



OUR RESOURCES AT WORK

**BHP BILLITON LIMITED
ANNUAL REPORT 2003**



bhpbilliton

Your Company at work

Around the globe, every day, the commodities we supply are used to make products that enhance people's daily lives, from power sources to computer parts to precision-made surgical instruments. In carrying out our key role in the production process, we aspire to be not only the premier supplier of natural resources and related products, but one of the world's best companies – creating value and delivering superior, sustainable returns for our shareholders.

Our Dual Listed Companies merger in June 2001 established BHP Billiton as the world's largest diversified resources group. Based on this solid foundation, the Strategic Framework we announced in April 2002 set out the imperatives and direction for us to realise our full potential. We have continued that strategic direction and applied our energy and expertise to build on our strengths in order to ensure the long-term growth of the Company.

The characteristics that differentiate BHP Billiton from other resources companies are our:

- world-class assets
- diverse commodity mix
- global footprint
- stable cash flows
- strong management team
- unique marketing model
- deep inventory of projects
- significant growth opportunities.

Underpinning our earnings capability is our dedication to identifying the needs of each of our customers and responding with innovative solutions, including cross-commodity offerings that give us a distinctive competitive edge. Together, all these attributes have delivered significant progress over the past year. This Annual Report presents our 2003 results, operating reviews of our Customer Sector Groups and our key objectives for the year ahead.

About this Report

BHP Billiton is a Dual Listed Company comprising BHP Billiton Limited and BHP Billiton Plc. The two entities continue to exist as separate companies but operate as a combined group known as BHP Billiton.

The headquarters of BHP Billiton Limited and the global headquarters of the combined BHP Billiton Group are located in Melbourne, Australia. BHP Billiton Plc is located in London, UK. Both companies have identical Boards of Directors and are run by a unified management team. Throughout this Report the Boards are referred to collectively as the Board. Shareholders in each company have equivalent economic and voting rights in the BHP Billiton Group as a whole.

The laws in Australia and the UK require us to adopt a different approach to reporting results. This Concise Report deals with the affairs of the BHP Billiton Group.

Throughout this Report, the terms BHP Billiton, the Company and the Group refer to the combined group, including both BHP Billiton Limited and subsidiary companies and BHP Billiton Plc and subsidiary companies. The term 'the merger' has a corresponding meaning.

Copies of the Annual Reports for BHP Billiton Plc and BHP Billiton Limited (Concise Report and Combined Financial Statements) can be found on www.bhpbilliton.com. Shareholders may also request a copy by telephoning 1300 656 780 (within Australia) or (61 3) 9649 5020 (from elsewhere).

BHP Billiton Limited. ABN 49 004 028 077. Registered in Australia. Registered Office: 180 Lonsdale Street, Melbourne Victoria 3000 Australia.
BHP Billiton Plc. Registration Number 3196209. Registered in England and Wales. Registered Office: Neathouse Place, London SW1V 1BH UK.

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Petroleum

10



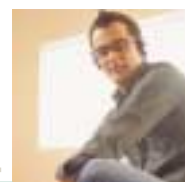
Aluminium

12



Base Metals

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Carbon Steel Materials

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Diamonds and
Specialty Products

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Energy Coal

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Stainless Steel Materials

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Chairman's Review



► Don Argus, Chairman

'BHP Billiton's unique set of assets, value-focused strategies, strong balance sheet and dedicated workforce leave it well placed to prosper over the coming year.'

At the time of the merger, BHP Billiton articulated its vision to earn superior returns for shareholders as the world's premier supplier of natural resources and related products and services.

Put simply, the Board and management recognised the changes occurring in our industry and the global economy and saw an opportunity to create an entity that would provide long-term growth from a stable base and a global footprint.

Over the past year, we have made significant progress in creating value and building the fundamental platform that allows us to produce a stable, healthy cash flow throughout the economic cycle. This year's progress, whereby BHP Billiton generated solid earnings and recorded significant operating achievements, sits against a background of a struggling world economy, some low commodity prices, a war in the Middle East and the impact of stronger operating currencies.

Results and growth

Despite the challenging environment, our earnings before interest, tax, depreciation and amortisation were US\$4.9 billion; our operating cash flow reached US\$3.6 billion and we increased the dividend to 14.5 US cents a share, an increase of 11.5 per cent over last year.

The strength of our earnings this year and, indeed, since the merger, demonstrate our fundamental investment proposition of stability and growth. This proposition is based on world-class assets, a strong management team and significant growth opportunities in an entity with scale and diversification.

From our high-quality operating base, we continued to deliver the promised efficiency gains and the Company remains in a strong position to continue to develop its suite of assets.

Growth has been delivered in a number of forms. Five new projects have been delivered since July 2002, on or ahead of budget and schedule. A further 14 projects are currently in development, representing more than US\$4.6 billion of future investment.

Future growth will be generated from our exploration activities, in which we invested a further US\$348 million during the year.

Growth in earnings has been created through efficiency gains, which improve our margins throughout the cycle and therefore our competitiveness. The marketing of our products has been totally restructured, again with the goal of improving our margins and competitiveness, to become more valuable to our customers.

Determining value

Ultimately, it is the ability to manage our assets well and execute profitable growth opportunities that creates value in the Company and will provide superior, sustainable returns for shareholders. So let us look at the value that has been delivered to shareholders in recent years.

Today, BHP Billiton has a market capitalisation of approximately US\$42 billion, compared to a market capitalisation of US\$28 billion at the time of the merger and US\$35 billion at year end.

The value of our Company is determined by the future cash flows generated from existing operations and internal and external growth initiatives. While for any individual business these cash flows may be quite volatile as a result of changes in prices, exchange rates, markets and the level of demand for our commodities, our diverse portfolio of assets reduces this volatility to provide greater stability of overall cash flow.

The share market value of the Company may differ from the theoretical value of the Company due to a variety of factors. One of the reasons for this is the increasingly complex accounting conventions and standards, including the effect on the balance sheet of currency translations.

While the weakening of the US dollar has a real cash impact on the Company, a great deal of the impact is non-cash and due to a requirement to revalue non-US dollar denominated monetary items on the balance sheet and take any change in value through our income statement. This can increase the volatility of our earnings and it is why we encourage investors to focus on cash flow in addition to earnings.

In the last few years, share markets and share prices have become increasingly volatile. So while the inherent value of businesses, and earnings generated, may have remained relatively stable, the value attributed by markets to a business, such as BHP Billiton, has fluctuated widely.

Financial markets will continue to be volatile for the foreseeable future. While BHP Billiton is not immune from these influences, if we continue to deliver growth with returns above the cost of capital and increase our cash flow, we will continue to attract a wide investor following and achieve our objective of being a core holding for global institutional investors, as well as our individual investors.

Over the last few years we have made good progress with our key value drivers.

Since the merger in June 2001, our focus on creating value has resulted in BHP Billiton Limited outperforming the ASX 200 by 2.3 per cent and the S&P 500 by 9.4 per cent and BHP Billiton Plc outperforming the FTSE 100 by 24.4 per cent and the S&P 500 by 16.25 per cent. A shareholder who invested US\$1000 in BHP Limited in November 1998 would now have a holding worth US\$2207. Had US\$1000 been invested in Billiton Plc at the same time, that amount would now be worth US\$2990.

While we will continue to invest in the growth of the business, we also aim to increase dividends through our progressive dividend policy.

We are well on the way to achieving our vision. While there will always be more work to do, we have and are delivering against the promises made at the time of the merger. We continue to aspire to be not just the resources investment of choice but also an investment of choice regardless of industry sector. We aspire to be one of the world's best companies.

The Board and management

During the year Chip Goodyear succeeded Brian Gilbertson as CEO of the Group. Chip has settled into the position extremely well and, with an outstanding executive team and first class organisation, is continuing the strategic direction outlined to the market in April 2002.

Mr Cornelius Herkströter will retire from the Board at the conclusion of the annual general meeting in November 2003. Mr Herkströter has made a significant contribution to the Group and I am sure that all shareholders join me in thanking him for his contribution.

In February, Dr John Buchanan joined the Board as a non-executive Director. Dr Buchanan was formerly an executive Director and the Group Chief Financial Officer of BP Plc. Mr Miklos Salamon, Senior Minerals Executive and President of the Aluminium Customer Sector Group also joined the Board as an executive Director.

The Board has been reduced from 17 Directors to nine non-executive and two executive Directors. The Board will continue with its regular review and appraisal process aimed at assessing the appropriate mix of skills, attributes and the performance of individual Directors.

An independent review of the Board was also undertaken during the year. The review focused on areas such as the role of the Board, performance evaluation, procedures and practices, and behaviours and cohesion. Action programs that evolve from this review will be developed to assist the Board to be more effective, both collectively and individually, going forward.

Corporate governance

The Board recognises that the globalisation of investment flows continues at pace with the availability of capital from international markets increasingly moving to those economies and companies that demonstrate sound corporate governance practices and an overall commitment to sustainability.

The Dual Listed Companies structure under which BHP Billiton operates adds complexity to our governance regime but it also provides us with the opportunity to consider and adopt those practices that we consider to be the better of the prevailing standards, in any of their jurisdictions.

The Board also recognises that we cannot afford to strive for anything less than continued strong performance. There is no room for complacency given the volatile nature of the market and the possibility of a crisis at any time.

I commend my Board colleagues and Chip Goodyear's management team for their continued commitment to superior performance and transparency, which has enabled the Company to turn in a robust performance for the 2003 financial year.

Outlook statement

The global economy has struggled to generate significant growth momentum following a series of damaging shocks over the past few years. Many developed economies are moving through uncharted waters as they deal with excess capacity, subdued demand and a competitive pricing environment. However, on balance, it appears to have turned the corner and, although the outlook remains fragile, a number of positive developments are supporting an improved outlook for 2004.

First, monetary and fiscal policies are being aligned throughout the major economies, with US and European central banks reducing interest rates while Japan is working hard to provide the necessary reform framework for improving the economic climate.

Second, equity markets have improved over the course of the year. Third, corporate bond spreads have fallen in tandem with government bond yields as markets become increasingly comfortable with risk levels. Finally, the situation in many emerging economies has stabilised and China continues to provide a bulwark for commodity markets.

Although the global economy faces significant headwinds, BHP Billiton's unique set of assets, value focused strategies, strong balance sheet and dedicated workforce leave it well placed to prosper over the coming year.



Don Argus,
Chairman

Chief Executive Officer's Report



► Charles Goodyear, Chief Executive Officer

'Together we will continue to deliver value to shareholders and realise our vision to become one of the world's leading companies.'

Two years ago your Company completed a merger that created the world's largest diversified resources company. Since then we have been fully engaged in delivering on the action items necessary to maximise the value of the merger.

Fundamental to our activities has been completing the integration of the two companies, firmly embedding the business model and crystallising our strategy. It is fair to say that we have achieved all of the stated merger benefits and are well on our way to executing our vision and strategic plan, which will positively impact the operating and financial performance of BHP Billiton in the years ahead.

BHP Billiton Charter

Central to our organisation is the BHP Billiton Charter. This creates alignment throughout the organisation through a set of clearly defined values applicable to each employee of the Group. Each of these values is important, but the one I would like to highlight is our overriding commitment to health, safety, environmental responsibility and community development (HSEC). This value driver is a major challenge for a company whose core business is the extraction of natural resources. However, we also believe that it is a leading indicator of company performance and we are proud of the progress that we have made in this area. Simply put, good performance in the HSEC areas is good business. In addition to our Annual Report, we have released a HSEC Report and I would encourage you to judge for yourself the progress that we have made in this area.

Operating performance

Difficult economic conditions prevailed throughout fiscal 2003. Despite this, our businesses delivered solid operating and financial results. In addition, our impressive array of growth projects is being delivered on time and on budget, or better.

Petroleum, Carbon Steel Materials and Aluminium were the standout performers for the year. In Petroleum we benefited from a consistently high oil price and volumes overall held up well despite natural field decline in some of our major operations. We also continued our run of exploration successes. In a survey conducted by PFC Energy, our Petroleum division was evaluated to have an upstream return on capital employed of 29 per cent, versus an industry average of 17 per cent.

In Carbon Steel Materials we saw record shipments and a 9 per cent price increase for iron ore on the back of increasing demand from Asia, particularly China. China was also a key driver for a number of other commodities including alumina. By maximising our alumina position and delivering excellent cost performance, our Aluminium business generated outstanding results.

Better financial performances were also seen in our Base Metals, Stainless Steel Materials and Diamonds and Specialty Products businesses due to a number of factors including increased output across all three businesses and higher prices for copper and nickel. The Stainless Steel Materials business made a dramatic improvement from essentially break-even EBIT performance last year and diamond production was up almost 19 per cent. Energy Coal, however, suffered from the combined effects of stronger currencies, high inflation in South Africa and lower global energy coal prices that together had a material impact on this business.

Sitting across our businesses is our Marketing group, which is responsible for coordinating our marketing activities across commodities and regions. This model is different to many of our peers and I am pleased to report solid progress in this area. Operating through the hubs in The Hague and Singapore, our systems and risk management have greatly improved since the merger. At the press of a button, we can now actively manage our customer credit exposures and understand where our products sit in the supply chain. On the customer side, we can now provide better product management solutions to our customers and are starting to see recognition for the 'value-added' products that this approach can provide. We have also seen important cross-selling opportunities which asset-based marketing would not have been able to identify. I believe our marketing approach is a unique characteristic of our Company and will be an important source of competitive advantage in the years ahead.

Growth projects and portfolio management

Another differentiating feature of BHP Billiton is our ability to identify tangible growth opportunities in our businesses. At the time of the merger we announced a substantial capital investment program. Since then, we have completed eight major

projects with a total capital investment of US\$2.1 billion. All of the finished projects were completed on or ahead of budget and schedule. We currently have 14 projects in development representing more than US\$4.6 billion of future investment.

This is a key area of value creation for BHP Billiton shareholders.

During the year, project milestones included commissioning of Phase IV of the massive Escondida copper mine in Chile, on time and US\$57 million below budget; commencing aluminium production from the Mozal expansion project in Mozambique, five months ahead of schedule and approximately US\$92 million under budget; start up of production from the San Juan underground coal mine in New Mexico; and first gas production from the Bream Gas Pipeline in Australia, three months ahead of schedule. In July 2003, we announced the completion of the Zamzama gas project in Pakistan, nearly four months ahead of schedule.

The Board also approved three new major projects: a US\$1.1 billion investment in the Atlantis oil discovery in the Gulf of Mexico; US\$327 million in the Angostura oil and gas discovery in Trinidad; and US\$230 million in the Escondida Norte copper project in Chile.

July 2002 saw the demerger of BHP Steel, severing BHP's direct link of many decades with the steel industry. The year also saw the sale of our indirect interest in Companhia Vale do Rio Doce (CVRD) for a cash consideration of US\$345 million and the sale of our interests in the Agua Rica and Alumbrera copper-gold deposits in Argentina. We will continue to actively manage our portfolio where opportunities present themselves.

Efficiency gains

The merger continued to deliver financial savings, with US\$285 million in merger benefits achieved by December 2002 and another US\$310 million cost savings achieved by June 2003. The areas of operating excellence and strategic sourcing are providing us with the bulk of these savings and we continue to improve and refine our processes in all aspects of the business. Around 300 specific projects were completed under the Operating Excellence banner during the year and we expect the number of completed projects to grow to almost 1000 in the 2004 year. We are well on track to meet our overall US\$770 million target in efficiency gains by 2005.

Financial strength

The success of the merger, the benefits of diversification and our disciplined financial policies were recognised by Moody's Investor Services with the upgrade of our long-term credit rating to A2, alongside Standard & Poor's existing rating of A. This strong credit profile contributed to our ability to diversify our funding sources away from bank debt with the issuance of our inaugural €750 million Eurobond and US\$850 million Global Bond in addition to an Australian A\$250 million issue in the prior fiscal year. In February 2003, we also established a US\$2 billion commercial paper program to give us low-cost, short-term funding flexibility. These new facilities have helped lower our average borrowing cost to 5.1 per cent today versus 8.3 per cent in the year prior to the merger.

Despite capital investments and exploration expenditure of US\$3.0 billion during the year, our strong cash flow and other income enabled us to reduce net debt by US\$1.0 billion, to US\$5.8 billion.

The combination of our strong operating performance, cost savings, capital investments, portfolio management and funding

diversification has resulted in an increase in our return on capital from 11.0 per cent in 2002 to 13.4 per cent in the last financial year. We continue to aim to increase the return on capital in the years ahead.

The true indicator of our financial performance is our ability to generate cash throughout the economic cycle. We have demonstrated this admirably in the two years since the merger and cash generation will remain a feature in years ahead. Although cash is strong, our earnings have been adversely impacted by the weak US dollar, in particular against the Australian dollar and South African rand.

Innovation

The formation of BHP Billiton created a new kind of resources company, one that was prepared to recognise our historic success and build on it by thinking creatively about our challenges and opportunities. This has enabled us to bring forward innovations in areas that may not have been possible if we remained separate organisations. Marketing is one such innovation where we have moved away from the traditional asset-based model to a more holistic approach to our customer interaction.

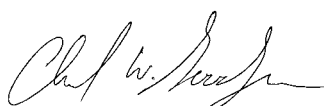
Minerals exploration has been another key area of innovation. We have an extensive junior partner program whereby we increase our exposure to major discoveries while giving our junior partner an increased share of the value in lesser discoveries. Combining this with leading edge technology such as our proprietary airborne Falcon™ gravity exploration system has made us the partner of choice for much of the industry and has brought us opportunities that would not otherwise have been available.

Innovation allows us to stay ahead of the game and will continue to be important to the Company in the years ahead.

Our people

This year will see the addition of a seventh BHP Billiton value driver focused on our employees. For the last two years the focus has been on integration and ensuring that we have the correct structure, strategy and people. Our organisation now needs to evolve to ensure that we are able to realise the full potential of our employees, become an employer of choice in the resources industry and are considered by our stakeholders to have one of the world's most outstanding teams.

People are what make any organisation great and the success of a company like BHP Billiton relies heavily on all its employees and contractors. I would like to take this opportunity to thank our dedicated executive team who are working together seamlessly to drive the overall success of the Company. I'd also like to pay tribute to the work Paul Anderson and Brian Gilbertson did in driving the integration of the two companies to create a world-class enterprise and global leader in the resources industry and a base upon which we continue to grow. Finally, I would like to thank each of our 35 000 employees across the globe for their contribution. Together we will continue to deliver value to shareholders and realise our vision to become one of the world's leading companies.



Charles Goodyear,
Chief Executive Officer

Financial Performance

2003

BHP Billiton Group

FROM CONTINUING OPERATIONS

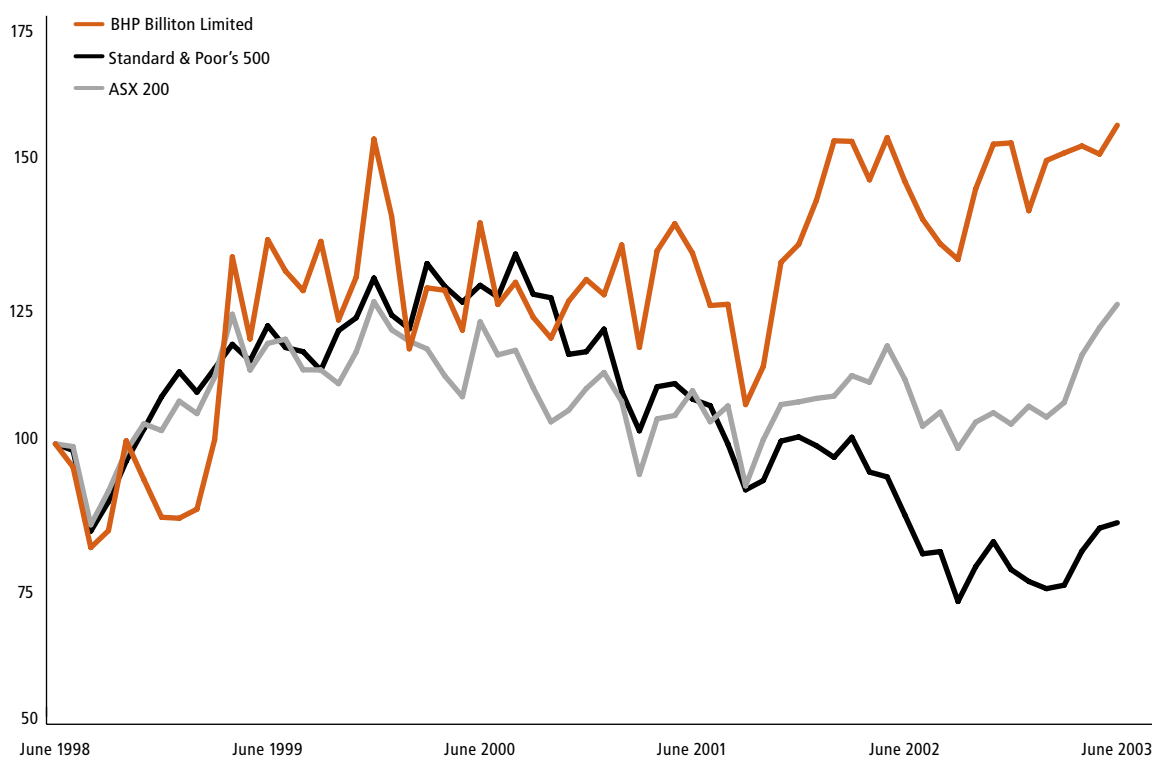
US\$ million	2003	2002	Change (%)
Total revenue ⁽¹⁾	16 474	14 665	12.3%
Profit before borrowing costs and tax ⁽¹⁾	3 313	2 867	15.6%
Net profit attributable to members ⁽¹⁾	1 879	1 580	18.9%
Net operating cash flows ⁽¹⁾	3 627	3 564	1.8%
Net assets at 30 June ⁽¹⁾	12 761	11 262	13.3%
EBITDA interest coverage (times) ⁽¹⁾⁽²⁾	14.7	12.1	21.5%
Gearing at 30 June (%) ⁽³⁾	31.1%	33.7%	-7.7%
Basic earnings per fully paid ordinary share (US cents) ⁽¹⁾	30.3	26.2	15.6%
Dividend per ordinary share (US cents)	14.5	13.0	11.5%

⁽¹⁾ From Continuing Operations, excluding the Group's Steel business, which was demerged in July 2002.

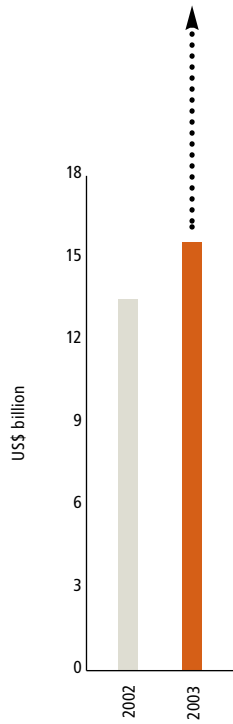
⁽²⁾ EBITDA is earnings before interest, tax, depreciation and amortisation. For the purposes of calculating interest coverage, interest includes capitalised interest, excludes the effect of discounting on provisions and exchange differences arising from debt and is net of interest revenue.

⁽³⁾ Gearing as at 30 June 2002 includes the Group's Steel business, which was demerged in July 2002.

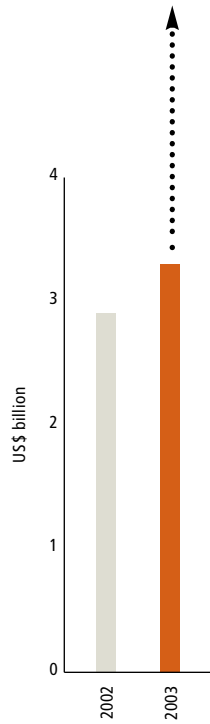
Relative share price performance index – 5yr (US\$)



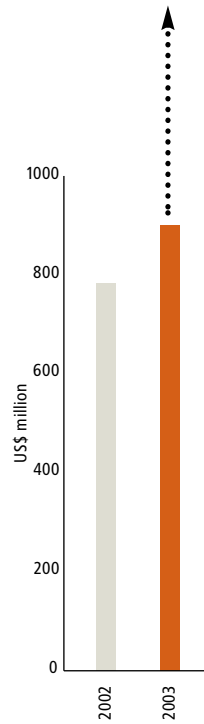
Sales revenue⁽¹⁾
US\$15.6B



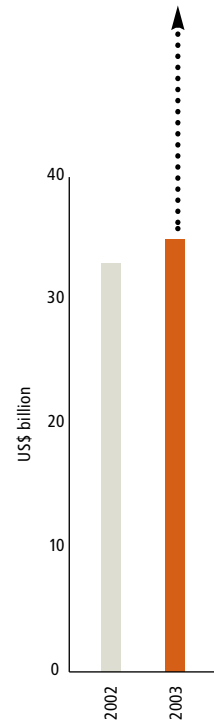
Profit before borrowing costs and tax⁽¹⁾
US\$3.3B



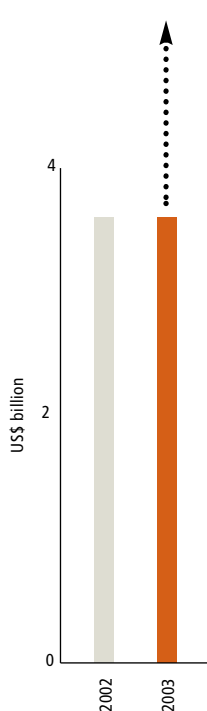
Dividends to shareholders
US\$900M



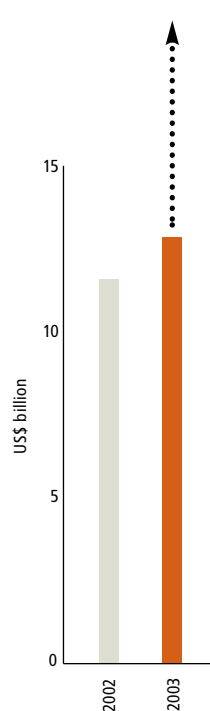
Market capitalisation
(at 30 June 2003)
US\$35B



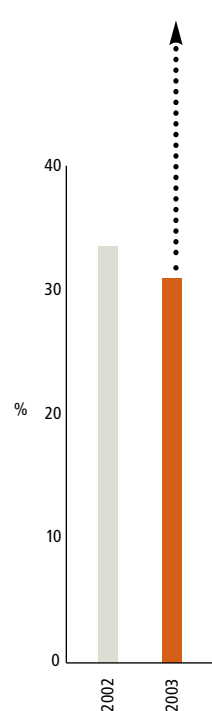
Net operating cash flows⁽¹⁾
US\$3.6B



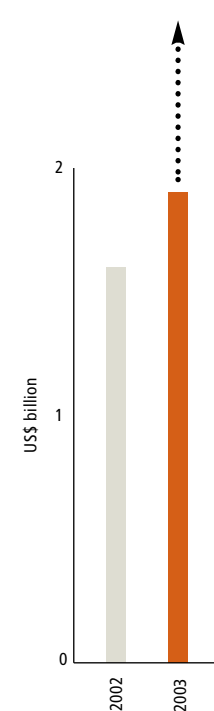
Net assets⁽¹⁾
US\$12.8B



Gearing⁽²⁾
31.1%



Net profit⁽¹⁾
US\$1.9B



⁽¹⁾ From Continuing Operations.

⁽²⁾ Gearing as at 30 June 2002 includes the Group's Steel business, which was demerged in July 2002.

Review of Operations

	Total BHP Billiton attributable production	Principal assets • BHP Billiton ownership • 2003 attributable production		
Petroleum	<p>Crude oil and condensate 65.89 million barrels</p> <p>Natural gas 281.17 billion cubic feet (including LNG)</p> <p>LPG 743 120 tonnes</p> <p>Ethane 94 900 tonnes</p>	<p>Bass Strait – oil & gas (Australia) 50% • 23.63 million barrels of oil; 97.02 billion cubic feet of gas; 511 810 tonnes of LPG; 94 900 tonnes of ethane</p> <p>North West Shelf – LNG, liquids and gas (Australia) 16.67% interest in the LNG phase • 13.05 million barrels of oil & condensate; 15.32 billion cubic feet of domestic gas; 62.00 billion cubic feet of LNG; 132 420 tonnes of LPG</p>	<p>Liverpool Bay – oil & gas (United Kingdom) 46.1% • 8.82 million barrels of oil; 38.26 billion cubic feet of gas</p> <p>Laminaria/Corallina – oil (Australia) 32.6%/25% • 7.36 million barrels of oil</p> <p>Typhoon/Boris – oil & gas (US) 50% • 4.17 million barrels of oil • 6.15 billion cubic feet of gas</p> <p>Griffin – oil & gas (Australia) 45% • 3.91 million barrels of oil; 3.60 billion cubic feet of gas</p>	<p>Bruce/Keith – oil, gas & LPG (United Kingdom) 16%/31.83% • 1.98 million barrels of oil; 33.85 billion cubic feet of gas; 98 880 tonnes of LPG</p> <p>Americas (other US and Bolivia) • 2.90 million barrels of oil; 14.47 billion cubic feet of gas</p> <p>Zamzama – gas and condensate (Pakistan)* 38.5% • 65 000 barrels of condensate; 10.49 billion cubic feet of gas</p>
Aluminium	<p>Alumina 4.09 million tonnes</p> <p>Aluminium 1.07 million tonnes</p>	<p>Worsley – alumina refinery and bauxite mine (Australia) 86% • 2.74 million tonnes</p> <p>Paranam – alumina refinery (Suriname) 45% • 879 000 tonnes</p> <p>Alumar – alumina refinery (Brazil) 36% • 471 000 tonnes</p> <p>Hillside – aluminium smelter (South Africa) 100% • 534 000 tonnes</p>	<p>Bayside – aluminium smelter (South Africa) 100% • 185 000 tonnes</p> <p>Alumar – aluminium smelter (Brazil) 46% • 178 000 tonnes</p> <p>Valesul – aluminium smelter (Brazil) 46% • 43 000 tonnes</p> <p>Mozal – aluminium smelter (Mozambique) 47% • 134 000 tonnes</p>	
Base Metals	<p>Copper 870 500 tonnes</p> <p>Lead 240 042 tonnes</p> <p>Zinc 193 808 tonnes</p> <p>Gold 207 882 ounces</p> <p>Silver 41.13 million ounces</p>	<p>Escondida – copper (Chile) 57.5% • 419 100 tonnes of copper in concentrate; 78 500 tonnes of copper in cathode; 64 132 ounces gold in concentrate; 1.7 million ounces of silver in concentrate</p> <p>Tintaya – copper (Peru) 100% • 35 400 tonnes copper in cathode</p> <p>Antamina – copper/zinc/silver (Peru) 33.75% • 96 900 tonnes copper in concentrate; 82 685 tonnes zinc in</p>	<p>concentrate; 2.23 million ounces silver in concentrate</p> <p>Alumbrera# – copper and gold (Argentina) 25% • 34 400 tonnes copper in concentrate; 121 303 ounces gold in concentrate</p> <p>Highland Valley – copper (Canada) 33.6% • 56 200 tonnes copper in concentrate; 4 665 ounces of gold in concentrate</p>	<p>Cerro Colorado – copper (Chile) 100% • 131 100 tonnes copper in cathode</p> <p>Cannington – silver/lead/zinc (Australia) 100% • 237 427 tonnes lead in concentrate; 63 862 tonnes zinc in concentrate; 34.87 million ounces silver in concentrate</p>
Carbon Steel Materials	<p>Iron Ore 73.73 million tonnes</p> <p>Metallurgical Coal 34.62 million tonnes</p> <p>Manganese Ores 4.10 million tonnes</p> <p>Manganese Alloys 737 000 tonnes</p> <p>Hot Briquetted Iron 1.67 million tonnes</p>	<p>Mt Newman – Joint Venture (Australia) 85% • 21.96 million tonnes iron ore</p> <p>Yandi – Joint Venture (Australia) 85% • 31.79 million tonnes iron ore</p> <p>Mt Goldsworthy – Joint Venture (Australia) 85% • 6.71 million tonnes iron ore</p> <p>Samarco (Brazil) 50% • 7.86 million tonnes iron ore</p>	<p>Jimblebar (Australia) 100% • 5.42 million tonnes iron ore</p> <p>BHP Billiton Mitsubishi Alliance (Australia) 50% • 21.3 million tonnes metallurgical coal</p> <p>BHP Mitsui Coal (Australia) 80% • 6.57 million tonnes metallurgical coal</p> <p>Illawarra Coal (Australia) 100% • 6.76 million tonnes metallurgical coal</p>	<p>Samancor – manganese (Australia/South Africa) 60% • 4.1 million tonnes manganese ore; 737 000 tonnes manganese alloys</p> <p>Boodarie Iron (Australia) 100% • 1.67 million tonnes hot briquetted iron</p>
Diamonds and Specialty Products	<p>Diamonds 4.34 million carats</p> <p>Metals Distribution 660 million lbs</p>	<p>EKATI Diamond Mine (Canada) 80% • 4.34 million carats</p> <p>Richards Bay Minerals (South Africa) 50% • Attributable capacity 530 000 tonnes per year of titanium dioxide feedstock</p> <p>Integrus Metals (US) 50% • 660 million lbs metal</p>		
Energy Coal	<p>Energy Coal 81.7 million tonnes</p>	<p>Ingwe (South Africa) 100% • 54.24 million tonnes</p> <p>New Mexico (US) 100% • 14.16 million tonnes</p> <p>Hunter Valley (Australia) 100% • 6.44 million tonnes</p> <p>Correjon (Colombia) 33.3% • 6.59 million tonnes</p>		
Stainless Steel Materials	<p>Nickel 78 100 tonnes</p> <p>Ferrochrome 990 000 tonnes</p>	<p>Cerro Matoso SA (Colombia) 99.8% • 46 900 tonnes nickel</p> <p>QNI Yabulu – nickel refinery (Australia) 100% • 31 200 tonnes nickel</p> <p>Samancor – chrome (South Africa) 60% • 990 000 tonnes ferrochrome</p>		

* The second stage of the Zamzama development commenced production in late June 2003. Plateau production under current gas sales contracts will be 320 million cubic feet of gas per day and 2 000 barrels of condensate per day (gross).

Alumbrera was sold effective 2 April 2003.

Growth opportunities • BHP Billiton ownership • share of production

Ohanet – wet gas field development (Algeria) 45% • Estimated peak production: 58 000 barrels per day (gross); Completion: Q4 CY03
ROD Integrated Oil Field Development (Algeria) 36.04% • Estimated peak production: 80 000 barrels per day (gross); Completion: Q1 CY04
Mad Dog – oil and gas development (US) 23.9% • Production capacity: 80 000 barrels per day (gross) and 40 mmcf/d (million standard cubic feet per day) gas (gross); Completion: Q4 CY04

Atlantis – oil and gas development (US) 44% • Production capacity: 150 000 barrels per day (gross) and 180 mmcf/d (gross) gas; Completion: Q3 CY06; The Caesar and Cleopatra pipeline infrastructure is being developed in association with Mad Dog and Atlantis, potentially offering opportunities for third party transportation.

North West Shelf – LNG expansion (Australia) 16.67% • Total production capacity: 4.2 million tonnes (gross) of LNG per annum; Completion: Q2 CY04

Minerva – gas development (Australia) 90% • Production capacity: 150 terajoules of gas per day (gross); Completion date is currently under review

Angostura – oil field development (Trinidad & Tobago) 45% • Production capacity: 100 000 barrels per day (gross); Completion: Q4 CY04

Petroleum

Moal II – aluminium smelter expansion (Mozambique) 47% • Incremental: 120 000 tonnes per annum; Completion: Q3 CY03
Hillside III – aluminium smelter expansion (South Africa) 100% • Incremental: 132 000 tonnes per annum; Completion: Q4 CY03

Aluminium

Escondida Norte development (Chile) 57.5% • Sustaining: Maintains Escondida capacity at 1.25 million tonnes per annum; Completion: Q4 CY05

Escondida sulphide leach development (Chile) • 57.5% • Sustaining: 90 000 tonnes of copper in cathode per annum

Spence development (Chile) • 100% • Incremental: 200 000 tonnes of copper in cathode per annum

Base Metals

Area C – iron ore (Australia) 85% • Incremental: 15 million tonnes per annum; Completion: Q4 CY03

Products and Capacity Expansion – iron ore (Australia) 85% • Total system capacity: 100 million tonnes per annum; Completion: Q1 CY04

Dendrobium Mine – metallurgical coal (Australia) 100% • Incremental: 5.2 million tonnes per annum raw coal; Completion: Q1 CY05

Carbon Steel Materials

Panda underground – diamonds (Canada) 80% – Access higher grade production sources; Completion: Q3 CY07

Aurias™ and CanadaMark™ – diamond brands (Australia, US, Canada) 100% – ongoing expansion of wholesale polished diamonds sales

Diamonds and Speciality Products

Mount Arthur North (Australia) 100% • Total production: 15 million tonnes of raw thermal coal per annum; Completion: Q4 CY03

Boschmanskrans (South Africa) 100% • Production: 6.5 million tonnes (replacement) of saleable coal; Completion: Q4 CY04

Kwagga (South Africa) 100% • Production: 10 million tonnes (replacement) of saleable coal; Completion: Q4 CY03

Cerrejon (Colombia) 33.3% • Incremental production: 6 million tonnes per annum; Completion: Q4 CY07

Energy Coal

Ravensthorpe/Yabulu Extension (Australia) 100% • 45 000 tonnes (additional throughput) per annum

Stainless Steel Materials

Petroleum



► Philip Aiken, President



	US\$ million
Revenue	3 338
Profit before tax	1 178
Capital and investment expenditure	909
Net assets	2 957

- | | |
|--------------------------------|-----------------------------------|
| ① ROD and Ohanet (Algeria) | ⑦ Laminaria/Corallina (Australia) |
| ② Zamzama (Pakistan) | ⑧ Liverpool Bay (Europe) |
| ③ North West Shelf (Australia) | ⑨ Bruce/Keith (Europe) |
| ④ Bass Strait (Australia) | ⑩ Gulf of Mexico (North America) |
| ⑤ Griffin (Australia) | ⑪ Bolivia (South America) |
| ⑥ Minerva (Australia) | ⑫ Trinidad (South America) |

Results

Petroleum contributed profit before tax of US\$1178 million for the year ended 30 June 2003, up from US\$1069 million, an increase of 10.2 per cent compared with the corresponding period.

The major factor driving the increase was higher average realised prices for all petroleum products. This was partly offset by lower oil production, mostly due to natural field decline from Bass Strait, Griffin, Laminaria and Liverpool Bay. This decline was largely in line with management expectations.

The stronger A\$/US\$ exchange rate together with higher royalties and taxes had a negative impact on profit.

Markets and operations

During the year the average realised oil price was US\$28.14 per barrel, compared to US\$22.58 last year. The average realised LPG price was US\$283.48 per tonne compared to US\$232.87, and the average natural gas price was US\$2.21 per thousand standard cubic feet compared to US\$1.84 last year.

Total production for the year was 122 million barrels of oil equivalent, comprising 61 per cent liquids (crude oil, condensate and LPG) and 39 per cent gas.

Oil production was 65.9 million barrels, 16 per cent lower than last year. Natural field decline from existing assets was partly offset by production commencing at the Boris field in the Gulf of Mexico. Gas production (excluding LNG) was 219.2 billion cubic feet (bcf), 2 per cent below last year. During the year gas flow commenced at the Bass Strait Bream pipeline in Australia, and at the Zamzama gas development in Pakistan. LNG production from the North West Shelf (NWS) was 62.0 bcf, 4 per cent above last year, due to increased demand in Asia and the timing of shipments.

Development activities

We pursued our growth objectives with considerable success. The Greater Angostura development in Trinidad and Tobago and the Atlantis development in the Gulf of Mexico were sanctioned with a total approved capital expenditure of US\$1.427 billion.

We had positive exploration results in the Gulf of Mexico from the deepwater Shenzi-1, Chinook-3, Cascade-1 and Vortex-1 wells, and in Australia with Stybarrow-1. We also significantly increased our exploration acreage in the Gulf of Mexico, acquiring 67 new blocks in Lease Sales.

As a partner in the NWS project, we finalised several significant LNG sales contracts with new customers, including the agreement to supply approximately 3.3 million tonnes of LNG per year to the Guangdong LNG project in China. We also signed sales and purchase agreements with Korea Gas Corporation and Tohoku Gas.

The ROD and Ohanet developments in Algeria and the Mad Dog and Caesar and Cleopatra developments in the Gulf of Mexico continued, all to time and budget. In Australia, work continues on the NWS fourth train and the Minerva gas development.

HSEC

Tragically, a contractor was killed while mobilising drilling equipment at our ROD development. While our injury frequency rate continued to decline, the fatality highlights the need for vigilance.

There were no significant environmental incidents. A self-assessment and audit process is under way to ensure compliance with new HSEC standards.

The outcomes from the two major initiatives launched last year – the HSEC Leadership Workshops and an HSEC Perception Survey – are being implemented. Executive Committee members are participating in selected HSEC audits and we are focusing on improving the sharing of HSEC information.

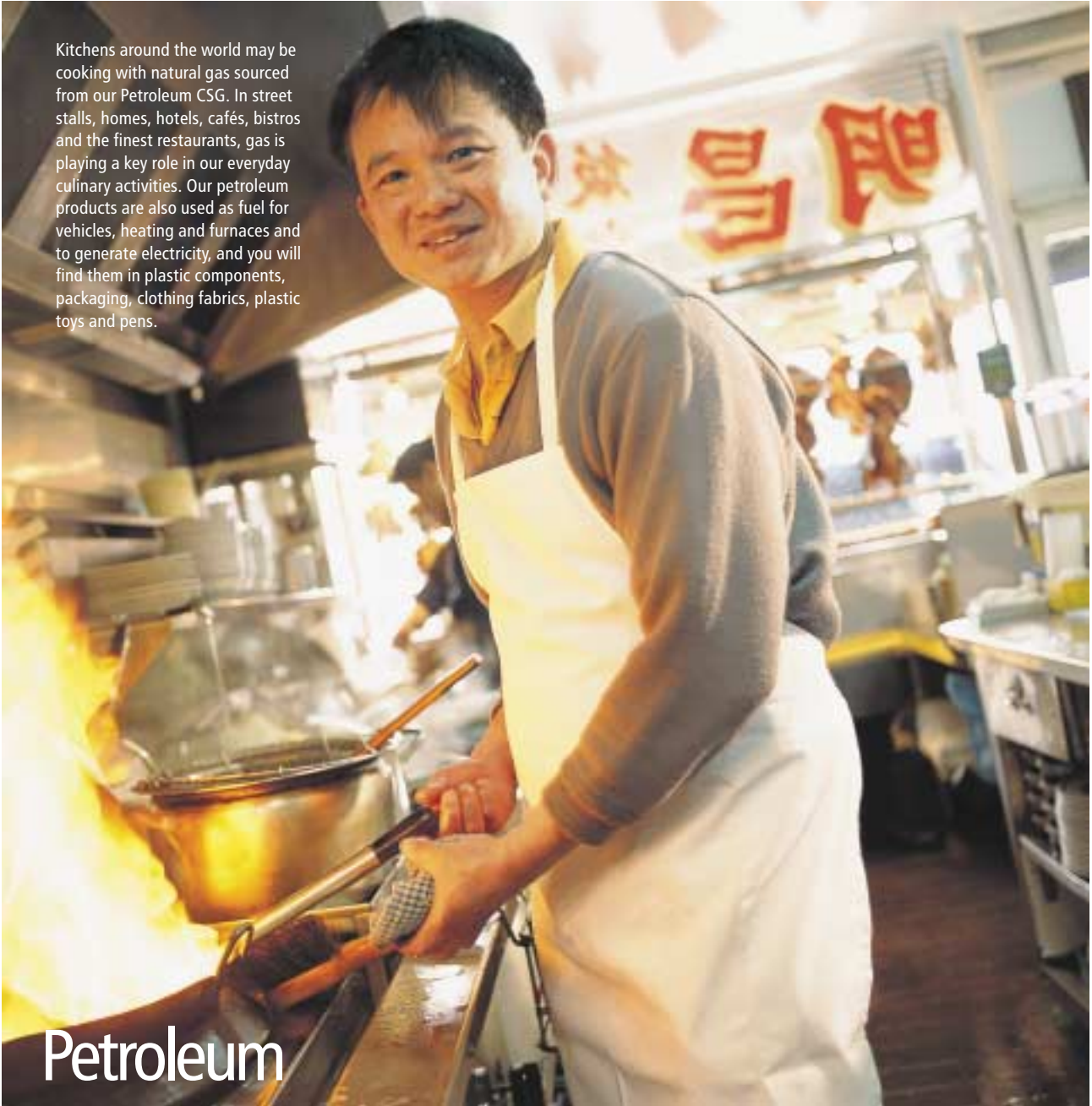
Outlook

Our focus is on delivering our development projects, including commissioning of Ohanet, ROD and Minerva.

Work will continue with the Atlantis, Mad Dog, Caesar and Cleopatra developments, the NWS fourth train and the Angostura development.

Continuing our exploration program, we will appraise for potential development our recent Gulf of Mexico and Western Australian discoveries. Exploration activity will continue in Bass Strait, with the completion of seismic interpretation and the start of drilling operations.

Kitchens around the world may be cooking with natural gas sourced from our Petroleum CSG. In street stalls, homes, hotels, cafés, bistros and the finest restaurants, gas is playing a key role in our everyday culinary activities. Our petroleum products are also used as fuel for vehicles, heating and furnaces and to generate electricity, and you will find them in plastic components, packaging, clothing fabrics, plastic toys and pens.



Petroleum



*Left to Right ▶ West Tuna platform, Bass Strait, Australia ▶ John Edwards, Production Specialist, Griffin Venture, Australia
▶ North West Shelf, Australia*

Aluminium



► Miklos Salamon, President



	US\$ million
Revenue	3 401
Profit before tax	569
Capital and investment expenditure	462
Net assets	5 040

- 1 Hillside/Bayside (South Africa)
- 2 Mozal (Mozambique)
- 3 MRN (Brazil)
- 4 Worsley (Australia)
- 5 Alumar (Brazil)
- 6 Paranam (Suriname)
- 7 Valesul (Brazil)

Results

Aluminium contributed profit before tax of US\$569 million for the year ended 30 June 2003, up from US\$476 million, an increase of 19.5 per cent compared with the corresponding period.

The increase in profit was mainly attributable to improved operational performance resulting from reduced maintenance costs, lower costs of consumables and increased production. The weakening of the Brazilian real/US\$ exchange rate also had a favourable impact on operating costs. These factors were partially offset by the unfavourable impact of the strengthening of the rand/US\$ and A\$/US\$ exchange rates on operating costs and the effect of inflationary pressure on costs in South Africa.

Markets and operations

The aluminium market remained weak, reflecting the ongoing market surplus. Concerns about the rate of new smelter capacity additions weighed on market sentiment, despite the modest recovery in global demand from the low levels in calendar 2002. The smelter-grade alumina market recovered strongly. The spot alumina price more than doubled from US\$140 per tonne in the second half of calendar 2002 to US\$300 per tonne by mid-2003. With industry utilisation at historically high levels and ongoing expansion in smelting capacity, particularly in China, the prospects for alumina appear sound.

Aluminium production was 1 074 000 tonnes, compared with 992 000 tonnes last year. Production was higher across all operations, with Hillside, Mozal and our Brazilian operations reporting the most significant increases. Hillside production increased to 534 000 tonnes due to its capacity creep program, last year's completion of the pot re-lining program and non-recurrence of the September 2001 power outage. The Brazilian operations reached full production of 221 000 tonnes, recovering from a government-enforced power rationing program the previous year. Mozal's production increase to 134 000 tonnes was mainly due to the start-up of the Mozal II expansion project.

Alumina production increased from 3.9 million tonnes to 4.1 million tonnes, due mainly to Alumar's return to full production after having been affected by the government's power rationing program. Worsley production was higher as a result of its capacity creep program.

Development activities

We have strengthened our position as one of the leading low-cost producers of aluminium through the expansions at Hillside and Mozal.

On 7 April 2003, first metal was cast at Mozal II, five months ahead of schedule. The expansion will double the smelter's output to 506 000 tonnes per year of primary ingot. Construction of the 132 000 tonne Hillside III project commenced in April 2002. First metal production is expected late in calendar 2003, well ahead of schedule.

HSEC

Behavioural safety programs continue to drive improvement in our safety performance. The classified injury frequency rate improved substantially, particularly for contractors. A program targeting contractor performance at Mozal II achieved an outstanding rate of improvement.

Our environmental performance also improved, including reductions in greenhouse gas intensity and fluoride emissions. A specific program at Bayside smelter achieved substantial improvement in fluoride emissions from our Soderberg lines.

Outstanding results were achieved through our community development programs, particularly through our major construction projects in southern Africa.

Malaria and HIV education and support work achieved encouraging results. We also commenced a major program of baseline health studies.

Outlook

Our focus continues to be on delivering the Mozal and Hillside expansion projects in line with approved milestones. A pre-feasibility study evaluating the expansion of the Worsley operations to 3.5 million tonnes per year has concluded and a final feasibility study is expected to be completed early in calendar 2004.

We remain committed to continual cost improvements at our operations through programs such as the Hillside and Worsley capacity creep projects and other business improvement initiatives.



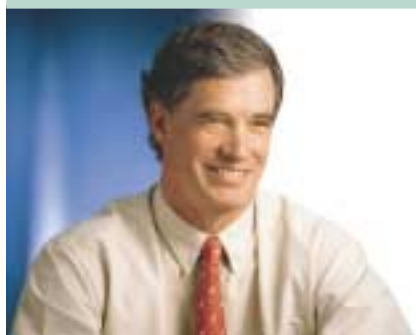
Taking a carefree ride is a breeze these days on a bicycle fashioned from strong, lightweight materials supplied by our Aluminium CSG. It is so versatile; aluminium is used in a myriad of everyday items, including tennis racquets, softball bats, beverage cans, foil wrap, saucepans, cutlery, indoor and outdoor furniture, TV and radio components, refrigerators and airconditioners, as well as wires and cables, door and window frames, wall cladding, awnings and roofing.

Aluminium

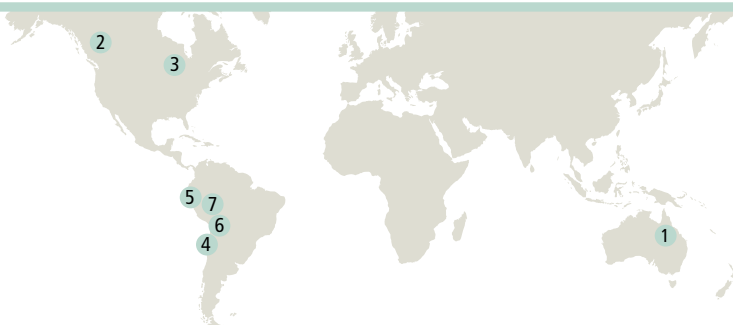


Left to Right ▶ Hillside III expansion project, South Africa ▶ Muchila Tomo Amisse, Casthouse Operator, Mozal, Mozambique
▶ Wally Malajczuk, Senior Mining Engineer, Boddington Bauxite Mine, Worsley, Australia

Base Metals



► Brad Mills, President



	US\$ million
Revenue	1 757
Profit before tax	245
Capital and investment expenditure	234
Net assets	3 290

- 1 Cannington (Australia)
- 2 Highland Valley Copper (Canada)
- 3 Selbaie (Canada)
- 4 Escondida (Chile)
- 5 Antamina (Peru)
- 6 Cerro Colorado (Chile)
- 7 Tintaya (Peru)

Results

Base Metals contributed profit before tax of US\$245 million for the year ended 30 June 2003, up from US\$23 million, an increase of US\$222 million compared with the corresponding period.

The prior year result included a significant net charge of US\$101 million, following a reassessment of the Group's asset disposal and closure plans and closure provisions relating to its Southwest Copper business in the US and a charge of US\$31 million was recognised on suspension of sulphide operations at Tintaya in Peru.

Increased production from the Escondida Phase IV expansion, completed in October 2002, plus a higher average realised copper price at US\$0.73 per lb, compared to US\$0.69 per lb in 2002, contributed to the increase. Profit also benefited from a full 12 months of operations from Antamina. Lower lead and zinc prices and unfavourable exchange rates were partially offset by lower exploration expense relating to the write-off of La Granja in 2002. Also, during the year our interests in the Alumbrera mine and Agua Rica prospect joint ventures in Argentina were sold for a gain of US\$23 million.

Markets and operations

Weak economies in the western world resulted in lower than forecast demand growth for base metals. In copper, the continued strong growth of Chinese demand has been one of few positive aspects. We maintained our demand-based production strategy and produced at an annualised rate of 290 000 tonnes of contained copper below installed capacity.

The production curtailment has helped to balance supply and demand, but any significant price improvement is dependent on economic recovery in the mature economies. The decline in exchange warehouse stocks of copper during the year was positive but has been partially offset by off-exchange stockpiling as announced by Codelco in Chile and by producers in China.

In the concentrate markets, the sustained low prices (and capacity closures in copper) have produced unprecedented tightness. Treatment and refining charges have fallen to historic real lows. The outlook is for continued tightness to persist until a price recovery occurs that enables a restart of shuttered capacity and investment in new and incremental sulphide mine production.

Development activities

During fiscal 2003, the Escondida Phase IV expansion project, designed to increase production by 400 000 tonnes per year of

contained copper, was completed on schedule and 10 per cent below the US\$600 million approved budget. Additionally, the US\$230 million Escondida Norte project, involving the development of a satellite orebody to the Escondida Mine, was approved by the owners enabling Escondida to sustain copper production at 1.25 million tonnes per year.

Feasibility studies are continuing on our other major development projects including Escondida Sulphide Leach and Spence.

Significant progress in rationalising our existing portfolio to focus on core growth assets was achieved as exits were made from Lan Ping zinc (China), the Tenke copper project (Democratic Republic of Congo) and the La Granja copper project (Peru). Additionally, interests were sold in the Crandon deposit in Wisconsin, US and both the Alumbrera Mine and Agua Rica deposit in Argentina.

HSEC

The year was marked by a top-to-bottom approach in commitment, awareness and personal responsibility for safety. Tragically, the fatality of a contractor reminded us of the need for continuing rigour. Lead indicators were developed to improve the tracking of key management practices.

Environmental management plans were implemented for energy, greenhouse gases, water, waste and land, and all operations achieved ISO 14001 certification.

Our work towards the sustainable development of host communities continued through the existing foundations at Escondida and Tintaya and two new foundations at Antamina and at La Granja in support of our exit from this project.

Outlook

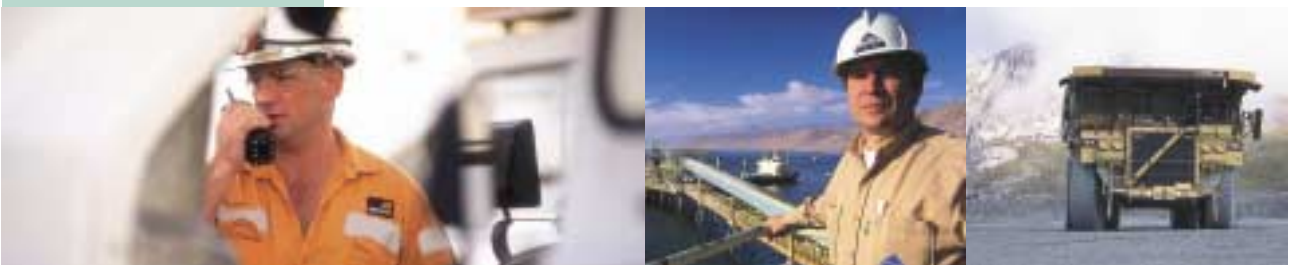
We are confident about the prospects for our business as markets continue to recover and we continue to realise cost improvements at existing operations through our Six Sigma Operating Excellence program.

Future growth will be achieved through the development of our top tier inventory projects and through the restoration of our operations to full capacity once warranted by market demand. For example, on 12 August 2003 we announced the restart of idled production at Tintaya (Peru).

Through our commitment to exploration, we aim to be a leader in discovering and developing world-class base metals projects.

A tiny laptop is a powerhouse of possibilities, greatly expanding our capabilities and productivity. Key components in many computers are made from commodities supplied by our Base Metals CSG. They are also essential for the production of radio and TV sets, electrical appliances and airconditioning; electrical wiring for buildings and vehicles; robotics; scientific instruments; roofing, fences, doors, plumbing, paints and car batteries; as well as jewellery, watches, cutlery, medallions and toys.

Base Metals



Left to Right ▶ Neil Duffy, Mobile Mechanical Team, Cannington, Australia ▶ Julio Escudero, Head of Mine Dewatering, at the port of Antofagasta, Escondida, Chile ▶ Copper-zinc mine, Antamina, Peru

Carbon Steel Materials



► Bob Kirkby, President



	US\$ million
Revenue	3 500
Profit before tax	1 018
Capital and investment expenditure	479
Net assets	2 231

- 1 Samancor Manganese (South Africa)
- 2 Queensland Coal (Australia)
- 3 Boodarie Iron (Australia)
- 4 GEMCO (Australia)
- 5 Illawarra Coal (Australia)
- 6 WA Iron Ore (Australia)
- 7 TEMCO (Australia)
- 8 Samarco (Brazil)

Results

Carbon Steel Materials contributed profit before tax of US\$1018 million for the year ended 30 June 2003, down from US\$1046 million, a decrease of 2.7 per cent compared with the corresponding period.

The results were enhanced by record production and sales of Western Australian iron ore and increased demand for Samarco pellets and manganese products. Lower costs at Illawarra Coal and an improved operating performance at Boodarie Iron also had a favourable impact on the result.

This was offset by the impact of stronger A\$/US\$ exchange rates on operating costs and inflationary pressures on costs in Australia and South Africa.

Markets and operations

Global steel production reached record levels during the year, driven by China. Accordingly, demand for iron ore remained extremely strong, particularly in Asian markets. Attributable Western Australian iron ore production was 65.9 million tonnes, an increase of 5.8 per cent. The strong demand for iron ore products also resulted in record sales at Samarco.

Manganese prices and volumes were robust during the year, also buoyed by strong demand from China. Manganese ore production increased by 567 000 tonnes, while alloy production rose by 119 000 tonnes.

Metallurgical coal demand remained steady for most of the period. Queensland coal production was positively impacted by strong customer demand in the second half of the year. Illawarra Coal production was 4.6 per cent lower, reflecting the closure of the Tower colliery. Sales however, increased by 7.2 per cent due to strong customer demand.

Buoyant market conditions also had a positive impact on Boodarie Iron during the year. New production and shipping records were consistently set as the plant's ramp-up continued.

Development activities

Major growth projects in Western Australia were accelerated due to strong customer demand for iron ore. The Area C project remains within budget and is on schedule to commission early in the fourth quarter of calendar 2003.

As part of the Area C development, we have entered into an agreement with POSCO to develop the 'C Deposit' section of the project.

Detailed engineering for the Products and Capacity Expansion (PACE) project was virtually complete by the end of the year and the project remains on budget and on track to commission ahead of schedule in the first quarter of calendar 2004.

Engineering studies have also commenced on a number of incremental expansion projects at the Western Australian operations.

At the end of the financial year, surface construction activities at the Dendrobium metallurgical coal mine were nearing completion. The project is on budget and longwall commencement is expected ahead of schedule in early calendar 2005.

In our Queensland coal operations, feasibility work commenced on the Broadmeadow Underground project, which is a low-cost, low-risk addition to the Goonyella/Riverside open-cut operations.

HSEC

While our classified injury frequency rate decreased by 34 per cent during 2003, we are committed to a further improvement in our health and safety performance in 2004, with a goal of Zero Harm.

On the environment and community front, a number of initiatives were successfully implemented in areas such as environmental management (with sites achieving ISO 14001 certification), Aboriginal employment, occupational health hygiene and the establishment of several community partnerships.

Outlook

Our focus in 2004 will be on completing studies and investment required to maintain our market position in an environment of burgeoning Chinese demand.

Key activities include accelerating the development of the Area C and PACE projects and progressing the Dendrobium and Broadmeadow Underground projects. In addition we will focus on the successful delivery of incremental expansions at a number of operations.

The emphasis on cost reduction and efficiency will continue as we strive to deliver increased shareholder value in the face of appreciating Australian and South African currencies.



Steel made from iron ore supplied by our Carbon Steel Materials CSG is a major component in many modern office towers, including landmark buildings and structures around the world. Steel is also used in motor vehicles, washing machines, refrigerators, ovens and other whitegoods, as well as cans, cutlery, tools and jewellery. Our coking coal is another key constituent in steelmaking, while manganese is also an important ingredient in steel, glass, ceramics and dry cell batteries.

Carbon Steel Materials

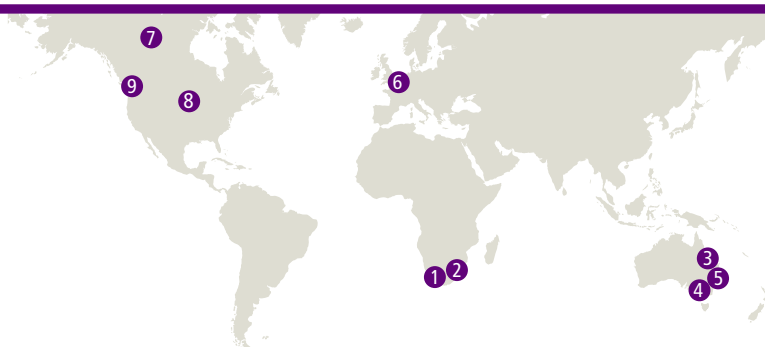


*Left to Right ▶ John Spencer, Contract Mine Deputy and Peter Whittall, Mine Manager, Dendrobium Colliery, Illawarra Coal, Australia
▶ Warwick Anderson, Undermanager, West Cliff Colliery, Illawarra Coal, Australia ▶ Kirsty Culver, Geologist, Mt Whaleback, Newman, Australia*

Diamonds and Specialty Products



► Marcus Randolph, President



	US\$ million
Revenue	480
Profit before tax	185
Capital and investment expenditure	101
Net assets	1 093

- 1 Johannesburg (South Africa)
- 2 Richards Bay Minerals (South Africa)
- 3 Brisbane (Australia)
- 4 Melbourne (Australia)
- 5 Newcastle (Australia)
- 6 Antwerp (Belgium)
- 7 EKATI (Canada)
- 8 Integris (North America)
- 9 Vancouver (Canada)

1, 5: Technology Centres
3, 4, 9: Minerals Exploration Offices
6: Diamonds Marketing

Results

Diamonds and Specialty Products contributed profit before tax of US\$185 million for the year ended 30 June 2003, down from US\$220 million, a decrease of 15.9 per cent compared with the corresponding period.

Profit before tax is calculated after Minerals Exploration and Technology expenses of US\$71 million, compared with US\$70 million in 2002.

The results were enhanced by high processing rates and diamond production at the EKATI Diamond Mine. Integris Metals, our North American metals distribution joint venture, recorded lower profits, primarily due to reduced volumes and margins in the depressed US and Canadian manufacturing market.

Markets and operations

The polished diamond market was consistently solid and Christmas sales were higher than expected. The rough diamond market was also buoyant, with strong demand for all the EKATI Diamond Mine categories. To support premium prices for EKATI stones, we are increasing promotion of our Aurias™ and CanadaMark™ brands. Diamond production was 4.3 million carats, an increase of 19 per cent.

The primary product from Richards Bay Minerals is titanium dioxide in the form of chloride slag. Markets are currently in substantial oversupply and are expected to continue so for the medium term. With production reduced to reflect lower demand, output was 10.9 per cent lower.

Integris Metals, reflecting the US economy, recorded total sales of 660 million pounds of primarily aluminium and stainless steel, a decrease of 17 per cent.

Development activities

We manage Minerals Exploration and Technology activities across the Group. Our exploration strategy is globally focused, combining a rigorous risking and ranking of opportunities with a mix of sole-funded, joint venture and optional 'buy-back' transaction structures. This approach seeks to reduce the risk inherent in early-stage exploration while maximising exposure to world-class targets per dollar of expenditure. Funds are allocated mainly to diamonds, copper and nickel/platinum group metals, with lesser funds applied to iron ore and coal.

At the Resolution (Arizona, US) copper deposit, a joint program with Rio Tinto is advancing what has been confirmed as a deep high-grade porphyry copper mineralisation discovery. Our airborne gravity survey tool, FALCON™, created several opportunities, including a diamond exploration project in Botswana through our alliance with Kalahari Diamonds. Our regional Canadian diamond exploration program is also generating encouraging results.

Our Technology group coordinates the application of technology across our operations and also seeks to develop 'revolutionary' technology that will fundamentally alter the cost structure of producing a particular product. Major activities include the next generation of bio-leaching, using whole-of-ore heap leaching of sulphide ores, which is producing encouraging results. Other projects include the development of proprietary processes for the production of low-cost titanium metal and atmospheric leaching of nickel laterite deposits.

HSEC

The focus on Zero Harm contributed to an improved HSEC performance. Major safety programs are under way at EKATI and within our Exploration and Technology groups. Classified injuries were down 24 per cent versus the previous year.

BHP Billiton Diamonds continues to be recognised for its strong community and environmental performance. EKATI was named Canadian Developer of the Year and received several other major awards for excellence in workplace literacy and energy efficiency. EKATI has also recently been recommended for ISO 14001 certification.

Outlook

The outlook for diamonds continues to be excellent. Increased brand advertising appears to be strengthening demand, which should sustain prices.

For titanium dioxide, prices are expected to remain under pressure due to oversupply, and Richards Bay Minerals is not expected to return to full capacity in the coming year.

We will continue to focus on ramping up diamond production, including development of underground reserves at EKATI, while further developing our downstream diamond activities.



Quality of life today is enhanced by replacement implants for failing hips and other joints. Many of these are made with titanium metal manufactured from rutile supplied by our Diamonds and Specialty Products CSG. Titanium is also a vital ingredient in heart pacemakers, robotics, aerospace equipment, ceramics, computer and TV screens, cosmetics, and pigments for paints, fabrics, plastics and paper. As well as being valued as jewellery, diamonds can be used in drill bits, machine tool tips, cutting discs and polishing compounds.

Diamonds and Specialty Products

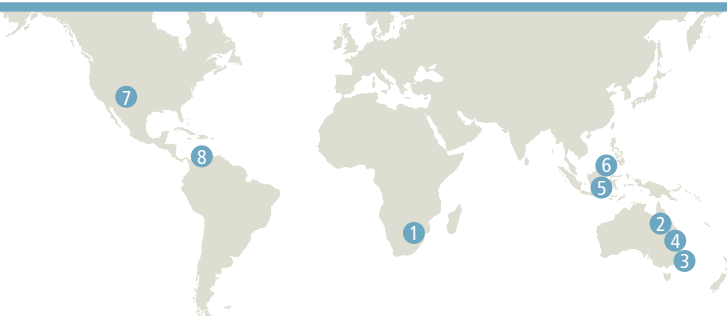


Left to Right ▶ Gilbert Mantia, Process Plant, EKATI Diamond Mine, Canada ▶ Slag Tap on Furnace 4, Richards Bay Minerals, South Africa ▶ Falcon™, the world's first airborne gravity gradiometer system

Energy Coal



► Mike Oppenheimer, President



	US\$ million
Revenue	1 901
Profit before tax	154
Capital and investment expenditure	300
Net assets	2 065

- 1 Ingwe (South Africa)
- 2 Queensland Coal (Australia)
- 3 Illawarra Coal (Australia)
- 4 Hunter Valley (Australia)
- 5 PT Arutmin (Indonesia)
- 6 PT Kendilo (Indonesia)
- 7 New Mexico Coal (US)
- 8 Cerrejon Coal (Colombia)

2, 3 & 5: Marketing agents for energy coal output
6: Infrastructure for third party trading

Results

Energy Coal contributed profit before tax of US\$154 million for the year ended 30 June 2003, down from US\$496 million, a decrease of 69 per cent compared with the corresponding period.

The decrease was due to a significant decline in export prices, the impact of the stronger rand and Australian dollar, inflationary pressures and restructuring costs in South Africa. The divestment of PT Arutmin (Indonesia) in November 2001 also had an unfavourable impact on profit compared with the corresponding period.

These factors were partially offset by improved New Mexico Coal profit due partly to benefits associated with the San Juan underground mine transition, and the inclusion of profits from the additional share of the Cerrejon operation in Colombia, combined with significant cost reductions at this operation.

Markets and operations

Notwithstanding the anticipated mid-year price rally, the European market for export coal was relatively weak throughout the year. Free On Board (FOB) prices for sales from South Africa averaged around US\$25.14 per tonne, a 15 per cent decrease. The market experienced an increase in short-term volatility and strong inter-fuel competition.

We made progress in our strategy of securing greater-than-commodity value for our products and a number of innovative market transactions were concluded in Europe. Leveraging off our European experience, we enhanced our Asian market position to support the ramp-up in production from Australia's Mount Arthur North project and Indonesian agency commitments.

Production was 81.7 million tonnes, a decrease of 1.4 per cent. Production lost as a result of the PT Arutmin divestment and the closure of certain Ingwe mines, amounting to 6.9 million tonnes, was offset by increases in Colombia, Hunter Valley and New Mexico.

Cerrejon implemented a business improvement project that delivered significant cost and capital efficiency benefits. Ingwe launched a wide-ranging initiative aimed at fundamental operational restructuring to ensure that profitability is maintained during adverse movements in external economic conditions.

Development activities

The focus was on the delivery of approved projects and the investigation of opportunities to reinforce our low-cost supply position and increase access to higher growth markets.

The San Juan underground mine was completed on time and under budget and is now the sole source of supply for the mine's customer. The integration of the two Cerrejon operations was successfully concluded and the identified synergy benefits are being realised. The Mount Arthur North project commenced domestic supply in line with contract commitments and the export program is on schedule and within budget. The Kwagga and Boschmanskrans projects are progressing to plan and are contributing to Ingwe earnings.

Cerrejon's joint venture partners approved the next stage of expansion to 28 million tonnes per year. In Australia, with the Petroleum CSG, we are pursuing a niche coal-bed methane opportunity to service eastern Australian gas markets.

HSEC

An intensified safety effort resulted in a fatality-free year, a 22 per cent reduction in classified injury frequency rate and overall improvement in all areas of safety performance. Zero Harm remains our target and we will continue to focus on fatality prevention, behavioural change and safety leadership.

Progress was made on critical industrial health issues and the management of HIV/AIDS in the South African operations. We have continued to place emphasis on developing and maintaining excellent relationships with our host communities. No significant environmental incidents occurred and all fully developed operations achieved ISO 14001 certification.

Outlook

Our challenge is to maintain our competitive position and improve margins in the face of short-term currency appreciation, volatile prices and continued weakness in Asian markets.

The key objectives are continued safety improvement, restructuring in South Africa, realising cost and production efficiencies globally and delivering on projects in line with expectations.

Our marketing teams will continue to focus on securing a greater share of higher value markets.

Switch on any light and it is most likely that the source of power generation will be electricity from thermal coal, perhaps supplied by our Energy Coal CSG. Think of the value that electric lighting has added to our lives in terms of productivity, enjoyment, safety and security. Thermal coal is also a major generating source for heating and is used in the production of cement for our homes, offices and many other structures.



Energy Coal



*Left to Right ▶ Shane Hall, Coal Preparation Plant Technician, Mt Arthur Coal, Australia ▶ Construction, Mt Arthur Coal, Australia
▶ Shift change-over, Douglas Colliery, South Africa*

Stainless Steel Materials



► Chris Pointon, President



	US\$ million
Revenue	1 105
Profit before tax	145
Capital and investment expenditure	121
Net assets	1 651

- 1 Samancor Chrome (South Africa)
- 2 QNI Yabulu Refinery (Australia)
- 3 Cerro Matoso (Colombia)

Results

Stainless Steel Materials contributed profit before tax of US\$145 million for the year ended 30 June 2003, up from US\$1 million, an increase of US\$144 million compared with the corresponding period.

Major factors contributing to the increase included higher realised prices for nickel and ferrochrome products, up 28.6 per cent and 18.9 per cent respectively, and higher production volumes. These were partially offset by the impact of the strengthened Australian and South African currencies and higher energy costs.

Markets and operations

Stainless steel production grew 7.9 per cent for calendar 2002, despite continued weakness in the global economy and faltering global industrial production. Demand for primary nickel and ferrochrome remained buoyant, reflecting the strong stainless steel growth and limited availability of scrap. Nickel prices continued their upswing from the cyclical low in late 2001, spurred by robust demand for stainless steel, particularly from China, and a generally tight stock position. Ferrochrome demand has also increased but price improvement has not matched nickel due to the industry's ability to quickly restart idle production capacity.

Cerro Matoso's ferronickel production of 46 900 tonnes was a new record as the ramp-up of Line II was completed. QNI Yabulu Refinery built solidly on last year's improved operating efficiencies with higher nickel and cobalt recoveries and the benefits of higher ore grades, and established a new annual production record of 31 200 tonnes.

QNI's increased nickel production and favourable nickel prices were offset by low cobalt prices and high energy costs due to historically high oil and naphtha prices, by price-related nickel ore supply costs and by an appreciating Australian dollar.

Samancor Chrome is benefiting from the impact of a restructuring program, higher capacity utilisation and improved prices. However, these benefits were offset by the appreciating South African rand and higher inflation.

Development activities

The Ravensthorpe/Yabulu Extension project has moved into the final feasibility study, which is due for completion by the end of calendar 2003. Environmental approvals for the Yabulu extension were received from Australian authorities. This combined project will provide a low-cost, high-grade feed to Yabulu and significantly improve the competitiveness of QNI's operations.

The Samancor Chrome restructuring program is continuing, with the focus shifting from the furnaces to the mines to increase production and cost efficiencies.

HSEC

Our objective of Zero Harm remains our single greatest challenge and key focus. In partnership with DuPont, safety management evaluations and leadership training programs were completed at all sites. Overall safety performance improved, with reductions in classified and total injury frequency rates. Despite this, a supervisor at our Samancor Chrome Ferrometals operation lost his life in a tragic accident. Investigations were completed, corrective actions implemented and lessons shared throughout the organisation.

Environmental management has shown further improvement, with a focus on the development and implementation of water and energy management plans.

Outlook

Although some short-term weakness is likely, growth in underlying demand for stainless steel and committed expansions by our major customers make for a positive market outlook.

With primary nickel production globally running at an estimated 95 per cent of capacity and low stocks, continuing upward pressure on prices should be expected. The strength of the South African rand against the US dollar is expected to remain a key influence on ferrochrome profitability and price.

The Ravensthorpe/Yabulu Extension project studies are due to be finalised within the next year, with development commencing if feasibility is confirmed.

Our focus remains on enhancing our position as a supplier of quality raw materials to the rapidly expanding stainless steel industry, with continuously improving performance and reducing unit costs at all our operations.



The surgical instruments relied on by many doctors are made with nickel from our Stainless Steel Materials CSG. It is also a key component in mobile phones, computer hard disks, colour TV tubes, whitegoods, vehicles and turbines. Chrome is used in electrical appliances, bathroom and kitchen fittings, building cladding, and paint pigments, while you will find cobalt in videotape coatings, heating elements, magnets, jet engines and lithium batteries for mobile phones and laptop computers.

Stainless Steel Materials



Left to Right ▶ Gordon Strambini, Turbine Operator, and Mark Kelly, Community Relations and Communications Co-ordinator, QNI Yabulu Refinery, Australia ▶ Fernando Sanchez, Electrical and Project Engineer, Cerro Matoso, Colombia

Health, Safety, Environment and Community (HSEC) Review

'We deliberately made HSEC part of our strategic framework, because we value our people and we recognise excellence in HSEC is good for our business.' Chip Goodyear, 2003

BHP Billiton is the world's largest diversified resources company. The long-term, stable nature of our business affords a number of advantages. Within the HSEC arena, this stability translates into a capacity to plan for the longer term, while our diversification allows us to transfer improvement and innovation across the organisation.

Central to our business, as our Charter states, is our 'overriding commitment to health, safety, environmental responsibility and sustainable development'. Supporting this value is our HSEC Policy, providing the framework for our aspiration towards Zero Harm. In practice, the Policy and Charter are implemented via detailed HSEC Management Standards and Protocols, the requirements of which must be met at all our operations.

The implementation of the HSEC Management Standards continues to progress well, with understanding and conformance to the Standards improving. The associated audit process for the Standards is proving invaluable in accelerating the rate of improvement in all aspects of HSEC management through the identification and communication of leading practices.

During the year, the Health, Safety and Environment Committee of the Board continued to provide guidance in relation to the effectiveness of HSEC management systems and strategies. Members participated in a number of site reviews and audits, as well as acting in an advisory capacity for significant incident reviews.

To better understand and manage HSEC risks that are critical to our business, risk registers are now in place at all required operations and development sites, and at Customer Sector Group and Corporate levels. With the implementation of the Enterprise-Wide Risk Management process, HSEC risks are now being embedded into core business systems and processes.

Improving health and safety performance continued to be a critical focus for the organisation. Baseline health surveys were completed at a majority of sites, incorporating the establishment of occupational hygiene monitoring and health surveillance programs. A 20 per cent reduction in our injury frequency rate was an excellent achievement during the year, reflecting dedicated efforts to safety improvement. However, we deeply regret that three people lost their lives in our controlled operations during the year.

While the number of fatalities (3) in our controlled operations was significantly lower than last year (13), each death that occurs has a profound impact on our people and their families. Our resolve to attain our goal of zero fatalities is stronger than ever

and we will continue to seek opportunities to improve. The development of Fatal Risk Control Protocols for nine key areas is a significant step towards achieving this goal. The Protocols, written by experienced teams drawn from across BHP Billiton, establish minimum performance requirements for managing risk in areas associated with the majority of our past fatalities. We are also monitoring significant incidents, including fatalities, that occur from activities related to our business but are not under our management control. We have established processes to learn from these incidents.

Environmental performance across the Company continued to be sound, reflecting our systematic approach to managing environmental risk. No significant environmental incidents were recorded during the period (i.e. incidents rated 3 or above on the BHP Billiton Consequence Severity Ranking Table). Furthermore, in line with our target for sites to achieve certification against the international standard for environmental management ISO 14001, all sites requiring certification are now certified or have been recommended for certification by their ISO auditor. Recognising that improving environmental performance will, in many cases, improve our financial returns, plans focusing upon driving eco-efficiency gains have been developed at a majority of sites.

In line with our Policy, efforts have continued towards improving our engagement with our host communities. Community relations plans are in place at 93 per cent of required sites around the world.

Our community contributions of 1.4 per cent of our pre-tax profit, based on a rolling three-year average, once again exceeded the target of 1 per cent. Many of these contributions support programs that focus on delivering sustained benefits in areas such as health, education and training. No transgressions of the principles embodied within the United Nations Declaration of Human Rights were reported to have occurred within the Group during the year.

Some of our improvements in HSEC performance have been realised through the application of the Operating Excellence business improvement methodology. Many of these projects have not only demonstrated HSEC gains, but also importantly delivered sustainable business outcomes. For example, an energy efficiency project at EKATI has saved over one million litres of diesel usage per annum and contributed to a 21 per cent reduction in greenhouse gas intensity at that site. Incorporation of HSEC into our strategic framework recognises that good HSEC performance delivers good business performance.



► Images reflecting our journey towards sustainable development

During the year, we have been active in the International Council on Mining and Metals (ICMM) work program. The ICMM was established in 2001 as a global leadership body on sustainable development. An important part of the establishment process of the ICMM has been the development of the Sustainable Development Framework, a guiding set of principles, which all member companies have now endorsed. A gap analysis of our HSEC Management Standards and the Framework identified strong alignment in the majority of areas, with the exception of community relocation and human rights training and guidance. As a result we have since committed to implement the World Bank Guidelines on Involuntary Resettlement and the UK-US Voluntary Principles on Security and Human Rights.

In June 2003, we reaffirmed our commitment to the United Nations Global Compact and associated principles. A copy of our letter to the United Nations is available on our website at www.bhpbilliton.com. While fully recognising the right of our employees to freely associate and join trade unions, we have a number of locations where we have a mix of collective and individual arrangements. Prospective employees are made aware of employment arrangements prior to joining the Company. At all times, our businesses comply with local employment law requirements and treat employees in accordance with the values expressed in our Charter.

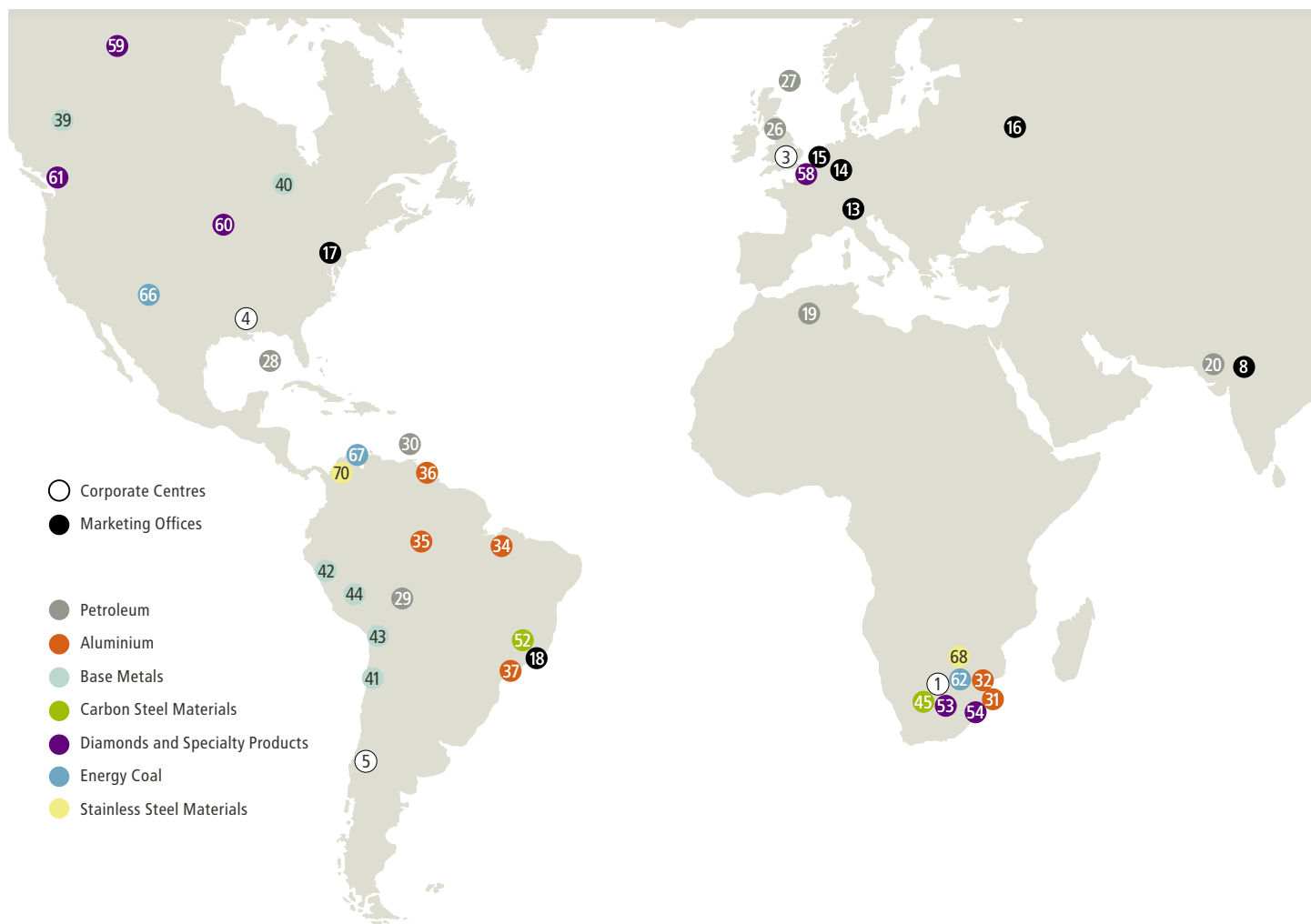
We have been delighted over the past year to receive external recognition for our performance in the areas of community partnerships, sustainable development and sustainability reporting. Notable events have included our inclusion in the Dow Jones Sustainability Group Index and the FTSE4Good Global Index, and receipt of the Special Award in Environmental Reporting at the Australasian Reporting Awards, the Banksia Award for Leadership in Sustainability in the Australian Minerals Industry, the Australian Prime Minister's Award for Excellence in Community and Business Partnerships, and the 'Corporate Partnership of the Year Award 2003' at The Australian Financial Review Magazine Partnership Awards.

Internally, our HSEC Award program has been highly successful, with an increased number of applications received from across the Company. The awards have proved to be invaluable in recognising excellence in HSEC and transferring those improvement ideas throughout the organisation.

Our full HSEC Report was prepared in accordance with the 2002 Global Reporting Initiative Guidelines. This Report is available for download on our website at www.bhpbilliton.com. A summary of our HSEC Report is also available from the website or in hard copy.

Moving forward, our efforts continue to focus on improvement of HSEC performance, consistent with our belief that this is in the interest of all of our stakeholders.

BHP Billiton Locations



Our diversification across countries, commodities and markets helps distinguish us from other resource companies. BHP Billiton has some 35 000 employees working in more than 100 operations in around 20 countries.

Corporate Centres

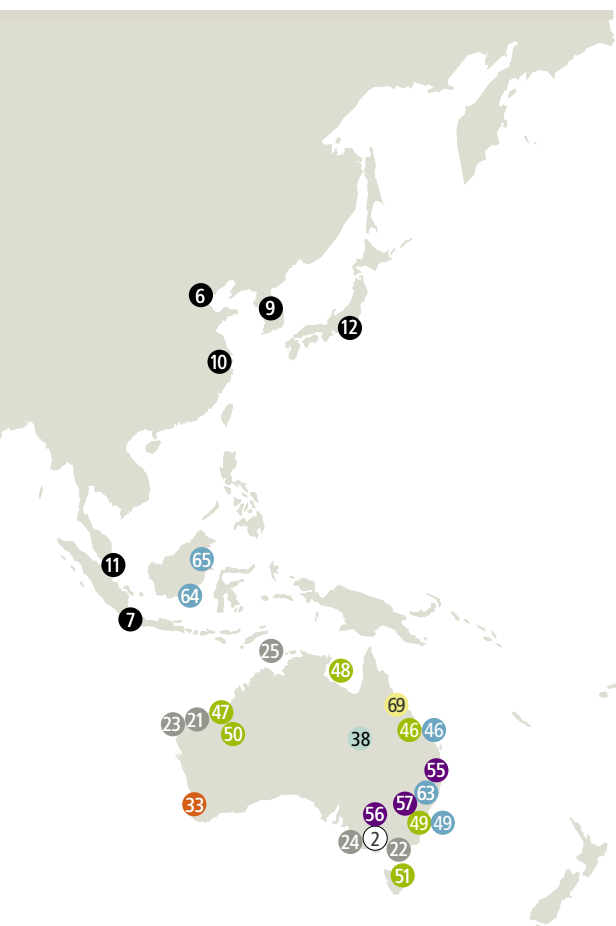
Ref	Continent	Location
1	Africa	Johannesburg
2	Australia	Melbourne (Global Headquarters)
3	Europe	London
4	North America	Houston
5	South America	Santiago

Marketing Offices

Ref	Continent	Location
6	Asia	Beijing
7	Asia	Jakarta
8	Asia	New Delhi
9	Asia	Seoul
10	Asia	Shanghai
11	Asia	Singapore
12	Asia	Tokyo
13	Europe	Baar
14	Europe	Essen
15	Europe	The Hague
16	Europe	Moscow
17	North America	Pittsburgh
18	South America	Rio de Janeiro

Petroleum

Ref	Continent	Site/Asset	Description	Ownership
19	Africa	Algeria	ROD and Ohanet developments	36.04–45%
20	Asia	Zamzama, Pakistan	Operator of gas development	38.5%
21	Australia	North West Shelf	One of Australia's largest resource projects, producing liquids, LNG and domestic gas	8.33–16.67%
22	Australia	Bass Strait	The Bass Strait operations produce oil, condensate, LPG, natural gas and ethane	50%
23	Australia	Griffin	Operator of oil and gas project offshore WA	45%
24	Australia	Minerva	Gas field under development in the Otway Basin	90%
25	Australia	Laminaria/Corallina	Oil production in the Timor Sea	25–32.6%
26	Europe	Liverpool Bay	Operator of oil and gas development in the Irish Sea	46.1%
27	Europe	Bruce/Keith	Oil and gas production in the UK North Sea	16–31.83%
28	North America	Gulf of Mexico	Interests in five producing assets in the Gulf of Mexico; development activities and exploration interests	4.95–50%
29	South America	Bolivia	Oil and gas production	50%
30	South America	Trinidad	Operator of the Angostura oil field development	45%
–	Various	Exploration	Exploration interests in South Africa, Brunei, Brazil, Australia, US, Trinidad and the UK	–



Aluminium

Ref	Continent	Site/Asset	Description	Ownership
31	Africa	Hillside/Bayside, South Africa	Two aluminium smelters	100%
32	Africa	Mozal, Mozambique	Aluminium smelter	47%
33	Australia	Worsley, Australia	Integrated alumina refinery/bauxite mine	86%
34	South America	Alumar, Brazil	Alumina refinery and aluminium smelter	36–46%
35	South America	MRN, Brazil	Bauxite mine	14.8%
36	South America	Paranam, Suriname	Alumina refinery and Lelydorp bauxite mine	45–76%
37	South America	Valesul Aluminio, Brazil	Aluminium smelter	46%

Base Metals

Ref	Continent	Site/Asset	Description	Ownership
38	Australia	Cannington, Australia	Silver, lead and zinc mine in north-west Queensland	100%
39	North America	Highland Valley Copper, Canada	Highland Valley Copper mine in British Columbia	33.6%
40	North America	Selbaie, Canada	Open pit operation producing zinc and copper concentrate and by-products including gold and silver. Due to close in January 2004.	100%
41	South America	Escondida, Chile	One of the largest copper mines in the world	57.5%
42	South America	Antamina, Peru	Large copper-zinc mine	33.75%
43	South America	Cerro Colorado, Chile	Copper mine in northern Chile, producing cathode copper through a SXEW leach operation	100%
44	South America	Tintaya, Peru	Produces copper concentrate and copper cathode within the 'Skarn Belt' of south-eastern Peru	100%

Carbon Steel Materials

Ref	Continent	Site/Asset	Description	Ownership
45	Africa	Samancor Manganese, South Africa	Integrated producer of manganese alloys and ferroalloys	60%
46	Australia	Queensland Coal, Australia	World's largest supplier of high-quality metallurgical coal for steel production	50–80%
47	Australia	Boodarie Iron, Australia	Hot briquetted iron plant	100%
48	Australia	GEMCO Australia	Producer of manganese ore (part of Samancor)	60%
49	Australia	Illawarra Coal, Australia	Four underground coal mines	100%
50	Australia	WA Iron Ore, Australia	The Pilbara iron ore mines rank among the world's best long-life iron ore assets	85–100%
51	Australia	TEMCO, Australia	Producer of manganese alloys (part of Samancor)	60%
52	South America	Samarco, Brazil	An efficient low-cost producer of iron ore pellets	50%

Diamonds and Specialty Products

Ref	Continent	Site/Asset	Description	Ownership
53	Africa	Johannesburg, South Africa	Technology Centre	100%
54	Africa	Richards Bay Minerals, South Africa	World's largest producer of titanium slag	50%
55	Australia	Brisbane, Australia	Mineral Exploration Office	–
56	Australia	Melbourne, Australia	Mineral Exploration Office	–
57	Australia	Newcastle, Australia	Technology Centre	100%
58	Europe	Antwerp, Belgium	Diamonds marketing	100%
59	North America	EKATI, Canada	Diamond mine in the Northwest Territories of Canada	80%
60	North America	Integrus Metals, US	Metals distribution	50%
61	North America	Vancouver, Canada	Mineral Exploration Office	–

Energy Coal

Ref	Continent	Site/Asset	Description	Ownership
46	Australia	Queensland Coal, Australia	Marketing agent for energy coal output	–
49	Australia	Illawarra Coal, Australia	Marketing agent for energy coal output	–
62	Africa	Ingwe, South Africa	Largest coal producer in South Africa	100%
63	Australia	Hunter Valley Energy Coal, Australia	New 12mtpa mine (Mount Arthur North) being developed	100%
64	Asia	PT Arutmin, Indonesia	Marketing agent for 75% of coal output	–
65	Asia	PT Kendilo, Indonesia	Infrastructure for third party trading	100%
66	North America	New Mexico Coal, US	Mine-mouth operations including new underground mine	100%
67	South America	Cerrejon Coal, Colombia	Largest coal producer in Colombia	33%

Stainless Steel Materials

Ref	Continent	Site/Asset	Description	Ownership
68	Africa	Samancor Chrome, South Africa	Integrated producer of chrome ores and ferrochrome comprising mines and chrome alloy plants at three major sites in South Africa	60%
69	Australia	QNI Yabulu Refinery, Australia	The Yabulu refinery is one of the world's major laterite nickel-cobalt processing plants	100%
70	South America	Cerro Matoso, Colombia	Integrated ferro-nickel mining and smelting complex in north Colombia	99.8%

Board of Directors



► Don Argus



► Charles Goodyear



► David Brink



► John Buchanan

Don Argus

AO, FAIB, FCPA, FAICD, 65

Don Argus brings to the Chairmanship of BHP Billiton considerable experience in international business and a strong management background.

Appointed a Director of BHP Limited in November 1996 and Chairman in April 1999. Chairman of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the Nomination Committee. Former Managing Director and Chief Executive Officer of the National Australia Bank Limited. He is Chairman of the Brambles Group and a Director of the Australian Foundation Investment Company Limited. He is also a member of the International Advisory Council of Allianz Aktiengesellschaft.

Charles Goodyear

BSc, MBA, FCPA, 45

Before joining the BHP Group as Chief Financial Officer in 1999, Charles Goodyear had extensive financial, corporate restructuring and merger and acquisition experience in the United States.

A Director since November 2001. Appointed Chief Executive Officer of BHP Billiton Limited and BHP Billiton Plc in January 2003. A member of the Health, Safety & Environment Committee. Previously held positions of Chief Development Officer and Chief Financial Officer of BHP Billiton Limited and BHP Billiton Plc. Former President of Goodyear Capital Corporation and former Executive Vice President and Chief Financial Officer of Freeport-McMoRan Inc.

David Brink

MSc Engineering (Mining), DCom (hc), 64

Dave Brink brings considerable mining and finance experience to the Group. He has over 20 years' experience in the mining industry, in particular, shaft sinking, tunnelling and exploration contracting, followed by 12 years as the Chief Executive Officer of a major listed construction, engineering and manufacturing conglomerate.

A Director of Billiton Plc since June 1997 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the Health, Safety & Environment Committee and a member of the Risk Management & Audit Committee. He is Chairman of Murray and Roberts Holdings Limited and Unitrans Limited and Deputy Chairman of ABSA Bank Limited and ABSA Group Limited. He is also a Director of Sanlam Limited and Sappi Limited and Vice President of the South Africa Foundation and the South African Institute of Directors. During 2001, he completed a postgraduate Diploma in Company Direction.

John Buchanan

BSc, MSc (Hons 1), PhD, 60

John Buchanan has had a wide international business career gained in large and complex international businesses. He brings to the Board experience in the petroleum industry and knowledge of the UK and international investment community. He has held various leadership roles in strategic, financial, operational and marketing positions, including executive experience in different countries.

A Director of BHP Billiton Limited and BHP Billiton Plc since February 2003. Chairman of the Remuneration Committee and a member of the Nomination Committee. The Senior Independent Director of BHP Billiton Plc. A Director of AstraZeneca Plc and Vodafone Group Plc. He is a former executive Director and Group Chief Financial Officer of BP Plc, Treasurer and Chief Executive of BP Finance, Chief Operating Officer of BP Chemical and was a member of the UK Accounting Standards Board from 1998 to 2001.



► *Michael Chaney*



► *David Crawford*



► *Cornelius Herkströter*



► *David Jenkins*

Michael Chaney

BSc, MBA, FAIM, FAICD, 53

Mike Chaney brings commercial expertise to the Board, developed over many years as the Chief Executive Officer and Managing Director of Wesfarmers Limited.

A Director of BHP Limited since May 1995 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. He is a Director of Gresham Partners Group Limited, a trustee of the Committee for the Economic Development of Australia, a member of the Business Council of Australia, a Director of the Centre for Independent Studies and Chairman of the Australian Research Alliance for Children and Youth.

David Crawford

BComm, LLB, FCA, FCPA, FAICD, 59

David Crawford has extensive experience in risk management and business reorganisation, having acted either as a consultant, scheme manager, receiver and manager or liquidator to very large and complex groups of companies.

A Director of BHP Limited since May 1994 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. Chairman of the Risk Management & Audit Committee. Chairman of Lend Lease Corporation Limited and a Director of Foster's Group Limited, National Foods Limited and Westpac Banking Corporation. He is former Australian National Chairman of KPMG, Chartered Accountants.

Cornelius Herkströter

CA, 66

Cor Herkströter has broad international business experience with special interests in human resources and the environment. He has held various executive appointments throughout Europe and South East Asia with Billiton and Shell.

A Director of Billiton Plc since July 1998 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Risk Management & Audit Committee. He is Professor of International Management at Amsterdam University, Chairman of the Supervisory Board of the ING Group, trustee to the Board of the International Accounting Standards Committee Foundation and Chairman of the Supervisory Board of DSM. Former President of the Royal Dutch Petroleum Company and Chairman of the Committee of Managing Directors of the Royal Dutch/Shell group of companies.

David Jenkins

BA, PhD (Geology), 64

David Jenkins' executive career at British Petroleum makes him a recognised authority on all facets of oil and gas technology.

A Director of BHP Limited since March 2000 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Remuneration Committee and the Risk Management & Audit Committee. A Director of Chartwood Resources Ltd, a private company providing consultancy services and business and technology advice to the oil industry. Former Chief Geologist and Chief Technology Advisor to BP Plc. He is a member of the Technology Advisory Committee of the Halliburton Company, the Technology Advisory Board of Landmark Graphics and the Advisory Council of Consort Resources. He also chairs the Energy Advisory Panel of Science Applications International Corporation.

Board of Directors continued



► *Lord Renwick of Clifton*



► *Miklos Salamon*



► *John Schubert*



► *Karen Wood*
Company Secretary

Lord Renwick of Clifton

KCMG, MA, 65

Lord Renwick has wide international and financial expertise. He served as British Ambassador to South Africa from 1987 to 1991 and as British Ambassador to the US from 1991 to 1995. He is currently Vice Chairman, Investment Banking, JP Morgan Plc.

A Director of Billiton Plc since June 1997 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Nomination Committee and the Remuneration Committee. He is Chairman of Fluor Limited, Director of British Airways Plc, Compagnie Financiere Richemont, Fluor Corporation, SABMiller Plc and Harmony Gold Mining Co Ltd.

Miklos Salamon

BSc (Mining Engineering), MBA, 48

Mike Salamon is the Senior Minerals Executive of the BHP Billiton Group. Appointed an executive Director of BHP Billiton Limited and BHP Billiton Plc in February 2003. A member of the Health, Safety & Environment Committee. Senior Minerals Executive and President of the Aluminium Customer Sector Group. He is Chairman of Samancor and a Director of Richards Bay Minerals, Cerro Matoso and Escondida. From July 1997 to June 2001 he was an executive Director of Billiton Plc with responsibilities for nickel, chrome, manganese, stainless steel and titanium. Former Executive Chairman of Samancor, Managing Director of Trans-Natal Coal Corporation and Chairman of Columbus.

John Schubert

BC Eng, PhD (Chem Eng), FIEAust, FTSE, 60

John Schubert's contribution to the deliberations of the Board comes from his 23 years' experience in the oil industry where he also had mining and financial responsibilities. He has experience in mergers, acquisitions and divestments, project analysis and management. His contribution also comes from six years as Chief Executive Officer of Pioneer International Limited, which operated in the building materials industry in 16 countries.

A Director of BHP Limited since June 2000 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. A member of the Nomination Committee and the Remuneration Committee. Deputy Chairman of the Commonwealth Bank of Australia, a Director of Qantas Airways Limited, the Australian Graduate School of Management and the Great Barrier Reef Research Foundation. He is also non-executive Chairman of G2 Therapies Limited and of Worley Group Limited. President of the Business Council of Australia. Former Managing Director and Chief Executive Officer of Pioneer International Limited and former Chairman and Managing Director of Esso Australia Limited.

Company Secretary

Karen Wood

BEd, LLB(Hons), FCIS, 47

Karen Wood was appointed Company Secretary of BHP Billiton Limited and BHP Billiton Plc in June 2001. She is a member of the Takenvers Panel (Australia), the Business Regulatory Advisory Group (Australia) and the JD (Juris Doctor) Advisory Board of the University of Melbourne. She is a Fellow of the Institute of Chartered Secretaries and a member of the Law Council of Australia and the Law Institute of Victoria.

Executive Committee



► *Charles Goodyear*



► *Philip Aiken*



► *John Fast*



► *Ian Fraser*

Charles Goodyear

BSc, MBA, FCPA, 45

Before joining the BHP Group as Chief Financial Officer in 1999, Charles Goodyear had extensive financial, corporate restructuring and merger and acquisition experience in the United States.

Appointed Chief Executive Officer of BHP Billiton Limited and BHP Billiton Plc in January 2003. A Director since November 2001. A member of the Health, Safety & Environment Committee. Previously held positions of Chief Development Officer and Chief Financial Officer of BHP Billiton Limited and BHP Billiton Plc. Former President of Goodyear Capital Corporation and former Executive Vice President and Chief Financial Officer of Freeport-McMoRan Inc.

Philip Aiken

BE (Chemistry), Harvard Business School – Advanced Management Program, 54

Appointed President and Chief Executive Officer, Petroleum in October 1997. Former Director BTR Plc and former Managing Director BTR Nylex, following a long career at BOC Plc where his last role was Managing Director, Gases Europe. He is a Director of Robert Walters Plc and the Mt Eliza Business School and Chairman of the Sydney 2004 World Energy Congress Organising Committee.

John Fast

BEC (Hons), LLB (Hons), ASIA, 53

Appointed Chief Legal Counsel in December 1999, and, in addition, was appointed Head of Asset Protection in July 2001 and Head of Government and Community Relations in January 2003. Former Senior Commercial Partner, Arnold Bloch Leibler. A Director of the Medical Research Foundation for Women and Babies (Australia). He is a member of the Strategic Advisory Board to the University of Melbourne Law School's Graduate Program, an Associate of the Securities Institute of Australia, a member of the Markets Policy Group of that Institute, and also a member of the Law Institute of Victoria.

Ian Fraser

MA (Hons), MBA, C.Psychol, 42

Appointed Group Vice President Human Resources in June 2001. Previously Group HR Director of Billiton Plc, Group HR Director of Charter Plc, Personnel Controller of Woolworths Plc, and Head of Organisation Diagnostics at Hay Management Consultants.

Executive Committee *continued*



► *Robert Kirkby*



► *Marius Kloppers*



► *Chris Lynch*



► *Bradford Mills*



► *David Munro*



► *Mike Oppenheimer*

Robert Kirkby

BE (Civil) (Hons), Harvard Business School – Advanced Management Program, 56

Appointed President, Carbon Steel Materials in June 2001. Previously Chief Operating Officer, BHP Minerals, President BHP Steelmaking and Energy, Group General Manager and Chief Executive Officer BHP Coal, Group General Manager and Chief Operating Officer of various divisions in BHP Steel, and General Manager Newman-BHP Minerals.

Marius Kloppers

BE (Chem), MBA, PhD (Materials Science), 41

Appointed Chief Marketing Officer in June 2001. Previously Group Executive of Billiton Plc, Chief Executive of Samancor Manganese, and held various positions at Billiton Aluminium, among them Chief Operating Officer, and at Alusaf (a subsidiary of Billiton Plc) he was General Manager of Hillside Aluminium. His previous career was as a consultant with McKinsey Inc.

Chris Lynch

BComm, MBA, FCPA, 49

Appointed Chief Financial Officer in September 2001. Former Chief Financial Officer of the Minerals Group of BHP Limited. Before joining BHP, he was Vice President and Chief Information Officer for Alcoa Inc and Chief Financial Officer, Alcoa Europe. He was also Managing Director KAAL Australia Ltd, a joint venture company formed by Alcoa Inc and Kobe Steel, and Corporate Accounting Manager at Alcoa of Australia.

Bradford (Brad) Mills

BSc (Geology), MSc (Economic Geology), 48

Appointed President, Base Metals in June 2001. Previously held positions in BHP Limited of Vice President and Chief Strategic Officer, Vice President Strategy, Planning and Business Development, Executive Vice President and Group General Manager Growth and Technology (BHP Copper). He was also Executive Vice President of Magma Copper, Director Corporate Development of Echo Bay Management Company and Manager, United States Exploration, Echo Bay Exploration Inc. A Director ICA, ERBA Inc, and the Mills Foundation.

David Munro

BSc (Mining Engineering), MBA, 48

Appointed Chief Development Officer in February 2003 being responsible for strategy, mergers and acquisitions, and business evaluation. He is a former executive Director of Billiton Plc. Previously held positions of Vice President Strategy and Business Development, executive Director Aluminium, Base Metals and Group Marketing, executive Director New Business and Trading, Gencor Ltd; Managing Director, Billiton International, and General Manager Manganese, Samancor Ltd.

Mike Oppenheimer

BSc (Chem Eng), 49

Appointed President, Energy Coal in June 2001. Previously held positions in BHP Limited of President, BHP Coal, President North West Shelf and Gas Marketing, Vice President and General Manager North West Shelf, Vice President Marketing and Business Development Australia/Asia (BHP Petroleum). A Director of Richards Bay Coal Terminal, International Colombia Resources Corporation and World Coal Institute. A member of Coal Industry Advisory Board of the IEA.



► *Chris Pointon*



► *Marcus Randolph*



► *Miklos Salamon*

Chris Pointon

BE (Chemistry & Earth Sciences), PhD (Geology), 55

Appointed President, Stainless Steel Materials in June 2001. Previously Chief Executive Officer, Nickel and Chrome for Billiton Plc; Managing Director of QNI Ltd. He has over 20 years of global experience as a mining executive and has led Billiton Plc's nickel business since its formation in 1995.

Marcus Randolph

BSc (Mining Engineering), MBA, 47

Appointed President, Diamonds and Specialty Products in August 2002 with responsibility for the diamonds and titanium business, North American metals distribution and technology and minerals exploration across the Group. Previously Chief Strategic Officer and Chief Development Officer, BHP Minerals. His earlier career was as Chief Executive Officer of a Singapore-based gold and petroleum company. He also held senior positions with Rio Tinto Plc and Asarco Inc.

Miklos (Mike) Salamon

BSc (Mining Engineering), MBA, 48

Mike Salamon is the Senior Minerals Executive of the BHP Billiton Group. Appointed an executive Director of BHP Billiton Limited and BHP Billiton Plc in February 2003. A member of the Health, Safety & Environment Committee. Senior Minerals Executive and President of the Aluminium Customer Sector Group. He is Chairman of Samancor and a Director of Richards Bay Minerals, Cerro Matoso and Escondida. From July 1997 to June 2001 he was an executive Director of Billiton Plc with responsibilities for nickel, chrome, manganese, stainless steel and titanium. Former executive Chairman of Samancor, Managing Director of Trans-Natal Coal Corporation and Chairman of Columbus.

Corporate Governance Statement

Corporate Governance at a Glance

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This Statement sets out the key governance principles and practices of the BHP Billiton Group. Readers are directed to the Remuneration Report appearing on pages 46 to 62 which details the remuneration policies and practices of the Group.

Shareholders will be invited to consider and to approve the Remuneration Report at the annual general meetings in 2003.

BHP Billiton operates under a dual listed companies structure with primary listings in Australia and the UK. BHP Billiton Limited and BHP Billiton Plc are registrants of the Securities and Exchange Commission in the US. Secondary listings are maintained in a number of other jurisdictions.

During the past year, debate on appropriate levels of corporate governance has been energetically pursued in Australia, Europe and the US. New governance requirements have been introduced in all those jurisdictions. In formulating the governance principles that guide the operations of BHP Billiton, Directors have taken into account the various regulatory requirements, together with standards of best practice. Where governance principles vary across these jurisdictions, as they inevitably do, the Directors have resolved to adopt those principles that they consider to be the better of the prevailing standards.

1. Shareholders

The BHP Billiton Charter, a copy of which can be found on the BHP Billiton website at www.bhpbilliton.com/bb/aboutUs/charter.jsp, states that the Group will be successful in creating value when shareholders realise a superior return on their investment. In pursuing this aim the Directors will undertake their duties with honesty, integrity, care and diligence, according to the law and in a manner that reflects the highest standards of governance.

The shareholders of BHP Billiton play a key role in the governance of the Group by electing Directors. At least one-third of the Directors retire each year, by rotation, and all are subject to re-election by shareholders. The Directors recognise that shareholders must receive high-quality, relevant and useful information in a timely manner to play their role effectively.

The Group ensures shareholders are kept informed through a variety of means:

- Shareholders can gain access to information about the Group, including the Annual Report and accounts, key policies and the terms of reference of its Board Committees, through the Group's website at www.bhpbilliton.com.
- From time to time, briefings are conducted to promote a better understanding of the Group. Site visits are also arranged to give those who advise shareholders a better understanding of the Group's operating facilities. In conducting briefings, BHP Billiton takes care to ensure that any price-sensitive information is made available to all shareholders (institutional and private) and the market at the same time and in accordance with the requirements of the stock exchanges on which the Group is listed.

- Information is posted on the website as soon as it has been released to relevant stock exchanges. Any person wishing to receive advice by email of Group news releases can subscribe at www.bhpbilliton.com.
- The principal direct communication with private investors is through the provision of the Annual Report and financial statements, the interim statements and the annual general meetings. Notices of the annual general meetings are mailed to shareholders at least 21 days in advance of the meetings. Shareholders are encouraged to attend and to use these meetings to ask questions on any matter. Shareholders are also encouraged to lodge questions or raise issues of concern in advance of the meetings in an effort to make better use of the limited time available. Questions can be lodged and issues raised by emailing the Group at: investor.relations@bhpbilliton.com.

Shareholders may lodge their votes on items of business at general meetings electronically. The notices convening the meetings describe how this can be done.

Copies of the speeches delivered by the Chairman and Chief Executive Officer to the annual general meetings, a summary of the proceedings of the meetings and the outcome of voting on the items of business, are posted to the website following the meetings.

Shareholders are encouraged to make their views known to the Group and to directly raise any matters of concern. The Chairman keeps the Board advised of the views and/or concerns that have been raised.

2. Market Disclosure Policy

BHP Billiton has a Market Disclosure and Communications Policy, a copy of which is available on the Group's website at www.bhpbilliton.com/bb/aboutUs/governance.jsp. The purpose of the Policy is to outline BHP Billiton's processes for identifying information for disclosure. It aims to ensure that timely and accurate information is provided equally to all shareholders and market participants, to reinforce BHP Billiton's commitment to the continuous disclosure obligations imposed by law, and to describe the processes implemented to ensure compliance.

A Disclosure Committee has been established with responsibility for compliance with disclosure obligations. Details of the composition and role of that Committee are set out in the Policy.

3. Board of Directors – composition

3.1 Membership

BHP Billiton Limited and BHP Billiton Plc have identical Boards of Directors. (The Boards are hereafter referred to collectively as the Board.)

The names of the Directors in office at the date of this Report, the year of appointment, their status as non-executive, independent or executive Directors, and whether they retire at the 2003 annual general meetings are set out in the table below. Biographical details for each of the Directors are set out on pages 28 to 30 of this Report.

Directors in office at the date of this Report

Director	Appointed	Non-executive	Independent	Executive	Last elected	Retiring in 2003	Seeking election or re-election in 2003
Don Argus (Chairman)	1996	Yes	Yes	No	2001	No	Not applicable
David Brink	1997	Yes	Yes	No	"000	Yes	Yes
John Buchanan	2003	Yes	Yes	No	Not applicable	No	Yes – submits himself for election by shareholders
Michael Chaney	1995	Yes	Yes	No	2000	Yes	Yes
David Crawford	1994	Yes	Yes	No	2001	No	Not applicable
Charles Goodyear (Chief Executive Officer)	2001	No	No	Yes	2002	No	Not applicable
Cornelius Herkströter	1998	Yes	Yes	No	2001	Yes	No
David Jenkins	2000	Yes	Yes	No	2002	No	Not applicable
Lord REnwick	1997	Yes	Yes	No	2000	Yes	Yes
Miklos (Mike) Salamon (Senior Minerals Executive)	2003	No	No	Yes	Not applicable	No	Yes – submits himself for election by shareholders
John Schubert	2000	Yes	Yes	No	2002	No	Not applicable

3.2 Independence

BHP Billiton has adopted a policy on directors' independence. The overriding principle contained in that policy is that a Director must be independent in character and judgement. A copy of the Policy can be found on the website at www.bhpbilliton.com/bb/aboutUs/governance.jsp.

The purpose of the policy is threefold:

- to specify the test that will be used by the Board to assess the independence of each Director
- to identify the information that will be collected from each Director to make that assessment, and
- to outline the disclosure to shareholders of the assessment, including the disclosure of any relationships and associations that may be perceived to affect the independence or objectivity of a Director.

The corporate governance principles in the jurisdictions in which BHP Billiton operates contain different tests of independence. The test adopted by BHP Billiton and set out in the Policy is whether a Director is independent of management and any business or other relationship with the BHP Billiton Group that could materially interfere with the exercise of objective, unfettered or independent judgement by the Director or the Director's ability to act in the best interests of the BHP Billiton Group. The policy outlines criteria used to apply the test. The application of those criteria to the Directors of BHP Billiton is outlined below and the determination of the Board as to independence is set out in the table above. All of the non-executive Directors are considered independent. The two executive Directors, Mr Charles Goodyear and Mr Miklos (Mike) Salamon are not considered independent. Neither of the executive Directors holds directorships in any other company listed in the FTSE 100 or ASX 100.

No non-executive Director:

- has ever been an employee of the Group and no family member of a non-executive Director has been an employee of the Group in the last five years
- is a substantial shareholder in any member of the BHP Billiton Group or an officer of, or otherwise associated with, a substantial shareholder (a 'substantial shareholder' is a shareholder who holds an interest in more than five per cent of the shares entitled to vote)
- represents shareholder groups or has significant financial or personal ties to the Group
- has, within the last five years, been a material supplier or customer of the Group or an officer or otherwise associated directly or indirectly with a material supplier or customer (a material customer is a customer who accounts for more than two per cent of BHP Billiton's gross revenue. A supplier is material if BHP Billiton accounts for more than two per cent of the supplier's revenue)
- has any material contractual relationship with the Group or a Group member other than as a Director

- participates in share, option or performance-based plans
- receives additional remuneration apart from approved Directors' fees (Details of remuneration paid to non-executive Directors are set out on pages 60 to 62 of the Remuneration Report)
- has close family ties with any of the Group's advisors, Directors or senior employees, or
- holds cross-directorships or has other significant links with fellow Directors through involvement in other companies or bodies.

The Board does not believe that any Director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group. In reaching this conclusion, the Board specifically noted that in September 2003 Mr David Crawford will have served on the Board for nine years and concluded that, notwithstanding that period of service, he retains independence of character and judgement.

The former Directors of BHP Limited (Mr Don Argus, Mr Michael Chaney, Mr David Crawford, Dr David Jenkins and Dr John Schubert) participated in a retirement plan approved by shareholders in 1989 under which they were entitled to receive a payment on retirement calculated by reference to years of service. That plan was modified in 2001 to limit the benefits payable and to restrict membership to existing participants. In accordance with that decision, no new members were added. In 2003 the participants resolved to cease their participation as from the first of the 2003 annual general meetings (24 October), thereby closing the plan. Benefits that have accrued to 24 October 2003 will be held by the Company and paid on retirement. The Board approved the application of an earnings rate to those benefits fixed at the five-year Australian Government Bond Rate.

Mr David Crawford is the only non-executive Director who has, in the past five years, been a principal of a material professional advisor to the Group.

Mr Crawford is the former National Chairman of KPMG in Australia. KPMG was the joint auditor (with PricewaterhouseCoopers) of Billiton Plc. KPMG, PricewaterhouseCoopers and Ernst & Young (formerly Arthur Andersen) performed the audit of the Group for the 2002 financial year. In June 2002, the Board resolved to appoint KPMG and PricewaterhouseCoopers as joint auditors of BHP Billiton for the 2003 financial year. The Board considers Mr Crawford's financial acumen to be important to the discharge of the Board's responsibilities and accordingly that his membership of the Board and Chairmanship of the Risk Management and Audit Committee are appropriate. The Board does not consider his independence to be compromised for the following reasons:

- KPMG did not provide audit services for BHP Limited at any time while Mr Crawford was both a Director of BHP Limited and employed by KPMG

- Mr Crawford resigned as a partner and Australian National Chairman of KPMG on 28 June 2001, prior to the implementation of the merger
- Mr Crawford has had no financial arrangement with KPMG, including no pension arrangements, retainers, advisory fees or any direct or indirect business arrangements since his resignation, and
- Mr Crawford has never been part of the KPMG audit practice nor in any way involved in, or able to influence, any audit activity associated with Billiton Plc, BHP Limited or BHP Billiton. Mr Crawford abstained from voting both on the recommendation of the Risk Management and Audit Committee and from the approval by the Board in relation to the appointment of the auditors.

Some of the Directors of BHP Billiton hold executive or non-executive positions in companies with which BHP Billiton has commercial arrangements. Those positions are set out on page 87 of this Report. The Board has assessed all of those associations and concluded that in no case do those positions interfere with the Director's exercise of objective, unfettered or independent judgement or the Director's ability to act in the best interests of the BHP Billiton Group.

In all cases the commercial transactions were entered into in the usual course of BHP Billiton's business and approval given in accordance with the Group's requirements for the approval of capital expenditure or the entry into contractual arrangements. In no case was Board approval required and none of the transactions were material under the terms of the Policy. If Board approval was ever required for any transaction with a company in which a Director of BHP Billiton had an executive or non-executive position, the Director concerned would abstain from voting on the matter.

The only transactions in 2003 which amounted to related-party transactions with Director-related entities under Australian and UK generally accepted accounting principles, are the transactions between BHP Billiton and Wesfarmers Limited. The details of those transactions are set out in note 9 to the concise financial statements on page 87 of this Report.

3.3 Skills, knowledge and experience

The Board considers that, between them, the non-executive Directors bring the range of skills, knowledge and experience necessary to govern the Group, including international experience; understanding the economics of the sectors in which the Group operates; knowledge of world capital markets; and an understanding of the health, safety, environmental and community challenges that the Group faces. Details of the experience and expertise of the Directors are set out on pages 28 to 30 of this Report.

3.4 Chairman

The Chairman, Mr Don Argus, was, at the date of his appointment and continues to be, independent. He has been Chairman of BHP Limited since 1999 and of the Group since 2001.

The Chairman leads the Board. He has responsibility for ensuring the Board receives accurate, timely and clear information to enable Directors to analyse and constructively critique the performance of management and the Group as a whole. The Chairman is responsible for representing the Board to shareholders.

Mr Argus is Chairman of Brambles Industries, a dual listed company that is listed on the Australian and London Stock Exchanges. The Board considers that neither his Chairmanship of Brambles, nor any of his other commitments (set out on page 28 of this Report), interfere with the discharge of his responsibilities to BHP Billiton. The Board is satisfied that he makes sufficient time available to effectively serve BHP Billiton.

The Group does not have a Deputy Chairman. The Board has, however, identified a non-executive Director to act as Chairman should the need arise at short notice. That Director is currently Dr John Schubert.

3.5 Senior Independent Director

The Board has appointed Dr John Buchanan as the Senior Independent Director of BHP Billiton Plc. Dr Buchanan is available to shareholders who have concerns that cannot be addressed through the Chairman, Chief Executive Officer or Chief Financial Officer.

3.6 Company Secretary

The Company Secretary is Ms Karen Wood. The appointment and removal of the Company Secretary is a matter for the Board. The Company Secretary is responsible to the Board for ensuring that Board procedures are complied with. She advises the Board on governance matters. All Directors have access to her advice and services.

3.7 Terms of appointment

The Board has settled a form of letter of appointment to be provided to candidates for appointment as Directors who are not executives of the Group. The standard terms of the letter are available from the website at www.bhpbilliton.com/bb/aboutUs/governance.jsp. The Directors are bound by the BHP Billiton Guide to Business Conduct, a description of which is set out in section 10. The Guide is published on the website at www.bhpbilliton.com/bb/aboutUs/governance.jsp.

3.8 Induction and training

New Directors are provided with an induction program specifically tailored to the needs of individual appointees. That program includes meetings with major shareholders, one-on-one meetings with members of management and visits to key assets. Directors agree to participate in continuous improvement programs from time to time, as considered appropriate.

3.9 Remuneration

Details of remuneration paid to the Directors (executive and non-executive) are set out in the Remuneration Report on pages 46 to 62 of this Report.

3.10 Share ownership and dealing

Non-executive Directors have agreed to apply at least 25 per cent of their remuneration to the purchase of BHP Billiton shares (in either BHP Billiton Limited or BHP Billiton Plc) until they achieve a shareholding equivalent in value to one-year's remuneration and, thereafter, to maintain at least that level of shareholding throughout their tenure.

Details of the shares held by Directors are set out on page 66 of this Report.

BHP Billiton has a policy that covers dealings in securities that applies to Directors and senior management. The policy has been designed to ensure that shareholders, customers and the international business community have confidence that BHP Billiton will comply with the law and best practice in corporate governance and will handle confidential information with integrity and sensitivity.

Under the policy, Directors are required to obtain the consent of the Chairman before dealing in BHP Billiton shares. Directors and senior management are also prohibited from dealing in shares or other securities of BHP Billiton during designated prohibited periods and at any time at which the individual is in possession of price-sensitive information. The policy adopts the terms of the Model Code as set out in the Listing Rules published by the UK Listing Authority.

Any dealing by a Director in BHP Billiton shares is reported to the Board at each meeting. The Australian and London Stock Exchanges, and all secondary exchanges on which BHP Billiton is listed, are notified of any share dealing by a Director within five days.

The BHP Billiton Securities Dealing Policy can be viewed on the website at www.bhpbilliton.com/bb/aboutUs/governance.jsp.

3.11 Directors' performance appraisal

The Board believes that progressive organisations appreciate the challenge of operating in today's business environment and particularly the requirement for more transparency in determining Board membership and assessing the performance of Directors. The adoption of contemporary performance measures for Directors is considered an important part of this process.

The Board considers it inappropriate for a Director to offer him or herself for re-election unless a performance appraisal has been undertaken.

A review of Board performance was conducted during the first half of 2003. The aim was to undertake an objective assessment of the performance of the Board as a whole. An independent consultant facilitated the review. In so doing, interviews were conducted with each Director and members of senior management. A report setting out a summary of the feedback from interviews, discussion of issues and suggestions for change in future practice was tabled and considered by the Board at its

meeting in June 2003. The report outlined feedback on the role of the Board, the people, procedures, practices and behaviours. It concluded that the Board did not have any serious issues to address, but made suggestions about how some procedures might be improved. In addition to the assessment of the performance of the Board as a whole, the Nomination Committee oversaw a review of the performance of each of the Directors retiring at the 2003 annual general meetings. The process is discussed at section 3.12 below.

When the Chairman's performance is due for review, the Board as a whole will undertake that review, in the absence of the Chairman, and led by a Director nominated by the Board.

3.12 Directors' retirement and re-election

At least one-third of the members of the Board retire at each annual general meeting. They are not appointed for a fixed term but must submit themselves to shareholders for re-election after three years. The period for which Directors have served on the Board and the year in which they were last elected are set out in the table in section 3.1. Re-appointment is not automatic, and follows a formal process. Prior to re-nomination, the Nomination Committee conducts an assessment of the performance of each retiring Director. Where a Director's performance is not considered satisfactory, the Board will not endorse that re-nomination. In conducting that assessment, the Nomination Committee reviews the skills, knowledge, experience and diversity represented on the Board and takes the findings of that review into account when considering the composition going forward. The reasons why the Board supports re-election are set out in the notices convening the annual general meetings.

Shareholders are required to elect, at the next annual general meeting, any Director appointed to fill a casual vacancy. At the 2003 annual general meetings, shareholders will be asked to elect Dr John Buchanan who was appointed on 1 February 2003 and Mr Miklos (Mike) Salamon who was appointed on 24 February 2003.

Directors cannot be re-appointed if they have reached the age of 70 years, unless that appointment is approved by shareholders in the form of a special resolution. A Director so appointed must retire at the next annual general meeting.

3.13 Board succession planning

The Board manages planning for its own succession with the assistance of the Nomination Committee. In so doing, the Board:

- considers the skill, knowledge and experience necessary to allow it to meet the strategic vision for the Group
- assesses the skill, knowledge and experience currently represented
- identifies any skill, knowledge and experience not adequately represented and agrees the process necessary to ensure a candidate is selected that brings those traits, and
- engages in a robust analysis of how Board performance might be enhanced both at an individual level and for the Board as a whole.

The Board engages the services of an independent recruitment organisation to undertake a search for suitable candidates. More detail about the process used to recruit non-executive Directors is set out in section 6.3 below.

4. Board of Directors – role

The management and control of the business of the Group is vested in the Board.

The Board has a schedule of matters specifically reserved to it for decision. This schedule includes the adoption of the strategic direction of the Group, the appointment of key senior executives, approval of accounts, approval of the business plan, budget, and financial policies, review of operating results, risk management strategy, ensuring the effectiveness of governance practices, succession planning and significant capital expenditure.

The Board has delegated responsibility for the management of the Group, through the Chief Executive Officer, to executive management. There is a clear division between the responsibilities of the Board and management. The roles of Chairman and Chief Executive Officer are not combined. The Chief Executive Officer is accountable to the Board for all authority delegated to executive management. The Board has also delegated some of its responsibilities to Committees of the Board. These delegations are supported by appropriate controls, which are documented in a framework approved by the Board and available to all employees.

With the consent of the Chairman, individual Directors may seek independent professional advice, at the expense of the Group, on any matter connected with the discharge of their responsibilities. No Director availed himself of this right during the course of the year.

5. Board of Directors – meetings

The Board met nine times during the year. Generally, meetings run for two days. Six of those meetings were held in Australia and three in the United Kingdom.

Details of Directors' attendance at those meetings are set out on page 67 of this Report. The Chairman sets the agenda for each meeting in consultation with the Chief Executive Officer and the Company Secretary. Any Director may have any matter added to the agenda.

The Board meets regularly in the absence of executive Directors and other executives (save for the Company Secretary).

Members of senior management attend meetings of the Board by invitation.

Copies of Board papers are circulated in advance of meetings to Directors in either electronic or hard copy form. Directors may have any matters of concern recorded in the Board minutes.

The Board works to a rolling schedule and conducts periodic reviews of the Group's businesses.

Directors are encouraged to participate in debate and to bring independent judgement to bear on matters being considered. The Board recognises that constructive differences of opinion

lead to more robust evaluation of the issues and, ultimately, better outcomes.

The Board may seek advice from independent experts whenever it considers this to be appropriate.

The Group has in place a policy, which insures Directors against certain liabilities (including legal costs) they may incur in carrying out their duties on behalf of the Group.

6. Committees of the Board

The Board has established four permanent committees to assist in the execution of its responsibilities. These are the Risk Management and Audit Committee, the Health, Safety and Environment (HSE) Committee, the Nomination Committee and the Remuneration Committee. Ad hoc committees are formed from time to time to deal with specific matters.

Each of the permanent Committees has terms of reference (or Charters) under which authority is delegated to them from the Board. The terms of reference for each Committee can be viewed on the Group's website at www.bhpbilliton.com/bb/aboutUs/governance.jsp.

The office of the Company Secretary provides secretariat services for each of the Committees.

Committee meeting agendas, papers and minutes are made available to all members of the Board. Committee Chairmen are free to use whatever resources they consider necessary to discharge their responsibilities.

The number of Committee meetings held during the year, and the attendance at those meetings by members is set out on page 67 of this Report.

With the exception of the HSE Committee, all Committee members are independent non-executive Directors. Executive Directors Mr Charles Goodyear and Mr Miklos (Mike) Salamon, and the Vice President, Health, Safety and Environment, Mr Colin Bloomfield, are the members of the HSE Committee. External experts also sit as members of this Committee.

The role and membership of each Committee is set out below.

6.1 Risk Management and Audit Committee

6.1.1 Role

The role of the Risk Management and Audit Committee is to assist the Board in relation to the reporting of financial information. This involves the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems. The Committee's responsibilities include:

- recommending to the Board the appointment and dismissal of the external auditors and setting the appropriate fees
- evaluating the performance of the external auditors, including their independence and objectivity

- ensuring it is clear that the external auditors are responsible to the Committee and the Board as representatives of the shareholders
- reviewing and approving the external audit plan, including identified risk areas
- ensuring compliance with the Group's policy on non-audit services
- overseeing the appointment and removal of the Vice President, Risk Assessment and Assurance (who is responsible for the Group's risk management, internal audit and insurance activities), and
- evaluating the performance of the Vice President, Risk Assessment and Assurance including his or her independence and objectivity.

Responsibilities relating to financial reporting are set out in section 8.1, and to risk management and internal control in section 8.3 of this Report.

6.1.2 Composition

The Risk Management and Audit Committee is composed entirely of non-executive Directors, all of whom the Board considers to be independent.

The members of the Committee are Mr David Crawford (Chairman), Mr Cornelius Herkströter, Dr David Brink and Dr David Jenkins. Biographical information on each of the members of the Committee is set out on pages 28 and 29 of this Report.

There are no members of management on the Committee. The Chief Executive Officer, the Chief Financial Officer and the Vice President, Risk Assessment and Assurance and other members of management attend meetings of the Committee at the invitation of the Chairman. The Committee meets with the auditors in the absence of members of management on a regular basis.

To assist in discharging its responsibilities, the Group Risk Management and Audit Committee receives reports from separate Risk Management and Audit Committees that have been established for each of the Customer Sector Groups and key functional areas. Committees have been established for the Petroleum, Aluminium, Base Metals, Carbon Steel Materials, Diamonds and Specialty Products, Energy Coal and Stainless Steel Materials Customer Sector Groups and for the Corporate Centre, Marketing, Shared Services Centres and Treasury functions. A member of the Group Risk Management and Audit Committee chairs each of these Committees.

These Committees perform an important monitoring function in the overall governance of the Group, but have no statutory responsibility in terms of reporting. This responsibility for reporting rests with the Group Risk Management and Audit Committee and the Board.

6.2 Health, Safety and Environment (HSE) Committee

6.2.1 Role

The role of the HSE Committee is to assist the Board to fulfill its responsibilities in relation to health, safety and environmental matters arising out of the activities of the Group as they affect employees, contractors and the communities in which it operates.

The Committee's responsibilities include:

- recommending to the Board a health, safety, environment and community policy
- monitoring the Group's compliance with the approved HSE Policy and applicable legislation
- assessing the HSE standards of the Group
- assessing the operations of the Group and making recommendations for assessing, avoiding, eliminating, controlling and minimising HSE risks
- researching and recommending the adoption of acceptable HSE practices in the industries in which the Group operates, and
- investigating HSE incidents within the Group and considering HSE issues that may have strategic business and reputational implications for the Group as well as recommending appropriate measures and responses.

6.2.2 Composition

Dr David Brink, a non-executive Director, chairs the HSE Committee. Executive Directors Mr Charles Goodyear and Mr Miklos (Mike) Salamon, and Mr Colin Bloomfield, the Group Vice President, Health, Safety and Environment are members of this Committee. The other members of the Committee are all external experts in the fields of health, safety, environment or community. They are Professor Jimmy Perkins, Dr David Slater, Mr Edwin Spence and Mr Ben Alberts (who was, until June 2002, an independent non-executive Director of BHP Billiton).

6.3 Nomination Committee

6.3.1 Role

The Nomination Committee assists the Board in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of a Director, having regard to the law and the highest standards of governance, by:

- assessing the skills, knowledge, experience and diversity required on the Board and the extent to which each are represented
- establishing processes for the review of the performance of individual Directors and the Board as a whole
- establishing processes for the identification of suitable candidates for appointment to the Board, and
- overseeing succession planning for the Board.

The Committee conducts a review of the skills, knowledge, experience and diversity currently represented when considering new appointments to the Board. The Committee then oversees the preparation of a position specification. In addition to the specific skills, knowledge and experience deemed necessary for

candidates, that specification contains objective criteria such as a proven track record of creating value for shareholders; unquestioned integrity and a commitment to the highest standards of governance; the time available to devote to the job; a clear grasp of strategic thinking; an awareness of market leadership; outstanding monitoring skills; a preparedness to question, challenge and critique; and an independent point of view. That specification is provided to an independent recruitment organisation, which reports to the Nomination Committee, for the conduct of a global search. To date the Group has not advertised for non-executive Directors. The specific processes adopted by the Group in relation to performance appraisal and succession planning are set out in sections 3.11 and 3.13 above.

6.3.2 Composition

The Nomination Committee is chaired by the Group Chairman and is composed entirely of independent non-executive Directors.

In addition to the Chairman, the members of the Committee are Lord Renwick, Dr John Schubert and the Senior Independent Director, Dr John Buchanan.

6.4 Remuneration Committee

6.4.1 Role

The Remuneration Committee supports and advises the Board in fulfilling its responsibilities to shareholders by:

- determining executive remuneration policy
- determining the remuneration of executive Directors
- reviewing and approving the remuneration of direct reports to the Chief Executive Officer and other senior executives, and
- reviewing and approving all equity-based plans.

The Committee oversees the preparation of the Remuneration Report which appears on pages 46 to 62 of this Report.

6.4.2 Composition

The Remuneration Committee is composed entirely of independent non-executive Directors and is chaired by Dr John Buchanan.

The other members of the Committee are Dr David Jenkins, Lord Renwick and Dr John Schubert.

The Committee seeks advice and guidance from the Chairman, the Chief Executive Officer and the Group Vice President, Human Resources, as it considers appropriate. From time to time, it seeks advice from independent experts. Non-Committee members attend Committee meetings only by invitation.

7. Management Committees

A number of changes to the management committee structure were announced on 24 February 2003. These included a change in the responsibilities of the Executive Committee and the creation of the Office of the Chief Executive and the Operating Committee.

7.1 The Executive Committee

The Executive Committee is responsible for the review of corporate and Customer Sector Group strategies; approval of the Customer Sector Group budgets and forecasts; Health, Safety, Environment and Community standards; Group Human Resources

strategy and rewards; and internal communications. The Committee is chaired by the Chief Executive Officer, Mr Charles Goodyear. The other members of the Committee are Mr Philip Aiken, Mr John Fast, Mr Ian Fraser, Mr Robert Kirkby, Mr Marius Kloppers, Mr Chris Lynch, Mr Brad Mills, Mr David Munro, Mr Mike Oppenheimer, Mr Chris Pointon, Mr Marcus Randolph and Mr Mike Salamon. The Company Secretary, Ms Karen Wood, acts as secretary to the Committee. Biographical information on each member of the Executive Committee is set out on pages 31 to 33 of this Report.

7.2 The Office of the Chief Executive

The Office of the Chief Executive is responsible for the significant corporate strategic issues including capital allocation and overall performance management. Its members are Mr Charles Goodyear (who chairs the Committee), Mr Philip Aiken, Mr John Fast, Mr Marius Kloppers, Mr Chris Lynch, Mr David Munro and Mr Mike Salamon. The Company Secretary, Ms Karen Wood, acts as secretary to the Committee. The Committee has two principal functions – to make recommendations to the Board in respect of certain matters on which the Board must make decisions, and to exercise the authority delegated to it by the Board under the terms of the Approvals Framework. That authority includes the approval of capital projects between US\$50 and US\$100 million.

Minutes of meetings of the Committee are circulated to Board members.

7.3 The Operating Committee

The Operating Committee is chaired by the Senior Minerals Executive, Mr Mike Salamon. The other members of the Committee are Mr Philip Aiken, Mr Ian Fraser, Mr Robert Kirkby, Mr Chris Lynch, Mr Marius Kloppers, Mr Bradford Mills, Mr Mike Oppenheimer, Mr Chris Pointon and Mr Marcus Randolph. The Vice President, Operating Excellence, Mr Mike Anglin, acts as a secretary to the Committee. The Operating Committee is responsible for guiding the Group's strategies in regard to continuous improvement (operating excellence and knowledge-sharing networks), supply, minerals exploration, technology, project development services and operations talent management.

7.4 Financial Risk Management Committee

Under powers delegated by the Office of the Chief Executive, this Committee monitors the financial risk management policies of the Group, approves financial transactions within the scope of its authority and makes recommendations to the Office of the Chief Executive. Minutes of meetings of the Financial Risk Management Committee are circulated to the members of the Board and the Office of the Chief Executive.

The Chief Financial Officer, Mr Chris Lynch, chairs the Financial Risk Management Committee. The other members of the Committee are Mr Charles Goodyear, Mr David Munro, Mr Marius Kloppers, Group Treasurer Mr Willie Murray and Vice President Risk Assessment and Assurance Mr Stefano Giorgini. The Company Secretary, Ms Karen Wood, acts as secretary to the Committee.

7.5 Investment Risk Committee

Formerly known as the Investment Review Committee, this Committee oversees the management approval processes for major investments. Those processes are designed to ensure that:

- investments are aligned to the Group's agreed strategies and values
- risks are identified and evaluated
- investments are fully optimised to produce the maximum shareholder value within an acceptable risk framework, and
- appropriate risk management strategies are pursued.

The Investment Risk Committee operates under powers delegated by the Office of the Chief Executive and makes recommendations to that Committee. Minutes of meetings of the Investment Risk Committee are circulated to members of the Office of the Chief Executive.

The Chief Financial Officer, Mr Chris Lynch, chairs the Committee. The other members of the Committee are Mr John Fast, Mr Marius Kloppers, Mr David Munro and Mr Graeme Devlin, Vice President, Business Evaluation and Economics.

8. Accountability and audit

8.1 Financial reporting

The Dual Listed Companies structure under which BHP Billiton operates requires the Group to comply with the corporate regulations of Australia and the United Kingdom. As registrants of the Securities and Exchange Commission in the US, BHP Billiton Limited and BHP Billiton PLC must also comply with the regulatory regime of that country in so far as it applies to foreign companies.

Consistent with the regulatory requirements of all three jurisdictions, BHP Billiton prepares combined financial statements according to the Australian generally accepted accounting principles (GAAP), UK GAAP and a reconciliation to US GAAP. The combined financial statements reflect the fact that the Group operates as a single economic entity.

The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Group's financial position and prospects. This assessment is provided in the Chairman's Review, the Chief Executive Officer's Report, the Review of Operations and in the various Customer Sector Group reports contained in this Report.

The Risk Management and Audit Committee reviews the quarterly, half yearly and annual financial statements and makes recommendations to the Board focusing on accounting policies, judgemental areas, compliance with accounting standards, stock exchange and legal requirements and the results of the external audit. The role of the Committee in the preparation and reporting of the financial information of the Group is set out on page 39 of this Report.

8.2 External audit

In June 2002, the Board approved the appointment of KPMG and PricewaterhouseCoopers as joint auditors for the 2003 financial year. The Risk Management and Audit Committee conducted a tender for audit services and made recommendations to the Board on the appointment of auditors. Those recommendations were adopted.

Shareholders will be asked to approve the annual appointment of the auditors at each annual general meeting.

The Board has delegated to the Risk Management and Audit Committee responsibility for making recommendations on the appointment, evaluation and dismissal of external auditors; setting fees; and ensuring that the auditors report to the Committee and the Board as representatives of shareholders.

BHP Billiton is committed to auditor independence. The Risk Management and Audit Committee reviews the independence and objectivity of the external auditors.

Those reviews include:

- seeking confirmation that the auditors are, in their professional judgement, independent of the Group
- obtaining from the external auditors an account of all relationships between the auditors and the Group
- monitoring the number of former employees of the external auditors currently employed in senior positions in the Group and assessing whether those appointments impair, or appear to impair, the auditors' judgement or independence
- considering whether, taken as a whole, the various relationships between the Group and the external auditors impairs, or appears to impair the auditors' judgement or independence
- considering whether the compensation of individuals employed by the external auditors who are performing the audit is tied to the provision of non-audit services and, if so, consider whether this impairs, or appears to impair, the external auditors' judgement or independence, and
- reviewing the economic importance of the Group to the external auditors and assessing whether that importance impairs, or appears to impair, the external auditors' judgement or independence.

The Group audit engagement partners will rotate every five years, subject to the transitional provisions provided in the UK and US regulations in this area and which are effective 30 June 2004.

The Group has a policy governing the conduct of non-audit work by the auditors. Under that policy the auditors are prohibited from performing services where the auditors:

- may be required to audit their own work
- participate in activities that would normally be undertaken by management
- are remunerated through a 'success fee' structure, or
- act in an advocacy role for BHP Billiton.

A copy of the Policy can be viewed on the website at www.bhpbilliton.com/bb/aboutUs/governance.jsp.

The external auditors are permitted to provide non-audit services that are not, or are not perceived to be, in conflict with auditor independence. A list of these types of services is contained in the policy. All services that fall into this category where fees are in excess of US\$100 000, must be approved by the Committee. Activities that may be perceived to be in conflict with the role of the external auditor must be submitted to the Committee for approval prior to engagement, regardless of the dollar value involved. All assignments are reported to the Committee.

Details of the amounts paid to the auditors during the year for audit and other services are set out in the notes to the concise financial statements on page 82 of this Report.

8.3 Internal control

The Directors are responsible for the system of internal control and for regularly reviewing its effectiveness.

The principal aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Group's specific needs and the risks to which it is exposed. The role of the Risk Management and Audit Committee in assessing the internal control measures is set out in sections 6.1.1 and 8.3.3.

8.3.1 Assessment of business risk

The Group operates an Enterprise-Wide Risk Management System, which was initially implemented at the time of the merger and continues to be developed at all operations. This System forms the cornerstone of the risk management activities of the Group. Its aim is to provide the Risk Management and Audit Committee with the assurance that the major risks facing the Group have been identified and assessed, and that there are controls either in place or planned for these risks. Risk management 'champions' have been appointed and trained. These 'champions' are employees who work at all levels in the Group. They provide a focal point for risk management activities and act as custodians of the local risk management plan. Validation of risk controls is conducted by a process of control self-assessment. Independent validation is undertaken by Internal Audit.

During the year, the Office of the Chief Executive and the Executive Committee conducted a strategic risk assessment to consider high-level Group business risks. Strategic risks and opportunities arising from changes in the Group's business environment were also regularly reviewed by the Office of the Chief Executive and the Executive Committee, and discussed by the Board.

8.3.2 Monitoring process

Directors monitor risks and controls through the Risk Management and Audit Committee, the Health, Safety and Environment Committee and Internal Audit.

8.3.3 Risk Management and Audit Committee

The composition, role and function of the Risk Management and Audit Committee are set out in section 6.1 of this Report.

The terms of reference of the Risk Management and Audit Committee (a copy of which is available on the website at www.bhpbilliton.com/bb/aboutUs/governance.jsp) include responsibility for the review of internal control systems, including the procedure for identifying business risks and controlling their financial impact on the Group; the budgeting, forecasting and financial reporting systems and controls; the operational effectiveness of the policies and procedures related to risk and control; whether the Turnbull Guidance has been followed; and approving policies for preventing and detecting fraud.

The Committee is assisted in its task by the work of Risk Management and Audit Committees established for each of the Customer Sector Groups and key functional areas, details of which are set out in section 6.1 above. These Committees receive regular reports on the relevant risk profiles and the actions taken by management to more effectively manage risk.

Each half year, the President and Chief Financial Officers of each Customer Sector Group and each of the Corporate, Marketing, Shared Services and Treasury functions are required to review internal controls and to provide formal representations to the Group Centre and their Risk Management and Audit Committee, assuring compliance with Group policies and procedures and confirming the adequacy of internal control systems. These representations are provided to the Group Risk Management and Audit Committee.

8.3.4 Internal audit

BHP Billiton has an internal audit function, which is independent of the Group's external auditors. The Group Risk Management and Audit Committee reviews the mission and charter of Internal Audit, ensures that it is appropriately staffed and that its scope of work is adequate in the light of the key risks facing the Group and the other monitoring functions in place. The Risk Management and Audit Committee for each Customer Sector Group and function approves an annual internal audit plan for that part of the Group for which it has responsibility. These plans are reviewed and approved by the Group Risk Management and Audit Committee.

That Committee also approves the appointment and dismissal of the Vice President, Risk Assessment and Assurance (the head of the Internal Audit function) and assesses his or her independence and objectivity. The Vice President, Risk Assessment and Assurance has unfettered access to management and the Group Risk Management and Audit Committee.

The role of Internal Audit, as approved by the Group Risk Management and Audit Committee, is to:

- assess the design and operating effectiveness of controls governing key operational processes and business risks
- provide the Board with an assessment, independent of management, as to the adequacy of the Group's internal operating and financial controls, systems and practices
- assist the Board in meeting its corporate governance and regulatory responsibilities, and
- provide consulting services to management in order to enhance the control environment and improve business performance.

Internal Audit has developed a risk-based methodology, which focuses on compliance reviews at the asset and function levels, risk audits at the Customer Sector Group level, and ad hoc management requests. This methodology is integrated with – and takes into account – the risk profiles established by the Enterprise-Wide Risk Management System, providing an effective control mechanism.

A comprehensive activity report is presented by Internal Audit to the Group Risk Management and Audit Committee at each scheduled meeting, identifying any significant risk and compliance issues, as well as management action plans to address these and progress made on previously reported issues.

In addition, the Group's internal controls are supported by the activities of the Financial Risk Management Committee and the Investment Risk Committee.

8.3.5 Review of effectiveness

During the year, the Directors conducted reviews of the effectiveness of the Group's system of internal control for the financial year and up to the date of this Report, in accordance with the Turnbull Guidance. These reviews covered financial, operations and compliance controls and risk assessment.

In addition to its consideration of the key risks facing the Group throughout the year, the Board's review included considering a summary of the assessments of the effectiveness of internal controls over the key risks identified through the work of the Board Committees and Management Committees described above.

9. Corporate social responsibility

BHP Billiton is committed to sustainable development. Health, safety, environment and community responsibilities are integral to the way in which the Group conducts its business. A Health, Safety, Environment and Community Report is published each year. The Report identifies BHP Billiton's HSEC targets and measures its performance against those targets. The Report is published at the same time as the Annual Report. A copy can be reviewed on the website at www.bhpbilliton.com/bb/sustainableDevelopment/reportsAndPolicies.jsp or obtained by telephoning Australia (61 3) 9609 3062 or UK (44 20) 7802 4177.

BHP Billiton is a member of the Dow Jones Sustainability World Indexes (DJSI World), the Dow Jones STOXX Sustainability Indexes (DJSI STOXX) and the FTSE4Good Global Index for 2003/04.

10. Business conduct and the Charter

The BHP Billiton Guide to Business Conduct reflects the Charter values of integrity, respect, trust and openness. The Guide provides clear directions and advice on conducting business internationally; interacting with governments, communities and business partners; and general workplace behaviour. It states BHP Billiton's position on a wide range of ethical and legal issues including conflicts of interest, financial inducements, bribery, insider trading and political contributions. Managers and supervisors are held accountable not only for their own business but also that of their staff. The approach to business conduct reflects the Charter, which itself recognises that lasting success is built on each employee taking responsibility, achieving high performance, delivering on commitments and earning trust. The Guide applies to all employees, regardless of their job or location. Consultants, contractors and business partners are also expected to act in accordance with the Guide. Further details can be found at www.bhpbilliton.com/bb/aboutUs/governance.jsp.

BHP Billiton has established regional helplines as a means by which employees can seek guidance on how to make decisions about which they feel confident and comfortable. The helplines also afford employees an opportunity to express issues of concern. Employees are encouraged to use the helplines to solve work-related ethical dilemmas as well as to report policy violations. Reports can be made anonymously. A Fraud Hotline facility is available for reporting cases of suspected misappropriations, fraud, bribery or corruption. Arrangements are in place for investigation of such matters. Where appropriate, this investigation is conducted independently.

The Guide to Business Conduct is available in eight languages. Internal performance requirements regarding business conduct have been established under the Health, Safety, Environment and Community Management Standards. The Company's HSEC audit program tests the availability of the Guide in the workplace, and the extent to which the business conduct principles have been communicated to employees and contractors.

11. Political contributions

The BHP Billiton Group maintains a position of impartiality with respect to party politics. Accordingly, it does not contribute funds to any political party, politician, or candidate for public office. It does, however, contribute to the public debate of policy issues that may affect it in the countries in which it operates.

12. Compliance

BHP Billiton's compliance with the governance requirements in each of the jurisdictions in which it operates are described in this Annual Report including the Corporate Governance Statement, the Remuneration Report, the Directors' Report and the financial statements.

The Listing Rules of the UK Listing Authority require UK-listed companies to report on the extent to which they comply with the Principles of Good Governance and Code of Best Practice, which are contained in the Combined Code. BHP Billiton has complied with the Principles and the Code throughout the year.

In July 2003 the Financial Reporting Council in the UK released a revised Code that will come into effect for reporting years beginning on or after 1 November 2003. BHP Billiton has reviewed the provisions of that revised Code and is satisfied that it complies with those provisions in all material respects.

In March 2003 the Australian Stock Exchange Corporate Governance Council published Principles of Good Governance and Best Practice Recommendations. The Listing Rules of the Australian Stock Exchange require Australian-listed companies to report on the extent to which they comply with the Best Practice recommendations. These requirements take effect for reporting periods ending on or after 30 June 2004. BHP Billiton complies with the recommendations in all but one respect. The only recommendation with which BHP Billiton does not currently comply is that it has not formally conducted performance reviews of Board Committees. Reviews are conducted for the Board as a whole, individual Directors and key executives. These review processes will be extended to Board Committees in this next year.

A checklist summarising BHP Billiton's compliance with the UK Combined Code (including the revised version) and the Best Practice recommendations published by the ASX Corporate Governance Council has been posted to the website at www.bhpbilliton.com/bb/aboutUs/governance.jsp.

BHP Billiton Limited and BHP Billiton Plc are registrants of the Securities and Exchange Commission in the US. Both companies are classified as foreign private issuers. Both companies have American Depositary Receipts listed on the New York Stock Exchange.

BHP Billiton has reviewed the governance requirements currently applicable to foreign private issuers under the Sarbanes-Oxley Act (US) including the rules promulgated by the Securities and Exchange Commission and the rules of the New York Stock Exchange and is satisfied that it complies with those requirements in all material respects.

There are no significant differences between the governance practices adopted by BHP Billiton and the currently applicable requirements of the Sarbanes-Oxley Act, the Securities and Exchange Commission and the New York Stock Exchange.

While the Board of BHP Billiton is satisfied with its level of compliance with the new governance requirements in each of these jurisdictions, it recognises that practices and procedures can always be improved, and that there is merit in continuously reviewing its own standards against those in a variety of jurisdictions. The Board has had a program of review underway since the first of these governance reforms was announced. That program will continue throughout the year ahead.

Remuneration Report

Remuneration Report at a Glance

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Only the information contained in sections 4 to 9 of this Remuneration Report (other than that relating to the contracts of employment of the executive Directors set out in section 4) has been subject to audit.

Glossary of Terms

A number of abbreviations are used throughout this Report. To assist readers, the key abbreviations used are set out below.

Board	The Boards of Directors of BHP Billiton Limited and BHP Billiton Plc
CIP 2001	Co-Investment Plan 2001
Committee	The Remuneration Committee of BHP Billiton Limited and BHP Billiton Plc
Deferred Share	An option or a conditional right to acquire a share issued under the rules of the Group Incentive Scheme
EBIT	Earnings Before Interest and Tax
EPS	Earnings Per Share
ESP 2000	Employee Share Plan 2000
Group	BHP Billiton Limited, BHP Billiton Plc and their subsidiaries
GIS	Group Incentive Scheme
KPI	Key Performance Indicator
MTI 2001	Medium Term Incentive offer 2001
Option	A right to acquire a share on payment of the exercise price issued under the rules of the Group Incentive Scheme
Performance Share	An option or a conditional right to acquire a share, subject to performance hurdles, issued under the rules of the Group Incentive Scheme
PSP 2000	Performance Share Plan 2000
PSP 2001	Performance Share Plan 2001
RSS 2001	Restricted Share Scheme 2001
Share	Fully paid Ordinary Share in the capital of BHP Billiton Limited or BHP Billiton Plc
TSR	Total Shareholder Return

1. Remuneration Committee

1.1 Role

The Remuneration Committee (the Committee) operates under the delegated authority of the Boards of BHP Billiton Plc and BHP Billiton Limited (hereafter referred to collectively as the Board) to provide support and advice on executive remuneration policy, to make recommendations to the Board on the remuneration of each executive Director, to set the remuneration for those who report directly to the Chief Executive Officer, and to review and approve equity-based incentive plans.

The activities of the Committee are governed by terms of reference, a copy of which is available on the BHP Billiton website at www.bhpbilliton.com/bb/aboutUs/governance.jsp.

The Committee is committed to the principles of accountability, transparency and to ensuring that remuneration arrangements demonstrate a clear link between reward and performance.

1.2 Membership

All of the members of the Committee are non-executive Directors. At the date of this Report the members are Dr John Buchanan (Chairman), Dr David Jenkins, Lord Renwick and Dr John Schubert.

Mr John Jackson retired as Chairman of the Committee following the annual general meetings held on 4 November 2002. Mr John Ralph also retired from the Committee following the annual general meetings.

Dr David Jenkins joined the Committee on 28 November 2002 and Dr John Buchanan on 1 February 2003. Dr Buchanan was appointed Chairman with effect from 20 March 2003.

The Company Secretary, Ms Karen Wood, acts as secretary to the Committee.

1.3 Meetings

The Committee met eight times during the year. The Directors' attendance at Committee meetings held during the period of their membership is set out in the table on page 67 of this Report.

1.4 Advisors

Throughout the year, the Committee has taken advice from the Group Chairman, Mr Don Argus, the Chief Executive Officer, Mr Charles Goodyear, and the Group Vice President Human Resources, Mr Ian Fraser. None of these people were present when matters associated with their own remuneration were considered.

Group Human Resources has made use of the services of external advisors from time to time on matters relating to remuneration. Information relevant to matters being considered by the Committee has been made available to the Committee. The Committee did not directly retain any advisors.

The table below lists those advisors who have been retained on behalf of the Group throughout the year. Where services have been provided by Group auditors, those services have been provided pursuant to the policy relating to the provision of non-audit services, a copy of which is available on the BHP Billiton

website at www.bhpbilliton.com/bbContentRepository/AboutUs/Governance/OtherServicesPolicy.pdf. Details of the auditors' costs associated with those services are set out in note 4 to the concise financial statements on page 82 of this Report.

2. Remuneration policy

The Committee recognises that the Group operates in a global environment and that its performance depends on the quality of its people. To prosper, the Group must be able to attract, motivate and retain highly skilled executives willing to work around the world.

The key principles that underpin Group remuneration policy are:

- competitive rewards are provided to attract and retain executive talent on a global basis
- demanding key performance indicators apply to delivering results across the Group and are applied to a significant portion of the total reward
- rewards to executives are linked to the creation of value to shareholders
- the criteria used to assess and reward executives include financial and non-financial measures of performance
- remuneration arrangements should ensure equity between executives and should facilitate the deployment of human resources around the Group, and
- severance payments due to executives on termination are limited to pre-established contractual arrangements which do not commit the Group to making any unjustified payments in the event of non-performance.

The remuneration policy assists the Group to achieve its business strategy and objectives. The Committee recognises that, while remuneration is a key factor in recruiting the right people, it is not the only factor. The Group's values, and its ability to provide interesting and challenging career opportunities, also play an important part.

Advisor	Services provided to Group Human Resources	Other services provided to BHP Billiton
Hay Group	Job evaluations Remuneration data	
PricewaterhouseCoopers	Remuneration benchmarking Long-term incentive plan performance measurement	Audit, accounting advice, taxation and other services as disclosed in note 4 to the concise financial statements
Deloitte & Touche	Long-term incentive plan performance measurement	Remuneration data
KPMG	Tax compliance and preparation services	Audit, accounting advice, taxation and other services as disclosed in note 4 to the concise financial statements
Towers Perrin	Remuneration data Actuarial calculations	Superannuation fund administration
Hewitt Bacon & Woodrow	Retirement benefits advice Actuarial advice	
Ernst & Young	Tax compliance and preparation services Design of Retirement Savings Program	Administration services relating to legacy BHP Billiton international assignees

3. Remuneration structure

Since the merger, significant progress has been made to align the contract terms, remuneration and benefits for executives. While legacy differences remain, resulting in discrepancies in the contract terms and remuneration of executives, the policy is that whenever opportunities arise, the Group will update service contracts to reflect current best practice and to standardise terms of employment for employees at comparable levels across the Group.

It is the Group's policy that service contracts for senior executives, including the Chief Executive Officer, be unlimited in term but capable of termination on 12 months' notice and that the Group retain the right to terminate the contract immediately, by making a payment equal to 12 months' pay in lieu of notice.

Some executives (but not the Chief Executive Officer) have existing service contracts that contain notice periods that exceed 12 months. The Committee will limit notice periods to 12 months in all future contracts for executives, unless exceptional circumstances exist.

The BHP Billiton remuneration structure contains three components:

- (1) base salary and benefits (where applicable)
- (2) retirement benefits
- (3) short and long-term incentive arrangements.

The cost and value of these components are considered as a whole. They are designed to ensure that the right balance is struck between fixed and variable remuneration. Variable remuneration is remuneration that is tied to performance, and therefore is at risk. BHP Billiton's remuneration policy is to pay at the median level of remuneration for target performance and at the upper quartile level for exceptional performance.

Details of each component are set out below.

3.1 Base salary and benefits

Base salaries are quantified by reference to the scope and nature of the role and an individual's performance and experience. Market data is used to benchmark salary levels off a single global scale, adjusted for local conditions. Particular consideration is given to competitive global remuneration levels.

In addition to base salary, selected executives receive benefits including health insurance, relocation costs, life assurance, car allowances and tax advisory services. All benefits received by the executive Directors and the five executive officers for whom remuneration is reported are outlined in sections 4 and 6 of this Report.

3.2 Retirement benefits

A range of retirement and death-in-service benefits operate within the Group. Those benefits reflect the different statutory entitlements in the jurisdictions in which BHP Billiton operates, local market practice and the manner in which this was applied by BHP Limited and Billiton Plc prior to the merger. Where possible, benefits have been standardised following the merger, although a number of legacy positions remain, particularly in

relation to the type of pension or superannuation schemes available. In some instances this has given rise to a discrepancy in entitlements between executives at similar levels. The Committee has taken steps to address those discrepancies since the merger and has made considerable progress. Some of those discrepancies will, however, continue while the affected employees remain in service.

Some retirement benefits are to be delivered under defined benefit plans. The Committee considers that these types of plans could place an unreasonable financial burden on the Group. For this reason, the Committee has resolved that no new members will be admitted to the remaining defined benefit plans, save in exceptional circumstances. The Committee recognises that it cannot move to close the remaining plans while those plans have current employees as members.

Details on the retirement benefits applicable to the current executive Directors and to the executives for whom remuneration information is reported are set out on pages 55, 57 and 60 of this Report.

3.3 Short and long-term incentives

Long and short-term incentive arrangements are determined under the Group Incentive Scheme (GIS). The GIS was approved by shareholders in November 2002 and is an integral part of BHP Billiton's approach to competitive performance-based remuneration. The GIS is designed to drive sustainable, transparent performance in the long term and reflects the Group's commitment to crucial operational targets.

The GIS represents the variable component of remuneration and rewards executives for meeting or exceeding key performance indicators that are set each year and aligned to BHP Billiton's strategic framework. The percentage of total remuneration that is variable differs according to the level of the employee.

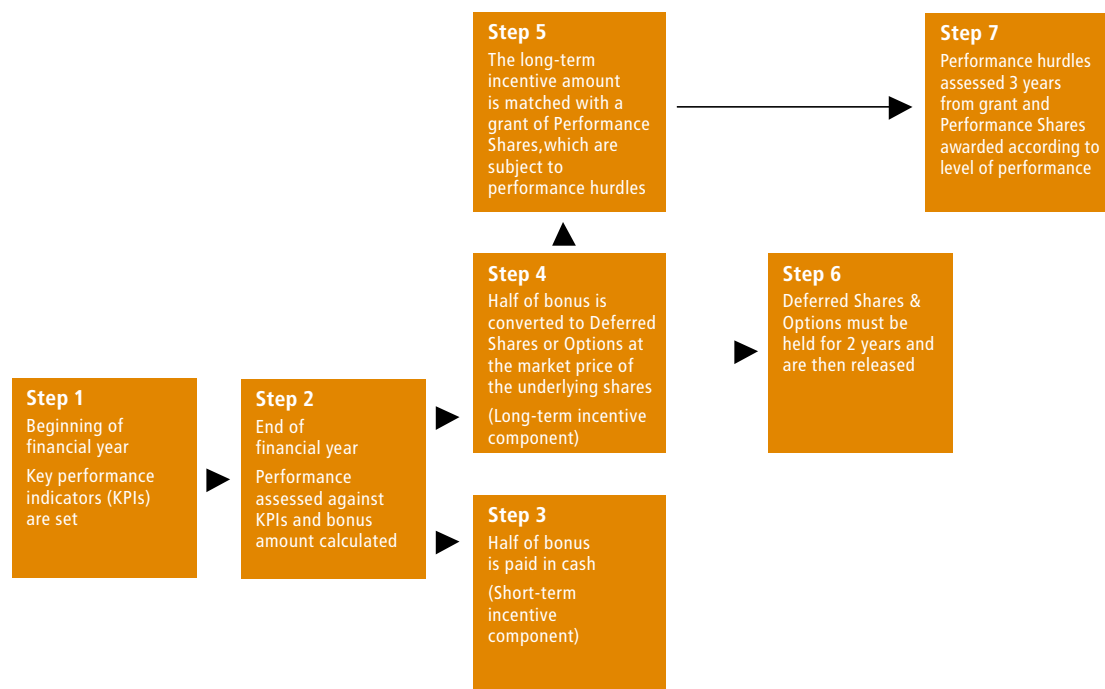
The GIS replaced the previous short, medium and long-term incentive plans for senior executives. Some of those previous plans have not yet reached the end of their performance periods. Subject to performance conditions, awards may still vest under those plans. In some cases awards have already vested but the period for exercising those awards has not yet expired. The plans are detailed on page 52 of this Report.

The GIS has been designed for senior executives and is controlled by the Committee. Participation requires the approval of the Committee. Throughout the period of participation, employees are required to hold a minimum number of BHP Billiton shares. The number required to be held varies according to the seniority of the employee.

3.3.1. Group Incentive Scheme

A summary of the operation of the GIS is set out on the following page. A copy of the rules of the GIS is available on the BHP Billiton website, www.bhpbilliton.com/bbContentRepository/Events/BHPBillitonLtdGIS.pdf and www.bhpbilliton.com/bbContentRepository/Events/BHPBillitonPlcGIS.pdf.

Operation of the Group Incentive Scheme



Step 1 At the beginning of each financial year, the Committee approves key performance indicators (KPIs) for the Chief Executive Officer and the people who report to him. These KPIs contain a mix of Group measures, individual business measures and personal measures. In every case, these include health, safety and environmental measures, either at Group or individual business level.

The Group measures relate to overall corporate performance and are the same for each employee, although different weightings apply to employees at different levels. Individual business measures reflect the objectives for the different businesses, while personal measures are tailored to reflect the performance expectations for individual employees. In all cases the KPIs have been designed to ensure that they are transparent, challenging and consistent with the Group's strategic framework and business value drivers, details of which were released to shareholders in April 2002.

The Group measures for the year ended 30 June 2003 are set out in section 3.3.3 below.

Step 2 At the end of each financial year the actual performance of the Group, the individual businesses and each participant is measured and a decision is made in relation to whether the KPIs have been met and if so, at what level.

There are three levels of performance against each of the KPIs: Performance at *threshold* (i.e. the minimum necessary to qualify for any reward); *target* (where the performance

requirements have been met); and *stretch* (where performance is exceeded). The achievement against each KPI is expressed as a percentage. The percentages will range from zero per cent where the participant fails to meet threshold performance and 150 per cent where performance is at the stretch level. The overall percentage achievement is then multiplied by a proportion of the executive's salary (depending on level of seniority) to deliver the actual amount. The actual percentages that apply to the executive Directors are set out in section 4.

In order to identify and measure the variables that executives are able to manage and influence, adjustments are made to commodity prices and exchange rate fluctuations. In practice this is calculated by excluding 80 per cent of the variation against the budget estimate.

Step 3 Once the performance level against the KPIs has been assessed, the amount of the reward is calculated. Half of that amount is paid to the participant in cash. This represents the short-term incentive component. The other half is retained and used as the basis for calculating the long-term incentive component.

Step 4 The long-term incentive component is converted into shares, known as Deferred Shares, at the market price of the underlying shares on the date of grant. The Committee may, in its absolute discretion, give participants the right to take some or all of the value of this component in the form of Options. The number of Options granted will be derived from the market price at the date of grant.

The Committee will allow a participant to take Options instead of Deferred Shares where it is satisfied that the grant is consistent with the remuneration policy and does not undermine the objective of aligning the interests of participants with shareholders.

Step 5 At the same time as half the bonus amount is converted into Deferred Shares or Options, the Group will match that amount in the form of a Performance Share award.

One Deferred Share, Option or Performance Share entitles the participant to one ordinary share in BHP Billiton.

Step 6 Executives must retain the Deferred Shares (or Options if taken in lieu) for two years from the date of grant and cannot exercise the Deferred Shares or Options during that period.

At the end of that period, those Deferred Shares or Options are released. Participants will lose the Deferred Shares or Options if they voluntarily leave BHP Billiton before the expiration of the two-year period. This is designed to encourage participants to remain in the employment of the Group. Subject to the circumstances under which the participant otherwise leaves, the Committee retains some discretion in relation to Deferred Shares, Options and Performance Shares held by the participant but which have not yet vested.

Options can be exercised over a three-year period from the date on which they become exercisable.

Step 7 The Performance Shares are subject to performance hurdles established by the Committee from time to time. The current hurdles are based on BHP Billiton's Total Shareholder Return (TSR) compared to a group of peer companies and its Earnings Per Share (EPS) growth targets measured over a three-year period. These measures are designed to encourage participants to focus on the long-term performance of the Group. The applicable TSR and EPS measures are explained in more detail in section 3.3.2 below.

3.3.2 Group Incentive Scheme – Transition Year

At the annual general meetings in 2002, shareholders approved arrangements that were required to bridge the period between the first full performance year of the GIS (the year ended 30 June 2003) and the cessation of awards under the Group's previous executive incentive plans. Without those transition arrangements, no long-term incentive awards could have been made in 2002. No short-term incentives were paid under the GIS for the Transition Year as executives remained eligible for short-term incentives under the former BHP Billiton plans. The Committee considered that the most appropriate transition arrangements were to allocate Performance Shares to participants that were subject to performance hurdles to be measured in 2005.

These performance hurdles are based on EPS growth and comparative TSR during the period from 1 July 2002 to 30 June 2005 (the Performance Period). Both the EPS growth targets and minimum TSR targets will need to be reached in order for the Performance Shares to vest.

The percentage of shares that will vest depends on the performance of the Group against the peer group companies. The vesting schedule is:

TSR Percentile	% of Performance Shares that will vest
85th – 100th percentile	100
80th < 85th percentile	90
75th < 80th percentile	80
70th < 75th percentile	70
65th < 70th percentile	65
60th < 65th percentile	60
55th < 60th percentile	50
50th < 55th percentile	40
Less than 50th percentile	None

The EPS growth targets will be satisfied if the compound EPS growth for the Group during the Performance Period is at least equal to the greater of the increase in the Australian Consumer Price Index or the increase in the UK Retail Price Index, plus two per cent per annum, over the Performance Period.

The level of vesting of the Performance Shares will depend on the TSR achieved by BHP Billiton Limited and BHP Billiton Plc compared to peer group companies over the Performance Period. The vesting schedule is set out above. If the TSR calculations for BHP Billiton Limited and BHP Billiton Plc result in one entity receiving a higher TSR percentile than the other, both groups will be deemed to have achieved the lower TSR percentile.

EPS growth is used as a performance hurdle because it provides a measure of the Group's earnings growth. TSR is recognised as one of the best indicators of shareholder return.

External consultants have been retained to assess whether the performance hurdles have been met, using established parameters which take into account adjustments for mergers or takeovers. These calculations are to be reviewed by the external auditors at the time of vesting.

The peer group of companies against which BHP Billiton's TSR performance is measured are:

• Alcan	• Marathon Oil Co
• Alcoa	• Newmont Mining
• Alumina	• Noranda
• Anglo American	• Phelps Dodge
• Barrick Gold	• Placer Dome
• Companhia Vale do Rio Doce	• Rio Tinto
• Conoco Phillips	• Unocal
• Freeport-McMoRan	• Woodside Petroleum
• Inco	• Xstrata

3.3.3 Group Incentive Scheme – Performance Year 1 July 2002 – 30 June 2003

The first full year of the GIS is that ended 30 June 2003.

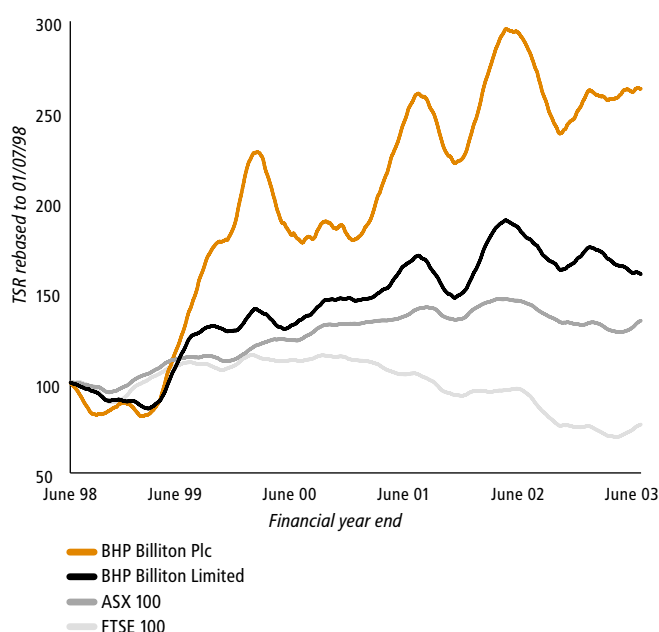
As described in section 3.3.1 above, the KPIs for the year were based on Group, individual business and personal measures.

The Group measures in financial year 2003 required performance in reducing operating costs; delivering against specific health, safety and environment targets including a specified classified injury frequency rate; delivering synergies arising from the merger of BHP Limited and Billiton Plc; and achieving specified levels of Return On Capital Employed, EBIT Shareholder Value Added, free cash flow and Shareholder Value Added.

The different levels of performance achieved in relation to each of these measures were as follows:

Group KPIs	Level of performance achieved
Health, safety and environment	Between target and stretch
Reduction in operating costs	Stretch
Realisation of merger synergies	Stretch
Return on Capital Employed	Stretch
EBIT Shareholder Value Added	Between target and stretch
Free cash flow	Stretch
Shareholder Value Added	Stretch

5-year TSR performance of BHP Billiton measured against the ASX 100 and FTSE 100 Index – Rebased in US\$



3.3.4 Other long-term incentive schemes

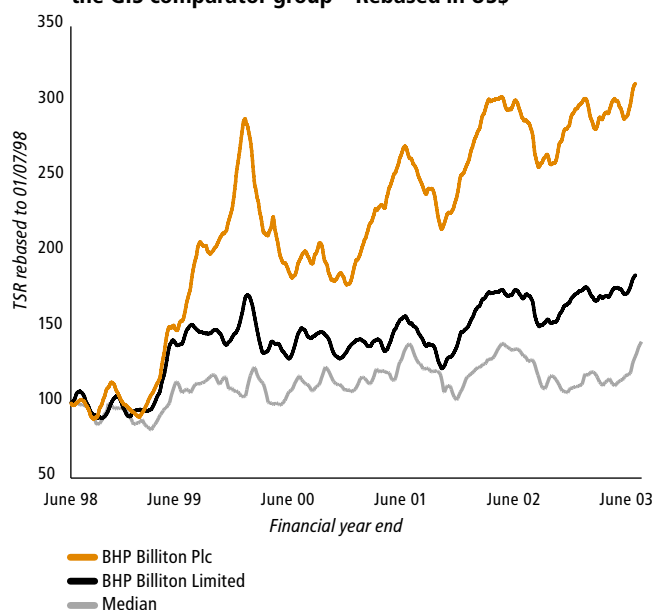
The GIS replaced all other incentive plans used by BHP Billiton, and no awards have been made under those plans since the introduction of the GIS. Some of the plans implemented before the introduction of the GIS remain in operation. The last of the awards made under these plans will expire in 2011.

A summary of the incentive plans under which awards to Directors and senior executives are still to vest is set out in section 3.4. A comparison of the Performance Shares awarded under the transitional arrangements, described in section 3.3.2 above, is also set out. Full details of the plans are contained in note 31 to the BHP Billiton Limited Annual Report 2003 – Combined Financial Statements.

3.3.5 Performance of BHP Billiton

The performance of the Group relative to the markets in which it operates is illustrated by the two graphs below. The first compares BHP Billiton's Total Shareholder Return performance to the ASX 100 and the FTSE 100. The second graph illustrates performance against the GIS comparator group. These comparisons review performance over the past five years.

5-year TSR performance of BHP Billiton measured against the GIS comparator group – Rebased in US\$



Remuneration Report continued

3.4 Long-term incentive plans – summary

Feature	Employee Share Plan 2000 (ESP 2000)	Performance Share Plan 2000 (PSP 2000)	Performance Share Plan 2001 (PSP 2001) & Restricted Share Scheme 2001 (RSS 2001)	Medium Term Incentive offer 2001 (MTI 2001) & Co-Investment Plan 2001 (CIP 2001)	Group Incentive Scheme (GIS) 2002 Performance Shares (Transition Year)
Performance measurement From To	3 April 2000 2 April 2003	1 July 2000 30 June 2003	1 October 2001 30 September 2004	1 October 2001 30 September 2003 ⁽³⁾	1 July 2002 30 June 2005
Retesting available (i.e. a further opportunity to test performance at intervals after the first performance period has ended)	Yes, monthly until 2 April 2010	Yes, monthly until 30 June 2005	Yes, annually until 30 September 2006 but only applies to 25% of the award if retested	No	No
TSR performance condition	BHP Billiton Limited TSR compared to ASX Top 100 and global comparator group	BHP Billiton Limited TSR compared to global comparator group	BHP Billiton TSR compared to global comparator group	BHP Billiton TSR compared to global comparator group	BHP Billiton TSR compared to global comparator group
Inflationary performance condition	No	No	Yes ⁽¹⁾	Yes ⁽¹⁾	Yes ⁽⁵⁾
Vesting schedule (upper and lower range)	<41st percentile – 0% >60th percentile – 100%	<40th percentile – 0% >75th percentile – 100%	<10th position – 0% >4th position – 100% ⁽²⁾	<10th position – 0% >4th position – 80% ⁽⁴⁾	<50th percentile – 0% >85th percentile – 100%
Plan status	Legacy plan. Proportion of awards have met performance hurdles and are capable of being exercised. The remaining are subject to retesting.	Legacy plan. Proportion of awards have met performance hurdles and are capable of being exercised. The remaining are subject to retesting.	Legacy plan. Performance period not yet concluded.	Legacy plan. Performance period not yet concluded.	Performance period not yet concluded.
Expiry date if exercisable	April 2010 ⁽⁶⁾	November 2010 ⁽⁶⁾	September 2011 ⁽⁶⁾	April 2006 ⁽⁶⁾⁽⁷⁾	August 2008
Comparator Group⁽⁸⁾:					
ASX Top 100	X				
Alcan			X	X	X
Alcoa			X	X	X
Alumina			X	X	X
Anglo American			X	X	X
Arcelor	X	X			
Barrick Gold			X	X	X
Companhia Vale do Rio Doce			X	X	X
Conoco Phillips	X	X	X	X	X
Corus Group	X	X			
Freeport-McMoRan	X	X	X	X	X
Inco			X	X	X
LTV	X	X			
Marathon Oil	X	X	X	X	X
Newmont Mining			X	X	X
Noranda	X	X	X	X	X
Nucor	X	X			
Phelps Dodge	X	X	X	X	X
Placer Dome			X	X	X
Rio Tinto	X	X	X	X	X
Total	X	X			
Unocal	X	X	X	X	X
US Steel	X	X			
WMC	X	X			
Woodside Petroleum	X	X	X	X	X
Xstrata					X

The number of participants in the plans are contained in note 31 to the BHP Billiton Limited Annual Report 2003 – Combined Financial Statements.

- (1) The TSR growth targets will be satisfied if the compound TSR growth for the Group during the Performance Period is at least equal to the greater of the increase in the Australian Consumer Price Index or the increase in the UK Retail Price Index, plus two per cent per annum, over the Performance Period.
- (2) The percentage of Performance Rights that vest under the PSP 2001 will not be greater than the percentage of the share award that vest under the RSS 2001.
- (3) At this time, participants have the option to remain with the plan and enter a second Performance Period or leave the plan. The second Performance Period is a further two years ending on 30 September 2005.
- (4) In respect of the second Performance Period >4th position will mean 125 per cent of the shares vest. The percentage of Performance Rights that vest under the MTI 2001 will not be greater than the percentage of the share award that vest under the CIP 2001.
- (5) The EPS growth targets will be satisfied if the compound EPS growth for the Group during the Performance Period is at least equal to the greater of the increase in the Australian Consumer Price Index or the increase in the UK Retail Price Index, plus two per cent per annum, over the Performance Period.
- (6) Expiry date will be earlier if employment ceases.
- (7) Expiry date if the participants choose to participate for the second Performance Period; otherwise the expiry date is April 2004.
- (8) From publicly available data.

4. Executive Directors

At the date of this Report there are two executive Directors in office.

Mr Charles Goodyear was appointed to the Board on 30 November 2001. At the time of his appointment he was Chief Development Officer. On 5 January 2003, he was appointed Chief Executive Officer.

Mr Miklos (Mike) Salamon was appointed to the Board on 24 February 2003. He is the Senior Minerals Executive and President of the Aluminium Customer Sector Group.

4.1 Mr Charles Goodyear

4.1.1 Service contract

Mr Goodyear has a single service contract with BHP Billiton Limited and BHP Billiton Plc. The contract does not contain a fixed term and can be terminated by the Group on 12 months' notice. Mr Goodyear is entitled to terminate the contract on three months' notice. The Group may immediately terminate the contract by paying Mr Goodyear 12 months' base salary in lieu of notice. In addition to base salary, Mr Goodyear is paid an amount in lieu of any contribution by the Group to a superannuation or pension fund. This amount is described as 'Retirement benefits' in the table in section 4.1.2 below. This amount is also payable where a payment is made in lieu of notice.

Any entitlement Mr Goodyear might have in relation to short and long-term incentives is covered by the GIS (details of which are set out in section 3.3.1). The rules of that Scheme outline the circumstances in which Mr Goodyear (and any other participant) would be entitled to receive any Deferred Shares, Options or Performance Shares that had been granted but which had not vested at the date of termination. The rules of the GIS also outline the circumstances in which Mr Goodyear would be entitled to a cash bonus payment for the performance year in which he leaves the Group. Those circumstances depend on the reason for his departure.

The rules of the GIS confer on the Committee discretion in relation to the entitlements of an employee on termination in some circumstances. One such circumstance is where the employee is classified as an 'other leaver'. This will include situations where the employee does not resign or is not terminated for cause. In an effort to provide the Group, its shareholders and Mr Goodyear with as much certainty as possible in relation to his entitlements at termination, the Committee has considered what Mr Goodyear's entitlements might be if he and the Group reached a mutual decision to depart. The Committee has resolved that, providing Mr Goodyear has served as Chief Executive Officer for no less than three years, he would be entitled to:

- any Deferred Shares or Options that had been granted but were not exercisable at the date of departure. The Committee recognises that the performance measures for the grant of these Deferred Shares or Options have already been met, save for the requirement that they be held for two years from the date of grant. The Committee believes that a mutual decision to depart would override that additional requirement to hold these Shares or Options for the balance of the two-year period.

- a cash bonus for the year in which the departure takes place that has been calculated according to the performance of Mr Goodyear and the Group for that year, and pro-rated back to reflect the actual period of service in that year.
- a right to retain Performance Shares that have been granted but that are not exercisable, pending satisfaction of performance conditions. The number of Performance Shares Mr Goodyear will be permitted to retain will be reduced to reflect his period of service. These will then only become exercisable if the performance conditions are ultimately met.

These entitlements would not arise if Mr Goodyear's contract was terminated for cause or if Mr Goodyear resigned. Details of how the GIS would operate in those circumstances are set out in the rules, a copy of which is available on the website at www.bhpbilliton.com/bbContentRepository/Events/BHPBillitonLtdGIS.pdf.

Where the Committee retains discretion in relation to the award of any long or short-term incentives, the rules of the GIS require the Committee to exercise that discretion in good faith and acting reasonably.

4.1.2 Remuneration

The remuneration paid to Mr Goodyear for the year ended 30 June 2003 is set out in the first table on page 54 of this Report.

Remuneration Report continued

Mr C W Goodyear – Remuneration paid (US Dollars)

Base salary	Annual cash bonus	Value of Deferred Shares ⁽¹⁾	Other benefits ⁽²⁾	Retirement benefits ⁽³⁾	Subtotal 2003	Subtotal 2002	Share-based compensation – long-term ⁽⁴⁾	Adjustment for Deferred Share vesting period ⁽⁵⁾	Total 2003	Total 2002 ⁽⁶⁾
1 143 190	898 183	838 364	450 982	403 638	3 734 357	2 303 230	368 361	(558 909)	3 543 809	2 543 419

(1) Deferred Shares

Details on Deferred Shares are included under the GIS on pages 49 to 50 of this Report. The actual Deferred Shares will be awarded to Mr Goodyear subject to approval by shareholders at the annual general meetings in 2003. Mr Goodyear can elect to receive Options instead of Deferred Shares, or a combination of both.

(2) Other benefits

Mr Goodyear is entitled to certain benefits including medical insurance, health insurance, and the use of certain Group facilities. Mr Goodyear also received a tax impact allowance, relocation allowances and expenses, professional fees and car allowance. The tax impact allowance was designed to compensate him for any additional tax payable on his personal assets as a result of his move from the US to Australia and subsequently to the UK.

(3) Retirement benefits comprise cash gratuity paid in lieu of retirement benefits during the year.

(4) Long-term share-based compensation

The amount in respect of long-term share-based compensation represents the estimated value of awards granted under the long term incentive schemes. The estimated value has been calculated using a modified Black-Scholes option pricing methodology. Details of outstanding awards and awards vesting in the year are set out in the two tables below.

(5) In accordance with UK GAAP, 100 per cent of the value of Deferred Shares earned during the 2003 year is included in remuneration in the column headed 'Value of Deferred Shares'. Under Australian GAAP, such remuneration is to be included over the vesting period (in this case, the three years from 1 July 2002 to 30 June 2005). The column headed 'Adjustment' represents this difference. Hence, the addition of the columns headed 'Value of Deferred Shares' and 'Adjustment' represents the remuneration associated with Deferred Shares under Australian GAAP.

(6) Total remuneration paid to Mr Goodyear while a Director of the Group during 2002 was US\$1 285 402. This was made up of base salary US\$408 618, annual cash bonus of US\$562 330 and other benefits of US\$314 454.

4.1.3 Share and Option plans

The following tables set out details of Mr Goodyear's interests in incentive plans including the number of shares awarded by BHP Billiton Limited in the financial year ended 30 June 2003.

Mr C W Goodyear – Share Options

Scheme	Ordinary Shares under option					Exercise price ⁽³⁾	First exercise date	Expiry date
	At 1 July 2002 ⁽¹⁾	Granted	Exercised	Lapsed	At 30 June 2003			
ESP 1999 ⁽²⁾	722 785	–	165 209	–	557 576	A\$6.92	23 April 2002	22 April 2009
ESP 2000 ⁽⁴⁾	722 785	–	–	–	722 785	A\$7.60	03 April 2003	02 April 2010

(1) Includes bonus shares issued for Options in respect of DLC Merger.

(2) All of the award is exercisable. The terms of these Options are identical to the terms of ESP 2000 set out on page 52 except for minor variations to the global comparator group, where the performance measurement was from 23 April 1999 to 22 April 2002 and that the Options expire on 22 April 2009. Market price on the date of exercise (28 February 2003) was A\$9.15.

(3) Represents the exercise price payable on Options held at 1 July 2002, adjusted for bonus issues of shares in respect of the DLC Merger and for the exercise price reduction as a result of the OneSteel spin-out and BHP Steel Demerger.

(4) Seventy-five per cent of the award is exercisable. The balance of the award is still subject to satisfying performance conditions.

Mr C W Goodyear – Shares awarded

Scheme	Ordinary Shares under award					Vesting date
	At 1 July 2002 ⁽¹⁾	Granted ⁽²⁾	Vested	Lapsed	At 30 June 2003	
GIS 2002 – Performance Shares	–	180 154	–	–	180 154	August 2005
PSP 2001	136 573	–	–	–	136 573	1 October 2004
PSP 2000 ⁽³⁾	184 483	–	–	–	184 483	1 July 2003
Total	321 056	180 154	–	–	501 210	

(1) Includes bonus shares issued for Performance Rights in respect of DLC Merger and the BHP Steel Demerger.

(2) Market price on date of the GIS award (12 November 2002) was A\$9.37.

(3) Seventy-five per cent of the award is exercisable. The balance of the award is still subject to satisfying performance conditions.

The market price of BHP Billiton Limited shares at 30 June 2003 was A\$8.64.

The highest and lowest market prices during 2003 were A\$10.50 (9 July 2002) and A\$8.28 (20 May 2003) respectively.

Mr Goodyear was invited to participate in the GIS for the year ended 30 June 2003. The target cash bonus amount was 70 per cent of adjusted salary. The Group financial measures represented a 70 per cent weighting of Mr Goodyear's total performance measures. Mr Goodyear had an above target level of performance and achieved 91.1 per cent of adjusted salary.

The cash bonus amount represents half of the total bonus amount in accordance with the rules of the GIS. The actual amount is detailed in the table of remuneration in section 4.1.2.

The remaining half of the total bonus will be awarded to Mr Goodyear in Deferred Shares and/or Options, subject to the approval of shareholders at the annual general meetings in 2003. These Deferred Shares and/or Options will vest in August 2005, subject to Mr Goodyear still being in employment with the Group at the time of vesting. In addition to the Deferred Shares and/or Options, the Group will also match this half of the total bonus amount in the form of a Performance Share award. The vesting of these Performance Shares will be subject to performance hurdles, and will not be eligible for vesting until August 2006.

The Remuneration Committee has set a target cash bonus amount of 70 per cent of salary for the year ended 30 June 2004. The Group financial measures will represent a 75 per cent weighting of his total performance measures. The remaining 25 per cent relates to personal performance measures which include risk management and people development.

Assessed at the 'target' level of performance, 50.9 per cent of Mr Goodyear's remuneration is related to his performance and is therefore 'at risk'.

4.1.4 Retirement benefits

Mr Goodyear's remuneration includes a payment in lieu of any contribution by the Group to a superannuation or pension fund. That payment is fixed at an annual contribution rate of 48 per cent of base salary. Mr Goodyear may elect to have the sum paid into a superannuation or pension fund or he may elect, instead, to defer receipt, subject to the rules of a Retirement Savings Plan that has been established for this purpose. Those rules allow Mr Goodyear to accumulate these annual payments and to defer receipt until after he retires from the Group. The Plan allows Mr Goodyear to establish retirement savings arrangements that best meet his needs.

In the event of death in service, a death-in-service benefit of four times base salary will be paid. The overall annual pension payable to his spouse at the time of his death, until she dies, will be equal to two-thirds of one-thirtieth of Mr Goodyear's pensionable salary at date of death, for each year of service from 1 January 2003 to his normal retirement date. Periods of service where Mr Goodyear received his retirement benefit in the form of the cash gratuity will be disregarded for the purpose of calculating any pension amount.

4.2 Mr Miklos (Mike) Salamon

4.2.1 Service contracts

Mr Salamon has contracts of employment with BHP Billiton Plc and BHP Billiton Services Jersey Limited, a wholly-owned subsidiary of BHP Billiton Plc.

Mr Salamon's employment agreements automatically terminate on his sixtieth birthday. At any time prior to his sixtieth birthday each service contract can be terminated by either the Group or Mr Salamon providing 12 months' notice. The Company may make a payment in lieu of notice equal to 150 per cent of base salary. This payment reflects the market practice at the time the terms were agreed. It is now Group policy that periods of notice be limited to 12 months unless exceptional circumstances exist.

The Committee has not considered the circumstances in which it would exercise its discretion to allow Mr Salamon to maintain any ongoing participation in relation to the long-term incentive schemes in which he participates in the event of his departure. Those entitlements, if any, will be governed by the rules of the schemes at the date of departure.

4.2.2 Remuneration

The remuneration paid to Mr Salamon for the year ended 30 June 2003 is set out in the first table on page 56 of this Report.

Remuneration Report continued

Mr M Salamon – Remuneration paid (US Dollars)

Base salary	Annual cash bonus	Value of Deferred Shares ⁽¹⁾	Other benefits ⁽²⁾	Subtotal 2003	Subtotal 2002	Retirement benefits ⁽³⁾	Share-based compensation – long-term ⁽⁴⁾	Adjustment for Deferred Share vesting period ⁽⁵⁾	Total 2003 ⁽⁶⁾	Total 2002
1 036 381	668 947	624 395	212 665	2 542 388	2 433 457	506 395	314 940	(416 263)	2 947 460	3 429 477

⁽¹⁾ Deferred Shares

Details on Deferred Shares are included under the GIS on pages 49 to 50 of this Report. The actual Deferred Shares will be awarded to Mr Salamon subject to the approval of shareholders at the annual general meetings in 2003. Mr Salamon can elect to receive Options instead of Deferred Shares, or a combination of both.

⁽²⁾ Other benefits

Mr Salamon is entitled to certain benefits including medical insurance, life assurance-related benefits, car allowance and payout of unused leave entitlements.

⁽³⁾ Retirement benefits

The estimated benefit in respect of pensions includes contributions payable in respect of actual/notional contributions that would have been required to secure the defined benefit promises earned in the year. Details of the defined benefit pension entitlements earned by Mr Salamon are set out on page 57 of this Report.

⁽⁴⁾ Long-term share-based compensation

The amount in respect of long-term share-based compensation represents the estimated value of awards granted under the long-term incentive schemes. The estimated value has been calculated using a modified Black-Scholes option pricing methodology. Details of outstanding awards and awards vesting in the year are set in the table below.

⁽⁵⁾ In accordance with UK GAAP, 100 per cent of the value of Deferred Shares earned during the 2003 year is included in remuneration in the column headed 'Value of Deferred Shares'. Under Australian GAAP, such remuneration is to be included over the vesting period (in this case, the three years from 1 July 2002 to 30 June 2005). The column headed 'Adjustment' represents this difference. Hence, the addition of the columns headed 'Value of Deferred Shares' and 'Adjustment' represents the remuneration associated with Deferred Shares under Australian GAAP.

⁽⁶⁾ Remuneration in accordance with UK GAAP paid to Mr Salamon since appointment as a Director of the Company was US\$885 296. This was made up of base salary US\$360 883, annual cash bonus US\$232 937, value of deferred shares US\$217 423 and other benefits US\$74 053.

4.2.3 Share and Option plans

The following table sets out details of Mr Salamon's interests in incentive plans including the number of shares awarded by BHP Billiton Plc in the financial year ended 30 June 2003.

Mr M Salamon – Shares awarded

Scheme	Ordinary Shares under award					Vesting date
	At 24 February 2003	Granted	Vested	Lapsed	At 30 June 2003	
GIS 2002 ⁽¹⁾ – Performance Shares	193 706	–	–	–	193 706	August 2005
CIP 2001 ⁽²⁾	107 206 ⁽³⁾	–	–	–	107 206	01 Oct 2003
RSS 2001	198 163 ⁽³⁾	–	–	–	198 163	01 Oct 2004
Total	499 075	–	–	–	499 075	

⁽¹⁾ Market price on date of the GIS award, 12 November 2002, was £3.18.

⁽²⁾ Includes 26 471 Committed Shares invested by Mr Salamon.

⁽³⁾ Includes bonus shares issued for share awards in respect of the BHP Steel Demerger.

The market price of BHP Billiton Plc shares at 30 June 2003 was £3.19.

The highest and lowest market prices during 2003 were £3.53 (8 July 2002) and £2.47 (6 August 2002) respectively.

Mr Salamon was invited to participate in the GIS for the year ended 30 June 2003. The target cash bonus amount was 70 per cent of adjusted salary. The Group financial measures represented a 50 per cent weighting of Mr Salamon's total performance measures. Mr Salamon had an above target level of performance and achieved 95.6 per cent of adjusted salary.

The cash bonus represents half of the total bonus amount in accordance with the rules of the GIS. The actual amount is detailed in the table of remuneration in section 4.2.2.

The remaining half of the total bonus amount will be awarded to Mr Salamon in Deferred Shares and/or Options subject to shareholder approval at the annual general meetings in 2003.

These Deferred Shares and/or Options will vest in August 2005 subject to Mr Salamon still being in employment with the Group at the time of vesting. In addition to the Deferred Shares and/or Options, the Group will also match this half of the total bonus amount in the form of a Performance Share award. The vesting of these Performance Shares will be subject to performance hurdles, and will not be eligible for vesting until August 2006.

The Remuneration Committee has set a target cash bonus amount of 70 per cent of salary for Mr Salamon for the year ended 30 June 2004. The Group financial measures will represent a 30 per cent weighting of his total performance measures. The remaining 70 per cent relates to personal performance measures, which include the performance of the Customer Sector Group for which he has responsibility.

Assessed at the 'target' level of performance, 40.2 per cent of Mr Salamon's remuneration is related to his performance and is therefore 'at risk'.

4.2.4 Retirement Benefits

Mr M Salamon – Defined Benefit Pension (US Dollars)

Increase in accrued annual pension entitlement during the year ⁽¹⁾	Total accrued annual pension entitlement at year end ⁽²⁾	Increase in transfer value of total accrued pension ⁽¹⁾	Transfer value of total accrued pension at year end 2003 ⁽²⁾	Transfer value of total accrued pension at year end 2002 ⁽²⁾
82 063	630 466	(302 445)	5 701 055	6 003 500

⁽¹⁾ The increase in accrued pension is the difference between the accrued pension at the end of the previous year and the accrued pension at the end of the year without any allowance for inflation. The increase in transfer value of total accrued pension is the difference between the transfer value at the end of the year and the transfer value at the beginning of the year less the contributions made to the scheme by the Director also without any allowance for inflation. The increase in accrued pension after making an allowance for inflation of 3.3 per cent (2002: 1 per cent) was US\$63 966 (2002: US\$135 921) and the transfer value of that increase less the contributions made to the scheme by the Director was US\$578 420 (2002: US\$1 487 959).

⁽²⁾ The disclosure of the transfer value of total accrued pension at year end is the actual transfer value as at 30 June 2002, notwithstanding the fact that Mr Salamon was appointed as a Director on 24 February 2003.

BHP Billiton Plc and BHP Billiton Services Jersey Limited have established non-contributory defined benefit pension arrangements under which Mr Salamon will be entitled to a pension at normal retirement date at age 60, equal to two-thirds of pensionable salary provided he has completed 20 years service with the Group (or predecessor companies). Only base salary is pensionable. At the date of this Report, Mr Salamon was 48 years of age.

Each year, Mr Salamon has the right to determine whether his pension provision for that year's salary under each service contract with BHP Billiton Plc and BHP Billiton Services Jersey Limited is made under a defined benefit or defined contribution arrangement for service after 1 July 1997. Alternatively, he can choose to receive a cash sum at equivalent cost to the Group. Once he has completed 20 years or more service, the cash sum option will no longer be available to him.

If he has chosen in any year to have a defined contribution arrangement he may elect subsequently to have the defined contribution benefit for that year and any previous years converted to a defined benefit promise, in which case he must surrender the defined contribution benefit accrued.

If Mr Salamon retires before age 60, his accrued defined benefit pension entitlement will normally be reduced for early payment at the rate of four per cent per annum.

In terms of the rules of the scheme all pensions in payment will be indexed in line with the retail price index.

In the event of death in service, a lump sum benefit of four times base salary will be paid. A spouse's pension on death in service of two-thirds of the prospective pension will also be paid.

In the event of the death of Mr Salamon while in retirement, a surviving spouse's pension of two-thirds of the pension in payment, before the effect of commutation, will be paid.

5. Former executive Directors

5.1 Mr Paul Anderson

Mr Paul Anderson retired as Chief Executive Officer on 1 July 2002 but remained on the Board as a non-executive Director until 4 November 2002. Details of remuneration paid to him during the year ended 30 June 2003 and the prior year are set out below. All of the amounts paid by way of termination payments were disclosed in the Annual Report for the year ended 30 June 2002. That disclosure is repeated below.

5.1.1 Termination payments

Under the terms of his service contract, Mr Anderson was entitled to receive an amount of US\$1 675 831, which is equal to twice his annual base salary following his retirement on 1 July 2002. With the Board's approval an equivalent amount has been paid to him as follows:

- a consultancy arrangement with a total payment of US\$104 739 under which Mr Anderson agreed to act as a consultant to the Group for two years commencing 5 November 2002.
- further payments totalling US\$1 571 092.

In addition, Mr Anderson's contract entitled him to exercise those Performance Rights awarded under the original contract that had not become exercisable, being 400 000 Performance Rights (300 000 of which became exercisable on termination, with a notional value of US\$3 464 770 using a share price of US\$5.39 per share). Although his contract entitled him to exercise 400 000 rights without reference to service or performance hurdles, Mr Anderson requested that the 100 000 Performance Rights issued in relation to the year ended 30 June 2002 remain subject to performance conditions. His performance against the conditions was assessed in August 2002 and, as a result, all of those Performance Rights became exercisable.

5.1.2 Remuneration

Other than the termination payment detailed in section 5.1.1, Mr Anderson did not receive any remuneration, including any Directors' fees, for the year ended 30 June 2003. In 2002 Mr Anderson received US\$2 615 019.

5.1.3 Share and Option plans

Mr P M Anderson – Share Options

Scheme	Ordinary Shares under option					Exercise price ⁽³⁾	First exercise date	Expiry date
	At 1 July 2002	Granted	Exercised	Lapsed	At 4 November 2002			
ESP 1999 ⁽¹⁾	2 065 100 ⁽²⁾	–	–	–	2 065 100	A\$6.92	23 April 2002	April 2009

⁽¹⁾ The terms of these Options are identical to the terms of ESP 2000 set out in section 3.4 except for minor variations to the global comparator group, where the performance measurement was from 23 April 1999 to 22 April 2002 and that the Options expire on 22 April 2009.

⁽²⁾ Includes bonus shares issued for Options in respect of the DLC Merger.

⁽³⁾ Represents the exercise price payable on Options held at 1 July 2002, adjusted for bonus issues of shares in respect of the DLC Merger and for the exercise price reduction as a result of the OneSteel spin-out and the BHP Steel Demerger.

The market price of BHP Billiton Limited shares at 30 June 2003 was A\$8.64.

The highest and lowest market prices during 2003 were A\$10.50 (9 July 2002) and A\$8.28 (20 May 2003) respectively.

Mr P M Anderson – Shares awarded

Scheme	Ordinary Shares under award					Vesting date
	At 1 July 2002	Granted	Vested ⁽¹⁾	Lapsed	At 4 November 2004	
PSP 1999 ⁽²⁾	1 032 885	–	1 032 885	–	–	August 2002

⁽¹⁾ Market price on vesting dates were: A\$9.45 (22 August 2002); and A\$9.46 (26 August 2002).

⁽²⁾ These Performance Rights were awarded on 1 March 1999. The market price at this time was A\$5.26. Vesting of these Performance Rights was subject to service and performance conditions. The performance conditions were determined by the Board on an annual basis.

5.2 Mr Brian Gilbertson

Mr Brian Gilbertson resigned as Chief Executive Officer and as a member of the Board on 5 January 2003. Details of the payments made to him on termination were announced on 23 May 2003 and are set out in section 5.2.1 below. Details of the remuneration paid to him during the year ended 30 June 2003 and the prior year are set out in section 5.2.2.

5.2.1 Termination payments

Under the terms of an agreement between the Group and Mr Gilbertson dated 23 May 2003, the following amounts were paid to him:

- £3 418 780 in respect of unpaid salary to 30 June 2005 in accordance with the terms of his service contracts
- £54 930 in respect of holidays accrued but not taken at the time of his resignation
- £595 895 in respect of short-term incentive for the year ended 30 June 2003. This sum was reached by measuring the performance of the Group at the date of resignation and pro-rating his entitlements to that date.

These amounts represented his entitlements under his contracts of employment with the Group. The amounts are gross amounts and subject to necessary withholdings.

In addition, Mr Gilbertson is entitled to be reimbursed an amount capped at £150 000, for relocation and other costs associated with his departure. The Group will also continue to provide medical insurance cover for Mr Gilbertson and his wife until 29 June 2005.

Those amounts are included in the table in section 5.2.2 below and appear in US\$.

No entitlements under any of the long-term incentive plans in which Mr Gilbertson participated vested on his resignation. With the approval of the Board, the Committee exercised the discretion granted to it under those incentive plans and agreed to allow Mr Gilbertson to continue to participate subject to the following conditions:

- that the number of entitlements that Mr Gilbertson retained be reduced on a pro-rated basis to reflect his period of service
- that shares would vest only if the pre-determined performance conditions had been met
- awards of shares, if any, would be made at the same time as to other participants in the plans.

In exercising its discretion the Board and Committee took into account the leadership role Mr Gilbertson had played both before and after the merger and felt that Mr Gilbertson should be entitled to participate, albeit at a reduced level to reflect his period of service, if the pre-determined performance conditions were ultimately met.

Awards in which Mr Gilbertson continues to hold an entitlement, subject to these conditions, are set out in the table in section 5.2.3 below.

Mr Gilbertson is also entitled to benefits under pension plans in which he had accrued an entitlement to 31 years of pensionable service with all included employers at the date of his resignation from BHP Billiton. Details of these entitlements are set out in section 5.2.4.

5.2.2 Remuneration

Mr B P Gilbertson – Remuneration paid (US Dollars)

Base salary	Deferred cash bonus	Other benefits	Termination payments ⁽¹⁾	Subtotal 2003	Subtotal 2002	Retirement benefits ⁽²⁾	Share-based compensation – long-term ⁽³⁾	Total 2003	Total 2002
685 567	419 259	45 892	6 707 368	7 858 086	3 745 115	364 313	292 636	8 515 035	5 060 566

(1) Termination payments

Included in the termination payments is an amount of US\$947 218 relating to pro-rated cash bonus paid in relation to Mr Gilbertson's services for the year ended 30 June 2003.

(2) Retirement benefits

The estimated benefit in respect of pensions includes contributions payable in respect of actual/notional contributions that would have been required to secure the defined benefit promises earned in the year. Details of the defined benefit pension entitlements earned by Mr Gilbertson are set out in section 5.2.4 below.

(3) Long-term share-based compensation

The amount in respect of long-term share-based compensation represents the estimated value of awards granted under the long-term incentive schemes.

The estimated value has been calculated using a modified Black-Scholes option pricing methodology. Details of outstanding awards and awards vesting in the year are set in the table below.

5.2.3 Shares awarded

Mr B P Gilbertson – Shares in which an entitlement is retained, subject to performance

Scheme	Ordinary Shares under award					Vesting date
	At 1 July 2002 ⁽¹⁾	Granted ⁽²⁾	Vested	Number of shares forfeited as at date of resignation	Number of shares in which Mr Gilbertson retained an entitlement at 5 January 2003 subject to the conditions set out in section 5.2.1 ⁽³⁾	
GIS 2002 – Performance Shares	–	366 589	–	303 430	63 159	August 2005
RSS 2001	292 576	–	–	169 358	123 218	1 October 2004
CIP 2001 ⁽⁴⁾	100 946	–	–	58 648	42 298	7 November 2003 ⁽⁵⁾
Total	393 522	366 589	–	531 436	228 675	

(1) Includes bonus shares issued for share awards in respect of the BHP Steel Demerger.

(2) Market price on date of the GIS award, 12 November 2002, was £3.18.

(3) The number of entitlements Mr Gilbertson retained are pro-rated to reflect his period of service to resignation date. The shares will vest only if the pre-determined performance conditions have been met. Awards of shares, if any, will be made at the same time as to other participants in the plans.

(4) CIP includes the 24 925 Committed Shares originally invested by Mr Gilbertson.

(5) If Mr Gilbertson elects to participate in the second Performance Period, then 16 275 shares will vest on 7 November 2005. Otherwise these 16 275 shares will lapse on 7 November 2003.

The market price of BHP Billiton Plc shares at 30 June 2003 was £3.19.

The highest and lowest market prices during 2003 were £3.53 (8 July 2002) and £2.47 (6 August 2002) respectively.

5.2.4 Retirement benefits

Mr Gilbertson participated in a defined benefit pension plan. Under the terms of that plan Mr Gilbertson has pensionable service from 1 April 1970. That service includes service to BHP Billiton and service that was transferred from former employers. The Group's policy in relation to defined benefit plans is set out in section 3.2 of this Report. Mr Gilbertson is entitled to take the retirement benefits or a pension or commute those benefits to a lump sum. At the date of this Report Mr Gilbertson has not advised the Group of his election.

Remuneration Report continued

Mr B P Gilbertson – Defined Benefit Pension (US Dollars)

Increase in accrued annual pension entitlement during the year ⁽¹⁾	Total accrued annual pension entitlement at year end ⁽²⁾	Increase in transfer value of total accrued pension ⁽¹⁾	Transfer value of total accrued pension at year end 2003 ⁽²⁾	Transfer value of total accrued pension at year end 2002 ⁽²⁾
86 910	977 186	(1 447 694)	14 795 452	16 243 146

⁽¹⁾ The increase in accrued pension is the difference between the accrued pension at the end of the previous year and the accrued pension at the end of the year without any allowance for inflation. The decrease in transfer value of total accrued pension is the difference between the transfer value at the end of the year and the transfer value at the beginning of the year less the contributions made to the scheme by the Director also without any allowance for inflation.

The increase in accrued pension after making an allowance for inflation of 3.3 per cent (2002: 1 per cent) was US\$57 531 (2002: US\$50 363) and the transfer value of that increase less the contributions made to the scheme by the Director was US\$871 075 (2002: US\$1 009 296).

⁽²⁾ The disclosure of the transfer value of total accrued pension at year end represents the transfer value as at 30 June 2003, notwithstanding that Mr Gilbertson resigned on 5 January 2003.

At the date of his resignation Mr Gilbertson was 59 years of age.

6. Executives

6.1 Five highest paid officers (other than Directors) (US Dollars)

Executive	Base salary	Annual cash bonus	Value of Deferred Shares ⁽¹⁾	Other benefits ⁽²⁾	Subtotal 2003	Retirement benefits ⁽³⁾	Share-based compensation – long-term ⁽⁴⁾	Adjustment for Deferred Share vesting period ⁽⁵⁾	Total 2003
Philip Aiken	675 241	558 015	520 851	408 789	2 162 896	180 289	285 050	(347 234)	2 281 001
Marius Kloppers	449 486	415 971	388 267	679 458	1 933 182	–	225 336	(258 845)	1 899 673
Bradford Mills	551 250	439 415	410 150	158 931	1 559 746	201 206	278 534	(273 433)	1 766 053
Chris Lynch	587 217	487 638	455 161	175 096	1 705 112	142 987	184 849	(303 441)	1 729 507
David Munro	787 894	370 371	345 704	143 068	1 647 037	–	153 742	(230 469)	1 570 310

⁽¹⁾ Deferred Shares

Details on Deferred Shares are included under the GIS on pages 49 to 50 of this Report. Employees can elect to receive Options instead of Deferred Shares, or a combination of both.

⁽²⁾ Other benefits

Includes medical insurance, life assurance, related benefits, cash gratuity in lieu of retirement benefits (which for Mr Kloppers totalled US\$353 226), relocation allowance and expenses, sign-on allowances, payment of unused leave entitlements and car allowances, where applicable.

⁽³⁾ Retirement benefits

The estimated benefit in respect of pensions includes contributions payable in respect of defined contribution arrangements and actual/notional contributions that would have been required to secure the defined benefit promises earned in the year.

⁽⁴⁾ Long-term share-based compensation

The amount in respect of long-term share-based compensation represents the estimated value of awards granted under the long-term incentive schemes.

The estimated value has been calculated using a modified Black-Scholes option pricing methodology. The number of Performance Shares granted under the GIS in November 2002 is as follows: 158 118 Performance Shares to Mr Aiken; 119 485 Performance Shares to Mr Kloppers; 141 897 Performance Shares to Mr Mills; 117 117 Performance Shares to Mr Lynch; and 147 263 Performance Shares to Mr Munro.

⁽⁵⁾ In accordance with UK GAAP, 100 per cent of the value of deferred shares earned during the 2003 year is included in remuneration in the column headed 'Value of Deferred Shares'. Under Australian GAAP, such remuneration is to be included over the vesting period (in this case, the three years from 1 July 2002 to 30 June 2005). The column headed 'Adjustment' represents this difference. Hence, the addition of the columns headed 'Value of Deferred Shares' and 'Adjustment' represents the remuneration associated with deferred shares under Australian GAAP.

7. Non-executive Directors

7.1 Remuneration policy

In May 2001 shareholders approved an aggregate sum of A\$3 million to be used to remunerate non-executive Directors. Fees payable to non-executive Directors were set in 2002. There was no change to either the fee structure, or rates payable during the 2003 financial year.

The remuneration rates reflect the size and complexity of the Group, the multi-jurisdictional environment arising from the Dual Listed Companies structure, the multiple stock exchange listings and the extent of the geographic regions in which the Group operates. They also reflect the considerable travel burden imposed on members of the Board.

The elements of remuneration are:

- a base fee of US\$60 000 per annum
- a fee of US\$1000 for each meeting attended
- a fee of US\$7500 for the chairman of a Committee of the Boards
- a travel allowance of US\$1000 for air travel that is more than three hours but less than 12 hours and US\$2500 where air travel is more than 12 hours.

Non-executive Directors are not eligible to participate in any of the Group's incentive arrangements.

The Chairman of BHP Billiton is Mr Don Argus. His remuneration is fixed at four times the base fee for non-executive Directors. He does not receive any additional fees for chairing the Nomination Committee, or any Board meeting attendance fees.

The Senior Independent Director of BHP Billiton Plc is Dr John Buchanan. Dr Buchanan is paid a base fee of US\$80 000, plus additional fees and allowances as described.

Members of the Risk Management and Audit Committee (Mr David Crawford, Dr David Brink, Dr David Jenkins and Mr Cor Herkströter) also act as chairmen of the Customer Sector Group Risk Management and Audit Committees and receive

attendance fees and travel allowances in respect of meetings of those Committees.

Fees are denominated in US dollars and are paid in either US dollars, Australian dollars or UK sterling, as nominated by the Director.

Each non-executive Director is appointed subject to periodic re-election by the shareholders (see page 38 of this Report for an explanation of the re-appointment process). There are no provisions in any of the non-executive Directors' appointment arrangements for compensation payable on early termination of their directorship.

7.2 Remuneration paid – non-executive Directors (US Dollars)

	Fees and allowances	Other benefits	Subtotal 2003	Subtotal 2002	Retirement benefits ⁽¹⁾ 2003	Total 2003	Total 2002
Paul Anderson ⁽²⁾	–	–	–	–	–	–	–
Don Argus	247 500	–	247 500	245 000	12 625	260 125	261 524
Ben Alberts ⁽³⁾	–	–	–	70 000	–	–	73 470
David Brink	95 500	2 781	98 281	80 031	–	98 281	80 031
John Buchanan ⁽⁴⁾	44 832	–	44 832	–	–	44 832	–
Michael Chaney ⁽⁶⁾	81 500	–	81 500	71 000	3 155	84 655	75 362
John Conde ⁽³⁾	–	–	–	67 500	–	–	71 630
David Crawford	96 000	–	96 000	84 000	3 550	99 550	88 343
Cornelius Herkströter	83 500	2 781	86 281	70 531	–	86 281	70 531
John Jackson ⁽⁵⁾	54 144	–	54 144	155 000	–	54 144	155 000
David Jenkins	100 500	–	100 500	69 000	–	100 500	70 785
Derek Keys ⁽³⁾	–	2 781	2 781	76 969	–	2 781	76 969
John Ralph ⁽⁵⁾	24 660	–	24 660	69 000	1 160	25 820	73 130
Lord Renwick	76 500	–	76 500	68 000	–	76 500	68 000
Barry Romeril ⁽³⁾	–	2 781	2 781	70 531	–	2 781	70 531
John Schubert	78 375	–	78 375	70 000	3 250	81 625	74 130

(1) BHP Billiton Limited contributions of 9 per cent of fees paid in accordance with Australian superannuation legislation.

(2) Appointed a non-executive Director on 1 July 2002 upon his retirement as Chief Executive Officer and Managing Director. He did not receive fees, allowances or other benefits in his capacity as a non-executive Director. Retired on 4 November 2002. Details of amounts paid to him on retirement are set out on page 57.

(3) Retired on 30 June 2002.

(4) Appointed on 1 February 2003.

(5) Retired on 4 November 2002.

(6) Michael Chaney has requested that fees payable to him be paid instead to his employer Wesfarmers Limited.

7.3 Non-executive Directors' retirement benefits

In 1989 the shareholders of BHP Limited approved the introduction of a Retirement Plan under which non-executive Directors accrued entitlements to be paid by the Group on retirement from the Board. The entitlements under this plan are net of any compulsory payments by the Group to the BHP Billiton Superannuation Fund.

At the time of the merger, the Board resolved to close the Plan to new entrants and to continue its operation only until such time as the remaining participants continued in office.

In August 2003 the remaining participants in the Plan (Mr Don Argus, Mr Michael Chaney, Mr David Crawford, Dr David Jenkins

and Dr John Schubert) all agreed to set aside their entitlements and cease participation in the Plan effective from the first of the 2003 annual general meetings (to be held on 24 October 2003). The Plan will be closed from that date and the entitlements that have accumulated in respect of each of the participants will be frozen and paid on retirement. Those amounts are set out in the table below. An earnings rate equal to the five-year Australian Government Bond Rate will be applied.

The following table sets out the accrued retirement benefits under the Plan together with any entitlements obtained by the compulsory Group contributions to the BHP Billiton Superannuation Fund.

Retirement remuneration – non-executive Directors (US Dollars)

Name	Completed years of service at 30 June 2003	Increase in lump sum entitlement during the year	Lump sum entitlement at 30 June 2003	Lump sum entitlement at 30 June 2002
Don Argus	7	199 892	997 383	797 491
Michael Chaney	8	52 179	264 013	211 834
David Crawford	9	54 387	278 681	224 294
David Jenkins	3	57 242	132 007	74 765
John Schubert	3	57 242	132 007	74 765

8. Former non-executive Directors

Mr Paul Anderson, Mr John Jackson and Mr John Ralph retired as non-executive Directors during the year.

Following his retirement as a non-executive Director on 30 June 2002, Mr Ben Alberts joined the Health, Safety and Environment Committee. He received a fee of A\$2000 for each day spent on Committee activities, which amounted to US\$16 535 in total during FY2003. He was also paid a retirement benefit during the year of US\$107 158 which had accrued up to his retirement at the end of the previous financial year.

Mr Anderson served as a non-executive Director from 1 July 2002 to 4 November 2002. He did not receive any remuneration for his services as a non-executive Director. Details of remuneration paid in relation to his executive responsibilities are set out in section 5.1.2. A description of his benefits paid after his retirement as a non-executive Director and manner of payment are set out in section 5.1.1.

Mr John Ralph retired on 4 November 2002 and was paid a retirement benefit of US\$196 053 that had accrued to him up to his retirement.

Mr John Conde retired on 30 June 2002 and was paid a retirement benefit of US\$207 196 that had accrued to him up to his retirement.

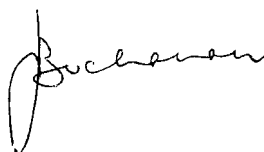
9. Aggregate Directors' remuneration

The aggregate remuneration of executive and non-executive Directors of BHP Billiton in accordance with UK generally accepted accounting principles is set out in the table below.

Aggregate Directors' remuneration (US Dollars million)

	2003	2002
Emoluments	7	9
Termination payments	12	2
Awards vesting under long-term incentive plans	–	9
Gains on exercise of Options	0 ⁽¹⁾	–
Total	19	20

⁽¹⁾ Mr Goodyear exercised options during the year ended 2003 with a gain of US\$0.2 million.



John Buchanan
Chairman, Remuneration Committee

9 September 2003

BHP BILLITON CHARTER

WE ARE BHP BILLITON, A LEADING GLOBAL RESOURCES COMPANY.

Our purpose is to create value through the discovery, development and conversion of natural resources, and the provision of innovative customer and market-focused solutions.

To prosper and achieve real growth, we must:

- actively manage and build our portfolio of high-quality assets and services,
- continue the drive towards a high-performance organisation in which every individual accepts responsibility and is rewarded for results,
- earn the trust of employees, customers, suppliers, communities and shareholders by being forthright in our communications and consistently delivering on commitments.

We value:

- **Safety and the Environment** – An overriding commitment to health, safety, environmental responsibility and sustainable development.
- **Integrity** – Doing what we say we will do.
- **High Performance** – The excitement and fulfilment of achieving superior business results and stretching our capabilities.
- **Win-Win Relationships** – Having relationships which focus on the creation of value for all parties.
- **The Courage to Lead Change** – Accepting the responsibility to inspire and deliver positive change in the face of adversity.
- **Respect for Each Other** – The embracing of diversity, enriched by openness, sharing, trust, teamwork and involvement.

We are successful in creating value when:

- our shareholders are realising a superior return on their investment
- our customers and suppliers are benefiting from our business relationships
- the communities in which we operate value our citizenship
- every employee starts each day with a sense of purpose and ends each day with a sense of accomplishment.



Chip Goodyear
Chief Executive Officer

January 2003



Directors' Report

The information presented in this Report pertains to BHP Billiton Limited and BHP Billiton Plc and their subsidiaries.

The principal activities of the BHP Billiton Group during the 2003 financial year were minerals exploration, production and processing (particularly alumina, aluminium, copper, iron ore, metallurgical coal, ferroalloys, energy coal, nickel, diamonds and titanium minerals), and oil and gas exploration and development.

Apart from the withdrawal of the Group from steel production and processing (as previously reported), there were no significant changes in the nature of the Group's principal activities during the year.

A review of the Group's operations during the financial period, and the results of those operations, appear in the Chairman's Review, the Chief Executive Officer's Report, the Review of Operations, the Customer Sector Group Reviews and other material in this Report.

Significant changes in the state of affairs of the Company that occurred during the 2003 financial year are as follows:

- The creation of a new Customer Sector Group – Diamonds and Specialty Products – encompassing the existing businesses of diamonds, titanium minerals, the investment in Integris Metals and exploration and technology.
- As previously reported, the demerger of BHP Steel Limited from BHP Billiton Limited in July 2002.
- The approval of the development of the Escondida Norte copper project in northern Chile.
- The selection of the North West Shelf Venture to supply liquefied natural gas to the first phase of the Guangdong LNG Terminal in China. A related entity of China National Offshore Oil Corporation purchased a 25 per cent equity share in the new joint venture established within the North West Shelf Venture to supply the gas. BHP Billiton owns a 12.5 per cent interest in the newly established joint venture.
- The sale of the Group's indirect 2.1 per cent interest in CVRD.
- The sale by Rio Algom, a wholly-owned subsidiary of BHP Billiton, of its 25 per cent interest in the Alumbra copper-gold mine in Argentina.
- The approval of funding for phase 1 of the development of the Greater Angostura oil and gas field located off the north-east coast of Trinidad. Phase 1 covers the engineering, construction and installation of the production and transportation facilities required to recover oil reserves from the field.
- The approval of further funding for the completion of the development of the Atlantis oil and gas field in the Gulf of Mexico to bring Atlantis into production.
- The approval of the acceleration of the Area C and the Products and Capacity Expansion (PACE) iron ore projects in Western Australia. The capacity of Area C will be expanded to 15 million tonnes per annum (Mtpa), and PACE capacity will be

expanded to 100 Mtpa by 2004. The original program provided for the increase in capacity of both projects by 2011. Approval has been given for the expansion of the capacity of the Newman to Port Hedland rail line to 100 Mtpa by the end of the second quarter in 2004.

No other matter or circumstance has arisen since the end of the 2003 financial year that has significantly affected or may significantly affect the operations, the result of operations or state of affairs of the Group in future years.

Likely developments in, and the expected results of, the operations of the Group in future financial years are referred to elsewhere in this Report. The Directors believe that to include further information on those matters would be likely to result in unreasonable prejudice to the Group.

Particulars in relation to environmental performance are referred to in the table on page 66.

No proceedings have been brought on behalf of the Company, nor any application made under section 237 of the Corporations Act 2001.

No dividends or distributions were recommended or declared for payment to shareholders but not paid.

BHP Billiton Limited has in place a share buy-back program, under which up to 186 million shares in BHP Billiton Limited can be purchased on-market and cancelled between 1 July 2001 and 30 September 2004, taking into account shares in BHP Billiton Plc purchased pursuant to a contingent purchase contract. At the date of this Report, a total of 4 134 622 shares in BHP Billiton Limited have been purchased under the buy-back program. No purchases were made during the 2003 financial year.

Rule 146 of the BHP Billiton Limited Constitution and Article 146 of the BHP Billiton Plc Articles of Association require each Company to indemnify each Director, secretary or executive officer of BHP Billiton Limited and BHP Billiton Plc respectively, to the extent permitted by law, against liability incurred in, or arising out of the conduct of the business of the Company or the discharge of the duties of the Director, secretary or executive officer. The Directors named on pages 28 to 30, executive officers and the secretary of BHP Billiton Limited and BHP Billiton Plc have the benefits of this requirement, as do people who formerly held one of those positions.

The Group has a policy that it will, as a general rule, support and hold harmless an employee who, while acting in good faith, incurs personal liability to others as a result of working for the Group. In addition, the Group has in place the following policies that have been approved by the Board:

- a policy to indemnify the Chairs of the Risk Management and Audit Committees for the Customer Sector Groups and areas of functional responsibility in the same manner as employees of BHP Billiton are indemnified if these Chairs are not non-executive Directors
- a policy to indemnify employees who work in certain high-risk countries against the risk that their life insurance may be invalid or the terms of cover varied, due to the high-risk nature of the location in which they work. This policy is being phased out on a case-by-case basis in favour of a policy that does not involve employee indemnification.

As previously reported, BHP Billiton Limited and BHP Billiton Plc have entered into Deeds of Indemnity with each of their respective Directors, in terms of the indemnities provided under the BHP Billiton Limited Constitution and the BHP Billiton Plc Articles of Association.

BHP Billiton Limited and BHP Billiton Plc have also entered into Deeds of Indemnity with each of the external experts who are members of the Health, Safety and Environment Committee, indemnifying them against liability incurred by them in the performance of their duties as a member of the Committee.

BHP Billiton Limited has entered into Deeds of Indemnity with Mr Kirby Adams and Mr Ronald McNeilly, former officers of BHP Billiton, indemnifying them to the maximum extent permitted by law against any liability to any person incurred by them as a BHP Steel Director in connection with the demerger of BHP Steel.

The Group has insured against amounts that it may be liable to pay to Directors, secretaries or certain employees pursuant to Rule 146 of BHP Billiton Limited's Constitution and Article 146 of BHP Billiton Plc's Articles of Association, or that it otherwise agrees to pay by way of indemnity. The insurance policy also insures Directors, secretaries and some Group employees against certain liabilities (including legal costs) they may incur in carrying out their duties for the Group.

The Group is able to disclose that it has paid premiums for this Directors' and officers' insurance of approximately US\$3.7 million for the year ended 30 June 2003. Some Directors, secretaries and employees contribute to the premium for this insurance.

Details of the Directors of BHP Billiton Limited and BHP Billiton Plc at the date of this Report, their qualifications, experience and special responsibilities, are set out on pages 28 to 30. The number of meetings of the Board and its Committees held during the 2003 financial year, as well as each Director's attendance at those meetings, are set out in the table on page 67.

Details of the Directors of BHP Billiton at the date of this Report are set out on pages 28 to 30, including the period for which they held office during the 2003 financial year. Directors who retired or resigned from the Board during the financial year appear in the table below. Each of the following former Directors were Directors of BHP Billiton at 1 July 2002.

Former Directors

Director	Date of retirement/resignation
Paul Anderson	4 November 2002
John Jackson	4 November 2002
John Ralph	4 November 2002
Brian Gilbertson	5 January 2003

The table on page 66 sets out the relevant interests in shares in BHP Billiton Limited and BHP Billiton Plc of the Directors at the beginning and end of the financial year, and at the date of this Report. No rights or options over shares are held by any of the non-executive Directors. The rights or options held by executive Directors over shares in BHP Billiton Limited and BHP Billiton Plc are set out in the tables on pages 54 to 56.

The Group has not made available to any Director any interest in a registered scheme.

A discussion of the broad policy for determining the nature and amount of emoluments of Directors and senior executives of the Group, and a discussion of the relationship between that policy and the Group's performance, appears in the Remuneration Report on pages 46 to 62.

The following details appear in the tables on pages 54 to 62:

- The nature and amount of each element of the emoluments of each Director of BHP Billiton Limited and BHP Billiton Plc, and each of the five officers of the Group receiving the highest emoluments.
- Options that may be satisfied either by the acquisition of shares on-market or by the issue of shares that have been granted during, or since the end of, the financial year as part of the remuneration of the executive Directors of BHP Billiton Limited and BHP Billiton Plc, and of the five most highly remunerated officers of the Group.

The Company is a company of a kind referred to in Australian Securities and Investments Commission Class Order No 98/100, dated 10 July 1998. Amounts in this Report, excepting estimates of future expenditure, or where otherwise indicated, have been rounded off in accordance with that Class Order; that is, rounded to the nearest million dollars.

The Directors' Report is made in accordance with a resolution of the Board.



D R Argus
Chairman



C W Goodyear
Chief Executive Officer

Dated: 9 September 2003

Fines, prosecutions and environmental incidents

BHP Billiton Business	Fines and Prosecutions
Energy Coal	<ul style="list-style-type: none"> In September 2002, Navajo Mine was fined US\$18 390 by the United States Environmental Protection Agency for an interpretation error made in a Toxic Release Inventory submission. In July 2002, Mount Arthur Coal was fined US\$829 by the New South Wales Environment Protection Authority (NSW EPA) in relation to dust generated by coal haulage in March 2002.
Carbon Steel Materials	<ul style="list-style-type: none"> In January 2003, Elouera Colliery was fined US\$17 472 by the NSW EPA for an excessive dust emission in December 2001 contrary to its environmental licence. In April 2003, Tower Colliery was fined US\$914 by the NSW EPA for minewater ponding and run-off caused by irrigation activities contrary to its environmental licence.

Performance in relation to environmental regulation

The Group's performance in relation to environmental regulation is measured by:

- the number of prosecutions against, and the quantum of fines incurred, by the Group's global operations during the financial year
- the number of environmentally significant incidents (including non-compliances) that occurred in the Group's global operations.

An environmentally significant incident is one with a severity rating of 3 or above based on the Group's internal severity rating scale (tiered from 1 to 5 by increasing severity). There were no such incidents during the financial year.

Further information about the Group's performance in relation to environmental regulation can be found in the Health, Safety, Environment and Community Report which can be viewed on the Group's website at www.bhpbilliton.com/bb/sustainableDevelopment/reportsAndPolicies.jsp or obtained by telephoning Australia (61 3) 9609 3062 or the United Kingdom (44 20) 7802 4177.

The interests of the Directors who held office at 30 June 2003 in the shares of BHP Billiton Limited and BHP Billiton Plc are set out in the table below:

Directors' share interests

BHP Billiton shares ⁽¹⁾	As at date of Report	As at 30 June 2003	As at 30 June 2002	BHP Billiton shares ⁽¹⁾	As at date of Report	As at 30 June 2003	As at 30 June 2002
Don Argus ⁽²⁾	193 495	193 495	193 495	Cornelius Herkströter ⁽²⁾	10 642	10 642	10 000
David Brink ⁽²⁾	39 377	39 377	37 000	David Jenkins	10 326	10 326	10 326
John Buchanan ⁽⁶⁾	1 000	1 000	–	Lord Renwick	12 385 2 066	6 385 2 066	6 000 2 066
Michael Chaney ⁽²⁾	12 338	12 338	4 338	Miklos Salamon ⁽⁷⁾	977 282	977 282	–
David Crawford ⁽²⁾	29 127	29 127	16 127	John Schubert	23 675	23 675	23 675
Charles Goodyear ⁽²⁾	2 000 ⁽³⁾ 247 813 ⁽⁴⁾	247 813⁽⁴⁾	82 604 ⁽⁵⁾				

(1) Shares in BHP Billiton Limited shown in italics. All interests are beneficial.

(2) Includes shares held in name of, or on behalf of, spouse and/or nominee.

(3) Held in the form of 1000 American Depositary Shares.

(4) 82 604 held in the form of 41 302 American Depositary Shares.

(5) Held in the form of 41 302 American Depositary Shares.

(6) Appointed 1 February 2003, at which date he held no shares.

(7) Appointed 24 February 2003, at which date he held 977 282 shares.

Attendance at Board and Board Committee meetings during the year ended 30 June 2003

	Board		Risk Management and Audit		Nomination		Remuneration		Health, Safety and Environment	
	A	B	A	B	A	B	A	B	A	B
Don Argus	9	9			5	5				
Paul Anderson [#]	3	3								
David Brink	9	8	13	10	2	2			4	4
John Buchanan [^]	4	4			3	3	4	4		
Michael Chaney	9	9								
David Crawford	9	9	13	13						
Brian Gilbertson ⁺	4	4							2	2
Charles Goodyear	9	9							2	2
Cornelius Herkströter	9	8	13	11						
John Jackson [#]	3	3					3	3		
David Jenkins	9	9	13	13			5	5	2	2
John Ralph [#]	3	3					3	3		
Lord Renwick	9	8			5	5	8	6		
Miklos Salamon [◄]	3	3								
John Schubert	9	8			5	5	8	8		

[#] Retired 4 November 2002.

[^] Appointed 1 February 2003.

⁺ Resigned 5 January 2003.

[◄] Appointed 24 February 2003.

Column A – indicates the number of meetings held during the period the Director was a member of the Board and/or Committee.

Column B – indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee.

Concise Financial Report

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Auditors: PricewaterhouseCoopers and KPMG



Discussion and Analysis

Basis of presentation of financial information

On 29 June 2001, BHP Billiton Limited (previously known as BHP Limited), an Australian listed company, and BHP Billiton Plc (previously known as Billiton Plc), a UK listed company, entered into a Dual Listed Companies (DLC) merger. This was effected by contractual arrangements between the companies and amendments to their constitutional documents.

The effect of the DLC merger is that BHP Billiton Limited and its subsidiaries (the BHP Billiton Limited Group) and BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) operate together as a single economic entity (the BHP Billiton Group), with neither assuming a dominant role.

Accounting and Reporting on the DLC Merger

In accordance with the Australian Securities and Investments Commission (ASIC) Practice Note 71 'Financial Reporting by Australian Entities in Dual-Listed Company Arrangements', and an order issued by ASIC under section 340 of the Corporations Act 2001 on 2 September 2002, this information presents the financial results of the BHP Billiton Group as follows:

- Results for the years ended 30 June 2002 and 2003 are of the combined entity including both BHP Billiton Limited and its subsidiary companies and BHP Billiton Plc and its subsidiary companies; and
- Results are presented in US dollars unless otherwise stated.

The 'BHP Billiton Limited Annual Report 2003 – Combined Financial Statements' and the single parent entity financial statements of BHP Billiton Limited are available on the Company's website (www.bhpbilliton.com) and are available to shareholders on request free of charge.

Results for the financial year ended 30 June 2003

Overview

Global economic conditions remained weak during the year ended 30 June 2003. In what has been a challenging climate, BHP Billiton's operating and financial results clearly demonstrate our ability to consistently generate stable cash flows, improve underlying profitability and increase returns to shareholders whilst still continuing our investment in growth projects.

Net profit attributable to members of the BHP Billiton Group for 2003 of US\$1 860 million was 12.9 per cent higher than the previous year (2002: US\$1 648 million). Basic earnings per share were 30.0 US cents (2002: 27.3 US cents).

Profit before borrowing costs and tax

Profit before borrowing costs and tax was US\$3 294 million compared with a profit of US\$2 957 million for 2002.

During the financial year the Group's Steel business was demerged. In order to provide meaningful comparison, the discussion in the remainder of this section is based on the Group's Continuing Operations.

Excluding significant items (refer below), profit from Continuing Operations before borrowing costs and tax was US\$3 313 million compared with a profit of US\$3 079 million for 2002.

The following represent the approximate impact of the major factors affecting profit before borrowing costs and tax (from Continuing Operations, excluding significant items and outside equity interests) for the year ended 30 June 2003, compared with last year:

- Higher realised prices for petroleum products, nickel, ferrochrome, copper, hot briquetted iron and manganese alloy increased revenue.

This increase was partly offset by lower prices for export energy coal and iron ore that decreased revenue.

- Favourable unit operating cost performance, due to increased production and the Group's cost reduction initiatives increased profits compared with the corresponding period. These factors were partially offset by higher costs at Escondida (Chile) from processing lower-grade ore due to the voluntary production cut-backs and higher depreciation from the start-up of the Phase IV expansion project.
- Increases in price-linked costs depressed profits, mainly due to higher royalties and taxes for petroleum products and higher nickel ore supply costs to the Yabulu refinery (Australia).
- Inflationary pressures, principally in South Africa, and to a lesser extent in Australia, increased costs.
- Higher sales volumes of iron ore, energy coal, copper, aluminium, diamonds and manganese were partly offset by lower sales volumes of petroleum products, resulting in a positive net volume impact on profits.
- Exploration expense was down by approximately US\$45 million compared with the corresponding period, which included the write-off of exploration expenditure at La Granja (Peru).
- New and acquired operations increased profits due to the commencement of commercial production at Antamina (Peru) in October 2001 and the increased ownership interest in Cerrejon Coal Company (Colombia) from February 2002.
- The impact of stronger A\$/US\$, South African rand/US\$ and Canadian\$/US\$ exchange rates on operating costs had an unfavourable impact on profits. The conversion of South African rand and Australian dollar denominated net monetary liabilities at balance sheet date also had an unfavourable impact on profits. This was partly offset by reduced losses on legacy A\$/US\$ currency hedging compared with the corresponding period of approximately US\$220 million. In addition, the lower average Colombian peso/US\$ and Brazilian real/US\$ exchange rates had a favourable impact on operating costs.
- Profit was impacted unfavourably from ceased/sold operations mainly due to the disposal of PT Arutmin (Indonesia), divested in November 2001 and the Rietspruit energy coal mine (South Africa), which was closed in May 2002, together with higher pension and medical plan costs at Southwest Copper (US).
- The impact of asset sales is a reduction in profits of approximately US\$30 million mainly from the profit on divestment of PT Arutmin in the corresponding period, partly offset by profits on sale of BHP Billiton's interests in Alumbrera (Argentina) and Agua Rica (Argentina), during the current year.

Discontinued operations/Significant items

The demerger of the Group's Steel business became unconditional on 1 July 2002. The profit before net borrowing costs and income tax of US\$77 million relating to the Group's Steel business in the corresponding period has been disclosed as Discontinued Operations. The 6 per cent interest in BHP Steel retained by BHP Billiton was sold in July 2002 for US\$75 million and the loss of US\$19 million associated with this sale has been recognised in the current year and is disclosed as a significant item in relation to Discontinued Operations. The demerger was effected through a Court-approved capital reduction of A\$0.69 per BHP Billiton Limited share totalling approximately US\$1.5 billion (A\$2.6 billion) via the transfer of BHP Steel Limited shares to BHP Billiton Limited shareholders. Consequently, BHP Billiton Plc shareholders received approximately 149 million BHP Billiton Plc equalisation shares.

The major significant items before taxation for the year ended 30 June 2002 included charges to profit of:

- US\$101 million relating to Southwest Copper, of which US\$171 million related to the write-down in carrying values of assets offset by a US\$70 million reduction in closure provisions;
- US\$31 million relating to charges associated with suspension of Tintaya sulphide operations; and
- US\$80 million relating to the merger and restructuring of the Group.

In June 2002 a change in legislation increased the corporation tax rate for petroleum operations in the United Kingdom from 30 per cent to 40 per cent, resulting in deferred taxation balances being restated, with an adverse impact of US\$56 million on the results for the year ended 30 June 2002. The tax effects of other significant items were a benefit of US\$24 million for the year ended 30 June 2002.

After including significant items and Discontinued Operations, the attributable profit for the current period was US\$1 860 million, US\$212 million higher than the US\$1 648 million for the corresponding period, which included profits from Discontinued Operations of US\$68 million after tax, together with significant items after tax of US\$244 million. Basic earnings per share, including significant items and Discontinued Operations, was 30.0 US cents per share, 9.9 per cent higher than the 27.3 US cents per share of the corresponding period.

Borrowing costs

Total borrowing costs, including capitalised interest and excluding discounting on provisions and exchange differences on Group borrowings were US\$400 million, compared with US\$507 million in the corresponding period. The lower borrowing costs were principally driven by lower market interest rates, lower average debt levels and management of the Group's debt portfolio.

Exchange losses on debt were US\$117 million compared with gains of US\$141 million in the corresponding period, mainly in relation to the translation of rand denominated debt of companies which account in US dollars as their functional currency. The rand appreciated by 27 per cent during the current period compared with depreciation of 27 per cent in the corresponding period.

Taxation

The tax charge for the year was US\$883 million, representing an effective rate of 31.7 per cent. Excluding the impacts on tax of non tax-effected foreign currency adjustments, translation of tax balances and other functional currency translation adjustments, the effective rate was 24.8 per cent. The Group recognises tax losses to the extent that it expects to earn virtually certain future profits which can absorb those losses. Following promising progress in the Group's Gulf of Mexico (US) projects, previously unrecognised tax losses in the US have been recouped and have been recognised this year resulting in a reduction in the effective tax rate of approximately 3 per cent. If and when the projects reach appropriate milestones that provide virtual certainty over projected future profits, further benefits in respect of past losses may be recognised.

Comparison to results under UK GAAP

As a consequence of the DLC merger, the BHP Billiton Limited Group and the BHP Billiton Plc Group have aligned accounting policies, as far as is possible, to minimise differences and simplify determination and reporting of the combined results. The item where alignment is not possible in terms of UK and Australian GAAP and which impacts the year ended 30 June 2003 is described below.

Under UK GAAP, until 30 June 1998 goodwill arising upon acquisition was written off directly against equity. Subsequently and currently under UK GAAP, goodwill is to be retained as an asset and amortised. This current treatment is consistent with that required under Australian GAAP. As of 30 June 1998, the BHP Billiton Plc Group had written off a net amount of goodwill of US\$513 million directly against equity. For Australian GAAP reporting on a combined basis, this goodwill is reinstated on the Statement of Financial Position as an intangible asset, with a corresponding credit to equity. The net balance at 30 June 2003 (after amortisation) is US\$430 million (30 June 2002: US\$471 million) and the impact on the Australian GAAP Statement of Financial Performance is a charge to profit of US\$41 million (no tax effect) for the year ended 30 June 2003 (2002: US\$42 million). Thus, the attributable profit of the BHP Billiton Group of US\$1 901 million under UK GAAP compares to that recorded by the BHP Billiton Group of US\$1 860 million for the same period under Australian GAAP.

Cash flow

Operating cash inflows for the year were US\$3 627 million with a total cash inflow of US\$539 million.

Expenditure on growth projects and investments amounted to US\$1 995 million, including US\$814 million on petroleum projects and US\$1 181 million on minerals and other corporate projects. Maintenance capital expenditure was US\$671 million and exploration expenditure was US\$348 million, whilst proceeds from the sale of property, plant and equipment, proceeds from sale of investments and proceeds from sale of controlled entities, joint ventures and associates generated US\$1 064 million, contributing to an investing cash outflow of US\$1 950 million.

After dividend payments of US\$868 million, financing cash outflows were US\$1 138 million.

Portfolio management

During the year, a number of portfolio management activities were finalised.

Proceeds of US\$345 million were received from the sale of our indirect 2.1 per cent interest in Companhia Vale do Rio Doce (CVRD), during March 2003. Our interests in the Agua Rica prospect and Alumbra mine in Argentina were also sold during the year. These sales generated US\$136 million in cash proceeds, with an additional US\$63 million deferred for receipt until June 2005.

Balance sheet

Net assets and equity shareholders' funds for the BHP Billiton Group were US\$12 761 million at 30 June 2003, a decrease of US\$392 million from the 30 June 2002 position. After allowing for the return of capital to shareholders associated with the BHP Steel demerger of US\$1 489 million, equity shareholders' funds increased by US\$1 097 million. Net borrowings for the BHP Billiton Group decreased by 13.6 per cent to US\$5 772 million.

As a consequence of the above, the net gearing ratio decreased to 31.1 per cent compared with 33.7 per cent for the previous year.

Currency

The Group has adopted the US dollar as its reporting currency and, subject to some specific exceptions, its functional currency. Currency fluctuations affect the Statement of Financial Performance in two principal ways.

Sales are predominantly based on US dollar pricing (the principal exceptions being Petroleum's gas sales to Australian and UK domestic

customers and Energy Coal's sales to South African domestic customers). However, a proportion of operating costs (particularly labour) arises in local currency of the operations, most significantly the Australian dollar and South African rand, but also the Brazilian real, the Chilean peso and Colombian peso. Accordingly, changes in the exchange rates between these currencies and the US dollar can have a significant impact on the Group's reported results.

Several subsidiaries hold certain monetary assets and liabilities denominated in currencies other than their functional currency (US dollars), in particular non-US dollar denominated debt, tax liabilities and provisions. Monetary assets and liabilities are converted into US dollars at the closing rate. The resultant differences are accounted for in the Statement of Financial Performance.

Capital management

Moody's Investor Services upgraded our long-term credit rating to A2 from A3 and our short-term rating to P-1 from P-2 during the year ended 30 June 2003.

The Group's stronger credit profile enabled further diversification of funding sources, resulting in the issuance of our inaugural €750 million Eurobond under the US\$1.5 billion Euro Medium Term Note program and issuance of our inaugural US\$850 million Global Bond with a ten-year maturity.

In February 2003, a US\$2 billion commercial paper program was established and issuance from this program commenced during June 2003. This provides additional diversification of our short-term funding programs and enhances flexibility.

Dividends

An interim dividend of 7.0 US cents per fully paid ordinary share was paid in December 2002 and a final dividend of 7.5 US cents per fully paid ordinary share was paid in July 2003, bringing the declared total for the year to 14.5 US cents. This compares to total dividends declared in the corresponding period of 13.0 US cents per share. The BHP Billiton Limited dividends were 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 to shareholders on the UK section of the register and South African rand to shareholders on the South African section of the register.

Statement of Financial Performance

for the year ended 30 June 2003

	Notes	2003 US\$M ^(a)	2002 US\$M ^{(a)(b)}
Revenue from ordinary activities			
Operating revenue		15 608	15 896
Non-operating revenue		941	1 171
	5	16 549	17 067
<i>deduct</i>			
Expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs		11 730	12 564
		4 819	4 503
<i>add</i>			
Share of net profit of joint venture and associated entities accounted for using the equity method		164	223
		4 983	4 726
<i>deduct</i>			
Depreciation and amortisation		1 689	1 769
Borrowing costs		511	350
Profit from ordinary activities before income tax	5	2 783	2 607
<i>deduct</i>			
Income tax expense attributable to ordinary activities		883	912
Net profit		1 900	1 695
<i>deduct</i>			
Outside equity interests in net profit of controlled entities		40	47
Net profit attributable to members of the BHP Billiton Group		1 860	1 648
Net exchange fluctuations on translation of foreign currency net assets and foreign currency interest bearing liabilities net of tax		67	25
Total direct adjustments to equity attributable to members of the BHP Billiton Group		67	25
Total changes in equity other than those resulting from transactions with owners		1 927	1 673
Basic earnings per share (US cents)	7	30.0	27.3
Diluted earnings per share (US cents)	7	29.9	27.3

^(a) Financial information for 2003 and 2002 represents the financial performance of the BHP Billiton Group (Refer 'Dual Listed Companies structure and basis of preparation of financial statements').

^(b) Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. The Statement of Financial Performance for the year ended 30 June 2002 includes results of BHP Steel. Refer note 3.

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2003

	Notes	2003 US\$M ^(a)	2002 US\$M ^{(a)(b)}
Current assets			
Cash assets		1 552	1 499
Receivables		2 177	2 294
Other financial assets		143	117
Inventories		1 328	1 419
Other assets		129	99
Total current assets		5 329	5 428
Non-current assets			
Receivables		897	889
Investments accounted for using the equity method		1 403	1 505
Other financial assets		150	581
Inventories		51	38
Property, plant and equipment		19 780	20 146
Intangible assets		466	513
Deferred tax assets		447	480
Other assets		354	282
Total non-current assets		23 548	24 434
Total assets	5	28 877	29 862
Current liabilities			
Payables		2 362	2 435
Interest bearing liabilities		898	1 797
Tax liabilities		309	493
Other provisions and liabilities		1 141	1 116
Total current liabilities		4 710	5 841
Non-current liabilities			
Payables		195	121
Interest bearing liabilities		6 426	6 383
Deferred tax liabilities		1 434	1 600
Other provisions and liabilities		3 351	2 764
Total non-current liabilities		11 406	10 868
Total liabilities	5	16 116	16 709
Net assets		12 761	13 153
Contributed equity – BHP Billiton Limited		1 785	3 143
Called up share capital – BHP Billiton Plc		1 732	1 752
Reserves		362	471
Retained profits		8 558	7 455
Total BHP Billiton interest		12 437	12 821
Outside equity interests		324	332
Total equity		12 761	13 153

(a) Financial information for 2003 and 2002 represents the financial position of the BHP Billiton Group (Refer 'Dual Listed Companies structure and basis of preparation of financial statements').

(b) Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. The Statement of Financial Position as at 30 June 2002 includes assets and liabilities of BHP Steel. Refer note 3.

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2003

	2003 US\$M ^(a)	2002 US\$M ^{(a)(b)}
Cash flows related to operating activities		
Receipts from customers	15 415	16 129
Payments to suppliers, employees, etc.	(10 623)	(11 586)
Dividends received	212	187
Interest received	36	156
Borrowing costs (includes capitalised interest)	(411)	(525)
Operating cash flows before income tax	4 629	4 361
Income taxes paid	(1 002)	(606)
Refund of income taxes paid	–	91
Net operating cash flows	3 627	3 846
Cash flows related to investing activities		
Purchases of property, plant and equipment	(2 571)	(2 481)
Exploration expenditure (includes capitalised exploration)	(348)	(390)
Purchases of investments and funding of joint ventures	(95)	(321)
Purchases of, or increased investment in, controlled entities and joint venture interests net of their cash	–	(45)
Investing cash outflows	(3 014)	(3 237)
Proceeds from sale of property, plant and equipment	99	200
Proceeds from sale or redemption of investments	560	232
Proceeds from demerger or sale of controlled entities, joint venture and associated entities' interests net of their cash	405	145
Net investing cash flows	(1 950)	(2 660)
Cash flows related to financing activities		
Proceeds from ordinary share issues	172	140
Proceeds from interest bearing liabilities	3 698	3 975
Repayment of interest bearing liabilities	(4 121)	(4 331)
Redemption of secured Employee Share Plan program	–	(134)
Purchase of shares under Share Buy-Back program	(20)	(19)
Dividends paid	(830)	(811)
Dividends paid to outside equity interests	(38)	(20)
Other	1	5
Net financing cash flows	(1 138)	(1 195)
Net increase/(decrease) in cash and cash equivalents	539	(9)
Cash and cash equivalents at beginning of period	990	998
Effect of foreign currency exchange rate changes on cash and cash equivalents	2	1
Cash and cash equivalents at end of period	1 531	990

^(a) Financial information for 2003 and 2002 represents the financial performance of the BHP Billiton Group (Refer 'Dual Listed Companies structure and basis of preparation of financial statements').

^(b) Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. The Statement of Cash Flows for the year ended 30 June 2002 includes cash flows of BHP Steel. Net operating cash flows for BHP Steel for that year amounted to US\$282 million. Refer note 3.

The accompanying notes form part of these financial statements.

Dual Listed Companies Structure and Basis of Preparation of Financial Statements

Merger terms

On 29 June 2001, BHP Billiton Limited (previously known as BHP Limited), an Australian listed company, and BHP Billiton Plc (previously known as Billiton Plc), a UK listed company, entered into a Dual Listed Companies (DLC) merger. This was effected by contractual arrangements between the Companies and amendments to their constitutional documents.

The effect of the DLC merger is that BHP Billiton Limited and its subsidiaries (the BHP Billiton Limited Group) and BHP Billiton Plc and its subsidiaries (the BHP Billiton Plc Group) operate together as a single economic entity (the BHP Billiton Group), with neither assuming a dominant role. Under the arrangements:

- The shareholders of BHP Billiton Limited and BHP Billiton Plc have a common economic interest in both Groups;
- The shareholders of BHP Billiton Limited and BHP Billiton Plc take key decisions, including the election of Directors, through a joint electoral procedure under which the shareholders of the two Companies effectively vote on a joint basis;
- BHP Billiton Limited and BHP Billiton Plc have a common Board of Directors, a unified management structure and joint objectives;
- Dividends and capital distributions made by the two Companies are equalised; and
- BHP Billiton Limited and BHP Billiton Plc each executed a deed poll guarantee, guaranteeing (subject to certain exceptions) the contractual obligations (whether actual or contingent, primary or secondary) of the other incurred after 29 June 2001 together with specified obligations existing at that date.

If either BHP Billiton Limited or BHP Billiton Plc proposes to pay a dividend to its shareholders, then the other Company must pay a matching cash dividend of an equivalent amount per share to its shareholders. If either Company is prohibited by law or is otherwise unable to declare, pay or otherwise make all or any portion of such a matching dividend, then BHP Billiton Limited or BHP Billiton Plc will, so far as it is practicable to do so, enter into such transactions with each other as the Boards agree to be necessary or desirable so as to enable both Companies to pay dividends as nearly as practicable at the same time.

The DLC merger did not involve the change of legal ownership of any assets of BHP Billiton Limited or BHP Billiton Plc, any change of ownership of any existing shares or securities of BHP Billiton Limited or BHP Billiton Plc, the issue of any shares or securities or any payment by way of consideration, save for the issue by each Company of one special voting share to a trustee company which is the means by which the joint electoral procedure is operated. In addition, to achieve a position where the economic and voting interests of one share in BHP Billiton Limited and one share in BHP Billiton Plc were identical, BHP Billiton Limited made a bonus issue of ordinary shares to the holders of its ordinary shares.

Treatment of the DLC merger for accounting purposes

In accordance with the Australian Securities and Investments Commission (ASIC) Practice Note 71 'Financial Reporting by Australian Entities in Dual-Listed Company Arrangements', and an order issued by ASIC under section 340 of the Corporations Act 2001 on 2 September 2002, this annual financial report presents the financial results of the BHP Billiton Group as follows:

- Results for the years ended 30 June 2003 and 30 June 2002 are of the combined entity including both BHP Billiton Limited and its subsidiary companies and BHP Billiton Plc and its subsidiary companies; and
- Results are presented in US dollars unless otherwise stated.

The 'BHP Billiton Limited Annual Report 2003 – Combined Financial Statements' and the full single parent entity financial statements of BHP Billiton Limited are available on the Company's website (www.bhpbilliton.com) and are available to shareholders on request free of charge.

Notes to Concise Financial Statements

1 Statement of accounting policies and principles

The concise financial statements have been derived from the statutory financial statements of the BHP Billiton Group for the year ended 30 June 2003 provided in the 'BHP Billiton Limited Annual Report 2003 – Combined Financial Statements'. The statutory financial statements comply with the requirements of the Corporations Act, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views. A full description of the accounting policies adopted by the BHP Billiton Group is provided in the 'BHP Billiton Limited Annual Report 2003 – Combined Financial Statements'.

The concise financial statements and its notes do not and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the 'BHP Billiton Limited Annual Report 2003 – Combined Financial Statements'.

Principles of consolidation

The financial statements of the economic entity referred to as the BHP Billiton Group include the combination of both BHP Billiton Limited and its subsidiary companies and BHP Billiton Plc and its subsidiary companies. In preparing the financial statements of the BHP Billiton Group, the effects of all transactions between entities within the BHP Billiton Group have been eliminated.

Changes in accounting policies

Accounting standards and policies have been consistently applied by all entities in the BHP Billiton Group and are consistent with those applied in the prior year except for:

Provisions, employee entitlements and contingent liabilities

Revised Australian Accounting Standard AASB 1028 'Employee Entitlements' was first adopted from 1 July 2002, which resulted in the Group calculating employee benefit liabilities using remuneration rates expected to be paid when the liabilities are settled, rather than remuneration rates at balance date. The financial effect of the change in policy as at 1 July 2002 was a charge to net profit for the year ended 30 June 2003 of US\$6 million.

In addition, Australian Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets' was first adopted from 1 July 2002 which resulted in the Group no longer disclosing contingent liabilities where the likelihood of the transfer of future economic benefit is remote. This change in policy had no impact on net profit for the year ended 30 June 2003.

Foreign currency translation

Revised Australian Accounting Standard AASB 1012 'Foreign Currency Translation' was first adopted from 1 July 2002.

For hedges of specific purchases or sales, the gains or costs on entering the hedge and the exchange differences up to the date of the purchase or sale are now deferred and recognised as assets or liabilities on the Statement of Financial Position from the inception of the hedge contract, rather than when the specific purchase or sale occurs.

At 30 June 2003, for foreign currency hedge contracts the Group has recognised deferred costs of US\$9 million, deferred exchange gains of US\$104 million and a net foreign currency receivable of US\$95 million. There was no impact on opening retained profits at 1 July 2002 or on net profit for the year ended 30 June 2003.

Disclosure of components of borrowing costs, interest revenue and income tax expense

The BHP Billiton Group calculates foreign exchange gains and losses in accordance with AASB 1012. In prior years, a net foreign exchange gain or loss arising from the restatement of non-US dollar monetary balances by Group entities that have a US dollar functional currency, has been disclosed as a single net amount included in profit from ordinary activities before income tax. In the current year, the components of this amount that relate to the restatement of borrowings, short-term deposits and tax balances have been classified and disclosed as a component of borrowing costs, interest revenue and income tax expense, respectively. In addition, the unwind of the discounting of provisions has been classified and disclosed separately as a component of borrowing costs. This disclosure better presents the impact of these foreign exchange gains or losses and the discount component on the underlying categories of income or expense.

The change in policy only impacts the disclosure of individual line items in the Statement of Financial Performance, as set out below. Comparative amounts have been restated accordingly. There was no impact on opening retained profits at 1 July 2002 or on net profit for the year ended 30 June 2003.

	2003 US\$M	Restated 2002 US\$M	As previously disclosed 2002 US\$M
Borrowing costs	511	350	449
Interest revenue	67	147	142
Income tax expense	883	912	955

Tax consolidation

The Australian Federal Government has introduced consolidations tax law, which enables an Australian group of companies to be treated as a single entity and to lodge a single tax return, if the Group makes an election, which is voluntary.

The election to consolidate can be made from the 2003 financial year and to be eligible, the head company of the wholly-owned group of entities will need to make an irrevocable choice to consolidate with its wholly-owned Australian subsidiaries for income tax purposes. This election needs to be made to the Australian Taxation Office (ATO) by the time the Group lodges its first consolidated income tax return (being 1 December for the prior year ended 30 June). Upon such election, all of the wholly-owned subsidiaries will become 'subsidiary members' of the consolidated group and together with the head company will constitute the members of the group.

The new consolidations tax law rules also provide the means for pooling of group franking credits and disregarding intra-group transactions in calculating tax liabilities. Groups that do not elect to form a consolidated group will not be able to use existing grouping rules, including grouping of tax losses and rollover of capital gains tax assets. Complex rules, applicable upon election, restrict the ability to bring tax losses into a consolidated group and permit reset of the tax cost base of assets in certain circumstances. These could impact both the Group's deferred tax assets and liabilities at the time of election and its current tax payable from the first affected period.

Notes to Concise Financial Statements continued

1 Statement of accounting policies and principles continued

The Group has yet to decide whether or not to elect under the consolidations regime, so any impact on the financial statements has not yet been determined. It is anticipated the Group will be able to determine this position late in the 2003 calendar year. In the event that the Group elects to consolidate, there is not expected to be any adverse effect on recorded tax assets.

Impact of International Financial Reporting Standards

The Australian Financial Reporting Council (FRC) announced in July 2002 that Australia would adopt International Financial Reporting Standards (IFRS), formerly known as International Accounting Standards (IAS), from

1 January 2005. The adoption of IFRS will be first reflected in the Group's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

The transition to IFRS could have a material impact on the Group's financial position and reported results, however it is not possible to quantify the impact at this time. The Group has established a project team to manage the convergence to IFRS.

Currency of presentation

All amounts are expressed in US dollars unless otherwise stated.

2 Significant items

Individually significant items (before outside equity interests) included within the BHP Billiton Group net profit are detailed below.

	Gross 2003 US\$M	Tax 2003 US\$M	Net 2003 US\$M
Significant items by category			
Loss on sale of 6% interest in BHP Steel (a)	(19)	–	(19)
Total by category	(19)	–	(19)
Significant items by Customer Sector Group			
Discontinued Operations	(19)	–	(19)
Total by Customer Sector Group	(19)	–	(19)

	Gross 2002 US\$M	Tax 2002 US\$M	Net 2002 US\$M
Significant items by category			
Termination of operations			
<i>Write-down in carrying values of assets</i>			
Base Metals			
Southwest Copper assets (b)	(171)	–	(171)
<i>Reductions in provisions</i>			
Base Metals			
Southwest Copper closure provisions (b)	70	–	70
	(101)	–	(101)
Significant taxation items			
Group and unallocated items			
Change in UK tax rate on petroleum operations (c)	–	(56)	(56)
	–	(56)	(56)
Other significant items			
<i>Suspension of operations</i>			
Base Metals			
Charges associated with suspension of Tintaya sulphide operations (d)	(31)	9	(22)
	(31)	9	(22)

2 Significant items continued

	Gross 2002 US\$M	Tax 2002 US\$M	Net 2002 US\$M
<i>Merger-related restructuring costs</i>			
Petroleum	(4)	1	(3)
Aluminium	(4)	–	(4)
Base Metals	(13)	1	(12)
Carbon Steel Materials	(6)	1	(5)
Diamonds and Specialty Products	(6)	2	(4)
Energy Coal	(5)	1	(4)
Stainless Steel Materials	(3)	–	(3)
Group and unallocated items	(39)	9	(30)
	(80)	15	(65)
Total by category	(212)	(32)	(244)
Significant items by Customer Sector Group			
Petroleum	(4)	1	(3)
Aluminium	(4)	–	(4)
Base Metals	(145)	10	(135)
Carbon Steel Materials	(6)	1	(5)
Diamonds and Specialty Products	(6)	2	(4)
Energy Coal	(5)	1	(4)
Stainless Steel Materials	(3)	–	(3)
Group and unallocated items	(39)	(47)	(86)
Total by Customer Sector Group	(212)	(32)	(244)

- (a) A 6 per cent interest in BHP Steel was retained by the Group upon demerger of the Group's Steel business. This was sold in July 2002 for US\$75 million and the loss of US\$19 million associated with this sale has been recognised in the year ended 30 June 2003 as a significant item in relation to Discontinued Operations.
- (b) Following a reassessment of the Group's asset disposal and closure plans relating to its Southwest Copper business in the US (where the Group ceased operations in 1999), impairment provisions, principally related to the San Manuel smelter, were increased by US\$171 million. This was offset by a reduction of US\$70 million in provisions relating to the expected timing of site restoration expenditure.
- (c) In June 2002, a change in legislation increased the corporation taxation rate for oil and gas companies in the UK from 30 per cent to 40 per cent, resulting in deferred taxation balances being restated by US\$56 million.
- (d) As at 30 June 2002, sulphide operations at Tintaya had been suspended until at least January 2003. A charge of US\$31 million recognised the costs of the suspension and a write-down of obsolete equipment.

3 Discontinued operations

Due to the demerger of the BHP Steel business in July 2002, BHP Steel's results have been reported as Discontinued Operations.

The BHP Billiton Group demerged the BHP Steel business in July 2002 as follows:

- A capital reduction and a transfer to BHP Billiton Limited shareholders of 94 per cent of the shares in BHP Steel;
- A bonus issue of BHP Billiton Plc shares to BHP Billiton Plc shareholders as a Matching Action to ensure economic benefit equality to shareholders of both BHP Billiton Limited and BHP Billiton Plc (the bonus issue was one BHP Billiton Plc share for approximately each 15.6 BHP Billiton Plc shares held); and
- The sale by the BHP Billiton Group of the remaining 6 per cent of BHP Steel shares held by the Group.

The impact of these steps was:

- The BHP Billiton Group's total equity was reduced by US\$1 489 million, including costs directly associated with the demerger of US\$17 million net of tax (US\$24 million before tax);
- A cash inflow of US\$347 million, representing net US\$294 million from the settlement by BHP Steel of intercompany loans, less US\$22 million demerger transaction costs paid, and US\$75 million from the sale of the 6 per cent of BHP Steel; and
- A 6 per cent interest in BHP Steel was retained by the Group upon demerger of the Group's steel business. This was sold in July 2002 for US\$75 million and the loss of US\$19 million associated with this sale has been recognised in the year ended 30 June 2003 and is disclosed as a significant item.

BHP Steel is the leading steel company in Australia and New Zealand, specialising in the production of flat steel products, including slab, hot rolled coil, plate and value-added metallic coated and pre-painted steel products. It supplies customers in Australia, New Zealand, Asia, the US, Europe, the Middle East and the Pacific. Key steelmaking assets are the Port Kembla Steelworks (Australia), BHP New Zealand Steel and North Star BHP Steel (US). A network of metallic coating and coil painting facilities operates in Australia, New Zealand and South East Asia.

The financial performance of BHP Steel, as included in the BHP Billiton financial statements for 2002, is detailed below. The financial effect of the sale, in July 2002, of the 6 per cent interest retained by the Group upon demerger is also detailed below.

	Discontinued Steel business	
	2003 US\$M	2002 US\$M
Financial performance		
Revenue from ordinary activities before interest income	75	2 389
Expenses from ordinary activities excluding borrowing costs	(94)	(2 312)
(Loss)/profit from ordinary activities before net borrowing costs and income tax	(19)	77

There were no significant items included within profit from ordinary activities before net borrowing costs and income tax for 2002.

While the BHP Billiton Group operates its treasury function on a Group basis, certain financing arrangements not reported in the Steel segment can be attributed to the discontinued Steel operations. Not included within revenue from ordinary activities for 2003 is interest income of US\$nil (2002: US\$13 million). The borrowing costs associated with attributable debt instruments was US\$nil for 2003 (2002: US\$17 million). The income tax expense/(benefit) related to Discontinued Operations, including the tax impact on financing arrangements noted above, was a tax benefit of US\$nil (2002: US\$3 million tax benefit).

3 Discontinued operations continued

The contribution to Group cash flows of the BHP Steel business before consideration of borrowing costs and income tax, as included in the BHP Billiton Group financial statements is detailed below:

	Discontinued Steel business	
	2003 US\$M	2002 US\$M
Cash flows		
Net operating cash flows (excluding borrowing activities and income tax)	–	283
Net investing cash flows ^(a)	74	(74)
Net financing cash flows	–	(21)
Total cash flows provided by Discontinued Operations	74	188

^(a) 2003 includes US\$75 million in proceeds from the sale of 6 per cent of BHP Steel and US\$1 million in costs associated with the sale.

The attributable net assets of BHP Steel as included in the BHP Billiton Group's 30 June 2002 Statement of Financial Position is provided below. In addition, the net assets demerged in July 2002 are provided, after allowing for the settlement of intercompany loans by BHP Steel to the BHP Billiton Group and the realisation of Group profit in stock held by BHP Steel.

	Discontinued Steel business	
	2003 US\$M	2002 US\$M
Financial Position ^(a)		
Total assets	–	2 731
Total liabilities	–	(840)
Outside equity interests	–	(21)
Total equity	–	1 870
Net payments to the BHP Billiton Group by BHP Steel to settle intercompany loans (post 30 June 2002)	–	(294)
Attributable net assets of BHP Steel	–	1 576
Group profit in stock held by BHP Steel	–	(9)
Attributable net assets of the BHP Billiton Group at date of demerger ^(b)	–	1 567

^(a) Includes certain assets and liabilities (primarily cash, interest bearing liabilities and taxation provisions) which are not allocated to Steel for segment reporting purposes.

^(b) Of the US\$1 567 million attributable net assets at date of demerger, approximately 94 per cent or US\$1 472 million were demerged to shareholders of BHP Billiton Limited; this together with US\$17 million in costs of the demerger represents a reduction in total equity of US\$1 489 million.

Notes to Concise Financial Statements continued

4 Remuneration of auditors

	2003 US\$M	2002 US\$M
Audit fees payable by the BHP Billiton Group to:		
Joint auditors of BHP Billiton Group (a)		
KPMG	3.443	3.162
PricewaterhouseCoopers	4.055	2.877
Other audit firms (b)	0.990	3.794
Total audit fees	8.488	9.833
Fees payable by the BHP Billiton Group to auditors for other services (c)		
Joint auditors of the BHP Billiton Group		
Audit related services (c)		
KPMG	0.598	1.012
PricewaterhouseCoopers	1.548	1.012
Information systems design and implementation (d)		
KPMG	0.720	5.711
Taxation services (e)		
KPMG	1.994	1.591
PricewaterhouseCoopers	1.288	1.390
Other services (f)		
KPMG	0.596	2.626
PricewaterhouseCoopers	0.138	1.840
Other audit firms		
Other services	1.407	4.397
Total other services	8.289	19.579
Total fees	16.777	29.412

(a) PricewaterhouseCoopers and KPMG were appointed as joint Group auditors of the BHP Billiton Group for the 2003 financial year. All amounts included in the current year represent amounts payable to these firms.

(b) Audited by auditors other than those that are joint Group auditors of the BHP Billiton Group. During the year ended 30 June 2002, Ernst & Young and Arthur Andersen were the auditors of the BHP Billiton Limited Group and the comparative amount includes US\$3.552 million in audit fees that were paid to those firms.

(c) Mainly includes accounting advice, due diligence services and services associated with securities offerings. For the year ended 30 June 2003, audit fees of US\$0.248 million relating to pension plans, which are not directly payable by the BHP Billiton Group, have been excluded from the above analysis.

(d) Relates to legacy contracts entered into with the former consulting arms of the joint audit firms before they were disposed.

(e) Mainly includes tax compliance services and employee expatriate taxation services.

(f) Mainly includes human resources services and pension advisory services. The 2002 financial year also includes fees related to legacy internal audit services provided to the BHP Billiton Limited Group which were contracted prior to the DLC merger. These services ceased during the year ended 30 June 2002.

5 Segment results

The BHP Billiton Group has grouped its major operating assets into the following Customer Sector Groups (CSGs):

- Petroleum (exploration for and production, processing and marketing of hydrocarbons including oil, gas and LNG);
- Aluminium (exploration for and mining of bauxite, processing and marketing of aluminium and alumina);
- Base Metals (exploration for and mining, processing and marketing of copper, silver, zinc, lead and copper by-products including gold);
- Carbon Steel Materials (exploration for and mining, processing and marketing of coking coal, iron ore and manganese);
- Diamonds and Specialty Products (EKATI diamond mine, titanium operations, metals distribution activities and exploration, and technology activities);

- Energy Coal (exploration for and mining, processing and marketing of steaming coal); and
- Stainless Steel Materials (exploration for and mining, processing and marketing of chrome and nickel).

Net unallocated interest represents the charge to profit of debt funding to the BHP Billiton Group.

Group and unallocated items represent Group Centre functions and certain comparative data for divested assets and investments.

Inter-segment sales are made on a commercial basis.

Industry segment information

US\$ million	External Revenue	Inter-segment revenue	Share of net profit from associated entities	Profit before tax ^{(a)(b)}	Gross segment assets ^(g)	Gross segment liabilities	Depreciation and amortisation	Other non-cash expenses	Capital expenditure ^(c)
Year ended 30 June 2003									
Petroleum	3 334	4	–	1 178	5 164	2 207	549	50	861
Aluminium	3 401	–	–	569	5 976	936	245	–	462
Base Metals	1 757	–	20	245	4 423	1 133	257	(2)	201
Carbon Steel Materials	3 474	26	57	1 018	3 793	1 562	196	7	479
Diamonds and Specialty Products	469	11	59	185	1 455	362	107	–	101
Energy Coal	1 901	–	27	154	3 185	1 120	194	2	300
Stainless Steel Materials	1 105	–	1	145	2 077	426	102	10	121
Group and unallocated items ^{(d)(e)}	966	465	–	(248)	2 804	8 370	39	66	46
Discontinued Operations ^(f)	75	–	–	(19)	–	–	–	–	–
Net unallocated interest	67	–	–	(444)	–	–	–	–	–
BHP Billiton Group	16 549	506	164	2 783	28 877	16 116	1 689	133	2 571
Year ended 30 June 2002									
Petroleum	2 801	35	–	1 069	4 539	2 061	571	4	687
Aluminium	2 846	–	–	476	5 436	746	246	(4)	291
Base Metals	1 415	23	32	23	4 502	1 092	233	161	578
Carbon Steel Materials	2 949	167	47	1 046	3 079	1 135	188	31	284
Diamonds and Specialty Products	1 096	19	122	220	1 410	181	79	1	121
Energy Coal	2 045	–	18	496	2 895	1 072	194	5	295
Stainless Steel Materials	799	–	4	1	1 963	267	94	2	84
Group and unallocated items ^{(d)(e)}	580	366	–	(598)	3 307	9 315	32	59	43
Discontinued Operations ^(f)	2 389	–	–	77	2 731	840	132	4	98
Net unallocated interest	147	–	–	(203)	–	–	–	–	–
BHP Billiton Group	17 067	610	223	2 607	29 862	16 709	1 769	263	2 481

(a) Before outside equity interests.

(b) Excludes income tax expense for BHP Billiton Group of US\$883 million (2002: US\$912 million), which results in a net profit after income tax expense of US\$1 900 million (2002: US\$1 695 million).

(c) Excluding investment expenditure, capitalised borrowing costs and capitalised exploration.

(d) Comparative results for certain minor residual steel assets and liabilities that were not demerged as part of the BHP Steel (Residual Steel operations) are included in Group and unallocated items. The Residual Steel operations were previously included in Steel.

(e) Includes consolidation adjustments.

(f) The results of operations and the financial position presented as the Discontinued Operations, represents the demerged Steel business. Refer note 3.

(g) Included within gross assets are the following carrying values of investments in joint ventures and associated entities: Base Metals; 2003: US\$262 million (2002: US\$383 million), Carbon Steel Materials; 2003: US\$299 million (2002: US\$278 million), Stainless Steel Materials; 2003: US\$4 million (2002: US\$3 million), Energy Coal; 2003: US\$488 million (2002: US\$490 million), Diamonds and Specialty Products; 2003: US\$277 million (2002: US\$326 million), Petroleum; 2003: US\$73 million (2002: US\$25 million), Discontinued Operations; 2003: US\$nil (2002: US\$48 million) and Group and unallocated items; 2003: US\$nil (2002: US\$nil).

Notes to Concise Financial Statements continued

5 Segment results continued

Geographical segment information

US\$ million	External revenue by location of customer			Gross segment assets			Capital expenditure		
	Continuing operations	Discontinued operations ^(a)	Total	Continuing operations	Discontinued operations ^(a)	Total	Continuing operations	Discontinued operations ^(a)	Total
Year ended 30 June 2003									
Australia	1 927	75	2 002	9 664	–	9 664	1 031	–	1 031
North America	1 707	–	1 707	3 579	–	3 579	451	–	451
Europe	5 166	–	5 166	2 888	–	2 888	69	–	69
South America	828	–	828	6 444	–	6 444	219	–	219
Southern Africa	951	–	951	5 428	–	5 428	570	–	570
Japan	2 269	–	2 269	–	–	–	–	–	–
South Korea	1 149	–	1 149	–	–	–	–	–	–
Other Asia	2 165	–	2 165	–	–	–	–	–	–
Rest of World	312	–	312	874	–	874	231	–	231
BHP Billiton Group	16 474	75	16 549	28 877	–	28 877	2 571	–	2 571
Year ended 30 June 2002									
Australia	1 828	1 352	3 180	9 252	1 976	11 228	559	73	632
North America	1 969	190	2 159	3 525	95	3 620	343	–	343
Europe	4 064	112	4 176	1 775	8	1 783	211	–	211
South America	457	24	481	6 722	–	6 722	627	–	627
Southern Africa	890	–	890	5 163	–	5 163	347	–	347
Japan	1 941	17	1 958	–	–	–	–	–	–
South Korea	1 001	43	1 044	–	–	–	–	–	–
Other Asia	1 802	328	2 130	–	–	–	–	–	–
Rest of World	713	336	1 049	694	652	1 346	296	25	321
BHP Billiton Group	14 665	2 402	17 067	27 131	2 731	29 862	2 383	98	2 481

^(a) The revenue, assets and capital expenditure presented as the Discontinued Operations represents the demerged Steel business.

6 Dividends

	2003 US\$M	2002 US\$M
BHP Billiton Limited ^(a)		
Dividends declared ^{(b)(c)}	280	242
Dividends paid ^(d)	262	241
	542	483
BHP Billiton Plc ^(a)		
Dividends declared ^{(b)(e)}	185	150
Dividends paid		
Ordinary shares ^(f)	173	151
Preference shares ^(g)	–	–
	358	301
Total dividends paid or payable	900	784

(a) BHP Billiton Limited dividends per American Depositary Share (ADS) (as declared) for 2003 were 29.0 US cents per share (2002: 26.0 US cents per share). Effective 25 June 2003, BHP Billiton Plc ADSs listed on the New York Stock Exchange. As the listing was subsequent to the record date for the final 2003 dividend, no dividends per BHP Billiton Plc ADS are applicable for any of the years shown above.

(b) Dividends declared on 7 May 2003 and payable at 30 June 2003 were paid on 2 July 2003.

(c) Dividends declared for 2003 were 7.5 US cents fully franked per share (2002: 6.5 US cents fully franked per share).

(d) Interim dividend paid of 7.0 US cents fully franked per share (2002: 6.5 US cents fully franked per share).

(e) Declared final dividend of 7.5 US cents per share (2002: 6.5 US cents per share).

(f) Interim dividend paid of 7.0 US cents per share (2002: 6.5 US cents per share).

(g) 5.5 per cent dividend on 50 000 preference shares of £1 each (2002: 5.5 per cent).

For the purposes of AASB 1034 'Financial Reports Presentation and Disclosures', the Group had an adjusted franking account balance of US\$386 million (on a tax paid basis) at 30 June 2003. It is anticipated that dividends payable in the following year will be fully franked.

From 1 July 2002, the Australian Income Tax Assessment Act 1997 requires measurement of franking credits based on the amount of income tax paid, rather than after tax profits. As a result, the 'franking credits available' were converted from US\$591 million to US\$253 million as at 1 July 2002. This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

7 Earnings per share

	2003	2002
Basic earnings per share (US cents)	30.0	27.3
Diluted earnings per share (US cents)	29.9	27.3
Basic earnings per American Depositary Share (ADS) (US cents) ^(a)	60.0	54.6
Diluted earnings per American Depositary Share (ADS) (US cents) ^(a)	59.8	54.6
Weighted average number of fully paid shares (millions)		
Basic earnings per share denominator	6 207	6 029
Diluted earnings per share denominator ^(b)	6 222	6 042
Earnings (US\$ million)	1 860	1 648

(a) For the periods indicated, each ADS represents two ordinary shares.

(b) The weighted average number of shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:

	2003 Million	2002 Million
Number of shares		
Basic earnings per share denominator	6 207	6 029
BHP Billiton Limited options and performance rights	13	11
BHP Billiton Limited partly paid shares	1	2
BHP Billiton Plc performance shares	1	–
Diluted earnings per share denominator	6 222	6 042

8 Contingent liabilities

	2003 US\$M	2002 US\$M
Contingent liabilities at balance date, not otherwise provided for in these accounts, are categorised as arising from:		
Joint venture and associated entities and joint venture operations (unsecured)		
Other ^(b)	174	165
	174	165
Subsidiary undertakings (unsecured, including guarantees)		
Group guarantees of borrowings of joint venture and associated entities	398	429
Bank guarantees ^(a)	–	–
Performance guarantees ^(a)	70	72
Letter of credit	2	3
Other ^(b)	131	138
	601	642
Total contingent liabilities	775	807

^(a) The BHP Billiton Group has entered into various counter-indemnities of bank and performance guarantees related to its own future performance in the normal course of business.

^(b) Other contingent liabilities relate predominantly to actual or potential litigation of the Group for which amounts are reasonably estimable but the liability is not probable and therefore the Group has not provided for such amounts in these accounts. The amounts relate to a number of actions against the Group, none of which are individually significant. Additionally, there are a number of legal claims or potential claims against the Group, the outcome of which cannot be foreseen at present, and for which no amounts have been included in the table above. Details of the principal legal claims are set out below.

Current litigation

Ok Tedi Mining Limited

On 7 June 1996, Rex Dagi, Alex Maun and the remaining plaintiffs to Victorian Supreme Court proceedings against BHP Billiton Limited and Ok Tedi Mining Limited ('OTML') entered into a Settlement Agreement. The principal terms of the agreement included the following:

- Each of the parties was required to make public announcements in terms agreed among the parties, to commit to the obligations in the public announcements and to support a process to reach agreement with the Lower Ok Tedi village communities.
- BHP Billiton Limited agreed to commit as soon as practicable to the implementation of any tailings option recommended by the independent enquiry or review to be conducted by the State ('the tailings option') providing BHP Billiton Limited bona fide considers that option to be economically and technically feasible.
- BHP Billiton Limited's commitment to implement the tailings option is subject to unexpected or unforeseen circumstances which may render the tailings option economically or technically unfeasible, and obtaining all necessary leases and other approvals required from the landowners and the State.

On 11 April 2000, two legal actions were commenced in the Victorian Supreme Court against OTML and BHP Billiton Limited. Rex Dagi is plaintiff in the first action, Gabia Gagarimabu is plaintiff in the second action on his own behalf and on behalf of the remaining parties to the Settlement Agreement. Both actions seek specific performance of the Settlement Agreement and/or an injunction to require the implementation by BHP Billiton Limited and OTML of a tailings pipeline and storage system and damages. BHP Billiton and OTML deny that there has been any recommendation regarding a tailings option by an independent inquiry conducted by the State. OTML and BHP Billiton Limited also assert that there has been no breach of the Settlement Agreement and are defending the claims.

BHP Billiton Limited transferred its entire shareholding in OTML to PNG Sustainable Development Program Limited ('Program Company') in February 2002, completing BHP Billiton Limited's withdrawal from the Ok Tedi copper mine. The Program Company operates for the benefit of the Papua New Guinean people.

Legal arrangements for the withdrawal encompass a series of legal releases, indemnities and warranties that safeguard BHP Billiton's interests following its exit from OTML.

The Victorian Supreme Court litigation continues, with substantially amended pleadings. The Court has set out a detailed timetable for further steps, including witness statements, leading to compulsory mediation and, if necessary, trial in mid-2004.

No amounts have been included in contingent liabilities in respect of this item of litigation.

Bass Strait – Longford

Following the 25 September 1998 explosion and fire at Longford, a class action was commenced in the Federal Court of Australia on behalf of Victorian gas consumers and employees stood down by employers during the shortage of gas following those events (together the 'Applicants'). On 12 April 2001 the action was transferred to the Supreme Court of Victoria. The action is against Esso Australia Resources Pty Ltd ('Esso'). Esso has joined the State of Victoria and various entities associated with the State (together the 'State Entities') as cross respondents alleging certain failures and contributory negligence on the part of the State Entities. In turn, following hearing of the claim against Esso the State Entities may join BHP Billiton Petroleum (Bass Strait) Pty Ltd ('BHPBP') as a further cross respondent, with the effect that if any sums are recovered against the State Entities they will seek contribution from BHPBP.

In addition to BHPBP's potential liability to the State Entities under the cross claims, in certain circumstances Esso, as operator, is entitled to be indemnified by BHPBP as a 50 per cent joint venturer for certain categories

8 Contingent liabilities continued

of legal costs incurred by Esso and payments made in satisfaction of claims.

In turn, BHPBP may have rights against Esso as operator in relation to losses and costs BHPBP has incurred in relation to the incident, including under the cross claim by the State Entities.

On 20 February 2003 the Victorian Supreme Court found that Esso is not liable for economic loss. The court further found that Esso is liable to business users for property damage and any economic loss consequential

upon property damage. The quantum of these losses is unknown. The Court set a date of 1 September 2003 for lodgement of particulars of all claims. Resolution of claims is likely to continue into 2004.

Over the next few months the Court will also consider questions of appeal, and whether claims against the State and BHPBP should proceed.

No amounts have been included in contingent liabilities in respect of this item of litigation.

9 Related parties

Share transactions with Directors and Director-related entities

The current Chief Executive Officer, C W Goodyear, was conditionally awarded 180 154 ordinary shares in BHP Billiton Limited under the Group Incentive Scheme during the year ended 30 June 2003 (2002: nil).

On 23 May 2003, agreement was reached with former Chief Executive B P Gilbertson regarding the terms of termination of his employment with the Group, some two and a half years earlier than the date provided under his contracts. Mr Gilbertson was a participant in the Group's employee share plans. None of the entitlements under those plans that had been granted to him but that had not vested at the date of his termination were transferred. Rather, the entitlements were scaled back to reflect the period of his employment. Mr Gilbertson continues to hold the scaled back entitlements but they remain subject to the same conditions that applied on grant, where pre-determined performance hurdles must be satisfied. Those hurdles will be measured at the same time and in the same manner as for other participants. The number of shares Mr Gilbertson has retained an entitlement to is 228 675 (comprising 63 159 Performance Shares under the Group Incentive Scheme, 123 218 shares under the Restricted Share Scheme and

42 298 shares under the Co-Investment Plan). The number, if any, that might ultimately vest will remain dependent on satisfaction of the performance hurdles.

The former Managing Director and Chief Executive Officer, P M Anderson received 374 693 ordinary shares in BHP Billiton Limited during the year ended 30 June 2002 on exercise of Performance Rights.

In addition, relatives of M A Chaney own 3 914 (2002: 3 914) fully paid ordinary shares and relatives of the current Chief Executive Officer C W Goodyear own 3 671 (2002: 3 671) American Depositary Shares (ADS). Each ADS represents two fully paid ordinary shares.

Transactions with Director-related entities

A number of Directors of BHP Billiton Limited hold positions in other companies, where it may be said they control or significantly influence the financial or operating policies of these entities. Accordingly, the following entities are considered to be Director-related entities for the purpose of the disclosure requirements of Australian Accounting Standard AASB 1017 'Related Party Disclosures':

Director of BHP Billiton Limited	Director-related entity	Position held in Director-related entity
M A Chaney	Wesfarmers (Group) Limited	Managing Director
D A Jenkins	Chartwood Resources Ltd	Chairman and Managing Director
B D Romeril ^(a)	Xerox Corporation	Chief Financial Officer

^(a) Resigned as Director of BHP Billiton Group on 30 June 2002.

Transactions between the BHP Billiton Group and these Director-related entities are detailed below:

- the Wesfarmers Group received US\$5.015 million during the year ended 30 June 2003 (2002: US\$22.287 million) for products and services provided to the BHP Billiton Group. The Wesfarmers Group paid US\$nil (2002: US\$5.052 million) to the BHP Billiton Group for various products.

- Xerox Corporation received US\$1.831 million during the year ended 30 June 2002 for products and services provided to the BHP Billiton Group. At 30 June 2002 outstanding amounts to the Xerox Corporation were US\$0.619 million.

9 Related parties continued

Other Director transactions with BHP Billiton Group entities

Where the Director was an employee of the BHP Billiton Group, transactions include:

- reimbursement of transfer expenses;
- minor purchases of products and stores; and
- insurance with BHP Billiton Group insurance companies.

All these transactions (which were trivial in amount) were conducted on conditions no more beneficial than those available to other employees.

Following the termination of his employment on 1 July 2002, Mr Anderson entered into a consultancy arrangement with BHP Billiton Limited under which he agreed to act as a consultant to the Group for two years commencing at the time he ceased to be a Director. Mr Anderson received a total fee of US\$104 739 for the period under this arrangement.

Directors' Declaration

In accordance with a resolution of the Directors of BHP Billiton Limited, the Directors declare that the accompanying concise financial report of the BHP Billiton Group for the year ended 30 June 2003 set out on pages 73 to 88:

- (a) has been derived from or is consistent with the full financial report for the financial year; and
- (b) complies with the Accounting Standard AASB 1039 'Concise Financial Reports'.

In our 2003 full financial report we declared that:

- (a) The financial statements and notes comply with the Corporations Act and:
 - (i) comply with applicable Accounting Standards and Corporations Regulations; and
 - (ii) give a true and fair view of the financial position of the BHP Billiton Group as at 30 June 2003 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
- (b) In the Directors' opinion:
 - (i) the financial statements and notes are in accordance with the Corporations Act; and
 - (ii) there are reasonable grounds to believe that BHP Billiton Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



D R Argus – Chairman



C W Goodyear – Chief Executive Officer

Dated at Melbourne this 9th day of September 2003

Audit Report on Concise Financial Report

To the members of BHP Billiton Limited

Scope

The concise financial report and Directors' responsibility

The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, discussion and analysis of and notes to the financial statements for the BHP Billiton Group, comprising both BHP Billiton Limited ('the Company') and BHP Billiton Plc (and the entities they each controlled during the year), for the year ended 30 June 2003.

The Directors of the Company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039 'Concise Financial Reports'.

Audit approach

Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinion we have formed.

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We also performed an independent audit of the full financial report of the Company for the financial year ended 30 June 2003. Our audit report on the full financial report was signed on 9 September 2003, and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039 'Concise Financial Reports'.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the concise financial report of the BHP Billiton Group for the year ended 30 June 2003 complies with Australian Accounting Standard AASB 1039 'Concise Financial Reports'.

PricewaterhouseCoopers

Geoffrey M Cottrell
Partner

KPMG

William J Stevens
Partner

Dated in Melbourne this 9th day of September 2003

Supplementary Information for US Shareholders

The financial statements in this concise financial report of the BHP Billiton Group are prepared in accordance with Australian Generally Accepted Accounting Principles (GAAP). Material differences between GAAP as followed by the BHP Billiton Group in Australia and those accepted generally in the US (US GAAP) are presented below.

On 29 June 2001, BHP Billiton Limited (formerly BHP Limited) consummated the Dual Listed Companies ('DLC') merger with BHP Billiton Plc (formerly Billiton Plc). A description of the DLC merger structure is provided in 'Dual Listed Companies Structure and Basis of Preparation of Financial Statements'. In accordance with Australian GAAP, the assets, liabilities and equity of the BHP Billiton Limited Group and of the BHP Billiton Plc Group are combined at their respective book values as at the date of the consummation of the merger.

Under US GAAP the DLC merger is accounted for as a purchase business combination with the BHP Billiton Limited Group acquiring the BHP Billiton Plc Group. The BHP Billiton Limited Group has been identified as the acquirer because of the majority ownership interest of BHP Billiton Limited

shareholders in the DLC structure. Under US GAAP, the reconciliation of shareholders' equity includes the purchase adjustments required under US GAAP to recognise the BHP Billiton Plc Group assets and liabilities at their fair values, with the excess recorded as goodwill.

A full description of the nature of the reconciliation, together with detailed explanation of the estimated adjustments, is provided in the 'BHP Billiton Plc Annual Report 2003' (which is prepared in accordance with UK GAAP), or in the 2003 Annual Report of BHP Billiton Limited which will be filed on Form 20-F with the US Securities and Exchange Commission. The 'BHP Billiton Plc Annual Report 2003' and the 2003 Form 20-F will be provided to shareholders on request and free of charge and will be available on the BHP Billiton Group's website www.bhpbilliton.com.

The following is a summary of the estimated adjustments to net income for 2003 and 2002 that would be required if US GAAP had been applied instead of Australian GAAP. Certain items in the comparative period have been reclassified to conform to current period disclosures.

	2003 US\$M	2002 US\$M
Reconciliation of net income		
Net profit attributable to members in the consolidated Statement of Financial Performance:	1 860	1 648
<i>add</i> Goodwill amortisation under Australian GAAP previously taken directly to reserves under UK GAAP	41	42
	1 901	1 690
<i>add/(deduct)</i>		
<i>Estimated adjustment required to accord with US GAAP:</i>		
Fair value adjustment on acquisition of BHP Billiton Plc Group – Depreciation, amortisation and other asset movements	(181)	(454)
BHP Steel demerger	17	(333)
Employee compensation costs	31	26
Write-down of assets	8	–
Depreciation – write-downs	(2)	(18)
Depreciation – revaluations	5	5
Depreciation – reserves	(3)	(15)
Restructuring and employee provisions	(11)	(55)
Fair value accounting for derivatives	(23)	279
Synthetic debt	(20)	18
Realised net exchange gains on sale of assets/closure of operations	–	84
Exploration, evaluation and development expenditures	9	(60)
Start-up costs	3	(2)
Profit on asset sales	2	2
Pension plans	(24)	(12)
Other post-retirement benefits	5	8
Mozal expansion rights	6	22
Goodwill	2	–
Employee Share Plan loans	(8)	(16)
Taxation effect of above adjustments	118	66
Other taxation adjustments	(254)	14
Total adjustment	(320)	(441)
Net income of BHP Billiton Group under US GAAP	1 581	1 249

Supplementary Information for US Shareholders continued

	2003 US cents	2002 US cents
Earnings per share – US GAAP ^{(a)(b)}		
Basic	25.4	20.7
Diluted	25.4	20.7
Earnings per American Depositary Share – US GAAP ^(b)		
Basic	50.8	41.4
Diluted	50.8	41.4

^(a) Based on the weighted average number of shares on issue for the period.

^(b) For the period indicated, each ADS represents two ordinary shares.

The following is a summary of the estimated adjustments to shareholders' equity as at 30 June 2003 and 2002 that would be required if US GAAP had been applied instead of Australian GAAP. Certain items in the comparative period have been reclassified to conform to current period disclosures.

	2003 US\$M	2002 US\$M
Reconciliation of Shareholders' Equity		
Total equity attributable to members	12 437	12 821
<i>deduct</i> Goodwill balance under Australian GAAP previously taken directly to reserves under UK GAAP	(424)	(465)
<i>add/(deduct)</i>	12 013	12 356
<i>Estimated adjustment required to accord with US GAAP:</i>		
Fair value adjustments on acquisition of BHP Billiton Plc Group		
Investments	1 000	1 039
Property, plant and equipment	1 967	2 072
Undeveloped properties	660	687
Long-term contracts	37	39
Goodwill	3 171	3 174
Long-term debt	8	13
BHP Steel demerger	–	(264)
Employee compensation costs	81	–
Write-down of assets	53	87
Property, plant and equipment revaluations	(58)	(63)
Reserves	(18)	(15)
Restructuring and employee provisions	–	11
Fair value accounting for derivatives	166	(127)
Synthetic debt	11	31
Exploration, evaluation and development expenditures	(117)	(126)
Start-up costs	(52)	(55)
Profit on asset sales	(18)	(20)
Pension plans	(361)	(109)
Other post-retirement benefits	(10)	(15)
Mozal expansion rights debtor	(33)	(39)
Goodwill	2	–
Employee Share Plan loans	(71)	(135)
Change in fair value of listed investments	11	10
Taxation effect of fair value adjustment on acquisition of BHP Billiton Plc Group	(1 461)	(1 557)
Taxation effect of all other above adjustments	91	139
Other taxation adjustment	(240)	14
Total adjustment	4 819	4 791
Total equity attributable to members according to US GAAP	16 832	17 147

Shareholder Information

Twenty largest shareholders as at 29 August 2003 (as named on the Register of Shareholders)

BHP Billiton Limited			BHP Billiton Plc				
	Number of fully paid shares	% of issued capital		Number of fully paid shares	% of issued capital		
1	Westpac Custodian Nominees Ltd	576 536 951	15.37	1	Plc Nominees Pty Ltd	564 168 050	22.86
2	J P Morgan Nominees	534 117 665	14.24	2	Chase Nominees Limited	179 916 348	7.29
3	National Nominees Ltd	472 291 328	12.59	3	Mellon Nominees UK Limited <BSDTUSD A/C>	59 248 650	2.40
4	Citicorp Nominees Pty Ltd	177 795 398	4.74	4	HSBC Global Custody Nominee UK Limited <357206 A/C>	56 666 098	2.30
5	Australian Mutual Provident Society	106 814 215	2.85	5	Chase Nominees Limited <USRESLD A/C>	47 308 917	1.92
6	ANZ Nominees Ltd	103 934 971	2.77	6	Chase Nominees Limited <BGILIFEL A/C>	44 789 280	1.81
7	Queensland Investment Corporation	78 083 425	2.08	7	Nortrust Nominees Limited <SLEND A/C>	43 228 527	1.75
8	Commonwealth Custodial Services Ltd	55 079 558	1.47	8	Mellon Nominees UK Limited <BSDTABN A/C>	40 251 211	1.63
9	HSBC Australia Nominees Pty Ltd	36 905 969	0.98	9	The Bank of New York Nominees Limited	39 534 058	1.60
10	RBC Global Services Australia Nominees Pty Ltd	26 639 891	0.71	10	Chase Nominees Limited <PUTLEND A/C>	37 073 419	1.50
11	Government Superannuation Office <State Super Fund A/C>	16 016 784	0.43	11	Chase Nominees Limited <LEND A/C>	37 020 078	1.50
12	RBC Global Services Australia Nominees Pty Ltd <BKCUST A/C>	15 893 514	0.42	12	BNY OCS Nominees Limited	35 647 269	1.44
13	Commonwealth Superannuation Board of Trustees	13 417 271	0.36	13	Prudential Client HSBC GIS Nominee UK Limited <PAC A/C>	32 159 904	1.30
14	NRMA Group	13 326 356	0.36	14	Nortrust Nominees Limited	30 720 559	1.24
15	Westpac Financial Services Ltd	13 306 408	0.35	15	State Street Nominees Limited <GB01 A/C>	27 215 484	1.10
16	RBC Global Services Australia Nominees Pty Ltd <RA A/C>	12 436 391	0.33	16	HSBC Global Custody Nominee UK Limited <899877 A/C>	25 866 147	1.05
17	Bond Street Custodians Limited	11 612 667	0.31	17	Stanlife Nominees Limited	23 022 456	0.93
18	INVIA Custodian Pty Limited	11 566 322	0.31	18	Vidacos Nominees Limited <FGN A/C>	22 867 131	0.93
19	RBC Global Services Australia Nominees Pty Ltd <MLWSIF A/C>	10 849 713	0.29	19	State Street Nominees Limited <SS01 A/C>	21 913 808	0.89
20	Victorian WorkCover Authority	9 681 790	0.26	20	Chase Nominees Limited <LENDNON A/C>	20 531 185	0.83
		2 296 306 587	61.22			1 389 148 579	56.27

Substantial shareholders

BHP Billiton Limited

The Capital Group Companies Inc, by notice dated 21 August 2002, advised that it had ceased to be a substantial shareholder.

BHP Billiton Plc

By notices provided the Company's register of substantial shareholdings showed the following interests in 3 per cent or more of the Company's shares:

	Date of notice	Ordinary shares	%
Plc Nominees Pty Ltd	21 Aug 02	540 360 860	21.89
The Capital Group of Companies	23 Jul 03	173 442 473	7.03
Old Mutual Plc ⁽¹⁾	29 Aug 03	152 656 921	6.19
Putnam Investment Management LLC & The Putnam Advisory Company LLC	19 Jun 03	99 025 431	4.01
Barclays Bank Plc	22 Jul 03	76 992 116	3.12
Franklin Resources Inc & affiliates ⁽²⁾	29 Aug 03	98 518 328	3.99
Legal & General Investment Management Ltd	14 Jun 02	75 230 880	3.05

⁽¹⁾ Old Mutual Asset Managers (South Africa) (Pty) Ltd hold 79 417 870 shares representing 3.22 per cent of the total disclosed for Old Mutual Plc group companies.

⁽²⁾ Chase Nominees Ltd holds 75 386 454 shares representing 3.05 per cent of the total disclosed for Franklin Resources Inc & affiliates.

Shareholder Information continued

Distribution of shareholders and shareholdings as at 29 August 2003

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders		Shares		Shareholders		Shares	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%
Registered address								
Australia	306 835	94.2	3 660 614 877	97.6	65	0.7	920 021	0.1
New Zealand	9 153	2.8	41 286 195	1.1	12	0.1	39 625	0.0
United Kingdom	5 053	1.6	23 842 034	0.6	7 382	78.5	1 878 900 868	76.1
United States	1 847	0.6	4 275 643	0.1	63	0.7	343 655	0.0
South Africa	45	0.0	111 915	0.0	1 576	16.7	580 439 695	23.5
Other	2 652	0.8	20 888 792	0.6	309	3.3	7 503 138	0.3
Total	325 585	100.0	3 751 019 456	100.0	9 407	100.0	2 468 147 002	100.0

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders		Shares ⁽¹⁾		Shareholders		Shares ⁽¹⁾	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%
Size of holding								
1 – 500 ⁽²⁾	78 402	24.1	21 028 221	0.6	2 396	25.5	519 365	0.0
501 – 1 000	62 429	19.2	49 551 181	1.3	1 522	16.2	1 084 141	0.0
1 001 – 5 000	133 260	40.9	314 126 870	8.4	3 124	33.2	6 931 743	0.3
5 001 – 10 000	27 694	8.5	198 190 259	5.3	581	6.2	4 091 814	0.2
10 001 – 25 000	17 189	5.3	259 573 559	6.9	449	4.8	7 043 726	0.3
25 001 – 50 000	4 074	1.3	139 683 873	3.7	246	2.6	8 827 228	0.4
50 001 – 100 000	1 595	0.5	108 869 687	2.9	250	2.7	17 876 492	0.7
100 001 – 250 000	645	0.2	92 790 666	2.5	312	3.3	49 466 009	2.0
250 001 – 500 000	143	0.0	47 546 809	1.3	156	1.6	55 268 134	2.2
500 001 – 1 000 000	51	0.0	35 614 171	0.9	146	1.5	104 956 748	4.3
1 000 001 and over	103	0.0	2 484 044 160	66.2	225	2.4	2 212 081 602	89.6
Total	325 585	100.0	3 751 019 456	100.0	9 407	100.0	2 468 147 002	100.0

⁽¹⁾ One share entitles the shareholder to one vote.

⁽²⁾ Number of BHP Billiton Limited shareholders holding less than a marketable parcel (A\$500) based on the market price of A\$10.93 as at 29 August 2003 was 7 779.

	BHP Billiton Limited				BHP Billiton Plc			
	Shareholders		Shares		Shareholders		Shares	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%
Classification of holder								
Corporate	45 061	13.8	2 706 836 136	72.2	3 773	40.11	2 448 969 295	99.2
Private	280 524	86.2	1 044 183 320	27.8	5 634	59.89	19 177 707	0.8
Total	325 585	100.0	3 751 019 456	100.0	9 407	100.0	2 468 147 002	100.0

Information for Shareholders

Information for shareholders this year is provided in the 'BHP Billiton Limited Annual Report 2003 – Concise Report' and the 'BHP Billiton Limited Annual Report 2003 – Combined Financial Statements'.

The 'Concise Report' contains key information about the BHP Billiton Group in a concise format. The 'Combined Financial Statements' provides more detailed financial data and information on BHP Billiton Group's performance.

Note: The concise financial statements and its notes cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the BHP Billiton Group as the full financial statements. Both reports will be provided to shareholders on request and free of charge (also refer to 'Access your Annual Report on the web' below).

Dividend payment by direct credit to a bank, building society or credit union account

Australian shareholders may have cash dividends paid directly into any bank, building society or credit union account in Australia. New Zealand shareholders may have cash dividends paid directly into a New Zealand bank account. UK shareholders may have cash dividends paid directly into a UK bank or building society account.

When you close or amend your banking arrangements, it is essential you notify the BHP Billiton Limited Share Registry of the new details.

Note: Shareholders in New Zealand and the UK who do not provide direct credit details will receive an Australian currency cheque.

Payment in US dollars

Shareholders with a registered address in the US or Canada will receive a US currency cheque.

Change of address

It is important that shareholders notify the BHP Billiton Limited Share Registry in writing immediately if there is a change to their registered address. For the protection of shareholders, instructions to BHP Billiton Limited need to be in writing and show the Securityholder Reference Number (SRN). Shareholders on the CHESS sub-register should forward the change of address advice to their sponsoring broker quoting the Holder Identification Number (HIN).

Stock exchange listings

BHP Billiton Limited is listed on stock exchanges in Australia, the UK (London), Germany (Frankfurt), New Zealand (Wellington), Switzerland (Zurich) and the US (New York).

Note: Trading on the New York Stock Exchange is via American Depositary Shares (each representing two Ordinary shares) evidenced by American Depositary Receipts (ADRs) issued by JPMorgan Chase Bank.

The trustees and dividend-paying banks for internationally registered shares are shown on the inside back cover of this report.

Annual General Meeting

The Annual General Meeting of BHP Billiton Limited will be held at 11.00 am (Melbourne Time) on Thursday 13 November 2003 at the Arts Centre, Concert Hall, 100 St Kilda Road, Melbourne.

Details of the business of the meeting are contained in the separate Notice of Meeting enclosed with this Annual Report.

Enquiries

Shareholders who wish to contact BHP Billiton Limited on any matter relating to their share or ADR holdings are invited to telephone the appropriate Shareholder Services office listed on the inside back cover of this report.

Shareholders can also access their current shareholding details through the Shareholder Services link located under 'Investor Centre' on BHP Billiton's website (you will need your Securityholder Reference Number or Holder Identification Number), www.bhpbilliton.com.

Shareholders in Australia may telephone 1300 656 780 or write to our Share Registry:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001
Australia

Access your Annual Report on the web

BHP Billiton Limited offers an alternative for shareholders to be advised of the availability of the Annual Report through the Company's website via an email notification (refer instructions below).

By providing an email address through our website on the internet, shareholders will be notified by an email with a direct link to the Annual Report. Notification of other major BHP Billiton Limited announcements will also be emailed to you.

Email notification

Enter BHP Billiton Limited's website www.bhpbilliton.com and click onto 'Investor Centre' then 'Shareholder Services'. Under the heading 'Your Shareholdings' click on the link 'BHP Billiton Ltd Securityholder Services'. You will be requested to enter your Securityholder Reference Number or Holder Identification Number, family or company name and postcode or country code. This sign-on requirement is a security access validation prior to entering your email address under 'Communication details'.

After confirmation of your email address you will receive notification of the availability of future Annual Reports and other BHP Billiton Limited announcements by email.

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Corporate Directory

BHP BILLITON LIMITED REGISTERED OFFICE

Australia

BHP Billiton Limited
BHP Billiton Centre
180 Lonsdale Street
Melbourne VIC 3000

Telephone (61 3) 9609 3333
Facsimile (61 3) 9609 3015

Company Secretary

Karen J Wood

Shareholder Services

Principal Register and Share Office
Computershare Investor Services Pty Limited
Level 12/565 Bourke Street
Melbourne VIC 3000
Australia

Postal Address – GPO Box 2975 Melbourne VIC 3001

Telephone (within Australia) 1300 656 780
(outside Australia) (61 3) 9649 5020
Facsimile (61 3) 9611 5710
Email enquiries: web.queries@computershare.com.au

New Zealand

Computershare Investor Services Limited
Level 2/159 Hurstmere Road
Takapuna North Shore City

Postal Address – Bag 92119 Auckland 1020

Telephone (64 9) 488 8777
Facsimile (64 9) 488 8787

United Kingdom

The Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Postal Address – PO Box 82 Bristol BS99 7NH

Telephone (44 870) 703 0051
Facsimile (44 870) 703 6103

United States

ADR Depository, Transfer Agent and Registrar
JPMorgan Chase Bank
Shareholder Services
PO Box 43013
Providence, RI 02940-3013
USA

Telephone (1 781) 575 4328 (outside of USA)
1 800 990 1135 (toll-free within USA)
Facsimile (1 781) 575 4082
Email: adr@jpmorgan.com

Other details provided to assist shareholders.

Germany

Trustee
Deutsche Boerse Clearing AG
Dividend-paying bank
Deutsche Bank AG

Switzerland

Trustee
SEGA Schweizerische
Effekten-Giro AG
Dividend-paying bank
UBS AG
Credit Suisse First Boston

BHP BILLITON CORPORATE CENTRES

United Kingdom

Neathouse Place
London SW1V 1BH UK
Telephone (44 20) 7802 4000
Facsimile (44 20) 7802 4111

South Africa

6 Hollard Street
Johannesburg 2001
Republic of South Africa
Telephone (27 11) 376 9111
Facsimile (27 11) 838 4716

United States

1360 Post Oak Boulevard, Suite 150
Houston, TX 77056-3020 USA
Telephone (1 713) 961 8500
Facsimile (1 713) 961 8400

MARKETING OFFICES

Netherlands

Verheeskade 25
2521 BE The Hague
The Netherlands
Telephone (31 70) 315 6666
Facsimile (31 70) 315 6767

Singapore

168 Robinson Road #10-01
Capital Tower
Singapore 068912
Telephone (65) 6349 3333
Facsimile (65) 6349 4000

Receive your Annual Report electronically.

The BHP Billiton Limited Annual Reports (Concise Report and Combined Financial Statements) are also posted on the internet. Shareholders are encouraged to visit www.bhpbilliton.com to inspect the electronic version of the Annual Report and provide feedback to the Company.

The single parent entity financial statements of BHP Billiton Limited are available on the Company's website (www.bhpbilliton.com) and are available to shareholders on request free of charge.

www.bhpbilliton.com