BHP BILLITON THIRD QUARTER RESULTS
MONDAY 1 MAY 2002

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DR PORTER: Good afternoon and good morning. Robert Porter speaking. Welcome to this BHP Billiton third quarter results teleconference. This conference is designed to provide the market with an update on the company's results both for the quarter and for the nine months year to date.

Involved in the teleconference are Chris Lynch, the Chief Financial Officer, who will provide a review of the financial results, and also Chip Goodyear, Chief Development Officer, who will refer to our continuing progress on implementing our inventory of growth projects as well as provide some details on the basis for the Plc bonus share issue calculation associated with BHP Steel spin-out.

I would like to remind you that there are some slides accompanying this teleconference and they are available on the BHP Billiton website.

Before I turn over to Chris, I would just like to make a short announcement and welcome Mark Lidiard, who has recently joined BHP Billiton as the head of investor relations and communications based in London. Welcome, Mark.

I will now pass over to Chris Lynch.

MR LYNCH: Thanks, Rob. I would like to refer everybody to slide No. 2, which is headed "Highlights - quarter ended 31 March 2002". As we said at the half, this quarter would be challenging and so it has proven for several of our businesses, but the solid result that we are showing today demonstrates the strength and value of the diverse portfolio of assets that we now control. We see little evidence of a strong pick-up in many markets. Inventories remain high in several of the LME commodities. Our profit of US$406 million despite this lower price environment is a very solid result.

We have continued to focus on delivery of the project pipeline that was at the heart of the merger, with growth projects of US$2.4 billion having been approved since the merger, and we have declared a final dividend of US6.5 cents per share.

Moving on to slide No. 3, EBITDA continues to be strong, given the economic conditions and was US$3.7 billion through the nine months ended March. There were no exceptionals in this period, but those who have been following the stock for some time would recognise that last year we did have the write-off in this corresponding period regarding the Orinoco HBI facility in Venezuela, which included a write-off of some US$300 million of actual cash and a slightly higher amount than that in the provisioning.

Our EBITDA cover, as you can see, is obviously influenced by our improved position on interest costs. But I think the year to date number is probably the more robust number to focus on. We target this metric to be greater than 8, the year to date number at 10.8. The quarter number at 15.6 times interest cover is helped by the re-rating of the company, the refinancing that has taken place, lower interest rates available in the market, and also by some interest income relating to the Utah tax case settlement which happened during the quarter.

Moving on to slide No. 4, just a very quick run-through the various customer sector group results. It is pretty much a continuation of the second quarter in many of these cases. Aluminium prices were down, but volumes are up. Prices contributed about US$52 million reduction in EBIT. In Base Metals you see the result is showing the impact of our voluntary cuts in production at Escondida and at Tintaya.

Carbon steel has continued its very strong performance in both iron ore and metallurgical coal.

Stainless steel is back into black ink in this quarter, having been negative at the half, and that is showing some of the impact of the improved prices primarily for nickel - still a ways to go but improving. Prices for nickel, incidentally, were still below where they were a year ago.

Energy coal has had a continued strong performance. However, the European market is a little bit softer as we ended the quarter.

Diamonds continued to be a strong performance, up as a result of the increased stake in the Ekati™ diamond mine.

Petroleum is the biggest single movement downwards, and largely this is a factor of price. We will go on to prices in a little while.

Steel has had a very difficult quarter and a continuation of a difficult year. They have been primarily adversely impacted by international markets.

Group & Unallocated includes the legacy losses on foreign exchange, which this quarter were US$82 million. If you look to page 21 of the profit announcement, you will see a break-out of this line item. Net of these legacy losses on foreign exchange, our overheads continued to come down.

Moving on to slide No. 5, this is an analysis of the EBIT from quarter ended 31 March 2002 versus the quarter ended 31 March 2001. Just to focus on prices, price movements adversely impacted EBIT by US$180 million.

Slide No. 6 starts to break out where these prices were most predominantly felt. Met coal and energy coal both continued to be strong. However, petroleum, as I mentioned earlier, was significantly down, as was aluminium, diamonds, and nickel, although improving, is still below where it was last year.

Moving on to slide No. 7, having covered the prices for US$180 million, there are four items on this slide that talk about costs. Those are inflation impacts on costs, which you see is negative US$40 million; price link costs, which is positive US$55 million; exchange rate impact on costs, which is essentially US$70 million; and then other costs, which are negative US$10 million - all up, about US$75 million improvement in costs.

But price linked costs of these were US$55 million of that US$75 million, and this is the lower input prices based on LME commodity type inputs. The US$10 million worsening of the cost structure was actually primarily in Petroleum with some higher maintenance and exploration costs.

So, if you look to sold operations, the contribution from Steel was down by more than half of that US$60 million on the sold operations. The other item that is not in the profit this quarter that was last quarter in the corresponding period was the contribution from the Arutmin coal deposit in Indonesia. We have also had a slightly reduced interest in Queensland Coal via the BHP Billiton-Mitsubishi Alliance (BMA) with the reduction in our ownership interest there.

Moving on to slide No. 8, "Net interest, tax and attributable profit, excluding exceptionals", as I said earlier there were no exceptionals in this period. But our net interest is significantly down, that interest expense, benefitting from the re-rating, benefitting from the refinancing activities and also obviously benefitting from the lower interest rates that are generally available in the marketplace, and, as I said earlier, also from the interest income related to the Utah tax settlement.

The exchange impact on debt was adverse, and we will talk a little bit more about that and the sensitivities. Tax rate - it is an effective tax rate for the quarter of 37 per cent. If we exclude the impacts of revaluations relating to exchange rates and and the non-tax effectiveness of some items, the normal ongoing operational tax rate would be in the order of 32 per cent.

Moving on to slide No. 9, issues for the coming quarter, or the current quarter, the economic conditions remain difficult. As I said, we are seeing little signs of increases in demand. There is some improvement, but it is slow in coming.

I mentioned the energy coal production cuts in South Africa as a result of the softer European market. We expect the full year tax rate to - or the quarter 4 tax rate and therefore the full year to be somewhere in the order of 33 per cent.

During April, there was an announcement from the British government regarding the UK petroleum tax where there will be an increase of 10 per cent on petroleum related income. If this moves into legislation during the fourth quarter, we would have to book that change into our deferred tax relating to that income, and that would mean a one-off adjustment in the quarter of approximately US$50 million and about a $5 million impact on the quarter's operational income. Ongoing after this year would be an increase of about US$15 million per annum. We obviously will be watching that just to see the timing in terms of when that comes through into legislation.

Just one comment maybe too about HBI, the Boodarie™ Iron plant in Western Australia. The fix for that plant is underway, and we would expect to be back in production somewhere in the June/July period, probably more likely early July. We can then resume back on our continued improvement in the production coming out of that facility. Also, the BHP Steel spin-out is continuing to be on target, and we would expect that to be achieved for 1 July.

But the takeaway message here is that the tough markets that we have been experiencing we would expect to continue and we would look forward to any relief that may come.

Slide No. 10 just shows some sensitivities from the various key commodity prices, and these sensitivities pertain to quarter 4. I will not go through them in detail, you can read them yourselves, but that is the impact of that change for each of those items if it were to be in place for the full quarter. So it is just a quarter 4 impact.

Slide 11 just shows some sensitivities to the currencies. We are mainly exposed to the Australian dollar and the South African rand. We have broken out the items to show the difference between the exposures to the operational side of things and the net monetary liabilities and debt in the case of rand. The operational impacts will generally come through relatively slowly. But the monetary asset revaluations are a period end to period end adjustment, and so you see that impact immediately in the quarter.

So with that I would like to hand over to Chip Goodyear to take you through the growth issues and also the Steel spin-out.

MR GOODYEAR: Thanks, Chris. As Rob mentioned, I will cover both those issues, just a quick review of the growth projects that were announced in the quarter, and then briefly to touch on the Steel demerger around timing, and then give a sample calculation of the bonus issue that would occur as a result.

On slide 12 we present a map which indicates the projects which have been approved in the third quarter or, in the case of the Colombia Coal acquisition, an acquisition that was announced and closed in the quarter. The projects that were announced in the quarter represent about US$1.4 billion of capital investment. Those projects obviously will take place over the next several years. Zamzama, Hillside, Mining Area C and the port expansion, Yandi Lump as well as the Colombia Coal acquisition are all brownfield projects and therefore adjacent to existing operations; and the Mad Dog project in the Gulf of Mexico is a greenfield project but represents the first of our sanctioned deep water oil and gas projects in the Gulf of Mexico.

On page 6 of the profit release you will see a breakdown of these projects, our interest in those projects, the capital expenditures, the expected production amounts and the completion dates of those projects.

On slide 13 we present a sample calculation of how the Plc bonus issue may work. Before I walk through that, let me just review where we are with regard to the steel demerger. We are on track for a mid-year distribution and completion of this spin-off. The documents regarding this should be distributed in the latter part of May. Those will go to both Ltd and Plc shareholders. The shareholder meetings around those documents and this scheme will take place in June.

On 24 April we released some additional information regarding this transaction. We said a couple of things in that document. We talked about BHP Billiton retaining a 6 per cent equity in this. The intent of that is to supply stock to the book build process, essentially to kick-start the broker activity around that. It is our expectation to sell that stock through that book build process.

We also said that each Steel share will be distributed for every five BHP Billiton Ltd shares. So again for every five shares of Ltd owned you will receive one Steel share.

The third thing we did was present the BHP Steel forecast for the financial years 2002 and 2003.

Then as previously disclosed a bonus issue will be distributed to the Plc shareholders to compensate for the value of Steel that is distributed to the Ltd shareholders. We said in that announcement several weeks ago that the value of Steel will be determined based on the weighted average volume of the price based on the book build and the first five days of trading of BHP Steel after its distribution into the marketplace in Australia.

So it is from that I will then talk about slide 13 that I have presented in front of you to give you a sample of that calculation. Please remember this is only a sample. You will notice at least several numbers on here are subject to actual market valuation at the time of the trading and the spin-off itself. You need to refer to the scheme documents and obviously trading activity around that. But this is that sample, and let me walk through it.

First of all is the BHP Steel volume weighted average price. That number that we have used there of A$3.45 is the book value for each BHP Steel share.

Again, that will be dependent on market value at the time. That is just our example. We have said we are going to distribute one Steel share for every five Ltd shares outstanding. In this example we have used a Plc price of £4.00, and, as you see there, a British pound to Australian dollar exchange rate of A$2.71 per pound.

The Ltd shareholders will receive per Ltd share A69 cents, and that number is taken by dividing the A$3.45 book value or trading price by five. We then need to distribute that A$0.69 amount to each Plc shareholder. So we have done that by converting the A$0.69 into the 25.5p that is represented on that slide using the exchange rate of A$2.71.

We then need to adjust the £4.00 price for the fact that a portion of that is actually related to the Steel company. So from the £4.00 we would take off the value of Steel for each Plc share. So that number is again the 25.5 pence resulting in a value of Plc excluding the value of Steel of 374.5 pence.

We then take that number and calculate the bonus issue at 6.8 per cent. We do that by taking the 25.5 pence divided by the 374.5, and so essentially saying that we need to distribute a bonus issue of 6.8 per cent for each Plc share that is on issue. Using this example that would mean an additional 158 million new Plc shares would be issued to the Plc shareholders, increasing the total number of Plc shares on issue.

Using the closing values last night, or an approximation of those, the actual number would have been, assuming last night's statistics were correct at the time of this transaction, about 173 million new Plc shares that would be distributed as part of this process.

With that, I will turn it back over to Rob for questions.

DR PORTER: Thanks very much indeed, Chip and Chris. We would be very pleased to now take questions from our audience.

QUESTION: Chip, Brian sounded sort of bearish on the next few months or six months to a year. Is it likely to get any worse than it is at the moment?

MR GOODYEAR: That is always a tough question. We don't make a habit of projecting prices, but I think we did say at the interim results that we saw tough conditions ahead, looking at the way our customers were demanding product. We talked about that at that time, and as Chris mentioned, that the quarter has borne that out, and you hear once again a note of caution from us. I think that at the time of the first quarter release you were hearing a great deal of information in the popular press that the economy in the US had turned and you were beginning to see turn in other parts of the world. Again, from our perspective we didn't see it and at the time we made that comment.

I have to say in terms of what the future holds our visibility is not much greater than yours, but at this time we certainly are not seeing significant change to the downside. In general, we seem to have seen a little restocking.

But, as the comment on the outlook said, the ultimate end user demand is still difficult for us to see much increase in. Whether there is a decrease in that, it will certainly be tough to tell at this time.

QUESTION: Just a couple of quick questions. Firstly, you said you'd pay 1.1 billion off rand debt. Could you just let us know how much rand debt you have left at the end of the third quarter?

Secondly, sustainable cost savings. I think Chris said something in the order of US$20 million was not linked to aluminium prices. That is not quite - that doesn't seem to be very much for the quarter. I was just wondering if you could sort of list what savings are coming through that are sustainable that we could see that sort of help you get to the 2 per cent per annum budget that you are targeting.

Just on the final thing, just one for you, Chip, on the Steel spin-out. Does that mean that you will see Plc go ex at the same time as Ltd? In other words, they will both be marked down by the book value initially on the commencement of trading? How do you work out the average weighted price? Is it going to be an equal weighting between the book build price and the VWAP price of BHP Steel or will you weight it differently?

MR GOODYEAR: Why don't I go ahead and answer the questions on the Steel spin-out. Your first one: will they go ex on the same day? They will not go ex on the same day. We have petitioned the London Stock Exchange essentially to allow that to happen, but they have said that unless we can define that value exactly then they wouldn't let that happen. So that is the reason we have to do this calculation at the end where we subtract the value, the implied value of Steel, from the trading value of Plc. So they will not go ex on the same day.

QUESTION: You said you got a book build price and a VWAP price. Do you weight them equally when working out the entitlement that Ltd holders have or would you put more weight in one versus the other?

MR GOODYEAR: It will be a VWAP price over the entire volume represented by the book build and then by the trading price. So the VWAP and the book build price will be based on the volume traded there as well as the volume that is traded in the market itself for those five-day periods.

MR LYNCH: Just to address the earlier questions regarding the rand debt, at the end of the period it is about US$315 million equivalent.

The question regarding costs, we are comfortable about where we are with regard to the synergies with regard to the US$270 million by the end of 2003. We are obviously investing in reducing that running rate during this year. So you are not seeing it coming through the results perhaps as clearly as we are actually achieving it internally, but there is an investment going on in there.

Just a couple of metrics, if you like, by way of example. By the end of June this year we will have closed 31 offices worldwide. In excess of 1,000 people will have left the corporation during that period. There are things like strategic sourcing which is targeted at our larger buys and the operating excellence programs. We have trained in excess of 105 new operational excellence coaches since the merger. We have plans to train a further 200 in the coming period.

So there is a lot going on here that is reducing the running rate. There is also some investment going on in achieving that reduction in the running rate immediately so that there is not quite the same transparency of the reductions in the published numbers as yet, but it is coming.

QUESTION: Chris, just to take it a little bit further, can you give any examples of where maybe you have made some operational savings that are sustainable? I am not talking about the US$270 from the merger but really the 2 per cent per annum. Can you sort of focus on some areas where you have - like, what was the corporate reduction or things like that?

MR LYNCH: If you go to these figures, go to page 21, of the profit announcement, you can see that corporate overheads are coming down.

We have got in iron ore, for instance, lower strip ratios at Whaleback and the whole efficiency of the port and rail structures there is largely as a result of the improvement in the operating excellence programs that have been run through there. The whole global maintenance network - lubrication practices for heavy earthmoving equipment is changing the profile of our lubricants and the like. We are getting extended tyre-life on truck fleets. We are getting extensions in the engine life on truck fleets.

There are a lot of projects that are delivering a lot of value. We have debottlenecked the processing plant at Ekati. There are a few examples just by way of demonstration.

QUESTION: Firstly, Chris, could you give me some direction as to what the core profit would be for the quarter? I am on the road and I don't have the notes in front of me. I don't have these slides handy. I might have missed your earlier comments. If I were to take out the rand debt loss of the quarter and adjust the tax rate for that, what number would I come up with as a recurring or a core number excluding the rand debt?

MR LYNCH: You would need to use our sensitivities against what assumptions you made about commodity prices and interest rates and so on.

QUESTION: I am just trying to get a feel. The rand debt loss was about 22 million; is that right?

MR LYNCH: Yes.

QUESTION: The tax rate was 37 per cent. You said it would normally be 32 or 33?

MR LYNCH: Yes.

QUESTION: If I adjusted both of those, assuming the rand debt was not there, would it be that 406, plus 22, plus an adjustment for tax would be where my core number would be?

MR LYNCH: It would be dangerously simplistic, but it might be okay. But I think the best advice would be to get hold of the data and do that exercise yourself.

QUESTION: Chip, Atlantis, when should we expect the sanctioning of that?

MR GOODYEAR: We said that Atlantis would be something we target for the middle of this calendar year, and I think that is where we will stay at the moment. We continue to make good progress across the Gulf of Mexico, and that is obviously a very important project.

QUESTION: What should I read into the timing of that. It seems to have been delayed. Is that a BP thing or a BHP Billiton thing?

MR GOODYEAR: No, I don't think it has been delayed. I think we are on track with that and both partners are operating and working very closely on that. So there is no difference in terms of what is going on there. As I say, we have always said in the middle of the calendar year.

QUESTION: On iron ore, shipments for the quarter out of the west were down and it looks like market share has been lost to other players in the market. Could you give me some colour on how you see that? Was it a one-off? If it wasn't a one-off, why not? Is there any guide you can give as to where you ought to look for the current quarter?

MR GOODYEAR: Maybe I will mention something and Chris can see if he can add to it. The March quarter is usually the low quarter. That is price negotiation time. Obviously the buyers want to go on some little strike at that time to indicate their resolve around their price negotiation. So that is one item.

I obviously don't see day to day or even month to month what the market share issues are. I think we would say that we don't see a significant change in market share relative to other players there. But I think really what you see, if you look back historically, March is the time when shipments are lower as a result of that price negotiation period. Anything else, Chris?

MR LYNCH: No, I have nothing to add to that.

QUESTION: Your order book for the current quarter is indicating a difficult second quarter or what?

MR GOODYEAR: I would say we would generally be in line with our expectation around that, again recognising the comment that March is usually the lower quarter. I don't have an April number as of yet, being that it is simply

1 May.

QUESTION: What would you say to a hedge fund to prevent it from shortening the stock ahead of the earnings dilution of the bonus share issue and the removal of Steel earnings from the P&L? That is a question for Chip.

MR GOODYEAR: They don't have to deliver that bonus share in terms of if they shorted the stock. We have spent a lot of time thinking about how can someone manipulate Ltd, BHP Steel, Plc so on and so forth, and have had plenty of advice around that. There are enough moving parts in it, and the fact that there is not a perfect arbitrage here given the non-convertability, that for the gain you might get there is substantial cost and risk that comes with that.

So you cannot simply short the stock and then not deliver the bonus share. That is not going to work. I probably did not answer your question. All I can tell you is that we thought about it a lot.

QUESTION: How would you be prepared to operate the share buyback mechanism as a mitigation factor?

MR GOODYEAR: The share buyback program is independent of the Steel spin-off. We are not there trying to defend a Plc or a Ltd price; we are not defending $4 or £4. What we are saying is that we would expect the price to fall, and let's just say in this calculation, to 3.745. But you are getting an extra 6.8 per cent in that calculation. So your total value is the same, same on the Ltd side. Your investment value should be the same on this calculation.

QUESTION: Just harping back to costs, I don't mean to dwell on the issue, but I understand that the costs from all your activities, the cost savings are not yet coming through. When should we get disappointed if we don't see those costs coming through? You say the synergy savings by the end of 2003. Is it all in the final couple of quarters? When should we get disappointed? When should we get worried?

MR LYNCH: I think we will be able to take you through a little bit more about this at the full year. That is a logical place to sort of cover off a little bit about where the running rates are as at then in the public domain. So I think if you can keep your powder dry and go through that process we will be more expansive about where we are as at the end of the year and what the running rate is starting to look a bit like.

QUESTION: You say in this UK additional tax in petroleum you may have to take a US$50 million hit. Could you just run through that? Could you also just explain those net monetary liabilities in Australia when the currency moves, just very briefly?

MR LYNCH: With regard to the UK petroleum tax issue, it is an increase in the tax. If we have any tax that has been deferred in relation to that income we may have to revalue that provision. That is what that is alluding to. It was announced on 17 April. It has not yet passed into legislation, but there is no real reason to suggest that it won't.

The monetary assets and liabilities, with the US dollar functional currency, it is a period end issue that we have to restate monetary assets and liabilities into the prevailing rates of the US dollar at the period end. So, if you think about the Australian situation, we generally have a deferred tax liability, we have other employee related provisions, we have trade creditors and also the resource rent tax from some of the petroleum assets here in Australia. The same is true in the South African environment.

So we have to mark to market those monetary assets and liabilities each period end. I guess the key issue with that is that it happens at period end from where the period started to where it finishes and that movement has to be taken into account.

QUESTION: You have got Tintaya on care and maintenance for the sulphides with the oxide coming on. You have Escondida on lower grade. You are due to review that this quarter. Any thoughts on when you bring one or both on, or do you have any preference of bringing one back on or both back on? Can you fill us in a little bit on that as well?

MR GOODYEAR: We said we would review it after the end of the first calendar half year. So that process within the base metals group is obviously in its early stages. I don't have an answer if we have a preference with regard to which comes on at what time. But stay tuned on that. I wouldn't expect you would hear anything until certainly after the financial year end.

QUESTION: A couple of questions; firstly for Chip. I wonder if you could give us an update on Angostura in Trinidad. You were talking about fast-tracking that development. When might we get some news on reserves and production and costs? Secondly, for Chris, I wonder if we could have a bit more detail on the tax rate. The tax rate was surprisingly high, yet the foreign exchange differences were very low, in fact practically nothing. Does that mean that the underlying tax rate really is something around 36, 37 per cent? If not, what are the factors that have pushed it up compared to the last couple of quarters?

MR GOODYEAR: Let me go ahead and try to answer the Angostura question and essentially Trinidad hydrocarbons in general. We have made four discoveries there in Trinidad in various areas or in really adjacent areas over the past three years and we have announced those things. The results have continued to be good results and, as we said, we would hope to sanction that project in this calendar year.

I would expect, in terms of hearing much more about that, we may have another well that would be reportable before I am going to say the latter part of the year, and we would certainly report that when appropriate. But it is probably toward the end of the year, end of the calendar year, at which you would expect us to move forward on some sort of sanction of that project.

It has certainly been a very good outcome and a good project, and that continues. But, in terms of when you would expect to hear, I would look toward the end of the year.

MR LYNCH: With regard to the tax rate, if you exclude the currency translation issues and the like, our rate is in the order of 33 per cent, 32 to 33 per cent. That is the ongoing rate. Bear in mind that this is something that we always adjust on the basis of the full year and with a view to that. It is not quite as sort of instantaneous, if you like, on the way through. But we expect our effective tax rate to be in the order of - the underlying rate to be in the order of 33 per cent.

QUESTION: Just a quick question on the outlook for energy coal and particularly what is happening in the UK in the markets there and also the domestic US market; and then also just a quick overview, if you can, of what is happening at Richards Bay Minerals and demand for the titanium in the titanium business and price?

MR GOODYEAR: I can cover coal and maybe Chris, do you want to do Richards Bay? On coal, I think as Chris mentioned, there has been a relatively warm winter in Europe and a decrease in electricity demand in the US, some of that due to weather and just demand in general; their economic activity pushing demand down.

You saw that in New Mexico Coal we had a reduction in the performance there and essentially of the production there as related to the decrease in electricity demand. That demand is going to recover based on a number of items, and economic activity is going to be clearly an important one, as well as hydro and so on, which certainly has been better this year than it had been projected to be.

In Europe, in terms of specifically in the UK, I am probably not able to comment on that. But I would say that in general there has been pressure on price. But you have seen some producer response by cut back of production around that. So I cannot predict the future there, but certainly some of the weather issues and economic issues have decreased demand and have had some impact on price. But there has been producer response to that.

MR LYNCH: I will just touch on titanium and Richards Bay. We did have a fairly soft quarter, quarter 3. Actually that is generally the lowest of the four quarters for us there. But the market is a bit softer in terms of inventories through the quarter, but we would expect an improvement on that in quarter 4.

QUESTION: Just one final one on HBI. I know you said we have another two or three months. Could you give us an indication of the additional cost that you would think you would incur over the period relative to what you had previously forecast?

MR LYNCH: We think about US$10 million. Just one thing to say on HBI. The problem that occurred in HBI was not in the technology. It was in proven old technology. So it is not part of the new concepts in any way, shape or form. In fact I think one of our guys described it as - it was like a glitch in a proven technology, an older technology. So it is not really anything to do with the HBI briquetting and technology related to that. It should be back on deck in early July.

QUESTION: Firstly, when one looks at the waterfall chart and EBIT development, excluding sale prices and currencies, for the last two quarters the residual element has been quite substantially negative; for this quarter I think at US$159 million. For how long a period do you expect that to last going forward?

MR LYNCH: One qualification to that is to take account of the impact of steel. I guess you have to look at the ongoing company and the robustness of that cash flow stream and earnings. I think then obviously you are talking about economic activity in general.

QUESTION: So we are likely to still see that being fairly weak through the fourth quarter?

MR LYNCH: I think we have both commented on the fact that we expect to see a continuation of the sort of current market conditions that are trying to find a recovery but are not really seeing any great delivery of it.

QUESTION: Can you then give me the scale of the monetary liabilities that you have on Aussie dollar and South African rand? Can you give us some details on the profit sensitivities? Can you give us the figures for the bulk of those monetary liabilities?

MR LYNCH: You can back-calculate from the movement. For a more detailed breakdown of that we can get back to you on that one. You can calculate it back from the sensitivities.

QUESTION: Just one question for Chip on BHP Steel. Chip, I guess you have got your head around the premium discount of Ltd and Plc on account of the stock prices. By marking the bonus elements against Plc there is no equitable loss of that premium discount for the Plc shareholder. Is my understanding right on that?

MR GOODYEAR: Well in fact I am going to say in today's world where Plc is trading at a discount to Ltd the fact that we are giving a bonus share based on the Plc price, the one that is trading at a discount, allows the Plc shareholder to not be disadvantaged based on the way the market currently trades these two similar equities.

QUESTION: Okay, good. I understand that.

MR GOODYEAR: The issue would be that if we somehow gave you a Plc bonus issue based on a limited price, then you would have an issue. But, no, it is based on the Plc price.

QUESTION: You made some comments earlier on about Escondida. I appreciate that that has not yet come through in terms of your thinking, but maybe you could just help us a little bit in that, given the pick-up of the business cycle we still have, if you look at LME, COMEX and Shanghai copper stocks, record inventory but the market is really fretting that, like aluminium, perhaps the copper producers are about to press that button for reactivation. Could you maybe share with us your thoughts about what conditions you think are required before you would consider reactivating your capacity that idled late last year?

MR GOODYEAR: I will tell you: when we made the decision to take Tintaya down and adjust essentially low grade Escondida it was on the basis that we saw continued inventory build and that it would be more profitable, more profitable in the long-term, to essentially keep that production in the ground rather than add to stockpile. So I cannot give you much greater insight.

I would say our thought process has not changed. In other words, we have to take a look at the long-term value of the assets that represent this company. If it makes more sense to continue to low grade or keep an operation shutdown, then that is going to certainly be a very important factor in our decision. So, again, we run this company around the value equation. That is how that decision was made initially and that is how it will be made next time around.

QUESTION: Could you explain the reason behind the repayment of 1 billion rand of debt? I am just wondering why you paid it back now?

MR LYNCH: Largely it was just a realignment of the rand related book. That is part of our total portfolio. It is something of the order of 5 per cent of our total debt and it was a payment that actually came due. That was really the basis of it.

QUESTION: The payment became due, effectively?

MR LYNCH: Yes, that is essentially the basis and it made sense in our total mix.

QUESTION: Just following on from the Richards Bay question, in that sector of other activities can I assume that Integris produced a loss?

MR LYNCH: Included in the other area is largely Richards Bay and Integris, the metal distribution business in the US. But, no, I don't think it is valid to assume there is a loss there. It was a low quarter for titanium.

QUESTION: Just finally, in your strategic review the other week you mentioned about the HSE expenses being 1 per cent of pre-tax. How does that compare to the previous expense? I am just trying to get a sense of is there an increase which will be eating into the cost savings, the sustainable cost savings of US$500 million?

MR GOODYEAR: I will go ahead and answer that one. It is not an increase over what we have spent in the past. What you are referring to for those that didn't catch the strategic presentation is that we would say as a goal and over time and some sort of averaging period we would look to contribute 1 per cent of pre-tax profits to essentially health, safety, community development, that type of activity in terms of giving back to the community, and I think it is over a three-year average we use.

QUESTION: Thanks very much.

MR GOODYEAR: That is consistent with what we have done in the past.

QUESTION: Can I just ask in terms of HBI, longer term what are the options there? There has been some talk here that one option may be to close the thing and wind down the contract.

MR LYNCH: The key issue with this is that this is an asset that has met the production build-ups that we were looking for on the way through the course of this year. As I mentioned in an earlier answer, this most recent problem is not actually in the complex part of the technology. It is in old and proven technology that was perhaps affected by the way that the plant started up and so on. But it is in the old part of the technology. So it is not really an issue.

The intent there really is to continue to improve the production output. The price for the product is coming along as we expected. It is starting to recover. It is really a question of getting it back into service.

QUESTION: Can I just clarify a couple of figures you mentioned? One was on HBI, you mentioned US$10 million. Can you tell me what line that impact is on? Is that condition and operating profit or EBIT would be hit by about 10 million in the last quarter; is that right?

MR LYNCH: That will all be expense. It is all taken on the chin as it is incurred and you will see that most of that will be in the June quarter.

QUESTION: I think you talked about UK tax. Apart from the one-off going forward, was it a US$15 million addition to the tax bill because of the petroleum tax in the UK?

MR LYNCH: Yes, about US$15 million per annum.

QUESTION: Thanks.

DR PORTER: Thank you very much indeed, ladies and gentlemen, for your participation. We look forward to speaking to you in about three months' time.

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