



# Offer for Falconbridge Limited

**17 May 2006**



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**Mick Davis**  
**Chief Executive**

# Xstrata is making a 100% cash offer for Falconbridge



- C\$52.50/share, all-cash offer for Falconbridge – fully underwritten
- Compelling offer to Falconbridge shareholders to realize full cash value upfront
- Substantially earnings and cash flow accretive in first full year of consolidation
- World-class metals and mining group with major positions in copper, nickel, thermal and metallurgical coal, zinc and alloys
- Greater commodity, geographic and currency diversification
- Enhanced portfolio of large-scale, long-life, robust, cash generative operations
- Significant pipeline of brown- and green-field growth projects
- Optionality and ability to participate in ongoing industry consolidation
- Significant benefits to operations, employees and stakeholders of Falconbridge assets

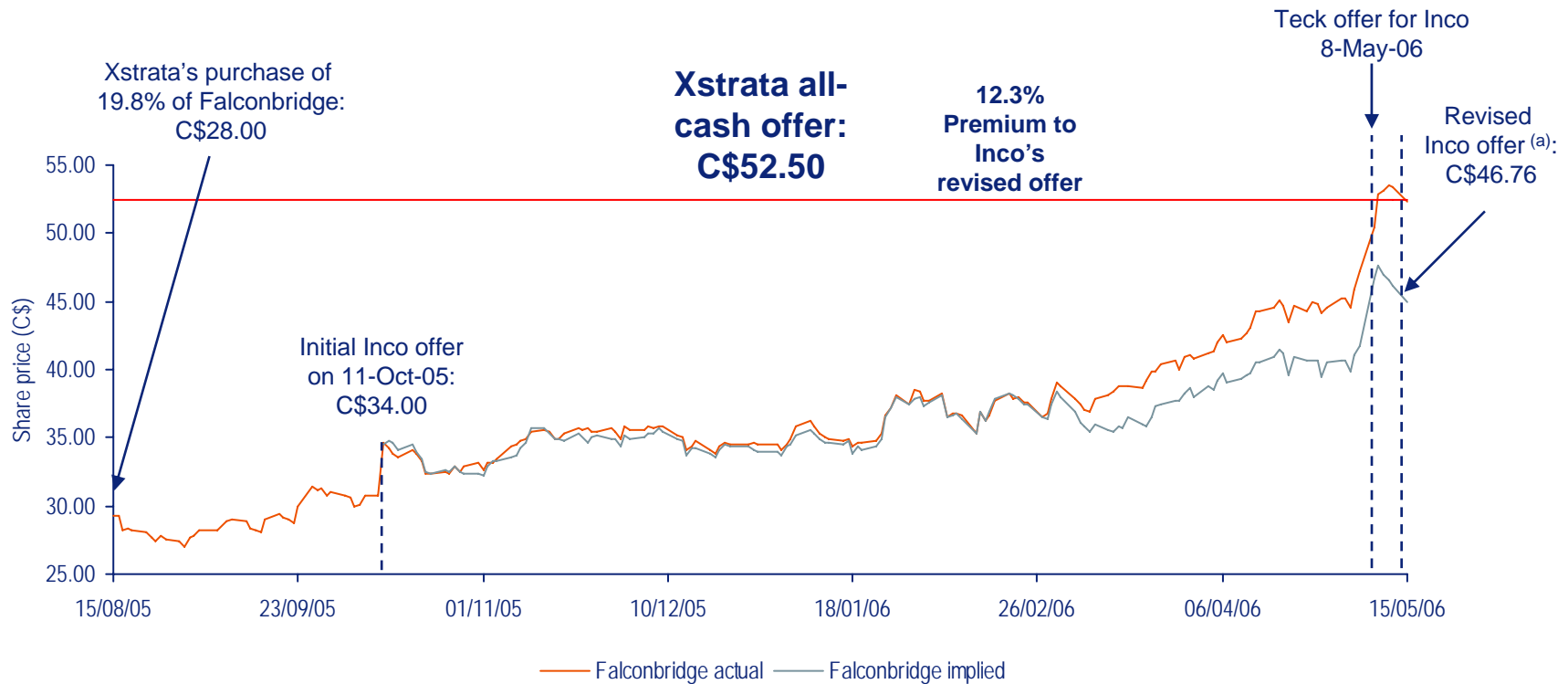
## What Xstrata brings to Falconbridge and Canada

- Superior cash value today for Falconbridge shareholders
- Retain significant Canadian presence through new, stand-alone, Toronto-based global nickel division, with opportunities for further growth
- Respect for and investment in employees and local communities, as demonstrated in the MIM acquisition
- A focus on improving safety and environmental performance and on optimising the operational efficiency of existing businesses
- No lay-offs in Sudbury for three years
- This transaction is of net benefit to Canada

# Attractive premium offered to Falconbridge shareholders



**Xstrata's offer of C\$52.50/share represents an attractive value proposition to Falconbridge shareholders and an attractive premium to Inco's revised offer**

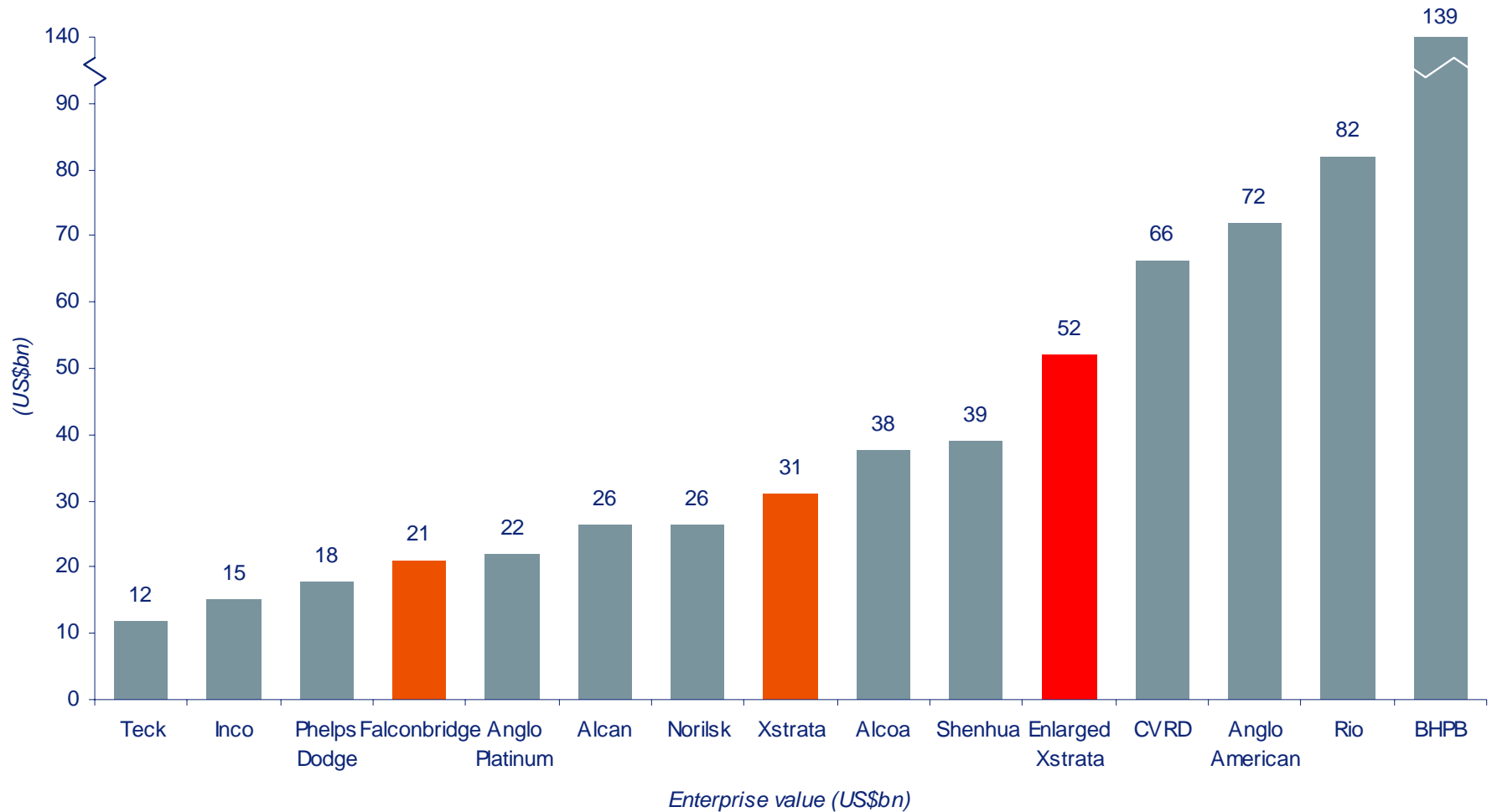


(a) Revised Inco offer calculated based on Inco pre-Teck bid closing price on 5-May-06 of C\$65.38

## Power of the Combination – Greater Critical Mass

- Enlarged Group with the scale, diversification and access to capital to support further growth and to compete globally
  - Combined Enterprise Value of over US\$50bn
  - 5<sup>th</sup> largest diversified miner
  
- Scale creates meaningful capacity to compete with global industry leaders
  - Top 5 positions in major commodities
  - Creation of new mining super-major
  - Critical mass creates enhanced growth and acquisition options
  
- Substantially improved security and stability of earnings and cashflow
  - Enhanced portfolio of large-scale, long life, low cost, cash generative businesses, with diverse pricing cycles
  - Enhanced diversification by geography, currency and commodity
  
- Lower beta, lower cost of capital
  
- Enhanced funding flexibility and capacity

# Power of the Combination – Greater Critical Mass and Ability to Participate in Ongoing Consolidation



Note: Enterprise value calculated as market capitalisation plus interest bearing net debt plus minorities. Share prices and number of shares outstanding as of May 16, 2006 sourced from Datastream and Bloomberg, respectively. Net debt and minorities as of latest publicly reported balance sheet. Local currencies converted to US\$ using spot exchange rate as of May 16, 2006. Xstrata enterprise value includes Cerrejon and Tintaya

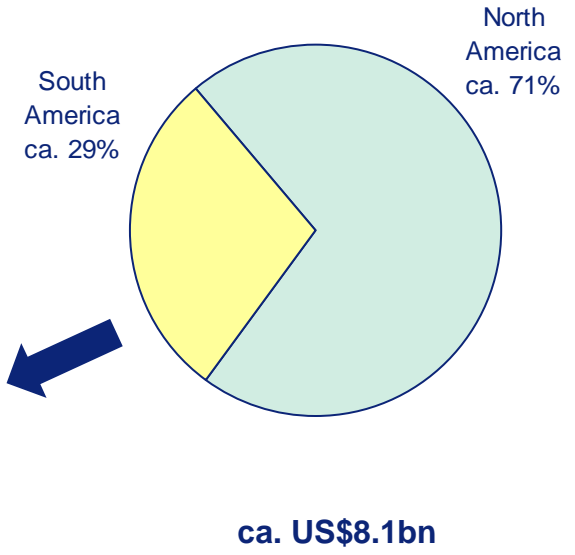
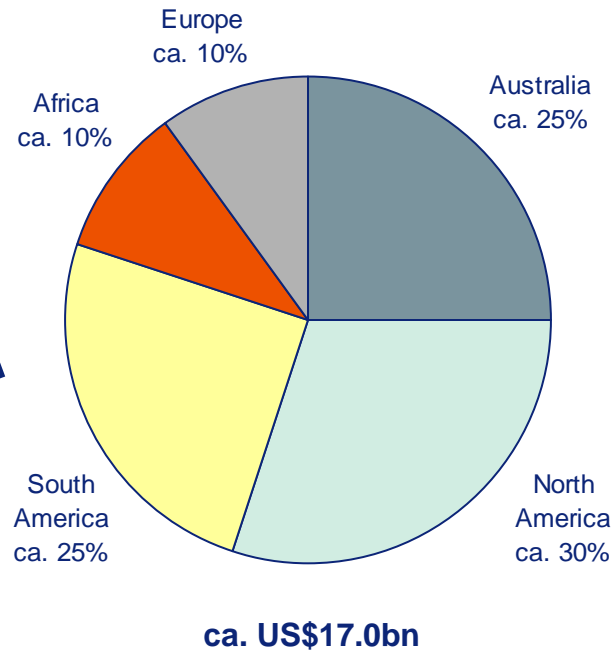
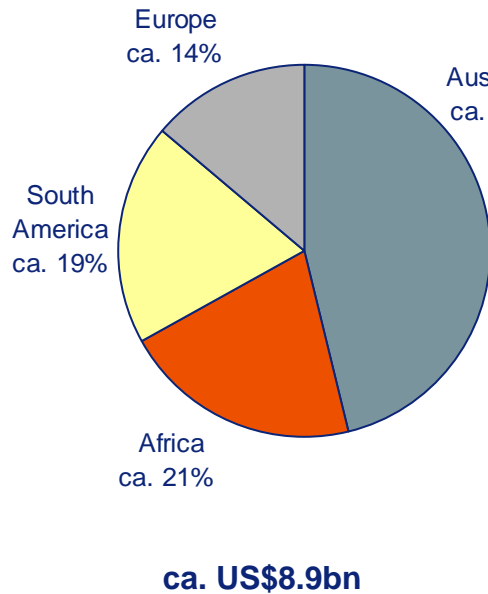
# Power of the Combination – Geographic Diversification

## Aggregated Revenue FY 2005

**Xstrata**

**Enlarged Group**

**Falconbridge**



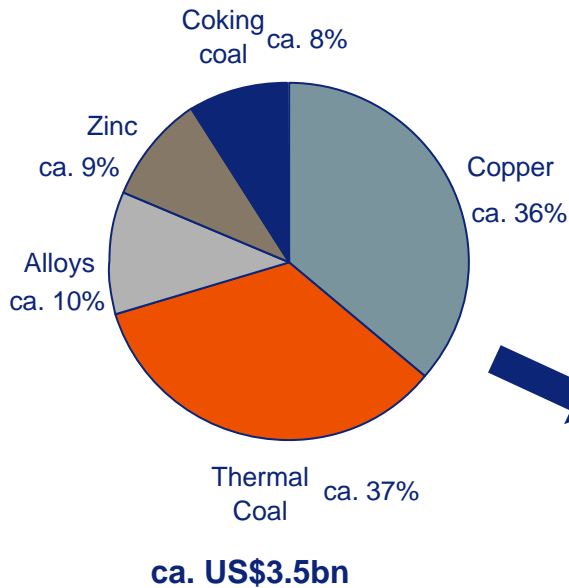
Note: Xstrata revenue is presented as the aggregated results of Xstrata, Xstrata's attributable share of Cerrejon, which is assumed to be all South America, and Tintaya, which is assumed to be all South America. The accounting basis of Xstrata's attributable share of Cerrejon and Tintaya estimated aggregated revenue may differ following consolidation with the Xstrata Group. Xstrata has not assessed the potential impact of adjusting the accounting policies of Cerrejon, Tintaya or Falconbridge to the accounting policies used in the source of the estimated information to those of the Xstrata Group. Falconbridge revenue split is calculated before "other" regions revenue as there is insufficient information to split "other" revenue by component geography.

Source: Xstrata: 2005 IFRS audited financial information from 2005 annual report; Falconbridge: Canadian GAAP audited financial information extracted from 2005 annual results; Cerrejon: Extracted from BHP Billiton annual report (year ended 30.06.05, supplementary information and half yearly report (6 months ended 31.12.05); Tintaya: Revenue for the year to 30 June 2005 as extracted from Xstrata plc announcement in respect of the acquisition of Tintaya, dated 16 May 2006.

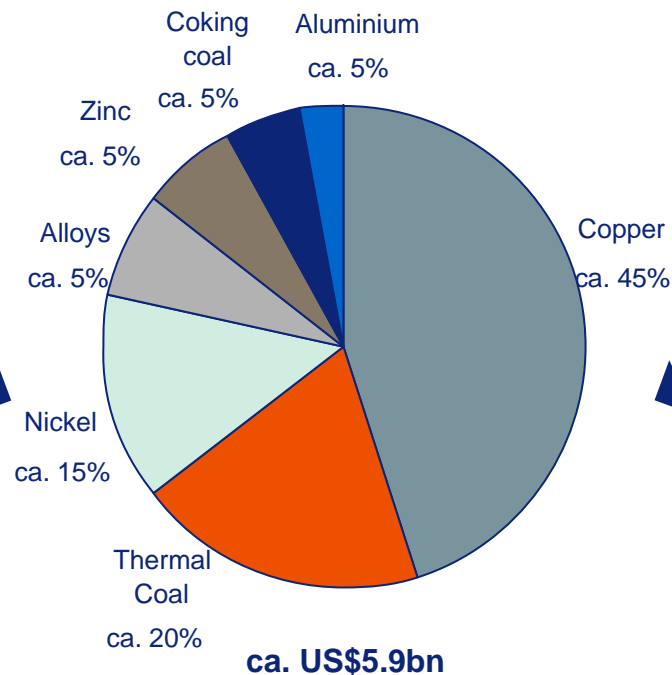
# Power of the Combination – Commodity Diversification

## Aggregated EBITDA FY 2005

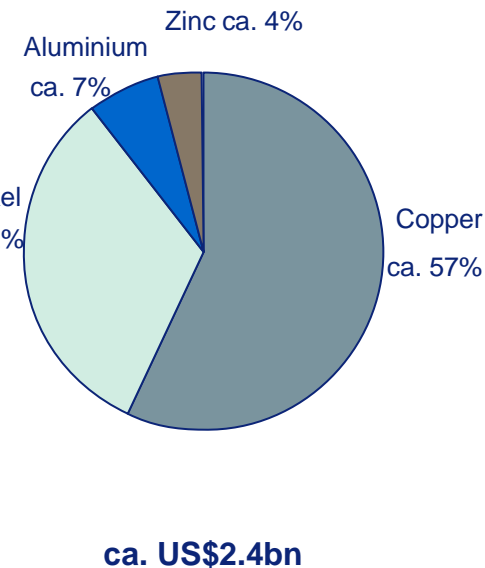
### Xstrata



### Enlarged Group



### Falconbridge



Note: Xstrata EBITDA is presented as the aggregated results of Xstrata, Xstrata's attributable share of Cerrejon, which is assumed to be all Thermal Coal, and Tintaya, which is assumed to be all Copper. The accounting basis of Xstrata's attributable share of Cerrejon and Tintaya estimated aggregated EBITDA may differ following consolidation with the Xstrata Group. Xstrata has not assessed the potential impact of adjusting the accounting policies of Cerrejon, Tintaya or Falconbridge or the accounting policies used in the source of the estimated information to those of the Xstrata Group. Xstrata EBITDA includes the results of associates, and is before unallocated costs and non-trade items and the results of discontinued operations. Cerrejon and Tintaya EBITDA is calculated as earnings before net interest, taxation, depreciation and amortisation. Falconbridge EBITDA is derived as income generated on operating assets adding back depreciation, amortisation and accretion charges and is before the deduction of unallocated expenses.

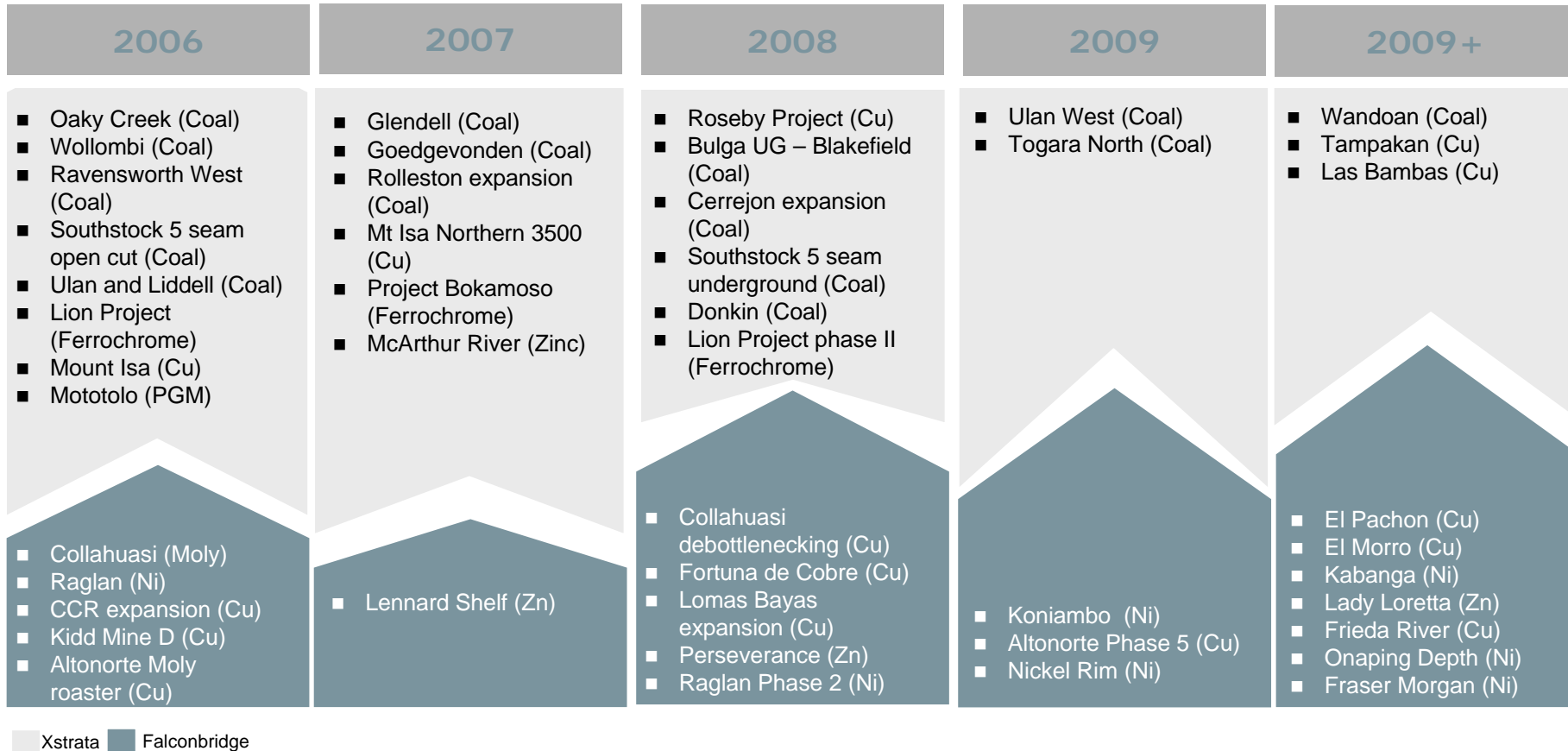
Source: Xstrata: 2005 IFRS audited financial information from 2005 annual report; Falconbridge: Canadian GAAP audited financial information extracted from Q4 2005 results presentation; Cerrejon: Extracted from BHP Billiton annual report (year ended 30.06.05, supplementary information and half yearly report (6 months ended 31.12.05); Tintaya: EBITDA for the year to 30 June 2005 as extracted from Xstrata plc announcement in respect of the acquisition of Tintaya, dated 16 May 2006.

# Power of the Combination – Organic Growth Optionality



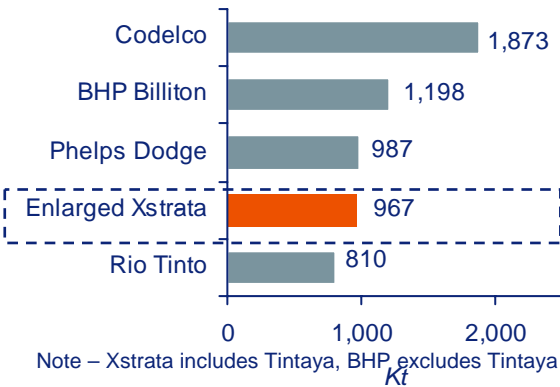
- Breadth of organic brown- and green-field projects within the portfolio allows focus on bringing to value lower risk, lower capital cost internal projects
- Value driven sequencing and timing of growth projects
- Number of global businesses creates greater opportunities for incremental acquisition growth

# Power of the Combination – Organic Growth Optionality

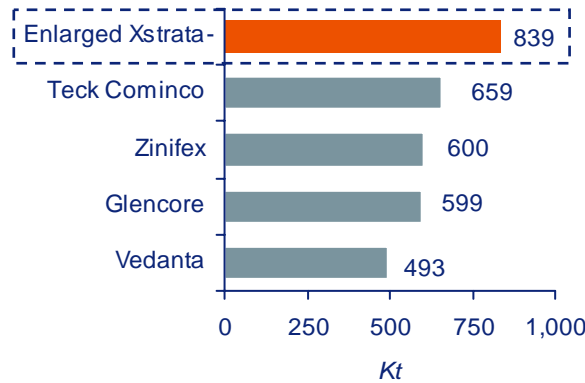


# Power of Combination – Strong Market Position (2005)

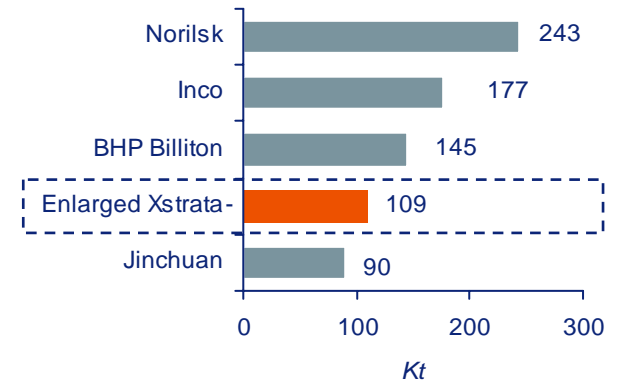
### Top 5 Copper producers (mined)



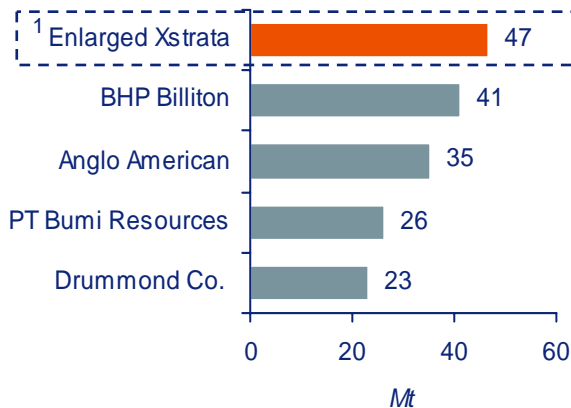
### Top 5 Zinc producers (mined)



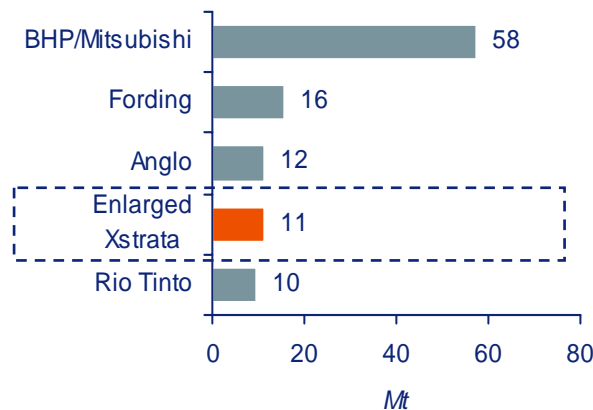
### Top 5 Nickel producers (refined)



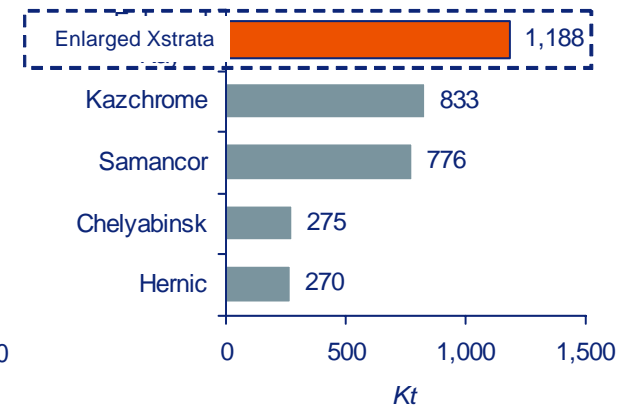
### Top 5 Thermal Export producers



### Top 5 Coking Coal producers



### Top 5 Chrome producers



1-Includes 1/3 share of Cerrejon coal for 2005

# Synergies

- Preliminary estimated annual cash savings of US\$120m to be achieved in the near term
  - Duplicated head office functions, non-Canadian exploration and administrative synergies
  - Significant potential for co-operation in the Sudbury Basin
  - Material flow optimisation potential
  
- Additional benefits expected to flow from the Group's financial structure
  
- Additional cost saving opportunities in the Sudbury Basin
  - Extracting additional cost savings possible without unified ownership
  - Primary driver is to ensure the region's potential is maximised for the benefit of all stakeholders
  - No layoffs of operational staff across Canadian operations for three years, including Sudbury



**Trevor Reid**  
**Chief Financial Officer**

## The Offer for Falconbridge

- C\$52.50/share cash offer for Falconbridge, fully underwritten
- Equity value – US\$18 billion (C\$20 billion); Enterprise value – US\$21 billion (C\$23 billion)
- Substantially earnings and cash flow accretive in first full year of consolidation
- Offer conditional on, inter alia:
  - Xstrata shareholder approval (irrevocables obtained from Glencore and CS)
  - Acceptance by Falconbridge shareholders (66<sup>2/3</sup>% including Xstrata's existing 19.8% stake)
  - Investment Canada and other regulatory approvals
  - Other normal conditions of such an offer

## Funding Summary

- Total financing of the transaction – US\$19.0bn fully underwritten
  - US\$12.0bn of Senior bank facilities
  - US\$7.0bn of fully underwritten equity (bridged by fully underwritten debt bridge facility)
  
- Senior bank facilities – US\$12.0bn underwritten bank facilities
  - US\$3.5bn 180 day debt bridge with 364 days extension option
  - US\$1.5bn 364 day term loan with 1 year extension option
  - US\$3.0bn 3 year term loan
  - US\$4.0bn 5 year term loan
  
- Additional US\$7.0bn bridge facility to support equity underwrite
  - To be repaid through future equity issuance(s)
  
- Senior bank facilities are underwritten by Barclays, Deutsche Bank, JPMorgan, RBS
  
- Future equity issuance(s) fully underwritten by Deutsche Bank and JPMorgan



**Mick Davis**  
**Chief Executive**

# Distinct Value-focused Diversified Resources Group



## ■ Scale

- Creation of new mining super-major
- World class operations with leading positions in copper, nickel, thermal and metallurgical coal, zinc and alloys

## ■ Diversification

- Tier one commodity, geographic and currency diversification

## ■ Asset quality

- Enhanced portfolio of large-scale long-life, robust, cash generative operations

## ■ Growth options

- Significant pipeline of complementary brown- and green-field growth projects

## ■ Bottom-line financial benefit

- Cashflow and earnings accretive in the first full year of consolidation

## ■ Cash generative assets/strong balance sheet

- Maintain strong balance sheet and rating

## ■ Optionality and ability to participate in ongoing industry consolidation

# Combined footprint – key assets

