Slide 1 – Stability, Growth, Value – A CFOs perspective

Thanks David for your kind introduction and to JP Morgan for organising this annual event. Whilst BHP Billiton is indeed an Australian company, our dual listed structure means we are also a UK company. We are listed in South Africa and ADRs are listed on the New York Stock Exchange.

It is the first time I have presented at this conference, in fact the first opportunity I've had to visit Edinburgh in my capacity as CFO of BHP Billiton, and I look forward to speaking to many of you separately later today.

I'd like to build on our investment theme that resulted from the merger of BHP and Billiton in 2001 – namely stability, growth and value. I'd like to show you some of our outstanding asset base and cashflow generation capacity and then spend some time looking at our growth pipeline and how we believe we can add further value.

We run the company under a USD functional currency and all Dollar references will be US Dollars.

Slide 2 – Investment proposition

This is the underlying investment proposition of the company - that the stability of cash flows generated from our large, low cost, long life assets and the portfolio effects that our diversity brings, allows us to reinvest, throughout the cycle, in value adding growth projects, thus enhancing the value of the company.

This is not a typical mining company. A typical mining company is often a single commodity company exposed to the boom and bust of the economic cycle for that commodity. By contrast, BHP Billiton can make investment decisions throughout the cycle and across its range of businesses, taking a longer term view of future demand conditions.

This combination of stability plus growth is what makes BHP Billiton unique in its ability to deliver value to our shareholders over the longer term.

Let's take a look in a little more detail at how that stability of cash flow arises…

Slide 3 – Stability - from Tier 1 assets

The foundation of our business is a suite of large, low cost, long life assets. These assets have significant reserve lives and are spread across our business units, which we call our customer sector groups.

The Petroleum CSG comprises our oil and gas assets.

In Petroleum, we are a partner in the North West Shelf joint venture. This is located off the North West coast of Australia and supplies domestic gas into Australia and LNG into Asia. This project signed the first LNG contract into China last year worth some US$ 25 billion over the 25 year life of the contract.

We are in the process of building the 4th LNG train at the North West Shelf, and there is potential to build a 5th at some point in the future. We have large levels of static gas reserves there, and part of our Petroleum strategy is around the commercialisation of these reserves, potentially into new markets such as the West coast of the United States.

Also in Petroleum we have the Bass Strait oil and gas project. Bass Strait is the stretch of water between the mainland and Tasmania. Whilst the oil element in this precinct is now in decline, gas is still very robust. This asset will continue to be a significant contributor to the group for many years to come. This year we will undertake further exploration drilling in adjacent areas, having identified some promising targets from recently completed Seismic work. We are hopeful that new finds will extend the life of this asset.

In our Carbon Steel Materials CSG we have the Pilbara iron ore business. These iron ore assets are excellently located for the fast growing Chinese market and we have recently announced a capital efficient acceleration of output to 100 million tonnes per annum by mid 2004. In addition, we have brought forward a feasibility study to look at a further expansion of output from this asset.

Our Queensland coking coal business also supplies the Carbon Steel industry and is the largest high quality seabourne coking coal producer in the world. Because of the high quality of the resource, we are a major supplier of coking coal into the European and Asian markets. The Chinese market is becoming increasingly important, despite having their own coking coal resources. Two years ago we sold no coking coal to China, last year we sold half a million tonnes and we are looking to build on that figure this year. We are increasingly finding that domestic Chinese transportation constraints are allowing us to get good product penetration into Chinese coastal customers.

Ingwe – our South African energy coal business produces over 55 million tonnes of coal per year for domestic and export sales. This business had a tough 2003 against a background of low thermal coal prices, a strong Rand and high inflation in South Africa. We are in the process of implementing a turnaround project at Ingwe to ensure that it can deliver profits throughout the cycle even when external factors conspire against us. We should start to see the benefits of this project feed through to our financial results in the second half of the year.

In our Base Metals CSG, we have the Cannington asset in Australia that is the largest silver mine in the world, delivering around US$ 100 million of EBIT contribution per year.

Also in Base Metals we have Escondida, the largest copper mine in the world. This asset delivered over US$ 200 million of EBIT to the group despite running around 20% below capacity for the year as part of our efforts to better match copper supply with demand. Escondida benefits from a number of low cost expansion options and we recently announced the start of the Escondida Norte project that will allow us to maintain capacity at Escondida at 1.25 million tonnes per annum until at least 2008.

Finally, Worsley, the world's lowest cost alumina refinery is a core part of our Aluminium CSG. Worsley produces around 3.1 million tonnes of alumina each year and is a key part of our strategy to remain long alumina. We are also looking to incrementally expand Worsley up to 3.5 million tonnes per year.

In the 2003 financial year, the assets shown here generated 67% of our EBIT. We don't show our aluminium smelters here as they don't have reserve lives, but if included would take this number up to 75% of EBIT. Cash flows from these assets gives us the confidence to plan our projects throughout the cycle and pay progressive dividends.

If we now look at how each of the businesses contributes to earnings.

Slide 4 – Stability - from the portfolio

This chart shows EBIT by Customer Sector Group. As you can see, for last year Petroleum made up around one third of our earnings with around one third from the bulk commodities, Carbon Steel Materials and energy coal. The last third came from more traded commodities such as copper, aluminium and nickel. This mix gives us exposure to different parts of the commodity cycle providing natural hedges within our portfolio. Although we are happy with this split, we don't design the business by saying that we have to have so much oil and gas and so much nickel, copper, aluminium and so on. We do however, look at the business on the basis of a cash flow at risk model. In other words, we use a probabilistic analysis to see what the variance of cash flow would be in any one year based upon potential movements in commodity prices, exchange rates and interest rates.

We have board approval for a cash flow at risk of up to 25% in any one year to a confidence level of 95%. In fact, today the cash flow at risk is closer to 15% once again showing the stability of cash provided by the portfolio.

This stability led to our decision that we would not hedge uncommitted currency exposures, prices or interest rates, but rather rely on those natural hedges and focus on running the business as efficiently as possible rather than taking bets on prices and currencies. We would rather leave that to you guys.

Slide 5 – Stability – from the portfolio

We are also diversified by geography. This provides protection against currency movements and legislative changes in any one country. Also, around 90% of our revenues are in US$, but over 55% of costs are in currencies other than the US$.

Whilst these softer currencies may move against us in any one year, in the long term we believe they give us a natural hedge. Having said this, we are not taking on unnecessary country risk. 92% of EBITDA is generated in investment grade countries and around 80% from "A" rated countries or above.

Lastly, I want to look at sales by market

Slide 6 – Stability – from the portfolio

As you can see from this we really are a global company with major sales into Europe, Asia and North America. This means that if there is a downturn in any one market, we are not re-inventing a sales force to sell into another as we are already there.

Included in the white segment, other Asia, are our sales to China. Direct sales to China currently account for only 7% of the total, but at US$ 1.2 billion were up 126% on the prior year. There is no doubt that China is going to become increasingly important for a number of our businesses and we can expect that number to grow over time. However, as you can see, we are not over exposed to any one market or any one customer.

This portfolio model is nice in theory, but can we show the benefits of this working through to our results?

Slide 7 – Stability – from the portfolio

The merged entity is just two years old, but this slide shows the remarkable stability of cash flows generated in each of the 8 quarters since the merger. During this period we have had a number of major economic shocks and significant price volatility; oil prices ranging from $18 to > $30/barrel, copper as low as 55c/lb and as high as 81c/lb. Despite all of these things, the portfolio has consistently generated EBITDA of around $1.2bn per quarter. With the projects due to come on stream over the next few years we are confident that our cash flows will not only be stable, but will steadily increase over the coming quarters and years.

Having talked about the stability of our portfolio, I would now like to move on to talk about growth and starting with our growth pipeline…

Slide 8 – Growth – from project pipeline

Stability of cash flow means that we can invest through the cycle in our pipeline of highly attractive projects.

To briefly describe this slide, along the middle we have a time line.

Each bubble is a project, with the size depicting the size of our investment and colour the commodity involved. The arrows depict the time of start up of operations. At the top we have brownfield projects that benefit from existing infrastructure and so are very capital efficient and at the bottom we have green field projects.

Shown on the slide are projects currently under construction, representing around US$ 7.5 billion of investment. IRRs for the projects average between 15% and 25% and all projects can be funded from internally generated cash flows. We believe that returns of this type provide good value for our shareholders, but they have to be delivered to time and cost.

Since the merger we have commissioned 8 major projects, all on or ahead of time, and in total some 10% below budget, saving US$ 220 million in total of the approved amount.

On project development, our people have established a sound record for delivery which we believe is extremely important.

Delivering projects to time and to cost is no accident. We have rigorous processes in place at each stage, from approval through to development to ensure that risks are identified and properly managed. Key to our project success is the work done upfront. As our industry has shown in the past, making poor decisions on investment can and will destroy shareholder value.

Learning from mistakes of the past, we have implemented a strict "toll gating" process for all our projects.

Slide 9 – Project appraisal process

It is first important to understand what we mean by a major project. For a company of our size, we need to ensure that we don't over complicate the approval process. As a result we have different levels of approval. For a capital commitment of up to US$ 20 million, the CSG president can approve, for US$ 20 to US$ 50 million the CSG board can approve. This will involve two other CSG presidents or executives who sit as 'non-executive' directors. Between US$ 50 to US$ 100 million, the Office of the Chief Executive approves the commitment and above US$ 100 million, projects go to the board. The slide here shows the approval process for our major projects, i.e. those above US$ 100 million.

Major projects within BHP Billiton have four approval stages, the aim being to filter out projects that don't meet our internal criteria as soon as possible.

The first phase is the Concept Phase. A potentially value enhancing investment has been identified and checked to be consistent with the particular CSG strategy. Assuming that this is the case, the primary objective of the Concept phase is to identify possible alternatives to be assessed in further detail during the Pre-Feasibility phase. Before moving to this second phase the CSG board needs to approve the concepts and endorsement is required from the Investment Risk Committee, or IRC as shown on the slide. The IRC also appoints an Independent Peer Review leader who will be responsible through the balance of the process for providing support and governance to the project team and ensure that all risks and opportunities are adequately understood and managed.

I head the IRC, and this group ensures consistency in the evaluation of all projects within BHP Billiton and looks across a range of different areas from technical evaluation, financial impact, market dynamics and a number of other parameters. The IRC is not an approval authority, but it is required to review the project at each stage of the development.

The second stage is Pre-Feasibility. The primary objective here is to select the single preferred go forward alternative. Alternatives will be assessed on both technical, commercial and financial merit to ensure that there are no fatal flaws.

Assuming that the CSG Board approves and IRC endorses the output of this phase, we then move into the Feasibility stage.

The primary objective of the Feasibility stage is to optimise the selected single go forward investment alternative. Here we will seek to optimise the total life cycle costing and NPV of the investment. A full evaluation of the investment will be undertaken including NPV risk profile, finalisation of scope, cost, timetable and other Key Performance Indicators. Once completed to the satisfaction of the project team and IPR team this will then go forward for final endorsement and subsequent execution.

As you can see, at this stage further approvals are required from the Office of the Chief Executive and the Board for projects above US$ 100 million.

The process doesn't stop there. Our Project Development Services team will continue to monitor the projects through the execution phase to ensure that the project is delivered consistent with the KPIs set in the Feasibility stage and when completed a full close out review is undertaken to ensure that we understand how the project went and to take out learnings for other projects in the pipeline.

Although process can always be improved, this process has proved to be very effective and hopefully ensures that when we press the button, we have a great deal of confidence in the outcome. This challenge process can also add value. Take our Yabulu/ Ravensthorpe Nickel project for example. Work done in the pre feasibility stage has, we believe, significantly reduced the risk of failure and added to the IRR of that project.

Slide 10 – Growth – improving margins

Our growth doesn't just come from our project pipeline. We also seek to grow the bottom line through improving the margins in our businesses.

Since the merger, we have improved the margins in our business by some 16% to 24.3% in the current year. Whilst some of this improvement will have been price led, a large proportion has been delivered by our actions.

This slide shows our EBIT margins by CSG, and I show it because I think it's worth making a few points, given the number of questions we get in this area.

Looking at margins is often difficult in our business, as you need to ensure you're comparing like with like. Since pricing is key to margins (our energy coal margins have varied from 20% in FY01 to 29% in FY02 and just 11.4% this year, for example), you firstly need to ensure you're looking at the same calendar periods.

The margins shown here exclude our third party products sales. Sales of third party product will always be a lower margin business than that of our equity sales, but can enhance our ability to sell our own product or gain a higher margin through sales to different regions.

I'd always caution against using just one measure as an indicator of business performance. EBIT margins by themselves can be misleading, as they take account of neither the capital employed to produce them – we could all "buy" margin improvement - or the age of the assets. Old, legacy assets, for example, will benefit from low depreciation when compared to newer assets (e.g. our aluminium smelters at Mozal and Hillside are two of the lowest cost in the world, but their EBIT margins are lower than some of our competitors as a result of a higher depreciation cost). Therefore EBIT margin, EBITDA margin and Return on Capital Employed should all be considered together when assessing the performance of a business.

Having said all of that, of course we recognise that one important feature of all of these measures is cost control, and that we need to continually focus on operating as efficiently as possible. At the time of the merger we announced a synergies target, and in April last year as part of our strategic framework we believed it was important to show the market that this was an area we take seriously and were focussing on, and hence set a further target around reducing our unit costs of production.

Slide 11 – Growth – improving margins

This table shows the $595m in cost savings and efficiency improvements we've made since the merger.

I won't spend too much time on this except to say that at the top we show the merger benefits, US$ 285 million in total and delivered six months ahead of schedule. These came as a result of the elimination of duplication in head office functions, a reduction in agency costs resulting from our new marketing organisation and other tax and interest savings, the latter flowing from our improved credit rating.

At the bottom we show progress towards our second target of US$ 500 million of cost savings – US$ 310 million to date. This target is different in that it is more about doing things better and looking to put ourselves at the low end of the cost curve.

The reason we have these targets is that it is important to recognise that in our business, we have traditionally seen falling prices in real terms, and therefore we need to continually reduce our unit costs to maintain margin.

We are confident of meeting this cost savings target, but is it unlikely that we will set out further targets. Getting better at what we do is just part of running the business and investors should assume that we are doing this regardless of whether we have targets in the market.

Slide 12 – Growth – improving margins

Another way in which we seek to enhance margins is through our marketing operations.

The focus of our marketing group is to sell more product…
at higher prices…
whilst meeting the needs of our customers…
and reducing risk within our business.

A lot of what we're doing in terms of our marketing organisation is not rocket science – it's how you'd expect a business to be run. It's been pretty revolutionary for our industry however, where the traditional model of "dig and deliver", and product mainly being sold on an FOB basis still holds.

Contrast our model where we take agents out of the chain, capturing this value for ourselves, and hopefully returning some to our customers. This in turn leads to customer relationships and potentially cross selling opportunities as we have shown in our carbon steel materials business in China. By knowing our customer and their plans, both short term and long, we can feed information back into our short term mine planning and longer term investment decisions.

A few commentators have stated that our marketing structure takes on more risk. In fact it is about risk management; understanding credit exposures better across commodities, better management of working capital and a better understanding of our transport and logistics exposures. The medium term aim of our marketing structure is to improve margins by 2–3%.

So to summarise this section…

Slide 13 – Growth

Growth for BHP Billiton comes in a number of ways – through our pipeline of value accretive projects, from our ongoing drive to greater efficiency within our business and from margin enhancement driven by our marketing approach.

Slide 14 – Creating value

We believe that we have created a truly unique company, one combining world class assets with a customer focused mentality not seen before in our industry.

I don't want to dwell on this – share prices can go down as well as up! – but I believe the market is now recognising the potential of our business. From the announcement of the merger in March 2001, our market capitalisation has grown from $28bn to around $44bn today – and that excludes the value returned to shareholders through the demerger of BHP Steel. BHP Billiton is now the clear industry leader in terms of market capitalisation.

So we have the stability of cash flow that the portfolio brings and we have the ability to grow those cash flows with new projects, cost savings and marketing. A key question for investors therefore is what are we going to do with all this cash?

Slide 15 – Priorities for cash flow

We have a clear set of priorities for use of cash in our business. Firstly, we seek to invest in value accretive projects.

We believe that if we can find new projects that meet our strict financial criteria, this is the best use of shareholders funds, and what shareholders would want us to do. Just to remind you, in general we are looking at internal rates of return of between 15% and 25%.

Slide 16 – Priorities for cash flow

Second we seek to have an appropriate capital structure combining financial strength and funding flexibility. We've set out our target to maintain a strong single A credit rating. We'd look to keep a capital structure in line with this, which implies gearing levels of around 35% - 40% and EBITDA interest coverage levels at above eight times. As at June 2003, our gearing was approximately 32% as we received proceeds from the de-merger of Steel and the sale of certain assets which boosted our cash inflow by around $1 billion. Given our capex profile, we'd expect our gearing level to move up again to more normal levels next year.

Slide 17 – Priorities for cash flow

And finally, if we do not have enough value enhancing projects, and have the correct capital structure, we look to return funds to shareholders.

With our ongoing progressive dividend policy we increased dividends 11.5% last year despite our heavy capital investment programme showing the confidence we have in our ability to generate cash.

We will also look at buying back shares when we see value. We have buyback programs available for both the Limited and Plc stocks, and indeed bought back around 4 million Plc shares in May of this year.

Slide 18 – Priorities for cash flow

We recognise the importance of capital discipline, and therefore all of our projects are modelled against the alternative – a share buyback. If we continue to have value enhancing projects, we will continue to fund them, but we are careful to ensure that rigorous analysis of the projects is not allowed to slip.

Slide 19 – Strategic focus

Finally, I would like to summarise how we as a management team think about our business and where we see our ability to add value.

At the base of the pyramid sits our long life, low cost, high quality assets. These assets will be around for many years to come and provide the cash flow that underpins our ability to reinvest in the business and provide returns for shareholders.

Then we have our cost savings and efficiency targets - $770m in total by June 2005, of which we've delivered $595m to date. As I said earlier, given our assumption of declining real prices for our products, we need to ensure that we continue to focus on driving down our unit costs in order to maintain or enhance our margins. The majority of our assets are already at the low end of the cost curves for their respective industries – our cost savings program is not about turning around inefficient businesses – it is about ensuring that the best get even better.

Next is the growth pipeline, which is a key part of our strategic focus. The track record that we are building of delivering projects to time and cost is a major creator of value.

Growth also encapsulates other "non-traditional" examples of how we use our position to provide superior growth prospects, for example the use of Falcon as an exploration tool and our marketing operations provide examples of this. These first 3 segments are all within our control and where the vast majority of our 35,000 employees focus their efforts…

We now come to external areas of value creation. Firstly, we'll always look at bolt on acquisitions. Here, where operations are contiguous with existing ones, or where we are buying out a partner, it is almost always the case that we'll be the best buyer.

Then last but by no means least, we come to public markets M&A. This year has not seen any major new acquisitions, but we have been busy evaluating a number of opportunities. M&A is very much a part of our strategy but we will remain disciplined and consider how those opportunities add value to BHP Billiton. If we're the "right" buyer for an asset, we certainly have the balance sheet to compete.

We need to acknowledge that with the consolidation that has taken place in this industry that opportunities will probably be fully priced.

We have also been active this year in managing the portfolio, through the divestment of a number of assets and investments, where they did not fit with our strategy, for example the demerger of BHP Steel, the sale of our indirect stake in CVRD and our Argentinean copper assets, Alumbrera and Agua Rica. We will continue to look at these kinds of opportunities, where assets hold little strategic value to us, but where others are able to value them more highly.

Slide 20 – Conclusion

So what does an investment in BHP Billiton bring?

- It brings an outstanding suite of low cost long life assets capable of generating stable returns throughout the cycle.

- It brings a growth pipeline of value accretive projects unrivalled in the industry.

- It brings a strong balance sheet positioned to take advantage of any opportunities the market may present.

- It brings a management team dedicated to realising its full potential for its shareholders.

Slide 21 – BHP Billiton logo

With that, I am happy to address any questions.