Transcript

BHP Billiton

Interim Results

Investor & Analyst Teleconference

8 February 2012

1. Opening Remarks

MR MARIUS KLOPPERS: Good morning everyone and thank you for joining us today. I have with me Graham Kerr, our CFO. My apologies to all of you that neither of us are in London as is the custom for us; Graham and I decided to do this investor tour together since it is his first one, but my apologies once again. I know that our results have been out for a couple of hours so I am only going to make a few opening comments.

I am very pleased that we have delivered a robust result for the December half year, despite significant volatility. The strong and predictable performance for us is a vindication of our longstanding strategy as a more diversified company and in particular – and I will make some notes in a minute – our strategy of investing throughout the cycle, but let me make a few comments about the financial results first.

The underlying EBITDA up by 8% to $18.7 billion. Underlying EBIT up by 6% to $15.7 billion. Attributable profit at $9.9 billion, and I should note the impact of functional currency in the corresponding period that gave us a very low tax rate in the corresponding prior period, and then operating cashflow of $12.3 billion.

Particularly pleasing has been the performance of one of our core businesses, the Western Australia iron ore business, where our 'invest through the cycle', where many of the investments that delivered tonnages in the half were made at the depth of the global financial crisis. It's really a reaffirmation for us of our 'invest through the cycle' philosophy. And similarly, we had a record half year production at New South Wales Energy Coal.

We noted in our presentation this morning a number of areas which will give us upside in the short- to medium-term where our assets are running below capacity, giving us latent capacity but, at the same time, also impacting our unit costs through non-dilution of fixed costs. We particularly noted grade and industrial action at Escondida, wet weather and some industrial action in Queensland and then obviously, following the moratorium in the Gulf of Mexico, getting to work on our Mad Dog and Atlantis assets. I should note that these restraints are temporary and we have every anticipation of this being a source of large momentum for us going forward. However, I do need to note that if we look at our portfolio, the smaller businesses, the more processing-centered businesses, have suffered tremendous margin compression over the last couple of years and for us I wanted to note two specific issues: one, in line with our strategy of not running anything that is cash negative, taking definitive action there; and, secondly, not investing incremental capital in those businesses so challenged.

I also want to note that the longstanding rationalisation of our portfolio in pursuit of a simpler organization and more scalable organisation, more highly focused on the big assets in our portfolio and the expandable assets in our portfolio, continues with announcements in Guinea, Chidliak Diamonds, the other diamonds review and the divestment of Richards Bay Minerals. That process is part of the strategy in order to concentrate our focus on those assets that are expandable and that will take the majority of our investment capital.

I thought that I would, in closing before I take questions, make four points and draw them out: one, predictable performance; secondly, determined action – where we've taken action where we have had some headwind; thirdly, the latent capacity that exists in a number of high-margin business; and lastly, I wanted to particularly note, on our capital investment I wanted to reiterate our capital priorities of maintaining the dividend, maintaining the balance sheet at a strong A and then, obviously, on the cashflows that result after those two allocations, to live within our means. The latter is particularly relevant as we have this very rich slate of development options and over the next 12 to 24 months we are going to have to take a number of large decisions on how we sequence, what we do, what we don't invest in, and so on. So, the combination of these four particular points means, for us, that the outlook in the short term for our business is compelling and we are even more optimistic in the long run.

So, with those opening statements, if we can have the first question on the telephone, please?

2. Questions and Answers

MR HEATH JANSEN, CITIGROUP: Good morning, Marius, it is Heath Jansen from Citi. Just two questions. One, first of all, on your cashflow to capex. How practical is that going to be, going forward, to really match those capex requirements to cashflows? Once you start a lot of these large projects it's going to be difficult to switch them on. And, I guess, if we do see some sort of downturn, would you be looking to ratchet back that capex profile? I guess you can do it in things like Petrohawk, but that may be more difficult with some of your other industrial assets. Secondly, you had some one-off gains coming through in the oil business with derivatives on Petrohawk and also in Trinidad and Tobago. I was wondering whether they are going to ongoing or are those derivative positions now being closed out? Thanks.

MR KLOPPERS: Heath, the second one first. In terms of the hedges we inherited from Petrohawk, completely once-off event. In terms of the embedded derivates, which IFRS forces us to revalue from time to time, we essentially have a sales contract that has a basket of embedded derivatives in it, from Henry Hub to ammonia and so on and so on. I think Mike stated it best – that he has never seen that adjustment on a period-by-period basis to be over $100 million. But up and down, the adjustment there is likely to reoccur. So the first one no; the second one, yes. And it may, obviously, be up or down depending on where the gas price moves.

The first part of your question is probably the core issue that occupies a lot of our thought, Heath. Basically, this is how we think about it. We forecast on a rolling basis what our P50 cashflow estimates are and that changes, obviously, over time. You do not want your commitments to– not precisely every year, but in aggregate –put you in a position where something that you have committed to, which you executing, that you've got to impact that at all. You are far better off saying, as you make your forecast, 'I am going to try to modularise as much as possible. I may not take this given decision until we are a couple of years down the line.'

But it is true that those, as Mike Yeager calls them, "the big four", after you have pushed the button at any given stage, is in the high strategic context and the lower flexibility to act. But I should stress, only at the point where you have made the commitment on a specific stage. We do think that the shale gas business, which has got a relatively short cycle time from investment to cash flow, is a little bit of a different nature. The flexibility that that provides, together with some of the other supplemental projects, and our basic approach to try and modularise, wherever we can make two decisions instead of one we try and make two decisions. But I think on balance what has resulted in the past as we have looked at this forward projection is that when times have turned out to be better than our P50 estimate we can't really accelerate the project flow, and we have to do a buyback. When times are worse you can slow down the forward book Heath, and that is how we look at it.

MR JANSEN: Thanks, Marius.

MR JASON FAIRCLOUGH, MERRILL LYNCH: Good morning, Marius, good morning Graham. Just a couple of quick questions for you on capex, if that is okay. First, just in your outlook statement, once again you are highlighting that you think demand growth for steelmaking raw materials is set to decelerate. I am just trying to square that with one of your big flagfall investments, which, of course, is the Outer Harbour. It just feels like $5-10 billion – or whatever this is going to be – is a very big chuck of capital to commit to a commodity where you are less than convinced by the outlook. And then just secondly, on the capex, it looks like you are dialling this back a little bit and maybe you could just speak to this a little bit in terms of is this because of a lack of project managers or a lack of willingness in the business to actually commit the capital?

MR KLOPPERS: Thanks Jason. I think that I struggled with the sentence on the steel demand growth. What it means to say is that the rate of growth is decreasing. So, roughly speaking, from memory, in iron ore over the last 10 years you had about 10% annual growth, and going forward I think our forecast is unchanged from what we have said before, which is at the 4% level. Obviously, the total size is a much larger market so the number of tonnes that have got to be added in the market every year is still a much larger number than 10% was of the equivalent market before, but it is a deceleration of the percentage growth and that is what it means to say. I do think that it is worthwhile noting that, as we have said over so many years, we do distinguish between different phases of industrialisation and we do see the iron ore business as operating at a different GDP range than the others. To then put the third piece of information on that, an unchanged forecast of about 1-1.1 billion tonnes of steel in China by 2025, the … graph that Mike Henry showed before, and it is really that which drives our iron ore demand model. There have been no changes on that.

Capex; we have often said – and these are not my words, but probably Alex's words, but they still echo in the hallway, – we have to live within our means, and it's clear that, if you look at the varying quarters, and particularly at the metallurgical business performance where we have the interplay between cost pressures and revenue and, particularly currencies as well, that forward capex estimates over the last 6-9 months would have come down. I am talking about the five-year horizon, which is sort of the horizon that we have to take into account for rolling decision making.

For every cause there is an effect and what we have tried to communicate today is how we think about that effect Jason. What is incredibly important to us is that people distinguish between having a suite of options and then the decision to trigger any given option, which probably brings me to the third part of your question, which was, 'What holds you back?' I think there are sort of four overlapping nodes that you need, sort of like a Venn diagram, in order to make a decision. You've got to have the resource and we mostly have that for the things we are looking at, obviously. You've got to have all of your approvals. We have made very, very good progress on our core things. You've got to have the teams and you've got to have the money. Now, I think that given that we have got these five minerals hubs, the train of project thinking that surrounds all of them, given the permit progress that we have on an ongoing basis been reviewing with the market and where the market is well briefed, given the resource base which we have disclosed in our quarterly production statements, I think it is fair to say the constraining forward view that will limit how much you can do is capex or available cashflow. I do not want to put a number to it, but I guess if that cashflow requirement was relaxed, we would probably have options to the value of twice what that number is at the moment. So that is how we think about it Jason, I don't know if that helps.

MR FAIRCLOUGH: Yes, it helps a lot. Could I just follow up, if you do not mind, Marius? If we go back to the invention of the diversified miner, the idea was that the diversified miner could carry more debt because of the diversification of cashflows, because the cashflows were a lot less volatile and that that higher debt load would drive shareholder returns on the one hand, but on the other hand it would give you the flexibility to invest when others couldn't. When I look at your balance sheet, to me it just doesn't feel like cashflow and availability of money should be a constraint on your growth, but I would love you to convince me otherwise.

MR KLOPPERS: I can comment about that in a few ways. When I became CEO, I asked Paul Anderson, 'How do you think about this?' And Paul said, 'Marius, you've got to pay a healthy dividend because it's a thing that always disciplines you.' And in our case we pay just over $6 billion a year total dividend pool. Beyond that, it's an art not a science but I think the planning parameter that we always use is that you have to live within your means from an organic growth perspective and if there is capacity left in the balance sheet, well, that is used to catch the train in the rare event that the train comes past. So that is more or less how we think about that.

MR FAIRCLOUGH: Okay, so can I paraphrase you there? You are saying that the balance sheet is only for use in M&A?

MR KLOPPERS: Well, to quote another predecessor, M&A is always an opportunistic thing. So I can plan on my P50 capex, I can high-grade my portfolio, and I can over time – not perfectly in every year –live within my means. What that means is that, from time to time, there will be balance sheet capacity available if an opportunity comes along. Now, in no way do I want to create the impression that there is a reserving of capacity here in our balance sheet. Our commitments are substantial; we are going to have to cut the cloth carefully as we look at prioritisation and the next two years in particular are crucial – to go back to Heath's point – as we firm up commitments in those things. What we did want to convey today, though, is just to talk about Alex's 'living within our means', which comes from the global financial crisis and is fairly embedded in our thinking.

MR FAIRCLOUGH: Okay, I appreciate your time, Marius. Thank you.

MS CAROLINE LEARMONTH, ABSA CAPITAL: Thank you. First question, in the petroleum businesses you talk about an increasing focus on high-return liquid-rich shale. Given the increased focus in that particular area and given the well-publicised low gas prices in North America, is there an impact going forward on to the numbers you put forward in November in your petroleum presentation in terms of forecast production rates coming out of onshore US shale and forecast capex spend? And then the second question is in terms of your portfolio management, can you explain in the medium-long term where the aluminium business sits in terms of priority? And then finally, picking up on some of the M&A comments that were made, what is the likelihood in the current environment and given the Petrohawk acquisition, of any further acquisitions in the short term? Thank you.

MR KLOPPERS: Thanks, Caroline. When we put out the Petrohawk acquisition, we put forward a capex schedule and I was at pains to point out at the time that previous snapshots of capital that we put out for the rest of the business and the Petrohawk capex shouldn’t be additive. The way I described it to the market at the time is that one plus one does not always equal two. I think it’s fairly clear from the comments that we have made over the course of the morning so far that as we go though our next five year planning process, that process of prioritisation and high-grading of the portfolio is taking place.

Now it’s got two dimensions when it comes to petroleum. One is sort of within petroleum, and I will say a few words about how capital is being allocated from the drier parts of the onshore portfolio to the wetter parts, and then secondly, obviously, in the totality of our businesses. By the comments that I have outlined to Jason and to Heath before, I think it’s clear there is a changed outlook for overall capex so the overall picture is going to be moderated. We are not ready today to give a five-year snapshot going forward because the picture is evolving.

And then if I look at the petroleum business in aggregate, within that overall picture of some moderation to match the cashflow generation, I think Mike is basically going to try to build his organisation in the dry gas areas, but effectively moderate the number of drill rigs in those areas quite considerably from the plans as presented. Now, there will be some offsetting pickup, particularly in the Black Hawk, Red Hawk and Permian. Where the sum of the two come out is probably – I don’t want to put a number to that, but probably is an evolving number – but probably somewhat less, in the same way that the overall capex has been moderated somewhat. So, basically what you are seeing is, both within the petroleum business and the portfolio as a whole, that ongoing reprioritisation as facts unfold. I do not know if that helps. That’s probably as far as I can go today.

On aluminium, there’s probably what we’ve done, what we would have liked to do different if we had the time all over again, how we view the business and then how we go forward. Let me make a few comments about all of those aspects for the sake of completeness. We said in years past that aluminium probably has taken a turn downwards in terms of profitability, not only on a cyclical basis but on a structural basis. The reason for that is that you’ve basically had capital compression of refineries and smelters in China, which basically means that the amount of capex you have to put in in the western world for on-bauxite refineries and then the smelter, is a higher number than the Chinese can bulldoze facilities for. That has structurally moved the rent in the entire industry down. What we have said is that as developers that business is de-prioritised for capital. Ideally, if we had had full insight of this four or five years ago, I think we probably would have added not only little capital in our smelting business but we probably would have added even less capital in our refining business as well. We first put it together in smelting a number of years ago, but I think refining is essentially in that same space.

Short term, the industry loses money over much of the cost curve, and should we have any asset in our aluminium business that is cash negative, in line with our longstanding policy of not running assets that don't make a cash contribution, we will rationalise that, in the same way that we have in the past weeks rationalised production in our nickel and in our manganese businesses. The same rules apply to them.

Going out further and thinking about any portfolio moves, I think that our priorities are centred around the things that we have announced already on diamonds and titanium. The choice to get out of a product line is a very large one. We take those choices with great difficulty because it means you can never enter them again. So already for us, making the choice to exit two complete product lines in diamonds and titanium constitutes a fairly sizable choice.

My last point is on M&A. M&A is an unpredictable thing, or to use my immediate predecessor's words, 'It's an opportunistic thing'. Certainly there are times when the various price movements and various commodities cause assets, from time to time, to be available in the market at lower than the through-the-cycle average replacement costs. Should they be of a tier 1 nature we will have a close look but certainly in our case it is not a question about size for size's sake or any other motive. It is purely a question of: if assets fit a box and they happen to be cheaper than their through-the-cycle replacement cost that would be attractive to us. But it is on a completely opportunistic basis. I hope that helps, Caroline, and I hope I have captured all of your questions.

MS LEARMONTH: Yes that is great, that is very helpful, thank you.

MR JAMES GURRY, CREDIT SUISSE: Thank you Marius and Graham. I just want to go over, can you confirm, from what your public statements have been, when you think to approve Olympic Dam, Jansen and the Outer Harbour? It seems all these projects are pretty much due in 2012, and just reading on from that, you've got $27 billion of capex projects in execution now so what do you think that number might look like, or what might the percentage increase be, by the end of this calendar year?

MR KLOPPERS: James, the amount of capital that is not yet productive relative to the market capitalisation and the cashflow of the organisation is something that Graham, myself and the rest of the team watch extremely closely. Of course there are different types of risks and different lead times on those different projects. For example, I think the Jansen project may have a longer end-to-end lead time than the Outer Harbour one, and the Outer Harbour in turn is different from some of the shale gas investments where investment to revenue is very quick. So I don't want to give any forecast today about what the amount is in execution at year-end. Yes, our base line is to consider all three of those projects, some of them pretty close to the end of the calendar year, during this year. Whether all of them get approved on the first go is obviously still a moot point. Nothing is approved until it is approved, but the point I want to emphasise is the one that Heath asked in his first question: how keenly attuned are you to not over-committing the company on capital that is difficult to slow down once you have committed? I think you have added the second dimension of consideration, that gets a considerable amount of air time within the company, which is 'how much capital there is that is not yet producing revenue'. But I don't want to give a forecast today, not having completed that five-year plan at this time James.

MR GURRY: Alright, thanks Marius. If I just might follow on, just remind us what the agreement is you have with the South Australian Government?

MR KLOPPERS: Approximately the end of the year for all practical purposes and the terms of the negotiated agreement around expansion and so on lapse.

MR GURRY: Great, thanks.

MR SYLVAIN BRUNET, EXANE BNP PARIBAS: Good morning Marius and Graham. I have two questions please on the shale gas business and acquisitions. First, in the shale gas industry we are seeing a number of participants and producers either cutting volumes or deciding to exit. Just curious to know what your expectations are on how this industry could restructure itself going forward. My second question has to do with accounting a bit more. Is there a risk that we could see a goodwill write-down on the acquisition of Petrohawk given the accounting terms you would have to market. And maybe just lastly on that, I understand it is difficult to give a five-year view on the capex but just for the next two years could you maybe confirm the capex for Petrohawk? Thank you.

MR KLOPPERS: Sylvain, the shale gas industry, I think at the moment what's happening is that those that have more liquids-rich acreage in their portfolios are trying to refocus towards that. That is obviously not possible for all of the players but we have certainly seen what has happened to the share prices of some of the players in the Bakken and so on and so on. My anticipation is that much of the growth story, where you've had a number of entrepreneurs which have said growth rates of multiples of tens of percentages and a capex profile to match, that it will be increasingly difficult over the next 12 months for those smaller companies to sell that story. And as I've said, not everybody will be able to say 'look, we'll reprioritise capex'.

I don't know if there's a natural consolidator of the shale gas industry just given the industry structure. From our perspective, with the addition of the four work areas in the two acquisitions that we have done, we probably feel that we've got a fairly full plate, or as I put it, there are four different kinds of food on the table. We may add a little bit of one or the other, but it is not likely that we add something completely different at this point in time. We are working very hard to eat and digest what we've got on the plate.

Accounting: 12 months from acquisition to allocate acquisition price to the various assets is the normal rule. Clearly, the fortunes of liquids versus gas, both from a pricing but also from a technology development point of view, is shifting. I think that, from memory, our numbers that we put out had about 50/50 revenue, liquids to gas for 2015. Clearly that's the direction Mike is pushing this in. I should also note that as we made the acquisition we noted that our cost of capital is different from some of the exploration companies that own this material, so I wouldn't say there is no risk. Who knows how situations develop but those are the parameters that guide us here. Incidentally, probably a bigger issue for the industry as a whole and also for us is where the structural rent capacity in the aluminium and nickel business is going. Clearly you see no charge from us in this half but clearly as our view about a continued long-term margin suppression in those businesses has continued to build, that's something we have to keep our eye on Sylvain.

MR BRUNET: Thank you very much. And on the capex for the next two years?

MR KLOPPERS: We have not given any new guidance. Let me just say some of the reasons why not. 18 months ago shareholders asked us 'do you have growth and do you have options', and we were persuaded to put a five-year snapshot of what we anticipated at that point in time out. But, capex is an allocation job for every day and particularly as cashflows change, what you actually end up choosing changes. I don't know whether we spend more time reconciling to previous snapshots if we put out such a snapshot or whether we really get the benefit of people understanding our business better. I think from our perspective, better guidance is probably the one year guidance and we have given a $20 billion capex and exploration budget for this year. Graham, from memory, can you reaffirm that?

MR KERR: Yes, we reaffirmed $20 billion. We spent about $10 billion for the first half and the $20 billion includes the capex and exploration.

MR KLOPPERS: So that's how we think. We're probably unlikely to put out a five-year forward snapshot any time soon. The way we would like our investors to think about it is more in terms of historical cashflow priorities: invest in the business, keep the dividend, keep the single A and live within your means.

MR BRUNET: Thank you very much Marius. Thank you.

MR KLOPPERS: Thanks Sylvain.

MR ANDREW KEEN, HSBC: Marius good morning, thank you for taking so many questions on capex and shale gas. In fact I am going to ask you just one more, not necessarily to get you to look at the revision in the previous guidance but just as a matter of principle. Even in the last half, your capex was running at roughly double your EBITDA and you are looking at really overspending and still putting cash into this business on a net basis for a number of years. My question is: as a matter of principle why don't you make this shale gas business much more self-funding, rather than allocating additional capital to it? That would make it clear from our perspective in terms of knowing what your capital risk is. Secondly, I would be interested in your thoughts on whether that would also make it better for shale gas as a market generally, for what is still essentially a domestic commodity market?

MR KLOPPERS: Andrew, our basic strategy is probably very close to being diametrically opposite to the model that you have described. What we basically have had as a longstanding thing is that the portfolio generates the cash, and the cash all belongs to the corporation and the corporation then decides how much it wants to allocate to an individual business. We really do not want to get into a situation where Ian Ashby feels that he has call on the entire cashflow out of iron ore just because he's generated it.

However the thrust of your question which I read to be more: why aren't you more prudent in low gas environment and allocating less cash to this business? That's the thrust of your question I believe and from that perspective I think, short of giving you a detailed forecast on the five-year capex or two-year capex on the shale gas business alone, the guidance I would like to give you is that Mike is going to try and let's call it minimise – for lack of a better word – the amount of drilling that he does on the dry areas, and is going to try and prioritise and move his rigs to those areas where liquids are a substantial portion of the whole. All of that within an overall guidance that, if what he drills does not make a contribution, he is not going to do it. Essentially we look at the same parameters but we probably do not philosophically arrive at the same place Andrew.

MR KEEN: Okay thanks.

MR KERR: The other comment I would make is that the accounts you are looking at there are from August 2011, so the acquisition had just been made in that half. So it was still in the process of bedding it down. We talked about economies of scale and institutionalising how we spend the money so you will still see improvements over time to come through.

MR KLOPPERS: I have had the fortunate and unfortunate experience of being part of most of the assets that this corporation has acquired over the last 15 years or so, and it takes time to settle them down, get the accounts clean and get your overall strategy to bed down. Where Mike is heading is less gas and, within an overall moderated envelope, more liquids, if he can. I do want to reflect on the acreage that we have bought here. We are more convinced than ever that, from a resource acquired, which is ultimately where it ends for a resources company, we have made the right choice; there is upside over time in liquids, but again, Andrew, please continue to watch this space as our experience here grows and as we no doubt continue to adjust our plans as we learn more.

MR KEEN: Thanks very much.

MR GRANT SPORRE, DEUTSCHE BANK: I've got two smaller questions, which are hopefully less taxing. Firstly, just on the smaller divisions, you mentioned in your presentation that you have implemented steps to address the profitability. Now, we have seen in the press about Mount Keith and how you are just processing stockpiles. Could you just outline what your steps are in aluminium and manganese?

Secondly, just on terms of the tax rate going forward, should we be modelling closer to 34% as opposed to 30%? I think you alluded to favourable FX previously, so some guidance on that would be much appreciated.

MR KLOPPERS: I may ask Graham to answer the second question, so while I am answering the first question he can think about that. Grant, our philosophy is really simple on assets: if you don't make cash or the customer can't take the product, we shut you down. That may be a simplistic view but it is one that has served us well over time. We shut down the south plant because it didn't make sense from an electricity and didn't make sense from a contribution perspective. Some of the other units don't make a contribution at the opportunity cost of the ore, which is slightly different from time to time because some of the ore out you can't get out. For example in South Africa sometimes there are logistical constraints. But on that arm's length basis judgement of what the input is, and I stress that if a unit does not make money it gets shut down. Smelters the same thing and you have seen us basically task Alberto with those tasks in the aluminium and in nickel business. But the manganese business is no different from that. So I don't want to predict anything here but that is the way we think and we do not give infinite leeway on that.

I do need to stress that that applies even for individual what we call 'operations' within an asset. You will have seen some of the comments we made on the Met Coal business where we said: if some of these assets are not running at full capacity because they are not getting the shifts of people allocated to them, which means the fixed costs are not being diluted over enough tonnes and we've said 'look, if you don't make cash we are going to shut you down'. That is how I would look at it Grant.

MR SPORRE: So, just to paraphrase that: you have served notice to all the individual plants within these divisions to look at their cost base and do whatever they can to ensure that they generate cash.

MR KLOPPERS: That is correct.

MR SPORRE: Thank you.

MR KERR: I will take the second question. If you are talking about a tax rate going forward, 34% is a good guide. The number was obviously lower last year as we switched from basically an Australian dollar tax currency to a US-dollar-based tax currency. 34% going forward is a good indication to use for your models.

MR KLOPPERS: Yes, we probably had two periods in succession where we had impacts. We had one where we had an Australian dollar movement, which resulted in a benefit, and then we had the final functional currency change to US dollars which, from memory, was another $1.4 billion or so impact on the tax line. So we have actually had two halves of artificially low tax rate Grant and we are reverting to business as usual here.

MR KERR: They are both obviously non-cash impact as well.

MR KLOPPERS: Indeed.

MR SPORE: Thanks very much gentlemen.

MR JASON FAIRCLOUGH, MERRILL LYNCH: Hi Marius. Sorry, I know it has been a long day for you here but just a quick question on Escondida. We have seen the on-again, off-again and we are seeing the grade disappointments coming through again at Escondida. I was just wondering to what extent this is temporary, to what extent this is structural and why are we on the sell-side continually overestimating grades at Escondida? Is it a modelling problem? Is it something where the ore body is just different from what we thought it was going to be as it gets deeper or is there something else going on? I guess here it is not just Escondida but it is also some of the larger mines out there such as Collahuasi as well. I was just wondering if you could give us a little extra colour on that?

MR KLOPPERS: Jason, I think that the grade profile we forecast three years ago and the one that Peter reaffirmed in the visit about 18 months ago, that grade profile, we have a very high degree of confidence in. We have had one or two strikes, which have moved the tonnes, when you take it out, around a little bit. Then you have obviously had the strike impact itself. On the overall block model and sequencing of that mine, given that it is a mine that we have been operating for a long time, we just have to make sure that you and Brendan equalise here, because we do have a slide on our website, which is the same slide we have had for the last couple of years and we have a high degree of confidence in it, and no changes. That is probably how I would answer that. Brendan you're sitting here next to me, I don't know if you have anything to add to that?

MR HARRIS: No Marius, just the comments you made earlier on today around the future. You may just want to reiterate the 2015 estimate.

MR KLOPPERS: Yes, we feel confident that, barring any act of God, floods, earthquakes and strikes, we will get the mine to 1.3 million tonnes by 2015. That is a combination of running it at full capacity, as well as grade recovery.

MR FAIRCLOUGH: Okay, thanks very much.

MR KLOPPERS: No problem. Thank you. Once again, my apologises for not being able to be there this morning with you. Thank you for those questions. We do want to stress those four points that we have made up front: specifically the predictability of the results; our concerted action to act where action is necessary; the latent capacity that exists in a number of core businesses and I just want to highlight those three again: Escondida, 600,000 tonnes of copper; Gulf of Mexico, in Mad Dog and Atlantis where everything is in place, the reservoirs and super structure, we've just got to get back to work; and then – obviously there is a little bit more uncertainty given where we are in negotiations – the coking coal assets.

Those, together with projects that are almost complete and come through our 'invest through the cycle' philosophy, will give us short- and medium-term momentum. The last thing we want to stress is on capex: it is a job for every day, as we have so often said. We live within our means over time and I hope you have taken away some of the ways we think about our cashflow prioritisation. Once again, thank you for joining us this morning.