



Acquisition of Prodeco Preliminary Annual Results

January 2009

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Highlights

- Robust financial and operating performance in 2008
- Rights Issue of £4.1bn (c.\$5.9bn) to repay debt
- Part of a package of early, decisive management initiatives
 - \$3bn reduction in 2009 capital expenditure
 - Sustainable operating cost reductions
 - Curtailment of marginal production
 - Optimisation of working capital
- Secures Xstrata's capital structure
 - Maintain commitment to investment grade rating throughout cycle
 - Emerge from the downturn in a strengthened position
- Unique opportunity to acquire world class Prodeco assets for \$2.0bn



Trevor Reid
Chief Financial Officer



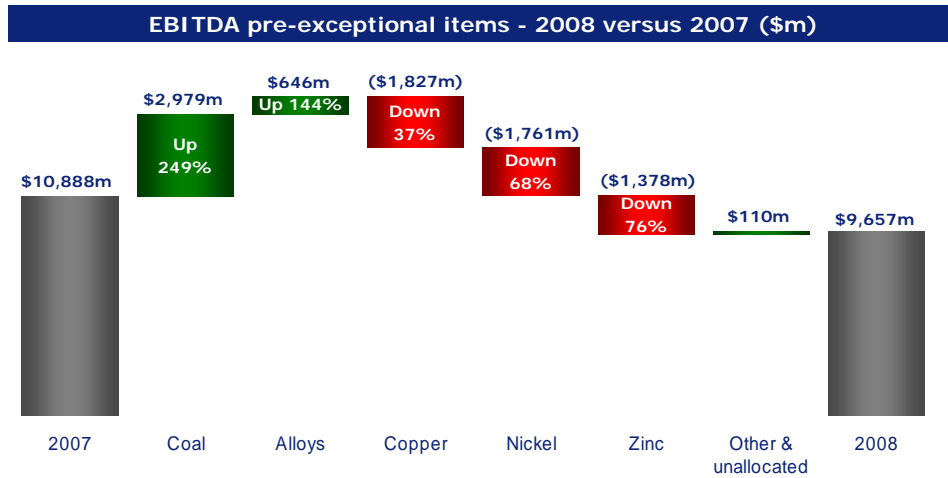
Key financial results

\$m	2008	2007	%
Revenue*	27,952	28,542	(2)
EBITDA*	9,657	10,888	(11)
EBIT from operations*	7,339	8,781	(16)
EBIT*	7,261	8,792	(17)
Net interest expense	(660)	(793)	(17)
Income tax expense	(1,634)	(2,301)	(29)
Exceptional items	(1,103)	119	-
Minority interests	(269)	(326)	(17)
Profit after tax from discontinued operations	-	52	-
Attributable profit before exceptional items and discontinued ops	4,698	5,424	(13)
Attributable profit	3,595	5,543	(35)
EPS – basic (\$), before exceptional items and discontinued ops	4.90	5.60	(13)
EPS – basic (\$)	3.75	5.78	(35)

* Before exceptional items and discontinued operations



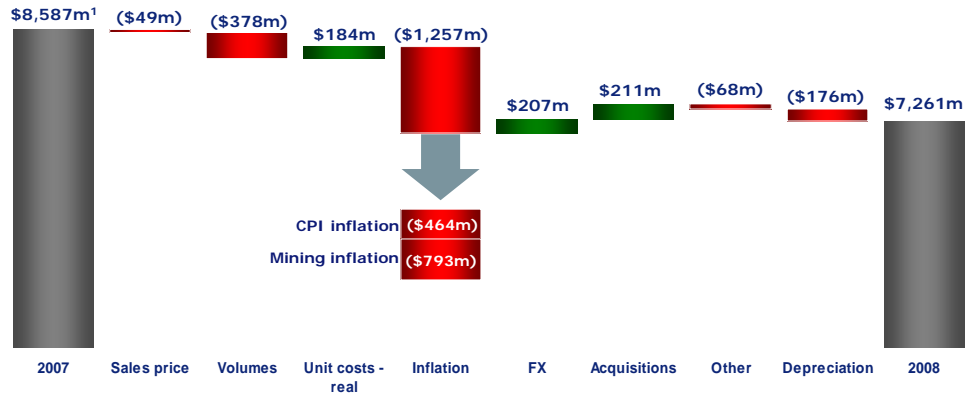
EBITDA waterfall





EBIT waterfall

EBIT pre-exceptional items - 2008 versus 2007 (\$m)

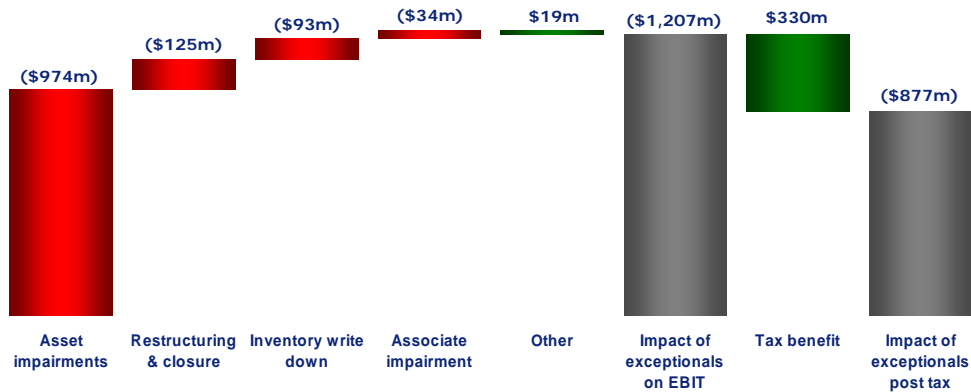


¹ Excludes \$205m gain on sale of nickel inventories to Glencore



Exceptional items

Exceptional items (\$m)





Operating cash flow

\$m	Year ended 31 Dec 2008
Cash generated from operations	8,888
Net interest paid	(550)
Taxation	(1,753)
Cash flow before capital expenditure	6,585
Sustaining capital expenditure	(1,650)
Disposal of fixed assets	101
Free cash flow	5,036
Expansionary capital expenditure	(3,200)
Cash flow after capital expenditure	1,836



Funding

\$m	Year ended 31 Dec 2008
Cash flow after capital expenditure	1,836
Purchase of investments	(155)
Purchase of share of associate	(1,878)
Purchase of subsidiaries and operations, net of cash acquired	(3,654)
Other investing activities	43
Cash flow before financing	(3,808)
Purchase of own shares	(525)
Sale and issue of own shares	64
Equity dividends paid	(499)
Debt acquired with operations	(14)
Payments from minority interests	301
Dividends paid to minority interests	(221)
Other non cash movements	20
Movement in net debt	(4,682)
Net debt at the beginning of the period	(11,624)
Net debt at the end of the period	(16,306)
Net debt to net debt plus equity %	40%



Debt position

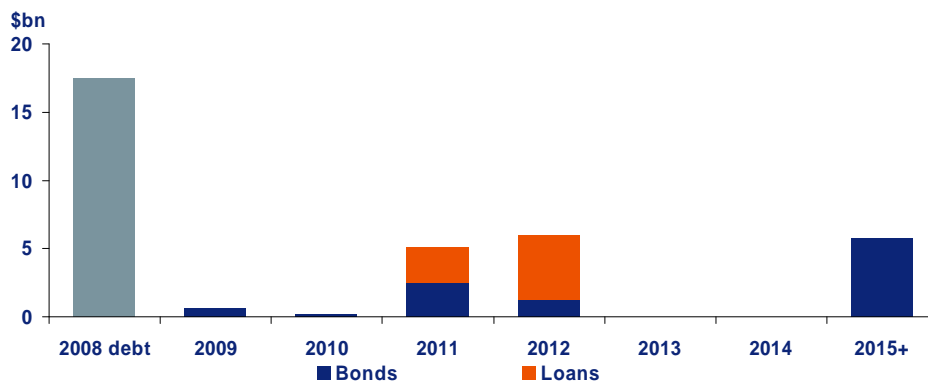
\$m	31 Dec 2008
External borrowings:	
- Bank borrowings	7,290
- Capital market notes and commercial paper	9,506
- Convertible bond	331
- Finance leases and other loans	335
Total external borrowings	17,462
Cash and cash equivalents	(1,156)
Net debt	16,306



Pro-active debt management, tenure extended

- Refinanced ~\$3bn of short term debt into bond market in mid 2008
- Secured new \$5bn, 3 year facility in Oct 2008, increased by \$0.5bn in Jan 2009

No significant refinancing until 2011





Mick Davis
Chief Executive

**Xstrata has taken early and decisive action
in response to financial crisis**



Rights Issue to repay debt

- Decision to pass 2008 final dividend as part of capital raising

Xstrata's devolved structure has facilitated rapid initiatives to optimise cash:

- 2009 capital expenditure cut by almost \$3.0bn, whilst retaining growth options
 - 2009 capital expenditure of \$3.4bn¹ (Expansionary – \$2.2bn, Sustaining – \$1.2bn)
- Suspension of marginal production
 - Lennard Shelf, Falcondo, Handlebar Hill, end of life Sudbury mines
- Production cutbacks in light of market conditions
 - 80% of ferrochrome capacity, Oaky No.1, MRM
- Working capital management
 - Substantial reduction of ~\$1bn in second half of 2008
- Reduction in cash operating costs
 - Business Unit led cost optimisation initiatives
 - Impact to be bolstered by foreign exchange and input cost benefits

¹ Excludes Prodeco



Cost reduction initiatives

- Owner-operator model fosters immediate grass roots action to optimise operations
- Numerous cost savings initiatives already implemented, ongoing focus to deliver further savings in operating and capital expenditure

Ongoing cost optimisations

Restructuring Mount Isa zinc

- Site led re-evaluation of optimal material flow and subsequent operational restructuring
- Handlebar Hill mining suspended, utilisation of stockpiled ore
- Increase George Fisher & Black Star production to compensate
- Lowers waste movement requirement by 10mt
- 32% reduction in 2009 operating costs compared to 2008 (excluding FX impacts), coupled with 23% increase in zinc production
- Overall cash savings over \$500m (capital - \$325m, operational - \$180m) whilst maintaining operational integrity

Rebasing Sudbury nickel costs

- Early closure of high cost, end of life mine (Craig/Thayer Lindsley)
- Low cost Nickel Rim South ore to replace lost volume
- Nickel Rim South altered mining method to employ bulk mining, further lowering costs
- Nikkelverk debottlenecking increases production by 4ktpa at minimal capital cost
- Continued Nikkelverk energy efficiency savings (consumption down to 5.05Mwh/t from 5.15/Mwh/t)
- 30% reduction in 2009 C1 costs compared to 2008 (excluding FX impacts)



Acquisition of Prodeco for \$2.0bn

- World class asset, with substantial growth
 - 9mt of high quality export thermal coal in 2008
 - Further brownfield expansion to 17mtpa by 2013
 - Controls own infrastructure
- Consolidates Xstrata's global leadership in export thermal coal
 - Broader product offering into US & European markets
- Enhances Xstrata's position in highly prospective Colombian coal region
- Glencore twelve month option to repurchase for \$2.25bn
 - Xstrata to retain earnings
 - Injected capex reimbursed in event of exercise
- Independent financial advice provided to Xstrata's board by Rothschild



Peter Freyberg
Chief Executive, Xstrata Coal



Prodeco – World class thermal coal asset

- Two long life open-cut thermal coal mines
 - La Jagua ~4mt in 2008
 - Calenturitas ~5mt in 2008
- Substantial reserves of high quality, export thermal coal
 - 255mt of marketable reserves
 - Resource upside - 97mt inferred resource
 - Premium product - high energy, low sulphur thermal coal
- Dedicated infrastructure
 - 40% shareholder in railroad concession
 - New rolling stock - 19 locos & 660 wagons
 - Access to existing port concession
- Significant operating cost reductions from H1 09
 - Rail transportation replacing trucking
 - Cost profile similar to Cerrejon



Consolidates Xstrata's market leadership in export thermal coal



- Plan to expand to 17Mtpa in 2013
 - New mine infrastructure and mining fleet
 - Rail capacity increased by laying of second rail track
 - Construction of greenfield direct shiploading port
- Enhances Xstrata's Atlantic market offering
 - Favourable location for Europe and large US market

Colombia enjoys competitive advantage

	Prodeco	Cerrejon	Indonesia	Australia	South Africa
Premium product	Yes	Yes	No	Variable	Variable
% washed	None	Low	Low	High	High
Saleable export strip ratio <10:1	Yes	Yes	Yes (but increasing)	Variable	Variable
Distance to port	~200km	~150km	Variable	~200km	~550km
Dedicated private rail/port	Yes	Yes	Truck	Government rail	Government rail
Proximity to natural market	Close	Close	Close	Distant	Medium

Opportunity to acquire high quality, growth asset in strategic location



- Unique acquisition opportunity
 - Significant scale operations with premium quality thermal coal
 - Substantial brownfield growth
 - Proprietary infrastructure
 - Reducing operating costs
- Expands Colombian footprint
 - One of few entry points into key strategic region
 - Leverage Cerrejon experience
- Further exposure to highly attractive thermal coal market
 - Cost competitive, secure energy source
 - Thermal coal remains base load
 - Continued global infrastructure constraints



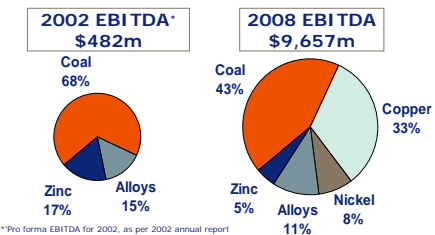
Mick Davis Chief Executive



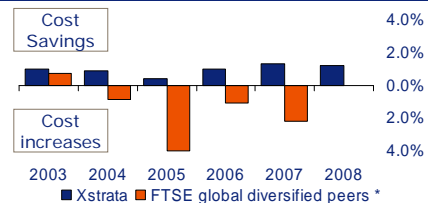
Xstrata – A major diversified mining group

- Successful execution of strategy since IPO
 - Three transformational acquisitions
 - Bolt-on acquisitions delivering growth and portfolio improvement
 - Commodity/geographic diversification
 - Creation of regional scale and world class growth options
- Continuous improvement of acquired assets
- NPV enhancement
 - Extension of mine lives
 - Sustainable real cost savings
 - Above-target synergy realisation
- Devolved and entrepreneurial management structure
 - Track record of early identification and execution of opportunities
 - Owner-operator culture enhances operational excellence

Creating scale and diversification



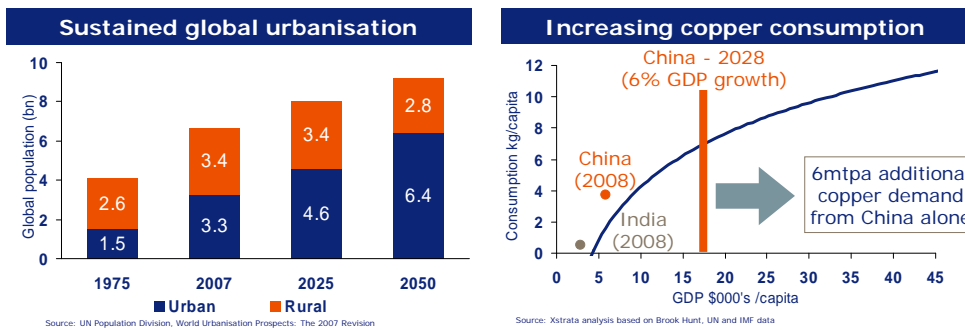
Six years of real cost savings



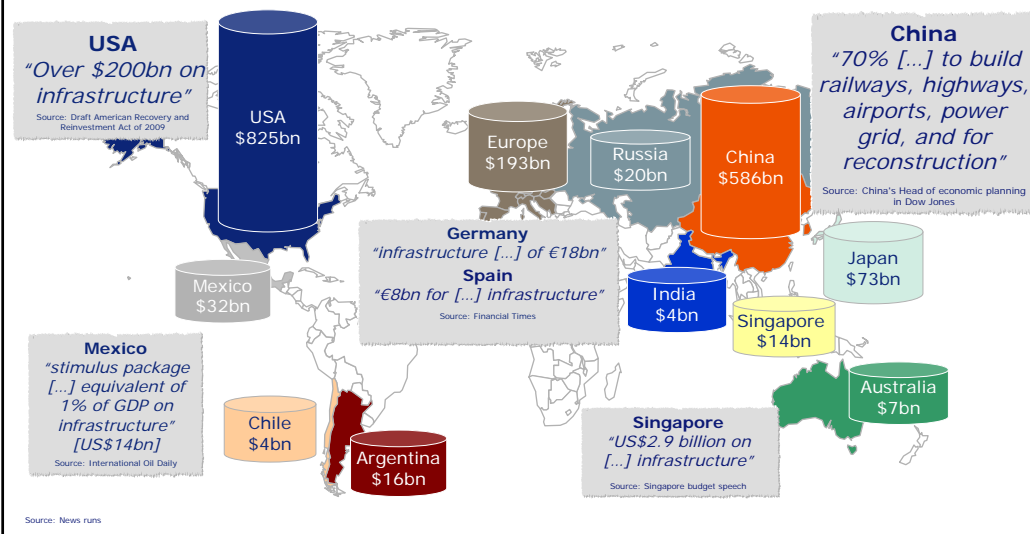
Long term positive demand trend for commodities remains intact



- Urbanisation of over 20m per annum in China and 65-70m annually
 - Significant implications for metals and energy demand
- China and India currently at low levels of metals and energy intensity usage per capita



Over \$1.7 trillion of global fiscal stimuli, over one third directed at infrastructure



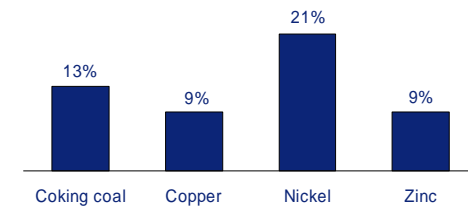
Unprecedented industry supply side response



- Closure of marginal operations
- Alignment of production to supply
- Deferral/cancellation of capital projects and exploration
 - Inability of juniors to raise finance

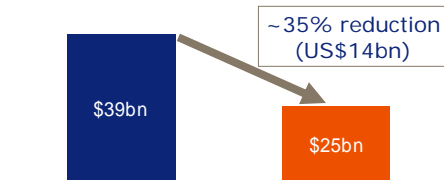
Exacerbates future supply deficits when demand growth returns

Rapid industry cuts to 2009 supply



Source: Brook Hunt and Barlow Jonker

Capex cuts by FTSE 100 diversified¹



¹ FTSE global diversified – Anglo American, BHP Billiton, Rio Tinto and Xstrata
Source: Company reports

Conclusion



- Current global downturn is unprecedented and requires pro-active and decisive management
 - Nimble and devolved management team
 - Early and ongoing response to market conditions
- Capital raising and management actions ensure robust capital structure
- Acquisition of world class Prodeco operations
 - Substantial brownfield expansion
 - Enhances Xstrata's industry-leading coal portfolio
- Long-term positive trend in commodities demand set to continue
- Xstrata positioned to initiate next stage of growth:
 - Leveraging Xstrata's unparalleled track record of identifying, executing and integrating acquisitions
 - Economic environment presents unique value opportunity
 - Value-adding growth and superior shareholder returns

Q & A