

GLENCORE

Glencore Funding LLC

\$950,000,000

6.00% Notes due 2014

Unconditionally Guaranteed as to Payment of Principal and Interest by

Glencore International AG and Glencore AG

Issue price: 99.285% (as to Notes issued on April 5, 2004) and 96.647% (as to Notes issued on April 21, 2004)

Interest payable April 15 and October 15

The 6.00% Notes due 2014 (the “Notes”) have been issued in an aggregate principal amount of \$950,000,000 by Glencore Funding LLC (the “Issuer”) as follows: \$800,000,000 principal amount on April 5, 2004 and \$150,000,000 principal amount on April 21, 2004. The Notes issued on April 5, 2004 and the Notes issued on April 21, 2004 form a single series in all respects, subject to certain transfer restrictions. See “Transfer Restrictions”. The Notes bear interest at the rate of 6.00% per year. Interest on the Notes is payable on April 15 and October 15 of each year, beginning on October 15, 2004. The Notes will mature on April 15, 2014. The Notes are redeemable prior to maturity, in whole or in part, at the redemption prices discussed under the caption “Description of the Notes and Guarantees—Redemption—Optional Redemption”.

The Notes are the senior unsecured obligations of the Issuer, unconditionally guaranteed on a joint and several basis by Glencore International AG (“Glencore International”) and Glencore AG (together with Glencore International, the “Guarantors”) each under a guarantee (each a “Guarantee” and together the “Guarantees”), and rank equally with all of the Issuer’s other unsecured unsubordinated obligations. The obligations of the Guarantors under the Guarantees are unsecured and rank equally with all of the Guarantors’ other unsecured unsubordinated obligations.

The Notes were issued in fully registered form initially as beneficial interests in Global Notes (as defined herein). Except as set forth herein, Global Notes are not exchangeable for Certificated Notes (as defined herein). See “Description of the Notes and Guarantees—Book Entry, Delivery and Form”.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

Investing in the Notes involves risks. See “Risk Factors” beginning on page 9.

The Notes have not been registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or any state securities laws and were offered and sold only to “qualified institutional buyers” or “QIBs” (as defined under Rule 144A under the Securities Act (“Rule 144A”)) and outside the United States in accordance with Regulation S under the Securities Act (“Regulation S”). For a description of certain restrictions on transfers of the Notes, see “Transfer Restrictions”.

Interest on the Notes accrues from April 5, 2004.

Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. (together, the “Joint Bookrunners”) and Credit Suisse First Boston LLC (together with the Joint Bookrunners, the “Initial Purchasers”) offered the Notes subject to various conditions. The Joint Bookrunners delivered the Notes to purchasers on April 5, 2004 and on April 21, 2004 through the facilities of The Depository Trust Company (“DTC”), Euroclear Bank, S.A./N.V., as operator of the Euroclear System (“Euroclear”), and Clearstream Banking Luxembourg (“Clearstream”), against payment therefor in immediately available funds.

Joint Bookrunners

Citigroup

JPMorgan

Joint Lead Manager (with respect to Notes issued on April 5, 2004)

Credit Suisse First Boston

July 25, 2004

No dealer, salesperson or any other individual has been authorized to give any information or to make any representations other than those contained in this Listing Particulars and, if given or made, such information or representations must not be relied upon as having been authorized by us or by any Initial Purchaser. This Listing Particulars does not constitute an offer to sell or a solicitation of an offer to buy any security nor does it constitute an offer to sell or a solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. This Listing Particulars shall not under any circumstances create any implication that there has been no change in the affairs of Glencore since the date hereof.

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Unless the context otherwise requires, references in this Listing Particulars to "Glencore," "we," "us," or "our" are references to Glencore International and its consolidated subsidiaries.

This Listing Particulars has been prepared solely in connection with an offering in compliance with an exemption under the Securities Act for the benefit of prospective investors interested in the Notes and qualified to purchase the Notes in transactions exempt from registration under or not otherwise subject to the Securities Act. This Listing Particulars does not constitute an offer to any person or the public generally to subscribe for or otherwise acquire the Notes.

The information contained in this Listing Particulars has been furnished by us and by other sources believed by us to be reliable. No representation or warranty, express or implied, is made by the Initial Purchasers as to the accuracy or completeness of such information.

You are not to construe the contents of this Listing Particulars as investment, legal or tax advice. You should consult your own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes. Neither we nor the Initial Purchasers make any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws.

The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Notes or possess or distribute this Listing Particulars and must obtain any consent, approval or permission required by you for the purchase, offer or sale by you of the Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the Initial Purchasers shall have any responsibility therefor.

Neither the Notes nor the Guarantees have been registered with, or recommended or approved by, the United States Securities and Exchange Commission (the “Commission”) or any other federal or state securities commission or regulatory authority, nor has the Commission or any such other commission or regulatory authority passed upon the accuracy or adequacy of this Listing Particulars. Any representation to the contrary is a criminal offense.

There is no undertaking to register the Notes or the Guarantees under state or United States federal securities laws and the Notes cannot be resold unless they are subsequently registered or an exemption from registration is available or they are resold in a transaction not subject to the registration requirements under the Securities Act. In connection therewith, the Notes are subject to certain restrictions on transfer. See “Transfer Restrictions”. You should be aware that you may be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

In making an investment decision, you must rely on your own examination of the Issuer and the Guarantors and the terms of the offering, including the merits and risks involved. You acknowledge that (i) you have been afforded an opportunity to request from us and to review, and have received, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) you have not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with your investigation of the accuracy of such information or your investment decision and (iii) no person has been authorized to give any information or to make any representation concerning the Issuer, the Guarantors, the Notes or the Guarantees other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or by the Initial Purchasers. You are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Notice to New Hampshire residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE SECURITIES LAW WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE INVESTOR, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Forward-looking statements

This Listing Particulars contains forward-looking statements. Those statements appear in a number of places in this Listing Particulars, including, but not limited to, statements under the headings “Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business”. Such statements include statements regarding our belief or current expectations concerning the future financial condition and results of operations of Glencore, including Glencore’s ability to meet debt service obligations and financing plans. The words “believe,” “expect” and “anticipate” and similar expressions identify some of such forward-looking statements. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in such forward-looking statements as a result of various factors. The accompanying information contained in this Listing Particulars, including, without limitation, the information set forth under the heading “Risk Factors,” identifies certain of the factors that could cause such differences. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their respective dates. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Service of process and enforcement of civil liabilities

The Guarantors are corporations organized under the laws of Switzerland. A majority of the Guarantors’ respective directors and officers reside outside the United States. A substantial portion of the respective assets of the Guarantors and of these persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Guarantors or such persons or to enforce against the Guarantors or such persons, in United States courts, judgments obtained in such courts predicated upon the civil liability provisions of the federal securities laws of the United States. Each of the Guarantors has been advised by its Swiss counsel that there is doubt as to the enforceability in original actions in Swiss courts of civil liabilities predicated solely upon the federal securities laws of the United States. The Indenture (as defined herein) under which the Notes were issued provides that each of the Guarantors will appoint an agent for service of process in any suit, action or proceeding with respect to the Indenture or the Notes and for actions brought under federal or state securities laws brought in any federal or state court located in The City of New York, and that each of the Guarantors will submit to the jurisdiction of such courts in connection with such suits, actions or proceedings.

Presentation of financial information

Glencore maintains its financial books and records in United States dollars (hereinafter, “\$”, “US\$” or “U.S. dollars”), its functional currency, and in conformity with the accounting standards issued by the International Accounting Standards Board (“International Financial Reporting Standards” or “IFRS”—previously IAS), which differ in certain respects from the accounting principles generally accepted in the United States (“U.S. GAAP”). For a discussion of the principal differences between IFRS and U.S. GAAP applicable to Glencore’s consolidated financial statements, see “Summary of Certain Differences Between IFRS and U.S. GAAP”.

Summary

The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information and the Consolidated Financial Statements appearing elsewhere in this Listing Particulars. Capitalized terms not defined in this summary are defined elsewhere in this Listing Particulars.

Glencore

Our business

Glencore is a leading privately held, diversified natural resources company with worldwide activity in the smelting, refining, mining, processing, purchasing, selling and marketing of metals and minerals, energy products and agricultural products. We operate on a global scale, marketing physical commodities which we have produced in our own industrial assets or purchased from third parties 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. These activities are supported by substantial strategic investments in industrial assets relating to our core commodities. Our 2003 consolidated revenues and net income were \$54,686 million and \$1,120 million, respectively. As of December 31, 2003, Glencore had total assets of \$15,074 million. We believe that we are one of the world's largest privately held companies, as measured by revenues.

We conduct our operations in three business groups: Metals and Minerals, Energy Products and Agricultural Products. We believe we are the world's largest physical supplier of the majority of the metals and minerals we market, one of the largest non-integrated physical suppliers of crude oil and oil products and the world's largest supplier of seaborne steam coal, through our marketing arrangements with our associated companies Xstrata plc and Cerrejon Coal Company, in addition to our own sourcing and marketing activities. We also believe we are among the world's leading suppliers of sugar and one of the leading exporters of grain from the European Union, Eastern European countries and the Commonwealth of Independent States (former Soviet Union), or "CIS".

Our three business groups are comprised of six commodity departments:

- Our Metals and Minerals business group is composed of three departments: Aluminum/Alumina, Zinc/Copper/Lead, and Ferroalloys/Nickel/Cobalt (including noble metals/alloys and bulk ores, which include iron, manganese and chrome ore). The activities of our Metals and Minerals business group are supported by strategic investments in industrial assets, such as smelting, refining, mining and processing operations.
- Our Energy Products business group is composed of two departments: Crude Oil/Oil Products and Coal/Coke. The activities of our Coal/Coke department are supported by direct and indirect ownership interests in several coal mining operations in strategic geographic locations.
- Our Agricultural Products business group is a single department focused on the purchase and sale of grains (including wheat, maize and barley), edible oils and sugar. The activities of our Agricultural Products business group are supported by investments in storage, handling and processing facilities in strategic locations.

For a more detailed discussion of our commodity departments and our investments in industrial assets, see "Business—Review of Operations".

The table below shows a breakdown of revenues and gross income from each business group for each of the last five fiscal years:

	Fiscal year ended December 31,									
	2003		2002		2001		2000		1999	
	(US\$ in millions)									
Revenues:										
Metals and minerals	23,262	42.5%	18,327	42.0%	15,981	35.9%	16,593	34.6%	12,638	36.1%
Energy products	27,428	50.2%	22,099	50.6%	25,204	56.7%	28,304	59.0%	18,559	53.0%
Agricultural products	3,996	7.3%	3,266	7.4%	3,313	7.4%	3,071	6.4%	3,822	10.9%
Total revenues	54,686	100.0%	43,692	100.0%	44,498	100.0%	47,968	100.0%	35,019	100.0%
Gross income:										
Metals and minerals	854	59.1%	542	60.0%	831	48.7%	693	60.4%	521	60.0%
Energy products	400	27.7%	238	26.4%	761	44.6%	405	35.3%	293	33.8%
Agricultural products	176	12.2%	123	13.6%	115	6.7%	50	4.3%	54	6.2%
Total gross income ¹	1,444	100.0%	903	100.0%	1,707	100.0%	1,148	100.0%	868	100.0%

¹ Total gross income for 2003 includes an additional \$14 million of income (1.0% of total gross income) generated from investments in marketable securities which are not related to our physical commodity marketing activities.

Each of our six commodity departments is responsible for managing the marketing, sourcing, hedging, logistics and industrial investment activities relating to the commodities within such department. The senior managers of each commodity department are responsible for our worldwide operations relating to those commodities and are an integral part of our senior management team. In 2003, none of our six commodity groups accounted for more than 30% of our gross income as compared with 40% for 2002.

Our main operational centers are located in Baar (Switzerland), Stamford (Connecticut), London, Rotterdam and Singapore. Our marketing and investment activities and relationships with producers and consumers of raw materials are supported by a global network of more than 60 field offices located in more than 50 countries throughout Europe, North, Central and South America, the CIS, Asia, Australia, Africa and the Middle East. This network provides us with significant worldwide sourcing and distribution capabilities. See “Business—Worldwide Office Network—Network Offices”.

Key factors affecting our results

The following sections describe the most significant factors that affect our financial results.

Commodity demand

We believe that the demand for commodities during any period is one of the most important determinants of our profitability during such period. Changes in the relative price structure of the various stages of the production process for raw materials also impact our margins and profitability. Because higher commodity prices may inflate our revenues without a corresponding increase in income, the amount of revenues we generate during a period is not necessarily indicative of our operating performance during the period.

The volume of commodities produced and marketed by us during any period will, in large part, result from market demand for such commodities during such period. Therefore, our revenues and income will be directly affected by worldwide levels of production and consumption of industrial goods. Such levels of production and consumption generally determine the worldwide demand for the raw and processed materials which we produce and market. Increases or decreases in demand for such products, which give rise to increases or decreases in volumes handled by us and the premiums we can obtain by physical delivery of such products, will have a direct effect on the profitability of our operations.

Commodity prices

Although we believe that the worldwide level of commodity prices generally is not the most significant factor determining our profitability during any particular period, nonetheless such levels will have an impact on our revenues and income. In a market environment in which prices for a particular commodity or group of commodities are higher on average, the premiums that we generate in our marketing operations relating to such commodity as a result of geographical, time and quality imbalances tend to be higher. In addition, a period of higher prices will be of particular benefit to the profitability of our operations with respect to (a) commodities which we produce in our own industrial assets or are produced by our associated industrial companies, (b) commodities in which we have a higher processing recovery rate through our industrial assets than the recovery rate assumed in the contracts with suppliers of raw materials, and (c) commodities, such as ferroalloys and coal, for which no established futures trading market exists.

Conversely, in a market environment in which prices for a commodity or group of commodities are lower on average, the benefits we obtain from our industrial activities and from marketing of such physical commodities are likely to be reduced. We believe that, in periods in which prices for a particular commodity or group of commodities display relative volatility and, therefore, uncertainty, the level of trading activities in such commodities tends to increase. This market situation offers additional opportunities for taking advantage of the resulting distortions in historic relative premiums and discount structures. By virtue of our leading market position, we believe we are generally able to take advantage of the increased level of activity in such an environment and of market distortions. Our financial strength, the additional services which we provide and the global scope of our operations all contribute to the additional value which we can provide to our customers and which we believe is of increased importance in periods of market instability and price volatility.

Inventory turnover and short-term financing

The speed of turnover of our inventory and collection of accounts receivable also have an important effect on our profitability. Our inventory is primarily material in transit. We finance a significant portion of our inventory and accounts receivable with accounts payable and short-term credit. Because, as described above, the volume of the commodities we move is one of the most significant factors affecting profitability, the ability to repay such short-term credit and to finance additional commodity purchases is of critical importance to our profitability. The timing of the sale of inventory and receipt of payment therefor (i.e., collection of accounts receivable), as well as the level of short-term credit available to us, will directly affect our ability to maintain or increase the level of our physical commodity marketing activities. In addition, the turnover of inventory and accounts receivable also affects our average outstanding balances of short-term borrowings and the related interest expense.

The average number of days of receivables that we maintain is, in turn, also affected by the availability of credit to our suppliers and customers. For example, tighter commercial bank credit or reduced availability of public funding in the emerging markets is likely to extend the period required for payment by our customers or to require us to provide working capital to our suppliers in these markets,

in the form of advances against future deliveries of commodities. The availability of credit generally will also affect our suppliers' and customers' needs for financing and the payment terms which we provide. A further potential impact of such reductions in the availability of bank credit or public funding may be reductions in the volumes of commodity purchases, especially by sovereign and other emerging markets customers. See "—Commodity Demand" above. In general, fluctuations in interest rates on short-term credit do not have a significant impact on our results of operations, since the cost of short-term financing is generally factored into the pricing of our commodity marketing transactions.

Other factors affecting our results

In certain circumstances, we may, by virtue of the global scope of our operations, be able to take advantage of the periodic commodities supply and demand imbalances which are limited to particular geographic regions. In addition, our financial strength and ability to effect prompt deliveries from a wide range of sources may allow us to quickly "lock in" profits on commodity transactions in the event of temporary market distortions.

Competitive strengths

We believe our success has been built upon a unique combination of competitive strengths that has enabled us to create one of the largest, fully integrated and diverse natural resources companies in the world. These competitive strengths include the following:

Global scope of operations

We are one of the largest and most geographically diverse natural resources companies in the world. Our global network of more than 60 field offices in more than 50 countries and geographically dispersed smelting, refining, mining and processing operations enable us to source, process and physically deliver commodities efficiently throughout the world. Our global office network facilitates significant competitive origination and distribution advantages by enabling us to penetrate and maintain our presence in local markets, identify strategic investment opportunities, develop a thorough knowledge of market conditions and counterparty quality, and respond quickly to changes in market practices and characteristics. The global scope of our operations also allows us to take advantage of pricing differences in distinct geographic commodity markets by purchasing and delivering commodities in regions in which a supply or demand imbalance exists. This ability, in conjunction with our worldwide industrial operations, makes us a substantial participant in the flow of natural resources with both producers and consumers of commodities.

Complementary value-added services capability

Our ability to provide a broad range of value-added services to our customers enhances our role as a preferred purchaser or supplier of commodities and strengthens our long-term relationships with our customers. We provide shipping, logistics, inland transportation, storage and marketing services to producers and consumers of commodities. We also arrange working capital and capital expenditure financing for our customers in connection with future physical commodity deliveries. We believe the broad range of value-added services we offer our customers gives us a competitive advantage because these services fulfill the needs of certain customers that do not have the internal capability to provide these services and cannot outsource these services as seamlessly or efficiently as we can provide them. Furthermore, our ability to arrange for short- and long-term financing for our customers provides us with additional long-term sources of physical commodities to complement those provided by our own industrial assets or from other third parties.

Strategic investments in industrial assets

We have an established record of successful strategic investments in industrial assets. These investments have become a significant component of our commodity sourcing and marketing activities and value-added services. We own and operate industrial assets worldwide, such as smelting, refining, mining and processing operations for aluminum, alumina, zinc, lead, copper, nickel, cobalt and coal. These investments provide us with a long-term, stable supply of raw materials, market intelligence and access to operating and technical know-how. In addition to our direct investments, we also invest in industrial assets indirectly through publicly traded companies with which we have long-term, arm's length marketing agreements. For example, we own a 16.0% common stock interest in Xstrata, which is listed on the London Stock Exchange. In addition to the benefits that ownership of industrial assets provide to our core sourcing and marketing activities, disposals of industrial assets have also significantly contributed to our earnings. As of December 31, 2003 the book value of property, plant and equipment related to our fully consolidated investments in industrial assets was approximately \$1.5 billion and investments in associates (representing our share in the equity in industrial assets where we own less than 50%) was approximately \$1.3 billion. Based on our internal valuation analysis of non-listed investments, and the mark to market valuation of our listed investments, we believe that the current market value of our holdings in industrial assets and listed associated companies exceeded their December 31, 2003 book value by more than \$5.3 billion. The surplus value of our direct and indirect interests in the listed companies Minara, Xstrata and Century Aluminum contributed \$1.8 billion (marked to market value as of March 10, 2004), whilst \$3.5 billion was represented by our non-listed companies, attributable primarily to Cerrejon Coal Company, Kazzinc, Mopani and Aughinish.

Diverse commodity, customer and supply base

We market a broad but focused group of commodities to a diverse customer base. We have marketed the same commodities over the past 23 years, allowing us to develop and build upon our expertise in these commodities and cultivate long-term relationships with key

suppliers and customers. We have a broad customer base operating in diverse industries and in different geographic regions. A major oil company is the single largest customer within the Energy Group, which has Glencore's largest customers. Sales to this oil company represent 2.6% of our 2003 revenue. This industrial, geographic, commodity and customer diversity enables us to operate profitably even during periods in which a particular commodity, industry or geographic region may be experiencing a down cycle. In addition, we benefit from having a broad and geographically diverse supply base, which includes commodities produced by third parties as well as by our own industrial assets. The geographic diversity of our suppliers and our own operations mitigates the risk of exposure to any one particular region and helps to ensure a steady supply of commodities for our marketing activities.

Employee ownership structure

We have always been owned wholly or principally by management and key employees. We believe that this ownership structure has been a key element of our successful growth since our inception. Our ownership structure aligns the interests of shareholders and management and has fostered a culture of excellence and teamwork. In addition, employee ownership helps us to attract new employees of the highest caliber and to retain and motivate existing employees. The fact that our management team has a significant amount of capital invested in the company motivates them to take a long-term view of our overall performance and to protect the capital of the company. We believe that our consistent profitability, the long-term tenure of our senior management, and our prudent risk management policies are direct results of our management ownership structure.

Barriers to entry

We believe that the scale and global reach required to compete effectively in our industry present barriers to entry and are advantageous to a leading market participant such as Glencore. Substantial amounts of short-term and long-term credit and, increasingly, access to international debt capital markets supported by investment grade ratings from the major rating agencies are needed to fund our high volume of physical commodity marketing and investment activities. Assembling the required logistics capabilities from scratch would be difficult. A reliable supply of commodities must also be established, which necessitates strong relationships with producers that must be developed over a long period of time, and financial strength to secure the sourcing arrangements through advances against future deliveries and to fund investments in production facilities. In addition, a global geographic and diversified commodity mix, which is difficult and expensive to achieve, is essential to long-term sustainable success in our business. Moreover, the complexities associated with risk management require significant intellectual capital, which is generally challenging and time consuming to create in, or transfer to, a start-up organization. These factors favor Glencore over companies with only a regional or pure marketing focus, since we have widely diversified global sources of supply, a globally diversified customer base and value-added activities.

Company strategy

Our strategy is to maintain and build upon our position as one of the world's largest diversified natural resources and physical commodity marketing companies. The key elements of our strategy include:

Maintain conservative financial profile and solid investment grade ratings

Our conservative financial profile and solid investment grade credit ratings have enabled us to consistently access the bank and international capital markets on competitive terms to obtain necessary funding. We intend to continue to manage our financial position to maintain or to improve our investment grade credit ratings. We intend to continue to maintain sufficient short-term lines of credit and access to commercial paper funding for our working capital needs and to manage our long-term debt levels to reflect the nature of our assets and our other long-term capital requirements.

Maintain geographic scope and diversification of operations

We intend to build upon our position as one of the largest worldwide physical commodity suppliers by continuing to align the geographic scope and diversity of our operations with the evolving flow of natural resources. We believe the global scope of our operations will enable us to continue to supply a diversified range of physical commodities to our existing customer base, develop new relationships with producers and consumers of raw materials and selectively target profitable new business opportunities worldwide.

Capitalize on strategic investments in industrial assets

Our strategic investments in industrial assets are a significant component of our physical sourcing and marketing activities and value-added services. While we intend to remain focused on physical commodity sourcing and marketing, we also intend to continue to pursue selective strategic acquisitions and alliances to support and strengthen our core physical marketing and value-added activities as and when opportunities arise. We believe investment opportunities will continue to be created by, among other things, (i) the privatization of natural resources producers in emerging markets, (ii) voluntary or involuntary spin-offs and realignment of asset

portfolios in mergers of producers of natural resources and (iii) the restructuring of natural resources industries. We will continue to apply our investment criteria to our acquisitions, pursuing investments in industrial assets that are of strategic importance to our core business and that are projected to achieve our targeted return-on-capital objectives on a stand-alone basis. We believe we can continue to identify investment opportunities in which asset value can be created through application of our market knowledge and operational and technical know-how.

Proactively mitigate and manage risk

We operate centralized risk management information systems and have adopted policies which are intended to mitigate and manage commodity price, counterparty and political risks. Typically, 70% to 80% of our total inventory (which is principally material in transit) is contractually sold at a pre-determined price or hedged through futures and options transactions. In addition, we routinely hedge our contractual purchase commitments for commodities to cover the period of time before such commodities are included in our inventory. We reduce the risk of non-payment by our customers by imposing limits on open accounts extended to creditworthy customers and imposing credit support requirements for all other customers. We manage our exposure to political risk by obtaining political risk insurance and credit support from creditworthy financial institutions in situations where we believe that obtaining such insurance or credit support is commercially prudent.

Maintain employee ownership structure and senior management team

We intend to maintain our employee ownership structure, which has been a key element of our successful growth. We believe that our ownership structure will continue to create incentives for senior management to seek to maximize the long-term profitability and stability of Glencore and allow us to attract highly qualified employees. The dedication and skills of our people, together with our focus on teamwork, enable us to provide a comprehensive range of commodities and value-added services to our customers on a coordinated global basis. Advancing within Glencore and achieving a shareholding position depend solely on demonstrated ability, performance and contribution to our success. One of our most important assets is our people.

Our principal executive offices and corporate headquarters are located at Baarermattstrasse 3 – CH-6341, Baar, Switzerland, and our telephone number is *41 41 709 20 00.

Our web site address is www.glencore.com. Information contained in or connected to our web site is not a part of this Listing Particulars.

This Listing Particulars contains some of our trademarks, including our logo. Each trademark, trade name or service mark of any other company appearing in this Listing Particulars belongs to its respective holder.

Summary of the Terms of the Notes

Issuer	Glencore Funding LLC, a Delaware limited liability company formed on March 11, 2004. The Issuer is a wholly-owned, indirect subsidiary of Glencore International that serves as a financing vehicle through which we raise funds to support our worldwide operations.
Guarantors	Glencore International, a Swiss corporation. Glencore International directly or indirectly owns all of our consolidated subsidiaries, directly generates a significant percentage of our consolidated earnings and directly holds a significant percentage of our other consolidated assets. Glencore AG, a Swiss corporation. Glencore AG is a direct, wholly-owned subsidiary of Glencore International.
The Notes	\$950,000,000 principal amount of 6.00% Notes due 2014, comprised of \$800,000,000 principal amount of Notes issued on April 5, 2004 and \$150,000,000 principal amount of Notes issued on April 21, 2004. The Notes issued on April 5, 2004 and the Notes issued on April 21, 2004 form a single series in all respects, subject to certain transfer restrictions. See “Transfer Restrictions”.
The Guarantees	The obligations of the Issuer under the Notes are unconditionally and irrevocably guaranteed on a senior, unsecured and joint and several basis by Glencore International, pursuant to the Glencore International Guarantee, and Glencore AG, pursuant to the Glencore AG Guarantee.
The Offering	\$950,000,000 aggregate principal amount of the 6.00% Notes due 2014 were offered in the United States to “qualified institutional buyers” (“QIBs”) in reliance on Rule 144A under the Securities Act and outside the United States to persons other than U.S. persons in reliance upon Regulation S.
Issue Price	99.285% (as to Notes issued on April 5, 2004) and 96.647% (as to Notes issued on April 21, 2004), plus accrued interest from April 5, 2004.
Maturity Date	April 15, 2014.
Interest	The Notes bear interest from April 5, 2004 at the rate of 6.00% per annum, payable semi-annually in arrears.
Interest Payment Dates	April 15 and October 15 of each year, commencing October 15, 2004.
Regular Record Dates	April 1 and October 1 of each year.
Status of Notes and Guarantees	The Notes and the Guarantees are direct, unsecured and unsubordinated obligations of each of the Issuer and the Guarantors, respectively, ranking <i>pari passu</i> among themselves and with all other direct, unsecured and unsubordinated obligations (except those obligations preferred by statute or operation of law) of the Issuer and each of the Guarantors, respectively. The Notes and the Guarantees will be effectively subordinated to any debt or other obligations of any subsidiary of Glencore International (other than the Issuer and Glencore AG) with respect to the earnings and assets of that subsidiary. See “Description of the Notes and Guarantees—Status of Notes and Guarantees”.
Use of Proceeds	The aggregate proceeds to the Issuer from the offering are estimated to be approximately \$931.7 million, after deducting discounts and commissions. The net proceeds of the offering will be used for our general corporate purposes, including the repayment of outstanding debt. See “Use of Proceeds”.
Covenants	The Issuer and the Guarantors have agreed to certain covenants with respect to the Notes and the Guarantees, including limitations on liens, on sale and leaseback transactions and on mergers and consolidations. See “Description of the Notes and Guarantees—Covenants of the Issuer and the Guarantors”.

Events of Default	For a discussion of events that will permit the acceleration of the Notes, including acceleration of certain other indebtedness of the Issuer and the Guarantors, see “Description of the Notes and Guarantees—Events of Default”.
Information	Glencore International will make available to holders by means of its website or other similar means (a) annual audited consolidated financial statements within 120 days of Glencore International’s financial year end, (b) semi-annual unaudited consolidated financial statements within 90 days of the end of such period, and (c) for each of the first and third quarters of such financial year, a quarterly unaudited consolidated summarized balance sheet and a statement of income within 75 days of the end of each such financial quarter, in each case prepared in accordance with IFRS as in effect at the date of the relevant statements, together with a discussion by management of the results for the relevant period (with quarterly discussion limited to significant items). This information will also be made available to prospective holders and at the office of our listing agent in Luxembourg.
Optional Redemption	The Issuer or either of the Guarantors may redeem the Notes in whole or in part, at the Issuer’s or such Guarantor’s option, at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) the sum of the present values of the applicable Remaining Scheduled Payments (as defined herein) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined herein) plus 35 basis points, together with, in each case, accrued interest on the principal amount of the Notes to be redeemed to the date of redemption. See “Description of the Notes and Guarantees—Redemption—Optional Redemption”.
Optional Tax Redemption	The Notes are subject to redemption prior to maturity, at the option of the Issuer or either of the Guarantors, in whole but not in part, at their principal amount, plus accrued interest to the date of redemption and any Additional Amounts (as defined herein), in the event of certain changes in tax laws. See “Description of the Notes and Guarantees—Redemption—Optional Redemption”.
Additional Amounts	Subject to certain exceptions and limitations, the Issuer and the Guarantors will pay such Additional Amounts (as defined herein) on the Notes (or under the Guarantees in respect thereof) as may be necessary to ensure that the net amounts received by each holder of a Note after all withholding or deductions shall equal the amount of principal (and premium, if any) and interest which such holder would have received in respect of such Note (or payments under the Guarantees in respect thereof) in the absence of such withholding or deduction, provided that no additional amount will be payable in respect of U.S. tax. See “Description of the Notes and Guarantees—Payment of Additional Amounts”.
Denomination, Form and Registration of Notes	The Notes were issued in fully registered form and only in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. The Notes were issued initially as Global Notes. QIBs may elect to hold Notes purchased by them through the facilities of DTC, which is acting as depositary for the Notes. Holders of Notes sold in offshore transactions in reliance on Regulation S under the Securities Act may elect to hold Global Notes through Euroclear and Clearstream. Prior to the date that is 40 days after the later of the commencement of the offering or the closing date, beneficial interests in Regulation S Global Notes may be held only through Euroclear and Clearstream. See “Transfer Restrictions”. Except as set forth herein, Global Notes are not exchangeable for Certificated Notes. See “Description of the Notes and Guarantees—Book Entry, Delivery and Form”.
Further Issues	The Issuer may from time to time without the consent of the holders of the Notes issue further securities having the same terms and conditions as the Notes so that the further issue is consolidated and forms a single series of notes with the Notes issued hereunder.
Trustee	JPMorgan Chase Bank.

Transfer Restrictions The Notes have not been and will not be registered under the Securities Act and are subject to certain restrictions on resale and transfer. See “Transfer Restrictions”.

Governing Law..... The Indenture and the Notes are governed by, and should be construed in accordance with, the laws of the State of New York. The Guarantees are governed by, and should be construed in accordance with, the laws of Switzerland.

Ratings Glencore International’s long-term credit ratings are Baa3 by Moody’s (Stable) and BBB by S&P (Stable).

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revisions, suspension or withdrawal at any time by the relevant rating organization.

Listing..... Application has been made to list the Notes on the Luxembourg Stock Exchange.

Investing in the Notes involves risks. See the “Risk Factors” section of this Listing Particulars for a description of certain risks you should carefully consider before investing.

Risk factors

The following summarizes certain risks involved in an investment in the Notes that may materially affect the ability of the Issuer and the Guarantors to pay the interest, principal and premium, if any, on the Notes. Prospective investors should read and carefully consider the following factors and other information in this Listing Particulars before deciding to invest in the Notes.

Factors relating to Glencore

Factors affecting markets for commodities

Our primary source of earnings is the sale and physical delivery of commodities. Some of our customers operate in industries that are highly cyclical. Demand for particular commodities that we produce, purchase, sell and deliver may decrease during downturns in any related industry and, consequently, the volumes of such commodities and the earnings generated therefrom may be adversely affected. Also, certain commodities that we produce or market have shown historical patterns of cyclicalities in prices which typically have been influenced by the general economic environment and by industry capacity and demand. The volume of agricultural commodities we purchase, sell and deliver and related earnings may be affected adversely by global and regional weather conditions. Although we believe that price movements on either the supply side or the demand side of our physical marketing business are generally offset by like movements on the opposite side, such price movements also may affect the volumes of the commodities marketed by us and, therefore, earnings generated therefrom. There can be no assurance that volumes of commodities produced and marketed by us will not decline in the future, adversely affecting our financial results.

Although the range of commodities produced and marketed by us and the geographic regions in which we operate are widely diversified and we believe that a reduction in demand for any particular commodity or an economic downturn in any particular region would not have a significant adverse effect on our financial results, the volumes of commodities produced, purchased and sold by us are subject to the general worldwide economic environment, and any downturn in the global economy or in regions material to us could adversely affect our operations.

We operate under policies which are intended to minimize the risk deriving from commodity price fluctuations. A substantial portion of our inventory (which is primarily material in transit) is, at any given time, under contract for sale at a pre-determined price or hedged through futures and options transactions on commodity exchanges or with highly rated counterparties. In the event of disruptions in the commodity exchanges on which we engage in hedging transactions, our ability to manage commodity price risk may be adversely affected. Also, in the event of price movements against open positions in a commodity in which we are not fully hedged, our results of operations may be adversely impacted.

Commercial and political risk

Our business is subject to commercial and political risks which may affect transactions with particular counterparties or transactions in particular regions of the world.

The commercial risks to which our operations may be subject include counterparty risk, such as failure of performance by suppliers and failure of payment by our customers. We seek to reduce the risk of supplier non-performance by requiring credit support from creditworthy financial institutions where appropriate, particularly in transactions involving financing extended to our suppliers. We reduce the risk of non-payment by purchasers of commodities by imposing limits on open accounts extended to creditworthy customers and imposing credit support requirements for other customers. Nonetheless, no assurance can be given that our financial results would not, in certain circumstances, be adversely affected by the failure of a counterparty to fulfill its contractual obligations to us.

We operate worldwide, including in regions of the world and countries which are subject to political risks. Government actions, such as the imposition of currency controls, moratoriums and expropriations, could prevent a counterparty from performing an obligation owed to us. Our industrial assets may be subject to damage, destruction or loss in the event of civil unrest or expropriation. We manage our exposure to political risk directly through obtaining political risk insurance and credit support from creditworthy financial institutions when we believe that obtaining such insurance or credit support is prudent, and indirectly through geographic diversification of commodities and operations. Nonetheless, no assurance can be given that our financial results would not, in certain circumstances, be adversely affected by political acts or instability.

Loss and third-party liability

Our operations include investments in industrial assets, such as smelting, refining, mining and processing operations. Transport disruption, weather and natural disasters such as hurricanes and flooding, unexpected maintenance problems, collapse or damage to

mineral resources, unexpected geological variations, labor disruptions and changes in laws and regulations relating to occupational safety, health and environmental matters are some of the factors that may adversely affect our profitability. These factors can affect costs at particular industrial assets for varying periods. In addition, smelting, refining, mining and processing operations also rely on key inputs, such as labor, fuel and electricity. Disruption to the supply of key inputs, or changes in their pricing, may have a significant adverse impact on our future earnings.

Our marketing operations entail shipments of commodities, including oil and oil products, in large quantities, often by ocean-going transport. Such operations may be subject to risks of environmental liability, loss and third-party liability which arise from the activities involved.

We utilize a broad insurance program providing coverage for operations at a level which we believe is appropriate for the risks associated therewith. Such insurance protection is maintained with leading international insurance markets and includes coverage for physical loss and damage, as well as third-party liability. However, insurance is not commercially available to cover all potential risks and no assurance can be given that, where available, such coverage would be sufficient to cover all loss and liability to which we may be exposed.

Access to capital

Our operations employ significant amounts of capital. Continued access to such capital is critical to maintaining our customary level of activity. A significant portion of our debt is short-term in nature. Our short-term debt generally finances our current assets, which are comprised of inventories, trade receivables and advances and are either self-liquidating or otherwise subject to a high rate of turnover. In the event that, as a result of events relating to our business or to the credit markets generally, our access to such short-term capital were to be restricted, our volumes may be adversely affected.

Currency and exchange rate fluctuations

Our functional currency is the U.S. dollar, as the vast majority of our purchase and sale transactions are denominated in U.S. dollars. In transactions denominated in currencies other than the U.S. dollar, we generally hedge the specific future commitment through a forward exchange contract. Nevertheless, some of our operating expenses are denominated in the local currencies in which our offices or industrial assets are located. Our largest non-dollar expenses related to our office network are denominated in the Euro (“€”), the Pound Sterling (“£”) and the Swiss Franc (“CHF”). Our largest non-U.S. Dollar denominated operating costs related to our industrial operations are in Euro and Australian Dollars (“A\$”). A rapid depreciation in the value of the U.S. dollar against these currencies will therefore result in an increase in the cost of our operations in U.S. dollar terms and could adversely affect our results if not fully hedged. For a discussion of the effects of the depreciation in the value of the U.S. dollar in 2003, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Twelve Month Period Ended December 31, 2003 Compared with the Twelve Month Period Ended December 31, 2002—Selling and Administrative Expenses”.

Enforcement of judgments

The Guarantors are corporations organized under the laws of Switzerland, and a substantial portion of their respective assets are or may be located in jurisdictions outside of the United States. Accordingly, it could be difficult for holders of Notes to recover against the Guarantors on judgments of United States courts predicated upon civil liabilities under the United States federal securities laws. See “Service of Process and Enforcement of Civil Liabilities”.

Factors relating to the notes and the guarantees

No active trading market for the notes

Although application has been made to list the Notes on the Luxembourg Stock Exchange, the Notes are a new issue of securities for which there is no established trading market. The Notes have not been and will not be registered under the Securities Act and are subject to significant restrictions on resale. See “Transfer Restrictions”. The liquidity of any market for the Notes will depend upon the number of holders of the Notes, the interests of the Initial Purchasers in making a market for the Notes and other factors. In addition, the liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall financial market and by changes in our financial performance or in the prospects for companies in our industry generally. There can be no assurance that an active trading market will develop for the Notes.

Ranking of obligations under the notes and the guarantees

The obligations of the Issuer under the Notes are unsecured and rank equally in right of payment with all unsecured unsubordinated obligations of the Issuer. The obligations of the Guarantors under each of the Guarantees are unsecured and rank equally with all

unsecured unsubordinated obligations of the respective Guarantor. These obligations will also be structurally subordinated to the holders of secured and unsecured debt and other creditors of subsidiaries of the Guarantors (other than the Issuer and Glencore AG). The Indenture does not place any limitation on the amount of unsecured debt that may be incurred by the Guarantors or any of their respective subsidiaries (including the Issuer and Glencore AG).

At December 31, 2003, the unsecured, unsubordinated obligations of the Issuer and the Guarantors aggregated \$2,515 million. Neither the Issuer nor the Guarantors had secured obligations at December 31, 2003. The obligations of the subsidiaries of Glencore International (other than the Issuer and Glencore AG) aggregated \$3,149 million as at December 31, 2003 (such figure includes secured obligations amounting to \$750 million relating to our inventory backed securitization program).

Profit participation; equity conversion

Glencore International is wholly owned by its management and key employees. Each Employee Shareholder (as defined herein) receives profit participation rights which entitle the Employee Shareholder to a portion of Glencore International's consolidated shareholders' funds accumulated in the period during which the Employee Shareholder holds the profit participation rights. Upon the termination of employment of an Employee Shareholder, the portion of the consolidated shareholders' funds of Glencore International attributable to the profit participation rights held by the Employee Shareholder becomes payable to such person over a five-year period, which may be accelerated by Glencore International in its discretion. See "Shareholders". This payment obligation is structurally subordinated and junior to the assets and earnings of Glencore AG and the Issuer. This payment obligation ranks equally in right of payment to the Guarantee issued by Glencore International, unless the Employee Shareholder's entitlement to payment upon notice of termination of employment arose during the pendency of or within 30 days prior to the occurrence of a Subordination Triggering Event (as defined herein). In this case, the payment obligations owed to the terminated Employee Shareholder would be subordinated and junior to payment obligations under the Guarantee by Glencore International of the Notes held by Noteholders provided they are institutional investors, and would not be permitted to be paid unless and until such Subordination Triggering Event had been cured or waived. See "Shareholders" and "Description of the Notes and Guarantees—Relation to Shareholders of Glencore International".

Glencore International has financial covenants in certain of its outstanding credit facilities and senior debt securities (the latest maturity of which is currently 2021), the violation of which could constitute events of default for purposes of such credit facilities and debt securities. See "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources and Financing Initiatives". Such events of default would constitute Subordination Triggering Events for purposes of such credit facilities and debt securities. Upon the occurrence and continuation of any such Subordination Triggering Event under any such credit facilities or debt securities, Glencore International would be prohibited from making payments to Employee Shareholders in respect of their profit participation rights prior to the payment in full of such credit facilities and debt securities, including instances in which a Subordination Triggering Event for purposes of the Notes had not occurred. Creditors under the facilities or senior debt with respect to which the Subordination Triggering Event has occurred would have the right to waive such event.

Use of proceeds

We expect to receive net proceeds from the sale of the Notes, after deducting underwriting discounts and commissions, of approximately \$931.7 million. The net proceeds of the offering will be used for general corporate purposes, including the repayment of outstanding debt.

Capitalization

The following table is a summary of the short-term debt and the long-term capitalization of Glencore as of March 31, 2004 and as adjusted to give effect to the sale of the Notes and the application of the proceeds therefrom, assuming the net proceeds are applied to repay outstanding debt. See “Use of Proceeds”. Except as set forth in the table below, there has been no material change to the long-term capitalization of Glencore since March 31, 2004.

	As of March 31, 2004	
	Actual	As Adjusted
	(US\$ in millions)	
Short-term debt:		
Short-term bank debt ¹	3,304	2,380
U.S. commercial paper notes	864	864
Current portion of long-term debt	329	329
Total short-term debt	<u>4,497</u>	<u>3,573</u>
Long-term debt:		
Banks	801	801
Senior Notes ²	769	1,719
Exchangeable bonds	761	761
Purchase of profit participation instruments	393	393
Total long-term debt	<u>2,724</u>	<u>3,674</u>
Total debt	<u>7,221</u>	<u>7,247</u>
Minority interest	283	283
Shareholders' funds:		
Share capital ³	46	46
Reserves	3,293	3,293
Total shareholders' funds	<u>3,339</u>	<u>3,339</u>
Total long-term capitalization ⁴	<u>6,346</u>	<u>7,296</u>
Ratio of long-term debt to total long-term capitalization	42.9%	50.4%

¹ As adjusted short-term bank debt reflects the application of \$780 million of net proceeds from the issuance of Notes on April 5, 2004 and \$144 million of net proceeds from the issuance of Notes on April 21, 2004.

² As adjusted senior notes includes \$800 million from the issuance of Notes on April 5, 2004 and \$150 million from the issuance of Notes on April 21, 2004.

³ The share capital of Glencore International is divided into 150,000 registered preferred shares with restriction on transferability at CHF 500.00 each, fully paid in.

⁴ Total long-term capitalization is equal to total long-term debt (including the Notes offered hereby) plus minority interest and total shareholders' funds.

Selected historical consolidated financial data

The following selected financial data have been derived from our annual consolidated financial statements as of and for each of the last five fiscal years, including the notes thereto, which have been audited by Deloitte & Touche AG, independent auditors (collectively, the “Consolidated Financial Statements”). The selected financial and other data are qualified in their entirety by, and should be read in conjunction with, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Financial Statements, all appearing elsewhere in this Listing Particulars.

The Consolidated Financial Statements comply with IFRS which differ in certain respects from U.S. GAAP. See “Presentation of Financial Information” and “Summary of Certain Differences Between IFRS and U.S. GAAP” for a description of the principal differences between IFRS and U.S. GAAP as applied to our Consolidated Financial Statements.

We have reclassified certain information set forth below to conform the presentation to the format used in our financial statements as of and for the year ended December 31, 2003.

	Fiscal years ended December 31,				
	2003 ¹	2002 ¹	2001 ¹	2000	1999
	(US\$ in millions)				
Income Statement Data					
Revenues	54,686	43,692	44,498	47,968	35,019
Cost of goods sold	(53,242)	(42,789)	(42,791)	(46,820)	(34,151)
Gross income	1,444	903	1,707	1,148	868
Selling and administrative expenses	(642)	(490)	(413)	(429)	(392)
Depreciation and amortization	(8)	4	(1)	18	14
Net operating income	794	417	1,293	737	490
Interest expense	(260)	(247)	(356)	(430)	(311)
Interest income	27	23	42	49	71
Share of income from associates	217	63	(65)	79	48
Foreign exchange adjustments	46	32	(26)	(30)	(3)
Income before nonrecurring items and mark to market valuation	824	288	888	405	295
Changes in mark to market valuation ²	356	30	1	(26)	0
Nonrecurring and other income (expense)-net ³	52	632	(58)	59	19
Income before provisions for income taxes	1,232	950	831	438	314
Income taxes	(112)	(11)	(123)	(18)	(37)
Income for the year	1,120	939	708	420	277
Balance Sheet Data (at period end)					
Accounts receivable	6,975	4,545	3,914	4,473	4,280
Inventories	4,825	3,283	2,805	2,685	2,170
Total current assets	12,022	7,914	6,894	7,787	6,916
Long-term advances and loans	191	253	497	426	582
Investments	1,317	1,331	799	856	643
Total assets	15,074	11,109	10,680	9,952	8,997
Short-term debt and other ⁴	3,112	1,818	2,052	2,785	2,440
Accounts payable	5,608	4,451	3,424	3,290	2,805
Long-term debt	2,551	1,876	2,055	1,532	1,504
Total liabilities	11,764	8,404	8,084	7,787	7,073
Shareholders’ funds	3,037	2,356	2,290	1,901	1,680
Cash Flow Data					
Net cash provided by operating activities before working capital changes	998	591	1,460	842	575
Net capital expenditures ⁵	(271)	(225)	(152)	(86)	(68)

	Fiscal years ended December 31,				
	2003 ¹	2002 ¹	2001 ¹	2000	1999
	(US\$ in millions)				
Other Data					
Readily marketable inventories ⁶	3,333	2,076	1,757	1,860	1,475
Net debt ⁷	2,108	1,532	2,175	2,345	2,310
Net working capital ⁸	3,302	1,645	1,418	1,712	1,671
Current ratio ⁹	1.38	1.26	1.26	1.28	1.32
Ratio of long-term debt to total capitalization ¹⁰	43.5%	41.0%	44.2%	41.5%	43.9%
Ratio of net debt to adjusted EBITDA	2.51	3.55	1.64	3.63	4.86
Ratio of total shareholders' funds to total assets	20.2%	21.2%	21.4%	19.1%	18.7%
EBITDA ¹¹	966	547	1,438	782	521
Adjusted EBITDA ¹²	840	431	1,328	646	475
Ratio of adjusted EBITDA to adjusted interest expense ¹³	7.85	3.99	6.51	2.63	2.44

- 1 For a discussion of the accounting treatment relating to the disposal of the Australian and South African coal mining assets, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Twelve Month Period Ended December 31, 2002 Compared with the Twelve Month Period Ended December 31, 2001—Consolidation of South African and Australian Coal Mining Assets; Sale to Xstrata".
- 2 Changes in mark to market valuation consists of changes in the market value of (i) derivative contracts that are used to manage risk of financing activities, (ii) certain investments in listed associated companies and (iii) changes in the exchange feature relating to the exchangeable bond and changes in the equity swap representing movements of Xstrata's share price on the 24% held by the Bank (see note 22 to the consolidated financial statements attached). Changes in mark to market valuation increased in line with the increase in Xstrata's share price.
- 3 Nonrecurring and other income (expense)-net consists mainly of income generated from sales of investments and securities. Other income for the fiscal year ended December 31, 2002 reflects the sale of certain assets to Xstrata. For a more detailed discussion of the sale to Xstrata, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Twelve Month Period Ended December 31, 2002 Compared with the Twelve Month Period Ended December 31, 2001—Consolidation of South African and Australian Coal Mining Assets; Sale to Xstrata".
- 4 Represents short-term debt to banks (including amounts related to the inventory backed securitization program), U.S. commercial paper and the current portion of long-term debt. Short-term debt is incurred and U.S. commercial paper is issued primarily to finance our net current trading assets (inventories, accounts receivable and advances net of accounts payable).
- 5 Net capital expenditures consist of purchases of property, plant and equipment less proceeds from the sale of property, plant and equipment, mainly relating to industrial assets fully consolidated by Glencore.
- 6 Readily marketable inventories (also referred to as inventories contractually sold or hedged) are readily convertible to cash because of their very liquid nature, widely available markets and the fact that the price risk is covered either by a physical sale transaction or hedge transaction on a commodity exchange or with a highly rated counter party. We believe that these liquid assets have to be taken into consideration when assessing our debt coverage.
- 7 Net debt consists of total debt less cash, cash equivalents, marketable securities and the amount of readily marketable inventories.
- 8 Net working capital equals current assets less current liabilities.
- 9 Current ratio equals current assets divided by current liabilities.
- 10 Represents long-term debt divided by the sum of long-term debt, minority interest and shareholders' funds, expressed as a percentage.
- 11 EBITDA consists of operating income before depreciation, net negative goodwill release and the depreciation of property, plant and equipment of industrial assets included in cost of goods sold. EBITDA is presented because we believe it is a meaningful measure of our profitability, performance and ability to fund capital expenditures and meet future debt service and working capital requirements. EBITDA should not necessarily be construed as (i) a comprehensive indicator of our net income or measure of profitability of operations or (ii) an alternative to cash flows from our operations as a measure of liquidity.

We have reconciled net operating income to EBITDA below:

	Fiscal years ended December 31,				
	2003	2002	2001	2000	1999
	(US\$ in millions)				
Net operating income	794	417	1,293	737	490
Depreciation and net negative goodwill release	8	(4)	1	(18)	(14)
Depreciation related to industrial activities and included in cost of goods sold	164	134	144	63	45
Operating income prior to depreciation and amortization (EBITDA)	966	547	1,438	782	521
12 Adjusted EBITDA represents EBITDA plus the amount of trade related interest income, less interest expense incurred to finance readily marketable inventories. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors—Inventory Turnover and Short-Term Financing".					
13 Ratio of adjusted EBITDA to adjusted interest expense represents adjusted EBITDA divided by interest expense excluding the interest expense incurred to finance readily marketable inventories.					

Management's discussion and analysis of financial condition and results of operations

Introduction

The following discussion should be read in conjunction with our Consolidated Financial Statements included elsewhere in this Listing Particulars.

The Consolidated Financial Statements are prepared in accordance with IFRS which differ in certain respects from U.S. GAAP. See "Presentation of Financial Information" and "Summary of Certain Differences Between IFRS and U.S. GAAP" for a description of the principal differences between IFRS and U.S. GAAP as applied to our Consolidated Financial Statements.

Because commodity prices are often volatile, we believe revenues are neither a reliable nor a relevant indicator of the performance of our company or of the individual business groups. Gross income is a key measure to evaluate the operating performance of our company and of the individual business groups. Gross income reflects the net margin or premium we earn on the difference between the purchase and sales prices of commodities less the costs of storing, processing, and transporting those commodities, or the difference between the sales revenue and cost of goods sold in our industrial activities. We record revenues in our physical commodity marketing business on a gross basis, rather than on the basis of the net margin or premiums received. Revenues in any of the commodities we produce and market can fluctuate significantly from year to year, depending on changes in supply and demand, volume and market prices of the commodities handled. Certain of the factors affecting revenues and cost of sales, for example worldwide supply or weather conditions, are outside of our control.

Prices of commodities at different points in time, different locations and different stages of processing can vary substantially, which can significantly affect our income. We utilize our worldwide commodity information and marketing network to help stabilize such price relationships through a variety of hedging techniques, including futures and forward contracts. We also seek to manage price risk by operating in geographically dispersed commodity markets and marketing a diversified but focused range of commodities. However, we still expect a certain degree of volatility in our earnings as a result of worldwide changes in trading patterns, economic conditions, weather conditions and other factors affecting supply and demand. We also experience normal seasonality with respect to our agricultural products.

As a privately held company, we take a long-term view of our business. We determine the appropriate level of investment in each business group based on the expected earnings performance of such group over a long period of time. Consequently, we tolerate short-term cyclical or seasonal fluctuations in earnings of certain business groups if we believe that they will meet our long-term business and financial objectives.

Key factors

We are primarily engaged in the physical marketing and the production of commodities on a worldwide basis. Certain key factors may significantly affect the results of our operations, including market and economic factors such as worldwide levels of production and consumption of industrial goods and commodities prices generally. The following is a description of certain key market and economic factors, as well as certain key company-specific factors, and their possible effects on our results of operations.

Commodity demand

We believe that the demand for commodities during any period is one of the most important determinants of our profitability during such period. Changes in the relative price structure of the various stages of the production process for raw materials also impact our margins and profitability. Because higher commodity prices may inflate our revenues without a corresponding increase in income, the amount of revenues we generate during a period is not necessarily indicative of our operating performance during the period.

The volume of commodities produced, purchased and marketed by us during any period will, in large part, result from market demand for such commodities during such period. Therefore, our revenues and income will be directly affected by worldwide levels of production and consumption of industrial goods. Such levels of production and consumption generally determine the worldwide demand for the raw and processed materials which we produce and market. Increases or decreases in demand for such products, which give rise to increases or decreases in volumes handled by us and the premiums we can obtain for physical delivery of such products, will have a direct effect on the profitability of our operations.

Commodity prices

Although we believe that the worldwide level of commodity prices generally is not the most significant factor determining our profitability during any particular period, nonetheless such levels will have an impact on our revenues and may have an impact on our income. In a market environment in which prices for a particular commodity or group of commodities are higher on average, the

premiums that we generate in our marketing operations relating to such commodity as a result of geographical, time and quality imbalances tend to be higher. In addition, a period of higher prices will be of particular benefit to the profitability of our operations with respect to (a) commodities in which we have a higher processing recovery rate through our industrial assets than the recovery rate assumed in the contracts with suppliers of raw materials, (b) commodities, such as ferroalloys and coal, for which no established futures trading market exists, and (c) commodities which we produce in our own industrial assets or are produced by our associated industrial companies.

Conversely, in a market environment in which prices for a commodity or group of commodities are lower on average, the benefits we obtain from our industrial activities and from marketing of such physical commodities are likely to be reduced. We believe that, in periods in which prices for a particular commodity or group of commodities display relative volatility and, therefore, uncertainty, the level of trading activities in such commodities tends to increase. This market situation offers additional opportunities for taking advantage of the resulting distortions in historic relative premiums and discount structures. By virtue of our leading market position, we believe we are generally able to take advantage of the increased level of activity in such an environment and of market distortions. Our financial strength, the additional services which we provide and the global scope of our operations all contribute to the additional value which we can provide to our customers and which we believe is of increased importance in periods of market instability and price volatility.

Inventory turnover and short-term financing

The speed of turnover of our inventory and collection of accounts receivable also have an important effect on our profitability. Our inventory is primarily material in transit. We finance a significant portion of our inventory and accounts receivable with accounts payable and short-term credit. Because, as described above, the volume of the commodities we move is one of the most significant factors affecting profitability, the ability to repay such short-term credit and finance additional commodity purchases is of critical importance to our profitability. The timing of the sale of inventory and receipt of payment therefor (i.e., collection of accounts receivable), as well as the level of short-term credit available to us, will directly affect our ability to maintain or increase the level of our physical commodity marketing activities. In addition, the turnover of inventory and accounts receivable also affects our short-term funding requirements and the related interest expense.

The average number of days of receivables that we maintain is, in turn, also affected by the availability of credit to our suppliers and customers. For example, tighter commercial bank credit or reduced availability of public funding in the emerging markets is likely to extend the period required for payment by our customers or to require us to provide working capital to our suppliers in these markets, in the form of advances against future deliveries of commodities. The availability of credit generally will also affect our suppliers' and customers' need for financing and the payment terms which we provide. A further potential impact of such reductions in the availability of bank credit or public funding may be reductions in the volumes of commodity purchases, especially by sovereign and other emerging markets customers. See "—Commodity Demand" above. In general, fluctuations in interest rates on short-term credit do not have a significant impact on our results of operations, since the cost of short-term financing is generally factored into the pricing of our commodity marketing transactions.

Risk management

Effective risk management is a fundamental aspect of our business. Correctly anticipating market developments to optimize timing of purchases, sales and hedging is essential for maximizing our earnings. We engage in commodity price hedging in our business in order to reduce the impact of volatility in the prices of the commodities we produce and market. Our functional currency is the U.S. dollar, as a vast majority of our business is conducted in this currency. As a matter of policy, we hedge non-U.S. dollar commodity purchase or sale transactions promptly upon entering into such transactions.

Other factors

In addition to the foregoing key factors, the following additional factors may also have a significant impact on the results of operations. In certain circumstances, we may, by virtue of the global scope of our operations, be able to take advantage of periodic higher demand for commodities which is limited to a particular geographic region. In circumstances in which industrial consumers require the delivery of commodities in regions in which such commodities are not readily available at a certain point in time and to which our competitors do not have ready delivery access, we have been able to obtain higher premiums from consumers for timely delivery of such commodities.

Similarly, in certain geographic regions, the supply of raw or processed materials may exceed local industrial demand therefor. In such regions, we may be the only one or one of only a few purchasers of commodities which have the global scope of operations and customer base to be able to take advantage of the price opportunities offered by local producers. In addition, the financing, marketing and purchasing services which we can provide may generate a significant competitive advantage for us.

In addition to the geographic factors which give rise to market distortions described above, temporal factors may also give rise to market distortions and profit opportunities. In the situation of a contango (i.e., in which the futures market price for a particular commodity is higher than the customary formulaic determination of current price plus cost of financing, storage and insurance for the relevant period), we may, because of our market position and financial strength, be able to “lock in” profits on sales of the relevant commodity. Similarly, in the situation of a backwardation (i.e., in which the futures market price is lower than the standard formula), we may be able to take advantage thereof because of our trading and production profile which enable us in many instances to effect prompt delivery.

Critical accounting policies

The accompanying Consolidated Financial Statements have been prepared in accordance with IFRS. The accounting policies discussed below are considered by management to be critical to an understanding of our Consolidated Financial Statements.

Significant accounting policies and significant estimates

The notes to the Consolidated Financial Statements contain a summary of Glencore’s accounting policies. Some policies, which have a significant importance to the presentation of Glencore’s financial position, require management to make judgments and estimates.

The significant policies and associated estimates include valuation of financial instruments, securitizations and impairment of assets. Additional information about these policies can be found in the notes to the Consolidated Financial Statements.

Valuation of financial instruments and fair value

Glencore carries derivative instruments, trading inventories, marketable securities and other financial instruments at fair value on its balance sheet. Changing economic conditions, whether global, regional or related to specific commodities, may adversely affect these values. Changes in fair values are recognized in the income statement with the exception of derivatives which hedge future cash flows. In this case, the change in the fair value is initially recognized as a cash flow hedge reserve in shareholders’ funds and subsequently released to the income statement as the expected transaction occurs.

For additional information regarding fair value, see Notes 4, 6, 14 and 27 to the Consolidated Financial Statements.

Securitizations

Securitization is a process whereby a company sells assets, normally to an unrelated special purpose entity. The special purpose entity funds the purchase with borrowings secured by the assets themselves. Glencore securitizes receivables and inventories through true sales to separate special purpose entities, which, in turn, borrow from the capital markets to fund the purchase of such assets. Glencore continues to maintain customer relationships and provide servicing for the transferred receivables and inventories.

There are two key accounting determinations that must be made with respect to securitizations. In the case where Glencore was the original source or a previous owner of the assets transferred to the special purpose entity, a decision must be made as to whether that transfer meets the derecognition requirements of, and is therefore considered a sale under, International Financial Reporting Standards. If the transaction is classified as a sale, then the transferred assets must be removed from the transferor’s unconsolidated balance sheet. Alternatively, if the sales proceeds are considered to be financing, then the transferor must recognize a liability. The second key determination to be made is whether the special purpose entity should be considered a subsidiary of Glencore or whether the special purpose entity is sufficiently independent. If it is determined that Glencore exercises sufficient control over the special purpose entity, then it must be consolidated in Glencore’s Consolidated Financial Statements.

There are currently two securitization programs in place: (i) a \$1.2 billion program relating to trade receivables and (ii) a \$750 million program relating to trade inventories.

Additional information on Glencore’s securitization activities may be found in Note 5 and Note 6 to the Consolidated Financial Statements.

Impairment

When facts and circumstances indicate that the carrying value of long-lived assets, including long-term advances and loans, property, plant and equipment and goodwill, may be impaired, an evaluation of recoverability is performed by comparing the carrying value of the assets to the projected discounted future cash flows to be generated by such assets. If the asset’s recoverable amount is less than its carrying value, an impairment loss is recognized to reduce the value of the asset to its recoverable amount.

When projecting future cash flows, assumptions are made as to the expected useful lives of long-lived assets, economic conditions, including commodity prices, foreign exchange rates and interest rates, operating costs and maintenance of the assets. Changes in these estimates could adversely affect the recoverable amounts of long-lived assets.

For additional information on impairment charges, see Note 23 to the Consolidated Financial Statements.

Twelve month period ended December 31, 2003 compared with the twelve month period ended December 31, 2002

The natural resources markets significantly improved in 2003. As a result, we were able to report net earnings of \$1,120 million for 2003 compared to \$939 million reported for 2002. A large part of our 2002 earnings (\$793 million) represented the gain from the sale to Xstrata of the Australian and South African coal assets. See “Business—Review of Operations—Summary of Industrial Assets—Investment in Xstrata”.

Due to the significant improvement in market conditions, our operating income reported for 2003 increased by 90.4% to \$794 million, compared to operating income of \$417 million reported for 2002 (which includes operating income of \$56 million generated by the Australian and South African coal assets that were sold to Xstrata).

Revenues

Revenues increased by \$10,994 million, or 25.2%, to \$54,686 million for 2003 from \$43,692 million for 2002, primarily due to increased volumes and higher average prices for most of the commodities we produce or market. For example, the commodities with higher prices included copper (+14% year-on-year average), nickel (+42%), alumina (+79%), lead (+14%), ferrochrome (+34%), zinc (+6%) and aluminum (+6%). The commodities with higher annual volumes included copper (+32%), nickel (+17%), alumina (+5%), lead (+39%), ferrochrome (+8%), zinc (+16%) and aluminum (+11%).

Gross income

Gross income increased by \$541 million, or 59.9%, to \$1,444 million for 2003 from \$903 million for 2002 (which includes gross income amounting to \$56 million earned in the first two months of 2002 by the Australian and South African coal assets that were sold to Xstrata). Gross income for 2002 was \$847 million excluding gross income earned by the Australian and South African coal assets. The increase in gross income resulted primarily from higher demand for and market prices of most of the commodities we market, as well as from higher earnings in our industrial assets.

Gross income generated by the Metals and Minerals business group increased by \$312 million, or 57.6%, to \$854 million for 2003 from \$542 million for 2002. All commodities included in the Metals and Minerals business group increased their earnings and contributed to the improved overall result of this business group.

Gross income from the Energy Products business group increased by \$162 million, or 68.1%, to \$400 million for 2003 from \$238 million for 2002, due to higher earnings in our crude oil and oil products activities as well as higher earnings in our coal marketing activities. Excluding two months of consolidated coal assets earnings relating to the Australian and South African coal assets sold to Xstrata generated during the first half of 2002, earnings from our coal activities in 2003 increased by \$55 million, or 131.0%, to \$97 million as compared to \$42 million generated in 2002.

Gross income from the Agricultural Products business group increased by \$53 million, or 43.1%, to \$176 million for 2003 from \$123 million for 2002, which is the result of our focus on more attractive niche markets as well as a higher demand for agricultural commodities.

Selling and administrative expenses

Selling and administrative expenses increased by \$152 million, or 31.0%, to \$642 million for 2003 from \$490 million for 2002, primarily due to the higher level of compensation paid or accrued in 2003 related to our high earnings for that year. Total personnel costs (excluding personnel costs related to consolidated industrial assets which are included in cost of goods sold) which includes salaries, wages, social security and other personnel costs represented 71.2% of total selling and administrative expenses for 2003, as compared with 65.6% for 2002.

Compared with 2002, operating expenses related to our offices in Baar, Switzerland increased during 2003 as a result of a stronger Swiss Franc relative to the U.S. dollar (2003 average exchange rate CHF 1.35 to \$1.00 compared with the 2002 average exchange rate CHF 1.56 to \$1.00). Both the Euro and the Pound Sterling (“£”) became stronger relative to the U.S. dollar (2003 average exchange rate of €0.88 to \$1.00 compared with the 2002 average exchange rate of €1.06 to \$1.00 and the 2003 average exchange rate £0.61 to \$1.00 compared with the 2002 average exchange rate of £0.67 to \$1.00).

Operating income

As a result of the significantly improved performance of our marketing and industrial activities, our operating income increased by \$377 million, or 90.4%, to \$794 million for 2003 from \$417 million for 2002.

Interest expense and interest income

Interest expense

Total interest expense increased by \$13 million, or 5.3%, to \$260 million for 2003 from \$247 million for 2002. The increase in interest expense is due to a higher level of interest-bearing obligations, which was only partly set off by the impact of lower interest rates. Our weekly average outstanding debt for 2003 was \$7,119 million, compared with \$5,881 million for 2002.

Short-term interest expense

Interest expense on short-term debt increased by \$28 million, or 23.7%, to \$146 million for 2003 from \$118 million for 2002, primarily due to a higher level of outstanding short-term debt in 2003. Our weekly average outstanding short-term debt for 2003 was \$4,437 million, compared with \$3,315 million for 2002. The average one month U.S. dollar London interbank offered rate ("Libor") decreased to 1.21% per annum for 2003 from 1.77% per annum for 2002.

Long-term interest expense

Interest expense on long-term debt decreased by \$15 million, or 11.6%, to \$114 million for 2003 from \$129 million for 2002, primarily due to the redemption of \$51 million of Senior Notes and lower floating interest rates applicable to the medium term revolving credit facility. Our weekly average outstanding long-term debt for 2003 was \$2,658 million, compared with \$2,566 million for 2002, due to the issuance of \$800 million 7-year exchangeable bonds in October 2003.

Interest income

Due to a higher level of accounts receivable and trade advances, our interest income increased by \$4 million, or 17.4%, to \$27 million for 2003 from \$23 million for 2002.

Share of income from associates

Share of income from associates, representing our share in the income of our associated companies, increased by \$154 million from \$63 million for 2002 to \$217 million for 2003, primarily due to higher earnings in Xstrata, Minara Resources Limited (formerly Anaconda Nickel Pty) and the Cerrejon Coal Company.

Income before nonrecurring items and mark to market valuation

As a result of the increased operating income, the higher net interest expense and the higher contribution of share in earnings, our income before nonrecurring items and mark to market valuation increased by \$536 million from \$288 million for 2002 to \$824 million for 2003.

Changes in mark to market valuation

IFRS accounting rules require us to mark to market foreign exchange contracts and other investments. In 2003, we recognized a positive change in mark to market valuation of \$356 million. A negative mark to market difference amounting to \$112 million relates to the exchange feature of the exchangeable bond issued in October 2003. In addition, Glencore entered into an equity swap arrangement by which it retained economic exposure to 24% of Xstrata's shares, held by a major bank. The swap has a settlement mechanism which accounts for movements in Xstrata's share value over or under the initial sale price of the Xstrata shares held by the bank in Xstrata. This equity swap is considered a derivative and is carried at fair value with movements in fair value recorded as mark to market differences. In 2003 we recognized a positive mark to market difference amounting to \$470 million.

For 2002, the weakening U.S. dollar led to a positive change in our mark to market valuation amounting to \$30 million.

Nonrecurring and other income (expense)

In May 2003, we sold our rights to participate in a rights issue of Xstrata, an associated company. In March 2002, Glencore sold to Xstrata for \$2.57 billion the Australian and South African coal mining assets held by Enx Resources Ltd. and Duiker Mining Ltd. We

realized a net gain from this transaction of \$793 million (for a detailed description see below). As a consequence of these transactions, nonrecurring and other income decreased by \$565 million from \$646 million for 2002 to \$81 million for 2003.

Our income adjustments for nonrecurring items in 2003 and 2002 were:

	Fiscal year ended December 31,	
	2003	2002
	(US\$ in millions)	
Gross Income		
Financial Statements ¹	1,444	903
Coal ²	0	(56)
Electricity ³	0	0
Recurring Gross Income	1,444	847
Operating Income		
Financial Statements	794	417
Coal	0	(56)
Electricity	0	0
Recurring Operating Income	794	361
Net Income		
Financial Statements	1,120	939
Coal	0	(46)
Electricity	0	0
Disposals ⁴	(176)	(793)
Recurring Net Income	944	100
EBITDA		
Financial Statements	966	547
Coal	0	(68)
Electricity	0	0
Recurring EBITDA	966	479

1 Figures reflected in the audited financial statements.

2 Income related to the Australian and South African coal mining assets consolidated for the first time in 2001 and disposed of in 2002. See “Business—Review of Operations—Summary of Industrial Assets—Investment in Xstrata”.

3 Income related to Columbia Falls electricity sale in 2002. See “Business—Review of Operations—Metals and Minerals—Aluminum/Alumina—Aluminum”.

4 In 2002, income related to the disposal of the Australian and South African coal mining assets consolidated for the first time in 2001 and disposed of in 2002. See “Business—Review of Operations—Summary of Industrial Assets—Investment in Xstrata”. In 2003, income related to the gain on sale of rights to participate in the rights issue of Xstrata of \$488 million, less the loss on dilution of \$312 million, net of the unrealized gain on sale of Xstrata and transaction costs.

Income taxes

As a result of higher earnings, income taxes increased by \$101 million from \$11 million for 2002 to \$112 million for 2003.

Income for the year

Income for the year increased by \$181 million, or 19.3%, to \$1,120 million for 2003 from \$939 million for 2002.

Twelve month period ended December 31, 2002 compared with the twelve month period ended December 31, 2001

The worldwide recession continued to have a negative impact on our operating activities in 2002. However, as a result of the sale of our Australian and South African coal mining assets, we were able to increase net earnings by 32.6% to a record level of \$939 million for 2002 from \$708 million as reported for 2001. We generated \$793 million of net earnings for 2002 through the sale of our Australian and South African mining interests to Xstrata in March 2002.

The global economic slowdown affected the major world economies, with industrial output contracting in the United States, Asia and Europe. Lower industrial production and rising manufacturing inventory levels adversely affected the demand for and prices of most commodities, which caused a significant decrease in the premiums paid for physical delivery of these commodities. As a consequence, operating income reported for 2002 decreased by 67.7% to \$417 million, compared to operating income of \$1,293 million for 2001. Operating income for 2001 included operating income of \$365 million from our Australian and South African coal mining assets (\$56 million for 2002) as well as net pre-tax gains of \$270 million from the Columbia Falls electricity sale (\$0 million for 2002). For a discussion of the Columbia Falls electricity sale, see “Business—Review of Operations—Metals and Minerals—Aluminum/Alumina—Aluminum”.

Revenues

Revenues decreased by \$806 million, or 1.8%, to \$43,692 million for 2002 from \$44,498 million for 2001, primarily due to lower commodity prices and volumes for most of the commodities we produce and market. For example the lower commodity prices included zinc (-12% year-on-year average), lead (-5%), aluminum (-7%) and coal (-22%), while our lower annual volumes included aluminum (-14%), copper (-19%), lead (-23%), crude oil (-4%) and coal (-7%).

Gross income

Gross income decreased by \$161 million, or 15.1%, to \$903 million for 2002 from \$1,064 million for 2001 (excluding the net pre-tax gain of \$270 million earned from the Columbia Falls electricity sale and gross income of \$373 million from the sale of our Australian and South African coal mining assets). Including the net pre-tax gains earned from the Columbia Falls electricity sale and the gross income from the sale of our Australian and South African coal mining assets, gross income for 2001 was \$1,707 million. The decrease in gross income resulted primarily from lower demand for and market prices of most of the commodities we produce and market which, in turn, adversely affected premiums received for physical delivery of these commodities.

Gross income generated by the Metals and Minerals business group decreased by \$19 million, or 3.4%, to \$542 million for 2002 from \$561 million for 2001 (excluding the net pre-tax gain of \$270 million from the Columbia Falls electricity sale). The increase in earnings in our zinc/copper activities was not sufficient to compensate for the decrease in earnings in aluminum/alumina.

Gross income from the Energy Products business group decreased by \$150 million, or 38.7%, to \$238 million for 2002 from \$388 million for 2001 (excluding the gross income of \$373 million from our Australian and South African coal mining assets sold to Xstrata), primarily due to lower earnings in our crude oil/oil products activities.

Gross income from the Agricultural Products business group increased by \$8 million, or 7.0%, to \$123 million for 2002 from \$115 million for 2001, which is the result of our strategic decision to focus on profitable regional markets and to adjust our infrastructure and overhead accordingly.

Selling and administrative expenses

Selling and administrative expenses increased by \$77 million, or 18.6%, to \$490 million for 2002 from \$413 million for 2001, primarily due to the higher level of compensation paid in early 2002 related to our record earnings in 2001. Total personnel costs (excluding personnel costs related to consolidated industrial assets which are included in cost of goods sold) which includes salaries, wages, social security and other personnel costs represented 65.6% of total selling and administrative expenses for 2002, as compared with 63.2% for 2001.

Compared with 2001, operating expenses for our offices in Baar, Switzerland increased during 2002 as a result of a stronger Swiss Franc relative to the U.S. dollar (2002 average exchange rate CHF 1.56 to \$1.00 compared with a 2001 average exchange rate CHF 1.69 to \$1.00). Both the Euro and the Pound Sterling became stronger relative to the U.S. dollar (2002 average exchange rate €1.06 to \$1.00 compared with a 2001 average exchange rate €1.12 to \$1.00 and a 2002 average exchange rate £0.67 to \$1.00 compared with a 2001 average exchange rate £0.69 to \$1.00).

Operating income

As a result of the foregoing factors, operating income decreased by \$876 million, or 67.7%, to \$417 million for 2002 from \$1,293 million for 2001 (excluding for the earnings from the Columbia Falls electricity sale and from the sale of our South African and Australian coal mining assets).

Interest expense and interest income

Interest expense

Total interest expense decreased by \$109 million, or 30.6%, to \$247 million for 2002 from \$356 million for 2001. The reduction in interest expense is mainly due to a decrease in interest rates. During 2002, the weekly average of total interest-bearing obligations amounted to \$5,881 million, which is \$111 million below the average level for 2001.

Short-term interest expense

Interest expense on short-term debt decreased by \$122 million, or 50.8%, to \$118 million for 2002 from \$240 million for 2001, primarily due to a decrease in interest rates and, to a lesser extent, to a lower level of outstanding short-term debt in 2002. Our weekly

average outstanding short-term debt for 2002 was \$3,315 million, compared with \$3,531 million for 2001. The average one month U.S. dollar Libor decreased to 1.76% per annum for 2002 from 3.86% per annum for 2001.

Long-term interest expense

Interest expense on long-term debt increased by \$13 million, or 11.2%, to \$129 million for 2002 from \$116 million for 2001, primarily due to an increased level of outstanding long-term debt in 2002 resulting from an issue of \$300 million senior notes issued in November 2001. Our weekly average outstanding long-term debt for 2002 was \$2,566 million, compared with \$2,381 million for 2001.

Interest income

Primarily due to a decrease in interest rates and a decrease in interest-bearing advances, interest income decreased by \$19 million or 45.2% to \$23 million for 2002 from \$42 million for 2001.

Share of income from associates

Share of income from associates, representing our share in the income of our associated companies, increased by \$128 million from a loss of \$65 million for 2001 to a gain of \$63 million for 2002, primarily due to higher earnings in Xstrata. Also, the share of income from associates for 2001 includes a nonrecurring write-off of \$83 million related to our investment in Anaconda Nickel Pty (now Minara Resources Limited) in Australia.

Income before nonrecurring items and mark to market valuation

As a result of the lower operating income, the lower net interest expense and the increased contribution of share in earnings, our income before nonrecurring items and mark to market valuation decreased by \$600 million, or 67.6%, from \$888 million for 2001 to \$288 million for 2002.

Changes in mark to market valuation

IFRS accounting rules require us to mark to market foreign exchange contracts and other investments. In 2001, we recognized a positive change in mark to market valuation of \$1 million. Changes in mark to market valuation of foreign exchange hedges relate primarily to the hedges of the non-U.S. dollar operating cost of our industrial activities. For 2002, the weakening of the U.S. dollar led to a positive change in our mark to market valuation amounting to \$30 million.

Nonrecurring and other income (expense)

In March 2002, Glencore sold to Xstrata for \$2.57 billion the Australian and South African coal mining assets held by Enx Resources Ltd. and Duiker Mining Ltd. We realized a net gain from this transaction of \$793 million, which represents 60% of the total gain from the sale. The remaining 40% of the gain will be realized, in part or in total, at the time we dispose of part or all of our 40% interest in Xstrata. Additionally in 2002, we made further value adjustments of \$137 million (\$90 million for 2001) to reflect current market values of our nickel and zinc production assets. No major nonrecurring transactions occurred in 2001. As a consequence, nonrecurring and other income increased by \$689 million from a loss of \$43 million for 2001 to an income of \$646 million for 2002.

	Fiscal year ended December 31,	
	2002	2001
	(US\$ in millions)	
Gross Income		
Financial Statements ¹	903	1,707
Coal ²	(56)	(373)
Electricity ³	0	(270)
Recurring Gross Income	847	1,064
Operating Income		
Financial Statements	417	1,293
Coal	(56)	(365)
Electricity	0	(270)
Recurring Operating Income	361	658
Net Income		
Financial Statements	939	708
Coal	(46)	(294)
Electricity	0	(151)
Disposals ⁴	(793)	0
Recurring Net Income	100	263
EBITDA		
Financial Statements	547	1,438
Coal	(68)	(439)
Electricity	0	(270)
Recurring EBITDA	479	729

1 Figures reflected in the audited financial statements.

2 Income related to the Australian and South African coal mining assets consolidated for the first time in 2001 and disposed of in 2002. See "Business—Review of Operations—Summary of Industrial Assets—Investment in Xstrata".

3 Income related to Columbia Falls electricity sale in 2002. See "Business—Review of Operations—Metals and Minerals—Aluminum/Alumina—Aluminum".

4 In 2002, income related to the disposal of the Australian and South African coal mining assets consolidated for the first time in 2001 and disposed of in 2002. See "Business—Review of Operations—Summary of Industrial Assets—Investment in Xstrata".

Income taxes

Income taxes amounted to \$11 million for 2002, a decrease of \$112 million from \$123 million for 2001. Income taxes in 2001 included tax payments in relation with the Columbia Falls electricity sale.

Income for the year

Income for the year increased by \$231 million, or 32.6%, to \$939 million for 2002 from \$708 million for 2001.

Twelve month period ended December 31, 2001 compared with the twelve month period ended December 31, 2000

Despite difficult business conditions in the metals markets, we were able to increase net earnings by 68.6% to \$708 million for 2001 from \$420 million as reported for 2000. Earnings for 2001 included earnings of \$373 million from our Australian and South African coal mining assets as well as net pre-tax gains of \$270 million from the Columbia Falls electricity sale or 38.1% of earnings. For a discussion of the Columbia Falls electricity sale, see "Business—Review of Operations—Metals and Minerals—Aluminum/Alumina—Aluminum".

In 2001, the global economic slowdown affected the major world economies with industrial output contracting in the United States, Asia and Europe. Lower industrial production and rising manufacturing inventory levels have adversely affected the demand for and

prices of most commodities. Nonetheless, compared to operating income reported for 2000, the 2001 operating income increased by 75.4% to \$1,293 million.

Revenues

Revenues decreased by \$3,470 million, or 7.2%, to \$44,498 million for 2001 from \$47,968 million for 2000, primarily due to lower commodity prices for most of the commodities we produce or market, for example copper (-13% year-on-year average), aluminum (-7%), zinc (-21%), alumina (-49%) and crude oil (-15%), and due to lower volumes for certain commodities such as aluminum (-7%), coal (-5%), ferroalloys (-18%) and nickel (-32%).

Gross income

Gross income increased by \$559 million, or 48.7%, to \$1,707 million for 2001 from \$1,148 million for 2000. Gross income contributed by all three business groups increased substantially during 2001 from the amounts contributed during 2000.

Gross income generated by the Metals and Minerals business group increased by \$138 million, or 19.9%, to \$831 million for 2001 from \$693 million for 2000. Gross income generated by the Metals and Minerals business group for 2001 included net pre-tax gains of \$270 million from the Columbia Falls electricity sale.

Gross income from the Energy Products business group increased by \$356 million, or 87.9%, to \$761 million for 2001 from \$405 million for 2000. The consolidation of the Australian and South African coal mining assets contributed \$373 million to 2001 gross income.

Gross income from the Agricultural Products business group increased by \$65 million, or 130%, to \$115 million for 2001 from \$50 million for 2000. This increase was in part a result of our decision to focus on more profitable regional agricultural markets.

Selling and administrative expenses

Selling and administrative expenses decreased by \$16 million, or 3.7%, to \$413 million for 2001 from \$429 million for 2000. For 2001, salaries, bonuses and social benefits represented 63.2% of total selling and administrative expenses, which is consistent with historical levels.

As during 2000, Glencore's operating expenses related to our offices in Baar, London and throughout most of Europe continued to benefit during 2001 from the appreciation of the U.S. dollar relative to local currencies. The Swiss Franc remained historically weak against the U.S. dollar (2001 average exchange rate of CHF 1.69 to \$1.00 remained unchanged compared with 2000 average exchange), the Euro declined relative to the U.S. dollar (2001 average exchange rate €1.12 to \$1.00 compared with 2000 average exchange rate €1.08 to \$1.00) and the Pound Sterling declined relative to the U.S. dollar (2001 average exchange rate of £0.69 to \$1.00 compared with 2000 average exchange rate of £0.66 to \$1.00).

Net operating income

As a result of all of the foregoing factors, net operating income increased by \$556 million, or 75.4%, to \$1,293 million for 2001 from \$737 million for 2000.

Interest expense and interest income

Interest expense

Total interest expense decreased by \$74 million to \$356 million for 2001 from \$430 million for 2000, due to lower interest rates. Average total interest-bearing obligations increased to \$5,990 million for 2001 from \$5,789 million for 2000. The increase in total interest bearing obligations is a result of both the increase in net trading assets (accounts receivable plus inventories less accounts payable) and an increase in long-term assets.

Short-term interest expense

Interest expense on short-term debt decreased by \$50 million to \$240 million for 2001 from \$290 million for 2000, primarily due to a decrease in interest rates and due to reduced average outstanding short-term debt. The average outstanding short-term debt for 2001 was \$3,531 million, compared with \$3,685 million for 2000. The average one month U.S. dollar Libor decreased to 3.86% per annum for 2001 from 6.42% per annum for 2000.

Long-term interest expense

Interest expense on long-term debt decreased by \$24 million, or 17.1%, to \$116 million for 2001 from \$140 million for 2000, primarily due to an increased level of outstanding long-term debt in 2002. Our average outstanding long-term debt for 2001 was \$2,381 million, compared with \$2,037 million for 2000. The impact of steadily decreasing interest rates outweighed the increase in long-term debt.

Interest income

Primarily due to a decrease in interest rates, interest income decreased by \$7 million, or 14.3%, to \$42 million for 2001 from \$49 million for 2000.

Share of income from associates

Share of income from associates, representing our share in the income of our associated companies, decreased by \$144 million from \$79 million for 2000 to a loss of \$65 million for 2001, primarily due to a nonrecurring write-off of \$83 million related to our investment in Anaconda Nickel Pty. (now Minara Resources Limited) in Australia.

Income before nonrecurring items and mark to market valuation

As a result of the increased operating income, the decreased net interest expenses and the loss in share in earnings, our income before nonrecurring items and mark to market valuation increased by \$483 million from \$405 million for 2000 to \$888 million for 2001.

Changes in mark to market valuation

IFRS accounting rules require us to mark to market foreign exchange contracts and other investments. In 2001, we recognized a positive change in mark to market valuation of \$1 million. Changes in mark to market valuation are mainly the result of valuation of foreign exchange hedges related primarily to the non-U.S. dollar operating cost of our industrial activities.

Nonrecurring and other income (expense)

No major sale of investments occurred in 2001. As a consequence, nonrecurring income decreased by \$106 million from \$63 million for 2000 to a loss of \$43 million for 2001. The loss of \$43 million for 2001 includes an impairment charge of \$90 million related to our investment in the Minara Resources Limited /Murrin Murrin Nickel/Cobalt project in Australia and the Moreno oilseed crushing facility in Argentina.

Income taxes

Income taxes amounted to \$123 million for 2001, representing an increase of \$105 million from \$18 million for 2000. This increase is principally due to higher tax charges related to the Columbia Falls electricity sale.

Income for the year

Income for the year increased by \$288 million, or 68.6%, to \$708 million for 2001 from \$420 million for 2000.

Consolidation of South African and Australian coal mining assets; sale to Xstrata

During 1999 and 2000, we acquired various Australian and South African coal mining assets. Those assets were reflected on our December 31, 1999 and 2000 balance sheets as investments and the results of those operations were not consolidated in our income statement for those fiscal years. We fully consolidated the assets into our financial statements as of and for the year ended December 31, 2001. In March 2002, we sold the assets to Xstrata for total consideration of \$2.57 billion.

Liquidity and capital resources

Cash flow

The following is a consolidated summary of our cash flow for each of the last five fiscal years:

	Fiscal Years Ended December 31,				
	2003	2002	2001	2000	1999
	(US\$ in millions)				
Net cash provided by operating activities (before working capital changes)	998	591	1,460	842	575
Working capital changes	(2,513)	(693)	(146)	(527)	(373)
Net cash provided by / (used in) operating activities (after working capital changes)	(1,515)	(102)	1,314	315	202
Net purchase of property, plant and equipment	(271)	(225)	(152)	(86)	(68)
Net cash used in acquisition of subsidiaries	0	(25)	(345)	0	(141)
Proceeds from sale of subsidiaries	0	1,202	0	0	0
Purchase of investments	(165)	(251)	(153)	(296)	(55)
Proceeds from sale of investments	80	0	229	124	22
Proceeds from sale of interest in associates	488	0	0	0	0
(Increase)/decrease of investments held for sale	0	0	0	(237)	0
(Increase)/decrease other investing activities	104	(61)	(70)	(51)	(182)
Total cash provided / (used in) investing activities	236	640	(491)	(546)	(424)
Net cash provided / (used in) prior financing activities	(1,279)	538	823	(230)	(222)
Net cash provided by / (used in) financing activities	1,291	(626)	(803)	186	255
Effect of change in scope of consolidation	0	0	41	0	1
Increase / (decrease) in cash and cash equivalents	12	(88)	61	(44)	34
Adjusted net cash provided by / (used in) operating activities ¹	(1,515)	(165)	594	282	202

1 To derive normalized net cash provided by/(used in) operating activities, we excluded (i) the Columbia Falls electricity sale effected in 2001 and 2000 and (ii) the Australian and South African coal mining assets consolidated in 2001 and disposed of in 2002 (see “Business—Review of Operations—Summary of Industrial Assets—Investment in Xstrata”).

Net cash provided by operating activities

Net cash used in operating activities was \$1,515 million for 2003. This represents a decrease of \$1,413 million compared to net cash used in operating activities of \$102 million for 2002. The decrease is explained with the increase in net operating current assets (accounts receivable, including trade advances, plus inventories less accounts payable).

Net purchase of property, plant and equipment

Net purchase of property, plant and equipment (Net Capital Expenditures or Capex) related to our industrial assets such as Aughinish, Columbia Falls Aluminum Company, Portovesme, Windalco, Kazzinc and Pasar, which are consolidated in our balance sheet under property, plant and equipment, increased by \$46 million to \$271 million for 2003 as compared with \$225 million for 2002.

Capital expenditures related to our industrial assets are funded generally by the cash flow generated by these operations. Capital expenditures related to our minority investments in publicly listed companies such as Xstrata, Century Aluminum Company and joint venture investments such as Cerrejon Coal Company are funded generally out of the companies’ cash flow or the funding arrangements of these companies and joint ventures.

Net cash used in acquisition of subsidiaries

In 2002, we acquired an additional stake of 8.1% in JSC Kazzinc. No major acquisitions of subsidiaries occurred during 2003.

Net proceeds from sale of subsidiaries

In March 2002, we sold our Australian and South African coal mining assets to Xstrata for total consideration of \$2.57 billion. See “—Consolidation of South African and Australian Coal Mining Assets; Sale to Xstrata”.

Purchase and proceeds from sale of investments

In February 2003, we increased our holding in Minara Resources Limited (formerly Anaconda Nickel Pty) to 47%. In April 2003, we sold our 20% interest in Hawesville Aluminum to Century Aluminum Company, an associated company. In April 2003, Xstrata

announced the acquisition of MIM Holdings Limited (“MIM”) in conjunction with a rights issue of stock units in Xstrata (the “Stock Units”). In May 2003, we sold all of our rights to subscribe for the Stock Units to Credit Suisse First Boston (“CSFB”). CSFB exercised these rights and owned, upon completion of the acquisition of MIM in June 2003, 24% of the issued ordinary share capital of Xstrata together with its holding in respect of its general financing activities. For a discussion of the sale of rights to CSFB, see “Business—Review of Operations—Summary of Industrial Assets—Investment in Xstrata—Xstrata’s Acquisition of MIM Holdings Ltd”.

Net proceeds from sale of interest in associates

This gain relates predominately to our sale of rights to participate in a rights issue of Xstrata. The net gain on this transaction is comprised of proceeds received from the sale of rights of \$488 million less the loss on dilution of shareholding and transaction costs of \$312 million.

Assets/Leverage

Total assets were \$15,074 million as of December 31, 2003. This represents an increase of 35.7% from \$11,109 million as of December 31, 2002, following an increase of \$429 million, or 4.0%, from \$10,680 million as of December 31, 2001.

The increase in total assets in 2003 was primarily due to an increase in current assets of \$4,108 million, or 51.9%, to \$12,022 million and a decrease in long-term assets of \$143 million, or 4.5%, from \$3,195 million to \$3,052 million.

The increase in total assets during 2002 was primarily due to an increase in current assets of \$1,020 million, or 14.8%, to \$7,914 million and a decrease in long-term assets of \$591 million, or 15.6%, from \$3,786 million to \$3,195 million. Long-term assets decreased primarily due to a decrease of \$826 million to \$1,826 million in property, plant and equipment and an increase of \$558 million in investments in associates. These changes reflect primarily the disposal of our coal mining assets in Australia and South Africa to Xstrata and our participation in Xstrata’s capital increase related to this acquisition. For a discussion of the sale of our Australian and South African coal assets to Xstrata. See “—Consolidation of South African and Australian Coal Mining Assets; Sale to Xstrata” above.

Our current trading assets (inventories, accounts receivable and trade advances) increased by \$3,972 million, or 50.7%, to \$11,800 million as of December 31, 2003 from \$7,828 million as of December 31, 2002 due to higher volume of commodities we marketed in 2003 as well as due to higher commodity prices. Inventories increased by \$1,542 million, or 47.0%, to \$4,825 million as of December 31, 2003 from \$3,283 million as of December 31, 2002. Accounts receivable increased by \$2,430 million, or 53.5%, to \$6,975 million as of December 31, 2003 from \$4,545 million as of December 31, 2002.

Average days on hand for inventories increased to 34 days for 2003 from 33 days for 2002 and average days on hand for accounts receivable increased by 1 day to 27 days for 2003, from 26 days for 2002.

Our current trading assets are of high quality and liquidity. Payment terms for physical deliveries to customers depend on the industry practice in the particular commodity market and the financing requirements of the buyer. For example, typical payment terms are cash against documents for aluminum deliveries, 30 days after bill of lading date for alumina and crude oil deliveries and up to 90 days for ferroalloys and copper/zinc concentrates deliveries. In certain situations, we provide working capital to our buyers through extended payment terms or to our suppliers through advances against future deliveries of a commodity. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Counterparty Risk and Credit Management”. The average days on hand for receivables as well as for inventories during the last 5 years are 30 days and 26 days for inventories and receivables respectively, i.e., the entire portfolio of accounts receivable and inventories is turned over on average 12 to 13 times during each year.

As we charge each commodity department with notional interest based on the capital employed in the department’s marketing (and also investment) activities, our departmental management and traffic staff are motivated to keep the level of receivables and inventories as low as possible.

As of December 31, 2003, 79.6% of our total trading inventories were contractually sold or hedged, as compared with 76.2% as of December 31, 2002. The average level of the year-end balances of readily marketable inventories during the last 5 years is 78.1% of total trading inventories. These inventories are inventories which are readily convertible into cash because of their liquid nature, widely available markets and the fact that any associated price risk is covered either by a physical sale transaction or a hedge transaction on a commodity exchange or with a highly rated counterparty. Given the cash-like nature of these inventories which represent a significant share of our current assets, we believe that they can be considered as cash equivalents in analyzing our debt levels and computing certain debt coverage ratios.

After taking into account these readily marketable inventories, our net debt (for a definition of net debt, see note 7 to the selected historical consolidated financial data) as of December 31, 2003, was \$2,108 million and \$1,532 million as of December 31, 2002. The ratio of net debt to adjusted EBITDA (for a definition of adjusted EBITDA see note 11 to the selected historical consolidated financial data) was 2.51 for 2003 and 3.55 for 2002, and the ratio of adjusted EBITDA to adjusted interest expense was 7.85 for 2003 and 3.99 for 2002. Our current assets exceeded total debt by \$6,359 million as of December 31, 2003 and by \$4,220 million as of December 31, 2002. Current assets covered total debt by 2.14 times at year end 2003 and 2.17 times at year end 2002.

Total shareholders' funds as of December 31, 2003 were \$3,037 million, or 20.2% of total assets, as compared with \$2,356 million, or 21.2% of total assets, as of December 31, 2002 and \$2,290 million, or 21.4% of total assets, as of December 31, 2001.

Working capital

Due to the increase in shareholders' funds and the increase in long-term debt, our working capital as of December 31, 2003 was \$3,302 million, or 21.9% of total assets, as compared with working capital as of December 31, 2002 of \$1,645 million, or 14.8% of total assets. The average level of the year-end balances of working capital during the last 5 years has been \$1,950 million, or 17.5% of total assets.

The current ratio (current assets divided by current liabilities) was 1.38 as of December 31, 2003, as compared with a current ratio of 1.26 at December 31, 2002. The average level of the current ratio during the last 5 years calculated on the basis of year-end current assets and current liabilities is 1.31.

Capital resources and financing initiatives

The business in which we operate requires high levels of working capital and significant liquidity. Our primary financial objectives are to maintain a conservative balance sheet and access to sufficient amounts of liquidity to finance our growth. We believe that the current level of our cash flow from operations, our existing credit facilities, the liquidity and quality of our current trading assets, the high level of readily marketable inventories, and the self-liquidating nature of our physical marketing activities and our ability to access international debt capital markets are sufficient for us to finance all of our existing or currently planned business needs, including working capital requirements and payments due on our outstanding indebtedness and contractual obligations. We expect to repay our long-term debt obligations, including those arising as a result of the issuance of the Notes, through cash from operations or future financings.

Our principal sources of liquidity are cash flow from operations, borrowings under various short-term and long-term facilities and issuance of notes in various debt capital markets. Prior to 1995, we obtained all of our financing on a decentralized, uncommitted and mostly on a secured or transactional basis. In late 1995, we initiated a program to improve the diversity of and reduce our reliance on short-term borrowings, to lengthen the maturity profile of our funding sources and to access international debt capital markets. This program led to the following debt issuances and the establishment of the following core facilities or funding programs that are currently active:

Facility / Program	Amount of initial issuance/most recent rollover	Amount issued or outstanding at December 31,	
		2003	2002
\$3,000 million 364-day committed syndicated revolving credit facility	3,000	1,260	680
\$770 million 3-year committed syndicated revolving credited facility	770	600	640
\$1,200 million asset-backed (receivables) 5-year notes and U.S. commercial paper program	1,200	1,200	1,200
\$750 million asset backed (inventory) U.S. commercial paper program	750	750	—
\$2,500 million stand alone A-2/P-3 U.S. commercial paper program	2,500	359	251
\$1,000 million European medium term note program	1,000	0	0
\$800 million exchangeable bonds	800	756	—
\$150 million 5-6 year hybrid capital notes	300	150	300
\$975 million 3-20 year U.S. senior notes	975	847	898
\$1,400 million unsecured bilateral bank credit facilities	—	420	604

- **\$3,000 Million 364-Day Committed Syndicated Revolving Credit Facility.** Our \$3,000 million 364-day committed revolving credit facility is syndicated among 33 banks. The expiry date of this facility is June 11, 2004. The weekly average amount outstanding during 2003 under this facility was \$1,389 million, with between \$700 million and \$2,300 million outstanding at any

time, as compared with \$1,100 weekly average amount million outstanding in 2002, with between \$400 million and \$1,900 million outstanding at any time. Up to \$2,500 million under this facility can be used as liquidity back-up for our stand-alone U.S. commercial paper program, rated A-2 and P-3 by S&P and Moody's respectively. See “—\$2,500 Million Stand-Alone A-2/P-3 U.S. Commercial Paper Program” below. The final maturity of this facility can be extended up to 12 months at our sole discretion.

- **\$770 Million 3-Year Committed Syndicated Revolving Credit Facility.** Our \$770 million 3-year committed revolving credit facility is syndicated among 24 banks. Pricing is based on U.S. dollar Libor, plus a margin. The expiry date of this facility is June 11, 2006 which may be extended to 2008. The weekly average amount outstanding during 2003 under this facility was \$358 million, with between \$0 million and \$770 million outstanding at any time, as compared with an average weekly amount of \$232 million outstanding in 2002, with between \$0 million and \$640 million outstanding at any time.
- **\$1,200 Million Asset-Backed (Receivables) 5-Year Notes and U.S. Commercial Paper Program.** Our first funding program was increased in June 2000 from \$650 million to \$1,200 million. It is rated A-1+ and P-1 by S&P and Moody's, respectively. Under this program we have issued \$700 million 5-year notes to fund a portion of this program. A portion of our trade receivables backs this program. The weekly average amount outstanding during 2003 under this facility was \$1,200 million at any time (including the \$700 million 5-year notes).
- **\$750 Million Asset-Backed U.S. Commercial Paper Program.** In May 2003, we completed a \$750 million securitization program rated A-1+ and P-1 by S&P and Moody's, respectively, backed by a portion of our base metals inventories. The funding under this program commenced in August 2003. The weekly average amount outstanding during the second half of 2003 under this facility was \$566 million, with between \$0 and \$750 million outstanding at any time.
- **\$2,500 Million Stand-Alone A-2/P-3 U.S. Commercial Paper Program.** In September 2003, we arranged a \$2,500 million A-2 and P-3 rated U.S. commercial paper program. The weekly average amount outstanding during 2003 under this program was \$579 million with between \$177 million and \$1,217 million outstanding at any time, as compared with a weekly average amount of \$585 million weekly average amount outstanding in 2002, with between \$227 million and \$871 million outstanding at any time. The amounts outstanding under this program cannot be drawn under the US\$3,000 million 364-Day Committed Syndicated Revolving Credit Facility.
- **\$1,000 Million Euro Medium Term Note Program.** During 2000, we arranged a \$1,000 million Euro medium term note program. Due to its standardized terms and conditions and documentation, this program represents an efficient debt issuance platform from which we issued notes in the European and Asian debt capital markets. All such issued notes have been fully repaid.
- **\$800 Million Exchangeable Bonds.** In October 2003, Glencore Finance (Europe) S.A. (the issuer), a wholly-owned subsidiary of the Company, issued \$800 million 4.125% guaranteed exchangeable bonds due 2010 (the “Bonds”) exchangeable into ordinary shares of Xstrata, an associated company, at \$13.67 per share. The Bonds are guaranteed on a joint and several basis by Glencore International and Glencore AG and are due in 2010.

Unless previously exchanged, redeemed or purchased and cancelled, the Bonds will be redeemed by the issuer on October 6, 2010 at 113.76% of their nominal amount. The Bonds can be exchanged by the holders at any time on or after November 17, 2003. The Bonds can be redeemed by the issuer at any time on or after October 20, 2008 at accreted principal amounts (“APA”) if (i) the share price has exceeded 130% of the APA of the outstanding Bonds for a certain period or (ii) 85% or more of the nominal amount of the Bonds have been exchanged, redeemed or purchased and cancelled.

The Bonds are rated Baa3 by Moody's and BBB by S&P.

The Bonds consist of a debt component and a derivative component (the “Exchange Feature”). The fair values of the debt component and the Exchange Feature were determined at the time the Bonds were issued. The debt component is included in long-term debt and is subsequently measured at an amortized cost at an effective interest rate of 5.75% per annum. The Exchange Feature is included in other long-term liabilities and is carried at its fair value, with changes in fair value reported in the income statement.

The amount of \$756 million disclosed in the chart above represents the debt component which does not include the Exchange Feature with a fair value of \$159 million at December 31, 2003.

- **\$150 Million 5-6 Year Hybrid Capital Notes.** In May 1998, we issued Obligations Remboursables en Actions (the “ORAs”), a hybrid security, through a French subsidiary for a principal amount of French Francs (“FRF”) 1.8 billion to a group of banks. The ORAs provide the banks a rate of return based upon a floating market rate. At issuance, the principal amount of the ORAs was swapped into a fixed 7% U.S. dollar obligation of \$301 million. In May 2003, we purchased 50% of the ORAs for cash.

- **\$975 Million 3-20 Year U.S. Senior Notes.** In 1996, 1997, 1999 and 2001, we issued a total of \$975 million fixed-rate Senior Notes in the U.S. Private Placement market to a number of institutional investors.
- **\$1,400 Million Unsecured Bilateral Bank Credit Facilities.** We had available as of December 31, 2003, unsecured, uncommitted short-term bilateral bank credit facilities in excess of \$1,400 million from 25 international banks. Pricing of these facilities is based on U.S. dollar Libor plus a margin. The weekly average amount outstanding during 2003 under these facilities was \$530 million, with between \$347 million and \$838 million outstanding at any time, as compared with an average weekly amount of \$456 million outstanding in 2002, with between \$235 million and \$818 million outstanding at any time.

Short-term debt and commercial paper issuance is primarily used to finance current trading assets, such as inventories, trade receivables and advances to suppliers and access to short-term debt is therefore critical to our business. The most important sources of our short-term debt financing are committed syndicated credit facilities and the U.S. commercial paper market.

As of December 31, 2003, the committed revolving and term credit facilities represented 72.4% of our total \$5,206 million unsecured credit facilities. Only 27.6% are based on bilateral uncommitted arrangements.

Our debt arrangements require us to comply with specified financial covenants related to minimum tangible net worth, working capital and current ratio, and a maximum long-term debt to tangible net worth ratio.

None of these credit facilities or funding programs includes rating triggers or rating puts which would trigger and/or accelerate the repayment of our obligations under these credit facilities or funding programs in the event of a downgrade.

In addition to our debt service obligations, Glencore International has payment obligations to the retired shareholders of Glencore Holding AG and in the future may have payment obligations to the shareholders of Glencore L.T.E. AG. These entities are the employee-owned holding companies owning 100% of the shares of Glencore International. Shareholders of Glencore Holding AG and Glencore L.T.E. AG receive a profit participation which entitles the holders to a share of the total shareholders' funds of Glencore accumulated during the period of share ownership. See "Risk Factors—Factors Relating to the Notes and the Guarantees—Profit Participation; Equity Conversion" and "Shareholders".

Except for our asset-backed receivables securitization program, we do not have any outstanding off-balance sheet financings.

Repayment schedule

The following summarizes our financial obligations and their expected maturities at December 31, 2003 and the effect such obligations are expected to have on our liquidity and cash flow in the periods indicated:

	Payment due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	(US\$ in millions)				
Banks	694	21	617	3	53
Senior Notes	847	78	308	129	332
Exchangeable bond	756	0	0	0	756
Purchase of profit participation instruments	578	225	257	96	0
Total long-term debt	2,875	324	1,182	228	1,141
Operating leases	54	15	19	6	14
Capital expenditure commitments	198	122	76	0	0
Total	3,127	461	1,277	234	1,155

The amount of corporate guarantees in favor of related and third parties increased from \$89 million as of December 31, 2002 to \$157 million as of December 31, 2003.

Hedging/risk management

Overview

As a result of our global operating and financing activities, we are exposed to changes in commodity prices, interest rates and foreign currency exchange rates which may affect our results of operations and our financial position. We are also exposed to counterparty

and country risk. We engage in the ordinary course of business in commodity price, interest rate, foreign currency rate, counterparty and country risk management activities for the purpose of hedging and managing our exposure to these risks. Our finance staff in Baar, London, Rotterdam and Stamford, working in coordination with the commodity departments, are responsible for covering, controlling and monitoring credit exposure, hedging currency exposure, financing purchases of commodities and all other related financing activities.

Our risk management policies and procedures reflect our philosophy, corporate culture and the private ownership of Glencore, i.e., the fact that the key decision makers are the largest shareholders and thus have a substantial share of their wealth invested in the company. We use sophisticated computer systems to support the execution of our risk management activities.

Commodity prices

We manage a significant portion of our exposure to commodity price risk on commodities which are not yet under contract for physical sale through futures and options transactions on worldwide commodity exchanges or in over-the-counter markets, to the extent available. While these hedging instruments are subject to fluctuations in value, these fluctuations are generally offset by the value of the underlying exposures related to the physical transactions being hedged. The counterparties to these contractual arrangements are primarily major financial institutions or, in the case of commodity futures and options, commodity exchanges. As a result, we believe that counterparty risk arising from these contracts, which is closely monitored and reported, is not significant.

Certain levels of inventory must be maintained to allow us to act quickly as a reliable supplier of basic raw materials to our customers, even under difficult market conditions. A large proportion of our inventory consists, however, of material which has been contractually sold but for which no invoice has yet been issued, the majority of which is in transit. At December 31, 2003, 79.6% of our total trading inventory consisted of readily marketable inventories, as compared with an average, based on year-end numbers, of 78.1% for the period from December 31, 1999 to December 31, 2003.

Under our operating policies, commodity positions can only be taken by department heads, i.e., the senior partners. Being significant shareholders, their interests are strongly aligned with those of Glencore, and this alignment encourages prudence in running the business. Unhedged physical positions rarely exceed 5% of our annual trading volume of terminal market related commodities. Such positions are held only for short periods, thereby limiting potential losses.

Positions are reported internally on a daily basis in commodities for which futures and options exchange markets exist, such as aluminum, copper and oil, and on a weekly basis for other, less price volatile, commodities. The relevant reports are distributed to the Chairman, Chief Executive Officer, department heads and the finance department. Where exchange markets exist and we are engaged in hedging, control procedures are in place that seek to ensure that hedge positions are accurately and timely reported. Front and back office functions and duties are separated and are carried out by different individuals. The front office is responsible for the execution of the hedges while the back office is responsible for recording, reporting and monitoring these transactions. Hedges are always conducted through brokers and major financial institutions and are confirmed simultaneously to the back office of the commodity department, the finance department and the trader. Furthermore, we typically have reciprocal credit lines with our brokers and other hedging counterparts. These credit lines are purposefully limited and do not typically exceed an average of \$15 million. An exposure exceeding the credit line must be collateralized with cash deposits or bank guarantees, which can only be arranged through the finance department.

Interest rates

We benefit from a natural interest rate hedge because of the composition and tenor of our current assets and current liabilities. Typically, 60% to 70% of our assets are short-term assets related to our physical commodity marketing activities (inventories, accounts receivable and trade advances), with a turnover of 12 to 13 times per year. Interest charged on accounts receivable, trade advances and inventories is based on U.S. dollar Libor.

The portion of our interest-bearing debt bearing interest at floating rates averaged 69.8% during 2003. The interest rates on all of such debt are based upon U.S. dollar Libor. The typical duration of our short-term borrowings is one month. Currently the average duration of our outstanding commercial paper is 26 days. Thus, the duration of our short-term debt closely matches the maturity profile of our current assets.

At December 31, 2003 and December 31, 2002, we had \$4,055 million and \$2,777 million, respectively, of variable debt outstanding at effective interest rates of 3.47% for 2003 and 4.22% for 2002. A hypothetical change of 10% (i.e., 34.7 basis points) in our effective interest rate from December 31, 2003 levels would increase or decrease interest expense by \$14 million.

Foreign currency rates

The vast majority of our purchase and sale transactions are denominated in U.S. dollars. Our U.S. dollar-denominated transactions typically represent 90% to 95% of our total purchase and sale transactions. In transactions concluded in currencies other than the U.S. dollar, the specific future commitment (receivable or payable) is generally hedged through a forward exchange contract. We enter into hedging transactions only with major financial institutions.

All of our debt payments (both principal and interest) are denominated in or swapped into U.S. dollars. The majority of our operating expenses are incurred in U.S. dollars, with the remainder being incurred in a mix of currencies, the largest non-U.S. dollar currencies being the Euro, the Pound Sterling, the Australian Dollar and the Swiss Franc. In general, we benefit from a strong U.S. dollar and are disadvantaged by a weak U.S. dollar.

Counterparty risk and credit management

Credit decisions related to routine transactions (in terms of duration and size of exposure) are based on our experience with the customer, the customer's track record in the market (including credit quality, reputation and credit ratings) and other financial information, as well as frequent personal contacts. Open account payment terms are offered only to buyers with appropriate credit standings. New buyers are usually requested to open letters of credit or provide another acceptable form of payment security. We monitor total counterparty exposure across commodity departments.

Transactions involving exposure outside the ordinary scope of business (e.g., credit or performance exposure) are brought to the attention of both senior management and the finance department, which review the transactions and make the credit decisions jointly with the commodity department head. Exposure cover and financing acceptable to us are then arranged.

One of the key factors influencing our credit decisions is the direct and indirect impact of any loss or write-off on management compensation. Provisions for doubtful receivables and/or write-offs are charged directly to the department's profit and loss account and thus have a direct impact on the bonus pool available to the department and the senior partners. They also have an impact on the value of the shares held by the employee shareholders. The number of decision-makers involved in credit decisions is small and they are in frequent dialogue with each other throughout the process.

Country risk

As part of our risk management operations, we monitor and manage our exposure to political and country risks by selling such risks to or otherwise covering such risks with major international banks and the political risk insurance market. Typically, we are required to retain a small portion of the risk on our books. We are a major participant in this market and have several professionals in the finance departments in Baar, London, Rotterdam and Stamford who structure, place, execute and monitor structured finance transactions.

Business

Business of Glencore

Glencore is a leading privately held, diversified natural resources company with worldwide activity in smelting, refining, mining, processing, purchasing, selling and marketing of metals and minerals, energy products and agricultural products. We operate on a global scale, marketing physical commodities produced in our own industrial assets or purchased from third parties 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. These activities are supported by substantial strategic investments in industrial assets relating to our core commodities. Our 2003 consolidated revenues and net income were \$54,686 million and \$1,120 million, respectively. As of December 31, 2003, Glencore had total assets of \$15,074 million. We believe that we are one of the world's largest privately held companies, as measured by revenues. Our headquarters are located in Baar, Switzerland.

We conduct our operations in three business groups: Metals and Minerals, Energy Products and Agricultural Products. We believe we are the world's largest physical supplier of the majority of the metals and minerals we market, one of the largest non-integrated physical suppliers of crude oil and oil products and the world's largest supplier of seaborne steam coal, through our marketing arrangements with our associated companies Xstrata plc and Cerrejon Coal Company, in addition to our own sourcing and marketing activities. We also believe we are among the world's leading suppliers of sugar and one of the leading exporters of grain from the European Union, Eastern European countries and the CIS.

Our three business groups are comprised of six commodity departments:

- Our Metals and Minerals business group is composed of three departments: Aluminum/Alumina, Zinc/Copper/Lead and Ferroalloys/Nickel/Cobalt (including noble metals/alloys and bulk ores, which include iron, manganese and chrome ore). The activities of our Metals and Minerals business group are supported by strategic investments in industrial assets, such as smelting, refining, mining and processing operations.
- Our Energy Products business group is composed of two departments: Crude Oil/Oil Products and Coal/Coke. The activities of our Coal/Coke department are supported by direct and indirect ownership interests in several coal mining operations in strategic geographic locations.
- Our Agricultural Products business group is a single department focused on the purchase and sale of grains (including wheat, maize and barley), edible oils and sugar. The activities of our Agricultural Products business group are supported by investments in storage, handling and processing facilities in strategic locations.

For a more detailed discussion of our commodity departments and our investments in industrial assets, see "Business—Review of Operations".

Each of our six commodity departments is responsible for managing the marketing, sourcing, hedging, logistics and industrial investment activities relating to the commodities within such department. The senior managers of each commodity department are responsible for our worldwide operations relating to those commodities and are an integral part of our senior management team. In 2003, none of our six commodity groups accounted for more than 30% of our gross income as compared with 40% for 2002.

Our main operational centers are located in Baar (Switzerland), Stamford (Connecticut), London, Rotterdam and Singapore. Our marketing and investment activities and relationships with producers and consumers of raw materials are supported by a global network of more than 60 field offices located in more than 50 countries throughout Europe, North, Central and South America, the CIS, Asia, Australia, Africa and the Middle East. This network provides us with significant worldwide sourcing and distribution capabilities. See "—Worldwide Office Network—Network Offices".

History

The company was founded in April 1974 and initially focused on the physical trading of ferrous and non-ferrous metals and minerals and crude oil, and shortly thereafter expanded into oil products. In the early 1980s, we acquired an established Dutch grain trading company, which created the basis for our agricultural products business group, and later we added coal to our energy products group.

Starting in 1987, Glencore developed from a purely physical commodity trading company into a diversified natural resources group through key acquisitions in mining, smelting, refining and processing in the three principal business groups. We made our first equity investment in an industrial asset in 1987, acquiring 27% of the Mt. Holly aluminum smelter in the United States and acquired our first controlling interest in an industrial asset in 1988, with the purchase of a 66.7% interest in a zinc/lead mine in Peru.

Glencore always has been principally or wholly owned by management and key employees. We believe that this ownership structure has been a key element of our successful growth over the past 30 years. Our ownership structure aligns the interests of shareholders and management and fosters a culture of excellence and teamwork. The fact that members of management risk their own capital motivates them to take a long-term view of our overall performance, and to protect the capital of the company. We believe that our consistent profitability, the long-term tenure of our senior management and our prudent risk management are direct results of our management ownership structure.

Competitive strengths

We believe our success has been built upon the following competitive strengths:

Global scope of operations

We are one of the largest and most geographically diverse natural resources companies in the world. Our global network of more than 60 field offices in more than 50 countries and geographically dispersed smelting, refining, mining and processing operations enable us to source, process and physically deliver commodities efficiently throughout the world. Our global office network provides significant competitive advantages by enabling us to penetrate and maintain our presence in local markets, identify strategic investment opportunities, develop a thorough knowledge of market conditions and counterparty quality, and respond quickly to changes in market practices and characteristics. The global scope of our operations also allows us to take advantage of pricing differences in distinct geographic commodity markets by purchasing and delivering commodities in regions in which a supply or demand imbalance exists. This ability, in conjunction with our worldwide industrial operations, make us a substantial participant in the flow of natural resources with both producers and consumers of commodities.

Complementary value-added services capability

Our ability to provide a broad range of value-added services to our customers enhances our role as a preferred purchaser or supplier of commodities and strengthens our long-term relationships with our customers. We provide shipping, logistics, inland transportation, storage and marketing services to producers and consumers of commodities. We also arrange working capital and capital expenditure financing for our customers secured by future physical commodity deliveries. We believe that the broad range of value-added services we offer our customers gives us a competitive advantage because these services fulfill the needs of certain customers that do not have the internal capability to provide these services and cannot outsource these services as seamlessly or efficiently as we can provide them. Furthermore, our ability to arrange for short- and long-term financing for our customers provides us with long-term sources of physical commodities to complement those provided by our own industrial assets.

Strategic investments in industrial assets

We have an established record of successful strategic investments in industrial assets. These investments have become a significant component of our commodity sourcing and marketing activities and value-added services. We own and operate industrial assets worldwide, such as smelting, refining, mining and processing operations for aluminum, alumina, zinc, lead, copper, nickel, cobalt and coal. These investments provide us with a long-term, stable supply of raw materials, market intelligence and access to operating and technical know-how. In addition to our direct investments, we also invest in industrial assets indirectly through publicly traded companies with which we have long-term, arm's length marketing agreements. For example, we own a 16.0% common stock interest in Xstrata, which is listed on the London Stock Exchange. In addition to the benefits that ownership of industrial assets provide to our core sourcing and marketing activities, disposals of industrial assets have also significantly contributed to our earnings. As of December 31, 2003 the book value of property, plant and equipment related to our fully consolidated investments in industrial assets was approximately \$1.5 billion and investments in associates (representing our share in the equity in industrial assets where we own less than 50%) was approximately \$1.3 billion. Based on our internal valuation analysis of non-listed investments, and the mark to market valuation of our listed investments, we believe that the current market value of our holdings in industrial assets and listed associated companies exceeded their December 31, 2003 book value by more than \$5.3 billion. The surplus value of our direct and indirect interests in the listed companies Minara, Xstrata and Century Aluminum contributed \$1.8 billion (marked to market value as of March 10, 2004), whilst \$3.5 billion was represented by our non-listed companies, attributable primarily to Cerrejon Coal Company, Kazzinc, Mopani and Aughinish.

Diverse commodity, customer and supply base

We market a broad but focused group of commodities to a diverse customer base. We have marketed the same commodities over the past 23 years, allowing us to develop and build upon our expertise in these commodities and cultivate long-term relationships with key suppliers and customers. We have a broad customer base operating in diverse industries and in different geographic regions. A major oil company is the single largest customer within the Energy Group, which has Glencore's largest customers. Sales to this oil company

represent 2.6%. This industrial, geographic, commodity and customer diversity enables us to operate profitably even during periods in which a particular commodity, industry or geographic region may be experiencing a down cycle. In addition, we benefit from having a broad and geographically diverse supply base, which includes commodities produced by third parties as well as by our own industrial assets. The geographic diversity of our suppliers and our own operations mitigates the risk of exposure to any one particular region and helps to ensure a steady supply of commodities for our marketing activities.

Employee ownership structure

We have always been owned wholly or principally by management and key employees. We believe that this ownership structure has been a key element of our successful growth since our inception. Our ownership structure aligns the interests of shareholders and management and has fostered a culture of excellence and teamwork. In addition, employee ownership helps us to attract new employees of the highest caliber and to retain and motivate existing employees. The fact that our management team has a significant amount of capital invested in the company motivates them to take a long-term view of our overall performance and to protect the capital of the company. We believe that our consistent profitability, the long-term tenure of our senior management and our prudent risk management policies are direct results of our management ownership structure.

Barriers to entry

We believe that the scale and global reach required to compete effectively in our industry present barriers to entry and are advantageous to a leading market participant such as Glencore. Substantial amounts of short-term and long-term credit and, increasingly, access to international debt capital markets supported by investment grade ratings from the major rating agencies are needed to fund the high volume of physical commodity marketing and investment activities in which we participate. Assembling the required logistics capabilities from scratch would be difficult. A reliable supply of commodities must also be established, which necessitates strong relationships with producers that must be developed over a long period of time and financial strength to secure the sourcing arrangements through advances against future deliveries and to fund investments in production facilities. In addition, global geographic and diversified commodity mix, which is difficult and expensive to achieve, is essential to long-term sustainable success in our business. Moreover, the complexities associated with risk management require significant intellectual capital, which is generally challenging and time consuming to create in, or transfer to, a start-up organization. These factors favor Glencore over companies with only a regional or pure marketing focus, since we have widely diversified global sources of supply, a globally diversified customer base and value-added activities.

Company strategy

Our strategy is to maintain and build upon our position as one of the world's largest diversified natural resources and physical commodity marketing companies. The key elements of our strategy include:

Maintain conservative financial profile and solid investment grade ratings

Our conservative financial profile and solid investment grade credit ratings have enabled us to consistently access the bank and international capital markets on competitive terms to obtain necessary funding. We intend to continue to manage our financial position to maintain or to improve our investment grade credit ratings. We intend to continue to maintain sufficient short-term lines of credit and access to commercial paper funding for our working capital needs and to manage our long-term debt levels to reflect the nature of our assets and our other long-term capital requirements.

Maintain geographic scope and diversification of operations

We intend to build upon our position as one of the largest worldwide physical commodity suppliers by continuing to align the geographic scope and diversity of our operations with the evolving flow of natural resources. We believe that the global scope of our operations will enable us to continue to supply a diversified range of physical commodities to our existing customer base, develop new relationships with producers and consumers of raw materials and selectively target profitable new business opportunities worldwide.

Capitalize on strategic investments in industrial assets

Our strategic investments in industrial assets are a significant component of our physical sourcing and marketing activities and value-added services. While we intend to remain focused on physical commodity sourcing and marketing, we also intend to continue to pursue selective strategic acquisitions and alliances to support and strengthen our core physical marketing and value-added activities as and when opportunities arise. We believe investment opportunities will continue to be created by, among other things, (i) the privatization of natural resources producers in emerging markets, (ii) voluntary or involuntary spin-offs and realignment of asset portfolios in mergers of producers of natural resources and (iii) the restructuring of natural resources industries. We will continue to apply our investment criteria to our acquisitions, pursuing investments in industrial assets that are of strategic importance to our core

business and that are projected to achieve our targeted return-on-capital objectives on a stand-alone basis. We believe that we can continue to identify investment opportunities in which asset value can be created through application of our market knowledge and operational and technical know-how.

Proactively mitigate and manage risk

We operate centralized risk management information systems and have adopted policies which are intended to mitigate and manage commodity price, counterparty and political risks. A substantial portion of our inventory of commodities (which is principally material in transit) is at any time under contract for sale at a pre-determined price or hedged through futures and options transactions. Typically, 70% to 80% of our total inventory (which is principally material in transit) is contractually sold at a pre-determined price or hedged through futures and options transactions. In addition, we routinely hedge our contractual purchase commitments for commodities to cover the period of time before such commodities are included in our inventory. We reduce the risk of non-payment by our customers by imposing limits on open accounts extended to creditworthy customers and imposing credit support requirements for all other customers. We manage our exposure to political risk by obtaining political risk insurance and credit support from creditworthy financial institutions in situations where we believe that obtaining such insurance or credit support is commercially prudent.

Maintain employee ownership structure and senior management team

We intend to maintain our employee ownership structure, which has been a key element of our successful growth. We believe that our ownership structure will continue to create incentives for senior management to seek to maximize the long-term profitability and stability of Glencore and allow us to attract highly qualified employees. The dedication and skills of our people, together with our focus on teamwork, enable us to provide a comprehensive range of commodities and value-added services to our customers on a coordinated global basis. Advancing within Glencore and achieving a shareholding position depend solely on demonstrated ability, performance and contribution to our success. One of our most important assets is our people.

Review of operations

Introduction

We organize our operations by business group: metals and minerals, energy products and agricultural products. The following chart shows the breakdown of our revenues, gross income and allocable assets by business group for each of the last five fiscal years:

	Fiscal year ended December 31,									
	2003		2002		2001		2000		1999	
	(US\$ in millions)									
Allocable assets: ¹										
Metals and minerals	7,711	55.2%	4,991	47.1%	4,752	47.8%	4,972	54.0%	4,578	54.9%
Energy products	5,093	36.5%	4,550	42.9%	4,376	44.0%	3,292	35.7%	2,956	35.4%
Agricultural products	1,162	8.3%	1,063	10.0%	820	8.2%	952	10.3%	810	9.7%
Total allocable assets	13,966	100.0%	10,604	100.0%	9,948	100.0%	9,216	100.0%	8,344	100.0%
Unallocated assets ²	1,108		505		732		735		653	
Total assets	15,074		11,109		10,680		9,951		8,997	
Revenues:										
Metals and minerals	23,262	42.5%	18,327	42.0%	15,981	35.9%	16,593	34.6%	12,638	36.1%
Energy products	27,428	50.2%	22,099	50.6%	25,204	56.7%	28,304	59.0%	18,559	53.0%
Agricultural products	3,996	7.3%	3,266	7.4%	3,313	7.4%	3,071	6.4%	3,822	10.9%
Total revenues	54,686	100.0%	43,692	100.0%	44,498	100.0%	47,968	100.0%	35,019	100.0%
Gross income:										
Metals and minerals	854	59.1%	542	60.0%	831	48.7%	693	60.4%	521	60.0%
Energy products	400	27.7%	238	26.4%	761	44.6%	405	35.3%	293	33.8%
Agricultural products	176	12.2%	123	13.6%	115	6.7%	50	4.3%	54	6.2%
Total gross income ³	1,444	100.0%	903	100.0%	1,707	100.0%	1,148	100.0%	868	100.0%

1 Allocable assets are assets which are related to a specific business group. Assets not included herein are either not business group related or they are shared among these business groups and no reasonable basis exists for allocation. We included certain information to conform the presentation to the format used in our additional information to financial statements as of and for the year ended December 31, 2003.

2 Unallocated assets for 2003 include \$127 million of marketable securities.

3 Total gross income for 2003 includes an additional \$14 million (1.0% of total gross income) of income generated from investments in marketable securities which are not related to our physical commodity marketing activities.

Metals and minerals

Our Metals and Minerals business group is composed of three commodity departments: Alumina/Aluminum, Zinc/Copper/Lead and Ferroalloys/Nickel/Cobalt (including noble metals/alloys and bulk ores, which include iron, manganese and chrome ore). Through these three commodity departments, we market metals and minerals commodities produced by us or purchased from third parties. In addition to our marketing activities in these commodities, we hold, directly or indirectly, significant interests in the production of alumina, aluminum, zinc, lead, copper, nickel, cobalt and ferroalloys. Metals and minerals commodities are handled primarily through the Baar and Stamford offices.

Alumina/Aluminum

Through our Alumina/Aluminum commodity department, we are involved in all major aspects of alumina and primary aluminum production and marketing. Alumina is the intermediate product used for the production of primary aluminum. Through the physical exchange of bauxite and alumina of different origins, we help to optimize the production systems of a number of integrated alumina and aluminum producers.

We believe we are the fourth largest producer of alumina, with annual capacity in excess of 3.2 million metric tons. We believe we are the second largest supplier in the third-party alumina market, supplying, together with our purchased alumina, a total volume of 6.5 million metric tons and 6.2 million metric tons in 2003 and 2002, respectively.

Primary aluminum is further processed by customers for use in the aerospace, construction, transportation and packaging industries, as well as in numerous other industrial applications. We believe we are the second largest physical supplier of third-party aluminum in the world, marketing physical volumes of 2.5 million metric tons and 2.2 million metric tons in 2003 and 2002, respectively.

As part of our alumina and aluminum business activities, we own directly and indirectly significant interests in production facilities.

Alumina. We own and operate 100% of the Aughinish alumina refinery in Ireland (1.6 million metric tons annual capacity), 93% of the Windalco bauxite mine and alumina refinery in Jamaica (1.3 million metric tons annual capacity) and 44% of the Eurallumina alumina refinery in Italy (1.1 million metric tons annual capacity). In addition to our directly-owned facilities, we purchase alumina from the Government of Jamaica under a long-term contract and from other major producers, such as Alcoa. Our customer base is diverse and geographically dispersed and includes Alcan, Century, Comalco, Corus and Hydro Aluminium, among others. The majority of our alumina sales are made pursuant to multi-year contracts.

Aluminum. We own and operate the Columbia Falls aluminum smelter in Columbia Falls, Montana and the Evergreen aluminum smelter (formerly known as Vanalco) in Vancouver, Washington, with annual capacities of 168,000 and 115,000 metric tons of primary aluminum, respectively. In the spring of 2003, we cut production at Columbia Falls to 20% of capacity due to the continuing high costs of energy and an increase in the price of alumina. The Evergreen facility is currently shut down due to the high level of energy prices in the northwest region of the U.S. We also own and operate 100% of the Kubikenborg Aluminium AB (Kubal) aluminum smelter in Sweden, with an annual capacity of 102,000 metric tons of primary aluminum and an additional 15,000 metric tons casthouse capacity.

In addition, we own a 38% equity interest in Century Aluminum Company ("Century"), a NASDAQ-quoted company. Century's assets include the Ravenswood aluminum smelter in Ravenswood, West Virginia (180,000 metric tons annual capacity of primary aluminum), a 49.7% equity interest in the Mt. Holly aluminum smelter in Mt. Holly, South Carolina (195,000 metric tons annual capacity of primary aluminum) and a 100% equity interest in the Hawesville aluminum smelter in Hawesville, Kentucky (237,000 metric tons annual capacity of primary aluminum). We have long-term contracts with Century for the supply of alumina to the Ravenswood and Mt. Holly aluminum smelters and for the purchase of primary aluminum produced at the Mt. Holly smelter.

We believe that our supply sources are well-diversified, with major suppliers including Russian Aluminium, Alcoa, Alcan and Hydro Aluminium. Typically, no supplier accounts for greater than 15% of our aluminum purchases. Our customer base is also well-diversified, with our largest customers including Alcoa, General Motors, Hydro Aluminium, Alcan, Sapa, BHP Billiton and Matsushita. Typically, no single customer accounts for more than 10% of our aluminum sales.

Zinc/Copper/Lead

We produce and market zinc, copper and lead concentrates which are the raw materials used to produce zinc, copper and lead metals. These concentrates are produced from our own mines as well as purchased from third parties. We also market zinc, copper and lead metal produced from our own concentrates and concentrates of third parties which are either processed through our own refining facilities or purchased from third parties.

The scope of our zinc, copper and lead business is global, involving commodity flows from raw material producing countries, such as Canada, Australia and South American countries, to areas of consumption such as Western Europe, the U.S., Japan and, increasingly, China and Southeast Asia, where these raw materials are smelted and refined to finished metals. We also sell the resulting by-products of processing, e.g., refined silver and gold.

Zinc/Lead Concentrates. We are a leading supplier of zinc and lead concentrates, marketing physical volumes of 2.3 million metric tons and 1.7 million metric tons of zinc concentrates and 600,000 metric tons and 500,000 metric tons of lead concentrates in 2003 and 2002, respectively.

We typically source 60 to 70% of our total volume of zinc and lead concentrates from South America. Our supply sources are well diversified with no single supplier representing more than 10% of purchases. We operate the Los Quenuales (Iscaycruz and Yauliyacu) and Perubar (Rosaura) mines in Peru, of which we own respectively 97% and 85%. The combined annual capacity of those mines is 300,000 metric tons of zinc concentrates, 44,000 metric tons of lead concentrates and 60,000 metric tons of bulk concentrates.

Our purchases are usually long-term frame contracts based on London Metal Exchange (LME) pricing. In Peru, we own and operate a warehousing and loading operation at the Port of Callao which allows us flexibility in both purchasing and distribution of the concentrates.

Zinc Metal/Lead Metal. We are involved directly and indirectly in the marketing of approximately 1.1 million metric tons of zinc metal, representing approximately 20% of the world's average annual production and 300,000 metric tons of lead metal representing approximately 10% of the world's average annual production.

We produce and market zinc metal which is mainly used for galvanizing steel as a coating for the prevention of corrosion and for the production of brass and other alloys, and lead metal which is mainly used in lead acid (automotive) batteries. We are the largest physical supplier of these metals.

We own 71% of and operate the integrated zinc and lead metal complex Kazzinc in Kazakhstan. This complex has an annual capacity of 270,000 metric tons of zinc metal and 120,000 metric tons of lead metal.

We also own and operate Portovesme, a custom smelting operation in Sardinia, Italy, with a capacity of 180,000 metric tons zinc metal and 120,000 metric tons lead metal. Through our investments in Xstrata, we hold an indirect interest in Asturiana de Zinc and Nordenham zinc smelters with capacities of 480,000 metric tons and 135,000 metric tons, respectively. Xstrata also produces 200,000 metric tons of refined lead metal annually. In addition to our purchases and distribution agreements from the above-mentioned assets, we purchase zinc and lead metal, primarily on long-term contracts based on LME pricing from Australia, Namibia, Russia, China and South America. These metals are sold in Western Europe, Japan, Southeast Asia and the U.S. to steel mills, general galvanizers, brass producers and lead acid battery manufacturers.

Copper Concentrates. We produce, process and market approximately 2.2 million metric tons of copper concentrates annually. Copper concentrates are the primary raw material used in the production of copper cathodes. In addition to our third party purchases of copper concentrates, we own 100% of the Cobar mine in Australia producing 100,000 metric tons of concentrates annually, and we produce 250,000 metric tons annually at Kazzinc. Our main sources of third-party copper concentrates are Australia, Indonesia, Chile, Mongolia, Southern Africa and Brazil.

We sell and process copper concentrates at third-party custom smelters as well as at our Pasar refinery in the Philippines, which produces 185,000 metric tons of refined copper cathodes.

Copper Metal. We market approximately 1.1 million metric tons of copper metal annually. Copper metal is primarily used for electrical cabling, the production of brass and other semi-finished sheets and profiles. We distribute copper metal from our own refineries, including Pasar and Mopani, an integrated mining, smelting and refining complex in Zambia producing 150,000 metric tons of cathodes annually. We also purchase a large quantity of copper metal from third party refineries mainly located in Chile, Russia, India and Australia. We also have a long-term distribution agreement with Xstrata's Mt. Isa copper refinery, with a capacity of 240,000 metric tons of copper cathodes per year.

Ferroalloys/Nickel/Cobalt

Through our Ferroalloys/Nickel commodity department, we produce and market bulk ferroalloys (including ferrochrome, ferromanganese, silicon manganese and ferrosilicon), silicon alloys, noble alloys (such as vanadium pentoxide, ferrovandium, ferromolybdenum and molybdenum oxide), nickel and cobalt.

Ferroalloys. Bulk ferroalloys are primarily used in the production of stainless and carbon steel. We are the largest physical supplier of bulk ferroalloys worldwide, marketing a physical volume of 1.4 million metric tons in 2003 and 1.3 million metric tons in 2002. We believe that we have a world market share in excess of 25% in ferrochrome. To support our ferrochrome marketing activities, we indirectly own through our investment in Xstrata, ferrochrome industrial assets in South Africa (Wonderkop, Rustenburg and Lydenburg Plant), with an annual capacity in excess of 1.3 million metric tons. See “—Summary of Industrial Assets—Investment in Xstrata” below. These South African investments represent our primary source of ferrochrome. The customer base for ferrochrome is widespread, with Europe typically representing 40% to 45%, Asia 40% to 45%, and the United States 15% to 20% of the market. Major clients include steel mills such as Thyssen Krupp Group, Arcelor, Outokumpu and Acerinox Group in Europe, Allegheny Ludlum, AK Steel and Carpenter Technology in the United States and Yieh United, Posco, Nippon Steel, Nisshin Steel, JFE and Baosteel in Asia.

We are also a major supplier of silicon alloys, which are used in the production of carbon steel. Our major source of ferrosilicon is our production facility in South Africa, Silicon Technology, which we fully own with local management. Our customers are major steel mills in Europe, Asia and the United States.

We are also a leading participant in the worldwide noble alloys market. Noble alloys, such as vanadium pentoxide and ferrovanadium, are used as hardening elements in the production of carbon and special steels. We marketed 15,660 and 12,800 metric tons of noble alloys in 2003 and 2002, respectively. Through our investment in Xstrata, we indirectly hold industrial noble alloys production assets in South Africa (at Vantech and Rhoex). See “—Summary of Industrial Assets—Investment in Xstrata” below. These alloys are sold globally in small lots to a large number of steel mills.

Nickel and Cobalt. Nickel is used primarily in the production of stainless and other steels. We believe we are the largest globally active physical supplier of nickel, ferronickel and other nickel products, with annual traded volumes of 115,060 metric tons and 98,170 metric tons marketed in 2003 and 2002, respectively. Major suppliers are located in Australia, the CIS, Finland, South Africa and Brazil. Major clients include large steel mills in Japan, Italy, Germany, China, England, South Africa, Spain, France, Taiwan and South Korea.

Cobalt is used in the production of high speed and tool steel and specialized aerospace alloys. We are currently one of the major global suppliers of cobalt, with trading volumes of 7,650 metric tons in 2003 and 5,560 metric tons in 2002. We source our cobalt requirements primarily from Zambia, Australia, the Democratic Republic of Congo, Brazil and the Defense Logistics Agency of the United States. Major customers include Sony, Matsushita, OMG, Umicore, Shepherd Chemical and PCC Airfoils.

To support our nickel and cobalt physical marketing activities, we directly own 40% of the Murrin Murrin nickel/cobalt mining and refining project in Western Australia, with an annual design capacity of 45,000 metric tons of nickel and 3,000 metric tons of cobalt. The project has experienced levels of production lower than capacity due to technical difficulties. Currently, we indirectly own a further 29.8% of Murrin Murrin through our 49.65% interest in Minara Resources Limited (formerly Anaconda Nickel Pty), an Australian company publicly traded on the Australian Stock Exchange, which owns the remaining 60% of the Murrin Murrin project. Murrin Murrin is currently producing at 70% to 80% of its designed production capacity. We expect the project to reach in excess of 90% of its production capacity in 9 to 12 months. We also own 73% of Mopani Copper Mines in Zambia, with an annual capacity of over 1,800 metric tons of cobalt.

Energy products

Our Energy Products business group is composed of two commodity departments: Crude Oil/Oil Products and Coal/Coke. Through these commodity departments we physically market crude oil and oil products such as fuel oil, heating oil, gasoline, naphtha, jet fuel and liquefied petroleum gas, as well as coal and coke. Energy products commodities are marketed and coordinated primarily through the London, Baar, Stamford and Singapore offices.

Crude oil/oil products

We have significant activity in oil across the world and, over the past year, we have broadened our activities to include natural gas in the U.S. and Europe.

Crude Oil and Oil Products. We believe we are the largest non-integrated physical supplier of crude oil and oil products worldwide, supplying a physical volume of 2.3 million barrels per day in each of 2003 and 2002. We handle the physical supply of some 3% of the world's oil consumption, including both crude and refined products, making us the largest non-integrated oil company by volume. Our supplies are acquired in part through long-term contracts from the major producing countries, often via structured finance agreements, as well as by short-term agreements. We deliver to a variety of customers, including the major oil companies, state purchasing agencies and industrial end-users. We operate 75 vessels under time charter, which enhances our trading activities and is profitable in its own right.

Major trading partners (both on the purchase and sale sides) are the major oil companies such as Agip, BP Amoco, Total, Exxon Mobil, Shell, Sunoco and Chevron Texaco, as well as national oil companies such as IOC (India), NNPC (Nigeria), Petronas (Malaysia), Aramco (Saudi Arabia) and PMI (Mexico). A portion of purchases from state-owned oil companies are made under long-term contracts that provide for liftings over a long-term period, arranged in connection with non-recourse credit facilities structured by us on behalf of the respective state-owned entity and repaid with the liftings under the contract. In addition to the major oil companies, our crude oil and oil products are sold to a diverse customer base, including electric utilities and oil refineries.

We have provided \$625 million (\$326 million at 31 December 2003) in one-year secured advances to OAO NK Russneft ("Russneft") in connection with the financing of Russneft's purchase of several related oil production companies in Russia with whom we have significant commercial relationships. The loans will be repaid with the proceeds of pre-export finance facilities to be raised in the banking market linked to oil production and/or our possible purchase of equity from Russneft in the underlying oil production companies. We are currently in discussions with Russneft in this regard. We have been granted the right to market all crude oil exported from Russia by the oil production companies.

Gas. Following the widespread withdrawal of U.S. companies from gas trading activities after the collapse of Enron, we have identified opportunities to expand our own activities, particularly on the U.S. East Coast and within continental Europe. Our gas business, although still small, is expanding and we believe it is likely to expand further.

Coal/Coke

We consider ourselves to be the world's largest supplier of seaborne steam coal, supplying physical volumes of 50.4 million metric tons and 43.0 million metric tons in 2003 and 2002, respectively, in addition to 82.0 million metric tons and 57.6 million metric tons in 2003 and 2002, respectively, produced by our associated companies Xstrata and Cerrejon Coal Company. Steam coal is primarily used in the power generation industry.

We have direct investments in coal mining operations in Colombia, where we own 100% of Prodeco (annual capacity of up to 5.0 million metric tons of coal) and 33% of Cerrejon Coal Company (annual capacity of up to 32.0 million metric tons of coal). Through our investment in Xstrata, we hold indirect investments in coal mining operations in Australia and South Africa. See "—Summary of Industrial Assets—Investment in Xstrata" below. Through these direct and indirect investments, we have a combined current annual production of approximately 82.0 million metric tons and a total mine capacity of approximately 114.5 million metric tons. Other sources of steam coal are based on purchase contracts with major mining companies in South Africa (Anglo American and BHP Billiton), the CIS, Australia (BHP Billiton and Anglo American), Colombia (Drummond and Carbones del Caribe) and Indonesia.

We supply steam coal to major public utilities in Spain (including Endesa and Iberdrola), Denmark (including Elsam and S.K. Power), Belgium (Electrabel), France (EDF), Italy (Enel), England (Powergen), Hong Kong (including CLP and Hongkong Electric), Japan (including EPDC and Hokkaido Electric), Taiwan (Taipower), China, South Korea and the Philippines. We also sell coal to major cement producers, steel mills, chemical plants and other industrial users throughout the world.

Agricultural products

Grain and Oilseeds. We have a long-established presence in the worldwide grain and oilseeds export markets. The grain and oilseeds products which we physically market include wheat, corn, barley, oilseeds, protein meals, edible oils and rice. The global market for these products is fragmented, particularly on the supply side, and in certain regions we purchase grains directly from individual farmers. We produced and marketed a physical volume of 22 million metric tons of grain and oilseeds products in each of 2003 and 2002.

We are a leading producer and exporter of grain from the EU, Central and Eastern Europe and the CIS, sourcing between 8 and 12 million metric tons annually. To support these activities, we operate inland storage and ship loading facilities throughout the regions. In the Ukraine, we have access to 26 silos with a combined capacity of 2 million metric tons and we have a long-term relationship with the Odessa sunseed crushing plant with an annual capacity of 240,000 metric tons. In Scotland, our warehouses and dryers condition malting barley and enable us to serve the local malting and distilling industry.

In Argentina, we are owner of the Moreno Group whose facilities include a network of interior elevators, a deepwater export terminal in the port of Bahia Blanca and four sunseed/soybean crushing plants. Moreno's total annual crushing capacity is 2.0 million metric tons with 90% of its production exported. Our rice milling activity consists of two mills, one each in Argentina and Uruguay, with a combined annual capacity of 220,000 metric tons. These plants mill paddy rice into milled rice for export primarily to Brazil.

The grain we source is marketed in Asia, the Middle East and North Africa. We have dedicated grain marketing staff in more than 10 countries.

Sugar. We are a leading participant in the global sugar business, marketing approximately 1.0 million metric tons on average during the last 5 years. We are involved in both raw sugar and white sugar as well as being involved in the processing of raw sugar into white sugar.

Our sugar business activities are coordinated from London with dedicated staff also based in Rio de Janeiro, Moscow and Beijing. We source our sugar mainly from Brazil, Thailand and Europe. Our main destinations include Russia, Indonesia, Iran and the Red Sea region. We are involved in the local distribution of sugar in India and Russia.

Summary of industrial assets

We have an established record of successful strategic investments in industrial activities, which have become a significant component of our physical marketing activities and value-added services. While we intend to remain focused on physical commodity sourcing and marketing, we intend to continue to pursue selective strategic acquisitions and alliances to support and strengthen our core physical marketing and value-added activities as and when opportunities arise. We capitalize on investment opportunities created by, among other things, (i) the privatization of natural resources producers in emerging markets, (ii) voluntary or involuntary, spin-offs and realignments of asset portfolios in mergers of producers of natural resources and (iii) the restructuring of natural resources industries. We evaluate each investment opportunity in an industrial asset on a stand-alone basis and based upon its potential for supporting and strengthening our physical marketing activities.

Summary of investments in industrial assets (other than Xstrata)

The table below shows our principal investments in industrial assets as of December 31, 2003 (certain of the names of the companies listed in the chart below have been abbreviated from those noted in the Consolidated Financial Statements):

Company	Country	Commodity	Annual Production Capacity	Glencore's Ownership Interest	Remaining Ownership Interest
(MT = metric tons)					
Aluminum/Alumina					
Century Aluminum	U.S.	Aluminum	513,000 MT	38%	62% publicly traded
Columbia Falls	U.S.	Aluminum	168,000 MT ¹	100%	—
Kubal	Sweden	Aluminum	102,000 MT	100%	—
Eurallumina	Italy	Alumina	1,100,000 MT	44%	56% Comalco (Rio Tinto subsidiary)
Evergreen	U.S.	Aluminum	115,000 MT ²	100%	—
Aughinish	Ireland	Alumina	1,600,000 MT	100%	—
Windalco	Jamaica	Alumina	1,300,000 MT	93%	7% JBM (Jamaican government)
Zinc/Lead/Copper					
Los Quenuales	Peru	Zinc concentrates	291,000 MT	97%	—
		Lead concentrates	44,000 MT		
Kazzinc	Kazakhstan	Zinc metal	270,000 MT	71%	29% Kazakhstan government and privately held
		Lead metal	130,000 MT		
		Copper metal	64,000 MT		
Portovesme	Italy	Zinc metal	180,000 MT ⁵	100%	—
		Lead metal	125,000 MT		
Metaleurop	France	Lead metal	125,000 MT	33%	67% publicly traded
Cobar	Australia	Copper metal	30,000 MT	100%	—
					22% Philippine Mining Companies 5% IFC
PASAR	Philippines	Copper metal	172,500 MT	69%	4% NDC (Philippine government)
		Copper metal	150,000 MT ³		
Mopani Copper Mines	Zambia	Cobalt	1,800 MT ³	73%	17% First Quantum, 10% Zambian government
Ferroalloys/Nickel					
Minara Resources (formerly Anaconda Nickel)	Australia	Nickel metal	40,000 MT ⁴		36% Matlin Patterson 17% publicly traded
		Cobalt	2,500 MT ⁴	47%	
			See Minara Resources above		
Murrin Murrin Joint Venture	Australia	Nickel/cobalt	above	40%	60% Minara Resources (see above)
Coal					
Prodeco	Colombia	Coal	5,000,000 MT	100%	—
Cerrejon Coal Company	Colombia	Coal	32,000,000 MT	33%	33% Anglo American 33% BHP-Billiton
Edible Oils					
Moreno Group	Argentina	Edible oils	2,000,000 MT	100%	—

¹ The Columbia Falls aluminum smelter is currently operating at 20% of capacity.

² The Evergreen Aluminum smelter is currently idle.

³ Represents 2003 annual capacity through expansion.

⁴ The Murrin Murrin Joint Venture project is currently operating at 70% to 80% of capacity.

⁵ Portovesme is currently idle, but is expected to commence production under a new power contract.

Investment in Xstrata

Summary. We currently own 16% of Xstrata plc (“Xstrata”), a publicly traded company listed on the London Stock Exchange. Xstrata is an international natural resources group that has significant market share in seaborne coal, zinc, copper and primary vanadium production and has a leading market share in ferrochrome production.

During the first quarter of 2002, we sold our Australian and South African coal mining operations to Xstrata. In addition to our position as a significant shareholder of Xstrata, we have important commercial relationships with Xstrata, which include long-term marketing commitments on an arm’s length basis for a number of the commodities which we produce and market. We have a long-term market advisory agreement with Xstrata whereby we act as Xstrata’s market advisor with respect to its export production of coal.

Xstrata’s Assets.

The table below shows Xstrata’s principal investments in industrial assets as of December 31, 2003 according to its most recent publicly available information:

Name of Operation	Ownership	Annual Production Capacity (Full plant/mine basis)	Location
Alloys			
Wonderkop Plant	100%	460kt	Marikana
Rustenburg Plant	100%	430kt	Rustenburg
Lydenburg Plant	100%	402kt	Lydenburg
Kroondal Mine	100%	2,050kt	Rustenburg
Waternval Mine	100%	50kt	Rustenburg
Thorncliffe Mine	100%	1,700kt	Steelpoort
Vantech (V2O5)	100%	13,300k lbs	Steelpoort
Rhovon (V2O5)	100%	20,200k lbs	Brits
(FeV)		7,800 kg	
Swazi Vanadium	100%	2,400k kg	Swaziland
(FeV)			
Windimurra (V2O5)	100%	16,400k lbs Suspended H103	Western Australia
Copper			
Mount Isa	100%	6.2mt ore 250kt Cu in anode	North West Queensland Australia
Ernest Henry	100%	10.5mt ore 94kt Cu in conc 115k ozs Au in conc	North West Queensland Australia
Townsville refinery	100%	270kt cathode	North Queensland
Alumbrera	50%	37.5mt ore 200kt Cu in conc 650koz Au in conc 60koz Au in dore	Catamarca Argentina
Zinc Lead			
San Juan de Nieva	100%	485kt Zn 465kt saleable Zn	Asturias Spain
Hinojedo	100%	44kt calcine 29kt S02	Cantabria Spain
Arnao	100%	24kt semis	Asturias Spain
Reocin	100%	Closed H103	Cantabria Spain
Nordenham	100%	145kt Zn 140kt saleable Zn	Nordenham Germany
Northfleet	100%	180 Primary Pb 40 Recycling Pb	Northfleet UK
Mount Isa	100%	3.5mt ore 250kt Zn in conc 170kt Pb in bullion 400t Ag in bullion	North West Queensland Australia
McArthur River	75%	1.6mt ore 175kt Zn in conc	Northern Territory Australia

Name of Operation	Ownership	Annual Production Capacity (Full plant/mine basis)	Location
Coal Australia			
Cumnock	84%	2,500kt	Hunter Valley
Liddell	67.5%	2,800kt	Hunter Valley
Macquarie Coal JV			
—West Wallsend	80%	3,000Kt	Newcastle
—Westside	80%	800kt	Newcastle
Mt. Owen	100%	5,000kt	Hunter Valley
Narama	50%	2,000kt	Hunter Valley
Oakbridge Group			
—Baal Bone	74.1%	2,500kt	Western Coal Fields
—Beltana	68.3%	3,400kt	Hunter Valley
—Bulga	68.3%	4,700kt	Hunter Valley
—South Bulga	68.3%	2,500kt	Hunter Valley
Ravensworth	100%	2,000kt	Hunter Valley
Ulan			
—Ulan Underground	90%	3,500kt	Western Coal Fields
—Ulan Open cast	90%	2,400kt	Western Coal Fields
United	95%	2,400kt	Hunter Valley
Oaky Creek	55%	9,100kt	Bowin, Basin
Newlands			
—Thermal	55%	8,500kt	Bowin Basin
—Coking	55%	-kt	Bowin Basin
Collinsville			
—Thermal	55%	3,600kt	Bowin Basin
—Coking	55%	1,700	Bowin Basin
Coal South Africa			
iMpunzi Division			
—Phoenix	100%	850kt	Witbank
—Tavistock	100%	1,300kt	Witbank
Mpumalanga Division			
—Spitzkop	100%	1,400kt	Ermelo
—Strathrae	100%	Closed H102	Carolina
—Tselentis	100%	1,200kt	Breyten
Tavistock TESA JV			
—ATCOM	50%	1,700kt	Witbank
—ATC	50%	2,400kt	Witbank
TwEEfontein Division			
—Boschmans	100%	2,000kt	Witbank
—South Witbank	100%	1,300kt	Witbank
—Waterpan	100%	1,200kt	Witbank
—WitCons	100%	1,018kt	Witbank
Mines operated by JV partners			
—Riet spruit	50%	Closed H102	Witbank
—Douglas/Middelburg	16%	25,500kt	Witbank/ Middleburg
Other Businesses			
Forestal Los Lagos	100%	108k cbm	Chile

Xstrata's Acquisition of MIM Holdings Ltd. On April 7, 2003, Xstrata announced a proposed acquisition of MIM Holdings Limited ("MIM") in conjunction with a rights issue of stock units in Xstrata (the "Stock Units"). On May 29, 2003, as part of our capital management program, we entered into an arrangement with a major bank ("the Bank") whereby the Bank agreed to purchase our rights to subscribe for the Stock Units for a price equal to the closing market price of Xstrata's shares on May 28, 2003, less the issue price under the rights issue. As a result of the conversion of the Stock Units, the Bank owns 24% of the issued ordinary share capital of Xstrata. We have no voting rights with respect to the ordinary shares issued on conversion of the Stock Units but we retain full voting rights with respect to the balance of our holding. We retained only an economic exposure to 24% of Xstrata's shares via a swap arrangement with the Bank. The controlling interest in the shares remains with the Bank.

The arrangement with the Bank, and hence the economic exposure, will terminate on December 2, 2004 (but may be extended until December 2, 2006). The arrangement may be terminated earlier by mutual consent or upon the occurrence of certain events of default or termination events. As a security for our obligations under the arrangement, we have pledged 90,000,000 ordinary shares in Xstrata. The number of pledged shares may vary over the term of the arrangement but will not exceed this number. As of December 31, 2003, 54,000,000 ordinary shares in Xstrata are pledged. We retain control of the voting rights attached to the pledged shares, unless and until an event of default or termination event occurs under the arrangement.

At December 31, 2003, we have recorded the arrangement as a sale. The gain on the sale of the rights to the Bank is recorded in our income statement together with the effect of the dilution of our interest from 40% to 16%. At year end our proportionate share of

Xstrata's profits and losses will be 16%, while 24% of the movements of Xstrata's share price will be recorded in our income statement, via mark to market of the swap arrangement.

For further information regarding Xstrata, please refer to Xstrata's public filings.

Worldwide office network

Organization

The three business groups described above report to senior management at the corporate level, and are supported by an accounting department and a finance department. All activities related to a specific commodity, including physical trading activities, hedging, logistics and industrial investments, are managed by the relevant commodity department. Each commodity department is under the direction of either a single senior manager or two senior co-managers.

Our accounting department is headed by two co-directors of Accounting, based at our head office in Baar. Accounting staff in each principal location (Baar, London, Rotterdam and Stamford) handle the contract accounting and the day-to-day accounting issues related to the business activities conducted out of that location. The proximity of the local accounting staff to the marketing and logistics activities is important in order to ensure accurate and timely recording of each individual transaction. The head office accounting staff is responsible for (i) financial accounting, i.e., the preparation of the financial statements of the major legal entities, (ii) preparation of our consolidated financial statements, (iii) management information related to the performance of each individual commodity department, (iv) reporting throughout the entire group, (v) tax issues and (vi) the worldwide relationship with our independent auditors.

Our finance department is headed by the Chief Financial Officer based at our head office in Baar. Finance staff in each principal location (Baar, London, Rotterdam and Stamford) handle the day-to-day finance tasks related to the business activities conducted out of that location, such as cash management, currency hedging, documentary transactions (letters of credit and guarantees), trade finance transactions and managing counterparty and country risk. The proximity of the local finance staff to the marketing and logistics activities is important in order to ensure prompt and professional handling of the finance activities related to the specific commodity. The head office finance staff handles (i) funding activities based on our corporate credit, such as our syndicated loan facilities, debt capital markets transactions, such as commercial paper programs, private placements and issuance of medium term notes, (ii) coordination of the worldwide treasury, hedging and credit and exposure management activities, (iii) due diligence, structuring and execution of acquisitions or disposals of industrial investments, (iv) presentation of our financial statements to lenders (banks and insurance companies) and rating agencies, (v) relationships with Glencore's lenders and with rating agencies, and (vi) assets and liabilities management of our consolidated balance sheet and compliance with covenants.

Network offices

Relationships with producers and consumers of raw materials are the responsibility of senior managers, who receive necessary support from our global network of more than 60 support offices (also called field offices) in over 50 countries. As shown below, these offices are located in major American, European, Asian, African and Middle Eastern natural resources producing and consuming markets. Some of these offices also oversee local logistics, including supervision of shipments, initial quality control, local authority liaison and shipping documentation. As of December 31, 2003, our global network, including agents in various countries acting under agreements and instructions from Glencore, comprised the following offices:

Europe	Former Soviet Union	Asia/Australia	Americas	Middle East and Africa
Ankara	Almaty	Bangkok	Asuncion	Cairo
Avon	Baku	Beijing	Bermuda	Casablanca
Baar	Kiev	Bhubaneswar	Bogota	Dubai
Belgrade	Moscow	Kolkata	Buenos Aires	Johannesburg
Brechin	Odessa	Hong Kong	Caracas	Tehran
Bucharest		Manila	La Paz	
Budapest		Mumbai	Lima	
Düsseldorf		New Delhi	Los Olivos	
Gdansk		Seoul	Mexico City	
Istanbul		Shanghai	Montevideo	
Lisbon		Singapore	Pittsburgh	
London		Sydney	Quito	
Madrid		Taipei	Rio de Janeiro	
Milan		Tokyo	Santiago	
Paris		Ulan Bator	São Paulo	
Prague			Stamford	
Rotterdam				
Skopje				
Sofia				
Stockholm				
Thame				
Warsaw				
Zagreb				

Our global office network significantly enhances our worldwide sourcing and distribution capabilities. It also secures key competitive advantages by enabling us to penetrate and maintain our presence in local markets, identify strategic investment opportunities, develop excellent knowledge of trading conditions and counterparty quality, and respond quickly to changes in market practices and characteristics. Our close proximity to our suppliers and customers is one of our key strengths.

Logistics and handling of physical shipments

Efficient logistics management and networks are crucial elements of our business that can create significant cost advantages and thus represent an important competitive advantage.

The following is a description of typical procedures which we utilize for the shipment of commodities, which may differ in details depending on the nature of the physical commodity involved. Physical sourcing and marketing of commodities requires highly professional handling of logistics of shipments of goods from the supplier to the customer, including storage activities. Typically, staff handling the physical movement of goods (so-called “traffic staff”) accounts for more than half of the headcount of a commodity department and each traffic person handles a number of individual physical shipments simultaneously.

Once a purchase or sales contract is consummated, the contract terms are entered into our traffic administration computer system. The entry is reviewed by traffic staff and a commodity controller, who typically is an accountant dedicated or assigned to the commodity department, in coordination with the department management and, if necessary, the finance department, to ensure it correctly reflects the relevant information regarding the transaction, including credit terms if applicable. A hard copy file is established and overseen by a member of the traffic staff. Depending on the nature and volume of the physical flow of the commodity handled by the department, specific traffic staff members would be dedicated to handling specific geographical areas or specific products (e.g., aluminum sourced in Brazil, aluminum ingots or car wheel alloys). From this point, the traffic person is responsible for the execution of the physical movement of the goods.

Once the execution of the contract enters the active phase, i.e., the lifting/delivery period approaches, the traffic person, together with the department management or senior traffic staff, determines the physical allocations of matches between purchases and sales, or inventory storage and sales, by determining within the unit management system of the commodity department where the physical units of the commodity allocated to the specific contract will be sourced from and where they will be shipped to.

At this stage in the process, the traffic person, together with our chartering experts, approaches the freight market through a freight broker to locate and charter an appropriate vessel, capable, among other things, of handling the volume and form or shape of the commodity and entering the port facilities from and to which the commodity is to be shipped. The traffic person also determines, in coordination with the supplier’s traffic staff, when the commodity and the port facilities are ready for loading. Arranging for bunker fuel for the vessel, providing sailing orders to the master of the vessel, dealing with port authorities and customs brokers and liaising with our insurance experts on insurance coverage are all part of the traffic staff’s duties on a cargo shipment.

We employ port captains, who assist the traffic staff in reviewing vessels, port facilities and other relevant logistics elements, to determine handling capabilities. The traffic person also makes arrangements for inland transportation as required. The traffic person maintains responsibility for monitoring the progress of the physical shipment from the point in time of loading until the discharge of goods to the customer. Where appropriate, the traffic person is also responsible for monitoring warehouse activity, communication with the warehouse operator, arranging for insurance of goods stored, physical count of quantity stored and other aspects of the storage of the commodity.

The other major task of the traffic staff is to handle, with the assistance of the finance staff where necessary and appropriate, the financial aspects of the shipment. This includes: ensuring that the appropriate payment and security instruments are issued and operative (e.g., letters of credit); ensuring that proper insurance coverage is available and performing the related tasks, including making required declarations; ensuring that shipping documents, including bills of lading, certificates of origin, invoices and other documents, are promptly issued and handled; and monitoring the collection or execution of payments, including freight, insurance, banking and other related charges. Following the execution of the physical shipment, the traffic staff is responsible for preparation of a complete transaction file, which is then transferred to the accounting department for calculation of income.

Competition

Physical commodity marketing is a volume-driven business requiring highly professional risk management, substantial financial resources, market knowledge and product and logistical expertise.

We believe that there is no other physical commodity sourcing and marketing company as widely diversified and as globally active as Glencore. Most commodity marketing companies are niche players that only focus on a specific commodity group or geographic area,

or concentrate more heavily on commodity-related industrial activities such as mining, smelting, processing, refining and food processing.

In view of our diversification in different commodities groups and global geographical presence, no adequate comparable company or peer group can be defined as competing directly with us. However, three types of physical commodity marketing companies compete indirectly or directly in certain limited markets with us. These include:

- Large participants active in specific markets only and not as widely diversified as Glencore, such as Bunge, Cargill, Louis Dreyfus Group and Vitol;
- Captive marketing vehicles of major oil and metals producers and processors, such as Shell, BP Amoco, Alcoa and Alcan; and
- Smaller commodity marketing companies whose operations are limited to a particular commodity and/or to a particular geographic area.

Employees

As of December 31, 2003, we employed 1,724 people worldwide, excluding people employed in the operations of our industrial assets and excluding the 9 agents which act primarily for Glencore. The employees include department managers, support staff and employees in the field offices, as well as the management and staff comprising our accounting and finance departments. The following table indicates the distribution of our employees by geographic region. It includes 40 people employed by 9 agents spread over 8 countries and working predominantly on behalf of Glencore:

Employees by geographic region

Region	As of December 31, 2003
Europe	935
U.S.A.	159
Latin America	178
Africa	40
Asia	216
Australia	12
Commonwealth of Independent States (former Soviet Union)	224
Total	1,764

Properties

We lease our headquarters offices in Baar, Switzerland, as well as offices in major locations such as London, Rotterdam and Stamford, under long-term lease agreements. We believe that our offices are adequate for the purposes for which they are currently used.

Insurance

We maintain a number of key insurance policies that we believe are commercially appropriate to cover the risks associated with our business operations. Our philosophy is to maintain comprehensive insurance protection with leading international insurance markets. Deductibles are generally kept at a low level and, therefore, the extent of self-insured retention is minimal. The vast majority of our insurance policies are underwritten through the Lloyd's market and other major European and international insurance companies. We maintain an insurance portfolio that covers both physical assets and liability exposures. Our principal insurance policies can be categorized as follows:

Cargo insurance

Cargo insurance policies cover the risk of physical loss or damage to commodities traded by us during transportation, storage and processing. These policies provide comprehensive protection with limits up to \$100 million on any one shipment or location.

Property insurance

Where appropriate, property damage coverage is arranged for investments in property and industrial assets, which generally includes business interruption exposures.

Marine liability insurance

Third party marine liability coverage is purchased to provide protection in relation to vessel chartering activities, with a limit of \$100 million per event and a \$15,000 deductible. With respect to marine pollution, we have coverage for an additional \$200 million per event in excess of the \$100 million under the main policy.

General third party liability insurance

Our marine and non-marine liability policy is designed to afford broad and comprehensive third party liability coverage for all activities. Coverage includes protection for product liability, bodily injury, personal injury and pollution (land based), with a combined limit of \$225 million. This policy provides additional coverage in excess of the above mentioned marine liability policies, and in relation to non-marine liabilities, this policy provides coverage in excess of:

- \$50,000 in relation to non-U.S. commodity trading activities;
- \$1 million in relation to U.S. commodity trading activities; and
- the higher of \$1 million or the limit of any local liability policies in relation to investments in industrial assets.

Directors and officers liability insurance

Directors and Officers Liability Insurance is a worldwide policy underwritten by Lloyd's of London and leading international insurers with a limit of \$135 million. This coverage protects:

- individual Directors/Officers of Glencore who may become personally liable to a third party;
- Glencore in the event that there is a contractual or legal obligation to indemnify the individual Directors/Officers resulting from a claim made against them arising from their duties; and
- Glencore against claims made directly against Glencore as a result of acts or omissions of individual Directors/Officers.

Other insurance

In addition to the policies described above, there are numerous "local" policies purchased by Glencore offices in accordance with local statutory requirements. Other insurance policies (such as political risk and credit insurance) are taken out, where appropriate, on a transactional basis. For a discussion of our political risk management, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Hedging/Risk Management".

Systems

Our systems architecture is based on state-of-the-art technologies such as Java and Internet-based client access. This architecture enables us to react more quickly to market changes and enhances our ability to manage our activities in an efficient, reliable and timely fashion.

Our mission-critical software applications such as Traffic/Trading, Accounting and Finance are based on integrated standard components. Our key business processes rely on in-house developed modules and are continuously adapted to the newest business needs. All of these applications are managed from our headquarters in Baar and are available to all our major locations.

We are continuously expanding and upgrading our communications network in response to the growing need to electronically link our worldwide staff and to store, organize and make available to our staff the increasing volume of data transmitted within our global network.

All of our IT systems are based in two independent and highly secured computer centers and are designed with built in redundancy and robustness. This configuration allows us to provide an efficient and highly available service to our employees.

We have our own IT department with approximately 120 employees worldwide focused on providing customized business solutions to the changing needs of our business and providing smooth operation of our IT systems.

Legal proceedings

We are involved in litigation, administrative proceedings and investigations of various types in several different jurisdictions. While our liability, if any, with respect to all such matters cannot be determined at this time, it is our opinion that the outcome of any such matter, and all of them combined, will not have a material adverse effect on our consolidated results of operations or financial position.

Management

Management philosophy

Reflecting the nature of Glencore as a management and key employee-owned enterprise, our management philosophy stresses teamwork, risk management control, communication and partnership. The key decision-making group is the senior management team of 11 people, comprising of the Chairman, the Chief Executive Officer and the department heads. Senior managers communicate regularly and informally to keep each other informed of their activities and to discuss major transactions and developments. Formal senior management meetings, “partners meetings,” take place twice a year to discuss fundamental strategic issues of our business, such as our financial situation, market developments, major investments, field office network, our share ownership program and our compensation scheme.

Senior managers have significant experience in the physical commodity marketing business, having spent an average of over 17 years with Glencore. They have usually started in the organization at a relatively junior level and worked their way up through various assignments either in field offices or commodity departments. This reflects our policy of not hiring externally for senior positions but managing succession from within. This practice develops and maintains a very strong corporate culture, a key asset of our company. In most cases, key employees rise from traffic, accounting or finance departments into junior trader positions, some of whom eventually become senior managers. Long tenures endow employees with a strong understanding of all aspects of our business and cement management’s teamwork approach and partnership. They also help ensure that succession can be arranged within the organization, preserving managerial stability, the corporate culture and the continuity of business relationships.

Our compensation scheme links non-shareholding employees’ interests with those of our company. Almost all employees are eligible for bonuses related to our overall performance and individual departments’ performances. We believe that the strong commitment of our employees to our company is reflected in the low personnel turnover, especially at the senior management level.

Senior management

As at the date of this Listing Particulars, our senior management team is as follows:

Name	Position	Age	Joined Glencore
Willy R. Strothotte	Chairman	60	1978
Ivan Glasenberg	Chief Executive Officer	47	1984
Danny Dreyfuss	Managing Director – London office	49	1980
Zbynek Zak	Chief Financial Officer	57	1986
Andrew Bentley	Director – Alumina/Aluminum	39	1988
David Issroff	Director – Ferroalloys/Nickel/Cobalt	38	1993
Frank Destribats	Director – Crude Oil / Oil products	49	1980
Chris Mahoney	Director – Agricultural Products	45	1998
Daniel Mate	Co-Director – Zinc/Copper/Lead	41	1988
Telis Mistakidis	Co-Director – Zinc/Copper/Lead	43	1993
Tor Peterson	Director – Coal/Coke	40	1992

Board of directors

As at the date of this Listing Particulars, the directors of Glencore International are:

Name	Position	Age	Joined the Board
Willy R. Strothotte	Chairman	60	1993
Ivan Glasenberg	Chief Executive Officer	47	2001
Zbynek Zak	Chief Financial Officer	57	1994
Craig A. Davis	Non-Executive Director	64	1993
Dr. Peter A. Pestalozzi	Non-Executive Director	59	1993

Willy R. Strothotte, Age: 60, Chairman of the Board

Mr. Strothotte joined Glencore in 1978 to manage our alumina activities. He became the head of the Metals and Minerals Division of Glencore, New York, in 1982 and was appointed President of Glencore Ltd. in 1983. Mr. Strothotte returned to the Swiss headquarters in 1984 to become head of Metals and Minerals of Glencore worldwide. Prior to joining Glencore, Mr. Strothotte held various positions in which he engaged in the international trading of metals and minerals in Germany, Austria, Belgium, and the U.S. Mr. Strothotte was Chief Executive Officer of Glencore from 1993 until December 2001. He has been Chairman of the Board since 1994.

Ivan Glasenberg, Age: 47, Chief Executive Officer

Mr. Glasenberg joined Glencore in 1984. He became the Head of Coal in 1990 after having worked in the coal department in South Africa for three years and in Australia for two years. He managed Glencore's Hong Kong office during the period 1988-1989. Prior to joining Glencore, he worked five years at Levitt Kirson Chartered Accountants. Mr. Glasenberg is a Chartered Accountant of South Africa and holds a Bachelor degree of Accountancy from the Witwatersrand University, South Africa, as well as an MBA from the University of Southern California, Los Angeles. Mr. Glasenberg was appointed as Chief Executive Officer of Glencore in January 2002.

Zbynek E. Zak, Age: 57, Chief Financial Officer

Mr. Zak joined the Finance Department of Glencore in 1986, where he has been working on project, trade and corporate finance. Prior to joining Glencore, he held the position of Finance Director of Sprecher + Schuh AG, a medium-sized Swiss-based engineering company, for three years. Prior to this, he was employed by The Chase Manhattan Bank as a commercial banking officer for four years, and by Sulzer Brothers, a major Swiss-based engineering company, in the Business Planning Department for three years. He holds an MBA from the Kellogg Graduate School of Management, Northwestern University, and an Engineering Degree from the University of Darmstadt, Germany.

Dr. Peter A. Pestalozzi, Age: 59, Non-Executive Director

Dr. Pestalozzi has been legal counsel for Glencore since 1993. He is an attorney and has been a Partner in the law firm of Pestalozzi Lachenal Patry in Zürich, Switzerland, since 1980. He is a non-executive director of Coca Cola AG, Sony Music Entertainment AG, Sotheby's AG and several other companies. Dr. Pestalozzi holds a Doctor of Law degree from the University of Zürich Law School.

Craig A. Davis, Age: 64, Non-Executive Director

Mr. Davis joined Glencore in 1990 to manage our industrial investments, focusing on the aluminum and alumina assets. He became acting Chairman of Ravenswood Aluminum Corporation, West Virginia, in 1992 and Chairman of Century Aluminum Company in 1995. Prior to joining Glencore, Mr. Davis was employed by Alumax Inc. in various positions. In 1986, he was appointed Executive Vice President of Alumax Inc. Mr. Davis holds a Bachelor of Arts degree from the University of California, Berkeley, and a J.D. from Hastings College of Law, University of California.

Shareholders

Glencore International is fully owned by its management and key employees through Glencore Holding AG (“Glencore Holding”) and Glencore L.T.E. AG (“LTE”). Only active employees of the Group are permitted to become shareholders of Glencore Holding or LTE.

Upon resignation or retirement of an employee shareholder, Glencore Holding repurchases the Glencore Holding shares at nominal value. Upon issuance of shares to an employee, the employee also receives profit participation rights, pursuant to an employee participation agreement with Glencore International, which entitles the employee shareholder to a portion of the consolidated shareholders’ funds accumulated in the period during which the employee holds the shares and profit participation rights. Upon termination of employment, payment of the employee shareholder’s share of the consolidated shareholders’ funds payable under the employee participation agreement occurs over a five-year period, in order to encourage senior employees to arrange their succession in a manner that preserves continuity and stability and protects the capital and cash flow of the company. Such payment may be accelerated by our senior management at its discretion. Upon the termination of an employee shareholder’s employment, the amount of the employee shareholder’s share of the consolidated shareholders’ funds is converted on the balance sheet into debt. For each of the five years after termination of employment, 20% of an employee shareholder’s portion of the consolidated shareholders’ funds is accounted for as short-term debt and the remainder appears in the long-term debt section of the balance sheet as “Purchase of profit participation instruments”. Glencore Holding sells the repurchased shares at nominal value to other deserving employees.

LTE has been set up for integration in the existing profit participation program on one hand but to guarantee stability in the shareholding of Glencore International on the other. The shares in LTE as well as the respective profit participation rights are pooled under separate agreements and may be disposed of or exercised only jointly by the members of the pool and subject to certain limitations and conditions. Resignation or retirement of an employee shareholder of LTE does not trigger any claims against Glencore International and the departing employee in such case has no claims to the LTE shares or profit participation rights which remain in the pool.

The decision as to which employees are offered the available shares and profit participation rights is based on the individual’s performance, seniority and future potential. The Chairman and certain senior officers make the final decision based on proposals from department heads. The objectives of the employee ownership program (i.e., to promote management depth and stability and to maintain commitment from employees) are also taken into consideration. At December 31, 2003, 336 employees owned shares in Glencore Holding and LTE, with the senior management team holding through Glencore Holding and LTE an aggregate of 44.4% of the share capital of Glencore International. No single employee controls more than 10% of the shares of Glencore International.

These shareholding arrangements are designed to promote management stability and to preserve Glencore’s capital. These arrangements lead to an alignment of the interests of the management and key employees with those of Glencore. The fact that our senior management invests their own capital (i.e., their share of the equity in Glencore) motivates them to take a long-term view of our overall performance and to protect our capital. This structure also provides an incentive for a global effort to maximize business opportunities for the benefit of Glencore as a whole. Our senior management is also motivated to think in terms of long-term producer and consumer relationships. We believe that our consistent profitability, the long tenure of our senior management team, and our prudent risk management are direct results of our employee ownership structure.

Description of the Issuer

The Issuer was formed on March 11, 2004, as a limited liability company pursuant to Delaware law under the name Glencore Funding LLC. The Issuer is a wholly-owned, indirect subsidiary of Glencore International AG and Glencore AG that serves as a financing vehicle through which we raise funds to support our worldwide operations. The accounts of the Issuer will be included in the consolidated financial statements of Glencore International AG.

The Issuer's Certificate of Formation was published in the *Mémorial C, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations*. The Issuer's share capital is divided into member interests of which Glencore USA LLC owns 100%. Glencore USA LLC is a wholly-owned, direct subsidiary of Glencore AG and a wholly-owned, indirect subsidiary of Glencore International AG. The principal office of the Issuer is at Three Stamford Plaza, 301 Tresser Boulevard, Stamford, Connecticut 06901, USA.

Capitalization

The following table sets out the capitalization of the Issuer as of July 15, 2004. There has been no material change in the capitalization of the Issuer since July 15, 2004. The financial information in the table below is unaudited and presented on a pro forma basis.

	As of <u>July 15, 2004</u> (US\$ in thousands)
Debt:	
Short-term debt.....	—
Long-term debt.....	<u>950,000</u>
Total debt.....	<u><u>950,000</u></u>
Shareholders' funds:	
Share capital.....	5
Reserves.....	—
Total shareholders' funds	<u>5</u>
Total capitalization.....	<u><u>950,005</u></u>

Business

The Issuer is authorized to engage in any lawful act or activity for which limited liability companies may be organized under Delaware law; to exercise all other powers necessary to, or reasonably connected with, the Issuer's business which may be legally exercised by a limited liability company under Delaware law; and to engage in all activities necessary, customary, convenient or incident to any of the foregoing.

Financial year

The financial year of the Issuer runs from January 1 to December 31. The Issuer has appointed Deloitte & Touche LLP, as its auditors.

Member and officers

Glencore USA LLC is the sole member of the Issuer. The Issuer has no board of directors or employees. The officers of the Issuer are: Howard Packett (President), Cheryl Driscoll (Secretary) and David Porter (Treasurer). The business address of the member and each of the officers is Three Stamford Plaza, 301 Tresser Boulevard, Stamford, Connecticut 06901, USA.

Financial statements

No financial statements of the Issuer have been prepared or audited for any period. We anticipate preparing the first financial statements for the Issuer as of December 31, 2004. Such financial statements will not be publicly available.

Description of Glencore AG

Glencore International AG is our main operating entity and the holding entity for our operating and finance subsidiaries and industrial investments. The other Guarantor, which is wholly owned by Glencore International AG is Glencore AG. The accounts of Glencore AG are included in the consolidated financial statements of Glencore International AG.

Glencore AG was incorporated in Switzerland on July 13, 1978. Glencore AG's registration number is CH-170.3.008.550-5. Its share capital amounts to CHF 2,151,500 and is divided into 21,515 registered shares, each has a nominal value of CHF 100 and is fully paid. The registered office of Glencore AG is at Baarermattstrasse 3, CH-6341 Baar, Switzerland.

Glencore AG's principal business is identical with the activities of Glencore as described in "Business". Glencore conducts those of its activities which relate to the United States through Glencore AG's branch in Stamford, Connecticut. Glencore AG's business activities are part of the worldwide operations of each relevant commodity department.

Capitalization

The following table sets out the unconsolidated capitalization of Glencore AG as at December 31, 2003, as calculated in accordance with Swiss law. Except as set forth in this Listing Particulars, there has been no material change in the capitalization of Glencore AG since December 31, 2003.

	As of <u>December 31, 2003</u> (in CHF million)
Debt:	
Short-term debt.....	33
Long-term debt.....	<u>—</u>
Total debt.....	<u><u>33</u></u>
Shareholders' funds:	
Share capital.....	2
Reserves-restricted.....	1
Available earnings	478
Total shareholders' equity	<u>481</u>
Total capitalization and short-term debt.....	<u><u>514</u></u>

Financial year

The financial year of Glencore AG runs from January 1 to December 31. Glencore AG has appointed Deloitte & Touche AG, Zurich, as its auditors.

Members of the Board of Directors

The Directors of Glencore AG are:

Willy R. Strothotte
Zbynek Zak
Ivan Glasenberg
Josef Bermann
Eberhard Knoechel

The business address of each of the Directors is Baarermattstrasse 3, CH-6341 Baar, Switzerland.

Financial Statements

Please see Appendix B.

Description of the Notes and Guarantees

The following is a summary of the material provisions of the Indenture and the Notes. The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture and the Notes, copies of which are available for inspection during normal business hours at the offices of the Trustee. Any term used herein but not defined shall have the meaning assigned to such term in the Indenture.

General

The \$950,000,000 aggregate principal amount of 6.00% Notes due 2014 are comprised of \$800,000,000 principal amount of Notes issued on April 5, 2004 and \$150,000,000 principal amount of Notes issued on April 21, 2004. The \$150,000,000 principal amount of Notes which we issued on April 21, 2004 are a further issuance of and are fungible, consolidated and form a single series with the \$800,000,000 principal amount of Notes which we issued on April 5, 2004, in all respects, subject to certain transfer restrictions. See “Transfer Restrictions”. The Notes were issued under an Indenture dated as of April 5, 2004 (together with a Supplemental Indenture dated April 21, 2004, the “Indenture”), among the Issuer, the Guarantors, JPMorgan Chase Bank, as trustee (the “Trustee”) and BNP Paribas Securities Services, Luxembourg Branch, as Luxembourg paying agent and transfer agent (the “Agent”).

The Indenture is not and will not be qualified under the U.S. Trust Indenture Act of 1939. Consequently, the holders of Notes generally are not and will not be entitled to the protections provided under such Act to holders of debt securities issued under a qualified indenture, including those requiring the Trustee to resign in the event of certain conflicts of interest and to inform the holders of Notes of certain relationships between it and the Issuer or either of the Guarantors. In this “Description of the Notes and Guarantees”, the terms “holder”, “Noteholder” and other similar terms are each equivalent to “registered holder”, unless the context otherwise clearly requires.

The Initial Purchasers propose to resell the Rule 144A Global Notes in registered form to certain institutions in the United States in reliance upon Rule 144A under the Securities Act. The Rule 144A Global Notes may not be sold or otherwise transferred except pursuant to registration under the Securities Act or in accordance with Rule 144A or Rule 904 of Regulation S thereunder or in a resale transaction that is otherwise exempt from such registration requirements, and bear a legend to this effect. In light of current U.S. securities laws, subject to certain exceptions, an exemption should be available for a sale or transfer of a Rule 144A Global Note after its Specified Date. The “Specified Date” means, with respect to any Rule 144A Global Note, the date which is two years (or such other period as shall constitute the required holding period pursuant to Rule 144(k) of the Securities Act) after the later of (a) the original issue date of such Rule 144A Global Note and (b) the last date on which the Issuer or either of the Guarantors or an affiliate of the Issuer or of either Guarantor was the beneficial owner of such Rule 144A Global Note, in each case demonstrated to the reasonable satisfaction of the Issuer or the Guarantors (which may require delivery of legal opinions). Unless a holder of a Rule 144A Global Note holds such Rule 144A Global Note for a period of two years (or such other period as shall constitute the required holding period pursuant to Rule 144(k) of the Securities Act), such holder may not be able to determine the Specified Date because such holder may not be able to determine the last date on which the Issuer, one of the Guarantors or any affiliate of the Issuer or the Guarantors was the beneficial owner of such holder’s Rule 144A Global Note. The registrars and the transfer agents for the Notes are not be required to accept for registration or transfer any Rule 144A Global Notes, except upon presentation of satisfactory evidence (which may include legal opinions) that the restrictions on transfer have been complied with, all in accordance with such reasonable regulations as the Issuer and the Guarantors may from time to time agree with such registrars and the transfer agents.

For so long as any Notes remain Outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, Glencore International will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934 (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any registered holder of Notes (or any holder of a book-entry interest in such Notes designated by the registered holder thereof) in connection with any sale thereof and to any prospective purchaser of Notes or a book-entry interest in Notes designated by such registered holder, in each case upon request of such registered holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

The Regulation S Global Notes will be resold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Principal, maturity and interest

The Notes are unsecured obligations of the Issuer and are guaranteed, jointly and severally, on an unsecured basis by the Guarantors. The aggregate principal amount of the Notes is \$950,000,000, and the Notes will mature on April 15, 2014. The Notes bear interest at 6.00% per annum from the date of the initial issuance of the Notes or from the most recent Interest Payment Date to which interest has been paid or provided for, payable semi-annually in arrears on April 15 and October 15 of each year, commencing October 15, 2004

to the person in whose name any Note is registered at the close of business on the April 1 or the October 1 (whether or not a business day) immediately preceding such Interest Payment Date, notwithstanding any transfer or exchange of such Notes subsequent to the record date and prior to such Interest Payment Date, except that if and to the extent the Issuer shall default in the payment of the interest due on such Interest Payment Date, such defaulted interest may at the option of the Issuer be paid to the persons in whose names Outstanding Notes are registered at the close of business on a subsequent record date (which shall not be less than five days which are business days in New York prior to the date of payment of such defaulted interest) established by notice given by mail by or on behalf of the Issuer to the registered holders of the Notes not less than 15 days preceding such subsequent record date. Interest is computed on the basis of a 360-day year consisting of twelve 30-day months. If the date on which any interest payment or principal payment is to be made is not a business day in New York or the place of payment of such interest or principal, such payment will be made on the next day which is a business day in New York and the place of payment of such interest or principal.

Further issues

The Issuer may, from time to time, without notice to or the consent of the holders of the Notes, issue further securities having identical terms and conditions as the Notes (or in all respects except for the payment of interest accruing prior to the issue date of such additional securities or except for the first payment of interest following the issue date of such additional securities) so that the further issue is consolidated and forms a single series of securities with the Notes (a “Further Issue”).

The Issuer may offer additional notes with original issue discount (“OID”) for U.S. federal income tax purposes as part of a Further Issue. Purchasers of Notes after the date of any Further Issue will not be able to differentiate between the notes sold as part of a Further Issue and previously issued Notes. If the Issuer were to issue further notes with OID, purchasers of Notes after such a Further Issue may be required to accrue OID (or greater amounts of OID than they would otherwise have accrued) with respect to the Notes. This may affect the price of outstanding Notes following a Further Issue. Purchasers are advised to consult their legal counsel with respect to the implications of any future decision by the Issuer to undertake a Further Issue of notes with OID.

Status of Notes and guarantees

The Notes are unsecured and unsubordinated obligations of the Issuer. The Guarantors, jointly and severally, unconditionally guarantee the due and punctual payment (and not collectibility) of the principal of and interest on the Notes (and the payment of additional amounts described under “—Payment of Additional Amounts”) when and as the same shall become due and payable, whether at stated maturity, by declaration of acceleration, call for redemption or otherwise. Each Guarantee is an unsecured obligation of the applicable Guarantor and ranks *pari passu* in right of payment with other unsecured and unsubordinated indebtedness of that Guarantor.

The Issuer is a finance subsidiary of Glencore International with no significant assets, operations or subsidiaries of its own. The Guarantors are operating companies that each conduct a significant amount of business through ownership, direct and indirect, of interests in subsidiaries, and the right of each of the Guarantors to participate in any distribution of assets of any of their respective subsidiaries upon such subsidiary’s liquidation or reorganization or otherwise is subject to the prior claims of creditors of that subsidiary, except to the extent that either of the Guarantors may itself be recognized as a creditor of that subsidiary. Accordingly, the Guarantors’ obligations under the Guarantees are effectively subordinated to all existing and future liabilities of their respective subsidiaries. Holders of Notes should look only to the assets of the Issuer and the Guarantors for payments on the Notes and the Guarantees, respectively.

Relation to Shareholders of Glencore International

The liabilities of Glencore International include the contractual obligations that Glencore International owes to the employees of Glencore International or any of its direct or indirect subsidiaries who currently hold shares of Glencore Holding, a holding company which currently holds 85% of the shares of Glencore International (such employees, the “GH Employee Shareholders”), and/or Glencore L.T.E. AG, a holding company which currently holds 15% of the shares of Glencore International (such employees, the “LTE Employee Shareholders” and, collectively with the GH Employee Shareholders, the “Current Employee Shareholders”) and the associated profit participation rights issued with such shares. Upon the occurrence of certain events described below, Glencore International will make payments to each of the Current Employee Shareholders of a proportional share of the consolidated shareholders’ funds of Glencore International accumulated in the period during which the Current Employee Shareholder holds such shares and profit participation rights.

Proportional amounts of the consolidated shareholders’ funds of Glencore International are payable to GH Employee Shareholders over a five-year period (which may be accelerated by Glencore International in its discretion) commencing upon termination of employment and the repurchase of such employees’ shares. Glencore may also, at its option, repurchase shares of Glencore L.T.E. and pay proportional shares of consolidated shareholders’ funds of Glencore International to LTE Employee Shareholders provided that sufficient funds are available to make payments on a like number of profit participation rights to GH Employee Shareholders and that

any such payments will not violate any of Glencore's covenants under certain of its debt facilities. Glencore International expects to enter into additional obligations in the future to pay proportional shares of its consolidated shareholders' funds to additional employees of Glencore International or its direct or indirect subsidiaries who become direct or indirect shareholders of Glencore International ("Future Employee Shareholders", and together with the Current Employee Shareholders, the "Employee Shareholders") and to other future direct or indirect shareholders of Glencore International, if any.

All Current Employee Shareholders have agreed (any such agreement a "Subordination Agreement") that their respective rights to payment under the Shareholder Agreements (as defined below) are subordinate and junior in right to payment of all obligations to institutional investors of Glencore International under its Guarantee. The Indenture provides that at all times during which the principal, interest, any applicable make-whole amount or any Additional Amount with respect to the Notes shall not have been paid in full in cash, Glencore International will cause all Future Employee Shareholders to enter into such Subordination Agreements. Such Subordination Agreements do and will provide that the subordination shall apply only to those Employee Shareholders whose rights to payment shall have arisen during the pendency of or within thirty (30) days prior to the occurrence of an Event of Default (a "Subordination Triggering Event") and the Indenture further provides that the Subordination Agreements will not be amended in any material respect without the prior consent of the holders of a majority of the then outstanding principal amount of the Notes. These subordination provisions will not apply to any Employee Shareholder who more than thirty (30) days prior to the happening of a Subordination Triggering Event or after the same has been remedied or waived (unless another Subordination Triggering Event occurs within thirty (30) days of such remedy or waiver) is or becomes entitled to receive payment (whether or not then due) from Glencore International under a Shareholder Agreement. No provision of the Subordination Agreement will in any way limit the right of Glencore International to require, or of any Employee Shareholder to agree, that the rights of any Employee Shareholder will be subordinate and junior in right of payment to any other present or future obligation of Glencore International; *provided, however*, that any such other subordination shall be no more favorable than the subordination provided for under the Indenture, as the same may be amended from time to time.

The Indenture also provides that Glencore International will cause each Employee Shareholder that enters into a written agreement with Glencore International to receive a specific payment under a Shareholders Agreement prior to such Employee Shareholder's termination of employment to further agree that if such written agreement to receive a specific payment is made during the pendency of or within thirty (30) days prior to the occurrence of a Subordination Triggering Event, then until such Subordination Triggering Event is remedied or waived such Employee Shareholder's right to receive payment shall be subordinate and junior in right to the payment of all obligations of Glencore International under its Guarantee such that the Employee Shareholder will not be entitled to receive any such payment. These subordination provisions will not apply to any Employee Shareholder who more than thirty (30) days prior to the happening of a Subordination Triggering Event or after the same will have been remedied or waived (unless another Subordination Triggering Event occurs within thirty (30) days of such remedy or waiver) is or becomes entitled to receive payment (whether or not then due) from Glencore International under a Shareholders Agreement. Nothing in these subordination provisions or in any agreement with a Employee Shareholder pursuant thereto will in any way limit the right of Glencore International to require, or of any Employee Shareholder to agree, that the rights of any Employee Shareholder shall be subordinate and junior in right of payment to any other present or future obligation of Glencore International; *provided, however*, that any such other subordination shall be no more favorable than the subordination provided for under the Indenture, as the same may be amended from time to time.

The existence of a Subordination Triggering Event, as described in the two preceding paragraphs, will not prevent the return of profit participation rights of Glencore International and the corresponding reduction of its equity capital.

"Shareholder Agreement" shall mean any profit-sharing, shareholder or similar agreement pursuant to which a current or future GH Employee Shareholder shall be eligible to receive payment from Glencore International upon the termination of that employee's employment or a current or future LTE Employee Shareholder shall be eligible to receive payment from Glencore International upon its agreement to make such payment.

Holders of the Notes who are institutional investors are entitled to enforce the subordination and suspension of payment provisions of the Shareholder Agreements, and the provisions relating to the enforcement thereof, against GH Employee Shareholders in a bankruptcy proceeding of Glencore International, subject to Swiss statutory requirements. In other circumstances, pursuant to the Indenture, such holders will have to rely upon Glencore International to enforce such provisions on their behalf, pursuant to the following covenant. In the Indenture, Glencore International has agreed that, upon the occurrence and during the continuation of a Subordination Triggering Event, Glencore International shall, upon the request of institutional investors that hold a majority in aggregate principal amount of the Notes then Outstanding take all steps necessary to enforce the subordination and suspension of payment provisions, and the provisions relating to the enforcement thereof, in all of the Shareholder Agreements that are then in effect, for the benefit of such institutional investor and all other institutional investors similarly situated, including all steps necessary to enforce such provisions against the parties to such agreements other than Glencore International.

Book entry, delivery and form

The Regulation S Global Notes are represented by the European Global Certificate (the “European Global Certificate”), and the Rule 144A Global Notes are represented by the U.S. Global Certificate (the “U.S. Global Certificate”, and together with the European Global Certificate, the “Global Certificates”). The European Global Certificate has been deposited with JPMorgan Chase Bank, as custodian, and registered in the name of Cede & Co., as nominee for DTC, for the accounts of Euroclear and Clearstream. The U.S. Global Certificate has been deposited with JPMorgan Chase Bank, as custodian, and registered in the name of Cede & Co., as nominee for DTC. Interests of participants in Euroclear, Clearstream and DTC in the Notes are represented by book entries on the records of Euroclear, Clearstream or DTC, as the case may be. The Rule 144A Global Notes are subject to certain restrictions on transfer unless the Issuer, the Guarantors, and the Trustee determine otherwise in accordance with applicable law and the U.S. Global Certificate bears a legend to that effect. Transfers of the Notes will be effected in accordance with the procedures set out in “Transfer Restrictions”.

So long as DTC, or its respective nominee, is the registered holder and owner of a Global Certificate, DTC or such nominee, as the case may be, will be considered the sole owner and holder of the related Notes for all purposes of such Notes and for all purposes under the Indenture. Except as set forth below, owners of beneficial interests in a Global Certificate are not entitled to have the Notes represented by such Global Certificate registered in their names, are not entitled to and will not receive physical delivery of Notes in definitive form and are not considered to be the owners or holders of any Notes under the Indenture or such Global Certificate.

The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Such laws may impair the ability of a holder to transfer or pledge beneficial interests in a Global Certificate.

The Indenture provides that Notes will cease to be represented by Global Certificates, and Notes in definitive registered form in an aggregate principal amount equal to the principal amount of the Global Certificates will be issued in exchange therefore, only if: (i) Euroclear, Clearstream or DTC notifies the Issuer that it is unwilling or unable to continue as a depository for the respective Global Certificate or, in the case of DTC only, DTC ceases to be a clearing agency registered under the Exchange Act, and in each case a successor depository is not appointed by the Issuer within 90 days after receipt of such notice or becoming aware that DTC is no longer so registered; (ii) the Trustee has instituted or been directed to institute any judicial proceeding in a court to enforce the rights of the registered holders of the Notes under the Notes or the Guarantees and the Trustee has been advised by counsel that in connection with such proceedings it is necessary for the Trustee to obtain possession of the Notes and the Trustee in its sole discretion determines that the Notes shall no longer be represented by Global Certificates; or (iii) the Issuer and the Guarantors shall have determined in their sole discretion that the Notes shall no longer be represented by Global Certificates. Each such definitive Note will be endorsed with a Guarantee from each of the Guarantors in the form set out in the Indenture, and the Guarantors have agreed in the Indenture to execute such Guarantees. Except as set forth in this paragraph, no Global Certificate may be exchanged in whole or in part for definitive Notes.

Regulation S global notes

Upon the issuance of the European Global Certificate, each of Euroclear and Clearstream credited, on its respective book-entry registration and transfer system, the respective principal amounts of the Notes represented by the European Global Certificate to the accounts of institutions that have accounts with it (as the case may be, “Euroclear Participants” or “Clearstream Participants”). The accounts credited were designated by the Initial Purchasers, dealers or agents. Ownership of beneficial interests in the European Global Certificate is limited to Euroclear and Clearstream Participants or persons that may hold interests through Euroclear or Clearstream Participants. Ownership of beneficial interests in the European Global Certificate are shown on, and the transfer of those beneficial interests is effected only through, records maintained by Euroclear and Clearstream (with respect to Euroclear and Clearstream Participants’ beneficial interest) and such Euroclear and Clearstream Participants.

Each person owning a beneficial interest in the European Global Certificate must rely on the procedures of Euroclear or Clearstream and, if such person is not a Euroclear or Clearstream Participant, on the procedures of the Euroclear or Clearstream Participant through which such person owns its interest, to exercise any rights of a holder of Notes under the Indenture or the European Global Certificate. The Issuer understands that under existing industry practice, in the event the Issuer requests any action of holders of Notes or an owner of a beneficial interest in the European Global Certificate desires to take any action that the common depository for Euroclear and Clearstream, as the holder of the European Global Certificate, is entitled to take, Euroclear or Clearstream, as the case may be, would authorize the Euroclear or Clearstream Participants to take such action, and that the Euroclear or Clearstream Participants would authorize beneficial owners owning through such Euroclear and Clearstream Participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

None of the Issuer, either of the Guarantors, the Trustee or the Agent has any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the European Global Certificate for any Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for any other aspect of the

relationship between Euroclear and Clearstream and their respective Participants or the relationship between such Participants and the owners of beneficial interests in the European Global Certificate owned through such Participants.

Rule 144A global notes

Upon the issuance of the U.S. Global Certificate, DTC credited, on its book-entry registration and transfer system, the respective principal amounts of the Notes represented by the U.S. Global Certificate to the accounts of institutions that have accounts with it or its nominee ("DTC Participants"). The accounts credited were designated by the Initial Purchasers, dealers or agents. Ownership of beneficial interests in the U.S. Global Certificate is limited to DTC Participants or persons that may hold interests through DTC Participants. Ownership of beneficial interests in the U.S. Global Certificate is shown on, and the transfer of those beneficial interests is effected only through, records maintained by DTC (with respect to DTC Participants' beneficial interests) and such DTC Participants (with respect to beneficial interests in the U.S. Global Certificate held through DTC Participants).

Each person owning a beneficial interest in the U.S. Global Certificate must rely on the procedures of DTC and, if such person is not a DTC Participant, on the procedures of the DTC Participant through which such person owns its beneficial interest, to exercise any rights of a holder of Notes under the Indenture or the U.S. Global Certificate. The Issuer understands that under existing industry practice, in the event that it requests any action of holders of Notes or an owner of a beneficial interest in the U.S. Global Certificate desires to take any action that Cede & Co., as the holder of the U.S. Global Certificate, is entitled to take, DTC would authorize the DTC Participants to take such action, and that the DTC Participants would authorize beneficial owners owning through such DTC Participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

None of the Issuer, either of the Guarantors, the Trustee or the Agent has any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the U.S. Global Certificate for any Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for any other aspect of the relationship between DTC and the DTC Participants or the relationship between such DTC Participants and the owners of beneficial interests in the U.S. Global Certificate owned through such DTC Participants.

Payments, transfer and exchange

Payments of interest and other amounts in respect of book-entry interests in the Notes represented by the Global Certificates will be made to Euroclear and Clearstream, and Cede & Co. as nominee for DTC, which shall be the only persons entitled to receive payments of interest and other amounts on such Notes. Each of the account holders entitled to payment must look solely to Euroclear or Clearstream or DTC, as the case may be, for its share of the payment so made by the Issuer to such nominee.

Each installment of interest on definitive Notes may be paid by mailing checks for such interest payable to the holders entitled thereto as they shall appear on the registry. Notes called for redemption shall be paid and redeemed on presentation and surrender at a place of payment specified in the applicable notice of redemption.

The Indenture provides that, so long as any of the Notes remain Outstanding, the Issuer and the Guarantors must each maintain in the Borough of Manhattan, the City of New York, and in a European city which, so long as the Regulation S Global Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, will be Luxembourg, an office or agency (a) where the Notes may be presented for payment (pursuant to the Guarantees, in the case of the Guarantors), (b) in the case of the Issuer, where the Notes may be presented for registration of transfer and for exchange as provided in the Indenture and (c) where notices and demands to or upon the Issuer or the Guarantors in respect of the Notes, the Guarantees or the Indenture may be served. The Issuer and the Guarantors must give the Trustee written notice of the location of any such office or agency and of any change of location thereof. The Issuer and the Guarantors have designated initial paying agents in the Borough of Manhattan, the City of New York and Luxembourg for such purposes.

The Issuer and the Guarantors may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes or where such notices or demands may be served and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Issuer or the Guarantors of any obligation to maintain an office or agency in the Borough of Manhattan, the City of New York and in a European city for such purposes and, *provided further*, that if the Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 comes into force, the Issuer and the Guarantors will, to the extent reasonably possible as a matter of law, maintain a paying agent with a specified office in a Member State of the European Union that will not be obligated to withhold or deduct tax pursuant to such Directive or any law of an EU country or a non-EU country implementing or complying with, or introduced in order to conform to, such Directive. The Issuer and the Guarantors shall give written notice to the Trustee of any such designation or rescission and of any such change in the location of any other office or agency.

A holder of Notes may transfer or exchange Notes in accordance with the Indenture. The registrars and transfer agents for the Notes are not required to accept for registration or transfer any Notes, except upon presentation of satisfactory evidence (which may include legal opinions) that the restrictions on transfer have been complied with, all in accordance with such reasonable regulations as the Issuer and the Guarantors may from time to time agree with such registrars and transfer agents.

Notwithstanding any statement herein, the Issuer and the Guarantors reserve the right to impose or remove such transfer, certification, substitution or other requirements, and to require such restrictive legends on Notes, as they may determine are necessary to ensure compliance with the securities laws of the United States and the states therein and any other applicable laws or as may be required by any stock exchange on which the Notes are listed.

The Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of Notes. No service charge will be made for any such transaction.

The Registrar and Transfer Agents are not required to exchange or register a transfer of (i) any Notes for a period of 15 calendar days ending on the due date for any payment of principal in respect of the Notes or the first mailing of notice of redemption of Notes to be redeemed or (ii) any Notes selected, called or being called for redemption except, in the case of any Note where notice of redemption pursuant to the Indenture has been given that such Notes are to be redeemed in part, the portion thereof not so to be redeemed.

The Notes were issued in fully registered form and only in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof.

The registered holder of a Note will be treated as its owner for all purposes.

Means and location of payments

So long as the Notes are listed on the Luxembourg Stock Exchange, payments of principal and interest on definitive Notes may be made through the office of the paying agent in Luxembourg. Distributions of principal and interest will be made to holders of Notes of record on the close of business on April 1 and October 1. Distributions will be made by wire transfer or by check mailed to the address of such holder as it appears on the register maintained by the registrar. The final payment on any definitive Notes, however, will be made only upon presentation and surrender of the Note at the office of the paying agent in Luxembourg on a payment date that is a business day in the place of presentation.

Payment of additional amounts

The Issuer or a Guarantor (pursuant to the terms of its respective Guarantee), will pay, in respect of any payment of principal, premium, if any, or interest on any Note, or on any payment under its Guarantee to the holder thereof, such additional amounts ("Additional Amounts") as may be necessary in order that such payment after deduction or withholding for any and all present and future taxes, levies, imposts or other governmental charges whatsoever imposed, assessed, levied or collected by or for the account of or as a result of such payment by the Issuer Jurisdiction or the Guarantor Jurisdiction (each as defined below), as the case may be, will not be less than the amount provided for in such Note to be then due and payable; *provided, however*, that neither the Issuer nor the Guarantors shall be required to pay any Additional Amounts for or on account of:

- (i) Any present or future tax, levy, impost or other governmental charge which would not have been so imposed, assessed, levied or collected but for the fact that the holder or beneficial owner of the Note or Guarantees (or a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder, if such holder is an estate, trust, partnership or corporation) is or has been a domiciliary, national or resident of, or engaging or having been engaged in a trade or business or maintaining or having maintained a permanent establishment or being or having been physically present in the Issuer Jurisdiction or the Guarantor Jurisdiction, as the case may be, or otherwise having had some connection with the Issuer Jurisdiction or the Guarantor Jurisdiction, as the case may be, other than the holding or ownership of a Note or the collection of principal of, and interest on, or the enforcement of, a Note or the Guarantees;
- (ii) Any present or future tax, levy, impost or other governmental charge which would not have been so imposed, assessed, levied or collected but for the fact that, where presentation is required, the Note was presented more than thirty days after the date on which such payment became due or was provided for, whichever is later, except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the Note for payment on the last day of such 30-day period;
- (iii) Any estate, inheritance, gift, transfer, personal property or similar tax, levy, impost or other governmental charge;
- (iv) Any present or future tax, levy, impost or other governmental charge which is payable otherwise than by deduction or withholding from payments on or in respect of the Note;

- (v) Any present or future tax, levy, impost or other governmental charge which would not have been so imposed, assessed, levied or collected but for the failure to comply by the holder or the beneficial owner of the Note (a) with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with the Issuer Jurisdiction or the Guarantor Jurisdiction, as the case may be, or (b) with any request to make any declaration or similar claim to satisfy any information or reporting requirement, and that is in the case of (a) or (b) communicated by the Issuer or a Guarantor, as the case may be, to the holder if compliance is required by treaty, statute, regulation or administrative practice of the Issuer Jurisdiction or the Guarantor Jurisdiction, as the case may be, as a condition to relief or exemption from such tax, levy, impost or other governmental charge;
- (vi) Any withholding or deduction imposed on a payment to an individual that is required to be made pursuant to Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000, or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (vii) Any withholding or deduction that is imposed on a Note or either of the Guarantees that is presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another paying agent in a member state of the European Union; or
- (viii) Any combination of items (i) through (vii) above;

nor will additional amounts be paid with respect to any payment of the principal of, premium, if any, or interest on, any Note to any holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent that such payment would be required by the laws of the Issuer Jurisdiction or the Guarantor Jurisdiction, as the case may be, to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such amounts had it been the holder of such Note.

“Issuer Jurisdiction” shall mean the jurisdiction in which the Issuer is organized or resident for tax purposes, or any political subdivision or taxing authority thereof or therein; provided that the term “Issuer Jurisdiction” shall in no event include the United States of America or any political subdivision or taxing authority thereof or therein.

“Guarantor Jurisdiction” shall mean each jurisdiction in which a Guarantor is organized or resident for tax purposes, or any political subdivision or taxing authority thereof or therein; provided that the term “Guarantor Jurisdiction” shall in no event include the United States of America or any political subdivision or taxing authority thereof or therein.

Redemption

Optional redemption

The Issuer or either of the Guarantors may redeem the Notes in whole or in part, at the Issuer’s or the Guarantor’s option, at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) the sum of the present values of the Remaining Scheduled Payments discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 35 basis points, together with, in each case, accrued interest on the principal amount of the Notes to be redeemed to the date of redemption. In connection with such optional redemption the following defined terms apply:

- “*Treasury Rate*” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third business day immediately preceding that redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date.
- “*Comparable Treasury Issue*” means the United States Treasury security selected by the Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.
- “*Comparable Treasury Price*” means, with respect to any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding that redemption date, as set forth in the daily statistical release designated H.15 (519) (or any successor release) published by the Federal Reserve Bank of New York and designated “Composite 3:30 p.m. Quotations for U.S. Government Securities” or (ii) if such release (or any successor release) is not published or does not contain such prices on such business

day, (A) the average of the Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker for the Notes obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations.

- “*Independent Investment Banker*” means one of the Reference Treasury Dealers appointed by the Issuer to act as the “Independent Investment Banker”.
- “*Reference Treasury Dealer*” means each of Citigroup Global Markets Inc. (“Citigroup”) and J.P. Morgan Securities Inc. (“JPMorgan”) and their respective successors and two other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by the Issuer; *provided, however*, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a “Primary Treasury Dealer”), the Issuer shall substitute therefore another Primary Treasury Dealer.
- “*Reference Treasury Dealer Quotation*” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding that redemption date.
- “*Remaining Scheduled Payments*” means, with respect to each Note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; *provided, however*, that, if that redemption date is not an interest payment date with respect to such Notes, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to that redemption date.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of the Notes to be redeemed. On and after any redemption date, interest will cease to accrue on the Notes or any portion thereof called for redemption.

Upon presentation of any Note redeemed in part only, the Issuer will execute and the Trustee will authenticate and deliver to or on the order of the holder thereof, at the expense of the Issuer, a new Note or Notes, of authorized denominations, in principal amount equal to the unredeemed portion of the Note so presented.

On or before any redemption date, the Issuer shall deposit with the Trustee money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on such date. If less than all the Notes are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate. The redemption price shall be calculated by the Independent Investment Banker and the Issuer, and the Trustee and any paying agent for the Notes shall be entitled to rely on such calculation.

Final redemption

Unless previously redeemed or purchased by the Issuer, either of the Guarantors or any of their Subsidiaries, and cancelled, the Notes will be redeemed on April 15, 2014 in an amount equal to their principal amount, with accrued interest to such date.

Reacquisition

There is no restriction on the ability of the Issuer, the Guarantors or any of their Subsidiaries to purchase or repurchase Notes.

Redemption for tax reasons

The Notes are also redeemable, in whole but not in part, at par plus accrued interest to the redemption date, at the Issuer’s or either of the Guarantors’ option prior to their maturity (i) in the event of certain changes involving taxes of the Issuer Jurisdiction or the Guarantor Jurisdiction, as described below, or (ii) if the Issuer or either of the Guarantors consolidates or merges with, or transfers or leases its assets substantially as an entirety to, any person which is incorporated under the laws of any jurisdiction other than the Issuer Jurisdiction or the Guarantor Jurisdiction, respectively, and such person is required to pay the holder of any Notes any Additional Amounts as a result of certain changes in law involving taxes of such jurisdiction, which changes occur after such consolidation, merger, transfer or lease.

If as a result of any change in, or amendment to, the laws (including any regulations or rulings promulgated thereunder) of the Issuer Jurisdiction or the Guarantor Jurisdiction or any amendment to or change in the application or official interpretation of such laws, regulations or rulings, which change or amendment becomes effective on or after March 31, 2004, or on or after the date on which any

successor assumes the Issuer's or either of the Guarantors' obligations under the Notes or under its respective Guarantee, the Issuer (or a Guarantor, in accordance with the terms of its respective Guarantee) has, or would, become obligated to pay to the holder or beneficial owner of any Note any Additional Amounts and, in the case of either of the Guarantors, would be required in accordance with the terms of its respective Guarantee to make the payment and that Guarantor would be unable, for reasons outside its control, to procure payment by the Issuer (or the procuring of such payment by the Issuer would be subject to withholding taxes imposed by the Guarantor Jurisdiction), and the Issuer determines such obligations cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to it (or the Guarantors), then either of the Issuer or Guarantor may, at its option, redeem the Notes as a whole but not in part, upon not less than 30 nor more than 60 days' notice as provided in "—Notice" below, at par plus accrued interest to the redemption date, but without reduction for any applicable withholding taxes imposed by the Issuer Jurisdiction or the Guarantor Jurisdiction, as the case may be, provided that (i) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or either of the Guarantors, as the case may be, would be obligated to pay any such Additional Amounts were a payment in respect of the Notes or the Guarantees, as the case may be, then due and (ii) at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. The Issuer's and the Guarantors' right to redeem the Notes shall continue, as long as the Issuer or either of the Guarantors, as the case may be, is obligated to pay such Additional Amounts, notwithstanding that the Issuer or either of the Guarantors, as the case may be, shall have made payments of Additional Amounts. Prior to the giving of any such notice or redemption, the Issuer or Guarantor, as the case may be, must deliver to the Trustee (a) a certificate stating that the Issuer or Guarantor is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer or such Guarantor so to redeem have occurred and (b) an opinion of independent counsel or an independent accountant of recognized standing selected by the Issuer or such Guarantor to the effect that the Issuer or either of the Guarantors, as the case may be, has, or would, become obligated to pay such Additional Amounts as a result of such change or amendment.

Certain definitions

Set forth below is a summary of certain of the defined terms used in the Indenture. You should refer to the Indenture for the full definition of all defined terms.

"Attributable Value" shall mean, as to any particular lease under which any person is at the time liable as lessee for a term of more than 12 months, and at any date as of which the amount of the payment is to be determined, the total net amount of rent required to be paid by that person under the lease during the remaining term of the lease (excluding any subsequent renewal or other extension option held by the lessee), discounted from the respective due dates to the date of determination at a rate equivalent to the rate inherent in such lease (as determined in good faith by an authorized officer of such person). The net amount of rent required to be paid under the lease for any period will be the aggregate amount of rent payable by the lessee with respect to that period after excluding amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, utility, operating and labor costs and similar charges.

"Century Aluminum" shall mean Century Aluminum Company, a Delaware corporation, and its subsidiaries.

"Consolidated Assets" shall mean all of the assets of the Group as reported in the audited consolidated financial statements of the Group for the fiscal year ended immediately prior to the date of determination.

"Consolidated Borrowing Costs" of the Group shall mean all continuing, regular or periodic costs, charges and expenses (including but not limited to interest, whether capitalized or not, and the interest element of Finance Leases) incurred by the Group in effecting, servicing or maintaining Financial Indebtedness, plus rent payments under operating leases, less interest received by the Group, all as set forth in the audited consolidated financial statements of the Group most recently delivered to the holders of the Notes pursuant to the Indenture.

"Consolidated Current Assets" shall mean at any time all those assets of the Group determined as being current in accordance with International Financial Reporting Standards and by reference to the consolidated financial statements of the Group most recently delivered to the holders of the Notes pursuant to the Indenture.

"Consolidated Income (or Loss) before Borrowing Costs and Tax" shall mean Income for the year (or such substantially similar line item as may appear in any such financial statements) adjusted by adding back any cumulative effect of changes in accounting policy, minority interests, income taxes, extraordinary items and the Consolidated Borrowing Costs, all as reported in the audited consolidated financial statements of the Group most recently delivered to holders of the Notes pursuant to the Indenture.

"Consolidated Net Tangible Assets of Glencore International" shall mean the total amount of assets of Glencore International on a consolidated basis, after deducting therefrom:

- (a) all current liabilities, except for current liabilities which are by their terms extendable or renewable at the option of the obligor to a date which is more than 12 months after the date of creation thereof; and
- (b) all goodwill, tradenames, trademarks, patents, unamortized debt discount and financing costs and all similar intangible assets;

all as set forth in the most recent consolidated balance sheet of the Group and computed in accordance with International Financial Reporting Standards; provided however that notwithstanding the foregoing, the following will not be taken into account in the computation of Consolidated Net Tangible Assets of Glencore International: (i) all assets sold and liabilities incurred pursuant to a Permitted Securitization Transaction; and (ii) all assets and liabilities of Xstrata, Century Aluminum and Minara, but only if such company would have been a Restricted Subsidiary but for the final proviso of the definition of Restricted Subsidiary.

“*Finance Lease*”, as applied to any person, shall mean any lease of any property (whether real, personal or mixed) by such person as lessee which would, in accordance with International Financial Reporting Standards, be required to be classified and accounted for as a finance lease in the financial accounts or statements of such person.

“*Financial Indebtedness*”, of any person, shall mean (without duplication and excluding trade credit in the ordinary course of the Group’s business on the Group’s normal commercial terms):

- (a) all obligations of such person for monies borrowed and its redemption obligations in respect of mandatorily redeemable preferred stock;
- (b) all obligations of such person evidenced by any debenture, bond, note, loan, stock, commercial paper or other similar security;
- (c) all actual (as opposed to contingent) reimbursement and other payment obligations of such person (other than accounts payable) in respect of any acceptance of financial letters of credit or instruments serving similar functions;
- (d) all obligations of such person in respect of capitalized rentals or Finance Leases;
- (e) all guaranties by such person of financial indebtedness of third parties; and
- (f) any amount owed to departed Employee Shareholders pursuant to any existing or future agreements with such Employee Shareholders;

but with respect to the Group, shall exclude monies borrowed or raised by any entity within the Group from any other entity within the Group.

“*Group*” shall mean, at any time, Glencore International and its subsidiaries (including the Issuer).

“*International Financial Reporting Standards*” shall mean, at any time, the current version of accounting standards set out by the International Accounting Standards Committee in London, England.

“*Lien*” shall mean, as to any person, any mortgage, lien, pledge, charge, security interest or other similar encumbrance in or on any property or asset of such person (other than, with respect to the Group, the shares of Xstrata, Century Aluminum or Minara).

“*Long-Term Financial Indebtedness*” shall mean all Financial Indebtedness with maturities in excess of one year.

“*Minara*” shall mean Minara Resources Limited, an Australian corporation, and its subsidiaries.

“*Permitted Liens*” at any particular time shall mean:

- (a) any Lien to secure any Short-Term Financial Indebtedness; provided, however, that after the creating, incurring or assuming of any such Lien, the aggregate principal amount of all Short-Term Financial Indebtedness secured by all such Liens on any property or asset of the Issuer, either of the Guarantors or any Restricted Subsidiary (whether held on the date hereof or hereafter acquired) or any interest therein or any income or profit therefrom, securing any Financial Indebtedness or interest on any Financial Indebtedness does not exceed twenty-five percent (25%) of Consolidated Current Assets;
- (b) any Lien existing on the date of the Indenture;

- (c) any Lien arising by operation of law and not as a result of any act or omission on the part of the Issuer, either of the Guarantors or any Restricted Subsidiary, which Lien does not materially impair the usefulness of the property or assets so encumbered to that Person;
- (d) any Lien created on property (or the title documents for that property) or any other asset acquired, constructed or improved after the date of the Indenture for the sole purpose of financing or refinancing or securing all or any portion of the cost of acquisition, construction or improvement of that property or asset so long as the principal moneys secured by the property do not exceed the cost of that acquisition, construction or improvement;
- (e) any Lien over property (or the title documents for that property) or any other asset that was in existence at the time the Issuer, either of the Guarantors or any Restricted Subsidiary acquired the property or other asset (or acquired a subsidiary that owns the property or other asset) or arising as a result of contractual commitments to grant a Lien relating to the property or asset which existed prior to the acquisition of the property, asset or subsidiary;
- (f) any Lien arising in transactions entered into or established for the Issuer's, either of the Guarantors' or any Restricted Subsidiary's benefit in connection with any of the following:
 - (i) the operation of cash management programs;
 - (ii) other payment netting arrangements;
 - (iii) other normal banking transactions; or
 - (iv) in the ordinary course of letter of credit transactions;
- (g) any Liens securing taxes or assessments or other applicable governmental charges or levies or in favor of a governmental entity in connection with the operations of that person or any subsidiary of that person;
- (h) any Liens in favor of the Issuer, either of the Guarantors or any Restricted Subsidiary (but only so long as it is a Restricted Subsidiary);
- (i) any Liens securing indebtedness to the extent the Issuer, either of the Guarantors or any Restricted Subsidiary has paid money or deposited securities in an arrangement to discharge any liability relating to that indebtedness;
- (j) any Liens created by or relating to legal proceedings so long as that Lien is discharged, vacated or bonded within 90 days of attachment or execution thereof is effectively stayed, and any Liens securing bonds posted in connection therewith or in connection with clause (g) above;
- (k) Liens on accounts receivable, inventory or other assets in connection with Permitted Securitization Transactions; and
- (l) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Lien referred to above, so long as
 - (i) the amount does not exceed the original principal amount of the borrowed money secured by the Lien which is to be extended, renewed or replaced; unless such excess is otherwise permitted hereunder, and
 - (ii) the extension, renewal or replacement Lien is limited to all or a part of the same property, including improvements, that secured the Lien to be extended, renewed or replaced, unless such property is otherwise permitted to be secured hereunder.

For the avoidance of doubt, the inclusion of any Lien within the definition of Permitted Lien shall not be relevant in determining if the underlying obligation secured by such Lien constitutes Financial Indebtedness.

"Permitted Securitization Transaction" shall mean a sale of receivables, inventories or other assets by a member of the Group to a special purpose entity, whereby either (i) the sale does not meet the derecognition requirements of or (ii) the special purpose entity is required to be consolidated under, International Financial Reporting Standards such that the assets and related liabilities appear on Glencore International's consolidated financial statements.

“*Restricted Subsidiary*” shall mean:

- (a) any Subsidiary of Glencore International if either:
 - (i) the portion of the Consolidated Income (or Loss) before Borrowing Costs and Tax of the Group which was contributed by such Subsidiary (determined by reference to Subsidiary Income (or Loss) before Borrowing Costs and Tax) during the immediately preceding complete fiscal year of Glencore International exceeded ten percent (10%); or
 - (ii) the portion of Consolidated Assets of the Group which was contributed by such Subsidiary (determined by reference to Subsidiary Assets) as at the end of the immediately preceding complete fiscal year of Glencore International exceeded ten percent (10%);
- (b) any other Subsidiary of Glencore International which has been designated by Glencore International in writing to constitute a “Restricted Subsidiary” for all purposes of the Indenture, provided that Glencore International may, at any time that a Default or Event of Default has not occurred or would not occur by reason of such notice, by written notice to the Trustee specify that a Subsidiary previously designated to be a “Restricted Subsidiary” pursuant to this clause (b) shall no longer be treated as a “Restricted Subsidiary” for the purposes of the Indenture (to the extent such Subsidiary does not constitute a Restricted Subsidiary pursuant to any other provision of this definition); or
- (c) any Subsidiary of Glencore International which owns, directly or indirectly, a Subsidiary which is a Restricted Subsidiary in accordance with (a) or (b) above;

provided that a certificate signed by an authorized officer of Glencore International that in such person’s opinion a Subsidiary of Glencore International is or is not or was or was not at any particular time or during any particular period a Restricted Subsidiary shall, in the absence of a manifest error, be conclusive and binding; *provided further* that none of Xstrata, Century Aluminum or Minara shall be deemed a Restricted Subsidiary.

“*Sale and Leaseback Transaction*” of any person shall mean an arrangement with any lender or investor or to which that lender or investor is a party providing for the leasing for a term of more than three (3) years by that person of any fixed property or asset of that person which has been or is being sold or transferred by the person more than 6 months after the acquisition of that property or asset or the completion of construction or commencement of operation thereof to that lender or investor or to any person to whom funds have been or are to be advanced by that lender or investor on the security of that property or asset; provided that neither a Permitted Securitization Transaction nor any transaction between members of the Group pursuant to which a member of the Group sells or transfers any fixed property or asset to the Issuer, either of the Guarantors or a Restricted Subsidiary will be considered a Sale and Leaseback Transaction. The stated maturity of this type of arrangement shall be the date of the last payment of rent or any other amount due under the arrangement prior to the first date on which the arrangement may be terminated by the lessee without payment of a penalty.

“*Short-Term Financial Indebtedness*” shall mean Financial Indebtedness with maturities of one (1) year or less.

“*Subsidiary*” with respect to any person, shall mean any corporation, association or other business entity more than 50% of the Voting Stock of which is at the time owned directly or indirectly by such person. Unless otherwise specified, any reference to a Subsidiary is intended as a reference to a direct or indirect Subsidiary of Glencore International.

“*Subsidiary Assets*” of any Subsidiary of Glencore International shall mean all the assets of such Subsidiary, excluding all intercompany assets and liabilities, all as set forth in the audited consolidated financial statements or audited stand-alone financial statements, as the case may be, of such Subsidiary for the fiscal year ended immediately prior to the date of determination.

“*Subsidiary Borrowing Costs*” of any Subsidiary of Glencore International shall mean all continuing regular or periodic costs, charges and expenses (including, but not limited to, interest, whether capitalized or not and the interest element of Finance Leases) incurred by such Subsidiary in effecting, servicing, or maintaining Financial Indebtedness, plus rent payments under operating leases, less interest received by such Subsidiary, all as set forth in the audited consolidated financial statements or audited stand-alone financial statements, as the case may be, of such Subsidiary for the fiscal year ended immediately prior to the date of determination.

“*Subsidiary Income (or Loss) before Borrowing Costs and Taxes*” shall mean consolidated income of any Subsidiary (or, in relation to such a Subsidiary which does not have any Subsidiaries, the non-consolidated income), adjusted by adding back any cumulative effect of changes in accounting policy, minority interests, income taxes, extraordinary items and Subsidiary Borrowing Costs for the year, but excluding all inter-Subsidiary transactions such as, but not limited to, dividends, commissions and management fees all as reported

in the latest audited consolidated financial statements of such Subsidiary (or, in relation to such a Subsidiary which does not have any Subsidiaries, the non-consolidated financial statements of such Subsidiary).

“*Voting Stock*” with respect to any person shall mean the securities of any class or classes of such person, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or persons performing similar functions) of such person.

“*Xstrata*” shall mean Xstrata plc, a corporation organized under the laws of England and Wales, and its subsidiaries.

Covenants of the issuer and the guarantors

Limitation on liens

The Indenture provides that, so long as any Notes are Outstanding, neither the Issuer nor either of the Guarantors will, and Glencore International will not permit any Restricted Subsidiary to, create, incur or assume any Lien on any property or asset of the Issuer, either of the Guarantors or any Restricted Subsidiary (whether held on the date hereof or hereafter acquired) or any interest therein or any income or profit therefrom, securing any Financial Indebtedness or interest on any Financial Indebtedness, other than Permitted Liens, without also at the same time or prior to that time securing, or causing the Restricted Subsidiary to secure, indebtedness under the Indenture so that the Notes are secured equally and ratably with or prior to the other Financial Indebtedness or interest on Financial Indebtedness for so long as such Indebtedness or interest is so secured (together with, if and to the extent we so determine, any other indebtedness or other obligations then existing or thereafter created), except that the Issuer, either of the Guarantors or any Restricted Subsidiary may incur a Lien on any such property or asset, interest, income or profit to secure Financial Indebtedness or interest on any Financial Indebtedness without securing the Notes if the sum of:

- The amount of Financial Indebtedness outstanding at the time secured by Liens on any property or asset of the Issuer, the Guarantors or the Restricted Subsidiaries or any interest thereon or, income or profit therefrom, which Liens were created, incurred or assumed after the date of the Indenture (excluding Financial Indebtedness or interest on Financial Indebtedness secured by Permitted Liens) and otherwise prohibited by the Indenture; and
- The Attributable Value at the time of all Sale and Leaseback Transactions on any such property or asset, interest, income or profit which Sale and Leaseback Transactions were entered into after the date of the Indenture and otherwise prohibited by the Indenture

does not exceed 15% of the Consolidated Net Tangible Assets of Glencore International.

Limitation on sale and leaseback transactions

The Indenture provides that so long as any Notes are Outstanding, neither the Issuer nor either of the Guarantors will, and Glencore International will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction on or with respect to any property or assets of the Issuer, either of the Guarantors or any Restricted Subsidiary (whether held on the date hereof or hereafter acquired) or any interest therein or any income or profit therefrom unless:

- The Issuer, either of the Guarantors or the Restricted Subsidiary would be entitled, under the covenant described above under “—Covenants of the Issuer and the Guarantors—Limitation on Liens”, to incur a Lien on the property or assets subject to the Sale and Leaseback Transaction securing Financial Indebtedness in an amount equal to the Attributable Value of such Sale and Leaseback Transaction without securing the Notes; or
- The Issuer, either of the Guarantors or the Restricted Subsidiary applies, or, in the case of (ii) below, contractually commits to apply, within 270 days after the effective date of any arrangement, an amount equal to the net proceeds of such Sale and Leaseback Transaction to (i) the prepayment, repayment, redemption, reduction or retirement of Long-Term Financial Indebtedness or (ii) the acquisition, construction or improvement of fixed assets.

Limitation on consolidations, mergers, sales of assets and other transactions

The Indenture provides that neither the Issuer nor either of the Guarantors may consolidate with or merge into any other person or convey, transfer or lease its properties and assets substantially as an entirety to any person, and no person shall consolidate with or merge into the Issuer or either of the Guarantors or convey, transfer or lease its properties and assets substantially as an entirety to the Issuer or to either of the Guarantors, unless (i) if the Issuer consolidates with or merges into another person or conveys or transfers its properties and assets substantially as an entirety to any person, such successor person is an entity organized and validly existing under the laws of Switzerland, any country in the European Union, Canada, Australia or the United States, any State or territory thereof or

the District of Columbia, and such successor person expressly assumes the Issuer's obligations under the Notes and the Indenture, or if either of the Guarantors consolidates with or merges into another person or conveys, transfers or leases its properties and assets substantially as an entirety to any person, such successor person is an entity organized and validly existing under the laws of Switzerland, any country in the European Union, Canada, Australia or the United States, any State or territory thereof or the District of Columbia, and such successor person expressly assumes such Guarantor's obligations in respect of its Guarantee and the Indenture; (ii) immediately after giving effect thereto, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; (iii) if the Issuer consolidates with or merges into another person or conveys or transfers its properties and assets substantially as an entirety to any person, the Issuer (1) has delivered to the Trustee an opinion of U.S. counsel of recognized standing with respect to U.S. federal income tax matters to the effect that holders of Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such transaction and will be subject to taxation on the same amount and at the same time with respect to the Notes as would be the case were such transaction not to occur and (2) (A) has delivered to the Trustee an opinion of Swiss counsel of recognized standing with respect to Swiss tax matters to the effect that holders of Notes will not be subject to any Swiss withholding taxes after such transaction with respect to payments under the Notes or Guarantees or (B) agrees to pay Additional Amounts as if the Issuer Jurisdiction includes Switzerland, in which case the term "Issuer Jurisdiction" shall include Switzerland for all purposes in the Indenture; and (iv) the Issuer or either of the Guarantors, as the case may be, has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel (each as defined in the Indenture), each stating that such consolidation, merger, conveyance, transfer or lease and supplemental indenture, if any, comply with the Indenture and that all conditions precedent in the Indenture relating to such transaction have been complied with. The Indenture further provides that the Guarantors (i) will not permit any of the ownership interests in the Issuer to be transferred by Glencore USA LLC, the current sole member of the Issuer, to any other person unless (A) the Issuer has delivered to the Trustee an opinion of Swiss counsel of recognized standing with respect to Swiss tax matters to the effect that holders of Notes will not be subject to any Swiss withholding taxes after such transaction with respect to payments under the Notes or Guarantees or (B) the Issuer agrees to pay Additional Amounts as if the Issuer Jurisdiction includes Switzerland, in which case the term "Issuer Jurisdiction" shall include Switzerland for all purposes in the Indenture and (ii) will cause Glencore USA LLC to remain engaged in trade or business for purposes of Swiss tax laws until completion of the last issuance of Notes contemplated by the offering memorandum prepared in connection with the offering of such Notes (including any re-openings consolidated with the initial issuance of Notes under such offering memorandum).

An assumption of the obligations of the Issuer or either of the Guarantors with respect to the Notes by any person, including either of the Guarantors, might be deemed for U.S. Federal income tax purposes to be an exchange of the Notes for new securities by the holders thereof, resulting in the recognition of gain or loss for such purposes and possibly certain other adverse tax consequences.

The provisions of the Indenture do not afford holders of the Notes protection in the event of a highly leveraged or other transaction involving the Issuer or either of the Guarantors that may adversely affect holders of the Notes.

Events of default

The following will be Events of Default (each an "Event of Default") with respect to the Notes:

- (i) default in the payment of any installment of interest or Additional Amounts upon any Notes as and when the same shall become due and payable, and continuance of such default for thirty (30) days;
- (ii) default in the payment of all or any part of the principal of any of the Notes as and when the same shall become due and payable either at maturity, upon any redemption, by declaration or otherwise;
- (iii) default in the performance or breach of any covenant of the Issuer or either of the Guarantors in respect of the Notes (other than those described in paragraphs (i) and (ii) above), and continuance of such default for a period of sixty (60) days after written notice has been given, by registered or certified mail, to the Issuer and the Guarantors by the Trustee or to the Issuer, the Guarantors and the Trustee by the holders of at least 25 percent in principal amount of the Outstanding Notes affected thereby, specifying such default and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Indenture;
- (iv) (a) any other present or future indebtedness for borrowed money of the Issuer, either of the Guarantors or any Restricted Subsidiary is declared or becomes due and payable prior to its stated maturity as the result of a default in respect thereof by the Issuer, either of the Guarantors or any Restricted Subsidiary, as the case may be, or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period or (c) the Issuer, either of the Guarantors or any Restricted Subsidiary fails to pay any amount payable by it under any present or future guarantee for, or indemnity in respect of, any indebtedness for borrowed money, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned in this paragraph (iv) will have occurred (which indebtedness, guarantees or indemnities have not been repaid or paid and as to which such default has not been cured or such acceleration has not been rescinded or annulled) exceeds \$50,000,000 or its equivalent;

- (v) final judgment or decree for the payment of money shall be rendered by a court of competent jurisdiction against the Issuer or either of the Guarantors or any Restricted Subsidiary which, with other outstanding final judgments against the Issuer, either of the Guarantors or any Restricted Subsidiary, shall aggregate more than \$50,000,000 (or its equivalent in another currency), and the Issuer, either of the Guarantors or such Restricted Subsidiary, as the case may be, shall not discharge the same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within ninety (90) days from the date of entry thereof and within said period of ninety (90) days, or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal, exclusive of judgment amounts fully covered by insurance when the insurer has admitted liability in respect of such judgment and has not refused to discharge such liability; or
- (vi) the Issuer, either of the Guarantors or any Restricted Subsidiary admits in writing that it is unable to pay its debts generally, or a resolution is passed by the Board of Directors of the Issuer or either of the Guarantors to be wound up or dissolved;
- (vii) certain events of bankruptcy, insolvency or reorganization involving the Issuer, either of the Guarantors or any Restricted Subsidiary; or
- (viii) Glencore International ceases to own, directly or indirectly, a majority by vote and value of the Issuer's share capital.

The Indenture provides that if an Event of Default occurs and is continuing, then and in each and every case (other than certain Events of Default specified in paragraph (vii) above with respect to the Issuer or to either of the Guarantors), unless the principal of all the Notes shall have already become due and payable, either the Trustee or the holders of not less than 25 percent in aggregate principal amount of the Notes then Outstanding, by notice in writing to the Issuer and the Guarantors (and to the Trustee if given by Noteholders), may declare the entire principal of all Notes and interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. If certain Events of Default described in paragraph (vii) above occur with respect to the Issuer or either of the Guarantors and are continuing, the principal of and accrued interest on all the Notes shall become immediately due and payable, without any declaration or other act on the part of the Trustee or any Noteholder. Under certain circumstances, the holders of a majority in aggregate principal amount of the Notes then Outstanding, by written notice to the Issuer, the Guarantors and the Trustee, may waive defaults and rescind and annul declarations of acceleration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

The holders of a majority in aggregate principal amount of the Notes then Outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, subject to certain limitations to be specified in the Indenture.

The Indenture provides that no holder of any Note may institute any action or proceeding at law or in equity or in bankruptcy or otherwise upon or under or with respect to the Indenture, or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy under the Indenture (except suits for the enforcement of payment of overdue principal or interest) unless such holder previously shall have given to the Trustee written notice of default and continuance thereof and unless the holders of not less than 25 percent in aggregate principal amount of the Notes then Outstanding shall have made written request upon the Trustee to institute such action or proceedings in its own name as Trustee and shall have offered the Trustee reasonable indemnity, the Trustee shall not have instituted any such action or proceeding within 60 days of its receipt of such notice, request and offer of indemnity and the Trustee shall not have received direction inconsistent with such written request by the holders of a majority in aggregate principal amount of the Notes at the time Outstanding.

Each Event of Default under the Notes will constitute, and is defined as being, a Subordination Triggering Event for purposes of the Shareholder Agreements then in effect. Upon a Subordination Triggering Event and so long as the Event of Default constituting such Subordination Triggering Event is continuing, the rights of departed GH Employee Shareholders to payment of their respective proportional shares of the total shareholders' funds of Glencore International under all the Shareholder Agreements then in effect will be subordinate and rank junior in right of payment to Notes and the Guarantees as they relate to such Notes, and no payments will be made in respect of such rights; *provided*, that no such subordination shall apply, and payments in respect of such rights may be made, to all GH Employee Shareholders who more than thirty (30) days before such Event of Default or after the same will have been remedied or waived (unless another Event of Default occurs within thirty (30) days of such remedy or waiver) is or becomes entitled to receive payment (whether or not then due) from Glencore International under a Shareholders Agreement. See "—Relation to Shareholders of Glencore International" above.

In addition, for so long as Glencore International is not required to file information with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Exchange Act, it shall make available to any registered holder of Notes (or any holder of a

book-entry interest in such Notes designated by the registered holder thereof) by means of its website or other similar means (a) annual consolidated financial statements audited by an internationally recognized independent public accountant with respect to such year within 120 days of the end of such year, (b) semi-annual consolidated, unaudited financial statements within 90 days of the end of each such period, and (c) for each of the first and third quarters of each year, quarterly consolidated, unaudited summarized balance sheet and a statement of income within 75 days of the end of such quarter, in each case prepared in accordance with IFRS as in effect at the date of the relevant statements, together with a discussion by management of the results for the relevant period (with quarterly discussion limited to significant items).

The Indenture also provides that the Issuer and the Guarantors will each furnish to the Trustee on or before December 31 in each year (commencing in 2004), if Notes are then Outstanding, a certificate from an officer as to his or her knowledge of the Issuer's or the Guarantor's, as the case may be, compliance with all conditions and covenants under the Indenture, which certificate may merely state that such officer has no knowledge of any default.

Defeasance

The Indenture provides that the Issuer will have the option either (a) to be deemed (together with the Guarantors) to have paid and discharged the entire indebtedness represented by, and obligations under, the Notes and the Guarantees endorsed thereon and to have satisfied all the obligations under the Indenture relating to the Notes and the Guarantees endorsed thereon (except for certain obligations, including those relating to the defeasance trust and obligations to register the transfer or exchange of Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain paying agencies) on the 91st day after the applicable conditions described below have been satisfied or (b) to cease (together with the Guarantors) to be under any obligation to comply with the covenants described above under “—Relation to Shareholders of Glencore International”, “—Covenants of the Issuer and the Guarantors—Limitation on Liens” and “—Covenants of the Issuer and the Guarantors—Limitation on Sale and Leaseback Transactions”, the condition relating to the absence of any events of default under “Covenants of the Issuer and the Guarantors—Limitation on Consolidations, Mergers, Sales of Assets and Other Transactions”, and non-compliance with such covenants and the occurrence of certain events described above under “Events of Default” will not give rise to any Event of Default under the Indenture, at any time after the applicable conditions described below have been satisfied.

In order to exercise either defeasance option, the Issuer must deposit with the Trustee, irrevocably in trust, money or Government Obligations for the payment of principal of and interest on the Outstanding Notes to and including the redemption date irrevocably designated by the Issuer on or prior to the date of deposit of such money or Government Obligations, and must comply with certain other conditions, including delivering to the Trustee either an opinion of counsel or a ruling received from or published by the United States Internal Revenue Service, to the effect that holders of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of the exercise of such option and will be subject to United States federal income tax on the same amount and in the same manner and at the same time as would have been the case if such option had not been exercised which in the case of (a) is based on a change of law after March 31, 2004.

Modification and waiver

Without consent of noteholders

The Indenture contains provisions permitting the Issuer, the Guarantors and the Trustee, without the consent of the holders of any of the Notes at any time Outstanding, from time to time and at any time to enter into an indenture or indentures supplemental thereto (in the event of any such change, the Luxembourg Stock Exchange will be notified):

- to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Notes any property or assets;
- to evidence the succession of another person to the Issuer or either of the Guarantors, or successive successions, and the assumption by the successor person of the covenants, agreements and obligations of the Issuer or either of the Guarantors, as the case may be, pursuant to the Indenture (or to evidence any assumption by Glencore International or a Subsidiary of the Issuer's obligations under the Indenture);
- to evidence and provide for the acceptance of appointment of a successor trustee;
- to add to the covenants of the Issuer and the Guarantors such further covenants, restrictions, conditions or provisions as the Issuer and the Guarantors, as the case may be, and the Trustee shall consider to be for the protection of the holders of Notes, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default under the Indenture permitting the enforcement of all or any of the several remedies provided in the Indenture; *provided* that in respect of any such additional covenant, restriction, condition or provision, such supplemental indenture may provide for a particular period of grace after default (which may be shorter or

longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of the holders of a majority in aggregate principal amount of the Notes to waive such an Event of Default;

- to modify the restrictions on, and procedures for, resale and other transfer of the Notes pursuant to law, regulation or practice relating to the resale or transfer of restricted securities generally;
- to cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any supplemental indenture which may be defective or inconsistent with any other provision contained therein or in any supplemental indenture or to make such other provision in regard to matters or questions arising under the Indenture or any supplemental Indenture as the Issuer or either of the Guarantors may deem necessary or desirable and which will not adversely affect the interests of the holders of the Notes in any material respect; and
- to issue further securities having identical terms and conditions as the Notes so that the further issue is consolidated and forms a single series of securities with the Notes.

With consent of noteholders

The Indenture contains provisions permitting the Issuer, the Guarantors and the Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of the Notes at the time Outstanding (including consents obtained in connection with a tender offer or exchange offer for the Notes), from time to time and at any time, to enter into an indenture or indentures supplemental thereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the holders of the Notes; *provided* that no such supplemental indenture will:

- extend the final stated maturity of any Note, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable on redemption thereof or impair or affect the right of any Noteholder to institute suit for the payment thereof without the consent of the holder of each Note affected thereby; *provided*, no consent of any holder of any Note shall be necessary under the indenture to permit the Trustee, the Issuer and the Guarantors to execute supplemental indentures described under “—Modification and Waiver—Without Consent of Noteholders” above; or
- reduce the aforesaid percentage of Notes, the consent of the holders of which is required for any such supplemental indenture, without the consent of the holders of all Notes then Outstanding.

Notice

So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange require, notice to holders of Notes will be given by publication in a leading newspaper having general circulation in Luxembourg (which is expected initially to be the *Luxembourg Wort*). Notices to holders of Notes will also be given by first-class mail postage prepaid to the last addresses of such holders as they appear in the Note register. Such notices will be deemed to have been given on the date of such publications or mailing.

Listing

The Issuer has applied to list the Notes on the Luxembourg Stock Exchange. The Issuer has also agreed to use its reasonable best efforts to maintain any such listing of the Notes on the Luxembourg Stock Exchange for so long as any of the Notes remain outstanding.

Consent to service

Each of the Issuer and the Guarantors has designated the Corporation Service Company as its authorized agent for service of process in any legal suit, action or proceeding arising out of or relating to the performance of its obligations under the Indenture, the Notes or the Guarantees brought in any state or federal court in the Borough of Manhattan, the City of New York, and will irrevocably submit (but for those purposes only) to the non-exclusive jurisdiction of any such court in any such suit, action or proceeding.

Governing law

The Indenture and the Notes (except for the terms of the Guarantees set forth therein and thereon, respectively) are governed by and should be construed in accordance with the laws of the State of New York, without regard to principles of conflicts of laws thereof,

and the Guarantees are governed by and should be construed in accordance with the laws of Switzerland; *provided, however*, that all matters governing the authorization and execution of the Indenture and the Notes by the Issuer should be construed in accordance with the laws of the State of Delaware and that all matters governing the authorization and execution of the Indenture and the Guarantees by the Guarantors should be construed in accordance with the laws of Switzerland.

Certain income tax consequences

In the opinion of Curtis, Mallet-Prevost, Colt & Mosle LLP, New York, New York, special U.S. federal income tax counsel to the Issuer (“U.S. Tax Counsel”), with respect to U.S. federal income tax, and in the opinion of Altofer, Duss & Beilstein, special Swiss tax counsel to the Issuer, with respect to Swiss tax, the following summary describes the principal United States federal income tax and Swiss tax consequences of the acquisition, ownership and disposition of Notes to initial investors purchasing Notes, except as described below in “—Qualified Reopening of the Original Notes”, at the “issue price,” that is, the first price to the public at which a substantial amount of the Notes in an issue is sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers), and that hold the Notes as capital assets. The summary with respect to U.S. federal income taxes is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury Regulations (including proposed Regulations and temporary Regulations) promulgated thereunder, rulings, official pronouncements and judicial decisions, and the summary with respect to Swiss tax law is based on Swiss tax laws, all as in effect on the date hereof, all of which are subject to change, possibly with retroactive effect, and to different interpretations. This summary provides general information only and does not purport to address all of the tax consequences that may be applicable to holders of Notes. It is not addressed to certain types of holders subject to special treatment under U.S. federal income tax law, such as individual retirement and other tax-deferred accounts, dealers in securities or currencies, insurance companies, tax-exempt organizations, persons holding Notes as part of a straddle, hedging, conversion or other integrated transaction, or persons whose functional currency is other than the U.S. dollar. Each prospective holder should consult its own tax advisors with respect to the tax treatment applicable to such holder. The discussion below does not address the effect of any U.S. state or local tax law.

For purposes of this summary, a “U.S. Holder” is any holder of one or more Notes that is, for U.S. federal income tax purposes, an individual who is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States, or any political subdivision thereof or a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

The authorities on which this summary is based are subject to various interpretations and the opinions of U.S. Tax Counsel are not binding on the Internal Revenue Service (“IRS”) or the courts, any of which could take a contrary position. Moreover, no rulings have been or will be sought from the IRS with respect to the transactions described herein. Accordingly, there can be no assurance that the IRS will not challenge the opinions expressed herein or that a court would not sustain such a challenge. Nevertheless, U.S. Tax Counsel has advised that it is of the view that, if challenged, the opinions expressed herein would be sustained by a court with jurisdiction in a properly presented case.

United States federal income tax considerations

Interest income

The gross amount of interest (including Additional Amounts and amounts paid in respect of interest by the Guarantors) in respect of the Notes will be includible in a U.S. Holder’s gross income as ordinary income at the time it accrues or is received in accordance with the U.S. Holder’s usual method of tax accounting for United States federal income tax purposes.

Taxation of dispositions

A U.S. Holder that holds a Note as a capital asset will recognize gain or loss for United States federal income tax purposes upon the sale, exchange, retirement or other disposition of the Note in an amount equal to the difference between the amount realized and the U.S. Holder’s tax basis in the Note. A U.S. Holder’s tax basis in a Note will, in general, be the cost of the Note. Except with respect to amounts received in respect of accrued but unpaid interest and market discount, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if, at the time of sale, exchange or retirement, the Note has been held for more than 12 months, or short-term capital gain or loss if at such time the Note has been held for not more than 12 months. The deductibility of capital losses is subject to limitations.

Qualified Reopening of the Original Notes

The Notes we issued on April 21, 2004 constitute a further issuance of, are fungible with and are consolidated and form a single series with, the notes we issued on April 5, 2004. For U.S. federal income tax purposes, the Issuer expects that the Notes we issued on April 21, 2004 will be treated as issued in a qualified reopening, and they will be deemed to be part of the same issue as the Notes we issued on April 5, 2004. Because the issuance of the Notes we issued on April 21, 2004 is expected to constitute a qualified reopening for U.S. federal income tax purposes, such Notes will be deemed to have the same issue date, the same issue price and (with respect to holders) the same adjusted issue price as the Notes we issued on April 5, 2004. Because the purchase price paid by a U.S. Holder for

the Notes we issued on April 21, 2004 is less than the face amount of the Notes, the difference will be treated as “market discount” for U.S. federal income tax purposes as the difference exceeds a statutorily defined de minimis amount. Under the market discount rules, a U.S. Holder would be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a Note as ordinary income to the extent of the market discount accrued during such U.S. Holder’s period of ownership. This rule will not apply to a U.S. Holder who had previously elected to include market discount in income as it accrues for U.S. federal income tax purposes. Any such holder, and any other holder who so elects, will be required to include market discount in income as it accrues for U.S. federal income tax purposes.

United States taxation of Non-U.S. holders

A “Non-U.S. Holder” is a holder of a Note that is not a U.S. Holder. Subject to the discussion below concerning backup withholding, payments of interest on and principal of the Notes, in general, will not be subject to U.S. federal income taxes, including U.S. withholding taxes, provided that in the case of interest that is U.S. source:

- the interest is not effectively connected with the conduct by such holder of a trade or business in the United States;
- such holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of Glencore AG stock entitled to vote;
- such holder is not, for U.S. federal income tax purposes, a controlled foreign corporation related, directly or indirectly, to Glencore AG through stock ownership;
- such holder is not a bank whose receipt of interest is described in section 881(c)(3)(A) of the Code; and
- the statement requirement (e.g., W-8BEN) set forth in section 871(h) or section 881(c) of the Code has been fulfilled with respect to the beneficial owner.

A Non-U.S. Holder of a Note will not be subject to United States federal income tax on gain realized on the sale, exchange or other disposition of the Note, unless the gain is effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States.

A Non-U.S. Holder whose ownership of a Note is effectively connected to the conduct of a trade or business in the United States is generally subject to United States federal income tax on interest or gain associated with the Note on the same terms as a U.S. Holder.

Backup withholding and information reporting

U.S. “backup” withholding may apply to certain payments of principal and interest on the Notes and to certain payments of proceeds from the sale or retirement of the Notes. Generally such payments made by mail or wire transfer to an address in the United States or made by a paying agent, broker or other intermediary in the United States will be subject to a backup withholding tax equal to 28% of such payments if the U.S. Holder fails to furnish his taxpayer identification number (social security number or employer identification number), to certify that such U.S. Holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain U.S. Holders (including, among others, all corporations) are not subject to backup withholding. Interest paid with respect to Notes, and payment of the proceeds from a sale of Notes to or through the United States office of a broker or other intermediary, received by a Non-U.S. Holder will be subject to backup withholding unless the payer has received the appropriate certification from such Non-U.S. Holder or such Non-U.S. Holder otherwise establishes an exemption therefrom. Payments made outside the United States or to a Non-U.S. Holder by a non-U.S. broker or other intermediary (other than certain U.S. related intermediaries) generally will not be subject to these United States certification requirements. In addition, information reporting requirements may apply to certain payments of principal, interest, and premium in respect of the Notes and to certain proceeds from the sale or other disposition of the Notes.

Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder or Non-U.S. Holder with respect to the Notes will be allowed as a refund or credit against such U.S. Holder or Non-U.S. Holder’s United States federal income tax liability; provided, however, the U.S. Holder or Non-U.S. Holder timely furnishes the required information to the United States Internal Revenue Service.

Swiss tax considerations

In the opinion of Altofer, Duss & Beilstein, special Swiss tax counsel to the Issuer and the Guarantors, the Notes issued in accordance with the offering memorandum prepared in connection with such issuance are not to be considered issued by a Swiss entity and payments thereunder are, therefore, not subject to Swiss withholding tax provided that the proceeds of the Notes are, as is expected,

not used in Switzerland. Based on the legal opinion of Pestalozzi Lachenal Patry to the effect that the Guarantees, when the Notes have been duly executed, authenticated, issued and delivered as provided under the Indenture and paid for, will be valid, legally binding, absolute and independent obligations of the Guarantors, the special Swiss tax counsel has concluded that any payments made by the Guarantors under the Guarantees are to be viewed for purposes of Swiss tax law as made in settlement of contractual claims separate and apart from the Notes and, therefore, would not be subject to any Swiss withholding tax.

THE INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN, AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN UNITED STATES FEDERAL OR OTHER TAX LAWS. FOR A DISCUSSION OF THE POSSIBLE REDEMPTION OF THE NOTES UPON THE OCCURRENCE OF CERTAIN TAX EVENTS, SEE "DESCRIPTION OF THE NOTES AND GUARANTEES—REDEMPTION".

Plan of distribution

Pursuant to a Purchase Agreement dated March 31, 2004 and a separate Purchase Agreement dated April 14, 2004 (collectively, the “Purchase Agreement”), the Initial Purchasers severally agreed with the Issuer and each of the Guarantors, subject to the satisfaction of certain conditions, to subscribe for \$950,000,000 principal amount of the Notes. The respective principal amount of Notes purchased by each of the Initial Purchasers from the Issuer and the Guarantors is set forth opposite their respective names below:

Initial Purchasers	Principal amount of Notes
Citigroup Global Markets Inc.	\$ 443,480,000
J.P. Morgan Securities Inc.	443,480,000
Credit Suisse First Boston LLC	63,040,000
Total	\$ 950,000,000

The Issuer and each of the Guarantors have jointly and severally agreed, as described in the Purchase Agreement, to reimburse the Initial Purchasers for certain of their expenses in connection with the issue of the Notes. In addition, Glencore International made a payment to the Joint Bookrunners for other services in connection with the issue of the Notes. The Purchase Agreement entitles the Initial Purchasers to terminate the issue of the Notes in certain circumstances prior to payment to the Issuer. The Issuer and the Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities in connection with the offer and sale of the Notes and may be required to contribute to payments the Initial Purchasers may be required to make in respect thereof.

The Initial Purchasers initially propose to offer part of the Notes at the offering price set forth on the cover page hereof. After the initial offering of the Notes, the offering price may from time to time be varied by the Initial Purchasers.

The Issuer and the Guarantors have agreed with the Initial Purchasers that, none of them and no person acting on their behalf will, without the prior written consent of the Joint Bookrunners, for the period from and including the date of the Purchase Agreement through and including the closing date, offer, sell, contract to sell or otherwise dispose of any debt securities (other than short-term debt securities) of or guaranteed by the Issuer or either of the Guarantors which are substantially similar to the Notes.

The Notes are new issues of securities with no established trading market. The Notes are expected to be listed on the Luxembourg Stock Exchange. The Initial Purchasers are not obligated to make a market in the Notes and accordingly, no assurance can be given as to the liquidity of, or trading market for, the Notes. In connection with the offering, the Joint Bookrunners may purchase and sell Notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of Notes in excess of the principal amount of the Notes purchased by the Joint Bookrunners in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of Notes made for the purpose of pegging, fixing or maintaining the price of the Notes.

The Joint Bookrunners may impose a penalty bid. Penalty bids permit the Joint Bookrunners to reclaim selling concessions from a syndicate member when they, in covering syndicate positions or making stabilizing purchases, repurchase Notes originally sold by that syndicate member.

Any of these activities may cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of such transactions. These transactions may be effected in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time at the sole discretion of the Joint Bookrunners, as applicable.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes or the possession, circulation or distribution of any material relating to the Issuer or either of the Guarantors, in any jurisdiction where action for such purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, nor may any offering material or advertisement in connection with the Notes be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The Initial Purchasers and their affiliates have performed certain investment and commercial banking or financial advisory services for us and our affiliates from time to time, for which they have received customary fees and commissions, and they expect to provide these services to us and our affiliates in the future, for which they expect to receive customary fees and commissions. In addition, affiliates of some of the Initial Purchasers are lenders under our credit facility. JPMorgan Chase Bank, the trustee, is an affiliate of JPMorgan, one of the Initial Purchasers.

JPMorgan will make the notes available for distribution on the Internet through a proprietary Web site and/or a third-party system operated by Market Axess Corporation, an Internet-based communications technology provider. Market Axess Corporation is providing the system as a conduit for communications between JPMorgan and its customers and is not a party to any transactions. Market Axess Corporation, a registered broker-dealer, will receive compensation from JPMorgan based on transactions JPMorgan conducts through the system. JPMorgan will make the notes available to its customers through the Internet distributions, whether made through a proprietary or third-party system, on the same terms as distributions made through other channels.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Accordingly, the Notes were offered and sold only (i) outside the United States in reliance on Regulation S under the Securities Act and (ii) within the United States to qualified institutional buyers in accordance with Rule 144A.

Each Initial Purchaser has represented and agreed with the Issuer and the Guarantors that, except as permitted by the Purchase Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until and including the fortieth day after the later of the commencement of the offer and the closing date for the sale of any Notes pursuant to the Purchase Agreement, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 903 of Regulation S. Each Initial Purchaser has also agreed that it, each of its affiliates and each person acting on its or their behalf have complied and will comply with the offering restriction requirements of Regulation S; and at or prior to confirmation of a sale of Notes (other than a sale pursuant to Rule 144A, if permitted) it will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Each Initial Purchaser has also represented and agreed with the Issuer and the Guarantors that no directed selling efforts (as defined in Regulation S) have been made or will be made in the United States by the Initial Purchasers, any of their affiliates or any person acting on behalf of any of the Initial Purchasers or their affiliates in respect to the Notes; and neither it, any of its affiliates, nor anyone acting on its or their behalf has solicited offers for, offered or sold the Notes by any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) in the United States in connection with the offering of the Notes or otherwise in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act.

Terms used in the preceding two paragraphs have the meanings ascribed to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

The Purchase Agreement also provides that affiliates of the Initial Purchasers may arrange for the placing of a portion of the Notes to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A under the Securities Act.

United Kingdom

Each Initial Purchaser has represented and agreed with the Issuer and the Guarantors that (i) it has not offered or sold and, prior to the expiry of a period of six months from the issue date of the Notes, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted or will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, (ii) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and it has not offered or sold and will not offer or sell any Notes other than to a person whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer and the Guarantors, (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21(1) of the FSMA) received by it in connection with the issue or sale of any Note in circumstances in which section 21(1) of the FSMA does not apply to the Issuer and either of the Guarantors and (iv) it has complied and will comply with all applicable provisions of the FSMA in respect of anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Switzerland

The Initial Purchasers represented and agreed with the Issuer and the Guarantors that, in Switzerland, the Notes are only to be placed as a private offer pursuant to Swiss law; in particular, they have not offered or sold and will not offer and sell any Notes to more than a limited circle of persons (not in excess of 20 in the aggregate.)

France

In France, neither this Listing Particulars nor any other offering material relating to the Notes has been submitted to the clearance procedures of the Commission des opérations de bourse. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France and neither this Listing Particulars nor any other offering material relating to the Notes has been distributed or caused to be distributed and will be distributed or caused to be distributed to the public in France, and such offers, sales and distributions will be made in France only to qualified investors (*investisseurs qualifiés*) as defined in and in accordance with articles L.411-1 and L.411-2 of the French *Code monétaire et financier* and French Decree No. 98-880 dated October 1, 1998 relating to offers to qualified investors.

Netherlands

The Notes are not and will not be offered in the Netherlands other than to persons who trade or invest in securities in their conduct of their profession or trade (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, other institutional investors and commercial enterprises, which as an ancillary activity regularly invest in securities).

Belgium

The Notes are not and will not be offered in Belgium other than to professional or institutional investors within the meaning of Article 3.2° of the Belgian Royal Decree of 7 July 1999 acting for their account.

Austria

The Notes have not been offered and will not be offered to the public in Austria, but are only offered to a limited number of not more than 250 individually identified institutional investors and in all cases only in circumstances not constituting an initial public offering in Austria within the definition of the Austrian Capital Market Act (*Kapitalmarktgesetz*) or where an exemption from the duty to publish a securities sales prospectus under the Austrian Capital Market Act is applicable. Neither the individually identified institutional investors nor any other offeree may, in turn, offer the Notes to any third parties in such a way as to trigger the duty to publish a securities sales prospectus under the Austrian Capital Market Act.

Other

Each Initial Purchaser has represented and agreed with the Issuer and the Guarantors that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the offering memorandum prepared in connection with the issuance of such Notes or any amendment or supplement thereto, in so far as such laws, regulations and directives relate to the purchase, offer, sale or delivery of the Notes or the possession or distribution of the offering memorandum of any amendment or supplement thereto, and neither the Issuer nor either of the Guarantors shall have any responsibility therefor.

Clearance and settlement

Custodial and depositary links have been established among Euroclear and Clearstream and DTC to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading.

The clearing systems

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

DTC

DTC is a limited-purpose trust company organized under the laws of the State of New York, and is a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for DTC participants and facilitates the clearance and settlement of transactions between DTC participants through electronic book-entry changes in accounts of DTC participants. DTC participants include securities brokers and dealers, banks trust companies and clearing corporations and may include certain other organizations. Access to DTC is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly (“Indirect DTC participants”).

Beneficial holders of the Notes holding through DTC will receive, to the extent received by the principal Paying Agent, all distributions of principal with respect to book-entry interests in the Notes from the principal Paying Agent through DTC and DTC participants. Distributions in the United States will be subject to relevant U.S. tax laws and regulations. See “Certain Income Tax Consequences—United States Federal Income Tax Considerations” below.

As DTC can act on behalf of DTC Participants only, who in turn act on behalf of Indirect DTC participants, the ability of beneficial owners who are Indirect DTC participants to pledge book-entry interests in the Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such book-entry interests in the Notes, may be limited.

Registration and form

Book-entry interests in the Notes held through Euroclear and Clearstream are represented by the European Global Certificates registered in the name of a nominee for DTC for the accounts of Euroclear and Clearstream. The European Global Certificates are held by JPMorgan Trust Bank, as custodian for DTC. Book-entry interests in the Notes held through DTC are represented by the U.S. Global Certificates registered in the name of Cede & Co., as nominee for DTC, which are held by JPMorgan Chase Bank as custodian for DTC. We have appointed JPMorgan Chase Bank as registrar (the “Registrar”) for the Notes. As necessary, the Registrar will adjust the amounts of Notes on the registrar maintained for such purpose for the accounts of Euroclear, Clearstream and DTC to reflect the amounts of Notes held through Euroclear, Clearstream and DTC, respectively. Beneficial ownership in Notes is held through financial institutions as direct and indirect participants in Euroclear, Clearstream and DTC.

The aggregate holdings of book-entry interests in the Notes in Euroclear, Clearstream or DTC are reflected in the book-entry accounts of each such institution. Euroclear, Clearstream or DTC, as the case may be, and every other immediate holder in the chain to the beneficial owner of book-entry interest in the Notes, is responsible for establishing and maintaining accounts for their participants and customers having interest in the book-entry interests in the Notes. The Registrar is responsible for maintaining a record of the aggregate holdings of the Notes registered in the name of a common nominee for Euroclear and Clearstream, a nominee for DTC or holders of Notes represented by physical certificates. The principal Paying Agent is responsible for ensuring that payments received by it from us for holders of interests in the Notes holding through Euroclear and Clearstream are credited to Euroclear and Clearstream, as the case may be, and for ensuring that payments received by it from us for holders of interests in the Notes holding through DTC are received by the relevant DTC participant, or where no election has been made, by DTC.

None of the Issuer or the Guarantors will impose any fees in respect of the Notes, however, Note holders may incur fees normally payable in respect of the maintenance and operations of accounts in the Euroclear, Clearstream or DTC.

Global clearance and settlement procedures

Initial settlement

On original issue the Notes were in global form represented by two or more global certificates. Interests in the Notes are in uncertificated book-entry form. DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Notes through DTC followed the delivery practices applicable to securities eligible for DTC's Same-Day Funds Settlement ("SDFS") system. DTC participant securities accounts were credited with book-entry interests in the Notes following confirmation of receipt of payment to the Issuer on the Closing Date. Purchasers electing to hold book-entry interests in the Notes through Euroclear and Clearstream accounts followed the settlement procedures applicable to conventional eurobonds. Book-entry interests in the Notes were be credited to Euroclear and Clearstream participant securities clearance accounts on the business day following the Closing Date against payment (value Closing Date).

Secondary market trading

Trading between Euroclear and Clearstream participants: Secondary market sales of book-entry interest in the Notes held through Euroclear and Clearstream to purchasers of book-entry interests in the Notes through Euroclear and Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

Trading between DTC participants: Secondary market sales of book-entry interests in the Notes held through DTC will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to U.S. corporate debt obligations in DTC's Same Day Funds Settlement System, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between Euroclear/Clearstream seller and DTC purchaser: When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream participant to the account of a DTC participant, the relevant Euroclear or Clearstream accountholder will provide custody instructions for delivery of the Notes free of payment to Euroclear or Clearstream, as the case may be, by 10:00 a.m. (Brussels or Luxembourg time) one business day prior to the settlement date. Euroclear and Clearstream, as the case may be, will provide appropriate custody instructions to the Registrar, who will then provide custody instructions to the common depositary for delivery of the Notes to the DTC participant. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream participant. On the settlement date, the common depositary will deliver the Notes free of payment to the appropriate DTC account of the DTC participant and will instruct the Registrar to (i) decrease the amount of Notes registered in the name of the common nominee for Euroclear and Clearstream and represented by the European Global Certificates and (ii) increase the amount of the Notes registered in the name of Cede & Co. and represented by the U.S. Global Certificates.

Trading between DTC seller and Euroclear/Clearstream purchaser: When book entry interest in the Notes are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream participant, as the case may be, the relevant DTC participant accountholder will provide custody instructions for delivery of the Notes free of payment to DTC by 11:00 a.m. (New York time) on the settlement date together with instructions for delivery to the relevant Euroclear or Clearstream participant. Separate payment arrangements are required to be made between the relevant Euroclear or Clearstream participant and the DTC participant. JPMorgan Chase Bank, New York Branch as custodian will instruct the Registrar who will then (i) instruct the common depositary to increase the amount of Notes registered in the name of the common nominee for Euroclear and Clearstream and represented by the European Global Certificates and (ii) instruct the custodian to decrease the amount of Notes registered in the name of Cede & Co. and represented by the U.S. Global Certificates. The common depositary will deliver the Notes free of payment to Euroclear or Clearstream, as the case may be, for credit to the relevant participant in such clearing system on the second business day following the settlement date.

Luxembourg listing and general information

Listing

In connection with the application to list the Notes on the Luxembourg Stock Exchange, prior to listing, a legal notice relating to the issue of the Notes and copies of the documents of formation of the Issuer and the Guarantors will be deposited with the Commerce Registry in Luxembourg (*Registre de Commerce et des Sociétés à Luxembourg*), where such documents may be examined and copies obtained.

According to Chapter VI, Article 3, Point A/II/2 of the Rules and Regulations of the Luxembourg Stock Exchange, once listed, the Notes shall be freely transferable and therefore no transaction made on the Luxembourg Stock Exchange shall be cancelled.

Clearing of the Notes

The Regulation S Global Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The International Securities Identification Number (ISIN) for such notes is USU37818AA62; the Common Code is 019011461; and the Committee on Uniform Security Identification Procedures (CUSIP) number is U37818 AA 6. The Temporary Regulation S Global Note has also been accepted for clearance through Euroclear and Clearstream, Luxembourg under ISIN USU37818AB46, Common Code 019114872 and CUSIP U37818 AB 4.

Paying and transfer agent

BNP Paribas Securities Service, Luxembourg Branch, 23, Avenue de la Porte Neuve, L-2085 Luxembourg has agreed to serve as the initial Luxembourg paying agent and transfer agent for the Notes.

Transfer procedures; redemption

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, in the case of a transfer or exchange of definitive registered Notes, a holder thereof may effect such transfer or exchange by presenting and surrendering such Notes at, and obtaining new definitive registered Notes from, the office of the Luxembourg transfer agent. In the case of a transfer of only a part of a definitive registered Note, a new definitive Note in respect of the balance of the principal amount of the definitive registered Note transferred will be delivered at the office of the Luxembourg transfer agent. In the case of a lost, stolen, mutilated or destroyed definitive registered Note, a holder thereof may obtain a new definitive registered Note from the Luxembourg transfer agent.

In the event that the Notes are redeemed either at maturity or otherwise, the Luxembourg Stock Exchange will be informed. In the event that either the Issuer or either of the Guarantors consolidates with or merges into any other person or conveys, transfers or leases its properties and assets substantially as an entirety to any person, the Luxembourg Stock Exchange will be advised, a notice will be published and a supplement to this Listing Particulars shall be prepared.

Documents available for inspection

For so long as any of the Notes are outstanding, the documents prepared in connection with the issuance of the Notes, including the Indenture and the Purchase Agreement, will be available for inspection at the office of the Luxembourg Paying, Transfer and Exchange Agent during normal business hours.

Authorizations

Each of the Issuer and the Guarantors has obtained all necessary consents, approvals and authorizations in connection with the issuance of the Notes and the Guarantees. The Issuer and the Guarantors authorized the issuance of the Notes and the Guarantees on March 31, 2004.

No material change, litigation

Except as disclosed in this Listing Particulars, there has been no material adverse change in the financial or trading position of the Issuer since the date of its formation, and there has been no material change in the financial or trading position of the Guarantors or the group as a whole since December 31, 2003.

Neither the Issuer nor either of the Guarantors is involved in litigation or arbitration proceedings relating to claims on amounts which are material in the context of the issuance of the Notes, nor, so far as each of the Issuer and the Guarantors is aware, is any such litigation or arbitration involving either the Issuer or the Guarantors pending or threatened.

Auditors

The Issuer has appointed Deloitte & Touche LLP as its auditors. The auditors of Glencore International AG and Glencore AG are Deloitte & Touche AG, Zurich, who have audited the accounts of Glencore International AG and Glencore AG for each of the three financial years ended on December 31, 2003, December 31, 2002, and December 31, 2001.

Financial statements available

For so long as the Notes are outstanding, copies of the following documents will be available during normal business hours at the specified office of each paying, transfer and exchange agent:

(a) annual consolidated financial statements of Glencore International AG audited by an internationally recognized independent public accountant with respect to such year within 120 days of the end of such year;

(b) semi-annual consolidated, unaudited financial statements of Glencore International AG within 90 days of the end of each such period; and

(c) for each of the first and third quarters of each year, quarterly consolidated, unaudited summarized balance sheet and a statement of income of Glencore International AG within 75 days of the end of such quarter,

in each case prepared in accordance with IFRS as in effect at the date of the relevant statements, together with a discussion by management of the results for the relevant period (with quarterly discussion limited to significant items).

The Issuer does not produce publicly available financial statements.

Glencore International AG does not produce publicly available unconsolidated financial statements.

Glencore AG does not produce publicly available financial statements.

Transfer restrictions

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes. Neither the Notes nor either of the Guarantees has been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes (including the Guarantees) were offered and sold only (i) to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act) (“QIBs”) in compliance with Rule 144A and (ii) to persons other than U.S. persons (as defined in Rule 902 under the Securities Act) (“Foreign Purchasers”) in offshore transactions (as defined in Rule 902 under the Securities Act) in compliance with Regulation S. In addition, until 40 days after the later of the commencement of the Offering and the Closing Date an offer or sale of the Notes (including the Guarantees) within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

Notes issued on April 21, 2004 which were offered and sold outside the United States in reliance on Regulation S are currently represented by interests in a Temporary Regulation S Global Note. On the 41st day after the later of the commencement of the Offering and the Closing Date, the Temporary Regulation S Global Note will be cancelled. Interests in the Temporary Regulation S Global Note will from this date be represented by interests in one or more Regulation S Global Notes along with the Notes issued on April 5, 2004 which were offered and sold outside the United States in reliance on Regulation S.

Each purchaser of the Notes (other than each of the Initial Purchasers) will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A and Regulation S are used herein as defined therein):

- (1) it is purchasing the Notes (including the Guarantees) for its own account or an account with respect to which it exercises sole investment discretion, and it and any such account (i) is a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (ii) is a Foreign Purchaser and is aware that the sale is being made in accordance with Regulation S;
- (2) it acknowledges that the Notes (including the Guarantees) have not been and will not be registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold except as set forth below;
- (3) it understands and agrees that if in the future it decides to resell, pledge or otherwise transfer any Notes (including the Guarantees) or any beneficial interests in any Notes (including the Guarantees) prior to the date which is two years after the later of the date of original issue and the last date on which the Issuer or any affiliate of the Issuer was the owner of the Notes (or any predecessor thereto), it will do so only (A)(i) to the Issuer, either of the Guarantors or any subsidiary thereof, (ii) to a person whom the seller, and any person acting on its behalf, reasonably believes is a QIB that is purchasing for its own account or for the account of a QIB or QIBs, in a transaction complying with Rule 144A, (iii) in an offshore transaction in compliance with Regulation S or (iv) pursuant to any other available exemption from registration under the Securities Act, or (B) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities law of any state of the United States;
- (4) it agrees to, and each subsequent holder is required to, notify any purchaser of the Notes from it of the resale restrictions referred to in clause (3) above, if then applicable;
- (5) if it is a person other than a Foreign Purchaser, it understands and agrees that Notes initially offered to QIBs in reliance on Rule 144A will be represented by a Rule 144A Global Note, and that before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who is not a QIB, the transferee will be required to provide the Trustee with a written certification (the form of which certification can be obtained from the Trustee as to compliance with the transfer restriction referred to above);
- (6) if it is a Foreign Purchaser, it understands and agrees that the Notes initially offered in offshore transactions under Regulation S will be represented by a Regulation S Global Note and that transfers thereof are restricted as described under “Description of Notes and Guarantees—Book Entry, Delivery and Form” for a period ending 40 days after the later of the commencement of the Offering and the Closing Date;
- (7) it understands that the Notes bear a legend to the following effect: THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER FOR THE BENEFIT OF THE ISSUER AND THE

GUARANTORS AND ANY OF THEIR SUCCESSORS IN INTEREST (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION, (2) AGREES THAT IT WILL NOT PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE DATE OF ORIGINAL ISSUE AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THE SECURITIES (OR ANY PREDECESSOR THERETO) RESELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR A BENEFICIAL INTEREST IN THIS SECURITY EXCEPT (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) TO A PERSON THAT THE SELLER, AND ANY PERSON ACTING ON ITS BEHALF, REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION COMPLYING WITH RULE 144A UNDER THE SECURITIES ACT, (C) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (D) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS SECURITY IN VIOLATION OF THE FOREGOING RESTRICTIONS. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION”, “UNITED STATES”, AND “U.S. PERSON” HAVE THE MEANING GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT;

- (8) each purchaser, by its purchase of the Notes, shall be deemed to have represented and covenanted that it is not acquiring the Notes for or on behalf of, and will not transfer the Notes to, any pension or welfare plan as defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended, (“ERISA”), except that such purchase for or on behalf of a pension or welfare plan shall be permitted:
- (a) to the extent such purchase is made by or on behalf of a bank collective investment fund maintained by the purchaser in which no plan (together with any other plans maintained by the same employer or employee organization) has an interest in excess of 10% of the total assets in such collective investment fund, and the other applicable conditions of Prohibited Transaction Class Exemption 91-38 issued by the Department of Labor are satisfied;
 - (b) to the extent such purchase is made by or on behalf of an insurance company pooled separate account maintained by the purchaser in which, at any time while the Notes are outstanding, no plan (together with any other plans maintained by the same employer or employee organization) has an interest in excess of 10% of the total of all assets in such pooled separate account, and the other applicable conditions of Prohibited Transaction Class Exemption 90-1 issued by the Department of Labor are satisfied;
 - (c) to the extent such purchase is made on behalf of a plan by (i) an investment adviser registered under the Investment Advisers Act of 1940, as amended (the “1940 Act”), that had, as of the last day of its most recent financial year, total assets under its management and control in excess of \$50 million and had stockholders’ or partners’ equity in excess of \$750,000, as shown in its most recent balance sheet prepared in accordance with generally accepted accounting principles, or (ii) a bank as defined in Section 202(a)(2) of the 1940 Act with equity capital in excess of \$1 million as of the last day of its most recent financial year, or (iii) an insurance company which is qualified under the laws of more than one state to manage, acquire or dispose of any assets of a pension or welfare plan, which insurance company has, as of the last of its most recent financial year, net worth in excess of \$1 million and which is subject to supervision and examination by a state authority having supervision over insurance companies and, in any case, such investment adviser, bank or insurance company is otherwise a qualified professional asset manager, as such term is used in Prohibited Transaction Class Exemption 84-14 issued by the Department of Labor, and the assets of such plan when combined with the assets of other plans established or maintained by the same employer (or affiliate thereof) of employee organization and managed by such investment adviser, bank or insurance company, do not represent more than 20% of the total client assets managed by such investment adviser, bank or insurance company at the time of the transaction, and the other applicable conditions of such exemption are otherwise satisfied;
 - (d) to the extent such plan is a governmental plan (as defined in Section 3 of ERISA) which is not subject to the provisions of Title I of ERISA or section 4975 of the Code (as defined under “Certain Income Tax Consequences” above);

- (e) to the extent such purchase is made by or on behalf of an insurance company using the assets of its general account, the reserves and liabilities for the general account contracts held by or on behalf of any plan, together with any other plans maintained by the same employer (or its affiliates) or employee organization, do not exceed 10% of the total reserves and liabilities of the insurance company general account (exclusive of separate account liabilities), plus surplus as set forth in the National Association of Insurance Commissioners Annual Statement filed with the state of domicile of the insurer, in accordance with Prohibited Transaction Class Exemption 95-60, and the other applicable conditions of such exemption and otherwise satisfied;
 - (f) to the extent such purchase is made by an in-house asset manager within the meaning of Part IV(a) of Prohibited Transaction Class Exemption 96-23, such manager has made or properly authorized the decision for such plan to purchase the Notes under circumstances such that Prohibited Transaction Class Exemption 96-23 is applicable to the purchase and holding of the Notes; or (g) to the extent such purchase will not otherwise give rise to a transaction described in Section 406 of ERISA or Section 4975(c)(1) of the Code, other than a transaction for which a statutory or administrative exemption is available; provided that the purchase, holding and subsequent disposition of the Notes are permissible under state, local, non-U.S. or other laws or regulations that are similar to Section 406 of ERISA or Section 4975 of the Code;
- (9) it acknowledges that prior to any proposed transfer of Notes or beneficial interests in Global Notes (in each case other than pursuant to an effective registration statement) the holder of such Notes or beneficial interests in Global Notes may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Indenture; and
- (10) it acknowledges that the Issuer, the Guarantors and the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by it by virtue of its purchase of Notes is no longer accurate, it shall promptly notify the Issuer, the Guarantors and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account. For further discussion of the requirements (including the presentation of transfer certificates) under the Indenture to effect exchanges or transfer of interests in Global Notes, see “Description of the Notes and Guarantees—Book Entry, Delivery and Form”.

Validity of the Notes and Guarantees

The validity of the Notes and certain other matters governed by U.S. federal and New York state law have been passed upon for the Issuer and each of the Guarantors by Curtis, Mallet-Prevost, Colt & Mosle LLP, U.S. counsel to the Issuer and the Guarantors. The validity of the Guarantees and certain other matters governed by Swiss law have been passed upon by Pestalozzi Lachenal Patry, Swiss counsel to the Issuer and the Guarantors. Certain matters governed by U.S. federal and New York state law have been passed upon for the Initial Purchasers by Davis Polk & Wardwell, U.S. counsel to the Initial Purchasers.

Independent auditors

The annual consolidated financial statements of Glencore International as of and for the years ended December 31, 2003, 2002 and 2001 included in this Listing Particulars have been audited by Deloitte & Touche AG, independent auditors, as stated in their report appearing herein.

Available information

The Issuer and each of the Guarantors are privately held companies and, accordingly, do not file reports, proxy statements or other information with the Commission. So long as the Notes are “restricted securities” within the meaning of Rule 144 of the Securities Act, the Issuer and each of the Guarantors will furnish upon request of a holder of Notes or a prospective purchaser the information required to be delivered under Rule 144A(d)(4) of the Securities Act if at the time of such request neither the Issuer nor either of the Guarantors is a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), or is not exempt from reporting pursuant to Rule 12g3-2(b) thereunder. Requests for copies of such information should be directed to Glencore International AG, Baarermattstrasse 3, CH-6341 Baar, P.O. Box 777, Switzerland, Attention: Chief Financial Officer. See “Description of the Notes and Guarantees—General”.

Summary of certain differences between IFRS and U.S. GAAP

Introduction

Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), which differ in certain significant respects from generally accepted accounting principles in the United States of America (“U.S. GAAP”). We have not prepared financial statements in accordance with U.S. GAAP or prepared a reconciliation of our financial statements to U.S. GAAP and accordingly cannot offer any assurances that the differences described below would, in fact, be the accounting principles creating the greatest differences between our consolidated financial statements prepared under U.S. GAAP and under IFRS. In addition, we cannot estimate the net effect that applying U.S. GAAP would have on our results of operations or financial position, or any component thereof, in any of the presentations of financial information in this Listing Particulars. The following summary may not include all differences that exist between IFRS and U.S. GAAP.

The organizations that promulgate U.S. GAAP have projects ongoing that could have a significant impact on future comparisons such as this. This description is not intended to provide a comprehensive listing of all such differences specifically related to us or the industries in which we operate. U.S. GAAP is generally more restrictive and comprehensive than IFRS regarding recognition and measurement of transactions, account classification and disclosure requirements. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements or the notes thereto.

The following is a summary of the significant differences between our significant accounting policies as applied under IFRS and outlined in “Management’s discussion and analysis of financial condition and results of operations—Critical accounting policies” along with other relevant significant differences and their treatment under U.S. GAAP as of December 31, 2003.

Inventories

Under IFRS, inventories are carried at the lower of cost and net realizable value using FIFO or the weighted average method to determine cost. Under certain circumstances a previous write-down to net realizable value may be reversed. In addition, IFRS also permits commodity trading companies to measure their trading inventories at fair value less costs to sell.

Under U.S. GAAP, inventories are carried at the lower of cost and market, whereas market is the lower of replacement cost and net realizable value minus a normal profit margin. Reversals of any previous write-downs are prohibited. Carrying inventories at fair value less costs to sell is only permitted in certain specialized industries.

Securitizations and derecognition

Under IFRS, assets are derecognized if the transfer is considered a sale primarily through the transfer of risks and rewards of ownership. Even if the assets are derecognized, a securitization or special purpose entity (SPE) may nevertheless be consolidated if the substance of the relationship indicates that an entity controls the SPE. Control is the parent’s ability to govern the financial and operating policies of a subsidiary to obtain benefits.

Under U.S. GAAP, a transfer of financial assets in which the transferor surrenders control over those assets is accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange. The transferor has surrendered control over transferred assets if and only if all of the following conditions are met:

- a. The transferred assets have been isolated from the transferor—put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership.
- b. Each transferee (or, if the transferee is a qualifying special-purpose entity (QSPE), each holder of its beneficial interests) has the right to pledge or exchange the assets (or beneficial interests) it received, and no condition both constrains the transferee (or holder) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.
- c. The transferor does not maintain effective control over the transferred assets through either (1) an agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity or (2) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

After a transfer of financial assets, we recognize the financial and servicing assets it controls and the liabilities it has incurred, derecognize financial assets when control has been surrendered, and derecognize liabilities when extinguished.

U.S. GAAP also provides guidance for assessing isolation of transferred assets, conditions that constrain a transferee and conditions for an entity to be a QSPE. If transferee is a QSPE, the we do not consolidate it. However, if the transferee is not a QSPE the normal consolidation guidance shall be followed.

Impairment

Under IFRS long-lived assets and goodwill are considered impaired if the recoverable amount, calculated as the higher of the discounted present value of the asset's expected future cash flow and its net selling price, is lower than the asset's carrying value. If certain criteria are met, IFRS permits the reversal of previous impairment charges.

Under U.S. GAAP long lived assets and goodwill are considered impaired if the recoverable amount, calculated as the higher of the undiscounted present value of the asset's expected future cash flow excluding interest charges and its net selling price, is lower than the asset's carrying value. U.S. GAAP does not permit impairment charges to be subsequently reversed.

Business combinations

IFRS requires business combinations to be accounted for using the uniting of interests method, which is similar to pooling of interests, if the acquirer cannot be identified. Otherwise, purchase acquisition accounting must be used and requires goodwill arising in a business combination to be amortized using the straight-line method over its expected useful life, generally not exceeding 20 years and any negative goodwill arising in a business combination is, to the extent that negative goodwill relates to future losses and expenses, to be released to income when such losses and expenses are recognized. To the extent that negative goodwill does not relate to future losses it is released to income on a systematic basis over the remaining useful life of the acquired non-monetary assets. Any remaining negative goodwill is recognized as income immediately.

Under U.S. GAAP, all business combinations initiated after June 30, 2001 shall be accounted for under the purchase method of accounting and goodwill is not amortized but rather is tested annually for impairment. Negative goodwill is allocated as a pro rata reduction of the acquired assets with the exception of certain assets to which no negative goodwill may be allocated. Any excess remaining after reducing the acquired assets to zero is reported as an extraordinary gain in the statement of income. The requirements for impairment recognition under U.S. GAAP are more specific and significantly different from the requirements under IFRS.

Employee benefits

Under IFRS, the recognition of past service costs related to vested employees is required immediately. Actuarial valuations must be performed sufficiently regularly so that financial statements amounts are not materially different from amounts determined at the balance sheet date. There is no requirement to record a minimum pension liability.

Under U.S. GAAP, the recognition of past service costs related to vested employees is amortized over the remaining service period or life expectancy. Actuarial valuations must be performed on an annual basis. Ignoring projected future salary increases, a minimum pension liability must be recorded for the amount by which a plan is under-funded.

Restructuring provisions

Under IFRS, restructuring provisions are recognized if a detailed formal plan is announced or implementation has effectively begun.

Under U.S. GAAP, a liability for a cost associated with an exit or disposal activity is to be recognized when the liability is incurred. Only present obligations to others are liabilities under the definition. An obligation becomes a present obligation when a transaction or event occurs that leaves us little or no discretion to avoid the future transfer or use of assets to settle the liability. Therefore, recognizing a liability based solely on commitment to a plan is prohibited. Under U.S. GAAP, fair value is the objective for initial measurement of the liability.

Provisions for site closure, removal and rehabilitation costs

Under IFRS, site closure, removal and rehabilitation costs are accounted for using the full liability method under which the liability is recognized at the present value of the expected cash outflows when the obligation is incurred with corresponding asset that is capitalized as a fixed asset.

Under U.S. GAAP, legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction or development and/or normal operation of a long-lived asset except for certain obligations of lessees requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can

be made. It has more detailed provisions than IFRS as to how revisions to the timing or amount of the original estimate should be recognized. Environmental remediation liabilities relating to pollution from past improper acts and for which litigation has commenced or a claim or an assessment has been asserted or is likely and it is probable that the outcome will be unfavorable should be recognized and are discounted only if the timing and amounts of payments are fixed and reliably determinable.

Provisions for contingencies

Under IFRS, provisions for contingencies are recorded by the best estimate to settle the obligation, which generally involves the expected value method (discounting is required) if it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligations.

Under U.S. GAAP, a provision is recorded if it is probable that a liability had been incurred and the amount can be reasonably estimated (some provisions are not discounted).

Non-voting profit participation schemes

Under our policies, the non-voting profit participation schemes are considered equity compensation plans in accordance with IAS 19, “Employee Benefits” and we do not record any liability. Instead, the schemes are subject to disclosure only.

Under U.S. GAAP, companies may elect to follow the accounting prescribed by either Accounting Principles Board Opinion 25, “Accounting for Stock Issued to Employees,” (APB 25) or SFAS No. 123, “Accounting for Stock-Based Compensation” (SFAS 123).

Under U.S. GAAP, compensation is recorded for the cost of providing equity based compensation (such as the non-voting profit participation schemes) to the employee over the relevant service period. The costs can be determined based on either the intrinsic value method (APB 25) or the fair value method (SFAS 123). Under the intrinsic value method, the compensation cost is the difference between the price of the stock at the measurement date and the price to be contributed by the employee and the measurement date is the first date on which the employee knows the number of shares that such employee is entitled to receive and the price to be paid. These terms may be variable by design, may become variable due to their modification after the date of grant, or may be considered variable due to their relationship to other features. In such cases (“variable plans”), compensation is measured at the end of each reporting period until the measurement date or, in some cases, until forfeiture.

Revenue recognition

Under IFRS, revenue recognition principles are provided that are consistent with U.S. GAAP but contain limited detailed or industry specific guidance. U.S. GAAP has more specific guidance on revenue recognition particularly relating to industry specific issues. In addition, public companies must follow more detailed guidance provided by the SEC.

Mining costs

IFRS does not have specific guidance for the mining and resources industry. Under U.S. GAAP, there is also relatively little authoritative literature relating to the mining and resources industry, although the SEC staff have adopted certain positions. Our policies are stated in note 3 to our consolidated financial statements and we note the following:

Exploration and evaluation costs

Under our policies, exploration and evaluation costs are capitalized provided it is probable that they will be recovered from the exploitation or sale of the asset to which they relate.

Under U.S. GAAP, exploration and evaluation costs are typically expensed as incurred. Once it is determined that mineral reserves exist and are commercially recoverable, future expenditure is capitalized as development expenditure.

Certain deferred start-up costs

Under our policies, certain deferred start-up costs related to development of mines are capitalized, and under U.S. GAAP such costs are to be expensed as incurred.

Property, plant and equipment

Under IFRS, revaluations of property, plant and equipment to current fair value are permitted. Interest costs incurred during a construction period may be capitalized or expensed.

Under U.S. GAAP, revaluations of property, plant and equipment to current fair value is not permitted. Interest costs incurred during a construction period must be capitalized as part of the asset to which it relates and subsequently amortized over the asset's estimated useful life.

Leases

Determining the classification of a lease between an operating or a finance lease is generally consistent between IFRS and U.S. GAAP except that U.S. GAAP provides specific quantitative criteria in determining whether the lease term is equal to or greater than the economic useful life of the leased asset or when the present value of the minimum lease payments is equal to or greater than the fair value of the leased asset. The criteria applied in these circumstances under IFRS is only a qualitative description of transfer of risks and rewards rather than a specific quantitative figure as provided under U.S. GAAP.

Compound financial instruments

Under IFRS, convertible debt is bifurcated between the debt component and the conversion feature.

Under U.S. GAAP, convertible debt is not bifurcated and is reported in its entirety as debt, unless it contains a beneficial conversion feature.

Foreign currency translation

Under IFRS, goodwill is translated at the exchange rate ruling at the date of the transaction.

Under U.S. GAAP, goodwill arising on the acquisition of foreign entities is translated at the exchange rate prevailing at the end of the period.

Guarantees

Under IFRS, a provision is recorded for guarantees when management believes that it is probable that we will incur a loss.

Under U.S. GAAP, certain guarantees issued or modified after December 31, 2002 are to be recorded in the balance sheet at its fair value.

Glossary of technical terms

alloy	A substance composed of two or more metals or of a metal and a nonmetal.
alumina	Aluminum oxide. Alumina is chemically refined from bauxite.
bauxite	An impure mixture of earthy hydrous aluminum oxides and hydroxides that is the principal source of aluminum.
bulk ferroalloys	Consisting of chrome-alloys (highcarbon and lowcarbon ferrochrome), silicon-alloys (ferrosilicon) and manganese-alloys (ferromanganese). These materials—alloys of iron with one or more metallic elements present in sufficient concentration to modify the properties of the molten steel to which they are added—control such key parameters in the refined steel as strength, ductility, corrosion resistance and hardness.
bulk ore	Raw material, i.e., iron ore or manganese ore, for the ferroalloys production.
concentrate	Material that has been processed to increase the content of contained material or mineral relative to the contained waste.
ferroalloy	An alloy containing iron.
ferrochrome	An alloy of iron and chromium.
ferrovanadium	An alloy of iron and vanadium.
flux	A substance that absorbs the mineral impurities, or promotes the fusing of minerals or metals, or prevents the forming of oxides.
lifting	Physically delivering any sort of material.
MT	Metric ton equivalent to 2,204.62 pounds.
noble alloys	Consisting of vanadium products (ferrovanadium and vanadium pentoxide) and molybdenum products (ferromolybdenum, molybdenum oxide and molybdenum concentrate).
noble metals	Cobalt and nickel products.
non-integrated ore	Available to the general market; not constricted to captive use.
primary aluminum	Product resulting from the electrolytic reduction of alumina. Primary aluminum is a globally traded commodity.
raw sugar	Produced from the juice of crushed cane as a crystalline product with a polarization between 96 and 99.5 degrees.
refining	The final stage of metal production in which final impurities are removed from the molten metal by introducing air and fluxes. The impurities are removed as gases or slag.
slag	Formed in smelting through combination of a flux with the waste proportion of the ore.
smelting	Thermal processing whereby molten metal is liberated from beneficiated ore or concentrate with impurities speared as lighter slag.
steam coal	Coal used in generating steam for electricity production.
tool steel	Alloy steel that is suitable for making tools.

Glencore AG
Annual Financial Statements and Statutory Auditors' Report

(Please see the attached financial statements.)

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Audited financial statements independent auditors' report

To the General Meeting of
Glencore International AG, Baar

We have audited the consolidated balance sheet of Glencore International AG and its subsidiaries as of December 31, 2003, and the related consolidated statements of income, cash flows and shareholders' funds for the year then ended, set out on pages 9 to 53*. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and Auditing Standards promulgated by the Swiss profession. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We confirm that we meet the legal requirements concerning professional qualification and independence.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Glencore International AG and its subsidiaries as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Swiss law.

DELOITTE & TOUCHE AG

Urs Landolt

George Hashimoto

Auditor in Charge

March 15, 2004

* These are references to the Annual Report of Glencore International AG

Glencore International AG and Subsidiaries

Accounting Principles

1. Accounting convention

The financial statements are prepared under the historical cost convention except for the revaluation to fair value of certain financial assets and liabilities and are presented in United States Dollars. The Glencore Group's (Glencore) functional currency is the United States Dollar as most of Glencore's business is conducted in this currency. On March 15, 2004, the Board of Directors approved these financial statements for issue.

Accounting standards

The accounting principles of Glencore comply with International Financial Reporting Standards (IFRS) and Swiss legal requirements.

2. Principles of consolidation

The consolidated financial statements of Glencore include the accounts of Glencore International AG (the Company) and its subsidiaries. A subsidiary is a company that is ultimately controlled by the Company. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. Control is usually assumed if Glencore owns ultimately more than 50% of the voting rights. Subsidiaries are consolidated from the date on which effective control is transferred to Glencore. All intercompany balances, transactions and unrealized profits are eliminated.

Associates and joint ventures (Associates) in which Glencore exercises significant influence and joint control, respectively, are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. Significant influence is presumed if Glencore holds between 20% and 50% of the voting rights. Joint control is the contractually agreed sharing of control over an economic entity. Equity accounting involves Glencore recording its share of the associated company's net income and equity. Glencore's interest in an associate is initially recorded at cost and is subsequently adjusted for Glencore's share of changes in net assets of the associate, less any impairment in the value of individual investments. Where Glencore transacts with an associate, unrealized profits and losses are eliminated to the extent of Glencore's interest in the relevant associate.

The main operating and finance subsidiaries and industrial investments included in these financial statements are listed in note 33.

3. Summary of significant accounting policies

Changes in accounting policies

Glencore adopted, as of December 31, 2003 the revised standard IAS 2 "Inventories" issued in December 2003. The revisions permit commodity trading companies to measure their trading inventories at fair value less costs to sell. In previous periods, trading inventories were measured at the lower of cost or net realizable value.

Glencore minimizes the risk of market fluctuations by hedging inventories with various derivative products which are valued at fair value in the balance sheet with the resulting unrealized gain or loss recorded in the income statement. The new inventory policy offsets a portion of the gains or losses recognized from the hedging instrument, reduces the volatility in the income statement and provides a fairer measure of the balance sheet positions.

As a result, fair value adjustments relating to inventory increased gross profit by US\$463 million. These amounts were offset by losses on the respective economic hedging instruments also reported in gross profit. The implementation of the revised standard had no material impact on the prior year figures.

Certain reclassifications have been made in the 2002 accounts to conform with the 2003 presentation.

Revenue recognition

Revenues are recognized when the seller has transferred to the buyer all significant risks and rewards of ownership of the assets sold.

Interest income is accounted for on an accrual basis.

Unrealized gains and losses on forward trading positions are recorded in the income statement.

Foreign currency translation

Foreign currency transactions: Transactions in foreign currencies are converted into the functional currency of the individual subsidiaries using the exchange rate prevailing at the transaction date. Assets and liabilities outstanding at year end are converted at year end rates. The resulting exchange differences are recorded in the consolidated statement of income.

Translation of financial statements: For the purposes of consolidation, assets and liabilities of group companies whose functional currency is in a currency other than the United States Dollar are translated into United States Dollar using year end exchange rates, while their income statements are translated using average rates of exchange for the year. Goodwill is translated using the exchange rate at the date of the transaction. Translation adjustments are included as a separate component of shareholders' funds and have no income statement impact provided no disposals of investments have occurred.

Financial assets and financial liabilities

Financial assets and financial liabilities are recognized on the balance sheet when Glencore becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Glencore considers cash on hand, amounts due from banks, short term time deposits with banks and treasury bills with brokers to be cash or cash equivalents.

Marketable securities

Marketable securities consist of equity and debt securities which the Company trades in active markets. Glencore has classified all its marketable securities as held for trading and uses trade date accounting when recording marketable security transactions. The marketable securities are initially recorded at cost and subsequently carried at fair value. Gains and losses realized on disposal or redemption and unrealized gains and losses from changes in the fair value are reported in gross income.

Accounts receivable, other receivables and prepaid items

Accounts receivable, other receivables and prepaid items are carried at their nominal value as reduced by allowances for doubtful accounts where required.

Other receivables also include the mark-to-market gains on derivative instruments, which are carried at fair value.

Inventories

Trading inventories are valued at fair value less costs to sell. Unrealized gains and losses from the changes in the fair value are reported in gross income.

Other inventories are valued at the lower of cost or net realizable value.

Cost is determined using the first in first out (FIFO) method and is comprised of material costs, labor costs and allocated production-related overhead costs. Financing and storage costs of the inventory are expensed.

Securitizations

Glencore obtains sources of liquidity by securitizing certain of its receivables and inventories which generally result in the legal sale of these assets to special purpose entities (SPEs) which, in turn issue securities to investors. After securitizations, Glencore continues to maintain customer relationships and provide servicing for receivables and inventories transferred to the SPEs.

In accounting for these securitizations, two key accounting determinations are made.

An evaluation is made as to whether Glencore has sold the asset thus qualifying it for derecognition and a true sale under IFRS. If a transfer of assets meets the derecognition and sale requirements, the assets are removed from Glencore's consolidated financial statements. If the conditions for derecognition and sale are not met, the transfer is considered to be a secured borrowing, the assets remain on the consolidated financial statements and the proceeds are recognized as a liability.

The second key determination to be made is whether the securitization entity should be considered a subsidiary of Glencore and be included in Glencore's consolidated financial statements or whether the entity is sufficiently independent that it does not need to be consolidated. For all securitizations in which Glencore participates, an evaluation is made of whether Glencore controls the entity by considering several factors.

Other investments

Investments are recorded at fair value unless such fair value is not reliably determinable in which case they are carried at cost. Changes in fair value are recorded in current income.

Long term advances and loans

Long term advances and loans are carried at amortized cost.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, which is provided for by the straight-line method over the estimated useful lives of the individual assets. Land and assets under construction are not depreciated.

The estimated useful lives of the assets for depreciation purposes are as follows:

Buildings	10–45 years
Plant and machinery	18–20 years
Vehicles and vessels	5–10 years
Furniture and fixtures	3–10 years
Equipment	5–10 years
Mining concessions and development costs	units of production method

Assets under finance leases are capitalized and depreciated over their expected useful lives. Operating lease expenditures are charged against income over the accounting periods covered by the lease term.

Deferred mining costs

Stripping costs are deferred when the actual stripping ratio incurred exceeds the expected long term stripping ratio and are subsequently expensed when the actual stripping ratio falls below the long-term stripping ratio.

Mineral Rights

Mineral reserves and resources, which can be reliably valued, are recognized in the assessment of fair values on acquisition. Other potential reserves, resources and mineral rights, for which values cannot be reliably determined, are not recognized. Accordingly, goodwill on acquisition may include amounts in respect of these items. Mineral rights are amortized using the unit of production method over the economically recoverable reserves.

Exploration, evaluation, development and construction costs

Exploration, evaluation, development and construction costs are accounted for in each separate area of interest. Such costs are capitalized provided it is probable that they will be recovered from the exploitation or sale of the asset to which they relate. Such costs are amortized on a units of production method over the estimated useful life of the area.

Exploration, evaluation, development and construction costs that do not meet the criteria for recognition as an asset are expensed.

Restoration and Rehabilitation

Restoration and rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their present value, are provided for and capitalized at the time such an obligation arises. The costs are charged to the income statement 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 income statement as extraction progresses.

Goodwill and negative goodwill

Glencore's acquisitions of other companies are accounted for under the purchase method, whereby the cost of acquisition is allocated to Glencore's interest in the fair value of assets and liabilities acquired with any residual amount allocated to goodwill or negative goodwill. Goodwill is amortized as an expense using the straight-line method over its expected useful life, which generally approximates 20 years. To the extent that negative goodwill relates to future losses and expenses it is released to income when such losses and expenses are recognized. To the extent that negative goodwill does not relate to future losses it is released to income on a systematic basis over the remaining useful life of the identifiable acquired depreciable/amortizable assets. Any remaining negative goodwill is recognized as income immediately.

Impairment

Investments, long term advances and loans, property, plant and equipment and intangible assets including goodwill are reviewed regularly for impairment. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognized to write down the asset to its recoverable amount. The recoverable amount is defined as the higher of the asset's net selling price or the present value of estimated future cash flows expected to result from its use and eventual disposal.

Accounts payable and other liabilities

Accounts payable and other liabilities are carried at their nominal value, which approximates fair market value.

Other liabilities also include the mark-to-market losses on derivative instruments, which are carried at fair value.

Long term debt

Long term debt is carried at amortized cost.

Retirement benefits

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

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

Provisions

Provisions are recognised when Glencore has a present obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits that can be reliably estimated will be required to settle the liability.

Borrowing costs

Borrowing costs are recognized as an expense in the year in which they are incurred.

Income taxes

Income taxes consists of current and deferred income taxes. Current taxes represent income taxes expected to be payable based on enacted tax rates and expected current taxable income. Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, using substantively enacted income tax rates. Deferred tax assets and unused tax losses are only recognized to the extent that their recoverability is deemed to be probable.

Derivatives and Hedging Activities

All derivative instruments of Glencore are carried at fair value on the balance sheet. Fair values are obtained from quoted market prices, dealer price quotations, discounted cash flow models and option pricing models, which incorporate current market and contractual prices for the underlying instrument, time to expiry, yield curves, and volatility of the underlying instrument.

Glencore uses derivative instruments to manage exposure to market risk from changes in commodity prices, interest rates or foreign currency exchange rates and complement its core trading activities.

Glencore may enter into foreign currency forward contracts to reduce or eliminate the foreign currency risk on its assets, liabilities, firm commitments and forecasted transactions.

Futures and option contracts are used to hedge the effect of price changes on a portion of Glencore's inventories not contractually sold. Glencore may enter into swap agreements to limit the effect of increases in interest rates on floating rate debt. Swap agreements may also be used to reduce or eliminate foreign currency or commodity price risks.

Glencore applies hedge accounting when it meets the specified criteria to obtain hedge accounting treatment in accordance with IAS 39. When entering into hedge transactions, Glencore strives for structuring hedges in a way that no or only minimal ineffectiveness results.

The change in the fair value of derivatives hedging the fair value of an asset or liability (Fair Value Hedge) is reflected together with the change in the fair value of the hedged item in the income statement.

The change in the fair value of derivatives hedging future cash flows (Cash Flow Hedge) is initially recognized as cash flow hedge reserve in shareholders' funds. The deferred amount is then released to the income statement in the same periods during which the hedged transaction affects the income statement.

Where hedge accounting is not applied, realized and unrealized gains and losses on the hedging instrument are recognized in the income statement.

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 equity and is recognized in the income statement, when the committed or forecasted transaction is ultimately recognized in the income statement. However, if a forecasted or committed transaction is no longer expected to occur, the cumulative gain or loss that was recognized in equity is immediately transferred to the income statement.

A derivative may be embedded in a "host contract". Such combinations are known as compound instruments, and at the date of issuance the embedded derivative is separated from the host contract and accounted for as a stand alone derivative if the criteria for separation are met. The host contract is subsequently accounted for in accordance with its relevant accounting policy.

Consolidated balance sheets

as of December 31, 2003 and 2002

US\$ million	Notes	2003	2002
Assets			
Current assets			
Cash and cash equivalents	3	95	83
Marketable securities	4	127	3
Accounts receivable	5	6,975	4,545
Inventories	6	4,825	3,283
Total current assets		12,022	7,914
Long term assets			
Long term advances and loans	7	191	253
Deferred income taxes	15	66	49
Investments in associates and other investments	8	1,317	1,331
Property, plant and equipment	9	1,563	1,826
Negative goodwill—net	10	-99	-273
Intangible assets		14	9
Total long term assets		3,052	3,195
Total assets		15,074	11,109

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

Consolidated balance sheets

as of December 31, 2003 and 2002

US\$ million	Notes	2003	2002
Liabilities and shareholders' funds			
Current liabilities			
Short term debt	11	1,680	1,284
U.S. Commercial paper notes	12	1,108	251
Current portion of long term debt	14	324	283
Accounts payable	13	5,593	4,442
Income tax payable		15	9
Total current liabilities		8,720	6,269
Long term liabilities			
Long term debt	14	2,551	1,876
Deferred income taxes	15	149	75
Provisions and other long term liabilities	17	344	184
Total long term liabilities		3,044	2,135
Minority interest	18	273	349
Shareholders' funds			
Share capital	19	46	46
Reserves		2,991	2,310
Total shareholders' funds		3,037	2,356
Total liabilities and shareholders' funds		15,074	11,109

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

Consolidated statements of income

for the years ended December 31, 2003 and 2002

US\$ million	Notes	2003	2002
Revenues		54,686	43,692
Cost of goods sold		-53,242	-42,789
Gross income		1,444	903
Selling and administrative expenses		-642	-490
Depreciation and net negative goodwill release		-8	4
Operating income		794	417
Interest expense—net	21	-233	-224
Share of income from associates		217	63
Foreign exchange adjustments		46	32
Income before non recurring items and mark to market valuation		824	288
Changes in mark to market valuation	22	356	30
Non recurring and other income/(expense)—net	23	81	646
Income before income taxes and minority interest		1,261	964
Income taxes	15	-112	-11
Income before minority interest		1,149	953
Minority interest		-29	-14
Income for the year		1,120	939

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

Consolidated statements of cash flows

for the years ended December 31, 2003 and 2002

US\$ million	Notes	2003	2002
Operating activities			
Income before income taxes and minority interest		1,261	964
Adjustments to reconcile income before income taxes and minority interest to net cash provided/(used) by operating activities			
Depreciation and net negative goodwill release	24	172	130
Share of income from associates		-217	-63
Unrealized (gain)/loss on bonds' exchange feature	22	112	0
(Gain)/loss on sale of investments	23	-193	-793
Unrealized (gain)/loss on equity swap	22	-470	0
Increase/(decrease) of long term provisions		-7	-34
Impairment charges	23	144	137
Increase/(decrease) in foreign currency movements		-18	25
Other non cash items		-19	1
Interest expense—net		233	224
Cash provided by operating activities before working capital changes		998	591
Working capital changes			
(Increase)/decrease in marketable securities		-124	14
(Increase)/decrease in accounts receivable		-1,917	-878
(Increase)/decrease in inventories		-1,542	-407
Increase/(decrease) in accounts payable		1,314	775
Total working capital changes		-2,269	-496
Cash provided/(used) by operating activities		-1,271	95
Income taxes paid		-64	-38
Interest received		97	56
Interest paid		-277	-215
Net cash provided/(used) by operating activities		-1,515	-102

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

Consolidated statements of cash flows

for the years ended December 31, 2003 and 2002

US\$ million	Notes	2003	2002
Investing activities			
(Increase)/decrease in long term advances and loans		-13	-88
Net cash used in acquisition of subsidiaries	25	0	-25
Purchase of investments		-165	-251
Proceeds from sale of subsidiaries	25	0	1,202
Proceeds from sale of interest in associates	23	488	0
Proceeds from sale of investments		80	0
Return of capital from associates		74	26
Purchase of property, plant and equipment		-281	-225
Proceeds from sale of property, plant and equipment		10	0
Proceeds from dividends received		43	1
Net cash provided/(used) by investing activities		236	640
Financing activities			
Net proceeds/(repayment) of short term debt		396	-258
Net proceeds/(repayment) of Euro Medium Term Notes		0	-9
Net proceeds/(repayment) of U.S. Commercial paper notes		858	25
Net proceeds/(repayment) of revolving credit facilities		-40	240
Repayment of Senior Notes		-51	-42
Purchase of ORA's		-150	0
Proceeds from issuance of exchangeable bonds		800	0
Net proceeds/(repayment) of other long term bank debt		-9	18
Payment of profit participation instruments		-341	-284
Redemption of registered shares A		-171	-315
Payment of dividends		-1	-1
Net cash provided/(used) by financing activities		1,291	-626
Increase/(decrease) in cash and cash equivalents		12	-88
Cash and cash equivalents, beginning of year		83	171
Cash and cash equivalents, end of year		95	83

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

Consolidated statements of changes in shareholders' funds for the years ended December 31, 2003 and 2002

US\$ million	Reserves restricted ⁽¹⁾	Retained earnings	Translation adjustment	Cash flow hedge reserve	Total reserves	Share capital	Total shareholders' funds
Balance January 1, 2002	31	2,240	-12	-15	2,244	46	2,290
Dividend		-1			-1		-1
Income for the year		939			939		939
Translation adjustment			25		25		25
Purchase of profit participation instruments		-412			-412		-412
Redemption of reg. shares A		-487			-487	-7	-494
Conversion of reg. shares A into shares B						7	7
Other equity movements		-3		5	2		2
Balance December 31, 2002	31	2,276	13	-10	2,310	46	2,356
Balance January 1, 2003	31	2,276	13	-10	2,310	46	2,356
Dividend		-1			-1		-1
Income for the year		1,120			1,120		1,120
Translation adjustment			-18		-18		-18
Purchase of profit participation instruments		-452			-452		-452
Other equity movements		13		19	32		32
Balance December 31, 2003	31	2,956	-5	9	2,991	46	3,037

(1) see note 20

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

Glencore International AG and Subsidiaries

Notes to consolidated financial statements

US\$ million unless otherwise stated

1. Nature of the business activities

Glencore is a leading, privately held, diversified natural resources group with worldwide activity in the mining, smelting, refining, processing and marketing of metals and minerals, energy products and agricultural products. Glencore operates on a global scale, marketing, in addition to its own production, physical commodities as principal mostly from producers and delivering such commodities to industrial consumers. Glencore also provides financing, logistics, marketing and purchasing services to producers and consumers of commodities. These activities are supported by substantial strategic investments in industrial assets relating to Glencore's core commodities.

2. Ownership

Glencore Holding AG and Glencore L.T.E. AG (together the Parents), companies wholly owned by the management and employees of Glencore, own together 100% of the Company. Until November 2002, an industrial company (the Investor), which operates in an industry completely unrelated to Glencore's activities, owned 15% of the Company.

The Investor granted the Company a call option on the Company's shares purchased by the Investor. The call option was exercisable during an unlimited period of time starting in November 1997. In June 2001, the value of the call option was fixed at an amount of US\$494 million.

In August 2002, Glencore exercised the call option to repurchase the 15% of the Company's shares held by the Investor. The transaction was completed in November 2002.

3. Cash and cash equivalents

	2003	2002
Banks and cash on hand	88	61
Time deposits and treasury bills	4	17
Other	3	5
Total	95	83

Treasury bills are held on deposit with brokers and have maturities of less than three months. Cash and cash equivalents bear interest at U. S. Dollar deposit rates. The average U. S. Dollar deposit rate was 1.13% (2002: 1.70%). US\$10 million (2002: US\$0 million) are restricted.

4. Marketable securities

Marketable securities are carried at fair value and are comprised of investments in equity and debt securities that present Glencore with the opportunity for return primarily through trading gains. The fair values of these securities are based on quoted market prices.

5. Accounts receivable

	2003	2002
Trade receivables	4,272	3,116
Trade advances and deposits	1,311	839
Non consolidated group companies	9	36
Associated companies	201	169
Other receivables and prepaid expenses	1,182	385
Total	6,975	4,545

Accounts receivable are net of allowance for doubtful accounts of US\$237 million (2002: US\$227 million).

During 2003, the Company entered into US\$625 million of secured short term loan facilities with a supplier. At December 31, 2003, US\$326 million had been drawn down by the supplier and the balance of US\$299 million was drawn down subsequent to year end. The average interest rate charged over the year was 6.62%.

Included in other receivables is the fair value of the equity swap as described in note 8.

In June 2000, the Company and Glencore AG (the Sellers) entered into a 5-year asset-backed limited recourse facility for US\$1.2 billion to finance a portion of their trade receivables. Under this program a widely diversified portfolio of trade receivables meeting certain debtor and country concentration limits are sold on a continuous basis to M&M Finance Company Limited, Jersey (MMFC). MMFC is ultimately refinanced under a 364-day U. S. Commercial paper program (USCP) of US\$500 million, rated P-1 by Moody's and A-1+ by Standard & Poor's rating agencies and a 5-year medium term notes program (MTN) of US\$700 million rated Aaa by Moody's and AAA by Standard & Poor's and Fitch respectively. Both the USCPs and the MTNs issued under these programs carry interest at floating market rates.

Under IFRS, the receivable securitization program meets the existing criteria for both derecognition and non-consolidation. As of December 31, 2003, receivables with a face value of US\$1,422 million are sold (2002: US\$1,422 million) of which the Sellers received an amount of US\$1,200 million (US\$1,200 million).

6. Inventories

	2003	2002
Production inventories	635	557
Inventories contractually sold or hedged	3,333	2,076
Other	857	650
Total	4,825	3,283

Production inventories consist of materials, spare parts, work in process and finished goods held by the production entities.

Inventories contractually sold or hedged and other, together considered trading inventories, are carried at fair value less costs to sell.

In April 2003, the Company and Glencore AG (the Sellers) closed a 364-day asset-backed limited recourse securitization program for US\$750 million to finance a portion of their inventories. Under this program a diversified portfolio of base metals (aluminum, copper, nickel, zinc and lead) stored in Western European and Singaporean warehouses, is legally sold on a continuous basis to Base Metals Finance Company Limited, Jersey (BMFC). BMFC is ultimately refinanced under a 364-day U.S. Commercial paper program (USCP) rated P-1 by Moody's and A-1+ by Standard & Poor's. The weighted average interest rate for the USCPs was 1.71 %.

Under IFRS, from an accounting perspective, Glencore retains both a sellers interest in the inventory sold under the inventory securitization program and a "controlling" interest in BMFC. Accordingly, BMFC is consolidated and all intercompany transactions are eliminated. As of December 31, 2003, due to the consolidation of BMFC, the total amount of trading inventories securitized was US\$796 million and proceeds received as secured borrowings amounted to US\$750 million. The related liability is included under U.S. Commercial paper notes, see note 12.

7. Long term advances and loans

	2003	2002
Trade advances and loans	44	12
Loans to Parents	55	49
Loans to non consolidated group companies	0	3
Loans to associated companies	25	145
Other long term advances and loans	67	44
Total	191	253

Trade advances and loans are generally repaid by deliveries under long term purchase contracts and are related to Glencore's trading activities. These advances and loans are generally denominated in U.S. Dollar and bear interest at floating rates based on New York Prime Rate or Libor plus a premium. The average interest rate charged over the year was 7.5% (2002: 5.2%).

Loans to Parents, non consolidated group companies, associated companies and other long term advances and loans bear interest at floating market rates depending on the currency in which the loan is denominated.

Long term advances and loans are net of impairment charges of US\$197 million (2002: US\$199 million).

8. Investments in associates and other investments

	2003	2002
Listed associates	742	800
Non listed associates	544	495
Other investments	31	36
Total	1,317	1,331

Investments in associates and other investments are primarily held to enhance and support trading activities.

A list of the principal operating and finance subsidiaries and industrial investments is included in note 33. The approximate fair value of listed associates is based on quoted market prices. As of December 31, 2003 the fair value of the listed associated investments amounts to US\$1,636 million (2002: US\$1,078 million). It is not practical to estimate the fair values of non listed associates and other investments.

On April 7, 2003, Xstrata plc (Xstrata), an associated company (see note 33), announced the acquisition of M.I.M. Holdings Limited (MIM) in conjunction with a rights issue of stock units in Xstrata (the Stock Units). On May 29, 2003, Glencore sold all its rights to subscribe for the Stock Units to a major bank (Bank). The Bank exercised these rights and owns, upon completion of the acquisition of MIM on June 24, 2003, 24% of the issued ordinary share capital of Xstrata (New Shares). The sale of the rights and the impact of the dilution of Glencore's interest in Xstrata from 40% to 16% were recognized on December 2, 2003, upon termination of a lock-up period. Accordingly, Glencore accounted for its 40% interest in the net assets of Xstrata for the period January 1 to December 2, 2003 and its 16% interest in the net assets for the balance of the year.

On June 24, 2003, Glencore entered into an equity swap arrangement by which it retained only an economic exposure to 24% of Xstrata's shares. The controlling interest in the shares remains with the Bank. The swap has a settlement mechanism which accounts for movements in Xstrata's share value over or under the initial sale price for the Stock Units. This equity swap is considered a derivative and is carried at fair value with movements in fair value recorded in the income statement. In 2003, the net fair value gain amounted to US\$470 million (see note 22). Glencore also retains an obligation to settle on a monthly basis an amount based on the swap's initial nominal share value (US\$1.2 billion) at a rate of LIBOR plus a premium.

The equity swap will terminate on December 2, 2004, but may be extended until December 2, 2006. As security for Glencore's obligations to provide possible margin calls, Glencore initially pledged to the Bank 90 million ordinary shares in Xstrata (Pledged Shares). The number of Pledged Shares will not exceed this number but may vary over the term of the equity swap. As of December 31, 2003, 54 million shares were pledged as security, which had a carrying value of US\$303 million.

9. Property, plant and equipment

	Land and buildings	Plant, machinery and vehicles	Furniture, fixtures and equipment	Deferred mining costs	Total
At cost:					
January 1, 2003	372	1,888	159	103	2,522
Business combination	0	8	0	0	8
Additions	5	220	49	7	281
Disposals	-13	-43	-42	0	-98
Other movements	48	-36	-25	0	-13
December 31, 2003	412	2,037	141	110	2,700
Accumulated depreciation:					
January 1, 2003	72	493	92	39	696
Business combination	0	1	0	0	1
Depreciation	19	146	15	0	180
Impairment charges	12	307	0	0	319
Disposals	-8	-28	-4	0	-40
Other movements	-6	-1	-12	0	-19
December 31, 2003	89	918	91	39	1,137
Net book value December 31, 2003	323	1,119	50	71	1,563

Fire insurance value as of December 31, 2003 amounts to approx. US\$4,856 million (2002: US\$4,746 million).

10. Negative goodwill—net

	2003	2002
The changes in goodwill are the following:		
At cost:		
Balance at beginning of year	209	290
Goodwill recorded during the year	9	77
Goodwill disposed during the year	-28	-158
Balance at end of year	190	209
Accumulated amortization:		
Balance at beginning of year	-61	-45
Amortization for the year	-14	-10
Impairment charges	0	-14
Accumulated amortization disposed during the year	4	8
Balance at end of year	-71	-61
Goodwill—net	119	148
	2003	2002
The changes in negative goodwill are the following:		
At cost:		
Balance at beginning of year	-580	-590
Negative goodwill recorded during the year	0	10
Balance at end of year	-580	-580
Accumulated release:		
Balance at beginning of year	159	132
Release of negative goodwill during the year	28	27
Release due to impairment charges	175	0
Balance at end of year	362	159
Negative goodwill—net	-218	-421
Negative goodwill—net, less goodwill—net	-99	-273

11. Short term debt

Glencore maintains substantial credit lines with various banks.

Short term debt is denominated in U.S. Dollar and the weighted average interest rate was 1.67% (2002: 2.22%).

In June 2003, the Company, Glencore Funding, Inc. and Glencore Capital Ltd replaced the previous 364-day unsecured revolving credit facility for US\$3 billion by a new 364-day unsecured revolving credit facility for US\$3 billion with a group of banks. The obligation of Glencore Funding, Inc. and Glencore Capital Ltd are guaranteed by the Company. Glencore AG guarantees the obligations of the Company under this facility. A portion up to US\$2.5 billion can be used as liquidity back-up for Glencore's stand alone U.S. Commercial paper program (see note 12). The final maturity of this facility can be extended up to 12 months for up to US\$3 billion at the sole discretion of the Company. As of December 31, 2003 US\$1,260 million (2002: US\$680 million) is outstanding under this facility.

As part of its marketing activities, Glencore enters into short term debt transactions with limited recourse to Glencore. The amount of the non recourse portion of this debt as at December 31, 2003 of US\$129 million (2002: US\$14 million) is netted against the related assets.

12. U.S. Commercial paper notes

	2003	2002
U.S. Commercial paper notes ⁽²⁾	358	251
Securitized U.S. Commercial paper notes ⁽¹⁾	750	0
Total	1,108	251

(1) see note 6

(2) U.S. Commercial paper notes

In June 2003, Glencore Funding, Inc. (the Issuer), a wholly owned subsidiary of the Company, replaced the previous 364-day stand alone U.S. Commercial paper program (USCP) for US\$2.5 billion rated A-2 and P-2 by Standard & Poor's and Moody's rating agencies by a new 364-day stand alone USCP program rated A-2 and P-3. The commercial paper notes are placed with institutional investors. The Company guarantees the Issuer's obligations under this facility. The USCPs issued under this program carry interest at floating market rates and mature in not more than 270 days from the date of issue. The weighted average interest rate for the USCPs over the year was 1.86% (2002: 2.12%).

13. Accounts payable

	2003	2002
Trade payables	4,206	3,520
Trade advances from buyers	613	235
Non consolidated group companies	1	1
Associated companies	188	123
Other payables and accrued liabilities	585	563
Total	5,593	4,442

14. Long term debt

2003						
	Total	Current portion	Total long term	Due 2-3 years	Due 4-5 years	After 5 years
Banks:						
Committed revolving credit facility	600	0	600	600	0	0
Other ⁽¹⁾	94	21	73	17	3	53
Senior Notes	847	78	769	308	129	332
Exchangeable bonds	756	0	756	0	0	756
Purchase of profit participation instruments	578	225	353	257	96	0
	<u>2,875</u>	<u>324</u>	<u>2,551</u>	<u>1,182</u>	<u>228</u>	<u>1,141</u>
2002						
	Total	Current portion	Total long term	Due 2-3 years	Due 4-5 years	After 5 years
Banks:						
Committed revolving credit facility	640	0	640	640	0	0
Other ⁽¹⁾	153	37	116	26	9	81
Senior Notes	898	51	847	188	198	461
Purchase of profit participation instruments	468	195	273	217	56	0
	<u>2,159</u>	<u>283</u>	<u>1,876</u>	<u>1,071</u>	<u>263</u>	<u>542</u>

(1) Includes liability portion of ORA (see note 18) and financial lease obligations.

Banks

In June 2003, the previous US\$985 million 3-year committed revolving facility was repaid and replaced with a new agreement with a group of banks for a 3-year committed revolving credit facility for US\$770 million. The Company (the Borrower) has the option to extend this facility by one year on the first and second anniversary of its conclusion. Glencore AG guarantees the obligations of the Borrower under this facility. The weighted average interest rate on long term debt from banks was 1.98% (2002: 2.63%).

Senior Notes

	2003	2002
7.05% to 7.57% due in various installments 1999 to 2006, issued in May 1996	107	158
7.23% to 7.55% due in various installments 2002 to 2007, issued in July 1997	140	140
8.08% to 9.07% due in various installments 2005 to 2019, issued in August 1999	300	300
6.15% to 7.94% due in various installments 2006 to 2021, issued in December 2001	300	300
Total	847	898

The Issuer of the Senior Notes is Glencore Finance (Bermuda) Ltd. The Senior Notes are placed with various U.S. institutional investors. The Issuer's obligations under the Note Purchase Agreements are guaranteed by the Company. Glencore AG and Glencore UK Ltd guarantee the obligations of the Company under its guarantees.

The Senior Notes are denominated in U. S. Dollar and have a weighted average fixed interest rate of 7.57% (2002: 7.56%). The weighted average maturity as of December 31, 2003 is 5 years.

Exchangeable bonds

In October 2003 Glencore Finance (Europe) S.A. (the Issuer), a wholly owned subsidiary of the Company, issued US\$800 million 4.125% guaranteed exchangeable bonds due 2010 (the Bonds), exchangeable into ordinary shares of Xstrata plc, an associated company (see note 33), at US\$13.67 per share. The Bonds are guaranteed on a joint and several basis by the Company and Glencore AG.

Unless previously exchanged, redeemed or purchased and cancelled, the Bonds will be redeemed by the Issuer on October 6, 2010 at 113.76% of their nominal amount. The Bonds can be exchanged by the holders at any time on or after November 17, 2003. The Bonds can be redeemed by the Issuer at any time on or after October 20, 2008 at accreted principal amounts (APA), if the share price has exceeded 130% of the APA of the Bonds outstanding for a certain period or, if 85% or more of the nominal amount of the Bonds have been exchanged, redeemed or purchased and cancelled.

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

The Bonds consist of a debt component and a derivative component (the exchange feature). The fair values of the debt component (US\$751 million) and the exchange feature (US\$49 million) were determined on issue of the Bonds. The debt component is included in long term debt and is subsequently measured at amortized cost at an effective interest rate of 5.75% per annum. The exchange feature is included in other long term liabilities (note 17) and is carried at its fair value with changes in fair value reported in the income statement.

Profit participation instruments

Profit participation instruments bear interest based on 6 month US\$ Libor. The weighted average interest rate over the year was 1.27% (2002: 2.0%).

15. Income taxes

Income taxes consist of the following:

	2003	2002
Current income tax	-71	-41
Deferred income tax (expense) / benefit	-41	30
Total	-112	-11

The effective tax rate is different from the statutory Swiss income tax rate for the following reasons:

	2003	2002
	%	%
Swiss income tax rate	19.8	19.8
Impact of foreign operations	-4.2	-5.1
Tax exempt income	-6.5	-12.6
Effect of use of tax losses previously not recognized	-1.2	-1.5
Other	1.2	0.6
Effective tax rate	9.1	1.2

Deferred taxes as of December 31, 2003 and 2002 are attributable to the items detailed in the table below:

	2003	2002
	Assets ⁽¹⁾	Assets ⁽¹⁾
Tax loss carry forwards	29	42
Other	37	7
Total deferred tax assets	66	49

	2003	2002
	Liabilities ⁽¹⁾	Liabilities ⁽¹⁾
Depreciation and amortization	77	72
Mark to market valuations	53	0
Other	19	3
Total deferred tax liabilities	149	75

(1) Asset and liability positions in the same category reflect the impact of tax assets and liabilities arising in local tax jurisdictions that cannot be netted against tax assets and liabilities arising in other tax jurisdictions.

Deferred income tax assets are recognized for tax loss carry forwards only to the extent that realization of the related tax benefit is probable. For the following tax loss carry forwards no deferred tax assets have been recognized in the consolidated financial statements and will expire as follows:

	2003	2002
1 year	20	15
2 years	8	11
3 years	37	29
Thereafter	469	807
Total	534	862

As at December 31, 2003, unremitted earnings of US\$1,096 million (2002: US\$933 million) have been retained by subsidiary and associate companies for reinvestment. No provision is made for income taxes that would be payable upon the distribution of such earnings. If earnings were remitted, an immaterial tax charge could result based on the tax statutes currently in effect.

16. Retirement Benefits

Glencore has as of December 31, 2003 approximately 1,700 employees (2002: 1,600). In addition, approximately 35,400 employees were employed as of December 31, 2003 in fully consolidated industrial investments (2002: 34,000). Total personnel costs, which include salaries, wages, social security and other personnel costs, incurred for the years ended December 31, 2003 and 2002 were US\$734 million and US\$574 million, respectively. Personnel costs related to consolidated industrial investments are included in cost of goods sold. All other personnel costs are included in selling and administrative expenses.

The Company and certain subsidiaries sponsor various pension schemes in accordance with local regulations and practices. Eligibility for participation in the various plans is either based on completion of a specified period of continuous service or date of hire. The plans provide for voluntary contributions by employees and matching contributions by the employer which range from 5% to 16% of annual salaries, depending on the employee's years of service. Among these schemes are defined contribution plans as well as defined benefit plans. The locations with defined benefit plans of a material nature are in the UK, the US, Ireland and Jamaica.

Defined contribution plans

Glencore's contributions under these plans amounted to US\$5 million, and US\$4 million, in 2003 and 2002, respectively.

Defined benefit plans

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

	2003	2002
Present value of funded obligations	263	242
Less: fair value of plan assets	-230	-187
Unrecognized actuarial gains/(losses)	-18	-39
Unrecognized prior service cost	-1	-3
Liability in the balance sheet (see note 17)	14	13

	2003	2002
Liability beginning of the year	13	5
Contributions paid	-7	-3
Expenses charged to income	11	8
Other movements	-3	3
Liability end of the year	14	13

The plan assets consist of the following:

	2003	2002
Cash and short term investments	26	42
Fixed income	44	84
Equities	149	59
Other	11	2
Total plan assets	230	187

The amounts recognized in the income statement are as follows:

	2003	2002
Current service cost	8	8
Interest cost	16	9
Expected return on plan assets	-14	-10
Net actuarial gains/(losses) recognized in the year	2	2
Prior service cost	-1	-1
Total	11	8

The actual return on plan assets amounts to US\$9 million (2001: US\$-12 million).

The principal actuarial assumptions used were as follows:

	2003	2002
Discount rate	5-15%	6-9%
Expected return on plan assets	6-12%	3-9%
Future salary increases	4-9%	4-7%
Future pension increases	2-3%	3-5%

17. Provisions and other long term liabilities

	Employee entitle- ments	Post retirement benefits ⁽¹⁾	Rehabi- litation costs	Exchange feature ⁽²⁾	Other	Total
January 1, 2003	42	13	83	0	46	184
Additional provision in the year	2	1	1	159	0	163
Utilization of provision	0	0	-1	0	-2	-3
December 31, 2003	44	14	83	159	44	344

(1) see note 16

(2) see note 14

Employee entitlement provision represents the value of state governed employee entitlements due to employees upon their ceasing of employment.

Rehabilitation provision represents the accrued cost required to provide adequate restoration and rehabilitation upon the completion of mining activities. These amounts will reverse when such rehabilitation has been performed.

18. Minority interest

Minority interest relates mainly to the Obligations Remboursables en Actions (the ORA's) issued in May 1998 by Glencore ORA SA (formerly Glencore Capital SA) (the Issuer), a French subsidiary of the Company, for an amount of FRF 1.8 billion (the Principal Amount) to a group of banks (the Investors). The ORA's provide to the Investors a rate of return based upon a floating market rate (the Coupon Payments). At issuance, the Principal Amount was swapped into a fixed 7.00% US\$ obligation of US\$301 million. The ORA's are redeemable by the Investors in May 2003 (50%) and May 2004 (50%) in exchange for common shares of the Issuer (the Issuer Shares). The Investors entered into an agreement with the Company providing that upon the occurrence of one or more specified events the Investors will have the right to require the Company to purchase the Issuer Shares. The Company may, at its sole discretion, choose to satisfy such obligation by delivering the Company's shares, or cash, as the case may be.

The Company has the option to purchase from the Investors the ORA's or the Issuer Shares, in whole but not in part, at any time for cash, or at the Company's sole discretion, for the Company's shares, which will have at the date of delivery a fair market value equal to the redemption price of the ORA's plus any other amount due.

In May 2003 the Company purchased 50% of the ORA's for cash.

Glencore AG and Glencore UK Ltd guarantee the obligations of the Company under these agreements.

At issuance, the ORA's, were treated as a compound financial instrument (IFRS defines a compound instrument as a financial instrument that, from the Issuer's perspective, contains both a liability and a non liability element). The ORA's are split, in accordance with IAS 32, into minority interest and liability. The amount shown as liability is represented by the net present value of the future Coupon Payments (see note 14).

19. Share capital

The share capital consists of 150,000 registered shares B with restriction of transferability (the shares B) of CHF 500 each.

The shares B are held by the Parents and carry the right to a preferred dividend up to a maximum of 10% of nominal value.

The Company is authorized by its articles of incorporation to issue to employees of Glencore non-voting profit participation certificates with no nominal value. The Company has introduced another profit participation scheme similar to the profit participation certificates. Both profit participation instruments (together PPI) provide identical financial benefits to the holders.

Glencore's income for the year accumulates to the holders of the PPI. Those holders of PPI, which are shareholders of Glencore Holding AG receive payment upon termination of employment in installments over a period of 5 years. Those, which are shareholders of Glencore L.T.E. AG have pooled their PPI. Payment is limited to certain triggering events independent of termination of employment.

A total of 150,000 PPI were authorized for issuance. Distribution of the income for the year for the PPI is based on 150,000 (2002: 150,000) shares B issued.

According to the existing agreements, the Company bought back during 2003 a certain number of PPI representing an aggregate amount of US\$452 million (2002: US\$412 million).

20. Reserves—restricted

Reserves restricted represent retained earnings of the Company whose distribution is restricted by Swiss commercial law.

21. Interest expense—net

	2003	2002
Interest income	27	23
Interest expense:		
Short term funding	-146	-118
Long term funding	-114	-129
Total interest expense	-260	-247
Net	-233	-224

22. Changes in mark to market valuation

	2003	2002
Exchange feature	-112	0
Equity swap	470	0
Foreign exchange	-2	30
Net	356	30

Changes in the mark to market valuations of the exchange feature relate to the exchangeable bonds (see note 14). The mark to market valuation of the equity swap represent movements of Xstrata's share price on the 24% held by the Bank (see note 8).

23. Non recurring and other income / (expense)—net

	2003	2002
Gain on sale of interests in associates-net	193	0
Gain on sale of subsidiaries to associates (see note 25)	0	793
Income on securities—net	0	-5
Impairment charges	-144	-137
Other	32	-5
Total	81	646

Gain on sale of interests in associates – net

The majority of this gain relates to Glencore's sale of its rights to participate in a rights issue of Xstrata plc, an associated company, see note 8. The net gain on this transaction is comprised of proceeds received from the sale of rights of US\$488 million less the loss on dilution of shareholding and transaction costs of US\$312 million.

Impairment charges

Impairment charges of US\$319 million (2002: US\$80 million) relate to property, plant and equipment. These charges were partially offset with a release of the fixed asset's corresponding negative goodwill balance of US\$175 million (2002: US\$0). The recoverable amounts were determined at the cash-generating unit level and represents value in use.

In 2002, additional impairment charges of US\$141 million were made that related to write-downs of investments and loans principally in Australia and Europe. These amounts were offset with the reversal of a prior period impairment due to severe long term restrictions of US\$84 million.

24. Operating income prior to depreciation and amortization

	2003	2002
Operating income	794	417
Depreciation and net negative goodwill release	8	-4
Depreciation related to industrial activities included in cost of goods sold	164	134
Operating income prior to depreciation and amortization	966	547

25. Acquisition and disposal of subsidiaries

No major acquisitions or disposals of subsidiaries occurred during 2003.

In 2002 the net cash used in the acquisition of the subsidiaries was:

	2002
Fair value of assets acquired:	
Cash and cash equivalents	21
Inventories	149
Receivables	98
Property, plant and equipment	502
Payables	-272
Long term liabilities	-289
Minority interest	-47
Total net assets	162
Goodwill	38
Initial acquisition	-154
Total purchase price	46
Less: cash and cash equivalents acquired	-21
Net cash used in acquisition of subsidiaries	25

In March 2002 Xstrata plc acquired from Glencore the Australian and South African Coal mining interests held by Enx Resources Limited and Duiker Mining Limited. The gain resulting from this transaction, net of the unrealized gain and transaction costs, amounts to US\$793 million (see note 23).

Net cash received on disposal of subsidiaries in 2002 was:

	2002
Carrying value of assets disposed:	
Cash and cash equivalents	114
Inventories	91
Receivables	133
Property, plant and equipment	1,317
Investments	53
Net goodwill	108
Other long term assets	57
Short term debt	-88
Payables	-122
Long term debt	-374
Deferred taxes	-284
Other long term payables	-75
Minority interest	-83
Total net assets	847
Total sales price	2,290
Less: cash and cash equivalents disposed	-114
Less: shares received in lieu of cash	-974
Net cash received on disposal of subsidiaries	1,202

26. Hedging activities

Glencore engages in the ordinary course of business in commodity price, interest rate, foreign currency rate, counterparty and country risk management activities for the purpose of hedging and managing its exposure to these risks. Glencore's finance staff working in coordination with the commodity departments are responsible for controlling and monitoring credit exposure, hedging currency exposure, financing purchases of commodities and all other related financing activities.

Commodity price risk

Glencore is exposed to price movements for the inventory that it holds and for the products it produces which are not held to meet priced forward contract obligations (net long position). Glencore manages a significant portion of this exposure through futures and option transactions on worldwide commodity exchanges or in OTC-markets, to the extent available. Glencore enters into OTC transactions only with high credit quality counterparties. Commodity price risk activities are considered an integral part of Glencore's physical commodity trading activities and the related assets and liabilities are included in receivables from and payables to clearing brokers and exchanges.

Interest rate risk

Glencore is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its assets and liabilities and cash flows. Matching of assets and liabilities is utilized as the dominant method to hedge interest rate risks. Interest charged on receivables, advances and inventories is based on US\$-Libor. Interest bearing debt is denominated in or swapped into U.S. Dollar and bears predominantly floating interest rates based on US\$-Libor. In addition, Glencore uses instruments such as interest rate swaps to hedge its exposure to interest rate risk.

Currency risk

The vast majority of Glencore's purchase and sale transactions are denominated in U.S. Dollar. In transactions concluded in currencies other than U.S. Dollar, the specific future commitment (receivable or payable) is promptly hedged through a forward exchange contract. Glencore enters into currency hedging transactions only with leading financial institutions.

All of Glencore's debt related payments (both principal and interest) are denominated in or swapped into U.S. Dollar.

The majority of Glencore's operating expenses are incurred in U.S. Dollar, with the remainder being incurred in a mix of currencies, with the Swiss Franc and Euro being the most important non U.S. Dollar currencies. In general, Glencore benefits from a strong U.S. Dollar and is disadvantaged by a weak U.S. Dollar.

As of December 31, 2003, the following derivative instruments were used to hedge interest rate and currency risks primarily related to ORA as discussed in note 18 (equivalent in US\$million):

	Notional amounts		Recognized Fair Values		Average Maturity
	Buy	Sell	Assets	Liabilities	
Interest rate swap agreements	151	—	—	4	2004
Currency swap agreements	151	—	23	—	2004

Credit risk

Financial assets which potentially expose Glencore to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities, receivables and advances and derivative instruments. Glencore's cash equivalents and short term time deposits are placed with high credit quality financial institutions. Credit risk with respect to receivables and advances is mitigated due to the large number of customers comprising Glencore's customer base and their diversity across various industries and geographical areas as well as due to Glencore's policy to cover these risks through the banking and insurance market. The risk that counterparties might default on their obligations is monitored on an ongoing basis. Accordingly Glencore has no significant concentration of credit risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

Country risk

As part of its risk management activity, Glencore mitigates its exposure to political and country risks by selling such risks to or otherwise covering such risks with major financial institutions and in the political risk insurance market. Typically, Glencore is required to retain a small portion of the risk.

27. Fair values

As of December 31, 2003 and 2002 the carrying amounts of cash and short term time deposits, accounts receivable, long term advances and loans, accounts payable, short and long term debt based on floating interest rates approximated their fair values.

The approximate fair value of fixed rate long term debt is estimated by discounting the expected future payments using market rates available to Glencore for similar types of borrowings. As of December 31, 2003 the fair value of fixed rate long term debt with a carrying amount of US \$1,753 million (2002: US\$1,839 million) amounts to US\$1,823 million (2002: US\$1,930 million).

28. Future commitments

As a matter of policy, capital expenditure for the acquisition of property, plant and equipment is funded through the cash flow generated by the respective entities. As of December 31, 2003, US \$198 million (2002: US\$nil) were contractually committed for the acquisition of property, plant and equipment.

The amount of bank commitments issued on behalf of Glencore is as follows:

	2003	2002
Letters of credit	2,667	2,028
Bank payment guarantees	611	407

Glencore has entered into various operating leases as lessee for office facilities. Rental expenses for these items totaled US\$19 million and US\$18 million for the years ending December 31, 2003 and 2002, respectively. Future net minimum lease payments under non-cancelable operating leases are as follows:

	2003	2002
Within 1 year	15	8
Between 2 and 5 years	25	12
After 5 years	14	15
Total	54	35

The notional amounts of forward trading positions as of December 31, 2003 are as follows:

	Buy	Sell
Commodity futures	7,706	15,093
Commodity options	1,535	444
Currency contracts	985	1,180

Notional amounts reflect the volume of transactions but do not represent the amounts expected to be exchanged by the parties to the forward trading instruments.

29. Contingent liabilities

The amount of corporate guarantees in favor of associated and third parties as of December 31, 2003 is US\$157 million (2002: US\$89 million). Glencore believes that the likelihood of a claim under any of these guarantees to be remote.

Litigation

Certain legal actions and other claims 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 that the liability, if any, resulting from any litigation will not have a materially adverse effect on its income or consolidated financial position.

Environmental contingencies

Glencore's operations, predominantly those arising from the ownership in industrial investments, are subject to various environmental laws and regulations. Glencore is in compliance with those laws and regulations. Glencore accrues for environmental contingencies when such contingencies are probable and reasonably estimable. Such accruals are adjusted as new information develops or circumstances change. Recoveries of environmental remediation costs from insurance companies and other parties are recorded as assets when the recoveries are virtually certain. At this time, Glencore is unaware of any material environmental contamination at its locations and consequently unable to determine the extent of clean-up measures, if any, that may be required.

30. Related party transactions

In the normal course of business, Glencore enters into various transactions with related parties, including fixed price commitments to sell and to purchase commodities, forward sale and purchase contracts, agency agreements and management service agreements.

Commodity transactions are conducted at prices which at the trade date approximate market and are usually based on long term contracts.

Agency agreements are negotiated on arms length terms and exchange marketing and other services for an agency fee. These agreements are usually long term.

Related party transactions unless discussed elsewhere in the notes to the financial statements are summarized below. The principal related parties are included in notes 2 and 33. All transactions between Glencore and its subsidiaries are eliminated along with any unrealized profits and losses between its subsidiaries and associates.

	2003	2002
Sales	395	540
Purchases	-985	-1,221
Interest income	8	8
Interest expense	-3	-1
Agency income	73	40
Agency expense	-11	0

31. Segment information—business segment

For management purposes, Glencore is organized on a worldwide basis into three major business groups – metals and minerals, energy products, and agricultural products. The divisions are on the basis on which Glencore reports its primary segment information.

	2003				
	Metals and minerals	Energy products	Agricultural products	Corporate/ eliminations	Total
Revenues	23,262	27,428	3,996	0	54,686
Cost of goods sold	-22,408	-27,028	-3,820	14	-53,242
Gross income	854	400	176	14	1,444
Share of income from associates	86	129	2	0	217
Selling and administrative expenses					-642
Depreciation and net negative goodwill release					-8
Interest expense—net					-233
Foreign exchange adjustments					46
Changes in mark to market valuation					356
Non recurring and other income/(expense)—net					81
Income taxes					-112
Minority interest					-29
Income for the year	940	529	178	14	1,120
Included in income for the year are:					
Impairment charges—net of related release of negative goodwill	-124	0	-20	0	-144
Depreciation, amortization and net negative goodwill release	-132	-14	-6	-20	-172
Consolidated balance sheet					
Accounts receivable	2,427	3,372	485	691	6,975
Inventories	3,553	716	556	0	4,825
Property, plant and equipment	1,369	100	94	0	1,563
Long term advances and loans	43	25	8	115	191
Investments in associates and other investments	471	827	19	0	1,317
Negative goodwill—net	-152	53	0	0	-99
Other	0	0	0	302	302
Total assets	7,711	5,093	1,162	1,108	15,074
Accounts payable	1,585	3,049	374	585	5,593
Others	0	0	0	6,171	6,171
Total liabilities	1,585	3,049	374	6,756	11,764
Total equity and minority interest					3,310
Included in total assets are:					
Additions to property, plant and equipment	234	43	4	0	281
Additions to intangible assets and net negative goodwill	5	-1	2	0	6

2002					
	Metals and minerals	Energy products	Agricultural products	Corporate/ eliminations	Total
Revenues	18,327	22,099	3,266	0	43,692
Cost of goods sold	-17,785	-21,861	-3,143	0	-42,789
Gross income	542	238	123	0	903
Share of income from associates	39	23	1	0	63
Selling and administrative expenses					-490
Depreciation and net negative goodwill release					4
Interest expense—net					-224
Foreign exchange adjustment					32
Changes in mark to market valuation					30
Non recurring and other income/(expense)—net					646
Income taxes					-11
Minority interest					-14
Income for the year	581	261	124	0	939
Included in income for the year are:					
Impairment charges	-91	-39	-7	0	-137
Depreciation, amortization and net negative goodwill release	-109	-7	-7	-7	-130
Consolidated balance sheet					
Accounts receivable	1,291	2,426	568	260	4,545
Inventories	2,043	871	369	0	3,283
Property, plant and equipment	1,554	160	112	0	1,826
Long term advances and loans	109	43	0	101	253
Investments in associates and other investments	343	974	14	0	1,331
Negative goodwill—net	-349	76	0	0	-273
Other	0	0	0	144	144
Total assets	4,991	4,550	1,063	505	11,109
Accounts payable	945	2,611	323	563	4,442
Others	0	0	0	3,962	3,962
Total liabilities	945	2,611	323	4,525	8,404
Total equity and minority interest					2,705
Included in total assets are:					
Additions to property, plant and equipment	209	11	2	3	225
Additions to intangible assets and net negative goodwill	36	0	0	36	72

32. Segment information—geographical segments

The natural resource production and physical sourcing and marketing activities are global in nature. Glencore's business is managed on an integrated basis worldwide, with the view to profitability by business group. The geographical analysis is provided in order to comply with IFRS and does not reflect the way Glencore is managed. The analysis by business group is a more meaningful reflection of the way Glencore is managed.

2003				
	The Americas	Europe	Asia/Africa/ Middle East/ Australia	Total
Total Revenues	15,756	23,820	15,110	54,686
Total assets	3,600	8,195	3,279	15,074
Included in total assets are:				
Additions to property, plant and equipment	99	60	122	281
Additions to intangible assets and net negative goodwill	-1	4	3	6

	2002			
			Asia/Africa/ Middle East/	
	The Americas	Europe	Australia	Total
Total Revenues	12,655	18,942	12,095	43,692
Total assets	3,504	5,024	2,581	11,109
Included in total assets are:				
Additions to property, plant and equipment	55	60	110	225
Additions to intangible assets and net negative goodwill	38	36	-2	72

33. List of principal operating and finance subsidiaries and industrial investments

	Method of Consolidation ⁽¹⁾	Country of incorporation	% of controlling interest	Activity
Glencore AG	F	Switzerland	100.0	Operating
Limerick Alumina Refining Ltd.	F	Ireland	100.0	Alumina production
Columbia Falls Aluminum Company	F	United States	100.0	Aluminum production
Century Aluminum Company	E	United States	37.5	Aluminum production
Eurallumina S.p.A.	E	Italy	43.8	Alumina production
Glencore U.K. Ltd.	F	United Kingdom	100.0	Operating
Glencore Energy UK Ltd.	F	United Kingdom	100.0	Operating
Glencore Commodities Ltd.	F	United Kingdom	100.0	Operating
Glencore Finance (Bermuda) Ltd.	F	Bermuda	100.0	Finance
Glencore Finance (Europe) SA	F	Luxembourg	100.0	Finance
Empresa Minera Los Quenuales SA	F	Peru	96.5	Zinc/Lead production
C.I. Prodeco Productos de Colombia SA	F	Colombia	100.0	Coal production
Cerrejon Coal Group	E	Colombia	33.3	Coal production
West Indies Alumina Company (Windalco)	F	Jamaica	93.0	Alumina production
Mopani Copper Mines PLC	F	Zambia	73.1	Copper production
Metaleurop SA	E	France	33.0	Lead production
Perubar SA	F	Peru	85.0	Zinc/Lead production
Granite Hacarmel Ltd.	E	Israel	26.7	Diversified
Portovesme S.r.L.	F	Italy	100.0	Zinc/Lead production
Philippine Associated Smelting and Refining Corp. (Pasar)	F	Philippines	68.9	Copper production
Minara Resources Ltd. (formerly Anaconda Nickel Pty. Ltd.)	E	Australia	46.7	Nickel/Cobalt production
Murrin Murrin Joint Venture	E	Australia	40.0	Nickel/Cobalt production
Xstrata plc	E	United Kingdom	16.0	Diversified production
JSC Kazzinc	F	Kazakhstan	70.5	Zinc/Lead production
Moreno Group	F	Argentina	100.0	Edible oils production
Cobar Group	F	Australia	100.0	Copper production
Kubikenborg Aluminium AB	F	Sweden	100.0	Aluminum production

(1) F = Full consolidation; E = Equity method.

Audited consolidated financial statements of Glencore International AG independent auditors' report

To the General Meeting of
Glencore International AG, Baar

We have audited the consolidated balance sheet of Glencore International AG and its subsidiaries as of December 31, 2002, and the related consolidated statements of income, cash flows and shareholders' funds for the year then ended set out on pages 9 to 47*. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and Auditing Standards promulgated by the Swiss profession. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We confirm that we meet the legal requirements concerning professional qualification and independence.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Glencore International AG and its subsidiaries as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Swiss law.

DELOITTE & TOUCHE AG

Urs Landolt

George Hashimoto

Auditor in Charge

March 19, 2003

- These are references to the Annual Report of Glencore International AG

Accounting Principles— Glencore International AG and Subsidiaries

Accounting convention

The financial statements are prepared under the historical cost convention and are presented in United States Dollars. The Glencore Group's ("**Glencore**") functional currency is the United States Dollar as most of Glencore's business is conducted in this currency. On March 19, 2003 the Board of Directors approved these financial statements for issue.

Principles of consolidation

The consolidated financial statements of Glencore include the accounts of Glencore International AG (the "**Company**") and its subsidiaries. A subsidiary is a company that is ultimately controlled by the Company. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. Control is usually assumed if Glencore owns ultimately more than 50% of the voting rights. Subsidiaries are consolidated from the date on which effective control is transferred to Glencore. All intercompany balances, transactions and unrealized profits are eliminated.

Associates and joint ventures (Associates) in which Glencore exercises significant influence and joint control, respectively, are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. Significant influence is presumed if Glencore holds between 20% and 50% of the voting rights. Joint control is the contractually agreed sharing of control over an economic entity. Equity accounting involves recognizing in the income statement Glencore's share of an associate's income and loss for the year. Glencore's interest in an associate is carried in the balance sheet at an amount that reflects its share of net assets of the associate.

Subsidiaries and Associates acquired and held with the intention of disposal in the near future (Investments held for sale) are excluded from consolidation and carried at cost.

Subsidiaries and Associates that operate under severe long term restrictions are excluded from consolidation. These investments are not consolidated and are presented as investments.

The main operating and finance subsidiaries and industrial investments included in these financial statements are listed in note 35.

Summary of significant accounting policies

Accounting standards

The accounting principles of Glencore comply with International Financial Reporting Standards (IFRS—previously IAS) and Swiss legal requirements.

Revenue recognition

Revenues are recognized when the seller has transferred to the buyer all significant risks and rewards of ownership of the assets sold.

Interest income is accounted for on an accrual basis.

Unrealized gains and losses on forward trading positions are recorded in the income statement.

Foreign currency translation

Foreign currency transactions: Transactions in foreign currencies are converted into the functional currency of the individual subsidiaries using the exchange rate prevailing at the transaction date. Assets and liabilities outstanding at year end are converted at year end rates. The resulting exchange differences are recorded in the consolidated statement of income.

Translation of financial statements: For the purposes of consolidation, assets and liabilities of group companies whose functional currency is in a currency other than the United States Dollar are translated into United States Dollars using year end exchange rates, while their income statements are translated using average rates of exchange for the year. Goodwill is translated using the exchange rate at the date of the transaction. Translation adjustments are included as a separate component of shareholders' funds and have no income statement impact provided no disposals of investments have occurred.

Cash and cash equivalents

Glencore considers cash on hand, amounts due from banks, short term time deposits with banks and treasury bills with brokers to be cash or cash equivalents.

Accounts receivable, other receivables and prepaid items

Accounts receivable, other receivables and prepaid items are carried at their net realizable value, which approximates fair market value.

Inventories

Inventories are valued at the lower of cost or net realizable value.

Cost is determined using the first in first out (FIFO) method and includes for trading inventories purchase price, freight and insurance. Cost for production inventories is comprised of material costs, labor costs and allocated production-related overhead costs. Financing and storage costs of the inventory are expensed.

Investments

Investments are recorded at fair value unless such fair value is not reliably determinable. Changes in fair value are recorded in income for the year.

Long term advances and loans

Long term advances and loans are carried at amortized cost.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, which is provided for by the straight-line method over the estimated useful lives of the individual assets. Land and assets under construction are not depreciated.

The estimated useful lives of the assets for depreciation purposes are as follows:

Buildings	10–45 years
Plant and machinery	18–20 years
Vehicles and vessels	5–10 years
Furniture and fixtures	3–10 years
Equipment	5–10 years
Mining concessions and development costs	units of production basis

Assets under finance leases are capitalized and depreciated over their expected useful lives. Operating lease expenditures are charged against income over the accounting periods covered by the lease term.

Mining assets

Deferred mining costs

Stripping costs in excess of the average life of mine stripping ratio are deferred and subsequently released when the actual stripping ratio falls below the long term stripping ratio.

Mineral Rights

Mineral reserves and resources, which can be reliably valued, are recognized in the assessment of fair values on acquisition. Other potential reserves, resources and mineral rights, for which values cannot be reliably determined, are not recognized. Accordingly, goodwill on acquisition may include amounts in respect of these items. Mineral rights are amortized using the unit of production basis over the economically recoverable reserves.

Exploration, Evaluation, Development and Construction Costs

Exploration, evaluation, development and construction costs are accounted for in each separate area of interest. Such costs are capitalized provided it is probable that they will be recovered from the exploitation or sale of the asset to which they relate. Such costs are amortized on a units of production basis over the estimated useful life of the area.

Exploration, evaluation, development and construction costs that do not meet the criteria for recognition as an asset are expensed.

Restoration and Rehabilitation

Restoration and rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their present value, are provided for and capitalized at the time such an obligation arises. The costs are charged to the income statement 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 income statement as extraction progresses.

Goodwill and negative goodwill

Glencore's acquisitions of other companies are accounted for under the purchase method, whereby the cost of acquisition is allocated to Glencore's interest in the fair value of assets and liabilities acquired with any residual amount allocated to goodwill or negative goodwill. Goodwill is amortized as an expense using the straight-line method over its expected useful life, which generally approximates 20 years. To the extent that negative goodwill relates to future losses it is released to income when such losses are recognized. To the extent that negative goodwill does not relate to future losses it is released to income on a systematic basis over the remaining useful life of the identifiable acquired depreciable/amortizable assets. Any remaining negative goodwill is recognized as income immediately.

Impairment

Investments, long term advances and loans, property, plant and equipment and intangible assets including goodwill are reviewed regularly for impairment. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognized to write down the asset to its recoverable amount. The recoverable amount is defined as the higher of the asset's net selling price or the present value of estimated future cash flows expected to result from its use and eventual disposal.

Accounts payable and other liabilities

Accounts payable and other liabilities are carried at the expected settlement amount, which approximates fair market value.

Retirement benefits

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

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

Provisions

A provision is defined as a present obligation resulting from past events that involves uncertainty as to timing and amount of its final settlement. A provision is recognized when it is probable that a loss has occurred and the amount of the loss can be reliably estimated.

Borrowing costs

Borrowing costs are recognized as an expense in the year in which they are incurred.

Income taxes

Income tax provision consists of current and deferred income tax provisions. Current taxes represent income taxes expected to be payable based on enacted tax rates and expected current taxable income. Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, using substantively enacted income tax rates. Deferred tax assets and unused tax losses are only recognized to the extent that their recoverability is deemed to be probable.

Derivatives and Hedging Activities

Derivative instruments are used to manage exposure to market risk from changes in commodity prices, interest rates or foreign currency exchange rates.

Glencore may enter into foreign currency forward contracts to reduce or eliminate the foreign currency risk on its assets, liabilities, firm commitments and forecasted transactions.

Futures and option contracts are used to hedge the effect of price changes on a portion of Glencore's inventories not contractually sold. Glencore may enter into swap agreements to limit the effect of increases in interest rates on floating rate debt. Swap agreements may also be used to reduce or eliminate foreign currency or commodity price risks.

Glencore applies hedge accounting when it meets the specified criteria to obtain hedge accounting treatment in accordance with IFRS 39. When entering into hedge transactions, Glencore strives for structuring hedges in a way that no or only minimal ineffectiveness results.

The change in the fair value of derivatives hedging the fair value of an asset or liability (Fair Value Hedge) is reflected together with the change in the fair value of the hedged item in the income statement.

The change in the fair value of derivatives hedging future cash flows (Cash Flow Hedge) is initially recognized as other equity movements in shareholders' funds. The deferred amount is then released to the income statement in the same periods during which the hedged transaction affects the income statement.

Glencore International AG and Subsidiaries

Consolidated balance sheets

as of December 31, 2002 and 2001

US\$ million	Notes	2002	2001
Assets			
Current assets			
Cash and cash equivalents	3	83	171
Marketable securities		3	4
Accounts receivable	4	4,545	3,914
Inventories	5	3,283	2,805
Total current assets		7,914	6,894
Long term assets			
Long term advances and loans	6	253	497
Investments in associates	7	1,295	737
Investments	7	36	62
Property, plant and equipment	8	1,826	2,652
Intangible assets		9	5
Total long term assets		3,419	3,953
Total assets		11,333	10,847
Liabilities and shareholders' funds			
Current liabilities			
Short term debt	10	1,284	1,621
U.S. commercial paper notes	11	251	226
Current portion of long term debt	13	283	205
Accounts payable	12	4,451	3,424
Total current liabilities		6,269	5,476
Long term liabilities			
Long term debt	13	1,876	2,055
Deferred income taxes	15	26	337
Negative goodwill	9	273	213
Provisions and other long term liabilities	17	184	170
Total long term liabilities		2,359	2,775
Minority interest	18	349	306
Shareholders' funds			
Share capital	19	46	46
Reserves—restricted	20	31	31
Retained earnings		2,266	2,225
Translation adjustment		13	-12
Total shareholders' funds		2,356	2,290
Total liabilities and shareholders' funds		11,333	10,847

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

Consolidated statements of income for the years ended December 31, 2002 and 2001

	Notes	2002	2001
		(US\$ million)	
Revenues	21	43,692	44,498
Cost of goods sold		-42,789	-42,791
Gross income		903	1,707
Selling and administrative expenses		-490	-413
Depreciation and net negative goodwill release		4	-1
Operating income		417	1,293
Interest expense—net	22	-224	-314
Share of income/(loss) from associates		63	-65
Foreign exchange adjustments		32	-26
Income before non recurring items and mark to market valuation		288	888
Changes in mark to market valuation		30	1
Non recurring and other income/(expense)—net	23	646	-43
Income before provision for income taxes and minority interest		964	846
Provision for income taxes	15	-11	-123
Income before minority interest		953	723
Minority interest		-14	-15
Income for the year		939	708

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

Consolidated statements of cash flows for the years ended December 31, 2002 and 2001

	Notes	2002	2001
		(US\$ million)	
Operating activities			
Income before provision for income taxes and minority interest		964	846
Adjustments to reconcile income before provision for income taxes and minority interest to net cash provided by operating activities			
Depreciation and net negative goodwill release	24	130	145
Share of (income)/loss from associates		-63	65
(Gain)/loss on sale of securities		-1	-13
(Gain)/loss on sale of property, plant and equipment		6	0
(Gain)/loss on sale of investments	23	-793	6
Increase/(decrease) of long term provisions		-34	11
Impairment charges	25	137	90
Increase/(decrease) in translation adjustment		25	-2
Dividend income		-1	-3
Other non-cash items		-3	1
Interest expense—net		224	314
Cash provided by operating activities before working capital changes		591	1,460
Working capital changes			
(Increase)/decrease in accounts receivable		-878	353
(Increase)/decrease in inventories		-407	14
Increase/(decrease) in accounts payable		775	-120
Cash provided by operating activities		81	1,707
Income taxes paid		-38	-103
Interest received		56	30
Interest paid		-215	-331
Net cash provided by operating activities		-116	1,303
Investing activities			
(Increase)/decrease of marketable securities		14	11
(Increase)/decrease in long term advances and loans		-88	-122
Net cash used in acquisition of subsidiaries	26	-25	-345
Purchase of investments		-251	-153
Proceeds from sale of subsidiaries	26	1,202	0
Proceeds from sale of investments		0	229
Returns of capital from related parties		26	19
Purchase of property, plant and equipment		-225	-170
Proceeds from sale of property, plant and equipment		0	18
Proceeds from dividends received		1	33
Net cash provided/(used) by investing activities		654	-480
Financing activities			
Net proceeds/(repayment) of short term debt		-258	-675
Net proceeds/(repayment) of Euro Medium Term Notes		-9	-39
Net proceeds/(repayment) of U.S. Commercial paper notes		25	-104
Net proceeds/(repayment) of revolving credit facilities		240	0
Proceeds from issuance of Senior Notes		0	300
Repayment of Senior Notes		-42	-26
Payment of profit participation instruments		-284	-313
Net proceeds/(repayment) of long term bank debt		18	55
Redemption of registered shares A		-315	0
Payment of dividends		-1	-1
Net cash provided/(used) by financing activities		-626	-803
Effect of change in scope of consolidation		0	41
Increase/(decrease) in cash and cash equivalents		-88	61
Cash and cash equivalents, beginning of year		171	110
Cash and cash equivalents, end of year		83	171

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

Consolidated statements of changes in shareholders' funds for the years ended December 31, 2002 and 2001

	Share capital	Reserves restricted	Retained earnings	Foreign currency translation adjustment	Total shareholders' funds
	(US\$ million)				
Balance January 1, 2001	46	33	1,832	-10	1,901
Dividend on reg. pref. shares B			-1		-1
Transfer to reserves—restricted		-2	2		0
Income for the year			708		708
Translation adjustment				-2	-2
Purchase of profit participation instruments			-298		-298
Other equity movements			-18		-18
Balance December 31, 2001	46	31	2,225	-12	2,290
Balance January 1, 2002	46	31	2,225	-12	2,290
Dividend on reg. pref. shares B			-1		-1
Income for the year			939		939
Translation adjustment				25	25
Purchase of profit participation instruments			-412		-412
Redemption of reg. shares A	-7		-487		-494
Conversion of reg. shares A into reg. pref. shares B	7				7
Other equity movements			2		2
Balance December 31, 2002	46	31	2,266	13	2,356

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

Notes to Consolidated Financial Statements

(US\$ million unless otherwise stated)

1. Nature of the business activities

Glencore is a leading, privately held, diversified natural resources group with worldwide activity in the mining, smelting, refining, processing and marketing of metals and minerals, energy products and agricultural products. Glencore operates on a global scale, marketing, in addition to its own production, physical commodities as principal mostly from producers and delivering such commodities to industrial consumers. Glencore also provides financing, logistics, marketing and purchasing services to producers and consumers of commodities. These activities are supported by substantial strategic investments in industrial assets relating to Glencore's core commodities.

2. Ownership

Glencore Holding AG and Glencore L.T.E. AG (together the Parents), companies wholly owned by the management and employees of Glencore, own together 100% of the Company. Until November 2002, an industrial company (the Investor), which operates in an industry completely unrelated to Glencore's activities, owned 15% of the Company.

The Investor granted the Company a call option on the Company's shares purchased by the Investor. The call option was exercisable during an unlimited period of time starting in November 1997. In June 2001, the value of the call option was fixed at an amount of US\$494 million.

In August 2002, Glencore exercised the call option to repurchase the 15% of the Company's shares held by the Investor. The transaction was completed in November 2002.

3. Cash and cash equivalents

	2002	2001
Banks and cash on hand	61	120
Time deposits and treasury bills	17	44
Other	5	7
Total	83	171

Treasury bills are held on deposit with brokers and have maturities of less than three months. Cash and cash equivalents in the amount of US\$0 million (2001: US\$13 million) are restricted.

4. Accounts receivable

	2002	2001
Trade receivables	3,116	2,509
Trade advances and deposits	839	678
Non consolidated group companies	36	198
Associated companies	169	177
Other receivables and prepaid expenses	385	352
Total	4,545	3,914

Accounts receivable are net of allowance for doubtful accounts of US\$227 million (2001: US\$227 million).

After the Company and Glencore AG (the Sellers) repaid the previous 364-day limited recourse facility for US\$650 million, the Sellers, in June 2000, entered into a 5-year asset-backed limited recourse facility for US\$1.2 billion to finance a portion of their trade receivables and inventories. Under this programme a widely diversified portfolio of trade receivables meeting certain debtor and country concentration limits, and of actively traded inventory up to US\$150 million, which are hedgeable on the London Metal Exchange (LME) or Over-The-Counter (OTC), are sold on a continuous basis to M&M Finance Company Limited, Jersey (MMFC). MMFC is a bankruptcy remote third party, which is beyond the control of the Company and which is neither related to the Sellers nor to its affiliates nor to any of their employees. The sale of trade receivables and inventory to MMFC qualifies as true sale under IFRS. MMFC is ultimately refinanced under a 364-day U.S. Commercial paper programme (USCP) of US\$500 million, rated P-1 by Moody's and A-1+ by Standard & Poor's rating agencies and a 5-year medium term notes programme (MTN) of US\$700 million rated Aaa by Moody's and AAA by Standard & Poor's and Fitch, respectively. Both the USCPs and the MTNs issued under these

programmes carry interest at floating market rates. As of December 31, 2002 receivables and inventories with a face value of US\$1,422 million are sold (2001: US\$1,364 million) of which the Sellers received an amount of US\$1,200 million in cash (2001: US\$1,150 million). The difference between face value and the amount received in cash is reflected in the Sellers accounts receivable until the outstanding amounts are fully paid. The Company acts as servicer of MMFC and prepares, amongst other documents, the annual financial statements of MMFC which are audited by Deloitte & Touche, as well as the monthly and weekly servicer reports. These servicer reports are provided to the USCP- and MTN issuing and paying agents, rating agencies and to the investors.

5. Inventories

	2002	2001
Production inventories	440	307
Inventories contractually sold or hedged	2,194	1,916
Other	649	582
Total	3,283	2,805

Production inventories consist of materials, spare parts and work in process. Other inventories primarily consist of unsold trading inventories.

Inventories in the amount of US\$2,585 million (2001: US\$2,020 million) are carried at net realizable value. The remaining inventories are carried at cost.

6. Long term advances and loans

	2002	2001
Trade advances and loans	12	16
Loans to Parents	49	35
Loans to non consolidated group companies	3	85
Loans to associated companies	145	244
Other long term advances and loans	44	117
Total	253	497

Trade advances and loans are generally repaid by deliveries under long term purchase contracts and are related to Glencore's trading activities. These advances and loans are generally denominated in U.S. Dollar and bear interest at floating rates based on New York Prime Rate or Libor plus a premium.

Loans to Parents, non consolidated group companies, associated companies and other long term advances and loans bear interest at floating market rates depending on the currency in which the loan is denominated.

7. Investments

Investments in associates and other investments are primarily held to enhance and support trading activities.

A list of the principal operating and finance subsidiaries and industrial investments is included in note 35. The approximate fair value of listed associates is based on quoted market prices. As of December 31, 2002 the fair value of these investments with a carrying amount of US\$800 million (2001: US\$416 million) amounts to US\$1,078 million (2001: US\$518 million). It is not practical to estimate the fair values of the remaining investments.

8. Property, plant and equipment

	Land and buildings	Plant, machinery and vehicles	Furniture, fixtures and equipment	Deferred mining costs	Total costs
At cost:					
January 1, 2002	271	2,818	112	48	3,249
Business combination	124	430	44	52	650
Acquisitions	9	195	15	6	225
Disposals	-48	-1,551	-10	-3	-1,612
Other movements	16	-4	-2	0	10
December 31, 2002	372	1,888	159	103	2,522
Accumulated depreciation:					
January 1, 2002	34	494	69	0	597
Business combination	26	108	14	0	148
Depreciation	10	118	17	0	145
Impairment charges	3	38	0	39	80
Disposals	-13	-268	-10	0	-291
Other movements	12	3	2	0	17
December 31, 2002	72	493	92	39	696
Net book value December 31, 2002	300	1,395	67	64	1,826

Fire insurance value as of December 31, 2002 amounts to approx. US\$4,746 million (2001: US\$5,366 million).

9. Negative goodwill

	2002	2001
The changes in goodwill are the following:		
At cost:		
Balance at beginning of year	290	352
Goodwill arising from change in scope of consolidation	0	116
Goodwill recorded during the year	77	16
Goodwill disposed during the year	-158	-194
Balance at end of year	209	290
Accumulated amortization:		
Balance at beginning of year	-45	-110
Accumulated amortization arising from change in scope of consolidation	0	-4
Amortization for the year	-10	-10
Impairment charges	-14	0
Accumulated amortization disposed during the year	8	79
Balance at end of year	-61	-45
Goodwill—net	148	245
The changes in negative goodwill are the following:		
At cost:		
Balance at beginning of year	-590	-590
Negative goodwill recorded during the year	10	0
Balance at end of year	-580	-590
Accumulated release:		
Balance at beginning of year	132	104
Release of negative goodwill during the year	27	28
Balance at end of year	159	132
Negative goodwill—net	-421	-458
Negative goodwill—net, less goodwill—net	-273	-213

10. Short term debt

Glencore maintains substantial credit lines with various banks.

Assets pledged as a security for short term debt are shown in note 14, section (a).

Short term debt carries interest at floating market rates depending on the currency in which the debt is denominated. Short term debt is denominated in U.S. Dollar.

In June 2002, the Company and Glencore Funding, Inc. replaced the previous 364-day unsecured revolving credit facility for US\$3 billion by a new 364-day unsecured revolving credit facility for US\$3 billion with a group of banks. The obligation of Glencore Funding, Inc. and Glencore Capital Ltd are guaranteed by the Company. Glencore AG guarantees the obligations of the Company under this facility. A portion up to US\$2.5 billion can be used as liquidity back-up for Glencore's stand alone U.S. Commercial paper programme (see note 11 below). The final maturity of this facility can be extended up to 12 months for up to US\$3 billion at the sole discretion of the Company. As of December 31, 2002 US\$680 million (2001: US\$1,100 million) is outstanding under this facility.

As part of its marketing activities, Glencore enters into short term debt transactions with limited recourse to Glencore. The amount of the non recourse portion of this debt as at December 31, 2002 of US\$14 million (2001: US\$44 million) is netted against the related assets.

11. U.S. Commercial paper notes

In June 2002, Glencore Funding, Inc. (the Issuer), a wholly-owned subsidiary of the Company, replaced the previous 364-day stand alone U.S. Commercial paper program (USCP) for US\$2.5 billion rated A-2 and P-2 by Standard & Poor's and Moody's rating agencies by a new 364-day stand alone USCP programme with the same ratings. The commercial paper notes are placed with institutional investors. The Company guarantees the Issuer's obligations under this facility. The USCPs issued under this programme carry interest at floating market rates and mature in not more than 270 days from the date of issue (see note 10).

12. Accounts payable

	2002	2001
Trade payables	3,520	2,683
Trade advances from buyers	235	179
Non consolidated group companies	1	7
Associated companies	123	105
Income taxes	9	35
Other payables and accrued liabilities	563	415
Total	4,451	3,424

13. Long term debt

	2002	2001
Banks	794	981
Senior Notes	898	940
Purchase of profit participation instruments	467	339
Total	2,159	2,260
Less: Current portion	-283	-205
Long term portion	1,876	2,055
Banks are as follows:		
Committed revolving credit facilities	640	700
Other ⁽¹⁾	154	281
Total	794	981
Less: Current portion	-37	-46
Long term portion	757	935

Note:

(1) Includes liability portion of ORA (see note 18) and financial lease obligations.

In November 1999, the previous US\$850 million 3-year committed revolving facility was repaid and replaced with a new agreement with a group of banks for a 3-year committed revolving credit facility for US\$850 million. The Company (the Borrower) had the option to extend this facility by one year on the first and second anniversary of its conclusion. Glencore AG and Glencore UK Ltd guarantee the obligations of the Borrower under this facility. The variable interest rate is based on US\$—Libor plus a margin.

In November 2000, the Company exercised the first option to extend the maturity of this facility by one year. In November 2001, the Company exercised the second option to extend the maturity of this facility by another year. At the same time, the amount of this

facility was increased to US\$1 billion. In November 2002 the committed amount was reduced to US\$985 million and will be reduced to US\$900 million in November 2003.

As of December 31, 2002 US\$640 million (2001: US\$400 million) is outstanding under this facility.

In November 2001, Enex Resources Ltd (Enex), a wholly-owned subsidiary of the Company, arranged with a group of banks a 3-year committed multi-currency revolving credit facility for US\$300 million. Enex's wholly-owned subsidiaries guaranteed the obligations of Enex under this facility. For drawings made in U.S. Dollar, the variable interest rate was based on US\$—Liborplus a margin, for drawings made in Australian Dollars (AUD), the variable interest rate was based on AUD-bid rate plus a margin. As of December 31, 2001 US\$300 million was outstanding under this facility. In March 2002, Enex Resources Limited and Duiker Mining Limited were sold to Xstrata plc (see note 26).

	2002	2001
Banks—long term portion is repayable as follows:		
Between 1 and 5 years	675	796
After 5 years	82	139
Total	757	935
Senior Notes are as follows:		
7.05% to 7.57% due in various installments 1999 to 2006, issued in May 1996	158	165
7.23% to 7.55% due in various installments 2002 to 2007, issued in July 1997	140	175
8.08% to 9.07% due in various installments 2005 to 2019, issued in August 1999	300	300
6.15% to 7.94% due in various installments 2006 to 2021, issued in December 2001	300	300
Total	898	940
Less: Current portion	-51	-42
Long term portion	847	898
Annual maturities of Senior Notes for the long term portion are:		
Between 1 and 5 years	386	437
After 5 years	461	461
Total	847	898

The Issuer of the Senior Notes is Glencore Finance (Bermuda) Ltd. The Senior Notes are placed with various U.S. institutional investors. The Issuer's obligations under the Note Purchase Agreements are guaranteed by the Company. Glencore AG and Glencore UK Ltd guarantee the obligations of the Company under its guarantees.

The Senior Notes are denominated in U.S. Dollar and have a weighted average fixed interest rate of 7.56%. The weighted average maturity at issuance was 9.0 years. The weighted average maturity as of December 31, 2002 is 5.7 years.

Purchase of profit participation instruments including current portion in the amount of US\$195 million (2001: US\$117 million) is repayable in installments over a period of 5 years. Interest is based on US\$—Libor.

Assets pledged as a security for long term debt including current portion thereof are shown in note 14, section (b).

14. Assets pledged

(a) Against short term debt:

Assets in the amount of US\$6 million (2001: US\$0 million) are pledged in favor of short term debt amounting to US\$4 million (2001: US\$0 million).

(b) Against long term debt:

Assets in the amount of US\$0 million (2001: US\$14 million) are pledged in favor of long term debt amounting to US\$0 million (2001: US\$8 million).

15. Provision for income taxes

Provision for income taxes consists of the following:

	2002	2001
Current income tax provision	-41	-122
Deferred income tax provision/(benefit)	30	-1
Total	-11	-123

The effective tax rate is different from the statutory Swiss income tax rate for the following reasons:

	2002	2001
	%	%
Swiss income tax rate	19.8	20.2
Impact of foreign operations	-5.1	12.0
Tax exempt income	-12.6	-12.4
Effect of use of tax losses	-1.5	-5.2
Other	0.6	0.2
Effective tax rate	1.2	14.8

The impact of foreign operations decreased from 12.0% to (5.1)% primarily as a result of the sale of the Australian and South African Coal mining interests to Xstrata plc.

Deferred taxes as of December 31, 2002 and 2001 are attributable to the items detailed in the table below:

	2002	2001
	Assets ⁽¹⁾	Assets ⁽¹⁾
Tax loss carry forwards	42	25
Other	7	21
Total deferred tax assets	49	46

	2002	2001
	Liabilities ⁽¹⁾	Liabilities ⁽¹⁾
Depreciation and amortization	72	372
Other	3	11
Total deferred tax liabilities	75	383
Net deferred tax liability	26	337

Note:

- (1) Asset and liability positions in the same category reflect the impact of tax assets and liabilities arising in local tax jurisdictions that cannot be netted against tax assets and liabilities arising in other tax jurisdictions.

Deferred income tax assets are recognized for tax loss carry forwards only to the extent that realization of the related tax benefit is probable. The following tax loss carry forwards have not been recognized in the consolidated financial statements at December 31, 2002 and will expire as follows:

2003	15
2004	11
2005	29
Thereafter	807
Total	862

16. Retirement Benefits

Glencore has as of December 31, 2002 approximately 1,600 employees (2001: 1,800). In addition, approximately 34,000 employees were employed as of December 31, 2002 in fully consolidated industrial investments (2001: 13,800). Total personnel costs, which include salaries, wages, social security and other personnel costs, incurred for the years ended December 31, 2002 and 2001 were US\$574 million and US\$504 million, respectively. Personnel costs related to consolidated industrial investments are included in cost of goods sold. All other personnel costs are included in selling and administrative expenses.

The Company and certain subsidiaries sponsor various pension schemes in accordance with local regulations and practices. Eligibility for participation in the various plans is either based on completion of a specified period of continuous service or date of hire. The plans provide for voluntary contributions by employees and matching contributions by the employer which range from 5% to 16% of annual salaries, depending on the employee's years of service. Among these schemes are defined contribution plans as well as defined benefit plans. The locations with defined benefit plans of a material nature are in the UK, the US, Ireland and Jamaica.

Defined contribution plans

Glencore's contributions under these plans amounted to US\$4 million, and US\$4 million, in 2002 and 2001, respectively.

Defined benefit plans

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

	2002	2001
Present value of funded obligations	242	210
Less: fair value of plan assets	-187	-198
Unrecognized actuarial gains/(losses)	-39	-6
Unrecognized prior service cost	-3	-1
Liability in the balance sheet (see note 17)	13	5

The plan assets consist of the following:

	2002	2001
Cash and short term investments	42	36
Fixed income	84	43
Equities	59	117
Other	2	2
Total plan assets	187	198

The amounts recognized in the income statement are as follows:

	2002	2001
Current service cost	8	9
Interest cost	9	6
Expected return on plan assets	-10	-8
Net actuarial gains/(losses) recognized in the year	2	1
Prior service cost	-1	-2
Total	8	6

The actual return on plan assets amounts to US\$(12) million (2001: US\$(1) million).

The principal actuarial assumptions used were as follows:

	2002	2001
Discount rate	6-9%	6-9%
Expected return on plan assets	3-9%	4-9%
Future salary increases	4-7%	4-7%
Future pension increases	3-5%	3-4%

17. Provisions and other long term liabilities

	2002	2001
Provisions	130	149
Deferred gain on sale of investments	0	-4
Other long term liabilities ⁽¹⁾	54	25
Total	184	170

(1) Includes retirement benefits (see note 16).

Provisions decreased by US\$19 million as a result of a net release of provisions no longer needed in the amount of US\$34 million to income partly offset by a net increase due to business combinations of US\$15 million.

18. Minority interest

Minority interest relates mainly to the Obligations Remboursables en Actions (the ORA's) issued in May 1998 by Glencore ORA SA (formerly Glencore Capital SA) (the Issuer), a French subsidiary of Glencore, for an amount of FRF1.8 billion (the Principal Amount) to a group of banks (the Investors). The ORA's provide to the Investors a rate of return based upon a floating market rate (the Coupon Payments). At issuance, the Principal Amount was swapped into a fixed 7.00% US\$ obligation of US\$301 million. The ORA's are redeemable by the Investors in May 2003 (50%) and May 2004 (50%) in exchange for common shares of the Issuer (the Issuer Shares). The Investors entered into an agreement with the Company providing that upon the occurrence of one or more specified events the Investors will have the right to require the Company to purchase the Issuer Shares. The Company may, at its sole discretion, choose to satisfy such obligation by delivering the Company's shares, or cash, as the case may be.

The Company has the option to purchase from the Investors the ORA's or the Issuer Shares, in whole but not in part, at any time for cash, or at the Company's sole discretion, for the Company's shares, which will have at the date of delivery a fair market value equal to the redemption price of the ORA's plus any other amount due.

Glencore AG and Glencore UK Ltd guarantee the obligations of the Company under these agreements.

At issuance, the ORA's, treated as a compound financial instrument (IFRS defines a compound instrument as a financial instrument that, from the Issuer's perspective, contains both a liability and a non-liability element), have been split, in accordance with IFRS 32, into minority interest and liability. The amount shown as liability is represented by the net present value of the future Coupon Payments (see note 13).

19. Share capital

	Number of shares			
	2002	2001	2002	2001
Registered shares A of CHF500 each	—	22,500	—	7
Registered preferred shares B of CHF500 each	150,000	127,500	46	39
Total	150,000	150,000	46	46

The registered shares A were held by the Investor (see note 2). In November 2002, the registered shares A were converted to registered preferred shares B.

The registered preferred shares B are held by the Parents and carry the right to a preferred dividend up to a maximum of 10% of nominal value.

The Company is authorized by its articles of incorporation to issue to employees of Glencore non-voting profit participation certificates with no nominal value. The Company has introduced another profit participation scheme similar to the profit participation certificates. Both profit participation instruments (together PPI—formerly PPC) provide identical financial benefits to the holders.

Glencore's income for the year accumulates to the holders of the PPI. Those holders of PPI, which are shareholders of Glencore Holding AG receive payment upon termination of employment in installments over a period of 5 years. Those, which are shareholders of Glencore L.T.E. AG have pooled their PPI. Payment is limited to certain triggering events independent of termination of employment.

A total of 150,000 PPI were authorized for issuance. Distribution of the income for the year for the PPI is based on 150,000 (2001: 127,500) registered preferred shares B issued.

According to the existing agreements, the Company bought back during 2002 a certain number of PPI representing an aggregate amount of US\$412 million (2001: US\$298 million).

20. Reserves—restricted

Reserves restricted represent retained earnings of the Company whose distribution is restricted by Swiss commercial law.

21. Revenues

Revenues in 2001 include net pre-tax gains from the sale of electricity of US\$270 million.

22. Interest expense–net

	2002	2001
Interest income	23	42
Interest expense:		
Short term funding	-118	-240
Long term funding ⁽¹⁾	-129	-116
Total	-224	-314

Note:

(1) Including interest expense of US\$6 million (2001: US\$22 million) incurred on the amounts outstanding under the revolving credit facilities.

23. Non recurring and other income/(expense)–net

	2002	2001
Gain on sale of investments to third parties	0	7
Gain on sale of subsidiaries to associates (see note 26)	793	0
Income on securities–net	-5	-7
Impairment charges (see note 25)	-137	-90
Other	-5	47
Total	646	-43

24. Operating income prior to depreciation and amortization

	2002	2001
Operating income	417	1,293
Depreciation and net negative goodwill release	-4	1
Depreciation related to industrial activities and included in cost of goods sold	134	144
Operating income prior to depreciation and amortization	547	1,438

25. Impairment charges

Impairment charges of US\$141 million (2001: US\$90 million) relate to write-downs of investments and loans principally in Australia and Europe.

Impairment charges of US\$80 million (2001: US\$nil) relate to property, plant and equipment.

The net amount in 2002 includes the reversal of a previous impairment due to severe long term restrictions in the amount of US\$84 million. The recoverable amounts were determined at the cash-generating unit level and represent value in use.

26. Acquisition and disposal of subsidiaries

No major acquisitions of subsidiaries occurred during 2002. In May 2001, Glencore acquired 93% of Windalco (West Indies Alumina Company), which consists principally of two alumina refineries and associated bauxite deposits located in Jamaica. In addition, Enx Resources Limited acquired certain coal mining interests in Australia.

Net cash used in the acquisition of subsidiaries was as follows:

	2002	2001
Fair value of assets acquired:		
Cash and cash equivalents	21	5
Inventories	149	58
Receivables	98	57
Property, plant and equipment	502	413
Other long term assets	0	29
Payables	-272	-88
Long term liabilities	-289	-92
Minority interest	-47	-32
Total net assets	162	350
Goodwill	38	0
Initial acquisition	-154	0
Total purchase price	46	350
Less: cash and cash equivalents acquired	-21	-5
Net cash used in acquisition of subsidiaries	25	345

In March 2002, Xstrata plc acquired from Glencore the Australian and South African coal mining interests held by Enx Resources Limited and Duiker Mining Limited. The gain resulting from this transaction, net of the unrealized gain and transaction costs, amounts to US\$793 million (see note 23).

Net cash received on disposal of subsidiaries in 2002 was:

	2002
Carrying value of assets disposed:	
Cash and cash equivalents	114
Inventories	91
Receivables	133
Property, plant and equipment	1,317
Investments	53
Net goodwill	108
Other long term assets	57
Short term debt	-88
Payables	-122
Long term debt	-374
Deferred taxes	-284
Other long term payables	-75
Minority interest	-83
Total net assets	847
Total sales price	2,290
Less: cash and cash equivalents disposed	-114
Less: shares received in lieu of cash	-974
Net cash received on disposal of subsidiaries	1,202

27. Hedging activities

Glencore engages in the ordinary course of business in commodity price, interest rate, foreign currency rate, counterparty and country risk management activities for the purpose of hedging and managing its exposure to these risks. Glencore's finance staff working in coordination with the commodity departments is responsible for controlling and monitoring credit exposure, hedging currency exposure, financing purchases of commodities and all other related financing activities.

Commodity price risk

A large proportion of Glencore's inventory consists of material that has already been sold, but for which no invoice has yet been issued. Glencore manages a significant portion of its exposure to commodity price risk on commodities that are not yet contractually sold through futures and option transactions on worldwide commodity exchanges or in OTC-markets, to the extent available. Glencore enters into OTC transactions only with high credit quality counterparties. Commodity price risk activities are considered an integral part of Glencore's physical commodity trading activities and the related assets and liabilities are included in receivables from and payables to clearing brokers and exchanges.

Interest rate risk

Glencore is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its assets and liabilities and cash flows. Matching of assets and liabilities is utilized as the dominant method to hedge interest rate risks. Interest charged on receivables, advances and inventories is based on US\$-Libor. Interest bearing debt is denominated in or swapped into U.S. Dollar and bears predominantly floating interest rates based on US\$-Libor. In addition, Glencore uses instruments such as interest rate swaps to hedge its exposure to interest rate risk.

Currency risk

The vast majority of Glencore's purchase and sale transactions are denominated in U.S. Dollar. In transactions concluded in currencies other than U.S. Dollar, the specific future commitment (receivable or payable) is promptly hedged through a forward exchange contract. Glencore enters into currency hedging transactions only with leading financial institutions.

All of Glencore's debt related payments (both principal and interest) are denominated in or swapped into U.S. Dollar.

The majority of Glencore's operating expenses are incurred in U.S. Dollar, with the remainder being incurred in a mix of currencies, with the Swiss Franc and Euro being the most important non-U.S. Dollar currencies. In general, Glencore benefits from a strong U.S. Dollar and is disadvantaged by a weak U.S. Dollar.

As of December 31, 2002, the following derivative instruments were used in interest rate and currency hedging activities (equivalent in US\$million):

	Notional amounts		Recognized Fair Values		Average Maturity
	Buy	Sell	Assets	Liabilities	
Interest rate swap agreements	301	—	—	13	2003/2004
Currency swap agreements	301	—	—	14	2003/2004

Credit risk

Financial assets which potentially expose Glencore to concentrations of credit risk consist principally of cash, short term time deposits, receivables and advances and derivative instruments. Glencore's cash equivalents and short term time deposits are placed with high credit quality financial institutions. Credit risk with respect to receivables and advances is mitigated due to the large number of customers comprising Glencore's customer base and their diversity across various industries and geographical areas as well as due to Glencore's policy to cover these risks through the banking and insurance market. The risk that counterparties to derivative sheet instruments might default on their obligations is monitored on an ongoing basis. Accordingly Glencore has no significant concentration of credit risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

Country risk

As part of its risk management activity, Glencore mitigates its exposure to political and country risks by selling such risks to or otherwise covering such risks with major financial institutions and in the political risk insurance market. Typically, Glencore is required to retain a small portion of the risk on its books.

28. Fair values

As of December 31, 2002 and 2001 the carrying amounts of cash and short term time deposits, accounts receivable, long term advances and loans, accounts payable, short- and long term debt based on floating interest rates approximated their fair values.

The approximate fair value of fixed rate long term debt is estimated by discounting the expected future payments using market rates for similar types of borrowings. As of December 31, 2002 the fair value of fixed rate long term debt with a carrying amount of US\$1,839 million (2001: US\$1,643 million) amounts to US\$1,930 million (2001: US\$1,730 million).

29. Future commitments

As a matter of policy, capital expenditure for the acquisition of property, plant and equipment is funded through the cash flow generated by the respective entities. As of December 31, 2002 and 2001, no significant amounts were contractually committed for the acquisition of property, plant and equipment.

The amount of bank commitments issued on behalf of Glencore is as follows:

	2002	2001
Letters of credit	2,028	1,702
Bank payment guarantees	340	362
Bank guarantees in favor of EC authorities	67	58

Glencore has entered into various operating leases as lessee for office facilities. Rental expenses for these items totalled US\$18 million and US\$15 million for the years ending December 31, 2002 and 2001, respectively. Future net minimum lease payments under non-cancellable operating leases are as follows:

	2002	2001
Within 1 year	8	11
Between 2 and 5 years	12	31
After 5 years	15	74
Total	35	116

The notional amounts on forward trading positions as of December 31, 2002 are as follows (equivalent in US\$million):

	Buy	Sell
Commodity futures	18,357	19,735
Commodity options	2,669	2,804
Currency contracts	692	1,064

Notional amounts reflect the volume of transactions but do not represent the amounts exchanged by the parties to the forward trading instruments.

30. Contingent liabilities

The amount of corporate guarantees in favor of related and third parties as of December 31, 2002 is US\$89 million (2001: US\$138 million).

31. Related party transactions

In the normal course of business, Glencore enters into various transactions with related parties, including fixed price commitments to sell and to purchase commodities, forward sale and purchase contracts, agency agreements and management service agreements.

Commodity transactions are conducted at prices which at the trade date approximate market and are usually based on long term contracts.

Agency agreements are negotiated on arm's length terms and exchange marketing and other services for an agency fee. These agreements are usually long term.

Related party transactions unless discussed elsewhere in the notes to the financial statements are summarized below. The principal related parties are included in note 35.

	2002	2001
Sales	540	384
Purchases	-1,221	-974
Interest income	8	10
Interest expense	-1	-2
Agency fees—net	37	25
Other	3	8

32. Litigation

Certain legal actions and other claims are pending against Glencore. Whilst Glencore cannot predict the results of any litigation, it believes that it has meritorious defenses against those actions or claims. Glencore believes that the liability, if any, resulting from any litigation will not have a materially adverse effect on its income or consolidated financial position.

33. Environmental contingencies

Glencore's operations, predominantly those arising from the ownership in industrial investments, are subject to various environmental laws and regulations. Glencore is in 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 environmental contamination at its locations and consequently unable to determine the extent of clean-up measures, if any, that may be required.

34. Events subsequent to December 31, 2002

In February 2002, Glencore and Anaconda Nickel Pty Ltd. (Anaconda) commenced discussions with holders of Notes (Creditors) in Murrin Murrin Joint Venture subsidiaries addressing liquidity issues. In September 2002 the negotiations were concluded. The Creditors agreed to extinguish their claims entirely. In January 2003, the agreement was approved by the Creditors and by the relevant Court. Payment to extinguish the Creditors' claims was made in February 2003.

In February 2003, Glencore increased its holding in Anaconda by way of an underwriting agreement and share purchases to approximately 46%.

In January 2003, a U.S. fund launched a bid for Anaconda. The fund has secured approximately 36% of Anaconda.

In January 2003, Glencore has signed a letter of intent to sell its 20% interest in Hawesville Aluminum to Century Aluminum Company, an associated company.

35. List of principal operating and finance subsidiaries and industrial investments

	Method of Consolidation ⁽¹⁾	Coauntry of incorporation	% of controlling interest	Activity
Glencore AG	F	Switzerland	100.0	Operating
Limerick Alumina Refining Ltd	F	Ireland	100.0	Alumina production
Columbia Falls Aluminum Company	F	United States	100.0	Aluminium production
Century Aluminum Company	E	United States	37.64	Aluminium production
Hawesville Aluminum	E	United States	20.0 ⁽³⁾	Aluminium production
Eurallumina S.p.A	E	Italy	43.8	Alumina production
Glencore U.K. Ltd	F	United Kingdom	100.0	Operating
Glencore Energy UK Ltd	F	United Kingdom	100.0	Operating ⁽⁴⁾
Glencore Commodities Ltd	F	United Kingdom	100.0	Operating
Glencore Finance (Bermuda) Ltd	F	Bermuda	100.0	Finance
C.I. Prodeco Productos de Colombia SA	F	Colombia	100.0	Coal production
Cerrejon Coal Company	E	Colombia	33.3	Coal production
West Indies Alumina Company (Windalco)	F	Jamaica	93.0	Alumina production
Mopani Copper Mines PLC	F	Zambia	73.1	Copper production
Metaleurop SA	E	France	33.0	Zinc/Lead production
Granite Hacarmel Ltd	E	Israel	26.7	Diversified production
Portovesme S.r.L	F	Italy	100.0	Zinc/Lead production
Philippine Associated Smelting and Refining Corp. (Pasar)	F	Philippines	68.9	Copper production
Anaconda Nickel Pty Ltd	E	Australia	33.8 ⁽³⁾	Nickel/Cobalt production
Xstrata plc	E	United Kingdom	40.2 ⁽²⁾	Diversified production
JSC Kazzinc	F	Kazakhstan	70.5	Zinc/Lead production
Moreno Group	F	Argentina	100.0	Edible oils production

(1) F = Full consolidation; E = Equity method.

(2) Calculated taking into account treasury stock.

(3) See note 34.

(4) Operating since January 1, 2003.

Audited financial statements independent auditors' report

To the General Meeting of
Glencore International AG, Baar

We have audited the consolidated balance sheet of Glencore International AG as of December 31, 2001, and the related consolidated statements of income, cash flows and shareholders' funds, set out on pages 9 to 47*, for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and Auditing Standards promulgated by the Swiss profession. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We confirm that we meet the legal requirements concerning professional qualification and independence.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Glencore International AG as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards and comply with the provisions of the Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

DELOITTE & TOUCHE AG

Urs Landolt

George Hashimoto

Auditor in Charge

March 26, 2002

* These are references to the Annual Report of Glencore International AG

Glencore International AG and Subsidiaries

Accounting Principles

1. Accounting convention

The financial statements are prepared under the historical cost convention and are presented in United States Dollars. The Glencore Group's (Glencore) functional currency is the United States Dollar as most of Glencore's business is conducted in this currency.

2. Principles of consolidation

The consolidated financial statements of Glencore include the accounts of Glencore International AG (the Company) and its subsidiaries. A subsidiary is a company that is ultimately controlled by the Company. Control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. Control is usually assumed if Glencore owns ultimately more than 50% of the voting rights. Subsidiaries are consolidated from the date on which effective control is transferred to Glencore. All intercompany balances, transactions and unrealized profits are eliminated.

Associates and joint ventures (Associates) in which Glencore exercises significant influence are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. Significant influence is presumed if Glencore holds between 20% and 50% of the voting rights. Equity accounting involves recognizing in the income statement Glencore's share of an associate's income and loss for the year. Glencore's interest in an associate is carried in the balance sheet at an amount that reflects its share of net assets of the associate.

Subsidiaries and Associates acquired and held with the intention of disposal in the near future (Investments held for sale) are excluded from consolidation and carried at cost.

Subsidiaries and Associates that operate under severe long term restrictions are excluded from consolidation. These investments are not consolidated and are presented as investments.

The main operating and finance subsidiaries and industrial investments included in these financial statements are listed in note 33.

On December 24, 2001 Glencore Grain Holding AG, a wholly owned subsidiary of the Company, was merged with and into the Company. Following the completion of the merger, the Company owns all assets and assumes all obligations of Glencore Grain Holding AG, including the obligations under Glencore Grain Holding AG's guarantees.

3. Summary of significant accounting policies

Accounting standards

The accounting principles of Glencore comply with International Accounting Standards (IAS) and Swiss legal requirements.

Changes in accounting policies

Glencore adopted IAS 39, Financial Instruments: Recognition and Measurement, prospectively as of January 1, 2001. The initial cumulative effect of adopting IAS 39 on shareholders' funds as of January 1, 2001, representing the initial revaluation of derivatives and investments, was insignificant.

Certain reclassifications have been made in the 2000 amounts to conform with the 2001 presentation.

Revenue recognition

Revenues are recognized when the seller has transferred to the buyer all significant risks and rewards of ownership of the assets sold.

Interest income is accounted for on an accrual basis.

Unrealized gains and losses on forward trading positions are recorded in the income statement.

Foreign currency translation

Foreign currency transactions: Transactions in foreign currencies are converted into the functional currency of the individual subsidiaries using the exchange rate prevailing at the transaction date. 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 financial statements are expressed in currencies other than the United States Dollar are translated into United States Dollar using year end exchange rates, while their income statements are translated using average rates of exchange for the year.

Goodwill is translated using the exchange rate at the date of the transaction. Translation adjustments are included as a separate component of shareholders' funds and have no income statement impact provided no disposals of investments have occurred.

Cash and cash equivalents

Glencore considers cash on hand, amounts due from banks, short term time deposits with banks and treasury bills with brokers to be cash or cash equivalents.

Accounts receivable, other receivables and prepaid items

Accounts receivable, other receivables and prepaid items are carried at their net realizable value, which approximates fair market value.

Inventories

Inventories are valued at the lower of cost or net realizable value.

Cost is determined using the first in first out (FIFO) method and includes for trading inventories purchase price, freight and insurance. Cost for production inventories is comprised of material costs, labor costs and allocated production-related overhead costs. Financing and storage costs of the inventory are expensed.

Investments

Investments are recorded at fair value unless such fair value is not reliably determinable. Changes in fair value are recorded in current income.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, which is provided for by the straight-line method over the estimated useful lives of the individual assets. Land and assets under construction are not depreciated.

The estimated useful lives of the assets for depreciation purposes are as follows:

Buildings	10–45 years
Plant and machinery	18–20 years
Vehicles and vessels	5–10 years
Furniture and fixtures	3–10 years
Equipment	5–10 years
Mining concessions and development costs	units of production basis

Assets under finance leases are capitalized and depreciated over their expected useful lives. Operating lease expenditures are charged against income over the accounting periods covered by the lease term.

Mining Assets

Deferred Mining Costs

Stripping costs in excess of the average life of mine stripping ratio are deferred and subsequently released when the actual stripping ratio falls below the long term stripping ratio.

Mineral Rights

Mineral reserves and resources, which can be reliably valued, are recognized in the assessment of fair values on acquisition. Other potential reserves, resources and mineral rights, for which values cannot be reliably determined, are not recognized. Accordingly, goodwill on acquisition may include amounts in respect of these items. Mineral rights are amortized using the unit of production basis over the economically recoverable reserves.

Exploration, Evaluation, Development and Construction Costs

Exploration, evaluation, development and construction costs are accounted for in each separate area of interest. Such costs are capitalized provided it is probable that they will be recovered from the exploitation or sale of the asset. Such costs are amortized on a units of production basis over the estimated useful life of the area.

Exploration, evaluation, development and construction costs that do not meet the criteria for recognition as an asset are expensed.

Restoration and Rehabilitation

Restoration and rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their present value, are provided for and capitalized at the time such an obligation arises. The costs are charged to the income statement 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 income statement as extraction progresses.

Goodwill and negative goodwill

Glencore's acquisitions of other companies are accounted for under the purchase method, whereby the cost of acquisition is allocated to Glencore's interest in the fair value of assets and liabilities acquired with any residual amount allocated to goodwill or negative goodwill. Goodwill is amortized as an expense using the straight-line method over its expected useful life, currently limited to a maximum of 20 years by IAS. To the extent that negative goodwill relates to future losses it is released to income when such losses are recognized. To the extent that negative goodwill does not relate to future losses it is released to income on a systematic basis over the remaining useful life of the acquired non-monetary assets. Any remaining negative goodwill is recognized as income immediately.

Impairment

Investments, long term advances and loans, property, plant and equipment and intangible assets including goodwill are reviewed regularly for impairment. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognized to write down the asset to its recoverable amount. The recoverable amount is defined as the higher of the asset's net selling price or the present value of estimated future cash flows expected to result from its use and eventual disposal.

Accounts payable and other liabilities

Accounts payable and other liabilities are carried at the expected settlement amount.

Retirement benefits

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

Provisions

A provision is defined as a present obligation resulting from past events that involves uncertainty as to timing and amount of its final settlement. A provision is recognized when it is probable that a loss has occurred and the amount of the loss can be reliably estimated.

Borrowing costs

Borrowing costs are recognized as an expense in the year in which they are incurred.

Income taxes

Income tax provision consists of current and deferred income tax provision. Current taxes represent income taxes expected to be payable based on enacted tax rates and expected current taxable income. Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, using substantively enacted income tax rates. Deferred tax assets and unused tax losses are only recognized to the extent that their recoverability is deemed to be probable.

Derivatives and Hedging Activities

Derivative instruments are used to manage exposure to market risk from changes in commodity prices, interest rates or foreign currency exchange rates.

Glencore may enter into foreign currency forward contracts to reduce or eliminate the foreign currency risk on its assets, liabilities, firm commitments and forecasted transactions.

Futures and option contracts are used to hedge the effect of price changes on a portion of Glencore's inventories not contractually sold. Glencore may enter into swap agreements to limit the effect of increases in interest rates on floating rate debt. Swap agreements may also be used to reduce or eliminate foreign currency or commodity price risks.

Glencore applies hedge accounting when it meets the specified criteria to obtain hedge accounting treatment in accordance with IAS 39. When entering into hedge transactions, Glencore strives for structuring hedges in a way that no or only minimal ineffectiveness results.

The change in the fair value of derivatives hedging the fair value of an asset or liability (Fair Value Hedge) is reflected together with the change in the fair value of the hedged item in the income statement.

The change in the fair value of derivatives hedging future cash flows (Cash Flow Hedge) is initially recognized as other equity movements in shareholders' funds. The deferred amount is then released to the income statement in the same periods during which the hedged transaction affects the income statement.

Consolidated balance sheets

as of December 31, 2001 and 2000

US\$ millions	Notes	2001	2000
Assets			
Current assets			
Cash and cash equivalents	3	171	110
Marketable securities		4	4
Investments held for sale	4	—	515
Accounts receivable	5	3,914	4,473
Inventories	6	2,805	2,685
Total current assets		6,894	7,787
Long term assets			
Long term advances and loans	7	497	426
Investments in associates	8	737	725
Investments	8	62	131
Property, plant and equipment	9	2,652	1,120
Intangible assets		5	4
Total long term assets		3,953	2,406
Total assets		10,847	10,193

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

Consolidated balance sheets

as of December 31, 2001 and 2000

US\$ millions	Notes	2001	2000
Liabilities and shareholders' funds			
Current liabilities			
Short term debt	11	1,621	2,290
U.S. Commercial paper notes	12	226	330
Current portion of long term debt	14	205	165
Accounts payable	13	3,424	3,290
Total current liabilities		5,476	6,075
Long term liabilities			
Long term debt	14	2,055	1,532
Deferred income taxes	16	337	52
Negative goodwill	10	213	244
Provisions and other long term liabilities	18	170	126
Total long term liabilities		2,775	1,954
Minority interest	19	306	263
Shareholders' funds			
Share capital	20	46	46
Reserves—restricted		31	33
Retained earnings		2,225	1,832
Translation adjustment		-12	-10
Total shareholders' funds		2,290	1,901
Total liabilities and shareholders' funds		10,847	10,193

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

Consolidated statements of income

for the years ended December 31, 2001 and 2000

US\$ millions	Notes	2001	2000
Revenues	21	44,498	47,968
Cost of goods sold		-42,791	-46,820
Gross income		1,707	1,148
Selling and administrative expenses		-413	-429
Depreciation and net negative goodwill release		-1	18
Operating income		1,293	737
Interest expense—net	22	-314	-381
Share of income/(loss) from associates		-65	79
Foreign exchange adjustments		-26	-30
Income before non recurring items and mark to market valuation		888	405
Changes in mark to market valuation		1	-27
Non recurring and other income/(expense)—net	23	-43	63
Income before provision for income taxes and minority interest		846	441
Income tax provision		-123	-18
Income before minority interest		723	423
Minority interest		-15	-3
Income for the year		708	420

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

Consolidated statements of cash flows

for the years ended December 31, 2001 and 2000

US\$ millions	2001	2000
Operating activities		
Income before provision for income taxes and minority interest	846	441
Adjustments to reconcile income before provision for income taxes and minority interest to net cash provided by operating activities		
Depreciation and amortization	145	41
Share of (income)/loss from associates	65	-79
(Gain)/loss on sale of securities	-13	0
(Gain)/loss on sale of investments	6	-52
Increase/(decrease) of long term provisions	11	105
Impairment of associates	90	—
Increase/(decrease) in translation adjustment	-2	-3
Dividend income	-3	0
Other non cash items	1	8
Interest expense—net	314	381
Cash provided by operating activities before working capital changes	1,460	842
Working capital changes		
(Increase)/decrease in accounts receivable	353	-56
(Increase)/decrease in inventories	14	-485
Increase/(decrease) in accounts payable	-120	395
Cash provided by operating activities	1,707	696
Income taxes paid	-103	-42
Interest received	30	49
Interest paid	-331	-388
Net cash provided by operating activities	1,303	315

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

Consolidated statements of cash flows

for the years ended December 31, 2001 and 2000

US\$ millions	2001	2000
Investing activities		
(Increase)/decrease of marketable securities	11	1
(Increase)/decrease of investments held for sale	—	-237
(Increase)/decrease in long term advances and loans	-122	-47
Net cash used in acquisition of subsidiaries	-345	0
Purchase of investments	-153	-296
Proceeds from sale of investments	229	124
Capital increase in related parties	—	-4
Returns of capital from related parties	19	—
Purchase of property, plant and equipment	-170	-88
Proceeds from sale of property, plant and equipment	18	2
Proceeds from dividends received	33	0
Net cash used in investing activities	-480	-545
Financing activities		
Net proceeds/(repayment) of short term debt	-675	115
Net proceeds/(repayment) of Euro Medium Term Notes	-39	48
Net proceeds/(repayment) of U.S. Commercial paper notes	-104	146
Net proceeds from issuance of Senior Notes	300	—
Repayment of Senior Notes	-26	-6
Payment of profit participation certificates	-313	-90
Net proceeds/(repayments) of long term bank debt	55	-26
Payment of dividends	-1	-1
Net cash provided by financing activities	-803	186
Effect of change in scope of consolidation	41	—
Increase/(decrease) in cash and cash equivalents	61	-44
Cash and cash equivalents, beginning of year	110	154
Cash and cash equivalents, end of year	171	110

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

Consolidated statements of changes in shareholders' funds

for the years ended December 31, 2001 and 2000

US\$ millions	Share capital	Reserves restricted	Retained earnings	Foreign currency translation adjustment	Total shareholders' funds
Balance January 1, 2000	46	31	1,610	-7	1,680
Dividend on reg. pref. shares B			-1		-1
Transfer to reserves—restricted		2	-2		—
Income for the year			420		420
Translation adjustment				-3	-3
Purchase of profit participation certificates			-187		-187
Other equity movements			-8		-8
Balance December 31, 2000	46	33	1,832	-10	1,901
Balance January 1, 2001	46	33	1,832	-10	1,901
Dividend on reg. pref. shares B			-1		-1
Transfer to reserves—restricted		-2	2		—
Income for the year			708		708
Translation adjustment				-2	-2
Purchase of profit participation certificates			-298		-298
Other equity movements			-18		-18
Balance December 31, 2001	46	31	2,225	-12	2,290

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

Glencore International AG and Subsidiaries

Notes to consolidated financial statements

US\$ millions unless otherwise stated

1. Nature of the business activities

Glencore is a leading, privately held, diversified natural resources group with worldwide activity in the mining, smelting, refining, processing and marketing of metals and minerals, energy products and agricultural products. Glencore operates on a global scale, marketing, in addition to its own production, physical commodities as principal mostly from producers and delivering such commodities to industrial consumers. Glencore also provides financing, logistics, marketing and purchasing services to producers and consumers of commodities. These activities are supported by substantial strategic investments in industrial assets relating to Glencore's core commodities.

2. Ownership

Glencore Holding AG (the Parent), a company wholly owned by the management and employees of Glencore, owns 85% of the Company. An industrial company (the Investor), which operates in an industry completely unrelated to Glencore's activities, owns 15% of the Company. The Investor acquired the shares of the Company for financial investment purposes only, is not involved in the management of Glencore and is not represented on the Board of Directors of the Company.

The Company granted the Investor a put option on the Company's shares purchased by the Investor. The put option was exercisable during a period of 12 months starting November 1999. The purchase price under this put option was related to the price the Investor paid for the 15% of the Company's shares and to Glencore's net income generated during the holding period. The purchase price was payable, if exercised, in cash in five yearly installments. In March 2000, the Investor formally cancelled the put option.

The Investor granted the Company a call option on the Company's shares purchased by the Investor. The call option is exercisable during an unlimited period of time starting in November 1997. In June 2001, the value of the call option was fixed at an amount of US\$ 494 million. Glencore pays an option premium to the Investor.

If the option is not or only partially exercised on or before January 2003, Glencore will pay a higher premium.

3. Cash and cash equivalents

	2001	2000
Banks and cash on hand	120	84
Time deposits and treasury bills	44	22
Other	7	4
Total	171	110

Treasury bills are held on deposit with brokers and have maturities of less than three months. Cash and cash equivalents in the amount of US\$ 13 million (2000: US\$ 3 million) are restricted.

4. Investments held for sale

Investments held for sale are held with the intention of disposal in the near future.

	2001	2000
Duiker Mining Ltd.	—	332
Asturiana de Zinc S.A.	—	144
Other	—	39
Total	—	515

As of December 31, 2000, the fair value of listed investments held for sale with a carrying amount of US\$ 144 million amounted to US\$ 156 million. It is not practical to estimate the fair value of the remaining investments.

5. Accounts receivable

	2001	2000
Trade receivables	2,509	2,762
Trade advances and deposits	678	791
Non consolidated group companies	198	243
Associated companies	177	178
Other receivables and prepaid expenses	352	499
Total	3,914	4,473

Accounts receivable are net of allowance for doubtful accounts of US\$ 227 million (2000: US\$ 309 million).

After the Company and Glencore AG (the Borrowers) repaid the previous 364-day limited recourse facility for US\$ 650 million, the Borrowers, in June 2000, entered into a 5-year asset-backed limited recourse facility for US\$ 1.2 billion to finance a portion of their trade receivables and inventories. Under this program a widely diversified portfolio of trade receivables meeting certain debtor and country concentration limits, and of actively traded inventory up to US\$ 150 million, which are hedgeable on the London Metal Exchange (LME) or Over-The-Counter (OTC), are sold on a continuous basis to M&M Finance Company Limited, Jersey (MMFC). MMFC is a bankruptcy remote third party, which is beyond the control of the Company and which is neither related to the Borrowers nor to its affiliates nor to any of their employees. The sale of trade receivables and inventory to MMFC qualifies as true sale under IAS. MMFC is ultimately refinanced under a 364-day U.S. Commercial paper program (USCP) of US\$ 500 million, rated P-1 by Moody's and A-1+ by Standard & Poor's rating agencies and a 5-year medium term notes program (MTN) of US\$ 700 million rated Aaa by Moody's and AAA by Standard & Poor's and Fitch respectively. Both the USCPs and the MTNs issued under these programs carry interest at floating market rates. As of December 31, 2001 receivables and inventories with a face value of US\$ 1,364 million are sold (2000: US\$ 1,519 million) of which the Borrowers received an amount of US\$ 1,150 million in cash (2000: US\$ 1,200 million). The difference between face value and the amount received in cash is reflected in the Borrowers accounts receivable until the outstanding amounts are fully paid. The Company acts as servicer of MMFC and prepares, amongst other documents, the annual financial statements of MMFC which are audited by Deloitte & Touche, as well as the monthly and weekly servicer reports. These servicer reports are provided to the CP- and MTN issuing and paying agents, rating agencies and to the investors.

6. Inventories

	2001	2000
Production inventories	307	274
Inventories contractually sold or hedged	1,916	1,933
Other	582	478
Total	2,805	2,685

Production inventories consist of materials, spare parts and work in process. Other inventories primarily consist of unsold trading inventories.

7. Long term advances and loans

	2001	2000
Trade advances and loans	16	30
Loan to Parent	35	37
Loans to non consolidated group companies	85	77
Loans to associated companies	244	205
Other long term advances and loans	117	77
Total	497	426

Trade advances and loans are generally repaid by deliveries under long term purchase contracts and are related to Glencore's trading activities. These advances and loans are generally denominated in U.S. Dollar and bear interest at floating rates based on New York Prime Rate or Libor plus a premium.

Loans to Parent, non consolidated group companies, associated companies and other long term advances and loans bear interest at floating market rates depending on the currency in which the loan is denominated.

8. Investments

Investments in associates and other investments are primarily held to enhance and support trading activities.

A list of the principal operating and finance subsidiaries and industrial investments is included in note 33. The approximate fair value of listed associates and other investments is based on quoted market prices. As of December 31, 2001 the fair value of these investments with a carrying amount of US\$416 million (2000: US\$541 million) amounts to US\$518 million (2000: US\$951 million). It is not practical to estimate the fair values of the remaining investments.

9. Property, plant and equipment

	Land and buildings	Plant, machinery and vehicles	Furniture, fixtures and equipment	Deferred mining costs	Total costs
At cost:					
January 1, 2001	153	1,048	107	43	1,351
Business combination	110	1,651	6	—	1,767
Acquisitions	5	146	19	5	175
Disposals	-1	-29	-16	—	-46
Other movements	4	2	-4	—	2
December 31, 2001	271	2,818	112	48	3,249
Accumulated depreciation:					
January 1, 2001	18	143	70	—	231
Business combination	9	219	—	—	228
Depreciation	8	143	12	—	163
Disposals	—	-14	-14	—	-28
Other movements	-1	3	1	—	3
December 31, 2001	34	494	69	—	597
Net book value December 31, 2001	237	2,324	43	48	2,652

Fire insurance value as of December 31, 2001 amounts to approx. US\$5,366 million (2000: US\$2,503 million).

10. Negative goodwill

The changes in goodwill are the following:

	2001	2000
At cost:		
Balance at beginning of year	352	317
Goodwill arising from change in scope of consolidation	116	14
Goodwill recorded during the year	16	48
Goodwill disposed during the year	-194	-27
Balance at end of year	290	352
Accumulated amortization:		
Balance at beginning of year	-110	-43
Accumulated amortization arising from change in scope of consolidation	-4	-2
Amortization for the year	-10	-69
Accumulated amortization disposed during the year	79	4
Balance at end of year	-45	-110
Goodwill—net	245	242

The changes in negative goodwill are the following:

	2001	2000
At cost:		
Balance at beginning of year	-590	-590
Negative goodwill recorded during the year	—	—
Balance at end of year	-590	-590
Accumulated release:		
Balance at beginning of year	104	48
Release of negative goodwill during the year	28	56
Balance at end of year	132	104
Negative goodwill—net	-458	-486
Negative goodwill—net, less goodwill—net	-213	-244

11. Short term debt

Glencore maintains substantial credit lines with various banks.

Assets pledged as a security for short term debt are shown in note 15, section a).

Short term debt carries interest at floating market rates depending on the currency in which the debt is denominated. Short term debt is denominated in U.S. Dollar.

In May 2000, Glencore International AG and Glencore Funding, Inc. arranged a 364-day revolving credit facility for US\$3 billion with a group of banks (see note 12). Glencore International AG guarantees the obligation of Glencore Funding, Inc. Glencore AG and Glencore UK Ltd guarantee the obligations of Glencore International AG under this facility. A portion up to US\$2.5 billion under this facility can be used as liquidity back-up for Glencore's stand alone U. S. Commercial paper program (see note 12). As of December 31, 2000 US\$1,700 million was outstanding under this facility. In May 2001 this facility was extended for another 3 months. In June 2001 the facility was extended for a further period of 364 days. As of December 31, 2001 US\$1,100 million is outstanding under this facility.

In July 2000, Glencore Capital Ltd. (the Issuer), a wholly owned subsidiary of the Company, arranged a US\$1 billion Euro Medium Term Notes Program (EMTN). The program allows the Issuer to issue notes in a variety of currencies, maturities and floating and fixed interest rates. The obligations of the Issuer are guaranteed by Glencore International AG, Glencore AG and Glencore UK Ltd. The notes issued are placed with various institutional investors and are listed on the Luxembourg Stock Exchange.

Of the EMTNs outstanding US\$9 million (2000: US\$39 million) are repayable within 12 months and none (2000: US\$9 million) are repayable thereafter. EMTNs repayable after 12 months are included in long term debt (see note 14).

At issuance, the EMTNs issued in currencies other than U.S. Dollar were swapped into floating rate U.S. Dollar obligations. These swaps with a notional amount of US\$9 million (2000: US\$48 million) have the same maturity profile as the EMTNs. The variable legs of these swaps generally reprice on a quarterly basis.

As part of its physical commodity trading activities, Glencore enters into short term debt transactions with limited recourse to Glencore. The amount of the non recourse portion of this debt is netted against the related assets.

12. U.S. Commercial paper notes

In July 1999 Glencore Funding, Inc. (the Issuer), a wholly owned subsidiary of the Company, arranged a US\$1.4 billion 364-day stand alone U.S. Commercial paper program rated A-2 and P-2 by Standard & Poor's and Moody's rating agencies. The outstanding commercial paper notes are placed with institutional investors. The Issuer's obligations under this facility are guaranteed by the Company. The U.S. Commercial paper notes issued by the Issuer under this program carry interest at floating market rates. In May 2000, the program was extended for another year and the size of the program was increased to US\$2.5 billion. In May 2001, the program was extended for another 3 months. In June 2001 it was renewed for another year.

13. Accounts payable

	2001	2000
Trade payables	2,683	2,636
Trade advances from buyers	179	177
Non consolidated group companies	7	26
Associated companies	105	136
Income taxes	35	13
Other payables and accrued liabilities	415	302
Total	3,424	3,290

14. Long term debt

	2001	2000
Banks	981	677
Senior Notes	940	666
Purchase of profit participation certificates	339	354
Total	2,260	1,697
Less: Current portion	-205	-165
Long term portion	2,055	1,532

	2001	2000
Banks are as follows:		
Committed revolving credit facilities	700	500
Other ⁽¹⁾	281	177
Total	981	677
Less: Current portion	-46	-30
Long term portion	935	647

(1) Includes liability portion of ORA (see note 19), long term portion of EMTNs (see note 11) and financial lease obligations.

In November 1999, the previous US\$850 million 3-year committed revolving facility was repaid and replaced with a new agreement with a group of banks for a 3-year committed revolving credit facility for US\$850 million. The Company (the Borrower) has the option to extend this facility by one year on the first and second anniversary of its conclusion. Glencore AG and Glencore UK Ltd guarantee the obligations of the Borrower under this facility. The variable interest rate is based on US\$-Libor plus a margin.

In November 2000, the Company exercised the first option to extend the maturity of this facility by one year. In November 2001, the Company exercised the second option to extend the maturity of this facility by another year. At the same time, the amount of this facility was increased to US\$1billion. In November 2002 the committed amount will be reduced to US\$985 million and in November 2003 to US\$900 million. As of December 31, 2001 US\$400 million (2000: US\$500 million) is outstanding under this facility.

In November 2001, Enex Resources Ltd (Enex), a wholly owned subsidiary of the Company, arranged with a group of banks a 3-year committed multi-currency revolving credit facility for US\$300 million. Enex's wholly owned subsidiaries guarantee the obligations of Enex under this facility. For drawings made in U.S. Dollar, the variable interest rate is based on US\$-Libor plus a margin, for drawings made in Australian Dollar (AUD), the variable interest rate is based on AUD-bid rate plus a margin. As of December 31, 2001 US\$300 million is outstanding under this facility.

	2001	2000
Banks—long term portion is repayable as follows:		
Between 1 and 5 years	796	584
After 5 years	139	63
Total	935	647
	2001	2000
Senior Notes are as follows:		
7.05% to 7.57% due in various installments 1999 to 2006, issued in May 1996	165	191
7.23% to 7.55% due in various installments 2002 to 2007, issued in July 1997	175	175
8.08% to 9.07% due in various installments 2005 to 2019, issued in August 1999	300	300
6.15% to 7.94% due in various installments 2006 to 2021, issued in December 2001	300	—
Total	940	666
Less: Current portion	-42	-26
Long term portion	898	640
	2001	2000
Annual maturities of Senior Notes for the long term portion are:		
Between 1 and 5 years	437	281
After 5 years	461	359
Total	898	640

The Issuer of the Senior Notes is Glencore Finance (Bermuda) Ltd. The Senior Notes are placed with various U.S. institutional investors. The Issuer's obligations under the Note Purchase Agreements are guaranteed by the Company. Glencore AG and Glencore UK Ltd guarantee the obligations of the Company under its guarantees.

The Senior Notes are denominated in U.S. Dollar and have a weighted average fixed interest rate of 7.55%. The weighted average maturity at issuance was 9.0 years. The weighted average maturity as of December 31, 2001 is 6.5 years.

Purchase of profit participation certificates including current portion in the amount of US\$117 million (2000: US\$109 million) is repayable in installments over a period of 5 years. Interest is based on US\$-Libor.

Assets pledged as a security for long term debt including current portion thereof are shown in note 15, section b).

15. Assets pledged

a) Against short term debt:

	2001	2000
Accounts receivable	0	1
Inventories	0	2
Total assets pledged	0	3
Total short term debt secured by these assets	0	4

b) Against long term debt:

	2001	2000
Inventories	7	15
Property, plant and equipment	7	24
Total assets pledged	14	39
Total long term debt secured by these assets	8	19

16. Taxation

Income tax provision consists of the following:

	2001	2000
Current income tax provision	122	13
Deferred income tax provision	1	5
Total	123	18

The effective tax rate is different from the statutory Swiss income tax rate for the following reasons:

	2001 %	2000 %
Swiss income tax rate	20.2	20.2
Impact of foreign operations	12.0	3.4
Tax exempt income	-12.4	-15.3
Effect of use of tax losses	-5.2	-4.2
Other	0.2	0.1
Effective tax rate	14.8	4.2

Deferred taxes as of December 31, 2001 and 2000 are attributable to the items detailed in the table below:

	2001 Assets ⁽¹⁾	2000 Assets ⁽¹⁾
Tax loss carry forwards	25	—
Other	21	3
Total deferred tax assets	46	3

	2001 Liabilities ⁽¹⁾	2000 Liabilities ⁽¹⁾
Depreciation and amortization	372	51
Other	11	4
Total deferred tax liabilities	383	55
Net deferred tax liability	337	52

(1) Asset and liability positions in the same category reflect the impact of tax assets and liabilities arising in local tax jurisdictions that cannot be netted against tax assets and liabilities arising in other tax jurisdictions.

17. Retirement Benefits

Glencore has as of December 31, 2001 approximately 1,800 employees (2000: 1,900). In addition, approximately 13,800 employees were employed as of December 31, 2001 in fully consolidated industrial investments (2000: 4,000). Personnel costs, which include salaries, wages, social security and other personnel costs, incurred for the years ended December 31, 2001 and 2000 were US\$504 million and US\$389 million, respectively.

Defined contribution plans

The Company and certain subsidiaries sponsor various defined contribution plans. 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 voluntary contributions by employees and matching contributions by the employer which range from 5% to 16% of annual salaries, depending on the employee's years of service. Glencore's contributions under these plans amounted to US\$4 million, and US\$5 million, in 2001 and 2000, respectively.

18. Provisions and other long term liabilities

	2001	2000
Provisions	149	80
Deferred gain on sale of investments	-4	34
Other long term liabilities	25	12
Total	170	126

19. Minority interest

Minority interest relates mainly to the Obligations Remboursables en Actions (the ORA's) issued in May 1998 by Glencore ORA SA (formerly Glencore Capital SA) (the Issuer), a French subsidiary of the Company, for an amount of FRF 1.8 billion (the Principal Amount) to a group of banks (the Investors). The ORA's provide to the Investors a rate of return based upon a floating market rate (the Coupon Payments). At issuance, the Principal Amount was swapped into a fixed 7.00% US\$ obligation of US\$301 million. The ORA's are redeemable by the Investors in the years 2003 (50%) and 2004 (50%) in exchange for common shares of the Issuer (the Issuer Shares). The Investors entered into an agreement with the Company providing that upon the occurrence of one or more specified events the Investors will have the right to require the Company to purchase the Issuer Shares. The Company may, at its sole discretion, choose to satisfy such obligation by delivering the Company's shares, or cash, as the case may be.

The Company has the option to purchase from the Investors the ORA's or the Issuer Shares, in whole but not in part, at any time for cash, or at the Company's sole discretion, for the Company's shares, which will have at the date of delivery a fair market value equal to the redemption price of the ORA's plus any other amount due.

Glencore AG and Glencore UK Ltd guarantee the obligations of the Company under these agreements.

At issuance, the ORA's, treated as a compound financial instrument (IAS defines a compound instrument as a financial instrument that, from the issuer's perspective, contains both a liability and a non liability element), have been split, in accordance with IAS 32, into minority interest and liability. The amount shown as liability is represented by the net present value of the future Coupon Payments (see note 14).

20. Share capital

	2001	2000
22,500 registered shares A of CHF 500 each	7	7
127,500 registered preferred shares B of CHF 500 each	39	39
Total	46	46

The registered shares A are held by the Investor and have the right to a dividend only after all cumulative preferred dividends due to the registered preferred shares B have been settled.

The registered preferred shares B are held by the Parent and carry the right to a preferred dividend of maximum 10% nominal value.

The Company is authorized by its articles of incorporation to issue to employees of Glencore non-voting profit participation certificates with no nominal value. The Company has introduced another profit participation scheme similar to the profit participation certificates. Both profit participation instruments (together PPC) provide identical financial benefits to the holders.

The share of Glencore's income for the year, which accumulates to the holders of the PPC, is repayable upon termination of employment in installments over a period of 5 years.

A total of 150,000 PPC were authorized for issuance. Distribution of the income for the year for the PPC is based on 127,500 registered preferred shares B issued.

According to the existing agreements, the Company bought back during 2001 a certain number of PPC representing an aggregate amount of US\$298 million (2000: US\$187 million).

21. Revenues

Revenues include net pre-tax gains from the sale of electricity of US\$270 million (2000: US\$34 million).

22. Interest expense—net

	2001	2000
Interest income	42	49
Interest expense:		
Short term funding	-240	-290
Long term funding ⁽¹⁾	-116	-140
Total	-314	-381

(1) Including interest expense of US\$22 million (2000: US\$34 million) incurred on the amounts outstanding under the revolving credit facilities.

23. Non recurring and other income and (expense)—net

	2001	2000
Gain on sale of investments to third parties	7	52
Income on securities—net	-7	1
Impairment of associates	-90	—
Other	47	10
Total	-43	63

24. Acquisition of subsidiaries

No major acquisitions of subsidiaries occurred during 2000. In May 2001, Glencore acquired 93% of Windalco (West Indies Alumina Company), which consists principally of two alumina refineries and associated bauxite deposits located in Jamaica. In addition, Enx Resources Limited acquired certain Coal mining interests in Australia. Net cash used in the acquisition of subsidiaries in 2001 was as follows:

	2001
Fair value of assets acquired:	
Cash and cash equivalents	5
Inventories	58
Receivables	57
Property, plant and equipment	413
Other long term assets	29
Payables	-88
Long term liabilities	-92
Minority interest	-32
Total net assets	350
Total purchase price	350
Less: cash and cash equivalents acquired	-5
Net cash used	345

25. Hedging activities

Glencore engages in the ordinary course of business in commodity price, interest rate, foreign currency rate, counterparty and country risk management activities for the purpose of hedging and managing its exposure to these risks. Glencore's finance staff working in coordination with the commodity departments is responsible for controlling and monitoring credit exposure, hedging currency exposure, financing purchases of commodities and all other related financing activities.

Commodity price risk

A large proportion of Glencore's inventory consists of material that has already been sold, but for which no invoice has yet been issued. Glencore manages a significant portion of its exposure to commodity price risk on commodities that are not yet contractually sold through futures and option transactions on worldwide commodity exchanges or in OTC-markets, to the extent available. Glencore enters into OTC transactions only with high credit quality counterparties. Commodity price risk activities are considered an integral part of Glencore's physical commodity trading activities and the related assets and liabilities are included in receivables from and payables to clearing brokers and exchanges.

Interest rate risk

Glencore is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its assets and liabilities and cash flows. Matching of assets and liabilities is utilized as the dominant method to hedge interest rate risks. Interest charged on receivables, advances and inventories is based on US\$-Libor. Interest bearing debt is denominated in or swapped into U.S. Dollar and bears predominantly floating interest rates based on US\$-Libor. In addition, Glencore uses instruments such as interest rate swaps to hedge its exposure to interest rate risk.

Currency risk

The vast majority of Glencore's purchase and sale transactions are denominated in U.S. Dollar. In transactions concluded in currencies other than U.S. Dollar, the specific future commitment (receivable or payable) is promptly hedged through a forward exchange contract. Glencore enters into currency hedging transactions only with leading financial institutions.

All of Glencore's debt related payments (both principal and interest) are denominated in or swapped into U.S. Dollar.

The majority of Glencore's operating expenses are incurred in U.S. Dollar, with the remainder being incurred in a mix of currencies, with the Swiss Franc and Euro being the most important non U.S. Dollar currencies. In general, Glencore benefits from a strong U.S. Dollar and is disadvantaged by a weak U.S. Dollar.

As of December 31, 2001, the following derivative instruments were used in interest rate and currency hedging activities (equivalent in US\$ million):

	Notional amounts		Recognized Fair Values		Average Maturity
	Buy	Sell	Assets	Liabilities	
Interest rate swap agreements	301	—	—	15	2003/2004
Currency swap agreements	301	—	—	59	2003/2004

Credit risk

Financial assets which potentially expose Glencore to concentrations of credit risk consist principally of cash, short term time deposits, receivables and advances and off-balance sheet instruments. Glencore's cash equivalents and short term time deposits are placed with high credit quality financial institutions. Credit risk with respect to receivables and advances is mitigated due to the large number of customers comprising Glencore's customer base and their diversity across various industries and geographical areas as well as due to Glencore's policy to cover these risks through the banking and insurance market. The risk that counterparties to off-balance sheet instruments might default on their obligations is monitored on an ongoing basis. Accordingly Glencore has no significant concentration of credit risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

Country risk

As part of its risk management activity, Glencore mitigates its exposure to political and country risks by selling such risks to or otherwise covering such risks with major financial institutions and in the political risk insurance market. Typically, Glencore is required to retain a small portion of the risk on its books.

26. Fair values

As of December 31, 2001 and 2000 the carrying amounts of cash and short term time deposits, accounts receivable, long term advances and loans, accounts payable, short and long term debt based on floating interest rates approximated their fair values.

The approximate fair value of fixed rate long term debt is estimated by discounting the expected future payments using market rates for similar types of borrowings and amounts to US\$1,730 million and US\$1,524 million as of December 31, 2001 and 2000, respectively.

27. Future commitments

As a matter of policy, capital expenditure for the acquisition of property, plant and equipment is funded through the cash flow generated by the respective entities. As of December 31, 2001 and 2000, no significant amounts were contractually committed for the acquisition of property, plant and equipment.

The amount of bank commitments issued on behalf of Glencore is as follows:

	2001	2000
Letters of credit	1,702	1,558
Bank payment guarantees	362	510
Bank guarantees in favor of EC authorities	58	64

Glencore has entered into various operating leases as lessee for office facilities. Rental expenses for these items totaled US\$15 million and US\$13 million for the years ending December 31, 2001 and 2000, respectively. Future net minimum lease payments under non-cancelable operating leases are as follows:

	2001	2000
Within 1 year	11	3
Between 2 and 5 years	31	9
After 5 years	74	5
Total	116	17

The notional amounts of forward trading positions as of December 31, 2001 are as follows (in US\$million):

	Buy	Sell
Commodity futures	12,325	13,885
Commodity options	3,264	3,589
Currency contracts	890	1,466

Notional amounts reflect the volume of transactions but do not represent the amounts exchanged by the parties to the forward trading instruments.

28. Contingent liabilities

The amount of corporate guarantees in favor of related and third parties as of December 31, 2001 is US\$138 million (2000: US\$326 million).

29. Related party transactions

In the normal course of business, Glencore enters into various transactions with related parties, including fixed price commitments to sell and to purchase commodities, forward sale and purchase contracts, agency agreements and management service agreements.

Commodity transactions are conducted at prices which at the trade date approximate market and are usually based on long term contracts.

Agency agreements are negotiated on arms length terms and exchange marketing and other services for an agency fee. These agreements are usually long term.

Related party transactions unless discussed elsewhere in the notes to the financial statements are summarised below. The principal related parties are included in note 33.

	2001	2000
Sales	384	550
Purchases	-974	-1,229
Interest—net	8	13
Agency fees—net	25	23
Other	8	6

30. Litigation

Certain legal actions and other claims 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 that the liability, if any, resulting from any litigation will not have a materially adverse effect on its income or consolidated financial position.

31. Environmental contingencies

Glencore's operations, predominantly those arising from the ownership in industrial investments, are subject to various environmental laws and regulations. Glencore is in 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 deemed probable. At this time, Glencore is unaware of environmental contamination at its locations and consequently unable to determine the extent of clean-up measures, if any, that may be required.

32. Events subsequent to December 31, 2001

In January 2002, Glencore acquired from Exxon 16.7% of Cerrejon Zona Norte SA, thereby increasing its ownership to 33.3%.

In March 2002, Xstrata AG acquired from Glencore for US\$2.57 billion the Australian and South African Coal mining interests held by Enx Resources Limited and Duiker Mining Ltd. The cash proceeds to Glencore, net of Glencore's participation in Xstrata AG's capital increase, amount to approximately US\$1.3 billion. The gain for the year 2002, resulting from this transaction, net of the deferred gain, amounts to approximately US\$0.8 billion. Glencore's pro forma summarized consolidated balance sheet as of December 31, 2001 adjusted to illustrate the effect of this transaction is shown below:

	US\$ billions
Current assets	6.6
Long term assets	3.5
Total assets	10.1
Current liabilities ⁽¹⁾	4.0
Total long term liabilities and minority interest ⁽²⁾	3.0
Shareholders' funds	3.1
Total liabilities and shareholders' funds	10.1
Net working capital	2.6
Net working capital to total assets (%)	25.7
Shareholders' funds to total assets (%)	30.7
Current ratio (times)	1.6

(1) Including short term debt of US\$0.7 billion

(2) Including long term debt of US\$1.7 billion

The net proceeds will be used to repay short term debt and for general corporate purposes.

33. List of principal operating and finance subsidiaries and industrial investments

	Method of Consolidation ⁽¹⁾	Country of incorporation	% of controlling interest	Activity
Glencore AG	F	Switzerland	100.0	Operating
Limerick Alumina Refining Ltd.	F	Ireland	100.0	Alumina production
Columbia Falls Aluminum Company	F	United States	100.0	Aluminum production
Century Aluminum Company	E	United States	39.0	Aluminum production
Hawesville Aluminum	E	United States	20.0	Aluminum production
Eurallumina S.p.A.	E	Italy	43.8	Alumina production
Glencore U.K. Ltd	F	United Kingdom	100.0	Operating
Glencore Commodities Ltd	F	United Kingdom	100.0	Operating
Glencore Finance (Bermuda) Ltd.	F	Bermuda	100.0	Finance
C.I. Prodeco Productos de Colombia SA	F	Colombia	100.0	Coal production
Carbones del Cerrejon SA	E	Colombia	33.3	Coal production
Cerrejon Zona Norte SA	E	Colombia	16.7	Coal production
Duiker Mining Ltd.	F	South Africa	100.0	Coal production
West Indies Alumina Company (Windalco)	F	Jamaica	93.0	Alumina production
Metaleurop SA	E	France	33.0	Zinc/Lead production
Granite Hacarmel Ltd.	E	Israel	26.7	Diversified production
Portovesme S.r.L.	F	Italy	100.0	Zinc/Lead production
Philippine Associated Smelting and Refining Corp. (Pasar)	F	Philippines	68.9	Copper production
Enex Resources Limited	F	Australia	100.0	Coal production
Anaconda Nickel Pty Ltd.	E	Australia	33.8	Nickel/Cobalt production
Xstrata AG	E	Switzerland	38.8 ⁽³⁾	Diversified production
JSC Kazzinc	C ⁽²⁾	Kazakhstan	62.4	Zinc/Lead production
Moreno Group	F	Argentina	100.0	Edible oils production

(1) F = Full consolidation; E = Equity method; C = Held at cost.

(2) Severe long term restrictions.

(3) Calculated taking into account treasury stock.

Signatures

The Issuer has duly caused this Listing Particulars to be signed on its behalf by the undersigned, thereunto duly authorized on July 25, 2004.

Glencore Funding LLC

By: /s/ Zbynek Zak
Name: Zbynek Zak
Title: Authorized Signatory

Glencore International AG has duly caused this Listing Particulars to be signed on its behalf by the undersigned, thereunto duly authorized on July 25, 2004.

Glencore International AG

By: /s/ Zbynek Zak
Name: Zbynek Zak
Title: Authorized Signatory

Glencore AG has duly caused this Listing Particulars to be signed on its behalf by the undersigned, thereunto duly authorized on July 25, 2004.

Glencore AG

By: /s/ Zbynek Zak
Name: Zbynek Zak
Title: Authorized Signatory

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GLENCORE

GLENCORE AG

**Annual Financial Statements
and Statutory Auditors' Report**

2003

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Financial statements

Balance sheets as of December 31, 2003 and 2002

Notes	CHF thousand		
	2003	2002	
			Assets
			Current assets
	3 479	25 866	Cash and cash equivalents
1	1 878 359	1 545 847	Accounts receivable
2	1 015 728	1 218 711	Inventories
	2 897 566	2 790 424	Total current assets
			Long term assets
3	182 935	71 057	Long term advances and loans
4	279 130	278 598	Investments
5	3 987	5 410	Property, plant and equipment
	466 052	355 065	Total long term assets
	3 363 618	3 145 489	Total assets

See notes to financial statements

			CHF thousand
Notes	2003	2002	Liabilities and shareholders' equity
			Current liabilities
	33 476	56 783	Short term debt
6	2 674 432	1 943 677	Accounts payable
	2 707 908	2 000 460	Total current liabilities
			Long term liabilities
	0	26 484	Unrealized translation gain
7	174 445	511 776	Provisions and other long term liabilities
	174 445	538 260	Total long term liabilities
			Shareholders' equity
8	2 151	2 151	Share capital
	1 076	1 076	Reserves – restricted
	478 038	603 542	Available earnings
	481 265	606 769	Total shareholders' equity
	3 363 618	3 145 489	Total liabilities and shareholders' equity

See notes to financial statements

Statements of income and available earnings
for the years ended December 31, 2003 and 2002

CHF thousand		
Notes	2003	2002
	21 718 673	21 949 099
	– 21 587 736	– 21 747 292
	130 937	201 807
9	– 311 559	– 365 756
	– 180 622	– 163 949
10	55 324	492 050
	– 125 298	328 101
	– 206	66 602
	– 125 504	394 703
	603 542	208 839
	478 038	603 542

See notes to financial statements

Notes to financial statements

CHF thousand unless otherwise stated

1 Accounts receivable

<u>2003</u>	<u>2002</u>	
813 738	871 720	Trade receivables
739 291	311 067	Related companies
141 154	142 719	Parent company
162 657	182 247	Trade advances and deposits
7 686	24 038	Taxes
13 833	14 056	Other receivables and prepaid expenses
<u>1 878 359</u>	<u>1 545 847</u>	Total

2 Inventories

<u>2003</u>	<u>2002</u>	
931 629	1 107 177	Inventories contractually sold or hedged
84 099	111 534	Other
<u>1 015 728</u>	<u>1 218 711</u>	Total

3 Long term advances and loans

<u>2003</u>	<u>2002</u>	
34 113	5 329	Trade advances and loans
123 590	62 697	Loans to related companies
25 232	3 031	Other
<u>182 935</u>	<u>71 057</u>	Total

4 Investments

The principal investments are:

2003 Ownership	2002 Ownership	Company name	Activity
43.8 %	43.8 %	Eurallumina S. p. A.	Alumina production
37.5 %	37.6 %	Century Aluminum Company	Aluminum production
100.0 %	100.0 %	Columbia Falls Aluminum Company	Aluminum production
100.0 %	100.0 %	Limerick Alumina Refining Ltd	Alumina production

5 Property, plant and equipment

Fire insurance value as of December 31, 2003 amounts to approximately CHF 5 530 653 (2002: CHF 6 188 478).

6 Accounts payable

2003	2002	
1 136 454	1 040 625	Trade payables
374 341	89 840	Related companies
980 721	737 570	Parent company
32 523	13 485	Trade advances from buyers
235	32	Income taxes
150 158	62 125	Other payables and accrued liabilities
2 674 432	1 943 677	Total

7 Provisions and other long term liabilities

2003	2002	
0	212 396	Loan for future profit participation
1 419	1 937	Provisions
86 513	96 803	Loan due to related company
86 513	200 640	Loan due to parent company
174 445	511 776	Total

8 Share capital

The share capital consists of 21 515 (2002: 21 515) registered shares of CHF 100 each, fully paid in.

Glencore AG (the Company) is authorized by its articles of incorporation to issue to its shareholder or employees or employees of the shareholder or of companies directly or indirectly controlled by the Company non-voting profit participation certificates with no nominal value.

A total of 150 000 non-voting profit participation certificates were authorized for issuance.

9 Operating income and (expense)

2003	2002	
-157 554	-174 686	Personnel
-1 822	-2 205	Depreciation and amortization
		Interest income
7 240	5 085	Financing activities
4 909	5 460	Related companies
		Interest expense
-9 435	-6 702	Financing activities
-7 645	-8 859	Related companies
-34 687	-42 860	Parent company
1 371	1 088	Other operating income
-113 936	-142 077	Other operating expense
-311 559	-365 756	Total

10 Non operating income

2003	2002	
0	487 950	Dividend income
55 324	4 100	Other non operating income
55 324	492 050	Total

11 Future commitments

The Company had the following future commitments:

<u>2003</u>	<u>2002</u>	
<u>891 330</u>	<u>885 651</u>	Foreign exchange contracts

12 Contingent liabilities

<u>2003</u>	<u>2002</u>	
<u>1 013 274</u>	<u>998 560</u>	Letters of credit
<u>63 603</u>	<u>34 882</u>	Bank payment guarantees

In addition to the contingent liabilities and guarantees outlined in the table, the immediate parent company, Glencore International AG, and its main operating subsidiaries Glencore UK Ltd and the Company have implemented a structure of cross guarantees to cover their obligations under short term bilateral bank facilities available to them. The Company's obligations under these credit facilities are guaranteed by Glencore International AG and Glencore UK Ltd.

The Company also guarantees the obligations of Glencore International AG and of Glencore Finance (Europe) SA under various short and long term syndicated credit facilities.

The amount of the Company's obligations under these guarantees is limited to the Company's freely disposable reserves.

13 Shareholder

The Company is a wholly owned subsidiary of Glencore International AG (the Parent).

Directors' proposal for the appropriation of available earnings

The board of directors of Glencore AG proposes that the balance of available earnings as of December 31, 2003 amounting to CHF 478 038 000 be carried forward.

REPORT OF THE STATUTORY AUDITORS

To the General Meeting of
Glencore AG, Baar

As statutory auditors, we have audited the accounting records and the financial statements of Glencore AG for the year ended December 31, 2003, as set out on pages 4 to 11.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards recognised by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements and the proposed appropriation of available earnings comply with Swiss law and the Company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

March 15, 2004

DELOITTE & TOUCHE AG



Urs Landolt
Auditor in charge



George Hashimoto

