BHP BILLITON LTD
Form 6-K
February 04, 2009
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER**

**PURSUANT TO RULE 13a-16 OR 15d-16**

**UNDER THE SECURITIES EXCHANGE ACT OF 1934**

**February 4, 2009**

| BHP BILLITON LIMITED | BHP BILLITON PLC |
|---|---|
| (ABN 49 004 028 077) | (REG. NO. 3196209) |
| (Exact name of Registrant as specified in its charter) | (Exact name of Registrant as specified in its charter) |

| | |
|---|---|
| **VICTORIA, AUSTRALIA** | **ENGLAND AND WALES** |
| **(Jurisdiction of incorporation or organisation)** | **(Jurisdiction of incorporation or organisation)** |
| **180 LONSDALE STREET, MELBOURNE,** | |
| **VICTORIA** | **NEATHOUSE PLACE, VICTORIA, LONDON,** |
| **3000 AUSTRALIA** | **UNITED KINGDOM** |
| **(Address of principal executive offices)** | **(Address of principal executive offices)** |

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F: [x]

Form 20-F [ ] Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): [ ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): [ ]

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934: [ ] Yes [x] No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): n/a

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BHP Billiton Limited and BHP Billiton Plc

Date: 4 February 2009

By: Jane McAloon

*/s/* Jane McAloon
Name: Jane McAloon
Title: Group Company Secretary

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NEWS RELEASE

**Release Time** IMMEDIATE
**Date** 4 February 2009
**Number** 04/09

**BHP BILLITON RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**A robust financial performance in the context of a rapid deterioration in market conditions.**

**Underlying EBITDA up 25% to US$13.9 billion and Underlying EBIT up 24% to US$11.9 billion.**

**Strong Underlying EBIT margin[1] of 46% despite significant pressures from lower prices and a lagged effect of input costs benefit.**

**Record net operating cash flow[2] of US$13.1 billion, up 74%, which is an excellent result given market conditions and our strong growth pipeline.**

**Attributable profit up 2% to US$6.1 billion and EPS up 3% to 110.1 US cents (both measures excluding exceptional items).**

**Strong balance sheet with net debt decreased by 51% to US$4.2 billion. Gearing of 9.5% and Underlying EBITDA interest cover of 86.6 times.**

**Interim dividend of 41.0 US cents per share, an increase of 41% on last year s interim dividend.**

**A disciplined and value-accretive commitment to invest through the cycle, with one iron ore and three oil and gas projects sanctioned during the half-year.**

| Half-year ended 31 December | 2008 US$M | 2007 US$M | Change |
|---|---|---|---|
| Revenue | 29,780 | 25,539 | 16.6% |
| Underlying EBITDA [4] | 13,939 | 11,167 | 24.8% |
| Underlying EBIT [4] [5] | 11,899 | 9,623 | 23.7% |
| Profit from operations | 7,224 | 9,486 | (23.8%) |
| Attributable profit excluding exceptional items | 6,128 | 5,995 | 2.2% |
| Attributable profit | 2,617 | 6,017 | (56.5%) |
| Net operating cash flow [2] | 13,094 | 7,528 | 73.9% |
| Basic earnings per share excluding exceptional items (US cents) | 110.1 | 106.8 | 3.1% |
| Basic earnings per share (US cents) | 47.0 | 107.2 | (56.2%) |
| Underlying EBITDA interest coverage (times) [4] [6] | 86.6 | 34.9 | 148.1% |
| Dividend per share (US cents) | 41.0 | 29.0 | 41.4% |

Refer to page 15 for footnotes, including explanations of the non-GAAP measures used in this announcement.

The above financial results are prepared in accordance with IFRS and are unaudited. All references to the prior period are to the half-year ended 31 December 2007 unless otherwise stated.

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**RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**Commentary on the Group Results**

The results released today represent a robust operating and financial performance achieved in an environment that deteriorated significantly during the period, particularly over the last quarter. Our results benefited from strong volume additions in Petroleum and Iron Ore, as the growth projects in these two CSGs continued to ramp up.

Underlying EBIT increased by 23.7 per cent over the corresponding period to US$11.9 billion, with a healthy Underlying EBIT margin of 45.6 per cent. We continue to focus on our cost performance and expect to see the benefits of falling input prices, albeit with some lag. The strength of the US dollar against our main operating currencies positively impacted the Underlying EBIT for the first half by US$1.5 billion.

Attributable profit and profit from operations fell 56.5 per cent and 23.8 per cent respectively, as a result of a number of exceptional items, the majority of which are non-cash. These items include the indefinite suspension of Ravensthorpe (Australia), costs relating to the Rio Tinto offers, impairment of assets and increased rehabilitation provisions for Newcastle steelworks (Australia).

Net operating cash flow was outstanding and increased by 73.9 per cent to US$13.1 billion. The strong cash flow performance has reduced our net debt to US$4.2 billion, with a net gearing of 9.5 per cent and Underlying EBITDA interest cover of 87 times. This strong balance sheet is a competitive advantage and leaves us resilient in these challenging times. It also means that we are well positioned to take full advantage of an eventual recovery in the market.

During the six months to December 2008, we have witnessed an unprecedented fall in commodity prices, with market prices falling in the order of 50 per cent during this period. As the global economy continues to deteriorate, we are witnessing further demand contraction for our products. We believe it is likely that uncertainty will extend into the medium term. As a consequence of the macro economic environment we have taken a number of actions consistent with our focus to maximise long term shareholder value. These actions include the decision not to proceed with the Rio Tinto offers, adjustments in production where physical demand decreased, suspending cash negative operations and deferrals of low priority capital expenditures.

Notwithstanding the current economic uncertainty, we continue to believe that the needs of the developing world will drive long term demand for our products. Furthermore, the supply adjustments we are now witnessing could result in a constrained supply side when economic recovery does take place. The financial and operating strength of the Group means that we are able to continue to take a long term view, not compromising long term value as a result of short term pressures.

**Growth Projects**

During the period we commissioned three oil and gas projects and, highlighting our commitment to long term growth, we approved a total of US$5.9 billion of growth expenditure in one iron ore and three oil and gas projects.

We are continuing to progress well against budget and schedule for those projects which have already been approved.

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***Completed projects***

| Customer Sector Group | Project | Capacity (iv) | Capital expenditure (US$ million) (iv) Budget | Actual | Date of initial production (i) Target | Actual |
|---|---|---|---|---|---|---|
| Petroleum | Neptune (US) BHP Billiton 35% | 50,000 barrels of oil and 50 million cubic feet of gas per day (100%) | 405(iii) | 418 | Q1 2008 | Q3 2008 |
| | North West Shelf 5th Train (Australia) BHP Billiton 16.67% | LNG processing capacity 4.4 million tonnes per annum (100%) | 350 | 350(ii) | H2 2008 | H2 2008 |
| | North West Shelf Angel (Australia) BHP Billiton 16.67% | 800 million cubic feet of gas per day and 50,000 barrels of condensate per day (100%) | 200 | 200(ii) | H2 2008 | H2 2008 |
| | | | 955 | 968 | | |

(i) References to quarters and half-years are based on calendar years.
(ii) Number subject to finalisation. For projects where capital expenditure is required after initial production, the costs represent the estimated total capital expenditure.
(iii) As per revised budget or schedule.
(iv) All references to capital expenditure and capacity are BHP Billiton s share unless noted otherwise.

***Projects currently under development (approved in prior years)***

| Customer Sector Group | Project | Capacity (i) | Budgeted capital expenditure (US$ million) (i) | Target date for initial production (ii) |
|---|---|---|---|---|
| Petroleum | Shenzi (US) BHP Billiton 44% | 100,000 barrels of oil and 50 million cubic feet of gas per day (100%) | 1,940 | Mid 2009 |
| | Atlantis North (US) BHP Billiton 44% | Tie back to Atlantis South | 185 | H2 2009 |
| | Pyrenees (Australia) BHP Billiton 71.43% | 96,000 barrels of oil and 60 million cubic feet of gas per day (100%) | 1,200 | H1 2010 |
| | Bass Strait Kipper (Australia) BHP Billiton 32.5% - 50% | 10,000 bpd condensate and processing capacity of 80 million cubic feet gas per day (100%) | 500 | 2011 |
| | North West Shelf North Rankin B (Australia) | 2,500 million cubic feet of gas per day (100%) | 850 | 2012 |

| | | | | |
|---|---|---|---|---|
| | BHP Billiton 16.67% | | | |
| Aluminium | Alumar Refinery Expansion (Brazil) BHP Billiton 36% | 2 million tonnes per annum of alumina (100%) | 900 | Q2 2009 |
| | Worsley Efficiency and Growth (Australia) BHP Billiton 86% | 1.1 million tonnes per annum (100%) | 1,900 | H1 2011 |
| Iron Ore | WA Iron Ore Rapid Growth Project 4 (Australia) BHP Billiton 86.2% | 26 million tonnes per annum of iron ore (100%) | 1,850 | H1 2010 |
| Manganese | Gemco (Australia) BHP Billiton 60% | 1 million tonnes per annum manganese concentrate (100%) | 110 | H1 2009 |
| Energy Coal | Klipspruit (South Africa) BHP Billiton 100% | 1.8 million tonnes per annum export and 2.1 million tonnes per annum domestic thermal coal | 450 | H2 2009 |
| | Douglas-Middelburg Optimisation (South Africa) BHP Billiton 100% | 10 million tonnes per annum export thermal coal and 8.5 million tonnes per annum domestic thermal coal (sustains current output) | 975 | Mid 2010 |
| | Newcastle Third Export Coal Terminal (Australia) BHP Billiton 35.5% | Third coal berth, 30 million tonnes per annum (100%) | 390 | 2010 |
| | | | 11,250 | |

(i) All references to capital expenditure and capacity are BHP Billiton s share unless noted otherwise.
(ii) References to quarters and half-years are based on calendar years.

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***Projects approved since 30 June 2008***

| Customer Sector Group | Project | Capacity (i) | Budgeted capital expenditure (US$ million) (i) | Target date for initial production (ii) |
|---|---|---|---|---|
| Petroleum | Bass Strait Turrum (Australia)<br>BHP Billiton 50% | 11,000 bpd condensate and processing capacity of 200 million cubic feet of gas per day (100%) | 625 | 2011 |
| | North West Shelf CWLH Extension<br>(Australia)<br>BHP Billiton 16.67% | Replacement vessel with capacity of 60,000 barrels of oil per day (100%) | 245 | 2011 |
| | Angostura Gas Phase II (Trinidad and Tobago)<br>BHP Billiton 45% | 280 million cubic feet of gas per day (100%) | 180 | H1 2011 |
| Iron Ore | WA Iron Ore Rapid Growth Project 5 (Australia)<br>BHP Billiton 85% | 50 million tonnes per annum of iron ore<br>(100%) | 4,800 | H2 2011 |
| | | | 5,850 | |

(i) All references to capital expenditure and capacity are BHP Billiton s share unless noted otherwise.
(ii) References to half-years and years are based on calendar years.

**The Income Statement**

To provide clarity into the underlying performance of our operations, we present Underlying EBIT which is a measure used internally and in our Supplementary Information that excludes any exceptional items. The differences between Underlying EBIT and Profit from operations are set out in the following table:

| Half-year ended 31 December | 2008 US$M | 2007 US$M |
|---|---|---|
| Underlying EBIT | **11,899** | 9,623 |
| Exceptional items (before taxation) | **(4,675)** | (137) |
| Profit from operations | **7,224** | 9,486 |

Refer to page 8 for further details of Exceptional items.

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*Underlying EBIT*

The following table and commentary describes the approximate impact of the principal factors that affected Underlying EBIT for the half-year ended December 2008 compared with the December 2007 half-year:

| | | US$ Million |
|---|---|---|
| **Underlying EBIT for the half-year ended 31 December 2007** | | **9,623** |
| Change in volumes: | | |
| Increase in volumes | 204 | |
| Decrease in volumes | (1,104) | |
| New operations | 649 | |
| | | (251) |
| Net price impact: | | |
| Change in sales prices | 3,503 | |
| Price-linked costs | (543) | |
| | | 2,960 |
| Change in costs: | | |
| Costs (rate and usage) | (1,872) | |
| Exchange rates | 1,457 | |
| Inflation on costs | (423) | |
| | | (838) |
| Asset sales | | (141) |
| Ceased and sold operations | | 195 |
| Exploration and business development | | (113) |
| Other | | 464 |
| **Underlying EBIT for the half-year ended 31 December 2008** | | **11,899** |

*Volumes*

During the half-year ended December 2008, we delivered first production in three oil and gas projects and continued to deliver strong volume growth in Petroleum. The new oil and gas operations contributed US$649 million to Underlying EBIT. Underlying EBIT also increased by US$204 million due to record production and sales in Iron Ore.

Lower sales volumes in all other products and natural field declines in existing Petroleum operations reduced Underlying EBIT by US$1,104 million. Copper sales volumes were lower mainly due to declining ore grade and electrical motor reliability issues at the Laguna Seca SAG mill at Escondida (Chile). Manganese sales volumes were impacted as the global economy continues to deteriorate and demand contracted.

In Western Australia Iron Ore and our metallurgical coal operations, we have received requests for deferrals from some long term contract customers. However, this has not impacted iron ore or metallurgical coal production in the half-year ended December 2008. We have sold the deferred long term iron ore tonnages into the spot market. However, it is likely that we will opportunistically adjust our metallurgical coal production in line with the weaker demand, during the second half of the 2009 financial year (as already announced in our Production Report released on 21 January 2009).

As announced in our Production Report, Western Australia Iron Ore is expected to produce 130 million tonnes (100 per cent basis) in the 2009 financial year.

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At the end of November 2008, in response to weak demand Samarco (Brazil) announced the temporary suspension of two of its three pellet plants to mid-January 2009. Following a subsequent reassessment of the market conditions, the suspension will continue until the end of March 2009, at which time Samarco management will reassess the situation.

*Prices*

Net changes in prices increased Underlying EBIT by US$2,960 million (excluding the impact of newly commissioned projects).

Higher realised prices for metallurgical coal, iron ore, manganese, energy coal, oil and gas increased Underlying EBIT by US$7,629 million. However, this was offset by a negative impact of US$4,126 million due to lower realised prices for copper, nickel and aluminium.

Higher price-linked costs reduced Underlying EBIT by US$543 million primarily due to higher royalties. This was offset by decreased charges for third party nickel ore and more favourable rates for copper treatment and refining charges (TCRCs).

*Costs*

Costs increased by US$1,872 million compared to the corresponding period. This includes the impact of higher non-cash costs of US$262 million.

While we continue to focus on our cost performance, the benefits of falling input prices will have a lagged effect on reducing costs. Approximately US$592 million of the increase was due to higher costs for fuel and energy, and raw materials such as coke, sulphuric acid, pitch and explosives. In addition, labour and contractor costs have increased by US$368 million. A portion of the increase in costs was deliberately incurred to maximise production to take advantage of the high prices.

Unexpected events such as the severe weather interruptions in Queensland and the furnace rebuild at the Kalgoorlie Nickel Smelter (Australia) had an adverse cost impact of US$298 million.

*Exchange rates*

The strength of the US dollar positively impacted Underlying EBIT for the first half by US$1,457 million. All Australian operations were positively impacted by the weaker Australian dollar, which increased Underlying EBIT by US$1,207 million. The depreciation of the South African rand also positively impacted Underlying EBIT by US$165 million.

The following exchange rates against the US dollar have been applied:

| | Half-year ended 31 December 2008 Average | Half-year ended 31 December 2007 Average | 31 December 2008 Closing | 30 June 2008 Closing | 31 December 2007 Closing |
|---|---|---|---|---|---|
| Australian dollar [(i)] | **0.78** | 0.87 | **0.69** | 0.96 | 0.88 |
| Chilean peso | **578** | 511 | **642** | 522 | 498 |
| Colombian peso | **2,092** | 2,030 | **2,249** | 1,899 | 2,017 |
| Brazilian real | **1.96** | 1.85 | **2.33** | 1.60 | 1.78 |
| South African rand | **8.83** | 6.94 | **9.39** | 7.91 | 6.80 |

(i) Displayed as US$ to A$1 based on common convention.

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*Inflation on costs*

Inflationary pressures on input costs across all our businesses had an unfavourable impact on Underlying EBIT of US$423 million. The inflationary pressures were most evident in Australia and South Africa.

*Asset Sales*

The sale of assets reduced Underlying EBIT by US$141 million. This was mainly due to the sale of the Elouera mine (Illawarra Coal, Australia) and other Queensland Coal mining leases in the corresponding period.

*Ceased and sold operations*

The favourable impact of US$195 million was mainly due to higher insurance recoveries and movements in the restoration and rehabilitation provisions for closed operations.

*Exploration and business development*

With our outstanding operating cash flow and strong balance sheet, we continued to focus on finding new long term growth options, with a highly disciplined and value-focused approach.

Exploration expense for the half-year was US$496 million, an increase of US$64 million. We increased exploration expenses at Escondida, Cerro Colorado and Spence (all Chile), manganese targets in Gabon, and nickel targets in Western Australia. The main expenditure for the Petroleum CSG was on targets in the Gulf of Mexico (USA), Colombia, Australia, Philippines and Western India.

Expenditure on business development was US$49 million higher than last year. This was mainly due to earlier stage development activities in the Base Metals, Stainless Steel Materials and Iron Ore CSGs.

*Other*

Other items increased Underlying EBIT by US$464 million, predominantly due to the contribution of third party product sales which were US$380 million higher compared to the corresponding period.

*Net finance costs*

Net finance costs decreased to US$332 million, from US$341 million in the corresponding period. This was driven predominantly by lower interest rates, offset by foreign exchange impacts and lower capitalised interest.

*Taxation expense*

The taxation expense including tax on exceptional items was US$3,888 million, representing an effective rate of 56.4 per cent. Excluding the impacts of exceptional items the taxation expense was US$5,052 million.

Exchange rate movements increased the taxation expense by US$1,163 million. The weaker Australian dollar against the US dollar has significantly reduced the Australian deferred tax assets for future tax depreciation since 30 June 2008. This was partly offset by the devaluation of local currency tax liabilities due to the stronger US dollar. Royalty-related taxation represents an effective rate of 3.0 per cent for the current period.

Excluding the impacts of royalty-related taxation, the impact of exchange rate movements included in taxation expense and tax on exceptional items the underlying effective rate was 30.6 per cent.

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**Exceptional Items**

On 21 January 2009 the Group announced the indefinite suspension of Ravensthorpe Nickel Operations (Australia) and as a consequence will stop the processing of the mixed nickel cobalt hydroxide product at Yabulu (Australia). As a result, an impairment charge and increased provisions for rehabilitation of US$3,361 million (US$1,008 million tax benefit) were recognised for the half-year ended December 2008.

As part of the Group s regular impairment review of assets, a total charge of US$356 million (US$60 million tax charge including the de-recognition of tax benefits) was recognised primarily in relation to withdrawal from Suriname operations, suspension of copper sulphide mining at Pinto Valley (US) and the write down of the Corridor Sands mineral sands resource (Mozambique).

The Group recognised an additional US$508 million (US$152 million tax benefit) for the rehabilitation obligations at the Newcastle steelworks.

The Group s offers for Rio Tinto lapsed on 27 November 2008 following the Board s decision that it no longer believed that completion of the offers was in the best interests of BHP Billiton shareholders. The fees associated with the US$55 billion debt facility (US$156 million cost, US$5 million tax benefit), and other charges (US$294 million cost, US$59 million tax benefit) in progressing this matter over the eighteen months up to the lapsing of the offers have been expensed in the half-year ended 31 December 2008.

| Half-year ended 31 December 2008 | Gross US$M | Tax US$M | Net US$M |
|---|---|---|---|
| **Exceptional items by category** | | | |
| Suspension of Ravensthorpe nickel operations | **(3,361)** | **1,008** | **(2,353)** |
| Impairment of other operations | **(356)** | **(60)** | **(416)** |
| Newcastle steelworks rehabilitation | **(508)** | **152** | **(356)** |
| Lapsed offers for Rio Tinto | **(450)** | **64** | **(386)** |
| | **(4,675)** | **1,164** | **(3,511)** |
| **Exceptional items by segment** | | | |
| Petroleum | **(11)** | **4** | **(7)** |
| Aluminium | **(128)** | | **(128)** |
| Base Metals | **(147)** | **(64)** | **(211)** |
| Diamonds and Specialty Products | **(70)** | | **(70)** |
| Stainless Steel Materials | **(3,361)** | **1,008** | **(2,353)** |
| Group and Unallocated | **(958)** | **216** | **(742)** |
| | **(4,675)** | **1,164** | **(3,511)** |

**Cash Flows**

Net operating cash flow after interest and tax increased by 73.9 per cent to US$13,094 million. This was primarily attributable to higher profits generated from operating activities and a decrease in receivables partly offset by increases in other working capital items.

Capital and exploration expenditure totalled US$5,967 million for the period. Expenditure on major growth projects was US$4,116 million, including US$705 million on Petroleum projects and US$3,411 million on Minerals projects. Capital expenditure on maintenance, sustaining and minor capital items was US$1,231 million. Exploration expenditure was US$620 million, including US$124 million which has been capitalised.

Financing cash flow include US$2,486 million in relation to increased dividend payments and net debt repayments of US$1,099 million.

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Net debt, comprising cash and interest-bearing liabilities, was US$4,168 million, a decrease of US$4,290 million, or 50.7 per cent, compared to 30 June 2008. Gearing, which is the ratio of net debt to net debt plus net assets, was 9.5 per cent at 31 December 2008, compared with 17.8 per cent at 30 June 2008.

**Dividend**

An interim dividend for the half-year ended 31 December 2008 of 41.0 US cents per share will be paid to shareholders on 17 March 2009.

The dividend to be paid by BHP Billiton Limited will be fully franked for Australian taxation purposes. Dividends for the BHP Billiton Group are determined and declared in US dollars. However, BHP Billiton Limited dividends are mainly paid in Australian dollars, and BHP Billiton Plc dividends are mainly paid in pounds sterling and South African rands to shareholders on the UK section and the South African section of the register, respectively. Currency conversions were based on the foreign currency exchange rates two business days before the declaration of the dividend. Please note that all currency conversion elections had to have occurred by the Currency Conversion Date, being 2 February 2009. Any currency conversion elections made after this date will not apply to this dividend.

The timetable in respect of this dividend will be:

| | |
|---|---|
| Currency conversion | 2 February 2009 |
| Last day to trade cum dividend on JSE Limited | 20 February 2009 |
| Ex-dividend Australian Securities Exchange | 23 February 2009 |
| Ex-dividend Johannesburg Stock Exchange (JSE) | 23 February 2009 |
| Ex-dividend London Stock Exchange (LSE) | 25 February 2009 |
| Ex-dividend New York Stock Exchange (NYSE) | 25 February 2009 |
| Record | 27 February 2009 |
| Payment | 17 March 2009 |

American Depositary Shares (ADSs) each represent two fully paid ordinary shares and receive dividends accordingly.

BHP Billiton Plc shareholders registered on the South African section of the register will not be able to dematerialise or rematerialise their shareholdings, nor will transfers between the UK register and the South African register be permitted, between the dates of 23 and 27 February 2009.

The following table details the currency exchange rates applicable for the dividend:

| Dividend 41.0 US cents | Exchange Rate | Dividend per ordinary share in local currency |
|---|---|---|
| Australian cents | 0.631250 | 64.950495 |
| British pence | 1.423705 | 28.798101 |
| South African cents | 10.192345 | 417.886145 |
| New Zealand cents | 0.499500 | 82.082082 |

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**Debt Management and Liquidity**

No long term debt securities were issued in the debt capital markets during the half-year ended December 2008. The Group has access to the US commercial paper market and a committed and undrawn US$3.0 billion Revolving Credit Facility, which expires in October 2011. Our liquidity position is supported by our strong credit rating.

**Corporate Governance**

On 14 August 2008, the Board announced the appointment of Mr Alan Boeckmann and Mr Keith Rumble as Non-executive Directors of BHP Billiton Limited and BHP Billiton Plc with effect from 1 September 2008.

**Outlook**

*Global Economic Outlook*

In August 2008 we highlighted the short term global challenges that were evident. At that time, global economic activity was moderating, financial markets were volatile, and inflationary pressures were apparent. Since then, the global economy has deteriorated at an unprecedented rate taking most observers by surprise.

Economic growth has been impacted by a worldwide dislocation of financial markets that quickly moved into the real economy as credit markets froze and consumer and business confidence collapsed. Deflating asset values, particularly home values in the United States and parts of Europe continue to impact credit availability and confidence. The contraction that began in the United States has extended to impact growth rates in emerging economies as demand for their exports slows.

We expect global economic growth to be weak over the short to medium term as developed economies such as the United States and Europe enter recession and the rate of growth of emerging economies like China slows. Like many governments around the world, the Chinese government has introduced wide ranging stimulus measures. However, it is likely that these measures will take some time to have a positive flow through to economic activity. In reaction to deteriorating financial and economic conditions, there is a risk of increasing protectionism by governments which may hamper any global recovery.

Whilst the global economy faces significant challenges, our long term outlook remains unchanged. We expect emerging economies long term growth to be robust as they continue on the path to urbanisation and industrialisation.

*Commodities Outlook*

Amid uncertainty surrounding the outlook for the global economy, weakness and volatility in the commodity markets has prevailed during the first half of the 2009 financial year. During this period, spot prices for key commodities have fallen steeply in US dollar terms. However, weaker local currencies against the US dollar and the benefits of falling input prices, albeit with some lag, have partially offset the impact on margins.

The unprecedented deceleration in the global economy has sharply reduced demand for commodities. Producers in both developed and emerging economies have responded quickly by closing marginal sources of supply and deferring projects. In the short term, it is expected that many producers will primarily focus on cash conservation to cope with financial distress. We expect that commodity price weakness and volatility will persist.

However in the long term, we expect continued strong growth in demand for commodities from China and other emerging economies. We continue to expect that long-run commodity prices will be driven by their long-run marginal cost of supply. Reductions in current capital spending across the industry may constrain industry supply when demand growth recovers.

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**CUSTOMER SECTOR GROUP SUMMARY**

The following table provides a summary of the performance of the Customer Sector Groups for the half-year ended 31 December 2008 and the corresponding prior year.

| **Half-year ended 31 December** | | **Revenue** | | | **Underlying EBIT (i)** | |
|---|---|---|---|---|---|---|
| **(US$ Million)** | **2008** | **2007** | **Change %** | **2008** | **2007** | **Change %** |
| Petroleum | 4,212 | 3,268 | 28.9% | 2,675 | 1,968 | 35.9% |
| Aluminium | 2,518 | 2,744 | (8.2%) | 289 | 680 | (57.5%) |
| Base Metals | 3,286 | 6,557 | (49.9%) | (111) | 3,367 | (103.3%) |
| Diamonds and Specialty Products | 457 | 418 | 9.3% | 79 | 72 | 9.7% |
| Stainless Steel Materials | 1,101 | 2,419 | (54.5%) | (752) | 799 | (194.1%) |
| Iron Ore | 6,020 | 3,578 | 68.3% | 4,143 | 1,673 | 147.6% |
| Manganese | 1,916 | 1,013 | 89.1% | 1,245 | 431 | 188.9% |
| Metallurgical Coal | 4,913 | 1,900 | 158.6% | 3,123 | 523 | 497.1% |
| Energy Coal | 4,363 | 2,907 | 50.1% | 1,072 | 277 | 287.0% |
| Group and unallocated items (ii) | 1,106 | 801 | N/A | 136 | (167) | N/A |
| Less: inter-segment turnover | (112) | (66) | N/A | | | N/A |
| **BHP Billiton Group** | **29,780** | **25,539** | **16.6%** | **11,899** | **9,623** | **23.7%** |

(i) Underlying EBIT includes trading activities comprising the sale of third party product. Underlying EBIT is reconciled to Profit from operations on page 4.

(ii) Includes consolidation adjustments, unallocated items and external sales from the Group s freight, transport and logistics operations.

**Petroleum**

Underlying EBIT was US$2,675 million, an increase of US$707 million, or 35.9 per cent, compared to the corresponding period.

The increase in Underlying EBIT was mainly due to higher production. Strong growth in production was driven by the successful delivery of a series of growth projects and continued strong gas sales in Western Australia and Pakistan. Production was successfully commenced at Neptune, our first deepwater Gulf of Mexico operated project, and at the North West Shelf LNG Joint Venture s Train 5 (Australia), which came online ahead of schedule. This strong growth was achieved despite the continuing impact of two hurricanes in the Gulf of Mexico.

Underlying EBIT was also positively impacted by higher average realised oil prices per barrel of US$85.22 (compared with US$81.20), higher average realised natural gas prices of US$3.97 per thousand standard cubic feet (compared with US$3.42) and higher average realised prices for liquefied natural gas of US$12.82 per thousand standard cubic feet (compared with US$7.79).

Gross exploration expenditure was US$263 million, a decrease of US$32 million from last half-year, mostly due to timing. During the December 2008 half-year, we acquired exploration rights to a significant acreage position onshore in the Llanos Basin in Colombia, offshore acreage in the Palawan Basin in the Philippines, and seven deepwater blocks offshore Western India. Evaluation work has commenced, or continues, on our numerous acreage acquisitions from previous years.

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**Aluminium**

Underlying EBIT was US$289 million, a decrease of US$391 million or 57.5 per cent from the corresponding period. Lower LME prices and premiums for aluminium, had an unfavourable impact. This was partially offset by the positive impact of price-linked costs. The average LME aluminium price decreased to US$2,304 per tonne (compared with US$2,494 per tonne). The average realised alumina prices were in line with the corresponding period.

Half-year production and sales were impacted as the Southern African smelters continued to operate at reduced levels to comply with the mandatory reduction in power consumption. The December 2008 half-year includes the complete shutdown of the B and C potlines at Bayside (South Africa).

Higher operating costs also had an adverse impact. This was due to higher charges for energy, depreciation, maintenance, raw materials, and labour. Due to the significant deterioration in prices, inventory revaluation adjustments reduced Underlying EBIT by US$53 million. However, an intensive focus on cost containment through various business excellence initiatives and the benefit of a stronger US dollar reduced the full impact of cost increases.

**Base Metals**

Underlying EBIT was a loss of US$111 million, a decrease of US$3,478 million or 103.3 per cent from the corresponding period. This decrease was mainly due to a significant reduction in the prices for all commodities in Base Metals. Lower average realised prices decreased Underlying EBIT by US$2,905 million. This includes the impact of Escondida forward contracts losses. Since 2005 Escondida has executed forward contracts for the physical delivery of copper in order to achieve the average market prices over the relevant quotational periods. Due to the significant fluctuations in copper prices and unplanned interruptions at Escondida, this reduced Underlying EBIT by US$333 million for the period.

Lower sales volumes due to declining grades and electrical motor reliability issues at the Laguna Seca SAG mill at Escondida reduced Underlying EBIT. This was partially offset by the continued ramp up of Spence and Escondida Sulphide Leach.

Also impacting lower EBIT were higher costs in the period, mostly due to the impact of lower grades at Escondida and higher energy, fuel, acid and labour charges at all assets. The effect of inflation also impacted negatively. Higher costs were partially mitigated by a cost reduction program initiated during the December 2008 half-year in response to the rapid drop in prices and changing business environment. A stronger US dollar also contributed to mitigate the drop in commodity prices. Underlying EBIT was also impacted favourably by lower purchases of third party uranium from the spot market.

Provisional pricing of outstanding copper shipments, including the impact of finalisations, resulted in the average realised price for the reporting period being US$1.71/lb versus an average LME price of US$2.63/lb. The average realised price was US$3.22/lb in the corresponding period last year. The negative impact of provisional pricing and finalisations for the period was US$1,297 million. Outstanding copper volumes, subject to the fair value measurement, amounted to 242,640 tonnes at 31 December 2008. These were re-valued at a weighted average price of US$3,063 per tonne.

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**Diamonds and Specialty Products**

Underlying EBIT was US$79 million, in line with the corresponding period. Underlying EBIT was positively impacted by a stronger US dollar and reduced exploration and business development costs.

**Stainless Steel Materials**

Underlying EBIT was a loss of US$752 million, a decrease of US$1,551 million compared with the corresponding period. This was mainly due to lower average LME prices for nickel of US$6.76/lb (compared to US$13.48/lb) reducing Underlying EBIT (net of price linked costs) by US$916 million. The positive impact of price-linked costs was US$127 million.

The furnace rebuild at the Kalgoorlie Nickel Smelter and concurrent maintenance at the Kwinana Nickel Refinery (Australia) adversely impacted Underlying EBIT due to lower production and sales volumes (US$234 million) and higher operating costs (US$104 million).

Higher labour, depreciation and energy costs also had an adverse impact. This was in part offset by a favourable impact of the weaker Australian dollar against the US dollar.

Underlying EBIT also decreased by US$101 million due to the continued ramp-up of operations at Ravensthorpe and the Yabulu Extension Project. Total Underlying EBIT for these operations for the half-year was a loss of US$233 million.

**Iron Ore**

Underlying EBIT of US$4,143 million increased significantly by US$2,470 million or 147.6 per cent. This was mainly driven by higher average realised prices which increased the Underlying EBIT by US$2,195 million. The negative impact of price-linked costs was US$152 million.

In Western Australia Iron Ore we have received some requests for deferrals from long term contract customers. However, sales volumes were a record despite a weak demand environment. This reflects our strong relationship with long term customers and our ability to sell into the spot market. As we have been able to sell the deferred long term iron ore tonnages into the spot market, production adjustments during the half-year were limited to Samarco only.

Higher operating costs had an adverse impact on Underlying EBIT. This was largely due to inflationary pressures in Australia, increased labour and contractor costs. Depreciation expense was higher due to the successful expansions at Western Australia Iron Ore and Samarco. This was in part offset by a favourable impact of the weaker Australian dollar and Brazilian real against the US dollar.

**Manganese**

Underlying EBIT was US$1,245 million, a significant increase of US$814 million or 188.9 per cent. This increase was due to higher sales prices achieved for alloy and ore and a favourable exchange rate impact.

Manganese ore and alloy are entirely dependent on the steel industry and are therefore directly impacted by the current weak steel markets. As a result, lower sales volumes had a negative US$193 million impact on Underlying EBIT.

Other operating costs were higher due to increased distribution costs, and higher ore development, coke and labour costs. A portion of the increase in costs was deliberately incurred to maximise production to meet the strong demand earlier in the December 2008 half year.

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**Metallurgical Coal**

Underlying EBIT was US$3,123 million, an increase of US$2,600 million, or 497.1 per cent from the corresponding period. The increase in Underlying EBIT was mainly due to the higher realised prices for hard coking coal (198 per cent), weak coking coal (233 per cent) and thermal coal (61 per cent). This was offset by a negative impact on price-linked royalty costs. Higher royalty costs associated with the introduction of a two tier royalty structure in Queensland from 1 July 2008 reduced Underlying EBIT by US$82 million.

A stronger US dollar against the Australian dollar had a favourable impact of US$328 million. The cost impact attributable to the recovery from the rainfall events at Queensland Coal had an unfavourable impact of US$122 million in the period. Other operating costs were higher due to increased labour costs, longwall discontinuity at Appin Mine and extended changeout at Dendrobium (both Australia). Inflationary pressures also had an unfavourable impact on Underlying EBIT.

In addition, in the corresponding period profit on the sales of Elouera mine (Australia) and Queensland coal mining leases were realised.

**Energy Coal**

Underlying EBIT was US$1,072 million, an increase of US$795 million, or 287.0 per cent from the corresponding period. The increase in Underlying EBIT was mainly due to the higher export prices, favourable exchange rate impact on costs and record production at Hunter Valley Coal (Australia) and Cerrejon Coal (Colombia). These gains were partially offset by higher costs due to inflationary pressures, and increased diesel, labour and contractor costs.

**Group and Unallocated items**

Underlying EBIT was positively impacted by a stronger US dollar against local currency costs and the revaluation of rehabilitation and closure provisions.

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The following notes explain the terms used throughout this profit release:

(1) Underlying EBIT margin is calculated net of third party product activities.

(2) Net operating cash flows are after net interest and taxation.

(3) Unless otherwise stated, production volumes exclude suspended and sold operations.

(4) Underlying EBIT is earnings before net finance costs and taxation and any exceptional items. Underlying EBITDA is Underlying EBIT before depreciation, impairments and amortisation of US$2,040 million (excluding exceptional items of US$3,613 million) for the half year ended 31 December 2008 and US$1,544 million for the half-year ended 31 December 2007 (excluding exceptional items of US$137 million).

We believe that Underlying EBIT and Underlying EBITDA provide useful information, but should not be considered as an indication of, or alternative to, attributable profit as an indicator of operating performance or as an alternative to cash flow as a measure of liquidity.

(5) Underlying EBIT is used to reflect the underlying performance of BHP Billiton s operations. Underlying EBIT is reconciled to Profit from operations on page 4.

(6) Net interest includes capitalised interest and excludes the effect of discounting on provisions and other liabilities, fair value change on hedged loans, net of hedging derivatives, exchange differences arising from net debt and return on pension plan assets.

**Forward-looking statements:** Certain statements in this presentation are forward-looking statements, including statements regarding the cost and timing of development projects, future production volumes, increases in production and infrastructure capacity, the identification of additional mineral Reserves and Resources and project lives and, without limitation, other statements typically containing words such as intends, expects, anticipates, targets, plans, estimates and words of similar import. These statements are based on current expectations and beliefs and numerous assumptions regarding BHP Billiton s present and future business strategies and the environments in which BHP Billiton will operate in the future and such assumptions, expectations and beliefs may or may not prove to be correct and by their nature, are subject to a number of known and unknown risks and uncertainties that could cause actual results, performance and achievements to differ materially.

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**HALF-YEAR FINANCIAL REPORT**

**For the half-year ended**

**31 December 2008**

BHP Billiton Half-Year Financial Report

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**Consolidated Income Statement**

for the half-year ended 31 December 2008

| | Notes | Half-year ended 31 December 2008 US$M | Half-year ended 31 December 2007 US$M | Year ended 30 June 2008 US$M |
|---|---|---|---|---|
| **Revenue** | | | | |
| Group production | | **25,428** | 21,858 | 51,918 |
| Third party product | 2 | **4,352** | 3,681 | 7,555 |
| **Revenue** | 2 | **29,780** | 25,539 | 59,473 |
| Other income | | **287** | 361 | 648 |
| Expenses excluding net finance costs | | **(22,843)** | (16,414) | (35,976) |
| **Profit from operations** | | **7,224** | 9,486 | 24,145 |
| Comprising: | | | | |
| Group production | | **6,932** | 9,574 | 24,529 |
| Third party product | | **292** | (88) | (384) |
| | 2 | **7,224** | 9,486 | 24,145 |
| Financial income | 5 | **165** | 124 | 293 |
| Financial expenses | 5 | **(497)** | (465) | (955) |
| Net finance costs | 5 | **(332)** | (341) | (662) |
| **Profit before taxation** | | **6,892** | 9,145 | 23,483 |
| Income tax expense | | **(3,537)** | (2,683) | (6,798) |
| Royalty related taxation (net of income tax benefit) | | **(351)** | (269) | (723) |
| Total taxation expense | 6 | **(3,888)** | (2,952) | (7,521) |
| **Profit after taxation** | | **3,004** | 6,193 | 15,962 |
| Profit attributable to minority interests | | **387** | 176 | 572 |
| Profit attributable to members of BHP Billiton Group | | **2,617** | 6,017 | 15,390 |
| Earnings per ordinary share (basic) (US cents) | 7 | **47.0** | 107.2 | 275.3 |
| Earnings per ordinary share (diluted) (US cents) | 7 | **47.0** | 106.9 | 274.8 |
| Dividends per ordinary share paid during the period (US cents) | 8 | **41.0** | 27.0 | 56.0 |
| Dividends per ordinary share declared in respect of the period (US cents) | 8 | **41.0** | 29.0 | 70.0 |

The accompanying notes form part of these half-year financial statements.

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**Consolidated Statement of Recognised Income and Expense**

for the half-year ended 31 December 2008

| | Notes | Half-year ended 31 December 2008 US$M | Half-year ended 31 December 2007 US$M | Year ended 30 June 2008 US$M |
|---|---|---|---|---|
| **Profit after taxation** | | **3,004** | 6,193 | 15,962 |
| **Amounts recognised directly in equity** | | | | |
| Actuarial losses on pension and medical schemes | | **(339)** | (27) | (96) |
| Available for sale investments: | | | | |
| Valuation losses taken to equity | | (24) | (30) | (76) |
| Valuation gains transferred to the income statement | | (11) | | |
| Cash flow hedges: | | | | |
| Gains/(losses) taken to equity | | **694** | (67) | (383) |
| Realised losses transferred to the income statement | | **23** | | 73 |
| Unrealised gain transferred to the income statement | | **(48)** | | |
| Gains transferred to the initial carrying amount of hedged items | | **(26)** | (132) | (190) |
| Exchange fluctuations on translation of foreign operations | | **70** | (6) | (21) |
| Tax on items recognised directly in, or transferred from, equity | | **(262)** | 106 | 306 |
| Total amounts recognised directly in equity | | **77** | (156) | (387) |
| **Total recognised income and expense** | | **3,081** | 6,037 | 15,575 |
| Attributable to minority interests | 9 | 366 | 176 | 571 |
| Attributable to members of BHP Billiton Group | 9 | 2,715 | 5,861 | 15,004 |

The accompanying notes form part of these half-year financial statements.

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**Consolidated Balance Sheet**

as at 31 December 2008

| | Notes | 31 December 2008 US$M | 31 December 2007 US$M | 30 June 2008 US$M |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | | 7,195 | 2,294 | 4,237 |
| Trade and other receivables | | | | |