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NEWS RELEASE

**XSTRATA'S PROPOSED MERGER OF EQUALS WITH
ANGLO AMERICAN**

Zug, 24 June 2009

Xstrata plc ("Xstrata") notes the response by Anglo American plc ("Anglo American") on 22 June 2009.

Xstrata today publishes the letter sent to the Board of Anglo American on Wednesday 17 June 2009, which sets out the highly compelling rationale for an all-share merger of equals, in which both sets of shareholders would share equally in the substantial benefits of a combination (see Appendix I).

Additional points to note:

- The proposed transaction is a merger of two companies of equal size where both sets of shareholders will share equally in the benefits which flow from that combination. The proposal bears none of the characteristics of a takeover, in which a premium would typically be payable.
- The combined group would have a Board and a management team sourced from both companies to bring together the team best capable of delivering the synergies and other benefits of the merger.
- This merger is the natural combination of two highly complementary companies in the mining industry to realise significant value for both companies' shareholders. Both companies have very similar market values¹, financial positions, asset qualities, reserve and resource lives and aggregate earnings estimates.
- The strategic rationale for a merger is very compelling, based on the two companies':

- contiguous or proximate assets in Australia, South Africa and South America;
 - shared ownership of Collahuasi copper and Cerrejón coal operations;
 - broad geographic distribution of operations and projects;
 - complementary portfolios of commodities; and
 - ability to optimise each company's significant portfolios of organic growth options to enhance returns equally to shareholders of both companies.
- Significant pre-tax synergies have been quantified of over US\$1 billion per annum by the third full year following completion of the proposed merger. Gross one-off realisation costs of not more than US\$500 million in total will be incurred in full in the first two years following completion². Xstrata's estimate of these core synergies has been reported on under the City Code on Takeovers and Mergers by Ernst & Young LLP and Xstrata's financial advisors, Deutsche Bank and J.P. Morgan Cazenove. Copies of their letters are included in Appendix III.
 - Xstrata's synergy estimate does not assume nor envisage any workforce retrenchments at the combined group's South African operations and Xstrata believes that South Africa would be a net beneficiary of the transaction.
 - In addition to these core synergies, Xstrata has identified further longer term, potential tax, financial and project synergies.
 - The quantified synergies accrue from both companies and as such, should be shared by Xstrata and Anglo American shareholders through equal participation in the combined group. A joint review by both companies is expected to result in further synergies being identified.
 - There are several material assumptions underlying the synergies estimate which might therefore be materially greater or less than those estimated. For further details, see Appendix II and the letters from Ernst & Young LLP and Xstrata's financial advisors in Appendix III.
 - Anglo American first announced targeted savings from its asset optimisation and procurement initiatives in 2008 and its share price should already fully reflect the investment market's view of the probability and value of the announced savings. A merger therefore represents no dilution in value to Anglo American shareholders from these savings. Xstrata believes the synergies it has quantified are in addition to any savings under these initiatives.
 - Xstrata's operational management has a strong track record of best-in-class cost performance, delivering year-on-year average real cost savings of 1% per annum from 2003 to 2008, compared to an average real cost increase at its FTSE100 mining sector peers of 2% per annum over the same time period. A combined management team would more rapidly and effectively realise sustainable reductions in operating costs across the combined portfolio.
 - A further significant uplift in value and in returns will be delivered through the combination and prioritisation of Xstrata's and Anglo American's organic growth pipelines.

- Through acquisitions and a continuous programme of asset improvement initiatives, Xstrata has built a portfolio of assets which generate similar earnings to the Anglo American portfolio and which enjoy a similar reserve/resource life. A comparative analysis is presented in Appendix 4 to the Letter to Anglo American. It is evident that Xstrata's base metals businesses enjoy similar C1 costs to the equivalent Anglo American businesses. Xstrata's coal business also has a similar C1 cost but substantially higher margins than Anglo Coal, given that Xstrata sells a greater portion of its thermal coal into the export market.
- Xstrata would contribute world-class coal and copper assets to the enlarged group, creating a premier suite of base metals and coal operations to the benefit of Anglo American's shareholders.
- The combined group's enhanced diversification and cash generative base metals and coal portfolio would provide greater support for businesses such as platinum and diamonds, which currently do not generate significant EBITDA and may well require significant capital at a time when their industry fundamentals are not robust.
- Geographically, Xstrata's shareholders will take on greater emerging country exposure, while Anglo American's shareholders will benefit from increased diversification with approximately equal contributions to the combined group's earnings from Africa, South America and Australia.
- The combined group would benefit from enhanced access to capital and improved financial flexibility to resume dividend payments and support further growth whilst maintaining an investment grade rating.

Mick Davis, Xstrata Chief Executive, commented:

"It is well recognised that the combination of Xstrata and Anglo American is a natural fit and the most compelling major transaction available in our industry. We have already quantified substantial synergies that can only be achieved by combining our portfolios to increase scale and realise logistics, product flow, procurement and operational efficiencies. In my experience, we have always found that, when effectively led, a joint team is able to review identified synergies and unlock incremental value from the combination, ultimately resulting in savings in excess of initial estimates.

"In addition, the substantial synergies we have delivered in previous transactions have not come from redundancies at the operations but rather from improved productivity and efficiencies from economies of scale. In general, Xstrata's approach has been to augment our operations' capacity by putting management and resources back at the operational level, almost universally leading to improved safety performance and operational efficiency.

"We remain convinced of the undeniable logic for a merger of equals between Anglo American and Xstrata. Xstrata's proposal is about unlocking the significant shareholder

value inherent in the combination of our companies and is not dependent on any pre-determined concept of management positions or structure. It is regrettable that Anglo American's Board rejected this proposal without any engagement with Xstrata, just days after receiving our approach.

"It must surely be in the interests of both companies' shareholders for Xstrata and Anglo American to work together to test in more detail the attractive proposition we have put to the Anglo American Board. We will continue to seek to engage with Anglo American's Board and management to investigate the value that would accrue to their shareholders and to ours from a combination. I feel sure that, in time, Anglo American's Board will want to examine comprehensively the merits of this transaction for its shareholders."

1 As of 19 June 2009, the last business day prior to the commencement of the offer period, the relative contributions of the market values of Xstrata and Anglo American were 50.3% to 49.7% respectively. The market value of Xstrata's Ordinary Shares of GBP19.78bn is based on the closing middle-market price of an Xstrata share of GBP681, provided by the London Stock Exchange on 19 June 2009, assuming 2,904,582,834 Xstrata Ordinary Shares (2,933,011,620 Xstrata Ordinary Shares in issue, less 28,428,786 Xstrata Ordinary Shares held in Xstrata's equity capital management programme by Batiss (see Appendix II for further details on Batiss)). The market value of Anglo American's Ordinary Shares of GBP19.54bn is based on the closing middle-market price of an Anglo American Ordinary Share of GBP1,623, provided by the London Stock Exchange on 19 June 2009, assuming 1,204,190,697 Anglo American Ordinary Shares (1,342,924,336 Anglo American Ordinary Shares in issue, less 112,300,129 held by Anglo American investment companies and 26,433,510 Anglo American Ordinary Shares held in Treasury).

2 There are several material assumptions underlying the synergies estimate which might therefore be materially greater or less than those estimated. For further details, see Appendix II and the letters from Ernst & Young LLP and Xstrata's financial advisors in Appendix III.

APPENDICES ATTACHED

http://www.rns-pdf.londonstockexchange.com/rns/4387U_-2009-6-24.pdf

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This announcement does not amount to a firm intention to make an offer or any invitation to acquire or dispose of any securities or investment or a proposal to make a takeover bid in any jurisdiction. Any proposal is at an early stage and there can be no certainty that any offer will ultimately be made or, if made, lead to the implementation of the proposed merger. Xstrata reserves the right to vary the terms of any merger proposal that may ultimately be made for or involving Anglo American.

The Directors of Xstrata accept responsibility for the information contained in this announcement. Having taken all reasonable care to ensure that such is the case, the information contained in this announcement is, to the best of the knowledge and belief of the Directors of Xstrata, in accordance with the facts and contains no omission likely to affect its import.

Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFin - Federal Financial Supervisory Authority) and authorised and subject to limited regulation by the Financial Services Authority. Details about the extent of Deutsche Bank AG's authorisation and regulation by the Financial Services Authority are available on request. Deutsche Bank is acting as financial adviser and corporate broker to Xstrata and no-one else in connection with the contents of this announcement and will not be responsible to anyone other than Xstrata for providing the protections afforded to the clients of Deutsche Bank nor for providing advice in relation to any matter referred to herein.

J.P. Morgan Cazenove, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as financial adviser and corporate broker to Xstrata and no-one else in connection with the contents of this announcement and the proposed merger and will not be responsible to any person other than Xstrata for providing the protections afforded to clients of J.P. Morgan Cazenove nor for providing advice in relation to the proposed merger or any matter referred to herein.

Lazard & Co, Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as financial adviser to Xstrata and no one else in connection with the contents of this announcement and the proposed merger and will not be responsible to any person other than Xstrata for providing the protections afforded to clients of Lazard & Co., Limited nor for providing advice in relation to the proposed merger or any matters referred to herein.

Dealing Disclosure Requirements

Under the provisions of Rule 8.3 of the City Code on Takeovers and Mergers (the "Code"), if any person is, or becomes, "interested" (directly or indirectly) in 1% or more of any class of "relevant securities" of Xstrata or of Anglo American, all "dealings" in any "relevant securities" of that company (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by no later than 3.30 pm (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which any offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the "offer period" otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of Xstrata or of Anglo American, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the Code, all "dealings" in "relevant securities" of Xstrata or of Anglo American by Xstrata or Anglo American, or by any of their respective "associates", must be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Takeover Panel's website at www.thetakeoverpanel.org.uk.

"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, you should consult the Panel.

Forward-looking statements

This announcement contains statements which are, or may be deemed to be, "forward-looking statements" which are prospective in nature. Forward-looking statements are not based on historical facts, but rather on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Xstrata or Anglo American to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of Xstrata or Anglo American to differ materially from the expectations of Xstrata or Anglo American, as applicable, include, among other things, general business and economic conditions globally, commodity price volatility, industry trends, competition, changes in government and other regulation, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, changes in political and economic stability, disruptions in business operations due to reorganisation activities (whether or not Xstrata merges with Anglo American), interest rate and currency fluctuations, the failure to satisfy any conditions for any possible merger on a timely basis or at all, the failure to satisfy the conditions of any actual merger of Xstrata with Anglo American if and when implemented (including approvals or clearances from regulatory and other agencies and bodies) on a timely basis or at all, the failure of Xstrata to merge with Anglo American on a timely basis or at all, the inability of the merged group to successfully realise Xstrata's anticipated synergy benefits if and when a merger of Xstrata and Anglo American is implemented, the inability of the merged group to successfully integrate Xstrata's and Anglo American's operations and programmes if and when a merger of Xstrata and Anglo American is implemented, the merged group incurring and/or experiencing unanticipated costs and/or delays or difficulties relating to the merger of Xstrata and Anglo American if and when a merger of Xstrata and Anglo American is implemented. Such forward-looking statements should therefore be construed in light of such factors.

Neither Xstrata, nor any of its associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on

these forward-looking statements.

Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Services Authority), Xstrata is not under any obligation and Xstrata expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Cost curves

This announcement contains references to "cost curves". A cost curve is a graphic representation in which the total production volume of a given commodity across the relevant industry is arranged on the basis of average unit costs of production from lowest to highest to permit comparisons of the relative cost positions of particular production sites, individual producers or groups of producers across the world or within a given country or region. Generally, a producer's position on a cost curve is described in terms of the particular percentile or quartile in which the production of a given plant or producer or group of producers appears. To construct cost curves, industry analysts compile information from a variety of sources, including reports made available by producers, site visits, personal contacts and trade publications. Although producers may participate to some extent in the process through which cost curves are constructed, they are typically unwilling to validate cost analyses directly because of commercial sensitivities. Inevitably, assumptions must be made by the analyst with respect to data that such analyst is unable to obtain and judgement must be brought to bear in the case of virtually all data, however obtained. Moreover, all cost curves embody a number of significant assumptions with respect to exchange rates and other variables. In summary, the manner in which cost curves are constructed means that they have a number of significant inherent limitations. Notwithstanding their shortcomings, independently produced cost curves are widely used in the industries in which Xstrata and Anglo American operate. Cost curves in this announcement have been sourced from Brook Hunt and AME and all such cost curves are based on 2008 data.

Not a profit forecast

No statement in this announcement is intended as a profit forecast or profit estimate and no statement in this announcement should be interpreted to mean that the future earnings per share of the merged group, Xstrata and/or Anglo American for current or future financial years will necessarily match or exceed the historical or published earnings per share of Xstrata or Anglo American.

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