GLENCORE

# ANNUAL REPORT 2011

# GLENCORE
INTERNATIONAL PLC
AND SUBSIDIARIES

ANNUAL REPORT 2011

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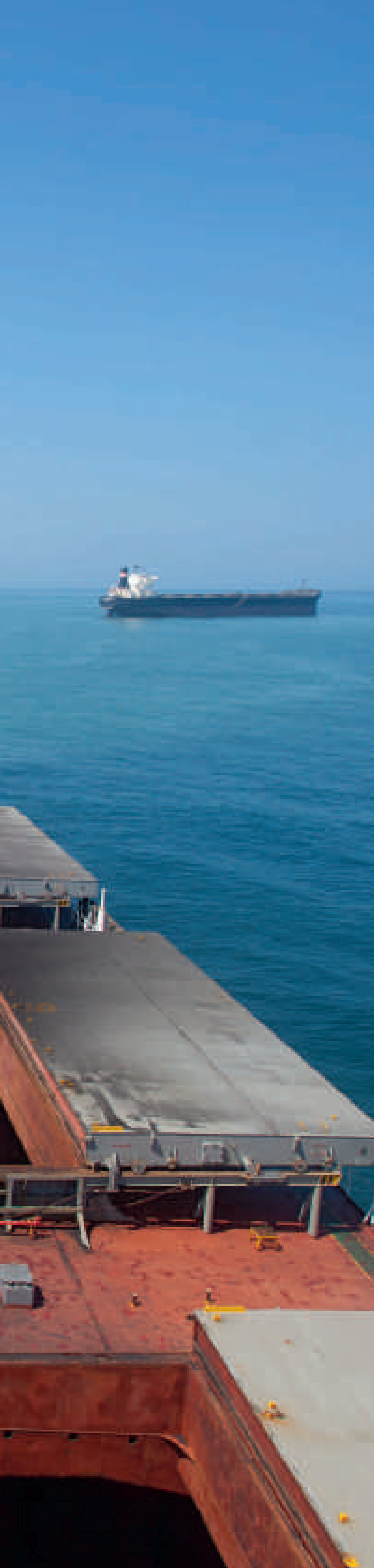


# OVERVIEW

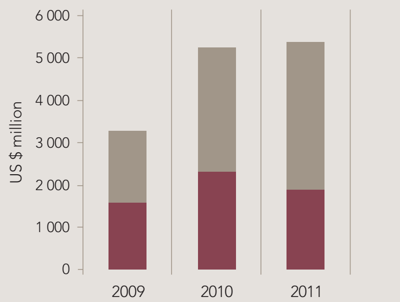
1 | Overview

# 1.1 | Performance highlights

- Income before attribution increased 4% to $ 4.3 billion in 2011.
- Industrial activities Adjusted EBIT[1] up 18% compared to 2010, benefiting from generally stronger commodity prices and increased production.
- Marketing activities Adjusted EBIT, excluding agricultural products which was adversely impacted by the unprecedented volatility and disruption in the cotton market, was over 10% higher than 2010.
- Copper equivalent[1] production volumes increased 16% in 2011 driven by a strong performance from the industrial activities including:
  - Kazzinc: completion of the new copper smelter and increased gold production;
  - Katanga: 57% production increase of copper metal contained as a result of the phase III expansion;
  - Mutanda: current production has increased 47,000 MT to 64,000 MT. The growth is part of its 110,000 MT copper development project which is tracking ahead of schedule;
  - Prodeco: 45% increase in production from 2010 attributable to the current expansion project; and
  - Aseng field in Block I – Equatorial Guinea: first oil produced in Q4 2011.
- Significant increase in Kazzinc's mineral reserves at the Vasilkovskoye, Maleevsky and Ridder-Sokolny deposits with contained gold up 50%, contained copper up 136% and contained zinc up 67%.
- Strong and improving cashflow coverage ratios with FFO[2] to Net debt[2] increasing 20% from 22.6% to 27.2% and Net debt to Adjusted EBITDA[1] falling to 2.00 times from 2.38 times.
- Following the Xstrata merger and Viterra acquisition announcements, Glencore's current credit ratings are Baa2 (review with direction uncertain) from Moody's and BBB (watch positive) from S&P.
- The Directors propose a final dividend of $ 0.10 per share, bringing the total dividend for the year to $ 0.15 per share.

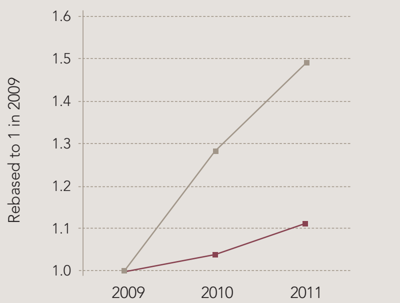
[1] Refer to glossary on page 158 for definitions and calculations.
[2] Refer to page 43.

Adjusted EBIT



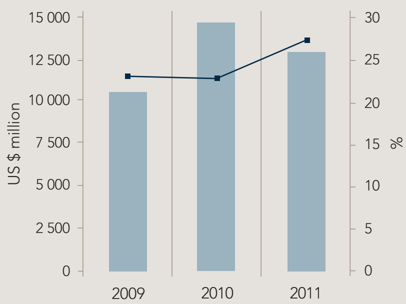

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Marketing activities | 1 591 | 2 337 | 1 911 |
| Industrial activities | 1 716 | 2 953 | 3 487 |

Cu equivalent volume growth




| | 2010 | 2011 |
|---|---|---|
| Marketing activities | 4% | 7% |
| Industrial activities | 28% | 16% |

Net debt and FFO to net debt




Net debt (US $ million)
FFO to net debt (%)

Glencore's business segments are responsible for managing the marketing, sourcing, hedging, logistics and industrial investment and production activities for their respective commodities.

Glencore's key strengths are its global scale, strong growth platform, diversity of products, ability to add value, extensive and well established customer and supplier base and industrial and marketing information flows.


### Metals and minerals

**Key commodities:** zinc, copper, lead, alumina, aluminium, ferro alloys, nickel, cobalt and iron ore, including smelting, refining, mining, processing and storage related operations of the relevant commodities.

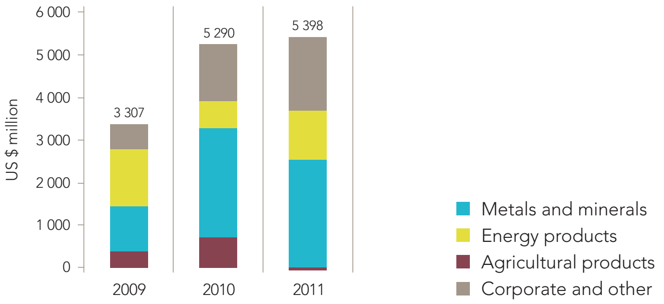
### Energy products

**Key commodities:** crude oil, oil products, steam coal and metallurgical coal supported by investments in coal mining and oil production operations, ports, vessels and storage facilities.

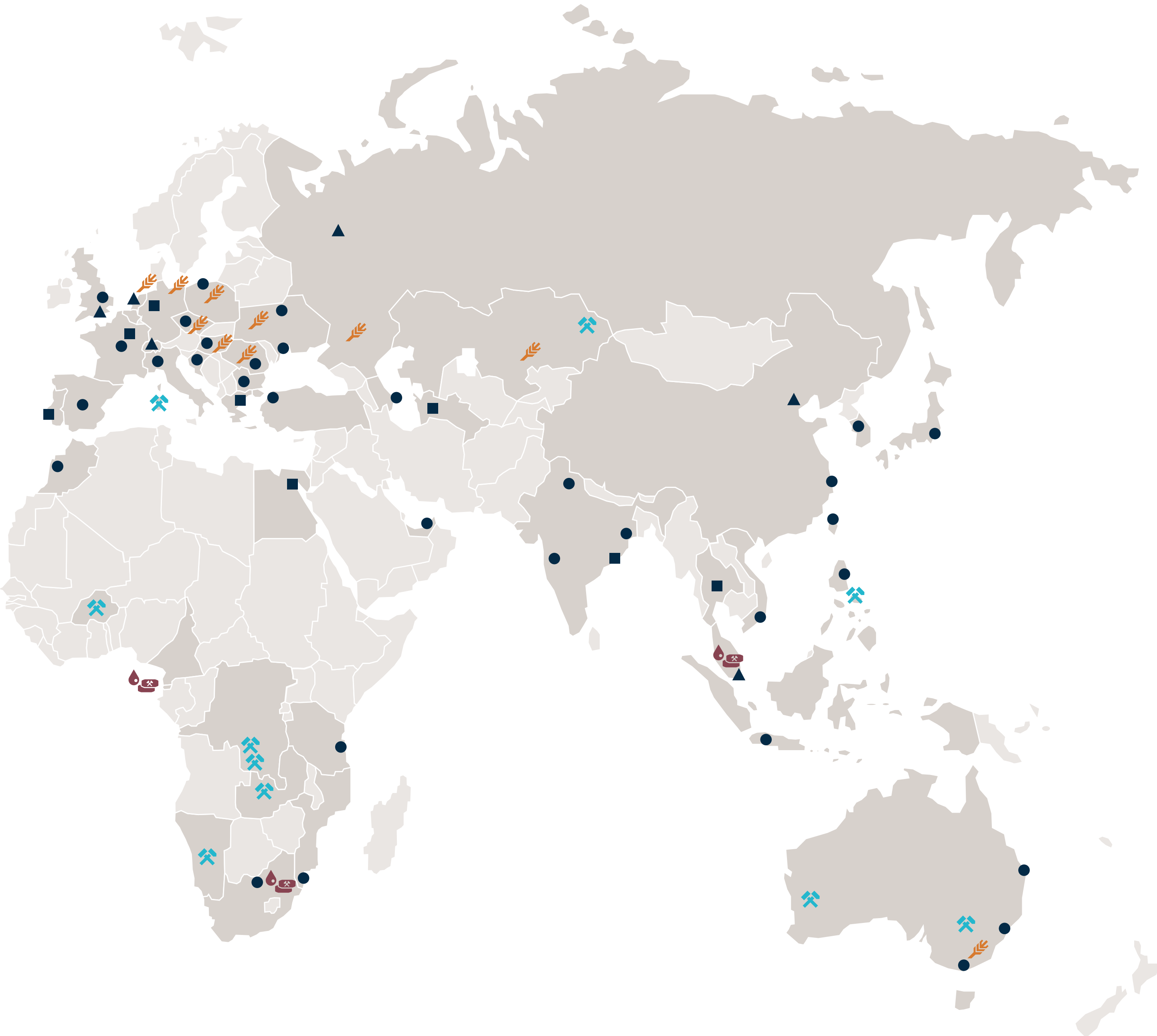
### Agricultural products

**Key commodities:** wheat, corn, barley, rice, oil seeds, meals, edible oils, biofuels, cotton and sugar supported by investments in farming, storage, handling, processing and port facilities.

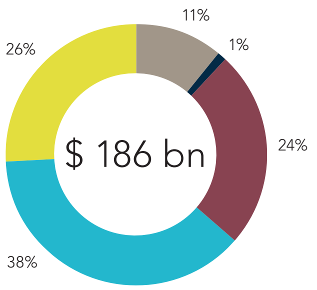
### Adjusted EBIT by segment 2011



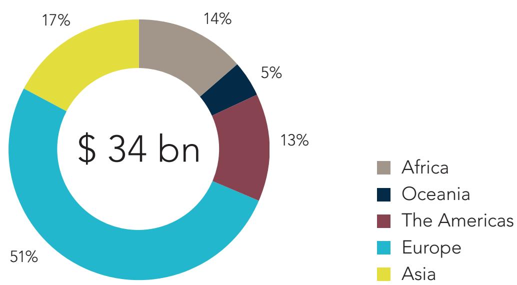
Glencore is a leading globally integrated producer and marketer of commodities with worldwide activities in the production, refinement, processing, storage, transport and marketing of metals and minerals, energy and agricultural products.



Revenue by region 2011




Non current assets by region 2011



# 1.2 | Chairman's statement

In May 2011, Glencore welcomed new shareholders on the occasion of the listing of the company on the London and Hong Kong stock exchanges. Before the Initial Public Offering, Glencore appointed a new Board which I am proud to lead as Chairman. Each Non-Executive Director has an excellent track record in an area of expertise directly relevant to Glencore's operations.

2011 was a year of achievement for Glencore, despite the economic challenges that the world faced in the period. The development and urbanisation of China, India and other higher growth countries continues. The desire of hundreds of millions of people to improve their living standards, and the challenges of growing supply to meet that the resulting demand, underpin the fundamentals of global markets for commodities in the long term.

During the year, the Non-Executive Directors and I visited some of Glencore's key assets. We were very impressed by the high quality of the operations and the commitment of Glencore people around the world. We will improve the already high standards as to ensure an even better performance in the future.

Glencore believes that sustainability must be an integral part of everything we do, enhancing the well-being of our employees, surrounding communities and local environments. In September 2011, Glencore published its first ever sustainability report. In recent years the company has established stringent global standards for Health, Safety, Environmental and Community (HSEC) relations performance under the Glencore Corporate Practice programme. During 2011, we also announced our membership of the Extractive Industries Transparency Initiative (EITI), a global effort to help Governments use funds generated from natural resources in a responsible manner.

In many cases, our industrial operations have already exceeded these standards. Challenges that remain, have the full focus of the HSEC Committee and Glencore's Board. We will report our progress in subsequent sustainability reports.

On 7 February 2012, the Boards of Glencore and Xstrata agreed an all-share merger of equals, to create a unique $ 90 billion natural resources group. The Board has unanimously agreed that the merger is in the best interests of Glencore Shareholders. It builds upon the long-standing relationship between Xstrata and Glencore to the greater benefit of both companies and their shareholders. Since Xstrata was created by Glencore and then spun-out in 2002, these two entrepreneurial companies have grown separately into leaders in the commodity industry, each with a different but highly complementary focus. Together these two companies will create a group with the capabilities and scale to play a leading role in meeting the growing global demand for commodities, whilst helping resource holding countries create value from their natural endowments.

On 20 March 2012, Glencore announced a CAD 6.1 billion acquisition of Viterra, one of the world's leading global agri-businesses and food ingredients companies with major operations across Canada and Australia. The transaction was announced in partnership with Agrium and Richardson International who have agreed to acquire part of Viterra's Canadian operations for CAD 2.6 billion. The acquisition is our first major investment in the North American agricultural sector and reflects Glencore's strong belief in the importance and future potential of the Canadian and Australian grain markets. It will also allow us to be well placed to participate in future growth opportunities across the North American market.

It is an exciting time for Glencore and for you, our shareholders.

Simon Murray
Chairman

# 1.3 | Chief Executive Officer's review

2011 witnessed a number of events which inevitably disrupted the pattern of the global economy in the short term and with it the demand for commodities. The Japanese Tsunami severely impacted domestic and regional supply/demand patterns, while the Arab Spring tightened the outlook for global energy markets with resultant higher prices in oil. This had broader ramifications for the global economy as it struggled to sustain the growth delivered during 2010 as the issue at the heart of the 2008 – 09 financial and economic crisis, namely general levels of indebtedness in developed economies, remained unaddressed. The dilemma for governments of developed economies since then has been and remains how to maintain consumption and investment growth while attempting to signal serious intent to the bond markets about reducing sovereign debt.

In light of this challenging economic environment we are pleased that Glencore has been able to continue to deliver a healthy financial performance with Glencore net income, pre-significant items, increasing by 7% to $ 4.1 billion in 2011. This increase was supported by solid underlying profitability in the marketing business against a generally difficult market backdrop. The industrial business benefited from stronger average prices for the key commodities it produces as well as the increased production at many operations including Prodeco, Katanga, Kazzinc and Mutanda.

The improved financial performance and extensive fund raising activities completed during the year provides us with a resilient balance sheet and financial flexibility with close to $ 7 billion of committed liquidity at the end of the year, over twice the stated $ 3 billion minimum we set ourselves. This financial flexibility allowed us to continue to pursue various inorganic growth opportunities as we announced a number of bolt on acquisitions including Umcebo, Optimum Coal and Rosh Pinah Zinc. In addition, we also completed the takeover offer in respect of the minority shareholding in Minara Resources.

Our listing on the London and Hong Kong Stock Exchanges in May 2011 was the largest ever IPO of ordinary shares on the premium listing segment of the London Stock Exchange and the first simultaneous London primary and Hong Kong secondary IPO. The resulting governance and shareholder structure serves to align the interests of all stakeholders in the Company. The Board of Directors proposes a final dividend of $ 0.10 per share for 2011.

Glencore's IPO also coincided with the start of the next stage of our journey of value creation which will see us deliver organic industrial growth conservatively in excess of 50% by 2014, substantially ahead of our peer group average. This in turn should help drive volumes and enhanced returns within our marketing business, particularly in copper, coal and oil. In 2011, our key industrial expansion projects continued to progress with the portfolio overall on track and within budget giving us confidence that we can deliver considerable growth in the next twelve months even absent an improvement in the economic environment.

The announcement on 7 February 2012 of our proposed merger with Xstrata is the logical next step for two complementary businesses to create a new powerhouse in the global commodities industry. This is a natural combination which will realise immediate and ongoing value from marketing the combined Group's products to maximise supply chain margin opportunities including via blending, swapping and storing to meet customers' needs more efficiently and cost effectively. Furthermore, the combined Group's enhanced scale, diversification and financial flexibility in combination with Glencore's existing relationship with thousands of third-party commodity producers worldwide, is expected to allow us to capitalise on more opportunities to grow the enlarged asset base. The new Company, Glencore Xstrata, will be the most diverse major resource group which will be in a position to realise immediate and ongoing value for its shareholders.

Looking ahead, in the short-term we expect a continuation of the healthy growth seen within emerging markets during 2011. Whilst looking to the longer term, we see no change to the fundamental drivers for healthy markets in our major commodities. Emerging market urbanisation will continue to increase commodity intensity per capita as people strive to improve their living standards to a level which is taken for granted in developed societies. China will continue to remain the central driving factor given its existing scale, resources and growth objectives.

Ivan Glasenberg
Chief Executive Officer

# 1.4 | Business overview

## OUR BUSINESS

### Overview

Glencore is a leading integrated producer and marketer of metals and minerals, energy and agricultural products. Glencore operates globally, marketing and distributing physical commodities sourced from third party producers and its own production. Glencore's customers and suppliers number in excess of 8,000 and span the automotive, steel, power generation, oil and food processing industries. Glencore also provides financing, logistics and other essential services to producers and consumers.

Glencore's long experience as a commodity marketer has allowed it to develop its expertise in the commodities which it markets. Glencore has also cultivated long-term relationships with a broad supplier and customer base across diverse industries and geographic regions. Glencore's marketing activities are supported by investments in industrial assets operating in Glencore's core commodities. Glencore's marketing operations are believed to be less correlated to commodity prices than its industrial operations, due to commodity price risk being substantially hedged.

As a marketer, Glencore is able to differentiate itself from other production entities as, in addition to focusing on minimising costs and delivering operational efficiencies, Glencore focuses on maximising the efficiency of the entire supply chain, taking into account its extensive and global third party supply base, its logistics, risk management and working capital financing capabilities, extensive market insight, business optionality, extensive customer base, competitive market position in most commodities and economies of scale. In contrast, this is not the business model of Glencore's mainly industrial competitors who are generally not set up to exploit the full range of value added margin and arbitrage opportunities which exist throughout the commodity supply chain.

### Businesses

Glencore conducts its operations in three business segments: Metals and minerals, Energy products and Agricultural products. Glencore's business segments are responsible for managing the marketing, sourcing, hedging, logistics and industrial investment activities relating to the commodities which they cover.

| Glencore | | |
|---|---|---|
| **Metals and minerals** | **Energy products** | **Agricultural products** |
| Zinc/copper/lead | Oil | Grains |
| Alumina/aluminium | Coal/coke | Oils/oilseeds |
| Ferroalloys/nickel/cobalt/iron ore | | Cotton/sugar |

Glencore's marketing and industrial investment activities are supported by a global network of more than 50 offices located in more than 40 countries throughout Europe, North, Central and South America, the CIS, Asia, Australia, Africa and the Middle East. Glencore's main offices are located in Baar (Switzerland), Stamford (Connecticut), London, Rotterdam, Beijing, Moscow and Singapore. This network provides Glencore with significant worldwide sourcing and distribution capabilities. Glencore's marketing operations employ close to 3,000 people worldwide, while industrial operations directly or indirectly employ over 58,000 people in 33 countries. Refer to the map on page 10 and 11 for more details on the locations of offices and operations.

Glencore has an established record of successful strategic investments in industrial assets which have become an important component of its physical marketing activities. Glencore intends to continue to pursue selective strategic acquisitions and alliances to support and strengthen its core physical marketing activities as and when opportunities arise. Glencore evaluates each industrial asset investment opportunity on a stand-alone basis, however, also recognising its potential to support and strengthen Glencore's physical marketing activities or its existing industrial operations. Similarly, Glencore evaluates disposals of industrial assets when they are no longer deemed to support its marketing activities and/or when compelling selling opportunities arise.

Glencore's three business segments focus on the following commodity segments:

- The metals and minerals business segment focuses on: zinc/copper/lead, alumina/aluminium and ferroalloys/nickel/cobalt/iron ore. The activities of Glencore's metals and minerals business segment are supported by ownership interests in controlled and non-controlled industrial assets such as mining, smelting, refining and warehousing operations;
- The energy products business segment focuses on: oil/oil products and coal/coke. The activities of Glencore's energy products business segment are supported by ownership interests in controlled and non-controlled coal mining and oil production operations as well as investments in strategic handling, storage and freight equipment and facilities; and
- The agricultural products business segment focuses on: grains (including wheat, maize and barley), oils/oilseeds, cotton and sugar. The activities of Glencore's agricultural products business group are supported by investments in controlled and non-controlled storage, handling and processing facilities in strategic locations.

## OUR STRATEGY

Glencore's strategy is to maintain and strengthen its position as one of the world's leading diversified natural resources groups.

### Strategic objectives

- Continue to leverage geographic scope and diversification of operations: Glencore intends to extend product and geographical range offered to suppliers and customers.

- Capitalise on strategic investments in industrial assets: Glencore's strategic investments in industrial assets are an important component of its physical sourcing strategy for its marketing activities. Glencore believes these investments underpin Glencore as a reliable supplier for its customers.

- Use additional capital and liquidity to grow the business: Glencore believes the initial public offering provided resources now available to fund future growth opportunities as they arise.

- Focus on cost management and further enhancing logistical capabilities: Glencore intends to continue its focus on cost control and operational efficiencies at its industrial assets and on the sourcing of competitively priced physical commodities from reliable third party suppliers.

- Maintain conservative financial profile and investment grade ratings: Glencore's conservative financial profile and investment grade credit ratings have enabled it to consistently access the required funding on competitive terms and maintain healthy levels of liquidity. Glencore intends to maintain its investment grade credit ratings.

- Disciplined risk management: Glencore intends to continue its focus in this key area by maintaining and expanding its risk management resources, information systems and culture.

- Place highest priority on employees, the environment and local communities: Glencore places the highest priority on its employees, the environment and the local communities where it operates.

## MARKETING ACTIVITIES

### Function of marketing activities

Glencore's marketing activities source a diversified range of physical commodities from third party suppliers and from industrial assets in which Glencore has full or part ownership interests. These commodities are sold, often with value added services such as freight, insurance, financing and/or storage, to a broad range of consumers and industrial commodity end users, with many of whom Glencore enjoys long-term commercial relationships.

### Types of arbitrage strategies

Many of the physical commodity markets in which Glencore operates are fragmented or periodically volatile. As a result, discrepancies often arise in respect of the prices at which the commodities can be bought or sold in different geographic locations or time periods, taking into account the numerous relevant pricing factors, including freight and product quality. These pricing discrepancies can present Glencore with arbitrage opportunities whereby Glencore is able to deploy capital to generate profit by sourcing, transporting, blending, storing or otherwise processing the relevant commodities. Whilst the strategies used by Glencore's business segments to generate such margin vary from commodity to commodity, the main arbitrage strategies can be generally described as follows:

- Geographic: where Glencore leverages its relationships and production, processing and logistical capabilities in order to source physical commodities from one location and deliver them to another location where such commodities can command a higher price (net of transport and/or other transaction costs);
- Product related: where it is possible to exploit the blending or multi-use characteristics of the particular commodities being marketed, such as the various crude oil products, coal or metal concentrates, in order to supply products which attract higher prices than their base constituents, or exploit existing and/or expected price differentials; and
- Time-related: where it is possible to exploit a difference between the price of a commodity to be delivered at a future date and the price of a commodity to be delivered immediately, where the available storage, financing and other related costs until the future date are less than the forward pricing difference.

Arbitrage ensures markets function more efficiently by delivering supply to where it is most needed, in time, geography or product.

Glencore uses market information made available by its marketing and industrial teams across its many locations to identify arbitrage opportunities. Glencore's marketing and investment activities and relationships with producers and consumers of raw materials are supported by a global network providing Glencore with visibility over shifting supply and demand dynamics in respect of sizeable volumes of physical commodities across the globe. The detailed information from Glencore's widespread operations and close relationships with producers, consumers and logistics providers often enables Glencore to identify opportunities, taking into account its extensive logistics capabilities, to source and supply physical commodities at attractive margins.

### Logistics

Glencore's logistics operations are a key part of its marketing operations. They enable Glencore to fulfil its marketing obligations and to maximise arbitrage opportunities created by demand and supply imbalances. Physical sourcing and marketing of commodities requires highly professional handling and shipment of such goods from the supplier to the customer, including storage activities, as required. Typically, the staff handling the physical movement of goods (the "traffic team") account for a significant proportion of the headcount of a business segment. Glencore's dedicated chartering teams actively trade freight to gain market knowledge and volume benefits. The freight element of transactions is furthermore used to maintain maximum physical optionality so that full value can be extracted from the underlying commodity positions of each department. This complements Glencore's overall ability to seize geographic and time spread arbitrage opportunities as they arise.

## INDUSTRIAL ACTIVITIES

Glencore's ownership of controlled and non-controlled industrial assets is designed to generate attractive stand-alone returns and overall business diversification. They also serve as a way to source physical supply for Glencore's marketing arm and provide further market insight and technical know-how. Glencore believes that its corresponding reduced reliance on third parties helps to ensure that suppliers and customers alike see Glencore as a more reliable counterparty.

Glencore capitalises on investment opportunities created by, among other things, (i) the privatisation of natural resources producers primarily in emerging markets, (ii) the rebalancing of asset portfolios by other players in the natural resources industry and (iii) further industry consolidation as smaller producers sell out and/or seek capital to fund growth.

Any decision to acquire or dispose of an industrial asset is based on the stand alone potential of the asset and its potential contribution to Glencore's marketing activities and requires group level approval. Once acquired, an asset is held within one of the business segments. The business segments manage the controlled and non-controlled industrial assets via hands-on "asset controllers" to interface between the asset and Glencore in respect of day to day operating, financial and commercial matters. Glencore's approach to the management of its industrial assets differs from some of its key competitors in that Glencore encourages its industrial assets to focus on the elements of operating performance, which businesses can directly control.

## MARKET REVIEW

2011 was a year characterised by recurring sovereign liquidity and solvency crises, widespread popular uprisings and large scale natural disasters. In the background, China, the dominant force in global commodity consumption continued to tighten credit conditions in order to keep inflation in check. The US economy remained lacklustre with household formation and job creation both muted, and business confidence weak. All of these factors had important effects on the levels of prices and demand for our major commodities.

The year started optimistically and the first six months saw 2010's positive momentum in prices and absolute demand levels continue. However, as the year progressed, the fundamental impetus faded somewhat in the face of China's deliberate deceleration of its economy, rising global oil prices and the re-emergence of Eurozone debt concerns. Against this backdrop, the second half of 2011 was a challenging period for global financial markets in particular, with governments' reactions to sovereign debt issues and fiscal policies having a strong daily influence on investor sentiment and behaviour. This in turn affected the pricing for many of our commodities although the impact on end demand was more muted.

In spite of this more difficult environment, the vast majority of commodities posted gains in average prices compared to 2010, with only those that are fundamentally over-supplied (e.g. ferrochrome and cobalt) falling year-on-year. The early gains in prices were largely driven by stronger industrial output, generally positive momentum in the global growth cycle and the impact of the various liquidity injections of 2010. However, the Chinese government's determined intervention to ease inflation undoubtedly reduced apparent demand for many industrial commodities during 2011, with the rate of steel production growth in particular declining as the year progressed. This resulted from slower growth in end demand in combination with tighter credit conditions which helped drive down inventory levels within the supply chain. The resurfacing of grave Eurozone debt issues during H2 2011 triggered a renewed sell-off in risk assets, including commodities, with the rest of the world joining the destocking cycle. Investment demand from commodity indices also generally declined during 2011. So while annual average prices were generally up in 2011, a comparison of absolute December 2011 and December 2010 prices better conveys the challenging nature of commodities markets over the past year and in particular during the second half.

Base metals' prices decreased between 14% and 26% in December 2011 compared to December 2010, with each metal in the complex trading relatively in-line with the others. Precious metals were both more disparate in their performance and more volatile, with silver and gold both ending 2011 at higher levels. Oil (and oil products) and gold delivered the best returns in 2011. Oil was largely driven by the Libyan supply disruption and general political uncertainty within the Middle East. Gold prices continued to benefit from negative global real interest rates and the combined resurgence in gold buying by central banks (as a diversifier of reserves) and investors (as a safe haven). Tensions in the Middle East persist, and it is particularly noteworthy that the situation in Iran has the potential to dramatically alter the oil supply/demand balance. The price of oil has a unique ability to be self correcting at either end of the price spectrum given its importance to global growth and as such it will remain a defining factor for global growth in 2012.

With less exposure to financial market sentiment, bulk commodities were on the whole steadier than exchange traded metals during 2011. Thermal coal in particular remained broadly flat for the majority of 2011, with Australian flooding, US exports and the Japanese Tsunami driving uncertainty in the commodity's supply/demand balance. Coking coal retreated from the spike induced by the flooding, although the decline is less pronounced than that seen in the later stages of 2010. Iron ore was reasonably stable for much of the year, but dramatically fell away in October facing a Chinese buyers strike before eventually recovering at the end of year below the $ 140/t level.

Agricultural commodities had a turbulent 2011, with the markets reaching peaks in the summer of 2011. While the sector is typically less susceptible to macro headwinds (e.g. weak fixed asset investments (FAI), industrial production (IP) and GDP growth) than the industrial and energy commodities, a combination of uncertain politics, unfavourable weather and generally low inventory levels drove prices up materially. Prices eventually stabilised in the fourth quarter. While agricultural commodities may not revisit last year's highs in 2012, a combination of improving non-OECD demand, continued low inventory levels and an uncertain supply outlook across many sub-groups should keep prices well supported around recent levels.

Subject to developments in Iran, we continue to expect commodity prices to remain largely supply driven during 2012. Generally, inventories remain below average levels in most major commodities. We continue to see customer behaviour and physical premia consistent with this view. This is a key differentiator to the environment in 2008, when a major element of the correction in global industrial production was caused by the de-stocking of inventories. With most commodities producing at close to capacity levels and with broadly declining grade levels globally, the scope for supply disappointments remains very real. 2011 has reminded us once more how weather and production disappointments are liable to compound supply issues when assets are operating close to capacity levels. Operating and capital costs have also continued to rise ahead of expectations around the commodity space, which is putting continued pressure on marginal costs.

On a longer term horizon, we see no change to the fundamental drivers for healthy demand in our major commodities. Emerging market urbanisation will continue to increase commodity intensity per capita, as developing economies strive to improve their living standards to the level of OECD countries. China will remain the central driving force on account of its existing scale, inherent potential and demonstrable commitment to deliver growth and development. The precise growth rates and the patterns they form will clearly vary by country, reflecting developing economies' heterogeneous political and cultural structures. However, we firmly believe that the common theme will remain one of healthy long-term demand growth for the commodities which we supply.

### New capital investment

Glencore is focused on delivering industry-leading organic production growth which in turn will help drive growth within its marketing business. In this regard, Glencore is very focused on delivering this growth in a capital efficient manner.

As a result of currently approved projects for metals and minerals and energy products, Glencore's own production, on a 100% basis, in copper equivalent units (using current commodity price forward curves), is forecast to increase from 1.1 million tonnes in 2011 to in excess of 1.7 million tonnes in 2015, a Compound Annual Growth Rate (CAGR) of 13%.

In 2011, overall, our key industrial growth projects continued to progress on track and within budget giving confidence that Glencore can deliver considerable growth in the next few years, even absent an improvement in the economic environment.

The meaningful production growth experienced by the African Copperbelt assets in 2011 is expected to continue into 2012. One of the key drivers of this growth is the Updated Phase IV Expansion at Katanga which was approved in Q4 2011. This expansion will entail the construction of an additional 100,000 tonnes per annum solvent extraction plant and an in-pit crusher at the KOV Open Pit, which should allow Katanga to increase its copper production to 270,000 tonnes per annum of LME Grade A copper by December 2013 and thereafter to 310,000 tonnes per annum.

At Mutanda, the optimisation of the front end of the Phase III plant and the associated cobalt circuit is expected to be completed by the end of Q2 2012 and Q4 2012 respectively which, along with the already commissioned EW4 tank house, will result in the overall hydrometallurgical complex being capable of producing 110,000 tonnes per annum of copper cathodes and 23,000 tonnes per annum of cobalt in hydroxide at design feed grades. Mutanda also continues to assess various other expansion options and is currently considering whether to expand the plant capacity to 210,000 tonnes per annum (with an initial cost estimate of $ 670 million) or to expand the existing plant capacity to 150,000 tonnes per annum in conjunction with the construction of a new 100,000 tonnes sulphide concentrator.

Mutanda, Katanga and Kansuki are engaged in a project to secure power for all three operations through the refurbishment of two turbines at the Inga dam which is expected to provide 450 megawatts of electricity. The project is being executed in partnership with Société Nationale d'Electricité, the national power operator in the Democratic Republic of Congo with an initial cost estimate of $ 340 million, recoverable via future lower tariffs.

The Smelter Phase III project at Mopani is currently underway which includes the installation of three new converters, gas cleaning equipment and a second acid plant, which will improve sulphur dioxide emissions capture to above 97%. The project is on schedule. In addition the Synclinorium project, a major new shaft development, should provide access to 115 million tonnes of copper ore and is expected to yield 4 million tonnes per annum of ore by 2018, replacing production from the current ore bodies.

Glencore's metals' industrial asset growth is also expected to be driven by Kazzinc. The new IsaSmelt copper smelter was commissioned in August 2011 and is forecast to ramp-up production to its design capacity of 70,000 tonnes per annum during 2012. In addition, ore processing at Altyntau Kokshetau (Kazzinc's gold unit) is forecast to ramp up to its design capacity of 8.0 million tonnes per annum by 2013 (from an estimated 7.0 million in 2012), with gold (including silver in gold equivalent) production expected to exceed 800,000 toz per annum.

Growth in the Energy Products industrial assets is expected from Prodeco as it ramps-up capacity to 21 million tonnes by Q4 2013 through development primarily of the Calenturitas mine. Also, construction of the new direct loading port (Puerto Nuevo in Cienaga) is currently underway which will provide Prodeco with higher annual throughput capacity and lower operating costs compared to the current port at Puerto Zuñiga. This project is on schedule and is expected to be commissioned in Q1 2013.

In addition, the West African oil portfolio will further contribute to the Energy Products industrial asset's growth. After Aseng (Block I) commenced first oil production in November 2011 ahead of schedule, the development of the Alen gas/condensate field (Block O) remains on track for first production in late 2013 with a target flow rate of 37,500 bbl per day. Further exploratory drilling is scheduled in 2012 in respect of various blocks in Cameroon and Equatorial Guinea.

For the Agricultural Products business unit, a five year expansion plan is in place at Rio Vermelho which is due to increase crushing capacity from 1 million tonnes to 2.6 million tonnes. There are significant organic expansion projects underway, primarily via build of additional crushing capacity in Argentina, Hungary, Poland and Czech Republic.

### Key objectives for 2012

In 2012, Glencore plans to invest some $ 2.9 billion of its current three year $ 5.3 billion capital expenditure plan, as it continues its primarily brownfield development strategy. This is expected to generate significant growth in own-production (in copper equivalent terms) in line with Glencore's objective of doubling same between 2011 and 2015. These developments include the continued consolidation and expansion of the copperbelt assets, however have not factored in significant further expansion potential of the South African coal portfolio, taking into account the recently completed Umcebo and Optimum investments.

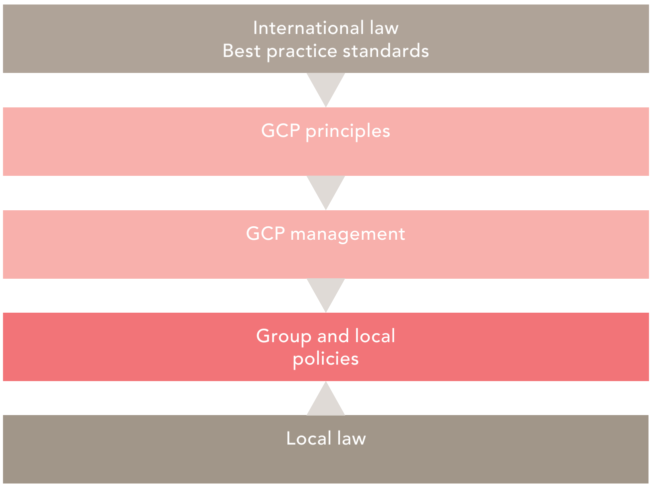
Glencore will continue to look for sensible value accretive acquisitions as opportunities arise for further enhancement of its platform for future growth and returns and also continue to focus on cost efficiencies across its industrial activities, particularly in an industry currently experiencing cost pressures from various sources.

Cash generation, liquidity and the maintenance of its investment grade credit ratings will remain key focus areas for Glencore, including managing existing financing facilities and tapping new funds as appropriate to maintain a strong financial profile in order to deliver Glencore's growth strategy.

Glencore's Board has agreed an all-share merger of equals with Xstrata to create a leading global integrated producer and marketer of commodities. Upon completion, Glencore Xstrata will realise near term value from marketing the combined group's products, be able to capitalise on more growth opportunities than the sum of either company alone and better optimise the combined group's pipeline of development projects.

# 1.5 | Sustainability

Glencore Corporate Practice (GCP) is designed to ensure robust business practice for sustainability and other non-financial business areas, throughout all Glencore business segments and commodity departments, at both corporate and local levels. It meets internationally-accepted best practice standards for corporate governance and management of non-financial activities. We use it to continuously improve performance in these areas, and to develop internal and external understanding and acceptance of how we manage sustainability.




## THE SCOPE OF GCP

The GCP requirements are mandatory for everyone at Glencore. This applies throughout our marketing activities, and in all industrial activities where we own over 50% or have operational control.

## GCP GOVERNANCE

Responsibility for GCP development and implementation lies with our Health and Safety, Environment and Communities (HSEC) committee, established by Glencore's Board in 2011. Chaired by an independent Board member, this committee provides the leadership, control and guidance needed to ensure group-wide adherence to the GCP framework.

The committee evaluates how effectively Glencore identifies and manages environmental and health and safety risks, and assesses our compliance with the relevant regulations. It assesses the impact of Glencore sustainability programmes on our employees, local communities and other third parties, as well as the impact on our reputation.

The committee receives management reports on all fatalities and serious accidents (and the resulting actions), and evaluates and oversees all sustainability reporting to external stakeholders, on behalf of the Board. It reviews the results of any independent audits of Glencore's sustainability performance, and any management strategies and action plans in response to issues raised, making recommendations to the Board as appropriate.

## PROGRESS OVERVIEW FOR 2011

### Health and safety

It is with great sadness that we report 18 fatalities at our operations in 2011. We also saw lost time injury frequency rates that were slightly higher, although not fully comparable with 2010. These results clearly reinforce our focus on continuous improvement in health and safety.

To this end, our HSEC Board committee initiated and conducted baseline assessments of health and safety in 2011, assisted by an internationally renowned independent third party. Assessments started at our South American metals operations in January 2012, and will be rolled out across all operations over the rest of the year. These assessments are designed to improve the transparency of our health and safety management and provide additional input for taking any necessary corrective action and improvements. This is a further step along the road to achieving our aim of a zero harm operation.

### Environment

We experienced no serious environmental accidents (classified as "Class A: Major" by our environmental incident reporting system) in 2011. We believe this reflects the robustness of our procedures and policies, particularly in light of our extensive and complex activities. These activities are not limited to the extraction of natural resources but also include significant logistical operations: for example, maritime transportation.

The majority of Glencore's industrial assets are brownfield, rather than greenfield, operations. Greenfield projects are particularly prone to issues that involve disturbing land upon which people live or rely for their livelihoods, or which has specific environmental value: for instance natural beauty, or valuable ecosystems, habitats or biodiversity. In contrast, brownfield legacy issues often require equipment upgrades or, in extreme cases, partial or complete rebuilding of facilities. This must generally be done while continuing production to maintain local levels of employment. This may result in a situation where our approach is challenged and subjected to scrutiny by local or global stakeholders, such as NGOs or the media. Challenges typically focus on the timescales of our improvement projects, rather than our end objectives. This is because timescales for complex projects can be particularly lengthy and may not match the expectations of observers and other stakeholders. This has been the case for some of our operations in 2011.

As stated in our GCP commitments, we are committed to continuously reducing the environmental impact of our operations. 2011 saw further improvements, with many initiatives commenced, implemented or completed this year.

One legacy issue subject to significant local and global stakeholder scrutiny in 2011 involved our Mopani smelter operation. The smelter emissions have had a negative impact on air quality in the town of Mufulira in Zambia since its commissioning in 1937. Mopani's improvement projects continued in 2011, including modernisation of the smelter, which is progressing to an accelerated timetable. The pace of work, by both Mopani's workers in Zambia and equipment manufacturers elsewhere, enabled us to announce that the modernisation will be finished by the end of 2013. This is 18 months ahead of the target agreed with the Zambian government in the environmental management plan. Once completed, we will capture over 97% of our emissions meeting international standards on emissions capture.

In 2011 we also continued with significant investments in our DRC operations, located in the province of Katanga. We continued the commissioning of our greenfield Mutanda copper and cobalt hydrometallurgical plant in accordance with a phased approach. This has allowed us to use the latest environmental techniques including the construction of a double lined tailings facility.

At Katanga Mining Ltd, our brownfield project in DRC, we continued upgrading the copper and cobalt metallurgical facilities. We continue to address environmental legacy issues and where possible accelerate solutions to reverse these. In February 2012 we completed construction of the effluent discharge system which will neutralise and discharge all effluent from the plants into a tailings facility, bringing to an end a legacy issue spanning more than 50 years. However, in the meantime the situation has also attracted NGO and media attention. Working in such an environment inevitably means that there are many challenges ahead, but we are satisfied that our responsible development of DRC resources continues to provide improved living conditions for the local population and over ten thousand quality jobs. In addition, Glencore makes significant direct voluntary contributions towards schools, hospitals and other infrastructure for nearby communities.

2011 was also an important year for our coal operations in Colombia, which made huge progress in expanding its two operating mines, as well as the construction of new direct-loading port facilities. This is expected to be one of the world's leading coal ports, with a direct loading system that is world-class in safety, efficiency and environmental protection.

As part of our first sustainability report, we estimated our greenhouse gas emissions across the group. This showed that emissions from our shipping activities outweigh those from land equipment. Consequently, we launched a project in 2011 to explore opportunities for reducing our shipping fuel consumption by systematically examining the energy efficiency of our time-chartered vessels.

### Communities

At our Calenturitas coal project, based in Cesar province, Colombia, we are undertaking a resettlement project in conjunction with three other mining companies. Air quality monitoring in the area led to a governmental decree to resettle three communities, with approximately 600 households expected to be affected. The air quality concern is attributed to the operations of all four concession owners in the region, one of which is Prodeco. All four companies are committed to resettling residents in compliance with World Bank standards and their own corporate principles. During an assessment and community consultation carried out in 2011, it became clear that residents' expectations were not being met by the government-owned operator managing the project, and that the process required greater transparency. For this reason, the four concession owners have now appointed an additional external team to support and expedite activities. Drawn from a world-renowned company with both local Colombian and international resettlement expertise, the team was deployed at the beginning of 2012. They plan to meet with community representatives in Plan Bonito, El Hatillo and Boqueron to collaboratively establish negotiation committees, create committee rules and procedures and agree a resettlement action plan.

We also continued our established programme of social development projects in 2011. We aim to tailor these programmes to the needs of the local communities.

In the DRC, projects included the construction of a new on-site hospital for our workers in Kolwezi (and their dependants), a new clinic at Mutanda, and a dispensary in the villages of Kando and Lualaba, which will provide medical services for more than 5,000 people. We continued with the rehabilitation and maintenance of the roads of the Kolwezi district and in addition rehabilitated the Kolwezi runway and airport. We continued with donations in the forms of medical supplies to local hospitals and books and desks for local schools. Glencore completed the construction of the 102-bed Kisangani hospital in the northern province of Orientale. In March 2012, Glencore also completed the construction of the 75-bed Pweto hospital in the south of the Katanga province. Both new facilities include state-of-the-art medical equipment, and cater for a variety of specialised fields of medicine.

In Zambia, Mopani undertook a sanitation infrastructure project in the Wusakile township, with the construction of some 1,500 new sanitation units. This was identified as an area where Mopani could contribute to the people of Wusakile and bring an end to the recurrent outbreaks of typhoid fever. The rehabilitation of the Kitwe bypass and the Sabina-to-Mufulira National roads were also undertaken during 2011. Mopani continued its involvement in schooling and health programmes, which have been running for many years. Our malaria programme enjoys continued success with the malaria incident rate in the town of Kitwe reducing from 200 out of every 1,000 people in 2001 to 7.7 out of every 1,000 people in 2011. The Mopani HIV/AIDS programme continues to be successful, with the transmission rate from mother to child reducing from 35% in 2005 to below 3% in 2011.

### Product stewardship

In 2010, our agricultural division qualified for the International Sustainability and Carbon (ISCC) certification scheme, in order to meet the requirements of the European Renewable Energy Directive (for sustainable biofuel production supply chains). For 2011, we expanded this supply chain integrity programme to our crushing plants in Argentina, crop cultivation in Australia and country offices in Europe.

Our product stewardship activities in 2010 were largely characterised by preparations for the new European substance registration requirements for REACH (the European Union's chemical control act). Building on those achievements, 2011 saw product safety integrated further into our marketing activities. For our EU customers, this included implementation of an electronic safety datasheet distribution system, which we intend to roll out globally in the future.

### Reporting

We issued our first public sustainability report (covering the year 2010) in 2011. This is available at www.glencore.com/sustainability. We plan to issue our 2011 report in the summer of 2012, which will include further details of the GCP management programme.

## THE GCP PROGRAMME

The full GCP programme will incorporate Glencore's group-wide sustainability targets and objectives to the existing GCP framework. This will allow us to measure and report on our progress towards fulfilling our GCP commitments.

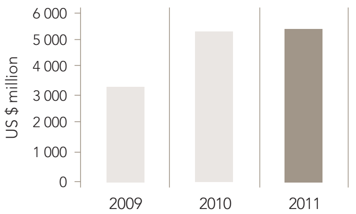
Roll out of the GCP programme is a key sustainability milestone for 2012; top-level targets and objectives will be published in our 2011 sustainability report.

Every business within the group will contribute its own set of objectives to the programme, where necessary, appropriate for its specific operations and aligned to the group targets. Periodic assessments, management reviews and corrective action plans should ensure that performance is in line with the GCP requirements, objectives and targets.

# 1.6 | Key performance indicators

Glencore's financial and sustainable development key performance indicators (KPIs) provide some measure of our performance against key drivers of our strategy.

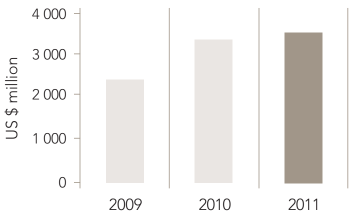
## Adjusted EBIT




Adjusted EBIT is a measure that provides insight into Glencore's overall business performance (a combination of cost management, seizing market opportunities and growth) and the corresponding flow driver towards achieving an industry leading return on equity. Adjusted EBIT as defined in the glossary on page 158 consists of revenue less cost of goods sold and selling and administrative expenses plus share of income from associates and jointly controlled entities and dividend income as disclosed on the face of the consolidated statement of income, excluding significant items.

2011 Adjusted EBIT was up 2% to $ 5,398 million compared to 2010, with industrial activities benefiting from stronger commodity prices and increased production and marketing activities impacted by unprecedented volatility and disruption in the cotton market.

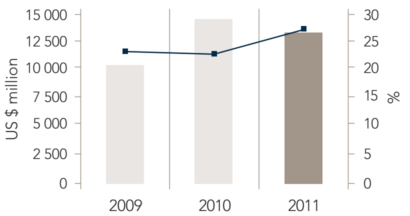
## Funds from operations (FFO)




FFO is a measure that reflects Glencore's ability to generate cash for investment, debt servicing and distributions to shareholders as well as an indictation of Glencore's ability to deliver against its growth and financial flexibility objectives. FFO comprises cash provided by operating activities before working capital changes less tax and net interest payments plus dividends received and adding back listing related expenses in 2011.

2011 FFO was up 6% to $ 3,522 million compared to 2010, broadly consistent with the increase in Adjusted EBIT above.

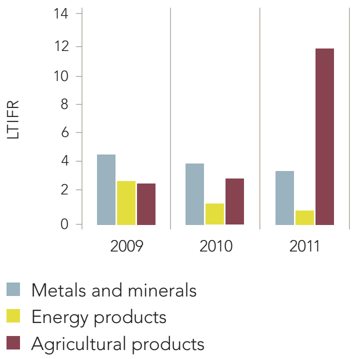
## Net debt/FFO to net debt




Net debt is an absolute measure of how we are managing our balance sheet and capital structure, while of equal or greater importance, the relationship of FFO to net debt is an indication of our financial flexibility and strength, a key driver of our strategy. Net debt is defined as total current and non-current borrowings and commodities sold with agreements to repurchase less cash and cash equivalents, marketable securities and readily marketable inventory.

2011 Net debt decreased 12% to $ 12,938 million compared to 2010, with the proceeds raised from the Listing offset by capex, working capital and business acquisition related investments. The ratio of FFO to net debt improved to 27.2% in 2011 from 22.6% in 2010.

## Lost time injury frequency rate (LTIFR)




The lost time injury frequency rate (LTIFR) is a key measure of how we are delivering against our commitment to the health and safety of our employees. The LTIFR is calculated based on the total number of injuries per million hours worked (by both employees and contractors)

Group 2011 LTIFR increased from 3.44 to 3.75, although this increase does not appropriately recognise the improvements achieved in metals and minerals and energy products which reduced from 3.92 and 1.18 to 3.29 and 0.81 respectively. Agricultural products reported an almost four-fold increase in LTIFR to 11.96, primarily attributable to enhanced reporting and portrayal of a selection of hazardous working conditions, such that a like for like comparison is not particularly meaningful in 2011, however will be so going forward.

## Number of environmental Class A accidents

We undertake extensive and complex activities which are not limited to the extraction of natural resources but also include significant logistical operations such as maritime transportation. To measure the robustness of our procedures and policies, we use ultimately the occurrence of Class A environmental accidents in the group. We classify disastrous or close to disastrous environmental accidents as Class A. Class A stands for incidents or spills with a major environmental impact that have a long-term effect reversible only by long-term remediation with aftercare.

No Class A environmental accidents were reported in 2011 (2010: nil; 2009: 2).

# 1.7 | Principal risks and uncertainties

Glencore's business, results of operations or financial condition could be materially and adversely affected by competitive, economic, political, legal, regulatory, social, business and financial risks and uncertainties. The risks described below are those that Glencore currently believes may materially affect it although this is not an exhaustive list. Additional risks and uncertainties not currently known to Glencore, or those which are currently deemed to be immaterial, may become material and adversely affect Glencore's business, results of operations, financial condition and/or prospects.

The results may differ significantly from those previously projected as a result of certain factors, including the risks which it faces, as described below. The order in which the following is presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on Glencore's business, results of operations, financial condition and/or prospects. These principal risks and uncertainties should be considered in connection with any forward looking statements in this document and the cautionary statement.

## EXTERNAL

### Fluctuation in expected volumes of supply or demand for the commodities in which Glencore markets

Glencore is dependent on the expected volumes of supply or demand for commodities in which Glencore is active, which can vary over time based on changes in resource availability, government policies and regulation, costs of production, global and regional economic conditions, demand in end markets for products in which the commodities are used, technological developments, including commodity substitutions, fluctuations in global production capacity, global and regional weather conditions and natural disasters, all of which impact global markets and demand for commodities.

IMPACT: Fluctuations in the volume of each commodity produced or marketed by Glencore could materially impact Glencore's business, results of operations and earnings. These fluctuations could result in a reduction or increase in the income generated in respect of the volumes handled by Glencore's marketing activities, or a reduction or increase in the volume and/or margin in respect of commodities produced by Glencore's industrial assets.

MITIGATION: The risk of fluctuations in demand for the commodities in which Glencore markets is managed by maintaining a diversified portfolio of commodities to market, reducing the impact of movement in any one commodity market. Individual commodities, even apparently closely linked products such as barley and wheat, have their own demand cycles reducing over-reliance on any single product.

### Fluctuation of commodity prices

The revenue and earnings of Glencore's industrial asset activities and to a lesser extent its marketing activities are dependent upon prevailing commodity prices. Commodity prices are influenced by a number of external factors, including the supply of and demand for commodities, speculative activities by market participants, global political and economic conditions and related industry cycles and production costs in major producing countries.

IMPACT: Fluctuations in the price of commodities produced or marketed could materially impact Glencore's business, results of operations and earnings. The impacts that fluctuating commodity prices have on Glencore's business differ between its marketing activities and industrial activities:

**Marketing activities:** In a market environment in which prices for a particular commodity are higher on average, the premiums/margins that Glencore generates in its physical marketing operations relating to such commodity as a result of geographical, time and quality imbalances tend to be higher. Glencore also generally benefits from fluctuating market prices, rather than long periods of stable prices, as it seeks to physically arbitrage such resulting price differentials. As prices of commodities rise, Glencore generally has higher working capital financing requirements over the same quantity of commodities in question. During periods of falling commodity prices, the opposite applies in that Glencore will require less working capital financing for its marketing activities.

**Industrial activities:** Higher prices will be particularly favourable to the profitability of Glencore in respect of those commodities which Glencore produces at its industrial assets or are produced by its associated companies and other investees. Similarly, low prices will negatively impact Glencore's industrial activities and could result in such activities incurring losses.

A significant downturn in the price of commodities generally results in a decline in Glencore's profitability during such a period and could potentially result in a devaluation of inventories and impairments. Although the impact of a downturn on commodity prices affects Glencore's marketing and industrial activities differently, the negative impact on its industrial activities is generally greater, as the profitability in the industrial activities is more directly exposed to price risk due to its higher level of fixed costs, while Glencore's marketing activities are ordinarily substantially hedged in respect of price risk and principally operate a service-like margin-based model.

MITIGATION: The risk of fluctuations in commodity prices is managed by maintaining a diversified portfolio of commodities, reducing the impact of movement to any individual commodity price. In addition, Glencore continuously reviews and looks to optimise its asset portfolio to ensure it is sufficiently cost effective and efficient and a substantial portion of our inventory is either under contract for sale at a predetermined price or hedged through futures and options on commodity exchanges or with highly rated counterparties. Therefore, at any one time, the commodity price risk is restricted to a small proportion of the working capital balance. Financial expense risk during periods of low commodities prices is mitigated by maintaining an investment grade rating and a mix of floating and fixed rate funding options, the former generally passed on via the transactional terms in marketing arrangements.

## Fluctuation in currency exchange rates

The vast majority of Glencore's transactions are denominated in U.S. Dollars, while operating costs are spread across several different countries the currencies of which fluctuate against the U.S. Dollar.

IMPACT: The vast majority of transactions undertaken by both Glencore's marketing and industrial activities are denominated in U.S. Dollars. However, Glencore is exposed to fluctuations in currency exchange rates:

- through its industrial activities, because a large proportion of the operating costs of these assets are denominated in the currency of the country in which each asset is located, the largest of such currency exposures being to the Australian Dollar, the Kazakhstan tenge, the Colombian Peso and the Canadian Dollar via Glencore's stake in Xstrata;
- through the costs of Glencore's global office network, which are denominated largely in the currency of the country in which each office is located, the largest of such currency exposures being to the Swiss Franc, the Pound Sterling and the Euro; and
- through its marketing activities, although only a small minority of purchase or sale transactions are denominated in currencies other than U.S. Dollars.

Foreign exchange rates have seen significant fluctuation in recent years and a depreciation in the value of the U.S. Dollar against one or more of the currencies in which Glencore incurs significant costs will therefore result in an increase in the cost of these operations in U.S. Dollar terms and could adversely affect Glencore's financial results.

MITIGATION: Glencore manages the risk of fluctuating currency exchanges rates by operating in a number of different geographies and by hedging specific future non U.S. Dollar denominated commodity purchase or sale commitments.

## Geopolitical risk

Glencore operates and owns assets in a large number of geographic regions and countries some of which are categorised as developing, complex and having unstable political or social climates and, as a result, is exposed to a wide range of political, regulatory and tax environments. These environments are subject to change in a manner that may be materially adverse for Glencore, including changes to government policies and regulations governing industrial production, foreign investment, price controls, export controls, tariffs, income and other forms of taxation (including policies relating to the granting of advance rulings on taxation matters), nationalisation or expropriation of property, repatriation of income, royalties, the environment and health and safety.

IMPACT: The geopolitical risks associated with operating in a large number of regions and countries, if realised, could affect Glencore's ability to manage or retain interests in its industrial activities and could have a material adverse effect on the profitability, ability to finance or, in extreme cases, viability of one or more of its industrial assets. Although Glencore's industrial assets are geographically diversified across various countries, disruptions in certain of its industrial operations at any given time could have a material adverse effect on Glencore's marketing business.

MITIGATION: Geopolitical risk is managed through geographical diversification of commodities and operations, continuous monitoring and dialogue through and with Glencore's network of field offices and a commitment to engage proactively with employees and the communities in which it operates, in order to maintain and improve its licence to operate.

## Compliance with a significant number of laws and regulations

As a diversified production, sourcing, marketing and distribution company conducting complex transactions globally, Glencore is exposed to and subject to extensive laws and regulations governing various matters. These include laws and regulations relating to bribery and corruption, taxation, anti-trust, financial markets regulation, environmental protection, management and use of hazardous substances and explosives, management of natural resources, licences over resources owned by various governments, exploration, development of projects, production and post-closure reclamation, the employment of expatriates, labour and occupational health and safety standards, and historic and cultural preservation.

IMPACT: These laws and regulations could allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety and other impacts of Glencore's past and current operations, and could lead to the imposition of substantial fines, penalties, other civil or criminal sanctions, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of violations and/or orders to take preventative steps against possible future violations. Moreover, the costs associated with compliance with these laws and regulations are substantial and any changes to these laws could cause additional expenditure (including capital expenditure) to be incurred or impose restrictions on or suspensions of Glencore's operations and delays in the development of its properties. In addition, obtaining the necessary governmental permits can be a particularly complex and time consuming process and may involve costly undertakings. The duration and success of permit applications are contingent on many factors, including those outside Glencore's control. Failure to obtain or renew a necessary permit could mean that such companies would be unable to proceed with the development or continued operation of a mine or project, which, in turn, may have a material adverse effect on Glencore's business, results of operations, financial condition and prospects.

MITIGATION: Glencore is committed to comply with or exceed the laws, regulations and best practice guidelines applicable to its operations and products in the jurisdictions in which it operates and through continuous monitoring of legislative requirements and engagement with government and regulators it strives to ensure full compliance.

## Liquidity risk

Glencore's failure to obtain funds could limit its ability to engage in desired activities and grow its business.

Liquidity, or ready access to funds, is essential to Glencore's businesses. Liquidity risk is the risk that Glencore is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured or secured basis at an acceptable price to fund actual or proposed commitments. While Glencore adjusts its minimum internal liquidity targets in response to changes in market conditions, its liquidity may be impaired due to circumstances it is unable to control, such as general market disruptions, sharp increases in the prices of commodities or an operational problem that affects its suppliers or customers or itself.

IMPACT: A lack of liquidity may mean that Glencore will not have funds available to maintain or increase its marketing activities and industrial activities.

Marketing activities: Glencore's marketing activities employ significant amounts of working capital to fund purchases of commodities for future delivery to its end customers, to meet margin requirements under derivative contracts and to fund the acquisition and maintenance of certain transport and storage assets which complement its marketing activities. Any inability to fund these amounts of working capital may prevent Glencore from maintaining its historic levels of marketing activity or from increasing such levels in the future.

Industrial activities: Glencore's industrial activities may be capital intensive and the continued funding of such activities is critical to maintain its ownership interests in its industrial assets, to maintain production levels in periods when net operating cash flow is negative or insufficient to cover capital expenditures, to increase production levels in the future in accordance with its business plans and to grow its industrial activities through the acquisition of new assets. Any inability to fund these operating and capital expenditure requirements may prevent Glencore from maintaining or growing its industrial activities' production output.

MITIGATION: Glencore operates a policy of liquidity risk management, whereby it seeks to maintain (via a minimum prescribed level) sufficient cash and cash equivalents and other sources of committed funding available to meet anticipated and unanticipated funding needs.

## MARKETING ACTIVITIES

### Arbitrage opportunities

Glencore's marketing activities are dependent, in part, on its ability to identify and take advantage of arbitrage opportunities.

IMPACT: Many of the physical commodity markets in which Glencore operates are fragmented or periodically volatile. As a result, discrepancies generally arise in respect of the prices at which the commodities can be bought or sold in different forms, geographic locations or time periods, taking into account the numerous relevant pricing factors, including freight and product quality. These pricing discrepancies can present Glencore with arbitrage opportunities whereby Glencore is able to generate profit by sourcing, transporting, blending, storing or otherwise processing the relevant commodities. Profitability of Glencore's marketing activities is, in large part, dependent on its ability to identify and exploit such arbitrage opportunities. A lack of such opportunities, for example due to a prolonged period of pricing stability in a particular market, or an inability to take advantage of such opportunities when they present themselves, because of, for example, a shortage of liquidity or an inability to access required logistics assets or other operational constraints, could adversely impact Glencore's business, results of operations and financial condition.

MITIGATION: Glencore mitigates the risk of an inability to take advantage of arbitrage opportunities or lack thereof by maintaining a diversified portfolio of products and through informational advantages Glencore enjoys via its global network, its sizeable market share and logistics capabilities in many commodities enabling it to move quickly in response to arbitrage opportunities afforded by fluctuations and disequilibrium in commodity markets.

### Hedging strategy

Glencore's hedging strategy may not always be effective, does not require all risks to be hedged and may leave an exposure to basis risk.

IMPACT: Glencore's marketing activities involve a significant number of purchase and sale transactions across multiple commodities. To the extent Glencore purchases a commodity from a supplier and does not immediately have a matching contract to sell the commodity to a customer, a downturn in the price of the commodity could result in losses to Glencore. Conversely, to the extent Glencore agrees to sell a commodity to a customer and does not immediately have a matching contract to acquire the commodity from a supplier, an increase in the price of the commodity could result in losses to Glencore, as it then seeks to acquire the underlying commodity in a rising market. In the event of disruptions in the commodity exchanges or markets on which Glencore engages in hedging transactions, Glencore's ability to manage commodity price risk may be adversely affected and this could in turn materially adversely affect its business, financial condition and results of operations.

In addition, there are no traded or bilateral derivative markets for certain commodities that Glencore purchases and sells, which limits Glencore's ability to fully hedge its exposure to price fluctuations for these commodities.

MITIGATION: In order to mitigate the risks in its marketing activities related to commodity price fluctuations and potential losses, Glencore has a policy, at any given time, of hedging substantially all of its marketing inventory and relevant forward purchase commitments not already contracted for sale at pre-determined prices through futures and swap commodity derivative contracts, either on commodities' exchanges or in the over the counter market.

In instances where there are no traded or bilateral derivative markets for certain commodities, Glencore's ability to hedge its commodity exposure is limited to forward contracts for the physical delivery of a commodity or futures and swap contracts for a different, but seemingly related, commodity.

## Counterparty credit and performance risk

Glencore, in particular via its marketing activities, is subject to non performance risk by its suppliers, customers and hedging counterparties.

IMPACT: Non-performance by Glencore's suppliers, customers and hedging counterparties may occur in a range of situations, such as:

- a significant increase in commodity prices could result in suppliers being unwilling to honour their contractual commitments to sell commodities to Glencore at pre-agreed prices;
- a significant reduction in commodity prices could result in customers being unwilling or unable to honour their contractual commitments to purchase commodities from Glencore at pre-agreed prices;
- customers may take delivery of commodities from Glencore and then find themselves unable to honour their payment obligations due to financial distress or any other reasons; and
- hedging counterparties may find themselves unable to honour their contractual commitment due to financial distress or other reason.

Non-performance by a counterparty could have an adverse impact on its business, results of operations and financial condition, including by creating an unintended, unmatched commodity price exposure.

In addition, financial assets consisting principally of cash and cash equivalents, marketable securities, receivables and advances, derivative instruments and long-term advances and loans could potentially expose Glencore to concentrations of credit risk.

MITIGATION: Glencore seeks to reduce the risk of customer non-payment by requiring credit support from creditworthy financial institutions including making extensive use of credit enhancement products, such as letters of credit or insurance policies, where appropriate, and by imposing limits on open accounts extended. Whilst these limits are believed appropriate based on current levels of perceived risk, there is a possibility that a protracted difficult economic environment would negatively impact the quality of these exposures. In addition, mark-to-market exposures in relation to hedging contracts are regularly and substantially collateralised (primarily with cash) pursuant to margin arrangements put in place with such hedge counterparts.

Glencore actively monitors the credit quality of its counterparties, including the risk of non-performance by suppliers and customers alike, through internal reviews, strong relationships and industry experience and a credit scoring process which includes, where available, public credit ratings.

## Risk management policies and procedures

Identifying, quantifying and managing risk is complex and challenging and although it is Glencore's policy and practice to identify and, where appropriate and practical, actively manage such risks to support its objectives in managing its capital and future financial security and flexibility, Glencore's policies and procedures may not adequately identify, monitor and quantify risk.

IMPACT: Glencore's marketing activities are exposed to commodity price, foreign exchange, interest rate, counterparty (including credit), operational, regulatory and other risks. Glencore has devoted significant resources to developing and implementing policies and procedures to manage these risks and expects to continue to do so in the future. Nonetheless, Glencore's policies and procedures to identify, monitor and manage risks have not been fully effective in the past and may not be fully effective in the future. Some of Glencore's methods of monitoring and managing risk are based on historical market behaviour that may not be an accurate predictor of future market behaviour. Other risk management methods depend on evaluation of information relating to markets, suppliers, customers and other matters that are publicly available or otherwise accessible by Glencore. This information may not in all cases be accurate, complete, up to date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective in doing so.

Failure to mitigate all risks associated with Glencore's business could have a material adverse effect on Glencore's business, results of operations and financial condition.

MITIGATION: Glencore uses, among other techniques, Value-at-Risk, or VaR, as a key market risk measurement technique for its marketing activities. VaR does not purport to represent actual gains or losses in fair value on earnings to be incurred by Glencore, nor does Glencore expect that VaR results are indicative of future market movements or representative of any actual impact on its future results. VaR has certain limitations; notably, the use of historical data as a proxy for estimating future events, market illiquidity risks and tail risks. While Glencore recognises these limitations and continuously refines its VaR analysis, there can be no assurance that its VaR analysis will be an effective risk management methodology. Management of counterparty non-payment risk is mitigated by substantial use of credit enhancement products, including letters of credit, insurance and bank guarantees. Please refer to section 2.1 Financial review for further explanation on the use of VaR.

## Supply of commodities from third parties

Glencore purchases a portion of the physical commodities sold by its marketing activities from its controlled industrial operations and associates, including Xstrata. The remainder of the commodities sourced by its marketing operations are purchased from third party suppliers and entities in which Glencore has a minority stake (excluding associates). Glencore expects to continue to source commodities from such third parties in the future. Glencore is potentially exposed to both price and supply risks with respect to commodities sourced from third parties and entities in which it holds a minority stake. Glencore is reliant on third parties to source the majority of the commodities purchased by its marketing operations.

IMPACT: Any disruptions in the supply of product by factors such as weather and other natural disasters, unexpected maintenance problems, collapse or damage to mines, labour disruptions and changes in laws and regulations could adversely affect Glencore's margins. Glencore's business, results of operations, financial condition and prospects could be materially adversely impacted if it is unable to continue to source required volumes of commodities from its suppliers on reasonable terms or at all.

MITIGATION: Glencore sources product from a large range of suppliers (industrial assets and third parties) and is not reliant on any one supplier to satisfy its performance. This enables Glencore to source alternative product in the event of supply disruption. Glencore benefits from investments in numerous communities and shared ownership with local entities that helps to mitigate against some country specific risks.

### Freight, storage, infrastructure and logistics support

Glencore's marketing activities require access to significant amounts of freight, storage, infrastructure and logistics support and it is exposed to increases in the costs thereof. In addition, Glencore often competes with other producers, purchasers or marketers of commodities or other products for limited storage and berthing facilities at ports and freight terminals, which can result in delays in loading or unloading Glencore's products and expose Glencore to significant delivery interruptions.

IMPACT: Increases in the costs of freight, storage, infrastructure and logistics support or limitations or interruptions in the supply chain which impedes Glencore's ability to deliver its products on time, could adversely affect Glencore's business, results of operations or financial condition.

MITIGATION: The risk of disruptions to or limitations of freight, storage, infrastructure and logistics support is mitigated through Glencore's market position, global reach and its longstanding relationships with third party suppliers of freight. These give Glencore an advantage in ensuring its commodity transport needs are met along with its investments in storage and logistic assets such as vessels, oil terminals, metals warehouses and grain silos.

## INDUSTRIAL ACTIVITIES

### Non-controlling stakes, joint ventures and strategic, partnership arrangements

Some of Glencore's industrial assets are held through non-controlling stakes or joint ventures and strategic partnership arrangements.

IMPACT: Glencore does not control a number of its industrial investments. Although Glencore has various structures in place which seek to protect its position where it does not exercise control, the boards of these companies may:

- have economic or business interests or goals that are inconsistent with or are opposed to those of Glencore;
- exercise veto rights or take shareholders' decisions so as to block actions that Glencore believes to be in its best interests and/or in the best interests of all shareholders;
- take action contrary to Glencore's policies or objectives with respect to its investments or commercial arrangements; or
- as a result of financial or other difficulties, be unable or unwilling to fulfil their obligations under any joint venture or other agreement, such as contributing capital to expansion or maintenance projects.

Improper management or ineffective policies, procedures or controls of a non-controlled entity could adversely affect the business, results of operations and financial condition of the relevant investment and, therefore, of Glencore.

MITIGATION: Where projects and operations are controlled and managed by Glencore's co-investors or where control is shared on an equal basis, Glencore may provide expertise and advice, but it has limited or restricted ability to mandate compliance with Glencore's policies and/or objectives.

### Project development

Glencore has a number of significant expansions planned for its existing operations, the development of which is exposed to a number of risks outside of its control such as technical uncertainties, availability of suitable financing, infrastructure constraints, cost overruns, insufficient labour skills or resources and delays in permitting or other regulatory matters.

IMPACT: Any future upward revisions in estimated project costs, delays in completing planned expansions, cost overruns, suspension of current projects or other operational difficulties after commissioning, may have a material adverse effect on Glencore's business, results of operations and financial condition, in turn requiring Glencore to consider delaying discretionary expenditures, including capital expenditures, or suspending or altering the scope of one or more of its development projects.

MITIGATION: Project development risks are mitigated and managed through Glencore's continuous project status evaluation and reporting processes, the significant focus of such being appropriate approval processes and transparent and timely reporting of costs and progress relative to plan. Significant projects are regularly audited against the project plan and reporting processes.

## Operating risks and hazards

Glencore's industrial activities are subject to numerous operating risks and hazards normally associated with the development and operation of natural resource projects, many of which are beyond Glencore's control.

These operating risks and hazards include unanticipated variations in grade and other geological problems, seismic activity, climatic conditions such as flooding or drought, metallurgical and other processing problems, technical failures, unavailability of materials and equipment, industrial actions or disputes, industrial accidents, labour force disruptions, unanticipated transportation constraints, tribal action or political protests, force majeure factors, environmental hazards, fire, explosions, vandalism and crime.

IMPACT: These risks and hazards could result in damage to, or destruction of, properties or production facilities, may cause production to be reduced or to cease at those properties or production facilities, may result in personal injury or death, environmental damage, business interruption and legal liability and may result in actual production differing from estimates of production.

The realisation of such operating risks and hazards and the costs associated with them could materially adversely affect Glencore's business, results of operations and financial condition, including by requiring significant capital and operating expenditures to abate the risk or hazard, restore Glencore or third party property, compensate third parties for any loss and/or pay fines or damages.

MITIGATION: Operating risks and hazards are managed through Glencore's continuous assessment, reporting and communication of the risks that affect its business through its annual risk review processes and updates to its risk register. In addition, risk is mitigated somewhat through geographic and multiple project diversification.

## Title to the land, resource tenure and extraction rights

Glencore has industrial activities investments in certain countries where title to land and rights in respect of land and resources (including indigenous title) has not been and may not always be clear, creating the potential for disputes over resource development. In many cases, the government of the country in which a particular asset is located is the sole authority able to grant such rights and, in some cases, may have limited infrastructure and limited resources which may constrain Glencore's ability to ensure that it has obtained secure title to individual exploration licences or extraction rights.

IMPACT: Glencore does not believe that any such disputes are imminent, however, such a dispute, if related to a material industrial asset, could disrupt or delay relevant mining, processing or other projects and/or impede Glencore's ability to develop new industrial properties and may have a material adverse effect on Glencore's business, results of operations and financial condition.

MITIGATION: Title and tenure risks are managed through geographical diversification of commodities and operations, continuous monitoring and dialogue through and with Glencore's network of local offices and a commitment to engage proactively with employees, governments and the communities in which Glencore operates to maintain and better its licence to operate.

## Availability of infrastructure

The production, processing and product delivery capabilities of Glencore's industrial assets rely on their infrastructure being adequate and remaining available.

IMPACT: The mining, drilling, processing, development and exploration activities of the industrial assets in which Glencore holds an interest depend on adequate infrastructure. Certain of these assets are located in areas that are sparsely populated and difficult to access. Reliable roads, power sources, transport infrastructure and water supplies are essential for the conduct of these operations and the availability and cost of these utilities and infrastructure affect capital and operating costs and therefore Glencore's ability to maintain expected levels of production and results of operations. Any such issues arising in respect of the infrastructure supporting or on Glencore's sites could have a material adverse effect on Glencore's business, results of operations, financial condition and prospects.

MITIGATION: Availability of infrastructure risk is mitigated through the continuous monitoring and dialogue through and with Glencore's network of local offices, a commitment to engage proactively with governments and the communities in which Glencore operates to maintain and improve its licence to operate, and where appropriate, the establishment of back-up sources of power.

## Cost control

As commodity prices themselves are outside of Glencore's control, the competitiveness and sustainable long-term profitability of its industrial asset portfolio depends significantly on its ability to closely manage costs and maintain a broad spectrum of low-cost, efficient operations. Costs associated with the operation of Glencore's industrial assets can be broadly categorised into labour costs and other on-site expenses, including power and equipment costs.

IMPACT: Production costs are heavily influenced by the extent of ongoing development required, ore grades, mine planning, processing technology, logistics, energy and supply costs and the impact of exchange rate fluctuations on costs of operations. All of Glencore's industrial assets are, to varying degrees, affected by increases in costs for labour and fuel. Unit production costs are also significantly affected by production volumes and therefore production levels are frequently a key factor in determining the overall cost competitiveness of Glencore's industrial activities.

MITIGATION: Maintaining costs and where appropriate lowering them is supported by Glencore's continuous reporting on these measures, coupled with the inclusion of certain cost control evaluation measures in assessing management performance. In addition, risk is mitigated somewhat through geographic and multiple project diversification.

## Resources and reserves

Glencore's stated mineral, coal and hydrocarbon reserves, resources and mineralised potential are only estimates and the anticipated volumes or grades may not be achieved.

IMPACT: Actual reserves, resources or mineralised potential may not conform to geological, metallurgical or other expectations, and the volume and grade of ore or product recovered may be below the estimated levels. Lower market prices, increased production costs, reduced recovery rates and other factors may render Glencore's reserves, resources or mineralised potential uneconomic to exploit and may result in revision of its reserve estimates from time to time. If Glencore's actual mineral, coal and hydrocarbon reserves and resources are less than current estimates or if Glencore fails to develop its resource base through the realisation of identified or new mineral potential, Glencore's business, results of operations and financial condition may be materially and adversely affected.

MITIGATION: Glencore updates annually the quantity and quality of the estimated proven and probable reserves to reflect extraction, additional drilling and other available data in accordance with internationally recognized reporting frameworks, including JORC, SAMREC and PRMS. For the major deposits, the estimates are prepared and signed off by independent competent persons.

## Environmental hazards

The processes and chemicals used in Glencore's extraction and production methods, as well as its shipping and storage activities, are subject to environmental hazards.

IMPACT: Where Glencore holds or has interests in industrial activities, these assets are generally subject to environmental hazards as a result of the processes and chemicals used in traditional extraction, production, storage, disposal and transportation methods. Environmental hazards may exist on Glencore's owned or leased properties or at those of the industrial activities in which it holds an interest, or may be encountered while its products are in transit. The storage of tailings at Glencore's industrial assets may present a risk to the environment, property and persons, where there remains a risk of leakage from or failure of Glencore's tailings dams.

Additionally, Glencore conducts oil exploration and drilling activities and also stores and transports crude oil and oil products around the world. Damage to exploration or drilling equipment, a vessel carrying oil or to a facility where it is stored could lead to a spill, causing environmental damage with significant clean-up or remediation costs.

Glencore may be liable for losses associated with environmental hazards, have its licences and permits withdrawn or suspended or may be forced to undertake extensive remedial clean-up action or to pay for government-ordered remedial clean-up actions, even in cases where such hazards have been caused by any previous or subsequent owners or operators of the property, by any past or present owners of adjacent properties, by independent third party contractors providing services to Glencore or by acts of vandalism by trespassers. Any such losses, withdrawals, suspensions, actions or payments may have a material adverse effect on Glencore's business, results of operations and financial condition.

MITIGATION: Compliance with international and local regulations, protecting our people, communities and the environment from harm and our operations from business interruptions are top priorities for Glencore. Glencore operating procedures and those of its partners in relation to owned tankers conform to industry best practise working under the guidelines of the International Maritime Organisation ("IMO"), relevant Flag States and top tier Classification societies. Tankers chartered from third parties are required to meet strict vetting inspection requirements in line with OCIMF (Oil Companies International Marine Forum) and Glencore's own standards. Glencore's oil exploration activities engage best industry practises and procedures and utilise first class drilling contractors with proven expertise and experience. Additionally, wide-spread and comprehensive insurance cover is actively procured, to reduce the financial impact of operational risks, property damage, business interruption and environmental liabilities to the extent possible.

## SUSTAINABLE DEVELOPMENT

### Emissions and climate change regulation

Glencore's global presence exposes it to a number of jurisdictions in which regulations or laws have been or are being considered to limit or reduce emissions. The likely effect of these changes will be to increase the cost for fossil fuels, impose levies for emissions in excess certain permitted levels and increase administrative costs for monitoring and reporting.

IMPACT: Increasing regulation of greenhouse gas emissions, including the progressive introduction of carbon emissions trading mechanisms and tighter emission reduction targets is likely to raise production, transportation and administrative costs. In addition, regulation of greenhouse gas emissions in the jurisdictions of Glencore's major customers and in relation to international shipping could also have a material adverse effect on the demand for some of Glencore's products.

MITIGATION: Glencore, through its sustainability program, strives to ensure emissions and climate change issues are identified, understood and effectively managed and monitored in order to meet international best practice standards and ensure regulatory compliance.

### Community relations

The continued success of Glencore's existing operations and its future projects are in part dependent upon broad support and a healthy relationship with the respective local communities.

IMPACT: If it is perceived that Glencore is not respecting or advancing the economic and social progress and safety of the communities in which it operates, Glencore's reputation and shareholder value could be damaged, which could have a negative impact on its ''social licence to operate'', its ability to secure new resources and its financial performance. The consequences of negative community reaction could also have a material adverse impact on the cost, profitability, ability to finance or even the viability of an operation. Such events could lead to disputes with national or local governments or with local communities or any other stakeholders and give rise to material reputational damage. If Glencore's operations are delayed or shut down as a result of political and community instability, its earnings may be constrained and the long-term value of its business could be adversely impacted. Even in cases where no action adverse to Glencore is actually taken, the uncertainty associated with such political or community instability could negatively impact the perceived value of Glencore's assets and industrial investments and, consequently, have a material adverse effect on Glencore's financial condition.

MITIGATION: Glencore believes that the best way to manage these vital relationships is to adhere to the principles of open dialogue and co-operation and in doing so it engages with local communities to present and demonstrate the positve communal attributes of Glencore's local operations and ensure that appropriate measures are taken to prevent or mitigate possible adverse effects on them, along with the regular reporting of such.

## Employees

The maintenance of positive employee and union relations and the ability to attract and retain skilled workers are key to the success of Glencore.

IMPACT: Some of Glencore's employees, as well as employees in non-controlled industrial investments, are represented by labour unions under various collective labour agreements. Glencore or the industrial investments in which it holds an interest may not be able to satisfactorily renegotiate its collective labour agreements when they expire and may face tougher negotiations or higher wage demands than would be the case for non-unionised labour. In addition, existing labour agreements may not prevent a strike or work stoppage at its facilities in the future, and any strike or other work stoppage could have a material adverse effect on Glencore's business, results of operations and financial condition.

The success of Glencore's business is also dependent on its ability to attract and retain highly effective marketing and logistics personnel as well as highly qualified and skilled engineers and other industrial, technical and project experts to operate its industrial activities in locations experiencing political or civil unrest, or in which they may be exposed to other hazardous conditions. Glencore may not be able to attract and retain such qualified personnel and this could have a material adverse effect on Glencore's business, results of operations and financial condition.

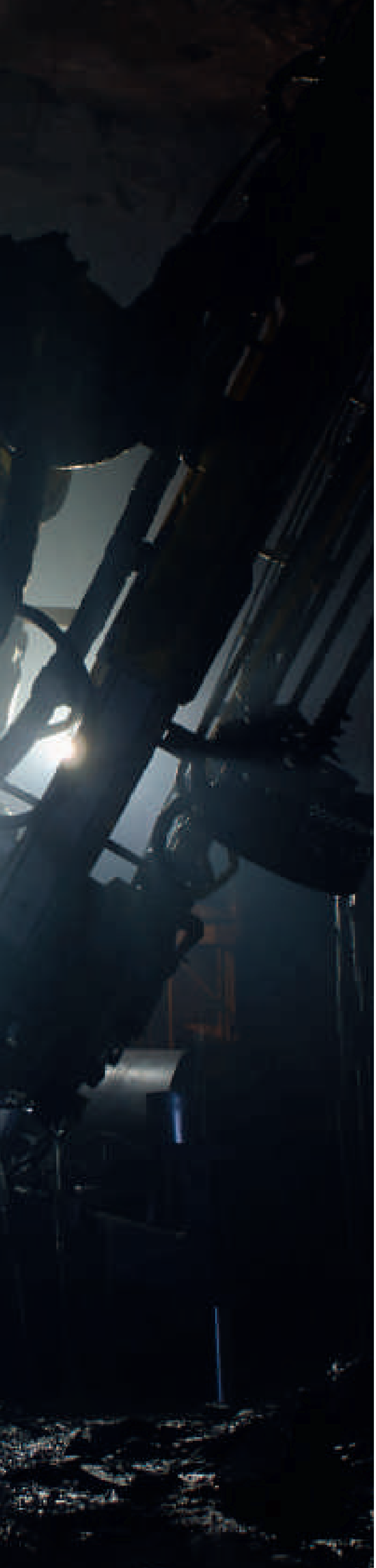
MITIGATION: Glencore understands that one of the key factors in its success is a good and trustworthy relationship with its people. This priority is reflected in the principles of its corporate practice and its related guidance, which require regular, open, fair and respectful communication, zero tolerance for human rights violations, fair remuneration and, above all, a safe working environment.

## Health, safety and environment

Glencore's operations are subject to health, safety and environmental regulations and legislation along with complying with Glencore's corporate sustainability framework (Glencore Corporate Practice).

IMPACT: New or amended environmental, health and safety legislation or regulations may result in increased operating costs or, in the event of non compliance or accidents or incidents causing personal injury or death or property or environmental damage at or to Glencore's mines, smelters, refineries, concentrators, drill rigs or related facilities (such as logistics and storage facilities) or surrounding areas may result in significant losses, interruptions in production, expensive litigation, imposition of penalties and sanctions or suspension or revocation of permits and licences, even in cases where such hazards have been caused by any previous or subsequent owners or operators of the property, by any past or present owners of adjacent properties, by independent third party contractors providing services to Glencore or by acts of vandalism by trespassers. Any such losses, withdrawals, suspensions, actions or payments may have a material adverse effect on Glencore's business, results of operations and financial condition.

MITIGATION: Glencore is committed to comply with or exceed the laws, regulations and best practice guidelines applicable to its operations and products in the jurisdictions in which it operates and through its extensive compliace program, including continuous monitoring of legislative requirements and engagement with government and regulators, it strives to ensure full compliance.



# BUSINESS REVIEW

2 | Business review

# 2.1 | Financial review

## BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The financial information has been prepared on a basis as outlined in note 1 of the financial statements. It is presented in the Overview and the Financial review sections before significant items unless otherwise stated to provide an enhanced understanding and comparative basis of the underlying financial performance. Significant items are items of income and expense which, due to their financial impact and nature or the expected infrequency of the events giving rise to them, are separated for internal reporting and analysis of Glencore's results.

## PERFORMANCE HIGHLIGHTS

| US $ million | 2011 | 2010 | Change |
|---|---|---|---|
| **Key statement of income and cash flows highlights:** | | | |
| Revenue | 186 152 | 144 978 | 28% |
| Adjusted EBITDA | 6 464 | 6 201 | 4% |
| Adjusted EBIT | 5 398 | 5 290 | 2% |
| Glencore net income pre significant items [2] | 4 060 | 3 799 | 7% |
| Income before attribution | 4 268 | 4 106 | 4% |
| Earnings per share (Basic) (US $) | 0.72 | 0.35 | 106% |
| Funds from operations (FFO) | 3 522 | 3 333 | 6% |

| US $ million | 2011 | 2010 | Change |
|---|---|---|---|
| **Key financial position highlights:** | | | |
| Total assets | 86 165 | 79 787 | 8% |
| Glencore shareholders' funds [1] | 29 265 | 19 613 | 49% |
| Net debt | 12 938 | 14 756 | – 12% |
| Current capital employed (CCE) [1] | 22 479 | 19 588 | 15% |
| **Ratios:** | | | |
| Adjusted current ratio [1] | 1.53x | 1.26x | 21% |
| FFO to Net debt | 27.2% | 22.6% | 20% |
| Net debt to Adjusted EBITDA | 2.00x | 2.38x | – 16% |
| Adjusted EBITDA to net interest | 7.63x | 6.91x | 10% |

[1] Refer to glossary on page 158 for definitions and calculations.
[2] Refer to page 41.

## RESULTS

Adjusted EBIT increased 2% to $ 5,398 million in 2011 compared to 2010. The 2011 results benefited from generally higher average prices for the key commodities Glencore produces and mostly greater volumes handled by our marketing groups, tempered by the marked decline in agricultural marketing performance. Nonetheless, the Group's large scale, vertically integrated business model, spanning a diverse commodity portfolio, served to underpin a modest overall rise in Group profitability.

### Adjusted EBIT

Adjusted EBIT by business segment is as follows:

| US $ million | Marketing activities | Industrial activities | 2011 Adjusted EBIT | | Marketing activities | Industrial activities | 2010 Adjusted EBIT | |
|---|---|---|---|---|---|---|---|---|
| Metals and minerals | 1 242 | 1 357 | 2 599 | 48% | 1 401 | 1 160 | 2 561 | 48% |
| Energy products | 697 | 375 | 1 072 | 20% | 450 | 235 | 685 | 13% |
| Agricultural products | – 8 | – 39 | – 47 | – 1% | 659 | 58 | 717 | 14% |
| Corporate and other [1] | – 20 | 1 794 | 1 774 | 33% | – 173 | 1 500 | 1 327 | 25% |
| **Total** | **1 911** | **3 487** | **5 398** | **100%** | **2 337** | **2 953** | **5 290** | **100%** |

[1] Corporate industrial activities include $ 1,893 million (2010: $ 1,729 million) of Glencore's equity accounted share of Xstrata's income.

Marketing Adjusted EBIT declined by 18% to $ 1,911 million in 2011, primarily due to the underperformance of our agricultural products division largely associated with the unprecedented volatility and disruption in the cotton market.

Industrial Adjusted EBIT was up by 18% to $ 3,487 million in 2011, benefiting from generally stronger commodity prices and increased production at many operations, as ongoing expansionary plans are progressed.

The metals and minerals segment Adjusted EBIT increased slightly to $ 2,599 million, with 17% growth in the industrial asset portfolio, driven by stronger metal prices and increased production, offsetting an 11% decline in marketing contribution. The latter was due to lower profits from the ferroalloys and zinc/copper departments which benefited in 2010 from strong physical purchasing and restocking fundamentals while overall firm physical premia and volumes were maintained during 2011.

The largest increase in Adjusted EBIT in 2011 was from the energy segment, up 56% to $ 1,072 million, primarily due to the stronger oil market fundamentals during the first half of the year. Increased coal volumes from Prodeco and commencement of oil production at the Aseng field in Q4 2011 accounted for the 60% increase in industrial energy EBIT contribution to $ 375 million.

The agricultural products segment had a negative Adjusted EBIT of $ 47 million in 2011, compared to a contribution of $ 717 million in 2010. The year-on-year decline was significantly impacted by the cotton activities, where extreme market volatility produced an outcome of ineffective hedging due to the dislocation of physical and paper markets and high levels of physical contractual non-performance by suppliers and customers.

Our agricultural asset portfolio is currently in a phase of considerable targeted expansion and development, which is expected to translate into enhanced scale and performance going forward. The 2011 result, in large part, reflects the current negative biodiesel production margin environment in Europe.

Corporate and other primarily relates to the Group's equity accounted interest in Xstrata and the variable pool bonus accrual, the net result of which increased from $ 1,327 million to $ 1,774 million. Xstrata accounted for $ 164 million (up 10%) of this improvement, with overhead reduction accounting for the balance.

### Revenue
Revenue for the year ended 31 December 2011 was $ 186,152 million, a 28% increase compared to $ 144,978 million in 2010. The increase is primarily due to higher average commodity prices for most of the commodities which the Group produces and markets. Higher year-on-year average prices were notable in crude oil (39% for Brent), copper (17%), wheat (22%) and gold (28%) however, given the relatively high contribution of Glencore's oil business to Group revenue, the increase in average oil prices is the largest driver of the total revenue increase over the period.

### Cost of goods sold
Cost of goods sold for the year ended 31 December 2011 was $ 181,938 million, a 30% increase from $ 140,467 million in the year ended 31 December 2010. This increase was primarily due to the higher commodity prices noted above and the resulting impact on the purchases of the respective commodities.

### Selling and administrative expenses
Selling and administrative expenses for the year ended 31 December 2011 were $ 857 million, a 19% reduction from $ 1,063 million in 2010, primarily due to lower variable employee compensation charges.

### Share of income from associates and jointly controlled entities
Share of income from associates and jointly controlled entities for the year ended 31 December 2011 was $ 1,972 million, a 8% increase from $ 1,829 million in 2010. The improvement is primarily due to the higher earnings flow-through from Xstrata, supported by an increasing contribution from Mutanda.

### Other expense – net
Net other expense for 2011 was $ 511 million, compared to $ 8 million in 2010. The net amount in 2011 primarily comprised $ 344 million of expenses related to Glencore's listing, a $ 92 million of mark-to-market loss in respect of various minority holdings in listed companies, $ 63 million related to final costs associated with the settlement of the Prodeco option and $ 32 million of asset impairments.

### Interest income
Interest income for the year ended 31 December 2011 was $ 339 million, a 21% increase over 2010. Interest income includes interest earned on various loans extended, including to companies within the Russneft Group which primarily accounted for the overall increase compared to the prior year.

### Interest expense
Interest expense for the year ended 31 December 2011 was $ 1,186 million, a 3% decline from $ 1,217 million in 2010, or flat, when taking into account $ 39 million of capitalised borrowing costs written off in 2010.

Interest expense on floating rate debt decreased by $ 40 million to $ 511 million from $ 551 million (excluding significant items) over 2011. Floating rate debt is predominantly used to fund fast turning and liquid working capital, the funding cost of which is taken into account in transactional pricing and terms and accordingly sought to be "recovered" in Adjusted EBIT of our marketing activities.

Interest expense on fixed rate funding was $ 675 million in 2011, an increase of $ 48 million over 2010. The net increase is due to the Eurobond and Swiss Franc bond issuances in March 2010 and October 2010/January 2011.

### Income taxes
A net income tax credit of $ 264 million was recognised during the year ended 31 December 2011 compared to an expense of $ 234 million for the year ended 31 December 2010. The 2011 credit resulted primarily from the recognition of substantial tax benefits that were crystallised following the reorganisation of the Glencore Group as part of the Listing. It has been Glencore's historical experience that its effective tax rate pre significant items on pre-tax income, excluding share of income from associates and jointly controlled entities and dividend income has been 10% as illustrated in the table below. Following the Listing related Restructuring which crystallised significant available future tax benefits as noted above, it is expected that the future effective tax rate will increase relative to the past as going forward, old structure employee shareholder payments will no longer be available to offset marketing related taxable income.

## Earnings

A summary of the differences between Adjusted EBIT and Glencore net income, including significant items, is set out below:

| US $ million | 2011 | 2010 |
|---|---|---|
| **Adjusted EBIT** | **5 398** | **5 290** |
| Net finance costs | – 847 | – 897 |
| Net other items [1] | – 5 | – 152 |
| Income tax expense | – 250 | – 234 |
| Non controlling interests | – 236 | – 208 |
| **Glencore net income pre significant items** | **4 060** | **3 799** |
| Earnings per share (Basic) pre significant items (US $) | 0.72 | 1.02 |
| | | |
| Other expense – net [1] | | |
| Mark to market movements on investments held for trading | – 92 | 0 |
| Mark to market valuation of certain coal forward contracts | 25 | – 790 |
| Listing related expenses | – 344 | 0 |
| Net gain on restructured Russneft interests | 0 | 46 |
| Net impairment (charge)/reversal | – 6 | 674 |
| Prodeco call option expense | – 63 | – 225 |
| Impairment of non current inventory | – 26 | 0 |
| Gain on revaluation of Vasilkovskoye Gold | 0 | 462 |
| Other | 0 | – 23 |
| Write off of capitalised borrowing costs [2] | 0 | – 39 |
| Net gain/(loss) on disposal on investments | 9 | – 6 |
| Net deferred tax asset recorded – mainly Listing/Restructuring benefits [3] | 514 | 0 |
| Share of Associates' exceptional items [4] | – 45 | 0 |
| Non controlling interest portion of significant items [5] | 16 | – 147 |
| **Total significant items** | **– 12** | **– 48** |
| Attribution to hybrid and ordinary profit participation shareholders | 0 | – 2 460 |
| **Income attributable to equity holders** | **4 048** | **1 291** |
| Earnings per share (Basic) (US $) | 0.72 | 0.35 |

[1] Recognised within other expense – net, see note 3 of the financial statements.
[2] Recognised within interest expense.
[3] Recognised within income tax credit/(expense), see note 4 of the financial statements.
[4] Recognised within share of income from associates and jointly controlled entities, see note 2 of the financial statements.
[5] Recognised within non controlling interests.

## SIGNIFICANT ITEMS

Significant items are items of income and expense which, due to their financial impact and nature or the expected infrequency of the events giving rise to them, are separated for internal reporting and analysis of Glencore's results to provide a better understanding and comparative basis of the underlying financial performance.

In 2011, Glencore recognised $ 12 million of significant expenses which comprised a positive $ 25 million (2010: negative $ 790 million) of mark to market adjustments associated with certain fixed price forward coal sales contracts relating to Prodeco's future production that did not qualify for "own use" or cash flow hedge accounting, $ 92 million of negative mark to mark adjustments on interests in other investments classified as held for trading and carried at fair value, with Glencore's interest in Century Aluminum Company cash settled equity swaps, Volcan Compania Minera S.A.A. and Nyrstar N.V. accounting for the majority of such movements, and $ 344 million of expenses related to the Listing of Glencore. These expenses were largely offset by the recognition of $ 514 million of net tax credits relating primarily to certain income tax deductions that were crystallised, following the reorganisation of Glencore prior to Listing. See notes 3 and 4 of the financial statements for additional details.

The net amount for 2010 included $ 225 million of Prodeco call option expenses, offset by $ 674 million of impairment reversals following the rebound in market conditions and underlying valuation assumptions. 2010 also included a $ 462 million gain ($ 315 million, net of non controlling interests) related to the revaluation of the initial 40% interest in Vasilkovskoye Gold immediately prior to the acquisition of the remaining 60% interest in February 2010. See note 3 of the financial statements for additional details.

## LIQUIDITY AND CAPITAL RESOURCES – CASH FLOW

### Cash generated by operating activities before working capital changes

Net cash generated by operating activities before working capital changes in the year ended 31 December 2011 was $ 4,101 million, a decrease of $ 133 million (3%) compared to 2010 or up 5% pre significant items, taking into account $ 325 million of relevant Listing/Restructuring related expenses incurred during the year. The pre significant items increase is consistent with the improved earnings.

### Working capital changes

Net working capital increased by $ 3,174 million during the year ended 31 December 2011 compared to an increase of $ 2,998 million in 2010. Much of the 2011 increase occurred in December 2011 alone ($ 2.4 billion), as Glencore was presented with highly attractive 'funded' commodity sourcing opportunities. Most of this working capital investment is temporary in nature and is expected to reverse during H1 2012.

### Net cash used by investing activities

Net cash used by investing activities was $ 3,690 million in 2011 compared to $ 4,755 million in 2010. The net outflow in 2011 primarily related to the continued capital expenditure programs in respect of Vasilkovskoye Gold's production ramp up, the various West African upstream oil development projects, the development of the Mutanda copper/cobalt mine and production expansion at Katanga and Prodeco. In addition, a few bolt on investments were progressed, including securing a 31.2% interest in Optimum Coal and 43.7% of Umcebo Coal as well as increasing various existing equity related holdings, including in Volcan, Century Aluminum and Minara Resources. The 2010 net outflow included the $ 2,000 million base amount in relation to the exercise of the Prodeco call option.

### Net cash generated by financing activities

During 2011, in addition to regular bank and bond financing activities, Glencore refinanced the $ 2.8 billion ($ 2.3 billion drawn) bank loans secured by Xstrata shares with new 2 year $ 2.7 billion equivalent facilities and raised $ 7.6 billion net of issue costs via equity offerings on the London and Hong Kong stock exchanges.

## ASSETS, LEVERAGE AND WORKING CAPITAL

Total assets were $ 86,165 million as at 31 December 2011 compared to $ 79,787 million as at 31 December 2010. Over the same time period current assets increased from $ 44,296 million to $ 45,731 million. The adjusted current ratio at 31 December 2011 was 1.53 compared to 1.26 at 31 December 2010. This improvement is attributable to the refinancing of the Xstrata secured bank loans and the resulting reclassification from current to non current borrowings, the repayment of various 're-drawable' short term facilities and the investment in working capital as noted above. Non current assets increased from $ 35,491 million as at 31 December 2010 to $ 40,434 million as at 31 December 2011, primarily due to the capital expenditure programs noted above and the equity accounting pick-up of our share of Xstrata's earnings.

Consistent with 31 December 2010, 99% ($ 13,785 million) of total marketing inventories were contractually sold or hedged (readily marketable inventories) at 31 December 2011. These inventories are readily convertible into cash due to their liquid nature, widely available markets, and the fact that any associated price risk is covered either by a physical sale transaction or a hedge transaction on a commodity exchange or with a highly rated counterparty. Given the highly liquid nature of these inventories, which represent a significant share of current assets, Glencore believes it is appropriate to consider them together with cash equivalents in analysing Group net debt levels and computing certain debt coverage ratios and credit trends. Balance sheet liquidity is very healthy such that current capital employed plus liquid stakes in listed associates (at book carrying value) covers 143% of Glencore's total gross debt as at 31 December 2011.

### Net debt

| US $ million | 2011 | 2010 |
|---|---|---|
| Borrowings | 28 029 | 30 132 |
| Commodities sold with agreements to repurchase | 39 | 484 |
| **Gross debt** | **28 068** | **30 616** |
| Cash and cash equivalents and marketable securities | – 1 345 | – 1 529 |
| **Net funding** | **26 723** | **29 087** |
| Readily marketable inventories | – 13 785 | – 14 331 |
| **Net debt** | **12 938** | **14 756** |

### Movement in net debt

| US $ million | 2011 | 2010 |
|---|---|---|
| Cash generated by operating activities before working capital changes | 4 101 | 4 234 |
| Listing related cash expenses included in number above (via statement of income) | 325 | 0 |
| Net interest paid | – 798 | – 802 |
| Tax paid | – 472 | – 323 |
| Dividends received from associates | 366 | 224 |
| **Funds from operations** | **3 522** | **3 333** |
| | | |
| Non current advances and loans | – 320 | – 825 |
| Acquisition of subsidiaries | – 350 | – 624 |
| Purchase and sale of investments | – 760 | – 2 060 |
| Purchase and sale of property, plant and equipment | – 2 626 | – 1 470 |
| Working capital changes, excluding readily marketable inventory movements and other | – 3 720 | – 1 640 |
| Share issuance, net of issue costs and Listing related cash expenses included in the statement of income (see above) | 7 291 | 0 |
| Acquisition of additional interest in subsidiaries | – 315 | – 75 |
| Dividends paid | – 364 | – 30 |
| **Cash movement in net debt** | **2 358** | **– 3 391** |
| Debt assumed in business combination | – 204 | – 745 |
| Foreign currency revaluation of non current borrowings and other non cash items | – 68 | 70 |
| Profit participation certificates redemptions | – 268 | – 504 |
| **Non cash movement in net debt** | **– 540** | **– 1 179** |
| **Total movement in net debt** | **1 818** | **– 4 570** |
| Net debt, beginning of period | – 14 756 | – 10 186 |
| **Net debt, end of period** | **– 12 938** | **– 14 756** |

Net debt as at 31 December 2011 decreased to $ 12,398 million from $ 14,756 million as at 31 December 2010, with the proceeds raised from the Listing extensively deployed in progressing the Group's key capex and development programs (Prodeco, Oil Exploration and Production and Mutanda), securing a selection of new investments and stake-building in existing holdings and short term funding of non readily marketable inventory working capital.

The ratio of Net debt to Adjusted EBITDA improved from 2.38 times in 2010 to 2.00 times as at 31 December 2011, while the ratio of FFO to Net debt improved from 22.6% in 2010 to 27.2% in 2011.

## CAPITAL RESOURCES AND FINANCING

During the year ended 31 December 2011, the following notable financing activities took place:

- In January, Glencore issued additional 5 year, 3.625% CHF 225 million ($ 235 million) bonds;
- In February and August, Glencore redeemed the $ 700 million 8% Perpetual bonds at par;
- In May, Glencore replaced the previous 364 day $ 1,375 million and $ 515 million committed revolving credit facilities with two new 364 day committed revolving credit facilities for $ 2,925 million and $ 610 million respectively, both with a one year term extension option at Glencore's discretion. In addition, Glencore extended the final maturity of $ 8,340 million of the $ 8,370 million medium term revolver for a further year to May 2014. In aggregate, the new facilities represent an overall increase in committed available liquidity of $ 1,645 million;
- In May, Glencore International plc was admitted to trading on the London and Hong Kong Stock Exchanges in what was the largest ever IPO of ordinary shares on the premium listing segment of the London Stock Exchange and the first simultaneous London primary and Hong Kong secondary IPO. The offer represented 16.94% of Glencore International plc's post-IPO issued share capital and raised a net $ 7,291 million; and
- In June, Glencore refinanced the $ 2.8 billion ($ 2.3 billion drawn) facilities secured by Xstrata shares with new 2 year $ 2.7 billion equivalent facilities.

Glencore's main refinancing requirements over the next twelve months relate to a few secured borrowing base working capital facilities which ordinarily require extension/renewal each year. However, these tend to be routine given the underlying strong collateral and their modest amounts in the context of our overall balance sheet and funding/liquidity levels. As at 31 December 2011, Glencore had available committed undrawn credit facilities and cash amounting to $ 6.8 billion (as a financial policy, Glencore has a $ 3 billion minimum threshold requirement).

### Value at risk (VaR)

One of the tools used by Glencore to monitor and limit its primary market risk exposure, namely commodity price risk related to its physical marketing activities, is the use of a VaR computation. VaR is a risk measurement technique which estimates the potential loss that could occur on risk positions as a result of movements in risk factors over a specified time horizon, given a specific level of confidence. The VaR methodology is a statistically defined, probability based approach that takes into account market volatilities, as well as risk diversification by recognising offsetting positions and correlations between commodities and markets. In this way, risks can be measured consistently across all markets and commodities and risk measures can be aggregated to derive a single risk value. Glencore has set a consolidated VaR limit (1 day 95%) of $ 100 million representing less than 0.5% of Glencore shareholders' funds.

Glencore uses a VaR approach based on Monte Carlo simulations and is computed at a 95% confidence level with a weighted data history using a combination of a one day and one week time horizon.

Average market risk VaR (1 day 95%) during the year ended 31 December 2011 was $ 39 million (2010: $ 43 million), representing a modest 0.1% of shareholders' equity.

Whilst it is Glencore's policy to substantially hedge its commodity price risks, there remains the possibility that the hedging instruments chosen may not always provide effective mitigation of the underlying price risk. The hedging instruments available to the marketing businesses may differ in specific characteristics to the risk exposure to be hedged, resulting in an ongoing and unavoidable basis risk exposure. Residual basis risk exposures represent a key focus point for Glencore's commodity department teams who actively engage in the management of such.

### Credit ratings

In light of our extensive funding activities, investment grade ratings are of utmost importance to us. Following the Xstrata merger and Viterra acquisition announcements, Glencore's current credit ratings are Baa2 (review with direction uncertain) from Moody's and BBB (watch positive) from S&P.

### Dividend

The Directors have proposed a 2011 final dividend of $ 0.10 per share, amounting to $ 692 million. The interim dividend of $ 0.05 per share, amounting to $ 346 million, was paid on 30 September 2011.

| Dividend dates | 2012 |
|---|---|
| Annual General Meeting | 9 May |
| Ex-dividend date (UK and Hong Kong) | 16 May |
| Last time for lodging transfers in Hong Kong | 4:30 pm (HK) 17 May |
| Record date in Hong Kong | Opening of business (HK) 18 May |
| Record date in UK | Close of business (UK) 18 May |
| Deadline for return of currency election form (Jersey shareholders) | 21 May |
| Applicable exchange rate date | 25 May |
| Payment date | 1 June |

Shareholders on the Jersey register, may elect to receive the dividend in Sterling, Euro or Swiss Franc. The Sterling, Euro or Swiss Franc amount will be determined by reference to the exchange rates applicable to the U.S. Dollar seven days prior to the dividend payment date. Shareholders on the Hong Kong branch register will receive their dividends in Hong Kong Dollars. Further details on dividend payments, together with currency election and dividend mandate forms, are available from Glencore's website (www.glencore.com) or from the Company's Registrars. The Directors have proposed that the final dividend will be paid out of capital contribution reserves. As such, the final dividend would be exempt from Swiss withholding tax. As at 31 December 2011, Glencore International plc had CHF 14.4 billion of such capital contribution reserves in its statutory accounts.

### Notional allocation of debt and interest expense

Glencore's indebtedness is primarily arranged centrally, with the proceeds then applied to marketing and industrial activities as required.

Glencore does not allocate borrowings or interest to its three operating segments. However, to assist investors in the assessment of overall performance and underlying value contributors of its integrated business model, Glencore notionally allocates its borrowings and interest expense between its marketing and industrial activities as follows:

- At a particular point in time, Glencore estimates the borrowings attributable to funding key working capital items within the marketing activities, including inventories, net cash margining and other accounts receivable/payable, through the application of an appropriate loan to value ratio for each item. The balance of Group borrowings is allocated to industrial activities (including Glencore's stake in Xstrata).
- Once the average amount of borrowings notionally allocated to marketing activities for the relevant period has been estimated, the corresponding interest expense on those borrowings is estimated by applying the Group's average variable rate cost of funds during the relevant period to the average borrowing amount. The balance of Group interest expense and all interest income is allocated to industrial activities. The allocation is a company estimate only and is unaudited. The table below summarises the notional allocation of borrowings and interest and corresponding implied earnings before tax of the marketing and industrial activities for the year ended 31 December 2011.

| US $ million | Marketing activities | Industrial activities | Total |
|---|---|---|---|
| Adjusted EBIT | 1 911 | 3 487 | 5 398 |
| Interest expense allocation | – 295 | – 891 | – 1 186 |
| Interest income allocation | – | 339 | 339 |
| **Allocated profit before tax** | **1 616** | **2 935** | **4 551** |
| Allocated borrowings [1] – 31 December 2011 | 14 247 | 13 821 | 28 068 |
| Allocated borrowings [1] – quarterly average | 13 161 | 14 703 | 27 864 |

[1] Includes commodities sold with agreement to repurchase.

Based on the implied equity funding for the marketing activities' working capital requirements, as well as the relatively modest level of non current assets employed in the marketing activities (assumed to be equity funded), the return on notional equity for the marketing activities continued to be very healthy in 2011. The industrial activities' return on notional equity, although respectable, is being held back by mostly mid stage oil, copper, coal and gold development and expansion projects, where significant investments have been made to date, however the projects did not contribute to earnings in the year at anywhere near where their full production potential is expected to be.

## SUBSEQUENT EVENTS AFFECTING OUR FINANCIAL POSITION

- On 7 February 2012, Glencore announced its intention to acquire an additional 37.5% stake in Chemoil for cash consideration of $ 174 million. The transaction is expected to close in Q2 2012.
- On 7 February 2012, the Glencore Directors and the Independent Xstrata Directors announced that they had reached an agreement on the terms of a recommended all-share merger (the "Merger") of equals of Glencore and Xstrata to create a unique $ 90 billion natural resources group. The terms of the Merger provide Xstrata shareholders with 2.8 newly issued shares in Glencore for each Xstrata share held. The Merger is to be effected by way of a Court sanctioned scheme of arrangement of Xstrata under Part 26 of the UK Companies Act, pursuant to which Glencore will acquire the entire issued and to be issued ordinary share capital of Xstrata not already owned by the Glencore Group. The Merger is subject to shareholder, anti-trust and regulatory approvals.
- On 14 March 2012, Glencore received the applicable regulatory approvals to complete the acquisition of an additional 28.5% interest in Optimum as originally agreed. See note 22 of the financial statements for more information.
- On 20 March 2012, Glencore signed a definitive agreement pursuant to which it has agreed to acquire all of the issued and outstanding shares of Viterra for CAD 16.25 per share in cash by way of a court approved plan of arrangement. The transaction values Viterra's equity at approximately CAD 6.1 billion on a fully diluted basis. At the same time, Glencore has entered into agreements with each of Agrium and Richardson International which provide for the sale of certain assets of Viterra including assets which comprise a majority of Viterra's Canadian operations for a total cash consideration of CAD 2.6 billion, subject to specified purchase price adjustments, including payment for working capital. Completion of the transaction is subject to customary closing conditions, including receipt of court, shareholder and regulatory approvals and the absence of material adverse change. The transaction is expected to close during third quarter of 2012.

# 2.2 | Metals and minerals

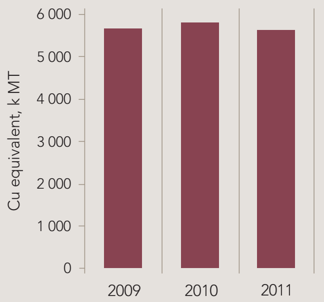
“2011 was a solid year for the metals and minerals segment. The business benefited from meaningful production growth from its industrial activities and is well placed for continued strong growth, particularly from the African Copperbelt assets.”

Daniel Maté, Telis Mistakidis

Adjusted EBIT

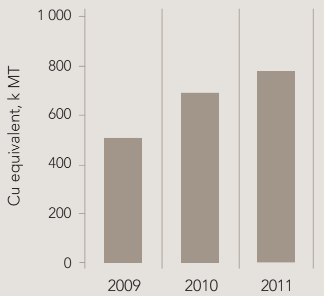

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Marketing activities | 553 | 1 401 | 1 242 |
| Industrial activities | 498 | 1 160 | 1 357 |

Marketing activities




| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Volumes | 5 616 | 5 801 | 5 652 |

Industrial activities




| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Volumes | 511 | 692 | 783 |

### Highlights

Metals and minerals’ total Adjusted EBIT in 2011 was $ 2.6 billion, 2% higher than in the prior year, driven by a stronger performance from the industrial activities.

Metals and minerals’ marketing activities delivered consistent results over the course of 2011 generating Adjusted EBIT of $ 1.2 billion, 11% lower than in 2010. Overall firm physical premia and volumes were sustained during the year.

Metals and minerals’ industrial activities Adjusted EBIT performance increased by 17% compared to 2010, driven by higher average prices in 2011 (partially offset by higher operating costs) and increased production at many of our operations as they progress their ongoing expansionary plans.

### Outlook

Looking ahead, we expect demand in the metals’ markets in which we operate to increase gradually as the global economy continues its modest recovery. This is supportive for our marketing business.

We expect to achieve continued strong growth in industrial production, particularly from the African Copperbelt assets and gold at Kazzinc.

| US $ million | Marketing activities | Industrial activities | 2011 | Marketing activities | Industrial activities | 2010 |
|---|---|---|---|---|---|---|
| Revenue | 43 317 | 8 667 | 51 984 | 37 889 | 7 322 | 45 211 |
| Adjusted EBITDA | 1 247 | 2 122 | 3 369 | 1 401 | 1 868 | 3 269 |
| Adjusted EBIT | 1 242 | 1 357 | 2 599 | 1 401 | 1 160 | 2 561 |
| Adjusted EBITDA margin (%) | 3% | 24% | – | 4% | 26% | – |
| Allocated average CE[1] | 7 746 | 15 108 | 22 854 | 7 018 | 12 208 | 19 226 |
| Adjusted EBIT return on average CE | 16% | 9% | 11% | 20% | 10% | 13% |

[1] The simple average of segment current and non current capital employed (see note 2 of the financial statements), adjusted for production related inventories, is applied as a proxy for marketing and industrial activities respectively.

## MARKET CONDITIONS

### Selected average commodity prices

| | 2011 | 2010 | Change |
|---|---|---|---|
| S&P GSCI Industrial Metals Index | 440 | 393 | 12% |
| LME (cash) zinc price ($/t) | 2 193 | 2 159 | 2% |
| LME (cash) copper price ($/t) | 8 813 | 7 543 | 17% |
| LME (cash) lead price ($/t) | 2 397 | 2 147 | 12% |
| Gold price ($/oz) | 1 573 | 1 227 | 28% |
| Metal Bulletin alumina price ($/t) | 374 | 332 | 13% |
| LME (cash) aluminium price ($/t) | 2 398 | 2 173 | 10% |
| LME (cash) nickel price ($/t) | 22 843 | 21 811 | 5% |
| Metal Bulletin cobalt price 99.3% ($/lb) | 16 | 18 | – 11% |
| Iron ore (Platts 62% CFR North China) price ($/DMT) | 169 | 147 | 15% |

### Currency table

| | Average 2011 | Spot 31 Dec 2011 | Average 2010 | Spot 31 Dec 2010 | Change in average prices |
|---|---|---|---|---|---|
| AUD : USD | 1.03 | 1.02 | 0.92 | 1.02 | 12% |
| USD : COP | 1 848 | 1 939 | 1 897 | 1 908 | – 3% |
| EUR : USD | 1.39 | 1.30 | 1.33 | 1.34 | 5% |
| GBP : USD | 1.60 | 1.55 | 1.55 | 1.56 | 3% |
| USD : CHF | 0.89 | 0.94 | 1.04 | 0.94 | – 14% |
| USD : KZT | 147 | 148 | 147 | 147 | 0% |
| USD : ZAR | 7.26 | 8.09 | 7.32 | 6.63 | – 1% |

Metal prices generally increased over 2011 compared to 2010 with the GSCI Industrial Metals Index increasing by 12% from December 2010 to December 2011. However, with the exception of aluminium, base metals prices were on average 10%–15% lower in H2 2011 compared to H1 2011, which reflected increased investor and end user caution on the global growth outlook.

2011 was impacted by various macro events, such as the nuclear accident in Japan, social upheavals in North Africa and the Middle East and the ongoing sovereign debt crisis in Europe. The pressures on equity and debt markets, driven by the financial uncertainties, had a knock-on effect on commodity markets, where prices decreased and demand weakened.

### Zinc/Copper/Lead

2011 markets were particularly characterised by supply disruptions and continuing decline in mine ore grades. Chile, which produces around one third of the world's copper, saw its year on year production fall by 3.2%, while production from Indonesia was severely impacted by the more than three month strike at the Grasberg mine. Production declined on an outright basis and is expected to continue to do so well into 2012 until the production cycle from ore to metal is re-established. This lack of supply growth explains the relative strength in prices witnessed in the face of weak demand in Europe and USA. Lack of new production is also relevant for zinc, though with China not being a net importer, zinc metal prices were relatively weaker.

The second half was dominated by reactions to the European financial crisis, in terms of price volatility on the terminal markets and consumer behaviour and purchasing patterns. Inventories in China had declined from the high levels since the purchases in 2009 and 2010 when prices were lower. Inventories in the US and Europe, which had seen major drawdowns since 2009, had not been rebuilt amid the uncertainty over Europe and were in fact cut even further throughout 2011 and remain that way. Chinese buyers on the other hand, have used price weakness in the fourth quarter to purchase large amounts of metal for nearby delivery and rebuild the inventory pipeline to a more 'normal' level, particularly for copper. We also saw the first signs of demand strength in the US during Q4 2011, most evident in the automobile sector where production was ramped up, following the supply chain disruptions in Japan and Thailand. There has been good consumer demand for zinc although purchasing was for current demand with no emphasis on restocking.

### Alumina/Aluminium

The above mentioned market disruptions added complexity to the alumina/aluminium business, which created several profitable transaction opportunities that allowed the department to maintain a robust and profitable base in 2011.

The more recent decline in prices has increased producer margin pressure with many no longer able to cover their production cost. Indications for aluminium premiums for duty unpaid, in-warehouse material at the beginning of 2011 were $ 110 – 135 per tonne, with an average 2011 range of approximately $ 110 – 130 per tonne and a more recent level of $ 95 – 120 per tonne. Investor demand for physical metal, supported by wide contangos, has kept overall physical markets reasonably balanced.

### Ferroalloys/Nickel/Cobalt/Iron Ore

The global stainless steel industry experienced a continued slowdown in H2 2011, due to interalia destocking in all markets across the distribution chain. Other ferroalloy consuming industries such as aerospace, automotive, oil and gas and plating remained strong throughout the second half.

The 2011 cobalt price was lower (11%) compared to 2010. The main reasons were (i) overstocking in the Chinese battery market, (ii) oversupply of producer metal and (iii) the loss of market share of Japanese battery producers (mostly due to a strong Yen). These factors were especially acute in Q4. Many producers reduced their inventory over year-end, based on pessimistic forecasts for Q1 2012 however, we believe activity will be reasonable based on strong demand in the superalloy and battery sectors.

The iron ore price initially kept at a high level due to strong Chinese crude steel production matching the increased availability of material however, this balance started to change around September 2011. Prices declined due to the postponement of certain European allocations, tighter credit availability and poor steel sales in China. These concerns led to market prices falling c. $ 60 per DMT in a six week period to c. $ 115 per DMT at the end of October. Despite lower Chinese steel production levels, prices then recovered and stabilised in the $ 135 – 140 per DMT range, slightly above many marginal-cost producers' cost of production.

## MARKETING

### Highlights

Overall the 2011 result was solid albeit lower than the record 2010 performance. The decline in performance was partly due to lower profits from the ferroalloys and zinc/copper departments (which performed strongly in 2010 when physical purchasing and restocking in Asia was particularly intensive), offset by higher volumes and profits in the aluminium/alumina department.

Adjusted EBIT for 2011 was $ 1,242 million, compared to $ 1,401 million in 2010, a reduction of 11%.

### Financial information

| US $ million | 2011 | 2010 | Change |
|---|---|---|---|
| Revenue | 43 317 | 37 889 | 14% |
| Adjusted EBITDA | 1 247 | 1 401 | – 11% |
| Adjusted EBIT | 1 242 | 1 401 | – 11% |

### Selected marketing volumes sold

| | Units | 2011 | 2010 | Change |
|---|---|---|---|---|
| Zinc metal and concentrates [1] | million MT | 2.7 | 2.9 | – 7% |
| Copper metal and concentrates [1] | million MT | 1.9 | 1.9 | – |
| Lead metal and concentrates [1] | million MT | 0.7 | 0.7 | – |
| Gold | thousand toz | 756 | 589 | 28% |
| Silver | thousand toz | 11 128 | 8 527 | 31% |
| Alumina/aluminium | million MT | 11.4 | 10.6 | 8% |
| Ferroalloys (incl. agency) | million MT | 2.7 | 2.6 | 4% |
| Nickel | thousand MT | 191.4 | 193.9 | – 1% |
| Cobalt | thousand MT | 22.9 | 17.9 | 28% |
| Iron ore | million MT | 10.3 | 9.3 | 11% |

[1] Estimated metal unit contained.

### Zinc/Copper/Lead

2011 zinc volumes were lower at 2.7 million tonnes vs. 2.9 million tonnes in 2010, while copper and lead volumes were consistent between the two years. 2011 profits were lower than 2010 but remained strong. The decline was from a high base in 2010 which benefited from strong physical purchases and restocking in Asia.

### Alumina/Aluminium

In 2011, the marketed volumes for alumina/aluminium increased to 11.4 million tonnes compared to 10.6 million tonnes in 2010, representing an increase of 8%. Arbitrage opportunities in aluminium were more favourable in 2011, with increased opportunities for inventory financing transactions and cash and carry deals. 2011 profits were higher than 2010.

### Ferroalloys/Nickel/Cobalt/Iron Ore

Chrome ore output levels from South African producers continued to ramp up during 2011, which ensured a steady increase in monthly volumes.

Overall nickel volumes for all types of products remained strong and were similar to 2010 levels.

Cobalt volumes remained strong for the whole of 2011 compared with 2010 and confirmed existing trends in intermediate products, with a marked increase in exports.

Despite a slow start to the year due to severe supply disruptions in Canada, Brazil and Australia and the loss of supply from India due to the monsoon and the export ban iron ore volumes increased by 1 million tonnes in 2011 compared to 2010, mainly due to increased availability of spot cargos in H2 2011.

Overall profits in 2011 were slightly below 2010 levels with a mixture of positive and negative year-on-year performances within the various individual commodity books.

## INDUSTRIAL ACTIVITIES

### Highlights

- Metals and minerals' industrial activities performance continued to improve during 2011, driven by higher average prices in 2011 and increased production volumes at many of our operations.
- Total industrial revenues for metals and minerals were $ 8,667 million, up 18% from $ 7,322 million in 2010. Adjusted EBITDA and Adjusted EBIT for 2011 were $ 2,122 million and $ 1,357 million, up 14% and 17%, compared to $ 1,868 million and $ 1,160 million in 2010.

## Financial information

| US $ million | 2011 | 2010 | Change |
|---|---|---|---|
| **Revenue** | | | |
| Kazzinc | 2 262 | 1 855 | 22% |
| Other Zinc | 1 029 | 901 | 14% |
| **Zinc** | **3 291** | **2 756** | **19%** |
| Katanga | 528 | 496 | 6% |
| Mopani | 1 155 | 863 | 34% |
| Other Copper | 2 493 | 2 072 | 20% |
| **Copper** | **4 176** | **3 431** | **22%** |
| **Alumina/Aluminium** | **520** | **422** | **23%** |
| **Ferroalloys/Nickel/Cobalt/Iron ore** | **680** | **713** | **– 5%** |
| Total | 8 667 | 7 322 | 18% |
| **Adjusted EBITDA** | | | |
| Kazzinc | 862 | 815 | 6% |
| Other Zinc | 297 | 225 | 32% |
| **Zinc** | **1 159** | **1 040** | **11%** |
| Katanga | 198 | 168 | 18% |
| Mopani | 328 | 218 | 50% |
| Other Copper | 219 | 214 | 2% |
| **Copper** | **745** | **600** | **24%** |
| **Alumina/Aluminium** | **60** | **– 9** | **n.m.** |
| **Ferroalloys/Nickel/Cobalt/Iron ore** | **83** | **189** | **– 56%** |
| Share of income from associates and dividends (includes Mutanda) | 75 | 48 | 56% |
| Total | 2 122 | 1 868 | 14% |
| **Adjusted EBITDA margin (%)** | **24%** | **26%** | **–** |
| **Adjusted EBIT** | | | |
| Kazzinc | 561 | 579 | – 3% |
| Other Zinc | 191 | 115 | 66% |
| **Zinc** | **752** | **694** | **8%** |
| Katanga | 141 | 109 | 29% |
| Mopani | 207 | 68 | 204% |
| Other Copper | 161 | 179 | – 10% |
| **Copper** | **509** | **356** | **43%** |
| **Alumina/Aluminium** | **50** | **– 17** | **n.m.** |
| **Ferroalloys/Nickel/Cobalt/Iron ore** | **– 29** | **79** | **n.m.** |
| Share of income from associates and dividends (includes Mutanda) | 75 | 48 | 56% |
| Total | 1 357 | 1 160 | 17% |
| **Capex** | | | |
| Kazzinc | 439 | 350 | – |
| Other Zinc | 131 | 110 | – |
| **Zinc** | **570** | **460** | **–** |
| Katanga | 325 | 221 | – |
| Mopani | 163 | 130 | – |
| Other Copper | 116 | 92 | – |
| **Copper** | **604** | **443** | **–** |
| **Alumina/Aluminium** | **20** | **31** | **–** |
| **Ferroalloys/Nickel/Cobalt/Iron ore** | **76** | **67** | **–** |
| Total | 1 270 | 1 001 | – |

## Production data

| thousand [1] | | Using feed from own sources | Using feed from third party sources | 2011 Total | Using feed from own sources | Using feed from third party sources | 2010 Total | Own feed change |
|---|---|---|---|---|---|---|---|---|
| **Kazzinc** | | | | | | | | |
| Zinc metal | MT | 246.0 | 54.8 | 300.8 | 239.1 | 61.7 | 300.8 | 3% |
| Lead metal [2] | MT | 35.6 | 66.2 | 101.8 | 33.1 | 67.7 | 100.8 | 8% |
| Copper metal [3] | MT | 51.2 | 1.8 | 53.0 | 48.0 | 1.8 | 49.8 | 7% |
| Gold | toz | 390 | 39 | 429 | 326 | 22 | 348 | 20% |
| Silver | toz | 4 299 | 5 571 | 9 870 | 5 182 | 1 549 | 6 731 | – 17% |
| **Katanga** | | | | | | | | |
| Copper metal [3] | MT | 91.2 | – | 91.2 | 58.2 | – | 58.2 | 57% |
| Cobalt [4] | MT | 2.4 | – | 2.4 | 3.4 | – | 3.4 | – 29% |
| **Mutanda** | | | | | | | | |
| Copper metal [3] | MT | 63.7 | – | 63.7 | 16.3 | – | 16.3 | 291% |
| Cobalt [4] | MT | 7.9 | – | 7.9 | 8.9 | – | 8.9 | – 11% |
| **Mopani** | | | | | | | | |
| Copper metal [3] | MT | 101.4 | 103.0 | 204.4 | 94.4 | 103.0 | 197.4 | 7% |
| Cobalt [4] | MT | 0.6 | 0.3 | 0.9 | 0.8 | 0.3 | 1.1 | – 25% |
| **Other Zinc (Los Quenuales, Sinchi Wayra, AR Zinc, Portovesme)** | | | | | | | | |
| Zinc metal | MT | 30.5 | 123.2 | 153.7 | 27.9 | 116.7 | 144.6 | 9% |
| Zinc oxide | DMT | 75.5 | – | 75.5 | 68.0 | – | 68.0 | 11% |
| Zinc concentrates | DMT | 461.2 | – | 461.2 | 390.6 | – | 390.6 | 18% |
| Lead metal | MT | 11.9 | – | 11.9 | 14.2 | – | 14.2 | – 16% |
| Lead concentrates | DMT | 61.0 | – | 61.0 | 56.6 | – | 56.6 | 8% |
| Tin concentrates | DMT | 4.7 | – | 4.7 | 3.8 | – | 3.8 | 24% |
| Silver metal | toz | 754 | – | 754 | 871 | – | 871 | – 13% |
| Silver in concentrates | toz | 7 978 | – | 7 978 | 7 781 | – | 7 781 | 3% |
| **Other Copper (Cobar, Pasar, Punitaqui)** | | | | | | | | |
| Copper metal | MT | – | 164.1 | 164.1 | – | 176.0 | 176.0 | n.m. |
| Copper concentrates | DMT | 204.9 | – | 204.9 | 185.5 | – | 185.5 | 10% |
| Cobalt | MT | – | 0.2 | 0.2 | – | – | – | n.m. |
| Silver contained | toz | 1 035 | – | 1 035 | 450 | – | 450 | 130% |
| **Alumina/Aluminium (Sherwin)** | | | | | | | | |
| Alumina | MT | – | 1 460 | 1 460 | – | 1 259 | 1 259 | n.m. |
| **Nickel/Cobalt (Murrin Murrin)** | | | | | | | | |
| Nickel metal | MT | 28.5 | 1.5 | 30.0 | 27.7 | 0.7 | 28.4 | 3% |
| Cobalt | MT | 1.9 | 0.2 | 2.1 | 1.9 | 0.1 | 2.0 | 0% |
| | | | | | | | | |
| **Total Zinc contained** | **MT** | **563.1** | **178.0** | **741.1** | **514.3** | **178.4** | **692.7** | **9%** |
| **Total Copper contained** | **MT** | **362.6** | **268.9** | **631.5** | **268.6** | **280.9** | **549.5** | **35%** |
| **Total Lead contained** | **MT** | **82.5** | **66.2** | **148.7** | **77.8** | **67.6** | **145.4** | **6%** |
| **Total Tin contained** | **MT** | **2.2** | **–** | **2.2** | **1.9** | **–** | **1.9** | **16%** |
| **Gold (incl. Gold equivalents) [5]** | **toz** | **706** | **164** | **870** | **562** | **47** | **609** | **26%** |
| **Total Alumina** | **MT** | **–** | **1 460** | **1 460** | **–** | **1 259** | **1 259** | **n.m.** |
| **Total Nickel** | **MT** | **28.5** | **1.5** | **30.0** | **27.7** | **0.7** | **28.4** | **3%** |
| **Total Cobalt** | **MT** | **12.8** | **0.7** | **13.5** | **15.0** | **0.4** | **15.4** | **– 15%** |

[1] Production is included on a 100% basis. Controlled industrial assets only with the exception of Mutanda (40% owned) where Glencore has operational control.
[2] Lead metal includes lead contained in lead concentrates.
[3] Copper metal includes copper contained in copper concentrates and blister copper.
[4] Cobalt contained in concentrates and hydroxide.
[5] Gold/Silver conversion ratio of 1/44.53 and 1/60.63 for 2011 and 2010 respectively based on average prices.

## OPERATIONS

### Kazzinc (Glencore interest: 50.7%)

Zinc and lead output in 2011 was in line with 2010 production levels. Processing silver-rich Dukatsky concentrate contributed to a 47% increase in silver production from 6.7 million toz in 2010 to 9.9 million toz in 2011. Production of gold was 429,000 toz, a 23% increase compared to 2010 production of 348,000 toz.

Kazzinc is near completion of its New Metallurgy project at an estimated cost of $ 926 million. The project consisted of the construction of a 70,000 tonnes per annum IsaSmelt Copper smelter/refinery, a new acid plant, modernisation of the existing lead plant and construction of the necessary auxiliary operations.

The new copper smelter was commissioned in August 2011 with first copper cathode produced in the last few days of August which met all international requirements. By the end of 2011, nearly 13,000 tonnes of copper cathode had been produced at the Ust-Kamenogorsk copper smelter with a gradual ramp up to the 70,000 tonnes per annum design capacity expected in 2012.

Ore processing at Altyntau Kokshetau was 5.7 million tonnes in 2011, a 61% increase compared to 2010. The Altyntau mills were each stopped in June and July for 45 days to allow work to be completed which is expected to result in processing production capacity increasing to 8.0 million tonnes per annum by 2013. Reinforcement of the foundations underneath the two ball mills went well with both mills coming back into operation by the end of July and end of August respectively. Some gold recovery issues still exist despite the installation of extra fine grinding capacity during the 45 days stoppage period, which is expected to allow the liberation of more gold in the grinding stage and therefore increased recovery. This challenge predominantly relates to the extremely hard nature of the ore which makes it difficult to grind below the necessary 4 microns in order to recover the gold. As a result, Kazzinc failed to meet its gold production target in 2011, however gold recovery rates have recently been improving.

In April 2011, Glencore conditionally agreed to increase its stake in Kazzinc from 50.7% to 93.0% for a total transaction consideration of $ 3.2 billion (consisting of the issuance of $ 1 billion of Glencore shares at its IPO price, equating to approximately 117 million shares, and $ 2.2 billion in cash). Glencore and the seller are currently targeting an agreed Q3 2012 completion date.

As a result of further exploration drilling and technical studies, Kazzinc significantly increased its JORC compliant mineral reserves, at the Vasilkovskoye, Maleevsky and Ridder-Sokolny deposits with gold up 50%, silver up 84%, copper up 136%, lead up 62% and zinc up 67% compared to the JORC compliant reserves outlined in the IPO prospectus adjusted for depletion during 2011 (see separate RNS release 5 March 2012). The effect of the higher mineral reserves has been to increase copper production, as compared to the plan outlined in the IPO prospectus, from own mined sources by 76% in 2012 and 230% in 2015.

### Katanga (Glencore interest: 75.2%)

Katanga's contained copper in ore mined in 2011 amounted to 198,600 tonnes, a 51% increase compared to 2010.

Ore mined and hoisted at the KTO underground mine in 2011 was 1.6 million tonnes (at an average 3.71% copper content), an increase of 23% compared to 2010, whilst ore mined at the KOV Open Pit in 2011 was 2.5 million tonnes, 249% above 2010 production levels. The copper grade of ore mined from the KOV Open Pit for 2011 averaged 4.98% copper content.

Ore milled at the Kamoto concentrator in 2011 amounted to 4.1 million tonnes, an increase of 40% compared to 2010. The current milling capacity at Kamoto of 7.7 million tonnes per annum of ore is sufficient to support the life of mine plan through to 2014.

479,900 tonnes of total concentrate were produced, representing a 58% increase compared to 2010. Katanga continued to increase the production of oxide concentrate for sale as a finished product. The construction of a 120,000 tonnes per annum concentrate filtration and bagging facility was commissioned in the third quarter of 2011.

Copper produced in metal and concentrate for 2011 totalled approximately 91,200 tonnes, an increase of 57% compared to 2010. Total cobalt production in 2011 was 2,400 tonnes, 29% lower than in 2010 as a result of lower head grades in the current copper ore body.

Katanga experienced certain operational disruptions at the old existing installations during 2011. During Q4 2011, Katanga's Board announced that it had approved the Updated Phase IV Expansion. This acceleration of the Phase IV will address the problems experienced during 2011. Consistent with the completion of the Phase III Expansion project Katanga commissioned a front end engineering and early works report, which identified the following key items:

- an additional 100,000 tonnes per annum solvent extraction plant, over and above the 200,000 tonnes per annum solvent extraction ("SX") plant described in the ITR ("Independent Technical Report") to be constructed in front of the existing Luilu electrowinning ("EW") plant. The ITR detailed the conversion of the existing copper electrowinning facility at the Luilu refinery to a 200,000 tonnes per annum capacity copper electrowinning facility fed by the 200,000 tonnes per annum solvent extraction plant;

- Katanga reaching higher copper and cobalt production levels sooner than the timelines described in the ITR;
- an increase in expansionary capital expenditures from approximately $ 537 million (as described in the ITR) to approximately $ 635 million due primarily to the inclusion of the additional solvent extraction plant and an in-pit crusher at KOV Open Pit; and
- the increase of copper production to 270,000 tonnes per annum of LME Grade A copper and thereafter the expansion of copper production to 310,000 tonnes per annum, utilising anticipated cash flows from operating activities.

In order to expedite the commencement of the Updated Phase IV Expansion project, Katanga finalised the execution of a facility of up to $ 515.5 million from Glencore which will fund the portion of the project not already covered by Katanga's existing operating cash flow.

A further facility of $ 120 million was drawn in full to fund the redemption on 30 December 2011 of Katanga's outstanding CAD 125 million 14% debentures which otherwise would have been due for repayment on 30 November 2013.

For further information please visit www.katangamining.com

### Mutanda (Glencore interest: 40.0%)

Mutanda is accounted for as an associate under Glencore's operational control.

Total copper production in 2011, including both cathodes and copper in concentrate, was 63,700 tonnes. Copper cathodes contributed 44,000 tonnes to the year's production which was significantly higher than the forecast of 24,000 tonnes. Total copper production in H2 2011 of 37,900 tonnes was 47% higher than the 25,800 tonnes in H1 2011.

Total cobalt production in 2011, including both cobalt in hydroxide and cobalt in concentrate, was 7,900 tonnes. Total cobalt production in both concentrate and hydroxide in H2 2011 was 4,300 tonnes, an 18% increase compared to the 3,600 tonnes produced in H1 2011.

The Phase I Hydrometallurgical Plant achieved design capacity of 20,000 tonnes per annum of annualised copper cathode production in January 2011. Under the Phase II project (construction of a 40,000 tonnes per annum SX/EW plant), EW2 and EW3 tank houses were commissioned ahead of schedule in April and June respectively.

The completion of the front end (milling and leaching) of the Phase II plant and associated cobalt circuit is expected in Q1 2012. This, along with the already commissioned EW2 and EW3 tank houses, will increase overall plant capacity to 60,000 tonnes per annum of copper cathodes and 18,000 tonnes per annum of cobalt in hydroxide at design feed grades.

The optimisation of the front end of the Phase III plant and the associated cobalt circuit is expected to be completed by the end of Q2 2012 and Q4 2012 respectively which, along with the already commissioned EW4 tank house, will result in the overall hydrometallurgical complex being capable of producing 110,000 tonnes per annum of copper cathodes and 23,000 tonnes per annum of cobalt in hydroxide at design feed grades.

The acid plant, which has a design capacity of 390 tonnes per day sulphuric acid and 73 tonnes per day $SO_2$ capacity, is currently being commissioned. The cost of the sulphuric acid plant and all three Phases of the Hydrometallurgical Plant is expected to be $ 734 million.

Mutanda also continues to assess various other expansion options and is currently considering whether to expand the current plant capacity to 210,000 tonnes per annum (with an initial cost estimate of $ 670 million) or to expand the existing plant capacity to 150,000 tonnes per annum in conjunction with the construction of a new 100,000 tonnes unit sulphide concentrator.

Mutanda, in conjunction with Katanga and Kansuki, is engaged in a project to secure power for all three operations through the refurbishment of two turbines at the Inga dam which is expected to provide 450 megawatts of power. The project is being executed in partnership with SNEL, the national power operator in the DRC, and EGMF, the project contractor. The initial cost estimate is $ 340 million, which will be contributed by Mutanda, Katanga and Kansuki. The amount invested will be recovered via lower electricity tariffs.

Glencore holds a 50% interest in Kansuki Investments Sprl which in turn holds a 75% interest in Kansuki Sprl, the owner of the Kansuki concession, thereby giving Glencore an effective interest of 37.5%. Kansuki is a 185 square kilometre copper and cobalt pre-development project which borders the Mutanda concession. A total of $ 135 million of capital expenditure for mine and plant development has been committed of which $ 103 million has been spent. Exploration of the Kansuki concession is ongoing. Discussions with respect to a potential combination of the Mutanda and Kansuki operations are ongoing with a view to ultimately obtaining a majority stake in the merged entity.

### Mopani (Glencore interest: 73.1%)

Total contained copper in ore hoisted and mined was 6% higher than in 2010 whilst total contained copper in concentrate for 2011 was 9% higher than 2010 due to the improved ore deliveries from mining. 2011 gross anode production from the smelter of 208,200 tonnes was 5% higher than 2010 levels, which was driven by increased concentrate receipts and improved recoveries.

Total finished copper from own sources in 2011 was 7% higher compared to 2010 whilst total finished copper for 2011 at 204,400 tonnes, including purchased material and toll, was the highest achieved since Mopani's inception.

Finished cobalt production in 2011 was 18% lower compared to 2010, primarily due to the lower cobalt grades in both Mopani and purchased concentrates. Cobalt production was further adversely affected by the re-alignment of the Nkana concentrator to maximise copper concentrate production as well as the cobalt roaster being put on care and maintenance.

There are a series of major capital expenditure projects underway to increase mine production and continue to improve and modernise the smelter. The Synclinorium project is a new shaft development which should provide access to 115 million tonnes of copper ore and is expected to yield 4 million tonnes per annum of ore by 2018 replacing and improving on production from the current ore bodies in Nkana. It will be mined for approximately 18 years with an average grade of 1.85% copper content and 0.06% cobalt content. Forecast capital expenditure for the project is $ 323 million.

In metallurgy, the Smelter Phase III project is currently underway and includes the installation of three new converters, gas cleaning equipment and a second acid plant, which will improve sulphur dioxide emissions capture to above 97%. The project is on schedule and forecast capital expenditure for the project is $ 145 million.

### Other Zinc

### Los Quenuales (Glencore interest: 97.5%)

Los Quenuales, which comprises of the Iscaycruz and Yauliyacu mines, continued its strong production performance in H1 2011 throughout the whole year.

Total ore processed at Iscaycruz was 43% higher than in 2010 (the mine having reopened in April 2010). Zinc and lead head grades did decline modestly but the higher overall volumes resulted in a 24% increase in the production of zinc concentrates whilst lead concentrate production levels effectively remained unchanged.

Total ore processed at Yauliyacu was 2% lower than in 2010, although zinc concentrate production remained unchanged due to improvements in recovery and head grade. In late April 2011, Los Quenuales ceased production of a single complex bulk concentrate, instead opting for separation into lead and copper concentrates. These separate concentrates are more readily saleable under current market conditions. In aggregate, as a result of the slight reduction in volumes treated and lower head grades, Yauliyacu produced 5% less bulk/lead/copper concentrates in 2011.

### Sinchi Wayra (Glencore interest: 100%)

Production at Sinchi Wayra was significantly higher compared to 2010. Ore treated and zinc concentrate produced was 15% higher whilst lead and tin concentrates produced were 29% and 25% higher respectively. These improvements were the result of a number of efficiency programs and low value/short pay-back capex expansion projects. These positive factors were slightly offset by a heavier than normal rainy season. Recovery issues in the Colquiri concentrator, as noted in the Interim Report 2011, have been addressed and largely resolved.

Negotiations with the Bolivian government to amend Sinchi Wayra's mining contracts in accordance with the new constitution are ongoing and whilst progress has been made, the final outcome and the timing thereof cannot be determined at this stage.

### AR Zinc (Glencore interest: 100%)

Production levels were consistent with prior years and in line with expectations, with zinc metal production increasing by 6% year on year.

The Palpala lead smelter had a maintenance shutdown during January and returned to full capacity thereafter however, as a result of the shutdown, lead metal production for the year was 17% lower than 2010 levels.

The Aguilar mine produced 15% more lead in concentrate compared to 2010, with the surplus unable to be treated at Palpala being exported.

### Perkoa (Glencore interest: 50.1%)

Construction is currently ongoing, with first production expected later this year. It is expected that the mine plan will be improved by adding a new opencut source of ore, increasing planned plant capacity. These planned improvements which should also increase the life of mine and total overall production.

## Other Copper

### Cobar (Glencore interest: 100%)

Total production for 2011 was 44,700 tonnes of copper contained, an 11% reduction compared to 2010. This decrease is largely attributable to a temporary reduction in loader availability and lower head grades.

The main capital expenditure project currently underway is the shaft extension which will reduce operating costs per unit, allow access to more ore and increase production. The project is expected to be completed by the end of 2013 and total forecast capital expenditure for the project is $ 175 million.

### Punitaqui (Glencore interest: 100%)

During 2011 Punitaqui produced 39,000 tonnes of copper concentrates, an encouraging first full year of production given operations only started toward the end of 2010, following the mine's acquisition in February 2010 and subsequent refurbishment.

## Alumina/Aluminium

### Sherwin Alumina (Glencore interest: 100%)

Production in 2011 was 1,460,100 tonnes, an increase of 16% compared to 2010, which was primarily due to the restart of the fifth digestor unit at the beginning of 2011.

Key capital expenditure projects include the re-bundling of the vertical heat exchangers which is ongoing and the increase in calciner capacity which is close to completion.

## Ferroalloys/Nickel/Cobalt/Iron Ore

### Murrin Murrin (Glencore interest: 100%)

Production in 2011 was 30,000 tonnes of nickel packaged and 2,100 tonnes of cobalt packaged, a 6% and 5% increase compared to 2010 production of 28,400 tonnes of nickel and 2,000 tonnes of cobalt. This increase was despite production being impacted by various issues including a series of electrical storms, heavy rain and flooding as well as maintenance issues.

The failure of an acid plant heat exchanger in June saw production continuing at a reduced rate before the tie-in of a new temporary unit in July. In October, the acid plant was shut to facilitate the tie-in of the replacement heat exchanger. Production subsequently improved in the second half of the year, reflecting increased plant availability and increased processed ore-grade following the ramp-up to full production from the Murrin Murrin East ore body.

Capital expenditure in 2011 was strictly contained and included the development of the Murrin Murrin East mine, commissioning of the high-density slurry project and work on a sixth reduction autoclave and second flash vessel unit in the refinery's nickel circuit, all of which commenced prior to 2011.

In September 2011, Glencore launched an all cash offer to acquire all the remaining Minara shares not already owned by Glencore. In November, following the successful closure of the offer, Glencore acquired the remaining shares and now owns 100%. The total consideration in respect of the minority buyout was approximately $ 265 million.

# 2.3 | Energy products

"2011 was a relatively strong year for the energy products segment, benefiting from favourable supply and demand conditions coupled with continued success in expanding our industrial asset portfolio achieving first oil production from the Aseng field, a few months ahead of schedule and expanding our coal operational base in South Africa and Colombia."

Alex Beard, Tor Peterson

### Adjusted EBIT


| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Marketing activities | 945 | 450 | 697 |
| Industrial activities | 413 | 235 | 375 |

### Marketing activities


| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Coal (k MT) | 106 000 | 100 900 | 95 400 |
| Oil (k bbls) | 812 638 | 897 849 | 849 271 |

### Industrial activities


| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Coal (k MT) | 16 094 | 17 433 | 20 506 |
| Oil (k bbls) | – | – | 2 785 |

### Highlights

Energy products' total Adjusted EBIT in 2011 was $ 1,072 million, an increase of 56% compared to 2010. The improved performance was driven by strong growth in both marketing and industrial activities.

Energy products' marketing activities reported Adjusted EBIT of $ 697 million in 2011, a 55% increase on 2010. This improvement was driven, in particular, by stronger oil market fundamentals during H1 2011. H2 2011 performance was impacted by lower wet freight rates (given our long, but continuously reducing exposure to time charters) and a more challenging oil market environment which provided fewer opportunities.

Energy products' industrial activities Adjusted EBIT performance increased by 60% to $ 375 million in 2011, driven by higher average coal prices and increased production at Prodeco and the commencement of production at the Aseng oil field in Block I – Equatorial Guinea.

### Outlook

Looking ahead, after an initial period of weakness due to uncertainties surrounding the Euro crisis, we expect demand in the energy markets in which we operate to pick up and thereafter for growth to remain stable.

| US $ million | Marketing activities | Industrial activities | 2011 | Marketing activities | Industrial activities | 2010 |
|---|---|---|---|---|---|---|
| Revenue | 114 756 | 2 309 | 117 065 | 87 850 | 1 499 | 89 349 |
| Adjusted EBITDA | 724 | 571 | 1 295 | 470 | 359 | 829 |
| Adjusted EBIT | 697 | 375 | 1 072 | 450 | 235 | 685 |
| Adjusted EBITDA margin (%) | 1% | 25% | – | 1% | 24% | – |
| Allocated average CE [1] | 5 168 | 4 762 [2] | 9 930 [2] | 5 614 [2] | 3 376 [2] | 8 989 [2] |
| Adjusted EBIT return on average CE | 13% | 8% | 11% | 8% | 7% | 8% |

[1] The simple average of segment current and non current capital employed (see note 2 of the financial statements), adjusted for production related inventories, is applied as a proxy for marketing and industrial activities respectively.
[2] For the purposes of this calculation, capital employed has been adjusted to exclude Russneft, Atlas, PT Bakrie and Oteko Group loans (see note 8 of the financial statements), which generate interest income and do not contribute to Adjusted EBIT.

## MARKET CONDITIONS

### Selected average commodity prices

| | 2011 | 2010 | Change |
|---|---|---|---|
| S&P GSCI Energy Index | 333 | 266 | 25% |
| API2 ($/t) | 122 | 93 | 31% |
| API4 ($/t) | 116 | 92 | 26% |
| Prodeco realised price ($/t) [1] | 95 | 82 | 16% |
| Shanduka realised export price ($/t) | 108 | 96 | 13% |
| Shanduka realised domestic price ($/t) | 43 | 35 | 23% |
| Oil price – Brent ($/bbl) | 111 | 80 | 39% |

[1] As at 31 December 2011, 27 million tonnes had been sold forward at an average price of $ 94 per tonne.

The underlying fundamentals of global energy markets generally improved during 2011 with average prices appreciably higher during 2011 than 2010. The GSCI Energy Index increased by 25% from December 2010 to December 2011.

### Coal

During H1 2011 demand for coal was strongly supported by cold weather related demand, combined with supply shortages due to Australian flooding and adverse weather conditions in Colombia, which left the traded market relatively tight. The effect of the Japanese earthquake and tsunami on nuclear generation also played a role in increasing demand for coal, especially in the environmentally sensitive Atlantic markets.

Thereafter, the global financial crisis and uncertainty surrounding consumption patterns led to many players taking a cautious approach towards longer term commitments and a move to a more spot price oriented market. This resulted in lower demand and prices. Prices fell further towards the end of the year, impacted by mild weather and robust coal supplies, especially from the US, which affected the Atlantic markets, whereas the Asian markets remained more robust and resilient, although the general trend was also lower.

### Oil

Brent front month prices started the year at $ 95 per barrel and ended at $ 107 per barrel, ranging between $ 93 per barrel and $ 127 per barrel, with most of the volatility seen during the first half of the year. During 2010, the range was between $ 70 per barrel to $ 95 per barrel. The increased volatility in H1 2011, driven by events in the Middle East and North Africa, the Japanese Tsunami and nuclear accident, European sovereign debt concerns and the IEA's decision to release strategic reserves in June, provided numerous marketing opportunities. For example, the removal of Libya's light sweet crude caused a sharp tightening of supplies of this grade. During H2 2011, oil prices trended downwards, and oil markets became dominated by bank and sovereign credit developments. The resulting unpredictability during this period resulted in more challenging trading conditions.

WTI became further dislocated from international grades in the second half of the year due to the domestic US crude benchmark's captive delivery location. The differential between Brent-WTI started the year at $ 2 per barrel differential, reaching a peak of $ 28 per barrel in mid-October before narrowing to $ 9 per barrel at the end of December 2011. The market ended with Brent and gasoil in backwardation but with gasoline showing the expected contango into the driving season.

## MARKETING

### Highlights
2011 saw a strong year-on-year improvement, however this reflects, to a large extent, the weak base comparable period for oil marketing in 2010. 2011 continued to be negatively impacted by the weak freight environment in both the dry and wet market segments.

Adjusted EBIT for 2011 was $ 697 million, compared to $ 450 million in 2010, an increase of 55%.

### Financial information

| US $ million | 2011 | 2010 | Change |
|---|---|---|---|
| Revenue | 114 756 | 87 850 | 31% |
| Adjusted EBITDA | 724 | 470 | 54% |
| Adjusted EBIT | 697 | 450 | 55% |

### Selected marketing volumes sold

| million | 2011 | 2010 | Change |
|---|---|---|---|
| Thermal coal (MT) | 91.0 | 92.2 | – 1% |
| Metallurgical coal (MT) | 4.1 | 8.0 | – 49% |
| Coke (MT) | 0.3 | 0.7 | – 57% |
| Crude oil (bbls) | 271.4 | 375.0 | – 28% |
| Oil products (bbls) | 577.8 | 522.9 | 10% |

### Coal
Actual volume reduction was applicable to the more specialised metallurgical coal and coke products, whereas thermal coal volumes were fairly stable year on year.

The reduced volatility and lower overall freight rates resulted in fewer arbitrage opportunities between the various origins, with smaller volumes of cross market arbitrage being available. The reduction in volumes of generally higher margin specialised products resulted in a negative variance compared to 2010, although overall profitability remained solid.

The outlook for 2012 remains positive, although some market weakness can be expected during the early part of the year due to the uncertainty surrounding the European sovereign debt crisis. Thereafter, we expect demand to pick up and remain stable on the back of lower inventories and reduced nuclear capacity. The availability of good quality coal is likely to remain constrained with most of the growth in production centred on lower quality products, which is therefore likely to allow good quality coal to enjoy solid premiums over the rest of the market.

Glencore's focus remains committed to continue a growth strategy around strengthening of global partnerships with key players in the Pacific and Atlantic markets and to build up arbitrage and multi sourcing capabilities beyond equity investments. Glencore is well placed in this respect with most of its production and equity partnerships covering premium quality coal.

### Oil
On an overall barrels per day basis, volumes decreased by 5% to 2.3 million barrels per day in 2011 from 2.5 million barrels per day in 2010. Despite this modest decline in volume, there was no material impact to the department's overall business coverage in support of profit opportunities and future growth potential.

Whilst high volatility and favourable physical supply/demand conditions provided more opportunities in H1 2011, the market during H2 2011 proved more challenging, with weaker expectations for developed market economic growth, poor refining margins and weak freight rates, resulting in fewer arbitrage opportunities. Despite a general improvement in freight in the months leading up to May 2011, challenging conditions returned for the remainder of the year with the renewed sovereign debt crisis, evidenced by market oversupply (particularly of larger vessels), continuing high bunker fuel prices and lower back-haul.

# INDUSTRIAL ACTIVITIES

## Highlights

- The energy industrial segment delivered a substantially improved performance during 2011 on the back of production increases at our coal operations in Colombia.
- Industrial revenues in 2011 were $ 2,309 million versus $ 1,499 million in 2010, an increase of 54%. Adjusted EBITDA and Adjusted EBIT for 2011 was $ 571 million and $ 375 million respectively, up 59% and 60% compared to $ 359 million and $ 235 million in 2010.
- Our coal mining and infrastructure expansion in Colombia is progressing well with Puerto Nuevo more than 50% complete and expected to be commissioned in Q1 2013.
- The Aseng oil field in Block I started production in November 2011, well ahead of its initial estimated timeline, with a total production of 2.8 million barrels by year-end, in excess of 50,000 barrels per day.

## Financial information

| US $ million | 2011 | 2010 | Change |
|---|---|---|---|
| **Revenue** | | | |
| Prodeco | 1 344 | 954 | 41% |
| Shanduka | 323 | 292 | 11% |
| **Coal** | **1 667** | **1 246** | **34%** |
| **Oil** | **642** | **253** | **154%** |
| Total | 2 309 | 1 499 | 54% |
| **Adjusted EBITDA** | | | |
| Prodeco | 418 | 278 | 50% |
| Shanduka | 75 | 47 | 60% |
| **Coal** | **493** | **325** | **52%** |
| **Oil** | **23** | **– 12** | **n.m.** |
| Share of income from associates and dividends | 55 | 46 | 20% |
| Total | 571 | 359 | 59% |
| **Adjusted EBITDA margin (%)** | **25%** | **24%** | **–** |
| **Adjusted EBIT** | | | |
| Prodeco | 281 | 199 | 41% |
| Shanduka | 49 | 14 | 250% |
| **Coal** | **330** | **213** | **55%** |
| **Oil** | **– 10** | **– 24** | **n.m.** |
| Share of income from associates and dividends | 55 | 46 | 20% |
| Total | 375 | 235 | 60% |
| **Capex** | | | |
| Prodeco | 510 | 277 | – |
| Shanduka | 29 | 27 | – |
| **Coal** | **539** | **304** | **–** |
| **Oil** | **706** | **514** | **–** |
| Total | 1 245 | 818 | – |

Production data

| thousand MT[1] | Own | Buy-in Coal | 2011 Total | Own | Buy-in Coal | 2010 Total | Own production change |
|---|---|---|---|---|---|---|---|
| **Thermal Coal** | | | | | | | |
| Prodeco | 14 586 | 195 | 14 781 | 10 042 | 230 | 10 272 | 45% |
| Shanduka (Export)[2] | 498 | – | 498 | 385 | – | 385 | 29% |
| Shanduka (Domestic)[2] | 5 422 | 802 | 6 224 | 7 006 | 497 | 7 503 | – 23% |
| Total | 20 506 | 997 | 21 503 | 17 433 | 727 | 18 160 | 18% |

[1] Controlled industrial assets only. Production is on a 100% basis.
[2] Shanduka production for 2010 restated to a saleable basis, previously reported on a "ROM" (Run of Mine) basis.

| thousand bbls | 2011 Total | 2010 Total | Change |
|---|---|---|---|
| **Oil**[1] | | | |
| Block I | 2 785 | – | n.m. |
| Total | 2 785 | – | n.m. |

[1] On a 100% basis. Glencore's ownership interest in the Aseng field is 23.75%

## OPERATIONS

### Prodeco (Glencore interest: 100%)

Total own coal production in 2011 was 14.6 million tonnes, an increase of 46% compared to 10.0 million tonnes in 2010. This substantial increase is largely attributable to the broad expansion project underway, which is forecast to increase production to 21 million tonnes by Q4 2013.

At the Calenturitas mine, Sector A has been opened contributing 4.3 million tonnes of the 7.6 million tonnes produced in 2011, a 46% increase from 5.2 million tonnes in 2010. Production at the La Jagua mine was 7.0 million tonnes, a 46% increase compared to 4.8 million tonnes in 2010.

The increased production across Prodeco's mines was somewhat constrained by the previously communicated delays in delivery of mining equipment from Japan in the aftermath of the Tsunami as well as the downtime of 21 rain days in excess of budget, primarily due to exceptionally heavy rains in October and November.

The largest capital expenditure project currently underway is the construction of the new direct loading port (Puerto Nuevo in Cienaga), which will provide Prodeco with higher annual throughput capacity and a lower operating cost, compared with the current port at Puerto Prodeco (Zuñiga). The project is on schedule and expected to be commissioned in Q1 2013.

The remaining capital expenditure projects relate to ongoing mine fleet expansion and mine-based infrastructure support, which is substantially complete.

### Shanduka (Glencore interest: 70.0%)

Total saleable own coal production for 2011 was 5.9 million tonnes, a 20% decrease compared to 2010 production of 7.4 million tonnes. This decrease was primarily due to the Kendal operations being placed on care and maintenance, which had the effect of reducing lower-margin domestic sales.

A pre-feasibility study related to the Springboklaagte project is progressing well and is showing positive results.

### Umcebo (Glencore interest: 43.7%)

Glencore completed the acquisition of a 43.7% stake in Umcebo in December 2011. The transaction secures access to long-life resources from South Africa's principal coal field in Mpumalanga, which has established infrastructure for the transport of export quality thermal coal. In addition, it also secures an eventual 1.5 million tonnes of export allocation in Phase V of the Richards Bay Coal Terminal expansion.

Umcebo currently has three thermal coal mines in operation (Middelkraal, Kleinfontein and Klippan) and a standalone wash plant, with an aggregate annual production capacity of approximately 6.0 million tonnes of saleable coal. Furthermore, the Wonderfontein mine is scheduled to commence production in late 2012, with an annual saleable production capacity of 2.7 million tonnes.

### Oil Exploration & Production (Glencore interest: Block I: 23.8%/Block O: 25.0%)

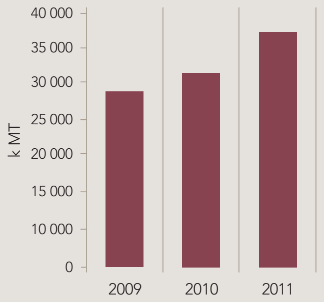
First production from the Aseng field (Block I – Equatorial Guinea) was achieved on 6 November 2011, ahead of the planned start-up of Q1 2012. Gross oil production achieved to the end of December 2011 was 2.8 million barrels, an average daily rate of over 50,000 barrels per day. Gross oil production since the start of 2012 has averaged 55,000 barrels per day.

Subsea development drilling and well completion work on the Alen gas/condensate field (Block O – Equatorial Guinea) remains ongoing, whilst the shallow water wellhead platform arrived and was installed in H2 2011. The project remains on schedule for first production in late 2013 with a target flow rate of 37,500 barrels per day.

Adjusted EBIT

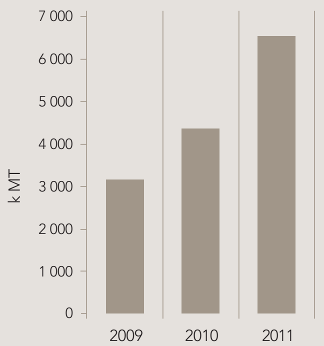

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Marketing activities | 304 | 659 | – 8 |
| Industrial activities | 41 | 58 | – 39 |

Marketing activities




| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Volumes | 28 924 | 31 042 | 37 214 |

Industrial activities




| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Volumes | 3 132 | 4 312 | 6 563 |

# 2.4 | Agricultural products

"We fully expect 2012 results to recover, with a return to profitability in cotton, coupled with continued strong performance in grains, oilseeds and sugar. Investments in oil seed crushing capacity and the expansion of our storage and handling infrastructure has laid a foundation for growth. The recently announced acquisition of Viterra's tier one grain storage, handling and port assets, subject to shareholder and regulatory approval, is complementary from a product and geographic perspective and will transform our business."

Chris Mahoney

### Highlights

Grain and oilseeds marketing reported solid results for 2011. Overall agricultural products marketing results were significantly impacted by the unprecedented cotton market environment. The extreme volatility produced an outcome of ineffective hedging and high levels of physical contractual non-performance by suppliers and customers. Events in the cotton market accounted for the majority of the year-on-year reduction in agricultural products marketing Adjusted EBIT.

Our asset portfolio is currently in a phase of substantial targeted expansion and development, which is expected to translate into enhanced scale and profitability going forward. The 2011 performance, in large part, reflects the current negative biodiesel production margin environment in Europe.

### Outlook

We expect a significant improvement in 2012 results across our whole agricultural products business. The proposed acquisition of Viterra, subject to various approvals, represents a tremendous opportunity to secure significant grain handling, storage and port infrastructure at origin. Viterra is, geographically highly complementary, broadening our reach into North America, providing the opportunity to leverage Glencore's existing and extensive global network. The acquisition is consistent with Glencore's stated strategy of strengthening its position as one of the global leaders in the grain and oil seed markets.

| US $ million | Marketing activities | Industrial activities | 2011 | Marketing activities | Industrial activities | 2010 |
|---|---|---|---|---|---|---|
| Revenue | 13 744 | 3 359 | 17 103 | 8 238 | 2 180 | 10 418 |
| Adjusted EBITDA | – 8 | 23 | 15 | 659 | 107 | 766 |
| Adjusted EBIT | – 8 | – 39 | – 47 | 659 | 58 | 717 |
| Adjusted EBITDA margin (%) | n.m. | 1% | – | 8% | 5% | – |
| Allocated average CE [1] | 3 323 | 1 631 | 4 953 | 2 368 | 1 106 | 3 474 |
| Adjusted EBIT return on average CE | 0% | – 2% | – 1% | 28% | 5% | 21% |

[1] The simple average of segment current and non current capital employed (see note 2 of the financial statements), adjusted for production related inventories, is applied as a proxy for marketing and industrial activities respectively.

## MARKET CONDITIONS

### Selected average commodity prices

| | 2011 | 2010 | Change |
|---|---|---|---|
| S&P GSCI Agriculture Index | 490 | 363 | 35% |
| CBOT corn no.2 price (US¢/bu) | 680 | 428 | 59% |
| ICE cotton price (US¢/lb) | 137 | 94 | 46% |
| CBOT soya beans (US¢/bu) | 1 317 | 1 049 | 26% |
| NYMEX sugar # 11 price (US¢/lb) | 27 | 22 | 23% |
| CBOT wheat price (US¢/bu) | 709 | 582 | 22% |

Grain and oil seeds prices weakened in H2 2011, but nevertheless remained higher than in 2010. The GSCI Agriculture Index was on average 35% higher in 2011 compared to 2010.

A substantial Russian wheat production recovery, a record Australian wheat crop and reduced US feed demand due to high prices provided some relief to the tight supply/demand situation. South American production was however impacted by drought and global supplies are still not burdensome. With demand underpinned by growth in Asia, good crops will be required in 2012 to match expected demand.

Russian and Ukrainian export restrictions were lifted mid-2011, in response to good crops in both countries, but following near record exports from Russia, domestic prices again strengthened in late 2011.

The cotton market began to normalise by late 2011 after a period of unprecedented volatility. In H2 2011 prices ranged between US¢ 90 and US¢ 110 per pound, having been as high as US¢ 214 per pound early in the year. As noted earlier, contract performance issues and the disconnect between futures prices and physical markets at various times during the year, created a very challenging environment.

## MARKETING

### Highlights

Grain, oil seed, sugar and freight volumes all trended higher in 2011, which is a positive development in an otherwise difficult year. Marketing Adjusted EBIT/EBITDA in 2011 was – $ 8 million compared to 2010's record $ 659 million. A number of factors, as described below, had an impact on the results, however cotton was far and away, the key negative.

Grain and oil seeds performed reasonably well but not on a par with 2010, which was a particularly strong year. Export restrictions in H1 2011 proved challenging, as did the European debt crisis induced volatility and uncertainty. When restrictions in Russia and the Ukraine were lifted, our up country infrastructure, elevator network and port ownership proved valuable in enabling the swift export of goods.

As noted before, in the cotton business, non and/or delayed contract performance by suppliers in a rising market, non-performance of customer contracts in the subsequent declining market and, by historical standards, the unprecedented disconnect/imperfect correlation between the futures market and the physical markets, created enormous challenges. These factors caused significant loss/opportunity cost to numerous market participants and the industry, in general, is now undergoing a review in respect of pricing and performance enhancing mechanisms, length of contacts etc.

### Financial information

| US $ million | 2011 | 2010 | Change |
|---|---|---|---|
| Revenue | 13 744 | 8 238 | 67% |
| Adjusted EBITDA/EBIT | – 8 | 659 | n.m. |

### Selected marketing volumes sold

| million MT | 2011 | 2010 | Change |
|---|---|---|---|
| Grains | 25.3 | 20.9 | 21% |
| Oil/oilseeds | 10.8 | 9.4 | 15% |
| Cotton | 0.5 | 0.2 | 150% |
| Sugar | 0.7 | 0.5 | 40% |

## INDUSTRIAL ACTIVITIES

### Highlights

With the exception of biodiesel production, processed volumes were considerably higher in 2011 compared to 2010. The significant increase in wheat milling production was due to an acquisition. The asset portfolio is in a phase of targeted expansion with a focus on storage, handling and oilseed processing facilities. Two new oilseed processing plants were acquired in 2011 and our new build projects remain on budget and time schedule.

### Financial information

| US $ million | 2011 | 2010 | Change |
|---|---|---|---|
| Revenue | 3 359 | 2 180 | 54% |
| Adjusted EBITDA[1] | 23 | 107 | – 79% |
| Adjusted EBIT[1] | – 39 | 58 | n.m. |
| Adjusted EBITDA margin (%) | 1% | 5% | – |
| Capex | 221 | 71 | – |

[1] Includes share of income from associates and dividends of $ 18 million (2010: $ 19 million).

### Production data

| thousand MT | 2011 | 2010 | Change |
|---|---|---|---|
| Farming | 827 | 587 | 41% |
| Oilseed crushing | 2 008 | 1 593 | 26% |
| Oilseed crushing long term toll agreement | 948 | 727 | 30% |
| Biodiesel | 569 | 831 | – 32% |
| Rice Milling | 304 | 212 | 43% |
| Wheat Milling | 1 001 | 362 | 177% |
| Sugarcane Processing | 906 | 0 | n.m. |
| Total | 6 563 | 4 312 | 52% |

## OPERATIONS

### Rio Vermelho (Glencore interest: 100%)

During 2011 Rio Vermelho crushed a total of 906,000 tonnes of sugarcane, producing 75,000 cubic metres of hydrous ethanol. Production was however below expectations, due to severe frosts which affected the region in June and August, and consequently lowered agricultural yields.

Rio Vermelho farmed 68% of its sugarcane feedstock in 2011, the balance of which was supplied by independent farmers. The share of own-farmed sugarcane is expected to increase over subsequent crop cycles as Rio Vermelho expands its own plantations.

A five year expansion plan is underway to increase crushing capacity from 1.0 million tonnes to 2.6 million tonnes, construct a Very High Pol ("VHP") sugar plant with a capacity of 260,000 tonnes and an anhydrous ethanol production capability of up to 80,000 cubic metres as well as the construction of a cogeneration plant capable of supplying 200,000 megawatt hours of surplus electricity to the grid. The first phase of the project, namely the construction of the VHP sugar plant, is expected to be completed by mid-2012. The total estimated project cost is $ 322 million.

### Other Agricultural Products

### Oilseed crushing

Processed volumes increased in 2011 versus 2010, however soybean crush margins, particularly in South American in H2 2011, were subdued. In December 2011, we acquired two soft seed processing facilities at Ústí in the Czech Republic and at Bodaczów in Poland, production of which will only be realised in 2012. Our Hungarian plant construction completed and commenced commissioning in December. The Timbues soya bean facility in Argentina is scheduled for completion by the end of H1 2012. These four facilities will add 3.6 million tonnes of processing capacity to our portfolio, including Glencore's share of Timbues of 2.0 million tonnes.

### Biodiesel

Poor biodiesel esterification margins negatively impacted the 2011 results. Overcapacity in the EU and legislative changes that effectively diminished biodiesel demand were the main underlying causes. In response, we reduced our production volume by 32% compared to 2010 and took the unfortunate, but necessary measure of mothballing the Schwarzheide plant. The outlook in Europe remains challenging. In Argentina, our Renova joint venture performed well and the outlook is more positive, supported by the government's efforts to boost local biodiesel consumption.

### Rice and wheat milling

Rice milled volumes rose by 43% in 2011, with better Argentine and Uruguayan rice crops. Wheat milling volume rose substantially due to our late 2010 acquisition of 50% of the Brazilian milling company Predilito. Both rice and wheat milling performed satisfactorily. In Brazil, the business is supported by strong brand recognition.

### Farming

Overall farm production rose 41% and the business performed reasonably well due to favourable weather conditions and large crops.

# 2.5 | Reserves and resources

The reserves and resources data in the following tables is presented on a 100% asset basis, unless otherwise stated. All tonnage and volume information has been rounded to reflect the relative uncertainty in the estimates; there may therefore be small differences in the totals. The Measured and Indicated Mineral and Coal Resources are reported inclusive of those resources modified to produce reserves.

## METALS AND MINERALS

| KAZZINC [1, 2] | | | Reserves | | | Resources | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Proved | Probable | Total | Measured | Indicated | Inferred | Total |
| **OPERATING MINES** | | | | | | | | | |
| **Vasilkovskoye** | | | | | | | | | |
| | Ore | '000 MT | 131 080 | 31 350 | 162 430 | 171 000 | 104 310 | 40 880 | 316 190 |
| | Gold | Content, g/t | 1.89 | 1.49 | 1.81 | 1.79 | 1.33 | 1.72 | 1.63 |
| | Gold | Amount, '000 toz | 7 960 | 1 502 | 9 462 | 9 841 | 4 460 | 2 261 | 16 562 |
| **Maleevsky** | | | | | | | | | |
| | Ore | '000 MT | 13 280 | 5 380 | 18 660 | 16 820 | 5 240 | 5 170 | 27 220 |
| | Gold | Content, g/t | 0.54 | 0.40 | 0.50 | 0.64 | 0.56 | 0.25 | 0.55 |
| | Silver | Content, g/t | 69.08 | 47.20 | 62.77 | 81.91 | 65.13 | 50.11 | 72.64 |
| | Copper | Content, % | 2.13 | 1.36 | 1.90 | 2.49 | 1.79 | 1.16 | 2.10 |
| | Lead | Content, % | 0.98 | 0.91 | 0.96 | 1.17 | 1.23 | 1.79 | 1.30 |
| | Zinc | Content, % | 5.95 | 5.35 | 5.78 | 6.92 | 7.08 | 5.82 | 6.74 |
| **Ridder-Sokolny [3]** | | | | | | | | | |
| | Ore | '000 MT | 9 070 | 27 850 | 36 920 | 24 450 | 67 780 | 32 940 | 125 170 |
| | Gold | Content, g/t | 1.25 | 2.15 | 1.93 | 1.58 | 2.16 | 1.56 | 1.89 |
| | Silver | Content, g/t | 5.96 | 8.80 | 8.22 | 10.23 | 9.27 | 9.26 | 9.45 |
| | Copper | Content, % | 0.64 | 0.52 | 0.55 | 0.72 | 0.64 | 0.47 | 0.61 |
| | Lead | Content, % | 0.24 | 0.25 | 0.25 | 0.37 | 0.33 | 0.32 | 0.34 |
| | Zinc | Content, % | 0.60 | 0.52 | 0.54 | 0.87 | 0.68 | 0.72 | 0.73 |
| **Tishinsky** | | | | | | | | | |
| | Ore | '000 MT | 18 200 | 4 900 | 23 100 | 25 360 | 7 960 | 5 020 | 38 340 |
| | Gold | Content, g/t | 0.53 | 0.47 | 0.52 | 0.55 | 0.42 | 0.27 | 0.48 |
| | Silver | Content, g/t | 7.99 | 9.36 | 8.28 | 8.04 | 6.94 | 8.44 | 7.86 |
| | Copper | Content, % | 0.52 | 0.40 | 0.49 | 0.53 | 0.40 | 0.50 | 0.50 |
| | Lead | Content, % | 0.91 | 0.88 | 0.91 | 0.85 | 0.72 | 1.41 | 0.90 |
| | Zinc | Content, % | 4.19 | 4.13 | 4.18 | 4.09 | 3.69 | 3.77 | 3.96 |
| **Staroye Tailings Dam [4]** | | | | | | | | | |
| | Ore | '000 MT | – | 3 580 | 3 580 | – | 4 420 | 2 790 | 7 210 |
| | Gold | Content, g/t | – | 1.13 | 1.13 | – | 1.14 | 0.96 | 1.07 |
| | Silver | Content, g/t | – | 11.83 | 11.83 | – | 12.36 | 10.96 | 11.82 |
| | Copper | Content, % | – | 0.04 | 0.04 | – | 0.04 | 0.04 | 0.04 |
| | Lead | Content, % | – | 0.34 | 0.34 | – | 0.34 | 0.29 | 0.32 |
| | Zinc | Content, % | – | 0.74 | 0.74 | – | 0.74 | 0.62 | 0.69 |
| **Shaimerden Stockpiles** | | | | | | | | | |
| | Ore | '000 MT | – | 2 390 | 2 390 | – | 2 480 | – | 2 480 |
| | Zinc | Content, % | – | 21.60 | 21.60 | – | 21.71 | – | 21.71 |

| KAZZINC[1, 2] | | | Reserves | | | Resources | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Proved | Probable | Total | Measured | Indicated | Inferred | Total |
| **DEVELOPMENT PROJECTS** | | | | | | | | | |
| **Dolinnoye** | | | | | | | | | |
| | Ore | '000 MT | 3 660 | 960 | 4 620 | 4 010 | 3 040 | 3 830 | 10 880 |
| | Gold | Content, g/t | 3.93 | 2.38 | 3.61 | 4.47 | 2.51 | 2.11 | 3.09 |
| | Silver | Content, g/t | 53.76 | 29.82 | 48.77 | 61.83 | 34.03 | 29.54 | 42.70 |
| | Copper | Content, % | 0.20 | 0.14 | 0.19 | 0.24 | 0.14 | 0.20 | 0.20 |
| | Lead | Content, % | 0.75 | 0.50 | 0.70 | 0.92 | 0.51 | 0.68 | 0.72 |
| | Zinc | Content, % | 1.41 | 1.02 | 1.33 | 1.76 | 1.01 | 1.26 | 1.37 |
| **Obruchevskoye** | | | | | | | | | |
| | Ore | '000 MT | 890 | 3 250 | 4 140 | 2 710 | 5 510 | 5 240 | 13 460 |
| | Gold | Content, g/t | 1.73 | 0.90 | 1.08 | 1.76 | 0.51 | 0.51 | 0.76 |
| | Silver | Content, g/t | 42.80 | 33.21 | 35.26 | 65.37 | 22.15 | 36.42 | 36.41 |
| | Copper | Content, % | 0.81 | 0.83 | 0.82 | 1.51 | 1.05 | 0.95 | 1.24 |
| | Lead | Content, % | 4.27 | 2.66 | 3.01 | 0.42 | 0.37 | 0.36 | 0.39 |
| | Zinc | Content, % | 8.98 | 6.50 | 7.03 | 2.46 | 2.06 | 1.77 | 2.16 |
| **Chashinskoye Tailings Dam** | | | | | | | | | |
| | Ore | '000 MT | – | 55 500 | 55 500 | – | 57 800 | 30 000 | 87 800 |
| | Gold | Content, g/t | – | 0.67 | 0.67 | – | 0.67 | 0.50 | 0.61 |
| | Silver | Content, g/t | – | 5.13 | 5.13 | – | 5.16 | 4.57 | 4.96 |
| | Copper | Content, % | – | 0.05 | 0.05 | – | 0.05 | 0.06 | 0.05 |
| | Lead | Content, % | – | 0.15 | 0.15 | – | 0.15 | 0.19 | 0.16 |
| | Zinc | Content, % | – | 0.38 | 0.38 | – | 0.38 | 0.45 | 0.40 |
| **Tishinsky Tailings Dam** | | | | | | | | | |
| | Ore | '000 MT | – | 1 100 | 1 100 | – | 1 150 | – | 1 150 |
| | Gold | Content, g/t | – | 0.38 | 0.38 | – | 0.38 | – | 0.38 |
| | Silver | Content, g/t | – | 5.10 | 5.10 | – | 5.13 | – | 5.13 |
| | Copper | Content, % | – | 0.23 | 0.23 | – | 0.23 | – | 0.23 |
| | Lead | Content, % | – | 0.44 | 0.44 | – | 0.44 | – | 0.44 |
| | Zinc | Content, % | – | 2.25 | 2.25 | – | 2.26 | – | 2.26 |

[1] The information in the tables above, in relation to mineral resources and ore reserves, has been estimated in accordance with the guidelines of the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code) and is dated as of 31 December 2011.
[2] Remaining mine life: different for each mine, ranging from eight to 21 years. Expiry date of relevant mining/concession licences: different for each mine, ranging from 19 May 2013 to 7 November 2030.
[3] Mineral resources and ore reserves for Ridder-Sokolny have been completed for a significant part of the deposit, however there are still some outstanding results.
[4] The grades of copper and zinc for the depletion of the Staroye Tailings have been estimated from assumptions based upon the known proportion of other metals within the tailings due to a lack of grade data.

Competent Persons: the mineral resource and ore reserve estimates set out above were reviewed and approved by Phil Newall of Wardell Armstrong. The mineral resource and ore reserve estimates have been prepared in accordance with the JORC Code. Mr Newall is a Competent Person as defined by JORC and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking.

| KATANGA[1, 2] | Commodity | | Reserves Proved | Probable | Total | Resources Measured | Indicated | Inferred | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Kamoto** | | | | | | | | | |
| | Ore | '000 MT | 13 000 | 19 400 | 32 400 | 32 100 | 32 900 | 11 000 | 76 000 |
| | Copper | % | 3.43 | 3.70 | 3.59 | 4.33 | 4.63 | 5.00 | 4.56 |
| | Cobalt | % | 0.51 | 0.53 | 0.52 | 0.58 | 0.57 | 0.59 | 0.58 |
| **T17** | | | | | | | | | |
| | Ore | '000 MT | – | 2 500 | 2 500 | 4 500 | 9 400 | 5 200 | 19 100 |
| | Copper | % | – | 3.51 | 3.51 | 2.71 | 4.44 | 4.21 | 3.97 |
| | Cobalt | % | – | 0.56 | 0.56 | 0.54 | 0.65 | 0.98 | 0.71 |
| **Mashamba East** | | | | | | | | | |
| | Ore | '000 MT | – | 5 900 | 5 900 | – | 75 000 | 65 300 | 140 300 |
| | Copper | % | – | 3.00 | 3.00 | – | 1.80 | 0.76 | 1.32 |
| | Cobalt | % | – | 0.36 | 0.36 | – | 0.38 | 0.10 | 0.25 |
| **KOV** | | | | | | | | | |
| | Ore | '000 MT | – | 55 100 | 55 100 | 3 900 | 117 200 | 69 800 | 190 900 |
| | Copper | % | – | 4.74 | 4.74 | 4.25 | 5.41 | 3.58 | 4.72 |
| | Cobalt | % | – | 0.45 | 0.45 | 0.22 | 0.42 | 0.32 | 0.38 |
| **Kananga** | | | | | | | | | |
| | Ore | '000 MT | – | – | – | – | 4 100 | 4 000 | 8 100 |
| | Copper | % | – | – | – | – | 1.61 | 2.00 | 1.80 |
| | Cobalt | % | – | – | – | – | 0.79 | 0.98 | 0.88 |
| **Tilwezembe** | | | | | | | | | |
| | Ore | '000 MT | – | – | – | – | 9 500 | 13 800 | 23 300 |
| | Copper | % | – | – | – | – | 1.89 | 1.75 | 1.81 |
| | Cobalt | % | – | – | – | – | 0.60 | 0.60 | 0.60 |

[1] As at 31 December 2011. The information in the table above, in relation to mineral reserves and resources, is in compliance with the JORC Code and has been extracted without material adjustment from the Competent Person's Report compiled for Katanga.
[2] Remaining life of mine: in excess of 25 years. Expiry date of relevant mining/concession licences: 7 May 2022 for the Kananga Extension and 3 April 2024 for all remaining operations.

Competent Persons: the mineral reserves and resources estimates set out above were reviewed and approved by Willem van der Schyff of Golder Associates. The reserve and resources estimates have been prepared in accordance with the JORC Code. Mr van der Schyff is a Competent Person as defined by JORC and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking.

| MUTANDA[1, 2] | Commodity | | Reserves Proved | Probable | Total | Resources Measured | Indicated | Inferred | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Mutanda pits** | | | | | | | | | |
| | Ore | '000 MT | 41 400 | 6 500 | 47 900 | 100 000 | 23 700 | 172 200 | 295 900 |
| | Copper | % | 3.00 | 3.09 | 3.01 | 2.15 | 1.54 | 1.03 | 1.45 |
| | Cobalt | % | 0.82 | 0.82 | 0.82 | 0.70 | 0.82 | 0.47 | 0.58 |
| **Stockpiles** | | | | | | | | | |
| | Ore | '000 MT | 6 700 | – | 6 700 | – | – | – | – |
| | Copper | % | 2.53 | – | 2.53 | – | – | – | – |
| | Cobalt | % | 1.36 | – | 1.36 | – | – | – | – |

[1] As at 31 December 2011. The information in the table above in relation to mineral reserves and resources is in compliance with the JORC Code and has been extracted without material adjustment from the Competent Person's Report compiled for Mutanda.
[2] Remaining mine life: 20 years. Expiry date of relevant mining/concession licenses: 26 May 2022 for Mutanda. This is renewable in accordance with the DRC mining code for periods of 15 years.

Competent Persons: the mineral reserves and resources estimates set out above were reviewed and approved by Willem van der Schyff of Golder Associates. The reserves and resources estimates have been prepared in accordance with the JORC Code. Mr van der Schyff is a Competent Person as defined by JORC and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking.

| KANSUKI [1, 2] | Commodity | | Resources | | | |
|---|---|---|---|---|---|---|
| | | | Measured | Indicated | Inferred | Total |
| **Area 3** | | | | | | |
| | Ore | '000 MT | 16 700 | 400 | – | 17 100 |
| | Copper | % | 1.72 | 0.93 | – | 1.70 |
| | Cobalt | % | 0.17 | 0.14 | – | 0.17 |
| **Area 1** | | | | | | |
| | Ore | '000 MT | – | 63 900 | – | 63 900 |
| | Copper | % | – | 1.13 | – | 1.13 |
| | Cobalt | % | – | 0.37 | – | 0.37 |
| **Area 2 East** | | | | | | |
| | Ore | '000 MT | – | – | 38 800 | 38 800 |
| | Copper | % | – | – | 0.44 | 0.44 |
| | Cobalt | % | – | – | 0.08 | 0.08 |
| **Area 2 West** | | | | | | |
| | Ore | '000 MT | – | – | 71 600 | 71 600 |
| | Copper | % | – | – | 0.65 | 0.65 |
| | Cobalt | % | – | – | 0.28 | 0.28 |
| **Kabwimia** | | | | | | |
| | Ore | '000 MT | – | – | 6 200 | 6 200 |
| | Copper | % | – | – | 0.75 | 0.75 |
| | Cobalt | % | – | – | 0.02 | 0.02 |

[1] As at 31 December 2011. The mineral resource estimates set out above were reviewed and approved by Willem van der Schyff of Golder Associates. The resource estimates have been prepared in accordance with the JORC Code. Mr van der Schyff is a Competent Person as defined by JORC and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking.

[2] Expiry date of relevant mining/concession licences: 5 May 2022. This is renewable in accordance with the DRC mining code for periods of 15 years.

| MOPANI [1, 2] | Commodity | | Reserves | | | Resources | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Proved | Probable | Total | Measured | Indicated | Inferred | Total |
| **Nkana Sulphides** | | | | | | | | | |
| | Ore | '000 MT | 98 700 | 19 800 | 118 600 | 143 600 | 42 500 | 38 300 | 224 400 |
| | Copper | % | 1.91 | 1.78 | 1.89 | 2.01 | 1.79 | 1.66 | 1.91 |
| | Cobalt | % | 0.08 | 0.09 | 0.08 | 0.10 | 0.12 | 0.11 | 0.11 |
| **Nkana Oxides** | | | | | | | | | |
| | Ore | '000 MT | 2 800 | 5 500 | 8 300 | 8 400 | 7 300 | 1 100 | 16 700 |
| | Total copper | % | 3.20 | 0.76 | 1.58 | 2.79 | 0.96 | 1.26 | 1.90 |
| | Acid soluble copper | % | 2.21 | 0.50 | 1.08 | 1.86 | 0.63 | 0.85 | 1.26 |
| | Cobalt | % | 0.14 | 0.07 | 0.10 | 0.13 | 0.07 | 0.07 | 0.10 |
| **Mufulira Sulphides** | | | | | | | | | |
| | Ore | '000 MT | 13 800 | 3 600 | 17 400 | 22 700 | 8 700 | 35 700 | 67 100 |
| | Copper | % | 2.15 | 2.24 | 2.17 | 2.49 | 2.62 | 2.52 | 2.53 |
| **Mufulira Oxides** | | | | | | | | | |
| | Ore | '000 MT | 2 700 | 500 | 3 100 | 9 600 | 2 900 | 1 700 | 14 100 |
| | Total copper | % | 1.55 | 1.38 | 1.53 | 1.73 | 1.34 | 1.39 | 1.61 |
| | Acid soluble copper | % | 0.98 | 0.93 | 0.97 | 0.95 | 0.85 | 0.89 | 0.92 |

[1] As at 31 December 2011. The information in the table above, in relation to mineral reserves and resources, is in compliance with the JORC Code and has been extracted without material adjustment from the Competent Person's Report compiled for Mopani.

[2] Remaining life of mine: 26 years for Nkana and 12 years for Mufulira. Expiry date of relevant mining/concession licences: 31 March 2025 for both of these mines.

Competent Persons: the mineral reserve and resource estimates set out above were reviewed and approved by Willem van der Schyff of Golder Associates. The reserves and resources estimates have been prepared in accordance with the JORC Code. Mr van der Schyff is a Competent Person as defined by JORC and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking.

| LOS QUENUALES [1, 2] | Commodity | | Reserves | | | Resources | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Proved | Probable | Total | Measured | Indicated | Inferred | Total |
| **Iscaycruz** | | | | | | | | | |
| | Ore | '000 MT | 1 186 | 1 209 | 2 394 | 2 099 | 4 501 | 10 092 | 16 691 |
| | Zinc | % | 9.75 | 6.96 | 8.34 | 12.99 | 6.51 | 4.31 | 6.00 |
| | Lead | % | 0.65 | 0.14 | 0.39 | 1.01 | 0.61 | 0.24 | 0.44 |
| | Copper | % | 0.19 | 0.35 | 0.27 | 0.33 | 0.33 | 0.59 | 0.49 |
| | Silver | toz/t | 0.54 | 0.27 | 0.40 | 0.89 | 1.00 | 0.66 | 0.78 |
| **Yauliyacu** | | | | | | | | | |
| | Ore | '000 MT | 1 082 | 2 837 | 3 919 | 1 686 | 8 865 | 14 315 | 24 866 |
| | Zinc | % | 2.31 | 2.13 | 2.18 | 3.67 | 3.40 | 3.35 | 3.39 |
| | Lead | % | 0.90 | 0.88 | 0.89 | 1.26 | 1.31 | 1.20 | 1.24 |
| | Copper | % | 0.23 | 0.20 | 0.21 | 0.37 | 0.37 | 0.34 | 0.35 |
| | Silver | toz/t | 3.04 | 3.20 | 3.16 | 4.71 | 5.96 | 5.19 | 5.43 |

[1] As at 31 December 2011.
[2] Remaining mine life: the expected life of Iscaycruz is two years based on reserves and twelve years based on resources. The expected life of Yauliyacu is three years based on reserves and 19 years based on resources. Expiry date of relevant mining/concession licences: permanent.

Competent Persons: the mineral reserves and resources estimates set out above were reviewed and approved by Glencore Competent Person, Chris Emerson, and have been prepared in accordance with the JORC Code. Mr Emerson is a Competent Person as defined by the JORC Code. Mr Emerson is a fellow of the Geological Society of London and a member of AusIMM – The Minerals Institute and has more than ten years experience in underground polymetallic deposits in Latin America.

| SINCHI WAYRA [1, 2] | Commodity | | Reserves | | | Resources | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Proved | Probable | Total | Measured | Indicated | Inferred | Total |
| **Bolivar** | | | | | | | | | |
| | Ore | '000 MT | 163 | 293 | 456 | 670 | 608 | 2 389 | 3 667 |
| | Zinc | % | 9.34 | 9.60 | 9.51 | 11.23 | 11.10 | 9.72 | 10.23 |
| | Lead | % | 1.29 | 0.99 | 1.10 | 1.48 | 1.02 | 0.79 | 0.95 |
| | Silver | toz/t | 7.66 | 8.20 | 8.01 | 10.83 | 11.28 | 10.41 | 10.63 |
| **Porco** | | | | | | | | | |
| | Ore | '000 MT | 239 | 482 | 721 | 597 | 383 | 1 033 | 2 013 |
| | Zinc | % | 8.65 | 8.61 | 8.62 | 9.36 | 11.59 | 11.10 | 10.68 |
| | Lead | % | 0.61 | 0.50 | 0.54 | 0.54 | 0.92 | 0.92 | 0.81 |
| | Silver | toz/t | 4.47 | 3.83 | 4.04 | 3.68 | 4.68 | 5.24 | 4.67 |
| **Colquiri** | | | | | | | | | |
| | Ore | '000 MT | 753 | 802 | 1 555 | 1 511 | 727 | 1 943 | 4 182 |
| | Zinc | % | 8.13 | 8.02 | 8.07 | 9.68 | 9.04 | 8.83 | 9.17 |
| | Tin | % | 1.54 | 1.27 | 1.40 | 1.64 | 1.89 | 1.93 | 1.82 |
| **Poopo** | | | | | | | | | |
| | Ore | '000 MT | 104 | 180 | 284 | 286 | 255 | 874 | 1 415 |
| | Zinc | % | 7.62 | 7.89 | 7.79 | 9.13 | 9.33 | 9.03 | 9.11 |
| | Lead | % | 0.29 | 0.43 | 0.38 | 0.44 | 0.77 | 0.87 | 0.77 |
| | Silver | toz/t | 3.77 | 4.80 | 4.42 | 5.09 | 8.05 | 9.11 | 8.10 |
| **Caballo Blanco** | | | | | | | | | |
| | Ore | '000 MT | 67 | 286 | 353 | 376 | 256 | 430 | 1 062 |
| | Zinc | % | 12.07 | 8.71 | 9.35 | 10.78 | 10.27 | 10.14 | 10.40 |
| | Lead | % | 0.48 | 2.35 | 2.00 | 2.42 | 2.77 | 3.10 | 2.78 |
| | Silver | toz/t | 2.16 | 6.08 | 5.34 | 6.47 | 7.65 | 8.45 | 7.55 |

[1] As at 31 December 2011.
[2] Remaining mine life: the expected life of the mines as a group, considering current production capacities, is an average of two years based on reserves and seven years based on resources. Expiry date of relevant mining/concession licenses: different for each mine, ranging from 30 June 2014 to 16 January 2027 in respect of Porco, Colquiri and Poopo and permanent in respect of Bolivar and Caballo Blanco.

Competent Persons: the mineral reserves and resources estimates set out above were reviewed and approved by Glencore Competent Person, Chris Emerson, and have been prepared in accordance with the JORC Code. Mr Emerson is a Competent Person as defined by the JORC Code. Mr Emerson is a fellow of the Geological Society of London and a member of AusIMM – The Minerals Institute and has more than ten years experience in underground polymetallic deposits, predominantly in Latin America.

| AR ZINC[1, 2] | Commodity | | Reserves Proved | Reserves Probable | Reserves Total | Resources Measured | Resources Indicated | Resources Inferred | Resources Total |
|---|---|---|---|---|---|---|---|---|---|
| **Aguilar** | | | | | | | | | |
| | Ore | '000 MT | 1 231 | 1 553 | 2 784 | 1 752 | 2 801 | 1 597 | 6 150 |
| | Zinc | % | 8.89 | 5.12 | 6.79 | 7.76 | 4.18 | 7.21 | 5.99 |
| | Lead | % | 7.82 | 6.48 | 7.07 | 6.36 | 4.73 | 7.00 | 5.78 |
| | Silver | toz/t | 5.55 | 4.24 | 4.82 | 4.63 | 3.26 | 4.57 | 3.99 |

[1] As at 31 December 2011.
[2] Remaining mine life: approximately four years based on reserves and nine years based on resources. AR Zinc plans to continue exploration with the aim of extending the life of mine. Expiry date of relevant mining/concession licences: permanent.

Competent Persons: the mineral reserves and resources estimates set out above were reviewed and approved by Glencore Competent Person, Chris Emerson, and have been prepared in accordance with the JORC Code. Mr Emerson is a Competent Person as defined by the JORC Code. Mr Emerson is a fellow of the Geological Society of London and a member of AusIMM – The Minerals Institute and has more than ten years experience in underground polymetallic deposits, predominantly in Latin America.

| COBAR[1, 2] | Commodity | | Reserves Proved | Reserves Probable | Reserves Total | Resources Measured | Resources Indicated | Resources Inferred | Resources Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cobar** | | | | | | | | | |
| | Ore | '000 MT | 1 591 | 3 485 | 5 076 | 2 362 | 3 454 | 5 502 | 11 318 |
| | Copper | % | 4.45 | 4.60 | 4.55 | 5.82 | 6.12 | 6.00 | 6.00 |
| | Silver | g/t | 16.5 | 17.9 | 17.5 | 19.0 | 24.0 | 20.0 | 21.0 |

[1] As at 31 December 2011.
[2] Remaining mine life: current expected life of mine is approximately five years based on reserves and approximately 10 years based on resources, although Cobar has previously been able to extend its expected life of mine through exploratory drilling in the area covered by its concession. Expiry date of relevant mining/concession licences: 5 December 2028.

Competent Persons: the mineral reserves estimates set out above were reviewed and approved by Glencore Competent Person, Daniel Howard. The mineral resources estimates set out above were reviewed and approved by Glencore Competent Person, Jason Hosken. The mineral reserves and resources estimates have been prepared in accordance with the JORC Code. Mr Howard has been a member of AusIMM – The Minerals Institute since 2011 (graduate member for 10 years) and has more than 8 years of experience in underground polymetallic deposits in Australia. Mr Hosken has been a member of AusIMM – The Minerals Institute for more than 13 years and has more than 17 years of experience in underground polymetallic deposits in Australia.

| PUNITAQUI[1, 2] | Commodity | | Reserves Proved | Reserves Probable | Reserves Total | Resources Measured | Resources Indicated | Resources Inferred | Resources Total |
|---|---|---|---|---|---|---|---|---|---|
| **Punitaqui** | | | | | | | | | |
| | Ore | '000 MT | 2 164 | 2 687 | 4 852 | 2 513 | 3 748 | 1 103 | 7 364 |
| | Copper | % | 1.44 | 1.39 | 1.41 | 1.58 | 1.40 | 2.05 | 1.56 |
| | Silver | toz/t | 7.26 | 4.72 | 5.86 | 7.42 | 4.88 | 4.97 | 5.76 |

[1] As at 31 December 2011.
[2] Remaining mine life: approximately five years based on reserves and seven years based on resources. Punitaqui plans to continue exploration with the aim of extending the life of mine. Expiry date of relevant mining/concession licences: permanent.

Competent Persons: the mineral reserves and resources estimates set out above were reviewed and approved by Glencore Competent Person, Chris Emerson, and have been prepared in accordance with the JORC Code. Mr Emerson is a Competent Person as defined by the JORC Code. Mr Emerson is a fellow of the Geological Society of London and a member of AusIMM – The Minerals Institute and has more than ten years experience in underground polymetallic deposits, predominantly in Latin America.

| PERKOA[1, 2] | Commodity | | Reserves Proved | Probable | Total | Resources Measured | Indicated | Inferred | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Perkoa** | | | | | | | | | |
| | Ore | '000 MT | – | 6 300 | 6 300 | 430 | 6 290 | – | 6 720 |
| | Zinc | % | – | 13.9 | 13.9 | 17.2 | 16.3 | – | 16.4 |
| | Silver | g/t | | | | 41.4 | 35.0 | – | 35.4 |

[1] As at 31 December 2011 for 100% of the Perkoa Project. Reserve information produced July 2009, Resource information produced August 2005.
[2] Remaining mine life: current expected life of mine is approximately 9 years based on reserves and approximately 9 years based on resources. Expiry date of relevant mining/concession licences: 20 March 2027.

Competent Persons: The ore reserves estimates set out above were reviewed and approved by Mr John Miles. The mineral resources estimates set out above were reviewed and approved by Dr Mike Armitage. Both Mr Miles and Dr Armitage are Members of the Institute of Materials, Minerals and Mining which is a 'Recognised Overseas Professional Organisation' ('ROPO'), and both have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the JORC code. Dr Armitage is a fellow of the Geological Society of London and is the Chairman of SRK Consulting (UK) Ltd. Mr Miles is a Principal Associate of SRK Consulting (UK).

| MURRIN MURRIN[1, 2] | Commodity | Reserves Proved[3] | Probable | Total | Resources Measured[3] | Indicated | Inferred | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| Ore | '000 MT | 150 408 | 35 774 | 186 182 | 184 582 | 72 914 | 10 479 | 267 974 |
| Nickel | Content, %[4] | 1.00 | 0.99 | 1.00 | 1.01 | 1.00 | 0.94 | 1.00 |
| Cobalt | Content, %[4] | 0.072 | 0.074 | 0.072 | 0.073 | 0.079 | 0.059 | 0.074 |
| Nickel Cut Off Grade | % | | | | 0.8 | 0.8 | 0.8 | |

[1] As at 31 December 2011. The above Resources and Reserves have been prepared in accordance with the JORC Code.
[2] Remaining mine life: at the forecast throughput capacity of 3.6 million tonnes per annum, the project's operating life is in excess of 40 years. Expiry dates for relevant tenements differ for each tenement and range from 2012 to 2032. The Murrin Murrin 31 December 2011 Ore Reserve estimate is based on the optimised Base Case pit shells for Measured and Indicated Mineral Resources.
[3] Includes scats and stockpiles.
[4] Ore Reserve grades have been subject to the application of grade modifying factors. These have been derived from analysis of the previous two years mine-to-mill grade performance and result in grade modifying factors of 94% and 92% for nickel and cobalt respectively. The estimated Ore Reserve tonnage has not been subjected to any modification.

Competent Persons: As at 31 December 2011 the information in this report relating to Exploration Results is based on information compiled by Mr David Selfe, the information relating to Ore Resources is based on information compiled by Mr Stephen King and Mr David Selfe, the information relating to Ore Reserves is based on information compiled by Mr Rod Greenup and the information relating to Metallurgical Results is based on information compiled by Mr Brad Adamson. Mr Selfe, Mr King, Mr Greenup and Mr Adamson are all Members of the Australasian Institute of Mining and Metallurgy and are all full time employees of Minara Resources Ltd. Mr Selfe, Mr King, Mr Greenup and Mr Adamson all have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking in order to qualify as Competent Persons as defined in the JORC Code and all consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

## ENERGY PRODUCTS

| | Reserves (MMstb)[1] | | | | | |
|---|---|---|---|---|---|---|
| | Gross field | | | Glencore working interest[2] | | |
| EQUATORIAL GUINEA | 1P | 2P | 3P | 1P | 2P | 3P |
| Aseng field[3] | 91 | 107 | 125 | 22 | 25 | 30 |
| Alen field[4] | 42 | 65 | 96 | 10 | 16 | 24 |

[1] As at 31 December 2011. The reserves information set out above were reviewed and approved by RPS Energy Consultants Limited ("RPS"), has been prepared in accordance with the Petroleum Resources Management System (PRMS) and has been extracted without material adjustment from the RPS Report.
[2] Glencore working interest in Block O is 25 per cent. and Glencore working interest in Block I is 23.75 per cent.
[3] Includes oil and condensate.
[4] Alen is 95% in Block O and 5% in Block I.

| | Contingent Resources[1] | | | | | |
|---|---|---|---|---|---|---|
| | Gross field | | | Glencore working interest | | |
| EQUATORIAL GUINEA | 1C | 2C | 3C | 1C | 2C | 3C |
| Liquids (MMstb)[2] | 52 | 107 | 192 | 13 | 26 | 47 |
| Gas (Bscf) | 1 679 | 2 452 | 3 433 | 408 | 597 | 838 |

[1] As at 31 December 2011. The resources information set out above were reviewed and approved by RPS Energy Consultants Limited ("RPS"), has been prepared in accordance with PRMS and has been extracted without material adjustment from the RPS Report.
[2] Includes oil and condensate.

| | Prospective Resources (Unrisked)[1] Recoverable | | | | | |
|---|---|---|---|---|---|---|
| | Gross | | | Glencore working interest | | |
| EQUATORIAL GUINEA | P90 | P50 | P10 | P90 | P50 | P10 |
| Liquids (MMstb)[2] | 57 | 162 | 447 | 14 | 39 | 108 |
| Gas (Bscf)[3] | 399 | 789 | 1 600 | 96 | 192 | 390 |

[1] As at 31 December 2011. The resources information set out above were reviewed and approved by RPS Energy Consultants Limited ("RPS"), has been prepared in accordance with PRMS and has been extracted without material adjustment from the RPS Report.
[2] Includes oil and condensate.
[3] Gas volumes include inerts.

| PRODECO[1] | Commodity | Coal reserves ('000 MT) Proved | Probable | Total | Coal resources ('000 MT) Measured | Indicated | Inferred | Total |
|---|---|---|---|---|---|---|---|---|
| Calenturitas[2] | Coal | 119 000 | 102 000 | 221 000 | 170 000 | 170 000 | 70 000 | 410 000 |
| La Jagua[3] | Coal | 98 000 | 22 000 | 120 000 | 107 000 | 23 000 | – | 130 000 |

[1] As at 31 December 2011. The information in the table above in relation to mineral reserves and resources is in compliance with the JORC Code.
[2] Remaining mine life: expected to be 20 years. Expiry date of relevant mining/concession licenses: 2035.
[3] Remaining mine life: expected to be 20 years. Expiry date of relevant mining/concession licenses: Carbones El Tesoro and Carbones de La Jagua expiring between 2027 and 2038, and Consorcio Minero Unido expiring in 2014 with renewal considered probable due to the fact that the integrated La Jagua mine plan has already been approved.

Competent Persons: The mineral reserves estimates set out above were reviewed and approved by Greg Eisenmenger of Minarco-MineConsult. The mineral resources estimates set out above were reviewed and approved by Kerry Whitby of McElroy Bryan Geological Services. The mineral reserves and resources estimates have been prepared in accordance with the JORC Code. Mr Eisenmenger and Mr Whitby are each Competent Persons as defined by JORC and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking.

| SHANDUKA[1, 2] | Commodity | Coal reserves ('000 MT) Proved | Probable | Total | Coal resources ('000 MT) Measured | Indicated | Inferred | Total |
|---|---|---|---|---|---|---|---|---|
| Graspan | Coal | 18 823 | – | 18 823 | 29 583 | – | – | 29 583 |
| Townlands | Coal | 15 466 | – | 15 466 | 21 379 | – | – | 21 379 |
| Steelcoal reserve | Coal | 9 927 | – | 9 927 | 13 352 | – | – | 13 352 |
| Lakeside Opencut | Coal | – | – | – | 1 680 | – | – | 1 680 |
| Lakeside Underground | Coal | – | – | – | 3 470 | – | – | 3 470 |
| Leeuwfontein | Coal | – | – | – | 5 260 | – | – | 5 260 |
| Springlake Opencut | Coal | 950 | – | 950 | 2 060 | – | – | 2 060 |
| Springlake Underground | Coal | 12 068 | – | 12 068 | 12 470 | 7 500 | 17 110 | 37 080 |
| Argent | Coal | – | – | – | – | 21 844 | – | 21 844 |
| Springboklaagte[3] | Coal | – | 36 600 | 36 600 | 79 810 | 103 930 | 5 530 | 189 270 |

[1] As at 31 December 2011.
[2] Remaining mine life: individual mining operations have expected lives ranging from three to twelve years, based on their reserves. However, the Springboklaagte deposit extends Shanduka's expected life by approximately 20 to 25 years. Expiry date of relevant mining/concession licenses: different for each mine, ranging from October 2015 to March 2022 in respect of Graspan, Townlands, Steelcoal reserve, Lakeside and Springlake. Leeuwfontein is still what is known as an ''old order right'' or mining license, with applications pending for conversion into a ''new order right'' or mining license (only upon conversion will the expiry date be known). All other mining rights are "new order rights". Springboklaagte is still a prospecting right, which are granted for five year periods and are renewable for a further three year period. The main prospecting right expired on 3 August 2011 and an application for the renewal of the prospecting right was lodged on 3 June 2011. Further to this an application for a mining right was also lodged in April 2011. Argent has a prospecting right valid until 29 June 2013.
[3] Springboklaagte is held as a Joint Venture between Shanduka and Umcebo, 100% of the reserves and resources are included in the table above.

Competent Persons: the mineral reserves and resources estimates set out above were compiled and approved by Karin van der Merwe, Gerrit Cronjé, Burger du Toit and Thys de Bruin of Shanduka Coal (Pty) Ltd. The reserves and resources estimates have been prepared in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (the SAMREC Code). All are Competent Persons as defined by SAMREC and each have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking.

| UMCEBO [1, 2] | Commodity | Coal reserves ('000 MT) Proved | Probable | Total | Coal resources ('000 MT) Measured | Indicated | Inferred | Total |
|---|---|---|---|---|---|---|---|---|
| Middelkraal | Coal | 15 311 | – | 15 311 | 20 200 | – | – | 20 200 |
| Kleinfontein | Coal | 2 600 | – | 2 600 | 3 000 | 600 | – | 3 600 |
| Klippan Opencut | Coal | 2 671 | – | 2 671 | 4 500 | – | – | 4 500 |
| Klippan Underground | Coal | 959 | – | 959 | 1 700 | – | – | 1 700 |
| Kleinfontein Jicama | Coal | – | – | – | 12 700 | – | 5 638 | 18 338 |
| Wonderfontein | Coal | 52 590 | – | 52 590 | 98 300 | – | – | 98 300 |
| Norwesco | Coal | – | – | – | 700 | – | – | 700 |
| Doornrug | Coal | – | – | – | 4 000 | – | – | 4 000 |
| Hendrina | Coal | – | – | – | 177 000 | 181 600 | 8 500 | 367 100 |
| Belfast | Coal | – | – | – | 107 710 | – | 6 640 | 114 350 |
| Springboklaagte [3] | Coal | – | 36 600 | 36 600 | 79 810 | 103 930 | 5 530 | 189 270 |

[1] As at 31 December 2011.

[2] Remaining mine life: individual mining operations have expected lives ranging from three to twelve years, based on their reserves. However, the Springboklaagte deposit extends Umcebo's expected life by approximately 20 to 25 years. Expiry date of relevant mining/concession licenses: different for each mine, ranging from October 2015 to March 2022 in respect of Middelkraal, Kleinfontein, Klippan, Norwesco and Doornrug. Springboklaagte is still a prospecting right, which are granted for five year periods and are renewable for a further three year period. The main prospecting right expired on 3 August 2011 and an application for the renewal of the prospecting right was lodged on 3 June 2011. Further to this an application for a mining right was also lodged in April 2011. Wonderfontein prospecting right lapsed on 17 November 2011 however a renewal was lodged on 28 July 2011. A mining right application was submitted and granted in February 2012, but is yet to be executed.

[3] Springboklaagte is held as a Joint Venture between Shanduka and Umcebo, 100% of the reserves and resources are included in the table above.

Competent Persons: the mineral reserves and resources estimates set out above were compiled and approved by Karin van der Merwe, Gerrit Cronjé, Burger du Toit and Thys de Bruin of Shanduka Coal (Pty) Ltd. The reserves and resources estimates have been prepared in accordance with SAMREC. All are Competent Persons as defined by SAMREC and each have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking.


# CORPORATE GOVERNANCE

3 | Corporate Governance

# 3.1 | Chairman's Introduction

Welcome to our first Corporate Governance report.

In preparing this report we have been mindful of the conflicting challenges of governance reporting – the objective on the one hand of keeping the report concise and the aim on the other of providing a full and complete report.

As Glencore prepared for its London and Hong Kong listings in 2011, the Company has implemented a structure, both organisational and operational, by which it has sought to be fully compliant with the UK Corporate Governance Code. This report details this implementation, but I would first like to highlight the following:

- The Board consists of six independent Non-Executive Directors and two Executive Directors.
- Each Non-Executive Director has a proven track record in business at a high level and expertise of direct relevance to the Company.
- As large shareholders, the interests of Glencore's Executive Directors are aligned closely with those of other shareholders.
- The Board and Committee structure properly required of a large listed company has been effectively implemented in practice, with Board Committees conducting their duties rigorously and thoroughly. The Non-Executives have provided critical challenge and support to the areas of the Group which they believe are of particular importance. In particular our Audit Committee has taken a strong interest in the risk and internal audit functions. Our HSEC Committee has also provided considerable input and insight to assist and guide the progress the Company is making to improve its safety performance and on various other material sustainability issues.
- We have appointed a Company Secretary who has considerable PLC experience to ensure that the Chairman and other Non-Executive Directors have the support and assistance required to implement our responsibilities effectively.
- Although our Board has been operating for less than a year we carried out a comprehensive evaluation exercise with issues for improvement identified. We have sought to provide high quality information to the market and constructive engagement with shareholders. We have also sought to engage with others who are relevant to or impacted by the Group's activities including Non-Governmental Organisations and relevant regulators.
- We intend to reflect regularly upon developments in corporate governance best practice. In particular we recognise that we should seek greater diversity, particularly gender, within our Board.

We have sought to report on our governance in a user friendly and direct a manner as possible, giving a clear summary of the considered leadership which the Board and its Committees provides to the Group. We would welcome feedback on this report.

# 3.2 | Board of Directors

All of the Directors were appointed in March or April 2011, shortly prior to the Company's IPO.

## SIMON MURRAY[4]
Chairman (age 71)

Appointed to the Board as Non-Executive Chairman in April 2011. He is the founder and current chairman of GEMS Limited, a private equity investment group operating across Asia. Previously, Mr Murray led Jardine Matheson's engineering and trading operations from 1966 to 1980, after which he set up Davenham Investments, a project advisory company. From 1984 until 1993, Mr Murray was group managing director of Hutchison Whampoa, leading its entry into the mobile telecommunication business, developing its energy business and expanding its container and port operations. Mr Murray served as a member of the Hutchison Whampoa Board until May 2007. From 1994 to 1997, Mr Murray was the executive chairman of Deutsche Bank group for the Asia Pacific region.

Mr Murray is currently a member of the Board of Directors of a number of public companies including IRC, Essar Energy, Orient Overseas, Wing Tai Properties, Greenheart, Compagnie Financiere Richemont and Sino Forest Corporation. Mr Murray was a non-executive director of Vodafone between July 2007 and July 2010. In 1993, Mr Murray was appointed a CBE in honour of his contribution to the Hong Kong community. Mr Murray has also been awarded the Order of Merit of the French Republic and is a Chevalier de la Legion d'honneur. He holds an honorary B.A. degree in law from Bath University and attended the Stanford Executive Programme (SEP) in the U.S.

## IVAN GLASENBERG[2, 4]
Chief Executive Officer (age 55)

Ivan Glasenberg joined Glencore in April 1984 and has been Chief Executive Officer since January 2002. Mr Glasenberg initially spent three years working in the coal/coke commodity department in South Africa as a marketer, before spending two years in Australia as head of the Asian coal/coke commodity division. Between 1988 and 1989, he was based in Hong Kong as manager and head of Glencore's Hong Kong and Beijing offices, as well as head of coal marketing in Asia, where his responsibilities included overseeing the Asian coal marketing business of Glencore and managing the administrative functions of the Hong Kong and Beijing offices. In January 1990, he was made responsible for the worldwide coal business of Glencore for both marketing and industrial assets, and remained in this role until he became Chief Executive Officer in January 2002.

Mr Glasenberg is a Chartered Accountant of South Africa and holds a Bachelor of Accountancy from the University of Witwatersrand. Mr Glasenberg also holds an M.B.A. from the University of Southern California. He is currently a director of Xstrata plc and United Company Rusal plc and JSC Zarubezhneft. Before joining Glencore, Mr Glasenberg worked for five years at Levitt Kirson Chartered Accountants in South Africa.

## STEVEN KALMIN
Chief Financial Officer (age 41)

Steven Kalmin joined Glencore in September 1999 as general manager of finance and treasury functions at Glencore's coal industrial unit (now part of Xstrata). Mr Kalmin moved to Glencore's Baar head office in October 2003 to oversee Glencore's accounting and reporting functions, becoming Chief Financial Officer in June 2005.

Mr Kalmin holds a Bachelor of Business from the University of Technology, Sydney and is a member of the Institute of Chartered Accountants of Australia and the Financial Services Institute of Australasia. He is currently a director of Century Aluminum Co. Before joining Glencore, Mr Kalmin worked for nine years at Horwath Chartered Accountants in Sydney, leaving the firm as a director.

## ANTHONY HAYWARD[2, 3, 4*]

Senior Independent Director (age 54)

He is CEO of Genel Energy plc and a member of the European advisory Board of AEA. He was group chief executive of BP plc from 2007 to 2010, having joined BP in 1982 as a rig geologist in the North Sea. Following a series of technical and commercial roles in Europe, Asia and South America, he returned to London in 1997 as a member of the upstream executive Committee. He became group treasurer in 2000, chief executive for BP upstream activities and member of the main Board of BP in 2003. Dr. Hayward studied geology at Aston University in Birmingham and completed a PhD at Edinburgh University. He is also a fellow of the Royal Society of Edinburgh and holds honorary doctorates from the University of Edinburgh, Aston University and the University of Birmingham.

## LI NING[4]

Non-Executive Director (age 55)

Li Ning has been an executive director of Henderson Land Development Company Limited since 1992. He was also an executive director of Henderson Investment Company Limited from 1990 to 2010. He has also been an executive director of Hong Kong (Ferry) Holdings Company Limited since 1989. Prior to joining the Henderson group, he began his career in the banking industry with Chekiang First Bank Limited.

Mr Li holds a B.Sc. degree from Babson College. Mr Li also graduated in 1983 from the University of Southern California with an M.B.A. degree.

## PETER COATES[1, 2*, 4]

Non-Executive Director (age 66)

Currently a non-executive director and chairman of Santos Ltd., and a non-executive director of Amalgamated Holdings. Until recently, he was a non-executive director and chairman of Minara, a position he had held since May 2008. Mr Coates has occupied many senior positions in a diverse range of resource companies, including those mining silver, lead, zinc, nickel, iron ore, bauxite and coal. Mr Coates was previously the chief executive of Xstrata's coal business, having joined the company in 2002 when Glencore sold its Australian and South African coal assets to Xstrata. From January 2008 to June 2009 Mr Coates was non-executive chairman of Xstrata Australia. Mr Coates is a past chairman of the Minerals Council of Australia, the NSW Minerals Council and the Australian Coal Association.

He was appointed to the Office of the Order of Australia in June 2009 and was recently awarded the Australasian Institute of Mining and Metallurgy Medal for 2010. He holds a Bachelor of Science degree in Mining Engineering from the University of New South Wales.

## LEONHARD FISCHER[1*, 3]

Non-Executive Director (age 49)

Leonhard Fischer was appointed chief executive officer of RHJ International in January 2009, having been co-chief executive officer since 2007. He is also chairman of the Kleinwort Benson group and is a member of the Board of Directors at Julius Baer, AXA Konzern and Arecon.

Mr Fischer was previously a non-executive director and member of the audit Committee at 3W Power Solutions S.A, and also served as chief executive officer of Winterthur group from 2003 to 2006. Mr Fischer was a member of the executive Board of Credit Suisse from 2003 to March 2007, having joined the firm from Allianz AG, where he had led the Corporates and Markets Division. Prior to this, he had been a member of the executive Board of Dresdner Bank in Frankfurt. Mr Fischer holds an M.A. in Finance from the University of Georgia.

## WILLIAM MACAULAY [1, 3*]
Non-Executive Director (age 66)

He is the chairman and chief executive officer of First Reserve Corporation, a private equity investment firm focused on the energy industry, and has been with the company since its founding in 1983. Prior to joining First Reserve he was a co-founder of Meridien Capital Company, a private equity buyout firm. From 1972 to 1982, he was with Oppenheimer & Co., where he served as director of corporate finance with direct responsibility for the firm's buyout business. He also served president of Oppenheimer Energy Corporation. Mr Macaulay is chairman of the Board of Dresser-Rand and is a director of Weatherford International. He also serves on numerous private energy company Boards. In addition, he is chairman of the Board of the Rogosin Medical Institute and chairman of the advisory Board of the City University of New York.

Mr Macaulay holds a B.B.A. degree, Magna Cum Laude in Economics from City College of New York, and an M.B.A. from the Wharton School of the University of Pennsylvania. He also has received an Honorary Doctor of Humane Letters degree from Baruch College.

## JOHN BURTON
Company Secretary (age 47)

John Burton was appointed Company Secretary in September 2011. He was formerly Company Secretary and General Counsel of Informa plc and before that a partner at CMS Cameron McKenna in London specialising in corporate law.

Committee membership is designated as follows:
[1] Audit
[2] Health, Safety, Environment and Communities (HSEC)
[3] Remuneration
[4] Nominations
* denotes Committee chair

# 3.3 | Corporate governance report

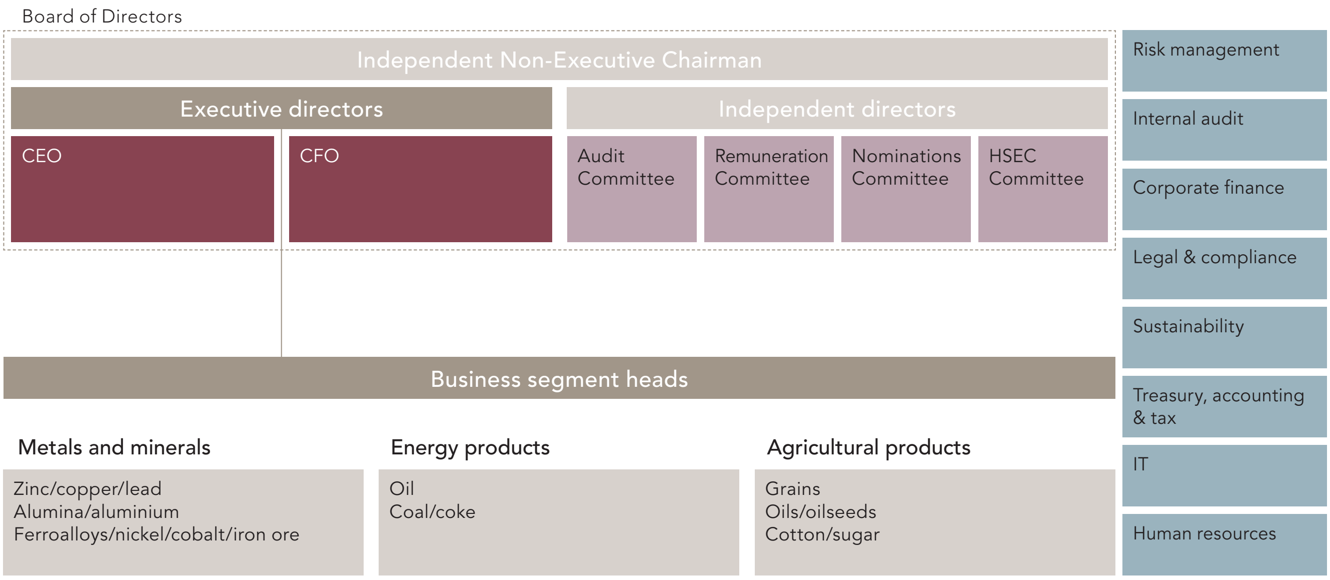
## BOARD GOVERNANCE

### Overview

Prior to 28 April 2011 when a compliant structure was established, the Company did not comply with the UK Corporate Governance Code (the Code) as the Company was a private concern wholly owned by its employees. It has since that date complied with all relevant provisions set out in the Code. The governance section seeks to set out how Glencore has applied the main principles set out in the Code in a manner which enables shareholders to evaluate how these principles have been applied.

The disclosures in this report relate to our responsibilities for preparing the annual report (including compliance with the Code to the extent required), our report on the effectiveness of the Group's risk management and internal control systems, the functioning of our audit Committee and our going concern statement.

Details of the Company's significant shareholders, voting rights, directors' powers and rules concerning the appointment and replacement of directors and amendments to the articles of association are either contained in this section 3.3 or section 3.4. Glencore's Board comprises six Non-Executive Directors (including the Chairman) and two Executive Directors. A list of the Directors, with brief biographical details, is provided on pages 81–83. For the Chairman, those details include his other significant commitments.




NB: All board committees are chaired by independent directors

### Chairman and Chief Executive Officer

Glencore has established a clear division between the respective responsibilities of the Non-Executive Chairman of the Board, and the Chief Executive Officer, which are set out in a schedule of responsibilities that has been approved by the Board. While the Non-Executive Chairman is responsible for leading the Board's discussions and decision-making, the Chief Executive Officer is responsible for leading Glencore's operating performance and day-to-day management. This, coupled with the schedule of reserved matters describes below, ensures that no individual has unfettered powers of decision.

### Non-executive Directors

The Company's Non-Executive Directors provide a broad range of skills and experience to the Board which assists in both their roles in formulating the Company's strategy and in providing constructive challenge to the Executive Directors. All of them are regarded by the Company as independent Non-Executive Directors within the meaning of "independent" as defined in the Code and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. This view has been taken having regard to all facts including the following:

William Macaulay is chairman and chief executive of First Reserve Corporation (First Reserve). First Reserve was on Mr Macaulay's appointment to the Board the holder of a tranche of $ 2.3 billion Convertible Bonds due 2014 issued by Glencore Finance (Europe) S.A. (First Reserve has subsequently sold these bonds and now holds shares, or economic interests in respect of shares, totalling 157,996,976 in number, as further detailed on page 98).

Peter Coates was until April 2011 the independent non-executive chairman of Minara, while that company was 70.6% owned by Glencore, and was until August 2009 a non-executive chairman of Xstrata Australia and a former chief executive of Xstrata Coal, part of Xstrata plc, a listed entity in which Glencore holds a 34.5% interest. Mr Coates joined Xstrata in 2002 with Glencore's coal assets in Australia and South Africa when they were sold to Xstrata for cash and shares simultaneous with Xstrata's primary listing and capital raising in London.

### Board Committees

The Board has established the following Committees to assist it in exercising its functions: Audit, Nomination. Remuneration and Health, Safety, Environmental and Communities (HSEC). A report from each Committee is set out on pages 88 to 96.

Each Committee reports to, and has its terms of reference approved by, the Board and the minutes of the Committee meetings are reviewed by the Board. These terms of reference are available at www.glencore.com/corporate-governance.php.

### Board Meetings

The Board has approved a formal schedule which sets out those matters which are reserved for its decision making alone such as strategy, the annual budget and material acquisitions and disposals.

2011 was obviously an unusual year given that the Company was incorporated and listed in the first half of the year. In future the Board plans to have a minimum of 5 meetings a year with additional meetings as required. The Board will usually meet at the Company's headquarters in Baar, Switzerland although it may occasionally meet elsewhere.

The Board and its Committees have standing agenda items to cover their proposed business at their scheduled meetings which in the Board's case includes a review of the latest financial position and current trading and an analysis of the work being undertaken by its Committees. The Chairman seeks to ensure that the very significant work of the Committees feeds into, and benefits as to feedback from, the full Board. Most Board meetings also benefit from a presentation by the head of a division and some technical and investor relations updates.

The Chairman holds meetings with the Non-executive Directors without the Executive directors present, and at least once a year the Senior Non-executive Director chairs a meeting of the Non-executive Directors without the Chairman present.

Attendance during the year for all scheduled Board and Board Committee meetings is given in the table below:

| | Board[1] of 4 | Audit of 2 | Nominations of 3 | Remuneration of 2 | HSEC of 3 |
|---|---|---|---|---|---|
| Simon Murray | 4 | – | 3 | – | – |
| Ivan Glasenberg | 4 | – | 3 | – | 3 |
| Steven Kalmin | 4 | – | – | – | – |
| Peter Coates | 4 | 2 | – | – | 3 |
| Leonhard Fischer | 4 | 2 | – | 2 | – |
| Anthony Hayward | 4 | – | 3 | 2 | 3 |
| William Macaulay | 4 | 2 | – | 2 | – |
| Li Ning | 4 | – | 3 | – | – |

[1] Excludes meetings held in relation to the IPO.

### Appointment and re-election of Directors

The work of the Nominations Committee in respect of the appointment and reappointment of Directors is contained in that Committee's report, below.

All members of the Board will be offering themselves for re-election at the 2012 Annual General Meeting. It is part of the Chairman's role to discuss the time commitment and contribution of each Non-executive Director as part of his individual appraisal, and the Nomination Committee unanimously recommends the reappointment of each of the Directors.

All of the Directors have service agreements or letters of appointment and the details of their terms are set out in the Remuneration Report. No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested subsisted during or at the end of the financial year.

### Information and professional development

It is considered of great importance that the Non-Executive Directors (1) attain a good knowledge of the Company and its business and (2) allocate sufficient time to Glencore to discharge those responsibilities effectively. New Directors receive a full, formal and tailored induction on joining the Board, including meetings with senior management and advisers and visits to the Group's operational locations. The Board calendar is planned to ensure that Directors are briefed on a wide range of topics. Directors are also given the opportunity to visit the Group's industrial assets and discuss aspects of the business with employees, and regularly meet the heads of the Group's main departments. As well as internal briefings, Directors attend appropriate external seminars and briefings.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring the Board procedures are complied with, and have access to independent and professional advice at the Company's expense, where they judge this to be necessary to discharge their responsibilities as Directors.

### Board performance evaluation

Since Glencore has a new Board, it was thought appropriate that the first evaluation process should be an internal one. By using assessment questionnaires prepared by the Company Secretary and the Chairman, all Directors graded areas such as performance of the Board and its Committees, the effectiveness of the Chairman, Executive and Non- Executive Directors, the monitoring of operational performance and Corporate Governance, as well as leadership and culture. The Company Secretary and the Chairman provided a report of the results, which were discussed by the Board and by each Committee. The Board and the Committees concluded that overall they functioned effectively. However, matters for improvement concerning planning, logistics, content of meetings, board papers and the need for additional directors were discussed and agreed.

We have reviewed the interests declared by the Directors which could conflict with those of the Company, and we are satisfied that the Board's powers to authorise potential conflicts is operating effectively.

### Remuneration

Remuneration is covered in the Remuneration report on pages 91 to 96 which includes a description of the work of the Remuneration Committee.

## ACCOUNTABILITY AND AUDIT

### Financial reporting

The Group has in place a comprehensive financial review cycle, which includes a detailed annual budgeting process where business units prepare budgets for approval by the Board. The Group uses a large number of performance indicators to measure both operational and financial activity in the business. Depending on the measure these are reported and reviewed on a daily, weekly or monthly basis. In addition management in the business receives a weekly and monthly pack of indicators which are the basis of regular operational meetings, where corrective action is taken if necessary. At a Group level a well-developed management accounts pack including income statements, balance sheets, cash flow statement as well as key ratios related to capital productivity is prepared and reviewed monthly by management. As part of the monthly reporting process a forecast of the current year numbers is carried out. To ensure consistency of reporting the Group has a global consolidation system as well as a common accounting policies and procedures manual. Management monitors the publication of new reporting standards and work closely with their external auditors in evaluating the impact of these standards.

### Risk management and internal control

The Board has applied Principle C.2 of the Code by establishing a continuous process for identifying, evaluating and managing the risks that are considered significant by the Group in accordance with the revised Turnbull Guidance on Internal Control published by the Financial Reporting Council. This process has been in place for the period under review and up to the date of approval of the Annual Report and Accounts. The process is designed to manage rather than eliminate risk, and can only provide reasonable and not absolute assurance against material misstatement or loss. The directors confirm that they have reviewed the effectiveness of the risk management and internal control systems. This review excludes associates of the Group as Glencore does not have the ability to dictate or modify the internal controls of these entities. This report describes how the effectiveness of the Group's structure of internal controls including financial, operational and compliance controls and risk management systems is reviewed.

*1) Approach to risk management*

Effective risk management is crucial in helping the Group to achieve its objectives of preserving its overall financial strength for the benefit of all shareholders and other stakeholders and safeguarding its ability to continue as a going concern while generating sustainable long term profitability. Spanning the organisational structure, Glencore's disciplined approach to risk management and control originates with strategic responsibility in the hands of the Board, which also retains operational authority on matters exceeding agreed thresholds of materiality. The Board retains final authority for assessing and approving the Group's overall risk appetite and sets overall limits which are subject for review annually. Through delegation to the Audit Committee for oversight and to senior management for day-to-day operational issues, an effective risk management governance apparatus has been established for the Group.

The Audit Committee retains responsibility for reviewing the overall effectiveness of Glencore's risk management approach and systems.

As a primary oversight and control, the CEO engages in a regular and ongoing interrogatory exchange with the management team and he is supported in this challenge process by the Group's organisational structure with its concentration of major decision making, as well as by the alignment of the economic interest of key senior staff with the medium term performance of the company through shareholding lock-ins. The CRO, the Group Risk Management Team and the multi-sourced reporting available to them help to equip the CEO and senior management with appropriate analysis in order to allow them to conduct appropriate risk management of the group.

The CRO and Group Risk Management Team act as facilitators of the control process with elements of consolidated reporting including counterparty credit exposure, the co-ordination of

Group and departmental Value at Risk ("VaR"), stress and scenario testing amongst others. The departments and Group risk team are engaged in an ongoing dialogue concerning general aspects of risk management policy and the central team provide oversight and input on those aspects of risk management and risk mitigation that remain the functional responsibility of the Group's'individual departments. The internal audit, compliance and business ethics Committees also play key roles in managing Group operational risk and verifying process controls.

Glencore recognises the need for continuous focus on this key area in the context of both the evolution of its business risks, and the unpredictable and volatile global economic environment. The Group continues to maintain and expand the resources and information systems used in its centralised risk management, whilst also adopting and following policies which are intended to mitigate and manage market price and credit risks.

*2) Risk assessment and control tools*
Glencore's finance and risk professionals, working in coordination with the Group's departments, monitor and report regularly to management on the financial risks and exposures Glencore is facing. The Group monitors its commodity price risk exposure by using a VaR computation assessing open commodity positions which are subject to price risks. The credit quality of its counterparts is actively and continuously monitored by the Group through internal reviews and a credit scoring process which includes, where available, public credit ratings. The Group makes active and widespread use of credit enhancement through the use of products such as letters of credit and credit insurance products to help manage and mitigate credit risk exposures.

VaR is a risk measurement technique which Glencore uses to monitor and limit its primary market exposure related to its physical marketing exposures and related derivative positions. VaR estimates the potential loss in value of open positions that could occur as a result of adverse market movements over a defined time horizon, given a specific level of confidence. The methodology is a statistically defined, probability based approach that takes into account market volatilities, as well as risk diversification benefits by recognising offsetting positions and correlations between commodities and markets. In this way, risks can be compared across all markets and commodities and risk exposures can be aggregated to derive a single risk value.

The Board has approved a one day, 95% VaR limit of $ 100 million which is subject to review and approval on an annual basis. The purpose of this Group limit is to assist senior management in controlling the Group's overall risk profile. During 2011 Glencore's average VaR was approximately $ 39 million. This represents a decrease from the actual average of approximately $ 43 million in the prior year.

Glencore's VaR computation covers its business in the key base metals, coal, oil/natural gas and the main risks in the Agricultural Products department (grain, oil seeds, sugar and cotton). It assesses open priced positions and those which are subject to price risk, but due to a lack of liquid terminal market, Glencore does not extend its VaR calculation to a number of business lines where price transparency is less dependable. Glencore reports VaR across the Group and also by commodity department, as well as at a variety of more detailed levels.

VaR does not purport to represent actual gains or losses in fair value on earnings to be incurred by Glencore, nor does Glencore claim that these VaR results are indicative of future market movements or representative of any actual impact on its future results. VaR should always be viewed in the context of its limitations; notably, the use of historical data as a proxy for estimating future events, market illiquidity risks and risks associated with longer time horizons as well as tail risks. The Group recognises these limitations and so complements and refines its risk analysis through the use of stress and scenario analysis. Glencore regularly backtests its VaR to establish adequacy of accuracy and to facilitate analysis of breaks.

Whilst it is Glencore's policy to substantially hedge its commodity price risks, there remains the possibility that the hedging instruments chosen may not always provide effective mitigation of the underlying price risk. The hedging instruments available to the marketing businesses may differ in specific characteristics to the risk exposure to the hedged, resulting in an ongoing and unavoidable basis risk exposure. Residual basis risk exposures represent a key focus point for Glencore's commodity department teams who actively engage in the management of such.

## Internal and External Audit

Glencore has a dedicated Internal Audit function reporting directly to the Audit Committee. The role of Internal Audit is to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit reviews areas of potential risk within the business and suggests control solutions to mitigate any exposures. The Audit Committee is regularly informed about audits performed and relevant findings, as well as the progress on implementing the actions agreed with management.

During each financial year the Audit Committee reviews the external and internal audit work programmes and considers reports from internal and external auditors on the system of internal control and any material control weaknesses. It also received responses from management regarding the actions taken on issues identified in audit reports.

The Group's policy on non-audit services provided by the external auditors is designed to ensure the external auditor's independence and objectivity is safeguarded. A specified wide range of services may not be provided as they have the potential to impair the external auditor's independence (Excluded Services). The Audit Committee's approval is required for (1) any Excluded Service (2) and other engagement where either (i) the fee is contingent, (ii) the fee may exceed $ 500,000, or (iii) where the fees for all non-audit work may exceed $ 15 million. The external auditors were requested to provide certain non-audit services when it was concluded that they were the most appropriate supplier due to efficiency and status as a leading firm for the specific services being requested. For 2011 the total non-audit fees paid to the auditors were $ 17.9 million which principally related to the auditors' role as Reporting Accountant in connection with the Listing; further details are contained in note 25 to the financial statements.

### Relationships with shareholders

The Board aims to present a balanced and clear view of the Group in communications with shareholders and believes that being transparent in describing how we see the market and the prospects for the business is extremely important.

We communicate with shareholders in a number of different ways. The formal reporting of our full and half year results and interim management statements are a combination of presentations, group calls and one to one meetings. The full and half year reporting is then followed by investor meetings in a variety of locations where we have institutional shareholders. We also regularly meet with existing and prospective shareholders to update them on our latest performance or to introduce them to the Company and periodically arrange a visit to the business to give analysts and major shareholders a better understanding of how we manage our business. These visits and meetings are principally undertaken by the CEO, CFO and Head of Investor Relations. In addition, many major shareholders have meetings with the Chairman and appropriate senior personnel of the Group including the Company Secretary and Head of Sustainability.

The Board receives regular updates on the views of shareholders through a briefing, which is a standing agenda item for all Board meetings, from the Company's Head of Investor Relations, which is supplemented by input from the Chairman, CEO and CFO. In addition, the Senior Independent Director is available to meet shareholders if they wish to raise issues separately from the arrangements as described above.

The Company's Annual General Meeting will be held in Zug on Wednesday, 9 May. Full details of the meeting are set out in the letter from the Chairman and Notice of Meeting sent with this report. Shareholders unable to attend are encouraged to vote using the proxy card mailed to them or electronically as detailed in the Notice of Meeting. All documents relating to the AGM are available on the Company's website at: www.glencore.com.

## AUDIT COMMITTEE REPORT

### Chairman

Leonhard Fischer

### Other members

Peter Coates
William Macaulay

All members of the Committee were appointed prior to the IPO and have served for the rest of the year. Each is considered to be an independent Non-Executive Director and deemed to be financially literate by virtue of their business experience. Each of Leonhard Fischer and William Macaulay is considered by the Board to have recent and relevant financial experience and has competence in accounting. The Committee met twice during the year and all the Committee members attended both meetings. John Burton is Secretary to the Committee.

### Role and responsibilities

The primary function of the audit Committee is to assist the Board in fulfilling its responsibilities with regard to financial reporting, external and internal audit, risk management and controls. This includes:

- monitoring and reviewing the Group's financial and accounting policies and practices;
- monitoring the integrity of the annual and half yearly financial statements and any formal announcements relating to the group's financial performance and reviewing significant financial reporting judgments relating to them;
- considering the reappointment of the external auditors;
- considering the scope of the annual external audit and the work undertaken by external auditors;
- reviewing and monitoring the independence of the external auditor and the provision of additional services by it;
- monitoring matters that influence or could distort the presentation of accounts and key figures;
- reviewing Glencore's internal financial, operational and compliance controls and internal controls and risk management systems;
- monitoring and reviewing the effectiveness of Glencore's internal audit function;
- overseeing the Group's procedures for detecting fraud and handling allegations from whistleblowers; and
- making recommendations to the Board for a resolution to be put to the shareholders for their approval on the appointment of the external auditors and to authorise the Board to fix the remuneration and terms of engagement of the external auditors.

### Governance processes

The Audit Committee usually invites the CEO, CFO, Group Financial Controller, Head of Risk and Head of Internal Audit and the lead partner from the external auditors to attend each meeting. Other members of management may attend as and when requested. The Committee also holds private sessions with the external auditors and the Head of Internal Audit without members of management being present. The Committee has adopted guidelines allowing non-audit services to be contracted with the external auditors on the basis as set out on page 87.

### Main Activities

During the year, the Committee's principal work included the following:

- adopted the Committee's terms of reference;
- reviewed and adopted a new policy for the provision of non audit services by the external auditors;
- reviewed the policies detecting, reporting and preventing fraud and serious breaches of business conduct and whistle-blowing procedures;
- reviewed the internal Audit Department's annual audit plan and the performance assessment of the Internal Audit function;
- reviewed and agreed the audit plan, scope and fees of the audit work to be undertaken by the external auditors;
- considered the output from the Group-wide process used to identify, evaluate and mitigate risks;
- monitored and reviewed the effectiveness of Glencore's internal controls;
- reviewed and discussed the half-year unaudited financial statements with management and the external auditors;

- discussed various material accounting issues with management and the external auditors, particularly those involving key judgments and estimates; and
- reviewed and agreed the preparation and scope of the year-end reporting process.

### Reappointment of external Auditor

The Committee has recommended to the Board that a proposal be put to shareholders at the 2011 Annual General Meeting for the reappointment of Deloitte as external auditor. There are no contractual restrictions on the Company's choice of external auditor, and in making our recommendation we took into account, amongst other matters, the objectivity and independence of Deloitte and their continuing effectiveness and cost.

The Committee conducted an annual evaluation of its performance and concluded that it was effective, has acted in accordance with its terms of reference and had ensured the objectivity of the external auditors.

Leonhard Fischer
Chairman of the Audit Committee
26 March 2012

## NOMINATIONS COMMITTEE

### Chairman

Anthony Hayward

### Other members

Simon Murray
Ivan Glasenberg
Li Ning

The majority of the members of the Committee are independent Non-executive Directors. The Committee met three times during the year and its members attended all of its meetings.

### Roles and responsibilities

The main responsibilities of the Committee are to assist the Board with succession planning and with the selection process for the new appointment of new Directors, both Executive and Non-Executive, including the Chairman and to have oversight of senior management succession planning. This involves:

- Evaluating the balance and skills, knowledge and experience on the Board and identifying the capabilities required for a particular appointment;
- Overseeing the search process; and
- Evaluating an annual succession planning report from the CEO in relation to senior management.

The full Terms of Reference of the Committee are available on our website at www.glencore.com/corporate-governance.php.

### Main Activities

The Committee focused on three main tasks during this year.

The first was the search for and consideration of a proposed new Non-Executive Director. This process was halted in the light of the proposed Xstrata merger.

Secondly, a search process for a female Non-Executive Director was initiated, for which a number of leading female business leaders have been identified. This has been ongoing with a final decision being driven by the proposed Xstrata merger.

Thirdly, we considered the current composition of the Board. Subject to there being a perceived need for the addition of one or two further Non-Executive Directors, it was agreed that the Board operated in a satisfactory manner and the Board agreed with the Committee's view that all current serving Directors be recommended to shareholders for re-election.

An external consultancy has been retained for search purposes.

Anthony Hayward
Chairman of the Nominations Committee
26 March 2012

## HEALTH, SAFETY, ENVIRONMENT & COMMUNITIES (HSEC) COMMITTEE

### Chairman

Peter Coates

### Other members

Ivan Glasenberg
Anthony Hayward
Michael Fahrbach

The Committee met three times during the year and each Committee member attended all of the meetings.

### Role and responsibilities

The main responsibilities of the Committee are, in respect of the Group to:

- Evaluate the effectiveness of policies and systems for identifying and managing environmental, health and safety risks;
- Assess the policies and systems for ensuring compliance with environmental, health and safety regulatory requirements;
- Assess performance with regard to the impact of HSEC related decisions and actions upon employees, communities and other third parties;
- Receive reports concerning all fatalities and serious accidents and actions taken as a result of such fatalities or serious accidents;
- Evaluate and oversee the quality and integrity of any reporting to external stakeholders concerning HSEC matters; and
- Review the results of any independent audits of performance in regard to HSEC matters and strategies and action plans developed by management in response to issues raised.

### Main Activities

During the year, the Committee

- Reviewed, amended and adopted terms of reference for the Committee;
- Reviewed the current corporate practice framework for the Group and approved ongoing changes and reviewed its implementation and practice;
- Reviewed and overseen the Group's first sustainability report which was published in the autumn of 2011;
- Undertaken initial site visits and approved ongoing site visit programme;
- Agreed procedures in regard to fatality reporting and review and recommendations process in respect of each fatality;
- Received comprehensive presentation from the management of Mopani one of our major African assets ; and
- Commissioned a leading international company to carry out a baseline assessment of the Group's Health and Safety standards.

Peter Coates
Chairman of the Health, Safety, Environmental and Communities Committee
26 March 2012

# 3.4 | Directors' remuneration report

## REMUNERATION COMMITTEE

Chairman
William Macaulay

Other members
Anthony Hayward
Leonhard Fischer

Secretary
John Burton

## INTRODUCTION

I am pleased to present the inaugural remuneration report published for the Company.

One criticism of UK-listed company remuneration reports is that they can be too long, too technical and too confusing. So I hope that this report represents a reasonable attempt by us to make it short, simple and straight forward.

## OUR PHILOSOPHY

We have the same philosophy as any other Remuneration Committee, namely to set the company's remuneration policies and practices so that they facilitate the attraction, retention and motivation of the Executive Directors and other senior executives of appropriate high calibre to implement the Group's strategy while aligning the interests of the Executive Directors and executives with those of shareholders generally. This policy underpins our entire approach to executive remuneration at Glencore.

One notable aspect of our Executive Directors' remuneration is that, with their agreement and reflecting their status as major shareholders, the Executive Directors do not currently participate in our long term incentive arrangements (the CEO has also agreed not to participate in our bonus arrangements). As a result, we are currently able to set overall remuneration for our Executive Directors at lower levels than in comparable companies and for comparable performance. The Committee believes that the Executive Directors' significant personal shareholdings create sufficient alignment of interest with shareholders in the absence of participation in a long term incentive arrangement. If our proposed merger with Xstrata plc proceeds, however, we would need to review our overall remuneration policy.

2011 was an important first year for the Committee. We established our overall remuneration framework and, within this context, the remuneration packages for the Executive Directors. We agreed service contracts in line with UK best practice. We also reviewed performance during the year and determined the bonus payment to be made to the CFO.

I hope you will find this Remuneration Report clear and informative.

## GOVERNANCE

This Remuneration Report has been prepared on behalf of the Board by the Remuneration Committee. The Committee adopts the principles of good governance as set out in the UK Corporate Governance Code and complies with the Listing Rules of the Financial Services Authority and the relevant schedules of the Companies Act 2006 and the Directors' Remuneration Report Regulations in Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

These regulations require the Company's auditors to report on the 'Audited Information' in the report and to state that this section has been properly prepared in accordance with these regulations. As such, the report is divided into audited and unaudited information.

A resolution to approve this report will be put to shareholders at the Company's AGM.

### Membership and experience of the Remuneration Committee

We believe that the members of the Committee provide a useful balance of abilities, experience and perspectives to provide the critical analysis required in carrying out our function. In particular:

- William Macaulay has had a long career in private equity which has involved exposure to compensation issues many times and in a variety of situations;
- Leonhard Fischer is a career banker who similarly has had considerable exposure to issues of pay and incentives; and
- Tony Hayward has for many years been a senior employee and executive in the resources industry, most notably as CEO of BP, and therefore brings considerable experience as a senior executive to our deliberations.

All members of the remuneration Committee are considered to be independent.

### Role of the Remuneration Committee

The terms of reference of the Committee set out its role. They are available on the Company's website at www.glencore.com/corporate-governance.php.

Its principal responsibilities are, on behalf of the Board, to:

- Set the Company's executive remuneration policy (and review its ongoing relevance and appropriateness);
- Fix the individual remuneration packages for the Executive Directors including the scope of pension payments;
- Determine the total individual remuneration package for the Chairman, in consultation with the Chief Executive;
- Have responsibility for overseeing schemes of performance related remuneration (including share incentive plans) for, and determine awards for, the Executive Directors;
- Ensure that the contractual terms on termination for the Executive Directors are fair and not excessive; and
- Monitor senior management remuneration.

### Remuneration Committee activities 2011

Following listing, the Committee met twice and considered, amongst other matters, the following:

- Its terms of reference;
- The regulatory framework that applies to the governance of executive remuneration in the Group;
- The remuneration policy applicable to the Executive Directors following the IPO and the specific terms of the Executive Directors' remuneration, including consideration of annual bonus and long term incentives;
- Senior management remuneration policy, including level and its structure and the future application of share plans;
- The appointment of remuneration consultants to advise the Committee; and
- The appropriate evaluation methodology for the Committee.

The Committee is able to consider corporate performance on HSEC and governance issues when setting remuneration for the Executive Directors. The Committee seeks to ensure that the incentive structure for the Group's senior management does not raise HSEC or governance risks by inadvertently motivating irresponsible behaviour.

### Internal advisers to the Remuneration Committee

The Chairman, CEO and CFO are usually invited to attend some or all of the proceedings of Remuneration Committee meetings. They do not participate in any decisions concerning their own remuneration. In addition, the Committee received advice from John Burton, the Company Secretary.

### External advisers to the Remuneration Committee

During 2011, the Committee appointed the remuneration consultancy practice of Deloitte LLP to provide independent advice to the Committee. Deloitte LLP is the Company's retained auditor and also provided other services to the Company during 2011. The Committee considers Deloitte to be independent. The Remuneration Committee advisers' terms of reference are in accordance with APB Ethical Standard 5 and restrict the provision of certain services in order to maintain auditor independence. The scope and value of services to the Company is kept under review. Advice is provided with use of established methodologies and the advisers are not involved in the decision making process. Advisory partners and staff have no involvement in audit, and are not involved in the preparation of audited information. The Committee also receive advice on legal matters from Linklaters.

## EXECUTIVE DIRECTORS' REMUNERATION

All emoluments to the Directors are paid in UK Pounds Sterling except for pension contributions and insurance benefits provided to the Executive Directors. As noted in the emoluments table below, these are presented in UK Pounds Sterling. In addition, as the financial statements are denominated in U.S. Dollars, we have also provided a total remuneration table on page 95 below which presents the total amounts in U.S. Dollars.

### Remuneration Framework

The key elements of the current Executive Directors' remuneration framework are shown in the table. Each component is discussed in more detail on the pages that follow.

| | Component | Purpose | Overview | Current practice |
|---|---|---|---|---|
| **Fixed** | Base salary | • Provides market competitive fixed remuneration | • Salaries are positioned within a market competitive range for companies of a similar size and complexity<br>• Reviewed annually with the next review due to take place in December 2012 | • Executive Officer: $ 1,437,080[1] (£ 925,000)<br>• Financial Officer: $ 1,087,520[1] (£ 700,000) |
| | Pension | • Provides basic retirement benefits | • Defined contribution scheme for all Swiss employees<br>• Contributions are based on age | • Both Executive Directors participate<br>• Annual contribution 15–19% on base salary of up to $ 297,693[1] (CHF 278,400) |
| | Other Benefits | • Provides appropriate insurance cover benefits | • Provision of standard company Swiss insurances | |
| **Variable** | Annual bonus | • Supports delivery of short term operational & strategic goals | • Award of maximum of 200% of salary | • The CEO does not currently participate<br>• The CFO participates and has been assessed against targets |
| | Performance Share Plan | • Incentivises the creation of shareholder value over the longer-term | • Overall plan limit of 500% of salary<br>• Malus clauses apply | • Both Executive Directors do not currently participate |
| | Deferred Bonus Plan | • Incentivises the creation of shareholder value over the longer-term | • Provides for deferral of annual bonus above agreed amount | • Applicable to CFO and senior management |
| **Significant Personal Shareholdings** | | • Aligns the interests of executives and shareholders | • No formal shareholding requirements are needed given the size of shareholdings | • The CEO has a beneficial ownership of c.16%<br>• The CFO has a beneficial ownership of c.1% |

[1] These amounts are set in UK Pounds Sterling and have been converted to U.S. Dollars using the exchange rates stated in the Currency table on page 49.

### The Role of Variable Pay at Glencore

Throughout the organisation, a significant proportion of the remuneration of our senior executive team is based on performance during the year and, through partial deferral, including into shares, on shareholder value created over the long term. These principles have served the Company well over a number of years and remain firmly in place.

Our Executive Directors have significant personal shareholdings. They, and the Committee, believe that this currently provides sufficient alignment between their interests and those of shareholders, regarding long term Company performance and shareholder value. As a result, the CEO does not currently participate in the annual or long term incentive arrangements and receives just a base salary and pension/benefits which are set at a lower level than for comparable companies. The CFO is eligible to participate in the annual bonus but does not currently participate in any long term incentive arrangements.

Although this results in a higher proportion of fixed remuneration (as a percentage of total remuneration) than would be the case in comparable companies, the Committee believes this is appropriate given the current alignment created through the significant share ownership described above.

The Committee also notes that it results in a lower level of overall remuneration for the Executive Directors than would be the case in similar companies, which is beneficial to our shareholders.

### Base Salary

For 2011, annual base salaries for the Executive Directors were set at £925,000 and £700,000 for the CEO and CFO respectively, which the Committee considers to be within the market competitive range and appropriate.

When setting remuneration for our executives, the Committee takes into account market data from listed companies of a similar financial size, and pay and conditions in the wider Glencore group to ensure that pay for our most senior employees is consistent with, and aligned to, the rest of the organisation.

Salaries will remain unchanged for 2012.

### Annual bonus

The current maximum bonus opportunity for Executive Directors is 200% of base salary. This opportunity is positioned towards the lower end of market practice in UK-listed companies of a similar size, which the Committee believes is appropriate at the current time.

As described above, the CEO does not currently participate in the annual bonus arrangements. The CFO does participate and for the current financial year will be assessed using a combination of key criteria aligned to the delivery of our strategy which are within his areas of responsibility. In respect of 2011, the Committee considered the performance of the CFO against a number of performance criteria including successful completion of the Company's IPO, the establishment of reporting processes and investor relations functions suitable for a FTSE 100 company and management and partial refinancing of the Group's significant borrowings. On this basis, the Committee determined that the CFO should be awarded a bonus of 200% of salary (the maximum opportunity) for the 2011 financial year. Mr Kalmin waived half of this award so that the bonus paid was £ 700,000, equal to 100% of his salary.

### Long term incentives

As described above, the Executive Directors do not currently participate in any long term incentive arrangements, reflecting the significant alignment achieved through large personal shareholdings.

The Committee will keep this under review to ensure it remains appropriate. In the event that long term incentive awards are made to Executive Directors, they would normally be made under the Glencore Performance Share Plan (described below) and would include stretching performance targets measured over a period of at least three years.

#### *The Glencore Performance Share Plan (PSP)*

The PSP was implemented on Admission. The table below sets out the key features of the plan, which the Committee believes to be aligned with UK best practice.

| Key features | Details |
|---|---|
| Form of award | • Conditional shares or nil-cost options |
| Individual limits | • 500% of base salary |
| Aggregate limits | • The Company's share plans include best practice dilution limits: 10% in ten years under all share plans and 5% in ten years under discretionary plans |
| Malus clauses | • Awards can be reduced or extinguished in the event that a participant's actions or behaviour results in a material loss, or detriment, to the Company |
| Change of control | • Participants may be required or permitted to exchange awards for equivalent awards over shares in the acquiring company; and<br>• Alternatively, the Committee has discretion to determine that awards vest immediately, subject to time and performance proration. |
| Leaver conditions | • Awards generally lapse for all except 'good leavers';<br>• For 'good leavers', awards generally continue and vest on the normal vesting date and subject to performance. The Committee retains discretion to allow awards to vest on cessation, subject to time and performance pro-rating; and<br>• On death awards generally vest in full, unless the Committee decides otherwise. |

#### *The Glencore Deferred Bonus Plan (DBP)*

Under the DBP, all or part of a participant's bonus is deferred as an award of ordinary shares (Bonus Awards) which vests at the end of a specified period subject to continued employment and forfeiture for malus events. No awards have been granted under this plan to date.

### Shareholding

The Remuneration Committee believes that a significant shareholding by Executive Directors aligns their long-term economic interests with those of our shareholders and demonstrates their commitment to the business.

Given the status of our current Executive Directors as major shareholders (see the Directors' share interests table on page 98), the Committee considers formal shareholding requirements unnecessary at this time. However, the Committee will keep this under review and may introduce a shareholding requirement if it becomes appropriate to do so in the future.

### Pensions

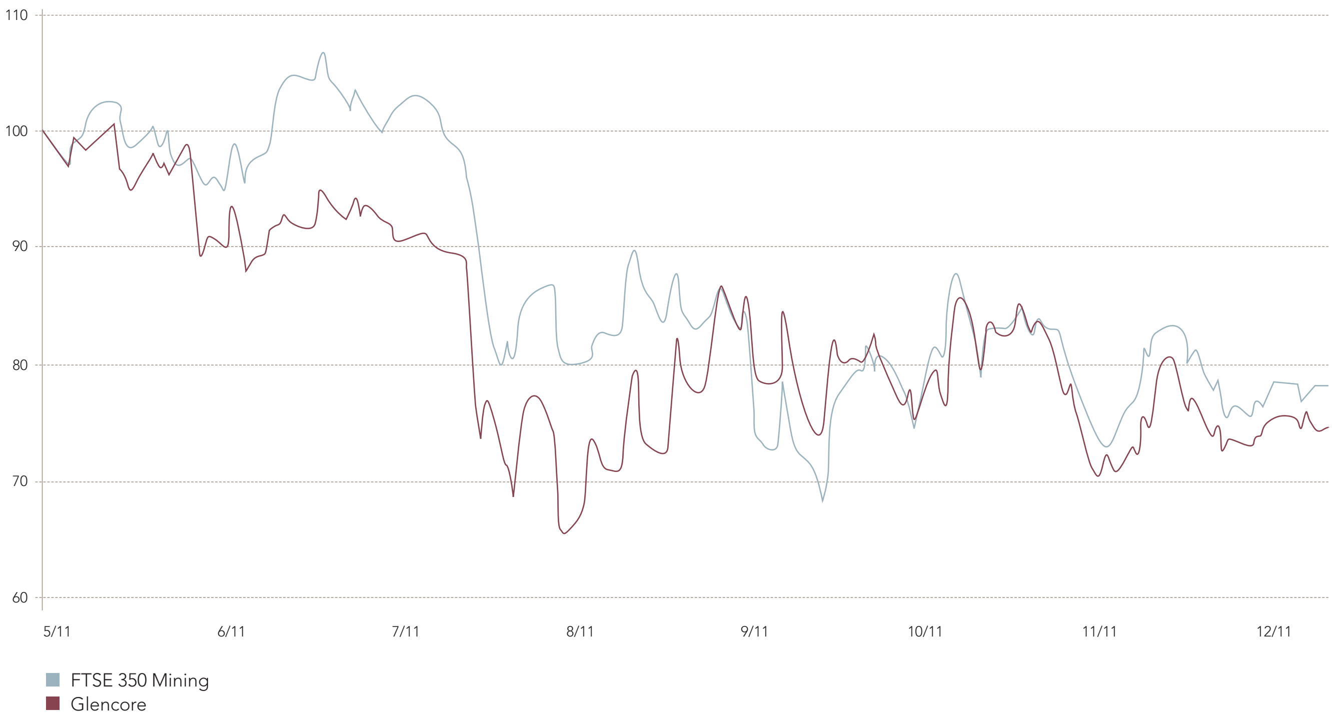
The Executive Directors participate in the Group's defined contribution pension scheme which is operated for all staff at its Baar office. Contributions are paid in CHF and represented amounts equivalent to c.15–19% (contributions are age related) of gross annual salary up to CHF 278,400 for both Executive Directors.

### Other benefits

The Executive Directors benefit from the same insurance arrangements provided to all its Swiss employees being salary loss (long term sickness) and accident insurance cover.

### Total shareholder return relative performance

The graph below shows the company's performance, measured by total shareholder return, compared with the performance of the FTSE Mining Sector index. The Company is a constituent of this index and it has been chosen as it is the widely recognised performance comparison for large UK-listed mining companies. The time line on the graph starts on 24 May 2011, the date of Admission. In drawing up this graph it has been assumed that all dividends paid have been reinvested, which the company believes is a fair method of calculation.



### Executive Directors' Contracts

The table below summarises the key features of the executive directors' service contracts.

| Provision | Service contract terms |
|---|---|
| Notice period | • 12 months notice by either party |
| Contract date | • Employment contracts for the CEO and CFO are dated 28 April 2011 |
| Expiry date | • Rolling service contract |
| Termination payment | • No special arrangements or entitlements on termination |
| Change in control | • In the event of a change of control of the Company, the contracts of the Executive Directors do not provide for any enhanced payments, nor for any liquidated damages |

### External appointments

The Executive Directors each held external appointments (being directorships of non-subsidiary companies) during 2011. These are referred to at the end of their respective biographical summaries on page 81. The Executive Directors assign to the Group any compensation which they receive from such external Board directorships.

### Non-executive directors

Letters of appointment & re-election – all non-executive directors have letters of appointment with the Company for an initial period of three years from their date of appointment, subject to reappointment at each AGM. Each letter is dated 28 April 2011. The Company may terminate each appointment by immediate notice and there are no special arrangements or entitlements on termination.

Policy for determining non-executive directors (NED) fees – the initial remuneration of the NEDs was determined by the Board prior to the IPO within the limits set by the Articles of Association. NEDs are only remunerated through fees. Further details are provided below. In particular, they are not eligible to participate in any of the Company's share incentive schemes or join any Company pension scheme.

Going forward, the Board will review NED remuneration levels periodically to ensure that they remain aligned with those of other major listed companies.

## AUDITED SECTION

### Directors' emoluments

The emoluments for the Directors for the 2011 financial year were:

| GBP thousand | Base salary/fees | Annual bonus | Other benefits [1] | Total | Total US $ thousand [2] |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Ivan Glasenberg | 925 | – | 2 | 927 | 1 487 |
| Steven Kalmin | 700 | 700 | 2 | 1 402 | 2 247 |
| | **1 625** | **700** | **4** | **2 329** | **3 734** |
| **Non-Executive Directors [3]** | | | | | |
| Simon Murray | 456 | – | – | 456 | 731 |
| Peter Coates | 128 | – | – | 128 | 205 |
| Leonhard Fischer | 92 | – | – | 92 | 148 |
| Anthony Hayward | 113 | – | – | 113 | 181 |
| William Macaulay | 90 | – | – | 90 | 144 |
| Li Ning | 65 | – | – | 65 | 104 |
| | **944** | **–** | **–** | **944** | **1 513** |
| **Total** | **2 569** | **700** | **4** | **3 273** | **5 247** |

[1] This constitutes the cost to the Company of the provision of the insurance cover referred to under *Other Benefits* above. These costs have been borne in Swiss Franc and have been converted to UK Pounds Sterling using the exchange rates stated in the Currency table on page 49.
[2] These amounts are paid in a foreign currency and have been converted to U.S. Dollars using the exchange rates stated in the Currency table on page 49.
[3] The fees were payable to the Non-Executive Directors from 14 April 2011 except for Mr. Murray for whom the date was 28 April 2011.

Annual fees are paid in accordance with a Non-Executive Director's role and responsibilities as follows:

| 2011 | GBP thousand | US $ thousand[1] |
|---|---|---|
| **Directors** | | |
| Chairman | 675 | 1 082 |
| Senior Independent Director | 109 | 175 |
| Non-Executive Director | 79 | 127 |
| **Remuneration Committee** | | |
| Chairman | 28 | 45 |
| Member | 15 | 24 |
| **Audit Committee** | | |
| Chairman | 35 | 56 |
| Member | 20 | 32 |
| **Nominations Committee** | | |
| Chairman | 23 | 37 |
| Member | 12 | 19 |
| **HSEC Committee** | | |
| Chairman[2] | 80 | 128 |
| Member | 12 | 19 |

[1] These amounts are set in UK Pounds Sterling and have been converted to U.S. Dollars using the exchange rates stated in the Currency table on page 49.
[2] The fee payable to the chair of the HSEC Committee was increased from the level initially set to reflect the additional workload requested by the Board during the year which is expected to continue for the foreseeable future.

### Aggregate Directors' Remuneration

The total amounts for Directors' remuneration for the 2011 financial year in U.S. Dollars were as follows:

| US $ thousand | |
|---|---|
| Emoluments | 5 247[1] |
| Share incentive gains and payments | – |
| Retirement contributions | 106[1] |

[1] The amounts were paid in UK Pounds Sterling or Swiss Franc as explained above and have been converted to U.S. Dollars using the exchange rates stated in the Currency table on page 49.

## DIRECTORS' SHARE INTERESTS

The Directors who held office at 31 December 2011 have the beneficial interests in the issued share capital of the Company shown on page 98.

## DIRECTORS' PENSION ENTITLEMENTS

Non-Executive Directors have no entitlement in respect of any pension arrangements. The Executive Directors have never been a member of defined benefit schemes provided by the Group and accordingly they have no accrued entitlements under these schemes.

For the Executive Directors the following contributions have been made by the Group in 2011 to the Group's defined contribution pension scheme which it operates for its Swiss based employees:

| 2011 | GBP thousand | US $ thousand |
|---|---|---|
| Ivan Glasenberg | 37[1] | 59 |
| Steven Kalmin | 29[1] | 47 |

[1] These payments have been converted to UK Pounds Sterling using the exchange rates stated in the Currency table on page 49.

### Approval

Approved by the Board of Directors and signed on its behalf by:

William Macaulay
Chairman of the Remuneration Committee

26 March 2012

# 3.5 | Directors' report

### Introduction

This Annual Report is presented by the Directors on the affairs of Glencore International plc (the Company) and its subsidiaries (the Group or Glencore), together with the financial statements and auditors' report, for the year ended 31 December 2011. The Directors' Report including details of the business, the development of the Group and likely future developments as set out in the Overview and Business review section, which together forms the management report for the purposes of the UK Financial Services Authority's Disclosure and Transparency Rule (DTR) 4.1.8R. The notice concerning forward looking statements is set out on page 160. References to the Company may also include references to the Group or part of the Group.

### Corporate structure

Glencore International plc is a public company limited by shares, incorporated in Jersey and domiciled in Baar, Switzerland and its shares are listed on the London and Hong Kong Stock Exchanges.

### Principal activities

Glencore is one of the world's leading integrated producers and marketers of commodities. It has worldwide activities in the production, sourcing, processing, refining, transporting, storage, financing and supply of metals and minerals, energy products and agricultural products.

### Financial results and dividends

The Group's financial results are set out in the financial statements and in the Financial review section of this annual report.

The Board recommends a final dividend of $ 0.10 per share totalling approximately $ 692 million. Including the interim dividend of $ 0.05 per share which has already been paid, this provides for a total dividend for the 2011 financial year of $ 0.15 per share and $ 1,038 million in aggregate. Shareholders will be asked to approve the final dividend at the Annual General Meeting on 9 May 2012, for payment on 1 June 2012 to ordinary shareholders whose names are on the register on 18 May 2012.

### Review of business, future developments and post balance sheet events

A review of the business and the future developments of the Group is presented in the Overview and the Business review.

A full description of acquisitions, disposals, and material changes to Group companies undertaken during the year, including post balance sheet events, is included in the Financial review and in note 22 of the financial statements.

### Financial instruments

Descriptions of the use of financial instruments and Glencore financial risk management objectives and policies, including hedging activities and exposure to price risk, credit risk, liquidity risk and cash flow risk are included in section 1.7 Principal risks and uncertainties and in note 23 of the financial statements.

### Corporate Governance

A report on corporate governance and compliance with the UK Corporate Governance Code is set out on pages 80 to 96 and forms part of this report by reference.

### Creditor payment policy and practice

In view of the international nature of the Group's operations there is no specific Group-wide policy in respect of payments to suppliers. Individual operating entities are responsible for agreeing terms and conditions for their business transactions and ensuring that suppliers are aware of the terms of payment. It is Group policy that payments are made in accordance with those terms, provided that all trading terms and conditions have been met by the supplier.

Glencore International plc is a holding company with no business activity other than the holding of investments in the Group and therefore had no trade creditors at 31 December 2011.

### Health, safety, environment & communities (HSEC)

An overview of health, safety and environmental performance and community participation is provided in section 1.5 Sustainability.

### Exploration and research and development

The Group business units carry out exploration and research and development activities that are necessary to support and expand their operations.

### Political and charitable donations

No political donations were made in 2011. In addition to our large-scale community programmes, Glencore makes donations and provides sponsorship to various causes. Glencore seeks to ensure that charitable contributions and sponsorship should never be used as a substitute for political contributions. Guidance on Glencore's policy towards charitable contributions is set out in the Glencore Corporate Practice programme. For the year ended 31 December 2011, the Company spent a total of $ 123 million (2010: $ 80 million) on both purely philanthropic and community investment initiatives.

### Employee policies and involvement

Glencore operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin, disability or on any other basis. Applications for employment are fully considered on their merits, and employees are given appropriate training and equal opportunities for career development and promotion.

The Group places considerable value on the involvement of its employees which is reflected in the principles of Glencore Corporate Practice and its related guidance, which require regular, open, fair and respectful communication, zero tolerance for human rights violations, fair remuneration and, above all, a safe working environment.

## Directors' conflicts of interest

Under Jersey law and the Company's Articles of Association (which mirror section 175 of the UK Companies Act 2006), a director must avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. The duty is not infringed if the matter has been authorised by the Directors. Under the Articles, the Board has the power to authorise potential or actual conflict situations. The Board maintains effective procedures to enable the Directors to notify the Company of any actual or potential conflict situations and for those situations to be reviewed and, if appropriate, to be authorised by the Board. Directors' conflict situations are reviewed annually. A register of authorisations is maintained.

## Directors' liabilities and indemnities

The Company has granted third party indemnities to each of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Jersey Law. In addition, Directors and Officers of the Company and its subsidiaries are covered by Directors & Officers liability insurance.

## Directors

The names of the Company's Directors who served during the year, together with their biographical details and other information, are shown on pages 81 and 83.

## Directors' interests

Details of interests in the ordinary shares of the Company of those Directors who held office at 31 December 2011 are given below:

| Name of director | Ordinary shares held as at 31 December 2011 | Percentage of issued share capital |
|---|---|---|
| **Executive** | | |
| Ivan Glasenberg | 1 093 418 752 | 15.8% |
| Steven Kalmin | 70 523 154 | 1.0% |
| **Non executive** | | |
| Simon Murray | 0 | 0.0% |
| Peter Coates | 82 700 | 0.0% |
| Leonhard Fischer | 0 | 0.0% |
| Anthony Hayward | 0 | 0.0% |
| William Macaulay [1] | 121 996 976 | 1.79% |
| Li Ning | 62 000 | 0.0% |

[1] Of these shares, 121,996,976 ordinary shares are held by FR Galaxy Holdings S.a.r.l. (FR) (114,247,165 shares) and ECP Galaxy Holdings S.a.r.l. (ECP) (7,749,811 shares) respectively. The Company has been notified that (1) FR is a connected person of William Macaulay and (2) ECP is an affiliate of FR. In addition, FR has an economic interest under swap arrangements in 33,750,000 shares and ECP in 2,250,000 shares (being an aggregate 36,000,000 shares, which is approximately 0.5% of the issued share capital of the Company).

No director has any other interest in the share capital of the Company whether pursuant to any share plan or otherwise.

No changes in directors' interests have occurred between 31 December 2011 and 26 March 2012.

Each of Mr Glasenberg and Mr Kalmin has executed a Lock-Up Deed, pursuant to which they have agreed, subject to certain customary exceptions, that during the period from 24 May 2011 to 24 May 2016 they will not dispose of the ordinary shares held by them at 24 May 2011. The percentage of Executive Director's Ordinary Shares held at 24 May 2011 that is subject to restrictions on disposal decreases on each anniversary date by 20 per cent of the original holding.

## Share capital and shareholder rights

At the date of this report, the ordinary share capital of the Company was $ 69,227,135.11 represented by 6,922,713,511 ordinary shares of $ 0.01 each.

## Major interests in shares

As at 26 March 2012 Glencore had been notified of the following interests representing 3% or more of the issued ordinary share capital of the Company:

| Name of holder | Number of shares | Percentage of issued share capital |
|---|---|---|
| Ivan Glasenberg | 1 093 418 752 | 15.8% |
| Daniel Francisco Maté Badenes | 417 468 330 | 6.0% |
| Aristotelis Mistakidis | 411 730 597 | 5.9% |
| Tor Peterson [1] | 366 074 885 | 5.3% |
| Alex Beard | 320 260 410 | 4.6% |

[1] Within the meaning of Chapter 5 of the UK Disclosure and Transparency Rules, Tor Peterson is an indirect holder of 109,178,079 Ordinary Shares held by Cititrust (Switzerland) Limited pursuant to a fiduciary arrangement established for his benefit. This indirect holding of Ordinary Shares is included in the above table.

## Share capital

The rights attaching to the Company's ordinary shares, being the only share class of the Company, are set out in the Company's Articles of Association (Articles), which can be found at www.glencore.com. Subject to Jersey law, any share may be issued with or have attached to it such preferred, deferred or other special rights and restrictions as the Company may by special resolution decide or, if no such resolution is in effect, or so far as the resolution does not make specific provision, as the Board may decide. No such resolution is currently in effect. Subject to the recommendation of the Board, holders of ordinary shares may receive a dividend. On liquidation, holders of ordinary shares may share in the assets of the Company. Holders of ordinary shares are also entitled to receive the Company's Annual Report and Accounts (or a summarised version) and, subject to certain thresholds being met, may requisition the Board to convene a general meeting (GM) or the proposal of resolutions at AGMs. None of the ordinary shares carry any special rights with regard to control of the Company.

Holders of ordinary shares are entitled to attend and speak at GMs of the Company and to appoint one or more proxies or, if the holder of shares is a corporation, a corporate representative. On a show of hands, each holder of ordinary shares who (being an individual) is present in person or (being a corporation) is present by a duly appointed corporate representative, not being himself a member, shall have one vote and on a poll, every holder of ordinary shares present in person or by proxy shall have one vote for every share of which he is the holder. Electronic and paper proxy appointments and voting instructions must be received not later than 48 hours before a GM. A holder of ordinary shares can lose the entitlement to vote at GMs where that holder has been served with a disclosure notice and has failed to provide the Company with information concerning interests held in those shares. Except as (1) set out above and (2) permitted under applicable statutes, there are no limitations on voting rights of holders of a given percentage, number of votes or deadlines for exercising voting rights.

The Directors may refuse to register a transfer of a certificated share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis or where the Company has a lien over that share. The Directors may also refuse to register a transfer of a certificated share unless the instrument of transfer is: (i) lodged, duly stamped (if necessary), at the registered office of the Company or any other place as the Board may decide accompanied by the certificate for the share(s) to be transferred and/or such other evidence as the Directors may reasonably require as proof of title; or (ii) in respect of only one class of shares.

Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

The Directors may decide to suspend the registration of transfers, for up to 30 days a year, by closing the register of shareholders. The Directors cannot suspend the registration of transfers of any uncertificated shares without obtaining consent from CREST.

There are no other restrictions on the transfer of ordinary shares in the Company except: (1) certain restrictions may from time to time be imposed by laws and regulations (for example insider trading laws); (2) pursuant to the Company's share dealing code whereby the Directors and certain employees of the Company require approval to deal in the Company's shares; and (3) where a shareholder with at least a 0.25% interest in the Company's issued share capital has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares. There are no agreements between holders of ordinary shares that are known to the Company which may result in restrictions on the transfer of securities or on voting rights.

The rules for appointment and replacement of the Directors are set out in the Articles. Directors can be appointed by the Company by ordinary resolution at a GM or by the Board upon the recommendation of the Nomination Committee. The Company can remove a director from office, including by passing an ordinary resolution or by notice being given by all the other Directors.

The powers of the Directors are set out in the Articles and provide that the Board may exercise all the powers of the Company including to borrow money. The Company may by ordinary resolution authorise the Board to issue shares, and increase, consolidate, sub-divide and cancel shares in accordance with its Articles and Jersey law.

The Company may amend its Articles by special resolution approved at a GM.

### Purchase of Own Shares

At the end of the year, the Directors had authority, under a shareholders' resolution passed on 3 May 2011, to purchase through the market up to 10% of the Company's issued ordinary shares immediately following the IPO. This authority expires at the conclusion of the AGM of the Company to be held in 2012.

### Going concern

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the Overview and the Business review sections. Furthermore, note 23 of the consolidated financial statements includes the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit and liquidity risk.

In May 2011, the Company's shares were admitted to trading on the London and Hong Kong Stock Exchanges. Concurrently with this admission process, the Company implemented an offer for subscription of new ordinary shares. Pursuant to this offer, 922,713,511 ordinary shares were issued, representing 16.94% of the Group's post admission issued share capital raising proceeds of c. $ 7,291 million net of expenses. Other significant financing activities that took place during the year are detailed in the Business review section. As a consequence, the Directors believe that the Group is well placed to manage its business despite the current highly uncertain economic environment.

The Directors believe, having made appropriate enquiries, that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The Directors have made this assessment after consideration of the Company's budgeted cash flows and related assumptions, undrawn debt facilities, debt maturity review, analysis of debt covenants, and in accordance with Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009 published by the UK Financial Reporting Council.

## AUDITORS

Each of the persons who is a Director at the date of approval of this annual report confirms that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/ herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and International Financial Reporting Standards as adopted for use in the European Union, together (IFRS). The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991. International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'.

In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the board:

John Burton
Company Secretary
26 March 2012

# FINANCIAL STATEMENTS

## 4 | Financial Statements

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards and interpretations as adopted by the European Union, International Financial Reporting Standards and interpretations as issued by the International Accounting Standards Board and the Companies (Jersey) Law 1991, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated in the Overview and Business review sections, includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

| | |
|---|---|
| Ivan Glasenberg | Steven Kalmin |
| Chief Executive Officer | Chief Financial officer |

26 March 2012

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLENCORE INTERNATIONAL PLC

We have audited the group financial statements (the "financial statements") of Glencore International plc for the year ended 31 December 2011 which comprise the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by European Union.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:
- give a true and fair view of the state of the group's affairs as at 31 December 2011 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by European Union;
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

## Separate opinion in relation to IFRS as issued by the IASB

As explained in the accounting policies to the financial statements, the Group, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:
- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

## Other matters

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the UK Companies Act 2006 as if that Act had applied to the company.

We have reviewed the directors' statement, contained within the Directors' Report, in relation to going concern as if the company had been incorporated in the UK and have nothing to report to you in that respect.

David Quinlin
for and on behalf of Deloitte LLP
Chartered Accountants and Recognized Auditor
London, UK

26 March 2012

## CONSOLIDATED STATEMENT OF INCOME
## FOR THE YEARS ENDED 31 DECEMBER

| US $ million | Notes | 2011 | 2010 |
|---|---|---|---|
| Revenue | | 186 152 | 144 978 |
| Cost of goods sold | | – 181 938 | – 140 467 |
| Selling and administrative expenses | | – 857 | – 1 063 |
| Share of income from associates and jointly controlled entities | | 1 972 | 1 829 |
| Gain/(loss) on sale of investments | | 9 | – 6 |
| Other expense – net | 3 | – 511 | – 8 |
| Dividend income | | 24 | 13 |
| Interest income | | 339 | 281 |
| Interest expense | | – 1 186 | – 1 217 |
| **Income before income taxes and attribution** | | **4 004** | **4 340** |
| Income tax credit/(expense) | 4 | 264 | – 234 |
| **Income before attribution** | | **4 268** | **4 106** |
| | | | |
| Attribution to hybrid profit participation shareholders | 13 | 0 | – 367 |
| Attribution to ordinary profit participation shareholders | 13 | 0 | – 2 093 |
| | | | |
| **Income for the year** | | **4 268** | **1 646** |
| | | | |
| **Attributable to:** | | | |
| Non controlling interests | | 220 | 355 |
| Equity holders | | 4 048 | 1 291 |
| | | | |
| **Earnings per share** | | | |
| Basic (US $) | 14 | 0.72 | 0.35 |
| Diluted (US $) | 14 | 0.69 | 0.35 |

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER

| US $ million | Notes | 2011 | 2010 |
|---|---|---|---|
| Income for the year | | 4 268 | 1 646 |
| Exchange (loss)/gain on translation of foreign operations | | – 59 | 26 |
| Loss on cash flow hedges | | – 15 | – 182 |
| (Loss)/gain on available for sale financial instruments | 7 | – 1 206 | 25 |
| Share of other comprehensive loss from associates and jointly controlled entities | | – 25 | – 43 |
| Income tax relating to components of other comprehensive income | | – 2 | 2 |
| **Net loss recognised directly in equity** | | **– 1 307** | **– 172** |
| Cash flow hedges transferred to the statement of income, net of tax | | 6 | 6 |
| **Other comprehensive loss** | | **– 1 301** | **– 166** |
| **Total comprehensive income** | | **2 967** | **1 480** |
| **Attributable to:** | | | |
| Non controlling interests | | 214 | 373 |
| Equity holders | | 2 753 | 1 107 |

The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

| US $ million | Notes | 2011 | 2010 |
|---|---|---|---|
| **Assets** | | | |
| **Non current assets** | | | |
| Property, plant and equipment | 5 | 14 639 | 12 088 |
| Intangible assets | 6 | 210 | 0 |
| Investments in associates and jointly controlled entities | 7 | 18 858 | 16 766 |
| Other investments | 7 | 1 547 | 2 438 |
| Advances and loans | 8 | 4 141 | 3 830 |
| Deferred tax assets | 4 | 1 039 | 369 |
| | | **40 434** | **35 491** |
| **Current assets** | | | |
| Inventories | 9 | 17 129 | 17 393 |
| Accounts receivable | 10 | 21 895 | 18 994 |
| Other financial assets | 24 | 5 065 | 5 982 |
| Prepaid expenses and other assets | | 297 | 118 |
| Marketable securities | | 40 | 66 |
| Cash and cash equivalents | 11 | 1 305 | 1 463 |
| | | **45 731** | **44 016** |
| Assets held for sale | 12 | 0 | 280 |
| | | **45 731** | **44 296** |
| **Total assets** | | **86 165** | **79 787** |
| **Equity and liabilities** | | | |
| **Capital and reserves – attributable to equity holders** | | | |
| Share capital | 13 | 69 | 37 |
| Reserves and retained earnings | | 29 196 | 5 387 |
| | | **29 265** | **5 424** |
| Non controlling interests | | 3 070 | 2 894 |
| | | **32 335** | **8 318** |
| Hybrid profit participation shareholders | 13 | 0 | 1 823 |
| Ordinary profit participation shareholders | 13 | 0 | 12 366 |
| **Total net assets attributable to profit participation shareholders, non controlling interests and equity holders** | | **32 335** | **22 507** |
| **Other non current liabilities** | | | |
| Borrowings | 17 | 19 844 | 18 251 |
| Deferred income | 18 | 158 | 164 |
| Deferred tax liabilities | 4 | 1 399 | 1 308 |
| Provisions | 19 | 953 | 719 |
| | | **22 354** | **20 442** |
| **Current liabilities** | | | |
| Borrowings | 17 | 8 185 | 11 881 |
| Commodities sold with agreements to repurchase | 9 | 39 | 484 |
| Accounts payable | 21 | 18 160 | 15 973 |
| Provisions | 19 | 98 | 172 |
| Other financial liabilities | 24 | 4 804 | 8 066 |
| Income tax payable | | 190 | 217 |
| | | **31 476** | **36 793** |
| Liabilities held for sale | 12 | 0 | 45 |
| | | **31 476** | **36 838** |
| **Total equity and liabilities** | | **86 165** | **79 787** |

The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

| US $ million | Notes | 2011 | 2010 |
|---|---|---|---|
| **Operating activities** | | | |
| Income before income taxes and attribution | | 4 004 | 4 340 |
| **Adjustments for:** | | | |
| Depreciation and amortisation | | 1 066 | 1 026 |
| Share of income from associates and jointly controlled entities | | – 1 972 | – 1 829 |
| Increase in non current provisions | | 1 | 11 |
| (Gain)/loss on sale of investments – net | | – 9 | 6 |
| Unrealised mark to market movements on other investments | | 92 | 178 |
| Impairments and other non cash items – net | | 72 | – 434 |
| Interest expense – net | | 847 | 936 |
| **Cash generated by operating activities before working capital changes** | | **4 101** | **4 234** |
| **Working capital changes** | | | |
| Increase in accounts receivable[1] | | – 1 797 | – 4 142 |
| Decrease/(increase) in inventories | | 239 | – 1 724 |
| (Decrease)/increase in accounts payable[2] | | – 1 616 | 2 868 |
| **Total working capital changes** | | **– 3 174** | **– 2 998** |
| Income tax paid | | – 472 | – 323 |
| Interest received | | 121 | 229 |
| Interest paid | | – 919 | – 1 031 |
| **Net cash (used)/generated by operating activities** | | **– 343** | **111** |
| **Investing activities** | | | |
| Payments of non current advances and loans | | – 320 | – 825 |
| Acquisition of subsidiaries, net of cash acquired | 22 | – 350 | – 624 |
| Disposal of subsidiaries | | 4 | 0 |
| Purchase of investments | | – 919 | – 191 |
| Xstrata rights issue settlement via exercise of Prodeco call option | 3 | 0 | – 2 000 |
| Proceeds from sale of investments | | 155 | 131 |
| Purchase of property, plant and equipment | | – 2 606 | – 1 657 |
| Payments for exploration and evaluation | | – 204 | – 233 |
| Proceeds from sale of property, plant and equipment | | 184 | 420 |
| Dividends received from associates | | 366 | 224 |
| **Net cash (used) by investing activities** | | **– 3 690** | **– 4 755** |
| **Financing activities** | | | |
| Share issuance, net of issue costs | 13 | 7 616 | 0 |
| Proceeds from issuance of Swiss Franc and Euro bonds | | 237 | 2 317 |
| (Repayment of)/proceeds from Perpetual bonds | | – 681 | 327 |
| Repayment of Euro bonds | | – 700 | 0 |
| Proceeds from Convertible bonds | | 0 | 283 |
| Proceeds from other non current borrowings | | 221 | 776 |
| Repayment of other non current borrowings | | – 169 | – 413 |
| Proceeds from Xstrata secured bank loans | | 384 | 0 |
| (Repayment of)/net proceeds from current borrowings | | – 1 493 | 2 945 |
| Acquisition of additional interest in subsidiaries | | – 315 | – 75 |
| Payment of profit participation certificates | | – 861 | – 883 |
| Dividend paid to non controlling interests | | – 18 | – 28 |
| Dividend paid to equity holders of the parent | 15 | – 346 | – 2 |
| **Net cash generated by financing activities** | | **3 875** | **5 247** |
| (Decrease)/increase in cash and cash equivalents | | – 158 | 603 |
| Cash and cash equivalents, beginning of year | | 1 463 | 860 |
| **Cash and cash equivalents, end of year** | | **1 305** | **1 463** |

[1] Includes movements in other financial assets, prepaid expenses, other assets and other non cash current assets.
[2] Includes movements in other financial liabilities and current provisions.

The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEARS ENDED 31 DECEMBER

| US $ million | Retained earnings | Share premium[1] | Other reserves[1] | Total reserves and retained earnings | Share capital | Total equity attribut-able to equity holders | Non control-ling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2010** | **4 413** | **0** | **– 18** | **4 395** | **46** | **4 441** | **1 258** | **5 699** |
| Class B shares redeemed pursuant to the Restructuring[1] | 0 | 0 | 0 | 0 | – 46 | – 46 | 0 | – 46 |
| Ordinary shares issued pursuant to the Restructuring[1] | 0 | 0 | 9 | 9 | 37 | 46 | 0 | 46 |
| **At 1 January 2010 (restated)** | **4 413** | **0** | **– 9** | **4 404** | **37** | **4 441** | **1 258** | **5 699** |
| Income for the year | 1 291 | 0 | 0 | 1 291 | 0 | 1 291 | 355 | 1 646 |
| Other comprehensive (loss)/income | – 43 | 0 | – 141 | – 184 | 0 | – 184 | 18 | – 166 |
| Dividends paid[2] | – 2 | 0 | 0 | – 2 | 0 | – 2 | 0 | – 2 |
| Return of capital to non controlling interests | 0 | 0 | 0 | 0 | 0 | 0 | – 28 | – 28 |
| Change in ownership interest in subsidiaries | 0 | 0 | – 134 | – 134 | 0 | – 134 | 59 | – 75 |
| Acquisition of subsidiaries | 0 | 0 | 0 | 0 | 0 | 0 | 1 232 | 1 232 |
| Equity portion of Convertible bonds | 0 | 0 | 12 | 12 | 0 | 12 | 0 | 12 |
| **At 31 December 2010 (restated)** | **5 659** | **0** | **– 272** | **5 387** | **37** | **5 424** | **2 894** | **8 318** |
| | | | | | | | | |
| **At 1 January 2011** | **5 659** | **0** | **– 272** | **5 387** | **37** | **5 424** | **2 894** | **8 318** |
| Income for the year | 4 048 | 0 | 0 | 4 048 | 0 | 4 048 | 220 | 4 268 |
| Other comprehensive loss | – 25 | 0 | – 1 270 | – 1 295 | 0 | – 1 295 | – 6 | – 1 301 |
| Conversion of HPPS and PPS profit participation plans[1] | 0 | 13 821 | 0 | 13 821 | 16 | 13 837 | 0 | 13 837 |
| Conversion of LTS and LTPPS profit participation plans[1] | – 5 701 | 5 694 | 0 | – 7 | 7 | 0 | 0 | 0 |
| Issue of share capital[1] | 0 | 7 607 | 0 | 7 607 | 9 | 7 616 | 0 | 7 616 |
| Tax on Listing related expenses[3] | 0 | 21 | 0 | 21 | 0 | 21 | 0 | 21 |
| Equity settled share-based payments[4] | 58 | 0 | 0 | 58 | 0 | 58 | 0 | 58 |
| Change in ownership interest in subsidiaries | 0 | 0 | – 98 | – 98 | 0 | – 98 | – 235 | – 333 |
| Acquisition of subsidiaries | 0 | 0 | 0 | 0 | 0 | 0 | 215 | 215 |
| Dividends paid[2] | 0 | – 346 | 0 | – 346 | 0 | – 346 | – 18 | – 364 |
| **At 31 December 2011** | **4 039** | **26 797** | **– 1 640** | **29 196** | **69** | **29 265** | **3 070** | **32 335** |

[1] See note 13.
[2] See note 15.
[3] See note 4.
[4] See note 16.

The accompanying notes are an integral part of these consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

### Corporate information

The Glencore Group (Glencore) is a leading integrated marketer and producer of natural resources, with worldwide activities in the marketing of metals and minerals, energy products and agricultural products and the production, refinement, processing, storage and transport of these products. Glencore operates on a global scale, marketing and distributing physical commodities sourced from third party producers and own production to industrial consumers, such as those in the automotive, steel, power generation, oil and food processing industries. Glencore also provides financing, logistics and other services to producers and consumers of commodities. Glencore's long experience as a commodity merchant has allowed it to develop and build upon its expertise in the commodities which it markets and cultivate long-term relationships with a broad supplier and customer base across diverse industries and in multiple geographic regions. Glencore's marketing activities are supported by investments in industrial assets operating in Glencore's core commodities.

These consolidated financial statements were authorised for issue in accordance with a Directors' resolution on 26 March 2012.

### Listing/Restructuring of the Group

On 24 May 2011, Glencore International plc (the "Company") was admitted to the Official List of the UK Listing Authority and commenced trading on the London Stock Exchange's premium listed market and on the Hong Kong Stock Exchange on 25 May 2011 via a secondary listing (the "Listing"). The Company is incorporated in Jersey, domiciled in Switzerland, and is the new ultimate parent company of Glencore and owner of 100% of the issued share capital of Glencore International AG, following a restructuring of the ownership interests in Glencore International AG immediately prior to admission (the "Restructuring") (see note 13). The Company's registered office is at Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES.

Although this consolidated financial information has been released in the name of the parent, Glencore International plc, it represents in-substance continuation of the existing Group, headed by Glencore International AG and the following accounting treatment has been applied to account for the Restructuring:

- the consolidated assets and liabilities of the subsidiary Glencore International AG were recognised and measured at the pre-Restructuring carrying amounts, without restatement to fair value;
- the retained earnings and other equity balances recognised in the consolidated statement of financial position reflect the consolidated retained earnings and other equity balances of Glencore International AG, as at 24 May 2011, immediately prior to the Restructuring, and the results of the period from 1 January 2011 to 24 May 2011, the date of the Restructuring, are those of Glencore International AG as the Company was not active prior to the Restructuring. Subsequent to the Restructuring, the equity structure reflects the applicable movements in equity of Glencore International plc, including the equity instruments issued to effect the Restructuring and the Listing; and
- comparative numbers presented in the consolidated financial statements are those reported in the consolidated financial statements of Glencore International AG, for the year ended 31 December 2010, except for the presentation of the share capital, other reserves and per share amounts, which have been restated to reflect the change in the nominal value of the ordinary shares resulting from the Restructuring as if Glencore International plc had been the parent company during such periods.

### Statement of compliance

The accounting policies adopted are in accordance with:
- International Financial Reporting Standards (IFRS) and interpretations as adopted by the European Union (EU) effective as of 31 December 2011; and
- IFRS and interpretations as issued by the International Accounting Standards Board (IASB) effective as of 31 December 2011.

### Basis of preparation

The financial statements are prepared under the historical cost convention except for the revaluation to fair value of certain financial assets, liabilities and marketing inventories and have been prepared on a going concern basis. The Directors have made this assessment after consideration of the Group's budgeted cash flows and related assumptions, including appropriate stress testing thereof, key risks and uncertainties, undrawn debt facilities and debt maturity review and in accordance with the Going Concern and Liquidity Guidance for Directors of UK Companies 2009 published by the Financial Reporting Council. Further information on Glencore's business activities, cash flows, liquidity and performance are set out in the Business review and its objectives, policies and processes for managing its capital and financial risks are detailed in note 23.

All amounts are expressed in millions of United States Dollars, unless otherwise stated, consistent with the predominant functional currency of Glencore's operations.

In accordance with Article 105(11) of the Companies (Jersey) Law 1991, the parent company is not required to present separate financial statements as consolidated statements have been presented.

### Changes in accounting policies and comparability

The following amendments to the existing standards and interpretations were adopted as of 1 January 2011:

- IAS 24 – Related Party disclosures;
- IFRIC 14 – Prepayments of a minimum funding requirement (amendment);
- IFRIC 19 – Extinguishing financial liabilities with equity instruments.

The adoption of these new and revised standards and interpretations did not have a material impact on the recognition, measurement or disclosure of reported amounts.

In addition, Glencore adopted IFRS 2 – Share-based Payment which details the accounting and disclosure requirements with respect to the phantom equity award plan (see note 16) established concurrent with the Listing and IAS 38 – Intangible Assets with respect to the acquisition of the Pacorini Group and other business combinations completed during the year and the recognition and accounting for goodwill and other intangible assets (see notes 22 and 6).

At the date of authorisation of these financial statements, the following standards and interpretations applicable to Glencore were issued but not yet effective:

- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 19 – Employee Benefits (2011)
- IAS 27 – Separate Financial Statements (2011)
- IAS 28 – Investments in Associates and Joint Ventures (2011)
- Amendments to IFRS 7 – Financial Instruments: Disclosures
- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income
- Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

The Directors are currently evaluating the impact these new standards and interpretations will have on the financial statements of Glencore.

### Principles of consolidation

The consolidated financial statements of Glencore include the accounts of the Company and its subsidiaries. A subsidiary is an entity that is ultimately controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is usually assumed where Glencore ultimately owns or controls more than 50% of the voting rights, unless evidence exists to the contrary. The results of subsidiaries acquired or disposed of during the year are consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intercompany balances, transactions and unrealised profits are eliminated.

Non controlling interests in subsidiaries are identified separately from Glencore's equity and are initially measured either at fair value or at the non controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non controlling interests is the amount of those interests at initial recognition plus the non controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non controlling interests even if this results in the non controlling interests having a deficit balance.

Changes in Glencore's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions with any difference between the amount by which the non controlling interests are adjusted and the fair value of the consideration paid or received being recognised directly in equity and attributed to equity holders of Glencore.

### Investments in associates, jointly controlled entities and joint venture operations

Associates and jointly controlled entities (together Associates) in which Glencore exercises significant influence or joint control are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. Significant influence is presumed if Glencore holds between 20% and 50% of the voting rights, unless evidence exists to the contrary. Joint control is the contractually agreed sharing of control over an economic entity where strategic and/or key operating decisions require unanimous decision making.

Equity accounting involves Glencore recording its share of the Associate's net income and equity. Glencore's interest in an Associate is initially recorded at cost and is subsequently adjusted for Glencore's share of changes in net assets of the Associate, less any impairment in the value of individual investments. Where Glencore transacts with an Associate, unrealised profits and losses are eliminated to the extent of Glencore's interest in that Associate.

Changes in Glencore's interests in Associates are accounted for as a gain or loss on disposal with any difference between the amount by which the carrying value of the Associate is adjusted and the fair value of the consideration received being recognised directly in the statement of income.

Where Glencore undertakes activities under joint venture operation or asset arrangements, Glencore reports such interests using the proportionate consolidation method. Glencore's share of the assets, liabilities, income, expenses and cash flows of jointly controlled operations or asset arrangements are consolidated with the equivalent items in the consolidated financial statements on a line by line basis.

### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting, whereby the identifiable assets, liabilities and contingent liabilities (identifiable net assets) are measured on the basis of fair value at the date of acquisition. Acquisition related costs are recognised in the statement of income as incurred.

Where a business combination is achieved in stages, Glencore's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date Glencore attains control) and the resulting gain or loss, if any, is recognised in the statement of income.

Where the fair value of consideration transferred for a business combination exceeds the fair values attributable to Glencore's share of the identifiable net assets, the difference is treated as purchased goodwill, which is not amortised but is reviewed annually for impairment and when there is an indication of impairment. Any impairment identified is immediately recognised in the statement of income. If the fair value attributable to Glencore's share of the identifiable net assets exceeds the consideration transferred, the difference is immediately recognised in the statement of income.

Similar procedures are applied in accounting for the purchases of interests in Associates. Any goodwill arising from such purchases is included within the carrying amount of the investment in Associates, but not amortised thereafter. Any excess of Glencore's share of the net fair value of the Associate's identifiable net assets over the cost of the investment is included in the statement of income in the period of the purchase.

The main operating and finance subsidiaries and investments of Glencore are listed in note 30.

### Non current assets held for sale and disposal groups

Non current assets and assets and liabilities included in disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, they are available for immediate disposal and the sale is highly probable. Non current assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

### Revenue recognition

Revenue is recognised when the seller has transferred to the buyer all significant risks and rewards of ownership of the assets sold. Revenue excludes any applicable sales taxes and is recognised at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to Glencore and the revenues and costs can be reliably measured. In most instances sales revenue is recognised when the product is delivered to the destination specified by the customer, which is typically the vessel on which it is shipped, the destination port or the customer's premises.

For certain commodities, the sales price is determined on a provisional basis at the date of sale as the final selling price is subject to movements in market prices up to the date of final pricing, normally ranging from 30 to 90 days after initial booking. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Interest and dividend income is recognised when the right to receive payment has been established, it is probable that the economic benefits will flow to Glencore and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

### Foreign currency translation

Glencore's reporting currency and the functional currency of the majority of its operations is the U.S. Dollar as this is assessed to be the principal currency of the economic environment in which they operate.

#### *Foreign currency transactions*

Transactions in foreign currencies are converted into the functional currency of each entity using the exchange rate prevailing at the transaction date. Monetary assets and liabilities outstanding at year end are converted at year end rates. The resulting exchange differences are recorded in the consolidated statement of income.

#### *Translation of financial statements*

For the purposes of consolidation, assets and liabilities of group companies whose functional currency is in a currency other than the U.S. Dollar are translated into U.S. Dollars using year end exchange rates, while their statements of income are translated using average rates of exchange for the year. Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate. Translation adjustments are included as a separate component of shareholders' equity and have no statement of income impact to the extent that no disposal of the foreign operation has occurred.

### Repurchase agreements

Glencore enters into repurchase transactions where it sells certain marketing inventories, but retains all or a significant portion of the risks and rewards relating to the transferred inventory. Repurchase transactions are treated as collateralised borrowings, whereby the inventories are not derecognised from the statement of financial position and the cash received is recorded as a corresponding obligation within the statement of financial position as "commodities sold with agreements to repurchase" or, if the repurchase obligation is optional, within "trade advances from buyers".

### Borrowing costs

Borrowing costs are expensed as incurred except where they relate to the financing of construction or development of qualifying assets in which case they are capitalised up to the date when the qualifying asset is ready for its intended use.

### Retirement benefits

Glencore operates various pension schemes in accordance with local requirements and practices of the respective countries. The annual costs for defined contribution plans that are funded by payments to separate trustee administered funds or insurance companies equal the contributions that are required under the plans and are accounted for as an expense. Glencore uses the projected unit credit actuarial method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

Actuarial gains and losses are accounted for using the corridor method. Under this method, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that excess is recognised in income over the expected average remaining working lives of the employees participating in the plan. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

### Share-based payments

*Equity-settled share-based payments*

Equity-settled share-based payments are measured at the fair value of the awards based on the market value of the shares at the grant date. Fair value excludes the effect of non market-based vesting conditions. The fair value is charged to the statement of income and credited to retained earnings on a straight-line basis over the period the estimated number of awards are expected to vest.

At each balance sheet date, Glencore revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained earnings.

*Cash-settled share-based payments*

For cash-settled share-based payments, a liability is initially recognised at fair value based on the estimated number of awards that are expected to vest, adjusting for market and non market based performance conditions. Subsequently, at each reporting period until the liability is settled, the liability is remeasured to fair value with any changes in fair value recognised in the statement of income.

### Income taxes

Income taxes consist of current and deferred income taxes. Current taxes represent income taxes expected to be payable based on enacted or substantively enacted tax rates at the period end and expected current taxable income, and any adjustment to tax payable in respect of previous years. Deferred taxes are recognised for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, using enacted or substantively enacted income tax rates which will be effective at the time of reversal of the underlying temporary difference. Deferred tax assets and unused tax losses are only recognised to the extent that their recoverability is probable. Deferred tax assets are reviewed at reporting period end and amended to the extent that it is no longer probable that the related benefit will be realised. To the extent that a deferred tax asset not previously recognised fulfils the criteria for recognition, an asset is recognised.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same authority and Glencore has both the right and the intention to settle its current tax assets and liabilities on a net or simultaneous basis. The tax effect of certain temporary differences is not recognised principally with respect to the initial recognition of an asset or liability (other than those arising in a business combination or in a manner that initially impacted accounting or taxable profit) and temporary differences relating to investments in subsidiaries and associates to the extent that Glencore can control the timing of the reversal of the temporary difference and it is probable the temporary difference will not reverse in the foreseeable future. Deferred tax is provided in respect of fair value adjustments on acquisitions. These adjustments may relate to assets such as extraction rights that, in general, are not eligible for income tax allowances.

Royalties, extraction taxes and other levies/taxes are treated as taxation arrangements when they have the characteristics of an income tax including being imposed and determined in accordance with regulations established by the respective government's taxation authority.

Current and deferred tax are recognised as an expense or income in the statement of income, except when they relate to items that are recognised outside the statement of income (whether in other comprehensive income or directly in equity) or where they arise from the initial accounting for a business combination.

### Exploration and evaluation expenditure

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral and petroleum resources and includes costs such as researching and analysing historical exploration data, exploratory drilling, trenching, sampling and the costs of pre-feasibility studies. Exploration and evaluation expenditure for each area of interest, other than that acquired from the purchase of another company, is charged to the statement of income as incurred except when the expenditure will be recouped from future exploitation or sale of the area of interest and it is planned to continue with active and significant operations in relation to the area, or at the reporting period end, the activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves, in which case the expenditure is capitalised. Purchased exploration and evaluation assets are recognised at their fair value at acquisition.

Capitalised exploration and evaluation expenditure is recorded as a component of mineral and petroleum rights in property, plant and equipment.

All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, an assessment is performed for each area of interest or at the cash generating unit level. To the extent that capitalised expenditure is not expected to be recovered it is charged to the statement of income.

### Development expenditure

When commercially recoverable reserves are determined and such development receives the appropriate approvals, capitalised exploration and evaluation expenditure is transferred to construction in progress. Upon completion of development and commencement of production, capitalised development costs are transferred as required to either mineral and petroleum rights or deferred mining costs and depreciated using the unit of production method (UOP).

### Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are stated at cost, being the fair value of the consideration given to acquire or construct the asset, including directly attributable costs required to bring the asset to the location or to a condition necessary for operation and the direct cost of dismantling and removing the asset, less accumulated depreciation and any accumulated impairment losses. Intangible assets include goodwill, future warehousing fees and trademarks.

Property, plant and equipment and intangible assets are depreciated to their estimated residual value over the estimated useful life of the specific asset concerned, or the estimated remaining life of the associated mine, field or lease. Depreciation commences when the asset is available for use. Identifiable intangible assets with the finite life are amortised on a straight-line basis over their expected useful life. Goodwill is not depreciated.

The major categories of property, plant and equipment are depreciated on a UOP and/or straight-line basis as follows:

| | |
|---|---|
| Buildings | 10–45 years |
| Land | not depreciated |
| Plant and equipment | 3–30 years/UOP |
| Mineral rights and development costs | UOP |
| Deferred mining costs | UOP |

Assets under finance leases, where substantially all the risks and rewards of ownership transfer to the Group as lessee, are capitalised and amortised over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. All other leases are classified as operating leases, the expenditures for which, are charged against income over the accounting periods covered by the lease term.

### Deferred stripping costs

Stripping costs incurred in the development of a mine (or pit) before production commences are capitalised as part of the cost of constructing the mine (or pit) and subsequently amortised over the life of the mine (or pit) on a unit of production basis. Production stripping costs are deferred when the actual stripping ratio incurred significantly exceeds the expected long term average stripping ratio and are subsequently amortised when the actual stripping ratio falls below the long term average stripping ratio. Where the ore is expected to be evenly distributed, waste removal is expensed as incurred.

### Mineral and petroleum rights

Mineral and petroleum reserves, resources and rights (together Mineral Rights) which can be reasonably valued, are recognised in the assessment of fair values on acquisition. Mineral Rights for which values cannot be reasonably determined are not recognised. Exploitable Mineral Rights are amortised using the UOP over the commercially recoverable reserves and, in certain circumstances, other mineral resources. Mineral resources are included in amortisation calculations where there is a high degree of confidence that they will be extracted in an economic manner.

### Restoration, rehabilitation and decommissioning

Restoration, rehabilitation and decommissioning costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the time such an obligation arises. The costs are charged to the statement of income over the life of the operation through depreciation of the asset and the unwinding of the discount on the provision.

Costs for restoration of subsequent site disturbance, which is created on an ongoing basis during production, are provided for at their net present values and charged to the statement of income as extraction progresses.

### Other investments

Equity investments, other than investments in Associates, are recorded at fair value unless such fair value is not reliably determinable in which case they are carried at cost. Changes in fair value are recorded in the statement of income unless they are classified as available for sale, in which case fair value movements are recognised in other comprehensive income and are subsequently recognised in the statement of income when realised by sale or redemption, or when a reduction in fair value is judged to be a significant or prolonged decline.

### Impairment

Glencore conducts at least annually an internal review of asset values which is used as a source of information to assess for any indications of impairment. Formal impairment tests are carried out at least annually for cash generating units containing goodwill and for all other non current assets when events or changes in circumstances indicate the carrying value may not be recoverable.

A formal impairment test involves determining whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less costs to sell and its value in use. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level.

If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded in the income statement to reflect the asset at the lower amount.

An impairment loss is reversed in the statement of income if there is a change in the estimates used to determine the recoverable amount since the prior impairment loss was recognised. The carrying amount is increased to the recoverable amount but not beyond the carrying amount net of depreciation or amortisation which would have arisen if the prior impairment loss had not been recognised. Goodwill impairments and impairments of available for sale equity investments are not subsequently reversed.

### Provisions

Provisions are recognised when Glencore has a present obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits that can be reliably estimated will be required to settle the liability.

### Inventories

The majority of marketing inventories are valued at fair value less costs to sell with the remainder valued at the lower of cost or net realisable value. Unrealised gains and losses from changes in fair value are reported in cost of goods sold.

Production inventories are valued at the lower of cost or net realisable value. Cost is determined using the first in first out (FIFO) or the weighted average method and comprises material costs, labour costs and allocated production related overhead costs. Financing and storage costs related to inventory are expensed as incurred.

### Cash and cash equivalents

Cash and cash equivalents comprise cash held at bank, cash in hand and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

### Financial instruments

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available for sale financial assets depending upon the purpose for which the financial assets were acquired. Financial assets are initially recognised at fair value on the trade date, including, in the case of instruments not recorded at fair value through profit or loss, directly attributable transaction costs. Subsequently, financial assets are carried at fair value (other investments, derivatives and marketable securities) or amortised cost less impairment (accounts receivable and advances and loans). Financial liabilities other than derivatives are initially recognised at fair value of consideration received net of transaction costs as appropriate and subsequently carried at amortised cost.

### Convertible bonds

At the date of issue, the fair value of the liability component is determined by discounting the contractual future cash flows using a market rate for a similar non convertible instrument. The liability component is recorded as a liability on an amortised cost basis using the effective interest method. The equity component is recognised as the difference between the fair value of the proceeds as a whole and the fair value of the liability component and it is not subsequently remeasured. On conversion, the liability is reclassified to equity and no gain or loss is recognised in the statement of income and upon expiry of the conversion rights, any remaining equity portion will be transferred to retained earnings.

### Derivatives and hedging activities

Derivative instruments, which include physical contracts to sell or purchase commodities that do not meet the own use exemption, are initially recognised at fair value when Glencore becomes a party to the contractual provisions of the instrument and are subsequently remeasured to fair value at the end of each reporting period. Fair values are determined using quoted market prices, dealer price quotations or using models and other valuation techniques, the key inputs for which include current market and contractual prices for the underlying instrument, time to expiry, yield curves, volatility of the underlying instrument and counterparty risk.

Gains and losses on derivative instruments for which hedge accounting is not applied, other than the revenue adjustment mechanism embedded within provisionally priced sales, are recognised in cost of goods sold.

Those derivatives qualifying and designated as hedges are either (i) a Fair Value Hedge of the change in fair value of a recognised asset or liability or an unrecognised firm commitment, or (ii) a Cash Flow Hedge of the change in cashflows to be received or paid relating to a recognised asset or liability or a highly probable transaction.

A change in the fair value of derivatives designated as a Fair Value Hedge is reflected together with the change in the fair value of the hedged item in the statement of income.

A change in the fair value of derivatives designated as a Cash Flow Hedge is initially recognised as a cash flow hedge reserve in shareholders' equity. The deferred amount is then released to the statement of income in the same periods during which the hedged transaction affects the statement of income. Hedge ineffectiveness is recorded in the statement of income when it occurs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in shareholders' equity and is recognised in the statement of income when the committed or forecast transaction is ultimately recognised in the statement of income. However, if a forecast or committed transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the statement of income.

A derivative may be embedded in a "host contract". Such combinations are known as hybrid instruments and at the date of issuance, the embedded derivative is separated from the host contract and accounted for as a stand alone derivative if the criteria for separation are met. The host contract is accounted for in accordance with its relevant accounting policy.

### Critical accounting policies, key judgments and estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes could differ from those estimates.

Glencore has identified the following areas as being critical to understanding Glencore's financial position as they require management to make complex and/or subjective judgments and estimates about matters that are inherently uncertain:

*Valuation of derivative instruments*

Derivative instruments are carried at fair value and Glencore evaluates the quality and reliability of the assumptions and data used to measure fair value in the three hierarchy levels, Level 1, 2 and 3, as prescribed by IFRS 7. Fair values are determined in the following ways: externally verified via comparison to quoted market prices in active markets (Level 1); by using models with externally verifiable inputs (Level 2); or by using alternative procedures such as comparison to comparable instruments and/or using models with unobservable market inputs requiring Glencore to make market based assumptions (Level 3). For more details refer to note 24.

*Depreciation and amortisation of mineral and petroleum rights, project development costs and plant and equipment*

Mineral and petroleum rights, project development costs and certain plant and equipment are amortised using UOP. The calculation of the UOP rate of amortisation, and therefore the annual amortisation charge to operations, can fluctuate from initial estimates. This could generally result when there are significant changes in any of the factors or assumptions used in estimating mineral or petroleum reserves, notably changes in the geology of the reserves and assumptions used in determining the economic feasibility of the reserves. Such changes in reserves could similarly impact the useful lives of assets depreciated on a straight line basis, where those lives are limited to the life of the project, which in turn is limited to the life of the proven and probable mineral or petroleum reserves. Estimates of proven and probable reserves are prepared by experts in extraction, geology and reserve determination. Assessments of UOP rates against the estimated reserve and resource base and the operating and development plan are performed regularly.

*Impairments*

Investments in Associates and other investments, advances and loans and property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable or at least annually for goodwill and other indefinite life intangible assets. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognised. Future cash flow estimates which are used to calculate the asset's fair value are based on expectations about future operations primarily comprising estimates about production and sales volumes, commodity prices, reserves and resources, operating, rehabilitation and restoration costs and capital expenditures. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management.

*Provisions*

The amount recognised as a provision, including tax, legal, restoration and rehabilitation, contractual and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. The Group assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

*Restoration, rehabilitation and decommissioning costs*

A provision for future restoration, rehabilitation and decommissioning costs requires estimates and assumptions to be made around the relevant regulatory framework, the magnitude of the possible disturbance and the timing, extent and costs of the required closure and rehabilitation activities. To the extent that the actual future costs differ from these estimates, adjustments will be recorded and the statement of income could be impacted. The provisions including the estimates and assumptions contained therein are reviewed regularly by management.

*Taxation*

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. These judgements are subject to risk and uncertainty and hence, to the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in income in the period in which the change occurs. The recoverability of deferred tax assets including the estimates and assumptions contained therein are reviewed regularly by management.

*Fair value*

In addition to recognising derivative instruments at fair value, as discussed above, an assessment of fair value of assets and liabilities is also required in accounting for other transactions, most notably, business combinations and disclosures related to fair values of marketing inventories, financial assets and liabilities. In such instances, fair value measurements are estimated based on the amounts for which the assets and liabilities could be exchanged at the relevant transaction date or reporting period end, and are therefore not necessarily reflective of the likely cashflow upon actual settlements. Where fair value measurements cannot be derived from publicly available information, they are estimated using models and other valuation methods. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market based transactions rarely exist.

## 2. SEGMENT INFORMATION

Glencore is organised and operates on a worldwide basis in three core business segments – metals and minerals, energy products and agricultural products, with each business segment responsible for the marketing, sourcing, hedging, logistics and industrial investment activities of their respective products and reflecting the structure used by Glencore's management to assess the performance of Glencore.

The business segments' contributions to the Group are primarily derived from the net margin or premium earned from physical marketing activities (net sale and purchase of physical commodities), provision of marketing and related value-add services and the margin earned from industrial asset activities (net resulting from the sale of physical commodities over the cost of production and/or cost of sales) and comprise the following underlying key commodities:

- Metals and minerals: Zinc, copper, lead, alumina, aluminium, ferro alloys, nickel, cobalt and iron ore, including smelting, refining, mining, processing and storage related operations of the relevant commodities;

- Energy products: Crude oil, oil products, steam coal and metallurgical coal supported by investments in coal mining and oil production operations, ports, vessels and storage facilities;

- Agriculture products: Wheat, corn, barley, rice, oil seeds, meals, edible oils, biofuels, cotton and sugar supported by investments in farming, storage, handling, processing and port facilities.

Corporate and other: statement of income amounts represent Glencore's share of income related to Xstrata and other unallocated Group related expenses (mainly variable pool bonus accrual). Balance sheet amounts represent Group related balances.

The financial performance of the segments is principally evaluated with reference to Adjusted EBIT/EBITDA which is the net result of revenue less cost of goods sold and selling and administrative expenses plus share of income from associates and jointly controlled entities and dividend income as disclosed on the face of the consolidated statement of income. Furthermore, given that funding costs in relation to working capital employed in the marketing activities are sought to be "recovered" via transactional terms, the performance of marketing activities is also assessed at a net income level.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Glencore accounts for inter-segment sales and transfers where applicable as if the sales or transfers were to third parties, i.e. at current market prices.

| 2011<br>US $ million | Metals and minerals | Energy products | Agricultural products | Corporate and other | Total |
|---|---|---|---|---|---|
| **Revenue from third parties** | **51 984** | **117 065** | **17 103** | **0** | **186 152** |
| **Marketing activities** | | | | | |
| Adjusted EBIT | 1 242 | 697 | – 8 | – 20 | 1 911 |
| Depreciation and amortisation | 5 | 27 | 0 | 11 | 43 |
| **Adjusted EBITDA** | **1 247** | **724** | **– 8** | **– 9** | **1 954** |
| **Industrial activities** | | | | | |
| Adjusted EBIT | 1 357 | 375 | – 39 | 1 794 | 3 487 |
| Depreciation and amortisation | 765 | 196 | 62 | 0 | 1 023 |
| **Adjusted EBITDA** | **2 122** | **571** | **23** | **1 794** | **4 510** |
| **Total adjusted EBITDA** | **3 369** | **1 295** | **15** | **1 785** | **6 464** |
| Depreciation and amortisation | – 770 | – 223 | – 62 | – 11 | – 1 066 |
| **Total adjusted EBIT** | **2 599** | **1 072** | **– 47** | **1 774** | **5 398** |
| Significant items [1] | | | | | |
| Other expense – net [2] | | | | | – 511 |
| Share of Associates' exceptional items [3] | | | | | – 45 |
| Interest expense – net | | | | | – 847 |
| Gain on sale of investments | | | | | 9 |
| Income tax credit | | | | | 264 |
| **Income before attribution** | | | | | **4 268** |

[1] Significant items of income and expense which, due to their financial impacts, nature or the expected infrequency of the events giving rise to them, have been separated for internal reporting and analysis of Glencore's results.
[2] See note 3.
[3] Share of Associates' exceptional items comprise Glencore's share of exceptional charges booked directly by Xstrata ($ 25 million) and Century ($ 20 million).

| 2011<br>US $ million | Metals and minerals | Energy products | Agricultural products | Corporate and other | Total |
|---|---|---|---|---|---|
| Current assets | 18 506 | 17 605 | 5 110 | 3 165 | 44 386 |
| Current liabilities | – 7 676 | – 11 312 | – 1 589 | – 2 675 | – 23 252 |
| **Allocatable current capital employed** | **10 830** | **6 293** | **3 521** | **490** | **21 134** |
| Property, plant and equipment | 9 367 | 4 210 | 1 062 | 0 | 14 639 |
| Intangible assets | 169 | 29 | 12 | 0 | 210 |
| Investments in Associates and other investments | 2 950 | 1 060 | 206 | 16 189 | 20 405 |
| Non current advances and loans | 1 280 | 2 723 | 138 | 0 | 4 141 |
| **Allocatable non current capital employed** | **13 766** | **8 022** | **1 418** | **16 189** | **39 395** |
| Other assets [1] | 0 | 0 | 0 | 2 384 | 2 384 |
| Other liabilities [2] | 0 | 0 | 0 | – 30 578 | – 30 578 |
| **Total net assets** | **24 596** | **14 315** | **4 939** | **– 11 515** | **32 335** |
| Additions to non current assets | 1 463 | 1 510 | 227 | 0 | 3 200 |

[1] Other assets include deferred tax assets, marketable securities and cash and cash equivalents.
[2] Other liabilities include borrowings, deferred income, deferred tax liabilities, non current provisions and commodities sold with agreements to repurchase.

| 2010<br>US $ million | Metals and minerals | Energy products | Agricultural products | Corporate and other | Total |
|---|---|---|---|---|---|
| **Revenue from third parties** | **45 211** | **89 349** | **10 418** | **0** | **144 978** |
| **Marketing activities** | | | | | |
| Adjusted EBIT | 1 401 | 450 | 659 | – 173 | 2 337 |
| Depreciation and amortisation | 0 | 20 | 0 | 10 | 30 |
| **Adjusted EBITDA** | **1 401** | **470** | **659** | **– 163** | **2 367** |
| **Industrial activities** | | | | | |
| Adjusted EBIT | 1 160 | 235 | 58 | 1 500 | 2 953 |
| Depreciation and amortisation | 708 | 124 | 49 | 0 | 881 |
| **Adjusted EBITDA** | **1 868** | **359** | **107** | **1 500** | **3 834** |
| **Total adjusted EBITDA** | **3 269** | **829** | **766** | **1 337** | **6 201** |
| Depreciation and amortisation | – 708 | – 144 | – 49 | – 10 | – 911 |
| **Total adjusted EBIT** | **2 561** | **685** | **717** | **1 327** | **5 290** |
| Significant items[1] | | | | | |
| Other expense – net[2] | | | | | – 8 |
| Share of Associates' exceptional items | | | | | 0 |
| Interest expense – net | | | | | – 936 |
| Loss on sale of investments | | | | | – 6 |
| Income tax expense | | | | | – 234 |
| **Income before attribution** | | | | | **4 106** |

[1] Significant items of income and expense which, due to their financial impacts, nature or the expected infrequency of the events giving rise to them, have been separated for internal reporting and analysis of Glencore's results.
[2] See note 3.

| 2010<br>US $ million | Metals and minerals | Energy products | Agricultural products | Corporate and other | Total |
|---|---|---|---|---|---|
| Current assets | 17 901 | 15 759 | 5 958 | 2 869 | 42 487 |
| Current liabilities | – 8 597 | – 11 237 | – 2 000 | – 2 594 | – 24 428 |
| **Allocatable current capital employed** | **9 304** | **4 522** | **3 958** | **275** | **18 059** |
| Property, plant and equipment | 8 860 | 2 489 | 739 | 0 | 12 088 |
| Investments in Associates and other investments | 2 134 | 1 108 | 157 | 15 805 | 19 204 |
| Non current advances and loans | 813 | 2 832 | 113 | 72 | 3 830 |
| **Allocatable non current capital employed** | **11 807** | **6 429** | **1 009** | **15 877** | **35 122** |
| Other assets[1] | 0 | 0 | 0 | 2 178 | 2 178 |
| Other liabilities[2] | 0 | 0 | 0 | – 32 852 | – 32 852 |
| **Total net assets** | **21 111** | **10 951** | **4 967** | **– 14 522** | **22 507** |
| Additions to non current assets | 1 001 | 818 | 71 | 0 | 1 890 |

[1] Other assets include deferred tax assets, marketable securities, cash and cash equivalents and assets held for sale.
[2] Other liabilities include borrowings, deferred income, deferred tax liabilities, provisions, commodities sold with agreements to repurchase and liabilities held for sale.

### Geographical information

| US $ million | 2011 | 2010 |
|---|---|---|
| **Revenue from third parties** [1] | | |
| The Americas | 45 836 | 39 183 |
| Europe | 70 323 | 47 724 |
| Asia | 47 759 | 42 820 |
| Africa | 20 538 | 13 975 |
| Oceania | 1 696 | 1 276 |
| | **186 152** | **144 978** |
| **Non current assets** [2] | | |
| The Americas | 4 535 | 3 755 |
| Europe | 17 293 | 15 224 |
| Asia | 5 838 | 5 880 |
| Africa | 4 555 | 2 702 |
| Oceania | 1 486 | 1 293 |
| | **33 707** | **28 854** |

[1] Revenue by geographical destination is based on the country of incorporation of the sales counterparty.
[2] Non current assets are non current operating assets other than financial instruments and deferred tax assets.

## 3. OTHER EXPENSE – NET

| US $ million | Notes | 2011 | 2010 |
|---|---|---|---|
| Changes in mark to market valuations on investments held for trading – net | | – 92 | – 178 |
| Changes in mark to market valuation of certain coal forward contracts [1] | | 25 | – 790 |
| Listing related expenses | 13 | – 286 | 0 |
| Other Listing related expenses – Phantom equity awards | 16 | – 58 | 0 |
| Gain on settlement of restructured Russneft loans | 8 | 0 | 382 |
| Impairment on equity interest in various Russneft Group entities | 8 | 0 | – 336 |
| (Impairment)/impairment reversal | | – 6 | 674 |
| Prodeco transaction and related expenses | | – 63 | – 225 |
| Impairment of non current inventory [1] | | – 26 | 0 |
| Revaluation of previously held interest in newly acquired businesses | 22 | 0 | 462 |
| Foreign exchange (loss)/gain | | – 8 | 31 |
| Other | | 3 | – 28 |
| **Total** | | **– 511** | **– 8** |

[1] These other expense items, if classified by function of expense would be recognised in cost of goods sold. All other amounts in Other expense – net are classified by function.

In addition to foreign exchange gains/(losses) and mark to market movements on investments held for trading, other expense – net includes other significant items of income and expense which due to their non operational nature or expected infrequency of the events giving rise to them are reported separately from operating segment results. Other expense – net includes, but is not limited to, impairment charges/reversals, revaluation of previously held interests in business combinations, restructuring and closure costs and Listing related expenses.

### Changes in mark to market valuations on investments held for trading – net

Primarily relates to movements on interests in other investments classified as held for trading and carried at fair value, with Glencore's interest in Century Aluminum Company cash settled equity swaps, Volcan Compania Minera S.A.A. and Nyrstar N.V.accounting for the majority of the movement in 2011 and 2010.

### Changes in mark to market valuation of certain coal forward contracts

Represents movements in fair value of certain fixed price forward coal sales contracts relating to Prodeco Group's (Prodeco) future production, into which it plans to physically deliver. Following the legal reacquisition of Prodeco in March 2010, from an accounting perspective, these forward sales contracts could not technically be classified as 'own use' or as cashflow hedges, which would have deferred the income statement effect until performance of the underlying future sale transactions. As at year end, approximately 8.4 million tonnes (2010: 19.3 million tonnes) of such coal had been sold forward at a fixed price in respect of quarterly periods to the end of 2013.

### Listing related expenses

Expenses incurred in connection with the Listing that relate to obtaining the listing for ordinary shares, the Restructuring and/or change in the employee shareholder profit attribution model, rather than the costs incurred solely in relation to the issuance of the new (primary) equity (see note 13), comprise $ 91 million of stamp duty costs, $ 42 million of professional advisors' costs and $ 153 million of compensation related costs.

### Impairment reversal

In 2010, during the regular assessment of whether there is an indication of an asset impairment or whether a previously recorded impairment may no longer be required, an upward revision of long term base metals and coal price assumptions resulted in an impairment reversal of $ 674 million against Glencore's interest in Xstrata. The recoverable amount of Glencore's share of the underlying net assets has been determined on the basis of its fair value less costs to sell using discounted cash flow techniques.

### Prodeco transaction and related expenses

In March 2009, Xstrata acquired Prodeco for $ 2 billion and concurrently granted Glencore an option to repurchase Prodeco within 12 months for $ 2.25 billion plus notional profits accrued during the option period and the net balance of any cash invested. Given the fixed price repurchase option, the conditions for derecognition/disposal of Prodeco were not met under IFRS and as a consequence, Prodeco's operations remained in the consolidated financial statements, while the "proceeds" were deferred and recognised as a liability. In March 2010, the option was exercised. Following the exercise of the option, in addition to the option repurchase expenses (including the option premium and profit entitlement), $ 115 million of additional depreciation expense was recognised in 2010 to reflect the depreciation that would have been charged if the related assets had not previously been classified as held for sale. Expenses recorded in 2011 relate to the final settlement of the option price.

### Revaluation of previously held interest in newly acquired businesses

In February 2010, Kazzinc purchased the remaining 60% of Vasilkovskoye Gold (see note 22). At the date of acquisition, the previously owned 40% interest was revalued to its fair value and as a result, a net gain of $ 462 million was recognised.

## 4. INCOME TAXES

Income taxes consist of the following:

| US $ million | 2011 | 2010 |
|---|---|---|
| Current income tax expense | – 417 | – 292 |
| Deferred income tax credit | 681 | 58 |
| **Total tax credit/(expense)** | **264** | **– 234** |

The effective Group tax rate is different from the statutory Swiss income tax rate applicable to the Company for the following reasons:

| US $ million | 2011 | 2010 |
|---|---|---|
| **Income before income taxes and attribution** | **4 004** | **4 340** |
| Less: share of income from Associates | – 1 972 | – 1 829 |
| **Parent company's and subsidiaries' income before income tax and attribution** | **2 032** | **2 511** |
| Income tax expense calculated at the Swiss income tax rate | – 312 | – 401 |
| Effect of different tax rates from the standard Swiss income tax rate | – 102 | – 78 |
| Tax exempt income, net of non-deductible expenses and other permanent differences | 14 | 254 |
| Tax implications of the Restructuring and Listing, including deductions/losses triggered [1] | 687 | 0 |
| Effect of available tax losses not recognised, and other changes in the valuation of deferred tax assets [2] | – 19 | 135 |
| Effect of change in tax rate on deferred tax balances | – 2 | – 145 |
| Other | – 2 | 1 |
| **Income credit/(expense)** | **264** | **– 234** |

[1] As part of the Restructuring (see note 13), the potential amounts owing to the shareholder employees under the various active profit participation plans were settled and crystallised income tax deductions/losses in Switzerland and other countries that can be carried forward and applied against future taxable income. $ 381 million (2010: $ nil million) of deferred tax assets related to future deductible amounts and tax losses have not been brought to account.
[2] In 2010, following the regular assessment and review of business plans related to Katanga Mining Limited, it was determined that a substantial portion of the previously unrecognised tax losses could be recognised.

The tax credit/(expense) relating to components of other comprehensive income/(loss) and share premium is as follows:

| US $ million | 2011 | 2010 |
|---|---|---|
| Cash flow hedges [1] | – 2 | 2 |
| Listing related expenses [2] | 21 | 0 |
| **Income tax relating to components of other comprehensive loss and share premium** | **19** | **2** |

[1] Recognised in other comprehensive income.
[2] Recognised in share premium.

Deferred taxes as at 31 December 2011 and 2010, are attributable to the items detailed in the table below:

| US $ million | Notes | 2011 | 2010 |
|---|---|---|---|
| **Deferred tax assets** [1] | | | |
| Tax losses carried forward | | 892 | 274 |
| Mark to market valuations | | 12 | 45 |
| Other | | 135 | 50 |
| **Total** | | **1 039** | **369** |
| **Deferred tax liabilities** [1] | | | |
| Depreciation and amortisation | | – 1 217 | – 926 |
| Mark to market valuations | | – 19 | – 320 |
| Other | | – 163 | – 62 |
| **Total** | | **– 1 399** | **– 1 308** |
| **Deferred tax – net** | | **– 360** | **– 939** |
| Reconciliation of deferred tax – net | | | |
| **Opening balance** | | **– 939** | **– 538** |
| Recognised in income for the year | | 681 | 58 |
| Recognised in other comprehensive loss and share premium | | 19 | 2 |
| Business combination | 22 | – 121 | – 461 |
| **Closing balance** | | **– 360** | **– 939** |

[1] Asset and liability positions in the same category reflect the impact of tax assets and liabilities arising in local tax jurisdictions that cannot be offset against tax assets and liabilities arising in other tax jurisdictions.

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. As at 31 December 2011, $ 1,445 million (2010: $ 562 million) of deferred tax assets related to available loss carry forwards have been brought to account, of which $ 892 million (2010: $ 274 million) are disclosed as deferred tax assets with the remaining balance being offset against deferred tax liabilities arising in the same respective entity. $ 861 million (2010: $ 257 million) of the aforementioned net deferred tax assets arise in entities that have been loss making in 2011 and 2010. In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available evidence was considered. These forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes. Following this evaluation, it was determined there would be sufficient taxable income generated to realise the benefit of the deferred tax assets. Available gross tax losses carried forward and deductible temporary differences, for which no deferred tax assets have been recognised in the consolidated financial statements are detailed below and will expire as follows:

| US $ million | 2011 | 2010 |
|---|---|---|
| 1 year | 11 | 75 |
| 2 years | 28 | 56 |
| 3 years | 127 | 38 |
| Thereafter | 956 | 270 |
| Unlimited usage | 978 | 124 |
| **Total** | **2 100** | **563** |

As at 31 December 2011, unremitted earnings of $ 18,573 million (2010: $ 12,255 million) have been retained by subsidiaries and associates for reinvestment. No provision is made for income taxes that would be payable upon the distribution of such earnings.

## 5. PROPERTY, PLANT AND EQUIPMENT

| US $ million | Notes | Land and buildings | Plant and equipment | Mineral and petroleum rights | Deferred mining costs | Total |
|---|---|---|---|---|---|---|
| **Gross carrying amount:** | | | | | | |
| 1 January 2011 | | 1 281 | 9 187 | 4 484 | 542 | 15 494 |
| Business combination | 22 | 108 | 591 | 76 | 0 | 775 |
| Additions | | 36 | 2 411 | 416 | 148 | 3 011 |
| Disposals | | – 17 | – 431 | 0 | – 2 | – 450 |
| Other movements | | 113 | 287 | – 359 | – 13 | 28 |
| **31 December 2011** | | **1 521** | **12 045** | **4 617** | **675** | **18 858** |
| **Accumulated depreciation and impairment:** | | | | | | |
| 1 January 2011 | | 239 | 2 556 | 548 | 63 | 3 406 |
| Depreciation | | 36 | 710 | 260 | 56 | 1 062 |
| Disposals | | – 6 | – 263 | 2 | 0 | – 267 |
| Impairments [1] | | 32 | 15 | 0 | 10 | 57 |
| Other movements | | 22 | – 21 | – 40 | 0 | – 39 |
| **31 December 2011** | | **323** | **2 997** | **770** | **129** | **4 219** |
| **Net book value 31 December 2011** | | **1 198** | **9 048** | **3 847** | **546** | **14 639** |

[1] Consists of impairments of specific assets recorded during the period which are immaterial both individually and in aggregate.

| US $ million | Notes | Land and buildings | Plant and equipment | Mineral and petroleum rights | Deferred mining costs | Total |
|---|---|---|---|---|---|---|
| **Gross carrying amount:** | | | | | | |
| 1 January 2010 | | 1 066 | 6 255 | 1 718 | 229 | 9 268 |
| Business combination | 22 | 370 | 910 | 2 283 | 91 | 3 654 |
| Additions | | 26 | 1 346 | 422 | 96 | 1 890 |
| Disposals | | – 35 | – 525 | – 38 | – 2 | – 600 |
| Reclassified from held for sale | 12 | 112 | 908 | 73 | 155 | 1 248 |
| Other movements | | – 258 | 293 | 26 | – 27 | 34 |
| **31 December 2010** | | **1 281** | **9 187** | **4 484** | **542** | **15 494** |
| **Accumulated depreciation and impairment:** | | | | | | |
| 1 January 2010 | | 235 | 1 810 | 364 | 14 | 2 423 |
| Depreciation | | 77 | 752 | 171 | 26 | 1 026 |
| Disposals | | – 15 | – 177 | – 12 | 0 | – 204 |
| Reclassified from held for sale | 12 | 7 | 128 | 7 | 10 | 152 |
| Impairments [1] | | 5 | 4 | 0 | 12 | 21 |
| Other movements | | – 70 | 39 | 18 | 1 | – 12 |
| **31 December 2010** | | **239** | **2 556** | **548** | **63** | **3 406** |
| **Net book value 31 December 2010** | | **1 042** | **6 631** | **3 936** | **479** | **12 088** |

[1] Consists of impairments of specific assets recorded during the period which are immaterial both individually and in aggregate.

Plant and equipment includes expenditure for construction in progress of $ 1,389 million (2010: $ 1,343 million) and a net book value of $ 317 million (2010: $ 64 million) of obligations recognised under finance lease agreements. Mineral and petroleum rights include expenditures for exploration and evaluation of $ 306 million (2010: $ 379 million). Depreciation expenses included in cost of goods sold are $ 1,049 million (2010: $ 893 million), in selling and administrative expenses $ 13 million (2010: $ 18 million) and in other expense – net Prodeco transaction related expenses $ nil million (2010: $ 115 million).

During 2011, $ 44 million (2010: $ 2 million) of interest was capitalised within property, plant and equipment. With the exception of project specific borrowings, the rate used to determine the amount of borrowing costs eligible for capitalisation was 4% (2010: 5%).

## 6. INTANGIBLE ASSETS

| US $ million | Notes | Goodwill | Future warehousing fees | Other | Total |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| **1 January 2011** | | **0** | **0** | **0** | **0** |
| Business combination | 22 | 36 | 0 | 13 | 49 |
| Reclassified from held for sale | 12, 22 | 133 | 32 | 0 | 165 |
| **31 December 2011** | | **169** | **32** | **13** | **214** |
| **Accumulated amortisation and impairment:** | | | | | |
| **1 January 2011** | | **0** | **0** | **0** | **0** |
| Amortisation expense [1] | | 0 | 3 | 1 | 4 |
| **31 December 2011** | | **0** | **3** | **1** | **4** |
| **Net carrying amount** | | **169** | **29** | **12** | **210** |

[1] Recognised in cost of goods sold.

*Pacorini*

Goodwill of $ 133 million and the future warehousing fees have been recognised as part of the acquisition of the Pacorini metals warehousing business, see note 22.

The goodwill is attributable to synergies expected to arise in conjunction with the metals marketing division's expected increased activities. In assessing whether goodwill has been impaired, the carrying amount of the cash generating unit was compared with its recoverable amount. The recoverable amount was determined by reference to the value in use which utilises pre-tax cash flow projections based on the approved financial budgets for 5 years which includes factors, such as inventory levels, volumes and operating costs, discounted to present value at a rate of 10%. The cash flows beyond the 5 year period have been extrapolated using a declining growth rate of 10% per annum which is the projected long term reduction in average inventory levels for the warehousing business.

The future warehousing fees represent the expected income receivable on metal in the warehouses as at the date of acquisition when the metal is expected to be physically withdrawn from the warehouses in future periods based on the expected holding periods. Future warehousing fees are amortised over their useful economic lives of 5 years.

*OceanConnect*

Goodwill of $ 30 million has been recognised as part of the acquisition of certain assets constituting the business of OceanConnect. The goodwill is attributable to synergies expected to arise from the enhancements to the energy products marketing division's existing business activities and improvements in its service offerings to its customers.

*Other*

Other intangible assets primarily consist of trademarks for agricultural products and are amortised over their estimated useful economic lives of 10 years.

## 7. INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS

A list of the principal operating, finance and industrial subsidiaries and Associates and other investments is included in note 30.

| US $ million | 2011 | 2010 |
|---|---|---|
| Xstrata plc | 16 187 | 14 616 |
| Other listed Associates | 1 337 | 895 |
| **Listed Associates** | **17 524** | **15 511** |
| Non listed Associates | 1 334 | 1 255 |
| **Investments in Associates** | **18 858** | **16 766** |

### Listed associates

As at 31 December 2011, the fair value of listed Associates using published price quotations was $ 16,157 million (2010: $ 24,511 million). Glencore has completed a detailed assessment of the recoverable amount of investments where indicators of impairment were identified and concluded that the recoverable value supports the carrying value of these investments and that no impairment is required.

*Optimum*

In October 2011, Glencore acquired a 31.2% interest in Optimum Coal Holdings Limited ("Optimum") for $ 382 million. Glencore has agreements to acquire an additional 28.5% interest in Optimum, which has subsequently closed on 26 March 2012 (see note 22).

| US $ million | 2011 | 2010 |
|---|---|---|
| **Available for sale** | | |
| United Company Rusal ("UCR") | 842 | 2 048 |
| | **842** | **2 048** |
| **Fair value through profit and loss** | | |
| Volcan Compania Minera S.A.A. | 359 | 187 |
| Nyrstar N.V. | 105 | 117 |
| Century Aluminum Company cash settled equity swaps | 78 | 73 |
| Jurong Aromatics Corporation Pte Ltd | 55 | 0 |
| Other | 108 | 13 |
| | **705** | **390** |
| **Other investments** | **1 547** | **2 438** |

As at 31 December 2011, $ nil million (2010: $ 113 million) of Glencore's investment in UCR was pledged as a guarantee against certain borrowings of UCR.

Summarised financial information in respect of Glencore's Associates, reflecting 100% of the underlying Associate's relevant figures, are set out below.

| US $ million | 2011 | 2010 |
|---|---|---|
| Current assets | 12 129 | 12 214 |
| Non current assets | 69 884 | 65 033 |
| Current liabilities | – 8 919 | – 9 309 |
| Non current liabilities | – 24 620 | – 23 197 |
| **Net assets** | **48 474** | **44 741** |
| Revenue | 39 940 | 48 116 |
| Net profit | 6 194 | 4 941 |

The amount of corporate guarantees in favour of joint venture entities as at 31 December 2011 was $ 50 million (2010: $ nil million). Glencore's share of joint venture entities' capital commitments amounts to $ 301 million (2010: $ 831 million).

## 8. ADVANCES AND LOANS

| US $ million | 2011 | 2010 |
|---|---|---|
| Loans to Parents | 0 | 72 |
| Loans to Associates | 840 | 426 |
| Other non current receivables and loans | 3 301 | 3 332 |
| **Total** | **4 141** | **3 830** |

Loans to Associates generally bear interest at applicable floating market rates plus a premium.

Other non current receivables and loans comprise the following:

| US $ million | 2011 | 2010 |
|---|---|---|
| **Counterparty** | | |
| OAO Russneft<br>Interest bearing loan at 9% per annum (see note below) | 2 211 | 2 082 |
| Atlas Petroleum International Limited ("Atlas")<br>Interest bearing loans at LIBOR plus 3% [1] | 246 | 477 |
| Secured marketing related financing arrangements [2] | 365 | 301 |
| PT Bakrie & Brothers Tbk<br>Interest bearing secured loans at LIBOR plus 10% | 80 | 200 |
| Oteko Group<br>Interest bearing loan at LIBOR plus 6% | 86 | 25 |
| Other [3] | 313 | 247 |
| **Total** | **3 301** | **3 332** |

[1] Primarily relates to carried interest loans associated with the development of the Aseng oil project in Equatorial Guinea, where Atlas is one of the equity partners. The operator of the field and project is Noble Energy, based in Houston. The Aseng project commenced oil production in Q4 2011, and loans are being repaid from oil proceeds.
[2] Various marketing related financing facilities, generally secured against certain assets and/or payable from the future sale of production of the counterparty. The weighted average interest rate of the loans is 10% and on average are to be repaid over a 3 year period.
[3] $ 74 million (2010: $ nil million) relates to amounts owing in respect of future rehabilitation and restoration obligations.

### Russneft loans

In December 2010, OAO Russneft ("Russneft") completed a significant debt amendment and restatement with its major lenders, whereby Glencore's previously existing facilities, including some amounts which had been advanced for conversion into Russneft equity, were consolidated into a single facility. The consolidated facility, with a principal amount of $ 2,080 million, bears interest at 9% per annum, with 3% paid quarterly and the remaining 6% capitalised and payable along with the principal which is expected in monthly installments over a 3 year period commencing Q4 2017, but in any event, not before repayment of the debt owing to the other major lender. The facility is secured by a second ranked charge over certain of Russneft's assets.

In 2010, Glencore accounted for this amendment and restatement as a substantial modification, which resulted in derecognition of all amounts carried under the previous facilities including principal, accrued interest and equity conversion advances and recognition, at fair value, of the consolidated facility. The transaction resulted in a gain (after taking into account the carrying value of the principal, net of allowance for doubtful accounts, and the accrued interest ($ 1,413 million) and equity conversion advances ($ 285 million) of $ 382 million during the period ended 31 December 2010.

The 2010 loan amendment also constituted a loss event with respect to Glencore's equity holdings in certain Russneft subsidiaries due to the increased leverage, amended repayment profile and the enhancement of prioritised security of the consolidated loans and, as a consequence, an impairment charge of $ 336 million was recognised against other investments during the period ended 31 December 2010.

## 9. INVENTORIES

| US $ million | 2011 | 2010 |
|---|---|---|
| Production inventories | 3 150 | 2 805 |
| Marketing inventories | 13 979 | 14 588 |
| **Total** | **17 129** | **17 393** |

Production inventories consist of materials, spare parts, work in process and finished goods held by the production entities. Marketing inventories are commodities held by the marketing entities. Marketing inventories of $ 13,785 million (2010: $ 14,331 million) are carried at fair value less costs to sell.

Glencore has a number of dedicated financing facilities, which finance a portion of its marketing inventories. In each case, the inventory has not been derecognised as the Group retains the principal risks and rewards of ownership. The proceeds received are recognised as either current borrowings, commodities sold with agreements to repurchase or trade advances from buyers, depending upon their funding nature. As at 31 December 2011, the total amount of inventory secured under such facilities was $ 1,834 million (2010: $ 2,426 million). The proceeds received and recognised as current borrowings were $ 1,631 million (2010: $ 1,338 million), as commodities sold with agreements to repurchase $ 39 million (2010: $ 484 million) and as trade advances from buyers $ nil million (2010: $ 67 million).

## 10. ACCOUNTS RECEIVABLE

| US $ million | 2011 | 2010 |
|---|---|---|
| Trade receivables [1] | 15 903 | 12 663 |
| Trade advances and deposits [1] | 3 022 | 4 297 |
| Associated companies [1] | 643 | 494 |
| Other receivables | 2 327 | 1 540 |
| **Total** | **21 895** | **18 994** |

[1] Collectively referred to as receivables.

The average credit period on sales of goods is 28 days (2010: 28 days).

As at 31 December 2011, 8% (2010: 5%) of receivables were between 1–60 days overdue, and 3% (2010: 2%) were greater than 60 days overdue. Such receivables, although contractually past their due dates, are not considered impaired as there has not been a significant change in credit quality of the relevant counterparty, and the amounts are still considered recoverable taking into account customary payment patterns and in many cases, offsetting accounts payable balances.

The movement in allowance for doubtful accounts is detailed in the table below:

| US $ million | 2011 | 2010 |
|---|---|---|
| **Opening balance** | **155** | **302** |
| Released during the year | – 28 | – 16 |
| Incurred during the year | 43 | 58 |
| Utilised during the year [1] | – 41 | – 189 |
| **Closing balance** | **129** | **155** |

[1] The amount utilised during 2010 primarily comprises the Russneft loan amendment and restatement (see note 8).

Glencore has a number of dedicated financing facilities, which finance a portion of its receivables. In each case, the receivables have not been derecognised, as the Group retains the principal risks and rewards of ownership. The proceeds received are recognised as current borrowings (see note 17). As at 31 December 2011, the total amount of trade receivables secured was $ 2,934 million (2010: $ 2,349 million) and proceeds received and classified as current borrowings amounted to $ 2,265 million (2010: $ 1,950 million).

## 11. CASH AND CASH EQUIVALENTS

| US $ million | 2011 | 2010 |
|---|---|---|
| Bank and cash on hand | 981 | 1 090 |
| Deposits and treasury bills | 324 | 373 |
| **Total** | **1 305** | **1 463** |

As at 31 December 2011, $ 80 million (2010: $ 23 million) was restricted. $ 47 million has been placed in escrow for the pending acquisition of Rosh Pinah (see note 26).

## 12. ASSETS AND LIABILITIES HELD FOR SALE

In March 2011, the plan to merge the Pacorini metals warehousing business with a third party was abandoned and the net assets (assets of $ 280 million and liabilities of $ 45 million) previously classified as held for sale in 2010 were reclassified to the respective line items in the statement of financial position at depreciated cost as detailed below:

| US $ million | Total |
|---|---|
| Property, plant and equipment | 4 |
| Intangible assets | 165 |
| Inventory | 13 |
| Accounts receivable | 79 |
| Cash and cash equivalents | 19 |
| **Total assets** | **280** |
| | |
| Non current borrowings | – 1 |
| Accounts payable | – 31 |
| Income tax payable | – 4 |
| Current borrowings | – 9 |
| **Total liabilities** | **– 45** |

## 13. SHARE CAPITAL AND RESERVES

| | Number of shares (thousand) | Share capital (US $ million) | Share premium (US $ million) |
|---|---|---|---|
| **Authorised:** | | | |
| 31 December 2011 Ordinary shares with a par value of $ 0.01 each | 50 000 000 | – | – |
| | | | |
| **Issued and fully paid up:** | | | |
| **1 January 2010 – Class B shares** | **150** | **46** | **0** |
| Class B shares redeemed pursuant to the Restructuring | – 150 | – 46 | 0 |
| Ordinary shares issued pursuant to the Restructuring | 3 716 495 | 37 | 0 |
| **1 January 2010 (restated) – Ordinary shares** | **3 716 495** | **37** | **0** |
| | | | |
| **31 December 2010 (restated) – Ordinary shares** | **3 716 495** | **37** | **0** |
| Ordinary shares issued in exchange for HPPS and PPS profit participation obligations | 1 617 268 | 16 | 13 821 |
| Ordinary shares issued in exchange for LTS and LTPPS profit participation obligations | 666 237 | 7 | 5 694 |
| Ordinary shares issued at Listing (“primary issuance”) | 922 714 | 9 | 7 887 |
| Share issue costs associated with the primary issuance | – | – | – 280 |
| Tax on Listing related expenses | – | – | 21 |
| Dividends paid | – | – | – 346 |
| **31 December 2011 – Ordinary shares** | **6 922 714** | **69** | **26 797** |

### Restructuring
Prior to the Listing, Glencore’s articles of incorporation authorised the issuance of non voting profit participation certificates (“PPC”) with no nominal value to its employees enabling them to participate in four profit sharing arrangements: Hybrid Profit Participation Shareholders (HPPS), Ordinary Profit Participation Shareholders (PPS), Glencore L.T.E. Profit Participation Shareholders (LTS) and Long Term Profit Participation Shareholders (LTPPS). The profit sharing arrangements entitled the employees to a portion of Glencore shareholders’ funds accumulated during the period that such employees held the PPCs. The PPCs attributed Glencore International AG’s consolidated net income pro rata based on the 150,000 Class B shares issued as at 31 December 2010.

Immediately prior to the Listing, Glencore implemented a Restructuring whereby amounts owing to the then shareholder employees under the various active profit participation plans were settled in exchange for new ordinary shares and the ultimate ownership interests in Glencore International AG were assumed via Glencore International plc. The accounting outcome of these transactions is outlined below:

*Settlement of the profit participation plans*
The accounting for the settlement of the four profit participation plans was similar, whereby the outstanding balances under each plan prior to Listing were exchanged for an equivalent number of ordinary shares at the Listing price of 530 pence ($ 8.56) per share. The difference between the nominal and fair value of the new ordinary shares issued was recognised as a share premium.

*Reorganisation of the ultimate parent company*
Following the settlement of the profit participation plans described above, Glencore International plc replaced Glencore Holding AG as the ultimate parent company and Glencore International AG became a wholly owned subsidiary of Glencore International plc, the entity listed on the London and Hong Kong stock exchanges.

### Listing
On 24 May 2011, Glencore International plc issued 922,713,511 ordinary shares which comprised 891,463,511 shares to institutional investors (the “International Offer”) at a price of 530 pence ($ 8.56) per share on the London Stock Exchange, and 31,250,000 shares to professional and retail investors in Hong Kong (the “Hong Kong Offer”) at a price of HK$ 66.53 ($ 8.56) per ordinary share. The gross proceeds raised were $ 7,896 million and total transaction (Restructuring and Listing) and related expenses incurred were $ 566 million. $ 280 million of the transaction costs were attributable to the issue of new (primary) equity and have been deducted against share premium while $ 286 million were attributable to stamp duty and other expenses associated with the above noted Restructuring as well as an allocation of transaction costs that jointly related to the issuing of the new (primary) equity and the listing of the Company and as such have been charged to income during the year (see note 3). Joint transaction costs were allocated based on the ratio of new shares issued, in relation to total shares outstanding.

Reserves

| US $ million | Notes | Translation adjustment | Equity portion of Convertible bonds | Cash flow hedge reserve | Net unrealised gain/(loss) | Net ownership changes in subsidiaries | Other reserves | Total |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2010** | | **– 7** | **77** | **– 89** | **0** | **0** | **1** | **– 18** |
| Ordinary shares issued pursuant to the Restructuring | | 0 | 0 | 0 | 0 | 0 | 9 | 9 |
| **At 1 January 2010 (restated)** | | **– 7** | **77** | **– 89** | **0** | **0** | **10** | **– 9** |
| Exchange gain on translation of foreign operations | | 8 | 0 | 0 | 0 | 0 | 0 | 8 |
| Loss on cash flow hedges, net of tax | 23 | 0 | 0 | – 180 | 0 | 0 | 0 | – 180 |
| Gain on available for sale financial instruments | 7 | 0 | 0 | 0 | 25 | 0 | 0 | 25 |
| Cash flow hedges transferred to the statement of income, net of tax | | 0 | 0 | 6 | 0 | 0 | 0 | 6 |
| Change in ownership interest in subsidiaries | 22 | 0 | 0 | 0 | 0 | – 134 | 0 | – 134 |
| Equity portion of Convertible bonds | 17 | 0 | 12 | 0 | 0 | 0 | 0 | 12 |
| **At 31 December 2010 (restated)** | | **1** | **89** | **– 263** | **25** | **– 134** | **10** | **– 272** |
| **At 1 January 2011** | | **1** | **89** | **– 263** | **25** | **– 134** | **10** | **– 272** |
| Exchange loss on translation of foreign operations | | – 53 | 0 | 0 | 0 | 0 | 0 | – 53 |
| Loss on cash flow hedges, net of tax | 23 | 0 | 0 | – 17 | 0 | 0 | 0 | – 17 |
| Loss on available for sale financial instruments | 7 | 0 | 0 | 0 | – 1 206 | 0 | 0 | – 1 206 |
| Cash flow hedges transferred to the statement of income, net of tax | | 0 | 0 | 6 | 0 | 0 | 0 | 6 |
| Change in ownership interest in subsidiaries | 22 | 0 | 0 | 0 | 0 | – 98 | 0 | – 98 |
| **At 31 December 2011** | | **– 52** | **89** | **– 274** | **– 1 181** | **– 232** | **10** | **– 1 640** |

## 14. EARNINGS PER SHARE

| US $ million | Notes | 2011 | 2010 |
|---|---|---|---|
| Profit attributable to equity holders for basic earnings per share | | 4 048 | 1 291 |
| Interest in respect of Convertible bonds | | 135 | 130 |
| Profit attributable to equity holders for diluted earnings per share | | 4 183 | 1 421 |
| Weighted average number of shares for the purposes of basic earnings per share (thousand) | | 5 657 794 | 3 716 495 |
| **Effect of dilution:** | | | |
| Equity settled share-based payments | 16 | 22 790 | 0 |
| Convertible bonds | 17 | 406 738 | 238 061 |
| Weighted average number of shares for the purposes of diluted earnings per share (thousand) | | 6 087 322 | 3 954 556 |
| Basic earnings per share (US $) | | 0.72 | 0.35 |
| Diluted earnings per share (US $) | | 0.69 | 0.35 |

## 15. DIVIDENDS

| US $ million | 2011 | 2010 |
|---|---|---|
| **Paid during the year:** | | |
| Final dividend for 2010 – $ nil per Class B share (2009 – $ 13.33 per Class B share) | 0 | 2 |
| Interim dividend for 2011 – $ 0.05 per ordinary share (2010 – $ nil per Class B share) | 346 | 0 |
| **Total** | **346** | **2** |
| | | |
| Proposed final dividend for 2011 – $ 0.10 per ordinary share (2010 – $ 13.33 per Class B share) | 692 | 2 |

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Dividends declared in respect of the year ended 31 December 2011 will be paid on 1 June 2012. The 2011 interim dividend was paid on 30 September 2011.

## 16. SHARE-BASED PAYMENTS

### 2011 Phantom Equity Awards

In April and May 2011 in connection with the Listing, phantom equity awards were made to certain employees in lieu of interests in Glencore's existing equity ownership schemes. These equity awards will vest on or before 31 December 2013, subject to the continued employment of the award holder. Phantom equity awards may be satisfied in shares by the issue of new ordinary shares, by the transfer of ordinary shares held in treasury or by the transfer of ordinary shares purchased in the market (in each case with a market value equal to the value of the award at vesting, including dividends paid between Listing and vesting), or in cash. Glencore currently intends to settle these awards through the issuance of shares. Based on the Listing offer price, the aggregate number of ordinary shares underlying the awards is 24,024,765. The fair value of the awards at the issue date was $ 8.56 per award for an aggregate fair value of $ 206 million determined by reference to the Listing price at the grant date. As at year end, the number of shares underlying the awards was 22,789,924. The total expense recognised in the period was $ 58 million (2010: $ nil million).

## 17. BORROWINGS

| US $ million | Notes | 2011 | 2010 |
|---|---|---|---|
| **Non current borrowings** | | | |
| 144A Notes | | 947 | 946 |
| Xstrata secured bank loans | | 2 688 | 0 |
| Convertible bonds | | 2 152 | 2 132 |
| Eurobonds | | 3 612 | 3 725 |
| Sterling bonds | | 996 | 999 |
| Swiss Franc bonds | | 882 | 639 |
| Perpetual notes | | 347 | 735 |
| Ordinary profit participation certificates | | 750 | 1 059 |
| Committed syndicated revolving credit facility | | 5 907 | 6 744 |
| Finance lease obligations | 26 | 278 | 63 |
| Other bank loans | | 1 285 | 1 209 |
| **Total non current borrowings** | | **19 844** | **18 251** |
| **Current borrowings** | | | |
| Committed syndicated revolving credit facility | | 0 | 515 |
| Committed secured inventory/receivables facility | 9/10 | 1 700 | 1 700 |
| Committed secured receivables facilities | 10 | 1 181 | 700 |
| Bilateral uncommitted secured inventory facilities | 9 | 1 015 | 888 |
| U.S. commercial paper | | 512 | 310 |
| Xstrata secured bank loans | | 0 | 2 292 |
| Eurobonds | | 0 | 765 |
| Perpetual notes | | 0 | 292 |
| Ordinary profit participation certificates | | 533 | 796 |
| Finance lease obligations | 26 | 39 | 4 |
| Other bank loans [1] | | 3 205 | 3 619 |
| **Total current borrowings** | | **8 185** | **11 881** |

[1] Comprises various uncommitted bilateral bank credit facilities and other financings.

### 144A Notes

$ 950 million 6% coupon Notes due 2014. The Notes are recognised at amortised cost at an effective interest rate of 6.15% per annum.

### Xstrata secured bank loans

In June 2011, Glencore refinanced the $ 2.8 billion facilities ($ 2.3 billion drawn) with new 2 year $ 2.7 billion equivalent facilities. The facilities have been accounted for as secured bank loans which bear interest at a rate of U.S. $ LIBOR plus 95 basis points per annum. As at 31 December 2011, shares representing $ 5,343 million (2010: $ 4,199 million) of the carrying value of Glencore's investment in Xstrata were pledged as security.

### Convertible bonds

$ 2,300 million 5% coupon convertible bonds due December 2014. The bonds are convertible at the option of the investors into 406,737,932 ordinary shares of Glencore International plc. The bonds consist of a liability component and an equity component. The fair values of the liability component ($ 2,211 million) and the equity component ($ 89 million) were determined, using the residual method, at issuance of the bonds. The liability component is measured at amortised cost at an effective interest rate of 5.90% per annum.

### Euro, Sterling and Swiss Franc bonds

The Group has issued bonds denominated in Euro, Sterling and Swiss Franc where upon issuance, the principal amounts and the future interest payments were swapped (using instruments which qualify as cash flow hedges) into their U.S. Dollar equivalent. The details of amounts issued and outstanding are as follows:

| US $ million | Maturity | Initial US $ equivalent | US $ fixed interest rate in % | 2011 | 2010 |
|---|---|---|---|---|---|
| Euro 600 million 5.375% coupon bonds | Sep 2011 | – | – | 0 | 765 |
| Euro 850 million 5.250% coupon bonds | Oct 2013 | 1 078 | 6.60 | 1 045 | 1 080 |
| Euro 750 million 7.125% coupon bonds | April 2015 | 1 200 | 6.86 | 944 | 968 |
| Euro 1 250 million 5.250% coupon bonds | March 2017 | 1 708 | 6.07 | 1 623 | 1 677 |
| **Eurobonds** | | **3 986** | | **3 612** | **4 490** |
| GBP 650 million 6.50% coupon bonds | Feb 2019 | 1 266 | 6.58 | 996 | 999 |
| CHF 825 million 3.625% coupon bonds | April 2016 | 828 | 4.87 | 882 | 639 |
| **Total** | | **6 080** | | **5 490** | **6 128** |

In January 2011, Glencore issued additional CHF 225 million ($ 235 million) 3.625% interest bearing bonds due April 2016.

### Perpetual notes

During 2011, Glencore redeemed $ 700 million of the 8% perpetual notes at par, leaving a total of $ 350 million of 7.5% Perpetual bonds outstanding.

### Ordinary profit participation certificates

Profit participation certificates bear interest at 6 month U.S. $ LIBOR, are repayable over 5 years and in the event of certain triggering events, which include any breach of a financial covenant, would be subordinated to unsecured lenders.

### Committed revolving credit facilities

In May 2011, Glencore replaced the previous 364 day $ 1,375 million and $ 515 million committed revolving credit facilities with two new 364 day committed revolving credit facilities for $ 2,925 million and $ 610 million respectively, both with a one year term extension option at Glencore's discretion. In addition, Glencore extended the final maturity of $ 8,340 million of the $ 8,370 million medium term revolver for a further year to May 2014. In aggregate, the new facilities represent an overall increase in committed available liquidity of $ 1,645 million. Funds drawn under the facilities bear interest at U.S. $ LIBOR plus a margin ranging from 110 to 175 basis points per annum.

### Committed secured inventory/receivables facility

In November 2011, Glencore renewed the 364 day committed $ 1.7 billion secured inventory and receivables borrowing base facility under the same terms. Under the program, Glencore has the option to pledge up to $ 750 million of eligible base metals inventory or up to $ 1.7 billion of eligible receivables. Funds drawn under the facility bear interest at U.S. $ LIBOR plus 110 basis points per annum.

### Committed secured receivables facilities

Includes a 364 day $ 200 million committed secured receivables financing program due February 2012 which, has been extended to August 2012, and a six month $ 750 million multi-currency program due June 2012. Funds drawn under the facilities bear interest at U.S. $ LIBOR or, in relation to any loan in Euro, EURIBOR, plus a margin ranging from 105 to 115 basis points per annum.

### U.S. commercial paper

Glencore has in place a stand alone U.S. commercial paper program for $ 1,000 million rated A2 and P2 respectively by Standard & Poor's and Moody's rating agencies. The notes issued under this program carry interest at floating market rates and mature not more than 270 days from the date of issue.

## 18. DEFERRED INCOME

During 2006, Glencore entered into an agreement to deliver a fixed quantity of silver concentrate, a by-product from its mining operations, for a period of 15 years at a fixed price for which Glencore received an upfront payment of $ 285 million. The outstanding balance represents the remaining non current portion of the upfront payment. The upfront payment is released to revenue at a rate consistent with the implied forward price curve at the time of the transaction and the actual quantities delivered.

## 19. PROVISIONS

### Non current

| US $ million | Post retirement benefits[1] | Employee entitlement | Rehabilitation costs | Other[2] | Total |
|---|---|---|---|---|---|
| **1 January 2010** | **59** | **85** | **236** | **165** | **545** |
| Provision utilised in the year | – 4 | – 2 | – 5 | – 22 | – 33 |
| Accretion in the year | 0 | 0 | 22 | 0 | 22 |
| Provisions assumed in business combination | 4 | 0 | 3 | 0 | 7 |
| Additional provision in the year | 1 | 15 | 123 | 39 | 178 |
| **31 December 2010** | **60** | **98** | **379** | **182** | **719** |
| **1 January 2011** | **60** | **98** | **379** | **182** | **719** |
| Provision utilised in the year | – 1 | – 17 | – 14 | – 56 | – 88 |
| Accretion in the year | 0 | 0 | 24 | 0 | 24 |
| Provisions assumed in business combination | 0 | 0 | 43 | 14 | 57 |
| Additional provision in the year | 2 | 35 | 142 | 62 | 241 |
| **31 December 2011** | **61** | **116** | **574** | **202** | **953** |

[1] See note 20.
[2] Other includes provisions in respect of mine concession obligations of $ 52 million (2010: $ 54 million), construction related contractual provisions of $ 27 million (2010: $ 29 million), export levies of $ 45 million (2010: $ 42 million) and deferred purchase consideration of $ 33 million (2010: $ 21 million).

### Employee entitlement

The employee entitlement provision represents the value of state governed employee entitlements due to employees upon their termination of employment. The associated expenditure will occur in a pattern consistent with when employees choose to exercise their entitlements.

### Rehabilitation costs

Rehabilitation provision represents the accrued cost required to provide adequate restoration and rehabilitation upon the completion of extraction activities. These amounts will be settled when rehabilitation is undertaken, generally at the end of a project's life, which ranges from 2 to 50 years. In South Africa, the Group makes contributions to rehabilitation trusts to meet some of the costs of rehabilitation liabilities.

Current

| US $ million | Onerous contracts | Demurrage and related claims | Other | Total |
|---|---|---|---|---|
| 1 January 2010 | 1 | 51 | 23 | 75 |
| Provision utilised in the year | 0 | – 14 | – 6 | – 20 |
| Additional provision in the year | 92 | 24 | 1 | 117 |
| **31 December 2010** | **93** | **61** | **18** | **172** |
| 1 January 2011 | 93 | 61 | 18 | 172 |
| Provision utilised in the year | – 89 | – 10 | – 8 | – 107 |
| Additional provision in the year | 0 | 23 | 10 | 33 |
| **31 December 2011** | **4** | **74** | **20** | **98** |

## 20. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Total personnel costs, which includes salaries, wages, social security, other personnel costs and share-based payments but excludes attribution to profit participation shareholders, incurred for the years ended December 31, 2011 and 2010, were $ 1,723 million and $ 1,677 million, respectively. Personnel costs related to consolidated industrial subsidiaries of $ 1,203 million (2010: $ 885 million) are included in cost of goods sold. Other personnel costs are included in selling and administrative expenses and share-based payments are included in other expense.

The Company and certain subsidiaries sponsor various pension schemes in accordance with local regulations and practices. Eligibility for participation in the various plans is either based on completion of a specified period of continuous service, or date of hire. The plans provide for certain employee and employer contributions, ranging from 5% to 16% of annual salaries, depending on the employee's years of service. Among these schemes are defined contribution plans as well as defined benefit plans. The main locations with defined benefit plans are Switzerland, the UK and the US.

### Defined contribution plans

Glencore's contributions under these plans amounted to $ 21 million in 2011 and $ 11 million in 2010.

### Defined benefit plans

The amounts recognised in the statement of income are as follows:

| US $ million | 2011 | 2010 |
|---|---|---|
| Current service cost | 19 | 14 |
| Interest cost | 19 | 16 |
| Expected return on plan assets | – 15 | – 11 |
| Net actuarial losses recognised in the year | 13 | 5 |
| Past service cost | 2 | 1 |
| Exchange differences | – 2 | 0 |
| **Total** | **36** | **25** |

The actual return on plan assets amounted to a gain of $ 4 million (2010: gain of $ 14 million).

The amounts recognised in the statement of financial position are determined as follows:

| US $ million | Notes | 2011 | 2010 |
|---|---|---|---|
| Present value of defined benefit obligations | | 513 | 422 |
| Less: fair value of plan assets | | – 284 | – 267 |
| Unrecognised actuarial losses | | – 164 | – 91 |
| Restrictions of assets recognised | | – 4 | – 4 |
| **Liability in the statement of financial position** | **19** | **61** | **60** |

Movement in the present value of the defined benefit obligation is as follows:

| US $ million | 2011 | 2010 |
|---|---|---|
| **Opening defined benefit obligation** | **422** | **363** |
| Current service cost | 19 | 14 |
| Interest cost | 19 | 16 |
| Past service cost | 2 | 1 |
| Benefits paid | – 26 | – 27 |
| Actuarial loss | 67 | 17 |
| Exchange differences on foreign plans | 1 | – 5 |
| Other movements | 9 | 43 |
| **Closing defined benefit obligation** | **513** | **422** |

Movement in the present value of the plan assets is as follows:

| US $ million | 2011 | 2010 |
|---|---|---|
| **Opening fair value of plan assets** | **267** | **232** |
| Expected return on plan assets | 15 | 11 |
| Contribution from the employer | 26 | 27 |
| Actuarial loss | – 20 | – 5 |
| Exchange differences on foreign plans | 3 | – 5 |
| Other movements | – 7 | 7 |
| **Closing fair value of plan assets** | **284** | **267** |

The plan assets consist of the following:

| US $ million | 2011 | 2010 |
|---|---|---|
| Cash and short term investments | 10 | 5 |
| Fixed income | 109 | 115 |
| Equities | 120 | 96 |
| Other | 45 | 51 |
| **Total** | **284** | **267** |

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. Glencore's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset class in the next twelve months.

The principal actuarial assumptions used were as follows:

| | 2011 | 2010 |
|---|---|---|
| Discount rate | 3–7% | 3–6% |
| Expected return on plan assets | 3–8% | 3–8% |
| Future salary increases | 2–5% | 2–6% |
| Future pension increases | 3–4% | 3–4% |

Mortality assumptions are based on the latest available standard mortality tables for the individual countries concerned. These tables imply expected future lifetimes (in years) for employees aged 65 as at the 31 December 2011 of 18 to 24 for males (2010: 18 to 24) and 20 to 25 (2010: 22 to 25) for females. The assumptions for each country are reviewed each year and are adjusted where necessary to reflect changes in fund experience and actuarial recommendations.

The Group expects to make a contribution of $ 26 million (2010: $ 27 million) to the defined benefit plans during the next financial year.

Summary historical information:

| US $ million | Present value of defined benefit obligation | Fair value of plan assets |
|---|---|---|
| 2009 | 363 | 232 |
| 2008 | 324 | 190 |
| 2007 | 370 | 260 |

## 21. ACCOUNTS PAYABLE

| US $ million | 2011 | 2010 |
|---|---|---|
| Trade payables | 14 523 | 12 278 |
| Trade advances from buyers | 852 | 634 |
| Associated companies | 1 511 | 1 788 |
| Other payables and accrued liabilities | 1 274 | 1 273 |
| **Total** | **18 160** | **15 973** |

## 22. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

### 2011

*Acquisitions*

During 2011, Glencore acquired interests in various businesses, the most significant being Umcebo Mining (Pty) Ltd ("Umcebo"). The net cash used in the acquisition of subsidiaries and the fair value of the assets acquired and liabilities assumed at the date of acquisition are detailed below:

| US $ million | Umcebo[1] | Other | Total |
|---|---|---|---|
| Property, plant and equipment | 555 | 220 | 775 |
| Intangible assets | 0 | 13 | 13 |
| Investments in Associates | 10 | 0 | 10 |
| Loans and advances [2] | 30 | 6 | 36 |
| Inventories | 10 | 13 | 23 |
| Accounts receivable [2] | 34 | 19 | 53 |
| Cash and cash equivalents | 4 | 14 | 18 |
| Non controlling interest | – 208 | – 7 | – 215 |
| Non current borrowings | – 57 | – 12 | – 69 |
| Deferred tax liabilities | – 118 | – 3 | – 121 |
| Provisions | – 53 | – 4 | – 57 |
| Accounts payable | – 84 | – 28 | – 112 |
| Current borrowings | 0 | – 7 | – 7 |
| **Total fair value of net assets acquired** | **123** | **224** | **347** |
| Goodwill arising on acquisition [3] | 0 | 36 | 36 |
| Less: cash and cash equivalents acquired | 4 | 14 | 18 |
| Less: contingent consideration [4] | 0 | 15 | 15 |
| **Net cash used in acquisition of subsidiaries** | **119** | **231** | **350** |

[1] The fair values are provisional due to the complexity of the valuation process. The finalisation of the fair value of the assets and liabilities acquired will be completed within 12 months of the acquisition.
[2] Represents the gross contractual amount for loans and advances and accounts receivable.
[3] None of the goodwill arising on acquisition is deductible for tax purposes.
[4] The contingent consideration related to the purchase of assets of OceanConnect ranges between $ 5 million and $ 15 million based on future earnings of the business acquired.

*Umcebo*

In December 2011, in order to increase its South African coal market presence, Glencore completed the acquisition of a 43.7% stake in Umcebo, an unlisted South African coal mining company, for $ 123 million cash consideration. Although Glencore holds less than 50% of the voting rights, it has the ability to exercise control over Umcebo as the shareholder agreements allow Glencore to control the Board of Directors through the ability to appoint half of the Directors and the CEO, who has the casting vote in respect of the financial and operating policies of Umcebo. The acquisition was accounted for as a business combination with the non controlling interest being measured at its percentage of net assets acquired.

If the acquisition had taken place effective 1 January 2011, the operation would have contributed revenue of $ 309 million and a loss before attribution of $ 3 million. Glencore's share of income and revenue from the date of these acquisitions amounted to $ nil million due to the fact that the acquisition was completed in late December 2011.

*Other*

Other comprises primarily acquisitions of 100% interest of crushing plants in the Czech Republic and 90.7% interest of crushing plants in Poland for cash consideration of $ 82 million and $ 71 million, respectively, a 100% interest in Sable Zinc Kabwe Limited, a Zambian metal-processing plant for cash consideration of $ 29 million and certain assets related to the business of OceanConnect for total consideration of $ 30 million. The goodwill recognised in connection with these acquisitions principally related to OceanConnect.

If these acquisitions had taken place effective 1 January 2011, the operations would have contributed revenue of $ 104 million and a loss before attribution of $ 19 million. Glencore's share of revenue and loss from the date of these acquisitions amounted to $ 1,321 million and $ 9 million, respectively.

*Acquisition subsequent to the year ended 31 December 2011*

On 14 March 2012, Glencore received the applicable regulatory approvals to complete the acquisition of an additional 28.5% interest in Optimum for cash consideration of $ 358 million as originally agreed, based on the foreign exchange rates prevailing on 26 March 2011. This increases Glencore's total ownership interest to 59.7% and provides Glencore with the ability to exercise control over Optimum through control over 50% of the voting rights. As a result, beginning on the acquisition date, Glencore will consolidate Optimum which reported total assets and liabilities of $ 1,437 million and $ 564 million, respectively as at 31 December 2011 and will recognise a loss of $ 19 million resulting from the fair value adjustment of the equity interest held by Glencore at the date of acquisition. The transaction closed on 26 March 2012.

Optimum is a South African coal mining company listed on the Johannesburg Stock Exchange. The transaction further increases Glencore's presence in the South African coal market. Due to the timing of the transaction, management is in the preliminary stages of determining values of the assets and liabilities acquired and the associated accounting for the acquisition. Accordingly, certain disclosures relating to the business combination such as the fair value of net assets acquired have not been presented.

## 2010

*Acquisitions*

During 2010, Glencore acquired controlling interests in various businesses, the most significant being Vasilkovskoye Gold, Chemoil Energy Limited (Chemoil) and Pacorini. The net cash used in the acquisition of subsidiaries and the fair value of the assets acquired and liabilities assumed at the date of acquisition are detailed below:

| US $ million | Vasilkovskoye | Chemoil | Pacorini | Other [1] | Total |
|---|---|---|---|---|---|
| Property, plant and equipment | 2 855 | 519 | 0 | 280 | 3 654 |
| Investments in Associates | 0 | 69 | 0 | 0 | 69 |
| Inventories | 44 | 317 | 0 | 93 | 454 |
| Accounts receivable | 103 | 703 | 0 | 76 | 882 |
| Cash and cash equivalents | 13 | 108 | 0 | 11 | 132 |
| Assets held for sale | 0 | 0 | 277 | 0 | 277 |
| Non controlling interest | – 947 | – 230 | 0 | – 55 | – 1 232 |
| Non current borrowings | – 14 | – 166 | 0 | – 61 | – 241 |
| Deferred tax liabilities | – 365 | – 96 | 0 | 0 | – 461 |
| Accounts payable | – 81 | – 493 | 0 | – 212 | – 786 |
| Current borrowings | 0 | – 494 | 0 | – 10 | – 504 |
| Liabilities held for sale | 0 | 0 | – 68 | – 0 | – 68 |
| **Total fair value of net assets acquired** | **1 608** | **237** | **209** | **122** | **2 176** |
| Less: amounts previously recognised through investments and loans | 1 403 | 0 | 0 | 17 | 1 420 |
| Less: cash and cash equivalents acquired | 13 | 108 | 0 | 11 | 132 |
| **Net cash used in acquisition of subsidiaries** | **192** | **129** | **209** | **94** | **624** |

[1] Includes the acquisitions of a 76% interest in Rio Vermelho, a 60% interest in Biopetrol Industries AG and a 100% interest in Minera Altos de Punitaqui.

*Vasilkovskoye*

In February 2010, Kazzinc purchased the remaining 60% of Vasilkovskoye Gold, a gold development company, that it did not previously own for $ 1,140 million to enhance its existing gold production base. The acquisition was funded through the payment of $ 205 million and the issuance of new Kazzinc shares which resulted in Glencore's ultimate ownership in Kazzinc being diluted from 69% to 50.7% (without a loss of control). The dilution resulted in a loss of $ 99 million which has been recognised in reserves (see note 13). Prior to acquisition, Kazzinc owned a 40% interest in Vasilkovskoye Gold which, at the date of acquisition, was revalued to its fair value of $ 760 million and as a result, a net gain of $ 462 million was recognised in other income (see note 3). The acquisition was accounted for as a business combination with the non controlling interest being measured at its percentage of net assets acquired determined by using discounted cash flow techniques with a discount rate of 8.5%.

For the period post acquisition, Vasilkovskoye Gold contributed revenue of $ 130 million and a loss before attribution of $ 15 million. If the acquisition had taken place effective 1 January 2010, the operation would have contributed revenue of $ 131 million and a loss before attribution of $ 22 million.

*Chemoil*

In April 2010, Glencore completed the acquisition of a 51.5% stake in Chemoil, a Singapore listed fuel oil storage and supply company, for $ 237 million cash consideration to strengthen its global storage and marketing capabilities. The acquisition was accounted for as a business combination with the non controlling interest being measured at its percentage of net assets acquired.

For the period post acquisition, Chemoil contributed revenue of $ 6,089 million and income before attribution of $ 4 million. If the acquisition had taken place effective 1 January 2010, the operation would have contributed revenue of $ 7,175 million and a loss before attribution of $ 3 million.

*Pacorini*

In September 2010, Glencore acquired the metals warehousing division of the Pacorini Group for $ 209 million in cash to further enhance its presence in the metals warehousing business. As contemplated at the time of the acquisition, Glencore commenced a review of the strategic alternatives to strengthen Glencore's participation in the metals warehousing business, which was expected to result in a merger involving the acquired business and a third party. As a result, the assets and liabilities were classified as held for sale in 2010.

In March 2011 the plan to merge the Pacorini business with a third party was abandoned due to a breakdown in final negotiations and the net assets previously classified as held for sale in 2010 were reclassified to the respective line items in the statement of financial position at depreciated cost (see note 12). Subsequent to this reclassification, the acquisition accounting was finalised as follows:

| US $ million | Provisional fair value as previously reported | Adjustments | Fair value at acquisition |
|---|---|---|---|
| Property, plant and equipment | 0 | 3 | 3 |
| Intangible assets | 0 | 32 | 32 |
| Accounts receivable | 0 | 96 | 96 |
| Cash and cash equivalents | 0 | 21 | 21 |
| Assets held for sale [1] | 277 | – 277 | 0 |
| Non current borrowings | 0 | – 1 | – 1 |
| Deferred tax liabilities [2] | 0 | – 8 | – 8 |
| Accounts payable | 0 | – 62 | – 62 |
| Current borrowings | 0 | – 5 | – 5 |
| Liabilities held for sale [1] | – 68 | 68 | 0 |
| **Total fair value of net assets acquired** | **209** | **– 133** | **76** |
| Goodwill arising on acquisition [2] | 0 | 133 | 133 |
| Less: cash and cash equivalents acquired | 21 | 0 | 21 |
| **Net cash used in acquisition of subsidiaries** | **188** | **0** | **188** |

[1] Assets and liabilities held for sale have been reclassified to the respective line items in the statement of financial position.
[2] $ 37 million of goodwill is expected to be deductible for tax purposes.

*Disposals*
In 2011 and 2010, there were no material disposals of subsidiaries.

## 23. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial risks arising in the normal course of business from Glencore's operations comprise market risk (including commodity price risk, interest rate risk and currency risk), credit risk (including performance risk) and liquidity risk. It is Glencore's policy and practice to identify and, where appropriate and practical, actively manage such risks to support its objectives in managing its capital and future financial security and flexibility. Glencore's overall risk management program focuses on the unpredictability of financial markets and seeks to protect its financial security and flexibility by using derivative financial instruments where possible to substantially hedge these financial risks. Glencore's finance and risk professionals, working in coordination with the commodity departments, monitor, manage and report regularly to senior management, the Audit Committee and ultimately the Board of Directors on the approach and effectiveness in managing financial risks along with the financial exposures facing the Group.

Glencore's objectives in managing its capital (see table below) include preserving its overall financial health and strength for the benefit of all stakeholders, maintaining an optimal capital structure in order to provide a high degree of financial flexibility at an attractive cost of capital and safeguarding its ability to continue as a going concern, while generating sustainable long term profitability. Paramount in meeting these objectives is Glencore's policy to maintain an investment grade rating status. Following the Listing, both S&P (via an upgrade) and Moody's (via stabilisation of outlook) improved their credit ratings on Glencore to BBB (stable) and Baa2 (stable) respectively. Following the Xstrata merger and Viterra acquisition announcements, Glencore's current credit ratings are Baa2 (review with direction uncertain) from Moody's and BBB (watch positive) from S&P.

| US $ million | 2011 | 2010 |
|---|---|---|
| Total net assets attributable to profit participation shareholders, non controlling interests and equity holders | 32 335 | 22 507 |
| Less: non controlling interests | 3 070 | 2 894 |
| **Glencore shareholders' funds** | **29 265** | **19 613** |

### Commodity price risk

Glencore is exposed to price movements for the inventory it holds and the products it produces which are not held to meet priced forward contract obligations and forward priced purchase or sale contracts. Glencore manages a significant portion of this exposure through futures and options transactions on worldwide commodity exchanges or in over the counter (OTC) markets, to the extent available. Commodity price risk management activities are considered an integral part of Glencore's physical commodity marketing activities and the related assets and liabilities are included in other financial assets from and other financial liabilities to derivative counterparties, including clearing brokers and exchanges. Whilst it is Glencore's policy to substantially hedge its commodity price risks, there remains the possibility that the hedging instruments chosen may not always provide effective mitigation of the underlying price risk. The hedging instruments available to the marketing businesses may differ in specific characteristics to the risk exposure to be hedged, resulting in an ongoing and unavoidable basis risk exposure. Residual basis risk exposures represent a key focus point for Glencore's commodity department teams who actively engage in the management of such.

Glencore has entered into futures transactions to hedge the price risk of specific future operating expenditures. These transactions were identified as cash flow hedges. The fair value of these derivatives is as follows:

| | Notional amounts | | Recognised fair values | | |
|---|---|---|---|---|---|
| US $ million | Buy | Sell | Assets | Liabilities | Maturity |
| Commodity futures – 2011 | 0 | 181 | 0 | 101 | 2012 |
| Commodity futures – 2010 | 0 | 187 | 0 | 75 | 2012 |

### Value at risk

One of the tools used by Glencore to monitor and limit its primary market risk exposure, namely commodity price risk related to its physical marketing activities, is the use of a value at risk (VaR) computation. VaR is a risk measurement technique which estimates the potential loss that could occur on risk positions as a result of movements in risk factors over a specified time horizon, given a specific level of confidence. The VaR methodology is a statistically defined, probability based approach that takes into account market volatilities, as well as risk diversification by recognising offsetting positions and correlations between commodities and markets. In this way, risks can be measured consistently across all markets and commodities and risk measures can be aggregated to derive a single risk value. Glencore's Board has set a consolidated VaR limit (1 day 95%) of $ 100 million representing less than 0.5% of Glencore shareholders' funds.

Glencore uses a VaR approach based on Monte Carlo simulations and is computed at a 95% confidence level with a weighted data history using a combination of a one day and one week time horizon.

Position sheets are regularly distributed and monitored and weekly Monte Carlo simulations are applied to the various business groups' net marketing positions to determine potential future exposures. As at 31 December 2011, Glencore's 95%, one day market risk VaR was $ 28 million (2010: $ 58 million). Average market risk VaR (1 day 95%) during 2011 was $ 39 million compared to $ 43 million during 2010.

VaR does not purport to represent actual gains or losses in fair value on earnings to be incurred by Glencore, nor does Glencore claim that these VaR results are indicative of future market movements or representative of any actual impact on its future results. VaR should always be viewed in the context of its limitations; notably, the use of historical data as a proxy for estimating future events, market illiquidity risks and tail risks. Glencore recognises these limitations, and thus complements and continuously refines its VaR analysis by analysing forward looking stress scenarios and back testing calculated VaR against actual movements arising in the next business week.

Glencore's VaR computation currently covers its business in the key base metals (aluminium, nickel, zinc, copper, lead, etc), coal, oil/natural gas and the main risks in the Agricultural products business segment (grain, oilseeds, sugar and cotton) and assesses the open-priced positions which are those subject to price risk, including inventories of these commodities. Due to the lack of a liquid terminal market, Glencore does not include a VaR calculation for products such as alumina or ferroalloy commodities as it does not consider the nature of these markets, nor the Group's underlying exposures to these products to be suited to this type of analysis. Alternative tools have been implemented and are used to monitor exposures related to these products.

### Net present value at risk

Glencore's future cash flows related to its forecast energy, minerals and agricultural production activities are also exposed to commodity price movements. Glencore manages this exposure through a combination of portfolio diversification, occasional shorter term hedging via futures and options transactions, insurance products and continuous internal monitoring, reporting and quantification of the underlying operations' estimated valuations.

### Interest rate risk

Glencore is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its assets and liabilities and cash flows. Matching of assets and liabilities is utilised as the dominant method to hedge interest rate risks. Floating rate debt which is predominantly used to fund fast turning working capital (interest is internally charged on the funding of this working capital) is primarily based on U.S. $ LIBOR plus an appropriate premium. Accordingly, prevailing market interest rates are continuously factored into transactional pricing and terms.

Assuming the amount of floating rate liabilities at the reporting period end were outstanding for the whole year, interest rates were 50 basis points higher/lower and all other variables held constant, Glencore's income and shareholders' funds for the year ended 31 December 2011 would decrease/increase by $ 98 million (2010: decrease/increase by $ 91 million).

### Currency risk

The U.S. Dollar is the predominant functional currency of the Group. Currency risk is the risk of loss from movements in exchange rates related to transactions and balances in currencies other than the U.S. Dollar. Such transactions include operating expenditure, capital expenditure and to a lesser extent purchases and sales in currencies other than the functional currency. Purchases or sales of commodities concluded in currencies other than the functional currency, apart from certain limited domestic sales at industrial operations which act as a hedge against local operating costs, are hedged through forward exchange contracts. Consequently, foreign exchange movements against the U.S. Dollar on recognised transactions would have an immaterial financial impact. Glencore enters into currency hedging transactions with leading financial institutions.

Glencore's debt related payments (both principal and interest) are denominated in or swapped using hedging instruments into U.S. Dollars. Glencore's operating expenses, being a small portion of its revenue base, are incurred in a mix of currencies of which the U.S. Dollar, Swiss Franc, Pound Sterling, Australian Dollar, Euro, Kazakhstan Tenge, Colombian Peso and South African Rand are the predominant currencies.

Glencore has issued Euro, Swiss Franc and Sterling denominated bonds (see note 17). Cross currency swaps were concluded to hedge the currency risk on the principal and related interest payments of these bonds. These contracts were designated as cash flow hedges of the foreign currency risks associated with the bonds. The fair value of these derivatives is as follows:

| | Notional amounts | | Recognised fair values | | Average |
|---|---|---|---|---|---|
| US $ million | Buy | Sell | Assets | Liabilities | maturity[1] |
| Cross currency swap agreements – 2011 | 0 | 6 080 | 0 | 174 | 2015 |
| Cross currency swap agreements – 2010 | 0 | 6 584 | 0 | 185 | 2015 |

[1] Refer to note 17 for details.

### Credit risk

Credit risk arises from the possibility that counterparties may not be able to settle obligations due to Glencore within their agreed payment terms. Financial assets which potentially expose Glencore to credit risk consist principally of cash and cash equivalents, receivables and advances, derivative instruments and non current advances and loans. Glencore's credit management process includes the assessment, monitoring and reporting of counterparty exposure on a regular basis. Glencore's cash equivalents are placed overnight with a diverse group of highly credit rated financial institutions. Credit risk with respect to receivables and advances is mitigated by the large number of customers comprising Glencore's customer base, their diversity across various industries and geographical areas, as well as Glencore's policy to mitigate these risks through letters of credit, netting, collateral and insurance arrangements where appropriate. Additionally, it is Glencore's policy that transactions and activities in trade related financial instruments be concluded under master netting agreements or long form confirmations to enable offsetting of balances due to/from a common counterparty in the event of default by the counterparty. Glencore actively and continuously monitors the credit quality of its counterparties through internal reviews and a credit scoring process, which includes, where available, public credit ratings. Balances with counterparties not having a public investment grade or equivalent internal rating are typically enhanced to investment grade through the extensive use of credit enhancement products, such as letters of credit or insurance products. Glencore has a diverse customer base, with no customer representing more than 3% (2010: 3%) of its trade receivables (on a gross basis taking into account credit enhancements) or accounting for more than 2% of its revenues over the year ended 2011 (2010: 3%).

The maximum exposure to credit risk, without considering netting agreements or without taking account of any collateral held or other credit enhancements, is equal to the carrying amount of Glencore's financial assets plus the guarantees to third parties and Associates (see note 27).

### Performance risk

Performance risk arises from the possibility that counterparties may not be willing or able to meet their future contractual physical sale or purchase obligations to/from Glencore. Glencore undertakes the assessment, monitoring and reporting of performance risk within its overall credit management process. Glencore's market breadth, diversified supplier and customer base as well as the standard pricing mechanism in the majority of Glencore's commodity portfolio which does not fix prices beyond three months, with the main exception being coal and cotton where longer term fixed price contracts are common, ensure that performance risk is adequately mitigated. The commodity industry is continuing a trend towards shorter fixed price contract periods, in part to mitigate against such potential performance risk, but also due to the development of more transparent and liquid spot markets, e.g. coal and iron ore and associated derivative products and indexes.

### Liquidity risk

Liquidity risk is the risk that Glencore is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured or secured basis at an acceptable price to fund actual or proposed commitments. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents through the availability of adequate committed funding facilities. Glencore has set itself an internal minimum liquidity target to maintain at all times, available committed undrawn credit facilities of $ 3 billion (2010: $ 3 billion). Glencore's credit profile, diversified funding sources and committed credit facilities, ensure that sufficient liquid funds are maintained to meet its liquidity requirements. As part of its liquidity management, Glencore closely monitors and plans for its future capital expenditure and proposed investments, as well as credit facility refinancing/extension requirements, well ahead of time.

Certain borrowing arrangements require compliance with specific financial covenants related to working capital, minimum current ratio and a maximum long term debt to tangible net worth ratio. During the period, the Company has complied with these requirements.

As at 31 December 2011, Glencore had available committed undrawn credit facilities, cash and marketable securities amounting to $ 6,831 million (2010: $ 4,220 million). The maturity profile of Glencore's financial liabilities based on the contractual terms is as follows:

| 2011<br>US $ million | After<br>5 years | Due<br>3–5 years | Due<br>2–3 years | Due<br>1–2 years | Due<br>0–1 year | Total |
|---|---|---|---|---|---|---|
| Borrowings | 3 285 | 2 178 | 9 985 | 4 396 | 8 185 | 28 029 |
| Commodities sold with agreements to repurchase | 0 | 0 | 0 | 0 | 39 | 39 |
| Expected future interest payments | 270 | 547 | 768 | 849 | 942 | 3 376 |
| Accounts payable | 0 | 0 | 0 | 0 | 18 160 | 18 160 |
| Other financial liabilities | 0 | 820 | 39 | 394 | 3 551 | 4 804 |
| **Total** | **3 555** | **3 545** | **10 792** | **5 639** | **30 877** | **54 408** |
| Current assets | | | | | 45 731 | 45 731 |

| 2010<br>US $ million | After<br>5 years | Due<br>3–5 years | Due<br>2–3 years | Due<br>1–2 years | Due<br>0–1 year | Total |
|---|---|---|---|---|---|---|
| Borrowings | 4 152 | 4 974 | 7 094 | 2 031 | 11 881 | 30 132 |
| Commodities sold with agreements to repurchase | 0 | 0 | 0 | 0 | 484 | 484 |
| Expected future interest payments | 668 | 949 | 766 | 800 | 834 | 4 017 |
| Accounts payable | 0 | 0 | 0 | 0 | 15 973 | 15 973 |
| Other financial liabilities | 0 | 739 | 288 | 955 | 6 084 | 8 066 |
| Liabilities held for sale | 0 | 0 | 0 | 0 | 45 | 45 |
| **Total** | **4 820** | **6 662** | **8 148** | **3 786** | **35 301** | **58 717** |
| Current assets | | | | | 44 296 | 44 296 |

## 24. FINANCIAL INSTRUMENTS

### Fair value of financial instruments

The following table presents the carrying values and fair values of Glencore's financial instruments. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidated sale. Where available, market values have been used to determine fair values. When market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. The estimated fair values have been determined using market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that Glencore could realise in the normal course of business.

The financial assets and liabilities are presented by class in the tables below at their carrying values, which generally approximate to the fair values. In the case of $ 28,029 million (2010: $ 30,132 million) of borrowings, the fair value at 31 December 2011 is $ 28,247 million (2010: $ 31,476 million).

| 2011<br>US $ million | Carrying value [1] | Available for sale | FVtPL [2] | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Other investments [3] | 0 | 842 | 705 | 1 547 |
| Advances and loans | 4 141 | 0 | 0 | 4 141 |
| Accounts receivable | 21 895 | 0 | 0 | 21 895 |
| Other financial assets | 0 | 0 | 5 065 | 5 065 |
| Cash and cash equivalents and marketable securities | 0 | 0 | 1 345 | 1 345 |
| **Total financial assets** | **26 036** | **842** | **7 115** | **33 993** |
| **Liabilities** | | | | |
| Borrowings | 28 029 | 0 | 0 | 28 029 |
| Commodities sold with agreements to repurchase | 39 | 0 | 0 | 39 |
| Accounts payable | 18 160 | 0 | 0 | 18 160 |
| Other financial liabilities | 0 | 0 | 4 804 | 4 804 |
| **Total financial liabilities** | **46 228** | **0** | **4 804** | **51 032** |

[1] Carrying value comprises investments, loans, accounts receivable, accounts payable and other liabilities measured at amortised cost.
[2] FVtPL – Fair value through profit and loss – held for trading.
[3] Other investments of $ 1,429 million are classified as Level 1 with the remaining balance of $ 118 million classified as Level 3.

| 2010<br>US $ million | Carrying value [1] | Available for sale | FVtPL [2] | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Other investments | 0 | 2 048 | 390 | 2 438 |
| Advances and loans | 3 830 | 0 | 0 | 3 830 |
| Accounts receivable | 18 994 | 0 | 0 | 18 994 |
| Other financial assets | 0 | 0 | 5 982 | 5 982 |
| Cash and cash equivalents and marketable securities | 0 | 0 | 1 529 | 1 529 |
| **Total financial assets** | **22 824** | **2 048** | **7 901** | **32 773** |
| **Liabilities** | | | | |
| Ordinary and hybrid profit participation shareholders | 14 189 | 0 | 0 | 14 189 |
| Borrowings | 30 132 | 0 | 0 | 30 132 |
| Commodities sold with agreements to repurchase | 484 | 0 | 0 | 484 |
| Accounts payable | 15 973 | 0 | 0 | 15 973 |
| Other financial liabilities | 0 | 0 | 8 066 | 8 066 |
| **Total financial liabilities** | **60 778** | **0** | **8 066** | **68 844** |

[1] Carrying value comprises investments, loans, accounts receivable, accounts payable and other liabilities measured at amortised cost.
[2] FVtPL – Fair value through profit and loss – held for trading.

The following tables show the fair values of the derivative financial instruments including trade related financial and physical forward purchase and sale commitments by type of contract as at 31 December 2011 and 2010. Fair values are primarily determined using quoted market prices or standard pricing models using observable market inputs where available and are presented to reflect the expected gross future cash in/outflows. Glencore classifies the fair values of its financial instruments into a three level hierarchy based on the degree of the source and observability of the inputs that are used to derive the fair value of the financial asset or liability as follows:

Level 1 unadjusted quoted inputs in active markets for identical assets or liabilities; or
Level 2 inputs other than quoted inputs included in Level 1 that are directly or indirectly observable in the market; or
Level 3 unobservable market inputs or observable but can not be market corroborated, requiring Glencore to make market based assumptions.

Level 1 classifications primarily include futures with a tenor of less than one year and options that are exchange traded. Level 2 classifications primarily include futures with a tenor greater than one year, over the counter options, swaps and physical forward transactions which derive their fair value primarily from exchange quotes and readily observable broker quotes. Level 3 classifications primarily include physical forward transactions which derive their fair value predominately from models that use broker quotes and applicable market based estimates surrounding location, quality and credit differentials. In circumstances where Glencore cannot verify fair value with observable market inputs (Level 3 fair values), it is possible that a different valuation model could produce a materially different estimate of fair value.

It is Glencore's policy that transactions and activities in trade related financial instruments be concluded under master netting agreements or long form confirmations to enable balances due to/from a common counterparty to be offset in the event of default by the counterparty.

### Other financial assets

| 2011<br>US $ million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Commodity related contracts** | | | | |
| Futures | 2 521 | 528 | 0 | 3 049 |
| Options | 50 | 0 | 0 | 50 |
| Swaps | 67 | 239 | 0 | 306 |
| Physical forwards | 0 | 1 015 | 458 | 1 473 |
| **Financial contracts** | | | | |
| Cross currency swaps | 0 | 76 | 0 | 76 |
| Foreign currency and interest rate contracts | 61 | 50 | 0 | 111 |
| **Total** | **2 699** | **1 908** | **458** | **5 065** |

| 2010<br>US $ million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Commodity related contracts** | | | | |
| Futures | 1 168 | 628 | 0 | 1 796 |
| Options | 106 | 43 | 0 | 149 |
| Swaps | 174 | 471 | 0 | 645 |
| Physical forwards | 0 | 1 744 | 1 374 | 3 118 |
| **Financial contracts** | | | | |
| Cross currency swaps | 0 | 149 | 0 | 149 |
| Foreign currency and interest rate contracts | 45 | 80 | 0 | 125 |
| **Total** | **1 493** | **3 115** | **1 374** | **5 982** |

### Other financial liabilities

| 2011<br>US $ million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Commodity related contracts** | | | | |
| Futures | 1 643 | 758 | 0 | 2 401 |
| Options | 61 | 51 | 25 | 137 |
| Swaps | 31 | 372 | 0 | 403 |
| Physical forwards | 0 | 590 | 416 | 1 006 |
| **Financial contracts** | | | | |
| Cross currency swaps | 0 | 766 | 0 | 766 |
| Foreign currency and interest rate contracts | 76 | 15 | 0 | 91 |
| **Total** | **1 811** | **2 552** | **441** | **4 804** |

| 2010<br>US $ million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Commodity related contracts** | | | | |
| Futures | 2 786 | 1 356 | 0 | 4 142 |
| Options | 25 | 70 | 99 | 194 |
| Swaps | 295 | 489 | 0 | 784 |
| Physical forwards | 0 | 1 199 | 1 019 | 2 218 |
| **Financial contracts** | | | | |
| Cross currency swaps | 0 | 660 | 0 | 660 |
| Foreign currency and interest rate contracts | 37 | 31 | 0 | 68 |
| **Total** | **3 143** | **3 805** | **1 118** | **8 066** |

The following table shows the net changes in fair value of Level 3 other financial assets and other financial liabilities:

| US $ million | Swaps | Physical forwards | Options | Total Level 3 |
|---|---|---|---|---|
| **1 January 2010** | **– 1** | **681** | **– 88** | **592** |
| Total gain/(loss) recognised in cost of goods sold | 2 | – 209 | – 58 | – 265 |
| Sales | 0 | 0 | – 41 | – 41 |
| Realised | – 1 | – 117 | 88 | – 30 |
| **31 December 2010** | **0** | **355** | **– 99** | **256** |
| | | | | |
| **1 January 2011** | **0** | **355** | **– 99** | **256** |
| Total gain/(loss) recognised in cost of goods sold | 0 | – 269 | 1 | – 268 |
| Sales | 0 | 0 | 0 | 0 |
| Realised | 0 | – 44 | 73 | 29 |
| **31 December 2011** | **0** | **42** | **– 25** | **17** |

## 25. AUDITORS' REMUNERATION

| US $ million | 2011 | 2010 |
|---|---|---|
| Remuneration in respect of the audit of Glencore's consolidated financial statements | 3 | 3 |
| Other audit fees, primarily in respect of audits of accounts of subsidiaries | 13 | 11 |
| **Total audit fees** | **16** | **14** |
| Audit-related assurance services | 2 | 1 |
| Corporate finance services [1] | 12 | 7 |
| Taxation compliance services | 2 | 1 |
| Other taxation advisory services | 1 | 1 |
| Other services | 1 | 1 |
| **Total non-audit fees** | **18** | **11** |
| **Total professional fees** | **34** | **25** |

[1] Included within corporate finance services is $ 9 million (2010: $ 6 million) of professional fees related directly to the auditors role as Reporting Accountant in connection with the Listing. The expenses have been classified as Listing related expenses (see note 13).

## 26. FUTURE COMMITMENTS

Capital expenditure for the acquisition of property, plant and equipment is generally funded through the cash flow generated by the respective industrial entities. As at 31 December 2011, $ 884 million (2010: $ 787 million), of which 92% (2010: 100%) relates to expenditure to be incurred over the next year, was contractually committed for the acquisition of property, plant and equipment.

Certain of Glencore's exploration tenements and licenses require it to spend a minimum amount per year on development activities, a significant portion of which would have been incurred in the ordinary course of operations. As at 31 December 2011, $ 549 million (2010: $ 404 million) of such development expenditures are to be incurred, of which 57% (2010: 36%) are for commitments to be settled over the next year.

Glencore procures seagoing vessel/chartering services to meet its overall marketing objectives and commitments. At year end, Glencore has committed to future hire costs to meet future physical delivery and sale obligations and expectations of $ 2,171 million (2010: $ 2,608 million) of which $ 570 million (2010: $ 325 million) are with associated companies. 50% (2010: 50%) of these charters are for services to be received over the next 2 years.

As part of Glencore's ordinary sourcing and procurement of physical commodities and other ordinary marketing obligations, the selling party may request that a financial institution act as either a) the paying party upon the delivery of product and qualifying documents through the issuance of a letter of credit or b) the guarantor by way of issuing a bank guarantee accepting responsibility for Glencore's contractual obligations. As at 31 December 2011, $ 8,642 million (2010: $ 8,956 million) of such commitments have been issued on behalf of Glencore, which will generally be settled simultaneously with the payment for such commodity.

Glencore has entered into various operating leases mainly as lessee for office and warehouse/storage facilities. Rental expenses for these leases totalled respectively $ 77 million and $ 66 million for the years ended 31 December 2011 and 2010. Future net minimum lease payments under non cancellable operating leases are as follows:

| US $ million | 2011 | 2010 |
|---|---|---|
| Within 1 year | 76 | 97 |
| Between 2 and 5 years | 147 | 225 |
| After 5 years | 120 | 151 |
| **Total** | **343** | **473** |

Glencore has entered into finance leases for various plant and equipment items, primarily vessels and machinery. Future net minimum lease payments under finance leases together with the future finance charges are as follows:

| US $ million | Undiscounted minimum lease payments 2011 | Undiscounted minimum lease payments 2010 | Present value of minimum lease payments 2011 | Present value of minimum lease payments 2010 |
|---|---|---|---|---|
| Within 1 year | 50 | 5 | 39 | 4 |
| Between 2 and 5 years | 197 | 23 | 164 | 18 |
| After 5 years | 136 | 95 | 114 | 45 |
| **Total minimum lease payments** | **383** | **123** | **317** | **67** |
| Less: amounts representing finance lease charges | 66 | 56 | | |
| **Present value of minimum lease payments** | **317** | **67** | **317** | **67** |

### Future development and related commitments

#### Kazzinc

In April 2011, Glencore agreed to acquire additional stakes in Kazzinc. Upon closing, these purchases will increase Glencore's ownership from 50.7% to 93.0% for a total transaction consideration of $ 2.2 billion in cash and $ 1.0 billion in equity based on the Listing price (116.8 million shares). Glencore and seller are currently targeting an agreed Q3 2012 completion date.

#### Kansuki

In August 2010, Glencore acquired an ultimate 37.5% interest in the Kansuki concession (Kansuki), a 185 square kilometre copper and cobalt pre-development project which borders Glencore's partly owned Mutanda concession in the DRC. In exchange, Glencore has a) an obligation to finance the first $ 400 million of development related expenditures, if any, as and when such expenditure is incurred, b) the right to operate the operations and c) a life of mine off-take agreement for all copper and cobalt produced by Kansuki. In addition, one of the partners in Kansuki has the right to sell an additional 18.75% ultimate interest to Glencore at the then calculated equity value of the operation, at the earlier of the date the operation produces a minimum annual 70,000 tonnes of copper and August 2013. A total of $ 135 million of capital expenditure for mine and plant development has been committed of which $ 103 million has been spent. Exploration of the Kansuki concession is ongoing. Discussions with respect to a potential combination of the Mutanda and Kansuki operations are ongoing, with a view to ultimately obtaining a majority stake in the merged entity.

#### Prodeco

Prodeco currently exports the majority of its coal through Puerto Prodeco which operates under a private concession awarded by the Colombian government. This concession expired in March 2009, however the Colombian government has continued to grant Prodeco the right to use the port under annual lease agreements. To comply with new government regulations on loading methods, which became effective from July 2010 and to alleviate itself from the uncertainty of the annual concession renewal process associated with Puerto Prodeco, Prodeco has commenced construction of a new, wholly owned, port facility (Puerto Nuevo) which is estimated to cost $ 567 million and be commissioned over the first half of 2013. If the concession does not continue to be extended, Prodeco's export capability could be curtailed, which would significantly impact operations until Puerto Nuevo is operational. As at 31 December 2011, $ 246 million of the estimated initial investment has been incurred and $ 157 million has been contractually committed and is included in the capital expenditure commitments disclosure above.

#### Rosh Pinah Zinc Corporation (Proprietary) Limited

In December 2011, Glencore entered into an agreement to acquire an 80.1% interest in Rosh Pinah, an underground zinc/lead mine in south-western Namibia for total consideration of approximately $ 175 million. As at 31 December 2011, $ 47 million have been placed in escrow (see note 11). Closing is subject to the receipt of applicable regulatory approvals which are expected in 2012.

## 27. CONTINGENT LIABILITIES

The amount of corporate guarantees in favour of associated and third parties as at 31 December 2011, was $ 53 million (2010: $ 69 million). Also see note 7.

### Litigation

Certain legal actions, other claims and unresolved disputes are pending against Glencore. Whilst Glencore cannot predict the results of any litigation, it believes that it has meritorious defenses against those actions or claims. Glencore believes the likelihood of any material liability arising from these claims to be remote and that the liability, if any, resulting from any litigation will not have a material adverse effect on its consolidated income, financial position or cashflows.

### Environmental contingencies

Glencore's operations, mainly those arising from the ownership in industrial investments, are subject to various environmental laws and regulations. Glencore is in material compliance with those laws and regulations. Glencore accrues for environmental contingencies when such contingencies are probable and reasonably estimable. Such accruals are adjusted as new information develops or circumstances change. Recoveries of environmental remediation costs from insurance companies and other parties are recorded as assets when the recoveries are virtually certain. At this time, Glencore is unaware of any material environmental incidents at its locations.

### Bolivian constitution

In 2009 the Government of Bolivia enacted a new constitution. One of the principles of the constitution requires mining entities to form joint ventures with the government. Glencore, through its subsidiary Sinchi Wayra, has, in good faith, entered into negotiations with the Bolivian government regarding this requirement. Whilst progress has been made, the final outcome and the timing thereof cannot be determined at this stage.

## 28. RELATED PARTY TRANSACTIONS

In the normal course of business, Glencore enters into various arm's length transactions with related parties (including Xstrata and Century), including fixed price commitments to sell and to purchase commodities, forward sale and purchase contracts, agency agreements and management service agreements. Outstanding balances at period end are unsecured and settlement occurs in cash (see notes 8, 10, 13 and 21). There have been no guarantees provided or received for any related party receivables or payables.

All transactions between Glencore and its subsidiaries are eliminated on consolidation along with any unrealised profits and losses between its subsidiaries and Associates. Glencore entered into the following transactions with its Associates:

| US $ million | 2011 | 2010 |
|---|---|---|
| Sales | 1 666 | 1 086 |
| Purchases | – 10 414 | – 9 472 |
| Interest income | 42 | 34 |
| Interest expense | – 1 | – 1 |
| Agency income | 69 | 82 |
| Agency expense | 0 | – 5 |

### Remuneration of key management personnel

The remuneration of Directors and other members of key management personnel recognised in the statement of income including salaries and other current employee benefits amounted to $ 170 million (2010: $ 146 million). Immediately prior to the Listing, Glencore implemented a Restructuring whereby $ 6,130 million of PPS and HPPS amounts owing to the Directors and other members of key management personnel were settled in exchange for new ordinary shares (see note 13). Further details on remuneration of Directors is set out in the Directors' Remuneration report on pages 91–96.

## 29. SUBSEQUENT EVENTS

Subsequent to year end, the following significant events occurred:

- On 7 February 2012, Glencore announced its intention to acquire an additional 37.5% stake in Chemoil for cash consideration of $ 174 million. The transaction is expected to close in Q2 2012.
- On 7 February 2012, the Glencore Directors and the Independent Xstrata Directors announced that they had reached an agreement on the terms of a recommended all-share merger (the "Merger") of equals of Glencore and Xstrata to create a unique $ 90 billion natural resources group. The terms of the Merger provide Xstrata shareholders with 2.8 newly issued shares in Glencore for each Xstrata share held. The Merger is to be effected by way of a Court sanctioned scheme of arrangement of Xstrata under Part 26 of the UK Companies Act, pursuant to which Glencore will acquire the entire issued and to be issued ordinary share capital of Xstrata not already owned by the Glencore Group. The Merger is subject to shareholder, anti-trust and regulatory approvals.
- On 14 March 2012, Glencore received the applicable regulatory approvals to complete the acquisition of an additional 28.5% interest in Optimum as originally agreed. See note 22 for more information.
- On 20 March 2012, Glencore signed a definitive agreement pursuant to which it has agreed to acquire all of the issued and outstanding shares of Viterra for CAD 16.25 per share in cash by way of a court approved plan of arrangement. The transaction values Viterra's equity at approximately CAD 6.1 billion on a fully diluted basis. At the same time, Glencore has entered into agreements with each of Agrium and Richardson International which provide for the sale of certain assets of Viterra including assets which comprise a majority of Viterra's Canadian operations for a total cash consideration of CAD 2.6 billion, subject to specified purchase price adjustments, including payment for working capital. Completion of the transaction is subject to customary closing conditions, including receipt of court, shareholder and regulatory approvals and the absence of material adverse change. The transaction is expected to close during third quarter of 2012.

## 30. LIST OF PRINCIPAL OPERATING, FINANCE AND INDUSTRIAL SUBSIDIARIES AND INVESTMENTS

| | Method of consolidation in 2011 [1] | Country of incorporation | % interest 2011 | % interest 2010 | Main activity |
|---|---|---|---|---|---|
| Glencore International plc | P | Jersey | | | |
| Glencore International AG | F | Switzerland | 100.0 | n.a. | Operating |
| Glencore AG | F | Switzerland | 100.0 | 100.0 | Operating |
| Allied Alumina Inc. (Sherwin Alumina) | F | United States | 100.0 | 100.0 | Alumina production |
| Century Aluminum Company [2] | E | United States | 46.4 | 44.0 | Aluminium production |
| Glencore Funding LLC | F | United States | 100.0 | 100.0 | Finance |
| Glencore UK Ltd | F | U.K. | 100.0 | 100.0 | Operating |
| Glencore Commodities Ltd | F | U.K. | 100.0 | 100.0 | Operating |
| Glencore Energy UK Ltd | F | U.K. | 100.0 | 100.0 | Operating |
| Glencore Group Funding Limited | F | UAE | 100.0 | 100.0 | Finance |
| Glencore Finance (Bermuda) Ltd | F | Bermuda | 100.0 | 100.0 | Finance |
| AR Zinc Group | F | Argentina | 100.0 | 100.0 | Zinc/Lead production |
| Boundary Ventures Limited [3] | E | Burkina Faso | 55.7 | 0.0 | Zinc development |
| Empresa Minera Los Quenuales S.A. | F | Peru | 97.5 | 97.1 | Zinc/Lead production |
| Glencore Exploration (EG) Ltd. | F | Bermuda | 100.0 | 100.0 | Oil exploration/development |
| Glencore Finance (Europe) S.A. | F | Luxembourg | 100.0 | 100.0 | Finance |
| Kansuki Group | E | DRC | 37.5 | 37.5 | Copper production |
| Minera Altos de Punitaqui | F | Chile | 100.0 | 100.0 | Copper production |
| Mopani Copper Mines plc | F | Zambia | 73.1 | 73.1 | Copper production |
| Mutanda Group | E | DRC | 40.0 | 40.0 | Copper production |
| Prodeco Group | F | Colombia | 100.0 | 100.0 | Coal production |
| Recylex S.A. | E | France | 32.2 | 32.2 | Zinc/Lead production |
| Sinchi Wayra Group | F | Bolivia | 100.0 | 100.0 | Zinc/Tin production |
| United Company Rusal Limited | O | Jersey | 8.8 | 8.8 | Aluminium production |
| Finges Investment B.V. | F | Netherlands | 100.0 | 100.0 | Finance |
| Biopetrol Industries AG [4] | F | Switzerland | 60.3 | 60.3 | Biodiesel production |
| Glencore Grain B.V. | F | Netherlands | 100.0 | 100.0 | Operating |
| Nyrstar N.V. | O | Belgium | 7.8 | 7.8 | Zinc/Lead production |
| Optimum Coal Holdings Limited | E | South Africa | 31.2 | 0.0 | Coal production |
| Pannon Vegetable Oil Manufacturing | F | Hungary | 100.0 | 100.0 | Vegetable oil production |
| Rio Vermelho | F | Brazil | 100.0 | 76.0 | Sugar cane/ethanol production |
| Sable Zinc Kabwe Limited | F | Zambia | 100.0 | 0.0 | Copper production |
| Umcebo Mining (Pty) Ltd [5] | F | South Africa | 43.7 | 0.0 | Coal production |
| Usti Oilseed Group | F | Czech Republic | 100.0 | 0.0 | Edible oil production |
| Xstrata plc | E | U.K. | 34.5 | 34.5 | Diversified production |
| Zaklady Tluszczowe w Bodaczowie | F | Poland | 90.7 | 0.0 | Edible oil production |
| Chemoil Energy Limited [6] | F | Hong Kong | 51.5 | 51.5 | Oil storage and bunkering |
| Cobar Group | F | Australia | 100.0 | 100.0 | Copper production |
| Glencore Singapore Pte Ltd | F | Singapore | 100.0 | 100.0 | Operating |
| Kazzinc Ltd. | F | Kazakhstan | 50.7 | 50.7 | Zinc/Lead/Copper production |
| Vasilkovskoye Gold | F | Kazakhstan | 100.0 | 100.0 | Gold production |

[1] P = Parent; F = Full consolidation; E = Equity method; O = Other investment
[2] Represents Glencore's economic interest in Century, comprising 41.6% (2010: 39.1%) voting interest and 4.8% (2010: 4.9%) non voting interest.
[3] Although Glencore holds more than 50% of the voting rights, it does not have the ability to exercise control over Boundary Ventures as a result of shareholder agreements which provide for joint control over the governance of the financial and operating policies.
[4] Publicly traded on the Frankfurt Stock Exchange under the symbol A0HNQ5. Glencore owns 46,812,601 shares.
[5] Although Glencore holds less than 50% of the voting rights, it has the ability to exercise control over Umcebo as a result of shareholder agreements which provide Glencore the ability to control the Board of Directors.
[6] Publicly traded on the Singapore Exchange under the symbol CHEL.SI. Glencore owns 666,204,594 shares.

| | Method of consolidation in 2011 | Country of incorporation | % interest 2011 | % interest 2010 | Main activity |
|---|---|---|---|---|---|
| Katanga Mining Limited[7] | F | Bermuda | 75.2 | 74.4 | Copper production |
| Murrin Murrin Group | F | Australia | 100.0 | 82.4 | Nickel production |
| Moinho Agua Branca S.A. | F | Brazil | 97.0 | 97.0 | Wheat flour milling |
| Moreno Group | F | Argentina | 100.0 | 100.0 | Edible oils production |
| Pacorini Group | F | Switzerland | 100.0 | 100.0 | Metals warehousing |
| Pasar Group | F | Philippines | 78.2 | 78.2 | Copper production |
| Polymet Mining Corp. | E | Canada | 24.1 | 6.3 | Copper production |
| Portovesme S.r.L. | F | Italy | 100.0 | 100.0 | Zinc/Lead production |
| Renova S.A. | E | Argentina | 33.5 | 33.3 | Vegetable oil production |
| Russneft Group (various companies)[8] | O | Russia | 40.0–49.0 | 40.0–49.0 | Oil production |
| Shanduka Coal (Pty) Ltd | F | South Africa | 70.0 | 70.0 | Coal production |
| ST Shipping & Transport Pte Ltd | F | Singapore | 100.0 | 100.0 | Operating |
| Topley Corporation | F | B.V.I. | 100.0 | 100.0 | Ship owner |
| Volcan Compania Minera S.A.A. | O | Peru | 6.9 | 4.1 | Zinc production |

[7] Publicly traded on the Toronto Stock Exchange under the symbol KAT.TO. Glencore owns 1,433,702,634 shares.
[8] Although Glencore holds more than 20% of the voting rights, it has limited key management influence and thus does not exercise significant influence.


KAMOTO COPPER
COMPANY

# ADDITIONAL INFORMATION

5 | Additional information

# 5.1 | Glossary

## AVAILABLE COMMITTED LIQUIDITY

| US $ million | 2011 | 2010 |
|---|---|---|
| Cash and cash equivalents and marketable securities | 1 345 | 1 529 |
| Headline committed syndicated revolving credit facilities | 11 905 | 10 260 |
| Amount drawn under syndicated revolving credit facilities | – 5 907 | – 7 259 |
| Amount drawn under U.S. commercial paper program | – 512 | – 310 |
| Total | 6 831 | 4 220 |

## ADJUSTED CURRENT RATIO
Current assets over current liabilities, both adjusted to exclude other financial liabilities.

## ADJUSTED EBIT/EBITDA

| US $ million | 2011 | 2010 |
|---|---|---|
| Revenue | 186 152 | 144 978 |
| Cost of goods sold | – 181 938 | – 140 467 |
| Selling and administrative expenses | – 857 | – 1 063 |
| Share of income from associates and jointly controlled entities | 1 972 | 1 829 |
| Dividend income | 24 | 13 |
| Share of Associates' exceptional items | 45 | 0 |
| Adjusted EBIT | 5 398 | 5 290 |
| Depreciation and amortisation | 1 066 | 911 |
| Adjusted EBITDA | 6 464 | 6 201 |

## CURRENT CAPITAL EMPLOYED
Current capital employed is current assets, presented before assets held for sale, less accounts payable, other financial liabilities, current provisions and income tax payable.

## COPPER EQUIVALENT
Glencore has adopted a copper equivalent measure to assist in analysing and evaluating across its varied commodity portfolio. The copper equivalent measure is determined by multiplying the volumes of the respective commodity produced or marketed by the ratio of the respective commodity's average price over the average copper price in the prevailing period.

## GLENCORE NET INCOME
Income before attribution less attribution to non controlling interests.

## GLENCORE SHAREHOLDERS' FUNDS
Total net assets attributable to profit participation shareholders, non controlling interests and equity holders less non controlling interests.

## READILY MARKETABLE INVENTORIES
Readily marketable inventories are readily convertible into cash due to their very liquid nature, widely available markets and the fact that the price risk is covered either by a physical sale transaction or hedge transaction on a commodity exchange or with a highly rated counterparty.

# 5.2 | Shareholder information

Glencore International plc is registered in Jersey, with headquarters in Switzerland and operations around the world.

| | |
|---|---|
| Headquarters | Baarermattstrasse 3<br>P.O. Box 777<br>CH-6341 Baar<br>Switzerland |
| Registered Office | Queensway House<br>Hilgrove Street<br>St Helier<br>Jersey<br>JE1 1ES |

The company has a primary quote on the London Stock Exchange (LSE) and a secondary quote on the Hong Kong Stock Exchange (HKEx).

| | |
|---|---|
| London Stock Exchange (LSE)<br>Reuters Code: GLEN.L<br>Bloomberg Code: GLEN LN<br>ISIN: JE00B4T3BW64<br>Sedol Number: LON B4T3BW6 | Hong Kong Stock Exchange (HKEx)<br>Reuters Code: 0805.HK<br>Bloomberg Code: 805<br>ISIN: JE00B4T3BW64<br>Sedol Number: XHKG B3NFYS8 |

| | |
|---|---|
| Share registrar | Computershare Investor Services (Jersey) Limited<br>Queensway House<br>Hilgrove Street<br>St Helier, Jersey<br>JE1 1ES<br>Channel Islands<br>Tel.: +44 (0) 870 707 4040<br><br>Computershare Hong Kong Investor Services Limited<br>Hopewell Centre 46th Floor<br>183 Queen's Road East<br>Wan Chai<br>Hong Kong<br>Tel.: +852 2862 8628 |
| Enquiries | Company Secretary<br>John Burton<br>john.burton@glencore.com<br><br>Assistant Company Secretary<br>Ivy Chan<br>ivy.chan@glencore.com |
| | Glencore International plc<br>Baarermattstrasse 3<br>CH-6340 Baar<br>Switzerland<br>Tel.: +41 41 709 2000<br>Fax: +41 41 709 3000<br>E-mail: info@glencore.com |

Forward looking statements

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By their nature, forward looking statements involve known and unknown risks and uncertainties, many of which are beyond Glencore's control. Forward looking statements are not guarantees of future performance and may and often do differ materially from actual results. Important factors that could cause these uncertainties include, but are not limited to, those discussed under "Principal risks and uncertainties" in section 1.7 of this document.

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