenge there is really to keep the workforce motivated and make sure that we get that cost structure right for the ongoing cycles, so we can tolerate a stronger Rand than what we’re traditionally used to. There’s nothing to say that the Rand will stay where it is, but it will have these periods of temporary strength from time to time. The Phenduka
programme will be a gradual realisation of benefit rather than an immediate big bang straight away on our cost structure. We would much rather be adding jobs in South Africa than looking at ways of eliminating jobs to change the cost structure.

Question

Chris, so there’s still very tough conditions into the next half then, really, despite the fact obviously Rand, the issue there… but despite the fact that inflation etc., and you’ve got that program on, you still think it’s going to take a couple of months to get some positive results?

Chris Lynch

Yes. Well, the one issue is the cost structure. The second issue is the price in the marketplace, which has improved recently, but we do have a fairly strong preponderance for fixed price sales in there for a three to six-month period. So that price increase for thermal coal will take a little while to come through. Ingwe for the quarter lost a million dollars.

Question

Okay. Thanks. And then, just again, just going to costs, there have been some costs on that, but essentially that hundred million gain wiped out to buy a number of one-offs. Could you just give us an indication as to what your thoughts are in terms of those one-offs for the rest of the year? Is there anything we can expect?

Chris Lynch

I think it would be better for me to cover costs in full detail at the half year, which is our normal practice, to update on the cost programs at the half and the full year.

Question

Good morning, Chris. Chris, I’ll just follow on from a few of the Ingwe questions. The one negative on the production numbers that I picked up was the lack of sales in the export market, the coal export market. Now, you’ve said that the pricing will probably come through in the next quarter. Can we also expect to see volumes pick up? Is it just a sort of blip into the market at this stage? And maybe you could just give us an idea of what sort of pricing we can expect? How many of your contracts are sold on long-term contracts that won’t actually get the benefits of this sharp rise in coal price?

Chris Lynch

The first part of your question is regarding the export volumes, and we would expect there to be an increase in that going in the quarter too, so we will catch up some of that. We did have an outage of quite some time, which was an outage that we took on the basis of some safety type issues, so we would expect to see a step-up in the export percentage. We normally run in the low 40s of export tonnage, and this time we’re just under 40% export tonnage. So the answer would be we would have a pick up there.
With regard to the pricing. I wouldn’t go into detail about price. I can’t really give you much more than is there. We’re going to lag the index by about three or four months. We’ve got fixed price on about 75% of the total sales for the quarter, and as of October, we’ve got about 60% of that forward sales priced with fixed price and the 40% index-related, so that’s about where we are at the moment.

**Question**

Good morning, Chris. Quite lot of it’s been answered in the course of the question period, but I did want to ask about the resource rent tax in petroleum again below expectations and talking about another 15 million hit from the resource rent tax expensed due to under-provision. How long can we anticipate that this will continue?

**Chris Lynch**

It’s a one-off. I don’t think it will continue.

**Question**

So if you’re spending 250 million a year on petroleum exploration, we should be expensing over the period of the year somewhere around 65-70% of that?

**Chris Lynch**

Yes. I talk about it in the inverse in terms of the capitalization rate. We said that was 34 per cent – say that sort of order.

**Question**

Okay. You made a comment also earlier in this conversation about diamonds having a very good quarter being twice of previous corresponding period, yet the diamonds and industrial minerals section was down quite substantially. Is it fair to say, and I know there’s only so much you can tell us – but that Richard’s Bay was an absolute shocker and potentially was even a loss for the quarter?

**Chris Lynch**

Needless, Richards Bay didn’t have a good quarter. Diamonds EBIT was about 50 million of the 61.

**Question**

Excellent. The last question – I know you’ve talked a bit about thermal coal and the fact that the prices are lagged by three months or so over what you’re getting into Europe. Are you receiving close to the stock prices in Europe to your export sales from Richards Bay, which I understand the prices have gone up as high as $37 a ton?
Chris Lynch

First thing, I’d be a little bit careful about with European prices as to whether or not where’s a freight question in that. But our prices are starting now to get up to the 30’s number. That’s starting to work its way through.

Question

So you pick up the freight for European sales only and FOB for everything else?

Chris Lynch

I’m just think you need to be careful about some of the numbers that you’ll hear.

Question

Hi, Chris. You’re obviously expecting greater demand for copper to soak up the extra production from Escondida next year. Can you talk a bit about the demand outlook for copper and what feedback are you getting from your customers?

Chris Lynch

We’re bringing back Escondida on the basis that we think the overall market fundamentals were robust enough to bring it back. You’ll see all sorts of different comments in the marketplace, but we got to that position, and we think that’s where it is. China is very robust, and so that is probably is underpinning it, but I think I wouldn’t be any more specific than that.

Question

Okay. Chris, I just wanted to get some more clarification just on the cost front. Obviously, you got a target like 500 million by June 2005, and with 310 on that at the end of the fiscal year, so what’s actually the progress on that? Does that add a hundred million to the 310, or what?

Chris Lynch

We go through the costs in full detail at the half-year, so I think you’ve just got to be a little bit patient with that. As I explained earlier, the hundred million dollar, included gains of a hundred, and there were also some offsetting one-off type issues. That was just some plant and maintenance types of issues, but we’ll go through the costs in full detail at the half-year. I said earlier in the call, that we don’t expect to be able to sustain last year’s running rate this year, but we do have an expectation that we will make substantial progress toward the 500 million. In fact, our targets are actually $770 million of merger benefits and those $500 million of cost savings we talked about, and we’re $595 million in aggregate towards the 770 as at the end of June, so we’re confident in meeting our targets, but we’ll go through it in more detail at the half-year.
**Question**

And just a follow-on also. Would you comment on the events in Queensland over the Pechiney bauxite lease and the Queensland government taking them back. What’s BHP Billiton’s view on that generally for the industry, and is BHP Billiton interested in those leases?

**Chris Lynch**

I couldn’t comment on that, Andrew.

**Question**

Hi, Chris. How you doing? Just a very quick question regarding the unallocated group items. They’re a lot less than what we might have expected, and your legacy currency, what gains now, that’s sort of part of that figure, and as expected. I was wondering were there any significant asset sales that came through in that line or any offsetting positive factors that haven’t come to light?

**Chris Lynch**

The guidance we’d give you there would be in the order of 220 for the year. That’s been a very consistent sort of thing, so I think if you stuck with that, you’d be pretty good.

**Question**

That’s without taking into account any of the legacy hedging gains or losses?

**Chris Lynch**

That’s from the legacy issues, yes.

**Question**

Chris, major maintenance is a big hit in the first quarter. Could you guide us towards other major maintenance or other large one-off cost items that could occur, either during the second quarter or during the full fiscal year?

**Chris Lynch**

Nothing outside the ordinary flow of business.

**Question**

You’re not going to have a very negative variance bar in the second quarter for maintenance anywhere?

**Chris Lynch**

Not that I can foresee at this stage.
**Question**

Okay. Now, Southwest Copper yesterday in the States announced that they were closing San Manuel. Will there be any provisions struck or changes, provisions that have previously been struck or any other penal or cash flow impact, particularly penal, with regards to that announcement?

**Chris Lynch**

Well, you’re aware we ceased operations in the smelter in ’99, and at the end of 2002, we took a substantial provision around the smelter, and we believe that provision is in good shape. What will happen now is detailed planning around what formal closure actually means, and that’s the planning that we’ll have to go through. But certainly at this stage that provision’s in good shape.

**Question**

Okay. And these other metals in the base metals line, minus 27 EBIT, it’s a continuing large negative number. Could you maybe break out what’s in that and give some guidance as to where that should be for the full year?

**Chris Lynch**

There’s about six million from the cost structures around Southwest Copper. There’s about seven million of development expenditure. There’s the divisional activities, which include some marketing and overhead development costs of six. There’s a couple of million losses on Selbaie and then marketing for six. That was the 27. For the full year, I think it’s in the order of about 55 to 65.

**Question**

And that’s a fairly recurring number?

**Chris Lynch**

Yes. It’s a bit higher in the first quarter than the expected run rate.

**Question**

And HBI broke even? Is that the situation we should expect to continue at the current prices and currencies?

**Chris Lynch**

Yes, it would be about there at this stage. It’s still making progress on its production side so we expect that it might marginally improve from here. It is getting good price, and obviously, the currency was lower during the quarter that we were reporting against. Today, the currency is 70, so that’s not going to help us, but they’re continuing to make good progress and we’re encouraged by what we’re seeing there.
Question

Two quick questions. One, on chrome, actually. You have in the prices line that the EBIT contribution from prices would have increased 40 million due to chrome. We didn’t see any of that come through to the bottom line if you had those outages during the period, but if chrome prices stay at current levels, can we expect to see EBIT earnings of around the 14 million mark going forward, if prices stay where they currently are?

Chris Lynch

I’ll have to get back to you on that. I don’t have a specific expectation for chrome, so I can’t really answer that right now.

Question

Is it fair to say that most of that 40 million price benefit you show in the first quarter was lost because of the maintenance you did in the quarter, so it was more a one-off?

Chris Lynch

Well, the Rand moved quite a bit. I mean, in the stainless steel materials CSG, the currencies cost us about $23 million, so I think that’s quite a big part of that cost structure. There’s about $16 million for the major maintenance at Samancor. That and the currency is probably the two biggest single impacts.

Question

Okay. And the second question, just your net monetary liability restatements from last year, you’re quoting an earnings figure after those now 446 for last year, whereas at the time of the results, it was 517, which is significantly different. Can you just explain exactly why and what you’re doing there, because those numbers… they’re confusing in the first place and to be changing them makes it even more confusing.

Chris Lynch

I think there’s two issues. There was some impacts regarding repayment of loans pertaining to BHP Steel which was one anomaly. The second part of it really around refining the net monetary liabilities treatment. What we sought to do was to put the two years on the same basis. I don’t expect that this is going to be something that’s going to continue as an issue going forward, but we got a more precise number by making the change.

Question

Do you feel comfortable with the sensitivities you’ve given us, because everyone knows in the last quarter, the fourth quarter, the numbers that you essentially suggested were way different from what actually we ended up with, so do you feel comfortable that the sensitivities now are reasonable going forward?
Chris Lynch

Yes. We are giving some different guidance now with a couple of things. We used the net monetary liabilities, which we state in US dollar equivalents. So with the exchange rates moving around, that number varies a little bit from the start.

Another issue is around the movements from a lower or different basis. You know, if you’re moving a cent from 52 versus a cent from 68, it is obvious you’re going to be talking about a different number. But we’re comfortable with our sensitivities, we’re comfortable with the guidance there.

Question

Chris, just going back on the copper question, the market that – you mention overall market fundamentals were robust enough to bring back Escondida. Which side of that? Is that really price-related, or is it actually demand related? Are you actually seeing demand pick up in your key markets?

Chris Lynch

Demand. The price issue is always going to be too short-term to be making that sort of call, but we’re more comfortable with the demand side of the situation, so it’s the more the demand side of that equation.

Question

It’s not an attempt to dampen down any sort of rampant enthusiasm in the marketplace?

Chris Lynch

No. We think the fundamentals are okay to bring it back, so I think we have done a pretty good job of making sure we didn’t have a supply on the way through that would bring it back. We’ve got customers that are looking for the product.

Question

Chris, just wanted to go back to the Southwest Copper and now that everything’s being shut down, do you have some sense of the timings and magnitudes of the cash outlays? What are your actual cash flow commitments now going forward?

Chris Lynch

A couple of things. The first thing is the smelter is going into formal closure and it hasn’t operated four years now. What will happen now will be formal closure plans, formal remediation plans, all that sort of thing. There will be a process which we’ll go through with the local authorities. So what we’ll have is a more precise view about what actually takes place from here.

So at this stage, we have an idea of what that will be. We have provisioning in place for that, for what we expect that to be, but it’ll take some time now to go through that process with the relevant
authorities and it will just take its course from here. But we think we’re in good shape on that smelter.

If you recall, we took a charge there at the end of 2002.

**Question**

But there is a statutory period over which you need to complete the full closure and clean-up in terms of cash flow out the door? Is that correct?

**Chris Lynch**

There’s an expectation of a limited period to get all of that done, but that’s something that we’ll have to see play out a little bit with negotiations with the relevant authorities at the time as to substance, as to have the work flows, etc. So with regard to that, we think we’re well-provided, and we’ll monitor that as we get more specific into the planning.

**Question**

So when do you think you might be able to give us some sort of idea of magnitude and timings of cash out phase. Maybe interim result or too early in?

**Chris Lynch**

Probably too early. I think it will be more like year end before we’ve have a good line of sight on timing and cash flows.

Thanks very much for your interest on the call.