GLENCORE

Annual Report 2009

GLENCORE
INTERNATIONAL AG
AND SUBSIDIARIES

Annual Report

2009

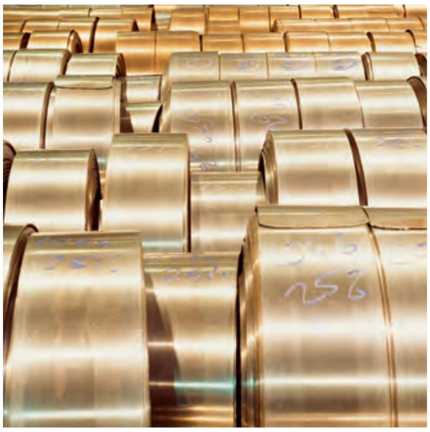


Table of contents

Financial highlights: 2009 compared to 2008

- **Revenues down 30% from $ 152.2 billion to $ 106.4 billion, on the back of lower commodity prices**

- **EBITDA[1] down 42% from $ 6.8 billion to $ 3.9 billion, a healthy level in the prevailing challenging economic environment and in contrast to the very strong comparable first nine months of 2008**

- **Glencore net income[1] down 43% from $ 4.8 billion to $ 2.7 billion**

- **Funds from operations[2] down 36% from $ 3.6 billion to $ 2.3 billion**

- **Glencore shareholders' funds[2] up 8% from $ 15.4 billion to $ 16.7 billion**

- **Net debt[2] to EBITDA[1] at 2.59 times compared with 1.69 times**

- **Available committed liquidity of $ 3.8 billion, comfortably in excess of our internal minimum liquidity maintenance level of $ 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

In a year of rapidly changing global economic conditions, Glencore reported a credible set of results generating EBITDA and net income before exceptional items and funds from operations of $ 3.9 billion, $ 2.7 billion and $ 2.3 billion respectively.

2009 was certainly a year of two halves, commencing against a recessionary backdrop and low commodity price environment and ending with greater stability in the financial system and increased levels of economic activity and commodity prices. Nevertheless, given the very weak start to the year, average prices for most commodities were significantly lower in 2009 compared to 2008. However, during this period of uncertainty, the strength and flexibility of Glencore's business model enabled it to react quickly and mitigate the worst impact of the global recession, while at the same time, seize many tremendous opportunities to enhance future volume and growth.

Glencore's marketing activities, which are volume driven and more resilient to the commodity cycle, delivered a fairly consistent gross income per quarter of some $ 600 million ($ 2.4 billion for 2009). The industrial asset division produced an excellent fourth quarter result of $ 823 million, a more than fourfold increase over the first quarter and just under half of 2009's full year ($ 1.8 billion). This was primarily due to higher realized prices for coal, copper and zinc.

- The Metals and minerals group contributed $ 1.3 billion (32% of the business group results) compared to $ 3.5 billion (49% of the total) in 2008. This was primarily due to a lower share of earnings from Glencore and its associates' industrial facilities (Xstrata and Century Aluminum), in respect of alloys, nickel and aluminum production, as well as the cessation of dividend income from Rusal in late 2008. The Marketing performance was somewhat lower than in 2008, hampered by weaker volumes over the first half of the year, notably in respect of supply to the carbon and stainless steel industries amid their severe production cutbacks then in place.

- The performance of the Energy group declined by 15% to $ 2.4 billion compared to $ 2.8 billion in 2008. However, its overall contribution to the business group results increased by 17% to 57%. Industrial activities within the Energy group, when compared to Metals and minerals, were not as negatively impacted by the lower commodity price environment in 2009. This group's marketing activities delivered a healthy earnings contribution in 2009, however they were lower than prior year, due to the very favorable market conditions which persisted throughout most of 2008.

- The Agricultural group contributed $ 0.5 billion (11% of the business group results), a decrease from $ 0.8 billion (11% of the total) in 2008.

Throughout the economic downturn, Glencore continued to diligently focus on its financial strength (balance sheet, liquidity and prudent risk management), while at the same time, maintain business flexibility and an eye for opportunity and value creation. In this regard, a number of initiatives were pursued throughout the year, which we believe will further enhance our position across the sector:

- In June, we acquired a 72% controlling interest in Katanga, which is currently developing one of Central Africa's largest copper and cobalt mining operations. This investment, together with our other significant holdings in the African copper-belt, should ensure that our leading sourcing activities and capabilities are maintained and enhanced.

- During the year, we invested some $ 300 million in the continued development of Vasilkovskoje Gold, Kazakhstan's largest gold deposit. This operation, due to commence meaningful gold production in the first half of 2010, complements our existing gold production and shared infrastructure facilities at Kazzinc and is expected to be a significant future generator of profit and cash flow.

- We continued development on the new 70,000t copper smelter at Kazzinc (some $ 200 million invested), which is due to be operational by mid 2010.

- As part of our overall portfolio management and to maintain financial flexibility, we sold our interest in the Cartagena Oil Refinery for $ 549 million in May.

- In December, we issued $ 2.2 billion of convertible bonds to a select group of key sector equity investors as part of an overall strategy to move Glencore towards the public equity markets, while at the same time, harness this additional funding source and flexibility to seize marketing and industrial opportunities as they arise, including the recent acquisition of a controlling stake in Chemoil and repurchase of the rapidly growing Prodeco coal operations.

Current overall business performance is in line with our expectations and meaningfully ahead of the same period last year. We believe that many of the factors which drove the recovery in demand and pricing in 2009 should continue in 2010. However, we are mindful of the ongoing reporting of mixed economic data and slower recoveries in certain parts of the world economy, which in all likelihood, will lead to continued market volatility, nevertheless we remain confident that the Group's business model, comprising its unparalleled coverage of commodity products, activities and geographies, is well positioned to deliver a strong performance in 2010.

Detailed financial highlights

Three months ended December 31, 2009	Three months ended September 30, 2009	Three months ended June 30, 2009	Three months ended March 31, 2009	Year ended December 31, 2009	Year ended December 31, 2008	US $ million
1 047	802	819	623	3 291	5 343	Gross income[1]
404	256	23	160	843	1 482	Share of income from associates[1]
1 452	1 059	848	787	4 146	7 063	Business group results[1]
1 296	1 079	829	725	3 929	6 788	EBITDA[1]
916	687	617	504	2 724	4 754	Glencore net income[1, 2]
921	859	857	458	3 095	4 587	Cash provided by operating activities before working capital changes
587	809	667	270	2 333	3 631	Funds from operations (FFO)[2]

December 31, 2009	December 31, 2008	
66 276	61 311	Total assets
16 686	15 405	Glencore shareholders' funds[2]
24 066	18 316	Gross debt
10 186	11 500	Net debt[2]
8 144	5 802	Net working capital
16 997	11 047	Current capital employed (CCE)[2]

December 31, 2009	December 31, 2008	
		Working capital ratios:
1.27	1.19	Current ratio (times)
1.37	1.33	Adjusted current ratio (times)[2]
		Equity, gearing and coverage ratios:
37.9	42.7	Net debt to net debt plus Glencore shareholders' funds (%)[2]
0.71	0.60	CCE[2] to gross debt (times)
1.26	1.22	CCE[2] plus listed associates (at carrying value) to gross debt (times)
22.9	31.6	FFO to Net debt (%)[2]
2.59	1.69	Net debt[2] to EBITDA[1, 2] (times)
6.69	8.11	EBITDA[1, 2] 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

During a year of rapidly changing global economic conditions Glencore reported a credible 2009 result, generating pre exceptional EBITDA[1] of $ 3.9 billion, 42% lower than the prior year.

Like 2008, 2009 was another year of tremendous contrasts as a recessionary climate in many large economies and a generally low commodity price environment prevailed over the first half of the year, while the second half saw a stabilization of and an improvement in demand conditions, economic indicators and a corresponding rise in commodity prices. Average period on period prices for most industrial use commodities increased between 30% and 50% between such halves. Notwithstanding this improving trend, average commodity prices for most of our marketed commodities were significantly lower in 2009 compared to 2008.

Year on year average prices decreased most notably in coal (42%), oil (36%), aluminum (35%), wheat (33%), nickel (31%) and copper (26%) contributing to an overall decrease in revenues of $ 45.8 billion (30%).

The split of business group results (gross income, share of income from associates and dividend income pre exceptional items) between marketing and industrial activities is as follows:

US $ million		Marketing Activities		Industrial Activities	Business group Results
Q1 2009	77%	605	23%	182	787
Q2 2009	71%	605	29%	243	848
Q3 2009	50%	532	50%	527	1 059
Q4 2009	43%	629	57%	823	1 452
12 months 2009[1]	**57%**	**2 371**	**43%**	**1 775**	**4 146**
12 months 2008[1]	**57%**	**4 053**	**43%**	**3 010**	**7 063**

2009 quarter on quarter business group results have consistently improved, up 8%, 25% and 37% respectively, driven primarily by the industrial asset activities which experienced their cyclical low point in the first quarter and have benefited since from the increasing metals prices and various operational enhancement programs. Income from marketing activities was relatively stable throughout the year, with the fourth quarter seeing improvement in sales volumes of metals and coal.

A summary of business group results and EBITDA is as follows:

US $ million	2009	2008	Var (%)
Metals and minerals	1 312	3 482	– 62%
Energy products	2 376	2 797	– 15%
Agricultural products	458	784	– 42%
Business group results[1]	4 146	7 063	– 41%
Selling and administration	– 839	– 850	– 1%
Depreciation and amortization	622	575	8%
EBITDA[1]	3 929	6 788	– 42%

The Metals and minerals group was down 62% to $ 1.3 billion compared to the prior year, primarily due to lower earnings from the industrial asset division, on the back of the significantly lower prices. This impacted not only the earnings at our own consolidated operations, but also those of Xstrata (in alloys and nickel) and Century Aluminum, the results of which are reported in our share of income from associates and Rusal, which in prior years was the main contributor to dividend income. In addition, marketing activities were hampered by weaker volumes over the first half of the year, notably in respect of supply to the steel industry, owing to its severe production cutbacks.

The Energy group was down $ 421 million (15%) to $ 2.4 billion compared to the prior year, in recognition of the very favorable market conditions which existed throughout most of 2008.

The Agricultural group was down $ 326 million to $ 458 million compared to the record prior year result.

The Group's large scale vertically integrated business model, comprising its unique combination of marketing and industrial activities across a diverse commodity portfolio, has, within a very challenging economic backdrop, clearly provided the envisaged diversification benefits shown above. This diversification of product and activity mix serves to underpin the Group's long term sustainability and resilience.

Selling and administrative expenses

Selling and administrative expenses decreased by $ 11 million from $ 850 million in 2008 to $ 839 million in 2009.

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

Earnings

A summary of the differences between EBITDA and Glencore net income including exceptional items is set out in the following table:

US $ million	2009	2008
EBITDA* pre exceptional items	3 929	6 788
Depreciation and amortization	– 622	– 575
Net finance costs	– 587	– 837
Net other items	338	– 197
Income tax expense	– 238	– 355
Non controlling interest	– 96	– 70
Glencore net income pre exceptional items	2 724	4 754
Net gain on disposal of investments	33	7
Provisional pricing/ other adjustments[1]	– 13	– 211
Inventory NRV adjustments[2]	– 30	– 435
Severance and related costs[2]	– 17	– 26
Share of associates' exceptional items[3]	– 761	– 415
Prodeco call option expense[4]	– 303	0
Impairment	0	– 2 763
Income tax[5]	0	87
Non controlling interests[6]	0	46
Total exceptional items	– 1 091	– 3 710
Glencore net income	1 633	1 044

* EBITDA – consists of profit before interest, tax and other items before exceptional items (detailed below) plus depreciation and amortization of $ 622 million (2008: $ 575 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 other income/(expense) – net

5 recognized within income taxes

6 recognized within non controlling interests

Net finance costs

Interest expense

Compared to 2008, 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 0.33% during 2009, compared to 2.68% in 2008.

The lower base interest rate, partially offset by a general increase in corporate credit spreads, resulted in a net decrease in interest expense on floating rate debt of $ 307 million to $ 458 million in 2009 from $ 765 million in 2008. Floating rate debt is predominantly used to fund relatively fast turning and liquid 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 $ 396 million in 2009, an increase of $ 26 million over 2008. The net increase is due to the full year impact of the Eurobonds issued during 2008, partly offset by interest 'savings' on the bonds repurchased during the year.

Interest income

Interest income was $ 267 million in 2009, a decrease of $ 31 million compared to the prior year, primarily due to the lower average short term rates noted above and their impact on the interest received on cash and various loans extended.

Gain on sale of investments

The 2009 net gain on sale of investments of $ 33 million primarily related to the gain on disposal of the East Tennessee Zinc operation, offset by a dilution loss, following Xstrata's 2009 capital raising, which saw our effective ownership in Xstrata reduce from 35.2% to 34.9%.

Income taxes

The effective tax rate, excluding exceptional items and share of income from associates which is recorded post tax, was 10.7% (2008: 8.9%).

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 2009, Glencore recognized $ 1,091 million of exceptional items, which are comprised primarily of our share of asset impairment charges booked directly by Xstrata ($ 736 million) and Century ($ 25 million) and costs related to the Prodeco call option ($ 303 million).

Colombian Coal Group (Prodeco) call option

In March 2009, Xstrata acquired Glencore's Colombian Coal Group (Prodeco) for $ 2 billion, and concurrently granted Glencore a call option to repurchase Prodeco within 12 months for $ 2.25 billion plus profits accrued during the option period. As at December 31, 2009, $ 303 million of expenses has been accrued under this option arrangement. Also see note 10 of the financial statements.

Liquidity and capital resources – Cash Flow

Cash provided by operating activities before working capital changes

Cash flows from operating activities before working capital changes amounted to $ 3.1 billion for the year, a decrease of $ 1.5 billion compared to 2008. $ 921 million was recorded during the fourth quarter, an increase of 27% over the average of the first nine months.

Working capital changes

Net working capital outflows amounted to $ 5.3 billion of which $ 3.8 billion was over the fourth quarter, compared to a net inflow of $ 2.6 billion in 2008. This increase is substantially attributable to higher commodity prices impacting the carrying value of inventory, trade receivables and margin calls, the latter taking effect almost instantly, with copper, zinc, aluminum and oil prices increasing by 13%, 26%, 19% and 10% respectively over the final quarter. The net working capital impact of having to post cash margin calls in respect of our hedging activities (recorded in accounts receivable and payable) was an increase during the year and fourth quarter of $ 2.5 billion and $ 0.8 billion respectively. In a flat price environment, this cash will quickly flow back as inventory is sold and the corresponding hedges closed out. Glencore was also reasonably active in the fourth quarter in taking advantage of selective commodity storage opportunities (all fully hedged) for future market delivery. Many of these positions are expected to self-liquidate in the first half of 2010. It is important to note that the drivers of the more recent working capital investment, namely higher prices and volumes are fundamentally very good for Glencore's trends in future profit and asset coverage, most clearly identifiable in the industrial division. Any required additional short term funding of working capital should be seen in light of this positive business environment for Glencore.

Long term advances and loans

Cash used for long term advances and loans was $ 624 million in 2009, compared to $ 350 million in 2008. The 2009 amount comprises primarily loans extended (via Kazzinc) to our associate Vasilkovskoje Gold, which is developing the largest gold deposit in Kazakhstan. Upon commissioning, expected in April 2010, the new gold plant will process up to 8 million tons of ore per annum with final deliverable gold output of some 500,000 oz per annum, thereby adding to Kazzinc's existing sizeable gold production. Refer note 22 for discussion of subsequent event relating to Kazzinc and Vasilkovskoje Gold.

Net cash used in acquisition / disposal of subsidiaries

During the year, $ 27 million of cash was used in the acquisition of subsidiaries, relating primarily to the Katanga acquisition. In addition, $ 136 million of cash was received on the disposal of subsidiaries, primarily comprising the disposal of the East Tennessee Zinc operations.

Purchase and sale of investments

During the year, $ 251 million of cash was used for the purchase of various investments, including the participation in a capital raising by Century Aluminum and $ 569 million of cash was received primarily from the sale of our 51% stake in the Cartagena oil refinery.

Purchase of property, plant and equipment

Purchase of property, plant and equipment mainly reflects capital expenditure of the consolidated industrial assets and amounted to $ 1.1 billion during 2009 compared to $ 1.8 billion in 2008. The capital expenditure in 2009 and 2008 related primarily to continuing projects in respect of previously discussed organic expansion programs, the most noteworthy being the 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. These growth initiatives are all expected to result in enhanced income and cash flow generating potential in future periods.

Net cash provided/used by financing activities

During the first half of 2009, Glencore purchased a portion of its bonds with a notional amount of $ 163 million for a total consideration of $ 90 million. In December 2009, $ 2.0 billion 5 year convertible bonds were issued (see note 13).

Assets, leverage and working capital

Total assets were $ 66.3 billion as of December 31, 2009, representing an increase of 8% from $ 61.3 billion as of December 31, 2008.

Current assets were $ 38.7 billion, an increase of 6% over the prior year. The adjusted current ratio as of December 31, 2009 was 1.37 compared to 1.33 in 2008, while net working capital increased from $ 5.8 billion to $ 8.1 billion. Non current assets increased by $ 2.7 billion to $ 27.6 billion, due to the participation in Xstrata's rights issue for $ 2.0 billion and the capital expenditure programs noted above, offset by the 'sale' of Prodeco.

98% of total trading inventories were contractually sold or hedged (readily marketable inventories) as at December 31, 2009, compared with 93% in 2008. 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 increased by $ 5.8 billion, after taking into account the readily marketable inventories, net debt as of December 31, 2009, decreased by $ 1.3 billion to $ 10.2 billion compared to December 31, 2008. The ratio of net debt to EBITDA was 2.59 compared to 1.69 in 2008 and the ratio of FFO to net debt was 22.9 compared to 31.6 in 2008, however as can be seen in the table below, these ratios show substantial sequential improvement if we look at the last 6 months performance, thereby providing some indication of the expected future trend.

	Last 6 months annualized	Last 12 months
Net debt to EBITDA (times)	**2.14**	**2.59**
FFO to net debt (%)	**27.4**	**22.9**

Liquidity

Available committed liquidity as at December 31, 2009, amounted to $ 3.8 billion, comfortably ahead of our minimum internal target of $ 3 billion. Refer to page 21 for a detailed discussion on liquidity risk management.

Capital resources and financing

During 2009, the following significant financing activities took place:

- In May, the $ 925 million 364 day revolving credit facility was replaced with a new similar $ 815 million facility, while a forward start agreement was concluded, effectively extending $ 6.65 billion of the $ 8.2 billion committed medium term revolver by one year to 2012;
- In June, the liquidity back up relating to the committed asset backed (receivables) commercial paper program was renewed at the requested amount of $ 1.5 billion;
- In September, the $ 1.35 billion Xstrata secured bank loan maturing in December 2009 was refinanced with a new 2 year $ 1.3 billion Xstrata secured bank loan;
- In November, a new $ 600 million committed 1 year base metals secured inventory finance facility was concluded;
- In December, $ 2.0 billion of convertible bonds were issued.

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

Facility/Program US $ million	Initial issue/ current rollover	Amount issued or outstanding December 31, 2009	December 31, 2008
2014 144A notes	950	945	944
Xstrata secured bank loans	2 850	2 282	1 640
2011 Eurobonds (Euro 600 million)	739	817	834
2013 Eurobonds (Euro 850 million)	1 078	1 154	1 171
2015 Eurobonds (Euro 750 million)	1 200	1 030	1 031
2019 Sterling Bond (GBP 650 million)	1 242	1 013	920
2014 Convertible bonds	2 000	1 838	0
Perpetual Notes	700	700	700
Purchase of profit participation certificates[1]	2 222	2 222	2 047
Committed syndicated revolving credit facilities	8 995	5 890	4 819
US commercial paper	2 500	214	0
Committed secured inventory facility	600	310	369
Bilateral uncommitted secured inventory facilities	1 353	1 353	0
Bilateral inventory repurchase arrangements	477	477	0
Committed asset backed (receivables) commercial paper program	1 500	1 300	1 600
Other financings	2 521	2 521	2 241
Total		24 066	18 316

Short term debt composition US $ million	December 31, 2009	December 31, 2008
Short term committed syndicated revolving credit facilities	1 156	0
US commercial paper	214	0
Committed secured inventory facility	310	369
Bilateral uncommitted secured inventory facilities	1 353	0
Committed asset backed (receivables) commercial paper program	1 300	1 600
Short term Xstrata secured bank loans	0	900
Other financings	1 812	1 614
Total	6 145	4 483

[1] see note 12 of the financial statements

There are no outstanding off balance sheet financings.

Glossary to financial highlights and review

Adjusted current ratio

Current assets over current liabilities, both adjusted to exclude the more temporary impact of other financial liabilities.

Current capital employed

Current capital employed is current assets, presented before assets held for sale, less accounts payable, other financial liabilities 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 non controlling interests.

Glencore shareholders' funds

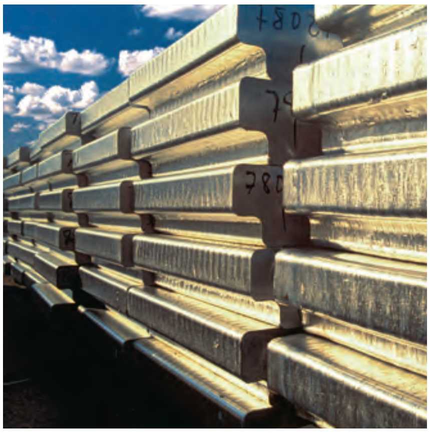
Net assets attributable to profit participation shareholders, non controlling interests and equity holders less non controlling interests.

Net debt

2009 US $ million	2008 US $ million	
16 403	13 071	Long term debt
7 186	5 245	Short term debt, including current portion of long term debt
477	0	Commodities sold with agreements to repurchase
– 935	– 939	Cash and cash equivalents and marketable securities
– 12 945	– 5 877	Readily marketable inventories
10 186	11 500	Net debt

Readily marketable inventories

Readily marketable inventories (disclosed as inventories contractually sold or hedged) are readily convertible to cash due to their very liquid nature, widely available markets and the fact that the price risk is covered either by a physical sale transaction or hedge transaction on a commodity exchange or with a highly rated counterparty.



Accounting principles

Nature of business activities

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, risk management, 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, 2010, 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 and reported in United States Dollars 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, 2009.

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 and Glencore evaluates the quality and reliability of the assumptions and data used to measure fair value in the three hierarchy levels, Level 1, 2 and 3 as prescribed by IFRS 7. Fair values are determined in the following ways: externally verified via comparison to quoted market prices in active markets (Level 1); by using models with externally verifiable inputs (Level 2); or by using alternative procedures such as comparison to comparable instruments and/or using models with unobservable market inputs requiring Glencore to make market based assumptions (Level 3).

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 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 (revised). 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.

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, 2009 and has also early adopted IFRS 3 and IAS 27 from the same date. The new or amended Standards adopted which are most relevant to Glencore are as follows:

IFRS 3	(revised) Business combinations, requires all acquisition costs to be expensed, contingent payments to be re-measured through the income statement and on an acquisition by acquisition basis, to measure the non controlling interest in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree's net assets.
IAS 1	(revised) Presentation of Financial Statements, which now separates owner and non owner transactions in equity and introduces a statement of comprehensive income.
IAS 27	(revised) Consolidated and Separate Financial Statements, now requires the effects of all transactions with non controlling interests to be recorded in equity if there is no change in control.
IAS 28	(revised) Investments in Associates, which now requires the principle adopted under IAS 27 (2008) (see above) that a loss of control is recognized as a disposal and reacquisition of any retained interest at fair value is extended by consequential amendment to IAS 28.

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 2	(amended) Share-based Payment – Vesting Conditions and Cancellations
IFRS 9	Financial Instruments – Classification and Measurement
IAS 24	(revised 2009) Related Party Disclosures
IAS 32	(amended) Financial Instruments – Presentation
IAS 39	(amended) Financial Instruments – Recognition and Measurement
IFRIC 14	(revised) IAS 19 (amended) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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 an entity that is ultimately controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is usually assumed where Glencore ultimately owns or controls more than 50% of the voting rights. 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 amount 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.

Non controlling interests represent 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. 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 the accruals basis.

Unrealized gains and losses on forward physical commodity contracts, 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 for so long as no disposal of the investment has 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 for each area of interest, other than that acquired from the purchase of another company, is charged to the statement of income as incurred except when the expenditure will be recouped from future exploitation or sale of the area of interest and it is planned to continue with active and significant operations in relation to the area, or at the 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, an 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 amortized 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

Mine 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 in comprehensive income.

Long term advances and loans

Long term advances and loans are carried at amortized cost.

Income taxes

Income taxes consist of current and deferred income taxes. Current taxes represent income taxes expected to be payable based on enacted 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 vast majority of marketing inventories are valued at fair value less costs to sell with the remainder valued at the lower of cost or net realizable value. Unrealized gains and losses from changes in fair value are reported in cost of goods sold.

Production inventories are valued at the lower of cost or net 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, which approximates fair value.

Other financial assets and liabilities

Other financial assets and liabilities include mark to market gains or losses 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, balances with 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 value.

Borrowing costs

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

Retirement benefits

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

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

Repurchase agreements

Glencore enters into repurchase transactions where it sells certain marketing inventories, however retains all or a significant portion of the risks and rewards relating to the transferred inventory. Repurchase transactions are treated as collateralized borrowings, whereby the inventories are not derecognized from the balance sheet and the cash received is recorded as a corresponding obligation within the balance sheet as ‘commodities sold with agreements to repurchase’ or, if the repurchase obligation is optional, within ‘trade advances from buyers’.

Derivatives and hedging activities

Derivative instruments, which include certain physical forward purchase and sale contracts, are recognized in the financial statements when the Group becomes a party to the contractual provisions of the instrument and 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 periodically 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 hybrid instruments and at the date of issuance, the embedded derivative is separated from the host contract and accounted for as a stand alone derivative if the criteria for separation are met. The host contract is accounted for in accordance with its relevant accounting policy.

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, unfavorable actions by governments, natural catastrophes, operational disruptions or financial risks. It is Glencore's policy and practice to identify and, where appropriate and practical, actively manage such risks.

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

Glencore shareholders' funds **US $ million**	**2009**	**2008**
Total net assets attributable to profit participation shareholders, non controlling interests and equity holders	**17 944**	**16 311**
Less: non controlling interests	**1 258**	**906**
Glencore shareholders' funds	**16 686**	**15 405**

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. An important component 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, with overall compensation skewed in favor of longer term incentives, 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 can in part be attributed to 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 to substantially hedge these financial risks. Glencore's finance and risk professionals, working in coordination with the commodity departments, monitor, manage and report regularly to senior management on the financial risks and exposures facing the Group.

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 the products it produces, which are not held to meet priced forward contract obligations and forward priced purchase or sale contracts which are not hedged. 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 which include daily mark to market collateralization, based on low bilateral credit thresholds to mitigate counterparty risk. Commodity price risk management activities are considered an integral part of Glencore's physical commodity marketing activities and the related assets and liabilities are included in other financial assets from and other financial liabilities to derivative counterparties including clearing brokers and exchanges.

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 based on Monte Carlo simulations and is either a one day or one week time horizon computed at a 95% confidence level with a weighted data history.

Daily position sheets are distributed and monitored, and weekly Monte Carlo simulations are applied to the various business groups' net marketing positions to determine potential future exposures. As at December 31, 2009, Glencore's 95%, one day market risk VaR was $ 28 million (2008: $ 49 million). Average market risk VaR (1 day 95%) during 2009 was $ 27 million compared to $ 50 million during 2008.

VaR does not purport to represent actual gains or losses in fair value on earnings to be incurred by Glencore, nor does Glencore claim that these VaR results are indicative of future market movements or representative of any actual impact on its future results. VaR should always be viewed in the context of its limitations; notably, the use of historical data as a proxy for estimating future events, market illiquidity risks and tail risks. Glencore 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 2009 and 2008, 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, 2009, would have decreased/increased by $ 30 million (2008: decrease/increase by $ 14 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 U.S. $ LIBOR plus an appropriate premium. Accordingly, prevailing market interest rates are continuously factored into transactional pricing and terms.

Assuming the amount of floating rate liabilities at the 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, 2009 would decrease/increase by $ 71 million (2008: decrease/increase by $ 64 million).

Currency risk

The U.S. Dollar is the predominant functional currency of the Group. Currency risk is the risk of loss from movements in exchange rates related to transactions and balances in currencies other than the U.S. Dollar. Such transactions include operating expenditure, capital expenditure and to a lesser extent purchases and sales in currencies other than the functional currency. Purchases or sales of commodities concluded in currencies other than the functional currency, apart from certain limited domestic sales at industrial operations which act as a hedge against local operating costs, are 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.

Glencore's debt related payments (both principal and interest) are denominated in or swapped using hedging instruments into U.S. Dollars. Glencore's operating expenses, being a small portion of its revenue base, are incurred in a mix of currencies of which the U.S. Dollar, Swiss Franc, Pound Sterling, Australian Dollar and Euro are the predominant 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. Additionally, it is Glencore's policy that transactions and activities in trade related financial instruments be concluded under master netting agreements or long form confirmations to enable offsetting of balances due to/from a common counterparty in the event of default by the counterparty.

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 commodity portfolio which does not fix prices beyond three months, ensure that performance risk is adequately mitigated. The commodity industry is continuing a trend towards shorter fixed price contract periods, in part to mitigate against such potential performance risk, but also due to the development of more transparent and liquid spot markets, e.g. iron ore and associated derivative products and indexes.

Liquidity risk

Liquidity risk is the risk that Glencore is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured or secured basis at an acceptable price to fund actual or proposed commitments. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents through the availability of adequate committed funding facilities. Glencore'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 heightened scrutiny relating to liquidity risk following on from the turmoil in the global financial markets in 2008, Glencore increased its minimum internal liquidity target of maintaining at all times available committed undrawn credit facilities from $ 2 billion to $ 3 billion. As part of its liquidity management, Glencore closely monitors and plans for its future capital expenditure and proposed investments, as well as credit facility refinancing/extension requirements, well ahead of time.

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, 2009, Glencore had available committed undrawn credit facilities and cash amounting to $ 3,826 million (2008: $ 5,255 million). The following table summarizes Glencore's net liquidity.

After 5 years	Due 1 - 5 years	Due 0 - 1 year	Total	US $ million 2009
18 083	0	0	18 083	Investments in associates and other investments
0	2 535	0	2 535	Long term advances and loans
0	0	15 073	15 073	Inventories
0	0	15 243	15 243	Accounts receivable
0	0	6 125	6 125	Other financial assets
0	0	1 349	1 349	Assets held for sale
0	0	935	935	Cash and cash equivalents and marketable securities
18 083	2 535	38 725	59 343	
– 2 943	– 13 460	– 1 041	– 17 444	Long term debt (see note 13)
0	– 341	– 5 804	– 6 145	Short term debt (see note 16)[1]
0	0	– 477	– 477	Commodities sold with agreements to repurchase (see note 7)
0	0	– 2 303	– 2 303	Prodeco call option arrangement (see note 10)
0	0	– 11 736	– 11 736	Accounts payable and income taxes
0	0	– 8 643	– 8 643	Other financial liabilities
0	0	– 236	– 236	Liabilities held for sale
– 2 943	– 13 801	– 30 240	– 46 984	
15 140	– 11 266	8 485	12 359	Net

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	14 002	14 002	Accounts receivable
0	0	13 762	13 762	Other financial assets
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 13)
0	0	– 4 483	– 4 483	Short term debt (see note 16)
0	0	– 11 870	– 11 870	Accounts payable and income taxes
0	0	– 13 591	– 13 591	Other financial liabilities
– 3 684	– 9 387	– 30 706	– 43 777	
12 345	– 7 561	5 802	10 586	Net

[1] 2009: $ 341 million of reported short term debt is drawn under a 3 year committed facility.

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	2009
					Assets:
13 267	0	0	13 267	19 090	Investments in listed associates[3]
1 614	0	0	1 614	1 614	Investments in unlisted associates
0	2 624	578	3 202	3 202	Other investments[4]
2 535	0	0	2 535	2 535	Long term advances and loans
15 243	0	0	15 243	15 243	Accounts receivable
0	0	6 125	6 125	6 125	Other financial assets
0	0	935	935	935	Cash and cash equivalents and marketable securities
23 355	0	0	23 355	23 355	Other assets
56 014	2 624	7 638	66 276	72 099	Total
					Liabilities:
12 245	0	0	12 245	12 245	Ordinary and Hybrid profit participation shareholders
17 444	0	0	17 444	17 496	Long term debt
6 145	0	0	6 145	6 145	Short term debt
477	0	0	477	477	Commodities sold with agreements to repurchase
0	0	2 303	2 303	2 303	Prodeco call option arrangement
11 482	0	0	11 482	11 482	Accounts payable
0	0	8 643	8 643	8 643	Other financial liabilities
1 838	0	0	1 838	1 838	Other liabilities
49 631	0	10 946	60 577	60 629	Total

1. Carrying value comprises investments, loans, accounts receivable, accounts payable and other liabilities measured at amortized cost.
2. FVtPL – Fair value through profit and loss – held for trading
3. Fair value determined using published price quotations
4. Other investments contain $ 578 million in Level 1 and $ 2,624 million in Level 3. There were no changes in Level 3 for the year.

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	0	14 002	14 002	Accounts receivable
0	0	13 762	13 762	13 762	Other financial assets
0	0	939	939	939	Cash and cash equivalents and marketable securities
14 753	0	0	14 753	14 753	Other assets
43 802	2 623	14 886	61 311	61 311	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	0	11 614	11 614	Accounts payable
0	0	13 591	13 591	13 591	Other financial liabilities
1 479	0	0	1 479	1 479	Other liabilities
44 013	0	13 591	57 604	54 680	Total

1 Carrying value comprises investments, loans, accounts receivable, accounts payable and other 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.

Consolidated statements of income
for the years ended December 31, 2009 and 2008

Notes	2009	2008	US $ million
	106 364	152 236	Revenues
	– 103 133	– 147 565	Cost of goods sold
	3 231	4 671	Gross income
	– 839	– 850	Selling and administrative expenses
	82	1 067	Share of income from associates
	12	238	Dividend income
	2 486	5 126	Income before interest, tax and other items
	267	298	Interest income
	– 854	– 1 135	Interest expense
1	33	7	Gain on sale of investments – net
2	35	– 2 960	Other income/(expense) – net
	1 967	1 336	Income before income taxes and attribution
6	– 238	– 268	Income taxes
	1 729	1 068	Income before attribution
	– 96	– 98	Attribution to hybrid profit participation shareholders
	– 554	– 579	Attribution to ordinary profit participation shareholders
	1 079	391	Income for the year
			Attribution to:
	– 96	– 24	Non controlling interests
	– 983	– 367	Equity holders

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

Consolidated statements of comprehensive income for the years ended December 31, 2009 and 2008

2009	2008	US $ million
1 079	391	Income for the year
37	– 41	Exchange gain/(loss) on translation of foreign operations
286	– 308	Gain/(loss) on hedges
175	– 229	Share of comprehensive income/(loss) from associates
498	– 578	Net income/(loss) recognized directly in equity
82	66	Hedges transferred to the income statement
580	– 512	Other comprehensive income/(loss)
1 659	– 121	Total comprehensive income/(loss)
		Attribution (to)/from:
– 96	– 24	Non controlling interests
– 1 563	145	Equity holders

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

Consolidated statements of financial position as of December 31, 2009 and 2008

Notes	2009	2008	US $ million Assets
			Non current assets
3	6 845	6 859	Property, plant and equipment
4	14 881	13 221	Investments in associates
4	3 202	2 808	Other investments
5	2 535	1 826	Long term advances and loans
6	88	89	Deferred income taxes
	27 551	24 803	Total non current assets
			Current assets
7	15 073	7 805	Inventories
8	15 243	14 002	Accounts receivable
9	6 125	13 762	Other financial assets
	75	113	Marketable securities
11	860	826	Cash and cash equivalents
	37 376	36 508	
10	1 349	0	Assets held for sale
	38 725	36 508	Total current assets
	66 276	61 311	Total assets

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

Consolidated statements of financial position
as of December 31, 2009 and 2008

Notes	2009	2008	US $ million Liabilities and equity
			Net assets attributable to profit participation shareholders, non controlling interest and equity holders
12	46	46	Share capital
	4 395	2 755	Reserves and retained earnings
	1 258	906	Non controlling interests
	5 699	3 707	
12	1 461	1 414	Hybrid profit participation shareholders
12	10 784	11 190	Ordinary profit participation shareholders
	17 944	16 311	Total net assets attributable to profit participation shareholders, non controlling interest and equity holders
			Other non current liabilities
13	16 403	13 071	Long term debt
6	626	630	Deferred income taxes
15	722	593	Provisions
	17 751	14 294	Total other non current liabilities
			Current liabilities
13	1 041	762	Current portion of long term debt
16	6 145	4 483	Short term debt
7	477	0	Commodities sold with agreements to repurchase
10	2 303	0	Prodeco call option arrangement
17	11 482	11 614	Accounts payable
9	8 643	13 591	Other financial liabilities
	254	256	Income tax payable
	30 345	30 706	
10	236	0	Liabilities held for sale
	30 581	30 706	Total current liabilities
	66 276	61 311	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, 2009 and 2008

2009	2008	US $ million
		Operating activities
1 967	1 336	Income before income taxes and attribution
		Adjustments to reconcile income before income taxes and attribution to net cash provided/(used) by operating activities
622	575	Depreciation and amortization
– 82	– 1 067	Share of income from associates
42	– 112	Increase/(decrease) in long term provisions
– 27	– 7	Gain on sale of investments – net
– 222	182	Unrealized mark to market movements on other investments
208	2 843	Impairments and other non cash items
587	837	Interest expense – net
3 095	4 587	Cash provided by operating activities before working capital changes
		Working capital changes
38	131	Decrease/(increase) in marketable securities
6 729	– 5 353	Decrease/(increase) in accounts receivable[1]
– 7 334	4 318	(Increase)/decrease in inventories
– 4 712	3 464	(Decrease)/increase in accounts payable[1]
– 5 279	2 560	Total working capital changes
– 2 184	7 147	Cash (used)/provided by operating activities
– 217	– 486	Income taxes paid
218	353	Interest received
– 827	– 1 054	Interest paid
– 3 010	5 960	Net cash provided/(used) by operating activities

[1] Includes movements in other financial assets and liabilities

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

Consolidated statements of cash flows
for the years ended December 31, 2009 and 2008

Notes	2009	2008	US $ million
			Investing activities
	– 624	– 350	Increase in long term advances and loans
18	– 27	– 99	Net cash used in acquisition of subsidiaries
	136	0	Net cash received from disposal of subsidiaries
	– 251	– 1 278	Purchase of investments
	– 1 088	– 1 823	Purchase of property, plant and equipment
	– 28	– 52	Exploration and evaluation expenditure
	85	47	Proceeds from sale of property, plant and equipment
	569	291	Proceeds from sale of investments
	0	83	Return of capital
	64	231	Dividends received from associates
	– 1 164	– 2 950	Net cash provided/(used) by investing activities
			Financing activities
	2 495	– 1 867	Net proceeds/(repayment) of short term debt[1]
	40	317	Net proceeds of other long term bank debt
	– 90	1 183	(Repurchase) of/net proceeds from issuance of Euro/sterling bonds
	642	– 1 060	Net proceeds/(repayment) of Xstrata secured bank loans
	1 915	0	Net proceeds from Convertible bonds
	– 792	– 799	Payment of profit participation certificates
	0	– 591	Redemption/repayment of Exchangeable bonds
	0	– 23	Dividend to non controlling interests
	– 2	– 2	Dividend
	4 208	– 2 842	Net cash provided/(used) by financing activities
	34	168	Increase in cash and cash equivalents
	826	658	Cash and cash equivalents, beginning of year
	860	826	Cash and cash equivalents, end of year

[1] 2008 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, 2009 and 2008

Reserves Restricted	Retained earnings	Translation adjustment	Equity portion of convertible bond	Cash flow hedge reserve	Total reserves and retained earnings	Share capital	Total	Non controlling interests	Total equity	US $ million
1	3 120	– 5	0	– 215	2 901	46	2 947	900	3 847	Balance January 1, 2008
0	367	0	0	0	367	0	367	24	391	Income for the year
0	– 229	– 41	0	– 242	– 512	0	– 512	0	– 512	Other comprehensive loss
0	– 2	0	0	0	– 2	0	– 2	– 23	– 25	Dividend[1]
0	– 1	2	0	0	1	0	1	5	6	Other
1	3 255	– 44	0	– 457	2 755	46	2 801	906	3 707	Balance December 31, 2008
1	3 255	– 44	0	– 457	2 755	46	2 801	906	3 707	Balance January 1, 2009
0	983	0	0	0	983	0	983	96	1 079	Income for the year
0	175	37	0	368	580	0	580	0	580	Other comprehensive income
0	– 2	0	0	0	– 2	0	– 2	0	– 2	Dividend[1]
0	2	0	77	0	79	0	79	256	335	Other
1	4 413	– 7	77	– 89	4 395	46	4 441	1 258	5 699	Balance December 31, 2009

[1] During 2009 and 2008, a dividend of $ 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

2009 US $ million	2008 US $ million	
33	7	Gain on sale of investments in associates and subsidiaries – net
33	7	Total

The net gain on sale of investments in 2009 comprises primarily a gain of $ 97 million relating to the disposal of Tennessee Zinc Company in December (see note 18), a modest gain on the disposal of Refineria de Cartagena (see note 4), offset by a dilution loss of $ 107 million following Xstrata's capital raising in March 2009, which saw Glencore's effective ownership reduce from 35.2% to 34.9%.

2 Other income/(expense) - net

2009 US $ million	2008 US $ million	
222	– 137	Changes in mark to market valuation – net[1]
0	– 2 763	Impairment[2]
– 303	0	Prodeco call option expense[3]
161	0	Mark to market gain on previously held interest in Katanga[4]
– 161	0	Impairment on Katanga related goodwill[4]
26	– 80	Foreign exchange gain/(loss)
90	20	Other
35	– 2 960	Total

1 Changes in mark to market valuation – net primarily relates to movements on interests in other investments carried at fair value.

2 The rapid and severe impacts arising from the global financial crisis in the latter part of 2008, resulting in a substantial fall in commodity prices, increased uncertainty in the credit markets and an increase in political risk, led to the deferral of a number of expansion projects, cut-backs in production output and mine closures, leading to impairments to the carrying value of assets and investments. The recoverable amounts were determined on the basis of the assets' 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%.

3 In March 2009, Xstrata acquired Glencore's Colombian Coal Group (Prodeco) for $ 2 billion and concurrently granted Glencore an option to repurchase Prodeco within 12 months for $ 2.25 billion plus profits accrued during the option period and the net balance of any cash invested. As at December 31, 2009, $ 303 million of option expense has been accrued under this arrangement. Also see note 10.

4 See note 18

3 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:
1 046	6 192	326	1 075	319	8 958	January 1, 2009
1	257	0	598	0	856	Business combination
– 31	– 106	– 29	– 51	0	– 217	Business disposition
40	923	37	62	54	1 116	Additions
– 9	– 211	– 19	– 7	– 8	– 254	Disposals
– 112	– 898	– 10	– 73	– 155	– 1 248	Held for sale[1]
131	– 221	14	114	19	57	Other movements
1 066	5 936	319	1 718	229	9 268	December 31, 2009
						Accumulated depreciation and impairment:
179	1 401	179	325	15	2 099	January 1, 2009
– 2	– 77	– 19	– 47	0	– 145	Business disposition
63	424	42	82	11	622	Depreciation
– 2	– 61	– 14	0	– 2	– 79	Disposals
– 7	– 124	– 4	– 7	– 10	– 152	Held for sale[1]
4	58	5	11	0	78	Other movements
235	1 621	189	364	14	2 423	December 31, 2009
831	4 315	130	1 354	215	6 845	Net book value December 31, 2009

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

[1] see note 10

Plant, machinery and vehicles includes expenditure for construction in progress of $ 1,233 million (2008: $ 1,381 million). Mineral and petroleum rights include expenditures for exploration and evaluation of $ 146 million (2008: $ 118 million). Depreciation expenses included in cost of goods sold are $ 607 million (2008: $ 562 million) and in selling and administrative expenses $ 15 million (2008: $ 13 million).

4 Investments in associates and other investments

2009 US $ million	2008 US $ million	
13 267	11 345	Listed associates
1 614	1 876	Non listed associates
14 881	13 221	Investments in associates
3 202	2 808	Other investments
18 083	16 029	Total

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

Listed associates

Significant listed associates transactions during 2009 were as follows:

In March 2009, Glencore participated in Xstrata's rights issue for $ 2,023 million (see note 10).

In June 2009, following the conversion of a Katanga Mining Limited (Katanga) convertible loan, Glencore acquired a controlling interest and its initial equity interest was therefore included and considered as part of the cost of acquisition (see note 18).

Non listed associates

Significant non listed associates transactions during 2009 were as follows:

In May 2009, Glencore disposed of its 51% interest in Refineria de Cartagena for cash proceeds of $ 549 million (see note 1).

Other investments

Other investments primarily include Glencore's interests in various Russneft Group companies, together with its 9.7% interest in United Company Rusal ("UCR"). At year end, these two non listed investments were carried at cost, as determining a fair value was not practical. Subsequent to year end, UCR listed its shares on the Hong Kong Stock Exchange and our interest was diluted to 8.65%. The market value of our interest in UCR, based on the listing price on the date of IPO, was $ 1,823 million, 9% lower than our current carrying value. As a result of the listing, an indication of market value is observable and therefore subsequent mark to market movements will be required to be recorded as a component of other comprehensive income in future accounting periods. The UCR share price has come off some 21% since the listing.

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 $ 346 million (2008: $ 319 million).

2009 US $ million	2008 US $ million	
66 522	59 731	Total assets
30 136	32 965	Total liabilities
25 337	33 787	Revenue
826	3 125	Net profit

5 Long term advances and loans

2009 US $ million	2008 US $ million	
66	64	Loans to Parents
832	378	Loans to associated companies
1 637	1 384	Other long term receivables and loans
2 535	1 826	Total

Loans to Parents (see note 12) and associated companies bear interest at applicable floating market rates plus a premium. Loans to associated companies comprise primarily an unsecured $ 610 million (2008: $ 298 million) 6 year loan (maturing April 2014) extended to Vasilkovskoje Gold (also see note 22). Bearing interest at LIBOR plus a premium, the weighted average interest rate charged over the year was 2.4%. The weighted average interest rate charged over the year on the balance of the loans to associated companies was 3.0% (2008: 3.1%).

Other long term receivables and loans comprise the following:

2009 US $ million	2008 US $ million	Counterparty
1 033	1 033	Russneft Group
		Interest bearing loans at weighted average interest rate 8.5% (2008: 11.3%), primarily secured by shares in oil producing entities of the Russneft Group
270	210	West African oil exploration
		Interest bearing loans at LIBOR plus 3%[1]
334	141	Other
1 637	1 384	Total

[1] Primarily relates to offshore Block I/Aseng development project in Equatorial Guinea. The operator of the field and project is Noble Energy, based in Houston. The Aseng project is expected to commence oil production in Q1 2012, with loans to be repaid in a timely manner thereafter.

6 Income taxes

Income taxes consist of the following:

2009 US $ million	2008 US $ million	
– 259	– 314	Current income tax
21	46	Deferred income tax
– 238	– 268	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:

2009 %	2009 US $ million	2008 %	2008 US $ million	
	1 967		1 336	Income before income taxes
16.2	319	16.2	217	Swiss income tax rate
– 3.1	– 61	7.7	103	Impact of foreign operations
0.1	2	– 8.6	– 115	Tax exempt income
– 0.5	– 9	– 0.6	– 8	Use of tax losses, not previously recognized
– 0.7	– 13	5.3	71	Other
12.1	238	20.1	268	Income tax expense and effective tax rate

Deferred taxes as of December 31, 2009 and 2008, are attributable to the items detailed in the table below:

2009 US $ million Assets[1]	2008 US $ million Assets[1]	
29	25	Tax losses carried forward
59	64	Mark to market valuations
88	89	Total deferred tax assets

2009 US $ million Liabilities[1]	2008 US $ million Liabilities[1]	
257	167	Depreciation and amortization
328	417	Mark to market valuations
41	46	Other
626	630	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 other comprehensive income:

2009 US $ million	2008 US $ million	
7	6	Cash flow hedges
– 7	1	Cash flow hedges transferred to income statement
0	7	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:

2009 US $ million	2008 US $ million	
85	70	1 year
48	21	2 years
8	72	3 years
174	162	Thereafter
315	325	Total

As at December 31, 2009, unremitted earnings of $ 10,263 million (2008: $ 9,329 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.

7 Inventories

2009 US $ million	2008 US $ million	
1 894	1 511	Production inventories
12 945	5 877	Inventories contractually sold or hedged
234	417	Other
15 073	7 805	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.

Glencore has entered into a number of arrangements to finance a portion of its marketing inventories. In each case, the inventory has not been derecognized with the proceeds received recognized as either short term debt, commodities sold with agreements to repurchase or trade advances from buyers, depending upon its funding nature. Details of such arrangements are as follows:

Base metals committed borrowing base facility

In November 2009, Glencore replaced a $ 1 billion committed secured inventory financing facility (greater part unutilized) with a new $ 600 million 1 year committed borrowing base facility, comprising a club of banks. Under the new program, eligible base metals are pledged against funds drawn and the net balance outstanding under the facility bears interest at U.S. $ Libor plus a premium. As of December 31, 2009, the total amount of marketing inventories secured was $ 400 million (2008: $ 398 million) and proceeds received as secured bank loans included as short term debt (see note 16) amounted to $ 310 million (2008: $ 369 million).

Bilateral uncommitted secured inventory facilities

On a bilateral basis, Glencore has concluded a number of secured funding arrangements with a range of banks. As of December 31, 2009, $ 1,818 million of marketing inventories were pledged under such arrangements and $ 1,353 million of proceeds were received and included within short term debt (see note 16).

Bilateral inventory repurchase arrangements

Glencore has entered into arrangements with certain counterparts to fund particular marketing strategies. The legal form of these arrangements is a fixed sale and repurchase agreement. As at December 31, 2009, $ 477 million of marketing inventories were transacted but not derecognized under such arrangements, with the proceeds received recorded as commodities sold with agreements to repurchase.

Sale and optional repurchase arrangements

Glencore has entered into arrangements with various counterparties for the sale and optional repurchase of certain marketing inventories. As at December 31, 2009, $ 497 million (2008: $ 261 million) of marketing inventory has not been derecognized and proceeds received for the inventory of $ 419 million have been deferred and included as trade advances from buyers (see note 17).

8 Accounts receivable

2009 US $ million	2008 US $ million	
9 156	9 617	Trade receivables[1]
4 415	2 526	Trade advances and deposits[1]
315	487	Associated companies[1]
1 357	1 372	Other receivables and prepaid expenses
15 243	14 002	Total

1 collectively referred to as trade receivables

The average credit period on sales of goods is 33 days (2008: 26 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 2.3% (2008: 2.8%) of its trade receivables or accounting for more than 2.8% of its revenues over the years ended 2009 and 2008.

As at December 31, 2009, 6% of trade receivables were between 1 - 60 days overdue, and 2% were greater than 60 days overdue (2008: 9% were between 1 – 60 days overdue and 2% were greater than 60 days overdue). Such receivables, although contractually past their due dates, are not impaired as there has not been a significant change in credit quality of the relevant counterparty, 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 $ 302 million (2008: $ 312 million), which takes into consideration the diverse geographic and industrial composition of the accounts receivable portfolio.

In June 2009, the Company, Glencore AG and Glencore Energy UK Ltd renewed the liquidity commitments in respect of the revolving Commercial Paper Program backed by certain trade receivables in the amount of $ 1.5 billion. Under the 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 16). The liquidity 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, 2009, the total amount of trade receivables securitized was $ 1,590 million (2008: $ 1,822 million) and proceeds received as secured bank loans amounted to $ 1,300 million (2008: $ 1,600 million).

9 Other financial assets, liabilities and hedging activities

The following tables show the contract or underlying notional amounts and fair values of the financial instruments including trade related financial instruments and physical forward purchase and sale commitments by type of contract as at December 31, 2009 and 2008. Fair values are primarily determined using quoted market prices or standard pricing models using observable market inputs where available and are presented to reflect the expected gross future cash in/outflows. Glencore classifies the fair values of its financial instruments into a three level hierarchy based on the degree of the source and observability of the inputs that are used to derive the fair value of the financial asset or liability as follows:

Level 1 unadjusted quoted inputs in active markets for identical assets or liabilities; or

Level 2 inputs other than quoted inputs included in Level 1 that are directly or indirectly observable in the market; or

Level 3 unobservable market inputs or observable but can not be market corroborated, requiring Glencore to make market based assumptions.

Level 1 classifications primarily include futures with a tenor of less than one year and options that are exchange traded. Level 2 classifications primarily include futures with a tenor greater than one year, over the counter options, swaps and physical forward transactions which derive their fair value primarily from exchange quotes and readily observable broker quotes. Level 3 classifications primarily include physical forward transactions which derive their fair value predominately from models that use broker quotes and applicable market based estimates surrounding location, quality and credit differentials. In circumstances where Glencore cannot verify fair value with observable market inputs (Level 3 fair values), it is possible that a different valuation model could produce a materially different estimate of fair value.

It is Glencore’s policy that transactions and activities in trade related financial instruments be concluded under master netting agreements or long form confirmations to enable balances due to/from a common counterparty to be offset in the event of default by the counterparty. 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 19).

Fair value of other financial assets Fair value hierarchy (US $ million)	Level 1	Level 2	Level 3	2009	2008
Commodity related contracts					
Futures	1 838	947	0	2 785	8 537
Options	132	277	0	409	300
Swaps	193	394	0	587	875
Physical forwards	0	343	1 706	2 049	3 874
Financial contracts					
Cross currency swaps	0	246	0	246	95
Foreign currency and interest rate contracts	21	28	0	49	81
Total other financial assets	2 184	2 235	1 706	6 125	13 762

Fair value of other financial assets Notional amounts (US $ million)	2009 Notional buy	2009 Notional sell	2009 Fair value	2008 Fair value
Commodity related contracts				
Futures	28 060	25 138	2 785	8 537
Options	2 709	1 108	409	300
Swaps	6 858	5 377	587	875
Physical forwards	5 265	7 002	2 049	3 874
Financial contracts				
Cross currency swap	0	1 891	246	95
Foreign currency and interest rate contracts	2 822	3 210	49	81
Total other financial assets	45 714	43 726	6 125	13 762

Fair value of other financial assets Term to maturity (US $ million)	2009	2008
Due in 0 – 1 year	4 670	10 728
Due in 1 – 3 years	1 181	2 418
Due after 3 years	274	616
Total other financial assets	6 125	13 762

Level 1	Level 2	Level 3	2009	2008	Fair value of other financial liabilities Fair value hierarchy (US $ million)
					Commodity related contracts
3 463	2 284	0	5 747	8 409	Futures
144	333	88	565	904	Options
241	415	1	657	568	Swaps
0	249	1 025	1 274	2 868	Physical forwards
					Financial contracts
0	371	0	371	764	Cross currency swap
19	10	0	29	78	Foreign currency and interest rate contracts
3 867	3 662	1 114	8 643	13 591	Total other financial liabilities

2009 Notional buy	2009 Notional sell	2009 Fair value	2008 Fair value	Fair value of other financial liabilities Notional amounts (US $ million)
				Commodity related contracts
37 064	54 351	5 747	8 409	Futures
2 514	4 595	565	904	Options
4 924	8 212	657	568	Swaps
4 277	8 548	1 274	2 868	Physical forwards
				Financial contracts
0	2 466	371	764	Cross currency swap
927	406	29	78	Foreign currency and interest rate contracts
49 706	78 578	8 643	13 591	Total other financial liabilities

2009	2008	Fair value of other financial liabilities Term to maturity (US $ million)
5 853	8 333	Due in 0 – 1 year
2 163	3 139	Due in 1 – 3 years
627	2 119	Due after 3 years
8 643	13 591	Total other financial liabilities

Swaps	Physical forwards	Options	Total Level 3	Net changes in fair values of Level 3 other financial assets/liabilities (US $ million)
0	502	– 56	446	Net Level 3 assets/(liabilities) – January 1, 2009
0	1 164	13	1 177	Total gain/(loss) recognized in cost of goods sold
– 1	0	– 101	– 102	Sales
0	– 985	56	– 929	Realized
– 1	681	– 88	592	Net Level 3 assets/(liabilities) – December 31, 2009

The following table summarizes the derivative instruments (included in the above tables) which are designated for hedge accounting purposes. These derivative instruments were specifically identified as cash flow hedges, held to hedge future cash flow risks related to the Eurobonds and Sterling bond as discussed in note 13 and to certain operating expenditures (equivalent in $ million).

Notional amounts		Recognized Fair Values		Average	
Buy	Sell	Assets	Liabilities	maturity	2009
–	4 357	–	48	2015	Cross currency swap agreements
–	195	–	41	2011	Commodity futures

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

10 Assets and liabilities held for sale

As part of its rights issue in March 2009, Xstrata acquired Glencore's Colombian Coal Group (Prodeco) for $ 2 billion and concurrently granted Glencore an option to repurchase Prodeco within 12 months for $ 2.25 billion plus profits accrued and the net balance of cash invested during the option period. Given the fixed price repurchase option, the conditions for derecognition/disposal of Prodeco have not been met under IFRS and as a consequence, Prodeco's operations remain in the consolidated financial statements, while the 'proceeds' have been deferred and recognized as a liability. This transaction meets the criteria under IFRS 5 and as a result, the assets and liabilities of Prodeco have been classified as held for sale. The major classes of assets and liabilities of Prodeco are as follows:

2009 US $ million	
1 096	Property, plant and equipment
37	Investments in associates
18	Long term advances and loans
2	Deferred income taxes
138	Inventories
55	Accounts receivable
3	Cash and cash equivalents
1 349	Assets held for sale
29	Long term provisions
3	Short term debt
203	Accounts payable
1	Income tax payable
236	Liabilities held for sale

11 Cash and cash equivalents

2009 US $ million	2008 US $ million	
738	776	Banks and cash on hand
122	50	Deposits and treasury bills
860	826	Total

Cash and cash equivalents bear interest at U.S. Dollar deposit rates. The average U.S. Dollar deposit rate was 0.33% (2008: 2.56%). $ 10 million (2008: $ 83 million) was restricted.

12 Share capital

The share capital consists of 150,000 registered shares with a nominal value of CHF 500 each, a restriction on 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 (2008: 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 such agreements, in contrast to PPS and HPPS (noted below), termination of employment of a 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")

LTPPS, upon termination of employment, 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, 2009, LTPPS represented 15% of the Company's registered share capital.

Hybrid Profit Participation Shareholders ("HPPS")

HPPS have agreed to receive their accumulated financial benefits upon termination of employment in the form of hybrid notes, 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), 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 notes, upon issuance, will constitute unsecured and subordinated obligations, that will rank senior to LTS claims (see above), pari passu with PPS/LTPPS claims and junior to any present or future claims of unsecured lenders and investors. As of December 31, 2009, HPPS represented 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 "Ordinary profit participation certificates" and paid in installments over a period of five years, with the portion falling due within 12 months included in current portion of long term.

In 2009, many key employees, including department heads, holding in aggregate 70% of PPS as at December 31, 2009 agreed to defer the commencement of all payments of PPS claims, which may become due to them as a result of termination of their employment, until January 2012 at the earliest. In December 2009, various senior executives agreed to a further extension, such that 41% of PPS as at December 31, 2009 is locked up until January 2013 at the earliest.

In the event of certain triggering events, which include any breach of a financial covenant, redemptions under all four plans are subordinated to claims of unsecured lenders and investors.

According to the existing agreements, the Company redeemed during 2009 a certain number of PPC from PPS representing an aggregate amount of $ 993 million (2008: $ 774 million).

13 Long term debt

After 5 years	Due 4–5 years	Due 2–3 years	Total long term	Current portion	Total	Interest rate %[1]	US $ million 2009
							Banks:
0	0	4 734	4 734	0	4 734	3.88	Committed revolving credit facility[2]
200	54	244	498	211	709	4.94	Other[3]
0	945	0	945	0	945	6.15	144A Notes
0	0	2 282	2 282	0	2 282	1.57	Xstrata secured bank loan
0	1 838	0	1 838	0	1 838	6.69	Convertible bonds
1 030	1 154	817	3 001	0	3 001	6.47	Eurobonds
1 013	0	0	1 013	0	1 013	6.58	Sterling bonds
700	0	0	700	0	700	8.00	Perpetual notes
0	354	1 038	1 392	830	2 222	1.47	Ordinary profit participation certificates
2 943	4 345	9 115	16 403	1 041	17 444		Total

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	Ordinary profit participation certificates
3 684	1 506	7 881	13 071	762	13 833		Total

[1] weighted average effective interest rate as a percentage

[2] see note 16

[3] includes $ 65 million (2008: $ 69 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.

Xstrata secured bank loan

In September 2008, Finges Investment B.V. ('Finges'), a wholly owned subsidiary of the Company, entered into a $ 1,500 million 3 year facility, with $ 1,000 million and $ 750 million outstanding at December 31, 2009 and 2008 respectively. 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 U.S. $ LIBOR plus a premium.

In September 2009, Finges refinanced the $ 1,350 million Xstrata secured facility maturing December 2009 with a new 2 year $ 1,300 million facility. Similar to the facility above, it comprises two derivative limbs which have been accounted for as a secured 2 year bank loan which bears interest at a rate of U.S. $ LIBOR plus a premium.

Convertible bonds

In December 2009, Glencore Finance (Europe) S.A., a wholly owned subsidiary of the Company, issued $ 2,000 million 5.0% coupon convertible bonds due December 2014, guaranteed by the Company and Glencore AG. The bonds are convertible at the option of investors into a certain percentage of Glencore's equity upon a qualifying IPO or upon other pre-determined qualifying events. The bonds contain several embedded derivatives which IFRS requires be accounted for separately, the most significant of these being that if the bonds have not been converted and no qualifying event occurs, they will be redeemed at maturity at 108.1% of their nominal amount. In addition, if a qualifying IPO or other pre-determined qualifying events have not occurred prior to December 2012, bondholders may, subject to Glencore having achieved a 'pre exceptional' net income of $ 3.5 billion in the preceding 12 months or in the event that Glencore is acquired for cash consideration, put the bonds back to Glencore at an amount which achieves a cumulative annualized return of 20%. Payment in this regard could occur from mid 2013 at the earliest. In relation to the potential conversion, the terms of the bonds apply an initial pre-money conversion equity value of $ 35 billion.

The bonds consist of a debt component and an equity component. The fair values of the debt component ($ 1,923 million) and the equity component ($ 77 million) were determined, using the residual method, at issuance of the bonds. The debt component is measured at amortized cost at an effective interest rate of 6.69% per annum. At inception and at December 31, 2009, the embedded derivatives were concluded to have a fair value of $ nil. As at December 31, 2009, agreements were executed in respect of an additional $ 200 million of bonds to be subscribed by a Chinese investor, however final Chinese NDRC approval was still being sought, and therefore such investment has not yet been recognized for accounting purposes.

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%.

Glencore has repurchased, but did not cancel, bonds with a notional amount of Euro 101 million, representing $ 145 million (Euro 30 million of the 11's, Euro 45 million of the 13's and Euro 26 million of the 15's).

The bonds are guaranteed by the Company and Glencore AG and are rated Baa2 by Moody's and BBB– by Standard & Poor's rating agencies.

Sterling bonds

In February 2007, Glencore Finance (Europe) S.A., a wholly owned subsidiary of the Company, issued GBP 650 million 6.50% coupon bonds due 2019. Upon issuance, Glencore Finance (Europe) S.A. entered into a cross currency transaction to swap the GBP denominated bonds as well as the future interest payments into their U.S. Dollar equivalent. The U.S. Dollar equivalent of the bonds issued was $ 1,242 million and the effective U.S. Dollar fixed interest rate is 6.58%. During the period, Glencore repurchased, but did not cancel, bonds with a notional amount of GBP 11 million ($ 18 million).

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.

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.

Ordinary profit participation certificates

Profit participation certificates (PPC) bear interest at 6 month U.S. $ LIBOR and in the event of certain triggering events (see note 12), all PPC would be subordinated to unsecured lenders.

14 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, 2009 and 2008, were $ 1,281 million and $ 1,363 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 in each of 2009 and 2008.

Defined benefit plans

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

2009 US $ million	2008 US $ million	
15	16	Current service cost
15	19	Interest cost
– 9	– 16	Expected return on plan assets
4	3	Net actuarial (gains)/losses recognized in the year
0	– 3	Effect of any curtailment or settlement
0	1	Past service cost
2	– 7	Exchange differences
27	13	Total

The actual return on plan assets amounted to a gain of $ 17 million (2008: a loss of $ 52 million).

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

2009 US $ million	2008 US $ million	
363	324	Present value of defined benefit obligations
– 232	– 190	Less: fair value of plan assets
– 71	– 74	Unrecognized actuarial gains/(losses)
– 1	– 2	Restrictions of assets recognized
59	58	Liability in the balance sheet (see note 15)

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

2009 US $ million	2008 US $ million	
324	370	Opening defined benefit obligation
15	16	Current service cost
15	19	Interest cost
0	1	Past service cost
– 24	– 24	Benefits paid
4	– 5	Actuarial (gain)/loss
29	– 53	Other movements
363	324	Closing defined benefit obligation

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

2009 US $ million	2008 US $ million	
190	260	Opening fair value of plan assets
9	16	Expected return on plan assets
24	24	Contribution from the employer
0	– 46	Actuarial gain/(loss)
9	– 64	Other movements
232	190	Closing fair value of plan assets

The plan assets consist of the following:

2009 US $ million	2008 US $ million	
5	7	Cash and short term investments
107	80	Fixed income
77	56	Equities
43	47	Other
232	190	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:

2009	2008	
4–10%	4–7%	Discount rate
4–9%	4–9%	Expected return on plan assets
2–6%	2–8%	Future salary increases
1–10%	1–8%	Future pension increases

The Group expects to make a contribution of $ 24 million (2008: $ 24 million) to the defined benefit plans during the next financial year.

Summary historical information:

Present value defined benefit obligation	Fair value of plan assets	
370	260	2007
471	399	2006
402	337	2005

15 Provisions

US $ million	Employee entitlements	Post retirement benefits[1]	Rehabilitation costs	Other	Total
January 1, 2009	71	58	197	267	593
Provision utilized in the year	0	0	0	– 40	– 40
Provisions assumed in business combination	0	0	0	52	52
Additional provision in the year	14	1	39	63	117
December 31, 2009	85	59	236	342	722

[1] see note 14

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 $ 177 million (2008: $ 190 million), representing the long term portion of the outstanding amount of the upfront payment. The upfront payment is released to cost of goods sold at a rate consistent with the implied forward price curve at the time of the transaction and the actual quantities delivered.

16 Short term debt

2009 Interest rate %[1]	2008 Interest rate %[1]	2009 US $ million	2008 US $ million	
3.88	4.82	1 156	0	Committed revolving credit facilities
3.47	0	214	0	US commercial paper
0.86	4.47	310	369	Base metals committed borrowing base facility[2]
1.38	0	1 353	0	Bilateral uncommitted secured inventory facilities[2]
1.78	3.47	1 300	1 600	Securitized receivables program[3]
0	4.81	0	900	Xstrata secured bank loan[4]
4.94	5.10	1 812	1 614	Other[5]
		6 145	4 483	Total

[1] weighted average interest rate as percentage

[2] see note 7

[3] see note 8

[4] see note 13

[5] comprises various uncommitted bilateral bank credit facilities and other financings

Committed revolving credit facilities

In May 2009, Glencore replaced the previous 364 day $ 925 million revolving credit facility with a new 364 day $ 815 million facility with a one year term out option at Glencore's discretion. In addition, Glencore entered into a forward start facility with a syndicate of 38 banks, whereby $ 6.65 billion of the existing $ 8.1 billion committed medium term revolver is available for drawdown between May 2011 and May 2012, effectively extending the maturity of the vast majority of the facility by one year. Following these transactions, the $ 9 billion committed revolving credit facilities have a final maturity profile as follows: $ 0.8 billion in May 2010, $ 1.5 billion in May 2011 and $ 6.7 billion in May 2012. Funds drawn under the medium term revolving credit facility which are used to finance current working capital are classified as short term debt, while the portion drawn to fund non current assets is classified as long term debt (see note 13). Up to $ 2,500 million of the medium term tranche may be used as liquidity back up for Glencore Funding LLC's stand alone U.S. commercial paper program (see below).

US Commercial Paper

Glencore Funding LLC (the Issuer) has in place a stand alone U.S. commercial paper program for $ 2,500 million rated A3 and P2 respectively by Standard & Poor's and Moody's rating agencies. The Company guarantees the Issuer's obligations under this facility. The notes issued under this program carry interest at floating market rates and mature not more than 270 days from the date of issue.



17 Accounts payable

2009 US $ million	2008 US $ million	
8 162	7 445	Trade payables
946	2 118	Trade advances from buyers
1 371	1 074	Associated companies
1 003	977	Other payables and accrued liabilities
11 482	11 614	Total

18 Acquisition and disposal of subsidiaries

Acquisition

In 2009, 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	
1 405	– 549	856	Property, plant and equipment
0	161	161	Goodwill
103	– 20	83	Inventories
61	0	61	Accounts receivable
242	0	242	Cash and cash equivalents
0	– 240	– 240	Non controlling interest
– 102	0	– 102	Long term debt
– 52	0	– 52	Provisions and other long term liabilities
– 165	163	– 2	Deferred income taxes
– 201	0	– 201	Accounts payable
1 291	– 485	806	Total net assets acquired
		537	Less: amounts previously recognized through investments and loans
		242	Less: cash and cash equivalents acquired
		27	Net cash used in acquisition of subsidiaries

Katanga Mining Limited (Katanga), in which Glencore held an 8.5% interest at December 31, 2008, is a copper and cobalt mining company listed on the Toronto stock exchange. In January 2009, Glencore participated in a Katanga convertible loan via a combination of existing and new loans which, when converted on June 2, 2009, resulted in Glencore holding a 68% interest in Katanga. Shortly thereafter, Glencore acquired an additional 4.2% interest, bringing its ownership to 72.2%. The acquisition has been accounted for as a business combination with the non controlling interest being measured at fair value. The total cash consideration of the acquisition, including the amounts paid prior to 2009, was $ 619 million. However, under IFRS, the consideration, for acquisition purposes, is deemed to be the fair value of the previously held equity interests and the convertible loan determined by reference to the quoted share price on the date of acquisition. In this regard, Glencore realized a net, non cash gain of $ 161 million comprising a gain on conversion of the convertible loan, offset by a loss on its original 8.5% interest in Katanga. Total consideration measured under IFRS 3 was therefore $ 780 million and a goodwill impairment of $ 161 million was recognized forthright, based on a detailed fair value assessment of the acquired assets and liabilities, using discounted cash flow techniques with a discount rate of 12%. For the period post acquisition, these operations contributed revenue of $ 178 million and income before attribution of $ 10 million. If the acquisition had taken place effective January 1, 2009, the operations would have contributed revenue of $ 285 million and a loss before attribution of $ 108 million.

In 2008, 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	
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	Non controlling 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

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 a net loss of $ 10 million to Glencore.

Disposal

2009 US $ million	
72	Property, plant and equipment
12	Inventories
52	Accounts receivable
6	Cash and cash equivalents
– 119	Accounts payable
23	Total net assets disposed

In 2009, Glencore disposed of it interests in the East Tennessee Zinc operations for cash proceeds of $ 125 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, 2009, $ 815 million (2008: $ 967 million), 63% 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, a significant portion of which would have been incurred in the ordinary course of operations. As at December 31, 2009, $ 284 million, (2008: $ 262 million) of such development expenditures are to be incurred, of which 24% 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 and expectations of $ 2,185 million (2008: $ 2,880 million), 63% 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, 2009, $ 7,178 million (2008: $ 5,450 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 $ 53 million and $ 62 million for the years ended December 31, 2009 and 2008. Future net minimum lease payments under non cancelable operating leases are as follows:

2009 US $ million	2008 US $ million	
26	15	Within 1 year
51	47	Between 2 and 5 years
93	110	After 5 years
170	172	Total

20 Contingent liabilities

The amount of corporate guarantees in favor of associated and third parties as of December 31, 2009, was $ 73 million (2008: $ 66 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 incidents 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 5, 8, 10 and 17). There have been no guarantees provided or received for any related party receivables or payables.

Related party transactions, unless discussed elsewhere in the notes to the financial statements, are summarized below. The principal related parties are included in notes 12 and 24. All transactions between Glencore and its subsidiaries are eliminated on consolidation along with any unrealized profits and losses between its subsidiaries and associates.

Associated companies	Parent companies	Total	US $ million 2009
907	0	907	Sales
– 7 423	0	– 7 423	Purchases
20	2	22	Interest income
– 2	0	– 2	Interest expense
51	0	51	Agency income
– 4	0	– 4	Agency expense

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

Remuneration of key management personnel

In addition to the Board of Directors and Glencore's Executive Management, Glencore considers its key management to include those whose remuneration is tied directly to the results of Glencore. In addition to the heads of each global commodity department, this group includes various other senior personnel who are important in department decision making and strategy (65 and 66 persons on average for 2009 and 2008 respectively). Total remuneration to key management recognized in the statement of income including salaries and other short term employee benefits amounted to $ 239 million (2008: $ 259 million) and amounts attributable to PPS and HPPS (as described in note 12) amounted to $ 475 million (2008: $ 571 million). As at December 31, 2009, included in the amounts attributable to PPS and HPPS are $ 9,296 million (2008: $ 9,238 million) related to key management personnel.

22 Subsequent events

Subsequent to year end, the following significant events occurred:

- In December 2009, Glencore entered into an agreement to acquire a 50.8% stake in Chemoil Energy Limited (Chemoil) for $ 233 million. As a consequence of the entering into this agreement, a mandatory offer for the remaining shares issued by Chemoil was required to be made upon completion. The announcement of the intention to make a mandatory offer for the remaining shares was made on February 26, 2010, being the date of completion of the acquisition of these shares and the mandatory offer is required to be despatched to Chemoil shareholders by latest March 19, 2010 and is to remain open for a period of at least 28 days from such date of despatch.
- In November 2009, Kazzinc agreed to purchase the remaining 60% interest in Vasilkovskoje Gold that it does not already own, funded via a combination of approximately $ 200 million in cash and issuance of Kazzinc shares which will see Glencore dilute to 55% from 69%. The transaction is expected to close in the second quarter of 2010.
- In January 2010, UCR listed its shares on the Hong Kong Stock Exchange and our interest in UCR was diluted from 9.7% to 8.65% (see note 4).
- In February 2010, Glencore's interest in Katanga decreased from 72.2% to 69.2% following the exercise of an option granted to Ellesmere Global Limited in February 2009 and the receipt of $ 17 million.
- On March 4, 2010, Glencore exercised the option to repurchase Prodeco from Xstrata (see Note 10). Completion will occur once all the regulatory approvals required under the Call Option Agreement have been obtained. In order to prudently fund the repurchase, Glencore intends to effect asset disposals of at least $ 1 billion within the next 3 to 6 months.

23 Business Group information

Glencore did not adopt IFRS 8 Operating Segments as it is not within the scope of the Standard. For management purposes, Glencore is organized on a worldwide basis into three major business groups – metals and minerals, energy products and agricultural products.

Metals and minerals	Energy products	Agricultural products	Corporate/ eliminations	Total	2009
35 391	62 391	8 582	0	106 364	Revenues
– 34 146	– 60 869	– 8 118	0	– 103 133	Cost of goods sold
1 245	1 522	464	0	3 231	Gross income
– 888	976	– 6	0	82	Share of income from associates
12	0	0	0	12	Dividend income
369	2 498	458	0	3 325	Business group results
				– 839	Selling and administrative expenses
				– 587	Interest expense – net
				33	Gain on sale of investments
				35	Other income/(expense) – net
				– 238	Income taxes
				1 729	Income before attribution
					Consolidated balance sheet
5 679	671	451	44	6 845	Property, plant and equipment
15 434	2 597	40	12	18 083	Investments in associates and other investments
1 052	1 382	34	67	2 535	Long term advances and loans
8 922	5 115	1 036	0	15 073	Inventories
9 699	8 735	1 378	1 556	21 368	Accounts receivable and other financial assets
0	1 349	0	0	1 349	Assets held for sale
0	0	0	1 023	1 023	Other
40 786	19 849	2 939	2 702	66 276	Total assets
9 984	7 159	913	2 069	20 125	Accounts payable and other financial liabilities
0	236	0	0	236	Liabilities held for sale
0	0	0	27 971	27 971	Other
9 984	7 395	913	30 040	48 332	Total liabilities
				17 944	Total net assets attributable to profit participation shareholders, non controlling interests and equity holders

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	Business group results
				– 850	Selling and administrative expenses
				– 837	Interest expense – net
				7	Gain on sale of investments
				– 2 960	Other income/(expense) – net
				– 268	Income taxes
				1 068	Income before attribution
					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 and other financial assets
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	1 532	25 205	Accounts payable and other financial liabilities
0	0	0	19 795	19 795	Other
11 271	11 043	1 359	21 327	45 000	Total liabilities
				16 311	Total net assets attributable to profit participation shareholders, non controlling interests and equity holders

24 List of principal operating, finance subsidiaries and industrial investments

	Method of Consolidation[1]	Country of incorporation	% of controlling interest 2009	% of controlling interest 2008	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
Century Aluminum Company	E	United States	44.1[2]	47.0[2]	Aluminum production
Columbia Falls Aluminum Company	F	United States	100.0	100.0	Aluminum production
East Tennessee Zinc Company LLC	F	United States	0.0	100.0	Zinc production
Glencore Funding LLC	F	United States	100.0	100.0	Finance
Glencore UK Ltd	F	U.K.	100.0	100.0	Operating
Glencore Commodities Ltd	F	U.K.	100.0	100.0	Operating
Glencore Energy UK Ltd	F	U.K.	100.0	100.0	Operating
Glencore Group Funding Limited	F	UAE	100.0	100.0	Finance
Glencore Finance (Bermuda) Ltd	F	Bermuda	100.0	100.0	Finance
AR Zinc Group	F	Argentina	100.0	100.0	Zinc/Lead production
Colombian Coal Group[3]	O	Colombia	100.0	100.0	Coal production
Empresa Minera Los Quenuales SA	F	Peru	97.1	97.1	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
Mopani Copper Mines PLC	F	Zambia	73.1	73.1	Copper production
Mutanda Mining	E	DRC	40.0	40.0	Copper production
Recylex S.A.	E	France	32.2	32.2	Zinc/Lead production
Refineria de Cartagena S.A.	E	Colombia	0.0	51.0	Oil refining
Sinchi Wayra	F	Bolivia	100.0	100.0	Zinc/Tin production
United Company Rusal Limited	O	Jersey	9.7	10.3	Aluminum production
Finges Investment B.V.	F	Netherlands	100.0	100.0	Finance
Xstrata plc	E	U.K.	34.9	35.2	Diversified production
Cobar Group	F	Australia	100.0	100.0	Copper production
Glencore Grain BV	F	Netherlands	100.0	100.0	Operating
Glencore Singapore Pte Ltd	F	Singapore	100.0	100.0	Operating
Inner Mongolia Huomei Hongjun Aluminium Co.	E	China	35.7	35.7	Aluminum production
Kazzinc Ltd.	F	Kazakhstan	69.0	69.0	Zinc/Lead production
Vasilkovskoje Gold	E	Kazakhstan	40.0	40.0	Gold production
Katanga Mining Limited	F	Bermuda	72.2	8.5	Copper production
Murrin Murrin Joint Venture[4]	F	Australia	40.0	40.0	Nickel production
Minara Resources Ltd	F	Australia	70.6	70.6	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)[5]	O	Russia	40.0-49.0	40.0–49.0	Oil production
Shanduka Coal (Pty) Ltd	F	South Africa	70.0	70.0	Coal production
ST Shipping & Transport Pte Ltd	F	Singapore	100.0	100.0	Operating
Topley Corporation[6]	F	B.V.I.	100.0	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 39.1% (2008: 28.5%) voting interest and 5% (2008: 18.5%) non voting interest

[3] See note 10 – Comprises C.I. Prodeco SA, Consorcio Minero Unido SA, Carbones de la Jagua SA, Carbones El Tesoro SA and Carboloma

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

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

[6] Holding company for 50% and 100% interests in various vessels

Deloitte.

Deloitte AG
General Guisan-Quai 38
Postfach 2232
CH-8022 Zürich

Tel: +41 (0) 44 421 60 00
Fax: +41 (0) 44 421 66 00
www.deloitte.ch

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 statement of financial position as at December 31, 2009, and the related consolidated statements of income, comprehensive 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 65.

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, 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte AG

David Quinlin
Roland Müller

Zurich, March 5, 2010

Wirtschaftsprüfung. Steuerberatung. Consulting. Corporate Finance.

Member of
Deloitte Touche Tohmatsu

GLENCORE
INTERNATIONAL AG
Baarermattstrasse 3
P. O. Box 777
CH-6341 Baar
Switzerland