GLENCORE

Annual Report 2008

GLENCORE
INTERNATIONAL AG
AND SUBSIDIARIES

Annual Report

2008



Table of contents

Financial highlights: 2008 compared to 2007

- Revenues up 7% from $ 142.3 billion to $ 152.2 billion
- EBITDA[1] down 12% from $ 7.7 billion to $ 6.8 billion
- Glencore net income[1] down 8% from $ 5.2 billion to $ 4.8 billion
- Funds from operations[2] down 18% from $ 4.4 billion to $ 3.6 billion, or less than 10% pre exceptional items
- Glencore shareholders' funds[2] stable at around $ 15.5 billion
- Net debt[2] to EBITDA[1] at 1.69 times compared with 1.40 times
- Gross debt reduced by $ 2.1 billion during 2008, of which $ 3.4 billion achieved in the fourth quarter alone, following an increase of $ 1.3 billion during the first nine months
- Available committed liquidity up 83% from $ 2.9 billion to $ 5.3 billion

[1] excludes exceptional items, refer to page 8 for definition and reconciliation

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

Executive summary

Against the backdrop of the most severe crisis facing the global economy in decades, Glencore achieved a highly credible set of results compared to the record earnings in the prior year:

- Glencore net income, before exceptional items, was $ 4.8 billion, 8% lower than 2007
- Funds from operations were $ 3.6 billion, 18% lower than 2007

The start of 2008 was generally categorized by buoyant conditions in many commodity markets, such that record or multi year record prices and benchmarks were witnessed during the year, including crude oil surpassing $ 140 per barrel, thermal coal (FOB) pushing through $ 150 per ton and copper peaking at around $ 8,800 per ton. However, the continuing and profound escalation in the global financial crisis over the second half of the year, culminating in numerous bank failures and rescues, significantly reduced the flow of credit, eroding consumer and corporate spending and confidence, and ultimately resulted in significantly reduced economic and industrial activity. In such an environment, risk aversion intensified and most asset classes were sold off heavily, including equities, credit and commodities, particularly in the fourth quarter. Despite a year of such market volatility and extremes, Glencore's unique and highly diversified business model, which combines and integrates a diversified portfolio of industrial production assets with physical sourcing, marketing and logistics capabilities, across three varied commodity segments, confirmed its overall flexibility and sustainability even in such adverse times.

In this regard, gross income, before exceptional items, from our volume oriented marketing activities was stable at $ 4.1 billion. Overall segment result reduced by 16% from $ 8.5 billion to $ 7.1 billion, primarily due to the reduced contribution from our industrial asset operations, relating to lower average metal prices compared to 2007.

- The Energy segment's contribution doubled to $ 2.8 billion (40% of the overall segment result) in 2008 from $ 1.4 billion (16% of total) in 2007, on the back of favorable market conditions and considerably higher earnings at our own as well as Xstrata's coal operations. Overall market volumes, comprising mainly thermal coal and oil, continue to be at levels which may be considered as 'normal' market activity.
- The Metals and minerals segment contributed $ 3.5 billion (49% of the total) compared to $ 6.6 billion (78% of the total) in 2007, in large part due to lower nickel and zinc earnings from this segment's industrial component, including our share of Xstrata's earnings. In contrast to Energy, overall market volumes reduced considerably, particularly in the fourth quarter with respect to supply to the steel and automotive industries. However, in a generally less competitive business environment, Glencore has been able to add meaningful new third party commodity supply contracts.
- The Agricultural segment contributed $ 0.8 billion (11% of total), an increase of 52% from $ 0.5 billion (6% of total) in 2007.

The various investments pursued by Glencore during the early part of 2008, including capital expenditure, were primarily those already commenced or under discussion from prior periods, such as the March 2008 acquisition (through Kazzinc) of a 40% interest in Vasilkovskoje Gold, the largest gold deposit in Kazakhstan, the April 2008 final capital contribution to the Cartagena oil refinery, the Colombian Coal Group expansion project and Kazzinc's continued construction of its new 70,000t copper smelter, expected to be completed in early 2010.

As the breadth and severity of the global financial crisis began to take hold over the second half of the year, Glencore reacted swiftly and decisively to ensure it remains in a strong position during the current period of uncertainty, as well as looking further ahead, should the current global recession prove unexpectedly protracted by:

- curtailing or putting on care and maintenance those operations that cannot generate free cash flow in the current low price environment;
- focusing on capital expenditure and operating cost reductions at all continuing operations;
- increasing the minimum internal liquidity target of maintaining at all times available cash and committed undrawn credit facilities to $ 3 billion (from $ 2 billion). As at December 31, 2008, Glencore had over $ 5 billion of such available liquidity with gross debt being reduced by $ 3.4 billion in the fourth quarter;
- in relation to liquidity strength and targets, ensuring that refinancing of upcoming (12–18 month) debt maturities is managed proactively with only modest refinancing (mainly renewal of secured facilities) required in 2009. In this regard, a new 3-year $ 340 million pre-export finance facility for Kazzinc was concluded and funded during the fourth quarter on competitive terms;
- strengthening the balance sheet, capital and management structure, such that all key employees (including department heads) representing 66% of the ordinary profit participation amounts as at December 31, 2008, have agreed to defer the commencement of any payments which may become due to them as a result of their employment termination, until January 2012 at the earliest. In this regard, 75% of Glencore Shareholders' funds can be considered as traditional capital over the medium term compared to 27% prior to such agreements being reached. In addition, a new profit participation plan, representing 15% of Glencore's share capital, was introduced with effect from January 1, 2008, to provide an additional layer of permanent equity to Glencore (see note 11);
- subsequent to year end, further strengthening the Group's balance sheet and funding flexibility, by reaching an agreement to sell our interest in the Cartagena Oil Refinery for $ 549 million and by selling the Colombian Coal Group to Xstrata for $ 2 billion, in conjunction with its current rights issue.

As we look ahead to 2009, the global economy clearly continues to endure unprecedented challenges and provides little visibility as to what the short term entails. Nevertheless, we are confident that Glencore has entered 2009 in a strong position, with free cash flow generation and profitability expected from both our industrial base, and the more resilient and stable marketing activities. In addition, in the medium to longer term, we are confident that overall commodity supply/demand equilibrium will be restored and constrained supply and price spikes will re-emerge in numerous commodities. In this regard, the proactive initiatives currently undertaken by Glencore to maintain and ensure a strong balance sheet and financial profile, will provide us with a solid base from which to operate during the near term uncertainty, and position us strongly, once the global economy reverses its current downtrend.

Detailed financial highlights

2008	2007	US $ million
		Key figures for the years ended December 31, 2008 and 2007
7 063	8 451	Segment result[1]
6 788	7 703	EBITDA[1]
4 754	5 190	Glencore net income[1]
4 587	6 044	Cash provided by operating activities before working capital changes
3 631	4 366	Funds from operations (FFO)[2]
		Key figures as of December 31, 2008 and 2007
61 311	59 955	Total assets
15 405	15 671	Glencore shareholders' funds[2]
18 316	20 405	Gross Debt
11 500	10 760	Net debt[2]
11 047	15 797	Current capital employed (CCE)[2]
5 802	5 415	Net working capital
		Key ratios as of December 31, 2008 and 2007
		Working capital ratios:
1.19	1.17	Current ratio (times)
1.33	1.18	Adjusted current ratio (times)[2]
25	30	Inventories (days)
26	28	Accounts receivable (days)
24	23	Accounts payable (days)
27	35	Net conversion cycle[2] (days)
		Equity, gearing and coverage ratios:
0.60	0.77	CCE to total debt (times)
1.22	1.31	CCE plus listed associates (at carrying value) to total debt (times)
31.6	40.6	FFO[1] to Net debt[2] (%)
1.69	1.40	Net debt[2] to EBITDA[1] (times)
8.11	6.75	EBITDA[1] to net interest (times)

[1] excludes exceptional items; refer to page 8 for definition and reconciliation

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

Financial review

Results

Against the backdrop of the most severe crisis facing the global economy in decades, Glencore achieved a highly credible result in 2008, generating a pre exceptional EBITDA[1] of $ 6.8 billion, 12% lower than the record results achieved in the prior year.

2008 was a year of extremes as record prices and strong demand prevailed for many of our marketed commodities over the first half of the year, only to witness an unprecedented speed and quantum of price retraction during the second half as the full effect of the global financial crisis began weighing heavily on the real economy. In this regard, most industrial use commodity market prices fell in the range of 50–75% from their peaks during the year.

Year on year average prices decreased most notably in zinc and nickel (43% each), offset by increases in oil (33%), coal (92%) and wheat (23%) which contributed to an overall increase in revenues of $ 9.9 billion (7%).

A summary of segment results and EBITDA is as follows:

US $ million	2008	2007	Var (%)
Metals and minerals	3 482	6 551	– 47%
Energy products	2 797	1 383	102%
Agricultural products	784	517	52%
Segment result[1]	7 063	8 451	– 16%
Selling and administration	– 850	– 1 185	– 28%
Depreciation and amortization	575	437	31%
EBITDA[1]	6 788	7 703	– 12%

Overall segment results confirm the strength of Glencore's business diversification as significant increases in contributions from the Energy and Agricultural segments, up 102% and 52% respectively, tempered the 47% reduction in the Metals and minerals segment, resulting in a still robust result of $ 7.1 billion, down 16% compared to the previous year.

The Metals and minerals segment was down $ 3.1 billion (47%) to $ 3.5 billion, in large part due to lower earnings from the industrial asset component of this segment which also includes our share of Xstrata's results, on the back of the significantly lower prices as noted above. In addition, marketing activities were hampered by weaker volumes in the 4th quarter, particularly in respect of supply to the carbon and stainless steel industries, on the back of unprecedented production cutbacks and global destocking.

The Energy segment was up $ 1.4 billion (102%) to $ 2.8 billion, due to continued favorable market conditions and considerably higher earnings at our coal production operations, as well as Xstrata's, resulting from the benefit of higher coal contract settlements in 2008.

The Agricultural segment was up $ 267 million (52%) to $ 784 million.

For reasons noted above, overall contribution from our industrial asset activities was down $ 1.4 billion, compared to prior year, whereas the contribution from our volume, margin oriented marketing operations was stable at $ 4.1 billion and accordingly its contribution to overall segment results increased from 48% to 57%.

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

US $ million	2008		2007	
Marketing activities	4 053	57%	4 063	48%
Industrial activities	3 010	43%	4 388	52%
Segment results[1]	7 063	100%	8 451	100%

Selling and administrative expenses

Selling and administrative expenses decreased by $ 335 million (28%) from $ 1,185 million in 2007 to $ 850 million in 2008, due primarily to lower variable payroll expenses associated with our reduced earnings.

1 excludes exceptional items, refer to page 8 for definition and reconciliation

Earnings

A summary of the differences between EBITDA and Glencore net income is set out in the following table.

US $ million	2008	2007
EBITDA* pre exceptional items	6 788	7 703
Depreciation and amortization	– 575	– 437
Net finance costs	– 837	– 1 142
Net M2M valuation	– 137	– 116
Net other costs	– 60	61
Income tax expense	– 355	– 568
Minority interest	– 70	– 311
Glencore net income pre exceptional items	4 754	5 190
Gain on disposal of investments	7	864
Provisional pricing adjustments[1]	– 211	0
Inventory NRV adjustments[2]	– 435	0
Severance and related costs[2]	– 26	0
Share of associates exceptional items[3]	– 415	60
Impairment	– 2 763	0
Income tax[4]	87	0
Minority interest[5]	46	0
Total exceptional items	– 3 710	924
Glencore net income	1 044	6 114

* EBITDA – consists of profit before interest, tax and other items before exceptional items (detailed below) plus depreciation and amortization of $ 575 million (2007: $ 437 million).

1 recognized within revenues/gross income

2 recognized within cost of goods sold

3 recognized within share of income from associates

4 recognized within income taxes

5 recognized within minority interest

Net finance costs

Interest expense

Compared to 2007, interest expense decreased primarily due to lower average short term U.S. Dollar interest rates.

Variable interest expense

One month U.S. Dollar LIBOR averaged 2.68% during 2008, compared to 5.25% in 2007.

The reduction in working capital towards the end of the year and lower interest rates resulted in a net decrease in interest expense on floating rate debt of $ 195 million to $ 765 million in 2008 from $ 960 million in 2007. Floating rate debt is predominantly used to fund fast turning working capital, the funding cost of which is taken into account in transactional pricing and terms and accordingly 'recovered' in gross marketing income.

Fixed interest expense

Interest expense on fixed rate funding was $ 367 million in 2008, an increase of $ 26 million over 2007. The net increase is due to the impact of the Eurobonds issued during 2008, partly offset by reduced interest on the early repayment of our U.S. senior notes in August 2007 and the repurchased Exchangeable bonds.

Interest income

Interest income was up $ 139 million compared to the prior year, primarily due to the recognition in 2008 of interest income received on loans extended to the Russneft Group of companies. Previously, interest was conservatively not being recognized whilst it was merely accruing but not actually paid.

Changes in mark to market valuation - net

In 2008, a net negative change in mark to market valuations of $ 137 million was recognized primarily related to the fall in quoted stock prices related to other industry related investments. The 2007 balance is primarily comprised of negative mark to market valuations arising from the exchange feature (into Xstrata shares) of the Exchangeable bonds which were repurchased and cancelled during 2008.

Income taxes

The effective tax rate, excluding exceptional items and an appropriate adjustment for share of income from associates, which is recorded post tax was 8.9% (2007: 13.4%). The decrease is due to the greater relative profit contribution from marketing activities and dividend income, which generally attracts lower tax rates.

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 in exchange for a 12% stake in the combined entity United Company Rusal Limited

Exceptional items

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

In 2008, Glencore recognized $ 3,710 million of exceptional items, including $ 2,763 million related to asset impairments, following Glencore's regular review of asset carrying values. Such expenses and impairments were brought on by the rapid and severe impacts arising from the global financial crisis, which ultimately resulted in substantially lower commodity prices, primarily over the fourth quarter.

Provisional pricing adjustments, inventory NRV adjustments

Negative provisional pricing adjustments (at our industrial operations) and inventory net realizable value ("NRV") adjustments of $ 211 million and $ 435 million respectively were recognized as a result of the severe and rapid decrease in commodity prices over the fourth quarter. While some 90% of Glencore's marketing inventories are contractually sold or hedged, the remaining 10%, primarily relating to those commodities where terminal hedging markets do not exist or are very limited e.g. for many of the minor metals, have given rise to NRV adjustments amounting to $ 341 million during the fourth quarter.

Impairments on investments and assets

Some $ 0.4 billion of share of associates' exceptional items was incurred representing Glencore's share of Xstrata's exceptional items, primarily on account of various impairment charges booked directly by Xstrata. Due to the lower commodity price environment and increased shorter term uncertainty associated with eventual demand and supply growth, Glencore booked $ 2.8 billion of impairment charges, $ 1.7 billion in relation to Xstrata and Century and the balance related to various other cumulative impairments arising primarily from decisions taken to curtail and/or suspend various mining or expansion activities.

Liquidity and capital resources – Cash Flow

Cash provided by operating activities before working capital changes

Cash provided by operating activities before working capital changes decreased by $ 1.4 billion to $ 4.6 billion in 2008, while cash flows from operating activities (after working capital changes, interest and tax) were $ 6.0 billion, an increase of $ 4.6 billion compared to 2007.

Working capital changes

Working capital changes resulted in $ 2.6 billion of cash generation in 2008, compared to a net outflow of $ 2.8 billion in 2007. These fluctuations are substantially driven by movements in commodity prices, which as noted above, were extremely volatile during 2008. As price reductions accelerated into the fourth quarter, due to Glencore's relatively short conversion cycle noted below, some $ 4 billion of working capital was released during this quarter alone. Confirmation of our proactive management of working capital and also explained by different business mixes during particular periods, is that the net conversion cycle decreased by 8 days to 27 days - average days on hand for inventories decreased by 5 days to 25 days, average days on hand for accounts receivable decreased by 2 days to 26 days while average days on hand for accounts payable increased by 1 day to 24 days.

Long term advances and loans

Cash used for long term advances and loans was $ 350 million in 2008, compared to $ 632 million in 2007. The 2008 amount comprises primarily loans extended (via Kazzinc) to our associate Vasilkovskoje Gold, which is developing the largest gold deposit in Kazakhstan with gold resources of 350 tons. Upon commissioning, expected towards the end of 2009, the new gold refinery will process up to 8 million tons of ore per annum with final deliverable gold output of some 500,000 oz per annum.

Net cash used in acquisition of subsidiaries

$ 99 million of net cash used in the acquisition of subsidiaries primarily relates to the increase in our Minara holding from 53% to 71%.

Purchase of investments

The $ 1.3 billion reported in 2008 comprises mainly Kazzinc's new 40% investment in Vasilkovskoje Gold, payment of the final capital contribution to the Cartagena oil refinery venture and participation in a capital raising by Century Aluminum in July.

Purchase of property, plant and equipment

Capital expenditure relates primarily to the consolidated industrial assets. Purchase of property, plant and equipment was $ 1.8 billion during 2008 compared to $ 1.6 billion in 2007. The high level of capital expenditure in 2008 and 2007 relates primarily to the continued capital expenditure in respect of previously discussed organic expansion programs, the most noteworthy being our significant Colombian coal expansion and the building of a new copper smelter at Kazzinc as well as the procurement of various new sea going oil carrying vessels. In terms of capital expenditure relating to our existing industrial portfolio, as previously noted, 2008 was the peak investment year, with 2009 expected to reduce to below $ 1 billion and moderate further thereafter. These growth initiatives are all expected to result in enhanced income and cash flow generating potential in future periods.

Dividends received from associates

Dividends received of $ 231 million comprise primarily $ 175 million in respect of our Xstrata holding.

Net cash provided/used by financing activities

On the back of the strong cash inflows noted above, $ 2.9 billion of net debt repayments were made during 2008. In April, EUR 750 million 7 year bonds were issued, raising $ 1.2 billion of new long term debt, while during the year we repurchased and cancelled all the remaining exchangeable bonds for a total consideration of $ 0.6 billion.

Assets, leverage and working capital

Total assets were $ 61.3 billion as of December 31, 2008, representing an increase of 2% from $ 59.9 billion as of December 31, 2007.

Current assets were $ 36.5 billion in line with the prior year. The adjusted current ratio as of December 31, 2008 was 1.33 compared to 1.18 in 2007, while net working capital increased from $ 5.4 billion to $ 5.8 billion. Non current assets increased by $ 1.7 billion to $ 24.8 billion, due to the new investments and capital expenditure programs noted above, offset by the impairment charges.

93% of total trading inventories were contractually sold or hedged (readily marketable inventories) as at December 31, 2008, compared with 84% in 2007. These inventories are readily convertible into cash due to their liquid nature, widely available markets, and the fact that any associated price risk is covered either by a physical sale transaction or a hedge transaction on a commodity exchange or with a highly rated counterparty. Given the cash like nature of these inventories, we believe it is appropriate to consider them as cash equivalents in analyzing net debt levels and computing certain debt coverage ratios and credit trends.

Although gross debt declined by $ 2.1 billion, which is an important development from a liquidity perspective, after taking into account the lower level of readily marketable inventories, net debt as of December 31, 2008, was $ 11.5 billion, somewhat higher than the $ 10.8 billion as of December 31, 2007. The ratio of net debt to EBITDA was 1.69 compared to 1.40 in 2007 and the ratio of EBITDA to net interest was 8.11 in 2008 and 6.75 in 2007.

Glencore shareholders' funds as of December 31, 2008, were $ 15.4 billion, substantially in line with $ 15.7 billion as of December 31, 2007.

Liquidity

Refer to page 20 for a detailed discussion on liquidity risk management. Available committed liquidity as at December 31, 2008, increased $ 2.4 billion (83%) to $ 5.3 billion compared to prior year, comfortably ahead of our new minimum internal target of $ 3 billion.

Capital resources and financing

During 2008, the following significant financing activities took place:

- In April 2008, EUR 750 million 7.125% bonds maturing 2015 were issued;
- In May 2008, some 90% of the existing 3 year $ 8.2 billion committed revolving credit facility was extended by one year to 2011 and the previous $ 565 million 364 day revolving credit facility was replaced by a $ 925 million 364 day revolving credit facility with a one year term-out option;
- In June 2008, the Asset backed (receivables) commercial paper program was increased to $ 2.0 billion;
- During 2008, Glencore repurchased and cancelled all the remaining Exchangeable bonds for a total consideration of $ 591 million;
- The committed secured inventory financing facility was extended to December 2009.

Detailed descriptions of each of the facilities can be found in notes 12 and 15 of the financial statements.

Facility/Program US $ million	Initial issue/ current rollover	Amount issued or outstanding December 31, 2008	 December 31, 2007
2014 144A notes	950	944	942
2010 Exchangeable bonds	800	0	111
Xstrata secured bank loans	2 850	1 640	2 700
2011 Eurobonds (Euro 600 million)	739	834	876
2013 Eurobonds (Euro 850 million)	1 078	1 171	1 242
2015 Eurobonds (Euro 750 million)	1 200	1 031	0
2019 Sterling Bond (GBP 650 million)	1 242	920	1 271
Perpetual Notes	700	700	700
Purchase of profit participation certificates[1]	2 047	2 047	2 048
Committed syndicated revolving credit facility	9 135	4 819	6 795
Bilateral committed secured inventory financing facility	1 000	369	675
Committed Asset backed (receivables) commercial paper program	2 000	1 600	1 024
Unsecured uncommitted bilateral bank credit facilities[2]	1 386	991	904
Kazzinc 3 year pre export finance facility	340	340	0
Other financings	910	910	1 117
Total		18 316	20 405

1 see note 11 of the financial statements

2 available credit facilities from a number of international banks

There are no outstanding off balance sheet financings.

Glossary to financial highlights and review

Adjusted current ratio

Current assets and current liabilities adjusted to exclude the more temporary impact of 'fair value of trade related financial instruments'.

Current capital employed

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

Funds from operations

Cash provided by operating activities before working capital changes less tax and net interest payments plus dividends received.

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

2008 US $ million	2007 US $ million	
13 071	10 023	Long term debt
5 245	10 382	Short term debt, including short term portion of long term debt
– 939	– 997	Cash and cash equivalents and marketable securities
– 5 877	– 8 648	Readily marketable inventories
11 500	10 760	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.


1020

Accounting principles

Nature of business activities

The Glencore Group (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.

On March 5, 2009, the Board of Directors approved these financial statements for issue.

Basis of measurement

The financial statements are prepared under the historical cost convention except for the revaluation to fair value of certain financial assets, liabilities and marketing inventories and are presented in United States Dollars. Glencore's reporting currency is the United States Dollar, as most of our business is conducted in this currency.

Basis of accounting

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, 2008.

Critical accounting policies key judgments and estimates

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 the following policies as being critical as they require management to make complex and/or subjective judgments and estimates about matters that are inherently uncertain.

Valuation of derivative instruments

Derivative instruments are carried at fair value. Fair values are determined in the following ways: externally verified via comparison to quoted market prices or third party broker quotations; by using models with externally verifiable model inputs; or by using alternative procedures such as comparison to comparable instruments and/or subsequent liquidation prices. At December 31, 2008 and 2007, 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.

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

Mineral and petroleum rights and project development costs are amortized using the unit 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.

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

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 entity, the purchase price adjustments and their related depreciation and amortization period are determined from publicly available information and a degree of estimation.

Impairments

Investments in associates and other investments, long term advances and loans and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate 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 fair value 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, 2008. The adoption of these new and revised Standards and Interpretations did not have a material impact on the recognition and measurement of reported amounts.

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

IFRS 1	(amended) / IAS 27 (amended) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2	(amended) Share-based Payment – Vesting Conditions and Cancellations
IFRS 3	(revised 2008) Business Combinations
IFRS 8	Operating Segments
IAS 1	(revised 2007) Presentation of Financial Statements
IAS 23	(revised 2007) Borrowing Costs
IAS 27	(revised 2008) Consolidated and Separate Financial Statements
IAS 32	(amended) / IAS 1 (amended) Puttable Financial Instruments and Obligations Arising on Liquidation
IFRIC 12	Service Concession Arrangements
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation Improvements to IFRSs (May 2008)

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 other than additional note disclosures.

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 ultimately owns or controls more than 50% of the voting rights. The results of subsidiaries acquired or disposed of during the year are consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intercompany balances, transactions and unrealized profits are eliminated.

Investments in associates and joint ventures

Associates and 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 consolidated 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 goodwill, which 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 along with additional acquisitions or disposals of interests in subsidiaries not resulting in a change of control. Any goodwill arising from such purchases is included within the carrying amount of the investment in Associates, but not amortized thereafter. Any excess of Glencore's share of the net fair value of the Associate's identifiable net assets, over the cost of the investment is included in income in the period of the purchase.

The main operating and finance subsidiaries and industrial investments of Glencore are listed in note 24.

Revenue recognition

Revenue is 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 from 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 is 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 and petroleum 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 commercially recoverable 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 the 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. 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	unit 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 unit of production method over the commercially 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

Equity Investments, other than investments in Associates, are recorded at fair value unless such fair value is not reliably determinable in which case they are carried at cost. Changes in fair value are recorded in 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 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 marketing 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 related to 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 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. Cash and cash equivalents are recorded at fair value.

Long term debt

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

Provisions

Provisions are recognized at fair value 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, which include certain physical forward purchase and sale contracts, 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 and capital risk management

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

Glencore shareholders' funds

US $ million	2008	2007
Total net assets attributable to profit participation shareholders, minority interest and equity holders	16 311	16 571
Less: minority interest	906	900
Glencore shareholders' funds	15 405	15 671

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 fosters 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 centralized financial, operational, compliance and legal risk management functions in order 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 (including performance 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 where possible substantially to hedge these financial risks. Glencore's finance and risk professionals, working in coordination with the commodity departments, monitor, manage and report regularly to senior management on the financial risks and exposures facing the Group.

In the latter part of last year, turmoil in the global financial markets escalated, triggering unprecedented levels of volatility, uncertainty and heightened risk in the global economy. To this end, Glencore increased the comprehensiveness of its risk management practices and the frequency of its reporting, particularly in relation to credit and liquidity risks.

Certain debt arrangements require compliance with specific financial covenants related to working capital, minimum current ratio and a maximum long term debt to tangible net worth ratio. During the period the company has 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, including daily mark to market collateralization, based on very low bilateral credit thresholds to mitigate counterparty risk further. 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, given a specific level of confidence. The VaR methodology is a statistically defined, probability based approach that takes into account market volatilities, as well as risk diversification, by 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 derive a single risk value. Glencore has set a VaR limit (1 day 95%) of $ 100 million 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 Monte Carlo simulations are applied to the various business segments' net marketing positions, to determine potential future exposures. As at December 31, 2008, Glencore's 95%, one day market risk VaR was $ 49 million (2007: $ 32 million). Average market risk VaR (1 day 95%) during 2008 was $ 50 million compared to $ 39 million during 2007. The statistical VaR increase in 2008 is mainly a consequence of the increased volatility in commodity prices witnessed during 2008 compared to 2007.

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 movements arising in the next business week.

During 2008 and 2007, 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. These positions are nonetheless reported on the daily position sheets and assuming the net year end positions had been outstanding for the whole year, and market prices were 5% higher/lower and all other variables held constant, Glencore's profit and equity for the year ended December 31, 2008, would have decreased/increased by $ 14 million (2007: decrease/increase by $ 16 million).

Net present value at risk

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

Interest rate risk

Glencore is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its assets and liabilities and cash flows. Matching of assets and liabilities is utilized as the dominant method to hedge interest rate risks. Floating rate debt which is predominantly used to fund fast turning working capital (interest is internally charged on the funding of this working capital) is primarily based on US $ LIBOR plus an appropriate premium. Accordingly, prevailing market interest rates are continuously factored into transactional pricing and terms.

Assuming the amount of floating rate liabilities at the 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, 2008 would decrease/increase by $ 64 million (2007: decrease/increase by $ 76 million).

Currency risk

The U.S. Dollar is the predominant functional currency of the Group. Currency risk is the risk of loss from movements in exchange rates related to transactions and balances in currencies other than the U.S. Dollar. Such transactions include operating expenditure, capital expenditure and to a lesser extent purchases and sales in currencies other than the functional currency. Transactions concluded in currencies other than the functional currency, apart from certain limited domestic sales at our industrial operations, 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, using hedging instruments, 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 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 are placed overnight with a diverse group of highly credit rated financial institutions. Credit risk with respect to receivables and advances is mitigated by the large number of customers comprising Glencore's customer base, their diversity across various industries and geographical areas, as well as Glencore's policy to mitigate these risks through letters of credit, netting, collateral and insurance arrangements where appropriate.

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.

Performance risk

Performance risk arises from the possibility that physical industrial counterparties may not be willing or able to meet their future contractual sale or purchase obligations to/from Glencore. Glencore undertakes the assessment, monitoring and reporting of performance risk within its overall credit management process. Glencore's market breadth, diversified customer base as well as the standard pricing mechanism in the majority of Glencore's commodities' universe which does not fix prices beyond three months, ensure that performance risk is adequately mitigated.

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.

In response to the more challenging credit market environment and heightened scrutiny relating to liquidity risk, Glencore has increased its previous minimum internal liquidity target of maintaining at all times available committed undrawn credit facilities of $ 2 billion to $ 3 billion. Additionally, Glencore is closely monitoring its future capital expenditure and investment plans, as well as credit facility refinancing/extension requirements, well ahead of time.

Glencore's financial forecasts and projections, taking into account reasonably possible changes in performance, indicate it is appropriate to adopt the going concern basis in preparing these financial statements.

As at December 31, 2008, Glencore had available committed undrawn credit facilities and cash amounting to $ 5,255 million (2007: $ 2,898 million). The following table summarizes Glencore's net liquidity.

After 5 years	Due 1 - 5 years	Due 0 - 1 year	Total	US $ million 2008
16 029	0	0	16 029	Investments in associates and other investments
0	1 826	0	1 826	Long term advances and loans
0	0	7 805	7 805	Inventories
0	0	27 764	27 764	Accounts receivable
0	0	939	939	Cash and cash equivalents and marketable securities
16 029	1 826	36 508	54 363	
– 3 684	– 9 387	– 762	– 13 833	Long term debt (see note 12)
0	0	– 4 483	– 4 483	Short term debt (see note 15)
0	0	– 25 461	– 25 461	Accounts payable and income taxes
– 3 684	– 9 387	– 30 706	– 43 777	
12 345	– 7 561	5 802	10 586	Net

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	12 212	12 212	Inventories
0	0	23 673	23 673	Accounts receivable
0	0	997	997	Cash and cash equivalents and marketable securities
15 433	1 730	36 882	54 045	
– 4 215	– 5 808	– 758	– 10 781	Long term debt (see note 12)
0	– 4 230	– 5 394	– 9 624	Short term debt (see note 15)[1]
0	0	– 21 085	– 21 085	Accounts payable and income taxes
– 4 215	– 10 038	– 27 237	– 41 490	
11 218	– 8 308	9 645	12 555	Net

[1] 2007: $ 4,230 million of reported short term debt is drawn under a 3 year committed facility. See summary debt table on page 12.



Consolidated statements of income
for the years ended December 31, 2008 and 2007

US $ million

Notes	2008	2007	
	152 236	142 343	Revenues
	– 147 565	– 136 068	Cost of goods sold
	4 671	6 275	Gross income
	– 850	– 1 185	Selling and administrative expenses
	1 067	1 892	Share of income from associates
	238	344	Dividend income
	5 126	7 326	Income before interest, tax and other items
	298	159	Interest income
	– 1 135	– 1 301	Interest expense
1	7	864	Gain on sale of investments
2	– 137	– 116	Changes in mark to market valuation – net
3	– 2 823	61	Other income/(expense) – net
	1 336	6 993	Income before income taxes and attribution
7	– 268	– 568	Income taxes
	1 068	6 425	Income before attribution
	– 98	– 730	Attribution to hybrid profit participation shareholders
	– 579	– 4 276	Attribution to ordinary profit participation shareholders
	391	1 419	Income for the year
			Attribution to:
	– 24	– 311	Minority interest
	– 367	– 1 108	Equity holders

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

Consolidated balance sheets
as of December 31, 2008 and 2007

Notes	2008	2007	US $ million Assets
			Non current assets
4	6 859	5 742	Property, plant and equipment
5	13 221	11 822	Investments in associates
5	2 808	3 611	Other investments
6	1 826	1 730	Long term advances and loans
7	89	168	Deferred income taxes
	24 803	23 073	Total non current assets
			Current assets
8	7 805	12 212	Inventories
9	27 764	23 673	Accounts receivable
	113	339	Marketable securities
10	826	658	Cash and cash equivalents
	36 508	36 882	Total current assets
	61 311	59 955	Total assets

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

Consolidated balance sheets
as of December 31, 2008 and 2007

Notes	2008	2007	US $ million Liabilities and equity
			Net assets attributable to profit participation shareholders, minority interest and equity holders
11	46	46	Share capital
	2 755	2 901	Reserves and retained earnings
	906	900	Minority interest
	3 707	3 847	
11	1 414	1 320	Hybrid profit participation shareholders
11	11 190	11 404	Ordinary profit participation shareholders
	16 311	16 571	Total net assets attributable to profit participation shareholders, minority interest and equity holders
			Other non current liabilities
12	13 071	10 023	Long term debt
7	630	687	Deferred income taxes
14	593	1 207	Provisions
	14 294	11 917	Total other non current liabilities
			Current liabilities
12	762	758	Current portion of long term debt
15	4 483	9 624	Short term debt
16	25 205	20 760	Accounts payable
	256	325	Income tax payable
	30 706	31 467	Total current liabilities
	61 311	59 955	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, 2008 and 2007

2008	2007	US $ million
		Operating activities
1 336	6 993	Income before income taxes and attribution
		Adjustments to reconcile income before income taxes and attribution to net cash provided/(used) by operating activities
575	437	Depreciation and amortization
– 1 067	– 1 892	Share of income from associates
– 16	220	Unrealized (gain)/loss on bonds' exchange feature
– 112	68	Increase/(decrease) in long term provisions
– 7	– 864	(Gain)/loss on sale of investments – net
198	– 147	Unrealized mark to market movements on other investments
0	44	Early debt extinguishment
2 843	43	Impairments and other non cash items
837	1 142	Interest expense – net
4 587	6 044	Cash provided by operating activities before working capital changes
		Working capital changes
131	160	(Increase)/decrease in marketable securities
– 5 353	– 4 737	(Increase)/decrease in accounts receivable
4 318	– 2 474	(Increase)/decrease in inventories
3 464	4 258	Increase/(decrease) in accounts payable
2 560	– 2 793	Total working capital changes
7 147	3 251	Cash provided/(used) by operating activities
– 486	– 785	Income taxes paid
353	107	Interest received
– 1 054	– 1 166	Interest paid
5 960	1 407	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, 2008 and 2007

Notes	2008	2007	US $ million
			Investing activities
	– 350	– 632	(Increase)/decrease in long term advances and loans
17	– 99	– 234	Net cash used in acquisition of subsidiaries
	– 1 278	– 1 136	Purchase of investments
	– 1 823	– 1 577	Purchase of property, plant and equipment
	– 52	– 66	Exploration and evaluation expenditure
	47	51	Proceeds from sale of property, plant and equipment
	291	107	Proceeds from sale of investments
	0	22	Proceeds from sale of subsidiaries
	83	0	Return of capital
	231	166	Dividends received from associates
	– 2 950	– 3 299	Net cash provided/(used) by investing activities
			Financing activities
	– 1 867	1 639	Net proceeds/(repayment) of short term debt[1]
	317	48	Net proceeds/(repayment) of other long term bank debt
	1 183	1 242	Net proceeds from issuance of Euro/sterling bonds
	– 1 060	1 350	Net proceeds/(repayment) of Xstrata secured bank loans
	– 799	– 636	Payment of profit participation certificates
	0	– 505	Net proceeds/(repayment) of Senior Notes
	– 591	– 1 248	Redemption/repayment of Exchangeable bonds
	– 23	– 134	Net capital contribution/(dividend) to minority interest
	– 2	– 2	Dividend
	– 2 842	1 754	Net cash provided/(used) by financing activities
	168	– 138	Increase/(decrease) in cash and cash equivalents
	658	796	Cash and cash equivalents, beginning of year
	826	658	Cash and cash equivalents, end of year

[1] Amount includes cash movements related to 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, 2008 and 2007

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	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	3 120	– 5	– 215	2 901	46	2 947	900	3 847	Balance January 1, 2008
0	0	– 41	0	– 41	0	– 41	0	– 41	Translation adjustment
0	0	0	– 309	– 309	0	– 309	0	– 309	Gains/(losses) on hedges
0	0	0	1	1	0	1	0	1	Deferred taxes on hedges
0	0	– 41	– 308	– 349	0	– 349	0	– 349	Net income recognized directly in equity
0	0	0	66	66	0	66	0	66	Hedges transferred to income statement
0	367	0	0	367	0	367	24	391	Income for the year
0	367	– 41	– 242	84	0	84	24	108	Total recognized income and expense
0	– 2	0	0	– 2	0	– 2	– 23	– 25	Dividend[1]
0	– 229	0	0	– 229	0	– 229	0	– 229	Equity related movements of associates
0	– 1	2	0	1	0	1	5	6	Other equity movements
1	3 255	– 44	– 457	2 755	46	2 801	906	3 707	Balance December 31, 2008

[1] During 2008, a dividend of $ 13.33 per share (2007: $ 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 Gain on sale of investments

2008 US $ million	2007 US $ million	
7	864	Gain on sale of investments
7	864	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 then 12% stake in the combined company, United Company Rusal, resulting in a net gain on sale of $ 859 million (see note 5).

2 Changes in mark to market valuation – net

2008 US $ million	2007 US $ million	
16	– 220	Exchange feature
– 153	104	Other
– 137	– 116	Net

Changes in the mark to market valuation of the exchange feature relate to the exchangeable bonds (see notes 12 and 14). Other relates to movements on interests in other investments and marketable securities carried at fair value.

3 Other income / (expense) - net

2008 US $ million	2007 US $ million	
– 2 763	0	Impairment
– 80	21	Foreign exchange adjustments
20	40	Other
– 2 823	61	Net

The rapid and severe impacts arising from the global financial crisis have resulted in a substantial fall in commodity prices, an increased uncertainty in the credit markets and an increase in political risk which have led to the deferral of a number of expansion projects, cut-backs in production output and mine closures, resulting in impairments relating to the carrying value of assets and investments in our Metals and minerals segment (zinc, copper, nickel and aluminum) and our Energy segment (oil) in Africa, the Americas and the CIS. The recoverable amounts have been determined on the basis of the asset's fair value less cost to sell, determined using discounted cash flow techniques which incorporated discount rates commensurate with the nature of the underlying forecast cash flows ranging from 6.4% to 15.2%.

4 Property, plant and equipment

Land and buildings	Plant, machinery and vehicles	Furniture, fixtures and equipment	Mineral and petroleum rights	Deferred mining costs	Total	US $ million Gross carrying amount:
725	4 874	262	1 030	256	7 147	January 1, 2008
29	59	6	– 36	0	58	Business combination
51	1 561	63	132	68	1 875	Additions
– 13	– 63	– 6	– 4	– 5	– 91	Disposals
254	– 239	1	– 47	0	– 31	Other movements
1 046	6 192	326	1 075	319	8 958	December 31, 2008
						Accumulated depreciation and impairment:
135	924	140	205	1	1 405	January 1, 2008
42	395	38	86	14	575	Depreciation
6	41	9	39	2	97	Impairment
– 3	– 28	– 4	0	0	– 35	Disposals
– 1	69	– 4	– 5	– 2	57	Other movements
179	1 401	179	325	15	2 099	December 31, 2008
867	4 791	147	750	304	6 859	Net book value December 31, 2008

Land and buildings	Plant, machinery and vehicles	Furniture, fixtures and equipment	Mineral and petroleum rights	Deferred mining costs	Total	US $ million Gross carrying amount:
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 and impairment:
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

Plant, machinery and vehicles includes expenditure for construction in progress of $ 1,381 million (2007: $ 998 million). Mineral rights include expenditures for exploration and evaluation of $ 118 million (2007: $ 66 million). Depreciation expenses included in cost of goods sold are $ 562 million (2007: $ 430 million) and in selling and administrative expenses $ 13 million (2007: $ 7 million).

5 Investments in associates and other investments

	2008 US $ million	2007 US $ million
Listed associates	11 345	10 991
Non listed associates	1 876	831
Investments in associates	13 221	11 822
Other investments	2 808	3 611
Total[1]	16 029	15 433

1 An impairment charge of $ 2,384 million was recognized during the year against investments (see note 3).

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

Listed associates

Significant listed associates transactions during 2008 were as follows:

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 combined company.

In July 2008, Glencore increased its economic interest in Century Aluminum Company ('Century') to 47% when it acquired an additional 18.6% economic interest through the agreement to unwind all of its primary aluminum financial forward sales contracts with Century in exchange for cash consideration of $ 730 million and preferred shares representing 16 million underlying common shares. The preferred shares are economically equivalent to common shares, except that they carry no general voting rights. In addition, Century completed a share placement, in which Glencore participated together with further share purchases for a total consideration of $ 163 million, thus maintaining its new economic ownership and an unchanged voting interest of 28.5%. For the period post acquisition, the additional investment contributed share of income from associates of a loss of $ 12 million.

Non listed associates

Significant non listed associates transactions during 2008 were as follows:

In March 2008, Glencore acquired through its subsidiary Kazzinc, a 40% interest in Vasilkovskoje Gold, a gold development project located in Kazakhstan, for cash consideration of $ 300 million. For the period post acquisition, this investment contributed share of income from associates of a loss of $ 7 million.

In April 2008, Glencore contributed the remaining portion ($ 438 million) of its original capital commitment under the tender agreements with Ecopetrol S.A., 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.). Also see note 22.

Other investments

Other investments primarily include Glencore's interests in various Russneft Group companies, together with its 10.3% interest in United Company Rusal ("UCR"). In April 2008, Glencore's ownership in UCR was reduced from 12% to 10.3% following the issue of new shares in connection with UCR's purchase of a 25% stake in Norilsk Nickel. These two non listed investments are carried at cost, as determining a fair value is not practical.

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. Glencore's share of the joint venture's capital commitments for which the joint venture already has contractually committed financing in place, amounts to $ 319 million (2007: $ 214 million).

2008 US $ million	2007 US $ million	
59 731	58 923	Total assets
32 965	30 462	Total liabilities
33 787	35 873	Revenue
3 125	5 717	Net profit

6 Long term advances and loans

2008 US $ million	2007 US $ million	
64	60	Loan to Parents
378	46	Loans to associated companies
1 384	1 624	Other long term receivables and loans
1 826	1 730	Total

Loan to Parents (see note 11) and associated companies bear interest at applicable floating market rates plus a premium. The 2008 loans to associated companies comprises primarily an unsecured $ 298 million (2007: $ nil) 6 year loan (maturing April 2014) extended to Vasilkovskoje Gold. Bearing interest at LIBOR plus a premium, the weighted average interest rate charged over the year was 7.85%. The weighted average interest rate charged over the year on the balance of the loans to associated companies was 3.1% (2007: 3.9%).

Other long term receivables and loans comprise the following:

2008 US $ million	2007 US $ million	Counterparty
1 033	880	Russneft Group 2 - 5 year terms at weighted average interest rate 11.3% (2007: 10.3%), secured by shares in oil producing entities of the Russneft Group[1]
210	132	West African oil exploration Interest bearing loans at LIBOR plus 3%[2]
0	267	Ruwenzori Limited 5 year term at LIBOR plus 7.5%, secured by 15.3 million shares in Katanga[3]
0	152	Komoto Copper Company Sarl (Katanga Mining Limited) 2 year term at LIBOR plus 4%, convertible at Glencore's option into 9.2 million shares (4.2%) of Katanga[4]
141	193	Other
1 384	1 624	Total

1 No additional cash outflow during the year; increase relates to a reallocation from other investments.

2 Primarily related to Blocks O and I in the Douala Basin of Equatorial Guinea. Main partner and operator of these fields is Noble Energy, based in Houston. Drilling to date has confirmed significant oil and gas reserves.

3 As a result of the fall in the value of the underlying security and following Katanga's recent capital raising in which Ruwenzori did not participate, a provision of $ 217 million was made against the full value of the outstanding loan in December 2008.

4 As at December 31, 2008, the loan is classified as Other current receivable (see note 9). Subsequent to the year end, the loan plus interest amounting to $ 165 million was rolled into participation in a new $ 265 million 2 year mandatorily convertible loan facility together with an additional $ 52.5 million of direct funding. The new $ 217.5 million loan participation bears interest at LIBOR plus 3% and if converted, would increase Glencore's interest in Katanga to approximately 68%.

7 Income taxes

Income taxes consist of the following:

2008 US $ million	2007 US $ million	
– 314	– 707	Current income tax
46	139	Deferred income tax
– 268	– 568	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:

2008 %	2008 US $ million	2007 %	2007 US $ million	
	1 336		6 993	Income before income taxes
16.2	217	16.2	1 133	Swiss income tax rate
7.7	103	– 0.2	– 15	Impact of foreign operations
– 8.6	– 115	– 7.4	– 518	Tax exempt income
– 0.6	– 8	– 0.7	– 47	Use of tax losses, not previously recognized
5.3	71	0.2	15	Other
20.1	268	8.1	568	Income tax expense and effective tax rate

Deferred taxes as of December 31, 2008 and 2007, are attributable to the items detailed in the table below:

2008 US $ million Assets [1]	2007 US $ million Assets [1]	
25	45	Tax losses carried forward
64	123	Mark to market valuations
89	168	Total deferred tax assets

2008 US $ million Liabilities [1]	2007 US $ million Liabilities [1]	
167	246	Depreciation and amortization
417	414	Mark to market valuations
46	27	Other
630	687	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:

2008 US $ million	2007 US $ million	
6	30	Cash flow hedges
1	– 24	Cash flow hedges transferred to income statement
7	6	Deferred income tax recognized 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:

2008 US $ million	2007 US $ million	
70	64	1 year
21	38	2 years
72	74	3 years
162	163	Thereafter
325	339	Total

As at December 31, 2008, unremitted earnings of $ 9,329 million (2007: $ 7,374 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.

8 Inventories

2008 US $ million	2007 US $ million	
1 511	1 883	Production inventories
5 877	8 648	Inventories contractually sold or hedged
417	1 681	Other
7 805	12 212	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 marketing inventories.

In December 2006, a $ 1 billion committed secured bank facility was entered into. The program is currently committed until December 2009. 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 the participating bank's variable cost of funding plus a premium. As of December 31, 2008, the total amount of marketing inventories securitized was $ 398 million (2007: $ 714 million), and proceeds received as secured bank loans included as short term debt (see note 15) amounted to $ 369 million (2007: $ 675 million).

Glencore has entered into arrangements with various counterparties for the sale and optional repurchase of certain marketing inventories. These sales do not meet the derecognition criteria from an accounting perspective. As at December 31, 2008, $ 261 million (2007: $ 539 million) of marketing inventory has not been derecognized and proceeds received for the inventory have been deferred and included as trade advances from buyers (see note 16).

9 Accounts receivable

2008 US $ million	2007 US $ million	
9 617	11 408	Trade receivables[1]
2 526	1 846	Trade advances and deposits[1]
487	702	Associated companies[1]
13 762	8 647	Fair value of trade related financial instruments[2]
1 372	1 070	Other receivables and prepaid expenses
27 764	23 673	Total

[1] collectively referred to as trade receivables

[2] see note 18

The average credit period on sales of goods is 26 days (2007: 28 days). Glencore actively and continuously monitors the credit quality of its counterparties through internal reviews and a credit scoring process, which includes, where available, public credit ratings. Balances with counterparties not having a public investment grade or equivalent internal rating, are typically enhanced to investment grade through the extensive use of credit enhancement products, such as letters of credit or insurance products. Glencore has a diverse customer base, with no customer representing more than 2.8% of its trade receivables as at December 31, 2008 and 2007 or accounting for more than 3.7% of its revenues over the years ended 2008 and 2007.

As at December 31, 2008, 9% of trade receivables were between 1 - 60 days overdue, and 2% were greater than 60 days overdue (2007: 6% were between 1 – 60 days overdue and 1% 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, 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 $ 312 million (2007: $ 318 million), which takes into consideration the diverse geographic and industrial composition of the accounts receivable portfolio.

In June 2008, the Company, Glencore AG and Glencore Energy UK Ltd entered into a new 5 year revolving $ 2 billion Commercial Paper Program backed by certain trade receivables, which replaced the 1 year Euro 700 million trade receivables program entered into in December 2007. 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 Commercial Paper issued by three bank conduits, carrying interest at floating market rates which are included as short term debt (see note 15). The liquidity back-up commitments for the three conduits requires annual renewal.

The trade receivables sold through this program do not meet the derecognition criteria under IFRS. As of December 31, 2008, the total amount of trade receivables securitized was $ 1,822 million (2007: $ 1,375 million) and proceeds received as secured bank loans amounted to $ 1,600 million (2007: $ 1,024 million).

10 Cash and cash equivalents

2008 US $ million	2007 US $ million	
776	489	Banks and cash on hand
50	169	Deposits and treasury bills
826	658	Total

Cash and cash equivalents bear interest at U.S. Dollar deposit rates. The average U.S. Dollar deposit rate was 2.56% (2007: 5.12%). $ 83 million (2007: $ 24 million) was restricted.

11 Share capital

The share capital consists of 150,000 registered shares with a nominal value of CHF 500 each, a restriction of transferability and carry the right to a preferred dividend up to a maximum of 10% of nominal value.

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 Company is authorized by its articles of incorporation to issue to employees of Glencore, non voting profit participation certificates (“PPC”) with no nominal value, enabling the employees to participate in the four profit sharing arrangements described below. The profit sharing arrangements entitle the participating employees to a portion of Glencore shareholders' funds accumulated during the period that such employees hold the PPCs. The PPCs attribute Glencore's net income pro rata based on the 150,000 (2007: 150,000) shares issued, however, upon termination of employment, the arrangements differ in the way that the accumulated financial benefits are settled as follows:

Glencore L.T.E. Profit Participation Shareholders (“LTS”)

Participants in the Glencore L.T.E. AG Profit Participation Plan, representing 15% of the Company's registered share capital, have pooled both their shares in Glencore L.T.E. AG and their respective PPCs. Under separate agreements, in contrast to PPS and HPPS (noted below), 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.

Long Term Profit Participation Shareholders (“LTPPS”)

Introduced in 2009, but effective from January 2008, upon termination of employment, LTPPS have agreed to forgo their accumulated financial benefits in the Company until the occurrence of certain triggering events, such as an IPO. Until such triggering event occurs, the accumulated financial benefits are non-interest bearing. As with LTS above, given that termination of employment does not trigger any claims against the Company, but rather, it is in the Company’s control if and when any amount will be redeemed, the portion of net income accumulated by LTPPS is consistent with the traditional characteristics of an entity’s retained earnings. As of December 31, 2008, 22,500 shares were held by LTPPS, representing 15% of the Company's registered share capital.

Hybrid Profit Participation Shareholders (“HPPS”)

HPPS have agreed to receive their accumulated financial benefits in the form of hybrid securities, which 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 above), pari passu with PPS/LTPPS and junior to any present or future claims of unsecured lenders and investors. As of December 31, 2008, HPPS represented 10% (2007: 10%) of the Company’s registered share capital.

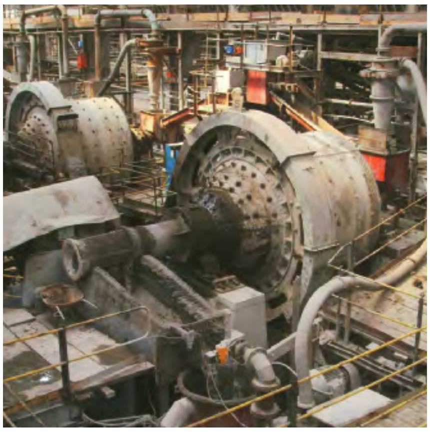
Ordinary Profit Participation Shareholders (“PPS”)

Upon termination of employment, the accumulated financial benefits of a PPS employee, 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.

In 2009, all key employees, including department heads, holding in aggregate 66% of PPS as at December 31, 2008 agreed to defer the commencement of all PPS payments which may become due to them as a result of termination of their employment, until January 2012 at the earliest.

Since November 1, 2004, in the event of certain triggering events which includes any breach of a financial covenant, all redemptions under all four plans are subordinated to claims of unsecured lenders and investors.

According to the existing agreements, the Company redeemed during 2008 a certain number of PPC from PPS representing an aggregate amount of $ 774 million (2007: $ 1,029 million).

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12 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 2008
							Banks:
0	0	4 819	4 819	0	4 819	4.82	Committed revolving credit facility[2]
89	68	414	571	56	627	5.10	Other[3]
944	0	0	944	0	944	6.15	144A Notes
0	0	740	740	0	740	4.81	Xstrata secured bank loan
1 031	1 171	834	3 036	0	3 036	6.47	Eurobonds
920	0	0	920	0	920	6.58	Sterling Bonds
700	0	0	700	0	700	8.00	Perpetual Notes
0	267	1 074	1 341	706	2 047	4.00	Purchase of profit participation certificates
3 684	1 506	7 881	13 071	762	13 833		Total

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

1 weighted average effective interest rate as a %

2 see note 15

3 includes $ 69 million (2007: $ 22 million) of obligations under financial leases

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 Baa2 by Moody's and BBB– by Standard & Poor's rating agencies.

Exchangeable bonds

During 2008, Glencore cash settled early conversions and redeemed all outstanding bonds with a notional amount of $ 106 million for a total consideration of $ 591 million. All repurchased bonds have been cancelled.

Xstrata secured bank loan

In September 2008, Finges Investment B.V., a wholly owned subsidiary of the Company, refinanced the 1 year secured bank funding facility (disclosed as short term debt in the prior year - see note 15) under a new $ 1,500 million 3 year facility. The substance of the facility, which is made up of two derivative limbs, has been accounted for as a secured 3 year bank loan which bears interest at a rate of US $ LIBOR plus a premium.

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%.

In April 2008, Glencore Finance (Europe) S.A., issued Euro 750 million 7.125% coupon bonds due 2015. 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 $ 1,200 million and the effective U.S. Dollar fixed interest rate is 6.86%.

As of December 31, 2008, the carrying value of the Eurobonds decreased to $ 3,036 million due to changes in Euro/U.S. Dollar exchange rates. A corresponding loss of $ 282 million (2007: gain of $ 300 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 Baa2 by Moody's and BBB– by Standard & Poor's rating agencies.

Subsequent to year end, Euro 82 million notional value of Eurobonds were repurchased, such that the cumulative purchases represent some 4% of Eurobonds outstanding.

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, 2008, the carrying value of the GBP 650 million bonds decreased to $ 920 million due to changes in GBP/U.S. Dollar exchange rates. A corresponding loss of $ 351 million (2007: 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 Baa2 by Moody's and BBB– by Standard & Poor's rating agencies.

Subsequent to year end, GBP 11.4 million notional value of Sterling bonds were repurchased.

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 Baa2 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. In the event of certain triggering events (see note 11), with the exception of $ 67 million (2007: $ 258 million), all PPC would be subordinated to unsecured lenders.

13 Personnel costs and retirement benefits

Total personnel costs, which includes salaries, wages, social security and other personnel costs and excludes attribution to profit participation shareholders, incurred for the years ended December 31, 2008 and 2007, were $ 1,363 million and $ 1,616 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 $ 6 million, and $ 4 million, in 2008 and 2007, respectively.

Defined benefit plans

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

2008 US $ million	2007 US $ million	
16	16	Current service cost
19	15	Interest cost
– 16	– 10	Expected return on plan assets
3	16	Net actuarial (gains)/losses recognized in the year
– 3	0	Effect of any curtailment or settlement
1	1	Past service cost
– 7	0	Exchange differences
13	38	Total

The actual return on plan assets amounted to a loss of $ 52 million (2007: a gain of $ 5 million).

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

2008 US $ million	2007 US $ million	
324	370	Present value of defined benefit obligations
– 190	– 260	Less: fair value of plan assets
– 74	– 37	Unrecognized actuarial gains/(losses)
– 2	– 1	Restrictions of assets recognized
58	72	Liability in the balance sheet (see note 14)

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

2008 US $ million	2007 US $ million	
370	471	Opening defined benefit obligation
16	16	Current service cost
19	15	Interest cost
1	1	Past service cost
– 24	– 23	Benefits paid
0	– 256	Liability disposed in business disposition
0	73	Liability assumed in business combination
– 5	– 26	Actuarial (gain)/loss
– 53	99	Other movements
324	370	Closing defined benefit obligation

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

2008 US $ million	2007 US $ million	
260	399	Opening fair value of plan assets
16	10	Expected return on plan assets
24	23	Contribution from the employer
0	– 273	Assets disposed in business disposition
0	43	Assets assumed in business combination
– 46	– 3	Actuarial gain/(loss)
– 64	61	Other movements
190	260	Closing fair value of plan assets

The plan assets consist of the following:

2008 US $ million	2007 US $ million	
7	7	Cash and short term investments
80	98	Fixed income
56	89	Equities
47	66	Other
190	260	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:

2008	2007	
4–7%	3–7%	Discount rate
4–9%	4–9%	Expected return on plan assets
2–8%	2–7%	Future salary increases
1–8%	1–8%	Future pension increases

The Group expects to make a contribution of $ 24 million (2007: $ 23 million) to the defined benefit plans during the next financial year.

Summary historical information:

Present value defined benefit obligation	Fair value of plan assets	
471	399	2006
402	337	2005
358	320	2004

14 Provisions

US $ million	Employee entitlements	Post retirement benefits[1]	Rehabilitation costs	Exchange feature[2]	Other	Total
January 1, 2008	80	72	199	506	350	1 207
Provision utilized in the year	– 9	– 24	– 6	– 506	– 99	– 644
Additional provision in the year	0	10	4	0	16	30
December 31, 2008	71	58	197	0	267	593

[1] see note 13

[2] see note 12

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 extraction 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 $ 190 million (2007: $ 208 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.

15 Short term debt

2008 Interest rate %[1]	2007 Interest rate %[1]	2008 US $ million	2007 US $ million	
4.82	6.10	0	5 035	Committed revolving credit facilities
3.47	5.60	1 600	1 024	Securitized receivables program[2]
4.47	5.52	369	675	Securitized inventory program[3]
4.81	5.94	900	1 350	Xstrata secured bank loan
5.10	6.84	1 614	1 540	Other[4]
		4 483	9 624	Total

1 weighted average interest rate as %

2 see note 9

3 see note 8

4 comprises various unsecured uncommitted bilateral bank credit facilities

Committed revolving credit facilities

As contemplated in the facility agreement, in May 2008, the Company and Glencore Funding LLC (the Borrowers) requested the extension of the existing 3 year $ 8,210 million unsecured committed revolving credit facility by one year to 2011. A take up of approximately 90% was received, such that $ 7,340 million is now due in May 2011, $ 840 million in May 2010 and $ 30 million in May 2009. In May 2008, the Borrowers also replaced the previous 364 day $ 565 million facility with a new 364 day $ 925 million facility with a one year extension option at the banks' consent and a one year term out option exercisable at the Borrowers' discretion. 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 12). The obligations of Glencore Funding LLC are guaranteed by the Company. Glencore AG guarantees the obligations of the Borrowers under these facilities.

Upon successful closing of the increased securitized receivables program in June 2008, the Company cancelled the $ 500 million one year unsecured committed revolving credit facility executed with a major European bank in December 2007.

Xstrata secured bank loan

In December 2006, Finges Investment B.V., a wholly owned subsidiary of the Company, entered into a secured bank facility package. The substance of the financing facility, 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 (disclosed as long term debt in the prior year - see note 12). In November 2008, $ 450 million was repaid.

16 Accounts payable

2008 US $ million	2007 US $ million	
7 445	8 835	Trade payables
2 118	1 265	Trade advances from buyers
1 074	1 590	Associated companies
13 591	7 585	Fair value of trade related financial instruments[1]
977	1 485	Other payables and accrued liabilities
25 205	20 760	Total

[1] see note 18

17 Acquisition of subsidiaries

Acquisition

In 2008, 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	
14	44	58	Property, plant and equipment
49	0	49	Inventories
74	3	77	Accounts receivable
11	0	11	Cash and cash equivalents
0	114	114	Minority interest
– 4	– 11	– 15	Deferred income taxes
– 156	0	– 156	Accounts payable
– 12	150	138	Total net assets acquired
		28	Less: amounts previously recognized through investments
		11	Less: cash and cash equivalents acquired
		99	Net cash used in acquisition of subsidiaries

During 2008, Glencore completed a few smaller acquisitions which have been accounted for as business combinations. The acquisitions 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 a loss of $ 10 million to Glencore.

In 2007, 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	
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.

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.

18 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, 2008 and 2007 including physical forward purchase and sale commitments. 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).

2008 Notional buy US $ million	2008 Notional sell US $ million	2008 Fair value US $ million	2007 Fair value US $ million	Fair value of trade related financial instruments (assets)
				Commodity related contracts
15 171	34 761	8 537	3 564	Futures
804	1 273	300	1 363	Options
1 691	3 063	875	530	Swaps
2 291	6 606	3 874	2 911	Physical forwards
				Financial contracts
0	2 236	95	222	Cross currency swap
944	643	81	57	Foreign currency and interest rate contracts
20 901	48 582	13 762	8 647	Total as disclosed in accounts receivable[1]

2008 Fair value US $ million	2007 Fair value US $ million	Fair value of trade related financial instruments Term to maturity - (assets)
10 728	5 311	Due in 0 – 1 year
2 418	2 071	Due in 1 – 3 years
616	1 265	Due after 3 years
13 762	8 647	Total as disclosed in accounts receivable[1]

2008 Notional buy US $ million	2008 Notional sell US $ million	2008 Fair value US $ million	2007 Fair value US $ million	Fair value of trade related financial instruments (liabilities)
				Commodity related contracts
37 839	21 766	8 409	3 732	Futures
2 625	5 378	904	977	Options
1 554	680	568	567	Swaps
2 159	4 819	2 868	2 230	Physical forwards
				Financial contracts
0	2 047	764	7	Cross currency swap
1 070	807	78	72	Foreign currency and interest rate contracts
45 247	35 497	13 591	7 585	Total as disclosed in accounts payable[2]

2008 Fair value US $ million	2007 Fair value US $ million	Fair value of trade related financial instruments Term to maturity - (liabilities)
8 333	4 670	Due in 0 – 1 year
3 139	1 975	Due in 1 – 3 years
2 119	940	Due after 3 years
13 591	7 585	Total as disclosed in accounts payable[2]

[1] see note 9

[2] see note 16

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 12 and to specific marketing contracts (equivalent in $ million).

Notional amounts		Recognized Fair Values		Average	
Buy	Sell	Assets	Liabilities	maturity	2008
–	4 283	–	384	2015	Cross currency swap agreements
–	391	–	75	2010	Commodity futures

Notional amounts		Recognized Fair Values		Average	
Buy	Sell	Assets	Liabilities	maturity	2007
–	3 083	–	112	2015	Cross currency swap agreements
–	734	–	109	2009	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	2008
					Assets:
11 345	0	0	11 345	11 345	Investments in listed associates[3]
1 876	0	0	1 876	1 876	Investments in unlisted associates
0	2 623	185	2 808	2 808	Other investments
1 826	0	0	1 826	1 826	Long term advances and loans
14 002	0	13 762	27 764	27 764	Accounts receivable
0	0	113	113	113	Marketable securities
826	0	0	826	826	Cash and cash equivalents
29 875	2 623	14 060	46 558	46 558	Total
					Liabilities:
12 604	0	0	12 604	12 604	Ordinary and Hybrid profit participation shareholders
13 833	0	0	13 833	10 909	Long term debt
4 483	0	0	4 483	4 483	Short term debt
11 614	0	13 591	25 205	25 205	Accounts payable
42 534	0	13 591	56 125	53 201	Total

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

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

3 Fair value determined using discounted cash flow techniques. Market value as per published price quotations was $ 3,454 million.

19 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, 2008, $ 967 million (2007: $ 1,215 million), 42% of which relates to expenditure to be incurred over the next year, was contractually committed for the acquisition of property, plant and equipment.

Certain of Glencore's exploration tenements and licenses, require it to spend a minimum amount per year on development activities; certain costs which in any event would have been incurred in the ordinary course of operations. As at December 31, 2008, $ 262 million, (2007: $ 192 million) of such development expenditures are to be incurred, of which 25% are for commitments to be settled over the next year.

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 $ 2,880 million (2007: $ 2,436 million), 62% of which are for services to be received over the next 2 years.

As part of Glencore’s ordinary sourcing and procurement of physical commodities and other ordinary marketing obligations, the selling party may request that a financial institution act as either a) the paying party upon the delivery of product and qualifying documents through the issuance of a letter of credit or b) the guarantor by way of issuing a bank guarantee accepting responsibility for Glencore’s contractual obligations. As at December 31, 2008, $ 5,450 million (2007: $ 7,143 million) of such commitments have been issued on behalf of Glencore, which will be settled simultaneously upon physical delivery of the commodity.

Glencore has entered into various operating leases mainly as lessee for office facilities. Rental expenses for these leases totaled respectively $ 62 million and $ 38 million for the years ended December 31, 2008 and 2007. Future net minimum lease payments under non cancelable operating leases are as follows:

2008 US $ million	2007 US $ million	
15	27	Within 1 year
47	47	Between 2 and 5 years
110	122	After 5 years
172	196	Total

20 Contingent liabilities

The amount of corporate guarantees in favor of associated and third parties as of December 31, 2008, was $ 66 million (2007: $ 65 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.

21 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 (see notes 6, 9 and 16). 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 11 and 24. All transactions between Glencore and its subsidiaries are eliminated on consolidation along with any unrealized profits and losses between its subsidiaries and associates.

US $ million 2008	Associated companies	Parent companies	Total
Sales	786	0	786
Purchases	– 9 153	0	– 9 153
Interest income	16	2	18
Interest expense	– 3	0	– 3
Agency income	117	0	117
Agency expense	– 4	0	– 4

US $ million 2007	Associated companies	Parent companies	Total
Sales	1 118	0	1 118
Purchases	– 9 503	0	– 9 503
Interest income	12	1	13
Interest expense	– 2	0	– 2
Agency income	108	0	108
Agency expense	– 10	0	– 10

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 (66 and 65 persons on average for 2008 and 2007 respectively). Total remuneration to key management recognized in the statement of income including salaries and other short term employee benefits amounted to $ 259 million (2007: $ 674 million) and amounts attributable to PPS and HPPS (as described in note 11) amounted to $ 571 million (2007: $ 3,503 million). As at December 31, 2008, included in the amounts attributable to PPS and HPPS are $ 9,238 million (2007: $ 9,000 million) related to key management personnel.

22 Subsequent events

Subsequent to year end, the following significant events occurred:

- Century completed a share placement, in which Glencore participated for a total consideration of $ 59 million, increasing its economic ownership to 49% and its voting interest to 38.1%;
- Glencore agreed to sell its 51% interest in Refineria de Cartagena S.A., for $ 549 million, pending finalization of confirmatory due diligence and documentation;
- In January 2009, Xstrata announced a $ 5.9 billion rights issue which it expects to close in March 2009. Glencore provided an irrevocable undertaking to exercise its rights amounting to approximately $ 2 billion. As part of this rights issue, Xstrata conditionally agreed to acquire the Colombian Coal Group for cash consideration of $ 2 billion, effective January 1, 2009, and concurrently agreed to grant Glencore a 1 year call option to repurchase the Colombian Coal Group within 12 months of completion for $ 2.25 billion plus any profits accrued and not distributed to Xstrata during the option period. Accordingly there is no material net cash flow impact for Glencore relating to the capital raising and Glencore will maintain its current ownership stake in Xstrata of some 35%.

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	2008
40 685	98 157	13 394	0	152 236	Revenues
– 39 179	– 95 767	– 12 618	– 1	– 147 565	Cost of goods sold
1 506	2 390	776	– 1	4 671	Gross income
653	406	8	0	1 067	Share of income from associates
237	1	0	0	238	Dividend income
2 396	2 797	784	– 1	5 976	Segment results
				– 850	Selling and administrative expenses
				– 837	Interest expense – net
				7	Gain on sale of investments
				– 137	Changes in mark to market valuation – net
				– 2 823	Other income/(expense) – net
				– 268	Income taxes
				1 068	Income before attribution
					Included in income before attribution are:
426	111	27	11	575	Depreciation and amortization
2 521	100	0	45	2 666	Impairment charge - investments and loans
97	0	0	0	97	Impairment charge - property, plant and equipment
					Consolidated balance sheet
4 814	1 580	412	53	6 859	Property, plant and equipment
13 657	2 272	95	5	16 029	Investments in associates and other investments
409	1 279	34	104	1 826	Long term advances and loans
4 924	2 153	728	0	7 805	Inventories
11 793	13 012	1 674	1 285	27 764	Accounts receivable
0	0	0	1 028	1 028	Other
35 597	20 296	2 943	2 475	61 311	Total assets
11 271	11 043	1 359	1 788	25 461	Accounts payable
0	0	0	19 539	19 539	Other
11 271	11 043	1 359	21 327	45 000	Total liabilities
				16 311	Total net assets attributable to profit participation shareholders, minority interest and equity holders
					Included in total assets are:
1 062	698	102	13	1 875	Additions to property, plant and equipment
2 521	100	0	45	2 666	Impairment charge – investments and loans
97	0	0	0	97	Impairment charge – property, plant and equipment

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
				864	Gain on sale of investments
				– 116	Changes in mark to market valuation – net
				61	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

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	2008
40 716	64 690	46 830	152 236	Total revenues
11 917	32 803	16 591	61 311	Total assets
				Included in total assets are:
558	58	1 259	1 875	Additions to property, plant and equipment
1 234	1 384	48	2 666	Impairment charge – investments and loans
97	0	0	97	Impairment charge – property, plant and equipment

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

24 List of principal operating, finance subsidiaries and industrial investments

	[1]Method of Consolidation	Country of incorporation	% of controlling interest 2008	% of controlling interest 2007	Main activity
Glencore International AG	P	Switzerland			Operating
Glencore AG	F	Switzerland	100.0	100.0	Operating
Allied Alumina Inc. (Sherwin Alumina)	F	United States	100.0	100.0	Alumina 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
Colombian Coal Group[3]	F	Colombia	100.0	100.0	Coal production
Empresa Minera Los Quenuales SA	F	Peru	97.1	96.5	Zinc/Lead production
Glencore Exploration (EG) Ltd.	F	Bermuda	100.0	100.0	Oil exploration
Glencore Finance (Europe) SA	F	Luxembourg	100.0	100.0	Finance
Recylex S.A.	E	France	32.2	32.2	Zinc/Lead production
Mopani Copper Mines PLC	F	Zambia	73.1	73.1	Copper production
Mutanda Mining Sprl	E	DRC	40.0	40.0	Copper production
Katanga Mining Limited (previously Nikanor plc)[4]	E	Canada	8.5	13.9	Copper production
Refineria de Cartagena S.A.	E	Colombia	51.0	51.0	Oil production
Sinchi Wayra	F	Bolivia	100.0	100.0	Zinc/Tin production
United Company Rusal Limited	O	Jersey	10.3	12.0	Aluminum production
Finges Investment B.V.	F	Netherlands	100.0	100.0	Finance
Xstrata plc	E	U.K.	35.2	35.1	Diversified production
Century Aluminum Company	E	United States	47.0[2]	28.6	Aluminum 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	69.0	75.5	Zinc/Lead production
Vasilkovskoje Gold	E	Kazakhstan	40.0	0	Gold production
Murrin Murrin Joint Venture[5]	F	Australia	40.0	40.0	Nickel production
Minara Resources Ltd	F	Australia	70.6	53.1	Nickel production
Moreno Group	F	Argentina	100.0	100.0	Edible oils production
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)[6]	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[7]	F	B.V.I.	100.0	100.0	Ship owner

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

2 Represents Glencore's economic interest in Century, comprising 28.5% voting interest and 18.5% non voting interest

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

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 Furthermore, Glencore's ownership % is likely to increase significantly in 2009 (see note 6)

5 The balance of the joint venture is held by Minara Resources Ltd giving Glencore an effective interest of 82.4% in the joint venture

6 Although Glencore holds more than 20% of the voting rights, it has limited key management influence and thus does not exercise significant influence

7 Holding company for 50% and 100% interests in various vessels

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INDEPENDENT AUDITORS' 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, 2008, 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 60.

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.

Auditors' 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, 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

March 5, 2009

Deloitte AG

David Quinlin   Roland Müller

Wirtschaftsprüfung . Steuerberatung . Consulting . Corporate Finance.

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