



the combination of Xstrata & MIM

a milestone in transformational growth



“This transaction will transform both companies to create a major global mining Group that is diversified, secure and competitive, with exciting prospects for future growth.”

**Mick Davis, Chief Executive, Xstrata**

# combination of Xstrata & MIM

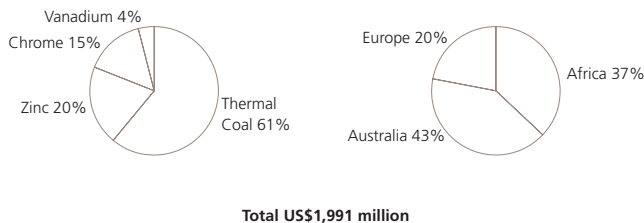
Xstrata – Enterprise value US\$2,682 million<sup>1</sup>

Listed on the London and Zurich Stock Exchanges and based in Switzerland, Xstrata is an international metals and mining group focused on coal, zinc refining and alloys which employs approximately 11,400 people. Xstrata's operations are located in Australia, South Africa, Germany, Spain and Chile.

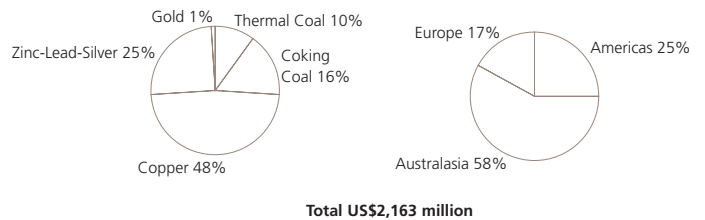
Xstrata is:

- The world's largest producer of ferrochrome, with approximately 25% of global production capacity for use in the production of stainless steel;
- One of the world's largest producers of export thermal coal for use in power stations and domestic heating;
- One of the largest refiners of zinc for use in the production of galvanised steel and components in the western world; and
- A significant producer of vanadium for use in the production of steel and other alloys.

**Xstrata Pro Forma Turnover by commodity and geographic area**  
for the year ended 31 December 2002<sup>1</sup>



**MIM Turnover by commodity and geographic area**  
for the year ended 31 December 2002<sup>1</sup>



MIM – Enterprise value US\$2,959 million<sup>1</sup>

Listed on the Australian Stock Exchange and based in Brisbane, MIM is a mining, smelting and refining company that produces coking and thermal coal, copper, gold, lead, silver and zinc and employs approximately 8,000 people. Its operations are located in Queensland and the Northern Territory in Australia, Europe and Argentina.

MIM is:

- One of the world's largest producers of export coking coal for use in world steel markets;
- One of the world's largest producers of export thermal coal;
- A large scale producer of copper, with long-life ore reserves, which is used in a variety of industrial applications;
- A major integrated lead/zinc producer;
- A significant silver producer for industrial and decorative use; and
- A 500,000 ounce per year gold producer.

The new Xstrata – Indicative Enterprise value US\$5,641 million<sup>1</sup>

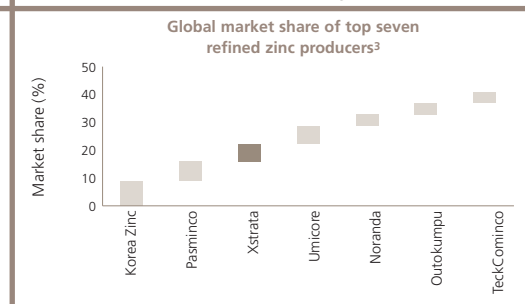
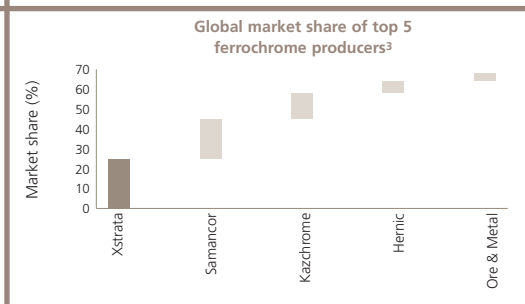
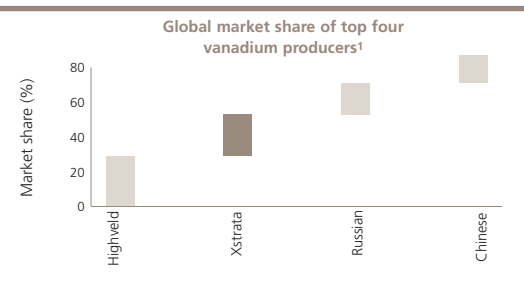
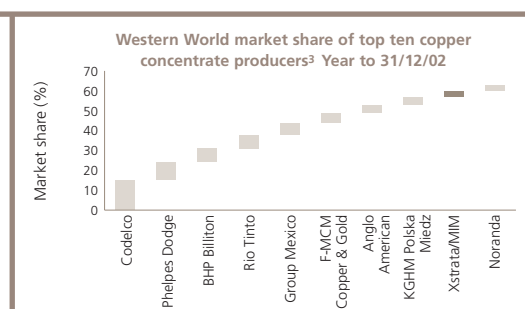
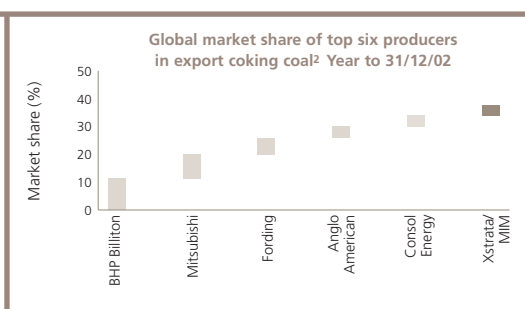
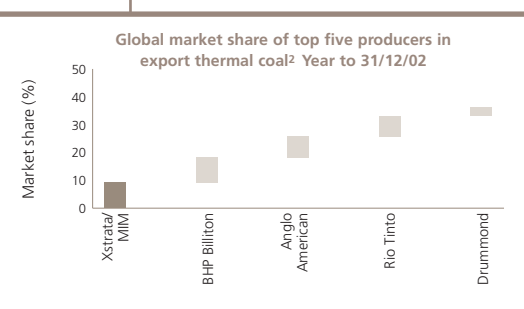
**Combined Group Pro Forma Turnover by commodity and geography**  
for the year to 31 December 2002<sup>1</sup>



# rationale for combining the businesses

The combined Group will benefit from

- Greater critical mass, enhancing the combined Group's ability to compete and grow within the global metals and mining industry;
- Improved commodity diversification, with meaningful positions in six major international commodity markets: copper, coking coal, export thermal coal, ferrochrome, vanadium and zinc, and additional exposures to gold, lead and silver;
- Greater diversification by geography, with operations across four continents and in six countries: Australia, South Africa, Spain, Germany, Argentina and the UK;
- Exposure to strong, cash generative businesses, with good quality operations that are competitively positioned within their respective industries;
- Increased financial flexibility, with improved stability and security of cash flow and earnings;
- Enhanced access to the global capital markets and a stronger position within the FTSE 100<sup>1</sup> index;
- A greater number of internal growth options; and
- A greater base of shared expertise and experience in mining and processing technologies, in environmental, health and safety management, and in community engagement.



## Stronger together: value focused, low cost operations

Xstrata and MIM have worked hard to grow their businesses and to improve operational efficiencies and returns to their shareholders. Both companies have developed significantly in the last two years, with new management teams delivering growth in earnings together with specific productivity and cost cutting programmes and the closure or turnaround of under-performing assets.

"The current MIM management have initiated a number of positive developments within the business over the past few years, improving operational performance, divesting or turning around under-performing units, and investing significantly in its assets. Over an even shorter period, Xstrata has transformed itself, divesting non-core businesses and building a portfolio of high-quality, cash generative assets, while maintaining a strong balance sheet to help fund its ongoing growth. I have no doubt that bringing these two companies together will create greater value than each could have achieved alone."

**Mick Davis, Chief Executive, Xstrata**

# the foundation for growth

Xstrata has identified a number of key operating synergies to be realised by the combination of two complementary groups.

## Operating compatibility through an efficient, low-cost approach

Xstrata has a track record of adopting a cost-competitive approach and achieving improved operating efficiencies, whilst MIM has benefited from increased margins and reduced costs.

The new Xstrata Group will have a number of low-cost, efficient and competitive operations:

- Xstrata operates two of the lowest cost zinc smelters in the world

- Xstrata's weighted average cost per tonne of zinc is industry leading
- Xstrata's new Beltana coal mine is expected to be one of the lowest cost coal operations in Australia
- Xstrata reduced operational costs by nearly 5% in real terms in the last financial year
- MIM has improved the cost competitiveness of its operations and has closed down underperforming assets

Additional cost savings are anticipated through the more efficient use of capital. This can be achieved through synergies such as the sharing of costs across operations and in project evaluation, selection and development.



## Financial scale to progress organic growth and future acquisitions

The combination of cash generative businesses, a prudent capital structure and enhanced access to the global capital markets will position the new Group to take forward its organic growth projects, whilst retaining capacity for acquisitions.

- Pro Forma Net Assets of approximately US\$5 billion
- Significant cash generation capacity throughout commodity cycles
- Increased liquidity in Xstrata stock and enhanced position within the leading FTSE 100 index
- A net debt position of US\$2.4 billion (a net debt to equity ratio of approximately 45%)<sup>1</sup>

## Shared technical expertise and intellectual capital

The technical expertise within Xstrata and MIM will be brought together in the new Group with far-reaching benefits across the range of commodities. Sharing this expertise and intellectual capital will provide the technical base and operational approach necessary to improve operating cost efficiencies. The combined group will have demonstrable:

- Operational expertise in furnace technology
- Low cost, high productivity underground longwall coal mining
- World leading zinc smelting operations
- Leading positions in zinc process technology

## A pipeline of growth prospects secured by an established base

Both Xstrata and MIM have consistently grown their operations over the last few years. With an established operating base, increased stability in earnings and an enhanced global market position, the combined group is well positioned to develop its solid pipeline of growth prospects.

Current and possible projects include:

- Coal in Australia: Beltana, Rolleston, Wandoan, Glendell and the extension of Narama
- Coal in South Africa: Richards Bay Coal Terminal expansion, Goedgevonden infrastructure project
- Copper: Possible Mount Isa open pit operation
- Zinc: Expansion at San Juan de Nieva, potential for expansion at Nordenham

# sharing best practice in responsible business

The combination of the two businesses will deliver benefits in the areas of health, safety and the environment and within the communities in which Xstrata and MIM currently operate. Xstrata and MIM are committed to doing more than the law requires in the countries where they operate and continuing to make a positive contribution to local communities.

## Environment

Xstrata is committed to maintaining and building upon MIM's track record of environmental performance and will honour MIM's commitments under the Australian Minerals Industry Code for Environmental Management and other environmental agreements.



## Customer improvements in transport and supply

The advantages of scale in mining are significant.

Customers of the combined group will have access to a larger and more diverse product range within one organisation through a shared and well-established marketing network.

Increasingly, major buyers prefer to purchase from more stable commodity producers who can guarantee larger volumes in order to reduce logistical and administrative expenses. Bringing the two groups together will enhance the position of the new Group as a producer of choice.

"We treat all employees fairly, without bias, recognising their rights to a safe workplace, collective representation, just compensation, job security and opportunities for development."

### **Xstrata business principles**

## Health and Safety in employment

As in all areas, meeting legislative requirements is simply a starting point. Our combined vision, is to eliminate work-related injuries and occupational diseases from our operations, to produce materials that are safe in use and to be recognised as a leader in occupational health and safety management. Each of our businesses is committed to implementing and maintaining an Occupational Health and Safety Management System and training staff to ensure that they are aware of risks and their responsibilities.

## Community

Xstrata recognises that genuine partnerships with local communities are an essential part of business success. Xstrata sets aside at least 1% profit before tax each year to fund social involvement activities. Last year, based on the Group's published financial results, this figure was US\$1.8 million. Xstrata is committed to open communication with indigenous communities in order to ensure its operations consider and address cultural heritage issues and concerns.

Xstrata Australia assesses all new mining areas for cultural significance prior to disturbance, consults with the relevant Aboriginal representatives and government agencies regarding the management of these areas and develops and implements cultural heritage management plans.

## Integration

Xstrata has established a number of teams to identify the necessary steps to implement a rapid and smooth integration of MIM and Xstrata. Each team is responsible for evaluating the integration requirements of specific business units and functions in the run-up to transaction closure. Xstrata is actively seeking input from MIM's management and staff in this process.

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## Chronology of key events

Transaction announced

Xstrata Circular to shareholders posted

MIM Scheme booklet lodged with Australian Securities Investments Commission (ASIC)

1st Supreme Court hearing post ASIC approval

MIM Scheme booklet sent to MIM shareholders

Regulatory approvals – Australian Competition & Consumer Commission, Foreign Investment Review Board

Xstrata EGM to approve transaction

MIM shareholder meeting to approve Scheme

EU approval

Second Supreme Court date

Transaction closes; MIM de-listed

Further information is available at [www.xstrata.com](http://www.xstrata.com)

<sup>1</sup> Source – Xstrata estimate

<sup>2</sup> Source – AME

<sup>3</sup> Source – CRU