Exane BNP Paribas: 5th Basic Materials Seminar

Xstrata – Delivering Growth and Value

Thras Moraitis

Executive General Manager – Strategy and Corporate Affairs

March 2010

Disclaimer:

This presentation and its contents may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part for any purpose without the consent of Xstrata plc (“Xstrata”). The Directors of Xstrata accept responsibility for the information contained in this presentation. Having taken all reasonable care to ensure that such is the case, the information contained in this presentation 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. This presentation does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for any securities, or a proposal to make a takeover bid in any jurisdiction. Neither this document nor the fact of its distribution nor the making of the presentation constitutes a recommendation regarding any securities. This presentation is being provided to you for information purposes only.

Certain statements, beliefs and opinions contained in this presentation, particularly those regarding the possible or assumed future financial or other performance of Xstrata, industry growth or other trend projections are or may be forward looking statements. Forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “goal”, “target”, “aim”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond Xstrata’s ability to control or predict. Forward-looking statements are not guarantees of future performance. No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved.

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 presentation 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.

This presentation 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 judgment 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 operate.

No statement in this presentation is intended as a profit forecast or a profit estimate and no statement in this presentation should be interpreted to mean that earnings per Xstrata share for the current or future financial years would necessarily match or exceed the historical published earnings per Xstrata share.

The distribution of this presentation or any information contained in it may be restricted by law in certain jurisdictions, and any person into whose possession any document containing this presentation or any part of it comes should inform themselves about, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the laws of any such jurisdiction.

By attending the presentation and/or accepting or accessing this document you agree to be bound by the foregoing limitations and conditions and will be taken to have represented, warranted and undertaken that you have read and agree to comply with the contents of this notice.

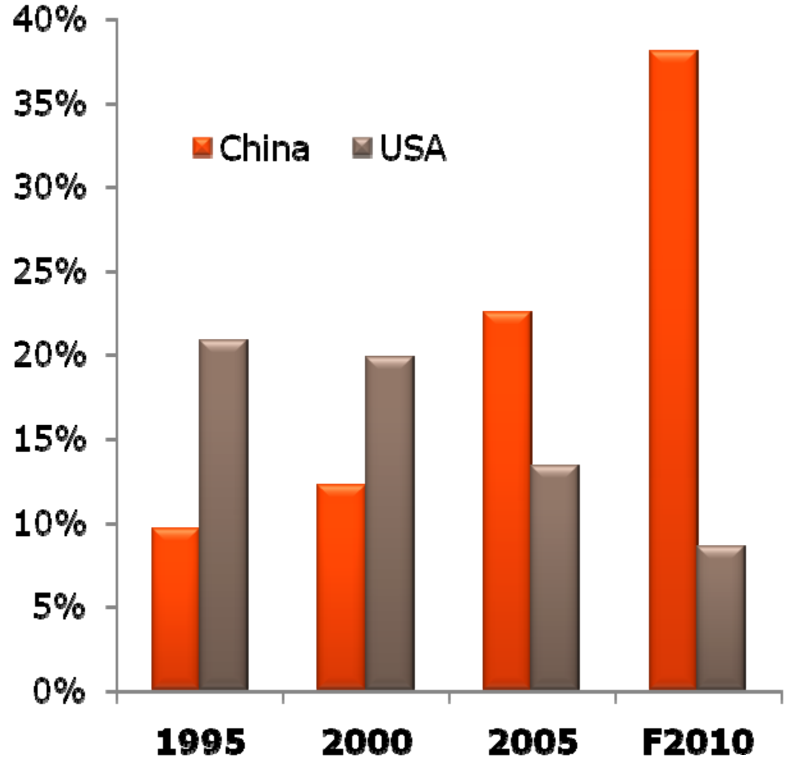
Introduction

- Commodity demand drivers remain robust
  - Long-term secular trend
  - Medium-term outlook
- Structural constraints continue to restrict supply growth
- Xstrata strategy evolves to continue delivery of growth and value
  - Accelerated transformation of portfolio through downturn
  - Industry leading organic growth to deliver second transformation

Positive secular trend in demand for commodities

- Commodity demand is shifting from OECD to China and other populous industrialising nations
- Urbanisation and industrialisation to drive commodity-intensive growth
- Reforms designed to increase Chinese domestic consumption over the longer term
  - Improving social welfare including healthcare and pension reforms
  - Rural land reforms to facilitate urbanisation
  - Incentives to stimulate consumer demand

US and Chinese contribution to global copper demand

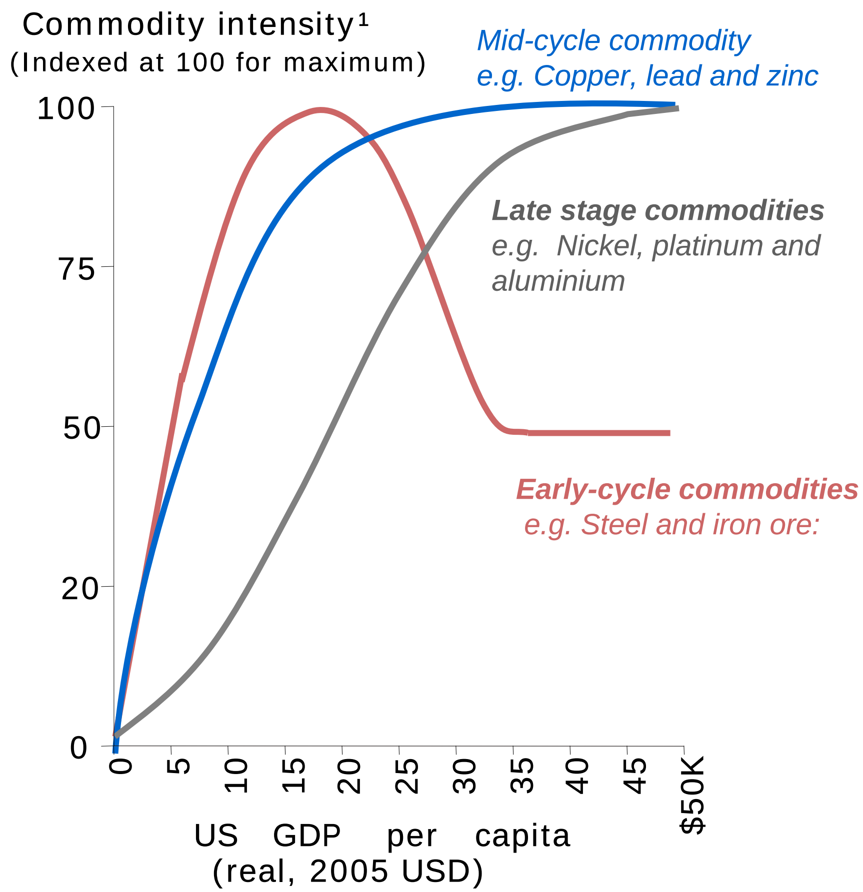


Source: BrookHunt

Nature of demand differs between commodities

- Commodity demand driven by increased commodity intensity through economic growth
- Early-cycle commodities
  - Strong demand growth through infrastructure development in urbanisation and industrialisation
- Mid-cycle commodities
  - Demand growth driven by a combination of secondary infrastructure investment (e.g. telecommunications) and domestic consumption
- Late-cycle commodities
  - More gradual demand growth predominantly driven by domestic consumption

Commodity intensity curves

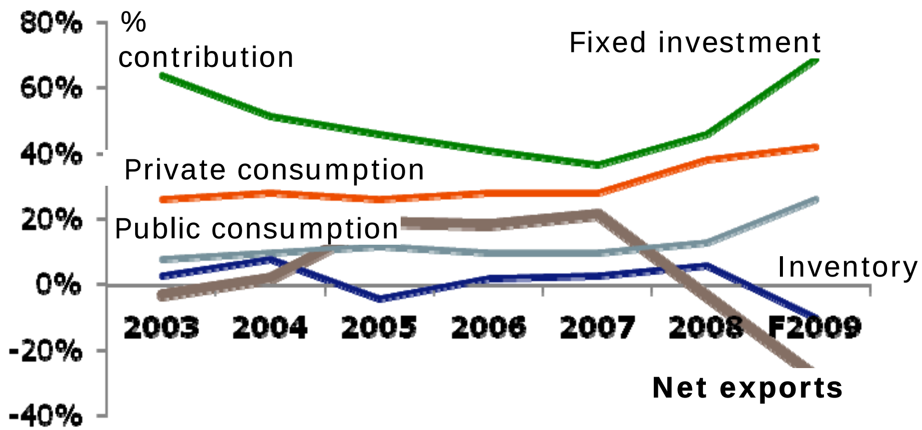


[1] Intensity = annual consumption per person (ton or kg)/capita)
[2] Based on econometric analysis of US commodity consumption and economic growth since 1900.
Source: CEBR / IMF

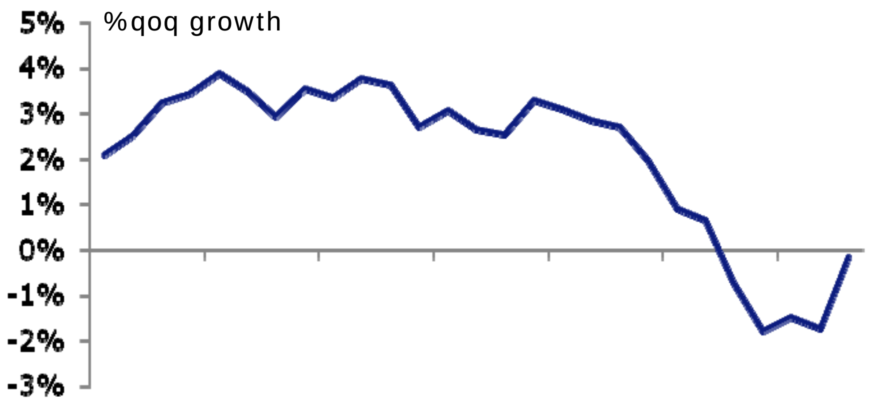
Recovery in commodity demand reliant on Chinese growth and recovery in OECD domestic demand

- Chinese growth set to remain robust
  - Active management to ensure sustainable economic growth
  - Ability to offset struggling exports through increased investment
- However, OECD growth important for full and sustained recovery
  - Gradual recovery evident in real economy
  - Structural issues remain: deleveraging of consumers, banking reforms, rising national debts and unemployment

Composition of Chinese GDP growth



US private consumption

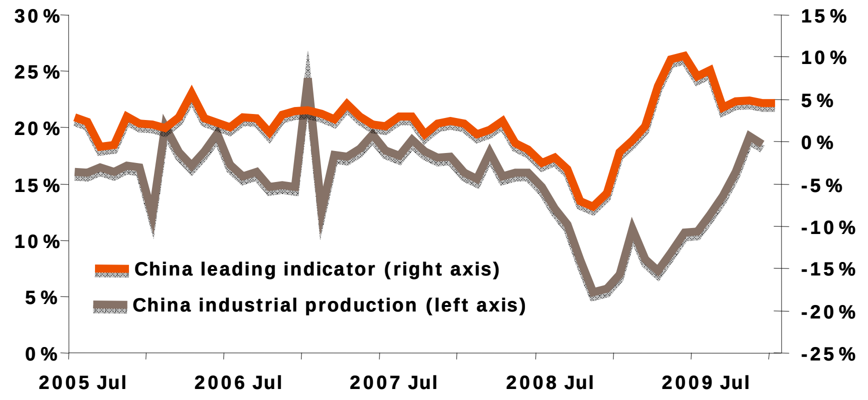


Source: Datastream, Alliance Bernstein

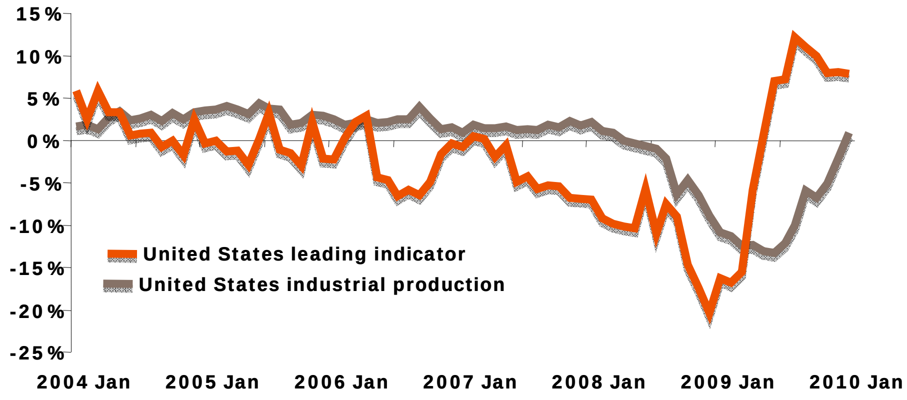
Short-term lead indicators point to recovery but structural issues remain

- Potential for Chinese economy to overheat is main concern
  - Fiscal and monetary policy tightening to manage risk of overheating
  - Strong resurgence in export growth and consumption
- Tentative signs of recovery evident in OECD
  - Restocking has providing momentum to recent recovery
  - Strong positive trend in leading indicators of real economy
  - Finance and credit market indicators still struggling

Chinese lead indicators



US lead indicators

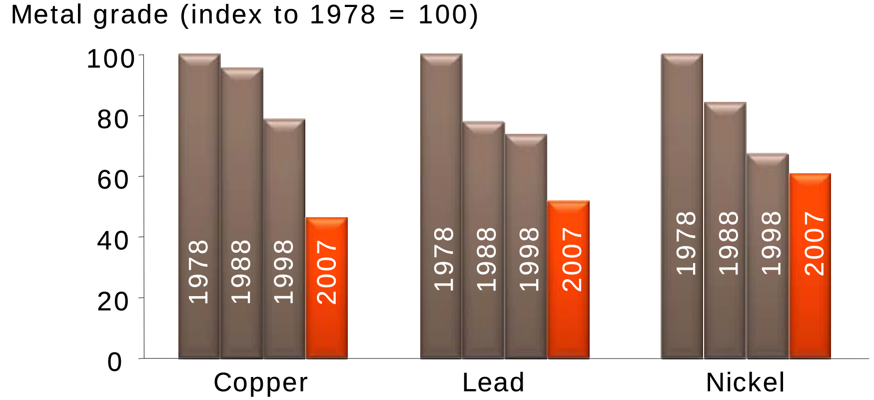


Source: Xstrata “RADAR” analysis of leading indicators

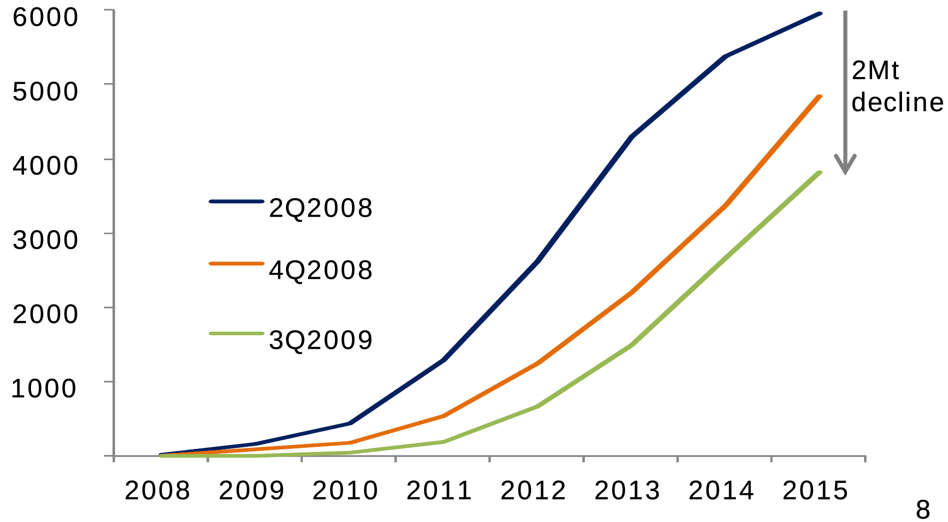
Industry supply constraints exacerbated by the downturn

- Structural constraints to maintaining and increasing production
  - Declining grades and operating conditions
  - New projects in increasingly complex geographies
- Financial crisis has exacerbated supply constraints
  - Significant cuts in capital expenditure across industry
  - Sources of mining capital less readily available to juniors
  - Additional project delays as feasibility studies reworked

Declining industry head grades

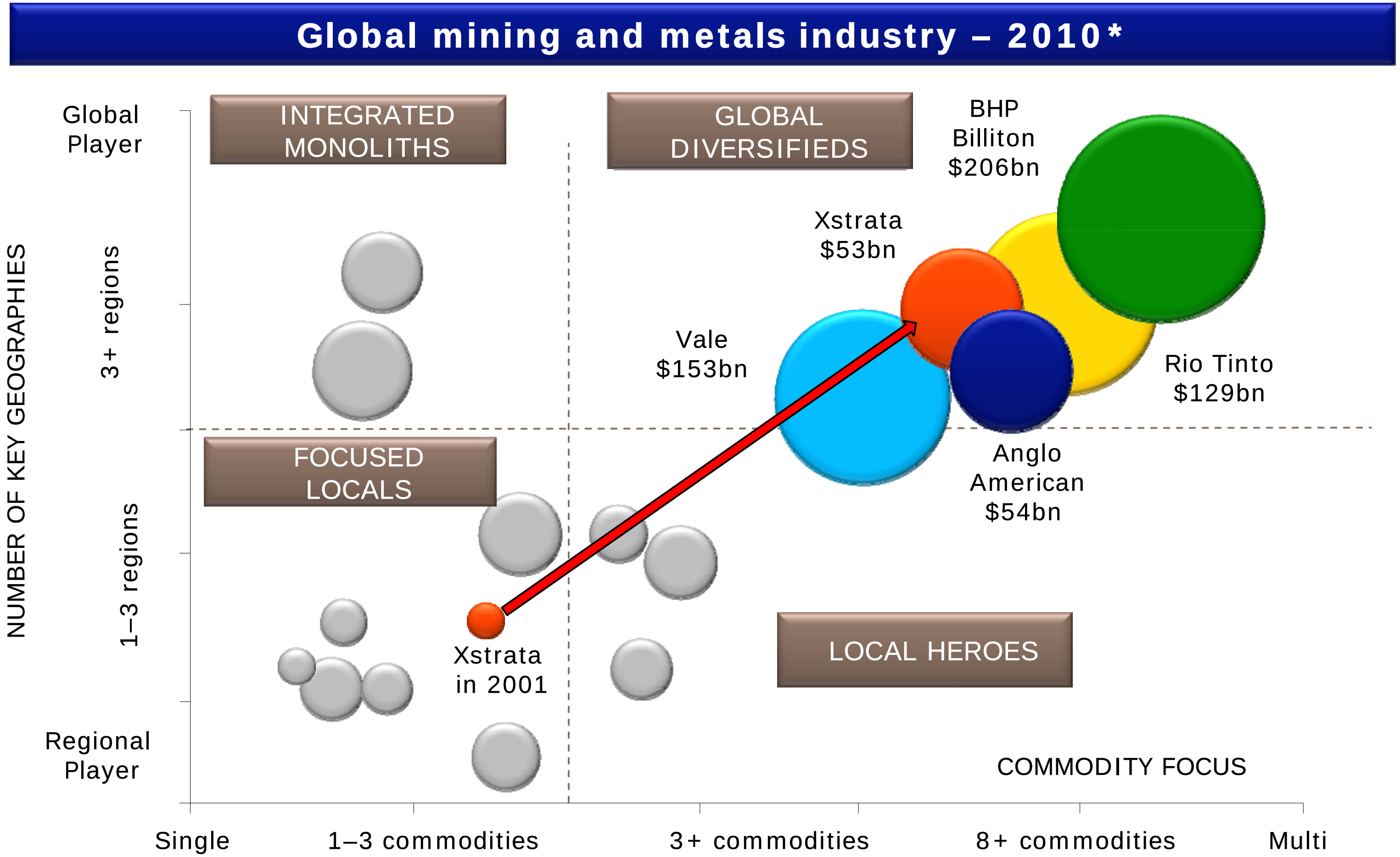


Declining projections of copper supply growth



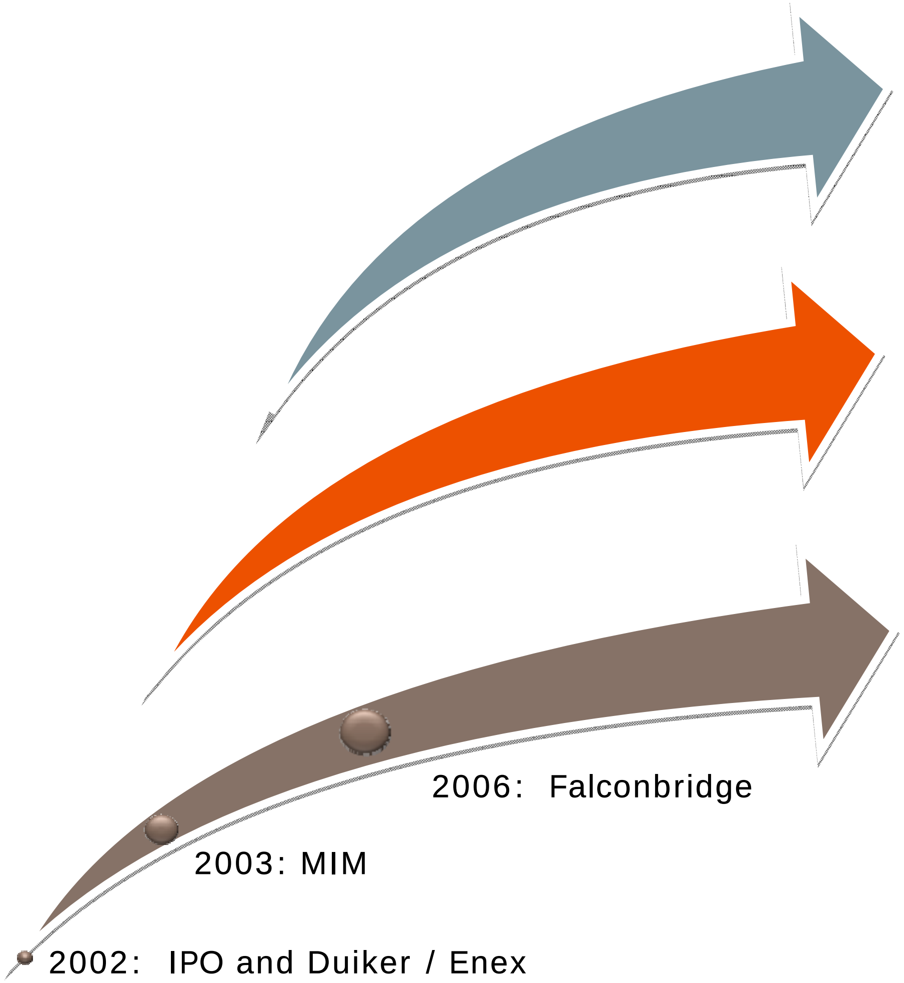
Source: BookHunt

Xstrata successfully created platform with scale, diversification and optionality



Source: * Market capitalisation as at 14 March 2010 from Bloomberg

Xstrata's strategy evolves to continue delivery of growth and value



Organic Growth

- $9bn growth capex since 2002, including successful delivery of 13 major projects

Operational Excellence

- 8 consecutive years of real cost savings
- Continuous improvement of safety performance

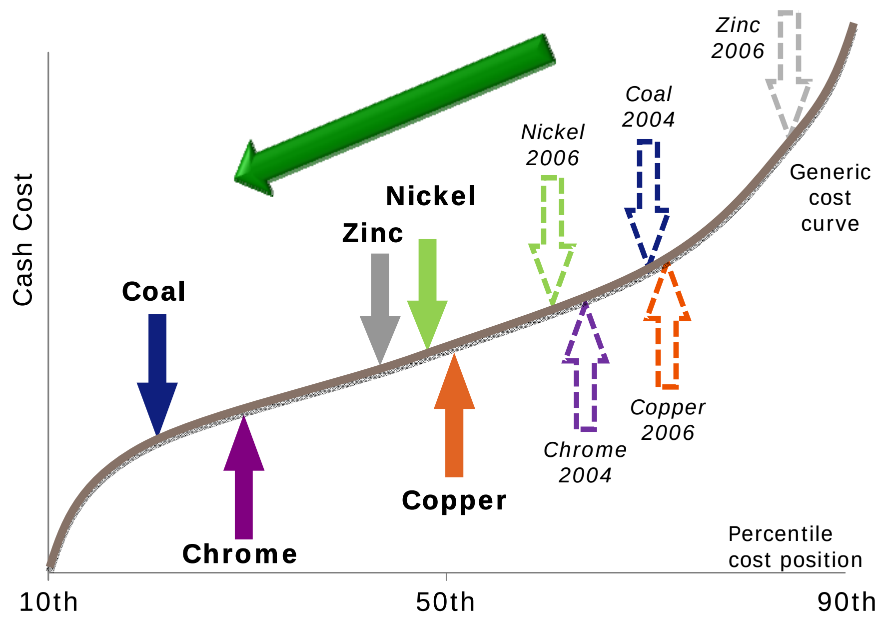
Mergers and Acquisitions

- Delivered commodity and geographic diversification
- Built scale to compete for access to resources, financial and human capital
- Created embedded growth optionality

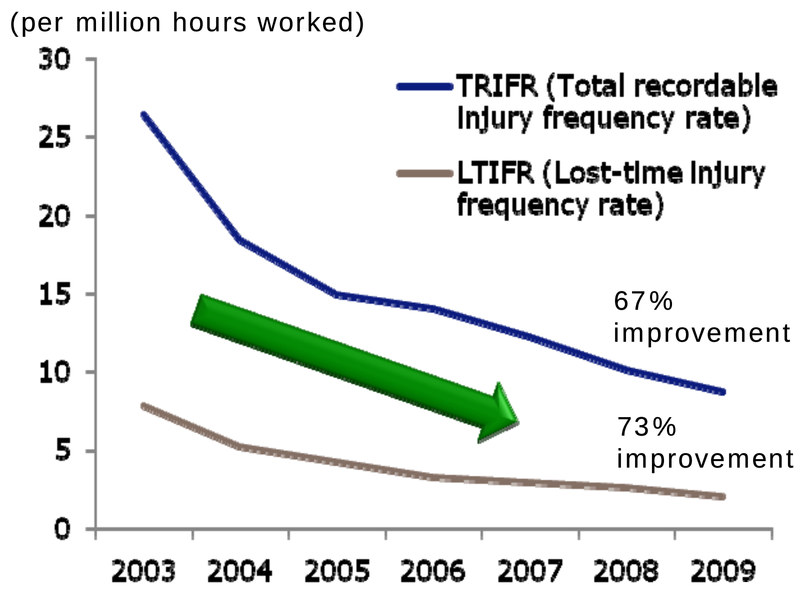
Operational excellence delivering ongoing portfolio transformation and improvement

- NPV enhancement, efficiency improvements, mine life extensions and real cost savings
- All business units towards bottom of cost curve with substantial mine life
- Continuous improvement of sustainable development and safety performance

Ongoing transformation of portfolio*



Group safety performance

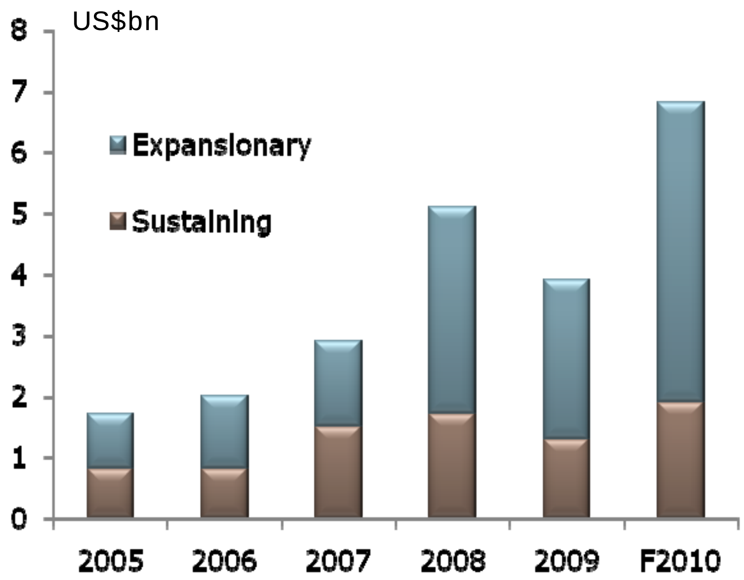


Note: * 2009 cost curves sourced from BrookHunt for base metals (using Xstrata 2009 reported C1) and Wood Mackenzie for seaborne thermal coal.

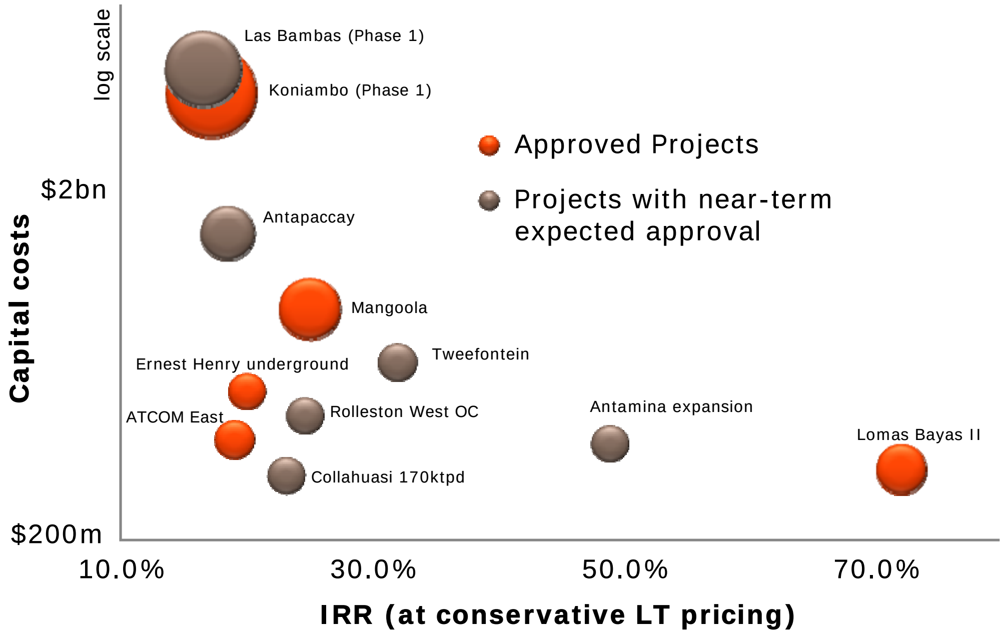
Organic growth to deliver next transformation of Xstrata's portfolio

- Attractive returns from project pipeline balanced between near-term brownfield projects and longer-term greenfield options
- Expansionary capital expenditure projected at $14 billion over next three years
- Next phase of transformation delivers significant volume growth and further cost reductions

Capital expenditure and guidance



Strong returns from project pipeline*



Note: * Bubble size denotes NPV. Selected projects shown for illustrative purposes with valuation on conservative LT pricing.

Strong pipeline of growth especially in coal, copper and nickel

- Over $8 billion of projects currently under construction with further 10 projects for approval in 2010
- Expected volume growth in copper and coal of more than 50%, and potential to double nickel volumes

Projects in implementation*

- **Alloys:** Eland Platinum
- **Coal:** Goedgevonden, Blakefield South, Mangoola, ATCOM East
- **Copper:** Lomas Bayas II, Ernest Henry Mine underground, Antamina expansion
- **Nickel:** Nickel Rim South, Koniambo

Projects for approval within next 12 months*

- **Coal:** Ravensworth North OC, Ulan West UG, Bulga Gas
- **Copper:** Collahuasi, Las Bambas, Antapaccay
- **Nickel:** Falcondo Optimisation
- **Zinc:** George Fisher expansion; Black Star OC Deeps, Bracemac

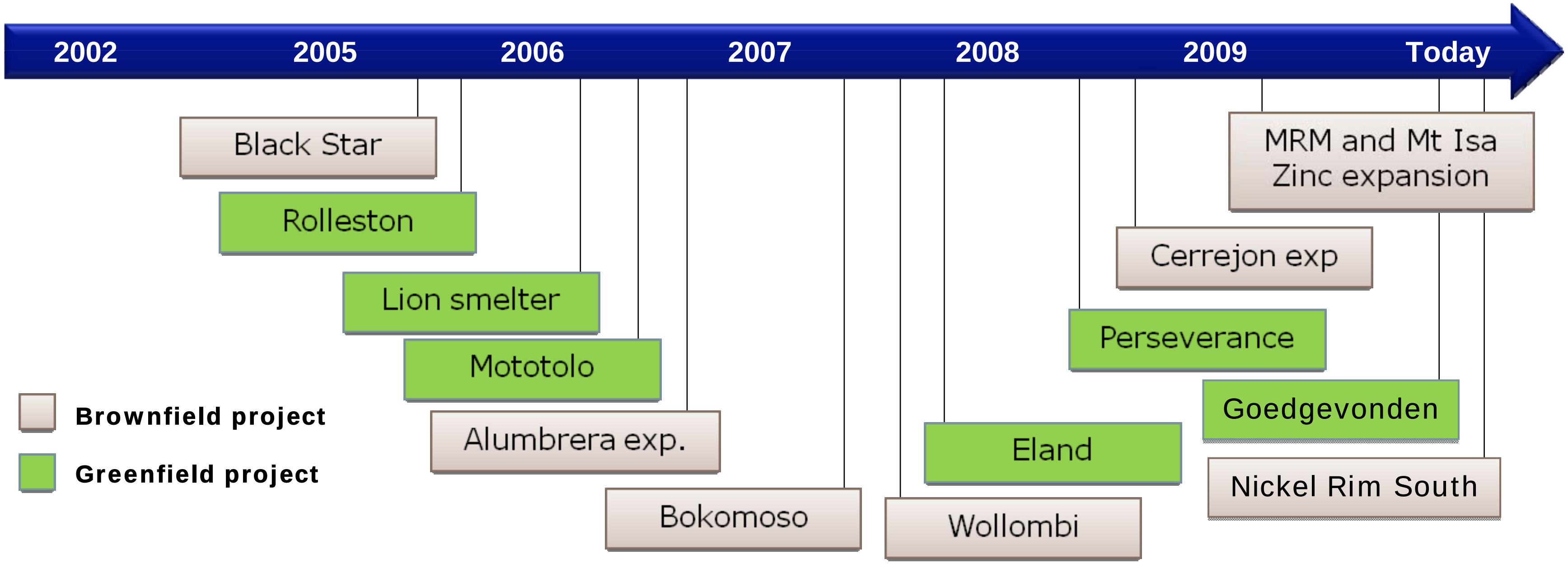
Projects in Feasibility and Scoping studies*

- **Coal:** Tweefontein, Wandoan, Sarum, United, Zonnebloem, Cerrejon expansion
- **Copper:** Tampakan, Frieda River, El Pachon
- **Nickel:** Kabanga, Araguaia
- **Zinc:** Pallas Green, Albion

Note: * Selected major projects

Strong track record in delivery of both brownfield and greenfield projects

- $9bn expansionary capital successfully delivered 13 major projects
- Skills and capability to deliver major projects
  - Project accountability and ownership rest with business units
  - Innovative approach to project design
    - Strategic alliances and standard copper concentrator
    - Best value country approach and modular construction at Koniambo
  - Experienced project development executives



Note: Selected major projects for illustrative purposes

Conclusion

- Long-term commodity fundamentals remain robust despite uncertainty in the short-term
- Xstrata portfolio offers attractive exposure to early- and mid-cycle commodities
- Transformed Xstrata portfolio positioned to deliver industry leading growth
  - Strong growth in copper, coal and nickel
  - Growth to result in further transformation of cost structure in key commodities
  - Track record of delivery of green- and brownfield growth

Appendix

Highlights: 2009 Results

- Robust operating and financial performance with strong second half momentum
  - Operating profit of $7,046 million, down 27%
  - Attributable profit of $2,773 million, down 41%
  - Record production of coal, nickel, zinc and lead
  - Cost efficiency and productivity improvements realised real cost savings of $501 million
- Xstrata emerges stronger from the downturn
  - Rapid response to downturn including curtailment of production, cash conservation, refinancing and rights issue
  - Recommencement of dividend
- Progressed delivery of industry leading growth
  - Preserved growth options through downturn
  - Investment ramped up as market conditions improved

2009 Results: Strong performance despite downturn

xstrata

Key financial results

$m	2009	2008	%
Revenue*	23,530	27,952	(16)
Operating EBITDA*	7,046	9,645	(27)
Operating profit*	4,476	7,249	(38)
EBIT	4,313	7,261	(41)
Net interest expense	(347)	(660)	47
Income tax expense	(993)	(1,634)	39
Exceptional items	(2,112)	(1,103)	(91)
Minority interests	(200)	(269)	26
Attributable profit before exceptional items	2,773	4,698	(41)
Attributable profit	661	3,595	(82)
EPS – basic ($), before exceptional items	$1.05	$2.77	(62)
EPS – basic ($)	$0.25	$2.12	(88)

Note: * Includes Prodeco for 2009

Xstrata Coal:
Enhanced position as market leader

- Creditable performance despite global downturn
  - Record thermal coal production and stronger 2nd half metallurgical coal production
  - Productivity improvements include Ravensworth, Oaky North and Mt Owen
  - Continued consolidation into tier 1 complexes
- Successful delivery of growth
  - Successful ramp-up of Glendell and Liddell expansions
  - 7Mtpa Goedgevonden currently being commissioned
  - Progress at Blakefield South, Newlands UG extension and Mangoola projects

	2009	2008	% change
Safety – TRIFR* (per million hours)	12.7	12.3	+3%
Coal sales - Thermal - Metallurgical	 80.0Mt 12.8Mt	 74.0Mt 12.3Mt	 +8% +2%
EBITDA ($million) % of group	3,013 43%	4,170 43%	(28%)
Real cost savings ($million)	107	117	

New Goedgevonden mine

Note: * Total Recordable Injury Frequency Rate

Xstrata Copper:
Transformation through growth

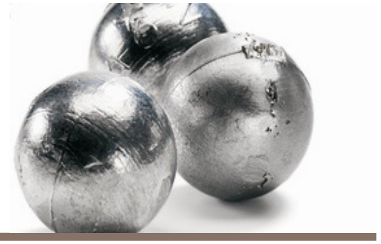
- Solid operating performance despite difficult operating conditions
  - Copper sales growth backed by strong second half production performance
  - Ramp-up of Collahuasi and Lomas Bayas expansions
  - Real cost savings maintained C1 unit cost at ~90¢/lb level
- Approval of brownfield expansions
  - Ernest Henry Mine underground, Lomas Bayas and Antamina expansions
  - Further three major approvals due for 2010

	2009	2008	% change
Safety – TRIFR* (per million hours)	4.8	7.3	(34%)
Copper sales - Mine copper** - Custom copper**	 912kt 629kt	 888kt 735kt	 +3% (14%)
EBITDA ($million) % of group	2,922 41%	3,160 33%	(8%)
Real cost savings ($million)	55	(40)	


Lomas Bayas mine, Chile

Note: * Total Recordable Injury Frequency Rate
** On payable copper basis

Xstrata Zinc:
Record operational performance



- Transformation through low capital high-return expansions
  - Record zinc production and sales
  - Restructuring and optimisation of Australian operations
  - Continued cost savings deliver 25% improvement in C1 cash costs from 58¢/lb to 44¢/lb
- Further delivery of high-return brownfield growth
  - Ramp-up of Perseverance
  - Successful delivery of Mt Isa and McArthur River expansions

	2009	2008	% change
Safety – TRIFR* (per million hours)	13.1	18.8	(30%)
Zinc sales - Concentrate - Metal	 671kt 799kt	 514kt 767kt	 +31% +4%
EBITDA ($million) (% of group)	860 12%	435 5%	+98%
Real cost savings ($million)	192	87	

Lady Loretta exploration

Note: * Total Recordable Injury Frequency Rate

Xstrata Nickel: Repositioned for growth

- Accelerated transformation amidst deterioration of market conditions
  - Restructuring of operations including early closures of end-of-life mines and suspension of Falcondo and Fraser
  - Record mined nickel production
  - Cost savings achieved dramatic reduction in unit costs from $5.63/lb to $3.80/lb
- Positioned to grow into large scale, low cost nickel producer
  - Ramp-up of Nickel Rim South on track for commissioning in 2Q10
  - Continued progress at Koniambo

	2009	2008	% change
Safety – TRIFR* (per million hours)	10.4	13.5	(23%)
Nickel sales - Mined - Refined	 50kt 90kt	 47kt 92kt	 +7% (2%)
EBITDA ($million) (% of group)	427 6%	816 8%	(48%)
Real cost savings ($million)	134	(12)	

Shaft sinking at Nickel Rim South

Note: * Total Recordable Injury Frequency Rate

Xstrata Alloys: Second half recovery

- Second half recovery from difficult first half market conditions
  - Production cutbacks in downturn with chrome capacity now brought back to 85%
  - Strong Rand and inflationary environment remains
  - Steady state production reached at Mototolo platinum
- Growth delivery on track
  - Sinking of Western Decline System at Eland has commenced
  - Other PGM exploration work showing promising initial results

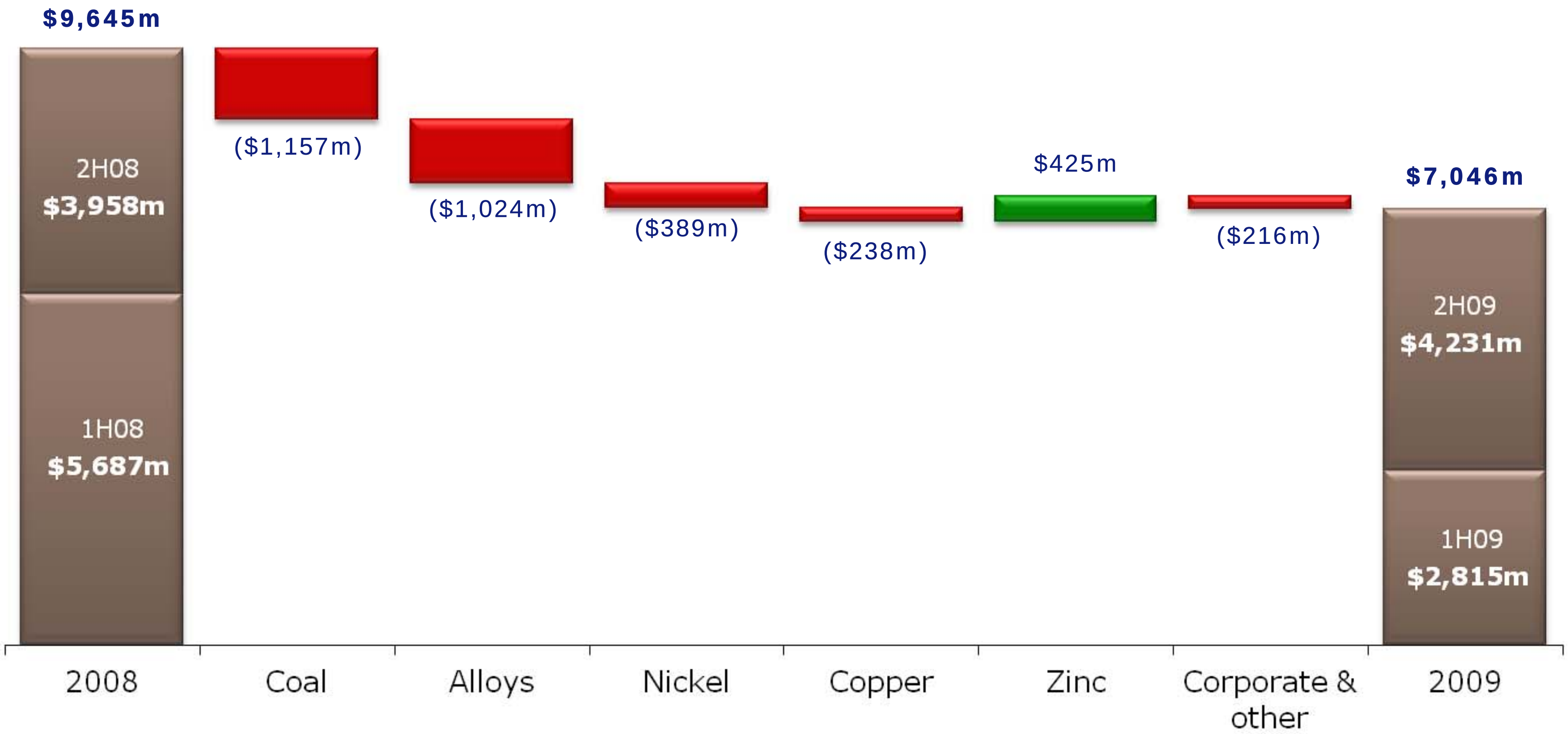
	2009	2008	% change
Safety – TRIFR* (per million hours)	4.2	4.9	(14%)
Saleable production - Ferrochrome - PGM (3PGE)	 786kt 222koz	 1,126kt 223koz	 (30%) 0%
EBITDA ($m) % of group	70 1%	1,094 11%	(94%)
Real cost savings ($million)	13	32	

Decline shaft development at Eland

Note: * Total Recordable Injury Frequency Rate

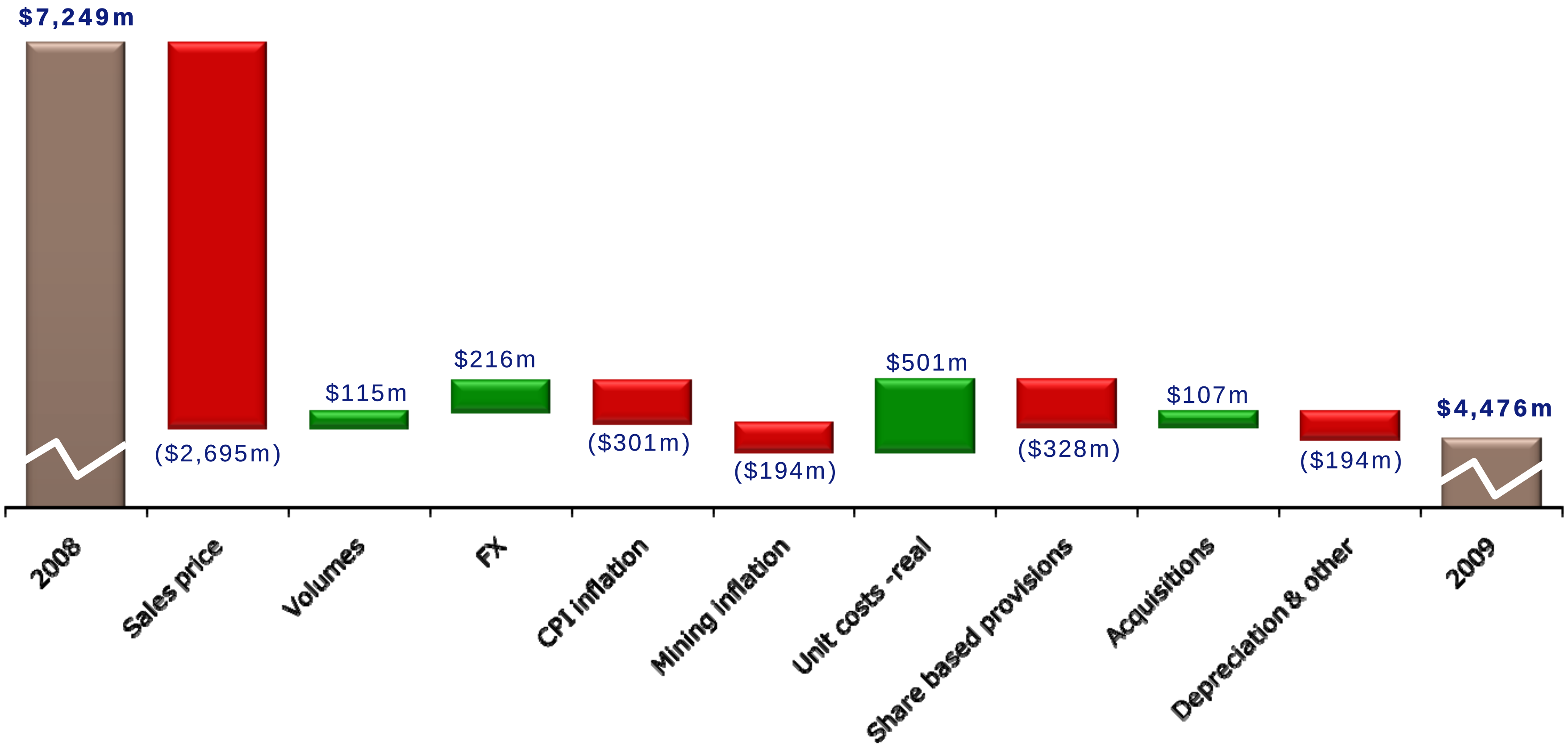
Momentum in second half performance

Operating EBITDA pre-exceptional items – 2009 versus 2008



Reduced pricing partly offset by volume growth and cost savings

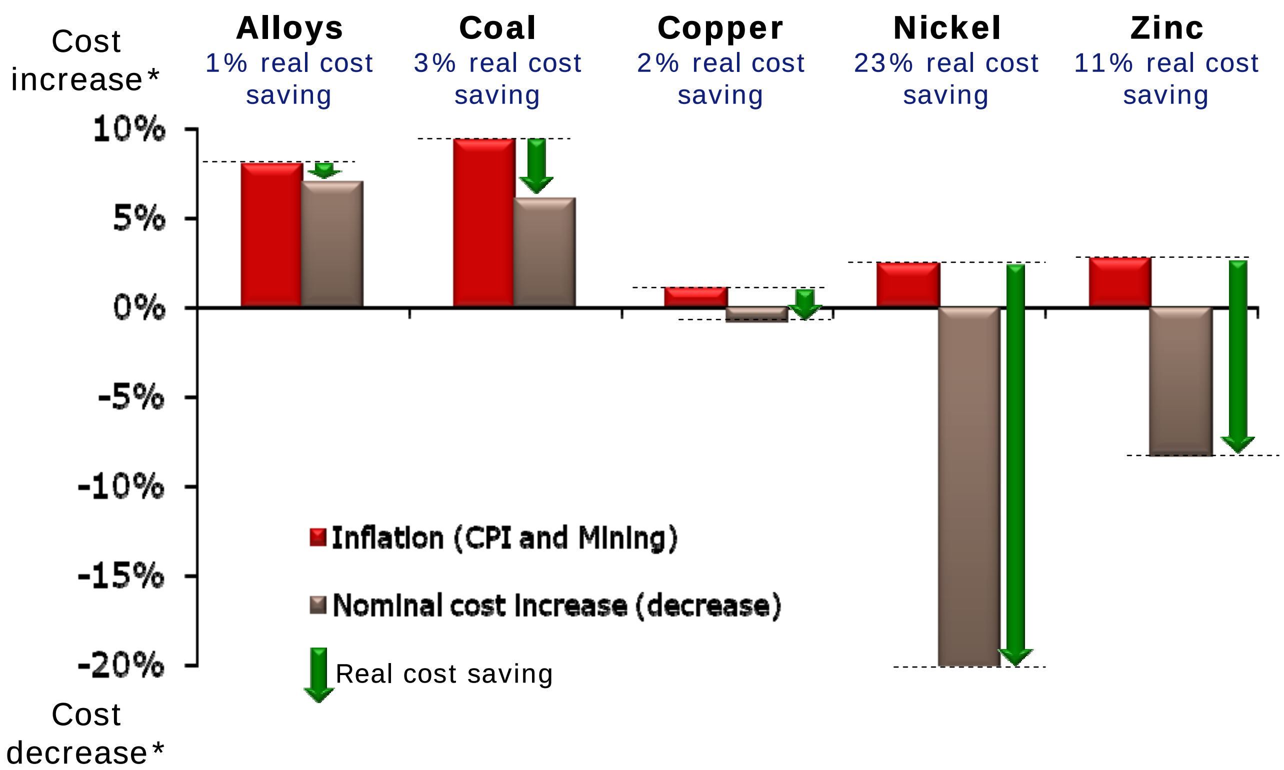
Operating profit* variance – 2009 versus 2008



Note: * Pre-exceptional items

Outstanding real cost performance from Xstrata Nickel and Xstrata Zinc

Business unit contribution to real cost savings*



Note: *Measured as % of cost base, excluding price-linked costs and FX movements

Strong second half cash generation from operations

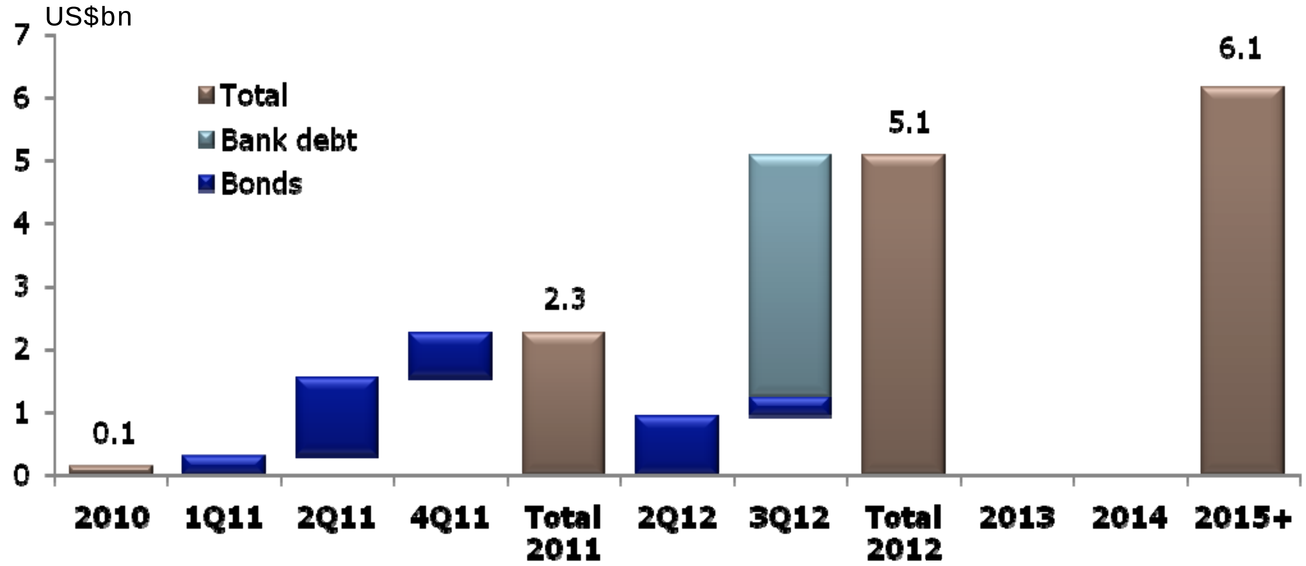
Operating cash flow

$m	H109	H209	2009
Cash generated from operations	1,564	3,740	5,304
Net interest paid	(342)	(82)	(424)
Taxation	(403)	(346)	(749)
Cash flow before capital expenditure	**819**	**3,312**	**4,131**
Sustaining capital expenditure	(502)	(764)	(1,266)
Disposal of fixed assets	7	3	10
Free cash flow	**324**	**2,551**	**2,875**
Expansionary capital expenditure	(836)	(1,482)	(2,318)
Cash flow after capital expenditure	**(512)**	**1,069**	**557**

Robust balance sheet

- Net debt reduced to \$12.3bn from \$16.0bn at end of 2008
  - Gearing* reduced to 26%, from 40% at end of 2008
- Gross debt of \$13.5bn with no material debt maturities until 2nd quarter 2011

Debt maturity profile



Note: *Gearing defined as Net Debt to Net Debt plus Equity

Capital expenditure focussed on nickel, coal and copper growth

Capital expenditure

$m	2009	2008
Expansionary:		
Alloys	49	121
Coal	687	745
Copper	436	558
Nickel	1,049	1,645
Zinc	114	377
Other	24	3
Total Expansionary - Statutory	2,359	3,449
Total Sustaining – Statutory	1,265	1,674
Total Capital Expenditure - Statutory	3,624	5,123
Prodeco	216	-
Total Capital Expenditure - Pro forma	3,840	5,123

Dividend recommencement

- Confidence in medium term outlook and Xstrata's financial position
- Dividend proposed of 8¢ per share
  - Implied total dividend of 12¢ per share for 2009
  - Record date: 23 April 2010
  - Payment date: 14 May 2010

Xstrata plc

Bloomberg: XTA LN Equity

Reuters: XTA.L

Website:

www.xstrata.com

Company address:

Bahnhofstrasse 2, PO Box 102, Zug, 3610, Switzerland

Investor Relations:

Hanré Rossouw

hrossouw@xstrata.com

Tel. +44 207 968 2820