

# GLENCORE

INTERNATIONAL AG  
AND SUBSIDIARIES

**Third Quarter**

**2010**

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## **Financial highlights**

### **Nine months ended 2010 compared to nine months ended 2009**

- **Revenues up 40% from \$ 75.6 billion to \$ 105.9 billion**
- **EBITDA<sup>1</sup> up 57% from \$ 2.6 billion to \$ 4.1 billion**
- **Glencore net income<sup>1</sup> up 42% from \$ 1.8 billion to \$ 2.5 billion**
- **Cash provided by operating activities before working capital changes up 33% from \$ 2.2 billion to \$ 2.9 billion**

### **September 30, 2010 compared to December 31, 2009**

- **Following the exercise of the Prodeco call option and other investment activities, net debt<sup>1</sup> increased to \$ 15.2 billion, however debt coverage ratios are largely unchanged, on the back of the increased earnings and operating cash generation**
- **Available committed liquidity improved from \$ 3.8 billion to \$ 4.6 billion, comfortably above our minimum \$ 3 billion internal target**

<sup>1</sup> excludes exceptional items; refer to page 5 for definition and reconciliation

# Detailed financial highlights

US \$ million (unaudited)

Three months ended			Nine months ended		
September	June	March	September	September	
30, 2010	30, 2010	31, 2010	30, 2010	30, 2009	
1 019	768	1 102	2 889	2 244	Gross income <sup>1</sup>
458	456	345	1 259	439	Share of income from associates <sup>2</sup>
1 478	1 229	1 449	4 156	2 694	Business group results <sup>1, 2</sup>
1 508	1 241	1 389	4 138	2 633	EBITDA <sup>3</sup>
979	677	886	2 542	1 784	Glencore net income <sup>4</sup>
979	366	1 104	2 449	1 654	Glencore net income (statutory)
1 072	792	1 017	2 881	2 174	Cash provided by operating activities before working capital changes
1 057	602	770	2 429	1 753	Funds from operations (FFO) <sup>5</sup>

September	June	December	
30, 2010	30, 2010	31, 2009	
70 136	66 452	66 276	Total assets
17 735	16 566	16 686	Glencore shareholders' funds <sup>6</sup>
26 544	23 306	23 131	Net funding
15 176	13 639	10 186	Net debt <sup>7</sup>
4 641	7 697	8 144	Net working capital
17 233	15 019	16 997	Current capital employed (CCE) <sup>8</sup>

September	June	December	
30, 2010	30, 2010	31, 2009	
			Working capital ratios:
1.14	1.28	1.27	Current ratio (times)
1.18	1.36	1.37	Adjusted current ratio <sup>9</sup> (times)
36	32	43	Net conversion cycle
			Equity, gearing and coverage ratios:
46.1	45.2	37.9	Net debt <sup>7</sup> to net debt plus Glencore shareholders' funds <sup>6</sup> (%)
1.14	1.16	1.26	CCE <sup>8</sup> plus listed associates (at carrying value) to gross debt (times)
20.0	20.3	22.9	FFO <sup>10</sup> to net debt <sup>7</sup> (%)
2.79	2.73	2.59	Net debt <sup>7</sup> to EBITDA <sup>3, 10</sup> (times)
6.94	7.23	6.69	EBITDA <sup>3</sup> to net interest <sup>11</sup> (times)

- <sup>1</sup> The 2010 figure excludes \$ 115 million of exceptional items reported in our first half report (2009: \$ 60 million).
- <sup>2</sup> The 2010 figure excludes our share of Xstrata's first half reported exceptional items of \$ 4 million (2009: \$ 94 million).
- <sup>3</sup> EBITDA consists of income before interest, tax and other items of \$ 3,357 million (2009: \$ 1,959 million) plus depreciation and amortization of \$ 777 million (2009: \$ 520 million) and exceptional items of \$ 4 million (2009: \$154 million).
- <sup>4</sup> Glencore net income consists of income before attribution of \$ 2,735 million (2009: \$ 1,720 million) less attribution to non controlling interests of \$ 286 million (2009: \$ 66 million), plus exceptional items of \$ 93 million (2009: \$ 130 million).
- <sup>5</sup> Funds from operations consist of cash provided by operating activities before working capital changes of \$ 2,881 million (2009: \$ 2,174 million) less tax and net interest payments of \$ 605 million (2009: \$ 466 million) plus dividends received of \$ 153 million (2009: \$ 45 million).
- <sup>6</sup> Glencore shareholders' funds consist of net assets attributable to profit participation shareholders, non controlling interests and equity holders of \$ 20,537 million (2009: \$ 17,944 million) less non controlling interests of \$ 2,802 million (2009: \$ 1,258 million).
- <sup>7</sup> Net debt consists of gross debt less cash and cash equivalents, marketable securities and readily marketable inventories of \$ 11,368 million (2009: \$ 12,945 million).
- <sup>8</sup> Current capital employed is current assets, presented before assets held for sale, less accounts payable, other financial liabilities and income tax payable.
- <sup>9</sup> Adjusted current ratio is current assets over current liabilities, both adjusted to exclude the more temporary impact of other financial liabilities.
- <sup>10</sup> 2010 ratio based on last 12 months' FFO and EBITDA.
- <sup>11</sup> 2010 net interest excludes \$ 39 million of exceptional items reported in our first half report.

# Financial review

## Income Statement

As market conditions continued to improve in most of our businesses, we are pleased to report a third quarter Glencore net income of \$ 979 million, Glencore's highest quarterly performance since the onset of the global recession in 2008. On a year to date basis, increases over the comparable 2009 period were as follows:

- EBITDA up 57% from \$ 2,633 million to \$ 4,138 million
- Cash provided by operating activities before working capital changes up 33% from \$ 2,174 million to \$ 2,881 million

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

	<b>Marketing</b>		<b>Industrial</b>		<b>Business</b>
<b>US \$ million</b>	<b>Activities</b>		<b>Activities</b>		<b>Group Results</b>
<b>Q1 2010</b>	<b>47%</b>	<b>688</b>	<b>53%</b>	<b>761</b>	<b>1 449</b>
<b>Q2 2010</b>	<b>46%</b>	<b>570</b>	<b>54%</b>	<b>659</b>	<b>1 229</b>
<b>Q3 2010</b>	<b>49%</b>	<b>723</b>	<b>51%</b>	<b>755</b>	<b>1 478</b>
<b>9 months 2010</b>	<b>48%</b>	<b>1 981</b>	<b>52%</b>	<b>2 175</b>	<b>4 156</b>
<b>9 months 2009</b>	<b>65%</b>	<b>1 742</b>	<b>35%</b>	<b>952</b>	<b>2 694</b>

The contribution from our industrial activities more than doubled to \$ 2.2 billion as the average price for most of our key commodities produced (copper, zinc, nickel) was some 40 - 55% higher over the first nine months of 2010 compared to the 2009 period. The contribution from our supply chain, volume oriented marketing activities was up 14% to \$ 2.0 billion over the comparable period, reflecting its inherently less volatile nature, whereby quarterly marketing gross income has ranged from \$ 532 million to \$ 723 million (\$ 622 million average) since the start of 2009.

Stronger third quarter 2010 results in both the marketing and industrial divisions compared to the prior quarter were primarily due to the increase in metal prices, which produced enhanced margins in the industrial operations, while attractive market conditions allowed the agricultural department, in particular, to deliver a strong quarterly performance. The overall results are evidence of the diversification benefits which the Group's product mix and vertically integrated business model provides.

## Cash flows

Cash flows from operating activities before working capital changes amounted to \$ 2.9 billion for the first nine months of 2010 (\$ 1.1 billion for the third quarter, which was up 18% over the average of the first half). Working capital changes resulted in negative cash flow of \$ 238 million for the first nine months of 2010 and negative \$ 2.6 billion for the third quarter as a result of the increase in commodity prices and timing of marketing positions and margin calls. In relation to the quarterly movement, due to the strong appreciation in commodity prices, in particular towards the end of the quarter, our net cash margining related to our commodity hedging activities increased by \$ 1.4 billion. Furthermore, our net conversion cycle increased to 36

days from 32 days over the quarter, primarily due to export constraints imposed within the CIS region in respect of wheat inventories.

Investing activities amounted to a net outflow of \$ 4.3 billion over the first nine months of 2010 compared to \$ 769 million in the corresponding 2009 period. The net outflow in 2010 primarily related to the \$ 2.25 billion paid to Xstrata in relation to the exercise of the Prodeco call option, the acquisition of a 51.5% and a 100% stake in Chemoil and Pacorini Metals Warehousing Group respectively, the provision of a \$ 200 million secured loan to an Indonesian industrial group (secured by a 4.7% interest in PT Bumi Resources) and the continued capital expenditure programs in respect of Vasilkovskoje Gold's start up, upstream oil development projects in West Africa, the development of the Mutanda copper/cobalt mine and production expansions at Katanga and Prodeco. The production growth initiatives (primarily coal, copper, gold and oil) are all expected to progressively result in substantially enhanced income and cashflow generating potential in future periods.

## Financial position/debt coverage

The current ratio at September 30, 2010 was 1.14 compared with 1.27 at December 31, 2009, as net working capital decreased over the nine month period by \$ 3.5 billion to \$ 4.6 billion. This reduction is primarily attributable to the Xstrata secured bank loans (\$ 2.3 billion) and the 2011 Eurobond (\$ 776 million) moving from non current borrowings to current borrowings. Taking into account the additional non current borrowings raised subsequent to quarter end (discussed below) and the expected extension of the Xstrata secured bank loans maturity in 2011 (back to non current), current ratio and net working capital increase to 1.26 and \$ 7.7 billion respectively on a proforma basis. Consistent with December 31, 2009 and June 30, 2010 98% (\$ 11.4 billion) of total marketing inventories were contractually sold or hedged (readily marketable inventories) as at September 30, 2010. Balance sheet liquidity is very healthy such that current capital employed plus liquid stakes in listed associates (at book carrying value) covers 114% of Glencore's gross funding.

Net debt increased to \$ 15.2 billion at September 30, 2010, following the working capital and investment activities noted above. However, leverage and cashflow ratios remained largely unchanged on the back of improving income and FFO performance as the rolling 12 month FFO to net debt ratio continued to track around 20%. The ratio based on annualised third quarter FFO is 27.9%, which is indicative of the expected trend going forward.

Glencore shareholders' funds increased by \$ 1 billion to \$ 17.7 billion during 2010 after taking into account the required negative fair value adjustment (through equity reserves) in respect of Glencore's stake in United Company Rusal following its January Hong Kong listing and a negative movement in cash flow hedges associated with hedging our non dollar denominated bonds.

## Subsequent events

Subsequent to the period end, Glencore further extended and diversified its funding sources by issuing 5.5 year, 3.25% CHF 600 million (\$ 593 million) bonds and a \$ 350 million 7.5% perpetual bond.

As shown in the table below, Glencore's main refinancing requirements over the next twelve months relate to our secured funding facilities which ordinarily require extension/renewal each year. However, these tend to be very routine, given the underlying strong collateral and their modest amounts in the context of our overall balance sheet and funding/liquidity levels. As at September 30, 2010, Glencore had available committed undrawn credit facilities and cash amounting to a very healthy \$ 4.6 billion. As noted above, around \$ 1 billion of additional long term debt was raised shortly after quarter end which further enhanced liquidity levels, while some \$ 500 million of new long term bank debt is expected to be drawn before year end. Refer to Glencore's 2010 interim report for additional details in relation to all the facilities below.

Facility/Program US \$ million	Initial issue/ current rollover	Amount issued or outstanding	
		September 30, 2010	June 30, 2010
<b>2014 144A Notes</b>	<b>950</b>	<b>945</b>	<b>945</b>
<b>Xstrata secured bank loans<sup>1</sup></b>	<b>2 800</b>	<b>0</b>	<b>2 287</b>
<b>2011 Eurobonds (Euro 600 million)</b>	<b>739</b>	<b>0</b>	<b>700</b>
<b>2013 Eurobonds (Euro 850 million)</b>	<b>1 078</b>	<b>1 096</b>	<b>987</b>
<b>2015 Eurobonds (Euro 750 million)</b>	<b>1 200</b>	<b>968</b>	<b>883</b>
<b>2017 Eurobonds (Euro 1 250 million)</b>	<b>1 709</b>	<b>1 702</b>	<b>1 520</b>
<b>2019 Sterling Bond (GBP 650 million)</b>	<b>1 242</b>	<b>1 005</b>	<b>944</b>
<b>2014 Convertible bonds</b>	<b>2 300</b>	<b>2 127</b>	<b>2 122</b>
<b>Perpetual Notes</b>	<b>700</b>	<b>700</b>	<b>700</b>
<b>Purchase of profit participation certificates</b>	<b>1 218</b>	<b>1 218</b>	<b>1 238</b>
<b>Committed syndicated revolving credit facilities<sup>2</sup></b>	<b>8 455</b>	<b>4 745</b>	<b>4 738</b>
<b>Other bank loans<sup>3</sup></b>	<b>603</b>	<b>603</b>	<b>567</b>
<b>Total non current borrowings</b>		<b>15 109</b>	<b>17 631</b>
<b>Committed syndicated revolving credit facilities<sup>2</sup></b>	<b>1 805</b>	<b>1 805</b>	<b>302</b>
<b>Committed asset backed (receivables) commercial paper program<sup>4</sup></b>	<b>1 500</b>	<b>1 400</b>	<b>1 400</b>
<b>Committed secured receivables facilities</b>	<b>550</b>	<b>550</b>	<b>550</b>
<b>Committed secured inventory base metals facility<sup>5</sup></b>	<b>600</b>	<b>270</b>	<b>230</b>
<b>Bilateral uncommitted secured inventory facilities</b>	<b>874</b>	<b>874</b>	<b>869</b>
<b>U.S. commercial paper<sup>6</sup></b>	<b>1 000</b>	<b>321</b>	<b>329</b>
<b>Xstrata secured bank loans<sup>1</sup></b>	<b>2 800</b>	<b>2 289</b>	<b>0</b>
<b>2011 Eurobonds (Euro 600 million)</b>	<b>739</b>	<b>776</b>	<b>0</b>
<b>Purchase of profit participation certificates</b>	<b>823</b>	<b>823</b>	<b>831</b>
<b>Other bank loans<sup>3</sup></b>	<b>2 991</b>	<b>2 991</b>	<b>2 300</b>
<b>Total current borrowings</b>		<b>12 099</b>	<b>6 811</b>
<b>Bilateral inventory repurchase agreements</b>	<b>504</b>	<b>504</b>	<b>522</b>
<b>Total borrowings</b>		<b>27 712</b>	<b>24 964</b>
<b>Cash and cash equivalents and marketable securities</b>		<b>- 1 168</b>	<b>- 1 658</b>
<b>Net funding</b>		<b>26 544</b>	<b>23 306</b>

<sup>1</sup> Consisting of two loans maturing in September 2011.

<sup>2</sup> Consisting of an \$ 8.4 billion 3 year tranche (to May 2013), a \$ 1.4 billion 364 day tranche with 1 year term out option (to May 2012) and a \$ 0.5 billion 364 day Asian focused tranche.

<sup>3</sup> Consisting of numerous credit facilities from a large number of international banks, primarily financing Glencore's working capital requirements at subsidiaries, such as our Chinese domestic operations, Chemoil and South American and CIS grain operations. This funding is generally available for as long as Glencore demonstrates such working capital funding requirements and is not subject to an expected repayment profile, other than via cash release from the sale of such underlying inventories.

<sup>4</sup> Funded via ABCP issued by 3 Western European banks' multi seller A1+/P1 rated conduits. The programs are structured and rated until 2013, with the backup liquidity facilities provided by the sponsoring banks requiring annual renewal in June each year. In November 2010, a new \$ 1.7 billion secured borrowing base facility was signed to replace the ABCP program along with the base metals inventory program noted below. This new facility is expected to provide greater efficiency and flexibility with respect to receivables and inventory funding and includes participation from 16 banks.

<sup>5</sup> Funding is secured against certain base metal inventories, with committed funding currently in place until November 2010.

<sup>6</sup> U.S. commercial paper drawn under a \$ 1.0 billion A3/P2 rated program. Amounts drawn under this program cannot be drawn under the medium term committed syndicated revolving credit facility.

# Consolidated financial statements

Consolidated statements of income for the nine months  
ended September 30, 2010 and 2009

		US \$ million
2010 (unaudited)	2009 (unaudited)	
105 863	75 591	Revenues
- 103 089	- 73 407	Cost of goods sold
2 774	2 184	Gross income
- 680	- 581	Selling and administrative expenses
1 255	345	Share of income from associates
8	11	Dividend income
3 357	1 959	Income before interest, tax and other items
218	185	Interest income
- 853	- 650	Interest expense
242	357	Other income/expense – net
2 964	1 851	Income before income taxes and attribution
- 229	- 131	Income taxes
2 735	1 720	Income before attribution
- 197	- 108	Attribution to hybrid profit participation shareholders
- 1 072	- 307	Attribution to ordinary profit participation shareholders
1 466	1 305	Income for the period
		Attribution to:
- 286	- 66	Non controlling interests
- 1 180	- 1 239	Equity holders



Consolidated statements of financial position  
as of September 30, 2010 and December 31, 2009

		US \$ million
2010 (unaudited)	2009 (audited)	Assets
		Non current assets
11 664	6 845	Property, plant and equipment
15 741	14 881	Investments in associates
2 774	3 202	Other investments
2 574	2 535	Long term advances and loans
130	88	Deferred income taxes
32 883	27 551	Total non current assets
		Current assets
2 332	1 894	Production inventories
11 589	13 179	Marketing inventories
18 174	15 243	Accounts receivable
3 939	6 125	Other financial assets
58	75	Marketable securities
1 110	860	Cash and cash equivalents
37 202	37 376	
51	1 349	Assets held for sale
37 253	38 725	Total current assets
70 136	66 276	Total assets

Consolidated statements of financial position  
as of September 30, 2010 and December 31, 2009

		US \$ million
2010 (unaudited)	2009 (audited)	
		<b>Liabilities and equity</b>
		<b>Net assets attributable to profit participation shareholders, non controlling interests and equity holders</b>
46	46	Share capital
4 665	4 395	Reserves and retained earnings
2 802	1 258	Non controlling interests
7 513	5 699	
1 654	1 461	Hybrid profit participation shareholders
11 370	10 784	Ordinary profit participation shareholders
20 537	17 944	Total net assets attributable to profit participation shareholders, non controlling interests and equity holders
		<b>Other non current liabilities</b>
15 109	16 403	Borrowings
1 036	626	Deferred income taxes
842	722	Provisions and other long term liabilities
16 987	17 751	Total other non current liabilities
		<b>Current liabilities</b>
12 099	7 186	Borrowings
504	477	Commodities sold with agreements to repurchase
0	2 303	Prodeco call option arrangement
13 234	11 482	Accounts payable
6 433	8 643	Other financial liabilities
302	254	Income tax payable
32 572	30 345	
40	236	Liabilities held for sale
32 612	30 581	Total current liabilities
70 136	66 276	Total liabilities and equity

Consolidated statements of cash flows for the nine months  
ended September 30, 2010 and 2009

		US \$ million
2010 (unaudited)	2009 (unaudited)	
		<b>Operating activities</b>
2 964	1 851	Income before income taxes and attribution
		Adjustments to reconcile income before income taxes and attribution to net cash provided/(used) by operating activities
777	520	Depreciation and amortization
- 1 255	- 345	Share of income from associates
5	21	Increase/(decrease) in long term provisions
6	- 223	Unrealized mark to market movements on other investments
- 251	- 115	Other non cash items and impairments
635	465	Interest expense – net
2 881	2 174	Cash provided by operating activities before working capital changes
		<b>Working capital changes</b>
18	22	(Increase)/decrease in marketable securities
- 461	6 169	(Increase)/decrease in accounts receivable <sup>1</sup>
1 705	- 3 663	(Increase)/decrease in inventories
- 1 500	- 4 051	Increase/(decrease) in accounts payable <sup>1</sup>
- 238	- 1 523	Total working capital changes
2 643	651	Cash provided by operating activities
- 179	- 51	Income taxes paid
235	132	Interest received
- 661	- 547	Interest paid
2 038	185	Net cash provided by operating activities

<sup>1</sup> Includes movements in other financial assets and liabilities

Consolidated statements of cash flows for the nine months  
ended September 30, 2010 and 2009

		US \$ million
2010 (unaudited)	2009 (unaudited)	
		<b>Investing activities</b>
- 640	- 423	Increase in long term advances and loans
- 367	- 70	Net cash used in acquisition of subsidiaries
- 339	- 196	Purchase of investments
- 2 250	0	Exercise of Prodeco call option
138	569	Proceeds from sale of investments
- 1 268	- 749	Purchase of property, plant and equipment
313	55	Proceeds from sale of property, plant and equipment
153	45	Dividends received
- 4 260	- 769	Net cash used by investing activities
		<b>Financing activities</b>
1 377	1 353	Net proceeds from current borrowings
283	0	Net proceeds from Convertible bonds
1 712	- 90	Net proceeds/(repurchase) of Euro and Sterling bonds
- 177	39	Net proceeds/(repayment) of other non current borrowings
- 694	- 564	Payment of profit participation certificates
- 28	0	Return of capital to non controlling interests
- 1	- 2	Dividend
2 472	736	Net cash provided by financing activities
250	152	Increase in cash and cash equivalents
860	826	Cash and cash equivalents, beginning of period
1 110	978	Cash and cash equivalents, end of period

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