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NEWS RELEASE

## **Xstrata plc announces agreed amendments to Management Incentive Arrangements in all-share merger with Glencore International plc**

Zug, 27 June 2012

- Retention awards for all recipients will be paid entirely in shares in the Combined Group, further aligning management's interests with shareholders
- 100% of retention awards for Xstrata Executive Directors and the other Executive Committee members will be subject to performance criteria based on realising additional cost savings as a result of the Merger in the two years following the Effective Date

Following publication of the circular on 31 May 2012 (the "Circular") which set out the terms of the Merger, including details of the proposed Management Incentive Arrangements, the Independent Xstrata Directors have engaged extensively with non-Glencore Group Xstrata shareholders. In response to shareholder feedback received, Xstrata's executive management and Independent Non-Executive Directors have consulted with major shareholders and advisers in the past few days to determine amendments to the structure of the retention arrangements in place for 73 key Xstrata managers.

Retention awards for all recipients described in the Circular will now be paid entirely in shares, further aligning management's interests with shareholders. For Xstrata's senior management, excluding the Executive Directors and six other Executive Committee members, awards will be paid in equal tranches at the first and second anniversaries of the closing of the transaction. The number of shares in the Combined Group to be awarded under the amended retention arrangements will be determined by reference to the average of the closing prices of Xstrata Shares over the seven dealing days immediately before the shareholder meetings<sup>1</sup>.

All of the retention awards for the members of Xstrata's Executive Committee, including the three Executive Directors, ("Xstrata's Management") will now be subject to the realisation of additional cost savings arising from the Merger.

The previously announced EBITDA synergy estimate of at least US\$500 million per annum includes approximately US\$50 million of cost synergies. Vesting of retention awards for Xstrata's Management will now only occur if additional cost savings are achieved over and above the US\$50 million cost savings already identified in the synergy estimate. No additional cost savings have already been identified. Full vesting of the retention award will only occur if a minimum of an additional US\$300 million of incremental cost savings arising from the Merger are achieved over the two years post completion<sup>2</sup>. Merger-related

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1 Full terms of the amended retention awards will be provided in the supplementary circular to be sent to Xstrata shareholders

2 None of the above cost savings targets are intended as a profit forecast or profit estimate and no statement in

cost savings will be realised from initiatives including reorganising the Combined Group's assets, the reduction of any duplicated costs not already identified in our synergy estimate, financial synergies and other cost savings. Additional sustainable cost savings will create further value for shareholders from the Merger on an ongoing basis. Performance in achieving merger-related cost savings will be independently verified.

For the members of Xstrata's Management other than Mick Davis, Xstrata plc CEO, up to 50% of the total award will be available to vest at the first anniversary of the Effective Date. Vesting will be on a straight line basis for additional cost savings achieved, with full vesting of the awards occurring on the first anniversary of the Effective Date if a total of US\$150 million of incremental cost savings are realised in that year. The percentage of the total award remaining unvested after the first anniversary of the Effective Date will be available to vest at the second anniversary of the Effective Date, subject to achieving incremental cost savings with full vesting only occurring if at least US\$300 million of additional cost savings are achieved in aggregate.

For Mick Davis, one third of the total award will be available to vest on the first anniversary of the Effective Date, subject to the same performance criteria outlined above. The remaining two-thirds of the total award will be dependent upon cost savings performance tested at the second anniversary of the Effective Date as above, with any award being paid in two equal instalments at the second and third anniversaries of the Effective Date.

All of the other aspects of the Management Incentive Arrangements will remain as described in the Circular and all of them (including the amended retention arrangements) will remain subject to shareholder approval and conditional upon completion of the Merger.

A supplementary circular is expected to be sent to Xstrata shareholders in due course convening a new Extraordinary General Meeting of Xstrata to consider the revised Management Incentive Arrangements and the other resolution originally contained in the Circular to implement the Merger, if approved at the Court Meeting which shall be held on that date.

Sir John Bond, Xstrata plc Chairman, said:

"The Independent Non-Executive Xstrata Directors are convinced that the merger with Glencore is in the interests of all Xstrata shareholders and will provide the best platform for value creation in the future. The merger has always consisted of three inseparable and interdependent elements – the Merger ratio, the governance and management structure and the management retention arrangements. The Independent Non-Executive Xstrata Directors strongly believe that retaining Xstrata's proven management team is essential for the success of the Merger. Xstrata management will be responsible for over 80%<sup>3</sup> of the Combined Group's earnings, 150 mining and metallurgical assets and 20 major growth projects. We would not have recommended the Merger on its current terms without arrangements to secure Xstrata's management team in the critical initial years of the Combined Group's life. Consequently, the passing of the resolutions to approve the Merger and the Management Incentive Arrangements are inter-conditional.

"During our extensive consultation with major shareholders, our owners have recognised the importance of retaining key Xstrata managers in the Combined Group. A number of shareholders have, however, raised concerns about the proposed structure of the retention arrangements. In particular they have asked us to consider awarding shares instead of cash and to include a performance condition at the executive level.

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relation to them should be interpreted to mean that earnings per share for Scheme Shareholders will necessarily be greater than those for the year ended 31 December 2011.

3 Based on the 2011 financial results of Xstrata and Glencore

“The retention awards originally agreed by Glencore and the Independent Non-Executive Xstrata Directors and contained in Glencore’s proposal to Xstrata offered the most secure means of retaining managers in a highly competitive global mining labour market. Additionally, over 80% of total annual remuneration at the executive level is already subject to performance criteria. However, Xstrata’s executive management and Independent Non-Executive Directors are sensitive to the perspective and concerns of our shareholders in the current environment and we have listened to the feedback we have received since publishing the merger documents. These amendments now allow shareholders to focus on the strategic rationale for the Merger, which the Independent Non-Executive Directors continue to support.

“We have great confidence in the ability of Xstrata’s management team to achieve superior returns for our shareholders as part of a larger, more diversified, entrepreneurial natural resources group integrated from operation to customer. The value of all retention awards will be linked to the performance of the combined group’s shares. The achievement of US\$300 million of incremental cost savings over two years to enable Xstrata’s Management retention awards to vest in full represents a stretching performance measure which, if achieved, will exceed the cost of the retention awards and improve the ongoing cost competitiveness and value of the combined group.”

The Merger has received anti-trust clearances from a number of jurisdictions, including from Canada, Turkey and Japan. Glencore and Xstrata continue to engage in constructive discussions with the European Commission and are expecting formal notification of the transaction to take place in mid- to late August. Consequently, we now anticipate completion of the Merger in early October, subject to the necessary approvals being in place.

Glencore has agreed to the proposed amendments to the retention award element of the Management Incentive Arrangements, as described in this announcement. Defined terms used in this announcement have the same meanings given to them in the Circular.

*Ends*

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## Further information

This announcement is for information purposes only. It is not intended to and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Merger or otherwise nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. The Merger is being made solely by means of the Scheme Circular, which, together with the Forms of Proxy (and any supplementary Scheme Circular and any additional form of proxy), contains the full terms and conditions of the Merger including details of how to vote in respect of the Merger. Xstrata urges Xstrata Shareholders to read the Scheme Circular and any supplementary Scheme Circular in full because they contain/will contain important information in relation to the Merger. Any vote in respect of the Scheme or other response in relation to the Merger should be made only on the basis on the information contained in the Scheme Circular and any supplementary Scheme Circular.

This announcement does not constitute a prospectus or prospectus equivalent document.

## Notice to US holders of Xstrata Shares

The Merger involves an exchange of the securities of a UK company for the securities of a Jersey company and is subject to Jersey and UK disclosure requirements, which are different from those of the United States. The financial information included in this announcement has been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The Merger is proposed to be made by means of a scheme of arrangement under the Companies Act and otherwise in accordance with the requirements of the Code. The scheme of arrangement will relate to the shares of a UK company that is a 'foreign private issuer' as defined under Rule 3b-4 under the US Exchange Act.

Accordingly, the proposed combination is subject to disclosure and other procedural requirements applicable in the UK to schemes of arrangement, which differ from the disclosure requirements of the US proxy and tender offer rules under the US Exchange Act.

Any securities to be issued under the Merger have not been and will not be registered under the US Securities Act, or under the securities laws of any state, district or of any other jurisdiction of the United States, or of any jurisdiction other than the United Kingdom. Accordingly, the New Glencore Shares may not be offered, sold, reoffered, resold, pledged, delivered or otherwise transferred, in or into any jurisdiction where such offer or sale would violate the relevant securities laws of such jurisdiction. It is expected that the New Glencore Shares will be issued in reliance upon the exemption from such registration provided by Section 3(a)(10) of the US Securities Act. Under applicable US securities laws, persons (whether or not US persons) who are or will be "affiliates" (within the meaning of the US Securities Act) of Xstrata or Glencore prior to, or of Glencore after, the Effective Date will be subject to certain transfer restrictions relating to the Glencore Shares received in connection with the Scheme. It may be difficult for US holders of Xstrata Shares to enforce their rights and any claim arising out of the US federal securities laws, since each of Glencore and Xstrata are located in a non-US jurisdiction, and some or all of their officers and directors may be residents of a non-US jurisdiction. US holders of Xstrata Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment.

If Glencore exercises its right, subject to the consent of the Panel (where necessary) and with Xstrata's prior written consent, to implement the Merger by way of a Merger Offer, the Merger will be made in compliance

with applicable US laws and regulations, including applicable provisions of the tender offer rules under the US Exchange Act, to the extent applicable.

### **Overseas jurisdictions**

The ability of Xstrata Shareholders who are not resident in the United Kingdom to participate in the Scheme may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdictions.

New Glencore Shares have neither been marketed to, nor are available for purchase or exchange, in whole or in part, by, the public in the United Kingdom or elsewhere in connection with the Merger. This announcement is not a prospectus and does not constitute an invitation or offer to sell or the solicitation of an invitation or offer to buy any security. None of the securities referred to in this announcement shall be sold, issued, subscribed for, purchased, exchanged or transferred in any jurisdiction in contravention of applicable law.

The release, publication or distribution of this announcement in or into jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the law of any jurisdiction other than the UK should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Merger disclaim any responsibility or liability for the violation of such restrictions by any person. This announcement has been prepared for the purposes of complying with English law, the Listing Rules, the rules of the London Stock Exchange and the Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside of England.

### **Forward-looking statements**

This announcement contains statements which are, or may be deemed to be, "forward-looking statements" which are prospective in nature. All statements other than statements of historical fact are forward-looking statements. They are based 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", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", "targets", "aims", "projects" or words or terms of similar substance or the negative thereof, are forward-looking statements, as well as 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. Forward-looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Glencore's or Xstrata's operations and potential synergies resulting from the Merger; and (iii) the effects of global economic conditions on Glencore's or Xstrata's business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause the actual results, performance or achievements of Glencore or Xstrata 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 Glencore or Xstrata to differ

materially from the expectations of Glencore or Xstrata, 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 Glencore combines with Xstrata), interest rate and currency fluctuations, the failure to satisfy any conditions for the Merger on a timely basis or at all, the failure to satisfy the conditions of the Merger when implemented (including approvals or clearances from regulatory and other agencies and bodies) on a timely basis or at all, the failure of Glencore to combine with Xstrata on a timely basis or at all, the inability of the Combined Group to realise successfully any anticipated synergy benefits when the Merger is implemented, the inability of the Combined Group to integrate successfully Glencore's and Xstrata's operations and programmes when the Merger is implemented, the Combined Group incurring and/or experiencing unanticipated costs and/or delays or difficulties relating to the Merger when the Merger is implemented. Such forward-looking statements should therefore be construed in light of such factors.

Neither Xstrata nor Glencore, nor any of their respective 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, which speak only as of the date hereof.

Other than in accordance with its legal or regulatory obligations (including under the Listing Rules and the Disclosure and Transparency Rules of the FSA), neither Xstrata nor Glencore is under any obligation and Xstrata and Glencore each expressly disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

#### **No profit forecasts**

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

#### **Responsibility statement**

The Independent Xstrata Directors each accept responsibility for the information contained in this announcement. To the best of the knowledge and belief of the Independent Xstrata Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this announcement for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.