

# BHP Billiton Stainless Steel Materials

Presentation to the Investment Community

September 2005



**bhpbilliton**

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# Introduction

Chris Pointon

President Stainless Steel Materials

September 2005



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# Overview of Today's Briefing

**Introduction**

**Chris Pointon – President SSM**

**Markets**

**Steve Williams – Marketing Director SSM  
Gautam Varma – Manager Market Development**

**Asset Delivery**

**Chris Pointon – President SSM**

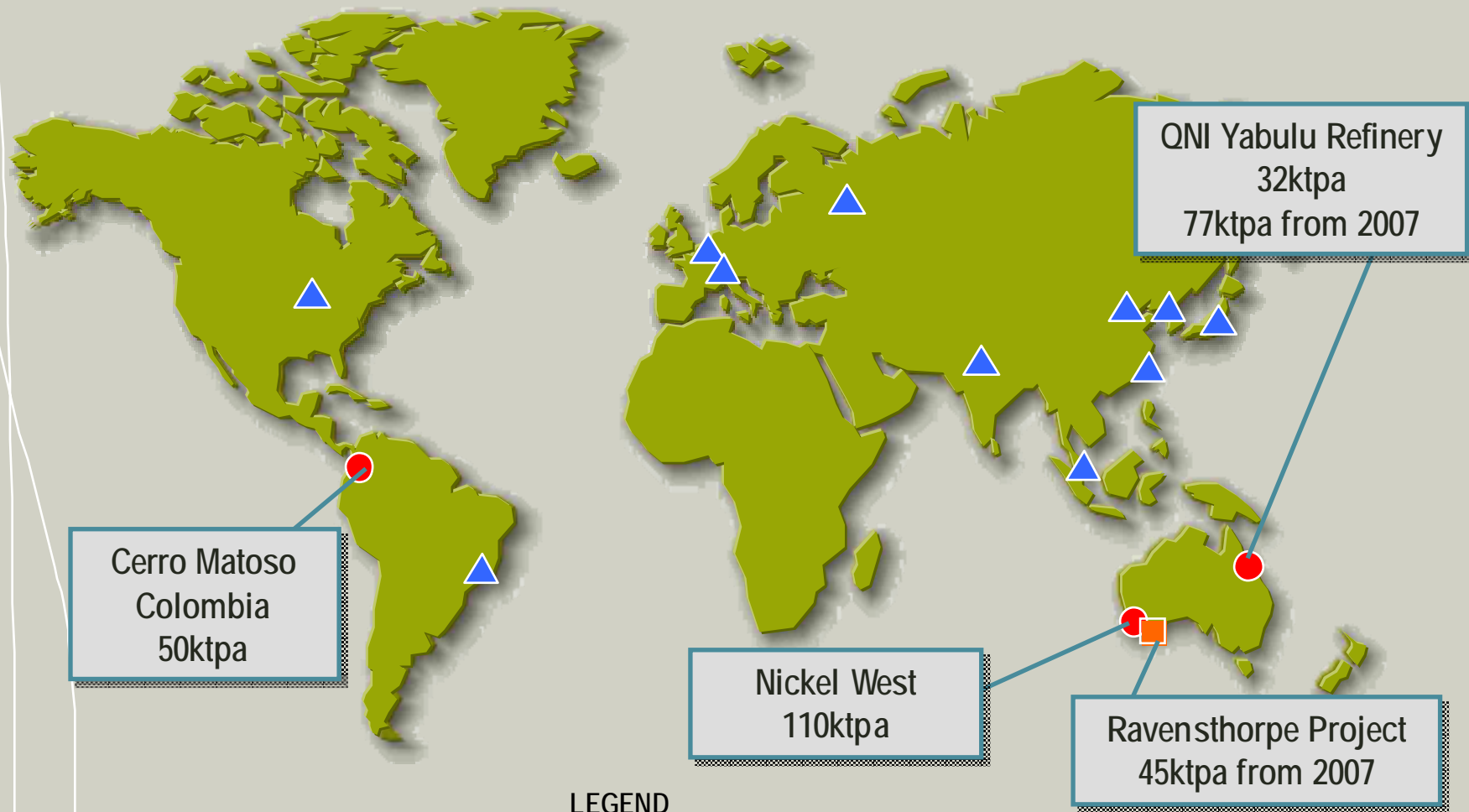
**Financial Performance**

**Brendan Gill - Chief Financial Officer SSM**

**Future Challenges  
& Options**

**Chris Campbell – Chief Development Officer SSM**

# BHP Billiton Stainless Steel Materials is a major nickel producer, with a significant market presence



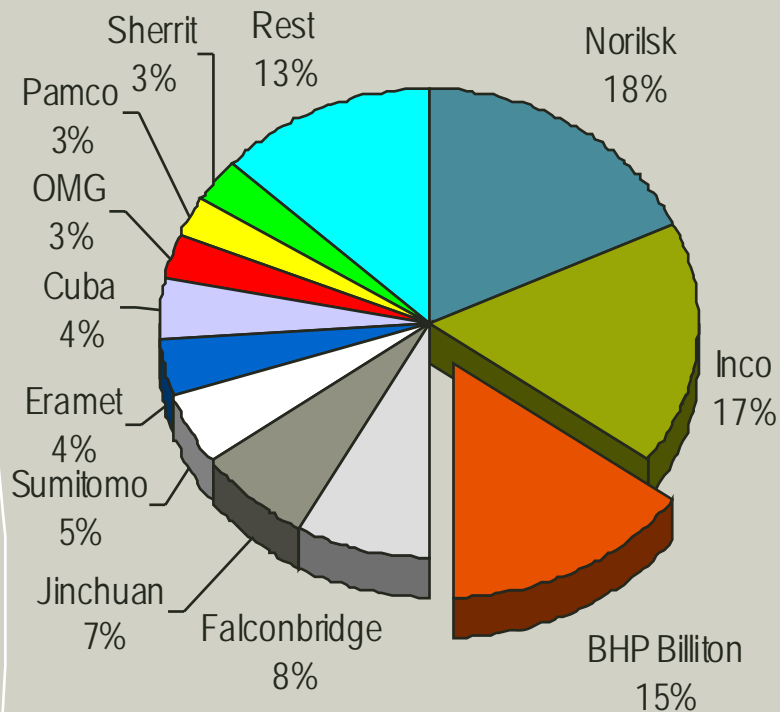
## LEGEND

- Operation
- ▲ BHP Billiton Marketing

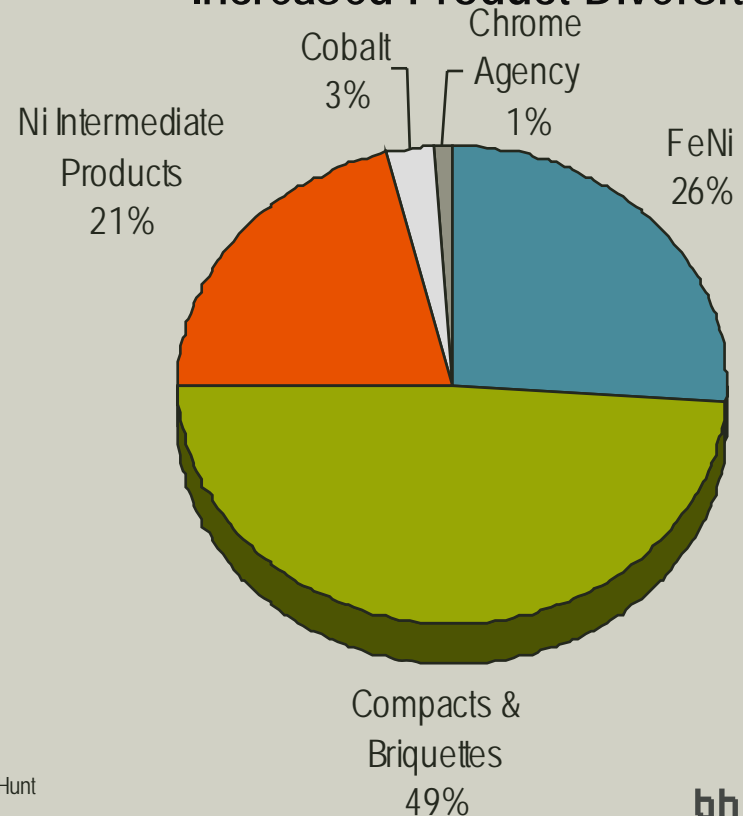
# What is different with Nickel West?

- Improved production balance
- Increased production flexibility
- Lower business risk

## Increased Market Presence



## Increased Product Diversity



## Nickel Market

Stephen Williams – Marketing Director SSM

Gautam Varma – Manager Market Development SSM



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# London, Toronto and Brisbane offices rationalised – marketing consolidated in the hubs of Singapore and The Hague



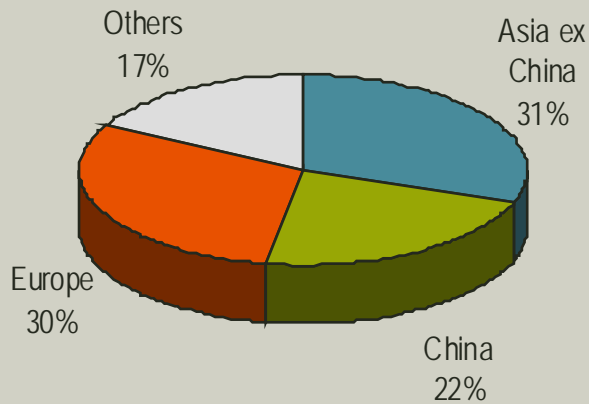
# Continuing strategic focus on stainless steel customers

- Integrated Nickel West marketing into BHP Billiton customer-centric marketing organisation
- Broadened customer base and complemented our suite of product offerings with nickel intermediate and specialty products
- Distribution synergies coming into effect
  - Container weights
  - Continuing to build direct relationships
- Maintaining Chrome agency to remain the preferred supplier of raw materials to stainless steel customers

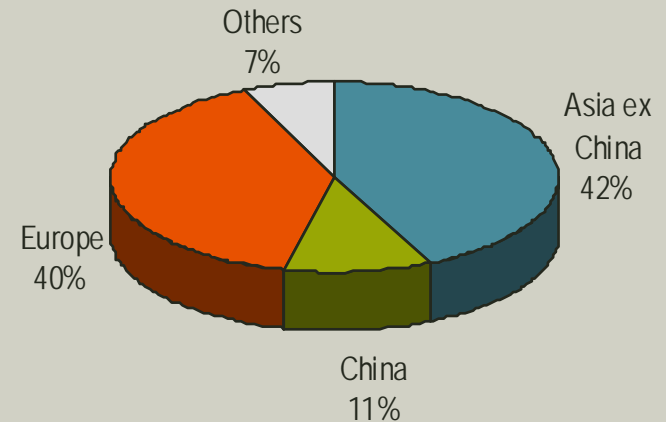


# China now the most significant stainless steel market participant

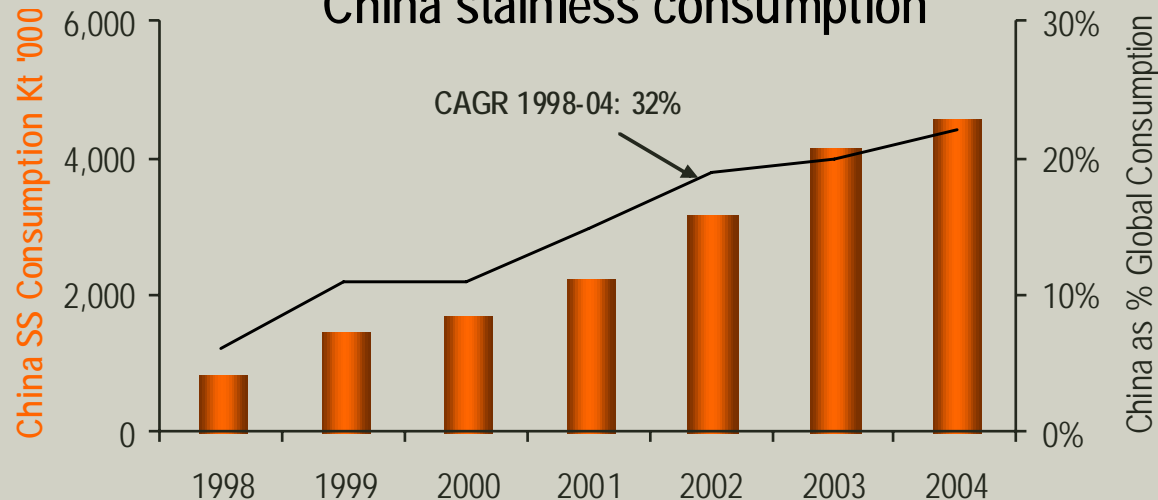
## Stainless consumption (2004)



## Stainless production (2004)

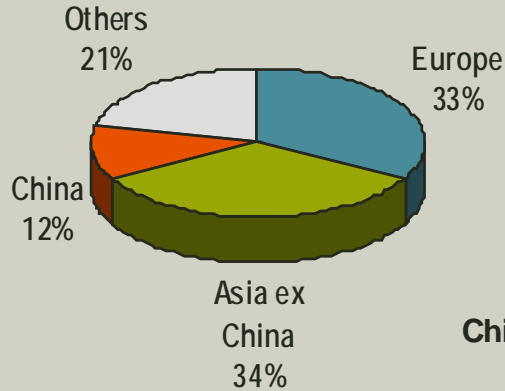


## China stainless consumption

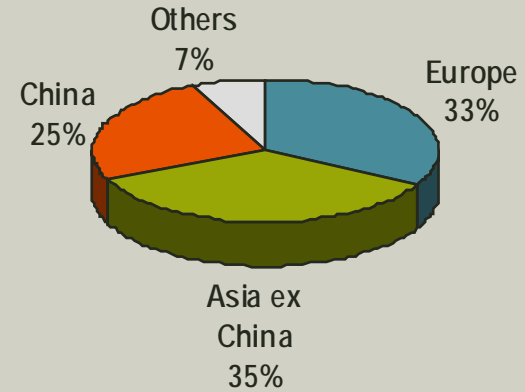


# BHP Billiton nickel sales well aligned with the growth markets

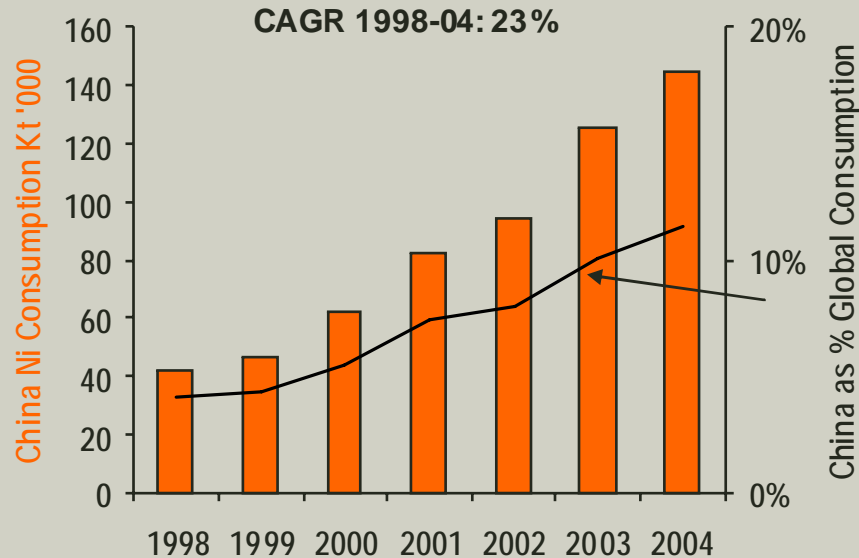
## Global nickel consumption (2004)



## SSM nickel sales by region (FY 05-06)



## Chinese refined nickel consumption



Source: CRU, BHP Billiton

# Chinese stainless consumption and intensity of use – broadly, three pillars of demand

**2004 (4.6 Mt)**



Industrial usage  
35%



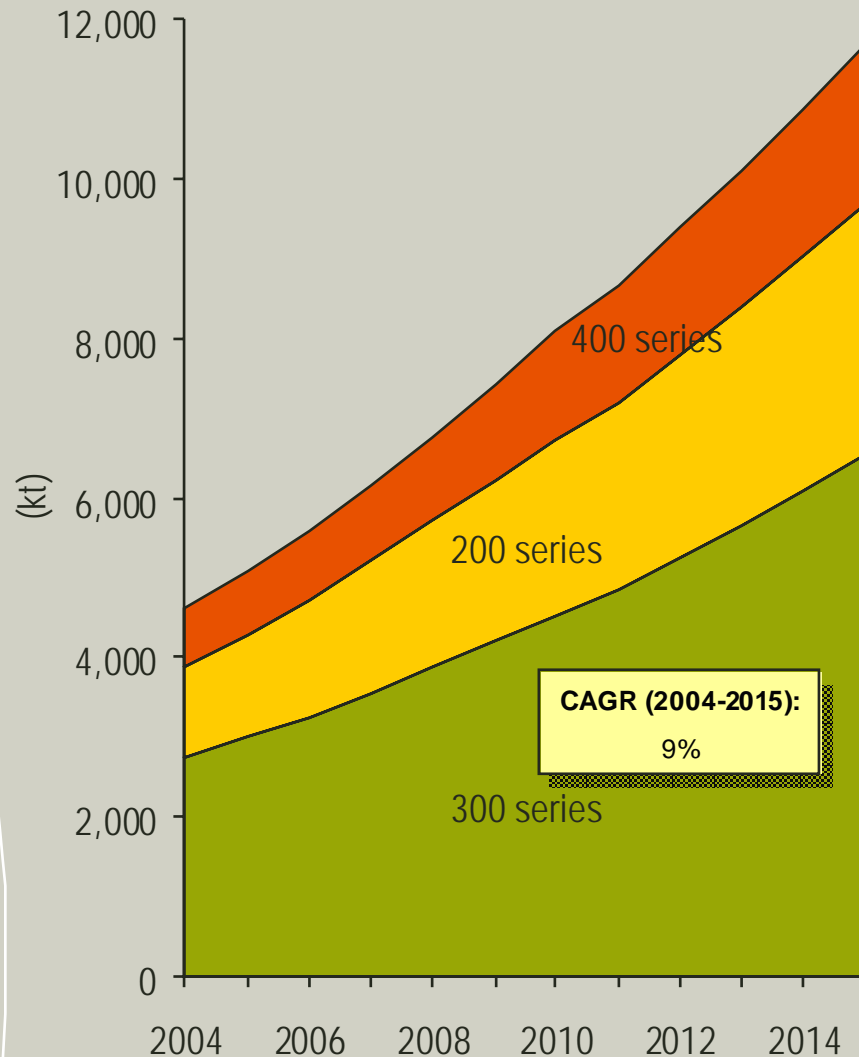
Consumer durables  
34%



Construction  
24%

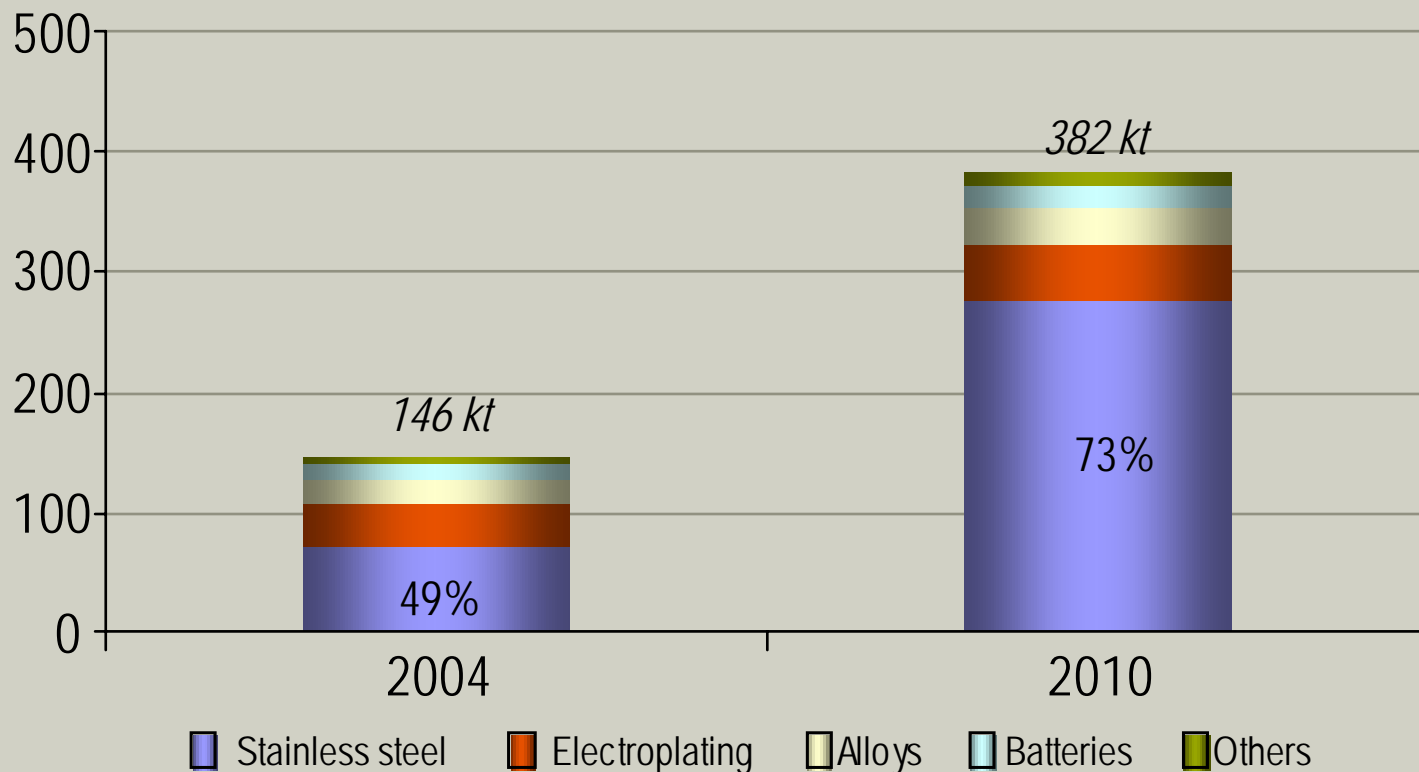
- **Industrial usage:** Chemicals, petrochemicals, pharmaceuticals, food & beverage, pulp & paper, refining, power
  - Substitution from 300 series limited by application
- **Consumer durables:** Flatware, holloware, white goods
  - Estimated 74% of stainless consumed in this sector is exported
- **Construction:** Kitchen & bathroom fittings, decoration, elevator & escalator, city landscape
  - Key growth driver is urbanisation; expected to increase from 38% in 2004 to 65% in 2025
  - Substitution to 200 series has already taken place with over 60% stainless consumed in this sector in 2004 believed to be 200 series
- Overall, 70% of stainless steel consumption is for domestic market

SSM has developed a sound understanding of this market & is engaging key players, many of whom are already customers



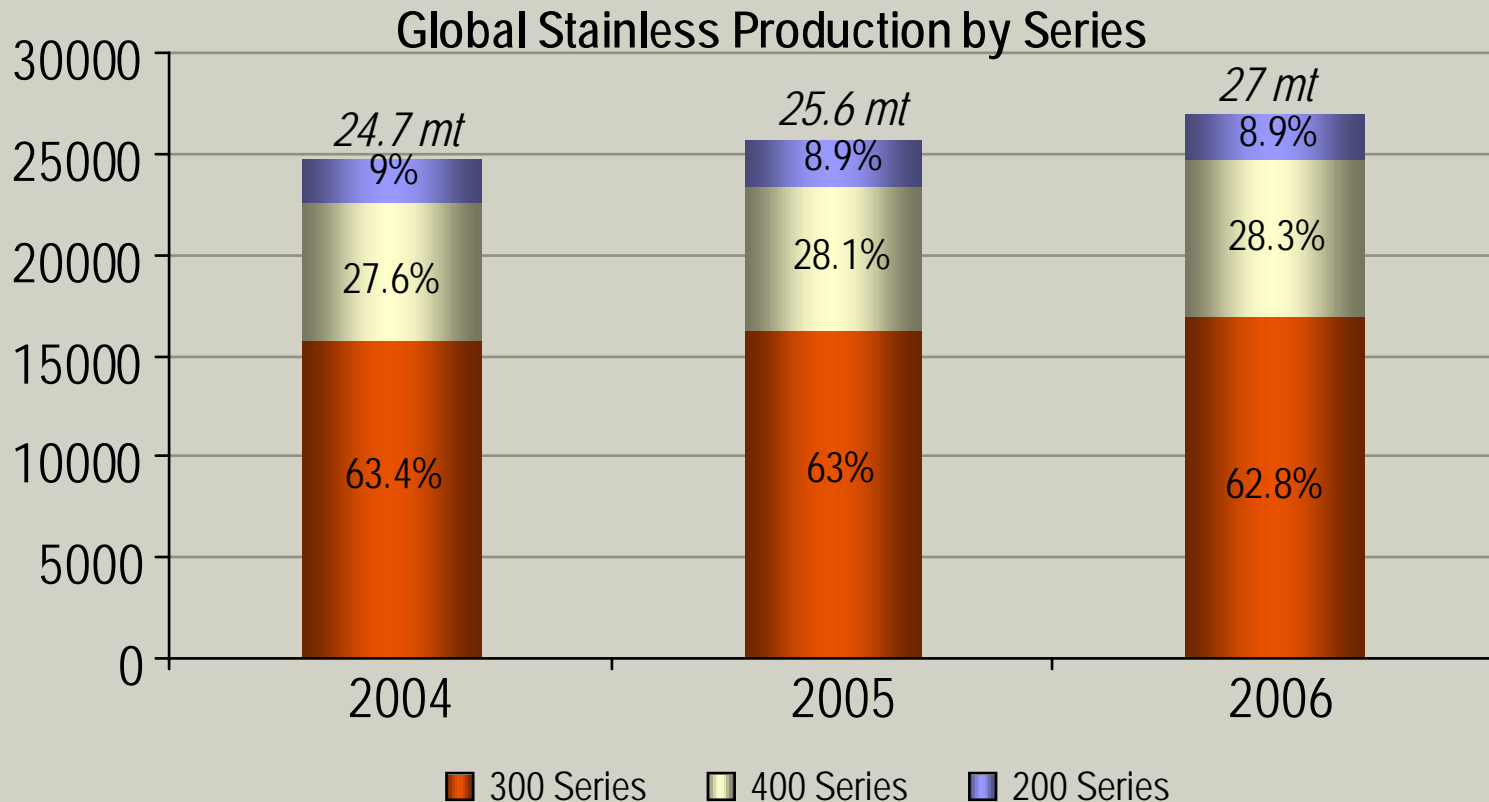
- A healthy 9% annual growth expected over the next 10 years
- Grade substitution has already taken place – no significant grade re-distribution expected
- Stainless growth sectors:
  - Consumer durables 7.5%
  - Construction 9%
  - Industrial usage 10%
  - Transportation 17%

# China's total refined nickel consumption is expected to continue growing strongly on the back of stainless growth



- CAGR of 17% expected from 2004 to 2010
- Driving force will be growing stainless production

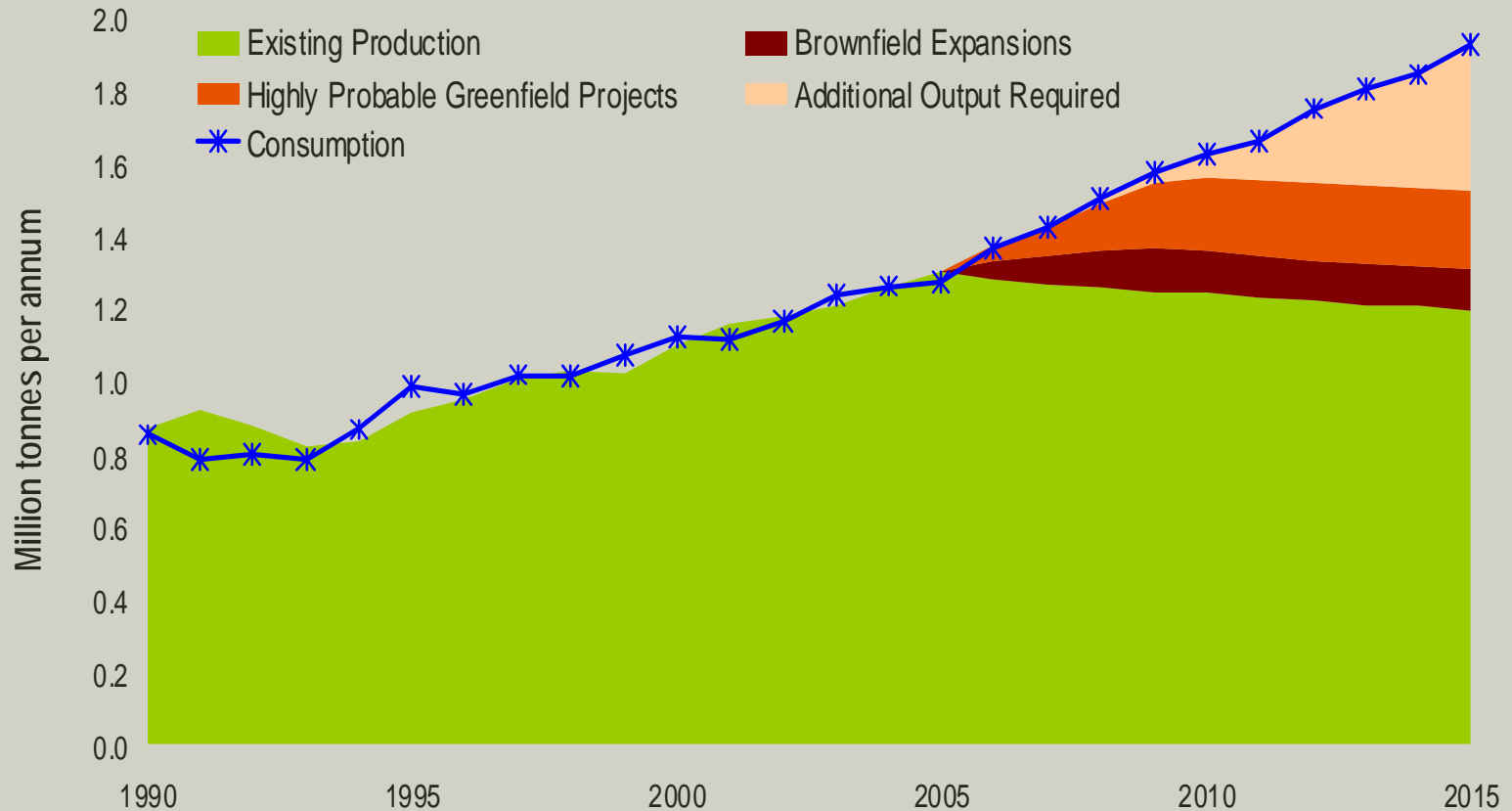
.. And the supply shortfall will be resolved by substitution in the short-term



- Share of 200 series has stabilised at around 9% of global production
- But, ferritics continue to gain share

# Nickel supply situation remains tight

## World consumption and production of primary nickel, 1990-2015



Source: CRU

Existing Asset Delivery

Chris Pointon

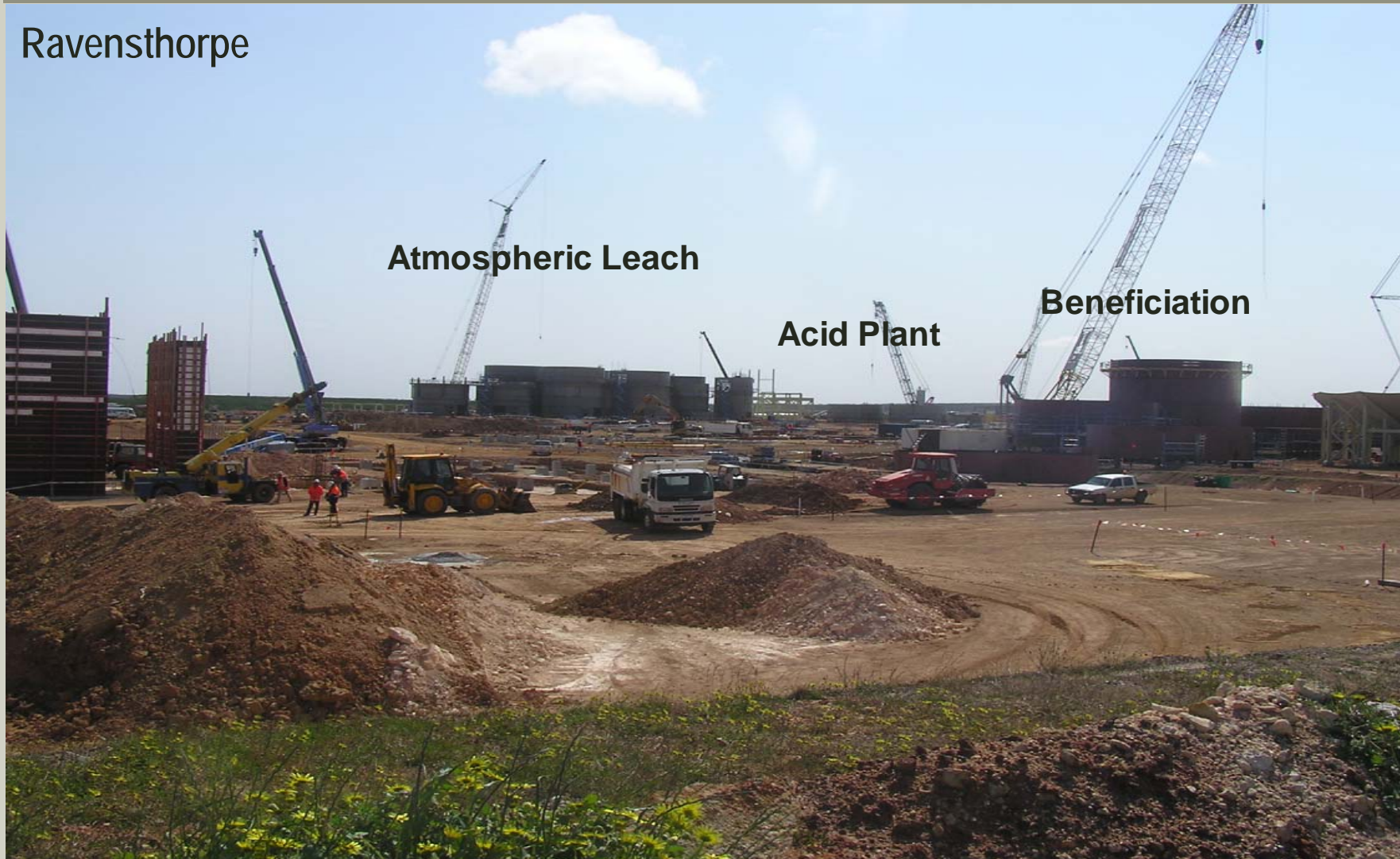
President Stainless Steel Materials



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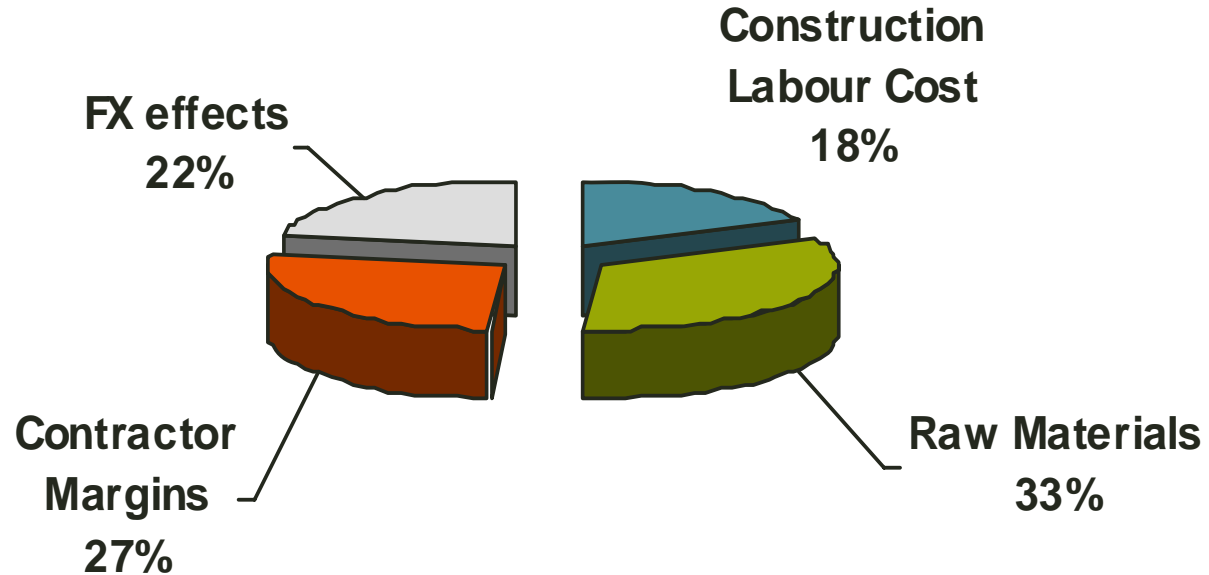
# Yabulu – Ravensthorpe Project Review

## Ravensthorpe



# Cost escalation has been driven by increases in external effects, particularly in the WA market

## Overall Yabulu - Ravensthorpe Project Cost Growth since Mar04 Commitment : 28%



# The projects remain on schedule

**Progress to end August 2005**

**Ravensthorpe**

**35% complete**

**Yabulu Expansion**

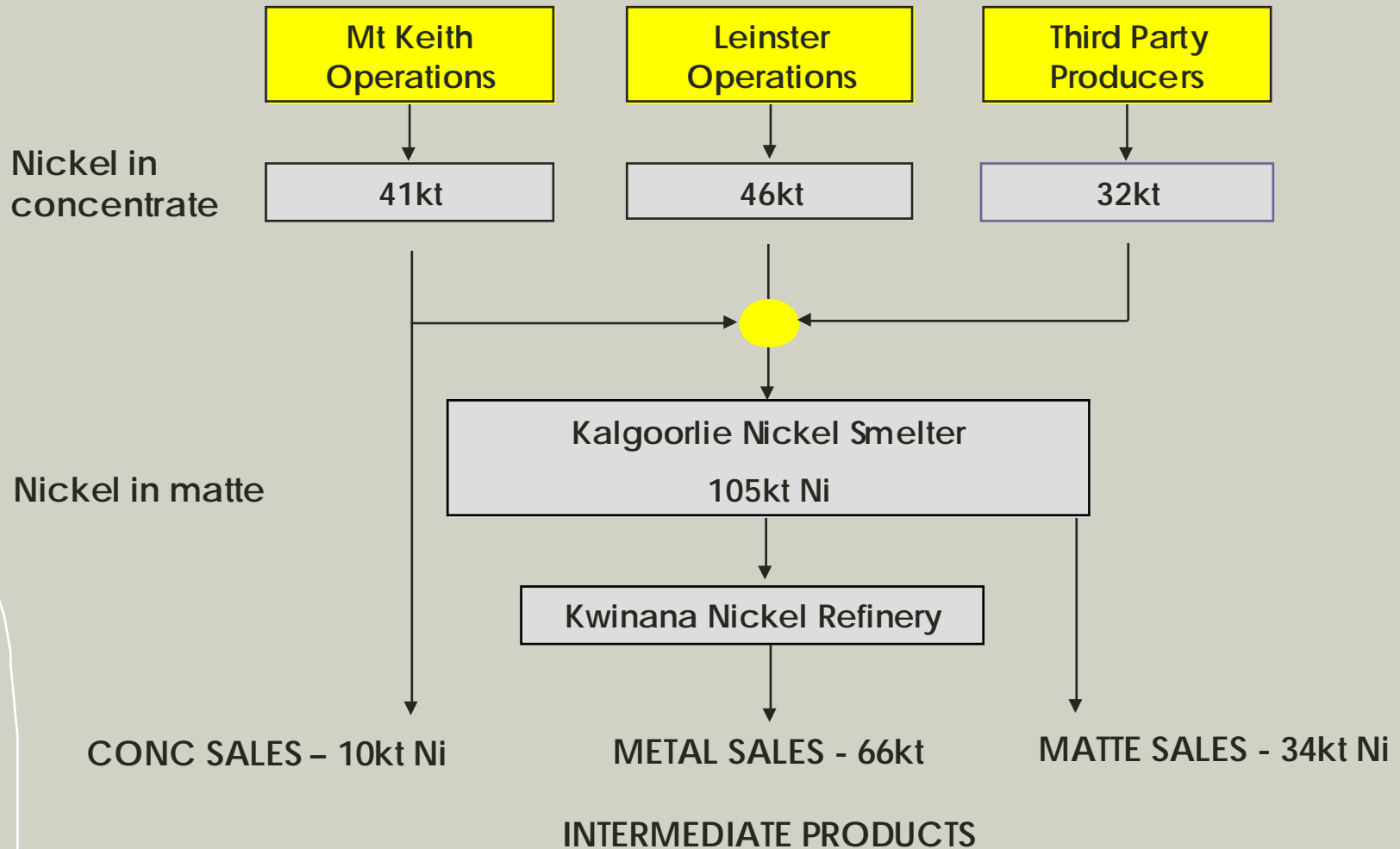
**18% complete**

|   | <b>March 2004<br/>Approval</b> | <b>Sept 2005<br/>Review</b> |
|---|--------------------------------|-----------------------------|
| <b><u>Capital Expenditure (US\$M)</u></b> |                                |                             |
| <b>Ravensthorpe</b>                       | <b>1,050</b>                   | <b>1,340</b>                |
| <b>Yabulu Expansion</b>                   | <b>350</b>                     | <b>460</b>                  |
| <b>Total</b>                              | <b>1,400</b>                   | <b>1,800</b>                |
| <b><u>Milestones</u></b>                  |                                |                             |
| <b>First MHP Shipment</b>                 | <b>Q2 2007</b>                 | <b>Q2 2007</b>              |
| <b>First Metal Production</b>             | <b>Q3 2007</b>                 | <b>Q3 2007</b>              |
| <b>Full Metal Production</b>              | <b>H2 2008</b>                 | <b>H2 2008</b>              |

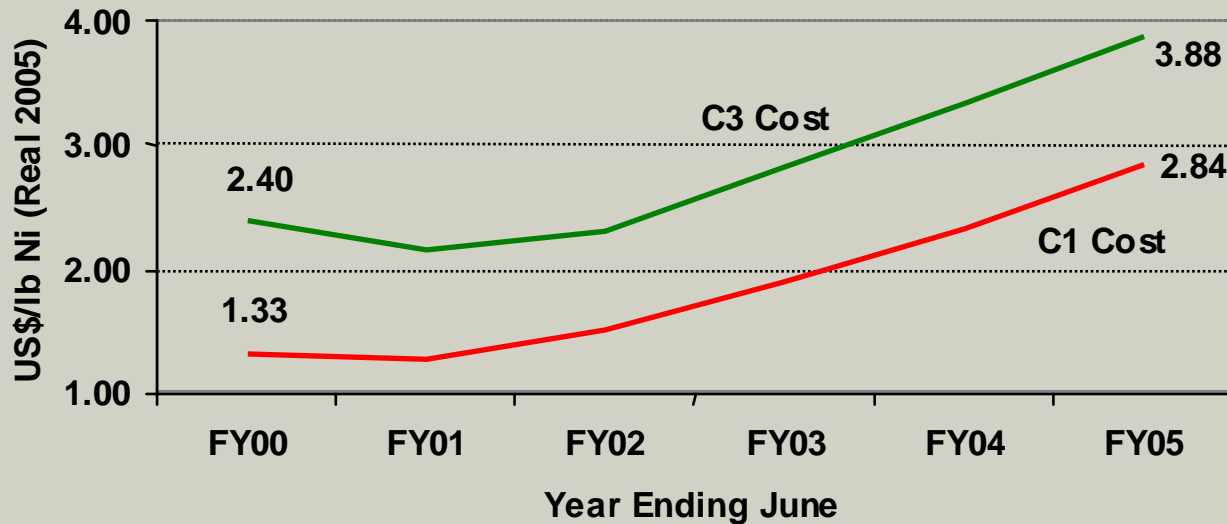
# Nickel West



# Nickel West Overall Flow Sheet FY2005



# Nickel West is cost competitive



## Key Variances (\$/lb) 2000-05

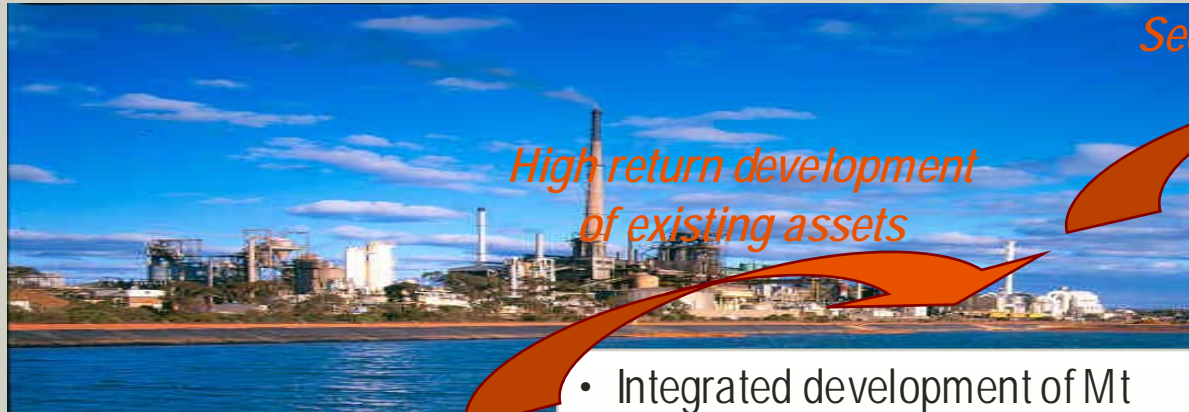
|                  |             |
|------------------|-------------|
| MKO OB Removal   | 0.11        |
| LNO Ore Costs    | 0.11        |
| Third Party Feed | 0.60        |
| Mtce and Labour  | 0.15        |
| <u>FX</u>        | <u>0.53</u> |
| <b>Total</b>     | <b>1.50</b> |

### Critical Issues :

- Delivery of Key Projects
- Smelter strategic priority
- Treatment of high Mg & talc ores

Source: BHP Billiton using pre acquisition data

# Nickel West key activities at each strategy horizon



*Securing the future & growth*

*High return development of existing assets*

- Utilisation of current stockpiles
- Resource acquisitions
- Exploration & long term project pipeline

*Business foundations*

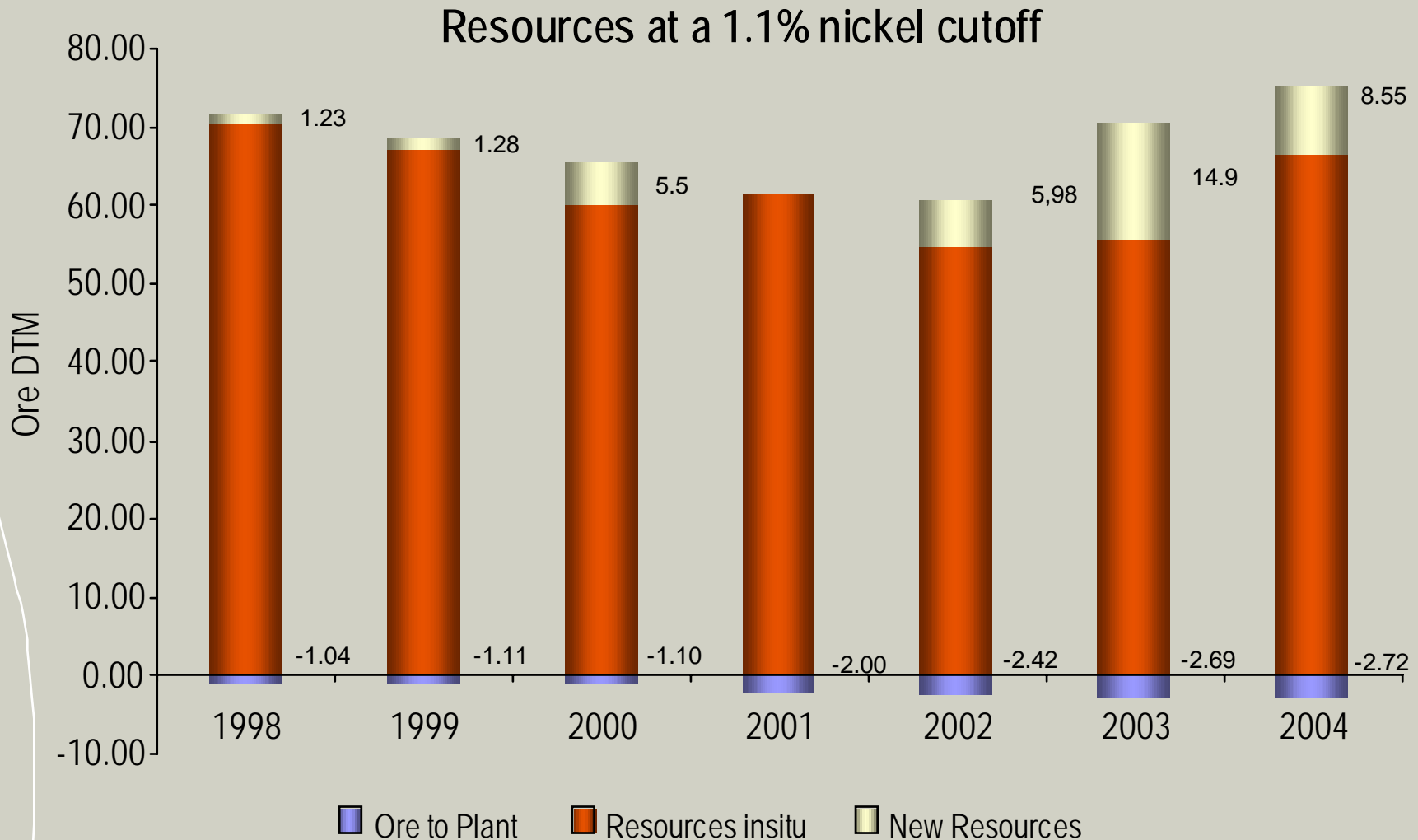
- Integrated development of Mt Keith/Yakabindie
- Leinster extension
- Extend Kalgoorlie smelter life
- Brownfields exploration & local JVs
- Continuous, low cost, capacity increases
- Optimise for next smelter phase

- Zero Harm
- Best people, structured for success, team based
- “Win-Win” partnering
- Business excellence – optimise current assets
- Financial & operational robustness

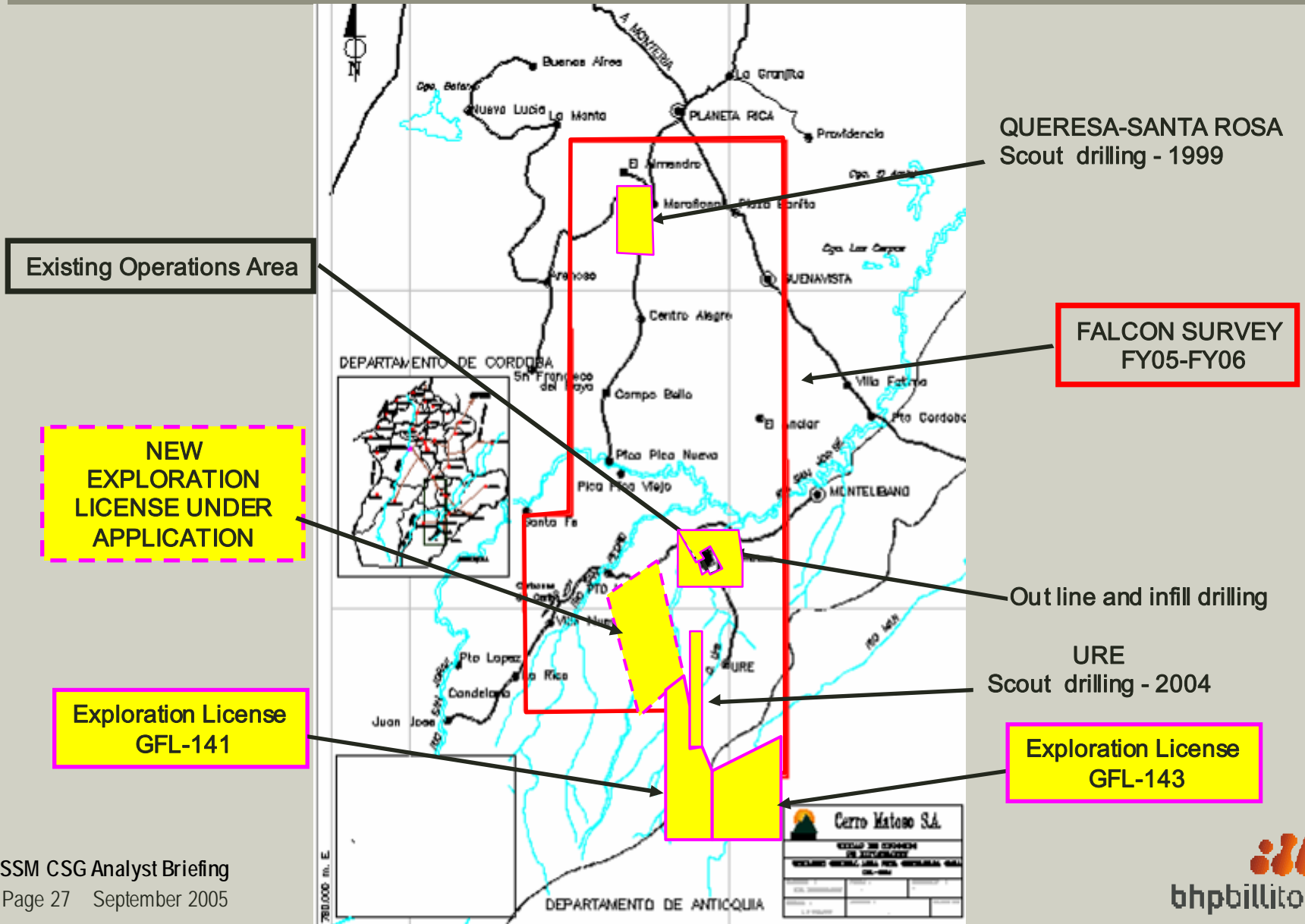
# Cerro Matoso SA



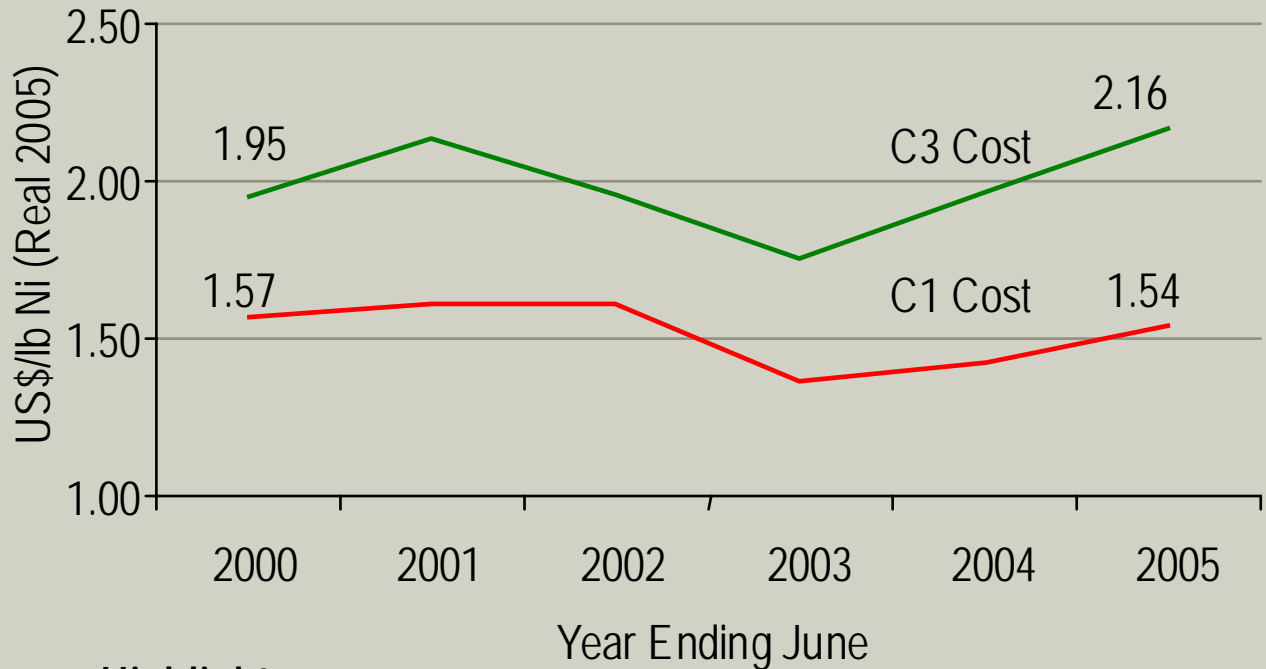
# Cerro Matoso– successful exploration maintains the reserves base



# Exploration for additional reserves



Cerro Matoso is the lowest cost major nickel producer, with a premium product. Operating improvements are continuing to be won



**Key Variances (\$/lb)  
2000-05**

|              |             |
|--------------|-------------|
| Energy       | 0.08        |
| FX           | (0.01)      |
| <b>Total</b> | <b>0.07</b> |
| Royalties    | 0.16        |
| Depreciation | 0.06        |
| <b>Total</b> | <b>0.22</b> |

**Highlights**

- Jan 2001 : Line II Commissioned
- 2003 : Line II ramp up completed
- 2004/2005 : Ore upgrading & OE programme
- 2005 Intensive use of Business Excellence to mitigate grade decline

**Critical Issues**

- Security

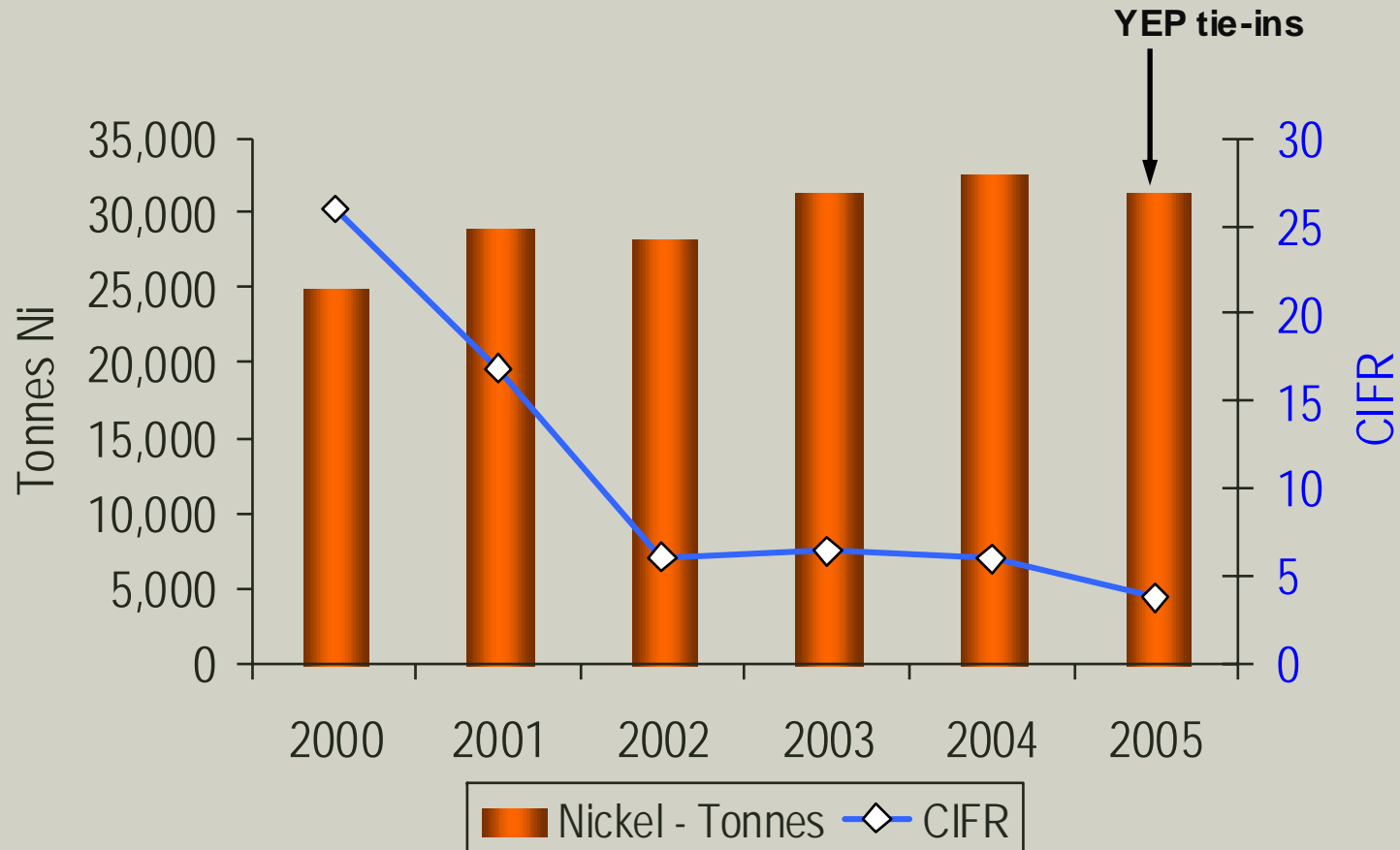
**Strategy**

- Continuous Improvement
- Replace reserves to extend operating life beyond 2024
- Intensify exploration activity

# QNI Yabulu Refinery

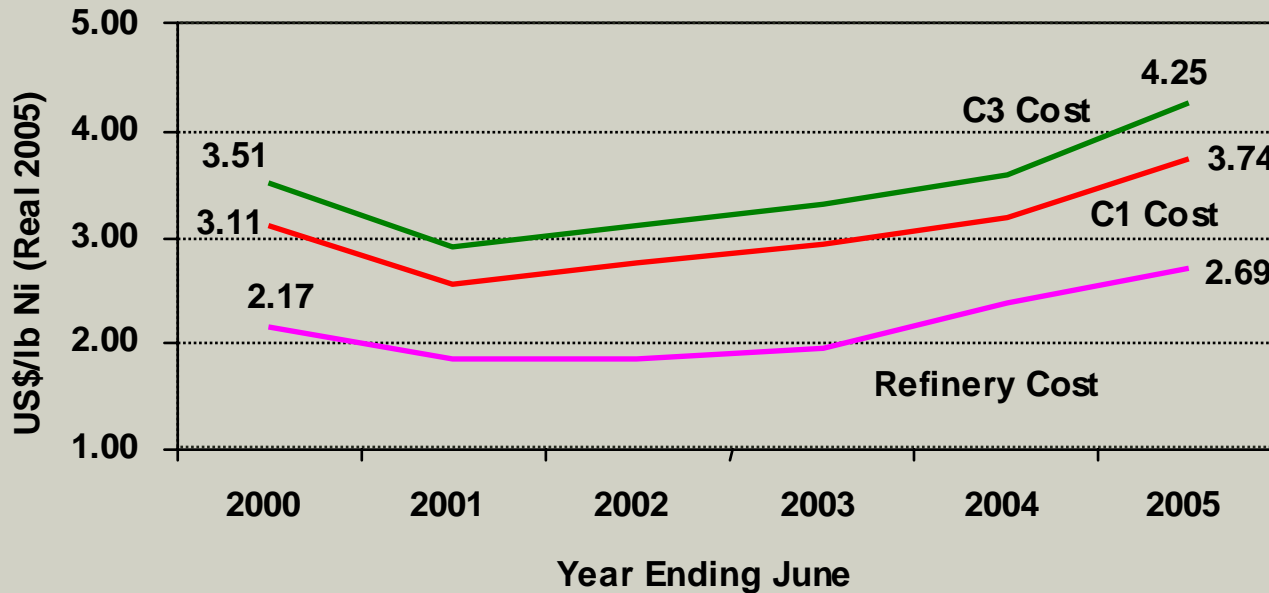


# Yabulu - improved safety and production performance – success of OE programme



Source : BHP Billiton

# Yabulu cost improvements despite impact of higher nickel price-linked ore and oil costs



## Variations (\$/lb) 2000-05

|                     |             |
|---------------------|-------------|
| <b>Ore Supply</b>   |             |
| Nickel Price        | 0.22        |
| Cobalt Price        | (0.16)      |
| <b>Net</b>          | <b>0.06</b> |
| Oil price           | 0.20        |
| FX                  | 0.24        |
| <b>Total</b>        | <b>0.50</b> |
| <b>Depreciation</b> | <b>0.03</b> |
| FX                  | 0.08        |
| <b>Total</b>        | <b>0.11</b> |

## Achievements

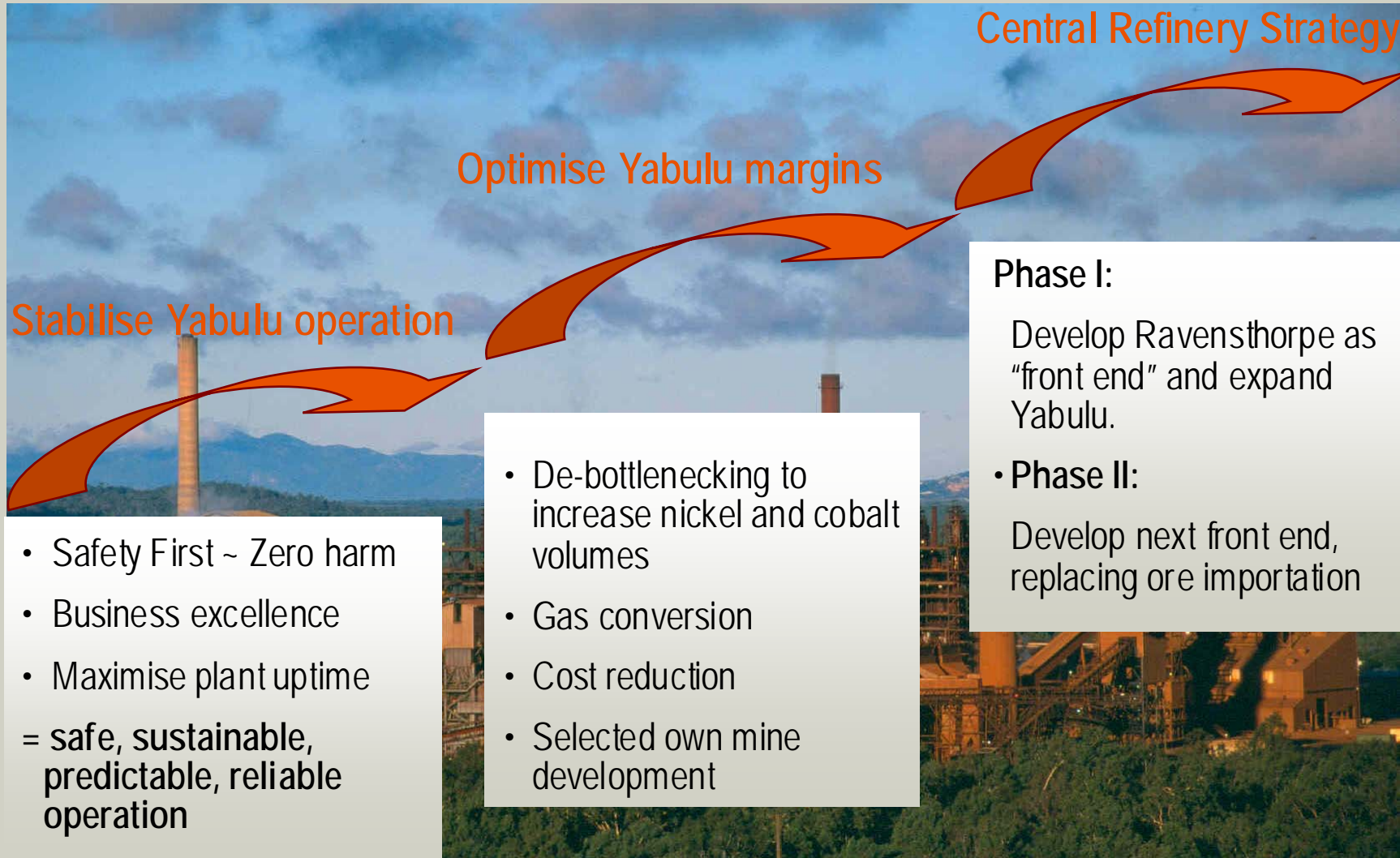
- 2000's : Production stabilisation, cost reduction and debottlenecking
- 2005 : Gas conversion in progress

## Critical Issues

- Maintenance cost improvement
- Reducing dependence on imported oil
- Yabulu expansion implementation & integration

Source : BHP Billiton

# Our objective is for Yabulu to become the leading nickel & cobalt refinery in Australasia



Financial Performance

Brendan Gill

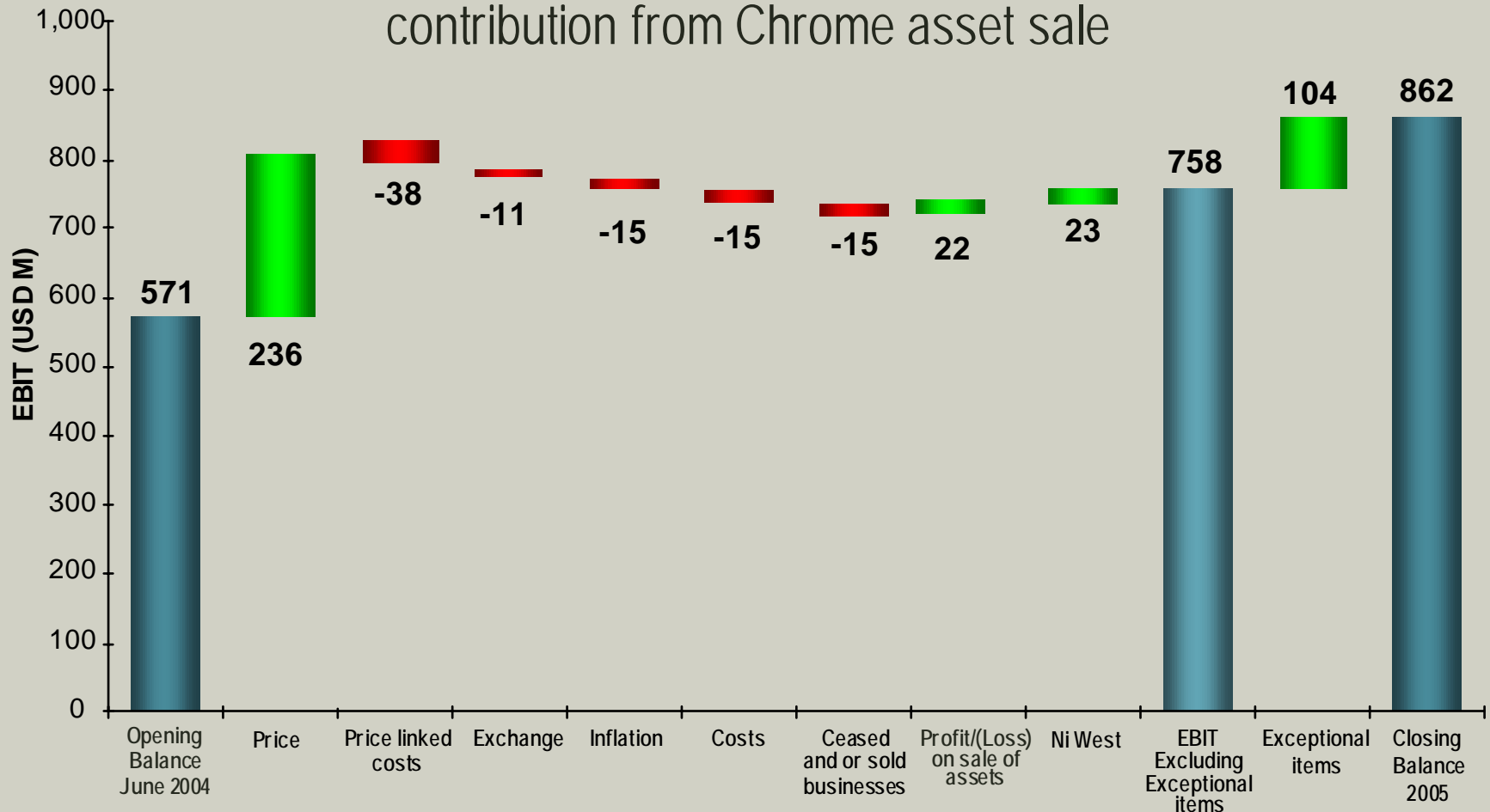
Chief Financial Officer – Stainless Steel Materials



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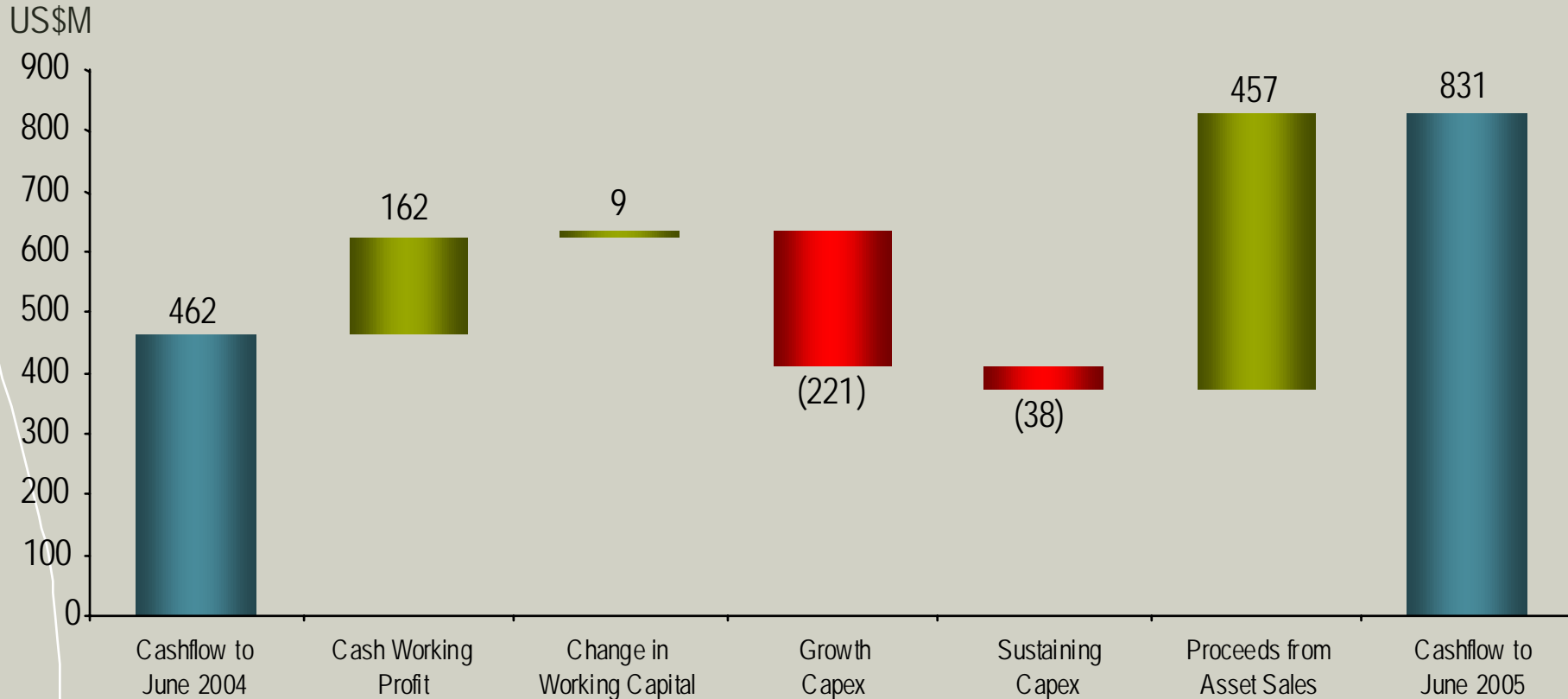
# Improved EBIT

Influence of price, FX and inflation and a significant contribution from Chrome asset sale

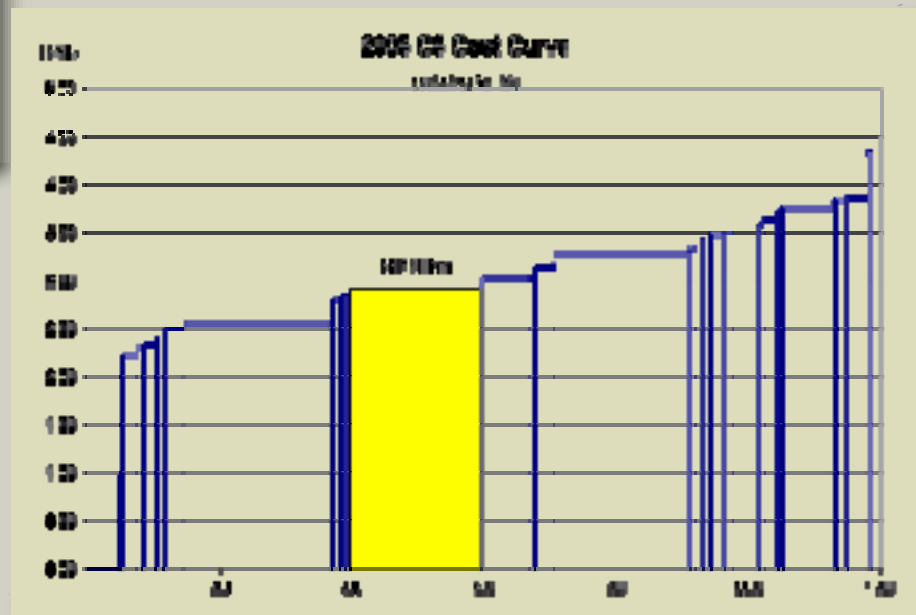
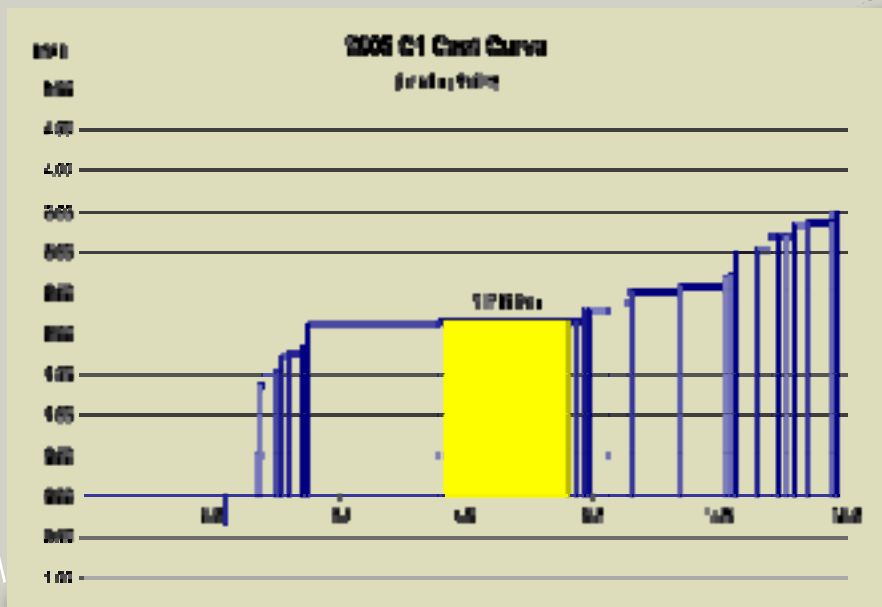


# Cashflow variance FY05 versus FY04 (excluding Nickel West)

Positive free cash flow contribution to the Group



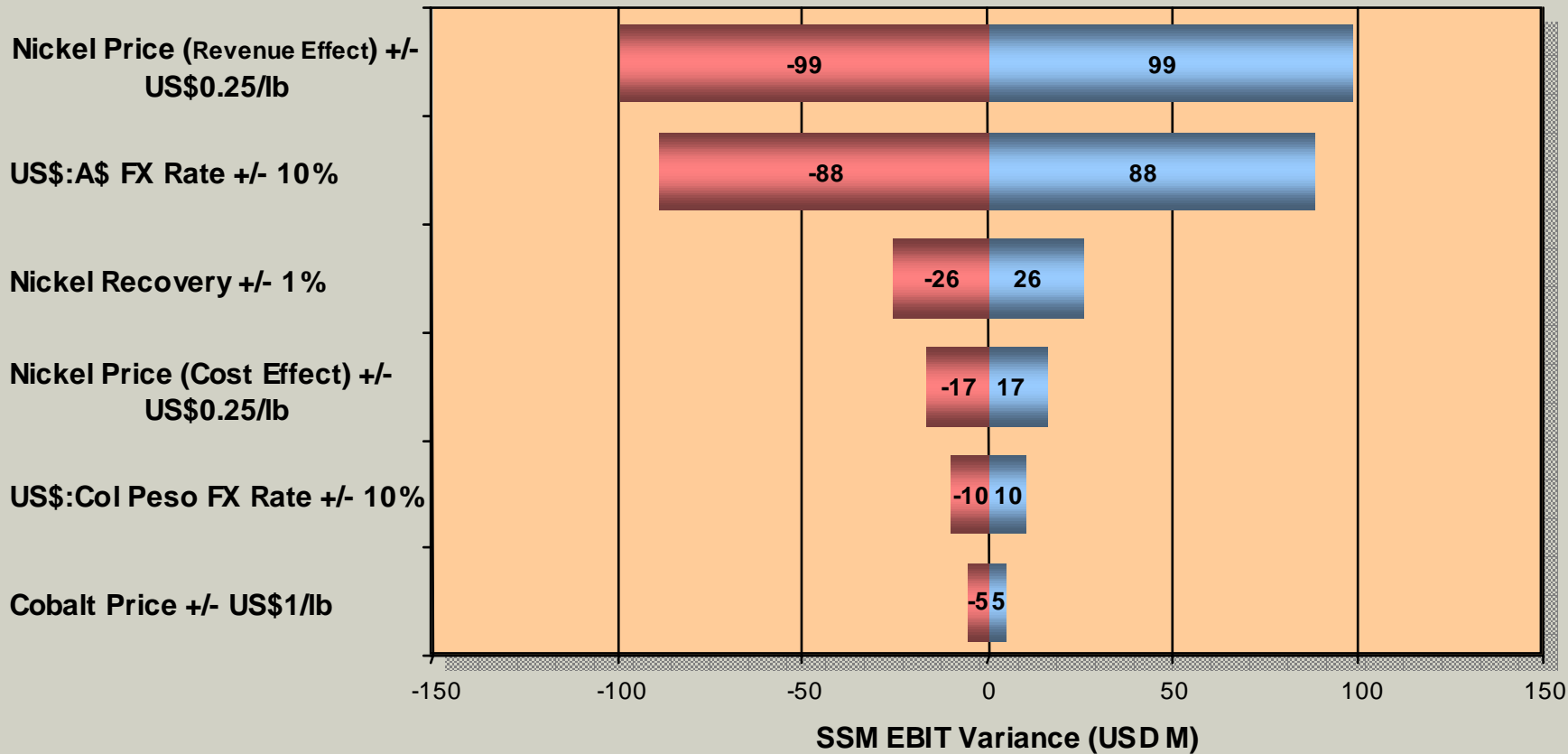
# BHP Billiton nickel is cost competitive on both a marginal and full cost basis



Source : Brook Hunt, including Norilsk

2004 Brook Hunt data flexed on 2005 Year-to-August Prices & Costs

# Earnings Sensitivities



Secure Platform Now in Place to Deliver Future Growth

Chris Campbell

Chief Development Officer – Stainless Steel Materials



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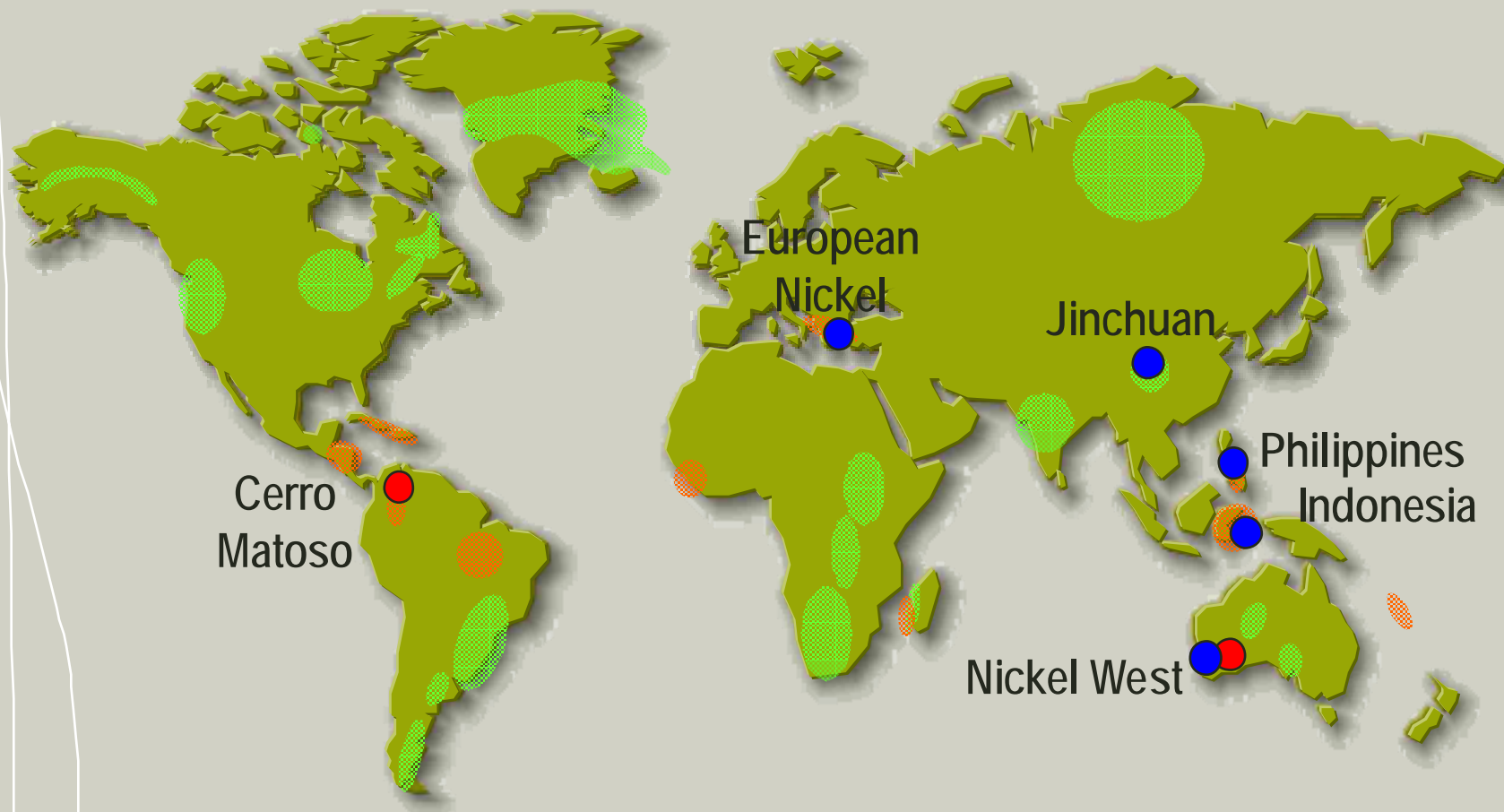
Improved capability and optionality for growth, with ability to extract value from all nickel resources globally



# Nickel West – keep smelter full, increase nickel output, add value through optimization of existing Capital Base.

- **Develop existing equity projects in line with optimization of asset base**
  - Cliffs, Yakabindie/Mt Keith optimization, Perseverance Deeps.
- **Work with partners in our backyard to leverage our position.**
  - Good record of nickel discovery and conversion in WA
  - Leverage Nickel West's significant geological experience & knowledge base
  - Work with local WA partners via our technologies and & experience.
- **Develop our position in intermediate products**
  - Focus on optimum feed of nickel units to smelter; equity and 3<sup>rd</sup> party.

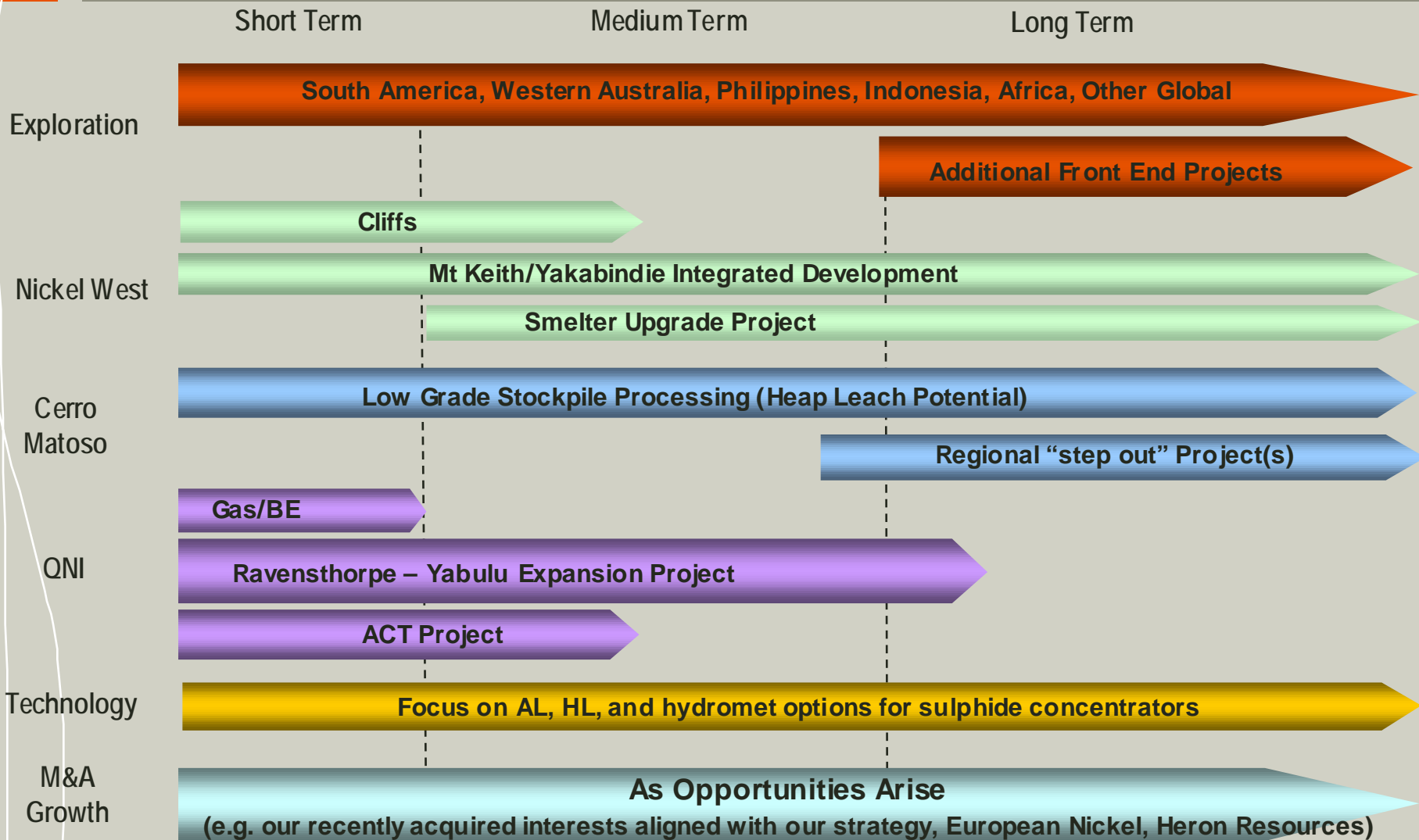
# Increased global exploration footprint for all nickel types



### Activity Centres

-  Ni Laterites
-  Ni Sulphides
-  SSM
-  SSM/Partner

# The Way Forward – optimize existing assets, whilst strengthening our position to continue to grow in the future.



# SSM well positioned for the future

- **Nickel remains fundamentally an attractive industry**
  - Solid growth to continue underpinned by China
  - Supply constrained in medium-to-long term
- **BHP Billiton now a stronger nickel industry player**
  - Top 3 in size, competitive operating costs, good product portfolio
  - Broad operational, technical, commercial and project delivery skills
  - Capability to extract value from any nickel deposit globally
  - Developing position in nickel intermediate products
- **Robust capability to secure nickel positions for the future**



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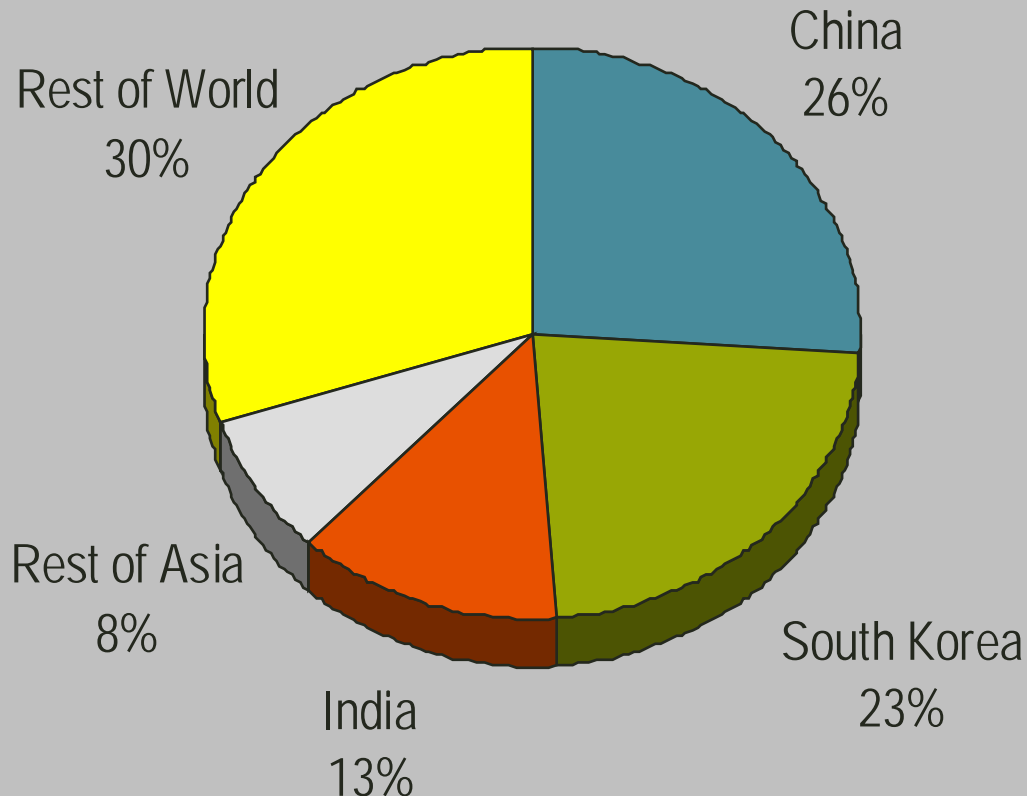
# Appendix



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# 70% of global Stainless Steel melting growth in 2004 took place in Asia

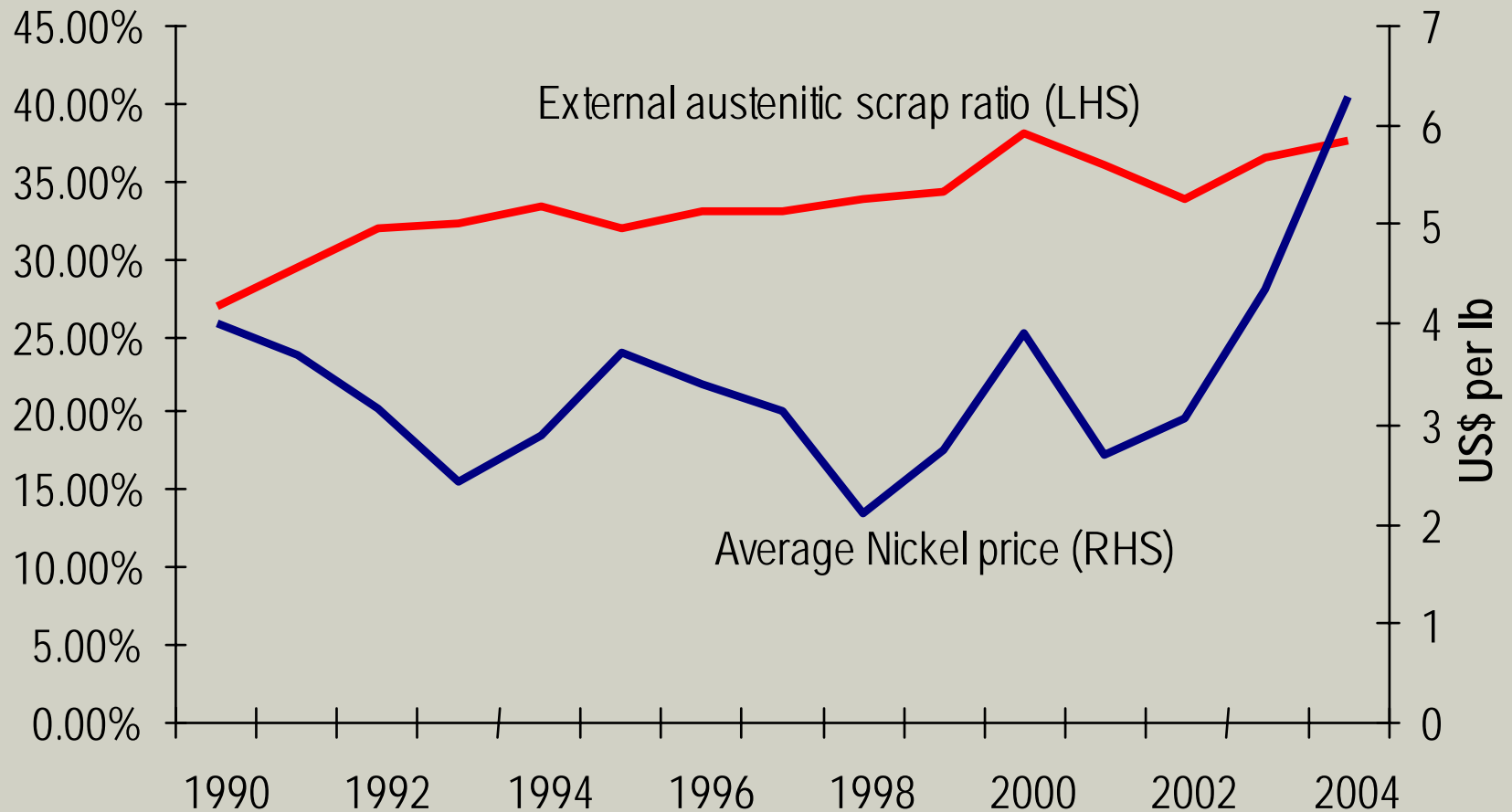
Total growth of 1,670 kt



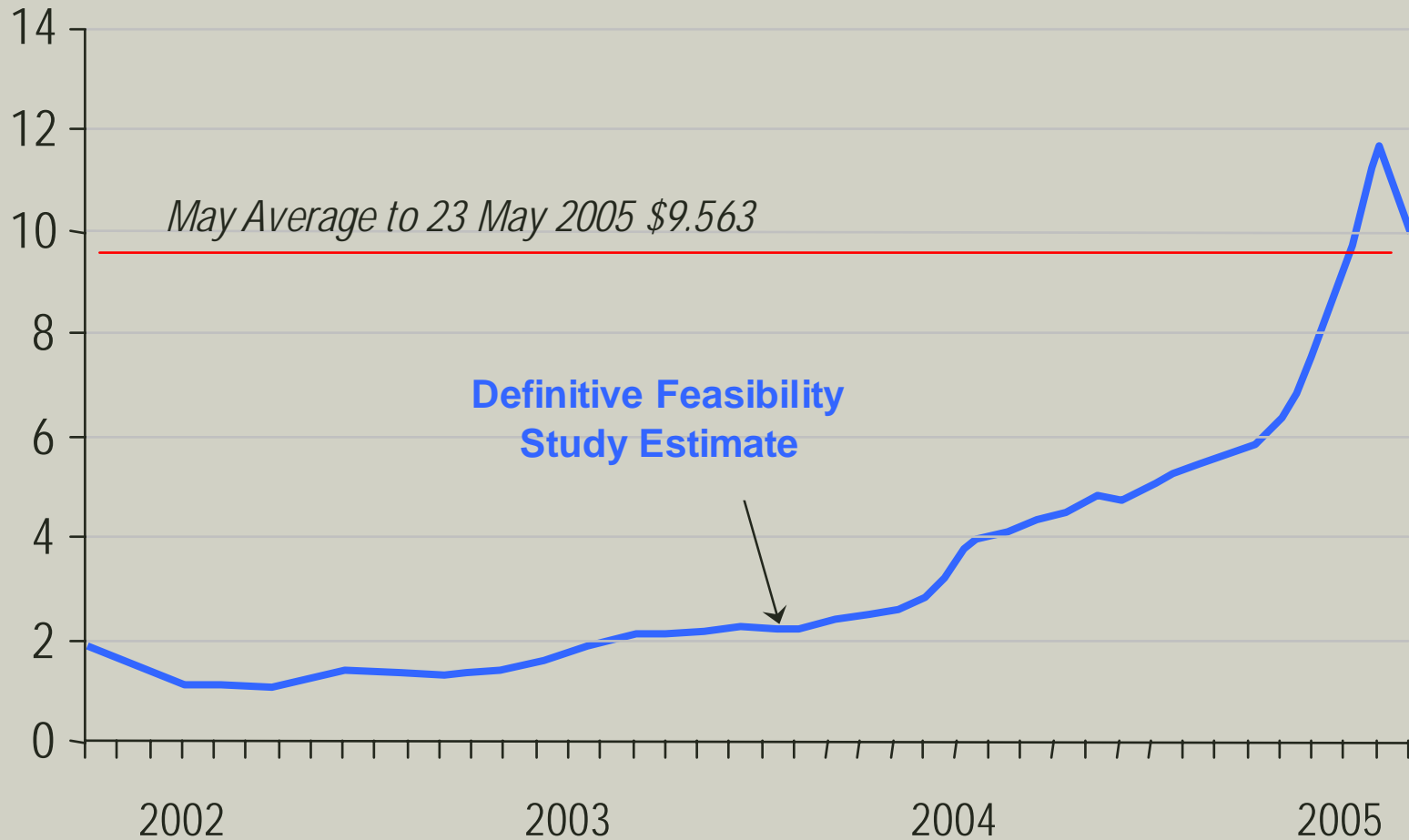
- In 2005, the growth will be further skewed towards China

Source: BHP Billiton

# The scrap market will not be a major source of new nickel units



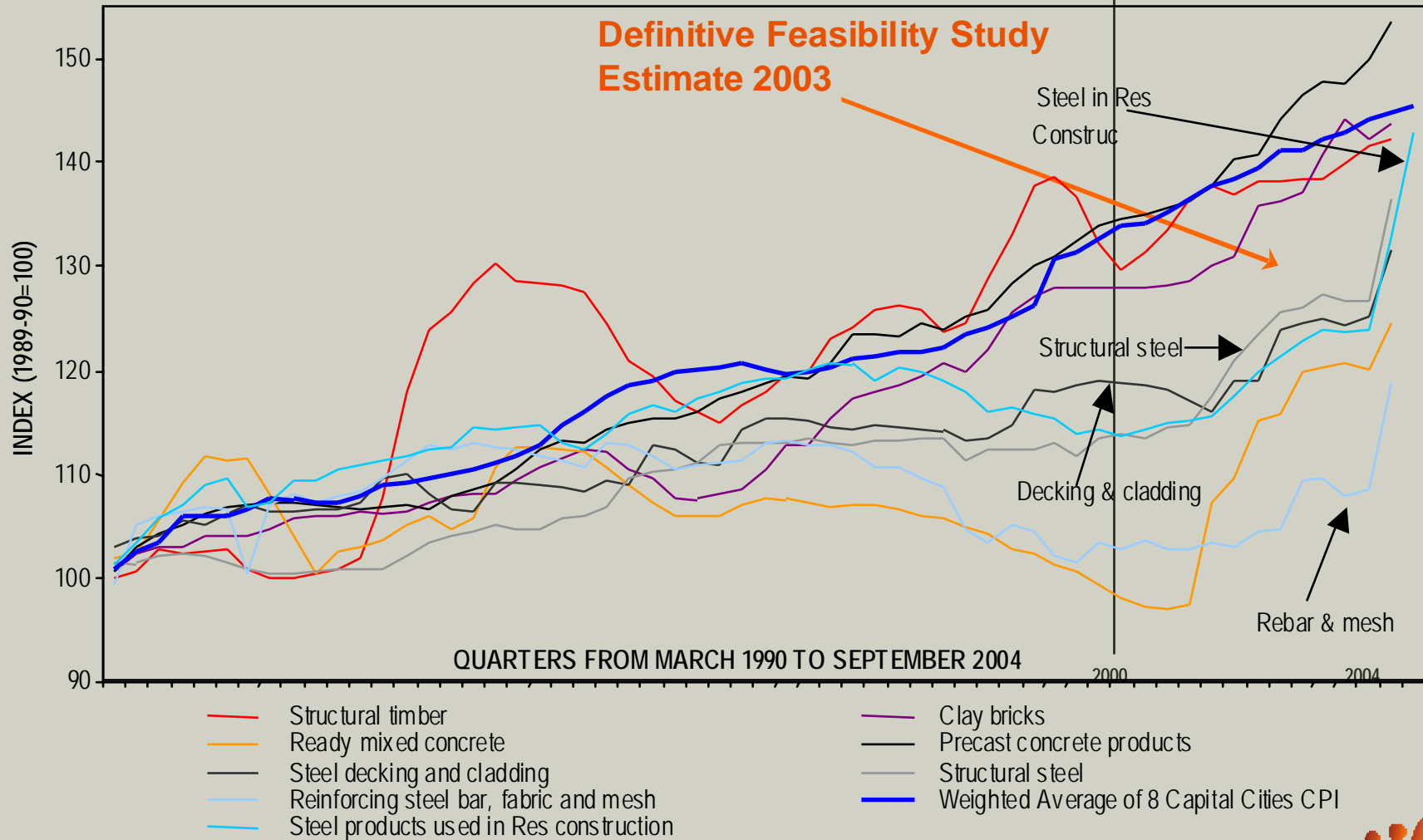
# Monthly Average 6-4 Bulk Weldable Ti Scrap Specialty Processor (Dealer) USA SPOT (US\$/lb)



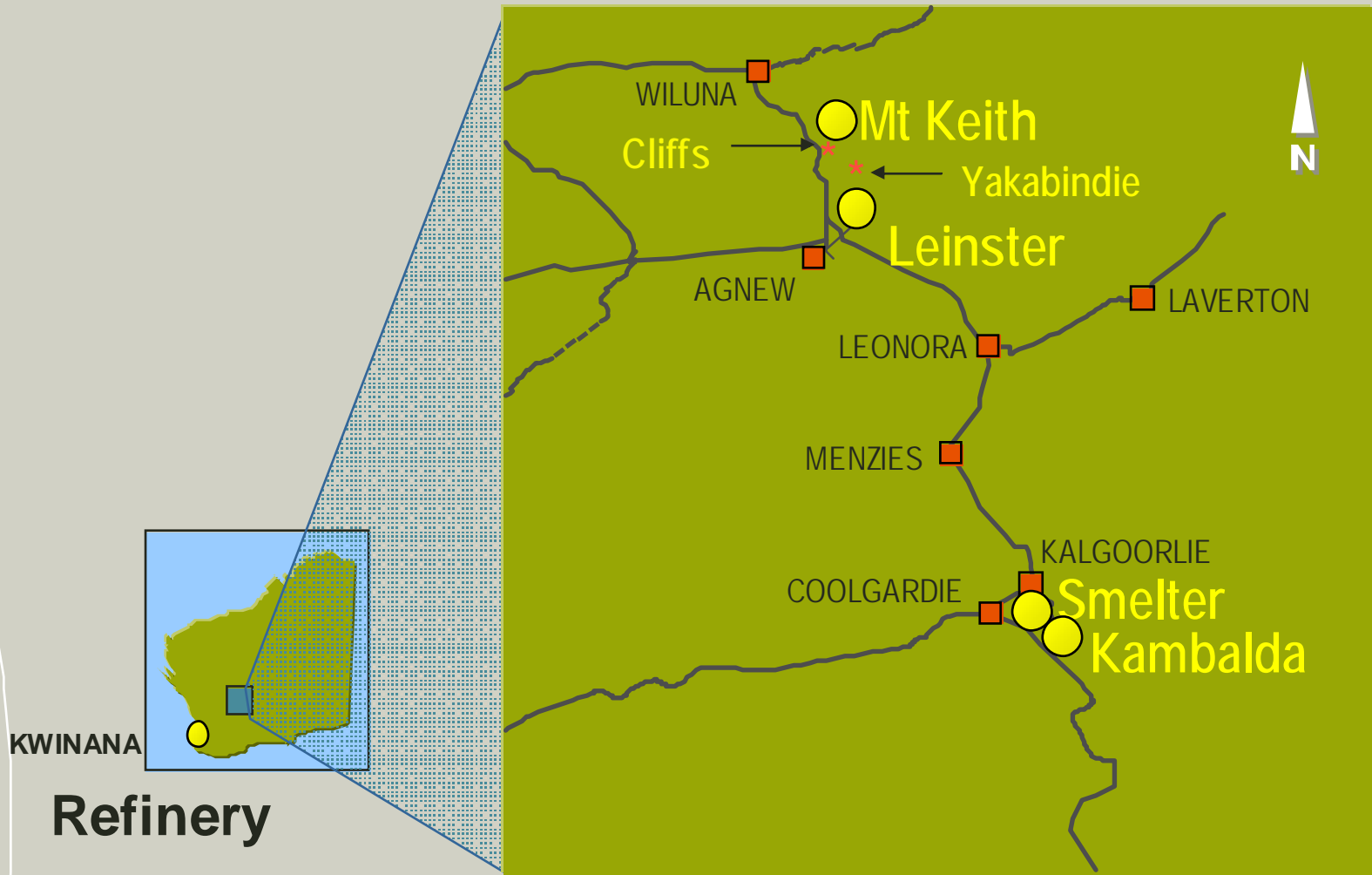
Source: MetalPrices.com

# Key construction commodity prices have risen significantly in past 18 months

Price Index for Construction Materials from 1990-2004

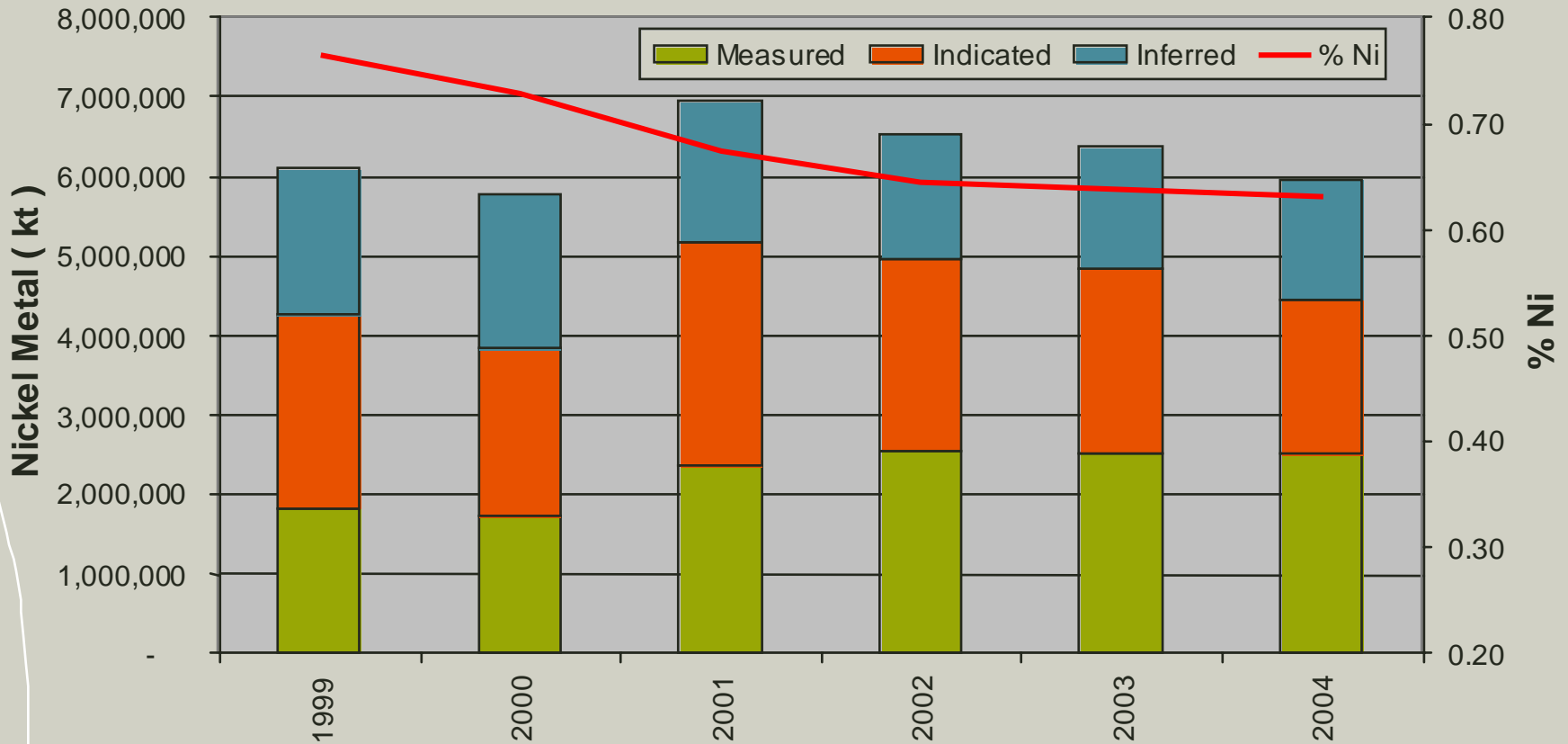


# Nickel West



# Nickel West resource base remains strong

## Nickel West Historical Resources



Source: WMC Annual Reports

# SSM's improving financial performance

| US\$M                           | FY05       | FY04       | FY03       |
|---------------------------------|------------|------------|------------|
| Turnover                        | 2132       | 1753       | 1106       |
| <b>EBIT</b>                     |            |            |            |
| CMSA                            | 513        | 363        | 167        |
| Yabulu                          | 156        | 134        | 24         |
| Nickel West                     | 23         |            |            |
| Samancor                        | 102        | 117        | 8          |
| <b>Profit from Operations</b>   | <b>794</b> | <b>614</b> | <b>199</b> |
| Development                     | -16        | -9         | -10        |
| Corporate                       | -10        | -11        | -7         |
| Fair Value Amortisation         | -22        | -22        | -22        |
| Other                           | 12         | -1         | -11        |
| <b>EBIT before Exceptionals</b> | <b>758</b> | <b>571</b> | <b>150</b> |