BHP BILLITON PRELIMINARY RESULTS BRIEFING

YEAR ENDED 30 JUNE 2002
7 AUGUST 2002

MR GILBERTSON: Good afternoon, ladies and gentlemen. To those of you in London and Johannesburg, not good afternoon, but good morning. Welcome to all to this presentation of BHP Billiton's first full year results.

With me today in Melbourne is Chris Lynch, who is the Chief Financial Officer. In London we have Chip Goodyear, who is the Chief Development Officer, he is also an Executive Director of the corporation. With him is Phil Aiken, who is the President of Petroleum.

In Johannesburg we have Mike Salamon, he is our Senior Minerals Executive and he is also the President of Aluminium. Also in Johannesburg is Mike Oppenheimer, who is the President of Energy Coal.

Now, Chris and I will do most of the talking today and then Chip, Phil and the two Mikes will come in and join us for the question and answer session.

So let me start by reminding you that the merger of BHP Limited and Billiton Plc became effective only on the 1 July 2001. The integration process via the dual listed companies structure was swift and the key business units were quickly organised into six Customer Sector Groups (CSG). These CSGs are supported by marketing hubs; one in The Hague and one in Singapore.

Now, virtually from the outset, the executive group functioned as a single unified team and they performed effectively in what turned out to be challenging market conditions during the past year.

Along with the smooth integration, there are four highlights that stand out in my mind. First was the successful spin-out of BHP Steel. The next was the approval of 12 new projects involving a total capital investment of $2.9 billion. Thirdly was a string of remarkable successes by our Petroleum exploration teams, and then fourthly, was the delivery of merger benefits of US$220 million.

May I next remind you that the cornerstone of the BHP Billiton business model is our diversified portfolio of high quality assets. This provides more stable cash flows and greater capacity to drive growth than the traditional resource cyclicals. The results of this past year provide striking support for that thesis. Despite price weakness in many of our products, despite currency fluctuations and despite canny cut-backs at some of our major operations, our EBITDA held steady throughout the year at around US$1.2 billion per quarter. Aggregated over the year, EBITDA was US$4.9 billion, down only 7 per cent on last year's record level, notwithstanding much weaker commodity markets.

Even more dramatic was the stability of our operating cash flows. These cash flows actually rose marginally above last year's level to reach US$3.9 billion, despite the generally lower prices and the more difficult economic environment.

Now, if Paul Anderson and I had told you a year ago when we were promoting the merger that BHP Billiton would today post the same operating cash flows as it did a year ago, and that after September 11th, Enron, the double dip economy, WorldCom and everything else that hit the global economy in the last 12-months, I don't think you would have found us credible, yet those were the results:

Operating cash flows of US$3.9 billion slightly up on last year, and if you only take one figure away from this meeting today, take away the $3.9 billion.

Now these strong financials were reflected in other measures. EBITDA interest cover rose from 8.5 times in 2001 to 11.0 times in our reporting year.

Net gearing, that is net debt divided by net debt plus equity, declined from 38.4%, down to 35%. Net debt as at 30 June 2002 was US$6.8 billion, that is a reduction of over US$400 million in the year.

Now, it is worth another moment or two on these summary financials before I hand over to Chris. Please note the difficult market conditions that prevailed during the year, as reflected in the group turnover, which fell by 6.8 per cent to US$17.8 billion. Now, this decline was due largely to lower commodity prices and lower sales volumes. Earnings before interest and tax, the EBIT line, excluding exceptionals was US$3.18 billion, compared to US$3.62 billion last year. So that is a reduction of 12 per cent. That decline was of course also caused by the lower commodity prices, and further by lower profits from operations that are no longer with us, by increased exploration expenditure, and by the impact of inflation on our operating costs. Offsetting those factors were profits from new and acquired operations, and from the favourable effect of exchange rate movements, from lower price-linked costs, and from the increased profit from asset sales.

Now before handing over to Chris, I might just mention that our short return earnings will occasionally show greater volatility than our cash flows. This is largely due to movements in foreign exchange rates over which we of course have no control.

Our accounting treatment provides balance sheet stability and the proper management of costs over the long term, and Chris will spend a bit of time in his presentation talking to you about this effect.

So at this point, Chris, let me hand over to you to go through the detailed financials.

MR LYNCH: Thanks, Brian, and good afternoon to everybody here in Australia and good morning in Johannesburg and London. I am pleased to be able to talk to you today about what are a set of very strong results in what has been a very difficult environment.

Firstly, to focus on the preliminary results overview, and Brian has just touched on these, but the key issue here is that in this market we have delivered. We have delivered EBIT to the tune of just under US$3.2 billion; attributable profit before exceptionals of US$1.934 billion; after exceptionals of US$1.69 billion, and importantly cash flows from operations after interest and tax of US$3.9 billion, an actual increase of US$71 million over the same period last year.

So let's have a look at these results in a little bit more detail. Firstly the turnover: Turnover is down 7 per cent on 2001, reflecting the global economic climate. Volumes were down in copper due to the curtailments at Escondida and Tintaya. We had natural field decline in petroleum in some of our oil fields and we had lower demand in energy coal, manganese and titanium minerals. Also the turnover is down on the basis of some of our portfolio management activities, including the sell-down of the interest in Queensland coal as part of the BHP Billiton-Mitsubishi alliance, the sale of our Indonesian thermal coal assets, and also the removal of Ok Tedi from our turnover figures.

Prices were also down for most of the screen traded commodities, and I will talk more about that in a little bit. But metallurgical coal and energy coal were both stronger on the price front this year versus 2001.

You will also see on this slide a new CSG which is called Diamonds and Specialty Products. What we have done here is to isolate diamonds, industrial minerals, that is, the titanium dioxide processes from Richards Bay, and also the Integris Metals distribution business in the US. So we have accumulated those three business that are profit making ventures. You see the turnover in that area was up by about $150 million.

I would like now to step through the EBIT in each of the CSGs. You will recall from my first slide that EBIT was US$3.188 billion, which is a relatively strong performance in the 2002 environment. These results again demonstrate the portfolio strength of the combined entity.

Base Metals, Stainless Steel Materials and Steel were all down. In Base Metals, the price of copper was much lower and also the production curtailments at Escondida and Tintaya impacted EBIT. In Stainless Steel Materials, the prices for nickel and chrome were both down and in Steel, international markets especially were subdued.

But look at our key strengths: Carbon Steel Materials, over US$1 billion of EBIT; US$1.084 billion, with a very strong performance in both iron ore and metallurgical coal. Petroleum generated in excess of US$1 billion in EBIT, despite significant price reductions and we will go through that in a moment. But price reduction in Petroleum just on the crude oil price was worth about US$488 million of reduction in EBIT. So this is a very strong performance in Petroleum. Energy Coal had a very good year, as did Diamonds and Specialty Products, both were strong.

Exploration and technology: This is really just the minerals exploration and technology group. This is a cost area and that cost is down following the merger. As we combined the two groups, we found we had quite a lot of overlap in this area.

Group and unallocated is down US$22 million in aggregate. I think most of you are aware that the largest single item in this category is the legacy hedges that were carried over from the old BHP Limited. Those legacy hedges were US$331 million negative, and they will continue until 2004 on a declining basis.

Turning specifically to prices. This slide shows the change in EBIT from last year; US$3.627 billion down to this year's result of US$3.188 billion, an overall reduction of US$439 million. The price impact on EBIT was actually greater than that overall decrease. Price reductions were equivalent to a US$665 million reduction in EBIT. Again, the benefits of the diverse portfolio shown through here, as not all prices moved in the same direction.

As you can see from the slide, the red ink shows the ones that actually went down, and if you do a quick sum across those, it is about US$980 million of reduction due to price decreases on what are essentially the screen traded commodities, most obvious of which is petroleum which is down US$488 million. So the petroleum price alone reduced the EBIT by US$488 million.

Average realised prices last year for petroleum in the 2001 year were US$28/bbl, this year we achieved an averaged realised price of about US$22.58/bbl. In aluminium, the price impact was US$186 million negative. Actual prices achieved this year US$1,359 per tonne, versus last year US$1,539 per tonne.

Copper is similarly down, nickel similarly down but both the coals were stronger; metallurgical coal and thermal coal. Energy coal was up in 2002, but prices have come off since that time and are now trading below the average price for 2002. But metallurgical coal has continued with even stronger prices negotiated going into the 2003 year.

Moving on to look at costs. There are actually five categories here that I want to talk about with regard to costs. The first, inflation, added US$210 million to our cost, therefore reducing EBIT, so if the bar on the chart is red, that is a reduction in our EBIT. Inflation added US$210 million to our costs.

Price linked costs: These are the costs that vary as a result of commodity prices on our inputs. They are particularly relevant in the aluminium business with the input price of power and the input price of alumina both being down as a result of the price of metal being down. In other areas they may be increased, for instance, in metallurgical coal where the royalty actually went up because the price of metallurgical coal went up. But those input prices reduced cost by US$270 million, so increased our EBIT, hence the green ink. The lower average exchange rates, primarily in the Rand, increased our EBIT by US$375 million.

Merger benefits and other cost reductions were offset by some cost increases elsewhere in the businesses, for instance with the higher costs in the copper business as a result of the curtailments at Escondida and Tintaya, but overall our cost improvements were a net US$115 million, slightly offset by US$35 million at the EBIT level being one-off costs associated with the merger.

In terms of the remainder of the changes to the EBIT, the largest single item here is the sold operations. Over 50 per cent of this US$255 million reduction to our EBIT that you see there is pertaining to the Steel business and the fall away in the contribution from Steel this year.

The other areas in that US$255 million include the sell-down of those assets that I referred to earlier; Indonesian coal, Queensland coal and the removal of Ok Tedi.

In exploration, the US$45 million reduction in EBIT was largely to do with the write-off of the La Granja copper prospect in Peru which we took in the first half of the year.

Now turning to the non-EBIT issues, firstly to the exceptional items. There are four exceptional items in this set of results. The first pertains to South West Copper. Three years ago BHP Limited made substantial write-downs for South West Copper. The remaining carrying values were assessed during the fourth quarter and as a result of this review, the remaining assets having been written down to what is essentially salvage value.

A total of US$171 million was written off the asset base and that was partially offset by a reduction in the provisions for rehabilitation and site restoration of approximately US$70 million for a net write-off of US$101 million.

The largest single item in the asset write-offs was the San Manuel smelter, which was a smelter that was fully refurbished and ready for use some three years ago as part of this group of assets but has actually never really operated since.

The second item pertains to Tintaya and it is to do with the curtailment of Tintaya and the fact that there is no expectation of a resumption of business there until at least January 2003. The costs here that we are taking into account were contracts and layoff costs associated with that curtailment. So US$22 million, and these numbers are after tax.

The third item pertains to the change in UK petroleum tax. This was announced during April of this year and enacted through parliament, I think, on July 3. We decided to book this entry into 2002 because it was substantially complete and the virtual certainty was there. The US$56 million shown here as an after tax impact is an exceptional. There was a further US$6 million included in the petroleum business to do with the period between April and the end of June.

Finally, the merger restructuring costs. This amount is US$80 million pretax and US$65 million after tax, for total exceptional items of US$244 million.

Net interest is another success story from the merger. It shows the benefits of the refinancing actions that have taken place over the course of the last 12 months. It shows the benefit of the improved rating of the combined group. Obviously it also shows the benefit of the lower general interest rate environment and it also shows the benefit of the reduced debt, and it also includes the benefits of the devaluation of the Rand.

Our overall net interest expense before FX impacts was US$429 million, then a further reduction in that number of US$180 million due to the devaluation of the Rand over the year for a net interest expense of US$249 million. Importantly here also the net debt reduced by US$500 million.

You see there on the slide the credit ratings. We are on positive watch with both of the rating agencies which is not a bad place to be in this climate. Hopefully we can take it a step further.

Turning now to tax. The key issue here is that our underlying effective tax rate is in the order of 32.6 per cent, and we have broken out a couple of the impacts, the US$32 million tax impact of the exceptionals. The overall effective tax rate excluding any adjustment would be 36.3 per cent.

I want to spend some time now focussing on our foreign exchange policy and the functional currency. I want to show the impact on our earnings, and how you might understand the movements based on what are, primarily, non-cash items.

The combined group adopted the US dollar as its functional currency. It is the predominant currency of the resource business and it is obviously the predominant currency for a truly global corporation. Most of our revenue is US dollar related. Quite a large degree of our costs are US dollar related and most of our debt is US dollar denominated. So it was very hard for us to see a justification to carry any other currency than the US dollar as our functional currency.

It does, however, have some effects. The effect is that non-monetary assets, like plant and equipment, are held at historical rates in the balance sheet at fixed historical exchange rates, but monetary items are marked to market at each balance date and that mark to market impact flows through the profit and loss account. We end up with a much purer balance sheet as a result of this. You can always look at our balance sheet and understand our balance sheet, but we do have the downside issue of more volatility in our earnings, but I stress again this is essentially a non-cash item.

The bottom comment refers to site restoration and rehabilitation issues and this is really to say that where there is a liability to restore a site on conclusion of operations, we hold that liability, or that provision, in domestic currencies and as that needs to be revalued, it is revalued to the asset and the provision is amortized over the remaining life of that asset, so if you like, it flows through the balance sheet and eventually through via depreciation or amortisation. This is totally in accordance with UK GAAP and we believe that is the appropriate treatment for those specific items.

So let's look at these currency exposures in our accounts. This slide is really a general level of exposure that you should be able to expect on the way through our accounts. Obviously the amounts will vary, they are deliberately rounded and they will vary from time to time. But there are three fundamental areas where the monetary items are restated and these are the three: they're net payables in the domestic currency and these include things like employee provisions, for instance long service leave provisions here in Australia. The second item is the tax provision and again, where tax is payable is obviously in the domestic currency. The third issue is if we have any debt in non-US dollar denominated currencies and our main exposure there is to the Rand, as we have some Rand debt.

So if you like, the issues we have are about US$1 billion equivalent of Australian monetary items that are marked to market and about US$800 million equivalent of Rand exposures that are marked to market on a regular basis.

Looking at the impact of these monetary item restatements on this set of results. In the EBIT line we talked about EBIT of US$3.188 billion. In the June quarter there is a negative impact in there of US$45 million and for the full year, a negative impact of US$15 million.

On the net interest line, the June quarter impact is a negative US$40 million, but the full year impact is a positive US$180 million and that is largely a function of the Rand devaluation, most of which happened in the first half of the year.

The third area is the tax expense for the total corporation. The impact in the June quarter was US$100 million and this is primarily revaluing the Australian tax provision as a result of the Aussie dollar strength that occurred the fourth quarter. If we were to do the accounts as of five minutes before we started this presentation, that would disappear with the exchange rate around the 53 cent level.

So the tax expense in the full year benefited by US$15 million and that is largely a function of the devaluation of the Rand in the first half, offset by the strengthening Aussie dollar in the second half.

So just in summary, as the currencies change, our monthly cost structures will reflect the currency as at that month, but monetary items; net payables in domestic currencies, tax provisions and debt in non-US dollars, will be marked to market at the period end and the gain or loss will pass through the P&L. In that way we will have precise stability into our balance sheet, but we will have some volatility in our earnings.

Finally moving on to our ratios. Brian has alluded to some of these already, but the net gearing ratio was 35 per cent. This is in the bottom end of our desired range - we target a range of 35 to 40 per cent - so the improvement there has been good. The EBITDA interest cover is 11 times versus last year of 8.5 times, and the bottom number here of return on capital; 11 per cent, given the climate that was around for the 2002 year is a strong result. Our strategic framework targets have us getting that above 15 per cent by 2006. So this is a good start, but with more work to do in that regard.

So with that, I will hand back to Brian for a continuation of his operational review.

MR GILBERTSON: Thank you, Chris. What I would like to do now, ladies and gentlemen, is review the operations and I will start with Aluminium.

Aluminium performed well during the year, but the LME price was down US$180 per tonne, compared with last year.

Production increases from the full commissioning at the Mozal aluminium smelter were offset by lower volumes from Brazil, mainly as a result of power curtailments.

Alumina production was up by a third, largely due to the acquisition of the additional 56 per cent interest in Worsley, which happened in January 2001, and also it was coupled with higher production rates achieved from a capacity creep program.

Our Base Metals business was adversely affected by low copper prices which only averaged US69 cents/lb throughout the year, and that compares with US78 cents/lb last year.

Faced with a major imbalance between supply and demand, we announced cut-backs to our copper production at Escondida and Tintaya in November 2001 and then we announced an extension of these cut-backs in May. Now, despite those measures, copper production was up 5 per cent over the year, mainly as a result of increased production from the commissioning of Antamina in Peru, and also a full 12-month contribution from the other ex Rio Algom assets that we acquired in October 2000.

Now, silver and lead production also increased by 28 per cent and 14 per cent respectively. That is as a result of a revised production strategy and then continued strong operational performance at Cannington.

Zinc production increased also by a third over the period to 163,000 tonnes, largely due to the startup at Antamina.

Carbon Steel Materials achieved lower iron ore costs, higher output from the Yandi mine and reduced the demurrage cost by improved ship loading rates.

Metallurgical coal prices and volumes held up well, but were partially offset by the sale of our interest in the Central Queensland Coal Associates and the Gregory Joint Ventures in June 2001.

Manganese alloy production was down 4 per cent to 619,000 tonnes and the ore production was down 6 per cent to 3.5 million tonnes.

Now in May we announced the price settlement with our major Japanese iron ore customers, a reduction of 2.4 per cent from Mt Newman finds and a 5 per cent decrease from Mt Newman lump, and commercial terms have recently been settled for the majority of our annually priced coking coal contracts. Hard coking coal prices have increased to a range of $US48/tonne to $US50/tonne across all markets, so reflecting the strong supply/demand fundamentals.

Stainless Steel Materials faced lower prices during the year. Nickel was down 17 per cent to US$2.69 a pound. Cobalt was down a third to US$7.19 a pound. These price decreases were partly offset by higher nickel volumes from the ramp-up at Cerro Matoso second line, which commenced production January 2001.

Ferrochrome production at 837,000 tonnes was down 8 per cent over the corresponding period, with production cut-backs being made in response to weak market conditions.

Energy Coal achieved strong export prices in the first six months of the year, but then there were price falls in the second half, mainly because of the weakening of the European markets after an unseasonably warm winter and after increased supplies from non-traditional sources. The average price for the year was higher than in the previous one.

Overall, volumes were down 11 per cent following disposals in South Africa and Indonesia and following the scaling back of the Rietspruit mine in South Africa.

We also produced less in the United States as a result of reduced customer demand, but this was offset by a higher production from Colombia with a full year's contribution from CZN and CdC.

Petroleum had a busy year with the startup of Typhoon and the sanctioning of over US$1 billion worth of investment in six oil and gas projects. Unfortunately the average realised prices for oil and for LPG were down to US$22.58 per barrel and US$214.62 per tonne respectively. There were lower oil volumes from Laminaria, from the Bass Strait and from Griffin, due to natural field decline and of course because we sold the Buffalo oil field in March 2001.

These lower volumes were partially offset by a six million barrel contribution by Typhoon, which commenced production in July 2001, and offset also by a full year's contribution by Zamzama in Pakistan.

Natural gas production was up 8 per cent year-on-year, mainly due to higher volumes at Liverpool Bay and again due to a full year's contribution at Zamzama.

I turn now to diamonds. Our diamond business delivered higher volumes and profits, thanks to the acquisition of an additional 29 per cent interest in Ekati at the end of June 2001. Further volume increases were due to higher grades on our core production and higher recoveries of lower quality diamonds. These factors were partially offset by lower realised diamond prices as a result of the general downturn in the global economy.

That completes a review of operations, let us look now at one of the major highlights of the year.

That was the demerger of BHP Steel which happened in July 2002 and which was a landmark event, severing a link of many decades. It was a sound outcome for both organisations, launching BHP Steel as a independent, world class steel business, releasing BHP Billiton to focus on its upstream interests.

There was strong demand for the BHP Steel shares which were sold through the sale facility to participants under the retail and institutional offers and a final price of A$2.80 per BHP Steel share was set.

The 6 per cent that was retained by BHP Billiton and sold through the sale facility brought a cash benefit to us of $US76 million in July 2002. Now, the accounting rules will see the difference between the selling price and the book value, which is some $19 million, appear as a loss in our 2003 financial statements.

To match the value distributed to BHP Billiton Limited shareholders as a result of the demerger, BHP Billiton Plc shareholders received approximately 149 million bonus shares.

Now what I would like to do next in the time that remains is review the score card of our company for the first year as a merged company. Now, some of you may remember that in April this year, we published a strategic framework which detailed the key value drivers that distinguish us from our competitors. Those strategic imperatives will help us realise our potential and we specified our performance measures against which we invited the market to judge us.

Now, here is how we are doing against some of those measures. First as always comes the HSEC area; health, safety, the environment and the community are in fact important indicators of our operational efficiency and of our risk management ability. Regrettably, safety remains a major concern, for we had 13 fatalities during the year, mainly in the movement of heavy machinery and vehicles. This is in fact an improvement, but of only two of over the previous year. So it is unacceptable because our target is zero fatalities.

Thankfully our injury rate continue to fall and are already at very low levels compared to industry benchmarks. Our loss time injury frequency rate was 2.25, that is a 9.5 per cent improvement on the previous year.

Also noteworthy is that more than 50 per cent of our operating sites have now achieved accreditation to ISA 14001, so certifying their environmental management systems.

Now, you will remember also that we recognise the importance of communities in which we operate by investing 1 per cent of our pretax profits. That 1 per cent is averaged over three years in community projects. This year we contributed a total of $41 million, that is about 1.5 per cent of our pretax profits, to community projects in different regions of the world.

I invite you to read more about those issues in our HSEC report which will be released later this year, along with our annual report.

Now, our next key performance measure is our ability to reduce our operating costs. We have published two targets. The first is the set of merger synergies which we said should reach US$270 million by the end of financial year 2003, so in fact we have another year to go.

The second is an additional reduction in our operating costs by US$500 million over the three year period, financial year 2003, to financial year 2005.

Now, I will report today only on the former of those merger synergies because financial year 2003 has only just started and we will need something to talk about next year.

Now, I'm pleased to report that we have made good progress on the US$270 million of merger synergies. The savings fall into a number of broad categories. There are ongoing operational savings which are achieved by eliminating duplication, by doing the same job with fewer people, by having fewer offices. In the past year we reduced the number of offices from 54 to 23, and we saw the headcount fall by over 1,300 employees and contractors.

Second there is operating excellence; our own unique program to drive sustainable benefits to the bottom line. It combines Six Sigma and Knowledge Networks, both established methodologies that have delivered benefits in many companies, including ones like General Electric and BP.

Now, the savings achieved through operating excellence can be separated into those that are achieved directly or indirectly as a result of the merger, for example by applying best practice from one side to another and then those ongoing savings which arise through applying operating excellence principals consistently in everything we do.

Now, considering the merger synergies alone, operating excellence in 2002, delivered savings of US$50 million from 140 different projects, so each project on its own is relatively small, but they aggregate into a very large number. Now, each one of our operations is committed to identifying waste, to eliminating it and then keeping it out of our businesses.

Our third method is strategic sourcing and that produced savings of US$18 million this year. Nearly US$6 million came from negotiating global volume incentives with the suppliers of major earthmoving equipment. Major beneficiaries here were Cerro Colorado in Chile and then the Ingwe mines in South Africa.

Another US$1 million in savings same from equalising the best pricing for tyres for our earthmoving equipment, and we saved another US$3 million from better purchasing of fuel in Australia.

So there are a number of regional and global deals that were put in place in the second half of financial year of 2002 and although the impact of some of that came through this year, the full effect will only be seen in 2003.

Then the fourth and the final area, the changes to the marketing operations. Those produced savings of US$25million. Benefits, for example, of US$4.4 million came from reducing the number of agents that we employ. There was US$9.8 million that was achieved by eliminating transport and logistics operations which existed in the former BHP Limited. Another US$6.8 million came just from savings on freight costs.

Now, the other benefits that should be counted: Finance costs were lower as a result of the improved credit rating and the increased access to the global capital markets. An additional US$15.5 million came from the efficient structuring of our new marketing arrangements. So adding it all together, we will reach a total savings of US$220 million for 2002, which is well on our way to our target of US$270 million.

I remain confident that the merger synergies, the US$270 million, will be delivered in full on the time stated.

For completeness, I should just mention there were a number of costs that were incurred against those savings. In total there was US$115 million in one-off costs borne in this past year. That is a net saving of US$105 million. We will of course see the ongoing benefit of the savings in the future years and without repeating the one-off costs.

Now, I have excluded from all of that analysis the additional benefits that come from more efficient use of capital. These do not show into the bottom line as they are in fact avoided costs and so don't affect the US$270 million.

But the saving can be significant, for example, we estimated a US$38 million saving just from sequencing the Mozal 2 and the Hillside 3 smelter expansions through, for example, sharing the project management resources. Without the financial scale provided by the merger, we would just not have been able to undertake the simultaneous expansions, and with that I will move away from the merger synergies.

Let me next deal with our next key value driver and that is the inventory of growth projects. Many of you will find this slide familiar. It shows projects representing about $US10 billion of capital investments. Sanctioned projects which are shown on the slide with a bold ring around the bubble, add up to around US$5 billion.

Now, you would have heard me say before that these projects undergo a rigorous approval process before we give the go ahead. Once launched, the challenge that we face is to deliver the projects on time and on budget, so as to provide the maximum benefit for the group.

Our projects are subject to ongoing review. During the year, three projects came on stream successfully, that is the Typhoon oil and gas project in the Gulf of Mexico, the Antamina copper and zinc mine in Peru and then most recently the Tintaya copper oxide plant again in Peru.

Now, during the past year we approved US$2.9 billion worth of investment in new projects. These projects are shown in the following slide. You can look at that at your leisure, and then the following two slides will give an update on how these sanctioned projects are doing against time and cost. There are in fact 17 projects in all, and all but two are running on time and on budget.

The exceptions are the San Juan underground development which was originally forecast to begin production in May 2002 but it is now on a revised schedule and due for completion at the end of the year. Unfortunately, we had difficult ground conditions, but we now are confident that the project is back on track.

The other one appears among the petroleum projects which you see here. All of the petroleum projects are running on time and to budget except the ROD project which is an integrated oil development in Algeria. Completion is now scheduled for the second calendar quarter of 2004, which compares to a original target date of April 2003. This delay was due to lengthier tendering than we expected, but happily the outcome is an improved contract with more attractive economics. That contract has now been signed and we expect the project to meet its revised schedule.

So that completes my review of the project pipeline. Many of you will remember that when we were presenting the strategic framework, I gave special emphasis to the role of petroleum in our portfolio. Now, it is therefore pleasing to reflect on the exploration successes that that team has achieved in the past year.

Petroleum invested US$288 million in exploration and appraisal activities and were rewarded with a finding cost of US$1.59 a barrel of oil equivalent and a capitalisation rate of 47.4 per cent. Both those figures represent top tier performance.

In the Gulf of Mexico, appraisal wells of Mad Dog and Atlantis were successfully completed, leading to the sanction of both projects. The near field discovery at Boris will be tied back to the Typhoon facility. Encouraging discoveries were made at Cascade and Neptune and they are now being further appraised. So our wells built on the company's original exploration success and the Angostura field in Trinidad, and the development work there is now well underway to look at that project.

Then I should just mention that further leases were acquired both in the Gulf of Mexico and in Trinidad, and new leases were obtained offshore Brunei, South Africa and Brazil.

So taking all of that together, I really do have very high hopes for our petroleum business. I end with a slide that shows the market acceptance of BHP Billiton in this first year of its merger.

This was a period of significant instability and global equity markets, as illustrated by the steep falls in the major US and UK indicies. This tabulation shows our total shareholder return against the indicies and also against a number of our competitors. I hope you will agree that the merger is off to a good start in its first year.

Ladies and gentlemen, that concludes the presentation. I now invite questions from the audience. We are going to have to do this in a methodical way, so we would like to start with Melbourne, then move to London, then to Sydney, then to Johannesburg, and then to the telephones.

QUESTION: Just to be clear on the costs side of things, in the waterfall chart you've got, US$150 million of cost savings there, now you talk about US$220 million due to the merger and you've also got some one-off costs of US$35 million after - sorry, excluding exceptions, another US$80 million including exceptionals. Could you just clear up if you didn't have those - well, that's US$220 million due to the merger, how does that relate to the US$115 in the waterfall chart?

MR GILBERTSON: Okay. Chris has a good table, can you put up your table again or can you just explain it?

MR LYNCH: I guess the first thing is the waterfall chart is EBIT only so it doesn't include - in the US$220 million there are US$35 million of interest reductions and some structuring benefits from the marketing organisation. So the total you should be looking for in that table is US$185 of raw benefit at the EBIT level. You will find that there are US$25 million benefits that have flown through the price bar. There are in fact US$145 million worth of costs and cost improvements that have been offset by US$35 million of exceptionals, one-off costs.

There are other improvements in there of US$15 million and so the 25, 145, 15 and 35 adds up to the US$220 million. US$185 million of that is in the EBIT number and then the other issues are there are some offsets to those costs with regard to things like the curtailments of Escondida and Tintaya which obviously increased our costs so that that's basically the way that that comes through.

QUESTION: Just a couple of questions I guess again on the costs side. The US$215 million of inflation cost impact, would you tell us where that was mainly felt in terms of the overall split and I guess the US$500 million of cost gains are going forward. Given the growth that is coming through the group over the next three years, how are we going to actually split that out and keep track of it?

MR LYNCH: The bulk of the inflationary impacts, I mean, there is inflation in most of our operations but the bulk or the largest single item is through South Africa. With regard to the US$500 million measurement of costs, you are dead right. Obviously there will be growth and there will be step changes in the cost structures as we go forward so we need to have a matrix that can accommodate the change in the outcomes as we continue to grow the operations.

What we'll be doing is looking at the unit cost by each of the commodities in the given years as we go forward and so a unit cost per tonne. That will be a total unit cost including the depreciation and amortisation because the capital expenditure has to be paid for also so it will be a total cost per tonne by the commodities. That will be referenced back to the June '01 timeframe to get our matrix consistent so that we have a clean run through, consistent run through the all the matrix anchored back to that 2001 timeframe.

You will see that we will be accounting for things like inflation, like price linked costs, like exchange rates and isolating for the true change in the underlying unit cost per tonne or cost, whichever appropriate matrix.

QUESTION: I just wanted to ask about the pipeline of new projects and given the uncertainty over global growth with the recent poor figures out of the US, is there any chance of those slipping further out. Those new projects? Just as a follow up, can you sort of give us some sort of snapshot of what sort of demand feedback you guys are getting on the coal face out there in the markets for the commodities.

MR GILBERTSON: I think that one of the benefits of a company like this is that we have the strong cash flows in order that enable us to carry through our growth projects when we have decided to do them. Clearly, those projects need to undergo a rigorous evaluation, and I think we do that quite well. But once we have made the decision, we have the capacity to carry them through. So the projects that we have given that we've evaluated and given approval to, you know, I'm quite confident that those will go ahead.

The projects that have not yet reached the approval stage, well, they have to go through the proper process. I don't think the judgment on a project will change simply because in a particular quarter or even a particular half year, prices have fluctuated one way or the other. I mean, you try to look to form a long term judgment of the project and I think you've heard us before on the processes we go through. But I think the bottom line there is that the strength of our corporation is that once we have decided a project is good and should be carried out, we have the financial capacity to do that.

I don't think those will be affected by the fluctuations in the world economy in the immediate future unless, I mean, you conceive of really very, very serious disruption in which case I guess we look again at projects that are not yet committed to. You asked for some feedback from the coal face. I'm not sure whether you really meant the coal face. I mean, perhaps it would be of interest to you if I called on two of my colleagues just to give you some views. Mike Oppenheimer, can we switch through to you in Johannesburg because you are at the coal face and then Mike Salamon, perhaps you want to offer a view on aluminium. Would that suffice if we just did those two as a quick round?

MR OPPENHEIMER: As far as the energy coal markets are concerned, certainly in the short term over the next six months or so, we see sustained weakness both on the demand side and the price side, but we do see improvement towards the second half of our financial year in terms of energy coal.

MR SALAMON: As regards aluminium, we in fact continue to see reasonable growth in aluminium metal demands. Unfortunately, aluminium metal supply outpaces that so we are having a negative impact on metal prices. On the other hand, the robust production of metal is very good for alumina where we are seeing a demand.

MR GILBERTSON: Copper - I mean the prices really have been very weak in the recent past. I think the decisions that were taken by our operations in Chile have contributed materially to avoiding an even weaker situation. I think ultimately though this depends very much on the demand side, and if you have a view that the international economy is going to be weak for a sustained period, I think there might well be a need to extend or maybe either in time or even in quantity the level of production cutbacks that we've seen.

Having said all that, if you take a slightly longer view, I mean, there's no major ore body that is under development at the moment, and copper, of course, is a metal which is absolutely essential to developing and growing strong economies.

QUESTION: Your competitor at Rio Tinto has identified China and iron ore as being potentially a very good market in the future. Could you reflect on that in terms of your company and in terms of what has been described as a turf war in China for iron ore?

MR GILBERTSON: Clearly China has been a wonderful market for the iron ore business over the past year or two and has been one of the key pillars that have kept the market so strong. I will try and answer this but we have Bob Kirkby here if you wanted. For the time being, I mean the market shows every sign of strength. There was a slightly lower price settlement that we mentioned a few moments ago. As to turf war, this is part of the business in every commodity we produce, it's a very competitive business and we try to earn our profits in competition with our competitors.

I think our position is that we are the number 3 producer basically but we are very well positioned in efficiency and in logistics. So if there is a turf war going on, I don't think we're in the midst of it, we will continue to supply our customers and earn profits and price service to maintain our reasonable market shares.

MR GOODYEAR: Thank you, Brian, let me check with the audience here and see if we have some questions.

QUESTION: Thank you, I have two questions, firstly for Phil Aiken. Could you outline, Phil, the new reserve status in the petroleum division given your many successes over the last twelve months either on a proven or proven and probable basis. The second question is for Chip or Chris. What might you be able to do to remove these let's say distortions from the functional currency adjustments?

MR AIKEN: Well, the first question. For the year just completed, as you know, we book our reserves in accordance with the SEC regulations so those are our proven reserves. Our bookings for the year we just completed are about 180 million barrels which represents I think as Brian said before, about 134 per cent of our production. Our production for the year was 134 million boe. So our total proven reserves have increased from just on I think 1.4 billion to 1.456 billion. So we've still got a very, very healthy reserves to production ratio of about 11 times.

During the year, as you know, we sanctioned the Mad Dog and Atlantis projects. Just to give you an idea, in those two projects, our share of reserves proven and probable is about 350 million barrels roughly, that sort of order, and we would have booked less than half of that because the P90 reserves obviously at this stage are a lot less. Really until we actually start production in those fields, I don't think we would book the reserves which are currently in the proven and probable category.

MR GOODYEAR: Accounting for foreign exchange obviously is a big issue and it's gotten a lot of play. We went, and as Chris described in his presentation, we took a look at functional currency. Accounting regulations require that we look at the functional currency in which the business of that enterprise takes place. Chris walked through revenues for most of our products. Essentially all of our products have a US dollar denomination to them, costs in US dollars is certainly in more than a number of the businesses. We have currency costs and local currencies in a number of businesses now and our US dollars represent the majority of the debt side.

Based on that review that was undertaken at the beginning of the financial year, the decision was made to take all of our businesses essentially to a US functional currency. There are small businesses that are not. HBI would be an example of that, but for the most part, it's essentially US dollar functional. We have done that in conjunction with our review of UK GAAP and we again took a look at that for the very reason, there's no doubt that it adds volatility, particularly in a short term timeframe because it's essentially the closing FX rate at the last day of your financial period which will impact that number we have to take.

But our review of that policy in conjunction with UK GAAP has led us to the conclusion that US dollars is the appropriate functional currency for what we have here. Now, what can we do about that? There are certain situations where we do take a voluntary position in that currency. An example of that is the rand debt. We voluntarily take rand debt. Chris mentioned that's $US300 million equivalent and so we have taken that. That is a view about how to finance the businesses and obviously we could reverse that at some point and finance it in US dollars.

Our view is that's much shorter term financing. The variability of that in South Africa is very variable and the cost of that in South Africa has a greater cost than we would incur otherwise so there's an economic decision that needs to be made. The next is we could hedge that away in some form. We can hedge away tax payments to some extent, we can do other hedging. We have a hard time hedging things like employee provisions because those just seem to continue on. There's not a period in which it makes sense to hedge, and whether the accounts actually let us match is another issue. But all of those have financial cost to them.

To incur those hedges that are there, and the decision that has been made to date is that taking true costs when something that is cosmetic is an issue, that is difficult for us to manage at the current time. In other words, we think that at the end of the day it's that cash flow number, operating cash flow as Brian and Chris mentioned. Look at that, you see that won out. So we clearly have to think about it.

There is an exposure draft out there that was issued on 15 May that addresses the issue of what should your functional currency be. If that gets approved by the authorities, it is possible we would look at that again and chose a different functional currency in some of the businesses that we've chosen but at the current time, we are living with UK GAAP and rather than incur a financial cost, a true cost to deal with the cosmetic issue, the decision has been made not to do that. So a long answer to a short question.

QUESTION: Two questions please: firstly on exceptionals, secondly on dividend. On the exceptional number, I see that in terms of the merger numbers, some have been charged against EBIT, some figures have been charged as exceptional and obviously not in the underlying number. What differentiates between those two figures? And as a follow up, the BHP Steel charges, will they be an exceptional number in the first quarter of the current year as a sort of follow up to that? Then on dividends, the whole focus of this meeting has been the robustness of the balance sheet where you are on positive watch with the credit agents and the sustainability of the cash flows.

In light of those two phenomena and world events, can you just give us a little bit of an update on dividend policy, level of distribution and whether you may be a little bit more generous on the dividend going forward.

MR LYNCH: Regarding the exceptionals and the one off costs and so on, the key differentiator here was the nature of the cost and whether it was incurred in actually embedding the merger, reshaping the organisation in the merged state and basically establishing the combined company over and above any sort of normal operation. That's the primary distinction between the two.

With regard to the steel demerger costs, Brian mentioned earlier the loss on disposal of the shares pertaining to the 6 per cent. Some US$19 million has to be booked in 2003 according to the best accounting advice we could get. The demerger cost will actually flow through as part of the capital restructuring that will take place on the way through the disposal of the steel costs so that they will actually be through the balance sheet rather than through the P&L and that's pretty much the answer to the first part.

MR GILBERTSON: Thank you. Chip, do you want to say anything about the dividend policy?

MR GOODYEAR: We've said on dividend policies we have a progressive policy that is based on what we expect our cash flow to be over a period of time. It's not based on one single earnings or a cash flow period. The intent would, as we see our earnings in cash flow grow which is going to come basically through the growth projects, we would expect that our dividend payments would keep in line to that, but let me just say that we prioritise our cash in three ways.

The first one is to say that we would love to reinvest in our businesses where we get attractive returns and generate value by doing that. I think the projects that Brian has talked about, the US$10 billion and the US$2.9 billion approved this year, they are very attractive projects particularly in this kind of investment market where the alternative returns are going to be certainly in the low single digit numbers. We think you would find those returns very positive and I think many of your numbers would show you that.

The second thing we do with that cash is make sure that our capital structure is in line, and Chris gave a nice review of that. Our EBITDA coverage ratio is 11 times, our gearing at 35 per cent is on the low side and is well within our targets in terms of where we are. So with regard to that second category I think we've made excellent progress there.

The third thing we do with excess cash flow is that we return it to the shareholders in several forms. One form is dividends, another is share repurchases, a third is capital returns of which to the BHP Billiton Limited shareholders, BHP Steel represented an example of that, a very efficient way to do that. So this year we paid down US$500 million of debt in a very difficult environment. It's a board decision on the dividend level.

Policy will remain the same to this progressive issue, but certainly, I think that certainly the cash flow stability, the way we've invested the capital and the cash generation make us very comfortable with where we are from a capital structure point of view.

QUESTION: Just focussing back on the outlook for the global economy, if you could just elaborate on two issues there, one is the need to constrain production in the short term. You did elude that there might be some future areas of concern, if you could just give us some details on that. Secondly, on the growth pipeline, would this not be a time to focus more on acquiring somebody else's capacity rather than creating new capacity? I'm just wondering whether what has happened in the global environment would impact your view on acquisitions.

Then just one other question, the South African minerals charter has created a bit of a flurry. Could you give us your own perspective on that at this time. Thank you.

MR GILBERTSON: Let me try and deal with those. The first question you asked was about the world economy and whether that would lead us to curtail production. You know, I think it's very difficult for us to say anything definitive about the world economy. The variability and the volatility that we've seen over the recent past, I mean, it has to make you pause and be very cautious about making forecasts.

I've tried to capture in the two or three paragraphs in our profit release that we've devoted to the prospects section, the outlook section, to indicate the uncertainty that we feel and the concerns that we have. Beyond that, I think it would be wrong to suggest that we were going to do any specific actions of cutting back the production anywhere, but, I mean, clearly we start from a base where our production costs are very low, where our operations are long life and very robust, but we have shown in the recent past that we are willing to make difficult decisions, industry leading decisions as, for example, we did in copper.

All I can say, and I really am not signalling anything specific, all I can say is that the heads of our CSGs are alert to market circumstances. I mean, they are leaders of their industry and they will make the judgments that they are called upon to make taking full account of all of those factors.

In relation to the Minerals Bill, I might have a somewhat different perspective on this than most because I actually was born there and grew up there. I mean, I'm very familiar with the fine mining operations that we have in that country and the very long life and low cost of operation. The outcry of the recent past, the past week or two has been caused essentially by a document referred to as the draft charter which is an adjunct to the Minerals Bill which we expect the president of the country to sign quite soon, the Minerals Bill that is, and then the charter needs to be negotiated because it determines how part of the Minerals Bill will work.

Now, it is quite clear that the document which has made its way into the public domain is a leaked document and it has been repudiated in strong terms by the government, and they have said - I forget the exact words - but words to the effect that this does not reflect in any way the intention of this government. I can only say to you that in the years in which the Minerals Bill was being drafted, I had occasion to meet with a number of cabinet ministers either individually or in group meetings, and their position was absolutely consistent throughout that period that they recognised the importance of the mining industry, they wished to do absolutely nothing that would harm it and that they wanted to see the continuity of that process.

The statements that have come out in repudiation of this draft charter are absolutely consistent with the message that I have been getting over the period that the Minerals Bill was negotiated. So I really do think that that's the position from which you must start, that the transition from the old order rights to the new order rights will take place in a smooth manner.

Having said that, I think it's probably worth bearing in mind that we have in our group some very successful partnerships indeed in southern Africa, and some of the most important of those were the IDC which was the organisation identified in this leaked charter document. Those partnerships have been very good ones for our company in a commercial sense and I would point out also that probably the most successful black empowerment endeavour in South Africa which was the Eyesizwe coal company was - I mean, we were an important architect of that initiative and it has been one of the really successful ones doing the empowerment thing. Making it work is not necessarily the same thing.

In fact, this one has worked very well so seen from that perspective, the fact that we are experienced in operating that area, I think we should be seen as an opportunity and not the threat that it has been painted to be. So I mean, I would recommend that we should just be more relaxed about this and let the process develop in the years ahead.

QUESTION: The question I have is could you give us an indication of what your return on invested capital and your margins would have been in 2002 without steel?

MR GILBERTSON: Return on capital would have been 11.7 per cent without Steel compared to the 11.0 per cent we reported.

QUESTIONS: Just two questions, one about the dividend policy. I just heard what Chip said about the progressiveness of it, but I think investors still see that BHP Billiton dividend's policy or dividend yield is somewhat less than its peer group. If you could comment if it is the intention to equalise that with the peer group and secondly, just in terms of the exceptional items, could you just clarify why the change in the UK tax rate is seen as an exceptional item. I'm just not clear on that.

MR GILBERTSON: I'm really not sure that I have much more to say on the dividend policy. I mean, Chip has taken you through the areas that we look to place the capital, and dividends is clearly a key one of that. I think our policy is clear. I think we have to look at it in the light of all of the factors that go into that and the opportunities that lie ahead for us. As Chip pointed out, I mean ultimately that's a decision the board has to make on the recommendations that we put. So I really don't think I can help much more on that one.

MR LYNCH: In terms of why the UK tax change is an exceptional item, it's really a revaluation to bring it into line with the changed legislation. It sounds relatively trivial, a 10 per cent increase but it's actually a 33 per cent increase when it's going from 30 to 40 per cent. This is really the restatement of the tax provision pertaining to those assets. I think it's quite legitimate that it should be treated in that way.

MR GILBERTSON: I mean, it's clearly not an every day event or at least I hope it isn't.

QUESTION: Can I just ask a couple of questions about the capital structure. First of all, why did you decide on medium term - the Euro medium term? I thought it was supposed to be short term notice especially with US interest rates so low, and then the second one was looking at your ratios, interest cover as well as gearing ratio, the presentations you did in the past, said this is the lower limit. Can we expect either more debt to come through in 2003 or further share buybacks during 2003?

MR LYNCH: With regard to the first one, the first one is really that I think you just see that as one plank in a platform. We have a financing plan that the medium term note is one aspect of and you shouldn't read too much into that in isolation. It's part of an overall strategy. Could you repeat the second item?

QUESTION: What I was asking was with the interest cover being so high and your gearing level being so low and presented to us in the past that this was at the lower limits especially in the gearing side, to maintain the A credit rating, can we expect to see further debt being issued during 2003 or share buybacks being done?

MR GILBERTSON: Well, you know, I actually don't know that we should be making forecasts of what will happen in the year ahead. It's obviously going to be a tricky year. I mean, we start from a position where we are financially sound. We have put up the framework, we intend to operate within that framework. We will continue to look for opportunities and clearly, you know, the share buyback at the kind of prices we've been seeing recently, I mean it has a considerable degree of appeal I can say.

We've not been able to do that because we've been in close period, but now the results are out, I mean, we will look at that. I'm not saying anything beyond that that is a legitimate application of the funds that are available to the corporation.

QUESTION: Look, just one question. I wanted to get a sense of your attitude, copper aggressively cutting production in a difficult market, yet on the other hand in aluminium, you've been quite aggressively pushing ahead with expansions in what looks to be an increasingly difficult market.

MR GILBERTSON: Well, let me have a crack at answering that. You know, you can't turn aluminium smelters on and off. The decisions you make on production levels there are pretty much fixed for considerable periods of time. In relation to the copper cutback that we made, I mean, it was a very happy set of circumstances because we were simply able to move from the mining of one area across to a lower grade area, so maintaining the per tonne efficiencies maintaining the labour force but just simply producing less and so deferring what we produce from the higher grades areas later.

Again, I don't want to signal here some kind of general policy as to how we would respond to a particular market situation. I mean, I simply repeat what I said to you earlier that I believe we have very good business leaders running our CSGs and they will make the production decisions, the investment recommendations on the basis of the best judgments that they can make in relation to the market, and I really wouldn't like to tie their hands any more by suggesting what they should or shouldn't do in this forum before they've come to me with their recommendations.

QUESTION: Just first a question in terms of share options. Could you give us an indication of what impact accounting for share options would have on the company's earnings, and let's start with that one.

MR GILBERTSON: BHP Billiton already expenses performance award shares. Last year the expense was approximately US$10 millon. The cost of expensing options last year would have been in the region of US$37 million, but for the following years would be in the region of US$20 million. Expensing options for awards made in prior years would lead to one-off costs of approximately US$120 million.

QUESTION: Okay, just quickly then the impact of FRS17 and pension liabilities, were there any significant pension credits or are there going to be any further costs that the company is going to incur in the future?

MR GILBERTSON: We don't expect any.

QUESTION: Can I direct my question to Chip please. Chip, it relates to the share buyback that you indicated you would look to do when you announced the merger last year, and if memory serves me correct, it was a 5 per cent buyback of BHP Limited stock. I'm just wondering what is the status of that plan and are there any preconditions that need to be met to allow you to buyback either Plc or Limited stock?

MR GOODYEAR: I'm happy to go ahead and answer that. In terms of last year, you saw in your release and I know we talked about it earlier that we had begun a buyback, I believe in October, September last year. So that's where we stand. We have to report on a regular basis essentially daily when we do that so that's where that stands. Future buybacks will obviously depend on the many things we've talked about.

QUESTION: Chip, can you buy back Billiton stock? Do you have the all the requirements in place to do that?

MR GOODYEAR: Yes, there is an ability to buy back both Limited and Plc but Plc comes through something we call the Nelson structure so it's an entity that would be funded by us on a recommendation from a third party. So essentially, both securities can be repurchased.

QUESTION: Thanks, Chip. Can I just direct a question to Chris Lynch now if I may and just ask him a follow on to the pension question. You have been contributing to the pension fund I think out of deficit. You have been contributing since 1999 about A$100 million per annum. What is the status of that, Chris, and are you still contributing and will you be contributing in 2003?

MR GILBERTSON: Sorry, we don't have the answer to that. We'll have to come back to you on that one.

QUESTION: Chris, when could you provide these sensitivities for the current year based on the outlook for the company for 2003? Is that part of the pack that we haven't seen yet or are we getting those provided at a later date?

MR GILBERTSON: Just on that, we just by way of interest, we tested all the sensitivities that we provided at the third quarter briefing and ran them through against what actually happened with quite volatile currencies in the fourth quarter and they were within a very, very small degree of variation so that those sensitivities were very, very close and we will be upgrading them as we normally do.

QUESTION: Are those sensitivities including the monetary liabilities and the rand debts that you gave in third quarter, they would be similar?

MR LYNCH: Yes, they will be, yes.

QUESTION: Last question, Chris, with regard to when you spun BHP Steel, the debt that that group took on board, is that other balance sheet at 30 June for BHP Billiton as a group or would we expect to see a decline in the balance sheet in 2003 fiscal reflected in that move of debt?

MR LYNCH: The key issue with the transaction is that the main part of the transaction wasn't effective until the 2003 year based on the fact that we couldn't - that was the reason why we couldn't book the loss on the disposal of the 6 per cent etc. So the key issues here will be the balance sheet will be reshaped in 2003 post the 2002 close.

QUESTION: Brian, the question is for you. It's directed at the ability to liberate idle capital from the balance sheet. Firstly, we see returns falling in the year and that's obviously a reflection that the balance sheet is growing faster than the profit which is not surprising given the market environment but you obviously don't want that to continue forever. So in order to help that measure, how much work is being done on auditing how much redundant capital exists across the group's operations, and then the second part of that question is as a mechanism for stripping or stripping out idle capital off the balance sheet, the BHP Steel spin off you sound like you're delighted with that; to what extent do you see that as just a test case or as a meaningful mechanism for capital liberation in the future?

MR GILBERTSON: Look, I have not identified great big chunks of idle capital sitting about which sounded to be the tenor of your words. What we said in the strategic framework is that we would consistently across the CSGs and hence the corporation overhaul strive to improve the return on our capital employed. We set specific targets that we would reach in the course of the next few years. I mean, we will do the very best that we can to do that, do it to achieve that.

I can say to you that in these circumstances, all of the operations are looking very carefully. I mean, it's one of the factors that they will be measured on and that their bonuses will be determined on. As to using Steel as a test case for doing something with a balance sheet, I'm not quite sure what you have in mind. I actually think this company is very, very well structured and the assets that are in it are ideally positioned.

I have said to you at the outset that the results we've just announced are almost the perfect illustration of the central tenet of the creation of this corporation, that we have long life, low cost operations diversified by commodity and country and so on, and that has paid off for us in the stable cash flows. There is no - I mean, apart from around the fringes fixing things up, there is no thought of spinning off any other major operation at this stage. It just hasn't occurred to me. If you have any specific proposals which make sense, I mean, I would be very happy to listen to them but I think we have a great portfolio as it exists at the moment.

QUESTION: Hi guys, two questions for you. I see that the EBITDA losses at Boodarie Iron have gone up very, very sharply again in the second half. Can you give us an update in terms of the progress there and when can we expect that operation to break even? The second thing is, I notice that Anglo American yesterday released an announcement saying that they were going to supply HIV AIDS drugs to their workforce. Do you intend to follow that initiative?

MR GILBERTSON: Look, on the HBI plant, you know we declared force majeure when we had a failure of the piping arrangement. I think three of the four supply contracts have been reinstated from their force majeure position. We hope to reinstate the force majeure contracts and supplies to the customers fairly soon. On the basis of the very best projections that we've been able to do, we think that this project is going to make reasonable sums of money and will be cash flow positive.

It's never going to be a dripping roast with great returns because there's just been too much that has gone by in the past, but it will be an operation like any other small operation in the group and perhaps not with quite the returns we would have liked it to have had, but, I mean, there's simply no reason for me to be concerned about it at this stage. I expect it to perform according to plan.

On HIV, the supply of the retroviral drugs, look, it's actually a very complicated issue. You don't just approach this problem by throwing drugs at it. The management of the AIDS problem as I say is something that we have developed over a period of time. I mean, you start by counselling all of your staff. You then do testing where you have the consent of the employee. If he is found to be positive, there's a counselling program. There's the way that you deal with his family and so on. We have all of that in place and I mean our employees are all members of the medical funds which have the basic health protection in place.

Having said all that, you know, the problem that we have as a group in relation to AIDS is perhaps not on the scale that you think it might be. I mean, our total number of employees in the country are I think 16,000 or 17,000 - no, it's actually less than that - use 15,000 as the number. I mean, we have done saliva testing with the concurrence and support of the unions across the group. Our level of being positive HIV is something like 14 per cent which is not good, but indeed it's much lower than the level in the country.

We think that the growth in our rates is actually not very high and the reason for that is that we use very little in the line of migrant labour. Our employees tend to live with their families in their own homes. I mean, these are actually very important factors in the entire balance. I think the retroviral drugs is part of the package but it's obviously not a solution. You know, it doesn't cure you, it simply extends the life and has to be administered in a very carefully planned way.

So all I can say to you is that we have professionals that are engaged in studying the problem and that we will approach it in the most professional way that we can.

QUESTION: Good morning. It's a cash flow question please. The net cash in flow from group operating activities, it shows a decrease in provisions of $119 million. Could you explain that number for me, please.

MR GILBERTSON: We don't really feel that we can give a you a precise answer. Would you accept us coming back to you with an answer?

QUESTION: Thanks.

MR GILBERTSON: Ladies and gentlemen, I think we should call this a day. Thank you very much for your attendance and I don't know quite how we are going to deal with this in future because it does run on quite a long time and the time zone is a challenge but thank you so much for being with us and travel back safely. Thanks so much.