GLENCORE

Annual Report 2006

GLENCORE
INTERNATIONAL AG
AND SUBSIDIARIES

Annual Report

2006



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Financial highlights: 2006 compared to 2005

- Revenues up 28% from \$ 91,031 million to \$ 116,530 million

- Operating income up 115% from \$ 2,666 million to \$ 5,728 million

- Glencore net income[1] up 107% from \$ 2,560 million to \$ 5,296 million (up 68% excluding Gain on sale of investments)

- Cash flows from operating activities before working capital changes up 128% from \$ 2,383 million to \$ 5,442 million

- Glencore shareholders' funds[1] up 70% from \$ 6,442 million to \$ 10,927 million

- Net debt[1] to EBITDA[1] down to 1.46 times from 1.80 times

[1] refer to glossary on page 13 with definitions and calculations

Executive summary

We are very pleased to report another set of record results:

- Glencore net income up 107% from $ 2.56 billion to $ 5.30 billion, including a $ 992 million gain on sale of investments in 2006
- Cash flows from operating activities before working capital changes up 128% to $ 5.44 billion

These strong results, albeit clearly aided by buoyant market conditions, are renewed confirmation of the success of our consistently stated strategy to be a focused diversified natural resources group, combining our portfolio of industrial assets with our unique marketing capabilities.

Continued strong demand and tight supply, resulting in low inventories, led to favorable market conditions throughout 2006, with many of the commodities we market and produce reaching record or multi year record prices. Real average 2006 prices for copper, zinc, coal and crude oil were at their highest levels since the 1970's, while aluminum and nickel also eclipsed multi year highs. In this regard, the metals and minerals division in particular, was the prime contributor of increased earnings from 2005 to 2006, owing to greater volumes, higher premiums for physical delivery and significant additional profit contribution from the industrial assets portfolio. Current market sentiment supports our view that positive industry conditions should persist into 2007, providing an optimistic outlook for the Group.

These strong fundamentals, coupled with our previous and renewed expectation that commodity prices should at least remain high by historical standards, have underpinned the numerous investment initiatives undertaken within our industrial assets portfolio, both organically and via acquisitions/disposals.

In early 2006, we sold our 33.3% interest in the Cerrejon Coal Group to Xstrata for $ 1.7 billion. This was both a transaction which made economic and strategic sense on a stand alone basis, as well as allowing us to strengthen our balance sheet and liquidity, enabling us to confidently support Xstrata's proposed offer for Falconbridge, a global large scale nickel, copper and zinc producer. Shortly after the successful conclusion of the Falconbridge acquisition, Xstrata launched a 1 for 3 rights issue, in which we were able to fully participate at a cost of $ 2 billion in October 2006. As at December 2006, our 35.7% stake in Xstrata had a market value of $ 16.8 billion compared to a carrying value of $ 9.1 billion.

Also in October, we agreed to merge certain of our aluminum/alumina assets (Kubal, Aughinish, Windalco, Alpart and Eurallumina) with Rusal and Sual's aluminum/alumina assets in exchange for a 12% stake in the combined company. The transaction, which is expected to complete in March 2007, provides us with a strategic and meaningful stake in what is to be the world's largest aluminum and alumina producer, with approximately 12% and 16% respectively of global production. The enlarged group, United Company RUSAL Limited, will be very well positioned in the global aluminum cost curve and plans are underway for an IPO in the short to medium term.

We also continued to invest in and seize opportunities at our existing industrial assets portfolio. In the fourth quarter, the smelter upgrade at our Zambian copper complex Mopani was completed, making it one of the largest and most technically advanced copper smelters in Africa. In addition, a new 70,000t copper smelter will be built at our Kazzinc operation, with commissioning expected during 2009. Given the existing infrastructure and services already in place at Kazzinc, this incremental low-risk capital project is expected to generate strong returns.

In times of high commodity prices, significant liquidity is required to finance working capital and to maintain flexibility to compete for additional business opportunities. During 2006, we increased our syndicated committed bank revolver from $ 6.7 billion to $ 7.8 billion. We also issued $ 700 million Perpetual Bonds and Euro 850 million 7 year bonds, which allowed us to repurchase $ 400 million notional of our exchangeable bonds for a total consideration of $ 1.3 billion, while still maintaining available committed liquidity in excess of our target of $ 2 billion throughout the year. In February 2007, we successfully issued GBP 650 million 12 year bonds to further lengthen our maturity profile and boost liquidity.

As noted, we expect the global commodity markets to remain strong in 2007 and, although prices of certain commodities have come off their recent highs, the current price for most of our key commodities still exceeds 2006's average prices. We are therefore confident in the outlook for the Group's performance and that our business model will continue to serve us well in 2007.

Capital Structure Enhancements

A portion of our annual consolidated net earnings is attributed to a broad group of employee profit participation shareholders (Ordinary Profit Participation Shareholders - "PPS"). Upon termination of employment, that portion of Glencore shareholders' funds which has progressively accumulated to the benefit of such an employee shareholder is redeemed by Glencore and repaid in equal installments over 5 years. From an overall credit perspective, we believe that robust checks and balances' are in place to ensure that adequate and conservative levels of capital are maintained at all times: namely that Glencore must not be in default of its debt obligations, including financial covenants, in order to service any employee shareholder claims, failing which, all claims since November 2004, cannot be paid and would rank junior to all senior investors and lenders. Until recently, around 85% of profits accumulated in this manner, while around 15% of profits are retained in a more traditional fashion.

Effective January 2006, we introduced a new layer to our capital structure, whereby around 10% of profits accumulate annually to employee profit participation shareholders, who upon departure, rather than receiving a cash payment over 5 years, will receive hybrid-type securities (Hybrid Profit Participation Shareholders - "HPPS"). The securities have been structured to achieve Basket D equity credit (75%)

from Moody's and high equity content (100%) from Standard & Poor's. Key features include no maturity (perpetual); option to call at par after 10 years; legally binding replacement covenant; mandatory coupon deferral and subordination. This new 10% attribution has reduced the annual PPS attribution to 75%, with the resulting impact illustrated as follows:

	Current		Previous	
%	US $ million	%	US $ million	
19.5	2 127	20.5	2 239	Share capital, reserves and retained earnings
5.4	590	0.0	0	HPPS
75.1	8 210	79.5	8 688	PPS
100.0	10 927	100.0	10 927	Glencore shareholders' funds

As can be seen, 25% of Glencore shareholders' funds is now represented by retained earnings and HPPS, as opposed to 20% had this new layer of profit accumulation not been introduced. We believe this new layer in our capital structure represents an improved balance between our ordinary profit participation structure and the more traditional forms of equity and looking ahead, the latter is expected to represent a larger percentage of Glencore shareholders' funds and grow significantly in absolute terms. The new structure will improve our credit metrics in the future and result in enhanced and more certain capital planning. It is also likely to provide additional rating agency capacity and flexibility at our current rating level and support our efforts for future upgrades.

Detailed financial highlights

2006	2005	US $ million
		Key figures for the years ended December 31, 2006 and 2005
5 851	2 878	Gross income
6 778	3 449	Segment result
6 050	2 946	EBITDA[1]
5 728	2 666	Operating income
5 296	2 560	Glencore net income[1]
5 442	2 383	Cash provided by operating activities before working capital changes
		Key figures as of December 31, 2006 and 2005
47 068	32 381	Total assets
10 927	6 442	Glencore shareholders' funds[1]
8 811	5 314	Net debt[1]
19 251	11 141	Capitalization[1]
13 936	12 835	Current capital employed[1]
4 759	4 885	Net working capital
		Key ratios as of December 31, 2006 and 2005
		Working capital ratios:
1.19	1.25	Current ratio (times)
34	33	Inventories (days)
27	29	Accounts receivable (days)
23	23	Accounts payable (days)
38	39	Net conversion cycle[1] (days)
		Equity, gearing and coverage ratios:
39.4	39.0	Long term debt to capitalization[1] (%)
59.7	46.3	Return on average Glencore shareholders' funds[1] (%)
0.83	1.04	Current capital employed[1] (CCE) to total debt (times)
1.38	1.13	CCE plus listed associates (at carrying value) to total debt (times)
1.46	1.80	Net debt[1] to EBITDA[1] (times)
8.69	6.46	EBITDA[1] to net interest (times)

1 refer to glossary on page 13 with definitions and calculations

Financial review

Results

Continued strong results from all business segments and gains from the sale of investments contributed to a 107% increase in Glencore net income, from $ 2,560 million to a record level of $ 5,296 million.

Revenues

Double digit increases in year on year average prices in most of the major commodities Glencore markets and produces, including aluminum (35%), copper (83%), nickel (63%), zinc (137%), crude oil/oil products (12% to 20% range) and coal (10%), together with increased volumes, contributed to an increase of $ 25,499 million (28%) in revenues.

Gross income

Gross income in 2006 increased by $ 2,973 million (103%) to $ 5,851 million from $ 2,878 million in 2005, as the industrial assets (represented mainly by the base metals operations, including Kazzinc, Minara, Mopani and Los Quenuales) continued to benefit from stronger commodity prices and the physical marketing activities handled higher volumes and recorded higher income.

Metals and Minerals segment results (gross income and related share of income from associates) increased by $ 3,436 million (197%) from $ 1,747 million to $ 5,183 million.

Energy Products segment results decreased by $ 114 million (7%) from $ 1,549 million to $ 1,435 million, due to the lower earnings contribution from the Cerrejon Coal investment, following its sale in May 2006.

Agricultural Products segment result was $ 200 million, representing a 30% increase compared with $ 154 million in 2005.

Selling and administrative expenses

Selling and administrative expenses increased by $ 267 million (34%) from $ 783 million in 2005 to $ 1,050 million in 2006, due to variable payroll expenses associated with our record earnings.

Share of income from associates

Consistent with the higher gross income, share of income from associates increased from $ 571 million to $ 927 million, primarily due to a contribution of $ 416 million relating to the increased shareholding in Xstrata resulting from the equity swap arrangement being brought on balance sheet in May 2006. However, this was partly offset by the lower share in earnings from the Cerrejon Coal Group following its sale, also in May.

Operating income

Due to the significantly improved performance of our marketing and industrial activities, operating income increased by $ 3,062 million (115%) to $ 5,728 million in 2006 from $ 2,666 million in 2005.

Interest expense and interest income

Interest expense

Compared to 2005, interest expense increased due to higher short term U.S. Dollar interest rates and the increase in average borrowings.

Variable interest expense

One month US $ Libor increased during the course of 2006, averaging 5.10% p.a., compared to an average 3.39% p.a. in 2005. Floating rate debt is predominantly used to fund fast turning working capital which further increased due to higher commodity prices and volumes marketed. Consequently, interest expense on floating rate debt increased by $ 275 million to $ 667 million in 2006 from $ 392 million in 2005. The increased cost of funding is taken into account in transactional pricing and terms, which has in turn contributed to the higher level of gross income.

Fixed interest expense

Interest expense on fixed rate funding was $ 276 million in 2006, an increase of $ 69 million over 2005. The net increase is due to the impact of the Perpetual Notes and the Eurobonds issued during 2006, partly offset by the repayment of certain maturing U.S. senior notes.

Interest income

A large portion of interest income is derived from loans advanced to Russneft Group companies, with the increase in interest income being primarily attributable to the short term interest rate movements referred to above. In addition, higher average cash balances were maintained during 2006.

Gain on sale of investments

The net gain on sale of investments of $ 992 million in 2006 was primarily due to the sale of Glencore's 33.3% interest in the Cerrejon Coal Group to Xstrata. No significant disposals took place during 2005.

Changes in mark to market valuation - net

In 2006, a net positive change in mark to market valuation of $ 347 million was recognized compared to $ 618 in 2005. Due to further strengthening in Xstrata share price in 2006, a positive net mark to market valuation of $ 1,706 million was recorded on the equity swap instrument, compared to $ 848 million in 2005. Conversely, a negative mark to market movement of $ 1,550 million arose relating to the exchange feature (into Xstrata shares) of the exchangeable bonds. The corresponding amount in 2005 was $ 218 million.

Income taxes

The effective tax rate was 14% in 2006 (2005: 8%). Such increase is explained by the greater relative profit contribution of the industrial asset portfolio which generally attracts a higher tax rate. Additionally, in 2005 the income tax expense was lower due to the recognition of certain available tax losses carried forward not previously brought to account.

Liquidity and capital resources – Cash Flow

Cash provided by operating activities before working capital changes

Cash provided by operating activities before working capital changes was $ 5,442 million in 2006, an increase of 128% compared to $ 2,383 million in 2005.

Working capital changes

Net working capital increased by $ 2,832 million compared to an increase of $ 1,842 million in 2005. These increases, which are substantially driven by the significant rise in commodity prices witnessed in the last few years and to a lesser extent the increase in volumes, provide Glencore with excellent value creation opportunities. Any required additional short term funding of working capital should be seen in light of this positive business environment for Glencore. Of continuing importance for Glencore is to actively manage the quality and turnover of its inventories and receivables and ensure that adequate liquidity levels are maintained at all times. Conversely, if and when commodity prices should move lower, net working capital would be expected to reduce, providing Glencore with substantial cash inflows.

Net increases in working capital occurred mainly in the 1st and 4th quarter. The former was characterized by sharp increases in most commodity prices, particularly base metals, while during the 4th quarter, although commodity price movements were mixed, we witnessed large price increases in aluminum, zinc and nickel. In addition, during the 4th quarter, volumes grew, also due to new business flows following Xstrata's successful purchase of Falconbridge in August 2006.

Long term advances and loans

Cash used by long term advances and loans was $ 267 million in 2006, compared to cash provided of $ 34 million in 2005.

Net cash used in acquisition of subsidiaries

$ 188 million of net cash used in the acquisition of subsidiaries comprises three acquisitions concluded during the year, namely a 70% interest in a South African coal mine, a 100% interest in a Colombian coal mining company and a 100% interest in a United States zinc operation.

Purchase of investments

The $ 2,235 million reported in 2006 represents mainly Glencore's pro-rata contribution in October 2006 to Xstrata's 1 for 3 rights issue, following its earlier successful acquisition of Falconbridge.

Proceeds from sale of investments

In May 2006, Glencore completed the sale of its 33.3% interest in the Cerrejon Coal Group to Xstrata for $ 1.73 billion.

Return of capital from associates / dividends received

In 2005, $ 137 million was received as either return of capital or dividends from associates. Due to the disposal of the Cerrejon Coal Group in May 2006, a reduced amount of $ 68 million was received during 2006. However, given our recent participation in Xstrata's capital raising, dividend income is expected to increase in 2007.

Purchase of property, plant and equipment

Capital expenditure relates primarily to the consolidated industrial assets and is generally funded by the cash flows generated by the respective operations. Purchase of property, plant and equipment was $ 1,103 million during 2006 compared to $ 762 million in 2005. The high level of capital expenditure in 2005 and 2006 relates to various ongoing organic expansion and productivity improvement projects at Mopani, Kazzinc and Pasar. It should be noted that approximately $ 100 million of 2006's capital expenditure relates to prepayments for projects and equipment expected to be delivered in 2007. Whilst unusual, such practice is reflective of the current very tight and competitive environment to secure the timely delivery of capital equipment. Capital expenditure, which would normally be required to sustain current levels of production, is significantly below 2006's level.

Net cash provided/used by financing activities

During 2006, Glencore repurchased, but did not cancel, 4.125% guaranteed exchangeable bonds with a notional value of $ 400 million for a total consideration of $ 1.3 billion.

Assets, leverage and working capital

Total assets were $ 47,068 million as of December 31, 2006, representing an increase of 45% from $ 32,381 million as of December 31, 2005.

Current assets increased by $ 5,174 million (21%) to $ 29,941 million, due to an increase in the carrying value of inventories and receivables driven by the continued growth in volume and prices. As discussed above, average prices for all our key commodities increased by at least 10% from 2005 to 2006 with zinc increasing by 137%. Non current assets increased by $ 9,513 million (125%) to $ 17,127 million, mainly attributable to the reacquisition of the Xstrata shares underlying the equity swap arrangement ($ 5.01 billion), Glencore's participation in Xstrata's completed 1 for 3 rights issue ($ 2.01 billion) and the capital expenditure programs previously discussed.

Net working capital decreased by $ 126 million to $ 4,759 million as of December 31, 2006, compared to $ 4,885 million as of December 31, 2005, however 2005 included the equity swap mark to market receivable which has since been settled. The current ratio as of December 31, 2006, was 1.19, compared with 1.25 as of December 31, 2005, or 1.13 if we exclude the equity swap.

Average days on hand for inventories increased by 1 day to 34 days for 2006, average days on hand for accounts receivable decreased by 2 days to 27 days, and average days on hand for accounts payable remained at 23 days, consequently the net conversion cycle decreased by 1 day to a level of 38 days.

As in 2005, 83% of total trading inventories were contractually sold or hedged (readily marketable inventories). These inventories are readily convertible into cash due to their liquid nature, widely available markets, and the fact that any associated price risk is covered either by a physical sale transaction or a hedge transaction on a commodity exchange, or with a highly rated counterparty. Given the cash like nature of these inventories, which represent a significant share of current assets, it is appropriate to consider them as cash equivalents in analyzing net debt levels and computing certain debt coverage ratios.

After taking into account these readily marketable inventories, net debt as of December 31, 2006, was $ 8,811 million and $ 5,314 million as of December 31, 2005. The 2006 amount takes into account $ 1.24 billion of additional long term debt, resulting from the equity swap arrangement being brought on balance sheet in May 2006. The ratio of net debt to EBITDA improved from 1.80 in 2005 to 1.46 in 2006, and the ratio of EBITDA to net interest improved from 6.46 in 2005 to 8.69 in 2006. Another compelling debt coverage ratio is current capital employed to total debt of 0.83 times as of December 31, 2006, compared to 1.04 times in 2005. Including listed investments (at carrying value), the ratio improves from 1.13 times to 1.38 times. On this basis, current capital employed, together with listed investments (at carrying value), exceeded total debt by $ 6,308 million in 2006 as compared with $ 1,617 million in 2005. It should also be noted that approximately $ 530 million of Glencore debt as at December 31, 2006, is expected to be assumed by United Company RUSAL Limited as part of its expected purchase of certain of Glencore's alumina and aluminum assets in March 2007.

Glencore shareholders' funds as of December 31, 2006, were $ 10,927 million, an increase of $ 4,485 million (70%) compared with $ 6,442 million as of December 31, 2005. In line with this increase, total capitalization increased from $ 11,141 million as of December 31, 2005, to $ 19,251 million as of December 31, 2006. The long term debt to total capitalization ratio was stable at 39.4% as of December 31, 2006, compared with 39.0% as of December 31, 2005.

Capital resources and financing

During 2006, the following financing activities took place:

- In February 2006, $ 700 million 8% Perpetual Notes were issued;
- In May 2006, the size of the committed revolving credit facility was increased from $ 6.73 billion to $ 7.78 billion and the maturity profile extended ($ 6.13 billion with a 3 year maturity and $ 1.65 billion with a 364 day term and a 1 year term out option);
- In October 2006, Euro 850 million 5.25% coupon, 7 year bonds were issued;
- During 2006, Glencore repurchased, but did not cancel, Exchangeable bonds with a notional amount of $ 400 million for a total consideration of $ 1.3 billion;
- In December 2006, a secured 3 year $ 1.35 billion bank funding package was concluded, primarily to refinance the debt which arose on the reacquisition of the Xstrata shares underlying the previous equity swap arrangement;
- In January 2007, the Asset backed (receivables) program was increased from $ 1.5 billion to $ 2.0 billion.

Detailed descriptions of each of the facilities can be found in notes 14 and 17 of the financial statements.

Facility/Program	Initial issue /	Amount issued or outstanding	
US $ million	current rollover	Dec. 31, 2006	Dec. 31, 2005
U.S. senior notes	775	461	659
2014 144A notes	950	942	941
2010 Exchangeable bonds	800	409	797
Xstrata secured bank loan	1 350	1 350	0
2011 Eurobonds (Euro 600 million)	739	791	708
2013 Eurobonds (Euro 850 million)	1 078	1 121	0
Perpetual Notes	700	700	0
Purchase of profit participation certificates[1]	1 628	1 628	1 039
Committed syndicated revolving credit facility	7 775	5 795	5 000
Stand alone A-3/P-3 U.S. commercial paper program[2]	2 500	0	231
Asset backed (inventory) U.S. commercial paper program	0	0	515
Bilateral committed secured inventory financing facility	1 000	392	0
Asset backed (receivables) U.S. commercial paper program	1 500	1 500	1 500
Unsecured uncommitted bilateral bank credit facilities[3]	1 079	615	395
Committed Calibre revolving credit facility[4]	550	530	0
Other financings	521	521	509

[1] see note 13 of the financial statements

[2] amounts drawn under this program cannot be drawn under the committed syndicated revolving credit facility

[3] available credit facilities from a number of international banks

[4] part of entities expected to be sold to United Company RUSAL Limited in March 2007, therefore no longer expected to be a Glencore financial liability

There are no outstanding off balance sheet financings.

Glencore maintains adequate liquidity via its committed credit facilities and diversified funding sources.

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. Currently, there is significant headroom under these covenants.

None of the credit facilities or funding programs include rating triggers which would accelerate repayment obligations in the event of a credit rating downgrade.

In light of our extensive funding activities in the public debt capital markets, investment grade ratings are of utmost importance to us. We maintain an ongoing dialogue with both rating agencies with a view to maintain and improve our ratings.

Glossary to financial highlights and review

Capitalization

Capitalization is the sum of long term debt, minority interest and Glencore shareholders' funds.

Current capital employed

Current capital employed is current assets less accounts payable and income tax payable.

EBITDA

2006 US $ million	2005 US $ million	
5 728	2 666	Operating income
322	280	Depreciation and amortization
6 050	2 946	EBITDA

Glencore net income

Income before attribution less attribution to minority interest.

Glencore shareholders' funds

Net assets attributable to profit participation shareholders, minority interest and equity holders less minority interest.

Net conversion cycle

Days on hand for inventory plus days on hand for accounts receivable less days on hand for accounts payable.

Net debt

Net debt consists of total debt less cash and cash equivalents, marketable securities and the amount of readily marketable inventories.

Readily marketable inventories

Readily marketable inventories (disclosed as inventories contractually sold or hedged) are readily convertible to 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.

Accounting principles

1 Accounting convention

The financial statements are prepared under the historical cost convention except for the revaluation to fair value of certain financial assets, liabilities and trading inventories and are presented in United States Dollars. The Glencore Group's (Glencore) functional currency is the United States Dollar as most of Glencore's business is conducted in this currency. On March 7, 2007, the Board of Directors approved these financial statements for issue.

Accounting standards

The accounting principles adopted are in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), effective for Glencore's reporting for the year ended December 31, 2006.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

The accounting policies discussed below are fundamental to understanding Glencore's financial condition. Glencore has identified four policies as being critical as they require management to make complex and/or subjective judgments and estimates about matters that are inherently uncertain.

Valuation of derivative instruments

Derivative instruments are carried at fair value. Fair values are determined in the following ways: externally verified via comparison to quoted market prices or third party broker quotations; by using models with externally verifiable model inputs; or by using alternative procedures such as comparison to comparable instruments and/or subsequent liquidation prices. At December 31, 2006 and 2005, the vast majority of these financial instruments were verified externally. Where either 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.

Depreciation and amortization of mineral rights and mine development costs

Mineral rights and mine development costs are amortized using the units of production method (UOP). The calculation of the UOP rate of amortization, and therefore the annual amortization charge to operations, can fluctuate from initial estimates. This would generally result when there are significant changes in any of the factors or assumptions used in estimating mineral reserves, notably changes in the geology of the reserves and assumptions used in determining the economic feasibility of mining the reserves. Such changes in mineral 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 mine, which in turn is limited to the life of the proven and probable mineral reserves. Estimates of proven and probable reserves are prepared by independent experts in mining, geology and reserve determination. Assessments of UOP rates against the estimated reserve base and the mine operating and development plan are performed regularly.

Depreciation and amortization of fair value adjustments arising from the application of the purchase method to new investments in associates

Upon the initial investment in an associate, any difference between the cost of the investment and Glencore's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for in accordance with IFRS 3 – Business Combinations. Where the associate is a public company, the purchase price adjustments and their related depreciation and amortization period are determined from publicly available information and a degree of estimation. Estimates are reviewed regularly by management.

Impairments

Investments in associates and other investments, long term advances and loans and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognized. 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.

Additional specifics on each of the above polices are detailed below in the summary of significant accounting policies.

2 Principles of consolidation

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

Investments in associates and joint ventures

Associates and joint venture entities (together Associates) in which Glencore exercises significant influence or joint control are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. Significant influence is presumed if Glencore holds between 20% and 50% of the voting rights, unless evidence exists to the contrary.

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

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

Business combinations

On the acquisition of a subsidiary, the purchase method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition.

When the cost of acquisition exceeds the fair values attributable to Glencore's share of the identifiable net assets, the difference is treated as purchased goodwill, which is not amortized, but is reviewed annually for impairment and when there is an indication of impairment such impairment is immediately recognized in the statement of income. If the fair value attributable to Glencore's share of the identifiable net assets exceeds the cost of acquisition, the difference is immediately recognized in the statement of income.

Minority interest represents the portion of profit or loss and net assets in subsidiaries that is not held by Glencore, and is presented in equity in the consolidated balance sheet, separately from the parent shareholders' equity.

Similar procedures are applied in accounting for the purchases of interests in associates or jointly controlled entities. Any goodwill arising from such purchases is included within the carrying amount of the investment in associates or jointly controlled entity, but not amortized thereafter. Any excess of Glencore's of the net fair value of the associate's or jointly controlled entity's identifiable net assets, over the cost of the investment is included in income in the period of the purchase.

The main operating and finance subsidiaries and industrial investments included in these financial statements are listed in note 27.

3 Summary of significant accounting policies

Changes in accounting policies and comparability

Glencore has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) that are relevant to its operations and effective for accounting periods beginning on January 1, 2006. The adoption of these new and revised Standards and Interpretations did not have a material impact on the financial statements of Glencore.

During 2006, an updated assessment of all the facts and circumstances surrounding the investments in and loans to the various Russneft Group companies and related profit share arrangements, led to the discontinuation of the use of the equity method of accounting. Accordingly, the investment and any related receivables are now accounted for as an other investment and receivable respectively. There has been no material effect on the financial statements arising from this change.

At the date of authorization of these financial statements, the following Standards and Interpretations applicable to Glencore were issued but not yet effective:

IFRS 7 – Financial instruments: Disclosures

IFRS 8 – Operating Segments

IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

IFRIC 8 – Scope of IFRS 2 Share Based Payments

IFRIC 9 – Reassessment of Embedded Derivatives

IFRIC 10 – Interim Financial Reporting and Impairment

IFRIC 11 – IFRS 2: Group and Treasury Share Transactions

IFRIC 12 – Service Concession Arrangements

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will not have a material impact on the financial statements of Glencore.

Revenue recognition

Revenues are recognized when the seller has transferred to the buyer all significant risks and rewards of ownership of the assets sold. Revenue is recognized, at the fair value of the consideration receivable, to the extent that it is probable that economic benefits will flow to Glencore and the revenues can be reliably measured.

Interest income is recognized as earned on an accruals basis.

Unrealized gains and losses on forward trading positions, where applicable, are recorded in the statement of income.

Foreign currency translation

Foreign currency transactions

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

Translation of financial statements

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The depreciation is generally provided for by the straight line method over the estimated useful lives of the individual assets. Land and assets under construction are not depreciated.

The estimated useful lives of the assets for depreciation and amortization purposes are as follows:

Buildings	10–45 years
Plant and machinery	10–20 years
Vehicles	5–10 years
Furniture and fixtures	3–10 years
Equipment	5–10 years
Mineral rights and development costs	units of production

Assets under finance leases are capitalized and depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Operating lease expenditures are charged against income over the accounting periods covered by the lease term.

Deferred stripping costs

Stripping costs are deferred when the actual stripping ratio incurred exceeds the expected long term stripping ratio and are subsequently expensed when the actual stripping ratio falls below the long term stripping ratio. Where the ore is expected to be evenly distributed, waste removal is expensed as incurred.

Mineral rights

Mineral reserves, resources and rights (together Mineral rights) which can be reasonably valued, are recognized in the assessment of fair values on acquisition. Mineral rights for which values cannot be reasonably determined are not recognized. Exploitable Mineral rights are amortized using the units of production method over the economically recoverable reserves.

Exploration, evaluation, development and construction costs

Exploration, evaluation, development and construction costs are accounted for in each separate area of interest. Such costs are capitalized provided it is probable that they will be recovered from the exploitation or sale of the asset to which they relate. Such costs are amortized on a units of production method over the estimated useful life of the area.

Exploration, evaluation, development and construction costs that do not meet the criteria for recognition as an asset are expensed.

Restoration and rehabilitation

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

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

Impairment

Investments in associates and other investments, long term advances and loans and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognized to write down the asset to its recoverable amount. The recoverable amount is defined as the higher of the asset's fair value less costs to sell or the present value of estimated future cash flows expected to result from its use and eventual disposal.

Other investments

Investments, other than investments in associates, are recorded at fair value unless such fair value is not reliably determinable in which case they are carried at cost. Changes in fair value are recorded in current income.

Long term advances and loans

Long term advances and loans are carried at amortized cost.

Income taxes

Income taxes consist of current and deferred income taxes. Current taxes represent income taxes expected to be payable based on enacted tax rates at the balance sheet date and expected current taxable income. Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base, using enacted income tax rates. Deferred tax assets and unused tax losses are only recognized to the extent that their recoverability is deemed to be probable.

Inventories

The vast majority of trading inventories are valued at fair value less costs to sell and the remainder are valued at the lower of cost or net realizable value. Unrealized gains and losses from changes in fair value are reported in gross income.

Production inventories are valued at the lower of cost or net realizable value.

Cost is determined using the first in first out (FIFO) method and is comprised of material costs, labor costs and allocated production related overhead costs. Financing and storage costs of the inventory are expensed.

Financial assets and financial liabilities

Financial assets and financial liabilities are recognized on the balance sheet when Glencore becomes a party to the contractual provisions of the instrument.

Accounts receivable, other receivables and prepaid items

Accounts receivable, other receivables and prepaid items are carried at their nominal value as reduced by allowances for doubtful accounts where required.

Trade related financial instrument receivables include mark to market gains on derivative instruments, which are carried at fair value.

Marketable securities

Marketable securities consist of equity and debt securities which Glencore trades in active markets. Glencore has classified all its marketable securities, with the exception of investments in associates, as held for trading and uses trade date accounting when recording marketable security transactions. Marketable securities are initially recorded at cost and subsequently carried at fair value. Gains and losses realized on disposal or redemption and unrealized gains and losses from changes in the fair value are reported in gross income.

Cash and cash equivalents

Glencore considers cash on hand, amounts due from banks, short term deposits and treasury bills with maturities of three months or less to be cash or cash equivalents.

Long term debt

Long term debt is initially recorded at cost and is subsequently carried at amortized cost using the effective interest rate method.

Provisions

Provisions are recognized when Glencore has a present obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits that can be reliably estimated will be required to settle the liability.

Accounts payable and other liabilities

Accounts payable and other liabilities are carried at their nominal value, which approximates fair market value. Trade related financial instrument payables include mark to market losses on derivative instruments, which are carried at fair value.

Borrowing costs

Borrowing costs are recognized as an expense in the year in which they are incurred.

Retirement benefits

Glencore operates various pension schemes in accordance with local requirements and practices of the respective countries. The major schemes are defined contribution plans that are funded by payments to separate trustee administered funds or insurance companies. The annual costs equal the contributions that are required under the plans and are accounted for as an expense.

Glencore uses the projected unit credit actuarial method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. Actuarial gains and losses are recognized over the average remaining service lives of employees.

Securitizations

Glencore obtains sources of liquidity by securitizing certain of its receivables and inventories which generally result in the legal sale of these assets to special purpose entities (SPEs) which, in turn, issue securities to investors. After securitization, Glencore continues to maintain customer relationships and provide servicing for receivables and inventories transferred to the SPEs.

In accounting for these securitizations, two key accounting determinations are made:

An evaluation is made as to whether the securitization entity should be considered a subsidiary of Glencore and be included in Glencore's consolidated financial statements or whether the entity is sufficiently independent that it does not need to be consolidated. For all securitizations in which Glencore participates, an evaluation is made of whether Glencore controls the entity by considering several factors.

A second evaluation is then made as to whether Glencore has transferred the rights to the cash flows, risks and rewards of ownership and control of the underlying assets, thus qualifying it for derecognition and a sale under IFRS. If a transfer of assets meets the derecognition and sale requirements, the assets are removed from Glencore's consolidated financial statements. If the conditions for derecognition and sale are not met, the transfer is considered to be a secured borrowing, the assets remain on the consolidated financial statements and the proceeds are recognized as a liability.

Derivatives and hedging activities

Derivative instruments are carried at fair value on the balance sheet. Fair values are determined using quoted market prices, dealer price quotations, discounted cash flow models and option pricing models, which incorporate current market and contractual prices for the underlying instrument, time to expiry, yield curves, and volatility of the underlying instrument.

Glencore uses derivative instruments to manage exposure to market risk from changes in commodity prices, interest rates or foreign currency exchange rates and to complement its core marketing activities.

Glencore may enter into foreign currency forward contracts to reduce or eliminate the foreign currency risk on its assets, liabilities, firm commitments and forecasted transactions.

Futures and option contracts are used to hedge the effect of price changes on a portion of Glencore's inventories not contractually sold. Glencore may enter into swap agreements to limit the effect of increases in interest rates on floating rate debt. Swap agreements may also be used to reduce or eliminate foreign currency or commodity price risks.

Glencore may apply hedge accounting when it meets the specified criteria to obtain hedge accounting treatment in accordance with IAS 39.

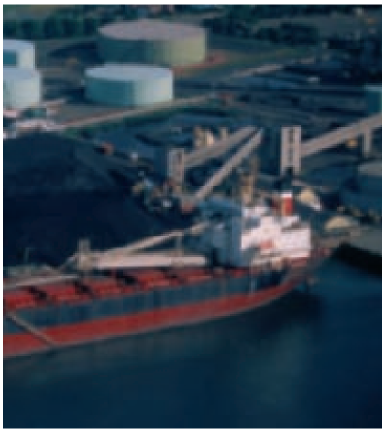
The change in fair value of derivatives hedging the fair value of an asset or liability (Fair Value Hedge) is reflected together with the change in the fair value of the hedged item in the statement of income.

The change in the fair value of derivatives hedging future cash flows (Cash Flow Hedge) is initially recognized as a cash flow hedge reserve in shareholders' equity. The deferred amount is then released to the statement of income in the same periods during which the hedged transaction affects the statement of income. Hedge ineffectiveness is recorded in the statement of income when it occurs.

Where hedge accounting is not applied, realized and unrealized gains and losses on the hedging instrument are recognized in the statement of income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in the statement of income, when the committed or forecasted transaction is ultimately recognized in the statement of income. However, if a forecasted or committed transaction is no longer expected to occur, the cumulative gain or loss that was recognized in equity is immediately transferred to the statement of income.

A derivative may be embedded in a "host contract". Such combinations are known as compound instruments, and at the date of issuance, the embedded derivative is separated from the host contract and accounted for as a stand alone derivative if the criteria for separation are met. The host contract is accounted for in accordance with its relevant accounting policy.



Consolidated statements of income
for the years ended December 31, 2006 and 2005

US $ million

Notes	2006	2005	
	116 530	91 031	Revenues
	– 110 679	– 88 153	Cost of goods sold
	5 851	2 878	Gross income
	– 1 050	– 783	Selling and administrative expenses
	927	571	Share of income from associates
	5 728	2 666	Operating income
2	– 696	– 456	Interest expense – net
	22	– 7	Foreign exchange adjustments
3	992	5	Gain on sale of investments
4	347	618	Changes in mark to market valuation – net
5	310	17	Other income/(expense) – net
	6 703	2 843	Income before income taxes and attribution
9	– 944	– 216	Income taxes
	5 759	2 627	Income before attribution
13	– 590	0	Attribution to hybrid profit participation shareholders
13	– 3 842	– 2 100	Attribution to ordinary profit participation shareholders
	1 327	527	Income for the year
			Attribution to:
	– 463	– 67	Minority interest
	– 864	– 460	Equity holders

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

Consolidated balance sheets
as of December 31, 2006 and 2005

Notes	2006	2005	US $ million Assets
			Non current assets
6	5 316	3 664	Property, plant and equipment
7	10 504	2 916	Investments in associates and other investments
8	1 117	846	Long term advances and loans
9	190	188	Deferred income taxes
	17 127	7 614	Total non current assets
			Current assets
10	9 975	8 984	Inventories
11	18 821	15 180	Accounts receivable
	349	257	Marketable securities
12	796	346	Cash and cash equivalents
	29 941	24 767	Total current assets
	47 068	32 381	Total assets

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

Notes	2006	2005	US $ million Liabilities and equity
			Net assets attributable to profit participation shareholders, minority interest and equity holders
13	46	46	Share capital
	2 081	1 038	Reserves and retained earnings
	746	355	Minority interest
	2 873	1 439	
13	590	0	Hybrid profit participation shareholders
13	8 210	5 358	Ordinary profit participation shareholders
	11 673	6 797	Total net assets attributable to profit participation shareholders, minority interest and equity holders
			Other non current liabilities
14	7 578	4 344	Long term debt
9	769	541	Deferred income taxes
16	1 866	817	Provisions and other long term liabilities
	10 213	5 702	Total other non current liabilities
			Current liabilities
14	612	560	Current portion of long term debt
17	8 565	7 390	Short term debt
18	15 635	11 832	Accounts payable
	370	100	Income tax payable
	25 182	19 882	Total current liabilities
	47 068	32 381	Total liabilities and equity

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

Consolidated statements of cash flows
for the years ended December 31, 2006 and 2005

2006	2005	US $ million
		Operating activities
6 703	2 843	Income before income taxes and attribution
		Adjustments to reconcile income before income taxes and attribution to net cash provided/(used) by operating activities
322	280	Depreciation and amortization
– 927	– 571	Share of income from associates
1 550	218	Unrealized (gain)/loss on bonds' exchange feature
256	20	Increase/(decrease) in long term provisions
– 992	– 5	(Gain)/loss on sale of investments – net
– 1 696	– 890	Unrealized (gain)/loss on equity swap – net
– 191	12	Unrealized mark to market movements on other investments
– 270	0	Impairment (reversal)/charge – net
– 9	20	Other non cash items
696	456	Interest expense – net
5 442	2 383	Cash provided by operating activities before working capital changes
		Working capital changes
– 92	– 73	(Increase)/decrease in marketable securities
– 5 620	– 1 636	(Increase)/decrease in accounts receivable
– 984	– 2 316	(Increase)/decrease in inventories
3 864	2 183	Increase/(decrease) in accounts payable
– 2 832	– 1 842	Total working capital changes
2 610	541	Cash provided/(used) by operating activities
– 553	– 140	Income taxes paid
77	28	Interest received
– 847	– 568	Interest paid
1 287	– 139	Net cash provided/(used) by operating activities

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

Consolidated statements of cash flows
for the years ended December 31, 2006 and 2005

Notes	2006	2005	US $ million
			Investing activities
	– 267	34	(Increase)/decrease in long term advances and loans
19	– 188	– 489	Net cash used in acquisition of subsidiaries
	– 2 235	– 1 019	Purchase of investments
	– 1 103	– 762	Purchase of property, plant and equipment
	41	36	Proceeds from sale of property, plant and equipment
	1 772	4	Proceeds from sale of investments
	0	44	Return of capital from associates
	68	93	Dividends received
	– 1 912	– 2 059	Net cash provided/(used) by investing activities
			Financing activities
	1 175	2 154	Net proceeds/(repayment) of short term debt
	0	600	Net proceeds of long term committed revolving credit facility
	– 1	47	Net proceeds/(repayment) of other long term bank debt
	700	0	Net proceeds from issuance of Perpetual Notes
	1 078	0	Net proceeds from issuance of Eurobonds
	1 350	0	Net proceeds from Xstrata secured bank loan
7	– 1 244	0	Repayment of equity swap loan
	– 400	– 347	Payment of profit participation certificates
	– 198	– 110	Repayment of Senior Notes
	– 1 306	0	Repurchase of Exchangeable bonds
	– 77	– 18	Dividend/return of capital to minority interest
	– 2	– 2	Payment of dividends
	1 075	2 324	Net cash provided /(used) by financing activities
	450	126	Increase/(decrease) in cash and cash equivalents
	346	220	Cash and cash equivalents, beginning of year
	796	346	Cash and cash equivalents, end of year

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

Consolidated statements of changes in equity
for the years ended December 31, 2006 and 2005

US $ million

Reserves restricted	Retained earnings	Translation adjustment	Cash flow hedge reserve	Total reserves and retained earnings	Share capital	Total	Minority interest	Total equity	
1	722	3	0	726	46	772	330	1 102	Balance January 1, 2005
0	– 2	0	0	– 2	0	– 2	– 18	– 20	Dividend
0	460	0	0	460	0	460	67	527	Income for the year
0	0	– 3	0	– 3	0	– 3	0	– 3	Translation adjustment
0	0	0	– 140	– 140	0	– 140	0	– 140	Gains/(losses) on hedges
0	0	0	1	1	0	1	0	1	Hedges transferred to income statement
0	– 10	0	0	– 10	0	– 10	0	– 10	Equity related movements of associates
0	6	0	0	6	0	6	– 24	– 18	Other equity movements
1	1 176	0	– 139	1 038	46	1 084	355	1 439	Balance December 31, 2005
1	1 176	0	– 139	1 038	46	1 084	355	1 439	Balance January 1, 2006
0	– 2	0	0	– 2	0	– 2	– 77	– 79	Dividend
0	864	0	0	864	0	864	463	1 327	Income for the year
0	0	15	0	15	0	15	0	15	Translation adjustment
0	0	0	– 180	– 180	0	– 180	0	– 180	Gains/(losses) on hedges
0	0	0	30	30	0	30	0	30	Deferred taxes on hedges
0	0	0	73	73	0	73	0	73	Hedges transferred to income statement
0	242	0	0	242	0	242	0	242	Equity related movements of associates
0	14	– 13	0	1	0	1	5	6	Other equity movements
1	2 294	2	– 216	2 081	46	2 127	746	2 873	Balance December 31, 2006

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

US $ million unless otherwise stated

1 Nature of the business activities

Glencore is a leading, privately held, diversified natural resources group with worldwide activities in mining, smelting, refining, processing and marketing of metals and minerals, energy products and agricultural products. Glencore operates on a global scale, marketing, in addition to its own production, physical commodities mainly sourced from producers and delivering such commodities to industrial consumers. Glencore also provides financing, logistics, marketing and purchasing services to producers and consumers of commodities. These activities are supported by substantial strategic investments in industrial assets operating in Glencore's core commodities.

2 Interest expense – net

2006 US $ million	2005 US $ million	
247	143	Interest income
– 943	– 599	Interest expense
– 696	– 456	Net

3 Gain on sale of investments

2006 US $ million	2005 US $ million	
992	0	Gain on sale of investments in associates – net
0	5	Gain on sale of investments – net
992	5	Total

In May 2006, Glencore sold its 33.3% interest in the Cerrejon Coal Group to Xstrata for a cash consideration of $ 1.7 billion. The gain of $ 977 million is net of related transaction costs and a proportional gain deferral of 14.4% in respect of the Company's interest in Xstrata at the time of the transaction.



4 Changes in mark to market valuation – net

2006 US $ million	2005 US $ million	
– 1 550	– 218	Exchange feature
1 706	848	Equity swap – net
191	– 12	Other
347	618	Net

Changes in the mark to market valuation of the exchange feature relate to the exchangeable bonds (see note 14). The mark to market valuation of the equity swap represents movements in Xstrata's share price on the shares held by the swap counterparty recorded until May 2006, when the decision was taken to repurchase the shares. Other mark to market of $ 191 million relates to movements on interests in other investments carried at fair value.

5 Other income / (expense) – net

2006 US $ million	2005 US $ million	
– 200	0	Impairment
470	0	Impairment reversal
40	17	Other
310	17	Net

Impairment

An impairment charge of $ 200 million was recognized against the investments in various Russneft Group companies. Although it is our belief that the overall recoverable value of the Russneft Group's portfolio of oil production and refining assets supports Glencore's carrying value of its related investments and loans; an analysis on an asset by asset basis required the above impairment charge. The recoverable amount has been primarily determined on the basis of an estimated sales value as determined by reference to recent market transactions.

Impairment reversal

During the regular assessment of whether there is an indication of an asset impairment or whether a previously recorded impairment may no longer be required, an upward revision of long term nickel price assumptions resulted in an impairment reversal of $ 470 million against property, plant and equipment of Glencore's nickel related investments. The recoverable amount of the property, plant and equipment has been determined on the basis of their value in use, using a discount rate of 8.4%.

6 Property, plant and equipment

Land and buildings	Plant, machinery and vehicles	Furniture, fixtures and equipment	Mineral rights	Deferred mining costs	Total	US $ million At cost:
596	3 977	180	467	183	5 403	January 1, 2006
2	165	2	107	3	279	Business combination
32	999	32	5	35	1 103	Additions
– 3	– 75	– 8	0	– 8	– 94	Disposals
156	– 158	32	166	0	196	Other movements
783	4 908	238	745	213	6 887	December 31, 2006
						Accumulated depreciation:
135	1 387	107	61	49	1 739	January 1, 2006
27	231	25	36	3	322	Depreciation
0	– 470	0	0	0	– 470	Impairment reversal
– 1	– 40	– 6	0	0	– 47	Disposals
7	45	12	1	– 38	27	Other movements
168	1 153	138	98	14	1 571	December 31, 2006
615	3 755	100	647	199	5 316	Net book value December 31, 2006

Land and buildings	Plant, machinery and vehicles	Furniture, fixtures and equipment	Mineral rights	Deferred mining costs	Total	US $ million At cost:
467	3 176	157	73	151	4 024	January 1, 2005
44	290	6	366	14	720	Business combination
34	669	25	0	34	762	Additions
– 4	– 42	– 9	0	– 23	– 78	Disposals
55	– 116	1	28	7	– 25	Other movements
596	3 977	180	467	183	5 403	December 31, 2005
						Accumulated depreciation:
111	1 252	98	21	39	1 521	January 1, 2005
16	209	18	35	2	280	Depreciation
– 4	– 31	– 8	0	0	– 43	Disposals
12	– 43	– 1	5	8	– 19	Other movements
135	1 387	107	61	49	1 739	December 31, 2005
461	2 590	73	406	134	3 664	Net book value December 31, 2005

Plant, machinery and vehicles includes expenditure for construction in progress of $ 605 million (2005: $ 545 million).

Depreciation expenses included in cost of goods sold are $ 307 million (2005: $ 268 million) and in selling and administrative expenses $ 15 million (2005: $ 12 million).

7 Investments in associates and other investments

2006 US $ million	2005 US $ million	
9 127	1 076	Listed associates
276	1 726	Non listed associates
1 101	114	Other investments
10 504	2 916	Total

A list of the principal operating and finance subsidiaries and industrial investments is included in note 27.

In May 2006, Glencore confirmed its intention to reacquire 100% of the Xstrata shares underlying the equity swap arrangement, representing 21.6% of Xstrata's shares then outstanding. As a result of this decision, these shares have been rerecognized on the balance sheet. Accordingly, additional long term debt of $ 1.24 billion was recognized, which, together with $ 3.77 billion of mark to market gains up to the date of reacquisition on the swap, resulted in a $ 5.01 billion acquisition cost for the underlying shares, representing the prevailing fair value at the date of reacquisition. The $ 1.24 billion debt obligation has since been refinanced with a $ 1.35 billion Xstrata secured bank loan (see note 14), upon settlement of the equity swap arrangement in December 2006.

For the period post acquisition, this additional Xstrata investment contributed share of income from associates of $ 416 million.

In October 2006, Xstrata completed a 1 for 3 rights issue, and Glencore followed its rights for a total consideration of $ 2.0 billion. In this regard our economic shareholding remained at 35.7% compared to May 2006.

The market value of Glencore's interest in its publicly listed associates as of December 31, 2006 was $ 17.3 billion.

Other investments includes 40–49% interests in various Russneft Group companies, totaling $ 772 million (2005: $ 972 million, disclosed in non listed investment in associate). During 2006, an updated assessment of all the facts and circumstances surrounding the investments in and loans to the various Russneft Group companies and related profit share arrangements, led to the discontinuation of the use of the equity method of accounting. Accordingly, the investment is now accounted for as Other investments with the equity amount at the date the method of accounting was changed being accounted for as the cost of the investment. In addition, an impairment charge of $ 200 million was recognized (see note 5).

Summarized financial information in respect of Glencore's associates, reflecting 100% of the underlying associate's relevant figures, are set out below.

2006 US $ million	2005 US $ million	
51 817	24 711	Total assets
31 621	12 758	Total liabilities
21 624	17 350	Revenue
3 327	2 662	Profit

8 Long term advances and loans

2006 US $ million	2005 US $ million	
58	93	Trade advances and loans
55	51	Loan to Parents
2	558	Loans to associated companies
1 002	144	Other long term receivables and loans
1 117	846	Total

Trade advances and loans are generally repaid by deliveries under long term purchase contracts and are related to Glencore's marketing activities. These advances and loans are generally denominated in U.S. Dollar and bear interest at applicable floating rates plus a premium. The average interest rate charged over the year was 9.3% (2005: 5.3%).

Loans to Parents, associated companies and Other long term receivables and loans bear interest at applicable floating market rates plus a premium. The weighted average interest rate charged over the year was 8.6% (2005: 8.5%).

$ 880 million (2005: $ 554 million, disclosed in Loans to associated companies) of Other long term receivables and loans were due from Russneft Group companies. The weighted average interest rate charged over the year was 9.4% (2005: 8.8%).

Long term advances and loans are net of impairment charges of $ 9 million (2005: $ 7 million).

9 Income taxes

Income taxes consist of the following:

2006 US $ million	2005 US $ million	
– 785	– 157	Current income tax
– 159	– 59	Deferred income tax expense
– 944	– 216	Total

Changes over the year in deferred income tax balances recognized on the balance sheet, excluding acquisition related opening adjustments, are reflected in the statement of income.

The effective tax rate is different from the statutory Swiss income tax rate for the following reasons:

2006 %	2006 US $ million	2005 %	2005 US $ million	
	6 703		2 843	Income before income taxes
16.2	1 089	16.7	475	Swiss income tax rate
– 0.7	– 44	– 0.7	– 18	Impact of foreign operations
– 1.6	– 108	– 9.6	– 273	Tax exempt income
– 1.0	– 70	– 5.3	– 151	Use of tax losses, not previously recognized
1.2	77	6.5	183	Other
14.1	944	7.6	216	Income tax expense and effective tax rate

Deferred taxes as of December 31, 2006 and 2005, are attributable to the items detailed in the table below:

2006 US $ million Assets [1]	2005 US $ million Assets [1]	
112	113	Tax losses carried forward
60	36	Mark to market valuations
18	39	Other
190	188	Total deferred tax assets

2006 US $ million Liabilities [1]	2005 US $ million Liabilities [1]	
302	244	Depreciation and amortization
401	242	Mark to market valuations
66	55	Other
769	541	Total deferred tax liabilities

1 Asset and liability positions in the same category reflect the impact of tax assets and liabilities arising in local tax jurisdictions that cannot be offset against tax assets and liabilities arising in other tax jurisdictions.

Deferred income tax assets are recognized for tax losses carried forward only to the extent that realization of the related tax benefit is probable. For the following gross tax losses carried forward, no deferred tax assets have been recognized in the consolidated financial statements and will expire as follows:

2006 US $ million	2005 US $ million	
151	40	1 year
30	162	2 years
21	38	3 years
335	368	Thereafter
537	608	Total

As at December 31, 2006, unremitted earnings of $ 5,440 million (2005: $ 3,324 million) have been retained by subsidiaries and associates for reinvestment. No provision is made for income taxes that would be payable upon the distribution of such earnings. If earnings were remitted, an immaterial tax charge would result based on the tax statutes currently in effect.

10 Inventories

2006 US $ million	2005 US $ million	
1 752	1 321	Production inventories
6 799	6 377	Inventories contractually sold or hedged
1 424	1 286	Other
9 975	8 984	Total

Production inventories consist of materials, spare parts, work in process and finished goods held by the production entities.

Inventories contractually sold or hedged and Other, together considered trading inventories, are carried at fair value less costs to sell. No trading inventories (2005: $ 75 million) were pledged as security against other short term debt.

In December 2006, the 364 day asset backed limited recourse securitization program of $ 750 million (BMFC) was replaced with a 2 year, $ 1 billion committed secured bank facility. Under the new program an agreement for the sale and repurchase of certain base and ferrous metal inventory balances is transacted and the net balance outstanding under the facility bears interest at US $ Libor plus a premium. As of December 31, 2006, the total amount of trading inventories securitized was $ 409 million and proceeds received as secured bank loans included as short term debt (see note 17) amounted to $ 392 million. The weighted average interest rate since inception was 5.71%.

Under IFRS, Glencore had a “controlling” interest in BMFC, accordingly BMFC was consolidated and all intercompany transactions were eliminated. As of December 31, 2005, due to the consolidation of BMFC, the total amount of trading inventories securitized was $ 584 million and proceeds received as secured borrowings amounted to $ 515 million. The related liability was included under Securitized U.S. commercial paper notes (see note 17). The weighted average interest rate for the USCP was 3.92%.

Glencore has entered into arrangements with various counterparties for the sale and optional repurchase of certain trading inventories. These sales do not meet the derecognition criteria from an accounting perspective. As at December 31, 2006, $ 147 million (2005: $ 229 million) of trading inventory has not been derecognized and proceeds received for the inventory have been deferred and included as trade advances from buyers (see note 18).

11 Accounts receivable

2006 US $ million	2005 US $ million	
9 893	7 220	Trade receivables
1 682	875	Trade advances and deposits
6 042	3 584	Fair value of trade related financial instruments[1]
0	2 318	Equity swap[2]
314	758	Associated companies
890	425	Other receivables and prepaid expenses
18 821	15 180	Total

1 see note 20

2 see note 7

Accounts receivable are net of allowances for doubtful accounts of $ 372 million (2005: $ 315 million), which takes into consideration the diverse geographic and industrial composition of the accounts receivable portfolio.

In May 2005, the Company, Glencore AG and Glencore Energy UK Ltd. replaced the previous 5 year asset backed limited recourse facility with a $ 1,500 million facility to finance a portion of their trade receivables. Under this program a widely diversified portfolio of trade receivables meeting certain debtor and country concentration limits are sold on a continuous basis to M&M Finance Company Limited, Jersey (MMFC). MMFC is funded with extendible U.S. commercial paper which carries interest at floating market rates applicable at issuance of the notes. The program is rated P-1 by Moody's and A-1+ by Standard & Poor's rating agencies.

The trade receivables sold do not meet the derecognition criteria under IFRS. As of December 31, 2006, receivables with a face value of $ 1,952 million (2005: $ 1,908 million) were securitized and proceeds received as secured borrowings amounted to $ 1,500 million (2005: $ 1,500 million). The related liability is included under Securitized U.S. commercial paper notes (see note 17). The weighted average interest rate for the USCP was 5.35% (2005: 3.71%).

12 Cash and cash equivalents

2006 US $ million	2005 US $ million	
655	321	Banks and cash on hand
141	25	Deposits and treasury bills
796	346	Total

Cash and cash equivalents bear interest at U.S. Dollar deposit rates. The average U.S. Dollar deposit rate was 4.97% (2005: 3.30%). $ 51 million (2005: $ 67 million) was restricted.

13 Share capital

Glencore Holding AG and Glencore L.T.E. AG (together the Parents), both wholly owned by the management and employees of Glencore, own 85% and 15% respectively, of the Company.

The share capital consists of 150,000 registered shares with a nominal value of CHF 500 each and a restriction of transferability.

The shares carry the right to a preferred dividend up to a maximum of 10% of nominal value. The Company is authorized by its articles of incorporation to issue to employees of Glencore non voting profit participation certificates ("PPC") with no nominal value. The PPC arrangements, described below, are designed to accumulate and attribute Glencore's net income for the year as well as facilitate sufficient capital preservation over time. A total of 150,000 PPC were authorized for issuance. Distribution of the income for the year for the PPC is based on 150,000 (2005: 150,000) shares issued.

Under the Ordinary Profit Participation Plan, selected employees become shareholders of Glencore Holding AG (Ordinary Profit Participation Shareholders - "PPS") by purchasing shares and receiving the same number of PPC, pursuant to employee participation agreements with the Company. Upon termination of employment, the financial benefits accumulated during the period of PPC tenure are reclassified into long term debt as "Purchase of profit participation instruments", with the portion falling due within 12 months included in current portion of long term debt and repaid in installments over a period of five years. Since November 1, 2004, in the event of certain triggering events which includes any breach of financial covenant, new redemptions under this Plan are subordinated to claims of unsecured lenders and investors.

Employees selected to participate in the newly created Hybrid Profit Participation Plan similarly purchase shares of Glencore Holding AG and become shareholders (Hybrid Profit Participation Shareholders - "HPPS"), receiving PPC pursuant to employee participation agreements with the Company. However, upon termination of employment, HPPS have agreed to receive their accumulated financial benefits in the form of hybrid securities to be issued by Glencore Finance (Europe) S.A., a wholly owned subsidiary of the Company. The hybrid securities have been structured so as to achieve Basket D equity credit (75%) from Moody's and high equity content (100%) from Standard & Poor's. The key features include no maturity (perpetual); option to call at par after 10 years; legally binding replacement covenant and mandatory coupon deferral where (precise definitions in the agreements) long term debt exceeds equity, current ratio falls below 1.1x or a minimum cash flow to net debt ratio is breached. The securities will constitute unsecured and subordinated obligations that will rank senior to LTS (see below), pari passu with PPS and junior to any present or future claims of unsecured lenders and investors. As of December 31, 2006, 15,000 shares were held by HPPS, representing 10% of the Company's registered share capital.

Participants in the Glencore L.T.E. AG Profit Participation Plan (Glencore L.T.E. AG Profit Participation Shareholders – "LTS") have pooled both their shares in Glencore L.T.E. AG, as well as the respective PPC under separate agreements. In contrast to PPS and HPPS, termination of employment of an LTS does not trigger any claims against the Company, but rather it is in the Company's control if and when any amount should be redeemed. In this manner, the portion of net income accumulated to LTS is consistent with traditional characteristics of an entity's retained earnings.

According to the existing agreements, the Company redeemed during 2006 a certain number of PPC from PPS representing an aggregate amount of $ 989 million (2005: $ 568 million).

14 Long term debt

US $ million	Total	Current portion	Total long term	Due 2–3 years	Due 4–5 years	After 5 years
2006						
Banks:						
Committed revolving credit facility[1]	600	0	600	600	0	0
Other[2]	188	38	150	110	12	28
Senior Notes	461	70	391	134	187	70
144A Notes	942	0	942	0	0	942
Exchangeable bonds	409	0	409	0	409	0
Xstrata secured bank loan	1 350	0	1 350	1 350	0	0
Eurobonds	1 912	0	1 912	0	791	1 121
Perpetual Notes	700	0	700	0	0	700
Purchase of profit participation certificates	1 628	504	1 124	754	370	0
Total	8 190	612	7 578	2 948	1 769	2 861

US $ million	Total	Current portion	Total long term	Due 2–3 years	Due 4–5 years	After 5 years
2005						
Banks:						
Committed revolving credit facility[1]	600	0	600	600	0	0
Other[2]	160	24	136	71	49	16
Senior Notes	659	198	461	129	80	252
144A Notes	941	0	941	0	0	941
Exchangeable bonds	797	0	797	0	797	0
Eurobonds	708	0	708	0	0	708
Purchase of profit participation certificates	1 039	338	701	501	200	0
Total	4 904	560	4 344	1 301	1 126	1 917

[1] see note 17

[2] Includes obligations under financial leases

2006 US $ million	2005 US $ million	Senior Notes
0	90	7.05% to 7.57% due in various installments from 1999 to 2006, issued in May 1996
70	70	7.23% to 7.55% due in various installments from 2002 to 2007, issued in July 1997
129	199	8.08% to 9.07% due in various installments from 2005 to 2019, issued in August 1999
262	300	6.15% to 7.94% due in various installments from 2006 to 2021, issued in December 2001
461	659	Total

The Issuer of the Senior Notes is Glencore Finance (Bermuda) Ltd. The Issuer's obligations are guaranteed by the Company. Glencore AG and Glencore UK Ltd guarantee the obligations of the Company under its guarantees.

The Senior Notes are denominated in U.S. Dollars and have a weighted average fixed interest rate of 7.52% (2005: 7.52%). The weighted average maturity as of December 31, 2006 is 4 years (2005: 4 years).

144A Notes

In April 2004, Glencore Funding LLC, a wholly owned subsidiary of the Company, issued $ 950 million 6% coupon Notes due 2014 in accordance with Rule 144A of the United States Securities Act of 1933 as amended. The Notes, originally recorded at cost, are subsequently measured at amortized cost at an effective interest rate of 6.15% per annum. The Notes are guaranteed by the Company and Glencore AG.

The Notes are rated Baa3 (stable) by Moody's and BBB– (stable) by Standard & Poor's rating agencies.

Exchangeable bonds

In October 2003, Glencore Finance (Europe) S.A. (the Issuer), a wholly owned subsidiary of the Company, issued $ 800 million 4.125% guaranteed exchangeable bonds due 2010 (the Bonds), exchangeable into ordinary shares of Xstrata, an associated company, at $ 13.67 per share. The Bonds are guaranteed on a joint and several basis by the Company and Glencore AG.

Unless previously exchanged, redeemed or purchased and cancelled, the Bonds will be redeemed by the Issuer on October 6, 2010, at 113.76% of their nominal amount. The Bonds can be exchanged by the holders at any time. The Bonds can be redeemed by the Issuer at any time on or after October 20, 2008, at accreted principal amounts (APA), if the value of the underlying shares has exceeded 130% of the APA of the Bonds outstanding for a certain period or, if 85% or more of the nominal amount of the Bonds have been exchanged, redeemed or purchased and cancelled.

The Bonds are rated Baa3 (stable) by Moody's and BBB– (stable) by Standard & Poor's rating agencies.

The Bonds consist of a debt component and a derivative component (the exchange feature). The fair values of the debt component ($ 751 million) and the exchange feature ($ 49 million) were determined at issuance of the Bonds. The debt component is included in long term debt and is measured at amortized cost at an effective interest rate of 5.75% per annum. The exchange feature is included in other long term liabilities (see note 16) and is carried at its fair value with changes in fair value reported in the statement of income.

During 2005, Glencore entered into an Exchange Intermediary Agreement with a financial institution. Pursuant to such agreement, Glencore may, at its discretion, require the bank to settle any early conversion of bonds until their maturity in 2010. On this basis, the bonds and the embedded call option are disclosed as non current liabilities.

During 2006, Glencore repurchased bonds with a notional amount of $ 400 million for a total consideration of $ 1,306 million. These bonds have not been cancelled.

Xstrata secured bank loan

In December 2006, Finges Investment B.V., a wholly owned subsidiary of the Company, entered into a secured bank funding package, primarily to refinance debt which arose on the reacquisition of the 21.6% interest in Xstrata (see note 7). The substance of the financing package, which is made up of two derivative limbs, has been accounted for as a secured 3 year $ 1.35 billion bank loan which bears interest at a rate of US $ Libor plus a premium. As at December 31, 2006, 12.3% of Glencore's shares of Xstrata were pledged as security.

Eurobonds

In September 2004, Glencore Finance (Europe) S.A., a wholly owned subsidiary of the Company, issued Euro 600 million 5.375% coupon bonds due 2011. Upon issuance, Glencore Finance (Europe) S.A. entered into a cross currency transaction to swap the Euro denominated bonds as well as the future interest payments into their U.S. Dollar equivalent. The U.S. Dollar equivalent of the bonds issued was $ 739 million and the effective U.S. Dollar fixed interest rate is 5.78%.

In October 2006, Glencore Finance (Europe) S.A., issued Euro 850 million 5.25% coupon bonds due 2013. Upon issuance, Glencore Finance (Europe) S.A. entered into a cross currency transaction to swap the Euro denominated bonds as well as the future interest payments into their U.S. Dollar equivalent. The U.S. Dollar equivalent of the bonds issued was $ 1,078 million and the effective U.S. Dollar fixed interest rate is 6.60%.

As of December 31, 2006, the carrying value of the Eurobonds increased to $ 1,912 million due to changes in Euro/U.S. Dollar exchange rates. A corresponding gain on the cross currency transaction which fully offsets any foreign currency movements is included in fair value of trade related financial instruments. The bonds are guaranteed by the Company and Glencore AG.

The bonds are rated Baa3 (stable) by Moody's and BBB– (stable) by Standard & Poor's rating agencies.

Perpetual Notes

In February 2006, Glencore Finance (Europe) S.A., a wholly owned subsidiary of the Company, issued $ 700 million 8% Perpetual Notes, which can be called by the issuer after year 5 at par. The notes are guaranteed on a joint and several basis by the Company and Glencore AG and are rated Baa3 (stable) by Moody's and BBB– (stable) by Standard & Poor's rating agencies.

Profit participation certificates

Profit participation certificates (PPC) bear interest at 6 month US $ Libor. The weighted average interest rate over the year was 4.83% (2005: 3.65%). In the event of certain triggering events (see note 13), PPC amounting to $ 1,264 million (2005: $ 501 million) would be subordinated to unsecured lenders.

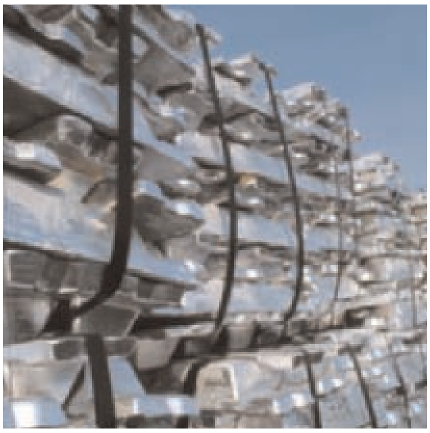
15 Retirement benefits

Total personnel costs, which include salaries, wages, social security and other personnel costs and exclude attribution to profit participation shareholders, incurred for the years ended December 31, 2006 and 2005, were $ 1,473 million and $ 1,109 million, respectively. Personnel costs related to consolidated industrial investments are included in cost of goods sold. All other personnel costs are included in selling and administrative expenses.

The Company and certain subsidiaries sponsor various pension schemes in accordance with local regulations and practices. Eligibility for participation in the various plans is either based on completion of a specified period of continuous service or date of hire. The plans provide for voluntary contributions by employees and matching contributions by the employer which range from 5% to 16% of annual salaries, depending on the employee's years of service. The Swiss pension plan is a cash balance pension plan operated by an insurance company. The plan encloses the minimum requirements under Swiss law such as a guaranteed interest rate on the compulsory retirement savings of the individual. Among these schemes are defined contribution plans as well as defined benefit plans. The main locations with defined benefit plans are the UK, the US, Ireland and Jamaica.

Defined contribution plans

Glencore's contributions under these plans amounted to $ 7 million, and $ 7 million, in 2006 and 2005, respectively.


Defined benefit plans

The amounts recognized in the balance sheet are determined as follows:

2006 US $ million	2005 US $ million	
471	402	Present value of funded obligations
– 399	– 337	Less: fair value of plan assets
– 76	– 72	Unrecognized actuarial gains/(losses)
13	17	Restrictions of assets recognized
9	10	Liability in the balance sheet (see note 16)

2006 US $ million	2005 US $ million	
10	7	Liability beginning of the year
– 21	– 9	Contributions paid
19	13	Expenses charged to income
1	– 1	Other movements
9	10	Liability end of the year

The plan assets consist of the following:

2006 US $ million	2005 US $ million	
35	32	Cash and short term investments
82	55	Fixed income
239	206	Equities
43	44	Other
399	337	Total plan assets

The amounts recognized in the statement of income are as follows:

2006 US $ million	2005 US $ million	
14	13	Current service cost
24	21	Interest cost
– 26	– 22	Expected return on plan assets
3	– 5	Net actuarial gains/(losses) recognized in the year
4	6	Prior service cost
19	13	Total

The actual return on plan assets amounted to $ 20 million (2005: $ 26 million).

The principal actuarial assumptions used were as follows:

2006	2005	
5–12%	4–13%	Discount rate
6–12%	6–11%	Expected return on plan assets
4–10%	3–9%	Future salary increases
2–3%	1–3%	Future pension increases

16 Provisions and other long term liabilities

US $ million	Employee entitlements	Post retirement benefits[1]	Rehabilitation costs	Exchange feature[2]	Other	Total
January 1, 2006	55	10	109	580	63	817
Additional provision in the year	12	– 1	26	651	361	1 049
December 31, 2006	67	9	135	1 231	424	1 866

1 see note 15

2 see note 14

Employee entitlement provision represents the value of state governed employee entitlements due to employees upon their termination of employment.

Rehabilitation provision represents the accrued cost required to provide adequate restoration and rehabilitation upon the completion of mining activities. These amounts will reverse when such rehabilitation has been performed.

During 2006, Glencore entered into an agreement to deliver a fixed quantity of silver concentrate, a by-product from its mining operations, for a period of 15 years at a fixed price for which Glencore received an upfront payment of $ 285 million. Included in Other is $ 231 million, representing the long term portion of the outstanding amount of the upfront payment. The upfront payment is released to cost of goods sold at a rate consistent with the implied forward price curve at the time of the transaction and the actual quantities delivered.

17 Short term debt

2006 US $ million	2005 US $ million	
5 195	4 400	Committed revolving credit facility
0	231	U.S. commercial paper notes
1 500	2 015	Securitized U.S. commercial paper notes[1]
392	0	Securitized inventory program[2]
530	0	Committed Calibre revolving credit facility
948	744	Other
8 565	7 390	Total

[1] see notes 10 & 11

[2] see note 10

Committed revolving credit facility

In May 2006, the Company, Glencore Capital Ltd and Glencore Funding LLC (the Borrowers) replaced the previous $ 6,725 million unsecured committed revolving credit facility consisting of a 364 day $ 2,310 million tranche and a 3 year $ 4,415 million tranche with an unsecured $ 7,775 million committed revolving credit facility, consisting of a 364 day $ 1,645 million tranche with a one year extension option and a one year term out option exercisable at the Borrowers' discretion and a 3 year $ 6,130 million tranche with two 364 day extension options. Funds drawn under the medium term revolving credit facility which are used to finance current working capital are classified as short term debt, while the portion drawn to fund non current assets is classified as long term debt (see note 14). The obligations of Glencore Capital Ltd and Glencore Funding LLC are guaranteed by the Company. Glencore AG guarantees the obligations of the Borrowers under this facility. Up to $ 2,500 million of the 3 year tranche may be used as liquidity back up for Glencore Funding LLC's stand alone U.S. commercial paper program (see below). The weighted average interest rate in 2006 was 5.74% (2005: 4.10%).

U.S. commercial paper notes

Glencore Funding LLC (the Issuer), a wholly owned subsidiary of the Company, has in place a stand alone U.S. commercial paper program for $ 2,500 million rated A-3 and P-3 respectively by Standard & Poor's and Moody's rating agencies. The Company guarantees the Issuer's obligations under this facility. The notes issued under this program carry interest at floating market rates and mature not more than 270 days from the date of issue. The weighted average interest rate for the USCPs over the year was 5.65% (2005: 3.99%).

Committed Calibre revolving credit facility

In December 2006, Calibre Properties Worldwide Ltd (Calibre), a wholly owned subsidiary of the Company, entered into a $ 550 million, 364 day committed revolving credit facility to finance certain of the aluminum and alumina entities. These entities, including Calibre, are expected to be sold to United Company RUSAL Limited in March 2007, thereby deconsolidating this loan from Glencore's balance sheet. Amounts drawn under the facility bear interest at US $ Libor plus a premium. The weighted average interest rate since inception was 5.78%. The obligations of Calibre are guaranteed by the Company.

18 Accounts payable

2006 US $ million	2005 US $ million	
7 314	6 227	Trade payables
627	653	Trade advances from buyers
5 919	3 672	Fair value of trade related financial instruments[1]
646	459	Associated companies
1 129	821	Other payables and accrued liabilities
15 635	11 832	Total

[1] see note 20

19 Acquisition of subsidiaries

Glencore acquired in April 2006 a 70% interest in Shanduka Coal (Pty) Ltd, a South African coal mining company holding the Graspan mine, in June 2006, 100% of a zinc mining operation in the United States (Tennessee Zinc Company, LLC) and in July 2006, 100% of Consorcio Minero Unido S.A., a Colombian coal mining company, which will be integrated into our existing Colombian coal operation. The acquisitions, accounted for as business combinations, are not individually significant to the financial statements and are therefore presented in aggregate.

For the period post acquisition, these operations contributed net income of $ 6 million to Glencore.

In 2006, the net cash used in the acquisition of subsidiaries and the fair value acquisition adjustments made are:

Acquiree's carrying amount US $ million	Fair value adjustments US $ million	Fair value US $ million	
4	0	4	Cash and cash equivalents
15	0	15	Accounts receivable
6	0	6	Inventories
10	0	10	Other
113	166	279	Property, plant and equipment
– 38	0	– 38	Accounts payable
– 2	– 55	– 57	Deferred income taxes
– 21	0	– 21	Provisions and other long term liabilities
– 2	0	– 2	Minority interest
85	111	196	Total net assets acquired
		4	Less: amounts previously recognized through investments
		4	Less: cash and cash equivalents acquired
		188	Net cash used in acquisition of subsidiaries

During 2005, Glencore completed various acquisitions of subsidiaries that were accounted for as business combinations. None of the acquisitions were individually significant to the financial statements, and are therefore presented in aggregate.

In the period January through March 2005, Glencore acquired a 100% interest in La Jagua Coal Company SA, a Colombian coal mining company, a 100% interest in a tin mining and smelting operation in Bolivia, a 100% interest in a zinc mining operation in Bolivia (the latter two making up Sinchi Wayra, previously known as the Comsur Group), and a 100% interest in a zinc mining and zinc/lead smelting operation in Argentina (Aguilar/AR Zinc Group). For the period post acquisition, these operations contributed net income of $ 53 million to Glencore.

In 2005, the net cash used in the acquisition of subsidiaries was:

Acquiree's carrying amount US $ million	Fair value adjustments US $ million	Fair value US $ million	
19	0	19	Cash and cash equivalents
51	0	51	Accounts receivable
71	1	72	Inventories
24	– 2	22	Other
405	315	720	Property, plant and equipment
– 231	0	– 231	Accounts payable
– 17	– 81	– 98	Deferred income taxes
– 38	– 13	– 51	Provisions and other long term liabilities
25	0	25	Minority interest
309	220	529	Total net assets acquired
		21	Less: amounts previously recognized through equity accounting
		19	Less: cash and cash equivalents acquired
		489	Net cash used in acquisition of subsidiaries

20 Financial instruments and hedging activities

Glencore engages in the ordinary course of business in commodity price, interest rate, currency rate, counterparty and country risk management activities for the purpose of hedging and managing its exposure to these risks and to protect its future financial security and flexibility. Glencore's finance staff, working in coordination with the commodity departments, are responsible for controlling and monitoring credit exposure, hedging currency exposure, financing purchases of commodities and all other related financing activities.

Commodity price risk

Glencore is exposed to price movements for the inventory that 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 option transactions on worldwide commodity exchanges or in OTC markets, to the extent available. Glencore enters into OTC transactions only with high credit quality counterparties. Commodity price risk management activities are considered an integral part of Glencore's physical commodity marketing activities and the related assets and liabilities are included in receivables from and payables to derivative counterparties including clearing brokers and exchanges.

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 utilized as the dominant method to hedge interest rate risks. Interest internally charged on the funding of receivables, advances and inventories is based on US $ Libor.

Interest bearing debt is denominated in or swapped into U.S. Dollars and incurs both floating and fixed rates.

Currency risk

The U.S. Dollar is the functional currency of the Group. Currency risk is the risk of loss from movements in exchange rates related to transactions and balances in currencies other than the U.S. Dollar. Such transactions include operating expenditure, capital expenditure and to a lesser extent purchases and sales in currencies other than the functional currency. Transactions concluded in currencies other than the functional currency are promptly hedged through forward exchange contracts. Glencore enters into currency hedging transactions only with leading financial institutions.

All of 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, Pound Sterling and Euro are the predominant non U.S. Dollar currencies.

Credit risk

Credit risk in relation to Glencore's activities arises from the possibility that counterparties may not be able to settle obligations to Glencore within the normal terms of trade. 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's cash equivalents and short term deposits are placed with highly credit rated financial institutions. Credit risk with respect to receivables and advances is mitigated by the large number of customers comprising Glencore's customer base and their diversity across various industries and geographical areas, as well as Glencore's policy to cover these risks through the banking and insurance markets where appropriate. The risk that counterparties might default on their obligations is monitored on an ongoing basis.

Liquidity risk

Liquidity risk is the risk that Glencore is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or 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's credit profile, diversified funding sources and committed credit facilities ensure that sufficient liquid funds are maintained to meet its liquidity requirements.

Fair value of trade related financial instruments

The following tables show the contract or underlying notional amounts and fair values of the trade related financial instruments by type of contract as at December 31, 2006 and 2005. Notional amounts provide an indication of the underlying volume of the business outstanding as at the balance sheet date but do not reflect the underlying Glencore risk (refer to the above risk management comments). Fair values are determined using quoted market prices or standard pricing models using observable market inputs.

2006 Notional buy US $ million	2006 Notional sell US $ million	2006 Fair value US $ million	2005 Fair value US $ million	Fair value of trade related financial instruments (assets)
				Commodity related contracts
16 158	12 870	2 295	1 182	Futures
1 775	760	1 333	1 031	Options
800	5 032	957	443	Swaps
8 485	6 546	1 307	869	Forwards
				Financial contracts
0	1 818	100	16	Cross currency swap
1 314	966	50	43	Foreign currency contracts
28 532	27 992	6 042	3 584	Total as disclosed in accounts receivable[1]

2006 Notional buy US $ million	2006 Notional sell US $ million	2006 Fair value US $ million	2005 Fair value US $ million	Fair value of trade related financial instruments (liabilities)
				Commodity related contracts
13 131	21 641	2 606	1 704	Futures
880	3 799	1 095	664	Options
3 789	904	911	464	Swaps
5 731	14 944	1 261	824	Forwards
				Financial contracts
0	0	0	1	Cross currency swap
1 730	1 299	46	15	Foreign currency contracts
25 261	42 587	5 919	3 672	Total as disclosed in accounts payable[2]

1 see note 11

2 see note 18

The following table summarizes the derivative instruments (included in the above tables) which are designated for hedge accounting purposes. These derivative instruments were specifically identified as cash flow hedges, held to hedge future cash flow risks related to the Eurobonds as discussed in note 14 and to specific marketing contracts (equivalent in $ million).

Notional amounts		Recognized Fair Values		Average	
Buy	Sell	Assets	Liabilities	maturity	2006
–	1 817	4	–	2012	Cross currency swap agreements
–	627	–	250	2007	Commodity futures

Notional amounts		Recognized Fair Values		Average	
Buy	Sell	Assets	Liabilities	maturity	2005
–	739	49	–	2011	Cross currency swap agreements
–	383	19	–	2006	Commodity futures
–	607	–	207	2007	Commodity futures

Fair value of financial instruments

The following table presents the carrying values and fair values of Glencore's financial instruments. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidated sale. Where available, market values have been used to determine fair values. When market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. The estimated fair values have been determined using market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that Glencore could realize in the normal course of business.

2006 carrying value US $ million	2006 fair value US $ million	2005 carrying value US $ million	2005 fair value US $ million	
796	796	346	346	Cash and cash equivalents
349	349	257	257	Marketable securities
18 821	18 821	15 180	15 180	Accounts receivable
1 117	1 117	846	846	Long term advances and loans
9 127	17 320	1 076	2 605	Investments in listed associates
1 377	1 377	1 840	3 057	Investments in unlisted associates and other
8 565	8 565	7 390	7 390	Short term debt
15 635	15 635	11 832	11 832	Accounts payable
370	370	100	100	Income tax payable
8 190	8 234	4 904	4 898	Long term debt

21 Future commitments

Capital expenditure for the acquisition of property, plant and equipment is generally funded through the cash flow generated by the respective entities. As of December 31, 2006, $ 447 million (2005: $ 102 million) were contractually committed for the acquisition of property, plant and equipment.

As part of Glencore's ordinary sourcing and procurement of physical commodities and other ordinary marketing obligations, the selling party may request that a financial institution act as either a) the paying party upon the delivery of product and qualifying documents through the issuance of a letter of credit or b) the guarantor by way of issuing a bank guarantee accepting responsibility for Glencore's contractual obligations. As at December 31, 2006, $ 7,200 million (2005: $ 7,373 million) of such commitments have been issued on behalf of Glencore, which will be settled simultaneously upon physical delivery of the commodity.

Glencore has entered into various operating leases mainly as lessee for office facilities. Rental expenses for these items totaled respectively $ 33 million and $ 28 million for the years ended December 31, 2006 and 2005. Future net minimum lease payments under non cancelable operating leases are as follows:

2006 US $ million	2005 US $ million	
37	16	Within 1 year
78	38	Between 2 and 5 years
204	164	After 5 years
319	218	Total

22 Contingent liabilities

The amount of corporate guarantees in favor of associated and third parties as of December 31, 2006, was $ 61 million (2005: $ 76 million).

Litigation

Certain legal actions, other claims and unresolved disputes are pending against Glencore. Whilst Glencore cannot predict the results of any litigation, it believes that it has meritorious defenses against those actions or claims. Glencore believes the likelihood of any 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 income or consolidated financial position.

Environmental contingencies

Glencore's operations, predominantly those arising from the ownership in industrial investments, are subject to various environmental laws and regulations. Glencore is in material compliance with those laws and regulations. Glencore accrues for environmental contingencies when such contingencies are probable and reasonably estimable. Such accruals are adjusted as new information develops or circumstances change. Recoveries of environmental remediation costs from insurance companies and other parties are recorded as assets when the recoveries are virtually certain. At this time, Glencore is unaware of any material environmental contamination at its locations.

23 Related party transactions

In the normal course of business, Glencore enters into various arm's length transactions with related parties, including fixed price commitments to sell and to purchase commodities, forward sale and purchase contracts, agency agreements and management service agreements. Outstanding balances at period end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables.

Related party transactions unless discussed elsewhere in the notes to the financial statements are summarized below. The principal related parties are included in notes 13 and 27. All transactions between Glencore and its subsidiaries are eliminated along with any unrealized profits and losses between its subsidiaries and associates.

Associated companies	Joint ventures	Parent companies	Total	US $ million 2006
1 532	80	0	1 612	Sales
– 3 895	0	0	– 3 895	Purchases
3	0	1	4	Interest income
– 2	0	0	– 2	Interest expense
96	0	0	96	Agency income

Associated companies	Joint ventures	Parent companies	Total	US $ million 2005
1 082	57	0	1 139	Sales
– 4 413	0	0	– 4 413	Purchases
89	0	1	90	Interest income
– 2	0	0	– 2	Interest expense
151	0	0	151	Agency income

Remuneration of key management personnel

In addition to the Board of Directors and Glencore's Executive Management, Glencore considers its key management to include those whose remuneration is tied directly to the results of Glencore. In addition to the heads of each global commodity department, this group includes various other senior personnel who are important in department decision making and strategy (67 and 68 persons on average for 2006 and 2005 respectively). Total remuneration to key management recognized in the statement of income including salaries and other short term employee benefits amounted to $ 583 million (2005: $ 324 million) and amounts attributable to PPS and HPPS (as described in Note 13) amounted to $ 3,218 million (2005: $ 1,401 million). As at December 31, 2006, included in the amounts attributable to PPS and HPPS are $ 6,496 million (2005: $ 3,801 million) related to key management personnel.

24 Subsequent events

Alumina/aluminum assets

In October 2006, the Company signed an agreement to merge certain of its alumina and aluminum assets with Rusal Limited and Sual International Ltd. The merger is subject to various regulatory approvals. The transaction is expected to close in March 2007, and the new enlarged holding company will be called United Company RUSAL Limited.

The major classes of assets and liabilities comprising the operations are as follows:

2006 US $ million	
3	Cash and cash equivalents
57	Accounts receivable
285	Inventories
165	Other
1 033	Property, plant and equipment
1 543	Assets
– 161	Accounts payable
– 530	Short term debt
– 115	Deferred income taxes
– 806	Liabilities
737	Net assets

GBP 650 million bonds

In February 2007, Glencore Finance (Europe) S.A., a wholly owned subsidiary of the Company, issued GBP 650 million 6.50% coupon bonds due 2019. Upon issuance, Glencore Finance (Europe) S.A. entered into a cross currency transaction to swap the GBP denominated bonds as well as the future interest payments into their U.S. Dollar equivalent. The U.S. Dollar equivalent of the bonds issued was $ 1,266 million and the effective U.S. Dollar fixed interest rate is 6.58%.

The bonds are guaranteed on a joint and several basis by the Company and Glencore AG and are rated Baa3 (stable) by Moody's and BBB– (stable) by Standard & Poor's rating agencies.

Bolivia

On February 9, 2007, the Bolivian Government decreed the immediate nationalization of the Vinto tin smelter, comprising part of the Sinchi Wayra Group which is owned 100% by Glencore. The decree did not contain any provision for the payment of prompt and equitable compensation, an act which Glencore considers both a breach of the Bolivian Constitution, Bolivian law No 1182 as well as of international law, in particular the Treaty Concerning the Promotion and Protection of Investments entered by the Bolivian State and the Swiss Confederation, and in effect since 17 May 1991. Glencore is currently evaluating its legal and commercial options, the ultimate outcome of which cannot be predicted with any degree of certainty at this time, however the potential financial impact is not considered material.

25 Segment information – business segments

For management purposes, Glencore is organized on a worldwide basis into three major business groups – metals and minerals, energy products, and agricultural products. These divisions are the basis on which Glencore reports its primary segment information.

Metals and minerals	Energy products	Agricultural products	Corporate/ eliminations	Total	2006
42 187	68 482	5 861	0	116 530	Revenues
– 37 830	– 67 147	– 5 662	– 40	– 110 679	Cost of goods sold
4 357	1 335	199	– 40	5 851	Gross income
826	100	1	0	927	Share of income from associates
5 183	1 435	200	– 40	6 778	Segment results
				– 1 050	Selling and administrative expenses
				– 696	Interest expense – net
				22	Foreign exchange adjustments
				992	Gain on sale of investments
				347	Changes in mark to market valuation – net
				310	Other income/(expense) – net
				– 944	Income taxes
				5 759	Income before attribution
					Included in income before attribution are:
– 269	– 25	– 13	– 15	– 322	Depreciation and amortization
0	– 200	0	0	– 200	Impairment charge
470	0	0	0	470	Impairment release
					Consolidated balance sheet
4 606	458	222	30	5 316	Property, plant and equipment
7 636	2 810	31	27	10 504	Investments in associates and other investments
49	956	6	106	1 117	Long term advances and loans
6 195	2 612	1 168	0	9 975	Inventories
8 411	8 438	1 334	638	18 821	Accounts receivable
0	0	0	1 335	1 335	Other
26 897	15 274	2 761	2 136	47 068	Total assets
6 471	7 540	877	1 117	16 005	Accounts payable
0	0	0	19 390	19 390	Other
6 471	7 540	877	20 507	35 395	Total liabilities
				11 673	Total net assets attributable to profit participation shareholders, minority interest and equity holders
					Included in total assets are:
992	59	52	0	1 103	Additions to property, plant and equipment
0	– 200	0	0	– 200	Impairment charge – investment
470	0	0	0	470	Impairment release – property, plant and equipment

Metals and minerals	Energy products	Agricultural products	Corporate/ eliminations	Total	2005
26 983	59 036	5 012	0	91 031	Revenues
– 25 370	– 57 923	– 4 859	– 1	– 88 153	Cost of goods sold
1 613	1 113	153	– 1	2 878	Gross income
134	436	1	0	571	Share of income from associates
1 747	1 549	154	– 1	3 449	Segment results
				– 783	Selling and administrative expenses
				– 456	Interest expense – net
				– 7	Foreign exchange adjustment
				5	Gain on sale of investments
				618	Changes in mark to market valuation – net
				17	Other income/(expense) – net
				– 216	Income taxes
				2 627	Income before attribution
					Included in income before attribution are:
– 249	– 11	– 7	– 13	– 280	Depreciation and amortization
					Consolidated balance sheet
3 254	206	108	96	3 664	Property, plant and equipment
738	2 142	36	0	2 916	Investments in associates and other investments
97	675	6	68	846	Long term advances and loans
5 634	2 598	752	0	8 984	Inventories
4 794	6 943	573	2 870	15 180	Accounts receivable
0	0	0	791	791	Other
14 517	12 564	1 475	3 825	32 381	Total assets
4 760	6 082	337	753	11 932	Accounts payable
0	0	0	13 652	13 652	Other
4 760	6 082	337	14 405	25 584	Total liabilities
				6 797	Total net assets attributable to profit participation shareholders, minority interest and equity holders
					Included in total assets are:
689	28	45	0	762	Additions to property, plant and equipment

26 Segment information – geographical segments

The natural resource production and physical sourcing and marketing activities are global in nature. Glencore's business is managed on an integrated worldwide basis focusing on profitability by business group. The geographical analysis is provided in order to comply with IFRS and does not reflect the way Glencore is managed. The analysis by business group is a more meaningful reflection of the way Glencore is managed.

The Americas	Europe	Asia/Africa/ Middle East/ Australia	Total	2006
37 117	44 416	34 997	116 530	Total revenues
11 281	20 983	14 804	47 068	Total assets
				Included in total assets are:
261	79	763	1 103	Additions to property, plant and equipment

The Americas	Europe	Asia/Africa/ Middle East/ Australia	Total	2005
30 926	33 914	26 191	91 031	Total revenues
8 042	14 789	9 550	32 381	Total assets
				Included in total assets are:
165	109	488	762	Additions to property, plant and equipment

27 List of principal operating, finance subsidiaries and industrial investments

	[1]Method of Consolidation	Country of incorporation	% of controlling interest 2006	% of controlling interest 2005	Main activity
Glencore AG	F	Switzerland	100.0	100.0	Operating
Century Aluminum Company	E	United States	28.7	29.0	Aluminum production
Columbia Falls Aluminum Company	F	United States	100.0	100.0	Aluminum production
Glencore Funding LLC	F	United States	100.0	100.0	Finance
Tennessee Zinc Company, LLC	F	United States	100.0	0.0	Zinc production
Glencore UK Ltd	F	U.K.	100.0	100.0	Operating
Glencore Commodities Ltd	F	U.K.	100.0	100.0	Operating
Glencore Energy UK Ltd	F	U.K.	100.0	100.0	Operating
Glencore Finance (Bermuda) Ltd	F	Bermuda	100.0	100.0	Finance
Aguilar/AR Zinc Group	F	Argentina	100.0	100.0	Zinc/Lead production
Alumina Partners of Jamaica (Alpart)	P	Jamaica	65.0	65.0	Alumina production
Carbones de la Jagua SA	F	Colombia	100.0	100.0	Coal production
Consorcio Minero Unido SA	F	Colombia	100.0	0.0	Coal production
Cerrejon Coal Group	E	Colombia	0.0	33.3	Coal production
C.I. Prodeco Productos de Colombia SA	F	Colombia	100.0	100.0	Coal production
Empresa Minera Los Quenuales SA	F	Peru	96.5	96.5	Zinc/Lead production
Eurallumina S.p.A.	E	Italy	43.8	43.8	Alumina production
Glencore Finance (Europe) SA	F	Luxembourg	100.0	100.0	Finance
Kubikenborg Aluminium AB (Kubal)	F	Sweden	100.0	100.0	Aluminum production
Limerick Alumina Refining Ltd. (Aughinish)	F	Ireland	100.0	100.0	Alumina production
Metaleurop S.A.	E	France	33.0	33.0	Zinc/Lead production
Mopani Copper Mines PLC	F	Zambia	73.1	73.1	Copper production
Sinchi Wayra	F	Bolivia	100.0	100.0	Zinc/Tin production
West Indies Alumina Co. (Windalco)	P	Jamaica	93.0	93.0	Alumina production
Cobar Group	F	Australia	100.0	100.0	Copper production
Inner Mongolia Huomei Hongiun Aluminium & Electricity Co.	E	China	35.7	0.0	Aluminum production
JSC Kazzinc	F	Kazakhstan	75.5	75.5	Zinc/Lead production
Murrin Murrin Joint Venture[2]	F	Australia	40.0	40.0	Nickel production
Minara Resources Ltd	F	Australia	51.0	50.5	Nickel production
Moreno Group	F	Argentina	100.0	100.0	Edible oils production
Perubar SA	F	Peru	85.0	85.0	Zinc/Lead production
Philippine Associated Smelting and Refining Corp. (Pasar)	F	Philippines	78.2	73.1	Copper production
Portovesme S.r.L.	F	Italy	100.0	100.0	Zinc/Lead production
Russneft Group (various companies)	O	Russia	40.0–49.0	40.0–49.0	Oil production
Shanduka Coal (Pty) Ltd	F	South Africa	70.0	0.0	Coal production
Xstrata plc	E	U.K.	35.7	16.0	Diversified production

[1] F = Full consolidation; E = Equity method; P = Proportionate consolidation; O = Other investment

[2] the balance of the joint venture is held by Minara Resources Ltd giving Glencore an effective interest of 70.6 in the joint venture

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
GLENCORE INTERNATIONAL AG, BAAR

We have audited the consolidated financial statements of Glencore International AG and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2006, and the related consolidated statements of income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes, set out on pages 14 to 59.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Glencore International AG and its subsidiaries as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

March 7, 2007

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