

GlencoreXstrata
Annual Report 2013

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Further details on our sustainability approach and performance can be found in our annual sustainability report and on our website www.glencorexstrata.com



Who we are

We are a leading integrated producer and marketer of commodities, with worldwide activities in the marketing of metals and minerals, energy products and agricultural products and the production, refinement, processing, storage and transport of those products.

We operate globally. We market and distribute physical commodities sourced from third party producers as well as our own production to industrial consumers, such as those in the automotive, steel, power generation, oil and food processing industries. We also provide financing, logistics and other services to producers and consumers of commodities.

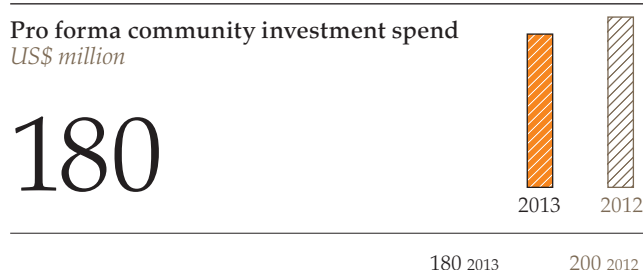
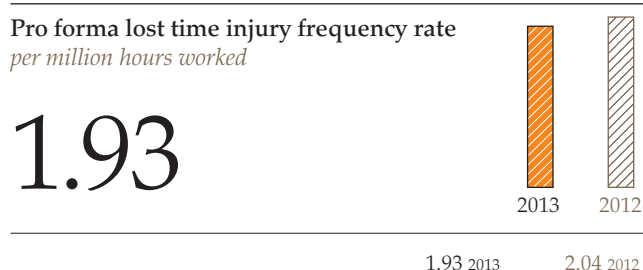
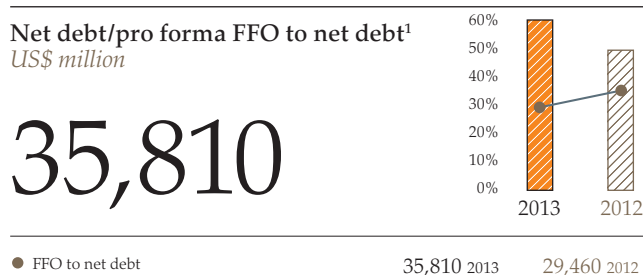
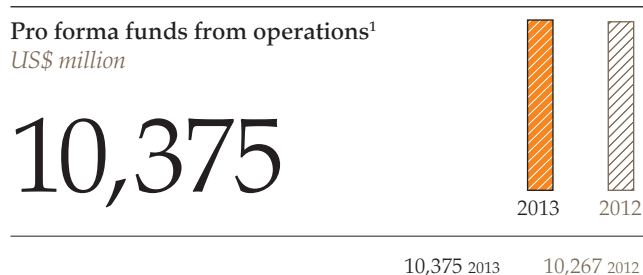
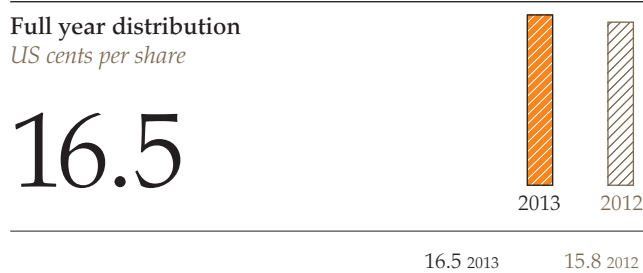
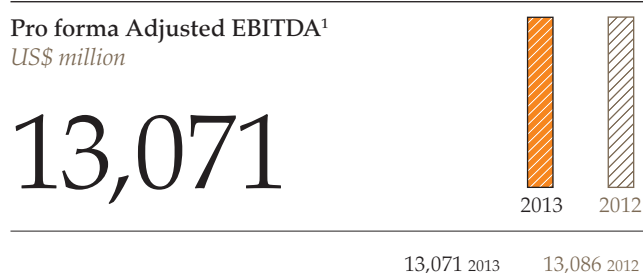
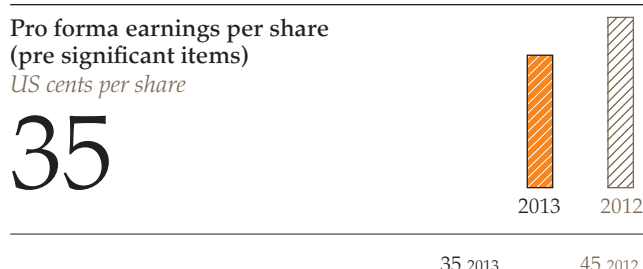
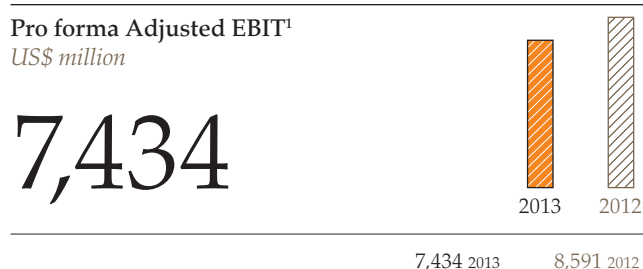
Highlights

2013 was an important year for the Group. The acquisition of Xstrata has created the only genuinely diversified natural resources company in respect of business activity, commodity and geography.

Our unique business model has positioned the Company well to counter the cyclical nature of the natural resource sector. The positive overall performance delivered by our marketing activities has provided a robust counter balance to the lacklustre commodity price environment.

Integration processes following the acquisition have identified some \$2.4 billion of acquisition-related synergies. These accrue, in part, from the simplification of industrial assets reporting structures as well as a bottom up review of all assets and projects.

Decisive action has been taken across the Group to ensure capital expenditure delivers true value. Our ongoing approach to improve operating efficiencies at our enlarged industrial asset base will continue to deliver further savings.



The pro forma financial information detailed throughout this report has been prepared to show the acquisition of Xstrata plc and its full consolidation as taking place as at 1 January 2012. This approach supports an enhanced understanding and comparative basis of the underlying financial performance as outlined further on page 33.

¹ Refer to the Appendix on page 204 for definitions and calculations.

Our business model

Our business model enables us to focus on generating superior returns for our shareholders through capital disciplined opportunism and our competitive position.

Who we are

Glencore Xstrata is a leading integrated producer and marketer of commodities. We have worldwide activities in the production, refinement, processing, storage and transport of commodities and the marketing of metals and minerals, energy products and agricultural products.

Operating globally, we market and distribute physical commodities sourced from our own production and from third party producers to industrial consumers, such as those in the automotive, steel, power generation, oil and food processing industries. We also provide financing, logistics and other services to producers and consumers of commodities.

Scale and diversity

We benefit from our scale and diversity. We are the third largest global diversified mining company by market capitalisation and a major producer and marketer of over 90 commodities.

Our portfolio of diversified industrial assets comprise over 150 mining and metallurgical facilities, offshore oil production facilities, farms and agricultural facilities. Our growth prospects are underpinned by volume increases in the industrial asset base, which in turn will enhance marketing opportunities.

In addition and unique in the industry, we are an established marketer of commodities. Over a period of many years, we have built a strong market reputation as a reliable supplier of quality product on a timely basis. In doing so, we have extensive market knowledge and insight, as well as the full logistics capabilities required to generate value added margins and seek arbitrage potential throughout the physical commodity supply chain.

The global economic outlook appears better than it has been for a number of years. A pickup in the major developed economies coupled with further robust growth in China should more than offset a mixed picture in other emerging economies and support demand growth for our key commodities.

A unique business model, fully integrated along the supply chain to capture value in an evolving competitive landscape

Our presence at each stage of the commodity chain provides us with superior market insight and access to opportunities. We are able to capture value at each stage of the commodity chain, including extraction, processing, freight, logistics, technology, storage, marketing, risk management and financing.

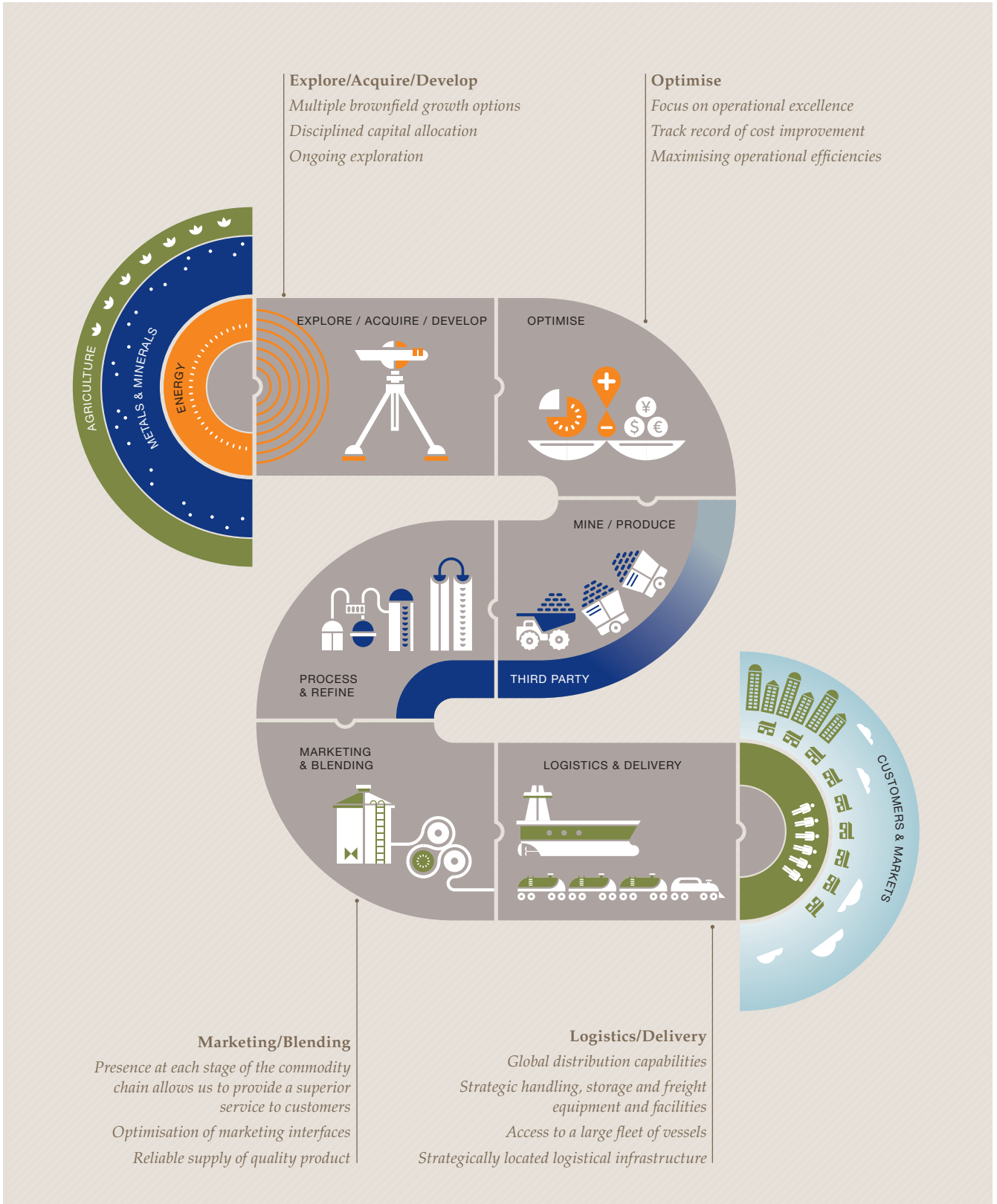
In addition, we buy commodities from thousands of third party producers worldwide, which enables us to identify opportunities to grow our asset base. We see our ownership of industrial assets not solely as sources of self-produced commodities, but also as tools for increasing flexibility, access to strategic markets, optionality, security of supply and for gaining valuable operating, technical and market knowledge and know-how.

Commodity trade flows continue to shift as demand growth centres around emerging Asian economies and the supply of commodities is increasingly sought from more remote, challenging and often logistically constrained locations, with a range of new industry participants. As a result, we benefit from:

- access to new sources of volume growth and prospective geographies at multiple points along the value chain;
- optimisation of product and marketing interfaces;
- excellent industry insight through a global network and superior market intelligence;
- scale and diversity with growth options;
- established relationships providing strong access to equity and debt markets; and
- access to strategically located logistical infrastructure.

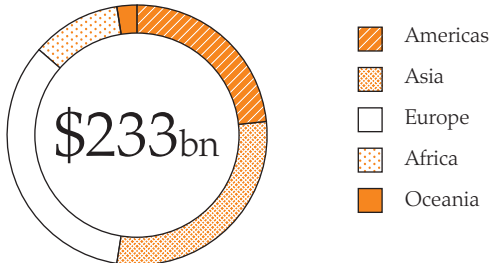
World-class management, entrepreneurial culture and track record of value creation

Our management team, led by Ivan Glasenberg (Chief Executive Officer), has a proven track record of developing and growing our business across industry cycles. Their alignment and commitment to continue to deliver strong returns to shareholders is reinforced through a strong entrepreneurial culture and significant equity participation, with total management and employee ownership of around 33% in the Company.

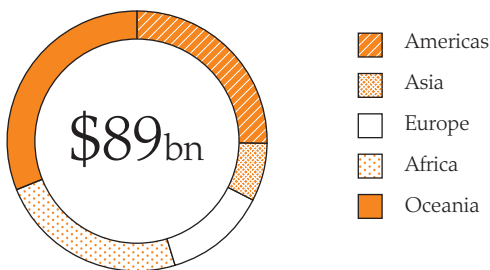


Where we operate

Revenue¹ by geography 2013



Non-current assets by region 2013



¹ Revenue by geographic destination is based on the country of incorporation of the sales counterparty however this may not necessarily be the country of the counterparty's ultimate parent and/or final destination of the product.

A resilient business through our geographic diversity

We are a major producer and marketer of over 90 commodities. Our diversified operations comprise over 150 mining and metallurgical sites, oil production assets and agricultural facilities. Our industrial and marketing activities are supported by a global network of more than 90 offices located in over 50 countries. We employ around 200,000 people, including contractors.

Our company is structured into three distinct business segments:

Metals and minerals

Includes copper, zinc/lead, nickel, ferroalloys, alumina/aluminium and iron ore production and marketing activities. We have interests in both controlled and non-controlled industrial assets that include mining, smelting, refining and warehousing operations.

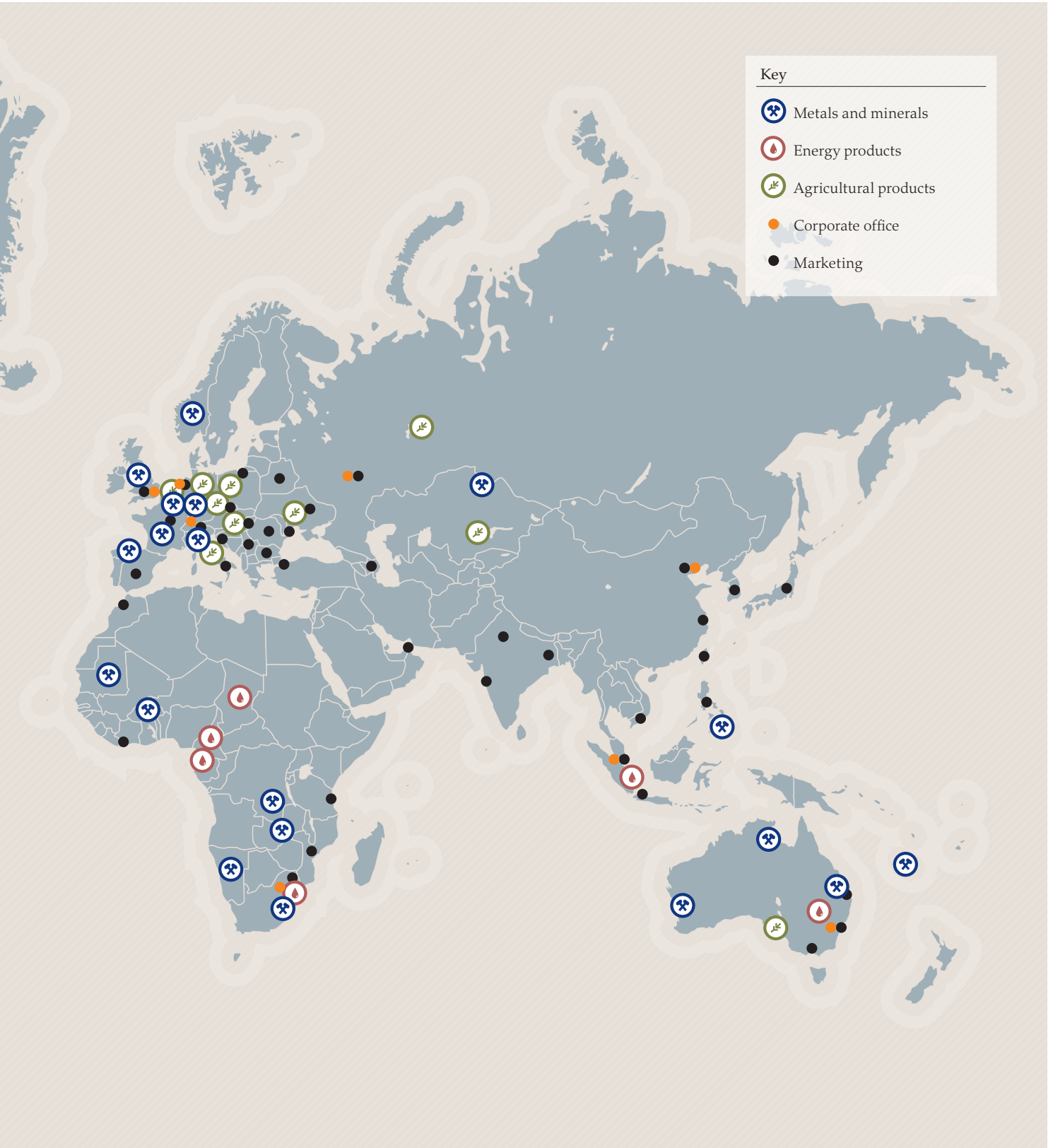
Energy products

Covering coal and oil industrial and marketing activities, our Energy Products businesses include controlled and non-controlled coal mining and oil production operations and investments in strategic handling, storage and freight equipment and facilities.

Agricultural products

Focuses on grains, oils/oilseeds, cotton and sugar. Our Agricultural Products group is supported by both controlled and non-controlled storage, handling and processing facilities in strategic locations.





Ivan Glasenberg Chief Executive Officer

“2013 was a landmark year for Glencore with the completion of our acquisition of Xstrata. Through the hard work and efforts of our employees we have achieved a rapid and seamless integration of the two businesses, and now expect the total annual acquisition-related synergies to be in excess of \$2.4 billion.”



2013 was a landmark year for Glencore with the completion of our acquisition of Xstrata. As we outlined at our September investor day, robust structures and procedures were established that allowed our operations to be quickly and smoothly combined.

As part of this process, we rationalised divisional head office structures and sought to eliminate excessive bureaucracy and duplication across the entire operational base, which combined with marketing benefits identified, has resulted in expected total annual synergies relating to the acquisition now in excess of \$2.4 billion.

A bottom up review of all operating assets and projects also formed an important component of the integration process, resulting in the suspension of more than 40 projects and the identification of other assets for potential sale. We remain committed to ensuring that key projects are delivered in the best possible manner, while maintaining a strong focus on cost control. Our efforts to improve the efficiency and productivity of the enlarged industrial asset base continue to present opportunities to accrue further savings. Separately, we are also exploring the possibility of creating further value via closer cooperation and interaction in specific areas where there is significant operational overlap with third party producers.

Unique amongst our peers, we have made our capital allocation process and thresholds explicit. We are focused on delivering the right returns on our capital in order to grow our long-term free cash flows. Depleting assets will only be replaced if it makes economic sense. Excess capital, which cannot be gainfully redeployed, will be returned to shareholders.

Incremental capital allocation will focus on lower-risk expansion brownfield projects and bolt-on acquisitions that minimise risk and allow for strong returns and rapid cash payback. The combination of the substantial completion of the current growth pipeline and our operational cost reduction programme is expected to see Glencore move materially down the cost curve in all our key commodities.

Glencore remains the only genuinely diversified natural resources company in respect of business activity, commodity and geography. Our financial performance in 2013 reflects this, with a consistent pro forma Adjusted EBITDA and operational cashflow performance compared to 2012. In light of the near term expected production growth, associated deceleration of capital expenditure and recognition of the level of acquisition-related synergies achieved, we are delighted to announce a further increase in our dividend per share.

Marketing delivered a very creditable overall performance with an 11% increase in Adjusted EBIT, despite a relatively lacklustre commodity and economic backdrop. Our industrial asset performance inevitably reflected such weaker commodity price environment, particularly in coal, resulting in an overall relatively modest year on year decline, bolstered by volume growth, improved cost management and the delivery of acquisition-related synergies.

On 13 November 2013, our shares began trading on the Johannesburg Stock Exchange, as a secondary and inward foreign listing as defined by the South African Reserve Bank. Africa is an exciting and growing market for Glencore. South Africa has a strong and knowledgeable institutional investor base with a long history of investing in resource companies and, in this regard, we look forward to developing long-term and rewarding shareholder relationships.

We continue to see healthy demand growth in all our key commodities, underpinned by the long-term trend of urbanisation in emerging markets and parts of the developed world returning to trend growth. Under pressure from shareholders, resources companies appear to be fundamentally reassessing their allocation of capital dedicated to new supply. This does suggest a more constructive price environment for commodities in the future.

Ivan Glasenberg
Chief Executive Officer

Strategic review

Our strategy is to focus on opportunistic growth, underpinned by strict financial discipline. Our objective is to deliver superior and growing returns for our shareholders. We will remain focused on our core commodities.

	Strategic objectives	Key highlights
Capital disciplined opportunism	<p>Capitalise on investments in industrial assets</p> <p>To leverage our fully integrated business model and our presence at each stage of the commodity chain to provide investment opportunities where value can be created through the application of our market knowledge and operational and technical know-how.</p> <p>Evaluation of investments for disposal from time to time, particularly when assets are no longer deemed to support core business and/or when attractive selling opportunities arise.</p>	<ul style="list-style-type: none"> • Completion of the acquisition of Xstrata • Merger of Mutanda and Kansuki and subsequent increase in ownership • Agreed to acquire interest in Clermont thermal coal operations • Acquisition of a 35% interest in oil fields in Chad • Disposal of non-core Viterra assets • Rationalisation of asset portfolio with suspension of over 40 projects
	<p>Continue to leverage the geographic scope and diversification of operations</p> <p>To target opportunities in geographies where we currently operate and further expansions in traditional and emerging markets.</p>	<ul style="list-style-type: none"> • Additional long-term oil supply contracts in Russia with Rosneft • Expansion of presence in the DRC via the merger of Mutanda and Kansuki and subsequent increase in ownership • Enhanced scale in Australia, South Africa, South America, Canada and New Caledonia via the acquisitions of Viterra and Xstrata
Maintaining and strengthening our competitive position	<p>Maintain conservative financial profile and investment grade ratings</p> <p>To maintain a strong and flexible capital structure capable of supporting growth and shareholder returns and providing continued access to bank and international debt capital markets on competitive terms.</p>	<ul style="list-style-type: none"> • \$5 billion multi-tranche US bond issued • Renewed and increased a multi-tranche committed revolving credit bank facility totalling \$17.3 billion • Credit rating reaffirmed at BBB/Baa2
	<p>Focus on cost control</p> <p>To increase the net present value of our business by improving the quality of our assets through an ongoing focus on cost management and logistical capabilities as well as operating safely and efficiently.</p>	<ul style="list-style-type: none"> • Expected cost synergies of \$2.4 billion p.a. by 2014 from the integration of Xstrata
	<p>Integration of sustainability throughout the business</p> <p>To continuously improve our standards of health, safety and environmental performance, and to be viewed as a responsible partner within the communities in which we operate.</p>	<ul style="list-style-type: none"> • 26 fatalities • Continued improvement in lost time injury frequency rate: 3.0 (2009) to 1.93 (2013) • Zero serious or disastrous environmental incidents • Around \$180 million spent on community investments

Further details on our 2013 performance can be found in the financial and operating reviews on pages 32 to 73



Priorities in 2014	Measuring performance	Potential risks to implementing strategic objectives
<ul style="list-style-type: none"> • Ongoing evaluation of existing operations, processes and new opportunities in an effort to achieve industry leading returns on capital • Meet MOFCOM requirements with regards to the disposal of Las Bambas or other operations • Commissioning of Koniambo 	<ul style="list-style-type: none"> • Adjusted EBITDA/EBIT • Funds from operations • FFO to net debt • Net income 	<ul style="list-style-type: none"> • External risks • Industrial activities risks • Sustainable development risks
<ul style="list-style-type: none"> • Maintain a disciplined approach towards acquisitions and disposals, including the likely exit/sale of our non-core platinum business • Ongoing review of project portfolio 	<ul style="list-style-type: none"> • Adjusted EBITDA/EBIT • Funds from operations • FFO to net debt • Net income 	<ul style="list-style-type: none"> • External risks • Industrial activities risks • Sustainable development risks
<ul style="list-style-type: none"> • Ensure strong liquidity position is maintained through continued access to global bond and bank markets • Where desirable, extend and renew Group bank facilities on competitive terms • Maintain commitment to investment grade credit rating 	<ul style="list-style-type: none"> • Strong BBB/Baa target • Adjusted EBITDA/EBIT • Funds from operations • FFO to net debt 	<ul style="list-style-type: none"> • External risks • Marketing activities risks • Industrial activities risks • Sustainable development risks
<ul style="list-style-type: none"> • Ongoing focus on improving the quality of our assets through year on year cost reductions, mine life extensions and productivity and safety improvements • Focus on sourcing competitively priced physical commodities from reliable third party suppliers 	<ul style="list-style-type: none"> • Adjusted EBITDA/EBIT • Funds from operations • FFO to net debt • Net income 	<ul style="list-style-type: none"> • External risks • Marketing activities risks • Industrial activities risks • Sustainable development risks
<ul style="list-style-type: none"> • Zero fatalities • Continued reduction in our lost time injury frequency rate • Zero serious or disastrous environmental incidents • Continued engagement with and investment in the communities in the regions where we operate 	<ul style="list-style-type: none"> • Zero fatalities • Lost time injury frequency rate • Class A environmental incidents • Community investments 	<ul style="list-style-type: none"> • Sustainable development risks
	Further details on our KPI performance can be found on pages 12 to 15	Further details on our Principal Risks and Uncertainties can be found on pages 18 to 31

Key performance indicators

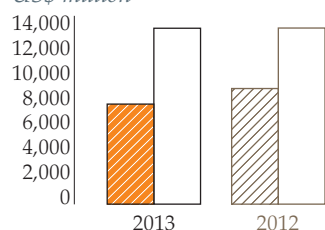
Key performance indicators

Our financial and sustainable development key performance indicators (KPIs) provide some measure of our performance against the key drivers of our strategy. All KPIs are presented on a pro forma basis.

Financial key performance indicators

Adjusted EBIT/EBITDA

US\$ million



EBIT EBITDA

Definition

Adjusted EBIT/EBITDA, as defined in the Appendix on page 204, is a measure that provides insight into our overall business performance (a combination of cost management, seizing market opportunities and growth), and the corresponding flow driver towards achieving an industry-leading return on equity. Adjusted EBIT is revenue less cost of goods sold and selling and administrative expenses plus share of income from associates and joint ventures, and dividend income as disclosed on the face of the consolidated statement of income, excluding significant items. Adjusted EBITDA consists of Adjusted EBIT plus depreciation and amortisation.

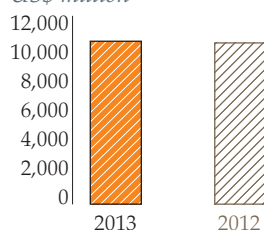
2013 performance

2013 pro forma Adjusted EBITDA was \$13.1 billion, consistent with 2012, and Adjusted EBIT was \$7.4 billion, down 13% compared to 2012.

These were achieved as a result of improved marketing results, increased production and productivity gains at many of our industrial operations and some synergies relating to the acquisition of Xstrata, offset by the impact of weaker average commodity prices on our industrial activities.

Funds from operations (FFO)

US\$ million



Definition

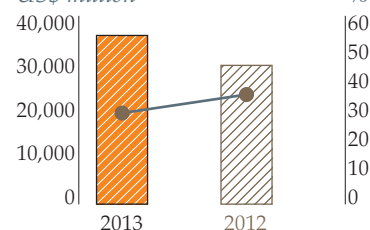
FFO is a measure that reflects our ability to generate cash for investment, debt servicing and distributions to shareholders. FFO comprises cash provided by operating activities before working capital changes, less tax and net interest payments plus dividends received.

2013 performance

2013 pro forma FFO was in line with 2012, reflective of the consistent year over year pro forma adjusted EBITDA result of \$13.1 billion where increased production and improved cost management aided by some synergies relating to the acquisition of Xstrata mitigated the impact of the weaker commodity price environment.

Net debt/FFO to net debt

US\$ million



Net debt FFO to net debt

Definition

Net debt is an absolute measure of how we are managing our balance sheet and capital structure, while of equal or greater importance, the relationship of FFO to net debt is an indication of our financial flexibility and strength, a key driver of our strategy to take advantage of capital disciplined opportunism.

Net debt is defined as total current and non-current borrowings less cash and cash equivalents, marketable securities and readily marketable inventory.

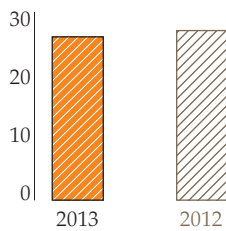
2013 performance

During 2013, net debt increased to \$35.8 billion, as the Group nears completion of many of its large development projects, including Las Bambas, McArthur River, African copper and the pre-commissioning of Koniambo, the benefits of which should start to accrue in the near future. Capital expenditure is now on a steeply declining trajectory.



Non-financial key performance indicators

Fatalities number



Definition

We believe that every work-related incident, illness and injury is preventable and we are committed to providing a safe workplace.

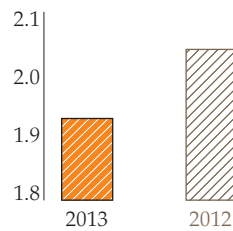
We do not distinguish between contractors and employees; the safety of all our workers is of equal and paramount importance. We insist that our contractors comply fully with our safety standards and procedures, and monitor their compliance.

Our safety-related initiatives and performance are discussed at every Executive Committee and Board HSEC Committee meeting.

2013 performance

It is with regret that we report that 26 people lost their lives at our managed operations in 2013.

Lost time injury frequency rate (LTIFR) per million hours worked



Definition

The lost time injury frequency rate (LTIFR) is a key measure of how we are delivering against our commitment to the health and safety of our total workforce, including contractors.

LTIs are recorded when an employee or contractor is unable to work following an incident. LTIs are recorded when an incident results in lost days from the next calendar day after the incident or in lost days from the next rostered day after the incident.

The LTIFR is calculated based on the total number of injuries per million hours worked (by both employees and contractors)

2013 performance

In 2013, our Group LTIFR was 1.93 per injuries recorded per million working hours, down from 2.04 in 2012.

The decrease reflects our ongoing initiatives that are working towards bringing about a long-term change to our safety culture, particularly in a few key jurisdictions.

Key performance indicators

Environmental incidents

Serious/disastrous incidents

2013: none

2012: none

Definition

We undertake an extensive and complex range of activities, which are not limited to the extraction of natural resources, but also include significant logistical operations such as maritime transportation. One way in which we measure the robustness of our procedures and policies is the frequency and severity of environmental incidents in the Group.

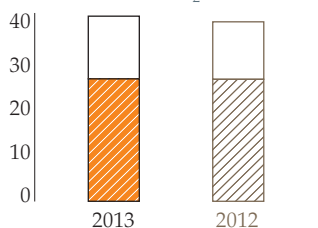
We grade environmental incidents according to severity. In 2013, we classified incidents against a four-point scale from serious/disastrous (Class A+) to minor (Class C). We aim for zero serious to disastrous environmental incidents.

2013 performance

During 2013, there were zero serious or disastrous incidents, as in 2012.

Greenhouse gas emissions

Million tonnes CO₂e



Scope 1
 Scope 2

Definition

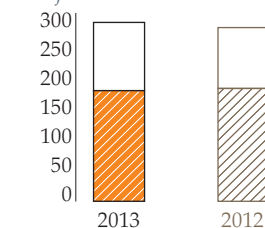
Our GHG emission reporting is separated into Scope 1 and Scope 2 emissions. Scope 1 includes emissions from combustion in owned or controlled boilers, furnaces and vehicles/vessels, and Scope 2 consists of those generated in creating the electricity, steam and heat provided to the organisation by external utility companies.

2013 performance

In 2013, our business accounted for 26.0 million tonnes of CO₂e Scope 1 (direct) emissions and 13.3 million tonnes of CO₂e Scope 2 (indirect) emissions. This was a 3.2% increase on 2012 levels and was mainly due to increased production levels at the former Xstrata assets as a number of key projects began commissioning.

Energy usage

Petajoules



Direct energy
 Indirect energy

Definition

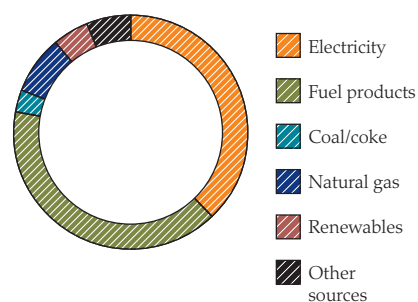
Energy is measured in petajoules (PJ), and includes both electricity usage and energy from the combustion of fuel.

Many of our operations use energy intensively and energy use is a significant component of our total operation costs. As such, we aim to continually improve energy efficiency across our operations. Our commodity businesses have bespoke energy efficiency plans and regular energy audits are carried out.

2013 performance

The net 2013 total energy usage was 285 PJ, an increase of 2.9% (or 8.1 PJ) compared to 2012, due to increased volumes arising from new production coming on stream as expansion projects were commissioned.

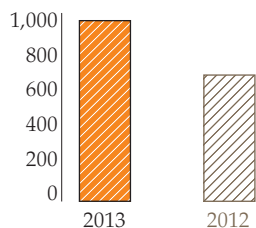
Energy source (% of Group total)





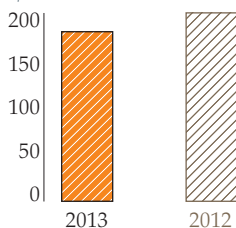
Water withdrawn

Million m³



Community investment spend

US\$ million



Definition

Water withdrawal is a measure of our operational resource efficiency.

We monitor total water used as a measure of our operational resource efficiency. Our operations have an ongoing responsibility to increase the use of processed and recycled wastewater in order to reduce our impact on local water supplies. Recycled water is predominantly used in place of fresh water for processes such as dust suppression.

2013 performance

In 2013, we used 959 million m³ of water, a 43% increase on 2012. This increase was mainly as a result of increased production, integration of new assets and improved reporting procedures. In 2012, the former Xstrata assets initiated a project to improve their understanding of their water footprint. This resulted in the alignment of their reporting process with the MCA Water Accounting Framework and a significant change in the indicators assessed.

Definition

Community investments are our contributions to, and financial support of, the broader communities in the regions where we operate.

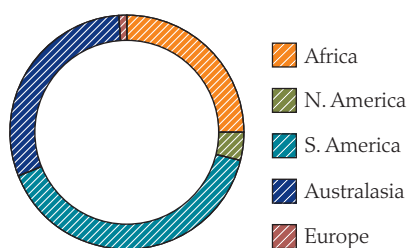
At least 1% of annual Group profit is set aside to fund initiatives that benefit communities and local sustainable development. We also make in-kind contributions, such as equipment and management. We support programmes for community development, enterprise and job creation, health, education and the environment.

2013 performance

In 2013, the funds we made available for community investments were around \$180 million, a modest decrease on the amount invested in 2012.

Community investment by region

%



Sustainable development

We are committed to upholding good business practices, meeting or exceeding applicable laws and applying other external requirements. We strive to adopt a safe and sustainable approach to our operations, and to contribute to the socio-economic growth of the communities in which we operate.

Glencore Xstrata Values and Code of Conduct underpin our approach to sustainability and state our expectations of our employees, our contractors and our business partners. Our approach is further detailed through the Glencore Xstrata Corporate Practice (GCP). GCP underpins our approach towards societal, environmental and compliance indicators, providing clear guidance on the standards we expect all our operations to achieve. Through the reporting function within GCP, our Board receives regular updates and has a detailed oversight on how our business is performing across all of the sustainability indicators.

We publish an annual sustainability report, which meets the requirements of Global Reporting Initiative (GRI) Level A+. This report covers in considerable detail our approach and our performance across all of the sustainability topics. Our 2013 sustainability report will be available on our website towards the end of the first half of 2014: www.glencorexstrata.com/sustainability

In 2013, Glencore Xstrata achieved membership of the Dow Jones Sustainability Index, as well as participating in the Carbon Disclosure Project for Carbon and Water. In 2013 we also initiated the application for membership of the International Council on Mining & Metals, an industry trade body dedicated to sustainability.

Our people

Our people are fundamental to our success. We are committed to upholding the International Labour Organization's (ILO) Declaration of Fundamental Principles and Rights at Work and ILO's Core Labour Standards. We do not condone any form of child, forced or bonded labour at any of our operations and do not tolerate discrimination or harassment.

We treat our people fairly and with respect. We recognise and uphold the rights of our people to a safe workplace, collective representation, just compensation, job security and opportunities for development.

We believe that a diverse workforce is essential for our sustainable business growth. We value diversity and treat employees and contractors fairly, providing equal opportunities throughout the organisation. We aim to appoint the best candidates available and recognise that it is important to maintain the right mix of skills, experience and viewpoints.

During 2013, our workforce was made up of 18,306 (17%) female employees and 92,072 (83%) male employees.

Health and safety – our number 1 priority

Our most important responsibility is to protect our people from injury. We believe that we can operate as a zero-harm business.

We are committed to continuous improvement in all areas of health and safety management. We continually assess our workplaces to ensure that we are best placed to protect the health and wellbeing of our people. We collect and share across our businesses examples of best practice from each of our assets, from across the industry and from externally recognised leaders in health and safety.

We take a proactive, preventative approach towards health and safety, working hard to instil a positive culture in which everyone fully integrates our values towards health and safety into their working lives.

It is with great sadness that we report the loss of 26 lives at our operations during 2013. We recognise that the loss of any life is unacceptable. During 2013, in addition to our existing procedures, we initiated the SafeWork programme specifically targeted at enhancing safety in the workplace. SafeWork focuses all of our assets on the elimination of fatalities and serious injuries through the implementation of fatal hazard protocols and life-saving behaviours. SafeWork seeks to bring about a long-term, permanent change in our safety culture.

Environment

We recognise that our global operations can have both a direct and indirect impact on the environment. Protecting the environment is one of our most significant sustainability challenges.



We seek to conduct our business in a way that minimises any negative impact on the natural environment. We are committed to identifying, understanding and mitigating our environmental impact with environmental responsibility integrated into our strategic planning, management systems and day-to-day operations. During 2013, our assets did not record any environmental incidents that were classed as serious/disastrous.

We are aware of the increasing regulatory pressure and societal demand for a low-emission economy to address the global climate change situation. We work with governments and key stakeholders in the jurisdictions in which we operate to understand the impacts of policy and regulation. We are working to integrate this consideration into existing resource efficiency programmes across our assets.

We divide greenhouse gas emissions (GHG) into three different scopes, in line with the Greenhouse Gas Protocol.

During 2013, we measured both the direct and indirect emissions generated by the operational activities, entities and facilities in which we have a controlling stake. While a pro forma combined figure has been provided below, it should be noted that during the year, the former Glencore and Xstrata assets collected GHG-related data using different indicators. Further information on the definitions used will be available in our sustainability report.

During 2013, we emitted 26.0 million tonnes CO₂e of Scope 1 (direct emissions), which includes emissions from the fuel we consume, methane emissions from our operations and reductants used in our metallurgical smelters. We emitted 13.3 million tonnes CO₂e of Scope 2 (indirect emissions), that is emissions arising from our consumption of purchased electricity, steam or heat. Data relating to our Scope 3 emissions, which relates to emissions from the end use of our products and those from outsourced activities such as shipping and land transportation, is still being finalised and will be available in our 2013 Sustainability Report.

We do not provide normalised figures for our GHG emissions nor ratios of GHG to production, financial results or employee headcount. This is due to a number of factors that mean the reporting of such data for GHG emissions would not meaningfully contribute to an understanding of our performance.

These reasons include the scope and diversity of our products, making a single production figure impossible to calculate, the impact commodity prices and foreign exchange rates, which are outside of our control, have on our financial performance and that, due to the nature of the exploration, development and the production cycle, GHG emissions do not correlate to our employee headcount. Further information on this will be available in our Sustainability Report.

Community

The communities surrounding our operations are our neighbours, employees, business partners and future workforce. We recognise that maintaining a two-way dialogue with our local communities is essential for maximising the positive impacts of our activities. Our engagement helps to secure broad-base support for our activities, which we recognise as being essential to the long-term sustainability of our business.

During the year, we contributed \$180 million to initiatives that benefit the communities living close to our assets. Our investments fund projects that support community development, enterprise and job creation, health, education and environment.

Human rights

Respecting human rights is fundamental to our activities. We are committed to the United Nations' (UN) Universal Declaration of Human Rights. We support the UN Guiding Principles on Business and Human Rights.

During 2013, we developed a Group human rights policy and supporting operational standards. We used the UN principles as a guide during the development of the policy and standards. Together, these will strengthen our approach to protecting internationally-recognised human rights and the fundamental freedoms of our people and stakeholders.

We are committed to achieving membership of the Plenary Group of UN Voluntary Principles on Security and Human Rights and have rolled out a number of supporting initiatives in our high risk operating geographies. These steps are underpinning our commitment to uphold human rights and to manage the human rights risks associated with the use of security.

Principal risks and uncertainties

Managing risks and uncertainties in a manner that allows us to pursue business opportunities and create shareholder value is a continuous challenge. Identifying, quantifying and managing risk is complex and challenging. Risks can arise from factors and events outside of our control or from operational and management activities.

Our risk management framework identifies and manages risk in a way that is supportive of our strategic objectives of opportunistically deploying capital, while protecting our future financial security and flexibility. Our approach towards risk management is underpinned by our understanding of the risks that we are exposed to, our risk appetite and how our risks change over time.

The Board and its Audit Committee are responsible for maintaining our risk management framework and internal control processes and policies. The Board assesses and approves our overall risk appetite, monitors our risk exposure and sets the group-wide limits, which are annually reviewed. The purpose of our management of risks is to ensure that an appropriate balance is maintained between the levels of risk assumed and expected return, while ensuring that fast, highly commercial decision-making remains unhindered. The significant shareholdings held by a number of key staff has created a strong culture around attitudes towards risks, which is further supplemented with prescriptive norms where necessary.

During 2013, the acquisitions of Xstrata and Viterra did not significantly impact our risk profile as the operations and associated risks and uncertainties acquired were consistent with the Group's existing activities.

Competitive, economic, political, legal, regulatory, social, business and financial risks and uncertainties all have the potential to significantly impact our business. Our principal risks, which have been assessed according to materiality and likelihood, are detailed below. The order in which these risks and uncertainties appear does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on our business, results of operations, financial condition and/or prospects. These principal risks and uncertainties should be considered in connection with any forward looking statements in this document and the cautionary statement.

Risk	Impact	Mitigation
External		
<p>Fluctuations in expected volumes of supply or demand for the commodities in which the Group operates</p> <p>The Group is dependent on the expected volumes of supply or demand for commodities in which the Group is active, which can vary over time based on changes in resource availability, government policies and regulation, costs of production, global and regional economic conditions, demand in end markets for products in which the commodities are used, technological developments, including commodity substitutions, fluctuations in global production capacity, global and regional weather conditions, natural disasters and diseases, all of which impact global markets and demand for commodities.</p>	<p>Fluctuations in the volume of each commodity produced or marketed by the Group could materially impact the Group's business, results of operations and earnings. These fluctuations could result in a reduction or increase in the income generated in respect of the volumes handled by the Group's marketing activities, or a reduction or increase in the volume and/or margin in respect of commodities produced by the Group's industrial assets.</p>	<p>The risk of fluctuations in demand for the commodities in which the Group markets is managed by maintaining a diversified portfolio of commodities to market, reducing the impact of movement in any one commodity market. Individual commodities, even apparently closely linked products such as barley and wheat, have their own demand cycles reducing over-reliance on any single product.</p>



Risk	Impact	Mitigation
<p>Fluctuations of commodity prices</p> <p>The revenue and earnings of the Group's industrial asset activities and, to a lesser extent, its marketing activities are dependent upon prevailing commodity prices. Commodity prices are influenced by a number of external factors, including the supply of and demand for commodities, speculative activities by market participants, global political and economic conditions and related industry cycles and production costs in major producing countries.</p>	<p>Fluctuations in the price of commodities produced or marketed could materially impact the Group's business, results of operations and earnings. The impacts that fluctuating commodity prices have on the Group's business differ between its marketing activities and industrial activities.</p> <p>Marketing activities: In a market environment in which prices for a particular commodity are higher on average, the premiums/margins that the Group generates in its physical marketing operations relating to such commodity as a result of geographical, time and quality imbalances tend to be higher. The Group also generally benefits from fluctuating market prices, rather than long periods of stable prices, as it seeks to physically arbitrage such resulting price differentials. As prices of commodities rise, the Group generally has higher working capital financing requirements over the same quantity of commodities in question. During periods of falling commodity prices, the opposite applies in that the Group will require less working capital financing for its marketing activities.</p> <p>Industrial activities: Higher prices will be particularly favourable to the profitability of the Group in respect of those commodities which the Group produces at its industrial assets or are produced by its associated companies and other investees. Similarly, low prices will negatively impact the Group's industrial activities and could result in such activities incurring losses.</p> <p>A significant downturn in the price of commodities generally results in a decline in the Group's profitability during such a period and could potentially result in a devaluation of inventories and impairments. Although the impact of a downturn on commodity prices affects the Group's marketing and industrial activities differently, the negative impact on its industrial activities is generally greater, as the profitability in the industrial activities is more directly exposed to price risk due to its higher level of fixed costs, while the Group's marketing activities are ordinarily substantially hedged in respect of price risk and principally operate a service-like margin-based model.</p>	<p>The risk of fluctuations in commodity prices is managed by maintaining a diversified portfolio of commodities, reducing the impact of movement to any individual commodity price. In addition, the Group continuously reviews and looks to optimise its asset portfolio to ensure it is sufficiently cost effective and efficient and a substantial portion of our inventory is either under contract for sale at a pre-determined price or hedged through futures and options on commodity exchanges or with highly rated counterparties. Therefore, at any one time, the commodity price risk is restricted to a small proportion of the working capital balance.</p>

Principal risks and uncertainties

Risk	Impact	Mitigation
<p>Fluctuation in currency exchange rates</p> <p>The vast majority of the Group's transactions are denominated in US dollars, while operating costs are spread across several different countries the currencies of which fluctuate against the US dollar.</p>	<p>The vast majority of transactions undertaken by both the Group's marketing and industrial activities are denominated in US dollars. However, the Group is exposed to fluctuations in currency exchange rates:</p> <ul style="list-style-type: none"> • Through its industrial assets, because a large proportion of these assets are denominated in the currency of the country in which each asset is located, the largest of such currency exposures being to the Australian dollar, the Canadian dollar, the euro, the Kazakhstani tenge, the Chilean peso, the Norwegian kroner, the South African rand, the Argentine peso, the Colombian peso and the Peruvian sol; • Through the costs of the Group's global office network, which are denominated largely in the currency of the country in which each office is located, the largest of such currency exposures being to the Swiss franc, the Australian dollar, the Canadian dollar, the South African rand, the British pound and the euro; and • Through its marketing activities, although only a small minority of purchases or sale transactions are denominated in currencies other than US dollars. <p>Foreign exchange rates have seen significant fluctuation in recent years and a depreciation in the value of the US dollar against one or more of the currencies in which the Group incurs significant costs will therefore, to the extent it has not been hedged, result in an increase in the cost of these operations in US dollar terms and could adversely affect the Group's financial results.</p>	<p>The Group manages the risk of fluctuating currency exchanges rates by operating in a number of different geographies and by hedging specific future non-US dollar denominated commodity purchase or sale commitments.</p>
<p>Geopolitical risk</p> <p>The Group operates and owns assets in a large number of geographic regions and countries some of which are categorised as developing, complex and having unstable political or social climates and, as a result, is exposed to a wide range of political, economic, regulatory and tax environments. These environments are subject to change in a manner that may be materially adverse for the Group, including changes to government policies and regulations governing industrial production, foreign investment, price controls, import and export controls, tariffs, subsidies, income and other forms of taxation (including policies relating to the granting of advance rulings on taxation matters), nationalisation or expropriation of property, repatriation of income, royalties, the environment and health and safety.</p>	<p>The geopolitical risks associated with operating in a large number of regions and countries, if realised, could affect the Group's ability to manage or retain interests in its industrial activities and could have a material adverse effect on the profitability, ability to finance or, in extreme cases, viability of one or more of its industrial assets. Although the Group's industrial assets are geographically diversified across various countries, disruptions in certain of its industrial operations at any given time could have a material adverse effect on the Group.</p>	<p>Geopolitical risk is managed through geographical diversification of commodities and operations, continuous monitoring and dialogue through and with the Group's network of field offices and a commitment to engage proactively with employees and the communities in which it operates, in order to maintain and improve its licence to operate.</p>



Risk	Impact	Mitigation
<p>Compliance with laws and regulations</p> <p>As a diversified production, sourcing, marketing and distribution company conducting complex transactions globally, the Group is exposed to and subject to extensive laws and regulations governing various matters. These include laws and regulations relating to bribery and corruption, taxation, anti-trust, financial markets regulation, environmental protection, management and use of hazardous substances and explosives, management of natural resources, licences over resources owned by various governments, exploration, development of projects, production and post-closure reclamation, the employment of expatriates, labour and occupational health and safety standards, and historic and cultural preservation.</p>	<p>These laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety and other impacts of the Group's past and current operations, and could lead to the imposition of substantial fines, penalties, other civil or criminal sanctions, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of violations and/or orders to take preventative steps against possible future violations. Moreover, the costs associated with compliance with these laws and regulations are substantial. Any changes to these laws or regulations or more stringent enforcement or restrictive interpretation of current laws and regulations could cause additional expenditure (including capital expenditure) to be incurred or impose restrictions on or suspensions of the Group's operations and delays in the development of its properties. In addition, obtaining the necessary governmental permits can be a particularly complex and time-consuming process and may involve costly undertakings. The duration and success of permit applications are contingent on many factors, including those outside the Group's control. Failure to obtain or renew a necessary permit could mean that such companies would be unable to proceed with the development or continued operation of a mine or project, which, in turn, may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.</p>	<p>The Group is committed to complying with or exceeding the laws, regulations and best practice guidelines applicable to its operations and products in the jurisdictions in which it operates and through continuous monitoring of legislative requirements and engagement with government and regulators, it strives to ensure full compliance.</p>
<p>Liquidity risk</p> <p>The Group's failure to obtain funds could limit its ability to engage in desired activities and grow its business. Liquidity, or ready access to funds, is essential to the Group's businesses. Liquidity risk is the risk that the Group 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. While the Group adjusts its minimum internal liquidity targets in response to changes in market conditions, these minimum internal liquidity targets may be breached due to circumstances it is unable to control, such as general market disruptions, sharp increases in the prices of commodities or an operational problem that affects its suppliers or customers or itself.</p>	<p>A lack of liquidity may mean that the Group will not have funds available to maintain or increase its marketing activities and industrial activities.</p> <p>Marketing activities: The Group's marketing activities employ significant amounts of working capital to fund purchases of commodities for future delivery to its end customers, to meet margin requirements under derivative contracts and to fund the acquisition and maintenance of certain transport and storage assets which complement its marketing activities. Any inability to fund these amounts of working capital may prevent the Group from maintaining its historic levels of marketing activity or from increasing such levels in the future.</p> <p>Industrial activities: The Group's industrial activities are capital intensive and the continued funding of such activities is critical to maintain its ownership interests in its industrial assets, to maintain production levels in periods when net operating cash flow is negative or insufficient to cover capital expenditures, to increase production levels in the future in accordance with its business plans and to grow its industrial activities through the acquisition of new assets. Any inability to fund these operating and capital expenditure requirements may prevent the Group from maintaining or growing its industrial activities' production output.</p>	<p>The Group operates a policy of liquidity risk management, whereby it seeks to maintain (via a minimum prescribed level) sufficient cash and cash equivalents and other sources of committed funding available to meet anticipated and unanticipated funding needs.</p>

Principal risks and uncertainties

Risk	Impact	Mitigation
Marketing activities		
Arbitrage opportunities		
<p>The Group's marketing activities are dependent, in part, on its ability to identify and take advantage of arbitrage opportunities.</p>	<p>Many of the physical commodity markets in which the Group operates are fragmented or periodically volatile. As a result, discrepancies generally arise in respect of the prices at which the commodities can be bought or sold in different forms, geographic locations or time periods, taking into account the numerous relevant pricing factors, including freight and product quality. These pricing discrepancies can present the Group with arbitrage opportunities whereby the Group is able to generate profit by sourcing, transporting, blending, storing or otherwise processing the relevant commodities. Profitability of the Group's marketing activities is, in large part, dependent on its ability to identify and exploit such arbitrage opportunities. A lack of such opportunities, for example due to a prolonged period of pricing stability in a particular market, or an inability to take advantage of such opportunities when they present themselves, because of, for example, a shortage of liquidity or an inability to access required logistics assets or other operational constraints, could adversely impact the Group's business, results of operations and financial condition.</p>	<p>The Group mitigates the risk of an inability to take advantage of arbitrage opportunities or lack thereof by maintaining a diversified portfolio of products and through informational advantages the Group enjoys via its global network, its sizeable market share and logistics capabilities in many commodities enabling it to move quickly in response to arbitrage opportunities afforded by fluctuations and disequilibrium in commodity markets.</p>
Hedging strategy		
<p>The Group's hedging strategy may not always be effective, does not require all risks to be hedged and may leave an exposure to basis risk.</p>	<p>The Group's marketing activities involve a significant number of purchase and sale transactions across multiple commodities. To the extent the Group purchases a commodity from a supplier and does not immediately have a matching contract to sell the commodity to a customer; a downturn in the price of the commodity could result in losses to the Group. Conversely, to the extent the Group agrees to sell a commodity to a customer and does not immediately have a matching contract to acquire the commodity from a supplier, an increase in the price of the commodity could result in losses to the Group, as it then seeks to acquire the underlying commodity in a rising market. In the event of disruptions in the commodity exchanges or markets on which the Group engages in hedging transactions, the Group's ability to manage commodity price risk may be adversely affected and this could in turn materially adversely affect its business, financial condition and results of operations.</p> <p>In addition, there are no traded or bilateral derivative markets for certain commodities that the Group purchases and sells, which limits the Group's ability to fully hedge its exposure to price fluctuations for these commodities.</p>	<p>In order to mitigate the risks in its marketing activities related to commodity price fluctuations and potential losses, the Group has a policy, at any given time, of hedging substantially all of its marketing inventory not already contracted for sale at pre-determined prices through futures and swap commodity derivative contracts, either on commodities' exchanges or in the over-the-counter market.</p> <p>In instances where there are no traded or bilateral derivative markets for certain commodities, the Group's ability to hedge its commodity exposure is limited to forward contracts for the physical delivery of a commodity or futures and swap contracts for a different, but seemingly related, commodity.</p>



Risk	Impact	Mitigation
<p>Counterparty credit and performance risk</p> <p>The Group, in particular via its marketing activities, is subject to non-performance risk by its suppliers, customers and hedging counterparties.</p>	<p>Non-performance by the Group’s suppliers, customers and hedging counterparties may occur in a range of situations, such as:</p> <ul style="list-style-type: none"> • A significant increase in commodity prices could result in suppliers being unwilling to honour their contractual commitments to sell commodities to the Group at pre-agreed prices; • A significant reduction in commodity prices could result in customers being unwilling or unable to honour their contractual commitments to purchase commodities from the Group at pre-agreed prices; • Customers may take delivery of commodities from the Group and then find themselves unable to honour their payment obligations due to financial distress or any other reasons; and • Hedging counterparties may find themselves unable to honour their contractual commitment due to financial distress or other reasons. <p>Non-performance by a counterparty could have an adverse impact on the Group’s results of operations and financial condition, including by creating an unintended, unmatched commodity price exposure.</p> <p>In addition, financial assets consisting principally of cash and cash equivalents, marketable securities, receivables and advances, derivative instruments and long-term advances and loans could potentially expose the Group to concentrations of credit risk.</p>	<p>The Group seeks to reduce the risk of customer non-performance by requiring credit support from creditworthy financial institutions including making extensive use of credit enhancement products, such as letters of credit, insurance policies and bank guarantees, where appropriate, and by imposing limits on open accounts extended. Whilst these limits are believed appropriate based on current levels of perceived risk, there is a possibility that a protracted difficult economic environment would negatively impact the quality of these exposures. In addition, mark-to-market exposures in relation to hedging contracts are regularly and substantially collateralised (primarily with cash) pursuant to margin arrangements put in place with such hedge counterparties.</p> <p>The Group actively monitors the credit quality of its counterparties, including the risk of non-performance by suppliers and customers alike, through internal reviews, strong relationships and industry experience and a credit scoring process which includes, where available, public credit ratings.</p>

Principal risks and uncertainties

Risk	Impact	Mitigation
<p>Risk management policies and procedures</p> <p>Identifying, quantifying and managing risk is complex and challenging and although it is the Group's policy and practice to identify and, where appropriate and practical, actively manage such risks to support its objectives in managing its capital and future financial security and flexibility, the Group's policies and procedures may not adequately identify, monitor and quantify risk.</p>	<p>The Group's activities are exposed to commodity price, foreign exchange, interest rate, counterparty (including credit), operational, regulatory and other risks. The Group has devoted significant resources to developing and implementing policies and procedures to manage these risks and expects to continue to do so in the future. Nonetheless, the Group's policies and procedures to identify, monitor and manage risks have not been fully effective in the past and may not be fully effective in the future. Some of the Group's methods of monitoring and managing risk are based on historical market behaviour that may not be an accurate predictor of future market behaviour. Other risk management methods depend on evaluation of information relating to markets, suppliers, customers and other matters that are publicly available or otherwise accessible by the Group. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective in doing so.</p> <p>Failure to mitigate all risks associated with the Group's business could have a material adverse effect on the Group's business, results of operations and financial condition.</p>	<p>The Group uses, among other techniques, Value-at-Risk, or VaR, as a key market risk measurement technique for its marketing activities. VaR does not purport to represent actual gains or losses in fair value on earnings to be incurred by the Group, nor does the Group expect that VaR results are indicative of future market movements or representative of any actual impact on its future results. VaR has certain limitations; notably, the use of historical data as a proxy for estimating future events, market illiquidity risks and tail risks. While the Group recognises these limitations and continuously refines its VaR analysis, there can be no assurance that its VaR analysis will be an effective risk management methodology. Please refer to the Financial review for further explanation on the use of VaR.</p>
<p>Supply of commodities from third parties</p> <p>The Group purchases a portion of the physical commodities sold by its marketing activities from its controlled industrial operations and associates. The remainder of the commodities sourced by its marketing operations are purchased from third party suppliers and entities in which the Group has a minority stake (excluding associates). The Group expects to continue to source commodities from such third parties in the future. The Group is potentially exposed to both price and supply risks with respect to commodities sourced from third parties and entities in which it holds a minority stake. The Group is reliant on third parties to source the majority of the commodities purchased by its marketing operations.</p>	<p>Any disruptions in the supply of product by factors such as weather and other natural disasters, unexpected maintenance problems, collapse or damage to mines, labour disruptions and changes in laws and regulations could adversely affect the Group's margins. The Group's business, results of operations, financial condition and prospects could be materially adversely impacted if it is unable to continue to source required volumes of commodities from its suppliers on reasonable terms or at all.</p>	<p>The Group sources product from a large range of suppliers and is not reliant on any one supplier to satisfy its performance. This enables the Group to source alternative product in the event of supply disruption.</p>



Risk	Impact	Mitigation
<p>Freight, storage, infrastructure and logistics support</p> <p>The Group's marketing activities require access to significant amounts of freight, storage, infrastructure and logistics support and it is exposed to increases in the costs thereof. In addition, the Group often competes with other producers, purchasers or marketers of commodities or other products for limited storage and berthing facilities at ports and freight terminals, which can result in delays in loading or unloading the Group's products and expose the Group to significant delivery interruptions.</p>	<p>Increases in the costs of freight, storage, infrastructure and logistics support or limitations or interruptions in the supply chain which impedes the Group's ability to deliver its products on time, could adversely affect the Group's business, results of operations or financial condition.</p>	<p>The risk of disruptions to or limitations of freight, storage, infrastructure and logistics support is mitigated through the Group's market position, global reach and its longstanding relationships with third party suppliers. These give the Group an advantage in ensuring its commodity transport needs are met along with its investments in storage and logistic assets such as vessels, oil terminals and tank farms, metals and other warehouses and grain silos.</p>
<p>Industrial activities</p> <p>Non-controlling stakes, joint ventures and strategic partnerships or agreements</p> <p>Some of the Group's industrial assets are held through non-controlling stakes or joint ventures and strategic partnership arrangements.</p>	<p>The Group does not control a number of its industrial investments. Although the Group has various structures in place which seek to protect its position where it does not exercise control, the boards of these companies may:</p> <ul style="list-style-type: none"> • Have economic or business interests or goals that are inconsistent with or are opposed to those of the Group; • Exercise veto rights or take shareholders' decisions so as to block actions that the Group believes to be in its best interests and/or in the best interests of all shareholders; • Take action contrary to the Group's policies or objectives with respect to investments or commercial arrangements; or • As a result of financial or other difficulties be unable or unwilling to fulfil their obligations under any joint venture or other agreement, such as contributing capital to expansion or maintenance projects. <p>Improper management or ineffective policies, procedures or controls of a non-controlled entity could adversely affect the business, results of operations and financial condition of the relevant investment and, therefore, of the Group.</p>	<p>Where projects and operations are controlled and managed by the Group's co-investors or where control is shared on an equal basis, the Group actively participates in the governance structures of the co-managed operation to ensure, where possible, compliance with the Group's policies and/or objectives.</p>

Principal risks and uncertainties

Risk	Impact	Mitigation
<p>Project development</p> <p>The Group has a number of significant expansions planned for its existing operations and plans for certain new projects, the development of which is exposed to a number of risks outside of its control such as technical uncertainties, infrastructure constraints, cost overruns, insufficient labour skills or resources and delays in permitting or other regulatory matters.</p>	<p>Any future upward revisions in estimated project costs, delays in completing planned expansions, cost overruns, suspension of current projects or other operational difficulties after commissioning, may have a material adverse effect on the Group's business, results of operations, financial condition or prospects, in turn requiring the Group to consider delaying discretionary expenditures, including capital expenditures, or suspending or altering the scope of one or more of its development projects.</p>	<p>Project development risks are mitigated and managed through the Group's continuous project status evaluation and reporting processes, the significant focus of such being appropriate approval processes and transparent and timely reporting of costs and progress relative to plan. Significant projects are regularly audited against the project plan and reporting processes.</p>
<p>Operating risks and hazards</p> <p>The Group's industrial activities are subject to numerous operating risks and hazards normally associated with the development and operation of natural resource projects, many of which are beyond the Group's control.</p> <p>These operating risks and hazards include unanticipated variations in grade and other geological problems, seismic activity, climatic conditions such as flooding or drought, metallurgical and other processing problems, technical failures, unavailability of materials and equipment, interruptions to power supplies, industrial actions or disputes, industrial accidents, labour force disruptions, unanticipated logistical and transportation constraints, tribal action or political protests, force majeure factors, environmental hazards, fire, explosions, vandalism and crime.</p>	<p>These risks and hazards could result in damage to, or destruction of, properties or production facilities, may cause production to be reduced or to cease at those properties or production facilities, may result in a decrease in the quality of the products, personal injury or death, environmental damage, business interruption and legal liability and may result in actual production differing from estimates of production.</p> <p>The realisation of such operating risks and hazards and the costs associated with them could materially adversely affect the Group's business, results of operations and financial condition, including by requiring significant capital and operating expenditures to abate the risk or hazard, restore the Group or third party property, compensate third parties for any loss and/or pay fines or damages.</p>	<p>Operating risks and hazards are managed through the Group's continuous assessment, reporting and communication of the risks that affect its business through its annual risk review processes and updates to its risk register. In addition, risk is mitigated somewhat through geographic and multiple project diversification.</p>



Risk	Impact	Mitigation
<p>Title to the land, resource tenure and extraction rights</p> <p>The Group has industrial investments in certain countries where title to land and rights in respect of land and resources (including indigenous title) has not been and may not always be clear, creating the potential for disputes over resource development. Title to the Group's mining and hydrocarbon rights may be challenged or impugned, and title insurance may not generally be available. In many cases, the government of the country in which a particular asset is located is the sole authority able to grant such rights and, in some cases, may have limited infrastructure and limited resources which may constrain the Group's ability to ensure that it has obtained secure title to individual exploration licences or extraction rights.</p>	<p>Any dispute, relating to a material industrial asset, could disrupt or delay relevant mining, processing or other projects and/or impede the Group's ability to develop new industrial properties, which may have a material adverse effect on the Group's business, results of operations and financial condition.</p>	<p>Title and tenure risks are managed through geographical diversification of commodities and operations, continuous monitoring and dialogue through and with the Group's network of local offices and a commitment to engage proactively with employees, governments and the communities in which the Group operates to maintain and better its licence to operate.</p>
<p>Availability of infrastructure</p> <p>The production, processing and product delivery capabilities of the Group's industrial assets rely on their infrastructure being adequate and remaining available.</p>	<p>The mining, drilling, processing, development and exploration activities of the industrial assets in which the Group holds an interest depend on adequate infrastructure. Certain of these assets are located in areas that are sparsely populated and difficult to access. Reliable roads, power sources, transport infrastructure and water supplies are essential for the conduct of these operations and the availability and cost of these utilities and infrastructure affect capital and operating costs and therefore the Group's ability to maintain expected levels of production and results of operations. Unusual weather or other natural phenomena, sabotage or other interference in the maintenance or provision of such infrastructure could impact the development of a project, reduce production volumes, increase extraction or exploration costs or delay the transportation of raw materials to the mines and projects and commodities to end customers. Any such issues arising in respect of the infrastructure supporting or on the Group's sites could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.</p>	<p>Availability of infrastructure risk is mitigated through long-term supply agreements and the continuous monitoring through the Group's network of local offices, and a commitment to engage proactively with governments and the communities in which the Group operates to maintain and improve its licence to operate. In addition, where appropriate, we establish back-up sources of power.</p>

Principal risks and uncertainties

Risk	Impact	Mitigation
<p>Cost control</p> <p>As commodity prices are outside of the Group's control, the competitiveness and sustainable long-term profitability of its industrial asset portfolio depends significantly on its ability to closely manage costs and maintain a broad spectrum of low-cost, efficient operations. Costs associated with the operation of the Group's industrial assets can be broadly categorised into labour costs and other on-site expenses, including power and equipment costs.</p>	<p>Production costs are heavily influenced by the extent of ongoing development required, ore grades, mine planning, processing technology, logistics, energy and supply costs and the impact of exchange rate fluctuations on costs of operations. All of the Group's industrial assets are, to varying degrees, affected by increases in costs for labour and fuel. Unit production costs are also significantly affected by production volumes and therefore production levels are frequently a key factor in determining the overall cost competitiveness of the Group's industrial activities. Any increase in input costs will adversely affect the Group's results of operations and financial condition.</p>	<p>Maintaining costs and, where possible, lowering them is supported by the Group's continuous reporting on these measures, coupled with the inclusion of certain cost control evaluation measures in assessing management performance. In addition, risk is mitigated somewhat through geographic and multiple project diversification.</p>
<p>Resources and reserves</p> <p>The Group's stated mineral, coal and hydrocarbon reserves, resources and mineralised potential are only estimates and the anticipated volumes or grades may not be achieved.</p>	<p>Actual reserves, resources or mineralised potential may not conform to geological, metallurgical or other expectations, and the volume and grade of ore or product recovered may be below the estimated levels. Lower market prices, increased production costs, reduced recovery rates and other factors may render the Group's reserves, resources or mineralised potential uneconomical to exploit and may result in revision of its reserve estimates from time to time. If the Group's actual mineral, coal and hydrocarbon reserves and resources are less than current estimates or if the Group fails to develop its resource base through the realisation of identified or new mineral potential, the Group's business, results of operations and financial condition may be materially and adversely affected.</p>	<p>The Group updates annually the quantity and quality of the estimated proven and probable reserves to reflect extraction, additional drilling and other available data in accordance with internationally recognised reporting frameworks, including JORC, SAMREC and PRMS.</p>



Risk	Impact	Mitigation
<p>Environmental hazards</p> <p>The processes and chemicals used in the Group's extraction and production methods, as well as its shipping and storage activities, are subject to environmental hazards.</p>	<p>Where the Group holds or has interests in industrial activities, these assets are generally subject to environmental hazards as a result of the processes and chemicals used in traditional extraction, production, storage, disposal and transportation methods. Environmental hazards may exist on the Group's owned or leased properties or at those of the industrial activities in which it holds an interest, or may be encountered while its products are in transit. The storage of tailings at the Group's industrial assets may present a risk to the environment, property and persons, where there remains a risk of leakage from or failure of the Group's tailings dams, as well as theft and vandalism during the operating life of the assets or after closure.</p> <p>Additionally, the Group conducts oil exploration and drilling activities and also stores and transports crude oil and oil products around the world. Damage to exploration or drilling equipment, a vessel carrying oil or a facility where oil is stored could lead to a spill, causing environmental damage with significant clean-up or remediation costs.</p> <p>The Group may be liable for losses associated with environmental hazards, have its licences and permits withdrawn or suspended or may be forced to undertake extensive remedial clean-up action or to pay for government-ordered remedial clean-up actions, even in cases where such hazards have been caused by any previous or subsequent owners or operators of the property, by any past or present owners of adjacent properties, by independent third party contractors providing services to the Group or by acts of vandalism by trespassers. Any such losses, withdrawals, suspensions, actions or payments may have a material adverse effect on the Group's business, results of operations and financial condition.</p>	<p>Compliance with international and local regulations and standards, protecting our people, communities and the environment from harm and our operations from business interruptions are top priorities for the Group. The Group's operating procedures and those of its partners in relation to owned tankers conform to industry best practise working under the guidelines of the International Maritime Organisation (IMO), relevant Flag States and top tier Classification societies. Tankers chartered from third parties are required to meet strict vetting inspection requirements in line with OCIMF (Oil Companies International Marine Forum) and the Group's own standards. The Group's oil exploration activities engage best industry practises and procedures and utilise first class drilling contractors with proven expertise and experience. Additionally, wide-spread and comprehensive insurance cover is actively procured, to reduce the financial impact of operational risks, property damage, business interruption and environmental liabilities to the extent possible.</p>

Principal risks and uncertainties

Risk	Impact	Mitigation
Sustainable development		
<p>Emissions and climate change regulation</p> <p>The Group's global presence exposes it to a number of jurisdictions in which regulations or laws have been or are being considered to limit or reduce emissions. The likely effect of these changes will be to increase the cost for fossil fuels, impose levies for emissions in excess of certain permitted levels and increase administrative costs for monitoring and reporting.</p>	<p>Increasing regulation of greenhouse gas emissions, including the progressive introduction of carbon emissions trading mechanisms and tighter emission reduction targets is likely to raise production, transportation and administrative costs. In addition, regulation of greenhouse gas emissions in the jurisdictions of the Group's major customers and in relation to international shipping could also have a material adverse effect on the demand for some of the Group's products.</p>	<p>The Group, through its sustainability programme, strives to ensure emissions and climate change issues are identified, understood and effectively managed and monitored in order to meet international best practice standards and ensure regulatory compliance.</p>
<p>Community relations</p> <p>The continued success of the Group's existing operations and its future projects are in part dependent upon broad support and a healthy relationship with the respective local communities.</p>	<p>If it is perceived that the Group is not respecting or advancing the economic and social progress and safety of the communities in which it operates, the Group's reputation and shareholder value could be damaged, which could have a negative impact on its "social licence to operate", its ability to secure access to new resources and its financial performance. The consequences of negative community reaction could also have a material adverse impact on the cost, profitability, ability to finance or even the viability of an operation. Such events could lead to disputes with national or local governments or with local communities or any other stakeholders and give rise to material reputational damage. If the Group's operations are delayed or shut down as a result of political and community instability, its earnings may be constrained and the long-term value of its business could be adversely impacted. Even in cases where no action adverse to the Group is actually taken, the uncertainty associated with such political or community instability could negatively impact the perceived value of the Group's assets and industrial investments and, consequently, have a material adverse effect on the Group's financial condition.</p>	<p>The Group believes that the best way to manage these vital relationships is to adhere to the principles of open dialogue and co-operation and in doing so, it engages with local communities to present and demonstrate the positive contribution to socio-economic development of the Group's local operations and ensure that appropriate measures are taken to prevent or mitigate possible adverse effects on them, along with the regular reporting of such.</p>



Risk	Impact	Mitigation
<p>Employees</p> <p>The maintenance of positive employee and union relations and the ability to attract and retain skilled workers are key to the success of the Group.</p>	<p>Some of the Group's employees, as well as employees in non-controlled industrial investments, are represented by labour unions under various collective labour agreements. The Group or the industrial investments in which it holds an interest may not be able to satisfactorily renegotiate its collective labour agreements when they expire and may face tougher negotiations or higher wage demands than would be the case for non-unionised labour. In addition, existing labour agreements may not prevent a strike or work stoppage at its facilities in the future, and any strike or other work stoppage could have a material adverse effect on the Group's business, results of operations and financial condition.</p> <p>The success of the Group's business is also dependent on its ability to attract and retain highly effective marketing and logistics personnel as well as highly qualified and skilled engineers and other industrial, technical and project experts to operate its industrial activities in locations experiencing political or civil unrest, or in which they may be exposed to other hazardous conditions. The Group may not be able to attract and retain such qualified personnel and this could have a material adverse effect on the Group's business, results of operations and financial condition.</p>	<p>The Group understands that one of the key factors in its success is a good and trustworthy relationship with its people. This priority is reflected in the principles of its corporate practice and its related guidance, which require regular, open, fair and respectful communication, zero tolerance for human rights violations, fair remuneration and, above all, a safe working environment.</p>
<p>Health, safety and environment</p> <p>The Group's operations are subject to health, safety and environmental regulations and legislation along with complying with the Group's corporate sustainability framework.</p>	<p>New or amended environmental, health and safety legislation or regulations may result in increased operating costs or, in the event of non-compliance or accidents or incidents causing personal injury or death or property or environmental damage at or to the Group's mines, smelters, refineries, concentrators, drill rigs or related facilities (such as logistics and storage facilities) or surrounding areas may result in significant losses, interruptions in production, expensive litigation, imposition of penalties and sanctions or suspension or revocation of permits and licences, even in cases where such hazards have been caused by any previous or subsequent owners or operators of the property, by any past or present owners of adjacent properties, by independent third party contractors providing services to the Group or by acts of vandalism by trespassers. Any such losses, withdrawals, suspensions, actions or payments may have a material adverse effect on the Group's business, results of operations and financial condition.</p>	<p>The Group's approach to sustainability and our expectations of our employees, our contractors and our business partners are outlined in the Glencore Xstrata Corporate Practice (GCP). GCP underpins our approach towards societal, environmental and compliance indicators, providing clear guidance on the standards we expect all our operations to achieve. Through the reporting function within GCP, our Board receives regular updates and has a detailed oversight on how our business is performing across all of the sustainability indicators.</p>

Financial review

Highlights

US\$ million	2013	2012 ²	Change %
Key statement of income and cash flows highlights – pro forma¹:			
Revenue	239,673	236,236	1
Adjusted EBITDA ³	13,071	13,086	–
Adjusted EBIT ³	7,434	8,591	(13)
Net income attributable to equity holders pre-significant items ⁴	4,583	5,970	(23)
Earnings per share (pre significant items) (US\$)	0.35	0.45	(22)
Funds from operations (FFO) ⁵	10,375	10,267	1
Purchase and sale of property, plant and equipment	12,865	12,994	(1)

US\$ million	2013	2012	Change %
Key statement of income and cash flows highlights – reported:			
Revenue	232,694	214,436	9
Adjusted EBITDA ³	10,466	5,943	76
Adjusted EBIT ³	5,970	4,470	34
Net income attributable to equity holders pre-significant items ⁴	3,666	3,064	20
Net (loss)/income attributable to equity holders	(7,402)	1,004	n.m.
Earnings per share (pre-significant items) (US\$)	0.33	0.44	(25)
Funds from operations (FFO) ⁶	8,030	4,115	95
Purchase and sale of property, plant and equipment	9,849	3,005	228

US\$ million	31.12.2013	31.12.2012	Change %
Key financial position highlights:			
Total assets – reported	154,932	105,564 ²	47
Current capital employed (CCE) ³ – reported	24,351	23,924 ²	2
Net debt ⁵ – pro forma	35,810	29,460 ²	22
Ratios:			
FFO to Net debt ⁵ – pro forma	29.0%	34.9% ²	(17)
Net debt to Adjusted EBITDA – pro forma	2.74x	2.25x ²	22
Adjusted EBITDA to net interest – pro forma	9.12x	11.72x ²	(22)
Adjusted EBITDA to net interest – reported	7.54x	6.13x	23
Adjusted current ratio – reported	1.18x	1.16x	2

¹ Refer to page 33.

² Pro forma 2012 has been adjusted to reflect the updated year-end fair value acquisition accounting for the acquisitions of Xstrata and Viterra.

³ Refer to glossary on page 204 for definitions and for Adjusted EBIT/EBITDA to note 2 of the financial statements.

⁴ Refer to page 201 for pro forma results and page 35 for reported results.

⁵ Refer to page 202.

⁶ Refer to page 37.



Pro forma financial results

Basis of presentation

The unaudited pro forma financial information detailed below and where otherwise noted has been prepared as if the acquisition of Xstrata plc and full consolidation of such had taken place as of 1 January 2012 to illustrate the effects of the acquisition on the profit from continuing operations and cash flow statement for the years ended 31 December 2013 and 31 December 2012. The pro forma financial information is presented before significant items unless otherwise stated to provide an enhanced understanding and comparative basis of the underlying financial performance.

The pro forma financial information has been prepared in a manner consistent with the accounting policies applicable for periods ending on or after 1 January 2013 as outlined in note 1 of the financial statements with the exception of the accounting treatment applied to certain associates and joint ventures for which Glencore's attributable share of revenues and expenses are presented (see note 2) and reflects the provisional fair value adjustments arising from the acquisition of Xstrata on 2 May 2013 as if the acquisition had occurred and those fair value adjustments had arisen at 1 January 2012. These adjustments primarily relate to depreciation, amortisation and the unwind of onerous and unfavourable contract provisions. The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not reflect the Group's actual financial position or results.

A reconciliation of the pro forma results to the reported results for the years ended 31 December 2013 and 31 December 2012 is included in the Appendix on page 201.

Pro forma results

On a pro forma basis, Adjusted EBITDA in 2013 of \$13,071 million was in-line with 2012, as improved marketing results, increased production and productivity gains at many of our industrial operations and some acquisition-related synergies, helped to offset the impact of weaker average commodity prices on our industrial activities. Adjusted EBIT decreased by 13% in 2013, due to the additional depreciation expense, consistent with increasing production.

Pro forma Industrial Adjusted EBITDA declined by 4% to \$10,472 million in 2013 (EBIT down 21% to \$5,078 million), owing primarily to weaker average year over year commodity prices, including coal API4, nickel, silver, gold and copper down 13%, 14%, 23%, 15% and 8% respectively. Increased production across many of our assets, notably African copper (up 43%), Collahuasi (up 58%), Antapaccay (up 192%), Ernest Henry (up 107%) and Prodeco (up 26%), together with weaker producer currencies (notably AUD and ZAR) and integration/other cost savings initiatives, largely offset the impact of commodity price declines and the impact of reduced production resulting from the planned closures of the Perseverance and Brunswick mines.

Adjusted EBIT/EBITDA – pro forma

Pro forma Adjusted EBITDA by business segment is as follows¹:

US\$ million	Marketing activities	Industrial activities	2013 Adjusted EBITDA	Marketing activities	Industrial activities	2012 Adjusted EBITDA	%
Metals and minerals	1,643	7,203	8,846	1,379	7,052	8,431	5
Energy products	666	3,378	4,044	494	4,083	4,577	(12)
Agricultural products	383	61	444	394	59	453	(2)
Corporate and other	(93)	(170)	(263)	(39)	(336)	(375)	n.m.
Total	2,599	10,472	13,071	2,228	10,858	13,086	–

Pro forma Adjusted EBIT by business segment is as follows¹:

US\$ million	Marketing activities	Industrial activities	2013 Adjusted EBIT	Marketing activities	Industrial activities	2012 Adjusted EBIT	%
Metals and minerals	1,622	4,036	5,658	1,363	4,534	5,897	(4)
Energy products	629	1,244	1,873	435	2,289	2,724	(31)
Agricultural products	198	(6)	192	371	(10)	361	(47)
Corporate and other	(93)	(196)	(289)	(39)	(352)	(391)	n.m.
Total	2,356	5,078	7,434	2,130	6,461	8,591	(13)

¹ Pro forma 2012 has been adjusted to reflect the updated year-end fair value acquisition accounting for the acquisitions of Xstrata and Viterra.

Financial review

Pro forma Marketing Adjusted EBITDA increased by 17% to \$2,599 million in 2013, while EBIT was up 11% to \$2,356 million, representing 32% of pro forma Adjusted EBIT, up from 25% in 2012. 2013 saw an improved performance from metals and minerals, with healthy contributions from each of the metals marketing groups aided by good overall volume growth and relatively tight physical demand conditions in many markets (e.g. zinc and aluminium). Energy EBIT was up 45% over 2012, with coal in particular recovering from a 2012 base, which offered limited arbitrage opportunities. The Agricultural products segment, as reported in our interim results, was substantially lower, compounded by crop shortfalls, limited volatility and South American logistics and sourcing challenges experienced during H1 2013. H2 2013 saw a substantial improvement on H1 2013, with the halves contributing \$260 million and \$123 million respectively to the overall 2013 Marketing EBITDA, including the benefit of a solid Viterro performance.

These results reinforce the strength and resilience of Glencore's business model and the diversification benefits associated with combining and integrating, across a broad spectrum of commodities, a portfolio of industrial assets with large scale physical sourcing, marketing and logistics capabilities.

Reported financial results

Basis of presentation

The reported financial information has been prepared on the basis as outlined in note 1 of the financial statements. It is presented in the Financial Review section before significant items unless otherwise stated to provide an enhanced understanding and comparative basis of the underlying financial performance. Significant items (refer to page 35) are items of income and expense which, due to their financial impact and nature or the expected infrequency of the events giving rise to them, are separated for internal reporting and analysis of Glencore's results. The reported results comprise those of the legacy Glencore operations for 2013 (including the Group's equity accounted 34% interest in Xstrata up to the date of acquisition) plus 100% of the results of Xstrata plc from the date of acquisition, 2 May 2013. A summary of reported results and brief related commentary is provided below.

Marketing Adjusted EBITDA and EBIT were \$2,599 million and \$2,356 million, up 17% and 11% respectively over 2012, owing to stronger performances from the metals and energy marketing groups, offset by a lower contribution from the agricultural marketing group.

Adjusted EBITDA/EBIT – reported

Adjusted EBITDA by business segment is as follows:

US\$ million	Marketing activities	Industrial activities	2013 Adjusted EBITDA	Marketing activities	Industrial activities	2012 Adjusted EBITDA	%
Metals and minerals	1,643	5,296	6,939	1,379	1,625	3,004	131
Energy products	666	2,530	3,196	494	983	1,477	116
Agricultural products	383	61	444	394	59	453	(2)
Corporate and other ¹	(93)	(20)	(113)	(39)	1,048	1,009	n.m.
Total Adjusted EBITDA	2,599	7,867	10,466	2,228	3,715	5,943	76

Adjusted EBIT

Adjusted EBIT by business segment is as follows:

US\$ million	Marketing activities	Industrial activities	2013 Adjusted EBIT	Marketing activities	Industrial activities	2012 Adjusted EBIT	%
Metals and minerals	1,622	2,742	4,364	1,363	708	2,071	111
Energy products	629	907	1,536	435	594	1,029	49
Agricultural products	198	(6)	192	371	(10)	361	(47)
Corporate and other ^{1,2}	(93)	(29)	(122)	(39)	1,048	1,009	n.m.
Total Adjusted EBIT	2,356	3,614	5,970	2,130	2,340	4,470	34

¹ Corporate industrial activities include \$176 million (2012: \$1,174 million) of Glencore's equity accounted share of Xstrata's income.

² Corporate and other primarily relates to the equity accounted interest in Xstrata and other unallocated corporate related expenses including variable pool bonus charges, the net result of which was negative \$122 million in 2013, following the change in Xstrata accounting after acquiring the remaining 66% in May 2013.



Industrial Adjusted EBITDA and EBIT increased by 118% and 54% to \$7,867 million and \$3,614 million respectively in 2013, primarily due to the inclusion of eight months of Xstrata on a fully consolidated basis, such enhanced scale (not part of the 2012 comparatives), trumping the impact of lower average commodity prices during the year.

Earnings

A summary of the differences between reported Adjusted EBIT and income attributable to equity holders, including significant items, is set out in the following table:

US\$ million	2013	2012
Adjusted EBIT ¹	5,970	4,470
Net finance and income tax expense in certain associates and joint ventures ¹	(335)	–
Net finance costs	(1,365)	(970)
Income tax expense	(426)	(224)
Non-controlling interests	(178)	(212)
Income attributable to equity holders pre-significant items	3,666	3,064
Earnings per share (Basic) pre-significant items (US\$)	0.33	0.44
Other income/(expense) – net ²	(10,844)	(1,214)
Mark to market valuation of certain natural gas forward contracts ³	–	(123)
Mark to market loss on certain aluminium positions ³	(95)	–
Unrealised intergroup profit elimination ³	(261)	(84)
Share of Associates' exceptional items ⁴	(51)	(875)
Write off of capitalised borrowing costs ⁵	(23)	–
Loss on disposal of investments	(40)	(128)
Net deferred tax asset recorded ⁶	172	300
Non-controlling interests share of other income ⁷	74	64
Total significant items	(11,068)	(2,060)
(Loss)/Income attributable to equity holders	(7,402)	1,004
Earnings per share (Basic) (US\$)	(0.67)	0.14

1 Refer to note 2 of the financial statements.

2 Recognised within other income/(expense) – net, see notes 2 and 4 of the financial statements.

3 Recognised within cost of goods sold, see note 2 of the financial statements.

4 Recognised within share of income from associates and joint ventures, see note 2 of the financial statements.

5 Recognised within interest expense.

6 Recognised within income tax expense.

7 Recognised within non-controlling interests.

Significant items

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

In 2013, Glencore recognised \$11,068 million of net other significant expenses, mainly comprising a \$1,160 million accounting loss related to the revaluation of Glencore's 34% interest in Xstrata immediately prior to acquisition, a \$7,480 million goodwill impairment recognised upon acquisition of Xstrata and directly attributable transaction

costs of \$294 million. On acquisition, the underlying assets and liabilities acquired were fair valued, with an amount of resulting goodwill allocated to the business. A residual goodwill amount of \$7.5 billion could not be supported and has been written off as explained in note 5. The size of the impairment was influenced by the deemed acquisition consideration, calculated by reference to Glencore's share price on the date of acquisition. Furthermore, due to the persistent challenging nickel and aluminium market environments and revisions to some mining and development plans, impairment charges were recognised at Murrin Murrin (\$454 million), Cobar (\$137 million) and UC Rusal (\$446 million). Additional significant items include \$300 million of valuation adjustments made

Financial review

to various long-term loans and advances, \$308 million of mark to market adjustments on other investments classified as held for trading and \$261 million of unrealised profit eliminations.

In 2012, Glencore recognised \$2,060 million of other significant expenses on a net basis, primarily comprising impairments of \$1,650 million, \$120 million acquisition related expenses and a \$109 million expense related to phantom equity awards granted upon Glencore's listing, offset by a net \$497 million accounting gain mainly related to the revaluation of Glencore's initial 40% interest in Mutanda upon acquisition of an additional 20% interest in April 2012. There were also \$179 million of positive mark to market adjustments related to certain fixed priced forward coal sales contracts in respect of Prodeco's future production.

The 2012 impairment mainly comprised \$1.2 billion of previously recognised negative fair value adjustments reclassified from 'other comprehensive income' to the statement of income in respect of Glencore's interest in UC Rusal. This reclassification had no impact on Glencore's net asset/equity position which has consistently, for many years, reflected the mark-to-market fair value of this holding.

See notes 4 and 5 to the consolidated financial statements for further explanations.

Net finance costs

Net finance costs were \$1,388 million in 2013, a 43% increase over 2012 or up 41% on a pre-significant basis, taking into account \$23 million of capitalised borrowing costs written off upon refinance of the revolving credit facility. Interest income in 2013, which includes interest on various loans extended, such as that to the Russneft Group, was \$393 million consistent with 2012. Interest expense for 2013 was \$1,781 million, a 30% increase from \$1,371 million in 2012, due mainly to the consolidation of Xstrata debt from May 2013. Average cost of debt reduced during the year, as the pro-active refinancing of maturing bonds and bank debt achieved improved terms.

Income taxes

A net income tax expense of \$254 million was recognised during the year ended 2013 compared to an income tax credit of \$76 million in 2012 as the latter included the recognition of one off tax benefits (losses carried forward), following an internal reorganisation of our existing ownership interest in Xstrata. Based on our historical experience, including that gathered via Xstrata reporting over the years, income tax expense, pre-significant items, should approximate Adjusted EBIT for marketing and industrial assets less an allocated interest expense (see page 40) multiplied by an estimated tax rate of 10% and 25% respectively. This has been reflected in the table above. Refer to appendix for a reconciliation of the calculation.

Assets, leverage and working capital

Total assets were \$154,932 million as at 31 December 2013 compared to \$105,564 million as at 31 December 2012, a period over which, current assets increased from \$54,112 million to \$58,542 million. The adjusted current ratio at 31 December 2013 was 1.18, reflecting a 2% improvement compared with 31 December 2012. Non-current assets increased from \$51,452 million to \$96,390 million, primarily due to the acquisition of Xstrata.

Consistent with 31 December 2012, 99% (\$16,418 million) of total marketing inventories were contractually sold or hedged (readily marketable inventories) as at 31 December 2013. These inventories are considered to be readily convertible into cash due to their liquid nature, widely available markets, and the fact that the associated price risk is covered either by a physical sale transaction or a hedge transaction. Given the highly liquid nature of these inventories, which represent a significant share of current assets, the Group believes it is appropriate to consider them together with cash equivalents in analysing Group net debt levels and computing certain debt coverage ratios and credit trends.



Cash flow and net debt

Net debt

US\$ million	31.12.2013	31.12.2012
Gross debt	55,185	35,526
Associates and joint ventures net funding ¹	(72)	–
Cash and cash equivalents and marketable securities	(2,885)	(2,820)
Net funding	52,228	32,706
Readily marketable inventories	(16,418)	(17,290)
Net debt	35,810	15,416

Cash and non-cash movements in net debt

US\$ million	31.12.2013	31.12.2012
Cash generated by operating activities before working capital changes	8,676	4,782
Associates and joint ventures Adjusted EBITDA ¹	1,487	–
Net interest paid ¹	(1,488)	(784)
Tax paid ¹	(679)	(344)
Dividends received from associates ¹	34	461
Funds from operations	8,030	4,115
Working capital changes, excluding readily marketable inventory movements and other ¹	(761)	2,776
Payments of non-current advances and loans ¹	285	(203)
Acquisition and disposal of subsidiaries, net of asset acquirer loans ¹	2,125	(3,602)
Purchase and sale of investments	(144)	(610)
Purchase and sale of property, plant and equipment ¹	(9,849)	(3,005)
Margin payments in respect of financing related hedging activities	167	176
Acquisition and disposal of additional interests in subsidiaries	(489)	(624)
Dividends paid and purchase of own shares	(2,236)	(1,066)
Cash movement in net debt	(2,872)	(2,043)
Net debt assumed in business combination	(17,407)	(359)
Foreign currency revaluation of non-current borrowings and other non-cash items	(115)	(76)
Non-cash movement in net debt	(17,522)	(435)
Total movement in net debt	(20,394)	(2,478)
Net debt, beginning of period	(15,416)	(12,938)
Net debt, end of period	(35,810)	(15,416)

¹ Adjusted to include the impacts of proportionate consolidation of certain associates and joint ventures as outlined in the appendix on page 205.

The reconciliation in the table above is the method by which management reviews movements in net debt and comprises key movements in cash and any significant non-cash movements on net debt items.

Net debt as at 31 December 2013 increased to \$35,810 million from \$15,416 million as at 31 December 2012 of which \$17,407 million of the increase was due to the debt assumed on acquisition of Xstrata and \$2,872 million related to the net additional funding requirement in excess of FFO required to fund primarily the various ongoing expansion activities.

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Capital expenditure

Net capital expenditure increased from \$3,005 million in 2012 to \$9,849 million in 2013, due primarily to the progression of the various development projects assumed with the Xstrata acquisition, notably Las Bambas, Koniambo, Australian thermal coal projects and McArthur River, combined with African copper and Oil E&P.

Business acquisitions and disposals

Net expenditures on business combinations was \$3,602 million in 2012 (primarily Viterra) compared to a net inflow of \$2,125 million (or \$544 million excluding cash acquired in the Xstrata transaction of \$1,581 million) in 2013, due mainly to an inflow of \$744 million on disposal of certain non-core operations assumed in the 2012 Viterra acquisition, partially offset by a few smaller acquisitions.

Liquidity and funding activities

During 2013, the following significant financing activities took place:

- In May, Glencore issued, in five tranches, US\$5 billion of interest bearing notes as follows:
 - 3 year \$1,000 million 1.7% fixed coupon bonds;
 - 5 year \$1,500 million 2.5% fixed coupon bonds;
 - 10 year \$1,500 million 4.125% fixed coupon bonds;
 - 3 year \$500 million floating coupon notes; and
 - 5 year \$500 million floating coupon notes.
- In June, Glencore signed new committed revolving credit facilities totalling \$17,340 million, which extended and increased previous revolving credit facilities. The facilities comprise:
 - a \$5,920 million 12 month revolving credit facility with a borrower's 12 month term-out option and a 12 month extension option;
 - a \$7,070 million 3 year facility with two 12 month extension options; and
 - a \$4,350 million 5 year facility.
- In September, Glencore issued EUR 750 million 3.375% bonds maturing in 2020.
- In October, Glencore issued EUR 400 million 3.70% bonds maturing in 2023 and CHF 175 million 2.125% bonds maturing 2019.

As at 31 December 2013, Glencore had available committed undrawn credit facilities and cash amounting to \$13 billion. As an internal financial policy, Glencore has a \$3 billion minimum threshold requirement.

Credit ratings

In light of the Group's extensive funding activities, maintaining strong Baa/BBB investment grade ratings is a financial priority/target. Following completion of the all-share acquisition of Xstrata, the Group's credit ratings are Baa2 (stable) from Moody's and BBB (stable) from S&P.

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 recognising 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 consolidated VaR limit (1 day 95%) of \$100 million representing some 0.2% of equity.

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.

Average market risk VaR (1 day 95%) during 2013 was \$32 million, representing less than 0.1% of equity. Average equivalent VaR during 2012 was \$40 million.

Whilst it is Glencore's policy to substantially hedge its commodity price risks, there remains the possibility that the hedging instruments chosen may not always provide effective mitigation of the underlying price risk. The hedging instruments available to the marketing businesses may differ in specific characteristics to the risk exposure to be hedged, resulting in an ongoing and unavoidable basis risk exposure. Residual basis risk exposures represent a key focus point for Glencore's commodity department teams who actively engage in their management.



Distributions

The directors have recommended a 2013 financial year final distribution of \$11.1 cents per share amounting to \$1,457 million excluding any distribution on own shares.

Final distribution	2014
Applicable exchange rate reference date (Johannesburg Stock Exchange (JSE))	2 May
Last time to trade on JSE to be recorded in register for distribution	Close of business (SA) 9 May
Last day to effect removal of shares cum dividend between Jersey and JSE registers	9 May
Ex-dividend date (JSE)	12 May
Ex-dividend date (Jersey and Hong Kong)	14 May
Last time for lodging transfers in Hong Kong	4:30 pm (HK) 15 May
Record date in Hong Kong	Opening of business (HK) 16 May
Record date for JSE	Close of business (SA) 16 May
Record date in Jersey	Close of business (UK) 16 May
Deadline for return of currency election form (Jersey shareholders)	19 May
Removal of shares between the Jersey and JSE registers permissible from	19 May
Annual General Meeting (shareholder vote to approve final distribution)	20 May
Applicable exchange rate date (Jersey and Hong Kong)	21 May
Payment date	30 May

The directors have proposed that this final distribution be paid out of capital contribution reserves. As such, this distribution would be exempt from Swiss withholding tax. As at 31 December 2013, Glencore Xstrata plc had CHF11.4 billion of such capital contribution reserves in its statutory accounts.

The final distribution is declared and ordinarily paid in US dollars. Shareholders on the Jersey register may elect to receive the distribution in sterling, euros or Swiss francs, the exchange rates of which will be determined by reference to the rates applicable to the US dollar as stated above. Shareholders on the Hong Kong branch register will receive their distribution in Hong Kong dollars, while shareholders on the Johannesburg register will receive their distribution in South African rand. Further details on distribution payments, together with currency election and distribution mandate forms, are available from the Group's website (www.glencorexstrata.com) or from the Company's Registrars.

Financial review

Notional allocation of debt and interest expense

Glencore's debt funding is primarily arranged centrally, with the proceeds then applied to marketing and industrial activities as required. Glencore does not allocate borrowings or interest to its three operating segments. However, to assist investors in the assessment of overall performance and underlying value contributors of its integrated business model, Glencore notionally allocates its borrowings and interest expense between its marketing and industrial activities as follows (also see the appendix):

- At a particular point in time, Glencore estimates the borrowings attributable to funding key working capital items within the marketing activities, including inventories, net cash margining and other accounts receivable/payable, through the application of an appropriate loan to value ratio for each item. The balance of Group borrowings is allocated to industrial activities.

- Once the average amount of borrowings notionally allocated to marketing activities for the relevant period has been estimated, the corresponding interest expense on those borrowings is estimated by applying the Group's average variable rate cost of funds during the relevant period to the average borrowing amount. The balance of Group interest expense and all interest income is allocated to industrial activities. The allocation is a company estimate only and is unaudited. The table below summarises the notional allocation of borrowings and interest and corresponding implied earnings before tax of the marketing and industrial activities for the year ended 31 December 2013.

US\$ million	Marketing activities	Industrial activities	Total
Adjusted EBIT, pre-significant items	2,356	3,614	5,970
Interest expense allocation	(283)	(1,475)	(1,758)
Interest income allocation	–	393	393
Allocated profit before tax	2,073	2,532	4,605
Allocated net funding – 31 December 2013	15,414	36,814	52,228
Allocated net funding – quarterly average	14,534	29,520	44,054

Based on the implied equity funding for the marketing activities' working capital requirements, as well as the relatively modest level of non-current assets employed in the marketing activities (assumed to be equity funded), the return on notional equity for the marketing activities continued to be very healthy in 2013. The industrial activities' return on notional equity, is being held back by mostly mid to advanced stage oil, copper, nickel and zinc development and expansion projects, where significant investments have been made to date. These projects did not contribute to earnings in the year at anywhere near their full production potential, and as a result, the full effect of the earnings is yet to be reflected in allocated profits.

Summary pro forma financial information

Information in this section has been presented on the pro forma basis described in the Financial Review section
Year ended 31 December 2013

US\$ million	Metals and minerals	Energy products	Agricultural products	Corporate and other	Total
Revenue from third parties	67,181	142,248	30,039	205	239,673
Impact of presenting certain associates and joint ventures on proportionate consolidation basis	(1,004)	(816)	–	–	(1,820)
Revenue from third parties – reported measure	66,177	141,432	30,039	205	237,853
Marketing activities					
Adjusted EBIT	1,622	629	198	(93)	2,356
Depreciation and amortisation	21	37	185	–	243
Adjusted EBITDA	1,643	666	383	(93)	2,599
Industrial activities					
Adjusted EBIT	4,036	1,244	(6)	(196)	5,078
Depreciation and amortisation	3,167	2,134	67	26	5,394
Adjusted EBITDA	7,203	3,378	61	(170)	10,472
Total Adjusted EBITDA	8,846	4,044	444	(263)	13,071
Depreciation and amortisation	(3,188)	(2,171)	(252)	(26)	(5,637)
Total Adjusted EBIT	5,658	1,873	192	(289)	7,434
Impact of presenting certain associates and joint ventures on proportionate consolidation basis					(436)
Total Adjusted EBIT – reported measure					6,998
Interest expense – net					(1,434)
Income tax expense					(712)
Non-controlling interests					(269)
Income for the year before significant items					4,583
Significant items					
Other expense – net ¹					(1,988)
Mark to market loss on certain aluminium positions					(95)
Unrealised intergroup profit elimination adjustments					(261)
Write off of capitalised borrowing costs					(23)
Income tax credit					183
Non-controlling interest portion of significant items					74
Income for the year attributable to equity holders					2,473

¹ Includes \$1,606 million of impairments, see note 5. This excludes the Xstrata acquisition goodwill impairment, see the reconciliation between the reported results and the pro forma results on page 201.

A reconciliation between the reported results and the pro forma results is set out on page 201.

Summary pro forma financial information

Year ended 31 December 2012¹

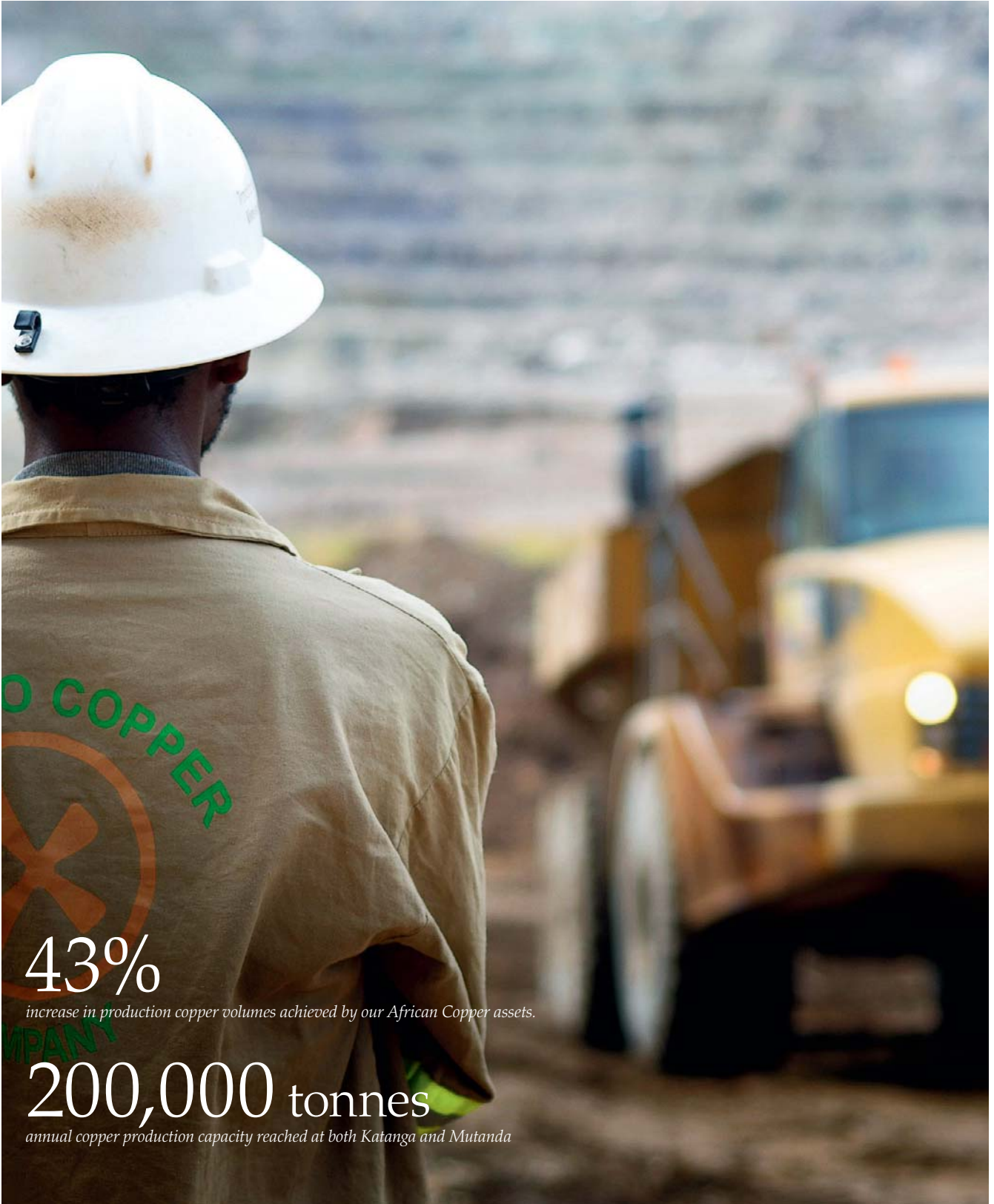
US\$ million	Metals and minerals	Energy products	Agricultural products	Corporate and other	Total
Revenue from third parties	69,392	145,713	20,825	306	236,236
Impact of presenting certain associates and joint ventures on proportionate consolidation basis	(2,356)	(970)	–	–	(3,326)
Revenue from third parties – reported measure	67,036	144,743	20,825	306	232,910
Marketing activities					
Adjusted EBIT	1,363	435	371	(39)	2,130
Depreciation and amortisation	16	59	23	–	98
Adjusted EBITDA	1,379	494	394	(39)	2,228
Industrial activities					
Adjusted EBIT	4,534	2,289	(10)	(352)	6,461
Depreciation and amortisation	2,518	1,794	69	16	4,397
Adjusted EBITDA	7,052	4,083	59	(336)	10,858
Total Adjusted EBITDA	8,431	4,577	453	(375)	13,086
Depreciation and amortisation	(2,534)	(1,853)	(92)	(16)	(4,495)
Total Adjusted EBIT	5,897	2,724	361	(391)	8,591
Impact of presenting certain associates and joint ventures on proportionate consolidation basis					(562)
Total Adjusted EBIT – reported measure					8,029
Interest expense – net					(1,117)
Income tax expense					(434)
Non-controlling interests					(508)
Income for the year before significant items					5,970
Significant items					
Other expense – net ²					(2,449)
Mark to market valuation of certain natural gas contracts					(123)
Unrealised intergroup profit elimination adjustments					(84)
Loss on sale of investments					(128)
Loan issue costs written off					(12)
Net deferred tax asset recorded					314
Non-controlling interest portion of significant items					149
Share of associates' significant items					(945)
Income for the year attributable to equity holders					2,692

¹ Pro forma 2012 has been adjusted to reflect the updated year-end fair value acquisition accounting for the acquisitions of Xstrata and Viterra.

² Includes \$1,650 million of impairments, see note 5.



*Katanga copper mine
Democratic Republic of Congo*



43%

increase in production copper volumes achieved by our African Copper assets.

200,000 tonnes

annual copper production capacity reached at both Katanga and Mutanda

Metals and minerals

Financial highlights

Revenue

US\$ million

67,181



Marketing activities	35,986 2013	38,798 2012
Industrial activities	31,195 2013	30,594 2012

Adjusted EBITDA

US\$ million

8,846

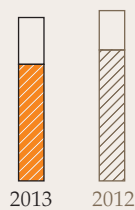


Marketing activities	1,643 2013	1,379 2012
Industrial activities	7,203 2013	7,052 2012

Adjusted EBIT

US\$ million

5,658



Marketing activities	1,622 2013	1,363 2012
Industrial activities	4,036 2013	4,534 2012

Information in this section has been presented on the pro forma basis described in the Financial Review section.

Highlights

Metals and minerals total Adjusted EBITDA in 2013 was \$8,846 million, 5% higher than 2012, reflecting increased production and a stronger marketing contribution, tempered by lower commodity prices. Adjusted EBIT however, of \$5,658 million, was 4% lower, due to additional depreciation, consistent with increasing production.

Metals and minerals industrial Adjusted EBIT was \$4,036 million, 11% lower than 2012 (EBITDA was 2% higher). The EBIT decline was driven by lower average metal prices (e.g. S&P GSCI Industrial Metal Index down 7%), offset by strong production growth (apart from zinc mine closures), particularly copper and ferrochrome, where own sourced production increased by 26% and 32% respectively.

Marketing Adjusted EBIT in 2013 was \$1,622 million, 19% higher than 2012, supported by generally higher volumes and strong physical premiums.

Outlook

Further production growth is expected from key projects across copper, zinc/lead and nickel, which is expected to provide a platform for volume growth over the next few years. We expect demand to remain strong across most of the markets in which we operate, driven by both continuing emerging market demand as well as a return to growth trajectories in the developed world, especially North America.

US\$ million	Marketing activities	Industrial activities	2013	Marketing activities	Industrial activities	2012
Revenue	35,986	31,195	67,181	38,798	30,594	69,392
Adjusted EBITDA	1,643	7,203	8,846	1,379	7,052	8,431
Adjusted EBIT	1,622	4,036	5,658	1,363	4,534	5,897
Allocated average CE ¹	9,097	58,867	67,964	8,083	56,561	64,644
Adjusted EBIT return on average CE	18%	7%	8%	17%	8%	9%

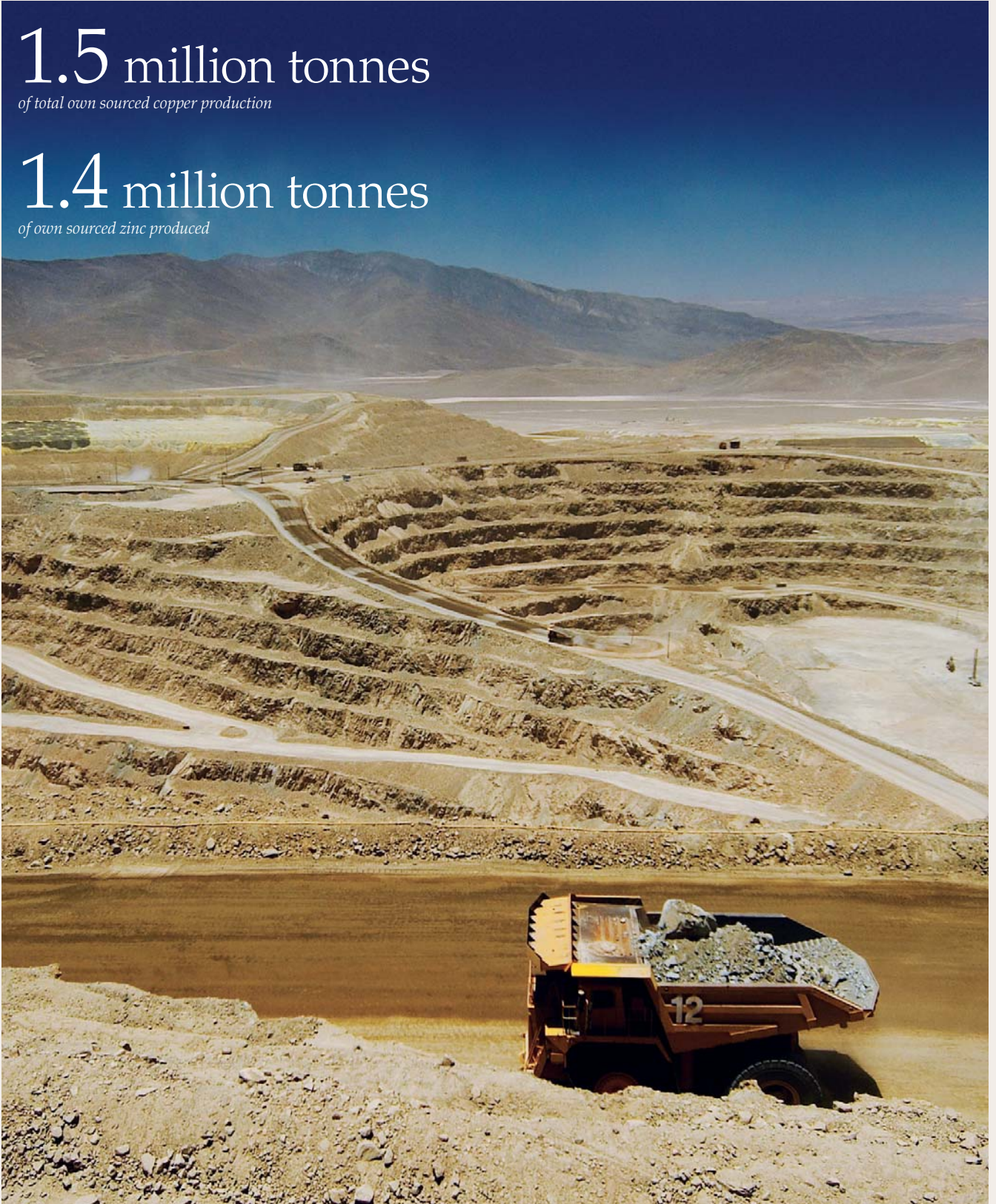
¹ The simple average of segment current and non-current capital employed (see note 2 of the financial statements and pro forma in respect of 2012), adjusted for production related inventories, is applied as a proxy for marketing and industrial activities respectively.



Lomas Bayas copper mine
Chile

1.5 million tonnes
of total own sourced copper production

1.4 million tonnes
of own sourced zinc produced



Metals and minerals

Market conditions

Selected average commodity prices

	2013	2012	Change %
S&P GSCI Industrial Metals Index	354	382	(7)
LME (cash) copper price (\$/t)	7,328	7,958	(8)
LME (cash) zinc price (\$/t)	1,909	1,948	(2)
LME (cash) lead price (\$/t)	2,139	2,062	4
LME (cash) nickel price (\$/t)	15,012	17,530	(14)
Gold price (\$/oz)	1,411	1,669	(15)
Silver price (\$/oz)	24	31	(23)
Metal Bulletin cobalt price 99.3% (\$/lb)	13	13	–
LME (cash) aluminium price (\$/t)	1,846	2,022	(9)
Metal Bulletin alumina price (\$/t)	327	319	3
Metal Bulletin ferrochrome 6-8% C basis 60% Cr, max 1.5% Si (€/lb)	99	109	(9)
Platinum price (\$/oz)	1,486	1,552	(4)
Iron ore (Platts 62% CFR North China) price (\$/DMT)	135	130	4

Currency table

	Average 2013	Spot 31 Dec 2013	Average 2012	Spot 31 Dec 2012	Change in average %
AUD : USD	0.97	0.89	1.04	1.04	(7)
USD : COP	1,869	1,930	1,797	1,767	4
EUR : USD	1.33	1.37	1.29	1.32	3
GBP : USD	1.56	1.66	1.59	1.63	(2)
USD : CHF	0.93	0.89	0.94	0.92	(1)
USD : KZT	152	154	149	150	2
USD : ZAR	9.65	10.49	8.21	8.47	18



Marketing

Highlights

Adjusted EBIT for 2013 was \$1,622 million, an increase of 19% compared to 2012. The growth was driven by higher volumes, including copper, cobalt and iron ore, generally supportive physical market conditions, as evidenced by strong physical premia (in copper, zinc, lead and aluminium) and some level of Xstrata synergy contribution.

Financial information

US\$ million	2013	2012	Change %
Revenue	35,986	38,798	(7%)
Adjusted EBITDA	1,643	1,379	19%
Adjusted EBIT	1,622	1,363	19%

Selected marketing volumes sold

	Units	2013	2012	Change %
Copper metal and concentrates ¹	mt	2.8	2.3	22
Zinc metal and concentrates ¹	mt	3.2	2.8	14
Lead metal and concentrates ¹	mt	0.7	0.7	–
Gold	koz	1,326	746	78
Silver	moz	52.8	22.5	135
Nickel	kt	226	232	(3)
Ferroalloys (incl. agency)	mt	3.8	3.0	27
Cobalt	kt	25	16	56
Alumina/aluminium	mt	13.1	11.5	14
Iron ore	mt	33.2	19.8	68

¹ Estimated metal unit contained.

Metals and minerals



Copper

Despite a relatively challenging year for copper, where the average price was down 8% on 2012, supply/demand fundamentals surprised on the upside, with the market finishing the year balanced compared to consensus expectation of a significant surplus at the start of 2013. In fact, refined copper metal inventories recorded a large drop.

The extent of improvement in the physical market balance caught many by surprise. A significant reduction in scrap availability coupled with strong Chinese demand saw its cathode consumption jump almost 1 million tonnes to more than 9 million in 2013. This, together with limited 2013 cathode contract coverage, forced many consumers to chase spot cathode premia to record/near record levels across all key consuming regions, in conjunction with significant drawdowns in bonded warehouse and exchange stocks by year end. Additionally, more than half of the LME's cathode stocks are currently cancelled for withdrawal, suggesting further declines beyond the current low levels.

Similar Chinese demand growth rates are anticipated in 2014, driven by additional grid infrastructure and residential construction spending as well as the commissioning of an estimated two million tonnes of new rod capacity. Furthermore, our expectations of strong global cathode demand in 2014 is expected to be supported by improving economic conditions in the developed world, driven primarily by the US and ex-China Asia, but also supported by Europe, which is expected to post demand growth for the first time since 2010, as the global economy recovers from one of the largest recessions in many years.

While 2013 copper mine supply experienced the strongest growth seen over the last decade, similar mine growth forecasts for 2014 and 2015 carry higher performance risk. Compared to the incremental brownfield capacity additions that underpinned 2013 mine supply growth (including Collahuasi, Escondida and Grasberg), growth over the next two years is largely reliant on greenfield sources that carry significantly higher timetable risk, especially as many face challenging geographical backdrops. Also, as in previous years, aging operations and declining grades pose downside risks to supply forecasts at existing operations.

Beyond the copper projects in construction and commissioning this year and next, a lack of large high-quality mine projects from 2015 onwards is expected to shift the market back into structural deficit, particularly given the number of mine closures that are forecast over the second half of this decade.



Zinc/Lead

The zinc metal market went into deficit in 2013 for the first time in 5 years, driven by the continuing appetite from China for imported metal (record of 600,000 tonnes in 2013) and the recovery in physical demand in the US/South East Asia. This change in the supply/demand picture is evidenced by increased physical premiums worldwide. Warehouse levels (LME and SHFE) decreased by approximately 370,000 tonnes (24%) year on year.

The lead metal market had a particularly strong start in 2013, as concerns about planned smelter closures (Doe Run and Exide in the US) and lack of secondary feed resulted in a tight market and LME inventory drawdowns. The restarts of lead metal production at La Oroya, Portovesme (Glencore) and Korea Zinc brought the market back into balance in the latter part of the year. Over the year, warehouse levels (LME and SHFE) decreased by 90,000 tonnes (23%) year on year.

The zinc concentrate spot market was relatively quiet during 2013, due to an increase in Chinese domestic concentrate production and Chinese arbitrage for concentrates not being present, despite good arbitrage for metal in favour of imports. This resulted in a steady increase of spot treatment charges through the year.



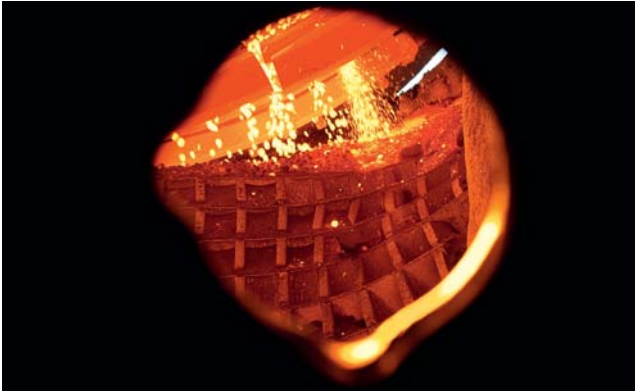
Nickel

Global stainless steel production increased in 2013, driven by strong Chinese growth, while Western markets were impacted by persistent overcapacity and increasing imports from Asia, resulting in subdued stainless steel prices. The general sentiment improved from negative to neutral as the year progressed, with stainless inventories remaining relatively low throughout the supply chain.

Global demand for nickel improved during 2013, supported by increased demand in stainless and non-stainless applications. However, with the continued growth in nickel pig iron output, coupled with increased supply from greenfield projects, the market remained heavily oversupplied. LME inventory increased from 142,000 tonnes at the start of the year to a record high of 262,000 tonnes at year-end, with the cash settlement price averaging 14% lower than 2012.

Nickel ore exports from Indonesia stopped on 12 January 2014 following the introduction of the mineral export ban of unprocessed ore in accordance with law 4, 2009 and related ministerial decrees. With Indonesian nickel ore shipments supporting over 20% of global primary nickel production the export ban, if sustained, is expected to have a material impact on global nickel supply in the medium term as global stocks are consumed and sizeable primary deficits appear.

Metals and minerals



Ferroalloys

Ferrochrome prices were largely flat during H2 2013 as demand from the global stainless steel market remained steady, while supply from all major producing regions increased. Prices showed some signs of recovery towards the end of the year, on the back of renewed optimism in the stainless steel industry, and to a lesser extent, expectations of further Eskom power buy-backs in South Africa.

In 2013, cobalt prices fluctuated in a narrow range. 2013 was marked by ongoing growth in battery applications for cobalt as well as a recovery related to the aerospace industry. Volumes increased significantly (56%) due to the DRC production growth and an expansion of third party purchases.

Manganese alloy prices declined throughout the year with a slight recovery from November. Demand was stable with over-capacity placing downward pressure on prices. Ore prices remained range bound as South African producers increased capacity, while Chinese demand remained healthy.

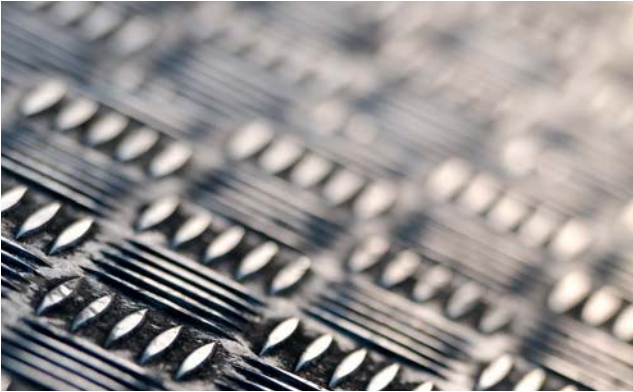
Vanadium prices were firm in H1 2013 with the expectation of increased demand within China. However, this was met, to a large extent, by increased domestic Chinese vanadium output, such oversupply then flowing back to the broader market, putting pressure on prices later in the year.



Alumina/Aluminium

Average LME aluminium prices during 2013 were below 2012, although average premium levels increased significantly (from an average range of \$140-\$166 to \$195-\$215 per tonne). Producers remain under pressure, with many no longer able to cover their production costs. Indications for aluminium premiums for duty unpaid, in-warehouse material at the beginning of 2013 were within the \$200-\$230 per tonne range and the 2013 year end level was around \$210 to \$230 per tonne.

The FOB Australia alumina price opened and closed 2013 at \$330 per tonne, with a price range of \$315 to \$345 per tonne witnessed during the year.



Iron Ore

With Chinese iron ore imports reaching another record high of 819 million tonnes the iron ore price in 2013 was well supported and averaged around \$135 per dmt. We believe long-term pricing momentum is potentially down, with large increases in supply currently expected from major producers in the next few years.

The iron ore paper market enjoyed a strong liquidity boost in 2013, with SGX reporting total traded volumes of 229.8 million tonnes, compared to 108.9 million tonnes in 2012, augmented by other exchanges such as Dalian (started in H2 2013) providing additional liquidity.

Metals and minerals

Industrial activities

Highlights

Total industrial revenues for metals and minerals were \$31,195 million, up 2% from \$30,594 million in 2012. Adjusted EBITDA was \$7,203 million, up 2% from \$7,052 million, driven by strong production growth, particularly copper (up 26%), gold (up 14%) and ferrochrome (up 32%), relating to the Group's key growth projects (including Mutanda, Katanga and Antapaccay) and improved production from Collahuasi, offset by lower average metal prices (e.g. S&P GSCI Industrial Metals Index down 7%). Adjusted EBIT was \$4,036 million, down 11% from \$4,534 million compared to 2012, reflecting the higher depreciation and amortisation charge, consistent with the increased production. Testament to the overall improvement in asset quality/cost competitiveness, is that, notwithstanding the reduction in commodity prices, the adjusted metals and minerals' EBITDA mining margin improved from 32% to 34%.

Financial information

US\$ million	2013	2012	Change %
Revenue			
Copper assets			
African copper (Katanga, Mutanda, Mopani, Sable)	3,211	2,082	54
Collahuasi ¹	1,314	1,002	31
Antamina ¹	1,154	1,354	(15)
Other South America (Alumbraera, Lomas Bayas, Antapaccay/Tintaya, Punitaqui)	2,611	2,742	(5)
Australia (Ernest Henry, Mount Isa, Cobar)	1,904	2,051	(7)
Custom metallurgical (Altonorte, Townsville Refinery, CCR, Horne, Pasar)	10,625	10,471	1
Intergroup revenue elimination	(2,196)	(2,620)	n.m.
Copper	18,623	17,082	9
Zinc assets			
Kazzinc	2,587	2,839	(9)
Australia (Mount Isa, McArthur River)	1,070	1,331	(20)
European custom metallurgical (Portovesme, San Juan de Nieva, Nordenham, Northfleet)	2,428	2,469	(2)
North America (Matagami/Perseverance, Kidd, Brunswick, CEZ Refinery)	1,548	1,367	13
Other Zinc (AR Zinc, Los Quenuales, Sinchi Wayra, Illapa, Rosh Pinah, Perkoa)	708	715	(1)
Intergroup revenue elimination	(674)	(1,002)	n.m.
Zinc	7,667	7,719	(1)
Nickel assets			
Integrated Nickel Operations (Sudbury, Raglan, Nikkelverk)	1,634	2,683	(39)
Australia (Murrin Murrin, XNA)	693	846	(18)
Falcondo	150	259	(42)
Nickel	2,477	3,788	(35)
Ferroalloys	1,910	1,579	21
Aluminium/Alumina	518	426	22
Metals and minerals revenue – pro forma segmental measure	31,195	30,594	2
Impact of presenting joint ventures on an equity accounting basis	(2,468)	(2,356)	n.m.
Metals and minerals revenue – reported measure	28,727	28,238	2

¹ Represents the Group's share of revenue in these JVs.



US\$ million	2013	2012	Change %
Adjusted EBITDA			
Copper assets			
African copper	942	395	138
Collahuasi ¹	756	442	71
Antamina ¹	868	964	(10)
Other South America	1,220	1,276	(4)
Australia	760	705	8
Custom metallurgical	115	167	(31)
Copper	4,661	3,949	18
<i>Adjusted EBITDA mining margin²</i>	<i>45%</i>	<i>41%</i>	
Zinc assets			
Kazzinc	703	890	(21)
Australia	341	427	(20)
European custom metallurgical	159	230	(31)
North America	332	534	(38)
Other Zinc	38	187	(80)
Zinc	1,573	2,268	(31)
<i>Adjusted EBITDA mining margin²</i>	<i>24%</i>	<i>33%</i>	
Nickel assets			
Integrated Nickel Operations	667	907	(26)
Australia	(39)	(112)	n.m.
Falcondo	(27)	–	n.m.
Koniambo	–	(2)	n.m.
Nickel	601	793	(24)
<i>Adjusted EBITDA margin</i>	<i>24%</i>	<i>21%</i>	
Ferroalloys	346	84	312
Aluminium/Alumina	24	(30)	n.m.
Iron ore	(2)	(12)	n.m.
Metals and minerals Adjusted EBITDA – pro forma segmental measure			
	7,203	7,052	2
<i>Adjusted EBITDA mining margin²</i>	<i>34%</i>	<i>32%</i>	
Impact of presenting joint ventures on an equity accounting basis	(760)	(852)	n.m.
Metals and minerals Adjusted EBITDA – reported measure			
	6,443	6,200	4

¹ Represents the Group's share of EBITDA in these JVs.

² Adjusted EBITDA mining margin is Adjusted EBITDA (excluding custom metallurgical assets) divided by Revenue (excluding custom metallurgical assets and intergroup revenue elimination) i.e. the weighted average EBITDA margin of the mining assets. Custom metallurgical assets include the Copper custom metallurgical assets and Zinc European custom metallurgical assets and the Aluminium/Alumina group, as noted in the table above.

US\$ million	2013	2012	Change %
Adjusted EBIT			
Copper assets			
African copper	548	136	303
Collahuasi ¹	544	288	89
Antamina ¹	692	759	(9)
Other South America	819	1,127	(27)
Australia	492	511	(4)
Custom metallurgical	53	101	(48)
Copper	3,148	2,922	8
Zinc assets			
Kazzinc	286	537	(47)
Australia	159	366	(57)
European custom metallurgical	81	160	(49)
North America	194	309	(37)
Other Zinc	(119)	78	n.m.
Zinc	601	1,450	(59)
Nickel assets			
Integrated Nickel Operations	213	492	(57)
Australia	(113)	(226)	n.m.
Falcondo	(27)	–	n.m.
Koniambo	–	(2)	n.m.
Nickel	73	264	(72)
Ferroalloys			
	207	(48)	n.m.
Aluminium/Alumina			
	10	(42)	n.m.
Iron ore			
	(3)	(12)	n.m.
Metals and minerals Adjusted EBIT – pro forma segmental measure			
	4,036	4,534	(11)
Impact of presenting joint ventures on an equity accounting basis	(372)	(492)	n.m.
Metals and minerals Adjusted EBIT – reported measure			
	3,664	4,042	(9)

¹ Represents the Group's share of EBIT in these JVs.

Metals and minerals

US\$ million	2013	2012
Sustaining capex		
Copper assets		
African copper	522	252
Collahuasi ¹	235	279
Antamina ¹	241	70
Las Bambas	0	0
Other South America	452	202
Australia	341	403
Custom metallurgical	131	140
Copper	1,922	1,346
Zinc assets		
Kazzinc	173	254
Australia	546	593
European custom metallurgical	93	46
North America	61	48
Other Zinc	181	134
Zinc	1,054	1,075
Nickel assets		
Integrated Nickel Operations	154	246
Australia	43	80
Falcondo	3	6
Koniambo	0	0
Other nickel projects	0	0
Nickel	200	332
Ferroalloys	112	124
Aluminium/Alumina	28	25
Total sustaining capex – pro forma segmental measure	3,316	2,902
Impact of presenting joint ventures on an equity accounting basis	(476)	(349)
Total sustaining capex – reported measure	2,840	2,553

¹ Represents the Group's share of sustaining capex in these JVs.

US\$ million	2013	2012
Expansion capex		
Copper assets		
African copper	1,103	611
Collahuasi ¹	59	128
Antamina ¹	47	172
Las Bambas	1,734	1,064
Other South America	113	878
Australia	275	450
Custom metallurgical	65	25
Copper	3,396	3,328
Zinc assets		
Kazzinc	75	87
Australia	637	685
European custom metallurgical	36	82
North America	118	126
Other Zinc	95	102
Zinc	961	1,082
Nickel assets		
Integrated Nickel Operations	256	279
Australia	5	71
Falcondo	3	3
Koniambo	1,033	1,199
Other nickel projects	6	13
Nickel	1,303	1,565
Ferroalloys	209	290
Iron ore	89	148
Total expansion capex – pro forma segmental measure	5,958	6,413
Impact of presenting joint ventures on an equity accounting basis	(106)	(300)
Total expansion capex – reported measure	5,852	6,113

¹ Represents the Group's share of expansion capex in these JVs.



US\$ million	2013	2012
Total capex		
Copper assets		
African copper	1,625	863
Collahuasi ¹	294	407
Antamina ¹	288	242
Las Bambas	1,734	1,064
Other South America	565	1,080
Australia	616	853
Custom metallurgical	196	165
Copper	5,318	4,674
Zinc assets		
Kazzinc	248	341
Australia	1,183	1,278
European custom metallurgical	129	128
North America	179	174
Other Zinc	276	236
Zinc	2,015	2,157

US\$ million	2013	2012
Nickel assets		
Integrated Nickel Operations	411	525
Australia	48	151
Falcondo	6	9
Koniambo	1,033	1,199
Other nickel projects	5	13
Nickel	1,503	1,897
Ferroalloys	321	414
Aluminium/Alumina	28	25
Iron ore	89	148
Total capex – pro forma segmental measure	9,274	9,315
Impact of presenting joint ventures on an equity accounting basis	(582)	(649)
Total capex – reported measure	8,692	8,666

¹ Represents the Group's share of capex in these JVs.

Pro forma production data

Production from own sources – Total¹

		2013	2012	Change %
Total Copper	kt	1,496.7	1,189.8	26
Total Zinc	kt	1,398.5	1,531.8	(9)
Total Lead	kt	315.0	320.6	(2)
Total Nickel	kt	98.4	102.5	(4)
Total Gold	koz	1,023	897	14
Total Silver	koz	39,256	35,656	10
Total Cobalt	kt	19.4	14.0	39
Total Ferrochrome	kt	1,238	938	32
Total Platinum	koz	90	80	13
Total Palladium	koz	50	45	11
Total Rhodium	koz	15	14	7
Total Vanadium Pentoxide	mlb	21.6	21.2	2

¹ Controlled industrial assets and JVs only. Production is on a 100% basis, except as stated.

Metals and minerals

Production from own sources – Copper assets¹

		2013	2012	Change %
African Copper (Katanga, Mutanda, Mopani)				
Total Copper metal ²	kt	398.6	279.0	43
Total Cobalt ³	kt	16.0	10.7	50
Collahuasi⁴				
Copper metal	kt	12.5	16.2	(23)
Copper in concentrates	kt	183.1	107.9	70
Silver in concentrates	koz	2,217	1,334	66
Antamina⁵				
Copper in concentrates	kt	149.5	150.8	(1)
Zinc in concentrates	kt	87.9	73.9	19
Silver in concentrates	koz	5,216	4,203	24
Other South America (Alumbrera, Lomas Bayas, Antapaccay/Tintaya)				
Total Copper metal	kt	86.4	82.1	5
Total Copper in concentrates	kt	260.4	190.6	37
Total Gold in concentrates and in doré	koz	392	381	3
Total Silver in concentrates and in doré	koz	2,192	2,167	1
Australia (Ernest Henry, Mount Isa, Cobar)				
Total Copper in anode	kt	201.1	159.5	26
Total Copper in concentrates	kt	48.5	40.9	19
Total Gold	koz	51	41	24
Total Silver	koz	1,549	1,170	32
Total Copper department				
Total Copper	kt	1,340.1	1,027.0	30
Total Cobalt	kt	16.0	10.7	50
Total Zinc	kt	87.9	73.9	19
Total Gold	koz	443	422	5
Total Silver	koz	11,174	8,874	26

¹ Controlled industrial assets and JVs only. Production is on a 100% basis, except as stated.

² Copper metal includes copper contained in copper concentrates and blister copper.

³ Cobalt contained in concentrates and hydroxides.

⁴ The Group's pro-rata share of Collahuasi production (44%).

⁵ The Group's pro-rata share of Antamina production (33.75%).

⁶ Illapa is a 45:55 joint venture with the Bolivian government which holds the Bolivar and Porco mines previously held by Sinchi Wayra.

Production from own sources – Zinc assets¹

		2013	2012	Change %
Kazzinc				
Zinc metal	kt	216.2	227.3	(5)
Lead metal	kt	29.8	26.8	11
Copper metal	kt	50.9	49.6	3
Gold	koz	579	474	22
Silver	koz	5,251	4,777	10
Australia (Mount Isa, McArthur River)				
Total Zinc in concentrates	kt	608.4	592.5	3
Total Lead in concentrates	kt	213.6	193.5	10
Total Silver in concentrates	koz	8,450	7,975	6
North America (Matagami/Perseverance, Kidd, Brunswick)				
Total Zinc in concentrates	kt	194.3	389.0	(50)
Total Lead in concentrates	kt	13.5	50.9	(73)
Total Copper in concentrates	kt	49.0	53.1	(8)
Total Silver in concentrates	koz	4,549	5,566	(18)
Other Zinc (AR Zinc, Los Quenuales, Sinchi Wayra, Illapa, Rosh Pinah, Perkoa)⁶				
Zinc metal	kt	29.7	30.8	(4)
Zinc in concentrates	kt	262.0	218.3	20
Lead metal	kt	11.0	11.8	(7)
Lead in concentrates	kt	47.1	37.6	25
Copper in concentrates	kt	2.1	1.7	24
Silver metal	koz	670	783	(14)
Silver in concentrates	koz	9,162	7,681	19
Total Zinc department				
Total Zinc	kt	1,310.6	1,457.9	(10)
Total Lead	kt	315.0	320.6	(2)
Total Copper	kt	102.0	104.4	(2)
Total Gold	koz	579	474	22
Total Silver	koz	28,082	26,782	5



Production from own sources – Nickel assets¹

		2013	2012	Change %
Integrated Nickel Operations (Sudbury, Raglan, Nikkelverk)				
Total Nickel metal	kt	47.1	41.5	13
Total Nickel in concentrates	kt	0.5	0.7	(29)
Total Copper metal	kt	16.7	15.3	9
Total Copper in concentrates	kt	37.6	42.5	(12)
Total Cobalt metal	kt	0.7	0.6	17
Australia (Murrin Murrin, XNA)				
Total Nickel metal	kt	35.9	33.4	7
Total Nickel in concentrates	kt	4.1	11.7	(65)
Total Copper in concentrates	kt	0.3	0.6	(50)
Total Cobalt metal	kt	2.6	2.4	8
Total Cobalt in concentrates	kt	0.1	0.3	(67)
Falcondo				
Nickel in ferronickel	kt	9.4	15.2	(38)
Koniambo				
Nickel in ferronickel	kt	1.4	–	n.a.
Total Nickel department				
Total Nickel	kt	98.4	102.5	(4)
Total Copper	kt	54.6	58.4	(7)
Total Cobalt	kt	3.4	3.3	3

¹ Controlled industrial assets and JVs only. Production is on a 100% basis, except as stated.

² The Group's 79.5% share of the Glencore-Merafe Chrome Venture.

³ Consolidated 100% of Eland and 50% of Mototolo.

Production from own sources – Ferroalloys assets¹

		2013	2012	Change %
Ferrochrome²	kt	1,238	938	32
PGM³				
Platinum	koz	90	80	13
Palladium	koz	50	45	11
Rhodium	koz	15	14	7
Gold	koz	1	1	–
4E	koz	156	140	11
Vanadium Pentoxide				
	mlb	21.6	21.2	2

Total production – Custom metallurgical assets¹

		2013	2012	Change %
Copper (Altonorte, Townsville, Pasar, Horne, CCR)				
Copper metal	kt	750.6	622.0	21
Copper anode	kt	514.5	465.0	11
Zinc (Portovesme, San Juan de Nieva, Nordenham, Northfleet)				
Zinc metal	kt	745.0	730.6	2
Lead metal	kt	174.1	156.9	11
Silver	koz	7,870	7,249	9
Ferroalloys				
Ferromanganese	kt	99	17	482
Silicon Manganese	kt	92	16	475
Aluminium (Sherwin Alumina)				
Alumina	kt	1,606	1,379	16

Metals and minerals

Operating highlights

Copper assets

Total Group copper production was 1,496,700 tonnes, an increase of 26% against 2012. The increase is driven by the key growth projects at Katanga, Mutanda, Antapaccay and Ernest Henry, together with improved production from Collahuasi.

African copper

African copper produced 398,600 tonnes of copper in 2013, up 43% compared to 2012. The growth has been achieved across all the key assets, mainly relating to the expansion projects at Katanga and Mutanda, both reaching production capacity of 200,000 tonnes per annum at the end of 2013.

Cobalt production was 16,000 tonnes, a 50% increase compared to 2012, driven primarily by Mutanda's expansion.

Collahuasi

The Group's share of copper production at Collahuasi was 195,600 tonnes, an increase of 58% compared to 2012. Production increased significantly since June 2013, reflecting a strong ramp up, following restart of the SAG mill (closed for 49 days in Q2 2013) and a return to higher grades. H2 2013 production was 91% higher than H1 2013.

Antamina

The Group's share of copper production from Antamina was 149,500 tonnes, in line with 2012. Zinc production was 87,900 tonnes, an increase of 19% compared to 2012, as a result of higher grades within the 2013 mine-plan. Antamina had a planned shutdown of the SAG mill during 2013 for a stator replacement; this was completed within 30 days, well ahead of schedule with a quick return to expected throughput level post the restart.

Other South America

Production from other South American copper was 346,800 tonnes, 27% higher than 2012. This increase was driven by the ramp-up at Antapaccay, following commissioning in November 2012, partially offset by lower production at Alumbrera due to lower head grades and the processing of more stockpiled ore, as the mine approaches the end of its life in 2019.

Gold production was 392,000 oz, 3% higher than 2012. The small net increase relates to the ramp up at Antapaccay offset by declining grades at Alumbrera, although the latter is expected to hold up well in 2014.

Australia

Copper production was 249,600 tonnes in 2013, a 25% increase over 2012. This increase mainly relates to higher anode production at Mount Isa (up 26%), driven by higher concentrate feed from Ernest Henry, which produced 70,700 tonnes of copper in concentrate in 2013, an increase of 107% compared to 2012, relating to the underground expansion project.

Custom metallurgical assets

The copper custom metallurgical assets produced 514,500 tonnes of anode (Altonorte and Horne), an 11% increase over 2012, as Altonorte increased production by 14% to 309,000 tonnes in 2013, driven by higher concentrate grades.

Cathode production was 750,600 tonnes during 2013 (Townsville, CCR and Pasar), an increase of 21% compared to 2012. This increase primarily relates to the contribution from Pasar, following the fire that impacted 2012. Pasar, however, ceased production following damages sustained by Typhoon Haiyan and has remained closed since. It is currently expected to restart in Q1 2014.



Zinc assets

Total Group zinc production was 1,398,500 tonnes and lead production was 315,000 tonnes, a reduction of 9% and 2% respectively against 2012. The reduction relates to expected declines at Brunswick and Perseverance as they reached the end of their mine lives (last production in June 2013). Zinc production is expected to return to growth in 2014, originating mainly from Australia.

Kazzinc

Gold production from own sources was 579,000 oz, an increase of 22% against 2012, primarily relating to productivity improvements at Vasilkovskoye, plus some contribution from the gold mines Komarovskoye and Raigorodok (57,000 oz), acquired in H1 2013.

Zinc production from own sources was 216,200 tonnes, down 5% against 2012, reflecting an expected reduction in head grades. Own sourced lead and copper production was 29,800 tonnes and 50,900 tonnes, an increase of 11% and 3% respectively, mainly relating to a greater focus on processing inventories, in part driven by lower availability of third party feed material.

Australia

Australia zinc produced 608,400 tonnes of zinc and 213,600 tonnes of lead in 2013, up 3% and 10% respectively against 2012, mainly driven by the growth projects at McArthur River and Mount Isa.

The George Fisher project (Mount Isa) reached its planned annualised ore mined run rate capacity of 4.5 million tonnes in June 2013, while the McArthur River Phase 3 project (doubling ore capacity from 2.5 million tonnes to between 5.0 and 5.5 million tonnes per annum) is progressing as planned, with commissioning expected at the end of H1 2014.

North America

North America zinc produced 194,300 tonnes of zinc and 13,500 tonnes of lead in 2013, a reduction of 50% and 73% respectively against 2012. The reductions relate to the planned wind-downs of the Brunswick and Perseverance mines as they reached the end of their mine lives (last production in June 2013).

The new Bracemac-Mcleod mine (part of the Matagami complex with Perseverance) is ramping up and produced 32,900 tonnes in 2013. This mine will only offset approximately half the lost production from the larger Perseverance operation. The Group has exploration rights in the region and is assessing options for potential new mine sites.

The Kidd mine produced 67,800 tonnes of zinc and 36,900 tonnes of copper in 2013. 2013 production was impacted by reduced volumes of ore mined as it reaches lower levels, with greater operational complexities (currently mining at depths of between 2,100m and 2,900m), partly offset by higher grades.

Other Zinc

These assets produced 291,700 tonnes of own sourced zinc and 58,100 tonnes of own sourced lead, up 17% and 18% respectively against 2012, primarily relating to Rosh Pinah (acquired in 2012) and Perkoa (started production in 2013).

European custom metallurgical assets

The zinc custom metallurgical assets produced 745,000 tonnes of zinc metal and 174,100 tonnes of lead metal during 2013, an increase of 2% and 11% respectively compared to 2012. The key driver was higher production at Portovesme due to commissioning of the zinc SX plant and restart of the lead plant.

Metals and minerals

Nickel assets

Nickel production was 98,400 tonnes in 2013, a 4% decline versus 2012. The reduction mainly relates to the former XNA and Falcondo operations placed on care and maintenance, in response to low nickel prices, offset by a record year of production from Murrin Murrin and Raglan. 2013 production includes 1,400 tonnes from Koniambo, which is in the early stages of ramping up production.

Integrated Nickel Operations (“INO”)

The output from the Nikkelverk refinery was 91,000 tonnes, of which 47,100 tonnes is from own sources (Raglan, Nickel Rim South and Fraser via the Sudbury smelter), a 13% increase over 2012. The increase reflects a record year of production at Raglan (33,800 tonnes), driven by higher grades/mine sequencing, in part offset by a decline in grades at Sudbury mines and the maintenance shutdown of the Strathcona mill during Q1 2013. The higher level of concentrate production also resulted in a record year of production at the Sudbury smelter.

INO also produced 54,300 tonnes of own sourced copper production, representing a 6% reduction compared to 2012. The reduction in copper reflects a known steady decline in copper grades at the Nickel Rim South mine.

Australia

Australia nickel produced 40,000 tonnes of own sourced nickel during 2013, 11% below 2012, relating to XNA (Cosmos and Sinclair) being placed on care and maintenance during 2013. The lost XNA production was partially offset by continued strong production from Murrin Murrin, driven by debottlenecking and consistent plant availability.

Falcondo

Falcondo was placed on care and maintenance in October 2013. During 2013, Falcondo produced 9,400 tonnes of ferronickel, a 38% reduction against 2012.

Koniambo

Construction of Line 1 and Line 2 is now complete. Line 1 produced 1,400 tonnes of nickel in ferronickel during 2013. First ore to Line 2 will take place in Q1 2014. As reported earlier, the first export shipment took place in September 2013.

Ferroalloys assets

Ferrochrome

Attributable ferrochrome production was 1.2 million tonnes, a 32% increase over 2012. The increase was driven by higher utilisation at the smelters and better operating results from the furnaces, including the successful commissioning of the Tswelopele pelletising plant which enables more efficient use of ore.

The 2012 and 2013 results were also impacted by Eskom's power buyback programmes, which restricted production by approximately 130,000 tonnes in 2013 and 100,000 tonnes in 2012.

Platinum Group Metals

PGM (4E) production was 156,000 oz, 11% higher than 2012. The 2013 production is made up of 112,000 oz from Glencore's 50% share of the Mototolo joint venture (stable year-on-year) and 44,000 oz from Eland.

The key driver of the production trend relates to Eland, which increased production 37% in 2013, based on the ramp-up of the Western decline area.

Vanadium

Vanadium pentoxide (V₂O₅) production was 21.6 million lbs, slightly up on 2012. V₂O₅ production is either sold directly to the aerospace industry or converted into ferrovandium (FeV) and sold to the steel industry. The production split in 2013 was 6.1 million lbs V₂O₅ with the remaining 15.5 million lbs converted into FeV.

Manganese

Total Manganese (ferro and silicon) production was 191,000 tonnes in 2013, the first full year of production under Glencore ownership following acquisition in October 2012. 2013 production was impacted by the decision to curtail ferro manganese production by 30% in France and produce only silicon manganese in Norway based on market conditions.



Aluminium assets

Sherwin Alumina

Alumina production was 1.6 million tonnes during 2013, a 16% increase over 2012. This reflects a strong plant operational performance, marking a return to historical levels of production achieved.

Iron Ore assets

A number of Iron Ore projects are being assessed, including:

- Askaf, Mauritania (attributable interest 79%): a project with the potential to create a 7.5 million tonnes per annum open cut mine. Feasibility study and capital estimate are currently being finalised.
- El Aouj, Mauritania (attributable interest 44%): close to 4 billion tonne resource with a project with large scale production potential. Pre-feasibility study for a 15 million tonne per annum first stage development is nearing completion.
- Zanaga, Republic of Congo (attributable interest 50%): 7 billion tonne resource; feasibility study on initial 14 million tonnes per annum development started in Q4 2013.

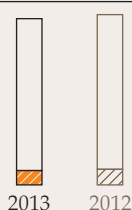
Energy products

Financial highlights

Revenue

US\$ million

142,248

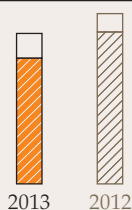


Marketing activities	129,979 2013	132,361 2012
Industrial activities	12,269 2013	13,352 2012

Adjusted EBITDA

US\$ million

4,044

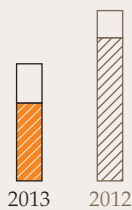


Marketing activities	666 2013	494 2012
Industrial activities	3,378 2013	4,083 2012

Adjusted EBIT

US\$ million

1,873



Marketing activities	629 2013	435 2012
Industrial activities	1,244 2013	2,289 2012

Information in this section has been presented on the pro forma basis described in the Financial Review section.

Highlights

Energy products total Adjusted EBITDA in 2013 was \$4,044 million, 12% below 2012, as lower realised coal prices impacted the coal industrial business, somewhat offset by a 4% increase in coal production volumes, weaker producer currencies and the realisation of cost savings associated with restructuring the Australian business and some acquisition-related synergies. At \$1,873 million, compared to EBITDA, Adjusted EBIT was 31% lower than 2012, impacted by a 17% higher depreciation charge (non-cash) and the effect of the lower profit base.

Energy products industrial Adjusted EBIT was \$1,244 million, 46% lower than 2012 (EBITDA was 17% lower), for the reasons discussed above. Marketing Adjusted EBIT was \$629 million, 45% higher than 2012, relating primarily to an improved coal contribution, basis greater volumes and market opportunities.

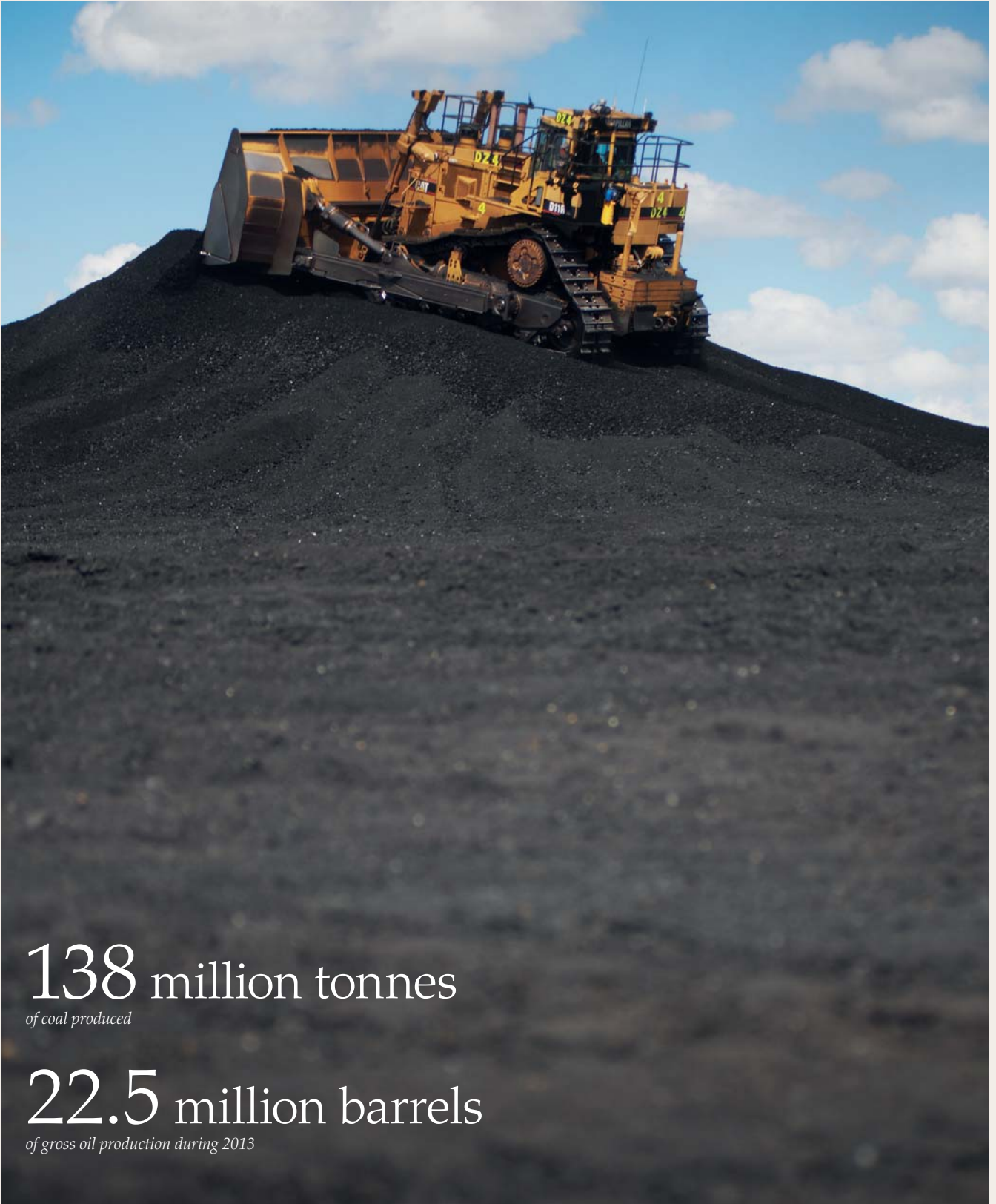
Outlook

Coal market prospects for 2014 remain challenging, however, as restructuring of the US coal industry continues, export volumes should reduce. Coal demand across most markets is expected to remain solid on the back of high gas prices and positive spreads and as the recovery in the global economy gathers pace. Reduced coal subsidies in Europe should allow for some natural growth in seaborne imports, whereas coal is expected to remain the prime choice to fuel economic growth in Asia. In our coal production unit, we are clearly positively aligned to some gradual expected improvements in coal market fundamentals, while in marketing, we are well positioned to meet the increasing quality and blending arbitrage opportunities which could be expected in both the Atlantic and Pacific markets.

Oil industrial EBITDA in H2 2013 benefited from the start-up in production at the Alen and Chad fields (H2 2013 was 40% higher than H1 2013), which augurs well for 2014.



Rolleston Thermal Coal Mine
Queensland, Australia



138 million tonnes
of coal produced

22.5 million barrels
of gross oil production during 2013

Energy products

US\$ million	Marketing activities	Industrial activities	2013	Marketing activities	Industrial activities	2012
Revenue	129,979	12,269	142,248	132,361	13,352	145,713
Adjusted EBITDA	666	3,378	4,044	494	4,083	4,577
Adjusted EBIT	629	1,244	1,873	435	2,289	2,724
Allocated average CE ^{1,2}	2,861	35,989	38,850	5,065	33,863	38,928
Adjusted EBIT return on average CE	22%	3%	5%	9%	7%	7%

1 The simple average of segment current and non-current capital employed (see note 2 of the financial statements and pro forma in respect of 2012), adjusted for production related inventories, is applied as a proxy for marketing and industrial activities respectively.

2 For the purposes of this calculation, capital employed has been adjusted to exclude various long-term loans (primarily Russneft and Rosneft – see note 11 of the financial statements), which generate interest income and do not contribute to Adjusted EBIT. Capital employed has been adjusted to move logistics and storage related property, plant and equipment from industrial activities into marketing activities.

Market conditions

Selected average commodity prices

	2013	2012	Change %
S&P GSCI Energy Index	332	330	1
Coal API2 (\$/t)	82	93	(12)
Coal API4 (\$/t)	81	93	(13)
Australian coking coal average realised export price (\$/t)	146	198	(26)
Australian semi-soft coal average realised export price (\$/t)	111	159	(30)
Australian thermal coal average realised export price (\$/t)	83	102	(19)
Australian thermal coal average realised domestic price (\$/t)	40	41	(2)
South African thermal coal average realised export price (\$/t)	76	96	(21)
South African thermal coal average realised domestic price (\$/t)	26	29	(10)
Prodeco (Colombia) thermal coal average realised export price (\$/t)	83	85	(2)
Cerrejón (Colombia) thermal coal average realised export price (\$/t)	73	89	(18)
Oil price – Brent (\$/bbl)	109	112	(3)

Marketing

Highlights

Adjusted EBIT was \$629 million, an increase of 45% compared to 2012. The increase in profitability relates primarily to an improved coal contribution, owing to higher volumes, a healthier physical market compared to 2012, including significant market segmentation with respect to differing product values and qualities, and some level of Xstrata synergy contribution. Oil volumes reduced slightly in 2013 with a lower emphasis on the bunker market.

Financial information

US\$ million	2013	2012	Change
Revenue	129,979	132,361	(2)
Adjusted EBITDA	666	494	35
Adjusted EBIT	629	435	45

Selected marketing volumes sold

		2013	2012	Change
Thermal coal ¹	mt	84.4	78.3	8
Metallurgical coal ¹	mt	4.7	4.1	15
Coke ¹	mt	0.6	0.2	200
Crude oil	mbbl	385.9	421.4	(8)
Oil products	mbbl	727.6	742.2	(2)

1 Includes agency volumes.



Coal

Atlantic

Demand remained strong across most European countries, supported by high gas prices and positive dark spreads as well as domestic supply issues in some markets. Whilst the Iberian Peninsula had ample hydro power, coal burn in UK and Germany remained strong. However, supply from all origins, especially the US, was at a high level and prices remained under pressure, although the fall was less than in 2012. API2 and API4 levels were down some 5% as at year end 2013 from year end 2012.

Pacific

Strong export growth in the traditional Australian and Indonesian markets, marked by a lack of any significant supply disruption, ensured that prices remained relatively low throughout the year. Overall demand remained healthy, especially in India and China, and whilst prices ended the year lower than at the start, the fall was significantly less than in 2012. The Newcastle Index as at year end 2013 was down some 8% compared to the end of 2012.

During the year, the metallurgical market recovered to a limited extent on the back of better demand in traditional markets, however prices remained under pressure due to incremental supply.



Oil

Front month Brent traded above \$100 per barrel for the entirety H2 2013, ending the year where it began, around \$110 per barrel. Overall price volatility was generally lower in H2 than H1, particularly in the fourth quarter. By contrast WTI, and therefore the WTI/Brent spread, showed significant volatility during the period, with the discount to Brent for US light sweet crude starting the year at \$19 per barrel, reducing to around \$6 in June and returning to over \$19 in Q4 2013, before reducing again to end the year at around \$12 per barrel. Whilst the front end of Brent structure remained for the most part backwardated, WTI traded into contango during its period of particular weakness. However, long dated crude structures remain strikingly backwardated.

North American domestic production levels continued to show good growth, whilst interrupted supply from Libya and some other OPEC members was the norm. Generally US refining margins were healthy, but those in Europe were under considerable pressure. Tanker freight, which performed poorly in the second half of the year, staged a reasonable recovery as the winter began.

Energy products

Industrial activities

Highlights

Total industrial revenues for energy products were \$12,269 million, down 8% from \$13,352 million in 2012. Adjusted EBITDA and EBIT for 2013 were \$3,378 million and \$1,244 million, down 17% and 46%, respectively from \$4,083 million and \$2,289 million in 2012. The higher EBIT reduction relates to the depreciation and amortisation charge (non-cash) across the lower profit base.

Energy products' industrial activities performance was down in 2013, primarily driven by lower realised coal prices. The impact of lower prices was somewhat offset by a 4% increase in coal production volumes (Prodeco and various Australian thermal coal operations), the weaker Australian dollar and South African rand and the realisation of cost savings associated with restructuring the Australian business and some cost synergies resulting from the acquisition of Xstrata. Oil EBITDA was \$49 million (or 10%) lower than 2012, due to slightly lower oil prices and the impact of the switch in production as the Alen and Chad fields started production and the Aseng field came off plateau, however H2 2013 was 40% higher than H1 2013, which augurs well for 2014.

Financial information

US\$ million	2013	2012	Change %
Net revenue			
Coal operating revenue			
Coking Australia	1,087	1,402	(22)
Thermal Australia	4,773	5,444	(12)
Thermal South Africa	2,253	2,450	(8)
Prodeco	1,505	1,216	24
Cerrejón ¹	816	970	(16)
Coal operating revenue	10,434	11,482	(9)
Coal other revenue			
Coking Australia	439	273	61
Thermal Australia	623	544	15
Thermal South Africa	99	245	(60)
Prodeco	2	–	n.m.
Coal other revenue (buy-in coal)	1,163	1,062	10
Coal total revenue			
Coking Australia	1,526	1,675	(9)
Thermal Australia	5,396	5,988	(10)
Thermal South Africa	2,352	2,695	(13)
Prodeco	1,507	1,216	24
Cerrejón ¹	816	970	(16)
Coal total revenue	11,597	12,544	(8)
Oil	672	808	(17)
Energy products revenue – pro forma segmental measure	12,269	13,352	(8)
Impact of presenting joint ventures on an equity accounting basis	(816)	(970)	n.m.
Energy products revenue – reported measure	11,453	12,382	(8)

¹ Represents the Group's share of revenue in this JV.



US\$ million	2013	2012	Change %
Adjusted EBITDA			
Coking Australia	336	418	(20)
Thermal Australia	1,268	1,745	(27)
Thermal South Africa	693	854	(19)
Prodeco	343	159	116
Cerrejón ¹	299	419	(29)
Total coal	2,939	3,595	(18)
<i>Adjusted EBITDA margin²</i>	<i>28%</i>	<i>31%</i>	
Oil			
<i>Adjusted EBITDA margin</i>	<i>65%</i>	<i>60%</i>	
Energy products Adjusted EBITDA – pro forma segmental measure	3,378	4,083	(17)
<i>Adjusted EBITDA margin²</i>	<i>30%</i>	<i>33%</i>	
Impact of presenting joint ventures on an equity accounting basis	(253)	(247)	
Energy products Adjusted EBITDA – reported measure	3,125	3,836	(19)

US\$ million	2013	2012
Sustaining capex		
Australia (thermal and coking)	355	949
Thermal South Africa	182	213
Prodeco	48	13
Cerrejón ¹	109	79
Total sustaining capex – pro forma segmental measure	694	1,254
Impact of presenting joint ventures on an equity accounting basis	(109)	(79)
Total sustaining capex – reported measure	585	1,175

US\$ million	2013	2012	Change %
Adjusted EBIT			
Coking Australia	181	301	(40)
Thermal Australia	229	906	(75)
Thermal South Africa	254	409	(38)
Prodeco	175	4	n.m.
Cerrejón ¹	109	262	(58)
Total coal	948	1,882	(50)
Oil			
	296	407	(27)
Energy products Adjusted EBIT – pro forma segmental measure			
	1,244	2,289	(46)
Impact of presenting joint ventures on an equity accounting basis	(64)	(70)	
Energy products Adjusted EBIT – reported measure	1,180	2,219	(47)

US\$ million	2013	2012
Expansion capex		
Australia (thermal and coking)	1,013	1,722
Thermal South Africa	499	395
Prodeco	41	282
Cerrejón ¹	106	135
Total coal expansion capex	1,659	2,534
Oil		
	1,045	311
Total expansion capex – pro forma segmental measure	2,704	2,845
Impact of presenting joint ventures on an equity accounting basis	(106)	(135)
Total expansion capex – reported measure	2,598	2,710

¹ Represents the Group's share of EBITDA/EBIT in this JV.

² Coal EBITDA margin is calculated on the basis of Coal operating revenue, as set out in the preceding table.

Energy products

US\$ million	2013	2012
Total capex		
Australia (thermal and coking)	1,368	2,671
Thermal South Africa	681	608
Prodeco	89	295
Cerrejón ¹	215	214
Total coal	2,353	3,788
Oil	1,045	311
Total capex – pro forma segmental measure	3,398	4,099
Impact of presenting joint ventures on an equity accounting basis	(215)	(214)
Total capex – reported measure	3,183	3,885

¹ Represents the Group's share of capex in this JV.

Pro forma production data

Coal assets¹

		2013	2012	Change %
Australian coking coal	mt	7.3	6.9	6
Australian semi-soft coal	mt	4.5	4.3	5
Australian thermal coal (export)	mt	48.1	43.7	10
Australian thermal coal (domestic)	mt	5.1	5.1	–
South African thermal coal (export)	mt	20.6	21.1	(2)
South African thermal coal (domestic)	mt	22.9	24.7	(7)
Prodeco	mt	18.6	14.8	26
Cerrejón ²	mt	11.0	11.6	(5)
Total Coal department	mt	138.1	132.2	4

¹ Controlled industrial assets and JVs only. Production is on a 100% basis except for JVs, where the Group's attributable share of production is included.

² The Group's pro-rata share of Cerrejón production (33.3%).

Oil assets

		2013	2012	Change %
Gross basis				
Equatorial Guinea	kbbbl	21,917	22,570	(3)
Chad	kbbbl	619	–	n.a.
Total Oil department	kbbbl	22,536	22,570	–

Glencore entitlement interest basis

Equatorial Guinea	kbbbl	4,799	4,770	1
Chad	kbbbl	186	–	n.a.
Total Oil department	kbbbl	4,985	4,770	5



Operating highlights

Coal

Total coal production was 138.1 million tonnes in 2013, a 4% increase over 2012. The increase mainly relates to the growth projects at Prodeco and Australia thermal coal (specifically at Ravensworth North, Rolleston and Ulan operations). Production in 2013 was affected by a number of decisions to cut back production at lower return operations/areas in response to the low coal price environment.

Australian coking

Australia coking coal was 7.3 million tonnes in 2013, a 6% increase over 2012. The increase over 2012 relates mainly to productivity improvements at Oaky Creek and the resolution of some operational issues that impacted 2012. Production growth was impacted by decisions to counter the low coal price environment, including moving from dual longwall to a single longwall operation at Oaky North and Collinsville being placed on care and maintenance, following an inability to agree an appropriate enterprise agreement with the union.

Australian thermal and semi-soft

Australia thermal production (including semi-soft coking) was 57.7 million tonnes in 2013, an increase of 9% over 2012. The growth relates mainly to the successful ramp-ups attributable to the Ravensworth North, Rolleston and Ulan expansion projects.

South African thermal

South Africa thermal coal production was 43.5 million tonnes in 2013, a reduction of 5% compared to 2012. This relates mainly to proactively reducing production, including a decision not to produce bypass coal at Tweefontein, resulting in reduced yields (but higher quality coal) and a decision not to reclaim dump material at Impunzi. Adverse ground conditions, heavy rain, industrial action and some equipment delays also impacted production, particularly in Q4 2013.

Prodeco

Prodeco produced 18.6 million tonnes of coal in 2013, a 26% increase over 2012. The increase reflects the continuation of the expansion project which is expected to increase production to c.21 million tonnes per annum, in line with the capacity specified in the Puerto Nuevo port concession.

Puerto Nuevo (\$550 million project, which completed on time and in budget) commenced loading on 13 April 2013 and is operating at required capacity.

Cerrejón

Cerrejón produced 11.0 million tonnes of coal (Glencore's attributable share), 5% below 2012, predominantly due to the impact of the 32 day strike in Q1 2013.

Oil

Oil E&P produced 22.5 million barrels of gross oil production during 2013, broadly in line with 2012. The 2013 production includes the first year of production from Alen, Equatorial Guinea (from June 2013) and Badila, Chad (from September 2013), offset by an expected reduction at Aseng, Equatorial Guinea, as the field came off plateau. Q4 2013 was the strongest quarter of the year by some margin.

Agricultural products

Financial highlights

Revenue

US\$ million

30,039

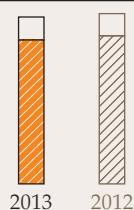


Industrial activities	3,185 2013	3,074 2012
Marketing activities	26,854 2013	17,751 2012

Adjusted EBITDA

US\$ million

444

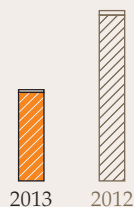


Industrial activities	61 2013	59 2012
Marketing activities	383 2013	394 2012

Adjusted EBIT

US\$ million

192



Industrial activities	(6) 2013	(10) 2012
Marketing activities	198 2013	371 2012

Information in this section has been presented on the pro forma basis described in the Financial Review section.

Highlights

Adjusted EBITDA was \$444 million, just 2% lower than 2012. This reflects a solid contribution from the acquired Viterra assets, but an otherwise challenging marketing environment, characterised by tight old crop carry outs, adequate new supplies, limited volatility and farmer retentions, sought to suppress earnings in Glencore's traditional marketing businesses. H2 2013 saw a substantial improvement on H1 2013, with the halves contributing \$318 million and \$126 million respectively to the overall 2013 EBITDA.

Adjusted EBIT was \$198 million, 47% lower than 2012, accounting for the higher depreciation charge in relation to the Viterra assets.

Outlook

The record 2013 Canadian harvest is expected to positively benefit Viterra's Canadian grain handling business in 2014.



Port Giles Export Terminal
Yorke Peninsula, Australia

9.3 million tonnes
of agricultural products processed

26%
increase in volumes of agricultural products processed



Agricultural products

US\$ million	Marketing activities	Industrial activities	2013	Marketing activities	Industrial activities	2012
Revenue	26,854	3,185	30,039	17,751	3,074	20,825
Adjusted EBITDA	383	61	444	394	59	453
Adjusted EBIT	198	(6)	192	371	(10)	361
Allocated average CE ^{1,2}	7,446	2,566	10,012	6,046	2,188	8,234
Adjusted EBIT return on average CE	3%	0%	2%	6%	0%	4%

1 The simple average of segment current and non-current capital employed (see note 2 of the financial statements and pro forma in respect of 2012), adjusted for production related inventories, is applied as a proxy for marketing and industrial activities respectively.

2 For the purposes of this calculation, capital employed has been adjusted to move logistics and storage related property, plant and equipment (including Viterra) from industrial activities into marketing activities.

Market conditions

Selected average commodity prices

	2013	2012	Change %
S&P GSCI Agriculture Index	402	459	(12)
CBOT wheat price (US¢/bu)	684	751	(9)
CBOT corn no.2 price (US¢/bu)	578	695	(17)
CBOT soya beans (US¢/bu)	1,407	1,466	(4)
ICE cotton price (US¢/lb)	83	80	4
NYMEX sugar # 11 price (US¢/lb)	17	22	(23)

Marketing Highlights

Overall, the agricultural products market was challenging with limited volatility and arbitrage opportunities. Within this environment, oilseed prices remained firm in H2 2013 buoyed by strong Chinese demand for soyabeans and a tight supply/demand picture, particularly in the US. By contrast grain prices declined in response to record North American and large EU crops. The prospect of a bumper Brazilian soyabean new crop may alleviate some of the oilseed tightness.

Our grain and oilseed volumes increased significantly, primarily as a result of the Viterra acquisition.

A record Canadian crop was positive for grain procurement and handling results, however a lack of railroad capacity constrained volume growth. The Australian grain handling business performed satisfactorily, against a backdrop of a good, but not as large as expected, South Australian crop.

All planned Viterra disposals completed during H2 2013, including the malt and pasta businesses.

The building of a joint venture export elevator in Newcastle, Australia continues as planned with completion expected in March 2014. In addition, the first stage of a new oilseed export facility at Itaquí, Brazil is expected to be complete by July 2014.

Financial information

US\$ million	2013	2012	Change %
Revenue	26,854	17,751	51
Adjusted EBITDA	383	394	(3)
Adjusted EBIT	198	371	(47)

Selected marketing volumes sold

Million tonnes	2013	2012	Change %
Grain	44.2	30.9	43
Oil/Oilseeds	23.5	13.6	73
Cotton	0.5	0.5	–
Sugar	0.5	0.9	(44)



Operating highlights

Agricultural products processed 9.3 million tonnes in 2013, 26% higher than 2012. The increase in volumes mainly relates to the key expansion projects at Rio Vermelho and Timbues. Rio Vermelho crushed 2.3 million tonnes of sugarcane in 2013, an increase of 79% over 2012, driven by the multi-year investment in processing capacity and sugarcane planting, while Timbues, a new large-scale soyabean crushing plant in Argentina (in which Glencore is a large minority investor) ramped up volumes during H2 2013, following receipt of export approvals in July 2013.

Industrial activities

Financial information

US\$ million	2013	2012	Change %
Revenue	3,185	3,074	4
Adjusted EBITDA	61	59	3
Adjusted EBIT	(6)	(10)	(40)
Adjusted EBITDA margin	2	2	
Sustaining capex	49	92	
Expansionary capex	97	167	
Total capex	146	259	

Processing data

		2013	2012	Change %
Farming	kt	883	674	31
Crushing	kt	3,642	2,779	31
Long-term toll agreement	kt	541	876	(38)
Biodiesel	kt	624	534	17
Rice milling	kt	273	248	10
Wheat milling	kt	1,121	1,061	6
Sugarcane processing	kt	2,251	1,256	79
Total agricultural products¹	kt	9,335	7,428	26

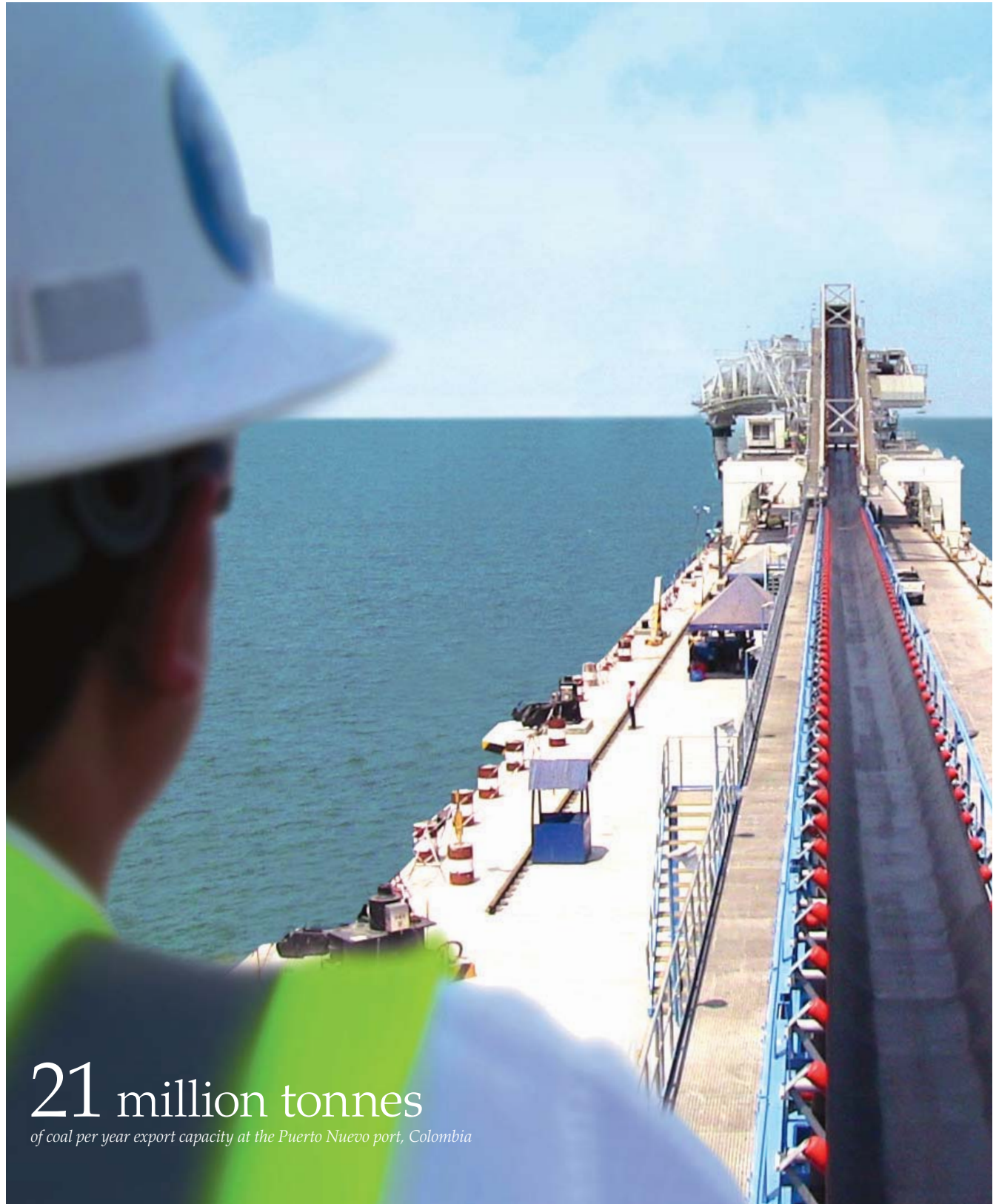
¹ Malt and Pasta (acquired by Glencore as part of the acquisition of Viterra) are excluded, as these businesses have now been sold and form no part of the business going forward.

Approval – Strategic report

Approved by the Board of Directors and signed on its behalf by

John Burton
Company Secretary
17 March 2014

Puerto Nuevo port
Colombia



21 million tonnes
of coal per year export capacity at the Puerto Nuevo port, Colombia

Chairman's introduction & Board of Directors

Dear Shareholders,

2013 was a transformational year for Glencore during which the Company has doubled in size and enhanced its position as one of the world's largest producers and marketers of commodities. Our business, as a vertically integrated producer and marketer of commodities, is unique among our peer group, allowing us to create and capture value at every stage of the commodities chain.

In May, our acquisition of Xstrata finally completed after a 17 month process. The planned successful integration of the Xstrata operations into Glencore has been completed, with minimal impact on the day-to-day running of the Group. The only material issue outstanding from the acquisition is satisfaction of the Chinese Ministry of Commerce's copper asset divestment requirements which are required to be completed this year.

Board activities

The Xstrata acquisition has led to considerable changes in the Board. Upon completion of the Xstrata transaction there were a number of Board changes. The Board's number was reduced to four at the AGM in May. Immediately following the meeting I was appointed as your Interim Chairman. In June the Board was delighted to welcome three additional Directors: John Mack, Peter Grauer and Peter Coates.

Each new Director has brought to the Board an excellent business track record and extensive international experience. The wide-ranging backgrounds and strong track records of all the Non-Executive Directors allow challenge and informed support to be provided to executive management.

The Board's Nomination Committee is continuing its search process for both a permanent Chairman and an additional Director who would ideally bring greater diversity to the Board. We are consulting with our major external shareholders as part of this exercise.

The Board continues to keep abreast of changes to corporate governance reporting regulations. This year has seen the culmination of several years of policy development with the finalisation of UK regulation legislation affecting the structure and contents of the Annual Report. Although a Jersey company, as a London premium listed entity we have amended our governance reporting to take into account these new reporting requirements. Changes to remuneration reporting in particular are significant and as a result our Remuneration Report has been substantially altered in layout and content.

Johannesburg Stock Exchange (JSE) Listing

Following our listing on the JSE in November, I am pleased to welcome a number of new shareholders to Glencore. This secondary listing is a significant step for the Company and demonstrates the confidence we have in Africa as a place in which we can do business and invest.

Safety

It is with deep sadness that I must report the loss of 26 lives at our combined operations during 2013. Any fatality is totally unacceptable and one of the Board's main objectives is to bring about lasting improvements to our safety culture. We are overseeing the formulation and implementation of enhanced safety processes and receive updates at every Board meeting on the progress being made.

During 2013, we launched *SafeWork*. *SafeWork* is an initiative that has the full endorsement of the Board and is being rolled out to all our operations and projects and involves our managers, employees and contractors working together to eliminate fatalities and serious injuries. Through the *SafeWork* programme we have identified the main causes of fatalities in our business, which has led to the development of 12 Fatal Hazard Protocols and a set of Life-Saving Behaviours. We are working hard to achieve meaningful and sustainable changes in this area.



Sustainable Development

In May, we rolled out a new set of Values and an updated Code of Conduct, which were both compiled to better reflect our new company. Together, our Values and the Code represent our commitment to upholding good business practice. It is this commitment that was recognised by the Dow Jones Sustainability Index to which Glencore was admitted in October 2013. Our admission so soon after the completion of the Xstrata transaction represents a significant achievement for the Group.

Our core values, *entrepreneurialism, simplicity, safety, responsibility and openness*, reflect our purpose, our priorities and the fundamental tenets by which we conduct business. These principles reflect the spirit of our business and we expect all our employees to bring them to life during their working day. Our new Code of Conduct puts into practice our Values and everybody working for the Company, regardless of role or location must comply with the Code.

We are currently in the process of formally requesting admission to the Voluntary Principles on Security and Human Rights (VPs). These voluntary principles provide critical guidance on managing security and human rights, especially for companies operating in challenging environments. Formally joining the VPs will provide opportunities to further strengthen our commitment to human rights, share and learn from best practice and improve our approach to collaborating with governments and civil society.

In November, we watched with great concern the devastation Typhoon Haiyan caused to the people of the Philippines. In partnership with our Philippines-based PASAR operations, we made a donation of \$2 million to assist the local communities to recover from this catastrophic event.

The unique position of our Company in the resources sector and the strength of our management team provide me with great confidence that Glencore is best placed to meet the ongoing challenge of sustainably producing and supplying commodities that are needed to meet the demands of developing and developed economies. I am confident that our Company will strive to not only meet but will exceed the expectations placed on us by our stakeholders.

Tony Hayward
Interim Chairman

Our values

Entrepreneurialism

Our approach fosters the highest level of professionalism, personal ownership and entrepreneurial spirit in all our employees while never compromising on the safety and well-being of our people. This is important to our success and the superior returns we aim to achieve for all our stakeholders.

Simplicity

We aim to achieve our key deliverables as a path to industry-leading returns, while maintaining a clear focus on excellence, quality, sustainability and continuous improvement in everything we do.

Safety

Our first priority in the workplace is to protect the health and well-being of all our workers. We take a proactive approach to health and safety; our goal is continuous improvement in preventing occupational disease and injuries.

Responsibility

We recognise that our work can have an impact on our society and the environment. We care profoundly about our performance in compliance, environmental protection, human rights and health and safety.

Openness

We value relationships and communication based on integrity, co-operation, transparency and mutual benefit, with our people, our customers, our suppliers, governments and society in general.

Chairman's introduction & Board of Directors



Anthony Hayward^{2, 4*}

Interim Chairman (age 56)

Anthony Hayward was appointed Interim Independent Non-Executive Chairman in May 2013 and was previously the Senior Independent Non-Executive Director.

Dr Hayward is chief executive officer of Genel Energy plc (LON:GENL), a partner and member of the European advisory Board of AEA Capital and chairman of Compact GTL Limited.

Dr Hayward was group chief executive of BP plc from 2007 to 2010, having joined BP in 1982 as a rig geologist in the North Sea.

Following a series of technical and commercial roles in Europe, Asia and South America, he returned to London in 1997 as a member of the upstream executive committee. He became group treasurer in 2000, chief executive for BP upstream activities and member of the main Board of BP in 2003.

Dr Hayward studied geology at Aston University in Birmingham and completed a Ph.D. at Edinburgh University. He is also a fellow of the Royal Society of Edinburgh and holds honorary doctorates from the University of Edinburgh, Aston University and the University of Birmingham.



Ivan Glasenberg²

Chief Executive Officer (age 57)

Ivan Glasenberg joined Glencore in April 1984 and has been Chief Executive Officer since January 2002.

Mr Glasenberg initially spent three years working in the coal commodity department in South Africa as a marketer, before spending two years in Australia as head of the Asian coal commodity division. Between 1988 and 1989, he was based in Hong Kong as head of Glencore's Hong Kong and Beijing offices, as well as head of coal marketing in Asia, where his responsibilities included overseeing the Asian coal marketing business of Glencore and managing the administrative functions of the Hong Kong and Beijing offices.

In January 1990, he was made responsible for the worldwide coal business of Glencore for both marketing and industrial assets, and remained in this role until he became Chief Executive Officer in January 2002.

Mr Glasenberg is a Chartered Accountant of South Africa and holds a Bachelor of Accountancy from the University of Witwatersrand. Mr Glasenberg also holds an MBA from the University of Southern California. He is currently a non-executive director of United Company Rusal plc (HKG:0486). Before joining Glencore, Mr Glasenberg worked for five years at Levitt Kirson Chartered Accountants in South Africa.



Peter Coates AO^{2*}

Non-Executive Director (age 68)

Peter Coates became a Non-Executive Director on 1 January 2014. In June 2013 Mr Coates was appointed an Executive Director. His executive responsibilities concerned integration of the Xstrata acquisition. These responsibilities came to an end on 31 December 2013. He therefore became a Non-Executive Director on 1 January 2014.

Prior to joining Glencore in 1994 as a senior executive in the coal department, Mr Coates had occupied many senior positions in a diverse range of resource companies, including those mining silver, lead, nickel, iron ore, bauxite and coal. When Glencore sold its Australian and South African coal assets to Xstrata in 2002, he joined Xstrata as chief executive of its coal business, stepping down in December 2007.

He was non-executive chairman of Xstrata Australia from January 2008 until August 2009. From April 2008 until April 2011, he was non-executive chairman of Minara Resources Ltd. He was appointed as an independent non-executive director of the company in April 2011 and stepped down upon the Xstrata acquisition taking place in May 2013. Mr Coates is non-executive chairman of Sphere Minerals Limited (ASX:SPH), a non-executive director of Santos Limited (ASX:STO) and Amalgamated Holdings Limited (ASX:AHD), and a past chairman of the Minerals Council of Australia, the NSW Minerals Council and the Australian Coal Association.

Mr Coates holds a Bachelor of Science degree in Mining Engineering from the University of New South Wales. He was appointed to the Office of the Order of Australia in June 2009 and awarded the Australasian Institute of Mining and Metallurgy Medal for 2010.



Leonhard Fischer^{1*, 3}

Independent Non-Executive Director (age 51)

Leonhard Fischer was appointed an Independent Non-Executive Director in April 2011.

Mr Fischer was appointed chief executive officer of RHJ International S.A. (EBR:RHJI) in January 2009, having been co-chief executive officer from May 2007. He has been a member of the board of directors of RHJ International S.A. since 18 September 2007. He is chief executive officer of Kleinwort Benson Group and chairman of the board of directors at Kleinwort Benson Bank Ltd. He is also a member of the board of directors at Julius Baer Gruppe AG (VTX:BAER).

Mr Fischer was chief executive officer of Winterthur Group from 2003 to 2006 and a member of the executive board of Credit Suisse Group from 2003 to March 2007. He joined Credit Suisse Group from Allianz AG, where he had been a member of the management board and head of the Corporates and Markets Division. Prior to this, he had been a member of the executive board of Dresdner Bank AG in Frankfurt.

Mr Fischer holds an M.A. in Finance from the University of Georgia.



William Macaulay^{1,3}
Independent Non-Executive Director (age 68)

William Macaulay was appointed as an Independent Non-Executive Director in April 2011.

Mr Macaulay is the chairman and chief executive officer of First Reserve Corporation, a private equity investment firm focused on the energy industry, and has been with the company since its founding in 1983.

Prior to joining First Reserve, Mr Macaulay was a co-founder of Meridien Capital Company, a private equity buyout firm. From 1972 to 1982, he was with Oppenheimer & Co., where he served as director of corporate finance with direct responsibility for the firm's buyout business. He also served as president of Oppenheimer Energy Corporation.

Mr Macaulay is chairman of the board of Dresser-Rand (NYSE:DRC), chairman of the board of CHC Group Ltd (NYSE:HELL), and a director of Weatherford International (NYSE:WFT). He also serves on numerous private energy company boards. In addition, he is chairman of the advisory board of the City University of New York.

Mr Macaulay holds a B.B.A. degree (with honours) in Economics from City College of New York, and an MBA from the Wharton School of the University of Pennsylvania. He has also received an Honorary Doctor of Humane Letters degree from Baruch College.



Peter Grauer^{1,4}
Independent Non-Executive Director (aged 68)

Peter Grauer was appointed as an Independent Non-Executive Director in June 2013.

Mr Grauer is chairman of Bloomberg Inc., the global financial media company that was founded in 1981. Mr Grauer was chairman and chief executive officer from 2002 to 2011 and has been a member of Bloomberg's board of directors since 1996.

Prior to this, Mr Grauer was managing director of Donaldson, Lufkin & Jenrette from 1992 to 2000 when DLJ was acquired by Credit Suisse First Boston and founder of DLJ Merchant Banking. He served as managing director and senior partner of CSFB Private Equity until 2002.

Mr Grauer is a director of Davita Healthcare Partners (NYSE:DVA), a healthcare services company. Mr Grauer is also a member of the International Business Council of the World Economic Forum, the UNC Chapel Hill board of trustees and a trustee of Rockefeller University.

Mr Grauer graduated from the University of North Carolina and the Harvard University Graduate School of Business Program for Management Development in 1975.



John Mack^{3*,4}
Independent Non-Executive Director (aged 69)

John Mack was appointed as an Independent Non-Executive Director in June 2013.

Mr Mack previously served as chief executive officer of Morgan Stanley from June 2005 until December 2009. He retired as chairman in 2011. Mr Mack first joined Morgan Stanley in May 1972, becoming a board director in 1987 and was named President in 1993.

Before rejoining Morgan Stanley as chairman and chief executive officer in June 2005, Mr Mack served as co-chief executive officer of Credit Suisse Group and chief executive officer of Credit Suisse First Boston.

Mr Mack is a non-executive director of OJSC Rosneft Oil Company (OTCMKTS:RNFTF) and of Enduring Hydro and Corinthian Ophthalmic. He is also non-executive chairman of Tri-Alpha Energy Inc. Mr Mack also serves on the Advisory Board of China Investment Corporation, is a member of the International Business Council of the World Economic Forum, the NYC Financial Services Advisory Committee and the Shanghai International Financial Advisory Council.

Mr Mack is a graduate of Duke University

Committee membership at the end of 2013 is designated as follows:

- | | |
|----------------|--|
| 1 Audit | 2 Health, Safety, Environment and Communities (HSEC) |
| 3 Remuneration | 4 Nomination |

* denotes Committee chair



John Burton
Company Secretary (age 49)

John Burton was appointed Company Secretary in September 2011. He was formerly company secretary and general counsel of Informa plc and before that a partner at CMS Cameron McKenna in London specialising in corporate law. Mr Burton holds a B.A. degree in Law from Durham University. He was admitted as a Solicitor in England and Wales in 1990.

Corporate governance report

Board governance

Overview

The Board believes that the Company has throughout the year complied with all relevant provisions contained in the Code except with regard to the following which is explained below:

1. the Company has not implemented an external board evaluation;
2. the Company has not since its AGM on 16 May 2013 had a Senior Independent Director as Dr Hayward is currently occupying the position of Interim Chairman;
3. during a short hiatus period following its AGM, the Company did not have fully constituted Board Committees.

The governance section sets out how Glencore has applied the main principles of the Code in a manner which enables shareholders to evaluate how these principles have been applied.

The disclosures in this report relate to our responsibilities for preparing the Annual Report (including compliance with the Code to the extent required), our report on the effectiveness of the Group's risk management and internal control systems, the functioning of our Audit Committee and our going concern statement.

Details of the Company's significant shareholders, voting rights, Directors' powers and rules concerning the appointment and replacement of Directors are either contained in this report or the Directors' report. Details of the changes in the composition of the Board during 2013 are set out below. From 1 January 2014 Glencore's Board has comprised six Non-Executive Directors (including the Chairman) and one Executive Director. A list of the current Directors, with their brief biographical details and other significant commitments, is provided in the previous pages.

Chairman and Chief Executive Officer

Glencore has established a clear division between the respective responsibilities of the Non-Executive Chairman and the Chief Executive Officer which are set out in a schedule of responsibilities which has been approved by the Board. This schedule was most recently reviewed as part of the Xstrata acquisition process. While the Non-Executive Chairman is responsible for leading the Board's discussions and decision-making, the Chief Executive Officer is responsible for leading Glencore's operating performance and day-to-day management. This, coupled with the schedule of reserved matters described below, ensures that no individual has unfettered powers of decision.

Non-Executive Directors

The Company's Non-Executive Directors provide a broad range of skills and experience to the Board which assists in their roles in formulating the Company's strategy and in providing constructive challenge to executive management. Except for Peter Coates, due to his executive responsibilities in 2013, all of them are regarded by the Company as Independent Non-Executive Directors within the meaning of "independent" as defined in the Code and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. This view has been taken having regard to all facts including the following:

William Macaulay is Chairman and CEO of First Reserve Corporation (FR). Affiliates of FR hold 160,909,810 shares in the Company, around 1.2% of its issued share capital.

Independence issues arise where a director has been appointed, directly or indirectly, to represent a shareholder. This has not been the case, however, with Mr Macaulay. Mr Macaulay is one of the world's leading figures in natural resources' private equity, with an exceptional track record of investment in the industry. The desire of the Company for Mr Macaulay to join the Board therefore was predicated on its desire to benefit from Mr Macaulay's excellent skill set and judgement.

The fact that he is the chairman and CEO of FR, whose Affiliates in turn have a shareholding in the Company was not a relevant consideration in respect of his Board membership; he was not asked to join the Board as FR's representative and has not acted as a representative of FR or any other third party interest as a director. This matter also has to be considered in the light of management shareholdings in the Company. Including the CEO, there are several senior managers within the Group who hold larger stakes than FR. Accordingly, the risk of Mr Macaulay seeking to exercise greater influence from his position on the Board through FR's shareholding is not considered to be theoretically possible nor borne out in practice.

John Mack was until 2011 chairman of Morgan Stanley, which provides advisory and financial services to the Group. However, Mr Mack ceased to be CEO of Morgan Stanley in 2009, Morgan Stanley's relationship with the Company is led from the UK office and Mr Mack was not involved in the delivery of these services.



Mr Mack is recognised for his long track record in investment banking and for being a robust and independently minded individual. In addition to his Board membership, he has been appointed during the year as chairman of the Remuneration Committee where his wide ranging experience as a CEO of major banks has brought effective leadership and clarity to the Committee's discussions.

Accordingly, we believe that applying a common sense construction to the provisions of the Code, it is reasonable to conclude that each of Mr Macaulay and Mr Mack is independent in accordance with its terms.

Board Composition in 2013

As a result of the Xstrata acquisition the composition of the Board changed during the year

Simon Murray, Peter Coates and Li Ning resigned as Chairman and Non-Executive Directors respectively on 2 May 2013. Steven Kalmin also left the Board on 2 May 2013 but remains employed as Chief Financial Officer. On that date Sir John Bond was appointed Chairman and Peter Hooley, Ian Strachan, Con Fauconnier and Sir Steve Robson joined the Board as Non-Executive Directors. Each of them ceased to be Directors on 16 May 2013. On this date Anthony Hayward became Interim Chairman and on 12 June 2013 Peter Grauer and John Mack were appointed as Independent Non-Executive Directors and Peter Coates was appointed as an Executive Director.

As stated above Mr Coates ceased to be an Executive Director on 31 December 2013 but remains on the Board as a Non-Executive Director.

Board Committees

The following Committees are in place to assist the Board in exercising its functions: Audit, Nomination, Remuneration and Health, Safety, Environmental and Communities (HSEC). A report from each Committee is set out later in the Corporate Governance Report.

Each Committee reports to, and has its terms of reference approved by, the Board and the minutes of the Committee meetings are reviewed by the Board. These terms of reference are available at www.glencorexstrata.com/corporate-governance.php.

Immediately following the AGM on 16 May 2013, due to the significant number of departures from the Board, for a short period, the Board committees were not fully constituted. However, prior to the next meetings of the committees following the AGM, further Board appointments were made as noted above which allowed the committees to be fully reconstituted in time for their next meetings. It was therefore concluded that there was no additional risk associated with this temporary non-compliance.

Board meetings

The Board has approved a formal schedule which sets out those matters which are reserved for its decision making alone such as strategy, the annual budget and material acquisitions and disposals.

The Board held five scheduled meetings during the year together with several additional meetings as required. All of the Board's scheduled meetings were held at the Company's headquarters in Baar, Switzerland.

The Board and its Committees have standing agenda items to cover their proposed business at their scheduled meetings. The Chairman seeks to ensure that the very significant work of the Committees feeds into, and benefits as to feedback from, the full Board. The Board and Committee meetings also benefit from presentations by a senior executives and some technical and investor relations updates.

The Chairman holds meetings with the Non-Executive Directors without the Executive Directors present, and at least once a year the Non-Executive Directors meet without the Chairman present.

Corporate governance report

Attendance during the year for all scheduled Board and Board Committee meetings is given in the table below:

	Board of 5	Audit of 4	Nomination of 4	Remuneration of 4	HSEC of 5
Simon Murray ¹	1	–	1	–	–
Steven Kalmin ¹	1	–	–	–	–
Li Ning ¹	1	–	–	–	–
Peter Coates ²	4	1	–	–	4
Leonhard Fischer	5	4	–	4	–
Anthony Hayward	5	–	4	2	4
William Macaulay	5	4	–	4	–
Ivan Glasenberg	5	–	1	–	5
Sir John Bond ³	–	–	–	–	–
Sir Steve Robson ³	–	–	–	–	–
Peter Hooley ³	–	1	–	–	–
Ian Strachan ³	–	–	–	–	–
Con Fauconnier ³	–	–	–	–	–
John Mack ⁴	3	–	3	3	–
Peter Grauer ⁴	3	2	3	–	–

¹ Stood down as required upon completion of the Xstrata acquisition on 2 May 2013.

² Not on the Board on 16 May when one set of meetings took place.

³ Were Directors from 2 May to 16 May 2013. No meetings took place during their tenure other than an Audit Committee meeting which Mr Hooley attended as specified.

⁴ Attended all meetings since appointment on 12 June 2013.

Appointment and re-election of Directors

For the two sets of board appointments during 2013, neither advertising nor search agents were used. First, for the appointments of the legacy Xstrata directors on 2 May referred to under *Board Composition in 2013* above, because these appointments were agreed by the boards of the Company and Xstrata as part of the agreement for the Xstrata acquisition. Secondly, for the appointments in June 2013 of John Mack, Peter Grauer and Peter Coates. Following the 2013 AGM on 16 May, the Board was reduced to four members. These three suitable, high quality candidates were already known to the Board and the Board wished to move quickly to reconstitute itself to a suitable minimum number of members.

Anthony Hayward, Ivan Glasenberg, Leonhard Fischer and William Macaulay as continuing members of the Board, will be offering themselves for re-election at the 2014 AGM. John Mack, Peter Grauer and Peter Coates, having been appointed by the Board since the last AGM, will be offering themselves for election at the 2014 AGM.

All of the Directors have service agreements or letters of appointment and the details of their terms are set out in the Remuneration Report. No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested subsisted during or at the end of the financial year.

Information and professional development

It is considered of great importance that the Non-Executive Directors (1) attain a good knowledge of the Company and its business and (2) allocate sufficient time to Glencore to discharge their responsibilities effectively. New Directors receive a full, formal and tailored induction on joining the Board, including meetings with senior management. The Board calendar is planned to ensure that Directors are briefed on a wide range of topics. Directors are also given the opportunity to visit the Group's offices and industrial assets and discuss aspects of the business with employees, and regularly meet the heads of the Group's main departments and other senior executives. As well as internal briefings, Directors attend appropriate external seminars and briefings.



All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring the Board procedures are complied with, and have access to independent and professional advice at the Company's expense, where they judge this to be necessary to discharge their responsibilities as Directors.

Board performance evaluation

We have reviewed the interests declared by the Directors which could conflict with those of the Company and we are satisfied that the Board's powers to authorise potential conflicts is operating effectively.

Given that the Board has been reconstituted during the year and that an external evaluation process should be overseen by a permanent chairman, the Board concluded that an external evaluation process should not be carried out in respect of 2013. A full internal evaluation, however, has been carried out, the results of which raised no material issues. The Board believes that whilst it has not undergone an external evaluation, an internal evaluation was a suitable mitigating action. Its findings were that the Board and its Committees appear to be discharging their functions appropriately subject to some suggestions as to process improvements which are being implemented.

The Company is expected to appoint a permanent Chairman during 2014. Following this appointment, the Board will put in place an external board evaluation at a suitable time.

Remuneration

Remuneration is covered in the Directors' Remuneration report which follows this section. It includes a description of the work of the Remuneration Committee.

Accountability and audit

Financial reporting

The Group has in place a comprehensive financial review cycle, which includes a detailed annual planning budgeting process where business units prepare budgets for overall consolidation and approval by the Board. The Group uses a large number of performance indicators to measure both operational and financial activity in the business. Depending on the measure, these are reported and reviewed on a daily, weekly or monthly basis. In addition, management in the business receive weekly and monthly reports of indicators which are the basis of regular operational meetings, where corrective action is taken if necessary. At a Group level a well-developed management accounts pack, including income statement, balance sheet, cash flow statement as well as key ratios is prepared and

reviewed monthly by management. As part of the monthly reporting process, a reforecast of the current year projections is performed. To ensure consistency of reporting, the Group has a global consolidation system as well as a common accounting policies and procedures manual. Management monitors the publication of new reporting standards and work closely with our external auditors in evaluating their impact, if any.

Risk management and internal control

The Board has applied Principle C.2 of the Code by establishing a continuous process for identifying, evaluating and managing the risks that are considered significant by the Group in accordance with the revised Turnbull Guidance on Internal Control published by the Financial Reporting Council. This process has been in place for the period under review and up to the date of approval of the Annual Report and Accounts. The process is designed to manage rather than eliminate risk, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Directors confirm that they have reviewed the effectiveness of the risk management and internal control systems. This review excludes associates of the Group as Glencore does not have the ability to dictate or modify the internal controls of these entities. This report describes how the effectiveness of the Group's structure of internal controls including financial, operational and compliance controls and risk management systems is reviewed.

1) Approach to risk management

Effective risk management is crucial in helping the Group achieve its objectives of preserving its overall financial strength for the benefit of all shareholders and other stakeholders and safeguarding its ability to continue as a going concern while generating sustainable long term profitability. Spanning the organisational structure, Glencore's disciplined approach to risk management and control originates with strategic responsibility in the hands of the Board, which also retains operational authority on matters exceeding agreed thresholds of materiality. The Board retains final authority for assessing and approving the Group's overall risk appetite and sets overall limits which are subject for review annually. Through delegation to the Audit Committee for oversight and to senior management for day-to-day operational issues, an effective risk management governance apparatus has been established for the Group.

The Audit Committee retains responsibility for reviewing the overall effectiveness of Glencore's risk management approach and systems.

Corporate governance report

The CEO, as the fulcrum of commercial oversight and control, drives functional risk management policy, supported as required by the CFO and Chief Risk Officer (CRO), with data and reporting from the central risk and credit team and the key functional units. Within the enlarged company, the importance of the contribution of multiple functional units towards the risk control process has been enhanced, in particular the accounting and asset teams within Group Finance and Internal Audit whereby the risks within the asset portfolio are profiled, whilst the central risk management team focusses primarily on the marketing business. Consequently the process of evaluating the Company's risk portfolio involves the analysis of inputs from multiple teams and ultimately this resides as previously, with the CEO.

At the heart of this regime is the process of challenge that takes place between the CEO and the Heads of Department, helping to set risk appetite consistent with proven track records of successful judgement in each department. The oversight process seeks to ensure that an appropriate balance is maintained between the levels of risk assumed and expected return, employing commodity specific expert knowledge which is crucial in judging risk in physical commodity markets. The enlarged Group retains a strong culture and tradition around attitudes to risk that supplement the still considerable shareholding alignments of key staff. These attributes are continuously nurtured and strongly sought to be maintained. The internal audit and compliance teams also play key roles in managing Group operational risk and verifying process controls.

Glencore recognises the need for continuous focus on this key area in the context of both the evolution of its business risks, and the unpredictable and volatile global economic environment. The Group continues to maintain and expand the resources and information systems used in risk management, whilst also adopting and following policies which are intended to mitigate and manage market price and credit risks.

2) Risk assessment and control tools

Glencore's finance and risk professionals, working in coordination with the Group's marketing departments, monitor and report daily to management on the financial risks and exposures Glencore is facing. The Group employs Value-at-Risk (VaR) as its primary tool to monitor its commodity price risk exposure within marketing, assessing open commodity trading positions which are subject to price risk. The credit quality of its counterparties is monitored by the Group through internal reviews and a credit scoring process which includes, where available, public credit ratings. The Group makes active and widespread use of credit enhancement through the use of products such as letters of credit and credit insurance to help manage and mitigate credit risk exposures.

VaR is a risk measurement technique which Glencore uses to monitor and limit its primary market exposure derived from its physical marketing exposures and related derivative positions. VaR estimates the potential loss in value of open positions that could occur as a result of adverse market movements over a defined time horizon, given a specific level of confidence. The methodology is a statistically defined, probability based approach that takes into account market volatilities, as well as risk diversification benefits by recognising offsetting positions and correlations between commodities and markets. In this way, risks can be compared across all markets and commodities and risk exposures can be aggregated to derive a single risk value.

The Board has maintained a one day, 95% VaR limit of \$100 million which is subject to review and approval on an annual basis. The purpose of this Group limit is to assist senior management in controlling the Group's overall marketing risk profile. During 2013 Glencore's average VaR was approximately \$35 million, slightly below 2012's level.

Glencore's VaR computation covers the key base metals, coal, oil and the main risks in the Agricultural products department (grain, oil seeds, sugar and cotton). It assesses open priced positions and those which are subject to price risk, but due to a lack of liquid terminal markets, Glencore does not extend its VaR calculation to a number of business lines where price transparency is less dependable. Glencore reports VaR across the Group and also by commodity department, as well as at a variety of more detailed levels.



It is Glencore's policy to actively make use of hedging strategies to manage unwanted commodity price risk associated with its marketing businesses, however there remains the possibility that the hedging instruments chosen may not always provide effective mitigation of the underlying price risk. The hedging instruments available to the business units may differ in specific characteristics to the risk exposure to be hedged, resulting in an ongoing and unavoidable basis risk exposure. Residual basis risk exposures represent a key focus point for Glencore's commodity department teams who actively engage in the management of them.

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 risks associated with longer time horizons as well as tail risks. The Group recognises these limitations and so complements and refines its risk analysis through the use of stress and scenario analysis. Glencore regularly backtests its VaR to establish adequacy of accuracy and to facilitate analysis of breaks.

Within its industrial business units the Group defines its key profit and cash-flow drivers at the start of each planning period and assesses material sensitivities around the underlying assumptions. Whilst it is generally not the policy of the Group to employ systematic hedging of forward commodity production, but rather to focus relentlessly on cost competitiveness across its asset base, it may from time to time adopt specific industrial asset or business unit hedging strategies designed to mitigate risk, in particular when a market price environment is compelling. These strategies may include the use of options and other derivative instruments.

Internal Audit

Glencore has a dedicated Internal Audit function reporting directly to the Audit Committee. The role of Internal Audit is to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit reviews areas of potential risk within the business and suggests control solutions to mitigate exposures identified. The Audit Committee considers and approves the risk based audit plan, areas of audit focus and resources and is regularly updated on audits performed and relevant findings, as well as the progress on implementing the actions arising. Particular focus was

applied to the role, capabilities and areas of focus of the Internal Audit function in preparation for the Xstrata acquisition. In addition, the Audit Committee pays particular regard to the effectiveness and timeliness of management's responses to the findings of the Internal Audit function.

In June 2013 Ernst & Young performed an external quality assessment of the Internal Audit function. This evaluation was considered by the Audit Committee. The function scored well in each of the areas of review. The assessment included an acknowledgement of many commendable areas of internal audit performance and the obvious culture of strong commitment and support by management and the Audit Committee. Additionally there was evidence of strong relationships across the business and stakeholder feedback was positive with respect to their business understanding and contributions made to the Company's control environment. The overall conclusion was that the Internal Audit activity is effective and is aligned with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Relationships with shareholders

The Board aims to present a balanced and clear view of the Group in communications with shareholders and believes that being transparent in describing how we see the market and the prospects for the business is extremely important.

We communicate with shareholders in a number of different ways. The formal reporting of our full and half year results and interim management statements are a combination of releases, presentations, group calls and one to one meetings. The full and half year reporting is followed by investor meetings in a variety of locations where we have institutional shareholders. We also regularly meet with existing and prospective shareholders to update or to introduce them to the Company and periodically arrange visits to parts of the business to give analysts and major shareholders a better understanding of how we manage our operations. These visits and meetings are principally undertaken by the CEO, CFO and Head of Investor Relations and increasingly, an array of business heads. In addition, many major shareholders have meetings with the Chairman and appropriate senior personnel of the Group including other Non-Executive Directors, the Company Secretary and Head of Sustainability.

Corporate governance report

In addition, due to the importance of post-Xstrata acquisition matters:

1. an investor day was held in September to provide a full briefing on acquisition update, synergies, business plans and approach to capital allocation;
2. a presentation and investor road show was held in November to provide a detailed account of the Company's sustainability policies and plans.

The Board receives regular updates from the Company's Head of Investor Relations and on the views of shareholders through a briefing, which is a standing agenda item for all Board meetings, which is supplemented by input from the Chairman, CEO and CFO. In addition, the Senior Independent Director, once permanently in place, will again be available to meet shareholders if they wish to raise issues separately from the arrangements as described above. The position of Senior Independent Director is currently vacant while Dr Hayward has assumed the position of Interim Chairman. This issue has been mitigated by the arrangement that other Non-Executive Directors are available for communications with shareholders in situations where a shareholder would usually wish to consult with the Senior Independent Director.

The Company's next AGM is due to be held in Zug on 20 May 2014. Full details of the meeting will be set out in the Notice of Meeting which will be sent to shareholders in April. Shareholders unable to attend are encouraged to vote by proxy as detailed in the Notice of Meeting. All documents relating to the AGM will be available on the Company's website at: www.glencorexstrata.com.

Audit Committee report

Chairman

Leonhard Fischer

Other members

Peter Grauer

William Macaulay

Mr Fischer and Mr Macaulay served throughout the year. Mr Coates served on the Committee until 2 May 2013 when he stepped down from the Board. He was replaced by Peter Hooley on that date. On 16 May 2013, Peter Hooley ceased to be a director and therefore ceased to be a member of the Committee. Following his appointment to the Board on 12 June 2013, Mr Grauer was appointed to the Committee. All are considered to be independent Non-Executive Directors and deemed to be financially literate by virtue of their business experience. Additionally all Committee members are considered by the Board to have recent and relevant financial experience and have competence in accounting. The Committee met four times during the year and all the Committee members attended all of the scheduled meetings which occurred during their tenure. John Burton is Secretary to the Committee.

Role and responsibilities

The primary function of the Audit Committee is to assist the Board in fulfilling its responsibilities with regard to financial reporting, external and internal audit, risk management and controls. This includes:

- monitoring and reviewing the Group's financial and accounting policies and practices;
- monitoring the integrity of the annual and half yearly financial statements and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgments relating to them;
- monitoring matters that influence or could distort the presentation of accounts and key figures;
- overseeing the Group's procedures for ensuring that the Annual Report and accounts, taken as a whole, are fair, balanced and understandable;
- considering the scope of the annual external audit and the work undertaken by external auditors;
- considering the reappointment of the external auditors;



- making recommendations to the Board for a resolution to be put to the shareholders for their approval on the appointment of the external auditors and to authorise the Board to fix the remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the independence of the external auditor and the provision of additional services by it;
- reviewing Glencore's internal financial, operational and compliance controls and internal controls and risk management systems;
- monitoring and reviewing the effectiveness of Glencore's internal audit function; and
- overseeing the Group's procedures for detecting fraud and handling allegations from whistleblowers.

Governance processes

The Audit Committee usually invites the CEO, CFO, Group Financial Controller, CRO and Head of Internal Audit and the lead partner from the external auditors to attend each meeting. Other members of management may attend as and when required. The Committee also holds private sessions with the external auditors and the Head of Internal Audit without members of management being present. The Committee has adopted guidelines allowing non-audit services to be contracted with the external auditors on the basis as set out below.

Main activities

During the year, the Committee's principal work included the following:

- reviewing and agreeing the preparation and scope of the year-end reporting process;
- reviewing and agreeing the global audit plan, scope and fees of the audit work to be undertaken by the external auditors;
- reviewing and evaluating the Group's procedures for ensuring that the Annual Report and accounts, taken as a whole, are fair, balanced and understandable;
- reviewing and discussing the full year (audited), and half-year (unaudited), financial statements with management and the external auditors;
- discussing various material accounting issues with management and the external auditors, particularly those involving key judgements and estimates primarily as outlined in further detail below;
- considering applicable regulatory changes to reporting obligations;
- evaluating the effectiveness of the external auditors;
- reviewing the operation of the Company's policy for the provision of non-audit services by the external auditors;
- reviewing material engagements with the auditors in respect of non-audit services;
- considering the output from the Group-wide process used to identify, evaluate and mitigate risks;
- reviewing the Internal Audit Department's annual audit plan and the performance assessment of the Internal Audit function;
- monitoring and reviewing the effectiveness of Glencore's internal controls including monitoring the preparation and execution of the financial reporting integration required for the acquisitions of Viterra and Xstrata; and
- reviewing the policies detecting, reporting and preventing fraud and serious breaches of business conduct and whistle-blowing procedures.

Corporate governance report

Significant issues related to the financial statements

The Committee assesses whether suitable accounting policies have been adopted and whether management have made appropriate estimates and judgements. They also review external auditors' reports outlining audit work performed and conclusions reached in respect of key judgements, as well as identifying any issues in respect of these.

During the year, the Committee has placed considerable focus on these key matters:

1 Acquisitions

Accounting for acquisitions involves significant management judgements and estimates. The acquisition of Xstrata on 2 May 2013 was a large scale and complex transaction, materially impacting the financial statements. The Committee considered the process undertaken by management to determine the fair value of the acquired assets and liabilities, paying close attention to estimates made by management in respect of values of development projects and operating assets, as well as provisions recorded for restoration, rehabilitation and decommissioning costs, legal exposures, taxation and onerous and unfavourable contracts.

In addition, the Committee reviewed management's reports outlining the basis for the allocation of the goodwill arising on acquisition to cash generating units, as well as the subsequent "day one" impairment recorded in respect of the goodwill allocated to the acquired industrial assets.

The Committee also reviewed management's integration plans, with particular focus on internal controls and management oversight.

2 Impairment

The Committee considered whether the carrying value of goodwill and industrial assets may be impaired as a result of the volatile market environment. We reviewed management's report outlining the basis for the key assumptions used in calculating the recoverable value for the Group's assets. Future performance assumptions used are derived from the Board approved business plan. As part of the process for approval of this plan, the Committee considered the feasibility of strategic plans underpinning future performance expectations, and whether they are achievable. The Committee discussed with the external auditors their work in respect of impairment review, which was a key area of audit focus for them.

3 Marketing exposures

The Committee monitors the risk management policies and processes in place in respect of the Group's marketing operations, as explained in more detail under *Risk management and internal control* above. As part of this assessment, we reviewed management's VaR reports and held regular discussions with the CRO to understand the nature of open positions, with a focus on those that are deemed to be higher risk. Our external auditors have reported to us on the work they have performed in respect of accounting for financial instruments, marketing inventories and the associated complexities, including determination of fair value measurements and classification of contracts relating to marketing activities.

4 Performance and credit risk

The Group's global operations expose it to performance and credit risk, which result in the requirement to make judgments around recoverability of receivables, loans and trade advances. As part of an ongoing review, the Committee has satisfied itself that for material continuing exposures, processes followed to evaluate recoverability of such exposures are sufficiently robust and that amounts recorded in the financial statements are reasonable.

5 Taxation

Due to its global reach, including operating in higher risk, less developed jurisdictions, the Group is subject to enhanced complexity and uncertainty in accounting for income taxes, particularly the evaluation of tax exposures and recoverability of deferred tax assets. The Committee has held extensive discussions with management to understand the potential tax exposures globally and the key judgements taken in determining the positions recorded, including status of communications with local tax authorities.

The Committee is satisfied that the judgments made by management are reasonable and that financial statement disclosures included in the accounts are appropriate.

Internal Audit

The Committee monitored the internal audit function. In addition to the general matters described under *Internal Audit* above, it analysed in particular the changes implemented in the function following the Xstrata acquisition given the scale of the transaction and the significant growth in the Group's industrial assets which arose as a result.



External audit

Deloitte has been the auditor of the listed entity (formerly called Glencore International plc) since its incorporation in 2011. Following the acquisition of Xstrata in May 2013, a decision was made to continue with Deloitte as the auditor of the combined Group. This resulted in a change of auditor at most of the legacy Xstrata businesses. The most recent audit lead engagement partner rotation took place for the current year ended 31 December 2013 when Mr Matt Sheerin replaced Mr David Quinlin. The Board and the Audit Committee acknowledge the importance of, and greater investor scrutiny in respect of, a tendering policy for the appointment of external auditors, noting in particular the changes to the provisions of the Code and the recent findings of the UK Competition Commission. However, given the significant changes resulting from the Xstrata and Viterra acquisitions, it is not considered appropriate to consider any change of external auditor at the current time.

The Group's policy on non-audit services provided by the external auditor is designed to ensure the external auditor independence and objectivity is safeguarded. A specified wide range of services may not be provided as they have the potential to impair the external auditor's independence (Excluded Services). The Audit Committee's approval is required for (1) any Excluded Service (2) any other engagement where either (i) the fee is contingent, (ii) the fee may exceed \$500,000, or (iii) where the fees for all non-audit work may exceed \$15 million. Subject to these restrictions and other safeguards in the policy, the external auditors may be permitted to provide certain non-audit services when it is concluded that they are the most appropriate supplier due to efficiency and status as a leading firm for those specific services. For 2013, fees paid to the external auditors were US\$49m, the total non-audit fees of which were US\$13m; further details are contained in note 29 to the financial statements.

Reappointment of external auditor

The Committee has evaluated the effectiveness of the external auditor and as part of this assessment, has considered:

- the steps taken by the auditors to ensure their objectivity and independence;
- the deep knowledge of the Company which enhances Deloitte's ability to perform;
- competence when handling key accounting and audit judgements and ability to communicate these to the Committee and management;

- the extent of the auditor's resources and technical capability to deliver a robust and timely audit including consideration of the qualifications and expertise of the team;
- auditor's performance and progress against the agreed audit plan, including communication of changes to the plan and identified risks; and
- the proven stability that is gained from the continued engagement of Deloitte following the major changes to the Group arising from the acquisitions of Viterra and Xstrata.

The Committee assesses the quality and effectiveness of the external audit process on an annual basis in conjunction with the senior management team. Key areas of focus include consideration of the quality and robustness of the audit, identification of and response to areas of risk and the experience and expertise of the audit team, including the lead audit partner. The Committee will further develop its framework for the formal assessment of the external auditor during 2014.

The Committee has determined that it is satisfied that the work of Deloitte LLP is effective, the scope is appropriate and significant judgements have been challenged robustly by the lead partner and team. Additionally there are no contractual restrictions on the Company's choice of external auditor. The Committee's views on tendering are set out under External Audit above. The Committee has therefore recommended to the Board that a proposal be put to shareholders at the 2014 AGM for the reappointment of Deloitte LLP as external auditor.

Leonhard Fischer

Chairman of the Audit Committee

17 March 2014

Corporate governance report

Nomination Committee

Chairman

Anthony Hayward

Other members

John Mack

Peter Grauer

Until the acquisition of Xstrata took place in May 2013, the Committee comprised Anthony Hayward, Simon Murray, Ivan Glasenberg and Li Ning. The latter three stepped down from the Committee at that time and were replaced with Sir John Bond and Sir Steve Robson. On 16 May, Sir John Bond and Sir Steve Robson ceased to be Directors. Messrs Mack and Grauer were appointed to the Committee, following their appointment as Directors. The Committee now comprises all independent Non-Executive Directors. The Committee met four times during the year and its members on the relevant date attended all of the meetings.

Roles and responsibilities

The main responsibilities of the Committee are to assist the Board with succession planning and with the selection process for the new appointment of new Directors, both Executive and Non-Executive, including the Chairman. This involves:

- evaluating the balance and skills, knowledge and experience of the Board and identifying the capabilities required for a particular appointment;
- overseeing the search process; and
- evaluating succession planning.

Main activities

The Committee focused on three main tasks during this year. The first was the search for and consideration of a proposed new Non-Executive Chairman. Considerable work has been carried out reflecting the importance of this appointment.

Secondly, a search process for a female Non-Executive Director has been initiated, for which a number of leading female business leaders have been identified.

Thirdly, we considered the composition of the Board following the appointments of Messrs Mack, Grauer and Coates. It was agreed that the Board needed to be augmented by the above two appointments and that the resulting Board of nine was likely to be satisfactory, subject to ongoing review.

It is part of the Committee's policy when making new Board appointments to consider the importance of diversity on the Board, including gender. This is considered in conjunction with experience specific to the business of the Company, the necessary qualifications required, whilst ensuring no conflict of interest is present.

External consultancy Egon Zehnder has been retained for search purposes.

Changes after year end

On 13 February 2014 Anthony Hayward resigned from the Committee. Peter Grauer was appointed as chairman of the Committee in his place and Leonhard Fischer joined the Committee.

Peter Grauer

Chairman of the Nomination Committee

17 March 2014



Health, Safety, Environment & Communities (HSEC) Committee

Chairman

Peter Coates

Other members

Ivan Glasenberg

Anthony Hayward

Dr Hayward and Mr Glasenberg served throughout the year. Mr Coates stepped down from the Board on 2 May but was reappointed to the Committee following his reappointment to the Board in June. Upon the acquisition of Xstrata taking effect Messrs Ian Strachan and Con Fauconnier were appointed to the Committee but ceased to be members upon them ceasing to be directors on 16 May. The Committee met five times during the year and each Committee member attended all of the meetings which were held while being a member. Every meeting had a substantial agenda, reflecting the Committee's objective of providing leadership for the Group in seeking to achieve improved HSEC standards over time.

Role and responsibilities

The main responsibilities of the Committee are to:

- evaluate the effectiveness of policies and systems for identifying and managing environmental, health, safety and community risks;
- assess the policies and systems for ensuring compliance with environmental, health and safety regulatory requirements;
- assess performance with regard to the impact of HSEC related decisions and actions upon employees, communities and other third parties;
- receive reports concerning all fatalities and serious accidents and actions taken as a result of such incidents;
- evaluate and oversee the quality and integrity of any reporting to external stakeholders concerning HSEC matters; and
- review the results of any independent reviews of performance in regard to HSEC matters and strategies and action plans developed by management in response to issues raised.

Main activities

During the year, the Committee:

- reviewed the current corporate practice framework for the Group, approved ongoing changes and reviewed their implementation and practice;
- reviewed and oversaw the Group's sustainability report for 2012;
- undertook site visits;
- set a clear objective to reduce fatalities. For this purpose it received a report on, reviewed and made recommendations in respect of, each fatality. It also implemented video reconstructions for individual fatalities to increase awareness;
- introduced the SafeWork programme focussing on identification of fatal hazards and an appropriate safety culture. Employees at the Company's assets must understand the Glencore fatal hazard protocols and identify the fatal hazards that they are most at risk from;
- considered a new crisis management plan which included an implementation process consisting of departmental briefings, training and teaching, mock drills and post crisis evaluations and Board reports;
- decided to seek membership of the International Council on Mining and Metals and initiated the membership application process;
- invited and led an investor roadshow to inform and receive feedback on the Company's sustainable development strategy and approach to HSEC management; and
- considered a variety of other material HSEC issues such as resettlement programmes, incident reporting and emergency response preparedness.

Peter Coates

Chairman of the Health, Safety, Environment & Communities Committee

17 March 2014

Directors' remuneration report

For the year ended 31 December 2013

On behalf of the Remuneration Committee, I am providing an introduction to our Directors' Remuneration Report for the year ending 31 December 2013. As with last year, we have sought to make this report as short, simple and straightforward as possible.

Firstly, I would like to thank my predecessor, William Macaulay, for his previous service as chairman of this Committee. Since his last report, as a result of the acquisition of Xstrata, the composition of the Board has changed. The Company had two Executive Directors at the end of 2013:

- **Ivan Glasenberg:** Mr Glasenberg remains the Group CEO. His remuneration remains unchanged as a result of the acquisition of Xstrata with no increase in any element of remuneration. Although eligible to participate in an annual bonus plan and to receive long-term incentive (LTI) awards, he has, again, waived any entitlement to either for both 2013 and 2014. The only change to his arrangements during 2013 is a minor amendment to his contract to ensure that, consistent with best practice, even if he did participate in such arrangements, variable pay would not be taken into account in assessing any termination payments.
- **Peter Coates:** Mr Coates was a Non-Executive Director of the Company prior to the Xstrata acquisition. Pursuant to the acquisition arrangements he stepped down from the Board on 2 May 2013. Having accepted an executive position with the Company at that time, he was re-appointed to the Board on 12 June 2013. As an Executive Director, Mr Coates had a conventional package with a salary of AUS\$1.54m (c. £950,000) and he did not participate in any bonus arrangement or LTI. As a former Xstrata employee, he holds certain legacy share options. At year end, he ceased to be an Executive Director but he remains on the Board as a Non-Executive Director. He did not receive any termination payments in respect of this change.

Mr Kalmin left the Board on 2 May 2013 but remains employed as Chief Financial Officer. The report includes his remuneration to the date of departure from the Board.

Other changes to the Board during 2013 are recorded on page 81 under *Board Composition* in 2013.

No Executive Director received a salary increase or any form of LTI award or any bonus in respect of their membership of the Board during 2013.

Although, as a Jersey registered company headquartered in Switzerland, we are not subject to the UK's new reporting regime, we consider it to be broadly reflective of good practice and have prepared this report in compliance with the new regime, where feasible to do so. To present the Report in the format required by the new regime, we have made some changes to the order in which the report is being presented this year. Accordingly, over the following pages we have set out:

- The Group's forward-looking Directors' Remuneration Policy which is subject to approval by shareholders at our 2014 AGM;
- Details of the implementation of our reward policy in 2013 including:
 - the governance surrounding pay decisions in 2013, members of the Committee and advisers to the Committee in 2013; and
 - details of what was paid to Executive Directors in respect of their service on the Board during the financial year ended 31 December 2013;

To reflect best practice, we shall be seeking shareholder approval of our remuneration arrangements through two votes, one on the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) and a separate vote on our Directors' Remuneration Policy. Both will technically be advisory only as the Company is not subject to the UK statutory regime to make the former binding although, clearly, the Committee will take any voting outcome extremely seriously.



We were disappointed in only receiving a 78% vote in favour of the 2012 Directors' Remuneration Report at the 2013 AGM. Our understanding, however, is that this was largely a reflection of the controversy around some of the retention terms agreed by the Xstrata Board rather than being a reflection on Board level pay at the Company itself.

Going forward, we now have one Executive Director on our Board. He has one of the most modest packages of any FTSE100 CEO. We have sought to ensure that our remuneration policy and its implementation are attractive to shareholders in reflecting good governance, complete simplicity and welcome restraint. We trust that you will support the associated votes at the 2014 AGM.

John Mack

Remuneration Committee Chairman
17 March 2014

Introduction

We have presented this Remuneration Report to reflect the recent changes in reporting requirements on remuneration matters for companies with a UK governance profile, particularly the UK's new Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Company intends to comply in all material respects with the reporting obligations within these regulations as a matter of good practice. The report also describes how the Board has complied with the provisions set out in the UK Corporate Governance Code relating to remuneration matters.

In order to aid simplicity of reporting and reflecting the fact that the Company reports its financial statements in US Dollars, with effect from 1 January 2014, the fees of the Non-Executive Directors and the base salary for the CEO are each set in US Dollars. The replacement amounts have been determined by translating the prevailing fees and salary in Pounds Sterling to US Dollars at the average rate for last year as set out on page 46.

Our auditors have reported on certain parts of the Directors' remuneration report and stated whether, in their opinion, those parts of the report have been properly prepared. Those sections of the report which have been subject to audit are clearly indicated.

Part A – Directors' Remuneration Policy

The Directors' Remuneration Policy as set out in this section of the report will take effect for all payments made to directors from the date of the 2014 AGM.

New UK legislation and related investor guidance encourages companies to disclose a cap within which each element of remuneration policy will operate. Although not subject to this legislation, the Committee has set an annual cap for each element of remuneration under the *maximum opportunity* column which will apply until a revised policy is approved by shareholders. In each case the cap has been set to provide appropriate flexibility and is not intended to lead to an inflationary impact.

The General policy table which begins on the next page must be read alongside the notes set out on page 98 which together set out and explain our remuneration policy. While the policy for the Executive Directors currently only applies to Mr Glasenberg following Mr Coates ceasing to be an executive at year end, in the interests of transparency, the sections explaining how the policy has been implemented includes commentary on the remuneration of both Mr Coates and Mr Kalmin who served as Executive Directors during part of 2013.

Directors' remuneration report

For the year ended 31 December 2013

General policy

Elements of the package

Remuneration Policy for the Directors is summarised in the table below:

<p>General Policy for Executive Directors (this section does not technically form part of the Directors' Remuneration Policy and is for information only)</p>	<p>We have the same philosophy as any other Remuneration Committee, namely to set the Company's remuneration policies and practices so that they facilitate the attraction, retention and motivation of Executive Directors and other senior executives of appropriately high calibre to implement the Group's strategy while aligning the interests of the Executive Directors and executives with those of shareholders generally. This policy has consistently underpinned our entire approach to executive remuneration.</p> <p>One exceptional aspect of our CEO's remuneration is that, at his instigation and reflecting his status as a major shareholder, he does not participate in bonus or LTI arrangements, a policy which will continue into 2014. As a result, we are currently able to set overall remuneration for our CEO at significantly lower levels than in comparable companies. The Committee believes that his significant personal shareholding creates sufficient alignment of interest with shareholders in the absence of participation in a bonus or LTI arrangement.</p>
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Element and purpose	Policy and operation	Maximum opportunity	Performance measures
<p>Base salary</p> <ul style="list-style-type: none"> Provides market competitive fixed remuneration that rewards relevant skills, responsibilities and contribution 	<ul style="list-style-type: none"> Salaries are positioned within a market competitive range for companies of a similar size and complexity The Committee does not slavishly follow data but uses it as a reference point in considering, in its judgment, the appropriate level having regard to other relevant factors including corporate and individual performance and any changes in an individual's role and responsibilities Base salary is paid monthly in cash 	<ul style="list-style-type: none"> Base salaries are reviewed annually with the next review due to take place in December 2014 The Committee has not increased general salary levels for the Executive Directors since the Company's IPO in May 2011 demonstrating a responsible approach to setting base salaries From 1 January 2014 Mr Glasenberg, the CEO, is the only Executive Director on the Board. A base salary cap of \$1,447,292 p.a., being his current salary as now set in US dollars, has been set so that no voluntary increase will be made to his base salary without shareholder approval or unless the law otherwise requires 	<ul style="list-style-type: none"> Not applicable (N/A)

Element and purpose	Policy and operation	Maximum opportunity	Performance measures
Implementation of Policy in 2013 and 2014 (this section does not technically form part of the Directors' Remuneration Policy but does form part of the Implementation Report. It is included here for information only)	<ul style="list-style-type: none"> As stated above in the <i>Introduction</i> section, the Committee decided to re-express the CEO's salary with effect from 1 January 2014 as a US Dollar denominated amount. His annual base salary is therefore now \$1,447,292. The previous salary for Mr Glasenberg in pounds sterling was £925,000. Mr Coates joined the Board as an Executive Director on a salary of AU\$1,540,000 (\$1,490,550). Mr Kalmin left the Board on a salary of £700,000 (\$1,095,248). No base salary increases were implemented for Executive Directors effective in January 2013 or January 2014. 		
Benefits <ul style="list-style-type: none"> To provide appropriate supporting non-monetary benefits 	<ul style="list-style-type: none"> Provides appropriate insurance cover benefits Values are shown in the single figure table below but may fluctuate without the Committee taking action The Company may periodically change the benefits available to staff for the office at which an Executive Director works in which case the Director would normally be eligible to receive the amended benefits on similar terms to all relevant staff. In the case of Mr Glasenberg, this would be expected to mean employees generally in the Baar office 	<ul style="list-style-type: none"> Benefits received by Mr Glasenberg comprise salary loss (long-term sickness) and accident insurance/travel insurance A monetary limit of \$ 20,000 p.a for Mr Glasenberg has been set 	<ul style="list-style-type: none"> N/A
Implementation of Policy in 2013 and 2014 (this section does not technically form part of the Directors' Remuneration Policy but does form part of the Implementation Report. It is included here for information only)	<ul style="list-style-type: none"> Benefits received by Executive Directors comprised salary loss (long-term sickness) insurance for Messrs Glasenberg and Kalmin and accident insurance cover for all three Executive Directors. No changes were made to this element of remuneration within the year and no changes in respect of Mr Glasenberg are envisaged for 2014. 		
Pension <ul style="list-style-type: none"> Provides basic retirement benefits which reflects local market practice 	<ul style="list-style-type: none"> Mr Glasenberg (and Mr Kalmin) participates in the defined contribution scheme for all Baar (Switzerland)-based employees For Mr Coates, pension contributions were the minimum superannuation contributions permitted under Australian law 	<ul style="list-style-type: none"> An annual cap on the cost of provision of retirement benefits of \$150,000 per Executive Director has been set 	<ul style="list-style-type: none"> N/A

Directors' remuneration report

For the year ended 31 December 2013

Element and purpose	Policy and operation	Maximum opportunity	Performance measures
<p>Implementation of Policy in 2013 and 2014</p> <p>(this section does not technically form part of the Directors' Remuneration Policy but does form part of the Implementation Report. It is included here for information only)</p>	<ul style="list-style-type: none"> For Mr Glasenberg, an annual contribution of 19.5% of salary up to CHF280,800 (\$302,941), being CHF54,761 (\$59,079) For Mr Kalmin, an annual contribution of 15% of salary up to CHF280,800 (\$302,941), being CHF42,040 (\$45,354). For Mr Coates, contributions as follows: from 12 June 2013 – 9% of annualised earnings of up to AU\$183,000 (AU\$5,460) and July to December 2013 – 9.25% of annualised earnings of AU\$192,160 (AU\$8,887) being AU\$14,347 in total for 2013. No changes were made to these elements of remuneration within 2013 and no changes in respect of Mr Glasenberg are envisaged for 2014 except to reflect any changes in the pension contribution levels of the Baar all-employee pension scheme. 		
<p>Annual Bonus Plan</p> <ul style="list-style-type: none"> Supports delivery of short term operational, financial and strategic goals 	<ul style="list-style-type: none"> Annual Bonus plan levels and the appropriateness of measures are reviewed annually to ensure they continue to support the strategy Any Annual Bonus plan outcome above 100% of salary is to be deferred into shares for a period of up to three years although the Committee reserves discretion to alter the current practice of deferral (whether by altering the portion deferred, the period of deferral or whether amounts are deferred into cash or shares) Cash element paid in one tranche following the year end Malus provisions apply to any amounts deferred 	<ul style="list-style-type: none"> The Committee has set a maximum annual bonus level of 200% of base salary p.a. 	<ul style="list-style-type: none"> The performance measures applied may be financial, non-financial, corporate, divisional or individual and in such proportions as the Committee considers appropriate. Additionally, the Committee will consider the outcomes against pre-set targets following their calculation and may moderate these outcomes to take account of a range of factors including the Committee's view of overall Company performance in the year
<p>Implementation of Policy in 2013 and 2014</p> <p>(this section does not technically form part of the Directors' Remuneration Policy but does form part of the Implementation Report. It is included here for information only)</p>	<ul style="list-style-type: none"> 2013 Annual Bonus <p>The Remuneration Committee accepted the request of each Executive Director that he not be considered for a bonus in respect of his service as an Executive Director during 2013.</p> <ul style="list-style-type: none"> 2014 Annual Bonus <p>Mr Glasenberg, currently as the only Executive Director, has continued to waive any right to participate in the plan for 2014.</p>		



Element and purpose	Policy and operation	Maximum opportunity	Performance measures
<p>Long-Term Incentives</p> <ul style="list-style-type: none"> Glencore Performance Share Plan incentivises the creation of shareholder value over the longer-term 	<ul style="list-style-type: none"> No Executive Director has, to date, participated, although this will be kept under review to ensure it remains appropriate Malus clauses apply The Company will honour the vesting of all awards granted under previous policies in accordance with the terms of such awards 	<ul style="list-style-type: none"> Overall annual Executive Directors' limit of 200% of salary for LTI grants (recognising that this is less than the formal limit in the plan) 	<ul style="list-style-type: none"> Executive Directors do not at present participate in the plan reflecting, in the case of the CEO, the significant alignment achieved through his personal shareholding. Accordingly, no performance conditions have been established for Executive Directors. On any future participation, the Committee may set such performance conditions on LTI awards as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual)
<p>Implementation of Policy in 2013 and 2014</p> <p>(this section does not technically form part of the Directors' Remuneration Policy but does form part of the Implementation Report. It is included here for information only)</p>	<ul style="list-style-type: none"> To date no Executive Director has received an award and none will be granted for Mr Glasenberg in 2014. 		
<p>Significant Personal Shareholdings</p> <ul style="list-style-type: none"> Aligns the interests of executives and shareholders 	<ul style="list-style-type: none"> The Committee has set a formal shareholding requirement for Executive Directors of 300% of salary Usually to be achieved within 5 years of Board appointment 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A
<p>Implementation of Policy in 2013 and 2014</p> <p>(this section does not technically form part of the Directors' Remuneration Policy but does form part of the Implementation Report. It is included here for information only)</p>	<ul style="list-style-type: none"> The CEO has a beneficial ownership of over 8% of the Company's issued share capital 		

Directors' remuneration report

For the year ended 31 December 2013

Element and purpose	Policy and operation	Maximum opportunity	Performance measures
<p>Chairman and Non-Executive Director fees</p> <ul style="list-style-type: none"> Reflects time commitment, experience, global nature and size of the Company 	<ul style="list-style-type: none"> The objective in setting the fees paid to the Chairman and the other Non-Executive Directors is to be competitive with other listed companies of equivalent size and complexity. Fee levels are periodically reviewed by the Board (for Non-Executives) and the Committee (for the Chairman). In both cases, the Company does not adopt a quantitative approach to pay positioning and exercises judgment as to what it considers to be reasonable in all the circumstances as regards quantum Non-Executive Directors and the Senior Independent Director receive a base fee. Additional fees are paid for chairing or membership of a Board committee Chairman receives a single inclusive fee Non-Executive Directors are not eligible for any other remuneration or benefits of any nature Reviewed every year with the next review due to take place in December 2014 	<ul style="list-style-type: none"> Fees are paid monthly in cash Aggregate fees for all Non-Executive Directors (including the Chairman) are subject to the cap set in the Articles of Association. This is currently set at £3,000,000. However, due to the fact that from 1 January 2014 fees are set in US Dollars, part of the proposed amendments to the Company's Articles of Association to be considered at the 2014 AGM include a change in this limit to \$5,000,000 which is a broadly equivalent amount at prevailing exchange rates. 	<ul style="list-style-type: none"> N/A
<p>Implementation of Policy in 2013 and 2014</p> <p>(this section does not technically form part of the Directors' Remuneration Policy but does form part of the Implementation Report. It is included here for information only)</p>	<ul style="list-style-type: none"> Refer to section below on Non-Executives' terms of appointment for details of fees No fees have been increased for 2014 (or since the Company's IPO in May 2011) although, as with the Executive Directors, all fees have been re-expressed as US Dollar amounts for 2014 onwards using the average exchange rate for 2013. 		

Notes to the Policy table:

- Mr Glasenberg, the only Executive Director, received no salary increase in January 2014.
- Differences between the policy on remuneration for Directors from the policy on remuneration of other employees: the only Executive Director has waived any entitlement to participate in the variable pay arrangements. In addition, other members of senior management who also have significant shareholdings in the Company also similarly did not participate in variable pay arrangements during 2013. Arrangements also differ from its pay policies for Group employees as necessary to reflect the appropriate market rate position for the relevant roles.
- All references to there being no change to the terms of remuneration of Executive Directors during the year is subject to the caveat that Mr Coates entered into a new executive contract in May 2013, prior to joining the Board as an Executive Director in June 2013. The terms of his remuneration under that contract, as fully set out above, terminated on 31 December 2013, when he ceased to be an Executive Director.
- For 2013, all remuneration and fees were paid in Pounds Sterling except for pension contributions and the provision of benefits which, in respect of Mr Glasenberg and Mr Kalmin, were provided in Swiss Francs and, in respect of Mr Coates, for whom all emoluments and benefits while he was an Executive Director were provided in Australian Dollars. These amounts have been converted into US Dollars at the average rate for last year as set out on page 46.
- From 2014 onwards, all remuneration and fees will be paid in US Dollars except for pension contributions and the provision of benefits as described above.



Recruitment Remuneration Policy

The Company's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of its high-calibre executives to strengthen the management team and secure the skill sets to deliver our strategic aims.

The following represents guidelines considered reasonable by the Committee, but they may need to change in relation to securing an appropriate candidate whose appointment would be in shareholders' best interests.

- The starting point for the Committee will be to look to the general policy for Executive Directors as set out above and structure a package in accordance with that policy. However, the policy was developed having regard to the specific circumstances of the current Directors and therefore (consistent with the new UK regulations) for a newly appointed Executive Director the Committee is not constrained by the caps on fixed pay within the policy on a recruitment or at any subsequent annual review within the life of this policy as approved by shareholders. The Committee will not pay more than it considers to be necessary to secure the recruitment having regards to appropriate market rates and evolving best practice.
- For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate.
- For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as they consider appropriate and/or to make a contribution towards legal fees in connection with agreeing employment terms.
- The Committee reserves the right to make awards of incentive pay that are necessary to secure a candidate, which may include either awards to compensate for the forfeiture of incentive awards in a previous employer or to provide appropriate incentives for a new recruit to the Group. Details of any such awards will be appropriately disclosed.
- Where it is necessary to make a recruitment related pay award to an external candidate, the Company will not pay more than is, in the view of the Committee, necessary and will in all cases seek, in the first instance, to deliver any such awards under the terms of the existing incentive pay structure. It may, however, be necessary in some cases to make such awards on terms that are more bespoke than the existing annual and equity-based pay structures in the Group in order to secure a candidate.
- All such awards for external appointments, whether under the annual bonus plan, Performance Share Plan or otherwise, to compensate for awards forfeited on leaving a previous employer will take account of the nature, time-horizons and performance requirements on those awards. In particular, the Committee's starting point will be to ensure that any awards being forfeited which remain subject to outstanding performance requirements (other than where these are substantially complete) are bought-out with replacement requirements and any awards with service requirements are bought out with similar terms. However, exceptionally the Committee may relax those obligations where it considers it to be in the interests of shareholders and those factors are, in the view of the Committee, equally reflected in some other way, for example through a significant discount to the face value of the awards forfeited. It will only include guaranteed sums where the Committee considers that it is necessary to secure the recruitment.
- For the avoidance of doubt, where recruitment related awards are intended to replace existing awards held by a candidate in an existing employer, the maximum amounts for incentive pay as stated in the general policies will not apply to such awards. The Committee has not placed a maximum limit on any such awards which it may be necessary to make as it is not considered to be in shareholders' interests to set any expectations for prospective candidates regarding such awards. Any recruitment-related awards which do not replace awards with a previous employer will be subject to the limits on incentive awards as detailed in the general policy.

Directors' remuneration report

For the year ended 31 December 2013

The elements of any package for a new recruit and the approach taken by the Committee in relation to setting each element of the package will be consistent with the Executive Directors' remuneration policy described in this report, as modified by the above statement of principles where appropriate.

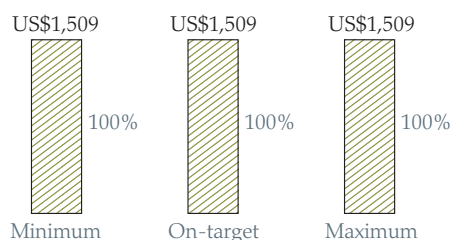
A new Non-executive Director would be recruited on the terms explained above in respect of the main policy for such directors.

Potential rewards under various scenarios

The potential total rewards available to the Executive Director for the 2014 financial year, ignoring any change in share price and roll-up of dividends are:

Performance charts

\$'000



- Short-Term Incentives
- Total Fixed Pay

The above chart has been included to be consistent with the requirements of the new UK disclosure requirements. Under the formal policy, consistent with other large FTSE companies, the total available variable pay (i.e. the maximum amount payable in respect of bonus and long-term incentives) available to Mr. Glasenberg would be approximately \$5,790,000 (being four times base salary). As Mr Glasenberg has waived entitlement to all variable elements for 2014, his base salary and all benefits are set at less than 25% of the aggregate remuneration which would potentially have been available to him had he not waived participation in these aspects. As Mr Glasenberg has waived any right to participate in both bonus and long-term incentives, the chart shows the same total fixed pay (salary, pension and benefits) figure at all levels. This is considered appropriate as the level of his personal shareholding is sufficient to provide a keen alignment of interest between him and of shareholders more generally without the need to add additional aspects to his package (and cost to other shareholders); his fixed remuneration set out below is set at a modestly below market level so the above chart does not reflect any element of an excessive bias to fixed pay in the traditional sense. Consistent with UK legislation, it has been prepared using the following assumptions.

The performance charts on this page reflect the figures in the single figure table on page 105, but are presented in US dollars. In 2013, Mr Glasenberg's base salary was paid in pounds sterling and his benefits and pension contributions were paid in Swiss francs, as described above and in the single figure table.

Fixed

- Consists of base salary, benefits and pension.
- Base salary is that to be paid in 2014.
- Benefits measured as benefits figure in the single figure table.
- Pension measured as pension figure in the single figure table.

\$'000	Base Salary	Benefits	Pension	Total Fixed
Ivan Glasenberg	\$1,447	\$3	\$59	\$1,509

On-target and Maximum

Based on what the Director would receive if performance was on-target (excl. share price appreciation and dividends):

- STI: Mr Glasenberg currently waives any right to participate in the annual bonus plan.
- LTI: He does not currently participate in the Performance Share Plan.



Directors' service contracts

Executive Directors' contracts

The table below summarises the key features of the service contracts for the persons who served as Executive Directors during 2013.

All Directors' contracts and letters of appointment will be available for inspection on the terms to be specified in the Notice of 2014 AGM.

Provision	Service contract terms
Notice period	<ul style="list-style-type: none"> Mr Glasenberg and Mr Kalmin – twelve months' notice by either party Mr Coates – one month's notice by either party; terminated on 31 December 2013 without any notice payment
Contract date	<ul style="list-style-type: none"> Mr Glasenberg – 28 April 2011 (as amended on 30 October 2013) Mr Kalmin – 20 April 2011 Mr Coates – 1 May 2013
Expiry date	<ul style="list-style-type: none"> Rolling service contract
Termination payment	<ul style="list-style-type: none"> No special arrangements or entitlements on termination. Mr Glasenberg's contract was amended on 30 October 2013 to clarify that any compensation would be limited to base salary only for any unexpired notice period (plus any accrued leave)
Change in control	<ul style="list-style-type: none"> On a change of control of the Company, no provision for any enhanced payments, nor for any liquidated damages

External appointments

The Executive Directors each held at least one external appointment (being a directorship of a non-subsiary company) during 2013. These are referred to at the end of their respective biographical summaries on page 78 and 79. The Executive Directors assign to the Group any compensation which they receive from such external board directorships except for the pre-appointment positions of Mr Coates on the boards of Santos Ltd and Amalgamated Holdings Ltd, for which he received fees of A\$423,932 (\$410,319) during 2013. The appropriateness of these appointments is considered as part of the annual review of Directors' interests/potential conflicts.

Termination Policy Summary

In practice, the facts surrounding any termination do not always fit neatly into defined categories for good or bad leavers. Therefore, it is appropriate for the Committee to consider the suitable treatment on a termination having regard to all of the relevant facts and circumstances available at that time. Further, in practice no Executive Director has, to date, participated in the PSP so the policy remains to be tested. This policy applies both to any negotiations linked to notice periods on a termination and any treatment which the Committee may choose to apply under the discretions available to it under the terms of the annual bonus and LTI arrangements. The potential treatments on termination under these plans are summarised below.

Incentives	Good leaver	Bad leaver
	If a leaver is deemed to be a "good leaver"; i.e. leaving through, serious ill health or death or otherwise at the discretion of the Committee	If a leaver is deemed to be a "bad leaver"; typically voluntary resignation or leaving for disciplinary reasons
Annual Bonus	Pro-rated bonus	No awards made
LTIP	Will receive a pro-rated award (if applicable, subject to the application of the performance conditions at the normal measurement date). Committee discretion to disapply pro-rating	All awards will normally lapse

Directors' remuneration report

For the year ended 31 December 2013

The UK legislation does not require the inclusion of a cap or limit in relation to payments for loss of office. The Committee will take all relevant factors into account in deciding whether any discretion should be exercised in an individual's favour in these circumstances, and the Committee will aim to ensure that any payments made are, in its view, appropriate having regard to prevailing best practice guidelines. The Committee may also, after taking appropriate legal advice, sanction the payment of additional sums in the settlement of potential legal claims.

Non-Executive Directors' Letters of appointment and re-election

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years from their date of appointment, subject to reappointment at each AGM. The Company may terminate each appointment by immediate notice and there are no special arrangements or entitlements on termination except that any permanent Chairman will be entitled to three months' notice. While the Interim Chairman remains on the normal appointment letter for a Non-Executive Director, he has been paid the applicable fee for the role of Company Chairman (and not received the standard Non-Executive Director fees) pro-rata for the period of assuming that role.

Annual fees for 2013 were paid in accordance with a Non-Executive Director's role and responsibilities as follows:

2013	GBP '000	US\$ '000 ¹	2014 fee in US\$ '000
Directors			
Chairman	675	1,056	1,056
Senior Independent Director	109	170	170
Non-Executive Director	79	124	124
Remuneration Committee			
Chairman	28	44	44
Member	15	23	23
Audit Committee			
Chairman	35	55	55
Member	20	31	31
Nomination Committee			
Chairman	23	36	36
Member	12	19	19
HSEC Committee			
Chairman	80	125	125
Member	12	19	19

¹ These amounts were historically set in UK Pounds Sterling and have been converted to US Dollars using the exchange rate stated in the currency table on page 46.

Consideration of employment conditions elsewhere in the Group

The Committee has not, since IPO, awarded a salary increase to any Executive Director. It has not, therefore, in practice had to take into account Group-wide pay and employment conditions in making any decisions but would do so as and when such issues arise.

In accordance with prevailing commercial practice, the Committee did not consult with employees in preparing the Directors' Remuneration Policy.

Consideration of shareholders' views

Each year, the Committee takes into account the approval levels of remuneration related matters at our annual general meeting in determining that the current Directors' Remuneration Policy remains appropriate for the Company.



The Committee also seeks to have a productive dialogue with investors on developments in the remuneration aspects of corporate governance generally and any changes to the Company's executive pay arrangements in particular.

Part B – Implementation Report

Implementation Report – Unaudited Information

Remuneration Committee

Membership and experience of the Remuneration Committee

We believe that the members of the Committee provide a useful balance of abilities, experience and perspectives to provide the critical analysis required in carrying out the Committee's function. In particular:

- John Mack became Chairman of the Committee on 13 August 2013. His long career in investment bank management provides considerable experience of remuneration analysis and implementation;
- William Macaulay chaired the Committee until 13 August and remains a member. He has had a long tenure in private equity which has involved exposure to remuneration issues many times and in a variety of situations; and
- Leonhard Fischer is a career banker who similarly has had considerable exposure to issues of pay and incentives.

All members of the Remuneration Committee are considered to be independent. Further details concerning independence of the Non-Executive Directors are contained on pages 80 and 81 of the Annual Report.

Role of the Remuneration Committee

The terms of reference of the Committee set out its role. They are available on the Company's website at: www.glencorexstrata.com/pdf/ToR-REMCO

Its principal responsibilities are, on behalf of the Board, to:

- Set the Company's executive remuneration policy (and review its ongoing relevance and appropriateness);
- Establish the remuneration packages for the Executive Directors including the scope of pension benefits;
- Determine the remuneration package for the Chairman, in consultation with the Chief Executive;
- Have responsibility for overseeing schemes of performance related remuneration (including share incentive plans) for, and determine awards for, the Executive Directors;
- Ensure that the contractual terms on termination for the Executive Directors are fair and not excessive; and
- Monitor senior management remuneration.

The Committee considers corporate performance on HSEC and governance issues when setting remuneration for the Executive Directors. The Committee seeks to ensure that the incentive structure for the Group's senior management does not raise HSEC or governance risks by inadvertently motivating irresponsible behaviour.

Remuneration Committee activities in 2013

The Committee met four times and considered, amongst other matters, the following:

- The remuneration policy applicable to the Executive Directors;
- Senior management remuneration policy, including its level and structure;
- The form and structure of grants to employees under the Company's Deferred Bonus Plan and Performance Share Plan;
- The amount of bonus payable to the CFO in respect of his performance in 2012; and
- The new UK remuneration reporting rules.

Directors' remuneration report

For the year ended 31 December 2013

Internal advisers to the Remuneration Committee

The Chairman, CEO and CFO are usually invited to attend some or all of the proceedings of Remuneration Committee meetings. They do not participate in any decisions concerning their own remuneration. In addition, the Committee receives advice from John Burton, the Company Secretary.

External advisers to the Remuneration Committee

The Committee appointed and received independent remuneration advice during the second half of the year from its newly appointed adviser, FIT Remuneration Consultants LLP (FIT). FIT is a member of the Remuneration Consultants Group (the UK professional body for these consultants) and adheres to its code of conduct. FIT provided no other services to the Group and, accordingly, the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of 2013 were £31,572 (\$49,400). FIT's fees were charged on the basis of the firm's standard terms of business for advice provided.

Previously, the Committee appointed and was advised by Deloitte Global Employer Services (Deloitte GES) which received fees of £16,000 in respect of its provision of executive remuneration advice to the Committee during early 2013. Deloitte GES's terms of reference are in accordance with APB Ethical Standard 5 and restrict the provision of certain services to maintain auditor independence.

Distribution Statement

Due to the acquisition of Xstrata the Company has not produced a distribution statement for 2013 as it was not considered to be a helpful analysis for shareholders. It is the Company's intention to provide this in future years.

Performance graph and table

The graph below shows the value to 31 December 2013, on a total shareholder return (TSR) basis, of £100 invested in Glencore Xstrata plc on 18 May 2011 compared with the value of £100 invested in the FTSE 350 Mining Index.

The FTSE 350 Mining Index is considered to be an appropriate comparator for this purpose as it is an equity index consisting of companies listed in London in the same sector as Glencore Xstrata.

Performance





The new UK reporting regulations also require that a TSR performance graph is supported by a table summarising aspects of CEO remuneration, as shown below for the same period as the TSR performance graph:

		Single figure of total remuneration ¹ (£'000)	Annual variable element award rates against maximum opportunity ²	Long term incentive vesting rates against maximum opportunity ²
2013	Ivan Glasenberg	£ 964	n/a	n/a
2012	Ivan Glasenberg	£ 964	n/a	n/a
2011	Ivan Glasenberg	£ 964	n/a	n/a

1 The value of benefits and pension provision in the single figure may vary as a result of the application of exchange rates. Further details are provided in the Single Figure Table below. In this table the figures are reported in pounds sterling as historically the CEO has been paid in pounds sterling.

2 Both the annual variable element and long term incentive vesting rates are "n/a" due to the CEO not participating in these awards

Percentage change in pay of Chief Executive Officer 2012 to 2013

The UK Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, provide for disclosure of percentage changes of the CEO's remuneration against the average percentage change for employees generally or an appropriate group of employees. Given that the CEO has since the Company's IPO in May 2011 waived any entitlement to any increase in salary (and given that his only other unwaived benefits are those provided to all employees at the Company's head office in Baar) no such comparison has been made. In the event that Executive Directors receive increases in salary in future then a suitable disclosure in respect of these regulations will be made.

Voting Outcomes from AGM 2013

The following table shows the votes cast to approve the Directors' Remuneration Report, for the year ended 31 December 2012, at the 2013 AGM held on 16 May 2013. As referred to in Mr Mack's letter, the Committee considers this level of negative voting to be a reflection of views on certain actions by the Xstrata Board rather than to be an indication of a lack of support for the Company's approach to the remuneration of its Directors

Votes "For"	Votes "Against"	Votes "Abstentions" (as a total of votes cast)
78.3%	21.7%	1.1%
(6,466,288,692)	(1,795,475,367)	(93,986,325)

Implementation Report – Audited Information

Single Figure Table

£'000	Salary/Fees		Benefits		Annual Bonus		Long-term incentives		Pension		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Ivan Glasenberg	925	925	2	2	–	–	–	–	37	36	964	964
Peter Coates	586	179	2	–	–	–	–	–	9	–	597	179
Steven Kalmin	232	700	1	2	–	1,400	–	–	9	28	242	2,130

The table above has been compiled taking account the following:

- Each Director waived any right to participate in the Executive Directors' annual bonus plan or any long term incentive. As no bonuses or long term incentives have been granted for 2013, there are no relevant performance measures to be disclosed.
- See description concerning the changes of the role of Mr Coates on page 81. On 12 June 2013 he became an Executive Director. Mr Coates' 2012 figures reflect Non-Executive fees only. Mr Coates' 2013 figures reflect Non-Executive fees from 1 January to 2 May and Executive Director remuneration from 12 June to 31 December.
- Mr Kalmin was on the Board of Glencore until the merger with Xstrata on 2 May 2013. His 2013 figures show his remuneration until this date.
- £700,000 of Mr Kalmin's bonus award for 2012 was deferred in shares for three years (with a third vesting on each anniversary of the grant) via an award of 181,627 shares as further described on the final page of the Directors' remuneration report.
- Benefits comprise the provision of standard company insurances in Australia (for Mr Coates) and Switzerland (for the others), the cost of which was borne in Australian dollars and Swiss francs respectively.
- Pension contributions are as disclosed in the policy table.

Directors' remuneration report

For the year ended 31 December 2013

As no bonuses or long term incentives have been granted for 2013, there are no relevant performance measures to be disclosed

Former Executive Directors

As reported at the beginning of this report, Mr Kalmin remains the CFO and Mr Coates ceased to an Executive Director on 31 December 2013. Neither of them received any payment or benefit in respect of his change of status.

Non-Executive Fees

The emoluments of the Non-Executive Directors for 2013 based on the current disclosure requirements were as follows:

Name	Total 2013 US\$'000	Total 2013 £'000	Total 2012 £'000
Non-Executive Chairman			
Simon Murray ¹	613	392	675
Sir John Bond ²	49	31	–
Anthony Hayward ³ (Interim)	742	474	159
Non-Executive Directors			
Leonhard Fischer	202	129	129
William Macaulay ⁴	191	122	127
Li Ning ⁵	50	32	91
Peter Hooley ⁶	8	5	–
Ian Strachan ⁶	8	5	–
Con Fauconnier ⁶	8	5	–
Sir Steve Robson ⁶	8	5	–
Peter Coates ⁷	93	59	179
Peter T Grauer ⁸	89	57	–
John J Mack ⁹	93	60	–
Total			

¹ Mr Murray ceased to be Non-Executive Chairman on 2 May 2013. His fees were paid to 31 July 2013 reflecting his right to receive 3 months' notice of termination.

² Sir John Bond was Non-Executive Chairman from 2 May until 16 May 2013.

³ Dr Hayward was Senior Independent Director until 16 May 2013. From that date he has been interim Non-Executive Chairman.

⁴ Mr Macaulay ceased to be chairman of the Remuneration Committee on 13 August 2013, but remains a member of that Committee.

⁵ Mr Li ceased to be a Director on 2 May 2013.

⁶ Messrs Hooley, Strachan, Fauconnier and Robson served as Directors from 2 May to 16 May 2013.

⁷ Mr Coates served as a Non-Executive Director from 1 January to 2 May 2013. His emoluments for being an Executive Director are included in the Single Figure Table for Executive Directors above. His non-executive fees are also included in the Single Figure Table.

⁸ Mr Grauer was appointed as a Director on 12 June 2013; on 13 August 2013 he was appointed to the Nomination and Audit Committees.

⁹ Mr Mack was appointed as a Director on 12 June 2013; on 13 August 2013 he was appointed as Chairman of the Remuneration Committee and a member of the Nomination Committee.



Directors' interests

The Directors' interests in shares are set out in the Directors' report on page 110.

In addition, under the new reporting regime, disclosure is made of all outstanding interests under share plans as at 31 December 2013 as follows:

Director	Total Share Plan Interests				
	Shares (including Restricted Stock)		Share Options		
	Shares subject to performance conditions	Shares not subject to performance conditions	Share options subject to performance conditions	Share options not subject to performance conditions	Share options vested but unexercised
Steven Kalmin:					
Unvested awards under the deferred element of his 2012 bonus award	–	181,627 ¹	–	–	–
Peter Coates:					
Options arising from legacy Xstrata schemes	–	–	–	–	1,381,118 ²

Notes:

¹ These shares were awarded as half of Mr Kalmin's bonus for 2012 being valued at the date of award at £700,000. They vest in three equal tranches on the first three anniversaries of 20 March 2013. No performance conditions apply.

² The exercise prices for these options, which were granted between 2005 and 2007 when Mr Coates was employed by Xstrata, range from £1.7610-£4.4547.

Approval

This report in its entirety has been approved by the Committee and the Board of Directors and signed on its behalf by:

John J Mack

Remuneration Committee Chairman

17 March 2014

Directors' report

Introduction

This Annual Report is presented by the Directors on the affairs of Glencore Xstrata plc (the Company) and its subsidiaries (the Group or Glencore), together with the financial statements and auditor's report, for the year ended 31 December 2013. The Directors' report, including details of the business, the development of the Group and likely future developments as set out in the Strategic Report, which together forms the management report for the purposes of the UK Financial Services Authority's Disclosure and Transparency Rule (DTR) 4.1.8R. The notice concerning forward looking statements is set out at the end of the Annual Report. References to the Company may also include references to the Group or part of the Group.

Corporate structure

Glencore Xstrata plc is a public company limited by shares, incorporated in Jersey and domiciled in Baar, Switzerland. Its shares are listed on the London, Johannesburg and Hong Kong Stock Exchanges.

Financial results and distributions

The Group's financial results are set out in the financial statements section of this Annual Report.

The Board recommends a final distribution of \$ 0.111 per share; including the interim distribution of \$ 0.054 per share which has already been paid, this provides for a total distribution for the 2013 financial year of \$ 0.165 per share. Shareholders will be asked to approve the final distribution at the Annual General Meeting due to be held on 20 May 2014, for payment on 30 May 2014 to ordinary shareholders whose names are on the register on 16 May 2014.

Review of business, future developments and post balance sheet events

A review of the business and the future developments of the Group is presented in the Strategic Report.

A description of acquisitions, disposals, and material changes to Group companies undertaken during the year, including post balance sheet events, is included in the Financial review and in notes 25 and 30 to the financial statements.

Financial instruments

Descriptions of the use of financial instruments and financial risk management objectives and policies, including hedging activities and exposure to price risk, credit risk, liquidity risk and cash flow risk are included in notes 26 and 27 to the financial statements.

Corporate governance

A report on corporate governance and compliance with the UK Corporate Governance Code is set out in the Corporate governance report and forms part of this report by reference.

Health, safety, environment & communities (HSEC)

An overview of health, safety and environmental performance and community participation is provided in the Sustainable Development section of the Strategic report.

Exploration and research and development

The Group business units carry out exploration and research and development activities that are necessary to support and expand their operations.



Employee policies and involvement

Glencore operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin, disability or on any other basis. Applications for employment and promotion are fully considered on their merits, and employees are given appropriate training and equal opportunities for career development and promotion.

Where disability occurs during employment, the Group seeks to accommodate that disability where reasonably possible, including with appropriate training.

The Group places considerable value on the involvement of its employees which is reflected in the principles of its Code of Conduct and its related guidance, which requires regular, open, fair and respectful communication, zero tolerance for human rights violations, fair remuneration and, above all, a safe working environment.

Employee communication is mainly provided by the Group's intranet and corporate website. A range of information is made available to employees including all policies applicable to them as well as information on the Group's financial performance and the main drivers of its business. Employee consultation depends upon the type and location of operation or office.

Directors' conflicts of interest

Under Jersey law and the Company's Articles of Association (which mirror section 175 of the UK Companies Act 2006), a Director must avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. The duty is not infringed if the matter has been authorised by the Directors. Under the Articles, the Board has the power to authorise potential or actual conflict situations. The Board maintains effective procedures to enable the Directors to notify the Company of any actual or potential conflict situations and for those situations to be reviewed and, if appropriate, to be authorised by the Board. Directors' conflict situations are reviewed annually. A register of authorisations is maintained.

Directors' liabilities and indemnities

The Company has granted third party indemnities to each of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Jersey Law. In addition, Directors and Officers of the Company and its subsidiaries are covered by Directors & Officers liability insurance.

Directors

The names of the Company's Directors who were in office at the end of 2013, together with their biographical details and other information, are shown on pages 78 and 79.

Details of the other persons who served as Directors during the year are set out on page 81.

Directors' report

Directors' interests

Details of interests in the ordinary shares of the Company of those Directors who held office during 2013 are given below:

Name	Number of Glencore Xstrata Shares	Percentage of Issued Share Capital
Executive Directors		
Ivan Glasenberg	1,101,848,752	8.30 ¹
Steven Kalmin	70,523,154 ²	0.53
Peter Coates	1,441,136 ³	0.01
Non-Executive Directors		
Simon Murray	–	–
Sir John Bond	3,050	0.00
Anthony Hayward	131,742	0.00
Leonhard Fischer	–	–
William Macaulay	160,909,810 ⁴	1.21
Peter T Grauer	–	–
John J Mack	150,000	0.00
Peter Hooley	–	–
Ian Strachan	131,450	0.00
Con Fauconnier	–	–
Sir Steve Robson	–	–
Li Ning	123,000	0.00

Notes:

- There has been no change in the number of Shares held by Ivan Glasenberg since 31 December 2012. As at 31 December 2012, this number of Shares equated to 15.52 per cent. of the issued share capital of the Company, whereas as at 31 December 2013 it equated to 8.31 per cent reflecting the additional Shares issued pursuant to the Xstrata acquisition.
- Steven Kalmin is the recipient of an award of 181,627 shares as further described on the final page of the Directors' remuneration report.
- Peter Coates also has 1,381,118 options over Shares which are not included in the above table. As at 31 December 2012, Peter Coates held 82,700 Shares in the Company. The increase in Peter Coates' shareholding is as a result of the Xstrata plc shares he previously held being exchanged for Shares upon the Xstrata acquisition becoming effective.
- Of these Shares, 149,159,999 are held by FR Galaxy Holdings S.a.r.l. (FR) and 11,749,811 by ECP Galaxy Holdings S.a.r.l. ("ECP"). The Company has been notified that (a) FR is a connected person of William Macaulay and (b) ECP is an affiliate of FR. As at 31 December 2012, William Macaulay had an interest in 121,996,976 Shares. Of those Shares, 112,497,165 Shares were held by FR Galaxy Holdings S.a.r.l. (FR) and 9,499,811 by ECP Galaxy Holdings S.a.r.l. (ECP). In addition, FR had an economic interest under swap arrangements in 36,662,834 Shares and ECP in 2,250,000 Shares as at 31 December 2012. As previously announced by the Company, these swap arrangements have now been terminated. The Company announced on 19 September 2013 that FR had entered into a financing arrangement with Deutsche Bank AG, London Branch (Deutsche Bank) pursuant to which FR granted security over 149,159,999 Shares in the Company in favour of Deutsche Bank.

Messrs Murray, Kalmin Li and Coates ceased to be Directors on 2 May 2013. Mr Coates was reappointed on 12 June 2013. The interests for Messrs Murray and Li are shown as at 2 May 2013.

Messrs Bond, Hooley, Strachan, Fauconnier and Robson served as Directors from 2 May 2013 to 16 May 2013. The interests for them are shown as at the latter date.

No Director has any other interest in the share capital of the Company whether pursuant to any share plan or otherwise.

No changes in Directors' interests of those in office at the date of this report have occurred between 31 December 2013 and 17 March 2014.

Mr Glasenberg has executed a Lock-Up Deed, pursuant to which he agreed, subject to certain customary exceptions, that during the period from 24 May 2011 to 24 May 2016 he will not dispose of a certain percentage of the ordinary shares held by him at 24 May 2011. The percentage of his Ordinary Shares held at 24 May 2011 that is subject to restrictions on disposal decreases on each anniversary date by 20 per cent of the original holding.

Share capital and shareholder rights

At the date of this report, the ordinary share capital of the Company was \$132,784,054.66 represented by 13,278,405,466 ordinary shares of \$ 0.01 each.

Major interests in shares

As at the date of this report Glencore had been notified of the following interests representing 3% or more of the issued ordinary share capital of the Company:

Name of holder	Number of shares	Percentage of issued share capital
Qatar Holding, L.L.C.	1,118,195,281	8.42%
Ivan Glasenberg	1,101,848,752	8.30%
BlackRock Inc ¹	760,927,085	5.73%
Daniel Francisco		
Maté Badenes	417,468,330	3.14%
Aristotelis Mistakidis	414,730,597	3.12%

¹ In addition, BlackRock Inc. holds 61,534,557 US\$2,300 million outstanding 5 per cent. coupon convertible bonds due December 2014.

During the period between 31 December 2013 and the date of this report the Company did not receive any further notifications in this respect.



Share capital

The rights attaching to the Company's ordinary shares, being the only share class of the Company, are set out in the Company's Articles of Association (the "Articles"), which can be found at www.glencorexstrata.com. Subject to Jersey law, any share may be issued with or have attached to it such preferred, deferred or other special rights and restrictions as the Company may by special resolution decide or, if no such resolution is in effect, or so far as the resolution does not make specific provision, as the Board may decide. No such resolution is currently in effect. Subject to the recommendation of the Board, holders of ordinary shares may receive a dividend. On liquidation, holders of ordinary shares may share in the assets of the Company. Holders of ordinary shares are also entitled to receive the Company's Annual Report and Accounts (or a summarised version) and, subject to certain thresholds being met, may requisition the Board to convene a general meeting ("GM") or the proposal of resolutions at AGMs. None of the ordinary shares carry any special rights with regard to control of the Company.

Holders of ordinary shares are entitled to attend and speak at GMs of the Company and to appoint one or more proxies or, if the holder of shares is a corporation, a corporate representative. On a show of hands, each holder of ordinary shares who (being an individual) is present in person or (being a corporation) is present by a duly appointed corporate representative, not being himself a member, shall have one vote and on a poll, every holder of ordinary shares present in person or by proxy shall have one vote for every share of which he is the holder. Electronic and paper proxy appointments and voting instructions must be received not later than 48 hours before a GM. A holder of ordinary shares can lose the entitlement to vote at GMs where that holder has been served with a disclosure notice and has failed to provide the Company with information concerning interests held in those shares. Except as (1) set out above and (2) permitted under applicable statutes, there are no limitations on voting rights of holders of a given percentage, number of votes or deadlines for exercising voting rights.

The Directors may refuse to register a transfer of a certificated share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis or where the Company has a lien over that share. The Directors may also refuse to register a transfer of a certificated share unless the instrument of transfer is: (i) lodged, duly stamped (if necessary), at the registered office of the Company or any other place as the Board may decide accompanied by the certificate for the share(s) to be transferred and/or such other evidence as the Directors may reasonably require as proof of title; or (ii) in respect of only one class of shares.

Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

The Directors may decide to suspend the registration of transfers, for up to 30 days a year, by closing the register of shareholders. The Directors cannot suspend the registration of transfers of any uncertificated shares without obtaining consent from CREST.

There are no other restrictions on the transfer of ordinary shares in the Company except: (1) certain restrictions may from time to time be imposed by laws and regulations (for example insider trading laws); (2) pursuant to the Company's share dealing code whereby the Directors and certain employees of the Company require approval to deal in the Company's shares; and (3) where a shareholder with at least a 0.25% interest in the Company's issued share capital has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares. There are no agreements between holders of ordinary shares that are known to the Company which may result in restrictions on the transfer of securities or on voting rights.

Directors' report

The rules for appointment and replacement of the Directors are set out in the Articles. Directors can be appointed by the Company by ordinary resolution at a GM or by the Board upon the recommendation of the Nomination Committee. The Company can remove a Director from office, including by passing an ordinary resolution or by notice being given by all the other Directors.

The powers of the Directors are set out in the Articles and provide that the Board may exercise all the powers of the Company including to borrow money. The Company may by ordinary resolution authorise the Board to issue shares, and increase, consolidate, sub-divide and cancel shares in accordance with its Articles and Jersey law.

The Company may amend its Articles by special resolution approved at a GM.

Purchase of Own Shares

At the end of the year, the Directors had authority, under a shareholders' resolution passed on 16 May 2013, to purchase through the market up to 10% of the Company's issued ordinary shares immediately following the IPO. The Directors will seek this authority again at the Company's AGM to be held on 20 May 2014.

Going concern

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the Strategic Report. Furthermore, notes 26 and 27 to the financial statements includes the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit and liquidity risk. Significant financing activities that took place during the year are detailed in the Financial review section. As a consequence, the Directors believe that the Group is well placed to manage its business despite the current uncertain economic environment.

The Directors believe, having made appropriate enquiries that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The Directors have made this assessment after consideration of the Group's budgeted cash flows and related assumptions, which incorporate the acquired operations of Xstrata, including appropriate stress testing thereof, key risks and uncertainties, undrawn debt facilities, debt maturity review, and in accordance with the Going Concern and Liquidity Guidance for Directors of UK Companies 2009 published by the UK Financial Reporting Council.

Auditors

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming AGM.



Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and International Financial Reporting Standards as adopted for use in the European Union (together "IFRS"). The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991. International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements".

In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board:

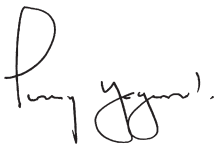
John Burton
Company Secretary
17 March 2014

Directors' report

Confirmation of Directors' responsibilities

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards and interpretations as adopted by the European Union, International Financial Reporting Standards and interpretations as issued by the International Accounting Standards Board and the Companies (Jersey) Law 1991, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole;
- the management report, which is incorporated in the Strategic Report, includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- the Annual Report and accounts, taken as a whole, are fair and balanced and understandable and provide the information necessary for shareholders to assess the performance, strategy and business model of the Company.



Anthony Hayward
Interim Chairman
17 March 2014



Ivan Glasenberg
Chief Executive Officer



*Prodeco coal operation
Colombia*

138 million tonnes

*per annum of coal produced
Coal volumes increased by 4% due to expansions
at Prodeco and Australian thermal assets*

26% increase

*in Prodeco coal volumes
Expansion project to reach 21 mtpa continues on track*



Financial statements

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Independent Auditor's Report to the members of Glencore Xstrata plc

Opinion on financial statements of Glencore Xstrata plc

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

The financial statements comprise the Consolidated statement of (loss)/income, the Consolidated statement of comprehensive (loss)/income, the Consolidated statement of financial position, the Consolidated statement of cash flows, the Consolidated statement of changes in equity and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the financial statements, in addition to applying IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Going concern

We have reviewed the Directors' statement contained on page 112 that the Group is a going concern. We confirm that

- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern which we believe would need to be disclosed in accordance with IFRSs as adopted by the European Union; and
- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk

Acquisition accounting

Accounting for the acquisition of Xstrata plc is a complex and judgemental exercise, requiring determination of the fair value of acquired assets and liabilities, the allocation of the acquisition goodwill to cash generating units and the resulting \$7.5 billion "day 1" impairment charge to goodwill.

The determination of fair value materially impacts the financial statements. At acquisition, the fair values directly impact the amount of goodwill recognised on acquisition. Post acquisition, it also impacts the amounts recognised in the statement of income, primarily depreciation and amortisation charges, which are dependent on the initial fair value.

How the scope of our audit responded to the risk

We reviewed management's process for determining the acquisition accounting by:

- challenged the Group's determination of the fair value of the acquired assets and liabilities of Xstrata plc as outlined in note 25 to the financial statements. We used Deloitte mining valuation specialists to assist in our challenge of the commodity price, foreign exchange and discount rate assumptions as well as the detailed models underlying the valuations, including cross-checking valuation results against comparable companies and associated multiples, whilst considering the risk of management bias;

Independent Auditor's Report to the members of Glencore Xstrata plc

Risk	How the scope of our audit responded to the risk
<p>Acquisition accounting (continued)</p>	<ul style="list-style-type: none"> • assessing the basis for allocation of the acquisition goodwill and the quantum of goodwill allocated to each cash generating unit particularly the amount allocated to the Group's metals and coal marketing operations as outlined in note 8 to the financial statements. In addition, we challenged the reasonableness of the estimated annual synergies upon which the allocation is based. This included assessing the volumes underpinning the estimates and evaluating the overall strategies in the context of the Group's historical marketing operations; and • challenging management's conclusion that the goodwill allocated to the acquired mining operations was impaired considering the circumstances which led to the impairment, particularly the significant time lag between the offer date and ultimate closing of the acquisition and the macro-economic developments during the intervening period.
<p>Impairment</p> <p>Assessment of the recoverability of the carrying value of non-current assets including intangible assets, property, plant and equipment, investments in associates and joint ventures is dependent on macro-economic assumptions about future commodity prices, discount and exchange rates as well as internal assumptions related to future production levels and operating costs. These estimates are particularly significant due to commodity price volatility, production assumed and the uncertain economic outlook. The outcome of impairment assessments could vary significantly were different assumptions applied.</p>	<p>We challenged the significant assumptions used in impairment testing for intangible assets, property, plant and equipment and associates and joint ventures, specifically the commodity price, foreign exchange, production assumed and discount rate assumptions, including consideration of the risk of management bias. Where significant indicators of impairment were identified, we utilised Deloitte valuation specialists to assess the appropriateness of management's recoverable value models.</p>
<p>Revenue recognition</p> <p>Revenue recognition has been identified as a risk, particularly in respect of the completeness and accuracy of capture of trades within the trade book and the timing of revenue recognition for commodity sales with deliveries occurring on or around year end. Due to the significant volume of transactions, minor errors could, in aggregate, have a material impact on the financial statements.</p>	<p>We carried out testing relating to internal controls over revenue recognition and completeness and accuracy of trade capture. On a sample basis, we agreed deliveries occurring near 31 December 2013 to supporting documentation to ensure IFRS revenue recognition criteria were met for recognised sales and obtained third party confirmations where relevant to check completeness and accuracy of trade books.</p>
<p>Fair value measurements within the marketing operations</p> <p>Determination of fair values of marketing inventories, financial assets and liabilities is a complex and subjective area often requiring significant estimates, particularly where valuations utilise unobservable inputs. As the Group's marketing inventories and other financial assets and liabilities are measured at fair value at each reporting date, these fair value measurements significantly impact the Group's results.</p>	<p>We carried out internal control testing and performed detailed substantive testing on a sample basis of the related fair value measurements specifically testing the evidence supporting unobservable inputs utilised in Level 2 and 3 measurements in the fair value hierarchy as outlined in note 28 to the financial statements.</p>



Risk	How the scope of our audit responded to the risk
Classification of financial instruments	
<p>Further to the above, classification of contracts relating to the Group's marketing operations is a judgemental area, particularly sales contracts where the Group physically delivers its own production to a third party ("own use"), rather than those which form part of the Group's marketing operations. Differences in classification affect recognition of associated gains and losses as contracts which are "own use" are exempt from mark to market accounting.</p>	<p>We obtained an understanding of the trading strategies and associated product flows within the Group's marketing departments. We analysed the trade books to identify incidents where contracts were not physically delivered ("net settled"), which may indicate tainting of the "own use" criteria. Where a contract had been net settled, we checked that the contract was appropriately ring-fenced from the "own use" trade book and marked to market reflecting the underlying facts and circumstances.</p>
Performance and credit risk	
<p>The Group is exposed to performance and credit risks arising from the Group's global marketing operations and trade advances, particularly in markets demonstrating significant price volatility with limited liquidity and terminal markets. This risk is heightened in times of increased price volatility, where suppliers may be incentivised to default on delivery and customers are unable to make payments.</p>	<p>We undertook internal control testing of the Group's centralised and local performance and credit risk monitoring procedures and challenged management's assessment of the recoverability of aged and overdue receivables, loans and advance payments with delayed or overdue deliveries, considering historical patterns of trading and settlement as well as recent communications with the counterparties. In addition, we made specific inquiries to understand positions in commodities with high price volatility, particularly certain agriculture markets, notably corn and wheat, where there was significant volatility in the second half of the financial year.</p>
Taxation	
<p>There is significant judgement around accounting for income taxes particularly in light of the number of jurisdictions in which the Group operates, which give rise to complexity and uncertainty in the calculation of income taxes and deferred tax assets and consideration of contingent liabilities associated with tax years open to audit.</p>	<p>We considered the appropriateness of management's assumptions and estimates in relation to the likelihood of generating future taxable profits to support the recognition of deferred tax assets with reference to forecast taxable profits and consistency of these forecasts with Group's budgets.</p> <p>We reviewed and challenged management's assessment of uncertain tax positions, reviewing correspondence with local tax authorities and utilising Deloitte tax specialists, where appropriate, to assess the adequacy of associated provisions and disclosures.</p>

The Audit Committee's consideration of these risks is set out on page 88.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Independent Auditor's Report to the members of Glencore Xstrata plc

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined planning materiality for the Group to be \$250 million, which is approximately 6% of normalised pre-tax profit, and below 1% of equity. Pre-tax profit has been normalised by adjusting for items which, due to their nature and/or expected infrequency of the underlying events, are not considered indicative of continuing operations of the Group and so do not form part of the Group's internally or externally monitored primary KPIs. These items are outlined in note 4 to the financial statements.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$10 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at 69 Group components utilising 29 component audit teams in 22 countries:

- 54 of these components were subject to a full audit;
- 15 were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's business operations at those locations.

These 69 components represent the principal business units within the Group's 3 reportable segments and account for 84% of the Group's net assets, 93% of the Group's revenue and 85% of the Group's adjusted EBITDA (as defined in note 2 to the financial statements). Our audit work at the 69 components was executed at levels of materiality applicable to each individual entity which were lower than Group materiality. At the parent entity level we also tested the consolidation process and carried out analytical procedures and other procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team follows a programme of regular visits to components that has been designed so that the Group Audit Partner or another senior member of the group audit team meets with local management and the component audit team of 24 of the most significant components (being those components we consider to be the most complex, with the highest risk of material misstatement), which are located in 12 countries, at least once every two years, with the remaining components subject to full scope audits being visited at least once every 3 years. For all components, whether a visit to the component takes place during the year or not, we include the component audit team in our team briefings and communications, discuss and direct their risk assessment, review and challenge the findings from their work and hold meetings throughout the audit to discuss significant matters arising.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the annual report

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.



In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Other matter

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the UK Companies Act 2006 as if that Act had applied to the Company.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Matt Sheerin, CA

for and on behalf of Deloitte LLP
Chartered Accountants and Recognised Auditor
London, UK

17 March 2014

Consolidated statement of (loss)/income

For the year ended 31 December 2013

US\$ million	Notes	2013	2012 Restated ¹
Revenue		232,694	214,436
Cost of goods sold		(227,145)	(210,435)
Selling and administrative expenses		(1,206)	(997)
Share of income from associates and joint ventures	10	846	367
Loss on sale of investments – net	3	(40)	(128)
Other expense – net	4	(10,844)	(1,214)
Dividend income		39	17
Interest income		393	401
Interest expense		(1,781)	(1,371)
(Loss)/Income before income taxes		(7,044)	1,076
Income tax (expense)/credit	6	(254)	76
(Loss)/Income for the year		(7,298)	1,152
Attributable to/(from):			
Non-controlling interests		104	148
Equity holders		(7,402)	1,004
(Loss)/Earnings per share:			
Basic (US\$)	17	(0.67)	0.14
Diluted (US\$)	17	(0.67)	0.14

¹ Certain amounts shown here reflect the adoption of new and revised standards as detailed in note 1 and therefore do not correspond to the consolidated statement of income for the year ended 31 December 2012.

The accompanying notes are an integral part of the condensed consolidated financial statements.

Consolidated statement of comprehensive (loss)/income

For the year 2013

US\$ million	Notes	2013	2012 Restated ¹
(Loss)/Income for the year		(7,298)	1,152
Other comprehensive (loss)/income			
Items not to be reclassified to the statement of income in subsequent periods:			
Defined benefit plan actuarial gain/(loss), net of tax of \$137 million (2012: \$2 million)	23	326	(10)
Net items not to be reclassified to the statement of income in subsequent periods:		326	(10)
Items that are or may be reclassified to the statement of income in subsequent periods:			
Exchange loss on translation of foreign operations		(1,168)	(170)
Loss on cash flow hedges, net of tax of \$48 million (2012: \$nil)		(287)	(93)
Share of comprehensive income from associates and joint ventures	10	26	221
Loss on available for sale financial instruments transferred to the statement of income	5	–	1,181
Cash flow hedges transferred to the statement of income, net of tax of \$nil (2012: \$nil)		1	297
Effect of foreign currency exchange differences transferred to the statement of income		–	(23)
Net items that are or may be reclassified to the statement of income in subsequent periods:		(1,428)	1,413
Other comprehensive (loss)/income		(1,102)	1,403
Total comprehensive (loss)/income		(8,400)	2,555
Attributable to/(from):			
Non-controlling interests		62	94
Equity holders		(8,462)	2,461

¹ Certain amounts shown here reflect the adoption of new and revised standards as detailed in note 1 and therefore do not correspond to the consolidated statement of comprehensive income for the year ended 31 December 2012.

The accompanying notes are an integral part of the condensed consolidated financial statements.

Consolidated statement of financial position

As at 31 December 2013

US\$ million	Notes	2013	2012 Restated ¹
Assets			
Non-current assets			
Property, plant and equipment	7	67,507	23,623
Intangible assets	8	9,053	2,207
Investments in associates and joint ventures	10	12,707	18,764
Other investments	10	923	1,589
Advances and loans	11	4,095	3,758
Deferred tax assets	6	2,105	1,511
		96,390	51,452
Current assets			
Inventories	12	22,753	20,680
Accounts receivable	13	24,536	24,902
Other financial assets	27	2,904	2,650
Prepaid expenses and other assets		578	235
Marketable securities		36	38
Cash and cash equivalents	14	2,849	2,782
		53,656	51,287
Asset held for sale	15	4,886	2,825
		58,542	54,112
Total assets		154,932	105,564
Equity and liabilities			
Capital and reserves – attributable to equity holders			
Share capital	16	133	71
Reserves and retained earnings	16	49,824	31,068
		49,957	31,139
Non-controlling interests	33	3,192	3,034
Total equity		53,149	34,173
Non-current liabilities			
Borrowings	20	38,724	19,028
Deferred income	21	1,277	601
Deferred tax liabilities	6	6,613	2,906
Other financial liabilities	27	1,044	–
Provisions	22	8,083	1,713
		55,741	24,248
Current liabilities			
Borrowings	20	16,461	16,498
Viterra asset acquirer loans	15	–	2,580
Accounts payable	24	26,041	23,533
Deferred income	21	145	116
Provisions	22	264	69
Other financial liabilities	27	2,366	3,388
Income tax payable		489	257
		45,766	46,441
Liabilities held for sale	15	276	702
		46,042	47,143
Total equity and liabilities		154,932	105,564

¹ Certain amounts shown here reflect the adoption of new and revised standards as detailed in note 1 and for revisions to the previously reported fair values associated with the acquisitions made in 2012, which relates mainly to Viterra (see note 25), and therefore do not correspond to the consolidated statement of financial position for the year ended 31 December 2012.

The accompanying notes are an integral part of the condensed consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2013

US\$ million	Notes	2013	2012 Restated ¹
Operating activities			
(Loss)/Income before income taxes		(7,044)	1,076
Adjustments for:			
Depreciation and amortisation		4,049	1,473
Share of income from associates and joint ventures		(846)	(367)
Decrease in other long term liabilities		(72)	–
Loss on sale of investments – net	3	40	128
Impairments	5	9,086	1,650
Other non-cash items – net		2,075	(148)
Interest expense – net		1,388	970
Cash generated by operating activities before working capital changes		8,676	4,782
Working capital changes			
Decrease in accounts receivable ²		4,188	720
Decrease/(increase) in inventories		3,972	(1,611)
(Decrease)/increase in accounts payable ³		(5,561)	1,618
Total working capital changes		2,599	727
Income taxes paid		(593)	(344)
Interest received		91	206
Interest paid		(1,589)	(990)
Net cash generated by operating activities		9,184	4,381
Investing activities			
Decrease/(increase) in long-term advances and loans		274	(203)
Net cash received from/(used in) acquisition of subsidiaries	25	1,209	(6,463)
Net cash received from disposal of subsidiaries	25	744	281
Purchase of investments		(198)	(633)
Proceeds from sale of investments		54	23
Purchase of property, plant and equipment		(8,390)	(2,970)
Capital expenditures related to assets held for sale	15	(1,169)	–
Payments for exploration and evaluation		(28)	(147)
Proceeds from sale of property, plant and equipment		258	112
Dividend received from associates and joint ventures		551	461
Net cash used by investing activities		(6,695)	(9,539)

¹ Certain amounts shown here reflect the adoption of new and revised standards as detailed in note 1 and therefore do not correspond to the consolidated statement of cash flow for the year ended 31 December 2012.

² Includes movements in other financial assets, prepaid expenses, other assets and assets held for sale.

³ Includes movements in other financial liabilities, provisions, deferred income and liabilities held for sale.

The accompanying notes are an integral part of the condensed consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2013

US\$ million	Notes	2013	2012 Restated ¹
Financing activities²			
Proceeds from issuance of capital market notes	20	5,722	2,951
Proceeds from other non-current borrowings	20	–	303
Repayment of other non-current borrowings	20	(4,225)	(594)
Margin receipts in respect of financing related hedging activities		167	176
Proceeds from Viterro asset acquirer loans	25	–	2,580
(Repayment of)/proceeds from current borrowings	20	(939)	3,463
Acquisition of additional interest in subsidiaries		(489)	(669)
Disposal of interest in subsidiary		–	45
Return of capital/dividends to non-controlling interests		(184)	–
Proceeds from own shares		10	–
Payment of profit participation certificates	20	(422)	(554)
Dividend paid to equity holders of the parent	18	(2,062)	(1,066)
Net cash (used)/generated by financing activities		(2,422)	6,635
Increase in cash and cash equivalents		67	1,477
Cash and cash equivalents, beginning of year		2,782	1,305
Cash and cash equivalents, end of year		2,849	2,782

¹ Certain amounts shown here reflect the adoption of new and revised standards as detailed in note 1 and therefore do not correspond to the consolidated statement of cash flow for the year ended 31 December 2012.

² Presented net of directly attributable issuance costs where applicable.

The accompanying notes are an integral part of the condensed consolidated financial statements.

Consolidated statement of changes of equity

For the year ended 31 December 2013

US\$ million	(Deficit)/ retained earnings	Share premium	Other reserves (Note 16)	Own shares	Total reserves and (deficit)/ retained earnings	Share capital	Total equity attributable to equity holders	Non- controlling interests (Note 33)	Total equity
1 January 2012	4,039	26,797	(1,640)	–	29,196	69	29,265	3,070	32,335
Impact of adoption of IAS 19 ²	(117)	–	–	–	(117)	–	(117)	–	(117)
1 January 2012 (Restated¹)	3,922	26,797	(1,640)	–	29,079	69	29,148	3,070	32,218
Income for the year	1,004	–	–	–	1,004	–	1,004	148	1,152
Other comprehensive income	221	–	1,246	–	1,467	–	1,467	(54)	1,413
Impact of adoption of IAS 19 ²	(10)	–	–	–	(10)	–	(10)	–	(10)
Total comprehensive income	1,215	–	1,246	–	2,461	–	2,461	94	2,555
Issue of share capital	–	957	–	–	957	2	959	–	959
Equity settled share-based payments ³	111	–	–	–	111	–	111	–	111
Change in ownership interest in subsidiaries	–	–	(474)	–	(474)	–	(474)	(971)	(1,445)
Put option relating to additional interest in subsidiary	–	–	–	–	–	–	–	(419)	(419)
Acquisition of subsidiaries	–	–	–	–	–	–	–	1,260	1,260
Dividend paid (note 18)	–	(1,066)	–	–	(1,066)	–	(1,066)	–	(1,066)
31 December 2012 (Restated¹)	5,248	26,688	(868)	–	31,068	71	31,139	3,034	34,173
1 January 2013	5,248	26,688	(868)	–	31,068	71	31,139	3,034	34,173
Loss for the year	(7,402)	–	–	–	(7,402)	–	(7,402)	104	(7,298)
Other comprehensive income/(loss)	352	–	(1,412)	–	(1,060)	–	(1,060)	(42)	(1,102)
Total comprehensive (loss)/income	(7,050)	–	(1,412)	–	(8,462)	–	(8,462)	62	(8,400)
Issue of share capital ⁴	383	30,073	–	(1,041)	29,415	62	29,477	–	29,477
Issue of share capital related to employee incentive programmes	(78)	78	–	–	–	–	–	–	–
Own share purchases	–	–	–	(13)	(13)	–	(13)	–	(13)
Own share disposal	(284)	–	–	287	3	–	3	–	3
Equity-settled share-based expenses ³	13	–	–	–	13	–	13	–	13
Change in ownership interest in subsidiaries	–	–	(138)	–	(138)	–	(138)	(653)	(791)
Acquisition of subsidiaries ⁴	–	–	–	–	–	–	–	933	933
Dividend paid (note 18)	–	(2,062)	–	–	(2,062)	–	(2,062)	(184)	(2,246)
At 31 December 2013	(1,768)	54,777	(2,418)	(767)	49,824	133	49,957	3,192	53,149

¹ Certain amounts shown here reflect the adoption of new and revised standards as detailed in note 1 and do not correspond to the consolidated statement of changes in equity as at 31 December 2012.

² See note 23.

³ See note 19.

⁴ See note 25.

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the financial statements

1. ACCOUNTING POLICIES

Corporate information

Glencore Xstrata plc, formerly Glencore International plc, (the "Company" or the "Parent"), is a publicly traded limited company incorporated in Jersey and domiciled in Switzerland. Its ordinary shares are traded on the London, Hong Kong and Johannesburg stock exchanges and it is the ultimate parent entity of the Glencore Xstrata Group ("Glencore").

Glencore is a leading integrated producer and marketer of natural resources, with worldwide activities in the production, refinement, processing, storage, transport and marketing of metals and minerals, energy products and agricultural products. Glencore operates on a global scale, marketing and distributing physical commodities sourced from third party producers and own production to industrial consumers, such as those in the automotive, steel, power generation, oil and food processing industries. Glencore also provides financing, logistics and other services to producers and consumers of commodities. In this regard, Glencore seeks to capture value throughout the commodity supply chain. Glencore's long experience as a commodity producer and merchant has allowed it to develop and build upon its expertise in the commodities which it markets and cultivate long-term relationships with a broad supplier and customer base across diverse industries and in multiple geographic regions.

On 2 May 2013, Glencore completed its acquisition of the remaining 66% (which it did not previously own) of the issued and outstanding equity of Xstrata plc ("Xstrata"), a leading global diversified mining group, for consideration of \$29.5 billion. See note 25.

These consolidated financial statements were authorised for issue in accordance with a Directors' resolution on 17 March 2014.

Statement of compliance

The accounting policies adopted are in accordance with:

- International Financial Reporting Standards ("IFRS") and interpretations as adopted by the European Union ("EU") effective as of 31 December 2013; and
- IFRS and interpretations as issued by the International Accounting Standards Board ("IASB") effective as of 31 December 2013.

Critical accounting judgements and key sources of estimation

The preparation of the consolidated financial statements requires management to make judgements, 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. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances, independent estimates, quoted market prices and common, industry standard modelling techniques. Actual outcomes could result in a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Glencore has identified the following areas as being critical to understanding Glencore's financial position as they require management to make complex and/or subjective judgements, estimates and assumptions about matters that are inherently uncertain:

Key judgements

In the process of applying Glencore's accounting policies, management has made the following judgements based on the relevant facts and circumstances including macro-economic circumstances and, where applicable, interpretation of underlying agreements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Allocation of acquisition goodwill to cash generating units ("CGUs") (Notes 9 and 25)

The allocation of goodwill created as a result of a business combination is a significant judgement which is, in part, impacted by the identification of synergies expected to be realised as a result of a business combination and allocating those synergies to the cash generating units which are expected to benefit from the synergies. The allocation of goodwill impacts the carrying value of CGUs and the associated assessment of impairment in connection with those CGUs. In 2013, the most significant judgements in respect of goodwill allocation related to the acquisition of Xstrata.

Determination of control of subsidiaries and joint arrangements (Note 35)

Judgement is required to determine when Glencore has control or joint control, which requires an assessment of the relevant activities (those relating to the operating and capital decisions of the arrangement, such as: the approval of the capital expenditure programme for each year, and appointing, remunerating and terminating the key management personnel or service providers of the operations) and when the decisions in relation to those activities are under the control of Glencore or require unanimous consent.

Judgement is also required in determining the classification of a joint arrangement between a joint venture or a joint operation through an evaluation of the rights and obligations arising from the arrangement.

Differing conclusions around these judgements, may materially impact how these businesses are presented in the consolidated financial statements – under the full consolidation method, equity method or proportionate consolidation method.

Exploration and evaluation expenditure (Notes 7 and 30)

The application of Glencore's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

Performance and credit risk (Note 26)

The Group's global marketing operations expose it to performance and credit risks; these arise particularly in markets demonstrating significant price volatility with limited liquidity and terminal markets and when global and/or regional macroeconomic conditions are weak.



Continuously, but particularly during such times judgement is required to determine whether receivables, loans and advances are recoverable and if contracted product deliveries will be received. Judgements about recoverability and contractual performance may materially impact both non-current and current assets as recognised on the statement of financial position.

Recognition of deferred tax assets (Note 6)

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether there will be sufficient taxable income available to offset the tax assets when they do reverse. These judgements are subject to risk and uncertainty and therefore, to the extent assumptions regarding future profitability change, there can be a material increase or decrease in the amounts recognised in the consolidated statement of income in the period in which the change occurs. The recoverability of deferred tax assets including the estimates and assumptions contained therein are reviewed regularly by management.

Key estimates and assumptions

In the process of applying Glencore's accounting policies, management has made key estimates and assumptions concerning the future and other key sources of estimation uncertainty. The key assumptions and estimates at the reporting date that have a significant impact on the financial position and the results of operations, are described below. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Valuation of derivative instruments (Note 28)

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 13 *Fair Value Measurement*. 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). Level 3 inputs therefore include the highest level of estimation uncertainty.

Depreciation and amortisation of mineral and petroleum rights, project development costs, plant and equipment and intangible assets (Notes 7 and 8)

Mineral and petroleum rights, project development costs, certain plant and equipment and certain intangible assets are depreciated/amortised using the Units of Production basis ("UOP"). The calculation of the UOP rate of depreciation/amortisation, and therefore the annual 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 and resources, notably changes in the geology of the reserves and resources and assumptions used in determining the economic feasibility of the reserves. Such changes in reserves and resources 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 underlying reserves and resources. Estimates of proven and probable reserves and resources are prepared by experts in extraction, geology and reserve determination. Assessments of UOP rates against the estimated reserve and resource base and the operating and development plan are performed regularly.

Impairments (Notes 5, 7, 8, 9 and 10)

Investments in associates and joint ventures, other investments, advances and loans, property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable or at least annually for goodwill and other indefinite life intangible assets. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognised in the consolidated statement of income. Future cash flow estimates which are used to calculate the asset's fair value are discounted using asset specific discount rates and are based on expectations about future operations, primarily comprising estimates about production and sales volumes, commodity prices, reserves and resources, 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.

Provisions (Note 22)

The amount recognised as a provision, including tax, legal, contractual and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. The Group assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements. These provisions may require settlement in future periods and as such may be materially impacted by the time value of money, the determination of the appropriate risk adjusted discount rate to reflect time value of money is a source of estimation uncertainty which could impact the carrying value of these provisions at the balance sheet date.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

Restoration, rehabilitation and decommissioning costs (Note 22)

A provision for future restoration, rehabilitation and decommissioning costs requires estimates and assumptions to be made around the relevant regulatory framework, the magnitude of the possible disturbance, the timing, extent and costs of the required closure and rehabilitation activities and of the risk adjusted discount rates used to determine the present value of the future cash outflows. To the extent that the actual future costs differ from these estimates, adjustments will be recorded and the consolidated statement of income could be impacted. The provisions including the estimates and assumptions contained therein are reviewed regularly by management.

Fair value measurements (Notes 9, 25, 26, 27 and 28)

In addition to recognising derivative instruments at fair value, as discussed above, an assessment of the fair value of assets and liabilities is also required in accounting for other transactions, most notably, business combinations and marketing inventories and disclosures related to fair values of financial assets and liabilities. In such instances, fair value measurements are estimated based on the amounts for which the assets and liabilities could be exchanged at the relevant transaction date or reporting period end, and are therefore not necessarily reflective of the likely cash flow upon actual settlements. Where fair value measurements cannot be derived from publicly available information, they are estimated using models and other valuation methods. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market-based transactions rarely exist.

Adoption of new and revised Standards

In the current year, Glencore has applied a number of new and revised IFRS standards and interpretations which were adopted as of 1 January 2013:

- IFRS 10 – Consolidated Financial Statements (“IFRS 10”)
- IFRS 11 – Joint Arrangements (“IFRS 11”)
- IFRS 12 – Disclosure of Interest in Other Entities (“IFRS 12”)
- IAS 27 – Separate Financial Statements (2011) (“IAS 27”)
- IAS 28 – Investment in Associates and Joint Ventures (“IAS 28”)
- IFRS 13 – Fair Value Measurement (“IFRS 13”)
- IAS 19 – Employee Benefits (“IAS 19”)
- Amendments to IAS 1 – Presentation of Items in Other Comprehensive Income (“Amendments to IAS 1”)
- Amendments to IFRS 7 – Disclosure – Offsetting Financial Assets and Financial Liabilities (“Amendments to IFRS 7”)
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (“Amendments to IAS 36”) IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (“IFRIC 20”)
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (“IFRIC 20”)

The nature and impact of the following new and revised IFRS standards and interpretations is described below.

IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 (the “Consolidation Standards”)

IFRS 10 provides a single basis for consolidation with a new definition of control based on having the power to direct the relevant activities of the investee. IFRS 11 impacts the accounting for joint arrangements, defined as investments or arrangements which are subject to joint control through contractually agreed sharing of control between two or more parties. A joint arrangement is classified as either a joint operation or a joint venture, and the option to proportionately consolidate joint ventures has been removed requiring them to be accounted for under the equity method whilst joint operations are accounted for using the proportionate consolidation method. This is consistent with historical Glencore policy under which investments in jointly controlled entities were accounted for using the equity method. IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (see notes 10, 33 and 35).

There were no changes in the accounting previously applied to the Glencore subsidiaries, investments and joint arrangements as a result of the adoption of the Consolidation Standards. The adoption of the Consolidation Standards required retrospective application.

IFRS 13

IFRS 13 establishes a single source of guidance for fair value measurements and their disclosures. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for those items excluded from IFRS 13 as described in the Basis of preparation. IFRS 13 does not change when an entity is required to use fair value but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an ‘exit price’ regardless of whether that price is directly observable or estimated using another valuation technique. The application of IFRS 13 has not materially impacted the fair value measurements of Glencore. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. The fair value hierarchy is provided in note 28. IFRS13 required prospective application.



IAS 19 (2011)

IAS 19 requires all actuarial gains and losses to be recognised immediately in other comprehensive income (which differs from Glencore's previous policy which applied the corridor method) and requires the expected return on plan assets (recognised in the consolidated statement of income) to be calculated based on the rate used to discount the defined benefit obligations.

Glencore applied the standard retrospectively in accordance with the transitional provisions and as a result recognised \$164 million of previously unrecognised actuarial losses as at 1 January 2012 (\$176 million at 1 January 2013), increasing the post-retirement benefits provision with a corresponding adjustment to shareholders' equity and an associated deferred tax impact (see note 23). IAS 19 required retrospective application.

Amendments to IAS 1

The amendments to IAS 1 do not impact Glencore's financial statement balances however they impact the presentation within the Statement of Comprehensive Income as Glencore is now required to classify components of other comprehensive income based on whether they are or may eventually be recycled into income (e.g. currency translation and cash flow hedging adjustments) versus those items that will never be recycled into income (e.g. actuarial gains and losses on pension plans). The amendments to IAS 1 required retrospective application.

Amendments to IFRS 7

The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting or similar agreement. Other than the additional disclosure, the application of amendments to IFRS 7 did not impact the amounts recognised in the consolidated financial statements (see note 27). The amendments to IFRS 7 required retrospective application.

Amendments to IAS 36

The amendments to IAS 36 clarify the circumstances in which the recoverable amount of assets or cash-generating units are required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. Other than the additional disclosure, the application of amendments to IAS 36 did not impact the amounts recognised in the consolidated financial statements (see note 5). The amendments to IAS 36 required retrospective application.

IFRIC 20

IFRIC 20 provides a model for accounting for waste removal (stripping) costs incurred during the production phase of a surface (open pit) mine. The model and related guidance requires the apportionment of the costs between those incurred to obtain a current versus a future benefit and the capitalisation of the latter with the depreciation method to apply to capitalised stripping costs.

The Group operates open pit mines at a number of its existing operations. Upon adoption of IFRIC 20, there were no significant changes in the balances previously recognised.

New and revised Standards not yet effective

At the date of authorisation of these consolidated financial statements, the following new and revised standards and interpretations applicable to Glencore were issued but not yet effective:

- IFRS 9 – Financial Instruments: IFRS 9 modifies the classification and measurement of certain classes of financial assets and liabilities. The most significant change is to rationalise from four to two primary categories of financial assets.
- Amendments to IAS 32 – Offsetting Financial Assets and Liabilities: The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right to set-off” and “simultaneous realisation and settlement”.
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting: The amendments to IAS 39 clarify the criteria required to be met such that there would be no need to discontinue hedge accounting if a hedging derivative was novated.

The Directors are currently evaluating the impact these new standards may have on the financial statements of Glencore.

Basis of preparation

The financial statements are prepared under the historical cost convention except for the revaluation of certain financial assets, liabilities and marketing inventories that are measured at revalued amounts or fair values at the end of each reporting period as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below.

The Directors have assessed that the financial statements be prepared on a going concern basis after their consideration of the Group's budgeted cash flows and related assumptions, including appropriate stress testing thereof, key risks and uncertainties, undrawn debt facilities, debt maturity review and in accordance with the Going Concern and Liquidity Guidance for Directors of UK Companies 2009 published by the Financial Reporting Council. Further information on Glencore's objectives, policies and processes for managing its capital and financial risks are detailed in note 26.

All amounts are expressed in millions of United States Dollars, unless otherwise stated, consistent with the predominant functional currency of Glencore's operations.

Under Article 105(11) of the Companies (Jersey) Law 1991 the directors of a holding company need not prepare separate accounts (i.e. company only accounts) if consolidated accounts for the company are prepared, unless required to do so by the members of the company by ordinary resolution. The members of the Company have not passed a resolution requiring separate accounts and, in the Directors' opinion, the Company meets the definition of a holding company. As permitted by the law, the Directors have elected not to prepare separate accounts.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

Control is achieved when Glencore is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, Glencore controls an investee if, and only if, Glencore has all of the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When Glencore has less than a majority of the voting rights of an investee or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over the investee including:

- the size of Glencore's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by Glencore, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that Glencore has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when Glencore obtains control over the subsidiary and ceases when Glencore loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income and other comprehensive income from the date Glencore gains control until the date when Glencore ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in Glencore's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions with any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received being recognised directly in equity and attributed to equity holders of Glencore.

When Glencore loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if Glencore had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Investments in associates and joint ventures

Associates and jointly ventures (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 or joint 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. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about relevant strategic and/or key operating decisions require unanimous consent of the parties sharing control.

Equity accounting involves Glencore recording its share of the Associate'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, unrealised profits and losses are eliminated to the extent of Glencore's interest in that Associate.

Changes in Glencore's interests in Associates are accounted for as a gain or loss on disposal with any difference between the amount by which the carrying value of the Associate is adjusted and the fair value of the consideration received being recognised directly in the consolidated statement of income.



Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

When Glencore undertakes its activities under joint operations, Glencore applies the proportionate consolidation method and recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Where Glencore transacts with a joint operation, unrealised profits and losses are eliminated to the extent of Glencore's interest in that joint operation.

Business combinations and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting. The cost of the acquisition is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred, liabilities incurred to the former owners of the acquiree and the equity interests issued in exchange for control of the acquiree. The identifiable assets, liabilities and contingent liabilities ("identifiable net assets") are recognised at their fair value at the date of acquisition. Acquisition related costs are recognised in the consolidated statement of income as incurred.

Where a business combination is achieved in stages, Glencore's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date Glencore attains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of income.

Where the fair value of consideration transferred for a business combination exceeds the fair values attributable to Glencore's share of the identifiable net assets, the difference is treated as purchased goodwill.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the CGUs that are expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not able to be reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, Glencore reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted for additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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 amortised 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 the consolidated statement of income in the period of the purchase.

The main operating and finance subsidiaries and investments of Glencore are listed in note 35.

Non-current assets held for sale and disposal groups

Non-current assets and assets and liabilities included in disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, they are available for immediate disposal and the sale is highly probable. Non-current assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when Glencore has transferred to the buyer all significant risks and rewards of ownership of the assets sold. Revenue excludes any applicable sales taxes and is recognised at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to Glencore and the revenues and costs can be reliably measured. In most instances sales revenue is recognised when the product is delivered to the destination specified by the customer, which is typically the vessel on which it is shipped, the destination port or the customer's premises.

For certain commodities, the sales price is determined on a provisional basis at the date of sale as the final selling price is subject to movements in market prices up to the date of final pricing, normally ranging from 30 to 90 days after initial booking. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Royalty, interest and dividend income is recognised when the right to receive payment has been established, it is probable that the economic benefits will flow to Glencore and the amount of income can be measured reliably. Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate.

Foreign currency translation

Glencore's reporting currency and the functional currency of the majority of its operations is the US dollar as this is assessed to be the principal currency of the economic environment in which it operates.

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 U.S. Dollar are translated into U.S. 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 consolidated statement of income impact to the extent that no disposal of the foreign operation has occurred.

Borrowing costs

Borrowing costs are expensed as incurred except where they relate to the financing of construction or development of qualifying assets in which case they are capitalised 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 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. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The cost of providing pensions is charged to the consolidated statement of income so as to recognise current and past service costs, interest cost on defined benefit obligations, and the effect of any curtailments or settlements, net of expected returns on plan assets. Actuarial gains and losses are recognised directly in other comprehensive income and will not be reclassified to the consolidated statement of income. The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in Glencore's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Glencore also provides post-retirement healthcare benefits to certain employees in Canada, South Africa and the United States. These are accounted for in a similar manner to the defined benefit pension plans, however are unfunded.

Share-based payments

Equity-settled share-based payments

Equity-settled share-based payments are measured at the fair value of the awards based on the market value of the shares at the grant date. Fair value excludes the effect of non-market based vesting conditions. The fair value is charged to the consolidated statement of income and credited to retained earnings on a straight-line basis over the period the estimated awards are expected to vest.

At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained earnings.

Cash-settled share-based payments

For cash-settled share-based payments, a liability is initially recognised at fair value based on the estimated number of awards that are expected to vest, adjusting for market and non-market based performance conditions. Subsequently, at each reporting period until the liability is settled, it is remeasured to fair value with any changes in fair value recognised in the consolidated statement of income.



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 period end on expected current taxable income, and any adjustment to tax payable in respect of previous years. Deferred taxes are recognised for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income, using enacted or substantively enacted income tax rates which are expected to be effective at the time of reversal of the underlying temporary difference. Deferred tax assets and unused tax losses are only recognised to the extent that their recoverability is probable. Deferred tax assets are reviewed at reporting period end and amended to the extent that it is no longer probable that the related benefit will be realised. To the extent that a deferred tax asset not previously recognised but which subsequently fulfils the criteria for recognition, an asset is then recognised.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same authority and Glencore has both the right and the intention to settle its current tax assets and liabilities on a net or simultaneous basis. The tax effect of certain temporary differences is not recognised 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. Deferred tax is provided in respect of fair value adjustments on acquisitions. These adjustments may relate to assets such as extraction rights that, in general, are not eligible for income tax allowances.

Current and deferred tax are recognised as an expense or income in the consolidated statement of income, except when they relate to items that are recognised outside the consolidated statement of income (whether in other comprehensive income or directly in equity) or where they arise from the initial accounting for a business combination.

Royalties, extraction taxes and other levies/taxes are treated as taxation arrangements when they have the characteristics of an income tax including being imposed and determined in accordance with regulations established by the respective government's taxation authority and the amount payable is based on taxable income – rather than physical quantities produced or as a percentage of revenues – after adjustment for temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements that do not satisfy these criteria are recognised as current provisions and included in cost of goods sold.

Exploration and evaluation expenditure

Exploration and evaluation expenditure relates to costs incurred in the exploration and evaluation of potential mineral and petroleum resources and includes costs such as researching and analysing 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 another entity, is charged to the consolidated statement of income as incurred except when the expenditure is expected to 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 reporting period end, 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 capitalised. Purchased exploration and evaluation assets are recognised at their fair value at acquisition.

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

As the capitalised exploration and evaluation expenditure asset is not available for use, it is not depreciated. All capitalised 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 CGU level. To the extent that capitalised expenditure is not expected to be recovered it is charged to the consolidated statement of income.

Administration costs that are not directly attributable to a specific exploration area are charged to the consolidated income statement. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Development expenditure

When commercially recoverable reserves are determined and such development receives the appropriate approvals, capitalised exploration and evaluation expenditure is transferred to construction in progress. All subsequent development expenditure is capitalised and classified as construction in progress, provided commercial viability conditions continue to be satisfied. Proceeds from the sale of ore extracted during the development phase are netted against development expenditure. Upon completion of development and commencement of production, capitalised development costs are transferred as required to either mineral and petroleum rights or deferred mining costs and depreciated using the unit of production method (UOP).

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.

Property, plant and equipment are depreciated to their estimated residual value over the estimated useful life of the specific asset concerned, or the estimated remaining life of the associated mine ("LOM"), field or lease.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation commences when the asset is available for use. The major categories of property, plant and equipment are depreciated/amortised on a UOP and/or straight-line basis as follows:

Buildings	10–45 years
Freehold land	not depreciated
Plant and equipment	3–30 years/UOP
Mineral rights and petroleum rights	UOP
Deferred mining costs	UOP

Assets under finance leases, where substantially all the risks and rewards of ownership transfer to the Group as lessee, are capitalised and amortised over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. All other leases are classified as operating leases, the expenditures for which are charged against income over the accounting periods covered by the lease term.

Biological assets

Biological assets are carried at their fair value less estimated selling costs. Any changes in fair value less estimated selling costs are included in the consolidated statement of income in the period in which they arise.

Deferred stripping costs

Stripping costs incurred in the development of a mine (or pit) before production commences are capitalised as part of the cost of constructing the mine (or pit) and subsequently amortised over the life of the mine (or pit) on a UOP basis.

Production stripping costs related to accessing an identifiable component of the ore body to realise benefits in the form of improved access to ore to be mined in the future (stripping activity asset), are capitalised within mineral properties provided all the following conditions are met:

- (a) it is probable that the future economic benefit associated with the stripping activity will be realised;
- (b) the component of the ore body for which access has been improved can be identified; and
- (c) the costs relating to the stripping activity associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of income as they are incurred.

The stripping activity asset is subsequently depreciated on a UOP basis over the life of the identified component of the ore body that became more accessible as a result of the stripping activity and is then stated at cost less accumulated depreciation and any accumulated impairment losses.

Mineral and petroleum rights

Mineral and petroleum reserves, resources and rights (together Mineral Rights) which can be reasonably valued, are recognised in the assessment of fair values on acquisition. Mineral Rights for which values cannot be reasonably determined are not recognised. Exploitable Mineral Rights are amortised using the UOP basis over the commercially recoverable reserves and, in certain circumstances, other mineral resources. Mineral resources are included in amortisation calculations where there is a high degree of confidence that they will be extracted in an economic manner.

Restoration, rehabilitation and decommissioning

Restoration, rehabilitation and decommissioning costs arising from the installation of plant and other site preparation work, discounted using a risk adjusted discount rate to their net present value, are provided for and capitalised at the time such an obligation arises. The costs are charged to the consolidated 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 consolidated statement of income as extraction progresses.

Changes in the estimated timing of the rehabilitation or changes to the estimated future costs are accounted for prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, provided the reduction in the provision is not greater than the depreciated capitalised cost of the related asset, in which case the capitalised cost is reduced to nil and the remaining adjustment recognised in the consolidated statement of income. In the case of closed sites, changes to estimated costs are recognised immediately in the consolidated statement of income.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition intangible assets are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any.

Internally generated intangibles are not capitalised. Instead, the related expenditure is recognised in the consolidated statement of income and other comprehensive income in the period in which the expenditure is incurred.

Identifiable intangible assets with a finite life are amortised on a straight-line basis over their expected useful life. The amortisation method and period are reviewed annually and impairment testing is undertaken when circumstances indicate the carrying amount may not be recoverable. Other than goodwill which is not depreciated, Glencore has no identifiable intangible assets with an indefinite life.



The major categories of intangibles are amortised on a straight-line basis as follows:

Port allocation rights	30-40 years
Future warehousing fees	5-10 years
Licences, trademarks and software	3-20 years
Royalty arrangements	30-40 years
Acquired offtake arrangements	5-10 years

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 the consolidated statement of income unless they are classified as available for sale, in which case fair value movements are recognised in other comprehensive income and are subsequently recognised in the consolidated statement of income when realised by sale or redemption, or when a reduction in fair value is judged to be a significant or prolonged decline.

Impairment

Glencore conducts, at least annually, an internal review of asset values which is used as a source of information to assess for any indications of impairment. Formal impairment tests are carried out, at least annually, for cash generating units containing goodwill and for all other non-current assets when events or changes in circumstances indicate the carrying value may not be recoverable.

A formal impairment test involves determining whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less costs to sell and its value in use. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash flows independent of other assets, in which case the review is undertaken at the CGU level.

If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded in the consolidated statement of income to reflect the asset at the lower amount.

An impairment loss is reversed in the consolidated statement of income if there is a change in the estimates used to determine the recoverable amount since the prior impairment loss was recognised. The carrying amount is increased to the recoverable amount but not beyond the carrying amount net of depreciation or amortisation which would have arisen if the prior impairment loss had not been recognised. Goodwill impairments and impairments of available for sale equity investments cannot be subsequently reversed.

Provisions

Provisions are recognised when Glencore has a present obligation (legal or constructive), 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Onerous contracts

An onerous contract is considered to exist where Glencore has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Present obligations arising under onerous contracts are recognised and measured as provisions.

Unfavourable contracts

An unfavourable contract is considered to exist when Glencore, in a business combination, acquires a contract under which the terms of the contract require Glencore to sell products or purchase services on terms which are economically unfavourable compared to current market terms at the time of the business combination. Unfavourable contracts are recognised at the present value of the economic loss and amortised into income over the term of the contract.

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 realisable value. Unrealised 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 realisable value. Cost is determined using the first-in-first-out ("FIFO") or the weighted average method and comprises material costs, labour costs and allocated production related overhead costs. Financing and storage costs related to inventory are expensed as incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash held at bank, cash in hand and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Financial instruments

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available for sale financial assets depending upon the purpose for which the financial assets were acquired. Financial assets are initially recognised at fair value on the trade date, including, in the case of instruments not recorded at fair value through profit or loss, directly attributable transaction costs. Subsequently, financial assets are carried at fair value (other investments, derivatives and marketable securities) or amortised cost less impairment (accounts receivable and advances and loans). Financial liabilities other than derivatives are initially recognised at fair value of consideration received net of transaction costs as appropriate and subsequently carried at amortised cost.

Convertible bonds

At the date of issue, the fair value of the liability component is determined by discounting the contractual future cash flows using a market rate for a similar non-convertible instrument. The liability component is recorded as a liability on an amortised cost basis using the effective interest method. The equity component is recognised as the difference between the fair value of the proceeds as a whole and the fair value of the liability component and it is not subsequently remeasured. On conversion, the liability is reclassified to equity and no gain or loss is recognised in the consolidated statement of income and upon expiry of the conversion rights, any remaining equity portion will be transferred to retained earnings.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

Own shares

The cost of purchases of own shares are deducted from equity. Where they are purchased, issued to employees or sold, no gain or loss is recognised in the consolidated statement of income. Such gains and losses are recognised directly in equity. Any proceeds received on disposal of the shares or transfers to employees are recognised in equity.

Derivatives and hedging activities

Derivative instruments, which include physical contracts to sell or purchase commodities that do not meet the own use exemption, are initially recognised at fair value when Glencore becomes a party to the contractual provisions of the instrument and are subsequently remeasured to fair value at the end of each reporting period. Fair values are determined using quoted market prices, dealer price quotations or using models and other valuation techniques, the key inputs for which include current market and contractual prices for the underlying instrument, time to expiry, yield curves, volatility of the underlying instrument and counterparty risk.

Gains and losses on derivative instruments for which hedge accounting is not applied, other than the revenue adjustment mechanism embedded within provisionally priced sales, are recognised in cost of goods sold.

Those derivatives qualifying and designated as hedges are either (i) a Fair Value Hedge of the change in fair value of a recognised asset or liability or an unrecognised firm commitment, or (ii) a Cash Flow Hedge of the change in cash flows to be received or paid relating to a recognised asset or liability or a highly probable transaction.

A change in the fair value of derivatives designated as a Fair Value Hedge is reflected together with the change in the fair value of the hedged item in the consolidated statement of income.

A change in the fair value of derivatives designated as a Cash Flow Hedge is initially recognised as a cash flow hedge-reserve in shareholders' equity. The deferred amount is then released to the consolidated statement of income in the same periods during which the hedged transaction affects the consolidated statement of income. Hedge ineffectiveness is recorded in the consolidated statement of income when it occurs.

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 recognised in the consolidated statement of income when the committed or forecast transaction is ultimately recognised in the consolidated statement of income. However, if a forecast or committed transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the consolidated 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.



2. SEGMENT INFORMATION

Glencore is organised and operates on a worldwide basis in three core business segments – metals and minerals, energy products and agricultural products, with each business segment responsible for the marketing, sourcing, hedging, logistics and industrial investment activities of their respective products and reflecting the structure used by Glencore's management to assess the performance of Glencore.

The business segments' contributions to the Group are primarily derived from the net margin or premium earned from physical marketing activities (net sale and purchase of physical commodities), provision of marketing and related value-add services and the margin earned from industrial asset activities (net resulting from the sale of physical commodities over the cost of production and/or cost of sales) and comprise the following underlying key commodities:

- Metals and minerals: Zinc, copper, lead, alumina, aluminium, ferroalloys, nickel, cobalt and iron ore, including smelting, refining, mining, processing and storage related operations of the relevant commodities;
- Energy products: Crude oil, oil products, steam coal and metallurgical coal supported by investments in coal mining and oil production operations, ports, vessels and storage facilities;
- Agriculture products: Wheat, corn, canola, barley, rice, oil seeds, meals, edible oils, biofuels, cotton and sugar supported by investments in farming, storage, handling, processing and port facilities.

Corporate and other: consolidated statement of income amounts represent Glencore's share of income related to Xstrata (prior to the date of acquisition), the technology services division and other unallocated Group related expenses (including variable pool bonus charges). Statement of financial position amounts represent Group related balances.

The financial performance of the segments is principally evaluated with reference to Adjusted EBIT/EBITDA which is the net result of revenue less cost of goods sold and selling and administrative expenses plus share of income from associates and joint ventures, dividend income and the attributable share of underlying Adjusted EBIT/EBITDA of certain associates and joint ventures.

The accounting policies of the operating segments are the same as those described in note 1 with the exception of certain associates and joint ventures. Under IFRS 11, Glencore's investments in the Antamina copper/zinc mine (34% owned) and the Cerrejón coal mine (33% owned) are considered to be associates as they are not subject to joint control and the Collahuasi copper mine (44% owned) is considered to be a joint venture. Associates and joint ventures are required to be accounted for in Glencore's financial statements under the equity method. For internal reporting and analysis, Glencore evaluates the performance of these investments under the proportionate consolidation method reflecting Glencore's proportionate share of the revenues, expenses, assets and liabilities of the investments. The balances as presented for internal reporting purposes are reconciled to Glencore's statutory disclosures as outlined in the following tables.

Notes to the financial statements

2. SEGMENT INFORMATION (continued)

Glencore accounts for intra-segment sales and transfers where applicable as if the sales or transfers were to third parties, i.e. at arm's length commercial terms.

2013 US\$ million	Metals and minerals	Energy products	Agricultural products	Corporate and other	Total
Revenue from third parties	64,080	139,709	30,039	138	233,966
Marketing activities					
Adjusted EBIT	1,622	629	198	(93)	2,356
Depreciation and amortisation	21	37	185	–	243
Adjusted EBITDA	1,643	666	383	(93)	2,599
Industrial activities					
Adjusted EBIT	2,742	907	(6)	(29)	3,614
Depreciation and amortisation ¹	2,554	1,623	67	9	4,253
Adjusted EBITDA	5,296	2,530	61	(20)	7,867
Total adjusted EBITDA	6,939	3,196	444	(113)	10,466
Depreciation and amortisation	(2,575)	(1,660)	(252)	(9)	(4,496)
Total adjusted EBIT	4,364	1,536	192	(122)	5,970

Significant items²

Other expense – net ³	(10,844)
Share of associates' exceptional items ⁴	(51)
Mark to market loss on certain aluminium positions ⁵	(95)
Unrealised intergroup profit elimination adjustments ⁶	(261)
Loss on sale of investments	(40)
Interest expense – net ⁷	(1,394)
Income tax ⁸	(583)
Loss for the year	(7,298)

¹ Includes an adjustment of \$447 million (2012: \$Nil) to depreciation and amortisation expenses related to presenting certain associates and joint ventures on a proportionate consolidation basis. Metals and minerals segment: \$271 million and Energy products segment \$176 million, see table below.

² Significant items of income and expense which, due to their financial impacts, nature or the expected infrequency of the events giving rise to them, have been separated for internal reporting and analysis of Glencore's results.

³ See note 4.

⁴ Share of associates' exceptional items comprise Glencore's share of exceptional charges booked directly by Xstrata relating mainly to various costs incurred by Xstrata in connection with its acquisition by Glencore.

⁵ Represents an accounting measurement mismatch between spot and forward prices in respect of certain aluminium commercial hedging activities where such amounts will reverse in future periods. Due to the hedging being done on a portfolio basis, hedge treatment for IFRS accounting purposes (where such amounts would not impact the consolidated statement of income) is not achievable.

⁶ Represents the required adjustment to eliminate unrealised profit or losses arising on intergroup transactions. For Glencore, such adjustments arise on the sale of product, in the ordinary course of business, from its Industrial operations to its Marketing arm and management assesses segment performance prior to any such adjustments, as if the sales were to third parties.

⁷ Includes an adjustment of \$6 million (2012: \$Nil) to interest expenses related to presenting certain associates and joint ventures on a proportionate consolidation basis. Metals and minerals segment: interest income of \$1 million and Energy products segment interest expense of \$7 million, see table below.

⁸ Includes an adjustment of \$329 million (2012: \$Nil) to income tax expenses related to presenting certain associates and joint ventures on a proportionate consolidation basis. Metals and minerals segment: \$299 million and Energy products segment \$30 million, see table below.



The reconciliation of certain associates' and joint venture's Adjusted EBIT to 'Share of net income from associates and joint ventures' for the year ended 31 December 2013 is as follows:

US\$ million	Metals and minerals	Energy products	Agricultural products	Corporate and other	Total
Revenue from third parties	64,080	139,709	30,039	138	233,966
Impact of presenting certain associates and joint ventures on a proportionate consolidation basis	(732)	(540)	–	–	(1,272)
Revenue from third parties – reported measure	63,348	139,169	30,039	138	232,694
Associates' and joint ventures' Adjusted EBITDA	1,249	238	–	–	1,487
Depreciation and amortisation	(271)	(176)	–	–	(447)
Associates' and joint ventures' Adjusted EBIT	978	62	–	–	1,040
Net finance costs	1	(7)	–	–	(6)
Income tax expense	(299)	(30)	–	–	(329)
Share of income from material associates and joint ventures	680	25	–	–	705
Share of income from other associates	(37)	45	7	126	141
Share of income from associates and joint ventures	643	70	7	126	846
Capital expenditure	6,738	2,552	293	4	9,587

2013 US\$ million	Metals and minerals	Energy products	Agricultural products	Corporate and other	Total
Current assets	26,737	17,164	6,554	316	50,771
Current liabilities	(10,456)	(15,612)	(2,708)	(529)	(29,305)
Allocatable current capital employed	16,281	1,552	3,846	(213)	21,466
Property, plant and equipment	37,170	26,810	3,195	332	67,507
Intangible assets	3,755	4,269	883	146	9,053
Investments in associates and other investments	9,358	3,823	430	19	13,630
Non-current advances and loans	987	2,561	141	406	4,095
Allocatable non-current capital employed	51,270	37,463	4,649	903	94,285
Other assets ¹				9,876	9,876
Other liabilities ²				(72,478)	(72,478)
Total net assets	67,551	39,015	8,495	(61,912)	53,149
Capital expenditure³	7,114	2,696	293	4	10,107

1 Other assets include deferred tax assets, marketable securities, cash and cash equivalents and assets held for sale.

2 Other liabilities include borrowings, non-current deferred income, deferred tax liabilities, non-current provisions, non-current financial liabilities and liabilities held for sale.

3 Includes an adjustment of \$520 million (2012: \$Nil) to capital expenditure related to presenting certain associates and joint ventures on a proportionate consolidation basis. Metals and minerals segment: \$376 million and Energy products segment \$144 million, see table below.

Notes to the financial statements

2. SEGMENT INFORMATION (continued)

2012 US\$ million	Metals and minerals	Energy products	Agricultural products	Corporate and other	Total
Revenue from third parties	56,674	136,937	20,825	–	214,436
Marketing activities					
Adjusted EBIT	1,363	435	371	(39)	2,130
Depreciation and amortisation	16	59	23	–	98
Adjusted EBITDA	1,379	494	394	(39)	2,228
Industrial activities					
Adjusted EBIT	708	594	(10)	1,048	2,340
Depreciation and amortisation	917	389	69	–	1,375
Adjusted EBITDA	1,625	983	59	1,048	3,715
Total adjusted EBITDA	3,004	1,477	453	1,009	5,943
Depreciation and amortisation	(933)	(448)	(92)	–	(1,473)
Total adjusted EBIT	2,071	1,029	361	1,009	4,470

Significant items¹

Other expense – net ²	(1,214)
Share of associates' exceptional items ³	(875)
Mark to market loss on certain natural gas contracts ⁴	(123)
Unrealised intergroup profit elimination adjustments ⁵	(84)
Interest expense – net	(970)
Loss on sale of investments	(128)
Income tax credit	76
Income for the year	(1,152)

¹ Significant items of income and expense which, due to their financial impacts, nature or the expected infrequency of the events giving rise to them, have been separated for internal reporting and analysis of Glencore's results.

² See note 4.

³ Share of associates' exceptional items comprise Glencore's share of exceptional charges booked directly by Xstrata relating mainly to various impairment charges including that associated with its platinum investments and operations in South Africa and nickel operations in Australia which were impacted by the challenging market environments and costs incurred by Xstrata in connection with the proposed acquisition by Glencore.

⁴ Represents movements in fair value of certain fixed price forward natural gas purchase contracts entered into to hedge the price risk of this cost exposure in our alumina production activities. These contracts were initially concluded in 2008 with mark to market movements accounted for in equity (cash flow hedge reserves). Consistent with Glencore's current policy not to hedge future operating expenditures there are no such contracts covering periods beyond 2012.

⁵ Represents the required adjustment to eliminate unrealised profit or losses arising on intergroup transactions. For Glencore, such adjustments arise on the sale of product, in the ordinary course of business, from its Industrial operations to its Marketing arm and management assesses segment performance prior to any such adjustments, as if the sales were to third parties.



2012 US\$ million	Metals and minerals	Energy products	Agricultural products	Corporate and other	Total (Restated) ¹
Current assets	20,024	18,256	9,538	649	48,467
Current liabilities	(9,500)	(13,941)	(3,785)	(137)	(27,363)
Allocatable current capital employed	10,524	4,315	5,753	512	21,104
Property, plant and equipment	14,134	5,347	4,142	–	23,623
Intangible assets	180	1,098	929	–	2,207
Investments in associates and other investments	2,881	799	458	16,215	20,353
Non-current advances and loans	921	2,688	149	–	3,758
Allocatable non-current capital employed	18,116	9,932	5,678	16,215	49,941
Other assets ²				7,156	7,156
Other liabilities ³				(44,028)	(44,028)
Total net assets	28,640	14,247	11,431	(20,145)	34,173
Capital expenditure	5,761	3,311	4,262	–	13,334

1 Certain amounts shown here reflect the adoption of new and revised standards as detailed in note 1 and therefore do not correspond to the consolidated statement of financial position for the year ended 31 December 2012.

2 Other assets include deferred tax assets, marketable securities, cash and cash equivalents and assets held for sale.

3 Other liabilities include borrowings, non-current deferred income, deferred tax liabilities, non-current provisions, Viterra asset acquirer loans and liabilities held for sale.

Geographical information

US\$ million	2013	2012 (Restated) ¹
Revenue from third parties²		
The Americas	54,675	42,295
Europe	78,782	108,904
Asia	67,858	44,274
Africa	25,665	16,910
Oceania	5,714	2,053
	232,694	214,436
Non-current assets³		
The Americas	22,809	6,843
Europe	11,438	17,707
Asia	6,400	5,652
Africa	20,972	11,255
Oceania	27,648	3,137
	89,267	44,594

1 Comprises adjustments to the fair value calculations in relation to the acquisition of Viterra (see note 25).

2 Revenue by geographical destination is based on the country of incorporation of the sales counterparty however this may not necessarily be the country of the counterparty's ultimate parent and/or final destination of product.

3 Non-current assets are non-current assets excluding other investments, advances and loans and deferred tax assets.

Notes to the financial statements

3. LOSS ON SALE OF INVESTMENTS – NET

US\$ million	2013	2012
Loss on sale in investment in associates	(40)	(133)
Other	–	5
Total	(40)	(128)

The net loss on sale of investments in associates in 2013 and 2012 comprised primarily an accounting dilution loss following Xstrata's share issuances in April 2013 and March 2012, which saw Glencore's ownership reduce.

4. OTHER EXPENSE – NET

US\$ million	Notes	2013	2012
Changes in mark to market valuations on investments held for trading – net		(308)	2
Changes in mark to market valuation of certain coal forward contracts ¹		87	179
Revaluation of previously held interest in newly acquired businesses – net		(1,160)	497
Viterra acquisition related (expense)/income – net		(36)	11
Xstrata acquisition related expenses		(294)	(58)
Impairments	5	(9,086)	(1,650)
Phantom equity awards granted on listing	19	–	(109)
Foreign exchange (loss)		(126)	(4)
Other income/(expense) – net ²		79	(82)
Total		(10,844)	(1,214)

¹ This item, if classified by function of expense would be recognised in cost of goods sold. All other amounts in Other income/(expense) – net are classified by function.

² Includes \$15 million gain on disposal of property, plant and equipment (2012: loss of \$7 million) and \$37 million of income relating to the Agrium and Richardson assets which were acquired and subsequently sold as part of the Viterra acquisition. These were classified as held for sale as at 31 December 2012 and were disposed of during 2013 (see note 15).

Together with foreign exchange movements and mark to market movements on investments held for trading, other expenses – net includes other significant items of income and expense which due to their non-operational nature or expected infrequency of the events giving rise to them are reported separately from operating segment results. Other expenses – net includes, but is not limited to, impairment charges, revaluation of previously held interests in business combinations and acquisitions, restructuring and closure costs.

Changes in mark to market valuations on investments held for trading – net

Primarily relates to movements on interests in other investments classified as held for trading and carried at fair value, with Glencore's interest in Volcan Compania Minera S.A.A. and Nyrstar N.V. accounting for the majority of the movement in 2013 and 2012.

Changes in mark to market valuation of certain coal forward contracts

Represents movements in fair value of certain fixed price forward coal sales contracts relating to Prodeco Group's ("Prodeco") future production, into which it plans to physically deliver. Following the legal reacquisition of Prodeco in March 2010, from an accounting perspective, these forward sales contracts could not technically be classified as "own use" or as cash flow hedges, which would have deferred the income statement effect until performance of the underlying future sale transactions. As at year end, all tonnes of such coal have been physically delivered (2012: 4.6 million tonnes remained).

Revaluation of previously held interest in newly acquired businesses – net

In May 2013, Glencore completed the acquisition of the additional 66% interest in Xstrata it did not previously own (see note 25). At the date of acquisition, the previously owned interest was revalued to its fair value based on the share price at 2 May 2013 (the "Acquisition Date") as prescribed by IFRS 13 and as a result, a \$1,160 million loss was recognised.

In March 2012, Glencore purchased an additional 31.8% interest in Optimum Coal Holdings Limited ("Optimum") and in April 2012, acquired an additional 20% interest in Mutanda Group ("Mutanda"). At the date of the acquisitions, the previously owned interests were revalued to their fair value and as a result, a \$20 million loss and \$517 million gain, respectively, were recognised.

Viterra acquisition related (expense)/income – net

2013 expense of \$36 million comprises a \$47 million gain relating to final sales adjustments of a previous Viterra acquisition less \$83 million of professional/advisors' fees and restructuring expenses.

2012 income includes the realised gain of \$65 million on the settlement of CAD2.7 billion forward foreign currency purchase contracts entered into to partially hedge foreign currency price risk associated with the Viterra transaction (see note 25) less \$54 million of professional advisors and other expenses.



Xstrata acquisition related expenses

Expenses incurred in connection with the acquisition of Xstrata (see note 25), comprises \$59 million of costs incurred with the required cancellation of the Nyrstar offtake agreement, \$98 million of professional/advisors' fees related to the acquisition and \$137 million of stamp duty and restructuring costs.

5. IMPAIRMENTS

US\$ million	Notes	2013	2012
Xstrata acquisition goodwill impairment		(7,480)	–
Available for sale instruments	10	(446)	(1,181)
Non-current advances and loans	11	(300)	(213)
Property, plant and equipment	7	(779)	(210)
Non-current inventory and other ¹		(81)	(46)
Total impairments²		(9,086)	(1,650)

¹ These items, if classified by function of expense would be recognised in cost of goods sold.

² Impairments recognised during the year are allocated to Glencore's operating segments as follows: Metals and minerals \$8,922 million (2012: \$1,337 million), Energy products \$164 million (2012: \$248 million) and Agricultural products \$Nil (2012: \$65 million).

Xstrata acquisition goodwill impairment

In accordance with IFRS 3, following a comprehensive process to identify and determine the fair value of all acquired assets and liabilities in connection with the Xstrata acquisition (see note 25), Glencore has provisionally recognised goodwill of \$12.5 billion of which \$5.0 billion was allocated to the metals and coal marketing cash generating units ("CGUs") and \$7,480 million was provisionally allocated to the Xstrata mining operations' CGUs.

The goodwill allocated to the metals and minerals and coal marketing businesses was based on the value of expected margin synergies to be realised by the Group's existing marketing operations as a result of increased product flows from Xstrata, while the residual balance of \$7,480 million was allocated to the Xstrata mining operations.

IAS 36 "Impairment of assets" requires that CGUs containing goodwill be tested for impairment whenever there are indications that goodwill may be impaired. As the assets and liabilities of the Xstrata mining operations were then recorded at fair value (including reserves and resources and expected operational synergies) following the extensive valuation process as at the Acquisition Date, there was an indicator that the goodwill allocated to these operations was impaired.

Accordingly, Glencore completed an impairment test of the Xstrata mining operations based on the results of the provisional purchase price allocation process (see note 25) and determined that the allocated goodwill was impaired and therefore recorded an impairment charge at acquisition of \$7,480 million.

The key circumstances that led to the impairment are:

- The IFRS 3 requirement to measure the consideration paid by reference to Glencore's share price at the Acquisition Date and the significant time lag between pricing the acquisition in September 2012 and the Acquisition Date; and
- The negative broader macro-economic environment facing the extractive industry, particularly around the actual and perceived heightened risks associated with greenfield and large scale expansion projects during the first half of 2013.

The recoverable amount of the Xstrata mining operations was measured based on fair value less costs to sell determined in accordance with IFRS 13 and was primarily based on discounted cash flow techniques using, where possible, market-based forecasts and assumptions and discounted using operation specific discount rates ranging from 8 – 13%.

Available for sale instruments

Glencore accounts for its interest in United Company Rusal plc (UC Rusal) as an available for sale investment at fair value with mark to market movements recognised in other comprehensive income ("OCI"). As a result of the continuing challenging macro-economic environment impacting the global aluminium market, in December 2012, it was determined that previously recognised negative fair value adjustments were of a prolonged nature and therefore reclassified from OCI to the consolidated statement of income. As at 31 December 2013, UC Rusal's share price was below the 31 December 2012 price and as required under IAS 39 such fair value movements were accounted for in the consolidated statement of income rather than OCI (see note 10).

Notes to the financial statements

5. IMPAIRMENTS (continued)

Property, plant and equipment

During the regular assessment of whether there is an indication of asset impairment or whether a previously recorded impairment may no longer be required (as part of our regular portfolio review), the continuing low nickel price forecasts and suspension of a mine shaft expansion project resulted in impairment charges of \$454 million and \$137 million being recognised at our Murrin Murrin and Cobar copper operations (metals and minerals segment) respectively. The balance of the impairment charges resulted primarily from an evaluation of below expectation exploration programmes (none of which were individually material) of \$124 million and \$64 million recognised in our Metals and minerals and Energy products segments respectively. The recoverable amounts of the property, plant and equipment were measured based on fair value less costs to sell, determined by discounted cash flow techniques using, where possible, market forecasts and assumptions discounted using operation specific discount rates ranging from 7.5 – 12%.

In 2012, the continuing challenging European biodiesel margin environment, the change in legal status of certain of our operations, particularly in Bolivia, and evaluation of below expectation exploration programmes, resulted in impairment charges (none of which were individually material) of \$110 million, \$35 million and \$65 million recognised in our Metals and minerals, Energy products and Agricultural products segments respectively. The recoverable amounts of the property, plant and equipment were measured based on fair value less costs to sell, determined by discounted cash flow techniques using, where possible, market forecasts and assumptions discounted using operation specific discount rates ranging from 7.5 – 12%.

6. INCOME TAXES

Income taxes consist of the following:

US\$ million	2013	2012
Current income tax expense	(737)	(295)
Deferred income tax credit	483	371
Total tax (expense)/credit	(254)	76

The effective Group tax rate is different from the statutory Swiss income tax rate applicable to the Company for the following reasons:

US\$ million	2013	2012
(Loss)/Income before income taxes and attribution	(7,044)	1,076
Less: Share of income from associates and joint ventures	(846)	(367)
Parent Company's and subsidiaries' (loss)/income before income tax and attribution	(7,890)	709
Income tax credit/(expense) calculated at the Swiss income tax rate	1,184	(106)
Tax effects of:		
Different tax rates from the standard Swiss income tax rate	(605)	(233)
Non-deductible Xstrata related revaluation and goodwill impairment charges	(1,122)	–
Tax exempt income, net of non-deductible expenses and other permanent differences	413	(50)
Tax implications of restructuring, including deductions/losses triggered ¹	–	544
Available tax losses not recognised, and other changes in the valuation of deferred tax assets	(122)	(76)
Other	(2)	(3)
Income tax (expense)/credit	(254)	76

¹ The 2012 credit amounting to \$544 million resulted primarily from recognition of crystallised tax benefits (resulting in losses carried forward), following an internal reorganisation of our existing ownership interest in Xstrata.



Deferred taxes as at 31 December 2013 and 2012 are attributable to the items detailed in the table below:

US\$ million	Notes	2013	2012 (Restated) ¹
Deferred tax assets²			
Tax losses carried forward		1,861	1,345
Mark to market valuations		76	27
Other		168	90
Total		2,105	1,462
Effect of amendments to IAS 19	23	–	49
Total (Restated)		2,105	1,511
Deferred tax liabilities²			
Depreciation and amortisation		(5,699)	(2,606)
Mark to market valuations		(11)	(29)
Other		(903)	(320)
Total		(6,613)	(2,955)
Restatement ¹	25	–	49
Total (Restated)		(6,613)	(2,906)
Deferred tax recognised in other comprehensive loss			
Deferred tax on cash flow hedges		(48)	–
Deferred tax on other reserves		88	–
Total		40	–
Effect of amendments to IAS 19	23	–	(49)
Total (Restated)		40	(49)
Total Deferred tax – net		(4,468)	(1,444)
Reconciliation of deferred tax – net			
1 January		(1,444)	(360)
Recognised in income for the year		483	371
Recognised in other comprehensive loss		89	–
Disposal of business	25	40	7
Business combination	25	(4,049)	(1,522)
Effect of foreign currency exchange movements		310	–
Other		103	60
31 December		(4,468)	(1,444)

¹ Comprises effects of amendments to IAS 19 (see note 23) as well as adjustments to the fair value calculations in relation to the acquisition of Viterro (see note 25).

² 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 tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. As at 31 December 2013, \$2,520 million (2012: \$1,816 million) of deferred tax assets related to available loss carry forwards have been brought to account, of which \$1,861 million (2012: \$1,345 million) are disclosed as deferred tax assets with the remaining balance being offset against deferred tax liabilities arising in the same respective entity. \$725 million (2012: \$1,373 million) of net deferred tax assets arise in entities that have been loss making for tax purposes in 2013 and/or 2012. In evaluating whether it is probable that taxable profits will be earned in future accounting periods, all available evidence was considered, including approved budgets, forecasts and business plans and, in certain cases, analysis of historical operating results. These forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes. Following this evaluation, it was determined there would be sufficient taxable income generated to realise the benefit of the deferred tax assets.

Notes to the financial statements

6. INCOME TAXES (continued)

Available gross tax losses carried forward and deductible temporary differences, for which no deferred tax assets have been recognised in the consolidated financial statements are detailed below and will expire as follows:

US\$ million	2013	2012
1 year	200	114
2 years	215	165
3 years	70	253
Thereafter	1,449	1,786
Unlimited	1,778	590
Total	3,712	2,908

As at 31 December 2013, unremitted earnings of \$43,407 million (2012: \$19,952 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.

7. PROPERTY, PLANT AND EQUIPMENT

US\$ million	Notes	Freehold land and buildings	Plant and equipment	Mineral and petroleum rights	Deferred mining costs	Total
Gross carrying amount:						
1 January 2013		2,609	17,349	8,674	743	29,375
Business combination	25	1,579	25,462	13,655	865	41,561
Disposal of subsidiaries	25	(131)	(555)	–	–	(686)
Additions		308	8,099	629	452	9,488
Disposals		(49)	(756)	(65)	(3)	(873)
Effect of foreign currency exchange movements		(110)	(1,267)	(588)	–	(1,965)
Other movements		1,089	(100)	(259)	(641)	89
31 December 2013		5,295	48,232	22,046	1,416	76,989
Accumulated depreciation and impairment:						
1 January 2013		397	4,030	1,177	148	5,752
Depreciation		200	2,698	863	165	3,926
Disposal of subsidiaries	25	(2)	(9)	–	–	(11)
Disposals		(25)	(534)	(21)	(26)	(606)
Impairments	5	5	635	49	90	779
Effect of foreign currency exchange movements		(33)	15	(72)	(268)	(358)
31 December 2013		542	6,835	1,996	109	9,482
Net book value 31 December 2013		4,753	41,397	20,050	1,307	67,507

US\$ million	Notes	Freehold land and buildings	Plant and equipment	Mineral and petroleum rights	Deferred mining costs	Total
Gross carrying amount:						
1 January 2012		1,521	12,045	4,617	675	18,858
Business combination	25	953	3,429	3,284	48	7,714
Disposal of subsidiaries	25	–	(301)	(7)	–	(308)
Additions		92	2,054	866	89	3,101
Disposals		(21)	(200)	–	–	(221)
Effect of foreign currency exchange movements		(5)	(65)	(92)	–	(162)
Other movements		69	2	6	(69)	8
31 December 2012		2,609	16,964	8,674	743	28,990
Restatement ¹	25	–	385	–	–	385
31 December 2012 (Restated)		2,609	17,349	8,674	743	29,375
Accumulated depreciation and impairment:						
1 January 2012		323	2,997	770	129	4,219
Depreciation		87	1,087	233	31	1,438
Disposal of subsidiaries	25	–	(29)	–	–	(29)
Disposals		(10)	(74)	1	(19)	(102)
Impairments	5	–	151	59	–	210
Effect of foreign currency exchange movements		(3)	(102)	114	7	16
31 December 2012		397	4,030	1,177	148	5,752
Net book value 31 December 2012		2,212	12,934	7,497	595	23,238
Restatement ¹	25	–	385	–	–	385
Net book value 31 December 2012 (Restated)		2,212	13,319	7,497	595	23,623

¹ Comprises adjustments to the fair value calculations in relation to the acquisition of Viterra (see note 25).

Plant and equipment includes expenditure for construction in progress of \$12,236 million (2012: \$2,294 million) and a net book value of \$412 million (2012: \$281 million) of obligations recognised under finance lease agreements. Mineral and petroleum rights include expenditures for exploration and evaluation of \$798 million (2012: \$277 million) and biological assets of \$94 million (2012: \$66 million). Depreciation expenses included in cost of goods sold are \$4,028 million (2012: \$1,421 million) and in selling and administrative expenses \$21 million (2012: \$17 million).

During 2013, \$310 million (2012: \$37 million) of interest was capitalised, \$231 million within property, plant and equipment and \$79 million within assets held for sale. With the exception of project specific borrowings, the rate used to determine the amount of borrowing costs eligible for capitalisation was 3.5% (2012: 4.0%).

Notes to the financial statements

8. INTANGIBLE ASSETS

US\$ million	Goodwill	Port allocation rights	Future warehousing fees	Licences, trademarks and software	Royalty and acquired offtake arrangements	Total
Cost:						
1 January 2013	962	1,101	32	151	–	2,246
Business combination ¹	12,510	1,893	–	271	156	14,830
Disposal of subsidiaries ¹	–	–	–	(43)	–	(43)
Additions	–	–	–	59	85	144
Effect of foreign currency exchange movements	6	(473)	–	(3)	–	(470)
Other movements	–	(22)	–	(109)	165	34
31 December 2013	13,478	2,499	32	326	406	16,741
Accumulated amortisation and impairment:						
1 January 2013	–	16	11	12	–	39
Amortisation expense ²	–	25	8	44	46	123
Impairment ³	7,480	–	–	–	–	7,480
Effect of foreign currency exchange movements	–	16	–	13	17	46
31 December 2013	7,480	57	19	69	63	7,688
Net carrying amount 31 December 2013	5,998	2,442	13	257	343	9,053

1 See note 25.

2 Recognised in cost of goods sold.

3 See note 5.

US\$ million	Goodwill	Port allocation rights	Future warehousing fees	Licences, trademarks and software	Royalty and acquired offtake arrangements	Total
Cost:						
1 January 2012	133	–	32	49	–	214
Business combination ¹	1,251	1,182	–	104	–	2,537
Additions	–	21	–	33	–	54
Effect of foreign currency exchange movements	–	(102)	–	–	–	(102)
31 December 2012	1,384	1,101	32	186	–	2,703
Restatement ²	(422)	–	–	(35)	–	(457)
31 December 2012 (Restated)	962	1,101	32	151	–	2,246
Accumulated amortisation and impairment:						
1 January 2012	–	–	3	1	–	4
Amortisation expense ³	–	16	8	11	–	35
31 December 2012	–	16	11	12	–	39
Net carrying amount 31 December 2012	1,384	1,085	21	174	–	2,664
Restatement ²	(422)	–	–	(35)	–	(457)
Net carrying amount 31 December 2012 (Restated)	962	1,085	21	139	–	2,207

1 See note 25.

2 Comprises adjustments to the fair value calculations in relation to the acquisition of Viterro (see note 25).

3 Recognised in cost of goods sold.



Goodwill

The carrying amount of goodwill has been allocated to cash generating units (CGUs), or groups of CGUs as follows:

US\$ million	2013	2012 (Restated) ¹
Grain marketing business	829	829
Metals and minerals marketing businesses	3,326	–
Coal marketing business	1,674	–
Metals warehousing business	169	133
Total	5,998	962

¹ Comprises adjustments to the fair value calculations in relation to the acquisition of Viterra (see note 25).

Grain marketing business

Goodwill of \$829 million has been recognised as part of the acquisition of Viterra, see note 25. The goodwill is primarily related to the Viterra grain marketing and merchandising business and is substantively attributable to synergies which are expected to arise in conjunction with the grain marketing division's increased geographic coverage and scale of activities.

Metals and minerals and coal marketing businesses

Goodwill of \$12,480 million was provisionally recognised in connection with the acquisition of Xstrata (see note 25) and allocated to the metals and minerals marketing CGU and coal marketing CGU and the Xstrata mining operations' CGUs on a basis consistent with the expected benefits arising from the business combination. The metals and minerals marketing and the coal marketing synergies were fair valued at \$5.0 billion based on the annual synergies expected to accrue to the respective marketing departments as a result of increased volumes, blending opportunities and freight and logistics arbitrage opportunities. The residual balance of the goodwill (\$7.5 billion) was allocated to the acquired mining operations of Xstrata and subsequently impaired (see note 5).

Metals warehousing business

Goodwill of \$169 million (2012: \$133 million) relates to the Pacorini metals warehousing business and is attributable to synergies which arise in conjunction with the metals marketing division's expected increased activities.

During the year, Pacorini acquired a logistics operation and goodwill in respect of this acquisition was recognised which is also attributable to synergies which arise in conjunction with the metals marketing division's expected increased activities.

Port allocation rights

Port allocation rights represent contractual entitlements to export certain amounts of coal on an annual basis from Richard Bay Coal Terminal in South Africa and have been recognised as part of the acquisitions of Optimum, Umcebo and Xstrata. The rights are being amortised on a straight line basis over the estimated economic life of the port of 40 years (see note 25).

Licences, trademarks and software

As part of the Xstrata business acquisition, intangibles related to internally developed technology and patents were recognised and are being amortised over the estimated economic life of the technology which ranges between 10 – 15 years.

Royalty and acquired offtake arrangements

As part of the Xstrata business acquisition, the fair value of a royalty income stream related to output from the Antamina copper mine was recognised. This amount is being amortised on the unit of production basis up to 2027, the expected mine life.

Acquired offtake arrangements represent contractual entitlements acquired from third parties to provide marketing services and receive certain products being produced from a mining or processing operation over a finite period of time. These rights are being amortised on a straight line basis over the contractual term which currently ranges between 10 – 15 years.

Notes to the financial statements

9. GOODWILL IMPAIRMENT TESTING

For the purpose of impairment testing, goodwill has been allocated to the CGUs, or groups of CGUs, that are expected to benefit from the synergies of the business combination and which represent the level at which management will monitor and manage the goodwill as follows:

US\$ million	2013	2012 (Restated) ¹
Grain marketing business	829	829
Metals and minerals marketing businesses	3,326	–
Coal marketing business	1,674	–
Metals warehousing business	169	133
Total	5,998	962

¹ Comprises adjustments to the fair value calculations in relation to the acquisition of Viterro (see note 25).

In assessing whether an impairment is required, the carrying value of the CGU is compared with its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell (“FVLCS”) and its value in use (“VIU”). If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Given the nature of each CGU’s activities, information on its fair value is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently,

- the recoverable amount for each of the marketing CGUs is determined by reference to the FVLCS which utilises a price to earnings multiple approach based on the 2014 approved financial budget which includes factors such as marketing volumes handled and operating, interest and income tax charges, generally based on past experience. The price to earnings multiple of 10 times is derived from observable market data for broadly comparable businesses;
- the recoverable amount of the metals warehousing business is determined by reference to its VIU which utilises pre-tax cash flow projections based on the approved financial budgets for 5 years which includes key assumptions, such as inventory levels, volumes and operating costs (key assumptions are based on past experience and, where available, observable market data), discounted to present value at a rate of 10%. The cash flows beyond the 5 year period have been extrapolated using a declining growth rate of 10% per annum; and
- Glencore believes that no reasonably possible change in any of the above key assumptions would cause the recoverable amount to fall below the carrying value of the CGU. The determination of FVLCS for each of the marketing CGUs uses Level 3 valuation techniques in both years.



10. INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

A list of the principal operating, finance and industrial subsidiaries and associates and other investments is included in note 35.

Investments in associates and joint ventures

US\$ million	Notes	2013	2012 (Restated) ¹
1 January		18,764	18,858
(Loss)/gain on revaluation of previously held interest on acquisition	4	(1,160)	497
Transfer of previous equity accounted investments to subsidiary – Xstrata	25	(15,142)	–
Transfer of previous equity accounted investments to subsidiary – Other ²		(212)	(1,274)
Assumed in business combination ³	25	10,240	74
Additions		76	455
Disposals		(40)	(11)
Share of income from associates and joint ventures		846	367
Share of other comprehensive income from associates and joint ventures		26	221
Dividends received		(551)	(461)
Other movements		(140)	38
31 December		12,707	18,764
Of which:			
Investments in associates		9,226	18,764
Investments in joint ventures		3,481	–

¹ Comprises adjustments to the fair value calculations in relation to the acquisition of Viterro (see note 25).

² In July 2013, Glencore completed the planned merger of Mutanda and Kansuki, previously an associate of the Group. The transaction did not meet the definition of a business combination under IFRS 3 and therefore has been accounted for as an acquisition of assets.

³ Comprises primarily investments in Cerrejón Coal mine, Antamina Copper/Zinc mine, Collahuasi Copper mine and Lonmin plc.

As at 31 December 2013, the fair value of listed associates and joint ventures, which have a carrying value of \$1,487 million (2012: \$17,103 million), using published price quotations was \$1,212 million (2012: \$17,876 million). This predominantly comprises Century Aluminum (“Century”) and Lonmin plc (“Lonmin”) (2012: Xstrata). The change in 2013 is primarily due to the acquisition of Xstrata (see note 25). The 2013 carrying value of the Group’s investment in Century and Lonmin is \$734 million and \$604 million respectively. The 2012 carrying value of the Group’s investment in Xstrata was \$16,215 million.

Following the recognition of Glencore’s share of impairments booked by its associates and joint ventures, Glencore completed a detailed assessment of the recoverable amount of investments where indicators of impairment were identified and concluded that the recoverable value supports the carrying value of these investments and that no further impairment is required.

Notes to the financial statements

10. INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (continued)

Details of material associates and joint ventures

Summarised financial information in respect of Glencore's associates and joint ventures, reflecting 100% of the underlying associate's and joint venture's relevant figures, is set out below.

US\$ million	Cerrejón	Antamina	Total material associates	Collahuasi	Total material joint ventures	Total material associates and joint ventures
31 December 2013						
Non-current assets	2,787	9,303	12,090	14,159	14,159	26,249
Current assets	793	1,419	2,212	1,334	1,334	3,546
Non-current liabilities	(1,489)	(1,926)	(3,415)	(2,627)	(2,627)	(6,042)
Current liabilities	(273)	(565)	(838)	(640)	(640)	(1,478)
<i>The above amounts of assets and liabilities include the following:</i>						
Cash and cash equivalents	198	224	422	92	92	514
Current financial liabilities ¹	–	(196)	(196)	(4)	(4)	(200)
Non-current financial liabilities ¹	–	(100)	(100)	(19)	(19)	(119)
Net assets	1,818	8,231	10,049	12,226	12,226	22,275
Glencore's ownership interest	33.33%	33.75%		44.0%		
Acquisition fair value and other adjustments	2,176	609	2,785	(1,898)	(1,898)	887
Carrying value	2,782	3,387	6,169	3,481	3,481	9,650

¹ Financial liabilities exclude trade, other payables and provisions.

Summarised profit and loss in respect of Glencore's associates and joint ventures, reflecting 100% of the underlying associate's and joint venture's relevant figures for the period post the acquisition of Xstrata until 31 December 2013, is set out below.

US\$ million	Cerrejón	Antamina	Total of material associates	Collahuasi	Total of material joint ventures	Total of material associates and joint ventures
2013						
Revenue	1,798	2,631	4,429	2,466	2,466	6,895
Income for the year	76	936	1,012	827	827	1,839
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	76	936	1,012	827	827	1,839
Dividends paid	253	670	923	470	470	1,393
<i>The above profit for the year includes the following:</i>						
Depreciation and amortisation	529	359	888	341	341	1,229
Interest income	–	1	1	–	–	1
Interest expense	(12)	(7)	(19)	(6)	(6)	(25)
Income tax expense	(90)	(555)	(645)	(254)	(254)	(899)



US\$ million	Xstrata plc	Total of material associates ¹
31 December 2012		
Non-current assets	70,683	70,683
Current assets	12,431	12,431
Non-current liabilities	(29,131)	(29,131)
Current liabilities	(7,192)	(7,192)
<i>The above amounts of assets and liabilities include the following:</i>		
Cash and cash equivalents	1,983	1,983
Current financial liabilities ¹	(1,206)	(1,206)
Non-current financial liabilities ¹	(24,388)	(24,388)
Net assets	46,791	46,791
Glencore's ownership interest	34.2%	34.2%
Acquisition fair value and other adjustments	212	212
Carrying value	16,215	16,215

¹ Financial liabilities exclude trade, other payables and provisions.

US\$ million	Xstrata plc	Total of material associates ¹
2012		
Revenue	31,618	31,618
Income for the year	1,372	1,372
Other comprehensive income	29	29
Total comprehensive income	1,401	1,401
Dividends paid	1,218	1,218

¹ In 2012 the Group did not have any material joint ventures.

Notes to the financial statements

10. INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (continued)

Aggregate information of associates that are not individually material:

US\$ million	2013	2012
The Group's share of income	141	58
The Group's share of other comprehensive income/(loss)	26	(32)
The Group's share of total comprehensive income	167	26
Aggregate carrying value of the Group's interests	3,057	2,549

Glencore's share of total comprehensive income did not include joint ventures other than the material joint venture discussed above.

The amount of corporate guarantees in favour of joint ventures as at 31 December 2013 was \$463 million (2012: \$22 million). Glencore's share of joint ventures' capital commitments amounts to \$648 million (2012: \$34 million).

Other investments

US\$ million	2013	2012
Available for sale		
United Company Rusal plc	394	840
	394	840
Fair value through profit and loss		
Volcan Compania Minera S.A.A.	204	410
Nyrstar N.V. ¹	–	78
Century Aluminum Company cash-settled equity swaps	95	80
Jurong Aromatics Corporation Pte Ltd	55	55
Other	175	126
	529	749
Total	923	1,589

¹ Disposed in 2013.



11. ADVANCES AND LOANS

US\$ million	2013	2012
Loans to associates ¹	909	347
Rehabilitation trust fund	317	248
Other non-current receivables and loans	2,869	3,163
Total	4,095	3,758

¹ Loans to associates generally bear interest at applicable floating market rates plus a premium.

Other non-current receivables and loans comprise the following:

US\$ million	2013	2012
Counterparty		
Russneft loan	984	2,080
Rosneft trade advance	500	–
Secured marketing related financing arrangements ¹	995	749
Societe Nationale d'Electricite (SNEL) power advances	138	50
Other	252	284
Total	2,869	3,163

¹ Various marketing related financing facilities, generally secured against certain assets and/or payable from the future sale of production of the counterparty. The weighted average interest rate of the advances and loans is 10% and on average are to be repaid over a three-year period. In December 2013, an impairment charge of \$300 million was recognised following non-performance of contractual terms and rescheduling of the timing of product supply and a recoverable value provision was recorded in respect of other advances and loans (see note 5).

Russneft loans

2013

In December 2013, OAO Russneft (“Russneft”) refinanced part of its debt and repaid Glencore \$1.0 billion. The repayment followed earlier repayments of \$88 million and \$135 million respectively, amounting to a total of \$1,223 million received in 2013. Following the December repayment, Glencore and Russneft agreed to amend the terms of the outstanding loan balance, requiring Glencore to convert a minimum of \$900 million of the outstanding debt into an equity stake in Russneft during 2014, subject to finalization of due diligence and valuation. Until conversion, interest and repayment terms remain materially unchanged. Additionally, the outstanding loan balance and/or any equity resulting from the conversion to shares in Russneft has been pledged as a guarantee for a \$1 billion loan between Russneft and a third party bank.

2012

In November 2012, as part of a comprehensive agreement between Russneft, Glencore and Russneft’s other major creditor, Sberbank, Glencore agreed to amend the terms of its \$2,080 million, 9% per annum loan. The revised terms lowered the interest rate to 7.75% interest per annum and extended the expected maturity of the loan from 2020 to 2024. In exchange for this amendment, Glencore would receive additional annual payments of \$50 million until substantial repayments of the loan would commence, once Russneft’s debt reduces to certain thresholds and/or existing debt is refinanced (which occurred in 2013 as discussed above). The loan is accounted for at amortised cost using the effective rate method with an effective interest rate of 8.4%.

The revision of the terms in November 2012 required that the carrying amount of the loan was required to be recalculated as the present value of the estimated future cash flows under the revised terms using the loan’s original effective interest rate. In estimating the expected cash flows to be received over the life of the loan, a comprehensive cash flow forecast was prepared utilising Russneft’s budget and strategic plan and an economic analysis of Russneft’s oil fields prepared by an independent petroleum engineering firm. The difference between the recalculated carrying value of \$2,093 million and the pre-amendment carrying value of \$2,306 million resulted in an income statement charge of \$213 million (see note 5).

Rosneft trade advance

In March 2013, Glencore signed a long term crude and oil products supply contract with Russian oil producer OJSC Neftyanaya Companiya Rosneft (“Rosneft”) while simultaneously participating with \$500 million in a large financing facility to Rosneft. The pre-payment is to be repaid through future deliveries of oil over 3 years starting March 2015.

SNEL power advances

In early 2012, a joint agreement with Société Nationale d’Électricité (“SNEL”), the Democratic Republic of the Congo’s (“DRC”) national electricity utility, was signed whereby Glencore’s operations will contribute \$284 million to a major electricity infrastructure refurbishment programme, including transmission and distribution systems. This is expected to facilitate a progressive increase in power availability to 450 megawatts by the end of 2015. Funding commenced in the second quarter of 2012 and will continue until the end of 2015. The loans will be repaid via discounts on future electricity purchases by Katanga and Mutanda upon completion of the refurbishment programme.

Notes to the financial statements

12. INVENTORIES

US\$ million	2013	2012 (Restated) ¹
Production inventories	6,108	3,153
Marketing inventories	16,645	17,527
Total	22,753	20,680

¹ Comprises adjustments to the fair value calculations in relation to the acquisition of Viterro (see note 25).

Production inventories consist of materials, spare parts and work in process. Marketing inventories are saleable commodities held primarily by the marketing entities as well as finished goods and certain other readily saleable materials held by the industrial assets. Marketing inventories of \$12,997 million (2012: \$16,027 million) are carried at fair value less costs to sell.

Fair value of inventories is a Level 2 fair value measurement (see note 28) valued using observable market prices obtained from exchanges, traded reference indices or market survey services adjusted for relevant location and quality differentials. There are no significant unobservable inputs in the fair value measurement of marketing inventories.

Glencore has a number of dedicated financing facilities, which finance a portion of its marketing inventories. In each case, the inventory has not been derecognised as the Group retains the principal risks and rewards of ownership. The proceeds received are recognised as current borrowings (see note 20). As at 31 December 2013, the total amount of inventory secured under such facilities was \$2,246 million (2012: \$2,946 million). The proceeds received and recognised as current borrowings were \$1,829 million (2012: \$2,248 million).

13. ACCOUNTS RECEIVABLE

US\$ million	2013	2012 (Restated) ¹
Trade receivables ²	18,029	18,406
Trade advances and deposits ²	3,516	3,270
Associated companies ²	452	1,031
Other receivables	2,539	2,195
Total	24,536	24,902

¹ Comprises adjustments to the fair value calculations in relation to the acquisition of Viterro (see note 25).

² Collectively referred to as receivables presented net of allowance for doubtful debts.

The average credit period on sales of goods is 29 days (2012: 29 days).

As at 31 December 2013, 8% (2012: 8%) of receivables were between 1 to 60 days overdue, and 5% (2012: 5%) were greater than 60 days overdue. Such receivables, although contractually past their due dates, are not considered 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.

The movement in allowance for doubtful accounts is detailed in the table below:

US\$ million	2013	2012
1 January	212	129
Released during the year	(46)	(7)
Charged during the year	125	112
Utilised during the year	(39)	(22)
31 December	252	212

Glencore has a number of dedicated financing facilities, which finance a portion of its receivables. In each case, the receivables have not been derecognised, as the Group retains the principal risks and rewards of ownership. The proceeds received are recognised as current borrowings (see note 20). As at 31 December 2013, the total amount of trade receivables secured was \$4,034 million (2012: \$4,398 million) and proceeds received and classified as current borrowings amounted to \$3,200 million (2012: \$3,146 million).



14. CASH AND CASH EQUIVALENTS

US\$ million	2013	2012
Bank and cash on hand	2,341	2,496
Deposits and treasury bills	508	286
Total	2,849	2,782

As at 31 December 2013, \$18 million (2012: \$4 million) was restricted. As at 31 December 2012, \$47 million was placed in escrow for the acquisition of Rosh Pinah (see note 25).

15. ASSETS AND LIABILITIES HELD FOR SALE

2013

In accordance with the Merger Remedy Commitments made to the Ministry of Commerce of the Peoples' Republic of China ("MOFCOM") for the Xstrata acquisition, Glencore has commenced a process to sell its entire interest in the Las Bambas copper mine project in Peru.

As a result, assets of \$3,616 million and liabilities of \$314 million acquired in the Xstrata acquisition (see note 25) have been classified as held for sale within the metals and minerals segment. Subsequent to the acquisition date further capital expenditure has been incurred and liabilities settled as they fell due, such that the assets held for sale increased to \$4,886 million and liabilities held for sale decreased to \$276 million.

2012

As part of Glencore's acquisition of Viterra, Glencore entered into agreements with Agrium Inc ("Agrium") and Richardson International Limited ("Richardson") which provided for the "back-to-back" sale of certain operations of Viterra. Upon acquisition of Viterra, in December 2012, Agrium and Richardson advanced the agreed consideration for these operations amounting to CAD1,775 million (\$1,781 million) and CAD796 million (\$799 million) respectively ("the Asset Acquirer Loans").

Following these agreed disposals, assets of \$2,712 million and liabilities of \$416 million (see note 25) as at 31 December 2012 have been classified as held for sale within the agricultural products segment.

The sales of these businesses to Agrium and Richardson were completed during 2013.

Notes to the financial statements

16. SHARE CAPITAL AND RESERVES

	Number of shares (thousand)	Share capital (US\$ million)	Share premium (US\$ million)
Authorised:			
31 December 2013 and 2012 Ordinary shares with a par value of \$0.01 each	50,000,000	–	–
Issued and fully paid up:			
1 January 2012 – Ordinary shares	6,922,714	69	26,797
11 October 2012 – Ordinary shares issued on acquisition of an 18.91% interest in Kazzinc	176,742	2	957
Dividends paid (see note 18)	–	–	(1,066)
31 December 2012 – Ordinary shares	7,099,456	71	26,688
2 May 2013 – Ordinary shares issued on acquisition of Xstrata	6,163,949	62	30,073
27 December 2013 – Ordinary shares issued to satisfy employee share awards (see note 19)	15,000	–	78
Dividends paid	–	–	(2,062)
31 December 2013 – Ordinary shares	13,278,405	133	54,777

Ordinary shares issued on acquisition of Xstrata

On 2 May 2013, Glencore completed its acquisition of the remaining 66% of the issued and outstanding equity of Xstrata (see note 25) that the Group did not previously own, through the issuance of 6,163,949,435 new ordinary shares of the Company, of which 212,743,594 shares were issued to the Orbis Trust to satisfy the potential future settlement of certain stock and option awards held by Xstrata employees.

Ordinary shares issued on acquisition of an 18.91% interest in Kazzinc

In October 2012, Glencore completed the acquisition of an additional 18.91% interest in Kazzinc from Verny Investments, for a cash consideration of \$400 million and the issue of 176,742,520 new ordinary shares of the Company (closing transaction date value of \$959 million), thereby increasing its ultimate ownership in Kazzinc to 69.61%.

Acquiring an additional interest in a subsidiary is considered to be a transaction between owners rather than an acquisition of a business. Therefore, this was accounted for as an equity transaction with the resulting difference of \$506 million between the change in the Kazzinc non-controlling interest and the consideration paid charged to equity as a reserve.

	Number of shares (thousand)	Share premium (US\$ million)
Own shares:		
1 January 2013	–	–
Own shares assumed on acquisition of Xstrata	212,744	(1,041)
Own shares purchased during the year	3,087	(13)
Own shares disposed during the year	(59,041)	287
31 December 2013	156,790	(767)

Own shares

Own shares comprise shares of Glencore Xstrata plc held by Orbis Trust (the Trust) to satisfy the potential future settlement of the Group's employee stock plans, primarily assumed as part of the Xstrata acquisition (see note 19). The Trust also coordinates the funding and manages the delivery of ordinary shares and free share awards under certain of Glencore's share plans. The shares are acquired by either stock market purchases or share issues from the Company. The Trustee is permitted to sell the shares and may hold up to 5% of the issued share capital of the Company at any one time. As at 31 December 2013, 156,789,593 shares, equivalent to 1.2% of the issued share capital were held at a cost of \$767 million and market value of \$813 million. The Trust has waived the right to receive dividends from the shares that it holds. Costs relating to the administration of the Trust are expensed in the period in which they are incurred.



Other reserves

US\$ million	Translation adjustment	Equity portion of Convertible bonds	Cash flow hedge reserve	Net unrealised gain/(loss)	Net ownership changes in subsidiaries	Other reserves	Total
1 January 2012	(52)	89	(274)	(1,181)	(232)	10	(1,640)
Exchange loss on translation of foreign operations	(116)	–	–	–	–	–	(116)
Loss on cash flow hedges, net of tax	–	–	(93)	–	–	–	(93)
Cash flow hedges transferred to the statement of income, net of tax	–	–	297	–	–	–	297
Change in ownership interest in subsidiaries	–	–	–	–	(474)	–	(474)
Loss on available for sale financial instruments transferred to the statement of income, net of tax	–	–	–	1,181	–	–	1,181
Effect of foreign currency differences transferred to the statement of income	(23)	–	–	–	–	–	(23)
31 December 2012	(191)	89	(70)	–	(706)	10	(868)
1 January 2013	(191)	89	(70)	–	(706)	10	(868)
Exchange loss on translation of foreign operations	(1,126)	–	–	–	–	–	(1,126)
Loss on cash flow hedges, net of tax	–	–	(287)	–	–	–	(287)
Cash flow hedges transferred to the statement of income, net of tax	–	–	1	–	–	–	1
Change in ownership interest in subsidiaries	–	–	–	–	(138)	–	(138)
31 December 2013	(1,317)	89	(356)	–	(844)	10	(2,418)

17. EARNINGS PER SHARE

US\$ million	Notes	2013	2012
(Loss)/profit attributable to equity holders for basic earnings per share		(7,402)	1,004
Interest in respect of Convertible bonds ¹		–	–
(Loss)/profit attributable to equity holders for diluted earnings per share		(7,402)	1,004
Weighted average number of shares for the purposes of basic earnings per share (thousand)		11,093,184	6,961,936
Effect of dilution:			
Equity-settled share-based payments (thousand)	19	–	26,847
Convertible bonds ¹ (thousand)	20	–	–
Weighted average number of shares for the purposes of diluted earnings per share (thousand)		11,093,184	6,988,783
Basic(loss)/earnings per share (US\$)		(0.67)	0.14
Diluted(loss)/earnings per share (US\$)		(0.67)	0.14

¹ In 2012 and 2013, the convertible bonds have been anti-dilutive and therefore have been excluded from the diluted earnings per share calculation.

Notes to the financial statements

17. EARNINGS PER SHARE (continued)

Headline earnings is a Johannesburg Stock Exchange (JSE Limited) defined performance measure. The calculation of basic and diluted earnings per share, based on headline earnings as determined by the requirements of the Circular 2/2013 as issued by the South African Institute of Chartered Accountants ("SAICA"), is reconciled using the following data:

Headline earnings:

US\$ million	Notes	2013	2012
(Loss)/profit attributable to equity holders for basic earnings per share		(7,402)	1,004
Loss/(profit) on acquisitions (no tax and non-controlling interest impact)	10	1,160	(497)
Net loss on disposals (no non-controlling interest impact)		25	135
Net loss on disposals – tax		(6)	(34)
Impairments	5	9,086	1,650
Impairments – non-controlling interest		(17)	(43)
Impairments – tax		(245)	(85)
Headline earnings for the year		2,601	2,130
Headline earnings per share (US\$)		0.23	0.30
Diluted headline earnings per share (US\$)		0.23	0.30

18. DIVIDENDS

US\$ million	2013	2012
Paid during the year:		
Final dividend for 2012 – \$0.1035 per ordinary share (2011: \$0.10 per ordinary share)	1,355	692
Interim dividend for 2013 – \$0.054 per ordinary share (2012: \$0.054 per ordinary share)	707	374
Total	2,062	1,066

The proposed final dividend of \$11.1 cents per ordinary share amounting to \$1,457 million, excluding any distribution on own shares, is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Dividends declared in respect of the year ended 31 December 2013 will be paid on 30 May 2014. The 2013 interim dividend was paid on 12 September 2013.

19. SHARE-BASED PAYMENTS

	Number of awards granted (thousand)	Fair value at grant date (US\$ million)	Number of awards outstanding 2013 (thousand)	Number of awards outstanding 2012 (thousand)	Expense recognised 2013 (US\$ million)	Expense recognised 2012 (US\$ million)
Phantom Equity Awards						
2011 Series	24,025	206	–	20,142	–	109
Deferred Bonus Plan						
2012 Series	3,442	20	1,680	3,442	–	20
2013 Series	4,958	24	4,958	–	24	–
Performance Share Plan						
2012 Series	3,262	18	2,235	3,262	10	2
2013 Series	5,295	29	5,295	–	3	–
Total			14,168	26,846	37	131

Phantom Equity Awards

In April and May 2011 in connection with its initial public offering, Glencore issued phantom equity awards to certain employees in lieu of interests in Glencore's existing equity ownership schemes. At grant date, each phantom equity award is equivalent to one ordinary share of Glencore. The phantom equity awards vested on or before 31 December 2013, subject to the continued employment of the award holder. Phantom equity awards may be satisfied, at Glencore's option, in shares by the issue of new ordinary shares, by the transfer of ordinary shares held in treasury or by the transfer of ordinary shares purchased in the market or in cash (with a value equal to the market value of the award at vesting, including dividends paid between Listing and vesting). As at 31 December 2013, awards have vested and been settled.



Deferred Bonus Plan

Under the Glencore Deferred Bonus Plan (“DBP”), the payment of a portion of a participant’s annual bonus is deferred for a period of one to two years as an award of either ordinary shares (a “Bonus Share Award”) or cash (a “Bonus Cash Award”). The awards are vested at grant date with no further service conditions however they are subject to forfeiture for malus events. The Bonus Share Awards may be satisfied, at Glencore’s option, in shares by the issue of new ordinary shares, by the transfer of ordinary shares held in treasury or by the transfer of ordinary shares purchased in the market or in cash, with a value equal to the market value of the award at settling, including dividends paid between award and settling. Glencore currently intends to settle these awards in shares. The associated expense is recorded in the statement of income as part of the regular expense for performance bonuses.

Performance share plan

Under the Glencore Performance Share Plan (“PSP”), participants are awarded PSP awards which vest in annual tranches over a specified period, subject to continued employment and forfeiture for malus events. At grant date, each PSP award is equivalent to one ordinary share of Glencore. The awards vest in three equal tranches on 30 June of the years following the year of grant. The fair value of the awards is determined by reference to the market price of Glencore’s ordinary shares at grant date. The PSP awards may be satisfied, at Glencore’s option, in shares by the issue of new ordinary shares, by the transfer of ordinary shares held in treasury or by the transfer of ordinary shares purchased in the market or in cash, with a value equal to the market value of the award at vesting, including dividends paid between award and vesting. Glencore currently intends to settle these awards in shares.

Share based awards assumed upon acquisition of Xstrata

	Total options outstanding (thousands)	Weighted average exercise price (GBP)
1 January 2013	–	–
Assumed in business combination	212,744	2.83
Forfeited	(3,807)	3.76
Exercised ¹	(53,776)	0.13
31 December 2013	155,161	

¹ The weighted average share price at date of exercise of the share based awards was GBP3.34.

The completion of the acquisition of Xstrata by Glencore triggered the change in control vesting criteria for all options and free shares of the former Xstrata award plans, comprising a total of 212,743,594 underlying shares, which, in accordance with the acquisition agreement, were replaced with equivalent Glencore instruments. These instruments had a fair value of \$383 million and were included in the consideration paid for the acquisition (see note 25).

The options were valued at a weighted average of \$1.53 per option determined using a Black-Scholes option pricing model using the following assumptions on a weighted average basis: share price of \$4.89, exercise price of \$5.72, option life of 6.9 years, dividend yield of 4%, risk free interest rate of 1.65% and an expected volatility of 32% based on the historical volatility of Glencore and Xstrata shares prior to the acquisition. Free share units were valued at \$4.89 per unit based on Glencore’s share price at the date of acquisition.

As at December 31, 2013, a total of 155,161,370 options were outstanding and exercisable, having a range of exercise prices from zero to GBP3.914 and a weighted average exercise price of GBP3.7412. These outstanding awards have expiry dates ranging from March 2014 to March 2022 and a weighted average contractual life of 6.2 years. The awards may be satisfied at Glencore’s option, by the issue of new ordinary shares, by the transfer of ordinary shares held in treasury or by the transfer of ordinary shares purchased in the market. Glencore currently intends to settle these awards by the transfer of ordinary shares held in treasury.

Notes to the financial statements

20. BORROWINGS

US\$ million	Notes	2013	2012
Non-current borrowings			
Convertible bonds		–	2 172
Capital market notes		30,900	9,418
Ordinary profit participation certificates		110	332
Committed syndicated revolving credit facilities		5,702	5,881
Finance lease obligations	30	344	233
Other bank loans		1,668	992
Total non-current borrowings		38,724	19,028
Current borrowings			
Committed secured inventory/receivables facilities	12/13	1,353	3,702
Uncommitted secured inventory/receivables facilities	12/13	3,676	1,692
Other committed secured facilities		590	–
Convertible bonds		2,236	–
U.S. commercial paper		1,645	726
Xstrata secured bank loans		–	2,696
Capital market notes		1,750	1,061
Viterra acquisition financing facility		–	1,503
Ordinary profit participation certificates		223	418
Finance lease obligations	30	49	48
Other bank loans ¹		4,939	4,652
Total current borrowings		16,461	16,498

¹ Comprises various uncommitted bilateral bank credit facilities and other financings.

Xstrata secured bank loans

In April 2013, the Xstrata secured bank loans were repaid.

Ordinary profit participation certificates

Profit participation certificates bear interest at 6 month U.S.\$ LIBOR, are repayable over 5 years (with final payments due in 2016) and in the event of certain triggering events, which include any breach of a financial covenant, would be subordinated to unsecured lenders.

Committed syndicated revolving credit facility

In June 2013 Glencore signed new committed revolving credit facilities totalling \$17,340 million, which extended and increased previous revolving credit facilities. The facilities comprise a \$5,920 million 12 month revolving credit facility with a borrower's 12 month term-out option and a 12 month extension option, a \$7,070 million three year facility with two 12 month extension options and a \$4,350 million five year facility. Funds drawn under the facilities bear interest at U.S. \$ LIBOR plus a margin ranging from 80 to 90 basis points per annum.

U.S. commercial paper

Glencore has in place a standalone U.S. commercial paper programme for \$4,000 million rated A2 and P2 respectively by S&P's and Moody's rating agencies. The notes issued under this programme carry interest at floating market rates and mature not more than 397 days from the date of issue. Funds drawn under the facilities bear interest at U.S. \$ LIBOR plus a margin ranging from 35 to 70 basis points per annum.

Convertible bonds

\$2,300 million 5% coupon convertible bonds due December 2014. The bonds are convertible at the option of the investors into 430,924,474 ordinary shares of Glencore Xstrata plc. The bonds consist of a liability component and an equity component. The fair values of the liability component (\$2,211 million) and the equity component (\$89 million) were determined, using the residual method, at issuance of the bonds. The liability component is measured at amortised cost at an effective interest rate of 5.90% per annum.



Capital Market Notes

US\$ million	Maturity	2013	2012
Euro 750 million 7.125% coupon bonds	Apr 2015	1,029	982
Euro 600 million 6.250% coupon bonds ¹	May 2015	855	–
Euro 1,250 million 1.750% coupon bonds ¹	May 2016	1,708	–
Euro 1,250 million 5.250% coupon bonds	Mar 2017	1,722	1,648
Euro 500 million 5.250%, coupon bonds ¹	Jun 2017	780	–
Euro 1,250 million 4.625% coupon bonds	April 2018	1,713	1,626
Euro 1,000 million 2.625% coupon bonds ¹	Nov 2018	1,396	–
Euro 750 million 3.375% coupon bonds	Sep 2020	1,026	–
Euro 400 million 3.700% coupon bonds	Oct 2023	548	–
Eurobonds		10,777	4,256
GBP 650 million 6.500% coupon bonds	Feb 2019	1,067	1,045
GBP 500 million 7.375% coupon bonds ¹	May 2020	913	–
GBP 500 million 6.000% coupon bonds	April 2022	842	837
Sterling bonds		2,822	1,882
CHF 825 million 3.625% coupon bonds	April 2016	927	903
CHF 450 million 2.625% coupon bonds	Dec 2018	505	489
CHF 175 million 2.125% coupon bonds	Dec 2019	196	–
Swiss Franc bonds		1,628	1,392
CAD 200 million 6.406% coupon bonds	Feb 2021	188	192
US\$ 950 million 6.000% coupon bonds	Apr 2014	–	948
US\$ 250 million 5.375% coupon bonds ¹	Jun 2015	264	–
US\$ 1,250 million 2.050% coupon bonds ¹	Oct 2015	1,261	–
US\$ 341 million 6.000% coupon bonds ¹	Oct 2015	367	–
US\$ 500 million LIBOR plus 1.16% coupon bonds	May 2016	499	–
US\$ 1,000 million 1.700% coupon bonds	May 2016	998	–
US\$ 1,000 million 5.800% coupon bonds ¹	Nov 2016	1,117	–
US\$ 700 million 3.600% coupon bonds ¹	Jan 2017	735	–
US\$ 250 million 5.500% coupon bonds ¹	Jun 2017	278	–
US\$ 1,750 million 2.700% coupon bonds ¹	Oct 2017	1,778	–
US\$ 500 million LIBOR plus 1.36% coupon bonds	Jan 2019	498	–
US\$ 1,500 million 2.500% coupon bonds	Jan 2019	1,489	–
US\$ 400 million 5.950% coupon bonds	Aug 2020	400	400
US\$ 1,000 million 4.950% coupon bonds ¹	Nov 2021	1,085	–
US\$ 1,000 million 4.250% coupon bonds ¹	Oct 2022	1,025	–
US\$ 1,500 million 4.125% coupon bonds	May 2023	1,446	–
US\$ 250 million 6.200% coupon bonds ¹	Jun 2035	275	–
US\$ 500 million 6.900% coupon bonds ¹	Nov 2037	604	–
US\$ 500 million 6.000% coupon bonds ¹	Nov 2041	546	–
US\$ 500 million 5.550% coupon bonds ¹	Oct 2042	471	–
US\$ 350 million 7.500% coupon bonds	Perpetual	349	348
US\$ bonds		15,485	1,696
Total non-current bonds		30,900	9,418
Euro 850 million 5.250% coupon bonds	Oct 2013	–	1,061
US\$ 950 million 6.000% coupon bonds	Apr 2014	950	–
US\$ 800 million 2.850% coupon bonds ¹	Nov 2014	800	–
Total current bonds		1,750	1,061

¹ Bonds assumed as part of the acquisition of Xstrata.

Notes to the financial statements

20. BORROWINGS (continued)

Bond issuance in 2013

US\$ bonds

In May 2013, Glencore issued in five tranches US\$5 billion of interest bearing notes as follows:

- 3 year \$1,000 million 1.7% fixed coupon bonds;
- 5 year \$1,500 million 2.5% fixed coupon bonds;
- 10 year \$1,500 million 4.125% fixed coupon bonds;
- 3 year \$500 million LIBOR plus 1.16% coupon notes; and
- 5 year \$500 million LIBOR plus 1.36% coupon notes.

Euro bonds

In September 2013, Glencore issued EUR750 million 3.375% interest bearing bonds due September 2020.

In October 2013, Glencore issued EUR400 million 3.7% interest bearing bonds due October 2023.

Swiss Franc bonds

In October 2013, Glencore issued CHF175 million 2.125% interest bearing bonds due December 2019.

Committed secured facilities

US\$ million	Maturity	Borrowing base	Interest	2013	2012
Syndicated metals inventory/receivables facility	Oct 2013	2,220	U.S.\$ LIBOR + 120 bps	–	2,220
Syndicated agricultural products inventory/receivables facility	Nov 2013	300	U.S.\$ LIBOR + 130 bps	–	232
Oil receivables facility	May/Aug 2014	1,250	U.S.\$ LIBOR + 120 bps	1,250	1,250
Secured facilities on various equity stakes ¹	July 2015	750	U.S.\$ LIBOR + 80 bps	540	–
Equipment financing	April 2016	150	U.S.\$ LIBOR + 2.25% margin	50	–
Metals receivables facilities	Jan 2014	197	U.S.\$/JPY LIBOR + 80/200 bps	103	–
Total		4,867		1,943	3,702

¹ As at 31 December 2013, shares representing \$551 million (2012: \$Nil) of the carrying value of Glencore's investment in Rusal and Lonmin were pledged as security.



21. DEFERRED INCOME

US\$ million	Notes	Unfavourable contracts	Prepayment	Total
1 January 2012		–	182	182
Assumed in business combination	25	688	–	688
Utilised in the year		(72)	(19)	(91)
Effect of foreign currency exchange difference		(62)	–	(62)
31 December 2012¹		554	163	717
1 January 2013		554	163	717
Assumed in business combination	25	1,039	7	1,046
Utilised in the year		(156)	(8)	(164)
Effect of foreign currency exchange difference		(177)	–	(177)
31 December 2013¹		1,260	162	1,422

¹ Includes the current portion of \$121 million (2012: \$92 million) in respect of the unfavourable contracts and \$24 million (2012: \$24 million) in respect of the prepayments.

Unfavourable contracts

Upon acquisition of Xstrata (see note 25), Glencore recognised a liability of \$1,039 million related to various assumed contractual agreements to deliver tonnes of coal and zinc concentrates over periods ending between 2017 and 2045 at fixed prices lower than the prevailing market prices.

Upon acquisition of Optimum in March 2012 (see note 25), Glencore recognised a liability of \$688 million related to an assumed contractual agreement to deliver 44 million tonnes of coal over a period ending 31 December 2018 at fixed prices lower than the prevailing market price for coal of equivalent quality.

These amounts are released to revenue as the underlying commodities are delivered to the buyers over the life of the contracts at rates consistent with the implied forward price curves of coal and zinc concentrate at the time of the acquisitions.

Prepayment

During 2006, Glencore entered into an agreement to deliver, dependant on mine production, up to 4.75 million ounces per year of silver, 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. The outstanding balance represents the remaining portion of the upfront payment. The upfront payment is released to revenue at a rate consistent with the implied forward price curve at the time of the transaction and the actual quantities delivered. As at 31 December 2013, 19.3 million ounces (2012: 17.9 million ounces) have been delivered.

Notes to the financial statements

22. PROVISIONS

US\$ million	Notes	Post retirement benefits ² (Note 23)	Employee entitlements	Rehabilitation costs	Onerous contracts	Other ¹	Total
1 January 2012		61	116	574	4	296	1,051
Effect of amendments to IAS 19	23	164	–	–	–	–	164
1 January 2012 (Restated)		225	116	574	4	296	1,215
Provision utilised in the year		(1)	(2)	(41)	(4)	(140)	(188)
Accretion in the year		–	–	33	–	–	33
Assumed in business combination	25	19	19	325	–	49	412
Additional provision in the year		14	14	83	–	170	281
Effect of foreign currency exchange difference		–	–	(23)	–	–	(23)
Effect of amendments to IAS 19	23	12	–	–	–	–	12
Restatement ²	25	15	–	–	–	25	40
31 December 2012 (Restated)		284	147	951	–	400	1,782
Current		–	–	–	–	69	69
Non-current		284	147	951	–	331	1,713
1 January 2013		284	147	951	–	400	1,782
Provision utilised in the year		(528)	(108)	(116)	(94)	(286)	(1,132)
Accretion in the year		–	2	37	14	–	53
Assumed in business combination	25	1,271	266	3,062	1,937	1,005	7,541
Additional provision in the year		–	60	156	3	57	276
Effect of foreign currency exchange difference		(47)	(4)	(130)	–	8	(173)
31 December 2013		980	363	3,960	1,860	1,184	8,347
Current		–	–	–	66	198	264
Non-current		980	363	3,960	1,794	986	8,083

1 Other comprises provisions for possible demurrage, mine concession, tax and construction related claims.

2 Comprises adjustments to the fair value calculations in relation to the acquisition of Viterro (see note 25).

Employee entitlements

The employee entitlement provision represents the value of governed employee entitlements due to employees upon their termination of employment. The associated expenditure will occur in a pattern consistent with when employees choose to exercise their entitlements.

Rehabilitation costs

Rehabilitation provision represents the accrued cost required to provide adequate restoration and rehabilitation upon the completion of production activities. These amounts will be settled when rehabilitation is undertaken, generally at the end of a project's life, which ranges from two to in excess of 50 years with the majority of the costs expected to be incurred in the final years of the underlying mining operations.

Onerous contracts

Upon acquisition of Xstrata (see note 25), Glencore recognised a liability of \$1,937 million related to assumed contractual take or pay commitments for securing coal logistics capacity at fixed prices and quantities higher than the acquisition date forecasted usage and prevailing market price. The provision will be released to costs of goods sold as the underlying commitments are incurred.



23. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Total personnel costs, which include salaries, wages, social security, other personnel costs and share-based payments, incurred for the years ended 31 December 2013 and 2012, were \$5,012 million and \$2,013 million, respectively. Personnel costs related to consolidated industrial subsidiaries of \$4,157 million (2012: \$1,368 million) are included in cost of goods sold. Other personnel costs, including the deferred bonus and performance share plans, are included in selling and administrative expenses and the phantom equity awards are included in other expense.

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.

Defined contribution plans

Glencore's contributions under these plans amounted to \$145 million in 2013 (2012: \$28 million).

Defined benefit plans

The Company operates defined benefit plans in various countries, the main locations being Canada, Switzerland, UK and the US. Approximately 80% of the present value of obligations accrued to date relates to the defined benefit plans in Canada, which are pension plans that provide benefits to members in the form of a guaranteed level of pension payable for life. Glencore also operates post-employment medical benefit plans, principally in Canada, which provide coverage for prescription drugs, medical, dental, hospital and life insurance to eligible retirees.

The majority of benefit payments are from trustee-administered funds; however, there are also a number of unfunded plans where Glencore meets the benefit payments as they come due. Plan assets held in trusts are governed by local regulations and practices in each country. Responsibility for governance of the plans – overseeing all aspects of the plans including investment decisions and contribution schedules – lies with Glencore. Glencore has set up committees to assist in the management of the plans and has also appointed experienced, independent professional experts such as investment managers, actuaries, custodians, and trustees.

On 1 January 2013, Glencore applied the amendments to IAS 19, retrospectively from 1 January 2012. The amendments require all actuarial gains and losses to be recognised immediately in other comprehensive income and the expected return on plan assets (recognised in the consolidated statement of income) to be calculated based on the rate used to discount the defined benefit obligations. As a result, Glencore recognised \$164 million of unrecognised actuarial losses as at 1 January 2012, increasing the post-retirement benefits provision with a corresponding adjustment to shareholders' equity and an associated deferred tax impact. In 2012, the impact of these restatements is an additional income of \$20 million before tax (\$14 million after tax), offset by a corresponding adjustment of the actuarial losses recognised in comprehensive income. The adoption had an immaterial impact on the statement of cash flows and basic and diluted earnings per share.

Impact on consolidated statement of financial position due to change of IAS 19:

US\$ million	Post-retirement benefit ¹	Deferred tax liability	Retained earnings
Balance as reported at 1 January 2012	61	1,399	4,039
Effect of amendments to IAS 19	164	(47)	(117)
Restated balance at 1 January 2012	225	1,352	3,922
Balance as reported at 31 December 2012	93	2,955	5,375
Effect of amendments to IAS 19	176	(49)	(127)
Restatement ²	15	–	–
Restated balance at 31 December 2012	284	2,906	5,248

¹ See note 22.

² Comprises adjustments to the fair value calculations in relation to the acquisition of Viterra (see note 25).

Notes to the financial statements

23. PERSONNEL COSTS AND EMPLOYEE BENEFITS (continued)

The movement in the defined benefit obligation and fair value of plan assets of pension plans over the year is as follows:

US\$ million	Note	Present value of defined benefit obligation	Fair value of plan assets	Post retirement benefits
1 January 2013 (Restated)		631	(347)	284
Current service cost		75	–	75
Past service cost – plan amendments		(1)	–	(1)
Past service cost – curtailment		(4)	–	(4)
Interest expense/(income)		142	(101)	41
Total expense/(income) recognised in consolidated statement of income		212	(101)	111
(Gain) on plan assets, excluding amounts included in interest expense – net		–	(100)	(100)
Loss from change in demographic assumptions		20	–	20
(Gain) from change in financial assumptions		(441)	–	(441)
Loss from actuarial experience		10	–	10
Change in asset ceiling, excluding amounts included in interest expenses		48	–	48
Actuarial (gains) recognised in consolidated statement of comprehensive income		(363)	(100)	(463)
Employer contributions		–	(176)	(176)
Employee contributions		2	(2)	–
Benefits paid directly by the company		(26)	26	–
Benefits paid from plan assets		(176)	176	–
Net cash (outflow)/inflow		(200)	24	(176)
Assumed in business combinations	22	4,562	(3,291)	1,271
Exchange differences		(199)	152	(47)
Other		4,363	(3,139)	1,224
31 December 2013		4,643	(3,663)	980

US\$ million	Note	Present value of defined benefit obligation	Fair value of plan assets	Post retirement benefits
1 January 2012 (Restated)		509	(284)	225
Current service cost		24	–	24
Past service cost – plan amendments		(1)	–	(1)
Settlement		(7)	7	–
Interest expense/(income)		21	(12)	9
Total expense/(income) recognised in consolidated statement of income		37	(5)	32
(Gain) on plan assets, excluding amounts included in interest expense		–	(20)	(20)
Loss from change in demographic assumptions		31	–	31
Loss from actuarial experience		11	–	11
Change in asset ceiling, excluding amounts included in interest expenses		3	–	3
Actuarial losses/(gains) recognised in consolidated statement of comprehensive income		45	(20)	25
Employer contributions		–	(38)	(38)
Employee contributions		1	(1)	–
Benefits paid from plan assets		(13)	13	–
Net cash (outflow)		(12)	(26)	(38)
Assumed in business combinations ¹	22	34	–	34
Exchange differences		18	(12)	6
Other		52	(12)	40
31 December 2012 (Restated)		631	(347)	284

¹ Comprises adjustments to the fair value calculations in relation to the acquisition of Viterra (see note 25).

The Group expects to make a contribution of \$228 million (2012: \$38 million) to the defined benefit plans during the next financial year.

The present value of defined benefit obligations accrued to date in Canada represents the majority for the Company. The breakdown below provides details of the Canadian plans for both the balance sheet and the weighted average duration of the defined benefit obligation as at 31 December 2013. The defined benefit obligation of any other of the Group's defined benefit plans as at 31 December 2013 does not exceed \$189 million.

US\$ million	Canada	Other	Total
Present value of defined benefit obligation	3,749	894	4,643
of which: amounts owing to active members	1,028	500	1,528
of which: amounts owing to not active members	100	186	286
of which: amounts owing to pensioners	2,621	208	2,829
Fair value of plan assets	(3,034)	(629)	(3,663)
Net defined benefit liability at 31 December 2013	715	265	980
Weighted average duration of defined benefit obligation – years	12	18	13

The actual return on plan assets amounted to a gain of \$50 million (2012: gain of \$40 million).

Notes to the financial statements

23. PERSONNEL COSTS AND EMPLOYEE BENEFITS (continued)

The plan assets consist of the following:

US\$ million	2013	2012
Securities quoted in an active market		
Cash and short-term investments	91	4
Fixed income	1,900	161
Equities	1,496	132
Other ¹	176	50
Total	3,663	347

¹ Includes securities in non-active markets in the amount of \$50 million (2012: \$21 million).

The fair value of plan assets includes no amounts relating to any of Glencore's own financial instruments or any of the property occupied by or other assets used by Glencore. For many of the plans, representing a large portion of the global plan assets, asset-liability matching strategies are in place. Here the fixed-income assets are being invested broadly in alignment with the duration of the plan liabilities, and the proportion allocated to fixed-income assets is raised when the plan funding level increases.

Through its defined benefit plans, Glencore is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The funded plans hold a significant proportion of equities, which are expected to outperform bonds in the long term while contributing volatility and risk in the short-term. Glencore believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of Glencore's long-term strategy to manage the plans efficiently.

Change in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk: Some of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities, although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation.

Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liability.

Salary increases: Some of the plans' benefit obligations related to active members are linked to their salaries. Higher salary increases will therefore tend to lead to higher plan liabilities.

The principal weighted-average actuarial assumptions used were as follows:

	2013	2012
Discount rate	4.6%	3.6%
Future salary increases	3.1%	3.0%
Future pension increases	0.4%	1.0%

Mortality assumptions are based on the latest available standard mortality tables for the individual countries concerned. As at 31 December 2013, these tables imply expected future lifetimes, in years, for employees aged 65, 16 to 24 years for males (2012: 18 to 24) and 20 to 26 years for females (2012: 20 to 25). The assumptions for each country are reviewed each year and are adjusted where necessary to reflect changes in fund experience and actuarial recommendations.



The sensitivity of the defined benefit obligation to changes in principal assumptions as at 31 December 2013 is set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

US\$ million	Increase/(decrease) in pension obligation Canada	Increase/(decrease) in pension obligation Other	Increase/(decrease) in pension obligation Total
Discount rate			
Increase by 100 basis points	(396)	(138)	(534)
Decrease by 100 basis points	457	179	636
Rate of future salary increase			
Increase by 100 basis points	20	43	63
Decrease by 100 basis points	(19)	(38)	(57)
Rate of future pension benefit increase			
Increase by 100 basis points	7	51	58
Decrease by 100 basis points	(6)	(39)	(45)
Life expectancy			
Increase in longevity by 1 year	98	14	112

24. ACCOUNTS PAYABLE

US\$ million	2013	2012 (Restated) ¹
Trade payables	21,815	19,922
Trade advances from buyers	640	546
Associated companies	648	1,552
Other payables and accrued liabilities	2,938	1,513
Total	26,041	23,533

¹ Comprises adjustments to the fair value calculations in relation to the acquisition of Viterro (see note 25).

Notes to the financial statements

25. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

2013 Acquisitions

In 2013 Glencore acquired controlling interests in Xstrata and other immaterial entities. The net cash used in the acquisition of subsidiaries and the fair value of the assets acquired and liabilities assumed at the date of acquisition are detailed below:

US\$ million	Xstrata provisional fair values as reported at 30 June 2013	Fair value adjustments to the provisional allocation	Total Xstrata fair values	Other fair values	Total fair values
Non-current assets					
Property, plant and equipment	44,030	(2,649)	41,381	194	41,575
Intangible assets	2,214	100	2,314	6	2,320
Investments in associates and joint ventures	10,108	132	10,240	–	10,240
Advances and loans ¹	1,987	(824)	1,163	–	1,163
Deferred tax asset	864	(611)	253	–	253
	59,203	(3,852)	55,351	200	55,551
Current assets					
Inventories	6,047	21	6,068	47	6,115
Accounts receivable ¹	3,632	61	3,693	38	3,731
Other financial assets	483	35	518	–	518
Cash and cash equivalents	1,690	(6)	1,684	1	1,685
Assets held for sale	–	3,616	3,616	–	3,616
	11,852	3,727	15,579	86	15,665
Non-controlling interest²	(1,118)	194	(924)	(9)	(933)
Non-current liabilities					
Borrowings	(17,260)	(327)	(17,587)	(4)	(17,591)
Deferred income	(898)	(75)	(973)	–	(973)
Deferred tax liabilities	(4,373)	103	(4,270)	(32)	(4,302)
Other financial liabilities	(610)	285	(325)	(9)	(334)
Provisions	(7,480)	168	(7,312)	(14)	(7,326)
	(30,621)	154	(30,467)	(59)	(30,526)
Current liabilities					
Borrowings	(1,884)	158	(1,726)	(17)	(1,743)
Accounts payable	(5,157)	176	(4,981)	(30)	(5,011)
Deferred income	(52)	(21)	(73)	–	(73)
Provisions	(169)	(46)	(215)	–	(215)
Other financial liabilities	(93)	2	(91)	–	(91)
Liabilities held for sale	–	(314)	(314)	–	(314)
	(7,355)	(45)	(7,400)	(47)	(7,447)
Total fair value of net assets acquired	31,961	178	32,139	171	32,310
Goodwill arising on acquisition ³	12,658	(178)	12,480	30	12,510
Less: amounts previously recognised through investments and loans	(15,142)	–	(15,142)	–	(15,142)
Less: Fair value of ordinary shares issued	(29,094)	–	(29,094)	–	(29,094)
Less: Fair value of share based awards	(383)	–	(383)	–	(383)
Less: cash and cash equivalents acquired	(1,690)	6	(1,684)	(1)	(1,685)
Acquisition related costs	38	237	275	–	275
Net cash (received from)/used in acquisition of subsidiaries	(1,652)	243	(1,409)	200	(1,209)

1 There is no material difference between the gross contractual amounts for loans and advances and accounts receivable and their fair value.

2 Non-controlling interest measured at its percentage of net assets acquired.

3 The goodwill arising on acquisition is not deductible for tax purposes.



Xstrata

On 2 May 2013, Glencore completed its acquisition of the remaining 66% (which it did not previously own) of the issued and outstanding equity of Xstrata, a leading global diversified mining group, for consideration of \$29.5 billion. The acquisition was completed through an all share exchange which gave Xstrata shareholders 3.05 Glencore shares for every Xstrata share, valuing Xstrata's equity at approximately \$44.6 billion.

The acquisition of Xstrata creates a unique global natural resources group, well positioned to seize opportunities in a world where trends continue to evolve towards a new global map, reflecting the degree to which changes are unfolding relating to where natural resources are consumed and supplied, especially as a result of demand from and emerging supply growth in developing economies.

The fair value adjustments to the previously reported provisional values primarily related to valuation of fixed assets, deferred tax assets, rehabilitation and other provisions and the classification of Las Bambas as an operation held for sale at acquisition (see note 15).

The fair values are provisional due to the complexity of the valuation process. The finalisation of the fair value of the acquired assets and liabilities will be completed in the first half of 2014. It is expected that further adjustments may be made to the allocation of value between fixed asset classes, deferred taxes, rehabilitation and other provisions and goodwill.

If the acquisition had been effective 1 January 2013, the operations would have contributed additional revenue of \$9,443 million and an increase in attributable income of \$259 million. From the date of acquisition, the operations contributed \$16,769 million and \$1,485 million of revenue and attributable income, respectively.

Other

Other acquisitions primarily consist of the acquisition on 26 February 2013 of an 89.5% controlling interest in Orion Minerals LLC, an entity holding two operations in northern Kazakhstan, for cash consideration of \$175 million. If the other acquisitions had taken place effective 1 January 2013, the operations would have contributed additional revenue of \$4 million and additional attributable income of \$1 million. From the date of acquisition, the other acquisitions contributed \$51 million and \$7 million to Glencore's revenue and attributable income, respectively.

2013 Disposals

In 2013 Glencore disposed of controlling interests in various businesses that were acquired as part of the Viterra business combination in December 2012. The carrying value of the assets and liabilities over which control was lost and net cash received from these disposals are detailed below:

US\$ million	Dakota Growers Pasta Company	Joe White Maltings	Total
Property, plant and equipment	320	355	675
Intangible assets	42	1	43
Inventories	35	23	58
Accounts receivable	24	38	62
Cash and cash equivalents	3	–	3
Deferred tax liabilities	(40)	–	(40)
Accounts payable	(21)	(33)	(54)
Financial liabilities	–	(3)	(3)
Total carrying value of net assets disposed	363	381	744
Cash and cash equivalents received	366	381	747
Less: cash and cash equivalent disposed	(3)	–	(3)
Total consideration received	363	381	744
Gain/(loss) on disposal	–	–	–

Notes to the financial statements

25. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

2012 Acquisitions

US\$ million	Viterra ¹	Mutanda ²	Optimum ²	Rosh Pinah ²	European Manganese ¹	Other	Total
Non-current assets							
Property, plant and equipment	2,890	3,496	1,311	231	58	259	8,245
Intangible assets	67	–	1,096	–	–	–	1,163
Investments in associates	73	–	–	1	–	–	74
Advances and loans	6	11	175	–	–	–	192
Deferred tax asset	1	–	–	–	5	–	6
	3,037	3,507	2,582	232	63	259	9,680
Current assets							
Inventories	1,570	223	50	13	127	44	2,027
Accounts receivable ³	1,083	99	57	8	85	11	1,343
Cash and cash equivalents	1,097	38	25	8	16	11	1,195
Assets held for sale	2,712	–	–	–	–	–	2,712
	6,462	360	132	29	228	66	7,277
Non-controlling interest⁴	–	(807)	(460)	(28)	–	(28)	(1,323)
Non-current liabilities							
Borrowings	(592)	(5)	(99)	(1)	–	(1)	(698)
Deferred income	–	–	(591)	–	–	–	(591)
Deferred tax liabilities	(230)	(882)	(335)	(56)	–	(25)	(1,528)
Other liabilities	–	(6)	(9)	–	–	–	(15)
Provisions	(147)	(7)	(235)	(10)	–	(40)	(439)
	(969)	(900)	(1,269)	(67)	–	(66)	(3,271)
Current liabilities							
Borrowings	(1,222)	–	(6)	–	(2)	–	(1,230)
Accounts payable	(1,528)	(152)	(100)	(16)	(113)	(43)	(1,952)
Deferred income	–	–	(97)	–	–	–	(97)
Provisions	(13)	–	–	–	–	–	(13)
Liabilities held for sale	(416)	–	–	–	–	–	(416)
	(3,179)	(152)	(203)	(16)	(115)	(43)	(3,708)
Total fair value of net assets acquired	5,351	2,008	782	150	176	188	8,655
Goodwill arising on acquisition ⁵	829	–	–	–	–	–	829
Less: amounts previously recognised through investments and loans	–	1,528	381	–	–	51	1,960
Less: cash and cash equivalents acquired	1,097	38	25	8	16	11	1,195
Acquisition related costs ⁶	–	–	–	–	–	–	120
Net cash used in acquisition of subsidiaries	5,083	442	376	142	160	126	6,449
Less: asset acquirer loans	(2,580)	–	–	–	–	–	(2,580)
Net cash outflow	2,503	442	376	142	160	126	3,869

1 During the year 2013 the fair values of the assets acquired and liabilities assumed as reported in 31 December 2012 have been revised as outlined in the respective tables below.

2 During the year 2013 the acquisition accounting has been finalised with no material adjustments made to the provisional acquisition accounting as reported at 31 December 2012.

3 There is no material difference between the gross contractual amounts for loans and advances and accounts receivable and their fair value.

4 Non-controlling interest measured at its percentage of net assets acquired.

5 The goodwill arising on acquisition is not deductible for tax purposes.

6 Includes \$58 million related to the Viterra acquisition.



Viterra

On 17 December 2012, Glencore completed the acquisition of a 100% interest in Viterra Inc., a leading global agricultural commodity business for a net cash consideration of \$6.2 billion (\$3.6 billion net of assets acquirer loans).

As part of the acquisition, Glencore entered into agreements with Agrium and Richardson which provided for the on-sale of certain assets of Viterra which were completed in 2013.

Agrium acquired assets which comprised the majority of Viterra's retail agri-products business including its 34% interest in Canadian Fertilizer Limited ("CFL") for \$1,505 million in cash, which includes negative \$242 million of operating adjustments. Richardson acquired 23% of Viterra's Canadian grain handling assets, certain agri-centres and certain processing assets in North America for \$926 million in cash, which includes \$126 million of operating adjustments. Agrium and Richardson advanced the agreed consideration to Glencore upon closing of the Viterra acquisition (classified as Asset acquirer loans). The businesses acquired have been presented in single line items as assets and liabilities held for sale (see note 15). Upon closing of the divestitures in 2013, the relevant net assets were transferred to Agrium and Richardson and set off against the asset acquirer loans.

The acquisition of Viterra brings Glencore critical mass in the key grain markets of North America through Viterra's substantial Canadian operations and greatly expands Glencore's existing operations in Australia. This acquisition is consistent with Glencore's strategy to enhance its position as a leading participant in the global grain and oil seeds markets. It has been accounted for as a business combination.

If the acquisition had taken place effective 1 January 2012, the operation would have contributed additional revenue of \$12,816 million and an increase in attributable income of \$264 million. From the date of acquisition the operation contributed \$5 million and \$898 million to Glencore's attributable income and revenue, respectively for the year ended 31 December 2012.

Glencore incurred acquisition related costs of \$54 million and a realised foreign currency gain of \$65 million on Canadian dollar hedges entered into in May in expectation of the acquisition (both items included within other expense – net, see note 4).

Notes to the financial statements

25. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

The below fair value adjustments to the previously reported provisional values relate to adjustments to the fair value calculations for the assets held for sale and selected storage units in the New Zealand business.

US\$ million	Provisional fair values as reported at 31 December 2012	Fair value adjustments to the provisional allocation	Total
Property, plant and equipment	2,505	385	2,890
Intangible assets	102	(35)	67
Investments in associates	76	(3)	73
Loans and advances	6	–	6
Deferred tax asset	1	–	1
Non-current assets	2,690	347	3,037
Inventories	1,572	(2)	1,570
Accounts receivable	1,063	20	1,083
Cash and cash equivalents	1,097	–	1,097
Assets held for sale	2,677	35	2,712
Current assets	6,409	53	6,462
Borrowings	(592)	–	(592)
Deferred tax liabilities	(279)	49	(230)
Provisions	(114)	(33)	(147)
Non-current liabilities	(985)	16	(969)
Borrowings	(1,222)	–	(1,222)
Accounts payable	(1,496)	(32)	(1,528)
Provisions	(6)	(7)	(13)
Liabilities held for sale	(461)	45	(416)
Current liabilities	(3,185)	6	(3,179)
Total fair value of net assets acquired	4,929	422	5,351
Goodwill arising on acquisition	1,251	(422)	829
Less: Cash and cash equivalents acquired	1,097	–	1,097
Less: Asset acquirer loans	2,580	–	2,580
Net cash outflow	2,503	–	2,503

Mutanda

In April 2012, Glencore concluded its agreement to acquire an additional 20% interest in Mutanda, a copper and cobalt mining company located in the Democratic Republic of the Congo, for a total cash consideration of \$480 million (equity of \$420 million and shareholder debt of \$60 million) thereby increasing its ultimate ownership in Mutanda from 40% to 60% and enhancing its attributable copper production base. Prior to acquisition, Glencore owned a 40% interest in Mutanda which, in accordance with IFRS 3, at the date of acquisition was revalued to its fair value of \$837 million and as a result, a gain of \$517 million was recognised in other expense – net (see note 4). The acquisition has been accounted for as a business combination with the non-controlling interest being measured at its percentage of net assets acquired.

If the acquisition had taken place effective 1 January 2012, the operation would have contributed additional revenue of \$236 million and additional attributable income of \$9 million. From the date of acquisition the operation contributed \$23 million and \$533 million to Glencore's attributable income and revenue, respectively for the year ended 31 December 2012.

In addition to the acquisition of the 20% interest in Mutanda noted above, Glencore concurrently entered into a put and call option arrangement, whereby Glencore had the right to acquire and the seller has the ability to force Glencore to acquire an additional 20% interest in Mutanda for a total cash consideration of \$430 million. The present value of the put option (\$419 million) at the time was accounted in other financial liability with the corresponding amount recognised against non-controlling interest. Glencore exercised this option in December 2013.



Optimum

In March 2012, Glencore acquired an additional 31.8% interest in Optimum, a South African coal mining company, for a total consideration of \$401 million thereby increasing its ultimate ownership in Optimum from 31.2% to 63.0% and enhancing its existing South African coal market presence. Prior to acquisition, Glencore owned a 31.2% interest in Optimum which, in accordance with IFRS 3, at the date of acquisition was revalued to its fair value of \$381 million and as a result, a loss of \$20 million was recognised in other expense – net (see note 4). The acquisition has been accounted for as a business combination with the non-controlling interest being measured at its percentage of net assets acquired.

If the acquisition had taken place effective 1 January 2012, the operation would have contributed additional revenue of \$196 million and additional attributable income of \$19 million. From the date of acquisition the operation contributed \$27 million and \$541 million to Glencore's attributable income and revenue, respectively for the year ended 31 December 2012.

Rosh Pinah

In June 2012, Glencore completed the acquisition of an 80.1% interest in Rosh Pinah, a Namibian zinc and lead mining operation, for a cash consideration of \$150 million increasing our zinc and lead production footprint. The acquisition has been accounted for as a business combination with the non-controlling interest being measured at its percentage of net assets acquired.

If the acquisition had taken place effective 1 January 2012, the operation would have contributed additional revenue of \$78 million and a decrease in attributable income of \$2 million. From the date of acquisition the operation contributed \$1 million and \$51 million to Glencore's attributable income and revenue, respectively for the year ended 31 December 2012.

European Manganese

In November 2012, Glencore completed the acquisition of a 100% interest in Vale's European manganese ferroalloys operations, located in Dunkirk, France and Mo I Rana, Norway, for a cash consideration of \$190 million. This is the first time that Glencore has expanded into manganese production, strengthening its marketing offer and complementing existing production of steel-making products. The acquisition has been accounted for as a business combination.

If the acquisition had taken place effective 1 January 2012, the operation would have contributed additional revenue of \$303 million and a decrease in attributable income of \$18 million. From the date of acquisition the operation contributed \$49 million to revenue and a reduction in attributable income of \$7 million for the year ended 31 December 2012.

The fair value adjustments recorded during 2013 relate to final purchase price adjustments agreed with Vale.

US\$ million	Provisional fair values as reported at 31 December 2012	Fair value adjustments to the provisional allocation	Total
Property, plant and equipment	72	(14)	58
Deferred tax asset	5	–	5
Inventories	127	–	127
Accounts receivable ¹	85	–	85
Cash and cash equivalents	16	–	16
Current borrowings	(2)	–	(2)
Accounts payable	(113)	–	(113)
Total fair value of net assets acquired	190	(14)	176
Less: cash and cash equivalents acquired	16	–	16
Net cash used in acquisition of subsidiaries	174	(14)	160

¹ There is no material difference between the gross contractual amounts for accounts receivable and their fair value.

Other

Other comprises primarily an acquisition of a 100% interest in a sunseed crushing operation in Ukraine for a cash consideration of \$80 million. If the acquisitions had taken place effective 1 January 2012, the operations would have contributed additional revenue of \$2 million and a decrease in attributable income of \$1 million. From the date of acquisition the operation contributed \$1 million and \$16 million to Glencore's attributable income and revenue, respectively for the year ended 31 December 2012.

Notes to the financial statements

25. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

2012 Disposals

In December 2012, Glencore disposed of its 100% interest in Chemoil Storage Limited (part of Chemoil Group), which owned and operated the Helios Terminal, for a cash consideration of \$287 million.

US\$ million	Total
Property, plant and equipment	279
Accounts receivable	1
Cash and cash equivalents	2
Non-current borrowings	(7)
Deferred tax liabilities	(7)
Current borrowings	(1)
Total carrying value of net assets disposed	267
Cash and cash equivalents received	287
Less: cash and cash equivalents disposed of	(2)
Total consideration received	285
Gain on disposal	20

26. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial risks arising in the normal course of business from Glencore's operations comprise market risk (including commodity price risk, interest rate risk and currency risk), credit risk (including performance risk) and liquidity risk. It is Glencore's policy and practice to identify and, where appropriate and practical, actively manage such risks to support its objectives in managing its capital and future financial security and flexibility. Glencore's overall risk management programme 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 and the Board of Directors on the approach and effectiveness in managing financial risks along with the financial exposures facing the Group.

Glencore's objectives in managing its capital attributable to equity holders include preserving its overall financial health and strength for the benefit of all stakeholders, maintaining an optimal capital structure in order to provide a high degree of financial flexibility at an attractive cost of capital and safeguarding its ability to continue as a going concern, while generating sustainable long-term profitability. Paramount in meeting these objectives is maintaining an investment grade credit rating status. Following the Xstrata and Viterra acquisitions, Glencore's current credit ratings are Baa2 (stable) from Moody's and BBB (stable) from S&P.

Dividend policy

The Company intends to pursue a progressive dividend policy with the intention of maintaining or increasing its total ordinary dividend each year. Dividends are expected to be declared by the Board semi-annually (with the half-year results and the preliminary full-year results). Interim dividends are expected to represent approximately one-third of the total dividend for any year. Dividends will be declared and paid in U.S. dollars, although Shareholders will be able to elect to receive their dividend payments in Pounds Sterling, Euros or Swiss Francs based on the exchange rates in effect around the date of payment. Shareholders on the Hong Kong branch register will receive their dividends in Hong Kong dollars, while shareholders on the JSE will receive their dividends in South African Rand.

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. 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. 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. Whilst it is Glencore's policy to substantially hedge its commodity price risks, there remains the possibility that the hedging instruments chosen may not always provide effective mitigation of the underlying price risk. The hedging instruments available to the marketing businesses may differ in specific characteristics to the risk exposure to be hedged, resulting in an ongoing and unavoidable basis risk exposure. Residual basis risk exposures represent a key focus point for Glencore's commodity department teams who actively engage in the management of such.



Value at risk

One of the tools used by Glencore to monitor and limit its primary market risk exposure, principally 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 and based on a specific price history. The VaR methodology is a statistically defined, probability based approach that takes into account market volatilities, as well as risk diversification by recognising 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’s Board has set a consolidated VaR limit (one day 95% confidence level) of \$100 million representing some 0.2% of total equity, which it reviews annually.

Glencore uses a VaR approach based on Monte Carlo simulations and is computed at a 95% confidence level with a weighted data history for both a one day and a 5 day time horizon.

Position sheets are regularly distributed and monitored and daily Monte Carlo (and historical) simulations are applied to the various business groups’ net marketing positions to determine potential future losses. As at 31 December 2013, Glencore’s 95%, one day market risk VaR was \$35 million (2012: \$49 million). Average market risk VaR (one day 95% confidence level) during 2013 was \$32 million (2012: \$40 million).

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 recognises these limitations, and thus complements and continuously refines its VaR analysis by analysing forward looking stress scenarios and back testing calculated VaR against estimated movements arising in the next business day and week.

Glencore’s VaR computation currently covers its business in the key base metals (including aluminium, nickel, zinc, copper, lead etc.), coal, iron ore, oil/natural gas and the main risks in the agricultural products business segment (grain, oil seeds, sugar and cotton) and assesses the open priced positions which are those subject to price risk, including inventories of these commodities. Due to the lack of a liquid terminal market, Glencore does not include a VaR calculation for products such as alumina, molybdenum, cobalt, freight and some risk associated with concentrates as it does not consider the nature of these markets, to be suited to this type of analysis. Alternative measures are used to monitor exposures related to these products.

Net present value at risk

Glencore’s future cash flows related to its forecast energy, metals and minerals and agricultural 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 cash flows and 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 utilised as the dominant method to hedge interest rate risks, other methods include the use of interest rate swaps and similar derivative instruments. Floating rate debt which is predominantly used to fund fast turning working capital (interest is internally charged on the funding of this working capital) is primarily based on US\$ LIBOR plus an appropriate premium. Accordingly, prevailing market interest rates are continuously factored into transactional pricing and terms.

Assuming the amount of floating rate liabilities at the reporting period end were outstanding for the whole year, interest rates were 50 basis points higher/lower and all other variables held constant, Glencore’s income and equity for the year ended 31 December 2013 would decrease/increase by \$105 million (2012: \$109 million).

Currency risk

The US 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 ordinarily hedged through forward exchange contracts. Consequently, foreign exchange movements against the U.S. dollar on recognised transactions would have an immaterial financial impact. Glencore enters into currency hedging transactions with leading financial institutions.

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, Canadian Dollar, Australian Dollar, Euro, Kazakhstan Tenge, Colombian Peso and South African Rand are the predominant currencies.

Notes to the financial statements

26. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Glencore has issued Euro, Swiss Franc and sterling denominated bonds (see note 20). Cross currency swaps were concluded to hedge the currency risk on the principal and related interest payments of these bonds. These contracts were designated as cash flow hedges of the foreign currency risks associated with the bonds. The fair value of these derivatives is as follows:

US\$ million	Notional amounts		Recognised fair values		Average maturity ¹
	Buy	Sell	Assets	Liabilities	
Cross currency swap agreements – 2013	–	16,658	167	–	2018
Cross currency swap agreements – 2012	–	9,039	–	82	2017

¹ Refer to note 20 for details.

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, receivables and advances, derivative instruments and non-current advances and loans. Glencore's credit management process includes the assessment, monitoring and reporting of counterparty exposure on a regular basis. Glencore's cash and 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. 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 2.5% (2012: 3%) of its trade receivables (on a gross basis taking into account credit enhancements) or accounting for more than 3.0% of its revenues over the year ended 2013 (2012: 2%).

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 plus the guarantees to third parties and associates (see note 31).

Performance risk

Performance risk arises from the possibility that counterparties may not be willing or able to meet their future contractual physical 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 supplier and 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, with the main exceptions being coal and cotton where longer-term fixed price contracts are common, ensure that performance risk is adequately mitigated. The commodity industry has trended 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. coal and 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 and availability of adequate committed funding facilities. Glencore has set itself an internal minimum liquidity target to maintain at all times, including via available committed undrawn credit facilities of \$3 billion (2012: \$3 billion). Glencore's credit profile, diversified funding sources and committed credit facilities, ensure that sufficient liquid funds are maintained to meet its liquidity requirements. 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.



As at 31 December 2013, Glencore had available committed undrawn credit facilities, cash and marketable securities amounting to \$12,878 million (2012: \$9,018 million). The maturity profile of Glencore's financial liabilities based on the contractual terms is as follows:

2013 US\$ million	After 5 years	Due 3–5 years	Due 2–3 years	Due 1–2 years	Due 0–1 year	Total
Borrowings	13,124	9,111	11,832	4,657	16,461	55,185
Expected future interest payments	7,907	1,557	1,175	1,326	1,722	13,687
Accounts payable	–	–	–	–	26,041	26,041
Other financial liabilities	–	–	–	–	3,410	3,410
Total	21,031	10,668	13,007	5,983	47,634	98,323
Current assets					58,542	58,542

2012 US\$ million	After 5 years	Due 3–5 years	Due 2–3 years	Due 1–2 years	Due 0–1 year	Total (Restated) ¹
Borrowings	4,680	2,757	2,312	9,279	16,498	35,526
Expected future interest payments	417	684	662	927	1,067	3,757
Viterra assets acquirer loans	–	–	–	–	2,580	2,580
Accounts payable	–	–	–	–	23,533	23,533
Other financial liabilities	–	–	–	–	3,388	3,388
Total	5,097	3,441	2,974	10,206	47,066	68,784
Current assets					54,112	54,112

¹ Comprises adjustments to the fair value calculations in relation to the acquisition of Viterra (see note 25).

27. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The following tables present the carrying values and fair values of Glencore's financial instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (most advantageous) market at the measurement date under current market conditions. 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 market 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 realise in the normal course of business.

The financial assets and liabilities are presented by class in the tables below at their carrying values, which generally approximate to the fair values with the exception of \$55,185 million (2012: \$35,526 million) of borrowings, the fair value of which at 31 December 2013 was \$56,735 million (2012: \$36,371 million) based on observable market prices applied to the borrowing portfolio (a Level 2 fair value measurement).

Notes to the financial statements

27. FINANCIAL INSTRUMENTS (continued)

2013 US\$ million	Carrying value ¹	Available for sale	FVtPL ²	Total
Assets				
Other investments ³	–	394	529	923
Advances and loans	4,095	–	–	4,095
Accounts receivable	24,536	–	–	24,536
Other financial assets (see note 28)	–	–	2,904	2,904
Cash and cash equivalents and marketable securities ⁴	–	–	2,885	2,885
Total financial assets	28,631	394	6,318	35,343
Liabilities				
Borrowings	55,185	–	–	55,185
Non-current other financial liabilities (see note 28)	–	–	1,044	1,044
Accounts payable	26,041	–	–	26,041
Other financial liabilities (see note 28)	–	–	2,366	2,366
Total financial liabilities	81,226	–	3,410	84,636

1 Carrying value comprises investments, loans, accounts receivable, accounts payable and other liabilities measured at amortised cost.

2 FVtPL – Fair value through profit and loss – held for trading.

3 Other investments of \$772 million are classified as Level 1 measured using quoted market prices with the remaining balance of \$151 million being investments in private companies whose fair value cannot be reliably measured which are carried cost.

4 Classified as Level 1, measured using quoted exchange rates and/or market prices.

2012 US\$ million	Carrying value ¹	Available for sale	FVtPL ²	Total (Restated) ³
Assets				
Other investments ⁴	–	840	749	1,589
Advances and loans	3,758	–	–	3,758
Accounts receivable	24,902	–	–	24,902
Other financial assets (see note 28)	–	–	2,650	2,650
Cash and cash equivalents and marketable securities ⁵	–	–	2,820	2,820
Total financial assets	28,660	840	6,219	35,719
Liabilities				
Borrowings	35,526	–	–	35,526
Viterra asset acquirer loans	2,580	–	–	2,580
Accounts payable	23,533	–	–	23,533
Other financial liabilities (see note 28)	–	–	3,388	3,388
Total financial liabilities	61,639	–	3,388	65,027

1 Carrying value comprises investments, loans, accounts receivable, accounts payable and other liabilities measured at amortised cost.

2 FVtPL – Fair value through profit and loss – held for trading.

3 Comprises adjustments to the fair value calculations in relation to the acquisition of Viterra (see note 25).

4 Other investments of \$1,414 million are classified as Level 1 measured using quoted market prices with the remaining balance of \$175 million being investments in private companies whose fair value cannot be reliably measured which are carried cost.

5 Classified as Level 1, measured using quoted exchange rates and/or market prices.



Offsetting of financial assets and liabilities

In accordance with IAS 32 the Group reports financial assets and liabilities on a net basis in the consolidated statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The financial assets and liabilities subject to offsetting, enforceable master netting and similar agreements as at 31 December 2013 were as follows:

2013 US\$ million	Amounts eligible for set off under netting agreements			Related amounts not set off under netting agreements			Amounts not subject to netting agreements	Total as presented in the consolidated statement of financial position
	Gross amount	Amounts offset	Net amount	Financial instruments	Financial collateral	Net amount		
Derivative assets ¹	4,001	(2,905)	1,096	(237)	(262)	597	1,808	2,904
Derivative liabilities ¹	(3,624)	2,905	(719)	237	285	(197)	(1,647)	(2,366)

¹ Presented within current other financial assets and current other financial liabilities.

For the financial assets and liabilities subject to enforceable master netting or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities may be settled on a gross basis, however, each party to the master netting or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due, failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party or bankruptcy.

28. FAIR VALUE MEASUREMENTS

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 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Glencore can assess at the measurement date; or
- Level 2 Inputs other than quoted inputs included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; or
- Level 3 Unobservable inputs for the assets or liabilities, 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, whereas 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 and financial liabilities linked to the fair value of certain mining operations. 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, insolvency or bankruptcy by the counterparty.

The following tables show the fair values of the derivative financial instruments including trade related financial and physical forward purchase and sale commitments by type of contract and non-current other financial liabilities as at 31 December 2013 and 2012. Other assets and liabilities which are measured at fair value on a recurring basis are marketing inventories, other investments, cash and cash equivalents and marketable securities. Refer to notes 12 and 27 for disclosures in connection with these fair value measurements. There are no non-recurring fair value measurements.

Notes to the financial statements

28. FAIR VALUE MEASUREMENTS (continued)

Other financial assets

2013 US\$ million	Level 1	Level 2	Level 3	Total
Commodity related contracts				
Futures	444	261	–	705
Options	26	2	–	28
Swaps	65	94	–	159
Physical forwards	–	701	481	1,182
Financial contracts				
Cross currency swaps	–	519	–	519
Foreign currency and interest rate contracts	297	14	–	311
Total	832	1,591	481	2,904

2012 US\$ million	Level 1	Level 2	Level 3	Total
Commodity related contracts				
Futures	564	141	–	705
Options	27	–	4	31
Swaps	75	304	–	379
Physical forwards	12	778	485	1,275
Financial contracts				
Cross currency swaps	–	152	–	152
Foreign currency and interest rate contracts	63	45	–	108
Total	741	1,420	489	2,650



Other financial liabilities

2013 US\$ million		Level 1	Level 2	Level 3	Total
Commodity related contracts					
Futures		542	84	–	626
Options		15	4	31	50
Swaps		27	72	–	99
Physical forwards		9	572	266	847
Financial contracts					
Cross currency swaps		–	512	–	512
Foreign currency and interest rate contracts		191	41	–	232
Current other financial liabilities		784	1,285	297	2,366
Non-current other financial liabilities					
Non-discretionary dividend obligation ¹		–	–	359	359
Put option over non-controlling interest ²		–	–	685	685
Non-current other financial liabilities		–	–	1,044	1,044
Total		784	1,285	1,341	3,410

1 A ZAR denominated derivative liability of \$325 million payable to ARM Coal, one of the Group's principal coal joint operations based in South Africa, was assumed through the acquisition of Xstrata (see note 25). It was subsequently revalued to its fair value of \$359 million as at 31 December 2013. The liability arises from ARM Coal's rights as an investor to a share of agreed free cash flows from certain coal operations in South Africa and is valued based on those cash flows using a risk adjusted discount rate. The derivative liability is settled over the life of those operations and has no fixed repayment date and is not cancellable within 12 months.

2 A put option over the remaining 31% of Mutanda is exercisable in two equal tranches in July 2016 and July 2018. The exercise price of the put option is subject to the fair value of Mutanda at the date of exercise, see note 33.

2012 US\$ million	Notes	Level 1	Level 2	Level 3	Total
Commodity related contracts					
Futures		712	283	–	995
Options		96	1	37	134
Swaps		25	267	–	292
Physical forwards		14	439	393	846
Financial contracts					
Cross currency swaps		–	633	–	633
Foreign currency and interest rate contracts		48	21	–	69
Put option over non-controlling interest	25	–	–	419	419
Total		895	1,644	849	3,388

Notes to the financial statements

28. FAIR VALUE MEASUREMENTS (continued)

The following table shows the net changes in fair value of Level 3 other financial assets and other financial liabilities:

US\$ million	Notes	Physical forwards	Options	Loans and other	Total Level 3
1 January 2012		42	(25)	–	17
Total gain/(loss) recognised in cost of goods sold		10	(33)	–	(23)
Put option over non-controlling interest	25	–	(419)	–	(419)
Realised		44	21	–	65
31 December 2012		96	(456)	–	(360)
1 January 2013		96	(456)	–	(360)
Business combination	25	(13)	–	(359)	(372)
Total gain/(loss) recognised in cost of goods sold		220	(30)	–	190
Put option over non-controlling interest		–	(266)	–	(266)
Realised		(88)	36	–	(52)
31 December 2013		215	(716)	(359)	(860)

During the year no amounts were transferred between Level 1 and Level 2 of the fair value hierarchy and no amounts were transferred into or out of Level 3 of the fair value hierarchy for either other financial assets or other financial liabilities.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides information about how the fair values of these financial assets and financial liabilities are determined, in particular, the valuation techniques and inputs used.

Fair value of financial assets/financial liabilities

US\$ million		2013	2012
Futures – Level 1	Assets	444	564
	Liabilities	(542)	(712)
Valuation techniques and key inputs:	Quoted bid prices in an active market		
Significant unobservable inputs:	None		
Futures – Level 2	Assets	261	141
	Liabilities	(84)	(283)
Valuation techniques and key inputs:	Discounted cash flow model		
	Inputs include observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations, as required.		
Significant unobservable inputs:	None		
Options – Level 1	Assets	26	27
	Liabilities	(15)	(96)
Valuation techniques and key inputs:	Quoted bid prices in an active market		
Significant unobservable inputs:	None		
Options – Level 2	Assets	2	–
	Liabilities	(4)	(1)
Valuation techniques and key inputs:	Discounted cash flow model		
	Inputs include observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations, as required.		
Significant unobservable inputs:	None		

*Fair value of financial assets/financial liabilities*

US\$ million		2013	2012
Options – Level 3	Assets	–	4
	Liabilities	(31)	(37)
Valuation techniques and key inputs:	Standard option pricing model		
Significant unobservable inputs:	Prices are adjusted by differentials, as required, including: <ul style="list-style-type: none"> • Volatility; and • Credit risk. <p>These significant unobservable inputs generally represent 2% – 20% of the overall value of the instruments. These differentials move in symmetry with each other, e.g a decrease in volatility leads to a decrease in credit risk, resulting in no material change in the underlying value.</p>		
Swaps – Level 1	Assets	65	75
	Liabilities	(27)	(25)
Valuation techniques and key inputs:	Quoted bid prices in an active market		
Significant unobservable inputs:	None		
Swaps – Level 2	Assets	94	304
	Liabilities	(72)	(267)
Valuation techniques and key inputs:	Discounted cash flow model		
Significant unobservable inputs:	Inputs include observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations, as required.		
Significant unobservable inputs:	None		
Physical Forwards – Level 1	Assets	–	12
	Liabilities	(9)	(14)
Valuation techniques and key inputs:	Quoted bid prices in an active market		
Significant unobservable inputs:	None		
Physical Forwards – Level 2	Assets	701	778
	Liabilities	(572)	(439)
Valuation techniques and key inputs:	Discounted cash flow model		
Significant unobservable inputs:	Inputs include observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations, as required.		
Significant unobservable inputs:	None		
Physical Forwards – Level 3	Assets	481	485
	Liabilities	(266)	(393)
Valuation techniques and key inputs:	Discounted cash flow model		
Significant unobservable inputs:	Prices are adjusted by differentials, as required, including: <ul style="list-style-type: none"> • Quality; • Geographic location; • Local supply & demand; • Customer requirements; and • Counterparty credit considerations. <p>These significant unobservable inputs generally represent 2% – 50% of the overall value of the instruments. These differentials are generally symmetrical with an increase/decrease in one input resulting in an opposite movement in another input, resulting in no material change in the underlying value.</p>		

Notes to the financial statements

28. FAIR VALUE MEASUREMENTS (continued)

Fair value of financial assets/financial liabilities

US\$ million		2013	2012
Cross currency swaps – Level 2	Assets	519	152
	Liabilities	(512)	(633)
Valuation techniques and key inputs:	Discounted cash flow model		
	Inputs include observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations, as required.		
Significant unobservable inputs:	None		
Foreign currency and interest rate contracts – Level 1	Assets	297	63
	Liabilities	(191)	(48)
Valuation techniques and key inputs:	Quoted bid prices in an active market		
Significant unobservable inputs:	None		
Foreign currency and interest rate contracts – Level 2	Assets	14	45
	Liabilities	(41)	(21)
Valuation techniques and key inputs:	Discounted cash flow model		
	Inputs include observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations, as required.		
Significant unobservable inputs:	None		
Non-discretionary dividend obligation – Level 3	Assets	–	–
	Liabilities	(359)	–
Valuation techniques:	Discounted cash flow model		
Significant observable inputs:	<ul style="list-style-type: none"> • Forecast commodity prices; and • Discount rates using weighted average cost of capital methodology 		
Significant unobservable inputs:	<ul style="list-style-type: none"> • Production models; • Operating costs; and • Capital expenditures. <p>The resultant liability is essentially a discounted cash flow valuation of the underlying mining operation. Increases/decreases in forecast commodity prices will result in an increase/decrease to the value of the liability though this will be partially offset by associated increases/decreases in the assumed production levels, operating costs and capital expenditures which are inherently linked to forecast commodity prices. There are no reasonable changes in assumptions which would result in a material change to the fair value of the underlying liability.</p>		
Put option over non-controlling interest – Level 3	Assets	–	–
	Liabilities	(685)	(419)
Valuation techniques:	Discounted cash flow model		
Significant observable inputs:	<ul style="list-style-type: none"> • Forecast commodity prices; and • Discount rates using weighted average cost of capital methodology. 		
Significant unobservable inputs:	<ul style="list-style-type: none"> • Production models; • Operating costs; and • Capital expenditures. <p>The resultant liability is essentially a discounted cash flow valuation of the underlying mining operation. Increases/decreases in forecast commodity prices will result in an increase/decrease to the value of the liability though this will be partially offset by associated increases/decreases in the assumed production levels, operating costs and capital expenditures which are inherently linked to forecast commodity prices. There are no reasonable changes in assumptions which would result in a material change to the fair value of the underlying liability.</p>		



29. AUDITORS' REMUNERATION

US\$ million	2013	2012
Remuneration in respect of the audit of Glencore's consolidated financial statements	7	4
Other audit fees, primarily in respect of audits of accounts of subsidiaries	24	13
Audit-related assurance services ¹	5	2
Total audit and related assurance fees	36	19
Corporate finance services	1	6
Taxation compliance services	2	3
Other taxation advisory services	6	2
Other assurance services	1	–
Other services	3	2
Total non-audit-fees	13	13
Total professional fees	49	32

¹ Audit-related assurance services primarily related to interim reviews of the Group's half year accounts and quarterly accounts of the Group's publicly listed subsidiaries.

30. FUTURE COMMITMENTS

Capital expenditure for the acquisition of property, plant and equipment, with the exception of major expansion or development programmes, is generally funded through the cash flow generated by the respective industrial entities. As at 31 December 2013, \$2,817 million (2012: \$756 million), of which 74% (2012: 63%) 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 31 December 2013, \$623 million (2012: \$343 million) of such development expenditures are to be incurred, of which 55% (2012: 41%) are for commitments to be settled over the next year.

Glencore procures seagoing vessels/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 \$1,035 million (2012: \$1,419 million) of which \$578 million (2012: \$596 million) are with associated companies. 56% (2012: 55%) of the total charters are for services to be received over the next two 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 31 December 2013, \$13,886 million (2012: \$10,509 million) of such commitments have been issued on behalf of Glencore, which will generally be settled simultaneously with the payment for such commodity.

Glencore has entered into various operating leases mainly as lessee for office and warehouse/storage facilities. Rental expenses for these leases totalled respectively \$203 million and \$99 million for the years ended 31 December 2013 and 2012. Future net minimum lease payments under non-cancellable operating leases are as follows:

US\$ million	2013	2012
Within 1 year	105	110
Between 2 and 5 years	216	213
After 5 years	114	160
Total	435	483

Notes to the financial statements

30. FUTURE COMMITMENTS (continued)

Glencore has entered into finance leases for various plant and equipment items, primarily vessels and machinery. Future net minimum lease payments under finance leases together with the future finance charges are as follows:

US\$ million	Undiscounted minimum lease payments		Present value of minimum lease payments	
	2013	2012	2013	2012
Within 1 year	70	62	49	48
Between 1 and 5 years	276	188	188	146
After 5 years	201	109	156	87
Total minimum lease payments	547	359	393	281
Less: amounts representing finance lease charges	154	78	–	–
Present value of minimum lease payments	393	281	393	281

Future development and related commitments

Clermont thermal coal mine

In October 2013, Glencore and Sumitomo Corporation agreed to acquire Rio Tinto's 50.1% interest in the Clermont thermal coal mine in Queensland, Australia, for \$1,015 million. Each company will hold a 25.05% effective economic interest in the mine. The acquisition is subject to customary closing conditions, including certain regulatory approvals, and is expected to close during H1 2014.

31. CONTINGENT LIABILITIES

The amount of corporate guarantees in favour of third parties as at 31 December 2013 was \$Nil (2012: \$46 million). Also see note 10.

The Group is subject to various claims which arise in the ordinary course of business as detailed below. These contingent liabilities are reviewed on a regular basis and where practical an estimate is made of the potential financial impact on the Group. As at 31 December 2013 it was not practical to make such an assessment.

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 defences against those actions or claims. Glencore believes the likelihood of any material 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 consolidated income, financial position or cash flows.

Environmental contingencies

Glencore's operations, mainly 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.

Tax audits

Glencore assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. For those matters where it is probable that an adjustment will be made, the Group records its best estimate of these tax liabilities, including related interest charges. Inherent uncertainties exist in estimates of tax contingencies due to complexities of interpretation and changes in tax laws. Whilst Glencore believes it has adequately provided for the outcome of these matters, future results may include favourable or unfavourable adjustments to these estimated tax liabilities in the period the assessments are made, or resolved. The final outcome of tax examinations may result in a materially different outcome than assumed in the tax liabilities.



32. RELATED PARTY TRANSACTIONS

In the normal course of business, Glencore enters into various arm's length transactions with related parties (including Xstrata pre-acquisition and Century), 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 11, 13, and 24). There have been no guarantees provided or received for any related party receivables or payables.

All transactions between Glencore and its subsidiaries are eliminated on consolidation along with any unrealised profits and losses between its subsidiaries and associates. Glencore entered into the following transactions with its associates:

US\$ million	2013	2012
Sales ¹	1,863	1,661
Purchases ²	(4,365)	(10,244)
Interest income ³	24	24
Interest expense	–	(1)
Agency income ⁴	33	95

¹ Includes pre-acquisition sales to Xstrata which comprise 28% of the balance (2012: 52%).

² Includes pre-acquisition purchases from Xstrata which comprise 84% of the balance (2012: 89%).

³ Includes pre-acquisition interest income from Xstrata which comprise 7% of the balance (2012: 19%).

⁴ Includes pre-acquisition agency income from Xstrata which comprise 91% of the balance (2012: 93%).

Remuneration of key management personnel

Glencore's key management personnel are the members of the Board of Directors, CEO, CFO and the heads of the operating segments. The remuneration of Directors and other members of key management personnel recognised in the consolidated statement of income including salaries and other current employee benefits amounted to \$7 million (2012: \$7 million). There were no other long-term benefits or share-based payments provided to key management personnel (2012: \$Nil). Further details on remuneration of Directors are set out in the Directors' remuneration report on page 92.

Notes to the financial statements

33. PRINCIPAL SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

A list of the principal operating, finance and industrial subsidiaries is included in note 35.

Non-controlling interest is comprised of the following:

US\$ million	2013	2012
Kazzinc	1,436	1,388
Mutanda	(105)	389
Optimum	326	432
Alumbraera	279	–
Other ¹	1,256	825
Total	3,192	3,034

¹ Other comprises various subsidiaries in which no individual balance attributable to non-controlling interests is material.

Summarised financial information in respect of Glencore's subsidiaries that have material non-controlling interest, reflecting 100% of the underlying subsidiary's relevant figures, is set out below.

US\$ million	Kazzinc	Mutanda	Optimum	Alumbraera
31 December 2013				
Non-current assets	4,841	4,694	1,927	475
Current assets	1,106	586	87	641
Total assets	5,947	5,280	2,014	1,116
Non-current liabilities	814	3,790	827	295
Current liabilities	408	977	180	263
Total liabilities	1,222	4,767	1,007	558
Net assets	4,725	513	1,007	558
Equity attributable to owners of the Company	3,289	618	681	279
Non-controlling interests	1,436	(105)	326	279
Non-controlling interests in %	30.3%	31.0%	32.4%	50.0%
2013				
Revenue	2,587	1,204	751	718
Expenses	(2,437)	(1,011)	(706)	(705)
Profit for the year	150	193	45	13
Profit attributable to owners of the Company	103	142	30	7
Profit attributable to non-controlling interests	47	51	15	6
Other comprehensive income attributable to owners of the Company	–	–	–	–
Other comprehensive income attributable to non-controlling interests	–	–	–	–
Total comprehensive income for the year	150	193	45	13
Dividends paid to non-controlling interests	–	–	–	(142)
Net cash inflow from operating activities	451	68	74	93
Net cash (outflow) from investing activities	(425)	(185)	(122)	(46)
Net cash (outflow)/inflow from financing activities	(43)	96	46	(441)
Total net cash (outflow)	(17)	(21)	(2)	(394)



Mutanda

In July 2013, Glencore completed the merger between Mutanda and Kansuki which was accounted for as an asset acquisition as the acquired assets and liabilities of Kansuki did not meet the definition of a business. In addition, Glencore concurrently entered into a put and call option arrangement, whereby Glencore has a right to acquire and the seller has the ability to force Glencore to acquire the remaining 31% interest in Mutanda at fair market value in two 15.5% tranches in July 2016 and July 2018. The present value of the put option, \$685 million at acquisition date, has been accounted for as within other financial liabilities (see note 28) with the corresponding amount recognised against non-controlling interest.

US\$ million	Kazzinc	Mutanda	Optimum
31 December 2012			
Non-current assets	4,862	3,560	2,347
Current assets	962	512	112
Total assets	5,824	4,072	2,459
Non-current liabilities	1,011	1,681	1,093
Current liabilities	246	371	173
Total liabilities	1,257	2,052	1,266
Net assets	4,567	2,020	1,193
Equity attributable to owners of the Company	3,179	1,631	761
Non-controlling interests	1,388	389	432
Non-controlling interests in %	30.4%	40.0%	33.0%
2012			
Revenue	2,839	533	541
Expenses	(2,508)	(509)	(477)
Profit for the year	331	23	64
Profit attributable to owners of the Company	180	17	40
Profit attributable to non-controlling interests	151	6	24
Other comprehensive income attributable to owners of the Company	–	–	–
Other comprehensive income attributable to non-controlling interests	–	–	–
Total comprehensive income for the year	331	23	64
Dividends paid to non-controlling interests	–	–	–
Net cash inflow from operating activities	303	302	227
Net cash (outflow) from investing activities	(342)	(263)	(230)
Net cash inflow from financing activities	1	–	10
Total net cash (outflow)/inflow	(38)	39	7

34. SUBSEQUENT EVENTS

With the exception of the proposed final dividend for 2013, there have been no reportable subsequent events since 31 December 2013.

Notes to the financial statements

35. PRINCIPAL OPERATING, FINANCE AND INDUSTRIAL SUBSIDIARIES AND INVESTMENTS

	Country of incorporation	% interest 2013	% interest 2012	Main activity
Principal subsidiaries				
Metals and minerals				
Allied Alumina Inc. (Sherwin)	USA	100.0	100.0	Alumina production
Minera Alumbreira Limited ¹	Antigua	50.0	0.0	Copper production
Cobar Group	Australia	100.0	100.0	Copper production
Ernest Henry Mining Pty Ltd.	Australia	100.0	0.0	Copper production
Katanga Mining Limited ²	Canada	75.2	75.2	Copper/Cobalt production
Minera Altos de Punitaqui Limitada	Chile	100.0	100.0	Copper production
Compania Minera Xstrata Lomas Bayas	Chile	100.0	0.0	Copper production
Xstrata Copper Chile S.A.	Chile	100.0	0.0	Copper production
Compania Minera Antapaccay S.A.	Peru	100.0	0.0	Copper production
Xstrata Las Bambas S.A.	Peru	100.0	0.0	Copper production
Pasar Group	Philippines	78.2	78.2	Copper production
Glencore Recycling Inc.	USA	100.0	0.0	Copper production
Mopani Copper Mines plc	Zambia	73.1	73.1	Copper production
Sable Zinc Kabwe Limited	Zambia	100.0	100.0	Copper production
Sagittarius Mines Inc ³	Philippines	62.5	0.0	Copper production
Mutanda Group ⁴	DRC	69.0	60.0	Copper/Cobalt production
Kansuki ⁴	DRC	0.0	37.5	Copper/Cobalt production
Mount Isa Mines Limited	Australia	100.0	0.0	Copper/Zinc/Lead production
Kazzinc Ltd.	Kazakhstan	69.7	69.6	Copper/Zinc/Lead production
African Carbon Producers (Pty) Ltd	South Africa	100.0	0.0	Char production
African Fine Carbon (Pty) Ltd	South Africa	100.0	0.0	Char production
Char Technology (Pty) Ltd	South Africa	100.0	0.0	Char production
Vasilkovskoye Gold	Kazakhstan	69.7	69.6	Gold production
Sphere Minerals Limited	Australia	88.2	0.0	Iron Ore production
Britannia Refined Metals Limited	UK	100.0	0.0	Lead production
Glencore Manganese Group	France/Norway	100.0	100.0	Manganese furnace
Pacorini Group	Switzerland	100.0	100.0	Metals warehousing
Murrin Murrin Group	Australia	100.0	100.0	Nickel production
Falconbridge Dominican S.A.	Dominican Rep.	85.3	0.0	Nickel production
Koniambo Nickel S.A.S. ⁵	New Caledonia	49.0	0.0	Nickel production
Glencore Nikkelverk AS	Norway	100.0	0.0	Nickel production
Eland Platinum Holdings Pty Limited	South Africa	100.0	0.0	Platinum production
McArthur River Mining Pty Ltd	Australia	100.0	0.0	Zinc production
Perkoa Group	Burkina Faso	62.7	55.7	Zinc production
Xstrata Zinc GmbH	Germany	100.0	0.0	Zinc production
Asturiana de Zinc S.A.	Spain	100.0	0.0	Zinc production

¹ This investment is treated as a subsidiary as the Group is entitled to elect the chairman of the Board who has the casting vote where any vote is split equally between the four board positions. Minera Alumbreira Limited's principal place of business is Argentina.

² Publicly traded on the Toronto Stock Exchange under the symbol KAT.TO. Glencore owns 1,433,702,634 shares.

³ Overall legal ownership is 26.959%; effective ownership is 62.5%.

⁴ In July 2013, Glencore completed the merger of Mutanda and Kansuki, previously an associate of the Group (see note 33).

⁵ The Group has control of Koniambo Nickel SAS as a result of the ability direct the key activities of the operation and to appoint key management personnel provided by the terms of the financing arrangements underlying the Koniambo project.

	Country of incorporation	% interest 2013	% interest 2012	Main activity
Metals and minerals (continued)				
AR Zinc Group	Argentina	100.0	100.0	Zinc/Lead production
Portovesme S.r.L.	Italy	100.0	100.0	Zinc/Lead production
Rosh Pinah Zinc Corporation (Pty) Limited	Namibia	80.1	80.1	Zinc/Lead production
Empresa Minera Los Quenuales S.A.	Peru	97.6	97.6	Zinc/Lead production
Sinchi Wayra Group	Bolivia	100.0	100.0	Zinc/Tin production
Energy products				
Cook Resources Mining Pty Ltd	Australia	100.0	0.0	Coal production
Cumnock No. 1 Colliery Pty Ltd	Australia	100.0	0.0	Coal production
Enex Foydell Limited	Australia	100.0	0.0	Coal production
Enex Liddell Pty Ltd	Australia	100.0	0.0	Coal production
Enex Oakbridge Pty Ltd	Australia	100.0	0.0	Coal production
Enex Togara Pty Ltd	Australia	100.0	0.0	Coal production
Glencore Coal Queensland Pty Limited	Australia	100.0	0.0	Coal production
Jonsha Pty Limited	Australia	100.0	0.0	Coal production
Mangoola Coal Operations Pty Limited	Australia	100.0	0.0	Coal production
Oceanic Coal Australia Pty Limited	Australia	100.0	0.0	Coal production
Ravensworth Operations Pty Ltd	Australia	100.0	0.0	Coal production
Ulan Coal Mines Limited	Australia	90.0	0.0	Coal production
Ulan Power Company Pty Limited	Australia	100.0	0.0	Coal production
United Collieries Pty Ltd	Australia	95.0	0.0	Coal production
Prodeco Group	Colombia	100.0	100.0	Coal production
Optimum Coal Holdings Limited	South Africa	67.6	67.0	Coal production
Shanduka Coal (Pty) Ltd ⁶	South Africa	49.9	49.9	Coal production
Umcebo Mining (Pty) Ltd ⁷	South Africa	43.7	43.7	Coal production
Tavistock Collieries (Pty) Limited	South Africa	100.0	0.0	Coal production
Topley Corporation	B.V.I.	100.0	100.0	Ship owner
Glencore Exploration (EG) Ltd.	Bermuda	100.0	100.0	Oil production
Chemoil Energy Limited ⁸	Hong Kong	89.2	89.2	Oil storage and bunkering
Agricultural products				
Glencore Biofuels AG	Switzerland	100.0	67.5	Biofuel production
Moreno Group	Argentina	100.0	100.0	Edible oil production
Usti Oilseed Group	Czech Republic	100.0	100.0	Edible oil production
Pannon Vegetable Oil Manufacturing LLC	Hungary	100.0	100.0	Edible oil production
Zaklady Pluszozowe w Bodaczowie Sp.z.o.o.	Poland	100.0	99.9	Edible oil production
Viterra Group	Canada	100.0	100.0	Grain handling
Glencane Bioenergia S.A. (formerly Rio Vermelho)	Brazil	100.0	100.0	Sugar cane/ethanol production
Correcta Industria e Comercio Ltda.	Brazil	100.0	100.0	Wheat flour milling

⁶ Although Glencore holds less than 50% of the voting rights, it has the ability to exercise control over Shanduka through the ability to direct the key activities of the operation and to appoint key management personnel provided by the terms of the shareholders agreement.

⁷ Although Glencore holds less than 50% of the voting rights, it has the ability to exercise control over Umcebo as a result of shareholder agreements which provide Glencore the ability to control the Board of Directors.

⁸ Publicly traded on the Singapore Exchange under the symbol CHEL.SI. Glencore owns 1,150,933,594 shares.

Notes to the financial statements

35. PRINCIPAL OPERATING, FINANCE AND INDUSTRIAL SUBSIDIARIES AND INVESTMENTS (continued)

	Country of incorporation	% interest 2013	% interest 2012	Main activity
Other operating and finance				
Xstrata Limited ⁹ (formerly Xstrata plc)	UK	100.0	34.2	Holding
Glencore Queensland Limited	Australia	100.0	0.0	Holding
Ploutos Australia Pty Ltd	Australia	100.0	0.0	Holding
Glencore Finance (Bermuda) Ltd	Bermuda	100.0	100.0	Finance
Glencore Canada Financial Corp	Canada	100.0	0.0	Finance
Glencore Finance (Europe) S.A.	Luxembourg	100.0	100.0	Finance
Finges Investment B.V.	Netherlands	100.0	100.0	Finance
Glencore (Schweiz) AG	Switzerland	100.0	0.0	Finance
Glencore Group Funding Limited	UAE	100.0	100.0	Finance
Glencore Funding LLC	USA	100.0	100.0	Finance
Glencore Projects Pty Limited	Australia	100.0	0.0	Operating
Glencore Canada Corporation	Canada	100.0	0.0	Operating
Glencore Grain B.V.	Netherlands	100.0	100.0	Operating
Glencore Singapore Pte Ltd	Singapore	100.0	100.0	Operating
ST Shipping & Transport Pte Ltd	Singapore	100.0	100.0	Operating
Glencore AG	Switzerland	100.0	100.0	Operating
Glencore International AG	Switzerland	100.0	100.0	Operating
Glencore Commodities Ltd	UK	100.0	100.0	Operating
Glencore Energy UK Ltd	UK	100.0	100.0	Operating
Glencore UK Ltd	UK	100.0	100.0	Operating
Principal joint venture				
Compania Minera Dona Ines de Collahuasi ¹⁰	Chile	44.0	0.0	Copper production
Principal joint operations¹¹				
Bulga Joint Venture	Australia	68.3	0.0	Coal production
Cumnock Joint Venture	Australia	90.0	0.0	Coal production
Foybrook Joint Venture	Australia	67.5	0.0	Coal production
Liddell Joint Venture	Australia	67.5	0.0	Coal production
Macquarie Coal Joint Venture	Australia	80.0	0.0	Coal production
Newlands, Collinsville, Abbot Point Joint Venture	Australia	55.0	0.0	Coal production
Oaky Creek Coal Joint Venture	Australia	55.0	0.0	Coal production
Pentland Joint Venture	Australia	75.0	0.0	Coal production
Ravensworth Underground Mine Joint Venture	Australia	70.0	0.0	Coal production
Redrock Joint Venture	Australia	75.0	0.0	Coal production
Rolleston Joint Venture	Australia	75.0	0.0	Coal production
Togara North Joint Venture	Australia	70.0	0.0	Coal production
Ulan Coal Mines Joint Venture	Australia	90.0	0.0	Coal production
United Joint Venture	Australia	95.0	0.0	Coal production
Wandoan Joint Venture	Australia	75.0	0.0	Coal production

⁹ 100% of the existing share capital of Xstrata was acquired on 2 May 2013. Xstrata Limited is now a holding company of the acquired underlying operations of Xstrata.

¹⁰The principal joint venture is accounted for as a joint arrangement as the shareholder agreement does not provide the Group the ability to solely or jointly control the entity.

¹¹Classified as joint operations under IFRS 11, as these joint arrangements are not structured through separate vehicles.



	Country of incorporation	% interest 2013	% interest 2012	Main activity
Principal joint operations (continued)				
Donkin Joint Venture	Canada	75.0	0.0	Coal production
ARM Coal (Pty) Ltd.	South Africa	49.0	0.0	Coal production
Goedgevonden Joint Venture	South Africa	74.0	0.0	Coal production
Merafe Pooling and Sharing Joint Venture	South Africa	79.5	0.0	Ferroalloys production
Energia Austral Joint Venture	Chile	49.0	0.0	Hydroelectric project
El Aouj Joint Venture	Mauritania	44.0	0.0	Iron ore production
Kabanga Joint Venture	Tanzania	50.0	0.0	Nickel production
Mototolo Joint Venture	South Africa	37.0	0.0	Platinum production
Rhovon Pooling and Sharing Joint Venture	South Africa	74.0	0.0	Vanadium production
Principal associates				
Renova S.A.	Argentina	33.3	33.3	Biofuel production
Carbones del Cerrejon LLC	Colombia	33.3	0.0	Coal production
Port Kembla Coal Terminal Limited	Australia	33.4	0.0	Coal Terminal
Newcastle Coal Shippers Pty Ltd	Australia	37.0	0.0	Coal Terminal
Richards Bay Coal Terminal Company Limited	South Africa	26.7	7.2	Coal Terminal
Polymet Mining Corp.	Canada	28.6	25.7	Copper production
Century Aluminum Company ¹²	USA	46.6	46.6	Diversified production
Russneft Group ¹³	Russia	40.0 – 49.0	40.0 – 49.0	Oil production
Lonmin plc ¹⁴	UK	24.5	0.0	Platinum production
Noranda Income Fund	Canada	25.0	0.0	Zinc production
Compania Minera Antamina S.A.	Peru	33.8	0.0	Zinc/Copper production
Recylex S.A.	France	32.2	32.2	Zinc/Lead production
Other investments				
United Company Rusal plc	Jersey	8.8	8.8	Aluminium production
Volcan Compania Minera S.A.A.	Peru	7.3	7.3	Zinc production
Nyrstar N.V.	Belgium	0.0	7.8	Zinc/Lead production

¹²Represents the Group's economic interest in Century, comprising 41.8% (2012: 41.8%) voting interest and 4.8% non-voting interest (2012: 4.8%). Century is publicly traded on NASDAQ under the symbol CENX.

¹³Although the Group holds more than 20% of the voting rights, it has limited management influence and therefore does not have significant influence.

¹⁴Lonmin plc's business year end is 30 September and principal place of business is South Africa. Lonmin is publicly traded on the London Stock Exchange under the symbol LMLL.

Additional information

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Appendix

Reconciliation of selected pro forma financial information

Year ended 31 December 2013

US\$ million	Adjusted EBITDA	Adjusted EBIT	Net income before significant items	Net income after significant items
Reported – before adjustments for certain associates and joint ventures	9,684	5,635	3,666	(7,402)
Impact of presenting certain associates and joint ventures on a proportionate consolidation basis	782	335	–	–
Reported in the financial review section – after adjustments for certain associates and joint ventures	10,466	5,970	3,666	(7,402)
Less: Glencore's pre-acquisition share of Xstrata's earnings	(176)	(176)	(176)	(125)
Add: Xstrata's pre-acquisition earnings on a consolidated basis	2,130	902	536	498
Add: effect of fair value adjustments ¹	651	738	561	528
Less: Deferred tax impact	–	–	(4)	–
Add back: Xstrata acquisition goodwill impairment ²	–	–	–	7,480
Add back: revaluation of previously held interests in newly-acquired businesses and losses on sale of investment in associates ²	–	–	–	1,200
Add back: transaction costs directly associated with the acquisition ²	–	–	–	294
Reported pro forma financial information	13,071	7,434	4,583	2,473

Year ended 31 December 2012³

US\$ million	Adjusted EBITDA	Adjusted EBIT	Net income before significant items	Net income after significant items
Reported in the financial review section	5,943	4,470	3,064	1,004
Less: Glencore's pre-acquisition share of Xstrata's earnings	(1,174)	(1,174)	(1,174)	(299)
Add: Xstrata's pre-acquisition earnings on a consolidated basis	8,109	4,817	3,652	1,180
Add: effect of fair value adjustments	208	478	428	428
Add back: transaction costs directly associated with the acquisition ²	–	–	–	379
Reported pro forma financial information	13,086	8,591	5,970	2,692

¹ The fair value adjustments are determined in accordance with the basis of preparation on page 33. The fair value adjustments for the year ended 31 December 2013 include the pro forma impact for the four month period prior to acquisition (year ended 31 December 2012: annual period). These incorporate adjustments for depreciation, amortisation and onerous contracts, although the largest impact is the reversal of the non-cash inventory uplift adjustment of \$445 million. Inventories held by Xstrata at the date of acquisition were required to be recognised at fair value under IFRS. This results in negligible margins upon the subsequent sale of these inventories. The income impact of fair value uplift on inventory has been excluded from the pro forma financial information to accurately present the underlying operating margins and provide more useful information about the performance of the Group. The inventory uplift did not impact the pro forma results for the year ended 31 December 2012.

² Considered for the purposes of the pro forma to have occurred immediately prior to the commencement of the accounting period.

³ Pro forma 2012 has been adjusted to reflect the updated year-end fair value acquisition accounting for the acquisitions of Xstrata and Viterra.

Appendix

Reconciliation of tax charge – pro forma basis

US\$ million	Marketing activities	Industrial activities	Total
Adjusted EBIT, pre-significant items	2,356	5,078	7,434
Interest expense allocation	(283)	(1,600)	(1,883)
Interest income allocation	–	437	437
Allocated profit before tax	2,073	3,915	5,988
Adjustments for:			
Russneft interest income	–	(172)	(172)
Share of income in associates and dividend income	(100)	13	(87)
Allocated profit before tax for the basis of tax calculation	1,973	3,756	5,729
Applicable tax rate	10.0%	25.0%	19.8%
Pre-significant tax charge – on a proportionate consolidation basis	197	939	1,136
	Pre-significant tax charge	Significant item	Total tax charge
Tax charge (credit) on a proportionate consolidation basis	1,136	(183)	953
Adjustment in respect of certain associates and joint ventures tax	(424)	–	(424)
Tax charge (credit) on the basis of the pro forma income statement	712	(183)	529

Movement in pro forma net debt

US\$ million	31.12.2013
Funds from operations¹	10,375
Working capital changes, excluding readily marketable inventory movements and other	(1,807)
Payments of non-current advances and loans	285
Acquisition and disposal of subsidiaries, net of asset acquirer loans	479
Purchase and sale of investments	(144)
Purchase and sale of property, plant and equipment (excl. Las Bambas)	(11,131)
Purchase and sale of property, plant and equipment – Las Bambas	(1,734)
Margin payments in respect of financing related hedging activities	167
Acquisition and disposal of additional interests in subsidiaries	(489)
Dividends paid and purchase of own shares	(2,236)
Cash movement in net debt	(6,235)
Foreign currency revaluation of non-current borrowings and other non-cash items	(115)
Non-cash movement in net debt	(115)
Total movement in net debt	(6,350)
Net debt, beginning of period ²	(29,460)
Net debt, end of period	(35,810)

1 Pro forma FFO is reconciled to the Adjusted reported FFO in the table below.

2 Pro forma 2012 has been adjusted to reflect the updated year-end fair value acquisition accounting for the acquisitions of Xstrata and Viterra.

FFO reconciliation

US\$ million	Cash generated by operating activities before working capital changes	Net interest paid	Tax paid	Dividends received from associates	FFO
Adjusted reported measure	10,163	(1,488)	(679)	34	8,030
Add: Xstrata's pre-acquisition cash flows on a consolidated basis	2,818	(158)	(315)	–	2,345
Total	12,981	(1,646)	(994)	34	10,375



Debt funding allocation between marketing and industrial activities

US\$ million	Group As at 31 December 2013	Allocated to		Allocated to marketing	Illustrative marketing		
		Marketing	Industrial		% debt funded	Debt funded	Equity funded
Cash, cash equivalents and marketable securities	2,885		X	–			
Production inventories	6,108		X	–			
Readily marketable inventories	16,418	X		16,418	85%	13,955	2,463
Other inventories	227	X		227	20%	45	182
Net receivable/(payables) excluding cash margining	(2,276)	X		(2,276)	80%	(1,821)	(455)
Net brokers (cash margin only)	1,014	X		1,014	90%	912	101
Net fair value of trade related financial instruments	538	X		538	85%	458	81
Other net assets/(liabilities)	(563)	X	X	(151)	20%	(30)	(121)
Allocated current capital employed	24,351			15,770		13,519	2,251
Property, plant and equipment	67,507	X	X	3,060	50%	1,530	1,530
Investments	13,630		X	–			
Long-term advances and loans	4,095	X	X	1,824	20%	365	1,459
Total capital employed including cash – for debt allocation purposes	109,583			20,654		15,414	5,240
Intangible assets	9,053						
Total allocated capital employed including cash	118,636						
Not allocated ¹	(10,302)						
Total capital employed	108,334						
Representing:							
Gross debt	55,185						
Equity	53,149						

¹ Not allocated represents deferred tax assets and liabilities, assets and liabilities held for sale, non-current deferred income, non-current provisions and non-current financial liabilities.

Appendix

Glossary of key financial terms and reconciliation of key financial line items

Available committed liquidity

US\$ million	2013	2012
Cash and cash equivalents and marketable securities	2,885	2,820
Headline committed syndicated revolving credit facilities	17,340	12,805
Amount drawn under syndicated revolving credit facilities	(5,702)	(5,881)
Amounts drawn under U.S. commercial paper program	(1,645)	(726)
Total	12,878	9,018

Adjusted current ratio

Current assets before asset held for sale over current liabilities before liabilities held for sale, both adjusted to exclude current other financial liabilities.

Adjusted EBIT/EBITDA

Adjusted EBIT is revenue less cost of goods sold and selling and administrative expenses plus share of income from associates and joint ventures, dividend income and the attributable share of underlying adjusted EBIT of certain associates and joint ventures. Adjusted EBITDA consists of Adjusted EBIT plus depreciation and amortisation.

US\$ million	2013	2012
Revenue	232,694	214,436
Cost of goods sold	(227,145)	(210,435)
Selling and administrative expenses	(1,206)	(997)
Share of associates and joint ventures	846	367
Share of associates exceptional items	51	875
Dividend income	39	17
Mark to market valuation on certain contracts	95	123
Unrealised intergroup profit elimination	261	84
Adjusted EBIT – reported	5,635	4,470
Impact of presenting certain associates and joint ventures on a proportionate consolidation basis	335	–
Adjusted EBIT – segmental reporting	5,970	4,470
Depreciation and amortisation	4,049	1,473
Impact of presenting certain associates and joint ventures on a proportionate consolidation basis	447	–
Adjusted EBITDA – segmental reporting	10,466	5,943

Current capital employed

Current capital employed is current assets, presented before assets held for sale, less accounts payable, current deferred income, current provisions, current other financial liabilities and income tax payable.

Readily marketable inventories

Readily marketable inventories are readily convertible into cash due to their very liquid nature, widely available markets and the fact that the price is covered either by a physical sale transaction or hedge transaction.



Reconciliation of selected reported financial information to those applying the proportionate consolidation method to certain associates and joint ventures

For internal reporting and analysis, management evaluates the performance of Antamina copper/zinc mine (34% owned), Cerrejon coal mine (33% owned) and the Collahuasi copper mine (44% owned) under the proportionate consolidation method reflecting Glencore's proportionate share of the revenues, expenses, assets and liabilities of these investments. Below are reconciliations of selected reported financial information to those of applying the proportionate consolidation method to these investments.

Cash flow related adjustments

US\$ million	Reported measure	Adjustment for proportionate consolidation	Adjusted reported measure
Cash generated by operating activities before working capital changes	8,676	–	8,676
Addback EBITDA of certain associates and joint ventures	–	1,487	1,487
Cash generated by operating activities before working capital changes	8,676	1,487	10,163
Income taxes paid	(593)	(86)	(679)
Interest received	91	–	91
Interest paid	(1,589)	10	(1,579)
Dividend received from associates and joint ventures	551	(517)	34
Funds from operations ("FFO")	7,136	894	8,030
Working capital changes, excluding readily marketable inventory inflows and other	(420)	(341)	(761)
Receipts from/(payments of) non-current advances and loans	274	11	285
Net cash used in acquisition of subsidiaries	1,209	172	1,381
Net cash received from disposal of subsidiaries	744	–	744
Purchase of investments	(198)	–	(198)
Proceeds from sale of investments	54	–	54
Purchase of property, plant and equipment	(8,390)	(520)	(8,910)
Capital expenditures related to assets held for sale	(1,169)	–	(1,169)
Payments for exploration and evaluation	(28)	–	(28)
Proceeds from sale of property, plant and equipment	258	–	258
Margin receipts in respect of financing related hedging activities	167	–	167
Acquisition of additional interests in subsidiaries	(489)	–	(489)
Return of capital/dividends to non-controlling interests	(184)	–	(184)
Proceeds from own shares	10	–	10
Dividends paid to equity holders of the parent	(2,062)	–	(2,062)
Cash movement in net debt	(3,088)	216	(2,872)

Net debt

US\$ million	Reported measure	Adjustment for proportionate consolidation	Adjusted reported measure
Non-current borrowings	38,724	42	38,766
Current borrowings	16,461	68	16,529
Total borrowings	55,185	110	55,295
Less: cash and cash equivalents and marketable securities	(2,885)	(182)	(3,067)
Less: readily marketable inventories	(16,418)	–	(16,418)
Net debt	35,882	(72)	35,810

Appendix

Reconciliation of tax charge

US\$ million	Marketing activities	Industrial activities	Total
Adjusted EBIT, pre-significant items	2,356	3,614	5,970
Interest expense allocation	(283)	(1,475)	(1,758)
Interest income allocation	–	393	393
Allocated profit before tax	2,073	2,532	4,605
Adjustments for:			
Russneft interest income	–	(172)	(172)
Share of income in associates and dividend income	(100)	(130)	(230)
Allocated profit before tax for the basis of tax calculation	1,973	2,230	4,203
Applicable tax rate	10.0%	25.0%	18.0%
Pre-significant tax charge	197	558	755
	Pre-significant tax charge	Significant item	Total tax charge
Tax charge/(credit) on a proportionate consolidation basis	755	(172)	583
Adjustment in respect of certain associates and joint ventures tax	(329)	–	(329)
Tax charge/(credit) on the basis of the income statement	426	(172)	254

Shareholder information



Glencore Xstrata plc is registered in Jersey, with headquarters in Switzerland and operations around the world.

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