

PRESENTATION: PRELIM RESULTS, 29 JULY 2002

Slide 1: Xstrata logo

Slide 2: Mick Davis, CEO

Good morning ladies and gentlemen. I'd like to welcome you to this presentation on Xstrata plc's preliminary final results, for the 2002 year. I would also like to welcome those who are attending the presentation via video-conference from Zürich or webcast, and those listening in via telephone.

Slide 3: Executive Team

With me this morning are the other members of the executive team. On my right is the CFO, Trevor Reid, who will take us through some of the detail of the results in a moment. To his right are: Santiago Zaldumbide, executive director and chief executive of Xstrata Zinc, Peter Coates, chief executive of Xstrata Coal; and Peet Nienaber, chief executive of our alloys business. Joining us via video-conference and acting as host in Zürich is Benny Levene, Chief Legal Counsel.

As always, you have a great deal of information, so I will try to keep this morning's presentation as brief as possible. I will go through some of the key points made in the preliminary report, and then ask Trevor to take us through the financials. After that we will take questions here and from Zürich.

Slide 4: Agenda

I don't propose to reiterate the strategic rationale for the transformation and acquisition which created Xstrata some 10 months ago. These have been well covered previously. Instead, I wish to focus on three key points this morning:

- a review of our progress since the IPO;
- some high level comments on the results; and
- opportunities for growth.

I then want to touch on the issue of mining rights in South Africa and on the equity capital management programme we announced this morning.

Slide 5: Progress Against Our Strategic Objectives

We have made good progress against our objectives this year, and – I have to say - against a tide, which has at times moved strongly against us.

We have successfully – and speedily – integrated the coal assets without any disruption to the smooth operation of our businesses. For both the new and old parts of the Group this has entailed rolling out a new business model (with performance measured to EBIT), augmenting new management capacity where necessary, and establishing new structures, systems and procedures. The new Group has a clear mission, and in its development we have taken the time to define, for ourselves and our stakeholders, the ethical and corporate governance principles that will guide how we work

Second, we have given great attention to the management of our assets – delivering significant efficiencies and productivity gains in each of our businesses, which have helped protect our margins, in the face adverse market conditions. I will return to this later, because I think an appreciation of our existing portfolio merits further analysis.

Third, we have maintained a focused programme of internal capital investment, expending over 103 million dollars in 2002 to ensure the on-going strength of our operations. At the same time, we have accelerated the pursuit and development of new projects within our existing portfolio, that will deliver growth and/or enhanced returns in the future.

We have also progressed the acquisition-led portion of our growth strategy - in terms of both incremental and company-transforming opportunities. We completed three bolt-on transactions , whose positive impact will flow into 2003's numbers: acquiring the Narama and Ravensworth coal assets, the Nordenham zinc smelter and an increased stake in the Oakbridge coal group.

Slide 6: Progress Against Our Strategic Objectives (2)

Fourth, the Group's financial structure and effective cost of capital has received a great deal of attention.

This morning we announced an equity capital management programme, which enables up to 10% of the Company's issued share capital to be purchased, with all the benefits of a share buy-back, while maintaining the Group's financial firepower for possible acquisitions, in the manner of a conventional treasury stock programme.

Further, as foreshadowed at the time of the IPO and at the half-year, the project to restructure the Group's financial framework, in order to provide optimum access to cash flows and to maximise the benefit of our Swiss tax residency, has continued apace and is largely complete. This was a strong contributor to the resilience of our attributable profit in 2002. We have also taken the opportunity presented by the success of the IPO to refinance the Group's debt facilities and have then paid down our debt significantly, from robust cash flows.

We have moved quickly to assess the on-going viability of those operations that have under-performed and, in the case of Windimurra and the magnesium recycling plant, we are taking the hard decisions required to optimise the quality of the portfolio and to end leakage of cash in the future.

The greatest assets of a company, especially one operating in metals and mining, are its own people and the goodwill of the communities in which it operates. I am therefore pleased to note that we have improved our performance in the areas of health, safety and the environment and affirm our strong commitment to this critical area, by setting higher targets for the year ahead. On the community front, we have put in place a Groupwide policy and committed ourselves to expending 1% of our profit before tax to provide support for local communities.

An additional strategic imperative came to the fore with the enactment of the new minerals legislation in South Africa. As I will touch on later, we have successfully engaged with the South African government, and with a wide range of potential black empowerment groups, to develop plans which create meaningful industry participation by those who were historically disadvantaged and which secure the value and integrity of our assets in that country.

In short, we have established a new company while maintaining the progress and improving the performance of the old. A number of our achievements this year do not lend themselves to banner headlines – I guess it is difficult to get excited about the process involved in establishing an integrated risk management system across a global company, which in sum is what this is all about. However, I believe our progress in the nine months from the IPO to the end of the financial year affirms the fundamental quality and strength of Xstrata.

Slide 7: Commodity Prices

This has been my toughest year in business, characterised by pervasive weakness in commodity prices, sluggish economic activity in the countries of our major customers - with the important exception of China, volatility in exchange rates, a severe and negative reassessment of investor confidence in South Africa and turmoil and distrust in the global equity markets.

Including ferrochrome, where prices increased in the third and fourth quarters of 2002, the average prices of our commodities were lower in 2002, reducing operating profit by some 200 million dollars. Spot prices for thermal coal – a key driver for Group profitability – fell sharply from the second quarter (with the European price dropping over 30% to US\$20.50), and the Japanese reference price for Australian coal declined 7.7% to US\$31.85 cents per tonne.

The significant industry-wide cut-backs of coal production in the second quarter, particularly the seven and a half million tonnes withdrawn from the Atlantic market, achieved their aim of aligning output more closely with demand. This

helped to ensure partial recovery in spot thermal coal prices, reflecting the return of demand at the year end.

Slide 8: 2002 Results

In response to these difficult market conditions, the businesses performed well, and continue to do so. Our attraction to the strong cash-flow profile of the coal assets, which complements the resilient earnings of our alloys and zinc businesses, is well founded. After deductions for net interest, tax and the capital required to maintain the operations, the Group had access to free cash of 362 million dollars in 2002, or 64% of net debt.

Group turnover rose some 6% to just under 2 billion dollars, on the back of acquisitions, expansions, and the 25% improvement in sales volumes in ferrochrome, which necessitated the restart of idled production capacity.

At the operating level, earnings before exceptional items decreased 109 million dollars, or 26%, to 315 million dollars, primarily due to the negative impacts of lower prices and inflation, mostly in South Africa. These were offset by the positive impact of higher volumes (68 million dollars), exchange rates (30.5 million dollars), and substantial cost efficiencies.

Net debt was 574 million dollars at 31 December 2002, with just over 800 million dollars undrawn within our 1.4 billion dollar debt facility. Since the IPO, total repayments against the debt facility amounted to 152 million dollars, with a debt equity ratio of 16% at year end. The Gross debt to trailing 12 month EBITDA continues to be below 1.5 times, reducing the margin and commitment fee payable on our borrowings to the lowest applicable rate.

Slide 9: Cost Reductions

A notable feature of the results is the success that management in our operations have achieved in reducing costs in real terms by over 79 million dollars, or 4.7% of the operating cost base, through a combination of cost efficiency programmes, productivity improvements and expansion projects.

I highlight just some of the contributing factors.

In zinc, the seamless 35% expansion of the San Juan de Nieva smelter was accompanied by a highly effective and sustainable cost-cutting programme across our entire zinc business. This has further improved the utilisation rate of the plant and reduced the costs of inputs and supplies.

Efficiency programmes at our alloys business, reduced real costs by nearly 15 million dollars, notwithstanding increases in the local cost of reductants and other raw materials, paid for in US dollars.

The expansions at the Mt Owen opencast mine and Ulan, together with the commencement of longwall mining at United, had a major impact in reducing costs in our Australian coal business. At Ulan, productivity has improved 25% and 15% respectively at the opencast and underground mines, since current management acquired the operation in January 2001.

At Xstrata Coal South Africa, new technologies and systems have helped to reduce South Witbank's free on rail costs to around 6 dollars/tonne. These are being systematically implemented at other XCSA operations, such as Arthur Taylor Colliery, which achieved a 40% increase in underground section productivities over the course of 2002. In addition, the 13% reduction in total employee numbers resulted in a 14% year-on-year increase in productivity across the business.

Even after the 58.1 million dollar impact of inflation, these initiatives represent a net gain across our business in 2002 of 21 million dollars. This is testimony to the dedicated effort and quality of the management teams at our operations, and I pay tribute to them for this outstanding achievement.

Slide 10: Magnesium Plant and Windimurra

Two projects, initiated by the former Xstrata AG, have failed to deliver their promise. In the case of the Windimurra Vanadium plant, in Western Australia, impressive cost cutting, of over 56% in the last two years, was not enough to

overcome the impact of low Vanadium prices and the plant's debilitating exposure to a strengthening Australian dollar. The Magnesium Recycling Facility, in Indiana, which came on stream last year, has not been able to source adequate quantities of magnesium scrap or to penetrate the vital US automobile market – a situation exacerbated by the exceptionally depressed prices for magnesium alloys.

In July I mentioned that we were assessing the on-going viability of these projects, and their appropriateness to the Group's strategy. Having done so, the Board has decided to write off the carrying value of both of these assets in the financial statements of the Group at 31 December 2002, giving rise to impairment charges, totalling 50.8 million dollars. Production will cease and operations will be suspended at Windimurra, and options will be pursued to divest the Magnesium plant.

Slide 11: Opportunities for Growth

One of the key investment propositions set out at the time of the IPO was that there existed a niche in our industry for a fourth, London-listed, diversified metals and mining company, with headroom to grow. It was our strong conviction that if Xstrata were to leverage the advantages of its size, momentum and financial structure to grow its portfolio, through steps that were in themselves value creating, then the market, in time, would reward the subsequent diversification of commodity, currency and earnings risk, by re-rating our trading multiples.

In the eleven months since our listing, we have pursued this growth across three fronts. In each, we have been clear about the financial criteria we apply. We seek opportunities that ensure risk-adjusted returns above our weighted cost of capital, without the application of aspirational assumptions on synergies or long-run prices, currencies and commodities, and which are accretive to earnings and cash flow in their first full year of ownership. All of the projects currently under review, including potential transformational acquisitions, meet these criteria.

Slide 12: Incremental Growth

Simultaneously with the closing of the IPO, we purchased the Narama and Ravensworth coal operations for 72.4 million dollars, increasing our attributable production capacity by some three million tonnes. As important, the two mines hold significant strategic value, given their proximity to other Xstrata operations.

In early December, we announced the acquisition of the Nordenham zinc smelter for 100 million dollars, including inventory. Nordenham is an efficient plant, which complements the San Juan smelter and delivers both operational and marketing synergies. Some of these are already being realised: the transfer of calcine from Spain to de-bottleneck Nordenham is likely to increase the latter's 2003 production by over 6,000 tonnes in 2003.

Last month, we announced the acquisition of a further 11.5% of the Oakbridge coal group in Australia for 58 million dollars. The transaction, effective from 1 January, adds over a million tonnes of attributable export coal capacity to our Australian business, from operations we know well and which have significant potential. These include the Beltana longwall, where reduced manning levels and advanced work practices, provide a highly competitive cost structure, which will be among the lowest in Australia

In the ten months of its existence, the Group has thus invested almost 230 million dollars on incremental acquisitions to its existing businesses, all of which are accretive and all of which are expected to deliver returns comfortably in excess of our cost of capital.

We continue to assess further opportunities in this category. In South Africa, one of the consequences of the introduction of the new mining legislation has been a number of discussions with Economic Empowerment groups regarding joint ventures, which could entail expansions or acquisitions to our existing alloys and coal businesses.

Slide 13: Company Transforming Growth

Recognising the “universe of the possible” in which we operate, we have focused our energies on a small number of key potential transactions which, because of their scale, would have a dramatic impact on the size, diversity and rating of Xstrata. In each case, our aim has been to assess whether the combination of businesses would create value for our shareholders.

Our approach to negotiations of this scale is deliberate and unhurried. Our smaller size enhances the proportionate benefits of any acquisition, but also heightens its risks. Given the progress we have already made, and the robust performance of our asset base, we do not feel undue pressure to deliver a transaction, and while we are confident that we have the momentum and flexibility to move quickly when we need to, we are also confident enough to move slowly, or not at all, when this will create or protect value.

At the end of last year, we made an announcement confirming that one of the companies with which we were in discussion was MIM Holdings. At the time, we made a point of stressing that these talks were at an early-stage. We have continued to progress our contact with MIM, with appropriate diligence and with due regard for the uncertain outcome of our interaction. Should matters develop to the point at which we either withdraw from discussions or conclude an agreement, we will immediately inform the market.

Irrespective of the outcome of discussions with MIM, I remain convinced of our capacity to create growth even – perhaps especially – in these difficult environments, from acquisitions executed at the right price and right time.

Slide 14: Growth from within our existing businesses

While commentary on Xstrata’s growth has focused on potential acquisitions, the Executive Committee has been giving impetus and attention to the development of opportunities within our own portfolio since the IPO. These extend across each of our businesses:

Slide 15: Growth from within our existing businesses: Alloys

Short-term and highly flexible growth in production and sales in our Alloys business centres on our two idled ferrochrome furnaces, which have a combined 120,000 tonnes of annual production capacity – over 9.2% of total capacity. One of these is under contract to AngloPlatinum until the end of April, but both can be brought back in 2003, if the current growth in demand continues.

In addition to the possible empowerment JVs in ferrochrome (FeCr) and vanadium, Xstrata Alloys has been approached and is working with a consortium in South Africa that is pursuing a major initiative to utilise unexploited mineral reserves that become available as part of the new Minerals Bill. Xstrata's proven record for low-cost capital development and operational management, particularly (but not exclusively) in respect of ferroalloys, has made us an attractive JV partner.

Xstrata Alloys also holds rights over some 20 million tonnes of platinum group metal (PGM) and chromite bearing UG2 ore, alongside our Thorncliffe Mine. We are in discussions focussed on unlocking this reserve, in joint venture with one of the major platinum producers and an empowerment partner.

Slide 16: Growth from within our existing businesses: Coal Australia

One of the attractions of our coal business is the flexible and low-cost growth opportunities inherent in the assets, especially in Australia. Xstrata Coal has a firm pipeline of expansion projects to increase consolidated annual saleable production by approximately four million tonnes over 2002 levels, by 2005, for an capital investment of some 60 million dollars. In the seven years beyond this, a further 8 million tonnes of additional annual production capacity exist at similarly attractive capital costs.

In the shorter term, production in 2003 is likely to increase some 700,000 tonnes, primarily due to a full year of operation at Ravensworth East and Narama. A further 3 million tonne increase in production and sales volumes is available in 2004, with the first full year of production at Beltana, the

commencement of Glendell and increases at Mt Owen, West Wallsend and Ulan Open Cut.

In addition, a number of other low cost, low risk opportunities are set out in the report, including a second longwall at Ulan and the development of the synergistic opportunities that exist around the Mt. Owen/Ravensworth complexes.

Further opportunities to optimise reserve extraction and realise cost synergies across adjacent Xstrata operations are being pursued, as are a number of innovative projects in the areas of coal bed methane extraction, longwall top coal caving and various power generation offtake agreements.

Slide 17: Growth from within our existing businesses: Coal South Africa

Our South African coal business is entering a strategically significant period of export growth, improved operating efficiencies and cost reductions. The expansion of throughput at the Richards Bay Coal Terminal to 82 million tonnes by 2007, will enable high margin exports to be increased by 21% over the same period. Our 2.1 million tonnes increase in export volumes will be sourced in the main from low-cost, brownfield expansions of our existing high return mines and from the redirection of lower margin domestic sales.

A range of projects, including reserve optimisation exercises and the implementation of a new technology for beneficiating fine coal, which is already operating as a pilot plant, will boost reserves and improve product yields at most of our operations.

In addition, a significant business opportunity exists in the outcome of discussions with industry partners regarding strategic reserve swaps, which could significantly reduce cost profiles at some of our operations, and the joint development of adjoining resources, which would substantially reduce the capital costs involved in bringing on additional production.

Slide 18: Growth from within our existing businesses: Zinc

At San Juan, a further 25,000 tonne expansion started in November 2002, taking annual capacity to 485,000 tonnes, at a capital cost of just over 6 million dollars. This is expected to be commissioned early in the third quarter this year, and San Juan is therefore likely to increase production to around 475,000 tonnes in 2003.

In addition, Xstrata Zinc is working on two further projects at San Juan post 2003, which could increase annual production to some 537,000 tonnes – nearly 17% above its current output.

It is clear from the above, that while the further development of a world-class organic pipeline of growth is still an important outcome from any company transforming acquisition, the Group as it stands currently is very well positioned to grow and add value from its current portfolio.

Slide 19: South African Minerals Bill

The observations I made regarding the South African Minerals Bill in our interim report remain wholly relevant. I draw your attention to my detailed comments in the preliminary report and to the additional information set out in the back of the slide booklet, both of which reiterate our confidence in Xstrata's ability to manage the increased complexity associated with doing business in South Africa.

Since I last stood in front of you, the Department has issued its Empowerment Charter and it is now working on a framework (the so-called "scorecard"), which it proposes to use to assess the progress and plans of the mining companies in order to approve the transfer of their rights.

From our side, we have established a high-level Transformation Committee within the Group and developed and cleared with the Minister our strategy to achieve the targets specified in the Charter. This is now being refined into a

comprehensive and detailed plan, which will be submitted to the Department in order to secure our rights, as provided for under the legislation.

Having carefully assessed our position, we are confident that the Company already meets many of the social and employee targets set by the Charter. In respect of ownership targets, we have entered into substantive discussions with a number of credible black empowerment groups, regarding participation in our assets. I am pleased with our progress, which has included the development of realistic transaction structures and options for facilitating appropriate financing that preserve Xstrata's access to cash-flows and advantageous financial structure.

We have met regularly with the Minister and her team to keep them informed of our progress. I have been encouraged by the positive response we have received, and by the congruence of our approaches and ultimate objectives. This augurs well for the successful resolution of outstanding issues, including the detail of the 'scorecard' and its practical application, and the critical matter of the royalty fee to be paid in respect of the mineral rights now leased from the State.

While the delicate balance of political and commercial imperatives and the sheer scope of work faced by the Department may continue to draw out the process, I am confident that Xstrata will successfully secure the transfer of its rights, with shareholder value intact, long before the five-year period of grace provided for in the legislation. There is a strong and genuine commitment by all parties – the government, the empowerment groups, the unions and the mining companies – to achieve the right outcome: the transformation of the industry without destroying its strengths or South Africa's investment appeal.

Slide 20: Equity Capital Management Programme

Before handing over to Trevor, I wish to say a few words about the equity capital management programme we announced this morning. Full details on its structure and application are set out in the Financial Review section of the report.

The programme, which enables the purchase up to 10% of Xstrata's shares in the market by a special purpose vehicle named Pine, secures all of the economic benefits of a share buy-back, without sterilising the issued capital of the Group.

Its advantages include

- providing economic exposure of up to 10% of the issued share capital of the Group, without cancelling the shares in Xstrata plc;
- enhancing earnings per share in a tax efficient manner
- providing additional flexibility in financing future acquisitions; and
- improving balance sheet efficiency.

Pine's purchases and disposals will be conducted and disclosed in keeping with the regulations covering UK corporate share purchases, and its right to receive dividends on the shares it holds will be waived.

The programme is in place and does not require shareholder approval. Consideration is being given to whether we extend the programme to allow any shares held by Pine to be acquired by Xstrata Plc and cancelled. This would have to be brought to shareholder's for their approval and would require appropriate clearance from the Swiss tax authorities.

The decision when to place the shares in the market, use the shares to assist the Group in facilitating future transactions, or to repurchase shares for cancellation will be considered in light of the Group's funding requirements and capital structure at the time.

I have no doubt that the programme will be an important, strategic tool for the Group, particularly in these volatile markets, which Trevor and his team will put to good effect. And on that note, let me indeed hand over to Trevor.

Slide 21: Trevor Reid

Thank you, Mick and good morning ladies and gentlemen.

At the time of the IPO I high-lighted the robust, low-cost nature of our asset base and our motivated and innovative operating management team. I stressed

that it was this combination that provided our Group with the resilience to deliver solid returns and cash-flows throughout the commodity cycle.

At the time, I did not expect my assertion to be tested so soon and so rigorously.

The last nine months have seen the prices of two of our major commodities sink to recent lows while all our major currencies have strengthened against a weakened dollar. However, the inherent competitive quality of our assets combined with a prompt response from our operating teams to deliver a result, which – while down on last year - clearly reaffirms my confidence in the existing Xstrata portfolio and its ability to continue to deliver shareholder returns on a stand-alone basis.

The preliminary report sets out both the proforma and statutory results. I believe the former provides the most appropriate and accurate basis by which to review our financial performance and this therefore forms the basis of my analysis this morning.

Slide 22: Turnover, EBIT and Margins

This slide sets out the Group's turnover, EBIT and margins.

At the half year, we provided a comparison to the prior period which removed two anomalies from our results. The anomalies relate to an accounting reclassification of the Douglas Tavistock Coal Joint Venture in 2001 and the removal of traded coal from both years' numbers. We have repeated this for our full year results, as you can see in the lower table, to enable a better comparison of our underlying results.

Looking at the lower table, you will see that comparable turnover is up about 116 million dollars, or 6 percent, period on period, reflecting increased production, which more than offset the lower price environment that prevailed in our major commodities in 2002.

Slide 23: Turnover Variance

Let's look how that 116 million arises.

Despite received prices for ferrochrome averaging 8 percent lower than the corresponding period, chrome turnover was up 33 million dollars, or 13 percent, to 290 million. This increase arises from a 25% increase in sales volume when compared to the abnormally low sales in 2001.

Allowing for consistent accounting treatment, South African coal turnover from own production reduced some 112 million dollars due to a 19 percent decrease in prices and reduced export volumes as production was intentionally cut back in line with decreased second quarter demand. In addition the high-cost Strathrae mine was sold and the Rietspruit mine came to the end of its economic life and was closed.

Turnover from production of Australian coal rose by 104 million dollars, reflecting an 18 percent increase in sales volumes. Higher sales volumes were driven by the acquisition of the Ravensworth and Narama operations in March, as well as by capacity expansion and increased production from the Mount Owen, United and the Ulan complexes.

Vanadium turnover was 20 percent higher, reflecting a 61 percent increase in sales volumes of higher value ferrovandium, following commissioning of the Rhovan production facility and in line our ongoing strategy of converting Vanadium Pentoxide to the higher value-Ferrovandium product.

2002 saw the first full year of production from the expanded San Juan de Nieva smelter which operated at name plate capacity throughout the year, and sales rose accordingly by some 62,000 tonnes period on period. The increase in sales volume compensated for the sharp drop in the metal price and TCs, with Zinc turnover increasing by 17 million dollars, or 4 percent.

Other turnover decreased by 24 million dollars due to the sale of the forestry trading business in 2001.

Slide 24: P&L Summary

Attributable profit before exceptional items decreased by 17 percent to 224 million dollars, or 90 cents per share. As Mick has already described, we took the prudent decision to write down the carrying value of our Windimurra vanadium plant and our magnesium recycling facility in 2002 and we do not anticipate these businesses impacting materially on our results going forward.

You will note that the decrease in attributable earnings stems from a decline in earnings before interest and tax, which decreased 26 percent year on year to 315 million dollars. Shortly, I will review the movement in our EBIT and the major issues which have impacted on us in 2002.

I should also mention that the Group's EBIT sensitivities for 2003 are set out in a slide in the appendix.

Before addressing the significant items of taxation and interest, I should explain that the decrease in minority interests reflects reductions in the minority shareholdings in zinc, and lower earnings from the Oakbridge Group, which reported unusually high profit after tax in the first half of 2001.

Interest expense reduced by some 31 million dollars and tax expense by 33 million dollars from the charges incurred in 2001.

Slide 25: Interest and Taxation

The full exercise of the Manager's option at the time of the IPO resulted in a significantly lower debt burden for the Group throughout 2002. The lower debt levels, combined with low interest margins and commitment charges, reduced net interest payable and similar items by 35 percent. Strong cash flows from operations have enabled us to upstream cash and repay 152 million dollars of our corporate facility during 2002.

EBITDA to net interest cover has improved from a multiple of 12.1 in 2001 to 9.5 in 2002, and - on a pre-exceptional basis - EBIT to net interest cover now

stands at 7.9 times. Our robust gearing ratios allow us to borrow at the lowest margin applicable under our syndicated loan facility.

The tax charge at 43 million dollars represents an effective tax rate of 15.5 percent against a proforma rate of 20.8 percent in 2001. The 2002 tax charge includes a net benefit of 27.3 million dollars arising from the new Australian fiscal consolidation regime implemented in late 2002. A residual benefit has been deferred in terms of UK GAAP and will accrue in subsequent years depending on taxable profits.

Over the past nine months I have spent some time explaining the mechanics of our Swiss-based tax structure,, which is driven by the absence of controlled foreign corporation legislation in Switzerland. This creates an on-going and sustainable lower effective tax rate for the Company without – and I must stress this point – any aggressive tax structuring at the operating level. I firmly believe that this represents a very real and competitive benefit, both in terms of delivering shareholder returns and in our acquisition efforts.

The effective tax rate of the Company is inversely impacted by the profitability of the businesses and the movement of US dollar exchange rates. Given the current outlook for our businesses and our forecast exchange rates, an effective tax rate of between 16 and 18 percent is likely for 2003.

Slide 26: EBIT Variance Analysis

If we turn now to look at the movement in EBIT from 2001 to 2002, the impact of lower prices which reduced EBIT by 197 million dollars in 2002 is clearly evident.

Slide 27: Price Impact Analysis

A break out that 197 million clearly demonstrates the challenging price environment experienced by our coal, zinc and chrome divisions in 2002.

Slide 28: EBIT Variance Analysis (2)

Moving on from prices, higher sales volumes increased EBIT by 68 million dollars. With the exception of Coal South Africa, volumes showed this positive trend across all of our businesses, on the back of production increases, arising from coal acquisitions and expansions in Australia, the expansion of our Spanish zinc smelter and the restart of ferrochrome smelting capacity.

Slide 29: EBIT Variance Analysis (3)

Mick has already mentioned the outstanding cost performance of our businesses and it is this controllable aspect of our performance that provides the most accurate yardstick of management's performance. In local currency terms, and adjusting for the impact of inflation, our operations reduced costs by 79 million dollars which equates to a real 4.7 percent reduction in the operating cost base. Even after accounting for the impact of inflation, this represents a net efficiency gain of 21 million dollars.. It is pleasing to note that these cost savings have been achieved across all operating divisions.

Our ability to continually drive down costs and extract on-going efficiencies – particularly in times of economic challenge – is key to our own confidence that the Group can deliver solid shareholder returns throughout the commodity cycle.

Slide 30: EBIT Variance Analysis (4)

Currency benefits, which are set out separately here, amounted to 31 million dollars and arise mainly from the movement of the South African Rand, which weakened against the US dollar from an average rate of 8.6 in 2001 to 10.5 for 2002, an 18 percent depreciation. EBIT sensitivities to currency movements for 2003 are also included in the appendix.

Let's now turn to the performance of the commodity businesses.

Slide 31: Xstrata Alloys: Chrome

Demand for ferrochrome continued to grow through the year as the market moved out of a destocking phase that had reduced ferrochrome stocks to abnormally low levels at the end of the first quarter and as stainless steel producers struggled to source scrap at economic prices. In response to increasing demand, Xstrata initiated a measured process of capacity restarts, bringing back four idled ferrochrome furnaces during course of the year. At year end, two smelters with the total capacity of 120 thousand tons remain idle and ready to meet increased demand as it arises.

The chrome unit achieved an annualised 20.4 percent return on capital in 2002, despite a fall in received prices from 2001. Another remarkable achievement and one of which Peet and his team can feel rightfully proud.

The 25 percent increase in sales volumes represents a major growth in Xstrata's market share and reflects our consistent strategy to protect our margins by moderating supply to meet volume demand. We are now well positioned. The strength of the South African Rand will place upward pressure on prices and the on-going situation in Zimbabwe, which accounts for some 5.5 percent of global ferrochrome production, may impact negatively on supply at a time when demand is continuing to grow.

Capital expenditure in 2003 will be around 30 million dollars and includes the systematic refurbishment of four furnaces. In the light of expected demand these have been planned to ensure that we can continue to operate at levels in excess of 90 percent of capacity.

Slide 32: Xstrata Alloys: Vanadium

Notwithstanding the 4 percent growth in global steel production, and the disproportionate growth in the vanadium content of steel, prices for vanadium pentoxide in 2002 remained at levels at which a substantial proportion of global production is uneconomic. This reflects an industry still in a situation of oversupply.

Market sentiment did improve towards the year end and prices for vanadium pentoxide were 42 percent higher at the end of 2002 than at the end of 2001. Ferrovandium experienced a similar rise, with prices up 61 percent over the same period. These price rises, however, appear to have been driven by a number of short-term factors, particularly reduced supply from Russia that has now returned to more normal levels.

As a consequence, prices have fallen back in the first month of the year, reflecting the oversupply from uneconomic vanadium production. This endemic oversupply in the Vanadium market was a key factor in our decision to suspend operations at Windimurra and to assess various options for the plant, which include its permanent closure.

Sales of ferrovandium were 61 percent higher and pentoxide sales 13 percent lower reflecting the switch to the higher value ferrovandium product. On-going efficiency programmes reduced the average unit cost of pentoxide production by over 7% percent in dollar terms.

Slide 33: Xstrata Coal

Mick has already mentioned the decline in spot prices for thermal coal in both the European and Asian markets. At the half year, we reported to you that, in response to a fall off in demand, Xstrata had cut some 800,000 tonnes of export production in the three months to end June 2002.

The second half of the year saw a resurgence in sales volumes in Europe, driven by a lack of hydro reserves, particularly in the Iberian peninsula, and by re-stocking by generators prior to the onset of the European winter. The increase in demand, together with the impact of industry production cuts of some 7.5 million tonnes in South Africa and Colombia, led to a price recovery in Europe in the final quarter of 2002

The absence of Asian supply into the European market, as a result of significantly higher freight rates, and the tight availability of supply from South

Africa and Colombia continue to provide support for prices in the first half of 2003.

Demand for seaborne thermal coal in the Pacific region increased by approximately 8 percent compared to the previous year, although the market was characterised by a short-term period of oversupply in the middle of the year. This was largely a result of additional capacity from Australia and Indonesia, as well as sluggish economic growth in most of the major Asian markets, with the notable exception of China.

During the fourth quarter spot prices in the Pacific market began to recover and, by the end of the year, were around 25 dollars per tonne. The improvement in spot prices was due in part to problems at a number of Japan's nuclear power plants and the decrease in coal exports from China, where domestic prices exceeded those available in the export market.

Although we continue to build a broader customer base in non-traditional markets, such as the recent two-and-a-half million tonne coal contract into Mexico, the Far East (Japan in particular) remains the prime focus for our Australian business. We do not believe that the recently announced, phased introduction of a coal tax in Japan will have any material impact on Japanese thermal coal demand growth in the medium term. Coal maintains an enviable position in that country as the cheapest fossil fuel for power generation, and existing taxes on competing fuels (LNG and LPG) will increase simultaneously with the introduction of the new tax from the third quarter.

EBIT for the global Xstrata Coal business was down 26.1 percent period on period. EBIT from Australia was marginally lower, as higher volumes offset lower realised prices, while in South Africa EBIT fell 43 percent to 103 million dollars due to lower prices and lower sales volumes, which were partially offset by lower costs.

The impact of prices masks to some extent the solid operating performance, which saw local currency unit operating costs in Australia decline by 7 percent

and which were contained in rand terms to an increase of 7 percent against a 14 percent increase in the producer price index.

Some 45 million dollars of the total 2002 capital expenditure of 72 million dollars relates to two major projects: the introduction of longwall mining at United and the establishment of the Beltana Mine.

The introduction of longwall mining at United, which commenced in June 2002, is on track for successful completion on time and within budget early this year. It will increase production of high quality semi-soft coal by some one-and-a-half million tonnes, while reducing operating unit costs by some 20 percent.

Development of Beltana underground mine at the Bulga Complex continued on schedule and within budget. The longwall is expected to produce first coal in mid-2003, following completion of mining at South Bulga underground in the first half of the year. As Mick mentioned, Beltana's highly competitive cost structure will further increase the Australian coal business's productivity, and reduce the average unit cost of the business.

We are also implementing a variety of other business-sustaining projects, such as upgrading equipment, improving environmental management, exploration and improvements in extraction technologies.

The 72 million dollar purchase of Narama and Ravensworth added a further 3 million tonnes of annual production capacity to our Australian business.

In January, we concluded the purchase of an additional 11.5 percent of the Oakbridge consortium for a consideration of 58 million dollars.

Slide 34: Xstrata Zinc

The highlight of the period for our zinc business was the first full year of operation for the San Juan de Nieva zinc smelter, which increased annual capacity by over 35 percent to 460 thousand tonnes and completed ahead of schedule and under budget. The smelter has run at full capacity since

commissioning, pushing zinc production up from around 391 thousand tonnes in 2001 to over 460 thousand tonnes in this period. Completion of a full year of name plate capacity production in the first year is no small achievement and is testimony to the efforts of Santiago and his team.

The expansion contributed to the on-going efficiency gains at Xstrata Zinc, reducing operating unit costs by some 4 percent in both US dollar and euro terms and consolidating San Juan's position as the world's lowest cost zinc smelter.

Higher production levels and lower unit costs mitigated the negative impact of the 12 percent fall in the zinc price and the 11 percent fall in treatment charges. Despite historically low zinc prices and treatment charges in real terms, the operation continued to make a material positive impact on group results, with an EBIT contribution of 54 million dollars.

The long planned closure of the Reocin mine in July 2003 has provided ample time for Xstrata Zinc to source replacement concentrates to avoid disruption in supply. Long-term supply agreements have been concluded, covering almost 80 percent of concentrate requirements for 2003 and 2004, and treatment charges have been fixed – at premium to the current benchmark.

We have maintained an opportunistic but discriminating interest in specific zinc projects where our technological and marketing expertise could be brought to bear to create value. This interest has resulted in the purchase of the Nordenham zinc smelter from Metaleurop in December for 100 million dollars, which included some 13 million dollars of inventory. The acquisition of this efficient operation will take our smelting capacity to 600 thousand tonnes per annum.

Mick and I visited the plant two weeks ago and one could not fail to be caught up in the enthusiasm of the local team who have already identified numerous synergies with and operating practices in our Spanish business whose implementation will further improve the performance of this already efficient facility.

Slide 35: Other Businesses

Mindful of time, just a couple of points on our other businesses.

Despite a significant operational turnaround and confirmation that our product quality meets the highest industry standards, our magnesium plant has made a net loss during the past year, primarily as a result of very depressed trading conditions in the domestic US magnesium market, and we have consequently reduced the carrying value of the magnesium business to nil and recorded a total impairment charge of 22.2 million dollars.

Xstrata has been approached by various parties to discuss a possible sale of the business, and the management of Xstrata Magnesium is pursuing several initiatives to maximise the possible exit value. The net impact of any such exit is unlikely to be material in the context of the Group's accounts.

Revenues for our forestry division were 24 million dollars lower following the sale of the Forestal del Sur trading business in 2001

Slide 36: Operating Cash Flow

Cash flow from operations before capital expenditure of 453 million dollars for 2002 is 18 percent lower than the estimate of 555 million dollars in part VI of the IPO Listing Particulars. The decrease stems principally from reduced coal prices partially offset by operating cost savings, lower cost of borrowing and lower taxation.

Stocks increased by 68 million dollars due to higher production levels and strengthening local currencies. Debtors decreased by 46 million dollars primarily due to the abnormally high Australian export sales during December 2001 and a government grant for the San Juan de Nieva smelter received at the end of 2002.

Creditors increased by 100 million dollars, primarily as a result of increased production and strengthening local currencies.

Net capital expenditure totalled 231 million dollars, made up of 104 million of sustaining and 67 million of expansionary capex, and an additional 72 million dollars for the purchase of Narama and Ravensworth. These expenditures were partially offset by proceeds from disposal of fixed assets of 13 million dollars. Actual capital expenditures were 31 million dollars lower than the estimate at the time of listing.

Slide 37: Cash Flow Summary

The cash component of the coal acquisition, at just over one billion dollars, is in line with the IPO estimate of 1.35 billion, which included 113 million of transaction expenses and did not allow for the exercise of the Manager's Option. This resulted in 124 million dollar's worth of additional shares being issued to Glencore in part payment.

A 1.4 billion dollar syndicated loan facility was provided to finance the balance of the purchase of the Coal assets and to refinance existing financial indebtedness. The net draw down under this facility was 716 million dollars after related fees.

Net indebtedness of 505 million dollars was acquired with the coal assets and set off the cash consideration. The existing Xstrata 600 million euro loan facility was closed out for 462 million dollars.

Slide 38: Balance Sheet Summary

Attributable net assets have risen by 42 percent to over 3.5 billion dollars. This increase results mainly from the acquisition of the coal assets and from the strengthening local currency balance sheets of subsidiaries. The latter resulted in an exchange difference on translation of net assets of 300 million dollars.

The most notable movement in non-current assets is the 893 million dollar increase in intangible fixed assets, primarily as a result of the classification of the Richards Bay Coal Terminal as a Joint Association not comprising an entity, or JANE, under UK GAAP. The entitlement to export product through Richards Bay - which under our current lease extends at least until 2038 - underpins the value of our South African coal business.

Reduced net debt levels at the end of 2002 compared to proforma 31 December 2001 are due to the exercise of the Manager's Option at the end of the IPO, , and to 152 million dollars of principal loan repayments on the new syndicated loan facility.

As a result of these repayments and robust operating cash flows, the net debt to equity ratio improved from 43.7 percent on a proforma basis to 16.1 percent at the end of 2002. This balance sheet strength, coupled with substantial undrawn debt capacity, places the company in a strong position to fund its growth strategy.

Slide 39: Hedging

As at 31 December 2002 the mark to market gain on the foreign currency hedge portfolio was 29 million dollars. The current hedge programme fully covers expected operating costs in Australia for 2003 at an exchange rate of 52.8 US cents to the Aussie dollar. During the period Zinc division hedges were closed out, locking in a gain of 2.4 million dollars. Coal Australia had maturing hedges totalling 642 million dollars during the period with a net gain of 34 million dollars.

Slide 40: Dividend

The Directors have declared a dividend in respect of the year ended 31 December 2002 of 20 US cents per share, which will be presented for shareholder approval at the AGM on 8 May 2003.

As explained in the Listing Particulars, the dividend represents two-thirds of a notional total 2002 dividend. On that basis, the dividend represents a full year yield of some 3.6 percent. Future dividends will be paid on a one-third interim and two-third final basis. No dividend was paid during 2002 or 2001. The total dividend declared by the Directors for 2002 is 50.3 million dollars in aggregate.

Let me now hand back to Mick for his concluding remarks.

Slide 41: Conclusion

Ladies and gentlemen, at the half-year I mentioned that Xstrata was not an island, and that we could not escape the impact of market weakness. I also reminded you that the steps we put in place less than a year ago fundamentally enhanced the Company's capacity to weather the turbulence of this period. The progress we have made this year has not merely changed the size and shape of the Company. This is indeed a new company, with new growth potential, new energy and a bedrock of robust, cash generative businesses. We go forward into 2003 confident that we will benefit from the investments made in 2002, from a growing demand for ferrochrome and from a more stable coal market. While we do not foresee an early recovery of the Zinc price, we will benefit from our advantageous cost profile and our ability to place our product at satisfactory, if not heroic, margins.

I cannot predict the development of the global economy in 2003. Much will depend on renewed growth in the United States, the continued strength of the Chinese economy, the resolution of the impasse in Iraq and – decisively – a return of investor confidence and trust. However, as I have noted before, great opportunities to create value are often to be found in times of complexity and market weakness. I have set out our thrust in this regard and I am confident of our ability to deliver.

Thank you.