BHP Billiton Preliminary Results for the Year Ended 30 June 2009 Analyst and Investor Briefing 12 August 2009

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I. Introduction

Ladies and gentlemen, welcome to today's presentation of BHP Billiton's preliminary results for our financial year ended June 2009. I am speaking to you today from London. Alex Vanselow, our CFO, is in Sydney and we also welcome our audience in Johannesburg.

Before we begin today, I would like to point you to the disclaimer. I remind you, as always, that it is important in relation to the material that we are going to present today.

I would like to start off by giving a brief overview of the results, and then I will hand over to Alex and then I will come back and give you a few more thoughts.

2009 has probably been the most challenging year that I can recall. Within a 12-month period we went from exuberance and an environment where the industry could not satisfy rampant commodity demand to one in which demand simply evaporated and then more recently we have seen stabilisation. Our results today show that we are certainly not immune to these events, but they also demonstrate that BHP Billiton's unique proposition based around low-cost assets, our strong balance sheet and unchanged strategy place us in a unique position to deliver shareholder value over the long term. I will talk a little later about how we see the demand outlook, but let me begin with our financial results.

II. Financial Results

Our underlying EBITDA was down 21% to US$22 billion and underlying EBIT was down 25% to US$18 billion. In percentage terms, this means that our results are materially lower than our 2008 results. In absolute terms, and in the context of the environment that we have experienced, US$18 billion of EBIT is a very significant result.

Attributable profit for the year was US$10.7 billion before exceptional items, down 30%. Our earnings per share was down 30% to 192.7 US dollar cents per share before exceptional items.

The two highlights for me in today's presentation are the fact that we achieved record cash flows of US$18.9 billion and, secondly, an EBIT margin of 40%. Both of these results prove the strength of our asset portfolio in the face of what have been very challenging external market conditions. As a result of this exceptionally strong cash flow, our balance sheet remains strong with net gearing at 12%.

I said at the outset that 2009 was the most challenging year that I can recall. Although economic conditions have stabilised over the last three months or so, we do believe that the true picture of the underlying demand for commodity products will not be visible until 2010. On the back of this outlook, therefore, we have announced today that we have maintained our dividend on a half-year on half-year basis at 41 US cents per share, which brings the dividend for the full-year to 82 US cents per share, which is up 17% on an annual basis.

III. Operating Performance

1. Safety

Now, as always, I would like to review our operating performance and begin that with safety. Our workforce is made up of very, very talented people who make this company what it is. I am saddened to report that during the past year we have lost seven colleagues through fatalities at our operations. A single injury is unacceptable and these fatalities highlight the need that we continue to have much more to do to protect the health and safety of our people. To this end, we have undertaken a variety of measures, including a review of our management procedures and systems. More encouragingly, seven of our customer sector groups reported improvements in their injury performance, 24 sites completed 12 months without an injury, which is something like 23 million man hours worked without an injury.

2. Volume Adjustments

On the operating side, we took a number of measures during the year to adjust our production as demand, particularly in the early part of this calendar year, fell. These actions included the indefinite suspension of our Ravensthorpe nickel operations as well as production curtailments in our iron ore pellet, metallurgical coal and manganese operations. We also decided not to proceed at this time with some longer dated growth options and made similar decisions on lower priority activities. As we always do regardless of where we are in the cycle, we continue to review our business on a continued basis to ensure that we are well placed for current and future demand levels.

3. Growth from New Projects

As I said, our low-cost asset base generated record cash flows, which has importantly allowed us to continue to invest in our business for future growth, consistent with our strategy. Our capital spend for the year amounted to some US$11 billion. The capital programme delivered first production in six projects, and five of these projects were in petroleum and contributed to the annual production record that our petroleum business achieved.

4. Projects Approved

We continue to manage our business for long-term value and we approved four new projects during the year, including a very significant one in iron ore and three in petroleum.

IV. Western Australia Iron Ore Joint Venture

In addition, in June we announced that we had reached a non-binding agreement with Rio Tinto to establish a production joint venture covering the iron ore assets of both companies in Western Australia. This joint venture provides an enormous opportunity to achieve scale benefits from what is a Tier 1 resource province. These scale benefits will be achieved by maximising resource utilisation and optimising the current and planned infrastructure and mining footprints of both sets of assets. The shareholders of the companies will share in the synergies, which we have estimated in excess of US$10 billion in value. Importantly, because of the unique overlap of the assets and infrastructure resources and so on, in the case of this asset set, these very substantial benefits are only available through the combination of these two asset sets.

We are currently in the process of drafting detailed agreements which we hope to conclude later on this year and we obviously are jointly preparing for the various regulatory processes that need to be completed. Our expectation is that the JV will be finalised around mid-2010. We believe that this joint venture will be uniquely positioned due to its advantageous resource base, infrastructure, as well as proximity to customers.

Now let me hand over to Alex to take you through the details of our financial results.

Alex Vanselow

V. Strength of Strategy

Thank you, Marius, and welcome everyone. Marius has already covered most of the key financial metrics of our results, so instead of going through them again I will move directly on to my favourite slide, which some of your will be familiar with and revisit our strategy. I think that is especially important in the current economic environment.

We first showed our Jackson Pollock chart a few years ago to help the investors understand the essence of BHP Billiton's strategy. During the good times of the past years when the cyclical nature of our industry was considered to be an issue of the past and 'stronger for longer' was the new motto driving industry behaviour, it was very difficult to illustrate the value and strength of our strategy. The economic rollercoaster ride of the past 12 months, although painful for all of us, provided a formidable test to the strength and resilience of our well-founded strategy. In a split second we moved from high prices and insatiable demand to freefalling prices and consumer de-stocking. Concurrently, we were faced with persistently high input costs and the hangover of years of increases in labour and royalty rates. In short, during one of the most volatile years in the commodity industry our underlying EBIT margin,,which is represented by the black line on the chart,, remained at a very strong 40% and even if you just look at the past six months our margin still remained at about the 30% level.

The reason I like this slide so much is that despite its abstract look it clearly shows two very important realities. The first is that individual commodities are indeed cyclical and volatile and the second is that diversification with quality and scale can provide a natural buffer to volatility and reduce the cyclical impact.

VI. Underlying EBIT by Customer Sector Group

The value of our commodity diversification is also evidenced in the following slide. As you can see, iron ore, metallurgical coal and energy coal all achieved record underlying EBIT and to some extent this strong performance helped to offset the impact of the lower underlying EBIT in our other customer sector groups.

VII. Exceptional Items

This year more than ever before we had to remain very diligent in the way we review and manage our portfolio. You will recall that during our interim results in February I noted that our post-tax exceptional items had a negative impact of $3.5 billion. In addition to this, we have recognised $1.3 billion of post-tax exceptional items in the second half. The majority of these charges were in relation to the announced sale of Yabulu, the scale back of operations in Nickel West and the cessation of the Maruwai metallurgical coal development. Full details of this are available in our news release.

VIII. Underlying EBIT Analysis

The extreme range of the economic conditions that led to these decisions also materially impacted the results at an operating level. This next waterfall chart is a good summary of the key factors impacting our results over the past 12 months. In this slide, you can see that our profit variance was significantly impacted by lower realised prices. This is particularly evident when comparing prices for the two halves. In the first half of the financial year, the price variance had a positive impact of US$3 billion. This is in stark contrast to the negative impact of almost US$7 billion when comparing the second half of both financial years. Despite the recent recovery in prices, commodity prices at the end

of the 2009 financial year were still about 20% to 60% below the start of the financial year.

Another key driver of underlying EBIT variance is volumes and in the case of volumes this is mainly due to lower copper and manganese sales, both of which were well flagged to the market. Copper production was significantly impacted by the declining grade, but also technical issues at the Laguna Seca SAG mill in Escondida. The 45-day planned maintenance to replace the stator coils at the mill has been completed successfully and we expect a more reliable mill operation from this current quarter onwards.

With manganese, that is a good example of how we took swift and responsible actions to respond to changing market conditions. Very early in the downturn we benefited from in-depth market understanding provided by our centralised marketing structure. Where there was a lack of demand for our product we were able to very rapidly adjust production and stockpiles to meet our customer requirements. However, if you look at iron ore's case, we were in a position to use our market knowledge to continue to sell our full production despite the market turn in the December 2008 quarter. Our participation in the evolution to make a more transparent iron ore pricing helped us to keep our sales stable despite some deferrals of long-term contracted volumes.

While significant price volatility and lower demand had an immediate effect in reducing our revenue, the reduction in input cost prices will have a delayed impact on the cost of goods sold. Our costs in real terms were flat for the year if you include the benefit of falling exchange rates. As you can see, excluding the benefit of exchange rates, the bulk of our cost increases for this financial year was incurred in the first half, which we highlighted in our interim results presentation in February. This included higher raw material prices that were closely linked to heated market conditions and costs deliberately incurred to maximise production in order to capture the benefit of higher prices. The sticky nature of some of this cost is better represented in the next slide.

IX. Lower Rate of Cost Increase

It is evident from this chart that the rate of cost increase has moderated in the second half of the financial year. There is no doubt that prices remain high for some of the key input products, but we are progressively seeing signs of lower input material prices. For example, the average price for caustic soda remained at US$645 per tonne in the second half of the financial year, but has recently fallen to approximately US$150 per tonne. We will only see the benefit of this in the first half of the current financial year.

Achieving cost efficiencies is also absolutely critical in our business and in what was a very challenging environment we achieved efficiency gains of US$188 million through various cost containment projects, knowledge-sharing across operations and in our supplier relationships. However, as I said earlier, including the benefit of falling exchange rates our costs in real terms were flat for the year. We expect to continue to improve our cost performance in the current year through business improvement, lower input prices and usage rates.

X. Strong Cash Flow

Now let me turn to our cash flow position and return to shareholders. I am pleased to show that our net operating cash flow, which is after payment of interest and tax, was a record US$18.9 billion. BHP Billiton's low operational and financial leverage has been a clear competitive advantage and resulted in this outstanding cash flow. Our cash priorities remained unchanged and at a time when others in our industry had to substantially cut their capital spending we continued to invest strongly in growth. Our capital expenditure for the year was close to US$11 billion and this was highly skewed towards brownfields expansion right in our back yard.

For many companies, the current market environment has also presented a threat to their ability to fund dividend payments. However, today we maintain our track record of a progressive dividend policy and declared a final dividend for the year of 41 US cents per share. This brings the total dividend declared for the year to 82 US cents per share, which is more than six-fold the 13 US cents per share declared in the first year following the merger between BHP and Billiton only seven years ago; so six-fold in seven years.

It is sometimes difficult to form a perspective of our numbers when you are talking billions of dollars, so it is interesting to note that this year's dividend payment of $4.6 billion is more than the total net operating cash flow of $3.9 billion generated seven years ago. That provides a little bit of context.

Our strong credit rating and balance sheet have enabled us to raise significant funds in the US and European debt capital markets on very good terms. With a very low gearing of 12%, debt maturity skewed towards the medium and long term, a high margin, diversified portfolio and a deep inventory of growth options, we are in a unique position to continue to invest and deliver value to our shareholders. We also have the balance sheet capacity to make opportunistic mergers and acquisitions. The iron ore production joint venture we announced with Rio Tinto which Marius talked about earlier is an example of our ability to continue to add world-class capacity to our portfolio.

With that I will now hand back to Marius in London.

Marius Kloppers

XI. Demand Environment

1. China

Thank you, Alex. Now that Alex has taken you through the results in detail, I thought that I would share a few perspectives about the demand environment.

At our interim results in February we reflected on a period in which we had seen global demand disappear, effectively, and commodity prices collapse. Over the last six months, we have seen quite a rebound in commodity prices and, in particular, the velocity of recovery in China has indeed been positively surprising. China has been the major source of demand for commodities in 2009. In February, we also said that we had seen the end of destocking in China, which I think proved to be an accurate call at the time. The key question for us now is just how much of the recovery in China has been as the result of pent-up demand from a much depleted inventory chain and how much represents real underlying demand.

We believe that there has been a substantial rebuilding of inventory in China across commodities at both the end user level as well as with traders and strategic stockpiles. It is therefore our view that restocking in China is essentially complete.

2. Elsewhere

Outside of China and by way of illustration of the impacts, we saw steel capacity usage fall to 50% in the three major steel markets of the US, Europe and Japan. We are now seeing that usage rate starting to climb as the first evidence that restocking in these major economies has commenced. I must say that restocking in Europe and Japan, albeit early days, has probably occurred a bit earlier than we had anticipated. However, I would like to caution that as the metals-intensive nature of these developed economies is lower than that of the developing economies, the absolute impact of the Chinese restocking will be greater than the developed world restocking for our products. A further point to note is that the US in particular is self-sufficient in certain commodities, notably some of the steel-making materials. Finally, as demand recovers, we need to consider to what level it will recover compared to the pre-crisis level of demand.

The world seems to have averted a full-blown economic crisis, the major economies have started rebuilding their inventories, led by an early recovery in China, and although in our opinion it will not be until 2010 before we see clean underlying demand that is not masked by inventory effects, we do expect to see a more predictable demand scenario for our products in the coming financial year. However, it continues to be our view that globally we will come out of this recession less strongly than in previous cycles.

3. Chinese Supply Responsive to Price

Let me talk a little bit more about the one region that has seen demand recover. Chinese import demand has been exceptionally strong in cases where imports have replaced higher-cost domestic production, often constructed on the back of very high prices in preceding years. In products such as iron ore, where our imported products are a substitute for domestic products, we have seen a very discernable impact and the chart on the screen illustrates two interesting points in the case of iron ore. Firstly, we can see how the domestic iron ore production in China has developed over the last couple of years to be a very, very substantial producer of iron ore in global terms and a very meaningful source of supply for the domestic steel industry. The second and more interesting point, if we examine the slide, is how responsive the domestic supply of iron ore has been to changing levels of price in the market clearing level of iron ore prices. In the first half of this year, we believe that about 70 million tonnes of domestic production was curtailed as the market clearing price for iron ore collapsed. We have already seen some of this volume return on the back of the very recent rise in market clearing prices for iron ore. Therefore, it is very difficult for us to discern a seaborne market on its own of a fixed size and, as we have said in years past but now can say with some conviction, you really do need to talk about a volume and price relationship when you talk about these products and the volume of supply required has to be viewed in relation to a specific price.

Similarly, we also believe that the domestic supply of nickel pig iron and metallurgical coal will react to changes in price.

4. Longer Term Fundamentals Remain Strong

Generally, and it is often difficult to generalise across a diversified portfolio, we think that even with more stable global demand levels, which we postulate, we are unlikely to see a very significant price reaction from this point onwards, because there is plenty of idled or domestic capacity in many of these products. This capacity can come on often quite quickly and, in the short-term, with quite a quick response to movements in price. However, for us as a company, the long term is probably more important than the short term. Many of our decisions are obviously based on trends in the long term. Our business is a long term business and our planning is based on a long term view of demand. While in the short and medium term it is difficult to predict exactly what will happen to those prices and demand levels once the respective government surplus packages have worked their way through the various systems, we do continue to see global demand growth biased towards the Asian economies, the developing economies. Furthermore, obviously, as we have said many times before, from a demand perspective for our products that these economies are more resource-intensive because they are driven by investment and, hence, the amount of material consumed in relation to per unit of GDP is very different from the developed economies.

In the developing economies – and we have a China steel example on this slide – our belief is that China and these other economies have many, many years of materials-intensive commodity growth ahead of them. To elaborate a little bit more on this chart, we have obviously scaled 2008 finished demand to 100 and have plotted what we estimate the 2025 demand level will be like. Therefore, you can see that we anticipate strong demand over this period driven by, firstly, growth in construction and the two main factors there are the absolute increase in floor space and, secondly, as the cities get built, as the buildings become higher you have higher steel materials intensity per square metre. That is shown in the first block on the slide. Secondly, growth in the capacity of the machinery sector, obviously in the first instance to serve this domestic growing economy, but also increasing China's penetration into the world markets for machinery. Thirdly, the penetration of the motor vehicle as the population seeks to in some ways emulate the West in terms of vehicle ownership.

XII. Long Term Value Creation

Let me turn to how BHP Billiton is positioned to capture this share of demand growth that we postulate over many decades. While the recent shift in prices and demand level has clearly presented challenges for us in the short term, we always focus on value creation in the long term and let me remind you that BHP Billiton's long term value creation is

based on a consistent, lasting and unchanged strategy, as Alex outlined earlier for us. It is also based on a simple, effective and accountable organisation to deliver that and a balance sheet that enables us to invest for the future. In the current environment in particular and in the period past, our strong balance sheet means that we are almost uniquely positioned to invest for the long term.

Looking at this slide, if we take our capital spend over the last 12 months and we add to that the $5.8 billion that we hope to spend in the joint venture with Rio Tinto, our capital investment in a single 12-month period is very comparable to the market capitalisation of several mid-sized mining companies.

XIII. Delivering Strong Results

Let me conclude by reiterating that the last 12 months have been challenging. We have had to make a number of very tough decisions in adjusting our business and we have made those, as you would expect, proactively and cleanly. In spite of these challenges over the last 12 months, BHP Billiton has emerged incredibly well positioned, with strong cash flows, exceptional, world-class assets, substantial embedded organic growth opportunities in the back yard and a strong balance sheet. As we have said before, our operating cash flow for the year was a record US$18.9 billion and we ended the year with a net gearing of only 12%. Our strong cash flows and balance sheet have allowed us to continue also with our progressive dividend policy at the same time as reinvesting in our business for the long term.

On that note, I would like to thank you, ladies and gentlemen, and we would be pleased to take your questions. We will start in London and then rotate over to the other venues.

Questions and Answers

Rob Clifford, Deutsche Bank

I have two questions. Firstly, on costs, during the ramp up over the last couple of years there was a lot of talk about increasing the costs such that they would not be baked in and could come off rapidly on the way down. Alex talked about ‘sticky’ costs. Where have you been surprised at the stickiness and will they be unstuck shortly?

Secondly, on iron ore, you announced recently, effectively advertising, that you are an open shop for all sorts of deals in iron ore, but are still looking to settle about half. Where do you stand there and how specifically are you seeing the battle with China panning out?

Marius Kloppers

I will leave your question about how the cost base is expected to react to Alex, who can make more comments. On iron ore, I would not describe it as a battle. I would describe it as normal commercial negotiations in what has been an incredibly volatile pricing environment, from US$200 to, I do not know, mid-US$40s, back up to US$105 on a market clearing basis. One can expect that it is quite difficult to form a consensus view of what will happen for the next 12 months, which is effectively what you have to do when you set the benchmark price, so I wonder if we should be very surprised. Today, unfortunately, I have no update for you on those negotiations. Clearly, volumes are being shipped into China, particularly on a provisional pricing basis, and equally clearly, our endeavour over many years now has been to exactly try to remove the emotion from negotiations such as this by getting more market clearing prices. Again, what we stated before, while that process is very difficult to predict exactly how it runs its course, if any of the other commodities is anything to go by, that course is probably pretty secular. However, I have no real update for you on the benchmark negotiations.

Alex, I do not know if you want to go into fixed and variable costs and baked in and non-baked in costs.

Alex Vanselow

I will stay with the sticky and slippery costs. The reason I used the word ‘sticky’ is because we basically have three key components that drive costs. One is price, the other is volume and the other is efficiency of cost or usage rate. The one that has disproportionately the greatest impact on costs is price of inputs and we went to a great extent during the inflationary days to make sure that the structural changes we had in our cost structure was less so than the variable ones, and I will give you some examples on that. If you take commodity inputs as one of the key drivers of our costs, you have things that are very, very quick to come out, like fuel inputs. As fuel prices move, our costs move accordingly. You have others that are not so quick, where you have some sort of three-monthly BRIC-type of contracts and you would put caustic, coke and similar inputs into that category and they have a delayed lag. We had that lag on the way up and we are having it on the way down.

Where it gets more sticky is where you have situations, for example, where you have labour disputes and it can cause a rate increase or royalty rates increase for that matter. Those were the two examples that I used. During the heated times we went to great extent to the point where we had weeks of strikes at Escondida and other places to differentiate what were components out of the heated market in terms of recognition of labour performance to what were structural changes. Nevertheless, we went for many years of labour correction that tended to be above inflation levels and with time and with volume increases we should see those coming down the cost structure.

Marius Kloppers

I have two things to add to that. The way I always look at it is I look at the overall cost base and then I see how it differentiates per business. The first thing to note is that different businesses have very different cost structures. If we take for example metallurgical coal and aluminium, they have very, very different drivers of cost. Alex will do better on the absolute numbers, but I generally think of our costs in aggregate as being about 25% inputs, 12.5% labour and 25% services, contractors and so on; those are engineering approximations. For the first component, the inputs, we tend to follow markets, we do not cut through them, but there is the lag that Alex has described. On the second piece, labour, very difficult to reverse and you have to get that back through efficiencies. On the third component there is more of a mixed bag.

The last thing that I would add is getting to apples-to-apples comparison of cost base across companies, given third party product, freight in or out, how you treat things, is extremely difficult. The way we tend to look at it is measuring our margin development versus our peers versus the industry and that is where I would like to focus you, because that is a more reliable view of where costs are going.

Tobias Woerner, MF Global Securities

I have two questions, if I may. The first one relates to your balance sheet in the context of the outlook. You say real demand is difficult to assess going forward. You have a very strong balance sheet. I was wondering how you will steer your balance sheet through this period. There are obviously some opportunities for you out there, but also 'threats' insofar as if you are too conservative in a way.

Secondly, with regard to capex, you are going for about $9.5 billion in 2010, the main focus being iron ore and petroleum, if I see that correctly. Could you explain your thoughts behind that and also where else you see opportunities going forward on an organic basis?

Marius Kloppers

I think we feel very comfortable with the way we are managing the balance sheet. We are managing it to that strong, single-A rating and we do not want to change that. I think that our approach has been consistent over many years. Alex just highlighted how the dividend has grown six-fold over almost as many years. Alex will correct me, but I think we have returned about $32 billion of cash in the form of dividends and buybacks since the company was created in its current form. There is a clear priority in our business of maintaining the balance sheet, investing in our business and returning surplus cash and you will not see that change.

We do think that the current environment still offers opportunities. I have said before that we are always on the lookout for opportunistic, non-organic growth opportunities, nothing that I can comment on specifically today, unfortunately, as you would expect.

On capex, I think that the base rate that we set of close to $10 billion as a forecast is what we feel comfortable with. If you take into combination the dividend of $4.5 billion plus capex, that means that you need a base cash generation of $15 billion in order to not start leveraging up the balance sheet, so we feel comfortable with that. Obviously, within the portfolio there are many opportunities to accelerate investment should cash flow allow that.

To your last question, if I can highlight just one specific opportunity which people do not have a lot of visibility on, perhaps if I take something like potash where we are in pre-feasibility at the moment. We have spent about $95 billion over the last year advancing in particular one project called Jansen. We think it is a magnificent asset. We think that the resource is there to produce eight million tonnes per annum for 50 years plus. We are just starting preparations to put the brine down to freeze the location where the shaft will go, as a long lead time thing. We hope to put this into feasibility sometime next year and perhaps the year after take a formal investment decision. I do not want to give any forecast on what the capital cost is, we never do, but it is clear that if you talk about a capacity of eight million tonnes per annum, ultimately, on what would be industry norms on a cost per tonne, you are talking about quite a few billion dollars of investment.

That is one option that is in the pipeline. Equally, on many of the other things we have the resources in the portfolio to keep on investing and you should take it as read that we are going to review that investment to basically live within our means, as Alex and I call it.

That was a bit of long-winded answer already, Alex, but do you want to add anything?

Alex Vanselow

Just that you scare some people here with '$95 billion'. It is $95 million. Other than that you are spot on. The solid A is the key driver and the priorities for cash are exactly the same: first, invest in the business, maintain the balance sheet and then return excess, and we have done all three of them, so all three are in very good shape. On the graph in the booklet you can see the compounded annual growth rate in each one is quite significant and probably the leading edge , not just in industry but globally.

Marius Kloppers

Let me rotate over to Sydney for a few questions, in order to give everybody a chance.

Brendan Harris, Macquarie

I just wanted to focus on an area of concern that I have, the Gulf of Mexico. It looks to be struggling to meet capacity rates in most of the assets that have come on stream to date. Atlantis is at water injection mode; Neptune seems to have peaked well below capacity. I am just interested in what you can say to me to give me a level of comfort that the growth can come, that the capital is going to generate the return that you hope. Obviously, high oil prices have saved you to a degree, but I am interested in terms of the operating performance.

The second thing is Scarborough sits up there in Western Australia. It is certainly a resource that almost appears stranded. What plans do you have for Scarborough and how do you think you can commercialise that resource?

Marius Kloppers

Obviously, the Neptune reservoir has been a little bit more challenging than we would have hoped. We have got several targets to continue to add to that resource. With Atlantis, we have said that before we got the water injection going we would not expect the plateau that we previously forecast to be reached, even though we expect the total amount of oil to be recovered to be unchanged. A couple of things to point out: We normally do not look at this way, but the petroleum business even though the heavy investment programme we did is cash-generative. If we look at the return on capital, we are very confident. You can have good and bad luck, sometimes. We are in two of the three of what BP has described as the ‘giant fields of the Gulf of Mexico’. To be in two of the three, with the recent Mad Dog discovery and Atlantis, despite what has been a few setbacks, there have been a few things that have also added. We are confident about our continued investment there. In terms of Scarborough, the Thebe accumulation is close to that, as well. We are working with our partner, ExxonMobil, to commercialise that. These are early days; we have not entered feasibility yet, but we are very confident that gas will come to market in due course.

Michael Yeager, Chief Executive, BHP Billiton Petroleum

In regards to the Gulf of Mexico, I will reiterate quickly that Neptune is a little more compartmentalised but there is more drilling to be done. We have run new seismic and we will be moving into the northern part of the structure, we hope, in the next year. There is so much more to come. Atlantis, as Marius said, will enjoy the benefit of water injection. We are beginning to move forward on that, operationally. In the meantime we have had some very successful development drilling and have now raised Atlantis to 140-150,000 barrels a day, which is against a name-plate capacity of 200,000. We have made significant gains there. The Atlantis north wells have come in extremely strong. We are still very excited about a long, very high plateau for Atlantis. Once the water injection is on line, we can move it up from here. Lastly, we did stream the Shenzi project three months early in March 2009, versus the July projected date. Shenzi was targeted for 100,000 barrels a day, and is doing well in excess of that now. Some days we make 120,000 or 130,000, and we are still levelling that out, with more drilling to come. As Marius has said, there have been some ups and downs, but our Gulf of Mexico business is very large and going to be large for some time. Although we will have a few different movements, overall we have a very strong profit centre for many years to come.

Neil Goodwill, Goldman Sachs JBWere

In your steel-making raw material business, can you give us an indication of your capacity utilisation in coking coal? How quickly could you increase production there? The growth in coking coal has been erratic over the last five or six years. How quickly can you and how willing are you to actually bring on production in coking coal?

Given the downturn and partial recovery we have had, what do you think you have learned from the whole experience? How has that impacted your strategy going forward?

Marius Kloppers

It is fair to say there have been a few months recently when coking coal capacity utilisation has been high. We are very, very committed long-term to growing that business in two ways. We feel there are substantial deep internal de-bottlenecking opportunities at low cost by taking a basin-wide view, particularly of the Queensland coal fields which will be relatively cheap and relatively easy to achieve. I cannot give you any detail, but Hubie and the team there are working day and night to bring that on. Secondly, there are bigger projects, such as Goonyella and Peak Downs, which are sitting there. Then there is the Hay Point expansion, HPX3 as we call it. The fact that you have not seen any of them moving to execution yet does not mean there is not an enormous amount of work going on.

Against that background, in the early part of the year it was difficult to sell any coking coal at all in some points in time. It was difficult to take expansion decisions in the midst of that crisis, but you will see us take investments there as we go forward. I would say that our plans are unchanged. You have seen enough evidence of that in the last 12 months, like the Saraji purchase. We believe we have a tremendous business to build there with our partner, Mitsubishi, and with Mitsui in BMC, on the back of very strong demand in India, China and Brazil over the long term, in addition to our traditional markets.

What have I learned from the downturn? Tier-1 assets are Tier-1, and we are manicly, focused on Tier-1 assets. If anything, Alex and I would be even more focused on defining what is a Tier-1 asset and removing non-Tier-1 assets from the portfolio at appropriate times, so that difficult decisions are not necessary at difficult times. From an overall strategic perspective, you will see our current strategy sharpen, not change.

Craig Campbell, Morgan Stanley

What is the plan following the situation in the nickel division? Will you have to go back and revisit that strategy? Following the question regarding coking coal, the big surprise in the first half of this year was the strength of China's imports. What is BHP Billiton's outlook for the sustainability of Chinese coking coal imports? In terms of the result, could you add some more detail about the iron ore price received? What are you actually receiving in terms of dollars per ton? Was this close to the benchmark price throughout the half, as achieved with the Japanese and the Europeans on sales into China?

Marius Kloppers

I do not think we have anything new to say on average prices. In nickel, Ravensthorpe has been a learning, particularly against a backdrop of nickel market dynamics, both in terms of substitution and new production technologies. That has been interesting. We would probably examine very closely any investments in nickel laterites which are not of a Cerro-type kind, very closely. We would probably think very closely about a very high grade laterite, which is processable by electric furnace, over the next couple of years. In that sense, yes, the strategy has changed as a result of a setback and quite dramatic changes in the demand and supply environments. However, we are committed to this business and believe that, while we probably do not have mature growth opportunities in that portfolio at this particular point in time, in due course that business will expand along with our other businesses.

Our view which we articulated when we bought additional resources in Queensland has always been that when high-population density economies, when they grow, they overwhelm their geological endowment. Our prediction has always been that, in due course, China will overwhelm its geological endowment for coking coal. At the moment, the run rate for coking coal importation in total may be as high as 30 million tons per annum, which is starting to make that a sizeable portion in a world market that is only about 200-220 million tons per annum, depending on your definition. However, our view is not as much short term as it is long term. In the long term, we believe that Chinese customers on water, with large blast furnaces, are going to need our coking coal on a structural basis in order to make steel.

Martin Creamer, Mining Weekly

Some southern African question if I may. I am going through the materials that have been produced. Starting with energy coal, do you anticipate any selling problems as Klipspruit ramps up, which it should be doing right now, and as DMO comes through, what sort of margins are we likely to see? When do you anticipate that the manganese business will start to normalise and move towards full production here? On the aluminium front, can you give us a view on when that may turn up? Can we anticipate any further investment in southern Africa in the next few years, and are all of the South African businesses Tier-1, and are you going to dispose of your non Tier-1 businesses, if you have any?

Marius Kloppers

We do not have any projects beyond the two coal projects, which are obviously very, very substantial and, indeed, the largest investments that we have made outside of the Hillside aluminium smelter we have made at any time in South Africa. Those are progressing well, but we do not have any projects in feasibility other than those. That investment is designed to turn our energy coal business, which was in need of reinvestment, into a long-term, Tier-1 business. Given, as markets play out and we have seen how India is now a substantial taker of South African energy coal, as its energy demand has grown, we are very happy about that investment.

On the disposals side, in the core of our businesses in South Africa, the coal, titanium, aluminium and manganese businesses are configured and on the strategic fairway. We are very pleased to have those businesses. Please repeat the first two questions if you don't mind.

Martin Creamer, Mining Weekly

My first question was related to the Klipspruit project and DMO project. My second question related to the outlook for the manganese businesses. When do you expect these to normalise to full production, particularly in regards to the Northern Cape? The other question was regarding the outlook for Aluminium. When do you expect some normalisation here?

Marius Kloppers

I once ran the Samancor business which Peter runs, and I can tell you that one attribute of manganese is that, because it is not very bulky, you can store quite a lot of it, unlike coking coal and iron ore. Therefore, the stocking and de-stocking cycles are very difficult to predict. We have seen some buying activity; it is a long way from normal yet, and I would not like to predict exactly when that will normalise. In the long term, we believe that that business in the Northern Cape will do extremely well. I know I may not have answered your question completely, but I am mindful of giving other people a chance.

James Allan, Allan Hochreiter

Your compound annual steel demand growth rate translates as just over 4% per annum. Can you indicate what economic assumptions have been made and what the intensity of usage is, because that number seems relatively low?

Marius Kloppers

I would not like to explore that deeper. I can say that our long-term forecasts are probably not very different from what regular forecasters show, which is a big variable. You should understand that the steel intensity demand picture has been laboriously built up by examining building-height, dwelling-site, retail-space and car trends, and so on. It would be very difficult to detail that. Our belief is that more buildings above 16 floors, as a proportion, give you higher steel intensity. We extrapolate dwelling-size trends. We look at what machinery stock you need to service a given economy and what the export market penetration will be. Remember that vehicles have become more affordable and are penetrating at lower GDP levels than they did when other economies industrialised. I really cannot examine that further; we are confident that that is our impression and is very fundamentally underpinned.

Nick Hatch, ING

A comparison of your 2009 supplementary information about the different business areas to 2008 shows a major improvement at the EBITDA level in third-party product sales, part of which is explained by a derivative in iron ore. Can you give more detail on that and say whether any of it is repeatable in the future?

Marius Kloppers

IFRS is wonderful for consistency; however, physical and derivative positions cannot be hedge-accounted effectively. One has to be accrued-accounted and the other marked-to-market accounted. This creates a lot of P&L volatility, which is why we keep pointing to the cash flow. Our overall statement is always that, economically, we try to follow the markets economically. If we sell at a fixed price, we take out paper to unwind. For example, in energy coal, if you take our Mt Arthur production, roughly half is sold on index and half at a fixed price, which is then unwound. These derivatives are geared to give you a floating price outcome for all of our products, which is an unchanged story for us.

Last year's P&L showed that, in an environment where prices were rising, compared to being locked in an economic position, there was a marked-to-market loss on paper. As it has turned around this year, we showed a marked-to-market profit. The delta between the two is quite a large number, in terms of volatility. Without being too specific, the key areas are: coal, which is sometimes sold at a fixed price and then has to be unwound; freight, where we try to follow the freight market but sometimes have to lock in for a period, and then unwind through freight futures; and other minor effects as well.

Alex Vanselow

I would also add that we did not buy as much third-party uranium this year, as we did last year to complement our supply requirements. That was a missing cost this year that improved our third-party business.

Marius Kloppers

That was about $150 million last year versus $15 million for losses on bought-in materials, against those old WMC contracts.

Des Kilalea, RBC Capital Markets

In recent presentations, you have mentioned four products where the spike has been taken off by capacity, particularly in China – aluminium, nickel, some coal and iron ore. Can you address what that means to your strategy?

Marius Kloppers

I do not think it changes much. I would say that the changes in the alumina and nickel industries probably reset our overall profit expectations for those two businesses downwards. In terms of the connecting of the domestic iron ore business to the seaborne market, and with the incipient start of that in the coking coal market, we are very pleased, because we are a low-cost producer with extensive resources. That means that you do not have to be worried about building capacity that cannot then find a home, because you will always have swing capacity. In my mind, the latter two make those better and more resilient markets, from an exporter's point of view.

Peter O'Connor, Deutsche Bank

I am interested in the structure of the company, particularly the dual listed company (DLC) and the impact the pricing is having on your transaction currency, which is your paper either in Australia or the UK. What thoughts do you have on that relative trading or the structure of the company or what it may or may not mean going forward?

Marius Kloppers

Our view is probably unchanged, that we see having the DLC as an advantage. As a Plc shareholder I can tell you that I am annoyed by the discount sometimes as well, but we do see that it is an attractive currency. I know we did not consummate our proposed Rio deal last year, but it would have played an absolutely pivotal role. I note that a very substantial chunk of the world's mining industry is listed in London, so having that currency available is, I think, very, very valuable as we contemplate things. I do not see any reason why Alex and I are going to review that imminently. That does not lessen the frustration sometimes by having a spread between the two registers.

Peter O'Connor

There is a roomful of guys sitting in front of you who price that stock every day. What is the issue between Australian and UK pricing?

Marius Kloppers

I actually could not follow that question - could you just restate that?

Peter O'Connor

I will let that slide.

David George, JPMorgan

Really just pursuing any detail you can offer on progress with the iron ore merger proceedings with the European antitrust. Is it a joint round of submissions that both you and Rio Tinto are putting together equally, or is it being pushed by your side or their side?

Marius Kloppers

Obviously, I think we have got quite a lot of information which we have been able to share with Rio Tinto, which they did not have the benefit of, having gone some way through that process last year. So I think there was some learning, but now it's a completely joint process, as it has to be.

There is probably opportunity for a few questions in Sydney.

Paul McTaggart, Credit Suisse

This is a simple question; a tenfold shift in the Escondida contribution, downwards, unfortunately, during this year. Partly a function of copper price, obviously, and we talked about the impact of costs. Going forward, do you think you have got the SAG mill fixed now? Are you going to go back to full production rates, or are you going to try and run that mill at lower rates to make sure that you don't have re-current problems? What do you think the production will be out of Escondida in the next 12 months?

Marius Kloppers

I do not think we have made any additional forecasts of production. Let us just step back on the issues that we have had with the SAG mill, half of our milling capacity; similar problems at other mills around the world, including the Antamina mill; we think that we have solved that problem, so we do think that from a pure milling rate perspective we would be up to 100% milling capacity. However, we have indicated that for the next couple of years we are going through some low-grade material in the Escondida pits, and there is some comeback in 2012, I think, but we should not expect over the next couple of years to hit the peak production that we did a couple of years ago. However, I do not think we have made any projection for copper output beyond that. Alex, perhaps you can help?

Alex Vanselow

I will just add that one thing you have to remember is that we have been working on that SAG mill for the last 45 days; it was actually operating below what it was before we started operating on it. What you can see is that though we will gradually keep an eye on that and see how it ramps up and performs, you are starting from a base that for the last 40 days production was actually lower. That is all I would add to Marius' comments.

Tim Gerrard, Austock

On oil, from this point, are you still looking at about a 10% compound production growth rate through to 2011? Secondly, with regard to Queensland, and the Queensland government looking to sell the rail in particular, is there much scope for BHP to look seriously at being an owner of the rail? I know there will be a lot of uncertainties to do with that, but is it something that you are looking at in a serious fashion?

Marius Kloppers

We do not have any update to our oil production growth. Mike is very confident that the targets we have put out there previously are the correct ones. In terms of Queensland rail, it is extremely early days. There is a lot of water to run into the sea on that one, but I would say that we are probably not a natural owner of public infrastructure.

Glyn Lawcock, UBS

Have you seen any fallout across the Australian producers from what is happening with the Rio/China situation, either positively or negatively from across your businesses? Secondly, you also talked about coking coal and China outstripping its domestic resource bases. One of those is obviously copper, but when I look at your portfolio, copper is, like coking coal, extremely absent over the next five years. I was just wondering if you could just update us on what is happening there please.

Marius Kloppers

We are basically selling all of the product that we can produce. Obviously I would have liked to have had a benchmark settled by now, but that has not impeded our ability to price and ship material, not only in iron ore but also in the other products. I think if you look in particular at another steel-making raw material, which is coking coal, you will have seen that we were very quick to capture a very good market share in what was a market that appeared quite quickly.

To your comments on copper, I think that there is growth and there is growth; clearly I would have liked beyond the Olympic Dam and Resolution projects, to which I have no update today; those two projects, particularly the Olympic Dam where we own 100%, is a very material investment opportunity. I do not have any update today, and certainly over the next five years there is no additional production from these two projects included in our five-year plan.

In the 15 years that I have been with the company, though, I have learned that different products grow, wax and wane, in the portfolio. I have at times worked for a company that was accused of being an iron ore company, an aluminium company, a petroleum company, and no doubt that will continue to be the case. You must understand that we view our investments pretty much on an opportunity-by-opportunity basis, as opposed to ‘We must grow.’ We take all of our opportunities, we look at which one is the best return, the easiest to do, and that is the one that we do, regardless of the product, really.

James Allan, Allan Hochreiter

Taking a look at one of your smaller businesses, which is the diamond business, quite interested to see that your EBITDA margin improved from 2008 to 2009, in a period when diamond prices were slumping. Could you perhaps elaborate on that?

Marius Kloppers

Yes, lower carats and better ones, and then obviously the titanium business is wrapped into that business. In addition to that there are impacts on project spend which have been curtailed on some of the investments in Angola and in Corridor Sands, which would have given you a change on a period-on-period basis as well. Again, our investor relations can tease through that detail.

Warren Edney, RBS

I would just like to go back and revisit iron ore. Can you give us any guidance at all in terms of whether the provisional price that you are achieving is actually where it is relative to the Asian benchmark?

Marius Kloppers

It would be extremely difficult for me to comment on that today. That would be commercially non-disclosable information at this point. What I can tell you is that clearly there is an accrual in the accounts on that provisional basis, and I would say that the basis on which we reported our profit is obviously consistent with having a high degree of confidence that the accrual that we have picked there is attainable and is appropriate. Alex, I do not know if you want to add to that.

Alex Vanselow

That is absolutely it; that was a complement to Craig's question. It is provided for in the books that we carry only an amount that we are certain of collecting.

Marius Kloppers

I will try and take one more round of questions before we wrap up.

Sam Catalano, Macquarie

If you look at the projects that you no doubt have been studying the first part of this year from an M&A perspective, do you think that potentially you missed an opportunity there given how asset prices are moving and the positive outlook? Similarly, on your organic growth projects, have you attempted to accelerate the feasibility, development and execution of some of those, given what would conceivably be a better environment to actually develop and lock in better project rates at the moment?

Marius Kloppers

I think we have been asked how our strategy would be different if we did it again, and I said an even sharper focus on Tier-1 assets. I think that few tier one assets if any were available for purchase. It was not a question of price, it is availability. We are very pleased that we can invest in a tier one asset on a non-organic basis as part of this joint venture, but I think the way that we look at the M&A opportunities is availability, not price, was the constraint. Clearly the extreme period of financial squeeze was shorter than we thought it would be, and some of the family silver did not get shaken loose; I think we spoke about that last time. We said we did not know whether it would happen or not. As it turned out, companies got out of their extreme financial duress relatively quickly, with financial markets opening up again, and were not forced to sell tier one assets.

On feasibility, obviously we review capital on a monthly basis. I think it is no secret that from a higher level of capital spend postulated at the start of last year, Alex and I and the rest of the management team did remove some projects from that spending, particularly during the period of extreme uncertainty, and kept investing at that US$10 billion per annum rate. Clearly our view now is that there is stabilisation looking forward, and I would say it is probably correct to say that the activity levels on some of the projects, bringing some of those things back into the investment spend that we have taken out, is gathering some pace.

Jason Fairclough, Bank of America/Merrill Lynch

A follow-up question on the projects: to the extent that we have seen the input cost of projects go down pretty dramatically, whether it is steel, contract labour etc, could you talk about how you revisit budgeted capital for these projects? Are you actually locked in to the capex costs? Could we see a situation where you are pushing down capital costs for your entire project pipeline by 20-30%?

Marius Kloppers

We typically do not lock in capital costs until approval of the project. Up to that stage there is a wide envelope of uncertainty. Typically when we approve a project we tend to have a fairly high level of engineering perhaps compared to some peers who tend to place contracts quite quickly; that is probably even more pronounced in the petroleum business than in the minerals business, and so there is some impact of material variables. Obviously in some cases there are scaling factors for that, but I think the biggest impact in the short term on contracts actually is exchange rates, if you look at it in US dollar terms. Secondly, there is raw productivity. If I look at some of the major escalations that we had, particularly on projects in Western Australia and in Canada, it was that labour productivity with unemployment being at its lowest that really deteriorated quite sharply. That has come back quite quickly.

To that effect, Alex and I commented to each other the other day that from an overall perspective on the approved projects slate, and the projects that are currently in execution, we have certainly never seen so many we would say completely green, tracking ahead of schedule, under budget or at budget. Normally our estimates are P50 and we normally get 50% of them, hopefully in the narrower range but around the mean. Basically at this stage I would say that is probably skewed towards being all green and deviating relatively little on the negative side on costs. That indicates to me that structurally costs have come down even on the existing projects. However, it is a little difficult to forecast, because if I take, for example, the potash project that we spoke about, two years from approval at least, where will the Canadian dollar be in a project which will have a very heavily Canadian dollar-centric cost? We simply do not know at this stage, and do not forecast it.

Tom Holl, BlackRock

I was just wondering if you would comment further on your plans for Ravensthorpe. Are you going to go forward with that in terms of decommissioning, or are you going to just sell it?

Marius Kloppers

It is in suspension at the moment. We have not completely decided on what the options are yet. We have got no update today; clearly there is quite a lot of work going on, but no update, unfortunately, today.

I am going to close on that note. To my colleagues, Xolani and Alex, thanks for helping out, and to all of you that have attended, some of you quite late in the afternoon in Australia, and to all of you here in London and South Africa in the morning and on the phone, thank you for joining us today. We do hope that you find what we believe is a very strong set of numbers, a very strong cashflow, and an unchanged focus on the future and an encouraging outlook for this company. Thank you very much.

[Ends]