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## BHP Names Revenue Builder As New Chief BUSINESS ASIA By Bloomberg

By Tan Hwee Ann and Jesse Riseborough

BHP Billiton, the world's largest mining company, said Thursday that it had promoted Marius Kloppers to chief executive, giving him control over \$17.5 billion of projects as costs rise and industry takeovers increase. Kloppers, 44, who heads the division contributing more than half of BHP's profit, succeeds Charles Goodyear on Oct. 1, the Melbourne-based company said. Analysts and investors had named him as the most likely candidate.

The South African-born Kloppers will take over a company that has delivered record earnings for seven consecutive half-year periods, as a result of soaring Chinese demand and commodity prices. Surging profits have spurred more than \$79 billion of takeover bids in the industry this year, including Alcoa's hostile offer for Alcan.

"Kloppers has been focused on building the revenue end of the company and he is very good at it," said Peter Chilton, an asset manager at Constellation Capital Management in Sydney. "Growth and cost control will be very important."

Shares of BHP have risen 23 percent this year, more than double the 10 percent gain on the benchmark Australian index. The stock rose as much as 75 cents, or 2.4 percent, to 31.82 Australian dollars, or \$26.23, Thursday.

Kloppers is group president of BHP's nonferrous materials, which includes the aluminum, base metals and stainless steel materials units. The three units accounted for 57 percent of BHP's earnings before interest and tax. He beat out at least one other internal candidate, Chris Lynch, who runs the company's carbon steel business, for the job.

"We are in a time of considerable change in our industry with the emergence of new markets and sources of supply," Don Argus, chairman of BHP, said in the statement to the Australian Stock Exchange. "Marius has an excellent strategic mind and delivers on his commitments."

Kloppers also held positions of chief marketing officer and chief commercial officer at BHP. He drove iron ore price talks and contract negotiations with copper smelters, Chilton at Constellation Capital said. He was also involved in BHP's acquisition of the nickel producer WMC Resources in 2005, for 9.2 billion dollars.

Since then, BHP has not made another major acquisition, while its rivals Xstrata and Vale do Rio Doce spent a total of \$34.4 billion buying Falconbridge and Inco respectively last year.

"Other companies have been aggressive in the marketplace in trying to build their overall positions," said Tim Barker, an asset manager at BT Financial Group in Sydney. "That's an area BHP needs to focus on."

BHP could be a possible bidder for Alcan, Canada's largest aluminum producer, and has started "early stage" talks, the Globe and Mail newspaper said May 23, citing unidentified people. BHP and Alcan denied to comment. Alcan rejected a \$27.7 billion bid from a rival, Alcoa, and has been in talks with other suitors.

Shares of Rio Tinto Group, the world's third-largest mining company, rose to a record May 9

on speculation of an approach from BHP. Rio denied the speculation.

While Kloppers "may push it, I think the logic and reasoning behind any acquisition or purchase will have to meet stringent criteria," said John Colnan, senior resources analyst at Shaw Stockbroking in Sydney. "I can't see any change there."

BHP's pipeline of projects ranges from iron ore mines in Australia to U.S. oil and gas fields. Goodyear said in March that prices of copper, nickel and other metals would remain high for several decades as demand from China and India climbs.

The company may post record profit of \$13.9 billion for the year ending June, up from \$10.45 billion the previous year, according to the average of 18 estimates compiled by Bloomberg.

BHP is struggling with rising costs at its projects as it competes for labor, equipment and materials. It has announced higher costs for its Alumar alumina refinery in Brazil, the Atlantis South oil project in the Gulf of Mexico and its Ravensthorpe nickel project in Australia.

"The biggest challenge is going to be cost control and the blow-out in costs in pretty much every area they are in," said Michael McCormick, an asset manager at Leyland Private Asset Management in Sydney. "They are in a good position as far as demand is coming through from China on iron and copper."

BHP, the world's largest producer of coal for the steel industry and the third-biggest iron ore exporter, mines those products and more in Australia and controls the world's largest copper mine, the Escondida mine in Chile. It also produces oil and gas.

Anglo American and Rio Tinto Group, the world's second- and third- largest mining companies, also changed top executives this year. Cynthia Carroll became Anglo's new chief executive from March, replacing Tony Trahar. At Rio Tinto, Leigh Clifford was replaced by Tom Albanese, 50, last month.

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