Creating value through marketing excellence

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Creating value through marketing excellence

Marketing Value Drivers

- Sustainability
- Productivity
- Portfolio

Our people, culture and highly centralised model
Our journey
Leading transformation in commodity markets

Sales by region
(Total sales, copper equivalent units¹)

Asia
North America
Europe
ROW

¹. Copper equivalent production based on FY15 realised prices. Sales based on equity volumes.
Our simpler centralised organisation
Accelerating best practice

- We connect the resource to market
- Post-demergers, we continue to maximise the advantages of our centralised structure
  - aggregating and driving efficiency
  - optimising our global book
  - applying best-in-class risk management
  - leveraging market intelligence from diverse product markets and customer sectors
- In FY15 Marketing managed
  - US$44.6 billion of sales¹
  - US$3.0 billion of supply chain costs²

*We create substantial value through rapid replication of best practice across our diverse portfolio*

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¹ FY15 Group revenue.
² Includes freight and pipeline costs.
Our locations
Global footprint with strength in diversity

Our dual marketing hubs in Singapore and Houston are strategically located – close to our customers

Marketing diversity

<table>
<thead>
<tr>
<th>Female</th>
<th>50%</th>
</tr>
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<tbody>
<tr>
<td>Different nationalities</td>
<td>34</td>
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Bubble indicates marketing office locations. Bubble size indicative of # personnel.

Arnoud Balhuizen, President Marketing, 14 October 2015
Safety is our first priority
Marketing is accountable for product stewardship

• In FY15 we had no significant HSE events as we
  – moved ~220 Mt of freight\(^1,2\)
  – chartered over 1,710 vessels\(^2\)
  – handled hazardous materials

• We drive the continuous improvement of industry standards, working with industry and governments
  – Transportable Moisture Limits
  – ship vetting procedures through RightShip

Managing supply chain risks globally to avoid incidents and interruptions to our customers

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1. Moved tonnes includes only freight managed by BHP Billiton.
2. Includes discontinued operations.
Revenue enhancement
We deliver a competitive revenue line

- Optimise product placement to customers through deep technical understanding of
  - our customer’s operations
  - the value of our product performance
- Achieving the best price
  - driving transparent pricing to enable full value recognition of our high-quality resources
- Iron ore pricing has evolved
  - we were at the forefront of the transition from benchmark to index pricing
  - this allowed us to capture the geographic competitive advantage in freight between Australia and Brazil

Leading market transformation to capture full value for our quality resources

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Indexation created price transparency in iron ore..
(US$/dmt\textsuperscript{1,2})

... allowing us to capture the freight cost advantage
(C3 and C5 freight indices\textsuperscript{3}, US$/dmt)

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Resource maximisation
Driving value maximisation of our Tier 1 resource base

• We translate our customer needs into clear actions for our operations, to enable optimisation of mine planning…

• … and debottlenecking of the supply chain for end-to-end efficiency (mine to customer)
  – “never an empty berth”
  – “maximise loader utilisation”
  – “minimise vessel turnaround time”

• Allowing us to accelerate the right resource to market

*Maximising the returns from our existing infrastructure*
Cost reduction
We maximise Group returns by minimising our cost base

- Capital is allocated to the highest return options in our portfolio
  - no ownership of vessels
  - trading of third party products is a low margin business
- Superior working capital performance
  - optimised customer portfolio allows shorter supply chains and less working capital
- Improving productivity through simplification
  - aligning systems, processes and organisational structures enables benchmarking and best-practice

**Ensuring that capital is allocated where the greatest return is achieved**

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1. No ships wholly owned by BHP Billiton.
2. BHP Billiton figures include discontinued operations prior to FY15.
3. Peer group includes Rio Tinto, Anglo American and Vale.
4. Marketing overheads per copper equivalent unit of equity sales using FY15 realised price, includes discontinued operations.
Continuous improvement
Building on our achievements

- In a highly competitive and cyclical industry, continuous improvement is essential
- We are ‘hard-wired’ to drive improvement every day, with a dedicated analysis and improvement function
- We identify and prioritise opportunities that are aligned with our key value drivers
  - revenue enhancement
  - resource optimisation
  - cost reduction

*Our productivity pipeline has delivered substantial value, with more to come*

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**Marketing contributes to business productivity**
(cumulative contribution to free cash flow, US$ million)

**Leading automation through eDocumentation**
(paperless transactions², %)

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1. Represents the single largest initiative in each business.
2. Number of export orders fulfilled electronically without paper.
We leverage our global footprint and diverse knowledge base to inform our outlook on commodity markets.

Our holistic approach to analysis ensures integrated views across commodities:
- global and regional economic drivers
- demand sector intelligence
- commodity forecasts

Scenarios are used to understand key uncertainties, and test the resilience of our portfolio and investment options.

*Providing insights to enable strategic decisions*
Creating value through marketing excellence

Marketing Value Drivers

- Sustainability
- Productivity
- Portfolio

Our people, culture and highly centralised model
Case studies
Prior to 2001, there was no visibility of vessel performance based on a common set of vetting standards

BHP Billiton led efforts with key industry peers in October 2001 to form RightShip
- independent ship vetting company
- ISO9001 and ISO27001 certified
- operating in 40 countries
- over 250 customers globally
- conducted 35,847 vets in 2014

Today RightShip rating is the standard across the minerals industry

*Driving improvements in safe operations globally*
Case Study: Metallurgical coal
Growing the high-value tonnes

- The coal market comprises multiple product qualities, each with its own intrinsic value to our customers
- Our product placement strategies maximise the benefits for our business and our customers
  - specific product qualities
  - importance of supply stability
  - low level of impurities (e.g. ash)
- In FY15, 71% of our growth volume was placed with customers who can extract the most value from our quality products

**Improving our profitability through product placement**

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1. PMV – Premium mid volatility coking coal.
• The value of Escondida’s concentrate to customers depends on individual smelter constraints and our grade relative to others

• Value in use (VIU) is mainly determined by the composition of the copper concentrate
  – copper grade
  – slag to copper ratio
  – sulphur to copper ratio
  – impurities
  – precious metals

• Based on deep VIU knowledge, we optimise grades and recoveries at Escondida based on customer requirements

Turning our resource into the most valuable product for the market

Delivering premium prices for Escondida concentrate
(Escondida TCRC premium or discount at various smelters)

Lower slag improves smelter metal recoveries
(slag to copper ratio)

1. Escondida’s copper concentrate TCRC premium or discount versus peer benchmark for 19 smelters in Chile, China, Germany, India, Korea, Japan and Philippines.
Case Study: US condensate
Creating market access

- Processed condensate is distilled to remove light hydrocarbons, differentiating it from US non-exportable ‘crude oil’
- Working with regulators, BHP Billiton was the first company to export processed condensate through ‘self-classification’
- This drove access to international markets for our Onshore US business, in compliance with export requirements
- Exports have resulted in a relative price uplift of more than US$4/bbl

_Pursuing opportunities to capture the best price for our products_

_Eagle Ford condensate export uplift (US$/bbl^1)^

1. Net back price uplift.
2. Due to narrowing of the Brent – WTI price differential in February 2015, higher prices were achieved domestically rather than exporting.
Case Study: Iron Ore
Debottlenecking the port

- Our operations at Port Hedland are a critical link in our Western Australia Iron Ore (WAIO) supply chain
- Marketing has worked closely with WAIO on multiple initiatives to manage product quality while driving improvement
  - adapting the vessel fleet mix to improve throughput and reduce turnaround times
  - increasing direct to ship (DTS) ore
- These initiatives have enabled increases in throughput and cost reduction with minimal capital spend
  - incremental capacity increase of >8 Mtpa
  - ship turnaround time reduction of 18% compared to FY13

Playing a critical role in maximising supply chain throughput

WAIO direct to ship loading
(% of inflow loaded direct to vessels without yard stacking)

Vessel turnaround time
(Port Hedland, vessel TAT average days, index FY13=100)
Case Study: Freight
A competitive cost advantage

- We are a significant player in global freight
  - ~7% of world seaborne dry bulk volumes
  - chartered over 1,710 vessels\(^1\) in FY15
- Based on our deep understanding of the market, our chartering strategy drives cost reduction
  - we anticipated industry oversupply, avoiding long-term deals at the height of the market
  - leverage our scale, chartering larger vessels to reduce unit cost

**Freight costs ~20% lower than our Australian based peers**

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1. Includes discontinued operations.
2. Peer figures derived from Clarksons, the Baltic Exchange and other Market Intelligence.
3. H2 FY15.
Case Study: Portfolio
Understanding future commodity trends

- We have exposure to bulk commodities, metals and energy markets across our diverse portfolio
- Our robust market outlook is based on a granular understanding of key global trends
  - technological innovation
  - sectoral consumption patterns
  - evolving policy landscape
- Proprietary analysis underpins our understanding of complex dynamics such as product substitution and recycling

*Deep and structured analysis providing a foundation for our commodity outlook*

Copper demand analysis – driver tree

Legend
- Addition
- Multiplication
- Function

Example breakdown for power sector