

BHP BILLITON LTD
Form 6-K
April 01, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

THE SECURITIES EXCHANGE ACT OF 1934

For the Half Year Ended 31 December 2002

BHP Billiton Limited

ABN 49 004 028 077

600 Bourke Street

Melbourne Victoria 3000

Australia

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

Form 20-F	<input checked="" type="checkbox"/>		Form 40-F	<input type="checkbox"/>
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Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

Yes	<input type="checkbox"/>		No	<input checked="" type="checkbox"/>
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If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

For the information of the local market (which has been released to the ASX) please find attached the Interim Report for BHP Billiton Limited for BHP Billiton Limited for the half year ended 31 December 2002

prepared in accordance with Australian Generally Accepted Accounting Principles (GAAP), which includes disclosures to satisfy Appendix 4B requirements.

Karen Wood
Company Secretary

BHP Billiton Limited

Interim Report

For The Half Year Ended 31 December 2002

Prepared in Accordance with Australian Generally
Accepted Accounting Principles (GAAP)

BHP Billiton Limited

Australian Business Number 49 004 028 077

Registered Office:
45th Floor BHP Billiton Tower - Bourke Place
600 Bourke Street Melbourne 3000 Australia

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All amounts are expressed in US dollars unless otherwise stated.

DIRECTORS' REPORT

The Directors present their report together with the interim condensed financial statements for the half year ended 31 December 2002 and the auditors' review report thereon.

REVIEW OF OPERATIONS

Stability and Growth

These results build on the progress made since the merger and illustrate the continued success of the Customer Sector Group business model and the Company's strategy. In a period of global economic weakness and despite self imposed cut-backs at some of our operations, financial results have remained solid and cash flow generation from our portfolio of high quality assets is strong. We have exceeded our merger benefits target six months ahead of schedule and have delivered further cost savings against our additional target of US\$500 million.

Strong operational cash flow (after interest and tax) of US\$1,189 million has enabled us to proceed with sanctioned growth projects. Progress on all projects continues to be on or ahead of schedule and budget. Notable milestones were reached during the half year with the mechanical completion and commissioning of Escondida Phase IV (Chile), the commencement of operations at the San Juan underground project (US) and the commencement of natural gas flow through the Bream gas pipeline in Bass Strait (Australia). Currently 13 major capital projects are under development, including the recently approved Atlantis full field development in the Gulf of Mexico.

Strong cash flows enabled the Board to increase dividends paid to shareholders by 7.7% compared with the half year ended 31 December 2001 (the "corresponding period"). A dividend of 7.0 US cents per share was paid on 4 December 2002.

Financial Results

Group Result

The profit after tax attributable to BHP Billiton shareholders for the half year ended 31 December 2002 was US\$891 million (31 December 2001 US\$1,177 million). Basic earnings per share were 14.4 US cents (31 December 2001 19.5 US cents). This included the loss on sale of the remaining 6% interest in the Group's Steel business following demerger of that business in July 2002 which has been disclosed as a significant item in the half year ended 31 December 2002. The contribution of the Group's Steel business in the corresponding period has been disclosed as discontinued operations (Refer note 3 to the financial statements). There were no significant items reported in the half year ended 31 December 2001.

Revenue was US\$7,277 million, compared with US\$8,825 million for the corresponding period, mainly due to the demerger of the Group's Steel business in July 2002. For other information relating to revenue, refer below under Petroleum, Aluminium, Base Metals, Carbon Steel Materials, Stainless Steel Materials, Energy Coal, Diamonds and

Specialty Products and Group and Unallocated Items.

Profit from ordinary activities before taxation was US\$1,275 million compared with a profit of US\$1,696 million for the corresponding period. There were a number of factors which affected the results for current half year including:

- Foreign currency fluctuations had an unfavourable effect of approximately US\$450 million compared with the corresponding period. This was principally due to foreign exchange losses on conversion of Rand denominated monetary assets and liabilities at balance date, with the Rand appreciating by 16% during the current period compared with a depreciation of 47% in the corresponding period. The conversion of A\$ denominated monetary assets and liabilities and the impact of the stronger A\$/US\$ exchange rates on operating costs also had an unfavourable impact on profit. This was partly offset by reduced losses on legacy A\$/US\$ currency hedging compared with the corresponding period and lower average Rand/\$US and Colombian peso/US\$ exchange rate impacts on operating costs.
- Inflationary pressures, principally in South Africa, increased costs by approximately US\$140 million.
- Ceased, sold and discontinuing businesses had an unfavourable effect on profit before taxation of approximately US\$135 million, mainly due to the demerger of the Group's Steel business, and the inclusion in the corresponding period of profits from PT Arutmin which was divested in November 2001 and the Rietspruit energy coal mine which was closed in May 2002.
- Increases in price linked costs depressed profits by approximately US\$50 million, mainly due to higher royalties and taxes for petroleum products.
- The impact of asset sales is a reduction in profits of approximately US\$60 million mainly from the divestment of PT Arutmin in the corresponding period and the loss on sale of 6% of the Group's Steel business in the current period.

These factors were partly offset by:

- Higher sales volumes of iron ore, energy coal, diamonds and aluminium partly offset by lower sales volumes of petroleum products, resulting in a positive net volume impact on profits of approximately US\$130 million.
- Higher prices for petroleum products, nickel, copper, manganese, metallurgical coal and chrome increased turnover by approximately US\$290 million. This increase was partly offset by lower prices for export energy coal, diamonds, iron ore and aluminium that decreased turnover by approximately US\$230 million.
- Exploration expense was down by approximately US\$90 million. The prior period included the write off of exploration expenditure at La Granja (Peru) and higher exploration expense in Petroleum.
- Favourable operating cost performance increased profits by approximately US\$80 million compared with the corresponding period. The Group's cost reduction initiatives and reduced maintenance costs at Hillside (South Africa) lowered costs by approximately US\$190 million. These factors were partially offset by higher costs at Escondida, due to voluntary restraints on production, maintenance outages and higher depreciation from the start-up of Phase IV. Higher operating costs at Bass Strait, increased depreciation charges in Energy Coal (as a result of a review of asset lives) and in Petroleum also had an unfavourable impact on operating costs.

Refer below to the discussions relating to the relevant Customer Sector Groups for other factors affecting the December 2002 results.

Depreciation and amortisation expense decreased US\$77 million to US\$807 million in the current half year. This was mainly due to the lower depreciation expense as a direct result of the demerger of the Group's Steel business in July 2002.

Borrowing costs decreased US\$115 million to US\$144 million in the current half year. Including capitalised interest, total borrowing costs decreased US\$79 million to US\$195 million, principally driven by lower market interest rates and lower average debt levels.

The tax expense for the period ended 31 December 2002 was US\$367 million, compared with US\$497 million for the period ended 31 December 2001. The effective taxation rate for the current half year was 28.8% compared with 29.3% in the corresponding period, while the nominal taxation rate was 30% for the current half year.

Segment Results

Petroleum

Petroleum contributed US\$650 million to profit before tax, up from US\$568 million, an increase of 14.4% compared with the corresponding period.

The increase in profit before tax was due mainly to a higher average realised oil price of US\$27.19 per barrel compared to US\$22.54 per barrel in the corresponding period, together with lower exploration costs in the current period and higher volumes at North West Shelf (Australia) due to timing of shipments and strong production.

These factors were partly offset by lower overall sales and production volumes at Liverpool Bay (UK) due to scheduled maintenance, and lower production at Bass Strait and Laminaria (Australia), due to natural field decline. An increase in price-linked costs (royalties and taxes), higher depreciation and an increase in costs at Bass Strait also had an unfavourable impact on profit before tax.

Aluminium

Aluminium contributed US\$242 million to profit before tax, up from US\$233 million, an increase of 3.9% compared with the corresponding period.

The increase in profit before tax was mainly attributable to improved operational cost performance at Hillside, Worsley and Alumar, resulting from increased production and reduced maintenance costs. Increased production at Hillside and Worsley was mainly attributable to the continued success of Operating Excellence projects and increased production at Alumar was due to the end of power restrictions in Brazil. Lower maintenance costs at Hillside were mainly a result of a lower number of pots being relined in the current period, combined with the absence of the net costs associated with the September 2001 power outage. The weakening of the Rand/US\$ and Brazilian Real/US\$ average exchange rates also had a favourable impact on operating costs.

These factors were partially offset by foreign exchange losses arising on conversion of Rand denominated tax provisions at balance date, compared with foreign exchange gains in the corresponding period. The lower average LME price for aluminium, down US\$17 per tonne or 1.3% to US\$1,332 per tonne and the strengthening of the A\$/US\$ exchange rate also had an unfavourable impact on profits.

Base Metals

Base Metals contributed US\$53 million to profit before tax, up from US\$51 million, an increase of 3.9% compared with the corresponding period.

The increase in profits was mainly attributable to lower exploration expense with US\$38 million relating to the write off of La Granja included in the corresponding period. Also contributing to the increase in profits was the higher average realised copper price at US\$0.68 per lb, for the half year ended 31 December 2002, compared to US\$0.65 per lb in the corresponding period. Profits also benefited from a full six months of operations from Antamina. Commercial production at Antamina commenced in October 2001.

These factors were partially offset by increased unit costs at Escondida due to the ramp-up of Phase IV production and lower existing plant throughput resulting from maintenance outages. Production cutbacks at Escondida and Tintaya (Peru) were partially offset by the completion of the Phase IV expansion in October 2002.

Carbon Steel Materials

Carbon Steel Materials contributed US\$490 million to profit before tax, down from US\$550 million, a decrease of 10.9% compared with the corresponding period.

The decrease in profits was mainly attributable to the unfavourable impact of stronger A\$/US\$ exchange rates on operating costs compared to the corresponding period. Lower iron ore prices, following the contract settlements announced in May 2002, also unfavourably impacted profits.

These factors were partially offset by continued strong demand for Western Australian iron ore from Asian markets, which resulted in record production and shipping during the December 2002 half year. Increased demand during the current half year for Samarco (Brazil) pellets also had a favourable impact on profits.

Diamonds and Specialty Products

Diamonds and Specialty Products contributed US\$84 million to profit before tax, down from US\$144 million, a decrease of 41.7% compared with the corresponding period.

The decrease in profit before tax was mainly attributable to foreign exchange losses arising from conversion of Rand denominated tax provisions and debt at balance date, compared with foreign exchange gains in the corresponding period. Profits were also unfavourably impacted by lower average realised diamond prices (down 28%) as a result of a change in product mix compared with the corresponding period and during the current period Integris' volumes have been adversely affected by market conditions in North America.

These factors were partially offset by increased diamond production, mainly due to increased plant throughput and processing efficiencies. Cost efficiencies were achieved by Integris Metals (US) subsequent to the merger of BHP Billiton's and Alcoa Metals' metals distribution businesses on 1 November 2001.

Energy Coal

Energy Coal contributed US\$94 million to profit before tax, down from US\$391 million, a decrease of 76.0% compared with the corresponding period.

The decrease in profits was primarily due to the foreign exchange losses arising from conversion of Rand denominated monetary liabilities at balance date, compared with foreign exchange gains in the corresponding period, and a significant decline in export market prices. The divestment of PT Arutmin in November 2001 and the closure of the Rietspruit mine in May 2002 had an unfavourable impact on profits with both the exclusion of the results of these operations in the current period and the profit on sale of PT Arutmin recorded in the corresponding period. The unit

cost impact from lower Colombian production volumes in response to depressed European market conditions, higher depreciation charges as a result of a review of asset lives and inflationary pressure on costs in South Africa and Colombia also had an unfavourable impact on profits.

These factors were partially offset by higher sales volumes at Ingwe (South Africa) and Hunter Valley (Australia), the inclusion of profits from the additional share of the Cerrejon Zona Norte operation and cost improvement initiatives across all Energy Coal operations.

Stainless Steel Materials

Stainless Steel Materials contributed US\$58 million to profit before tax, compared with a loss of US\$25 million in the corresponding period.

The increase in profits was driven by higher realised prices for nickel, up by 29%. In addition, a 12% increase in ferrochrome production, associated with the restart of idle furnaces in the period in response to increasing market demand, and a 15% increase in nickel production reflecting the continued ramp-up of production from Cerro Matoso Line 2 (Colombia) improved results. Benefits from ongoing improvement programs at both Cerro Matoso and QNI (Australia) and the impact of the weaker average Rand/US\$ exchange rates on operating costs also had a favourable impact on profits.

Group and Unallocated

Corporate overheads for the half year decreased by US\$24 million (after taking account of inflation and exchange impacts) to US\$100 million. Losses on legacy A\$/US\$ currency hedging also decreased to US\$95 million from US\$176 million in the corresponding period, which were partly offset by the unfavourable impact of one-off items.

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Equity Minority Interests

The share of net profit or loss attributable to equity minority interests was US\$17 million compared with US\$22 million in the corresponding period.

Dividend

On 4 December 2002, a dividend of 7.0 US cents per share was paid to BHP Billiton Limited and BHP Billiton Plc shareholders, which represents an increase of 7.7% compared with the corresponding period. The BHP Billiton Limited dividend was 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 sterling to shareholders on the UK section of the register and South African rand to shareholders on the South African section of the register.

Capital Management

The Group's inaugural Eurobond issue, under the US\$1.5 billion Euro Medium Term Note programme established in June 2002, took place in early October 2002. The issue of Euro 750 million five year notes, which were swapped into US dollars, was oversubscribed and priced at the lower end of market expectations. The success of this issue, in light of the then prevailing market conditions, is a clear reflection of the Group's strong credit profile.

The US\$1.25 billion 364 day revolving credit component of the US\$2.5 billion syndicated multi-currency revolving credit facility that was due for expiry in September 2002 was extended for a further period of 364 days to September 2003.

In October 2002, Moody's Investor Services upgraded the Group's long term credit rating to A2 from A3 and short term credit rating to P-1 from P-2. This upgrade reflects the successful combination of the Group's operations following the merger in June 2001, the benefit of a substantially diversified portfolio and our continued focus on maintaining disciplined financial policies. Standard & Poor's rating for the Group remains on positive watch after being upgraded in September 2001 to its current long term credit rating of A and short term credit rating of A-1.

Merger Benefits and Further Cost Savings

During the year ended 30 June 2002, merger benefits (before one-off costs) of US\$220 million were delivered. A further US\$65 million of merger-related benefits have been achieved during the six months to 31 December 2002, bringing the total to US\$285 million. This exceeds our target for merger synergies, set at the time of the merger, of US\$270 million by the end of financial year 2003, and has been achieved six months ahead of schedule. One-off costs of US\$130 million in total were incurred to deliver these on-going annual benefits, US\$15 million of which were incurred in the current period.

A further target, to achieve additional annual cost savings and efficiency gains of US\$500 million by June 2005, was set in our Strategic Framework last April. This target, to be measured by looking at commodity based unit costs using the year ended 30 June 2001 as the base year, will be delivered through the continuation of our Operating Excellence programme and productivity improvements, ongoing strategic sourcing and marketing initiatives. During the six months to December 2002, we achieved savings and efficiency gains of US\$70 million in addition to the merger benefits set out above, largely as a result of Operating Excellence initiatives in our Aluminium, Base Metals and Stainless Steel Materials CSGs and other productivity gains in our Aluminium and Diamonds and Specialty Products CSGs.

Cash Flows

Net operating cash flows (after interest and tax) remained strong at US\$1,189 million.

Expenditure on growth projects and investments amounted to US\$1,020 million, including Petroleum projects in the Gulf of Mexico, the Mt Arthur North energy coal project in Australia, the ROD oil and Ohanet wet gas projects in Algeria, the Mining Area C, Yandi and Port and Capacity Expansion (PACE) iron ore projects in Australia, the Hillside 3 expansion in South Africa and the Mozal 2 expansion in Mozambique. Maintenance capital expenditure was US\$223 million and exploration expenditure was US\$130 million. These outflows were offset by the proceeds on demerger of the Group's Steel business of US\$272 million, proceeds on the sale of the residual 6% share in BHP Steel after demerger of US\$75 million, the repayment of loans by equity accounted associates of US\$90 million, and proceeds from sale of property plant and equipment totalling US\$33 million, contributed to an investing cash outflow of US\$903 million. Whilst not reflected in cash flows, US\$232 million of debt was retained by BHP Steel upon demerger.

After dividend payments of US\$855 million (up from US\$815 million in the prior half year), financing cash outflows were US\$536 million.

Net debt comprises US\$7,937 million of total debt offset by US\$874 million of cash, including money market deposits.

Financial Ratios

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At 31 December 2002 BHP Billiton's gearing ratio was 36.7% compared to 33.7% at 30 June 2002.

Based on earnings before interest and tax (EBIT), interest cover for the half year was 7.3 times compared to 7.2 times for the half year ended 31 December 2001. Based on earnings before interest, tax and depreciation (EBITDA), interest cover for the half year was 11.4 times compared with 10.4 times in the corresponding period.

Profit from ordinary activities before tax as a percentage of revenue was 17.5% for the half year ended 31 December 2002 compared with 19.2% for the corresponding period.

Net profit as a percentage of equity was 15.0% for the half year ended 31 December 2002 compared to 18.6% in the corresponding period.

Net tangible assets per fully paid share were US\$1.84 as at 31 December 2002 compared with US\$2.01 as at 31 December 2001.

Outlook

In general, London Metals Exchange commodity prices showed improvement during the December 2002 quarter. Prices continued to show some improvement in the opening weeks of calendar 2003. Prices for oil have risen as a result of the ongoing uncertainty in the Middle East and Venezuela, while steel making raw materials are well positioned to benefit from strong North East Asian and, in particular, Chinese demand.

The global economy continues to encounter both economic and geo-political tensions. Despite continued buoyancy in China, the Organisation for Economic Cooperation and Development (OECD) leading indicator is signalling continued weakness in global industrial production.

In the short term, the uncertainty regarding developments in the Middle East, continued high oil prices and weak global equity markets are weighing heavily on consumer and business sentiment with the latter delaying the new investment spending and employment growth needed before there will be any sustained improvement in the world economy. Demand in China, an important influence on many of our products, continues to be strong.

Despite this uncertain outlook, our diversified portfolio of high quality assets provides relatively stable cashflows, leaving us well placed to continue to invest in value adding opportunities and to prosper from any uptick in economic activity.

Significant Events After End of Half Year

No matter or circumstance has arisen since the end of the half year that significantly affected or may significantly affect the operations, the results of operations or state of affairs of the Group in subsequent financial periods.

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BOARD OF DIRECTORS

The Directors of the Company in office during or since the end of the half year are:

Mr D R Argus - Chairman since April 1999 (on the Board of Directors since November 1996)

Mr D A Crawford - a Director since May 1994

Mr M A Chaney - a Director since May 1995

Dr D A Jenkins - a Director since March 2000

Dr J M Schubert - a Director since June 2000

Mr C W Goodyear - an Executive Director since November 2001

Mr B P Gilbertson - an Executive Director since June 2001, resigned 5 January 2003

Dr D C Brink - a Director since June 2001

Mr C A Herkstroter - a Director since June 2001

Lord Renwick of Clifton - a Director since June 2001

Dr John Buchanan - a Director since February 2003

On 24 February 2003, the Board announced the appointment of Mr Miklos Salamon as an Executive Director to the Board of Directors, with immediate effect.

ROUNDING OF AMOUNTS

The Company is a company of a kind referred to in Class Order No. 98/0100 dated 10 July 1998 issued by the Australian Securities and Investments Commission. Amounts in this report, unless otherwise indicated, have been rounded in accordance with that Class Order to the nearest million dollars.

Signed in accordance with a resolution of the Board.

D R Argus
Chairman

Dated in Melbourne this 24th day of February 2003.

Interim Condensed Financial Statements

For The Half Year Ended 31 December 2002

Statement of Financial Performance

For the half year ended 31 December 2002

	Half year ended 31 December 2002 US\$M	Half year ended 31 December 2001
Notes		

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			US\$M (a)
Revenue from ordinary activities			
Sales revenue	4	7 056	8 067
Other revenue	4	221	758
	8	7 277	8 825
deduct			
Expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs	5	5 140	6 136
add			
Share of net profit of associated entities accounted for using the equity method	10	89	150
		2 226	2 839
deduct			
Depreciation and amortisation	6	807	884
Borrowing costs	7	144	259
Profit from ordinary activities before income tax	8	1 275	1 696
deduct			
Income tax expense attributable to ordinary activities		367	497
Net profit		908	1 199
deduct			
Outside equity interests in net profit of controlled entities		17	22

Net profit attributable to members of the BHP Billiton Group		891	1 177
Net exchange fluctuations on translation of foreign currency net assets and foreign currency interest bearing liabilities net of tax		39	26
Total direct adjustments to equity attributable to members of the BHP Billiton Group		39	26
Total changes in equity other than those resulting from transactions with owners		930	1 203
Basic earnings per share (US cents) (a) (b)		14.4	19.5
Diluted earnings per share (US cents) (a) (b)		14.3	19.5

(a) Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. The Statement of Financial Performance for the half year ended 31 December 2001 includes results pertaining to BHP Steel. Refer note 3 "Discontinued Operations".

(b) Basic earnings per share are calculated based on 6 201 million (31 December 2001: 6 024 million) weighted average number of shares. Diluted earnings per share are calculated based on 6 219 million (31 December 2001: 6 040 million) weighted average number of shares.

Under the terms of the DLC merger, the rights to dividends of a holder of an ordinary share in BHP Billiton Plc and a holder of an ordinary share in BHP Billiton Limited are identical. Consequently, earnings per share has been calculated on the basis of the aggregate number of ordinary shares ranking for dividend. The weighted average number of shares used for the purposes of calculating basic earnings per share is calculated after deduction of the shares held by the share repurchase scheme and the Billiton Employee Share Ownership Trust.

The weighted average diluted number of ordinary shares has been adjusted for the effect of Employee Share Plan options, Executive Share Scheme partly paid shares and Performance Rights to the extent they were dilutive at balance date. Refer note 13 for details of shares issued under these plans.

The accompanying notes form part of these interim condensed financial statements.

Statement of Financial Position

As at 31 December 2002

		As at 31 December 2002	As at 30 June 2002	As at 31 December 2001

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	Notes	US\$M	US\$M (a)	US\$M (a)
Current assets				
Cash assets	16	874	1 499	661
Receivables		2 126	2 294	2 048
Other financial assets		107	117	175
Inventories		1 294	1 509	1 550
Other assets		163	108	155
Total current assets		4 564	5 527	4 589
Non-current assets				
Receivables		804	889	661
Investments accounted for using the equity method		1 538	1 505	1 492
Other financial assets		480	581	505
Inventories		51	80	77
Property, plant and equipment		16 086	17 304	16 813
Exploration, evaluation and development expenditure	11	2 180	2 180	1 820
Intangible assets		488	513	536
Deferred tax assets		434	480	422
Other assets		834	803	717
Total non-current assets		22 895	24 335	23 043
Total assets		27 459	29 862	27 632
Current liabilities				

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Payables		2 072	2 435	1 885
Interest bearing liabilities		1 269	1 797	1 217
Tax liabilities		354	493	270
Other provisions		609	1 116	512
Total current liabilities		4 304	5 841	3 884
Non-current liabilities				
Payables		112	121	131
Interest bearing liabilities		6 668	6 383	6 807
Deferred tax liabilities		1 365	1 600	1 355
Other provisions		2 802	2 764	2 462
Total non-current liabilities		10 947	10 868	10 755
Total liabilities		15 251	16 709	14 639
Net assets		12 208	13 153	12 993
Equity				
Contributed equity - BHP Billiton Limited	12	1 759	3 143	3 065
Called up share capital - BHP Billiton Plc	12	1 752	1 752	1 752
Reserves		334	471	479
Retained profits	14	8 055	7 455	7 369
Total BHP Billiton interest		11 900	12 821	12 665
Outside equity interest		308	332	328
Total equity	15	12 208	13 153	12 993

(a) Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. The Statement of Financial Position as at 31 December 2001 and 30 June 2002 include BHP Steel assets and liabilities accordingly.

Refer note 3 "Discontinued Operations".

The accompanying notes form part of these interim condensed financial statements.

Statement of Cash Flows

For the half year ended 31 December 2002

		Half year ended 31 December 2002	Half year ended 31 December 2001
	Notes	US\$M	US\$M (a)
Cash flows related to operating activities			
Receipts from customers		6 928	8 411
Payments to suppliers, employees, etc.		(5 228)	(6 480)
Dividends received		84	69
Interest received		6	47
Borrowing costs		(170)	(298)
Other		109	134
Operating cash flows before income tax		1 729	1 883
Income taxes paid net of refunds received		(540)	(400)
Net operating cash flows		1 189	1 483
Cash flows related to investing activities			
Purchases of property, plant and equipment		(1 191)	(1 080)
Exploration expenditure		(130)	(202)
Purchases of investments and funding of joint ventures		(52)	(47)
Purchases of, or increased investment in, controlled entities and joint venture interests net of their cash		-	(45)

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Investing cash outflows		(1 373)	(1 374)
Proceeds from sale of property, plant and equipment		33	144
Proceeds from sale or redemption of investments		165	36
Proceeds from sale, or partial sale, of controlled entities and joint venture interests net of their cash		272	130
Net investing cash flows		(903)	(1 064)
Cash flows related to financing activities			
Proceeds from ordinary share issues, etc.		147	31
Proceeds from interest bearing liabilities		2 878	3 659
Repayment of interest bearing liabilities		(2 695)	(3 511)
Redemption of secured Employee Share Plan program		-	(134)
Purchase of shares under Share Buy-Back program		-	(19)
Dividends paid		(855)	(815)
Other		(11)	11
Net financing cash flows		(536)	(778)
Net decrease in cash and cash equivalents		(250)	(359)
Cash and cash equivalents at beginning of the half year		990	998
Effect of foreign currency exchange rate changes on cash and cash equivalents		18	(6)
Cash and cash equivalents at end of the half year	16	758	633

(a) Effective July 2002, the BHP Steel business was demerged from the BHP Billiton Group. The Statement of Cash Flows for the half year ended 31 December 2001 includes cash flows pertaining to BHP Steel. Refer note 3 "Discontinued Operations".

The accompanying notes form part of these interim condensed financial statements.

Notes to Financial Statements

NOTE 1. BASIS OF PREPARATION OF INTERIM CONDENSED FINANCIAL STATEMENTS, DUAL LISTED COMPANY STRUCTURE AND ACCOUNTING POLICIES

Basis of preparation of interim financial statements

These statements are general purpose interim consolidated financial statements that have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Stock Exchange Listing Rules, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and Urgent Issues Group Consensus Views, and give a true and fair view of the matters disclosed. These interim financial statements and reports should be read in conjunction with the annual financial statements for the year ended 30 June 2002 and any public announcements made by the BHP Billiton Group and its controlled entities during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001 and Australian Stock Exchange Listing Rules. The notes to the financial statements do not include all information normally contained within the notes to an annual financial report.

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.

NOTE 1. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS, DUAL LISTED COMPANY STRUCTURE AND ACCOUNTING POLICIES continued

Treatment of the DLC merger for accounting purposes

In accordance with the Australian Investments and Securities 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 interim report presents the financial results of the BHP Billiton Group as follows:

- Results for the half years ended 31 December 2002 and 31 December 2001 are for 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.

Accounting policies

Accounting standards and policies have been consistently applied by all entities in the BHP Billiton Group in the half year ended 31 December 2002 and are consistent with those applied in the half year ended 31 December 2001 and the full year ended 30 June 2002.

As a consequence of the enactment of Australian tax consolidation legislation and since the consolidated tax groups within the BHP Billiton Group have not notified the Australian Taxation Office at the date of signing this report of the implementation date for tax consolidation, BHP Billiton Group has applied UIG 39 "Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances".

NOTE 2. SIGNIFICANT ITEMS

Individually significant items (before outside equity interests) included within the BHP Billiton Group net profit are detailed below.

	Gross US\$M	Tax US\$M	Net US\$M
Half year ended 31 December 2002			
Loss upon sale of 6% interest in BHP Steel	(19)	-	(19)

Total by category	(19)	-	(19)
Discontinued Operations	(19)	-	(19)
Total by Customer Sector Group	(19)	-	(19)

No significant items are included in the results for the half year ended 31 December 2001.

NOTE 3. DISCONTINUED OPERATIONS

Effective July 2002, the BHP Steel business demerged from the BHP Billiton Group. The demerger of BHP Steel effectively brings to an end the BHP Billiton Group's involvement as a steel producer and follows the demerger of the OneSteel business in October 2000 and the disposal of other steel operations, such as the US West Coast Steel businesses in June 2000.

Prior to the demerger, BHP Steel was 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. The Company supplied customers in Australia, New Zealand, Asia, the US, Europe, the Middle East and the Pacific. Key steelmaking assets were the low-cost global scale Port Kembla Steelworks (Australia), BHP New Zealand Steel and North Star BHP Steel (US). A network of metallic coating and coil painting facilities operated in Australia, New Zealand and South East Asia.

The financial performance of the Discontinued Steel business (including the loss upon sale of 6% interest in BHP Steel retained by BHP Billiton), as included in the Statement of Financial Performance, is detailed as follows:

Discontinued Steel business	Half year ended 31 December 2002 US\$M	Half year ended 31 December 2001 US\$M
Financial Performance		
Revenue from ordinary activities before interest income	75	1 157
Expenses from ordinary activities, excluding borrowing costs	(94)	(1 131)
Profit from ordinary activities before net borrowing costs and income tax	(19)	26

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 is interest income of US\$6 million. The borrowing costs associated with attributable debt instruments was US\$8 million. The income tax expense related to the discontinued operation, including the tax impact on financing arrangements included above, was US\$3 million.

The contribution to Group cash flows of these businesses, before consideration of borrowing costs and income tax, as included in the Statement of Cash Flows, is detailed as follows:

Discontinued Steel business	Half year ended 31 December 2002 US\$M	Half year ended 31 December 2001 US\$M
Cash Flows		
Net operating cash flows (excluding borrowing activities and income tax)	-	107
Net investing cash flows (a)	74	(5)
Net financing cash flows	-	25
Total cash flows provided by discontinued operations	74	127

(a) Includes US\$75 million in proceeds from the sale of 6% of BHP Steel and US\$1 million in costs associated with the sale.

NOTE 3. DISCONTINUED OPERATIONS continued

The attributable net assets of BHP Steel as included in the Statement of Financial Position is provided below. In addition, the net assets demerged in July 2002, which are equivalent to the balances held at 30 June 2002, are also provided, after allowing for the settlement of intercompany loans by BHP Steel to the BHP Billiton Group.

Discontinued Steel business	As at 31 December 2002 US\$M	As at 30 June 2002 US\$M
Financial Position (a)		
Total assets	-	2 732
Total liabilities	-	(841)
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)
Net assets of BHP Steel		1 576
Elimination of intercompany profits in inventory		(9)
Attributable net assets of BHP Steel demerged		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.

The impact on the BHP Billiton Group of the demerger of BHP Steel business in July 2002 was as follows:

• The BHP Billiton Group's capital was reduced by US\$1,489 million, including US\$17 million of costs (net of tax; US\$24 million before tax) directly associated with the demerger. The capital reduction takes into account the transfer to BHP Billiton Limited shareholders of 94 percent of the shares of BHP Steel. The remaining 6 percent of BHP Steel shares held by the Group were subsequently sold;

- A bonus issue of BHP Billiton Plc shares to BHP Billiton Plc shareholders as a Matching Action to ensure economic benefit equality between shareholders of both BHP Billiton Limited and BHP Billiton Plc. The bonus issue resulted in one BHP Billiton Plc share being issued for approximately each 15.6 BHP Billiton Plc shares held;
- A cash inflow of US\$347 million, representing US\$294 million from the settlement by BHP Steel of intercompany loans, less US\$22 million demerger transaction costs paid. US\$75 million from the sale of the 6 percent interest in BHP Steel is included in proceeds from sale or redemption of investments; and
- A loss of US\$19 million (no tax effect) relating to the sale of the 6 percent of BHP Steel.

NOTE 4. REVENUE FROM ORDINARY ACTIVITIES

	Half year ended 31 December 2002 US\$M	Half year ended 31 December 2001 US\$M
Sales revenue		
Sale of goods	6 823	7 896
Rendering of services	233	171
Total sales revenue	7 056	8 067
Other revenue		

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Interest income	29	51
Dividend income	14	18
Proceeds from sales of non-current assets	109	655
Management fees	1	2
Other income	68	32
Total other revenue	221	758

NOTE 5. EXPENSES FROM ORDINARY ACTIVITIES, EXCLUDING DEPRECIATION, AMORTISATION AND BORROWING COSTS

	Half year ended 31 December 2002 US\$M	Half year ended 31 December 2001 US\$M
Employee benefits expense	769	1 000
Raw materials and consumables used	1 195	1 330
External services (including transportation)	1 336	1 311
Costs relating to trading activities	741	933
Changes in inventories of finished goods and work in progress	(97)	(128)
Net book value of non-current assets sold	116	599
Foreign losses/(gains) on external debt and tax balances	95	(328)
Resource rent tax	226	203
Rental expense in respect of operating leases	97	118
Government royalties paid and payable	162	138
Other	500	960

Total expenses from ordinary activities, excluding depreciation, amortisation and borrowing costs	5 140	6 136
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NOTE 6. DEPRECIATION AND AMORTISATION

	Half year ended 31 December 2002 US\$M	Half year ended 31 December 2001 US\$M
Depreciation relates to		
Buildings	52	66
Plant, machinery and equipment	585	696
Mineral rights	65	50
Exploration, evaluation and development expenditure	76	45
Capitalised leased assets	3	4
Total depreciation	781	861
Amortisation relates to		
Goodwill (not tax-effected)	26	23
Total amortisation	26	23
Total depreciation and amortisation	807	884

NOTE 7. BORROWING COSTS

	Half year ended 31 December 2002 US\$M	Half year ended 31 December 2001 US\$M
Borrowing costs paid or due and payable		
On interest bearing liabilities	193	270

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On finance leases	2	4
Total borrowing costs	195	274
deduct		
Amounts capitalised	51	15
Borrowing costs charged against net profit from ordinary activities	144	259

NOTE 8. SEGMENT RESULTS

	Segment Revenue US\$M	Profit before tax (a) US\$M
Half year ended 31 December 2002		
Petroleum	1 547	650
Aluminium	1 547	242
Base Metals	673	53
Carbon Steel Materials	1 647	490
Diamonds and Specialty Products	184	84
Energy Coal	855	94
Stainless Steel Materials	484	58
Group & unallocated items (b)	457	(262)
Net unallocated interest	29	(115)
Discontinued Operations (b)	75	(19)
Intersegment	(221)	-
BHP Billiton Group	7 277	1 275

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Half year ended 31 December 2001		
Petroleum	1 450	568
Aluminium	1 371	233
Base Metals	658	51
Carbon Steel Materials	1 527	550
Diamonds and Specialty Products	852	144
Energy Coal	1 220	391
Stainless Steel Materials	368	(25)
Group & unallocated items (b)	401	(57)
Net unallocated interest	49	(217)
Discontinued Operations (b)	1 189	58
Intersegment	(260)	-
BHP Billiton Group	8 825	1 696

(a) Before outside equity interests.

(b) For segment reporting, the results of operations formerly presented as the Steel segment have been split between Discontinued Operations and Continuing Operations. Discontinued Operations represents the part of the Steel business that was demerged in July 2002. Steel's Continuing Operations include the results of operations of Transport and Logistics, until 31 December 2001, and certain minor residual Steel assets and liabilities (that have not been demerged as part of BHP Steel) and are now included in Group and unallocated items.

NOTE 9. DIVIDENDS

	Half year ended 31 December 2002 US\$M	Half year ended 31 December 2001 US\$M
BHP Billiton Limited		

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(a)		
Interim dividends paid	261	241
BHP Billiton Plc		
Interim dividends paid	173	151
Total dividends paid or payable	434	392

(a) The dividend for the December 2002 half year of US\$0.07 per share, paid on 4 December 2002, was fully franked (2001 - US\$0.065 per share fully franked). For the purposes of AASB 1034, the Group has an adjusted franking account balance of US\$176 million (A\$310 million) at 31 December 2002. From 1 July 2002 the Australian Income Tax Assessment Act 1997 requires measurement of franking account balances based on the amount of income tax paid, rather than on after-tax profits. The current outlook is that dividends payable in the next twelve months will be fully franked.

NOTE 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Ownership interest at BHP Billiton Group reporting date (a)		Contribution to operating profit after income tax	
	31 December 2002 %	31 December 2001 %	31 December 2002 US\$M	31 December 2001 US\$M
Material interests in associated entities				
Samarco Mineracao S.A.	50	50	22	10
Minera Antamina S.A.	34	34	(3)	(6)
Cerrejon Coal Corporation (b)	33	(b)	8	13
Highland Valley Copper	34	34	(3)	7
Minera Alumbreira Limited	25	25	15	5
Other (c)			50	121
Total			89	150

(a) Ownership interest reflects the interest held at the end of the half years ended 31 December 2002 and 2001 respectively. The proportion of voting power held corresponds to ownership