GLENCORE

Annual Report 2007

GLENCORE

INTERNATIONAL AG
AND SUBSIDIARIES

Annual Report

2007



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Financial highlights: 2007 compared to 2006

- **Revenues up 22% from $ 116,530 million to $ 142,343 million**

- **Operating income up 22% from $ 5,728 million to $ 6,982 million**

- **Glencore net income[1] up 15% from $ 5,296 million to $ 6,114 million (up 22% excluding Gain on sale of investments)**

- **Cash flows provided by operating activities before working capital changes up 5% from $ 5,442 million to $ 5,700 million**

- **Glencore shareholders' funds[1] up 43% from $ 10,927 million to $ 15,671 million**

- **Net debt[1] to EBITDA[1] improved to 1.34 times from 1.44 times**

[1] refer to glossary on page 12 with definitions and calculations

Executive summary

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

- Glencore year on year net income up 15% from $ 5.30 billion to $ 6.11 billion (up 22% excluding gains on sale of investments of $ 864 million and $ 992 million respectively in 2007 and 2006)
- Cash provided by operating activities before working capital changes rose 5% to $ 5.70 billion

Glencore is a highly focused natural resources group combining its unique marketing capabilities with a diversified and growing portfolio of industrial assets. It is our belief, that the continued adherence to our long held strategy of complimenting the third party origination and marketing business with our own production and distribution assets, has over the years allowed us to achieve our unique and unrivaled depth and breadth of commodity and geographical diversification. In this regard, our key marketing competences in commodities such as oil, coal, copper, zinc, nickel and grains are supported by oil production and refining operations in Russia and Colombia, coal mining and port activities in Colombia and South Africa, copper production and refining in Australia and Zambia, zinc / lead production and refining in Kazakhstan, Peru and Italy, nickel production in Australia, agricultural processing and storage facilities in Argentina and Kazakhstan and various commercial arrangements with many of our associate and investee companies, primarily Xstrata, United Company Rusal and Century Aluminum.

Extending the current strong commodity cycle, 2007 was another year of healthy demand and tight supply conditions. In many of the products we market and produce, record or multi year record prices and benchmarks were recorded including crude oil surpassing $ 100 per barrel, thermal coal (FOB) breaking through $ 100 per ton and wheat fetching in excess of $ 1,000 per bushel.

Against this backdrop, all business segments contributed to the increased earnings; metals and minerals led the way with segment results up $ 1.3 billion (26%) followed by agriculture (up $ 317 million, 158%) on substantially increased volumes, prices and physical supply tightness while energy was up $ 42 million (3%). The metals and minerals' industrial asset contribution was once again buoyed by stronger base metals' prices, in particular Nickel annual average price which increased by some 50% over 2006 and spurred Xstrata and Minara to record 2007 earnings. In addition, nickel and cobalt marketing volumes increased significantly owing to the new distribution agreements concluded with Xstrata in March 2007, following the latter's takeover of Falconbridge in 2006.

Despite the negative tone surrounding the US economy and credit markets, current commodity market sentiment supports our view that positive industry trends should persist into 2008 and beyond; namely continued solid growth in China and other developing countries, constrained supply, largely the result of logistic bottlenecks / inadequate infrastructure, long lead times for key capital items and more recently, severe power disruptions in South Africa and China. In this regard, it is noteworthy that the current price of many commodities is significantly above 2007's averages e.g. around 20% for aluminum and copper, 80% for thermal coal (FOB) and 70% for wheat. Furthermore, current forward curves have been flattening in recognition of this positive long term outlook for commodities.

These strong fundamentals, coupled with our continued expectation that commodity prices should remain high by historical levels, have supported the numerous investment initiatives recently undertaken within our industrial asset portfolio, both organically and through acquisition including:

- In March 2007, we merged certain of our alumina and aluminum assets with Rusal and Sual's aluminum assets, in exchange for a 12% stake in United Company Rusal, the world's largest aluminum and alumina producer;
- In April 2007, we acquired a 51% interest in Refineria de Cartagena SA, a Colombian oil refinery;
- During 2007, we acquired a 13.9% interest in Nikanor plc, which in January 2008, merged with Katanga Mining Limited, listed on the Toronto Stock Exchange (TSE), to better develop the combined group's attractive Central African long life, low cost copper / cobalt reserves. Our new stake in the enlarged company is now 8.5% plus an additional 4.2% if we choose to convert an existing $ 150 million loan into equity;
- During 2007, we invested both directly in capital expenditure and indirectly via investment vehicles with ship owners in the commissioning of numerous new sea going vessels with expected deliveries from 2008 to 2011. We believe these vessels, which were purchased at very attractive levels relative to the current new build market, will ultimately provide our oil and coal departments with enhanced business flexibility and opportunity;
- Expansion and efficiency programs continued at our industrial asset operations with our South African and Colombian coal operations each acquiring neighboring mines, thereby increasing our exposure to coal at a time of record spot prices. In Colombia, we continued to invest in a large expansion project, which is targeting 17 million tonnes of coal production by 2010; Kazzinc continued construction on its new 70,000t copper smelter expected to be completed during 2009 while the Murrin Murrin nickel joint venture successfully completed its planned extended maintenance shutdown in November to refurbish key processes, and position itself for future growth.

In times of sustained high commodity prices, as are currently being experienced, significant liquidity is required to finance working capital and maintain flexibility to compete for new business opportunities. During 2007, our syndicated committed bank revolver was increased from $ 7.8 billion to $ 8.8 billion, and GBP 650 million ($ 1.27 billion) 12 year bonds were issued. This increased liquidity allowed us to continue pursuing value enhancing debt management initiatives, namely the repurchase of $ 293 million nominal of our exchangeable bonds for a total consideration of $ 1.25 billion, as well as retiring our remaining US Senior Notes for a total consideration of $ 435 million.

As a conservative financial target, we seek to maintain a level of available committed liquidity in excess of $ 2 billion at all times. This has served us well during the current turbulent credit market conditions, including, toward the end of 2007, enabling us to comfortably deal with the temporary loss of liquidity previously provided by our $ 2 billion A1+/P1 assets backed receivables funding program (ABCP), which structurally fell out of favor with the market, despite the high quality and performance of the underlying receivables. As at December 31, 2007, around half of this liquidity was restored via a new ABCP program and the $ 2 billion amount is expected to be fully restored in the coming months.

In closing, and as stated above, we expect global commodity markets to remain strong in 2008 with most of our key commodities currently at prices comfortably exceeding 2007 averages. We therefore remain confident in the outlook for the Group's performance in 2008.

Detailed financial highlights

2007	2006	US $ million
		Key figures for the years ended December 31, 2007 and 2006
6 275	5 851	Gross income
8 511	6 782	Segment result
7 763	6 054	EBITDA[1]
6 982	5 728	Operating income
6 114	5 296	Glencore net income[1]
5 700	5 442	Cash provided by operating activities before working capital changes
		Key figures as of December 31, 2007 and 2006
59 955	47 068	Total assets
15 671	10 927	Glencore shareholders' funds[1]
10 433	8 715	Net debt[1]
26 594	19 251	Capitalization[1]
15 797	13 936	Current capital employed (CCE)[1]
5 415	4 759	Net working capital
		Key ratios as of December 31, 2007 and 2006
		Working capital ratios:
1.17	1.19	Current ratio (times)
30	34	Inventories (days)
28	27	Accounts receivable (days)
23	23	Accounts payable (days)
35	38	Net conversion cycle[1] (days)
		Equity, gearing and coverage ratios:
37.7	39.4	Long term debt to capitalization[1] (%)
46.0	61.0	Return on average Glencore shareholders' funds[1] (%)
0.77	0.83	CCE to total debt (times)
1.31	1.38	CCE plus listed associates (at carrying value) to total debt (times)
1.34	1.44	Net debt[1] to EBITDA[1] (times)
6.80	8.70	EBITDA[1] to net interest (times)

[1] refer to glossary on page 12 with definitions and calculations

Financial review

Results

Continued strong results from all business segments and gains from the sale of investments contributed to a 15% increase in Glencore net income from $ 5,296 million to a record level of $ 6,114 million.

Revenues

Increased volumes together with increases in year on year average prices in most of the major commodities we market and produce, including nickel (53%), lead (100%), crude oil/oil products (11% to 20% range), coal (24%) and wheat (60%) contributed to an increase of $ 25,813 million (22%) in revenues.

Gross income

Gross income in 2007 increased by $ 424 million (7%) to $ 6,275 million from $ 5,851 million in 2006, as the physical marketing activities handled increased volumes and recorded higher income. Industrial assets (represented mainly by the base metals operations, including Kazzinc, Minara, Mopani and Los Quenuales) continued to benefit from high commodity prices and achieved strong earnings.

Metals and Minerals segment results (gross income, related share of income from associates and dividend income) increased by $ 1,334 million (26%) from $ 5,187 million to $ 6,521 million.

Energy Products segment results increased by $ 42 million (3%) from $ 1,435 million to $ 1,477 million.

Due to a significant increase in volumes marketed and a very tight physical market brought upon by constrained supply conditions the Agricultural Products segment result increased by $ 317 million (159%) from $ 200 million to $ 517 million (Revenue increased by 73%).

The split of aggregate segment results between marketing and industrial activities is set out below:

	2007 US $ million		2006 US $ million	
Marketing activities	3 964	47%	3 169	47%
Industrial activities	4 547	53%	3 613	53%
Segment results	8 511	100%	6 782	100%

Selling and administrative expenses

Selling and administrative expenses increased by $ 135 million (13%) from $ 1,050 million in 2006 to $ 1,185 million in 2007, due primarily to variable payroll expenses associated with our record earnings.

Share of income from associates

Share of income from associates increased from $ 927 million to $ 1,892 million, primarily due to Xstrata's record earnings, realized on the back of higher base metals' prices.

Operating income

Due to the significantly improved performance of both our marketing and industrial activities, operating income increased by $ 1,254 million (22%) to $ 6,982 million in 2007 from $ 5,728 million in 2006.

Dividend income

Dividend income relates almost entirely to cash receipts from our new 12% stake in United Company Rusal Limited as discussed below.

Interest expense and interest income

Interest income

In 2006, a large portion of interest income was derived from loans advanced to companies of the Russneft Group. As a function purely of conservative accounting, interest income has not yet been recognized on these loans in 2007, pending a fuller understanding of the ongoing discussions with 3rd parties in respect of future value enhancing initiatives and possible disposals of certain assets.

Interest expense

Compared to 2006, interest expense increased due to the increase in average borrowings and somewhat higher average short term U.S. Dollar interest rates.

Variable interest expense

One month US $ Libor increased during the course of 2007, averaging 5.25% p.a., compared to an average 5.10% p.a. in 2006. 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 $ 293 million to $ 960 million in 2007 from $ 667 million in 2006. 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 $ 341 million in 2007, an increase of $ 65 million over 2006. The net increase is due to the impact of the Sterling bonds issued during 2007, partly offset by reduced interest on the early repayment of our U.S. senior notes which took place in August 2007.

Gain on sale of investments

The net gain on sale of investments of $ 864 million in 2007 was substantially due to the merger of certain of our alumina and aluminum assets with certain of Rusal and Sual's aluminum assets.

The $ 992 million realized in 2006 was primarily due to the sale of our 33.3% interest in the Cerrejon Coal Group to Xstrata.

Changes in mark to market valuation - net

In 2007, a net negative change in mark to market valuation of $ 116 million was recognized compared to a positive change of $ 347 million in 2006. Due to the repurchase of the equity swap instrument in December 2006 no positive mark to market valuation was recorded in 2007, compared to $ 1,706 million in 2006. However, a negative mark to market movement of $ 220 million arose relating to the exchange feature (into Xstrata shares) of the exchangeable bonds. The corresponding amount in 2006 was $ 1,550 million.

Income taxes

The effective tax rate (making an appropriate adjustment for share of income from associates, which is recorded post tax) was 11% in 2007 (2006: 16%). This decrease is explained by the greater relative profit contribution of marketing activities and dividend income, which generally attracts lower tax rates.

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 $ 5,700 million in 2007, an increase of 5% compared to $ 5,442 million in 2006.

Working capital changes

Working capital increased by $ 2,793 million compared to a similar increase of $ 2,832 million in 2006. These increases, which are substantially driven by the significant rise in commodity prices such as oil, coal and agricultural products (large surges in 4th quarter alone) over 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 us is actively to manage the quality and turnover of our inventories and receivables and ensure that adequate liquidity levels are maintained at all times. Conversely, should commodity prices move lower for a sustained period going forward, working capital would be expected to reduce, providing us with substantial cash inflows.

Long term advances and loans

Cash used for long term advances and loans was $ 632 million in 2007, compared to cash provided of $ 267 million in 2006. The 2007 amount primarily comprises $ 420 million of loans extended as part of the Nikanor / Katanga investments (see note 7), while some $ 127 million of loans were made in respect of oil exploration activities in West Africa.

Net cash used in acquisition of subsidiaries

$ 234 million of net cash used in the acquisition of subsidiaries comprises three acquisitions concluded during the year, namely the remaining interest in Sherwin Alumina, a 100% interest in a Colombian coal mining company and a 100% interest in a South African coal mine, via 70% owned Shanduka Coal.

Purchase of investments

The $ 1,136 million reported in 2007 comprises mainly investments in the Cartagena oil refinery in Colombia, Nikanor plc (a London AIM listed entity developing a large scale low cost copper and cobalt project in the Democratic Republic of Congo 'DRC'), a 40% stake in Mutanda (another DRC copper / cobalt mining operation), 50% ownership stakes (together with major ship operators) in ventures which have commissioned 15 new sea going vessels with expected deliveries from 2008 to 2011 and the participation in a capital raising by Century Aluminum. Subsequent to year end, the announced merger between Nikanor and Katanga was approved.

Dividends received

In 2007, dividends received increased from $ 68 to $ 510 million as a result of distributions received in respect of our stake in United Company Rusal Limited and increased dividend payments from Xstrata.

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 $ 1,577 million during 2007 compared to $ 1,103 million in 2006. The high level of capital expenditure in 2006 and 2007 relates to various ongoing organic expansion and productivity improvement projects at Murrin Murrin, Mopani, Kazzinc and our Colombian coal operations, as well as investments (construction in progress) in certain oil and coal vessels. Capital expenditure, which would normally be required to sustain current levels of production, is significantly below 2007's level.

Net cash provided/used by financing activities

During 2007, Glencore cash settled early conversions and repurchased exchangeable bonds with a nominal value of $ 293 million for a total consideration of $ 1,248 million. At year end 2007, exchangeable bonds with a nominal value of $ 106 million were still outstanding in the market.

Additionally, we repurchased our outstanding US Senior Notes for a total consideration of $ 435 million.

During the 2nd half of 2007, with continuing dislocation in credit markets brought upon by the US sub-prime concerns we fully repaid our A-1+/P-1 rated Asset backed (receivables) U.S. commercial paper program as paper matured. We partially replaced this lost liquidity with a new 1 year $ 1.35 billion Xstrata secured bank loan in September 2007, with terms closely matching the 3 year $ 1.35 billion facility concluded in December 2006. As discussed below, a new $ 2 billion Asset backed (receivables) program is being structured so as to reinstate this cost efficient and durable source of working capital funding going forward.

Assets, leverage and working capital

Total assets were $ 59,955 million as of December 31, 2007, representing an increase of 27% from $ 47,068 million as of December 31, 2006.

Current assets increased by $ 6,941 million (23%) to $ 36,882 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, where average prices for many of our key commodities increased substantially from 2006 to 2007. Non current assets increased by $ 5,946 million (35%) to $ 23,073 million, mainly due to new investments and the capital expenditure programs previously discussed.

Net working capital increased by $ 656 million to $ 5,415 million as of December 31, 2007, compared to $ 4,759 million as of December 31, 2006. As a result of the growth in current assets and liabilities, our current ratio as of December 31, 2007, was 1.17, compared with 1.19 as of December 31, 2006.

Average days on hand for inventories decreased by 4 days from 2006 to 30 days in 2007, average days on hand for accounts receivable increased by 1 day to 28 days. Average days on hand for accounts payable remained at 23 days, and as a result our net conversion cycle decreased by 3 days to 35 days.

In 2007, 84% of total trading inventories were contractually sold or hedged (readily marketable inventories), compared with 83% in 2006. Readily marketable 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, we believe 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, 2007, was $ 10,433 million and $ 8,715 million as of December 31, 2006. The ratio of net debt to EBITDA improved from 1.44 in 2006 to 1.34 in 2007. Despite the decrease from 8.70 in 2006 to 6.80 in 2007, the ratio of EBITDA to net interest still represents a strong coverage ratio. Although, the current capital employed to total debt ratio, decreased to 0.77 times from 0.83 times in 2006 by including our highly liquid listed investments (only at their historical carrying value), the ratio in 2007 amounts to a very healthy 1.31 times slightly down from 1.38 times in 2006. On this basis, current capital employed, together with listed investments (at carrying value), exceeded total debt by $ 6,383 million in 2007 compared to $ 6,308 million in 2006.

Glencore shareholders' funds as of December 31, 2007, were $ 15,671 million, an increase of $ 4,744 million (43%) compared with $ 10,927 million as of December 31, 2006. In line with this increase, total capitalization increased from $ 19,251 million as of December 31, 2006, to $ 26,594 million as of December 31, 2007. The long term debt to total capitalization ratio decreased to 37.7% as of December 31, 2007, compared with 39.4% at December 31, 2006.

Capital resources and financing

During 2007, the following financing activities took place:

- In February, GBP 650 million 6.5% bonds maturing 2019 were issued.
- In May, the size of the committed revolving credit facility was increased from $ 7.78 billion to $ 8.78 billion and the maturity profile extended ($ 8.21 billion with a 3 year maturity and $ 0.57 billion with a 364 day term and a 1 year term out option).
- In August, we repurchased our outstanding US Senior Notes for $ 435 million.
- In September, we entered into a new 1 year $ 1.35 billion Xstrata secured bank loan, with terms closely matching the 3 year $ 1.35 billion facility concluded in December 2006.
- In December, the previous $2.0 billion Asset backed (receivables) U.S. commercial paper program (ABCP) was replaced with a new committed 1 year Euro 700 million ABCP backed by certain receivables. The program size is currently being increased to $ 2.0 billion with the incremental capacity expected to be available for funding in the 2nd quarter of 2008.
- During 2007, Glencore repurchased Exchangeable bonds and cash settled early conversions, with a nominal amount of $ 293 million for a total consideration of $ 1,248 million. Accordingly, cumulative repurchases reached $ 694 million of the nominal amount for a total consideration of $ 2,554 million.

Detailed descriptions of each of the facilities can be found in notes 13 and 16 of the financial statements.

Facility/Program US $ million	Initial issue / current rollover	Amount issued or outstanding December 31, 2007	December 31, 2006
U.S. senior notes	775	0	461
2014 144A notes	950	942	942
2010 Exchangeable bonds	800	111	409
Xstrata secured bank loans	2 700	2 700	1 350
2011 Eurobonds (Euro 600 million)	739	876	791
2013 Eurobonds (Euro 850 million)	1 078	1 242	1 121
2019 Sterling Bond (GBP 650 million)	1 266	1 271	0
Perpetual Notes	700	700	700
Purchase of profit participation certificates[1]	2 048	2 048	1 628
Committed revolving credit facility	8 775	6 795	5 795
Stand alone A-3/P-3 U.S. commercial paper program[2]	2 500	0	0
Bilateral committed secured inventory financing facility	1 000	675	392
Asset backed (receivables) U.S. commercial paper program	0	0	1 500
Committed Euro 700 million asset backed (receivables) facility	1 024	1 024	0
Unsecured uncommitted bilateral bank credit facilities[3]	1 439	904	615
Committed 364 day revolving credit[4]	500	240	0
Committed Calibre revolving credit facility[5]	0	0	530
Other financings	877	877	521

[1] see note 12 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] expected to be repaid upon drawdown of incremental ABCP as noted above

[5] part of entities sold to United Company Rusal Limited in March 2007

There are no outstanding off balance sheet financings.

Glencore maintains adequate liquidity via its committed credit facilities, diversified funding sources and fast turning, very liquid working capital. As at December 31, 2007, Glencore had available undrawn committed facilities, including cash, of close to $ 2.9 billion. As a conservative financial target, we seek to maintain a level of available liquidity in excess of $ 2 billion at all times.

Certain debt arrangements require compliance with specific financial covenants related to current ratio and a maximum long term debt to tangible net worth ratio. Significant headroom is available under both of these covenants. No 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 promote an ongoing dialogue with both our rating agencies with a view to maintaining and improving our ratings. On August 8, 2007, Moody's affirmed Glencore's issuer rating of Baa3 (stable), together with the publication of a comprehensive credit analysis, and on July 3, 2007, Standard & Poor's affirmed Glencore's long-term corporate rating of BBB- and revised the outlook from stable to positive.

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

2007 US $ million	2006 US $ million	
6 982	5 728	Operating income
344	4	Dividend income
437	322	Depreciation and amortization
7 763	6 054	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

2007 US $ million	2006 US $ million	
10 023	7 578	Long term debt
10 382	9 177	Short term debt, including short term portion of long term debt
– 997	– 1 145	Cash and cash equivalents and marketable securities
– 8 648	– 6 799	Readily marketable inventories
– 327	– 96	Adjustment for hedged non US $ denominated debt (see note 13)
10 433	8 715	Net debt

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

Nature of 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.

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 our business is conducted in this currency. On March 5, 2008, 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, 2007.

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.

<u>Valuation of derivative instruments</u>

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, 2007 and 2006, the 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.

<u>Depreciation and amortization of mineral and petroleum rights and project development costs</u>

Mineral and petroleum rights and project 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 could generally result when there are significant changes in any of the factors or assumptions used in estimating mineral or petroleum reserves, notably changes in the geology of the reserves and assumptions used in determining the economic feasibility of the reserves. Such changes in reserves could similarly impact the useful lives of assets depreciated on a straight line basis, where those lives are limited to the life of the project, which in turn is limited to the life of the proven and probable mineral or petroleum reserves. Estimates of proven and probable reserves are prepared by independent experts in extraction, geology and reserve determination. Assessments of UOP rates against the estimated reserve base and the operating and development plan are performed regularly.

<u>Depreciation and amortization of fair value adjustments arising from the application of the purchase method to new investments</u>

Upon the initial investment, any difference between the cost of the investment and Glencore's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities is accounted for in accordance with IFRS 3 – Business Combinations. Where the investment is in a publicly listed associate, 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.

<u>Impairments</u>

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 that the carrying value may not be fully 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.

Further detail on each of the above polices are set out below in the summary of significant accounting policies.

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, 2007. The adoption of these new and revised Standards and Interpretations did not have a material impact on the recognition and measurement of reported amounts. Effective January 1, 2007, IFRS 7 Financial instruments: Disclosures became effective. IFRS 7 requires Glencore to expand certain of its financial instrument related disclosures and does not have any impact on the classification and valuation of financial instruments. Certain 2006 figures have been reclassified to conform with the current year presentation.

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

IFRS 8 – Operating Segments

IFRIC 11 – IFRS 2: Group and Treasury Share Transactions

IFRIC 12 – Service Concession Arrangements

IFRIC 13 – Customer Loyalty Programs

IFRIC 14 – IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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.

Principles of consolidation

The consolidated financial statements of Glencore include the accounts of Glencore International AG (the Company and parent entity) 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 inter company balances, transactions and unrealized profits are eliminated.

Investments in associates and joint ventures

Associates and jointly controlled entities (together Associates) in which Glencore exercises significant influence or joint control are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. Significant influence is presumed if Glencore holds between 20% and 50% of the voting rights, unless evidence exists to the contrary. Joint control is the contractually agreed sharing of control over an economic entity. 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 share 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 24.

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. For certain commodities, the sales price is determined provisionally at the date of sale and adjustments to the sales price subsequently occur based on movements in quoted market prices up to the date of final pricing. As at the balance sheet date, adjustments are made to the invoice price based on the forward price.

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

Translation of financial statements

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

Exploration and evaluation expenditure

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral and petroleum resources and includes costs such as licenses, researching and analyzing historical exploration data, exploratory drilling, trenching, sampling and the costs of pre-feasibility studies. Exploration and evaluation expenditure (including amortization of capitalized license costs) for each area of interest, other than that acquired from the purchase of another company, is charged to the statement of income as incurred except when the expenditure will be recouped by future exploitation or sale of the area of interest, it is planned to continue with active and significant operations in relation to the area, or at the balance sheet date, the activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves, in which case the expenditure may be capitalized. Purchased exploration and evaluation assets are recognized at their cost or at fair value if purchased as part of a business combination.

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

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

Development expenditure

When proved reserves are determined and such development receives the appropriate approvals, capitalized exploration and evaluation expenditure is transferred to construction in progress. Upon completion of development and commencement of production, capitalized development costs are depreciated using a unit of production method.

Property, plant and equipment

Property, plant and equipment are stated at cost, being the fair value of the consideration given to acquire or construct the asset including, directly attributable costs required to bring the asset to the location or to a condition necessary for operation and the direct cost of dismantling and removing the asset, less accumulated depreciation and any accumulated impairment losses. 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 and petroleum rights

Mineral and petroleum 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.

Restoration, rehabilitation and decommissioning

Restoration, rehabilitation and decommissioning 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 unless they are classified as available for sale, in which case fair value movements are recognized as a separate component of equity.

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 or substantively enacted tax rates at the balance sheet date and expected current taxable income, and any adjustment to tax payable in respect of previous years. Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base, using enacted or substantively 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. The tax effect of certain temporary differences is not recognized principally with respect to the initial recognition of an asset or liability (other than those arising in a business combination or in a manner that initially impacted accounting or taxable profit); and temporary differences relating to investments in subsidiaries, jointly controlled entities and associates to the extent that Glencore can control the timing of the reversal of the temporary difference and it is probable the temporary difference will not reverse in the foreseeable future.

Inventories

The 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) or the weighted average method and comprises 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 and 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 changes in mark to market valuation - net.

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 annual costs for defined contribution plans that are funded by payments to separate trustee administered funds or insurance companies equal the contributions that are required under the plans and are accounted for as an expense.

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

Securitizations

Glencore obtains sources of liquidity by securitizing certain of its receivables 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 the receivables 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.

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 in 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 resulting from changes in commodity prices, interest rates or foreign currency exchange rates and to complement its core marketing activities.

Futures, forwards, options and swap contracts are used to hedge the effect of price changes on a portion of Glencore's inventories not contractually sold.

Foreign currency forward contracts are used to reduce or eliminate the foreign currency risk on its assets, liabilities, firm commitments and forecast transactions.

Swap agreements are entered into to limit the effect of increases in interest rates on floating rate debt and 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 the 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 shareholders' equity and is recognized in the statement of income when the committed or forecast transaction is ultimately recognized in the statement of income. However, if a forecast or committed transaction is no longer expected to occur, the cumulative gain or loss that was 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.

Financial risk management

Components of Glencore's business could be impacted by various external factors namely, an unforeseen major global economic downturn which in turn results in significantly lower commodity prices and demand, political events and unfavorable actions by governments, natural catastrophes and operational disruptions and financial risks. It is Glencore's policy and practice to identify, and where appropriate and practical, to actively manage such risks.

Glencore's objectives in managing its capital (Glencore shareholders' funds; see table below) include preserving its overall financial health and strength for the benefit of all stakeholders and safeguarding its ability to continue as a going concern, while generating sustainable long term profitability.

2007 US $ million	2006 US $ million	Glencore shareholders' funds
16 571	11 673	Total net assets attributable to profit participation shareholders, minority interest and equity holders
900	746	Less: minority interest
15 671	10 927	Glencore shareholders' funds

Glencore believes that effective, proactive and transparent risk management supports its objective of protecting its current and future financial security, and is of primary importance to its success. A cornerstone of this process is Glencore's employee ownership structure, which aligns the interests of shareholders and management, and has fostered a culture of excellence, teamwork and accountability. As management has significant amounts of capital invested in Glencore, it is strongly motivated to take a long term view of overall business performance and to protect Glencore's capital base. Glencore believes that its consistent profitability, the long term tenure of its senior management and its prudent risk management policies are a direct result of its employee ownership structure. Furthermore, Glencore operates a number of financial, operational, compliance and legal centralized risk management functions which seek to monitor, manage and mitigate overall risk exposure, within approved guidelines.

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

Commodity price risk

Glencore is exposed to price movements for the inventory it holds, and for the products it produces, which are not held to meet priced forward contract obligations. Glencore manages a significant portion of this exposure through futures and options transactions on worldwide commodity exchanges, or in over the counter (OTC) markets, to the extent available. Glencore enters into OTC transactions 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.

Value at risk

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

Glencore uses a VaR approach, which is based on Monte-Carlo simulations, and is either a one day or one week time horizon computed at a 95% confidence level with a one year weighted data history.

Daily position sheets are distributed and monitored, while weekly Group Monte Carlo simulations are applied to the various business segments' net marketing positions, to determine potential future exposures. As at December 31, 2007, Glencore's 95%, one day commodity price VaR was $ 32 million (2006: $39 million).

VaR does not purport to represent actual losses in fair value on earnings to be incurred by Glencore, nor does Glencore claim that these VaR results are indicative of future market movements, or representative of any actual impact on its future results. VaR should always be viewed in the context of its limitations; notably, the use of historical data as a proxy for estimating future events, market illiquidity risks and tail risks. Glencore recognizes these limitations, and thus complements and continuously refines its VaR analysis by analyzing forward looking stress scenarios and back testing calculated VaR against actual revenues arising on the positions on the next business week.

During 2007 and 2006, certain commodities that Glencore markets and accounts for at fair value, were not included in the VaR calculation as well established and liquid price points were not available. The positions are reported on the daily position sheets and assuming the net position as at the balance sheet date was outstanding for the whole year, market prices were 5% higher/lower and all other variables held constant, Glencore's profit and equity for the year ended December 31, 2007 would decrease/increase by $ 16 million (2006: decrease /increase by $ 3 million).

Net present value at risk

Glencore's future cash flows related to its forecast energy and minerals production are also exposed to commodity price movements. Glencore manages this exposure through a combination of portfolio diversification, occasional shorter term hedging via futures and options transactions, insurance products and continuous internal monitoring, reporting and quantification of the underlying operations' estimated valuation.

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. Floating rate debt is predominantly used to fund fast turning working capital, and interest internally charged on the funding of this working capital, is based on US $ Libor, and accordingly prevailing market interest rates are continuously factored into transactional pricing and terms.

Assuming the amount of floating rate liabilities at the balance sheet date were outstanding for the whole year, interest rates were 50 basis points higher/lower and all other variables held constant, Glencore's profit and equity for the year ended December 31, 2007 would decrease/increase by $ 76 million (2006: decrease/increase by $ 62 million).

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 with leading financial institutions. Consequently, foreign exchange movements against the U.S. Dollar on recognized transactions would have a negligible financial impact.

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, Australian Dollar and Euro are the predominant non U.S. Dollar currencies.

Credit risk

Credit risk arises from the possibility that counterparties may not be able to settle obligations due to Glencore within their agreed payment terms. Financial assets which potentially expose Glencore to 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 credit management process includes the assessment, monitoring and reporting of counterparty exposure on a regular basis. 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, their diversity across various industries and geographical areas, as well as Glencore's policy to cover these risks through netting, collateral and insurance arrangements where appropriate.

The maximum exposure to credit risk, without considering netting agreements or without taking account of any collateral held or other credit enhancements, is equal to the carrying amount of Glencore's financial assets.

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.

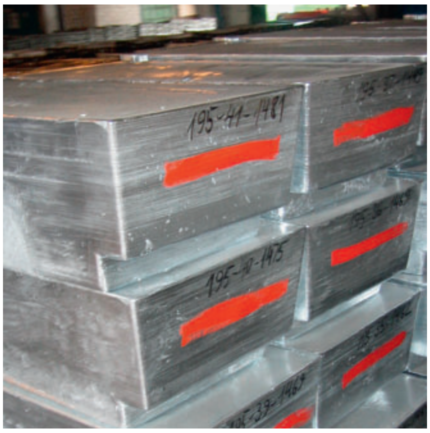
As at December 31, 2007 Glencore had available committed undrawn credit facilities and cash amounting to $ 2,898 million (2006: $ 2,796 million). The following table summarizes Glencore's net liquidity.

After 5 years	Due 1 - 5 years	Due 0 - 1 year	Total	US $ million 2007
15 433	0	0	15 433	Investments in associates and other investments[1]
0	1 730	0	1 730	Long term advances and loans
0	0	10 329	10 329	Trading inventories
0	0	23 673	23 673	Accounts receivable
0	0	997	997	Cash and cash equivalents and marketable securities
15 433	1 730	34 999	52 162	
– 4 215	– 5 808	– 758	– 10 781	Long term debt (see note 13)
0	– 4 230	– 5 394	– 9 624	Short term debt (see note 16)[2]
0	0	– 21 085	– 21 085	Accounts payable and income taxes
– 4 215	– 10 038	– 27 237	– 41 490	
11 218	– 8 308	7 762	10 672	Net

After 5 years	Due 1 - 5 years	Due 0 - 1 year	Total	US $ million 2006
10 504	0	0	10 504	Investments in associates and other investments[1]
0	1 117	0	1 117	Long term advances and loans
0	0	8 223	8 223	Trading inventories
0	0	18 821	18 821	Accounts receivable
0	0	1 145	1 145	Cash and cash equivalents and marketable securities
10 504	1 117	28 189	39 810	
– 2 861	– 4 717	– 612	– 8 190	Long term debt (see note 13)
0	– 3 550	– 5 015	– 8 565	Short term debt (see note 16)[2]
0	0	– 16 005	– 16 005	Accounts payable and income taxes
– 2 861	– 8 267	– 21 632	– 32 760	
7 643	– 7 150	6 557	7 050	Net

1 As at December 31, 2007, the fair value of listed associates was $ 24,942 million (2006: $ 17,320 million)

2 $ 4,230 million (2006: $ 3,550 million) of reported short term debt is drawn under a 3 year committed facility. See summary debt table on page 10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Consolidated statements of income
for the years ended December 31, 2007 and 2006

US $ million

Notes	2007	2006	
	142 343	116 530	Revenues
	– 136 068	– 110 679	Cost of goods sold
	6 275	5 851	Gross income
	– 1 185	– 1 050	Selling and administrative expenses
	1 892	927	Share of income from associates
	6 982	5 728	Operating income
	344	4	Dividend income
1	159	247	Interest income
1	– 1 301	– 943	Interest expense
	21	22	Foreign exchange adjustments
2	864	992	Gain on sale of investments
3	– 116	347	Changes in mark to market valuation – net
4	40	306	Other income/(expense) – net
	6 993	6 703	Income before income taxes and attribution
8	– 568	– 944	Income taxes
	6 425	5 759	Income before attribution
12	– 730	– 590	Attribution to hybrid profit participation shareholders
12	– 4 276	– 3 842	Attribution to ordinary profit participation shareholders
	1 419	1 327	Income for the year
			Attribution to:
	– 311	– 463	Minority interest
	– 1 108	– 864	Equity holders

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

Consolidated balance sheets
as of December 31, 2007 and 2006

US $ million

Notes	2007	2006	Assets
			Non current assets
5	5 742	5 316	Property, plant and equipment
6	11 822	9 403	Investments in associates
6	3 611	1 101	Other investments
7	1 730	1 117	Long term advances and loans
8	168	190	Deferred income taxes
	23 073	17 127	Total non current assets
			Current assets
9	12 212	9 975	Inventories
10	23 673	18 821	Accounts receivable
	339	349	Marketable securities
11	658	796	Cash and cash equivalents
	36 882	29 941	Total current assets
	59 955	47 068	Total assets

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

Notes	2007	2006	US $ million Liabilities and equity
			Net assets attributable to profit participation shareholders, minority interest and equity holders
12	46	46	Share capital
	2 901	2 081	Reserves and retained earnings
	900	746	Minority interest
	3 847	2 873	
12	1 320	590	Hybrid profit participation shareholders
12	11 404	8 210	Ordinary profit participation shareholders
	16 571	11 673	Total net assets attributable to profit participation shareholders, minority interest and equity holders
			Other non current liabilities
13	10 023	7 578	Long term debt
8	687	769	Deferred income taxes
15	1 207	1 866	Provisions
	11 917	10 213	Total other non current liabilities
			Current liabilities
13	758	612	Current portion of long term debt
16	9 624	8 565	Short term debt
17	20 760	15 635	Accounts payable
	325	370	Income tax payable
	31 467	25 182	Total current liabilities
	59 955	47 068	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, 2007 and 2006

2007	2006	US $ million
		Operating activities
6 993	6 703	Income before income taxes and attribution
		Adjustments to reconcile income before income taxes and attribution to net cash provided/(used) by operating activities
437	322	Depreciation and amortization
– 1 892	– 927	Share of income from associates
220	1 550	Unrealized (gain)/loss on bonds' exchange feature
68	256	Increase/(decrease) in long term provisions
– 864	– 992	(Gain)/loss on sale of investments – net
0	– 1 696	Unrealized (gain)/loss on equity swap – net
– 147	– 191	Unrealized mark to market movements on other investments
– 344	– 4	Dividends received from other investments
0	– 270	Impairment (reversal)/charge – net
44	0	Early debt extinguishment
43	– 5	Other non cash items
1 142	696	Interest expense – net
5 700	5 442	Cash provided by operating activities before working capital changes
		Working capital changes
160	– 92	(Increase)/decrease in marketable securities
– 4 737	– 5 620	(Increase)/decrease in accounts receivable
– 2 474	– 984	(Increase)/decrease in inventories
4 258	3 864	Increase/(decrease) in accounts payable
– 2 793	– 2 832	Total working capital changes
2 907	2 610	Cash provided/(used) by operating activities
– 785	– 553	Income taxes paid
107	77	Interest received
– 1 166	– 847	Interest paid
1 063	1 287	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, 2007 and 2006

Notes	2007	2006	US $ million
			Investing activities
	– 632	– 267	(Increase)/decrease in long term advances and loans
18	– 234	– 188	Net cash used in acquisition of subsidiaries
	– 1 136	– 2 235	Purchase of investments
	– 1 577	– 1 103	Purchase of property, plant and equipment
	– 66	0	Exploration and evaluation expenditure
	51	41	Proceeds from sale of property, plant and equipment
	107	1 772	Proceeds from sale of investments
	22	0	Proceeds from sale of subsidiaries
	510	68	Dividends received
	– 2 955	– 1 912	Net cash provided/(used) by investing activities
			Financing activities
	1 639	1 175	Net proceeds/(repayment) of short term debt[1]
	48	– 1	Net proceeds/(repayment) of other long term bank debt
	0	700	Net proceeds from issuance of Perpetual Notes
	0	1 078	Net proceeds from issuance of Eurobonds
	1 242	0	Net proceeds from issuance of Sterling Bond
	1 350	1 350	Net proceeds from Xstrata secured bank loan
	0	– 1 244	Repayment of equity swap loan
	– 636	– 400	Payment of profit participation certificates
	– 505	– 198	Repayment of Senior Notes
	– 1 248	– 1 306	Repurchase of Exchangeable bonds
	– 134	– 77	Dividend to minority interest
	– 2	– 2	Dividend
	1 754	1 075	Net cash provided /(used) by financing activities
	– 138	450	Increase/(decrease) in cash and cash equivalents
	796	346	Cash and cash equivalents, beginning of year
	658	796	Cash and cash equivalents, end of year

[1] 2007 amount includes a portion of the committed revolving credit facility recorded as non current

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

Consolidated statements of changes in equity
for the years ended December 31, 2007 and 2006

Reserves restricted	Retained earnings	Translation adjustment	Cash flow hedge reserve	Total reserves and retained earnings	Share capital	Total	Minority interest	Total equity	US $ million
1	1 176	0	– 139	1 038	46	1 084	355	1 439	Balance January 1, 2006
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	15	– 150	– 135	0	– 135	0	– 135	Net income recognized directly in equity
0	0	0	73	73	0	73	0	73	Hedges transferred to income statement
0	864	0	0	864	0	864	463	1 327	Income for the year
0	864	15	– 77	802	0	802	463	1 265	Total recognized income and expense
0	– 2	0	0	– 2	0	– 2	– 77	– 79	Dividend[1]
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
1	2 294	2	– 216	2 081	46	2 127	746	2 873	Balance January 1, 2007
0	0	– 7	0	– 7	0	– 7	0	– 7	Translation adjustment
0	0	0	– 267	– 267	0	– 267	0	– 267	Gains/(losses) on hedges
0	0	0	– 24	– 24	0	– 24	0	– 24	Deferred taxes on hedges
0	0	– 7	– 291	– 298	0	– 298	0	– 298	Net income recognized directly in equity
0	0	0	292	292	0	292	0	292	Hedges transferred to income statement
0	1 108	0	0	1 108	0	1 108	311	1 419	Income for the year
0	1 108	– 7	1	1 102	0	1 102	311	1 413	Total recognized income and expense
0	– 2	0	0	– 2	0	– 2	– 134	– 136	Dividend[1]
0	– 281	0	0	– 281	0	– 281	0	– 281	Equity related movements of associates
0	1	0	0	1	0	1	– 23	– 22	Other equity movements
1	3 120	– 5	– 215	2 901	46	2 947	900	3 847	Balance December 31, 2007

[1] During 2007, a dividend of $ 13.33 per share (2006: $ 13.33 per share) was declared and paid to the Parents

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

US $ million unless otherwise stated

1 Interest expense – net

2007 US $ million	2006 US $ million	
159	247	Interest income
– 1 301	– 943	Interest expense
– 1 142	– 696	Net

2 Gain on sale of investments

2007 US $ million	2006 US $ million	
864	0	Gain on sale of subsidiaries – net
0	992	Gain on sale of investments in associates – net
864	992	Total

The gain on sale of investments in 2007, relates primarily to the merger in March 2007 of certain of Glencore's aluminum/alumina assets with those of Rusal and Sual, in exchange for a 12% stake in the combined company resulting in a net gain on sale of $ 859 million (see note 18).

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.

3 Changes in mark to market valuation – net

2007 US $ million	2006 US $ million	
– 220	– 1 550	Exchange feature
0	1 706	Equity swap – net
104	191	Other
– 116	347	Net

Changes in the mark to market valuation of the exchange feature relate to the exchangeable bonds (see notes 13 and 15). 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 changes in mark to market of $ 104 million relate to movements on interests in other investments and marketable securities carried at fair value.

4 Other income / (expense) – net

2007 US $ million	2006 US $ million	
0	– 200	Impairment
0	470	Impairment reversal
40	36	Other
40	306	Net

Impairment

In 2006, 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 was primarily determined on the basis of an estimated sales value, as determined by reference to recent market transactions.

Impairment reversal

In 2006, 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 was determined on the basis of their value in use, using a discount rate of 8.4%.

5 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:
783	4 908	238	745	213	6 887	January 1, 2007
16	184	1	103	0	304	Business combination
– 179	– 1 421	– 22	0	– 5	– 1 627	Business disposition
45	1 396	39	85	78	1 643	Additions
– 23	– 74	– 17	0	– 2	– 116	Disposals
83	– 119	23	97	– 28	56	Other movements
725	4 874	262	1 030	256	7 147	December 31, 2007
						Accumulated depreciation:
168	1 153	138	98	14	1 571	January 1, 2007
– 51	– 510	– 13	0	0	– 574	Business disposition
32	310	29	64	2	437	Depreciation
– 14	– 44	– 12	0	0	– 70	Disposals
0	15	– 2	43	– 15	41	Other movements
135	924	140	205	1	1 405	December 31, 2007
590	3 950	122	825	255	5 742	Net book value December 31, 2007

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

Plant, machinery and vehicles includes expenditure for construction in progress of $ 998 million (2006: $ 605 million).

Mineral rights include expenditures for exploration and evaluation of $ 66 million (2006: $ 0 million).

Depreciation expenses included in cost of goods sold are $ 430 million (2006: $ 307 million) and in selling and administrative expenses $ 7 million (2006: $ 15 million).

6 Investments in associates and other investments

2007 US $ million	2006 US $ million	
10 991	9 127	Listed associates
831	276	Non listed associates[1]
3 611	1 101	Other investments
15 433	10 504	Total

[1] Includes investments in joint venture entities accounted for under the equity method of accounting

A list of the principal operating and finance subsidiaries and industrial investments is included in note 24.

Listed associates

Significant listed associate transactions during 2007 are as follows:

In June 2007, a 24.2% interest in Nikanor plc (Nikanor), a company listed on the London Stock Exchange's AIM market, was acquired for a cash consideration of $ 598 million and subsequently in July an additional 1.8% interest was acquired for $ 46 million. In August 2007, Ruwenzori Limited exercised its agreed call option with Glencore and purchased 50% of Glencore's original interest on the same terms as Glencore acquired such stake. As part of the sale, Glencore provided Ruwenzori with financing of $ 248 million (see note 7) secured by the underlying shares. For the period post acquisition, this investment contributed share of income from associates of $ 8 million. In January 2008, a merger between Katanga Mining Limited (Katanga) and Nikanor was approved whereby the shareholders of Nikanor received 0.613 Katanga shares for each Nikanor share and cash of $ 2.16 per share paid by Nikanor. As a result, in January 2008 Glencore received cash of $ 62 million and 17.6 million shares in Katanga representing 8.5% of the enlarged entity.

In June 2007, Century Aluminum Company completed a capital raising and Glencore participated with a total consideration of $ 125 million, thereby maintaining a shareholding of 28.6%.

Non listed associates

Significant non listed associate transactions during 2007 are as follows:

In April 2007, the tender agreements with Ecopetrol S.A. came into effect, whereby Glencore and Ecopetrol S.A. hold, respectively, a jointly controlled interest of 51% and 49%, in a Colombian oil refinery (Refineria de Cartagena S.A.). Under the terms of the arrangement, Ecopetrol S.A. contributed the operating oil refinery in Cartagena and Glencore committed to provide a compliant plan for the expansion and modernization of the existing refinery, capital amounting to $ 656 million and to arrange the required project funding via external or internal means. The current estimate of required debt funding is some $ 2 billion, with anticipated first drawdown in the 2nd half of 2009.

It is expected that, by this date, full non recourse project finance and / or other external sources of funding will have been concluded and be available for drawdown from a combination of commercial banks and export credit / multilateral agencies.

As at December 31, 2007, $ 218 million has been contributed, with the balance of $ 438 million expected to be contributed in April 2008. For the period post acquisition, this investment contributed share of income from associates of $ 21 million.

During the 2nd half of 2007, Glencore acquired 50% interests in various entities engaged in the commissioning and ultimately the ownership of oil related sea going vessels (through Topley Corporation) and a 40% interest in Mutanda Mining Sprl, a Congolese cobalt and copper operation, for an aggregate consideration of $ 296 million. No income was contributed for the period post acquisition from these investments.

Other investments

Other investments, primarily include Glencore's interests in various Russneft Group companies, together with the new 12% interest in United Company Rusal Limited (see note 18). These two non listed investments are carried at cost, as determining a fair value is not practical. Subsequent to the year end, Glencore continued discussions with 3rd parties in respect of its Russneft Group investments and future value enhancing initiatives which may include some disposals.

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

2007 US $ million	2006 US $ million	
58 923	51 817	Total assets
30 462	31 621	Total liabilities
35 873	21 624	Revenue
5 717	3 327	Net profit

7 Long term advances and loans

2007 US $ million	2006 US $ million	
140	58	Trade advances and loans
60	55	Loan to Parents
46	2	Loans to associated companies
1 484	1 002	Other long term receivables and loans
1 730	1 117	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. Dollars and bear interest at applicable floating rates plus a premium.

Loans to Parents and associated companies bear interest at applicable floating market rates plus a premium. The weighted average interest rate charged over the year was 3.9% (2006: 3.1%).

Other long term receivables and loans comprise the following:

2007 US $ million	2006 US $ million	Counterparty
		Russneft Group
880	880	2 - 5 year terms at weighted average interest rate 10.3% (2006: 9.4%), secured by shares in oil producing entities of the Russneft Group
		Ruwenzori Limited
267	0	5 year term at Libor plus 7.5%, secured by 25 million shares in Nikanor [1]
		Komoto Copper Company Sarl (Katanga Mining Limited)
152	0	2 year term at Libor plus 4%, convertible at Glencore's option into 9.2 million shares (10.4%) of Katanga (4.2% following the merger with Nikanor)
185	122	Other
1 484	1 002	Total

[1] In January 2008, Nikanor merged with Katanga and on completion of the merger $ 54 million was repaid and the security underlying the loan was amended to represent 15.3 million shares (7.4%) in the enlarged post merger Katanga. See note 6.

8 Income taxes

Income taxes consist of the following:

2007 US $ million	2006 US $ million	
– 707	– 785	Current income tax
139	– 159	Deferred income tax
– 568	– 944	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:

2007 %	2007 US $ million	2006 %	2006 US $ million	
	6 993		6 703	Income before income taxes
16.2	1 133	16.2	1 089	Swiss income tax rate
– 0.2	– 15	– 0.7	– 44	Impact of foreign operations
– 7.4	– 518	– 1.6	– 108	Tax exempt income
– 0.7	– 47	– 1.0	– 70	Use of tax losses, not previously recognized
0.2	15	1.2	77	Other
8.1	568	14.1	944	Income tax expense and effective tax rate

Deferred taxes as of December 31, 2007 and 2006, are attributable to the items detailed in the table below:

2007 US $ million Assets [1]	2006 US $ million Assets [1]	
45	112	Tax losses carried forward
123	60	Mark to market valuations
0	18	Other
168	190	Total deferred tax assets

2007 US $ million Liabilities [1]	2006 US $ million Liabilities [1]	
246	302	Depreciation and amortization
414	401	Mark to market valuations
27	66	Other
687	769	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 recognized directly in equity:

2007 US $ million	2006 US $ million	
30	30	Cash flow hedges
– 24	0	Cash flow hedges transferred to income statement
6	30	Deferred income tax recognised directly in equity

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:

2007 US $ million	2006 US $ million	
64	151	1 year
38	30	2 years
74	21	3 years
163	335	Thereafter
339	537	Total

As at December 31, 2007, unremitted earnings of $ 7,374 million (2006: $ 5,440 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.

9 Inventories

2007 US $ million	2006 US $ million	
1 883	1 752	Production inventories
8 648	6 799	Inventories contractually sold or hedged
1 681	1 424	Other
12 212	9 975	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, are together considered trading inventories.

In December 2006, a 2 year, $ 1 billion committed secured bank facility was entered into. Under the program, an agreement for the sale and repurchase of certain base metal inventories was transacted, and the net balance outstanding under the facility bears interest at US $ Libor plus a premium. As of December 31, 2007, the total amount of trading inventories securitized was $ 714 million (2006: $ 409 million), and proceeds received as secured bank loans included as short term debt, (see note 16) amounted to $ 675 million (2006: $ 392 million). The weighted average interest rate was 5.52 % (2006: 5.71 %).

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, 2007, $ 539 million (2006: $ 147 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 17).

10 Accounts receivable

2007 US $ million	2006 US $ million	
11 408	9 693	Trade receivables[1]
1 846	1 682	Trade advances and deposits[1]
702	314	Associated companies[1]
8 647	6 042	Fair value of trade related financial instruments[2]
1 070	1 090	Other receivables and prepaid expenses
23 673	18 821	Total

1 collectively referred to as trade receivables

2 see note 19

The average credit period on sales of goods is 28 days (2006: 27 days). Glencore actively, and continuously monitors the credit quality of its counterparties through its internal reviews and credit scoring process, which includes, where available, public credit ratings. Balances with counterparties not having a public investment grade or equivalent internal rating, are typically enhanced to investment grade through the extensive use of credit enhancement products, such as letters of credit or insurance products. Glencore has a diverse customer base, with no customer representing more than 1.5% of its trade receivables as at December 31, 2007 and 2006 or accounting for more than 2.5% of its revenues over the years ended 2007 and 2006.

As at December 31, 2007, 6% of trade receivables were 1 - 60 days overdue, and 1% were greater than 60 days overdue (2006: 8% were 1 - 60 days overdue and 2% were greater than 60 days overdue). Such receivables, although contractually past their due dates, are not impaired as there has not been a significant change in credit quality of the relevant counterparty exposures, and the amounts are still considered recoverable taking into account customary payment patterns and in many cases, offsetting accounts payable balances. Receivables are net of allowances for doubtful accounts of $ 318 million (2006: $ 282 million), which takes into consideration the diverse geographic and industrial composition of the accounts receivable portfolio.

In December 2007, the Company, Glencore AG and Glencore Energy UK Ltd., replaced the $ 2.0 billion asset backed limited recourse program with a committed 1 year Euro 700 million Commercial Paper Program backed by certain trade receivables. Under the new 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 European Commercial Paper carrying interest at floating market rates which are included as short term debt (see note 16).

The trade receivables sold do not meet the derecognition criteria under IFRS. As of December 31, 2007, the total amount of trade receivables securitized was $ 1,375 million (2006: $ 1,952 million) and proceeds received as secured bank loans (see note 16) amounted to $ 1,024 million (2006: $ 1,500 million).

11 Cash and cash equivalents

2007 US $ million	2006 US $ million	
489	655	Banks and cash on hand
169	141	Deposits and treasury bills
658	796	Total

Cash and cash equivalents bear interest at U.S. Dollar deposit rates. The average U.S. Dollar deposit rate was 5.12% (2006: 4.97%). $ 24 million (2006: $ 51 million) was restricted.

12 Share capital

Glencore Holding AG (the ultimate Parent) 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 (2006: 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 include any breach of financial covenants, redemptions under this Plan are subordinated to claims of unsecured lenders and investors.

Employees selected to participate in the 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 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 long term debt exceeds equity, current ratio falls below 1.1x, or a minimum cash flow to net debt ratio is breached. The securities, upon issuance, 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, 2007, 15,000 shares (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 their 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 by LTS is consistent with the traditional characteristics of an entity's retained earnings.

According to the existing agreements, the Company redeemed during 2007 a certain number of PPC from PPS representing an aggregate amount of $ 1,029 million (2006: $ 989 million).

13 Long term debt

After 5 years	Due 4–5 years	Due 2–3 years	Total long term	Current portion	Total	Interest rate %[1]	US $ million 2007
							Banks:
0	0	2 000	2 000	0	2 000	6.10	Committed revolving credit facility[2]
60	47	72	179	62	241	6.84	Other[3]
942	0	0	942	0	942	6.15	144A Notes
0	0	111	111	0	111	5.75	Exchangeable bonds
0	0	1 350	1 350	0	1 350	5.94	Xstrata secured bank loan
1 242	876	0	2 118	0	2 118	6.26	Eurobonds
1 271	0	0	1 271	0	1 271	6.58	Sterling bonds
700	0	0	700	0	700	8.00	Perpetual Notes
0	356	996	1 352	696	2 048	5.75	Purchase of profit participation certificates
4 215	1 279	4 529	10 023	758	10 781		Total

After 5 years	Due 4–5 years	Due 2–3 years	Total long term	Current portion	Total	Interest rate %[1]	US $ million 2006
							Banks:
0	0	600	600	0	600	5.74	Committed revolving credit facility[2]
28	12	110	150	38	188	5.91	Other[3]
70	187	134	391	70	461	7.25	Senior Notes
942	0	0	942	0	942	6.15	144A Notes
0	409	0	409	0	409	5.75	Exchangeable bonds
0	0	1 350	1 350	0	1 350	4.49	Xstrata secured bank loan
1 121	791	0	1 912	0	1 912	6.26	Eurobonds
700	0	0	700	0	700	8.00	Perpetual Notes
0	370	754	1 124	504	1 628	4.83	Purchase of profit participation certificates
2 861	1 769	2 948	7 578	612	8 190		Total

1 weighted average effective interest rate as a %

2 see note 16

3 includes $ 22 million (2006: $ 32 million) of obligations under financial leases

Senior Notes

2007 US $ million	2006 US $ million	
0	70	7.23% to 7.55% due in various installments from 2002 to 2007, issued in July 1997
0	129	8.08% to 9.07% due in various installments from 2005 to 2019, issued in August 1999
0	262	6.15% to 7.94% due in various installments from 2006 to 2021, issued in December 2001
0	461	Total

During 2007, the $ 70 million tranche was repaid upon maturity and the balance of the Senior Notes outstanding were repurchased in August 2007 for a total consideration of $ 435 million.

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 by Moody's and BBB– 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 by Moody's and BBB– 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 provisions (see note 15) 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 2007, Glencore repurchased bonds and cash settled early conversions with a nominal amount of $ 293 million for a total consideration of $ 1,248 million, bringing cumulative repurchases to $ 694 million of nominal amount for a total consideration of $ 2,554 million. The repurchased 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. 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, 2007, 8.6 % or $ 894 million of the carrying value (2006: 12.3%, $ 1,114 million) of Glencore's investment in Xstrata was pledged as security. The weighted average interest rate in 2007 was 5.94% (2006: 4.49%).

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, 2007, the carrying value of the Eurobonds increased to $ 2,118 million due to changes in Euro/U.S. Dollar exchange rates. A corresponding gain of $ 300 million (2006: $ 96 million) on the cross currency transaction which offsets any foreign currency movements is included in fair value of trade related financial instruments and cash flow hedge reserves. The bonds are guaranteed by the Company and Glencore AG.

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

Sterling 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 $ 1,242 million and the effective U.S. Dollar fixed interest rate is 6.58%.

As of December 31, 2007, the carrying value of the GBP 650 million bonds increased to $ 1,271 million due to changes in GBP/U.S. Dollar exchange rates. A corresponding gain of $ 27 million on the cross currency transaction which offsets any foreign currency movements is included in fair value of trade related financial instruments and cash flow hedge reserves.

The bonds are guaranteed on a joint and several basis by the Company and Glencore AG and are rated Baa3 by Moody's and BBB– 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 by Moody's and BBB– 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 5.75 % (2006: 4.83%). In the event of certain triggering events (see note 12), with the exception of $ 258 million (2006: $ 364 million), all PPC would be subordinated to unsecured lenders.

14 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, 2007 and 2006, were $ 1,616 million and $ 1,473 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 certain employee and employer contributions, ranging from 5% to 16% of annual salaries, depending on the employee's years of service. Among these schemes, are defined contribution plans, as well as defined benefit plans. The main locations with defined benefit plans are Switzerland, the UK and the US.

Defined contribution plans

Glencore's contributions under these plans amounted to $ 4 million, and $ 7 million, in 2007 and 2006, respectively.

Defined benefit plans

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

2007 US $ million	2006 US $ million	
16	14	Current service cost
15	24	Interest cost
– 10	– 26	Expected return on plan assets
16	3	Net actuarial (gains)/losses recognized in the year
1	4	Past service cost
38	19	Total

The actual return on plan assets amounted to $ 5 million (2006: $ 20 million).

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

2007 US $ million	2006 US $ million	
370	471	Present value of defined benefit obligations
– 260	– 399	Less: fair value of plan assets
– 37	– 76	Unrecognized actuarial gains/(losses)
– 1	13	Restrictions of assets recognized
72	9	Liability in the balance sheet (see note 15)

Movement in the present value of the defined benefit obligation is as follows:

2007 US $ million	2006 US $ million	
471	402	Opening defined benefit obligation
16	14	Current service cost
15	24	Interest cost
1	4	Past service cost
– 23	– 21	Benefits paid
– 256	0	Liability disposed in business disposition
73	0	Liability assumed in business combination
73	48	Other movements
370	471	Closing defined benefit obligation

Movement in the present value of the plan assets is as follows:

2007 US $ million	2006 US $ million	
399	337	Opening fair value of plan assets
10	26	Expected return on plan assets
23	21	Contribution from the employer
– 273	0	Assets disposed in business disposition
43	0	Assets assumed in business combination
58	15	Other movements
260	399	Closing fair value of plan assets

The plan assets consist of the following:

2007 US $ million	2006 US $ million	
7	35	Cash and short term investments
98	82	Fixed income
89	239	Equities
66	43	Other
260	399	Total plan assets

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. Glencore's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The principal actuarial assumptions used were as follows:

2007	2006	
3–7%	5–12%	Discount rate
4–9%	6–12%	Expected return on plan assets
2–7%	4–10%	Future salary increases
1–8%	2–3%	Future pension increases

The Group expects to make a contribution of $ 23 million (2006: $ 21 million) to the defined benefit plans during the next financial year.

15 Provisions

US $ million	Employee entitlements	Post retirement benefits[1]	Rehabilitation costs	Exchange feature[2]	Other	Total
January 1, 2007	67	9	135	1 231	424	1 866
Assumed / (disposed) in business combination / disposition	– 12	47	6	0	0	41
Provision utilized in the year	0	– 23	– 9	– 945	– 118	– 1 095
Additional provision in the year	25	39	67	220	44	395
December 31, 2007	80	72	199	506	350	1 207

[1] see note 14

[2] see note 13

Employee entitlements 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 rehabilitation is undertaken. The Group makes contributions to controlled funds to meet some of the costs of rehabilitation liabilities in South Africa.

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 $ 208 million (2006: $ 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.

16 Short term debt

2007 Interest rate %[1]	2006 Interest rate %[1]	2007 US $ million	2006 US $ million	
6.10	5.74	5 035	5 195	Committed revolving credit facilities
5.60	5.35	1 024	1 500	Securitized receivables program[2]
5.52	5.71	675	392	Securitized inventory program[3]
5.94	0	1 350	0	Xstrata secured bank loan
0	5.78	0	530	Committed Calibre revolving credit facility
6.84	5.91	1 540	948	Other
		9 624	8 565	Total

1 weighted average interest rate as %

2 see note 10

3 see note 9

Committed revolving credit facilities

In May 2007, the Company and Glencore Funding LLC (the Borrowers) replaced the previous $ 7,775 million unsecured committed revolving credit facility consisting of a 364 day $ 1,645 million tranche and a 3 year $ 6,130 million tranche with an unsecured $ 8,775 million committed revolving credit facility, consisting of a 364 day $ 565 million tranche, with a one year term out option exercisable at the Borrowers' discretion, and a 3 year $ 8,210 million tranche, with one 364 day extension option. 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 13). The obligations of 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. No balances were outstanding under the U.S. commercial paper program as at December 31, 2007 and 2006. The weighted average interest rate in 2007 was 6.10% (2006: 5.74%).

In December 2007, the Company entered into a $ 500 million one year unsecured committed revolving credit facility with a major European bank. The weighted average interest rate since its inception was 5.78%.

Xstrata secured bank loan

In September 2007, Finges Investment B.V., a wholly owned subsidiary of the Company, entered into an additional secured bank funding package. The substance of the financing package, which is made up of two derivative limbs, has been accounted for as a secured 1 year $ 1.35 billion bank loan which bears interest at a rate of US $ Libor plus a premium. As at December 31, 2007, 9.5% or $ 987 million of the carrying value of Glencore's investment in Xstrata was pledged as security. The weighted average interest rate since inception was 5.94%.

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, were sold to United Company Rusal Limited in March 2007 (see note 18).

17 Accounts payable

2007 US $ million	2006 US $ million	
8 835	7 114	Trade payables
1 265	627	Trade advances from buyers
1 590	646	Associated companies
7 585	5 919	Fair value of trade related financial instruments[1]
1 485	1 329	Other payables and accrued liabilities
20 760	15 635	Total

[1] see note 19

18 Acquisition of subsidiaries

Acquisition

In 2007, the net cash used in the acquisition of subsidiaries and the provisional fair value acquisition adjustments made were:

Acquiree's carrying amount US $ million	Fair value adjustments US $ million	Fair value US $ million	
215	89	304	Property, plant and equipment
60	0	60	Inventories
65	1	66	Accounts receivable
15	0	15	Cash and cash equivalents
0	18	18	Minority interest
– 45	0	– 45	Provisions
– 14	– 3	– 17	Deferred income taxes
– 109	– 23	– 132	Accounts payable
187	82	269	Total net assets acquired
		20	Less: amounts previously recognized through investments
		15	Less: cash and cash equivalents acquired
		234	Net cash used in acquisition of subsidiaries

In April 2007, Glencore purchased the remaining interest in Allied Alumina Inc. (Sherwin Alumina), a U.S. alumina plant, in June 2007, 100% of the operating assets of a Colombian coal mining company neighboring existing operations, in July 2007, a 100% interest in a South African coal mine (via Shanduka Coal (Pty) Ltd.) and in October 2007 an additional 1.7% interest in Minara Resources Ltd. 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 $ 25 million to Glencore.

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

Acquiree's carrying amount US $ million	Fair value adjustments US $ million	Fair value US $ million	
113	166	279	Property, plant and equipment
6	0	6	Inventories
25	0	25	Accounts receivable
4	0	4	Cash and cash equivalents
– 2	0	– 2	Minority interest
– 21	0	– 21	Provisions
– 2	– 55	– 57	Deferred income taxes
– 38	0	– 38	Accounts payable
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

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.

Disposal

2007 US $ million	
1 053	Property, plant and equipment
42	Investments in associates
5	Long term advances and loans
118	Deferred income taxes
291	Inventories
62	Accounts receivable
4	Cash and cash equivalents
– 116	Deferred income taxes
4	Provisions
– 530	Short term debt
– 153	Accounts payable
780	Total net assets disposed

In March 2007, an agreement to merge certain of Glencore's alumina and aluminum assets with those of Rusal and Sual in return for a 12% interest in the new enlarged company, United Company Rusal Limited, was completed. A gain, net of transaction and related costs, of $ 859 million was recognized on the disposal of assets and the net fair value of the 12% equity consideration received (comprising $ 2,504 million of share consideration less a $ 771 million fair value adjustment for a short term supply contract) was $ 1,733 million. Cash proceeds of $ 22 million were received from the disposal of various other subsidiaries.

19 Financial instruments and hedging activities

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, 2007 and 2006. Fair values are determined using quoted market prices or standard pricing models using observable market inputs and are presented reflecting the expected gross future cash in/outflows. It is Glencore's policy that transactions and activities in trade related financial instruments be concluded under master netting agreements or long form confirmations to enable balances due to/from a common counterparty to be offset in the event of default by the counterparty. 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 risk management comments on page 18).

2007 Notional buy US $ million	2007 Notional sell US $ million	2007 Fair value US $ million	2006 Fair value US $ million	Fair value of trade related financial instruments (assets)
				Commodity related contracts
24 958	30 431	3 564	2 295	Futures
593	155	1 363	1 333	Options
6 252	4 215	530	957	Swaps
15 614	18 071	2 911	1 307	Forwards
				Financial contracts
0	2 236	222	100	Cross currency swap
1 571	1 014	57	50	Foreign currency and interest rate contracts
48 988	56 122	8 647	6 042	Total as disclosed in accounts receivable[1]

2007 Fair value US $ million	2006 Fair value US $ million	Fair value of trade related financial instruments Term to maturity - (assets)
5 311	3 726	Due in 0 - 1 year
2 071	1 491	Due in 1 - 3 years
1 265	825	Due after 3 years
8 647	6 042	Total as disclosed in accounts receivable[1]

2007 Notional buy US $ million	2007 Notional sell US $ million	2007 Fair value US $ million	2006 Fair value US $ million	Fair value of trade related financial instruments (liabilities)
				Commodity related contracts
23 927	28 951	3 732	2 606	Futures
2 060	3 266	977	1 095	Options
4 122	5 682	567	911	Swaps
7 815	11 720	2 230	1 261	Forwards
				Financial contracts
900	0	15	0	Futures
0	847	7	0	Cross currency swap
741	1 391	57	46	Foreign currency and interest rate contracts
39 565	51 857	7 585	5 919	Total as disclosed in accounts payable[2]

2007 Fair value US $ million	2006 Fair value US $ million	Fair value of trade related financial instruments Term to maturity - (liabilities)
4 670	3 789	Due in 0 - 1 year
1 975	1 600	Due in 1 - 3 years
940	530	Due after 3 years
7 585	5 919	Total as disclosed in accounts payable[2]

[1] see note 10

[2] see note 17

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 and Sterling bond as discussed in note 13 and to specific marketing contracts (equivalent in $ million).

Notional amounts Buy	Notional amounts Sell	Recognized Fair Values Assets	Recognized Fair Values Liabilities	Average maturity	2007
–	3 083	–	112	2015	Cross currency swap agreements
–	734	–	109	2009	Commodity futures

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

Carrying value[1] US $ million	Available for sale US $ million	FVtPL[2] US $ million	Total US $ million	Fair value US $ million	2007
					Assets:
10 991	0	0	10 991	24 942	Investments in listed associates
831	0	0	831	831	Investments in unlisted associates
0	3 276	335	3 611	3 611	Other investments
1 730	0	0	1 730	1 730	Long term advances and loans
15 026	0	8 647	23 673	23 673	Accounts receivable
0	0	339	339	339	Marketable securities
658	0	0	658	658	Cash and cash equivalents
29 236	3 276	9 321	41 833	55 784	Total
					Liabilities:
12 724	0	0	12 724	12 724	Ordinary and Hybrid profit participation shareholders
10 781	0	0	10 781	10 740	Long term debt
0	0	506	506	506	Exchange feature embedded in the exchangeable bond
9 624	0	0	9 624	9 624	Short term debt
13 175	0	7 585	20 760	20 760	Accounts payable
46 304	0	8 091	54 395	54 354	Total

Carrying value[1] US $ million	Available for sale US $ million	FVtPL[2] US $ million	Total US $ million	Fair value US $ million	2006
					Assets:
9 127	0	0	9 127	17 320	Investments in listed associates
276	0	0	276	276	Investments in unlisted associates
0	772	329	1 101	1 101	Other investments
1 117	0	0	1 117	1 117	Long term advances and loans
12 779	0	6 042	18 821	18 821	Accounts receivable
0	0	349	349	349	Marketable securities
796	0	0	796	796	Cash and cash equivalents
24 095	772	6 720	31 587	39 780	Total
					Liabilities:
8 800	0	0	8 800	8 800	Ordinary and Hybrid profit participation shareholders
8 190	0	0	8 190	8 234	Long term debt
0	0	1 231	1 231	1 231	Exchange feature embedded in the exchangeable bond
8 565	0	0	8 565	8 565	Short term debt
9 716	0	5 919	15 635	15 635	Accounts payable
35 271	0	7 150	42 421	42 465	Total

[1] Carrying value comprises investments, loans, receivables, cash and cash equivalents and financial liabilities measured at amortized cost

[2] FVtPL - Fair value through profit and loss - held for trading

20 Future commitments

Capital expenditure for the acquisition of property, plant and equipment is generally funded through the cash flow generated by the respective industrial entities. As of December 31, 2007, $ 1,215 million (2006: $ 447 million) was contractually committed for the acquisition of property, plant and equipment. Also see note 6.

Certain of Glencore's mining tenements and licenses, require it to spend a minimum amount per year on mine development activities; costs which in any event would have been incurred in the ordinary course of operations. As at December 31, 2007, $ 192 million, (2006: $ 114 million) of such development expenditures are to be incurred, of which 7% are for commitments to be settled over the next 2 years.

As part of Glencore’s ordinary sourcing and procurement of physical commodities and other ordinary marketing obligations, the selling party may request that a financial institution act as either a) the paying party upon the delivery of product and qualifying documents through the issuance of a letter of credit or b) the guarantor by way of issuing a bank guarantee accepting responsibility for Glencore’s contractual obligations. As at December 31, 2007, $ 7,143 million (2006: $ 7,200 million) of such commitments have been issued on behalf of Glencore, which will be settled simultaneously upon physical delivery of the commodity.

Glencore procures chartering services to meet its overall marketing objectives and commitments. At year end, Glencore has committed to future hire costs to meet future physical delivery and sale obligations of $ 2,436 million, 87% of which are for services to be received over the next 2 years.

Glencore has entered into various operating leases mainly as lessee for office facilities. Rental expenses for these items totaled respectively $ 38 million and $ 33 million for the years ended December 31, 2007 and 2006. Future net minimum lease payments under non cancelable operating leases are as follows:

2007 US $ million	2006 US $ million	
27	37	Within 1 year
47	78	Between 2 and 5 years
122	204	After 5 years
196	319	Total

21 Contingent liabilities

The amount of corporate guarantees in favor of associated and third parties as of December 31, 2007, was $ 65 million (2006: $ 61 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.

22 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 12 and 24. 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 2007
1 118	0	0	1 118	Sales
– 9 503	0	0	– 9 503	Purchases
12	0	1	13	Interest income
– 2	0	0	– 2	Interest expense
108	0	0	108	Agency income
– 10	0	0	– 10	Agency expense

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

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 (65 and 67 persons on average for 2007 and 2006 respectively). Total remuneration to key management recognized in the statement of income including salaries and other short term employee benefits amounted to $ 674 million (2006: $ 583 million) and amounts attributable to PPS and HPPS (as described in note 12) amounted to $ 3,503 million (2006: $ 3,218 million). As at December 31, 2007, included in the amounts attributable to PPS and HPPS are $ 9,000 million (2006: $ 6,496 million) related to key management personnel.

23 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	2007
48 152	84 083	10 108	0	142 343	Revenues
– 43 720	– 82 749	– 9 595	– 4	– 136 068	Cost of goods sold
4 432	1 334	513	– 4	6 275	Gross income
1 745	143	4	0	1 892	Share of income from associates
344	0	0	0	344	Dividend income
6 521	1 477	517	– 4	8 511	Segment results
				– 1 185	Selling and administrative expenses
				– 1 142	Interest expense – net
				21	Foreign exchange adjustments
				864	Gain on sale of investments
				– 116	Changes in mark to market valuation – net
				40	Other income/(expense) – net
				– 568	Income taxes
				6 425	Income before attribution
					Included in income before attribution are:
– 361	– 56	– 13	– 7	– 437	Depreciation and amortization
					Consolidated balance sheet
4 345	903	250	244	5 742	Property, plant and equipment
13 579	1 810	44	0	15 433	Investments in associates and other investments
487	1 100	5	138	1 730	Long term advances and loans
7 176	3 568	1 468	0	12 212	Inventories
8 787	11 460	2 803	623	23 673	Accounts receivable
0	0	0	1 165	1 165	Other
34 374	18 841	4 570	2 170	59 955	Total assets
8 006	10 106	1 677	1 296	21 085	Accounts payable
0	0	0	22 299	22 299	Other
8 006	10 106	1 677	23 595	43 384	Total liabilities
				16 571	Total net assets attributable to profit participation shareholders, minority interest and equity holders
					Included in total assets are:
1 117	307	219	0	1 643	Additions to property, plant and equipment

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
4	0	0	0	4	Dividend income
5 187	1 435	200	– 40	6 782	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
				306	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

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	2007
42 991	57 124	42 228	142 343	Total revenues
13 855	28 312	17 788	59 955	Total assets
				Included in total assets are:
518	46	1 079	1 643	Additions to property, plant and equipment

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

24 List of principal operating, finance subsidiaries and industrial investments

	[1]Method of Consolidation	Country of incorporation	% of controlling interest 2007	% of controlling interest 2006	Main activity
Glencore AG	F	Switzerland	100.0	100.0	Operating
Allied Alumina Inc. (Sherwin Alumina)	F	United States	100.0	24.5	Alumina production
Century Aluminum Company	E	United States	28.6	28.7	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	100.0	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
AR Zinc Group	F	Argentina	100.0	100.0	Zinc/Lead production
Alumina Partners of Jamaica (Alpart)	P	Jamaica	0	65.0	Alumina production
Asteri Funds Investments Feeder Ltd.[2]	O	Cayman Islands	70.6	100.0	Investment
Colombian Coal Group[3]	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	0	43.8	Alumina production
Glencore Finance (Europe) SA	F	Luxembourg	100.0	100.0	Finance
Kubikenborg Aluminium AB (Kubal)	F	Sweden	0	100.0	Aluminum production
Limerick Alumina Refining Ltd. (Aughinish)	F	Ireland	0	100.0	Alumina production
Recylex S.A.	E	France	32.2	32.4	Zinc/Lead production
Mopani Copper Mines PLC	F	Zambia	73.1	73.1	Copper production
Mutanda Mining Sprl	E	DRC	40.0	0	Copper production
Nikanor plc[4]	E	U.K.	13.9	0	Copper production
Refineria de Cartagena S.A.	E	Colombia	51.0	0	Oil production
Sinchi Wayra	F	Bolivia	100.0	100.0	Zinc/Tin production
United Company Rusal Limited	O	Jersey	12.0	0	Aluminum production
West Indies Alumina Co. (Windalco)	P	Jamaica	0	93.0	Alumina production
Finges Investment B.V.	F	Netherlands	100.0	100.0	Finance
Xstrata plc	E	U.K.	35.1	35.7	Diversified production
Cobar Group	F	Australia	100.0	100.0	Copper production
Glencore Grain BV	F	Netherlands	100.0	100.0	Operating
Inner Mongolia Huomei Hongiun Aluminium Co.	E	China	35.7	35.7	Aluminum production
JSC Kazzinc	F	Kazakhstan	75.5	75.5	Zinc/Lead production
Murrin Murrin Joint Venture[5]	F	Australia	40.0	40.0	Nickel production
Minara Resources Ltd	F	Australia	53.1	51.0	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	78.2	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	70.0	Coal production
ST Shipping & Transport Pte Ltd	F	Singapore	100.0	100.0	Operating
Topley Corporation[6]	F	B.V.I.	100.0	0	Ship owner

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

2 As at December 31, 2007, Glencore's share of the net assets of this entity and its carrying amount, accounted for as marketable securities, is $ 285 million (2006: $ 253 million)

3 Comprises C.I. Prodeco Productos de Colombia SA, Consorcio Minero Unido SA, Carbones de la Jagua SA and Carbones El Tesoro SA

4 Although Glencore holds less than 20% of the voting rights, it exercises significant influence by virtue of its participation in a common voting agreement, various commercial contracts and its right to appoint key executives

5 The balance of the joint venture is held by Minara Resources Ltd giving Glencore an effective interest of 71.9% in the joint venture

6 Holding company for 50% interest in various vessels

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
GLENCORE INTERNATIONAL AG, BAAR

We have audited the accompanying consolidated financial statements of Glencore International AG and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2007, 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 13 to 62.

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, 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

March 6, 2008

Deloitte AG

David Quinlin George Hashimoto

Wirtschaftsprüfung. Steuerberatung. Consulting. Corporate Finance.

Member of
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