BHP Billiton Limited
Interim Report

For The Half Year Ended 31 December 2004

Prepared in Accordance with Australian Generally Accepted Accounting Principles (GAAP)

BHP Billiton Limited
Australian Business Number 49 004 028 077

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All amounts are expressed in US dollars unless otherwise stated.

DIRECTORS' REPORT

The Directors present their report together with the interim financial statements for the half year ended 31 December 2004 and the auditor's review report thereon.

REVIEW OF OPERATIONS

The record financial result for the half year ended 31 December 2004 is a reflection of the continued consistent execution of our strategy. The focus on the efficient operation of our high quality, diversified asset base, the development of short and long term growth options and our customer focused marketing has enabled us to fully capture the opportunity provided from strong demand conditions.

The commissioning of a number of growth projects in recent years has provided leverage to strong customer demand. Along with operational improvements resulting from the continued deployment of our Operating Excellence initiatives, these new projects contributed to the achievement of half yearly production records for six major commodities within our portfolio at a time when customer demand has strengthened considerably. With completion of the fourth processing train in the North West Shelf, the commissioning of an additional five projects commencing production in recent weeks and the approval of two major new projects during the current period, our capacity to respond to the growth in demand for raw materials is further enhanced, and augurs well for future periods.

We currently have ten major projects and four smaller projects in development across a range of commodities, and an additional twelve projects where feasibility studies are underway. In total our project pipeline, which includes approved projects and projects in feasibility now represents US$10.2 billion of value accretive investment options. Notwithstanding this sizeable planned investment, our strong cash flow allowed us to execute the first stage of our planned US$2 billion capital management programme, returning US$1.78 billion to shareholders during the half year, via an off-market share buy-back of BHP Billiton Limited shares. The remaining US$220 million (3.6 US cents per share) will be distributed as part of the interim dividend, which the Board declared at 13.5 US cents per share. This is an increase of 69% over last year's interim dividend and a 42% increase from the dividend declared in August 2004. BHP Billiton intends to continue with its progressive dividend policy using this rebased dividend level as the starting reference point for future periods. This rebasing of the dividend is a sign of the confidence we have in the medium term outlook and our ability to consistently deliver earnings and cash flow to support this higher level of dividend payment.

Financial Results

Net profit attributable to the members of the BHP Billiton Group was US$2.6 billion, an increase of 89.4% on the corresponding period.

Basic earnings per share were 42.6 US cents per share compared to 22.4 US cents per share in the corresponding period, an increase of 90.2%.

Operating revenue was US$14.2 billion, an increase of 43.4% from US$9.9 billion in the corresponding period. The increase was primarily due to higher prices for all commodities with base metals, carbon steel materials, petroleum, and coal prices contributing significantly.

Profit from ordinary activities before income tax was US$3.9 billion compared with US$1.9 billion in the corresponding period, an increase of 105.3%. This increase was due to a number of factors including the approximate impact of:

- Higher sales volumes of copper, aluminium, iron ore, natural gas and manganese ore, partially offset by lower oil volumes. The net positive impact on profit before tax was US$150 million using prior period margins. The change in volume at current period prices added US$490 million to operating revenue.

- Higher commodity prices across all products increased profit before tax by US$3,035 million with copper, petroleum products, energy coal, manganese ore and alloys, metallurgical coal, aluminium, diamonds, iron ore, ferrochrome and nickel prices making significant contributions.

- New operations increased profit before tax by US$30 million due to a full period of operation from the Ohanet wet gas development in Algeria which commenced commercial production in October 2003.

Offsetting these increases in profit before tax were the following:

- Increased costs of US$255 million were primarily driven by higher operating and raw material costs, and increased demurrage, stripping and maintenance costs, partly offset by continued operating cost savings.

- Higher price-linked costs decreased profit before tax by US$235 million, mainly due to increased taxes on petroleum products, higher royalty costs, and higher LME-linked power costs.

- Rising input costs, principally in South Africa and Australia, increased costs by US$110 million.

- The corresponding period included profit before tax of US$45 million from the sale of non-core assets and a favourable impact from ceased and sold operations on profit before tax of US$15 million.

- Strengthening exchange rates had an unfavourable impact on profit before tax of US$340 million (excluding foreign exchange on borrowings). This was primarily due to stronger A$/US$ and rand/US$ average exchange rates on operating costs of US$200 million, and an unfavourable impact of US$65 million from the conversion of rand and Australian dollar denominated net monetary liabilities. The prior period included gains on legacy A$/US$ currency hedging of US$30 million which expired in the year ended 30 June 2004.

- Exploration expense was US$10 million higher than in the prior period.

- Other items totalling US$130 million included the unfavourable impact of ceased production at Boodarie Iron in Western Australia, where operations are currently being transitioned to care and maintenance.

- Borrowing costs fell from US$298 million to US$266 million, despite higher US dollar interest rates during the period. This was principally driven by lower average debt levels compared to the corresponding period. This was partially offset by higher expense from discounting of provisions, and lower capitalisation of interest as several projects move into production phase.

Profit before tax includes a significant item of profit from the completion of the sale in December 2004 of an equity participation in the North West Shelf (NWS) Project in Western Australia to China National Offshore Oil Corporation (CNOOC). Under the agreement, CNOOC purchased an interest in a new joint venture that has been established within the NWS Project to supply LNG to the Guangdong LNG Project in China. CNOOC has acquired a 5.3% title interest in NWS Project production licences, retention leases and the exploration permit relating to natural gas, but excluding oil (equivalent to 5.8% of BHP Billiton's share of current remaining proved natural gas reserves). CNOOC paid each joint venture partner US$59 million, resulting in a profit on sale of US$56 million (no tax effect). CNOOC's rights to process its gas and associated LPG and condensate through the NWS Project offshore and onshore infrastructure are contained in a separate agreement.

The corresponding period included a significant item of profit relating to the settlement of a litigation matter with Dalmine SpA of US$66 million (before tax expense of US$18 million).

Income tax expense attributable to ordinary activities was US$1,184 million, representing an effective rate of 30.1%. Impacts on the effective tax rate included investment incentives and development entitlements recognised during the period offset by non-deductible accounting depreciation and amortisation, non-deductible expenditures and overseas tax rate differentials. The prior period included a tax benefit of US$207 million relating to the introduction of the tax consolidation regime in Australia. This benefit was reported as a significant item.

Segment Results

Petroleum

Profit before tax was US$960 million, an increase of US$296 million or 44.6% compared with the corresponding period. The increase was a result of higher realised prices, where the average realised oil price per barrel was US$44.85 compared to US$29.40, and the average realised natural gas price per thousand standard cubic feet was US$2.94 compared with US$2.37 in the corresponding period. In addition, lower exploration expenditure and a smaller loss on third party trading activities also had a favourable impact. The increase was offset by the unfavourable effect of increased taxes on petroleum products, lower production volumes, with total production for the period of 57.4 million barrels of oil equivalent, compared with 62.4 million barrels of oil equivalent in the corresponding period, and the translation impact of a stronger A$/US$ exchange rate on net monetary assets and liabilities.

Exploration expenditure charged to profit was US$55 million representing a capitalisation rate of 59.9% compared to a charge to profit of US$77 million and a capitalisation rate of 49.7% in the corresponding period, and reflects timing of exploration and appraisal activities.

Aluminium

Profit before tax was US$448 million, an increase of US$156 million or 53.4%, compared with the corresponding period. The increase was mainly due to higher realised prices for aluminium and alumina, and increased aluminium sales volumes. Average LME aluminium prices increased to US$1,764 per tonne, compared with US$1,474 per tonne in the corresponding period. Higher aluminium sales volumes resulted from the full commissioning of Mozal 2 (Mozambique) and Hillside 3 (South Africa) in August 2003 and December 2003 respectively, and from the return to full production at the Alumar smelter following the July 2003 power supply failure.

This was partially offset by a once-off US$36 million charge for the agreed cancellation of a discounted aluminium supply agreement, the unfavourable impact on operating costs of strengthening A$/US$, rand/US$ and Brazilian real/US$ average exchange rates, higher LME price-linked costs, increased production input costs and pot relining activity.

Base Metals

Profit before tax was US$895 million, an increase of US$600 million or 203.4% compared with the corresponding period. This increase was mainly attributable to higher average realised prices for copper of US$1.46/lb, compared with US$0.96/lb in the corresponding period, higher copper sales volumes as well as higher average realised prices for silver, lead and zinc. Record silver and lead production was achieved for the current period and was a result of the continuation of the Cannington (Australia) de-bottlenecking programme. These factors were partially offset by higher input costs as well as the unfavourable translation impact on operating costs and net monetary assets and liabilities of stronger A$/US$ and Chilean peso/US$ average and closing exchange rates.

Carbon Steel Materials

Profit before tax was US$930 million, an increase of US$471 million or 102.6% compared with the corresponding period. This increase was mainly attributable to stronger commodity prices for all products combined with record production and sales volumes for iron ore and manganese ore operations. Operating cost performance at Australian and South African operations was unfavourably impacted by stronger A$/US$ and rand/US$ average exchange rates and inflationary pressures compared with the corresponding period. Queensland Coal operations (Australia) incurred higher price-linked royalty costs, stripping costs linked to expansion projects and increased demurrage costs. Western Australian iron ore operations (Australia) also incurred higher demurrage costs as well as increased depreciation charges for recently commissioned expansion projects, offset by higher capitalisation of stripping costs. Compared with the prior period, ceased production at Boodarie Iron in Western Australia also had an unfavourable impact on profit before tax. Operations at Boodarie Iron are currently being transitioned to care and maintenance status.

BHP Billiton has settled commercial terms for approximately three quarters of its annually priced metallurgical coal contracts with prices increasing by an average of 120% across all markets. For 70% of our contracts by volume the increase is effective from 1 April 2005.

Diamonds and Specialty Products

Profit before tax was US$245 million, an increase of US$107 million or 77.5% compared with the corresponding period. The increase was mainly attributable to higher realised prices and sales volumes for diamonds. This was partially offset by the unfavourable impact of a stronger Canadian$/US$ average exchange rate on operating costs, and higher diamond royalties arising from increased profits. Additionally the half year ended 31 December 2003 included profits realised on the sale of a non-core royalty interest (US$37 million).

The second half of the 30 June 2005 financial year will be negatively impacted by the processing of lower grade, lower value material at Ekati (Canada).

Energy Coal

Profit before tax was US$199 million, an increase of US$159 million or 397.5% compared with the corresponding period. The increase was mainly due to higher export prices resulting from continued strong demand in both the Atlantic and Pacific markets, increased export sales volumes from Hunter Valley Coal (Australia) following the successful ramp-up of the Mt Arthur North project, and cost efficiencies gained at Hunter Valley Coal from increased volumes. This was partially offset by the unfavourable impact on net operating costs of a stronger rand/US$ average exchange rate, higher unit costs at Ingwe (South Africa) reflecting higher operating costs, and South African inflationary pressures.

Stainless Steel Materials

Profit before tax was US$339 million, an increase of US$152 million or 81.3% compared with the corresponding period. The increase was mainly driven by higher realised prices for nickel, ferrochrome and cobalt. Nickel prices averaged US$6.38/lb in the current period, up 35.2% from US$4.72/lb in the corresponding period. This was partially offset by the impact of stronger currencies on operating costs and translation of net monetary assets and liabilities, higher cost of production inputs for chrome operations in South Africa and increased shipping costs.

Group and Unallocated Items

Included in profit before tax were corporate operating costs of US$135 million compared to US$110 million in the corresponding period. This was primarily due to an increase of US$27 million associated with costs of employee share awards in the current period.

Other items in the corresponding period included gains on legacy A$/US$ currency hedging of US$30 million and benefits from one-off items.

Net Tangible Asset Backing

Net tangible assets per fully paid share were US$2.48 as at 31 December 2004, compared with US$2.35 at 30 June 2004.

Cash Flows

Net operating cash flow was US$3,546 million, an increase of 117.7% on the corresponding period.

Spending on capital, exploration and investment expenditures totalled US$1,740 million for the period. Expenditure on growth projects and investments amounted to US$1,111 million, including US$433 million on petroleum projects and US$678 million on minerals projects. Sustaining and maintenance capital expenditure was US$430 million.

Net financing cash outflows were US$2,589 million (31 December 2003: US$1,109 million), which includes US$1,792 million distributed to shareholders as part of the US$2 billion capital management programme.

Portfolio Management

As previously noted, the Group sold an equity participation in the North West Shelf Project to China National Offshore Oil Corporation for proceeds of US$59 million.

In addition, the Group announced the sale of its interests in the Laminaria and Corallina Oil Fields (located in the Timor Sea) and its equity interest in Integris Metals (US) during the current half year. The Group also sold 50% of its shareholding in Acerinox S.A. These transactions have been completed subsequent to 31 December 2004 and will generate proceeds of US$130 million, US$205 million and US$56 million, respectively.

Corporate Governance

The Group announced the appointment of Mr Carlos A Cordeiro to the BHP Billiton Board effective 3 February 2005.

International Financial Reporting Standards

The Group will commence reporting financial information in accordance with International Financial Reporting Standards (IFRS) for financial periods beginning on or after 1 July 2005. Selected financial information for the half year to 31 December 2004 prepared in accordance with IFRS together with a reconciliation from IFRS to UK and Australian Generally Accepted Accounting Principles, and explanatory notes, are expected to be released in the second half of this fiscal year as unaudited supplementary information.

Dividend

An interim dividend for the half year ended 31 December 2004 of 13.5 US cents per share will be paid to shareholders on 23 March 2005. This dividend includes US$220 million (3.6 US cents per share) to complete the US$2 billion capital management programme announced in August 2004. BHP Billiton intends to continue with its progressive dividend policy using this rebased dividend level as the starting reference point for future periods. This rebasing of the dividend is also a sign of the confidence we have in the ability to consistently deliver earnings and cash flow to support this higher level of dividend payment in the years ahead.

The dividend paid by BHP Billiton Limited will be fully franked for Australian taxation purposes.

Liquidity and Capital Management

In October 2004, Moody’s Investor Services upgraded BHP Billiton’s credit rating from A2 to A1, reflecting the Group’s strengthened financial risk profile.

On 23 November 2004, the first phase of a US$2 billion capital management programme was completed through an off-market share buy-back of 180.72 million BHP Billiton Limited shares. The total amount of capital repurchased was US$1.78 billion, or 2.9% of the issued BHP Billiton Group share capital. The buy-back price of A$12.57 per share, represented a discount of 12% to the volume weighted average price of BHP Billiton Limited shares over the five days up to and including buy-back closing date. The remaining US$220 million will be returned to shareholders as part of the interim dividend declared.

Outlook

While the global economy slowed during the half year, GDP growth for calendar 2004 was one of the strongest in the last three decades. The real GDP growth rate slowed in the September quarter - particularly in Japan, Germany, France and the UK - and the rate of growth in OECD industrial production has continued to decelerate. Although the reasons for the slowdown are varied and reflect the particular circumstances for each economy, some common factors have been the rise in oil prices, a tightening in economic policies and a slowing in export growth. With the Chinese government taking steps to control growth in certain areas of its economy during 2004, growth rates in China also slowed in the second half.

Overall, while the pace of global economic growth may have slowed in recent months, we remain of the view that the cycle is extendable and the global economy will continue to experience an above trend growth rate in the coming year. In particular, we expect that China will remain a large and sustainable consumer of raw materials and resources as the government remains committed to sustainable long-term development. For some commodities, inventory levels are already at or close to historically low levels. Given this, together with continued growing demand, it is likely that for many commodities, supply will continue to fall short of demand over the coming year. Over time we expect this situation will come into balance with the introduction of new supply, either through new projects or the expansion of existing operations.

We will remain focussed on our strategy of maximising the operating performance of our world class assets, reducing costs and improving efficiencies and exercising the value accretive expansion options within our portfolio. Our recent financial performance demonstrates how this has positioned us to take advantage of the current strong demand for raw materials. The cash generating ability of our existing assets allows us to continue with this approach whilst remaining alert for opportunistic, value adding acquisitions. We also believe it is critical that we continue to generate options to participate in value-added opportunities to expand our activities as the prospects for demand growth become apparent. To this end, it is possible that we will enter new production regions, new markets with new customers and into new products where these add value and are in line with our strategic objectives.

Events After End of Half Year

No matters or circumstances have arisen since the end of the half year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the BHP Billiton Group in subsequent accounting periods, other than the following:

On 4 January 2005 the sale of BHP Billiton's 50% interest in Integris Metals was completed. Total proceeds from the sale were US$205 million resulting in a profit on sale before tax of US$19 million (no tax effect).

On 7 January 2005 the Group sold 50% of its holding in Acerinox S.A. Total proceeds from the sale were US$56 million resulting in a profit on sale before tax of US$22 million (no tax effect and US$13 million after outside equity interests).

On 14 January 2005, the sale of the Laminaria and Corallina oil fields was completed. Total proceeds from the sale were US$130 million resulting in a profit on sale before tax of US$134 million (US$123 million after tax).

BOARD OF DIRECTORS

The Directors of the Company in office during or since the end of the half year are:

- Mr D R Argus – Chairman since April 1999 (on the Board of Directors since November 1996)
- Mr D A Crawford – a Director since May 1994
- Mr M A Chaney – a Director since May 1995
- Dr D A Jenkins – a Director since March 2000
- Dr J M Schubert – a Director since June 2000
- Mr C W Goodyear – an Executive Director since November 2001
- Dr D C Brink – a Director since June 2001
- Lord Renwick of Clifton – a Director since June 2001
- Dr J G Buchanan – a Director since February 2003
- Mr M Salamon – an Executive Director since February 2003
- Mr C A Cordeiro – a Director since February 2005

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 9 and forms part of the directors' report for the half year ended 31 December 2004.

ROUNDING OF AMOUNTS

The Company is a company of a kind referred to in Class Order No. 98/0100 dated 10 July 1998 issued by the Australian Securities and Investments Commission. Amounts in this report, unless otherwise indicated, have been rounded in accordance with that Class Order to the nearest million dollars.

Signed in accordance with a resolution of the Board.

C W Goodyear
Executive Director

Melbourne
16 February 2005

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of BHP Billiton Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2004 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Peter Nash
Partner

Melbourne
16 February 2005

Interim Financial Statements
For The Half Year Ended 31 December 2004

Statement of Financial Performance

For the half year ended 31 December 2004

	Notes	**Half year ended 31 December 2004 US$M**	Half year ended 31 December 2003 US$M
Revenue from ordinary activities			
Operating revenue		**14 216**	9 947
Non-operating revenue		**256**	309
	3	**14 472**	10 256
deduct			
Expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs		**9 622**	7 268
add			
Share of net profit of joint venture entities accounted for using the equity method	6	**246**	83
		5 096	3 071
deduct			
Depreciation and amortisation		**898**	874
Borrowing costs		**266**	298
Profit from ordinary activities before income tax	3	**3 932**	1 899
deduct			
Income tax expense attributable to ordinary activities		**1 184**	489
Net profit		**2 748**	1 410
deduct			
Outside equity interests in net profit of controlled entities		**111**	18
Net profit attributable to members of the BHP Billiton Group		**2 637**	1 392
Net exchange fluctuations on translation of foreign currency net assets		**42**	47
Total direct adjustments to equity attributable to members of the BHP Billiton Group		**42**	47
Total changes in equity other than those resulting from transactions with owners		**2 679**	1 439
Basic earnings per share (US cents)	4	**42.6**	22.4
Diluted earnings per share (US cents)	4	**42.4**	22.3

The accompanying notes form part of these interim financial statements.

Statement of Financial Position
As at 31 December 2004

	Notes	**31 December 2004 US$M**	30 June 2004 US$M
Current assets			
Cash assets	8	**1 016**	1 818
Receivables		**3 106**	2 778
Other financial assets		**226**	167
Inventories		**2 174**	1 715
Other assets		**228**	176
Total current assets		**6 750**	6 654
Non-current assets			
Receivables		**732**	748
Investments accounted for using the equity method		**1 501**	1 369
Other financial assets		**85**	123
Inventories		**38**	45
Property, plant and equipment		**21 941**	20 945
Intangible assets		**400**	422
Deferred tax assets		**553**	502
Other assets		**410**	371
Total non-current assets		**25 660**	24 525
Total assets		**32 410**	31 179
Current liabilities			
Payables		**2 627**	2 590
Interest bearing liabilities		**1 435**	1 330
Tax liabilities		**666**	297
Other provisions and liabilities		**869**	810
Total current liabilities		**5 597**	5 027
Non-current liabilities			
Payables		**166**	177
Interest bearing liabilities		**5 097**	5 453
Deferred tax liabilities		**1 239**	1 053
Other provisions and liabilities		**4 449**	4 044
Total non-current liabilities		**10 951**	10 727
Total liabilities		**16 548**	15 754
Net assets		**15 862**	15 425
Equity			
Contributed equity – BHP Billiton Limited		**1 591**	1 851
Called up share capital – BHP Billiton Plc		**1 752**	1 752
Reserves		**617**	547
Retained profits		**11 475**	10 928
Total BHP Billiton interest		**15 435**	15 078
Outside equity interests		**427**	347
Total equity	7	**15 862**	15 425

The accompanying notes form part of these interim financial statements.

Statement of Cash Flows
For the half year ended 31 December 2004

	Notes	**Half year ended 31 December 2004 US$M**	Half year ended 31 December 2003 US$M
Cash flows related to operating activities			
Receipts from customers		**15 272**	9 794
Payments in the course of operations		**(11 043)**	(7 566)
Dividends received		**135**	127
Interest received		**43**	38
Borrowing costs (includes capitalised interest)		**(166)**	(221)
Operating cash flows before income tax		**4 241**	2 172
Income taxes paid		**(695)**	(543)
Net operating cash flows		**3 546**	1 629
Cash flows related to investing activities			
Purchases of property, plant and equipment		**(1 527)**	(1 213)
Exploration expenditure (includes capitalised exploration)		**(199)**	(193)
Purchases of investments and funding of joint ventures		**(14)**	(23)
Investing cash outflows		**(1 740)**	(1 429)
Proceeds from sale of property, plant and equipment		**38**	62
Proceeds from sale or redemption of investments		**73**	40
Proceeds from sale, or partial sale, of controlled entities and joint venture interests net of their cash		**1**	6
Net investing cash flows		**(1 628)**	(1 321)
Cash flows related to financing activities			
Proceeds from ordinary share issues		**38**	55
Purchase of shares by Employee Share Ownership Plan (ESOP) trusts		**(29)**	(14)
Proceeds from interest bearing liabilities		**590**	371
Repayment of interest bearing liabilities		**(757)**	(557)
Share repurchase scheme - BHP Billiton Limited		**(1 792)**	-
Dividends paid		**(594)**	(959)
Dividends paid to outside equity interests		**(32)**	(3)
Other		**(13)**	(2)
Net financing cash flows		**(2 589)**	(1 109)
Net decrease in cash and cash equivalents		**(671)**	(801)
Cash and cash equivalents at beginning of the half year		**1 685**	1 531
Effect of foreign currency exchange rate changes on cash and cash equivalents		**(3)**	24
Cash and cash equivalents at end of the half year	8	**1 011**	754

The accompanying notes form part of these interim financial statements.

Notes to Financial Statements

NOTE 1. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

Basis of preparation of interim financial statements

These statements are general purpose interim consolidated financial statements that have been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. These interim financial statements and reports should be read in conjunction with the annual financial statements for the year ended 30 June 2004 and any public announcements made by the BHP Billiton Group and its controlled entities during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001 and Australian Stock Exchange Listing Rules. The notes to the interim financial statements do not include all information normally contained within the notes to an annual financial report.

These interim consolidated financial statements have been prepared on the basis of historical cost principles and, except where stated, do not take into account changing monetary values or the fair values of non-current assets.

Merger terms

On 29 June 2001, BHP Billiton Limited (previously known as BHP Limited), an Australian listed Company, and BHP Billiton Plc (previously known as Billiton Plc), a UK listed Company, entered into a Dual Listed Companies (DLC) merger. This was effected by contractual arrangements between the companies and amendments to their constitutional documents.

The effect of the DLC merger is that BHP Billiton Limited and its subsidiaries (the BHP Billiton Limited Group) and BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) operate together as a single economic entity (the BHP Billiton Group), with neither assuming a dominant role. Under the arrangements:

- The shareholders of BHP Billiton Limited and BHP Billiton Plc have a common economic interest in both groups;
- The shareholders of BHP Billiton Limited and BHP Billiton Plc take key decisions, including the election of Directors, through a joint electoral procedure under which the shareholders of the two companies effectively vote on a joint basis;
- BHP Billiton Limited and BHP Billiton Plc have a common Board of Directors, a unified management structure and joint objectives;
- Dividends and capital distributions made by the two companies are equalised; and
- BHP Billiton Limited and BHP Billiton Plc each executed a deed poll guarantee, guaranteeing (subject to certain exceptions) the contractual obligations (whether actual or contingent, primary or secondary) of the other incurred after 29 June 2001 together with specified obligations existing at that date.

If either BHP Billiton Limited or BHP Billiton Plc proposes to pay a dividend to its shareholders, then the other Company must pay a matching cash dividend of an equivalent amount per share to its shareholders. If either Company is prohibited by law or is otherwise unable to declare, pay or otherwise make all or any portion of such a matching dividend, then BHP Billiton Limited or BHP Billiton Plc will, so far as it is practicable to do so, enter into such transactions with each other as the Boards agree to be necessary or desirable so as to enable both Companies to pay dividends as nearly as practicable at the same time.

The DLC merger did not involve the change of legal ownership of any assets of BHP Billiton Limited or BHP Billiton Plc, any change of ownership of any existing shares or securities of BHP Billiton Limited or BHP Billiton Plc, the issue of any shares or securities or any payment by way of consideration, save for the issue by each Company of one special voting share to a trustee company which is the means by which the joint electoral procedure is operated. In addition, to achieve a position where the economic and voting interests of one share in BHP Billiton Limited and one share in BHP Billiton Plc were identical, BHP Billiton Limited made a bonus issue of ordinary shares to the holders of its ordinary shares.

NOTE 1. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS continued

Treatment of the DLC merger for accounting purposes

In accordance with the Australian Securities and Investments Commission (ASIC) Practice Note 71 'Financial Reporting by Australian Entities in Dual-Listed Company Arrangements', and an order issued by ASIC under section 340 of the Corporations Act 2001 on 2 September 2002, this interim report presents the financial results of the BHP Billiton Group as follows:

- Results for the half years ended 31 December 2004 and 31 December 2003 are for the combined entity including both BHP Billiton Limited and its subsidiary companies and BHP Billiton Plc and its subsidiary companies; and
- Results are presented in US dollars unless otherwise stated.

Accounting policies

Accounting policies and standards have been consistently applied by all entities in the BHP Billiton Group in the half year ended 31 December 2004 and are consistent with those applied in the full year ended 30 June 2004. Where applicable, comparatives have been adjusted to disclose them on a comparable basis with current period figures.

Impact of International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the Group must comply with Australian Accounting Standards that have been revised to satisfy the requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Group's DLC structure results in two parent entities with their own statutory reporting obligations, one in Australia and the other in the UK. While Australia and the United Kingdom are currently moving to an IFRS based financial reporting regime in the same time frame, this structure creates unique IFRS implementation issues, for example:

(i) the Australian Accounting Standards Board has approved IFRS based standards which mandate particular policies that are only optional in the UK; and

(ii) there is a risk that further changes in IFRS prior to 30 June 2006 attract inconsistent early adoption rules between the two jurisdictions.

Accordingly, significant uncertainty remains as to the likely impact of IFRS on the Group's financial statements.

Management of IFRS implementation

The Group has established a formal project, monitored by a steering committee, to manage the transition to IFRS reporting. Regular updates are also provided to the Board Risk Management and Audit Committee. The implementation project consists of three phases:

(i) Scoping and impact analysis – Project scoping and impact analysis was substantially complete by 30 June 2004 and produced a high level view of potential differences to existing accounting and reporting policies and consequential changes to information systems and business processes.

(ii) Evaluation and design phase – This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statement content. The evaluation and design phase was well advanced at 31 December 2004 and the Group will continue to evaluate the impact of developments in IFRS through to implementation.

(iii) Implementation and review phase – The implementation and review phase is in progress and includes substantial training programmes across the Group's finance staff, execution of changes to information systems and business processes and completing formal authorisation processes to approve recommended accounting policy changes. It will culminate in the collection of financial information necessary to compile IFRS compliant financial statements, embedding of IFRS in business processes, elimination of any unnecessary data collection processes and Board approval of IFRS financial statements. Implementation also involves delivery of further training to staff as revised systems begin to take effect. This phase commenced at the beginning of the 2004 calendar year and is not expected to be complete until 30 June 2005.

Key differences in accounting policies

This financial report has been prepared in accordance with Australian accounting standards and other Australian financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the Group's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences (significant or not) between Australian GAAP and IFRS.

The Group has not quantified the effects of the differences described below. The regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between Australian GAAP and IFRS and their impact on the Group's financial reports in future years. The future impact of IFRS will also depend on the particular circumstances prevailing in those years.

The key potential implications of the conversion to IFRS on the Group identified to date are as follows:

- All derivative financial instruments must be recognised in the Statement of Financial Position and measured at fair value. Application of hedge accounting will only be available where specific designation and effectiveness criteria are satisfied. These changes may impact the manner in which the Group executes risk mitigation strategies through derivatives and their consequent accounting. Where hedge accounting cannot be achieved for ongoing risk mitigation activity, net profit will be directly affected by changes in market values of derivative financial instruments.
- Income tax will be calculated using the 'balance sheet liability' approach, which recognises deferred tax assets and liabilities by reference to differences between the accounting and tax values of balance sheet items, rather than accounting and tax values of items recognised in profit and loss. This approach has the potential to give rise to a wider range of deferred tax assets and liabilities and an increase in the volatility of deferred tax balances brought about by foreign exchange rate movements. In general, a weakening of other currencies relative to the Group's US dollar functional currency will reduce the value of future tax deductions attached to existing assets and liabilities that are denominated for tax purposes in those other currencies. Such movements will give rise to foreign exchange losses recognised in income tax expense.
- The cost of employee compensation provided in the form of equity-based compensation (including shares and options) will be measured based on the fair value of those instruments, rather than their intrinsic value, and accrued over the period of employee service. This is likely to change the total amount of compensation cost and the pattern of cost recognition. Relative to the Group's existing accounting policy, the cost of employee compensation provided in the form of shares and options will be lower and higher respectively, and the cost will be spread over a longer recognition period.
- Defined benefit pension plan and medical benefit plan arrangements will result in the recognition of net assets or liabilities directly based on the underlying obligations and assets of those plans. The recognised net asset or liability will be immediately subject to changes in the market value of plan assets and changes in the accumulated benefits of employees that may be more volatile than changes in assets and liabilities currently recognised under the Group's existing accounting policy. Alternative methods of recognising this volatility will be available, including direct recognition in profit and loss, progressive recognition using a 'corridor' approach, or recognition directly in equity. The Group intends to adopt the last of these options, which will result in most sources of volatility being recognised directly in equity rather than through profit and loss.

Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

NOTE 2. SIGNIFICANT ITEMS

Individually significant items (before outside equity interests) included within the BHP Billiton Group net profit are detailed below.

Half year ended 31 December 2004	Gross US$M	Tax US$M	Net US$M
Sale of equity interest in North West Shelf Project (a)	**56**	**-**	**56**
Total by category	**56**	**-**	**56**
Petroleum	**56**	**-**	**56**
Total by Customer Sector Group	**56**	**-**	**56**

Half year ended 31 December 2003	Gross US$M	Tax US$M	Net US$M
Introduction of tax consolidation regime in Australia (b)	-	207	207
Litigation settlement (c)	66	(18)	48
Total by category	66	189	255
Group and unallocated items	-	207	207
Petroleum	66	(18)	48
Total by Customer Sector Group	66	189	255

(a) During the half year ended 31 December 2004, BHP Billiton sold an equity participation in the North West Shelf (NWS) Project to China National Offshore Oil Corporation (CNOOC). CNOOC purchased an interest in a new joint venture that is being established within the NWS Project to supply LNG to the Guangdong LNG Project in China. CNOOC will acquire title to approximately 5.8% of current NWS Project gas reserves and rights to process its gas and associated LPG and condensate through NWS Venture offshore and onshore infrastructure. CNOOC paid each joint venture partner US$59 million resulting in a profit on sale of US$56 million (no tax effect).

(b) In the half year ended 31 December 2003, BHP Billiton elected to consolidate its Australian subsidiaries under the Australian tax consolidation regime, as introduced by the Australian Federal Government. Under the transitional rules, the Group chose to reset the tax cost base of certain depreciable assets which results in additional tax depreciation over the lives of the assets. This resulted in the restatement of deferred tax balances and a tax benefit being recorded in accordance with UIG Abstract 52 ‘Income Tax Accounting under the Tax Consolidations System’.

(c) In December 2003 BHP Billiton announced that it was part of a consortium that had reached a settlement with Dalmine SpA with respect to a claim brought against Dalmine in April 1998. The claim followed the failure of an underwater pipeline installed in 1994 in the Liverpool Bay area of the UK continental shelf.

NOTE 3. SEGMENT RESULTS

	Half year ended 31 December 2004 US$M	Half year ended 31 December 2003 US$M
Segment Revenue		
Petroleum	**3 269**	2 340
Aluminium	**2 637**	2 044
Base Metals	**2 115**	1 160
Carbon Steel Materials	**3 127**	2 097
Diamonds and Specialty Products	**498**	311
Energy Coal	**1 481**	1 145
Stainless Steel Materials	**1 011**	743
Group and unallocated items	**332**	395
Net unallocated interest	**49**	56
Intersegment	**(47)**	(35)
BHP Billiton Group	**14 472**	10 256
Profit before tax (a)		
Petroleum	**960**	664
Aluminium	**448**	292
Base Metals	**895**	295
Carbon Steel Materials	**930**	459
Diamonds and Specialty Products	**245**	138
Energy Coal	**199**	40
Stainless Steel Materials	**339**	187
Group and unallocated items	**(113)**	(17)
Share of net profit of joint venture entities accounted for using the equity method	**246**	83
Net unallocated interest	**(217)**	(242)
BHP Billiton Group	**3 932**	1 899

(a) Before outside equity interests.

NOTE 4. EARNINGS PER SHARE

	Half year ended 31 December 2004	Half year ended 31 December 2003
Basic earnings per share (US cents) (a)	**42.6**	22.4
Diluted earnings per share (US cents) (b)	**42.4**	22.3
Basic earnings (US$ million)	**2 637**	1 392
Diluted earnings (US$ million) (c)	**2 640**	1 392

(a) Under the terms of the DLC merger, the rights to dividends of a holder of an ordinary share in BHP Billiton Plc and a holder of an ordinary share in BHP Billiton Limited are identical. Consequently, earnings per share is calculated on the basis of the aggregate number of ordinary shares ranking for dividend. The weighted average number of shares used for the purposes of calculating basic earnings per share is calculated after deduction of the shares held by the share repurchase scheme and the Group's employee share ownership trusts.

(b) The weighted average number of shares used for the purpose of calculating diluted earnings per share can be reconciled to the number used to calculate basic earnings per share as follows:

	Half year ended 31 December 2004 Million	Half year ended 31 December 2003 Million
Basic earnings per share denominator	**6 195**	6 215
Shares and options contingently issuable under employee share ownership plans	**29**	18
Diluted earnings per share denominator	**6 224**	6 233

(c) Diluted earnings is calculated after adding back dividend equivalent payments of US$3 million (31 December 2003: nil) that would not be made if potential ordinary shares were converted to fully paid.

NOTE 5. DIVIDENDS

	Half year ended 31 December 2004 US$M	Half year ended 31 December 2003 US$M
BHP Billiton Limited (a) (b)		
Dividends paid	**358**	300
BHP Billiton Plc (a)		
Dividends paid	**234**	197
Total dividends paid	**592**	497

	Half year ended 31 December 2004 US cents	Half year ended 31 December 2003 US cents
Dividends per share (a)	**9.5**	8.0

(a) As a result of the Group's decision to realign dividend declaration dates with the announcement of the Group's interim and full year results, the dividend paid on 22 September 2004 of 9.5 US cents per share (fully franked) was the final dividend for the year ended 30 June 2004. The dividend paid during the half year ended 31 December 2003 of 8.0 US cents (fully franked) was the first interim dividend for the year ended 30 June 2004. On 16 February 2005 BHP Billiton declared an interim dividend of 13.5 US cents per share (fully franked). This dividend has not been provided for at 31 December 2004.

(b) For the purposes of AASB 1034 'Financial Report Presentation and Disclosures', the Group had an adjusted franking account balance of US$101 million (A$130 million) on a tax paid basis at 31 December 2004. The current outlook is that dividends payable in the next twelve months will be fully franked.

NOTE 6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Ownership interest at BHP Billiton Group reporting date (a)		Contribution to net profit	
Material shareholdings in joint venture entities	**31 December 2004 %**	31 December 2003 %	**31 December 2004 US$M**	31 December 2003 US$M
Samarco Mineracao SA	**50**	50	**60**	32
Minera Antamina SA	**33.75**	33.75	**84**	8
Carbones del Cerrejon LLC	**33.3**	33.3	**76**	30
Integris Metals Inc (b)	**50**	50	**17**	5
Highland Valley Copper (c)	**-**	33.6	**-**	7
Other (d)			**9**	1
Total			**246**	83

(a) Ownership interest reflects the interest held at the end of the half years ended 31 December 2004 and 2003 respectively. The proportion of voting power held corresponds to ownership interest.

(b) Subsequent to 31 December 2004, the BHP Billiton Group sold its interest in Integris Metals Inc. Refer to note 10.

(c) Effective January 2004, the BHP Billiton Group sold its interest in Highland Valley Copper for US$81 million.

(d) Includes immaterial equity accounted joint ventures and the Richards Bay Minerals joint venture owned 50% (2003: 50%).

NOTE 7. TOTAL EQUITY

	Half year ended 31 December 2004 US$M	Half year ended 31 December 2003 US$M
Total equity opening balance	**15 425**	12 839
Total changes in equity recognised in the Statement of Financial Performance	**2 679**	1 439
Transactions with owners – contributed equity (a) (b)	**33**	48
Dividends (c)	**(592)**	(497)
Accrued employee entitlement to share awards	**49**	28
Purchases of shares made by ESOP trusts	**(29)**	(14)
Cash settlement of employee share awards	**(6)**	-
BHP Billiton Limited Share buy-back (d)	**(1 777)**	-
Total changes in outside equity interests	**80**	(5)
Total equity closing balance	**15 862**	13 838

(a) During the half year ended 31 December 2004, 5 644 644 (31 December 2003: 7 696 177) shares were issued on the exercise of employee share plan options. Nil (31 December 2003: 240 000) shares paid to A$1.40 and 210 000 (31 December 2003: 690 000) shares paid to A$1.36 were converted to fully paid.

(b) During the period 1 January 2005 to 16 February 2005, nil Executive Share Scheme partly paid shares were paid up in full and 295,379 fully paid ordinary shares (including attached bonus shares) were issued on the exercise of Employee Share Plan options.

(c) Refer note 5.

(d) On 23 November 2004, the BHP Billiton Group completed an off-market share buy-back of 180 716 428 BHP Billiton Limited shares. As a result of the buy-back, total equity decreased by US$1 777 million (including US$5 million of transaction costs). In accordance with the structure of the buy-back, US$296 million was allocated to the contributed equity of BHP Billiton Limited, and US$1 481 million was allocated to retained earnings. The final price for the buy-back was A$12.57 per share, representing a discount of 12% to the volume weighted average price of BHP Billiton Limited shares over the 5 days up to and including the closing date of the buy-back.

NOTE 8. NOTES TO THE STATEMENT OF CASH FLOWS

For the purpose of the Statement of Cash Flows, cash is defined as cash and cash equivalents. Cash equivalents include highly liquid investments, which are readily convertible to cash, bank overdrafts and interest bearing liabilities at call.

	31 December 2004 US$M	30 June 2004 US$M
Reconciliation of cash		
Cash and cash equivalents comprise:		
Cash assets		
Cash	**715**	674
Short-term deposits	**301**	1 144
Total cash assets	**1 016**	1 818
Bank overdrafts	**(5)**	(133)
Total cash and cash equivalents	**1 011**	1 685

	Half year ended 31 December 2004 US$M	Half year ended 31 December 2003 US$M
Non-cash financing and investing activities		
Employee Share Plan loan instalments (a)	**1**	2

(a) The Employee Share Plan loan instalments represent the repayment of loans outstanding with the BHP Billiton Group, by the application of dividends.

NOTE 9. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There have been no material changes in contingent liabilities or contingent assets that existed at 30 June 2004.

NOTE 10. EVENTS AFTER END OF HALF YEAR

No matters or circumstances have arisen since the end of the half year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the BHP Billiton Group in subsequent accounting periods, other than the following:

On 4 January 2005 the sale of BHP Billiton's 50% interest in Integris Metals was completed. Total proceeds from the sale were US$205 million resulting in a profit on sale before tax of US$19 million (no tax effect).

On 7 January 2005 the Group sold 50% of its holding in Acerinox S.A. Total proceeds from the sale were US$56 million resulting in a profit on sale before tax of US$22 million (no tax effect and US$13 million after outside equity interests).

On 14 January 2005, the sale of the Laminaria and Corallina oil fields was completed. Total proceeds from the sale were US$130 million resulting in a profit on sale before tax of US$134 million (US$123 million after tax).

The financial effects of the above transactions have not been brought to account at 31 December 2004.

NOTE 11. STATEMENT OF FINANCIAL POSITION – AUSTRALIAN DOLLARS

In accordance with a relief order granted by ASIC, an Australian dollar Statement of Financial Position of the BHP Billiton Group is detailed below. A convenience translation of amounts from US dollars into Australian dollars has been made at an exchange rate of US$0.7796 = A$1 at 31 December 2004 and US$0.6897 = A$1 at 30 June 2004. These rates of exchange are based on the market foreign exchange rate sourced from Reuters at 12.00pm (AEDT/AEST) on the last day of the financial period.

	As at 31 December 2004 A$M	As at 30 June 2004 A$M
Current assets		
Cash assets	**1 303**	2 636
Receivables	**3 984**	4 028
Other financial assets	**290**	242
Inventories	**2 789**	2 487
Other assets	**292**	255
Total current assets	**8 658**	9 648
Non-current assets		
Receivables	**939**	1 085
Investments accounted for using the equity method	**1 925**	1 985
Other financial assets	**109**	178
Inventories	**49**	65
Property, plant and equipment	**28 144**	30 368
Intangible assets	**513**	612
Deferred tax assets	**709**	728
Other assets	**526**	538
Total non-current assets	**32 914**	35 559
Total assets	**41 572**	45 207
Current liabilities		
Payables	**3 370**	3 755
Interest bearing liabilities	**1 841**	1 928
Tax liabilities	**854**	431
Other provisions and liabilities	**1 115**	1 174
Total current liabilities	**7 180**	7 288
Non-current liabilities		
Payables	**213**	257
Interest bearing liabilities	**6 538**	7 906
Deferred tax liabilities	**1 589**	1 527
Other provisions and liabilities	**5 707**	5 864
Total non-current liabilities	**14 047**	15 554
Total liabilities	**21 227**	22 842
Net assets	**20 345**	22 365
Equity		
Contributed equity – BHP Billiton Limited	**2 041**	2 684
Called up share capital – BHP Billiton Plc	**2 247**	2 540
Reserves	**791**	793
Retained profits	**14 718**	15 845
Total BHP Billiton interest	**19 797**	21 862
Outside equity interest	**548**	503
Total equity	**20 345**	22 365

Directors' Declaration

In the opinion of the directors of BHP Billiton Limited ("the Company"):

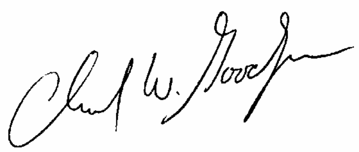
1. the financial statements and notes set out on pages 10 to 22, are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

   (b) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



C W Goodyear	Melbourne
Executive Director	16 February 2005

Independent review report to the members of BHP Billiton Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the BHP Billiton Group, for the half-year ended 31 December 2004. The BHP Billiton Group comprises BHP Billiton Limited ("the Company") and BHP Billiton Plc and the entities they each controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the BHP Billiton Group's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the interim financial report of the BHP Billiton Group, set out on pages 10 to 23, is not in accordance with:

(a) the Corporations Act 2001, including:

   (i) giving a true and fair view of the BHP Billiton Group's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and

   (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

Peter Nash
Partner

Melbourne
16 February 2005