



interim report 2003

We will grow and manage a diversified portfolio of metals and mining businesses with the single aim of delivering industry-leading returns for our shareholders. We can achieve this only through genuine partnerships with employees, customers, shareholders, local communities and other stakeholders, which are based on integrity, co-operation, transparency and mutual value-creation.

2	chief executive's report
7	financial review
20	alloys
24	coal
32	copper
37	zinc lead
43	other businesses
46	financial statements
62	supplementary information
69	group information

## key financial results

US\$m	Statutory Six months to 30.06.03	Pro forma Six months to 30.06.03*	Pro forma Six months to 30.06.02**	% Change
Turnover <sup>†</sup>	1,157.1	<b>2,198.9</b>	2,055.1	7.0
EBITDA (pre-exceptionals) <sup>†</sup>	188.2	<b>447.6</b>	662.3	(32.4)
<b>EBIT</b> (pre-exceptionals) <sup>†</sup>	85.0	<b>198.0</b>	465.1	(57.4)
EBIT	82.1	<b>192.0</b>	380.2	(49.5)
<b>Attributable profit</b> (pre-exceptionals)	76.8	<b>81.4</b>	261.8	(68.9)
Attributable profit	75.2	<b>79.8</b>	201.2	(60.3)
<b>Earnings per share</b> (pre-exceptionals)	US\$0.31	<b>US\$0.13</b>	US\$0.42	(69.0)
Earnings per share	US\$0.30	<b>US\$0.13</b>	US\$0.32	(59.4)
Net operating cash flow	79.5	<b>297.5</b>	–	–
Net debt to equity %	47.3%	<b>47.3%</b>	–	–
Attributable net assets	5,651.4	<b>5,651.4</b>	–	–
Attributable net assets per share	US\$8.95	<b>US\$8.95</b>	–	–
<p>*Pro forma includes MIM Group acquisition from 01.01.03  **Pro forma includes Coal and MIM Group acquisitions from 01.01.02 and does not include Nordenham  <sup>†</sup>Excludes discontinuing operations (Avonmouth, Duisburg and Magnesium)</p>				
<p>The interim results for the six months ended 30.06.03 and 30.06.02 include both UK GAAP statutory and pro forma figures (assuming the results of the Coal and MIM businesses had been taken through the income statement from 01.01.03 and 01.01.02 respectively). A reconciliation of the UK GAAP statutory figures and pro forma figures has been provided on pages 63 and 64. Unless indicated to the contrary, all data and commentary in the Chief Executive's Report, Financial and Operating Reviews relate to pro forma figures.</p>				

## highlights

- Successful US\$2.1 billion acquisition of MIM Group and associated US\$1.4 million Rights Issue
- Excellent progress on integration and restructuring of MIM, with estimated annual synergy benefits from 2004 increasing by 22% to US\$55 million
- Attributable statutory profit (excluding MIM and pre-exceptionals) of US\$76.8 million, against a backdrop of a materially weaker US dollar and depressed commodity price environment
- Ongoing cost efficiency programme across Xstrata portfolio delivers savings of US\$36 million in real terms (3.3% of operating costs)
- US\$600 million Guaranteed Convertible Bonds issued, diversifying the Company's funding base, extending the debt maturity profile and reducing overall financing costs
- Dividend of 6.7US¢ per share declared, consistent with implied 2002 dividend

## chief executive's review

US\$m	Statutory Six months to 30.06.03	Pro forma Six months to 30.06.02*	% Change
Turnover**	<b>1,157.1</b>	957.2	20.9
EBITDA (pre-exceptionals)**	<b>188.2</b>	270.3	(30.4)
EBIT (pre-exceptionals)**	<b>85.0</b>	195.1	(56.4)
EBIT	<b>82.1</b>	190.9	(57.0)
Net interest and similar items	<b>(13.6)</b>	(25.9)	47.5
Tax on profit	<b>7.4</b>	(45.7)	116.2
Minority interests	<b>(0.7)</b>	(6.4)	89.1
Attributable profit (pre-exceptionals)	<b>76.8</b>	112.9	(32.0)
Attributable profit	<b>75.2</b>	112.9	(33.4)
Earnings per share (pre-exceptionals)	<b>US\$0.31</b>	US\$0.45	(31.1)
Earnings per share	<b>US\$0.30</b>	US\$0.45	(33.3)

\*Pro forma includes coal acquisition from 01.01.02, but excludes the MIM Group and Nordenham  
\*\*Excludes discontinued operations (Magnesium)

The first six months of 2003 was dominated by two issues: the successful acquisition of MIM, and associated Rights Issue, and the extremely difficult operating environment created by the double impact of a weaker US dollar against local currencies and depressed commodity prices, which confronted all of our businesses.

### Xstrata's Results

As the MIM acquisition concluded at the end of the half year period, I focus my report for this period on Xstrata as a stand-alone entity, assessing the performance of the businesses over which this management team had responsibility. Elsewhere in this report, and particularly in the Financial Review that follows, both statutory (Xstrata stand-alone) and pro forma (Xstrata and MIM) financial information has been presented to establish a basis for analysis going forward.

The above table sets out the performance, period-on-period, of the Xstrata Group, excluding MIM. Group turnover increased by US\$200 million, or 21%, to US\$1,157 million on the back of the Nordenham acquisition, higher volumes in Coal and Alloys and higher prices for ferrochrome. However, EBIT for H1 2003 decreased by US\$109 million, or 57%, compared to H1 2002, principally due to the strengthening of the Australian dollar (up 15%), Euro (up 23%) and South African Rand (up 27%).

The table below sets out the average prices received in US dollars and the received price in local currencies. Commodity prices on the whole were moderately down in US dollar terms period-on-period (reducing Group EBIT by US\$3.6 million), mainly led by the disappointing coal prices in Europe and Asia in the period under review. This trend has since reversed. The chrome price was particularly strong in the second quarter after the first quarter rollover. However, the real impact of

Average commodity prices adjusted for currency changes		Average price received Six months to 30.06.03	Average price received Six months to 30.06.02	% Change
	Unit			
Australian FOB export thermal coal	US\$/t	<b>25.6</b>	29.0	(11.7)
	AUD/t	<b>41.6</b>	54.3	(23.4)
South African export thermal coal	US\$/t	<b>24.1</b>	27.4	(12.0)
	ZAR/t	<b>193.2</b>	300.8	(35.8)
Australian FOB export semi-soft coking	US\$/t	<b>30.4</b>	33.1	(8.2)
	AUD/t	<b>49.4</b>	62.0	(20.3)
Zinc	US\$/t	<b>780</b>	788	(1.0)
	Euros/t	<b>707</b>	878	(19.5)
Ferrochrome (Metal Bulletin)	US\$/lb	<b>37.3</b>	27.3	36.6
	ZAR/lb	<b>2.99</b>	3.00	(0.3)
Vanadium Pentoxide (Metal Bulletin)	US\$/lb	<b>2.23</b>	1.25	78.4
	ZAR/lb	<b>17.9</b>	13.7	30.7

higher chrome prices will be seen in the second half of this financial year. The vanadium price also surged as a result of higher demand and tight supply but its revenue base is too small to impact the Group positively at current exchange rates. Stronger local currencies reduced Group EBIT by US\$121 million (net of the US\$42 million positive impact of Australian dollar hedges in place within our coal business). Operating earnings were also negatively impacted by higher inflation (US\$19 million), mainly in South Africa, particularly large cost increases in reductants in the Alloys Business and higher depreciation (US\$18 million), primarily due to increased production in Alloys and Coal.

EBIT was positively impacted by increased sales volumes (US\$15 million) and by the benefit of the Group's ongoing efficiency programmes, which reduced costs in real terms by US\$36 million in the first half, or 3.3% of the operating cost base, considerably ahead of inflation. Significant reductions in operating costs were achieved in our coal business (US\$25.8 million), as we begin to reap the benefits of investments made in lower cost production assets, and in Zinc (US\$15.7 million), on the back cost reductions across the business, including productivity gains and increased throughput at San Juan.

The statutory results for the period report a tax credit of US\$7.4 million compared to a tax charge of US\$45.7 million for corresponding period. This tax credit, which is calculated in accordance with UK GAAP, arises from tax losses in certain jurisdictions, reducing deferred tax liabilities previously accrued.

Excluding the exceptional US\$1.6 million loss on the disposal of the Magnesium plant, attributable profit for the first half decreased by 32% to US\$76.8 million, or 31US¢/share, from US\$112.9 million (45US¢/share) for the corresponding period.

## Acquisition of MIM Holdings

### Rationale and Funding

At the time of our listing and IPO in March last year, we set out our strategy to leverage the advantages of Xstrata's size, momentum and financial structure in order to build a distinctive, value-focused, diversified metals and mining Company through steps that were in themselves value creating. We recognised at the time of the IPO that Xstrata's portfolio was not sufficiently diversified and we sought a transformational acquisition that would deliver bottom-line financial value to shareholders while addressing the balance of concentrations in our portfolio.

The acquisition of MIM, which we completed on 24 June 2003, has created a Group with a solid base of global mining businesses and considerable potential. The enhanced spread and stability of earnings, portfolio of internal growth options and the improved financial capacity to fund them, together provide the Group with an ability to compete which the former Xstrata and MIM alone could not match.

The acquisition met the stringent criteria we had identified to shareholders and delivers:

- returns in excess of the Group's weighted average cost of capital on conservative assumptions;

## chief executive's review

- cash flow and earnings accretion in 2004, the first full financial year after acquisition;
- enhanced diversification of commodity and geographic exposures, providing increased stability and security of earnings;
- meaningful entry points into two major global commodity markets (copper and coking coal), while significantly adding to Xstrata's existing strong global positions in export thermal coal and zinc; and
- a platform of growth options.

The cost of the acquisition, including expenses, was US\$2.1 billion. This was part-funded by a US\$1.4 billion Rights Issue, with the balance sourced from additional borrowings. The acquisition's rationale and attractiveness were affirmed by the 99.7% acceptance of the Rights Issue by shareholders.

### Integration Update

The integration of the MIM businesses with Xstrata has progressed extremely smoothly and will be all but complete by the end of September 2003. As part of our due diligence, we appointed a senior executive in January to plan and manage the integration process, reporting to an Integration Steering Committee. This identified the activities required to effect a rapid and smooth assimilation of MIM's businesses and to identify synergy benefits. Integration teams were established and met before the transaction had even completed to assess requirements for specific business units or functions and to minimise employee uncertainty and disruption to operations.

In the 12 weeks since completion, we have moved swiftly to restructure MIM along commodity business lines, appoint senior management, rationalise the MIM corporate centre, and roll out Xstrata's Business Principles, policies and procedures across the new Group. I am pleased to report that progress across all fronts has been smoother and quicker than we anticipated.

- **MIM's copper assets** have been divided into Xstrata Copper Americas (Alumbrera) and Xstrata Copper Australia (Mount Isa, Ernest Henry, Townsville). John Gooding and Charlie Sartain, two senior MIM executives, have been appointed chief executive of the Australian and American copper businesses respectively. Copper Australia's small number of corporate staff, who will be based at new premises in Brisbane, include a team focused on the evaluation of the McArthur River open pit, Mt Isa open pit and the commercialisation and application of the Albion technology to these deposits.
- **MIM's coal business** now forms a third leg – Xstrata Coal Queensland – of our global coal business. A new chief operating officer, Ian Cribb, has been appointed from Xstrata Coal, together with two other senior Xstrata managers to head up the Oaky Creek and NCA operations.
- **MIM's zinc lead operations** have been fully integrated into Xstrata Zinc. Given their location, the integrated nature of the operations and the services some share, the Mount Isa zinc lead operations, George Fisher and McArthur River will be managed on a day-to-day basis by Xstrata Copper Australia. The closure of Avonmouth and disposal of the property is complete. Northfleet is operating successfully and numerous optimisation activities have been initiated, including the closure of the plant's recycling line. Further synergy opportunities are being pursued through the optimisation of product flows between our Australian zinc mining operations and our European smelters in Spain and Germany.
- In keeping with Xstrata's policy of reducing the burden of corporate overheads, a number of **MIM head office and shared service functions** have been devolved to the Coal and Copper businesses, resulting in significant headcount reductions and annualised savings. To date, 250 people have been retrenched from MIM corporate offices, of whom 185 were based in Australia, with the balance of 65 in the Americas and Japan.
- **MIM's exploration function** spanned the entire Australian continent and much of Central and South America. In contrast, Xstrata is focused on pursuing targeted exploration activity in close proximity to existing operations, in order to leverage our existing capital base in these regions. We have therefore pared back exploration to essential "near-mine" exploration and development and have pursued two parallel restructuring activities: an immediate reduction in headcount (from 183 to 65), with associated office closures in Australia and Central America, and the sale of non-core tenements and related assets. A number of agreements have already been finalised in this regard, with others to follow. These disposals are expected to realise over US\$2.5 million this year.
- MIM's extensive technology development activities have already been consolidated under a single entity, **Xstrata Technology**, which will focus on the commercial exploitation of its world-class technologies, which include IsaMill, ISASMELT, ISAPROCESS and Jameson Cells.

I wish to thank all those who have been involved in the MIM integration project, and especially Thras Moraitis who led the process from the beginning. I also wish to pay tribute to the men and women of the MIM Group who endured months

of uncertainty and who have responded positively, and with extraordinary goodwill, to the changes of the last two and a half months.

### **Synergy Benefits**

In the analysis that underpinned the MIM transaction, we assumed annual cash cost savings of some US\$45 million could be realised in 2004 from two key areas: the reduction of duplicated head office functions and of exploration expenditure (some US\$28 million in total), and the benefits that flow from the Group's financial structure (estimated at US\$17 million in 2004). I am very confident that greater annual cost savings can be achieved, with estimated savings of US\$38 million already identified from the reduction in corporate and exploration costs alone – 35% more than the original estimate of \$28 million, giving an expected total of not less than US\$55 million. Costs associated with achieving these savings, primarily redundancy expenses, are expected to be some US\$14 million (significantly below our expectations), which will be incurred before the end of 2003.

### **The MIM Operations**

As set out in more detail within the Operational Reviews and with the exception of the Alumbra copper operation, the assets of the former MIM Group delivered disappointing results in the first half of 2003. This was foreshadowed by the profit warning issued by the MIM Board on 19 May 2003.

In addition to the negative impacts of currencies and commodities, which affected all industry participants, the results indicate poor operational performance, particularly at MIM's coal operations in Queensland, where profitability fell 78% period-on-period. MIM had flagged significant operational issues at Oaky Creek in their first quarter report in March 2003. It is clear that these were not adequately addressed by MIM in the period. We remain confident in the extensive due diligence undertaken in this transaction and in the inherent value of the assets acquired. We therefore moved quickly to address those areas of under-performance after taking control of the MIM businesses in the third quarter, and we are confident that the operations will begin to deliver the performance of which they are capable from the New Year.

### **The New Group**

#### **Portfolio Management**

The successful integration of MIM has provided an opportunity to assess the new Group's portfolio, in the light of a number of approaches regarding participation in, or purchases of, assets of the former MIM. In addition to the exploration disposals discussed above, Xstrata is also considering the sale of the Ravenswood gold operation.

#### **Growth/New Projects**

One of the attractions of the MIM acquisition is the portfolio of growth opportunities which open up to the enlarged Group. A number of internal growth projects, including the Rolleston open-cut thermal coal operation, the Mount Isa open pit and the McArthur River open pit, remain the subject of further assessment.

At Rolleston, work done since the acquisition of MIM has confirmed the fundamental attractiveness of the project based on its low-cost structure and highly competitive product. Go-ahead has been given for a 50,000 tonne sample pit, at a cost of US\$1.2 million, to enable tests which could secure additional key customers and provide even greater reassurance regarding the timing and impact of the project in the Far East market. A decision regarding the project will be taken after this test process is complete, which is not anticipated until early next year.

## chief executive's review

Further, smaller opportunities continue to present themselves across other commodity businesses, particularly in South Africa, where a number of negotiations are underway with economic empowerment groups in respect of participation in the Group's Alloys and Coal businesses. These discussions are complex, but two transactions have progressed significantly during the period.

### Balance Sheet and Dividend

Net debt increased period-on-period by US\$2 billion due to draw-downs on the syndicated loan facility to fund the MIM Group, Nordenham and Oakbridge acquisitions and the assumption of MIM Group net debt of US\$1.2 billion. This included US\$255 million associated with Alubrera (including US\$205 million non-recourse project financing and US\$131 million third-party shareholder loans), which is consolidated 100% by Xstrata. Net debt at 30 June 2003 was US\$2.7 billion, representing 47.3% net debt to equity, up from 16.1% at 31 December 2002.

On 15 August 2003, the Group issued US\$600 million of Guaranteed Convertible Bonds due 2010 and convertible into 61.2 million fully paid Xstrata plc ordinary shares. The issue diversified Xstrata's funding base, extended the average maturity profile of the Group's debt by 18 months and reduced the cost of the bank financing facility put in place at the time of the MIM acquisition. The Bonds were issued at par, and bear a coupon of 3.95% per annum with a conversion price of £6.10. Net proceeds of US\$590.8 million were used to refinance a portion of the Group's amended syndicated loan facility.

The Directors have declared an interim dividend of 6.7 US cents per share (totalling US\$42.1 million), to be paid on 17 October 2003. This distribution is consistent with the 2002 implied dividend, based on a payout of  $\frac{1}{3}$  interim  $\frac{2}{3}$  final dividend, and adjusted for the bonus factor implicit in the Rights Issue.

### Outlook

The first six months of 2003 presented extremely difficult operating conditions, caused by the weak US dollar and dull commodity prices. Nevertheless, it is precisely in a time of weak prices, when the indicators of profitability all seem to move against the business, that the best deals can be achieved and a company must move forward. In the face of these pressures, the delivery of the Group's strategy as set out at the time of the IPO and the successful completion of the MIM acquisition in particular, together with the ongoing realisation of meaningful efficiency gains across the Group, represent significant achievements.

The seamless integration of the MIM businesses and the ongoing focus on productivity and cost-savings, particularly at those MIM operations that underperformed in the first half, are the key challenges for the second half of the year. I am pleased with the progress already being made in these areas.

The results for second half of the year will continue to be heavily influenced by the weak US dollar, subdued base metals prices and the short-term operational challenges being addressed in the former MIM coal assets. We will, of course, continue to drive our efficiency programmes and seek out all opportunities for maximising our return, but for the balance of this year, the business environment in which we are currently operating will remain difficult.

However, I am encouraged by the increases already negotiated in the ferrochrome price for the third and fourth quarters and by the strength of that market. Although most of our coal for the current period has already been priced, the strength of the European coal market is apparent in the prices capable of being realised in forward selling for next year, and the demand/supply dynamics of both the Atlantic and Pacific markets are becoming more positive for coal producers. Copper and zinc prices have also shown glimmers of upward performance. Save for the ongoing strength of the South African Rand, in particular, as well as the Euro and Australian dollar, the outlook for the coming year is most encouraging.

Consistency in strategy and delivery on that strategy are crucial ingredients in building and maintaining the confidence of the investor community. We much appreciate the tangible reflection of that confidence in the support that this Company has received at the time of the IPO and our recent Rights Issue. This support has been a critical factor in the establishment of a Group that is now well positioned to capture fully the benefits that will accrue from recovering world markets and commodity prices. Mindful of our obligations in respect of the stewardship of our asset base, we will continue to hone our operating skills and to optimise Xstrata's position in the quest for value and growth.



ML Davis

## financial review

### Basis of presentation of financial information

The interim financial information has been prepared on the basis of the accounting policies set out in the full annual accounts of the Group for the year ended 31 December 2002.

The interim results for the six months ended 30 June 2003 and 30 June 2002 include both UK GAAP statutory and pro forma figures (assuming the results of the MIM and Coal Groups had been taken through the income statement from 1 January 2003 and 2002 respectively). Xstrata assumed control of the MIM Group from 24 June 2003 and of the coal business from 1 March 2002. For accounting purposes, due to the materiality thresholds, the results of the MIM Group will be consolidated from 1 July 2003 in the statutory results.

Unless indicated to the contrary, all data and commentary in this report relates to the pro forma results for the six months ended 30 June 2003 and 30 June 2002. All pro forma figures in the Chief Executive's Report and the Financial and Operating Reviews exclude the discontinued operations (Avonmouth, Duisburg and Magnesium) for both 2003 and 2002 numbers.

### Restatement of certain pro forma 2002 numbers

The 2002 pro forma results have been extracted from the supplementary prospectus for the recommended acquisition of MIM Holdings Limited and Rights Issue dated 17 April 2003 ("Rights Issue Documentation"). Following a post-acquisition review, and based on information not available at the time, a number of minor corrections have been made to the 2002 figures published in the Rights Issue Documentation as follows:

- (i) Fair value adjustments relating to the MIM Group foreign currency hedgebook have been reclassified from unallocated costs to unallocated turnover. Further details regarding the treatment of MIM hedge contracts under UK GAAP is available in the sections on Consolidated Operational Results on p9 and Hedging on p16.
- (ii) Silver loan financing costs of US\$11 million were classified within unallocated by the MIM Group, and were reclassified from Zinc Lead in the Rights Issue Documentation. These costs are now correctly reclassified from unallocated costs.
- (iii) The MIM Group inconsistently reported the Copper operating profit between the interim and full year results during the year ended 30 June 2002. This resulted in the Copper EBITDA and EBIT being overstated and unallocated being understated by US\$27 million for the year ended 31 December 2002.
- (iv) Xstrata Technology, previously included in unallocated costs, has been reclassified in 2002 to allow comparability with 2003.
- (v) Transport, Bowen Coke, Pastoral and other non-core businesses were included in unallocated costs by MIM. They have now been reclassified to core businesses (principally Coal Queensland and Copper Australia) for both 2002 and 2003, to reflect new reporting lines within the Group.

Summary: consolidated operational results

Consolidated operational results (includes minority interests)					
US\$m	Xstrata Six months to 30.06.03	MIM Six months to 30.06.03	Pro forma Six months to 30.06.03*	Pro forma Six months to 30.06.02**	Pro forma Year ended 31.12.02**
Alloys	233.7	–	233.7	174.8	366.6
Coal	641.2	262.0	903.2	867.9	1,816.2
Copper	–	543.0	543.0	548.4	1,054.4
Zinc Lead	280.4	197.8	478.2	415.8	804.1
Other businesses	1.8	38.3	40.1	23.5	60.0
Unallocated	–	0.7	0.7	24.7	48.8
<b>Total Group Turnover†</b>	<b>1,157.1</b>	<b>1,041.8</b>	<b>2,198.9</b>	<b>2,055.1</b>	<b>4,150.1</b>
Attributable Total Group Turnover†	1,127.6	909.3	2,036.9	1,870.1	3,778.1
Alloys	23.0	–	23.0	37.3	73.2
Coal	134.1	36.2	170.3	306.7	565.3
Copper	–	228.2	228.2	244.3	474.6
Zinc Lead	42.3	4.2	46.5	68.8	106.3
Other businesses	0.5	6.9	7.4	(0.6)	(0.1)
Corporate and unallocated	(11.7)	(16.1)	(27.8)	5.8	(12.8)
<b>Total Group EBITDA</b> (pre-exceptionals)†	<b>188.2</b>	<b>259.4</b>	<b>447.6</b>	<b>662.3</b>	<b>1,206.5</b>
Attributable Total Group EBITDA (pre-exceptionals)†	182.7	184.7	367.4	581.3	1,055.5
Alloys	(11.0)	–	(11.0)	(3.9)	(10.3)
Coal	(70.5)	(34.7)	(105.2)	(69.1)	(149.5)
Copper	–	(92.5)	(92.5)	(88.5)	(186.1)
Zinc Lead	(20.4)	(16.1)	(36.5)	(34.0)	(70.7)
Other businesses	(0.8)	(2.9)	(3.7)	(0.8)	(2.6)
Corporate and unallocated	(0.5)	(0.2)	(0.7)	(0.9)	(6.3)
<b>Depreciation and Amortisation†</b>	<b>(103.2)</b>	<b>(146.4)</b>	<b>(249.6)</b>	<b>(197.2)</b>	<b>(425.5)</b>
Attributable Total Group Depreciation and Amortisation†	(99.1)	(116.0)	(215.1)	(166.4)	(361.2)
Alloys	12.0	–	12.0	33.4	62.9
Coal	63.6	1.5	65.1	237.6	415.8
Copper	–	135.7	135.7	155.8	288.5
Zinc Lead	21.9	(11.9)	10.0	34.8	35.6
Other businesses	(0.3)	4.0	3.7	(1.4)	(2.7)
Corporate and unallocated	(12.2)	(16.3)	(28.5)	4.9	(19.1)
<b>Total Group EBIT (pre-exceptionals)†</b>	<b>85.0</b>	<b>113.0</b>	<b>198.0</b>	<b>465.1</b>	<b>781.0</b>
Attributable Total Group EBIT (pre-exceptionals)†	83.6	68.7	152.3	414.9	694.3
*Pro forma includes MIM Group acquisition from 01.01.03					
**Pro forma includes Coal and MIM Group acquisitions from 01.01.02 and does not include Nordenham					
†Excludes discontinued operations (Avonmouth, Duisburg and Magnesium)					

In the unaudited pro forma financial information in the Rights Issue Documentation, the MIM foreign currency hedge book had a negative mark to market position as at 1 January 2002; under UK GAAP a fair value provision was accordingly created to reflect this mark to market position. During the first half of 2002, MIM recorded hedging losses of US\$64.3 million within unallocated turnover. Under UK GAAP these losses were reversed against the fair value provision. As the Australian dollar strengthened during this period, an additional reversal of the provision was required, resulting in a gain of US\$26.2 million.

As the MIM foreign currency hedgebook was "at the money" on the acquisition date, the pro forma financial results for the six months ended 30 June 2003 of the MIM Group have been presented at spot foreign currency exchange rates by reversing realised hedging losses for the period amounting to US\$20.2 million. Group turnover, excluding unallocated, increased by 8% or US\$167.8 million to US\$2,198.2 million.

Including unallocated, total Group turnover increased by US\$143.8 million or 7% to US\$2,198.9 million.

Alloys turnover increased by 34%, or US\$58.9 million, to US\$233.7 million. This was due to stronger demand for ferrochrome from growth in the stainless steel melt market and price increases of 20% during the last quarter of the period, which were negotiated to compensate for the increased strength of the South African Rand. Attributable ferrochrome production increased 25% from 2002 due to recommissioning of idle furnaces and the termination of the furnace lease agreement with AngloPlatinum in April 2003. The increase in ferrochrome was partially offset by lower vanadium turnover, which decreased by 12% or US\$4.8 million as a consequence of Windimurra being placed on care and maintenance and the cessation of the Glencore offtake agreement. Lower vanadium sales volumes were offset in part by higher vanadium prices from reduced worldwide supply and a higher proportion of vanadium pentoxide production being converted into ferrovandium.

Coal turnover increased US\$35.3 million or 4% primarily due to increased sales volumes partly due to the Ravensworth and Narama acquisitions in March 2002 and higher third-party purchased coal of US\$13.6 million. Reduced sales prices were offset by gains on Australian dollar hedging in Xstrata's Coal business.

Copper turnover was in line with 2002. Zinc lead turnover increased by US\$62.4 million principally due to the acquisition of Nordenham on 31 December 2002. Other businesses turnover (Gold, Forestry and Technology) increased by 71% or US\$16.6 million due to increased production and improved operating performance at the Ravenswood gold operation.

EBITDA decreased 32% or US\$214.7 million to US\$447.6 million. Alloys fell 38% or US\$14.3 million due to the impact of a 27% stronger South African Rand period-on-period and continued high inflation on costs more than offsetting higher prices and increased saleable production in ferrochrome. Coal decreased by US\$136.4 million or 44% due to the adverse currency impacts on costs and lower coking coal production. Copper decreased 7% or US\$16.1 million due to the impact of the stronger Australian dollar and difficult mining conditions reducing output at Mount Isa and leading to a rise in unit costs. This was partially offset by improved operating efficiencies and a weaker Argentine Peso at Alumbreira. Zinc lead decreased by 32% or US\$22.3 million due to the impact of the stronger Australian dollar, Euro and Sterling on costs, partially offset by the Nordenham acquisition and cost savings achieved at the Spanish zinc operations. Other businesses increased by US\$8 million, due to a higher contribution from Ravenswood. Corporate and unallocated costs increased by US\$33.6 million, however, 2002 included a US\$26.2 million gain from the reversal of the "out of the money" hedge book provision. MIM corporate costs for H1 2003 do not include US\$7.4 million (H1 2002 US\$7.3 million) of cost recoveries charged to operations.

EBIT decreased 57% or US\$267.1 million to US\$198 million with depreciation and amortisation charges increasing by US\$52.4 million. The increase in depreciation and amortisation was due to strengthening local currencies against the US dollar (US\$21.4 million), increased thermal coal and ferrochrome production and allocation of economic lives for the fixed assets of the MIM coal operations.

EBIT analysis

EBIT variances US\$m	Xstrata <sup>†</sup>	MIM <sup>†</sup>	Pro forma <sup>†</sup>
<b>EBIT 30.06.02</b> (pre-exceptionals)**	<b>195.1</b>	<b>270.0</b>	<b>465.1</b>
Sales price	(3.6)	34.3	30.7
Foreign currency hedging gains	41.9	–	41.9
Volumes	15.4	(40.9)	(25.5)
Unit cost – real	35.7	(17.0)	18.7
Unit cost – inflation	(18.6)	(9.6)	(28.2)
Unit cost – foreign exchange	(162.8)	(78.8)	(241.6)
Nordenham acquisition	4.9	–	4.9
Other income and expenses	(3.3)	(2.1)	(5.4)
Foreign currency hedge book provision reversal	–	(26.2)	(26.2)
Corporate overheads	(1.7)	(3.7)	(5.4)
Depreciation and Amortisation (excluding foreign exchange)	(18.0)	(13.0)	(31.0)
<b>EBIT 30.06.03*</b>	<b>85.0</b>	<b>113.0</b>	<b>198.0</b>
<p>*Pro forma includes MIM Group acquisition from 01.01.03  **Pro forma includes Coal and MIM Group acquisitions from 01.01.02 and does not include Nordenham  <sup>†</sup>Excludes discontinued operations (Avonmouth, Duisburg and Magnesium)</p>			

The sales price variance reflects higher prices received for alloys and copper offset by lower coal prices. The negative volume variance is mainly being driven by reduced output at Alubrera from lower ore head grades offset in part by higher thermal coal and ferrochrome sales.

Real unit cost savings achieved at the Spanish zinc business, Xstrata coal, Alubrera copper and Ravenswood gold operations were partially offset by cost increases at the MIM coal and Mount Isa base metals operations. High inflation rates in South Africa continue to impact negatively on unit costs. However, the Xstrata operations managed, as a group, to achieve cost savings in excess of inflation.

The weakening of the US dollar had the biggest impact on Group EBIT with the average local exchange rates strengthening 27% for the South African Rand, 23% for the Euro, 15% for the Australian dollar and 12% for the Pound Sterling period-on-period. The only currency to weaken against the US Dollar for which the Group has an exposure was the Argentine Peso, by 10%. The negative foreign exchange impact on Group EBIT, when compared to the corresponding prior year period, was US\$241.6 million. This includes losses arising from the stronger Australian dollar (US\$151.6 million), South African Rand (US\$96.3 million) and Euro (US\$18.3 million), partly offset by the gains arising from a weaker Argentine Peso (US\$26.8 million). This excludes the positive impact, period-on-period, of Australian dollar hedging gains of US\$41.9 million within Xstrata Coal's New South Wales business.

Nordenham was acquired on 31 December 2002 and is not included in the pro forma results for 2002 as comparable information is not available.

The foreign currency hedge book provision reversal relates to the gain on the reversal of the "out of the money" MIM Group hedge book provision in 2002 as explained above.

Increased corporate overheads relate to the establishment of Xstrata's corporate offices, following the listing on the London Stock Exchange in March 2002 and increases in MIM's head office costs.

Increased thermal coal and ferrochrome production levels and higher MIM coal carrying values have driven the increase in depreciation and amortisation.

Consolidated EBIT sensitivities	Impact on Second Half 2003 EBIT*	Indicative Full Year EBIT**
US\$m		
US1¢/lb movement in Ferrochrome price	4.8	11.3
US\$1/kg movement in Ferrovandium price	3.2	6.0
US\$1/tonne movement in Australian Thermal export FOB coal price	4.0	33.7
US\$1/tonne movement in Australian Coking export FOB coal price	–	7.9
US\$1/tonne movement in South African export Thermal FOB coal price	1.2	13.6
US1¢/lb movement in Copper price	4.8	9.8
US\$10/oz movement in Gold price	1.1	8.2
US1¢/lb movement in Zinc price	4.5	9.1
US\$10/tonne movement in Zinc treatment charge price	0.7	6.0
US1¢/lb movement in Lead price	2.3	4.8
10% movement ARS	1.7	3.3
10% movement AUD	12.4	199.8
10% movement EUR	13.9	24.0
10% movement GBP	1.8	3.6
10% movement ZAR	34.0	60.7
*After impact of currency and commodity hedging, and contracted, priced sales as at 30.06.03		
**Assuming current annualised production and sales profiles and no currency or commodity hedging		

## Earnings

Earnings summary	Statutory Six months to 30.06.03	Pro forma Six months to 30.06.03*	Pro forma Six months to 30.06.02**	% Change
US\$m				
EBIT from continuing operations (pre-exceptionals)	85.0	198.0	465.1	(57.4)
Discontinued operations	(1.3)	(4.4)	(24.3)	(81.9)
Impairment of assets	–	–	(60.6)	–
Loss on sale of operations	(1.6)	(1.6)	–	–
EBIT	82.1	192.0	380.2	(49.5)
Net interest and similar items	(13.6)	(64.8)	(59.7)	(8.5)
Tax on profit	7.4	(18.3)	(59.4)	69.2
Minority interests	(0.7)	(29.1)	(59.9)	51.4
Attributable profit (pre-exceptionals)	76.8	81.4	261.8	(68.9)
Attributable profit	75.2	79.8	201.2	(60.3)
Earnings per share (pre-exceptionals)	US\$0.31	US\$0.13	US\$0.42	(69.0)
Earnings per share	US\$0.30	US\$0.13	US\$0.32	(59.4)
*Pro forma includes MIM Group acquisition from 01.01.03				
**Pro forma includes Coal and MIM Group acquisitions from 01.01.02 but excludes Nordenham				

## financial review

Discontinued operations include the magnesium scrap recycling plant in the USA, sold in April 2003, the Avonmouth zinc smelter in the United Kingdom closed in March 2003 and the Duisburg zinc smelter in Germany sold in December 2002. Impairment of assets relates to the Avonmouth and Duisburg zinc smelters. The loss on sale of operations relates to the magnesium scrap recycling plant.

Net interest and similar items increased from US\$59.7 million to US\$64.8 million principally due to a reduced fair value adjustment on the fixed interest loans compared to 2002.

The tax charge of US\$18.3 million represents a pre-exceptionals effective rate of 14.2% against 15.6% for the corresponding period in 2002. On a post-exceptionals basis, the effective tax rate decreased from 18.5% for 2002 to 14.4% for 2003.

Minority interest share of profits decreased following reductions in the minority shareholdings in Coal Australia together with a higher profit after tax in 2002 for Alumbraera.

Attributable profit (pre-exceptionals) decreased US\$180.4 million or 69% to US\$81.4 million. Basic pre-exceptionals attributable earnings per share decreased from US\$0.42 to US\$0.13. On a post-exceptionals basis, attributable profit decreased US\$121.4 million or 60% to US\$79.8 million. Basic attributable earnings per share decreased from US\$0.32 to US\$0.13.

### Dividends

The Directors have declared an interim dividend of 6.7US¢/share (totalling US\$42.1 million). This distribution is consistent with the 2002 implied dividend, based on Xstrata's policy of announcing one-third of full year dividends at the mid-year, and adjusted for the bonus factor implicit in the Rights Issue. A final 2002 dividend of 20US¢/share (totalling US\$50.3 million) was paid on 23 May 2003.

Interim dividend dates	2003
Ex-dividend date	24 September
Deadline for return of currency election forms	24 September
Record date	26 September
Payment date	17 October

As Xstrata plc is a Swiss tax resident company, the dividend payment will be taxed at source in Switzerland at the rate of 35%. A full or partial refund of this tax may be available in certain circumstances.

The interim dividend is declared and will be paid in US dollars. Shareholders may elect to receive this dividend in Sterling, Euros or Swiss Francs. The Sterling, Euro or Swiss Franc amount payable will be determined by reference to the exchange rates applicable to the US dollar seven days prior to the dividend payment date. Dividends can be paid directly into a UK bank or building society account to shareholders who elect for their dividend to be paid in Sterling.

Further details regarding tax refunds on dividend payment, together with currency election and dividend mandate forms, are available from Xstrata's website ([www.xstrata.com](http://www.xstrata.com)) or from the Company's Registrars.

## Cash Flow, Net Debt and Financing Summary

Cash flow summary	Pro forma Six months to 30.06.03*
US\$m	
<b>Net cash inflow from operating activities</b>	<b>297.5</b>
Net interest payable and similar items	(74.1)
Taxation	(19.8)
Sustaining capital expenditure	(100.3)
Disposals of fixed assets	8.4
Acquisition of own shares	(7.4)
<b>Free cash flow</b>	<b>104.3</b>
Expansionary capital expenditure	(92.4)
<b>Cash flow before acquisitions</b>	<b>11.9</b>
Purchase of MIM Group	(2,077.9)
Net cash acquired with MIM Group	103.0
Purchase of 11.5% interest in Oakbridge Pty Ltd	(58.0)
Acquisition of Nordenham zinc smelter	(96.2)
Purchase of Ravenswood JV interest	(12.3)
Disposal of Magnesium operation	1.2
Cash disposed of with Magnesium operation	(0.5)
<b>Net cash flow before financing</b>	<b>(2,128.8)</b>
Issue of ordinary shares	1,418.7
Dividends paid	(65.6)
Foreign exchange adjustment	(23.2)
Amortisation of loan arrangement fees	(4.8)
Debt acquired with MIM Group	(1,293.2)
<b>Movement in net debt</b>	<b>(2,096.9)</b>
Net debt at the start of the year	(573.9)
<b>Net debt at the end of the period**</b>	<b>(2,670.8)</b>
*Pro forma includes MIM Group acquisition from 01.01.03	
**Includes 100% of Alumbreira non-recourse project financing, third party shareholder loans and cash	

Reconciliation of EBITDA to net cash flow from operating activities	Pro forma Six months to 30.06.03*
US\$m	
<b>EBITDA (pre-exceptionals)</b>	<b>443.4</b>
Increase in stocks	(39.2)
Increase in debtors	(62.1)
Decrease in creditors	(55.1)
Movement in provisions and other non-cash items	10.5
<b>Net cash inflow from operating activities</b>	<b>297.5</b>
*Pro forma includes MIM Group acquisition from 01.01.03	

Pro forma net cash inflow from operating activities includes the MIM Group from 1 January 2003 and the debt acquired with the MIM Group has been adjusted to reflect the estimated position at 1 January 2003.

The foreign exchange adjustment is principally due to the book value of the non-US dollar denominated loans and finance leases increasing as a result of strengthening local currencies against the US dollar.

## financial review

Certain MIM Group acquisition costs and Rights Issue costs were paid after 30 June 2003, consequently the cash flow differs from the Rights Issue and application of the funds table below.

A summary of the Rights Issue and application of funds is as follows:

<b>Net proceeds</b>	
US\$m	
Net proceeds for issue of shares to the market	1,396.3
Net proceeds of amended syndicated loan facility	686.2
Cash on hand	6.5
<b>Total</b>	<b>2,089.0</b>
<b>Application of net proceeds</b>	
US\$m	
Consideration paid for the MIM Group	2,089.0
<b>Total</b>	<b>2,089.0</b>

At the conclusion of the MIM acquisition, Xstrata entered into foreign currency forward contracts to cover exposure to US dollar exchange rate movements against the Australian dollar (on the purchase price) and Sterling (on the proceeds of the Rights Issue). Proceeds for the shares issued to the market is net of a US\$96.4 million loss on the Sterling hedges, while the consideration paid for the MIM Group is net of a US\$229.1 million gain on the Australian dollar hedges. Consequently, the total of the assets and liabilities acquired with MIM is accounted for at the effective Australian dollar hedged rate.

Under UK GAAP the MIM hedge book is fair valued at the exchange rate prevailing on the acquisition date. As this rate was the same as the average forward contract rate in the hedge book, no fair value adjustment was required.

The net gain on currency hedges associated with the MIM Group acquisition was US\$132.7 million. The gain on the Australian dollar hedge has been applied as a reduction in the US dollar cost of the investment in the MIM Group, and the loss on the Sterling hedge has been applied to share premium.

<b>Net debt summary</b>	<b>Statutory As at 30.06.03</b>	Statutory As at 31.12.02
US\$m		
Cash	<b>161.1</b>	88.7
External borrowings*	<b>(2,814.1)</b>	(671.9)
Arrangement fees	<b>45.7</b>	27.0
Finance leases	<b>(63.5)</b>	(17.7)
Net debt	<b>(2,670.8)</b>	(573.9)
Net debt to equity %	<b>47.3%</b>	16.1%
By currency:		
Australian dollars (AUD)	<b>(121.5)</b>	2.4
Euros (EUR)	<b>3.3</b>	3.3
South African Rands (ZAR)	<b>(54.5)</b>	(35.4)
United States dollars (US\$)	<b>(2,502.7)</b>	(545.9)
Other	<b>4.6</b>	1.7
Net debt by currency	<b>(2,670.8)</b>	(573.9)
*Includes 100% of Alumbra non-recourse project financing, third-party shareholder loans and cash		

Net debt at 30 June 2003 has increased by US\$2,096.9 million to US\$2,670.8 million. This is principally due to drawdowns on the amended syndicated loan facility to fund the MIM Group, Nordenham and Oakbridge acquisitions and the assumption of MIM Group net debt of US\$1,181.2 million. The MIM Group net debt includes US\$255.1 million in relation to Alumbreira, comprising cash (US\$79.6 million), non-recourse project financing (US\$204.9 million), the third-party shareholder loans (US\$131.0 million) and arrangement fees (US\$1.2 million). Xstrata consolidates 100% of Alumbreira.

On 15 August 2003, the Group issued US\$600 million of Guaranteed Convertible Bonds, due 2010, convertible into 61,180,977 fully paid Xstrata plc ordinary shares. The issue achieves a number of financing objectives, including diversifying Xstrata's funding base, extending the average maturity profile of the Group's debt by 18 months and reducing the cost of the bank financing facility put in place at the time of the acquisition of MIM. The Bonds were issued at par, bear a coupon of 3.95% per annum with a conversion price of £6.10. The net proceeds of US\$590.8 million were used to refinance a portion of the Group's amended syndicated loan facility.

Following the acquisition of the MIM Group, the net debt to equity percentage increased from 16.1% at 31 December 2002 to 47.3% at 30 June 2003.

## Working capital

Movements in working capital US\$m	Statutory As at 30.06.03	Pro forma As at 31.12.02**	Statutory As at 31.12.02
Stocks†	670.1	610.3	294.4
Debtors: amounts falling due within one year	660.6	615.6	277.3
Creditors*	(762.3)	(751.6)	(369.7)
Net working capital	568.4	474.3	202.0
*Excludes short-term debt, declared dividends and accruals for acquisitions **Pro forma includes MIM Group acquisition at 31 December 2002 †Includes long-term stockpiles in copper			

The difference between movements in working capital and the cash flow EBITDA reconciliation (page 13) is due to non cash items such as exchange rate movements, acquisitions and fair value adjustments.

Stocks have increased by US\$59.8 million. The Nordenham zinc smelter is not included in the 2002 working capital figures and at 30 June 2003 had stocks of US\$10 million. The increase is due mainly to higher production costs, principally ferrochrome, and strengthening local currencies.

Debtors have increased by US\$45 million primarily due to Thermal Coal Australia's settlement period increasing to approximately 60 days for shipments delivered to Mexico (US\$40 million) and the Nordenham zinc smelter (US\$20 million). Debtors at 30 June 2003 include a provision of US\$32 million in respect of doubtful debts that were booked as fair value adjustments for the MIM Group acquisition. The balance of the increase is due mainly to higher sales volumes, in ferrochrome in particular.

Creditors have increased by US\$10.7 million mainly due to the Nordenham zinc smelter (US\$20 million) and includes US\$44 million of additional accruals that were booked as fair value adjustments for the MIM Group acquisition. These increases were offset in part by the Avonmouth smelter closure and reduced interest payable on the Alumbreira shareholder loans.

## Exchange rates used in the report

Currency table to US\$	H1 average 30.06.03	H1 average 30.06.02	At 30.06.03	At 30.06.02	At 31.12.02
ARS	3.0068	2.7279	2.8150	3.8600	3.3650
AUD	0.6157	0.5342	0.6735	0.5626	0.5618
CHF	1.3508	1.6367	1.3509	1.4810	1.3836
EUR	1.1038	0.8973	1.1511	0.9916	1.0495
GBP	1.6108	1.4445	1.6548	1.5335	1.6100
ZAR	8.0162	10.9797	7.4704	10.2960	8.5702

### Hedging

Currency hedging is used to reduce the Group's short-term exposure to fluctuations in the Australian dollar exchange rate to the US dollar. The Australian dollar hedging gains reflected in the profit and loss account for the six months ended 30 June 2003 amounted to US\$48.4 million compared to US\$6.5 million for the corresponding period in 2002. The unrealised mark-to-market gain on the Australian dollar hedging in place at 30 June 2003 was US\$120.9 million.

Foreign currency forward contracts				
	Bought Currency	Forward sale of US\$m 30.06.03	Weighted average exchange rate	Fair value US\$m 30.06.03
<b>Less than 1 year</b>				
Xstrata Coal	AUD	501.7	0.5427	110.3
MIM Group – Coal	AUD	307.7	0.6371	8.2
MIM Group – Copper	AUD	230.8	0.6371	6.2
MIM Group – Zinc Lead	AUD	76.9	0.6371	2.0
<b>1 to 5 years</b>				
MIM Group – Coal	AUD	303.0	0.6341	(2.9)
MIM Group – Copper	AUD	227.2	0.6341	(2.2)
MIM Group – Zinc Lead	AUD	75.8	0.6341	(0.7)
<b>Total</b>		<b>1,723.1</b>		<b>120.9</b>

Commodity hedges at 30 June 2003 mainly relate to forward and option contracts covering a portion of planned attributable gold production at Alumbra, Ravenswood and Ernest Henry.

Commodity forward contracts				
	Commodity	Ounces	Average price US\$*	Fair value US\$m 30.06.03
<b>Less than 1 year</b>				
Copper Australia	US\$ Gold	16,000	354	0.1
Copper Americas	US\$ Gold	50,000	354	0.3
Other – Gold	US\$ Gold	44,331	330	(0.8)
Other – Gold	A\$ Gold	104,641	391	3.3
<b>1 to 5 years</b>				
Copper Australia	US\$ Gold	6,000	354	–
Copper Americas	US\$ Gold	25,000	354	0.1
Other – Gold	US\$ Gold	124,664	360	0.8
Other – Gold	A\$ Gold	314,200	444	13.0
<b>More than 5 years</b>				
Other – Gold	A\$ Gold	78,400	506	4.4
<b>Total Attributable</b>		<b>763,236</b>		<b>21.2</b>

\*The average price is stated in US dollars and where necessary has been converted from foreign currencies at period end exchange rates

Commodity option contracts				Fair value US\$m 30.06.03
	Commodity	Ounces	Average price US\$*	
<b>Collars</b>				
<b>Less than 1 year</b>				
Copper Australia	US\$ Gold	6,660	330 – 370	0.1
Copper Americas	US\$ Gold	90,000	350 – 410	1.3
<b>Knock-out forwards**</b>				
<b>1 to 5 years</b>				
Other – Gold	A\$ Gold	60,000	485	5.8
<b>More than 5 years</b>				
Other – Gold	A\$ Gold	33,600	485	3.0
<b>Total Attributable</b>		<b>190,260</b>		<b>10.2</b>

\*The average price is stated in US dollars and where necessary has been converted from foreign currencies at period end exchange rates  
\*\*The sold call options under the knock-out forwards will be cancelled should, at any time after December 2004, the Australian dollar price of gold strengthen above a predetermined barrier rate

### Consolidated Capital Expenditure

Capital expenditure summary US\$m	Xstrata Six months to 30.06.03	MIM Six months to 30.06.03	Pro forma Six months to 30.06.03*	Pro forma Six months to 30.06.02**	Pro forma Year ended 31.12.02**
Alloys	0.7	–	<b>0.7</b>	0.4	1.1
Coal	48.9	12.4	<b>61.3</b>	24.7	97.3
Copper	–	20.8	<b>20.8</b>	14.1	36.4
Zinc Lead	6.5	7.3	<b>13.8</b>	13.3	31.4
Other businesses	0.4	1.6	<b>2.0</b>	1.3	2.0
Unallocated	–	0.9	<b>0.9</b>	4.3	5.0
<b>Total Sustaining†</b>	<b>56.5</b>	<b>43.0</b>	<b>99.5</b>	<b>58.1</b>	<b>173.2</b>
Attributable Sustaining†	52.6	40.1	92.7	53.1	158.5
Alloys	7.9	–	<b>7.9</b>	4.3	7.3
Coal	14.5	27.6	<b>42.1</b>	36.6	58.0
Copper	–	13.9	<b>13.9</b>	18.3	34.5
Zinc Lead	7.7	5.4	<b>13.1</b>	14.8	29.6
Other businesses	–	5.1	<b>5.1</b>	10.3	18.9
Unallocated	–	10.3	<b>10.3</b>	3.8	10.7
<b>Total Expansionary†</b>	<b>30.1</b>	<b>62.3</b>	<b>92.4</b>	<b>88.1</b>	<b>159.0</b>
Attributable Expansionary†	30.1	61.7	91.8	81.1	147.9
Alloys	8.6	–	<b>8.6</b>	4.7	8.4
Coal	63.4	40.0	<b>103.4</b>	61.3	155.3
Copper	–	34.7	<b>34.7</b>	32.4	70.9
Zinc Lead	14.2	12.7	<b>26.9</b>	28.1	61.0
Other businesses	0.4	6.7	<b>7.1</b>	11.6	20.9
Unallocated	–	11.2	<b>11.2</b>	8.1	15.7
<b>Total†</b>	<b>86.6</b>	<b>105.3</b>	<b>191.9</b>	<b>146.2</b>	<b>332.2</b>
Attributable Total†	82.7	101.8	184.5	134.2	306.4

\*Pro forma includes MIM Group acquisition from 01.01.03  
\*\*Pro forma includes Coal and MIM Group acquisitions from 01.01.02 and does not include Nordenham  
†Excludes discontinued operations (Avonmouth, Duisburg and Magnesium)

## financial review

Capital expenditure increased by US\$45.7 million or 31% to US\$191.9 million for the six months ended 30 June 2003. Coal Australia totalled US\$80.3 million, including Beltana underground mine development, acquisition of the remaining 32.5% interest in the Glendell project, purchase of a Dragline at Newlands, development of the Newlands complex and ongoing work on the Rolleston project. Coal South Africa totalled US\$23.1 million, mainly relating to production expansions at WitCons and Tavistock Colliery and development of the Goedgevonden Colliery. Copper capital expenditure was US\$34.7 million including Alumbreira concentrator optimisation, Enterprise mine development and Mount Isa converters and open pit study. Zinc lead capital expenditure totalled US\$26.9 million including US\$7 million for the 20,000 tonne expansion at the San Juan de Nieva smelter and George Fisher mine development. Unallocated capital expenditure mainly comprise MIM exploration and corporate information technology development.

Capital expenditure for the second half of 2003 is forecast to remain around similar levels to the first half, split evenly between expansionary and sustaining. Alloys capex will focus on the development of the Waterval West chrome mine and installation of an additional pelletiser at Wonderkop. Coal capital expenditure includes the dragline and development at Newlands, Beltana land and equipment, Ulan continuous mining equipment and development, Bulga equipment replacements, production expansions at WitCons and Tavistock Colliery and continued development of Goedgevonden Colliery and ATCOM. Copper capital expenditure includes the Mount Isa Copper smelter re-brick and Alumbreira concentrator optimisation. Zinc Lead includes the development of the George Fisher mine.

### Acquisitions

Acquisition summary including acquired debt		
US\$m	Six months ended 30.06.03	Year ended 31.12.02
MIM Group*	3,270.2	–
11.5% of Oakbridge Pty Ltd	58.0	–
Nordenham zinc smelter**	–	96.2
Duiker and Enex Group†	–	2,580.0
Ravensworth and Narama operations	–	72.4
<b>Total</b>	<b>3,328.2</b>	<b>2,748.6</b>
<small>*Includes net debt of US\$1,181 million  **Includes US\$11 million for zinc-related inventories  †Includes working capital of US\$73 million and debt of US\$505 million</small>		

100% of the Australian public listed MIM Group was acquired on 24 June 2003 for cash consideration of US\$2,089.0 million, including acquisition costs. US\$1,396.3 million was raised through a Rights Issue to fund the acquisition, with the balance funded by debt.

In January 2003, Coal Australia purchased a further 11.5% interest in Oakbridge Pty Ltd from Tomen Corporation for US\$58 million to take its shareholding to 78%.

The Nordenham zinc smelter was acquired on 31 December 2002 for a final consideration of US\$96.2 million, which includes various working capital adjustments.

The Duiker and Enex Group was acquired for US\$2,074.9 million on 1 March 2002 from Glencore International AG, for a consideration comprising US\$974.0 million of Xstrata plc shares and cash of US\$1,100.9 million.

100% of Ravensworth and 50% of Narama operations were acquired in March 2002 and settled in cash.

## Share Data

Share price: first half 2003	XTA LSE (p)	XTA SWX (CHF)
Closing price 31.12.02 (SWX 30.12.02)*	430.6	8.81
Rights Issue price	245.0	–
Closing price 30.06.03	402.5	9.10
Period high*	455.0	10.04
Period low*	310.5	6.60
*An adjustment factor of 0.66344 has been applied to share prices prior to 12 May 2003		

Shares in issue for EPS calculations	Number of shares
2003	
Weighted average for six months ended 30.06.03 used for 2003 pro forma eps calculation	628,373,436
Weighted average for six months ended 30.06.03 used for 2003 statutory eps calculation	251,345,353
2002	
Weighted average for six months ended 30.06.02 used for 2002 pro forma eps calculation	628,378,000
Weighted average for six months ended 30.06.02 used for 2002 statutory eps calculation	188,423,873
Total issued share capital	631,502,416

The Rights Issue was structured as an issue of three convertible unsecured loan stock units at 245 pence per stock unit for every two existing ordinary shares held. The Issue Price of 245 pence per stock unit represented a 56.1% discount to the closing middle market price on the London Stock Exchange's main market for listed securities of 558 pence per ordinary share on 9 May 2003 (being the last business day prior to the trading of the rights).

The difference between the pro forma and statutory weighted average number of shares for the six months ended 30 June 2003 used for the earnings per share (EPS) calculations is due to the issue of shares under the Rights Issue assumed to take place on 1 January 2003. Under UK GAAP, own shares (treasury stock) are deducted from the total issued share capital when calculating earnings per share.

On 15 August 2003, the Group issued US\$600 million of Guaranteed Convertible Bonds, due 2010, convertible into 61,180,977 fully paid Xstrata plc ordinary shares.

The equity capital management programme remained dormant with no shares purchased or sold under during the six months ended 30 June 2003.

Publicly disclosed major shareholders	% of Ordinary Issued Share Capital at 01.09.03
Credit Suisse First Boston Equities Limited*	24.0
Glencore International AG*	16.0
The Capital Group	13.9
Standard Life Investments Ltd	3.0
*Jointly interested in a number of shares	

# alloys

## Chrome

Financial and Operating Data US\$m	Xstrata Six months to 30.06.03	Xstrata Six months to 30.06.02	Xstrata Year ended 31.12.02
Turnover	<b>199.7</b>	136.0	290.2
EBITDA	<b>23.6</b>	30.7	62.8
Depreciation and Amortisation	<b>(7.8)</b>	(2.7)	(7.0)
EBIT	<b>15.8</b>	28.0	55.8
Attributable net assets	<b>270.6</b>	249.4	245.3
Capital Employed	<b>373.3</b>	275.3	334.9
% Share Group EBIT*	<b>8.0%</b>	6.0%	7.1%
% Share Group Net Assets	<b>4.8%</b>	–	5.0%
% Return on Capital Employed**	<b>9.1%</b>	21.7%	20.4%
Capital Expenditure	<b>6.6</b>	4.1	7.3
Expansionary	<b>6.3</b>	3.8	6.5
Sustaining	<b>0.3</b>	0.3	0.8
Attributable Saleable Production (kt)	<b>545.8</b>	435.7	957.5
Indicative Average Published Price (US¢/lb) (Metal Bulletin)	<b>37.30</b>	27.30	30.00
*Excludes discontinued operations (Avonmouth, Duisburg and Magnesium) **ROCE % based on average exchange rates for the period			

## Markets

Demand for ferrochrome remained very strong during the period under review, due to growth in stainless steel melt, ferrochrome's major market. Worldwide ingot production of stainless steel in the first half of 2003 is estimated to have been 10.95 million tonnes, a 6% increase on the same period in 2002. The current estimate for full year 2003 production is some 21.7 million tonnes (5% up on 2002 levels).

Increases in melt were particularly evident in Finland, Belgium, South Korea, China, South Africa and the United States, where an increase in steel exports was supported by a weaker US dollar. In Japan, melt increased on the back of continued growth in demand from China.

Driven by the strong demand and the increasing strength of the South African Rand against the US dollar, ferrochrome prices rose by approximately 20% from the second quarter of 2003. Further increases of 6US¢/lb from 1 July 2003 and an additional 3US¢/lb from 1 October 2003 have already been agreed with major stainless steel producers.

South African ferrochrome producer stocks are low and are unlikely to increase in the third quarter due to production cuts that were timed to coincide with the new winter electricity pricing system which adds approximately 4US¢/lb to production costs in the southern hemisphere winter. South African ferrochrome producers are increasingly using this period to balance supply and demand.

The outlook for ferrochrome prices and volumes remains strong through the end of the year and into 2004.

### Operations

Turnover increased, period-on-period, by 32% at just under US\$200 million. This was despite ferrochrome selling prices lagging the South African Rand's dramatic strengthening, with the first increase in prices only effective for half the six-month period ended 30 June 2003. The positive impact of higher prices (US\$41 million) and higher volumes (US\$6 million) were negated by the negative impact of a stronger Rand (US\$39 million) and higher unit costs as a consequence of inflation, an increase in the cost of reductants (which on a delivered basis rose over 19% US dollar terms) and an increase in the cost of chrome ore and lower mine production associated with an area of difficult geological conditions that has since been traversed. The higher depreciation and amortisation period-on-period is associated with the return of idled furnace capacity which increased production by some 110,000 tonnes. As a consequence, EBIT of US\$15.8 million was down some 44% period-on-period.

Operational volumes were in excess of 90% of capacity over the first six months despite the failure of two furnace transformers, which resulted in lower outputs at the Lydenburg and Rustenburg plants. Reductant supply, primarily metallurgical coke, remains a key issue for the business, in respect of its high cost (in both US dollar and South Africa Rand terms) coupled with the variability in the quality of the imported material. Both issues have been addressed to a limited extent by local coke production/substitution initiatives. However, the positive impact of these local programmes will only be realised in the last quarter of 2003.

The continued strong market demand enabled an additional furnace to be brought back into production in the second quarter of 2003. A second furnace also became available following the conclusion of the lease contract with AngloPlatinum. Three furnaces, with combined annual capacity of some 230,000 tonnes, were taken offline for routine maintenance at the start of the third quarter 2003, a seasonal period of lower demand and of high winter electricity tariffs. Given the tight stock levels and continuing strong demand, Xstrata has restarted its idled capacity and all furnaces will be back in operation from the fourth quarter of 2003.

The confirmed ferrochrome price increases in July and October will have a beneficial impact on earnings for the full year, with the performance of the Rand a critical determinant of profitability in the second half.

EBIT Variances	US\$m
<b>EBIT 30.06.02</b>	<b>28.0</b>
Sales price	41.1
Volumes	5.9
Unit cost – real	(9.2)
Unit cost – inflation	(5.8)
Unit cost – foreign exchange	(39.3)
Other income and expenses	(0.7)
Depreciation and amortisation (excluding foreign exchange)	(4.2)
<b>EBIT 30.06.03</b>	<b>15.8</b>

### Developments

Capital expenditure in the second half will mainly be associated with the ongoing development of the Waterval West mine, additional mineral rights at Waterval mine, a plant upgrade to 160,000 tonnes per month at Kroondal mine and the additional pelletiser at the Wonderkop Joint Venture facility, scheduled for completion in April 2004. Other key areas of development include the enlargement of No 4 furnace at Rustenburg, due for recommissioning in September 2003, and environmental improvements particularly in the Rustenburg area.

## Vanadium

Financial and Operating Data US\$m	Six months to 30.06.03	Six months to 30.06.02	Year ended 31.12.02
Turnover	34.0	38.8	76.4
EBITDA	(0.6)	6.6	10.4
Depreciation and Amortisation	(3.2)	(1.2)	(3.3)
EBIT	(3.8)	5.4	7.1
Attributable net assets	131.0	125.1	122.6
Capital Employed	131.2	125.3	122.8
% Share Group EBIT*	(1.9)%	1.2%	0.9%
% Share Group Net Assets	2.3%	–%	2.5%
Return on Capital Employed**	(6.2)%	9.2%	7.1%
Capital Expenditure	2.0	0.6	1.1
Expansionary	1.6	0.5	0.8
Sustaining	0.4	0.1	0.3
Attributable Saleable Production			
V <sub>2</sub> O <sub>5</sub> (k lbs)	15,951	20,393	41,333
Ferrovanadium (kg)	3,838	3,008	6,458
Indicative Average Published Prices			
V <sub>2</sub> O <sub>5</sub> (US\$/lb) (Metal Bulletin)	2.23	1.25	1.34
Ferrovanadium (US\$/kg V) (Metal Bulletin)	11.52	7.27	7.69
*Excludes discontinued operations (Avonmouth, Duisburg and Magnesium)			
**ROCE % based on average exchange rates for the period			

### Markets

The vanadium market continues to disappoint. On the supply side, this is principally due to the resumption of production announced by a major Russian vanadium producer. The suspension of operations at Windimurra would appear to have had only a limited impact.

Although overall steel demand has increased considerably (up 8.6% YTD), the major increase has come from China where the unit consumption of Vanadium per tonne of produced steel, while growing, remains the lowest. Uncertain demand in the Western World led to steel producers limiting purchases of raw materials.

The strength of the South African Rand linked with production cutbacks helped prices to maintain current levels and not return to the record lows seen during 2001 and early 2002. The outlook for ferrovanadium prices remains uncertain, and in the absence of further restraint by major producers, some price erosion may be seen in the second half.

## Operations

Turnover for the first half was down over 12% to US\$34 million, principally reflecting a significant decrease in sales volumes of V<sub>2</sub>O<sub>5</sub>, which were down nearly 22%. This impact could not be offset by the ongoing switch into production of ferrovandium, which grew some 28% period-on-period. At the earnings level, the positive impacts of increased vanadium prices (US\$13 million) and a reduction of unit costs in real terms of nearly US\$3 million were negated by the impact of a stronger South African Rand (US\$11 million) and lower volumes (US\$8 million), with EBIT down US\$9 million period-on-period, to a loss of US\$3.8 million.

<b>EBIT Variances</b>	<b>US\$m</b>
<b>EBIT 30.06.02</b>	<b>5.4</b>
Sales price	12.8
Volumes	(7.9)
Unit cost – real	2.7
Unit cost – inflation	(1.5)
Unit cost – foreign exchange	(11.3)
Other income and expenses	(2.6)
Depreciation and amortisation (excluding foreign exchange)	(1.4)
<b>EBIT 30.06.03</b>	<b>(3.8)</b>

Rhovan continued to achieve excellent operational results, with production of 800 tonnes of V<sub>2</sub>O<sub>5</sub> per month in May and June, reflecting an increase in plant capacity of some 26 tonnes per day or 24%. Output at Vantech has been restricted to 8 tonnes per day due to market conditions, and while mining authorisations have been obtained for both the Kennedy's Vale and Steelpoortdrift deposits, their development has been postponed until Vanadium markets recover.

At Windimurra, production of V<sub>2</sub>O<sub>5</sub> ceased during the period and the plant remains on care and maintenance. In the light of the continued depressed market, suspension of the operation is likely to be extended. The care and maintenance programme has focused on the rehabilitation of the mine area and equipment.

## Developments

Capital expenditure in the second half of 2003 will be in the order of US\$5 million, most of which is associated with the ongoing development of the vanadium trioxide (V<sub>2</sub>O<sub>3</sub>) plant and furnace project at Rhovan. The scrap aluminium market in South Africa remains very tight and as a result prices have increased by up to 10%. The V<sub>2</sub>O<sub>3</sub> project, which will reduce aluminium consumption by Rhovan by some 38%, is progressing well with commissioning is expected during September 2003.

# coal

## Markets

### European and South African Thermal Coal Markets

Despite the relatively balanced demand and supply in the Atlantic market in the first half of 2003, lower average export prices were experienced compared to the same period in 2002. Factors contributing favourably to the supply demand balance included the Venezuelan national strike and high levels of demand from the Scandinavian countries, the latter being met with product from Poland and Russia. However, delayed purchasing, cargo swaps and stock reductions by customers, driven by a desire to avoid the prevailing high freight rates, created a lack of real physical coal demand. This, in turn, led to a fall in price from approximately US\$27.50 FOB early in the first quarter to US\$23.50 per tonne FOB in the second quarter, resulting in an average achieved price of US\$24.11 per tonne FOB in the first half, 12% lower than for the corresponding period in 2002. Export sales volumes were 9% higher period-on-period.

The unsustainable delay of coal purchases and stock reductions by customers resulted in a surge in demand in the latter part of the first half of 2003 resulting in spot prices reaching US\$28.50 per tonne FOB by the end of June 2003. This trend of rising prices continues. Underpinning these price increases is the favourable impact of a weak US dollar on the competitive position of imported coal compared to other fuel options priced in either Sterling in the UK or Euros in Europe. Xstrata Coal South Africa restrained its first-half sales programme as much as operational factors would allow, reducing volumes by approximately 10% against expectations. This enabled it to maximise second half tonnage and to sell coal into an improving coal market from the third quarter.

The first half of the current year was characterised by a strong South African domestic market. While long-term Eskom contract sales volumes were down 8.5% compared to the same period last year, prices increased by some 13.5% on the back of contractual inflation-linked pricing formulas and quality adjustments. Other domestic sales volumes rose by 12.5% due to increased coal sales as well as some low grade spot sales to Eskom. Prices only increased by 2.3% due to a higher proportion of low-grade products.

### Far East and Australian Thermal Coal Markets

The Pacific market's demand for imported thermal coal in the six months to June 2003 exceeded expectations. Ongoing delays in recommissioning a large number of Japan's nuclear power stations, due to failed inspection and maintenance checks, spurred this demand. As a consequence, Japanese power companies continued to maximise output at their coal fired generating plants. Notwithstanding the overall growth in Pacific thermal coal demand of approximately 17.5% compared to the same period last year, exports from Indonesia continued to grow whilst China maintained the high export levels achieved in the second half of 2002, which caused spot prices to remain at depressed levels during the period. Over the six months, spot prices fluctuated between a high of US\$25.30 per tonne in January and a low of US\$23.75 per tonne in April, with the spot market regaining ground from the start of the second half of the year.

<b>Financial and Operating Data</b>	Xstrata Six months to 30.06.03	MIM Six months to 30.06.03	<b>Pro forma Six months to 30.06.03*</b>	Pro forma Six months to 30.06.02**	Pro forma Year ended 31.12.02**
US\$m					
<b>Turnover: own production</b>	597.6	262.0	<b>859.6</b>	837.9	1,716.8
Coking Australia	–	163.6	<b>163.6</b>	168.9	354.6
Thermal Australia	416.2	98.4	<b>514.6</b>	494.6	1,008.9
Thermal South Africa	181.4	–	<b>181.4</b>	174.4	353.3
<b>Turnover: third party purchased coal</b>	43.6	–	<b>43.6</b>	30.0	99.4
Coking Australia	–	–	–	0.6	0.6
Thermal Australia	26.8	–	<b>26.8</b>	17.9	72.9
Thermal South Africa	16.8	–	<b>16.8</b>	11.5	25.9
<b>Total Turnover:</b>	641.2	262.0	<b>903.2</b>	867.9	1,816.2
Coking Australia	–	163.6	<b>163.6</b>	169.5	355.2
Thermal Australia	443.0	98.4	<b>541.4</b>	512.5	1,081.8
Thermal South Africa	198.2	–	<b>198.2</b>	185.9	379.2
<b>EBITDA (pre-exceptionals)</b>	134.1	36.2	<b>170.3</b>	306.7	565.3
Coking Australia	–	36.9	<b>36.9</b>	74.4	155.0
Thermal Australia	103.3	(0.7)	<b>102.6</b>	155.3	277.8
Thermal South Africa	30.8	–	<b>30.8</b>	77.0	132.5
<b>Depreciation and Amortisation</b>	(70.5)	(34.7)	<b>(105.2)</b>	(69.1)	(149.5)
Coking Australia	–	(22.8)	<b>(22.8)</b>	(8.9)	(21.0)
Thermal Australia	(51.7)	(11.9)	<b>(63.6)</b>	(42.3)	(98.9)
South Africa	(18.8)	–	<b>(18.8)</b>	(17.9)	(29.6)
<b>EBIT (pre-exceptionals)</b>	63.6	1.5	<b>65.1</b>	237.6	415.8
Coking Australia	–	14.1	<b>14.1</b>	65.5	134.0
Thermal Australia	51.6	(12.6)	<b>39.0</b>	113.0	178.9
South Africa	12.0	–	<b>12.0</b>	59.1	102.9
<b>Attributable Net Assets</b>	3,735.0	1,075.2	<b>4,810.2</b>	–	4,219.6
Australia	2,110.3	1,075.2	<b>3,185.5</b>	–	2,809.7
South Africa	1,624.7	–	<b>1,624.7</b>	–	1,409.9
<b>Capital Employed</b>	3,754.2	1,075.2	<b>4,829.4</b>	–	4,232.7
Australia	2,104.0	1,075.2	<b>3,179.2</b>	–	2,811.5
South Africa	1,650.2	–	<b>1,650.2</b>	–	1,421.2
<b>% Share Group EBIT<sup>†</sup></b>	32.1%	0.8%	<b>32.9%</b>	51.1%	53.2%
Australia	26.0%	0.8%	<b>26.8%</b>	38.4%	40.0%
South Africa	6.1%	–	<b>6.1%</b>	12.7%	13.2%
<b>% Share Group Net assets</b>	66.1%	19.0%	<b>85.1%</b>	–	85.2%
Australia	37.3%	19.0%	<b>56.3%</b>	–	56.7%
South Africa	28.8%	–	<b>28.8%</b>	–	28.5%
<b>% Return on Capital Employed<sup>‡</sup></b>	3.7%	0.3%	<b>2.9%</b>	–	10.7%
Australia	5.4%	0.3%	<b>3.7%</b>	–	11.5%
South Africa	1.6%	–	<b>1.6%</b>	–	8.9%
<b>Capital Expenditure</b>	63.4	40.0	<b>103.4</b>	61.3	155.3
Australia	40.3	40.0	<b>80.3</b>	48.8	108.2
South Africa	23.1	–	<b>23.1</b>	12.5	47.1
Expansionary	14.5	27.6	<b>42.1</b>	36.6	58.0
Sustaining	48.9	12.4	<b>61.3</b>	24.7	97.3
*Pro forma includes MIM Group acquisition from 01.01.03					
**Pro forma includes Coal and MIM Group acquisitions from 01.01.02 and does not include Nordenham					
†Excludes discontinued operations (Avonmouth, Duisburg and Magnesium)					
‡ROCE % based on average exchange rates for the period					

<b>Production Data</b> (million tonnes)	Xstrata Six months to 30.06.03	MIM Six months to 30.06.03	<b>Pro forma Six months to 30.06.03</b>	Pro forma Six months to 30.06.02**	Pro forma Year ended 31.12.02**
<b>Total Consolidated Production</b>	21.8	7.8	<b>29.6</b>	30.2	61.1
Queensland coking	–	3.7	<b>3.7</b>	4.0	8.1
New South Wales semi-soft coking	3.1	–	<b>3.1</b>	2.5	5.4
Australian thermal	10.6	4.1	<b>14.7</b>	15.6	31.2
South African thermal	8.1	–	<b>8.1</b>	8.1	16.4
<b>Consolidated Australian</b>					
<b>Sales Total†</b>	14.3	8.0	<b>22.3</b>	21.2	44.4
Queensland coking export	–	3.7	<b>3.7</b>	4.0	8.0
New South Wales semi-soft coking export	3.1	–	<b>3.1</b>	2.5	5.4
Thermal export	8.4	4.0	<b>12.4</b>	12.3	25.6
Domestic	2.8	0.3	<b>3.1</b>	2.4	5.4
<b>Consolidated South African</b>					
<b>Sales Total†</b>	8.4	–	<b>8.4</b>	7.8	16.8
Thermal export	6.2	–	<b>6.2</b>	5.7	12.6
Thermal domestic	2.2	–	<b>2.2</b>	2.1	4.2
<b>Attributable Australian</b>					
<b>Sales Total†</b>	13.3	8.0	<b>21.3</b>	19.8	36.6
Queensland coking export	–	3.7	<b>3.7</b>	4.0	8.0
New South Wales semi-soft coking export	2.9	–	<b>2.9</b>	2.2	4.0
Thermal export	7.8	4.0	<b>11.8</b>	11.3	21.4
Domestic	2.6	0.3	<b>2.9</b>	2.3	3.2
<b>Attributable South African</b>					
<b>Sales Total†</b>	8.4	–	<b>8.4</b>	7.8	16.8
Thermal export	6.2	–	<b>6.2</b>	5.7	12.5
Thermal domestic	2.2	–	<b>2.2</b>	2.1	4.3
<b>Average received export</b>					
<b>FOB coal price (US\$/t)</b>					
Queensland coking	–	44.2	<b>44.2</b>	43.3	44.2
New South Wales semi-soft coking	30.4	–	<b>30.4</b>	33.1	32.2
Australian thermal	25.6	23.6	<b>25.0</b>	28.4	26.9
South African thermal	24.1	–	<b>24.1</b>	27.4	24.6
*Pro forma includes MIM Group acquisition from 01.01.03 **Pro forma includes Coal and MIM Group acquisitions from 01.01.02 and does not include Nordenham †All Sales data is ex-mine i.e. does not include sale of third party purchased coal					

Demand for Australian thermal coal was also affected by its inability to compete in the European power market as a result of high freight rate differentials and lower prices for Colombian and South African coal (the latter gaining strength towards the end of the six month period). With the recent surge in South African prices, Europe is beginning to re-emerge as a potential economic market for Australian thermal exports.

China's demand for thermal coal continues to grow in line with the growth in its domestic economy. This additional demand has been met by local producers who have simultaneously increased coal exports – predominantly into the Asian market. However, China's ability to grow exports during the second half of the year remains in question, particularly in light of recent shipping delays, closures associated with safety issues and reduced availability being indicated for new business.

The Tohoku Electric Power Company term contract price for Australian thermal coal, previously referred to as the Japanese Reference Price (FOB Newcastle), declined by 7% for the contract year commencing 1 April 2003, compared with the previous year (from around US\$28.50 per tonne to approximately US\$26.50 per tonne).

Asia remains the predominant market for sales from Xstrata Coal's Australian operations with export sales representing in excess of 75% of total exports. Further diversification of the thermal export market was achieved with the New South

Wales operations successfully securing a 2.5Mt thermal coal contract to Mexico, for delivery in the first half of 2003, which was subsequently renewed for the second half.

The Australian domestic market remains a strong focus with approximately 14% of current production being sold to local power utilities, with long-term domestic contracts providing diversification to Xstrata's overall market mix. The majority of Xstrata Coal's domestic contracts are long-term, life-of-mine, price escalating contracts, which provide a buffer against the negative impact of the strengthening Australian dollar.

### Coking Coal Markets

Due to a slight overhang of supply from Canada, and to a lesser extent from Australia, 2003/04 contract prices for hard coking coal reduced by about US\$2/t during negotiations held earlier in the year. Prices for the higher quality Queensland hard coking coal are now around US\$46 per tonne.

Continuing strong steel production, particularly in China, combined with production shortfalls by some Australian producers, have contributed to the current robust market for hard coking coal. Chinese steel plants have been actively seeking imported hard coking coal and this newly growing market has absorbed much of the earlier supply overhang. As a consequence, prices in the thin spot market for coking coal, often used as a clearing market after the long-term business has been settled each year, have held-up at the long-term contract levels. Recent enquiries from Asian and European steel mills for spot supply of hard coking coals are failing to be fully satisfied because of the current tightness in the market for this type of coal.

Production from the Queensland coking coal mines is fully sold through to the end of the second quarter 2004, primarily under term contract arrangements. Asian markets are absorbing nearly 60% of this coal, with Europe accounting for almost 30% and Latin America a further 7%. The balance is sold into North African and Middle Eastern markets.

Newcastle semi-soft coking coal prices fell in line with the Japanese Reference Price for Australian thermal coal. This reflected a softening in demand for the semi-soft product, as Asian steel mills switched to higher-cost hard coking coal in order to deliver higher productivity in their furnaces.

### Operations

EBIT Variances	Xstrata US\$m	MIM US\$m	Pro forma US\$m
<b>EBIT 30.06.02 (pre-exceptionals)**</b>	<b>139.9</b>	<b>97.7</b>	<b>237.6</b>
Sales price	(43.1)	(13.7)	(56.8)
Foreign currency hedging gains	41.9	–	41.9
Volumes	17.4	(3.7)	13.7
Unit cost – real	25.8	(25.5)	0.3
Unit cost – inflation	(9.6)	–	(9.6)
Unit cost – foreign exchange	(94.0)	(39.3)	(133.3)
Depreciation and amortisation (excluding foreign exchange)	(14.7)	(14.0)	(28.7)
<b>EBIT 30.06.03*</b>	<b>63.6</b>	<b>1.5</b>	<b>65.1</b>
*Pro forma includes MIM Group acquisition from 01.01.03 **Pro forma includes Coal and MIM Group acquisitions from 01.01.02			

### Australian Coking

As flagged by the former MIM management, production of coking coal for the first half, of 3.7 million tonnes, was down 7.5% on the 4.0 million tonnes for the corresponding period. This decrease was a result of an extended longwall change time at Oaky North and reduced production at the Oaky No.1 mine, due to frictional ignition events. These impacts were partially offset by increased but expensive open cut production.

Local unit cash costs were 23% higher on the back of the lower production volumes from Oaky Creek underground mines and increased output from the higher cost open cut supply source. This in conjunction with the appreciation of the Australian dollar resulted in an increase in the US dollar unit operating cash costs by 42% period-on-period.

As a consequence of the lower sales volumes and higher unit costs, EBIT at the coking operations fell 78% from US\$65.5 million in the first half of 2002 to US\$14.1 million in the first six months of 2003. This significant unfavourable performance variance occurred under previous management, prior to the acquisition of MIM by Xstrata.

Production at Collinsville in the second half of the year is expected to meet targets. However, it is anticipated that total coking coal production in the second half will continue to be negatively impacted by frictional ignition issues at Oaky No. 1 and by the previous absence of an effective management plan to address localised strata conditions at Oaky North – both issues inherited and addressed by Xstrata as it took over management in the third quarter. As a consequence, total Oaky Creek production is expected to be approximately 25% lower in the second half of the year and sales volumes will fall by 20% due to a sell down in stocks. Cash costs are expected to increase in the short term by around 15%.

Xstrata Coal has moved quickly to put in place new and proven senior management in its Queensland business, and a comprehensive review has been undertaken to tackle the failures of the management systems inherited and to improve production performance and cost management across the operations. The application of Xstrata's standard risk management procedures in close consultation with a panel of independent industry experts is expected to quickly reduce the risk of further frictional ignition events. These initiatives will begin to deliver the higher productivity and stable production of which these assets are capable towards the end of the fourth quarter.

#### **Australian Thermal**

Consolidated production for the half year, at 17.8 million tonnes, was 0.3 million tonnes, or 2% lower, than the corresponding period. Given the environment of weak spot prices and an appreciating Australian dollar, management continued to take responsible decisions to limit production at Xstrata operations over the period, particularly where this also reduced operating costs. Scheduled two-week maintenance shutdowns at both Bulga Open Cut and Liddell mines, together with lower production at Beltana (associated with tough enterprise agreement negotiations), lowered New South Wales production by approximately 500,000 tonnes.

Compared with the corresponding period in 2002, unit cash costs in Australian dollar terms were steady across the Australian thermal operations throughout the period. The favourable cash costs achieved at the New South Wales operations were offset by the higher costs of the Queensland operations.

In US dollar terms operating costs increased on the back of the strengthening Australian dollar. Despite steady sales volumes, EBIT decreased some 65% from US\$113.0 million to US\$39.0 million period-on-period due to the negative impacts of lower average prices and the higher US dollar unit costs.

At the New South Wales operations, a number of projects have either been completed or commenced in the first half of 2003. These projects are aimed at increasing the productivity and reducing the operating costs of the production assets thereby enabling a significant proportion of the future medium-term tonnage growth profile to be met from lower cost output, and include:

- the cessation of longwall mining at the South Bulga Colliery in February 2003 and the subsequent transfer of equipment to the newly developed, low cost, high productivity, Beltana longwall punchmine. The benefits of this low cost operation will start to be realised in the second half of 2003, following the commencement of full production in

August. However, the full benefit will be realised in 2004 when it enters its first full year of production with a target of four million tonnes;

- improvements at the Bulga open cut include mine plan optimisation, productivity improvements, manning reductions and negotiation of a replacement enterprise agreement. Bulga reduced its manning levels from 300 to 200 in November 2002 while maintaining the same level of output;
- renegotiation of the mining contract has been completed at the Liddell open cut since the corresponding period last year with reduced contract costs per tonne due to a longer contract term; and
- introduction of longwall mining at United in 2002 has resulted in improved productivity and sustainable unit cash cost reductions in the order of 30%.

The closure of the underground operations at Cumnock was announced in January 2003 with final underground coal extraction scheduled for September. Coal from Cumnock will continue to be mined from the newly commissioned contract open cut mine. This will have a positive impact on EBIT due to the lower costs of the open cut operation, with an additional benefit of the continuation of production of high quality Cumnock coal.

Thermal coal production in Queensland fell some 8% period-on-period due to the timing of the longwall relocation at Newlands underground and wet weather at the Newlands open cut operations. Shortfall in underground output has been partially offset by increases from the open cut operations.

Productivity improvements in the second half and the absence of longwall changes are expected to increase saleable production by approximately 900,000 tonnes in the current period. As a consequence, full year cash costs in Australian dollars should fall by around 4%, compared to the first half of the year.

#### South Africa

The financial performance of Xstrata Coal South Africa (XCSA) reflected the weaker demand in the Atlantic market and lower export prices compared to the corresponding period. A 12% drop in average export prices and a 37% appreciation in the Rand exerted significant downward pressure on the margins of all South African export producers, with XCSA's earnings down 80% period-on-period from US\$59.1 million to US\$12.0 million. An ongoing focus on productivity and efficiency improvements, ensured that mine site (FOR) unit operating cash cost of sales increased less than 1% in real terms period-on-period.

The implementation of various efficiency improvement plans increased production at a number of collieries, and allowed XCSA to maintain production levels of 8.1 million tonnes, which is the same as H1 2002, despite the closure of the Rietspruit and Strathrae operations in 2002. These productivity improvements and upgrades have not only maintained annual production levels, but have done so with an average of 562 fewer direct employees than in the first half of 2002, a reduction of some 11%.

A number of projects were either completed or commenced in the first half of 2003 to increase the productivity of the operations thereby enabling a significant proportion of the future medium-term tonnage growth profile to be met with low cost incremental output. These include inexpensive expansions of low cost mines such as WitCons and Tavistock, and an upgrade of Boschmans' Colliery's infrastructure.

As a result of the above projects, together with restrained marketing in the first half, both saleable production and sales are expected to be 15% higher in the second half of 2003. Furthermore, the benefit of the scale improvements will result in lower cost of sales compared to the first half.

Progress continues to be made on XCSA's transformation process to align the business with the intent of the new Mineral and Petroleum Resources Development Act and the associated Broad Based Socio-Economic Empowerment Charter for Mining. Noteworthy results include:

- implementation of an integrated human resource development and employment equity process resulting in an 85% increase in the employment of historically disadvantaged South Africans (HDSA) in management positions;
- implementation of a revised accommodation scheme aimed at empowering all employees to own and live in quality housing in an improved social and sustainable environments; and
- establishment of a black economic enterprise procurement team.

Furthermore, a keen focus is being placed on the establishment of strong links with government and other community players to facilitate successful and needs-based social programmes.

XCSA is in discussion with a number of potential HDSA owned enterprises that possess the capability of adding significant value to the business, while meeting the HDSA ownership requirements of the new legislation.

### Developments

In the light of the stronger South African Rand and Australian dollar, and their impact on costs and earnings, management has conducted a full review of all planned projects, capital programmes and operating schedules with the objective of aligning the cost base and return on capital with the difficult market and currency conditions. Projects that deliver immediate financial, health, safety, environmental and community benefits will continue, as will sustaining projects.

### Australia

Capital expenditure for Xstrata Coal's Australian operations totalled US\$80 million in the first half of 2003. This expenditure is split approximately equal between New South Wales and Queensland and relates to a number of key projects, including:

- development of the underground mine at Beltana, which is close to completion with first longwall coal extracted in June. The project was developed on time and within budget with expenditure totalling US\$12.4 million during the period. Upon reaching full production, Beltana will reduce Xstrata Coal's average unit cost due to its highly competitive cost structure, which is expected to be amongst the lowest in Australia;
- the June 2003 acquisition of the remaining 32.5% share of the Glendell project at a cost of US\$12 million delivers Xstrata Coal 100% ownership in contiguous property and mining leases embracing Mt Owen, Ravensworth East and Glendell. The opportunity now exists to optimise resource recovery, and enable efficient utilisation of capital through the shared use of existing major infrastructure. Glendell will have an estimated export thermal saleable production capacity of 2.5 million tonnes per annum;
- completion of the conversion of United Colliery from a high-cost bord and pillar operation to a highly efficient longwall mine, including the construction of a state-of-the-art coal handling and preparation plant. A total of US\$2.5 million was expended during the first six months of 2003;
- the purchase of a large dragline at Newlands to remove overburden from the Eastern Creek open cut area was progressed. The dragline will lower overburden costs, increase productivity levels and allow for more efficient selective mining of both coking and thermal coal and consequently maximise margins. The current dragline is to be relocated to Collinsville, further reducing overburden costs at this operation; and
- preliminary work has begun at the Newlands complex on the development of the new Northern underground mine, which will replace the existing Southern underground operations in 2005. The new mine will access longwall coal from an existing highwall, similar to Xstrata Coal's Beltana underground operation in NSW, with a wider face line to further improve productivity and lower costs.

Under MIM management, work continued on the development of the Rolleston project with the completion of agreements for rail early works, power and various land holding issues. Following the acquisition of MIM, Xstrata initiated a full internal review of the project to assess its robustness in terms of mining method, cost and market acceptance. The mine has potential annual output in excess of 8 million tonnes per annum of thermal coal to Asian and domestic Australian markets.

Work done thus far has confirmed the fundamental attractiveness of the project, which will reduce Xstrata Coal's average unit cost due to its low-cost structure and highly competitive product (low ash, excellent combustion). To allow for further market tests to be undertaken in order to secure key potential customers, approval has been given for the development of a further 50,000 tonne sample pit, at a cost of US\$1.2 million. Rolleston is capable of rapid development, with an estimated lead-in time of less than 24 months from project approval, and estimated capital expenditure of some US\$250 million. The decision to proceed with Rolleston will be taken after further assessment of the market.

Capital expenditure in the second half of the year is expected to be slightly higher than the period under review, with a number of new projects scheduled.

At the Queensland operations, US\$10 million has been allocated to the Newlands dragline, with US\$17 million to be spent on preliminary development work on the new Northern Underground at Newlands.

Outstanding equipment requirements at Beltana totalled US\$6 million, with a further US\$2.8 million expended on land purchases. The replacement of the continuous miner at Ulan and expenditure on underground infrastructure will require US\$9 million in capital expenditure, with US\$7.5 million to be spent on the replacement of open cut equipment at Bulga.

#### South Africa

The major elements of the US\$23 million of capital expenditure in the first half of 2003 relates to three key projects.

- WitCons Colliery is currently undergoing a 50% production expansion at a cost of US\$4.8 million, of which US\$3.7 million was incurred in the first half of 2003. The expansion entails the addition of a continuous miner section, an upgrade to the conveyor system and a processing plant expansion;
- Tavistock Colliery is being expanded from 1.1 to 1.8 million tonnes per annum, with expenditure of US\$3.8 million in the first half of 2003 for the introduction of a continuous miner section, an upgrade to the conveyor system and a processing plant expansion; and
- work has commenced at the new Goedgevonden Colliery. This mine will initially be operated as a small contractor open-pit operation and will utilise beneficiation capacity at the South Witbank mine. The cost to establish this operation is low, and US\$1.5 million of the forecast US\$4 million capital required was incurred during the period in review. The feasibility study for the full-scale operation at Goedgevonden is currently being undertaken.

Capital expenditure is expected to increase slightly in the second half of the year. US\$6.5 million will be spent on the work to be undertaken on the above projects, together with US\$3 million on the development and relocation of operations at ATCOM to the North Pit. Other projects include capital expenditure of US\$1.9 million of the estimated US\$2.4 million required for the construction of a fines coal beneficiation plant at South Witbank Colliery. The balance of estimated expenditure is required to sustain existing operational capacity.

# copper

## Markets

A global shortage of copper concentrates, estimated between 100,000 and 200,000 tonnes of contained metal (350,000dmt to 550,000dmt concentrate) during the first half of the year, lowered spot TC/RCs in the market, which reduced below US\$13/dmt and 1.3US¢/lb respectively. The shortage is expected to extend through the second half of the year, with smelter expansions in the Pacific/Indian Ocean regions likely to offset minor production increases from a number of mines. The tight concentrate situation will influence the terms at annual price negotiations, which are scheduled to commence in October.

Copper concentrate sales from the Australian copper operations in the first half were 33,000 tonnes of contained metal (132.2 kwmt) at an average TC/RC of US\$32.70/dmt / 3.27US¢/lb, compared with TC/RC of US\$53.50/dmt / 5.35US¢/lb in the previous period, and long-term Japanese smelter TC/RC settlements of US\$58.00/dmt / 5.80US¢/lb. Aggressive buying by Chinese and Indian smelters and a general shortage of nearby available concentrate for sale maintained downward pressure on the spot market through the period.

Domestic copper cathode sales from Xstrata's Australian copper operations remained robust through the first six months of 2003 due to good demand and lower output from other Australian producers. Export copper cathode sales remained strong with some 6kt of copper cathode purchased to ensure all Asian and European customers received contractual commitments despite lower than forecast production. Market sales were split: Australia 34%; South East Asia 17%; North East Asia 38% and Europe 11%.

Xstrata's share (50%) of copper concentrate sales from Alumbra for the first six months was 177,900 dmt, at an average TC of US\$59.15/dmt and RC of 5.92US¢/lb, compared with 188,000 dmt at an average TC of US\$65.57/dmt and RC of 6.56US¢/lb in the corresponding period. Frame contracts comprised 94% of total sales. Emphasis was placed on securing additional tonnages to European customers, to take advantage of the favourable economics resulting from sea freight differentials.

After recent price gains, a period of consolidation in the copper price is anticipated, with potential for further gains on the back of some encouraging but early indications of improving market conditions.

Consolidated Financial and Operating Data	Pro forma Six months to 30.06.03*	Pro forma Six months to 30.06.02**	Pro forma Year ended 31.12.02**
US\$m			
<b>Turnover</b>	<b>543.0</b>	548.4	1,054.4
Americas†	<b>265.1</b>	291.7	538.4
Australia	<b>277.9</b>	256.7	516.0
<b>EBITDA</b>	<b>228.2</b>	244.3	474.6
Americas†	<b>149.4</b>	137.7	260.4
Australia	<b>78.8</b>	106.6	214.2
<b>Depreciation and Amortisation</b>	<b>(92.5)</b>	(88.5)	(186.1)
Americas†	<b>(60.8)</b>	(51.9)	(108.3)
Australia	<b>(31.7)</b>	(36.6)	(77.8)
<b>EBIT</b>	<b>135.7</b>	155.8	288.5
Americas†	<b>88.6</b>	85.8	152.1
Australia	<b>47.1</b>	70.0	136.4
<b>Attributable Net Assets</b>	<b>1,446.6</b>	–	2,098.1
Americas†	<b>447.8</b>	–	158.5
Australia	<b>998.8</b>	–	1,939.6
<b>Capital Employed</b>	<b>1,650.4</b>	–	2,360.8
Americas†	<b>651.6</b>	–	421.2
Australia	<b>998.8</b>	–	1,939.6
<b>% Share Group EBIT‡</b>	<b>68.5%</b>	33.5%	36.9%
Americas†	<b>44.7%</b>	18.5%	19.5%
Australia	<b>23.8%</b>	15.0%	17.4%
<b>% Share Group Net Assets</b>	<b>25.6%</b>	–	42.4%
Americas†	<b>7.9%</b>	–	3.2%
Australia	<b>17.7%</b>	–	39.2%
<b>% Return on Capital Employed§</b>	<b>17.3%</b>	–	12.6%
Americas†	<b>27.2%</b>	–	36.1%
Australia	<b>10.3%</b>	–	7.3%
<b>Capital Expenditure</b>	<b>34.7</b>	32.4	70.9
Americas†	<b>7.1</b>	18.9	37.2
Australia	<b>27.6</b>	13.5	33.7
Expansionary	<b>13.9</b>	18.3	34.5
Sustaining	<b>20.8</b>	14.1	36.4
*Pro forma includes MIM Group acquisition from 01.01.03 **Pro forma includes Coal and MIM Group acquisitions from 01.01.02 †100% consolidated figures ‡Excludes discontinued operations (Avonmouth, Duisburg and Magnesium) §ROCE % based on average exchange rates for the period			

<b>Production Data</b>	<b>Pro forma Six months to 30.06.03*</b>	Pro forma Six months to 30.06.02**	Pro forma Year ended 31.12.02**
<b>Americas – Alumbraera†</b>			
Material mined (t)	<b>54,402,589</b>	51,752,780	109,835,999
Ore mined (t)	<b>18,351,690</b>	21,368,651	43,435,376
Copper head grade (%)	<b>0.61</b>	0.74	0.70
Gold head grade (%)	<b>0.74</b>	1.06	0.94
Ore treated (t)	<b>16,978,250</b>	14,821,008	31,557,770
Copper in concentrate (t)	<b>93,310</b>	102,228	203,744
Gold in concentrate (oz)	<b>281,996</b>	366,424	690,242
Gold in dore (oz)	<b>28,122</b>	33,542	63,598
Total gold (oz)	<b>310,118</b>	399,966	753,840
Cash cost (C1) – post by-product credits (US¢/lb)	<b>3.1</b>	1.3	3.3
<b>Australia – Ernest Henry</b>			
Material mined (t)	<b>32,805,440</b>	27,891,756	58,373,078
Ore mined (t)	<b>5,056,445</b>	4,807,470	10,477,009
Copper head grade (%)	<b>1.13</b>	1.15	1.23
Gold head grade (g/t)	<b>0.56</b>	0.59	0.63
Ore treated (t)	<b>5,227,084</b>	4,967,782	10,098,311
Copper in concentrate (t)	<b>54,390</b>	51,878	113,579
Gold in concentrate (oz)	<b>66,254</b>	65,504	143,628
Cash cost (C1) – post by-product credits (US¢/lb)	<b>42.0</b>	41.8	44.9
<b>Australia – Mt Isa</b>			
Ore mined (t)	<b>2,395,040</b>	2,921,968	5,586,593
Copper head grade (%)	<b>3.54</b>	3.64	3.51
Ore/slag treated (t)	<b>2,426,476</b>	2,853,395	5,583,273
Concentrate produced (t)	<b>364,605</b>	360,059	702,410
Copper in concentrate (t)	<b>120,522</b>	97,898	196,578
Ernest Henry concentrate smelted (t)	<b>206,236</b>	187,956	419,301
Anode copper (t)	<b>115,293</b>	117,421	230,380
Other copper (t)	<b>34,422</b>	25,000	50,022
Refined copper (t)	<b>111,368</b>	118,637	227,965
Cash cost (C1) – post by-product credits (US¢/lb)	<b>52.2</b>	42.9	44.1
Average LME Copper price (US\$/t)	<b>1,652</b>	1,605	1,586
Average LME Gold price (US\$/oz)	<b>350</b>	302	310
*Pro forma includes MIM Group acquisition from 01.01.03 **Pro forma includes Coal and MIM Group acquisition from 01.01.02 †100% consolidated figures			

## Operations

### Americas

The progressive commissioning of a third grinding circuit and a pebble crushing circuit during the first half of 2003, for a low capital cost of US\$27 million, resulted in mill throughputs increasing by almost 15% over the corresponding period last year. This produced a compensating effect on production as grades reduced towards long-term averages in the first six months. Volumes of total material mined from the Alumbraera pit have remained consistent, with approximately 55 million tonnes mined in the period. Xstrata's share of copper-in-concentrate and total gold production levels for the first half, at 46,655 tonnes and 155,059 ounces respectively, were in line with operating plans although lower than the corresponding period last year, due to lower head grades. Total concentrate sales volumes were slightly lower than the corresponding period.

The volume-related reduction in sales revenue against the corresponding period was more than offset by further cost efficiency initiatives and metal price improvements, resulting in improved performances in both EBIT (US\$88.6 million, up 3%) and EBITDA (US\$149.4 million, up 8%). Low operating costs continued to be a highlight of the Alumbreira business, with C1 cash operating costs averaging 3.1US¢/lb of copper produced (net of gold credits).

The Alumbreira Labour Agreement was successfully renegotiated during the half, resulting in a revised four-year agreement covering all the Company's non-staff employees. It is expected to assist in sustaining the characteristic stability of the work environment at Alumbreira.

Production volumes for copper and gold are likely to remain constant in the second half of the year, with mining rates maintaining around 55 million tonnes for the next period, and concentrator throughput expect to average approximately 3 million tonnes per month. The beneficial impact of gold credits on unit operating costs at Alumbreira has been partially secured in future periods due to Xstrata's gold hedge book.

### Australia

This was a disappointing first half for Xstrata's Australian copper operations as higher unit costs from the Mount Isa operations combined with the negative impact of a stronger Australian dollar reduced EBIT to US\$47.1 million from US\$70.0 million in the corresponding period in 2002. This was despite strong results from the Ernest Henry copper-gold mine. Turnover for the Australian copper operations was up slightly at US\$277.9 million.

During the period, dry conditions in north west Queensland led to water restrictions in the Mount Isa region, and a precautionary water conservation programme was implemented to conserve fresh water supplies in case of an extended dry period. This covered both surface and underground operations and included the increased use of recycled water in the underground operations. Mine production was negatively impacted as the acidity of the recycled water was higher than expected and damaged some pumping equipment and pipelines, causing flooding in parts of the mine. The difficult mining conditions reduced mine production by some 12%, with consequent impact on unit costs, which on a C1 basis, including the impact of the strengthening Australian dollar, increased from 42.9US¢/lb in H1 2002 to 52.2US¢/lb in H1 2003.

Production from the copper concentrator was higher than in the previous period, as copper was recovered from stockpiled smelter slag. Copper anode production and thus copper cathode production were slightly lower than in 2002. Mount Isa mine production volumes in the second half are expected to be similar to those achieved in the first half, with refined copper production expected to be about 10% lower in the second half, due to the planned rebrick and maintenance shutdown at the Mount Isa copper smelter in July.

The Ernest Henry copper-gold mine performed well during the first half. The mine recorded higher production of copper than in the corresponding period in 2002 due to higher mill throughput and recoveries, which offset the effects of the strengthening Australian dollar. Unit costs at Ernest Henry, on a C1 basis, were essentially flat period-on-period at 42US¢/lb. Copper and gold production is likely to be slightly lower in the second half on the back of scheduled lower head grades. The stronger gold price impacted positively on turnover in the first half, although this was partially offset by the negative impact of the stronger Australian dollar.

EBIT Variances	Pro forma US\$m
<b>EBIT 30.06.02 (pre-exceptionals)**</b>	<b>155.8</b>
Sales price	44.1
Volumes	(33.6)
Unit cost – real	(0.6)
Unit cost – inflation	(6.8)
Unit cost – foreign exchange	(15.9)
Other income and expenses	(0.6)
Depreciation and amortisation (excluding foreign exchange)	(1.3)
<b>EBIT 30.06.03*</b>	<b>135.7</b>
<small>*Pro forma includes MIM Group acquisition from 01.01.03  **Pro forma includes Coal and MIM Group acquisitions from 01.01.02</small>	

## Developments

### Americas

Further optimisation work will continue in the Alumbra concentrator during the second half, to ensure maximum utilisation of the new plant facilities. Xstrata's share of capital for the second half, estimated at U\$8 million, relates to general sustaining capital projects throughout the business and a project to incrementally increase the flotation capacity in the concentrator.

### Australia

A review of work completed to date on the Mount Isa open pit pre-feasibility study will commence during the second half. The pre-feasibility study was commissioned by MIM to investigate the potential for an open cut mine at Mount Isa to exploit the significant copper and zinc lead deposits on the existing mining lease. During the half, the pre-feasibility study focused on evaluation drilling and geology. Ore characterisation and Albion Process test work also commenced, as did mining of an underground ore sample. On-site geotechnical logging was completed and pit design work commenced. During the second half, the focus will move from drilling to metallurgical and mine design work. Meanwhile, ore characterisation, Albion Process test work, engineering work on capital and operating costs, pit design and sequencing work will continue.

Major maintenance work commenced on the Mount Isa copper smelter rebrick early in the second half. The timing of the rebrick, 33 months after the previous rebrick, is a significant improvement on previous best performance of a 24 month campaign.

# zinc lead

## Markets

### Zinc

During the first half of 2003, zinc consumption grew marginally in the Western World. However, zinc consumption in Asia, and particularly in China, remained extremely strong. China is currently in a period of intensive growth in metals consumption, and strong zinc demand is expected to continue in the foreseeable future driven by government infrastructure projects, together with strong demand for consumer goods, such as motor vehicles and home appliances. At the same time, China's metal production has been constrained by the tightness in the concentrates market, resulting in a gradual reduction of net exports of zinc metal from China to the Western World.

The tightness in the market, particularly in the Asian region, was a consequence of the ongoing environment of low commodity prices that compromised the profitability of many mines. Market demand for both Isa zinc and McArthur River Mining concentrates remained high, driven particularly by keen interest from Chinese customers.

In Europe, the zinc metal market remained tight, with production decreasing due to the closures of the Noyelles Godault and Avonmouth smelters, and the transformation of Duisburg into a recycling facility.

Figures from the ILZSG (International Lead and Zinc Study Group) point to a supply surplus of 75,000 tonnes in the first half of 2003. However, LME stocks increased only about 45,000 tonnes, suggesting the supply surplus may be significantly smaller.

Zinc prices remained low in the first half, averaging US\$780/t compared with US\$788 /t for the same period of last year. However, expressed in Euros, zinc prices actually fell by some 20% from €878/t to €707/t in the first six months of 2003, as the US dollar weakened against major currencies (averaging US\$1.1038 against the euro in H1 2003 compared to 0.8973 in H1 2002).

Benchmark TC's agreements between miners and smelters for 2003 fell over 12% to around US\$148/t compared to US\$169/t a year earlier.

### Lead

Intense demand from the Chinese for lead concentrate ensured that an already tight concentrate market tightened further in 2003. As a consequence of reduced supply, the benchmark TCs, on a base price of US\$450/t, fell to US\$125/t in the period, down from US\$135/t in 2002.

Supply of lead metal in Europe was also tight in the first half of the year due to the closure of ME Nord and the closure of two small secondary operations in Germany. As a consequence, imports of refined lead into Europe, particularly from China and North America, increased to record levels.

zinc lead

Financial and Operating Data	Xstrata Six months to 30.06.03	MIM Six months to 30.06.03	Pro forma Six months to 30.06.03*	Pro forma Six months to 30.06.02**	Pro forma Year ended 31.12.02**
US\$m					
<b>Turnover†</b>	280.4	197.8	<b>478.2</b>	415.8	804.1
Zinc Australia	–	99.8	<b>99.8</b>	91.1	170.5
Zinc Europe	280.4	–	<b>280.4</b>	206.6	400.0
Lead Australia	–	23.1	<b>23.1</b>	18.2	35.4
Lead Europe	–	74.9	<b>74.9</b>	99.9	198.2
<b>EBITDA (pre-exceptionals)†</b>	42.3	4.2	<b>46.5</b>	68.8	106.3
Zinc Australia	–	(0.5)	<b>(0.5)</b>	7.3	6.1
Zinc Europe	42.3	–	<b>42.3</b>	49.3	88.4
Lead Australia	–	(0.3)	<b>(3.0)</b>	1.5	(0.5)
Lead Europe	–	7.7	<b>7.7</b>	10.7	12.3
<b>Depreciation and Amortisation†</b>	(20.4)	(16.1)	<b>(36.5)</b>	(34.0)	(70.7)
Zinc Australia	–	(6.5)	<b>(6.5)</b>	(7.0)	(15.7)
Zinc Europe	(20.4)	–	<b>(20.4)</b>	(16.7)	(34.1)
Lead Australia	–	(5.9)	<b>(5.9)</b>	(7.0)	(12.7)
Lead Europe	–	(3.7)	<b>(3.7)</b>	(3.3)	(8.2)
<b>EBIT (pre-exceptionals)†</b>	21.9	(11.9)	<b>10.0</b>	34.8	35.6
Zinc Australia	–	(7.0)	<b>(7.0)</b>	0.3	(9.6)
Zinc Europe	21.9	–	<b>21.9</b>	32.6	54.3
Lead Australia	–	(8.9)	<b>(8.9)</b>	(5.5)	(13.2)
Lead Europe	–	4.0	<b>4.0</b>	7.4	4.1
<b>Attributable Net Assets†</b>	778.4	414.4	<b>1,192.8</b>	–	1,063.1
Australia	–	363.2	<b>363.2</b>	–	426.8
Europe	778.4	51.2	<b>829.6</b>	–	636.3
<b>Capital Employed†</b>	780.7	423.8	<b>1,204.5</b>	–	1,065.3
Australia	–	363.2	<b>363.2</b>	–	426.8
Europe	780.7	60.6	<b>841.3</b>	–	638.5
<b>% Share Group EBIT†</b>	11.1%	(6.0)%	<b>5.1%</b>	7.5%	4.6%
Australia	–	(8.0)%	<b>(8.0)%</b>	(1.1)%	(2.9)%
Europe	11.1%	2.0%	<b>13.1%</b>	8.6%	7.5%
<b>% Share Group Net assets†</b>	13.8%	7.3%	<b>21.1%</b>	–	21.5%
Australia	–	6.4%	<b>6.4%</b>	–	8.6%
Europe	13.8%	0.9%	<b>14.7%</b>	–	12.9%
<b>% Return on Capital Employed‡</b>	5.9%	(6.1)%	<b>1.8%</b>	–	3.6%
Australia	–	(9.6)%	<b>(9.6)%</b>	–	(5.5)%
Europe	5.9%	13.6%	<b>6.4%</b>	–	10.2%
<b>Capital Expenditure†</b>	14.2	12.7	<b>26.9</b>	28.1	61.0
Australia	–	10.6	<b>10.6</b>	12.1	28.3
Europe	14.2	2.1	<b>16.3</b>	16.0	32.7
Expansionary	7.7	5.4	<b>13.1</b>	14.8	29.6
Sustaining	6.5	7.3	<b>13.8</b>	13.3	31.4
*Pro forma includes MIM Group acquisition from 01.01.03 **Pro forma includes Coal and MIM Group acquisitions from 01.01.02 and does not include Nordenham †Excludes discontinued operations (Avonmouth, Duisburg and Magnesium) ‡ROCE % based on average exchange rates for the period					

This tightness has had an effect on the lead settlement price, which progressively increased over the period to close at the end June at US\$485 per tonne.

While the average LME Sterling price for lead fell some 12% period-on-period, average premiums in the six months, particularly from ISA lead sales, were higher than the corresponding period last year, reflecting the shortage of European-produced lead, rather than consumer demand.

<b>Production Data</b>	<b>Pro forma Six months to 30.06.03*</b>	<b>Pro forma Six months to 30.06.02**</b>	<b>Pro forma Year ended 31.12.02**</b>
<b>Europe – Asturiana de Zinc</b>			
Zinc metal (t)	<b>234,011</b>	231,363	460,015
<b>Europe – Nordenham</b>			
Zinc metal (t)	<b>75,828</b>	–	–
<b>Europe – Northfleet</b>			
Mt Isa sourced lead (t)	<b>66,937</b>	77,285	145,523
Other lead (t)	<b>38,483</b>	50,297	106,108
Total lead (t)	<b>105,420</b>	127,582	251,631
Mt Isa refined silver (k oz)	<b>4,618</b>	5,423	10,938
Other silver (k oz)	<b>1,306</b>	1,808	3,716
Total silver (k oz)	<b>5,924</b>	7,231	14,654
<b>Australia – Mt Isa</b>			
Ore mined (t)	<b>1,568,786</b>	1,540,223	3,503,887
Zinc head grade (%)	<b>7.81</b>	7.49	7.41
Lead head grade (%)	<b>4.99</b>	5.30	5.02
Silver head grade (g/t)	<b>118.0</b>	135.4	122.7
Ore treated (t)	<b>1,554,278</b>	1,535,806	3,084,497
Zinc in concentrate (t)	<b>88,180</b>	91,599	182,324
Lead in lead/silver bullion (t)	<b>68,321</b>	78,958	147,821
Lead in purchased concentrate (t)	<b>14,904</b>	15,333	31,068
Silver in crude lead (k oz)	<b>5,325</b>	6,013	11,357
Silver in purchased concentrate (k oz)	<b>2,118</b>	2,272	4,545
Cash cost (C1) – post by-product credits (US\$/lb)	<b>32.6</b>	27.4	31.2
<b>Australia – McArthur River</b>			
Ore mined (t)	<b>560,247</b>	511,154	1,079,887
Zinc head grade (%)	<b>13.69</b>	14.48	14.16
Lead head grade (%)	<b>5.63</b>	6.46	6.13
Ore treated (t)	<b>571,116</b>	537,344	1,100,122
Zinc in concentrate (t)	<b>63,875</b>	64,226	129,157
Lead in concentrate (t)	<b>14,180</b>	15,524	30,437
Silver in concentrate (k oz)	<b>578</b>	633	1,237
Cash cost (C1) – post by-product credits (US\$/lb)	<b>37.4</b>	34.7	35.8
Average LME Zinc price (US\$/t)	<b>780</b>	788	779
Average LME Lead price (US\$/t)	<b>458</b>	473	453
Average LME Silver price (US\$/oz)	<b>4.63</b>	4.61	4.60
*Pro forma includes MIM Group acquisition from 01.01.03			
**Pro forma includes MIM Group acquisition from 01.01.02			

## Operations

### Zinc Lead Australia

The Australian Zinc Lead operations recorded lower operating earnings in the first half of 2003, compared with the corresponding period in 2002, with negative EBIT increasing to US\$15.9 million.

At the McArthur River Mine, a low zinc price and an appreciating Australian dollar negatively affected EBIT. Mine production and zinc in concentrate production were maintained at similar levels to the corresponding period, despite lower zinc grades and flooding due to high rainfall early in the year.

## zinc lead

Earnings were negatively impacted at Mount Isa by lower production volumes of lead bullion and zinc concentrate, as well as the stronger Australian dollar. The delayed ramp-up of the George Fisher Mine and poor performance at the Mount Isa lead mine, caused by the water issues referred to on page 35, resulted in higher unit costs. Production of lead bullion was restricted by mine production shortfalls. Towards the end of the period, the George Fisher Mine was achieving planned production levels.

Lead EBIT Variances	Xstrata US\$m	MIM US\$m <sup>†</sup>	Pro forma US\$m <sup>†</sup>
<b>EBIT 30.06.02</b> (pre-exceptionals)**	–	<b>1.9</b>	<b>1.9</b>
Sales price	–	(0.4)	(0.4)
Volumes	–	1.7	1.7
Unit cost – real	–	0.8	0.8
Unit cost – inflation	–	(1.3)	(1.3)
Unit cost – foreign exchange	–	(10.3)	(10.3)
Depreciation and amortisation (excluding foreign exchange)	–	2.7	2.7
<b>EBIT 30.06.03*</b>	–	<b>(4.9)</b>	<b>(4.9)</b>
<small>*Pro forma includes MIM Group acquisition from 01.01.03  **Pro forma includes MIM Group acquisition from 01.01.02  <sup>†</sup>Excludes discontinued operations (Avonmouth and Duisburg)</small>			

### Zinc Europe

Consolidated production of zinc metal in the first half of 2003 increased to 309,839 tonnes, up 34% from the comparable period, principally due to the acquisition of the Nordenham zinc smelter at the end of 2002. Following the acquisition, Xstrata Zinc now accounts for over 20% of European zinc metal production and 6.5% of global output.

Cost efficiency programmes throughout the business made a significant contribution to maintaining margins against the negative impacts of the stronger euro and the significant decrease in treatment charges during the period. The operations succeeded in reducing costs in real terms by nearly US\$16 million period-on-period. Xstrata Zinc expects to continue to make further savings in the second half of the year. Despite these successes, the stronger euro and lower prices (including TCs) reduced EBIT by US\$10.7 million to US\$21.9 million for the first half, down 33% compared to the US\$32.6 million reported in the first half of 2002.

Following commissioning of the expansion at the San Juan de Nieva Smelter, from 340,000 tonnes to 460,000 tonnes, successful process research and productivity programmes have continued to increase production beyond name-plate capacity. Thus in the first half of 2003, the smelter produced 234,011 tonnes, almost 3,000 tonnes more than in the same period of 2002, reinforcing San Juan's competitive position.

As part of the successful integration of the Nordenham plant, a number of synergies have been identified and realised including debottlenecking, effected by utilising calcine from San Juan, co-ordination of consumables purchases and optimisation of domestic markets sales for both smelters. A working team continues to assess opportunities for further synergies between the plants. As a consequence, Nordenham achieved zinc metal production of 75,828 tonnes in the first half, 6% higher than budget and 6% up period-on-period.

Zinc EBIT Variances	Xstrata US\$m	MIM US\$m <sup>†</sup>	Pro forma US\$m <sup>†</sup>
<b>EBIT 30.06.02</b> (pre-exceptionals)**	<b>32.6</b>	<b>0.3</b>	<b>32.9</b>
Sales price	(14.0)	0.7	(13.3)
Volumes	–	(1.1)	(1.1)
Unit cost – real	15.7	1.0	16.7
Unit cost – inflation	(1.7)	(1.0)	(2.7)
Unit cost – foreign exchange	(18.3)	(8.5)	(26.8)
Nordenham acquisition	4.9	–	4.9
Depreciation and amortisation (excluding foreign exchange)	2.7	1.6	4.3
<b>EBIT 30.06.03*</b>	<b>21.9</b>	<b>(7.0)</b>	<b>14.9</b>
<small>*Pro forma includes MIM Group acquisition from 01.01.03  **Pro forma includes MIM Group acquisition from 01.01.02  <sup>†</sup>Excludes discontinued operations (Avonmouth and Duisburg)</small>			

### **Lead Europe**

Northfleet Refinery has undergone a major restructuring following the decision to close the Avonmouth ISF Zinc smelter in March 2003. Following consultation with employees, the Northfleet No 2 refinery was closed, resulting in the retrenchment of 86 employees by 30 June 2003. A workforce of 250 remains. As a consequence of this closure and the closure of the Wakefield Recycling operation in December 2002, lead production reduced to 105,420 tonnes in the first six months, some 17% lower than the corresponding period last year.

Lead production at the Northfleet No 1 Refinery was 13% down on the corresponding period due to lower crude lead deliveries from Mount Isa. Other lead production decreased 23% period-on-period due to lower crude lead deliveries from the now closed Avonmouth smelter.

Silver production reduced 28%, reflecting lower bullion feed from Mount Isa and other sources.

### **Developments**

#### **Zinc Lead Australia**

Work on the McArthur River zinc metal feasibility study progressed during the first half. The study is investigating changing from underground to open cut mining at McArthur River and using the Albion Process to produce refined zinc metal on-site. The mine currently produces a zinc lead bulk concentrate. During the first half, work on environmental studies, mining and metallurgical studies, detailed process plant and preliminary civil engineering designs and public consultation were carried out.

The scope of work conducted within the feasibility study to date is being reviewed and the study has been combined with the Mount Isa open pit study as there are a number of issues common to both projects. The focus of the study will move to completing the power, mining and metallurgical studies currently under way and carrying out further test work on the Albion Process using an ore sample from the McArthur river mine.

Forecast capital expenditure for the Australian Zinc Lead operations is US\$25 million, US\$11 million of which is associated with the George Fisher mine.

#### **Zinc Europe**

A further expansion of name-plate capacity at San Juan de Nieva smelter from 460,000 tonnes to 485,000 tpy was successfully commissioned in July 2003. The impact of this expansion, which will begin to flow through in the second half, together with San Juan's existing achievement in operating in excess of its current capacity, is expected to increase production for the full year in 2003 to some 479,000 tonnes. Capital Expenditure associated with the expansion is expected to total US\$6.6 million, of which US\$1.6 million is likely to be spent in the second half of 2003.

## zinc lead

The Reocin Mine closed in March 2003, three months ahead of schedule. As this had been long planned, Xstrata Zinc has had ample time to source replacement concentrates in order to prevent supply disruptions. Long-term agreements have been concluded for both the San Juan and Nordenham smelters that cover 80% of the concentrate requirements for 2004 and 75% for 2005. Xstrata Zinc continues to assess investment opportunities in mining and smelting where its technological and operating expertise can be applied.

### Lead Europe

Northfleet will continue to receive and process crude lead supply from Duisburg on a batch basis for the remainder of the year. The lower cost structure of the plant will enable a higher margin on this supply of lead to be realised going forward, and EBIT results should positively reflect this. Improved crude supplies from Mount Isa should result in an increase in primary lead and silver production in the second half.

Following the acquisition of the business by Xstrata, teams have been allocated to identify and remove operational bottlenecks, to improve process and operating efficiencies and to source additional crude supply to the primary refinery. As a consequence, primary refinery costs are expected to reduce in the second half.

A further outcome of this review is the proposed closure of the recycling operation at Northfleet at the end of 2003, which was announced on 5 September 2003. The recycling line, which produced just over 18,000 tonnes of lead in the first half of 2003, has achieved only marginal profitability at best over the last several years and had reached a point where future investment was required but impossible to justify. As a result, about one-third of the workforce of 250 may be made redundant, and consultation with employees and unions is already under way. As a consequence of the fair value exercise undertaken on the assets as part of the acquisition of the MIM Group, the net book value of Northfleet's recycling operation is nil. Closure costs for the operation are estimated at some US\$5 to US\$8 million, including costs for redundancy, decommissioning and site cleanup. There are no further environmental exposures.

# other businesses

US\$m	Pro forma Six months to 30.06.03*	Pro forma Six months to 30.06.02**	Pro forma Year ended 31.12.02**
<b>Forestry</b>			
Turnover	1.8	1.1	2.2
EBITDA	0.5	–	0.4
Depreciation and Amortisation	(0.8)	(0.1)	(0.9)
EBIT	(0.3)	(0.1)	(0.5)
Capital Expenditure	0.4	0.4	1.7
Attributable net assets	21.8	21.2	21.0
Capital employed	33.8	33.3	33.0
Production: Pulplogs (cbm)	65,993	34,600	76,706
<b>Gold</b>			
Turnover	24.5	7.9	21.9
EBITDA	3.7	(4.8)	(11.7)
Depreciation and Amortisation	(1.7)	(0.4)	(1.1)
EBIT	2.0	(5.2)	(12.8)
Capital Expenditure	5.9	11.2	17.8
Attributable net assets	93.1	–	48.9
Capital employed	93.1	–	48.9
Production: Gold (oz)	77,628	25,759	74,367
Average LME Gold price (US\$/oz)	350	302	310
<b>Technology</b>			
Turnover	13.8	14.5	35.9
EBITDA	3.2	4.2	11.2
Depreciation and Amortisation	(1.2)	(0.3)	(0.6)
EBIT	2.0	3.9	10.6
Capital Expenditure	0.8	–	1.4
Attributable net assets	40.3	–	40.0
Capital employed	40.3	–	40.0
<b>% Share EBIT: Other businesses<sup>†</sup></b>	<b>1.9%</b>	<b>(0.3)%</b>	<b>(0.3)%</b>
<b>% Share Net Assets: Other businesses</b>	<b>2.7%</b>	<b>–%</b>	<b>1.4%</b>
*Pro forma includes MIM Group acquisition from 01.01.03			
**Pro forma includes Coal and MIM Group acquisitions from 01.01.02			
†Excludes discontinuing operations (Avonmouth, Duisburg and Magnesium)			

EBIT Variances	Xstrata US\$m <sup>†</sup>	MIM US\$m <sup>†</sup>	Pro forma US\$m <sup>†</sup>
<b>EBIT 30.06.02</b> (pre-exceptionals)**	<b>(0.1)</b>	<b>(1.3)</b>	<b>(1.4)</b>
Sales price	(0.4)	3.6	3.2
Volumes	–	(4.2)	(4.2)
Unit cost – real	0.8	12.6	13.4
Unit cost – inflation	–	(0.5)	(0.5)
Unit cost – foreign exchange	0.1	(2.8)	(2.7)
Other income and expenses	–	(1.5)	(1.5)
Depreciation and Amortisation (excluding foreign exchange)	(0.7)	(1.9)	(2.6)
<b>EBIT 30.06.03*</b>	<b>(0.3)</b>	<b>4.0</b>	<b>3.7</b>
<small>*Pro forma includes MIM Group acquisition from 01.01.03  **Pro forma includes Coal and MIM Group acquisitions from 01.01.02  †Excludes discontinuing operations (Avonmouth, Duisburg and Magnesium)</small>			

### Gold

At the Ravenswood operation, turnover increased significantly to US\$24.5 million, compared with US\$7.9 million in the first half of 2002, due to increased production following commissioning of the Sarsfield expansion and an improved average gold price. EBIT also increased to US\$2.0 million for the first half (up from a loss of US\$5.2 million in the corresponding prior year period). During the period, the Haoma dispute was settled resulting in full ownership of the Ravenswood operations.

### Forestry

Average prices for pulplogs rose to US\$31/cbm in the first half of 2003, compared with to US\$27/cbm for the corresponding period in 2002. Production also increased period-on-period, due to better weather conditions, leading to higher turnover for the period. The increase in depreciation and amortisation is due to higher production resulting in a negative EBIT of US\$0.3 million. Production volumes and received prices are likely to remain the same in the second half of 2003.

## Technology

The Xstrata Technology division has integrated the former MIM Process Technologies and ISAPROCESS entities to leverage the brand equity, technical ability and marketing capabilities that exist between these two groups. This unit develops, markets and supports technologies for the global mining, mineral processing and metals extraction industries. These technologies, originally developed for use in own operations, are marketed for use by third parties. The group also provides mineral processing services to both industry customers and within the Xstrata Group.

Xstrata Technology is a dedicated team of approximately 35 experienced individuals. The business unit is charged with the development and marketing of a number of leading technologies:

- ISAPROCESS is the world's leading copper refining technology and has already been licensed to over 50 plants around the world
- ISASMELT, a high intensity submerged lance smelting technology, is in use in eight countries, and has recently been chosen as the technology for the smelter upgrade at the Ilo copper smelter in Southern Peru
- IsaMill is an attrition grinding process for fine or ultra-fine grinding of ores, with 17 mills currently installed at sites in Australia and South Africa. A significantly larger model is being developed in conjunction with AngloPlatinum, with commissioning expected at the end of the year
- The Jameson Cell is a floatation technology that is applied in approximately 220 coal, base metals and SX-EW plants globally
- BBOC – bottom blown oxygen converter for lead and silver refining
- Frothermiser – air phase flotation frother technology

The recent award of the Southern Peru Copper Corp. contract for ISASMELT technology ahead of five competing technology providers, and the opening of the plate refurbishment facility in South America for ISAPROCESS, provide the underpinnings of a promising outlook for the Group in the year ahead.

### Independent review report to Xstrata plc

#### Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2003 which comprises the Consolidated Profit and Loss Accounts, Consolidated Statement of Total Recognised Gains and Losses, Reconciliation of Consolidated Shareholders' Funds, Consolidated Balance Sheets, Consolidated Statement of Cash Flows and the related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 "Review of interim financial information" issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this Report, or for the conclusions we have formed.

#### Directors' responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

#### Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of interim financial information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

#### Review conclusion

On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2003.

Ernst & Young LLP  
London  
17 September 2003

## consolidated profit and loss accounts

For the six months ended 30 June 2003

US\$m	(Unaudited) Six months to 30.06.03	(Unaudited) Six months to 30.06.02	(Audited) 12 months to 31.12.02
<b>Turnover</b>			
Continuing operations:			
– Ongoing	1,085.7	775.2	1,806.1
– Acquisitions	71.4	–	–
	1,157.1	775.2	1,806.1
Discontinued operations	2.7	0.7	3.2
Group turnover	1,159.8	775.9	1,809.3
Net operating costs before exceptional costs	(1,075.3)	(634.1)	(1,547.0)
Exceptional costs – impairment of assets	–	–	(50.8)
Net operating costs	(1,075.3)	(634.1)	(1,597.8)
<b>Operating profit</b>	<b>84.5</b>	<b>141.8</b>	<b>211.5</b>
Continuing operations:			
– Ongoing	80.9	146.0	241.7
– Acquisitions	4.9	–	–
	85.8	146.0	241.7
Discontinued operations	(1.3)	(4.2)	(30.2)
	84.5	141.8	211.5
Income/(loss) from interests in associated undertakings	(1.8)	–	0.7
<b>Total operating profit</b>	<b>82.7</b>	<b>141.8</b>	<b>212.2</b>
Profit on sale of fixed assets – continuing	1.0	0.3	3.1
Loss on disposal of operations – discontinued	(1.6)	–	–
<b>Profit before interest and taxation</b>	<b>82.1</b>	<b>142.1</b>	<b>215.3</b>
Interest receivable and similar income	6.6	4.1	7.1
Interest payable and similar charges	(20.2)	(27.7)	(44.5)
<b>Profit on ordinary activities before taxation</b>	<b>68.5</b>	<b>118.5</b>	<b>177.9</b>
Tax on profit on ordinary activities	7.4	(32.9)	(29.8)
<b>Profit on ordinary activities after taxation</b>	<b>75.9</b>	<b>85.6</b>	<b>148.1</b>
Equity minority interests	(0.7)	(5.0)	(5.8)
<b>Attributable profit</b>	<b>75.2</b>	<b>80.6</b>	<b>142.3</b>
Dividends to shareholders	(42.1)	–	(50.3)
<b>Retained profit for the period</b>	<b>33.1</b>	<b>80.6</b>	<b>92.0</b>
<b>Earnings per share (US\$) – basic</b>	<b>0.30</b>	<b>0.43</b>	<b>0.65</b>
<b>Earnings per share (US\$) – diluted</b>	<b>0.30</b>	<b>0.43</b>	<b>0.65</b>
<b>Dividend per share (US\$)</b>	<b>0.07</b>	<b>–</b>	<b>0.20</b>

## consolidated statement of total recognised gains and losses

For the six months ended 30 June 2003

US\$m	(Unaudited) Six months to 30.06.03	(Unaudited) Six months to 30.06.02	(Audited) 12 months to 31.12.02
Attributable profit	75.2	80.6	142.3
Translation adjustments on loans	(8.6)	(6.7)	(13.1)
Subsidiary net asset translation adjustments	664.5	307.1	638.8
<b>Total recognised gains and losses</b>	<b>731.1</b>	<b>381.0</b>	<b>768.0</b>

## reconciliation of consolidated shareholders' funds

For the six months ended 30 June 2003

US\$m	(Unaudited) Six months to 30.06.03	(Unaudited) Six months to 30.06.02	(Audited) 12 months to 31.12.02
<b>Reconciliation of shareholders' funds</b>			
Total recognised gains and losses	731.1	381.0	768.0
Dividends	(42.1)	–	(50.3)
	689.0	381.0	717.7
Other movements:			
– New shares issued	1,396.3	2,310.0	2,309.3
Total movements during the period	2,085.3	2,691.0	3,027.0
Shareholders' funds at the beginning of the year	3,566.1	539.1	539.1
Shareholders' funds at end of the period	5,651.4	3,230.1	3,566.1

## consolidated balance sheets

As at 30 June 2003

US\$m	(Unaudited) At 30.06.03	(Unaudited) At 30.06.02	(Audited) At 31.12.02
<b>Fixed assets</b>			
Intangible assets	1,192.1	906.9	1,017.7
Tangible assets	7,288.4	3,013.8	3,254.7
Investments			
– Investment in associates	6.7	–	0.7
– Other investments	89.9	88.0	181.2
	96.6	88.0	181.9
	8,577.1	4,008.7	4,454.3
<b>Current assets</b>			
Stocks	670.1	246.4	294.4
Debtors: amounts falling due within one year	660.6	279.3	277.3
Debtors: amounts falling due after more than one year	327.4	94.3	76.2
Cash at bank and in hand	161.1	119.7	88.7
	1,819.2	739.7	736.6
<b>Creditors: amounts falling due within one year</b>	<b>(1,114.8)</b>	<b>(386.5)</b>	<b>(527.6)</b>
<b>Net current assets</b>	<b>704.4</b>	<b>353.2</b>	<b>209.0</b>
<b>Total assets less current liabilities</b>	<b>9,281.5</b>	<b>4,361.9</b>	<b>4,663.3</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>(2,553.2)</b>	<b>(717.3)</b>	<b>(655.0)</b>
Provisions for liabilities and charges	(631.8)	(320.3)	(251.1)
<b>Net assets</b>	<b>6,096.5</b>	<b>3,324.3</b>	<b>3,757.2</b>
Equity minority interests	(445.1)	(94.2)	(191.1)
<b>Attributable net assets</b>	<b>5,651.4</b>	<b>3,230.1</b>	<b>3,566.1</b>
<b>Capital and reserves</b>			
Called up share capital	315.8	126.3	126.3
Share premium account	2,484.5	1,278.4	1,277.7
Other reserves	1,240.7	1,240.7	1,240.7
Profit and loss account	1,610.4	584.7	921.4
<b>Equity shareholders' funds</b>	<b>5,651.4</b>	<b>3,230.1</b>	<b>3,566.1</b>

## consolidated statement of cash flows

For the six months ended 30 June 2003

US\$m	(Unaudited) Six months to 30.06.03	(Unaudited) Six months to 30.06.02	(Audited) 12 months to 31.12.02
<b>Net cash inflow from operating activities</b>	<b>79.5</b>	271.8	451.8
<b>Dividends received from associates</b>	<b>-</b>	-	0.3
<b>Returns on investments and servicing of finance</b>			
Interest received	2.9	3.3	5.1
Interest paid	(16.6)	(26.3)	(34.4)
Interest element of finance lease rental payments	(0.5)	(0.4)	(0.9)
Loan arrangement fees	(17.8)	(31.7)	(31.7)
	(32.0)	(55.1)	(61.9)
<b>Taxation paid</b>	<b>(13.8)</b>	(18.6)	(35.2)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible assets	(87.4)	(64.2)	(163.8)
Receipts from the sale of fixed assets	7.8	1.2	12.9
Receipts from rehabilitation trust fund	-	-	0.7
Acquisition of own shares	(7.4)	-	(0.5)
	(87.0)	(63.0)	(150.7)
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings	(2,232.1)	(1,173.7)	(1,173.3)
Net cash acquired with subsidiary undertakings*	103.0	87.4	87.4
Disposal of subsidiary undertakings	1.2	-	0.7
Net cash disposed of with subsidiary undertakings	(0.5)	-	-
	(2,128.4)	(1,086.3)	(1,085.2)
<b>Equity dividend paid</b>	<b>(50.3)</b>	-	-
<b>Net cash outflow before financing</b>	<b>(2,232.0)</b>	(951.2)	(880.9)
<b>Financing</b>			
Issue of ordinary share capital	1,448.7	1,424.1	1,424.2
Share issue costs	(30.0)	(88.2)	(88.9)
Increase in short-term loans	2.2	20.0	2.1
New long-term loans	884.0	748.3	795.5
Repayment of short-term loans	-	(79.0)	(79.0)
Repayment of long-term loans	(19.3)	(999.1)	(1,131.8)
Repayment of capital element of finance leases	(0.6)	(0.3)	(1.2)
	2,285.0	1,025.8	920.9
<b>Increase in cash</b>	<b>53.0</b>	74.6	40.0
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase in cash	53.0	74.6	40.0
Cash inflow from increase in loans	(886.2)	(768.3)	(797.6)
Cash outflow from loan arrangement fees	17.8	31.7	31.7
Repayment of loans	19.3	1,078.1	1,210.8
Cash outflow from finance leases	0.6	0.3	1.2
Change in net debt resulting from cash flows	(795.5)	416.4	486.1
Translation adjustments	(14.5)	(6.7)	(13.9)
Non-cash movements	(2.7)	(1.5)	(4.7)
Finance leases acquired with operations	(42.6)	(18.1)	(18.1)
Loans and bank overdrafts acquired with operations	(1,241.6)	(566.8)	(566.8)
<b>Movement in net debt</b>	<b>(2,096.9)</b>	(176.7)	(117.4)
Net debt at start of year	(573.9)	(456.5)	(456.5)
<b>Net debt at end of period</b>	<b>(2,670.8)</b>	(633.2)	(573.9)
*Includes bank overdrafts			

**Basis of preparation of financial information**

The interim financial information has been prepared on the basis of the accounting policies set out in the full annual accounts of the Group for the year ended 31 December 2002. The financial information contained in this Interim Report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

**Comparatives**

The financial information for the year ended 31 December 2002 has been extracted from the full annual accounts of the Group which have been filed with the Registrar of Companies. The Auditors' Report on those accounts was unqualified.

Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures. In particular, Richards Bay Coal Terminal Company Ltd has been reclassified as a JANE at 30 June 2002 whereas it had previously been classified as an Associate.

**Foreign currencies**

The following exchange rates were used in preparation of the consolidated financial information:

	30 June 2003	Average 2003 six months	30 June 2002	Average 2002 six months	31 December 2002	Average 2002 12 months
Australian dollars (AUD)	<b>0.6735</b>	<b>0.6157</b>	0.5626	0.5342	0.5618	0.5434
Chile pesos (CLP)	<b>699.12</b>	<b>722.61</b>	688.05	665.80	718.61	692.32
Euros (EUR)	<b>1.1511</b>	<b>1.1038</b>	0.9916	0.8973	1.0495	0.9430
Great Britain pounds (GBP)	<b>1.6548</b>	<b>1.6108</b>	1.5335	1.4445	1.6100	1.5013
South African Rands (ZAR)	<b>7.4704</b>	<b>8.0162</b>	10.2960	10.9797	8.5702	10.5035
Swiss francs (CHF)	<b>1.3509</b>	<b>1.3508</b>	1.4810	1.6367	1.3836	1.5553

**Acquisition of Operations**

**Oakbridge Group**

On 1 January 2003, the Group acquired a further 11.5% interest in a Coal Australia subsidiary company, Oakbridge Pty Ltd for US\$58.0 million from Tomen Corporation, increasing the percentage ownership in the subsidiary to 78%.

**Nordenham zinc smelter**

On 31 December 2002, the Group acquired 100% of the 133,000 tonnes per annum Nordenham Zinc Smelter in Germany from Metaleurop (33% owned by Glencore International AG) for cash of US\$96.2 million.

Net assets at the date of acquisition are as follows:

US\$m	Book value	Revaluation adjustments	Fair value to Group
Tangible assets*	44.5	38.0	82.5
Stocks	11.2	–	11.2
Debtors due within one year	17.8	–	17.8
Creditors due within one year**	(22.4)	0.5	(21.9)
Provisions for liabilities and charges**	(9.3)	(2.3)	(11.6)
Attributable net assets	41.8	36.2	78.0
Goodwill			18.2
Total			96.2
Discharged by:			
Consideration – cash			96.2

\*The revaluation adjustments relate to a revaluation of plant and equipment to their fair value at the date of acquisition

\*\*The revaluation adjustments relate to additional accruals and provision for pension commitments

#### MIM Group

On 24 June 2003, the Group acquired 100% of the issued share capital of the Australian public company MIM Holdings Limited, by means of a Scheme of Arrangement, for cash with an aggregate value of US\$2,089.0 million (including acquisition costs of US\$21.9 million and net of hedging gains of US\$229.1 million). In addition, the Group assumed the net indebtedness of MIM Holdings Limited and its subsidiaries, amounting to US\$1,181.2 million. The provisional fair value of net assets acquired was US\$2,089.0 million. MIM Holdings Limited was de-listed from the Australian stock exchange on 30 June 2003.

Net assets at the date of acquisition are as follows:

US\$m	Book value	UK GAAP & Accounting policy alignments	Provisional revaluation adjustments	Provisional fair value to Group
Intangible assets*	–	–	37.0	37.0
Tangible assets*	2,731.7	36.7	655.7	3,424.1
Investments	1.2	–	–	1.2
Stocks	225.7	110.9	–	336.6
Debtors due within one year**	438.2	(141.4)	(32.0)	264.8
Debtors due after one year**	746.5	(485.9)	(1.2)	259.4
Cash	109.1	–	–	109.1
Creditors due within one year†	(669.9)	96.5	(49.6)	(623.0)
Creditors due in more than one year†	(997.9)	23.3	(37.9)	(1,012.5)
Provisions for liabilities and charges†	(577.4)	248.9	(84.4)	(412.9)
Net assets	2,007.2	(111.0)	487.6	2,383.8
Equity minority interests	(337.4)	26.8	15.8	(294.8)
Attributable net assets	1,669.8	(84.2)	503.4	2,089.0
Discharged by:				
Consideration – cash				2,089.0

The principal UK GAAP and accounting policy alignments were to recognise a finance lease under UK GAAP SSAP 21 "Accounting for Leases and Hire Purchase Contracts", reclassify long-term stockpiles from debtors due after more than one year, remove overburden in advance and deferred stripping costs, remove unrealised gains and losses on foreign currency hedge transactions, reduce deferred tax assets where they are not regarded as recoverable and to tax effect other adjustments made.

The revaluation adjustments are as follows:

\*Revalue mineral properties and development, process technologies, plant and equipment to their fair value at the date of acquisition

\*\*Recognise an asset for "in the money" forward commodity contracts, provide for doubtful debts and revaluing other assets to their fair value at the date of acquisition

†Provide for defined benefit pension deficits, rehabilitation, onerous contracts and to revalue fixed interest debt to its fair value

Give the proximity of the acquisition to 30 June 2003, the fair value adjustments are provisional and subject to review at year end.

The MIM Group earned a profit after tax and minority interests of US\$5.7 million in the six months ended 30 June 2003 (2002 US\$27.3 million). The summarised profit and loss account for the period from 1 January 2003 to the date of acquisition is as follows:

	US\$m
Turnover	1,038.6
Operating profit	94.1
Profit before tax	54.5
Taxation	(20.4)
Minority interests	(28.4)
Attributable profit	5.7

Operating profit includes a US\$25.3 million exceptional gain on disposal of rehabilitation obligations following externalisation and exceptional costs – impairments of assets of US\$7.8 million in relation to the UK smelter operations. There were no other recognised gains and losses in the six months ended 30 June 2003.

### Disposal of Operations

#### Magnesium

On 1 April 2003, Magnesium Corporation was disposed of to its management for a consideration of US\$1.2 million. A loss of US\$1.6 million arose on disposal. There was no tax effect in relation to this loss.

The disposal is analysed as follows:

	US\$m
Stocks	2.2
Debtors due within one year	1.5
Cash	0.5
Creditors due within one year	(1.4)
Net assets	2.8
Loss on disposal	(1.6)
	1.2
Satisfied by:	
Consideration – cash	1.2

### Rights Issue

In June 2003, 378,901,416 ordinary shares were issued. The Rights Issue was structured as an issue of three convertible unsecured loan stock units at £2.45 per stock unit for every two existing ordinary shares held. Each convertible unsecured loan stock unit converted into one new ordinary share following the Scheme of Arrangement becoming effective on 17 June 2003. The net proceeds after foreign currency hedging from the Rights Issue was US\$1,396.3 million and the number of shares in issue of Xstrata plc following the completion of the Rights Issue and the conversion is 631,502,416.

### Amended Syndicated Loan Facility Agreement

The terms of the Amended Syndicated Loan Facility Agreement are similar to the previous Syndicated Loan Facility with the banks party thereto will make available to the Group:

- (a) a four-year committed revolving credit facility up to the amount of US\$1.4 billion ("Facility A") maturing in March 2007 to be reduced by US\$200 million on 22 March 2005 and 22 March 2006;
- (b) a US\$600 million ("Facility B") 364-day term loan facility (with an option to extend by 364 days at an extension fee of 0.25% of the amount extended); and
- (c) a US\$270 million ("Facility C") three-year term loan facility.

The purpose of the Amended Syndicated Loan Facility Agreement is to finance, in part, the Scheme of Arrangement together with associated costs (including refinancing part of MIM Group's indebtedness). The net loan proceeds drawn in June 2003 under this facility totalled US\$686.2 million.

The syndicated loan facility bears interest at a rate based on the London inter-bank offered rate (LIBOR) plus a sliding scale determined by reference to a formula calculated on earnings before interest, taxation, depreciation and amortisation (EBITDA). The Company is liable to pay a commitment fee on the undrawn, uncanceled portion of:

- (i) Facility A and C at a rate equal to 50% of the applicable interest rate margin per annum; and
- (ii) Facility B at a rate of 0.25% per annum.

### Post Balance Sheet Events

On 15 August 2003, the Company issued US\$600 million of Guaranteed Convertible Bonds due 2010 convertible into fully paid Xstrata plc ordinary shares. The Guaranteed Convertible Bonds were issued at par and bear a coupon of 3.95% per annum. The conversion price is £6.10. If not converted or previously redeemed, the Guaranteed Convertible Bonds will be redeemed at par on 15 August 2010. The net proceeds of US\$590.8 million were used to repay part of the Group's Amended Syndicated Loan Facility.

Application was made on 27 August 2003 to the UK Listing Authority and the London Stock Exchange for a block listing of 61,180,977 Ordinary Shares of US\$0.50 each to be issued upon the conversion of the 3.95% Guaranteed Convertible Bonds 2010, to trade on the London Stock Exchange and to be admitted to the Official List upon issuance. The shares rank pari passu with the existing issued shares of the Company.

As this event occurred after 30 June 2003, it has no effect on the financial statements.

<b>Net Debt</b>			
US\$m	<b>(Unaudited) At 30.06.03</b>	(Unaudited) At 30.06.02	(Audited) At 31.12.02
Cash at bank and on hand	<b>161.1</b>	119.7	88.7
Bank overdrafts	<b>(23.5)</b>	(0.7)	(4.2)
Net cash	<b>137.6</b>	119.0	84.5
Short-term loans	<b>(281.1)</b>	(40.2)	(2.1)
Long-term loans	<b>(2,509.5)</b>	(724.1)	(665.6)
Loan arrangement fees	<b>45.7</b>	30.2	27.0
Finance leases	<b>(63.5)</b>	(18.1)	(17.7)
Net debt	<b>(2,670.8)</b>	(633.2)	(573.9)
Net debt by currency:			
AUD	<b>(121.5)</b>	32.2	2.4
EUR	<b>3.3</b>	35.2	3.3
US\$	<b>(2,502.7)</b>	(636.1)	(545.9)
ZAR	<b>(54.5)</b>	(66.2)	(35.4)
Other	<b>4.6</b>	1.7	1.7
	<b>(2,670.8)</b>	(633.2)	(573.9)
<b>Interest Payable and Similar Charges</b>			
US\$m	<b>(Unaudited) Six months to 30.06.03</b>	(Unaudited) Six months to 30.06.02	(Audited) 12 months to 31.12.02
Amortisation of financing costs	<b>4.5</b>	3.0	7.4
Bank loans and overdrafts	<b>12.3</b>	21.5	32.1
Finance charges payable under finance leases and hire purchase contracts	<b>0.5</b>	0.4	0.9
Discounting on provisions	<b>0.9</b>	1.4	2.6
Interest payable – other	<b>2.0</b>	1.4	1.5
	<b>20.2</b>	27.7	44.5
<b>Notes to the Statement of Cash Flows</b>			
US\$m	<b>(Unaudited) Six months to 30.06.03</b>	(Unaudited) Six months to 30.06.02	(Audited) 12 months to 31.12.02
Reconciliation of operating profit to net cash inflow from operating activities:			
Total operating profit	<b>82.7</b>	141.8	212.2
Income/(loss) from associates	<b>1.8</b>	–	(0.7)
Depreciation and amortisation	<b>103.2</b>	57.4	147.6
Exceptional item – impairment of assets	<b>–</b>	–	50.8
Decrease/(increase) in debtors	<b>(100.7)</b>	34.7	35.5
Increase in stocks	<b>(27.9)</b>	(24.6)	(72.6)
Increase in creditors	<b>9.9</b>	50.2	74.2
Increase in provisions	<b>10.5</b>	12.3	4.8
	<b>79.5</b>	271.8	451.8

<b>Tax on Profit on Ordinary Activities</b>			
The statutory tax provision at the weighted average rate is generally calculated on the basis of pre-tax earnings or losses, in each country and the applicable statutory tax rates. The difference between the effective provision for income tax and the statutory tax provision at the weighted average tax rate is reconciled as follows:			
US\$m	<b>(Unaudited) Six months to 30.06.03</b>	(Unaudited) Six months to 30.06.02	(Audited) 12 months to 31.12.02
Profit on ordinary activities before tax	<b>68.5</b>	118.5	177.9
Statutory provision for tax at weighted average rate	<b>17.0</b>	(27.4)	(39.4)
Permanent differences			
– Amortisation of goodwill	<b>(0.8)</b>	(0.5)	(1.1)
– Non-deductible depreciation	<b>(10.0)</b>	(5.7)	(19.0)
– Other	<b>(0.5)</b>	(0.3)	1.2
	<b>(11.3)</b>	(6.5)	(18.9)
Timing differences			
– Capital allowances more than depreciation	<b>(1.1)</b>	1.2	6.8
– Employee entitlements	<b>0.2</b>	(0.3)	(0.1)
– Restoration and rehabilitation	<b>(2.0)</b>	(0.4)	(0.8)
– Other provisions	<b>1.7</b>	2.7	3.1
– Tax losses	<b>(16.4)</b>	10.8	19.9
– Other	<b>3.7</b>	0.9	(1.5)
	<b>(13.9)</b>	14.9	27.4
Current tax charge – current year	<b>(8.2)</b>	(19.0)	(30.9)
Adjustments to tax charge in respect to previous periods	<b>0.5</b>	3.2	3.4
Total current tax charge for the year	<b>(7.7)</b>	(15.8)	(27.5)
Deferred tax movements taken to the profit and loss account	<b>15.1</b>	(17.1)	(2.3)
Tax on profit on ordinary activities	<b>7.4</b>	(32.9)	(29.8)

## segmental analysis

For the six months ended 30 June 2003

US\$m	(Unaudited) Six months to 30.06.03	(Unaudited) Six months to 30.06.02	(Audited) 12 months to 31.12.02
<b>Turnover by business segment</b>			
Continuing operations:			
Coal	641.2	392.7	1,037.3
Chrome	199.7	136.0	290.2
Vanadium	34.0	38.8	76.4
Zinc	280.4	206.6	400.0
Forestry	1.8	1.1	2.2
	<b>1,157.1</b>	775.2	1,806.1
Discontinued operations:			
Magnesium	2.7	0.7	3.2
<b>Total</b>	<b>1,159.8</b>	775.9	1,809.3
Turnover of the following acquisitions is included in the above:			
Zinc – Nordenham zinc smelter	71.4	–	–
<b>Turnover by origin</b>			
Continuing operations:			
Africa	430.9	297.1	677.3
Americas	1.8	1.2	2.2
Australia	444.0	270.4	726.6
Europe	280.4	206.5	400.0
	<b>1,157.1</b>	775.2	1,806.1
Discontinued operations:			
Americas	2.7	0.7	3.2
<b>Total</b>	<b>1,159.8</b>	775.9	1,809.3
Turnover of the following acquisitions is included in the above:			
Europe – Nordenham zinc smelter	71.4	–	–
<b>Turnover by destination</b>			
Continuing operations:			
Africa	56.3	41.7	98.3
Americas	92.0	13.9	82.7
Asia	399.4	273.1	646.6
Australia	56.3	50.6	129.6
Europe	531.7	395.9	814.5
Middle East	21.4	–	34.4
	<b>1,157.1</b>	775.2	1,806.1
Discontinued operations:			
Americas	2.7	0.7	3.2
<b>Total</b>	<b>1,159.8</b>	775.9	1,809.3
Turnover of the following acquisitions is included in the above:			
Europe – Nordenham zinc smelter	71.4	–	–

## segmental analysis

For the six months ended 30 June 2003

US\$m	(Unaudited) Six months to 30.06.03	(Unaudited) Six months to 30.06.02	(Audited) 12 months to 31.12.02
<b>EBITDA by business segment</b> (pre-exceptionals)			
Continuing operations:			
Coal	134.1	125.6	278.7
Chrome	23.6	30.7	62.8
Vanadium	(0.6)	6.6	10.4
Zinc	42.3	49.3	88.4
Forestry	0.5	–	0.4
Common costs and income	(11.7)	(9.9)	(22.1)
	<b>188.2</b>	202.3	418.6
Discontinued operations:			
Magnesium	(1.3)	(2.8)	(4.9)
<b>Total</b>	<b>186.9</b>	199.5	413.7
EBITDA of the following acquisitions is included in the above:			
Zinc – Nordenham zinc smelter	7.5	–	–
<b>EBITDA by geographical region</b> (pre-exceptionals)			
Continuing operations:			
Africa	57.8	90.9	188.5
Americas	0.5	–	0.4
Australia	99.3	72.0	163.4
Europe	42.3	49.3	88.4
Common costs and income	(11.7)	(9.9)	(22.1)
	<b>188.2</b>	202.3	418.6
Discontinued operations:			
Americas	(1.3)	(2.8)	(4.9)
<b>Total</b>	<b>186.9</b>	199.5	413.7
EBITDA of the following acquisitions is included in the above:			
Europe – Nordenham zinc smelter	7.5	–	–

US\$m	(Unaudited) Six months to 30.06.03	(Unaudited) Six months to 30.06.02	(Audited) 12 months to 31.12.02
<b>EBIT by business segment</b>			
Continuing operations:			
Coal	63.6	91.1	181.4
Chrome	15.8	28.0	55.8
Vanadium	(3.8)	5.4	7.1
Zinc	21.9	32.6	54.3
Forestry	(0.3)	(0.1)	(0.5)
Common costs and income	(12.2)	(10.7)	(24.0)
	85.0	146.3	274.1
Discontinued operations:			
Magnesium	(1.3)	(4.2)	(8.0)
<b>EBIT (pre-exceptionals)</b>	<b>83.7</b>	142.1	266.1
Exceptional costs – impairment of assets:			
Vanadium – Australia	–	–	(28.6)
Magnesium	–	–	(22.2)
Loss on sale of operations:			
Magnesium	(1.6)	–	–
<b>EBIT</b>	<b>82.1</b>	142.1	215.3
Less:			
Income/(loss) from associates:			
Coal	(1.8)	–	0.7
Profit/(loss) on sale of fixed assets:			
Chrome	(0.1)	–	0.1
Coal	1.1	0.3	3.0
Loss on sale of operations:			
Magnesium	(1.6)	–	–
Operating profit	84.5	141.8	211.5
EBIT (pre-exceptionals) of the following acquisitions is included in the above:			
Zinc – Nordenham zinc smelter	4.9	–	–

## segmental analysis

For the six months ended 30 June 2003

US\$m	(Unaudited) Six months to 30.06.03	(Unaudited) Six months to 30.06.02	(Audited) 12 months to 31.12.02
<b>EBIT by geographical location</b>			
Continuing operations:			
Africa	<b>28.0</b>	76.1	156.5
Americas	<b>(0.3)</b>	(0.1)	(0.5)
Australia	<b>47.6</b>	48.4	87.8
Europe	<b>21.9</b>	32.6	54.3
Common costs and income	<b>(12.2)</b>	(10.7)	(24.0)
	<b>85.0</b>	146.3	274.1
Discontinued operations:			
Americas	<b>(1.3)</b>	(4.2)	(8.0)
<b>EBIT (pre-exceptionals)</b>	<b>83.7</b>	142.1	266.1
Exceptional costs – impairment of assets:			
Americas	–	–	(22.2)
Australia	–	–	(28.6)
Loss on sale of operations:			
Americas	<b>(1.6)</b>	–	–
<b>EBIT</b>	<b>82.1</b>	142.1	215.3
Less:			
Income/(loss) from associates:			
Australia	<b>(1.8)</b>	–	0.7
Profit/(loss) on sale of fixed assets:			
Africa	–	0.4	3.0
Australia	<b>1.0</b>	(0.1)	0.1
Loss on sale of operations:			
Americas	<b>(1.6)</b>	–	–
Operating profit	<b>84.5</b>	141.8	211.5
EBIT (pre-exceptionals) of the following acquisitions is included in the above:			
Europe – Nordenham zinc smelter	<b>4.9</b>	–	–

US\$m	(Unaudited) Six months to 30.06.03	(Unaudited) Six months to 30.06.02	(Audited) 12 months to 31.12.02
<b>Capital expenditure by business segment</b>			
Continuing operations:			
Coal	63.4	38.1	111.1
Chrome	6.6	4.1	7.3
Vanadium	2.0	0.6	1.1
Zinc	14.2	15.4	30.2
Forestry	0.4	0.4	1.7
Unallocated*	–	2.5	2.1
	<b>86.6</b>	61.1	153.5
Discontinued operations:			
Magnesium	–	0.5	0.6
<b>Total</b>	<b>86.6</b>	61.6	154.1
*Represents corporate items such as head office and Group financing			
<b>Capital expenditure by geographical location</b>			
Continuing operations:			
Africa	31.7	14.8	53.1
Americas	0.4	0.4	1.7
Australia	40.3	28.0	66.4
Europe	14.2	15.4	30.2
Unallocated	–	2.5	2.1
	<b>86.6</b>	61.1	153.5
Discontinued operations:			
Americas	–	0.5	0.6
<b>Total</b>	<b>86.6</b>	61.6	154.1
<b>Tangible assets by business segment</b>			
Continuing operations:			
Coal	3,916.0	2,184.3	2,392.2
Chrome	318.9	239.1	281.4
Vanadium	95.5	100.2	83.8
Copper	1,794.6	–	–
Zinc Lead	1,058.6	436.4	463.2
Gold	62.2	–	–
Forestry	32.1	31.3	31.8
Technology	7.0	–	–
Unallocated	3.5	1.7	2.3
	<b>7,288.4</b>	2,993.0	3,254.7
Discontinued operations:			
Magnesium	–	20.8	–
<b>Total</b>	<b>7,288.4</b>	3,013.8	3,254.7

## segmental analysis

For the six months ended 30 June 2003

US\$m	(Unaudited) Six months to 30.06.03	(Unaudited) Six months to 30.06.02	(Audited) 12 months to 31.12.02
<b>Tangible assets by geographical location</b>			
Continuing operations:			
Africa	1,080.7	751.7	947.5
Americas	890.9	31.3	31.8
Australia	4,656.1	1,771.9	1,809.9
Europe	657.2	436.4	463.2
Unallocated	3.5	1.7	2.3
	<b>7,288.4</b>	<b>2,993.0</b>	<b>3,254.7</b>
Discontinued operations:			
Americas	–	20.8	–
<b>Total</b>	<b>7,288.4</b>	<b>3,013.8</b>	<b>3,254.7</b>
<b>Net current assets by business segment</b>			
Continuing operations:			
Coal	250.4	142.2	148.1
Chrome	129.4	103.5	119.3
Vanadium	46.0	31.6	46.8
Copper	402.4	–	–
Zinc Lead	89.8	67.9	53.8
Gold	43.1	–	–
Forestry	1.9	3.1	1.3
Technology	4.0	–	–
Unallocated	(267.7)	2.5	(162.5)
	<b>699.3</b>	<b>350.8</b>	<b>206.8</b>
Discontinued operations:			
Zinc Lead – UK smelters	5.1	–	–
Magnesium	–	2.4	2.2
<b>Total</b>	<b>704.4</b>	<b>353.2</b>	<b>209.0</b>
<b>Net current assets by geographical location</b>			
Continuing operations:			
Africa	210.7	163.9	190.7
Americas	187.1	3.1	1.3
Australia	518.2	113.4	123.5
Europe	51.0	67.9	53.8
Unallocated	(267.7)	2.5	(162.5)
	<b>699.3</b>	<b>350.8</b>	<b>206.8</b>
Discontinued operations:			
Americas	–	2.4	2.2
Europe	5.1	–	–
<b>Total</b>	<b>704.4</b>	<b>353.2</b>	<b>209.0</b>

US\$m	(Unaudited) Six months to 30.06.03	(Unaudited) Six months to 30.06.02	(Audited) 12 months to 31.12.02
<b>Attributable net assets by business segment</b>			
Continuing operations:			
Coal	4,810.2	2,840.9	3,096.5
Chrome	270.6	249.4	245.3
Vanadium	131.0	125.1	122.6
Copper	1,446.6	–	–
Zinc Lead	1,192.8	580.5	612.6
Gold	93.1	–	–
Forestry	21.8	21.2	21.0
Technology	40.3	–	–
Unallocated	(2,323.3)	(611.8)	(534.1)
	<b>5,683.1</b>	3,205.3	3,563.9
Discontinued operations:			
Zinc Lead – UK smelters	(31.7)	–	–
Magnesium	–	24.8	2.2
<b>Total</b>	<b>5,651.4</b>	3,230.1	3,566.1
<b>Attributable net assets by geographical location</b>			
Continuing operations:			
Africa	2,026.1	1,594.1	1,777.5
Americas	469.7	21.2	21.0
Australia	4,681.1	1,621.3	1,686.9
Europe	829.5	580.5	612.6
Unallocated	(2,323.3)	(611.8)	(534.1)
	<b>5,683.1</b>	3,205.3	3,563.9
Discontinued operations:			
Americas	–	24.8	2.2
Europe	(31.7)	–	–
<b>Total</b>	<b>5,651.4</b>	3,230.1	3,566.1

supplementary information (unaudited and unreviewed) – pro forma profit and loss accounts  
For the six months ended 30 June 2003

US\$m	Six months to 30.06.03	Six months to 30.06.02	12 months to 31.12.02
<b>Turnover</b>			
Continuing operations	<b>2,198.9</b>	2,055.1	4,150.1
Discontinued operations	<b>19.7</b>	92.4	169.9
Group turnover	<b>2,218.6</b>	2,147.5	4,320.0
Net operating costs before exceptionals	<b>(2,024.2)</b>	(1,705.8)	(3,581.1)
Net operating profit before exceptionals	<b>194.4</b>	441.7	738.9
Exceptional costs – impairment of assets	<b>–</b>	(60.6)	(174.3)
<b>Operating profit</b>	<b>194.4</b>	381.1	564.6
Continuing operations	<b>198.8</b>	466.0	727.6
Discontinued operations	<b>(4.4)</b>	(84.9)	(163.0)
Income/(loss) from interests in associated undertakings	<b>194.4</b> <b>(1.8)</b>	381.1 –	564.6 0.7
<b>Total operating profit</b>	<b>192.6</b>	381.1	565.3
Profit/(loss) on sale of fixed assets – continuing	<b>1.0</b>	(0.9)	1.9
Loss on disposal of operations – discontinued	<b>(1.6)</b>	–	(37.4)
<b>Profit before interest and taxation</b>	<b>192.0</b>	380.2	529.8
Net interest payable and similar charges	<b>(64.8)</b>	(59.7)	(149.8)
<b>Profit on ordinary activities before taxation</b>	<b>127.2</b>	320.5	380.0
Tax on profit on ordinary activities	<b>(18.3)</b>	(59.4)	(124.5)
<b>Profit on ordinary activities after taxation</b>	<b>108.9</b>	261.1	255.5
Equity minority interests	<b>(29.1)</b>	(59.9)	(52.3)
<b>Attributable profit</b>	<b>79.8</b>	201.2	203.2
<b>Earnings per share (US\$) – basic</b>			
Pre-exceptionals	<b>0.13</b>	0.42	0.66
Post-exceptionals	<b>0.13</b>	0.32	0.32
Weighted average number of shares (000)	<b>628,373</b>	628,378	628,378
<b>Notes to the Pro forma Profit and Loss Accounts</b>			
The pro forma financial information has not been audited or reviewed by Ernst & Young LLP.			
The half year 2003 Pro forma Profit and Loss Accounts and segmental information for the Group is prepared to illustrate the effect had the MIM Group acquisition occurred on 1 January 2003. The financial information for the six months ended 30 June 2003 of the MIM Group has been presented at spot foreign currency exchange rates by reversing the realised hedging losses as the hedge book was “at the money” on the acquisition date.			
The 2002 Pro forma Profit and Loss Accounts and segmental information for the Group is prepared to illustrate the effect had the IPO, Rights Issue, coal and MIM Group acquisitions occurred on 1 January 2002. The financial information for the year ended 31 December 2002 has been extracted from the supplementary prospectus for the recommended acquisition of MIM Holdings Limited and Rights Issue dated 17 April 2003 and amended as follows:			
(i) Hedging gains and losses are included within unallocated turnover by the MIM Group so the US\$167 million fair value hedge book provision release has been reclassified to unallocated turnover. Realised hedging losses for the year ended 31 December 2002 totalled US\$119 million (the fair value hedge book provision reversal for the six months ended 30 June 2002 was US\$90 million against realised hedging losses of US\$64 million).			
(ii) Silver loan financing costs of US\$11 million were transferred from the EBITDA and EBIT of the Zinc/Lead commodity stream in the supplementary prospectus. These costs were included within unallocated by the MIM Group and are now transferred from EBITDA and EBIT unallocated costs in the 2002 comparatives.			

(iii) The MIM Group's financial year end was 30 June whilst Xstrata plc has a calendar year end. When reporting the segmental financial information during the year ended 30 June 2002, the MIM Group inconsistently reported the Copper operating profit between the interim and full year results. This resulted in the Copper EBITDA and EBIT being overstated and unallocated being understated by US\$27 million for the year ended 31 December 2002 in the supplementary prospectus.

(iv) Various operations have been reclassified to business segments and Technology reported separately in 2002 from unallocated to allow comparability with the 2003 segmental analysis presentation.

The financial information for the six months ended 30 June 2002 has been prepared on the same basis as that for the year ended 31 December 2002.

## reconciliation of pro forma and statutory financial statements

For the six months ended 30 June 2003

US\$m	Six months to 30.06.03	Six months to 30.06.02	12 months to 31.12.02
<b>Turnover</b>			
Statutory turnover	<b>1,159.8</b>	775.9	1,809.3
Duiker & Enex Group pre-acquisition turnover	–	182.0	182.0
MIM Group pre-acquisition turnover	<b>1,038.6</b>	1,099.1	2,161.8
MIM Group hedge book fair value reversal	<b>20.2</b>	90.5	166.9
<b>Total</b>	<b>2,218.6</b>	2,147.5	4,320.0
<b>EBITDA (pre-exceptionals)</b>			
Statutory EBITDA	<b>186.9</b>	199.5	413.7
Duiker & Enex Group pre-acquisition EBITDA	–	68.0	68.0
MIM Group pre-acquisition EBITDA	<b>220.9</b>	284.8	538.3
MIM Group acquisition defence costs	<b>15.4</b>	–	–
MIM Group hedge book fair value reversal	<b>20.2</b>	90.5	166.9
<b>Total</b>	<b>443.4</b>	642.8	1,186.9
<b>EBIT (pre-exceptionals)</b>			
Statutory EBIT	<b>83.7</b>	142.1	266.1
Duiker & Enex Group pre-acquisition EBIT	–	48.8	48.8
MIM Group pre-acquisition EBIT	<b>76.6</b>	150.4	241.7
MIM Group acquisition defence costs	<b>15.4</b>	–	–
MIM Group hedge book fair value reversal	<b>20.2</b>	90.5	166.9
MIM Group fair value depreciation adjustment	<b>(2.3)</b>	9.0	18.0
<b>Total</b>	<b>193.6</b>	440.8	741.5

## reconciliation of pro forma and statutory financial statements

For the six months ended 30 June 2003

US\$m	Six months to 30.06.03	Six months to 30.06.02	12 months to 31.12.02
<b>EBIT</b>			
Statutory EBIT	82.1	142.1	215.3
Duiker & Enex Group pre-acquisition EBIT	–	48.8	48.8
MIM Group pre-acquisition EBIT	94.1	89.8	80.8
MIM Group UK smelter rehabilitation liability disposal reversal	(25.3)	–	–
MIM Group UK impairment of smelter assets	7.8	–	–
MIM Group acquisition defence costs	15.4	–	–
MIM Group hedge book fair value reversal	20.2	90.5	166.9
MIM Group fair value depreciation adjustment	(2.3)	9.0	18.0
<b>Total</b>	<b>192.0</b>	<b>380.2</b>	<b>529.8</b>
<b>Profit on ordinary activities before taxation</b>			
Statutory profit on ordinary activities before taxation	68.5	118.5	177.9
Duiker & Enex Group pre-acquisition profit before tax	–	46.5	46.5
MIM Group pre-acquisition profit before taxation	54.5	78.4	15.5
MIM Group UK smelter rehabilitation liability disposal reversal	(25.3)	–	–
MIM Group UK impairment of smelter assets	7.8	–	–
MIM Group acquisition defence costs	15.4	–	–
MIM Group hedge book fair value reversal	20.2	90.5	166.9
MIM Group fair value depreciation adjustment	(2.3)	9.0	18.0
Incremental interest adjustment	(9.0)	(15.4)	(30.8)
MIM Group discounting of rehabilitation provision	(2.6)	(7.0)	(14.0)
<b>Total</b>	<b>127.2</b>	<b>320.5</b>	<b>380.0</b>
<b>Attributable profit</b>			
Statutory attributable profit	75.2	80.6	142.3
Duiker & Enex Group pre-acquisition attributable profit	–	32.3	32.3
MIM Group pre-acquisition attributable profit	5.7	27.3	(83.6)
MIM Group UK smelter rehabilitation liability disposal reversal	(25.3)	–	–
MIM Group UK impairment of smelter assets	7.8	–	–
MIM Group acquisition defence costs	15.4	–	–
MIM Group hedge book fair value reversal	20.2	63.3	116.8
MIM Group fair value depreciation adjustment	(2.3)	8.0	16.0
Incremental interest adjustment	(14.3)	(5.4)	(10.8)
MIM Group discounting of rehabilitation provision	(2.6)	(4.9)	(9.8)
<b>Total</b>	<b>79.8</b>	<b>201.2</b>	<b>203.2</b>

## pro forma segmental analysis

For the six months ended 30 June 2003

US\$m	Six months to 30.06.03	Six months to 30.06.02	12 months to 31.12.02
<b>Turnover by business segment</b>			
Continuing operations:			
Coal – thermal	739.6	698.4	1,461.0
Coal – coking	163.6	169.5	355.2
Coal	903.2	867.9	1,816.2
Chrome	199.7	136.0	290.2
Vanadium	34.0	38.8	76.4
Copper	543.0	548.4	1,054.4
Zinc Lead	478.2	415.8	804.1
Gold	24.5	7.9	21.9
Forestry	1.8	1.1	2.2
Technology	13.8	14.5	35.9
Unallocated	0.7	24.7	48.8
	2,198.9	2,055.1	4,150.1
Discontinued operations:			
Zinc Lead – European smelters	17.0	91.7	166.7
Magnesium	2.7	0.7	3.2
<b>Total</b>	<b>2,218.6</b>	<b>2,147.5</b>	<b>4,320.0</b>
<b>Turnover by origin</b>			
Continuing operations:			
Africa	430.9	356.5	736.7
Americas	266.9	292.9	540.6
Australia	1,145.1	1,074.6	2,225.8
Europe	355.3	306.4	598.2
Unallocated	0.7	24.7	48.8
	2,198.9	2,055.1	4,150.1
Discontinued operations:			
Americas	2.7	0.7	3.2
Europe	17.0	91.7	166.7
<b>Total</b>	<b>2,218.6</b>	<b>2,147.5</b>	<b>4,320.0</b>
<b>Turnover by destination</b>			
Continuing operations:			
Africa	58.0	51.9	108.5
Americas	144.8	15.2	115.6
Asia	913.8	881.8	1,789.3
Australia	193.7	277.4	511.9
Europe	859.7	825.0	1,574.7
Middle East	28.9	3.8	50.1
	2,198.9	2,055.1	4,150.1
Discontinued operations:			
Americas	2.7	0.7	3.2
Europe	17.0	91.7	166.7
<b>Total</b>	<b>2,218.6</b>	<b>2,147.5</b>	<b>4,320.0</b>

## pro forma segmental analysis

For the six months ended 30 June 2003

US\$m	Six months to 30.06.03	Six months to 30.06.02	12 months to 31.12.02
<b>EBITDA by business segment</b> (pre-exceptionals)			
Continuing operations:			
Coal – thermal	133.4	232.3	410.3
Coal – coking	36.9	74.4	155.0
Coal	170.3	306.7	565.3
Chrome	23.6	30.7	62.8
Vanadium	(0.6)	6.6	10.4
Copper	228.2	244.3	474.6
Zinc Lead	46.5	68.8	106.3
Gold	3.7	(4.8)	(11.7)
Forestry	0.5	–	0.4
Technology	3.2	4.2	11.2
Common costs and income	(27.8)	5.8	(12.8)
	447.6	662.3	1,206.5
Discontinued operations:			
Zinc Lead – European smelters	(2.9)	(16.7)	(14.7)
Magnesium	(1.3)	(2.8)	(4.9)
<b>Total</b>	<b>443.4</b>	<b>642.8</b>	<b>1,186.9</b>
<b>EBITDA by geographical area</b> (pre-exceptionals)			
Continuing operations:			
Africa	57.8	120.1	217.7
Americas	149.9	137.7	260.8
Australia	217.7	338.7	640.1
Europe	50.0	60.0	100.7
Common costs and income	(27.8)	5.8	(12.8)
	447.6	662.3	1,206.5
Discontinued operations:			
Americas	(1.3)	(2.8)	(4.9)
Europe	(2.9)	(16.7)	(14.7)
<b>Total</b>	<b>443.4</b>	<b>642.8</b>	<b>1,186.9</b>

US\$m	Six months to 30.06.03	Six months to 30.06.02	12 months to 31.12.02
<b>EBIT by business segment</b> (pre-exceptionals)			
Continuing operations:			
Coal – thermal	51.0	172.1	281.8
Coal – coking	14.1	65.5	134.0
Coal	65.1	237.6	415.8
Chrome	15.8	28.0	55.8
Vanadium	(3.8)	5.4	7.1
Copper	135.7	155.8	288.5
Zinc Lead	10.0	34.8	35.6
Gold	2.0	(5.2)	(12.8)
Forestry	(0.3)	(0.1)	(0.5)
Technology	2.0	3.9	10.6
Common costs and income	(28.5)	4.9	(19.1)
	198.0	465.1	781.0
Discontinued operations:			
Zinc Lead – European smelters	(3.1)	(20.1)	(31.5)
Magnesium	(1.3)	(4.2)	(8.0)
<b>EBIT</b> (pre-exceptionals)	193.6	440.8	741.5
Exceptional costs – impairment of assets:			
Vanadium	–	–	(28.6)
Zinc Lead	–	(60.6)	(123.5)
Magnesium	–	–	(22.2)
Loss on sale of operations:			
Zinc Lead	–	–	(37.4)
Magnesium	(1.6)	–	–
<b>EBIT</b>	192.0	380.2	529.8
<b>EBIT by geographical area</b> (pre-exceptionals)			
Continuing operations:			
Africa	28.0	99.0	179.4
Americas	88.3	85.7	151.6
Australia	84.4	235.5	410.7
Europe	25.9	40.0	58.4
Common costs and income	(28.6)	4.9	(19.1)
	198.0	465.1	781.0
Discontinued operations:			
Americas	(1.3)	(4.2)	(8.0)
Europe	(3.1)	(20.1)	(31.5)
<b>EBIT</b> (pre-exceptionals)	193.6	440.8	741.5
Exceptional costs – impairment of assets:			
Americas	–	–	(22.2)
Australia	–	–	(28.6)
Europe	–	(60.6)	(123.5)
Loss on sale of operations:			
Americas	(1.6)	–	–
Europe	–	–	(37.4)
<b>EBIT</b>	192.0	380.2	529.8

## pro forma segmental analysis

For the six months ended 30 June 2003

US\$m	Six months to 30.06.03	Six months to 30.06.02	12 months to 31.12.02
<b>Capital expenditure by business segment</b>			
Coal	103.4	61.3	155.3
Chrome	6.6	4.1	7.3
Vanadium	2.0	0.6	1.1
Copper	34.7	32.4	70.9
Zinc Lead – continuing	26.9	28.1	61.0
Zinc Lead – discontinued – European smelters	–	13.9	20.4
Gold	5.9	11.2	17.8
Forestry	0.4	0.4	1.7
Technology	0.8	–	1.4
Magnesium – discontinued	–	0.5	0.6
Unallocated	11.2	8.1	15.7
<b>Total</b>	<b>191.9</b>	<b>160.6</b>	<b>353.2</b>
<b>Capital expenditure by geographical area</b>			
Africa	31.7	17.1	55.4
Americas	7.5	19.8	39.5
Australia	125.2	85.7	189.4
Europe	16.3	29.9	53.2
Unallocated	11.2	8.1	15.7
<b>Total</b>	<b>191.9</b>	<b>160.6</b>	<b>353.2</b>
<b>Attributable net assets by business segment</b>			
Coal	4,810.2	n/a	4,219.6
Chrome	270.6	n/a	245.3
Vanadium	131.0	n/a	122.6
Copper	1,446.6	n/a	2,098.1
Zinc Lead	1,161.1	n/a	1,063.1
Gold	93.1	n/a	48.9
Forestry	21.8	n/a	21.0
Technology	40.3	n/a	40.0
Magnesium	–	n/a	2.2
Unallocated	(2,323.3)	n/a	(2,908.6)
<b>Total</b>	<b>5,651.4</b>	<b>n/a</b>	<b>4,952.2</b>
<b>Attributable net assets by geographical area</b>			
Africa	2,026.1	n/a	1,778.2
Americas	469.7	n/a	181.5
Australia	4,681.1	n/a	5,125.4
Europe	797.8	n/a	735.7
Unallocated	(2,323.3)	n/a	(2,868.6)
<b>Total</b>	<b>5,651.4</b>	<b>n/a</b>	<b>4,952.2</b>

## group information

Data on operations				
Name of operation	% ownership	Total annual production (full plant/mine basis)	Accounting status (descriptions below)	Location
<b>Alloys</b>				
Wonderkop plant	100	460kt	Subsidiary & JANE	Marikana, South Africa
Rustenburg plant	100	430kt	Subsidiary	Rustenburg, South Africa
Lydenburg plant	100	402kt*	Subsidiary	Lydenburg, South Africa
Kroondal mine	100	1,320kt	Subsidiary	Rustenburg, South Africa
Waterval mine	100	1,920kt	Subsidiary	Rustenburg, South Africa
Thornccliffe mine	100	1,440kt	Subsidiary	Steelpoort, South Africa
Vantech V <sub>2</sub> O <sub>5</sub>	100	13.3k lbs	Subsidiary	Steelpoort, South Africa
Rhovan V <sub>2</sub> O <sub>5</sub>	100	15.7k lbs V <sub>2</sub> O <sub>5</sub> 7.8k kg FeV	Subsidiary	Brits South Africa
Windimurra V <sub>2</sub> O <sub>5</sub>	100	16,400 lbs Suspended H103	Subsidiary	Western Australia
<b>Copper</b>				
Mount Isa	100	6mt ore 250kt Cu in anode	Subsidiary	North West Queensland Australia
Ernest Henry	100	10.5mt ore 94kt Cu in conc 115k ozs Au in conc	Subsidiary	North West Queensland Australia
Townsville refinery	100	270kt cathode	Subsidiary	North Queensland Australia
Alumbrera	50	37.5mt ore 200kt Cu in conc 650k oz Au in conc 60k oz Au in dore	Subsidiary	Catamarca, Argentina
<b>Zinc/Lead</b>				
San Juan de Nieva	100	485kt Zn 465.6kt saleable Zn	Subsidiary	Asturias, Spain
Hinojedo	100	38kt calcine 25kt SO <sub>2</sub>	Subsidiary	Cantabria, Spain
Arnao	100	24kt semis Zn	Subsidiary	Asturias, Spain
Nordenham	100	145kt Zn 140kt saleable Zn	Subsidiary	Nordenham, Germany
Northfleet	100	180 Primary Pb 40 Recycling Pb	Subsidiary	Northfleet United Kingdom
Mount Isa	100	3.5mt ore 250kt Zn in conc 170kt Pb in bullion 300t Ag in bullion	Subsidiary	North West Queensland Australia
McArthur River	75	1.6mt ore 175kt Zn in conc	JANE	Northern Territory Australia

## group information

Data on operations				
Name of operation	% ownership	Total annual production (full plant/mine basis)	Accounting status (descriptions below)	Location
<b>Coal – Australia</b>				
<b>Oakbridge Group</b>				
Baal Bone	74.1	2,500kt	Subsidiary	Western Coal Fields
Beltana	68.3	3,400kt	Subsidiary	Hunter Valley
Bulga	68.3	4,700kt	Subsidiary	Hunter Valley
South Bulga	68.3	2,500kt	Subsidiary	Hunter Valley
<b>Macquarie Coal JV</b>				
West Wallsend	80	3,000kt	JANE	Newcastle
Westside	80	800kt	JANE	Newcastle
<b>Liddell group</b>				
Liddell	67.5	2,800kt	JANE	Hunter Valley
Cumnock	84	2,500kt	Subsidiary	Hunter Valley
Mt Owen	100	5,000kt	Subsidiary	Hunter Valley
United	95	2,400kt	JANE	Hunter Valley
<b>Ulan</b>				
Ulan Underground	90	3,500kt	JANE	Western Coal Fields
Ulan Open Cut	90	2,400kt	JANE	Western Coal Fields
Ravensworth	100	2,000kt	Subsidiary	Hunter Valley
Narama	50	2,000kt	JANE	Hunter Valley
Oaky Creek	75	9,100kt	JANE	Bowen Basin
Newlands	75	8,500kt	JANE	Bowen Basin
<b>Collinsville</b>				
Thermal	75	3,600kt	JANE	Bowen Basin
Coking	75	1,700kt	JANE	Bowen Basin
<b>Coal – South Africa</b>				
<b>Twefontein Division</b>				
Boschmans	100	2,000kt	Subsidiary	Witbank
South Witbank	100	1,300kt	Subsidiary	Witbank
Waterpan	100	1,200kt	Subsidiary	Witbank
WitCons	100	1,018kt	Subsidiary	Witbank
<b>iMpunzi Division</b>				
Phoenix	100	850kt	Subsidiary	Witbank
Tavistock	100	1,300kt	Subsidiary	Witbank
<b>Tavistock TESA JV</b>				
ATC	50	1,700kt	JANE	Witbank
ATCOM	50	2,400kt	JANE	Witbank
<b>Mpumalanga Division</b>				
Spitzkop	100	1,400kt	Subsidiary	Ermelo
Tselentis	100	1,200kt	Subsidiary	Breyten
<b>Mines operated by JV partners</b>				
Douglas and Middelburg	16	25,500kt	JANE	Witbank/Middelburg
<b>Other Businesses</b>				
Ravenswood Gold	100	200k oz	Subsidiary	North Queensland Australia
Forestal Los Lagos	100	108kcbm	Subsidiary	Puerto Montt, Chile

## explanation categories of accounting status

### **Associate**

Associated undertakings are accounted for using the equity method. The Group's share of the net assets of the Associate are shown on the balance sheet under non-current assets as a single line. The results of the associate appear in two lines in the profit and loss account. The Group's share of the profit before tax of the associate appears on the face of the profit and loss account. The Group's share of the associates tax charge appears in the tax note.

### **Joint Venture (JV)**

JVs are arrangements where the partners share in the profits of the JV operations. JVs are accounted for using the gross equity method. The Group's share of the gross assets and gross liabilities of the JV are shown as two lines on the face of the balance sheet within non-current assets. Treatment in the profit and loss account is similar to associated undertakings except that turnover is grossed up for the Group's share of the turnover of the JV, which is then deducted on the face of the P&L to arrive at Group turnover.

### **JANE**

Joint arrangements not creating an entity ("JANE") are characterised by the sharing of output (eg, the physical commodity or a transport facility) rather than the sharing of profit from operations of the JV. JANES are proportionately consolidated on a line-by-line basis.

### **Subsidiary**

Subsidiaries are 100% consolidated on a line-by-line basis. Where a subsidiary is not 100% owned, the minority interest's share of net assets and profits are deducted on the face of the balance sheet and profit and loss account as single lines.

### Enquiries

If you would like further information on Xstrata please contact:

**Marc Gonsalves**

+44 20 7968 2812

+41 41 726 6088

mgonsalves@xstrata.com

**Brigitte Mattenberger**

+41 41 726 6071

bmattenberger@xstrata.com

**Kate Campbell**

+61 7 3833 8172

kcampbell@xstrata.com.au

**Justine Winn**

+61 2 9253 6748

jwinn@xstratacoal.com

[www.xstrata.com](http://www.xstrata.com)

If you would like to register to receive copies of Company news releases or announcements, please contact us (details above) or register directly on the website at [www.xstrata.com/register](http://www.xstrata.com/register)