(5) Underlying return on capital represents net profit after tax, excluding exceptional items and net finance costs (after tax), divided by average capital employed. Capital employed is net assets plus net debt.

Year ended 30 June	2013	2012	2011
	US$M	US$M	US$M
Profit after taxation excluding exceptional items and net finance costs:			
Profit after taxation	**11,075**	15,532	23,946
Net exceptional items after taxation	**922**	1,741	(1,964)
Profit after taxation excluding exceptional items (2)	**11,997**	17,273	21,982
Net finance costs	**1,353**	730	561
Income tax benefit of net finance costs (a)	**(402)**	(239)	(153)
Net finance costs (after taxation)	**951**	491	408
Profit after taxation excluding exceptional items and net finance costs (2)	**12,948**	17,764	22,390
Capital employed:			
Net assets	**72,035**	67,085	57,755
Net debt (b)	**29,105**	23,607	5,823
Capital employed	**101,140**	90,692	63,578
Average capital employed	**95,916**	77,135	58,108
Underlying return on capital (2)	**13.5%**	23.0%	38.5%

(a) Calculated at a nominal tax rate of 30 per cent adjusted for non-deductibility/assessability of exchange variations on net debt of US$13 million (2012: US$(65) million; 2011: US$51 million). Refer to note 6 ‘Net finance costs’ to the financial statements.

(b) Net debt (comprising Interest bearing liabilities less Cash and cash equivalents at 30 June 2013) includes Cash and cash equivalents of US$ nil (2012: US$120 million; 2011: US$ nil) and Interest bearing liabilities of US$ nil (2012: US$178 million; 2011: US$ nil) included in assets and liabilities held for sale.

The following are other measures that assist us to monitor our overall performance.

Production

A summary of our actual production volumes for FY2013 and the previous two financial years is shown below. Further details appear in section 2.3 ‘Production’.

Year ended 30 June	2013	2012	2011
Total Petroleum production (millions of barrels of oil equivalent)	**235.8**	222.3	159.4
Copper (’000 tonnes)	**1,209.4**	1,094.5	1,139.4
Iron ore (’000 tonnes)	**169,856**	159,478	134,406
Metallurgical coal (’000 tonnes)	**37,650**	33,230	32,678
Energy coal (’000 tonnes)	**72,892**	71,111	69,500
Alumina (’000 tonnes)	**4,880**	4,152	4,010
Aluminium (’000 tonnes)	**1,179**	1,153	1,246
Manganese ores (’000 tonnes)	**8,517**	7,931	7,093
Manganese alloys (’000 tonnes)	**608**	602	753
Nickel (’000 tonnes)	**154.1**	157.9	152.7

Financial strength

Financial strength is measured by Attributable profit and Underlying EBIT as overall measures, along with measures of liquidity and capital management. Our credit rating, gearing and net debt are discussed in section 3.7.3. The final dividend declared for FY2013 maintains our progressive dividend policy.

Project pipeline

Our project pipeline focuses on commodities that are expected to be high-margin and create significant future value. The details of our project pipeline are located in sections 3.7.2 and 2.2 'Business overview', with a summary presented below.

Year ended 30 June (1)	2013	2012	2011
Major projects			
Number of projects approved during the year	**1**	8	11
Number of projects currently under development (approved in prior years)	**17**	12	7
Number of completed projects (2)	**2**	6	3
Budgeted capital expenditure for projects (approved in the year) (US$M)	**520**	7,468	12,942
Budgeted capital expenditure for projects under development (approved in prior years) (US$M)	**20,663**	15,323	11,575
Capital expenditure of completed projects (US$M)	**1,388**	9,160	1,202

(1) Does not include major projects approved after 30 June 2013, including the Escondida desalination facility and expenditure on the Jansen Potash Project – refer to section 3.7.2.

(2) Includes Bass Strait Kipper project, which is not yet in production pending completion of the mercury removal project.

3.4 External factors and trends affecting our results

The following section describes some of the external factors and trends that have had a material impact on our financial condition and results of operations. We operate our business in a dynamic and changing environment and with information that is rarely complete and exact. We primarily manage the risks discussed in this section under our portfolio risk management approach, which relies on the effects of diversification, rather than individual risk management programs. Details of our risk factors may be found in section 1.7.1 'Risk factors'. Details of our financial risk management strategies and financial instruments outstanding at 30 June 2013 may be found in section 1.7.3 'Management of principal risks' and in note 29 'Financial risk management' to the financial statements.

Management monitors particular trends arising from external factors with a view to managing the potential impact on our future financial condition and results of operations. The following external factors could have a material adverse effect on our business and areas where we make decisions on the basis of information that is incomplete or uncertain.

3.4.1 Commodity prices

The prices we obtain for our products is a key driver of our business, and fluctuations in these commodity prices affect our results including, cash flows and asset values. The estimated impact on FY2013 profit after taxation of changes of commodity prices is set out below.

	US$M
US$1/bbl on oil price	47
US¢10/MMBtu on US gas price	32
US¢1/lb on copper price	19
US$1/t on iron ore price	113
US$1/t on metallurgical coal price	24
US$1/t on energy coal price	27
US¢1/lb on aluminium price	26
US¢10/dmtu on manganese ore price	21
US$1/t on manganese alloy price	1
US¢1/lb on nickel price	2

The following table shows prices of our most significant commodities for FY2013, FY2012 and FY2011. These prices represent selected quoted prices from the relevant sources as indicated. These prices differ from the realised prices on the sale of the Group's production due to differences in quotational periods, quality of products, delivery terms and the range of quoted prices that are used for contracting sales in different markets.

Year ended 30 June	2013 Closing	2012 Closing	2011 Closing	2013 Average	2012 Average	2011 Average
Crude oil (Brent) (1) (US$/bbl)	**102.46**	94.50	111.51	**108.64**	112.49	95.92
Natural gas Henry Hub (2) (US$/MMBtu)	**3.73**	2.81	4.39	**3.44**	3.05	4.16
Natural gas Asian Spot LNG (3) (US$/MMBtu)	**15.40**	14.95	13.80	**15.14**	16.25	10.41
Ethane (4) (US$/bbl)	**9.92**	12.29	32.47	**12.15**	27.31	26.74
Propane (5) (US$/bbl)	**35.52**	34.44	62.42	**37.31**	54.72	54.40
Butane (6) (US$/bbl)	**49.51**	51.29	74.16	**61.74**	76.72	69.48
Copper (LME cash) (US$/lb)	**3.06**	3.45	4.22	**3.48**	3.71	3.92
Iron ore (7) (US$/dmt)	**116.25**	135.25	170.75	**127.23**	151.17	162.98
Metallurgical coal (8) (US$/t)	**130.00**	221.50	282.50	**159.13**	239.18	248.63
Energy coal (9) (US$/t)	**78.89**	89.22	120.97	**89.10**	111.95	120.42
Aluminium (LME cash) (US$/t)	**1,731**	1,835	2,509	**1,938**	2,168	2,375
Alumina (10) (US$/t)	**318**	305	386	**327**	334	369
Manganese Alloys (11) (US$/t)	**1,060**	1,250	1,320	**1,143**	1,260	1,319
Manganese Ores (12) (US$/dmtu)	**5.58**	5.06	5.24	**5.21**	4.90	6.29
Nickel (LME cash) (US$/lb)	**6.21**	7.47	10.49	**7.43**	8.77	10.86

(1) Platts Dated Brent is a benchmark price assessment of the spot market value of physical cargoes of North Sea light sweet crude oil.

(2) Platts Gas based on Henry Hub – typically applies to gas sales in the US gas market.

(3) Platts Liquefied Natural Gas Delivery Ex-Ship (DES) Japan/Korea Marker – typically applies to Asian LNG spot sales.

(4) OPIS Mont Belvieu non-Tet Ethane – typically applies to ethane sales in the US Gulf Coast market.

(5) OPIS Mont Belvieu non-Tet Propane – typically applies to propane sales in the US Gulf Coast market.

(6) OPIS Mont Belvieu non-Tet Normal Butane – typically applies to butane sales in the US Gulf Coast market.

(7) Platts 62 per cent Fe Cost and Freight (CFR) China – used for fines.

(8) Platts Low-Vol hard coking coal Index FOB Australia – representative of high-quality hard coking coals.

(9) GlobalCoal FOB Newcastle 6,000 kcal/kg NCV – typically applies to coal sales in the Asia Pacific market.

(10) 2013 and 2012 Platts PAX Free on Board (FOB) Australia – market price assessment of calcined Metallurgical/Smelter Grade Alumina. 2011 CRU FOB Australia.

(11) Bulk FerroAlloy high-carbon ferromanganese (HCFeMn) US ex-warehouse.

(12) CRU Cost Insurance Freight (CIF) China import 43 per cent contained manganese.

During FY2013, commodity markets were impacted by a slower pace of growth in China that was balanced in part by increased stability in European sovereign debt markets and an improved private sector performance in the United States. In the case of most steelmaking raw materials, demand growth rates outside China decreased, and combined with robust supply growth from seaborne sources, resulted in lower raw material prices than the previous year. The metals commodities attracted lower prices than the previous year as a result of supply growing faster than demand. For energy commodities, geopolitical tensions and United States economic improvements provided price support for crude oil, while the US gas prices increased due to increased seasonal demand in the residential and commercial sector and decreased storage inventories from the previous year.

The following summarises the pricing trends, based on the year-end prices, of our most significant commodities for FY2013.

Crude oil: The Platts Dated Brent crude price increased by eight per cent during FY2013, driven by Chinese demand growth in the first half of the year followed by moderate improvements in macroeconomics in the United States in the second half. Middle East political tensions provided price support, which offset negative drivers, including ongoing Eurozone concerns and a two per cent increase in US crude oil inventories.

Gas: The Platts US Henry Hub natural gas price increased by 33 per cent during FY2013. The Henry Hub price increase was driven by increased seasonal demand in the residential and commercial sector in the United States. The Asian liquefied natural gas spot price increased by three per cent during FY2013. This increase was supported by sustained demand from Japan to replace suspended nuclear capacity and growth in emerging Asian markets and Latin America.

Natural gas liquids: A barrel of natural gas liquids consists mainly of ethane and liquefied petroleum gas (propane and butane). The Mont Belvieu ethane price decreased by 19 per cent in FY2013 due to increases in supply, while Mont Belvieu propane prices increased by three per cent due to increased exports. Mont Belvieu butane prices decreased by three per cent due to lower gasoline demand.

Copper: The London Metal Exchange (LME) copper cash settlement price decreased by 11 per cent during FY2013 driven by supply growing faster than demand. Copper mine production recovered strongly in FY2013 from a constrained level, which was caused by disruptions in FY2012. Consumption remained flat during the first half of FY2013, but increased in the second half, as Chinese end-use demand increased by seven per cent.

Iron ore: The Platts 62 per cent iron ore CFR China price decreased by 14 per cent during FY2013 due to increased iron ore seaborne supply and inventory destocking at Chinese steel mills. Prices fluctuated between US$88.5 per dry metric tonne (dmt) and US$160/dmt, as movements in iron ore inventories caused volatility. Seaborne imports to China increased, as Australian supply growth more than offset the decrease in Brazilian and Indian exports. Global demand for iron ore was primarily driven by China’s record pig iron production, which recovered strongly in the second half of the financial year, after a seasonal decrease in the first half.

Metallurgical coal: The Platts Low-Vol hard coking coal Index decreased by 41 per cent during FY2013, driven by decreased growth rates of global pig iron production. Pig iron production decreased in Europe, which historically accounts for a large share of hard coking coal import demand. Supply increased during the year, particularly from Australia and Canada.

Energy coal: The Global Coal Newcastle FOB price decreased by 12 per cent during FY2013. Seaborne demand growth was driven by China and India, where volumes reached all-time record levels. Prices decreased as Indonesian, Australian and US exports increased simultaneously.

Aluminium: The LME aluminium cash settlement price decreased by six per cent during FY2013. Demand growth slowed, while simultaneously new supply continued to be added, which contributed to an increasing market surplus. During this period, LME stocks reached record levels, driven by the attractiveness of warehouse financing deals to investors.

Alumina: The Platts FOB Australia price increased by four per cent during FY2013, with price support coming from increasing demand and supply disruptions during the year. The market remained balanced, with refinery production continuing to grow in China.

Manganese: The CRU China ore import price increased by 10 per cent during FY2013. Rising ore prices in the second half of FY2013 were supported by record Chinese steel output, while supply from South Africa, Australia and Gabon increased to meet the higher demand. The US spot high-carbon ferromanganese alloy price decreased 15 per cent during FY2013. Declining alloy prices were driven by oversupply in a weak export market due to lower steel production in the developed economies of Europe and the United States

Nickel: The LME cash settlement nickel price decreased by 17 per cent during FY2013. Demand for nickel continued to grow, but at a lower rate compared with the previous year. The price decreased as a result of the demand growth being outpaced by increasing supply tonnages, coming mainly from Chinese nickel pig iron, as well as new production from greenfield projects.

3.4.2 Exchange rates

We are exposed to exchange rate transaction risk on foreign currency sales and purchases, as we believe that active currency hedging does not provide long-term benefits to our shareholders. Because a majority of our sales are denominated in US dollars, and the US dollar plays a dominant role in our business, we borrow and hold surplus cash predominantly in US dollars to provide a natural hedge. Operating costs and costs of locally sourced equipment are influenced by fluctuations in local currencies, primarily the Australian dollar, Brazilian real, Chilean peso and South African rand. Foreign exchange gains and losses reflected in operating costs owing to fluctuations in the local currencies relative to the US dollar may potentially offset one another. Volatility increased during the year, with a strengthening of the US dollar in the last quarter of FY2013. Overall the Australian dollar, Brazilian real and South African rand ended the financial year weaker against the US dollar, while the Chilean peso strengthened.

We are also exposed to exchange rate translation risk in relation to net monetary liabilities, being our foreign currency denominated monetary assets and liabilities, including debt and other long-term liabilities. Details of our exposure to foreign currency fluctuations are contained within note 29 ‘Financial risk management’ to the financial statements.

3.4.3 Changes in product demand and supply

Global demand and supply for the commodities we produce is a key driver of commodity prices, and fluctuations in product demand and supply affect our results, including cash flows and asset values.

Economic conditions over the second half of FY2013 were affected by lower than expected growth in emerging economies. Weaker trade and soft manufacturing activity pulled growth rates slightly below expectations in China. However, with employment conditions and income growth remaining resilient, the Chinese Government has room to pursue reforms that support its agenda of stable, long-term growth.

Significant cuts in government spending affected growth in the United States; however, this was offset by improved private sector demand, leading to modest rates of economic growth overall. Housing and stock market prices have also strengthened household balance sheets over the past year. As a result, we believe the recovery will continue, although risks remain regarding the unwinding of monetary policy stimulus.

The renewed policy push in Japan is also positive for medium-term growth expectations if the government can achieve its stated objectives. Europe remained relatively stable during the period; however, we do not anticipate a strong or rapid recovery while fundamental structural problems remain.

Overall, we expect more balanced global growth over the long term as China continues to develop its economy and large developed economies, such as the United States, grow despite fiscal challenges. We expect the rebalancing of the Chinese economy to be significant in terms of the nature of domestic demand, as well as the types of goods and services the economy will produce. These changes will take place gradually, particularly in relation to savings behaviour and levels of fixed asset investment. We also see India and South East Asia as significant sources of economic growth in the long term.

Prices responded to changes in the underlying fundamentals of several major commodities during FY2013. Increased demand in the United States supported natural gas markets, while record steel production rates in Asia underpinned strong demand for steelmaking raw materials. However, supply of iron ore, metallurgical coal and copper more than kept pace with increased demand, leading to a reduction in prices over the period.

In the short term, increased supply is expected to exert downward pressure on prices, although a lower rate of investment growth across the industry should, in time, lead to more balanced supply and demand. The growth rates for steel demand in Asia are expected to moderate, as the Chinese economy gradually rebalances. This rebalancing should support growth in demand for other industrial metals, energy and agricultural products.

We expect overcapacity in the aluminium and nickel industries to persist, while robust near-term supply in copper and US domestic gas should, over time, give way to market conditions more influenced by resource decline.