BHP Billiton
Simplicity, Focus and Growth
Marketing Briefing, 2 October 2007

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Tom Schutte, Vice President, Marketing

Ladies and gentlemen, good morning to those in London and good afternoon to all in Sydney.

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I would like to briefly introduce the team here with me today. Firstly I will start in Sydney, where we have Gideon Oberholzer. Gideon is our Vice President of Freight. He heads up our freight book, one of the largest freight bulk carrier operations in the world. With him in Sydney we have Peter Toth, who is the Marketing Director of Carbon Steel Materials. Peter looks after the marketing and distribution for iron ore, coking coal and manganese. With me in London, I have Mike Henry, Marketing Director of Energy. Mike's portfolio includes Energy Coal, Gas, Power and Uranium. Also with us is Paul Koppelman. Paul is the Chief Financial Officer of marketing and commercial.

It has been quite a while since our last analyst presentation for marketing, which was held back in 2003. At that presentation, we briefly took you through what we were planning to do in our newly established marketing model. As you would be aware, we were then just integrating after the merger of BHP and Billiton, and highlighted what we were intending to put in place at that stage, as well as a brief introduction to Energy Coal in European liberalising markets and Carbon Steel Materials in China.

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Today, our focus will be slightly different. We will not focus on any specific commodities, but rather on how and why we are structured the way we are. Should there be any questions later on any specific commodity issues, we will endeavour to answer them.

Things have moved on a bit since 2003; today, we are going to demonstrate to you how our unique marketing model not only has developed and evolved, but also how it has added significant and measurable value to the Group since its inception. We are confident it will continue to do so in the future. We believe this model is a key differentiator from our competitors and positions us well to maximise our extensive project pipeline, as shown during our Group's annual results presentation. It also maximises our share of emerging growth markets across the globe.

You will see today that our efforts in marketing span much wider than merely selling products. We add value by optimising our commercial know-how, i.e. our revenue line, not only on industry structures, but also on basic issues, like supply chain optimisation, working capital and cost control. Throughout this presentation we will illustrate our capabilities, highlight key differentiating elements of our model and talk you through a number of examples, which have and which will continue to provide the BHP Billiton Group with sustainable value in the short, medium and long term through he exploitation of our world-class assets. What we will not show you is marketing as a separate P&L line for your modelling. The marketing value is integrated into our different customer sector groups (CSGs) and is already reflected in their results.

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You will see today that our marketing business manages all post-asset and some pre-asset activities for the Group. It generates incremental value via marketing, trading and supply chain optimisation, and supports the strategic foresight of the organisation via its insight in the external environment.

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As I mentioned earlier, this model in its first form was put in place in 2001, just after the merger. Our offices are spread worldwide and we operate from two hubs – a European hub in the Hague, and an Asian hub in Singapore. All our offices form the spokes we use to get closer to our customers and to be as strategically positioned to our customers and markets as possible. We embarked on a specific strategy not to use agencies to ensure we stay in direct contact with our customers. We are positioned closer to them in order to anticipate and to understand their market growth. Our offices in China and India help us formulate our single views on these economies, and on the growth story that you have all heard. This marketing group handles 27 commodities and sells into over 1,200 customers across the globe throughout our extensive logistic operations. In building our commercial strength, we leverage the knowledge of 43 different nationalities, each of which bring their unique perspective to commercial issues.

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Our organisation structure provides four very clear advantages. Firstly, we are focused around customer groupings and not operational groupings. You will have heard our CEO talk a lot about customer-centric marketing. Every trading and marketing unit serves a specific industry, and this provides us with a comprehensive view of our customers' needs and purchasing behaviours around the world. Iron ore, coking coal and manganese are examples of that. Although they have different market supply and pricing dynamics, all serve the same customer base.

Secondly, by including every marketing unit within a single, centralised approach, we can ensure that leading practices are shared seamlessly throughout the Group.

Thirdly, by placing these businesses together it is clear that the only major distinction lies within the price discovery mechanism. Distribution is, in essence, not unique between products. This has in turn made it possible for us to standardise all our processes and run all the businesses on one SAP enterprise resource planning (ERP). Mike will elaborate more on the one system that we completed in 2006, with current developments around freight being finalised.

Fourthly, we all know that in growth markets shortage of talent is a growing problem and is hard to overcome. This model makes it possible for us to not only develop highly competent commercial talent, but also to cross-skill them in multiple commodity areas like supply chain optimisation, London Metal Exchange (LME) pricing, petroleum products and so on. We believe that, longer term, this will continue to contribute to BHP Billiton's internal succession as professionals not only have broad commodity experience, but also process understanding and strong links to our various assets.

The India, China and Japanese offices form an integral part of our structure, and consolidated views of all our products – whether it be growth rates, supply/demand fundamentals and so on – are

possible. Our views on these markets are therefore robust and totally aligned throughout the organisation.

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The marketing organisation is responsible for a broad range of activities. We take over the finished product from the plants and are responsible for this product until the stage where the product is delivered and the customers have paid. Every marketing director has many elements that he has to manage, ranging from the finance side to distribution and risk management. These are of course all leveraged by the commercial or marketing sides of his team. The objective of this marketing organisation still remains very simple: to sell more products – and there has been substantial growth in volumes and more to come – at higher sustainable average profit margins, by better meeting the needs of our customers.

Having set some of this background, I would now like to hand over to Gideon Oberholzer in Sydney, who will take you through how we view the world as one business, with marketing being that window to the world.

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Gideon Oberholzer, Vice President, Freight

Today I am going to concentrate on explaining how we operate the business on a day-to-day basis.

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The centrepiece of the marketing model is the creation of One Book. This gives us a harmonious single view of the markets and places us in a position to identify arbitrage opportunities quickly. The creation of One Book, with all the diverse commodities combined into a single marketing organisation, as already mentioned by Tom, puts us in a position where we can offer people careers in different commodities. Not only does this transplant ideas and best practice, but it facilitates the development of prime talent, with a broad range of experience.

What does One Book really mean in practice? A good example, given the recent turmoil in the world credit market, comes from our credit management. All our credit management is handled by a single system and counterparties are viewed together, no matter what commodity they buy, so we know their total exposure across the whole Group, irrespective of how many different commodities are being bought. One system also means that we can track all deliveries to customers, irrespective of product or location. It simplifies interaction with customers through the use of a single system across marketing. In short, we always have the total picture of credit risk, supply chain and customers; so we have many commodities but they are viewed as one business.

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Taking this holistic approach to our marketing efforts provides several key benefits for the organisation leading to improved operations, greater efficiency and better overall performance as a business.

An example of our One Business approach is the creation of the Carbon Steel Materials unit. Combining the marketing of iron ore, coking coal and manganese into a single unit means we can integrate sales of complementary products to the same customer, even though they are separate contractually. This approach enables us not only to optimise sales and customer relationships, but also enables better timing and scheduling of sales across the Group. As I mentioned previously, our approach to managing credit exposure is centred on the One Business idea.

Taking a One Book approach enables us to act with a single view of the market, rather than a set of businesses operating with potentially opposing views. Rather than having different business units pursuing different sales strategies based on differing outlooks, a common approach can be taken. For example, if one commodity is long freight and another is short freight, the freight department will manage the long and short on a One Book principle, thereby aligning the overall position with their expert market views.

Having a holistic marketing organisation encourages us to quickly and efficiently share information between business units, enabling us to spot new trends and marketing developments as they occur. For example, the massive growth in Chinese imports of bauxite and nickel ore over the past 12 months has prompted major changes in the markets for these commodities, as well as for the freight markets. Early knowledge of these developments allows us to capitalise on them through changes in our trading activities.

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As well as aligning processes through the organisation, the One Book approach creates numerous benefits through the creation of new trading opportunities, whether through better visibility, arbitrage opportunities or better management of sales performance.

A good example of the opportunities available is seen through the activities of the freight department. Prior to the development of the current centralised marketing model, shipping was handled by the individual business units. In some cases that led to different parts of the company bidding for the same vessels and pushing prices up. Now there is a single freight department, which acts as the sole conduit to the market for all freight requirements, with no barriers to its operations across the company.

As a marketing organisation, we participate in various third-party trades and agency deals, which improves our business performance in several ways.

- First of all, the addition of volume simply increases economies of scale.
- Secondly, third-party business allows for increased market participation.
- Finally, we can create added value through improving our own equity product.

As an example of this last point: we purchase third-party coal to blend with our own material. This allows us to adjust the calorific value or ash content of the final coal to match customers' requirements. Not only does this benefit customers but it extracts extra value from our assets in two ways:

- First of all, it creates a premium and tailored product for our customers.
- Secondly, it optimises the life of our mines by allowing us to extract and utilise coal of varying calorific value and ash content, including material that would not necessarily be saleable in an unblended state.

Again using freight as an example, the size and range of our portfolio gives us the potential to capture benefits across commodities. Through judicious trading and market development we have developed the economies of scale and toolbox required to benefit from our position.
As a business, we have to ship alumina from Bunbury to Richards Bay. From Richards Bay, we have to ship coal to various customers. By linking the voyages together, which we are able to do as a centralised freight desk, we are able to save the equivalent of about five days of ship hire on each shipment. In today's Panamax market this is worth around $350,000, a saving that is passed back to the business through cheaper freight rates. In addition to this financial benefit, by controlling the vessel coming into and going out of Richards Bay, we accrue much greater operational control and scheduling benefits.

Just as the scale of our commodity operations gives us preferential access to and knowledge of certain markets, so the scale and brand of our unified freight operations puts us in a very attractive position in the freight market. As one of the largest players in the market, we are seen as a very attractive counterparty for ship owners, which gives us first access to the best deals and the lowest freight rates available, as well as attracting the highest quality freight service providers and ship owners. Why are we the charterer of choice? Our scale means that we always have a large shipping schedule, and we can thus accommodate, via our inherent flexibility, any changes in owner scheduling and their requests.

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We deal with numerous commodities, but our wide portfolio offers us different, unique, views into the health of the economy, with input from diamond trading all the way through to basic raw materials like iron ore. Every day, at all levels of the organisation, we are interacting with customers and suppliers around the world. In recognition of the fact that every encounter provides some level of information that helps to inform our view of the market, our marketing model encourages and facilitates a free view of information between all members of the organisation.

The benefit of building a holistic, integrated view can be seen in the way we have grown our business in China, and recently in India. Through careful analysis of the companies and the development of a nuanced, company-wide view on their development, we can take informed positions that allow us to leverage off their growth. The development of a single view from marketing allows us to feed a consistent story back to the assets, feeding into their business development and expansion plans. It also allows us to optimise logistics and trading. In other words: we look for the common thread to form one view.

Using China as an example, growing infrastructure to fulfil urbanisation leads to more steel consumption, i.e. increased need for iron ore, coking coal, etc. Urbanisation also brings with it the need for power, which in turn increases the demand for coal, but power also needs to be transmitted, which leads to copper demand. Urbanisation also increases the need for copper, for example through wiring and air conditioning units. This flow of information can also take place in a split or fragmented business but, through our centralised model in BHP Billiton, this information flow happens quickly and has become embedded in the way we operate as One Business with an integrated view.

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Part of the logic behind our marketing strategy is that, while our commodities have unique characteristics, the same basic market principles apply across all of them. This allows us to

replicate our business model across the markets in which we participate, as well as expand and accommodate new products and businesses.

Our portfolio of commodities ranges from liquid markets for our LME products to relatively illiquid markets such as alumina and iron ore. The experience we have gained in this broad range of product markets, as well as the capability we have built, has allowed us to seamlessly integrate diamonds and uranium – products whose markets individually bear little resemblance to those of our other commodities – yet these unique or different product markets share characteristics with our other commodities allowing us to apply learnings to and from such different markets.

Effective cross-pollination of knowledge and information is made possible by our standard systems solution, as well as by our talent management process, through which we proactively provide our people with multiple product experience. This creates a win-win situation for the company as well as its employees, as they get to use and develop their skill in new areas, while the company is able to leverage their skill sets. For example, the knowledge gained in setting up the coal barging operations in northwest Europe is being transferred to the coking coal operations at Maruwai in Indonesia, where extensive barging is required to bring that product to the market.

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I talked about the ability to replicate our model to fit the new products we are developing, a process that is aided from the use of integrated and standardised systems and processes. As important as the ability to replicate is the need for scalability to ensure that, as the company develops and grows, whether organically or through acquisition, there is a seamless integration.

The best recent example of scalability of our marketing business model was the way we integrated WMC Resources into the marketing organisation. This only took 90 days to achieve and led to immediate synergies and savings of around $15-20 million p.a. in marketing. The benefit was realised by:

- Closing the WMC Toronto and London offices, as well as BHP Billiton's Brisbane Nickel office.
- Consolidating the business into a single book and thereby one face to the market.
- Applying our standard functionality including contract, credit control, risk management and performance measurement.
- A further reduction in headcount was achieved while, at the same time, leveraging the system and personnel already in place.

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Mike Henry, Marketing Director, Energy Coal

Tom and Gideon have spoken about our centralised approach to marketing and the various benefits that brings to the business, in terms of value-add, risk management and strategic insight.

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Our marketing business is underpinned by a series of leading-practice systems and processes. These systems and processes cover the full range of activities that marketing undertakes. These include sales, finance, distribution, credit and price risk management. These were reviewed in detail at the analysts' presentation back in 2003 but, in summary, they include: a common set of integrated SAP-based planning, deal capture, measurement and reporting tools; a common set of work processes; a common approach to measurement and value quantification; and a common approach to external business interactions.

Our finance system provides a common form of governance and reporting. This includes how we measure and control price risk, how we assess financial performance on a daily basis – Paul is going to speak about that in more detail later – and, more generally, how we ensure good governance.

In the area of distribution and supply chain optimisation, our centralised planning system provides us with a real-time global view of our current physical positions, our forecast sales and our expected incoming product flows in each of our commodities. This system supports our ability to optimise product flows to maximise netback to our assets.

Our centralised credit management system and process ensures common rigour is brought to our credit risk management as well as providing us with a real-time view of our global credit exposure with any given entity across our business. For example, as Gideon alluded to earlier, in the recent sub-prime crisis, our CEO was able immediately to see our credit exposures with all of our external counterparties. This system is a significant improvement on the decentralised approach adopted by many others, where there is no centralised view of credit exposure and one part of the business may be extending credit to an external counterparty with no knowledge of the credit exposures being run with the same counterparty by other parts of the business.

We adopt a common means to assess the commercial value of a transaction, and have a common process and system to capture the commercial terms of a transaction in the system on the same day that it occurs, again providing a real-time understanding of our physical positions and risk exposures. These common systems and processes support our ability to optimise value and manage risk; they ensure that we are as efficient as possible; and they facilitate the leveraging of people and best practices across our commodities. They are a key differentiator for us.

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What are some tangible examples of where this has added value?

We have a centralised freight book, which Gideon mentioned earlier. The systems we have provide us with a real-time view of our freight needs and an integrated view of the freight market. This, together with our excellent credit rating, allows us to secure freight on the most favourable terms, and also allows us to optimise our overall application of freight to the various needs of our business. The net effect of this is a 5-10% reduction in freight cost relative to prevailing market prices.

Our integrated sales and planning capability also allows us to better standardise our freight operations, for example at Port Hedland, where we only charter ships of between 160-180,000 deadweight tons, and carefully plan vessel arrivals in order to optimise throughput through constrained port infrastructure. This is a complex planning task that would be made significantly

more difficult if we had a fragmented business, systems that were not integrated and lacked a real-time understanding of our freight positions.

Our understanding of the petroleum market, our centralised approach to assessing and managing risk positions and, most importantly, our common method of measuring value allowed us to identify an opportunity to aggregate our Australian fuel purchasing and, in doing so, to leverage synergies and savings, which have totalled more than $60 million since this approach was adopted in 2002. Similar opportunities have been captured in sulphur supply as well.

Our approach to assessing value, and our coordinated planning systems between marketing and operations, also facilitate value optimisation in our operating assets. For example, during the normal process of contract renewals, we took the opportunity, working hand in hand with our operating assets, to review our product offerings and make amendments that reduce complexity in our operations and, in doing so, also maintain supply of product to our customers. We have achieved this in our aluminium business in recent years by migrating customers from one product to another, allowing the smelters to eliminate smaller product runs and focus on efficiently producing a standard product offering. This does not mean that customers are unable to get products; by working with the customers, we have been able to offer them alternatives which achieve the same results. Sometimes it can be a cheaper alternative for the customer; sometimes it is an alternative that allows them to add value and capture a higher margin.

I could probably spend the rest of the day on examples around where our systems and processes have added value, but you get the gist of it. Our integrated systems and processes are the front end of our ability to optimise value in our business. The way we measure value, which Paul is going to speak about, is the other half of the equation that ensures that we are constantly identifying and capturing the opportunities and managing our business risk effectively.

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Paul Koppelman, Chief Financial Officer, Commercial, BHP Billiton

As the CFO, one of my roles is measuring the value of the activities undertaken and making sure these are effectively governed. To facilitate this, BHP Billiton marketing uses one model to measure all activities we undertake. Today, I would like to illustrate this governing measure that enables us to track performance of the marketing organisation.

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We have adopted a floating price model to measure the performance of all trades undertaken within marketing against the prevailing spot price. Unlike the old way of viewing risk, which would have been to assume the fixed price position was risk-less, the floating model adopted by BHP Billiton is aligned with how financial markets manage risk. Thus the floating price in our business is the zero-risk position, which gives better alignment to commodity risk, which is what our investors are seeking exposure to, but also provides diversification across commodities. This has been embedded in the organisation and therefore enables value to be measured against a reference price on a daily basis. The reference price unifies the total business by having common measurement across commodities, and thus it instils a performance culture. I would now like to talk you through where we have identified potential value and illustrate, with some real examples, how we have taken them to fruition.

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In recent years, the marketing organisation has conservatively generated value greater than 1% of total Group sales. The waterfall graph outlines the levers with which our model adds tangible value to the business. It also shows how we measure the net value-add of marketing.

Firstly, and most obviously, marketing adds value by securing the best possible price for our product. This commercial premium is measured relative to the prevailing market price for that product. Marketing is primarily focused on our equity product, but also adds incremental value by providing agency services to a number of third parties using our core infrastructure. In support of our equity business, we also trade third-party physical products, freight and associated financial products. Within a tight governance framework, Marketing is able to leverage value in this space. As steward of the supply chain, we also generate significant value via supply chain optimisation. This includes the freight route optimisation opportunities that Gideon mentioned earlier, location swaps for certain products and other measures taken to manage working capital in the most effective manner possible. In keeping with our customer-centric model, we also seek to develop products and services to package our core equity products to better meet our customer needs. One of the most significant of these is the technical expertise that we are able to bring to support customers in certain commodities, such as iron ore.

Of course, the model we adopt can in some instances involve greater working capital or overhead costs than a bare-bones, dig-and-deliver model. It is only fair that such costs are net of the value equation in marketing. Both working capital costs and other incremental costs are subtracted when assessing the financial performance of the marketing units.

You may be interested to know that the value generated is assessed on a daily basis via our integrated system. As Tom alluded to earlier, by virtue of our One Business view in marketing and integration with our CSGs, the value-add in these areas is not stated as a separate line in our results, but rather the benefits in dollar terms are transferred back to our assets. I will now take you through some examples of how this value has been generated.

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The first example I would raise is copper price participation elimination. As you will have been aware from numerous press reports at the time, in that instance, through fully assessing supply and demand fundamentals, we were able to identify a regional pricing mismatch, and we then took steps to eliminate that difference and move pricing back to a basis that reflected our global One Book and true underlying supply and demand fundamentals. This at the time provided $200 million per annum savings to the business. Gideon gave us a number of examples earlier that showed that our third-party trades, cross-commodity and multi-asset options have delivered significant premium value to our businesses. Other examples of this include multi-source contracts in Energy Coal, which allow us to source third-party product to reduce our freight costs. The iron ore example is where we blend lower-grade iron ore to achieve a higher weighted average total price.

The use of standard contracts combined with the commercial review process has enabled us to enhance significantly the value of key commercial contracts. This was noticeable in the WMC take-on contracts and recent renegotiation of coal and aluminium contracts. In the past, options were not fully valued. We now have a strong understanding of option values. This has resulted in buyer options being eliminated or fully priced. A key future challenge is the fair pricing of freight optionality in the iron ore business.

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The primary aim of marketing is to maximise the return on equity product. However, to achieve this, we participate in markets and have made good returns on the small amount of proprietary trading capital which has been allocated. The knowledge culture and structure of the Group has given us valuable insight into our trading markets. In recent years, our sophisticated model has enabled us to make strong returns in the variable freight market.

Our model is attractive to smaller players that do not have the logistics, governance and transparency that we have, thus our global scale, capabilities and systems support, and our ability to capture agency at minimal incremental cost. Of course, trading in other third-party business requires a strong set of standardised governance processes and systems to manage effectively. Our organisation is set up along the lines of many financial institutions, which strong segregation of duties, capital and Value at Risk (VaR) limits, risk committees and delegations. As mentioned earlier, this is all captured in one system, and the results are measured on a daily basis.

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Arbitrage is a major source of value. Real-time market conditions and our own production stockpile position determine what product quality and market is the most value. There have been good recent freight-optimisation opportunities, and the focus on a cost insurance and freight (CIF) strategy has led to demurrage mitigation. Greater end-to-end focus has given good forecasting capability, which has optimised our logistics modelling. Some of you may be aware that we have facilitated an incremental 2 million tons per annum throughput at Port Hedland by introducing iron ore screening in China.

Marketing efforts can enhance asset margins via enhanced yields, lower supply chain costs and absorption of operational variability. Recently we have seen a number of successes in raw material sourcing, as Mike mentioned earlier, including the $60 million saving in sourcing for our assets. Technical marketing has enabled high phosphorous iron ore and high ash products in Energy Coal to be sold, which, in turn, results in higher mine yields and extended mine life.

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This is one of the final elements of the value waterfall I have explained this morning. Marketing manages a significant part of the Group's capital, considering it controls the debtor book, a sizeable inventory value and the Group's entire revenue line. We have real-time transparency and reporting of the working capital deployed in our business. Each of our business units is fully charged for the capital that they use, and this forms part of the bottom-line performance measurement. This has allowed us to benchmark internally and externally to continuously improve our working capital optimisation.

As we manage the entire supply chain, from production through to financial settlement of commodity sales, we are exposed to six key risks. Marketing centrally manages these risks for BHP Billiton. Let me take you through each of those risks.

- First, information is vital to our business model and thus exposes us to the risk of systems failure or performance delays.
- Second, market volatility can lead to losses from commodity prices and currency movements.

- Third, our long and, at times, complex supply chain exposes us to losses from shipping risks, health and safety incidents, working capital costs, and contract and legal risks.
- Fourth, asset production variability and unscheduled down time exposes us to the risk of not having the right volume of the right material at the right time to meet our contractual customer obligations.
- Fifth, by selling to a broad range of customers across the globe and across a range of downstream sectors, we are exposed to the risk of non-performance. Customer insolvency and sovereign risk broadly captures credit risk.
- Finally, as we have seen recently, we are exposed to the impact of liquidity risk in managing cashflow, valuing positions and managing the potential impact on our customers and the industries we sell into.

Thus, risk management for BHP Billiton Marketing is all about recognising those elements in our operating environment that are sources of risk, building a single platform and system of controls around those risks, and managing and, at times, leveraging those risks in a commercial context. In a combination, then, this platform gives us insight and confidence to do a few things:

- Provide a broad range of risk management solutions to our customers that are properly priced.
- Underwrite credit risk appropriately and mitigate it if required.
- Structure our book to capitalise on market opportunities.
- Opportunistically restructure uneconomic commodity contracts.
- Develop and market new products.
- Manage our working capital and risk capital more effectively.

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I spoke earlier about the fact that we also have a strong focus on costs when measuring value-add. You may be interested to know that, notwithstanding the strong growth that we have seen in volumes due to the WMC acquisition, and organic growth, our marketing costs in real terms have declined over the last five years. Even though there have been significant commodity price rises over that same period, our costs against a fixed set of commodity prices have declined.

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One of the early focuses of our business was to strengthen the direct relationship with the customer and to remove third-party agents. If we had not taken that step, particularly in a rising price world, we would have seen significantly higher costsas the top line shows. In addition, our central freight team has delivered 5-10% lower freight costs relative to the prevailing market over the last five years, and the push from FOB to CIF has minimised demurrage costs.

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Tom Schutte, President, Marketing

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Across our businesses, we separate and measure each price component against the market, whether it is fully fungible, tradable product or not. We do the same for iron ore as we do for manganese, copper and aluminium. By comparing and measuring these against each other, we are able to determine if there is value seepage when compared against the total expected market price. This has enabled us to change the way we market our product and identify opportunities. The way we break down our pricing components and measure our performance versus the market on a daily basis has delivered to date.

We have fortunately been able to identify industry paradigm shifts and effect realistic changes in pricing dynamics to reflect true supply/demand fundamentals. This was evident in last year's copper and lead concentrate markets, where the removal of price participation reflected the true industry supply/demand fundamentals. With other areas identified by BHP Billiton, like the iron ore freight differential – an issue already identified in 2005 – we have, to date, not managed to achieve these fundamentals, but the challenge remains to correct this clear imbalance. You will remember, from our portfolio model, our base premise is merely to achieve prices that reflect true supply/demand. We believe that, longer-term, this is not only in the best interests of BHP Billiton and its shareholders, but also, most importantly, of our customers, as correct investment decisions will be made in a timely fashion to restore supply in what we believe is still a strong growth and solid demand world.

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As we stated at the outset of this presentation, we did not intend today to show you how to reflect this value in building your models. In essence, you cannot accurately do that from the outside, as the savings lie on multiple lines of the P&L, ranging from reduced costs, through to reduced costs of sales, and to enhanced revenue. You will all have seen the bubble chart as shown by our new CEO, Marius Kloppers, during our last Group annual results presentation. This chart shows the depth of the growth options and opportunities for BHP Billiton, where the marketing organisation will not only have to market and sell, but also distribute to its customers.
I would like to leave you today with four thoughts, which were highlighted throughout this presentation:

- This model adds value continuously and is cost-effective.
- The risk profiles of multiple commodities are better managed in a centralised fashion.
- It is scaleable to handle all growth, whether organic or acquisitive.
- The strategic insight that daily measurement to the market provides helps identity multiple areas of value-add, some of which we have delivered to date and some still to deliver.

Of course, all of this has an important focus area: for our customers, to supply an outcome which, in the longer-term, is better for them as we strive to fulfil their needs while, for our other stakeholders, true fundamentals are reflected – a delicate balance, but possible. I trust today has placed you in a position to realise and understand the premium value of this unique structure when you do your company comparisons. This brings us to the end of this section of today's proceedings. Thank you for your attention. The floor is now open to questions.

QUESTIONS AND ANSWERS

QUESTION: How does your centralised marketing model compare to some of the other companies that use the agency model, the most obvious being Xstrata? Can you give us some order of magnitude numbers in terms of what it would cost you to do your business agency style?
If we wanted to get an idea of what your marketing-associated cost base is, I guess we would need things like headcount and total cost. Looking at what the net figure is, it would be the difference between those two, plus any extra value that you create.
Could you talk about how your Marketing division compares to commodity traders like Glencore?

TOM SCHUTTE: To do an order of magnitude comparison with an agency model is relatively difficult, given the way that we are structured. We fulfil functions on the distribution side which typically would lie in the assets. However, if you want to do a very quick comparison, it is a very simple equation: a risk-free agency does business at a percentage of sales prices. Over recent years, we have seen sales prices increase substantially so, by default, the cost of marketing would have proportionately increased in one of those models. Typically, some of those revenues, depending on the accounting, are netted off the revenue lines, so you do not see them in their financial reports.

When you do a comparison of our model, costs have decreased on a continuous basis. As you add more volume, you do not have that uplift of the percentage linked to your revenue line. Had we not done this in 2002, when we changed the model, our marketing costs would most likely be four or five times higher than they are currently.

In terms of headcount, the figure, including distribution, is about 600 people, but there are much fewer frontline marketers than that, since much of it has to do with the logistics and distribution of the product. If you compare that with an agency, it would be 'bare bones' or largely have just marketing people. Comparisons are definitely more difficult to make. Many of those positions no longer exist in the assets, but report into the marketing network, because we take the total supply chain from start to finish in terms of distribution.

Net of costs, the value-add is about 1% of our revenue.

QUESTION: What was your total cost associated with the marketing division?

TOM SCHUTTE: We will not disclose that today, but it is very competitive.

In terms of a comparison with Glencore, I do not like to make comparisons with competitors. As we highlighted today, the model is unique, although it has some similarities with other models around the world. We believe that the current model adds significant value in various ways, for example in terms of talent management, bringing new graduates through a programme, giving them exposure to multiple commodities and building a depth of talent for succession.

QUESTION: You talked about wanting to achieve market prices based on supply and demand, and Marius Kloppers has made great mention of this previously. In those markets that you mentioned, such as alumina and iron ore, where there is relative illiquidity, how do you go about promoting that liquidity while still maintaining your own, large-scale, direct customer relationships? One example would be the European thermal coal traded market, which was developed into more of a liquid market by BHP Billiton. Can something similar be done with those two markets that I mentioned?

TOM SCHUTTE: That is a difficult question to answer. In relatively illiquid markets, most likely where thermal coal was in the late 1990s, it is possible, over a period of time, to develop a market which is more liquid. The question one has to ask is: why would you want to do that? The issue is more about finding what we believe to be a mechanism that reflects true supply/demand fundamentals, which was certainly achieved in energy coal.

MIKE HENRY: Everyone is aware of the history here. In the case of energy coal, the development of a more liquid market has not pulled us away from direct interaction with our customers, so we have the best of both worlds: we have the liquid market and externally transparent reference pricing, but we still have largely direct relationships with our customers.

TOM SCHUTTE: It is incorrect to think that a liquid market also takes away customer interaction. In the aluminium market, the price is set on the LME, but we certainly have contact with all our large customers around the world, working with them on multiple facets, ranging from distribution to technical quality.

QUESTION: You talked about paradigm shifts in markets; I am also interested in paradigm shifts that you may create. An example of that is Olympic Dam and a multiple increase in production capacity of uranium, in what is not an excessively large market. At what point does the marketing function get involved? At what point do you start seeking market assurance or even intentions to purchase that product? When does the ball start to roll in the process of a feasibility study?

TOM SCHUTTE: Olympic Dam is a very large project, as our CEO previously identified in response to questions. Certainly, at this stage in the planning phase of that project, there is still a lot that needs to be planned. Although Marketing is already involved, it will probably still be some time before we approach the customers.

MIKE HENRY: It is a bit of a difficult question to answer, given that there is no defined point in time at which Marketing is brought into the piece. There is ongoing interaction between Marketing, Business Development, our operational people and senior management to provide the company with insight as to what is going to be happening in the external environment. That is what sits behind the whole BHP Billiton marketing model and that fact that we are a customer-centric organisation, trying to understand what is happening with our customers and what is going to be happening in the industry going forward.

Specifically in respect of Olympic Dam, you are right that the uranium market is not a huge one, but the company has been quite clear about its views on the energy complex going forward.

BHP Billiton is positioned quite well within that and we believe that there is a bright future for energy, of which uranium is one part. We are confident that, given the size of the Olympic Dam resource and BHP Billiton’s strong balance sheet, we will be well-positioned to be a base load supplier to uranium customers in the future, and we are not concerned about being able to place material into the marketplace. We have ongoing interaction with customers around what is happening in respect of Olympic Dam but, as Tom said, given that the project sign-off has not yet occurred, we have not reached the point of going out there and locking in sales for that product.

TOM SCHUTTE: I showed earlier how we approach regions and countries in terms of growth, and those messages are fed back from Marketing to the organisation on a proactive basis, which helps ensure that we become involved in projects from their inception.

QUESTION: In terms of iron ore, you mentioned a push towards CIF pricing, which has enabled you to reduce your demurrage charges successfully. However, as I understand it, at this stage, you sell FOB tonnage, but in terms of your CIF product and the solutions that you are generating for your customers, you are not making any significant margin on those freight contracts. Ignoring the freight differential, because that becomes an FOB/CIF argument, why can you not take a cut on the differential between the solution that you can generate of a 5-10% benefit over the contract rate and what you can pass on to your customers?

TOM SCHUTTE: I would say that, to a large extent, we do capture some of this value. Demurrage is managed in a much better and more efficient manner by planning it ourselves. Had we sold everything on an FOB basis, you would find that port congestion, for example, would have been worse. We do not have congestion at Port Hedland, for example, since it is our own operated port, but we do capture a substantial amount of that value through increased throughput through our ports.

GUIDEON OBERHOLZER: There are two issues. If we want to take a cut from the freight that we procure on behalf of the customer, they are going to start complaining by saying that they can do it themselves because they can get it cheaper. For us, freight is not a core business and we do not really want to make money from it. The big thing for us is the benefit that the CIF strategy brings for us in terms of optimisation of our throughput through our assets.

TOM SCHUTTE: In the last year or so, getting the balance right between FOB and CIF helps you schedule your port much more efficiently, especially where we are the sole exporter from the port and we manage the whole berth. At the public ports, it becomes much more of an issue again. For us, the major benefit lies in the throughput that we can achieve by optimising the scheduling of the shipping. In the last few years, we probably increased our throughput by two to three million tonnes of iron ore, just through the scheduling benefit, which is where the real benefit lies for us.

As far as demurrage is concerned, the benefit for the customer is that we manage the supply of just over half the vessels. In reality, we manage the lay time of the vessels that are sitting there. At Port Hedland, over the last couple of years, we have not had any ship queues because we manage the queue and, indirectly, we are then in control of the demurrage.

QUESTION: Gideon mentioned the turmoil in global credit markets. Was BHP Billiton affected by this, and to what extent? Did it change the way in which you evaluate your credit risks?

TOM SCHUTTE: In terms of the US sub-prime crisis, which is what you are referring to, I think, we really see that the growth of commodities is primarily driven through growth and changes in infrastructure, which is where China and India come into play. In terms of the US crisis, our assessment is that it largely impacts on the financial markets. We believe that underlying demand for product is going to remain strong, largely driven and fired by infrastructure growth in China and India.

In terms of your specific question on credit, our Group portfolio does not have a large exposure to the US-specific market in terms of counterparties. Currently, about 7% of our sales are to the US market, of which a large proportion is domestic oil from the Gulf of Mexico. For a smaller percentage of that, we evaluate customers there on a continuous basis, looking at everything related to credit management. We do not, at this stage, anticipate that that will have any impact on us.

QUESTION: How much have you invested as a Group in SAP, and what are the ongoing investment or maintenance costs on an annual basis?

I would like to hear your view on the current freight market. There is a 60% increase in shipping capacity coming on stream in the next one or two years. Will that have an impact on freight rates?

TOM SCHUTTE: In terms of your question on freight, one of the things that we do not have is a crystal ball to project what is going to happen to freight prices, but if we look at basic supply/demand fundamentals, a key issue in terms of that total evaluation is the capacity addition that you referred to. This is probably the amount of ships that are on order, but there is a different level that is being anticipated for delivery earlier, which will have an impact.

GIDEON OBERHOLZER: I will focus on Cape rates, since that sets the scene for the whole freight market. Panamax and Handys follow the Cape rates and there might be a bit of a lag, so the real one to focus on is Capes. Given the forward order book, about 70% of the current Cape fleet is on order. As they place more orders, that will continuously increase. At the moment, there are only about 750 Capes in the world, but that depends on the definition of 'Cape', since the cut-off sizes are different from area to area.

In the years 2007 to 2010, we expect 50, 60, 110 and 200 cape vessels to be delivered respectively. There are a substantial number of vessels in the pipeline, so we see a big increase in the supply of vessels. In addition, we are also starting to see many old single-hull VLCCs (very large crude carriers) being converted into bulk carriers. At the moment, about 50 will be added to these numbers, which we should see coming on stream in 2008. Against the backdrop of this huge number of vessels coming on stream, there will be pressure on freight rates, given the current scenario.

TOM SCHUTTE: In terms of our current forecast of our own growth rates, as well as the growth rates that others have indicated around the world, we feel pretty comfortable with the fact that there are enough vessels around for us to carry our product to customers. As Gideon indicated, supply/demand in the freight world works like any other business. With prices where they are at the moment, if they can get queues in a shipping yard, some more ships will be built.

PAUL KOPPELMAN: The question on SAP investment is a difficult one. At the merger of BHP and Billiton in 2001, there was a view to going to one system. Since then, capital spend on that project is about $10-15 million per annum, as we have integrated from numbers of different systems to all commodities, logistics, governance, freight and finance being on the one system. All our business is now on SAP, and one of the broader things is to roll out one SAP across the business, which is a different project.

From a maintenance perspective, it depends on your definition of maintenance, in the sense that, given that our business is fully dependent on SAP, we have fairly good maintenance infrastructure. Maintenance is more than just architectural maintenance; it is also around training maintenance of the individuals involved to ensure that they keep up on the learning curve. If I take all that into consideration, you are looking at $10-20 million a year on the maintenance of the system, including the associated infrastructure behind that.

TOM SCHUTTE: When we started building this system at the time of the merger, we had 22 different execution systems. The initial investment in the early years of a system like this has a lot to do with process standardisation and re-design, which we invested a substantial amount of time in. At the time of the WMC acquisition, where we took the copper side and the nickel side, it took us 90 days from inception to full implementation, including system implementation and the training of our marketers and distribution people. Those are some of the advantages that we have in place, having standardised these processes. It helps from a cross-skilling perspective too. As we indicated, that led to immediate savings following the WMC acquisition in terms of basic synergies of $15-20 million, so payback is relatively quick in terms of that, but initial investment and effort in management time setting something like this up is extensive. At this stage, we certainly have the scale to be able to benefit from our initial investment.

QUESTION: Building on the question about FOB versus CIF, I understand that controlling your own CIF means you control demurrage. In terms of those customers who say, 'We will not take your freight', why can you not say to them, in a very tight market, 'You do not get our product unless you take our freight'? We are looking at a substantial freight differential delivered into China; why should your customer get to keep all of that instead of your shareholders benefiting from it too? Second, could you give us some guidance on long-term price differentials between the major producers – Brazil and India – into China for iron ore? We understand that many vessels are coming on, which should make freight differentials lower, but does it really take twice as long to float iron ore from Brazil to China or Japan than it does from Australia? What do you think that is going to be in the longer term?

Why does this not apply to coking coal or other coals too? Australia is a major producer of coking coal. Japan, Korea and India need a lot of it. Could you talk about the application of a paradigm shift on coking coal freight rates too?

TOM SCHUTTE: The iron ore freight differential is a long-term differential that you are referring to. You are asking why we could not achieve it immediately by saying that we will stop shipping. At the outset, I would say that BHP Billiton is a large organisation that has a huge reputation, which we built up over many years, and what we will not do is walk away from contracts. The freight differential is certainly an issue that is there – it is something that was crystallised some time ago – and we believe that the true demand/supply fundamentals have not been reflected to date. This is nothing new and we have been working with our customers on this for the last few years, and continue to do so. In essence, we wish to get through some supply/demand fundamentals – nothing more and nothing less.

In terms of long-term freight differentials, the supply/demand balance that Gideon indicated could come more into balance with freight in the future. These figures will vary too. There are also things that we have not discussed here today, such as scrap ratios of older vessels, which can also affect supply/demand, but we do believe that there will be a long-term differential in play. As you rightly pointed out, it does take longer to ship product from Brazil to China, so as their capacity increases, more ships will be on the water and will take more planning. However, the differential will remain. For me to try to estimate at this stage what the freight differential will be on a sustainable basis going forward is a bit like looking into a crystal ball, and I will refrain from doing that. However, looking at some basic fundamentals, there is a freight differential that will remain there.

In terms of coking coal, the supply/demand fundamentals in that market are very strong, as you know, and we also feel, looking at the growth in the steel industry, boosted specifically by growth in India, the demand for coking coal is estimated to remain strong for the coming years. However, the

areas where the products come from are logistically slightly different to iron ore. The issue as a concept exists; the differentials are just smaller, because some of the product coming from Canadian producers to the eastern market is different to where we are on iron ore. Conceptually, however, it is the same issue.

Liquid products like aluminium or anything else that is traded on an exchange has a price discovery mechanism that indicates the price on a delivered basis, which is where we saw the differences in the basic industries.

QUESTION: A significant proportion of your production is contracted, so could you elaborate on the floating price model?

TOM SCHUTTE: This is certainly a model which most of you would be quite familiar with. One of the basic principles of BHP Billiton in terms of its portfolio model is risk diversification. Having a multitude of commodities that we offer our shareholders, you get basic risk profile diversity, in that different products do not necessarily all go up and down at the same time. Even in today's markets, with strong demand, there are still some variations around that curve.

In essence, we feel that having fixed price exposure, such as, for example, selling coal at a fixed price, changes the risk profile of the organisation. We do not try to outsmart the market; all we want to achieve is the price on the curve. That, by default, with the range of products that we have, creates that diversification and that risk spread.

You say that we have a lot of contracted tonnage, which we do, of course, but depending on the products that you refer to, many of our products are priced at a visible, moving price reference, so we are on the index. For some of the others, we use derivative products to take our fixed-price contracts to floating. The advantage of that is that it makes it easier for you and others who follow this business to determine what our performance was, because it will always be on the market. We will always want to strive to achieve on the market.

QUESTION: In the past, Marius has talked about trying to break the linkage for alumina; rather than selling it relative to the aluminium price, selling it on a supply/demand basis. Do you think that that is something that is possible in the future?

TOM SCHUTTE: The example that you are using is a clear indication of that. We certainly believe that products upstream should reflect true supply/demand fundamentals. BHP Billiton focuses on upstream, world class, long-life assets, priced as far as possible on international pricing. The alumina/aluminium reference that you referred to is one of those areas that should be priced, in our view, on pure supply/demand fundamentals, and therefore separated. Unfortunately, with our size being where it is in terms of the market, and given that much of that alumina is consumed internally by our own operations, we have not succeeded in pushing that forward.

However, we have taken various other steps with regard to alumina pricing, which ranges from variations on put/call ranges and various other commercial areas in contracts which I do not want to elaborate too much. There are varying ways of achieving a similar outcome.

QUESTION: I have a follow-up to the earlier question on Olympic Dam. I would have thought that the size of Olympic Dam would be set by how much uranium you could sell. You have been indicating that you could place all the uranium from Olympic Dam, regardless of whether it was 15,000 or 25,000 tonnes a year. I would have thought that you would at least have to be careful around how you schedule the start-up of that operation, and that Marketing would be more directly involved. Could you discuss these issues a little further?

TOM SCHUTTE: I can confirm that Marketing is involved in the basic determination of market size, etc; it is just a matter of timing.

MIKE HENRY: I was probably too simplistic in my response. Of course, Marketing takes a view on what the growth in the uranium market is going to be going forward. We look at what is happening with other producers, where the various participants sit on the cost curve etc, which will help to form the view around how large the project will be, as it would with any other project. What I was trying to say was that, based on our view of the uranium market going forward, and on our belief around what our position would be in the market going forward, there can be a substantial increase in Olympic Dam, as I think everyone is aware, and that is not the sole or significant constraint on the project at this point in time. Marketing is very involved in the project development process on an ongoing basis, as are many other disciplines.

TOM SCHUTTE: In any project, there are certain things that are on a critical path and others that are not. Currently, we have enough confidence – we market the product on a day-to-day basis in terms of current production – to know the size of the market, and we have a very good estimation of the size of the future market. In terms of the OD (organisational development) programme, Marketing is not on the critical path of bringing that project to fruition.

QUESTION: Historically, petroleum has been somewhat separate to the rest of the organisation in its marketing activities etc. How has that developed over recent years? Has petroleum been brought closer? Where has the value-add been within the petroleum division for Marketing? Having spoken to Marius, he has a strong opinion on the pricing of iron ore. The pricing outlook for coking coal appears to be somewhat softer, yet you are selling potentially to the same customers.

In coking coal, there appears to be more of a relationship-style pricing going through, whereas it is more transactional and more around immediate supply/demand outlook in iron ore. With regard to coking coal, is there something that we are missing as to why pricing is not going to be pushed as hard as iron ore?

TOM SCHUTTE: Petroleum is part of the Marketing organisation, and the petroleum marketing director, Alex Green, handles all petroleum products around the world and reports to me and to Mike Yeager. It has, therefore, been fully integrated, allowing us to achieve advantages in that business over the years. It is a business that is much more liquid than most of our products, in terms of trading, and opportunities in that market arbitrate out very quickly – virtually within a couple of minutes on the screen. The pure financial benefits on basic trading are, therefore, fewer than in other areas.

In terms of standard operating procedures and ways of distributing the product, we have added a substantial amount of value. One has to realise that a VLCC is, in essence, no different to a large ore ship. It has a lot of other vetting standards, but we have a vetting programme that takes that into consideration. Distribution channels also have many similarities, as do ways of measuring performance against the market curve. All of these things are standard, as they are in other products, which deliver value.

In terms of your second question, on coking coal, we do not subscribe to your comment that the coking coal market is softer than iron ore. I certainly believe that the demand side of coking coal looks quite robust.

PETER TOTH: I am not sure where you got that view from, but I would try to change your perception with regard to the coking coal market.

That market is very strong. Admittedly, it is less publicised and is perhaps receiving slightly less attention currently from analysts and journalists than the iron ore market. The underlying fundamentals of the coking coal market are very strong, the strongest that we have seen for some time.

Two things underpin this strength: first, there are constraints to new capacity coming to the market, reflected in the ability to get to the coal as well as infrastructure constraints around rail and ports – these aspects have been well-publicised; second, the growth in underlying demand. Metallurgical coal and coke demand from traditional markets is performing strongly, as well as from growth markets such as China and India. India relies almost entirely on seaborne coal to meet its steelmaking metallurgical coal demand, and the Indian steel industry is performing very strongly.

There are also some emerging signs from the Chinese steel industry that it is not able to meet all of its high-quality coking coal demands from domestic sources. The economics are also changing between domestic and imported coking coal, particularly in the high-quality segment and the coastal steel mills in China.

In terms of relationships, our customer relationships are certainly very important in the coking coal business, but the price-setting mechanism is neither more nor less important than in any other commodity. The market sets the price and we have some very high expectations with regard to the settlement price for the new contract in Metallurgical Coal.

QUESTION: Could you talk about the current physical premiums in the base metal markets regionally in terms of what you are seeing there? Could you also quickly touch on what the timing terms of your contracts typically are on those?

TOM SCHUTTE: If we look at the base metals market, certainly another story of robust demand. Looking once again at growth in China, there is a substantial amount of copper consumption in China. It is probably more balanced than something like iron ore, but demand is still robust. If we look at the basic fundamentals in the copper market, we predict a big deficit in terms of copper concentrate in the future. We certainly believe that this market will remain robust.
As to specific premiums in the different markets, you know as well as I do what influences those have, but predicting it can be quite difficult. I will refrain from standing here giving you a prediction. In terms of contractual timing, I assume you are referring to the period in which our product is provisionally priced. That is disclosed during our annual reports, and there are provisional pricing adjustments made at year-end with regard to price movements. That is familiar territory. The specific period differs from customer to customer and in terms of the regions in which we sell. Although we have a relatively stable portfolio, we do swing or move product, at certain stages, from one geographic area to another, or from one customer to another, which affects the specifics of the open pricing term. It is something that is relatively unique to the copper market. We do not see that in any of our other products.

QUESTION: Our business is very much focused on China. You have been discussing controlling risk, issues like price risk, credit risk, etc. In a country like China, where there are a lot of new customers with a limited track record, and credit information is very limited, how do you include that in your models to put the issues into what seems like a very intricate model? Information coming out of China is very limited. In addition, how does regulatory risk in China, with respect to changes

in VAT and export taxes, feed back to your models for doing business in China and the credit risks for every particular customer with which you deal in China?

TOM SCHUTTE: With regards to credit risk and limited information, to some extent what you are saying is true but, on the other hand, we should realise that some of the large institutions with which we deal in China are robust companies that have government backing. Certain of them have very large reputations as well, in terms of not reneging on contracts. We trust them on that. However, the majority of our terms set in China are not on open credit; we deal largely in letters of credit (LCs). For the time being, until we can get further clarification or visibility on underlying fundamentals like balance sheets, that will remain. We have some portion of delivered sales, and the risk profile on that is assessed in a similar way with a similar methodology, which you would know from looking at Western markets.

Something like regulatory risk and changes in VAT obviously affects us. We have a company registered in China, from which we do some of our distribution into China. It affects that company but it certainly has not affected it to a detrimental perspective from our own business. There are issues one has to look at that are probably broader than VAT, which one can manage easily, like import and export licences, which have a big impact on our business and are monitored on a continuous basis. We have an office in Shanghai and also a smaller, secondary office in Beijing. This is on the ground and feeds any changes back into our system very quickly. When you look at China in terms of country risk, China has no country risk. That is a fallacy when one tries to work from the old paradigm that says it is riskier to sell products into an area like China. We certainly do not agree with that view.

QUESTION: I know we have been over the iron ore freight differential a few times, but how confident are you that you will secure that in 2007, given that you tried unsuccessfully in 2005? I know we have talked about the reasons, but how confident are you of obtaining an outcome this time around?

TOM SCHUTTE: We as an organisation continue to work towards putting a mechanism in place that reflects true supply/demand fundamentals. We have not stopped discussing this with our customers since 2005, and we will certainly continue to discuss that. To predict anything at this stage is very early in the game. I would certainly not try to do that.

QUESTION: Are you working by yourselves this time around or in conjunction with Rio Tinto?

TOM SCHUTTE: I have no idea what Rio Tinto is doing. We read the same newspapers as you and certainly read the same analyst reports that many of you prepare. The whole discussion or negotiation season has not officially started, so nothing has been put on the table yet.

QUESTION: Would you consider selling more iron ore into the spot market as opposed to predominantly contracts, as you are doing at the moment?

TOM SCHUTTE: As I mentioned earlier, we have contracts in place and will certainly not walk away from any of them. That is not BHP Billiton's style; we are a reputable long-term supplier. As we look at this market as it develops over the years to come, a certain percentage of our expansion tonnages are likely to be allocated towards that should we not find a mechanism that reflects true supply/demand fundamentals.

Ladies and gentlemen, I would like to thank you for attending today. Thanks for your attention.

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