SECTION IV: OPERATING AND FINANCIAL REVIEW

The following discussion of Glencore's financial condition and results of operations should be read in conjunction with Section I: "Information on Glencore", Section XIII: "Information on Commodities" and Glencore's historical financial information as of and for the years ended 31 December 2008, 31 December 2009 and 31 December 2010, including the schedules and notes thereto and the reports thereon, which appear in Section VI: "Historical Financial Information". The historical financial information referred to in this discussion has been prepared in accordance with IFRS as explained in Section VI: "Historical Financial Information". The financial information considered below has been extracted from Section VI: "Historical Financial Information".

The following discussion of Glencore's results of operations and financial conditions contains forward-looking statements. Glencore's actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly in "Risk Factors" and "Information regarding forward-looking statements" in "Presentation of Information".

Overview

Glencore is a leading integrated producer and marketer 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. Glencore's industrial, geographical, commodity, supplier and customer diversity, in combination with its long-term supplier and customer relationships, has enabled Glencore to operate profitably even during periods in which a particular commodity, industry, customer or geographic region may be experiencing some weakness. In addition, Glencore's marketing operations are less correlated to commodity prices than its industrial operations, which makes Glencore's earnings less volatile than those of producers of metals and mining products and energy products that do not also have marketing and logistics operations.

As a marketer, Glencore is able to differentiate itself from other production entities as, in addition to focusing on minimising costs and maximising operational efficiencies, Glencore focuses on maximising returns from 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, its extensive customer base, strong market position and penetration in more 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.

Glencore's consolidated revenues for the years ended 31 December 2009 and 31 December 2010 were U.S.$106,364 million and U.S.$144,978 million, and its income before attribution for the years ended 31 December 2009 and 31 December 2010 were U.S.$1,729 million and U.S.$4,106 million. As at 31 December 2010, Glencore's total assets amounted to U.S.$79,787 million. Measured by revenues, Glencore believes it was one of the world's largest privately held companies during this period.

In relation to its addressable market, Glencore believes it is one of the world's largest physical suppliers of third party sourced commodities in respect of the majority of the metals and minerals which it markets, among the world's largest non-integrated physical suppliers of crude oil and oil products, as well as the world's largest participant in the supply of seaborne steam coal, including attribution of the volumes under a number of exclusive advisory and agency arrangements with, amongst others, its associate company Xstrata. Glencore believes it is among the world's leading suppliers of sugar and one of the leading exporters of grain from Europe, the CIS and Australia.

Prior to UK Admission, Glencore will complete the Restructuring whereby the holding companies of the Glencore Group will be reorganised for the purposes of listing on the London and Hong Kong Stock Exchanges.

Basis of presentation

Unless indicated otherwise, financial information in this Prospectus has been prepared in accordance with IFRS issued by the International Accounting Standards Board (the "IASB") and as adopted for use in the EU. Glencore has adopted all of the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (the "IFRIC") and as adopted by the EU that are relevant to its operations and effective for accounting periods beginning on 1 January 2010 and that are expected to be applied for the accounting period beginning on 1 January 2011. In addition, Glencore adopted IFRS 8 "Operating Segments" which requires disclosure of certain information relating to Glencore's operating segments pending the filing of its financial statements with a securities commission for the purpose of issuing shares to the public. The adoption of these new and revised Standards and Interpretations did not have a material impact on the recognition and measurement of reported amounts.

Segmental reporting

Glencore conducts its operations through three business segments: Metals and Minerals, Energy Products and Agricultural Products. For further details on each business segment, see Section I: "Information on Glencore".

- The Metals and Minerals business segment focuses on the following commodity departments: zinc/copper/lead, alumina/aluminium and ferroalloys/nickel/cobalt/iron ore. In addition, the business segment also markets some gold, silver, tin and other by-products such as sulphuric acid. 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 the following commodity departments: oil 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.
- The Agricultural Products business segment focuses on the following commodities: grains (including wheat, maize and barley), oils/oilseeds, cotton and sugar. The activities of Glencore's Agricultural Products business segment are supported by investments in controlled and non-controlled storage, handling, processing and port facilities in strategic locations.

Recent developments

In January 2011, Glencore issued CHF225 million (U.S.$235 million) 3.625 per cent. bonds due April 2016, increasing the size of its CHF bond series to CHF825 million. The proceeds from this bond issue were used to redeem U.S.$300 million out of U.S.$700 million 8 per cent. perpetual notes on 6 February 2011. In February 2011, Glencore concluded a new one year committed U.S.$600 million European oil receivables borrowing base facility, now fully drawn. Recently, Glencore replaced the previous 364 day U.S.$1,375 million and the U.S.$515 million Asian focused tranche revolving credit facilities with two new 364 day revolving credit facilities for U.S.$2,925 million and U.S.$610 million, both with a one year term extension option at the borrower's discretion. In addition, Glencore extended the final maturity of U.S.$8,340 million out of the U.S.$8,370 million medium term revolver for a further year to May 2014. In aggregate, the three tranches represent an increase in committed available liquidity of U.S.$1,645 million. All of these transactions form part of Glencore's ordinary course financing activities.

Glencore has agreed with Verny to acquire additional stakes in Kazzinc. These purchases will increase its ownership from 50.7 per cent. to 93.0 per cent. for a total transaction consideration of U.S.$3.2 billion. Subject to satisfaction of certain conditions, which include receipt of applicable regulatory approvals and the occurrence of UK Admission, consideration for these purchases will be settled through the issuance of U.S.$1 billion of Ordinary Shares at the Offer Price (such issuance expected to occur at the earlier of UK Admission and satisfaction of applicable conditions precedent) and U.S.$2.2 billion in cash (to be paid in tranches between October and December 2011). The acquisition of these additional stakes is expected to be completed by the end of December 2011. The terms of the acquisition have been negotiated on an arm's length basis and the price and structuring of the consideration in respect of these purchases is based on Glencore's detailed valuation of Kazzinc. In addition, Glencore's stake in Kazzinc may be further increased to 99.4 per cent. through the exercise of a put or call option in respect of Verny Investments' remaining 6.4 per cent. interest in Kazzinc, which is conditional on amongst other things, an initial public offering of Kazzinc's gold assets. Glencore will, subject to its commercial decision based on prevailing market conditions, use reasonable commercial endeavours to seek listing for the appropriate entity subject to such entity's eligibility for listing. See Section X: "Additional Information" for further details of these purchases and the terms of the Kazzinc SPAs. Glencore believes its increased stakes in Kazzinc will simplify the ownership structure as Kazzinc seeks to complete the expansion across its base metals mining and processing operations and its Altyntau gold division. This consolidation of Glencore's interests in Kazzinc will provide an enhanced platform for regional expansion and growth opportunities.

The acquisition, if completed, will be accounted for under IAS 27 *Consolidated and Separate Financial Statements* as an equity transaction (a transaction with owners in their capacity as owners) and on the date of completion will result in a net decrease in total equity on Glencore's consolidated statement of financial position of U.S.$2.2 billion equating to the cash component of the consideration. There will be no change to the underlying assets and liabilities of Kazzinc in Glencore's consolidated statement of financial position. Following the date of closing, an additional 42.3 percent of Kazzinc's income thereafter will be attributable to equity holders of Glencore with the remaining 7.0 per cent. being attributed to the non controlling interests in Kazzinc.

Factors affecting results of operations and financial condition of Glencore

Glencore is primarily engaged in the physical marketing and production of commodities on a worldwide basis. Glencore's results of operations are primarily affected by global macroeconomic trends, commodity prices, impact of freight rates, marketing volumes, production volumes, the financial performance of associates and other investments, production costs and efficiency and exceptional items. Each of these key factors is discussed below.

Identifying and responding to global macroeconomic trends and exploiting physical commodity arbitrage opportunities as they arise

Glencore's long-term experience in the commodities markets has allowed it to build up extensive market knowledge and insight. Glencore believes that being a major global physical marketer of commodities with leading market positions in its key commodities enables it to, among other things, maintain knowledge of local market supply and demand dynamics and respond quickly to changes in market conditions and characteristics and gain significant insight into trade flows and marketing requirements. This enables Glencore to have continuous price discovery of the commodities it produces and/or markets and rapid identification and investigation of arbitrage opportunities in respect of those commodities. In addition, Glencore's industrial assets are strategically important to, among other things, generate additional market information, including local information in the countries and regions in which the industrial assets are based.

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. 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 being geographic, product and time-related. See Section I: "Information on Glencore" for information related to these strategies. Glencore's ability to successfully identify and implement marketing strategies to take advantage of potential arbitrage opportunities throughout the physical commodity supply chain will impact its results of operations. Failure of such opportunities to present themselves or Glencore's inability to exploit such opportunities will negatively impact its results of operations.

Arbitrage opportunities are generally enhanced by global and regional price volatility and instability in the various commodities markets resulting in market disequilibrium. Glencore believes that, in periods where price components for a particular commodity or group of commodities display relative volatility and, therefore, uncertainty, the number of arbitrage opportunities in such commodities tends to increase, and, in particular, during periods of market tightness (e.g. when inventory levels are low). These market conditions offer additional opportunities to take advantage of the resulting decoupling in premium and discount structures. Conversely, in periods of reduced volatility in commodity prices, Glencore's marketing business tends to have fewer profitable arbitrage opportunities. A relatively flat marketing environment generally reduces price dislocation and, in turn, the number of arbitrage opportunities. Glencore also, from time to time, takes unhedged positions in a particular commodity (within Group limits and policies), based on its understanding of market dynamics and expectation of future price and/or spread movements. For further discussion of Group policies regarding hedging and risk management, please see "—Financial risk management".

Glencore's marketing activities engage in base supply chain activities that generally provide regular generation of income. These base supply chain activities tend to have a balancing effect against the potential volatility in results as Glencore seeks to take advantage of event-driven arbitrage and/or price risk activities. In addition to the informational advantages Glencore enjoys via its global network, its significant market share and logistics capabilities in many commodities allows it to move quickly in response to arbitrage opportunities, exploiting not only the opportunities afforded by fluctuations and disequilibrium in commodity prices, but the underlying supply and demand dynamics as well.

The results of operations of Glencore's marketing activities for 2008, 2009 and 2010 were impacted by, among other things, the individual business segments' arbitrage opportunities, which are dependent, in part, on the strength of the markets, the price of the relevant commodities and the overall marketing environment (contango or backwardation) that existed at any given time during that period.

Commodity prices

Commodity prices are influenced by many 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. While producers are clearly unable to dictate market prices directly, events such as the withdrawal of commodity production capacity (as was seen in relation to supply to the carbon and stainless steel industries in 2009 when end user demand reduced significantly) and various attempts to capture market share by individual producers could have an effect on market prices. Commodity prices may move in response to changes in production capacity in a particular market, for example, as a new asset comes online or when a large producer experiences difficult operational issues or is impacted by a natural disaster. Furthermore, the producers' actual average realised prices can be affected by contractual arrangements, production levels and hedging strategies. Prices of Glencore's main commodity products, including zinc, copper, lead, ferroalloys, nickel, cobalt, crude oil/oil products, coal, grains, sugar and edible oils can vary significantly as actual and anticipated supply and demand fluctuates. Price variations and market cycles have historically influenced the financial performance of Glencore and are expected to continue to do so in the future.

There are clearly commodity specific fundamentals and events which affect the demand and supply dynamics and pricing outlook for each individual commodity; however, the prices of most metals and energy commodities which Glencore produces and markets have generally followed macroeconomic trends and tend to be relatively closely correlated. Commodity prices were broadly strong during the first half of 2008, falling significantly in the final quarter of 2008, as the global financial crisis took hold. Prices were generally subdued in the first half of 2009 and then, following a brief period of stabilisation, started to progressively increase throughout 2010, as a result of a strengthening and stimulated global economy which drove increased demand for many commodities, particularly in Asia. During the lower points of the cycle, when market conditions were at their most difficult, production capacity was reduced in many commodities, together with significant deferral of capital expenditure. During such time, Glencore also reduced its production levels and delayed capital expenditure at certain of its industrial assets, including placing its Iscaycruz zinc mine (part of Los Quenuales) on care and maintenance during 2009 in response to the unfavourable price environment.

Prices of commodities marketed and produced in Glencore's Agricultural Products business segment similarly experienced a very difficult pricing environment from the second half of 2008 and continuing into the first half of 2009. Increases in prices in the second half of 2009 were not universally sustained into the first half of 2010, with average prices of rice, soya, corn, cotton and soya bean oil reducing in the first half of 2010. For additional detail on average market prices for the main commodities that Glencore markets, please see Section III: "Selected Historical Financial and Other Information."

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 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 such 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, as was the case during the fourth quarter of 2008 and much of 2009, generally results in a decline in Glencore's profitability during such a period and could potentially result in a devaluation of inventories and impairments. See "—Exceptional Items". Although the impact of a downturn on commodity prices affects Glencore's marketing and industrial activities, the 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 margin-based model.

Impact of freight rates

Glencore's oil freight desk has a large and diversified fleet of 203 vessels as at 31 December 2010, operated under various short-term and long-term time charters and commercial management arrangements, with an average remaining fixed charge hire period of approximately three years at such date. In total, Glencore has equity interests in 41 vessels, which are delivered or currently under construction and are expected to be progressively delivered by March 2012. Glencore's freight desk contributes to the marketing results of its business segments, providing immediate access to vessels, which can represent a significant time advantage in exploiting short-term marketing opportunities. Having its own freight desk also gives Glencore greater visibility over world trade flows at a particular moment. Due to its internal requirements and the Directors' belief in Glencore's ability to achieve vessel utilisation above average industry levels, Glencore generally has a long position in fleet time chartering, thereby creating a significant exposure to fluctuations in spot freight rates. However, given the nature of the freight market and limited opportunities to hedge all freight price risk, Glencore is generally exposed to some degree of future freight price movements on its long-term time charters, not otherwise subject to hedge, re-let with a third party or to satisfy its own marketing needs.

The combination of a decline in demand for energy products towards the end of 2008 and surplus capacity in the market led to a significant decline in wet freight rates, which reached a low point in the middle of 2009. While rates recovered to some extent towards the end of 2009, there has yet to be a sustained improvement and rates in 2010 remained suppressed relative to historical levels. As a result, Glencore's freight desk experienced losses in 2008, 2009 and 2010, which adversely affected the Energy Products business segment.

Marketing volumes

The volume of commodities marketed by Glencore is a key driver of the results of operations of Glencore's marketing activities. The volume of commodities Glencore markets is dependent on its ability to source and finance the purchase of commodities and its ability to then sell these commodities to new and existing customers.

For further details on the volumes of each of Glencore's key commodities that were sold to third parties through Glencore's marketing business in each of the years ended 31 December 2008, 31 December 2009 and 31 December 2010, please see Section III: "Selected Historical Financial and Other Information."

Although volumes of commodities sold is a key factor in understanding the scale of Glencore's marketing activities and resulting market position and base earnings potential, as noted above, it is also important to assess the potential of additional value added services and arbitrage opportunities at various times and Glencore's ability to capitalise on such opportunities, on the back of its market presence. There may also be a lag effect in the relationship between earnings and sale volume; for example, by storing oil and selling forward at a higher price in a future period, Glencore is able to generate profits without increasing the volumes sold in the current period.

Production volumes

Production volume has a substantial effect on the results of operations of Glencore's industrial activities. Glencore can sell all of its production, so its industrial asset revenue generally fluctuates as a result of changes in realised prices and production volumes. Production volume is dependent on Glencore's production capacity, which is expected to increase for certain commodities, based on Glencore's expansion and development project plans. Per unit production costs are also significantly affected by changes in production volume as, prima facie, higher volumes reduce per unit production costs, given the generally high fixed cost mix in Glencore's industrial activities business. Therefore, Glencore's production levels are a key factor in determining its overall competitiveness and profitability.

For more detail on the total production of the controlled industrial assets in each of Glencore's key commodities, please see Section III: "Selected Historical Financial and Other Information".

Average commodity prices for most of the commodities Glencore produces were significantly lower during 2009 compared to 2008, resulting in lower earnings for Glencore's industrial assets. In this environment, Glencore scaled back production at certain industrial assets, resulting in lower production volumes during 2009. In addition, Glencore's production facilities are periodically stopped for planned repairs and maintenance, as well as unplanned repairs and maintenance due to power outages, flooding, equipment failures, accidents and other reasons, which temporarily reduces Glencore's production volume. See "Risk Factors—Risks relating to Glencore's industrial activities—Glencore's industrial activities involve a number of operating risks and hazards, many of which are outside Glencore's control".

Glencore has planned capital expenditures for significant expansion projects to increase the production volumes of its industrial asset portfolio, which are further described in Section I: "Information on Glencore".

Financial performance of associates and other investments

Glencore's results of operations are affected by the financial performance of its associates and other investments, with Glencore's share of income from associates and jointly controlled entities and dividends received from interests in other investments contributing directly to Glencore's income before income taxes and attribution. Glencore has investments in both listed and non-listed associates, as well as other investments primarily comprising of its 8.8 per cent. interest in UC Rusal, which has at certain times in the past been a significant contributor to Glencore's dividend income. For the years ended 31 December 2008, 31 December 2009 and 31 December 2010, Glencore's share of income from associates and jointly controlled entities and dividends received from other investments was U.S.$1,305 million, U.S.$94 million and U.S.$1,842 million, respectively. The table below sets forth, for the years ended 31 December, Xstrata's and others' contribution to Glencore's income for the year indicated. For further details on Glencore's associates and other investments, please see notes 7 and 8 to Section VI: "Historical Financial Information."

Selected Associate income and dividends	**2008**	**2009**	**2010**
	(U.S.$ million)		
	(unaudited)		
Xstrata[(1)]	1,147	88	1,729
Other share of income from associates and jointly controlled entities	(80)	(6)	100
Dividends from UC Rusal	232	0	0
Other dividend income	6	12	13
	1,305	94	1,842

Note:

(1) Glencore held a 35.2 per cent., 34.9 per cent. and 34.5 per cent. effective interest in Xstrata as at 31 December 2008, 2009 and 2010, respectively.

The carrying value of Glencore's interest in Xstrata on its balance sheet as at 31 December 2008, 2009 and 2010 was U.S.$10,305 million, U.S.$12,380 million and U.S.$14,616 million, respectively. Carrying value represents the initial cost of Glencore's investment in Xstrata, adjusted for Glencore's share of movements in Xstrata's net income and other equity related items less any impairment in the value of the investment. For additional information on Xstrata and its relationship with Glencore, please see Section I: "Information on Glencore."

Exceptional items

During the period under review, management has identified exceptional items that due to their financial impact nature or expected infrequency of the events giving rise to them, such as gains on sale of investments and impairments of the carrying value of assets, are separated for internal reporting and analysis of Glencore's results to provide a better understanding and comparative basis of the underlying financial performance. These items had a significant impact on Glencore's reported results from operations during the period under review and similar items could have a significant impact on Glencore's reported income in future periods. Many of these exceptional items appear in Glencore's financial statements under "Other income/(expense)—net". The most significant exceptional items identified by management were as follows:

- In 2010, Glencore recognised U.S.$99 million of exceptional expenses, including U.S.$790 million of negative mark to market adjustments associated with fixed price forward coal sales contracts that did not qualify for "own use" or cash flow hedge accounting, U.S.$225 million of Prodeco call option expenses (see below) offset by U.S.$674 million of impairment reversals following the rebound in market conditions and underlying valuation assumptions associated with Glencore's investment in Xstrata and U.S.$462 million related to the revaluation of the initial 40 per cent. interest in Vasilkovskoje Gold immediately prior to the acquisition of the remaining 60 per cent. interest.

- In March 2009, Xstrata acquired Glencore's Colombian Coal Group (Prodeco) for U.S.$2 billion, and concurrently granted Glencore an option to repurchase Prodeco within 12 months for U.S.$2.25 billion plus profits accrued during the option period and the net balance of any cash invested. The sale of Prodeco to Xstrata with the option for Glencore to repurchase at a specified price was undertaken in connection with Xstrata's 2009 rights issue. The transaction allowed Glencore to participate in Xstrata's rights issue by paying with assets rather than cash, thus ensuring the maintenance of Glencore's investment grade credit rating. Glencore's directors considered this transaction to be in the interests of Glencore and in line with its stated strategies and Xstrata's reasoning for the transaction is fully documented in its shareholder circular published in connection with shareholder approval required for such transaction. Since Glencore held a fixed price repurchase option over Prodeco, the conditions for de-recognition or disposal of Prodeco were not met under IFRS and, as a consequence, Prodeco's operations continued to be reflected in the Consolidated Financial Statements, while the proceeds were deferred and recognised as a liability. In March 2010, Glencore exercised its option to repurchase Prodeco from Xstrata. In the year ended 31 December 2010, U.S.$225 million (2009: U.S.$303 million) of option and related expense has been recognised under this arrangement.

- In 2009, Glencore recognised U.S.$1,091 million of exceptional expenses, including U.S.$736 million and U.S.$25 million related to Glencore's share of asset impairment charges booked directly by Xstrata and Century Aluminum, respectively, and U.S.$303 million related to the Prodeco call option as described in the prior paragraph.

- The rapid and severe impacts arising from the global financial crisis in the latter part of 2008 resulted in a substantial fall in commodity prices, which, together with the increased uncertainty in financial and credit markets, led Glencore to defer various projects and curtail or shut some production output. This backdrop led to impairments being recorded against the carrying value of certain assets and investments. Glencore recognised U.S.$3,756 million of exceptional expenses in the year ended 31 December 2008, including inventory net realisable value adjustments of U.S.$435 million and impairment charges of U.S.$2,763 million. Of this amount, U.S.$2,161 million was attributable to impairments related to Glencore's interest in Xstrata, Century Aluminum and UC Rusal, with the balance related to various other cumulative impairments arising primarily from decisions taken to curtail and/or suspend various mining or expansion activities.

For more details on the impact of exceptional items on Glencore's financial results, please see Part III: "Selected Historical Financial and Other Information" and Section VI: "Historical Financial Information".

Please see the financial table in Section III: "Selected Historical Financial and Other Information" setting forth for the three years ended 31 December 2010 certain selected line items extracted without material adjustment from the historical financial information contained in Section VI: "Historical Financial Information", certain items which Glencore considers exceptional (as described therein) and the aggregate effect on such historical financial information of such exceptional items.

Production costs and efficiency

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. 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.

Glencore's industrial assets experienced higher mining and processing costs during the third quarter of 2008, particularly in connection with labour and energy, which continued to rise throughout 2008. As production costs continued to increase and commodity prices collapsed in the fourth quarter of 2008, Glencore's industrial assets incurred a loss, post-exceptional items, for this quarter. In response, management initiated a number of cost-saving measures, including putting some assets into care and maintenance, curtailing production at others and seeking efficiencies and synergy opportunities with nearby operations. These measures led to reduced production costs in 2009 compared to 2008.

Description of key income statement line items

Revenues

Glencore generates revenue from the sale of physical commodities and marketing advisory and related services. In most instances, sales revenue is recognised when title to the product passes to the customer, which could be delivery into the vessel on which it is shipped, a destination port or the customer's premises. As commodity prices are often volatile, Glencore believes that overall revenues are neither a reliable nor a relevant indicator of the performance of Glencore or of the individual business segments. Instead, Glencore believes that Adjusted EBIT/EBITDA (revenue less costs of goods sold and selling and administrative expenses plus share of income from associates and jointly controlled entities and dividends as disclosed on the face of the statement of income plus, in the case of Adjusted EBITDA, depreciation and amortisation) are key measures to evaluate the operating performance of Glencore and, to a lesser extent, Adjusted EBIT/EBITDA margin percentage in respect of only Glencore's industrial activities.

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 180 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.

Glencore records revenues in its physical commodity marketing business on a gross basis, rather than on the basis of the net margin or premiums received. Revenue earned from marketing advisory and related services represented less than 0.1 per cent. of total revenues in 2008, 2009 and 2010, respectively and the remaining 99.9 per cent. of the Group's revenue in each period was attributable to purchase and off take agreements.

Cost of goods sold

Cost of goods sold primarily includes the following:

- cost of marketing inventories sold and related distribution and storage costs;
- cost of extracting, refining and processing products related to the consolidated industrial assets, including personnel costs and depreciation and amortisation of property, plant and equipment and reserves;
- unrealised gains and losses from changes in the fair value of marketing inventories;
- unrealised gains and losses from changes in the fair value of derivatives held to hedge movements in commodity prices; and
- other operating expenses.

Cost of goods sold also includes, as required, write-downs of inventories where such inventories are carried at the lower of cost or net realisable value.

Selling and administrative expenses

Selling and administrative expenses represent costs that are primarily semi-fixed in nature and attributable to Glencore's marketing activities, with the exception of the variable bonus pool. Payroll expenditure is the largest component of this line item, with the variable bonus pool constituting a significant part of the payroll expenditure. The variable bonus pool is correlated with the profitability of Glencore's marketing operations and certain of its industrial activities comprising 10 per cent. of profits before tax from Glencore's marketing activities and 10 per cent. of profits after tax from certain of its industrial activities. Following the Restructuring, non cash expenses associated with share awards under the Glencore Performance Share Plan and Glencore Deferred Bonus Plan will also be included in Selling and administrative expenses. PSP Awards and Bonus Awards may be satisfied using new issued shares, treasury shares or shares purchased in the market. However, the number of shares which may be issued, or committed to be issued, in any 10 year period will not exceed (i) 10 per cent. of the Company's issued ordinary share capital, in respect of any employee share plans operated by the Company; and (ii) 5 per cent. of the Company's issued ordinary share capital, in respect of discretionary employee share plans adopted by the Company. As at the date of Admission, the Company will only have discretionary employee share plans in existence. Shares issued, or committed to be issued, before Admission will not be counted for either of these limits.

Share of income from associates and jointly controlled entities

Share of income from associates and jointly controlled entities represents income from associates and jointly controlled entities in which Glencore exercises significant influence or joint control that 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 per cent. and 50 per cent. 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 operating decisions require unanimous decision making.

Equity accounting involves Glencore recording its share of the entity's net income and equity. Glencore's interest is initially recorded at cost and is subsequently adjusted for Glencore's share of changes in net assets of the entity less any impairment in the value of individual investments.

Gain/(loss) on sale of investments—net

Gain/(loss) on sale of investments—net comprises the net gain/loss on the sale of subsidiaries and other investments.

Other income/(expense)—net

Other income/(expenses)—net includes impairments, gains/losses on movements in fair value on interests in investments classified as held for trading, foreign exchange gains/losses, and gains/losses on disposals of property, plant and equipment and other non-operational related income or expenses.

Dividend income

Dividend income reflects distributions of earnings in respect of Glencore's stakes in non-controlled and non-equity accounted entities. Dividend income is recognised when a right to receive a payment has been established, it is probable that the economic benefits will flow to Glencore and the amount of income can be measured reliably. Historically, dividends from UC Rusal have been the largest contributor to dividend income.

Interest income

Interest income reflects interest received from cash deposits and loans extended by Glencore. Interest income is recognised when a right to receive a 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.

Interest expense

Interest expense comprises interest incurred on Glencore's fixed- and floating-rate borrowings.

Income tax expense

Income tax expense consists 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 balance sheet date 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 base is used in the computation of taxable profit, using enacted or substantively enacted income tax rates. For further detail on deferred tax accounting, see Section VI: "Historical Financial Information".

The difference between Glencore's statutory tax rate and the Group's effective tax rate results primarily from the location of the Group's operations in differing tax jurisdictions relative to Glencore's tax jurisdiction, Switzerland. The Group's effective tax rate excludes income from associates and dividend income, which are recorded post tax. Intergroup transactions are conducted on an arm's length basis and incorporate all relevant terms and conditions such as reference price and applicable adjustments for quality, logistical and related services consistent with similar transactions conducted with third parties. While the Group, in the past, has been reviewed regarding compliance with tax and transfer pricing regulations, any resulting disputes were satisfactorily resolved with no material adverse impact on the Group and it currently has no material outstanding tax or transfer pricing disputes. There have been certain matters (e.g. overestimated production costs and transfer pricing issues) raised in relation to the amount of tax payable by Mopani (73.1 per cent. owned by Glencore) in a draft provisional report prepared by advisers for the Zambian Revenue Authority. Mopani is confident that the amount of tax that it has paid has been correctly calculated and discussions continue with the Zambian Revenue Authority and all other interested parties to clarify and resolve these matters whether or not any assessments are issued. However, even if these matters are not resolved satisfactorily as Mopani expects, the Directors believe this would not have a material adverse impact on the Glencore Group.

Attribution to profit participation shareholders

Prior to the Restructuring, Glencore had issued to employees Glencore non-voting profit participation certificates ("PPCs") with no nominal value, enabling the employees to participate in a portion of the attributable income accumulated during the period that such employees held the PPCs. The PPCs attribute Glencore's net income pro rata based on the 150,000 shares issued. As described in note 14 to Section VI: "Historical Financial Information", on cessation of employment the accumulated amounts attributed to an Ordinary PPC holder are reclassified into non-current borrowings, as Ordinary profit participation certificates and paid in instalments over a period of five years. Following the Restructuring, all outstanding PPCs including profit entitlements accumulated thereunder will have been converted to Ordinary Shares and attribution will no longer be made to employee shareholders through the PPCs. Where the employment of a PPC holder has ceased prior to the Restructuring, the relevant Ordinary profit participation certificates will have been reclassified in this way and will not participate in the Restructuring. The borrowings into which they have been reclassified will remain payable in accordance with this five-year payment schedule.

Results of operations

Adjusted EBIT

Adjusted EBIT 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 dividends as disclosed on the face of the consolidated statement of income. Adjusted EBIT is used by management as the key measure to assess the performance of the business segments as it reflects the net margin earned by the marketing and industrial activities of the business segment. Although Adjusted EBIT is not typically a measure of operating income, operating performance or liquidity under IFRS, the Directors have presented Adjusted EBIT in this Prospectus because they believe Adjusted EBIT is used by some investors to determine a company's ability to service indebtedness and fund ongoing capital expenditure and dividends. Adjusted EBIT should not, however, be considered in isolation or as a substitute for income from operations as determined in accordance with IFRS, or for cash flows from operating activities as determined in accordance with IFRS, or as an indicator of operating performance. The following table sets forth a reconciliation of Adjusted EBIT to income for the year for the periods indicated:

	2008	2009	2010
		(U.S.$ million)	
Revenue	152,236	106,364	144,978
Cost of goods sold	(147,565)	(103,133)	(140,467)
Selling and administrative expenses	(850)	(839)	(1,063)
Share of income from associates and jointly controlled entities	1,067	82	1,829
Dividend income	238	12	13
Adjusted EBIT	5,126	2,486	5,290
Interest expense—net	(837)	(587)	(936)
(Loss)/gain on sale of investments—net	7	33	(6)
Other (expense)/income—net	(2,960)	35	(8)
Income before income taxes and attribution	1,336	1,967	4,340
Income tax expense	(268)	(238)	(234)
Income before attribution	**1,068**	**1,729**	**4,106**
Attribution to profit participation shareholders	(677)	(650)	(2,460)
Income for the year	**391**	**1,079**	**1,646**

Adjusted EBIT for the year ended 31 December 2010 was U.S.$5,290 million, a 113 per cent. increase from U.S.$2,486 million, including exceptional items, in the year ended 31 December 2009. This increase was primarily due to the stronger contributions from both our industrial activities and our marketing activities. Contributions from our industrial asset activities were up 219 per cent. to U.S.$2,953 million over 2009. Average prices for our key metals produced (in particular, copper, zinc and nickel) were approximately 30 per cent. to 45 per cent. higher over the year. The contribution from our marketing activities was up approximately 50 per cent. to U.S.$2,337 million over 2009.

Adjusted EBIT for the Metals and Minerals business segment was U.S.$2,561 million for the year ended 31 December 2010, a 165 per cent. increase from U.S.$966 million, including exceptional items, for the year ended 31 December 2009. The contribution of the sizeable industrial asset portfolio of this segment benefited from stronger metals prices. Improving market sentiment and conditions in the important automotive and construction industries resulted in substantially increased volumes and corresponding income generated within the ferroalloys, nickel and aluminium commodity groups' marketing activities compared to the challenging conditions of 2009.

Adjusted EBIT for the Energy Products business segment was U.S.$685 million for the year ended 31 December 2010, a 49 per cent. decrease from U.S.$1,358 million, including exceptional items, for the year ended 31 December 2009. This decrease was primarily due to the relatively stable oil price environment and a poor wet freight market which prevailed for most of the year. In addition, the contribution of coal industrial assets was affected by certain infrequent events, most notably a lengthy strike at one of the coal mines in Colombia and extreme wet weather conditions that affected operations at both our Colombian and South African operations. These impacts on 2010 earnings within the energy products segment are expected to recede in 2011 with a return to more "normal" market and operating conditions. The contribution from industrial activities was further impacted by U.S.$40 million of oil exploration expenses (2009: U.S.$26 million), incurred as part of the ongoing build-up of the promising West African E&P portfolio, which was not able to be capitalised. Production and earnings from the portfolio are expected from the first quarter of 2012.

Adjusted EBIT for the Agricultural Products business segment was U.S.$717 million for the year ended 31 December 2010, a 108 per cent. increase from U.S.$345 million, including exceptional items, for the year ended 31 December 2009. This increase was primarily due to tight and dislocated market conditions. These resulted primarily from severe weather conditions which severely affected supply from the traditionally strong export markets such as Russia, Ukraine and Australia.

Corporate primarily relates to Glencore's equity accounted interest in Xstrata and the variable pool bonus accrual, the net result of which was up U.S.$1,510 million to U.S.$1,327 million compared to 2009. This was mainly owing to an increase in Xstrata's earnings, which reflected higher commodity prices.

Adjusted EBIT for the year ended 31 December 2009, including exceptional items, was U.S.$2,486 million, a 51 per cent. decrease from U.S.$5,126 million in the year ended 31 December 2008, due to lower contributions from each business segment, owing to the weak prevailing global economic backdrop, particularly during the first half of 2009. This decrease was primarily due to lower contributions from the Energy Products business segment, which benefited from strong market conditions during most of 2008 and significantly lower contributions from investments in associates and other investments, which, in addition to lower core earnings in 2009, recorded sizeable impairment charges. Glencore's share of such impairments amounted to U.S.$736 million.

Adjusted EBIT from the Metals and Minerals business segment, including exceptional items, was U.S.$966 million for the year ended 31 December 2009, a 24 per cent. decrease from U.S.$1,273 million for the year ended 31 December 2008. This decrease was due to a U.S.$253 million reduction in marketing activities' contribution and lower earnings from industrial activities (including the significantly lower contributions from investments in associates and other investments), each as a result of lower overall market sentiment and demand brought on by the global financial crisis. In particular, metals (aluminium, chrome, nickel, etc.) supplying the automotive, construction and steel industries, amid severe production cutbacks, generally suffered lower sales volumes and prices in the first half of 2009. Customer performance issues on certain coal related contracts also had an adverse impact on the financial results of that department during 2009.

Adjusted EBIT for the Energy Products business segment, including exceptional items, was U.S.$1,358 million for the year ended 31 December 2009, a 36 per cent. decrease from U.S.$2,131 million for the year ended 31 December 2008. This decrease was due to a U.S.$664 million (41 per cent.) lower contribution from marketing activities and a U.S.$109 million (21 per cent.) lower contribution from industrial activities. The marketing activities were supported by volatility and contango structures that were particularly strong during most of 2008 and only in the earlier part of 2009, where after volatility and arbitrage opportunities substantially reduced. Glencore also suffered significant loss of profits during 2009, mainly in its coal business, due to a number of instances of contract non-performance by various counterparties. While these instances of non-performance impacted the results of the coal business during the period, each of the relevant contracts was subsequently renegotiated on satisfactory terms and Glencore continues to do business with each of the counterparties. The oil marketing results were further hampered in 2009 by the poor performance of its freight division, which, due to its generally long overall position in time charters, suffered in an environment of sharply lower spot freight rates. The decrease in industrial asset contribution was due primarily to the impact of lower coal prices on the earnings of Prodeco and Shanduka.

Adjusted EBIT for the Agricultural Products business segment, including exceptional items, was U.S.$345 million for the year ended 31 December 2009, a 49 per cent. decrease from U.S.$678 million for the year ended 31 December 2008. This decrease was due to a U.S.$275 million (47 per cent.) lower contribution from marketing activities and a U.S.$58 million (59 per cent.) lower contribution from industrial activities. In 2009, grain volatility and prices were substantially lower than 2008, which reduced the number of arbitrage opportunities. In addition, lower processing volumes were not fully offset by cost deductions due to the semi-fixed nature of the cost base for Glencore's processing operations, which has adversely impacted the segment's industrial results.

Corporate primarily relates to Glencore's equity accounted interest in Xstrata and the variable pool bonus accrual, the net result of which was down U.S.$1,227 million from U.S.$1,044 million in 2008 to U.S.$(183) million in 2009, primarily due to lower average commodity prices during the period and recognition of Glencore's share of impairment charges booked directly by Xstrata.

Year ended 31 December 2010 compared with year ended 31 December 2009

Revenue

Glencore's revenue for the year ended 31 December 2010 was U.S.$144,978 million, a 36 per cent. increase from revenues of U.S.$106,364 million in the year ended 31 December 2009. This increase was primarily due to significantly higher average commodity prices for most of the commodities Glencore marketed during 2010 compared to 2009. Higher year-on-year average prices were most notable in nickel (49 per cent.), copper (46 per cent.), thermal coal (42 per cent.), aluminium (30 per cent.), zinc (30 per cent.) and crude oil (29 per cent.), contributing to an overall increase in revenues of U.S.$38,614 million. In addition, Glencore saw increases in the volumes of several of its key commodities including crude oil (31 per cent.) and alumina (15 per cent.). Given the relatively high revenue proportion of Glencore's oil business, the increase in average oil prices was the largest driver of the total revenue increase in 2010.

Cost of goods sold

Cost of goods sold for the year ended 31 December 2010 was U.S.$140,467 million, a 36 per cent. increase from U.S.$103,133 million in the year ended 31 December 2009. 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 2010 were U.S.$1,063 million, a 27 per cent. increase from U.S.$839 million in the year ended 31 December 2009. This increase was primarily due to higher variable payroll costs, consistent with the increased earnings in 2010.

Share of income from associates and jointly controlled entities

Share of income from associates for the year ended 31 December 2010 was U.S.$1,829 million, up from U.S.$82 million in the year ended 31 December 2009. The 2009 balance was negatively impacted by impairment charges recorded by the underlying associates, Glencore's share being U.S.$761 million. Adjusting for these exceptional items, there was still a greater than twofold increase over the prior year mainly due to higher earnings at Xstrata, which in turn reflected improved commodity prices.

Gain/(loss) on sale of investments—net

Loss on sale of investments for the year ended 31 December 2010 was U.S.$6 million, compared to a gain of U.S.$33 million in the year ended 31 December 2009. The loss in 2010 was due to the disposal of certain non-core investments.

Other income/(expense)—net

Net other expense for the year ended 31 December 2010 was U.S.$8 million, compared to a net other income of U.S.$35 million in the year ended 31 December 2009. The net amount primarily comprised U.S.$790 million negative mark to market adjustments related to certain fixed price forward coal sales contracts of Prodeco's future production. These forward contracts did not qualify for "own use" or cash flow hedge accounting. The net amount for 2010 also included U.S.$225 million of Prodeco call option expenses, offset by U.S.$674 million of impairment reversals associated with Glencore's investment in Xstrata following the rebound in market conditions and underlying valuation assumptions. It also included U.S.$462 million revaluation adjustment on the initial 40 per cent. interest in Vasilkovskoje Gold immediately prior to the acquisition of the remaining 60 per cent. interest in February 2010.

Dividend income

Dividend income for the year ended 31 December 2010 was U.S.$13 million, an 8 per cent. increase from U.S.$12 million in the year ended 31 December 2009.

Interest Income

Interest income for the year ended 31 December 2010 was U.S.$281 million, a 5 per cent. increase from U.S.$267 million in the year ended 31 December 2009. This increase was primarily due to the impact on the interest received from higher average cash balances on hand and various loans extended, including to companies within the RussNeft Group.

Interest expense

Interest expense for the year ended 31 December 2010 was U.S.$1,217 million, a 43 per cent. increase from U.S.$854 million in the year ended 31 December 2009, or up 38 per cent., pre-exceptional items, taking into account U.S.$39 million of capitalised borrowing costs written off in 2010. This increase was primarily due to higher average debt levels and, to a lesser extent, the incremental cost impact of a higher long-term, fixed-rate funding mix.

Excluding exceptional items, interest expense on floating-rate debt increased by U.S.$93 million to U.S.$551 million from U.S.$458 million in 2009. 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 "recovered" in adjusted marketing EBIT.

Interest expense on fixed-rate funding was U.S.$627 million in 2010, an increase of U.S.$231 million over 2009. The net increase is due to the Convertible, Euro and Swiss Franc/Perpetual bond issuances in December 2009, March 2010 and October 2010, respectively.

Income before income taxes and attribution

Income before income taxes and attribution for the year ended 31 December 2010 was U.S.$4,340 million, a 121 per cent. increase from U.S.$1,967 million for the year ended 31 December 2009. This increase was primarily due to increased contributions from industrial asset activities which increased more than threefold following price increases in the respective commodities along with increased contributions from the marketing activities that increased 50 per cent. compared to 2009 following improvements in global demand and market sentiment.

Income tax expense

Income tax expense for the year ended 31 December 2010 was U.S.$234 million, largely in line with U.S.$238 million incurred over the year ended 31 December 2009. The effective tax rate, excluding share of income from associates which is recorded post-tax, was 9.3 per cent. compared to 12.6 per cent. for 2009. The lower rate is due to the recognition of unrecognised tax losses following a review of business plans, primarily at Katanga, partly offset by the recognition of additional deferred tax expense in relation to the corporate tax rate increase in Kazakhstan from 15 per cent. to 20 per cent.

Attribution to profit participation shareholders

Attribution to profit participation shareholders for the year ended 31 December 2010 was U.S.$2,460 million compared to U.S.$650 million, an increase of 278 per cent. This increase was consistent with the increased allocatable income in 2010.

Income for the year

Income for the year ended 31 December 2010 was U.S.$1,646 million, a 53 per cent. increase from U.S.$1,079 million for the year ended 31 December 2009. This increase was primarily due to a recovery in worldwide commodity prices and market sentiment over 2010 which led to improved conditions from most of our business segments as well as our share of income from associates.

Year ended 31 December 2009 compared with year ended 31 December 2008

Revenue

Glencore's revenue for the year ended 31 December 2009 was U.S.$106,364 million, a 30 per cent. decrease from revenues of U.S.$152,236 million in the year ended 31 December 2008. This decrease was primarily due to significantly lower average commodity prices for most of the commodities Glencore marketed during 2009 compared to 2008. While worldwide commodity prices generally saw a recovery in the second half of 2009, the very weak start to the year lead to an overall decline in the average price of commodities from 2008 to 2009. Lower year-on-year average prices were most notable in thermal coal (approximately 42 per cent.), oil (approximately 36 per cent.), aluminium (approximately 35 per cent.), wheat (approximately 33 per cent.), nickel (approximately 31 per cent.) and copper (approximately 26 per cent.), contributing to an overall decrease in revenues of U.S.$45,872 million. Commodity volumes remained largely stagnant over the period and, as a result, the decrease in the average price of oil, the largest contributor to revenue, and any associated movements, over 2009 were the primary drivers of the decrease in revenue compared to 2008.

Cost of goods sold

Cost of goods sold for the year ended 31 December 2009 was U.S.$103,133 million, a 30 per cent. decrease from U.S.$147,565 million in the year ended 31 December 2008. This decrease was primarily due to the lower commodity prices noted above and the resulting impact on the purchases of the respective commodities. To a much lesser extent, the decrease was also attributable to lower production costs at Glencore's industrial activities resulting from cost cutting measures across the group, including scaling back production at certain industrial assets.

Selling and administrative expenses

Selling and administrative expenses for the year ended 31 December 2009 were U.S.$839 million, a 1 per cent. decrease from U.S.$850 million in the year ended 31 December 2008. The variable bonus pool accrual, one of the significant components of selling and administrative expenses, decreased by U.S.$27 million for the year ended 31 December 2009 from 2008.

Share of income from associates and jointly controlled entities

Share of income from associates for the year ended 31 December 2009 was U.S.$82 million, a 92 per cent. decrease from U.S.$1,067 million in the year ended 31 December 2008. This decrease was primarily due to lower earnings at Xstrata and Century Aluminum which were primarily driven by a fall in commodity prices, volumes of commodities sold and impairment charges recorded by these entities.

Gain/(loss) on sale of investments—net

Gain on sale of investments for the year ended 31 December 2009 was U.S.$33 million and U.S.$7 million in the year ended 31 December 2008. The gain in 2009 related to the disposal of the East Tennessee Zinc operations (U.S.$97 million), offset by a dilution loss, following Xstrata's 2009 capital raising, which saw Glencore's effective ownership in Xstrata reduce from 35.2 per cent. to 34.9 per cent.

Other income/(expense)—net

Net other income for the year ended 31 December 2009 was U.S.$35 million, compared to net other expense of U.S.$2,960 million in the year ended 31 December 2008. The net other expense in 2008 related primarily to impairments booked against the carrying value of assets and investments. Specifically, U.S.$1.7 billion of the impairment expense was booked against the Xstrata and Century Aluminum carrying values, with the remaining balance relating to the various other cumulative impairments arising primarily from decisions taken to curtail and/or suspend various mining or expansion activities.

The net other income in 2009 comprised primarily a net increase in the fair value of other investments accounted for at fair value offset by U.S.$303 million of expenses incurred in relation to the Prodeco call option arrangement. In March 2009, Xstrata acquired Glencore's Columbian Coal Group (Prodeco) for U.S.$2 billion and concurrently granted Glencore an option to repurchase Prodeco within 12 months for U.S.$2.25 billion plus profits accrued during the option period and the net balance of any cash invested. Since Glencore held a fixed repurchase option over Prodeco, the conditions for de-recognition or disposal of Prodeco were not met under IFRS and, as a consequence, Prodeco's operations continued to be reflected in the consolidated financial statements, while the proceeds were deferred and recognised as a liability. As at 31 December 2009, U.S.$303 million of option and related expense had been accrued under this arrangement.

Dividend income

Dividend income for the year ended 31 December 2009 was U.S.$12 million, a 94 per cent. decrease from U.S.$238 million in the year ended 31 December 2008. This decrease was primarily due to the cessation of dividends from UC Rusal, which had previously been the primary contributor to dividend income.

Interest income

Interest income for the year ended 31 December 2009 was U.S.$267 million, a 10 per cent. decrease from U.S.$298 million in the year ended 31 December 2008. This decrease was primarily due to lower average short-term rates noted below and their impact on the interest received on cash and various loans extended.

Interest expense

Interest expense for the year ended 31 December 2009 was U.S.$854 million, a 25 per cent. decrease from U.S.$1,135 million in the year ended 31 December 2008. This decrease was primarily due to lower average short term U.S. dollar interest rates over 2009 compared to 2008 as prime lending rates were cut in response to the global financial crisis. One-month U.S. dollar LIBOR averaged 0.33 per cent. during 2009, compared to 2.68 per cent. in 2008.

The lower base interest rate, partially offset by a general increase in corporate credit spreads, resulted in a net decrease in interest expense on floating rate debt of U.S.$307 million to U.S.$458 million in 2009 from

U.S.$765 in 2008. Floating-rate debt is predominantly used to fund relatively fast turning and liquid working capital, the funding cost of which is generally taken into account in transactional pricing and terms and accordingly "recovered" in adjusted marketing EBIT.

Interest expense on fixed rate funding was U.S.$396 million in 2009, an increase of U.S.$26 million over 2008. The net increase was primarily due to the full year impact of the Eurobonds issued during 2008, partly offset by interest "savings" on bonds repurchased during the year.

Income before income taxes and attribution

Income before income taxes and attribution for the year ended 31 December 2009 was U.S.$1,967 million, a 47 per cent. increase from U.S.$1,336 million for the year ended 31 December 2008. This increase was primarily due to the presence of "Other income" for 2009 as opposed to the large "Other expense" in 2008.

Income tax expense

Income tax expense for the year ended 31 December 2009 was U.S.$238 million, an 11 per cent. decrease from U.S.$268 million in the year ended 31 December 2008. This decrease was primarily due to the relative contribution of Glencore's foreign operations to its effective tax rate. The effective tax rate was affected by the significant impairments taken in 2008 that did not carry any tax benefits.

Attribution to profit participation shareholders

Attribution to profit participation shareholders for the year ended 31 December 2009 was U.S.$650 million compared to U.S.$677 million in 2008, a decrease of 4 per cent. This decrease was primarily due to a net lower allocatable income over the period.

Income for the year

Income for the year ended 31 December 2009 was U.S.$1,079 million, a 176 per cent. increase from U.S.$391 million for the year ended 31 December 2008. This increase was primarily due to the adverse impact on income in 2008 caused by the exceptional items recognised in relation to Glencore's interests in Xstrata and Century Aluminum. Please see "Other income/(expense)—net" above. Glencore also benefited from a general recovery in worldwide commodity prices over the second half of 2009 as well as the realisation of cost savings from the cost cutting measures implemented by management during the global financial crisis.

Liquidity and capital resources

Overview

Glencore's businesses are capital intensive (capital expenditure for industrial activities and working capital for marketing activities). To date, Glencore has funded its operations through borrowings and equity growth via retention of profits. Glencore's funding requirements are generally correlated with movements in commodity prices and the extent of business opportunities. Increasing commodity prices primarily lead to increased funding requirements for Glencore's marketing activities, but may also lead to increased cash flow from its industrial activities along with acquisitions and/or capital expenditures in Glencore's industrial activities as Glencore looks to increase production in a higher commodity price environment. In a falling commodity price environment, Glencore will generally generate less cash flow from its industrial activities but will also require lower working capital funding in its marketing activities. In these circumstances, it may choose to also defer discretionary capital expenditure and shut or curtail production of certain assets.

Cash flows

The following table summarises Glencore's cash flows for the periods indicated:

	Year ended 31 December		
	2008	**2009**	**2010**
	(U.S.$ million)		
Cash generated/in operating activities before working capital changes	4,587	3,095	4,234
Total working capital changes	2,560	(5,279)	(2,998)
Net income tax and interest paid	(1,187)	(826)	(1,125)
Net cash generated/(used) by operating activities after working capital changes, net interest and income tax	5,960	(3,010)	111
Net cash used by investing activities	(2,950)	(1,164)	(4,755)
Net cash generated/(used) by financing activities	(2,842)	4,208	5,247
Net increase in cash and cash equivalents	168	34	603
Cash and cash equivalents at beginning of period	658	826	860
Cash and cash equivalents at end of period	826	860	1,463

Net cash generated by operating activities before working capital changes

Net cash generated by operating activities before working capital changes was U.S.$4,234 million in 2010, U.S.$3,095 million in 2009 and U.S.$4,587 million in 2008.

Total working capital changes

Amounts invested in working capital were U.S.$(2,998) million in 2010 compared to an investment of U.S.$(5,279) million in 2009 and a release of U.S.$2,560 million in 2008. Working capital requirements in 2010 included the payment of U.S.$303 million in relation to the exercise of the Prodeco call option. The remaining investment was primarily due to movements in commodity prices affecting the carrying value of inventory, trade receivables and margin calls with copper, zinc, oil and wheat prices increasing by 21 per cent., 13 per cent., 14 per cent., and 18 per cent., respectively, over the final quarter of 2010. The primary drivers of the recent working capital investment by Glencore, namely higher prices, are generally beneficial for Glencore's trends in future profit and debt coverage, most clearly identifiable in the industrial asset portfolio. In a flat or declining price environment, such as in 2008, the cash margining component of working capital will reduce as inventory is sold and any corresponding hedges closed out.

Net cash generated/(used) by operating activities after working capital changes, net interest and income tax

Net cash generated/(used) by operating activities after working capital changes, net interest income and income tax was U.S.$111 million in 2010, U.S.$(3,010) million in 2009 and U.S.$5,960 million in 2008.

Net cash (used) by investing activities

Net cash (used) by investing activities was U.S.$(4,755) million, U.S.$(1,164) million and U.S.$(2,950) million in 2010, 2009 and 2008, respectively. Net cash flows used by investing activities relate to capital expenditures at Glencore's industrial activities, as well as the acquisition and sale of investments and the movement in long-term loans. Capital expenditures in 2008, 2009 and 2010 mainly included coal expansion activities at Prodeco, building a new copper smelter at Kazzinc, the procurement of various new oil freight vessels, as well as funding extended to Vasilkovskoje Gold to develop the largest known gold deposit in Kazakhstan. In addition, cash flows used by investing activities in 2009 reflected Glencore's participation in a capital raising by Katanga, Century Aluminum partially offset by the sale of Glencore's 51 per cent. interest in the Cartagena oil refinery. The level of cash flows used by investing activities reduced in the year ended 31 December 2009, as compared to the year ended 31 December 2008, as management was more cautious in deploying capital and prioritised higher return projects in light of the global economic downturn. The net outflow in 2010 primarily related to the U.S.$2,000 million base settlement of the 2009 Xstrata rights issue via exercise of the Prodeco call option, the acquisition of a 51.5 per cent. stake in Chemoil and a 100 per cent. stake in Pacorini Metals, the provision of a U.S.$200 million secured loan to PT Bakrie Group (secured by a 4.7 per cent. equity ownership interest in PT Bumi Resources); and the continued capital expenditure programs in respect of Vasilkovskoje Gold's start up, upstream oil development projects in West Africa, the development of the Mutanda copper/cobalt mine and production expansions at Katanga and Prodeco. The production growth initiatives (primarily coal, copper, gold and oil) are all expected to progressively result in substantially enhanced income and cashflow generating potential in future periods.

Net cash generated/(used) by financing activities

Net cash generated/(used) by financing activities was U.S.$5,247 million, U.S.$4,208 million and U.S.$(2,842) million in 2010, 2009 and 2008, respectively. In 2009 and 2010, financing requirements increased primarily as a result of the increase in commodity prices and resulting impacts on working capital funding and to fund the ongoing capital expenditure and investments noted above. Over 2008, cash inflows resulted from the sharp decrease in commodity prices over the fourth quarter which in turn was used to repay debt.

Discussion of balance sheet items

Total assets were U.S.$79,787 million as at 31 December 2010, representing an increase of 20 per cent. from U.S.$66,276 million as at 31 December 2009. Current assets increased from U.S.$38,725 million in 2009 to U.S.$44,296 million in 2010. The adjusted current ratio (current assets over current liabilities, both adjusted to exclude other financial liabilities) at 31 December 2010 was 1.26 compared to 1.37 at 31 December 2009. This reduction is primarily attributable to the Xstrata secured bank loans (U.S.$2,292 million) and the 2011 Eurobond (U.S.$765 million) moving from non-current borrowings to current borrowings. Excluding the Xstrata secured bank loans from current borrowings, which Glencore is currently in discussion with banks regarding extension/refinancing with a new long-term tenor, results in an adjusted current ratio of 1.37, consistent with the corresponding prior year period. Non-current assets increased from U.S.$27,551 million in 2009 to U.S.$35,491 million as at 31 December 2010, primarily due to the first time consolidation of Vasilkovskoje Gold, following its full acquisition by Kazzinc, the reclassification of Prodeco from "assets held for sale" and the capital expenditure and project funding programmes noted above.

Production inventories consist of materials, spare parts, work in process and finished goods held by the production entities. Marketing inventories comprise inventories sourced and held for marketing activity purposes. Glencore has a number of dedicated facilities which finance a portion of its marketing inventories. In each case, the inventory has been retained on our balance sheet with the proceeds received recognised as either short-term debt, commodities sold with agreements to repurchase or trade advances from buyers, depending upon its funding nature.

As at 31 December 2010, 98 per cent., or U.S.$14,331 million, of total trading inventories were contractually sold or hedged (readily marketable inventories), compared to 98 per cent., or U.S.$12,945 million, at 31 December 2009. Readily marketable inventories are inventories that Glencore considers to be 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 net debt levels and trends and computing certain debt coverage ratios.

In addition, accounts receivable form a significant portion of Glencore's assets. Glencore has entered into certain arrangements to finance a portion of its receivables. In each case, the receivable has been retained on our balance sheet with the proceeds received recognised as current borrowings (see Section VI: "Historical Financial Information").

After taking into account these readily marketable inventories, net debt was U.S.$14,756 million as at 31 December 2010, an increase of U.S.$4,570 million from U.S.$10,186 million as at 31 December 2009 with the exercise of the Prodeco call option accounting for a substantial part of the increase, some U.S.$2.4 billion including all cash components in 2010. The ratio of net debt to Adjusted EBITDA pre-exceptional items improved from 2.59 in 2009 to 2.38 in 2010. Current capital employed, together with listed investments (at carrying value), exceeded total debt by U.S.$4,483 million in 2010 compared to U.S.$6,198 million in 2009.

Equity, reserves and amounts attributable to profit participation shareholders as at 31 December 2010 were U.S.$19,613 million, an increase of U.S.$2,927 million (18 per cent.) compared with U.S.$16,686 million as at 31 December 2009.

Capital resources and financing initiatives

Glencore's business requires high levels of working capital funding and significant liquidity. Glencore's primary financial objective is to maintain a strong financial profile in line with an investment grade rating, including having access to sufficient amounts of liquidity to finance its operations and planned growth. Glencore believes that the current level of its cash flow from operations, its existing credit facilities, the liquidity and quality of its current trading assets, the high level of readily marketable inventories and the self-liquidating nature of its physical marketing activities, together with its ability to access international bank and debt capital markets allow Glencore to finance all of its existing and currently planned business needs, including working capital requirements and payments due on its outstanding indebtedness and contractual obligations. Glencore expects to repay its long-term debt obligations through cash from operations and/or future financings.

Glencore's short-term debt generally finances its current assets, comprising inventories and trade receivables, which are either self-liquidating or otherwise subject to a high rate of turnover. Glencore meets these financing requirements by maintaining appropriate levels of cash reserves and ensuring that it has sufficient headroom under its committed revolving credit facilities. It is Glencore's policy to maintain a minimum level of committed liquidity headroom of U.S.$3 billion to meet all expected and unexpected cash requirements of its business. The liquidity headroom is provided in the form of cash, undrawn committed revolving credit facilities and marketable securities. Of the U.S.$4,220 million headroom as at 31 December 2010, U.S.$2,691 million was provided by the undrawn committed revolving credit facilities. Glencore has alternative sources of headroom which are not included in these figures, e.g. liquidity can be raised quickly through Glencore's listed investments, either by using them as security for loans or by selling them and Glencore has undrawn uncommitted facilities which are not included in the reported headroom.

For additional detail on the indebtedness of the Group, including the position as at 28 February 2011, please see Section V: "Capitalisation and Indebtedness Statement".

Indebtedness

As at 31 December 2010, Glencore had the following principal indebtedness outstanding:

Facility/Programme	Initial issue/ current rollover	Amount issued or outstanding 31 December 2010
		(U.S.$ million)
2014 144A Notes	950	946
2011 Eurobonds (€600 million)	739	765
2013 Eurobonds (€850 million)	1,078	1,080
2015 Eurobonds (€750 million)	1,200	968
2017 Eurobonds (€1,250 million)	1,708	1,677
2019 Sterling Bond (GBP 650 million)	1,266	999
2016 Swiss Bond (CHF 600 million)	593	639
2014 Convertible bonds	2,300	2,132
Xstrata secured bank loan	2,800	2,292
Perpetual Notes	1,050	1,027
Purchase of profit participation certificates	1,855	1,855
Committed syndicated revolving credit facilities	10,260	7,259
U.S. commercial paper	1,000	310
Committed secured inventory/receivables facility	1,700	1,700
Committed secured receivables facilities	700	700
Bilateral inventory repurchase agreements	888	888
Other bank loans	4,895	4,895
Total		30,132
Commodities sold with agreements to repurchase	484	484
Total borrowings		30,616
Less: cash and cash equivalents and marketable securities		1,529
Net funding		29,087

Description of principal indebtedness

144A Notes

The 144A Notes consist of U.S.$950 million 6 per cent. coupon Notes due 2014. The Notes are recognised at amortised cost at an effective interest rate of 6.15 per cent. per annum.

Xstrata secured bank loans

The Xstrata secured bank loans comprise two facilities with a total amount of U.S.$2,800 million, with U.S.$2,300 million outstanding at 31 December 2010 and 2009. Both facilities mature in September 2011. The facilities have been accounted for as secured bank loans which bear interest at a rate of U.S.$ LIBOR plus a margin. As at 31 December 2010, U.S.$4,199 million (2009: U.S.$4,188 million; 2008: U.S.$2,739 million) of the carrying value of Glencore's investment in Xstrata was pledged as security.

Convertible bonds

In December 2009, Glencore issued U.S.$2 billion 5 per cent. coupon convertible bonds due December 2014. The bonds are convertible at the option of investors into a certain percentage of Glencore's equity upon a qualifying IPO or upon other pre-determined qualifying events. The bonds contain several embedded derivatives which IFRS requires be accounted for separately, the most significant of these being that if the bonds have not been converted and no qualifying event occurs, they will be redeemed at maturity at 108.1 per cent. of their nominal amount. In addition, if a qualifying IPO or other pre-determined qualifying events have not occurred prior to December 2012, bondholders may, subject to Glencore having achieved a "pre-exceptional" consolidated net income of U.S.$3.5 billion in the preceding 12 months or in the event that Glencore is acquired for cash consideration, put the bonds back to Glencore at an amount which achieves a cumulative annualised return of 20 per cent. Payment in this regard could occur from mid-2013 at the earliest.

The bonds consist of a liability component and an equity component. The fair values of the liability component (U.S.$1,923 million) and the equity component (U.S.$77 million) were determined, using the residual method, at issuance of the bonds. The liability component is measured at amortised cost at an effective interest rate of 6.69 per cent. per annum. At issuance and each subsequent period end, the embedded derivatives were concluded to have a fair value of U.S.$ nil due to the probability weighting attributed to the related conditions. During the first half of 2010, U.S.$300 million of additional convertible bonds, convertible into 0.84 per cent. of the Company's equity, were issued under the same terms and conditions as those issued in December 2009 with the equity component equalling U.S.$12 million and the liability component equalling U.S.$288 million. The Global Offering is a qualifying IPO which will allow holders of the bonds to convert. Conversion by all holders would amount to 6.25 per cent. of the Company's pre-Offering equity as at 31 December 2010.

Euro, sterling and Swiss Franc bonds

Glencore has issued bonds denominated in Euro, Sterling and Swiss Francs where, upon issuance, the principal amounts and the future interest payments were swapped into their U.S. dollar equivalent. The details of amounts issued and outstanding are as follows:

	Maturity	Initial U.S.$ equivalent	U.S.$ fixed interest rate in %	2008	2009	2010
€600 million 5.375% coupon bonds	Sep 2011	739	5.78	834	817	765
€850 million 5.250% coupon bonds	Oct 2013	1,078	6.60	1,171	1,154	1,080
€750 million 7.125% coupon bonds	April 2015	1,200	6.86	1,031	1,030	968
€1,250 million 5.250% coupon bonds	March 2017	1,708	6.07	0	0	1,677
Eurobonds total		4,725		3,036	3,001	4,490
GBP 650 million 6.5% coupon bonds	Feb 2019	1,266	6.58	920	1,013	999
CHF 600 million 3.625% coupon bonds	April 2016	593	4.87	0	0	639
Total		6,584		3,956	4,014	6,128

Perpetual notes

The perpetual notes consisted of U.S.$700 million 8 per cent. perpetual notes, callable after February 2011 at par. In December 2010, Glencore announced its intention to call U.S.$300 million of the outstanding notes. This partial redemption was subsequently completed on 6 February 2011.

In October 2010, Glencore issued U.S.$350 million 7.5 per cent. perpetual notes, callable after October 2015 at par.

Ordinary profit participation certificates

Profit participation certificates ("PPC") bear interest at six-month U.S.$ LIBOR and in the event of certain triggering events (see Section VI: "Historical Financial Information"), all PPCs would be subordinated to unsecured lenders. From 1 January 2011 to the date of the Restructuring, in accordance with existing agreements and past practice, Glencore redeemed and reclassified as borrowings a certain number of PPCs from profit participation shareholders representing an aggregate amount of approximately U.S.$268 million. These interests were held by employees who ceased employment with Glencore during this period. The amounts will be paid in installments over a period of five years with interest payable at six month U.S.$ LIBOR. See Note 14 to Section VI: "Historical Financial Information".

Committed revolving credit facilities

In May 2010, Glencore replaced the previous 364-day U.S.$815 million revolving credit facility with a new 364-day U.S.$1,375 million facility with a one year term out option at Glencore's discretion as well as a 364-day U.S.$515 million Asian focused tranche. In addition, Glencore replaced the U.S.$8,180 million medium-term revolving credit facility with a new three-year revolving credit facility of U.S.$8,370 million and cancelled the U.S.$6,650 million forward start facility concluded in 2009. Funds drawn under the medium-term revolving credit facility which are used to finance current working capital are classified as current debt, while the portion drawn to fund non-current assets is classified as non-current debt. Up to U.S.$1 billion of the medium-term tranche may be used as liquidity back up for Glencore's corporate U.S. commercial paper programme.

Liquidity

Glencore maintains adequate liquidity through its committed credit facilities, diversified funding sources and fast-turning, liquid working capital. As at 31 December 2010, Glencore had available headroom (in the form of cash, undrawn committed facilities and marketable securities) exceeding U.S.$4,220 million, which, is above its U.S.$3,000 million internal target. Glencore reflects two further sources of liquidity in its internal definition of net debt, namely marketable securities and readily marketable inventory. Readily marketable inventory comprises inventory that is readily convertible into cash due to their liquid nature, widely available markets and the fact that any associated price risk is covered. This includes, for example, LME-approved inventory (such as copper or aluminium) held at LME warehouses.

Certain debt arrangements require compliance with specific financial covenants related to current ratio and a maximum long-term debt to tangible net worth ratio. As at 31 December 2010, there was adequate headroom available under both of these covenants. No credit facilities or funding programmes include rating triggers which would accelerate repayment obligations in the event of a credit rating downgrade.

In light of Glencore's extensive funding activities in the public debt capital markets, maintaining its investment grade ratings is a priority for Glencore. Glencore promotes an ongoing dialogue with both its rating agencies with a view to maintaining its investment grade ratings. On 18 April 2011, Moody's confirmed Glencore's issuer rating of Baa2 (negative) and, on 14 April 2011, Standard & Poor's confirmed Glencore's long-term corporate rating of BBB− (stable).

The following table shows Glencore's gearing ratio as at 31 December 2010:

	As at 31 December 2010
	(U.S.$ million) *(unaudited)*
Interest-bearing loans and borrowings	30,132
Commodities sold with agreements to repurchase	484
Less: cash and cash equivalents and marketable securities	(1,529)
Less: readily marketable inventories(1)	(14,331)
Net debt	14,756
Invested capital(2)	22,507
Equity and net debt	37,263
Gearing ratio (Invested capital(2)/Invested capital(2) and net debt)	.60

Notes:

(1) Readily marketable inventories comprises inventory that is readily convertible into cash due to their liquid nature, widely available markets and the fact that any associated price risk is covered.

(2) Invested capital is the sum of equity capital, non-controlling interests, reserves and amounts attributable to profit participation shareholders.

Inventories

Production inventories consist of materials, spare parts, work in process and finished goods held by the production entities, whereas marketing inventories are commodities held by the marketing entities. Marketing inventories were U.S.$14,588 million, U.S.$13,179 million and U.S.$6,294 million for the years ended 31 December 2010, 2009 and 2008, respectively. The increase in inventories over the track record period, in particular the significant movement between 2008 and 2009, was due to the large fluctuation in commodity prices as a result of the onset of the financial crisis. Marketing inventories include readily marketable inventories of U.S.$14,331 million (2009: U.S.$12,945; 2008: U.S.$5,877 million). Movements in these inventories were largely driven by the movement in commodity prices. Readily marketable inventories are inventories that Glencore considers to be 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.

Glencore utilises a number of dedicated financing facilities to finance portions of its marketing inventories, further diversifying its funding sources and providing it with cost effective funding. 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.

Capital expenditure and contractual obligations

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 2010, U.S.$787 million (2009: U.S.$815 million; 2008: U.S.$967 million), 100 per cent. of which relates to expenditure to be incurred over the next year, was contractually committed for the acquisition of property, plant and equipment. Glencore has also expanded its operations and production through acquisitions.

Certain of Glencore's exploration tenements and licences 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 2010, U.S.$404 million (2009: U.S.$284 million; 2008: U.S.$262 million) of such development expenditures are to be incurred, of which 36 per cent. 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 U.S.$2,608 million (2009: U.S.$2,185 million; 2008: U.S.$2,880 million), 50 per cent. of which are for services to be received over the next two years.

The following table shows a breakdown of the capital expenditures for Glencore for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 and projected capital expenditure through 2015:

	2008	2009	2010	Projected total capital expenditure through 2013	Projected total capital expenditure through 2015
			(U.S.$ million) (unaudited)		
Kazzinc	568	367	350	834	1,320
Katanga	N/A	62	221	1,044	1,298
Mopani	137	58	130	512	744
Prodeco	309	242	277	919	1,152
West African Oil Assets	54	37	238	791	813
Other	807	350	674	900	N/A
Total	**1,875**	**1,116**	**1,890**		

In addition to capital expenditure at Glencore's existing industrial assets, Glencore made acquisitions in 2010 to expand its activities, including increasing its effective ownership interest in Vasilkovskoje Gold and finalising the purchase of a majority stake in Chemoil.

As shown in the table above, Glencore has significant expansion projects in progress which are further described in Section I: "Information on Glencore".

Contractual obligations

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 (i) the paying party upon the delivery of product and qualifying documents through the issuance of a letter of credit or (ii) the guarantor by way of issuing a bank guarantee accepting responsibility for Glencore's contractual obligations. As at 31 December 2010, U.S.$8,956 million (2009: U.S.$7,178 million; 2008: U.S.$5,450 million) of such commitments have been issued on behalf of Glencore, which will be settled simultaneously upon physical delivery of the commodity.

The following table sets out Glencore's total future commitments to settle contractual obligations as at 31 December 2010:

	Total	Payment due by period: Less than 1 Year	1–2 Years	2–5 Years	More than 5 Years
			(U.S.$ million)		
Capital expenditure for acquisition of property, plant and equipments	787	787	0	0	0
Exploration tenements and licences	404	147	41	27	189
Seagoing vessels/chartering services	2,608	743	553	867	445
Letters of credit	8,956	8,956	0	0	0
Operating office and warehouse/storage lease obligations	473	97	74	151	151
Total	13,228	10,730	668	1,045	785

In addition to the future commitments illustrated in the table above, Glencore also has the potential future obligations described below, which are dependent upon the evaluation and final approval for each development.

Prodeco currently exports the majority of its coal through Puerto Zuñiga, which operates under a private concession awarded by the Columbian government. The 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 the uncertainty of the annual concession renewal process associated with Puerto Zuñiga, Prodeco has initiated the construction of a new, wholly owned, port facility ("Puerto Nuevo") which has been contracted at a cost of U.S.$528 million and is expected to be commissioned over the first half of 2013. If the concession does not continue to be extended, Prodeco's export capability would be curtailed, which could significantly impact operations until Puerto Nuevo is operational. As at 31 December 2010, U.S.$55 million of the estimated initial investment has been incurred.

In August 2010, Glencore acquired an ultimate 37.5 per cent. interest in the Kansuki concession, a 180 square kilometre copper and cobalt pre-development project which borders Glencore's partly owned Mutanda concession in the DRC. In exchange, Glencore has (i) an obligation to finance the first U.S.$400 million of development related expenditures, if any, as and when such expenditure is incurred, (ii) the right to operate the operations, and (iii) 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 per cent. 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 metric tonnes of copper and August 2013. Kansuki is currently completing its initial feasibility study for submission by June 2011. As at 31 December 2010, U.S.$11 million of development expenditure had been incurred.

In November 2010, Glencore and Blackthorn Resources Limited completed a joint venture agreement to develop the Perkoa Zinc Project ("Perkoa") located in Burkina Faso, Africa. Under the terms of the agreement, Glencore will obtain a 50.1 per cent. effective ownership in Perkoa in exchange for (i) an obligation to finance the first U.S.$80 million of development-related expenditures, if any, as and when such expenditure is incurred, (ii) the right to operate the operations, and (iii) a life of mine off-take agreement for all zinc produced by Perkoa. As at 31 December 2010, U.S.$ nil million of development expenditure had been incurred.

Glencore has agreed with Verny to acquire additional stakes in Kazzinc. These purchases will increase its ownership from 50.7 per cent. to 93.0 per cent. for a total transaction consideration of U.S.$3.2 billion. Subject to satisfaction of certain conditions, which include receipt of applicable regulatory approvals and the occurrence of UK Admission, consideration for these purchases will be settled through the issuance of U.S.$1 billion of Ordinary Shares at the Offer Price (such issuance expected to occur at the earlier of UK Admission and satisfaction of applicable conditions precedent) and U.S.$2.2 billion in cash (to be paid in tranches between October and December 2011). The acquisition of these additional stakes is expected to be completed by the end of December 2011. The terms of the acquisition have been negotiated on an arm's length basis and the price and structuring of the consideration in respect of these purchases is based on Glencore's detailed valuation of Kazzinc. In addition, Glencore's stake in Kazzinc may be further increased to 99.4 per cent. through the exercise of a put or call option in respect of Verny Investments' remaining 6.4 per cent. interest in Kazzinc, which is conditional on amongst other things, an initial public offering of Kazzinc's gold assets. See Section X: "Additional Information" for further details of these purchases and the terms of the Kazzinc SPAs.

Off-balance sheet arrangements

Glencore has no off-balance sheet entities or off-balance sheet arrangements.

Contingent liabilities

The amount of corporate guarantees in favour of associated and third parties as at 31 December 2010, was U.S.$69 million (2009: U.S.$73 million; 2008: U.S.$66 million). Glencore has also pledged U.S.$113 million of its investment in UC Rusal as a guarantee against certain borrowings of UC Rusal.

Litigation

Glencore deals with over 7,200 suppliers and customers. In the ordinary course of its business, Glencore is from time to time involved in commercial disputes as both claimant and defendant. 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 defences against those actions or claims. Glencore believes the likelihood of any 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 cash flows.

Environmental contingencies

Glencore's operations, predominantly those arising from the ownership in industrial assets, are subject to various environmental laws and regulations. Glencore is in 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.

Financial risk management

Overview

Glencore's business could be impacted by various external factors, including a major global economic downturn which would in turn result in significantly lower commodity prices and demand, as well as political events and unfavourable actions by governments, natural catastrophes, operational disruptions and financial risks. It is Glencore's policy and practice to identify and, where appropriate and practical, to actively manage such risks. Glencore has in place the appropriate commodity trading risk management systems and believes that these, together with its VaR computation, are the most appropriate measure of its marketing risk management analysis. Glencore does not engage in any material speculative trading activities.

Glencore's objectives in managing its capital base include preserving its overall financial health and strength for the benefit of all stakeholders and safeguarding its ability to continue as a going concern, while generating sustainable long-term profitability.

Glencore's activities expose it to a variety of financial risks: market risk (including commodity price risk, interest rate risk and currency risk), credit risk, performance risk and liquidity risk. Glencore's overall risk management programme focuses on the unpredictability of financial markets and seeks to protect its financial security and flexibility by using derivative financial instruments to substantially hedge these risks. Glencore's finance and risk professionals, working in co-ordination with the commodity departments, monitor, manage and report regularly to management on the financial risks and exposures facing Glencore. There have been no material changes during this year in the exposures to the financial risks faced by Glencore or the manner in which Glencore manages and measures them. Certain debt arrangements require compliance with specific financial covenants related to working capital and current ratio and a maximum long-term debt to tangible net worth ratio. During the period under review, Glencore has complied with these requirements.

Market risks

Glencore is exposed to price movements for the inventory it holds and for the products it produces, which are not held to meet priced-forward contract obligations. Glencore manages a significant portion of this exposure through futures and options transactions on worldwide commodity exchanges, or in OTC markets, to the extent available. For further details please see Section VI: "Historical Financial Information".

Glencore has entered into futures transactions to hedge the price risk of future-specific operating expenditures. These transactions were identified as cash flow hedges. The fair value of these derivatives is as follows:

	Notional amounts		Recognised fair values		Average maturity
	Buy	Sell	Assets	Liabilities	
			(U.S.$ million)		
Commodity futures—2008	0	391	0	75	2010
Commodity futures—2009	0	195	0	41	2011
Commodity futures—2010	0	187	0	75	2012

To the extent Glencore purchases commodities or related assets for delivery to a customer, a downturn in the price of those assets could result in losses to Glencore. To the extent Glencore agrees to sell commodities to a customer, an increase in the price of those assets could result in losses to Glencore, as Glencore seeks to acquire the underlying commodities in a rising market. In order for Glencore to mitigate the risks associated with commodity price fluctuations and the potential losses associated therewith, Glencore has implemented marketing policies designed to substantially hedge these risks. Glencore's marketing activities involve a significant number of purchase and sale transactions involving various commodities. The vast majority of Glencore's long positions (where it has physical commodities or has agreed to buy physical commodities) are offset by short positions (where Glencore has agreed to sell physical commodities). Similarly, Glencore's short positions are typically offset by long positions. Glencore may also take some long or short positions which are not offset or which are not completely offset by short or long positions, as the case may be (such positions are called open positions). It does this when it thinks it has sufficient visibility over trends in the market and when the position has been approved through the required risk management channels.

For additional information about Glencore's commodity price risk management, see Section I: "Information on Glencore".

One of the tools used by Glencore to monitor its open position 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 has set a consolidated VaR limit (one day 95 per cent.) of U.S.$100 million representing 0.55 per cent. of Glencore shareholders' funds.

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 previously did not include a VaR calculation for alumina or ferroalloy commodities, however, it monitored the market risk in respect of these commodities via the regular reporting of net open volumetric positions. For further detail see Section VI: "Historical Financial Information".

During 2009, certain commodities, such as coal, which Glencore markets and accounts for at fair value were not included in the VaR calculation, as well established and liquid price points were not available. The positions are reported on the daily position sheets and, assuming the net position as at the balance sheet date was outstanding for the whole year, market prices were 5 per cent. higher/lower and all other variables held constant, Glencore's profit and equity for the year ended 31 December 2009 would decrease/increase by U.S.$30.0 million (2008 increase/decrease by U.S.$14.0 million).

The Group has a one day, 95 per cent. VaR limit of U.S.$100 million and during the year ended 31 December 2010, the actual one day 95 per cent. VaR level was approximately U.S.$43 million. This means that the Group manages its open positions in its marketing operations such that it does not put itself at risk of losing more than U.S.$100 million over the course of one day, to a 95 per cent. statistical level of certainty, and during the year ended 31 December 2010, the Group's marketing operations' open positions, based upon a statistical certainty of 95 per cent., never exceeded potential losses of U.S.$43 million on any given day, on average for the year. In addition, Glencore conducts regular stress testing on its marketing portfolio. Daily position sheets are distributed and monitored and weekly VaR simulations are run to determine potential future exposure. The table below shows 95 per cent. and 99 per cent. VaR levels at year end and averaged for each of the years ended 31 December 2008, 2009 and 2010.

	Year end		Average	
	95%	**99%**	**95%**	**99%**
		(U.S.$ million)		
2008	53.1	79.3	50.1	70.7
2009	27.6	39.2	26.4	37.3
2010	58.1	79.7	42.5	60.1

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 analyzing forward looking stress scenarios and back testing calculated VaR against actual movements arising in the next business week. Glencore regularly backtests its VaR to establish that it is a statistically adequate reflection of realised gains and losses and the inherent "riskiness" of the marketing portfolio as a whole.

Glencore's future cash flows related to its forecast energy and minerals production 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 and insurance products and the 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 is predominantly used to fund fast-turning working capital and interest internally charged on the funding of this working capital and is based on U.S.$ LIBOR and, accordingly, prevailing market interest rates are continuously factored into transactional pricing and terms.

Assuming the amount of floating-rate liabilities at the balance sheet date were outstanding for the whole year, interest rates were 50 basis points higher/lower and all other variables held constant, Glencore's profit and equity for the year ended 31 December 2010 would decrease/increase by U.S.$91 million (2009: decrease/increase by U.S.$71 million; 2008: increase/decrease by U.S.$64 million).

Currency risk

Glencore's reporting currency and the functional currency of the majority of Glencore's operations is the U.S. dollar, as this is assessed to be the principal currency of the economic environment in which Glencore operates. 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. The exchange rates between relevant local currencies and the U.S. dollar have historically fluctuated, and the translation effect of such fluctuations could affect Glencore's results and financial condition. However, Glencore does not believe that it is materially exposed to non-U.S. dollar currency risk.

Glencore's debt-related payments (both principal and interest) are denominated in or swapped into U.S. dollars. The majority of Glencore's operating expenses are incurred in U.S. dollars, with the remainder being incurred in a mix of currencies, of which the Swiss Franc, pounds sterling, Australian dollar and Euro are the predominant non-U.S. dollar currencies.

Glencore has issued Euro-denominated, Swiss Franc-denominated and pounds sterling-denominated bonds (see Section VI: "Historical Financial Information"). Cross-currency swaps were taken out to hedge the currency risk on the principle 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		
	Buy	**Sell**	**Assets**	**Liabilities**	**Average maturity**
			(U.S.$ million)		
Cross currency swap agreements—2008	0	4,283	0	384	2015
Cross currency swap agreements—2009	0	4,283	0	48	2015
Cross currency swap agreements—2010	0	6,584	0	185	2015

Credit risk

Financial assets which potentially expose Glencore to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities, receivables and advances, derivative instruments and long-term advances and loans.

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 3.4 per cent. (2009: 2.3 per cent.; 2008: 2.8 per cent.) of its trade receivables or accounting for more than 3.0 per cent. of its revenues over the year ended 31 December 2010 (2009: 2.8 per cent.; 2008: 3.7 per cent.).

Performance risk

Performance risk arises from the possibility that physical industrial counterparties may not be willing or able to meet their future contractual sale or purchase obligations to or from Glencore. Glencore undertakes the assessment, monitoring and reporting of performance risk within its overall credit management process. Glencore's market breadth and diversified 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 exception of coal which is marketed under annual pricing agreements) 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 Glencore is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even 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 a minimum liquidity target of U.S.$3 billion to be maintained at all times. 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.

As at 31 December 2010, Glencore had available committed undrawn credit facilities, cash and cash equivalents and marketable securities exceeding U.S.$4,220 million (2009: U.S.$3,826 million; 2008: U.S.$5,255 million). The maturity profile of Glencore's financial liabilities based on the contractual terms is as follows:

2010	After 5 years	Due 3–5 years	Due 2–3 years	Due 1–2 years	Due 0–1 years	Total
			(U.S.$ million)			
Borrowings	4,152	4,974	7,094	2,031	11,881	30,132
Expected future interest payments	668	949	766	800	834	4,017
Commodities sold with agreements to repurchase	0	0	0	0	484	484
Accounts payable	0	0	0	0	16,145	16,145
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	35,473	58,889
Current assets					44,296	44,296

Critical accounting policies, key judgements and estimates

The preparation of the financial information contained in this Prospectus requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities as 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 the Directors to make complex and/or subjective judgements 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, as prescribed by IFRS 7. Fair values are determined in the following ways: externally verified via comparison to quoted market prices (level 1); by using models with externally verifiable model inputs (level 2); or by using alternative procedures such as comparison to comparable instruments and using models with unobservable market inputs requiring Glencore to make market-based assumptions. At 31 December 2008, 2009 and 2010, the majority of these financial instruments were verified externally. Where the model was not validated and/or the inputs were not verified due to the lack of appropriate market quotations, the fair values were actively reviewed by management. For additional information regarding fair value, see Section VI: "Historical Financial Information".

Depreciation and amortisation of mineral and petroleum rights and project development costs

Mineral and petroleum rights and project development costs are amortised using the units of production method ("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 independent experts in extraction, geology and reserve determination. Assessments of UOP rates against the estimated reserve base and the operating and development plan are performed regularly.

Impairments

Investments in associates, jointly controlled entities and other investments, long-term advances and loans and property, plant and equipment, goodwill and other 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 or other intangible assets of indefinite life. 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 value in use are based on expectations about future operations primarily comprising estimates about production and sales volumes, commodity prices, reserves, 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.

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 income statement could be impacted. The provisions including the estimates and assumptions contained therein are reviewed regularly by management.

Provisions

The amount recognised as a provision, including tax, legal, contractual and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, and taking into account the risks and uncertainties surrounding the obligation. Glencore assesses its liabilities and contingencies based upon the latest information available, relevant tax laws and other appropriate requirements.

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 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.