

Singapore



# Creating value through marketing excellence

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14 October 2015



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Unless specified otherwise, all data is presented on a continuing operations basis to exclude the contribution from assets that were demerged with South32 and references to Underlying EBITDA margin and Underlying EBIT margin exclude third party trading activities.

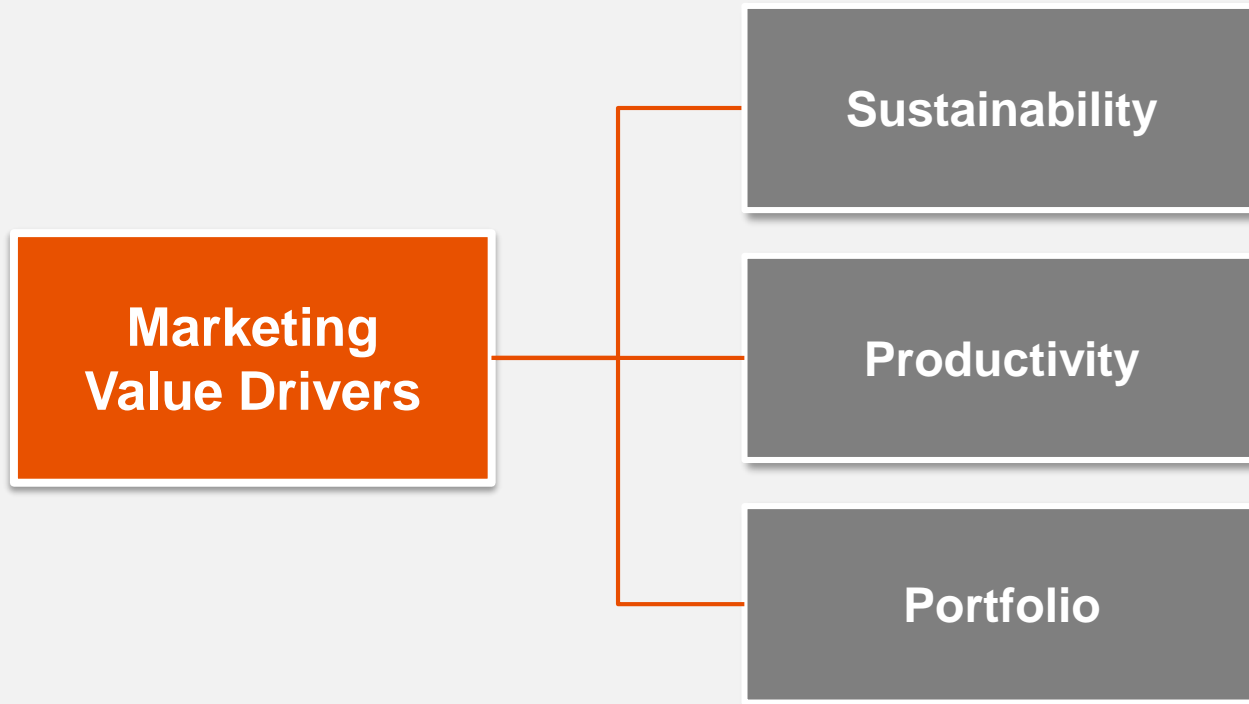
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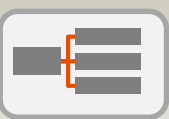
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# Creating value through marketing excellence

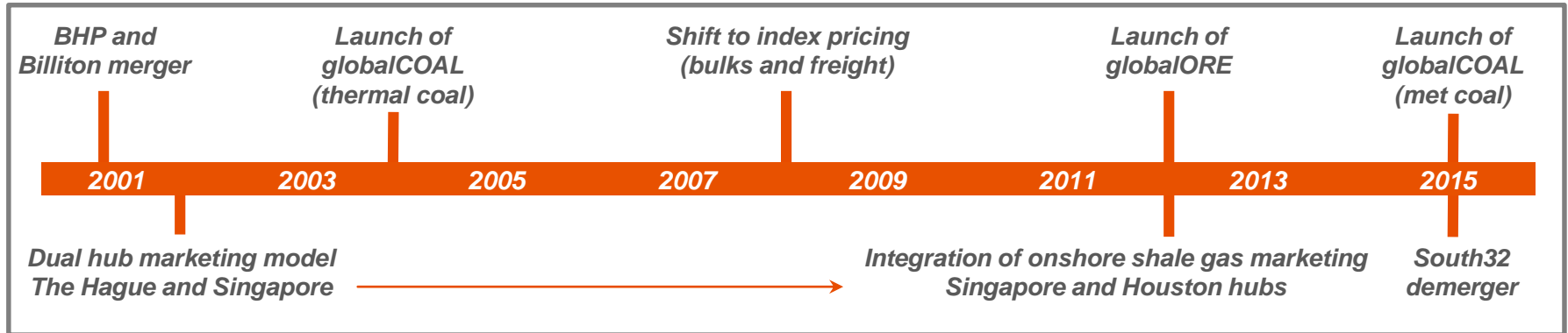


**Our people, culture and highly centralised model**



# Our journey

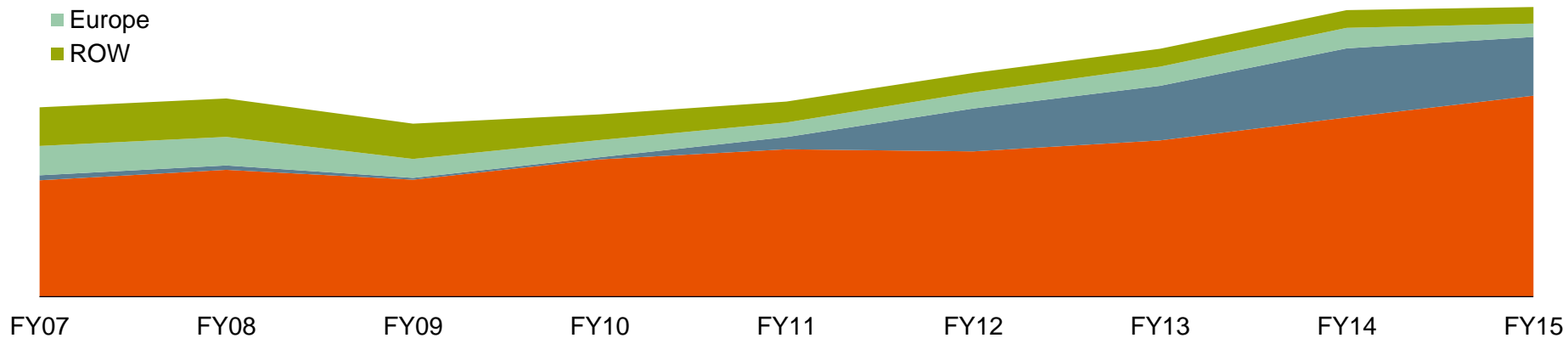
## Leading transformation in commodity markets



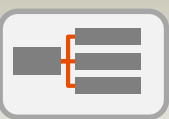
### Sales by region

(Total sales, copper equivalent units<sup>1</sup>)

- Asia
- North America
- Europe
- ROW



1. Copper equivalent production based on FY15 realised prices. Sales based on equity volumes.

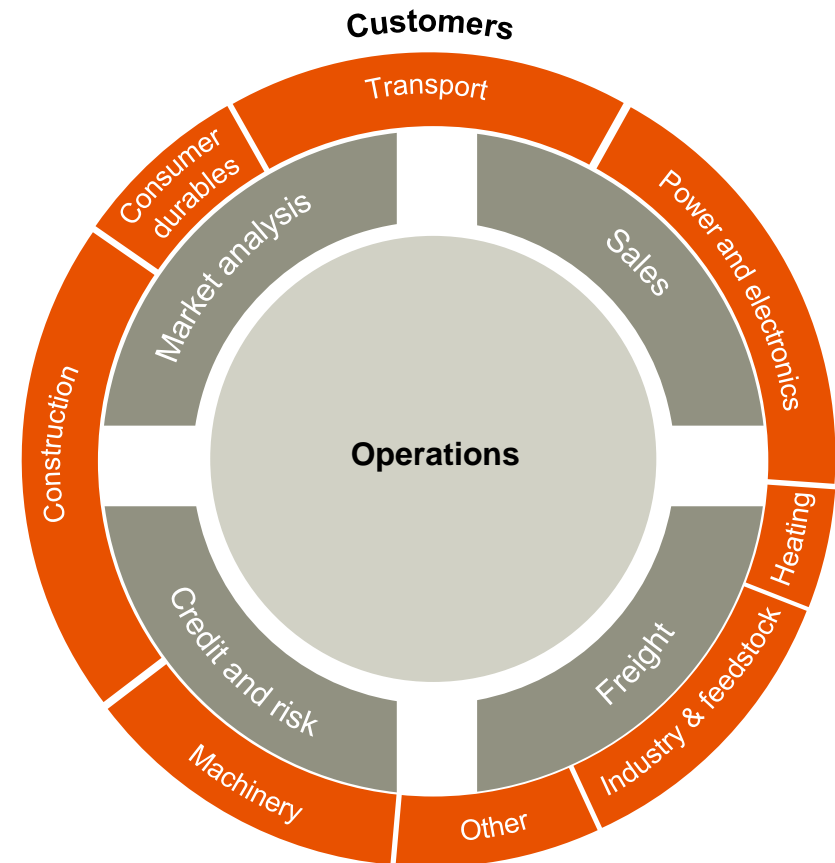


# Our simpler centralised organisation

Accelerating best practice

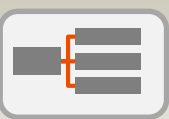
- We connect the resource to market
- Post-demerger, we continue to maximise the advantages of our centralised structure
  - aggregating and driving efficiency
  - optimising our global book
  - applying best-in-class risk management
  - leveraging market intelligence from diverse product markets and customer sectors
- In FY15 Marketing managed
  - US\$44.6 billion of sales<sup>1</sup>
  - US\$3.0 billion of supply chain costs<sup>2</sup>

***We create substantial value through rapid replication of best practice across our diverse portfolio***



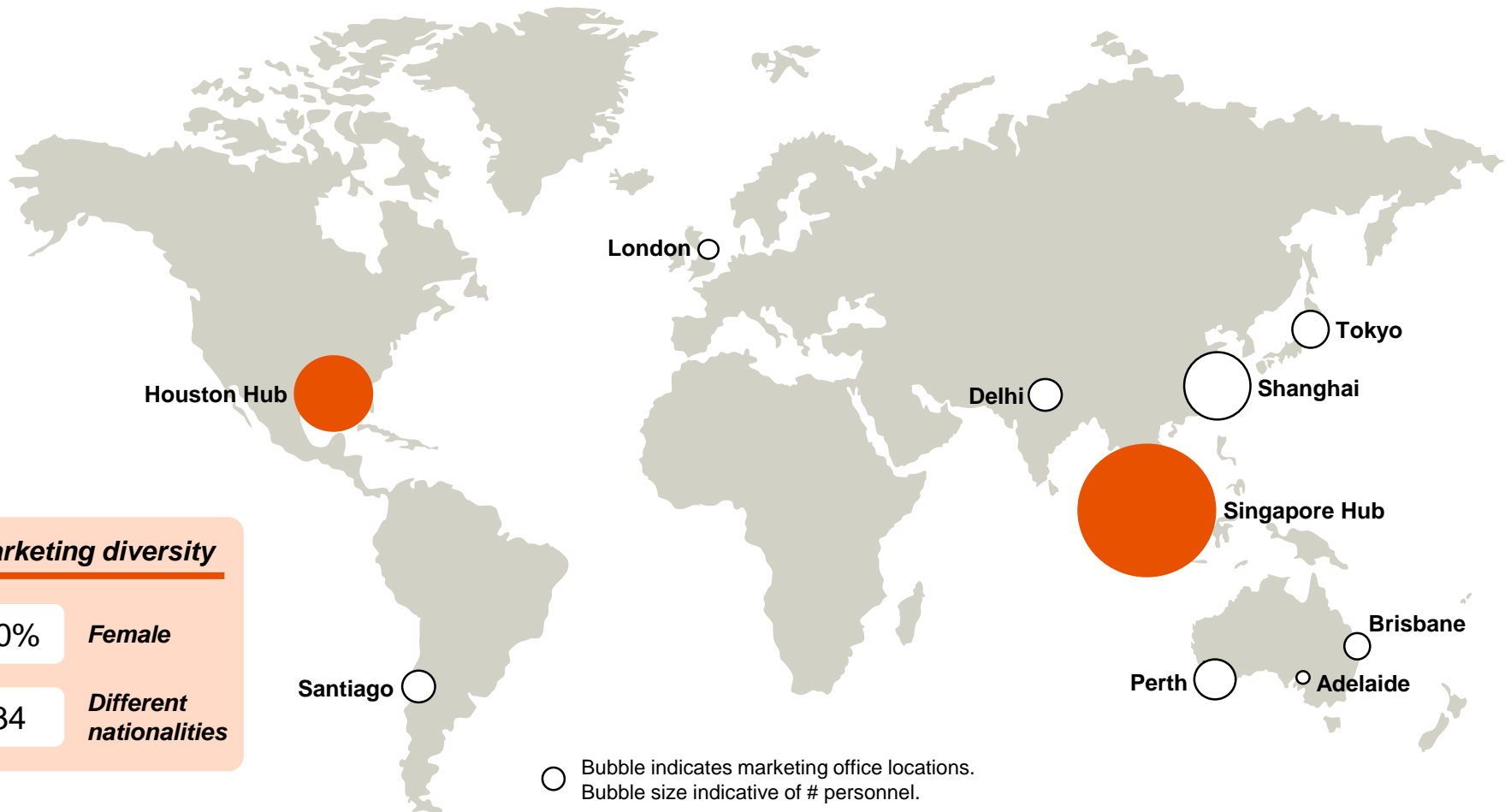
1. FY15 Group revenue.

2. Includes freight and pipeline costs.

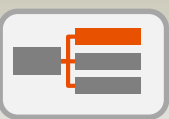


# Our locations

Global footprint with strength in diversity



***Our dual marketing hubs in Singapore and Houston are strategically located – close to our customers***



# Safety is our first priority

Marketing is accountable for product stewardship

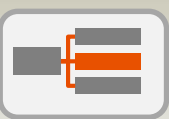
- In FY15 we had no significant HSE events as we
  - moved ~220 Mt of freight<sup>1,2</sup>
  - chartered over 1,710 vessels<sup>2</sup>
  - handled hazardous materials
- We drive the continuous improvement of industry standards, working with industry and governments
  - Transportable Moisture Limits
  - ship vetting procedures through RightShip

***Managing supply chain risks globally to avoid incidents and interruptions to our customers***



1. Moved tonnes includes only freight managed by BHP Billiton.  
2. Includes discontinued operations.





# Revenue enhancement

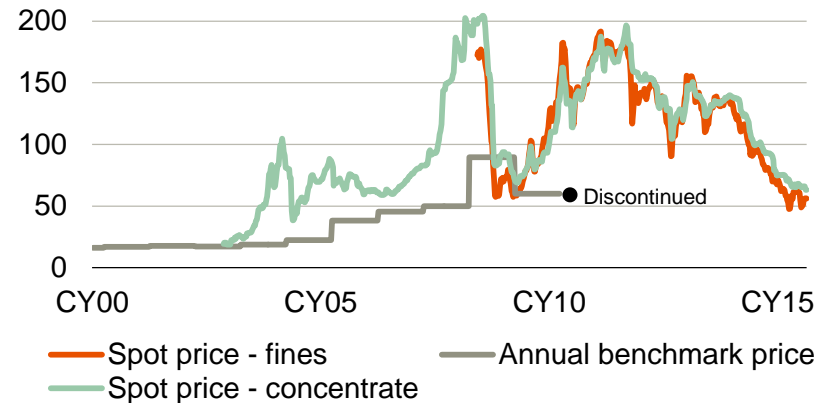
## We deliver a competitive revenue line

- Optimise product placement to customers through deep technical understanding of
  - our customer’s operations
  - the value of our product performance
- Achieving the best price
  - driving transparent pricing to enable full value recognition of our high-quality resources
- Iron ore pricing has evolved
  - we were at the forefront of the transition from benchmark to index pricing
  - this allowed us to capture the geographic competitive advantage in freight between Australia and Brazil

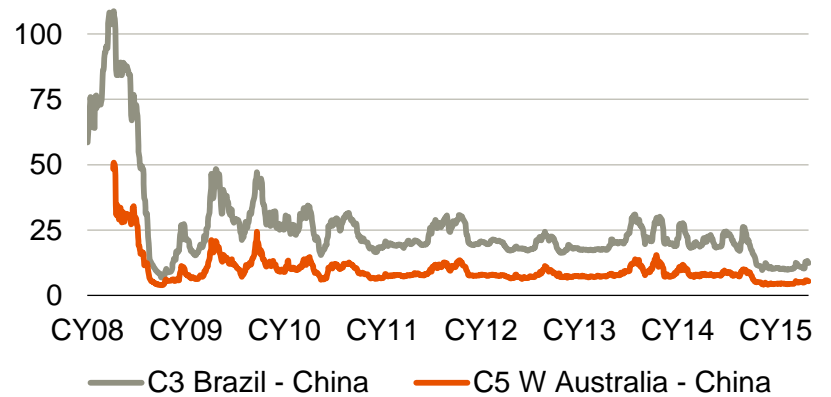
**Leading market transformation to capture full value for our quality resources**

1. Spot price sources: Platts 62% Fines CFR and Tangshan 66% concentrate.  
 2. Annual benchmark source: TEX report.  
 3. Source: Baltic exchange.

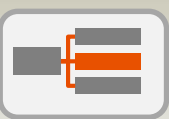
**Indexation created price transparency in iron ore..**  
(US\$/dmt<sup>1,2</sup>)



**... allowing us to capture the freight cost advantage**  
(C3 and C5 freight indices<sup>3</sup>, US\$/dmt)





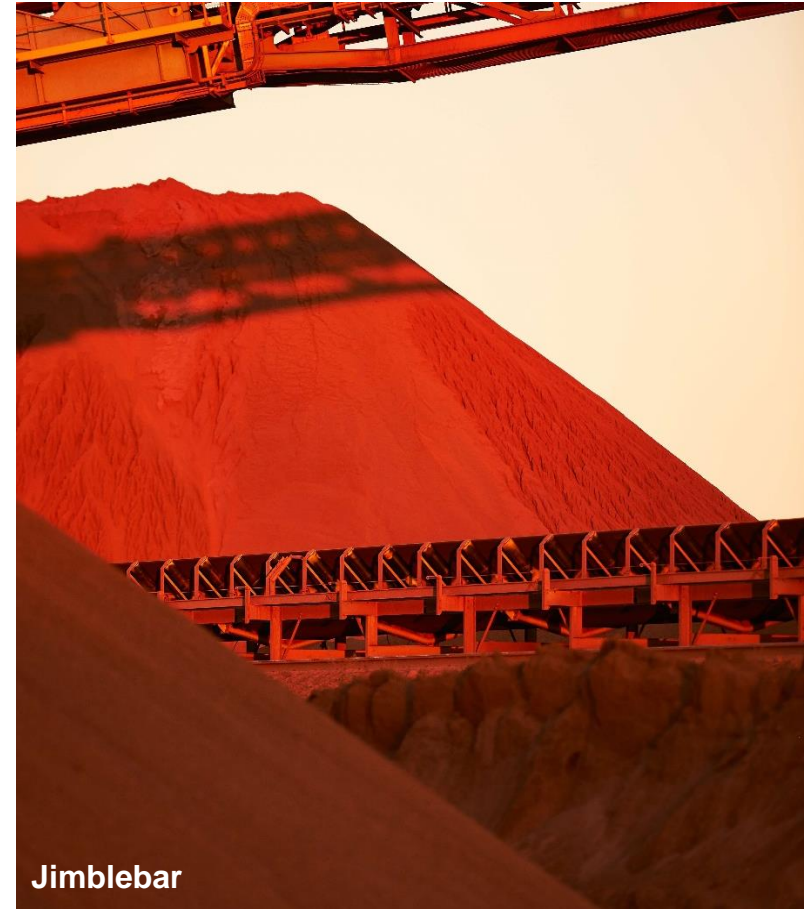


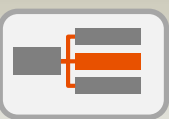
# Resource maximisation

## Driving value maximisation of our Tier 1 resource base

- We translate our customer needs into clear actions for our operations, to enable optimisation of mine planning...
- ... and debottlenecking of the supply chain for end-to-end efficiency (mine to customer)
  - “never an empty berth”
  - “maximise loader utilisation”
  - “minimise vessel turnaround time”
- Allowing us to accelerate the right resource to market

***Maximising the returns from our existing infrastructure***





# Cost reduction

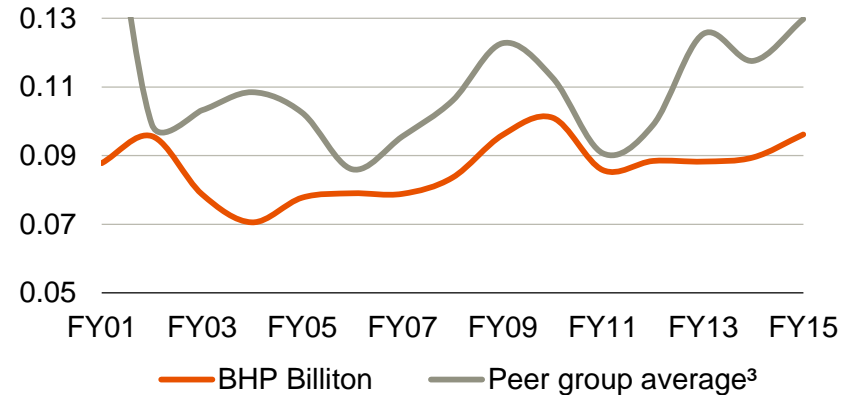
## We maximise Group returns by minimising our cost base

- Capital is allocated to the highest return options in our portfolio
  - no ownership of vessels<sup>1</sup>
  - trading of third party products is a low margin business
- Superior working capital performance
  - optimised customer portfolio allows shorter supply chains and less working capital
- Improving productivity through simplification
  - aligning systems, processes and organisational structures enables benchmarking and best-practice

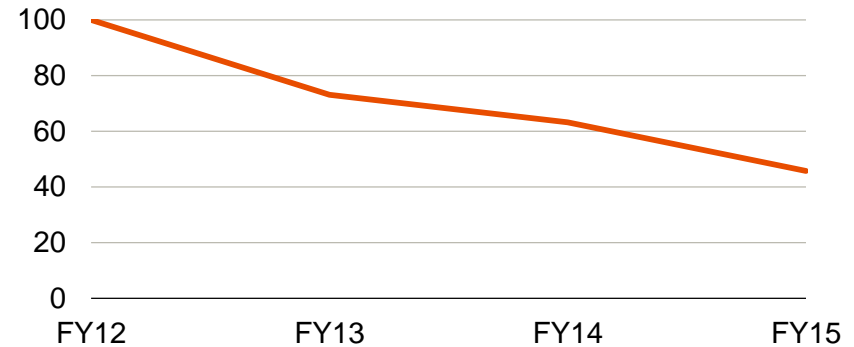
***Ensuring that capital is allocated where the greatest return is achieved***

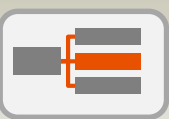
1. No ships wholly owned by BHP Billiton.  
 2. BHP Billiton figures include discontinued operations prior to FY15.  
 3. Peer group includes Rio Tinto, Anglo American and Vale.  
 4. Marketing overheads per copper equivalent unit of equity sales using FY15 realised price, includes discontinued operations.

### Superior working capital management (inventory/total revenue<sup>2</sup>)



### Driving productivity through the cycle (US\$/t of copper equivalent unit sold<sup>4</sup>, index FY12=100)





# Continuous improvement

## Building on our achievements

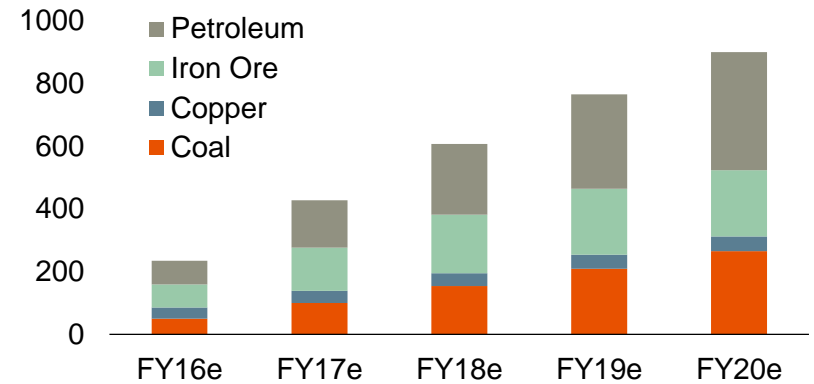
- In a highly competitive and cyclical industry, continuous improvement is essential
- We are 'hard-wired' to drive improvement every day, with a dedicated analysis and improvement function
- We identify and prioritise opportunities that are aligned with our key value drivers
  - revenue enhancement
  - resource optimisation
  - cost reduction

***Our productivity pipeline has delivered substantial value, with more to come***

1. Represents the single largest initiative in each business.  
 2. Number of export orders fulfilled electronically without paper.

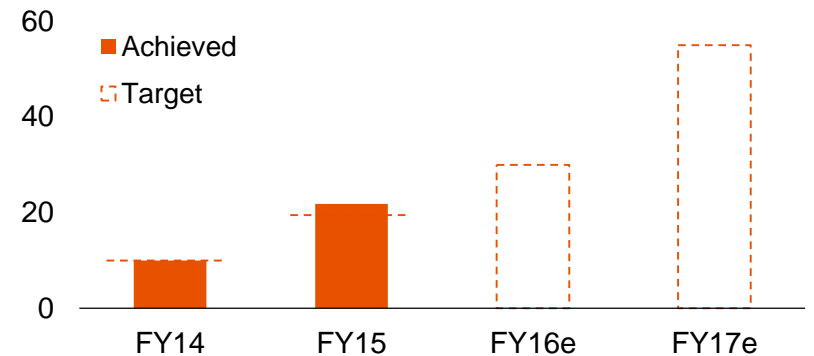
### Marketing contributes to business productivity<sup>1</sup>

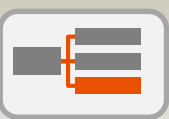
(cumulative contribution to free cash flow, US\$ million)



### Leading automation through eDocumentation

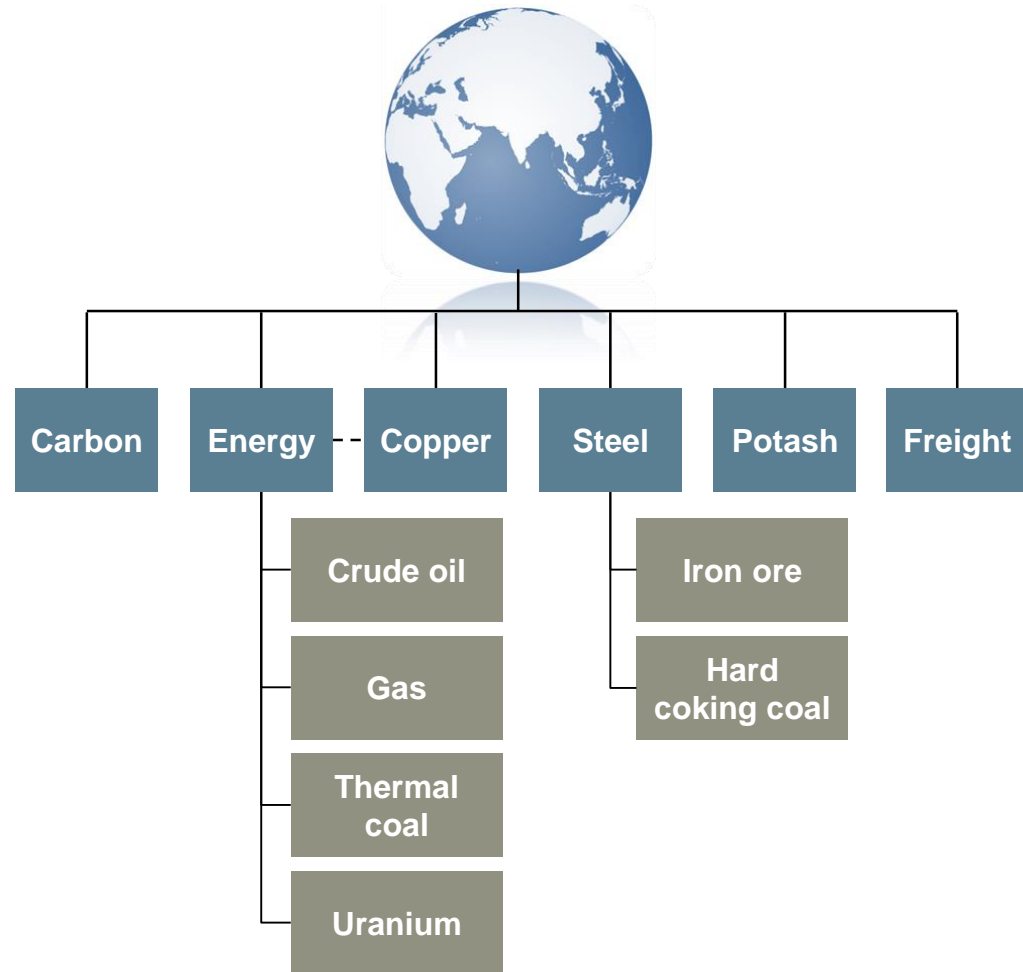
(paperless transactions<sup>2</sup>, %)



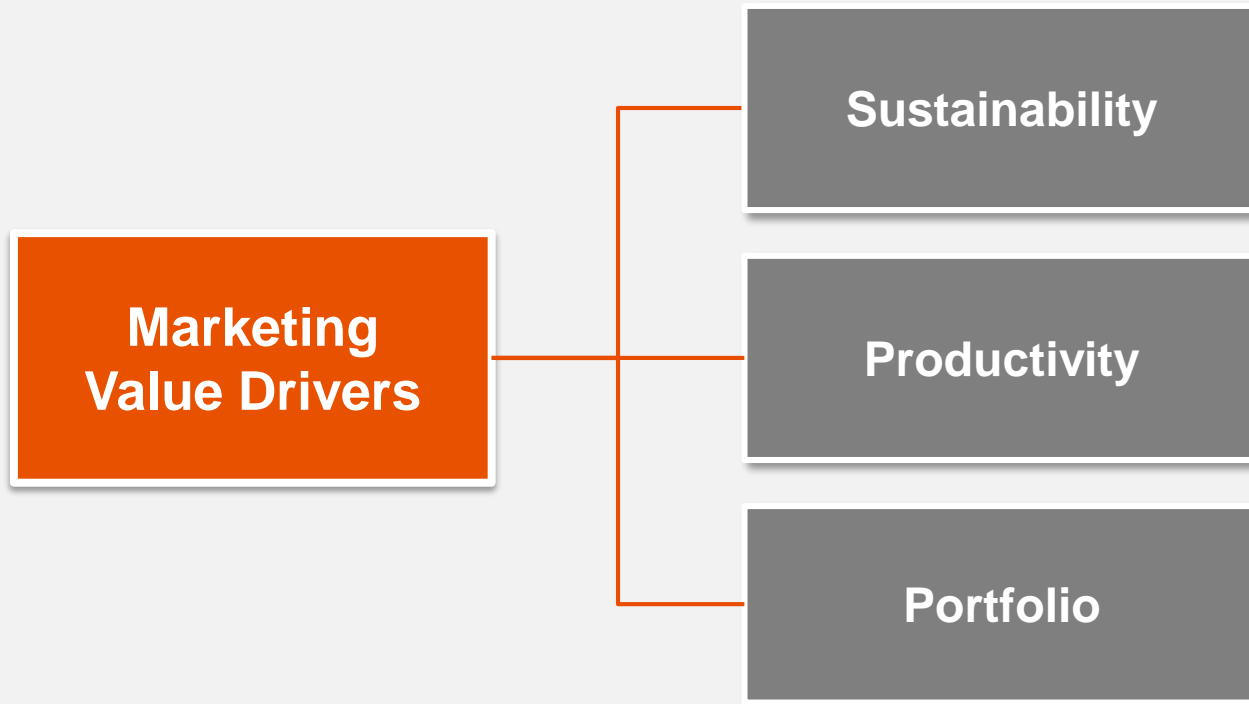


- We leverage our global footprint and diverse knowledge base to inform our outlook on commodity markets
- Our holistic approach to analysis ensures integrated views across commodities
  - global and regional economic drivers
  - demand sector intelligence
  - commodity forecasts
- Scenarios are used to understand key uncertainties, and test the resilience of our portfolio and investment options

***Providing insights to enable strategic decisions***



# Creating value through marketing excellence



**Our people, culture and highly centralised model**

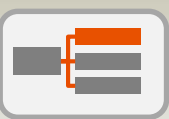


# Case studies



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resourcing the future



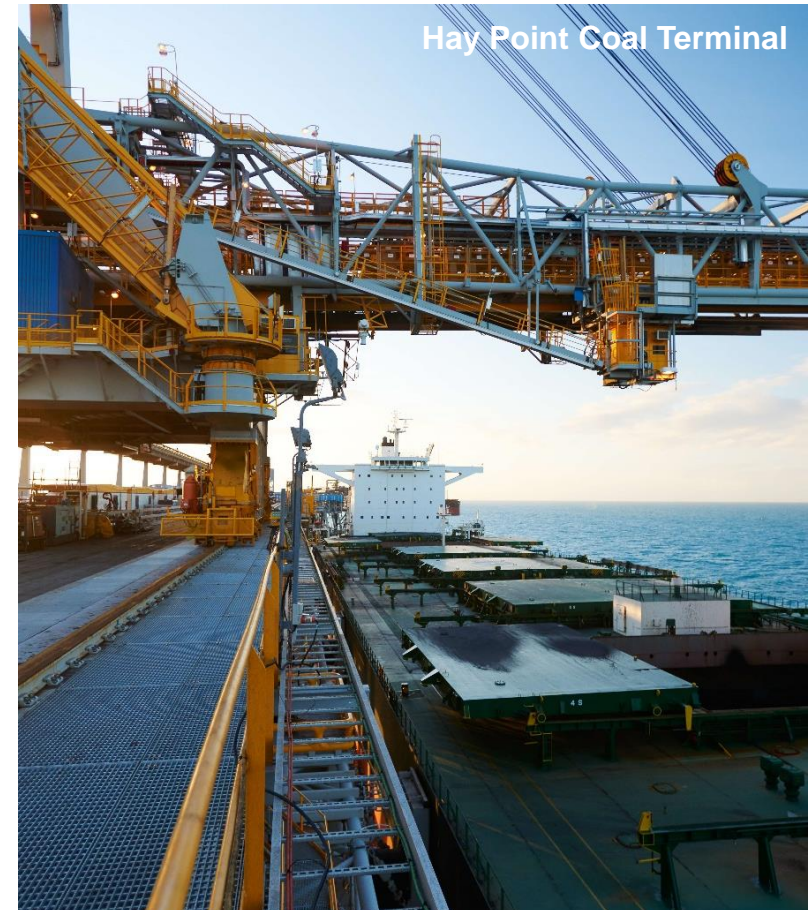


# Case Study: RightShip

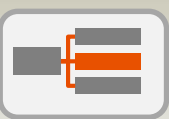
## Setting the standard for vessel safety

- Prior to 2001, there was no visibility of vessel performance based on a common set of vetting standards
- BHP Billiton led efforts with key industry peers in October 2001 to form RightShip
  - independent ship vetting company
  - ISO9001 and ISO27001 certified
  - operating in 40 countries
  - over 250 customers globally
  - conducted 35,847 vets in 2014
- Today RightShip rating is the standard across the minerals industry

***Driving improvements in safe operations globally***







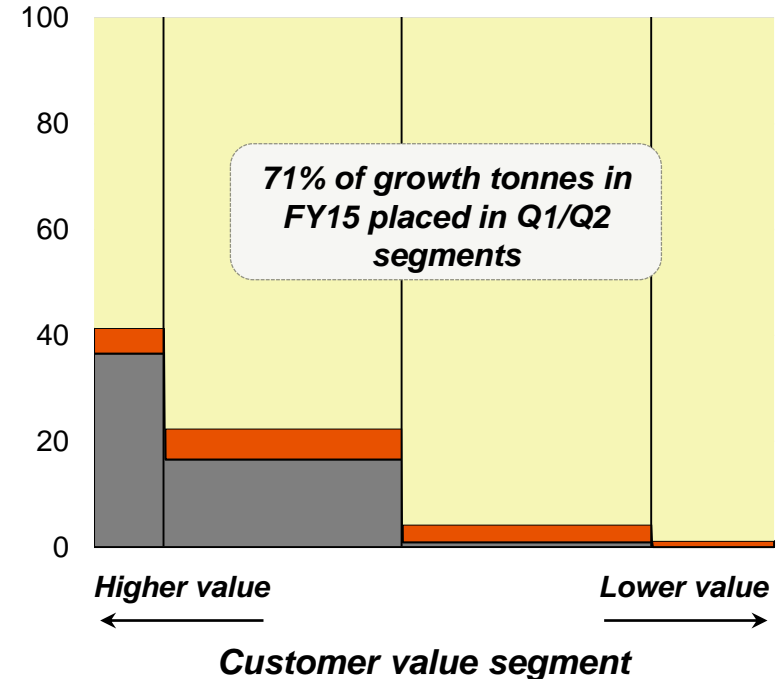
# Case Study: Metallurgical coal

## Growing the high-value tonnes

- The coal market comprises multiple product qualities, each with its own intrinsic value to our customers
- Our product placement strategies maximise the benefits for our business and our customers
  - specific product qualities
  - importance of supply stability
  - low level of impurities (e.g. ash)
- In FY15, 71% of our growth volume was placed with customers who can extract the most value from our quality products

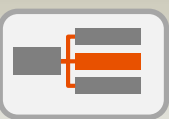
### **Improving our profitability through product placement**

**PMV<sup>1</sup> volume placement FY14 vs FY15**  
(share of customer purchases, %)



- BHP Billiton share FY14
- BHP Billiton share FY15
- Competitors' share FY15

1. PMV – Premium mid volatility coking coal.



# Case Study: Copper

## Optimising value-in-use based on customer requirements

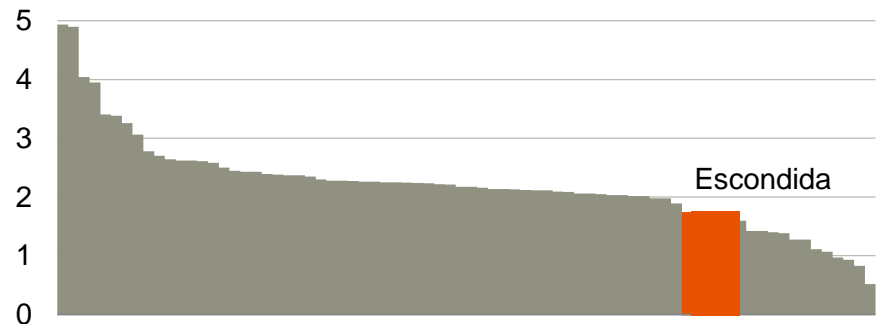
- The value of Escondida’s concentrate to customers depends on individual smelter constraints and our grade relative to others
- Value in use (VIU) is mainly determined by the composition of the copper concentrate
  - copper grade
  - slag to copper ratio
  - sulphur to copper ratio
  - impurities
  - precious metals
- Based on deep VIU knowledge, we optimise grades and recoveries at Escondida based on customer requirements

***Turning our resource into the most valuable product for the market***

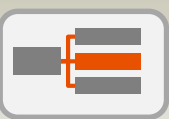
### Delivering premium prices for Escondida concentrate (Escondida TCRC premium or discount at various smelters<sup>1</sup>)



### Lower slag improves smelter metal recoveries (slag to copper ratio)



1. Escondida’s copper concentrate TCRC premium or discount versus peer benchmark for 19 smelters in Chile, China, Germany, India, Korea, Japan and Philippines.



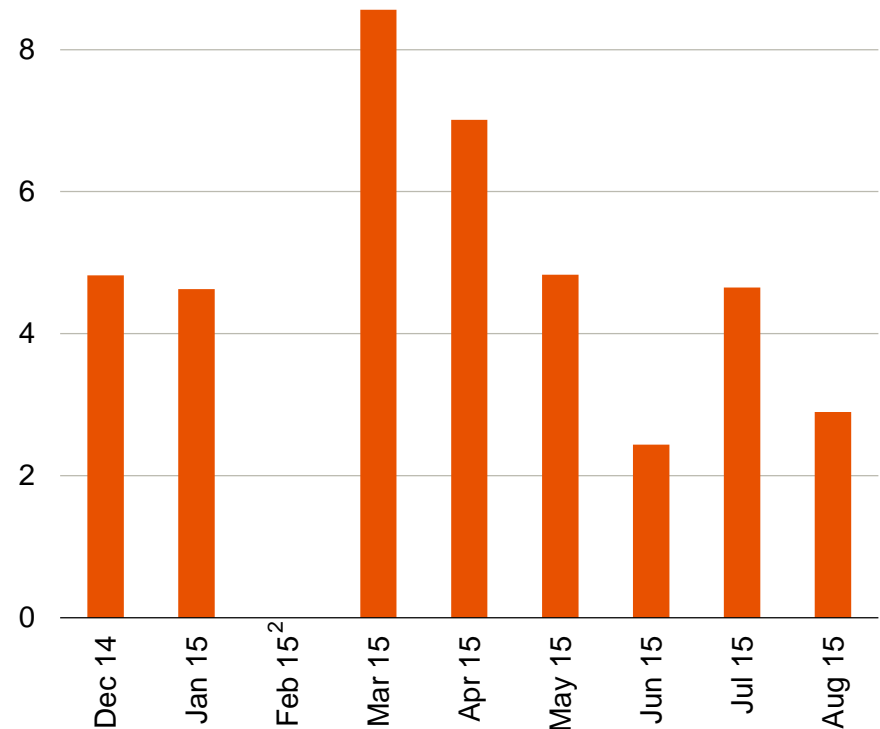
# Case Study: US condensate

## Creating market access

- Processed condensate is distilled to remove light hydrocarbons, differentiating it from US non-exportable 'crude oil'
- Working with regulators, BHP Billiton was the first company to export processed condensate through 'self-classification'
- This drove access to international markets for our Onshore US business, in compliance with export requirements
- Exports have resulted in a relative price uplift of more than US\$4/bbl

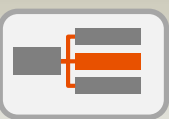
***Pursuing opportunities to capture the best price for our products***

**Eagle Ford condensate export uplift**  
(US\$/bbl<sup>1</sup>)



1. Net back price uplift.

2. Due to narrowing of the Brent – WTI price differential in February 2015, higher prices were achieved domestically rather than exporting.



# Case Study: Iron Ore

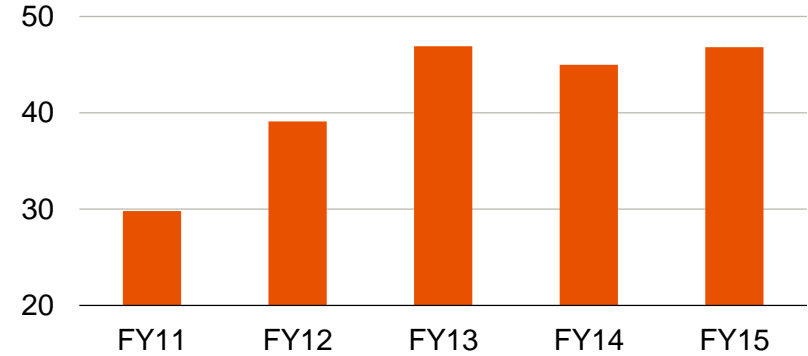
## Debottlenecking the port

- Our operations at Port Hedland are a critical link in our Western Australia Iron Ore (WAIO) supply chain
- Marketing has worked closely with WAIO on multiple initiatives to manage product quality while driving improvement
  - adapting the vessel fleet mix to improve throughput and reduce turnaround times
  - increasing direct to ship (DTS) ore
- These initiatives have enabled increases in throughput and cost reduction with minimal capital spend
  - incremental capacity increase of >8 Mtpa
  - ship turnaround time reduction of 18% compared to FY13

***Playing a critical role in maximising supply chain throughput***

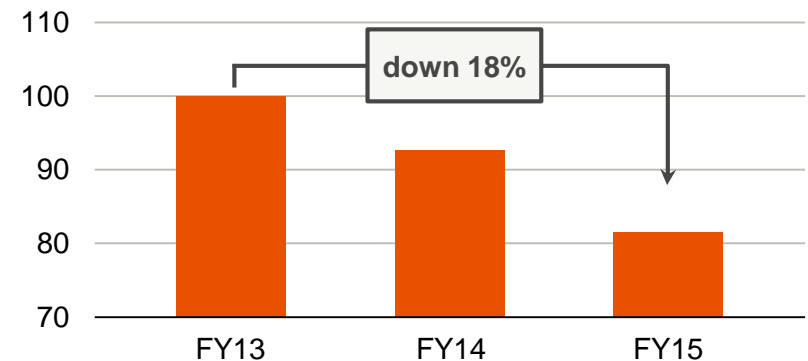
### WAIO direct to ship loading

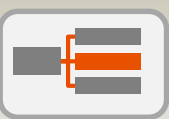
(% of inflow loaded direct to vessels without yard stacking)



### Vessel turnaround time

(Port Hedland, vessel TAT average days, index FY13=100)





# Case Study: Freight

## A competitive cost advantage

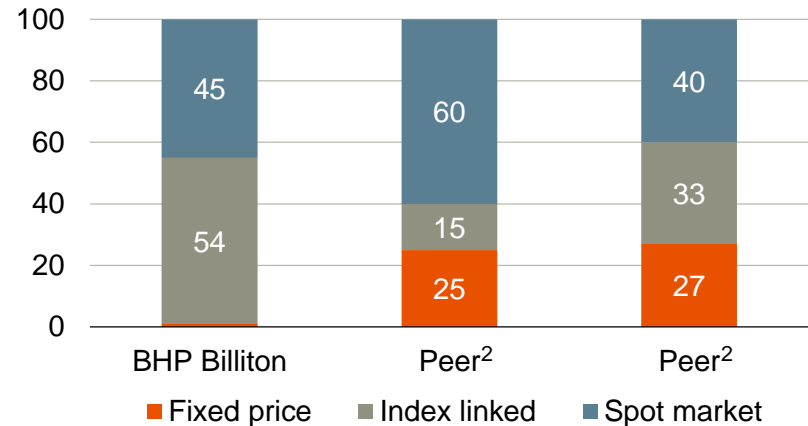
- We are a significant player in global freight
  - ~7% of world seaborne dry bulk volumes
  - chartered over 1,710 vessels<sup>1</sup> in FY15
- Based on our deep understanding of the market, our chartering strategy drives cost reduction
  - we anticipated industry oversupply, avoiding long-term deals at the height of the market
  - leverage our scale, chartering larger vessels to reduce unit cost

**Freight costs ~20% lower than our Australian based peers**

1. Includes discontinued operations.  
 2. Peer figures derived from Clarksons, the Baltic Exchange and other Market Intelligence.  
 3. H2 FY15.

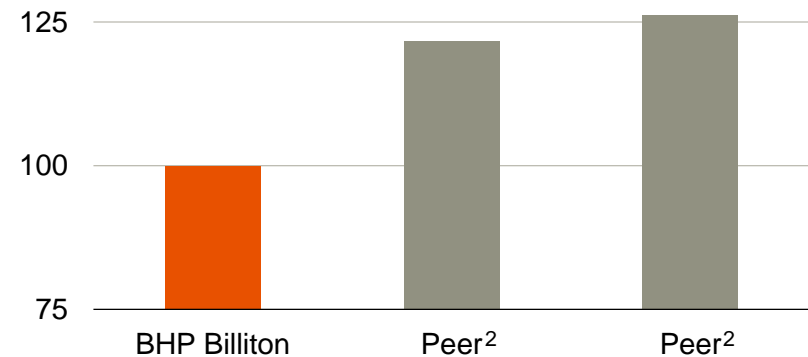
### Freight book for Iron Ore shipments

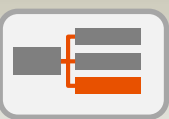
(% of methodology)



### Freight cost comparison for Iron Ore<sup>3</sup>

(indexed BHP Billiton = 100)





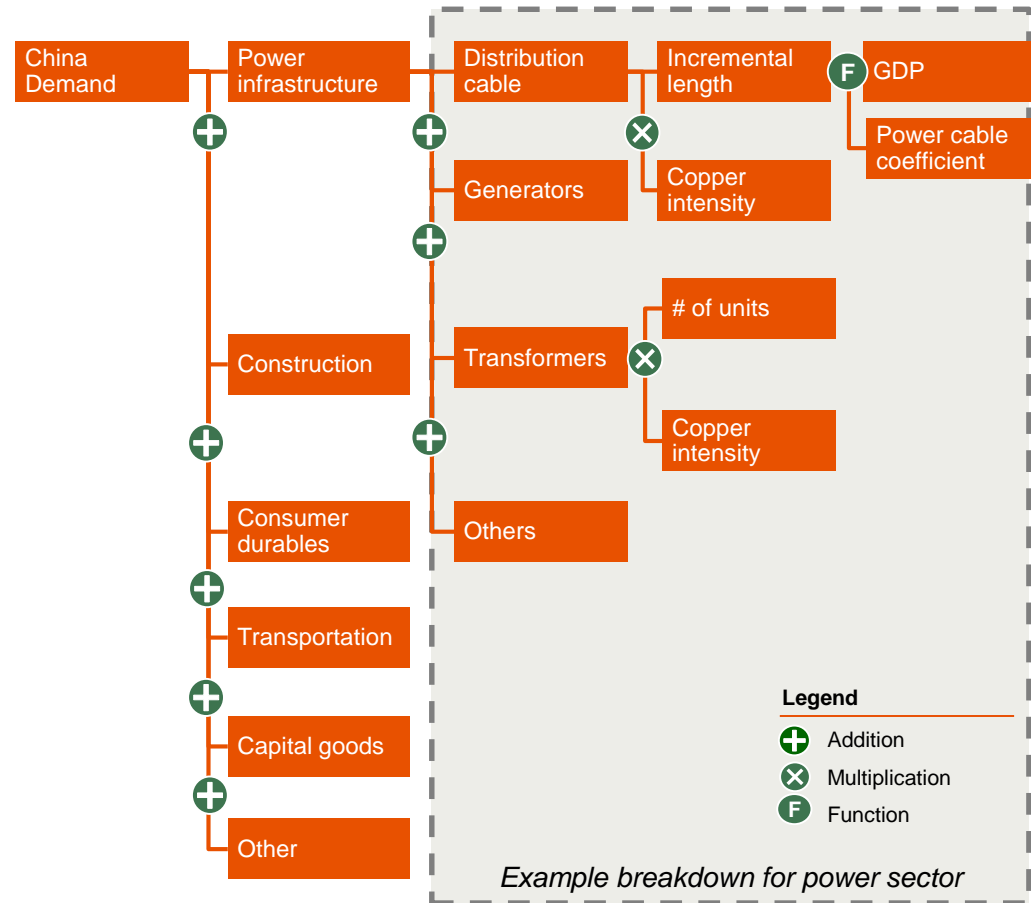
# Case Study: Portfolio

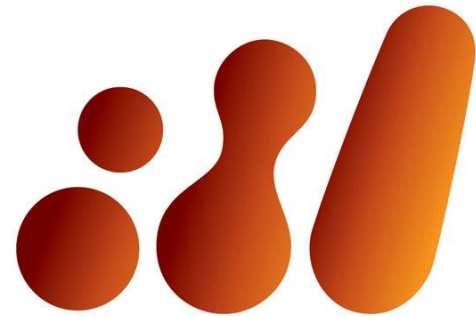
## Understanding future commodity trends

- We have exposure to bulk commodities, metals and energy markets across our diverse portfolio
- Our robust market outlook is based on a granular understanding of key global trends
  - technological innovation
  - sectoral consumption patterns
  - evolving policy landscape
- Proprietary analysis underpins our understanding of complex dynamics such as product substitution and recycling

***Deep and structured analysis providing a foundation for our commodity outlook***

### Copper demand analysis – driver tree





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