

# BHP Billiton Carbon Steel Materials



## CSG Briefing

Sydney: 15 March, 2004

London: 18 March, 2004



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# Speakers

- Bob Kirkby  
President Carbon Steel Materials
- Andrew Offen  
Marketing Director Carbon Steel Materials
- Peter Beaven  
VP & Chief Development Officer
- Graeme Hunt  
President BHP Billiton Iron Ore & Boodarie Iron
- Colin Bloomfield  
President Illawarra Coal
- Dave Murray  
CEO BMA

# Carbon Steel Materials Overview

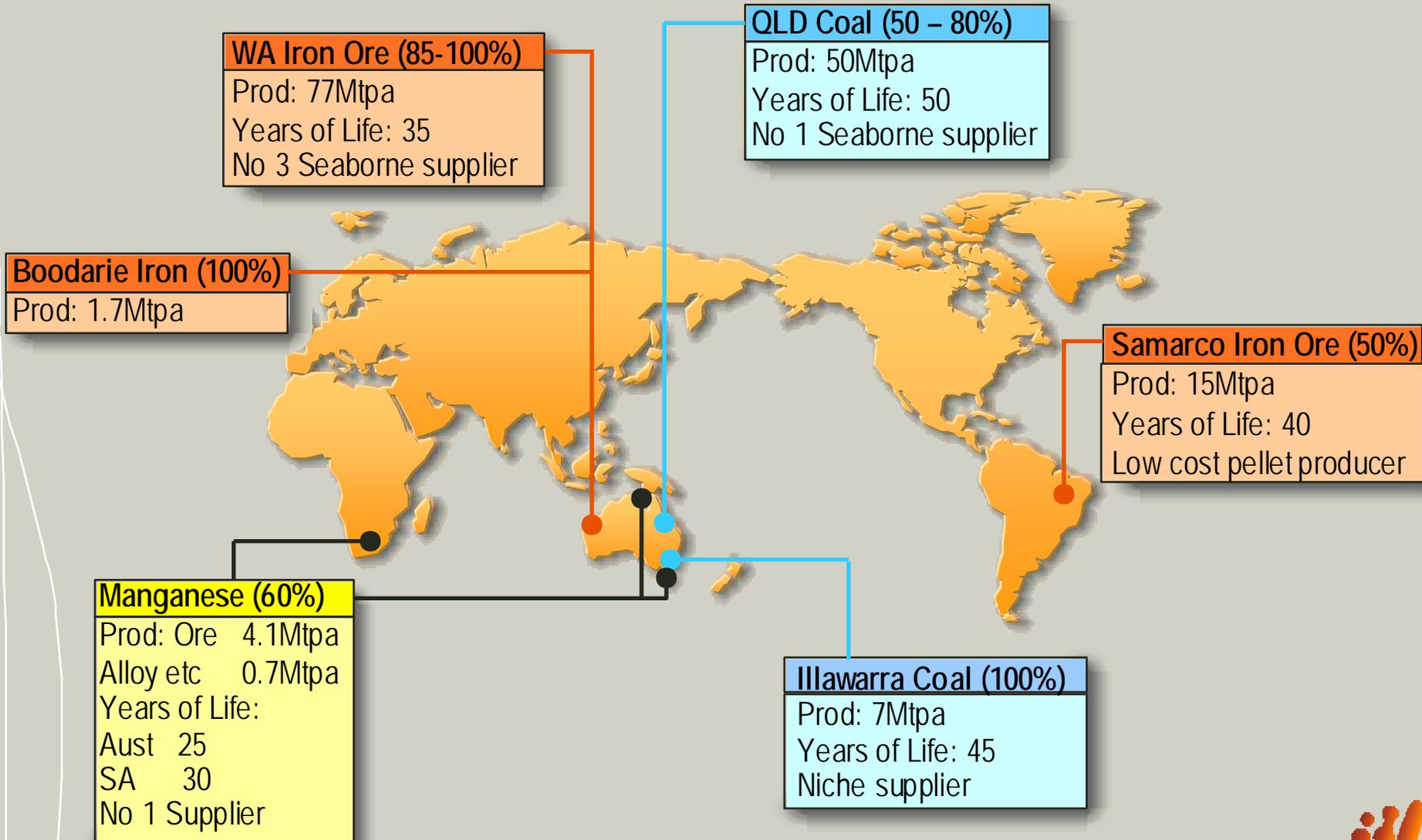
Bob Kirkby  
President Carbon Steel Materials



# CSM - The premier supplier of raw materials to the global steel industry

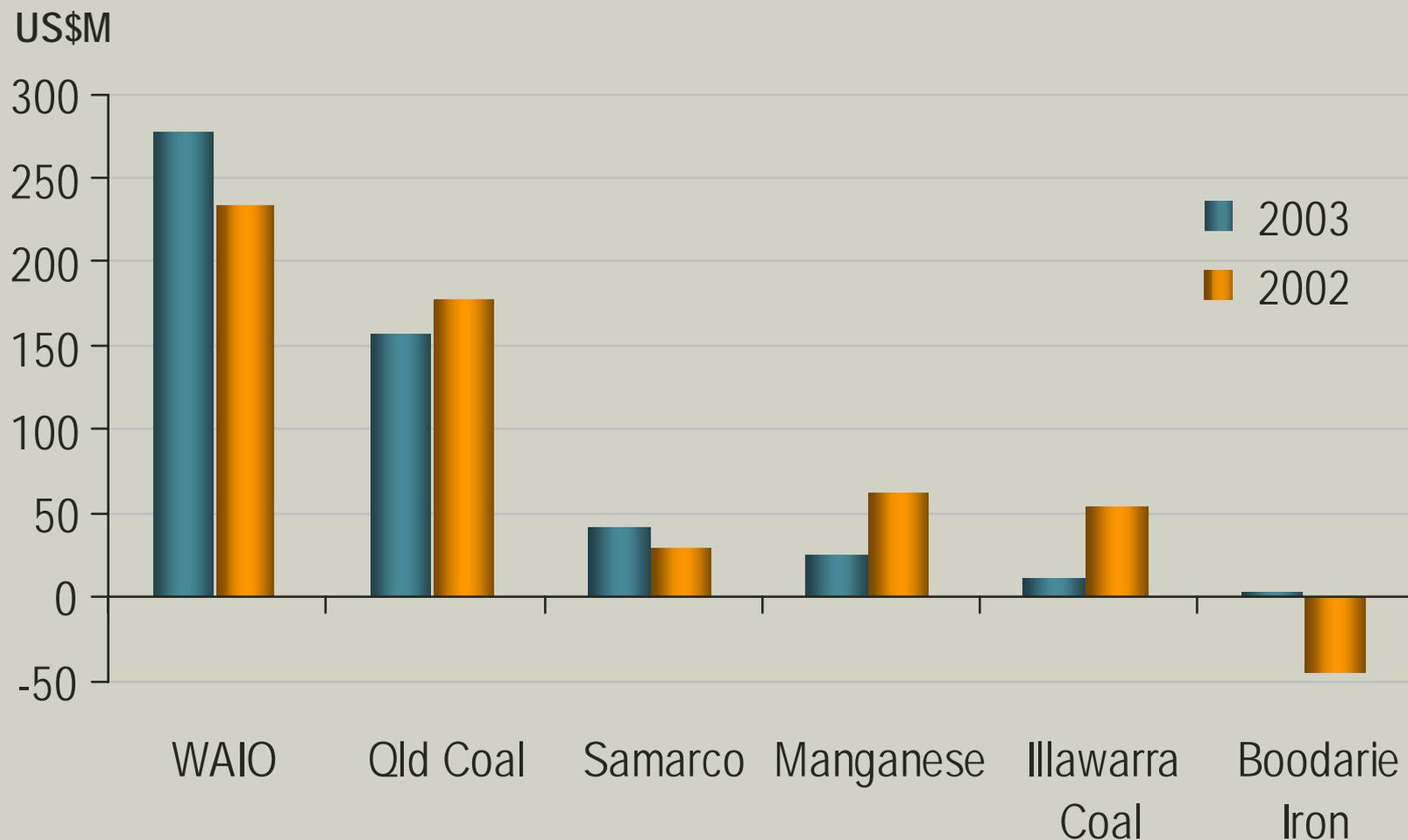
- Unprecedented demand for all commodities
- Operating the majority of assets at record production rates
- Low cost, low risk expansions underway, based on an unparalleled suite of resources
- Reliability – a key customer value proposition for CSM
- Continued focus on improvement – costs, productivity & capital efficiency
- Putting platforms in place to sustain position over the longer term

# Long life Tier 1 assets



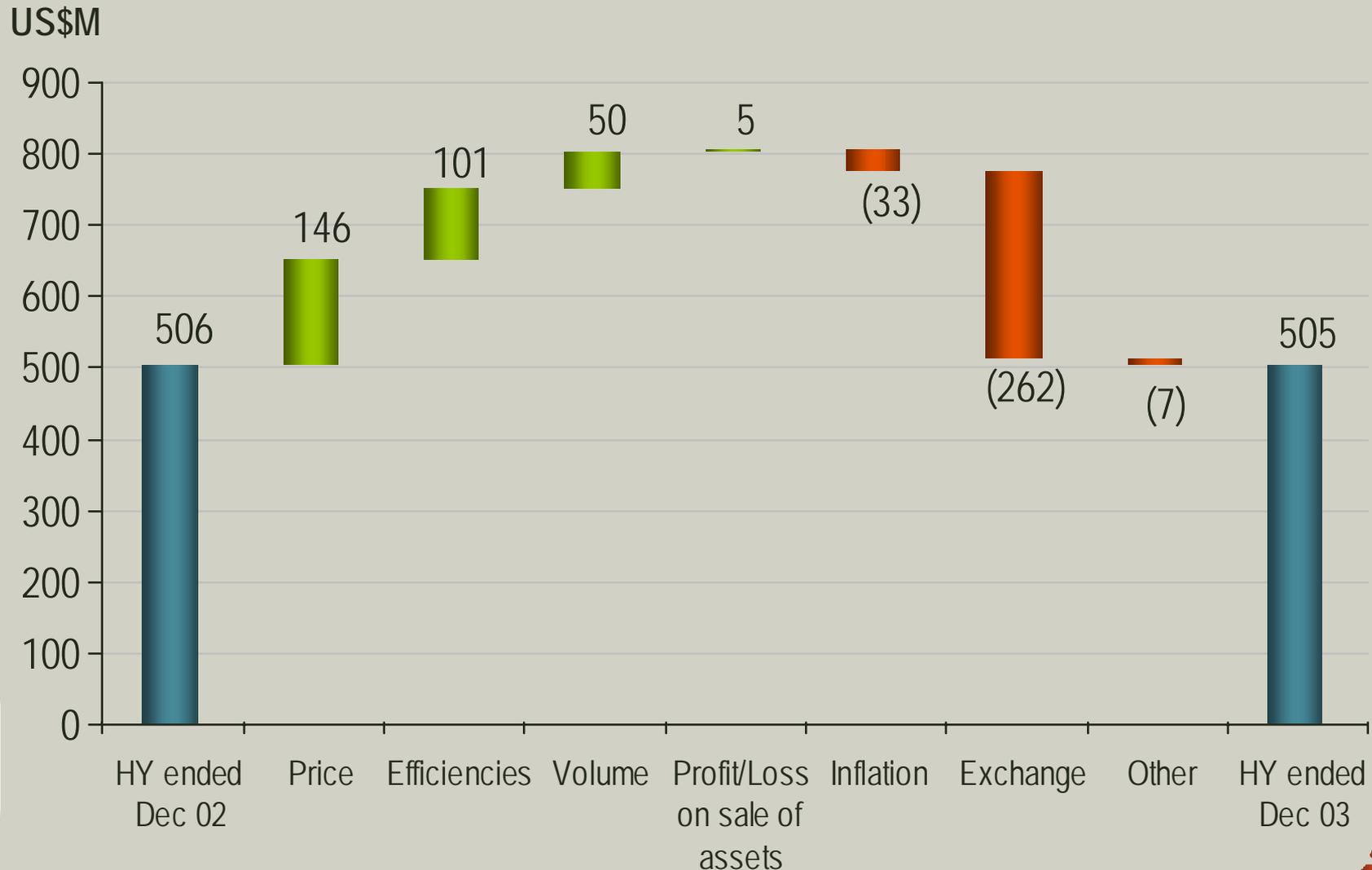
100% nominal production capacity

# Consistently strong EBIT despite appreciating local currencies (HY ended Dec 03 vs. HY ended Dec 02)



# Improved operating performance offset by FX

(EBIT Variance Analysis – HY ended Dec 03 vs. HY ended Dec 02)



# Sensitivities – FX impact on CSM EBIT (HY ended Dec 03)

## Australian Dollar (US¢1/A\$)

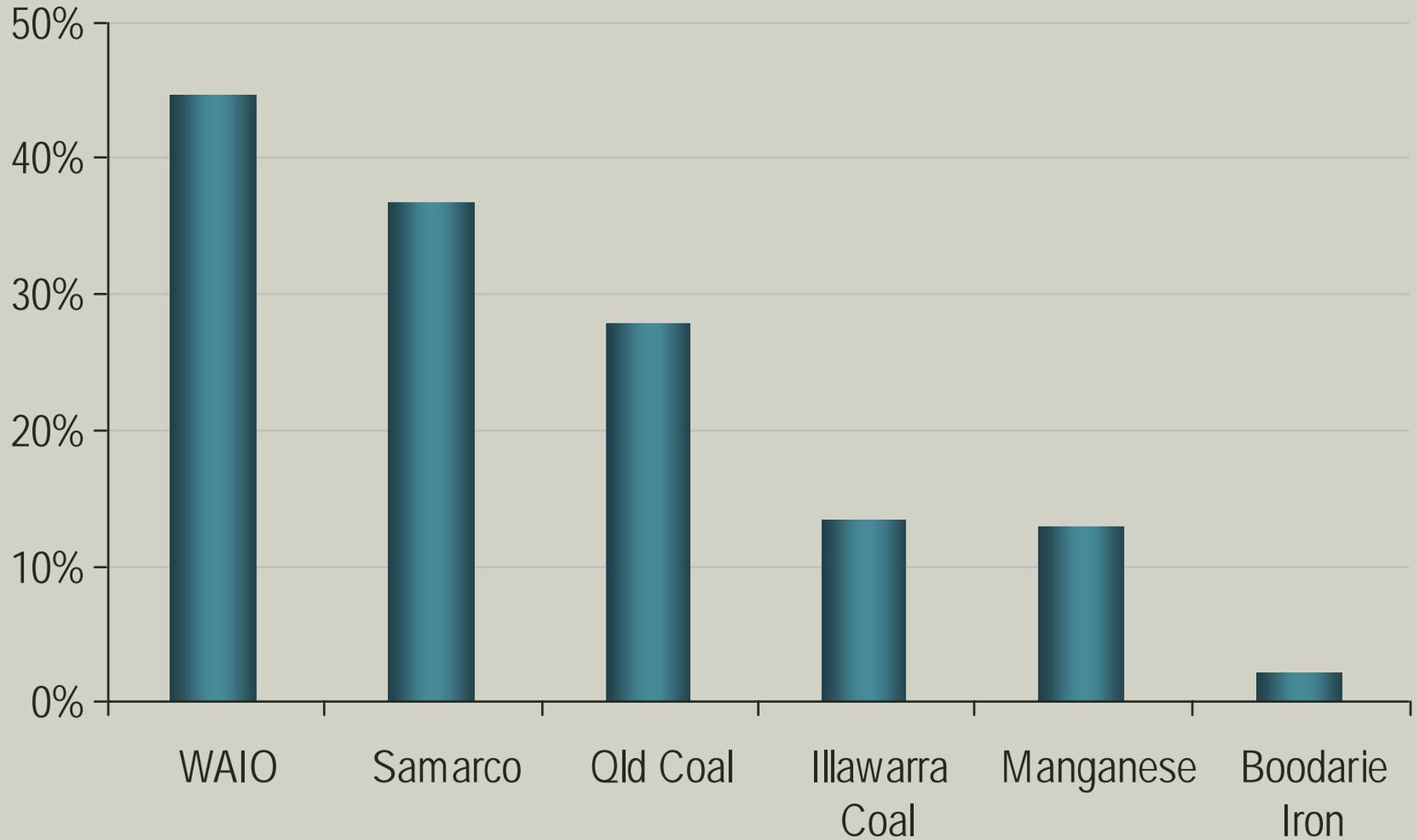
WAIO	US\$7M
Qld Coal	US\$5M
Illawarra	US\$2M
Manganese	US\$2M
	US\$16M

## South African Rand (1 Rand/US\$)

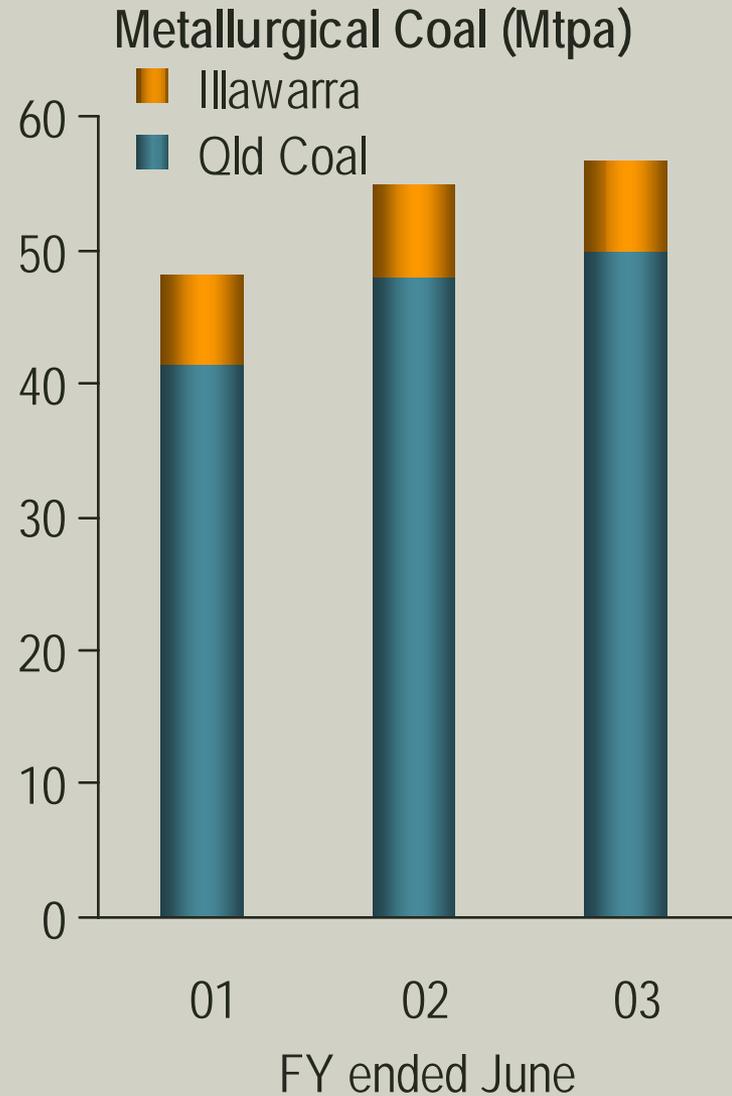
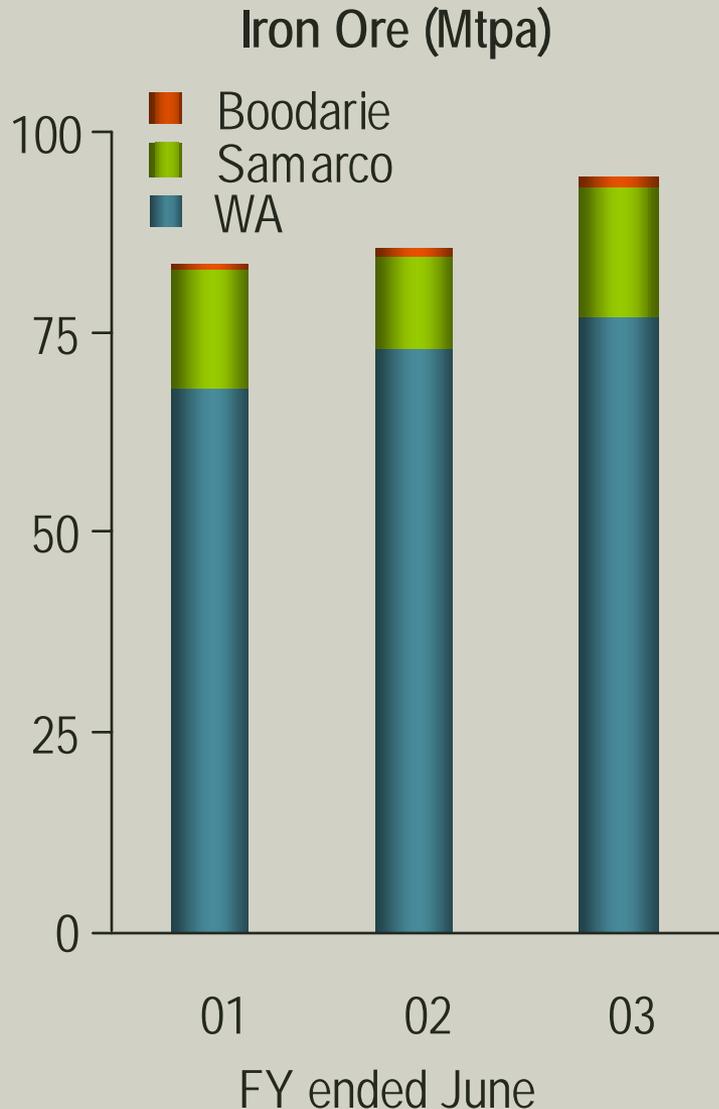
Manganese	US\$15M
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\*Figures include net monetary liabilities

# Maintaining strong EBITDA margins (HY ended Dec 03)



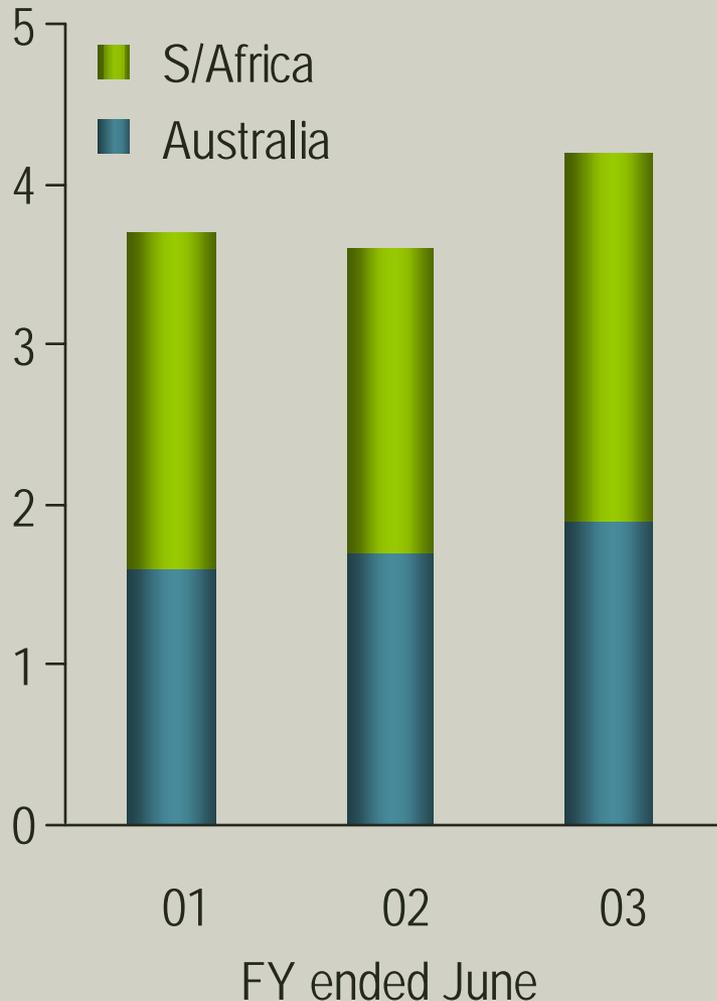
# Producing to meet unprecedented demand



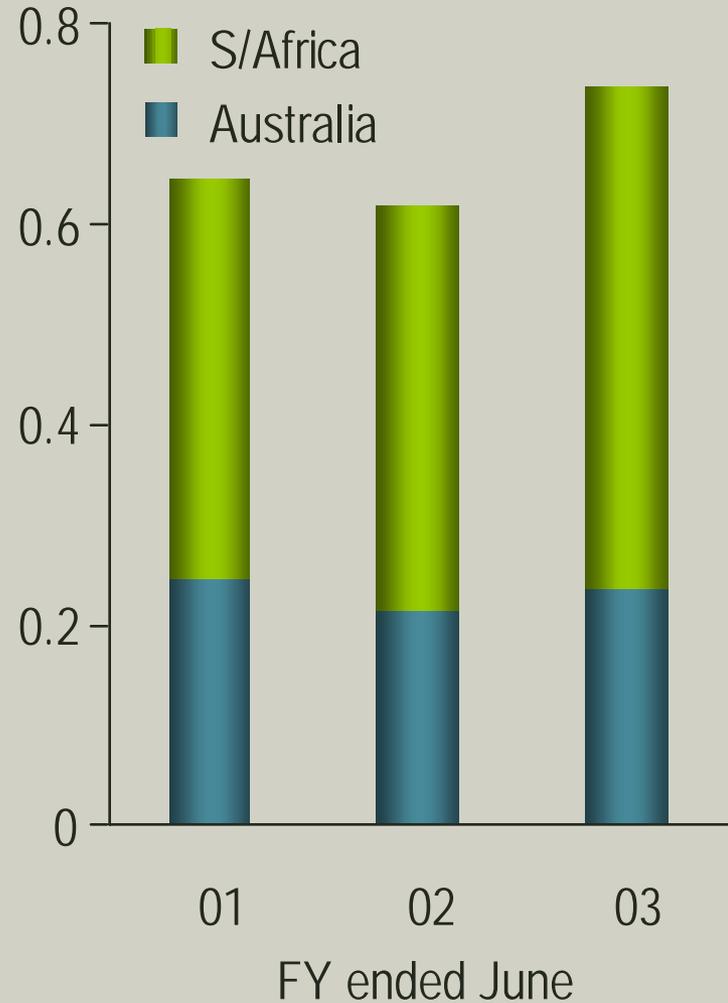
\*All figures are quoted on 100% basis

# Producing to meet unprecedented demand

## Manganese Ore (Mtpa)



## Manganese Alloy (Mtpa)



\*All figures are quoted on 100% basis

# China: Driving Global Steel Industry Growth

Bob Kirkby

President Carbon Steel Materials



**bhpbilliton**

# China's steel industry

- **Largest Steel Producing Country**

23% of world total, BOF dominated – reliant on seaborne iron ore and increasingly coking coal, fragmented industry, long products dominate

- **Largest Steel Trading (importing) Country**

Largest steel importer, flat products focus, Asian & CIS steelmakers major exporters to China

- **Largest Steel Consuming Country**

27% of total world steel consumed by China in CY2003

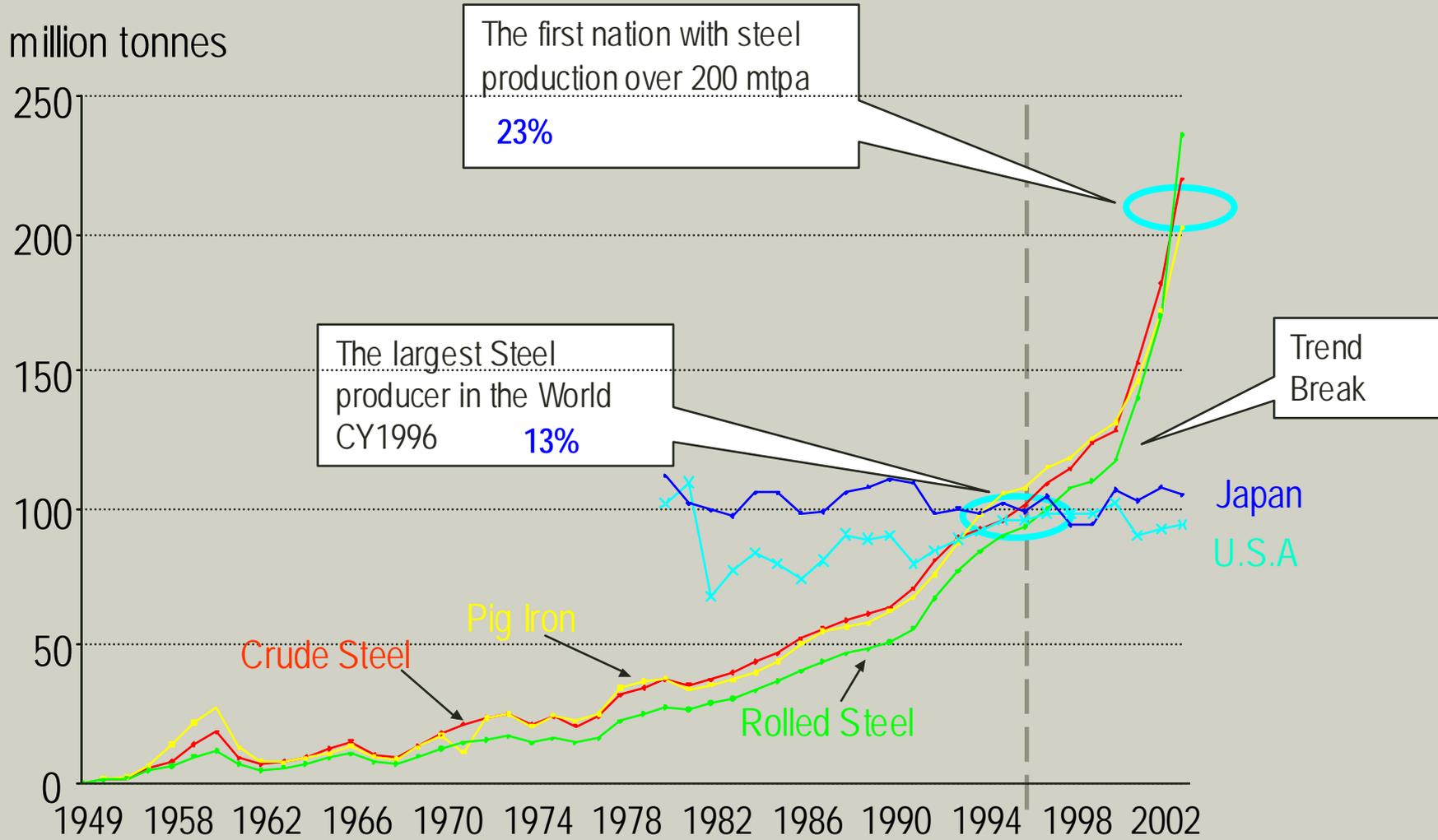
- **Competitiveness of China's Steel Industry**

Very good – state of the art software and hardware

- **Biggest growth market**

China's steel usage and production will continue to increase, trend of moving "to the coast" & commercial decisions driving product mix & raw material purchases

# Largest steel producer in the world



2000-2003, CAGR: 19%

Source: IISI, CISA

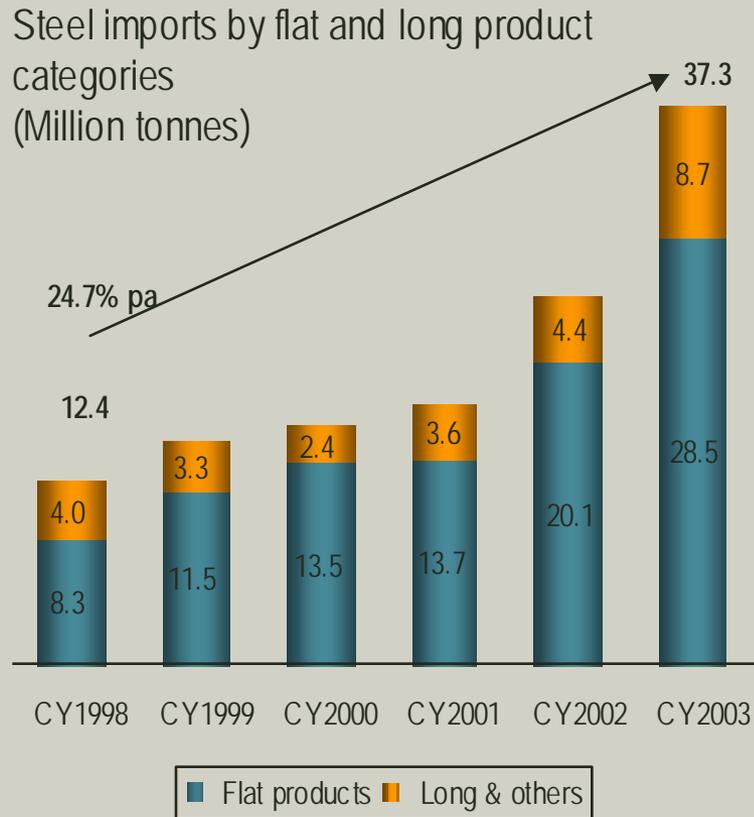
1985-2000, CAGR: 7%



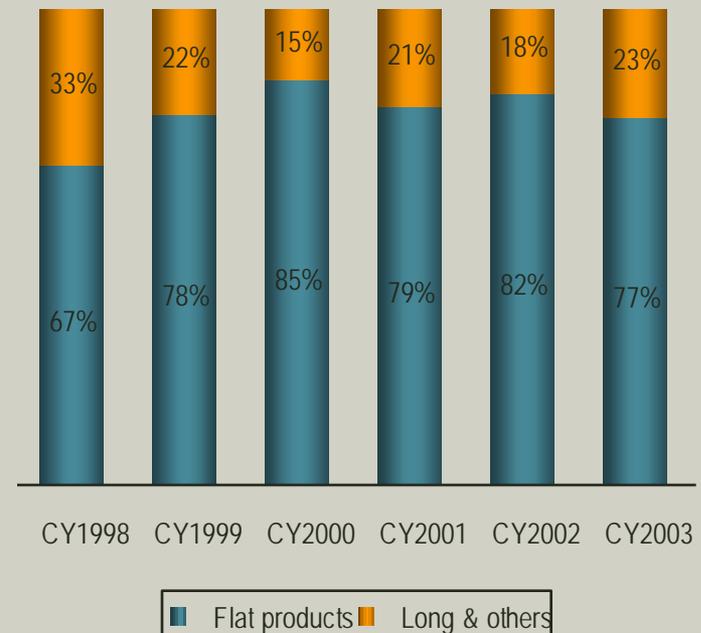


# Largest steel trading (import + export) country

## Flat Products Focus

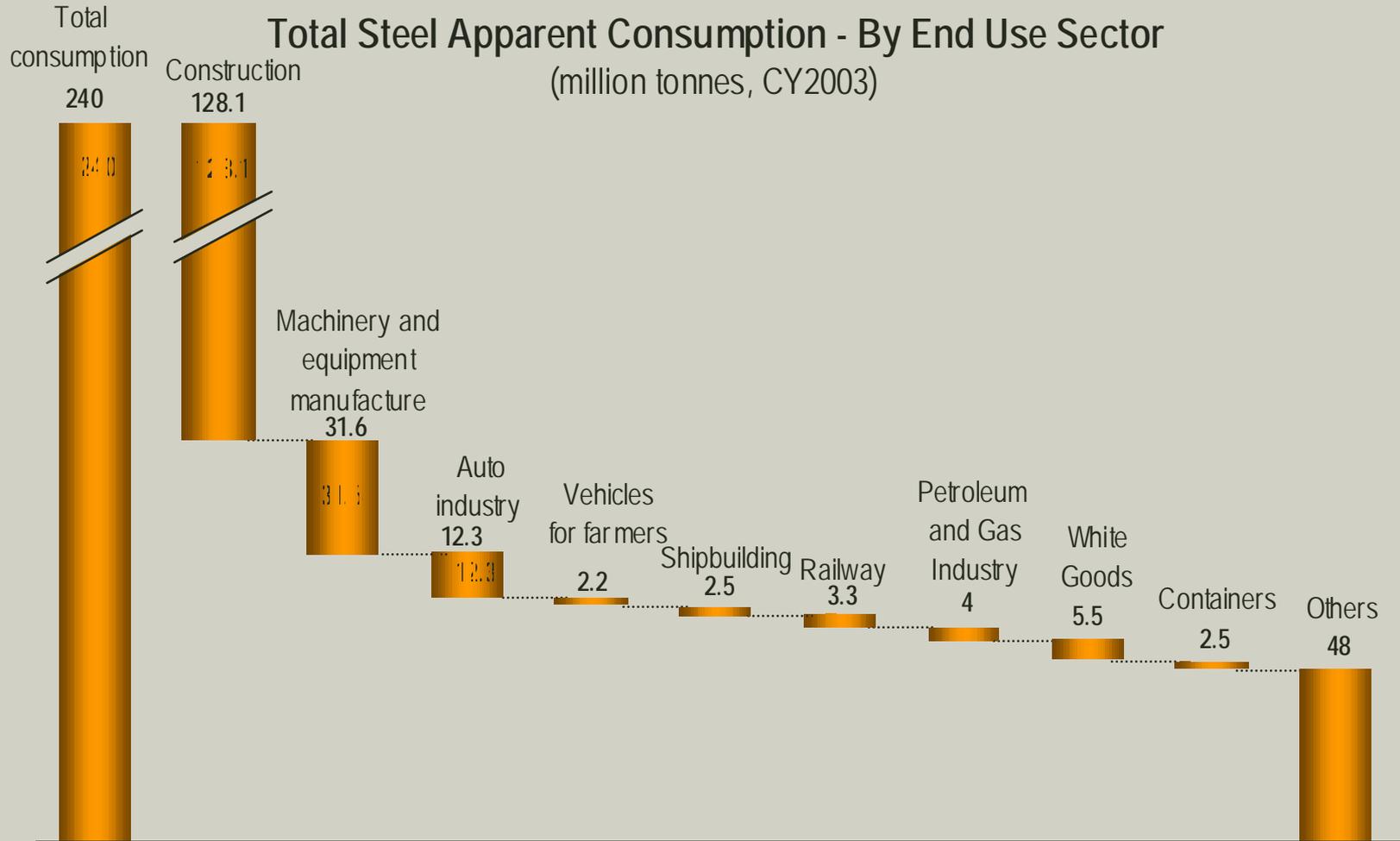


Flat and long products as percent total imports (Million tonnes)



Source: Chinese Customs Data

# Largest steel consuming country in the world

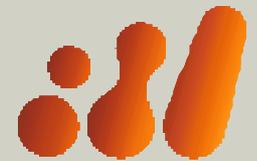


Source: BHPB, CISA

# Steel and Steelmaking Raw Materials Market Outlook

Andrew Offen

Marketing Director Carbon Steel Materials



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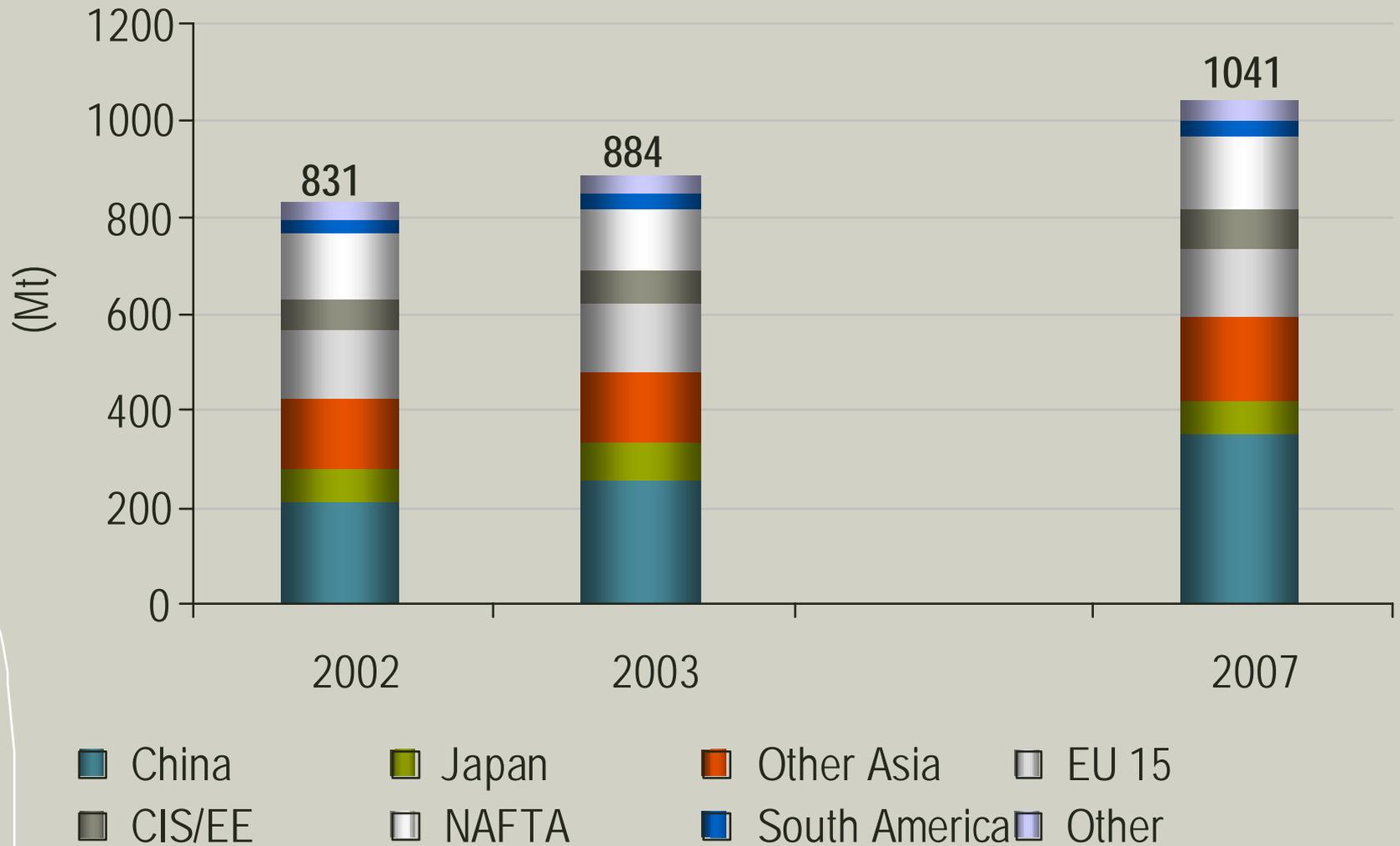
# Global steel outlook and trends

- Global economic environment very positive for steel demand
  - Chinese steel demand still strong – no sign of let up
  - Signs of improved demand growth in US, Europe, Russia, India
- Chinese import demand sustaining high global production
  - Japan, Korea, CIS all benefiting
- Global steel inventories generally low
- Additional Chinese steel making capacity being built
- Current year high probability of seeing 1 billion tonne production
- Overall steel situation supporting further robust price rises
- Steel industry profitability showing continued improvement

**STEEL DEMAND PICTURE VERY ROBUST**



# Global steel demand to 2007 (IISI mid case)

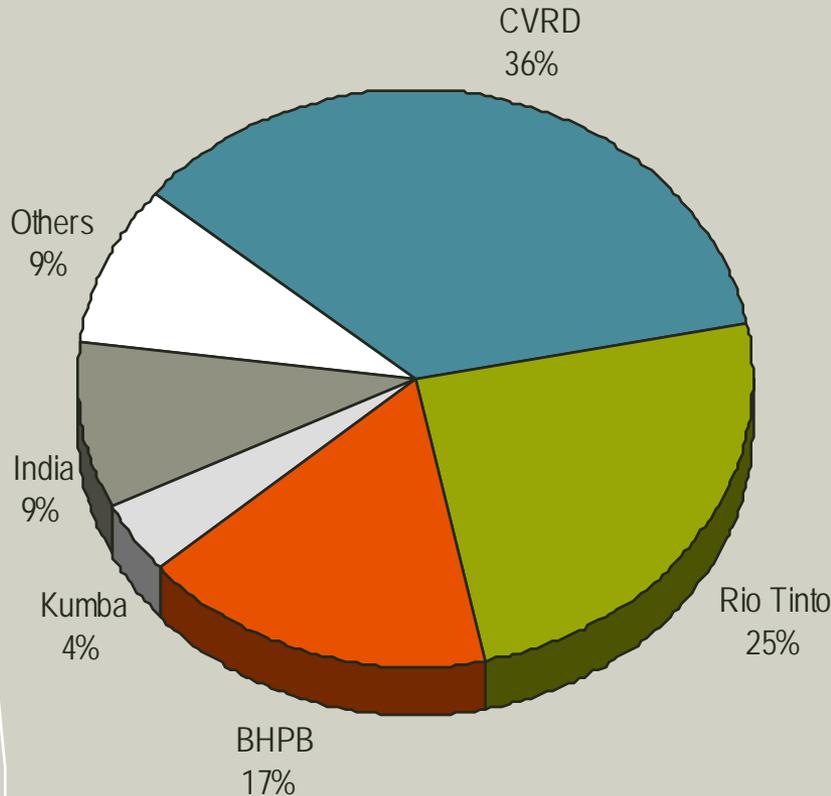


## Current iron ore market situation

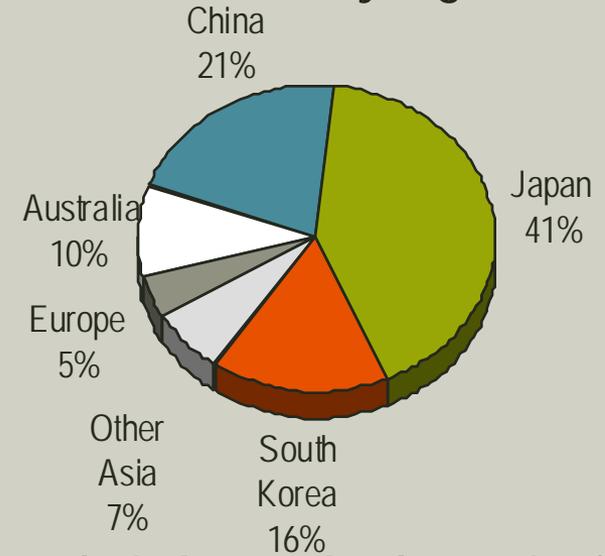
- Market conditions tight; continued shortage of physical ore as demand remains very high
- China driving global seaborne demand, 36Mt increase in 2003, further strong growth forecast for 2004 and beyond
- Strong demand growth for HBI
- Major suppliers actively expanding production as fast as possible
- High freight rates impacting trades, favouring Australian producers into Asia

# Global seaborne trade & BHP Billiton sales by region – Iron ore

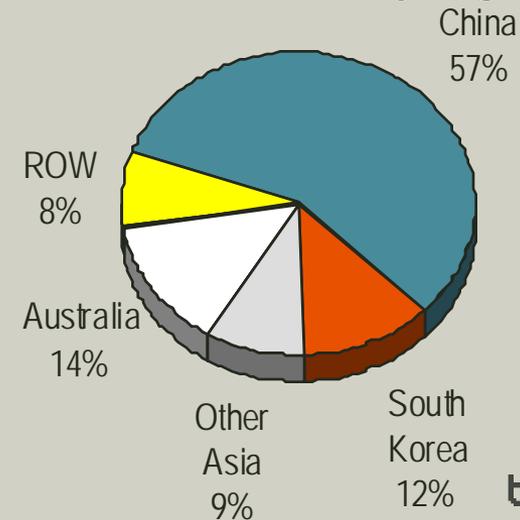
**Global seaborne trade\***  
(521Mt market)



**BHPBIO sales by region\*\***

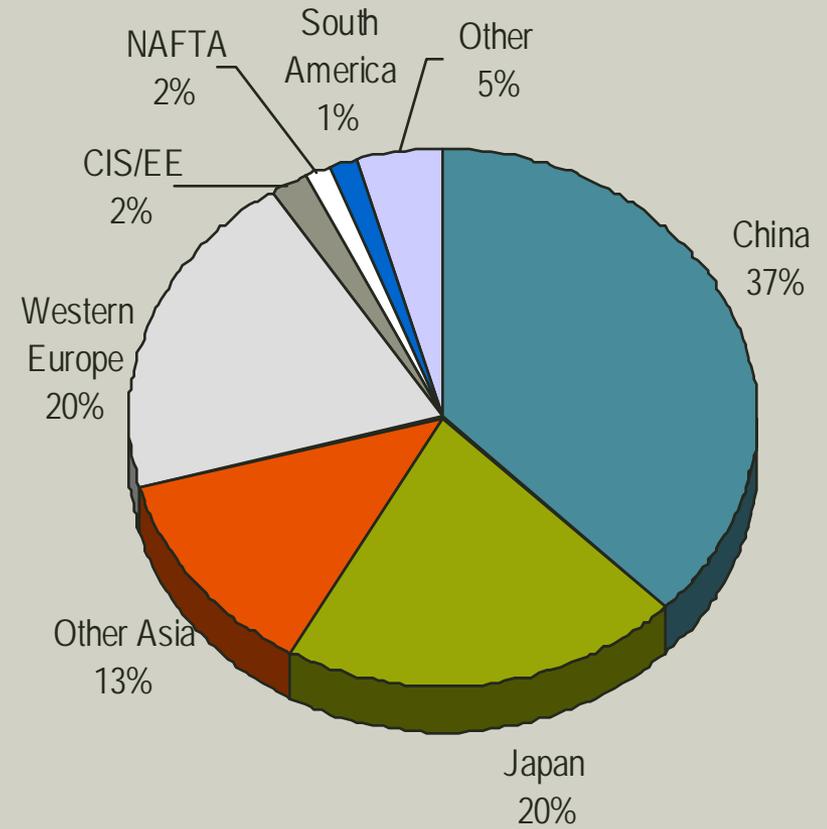
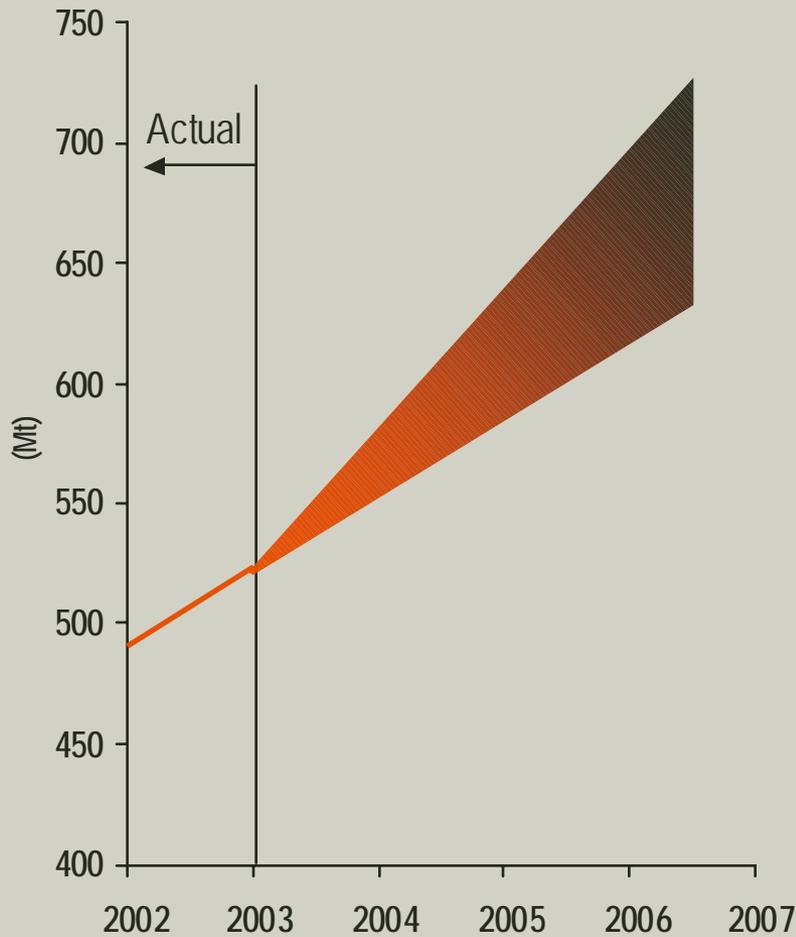


**Boodarie Iron sales by region\*\***



\*CY2003 \*\*FY2003

# Seaborne demand outlook & market split to 2007 – Iron ore



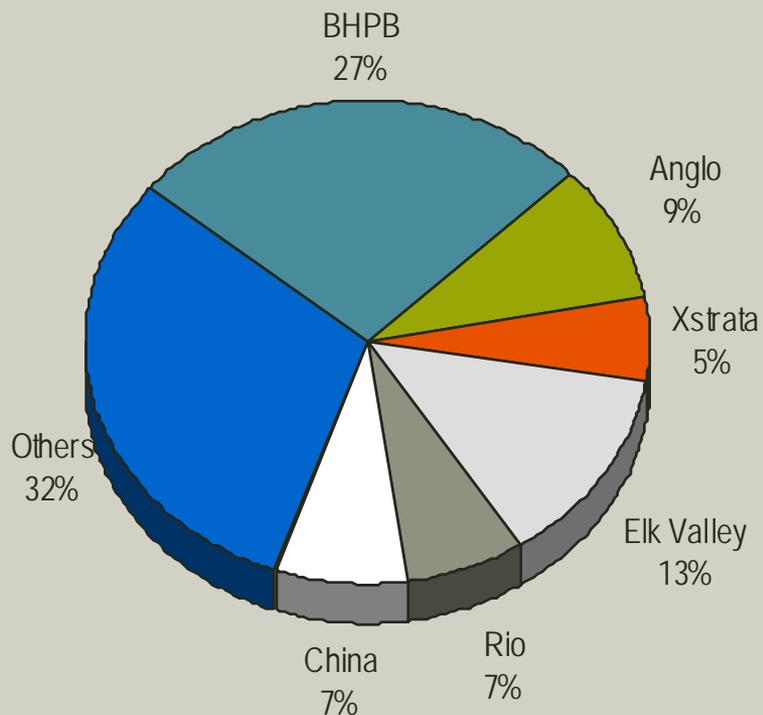
Seaborne market  
2007

# Current metallurgical coal market situation

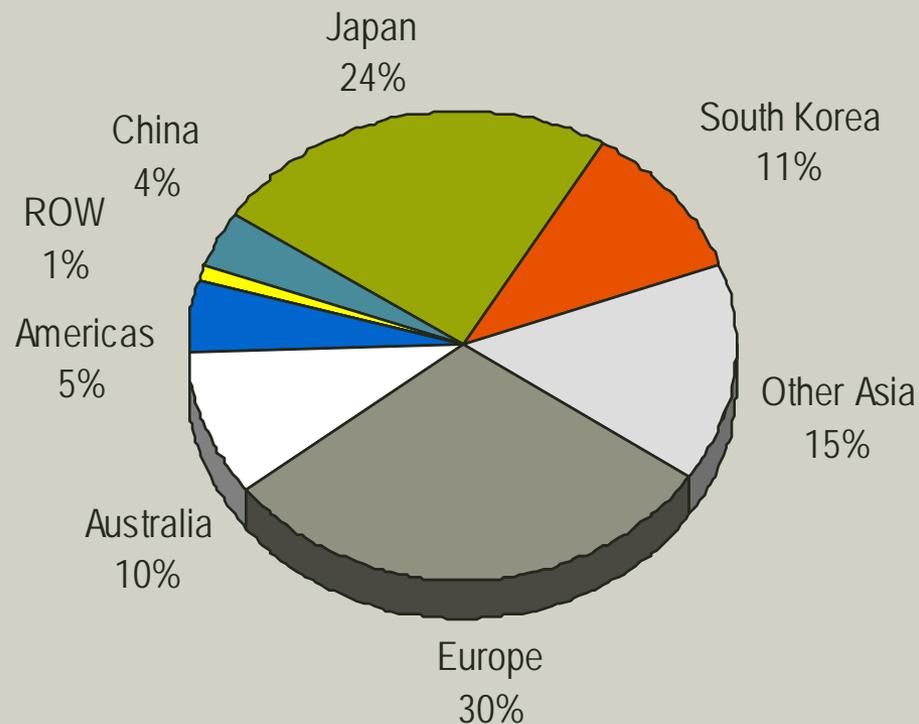
- Market conditions extremely tight; demand remains very high – major supply disruptions severely impacting supply
- Demand underpinned by strong BF based steel production led by China, India, Japan, Korea, Brazil
- Strong demand for coke & coking coal in China has moved them from exporter to importer and created intense coke shortages
- These conditions are predicted to continue in the medium term

# Global seaborne trade & BHP Billiton sales by region – Metallurgical coal

## Global seaborne trade\* (186Mt market)



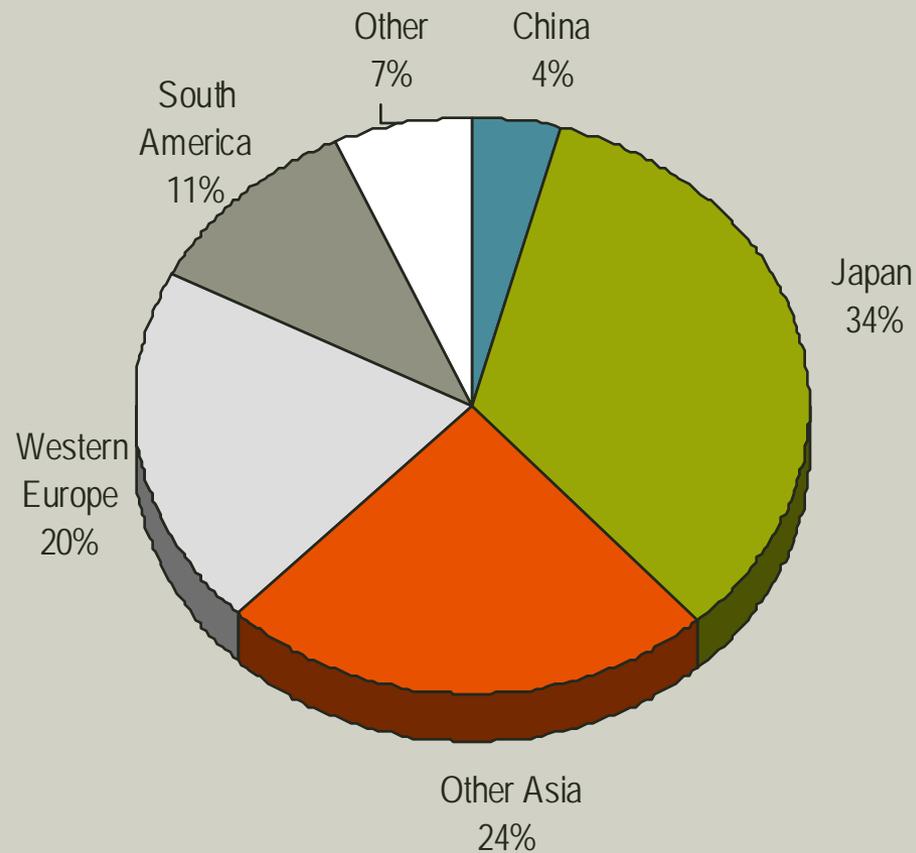
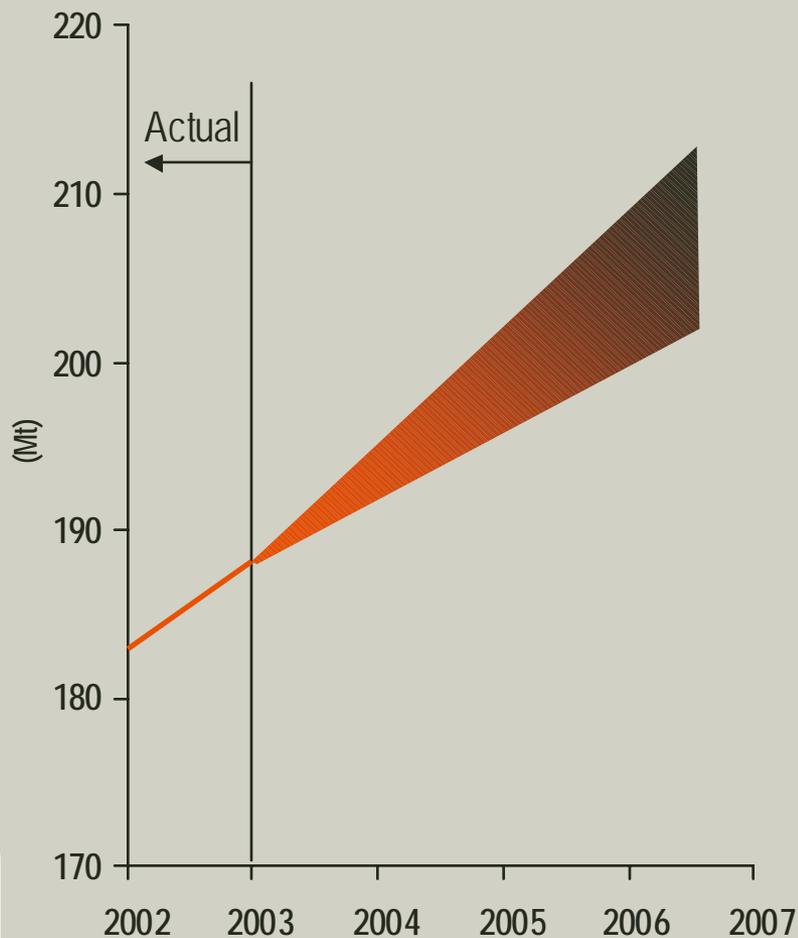
## BHPB HCC sales by region\*\*



Note: All based on controlled basis

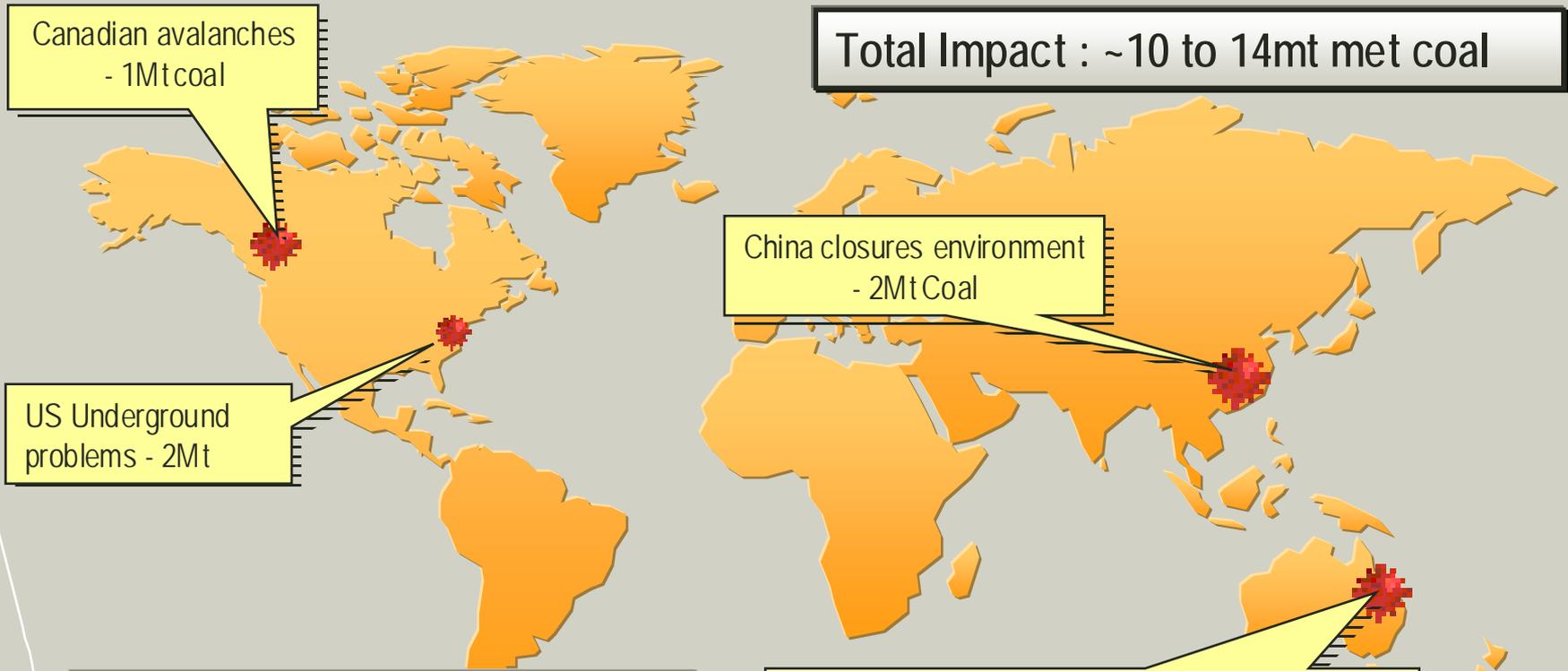
\*CY2003 \*\*FY2003

# Seaborne demand outlook & market split to 2007 – Metallurgical coal



Seaborne market  
2007

# Coal supply disruptions late 2003 - 2004



**Coke Outlook**

China 75% of seaborne merchant coke market. Continued high domestic demand likely to see fall in coke exports of ~5Mt in 2004

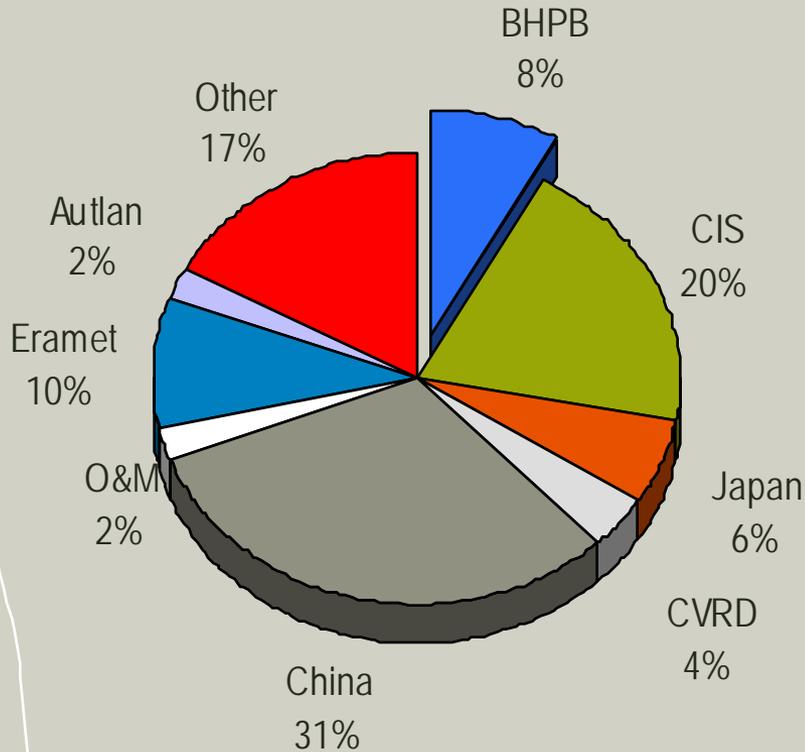
100% nominal production capacity

# Current manganese ore/alloy market situation

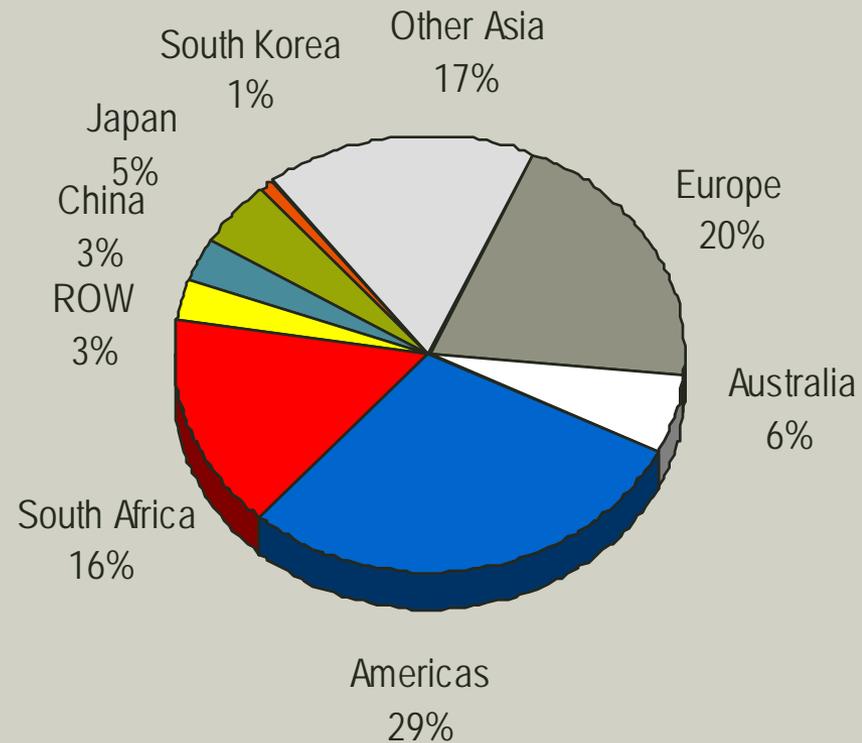
- Market conditions very robust; alloy and ore demand remains high
- Demand underpinned by very strong Mn alloy demand in China, leading to major boost in imports of high and low grade ores
- Production problems in China, power and coke shortages, have seen demand and supply tighten leading to large, rapid price rises for alloys
- Sustained strong Chinese steel production, and global recovery predicted to see continued high demand and pricing
- Suppliers able to raise output to meet demand. Longer term question of Chinese domestic Mn ore industry - under investigation

# Global trade & BHP Billiton sales by region – Manganese alloy

**Global Mn alloy trade\***  
(9.1Mt market)



**BHPB Mn Alloy sales by region\*\***



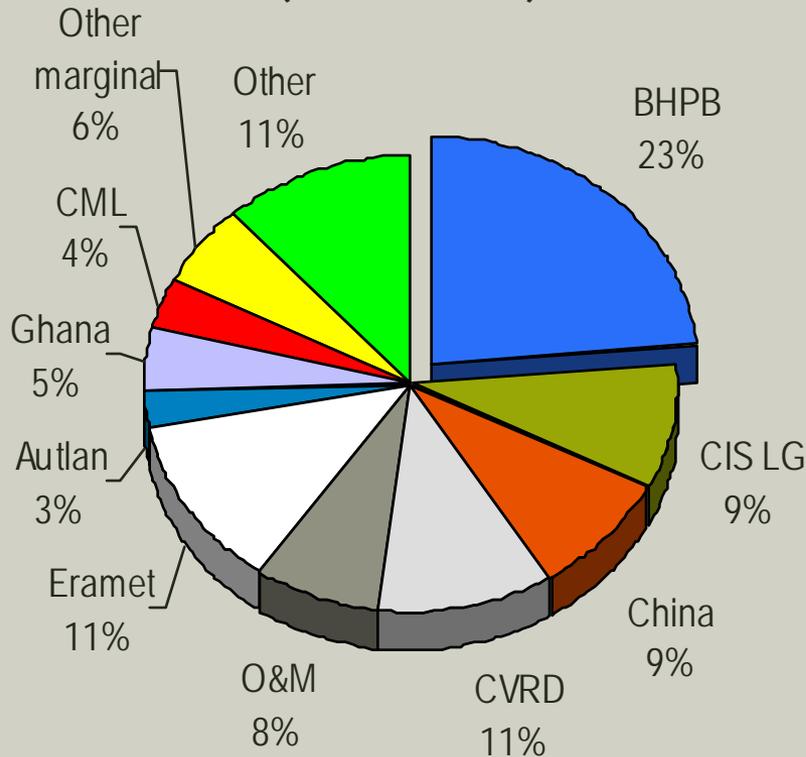
-Includes China JV's  
\*CY2003 \*\*FY2003  
Source: IMnI/ Samancor

Expressed as Mn units

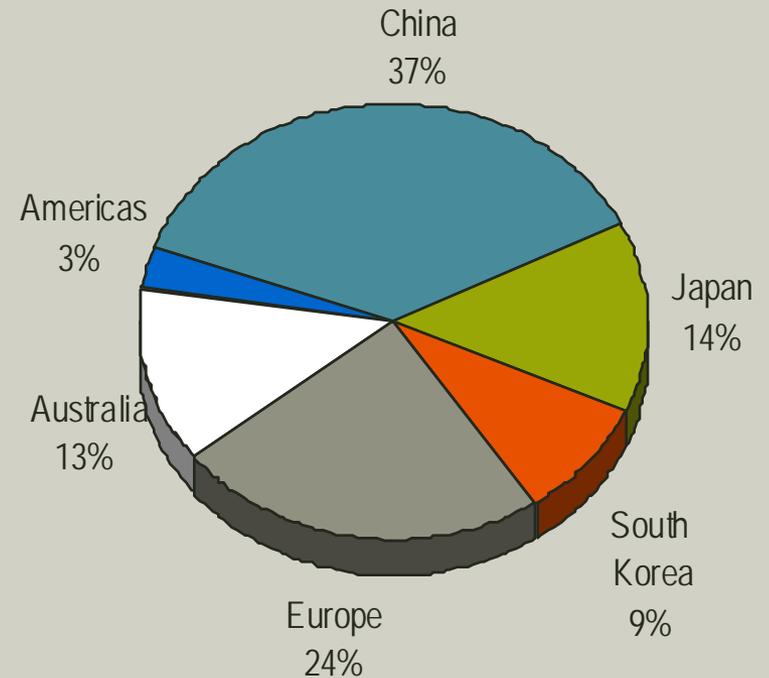


# Global trade & BHP Billiton sales by region – Manganese ore

**Global Mn ore trade\***  
(8.2Mt market)



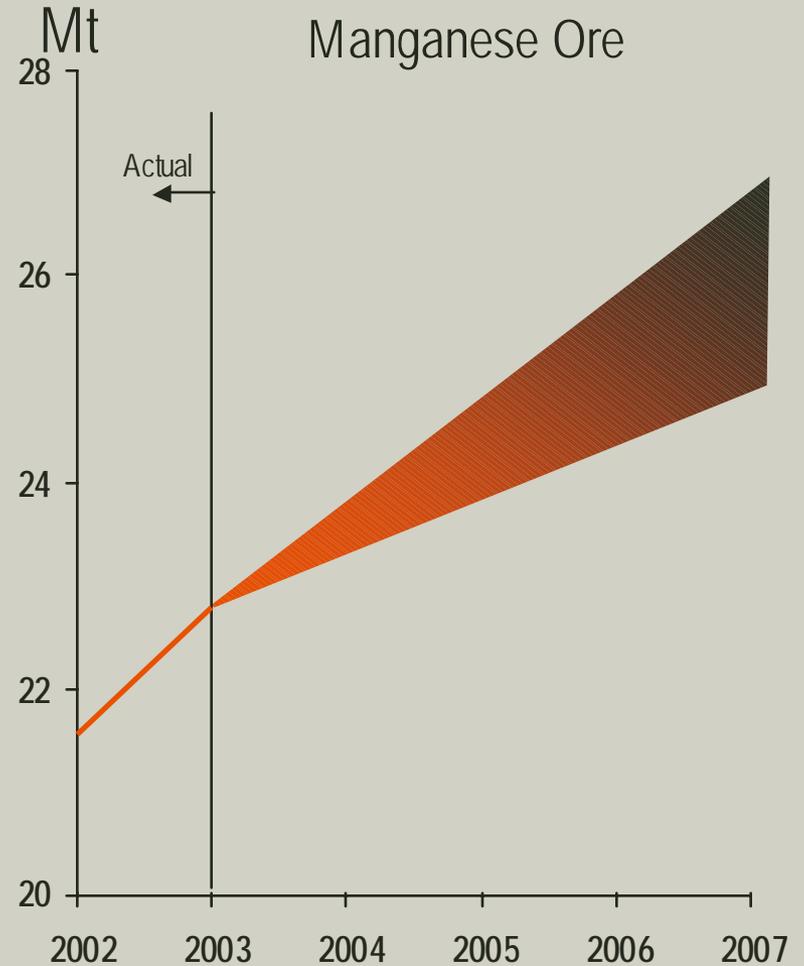
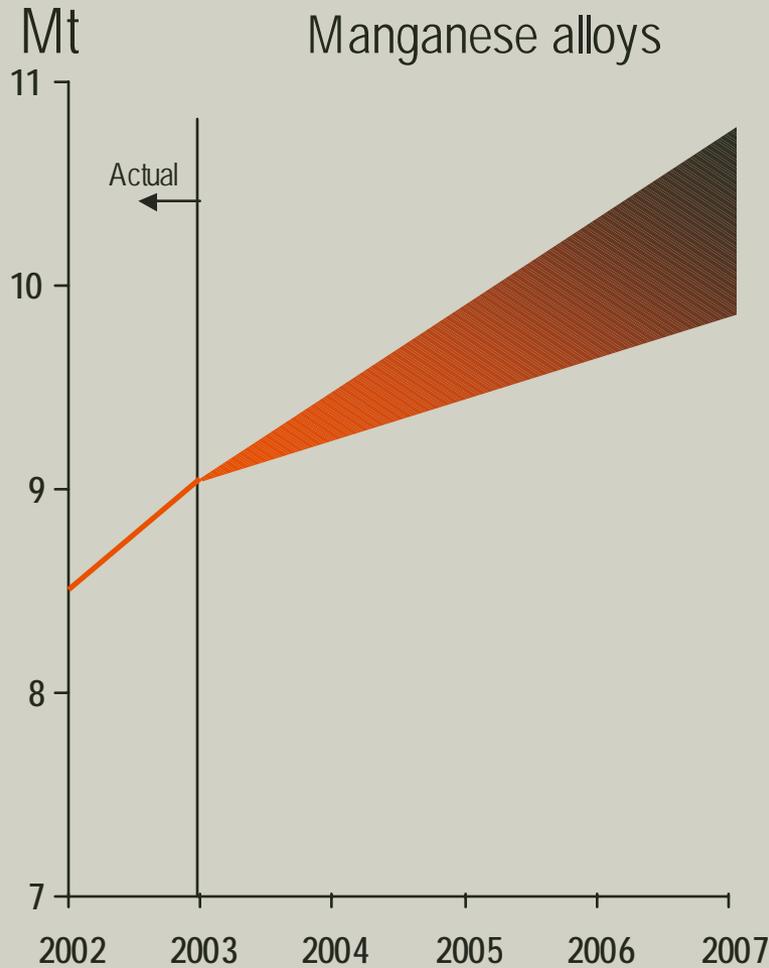
**BHPB Mn Ore sales by region\*\***



\*CY2003 \*\*FY2003  
Source: IMnI/ Samancor

Expressed as Mn units

# Global manganese ore and alloy demand outlook to 2007



# Market strategy

- Consistent focus on existing strategy
  - CSM approach to market
  - Strengthen regional franchises
  - Technical and logistical initiatives
  - Systems development
  - More innovative and creative
- Use strength of current market to position for the future
  - Improve contractual position
  - Capture the growth
  - Manage product quality
  - Address price relativities

# Summary

- Market situation for CSM products very positive – very high steel output means demand strong across entire CSM product range, led by Asia
- Steel industry growing and more profitable
- Outlook for sustained strong demand for all CSM products
- Consistent focus on market strategy and actively use current situation to strengthen customer relationships and market position

# High Value Incremental Growth - Underpinned by Outstanding Assets

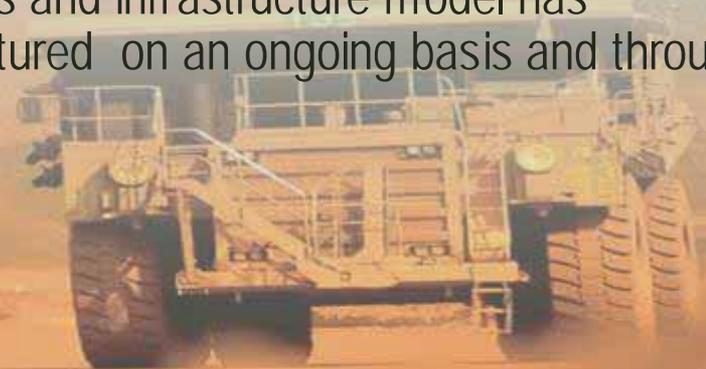
Graeme Hunt	President BHPB Iron Ore & Boodarie Iron
Dave Murray	CEO BMA
Colin Bloomfield	President Illawarra Coal
Peter Beaven	VP & CDO



# WA Iron Ore – Growing to meet market demand

## Producing at record rates to meet unprecedented demand

- Production records broken regularly, achieved from existing asset base
- Well positioned now to capitalise on the capacity available from the Area C and PACE investments
- Achieving best ever costs and other key performance metrics
- OE is continuing to deliver with over 20 full time business improvement coaches driving incremental efficiency and effectiveness improvements
- Strategic review of the whole of the business and infrastructure model has identified further efficiencies that will be captured on an ongoing basis and through the next major expansion step



# WA Iron Ore – Growing to meet market demand

## Low cost, low risk expansions

- Area C – Completed ahead of schedule & under budget in October 03
- PACE – Completed ahead of schedule and on budget in February 04
- Accelerated expansion to 100Mtpa - Ahead of schedule & on budget
- RGP to 110Mtpa - Ahead of schedule and on budget

## Platforms to ensure long term success

- Feasibility Study to 145Mtpa approved, focus on capacity and efficiency
- Wheelarra JV announced in March 04

\*All figures are quoted on 100% basis



# Samarco - A world-leading pellet producer

## Producing to meet unprecedented demand

- 45% increase in sales since 1998
- Pellet consumption expected to continue increasing – driven by Middle East & China
- High quality product

## Low cost, low risk expansions

- Future expansion options identified in line with market demand



# Queensland Coal – Growth options to meet increasing demand

## Producing to meet unprecedented demand

- Mines and port operating in upper range of capacities
- Record Hay Point Port throughput
- OE is continuing to deliver with over 12 full time business improvement coaches and 117 registered projects underway



## Challenges

- Supporting existing customers while expanding customer base



# Queensland Coal – Growth options to meet increasing demand

## Low cost, low risk expansions

- Broadmeadow Underground – On time & on budget, 3.6Mtpa
- BMA expansion options being considered – Additional 5Mtpa capacity
- De-bottlenecking – Saraji / Peak Downs
- Additional stripping at most open cut operations
- Dalrymple Bay – 3Mtpa additional capacity secured
- Queensland Rail – 6Mtpa additional capacity secured
- New Blackwater Processing Plant underway
- Exploring further brownfield expansion options

\*All figures are quoted on 100% basis

# Illawarra Coal – Growing to meet unprecedented demand

## Low cost, low risk expansions

- Dendrobium on schedule and budget
- Appin coal clearance upgrade underway
- West Cliff longwall on site, tested and in production – July 04
- West Cliff CPP raw coal handling upgrade underway
- Mine debottlenecking projects being assessed
- Options to extend Elouera under consideration
- Additional port capacity available to support mine expansions



## Challenges

- West Cliff production issues

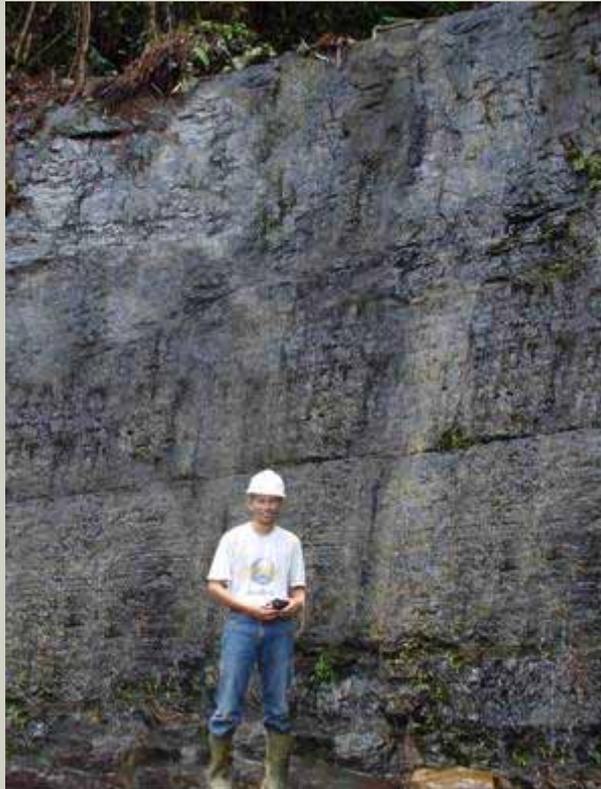


# Maruwai discovery – Potential coking coal province



# Maruwai discovery – Potential coking coal province

- Indonesian Coal Discovery, located in Central/East Kalimantan
- 100% BHP Billiton



- Potential Coking Coal province with range of coals
- Currently drilling in progress
- Sensitive area with some environmental and social issues
- Any development will be in full compliance with Indonesian law and BHP Billiton standards

# Manganese – Capturing market opportunities

## Producing to meet unprecedented demand

- Operations running at record rates to capture market opportunities especially in China
- Reliable supplier of choice
- Operating Excellence continuing to deliver benefits
- Good HSEC progress
- Kotulong Project at Metalloys - Success story



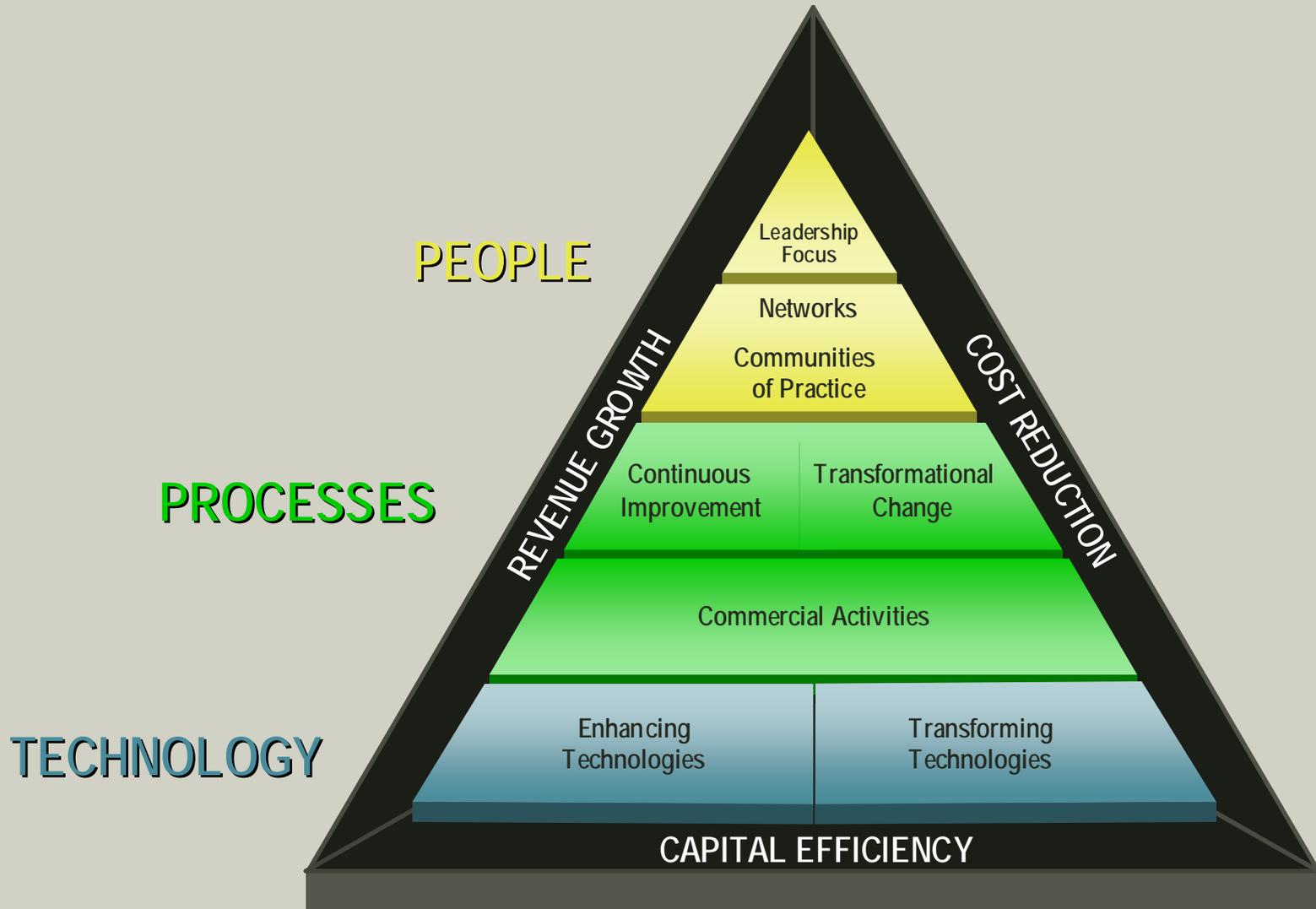
## Low cost, low risk expansions

- Increased mine output at no/low additional capital cost

## Challenges

- BEE in RSA

# Our model for Operating Excellence



# BHP Billiton Strategic Framework – CSM progress

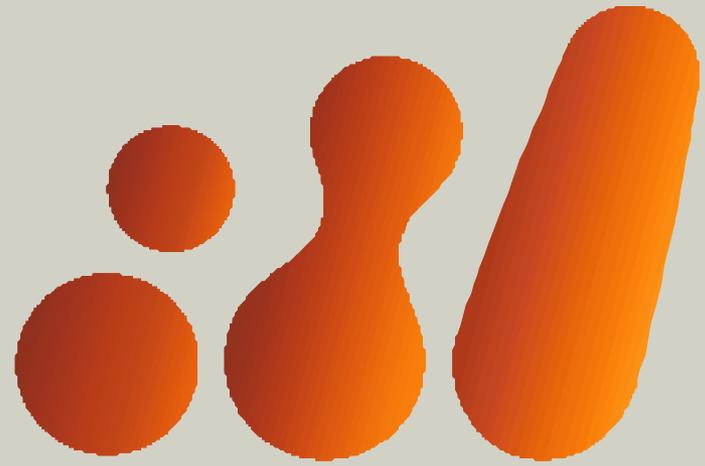
Value Drivers	Performance
Outstanding Assets	<ul style="list-style-type: none"> <li>- No fatalities or environmental incidents</li> <li>- Record sales volumes</li> <li>- First quartile costs &amp; capital efficiency</li> </ul>
Growth	<ul style="list-style-type: none"> <li>- Area C completed <b>ahead of schedule &amp; under budget</b></li> <li>- PACE completed <b>ahead of schedule &amp; on budget</b></li> <li>- WAIO Accel Exp - <b>ahead of schedule &amp; on budget</b></li> <li>- RGP – 110Mtpa <b>ahead of schedule &amp; on budget</b></li> <li>- LTE – 145Mtpa Feasibility Study <b>approved</b></li> <li>- Broadmeadow <b>on schedule &amp; on budget</b></li> <li>- BMA additional 5Mtpa <b>initiated</b></li> <li>- Dendrobium <b>on schedule &amp; on budget</b></li> <li>- Maruwai exploration project</li> </ul>
Customer-centric marketing	<ul style="list-style-type: none"> <li>- Increased resources in Shanghai</li> <li>- CSM synergy value capture teams</li> <li>- New systems implemented</li> </ul>

## Issues for CSM

- Maintaining supply to traditional customers while meeting growth ambitions
- Freight & Demurrage – Some impacts in FY04, however lower impact expected in FY05
- Illawarra Coal – West Cliff production
- Enterprise negotiations currently underway at all Australian coal operations

# Conclusion

- Unprecedented demand is driving record production
- Low cost, low risk expansion activities underway
- Solid operational & financial performance underpinned by outstanding assets
- Continued focus on improvement and reliability
- Putting platforms in place to sustain our position over the longer term



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