GLENCORE

**NEWS RELEASE**
Baar, 21 February 2018

# Preliminary Results 2017

## Highlights

Glencore's Chief Executive Officer, Ivan Glasenberg, commented: "Our performance in 2017 was our strongest on record, driven by our leading Marketing and Industrial asset businesses.

"Marketing Adjusted EBIT exceeded $3 billion for the first time since 2008 and Industrial Adjusted EBITDA rose 60% to $11.5 billion. The benefit of higher commodity prices combined with a continued strong unit cost performance is reflected in enhanced mining margins within our metals and energy operations.

"Our strong cash flow generation is reflected in a 49% increase in funds from operations to $11.6 billion, while our balance sheet is conservatively positioned with net debt of $10.7 billon. We have recommended a 2018 distribution of $2.9 billion or $0.20/share, to be paid in two equal payments.

"We look to the future with confidence. We believe our unrivalled positioning in "Tier 1" commodities and "Tier 1" assets will continue to create compelling value for all stakeholders."

| US$ million | 2017 | 2016 | Change % |
|---|---|---|---|
| Key statement of income and cash flows highlights[1]: | | | |
| Net income attributable to equity holders | 5,777 | 1,379 | 319 |
| Adjusted EBITDA◇ | 14,762 | 10,268 | 44 |
| Adjusted EBIT◇ | 8,552 | 3,930 | 118 |
| Earnings per share (Basic) (US$) | 0.41 | 0.10 | 310 |
| Funds from operations (FFO)[2]◇ | 11,556 | 7,770 | 49 |
| Net cash generated by operating activities before working capital changes | 11,866 | 7,868 | 51 |
| Capital expenditure◇ | 4,234 | 3,497 | 21 |

| US$ million | 31.12.2017 | 31.12.2016 | Change % |
|---|---|---|---|
| Key financial position highlights: | | | |
| Total assets | 135,593 | 124,600 | 9 |
| Net funding[2]◇ | 32,898 | 32,619 | 1 |
| Net debt[2]◇ | 10,673 | 15,526 | (31) |
| Ratios: | | | |
| FFO to Net debt[2]◇ | 108.3% | 50.0% | 119 |
| Net debt to Adjusted EBITDA◇ | 0.72x | 1.51x | (52) |

1 Refer to basis of preparation on page 7.
2 Refer to page 10.

◇ Adjusted measures referred to as Alternative performance measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards; refer to APMs section on page 118 for definition and reconciliations and note 2 of the financial statements for reconciliation of Adjusted EBIT/EBITDA and capital expenditure.

## Highlights

- **Strong 2017 financial performance**
  - Adjusted EBITDA of $14.8 billion, up 44%; Adjusted EBIT of $8.6 billion
  - Net income attributable to equity holders of $5.8 billion
  - Funds from operations of $11.6 billion, up 49%
  - Recommended 2018 distributions of $2.9 billion ($0.20 per share), comfortably above the minimum $1 billion plus 25% of Industrial cash flows per company policy

- **Marketing delivers again**
  - Marketing Adjusted EBIT of $3 billion, up 3% (up 10% like for like)
  - Strong performances by Metals and minerals and Energy products segments, up 28% and 9% respectively
  - Broadly consistent like-for-like contribution from Agricultural products in difficult market conditions

- **Another strong unit cost/margin performance has boosted our Industrial earnings**
  - Industrial Adjusted EBITDA up 60% to $11.5 billion
  - Mine cash costs/margins generally better year on year: Cu:86c/lb, Zinc: -16c/lb (10c/lb ex Au), Ni:191c/lb, Coal:$32/t margin
  - Some emerging inflationary pressures and FX impacts more than offset by higher by-product credits

- **Conviction to create value through partnerships, M&A and organic reinvestment**
  - Conservative financial policy underpins balance sheet strength and flexibility: Net debt of $10.7 billion within our $10 - $16 billion target range
  - $1.6 billion invested in capital efficient growth (Volcan, Mutanda) offset by $1.0 billion of capital recycling through disposals (Trevali, HG Storage, BaseCore)
  - HVO and Chevron South Africa announced in 2017, pending closure in 2018, subject to customary regulatory approvals
  - 2017 expansionary capex of $1 billion, total industrial capex of $4 billion

- **Creating sustainable long-term returns for shareholders**
  - The potential of synchronised global economic growth, emerging inflation, supportive commodity fundamentals and the emerging electric vehicle story suggest a positive outlook for commodities.
  - We believe the value of our unrivalled positioning and “Tier 1” asset and commodity diversification can create superior long-term value for all stakeholders

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## Highlights

**Glencore LEI:** 2138002658CPO9NBH955

**About Glencore**

Glencore is one of the world's largest global diversified natural resource companies and a major producer and marketer of more than 90 commodities. The Group's operations comprise around 150 mining and metallurgical sites, oil production assets and agricultural facilities.

With a strong footprint in both established and emerging regions for natural resources, Glencore's industrial and marketing activities are supported by a global network of more than 90 offices located in over 50 countries.

Glencore's customers are industrial consumers, such as those in the automotive, steel, power generation, oil and food processing sectors. We also provide financing, logistics and other services to producers and consumers of commodities. Glencore's companies employ around 146,000 people, including contractors.

Glencore is proud to be a member of the Voluntary Principles on Security and Human Rights and the International Council on Mining and Metals. We are an active participant in the Extractive Industries Transparency Initiative.

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# Chief Executive Officer’s Review

## Capitalising on a strong operating environment

After an encouraging end to 2016, which saw commodities recover from cycle lows, positive momentum continued through 2017, resulting in prolonged outperformance of Glencore’s key commodities versus the broader markets. Concerns of tightening financial conditions in China during the second quarter proved to be short-lived, with commodities rallying once again through the second half of the year.

Strong economic performance in both major developing and developed markets has underpinned supportive commodity demand conditions. The electric vehicle upheaval continues to unfold, with the scale of market penetration and investment, by battery and automotive manufacturers and infrastructure players, adjusting progressively upwards. This provides an additional dimension of future demand growth for a number of our key commodities. Early signals of inflation and higher interest rates also bode well for commodities as an asset class.

Chinese supply-side reform, aided by consistent environmental policy and compliance, positively affected a number of commodities during 2017, including thermal coal, zinc and aluminium.

Going forward, those commodities where primary market balances are in deficit or trending towards deficit, such as zinc, copper, nickel and thermal coal should see positive price divergence versus potentially oversupplied markets.

## Delivering sector-leading returns for shareholders

In 2017, Glencore outperformed all its UK-listed major diversified mining peers, with shares up 41%. Our balance sheet is robust, and our investment case is increasingly compelling.

Financial performance was strong in 2017, with Adjusted EBITDA of $14.8 billion, up 44% and net income attributable to equity holders increasing to $5.8 billion, from $1.4 billion in 2016, reflecting healthy commodity prices and the continued robust earnings contribution from our highly cash generative Marketing and Industrial businesses.

## Marketing resilient again

Marketing Adjusted EBIT was $3.0 billion in 2017, 3% higher than 2016, reflecting the benefits of continued supportive market conditions, volume growth in key market segments and a positive end to the year, eclipsing the $2.8 billion guidance provided during the Investor Update in early December.

Metals and minerals and Energy products both delivered strong contributions while Agricultural Products, posted a resilient performance when compared to many peers. Marketing has again proven its ability to generate consistently solid earnings with high cash conversion, taking into account its low fixed capital requirements.

Looking ahead, while we maintain our long-term Marketing Adjusted EBIT guidance range of $2.2 to $3.2 billion, a continuation of recent healthy marketing conditions would suggest a 2018 performance in the upper half of the range.

## Industrial margin expansion through higher prices and relentless cost focus

Industrial Adjusted EBITDA of $11.5 billion in 2017 was 60% higher than 2016. Our asset portfolio continued to deliver overall competitive all-in unit costs which, despite some minor production challenges during the year, allowed the Company to capitalise on healthy commodity prices and generate higher Adjusted EBITDA mining margins of 38% and 41% respectively in our metals and energy operations.

## Energy and mobility transformation forecast to unlock material new sources of commodity demand

Commodity differentiation is increasingly important, and Glencore’s commodity mix is becoming less dependent on demand generated by infrastructure related investment in developing markets.

Accelerating electric vehicle adoption requires an energy and mobility transformation that is forecast to unlock material new sources of demand for the enabling underlying commodities including copper, nickel and cobalt.

We recently commissioned an independent study to gauge the potential incremental demand for these commodities under the Electric Vehicles Initiative scenario of 30% electric vehicle market share by 2030. The findings suggest an additional 4.1Mt of copper, 1.1Mt of nickel and 314kt of cobalt supply will be required by 2030.

These potentially significant new demand sources offer compelling fundamentals, particularly when coupled with persistent supply challenges.

## Automaker investment in EVs: $90 billion and counting

The rate at which automotive and battery companies have scaled up electric vehicle investment plans speaks to our opportunity as a supplier of key metals.

Global automaker investments now total more than $90 billion, with at least $19 billion attributed to the US, $21 billion to China and $52 billion to Germany. Volkswagen alone plans to spend $40 billion by 2030 to build electrified versions of over 300 models. Chinese automakers are ramping up focus on the EV story, while a number have announced investment partnerships with the likes of Ford, VW and General Motors.

Our resource base is well positioned to supply into this likely energy and mobility evolution, particularly given our anticipated strong production growth in copper (25%) nickel (30%) and cobalt (133%) over the next three years.

## Conviction to create value through partnerships, M&A and organic reinvestment

Over the past 15 months, in our constant drive to create long-term value for shareholders, we continued to leverage our trading and strategic relationships to source and structure both acquisitions and disposals, including:

- Acquisition of 49% of Rio Tinto's Hunter Valley Operations (thermal coal) with Yancoal retaining 51%, gaining access to sizeable high quality energy coal resources and marketing rights (pending)
- Sale of 51% of non-US petroleum products storage and logistics business to HNA (sale of smaller US portion pending)
- Creation of BaseCore Metals alongside Ontario Teachers' Pension Plan, a growth vehicle for base metal streams, royalties and commercial opportunities
- Sale of our African zinc assets to Trevali for mix of cash and shares, thereby accelerating the development of a mid-size zinc growth vehicle with Glencore retaining 25% equity participation and offtake agreements
- Acquisition of Chevron's South African and Botswana mid/down-stream oil business (pending)
- Acquisition of majority of voting class shares in Volcan, gaining exposure / access to a premier zinc district and potential asset/marketing synergies
- Acquisition of remaining 31% interest in Mutanda copper
- Increased Rosneft oil offtake, alongside equity partnership structure with the QIA

Additionally, we have an attractive suite of organic growth options across the portfolio. Key existing projects neared completion in 2017, including Katanga (copper/cobalt – now in commissioning), Mopani (copper – commissioning late 2018) and Koniambo (nickel, Line 2 in commissioning).

A suite of low-cost, low-risk brownfield opportunities were approved or progressed during 2017, including Integrated Nickel Operations (nickel), Zhairem (zinc), Katanga acid plant and cobalt circuit debottlenecking (copper/cobalt), Mutanda cobalt reclaim (copper), United Wambo Open Cut (coal) and Mt Owen extension (coal).

## $2.9 billion shareholder distribution

Consistent with new distribution policy and reflecting strong cash generation in 2017, we have declared a distribution of $2.9 billion or $0.20 per share in respect of 2017 cash flows, to be paid in two equal instalments in 2018.

This payment comprises a fixed $1 billion pay-out in respect of Marketing activities and a variable component of $1.9 billion, representing c.36% of Industrial asset free cash flow compared to our policy minimum of 25%.

## Corporate governance and sustainability

Our ambition to integrate sustainability throughout our business remains a key strategic priority for the Group and reflects our commitment to operate transparently and responsibly. It also encompasses our desire to protect the wellbeing of our people, our host communities and the natural environment, while sharing lasting benefits with the regions where we work and society as a whole.

Sadly, we recorded nine fatalities at our operations in 2017. Our goal remains zero fatalities and there is unrelenting focus on ensuring leading practice at all our operations.

Progress during 2017 included the publication of our commitment to preventing the occurrence of Modern Slavery and human trafficking within our operations and supply chains, the release of our 2016 Sustainability report, as well as updated reports on Payments to Governments and our Climate Change Considerations paper. We continued to make progress on meeting our group-wide carbon emission intensity reduction target of at least 5% on 2016 levels by 2020, committed to the Task Force on Climate-related Financial Disclosures, and completed an assessment of sites at a high risk of water-related issues.

We were delighted to appoint Ms Gill Marcus to the Board as an Independent Non-Executive Director, with effect from 1 January 2018. Gill was Governor of the South African Reserve Bank from November 2009 to November 2014, and her long record of public service coupled with her finance experience, geo-political insights and non-executive board experience will be a great benefit to us.

Due to sustained low levels of liquidity and the general ability and preference for prospective investors to access Glencore's primary exchange, we sought to delist from Hong Kong, which took effect in January 2018.

## Looking forward

We look ahead with confidence, noting the synchronised global economic growth, supportive commodity fundamentals and the emerging electric vehicle story. We believe the value of our unrivalled positioning and "Tier 1" commodity diversification will become increasingly apparent going forward.

Ivan Glasenberg

Chief Executive Officer

# Financial and Operational Review

## Basis of presentation

The financial information in the Financial and Operational Review is on a segmental measurement basis, including all references to revenue (see note 2) and has been prepared on the basis as outlined in note 1 of the financial statements, with the exception of the accounting treatment applied to relevant material associates and joint ventures for which Glencore's attributable share of revenues and expenses are presented.

The Group's results are presented on an 'adjusted' basis, using alternative performance measures ("APMs") which are not defined or specified under the requirements of IFRS, but are derived from the financial statements, prepared in accordance with IFRS, reflecting how Glencore's management assess the performance of the Group. The APMs are used to improve the comparability of information between reporting periods and segments and to aid in the understanding of the activities taking place across the Group by adjusting for Significant items, aggregating or disaggregating (notably in the case of relevant material Associates accounted for on an equity basis) certain IFRS measures. APMs are also used to approximate the underlying operating cash flow generation of the operations (Adjusted EBITDA). Significant items (see reconciliation below) are items of income and expense which, due to their variable financial impact or the expected infrequency of the events giving rise to them, are separated for internal reporting and analysis of Glencore's results.

Alternative performance measures are denoted by the symbol ◇ and are further defined and reconciled to the underlying IFRS measures in the APMs section on page 118.

## Financial results

Net income attributable to equity holders increased from $1,379 million in 2016 to $5,777 million in 2017 and EPS increased from $0.10 per share to $0.41 per share, driven by the factors discussed below.

Adjusted EBITDA was $14,762 million and Adjusted EBIT was $8,552 million, increases of 44% and 118% respectively compared to 2016, primarily driven by higher commodity prices. Market sentiment and commodity prices continued to improve over 2017, following the cyclical lows seen in early 2016. Notable year over year average price increases were cobalt (108%), zinc (38%), coal (GC Newc. 34%) and copper (27%). The positive impact of the higher prices on Adjusted EBITDA was somewhat tempered by upward trending, albeit until now, relatively moderate cost inflation and the effects of a weaker US dollar against most producer country currencies, including average year over year declines against the South African rand (9%), Kazakh Tenge (5%) and Australian dollar (3%). Adjusted EBITDA mining margins were robust at 38% and 41% in our metals and energy operations, up respectively from 33% and 32% in 2016.

### Adjusted EBITDA/EBIT◇

Adjusted EBITDA by business segment is as follows:

| US$ million | **Marketing activities** | **Industrial activities** | **2017 Adjusted EBITDA** | Marketing activities | Industrial activities | 2016 Adjusted EBITDA | Change % |
|---|---|---|---|---|---|---|---|
| Metals and minerals | **2,029** | **8,281** | **10,310** | 1,586 | 6,030 | 7,616 | 35 |
| Energy products | **1,054** | **3,599** | **4,653** | 959 | 1,503 | 2,462 | 89 |
| Agricultural products[1] | **316** | **–** | **316** | 592 | – | 592 | (47) |
| Corporate and other | **(175)** | **(342)** | **(517)** | (74) | (328) | (402) | 29 |
| **Total** | **3,224** | **11,538** | **14,762** | 3,063 | 7,205 | 10,268 | 44 |

Adjusted EBIT by business segment is as follows:

| US$ million | **Marketing activities** | **Industrial activities** | **2017 Adjusted EBIT** | Marketing activities | Industrial activities | 2016 Adjusted EBIT | Change % |
|---|---|---|---|---|---|---|---|
| Metals and minerals | **2,005** | **4,496** | **6,501** | 1,562 | 2,182 | 3,744 | 74 |
| Energy products | **990** | **1,424** | **2,414** | 909 | (842) | 67 | n.m. |
| Agricultural products[1] | **192** | **–** | **192** | 522 | – | 522 | (63) |
| Corporate and other | **(175)** | **(380)** | **(555)** | (74) | (329) | (403) | 38 |
| **Total** | **3,012** | **5,540** | **8,552** | 2,919 | 1,011 | 3,930 | 118 |

1 The above balances represent Glencore's interest in Glencore Agri, being 49.9% post 1 December 2016, and 100% pre the sale date. Following completion of the sale, the results from Agricultural products have been combined under Marketing activities and the 2016 comparatives, relating to Industrial 2016 EBITDA/EBIT of $138 million and $104 million respectively, have been reclassified from Industrial to Marketing activities. See page 32 and note 2.

Marketing Adjusted EBITDA and EBIT increased by 5% and 3% to $3,224 million and $3,012 million respectively:

- Metals and minerals Adjusted Marketing EBIT was up 28% over 2016, with strong contributions from most commodity departments, reflecting the improved physical commodity market conditions and solid growth in volumes handled, particularly copper, cobalt, zinc and ferroalloys.
- Energy products Adjusted Marketing EBIT was up 9% compared to 2016, with healthy contributions from both oil and coal. The oil result was augmented by a substantial volume increase during the year, notably crude, up 33%.
- Like for like, Agricultural products Adjusted Marketing EBIT was down 26% compared to 2016, but up 7% at the Adjusted EBITDA level, due to a higher depreciation charge in 2017. This was an overall satisfactory result, given the general industry margin pressures, following a succession of global bumper crops. Following the sale of a 50% interest in December 2016, Adjusted EBIT, on a reported basis, was down 63% compared to 2016.

Industrial Adjusted EBITDA increased by 60% to $11,538 million (Adjusted EBIT was $5,540 million, compared to $1,011 million in 2016). As noted above, the increase was primarily driven by stronger average year over year commodity prices, offset by volume related impacts (including temporary industrial action, acid supply and weather related factors), moderate cost inflation and adverse foreign currency impacts, given the generally weaker US dollar against the vast majority of local currencies in our key operating jurisdictions.

### Earnings

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

| US$ million | 2017 | 2016 |
|---|---|---|
| Adjusted EBIT[1]◇ | **8,552** | 3,930 |
| Net finance and income tax expense in relevant material associates and joint ventures[1] | **(591)** | (264) |
| Net finance and income tax expense of discontinued operations[2] | **–** | (201) |
| Net finance costs | **(1,451)** | (1,533) |
| Income tax expense[3] | **(1,572)** | (362) |
| Non-controlling interests | **570** | 422 |
| **Income attributable to equity holders of the Parent from continuing and discontinued operations pre-significant items** | **5,508** | 1,992 |
| Earnings per share (Basic) pre-significant items (US$) | **0.39** | 0.14 |
| | | |
| **Significant items**◇ | | |
| Share of Associates' significant items[4] | **(6)** | (132) |
| Mark-to-market valuation on certain coal hedging contracts[5] | **225** | (225) |
| Unrealised intergroup profit elimination[5] | **(523)** | (374) |
| Gain on disposals and investments[6] | **1,309** | 2,370 |
| Other expense – net[7] | **(594)** | (1,997) |
| Income tax expense[3] | **(187)** | (276) |
| Non-controlling interests' share of significant items[8] | **45** | 21 |
| **Total significant items** | **269** | (613) |
| **Income attributable to equity holders of the Parent from continuing and discontinued operations** | **5,777** | 1,379 |
| Earnings per share (Basic) (US$) | **0.41** | 0.10 |

1 Refer to note 2 of the financial statements and to APMs section for reconciliations.
2 Refer to note 24 of the financial statements.
3 Refer to the APMs section for the allocation of the total income tax expense between pre-significant and significant items.
4 Recognised within share of income from associates and joint ventures, see note 2 of the financial statements.
5 Recognised within cost of goods sold, see note 2 of the financial statements.
6 Refer to notes 3 and 24 of the financial statements and to APMs section for reconciliations.
7 Recognised within other expense – net, see notes 4 and 24 of the financial statements and to APMs section for reconciliations.
8 Recognised within non-controlling interests, refer to APMs section.

### Significant items

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

In 2017, Glencore recognised a net $269 million gain (2016: net expenses of $613 million) in significant items, including $187 million of income tax related expense items mainly related to the substantial reductions in US corporate income tax rates. The net gain comprises primarily:

- Income of $225 million (2016: $225 million expense) relating to the accounting period matching of certain coal derivative positions open at 31 December 2016 and subsequently fully settled during 2017. These positions related to portfolio risk management/hedging activities initiated in Q2 2016 to manage forward sales price exposure, relating to future coal production. The transactions were not able to be designated as hedging instruments under IFRS, which would have allowed for the deferment of any income statement effect until performance of the underlying future sale transactions. The fair value movements were offset against revenue in the segment information as the related sales (of production) were realised.
- A $6 million expense (2016: $132 million) representing Glencore's share of significant expenses recognised directly by our associates, primarily impairment charges recognised within Century.
- Gain on disposals and investments of $1,309 million (2016: $2,370 million) see note 3. In 2017, the gain primarily relates to the disposal of Zinc Africa ($232 million), an oil storage business (HG Storage, $674 million) and a royalty portfolio ($210 million). In 2016, the balance is primarily comprised of gains on disposals of $430 million related to GRail and $1,848 million related to Glencore Agri.
- Other expenses – net $594 million (2016: $1,923 million) see notes 4 and 5. Balance primarily comprises:
    - Impairments of $628 million (2016: $1,268 million). 2017 impairments related mainly to Chad oil ($278 million), Cameroon oil ($81 million) and junior loans extended to a coal terminal facility ($149 million). These impairments were partially offset by a reversal of $243 million related to the Equatorial Guinea oil operations. 2016 impairments related primarily to Chad oil ($622 million), Equatorial Guinea oil operations ($311 million), Cerrejón coal (recognised within share of income from associates, $345 million) and various coal shipping investments ($61 million).
    - $290 million (2016: $121 million) of mark-to-market gains on investments held for trading.
    - $80 million (2016: $70 million) of net foreign exchange losses.
    - $75 million (2016: $92 million) relating to certain legal matters. The 2017 balance is a cost estimate for potential settlement of claims brought against the Group related to an operation disposed in 2005. The 2016 amount relates to expenses incurred to settle a compliance matter in respect of a U.S. biofuels program in the years 2011/12.
    - $78 million (2016: $Nil) relating to the cumulative effect of certain accounting issues that resulted in Katanga, an 86.3% controlled subsidiary listed on the Toronto Stock Exchange, restating its 2014, 2015 and 2016 results. The cumulative effect has been corrected in Glencore's 2017 financial statements. Had the Group's results been restated, income before taxes for the year ended 2016 would have been lower by $10 million.

### Net finance costs

Net finance costs were $1,451 million in 2017, compared to $1,533 million incurred during the comparable reporting period. Interest expense in 2017 was $1,619 million, a 4% decrease from $1,688 million in 2016, owing mainly to the repayment of higher margin debt. Interest income in 2017 was $168 million, consistent with the prior year.

### Income taxes

An income tax expense of $1,759 million was recognised during 2017, compared to an income tax expense of $638 million in 2016. Adjusting for a net $187 million (2016: $276 million) of income tax expense related to significant items – $30 million (2016: $19 million) due to currency translation effects and a net $157 million of income tax arising primarily from the substantial reduction in US tax rates, following the announced US tax reform, the 2017 pre-significant items income tax expense was $1,572 million (2016: $362 million). The 2017 effective tax rate, pre-significant items, was 30.3%, consistent with a calculated effective tax rate of 32.4% in 2016.

### Assets, leverage and working capital

Total assets were $135,593 million as at 31 December 2017, compared to $124,600 million as at 31 December 2016, a period over which, current assets increased from $43,412 million to $49,726 million, due to increases in inventories, primarily as a result of commodity price increases, notably in our metals and minerals segment. Non-current assets increased from $81,188 million to $85,867 million, primarily due to the acquisition of Volcan, as outlined in note 24 of the financial statements.

### Cash flow and net funding/debt

#### Net funding

| US$ million | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Total borrowings as per financial statements | **33,934** | 33,218 |
| Relevant associates and joint ventures' net funding[1] | **1,792** | 1,919 |
| Cash and cash equivalents | **(2,124)** | (2,518) |
| Volcan net funding | **(704)** | – |
| **Net funding**◊ | **32,898** | 32,619 |

#### Cash and non-cash movements in net funding

| US$ million | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Cash generated by operating activities before working capital changes | **11,866** | 7,868 |
| Coal related hedging and legal settlement costs included above (via statement of income) | **(225)** | 368 |
| Relevant associates and joint ventures Adjusted EBITDA[2] | **2,440** | 1,447 |
| Share in earnings from other associates included within EBITDA | **(39)** | – |
| Net interest paid[1] | **(1,199)** | (1,271) |
| Tax paid[1] | **(1,372)** | (680) |
| Dividends received from associates[1] | **85** | 38 |
| **Funds from operations**◊ | **11,556** | 7,770 |
| | | |
| Net working capital changes (excluding gold and silver streaming proceeds)[1] | **(5,073)** | (2,371) |
| Gold and silver streaming proceeds | **–** | 971 |
| Acquisition and disposal of subsidiaries - net[1] | **8** | 5,944 |
| Purchase and sale of investments - net[1] | **(350)** | (13) |
| Purchase and sale of property, plant and equipment - net[1] | **(3,898)** | (3,306) |
| Net margin receipts/(calls) in respect of financing related hedging activities | **1,255** | (695) |
| Acquisition of additional interests in subsidiaries | **(561)** | (7) |
| Distributions paid and transactions of own shares - net | **(1,175)** | (88) |
| Coal related hedging and legal settlement costs (refer above) | **225** | (368) |
| **Cash movement in net funding** | **1,987** | 7,837 |
| Foreign currency revaluation of borrowings and other non-cash items | **(2,266)** | 789 |
| **Total movement in net funding** | **(279)** | 8,626 |
| Net funding, beginning of period | **(32,619)** | (41,245) |
| **Net funding◊, end of period** | **(32,898)** | (32,619) |
| Less: Readily marketable inventories[2] | **22,225** | 17,093 |
| **Net debt◊, end of period** | **(10,673)** | (15,526) |

1 Adjusted to include the impacts of proportionate consolidation of relevant material associates and joint ventures as outlined in the APMs section.

2 Refer to APMs section for definition and reconciliations.

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

Excluding $704 million of net debt assumed in the Volcan acquisition (completed mid-November 2017), net funding as at 31 December 2017 increased by $279 million to $32,898 million, whereas net debt (net funding less readily marketable inventories) decreased by $4,853 million over the year to $10,673 million. The Volcan assumed debt has been adjusted / excluded to provide a more consistent and comparative analysis, but mostly to reflect the Group's relatively low 23.3%

economic ownership (compared to its 63.0% voting interest) in this still fully ring-fenced listed entity, with its standalone, independent and separate capital structure. The cash outlay in respect of the 2017 share purchase is included in acquisition of subsidiaries above. It is the Group's current intention to internally report on / treat this investment in accordance with equity accounting principles, in parallel with full consolidation for IFRS reporting purposes.

The net funding movement reflects the increase in readily marketable inventories ($5,132 million of the net working capital outflow of $5,073 million) over the year, primarily due to the substantially higher commodity prices, but also to proactive seizing of further short term capital deployment opportunities in the buoyant commodity market environment. Its contextually noteworthy, given the earnings enhancing controllable inventory build, that funds from operations significantly exceeded (nearly double) the $3,898 million of net capital expenditure, $342 million of net acquisitions of subsidiaries and investments, $561 million of acquisitions of non-controlling interests in subsidiaries (African copper) and payment of $1,175 million of dividends to shareholders and non-controlling interests.

The ratio of Net debt to Adjusted EBITDA improved to 0.72 times in 2017 from 1.51 times in 2016, and the ratio of FFO to Net debt improved to 108.3% in 2017 from 50.0% in 2016.

### Business and investment acquisitions and disposals

Net outflows from business acquisitions and divestures was $903 million, compared to an inflow on disposals of $5,944 million in 2016. The net outflow in 2017 is primarily due to the acquisition of an additional interest in Volcan ($653 million), the acquisition of the remaining 31% interest of Mutanda not previously owned ($524 million), an increase in our interest in Katanga to 86.3% from 75.3% ($38 million) and a $300 million investment in Yancoal. These are offset by disposals and ongoing smaller stake retentions in HG Storage ($502 million), Zinc Africa ($222 million) and BaseCore Metals ($150 million). The 2016 net inflow from divestitures resulted primarily from the disposal of a 50% interest in Glen Agri. See note 24 for further explanations.

### Liquidity and funding activities

In 2017, the following significant financing activities took place:

- In May 2017, Glencore signed new one-year revolving credit facilities for a total amount of $7,335 million, refinancing the $7,700 million one-year revolving credit facilities signed in February 2016. Funds drawn under the facilities bear interest at US$LIBOR plus a margin of 40 basis points. Glencore also voluntarily reduced the medium term facility size from $6,800 million to $5,425 million and extended its maturity by 24 months to 2022. As at 31 December 2017, the facilities comprise:
    - a $7,335 million one year revolving credit facility with a 12 month term-out borrower's option (to May 2019) and a 12-month extension option; and
    - a $5,425 million medium-term revolving credit facility (to May 2022).
- In March 2017, issued a 10 year $1,000 million, 4% coupon bond.
- In October, issued a 5 year $500 million, 3% coupon bond and a 10 year $500 million, 3.875% coupon bond.

As at 31 December 2017, Glencore had available committed undrawn credit facilities and cash amounting to $12.9 billion.

## Credit ratings

In light of the Group's extensive funding activities, maintaining investment grade credit rating status is a financial priority. The Group's credit ratings are currently Baa2 (stable) from Moody's and BBB (positive outlook) from Standard & Poor's. Glencore's publicly stated objective, as part of its overall financial policy package, is to seek and maintain strong Baa/BBB credit ratings from Moody's and Standard & Poor's respectively. In support thereof, Glencore targets a maximum 2x Net debt / Adjusted EBITDA ratio through the cycle.

## Value at risk

One of the tools used by Glencore to monitor and limit its primary market risk exposure, namely commodity price risk related to its physical marketing activities, is the use of a value at risk (VaR) computation. VaR is a risk measurement technique which estimates the potential loss that could occur on risk positions as a result of movements in risk factors over a specified time horizon, given a specific level of confidence. The VaR methodology is a statistically defined, probability based approach that takes into account market volatilities, as well as risk diversification by recognising offsetting positions and correlations between commodities and markets. In this way, risks can be measured consistently across all markets and commodities and risk measures can be aggregated to derive a single risk value.

Glencore has set a consolidated VaR limit (1 day 95%) of $100 million representing some 0.2% of equity. In Q2 2016, this limit was technically breached for 1 day by $1 million as the VaR calculation did not account for the future physical coal production that was economically hedged with the corresponding derivatives captured and reported on. If such underlying hedged exposure had been included in the VaR calculation, the actual VaR number would have been substantially lower, with no resulting technical breach. This hedge book has now fully rolled off, as noted above. Glencore uses a VaR approach based on Monte Carlo simulations and is either a one day or one week time horizon computed at a 95% confidence level with a weighted data history.

Average market risk VaR (1 day 95%) during 2017 was $25 million, representing less than 0.1% of equity. Average equivalent VaR during 2016 was $42 million.

### Distributions

The directors have recommended a 2017 financial year cash distribution of $0.20 per share amounting to $2.9 billion, excluding any distribution on own shares and ignoring any attribution of shares which may take place prior to the record dates. Payment will be effected as a $0.10 per share distribution in May 2018 (see below) and a $0.10 per share distribution in September 2018 (in accordance with the Company's announcement on the 2018 Distribution timetable also made on 21 February 2018).

| First tranche of proposed distribution | 2018 |
|---|---|
| Applicable exchange rate reference date (Johannesburg Stock Exchange (JSE)) | Close of business (UK) 12 April |
| Applicable exchange rate announced on the JSE | 13 April |
| Last day to effect removal of shares cum distribution between Jersey and JSE registers at commencement of trade | 13 April |
| Last time to trade on JSE to be recorded in the register on record date | Close of business (SA) 23 April |
| Ex-distribution date (JSE) | 24 April |
| Ex-distribution date (Jersey) | 26 April |
| Distribution record date for JSE | Close of business (SA) 26 April |
| Distribution record date in Jersey | Close of business (UK) 27 April |
| Deadline for return of currency election form (Shareholders on Jersey register only) | 30 April |
| Removal of shares between the Jersey and JSE registers permissible from | 30 April |
| Applicable exchange rate reference date (Jersey) | 2 May |
| Annual General Meeting (shareholder vote to approve aggregate distribution) | 2 May |
| H1 distribution payment date | 23 May |

The distribution is proposed to be effected as a reduction of the capital contribution reserves of the Company. As such, this distribution would be exempt from Swiss withholding tax. As at 31 December 2017, Glencore plc had CHF 37 billion of such capital contribution reserves in its statutory accounts. The distribution is subject to shareholders' approval at its AGM on 2 May 2018.

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

### Board changes

On 5 May 2017, Martin Gilbert was appointed as independent non-executive director of the Company, following the retirement of William Macaulay as non-executive director on 14 April 2017.

On 7 December 2017, Gill Marcus was appointed as independent non-executive director of the Company with effect from 1 January 2018.

# Metals and Minerals

### Highlights

Adjusted EBITDA of $10.3 billion was $2.7 billion (36%) over 2016. Marketing and Industrial activities each contributed strongly to the year-over-year growth, with a 28% and 37% increase, respectively. These strong results were fuelled by solid underlying global economic growth, which combined with overall industry capital discipline and generally muted production growth, resulted in commodity markets tightening over the year, with a corresponding increase in prices and premiums. Such market conditions, together with continued Industrial cost and productivity focus, contributed to the increase in Adjusted EBITDA mining margin from 33% to 38%, while increased marketing base metals' volumes aided the segment's overall strong performance improvement compared to 2016.

| US$ million | Marketing activities | Industrial activities | 2017 | Marketing activities | Industrial activities | 2016 |
|---|---|---|---|---|---|---|
| Revenue◊ | **51,017** | **29,448** | **80,465** | 42,142 | 24,196 | 66,338 |
| Adjusted EBITDA◊ | **2,029** | **8,281** | **10,310** | 1,586 | 6,030 | 7,616 |
| Adjusted EBIT◊ | **2,005** | **4,496** | **6,501** | 1,562 | 2,182 | 3,744 |
| *Adjusted EBITDA margin* | ***4.0%*** | ***28.1%*** | ***12.8%*** | *3.8%* | *24.9%* | *11.5%* |

### Market Conditions

Selected average commodity prices

| | 2017 | 2016 | Change% |
|---|---|---|---|
| S&P GSCI Industrial Metals Index | **341** | 272 | 25 |
| LME (cash) copper price ($/t) | **6,173** | 4,867 | 27 |
| LME (cash) zinc price ($/t) | **2,893** | 2,094 | 38 |
| LME (cash) lead price ($/t) | **2,315** | 1,868 | 24 |
| LME (cash) nickel price ($/t) | **10,414** | 9,606 | 8 |
| Gold price ($/oz) | **1,258** | 1,248 | 1 |
| Silver price ($/oz) | **17** | 17 | – |
| Metal Bulletin cobalt price 99.3% ($/lb) | **25** | 12 | 108 |
| Metal Bulletin ferrochrome 6-8.5% C basis 60-70% Cr, max 1.5% Si (¢/lb) | **129** | 90 | 43 |
| Iron ore (Platts 62% CFR North China) price ($/DMT) | **71** | 58 | 22 |

## Metals and Minerals

### Currency table

| | Spot 31 Dec 2017 | Spot 31 Dec 2016 | Average 2017 | Average 2016 | Change in average % |
|---|---|---|---|---|---|
| AUD : USD | 0.78 | 0.72 | 0.77 | 0.75 | 3 |
| USD : CAD | 1.26 | 1.34 | 1.30 | 1.32 | (2) |
| USD : COP | 2,986 | 3,002 | 2,952 | 3,052 | (3) |
| EUR : USD | 1.20 | 1.05 | 1.14 | 1.11 | 3 |
| GBP : USD | 1.35 | 1.23 | 1.28 | 1.35 | (5) |
| USD : CHF | 0.97 | 1.02 | 0.98 | 0.99 | (1) |
| USD : KZT | 333 | 334 | 326 | 342 | (5) |
| USD : ZAR | 12.38 | 13.74 | 13.31 | 14.69 | (9) |

### Marketing

Base metals' prices continued their positive momentum from the second half of 2016, into and through 2017. Indeed, year-end prices for most of the selected commodities in the table above were considerably higher than the annual averages, with copper around $7,200/t, zinc at $3,300/t, nickel at $12,700/t and equivalent cobalt at $34/lb. LME stocks of copper, zinc, nickel and lead all reduced over the year. Market concerns related to heightened Chinese economic risks proved short-lived, and by year end, a level of consensus had emerged that growth in both developed and emerging markets was more sustainable.

Reflecting these improved fundamental physical commodity market conditions, with solid growth in volumes handled, particularly copper, cobalt, zinc and ferroalloys, Marketing's Adjusted EBIT was $2.0 billion, up 28% compared to 2016.

### Financial information

| US$ million | 2017 | 2016 | Change % |
|---|---|---|---|
| Revenue◊ | 51,017 | 42,142 | 21 |
| Adjusted EBITDA◊ | 2,029 | 1,586 | 28 |
| Adjusted EBIT◊ | 2,005 | 1,562 | 28 |

### Selected marketing volumes sold

| | Units | 2017 | 2016 | Change% |
|---|---|---|---|---|
| Copper metal and concentrates[1] | mt | 4.0 | 3.5 | 14 |
| Zinc metal and concentrates[1] | mt | 2.8 | 2.0 | 40 |
| Lead metal and concentrates[1] | mt | 1.0 | 0.9 | 11 |
| Gold | moz | 2.0 | 2.1 | (5) |
| Silver | moz | 89.1 | 92.1 | (3) |
| Nickel | kt | 204 | 221 | (8) |
| Cobalt | kt | 42 | 39 | 8 |
| Ferroalloys (incl. agency) | mt | 8.7 | 7.6 | 14 |
| Alumina/aluminium | mt | 10.7 | 11.4 | (6) |
| Iron ore | mt | 47.7 | 47.1 | 1 |

1 Estimated metal unit contained.

### Copper

In 2017, the copper price averaged $6,173/t, increasing 27% year-over-year. The rally was most apparent in the second half, with a 2017 high of $7,254/t in late December marking levels last seen in early 2014. Over the year, synchronised global growth fuelled healthy demand in major copper consuming regions. Mine supply challenges continued to exceed market expectations, resulting in a c.2% contraction in mined volumes year-on-year, the first decline in over 15 years.

Copper scrap flows played an important role in the first half of the year, as higher prices triggered the release of stockpiled scrap into the market and contributed to a short period of apparent demand weakness. Combined with misplaced fears of tightening financial conditions in China, this resulted in a temporary pullback in the price rally. Copper scrap inventory reverted to normalised levels by mid-year, with drawdowns in copper units across the value chain through to year-end.

Looking ahead, global supply is expected to be impacted by ageing assets, limited sector reinvestment, a diminished project pipeline and elevated risk of mine disruptions. With global economic growth pointing to healthy demand, the copper market is likely to remain in substantial supply deficit, which, if it occurs, will in turn result in further inventory drawdowns.

The emerging battery and electric vehicle trend adds further uplift to the demand outlook and attractive fundamentals. Copper and cobalt are expected to play important roles across the value chain of the energy and mobility evolution, from power generation and distribution, to energy storage and vehicles.

During 2017, Glencore commissioned CRU to model the metal requirements to realise the Electric Vehicle Initiative target of 30 million electric vehicle sales by 2030. CRU forecast that 4.1Mt of copper (18% of 2016 supply), 1.1Mt of nickel (56% of 2016 supply) and 314kt of cobalt (314% of 2016 supply) will be required annually by 2030. As early as 2020, forecast EV related metal demand becomes material, requiring an additional c.390kt of copper and c.24kt of cobalt. In 2017, the pricing impact / expectation of this new demand dynamic was clearly evident in cobalt, with the spot price rallying 130% through the year.

### Zinc

In 2017, the zinc price recorded a 38% year-over-year increase, benefiting from the combination of synchronized global growth, strong orders from the steel industry and continuing tightness in the concentrate market, which progressively spread to the metal market during the course of the year.

Despite the higher prices, for a range of reasons, China did not contribute to any mine supply growth, which meant that the 9% (~650kt) increase in concentrate supply from the Rest of the World was comfortably absorbed by the market. 2017 Chinese mine production dropped by 8.6% (~300kt). The environmental drive in China continued to put pressure on extractive industries, limiting domestic zinc mine output. In response, Chinese zinc concentrates imports rose by 21.9% (~140kt), despite the lower spot TC levels ($38/dmt in 2017 vs $102/dmt in 2016).

On the metal front, Chinese production was down by 0.7% in 2017 (~40kt). With local stocks already at low levels, Chinese consumers resorted to higher metal imports, up 59.3% year on year. 2017 Chinese zinc metal imports were a record 676kt. Both LME and SHFE zinc stocks continued to draw down; LME stocks fell to 182kt at December 2017 (2016: 428kt), while SHFE stocks more than halved to 69kt at December 2017 (2016: 153kt).

The lead supply trend is similar, recording a year-over-year price increase of 24%. Spot TCs are also at a historical low, at $26/dmt in 2017 (2016: $119/dmt).

Going forward, higher prices will incentivise higher concentrate production, easing TCs in the mid-term and eventually resulting in higher metal production. However, the environmental constraints in China and the slower than anticipated pace of mine restarts (or new mines) means that the current zinc tightness may remain for some time. As there is also a time lag before concentrates units convert into metal units, we expect the current strong pricing environment to be supported in the near to mid-term.

### Nickel

In 2017, a record supply deficit was evident in the nickel market, as strong synchronised demand growth across all regions and industry segments offset supply gains. Such positive fundamentals, backed by strong physical activity and significant draws in global inventory, drove nickel premiums to record highs.

Growth in global stainless steel – the dominant driver of nickel demand – is estimated at 6%, fuelled by a 9% increase in 300-series stainless. Positive developments in non-stainless further supported demand growth, including orders from the oil and gas industry and a solid upswing in the European automotive market, while nickel demand from the battery sector accelerated through 2017, with annual growth estimated at 30%.

Overall we estimate primary nickel demand in 2017 of >2.2Mt, representing a 10% increase on 2016.

Price-induced closures, production issues and general supply disruptions prompted widespread underperformance in non-nickel pig iron supply. This was nevertheless offset by the ramp up of Indonesian NPI capacity and the acceleration of Chinese NPI supply through year end. While Indonesia's reversal of a ban on ore exports incited fears of unconstrained ore availability, boosting Chinese NPI supply growth, actual shipments were c.5Mt wet ore for the year.

Global nickel output in 2017 is estimated at <2.1Mt, marking a 5% increase on 2016, which masks a 2% decline in non-NPI supply.

Consequently, the nickel market remained in material supply deficit for a second year running, enabling global stocks to draw down quickly despite headline LME inventory suggesting otherwise. Even with a conservative forecast for 2018 demand, the outlook is for continued sizeable deficits and further draws in primary nickel stocks. Forecast supply increases are based on Indonesia exporting more nickel units in ore or NPI, with production elsewhere expected to be flat or fall.

# Metals and Minerals

### Ferroalloys

The 2017 chrome market was characterised by large demand swings and volatile pricing for both chrome ore and ferrochrome. The year started with a series of environmental and price-driven Chinese stainless steel mill closures, which temporarily impacted chrome demand. This reversed in the second half when global stainless steel melts reached record volumes, partly through the commissioning of a new major Indonesian project. Overall, global stainless steel production and ferrochrome demand are estimated to have grown 6% and 7% respectively in 2017.

Carbon steel market fundamentals continued to improve throughout 2017, resulting in increased demand for manganese units, which supported manganese ore and alloy prices globally.

Vanadium demand continued to strengthen across product applications. Ongoing Chinese commitment to reducing pollution levels resulted in a reduction of local vanadium output, lower exports and an increased drawdown of stock. This boosted vanadium prices by 50% in H2 2017.

### Alumina/Aluminium

Unprecedented supply-side events in China shaped the aluminium market in the second half of 2017, helping aluminium and its raw material prices gather further momentum. Shutdown of illegal capacities and winter production cuts in China demonstrated the government's willingness to enforce its environmental policies.

The alumina market was balanced in 2017 but supply-side concerns as a result of the winter production cuts caused large scale stockpiling and "panic buying" in China during Q4. Prices rallied to a 10-year high of $480/t FOB Australia in November. The average H2 2017 price was 45% higher than the same period last year.

Meanwhile, metal prices showed more modest gains, with the average H2 2017 LME 3-Month price 24% higher than H2 2016. Divergent sentiment about the scale of reductions undertaken by Chinese producers led to a brief drop in December 2017, but the price recovered, ending the year at $2,268/t.

US premiums continued to lead global premium levels. In the second half of 2017, in-warehouse Rotterdam premiums fluctuated between $75-$95/t, CIF Main Japanese Ports between $74-$103/t and delivered Midwest USA ranging from 7.25-9.5c/lb.

### Iron Ore

In 2017, we believe iron ore prices decoupled from iron ore fundamentals, by following steel margins instead. Iron ore split further into different market segments: the price of low grade iron ore continued to decrease throughout the year, while higher grades benefited from improving steel markets, hence overall prices remained at fairly high levels. Discounts for lower grade and high silica cargoes have now reached a level that is starting to elicit a supply response. For 2018, while overall supply of iron ore may increase, we could see a decrease in low grade cargoes exported to China.

# Metals and Minerals

## Industrial activities

### Highlights

The metals' price increases noted above, partially offset by the generally lower production volumes and some inflationary cost pressures over prior year, resulted in Adjusted EBITDA of $8.3 billion, a 37% increase over 2016. The net positive development led to an increase in Adjusted EBITDA mining margin from 33% to 38%.

Looking forward, train one of Katanga's whole ore leach project commissioned in Q4 2017 and is planned to ramp up through 2018, while Lady Loretta (Mount Isa zinc) is expected to restart production in H1 2018, following its shutdown in 2015.

### Financial information

| US$ million | 2017 | 2016 | Change % |
|---|---|---|---|
| **Revenue**◊ | | | |
| **Copper assets** | | | |
| African copper (Katanga, Mutanda, Mopani) | **2,695** | 1,839 | 47 |
| Collahuasi[1] | **1,303** | 1,006 | 30 |
| Antamina[1] | **1,199** | 820 | 46 |
| Other South America (Alumbrera, Lomas Bayas, Antapaccay, Punitaqui) | **2,394** | 2,257 | 6 |
| Australia (Mount Isa, Ernest Henry, Townsville, Cobar) | **1,965** | 1,799 | 9 |
| Custom metallurgical (Altonorte, Pasar, Horne, CCR) | **7,957** | 6,572 | 21 |
| Intergroup revenue elimination | **(295)** | (429) | n.m. |
| **Copper** | **17,218** | 13,864 | 24 |
| **Zinc assets** | | | |
| Kazzinc | **3,075** | 2,602 | 18 |
| Australia (Mount Isa, McArthur River) | **1,362** | 1,133 | 20 |
| European custom metallurgical (Portovesme, San Juan de Nieva, Nordenham, Northfleet) | **1,273** | 1,209 | 5 |
| North America (Matagami, Kidd, Brunswick, CEZ Refinery) | **1,790** | 1,030 | 74 |
| Other Zinc (Argentina, Bolivia, Peru, Rosh Pinah[2], Pekoa[2]) | **695** | 537 | 29 |
| **Zinc** | **8,195** | 6,511 | 26 |
| **Nickel assets** | | | |
| Integrated Nickel Operations (Sudbury, Raglan, Nikkelverk) | **1,323** | 1,432 | (8) |
| Australia (Murrin Murrin) | **598** | 503 | 19 |
| **Nickel** | **1,921** | 1,935 | (1) |
| **Ferroalloys** | **2,111** | 1,873 | 13 |
| **Aluminium/Alumina** | **3** | 13 | (77) |
| **Metals and minerals revenue**◊ | **29,448** | 24,196 | 22 |

1 Represents the Group's share of these JVs.

2 Disposed of in August 2017

## Metals and Minerals

| US$ million | Adjusted EBITDA◊ 2017 | 2016 | Change % | Adjusted EBIT◊ 2017 | 2016 | Change % |
|---|---|---|---|---|---|---|
| **Copper assets** | | | | | | |
| African copper | **668** | 264 | 153 | **63** | (240) | n.m. |
| Collahuasi[1] | **803** | 542 | 48 | **551** | 286 | 93 |
| Antamina[1] | **934** | 602 | 55 | **675** | 341 | 98 |
| Other South America | **1,088** | 1,060 | 3 | **546** | 407 | 34 |
| Australia | **524** | 458 | 14 | **186** | 85 | 119 |
| Custom metallurgical | **343** | 407 | (16) | **194** | 280 | (31) |
| **Copper** | **4,360** | 3,333 | 31 | **2,215** | 1,159 | 91 |
| *Adjusted EBITDA mining margin[2]* | ***42%*** | 38% | | | | |
| **Zinc assets** | | | | | | |
| Kazzinc | **1,203** | 989 | 22 | **769** | 539 | 43 |
| Australia | **645** | 454 | 42 | **371** | 143 | 159 |
| European custom metallurgical | **169** | 174 | (3) | **78** | 84 | (7) |
| North America | **359** | 184 | 95 | **260** | 104 | 150 |
| Other Zinc | **244** | 115 | 112 | **152** | 1 | n.m. |
| **Zinc** | **2,620** | 1,916 | 37 | **1,630** | 871 | 87 |
| *Adjusted EBITDA mining margin[2]* | ***35%*** | 33% | | | | |
| **Nickel assets** | | | | | | |
| Integrated Nickel Operations | **555** | 446 | 24 | **99** | (28) | n.m. |
| Australia | **78** | (19) | n.m. | **12** | (61) | n.m. |
| **Nickel** | **633** | 427 | 48 | **111** | (89) | n.m. |
| *Adjusted EBITDA margin* | ***33%*** | 22% | | | | |
| **Ferroalloys** | **655** | 423 | 55 | **528** | 310 | 70 |
| **Aluminium/Alumina** | **5** | (60) | n.m. | **5** | (60) | n.m. |
| **Iron ore** | **8** | (9) | n.m. | **7** | (9) | n.m. |
| **Metals and minerals Adjusted EBITDA/ EBIT ◊** | **8,281** | 6,030 | 37 | **4,496** | 2,182 | 106 |
| *Adjusted EBITDA mining margin[2]* | ***38%*** | 33% | | | | |

1 Represents the Group's share of these JVs.

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

## Metals and Minerals

| US$ million | 2017 Sustaining | 2017 Expansion | 2017 Total | 2016 Sustaining | 2016 Expansion | 2016 Total |
|---|---|---|---|---|---|---|
| **Capital expenditure◊** | | | | | | |
| | | | | | | |
| **Copper assets** | | | | | | |
| African copper | 352 | 381 | 733 | 270 | 357 | 627 |
| Collahuasi[1] | 214 | 45 | 259 | 160 | 4 | 164 |
| Antamina[1] | 180 | – | 180 | 194 | 1 | 195 |
| Other South America | 308 | 46 | 354 | 310 | 34 | 344 |
| Australia | 218 | 12 | 230 | 176 | 2 | 178 |
| Custom metallurgical | 161 | – | 161 | 127 | 3 | 130 |
| **Copper** | 1,433 | 484 | 1,917 | 1,237 | 401 | 1,638 |
| | | | | | | |
| **Zinc assets** | | | | | | |
| Kazzinc | 121 | 52 | 173 | 127 | 26 | 153 |
| Australia | 256 | – | 256 | 209 | – | 209 |
| European custom metallurgical | 74 | – | 74 | 54 | – | 54 |
| North America | 65 | 13 | 78 | 61 | 4 | 65 |
| Other Zinc | 77 | – | 77 | 55 | – | 55 |
| **Zinc** | 593 | 65 | 658 | 506 | 30 | 536 |
| | | | | | | |
| **Nickel assets** | | | | | | |
| Integrated Nickel Operations | 131 | 102 | 233 | 96 | 34 | 130 |
| Australia | 14 | – | 14 | 14 | – | 14 |
| Koniambo | – | 241 | 241 | – | 263 | 263 |
| **Nickel** | 145 | 343 | 488 | 110 | 297 | 407 |
| | | | | | | |
| **Ferroalloys** | 163 | 4 | 167 | 101 | 13 | 114 |
| **Aluminium/Alumina** | 2 | – | 2 | – | – | – |
| **Capital expenditure◊** | 2,336 | 896 | 3,232 | 1,954 | 741 | 2,695 |

1 Represents the Group's share of these JVs.

# Metals and Minerals

## Production from own sources – Total[1]

| | | 2017 | 2016 | Change % |
|---|---|---|---|---|
| Copper | kt | 1,309.7 | 1,425.8 | (8) |
| Zinc | kt | 1,090.2 | 1,094.1 | – |
| Lead | kt | 272.5 | 294.2 | (7) |
| Nickel | kt | 109.1 | 115.1 | (5) |
| Gold | koz | 1,033 | 1,027 | 1 |
| Silver | koz | 37,743 | 39,069 | (3) |
| Cobalt | kt | 27.4 | 28.3 | (3) |
| Ferrochrome | kt | 1,531 | 1,523 | 1 |
| Platinum | koz | 116 | 148 | (22) |
| Palladium | koz | 161 | 209 | (23) |
| Rhodium | koz | 13 | 16 | (19) |
| Vanadium Pentoxide | mlb | 20.9 | 21.1 | (1) |

## Production from own sources – Copper assets[1]

| | | | 2017 | 2016 | Change % |
|---|---|---|---|---|---|
| African Copper (Katanga, Mutanda, Mopani) | | | | | |
| | Copper metal | kt | 236.0 | 254.4 | (7) |
| | Copper in concentrates | kt | 2.7 | – | n.m. |
| | Cobalt[3] | kt | 23.9 | 24.5 | (2) |
| Collahuasi[4] | | | | | |
| | Copper metal | kt | – | 2.1 | (100) |
| | Copper in concentrates | kt | 230.5 | 220.8 | 4 |
| | Silver in concentrates | koz | 3,103 | 3,276 | (5) |
| Antamina[5] | | | | | |
| | Copper in concentrates | kt | 142.6 | 145.5 | (2) |
| | Zinc in concentrates | kt | 128.1 | 66.8 | 92 |
| | Silver in concentrates | koz | 6,579 | 6,778 | (3) |
| Other South America (Alumbrera, Lomas Bayas, Antapaccay, Punitaqui) | | | | | |
| | Copper metal | kt | 78.1 | 80.0 | (2) |
| | Copper in concentrates | kt | 245.3 | 308.8 | (21) |
| | Gold in concentrates and in doré | koz | 348 | 382 | (9) |
| | Silver in concentrates and in doré | koz | 1,821 | 2,366 | (23) |
| Australia (Mount Isa, Ernest Henry, Townsville, Cobar) | | | | | |
| | Copper metal | kt | 164.6 | 205.1 | (20) |
| | Copper in concentrates | kt | 65.9 | 53.9 | 22 |
| | Gold | koz | 67 | 86 | (22) |
| | Silver | koz | 1,721 | 1,794 | (4) |
| **Total Copper department** | | | | | |
| | **Copper** | **kt** | **1,165.7** | **1,270.6** | **(8)** |
| | **Cobalt** | **kt** | **23.9** | **24.5** | **(2)** |
| | **Zinc** | **kt** | **128.1** | **66.8** | **92** |
| | **Gold** | **koz** | **415** | **468** | **(11)** |
| | **Silver** | **koz** | **13,224** | **14,214** | **(7)** |

## Production from own sources – Zinc assets[1]

| | | | 2017 | 2016 | Change % |
|---|---|---|---|---|---|
| Kazzinc | | | | | |
| | Zinc metal | kt | 210.5 | 187.6 | 12 |
| | Lead metal | kt | 52.9 | 44.0 | 20 |
| | Lead in concentrates | kt | 4.7 | 15.2 | (69) |
| | Copper metal[2] | kt | 49.7 | 53.9 | (8) |
| | Gold | koz | 585 | 521 | 12 |
| | Silver | koz | 5,780 | 4,510 | 28 |
| | Silver in concentrates | koz | 132 | 469 | (72) |
| Australia (Mount Isa, McArthur River) | | | | | |
| | Zinc in concentrates | kt | 436.0 | 488.4 | (11) |
| | Lead in concentrates | kt | 156.4 | 185.4 | (16) |
| | Silver in concentrates | koz | 7,114 | 8,741 | (19) |
| North America (Matagami, Kidd) | | | | | |
| | Zinc in concentrates | kt | 123.7 | 130.1 | (5) |
| | Copper in concentrates | kt | 47.3 | 48.0 | (1) |
| | Silver in concentrates | koz | 2,271 | 2,292 | (1) |
| Other Zinc: South America (Argentina, Bolivia, Peru)[6] | | | | | |
| | Zinc in concentrates | kt | 99.8 | 99.0 | 1 |
| | Lead metal | kt | 13.6 | 12.7 | 7 |
| | Lead in concentrates | kt | 41.2 | 29.7 | 39 |
| | Copper in concentrates | kt | 3.4 | 2.1 | 62 |
| | Silver metal | koz | 637 | 666 | (4) |
| | Silver in concentrates | koz | 7,775 | 7,271 | 7 |
| Other Zinc: Africa (Rosh Pinah, Perkoa) | | | | | |
| | Zinc in concentrates | kt | 92.1 | 122.2 | (25) |
| | Lead in concentrates | kt | 3.7 | 7.2 | (49) |
| | Silver in concentrates | koz | 157 | 282 | (44) |
| **Total Zinc department** | | | | | |
| | **Zinc** | **kt** | **962.1** | **1,027.3** | **(6)** |
| | **Lead** | **kt** | **272.5** | **294.2** | **(7)** |
| | **Copper** | **kt** | **100.4** | **104.0** | **(3)** |
| | **Gold** | **koz** | **585** | **521** | **12** |
| | **Silver** | **koz** | **23,866** | **24,231** | **(2)** |

6 South American production above excludes Volcan Compania Minera. Owing to the recent timing of the share tender in Q4 2017 (Glencore now has 63% of the voting shares and a 23% overall economic interest), management is in preliminary stages of reviewing the operations and the associated reporting framework. Therefore production data has been excluded, which currently provides a more consistent comparative analysis.

## Metals and Minerals

### Production from own sources – Nickel assets[1]

| | | | 2017 | 2016 | Change % |
|---|---|---|---|---|---|
| Integrated Nickel Operations ("INO") (Sudbury, Raglan, Nikkelverk) | | | | | |
| | Nickel metal | kt | 57.0 | 65.6 | (13) |
| | Nickel in concentrates | kt | 0.5 | 0.6 | (17) |
| | Copper metal | kt | 15.6 | 16.6 | (6) |
| | Copper in concentrates | kt | 28.0 | 34.6 | (19) |
| | Cobalt metal | kt | 0.8 | 1.0 | (20) |
| | Gold | koz | 32 | 37 | (14) |
| | Silver | koz | 653 | 624 | 5 |
| | Platinum | koz | 75 | 90 | (17) |
| | Palladium | koz | 136 | 173 | (21) |
| | Rhodium | koz | 6 | 6 | – |
| Murrin | | | | | |
| | Nickel metal | kt | 34.1 | 35.3 | (3) |
| | Cobalt metal | kt | 2.7 | 2.8 | (4) |
| Koniambo | Nickel in ferronickel | kt | 17.5 | 13.6 | 29 |
| **Total Nickel department** | | | | | |
| | **Nickel** | **kt** | **109.1** | **115.1** | **(5)** |
| | **Copper** | **kt** | **43.6** | **51.2** | **(15)** |
| | **Cobalt** | **kt** | **3.5** | **3.8** | **(8)** |
| | **Gold** | **koz** | **32** | **37** | **(14)** |
| | **Silver** | **koz** | **653** | **624** | **5** |
| | **Platinum** | **koz** | **75** | **90** | **(17)** |
| | **Palladium** | **koz** | **136** | **173** | **(21)** |
| | **Rhodium** | **koz** | **6** | **6** | **–** |

### Production from own sources – Ferroalloys assets[1]

| | | | 2017 | 2016 | Change % |
|---|---|---|---|---|---|
| Ferrochrome[7] | | kt | 1,531 | 1,523 | 1 |
| PGM[8] | Platinum | koz | 41 | 58 | (29) |
| | Palladium | koz | 25 | 36 | (31) |
| | Rhodium | koz | 7 | 10 | (30) |
| | Gold | koz | 1 | 1 | – |
| | **4E** | **koz** | **74** | **105** | **(30)** |
| Vanadium Pentoxide | | mlb | 20.9 | 21.1 | (1) |

## Metals and Minerals

### Total production – Custom metallurgical assets[1]

| | | | 2017 | 2016 | Change % |
|---|---|---|---|---|---|
| Copper (Altonorte, Pasar, Horne, CCR) | | | | | |
| | Copper metal | kt | 526.8 | 489.1 | 8 |
| | Copper anode | kt | 535.7 | 522.5 | 3 |
| Zinc (Portovesme, San Juan de Nieva, Nordenham, Northfleet) | | | | | |
| | Zinc metal | kt | 788.0 | 789.8 | – |
| | Lead metal | kt | 193.8 | 216.6 | (11) |
| | Silver | koz | 13,656 | 14,845 | (8) |

1 Controlled industrial assets and joint ventures only. Production is on a 100% basis, except as stated.
2 Copper metal includes copper contained in copper concentrates and blister.
3 Cobalt contained in concentrates and hydroxides.
4 The Group's pro-rata share of Collahuasi production (44%).
5 The Group's pro-rata share of Antamina production (33.75%).
7 The Group's attributable 79.5% share of the Glencore-Merafe Chrome Venture.
8 Consolidated 50% of Mototolo and 100% of the Group's PGM recovery plant.

# Metals and Minerals

## Operating highlights

### Copper assets

Own sourced copper production of 1,309,700 tonnes was 116,100 tonnes (8%) lower than in 2016, reflecting the Ernest Henry minority sale in Q4 2016, end of life production declines at Alumbrera and various temporary effects including lower throughput at Mutanda (due to constrained supply of sulphuric acid) and smelter maintenance at Mount Isa. Q4 production of 363,200 tonnes was 59,600 tonnes (20%) higher than in Q3, reflecting the resolution of such temporary impacts.

#### African copper

Own sourced copper production of 238,700 tonnes was 15,700 tonnes (6%) lower than in 2016, reflecting throughput restrictions at Mutanda, initially related to unusually wet weather, and in Q3, due to an interruption in sulphuric acid supply from Mopani, resulting from its power supply constraints. Mutanda's Q4 own sourced production of 51,500 tonnes was in line with historical performance levels.

Cobalt production of 23,900 tonnes was broadly in line with 2016.

Katanga commissioned phase 1 of its new whole ore leach processing project in December 2017, with 2,200 tonnes of copper cathode produced by the end of December. Prior to such commissioning, 2,700 tonnes of copper in concentrates were produced and sold, originating from the KITD Tailings project.

#### Collahuasi

Glencore's share of copper production was 230,500 tonnes, up 7,600 tonnes (3%) on 2016, mainly reflecting marginally improved ore grades and consistently strong milling performance.

#### Antamina

Glencore's share of copper production was 142,600 tonnes, in line with 2016, and the share of zinc production was 128,100 tonnes, an increase of 61,300 tonnes (92%) on 2016, reflecting the higher proportion of copper/zinc ores being mined, and the inherent nature of the Antamina deposit.

#### Other South America

Own sourced copper production of 323,400 tonnes was 65,400 tonnes (17%) down on 2016, mainly relating to Alumbrera as it nears end of life. Antapaccay mined and processed on average lower grades for the year, but performed strongly in Q4 as the mine sequenced to a new phase of production with higher grades.

#### Australia

Own sourced copper production of 230,500 tonnes was 28,500 tonnes (11%) lower than in 2016, reflecting the sale of a minority stake in the Ernest Henry mine in late 2016 and smelter maintenance in Q3 2017. Q4 production post-maintenance was substantially stronger.

#### Custom metallurgical assets

Copper cathode production of 526,800 tonnes was 37,700 tonnes (8%) higher than in 2016, mainly reflecting Pasar's expansion project. Copper anode production of 535,700 tonnes was within 3% of 2016 levels.

### Zinc assets

Own sourced zinc production of 1,090,200 tonnes was in line with 2016, as the step-up in Antamina zinc production noted above was offset by the disposals of the African mines to Trevali Mining, and lower production, as expected, at Mount Isa.

#### Kazzinc

Own sourced zinc production of 210,500 tonnes was 22,900 tonnes (12%) higher than in 2016, reflecting the increased mix of processing some site work-in-process, compared to third party material. Production including third party material was 316,800 tonnes, up 4%, reflecting various process improvements.

Own sourced lead production of 57,600 tonnes was 1,600 tonnes (3%) lower than in 2016. Total lead production including third party feed was 151,000 tonnes, in line with the comparable period.

Own sourced copper production of 49,700 tonnes was 4,200 tonnes (8%) lower than in 2016, due to a planned smelter shutdown in Q3 2017.

Own sourced gold production of 585,000 ounces was 64,000 ounces (12%) higher than in 2016, reflecting stronger grades and recoveries at Vasilkovsky plus initial gold production from the Dolinnoe mine.

## Metals and Minerals

### Australia

Zinc production of 436,000 tonnes was 52,400 tonnes (11%) down on 2016 and lead production of 156,400 tonnes was 29,000 tonnes (16%) down, reflecting general mine planning changes at Mount Isa and the impact of no longer processing Black Star ore.

### North America

The Canadian mines produced 123,700 tonnes of zinc, down 6,400 tonnes (5%) on 2016, reflecting expected variability in mined volumes and head grades as both operations reach end of life.

### Other Zinc

The South American assets produced 99,800 tonnes of zinc, in line with 2016. Lead production of 54,800 tonnes was 12,400 tonnes (29%) up on 2016, mainly relating to stronger production at Aguilar in Argentina.

The African assets produced 92,100 tonnes of zinc and 3,700 tonnes of lead up to 31 August 2017, at which point they were sold to Trevali Mining.

### European custom metallurgical assets

Zinc production of 788,000 tonnes was in line with 2016. Lead production of 193,800 tonnes was 22,800 tonnes (11%) lower, reflecting more complex feeds than previously being processed.

### Nickel assets

Own sourced nickel production of 109,100 tonnes was 6,000 tonnes (5%) down on 2016, owing to changes in the use of third party versus own sourced feeds in the INO circuit, partly offset by a strengthening operational performance at Koniambo.

### Integrated Nickel Operations (“INO”)

Own sourced nickel production of 57,500 tonnes was 8,700 tonnes (13%) down on 2016, mainly due to a higher proportion of third party feeds in the production mix, as noted above. Total production including third-party feeds was 87,100 tonnes, down 7% on 2016.

### Murrin

Own sourced nickel production of 34,100 tonnes was 1,200 tonnes (3%) lower than in 2016, mainly reflecting the maintenance shut in H1 2017.

### Koniambo

Production of 17,500 tonnes was 3,900 tonnes (29%) higher than in 2016, reflecting efforts to steadily improve the plant’s operating performance towards capacity expectation levels. The DC furnace 2 rebuild is complete with first metal tapped in December 2017. A progressive testing and ramp-up process will continue in the coming months.

### Ferroalloys assets

### Ferrochrome

Attributable ferrochrome production of 1,531,000 tonnes was in line with 2016. Quarter on quarter changes were largely driven by timing of furnace refurbishments.

### Platinum Group Metals (“PGM”)

Mototolo’s concentrate production was temporarily suspended from August to December 2017, while strengthening of the tailings dam was carried out. Glencore’s share of production at 72,000 ounces was therefore down ~30% on 2016. Normal operations have since resumed.

A further 2,000 ounces were reclaimed from a PGM recovery plant at Eastern Chrome Mines, mainly in Q4 2017. Steady-state operations from such activities are expected to yield ~10,000 ounces per year.

### Vanadium

Production of 20.9 million pounds was in line with 2016.

# Energy products

## Highlights

Energy products Adjusted EBITDA of $4.7 billion was $2.2 billion (89%) up on 2016. Both periods were constrained somewhat by the corporate risk management decision in Q2 2016 to economically hedge a portion of future coal sales, effectively “locking in” H1 2016 pricing, resulting in an ‘opportunity cost’ of $380 million (2016: $980 million) realised in 2017. All the affected tonnes had rolled off by year-end. Adjusting for this hedging impact, 2017 Adjusted EBITDA was up 60% over the prior year. Much of this increase was due to higher realised coal prices, with benchmark thermal coal averages up around 30-35% year over year. Marketing also contributed to the increase, aided by higher oil volumes and supportive coal market conditions.

In August 2017, Glencore reached an agreement with Yancoal to acquire a 49% JV interest in the Hunter Valley Operations coal business in New South Wales, which is expected to complete in H1 2018, subject to customary approvals.

| US$ million | **Marketing activities** | **Industrial activities** | **2017** | Marketing activities | Industrial activities | 2016 |
|---|---|---|---|---|---|---|
| Revenue◊ | **118,199** | **10,067** | **128,266** | 81,872 | 7,149 | 89,021 |
| Adjusted EBITDA◊ | **1,054** | **3,599** | **4,653** | 959 | 1,503 | 2,462 |
| Adjusted EBIT◊ | **990** | **1,424** | **2,414** | 909 | (842) | 67 |
| *Adjusted EBITDA margin* | ***0.9%*** | ***35.8%*** | ***3.6%*** | *1.2%* | *21.0%* | *2.8%* |

## Market conditions

### Selected average commodity prices

| | **2017** | 2016 | Change % |
|---|---|---|---|
| S&P GSCI Energy Index | **178** | 151 | 18 |
| Coal API4 ($/t) | **84** | 64 | 31 |
| Coal Newcastle (6,000) ($/t) | **88** | 65 | 35 |
| Oil price – Brent ($/bbl) | **55** | 45 | 22 |

## Marketing

### Highlights

Seaborne coal prices continued their momentum from 2016, as Chinese policy restrictions were maintained to limit/cap supply to support targeted domestic coal price bands. After a relatively prolonged period of range-bound prices, from mid-year, oil prices began to meaningfully increase, with OPEC and non-OPEC cuts, gradually reducing inventories and improving sentiment all contributing.

As a result of these positive market developments and a meaningful increase in oil volumes marketed, 2017 Marketing Adjusted EBIT of $990 million was up 9% year over year.

### Financial information

| US$ million | **2017** | 2016 | Change % |
|---|---|---|---|
| Revenue◊ | **118,199** | 81,872 | 44 |
| Adjusted EBITDA◊ | **1,054** | 959 | 10 |
| Adjusted EBIT◊ | **990** | 909 | 9 |

### Selected marketing volumes sold

| | | **2017** | 2016 | Change % |
|---|---|---|---|---|
| Thermal coal[1] | mt | **106.3** | 105.7 | 1 |
| Metallurgical coal[1] | mt | **2.3** | 2.4 | (4) |
| Coke[1] | mt | **0.6** | 0.9 | (33) |
| Crude oil | mbbl | **1,209** | 911 | 33 |
| Oil products | mbbl | **853** | 844 | 1 |

1 Includes agency volumes.

## Energy products

### Thermal Coal

Global seaborne thermal coal demand grew >30Mt or 3.7% during 2017, largely in the Pacific and Indian Ocean markets. Korean and Chinese demand growth dominated among broad-based demand increases across Asia, where increased coal use for power generation and industrial applications was supported by its relatively low cost as a fuel supply. Growth of the Chinese economy supported total electricity and thermal power generation demand growth of 5.7% and 4.6% respectively year over year. Combined with production limitations, associated with ongoing improvements to domestic mines' safety and production controls, the increased power demand contributed to Chinese domestic coal supply shortages, supporting prices and increased import coal demand. Hydro electricity generation shortfalls in parts of Europe and strong demand for electricity in Turkey contributed to increased thermal coal demand in the Atlantic.

On the supply side, Cyclone Debbie and strikes curtailed Australian supply, while weather also impacted Colombia, with thermal coal export volumes declining from both origins during 2017. While higher prices attracted additional supply from the USA, Russia and Indonesia, overall the short term supply response struggled to keep up, with strong demand during the second half of 2017. To date, such supply response has typically been in low energy and/or high sulphur products, but this could change in the future. In the longer term, price volatility and environmental concerns continue to limit investment in new supply capacity. At the end of December 2017, market index prices for Newcastle, API4 and API2 closed respectively 7%, 9% and 10% higher than end December 2016, returning to levels last seen briefly in November 2016, and prior to that, in April 2012.

### Oil

During the first half of 2017, oil prices were largely range bound, with Brent capped around $55 per barrel. By mid-year the benchmark slipped to $45 per barrel as market sentiment weakened, amidst events that increased concerns about oversupply and global inventories remaining stubbornly high. However, by the third quarter, high OPEC compliance with its production cuts was evident, and forecasters, encouraged by synchronous GDP growth in most global markets, predicted strong oil demand growth. Inventories started to draw down meaningfully, which led to renewed optimism that expectations on the oil market rebalancing within the coming year would be fulfilled, providing the impetus for higher oil prices in the second half of 2017.

Further support came from geopolitical events and supply disruptions, with outages in Libya, Iraq, the North Sea, Canada, and mounting concerns about Venezuela production declines. The steady increase in short-cycle US and other non-OPEC production coming on line was less influential in capping oil price gains, as speculator net length increased rapidly to historically high levels, driving the price of Brent up to $67 per barrel at the end of the year.

The Brent curve shifted decisively into backwardation midway through the year, and by year end, the WTI curve followed suit. Refinery margins were generally healthy for most of 2017, in part supported by the impact of some unexpected capacity losses in Europe and the US. In shipping, the tanker freight market remained lacklustre and struggled to perform as fleet expansion continued to outpace scrapping of tanker tonnage.

# Energy products

## Industrial activities

### Highlights

Energy products' Adjusted EBITDA of $3.6 billion was up $2.1 billion year over year. As noted above, a portion of this relates to the roll off of the economic hedges during 2017, but the far greater part reflects the improved price environment, partially offset by lower tonnes resulting primarily from industrial action and some inflationary cost pressures. The Adjusted EBITDA mining margin, pre economic hedges, increased from 32% to 41%.

### Financial information

| US$ million | 2017 | 2016 | Change % |
|---|---|---|---|
| **Net revenue◊** | | | |
| **Coal operating revenue** | | | |
| Coking Australia | **1,088** | 651 | 67 |
| Thermal Australia | **4,892** | 3,763 | 30 |
| Thermal South Africa | **1,500** | 1,349 | 11 |
| Prodeco | **1,199** | 1,130 | 6 |
| Cerrejón[1] | **789** | 606 | 30 |
| Impact of corporate coal economic hedging | **(380)** | (980) | n.m. |
| **Coal operating revenue** | **9,088** | 6,519 | 39 |
| **Coal other revenue** | | | |
| Coking Australia | **3** | 2 | 50 |
| Thermal Australia | **672** | 325 | 107 |
| Thermal South Africa | **17** | 9 | 89 |
| Prodeco | **6** | 12 | (50) |
| Cerrejón[1] | **1** | 1 | – |
| **Coal other revenue (buy-in coal)** | **699** | 349 | 100 |
| **Coal total revenue** | | | |
| Coking Australia | **1,091** | 653 | 67 |
| Thermal Australia | **5,564** | 4,088 | 36 |
| Thermal South Africa | **1,517** | 1,358 | 12 |
| Prodeco | **1,205** | 1,142 | 6 |
| Cerrejón[1] | **790** | 607 | 30 |
| Impact of corporate coal economic hedging | **(380)** | (980) | n.m. |
| **Coal total revenue** | **9,787** | 6,868 | 43 |
| **Oil** | **280** | 281 | – |
| **Energy products revenue◊** | **10,067** | 7,149 | 41 |

1 Represents the Group's share of this JV.

## Energy products

| US$ million | Adjusted EBITDA◊ 2017 | 2016 | Change % | Adjusted EBIT◊ 2017 | 2016 | Change % |
|---|---|---|---|---|---|---|
| Coking Australia | 541 | 154 | 251 | 249 | 12 | 1,975 |
| Thermal Australia | 1,999 | 1,334 | 50 | 876 | (26) | n.m. |
| Thermal South Africa | 577 | 456 | 27 | 289 | 213 | 36 |
| Prodeco | 359 | 178 | 102 | 192 | 16 | 1,100 |
| Cerrejón[1] | 387 | 240 | 61 | 210 | 62 | 239 |
| **Coal result prior to hedging** | 3,863 | 2,362 | 64 | 1,816 | 277 | 556 |
| Impact of corporate coal economic hedging | (380) | (980) | n.m. | (380) | (980) | n.m. |
| **Total coal** | 3,483 | 1,382 | 152 | 1,436 | (703) | n.m. |
| *Adjusted EBITDA margin[2]* | *41%* | *31%* | | | | |
| **Oil** | 116 | 121 | (4) | (12) | (139) | n.m. |
| *Adjusted EBITDA margin* | *41%* | *43%* | | | | |
| **Energy products Adjusted EBITDA/ EBIT◊** | 3,599 | 1,503 | 139 | 1,424 | (842) | n.m. |
| *Adjusted EBITDA margin – pre economic hedge* | *41%* | *32%* | | | | |
| *Adjusted EBITDA margin – post economic hedge* | *38%* | *22%* | | | | |

1 Represents the Group's share of this JV.
2 Coal EBITDA margin is calculated on the basis of Coal operating revenue before corporate hedging, as set out in the preceding table.

| US$ million | 2017 Sustaining | 2017 Expansion | 2017 Total | 2016 Sustaining | 2016 Expansion | 2016 Total |
|---|---|---|---|---|---|---|
| **Capital expenditure◊** | | | | | | |
| Australia (thermal and coking) | 153 | 73 | 226 | 181 | 110 | 291 |
| Thermal South Africa | 162 | 26 | 188 | 98 | 30 | 128 |
| Prodeco | 175 | 1 | 176 | 43 | 3 | 46 |
| Cerrejón[1] | 54 | – | 54 | 31 | 2 | 33 |
| **Total Coal** | 544 | 100 | 644 | 353 | 145 | 498 |
| **Oil** | 98 | – | 98 | 72 | 1 | 73 |
| **Capital expenditure◊** | 642 | 100 | 742 | 425 | 146 | 571 |

1 Represents the Group's share of this JV.

# Energy products

## Production data

### Coal assets[1]

| | | 2017 | 2016 | Change % |
|---|---|---|---|---|
| Australian coking coal | mt | 6.1 | 5.3 | 15 |
| Australian semi-soft coal | mt | 4.0 | 4.2 | (5) |
| Australian thermal coal (export) | mt | 49.1 | 52.5 | (6) |
| Australian thermal coal (domestic) | mt | 7.5 | 5.6 | 34 |
| South African thermal coal (export) | mt | 18.7 | 17.2 | 9 |
| South African thermal coal (domestic) | mt | 10.0 | 12.1 | (17) |
| Prodeco | mt | 14.6 | 17.3 | (16) |
| Cerrejón[2] | mt | 10.6 | 10.7 | (1) |
| **Total Coal department** | **mt** | **120.6** | **124.9** | **(3)** |

1 Controlled industrial assets and joint ventures only. Production is on a 100% basis except for joint ventures, where the Group's attributable share of production is included.
2 The Group's pro-rata share of Cerrejón production (33.3%).

### Oil assets

| | | 2017 | 2016 | Change % |
|---|---|---|---|---|
| **Glencore entitlement interest basis** | | | | |
| Equatorial Guinea | kbbl | 2,529 | 3,629 | (30) |
| Chad | kbbl | 2,524 | 3,882 | (35) |
| **Total Oil department** | **kbbl** | **5,053** | **7,511** | **(33)** |
| | | | | |
| **Gross basis** | | | | |
| Equatorial Guinea | kbbl | 11,914 | 16,909 | (30) |
| Chad | kbbl | 3,450 | 5,308 | (35) |
| **Total Oil department** | **kbbl** | **15,364** | **22,217** | **(31)** |

## Operating highlights

### Coal assets

Coal production of 121 million tonnes was 3% down on 2016, as reductions associated with industrial action and adverse weather events, were mostly offset by productivity improvements and Glencore's higher equity share in certain mines.

#### Australian coking

Production of 6.1 million tonnes was 0.8 million tonnes (15%) higher than in 2016, mainly related to the restart of the Integra mine.

#### Australian thermal and semi-soft

Production of 60.6 million tonnes was 1.7 million tonnes (3%) down on 2016, as higher equity ownership of the Newlands and Collinsville mines, expected ramp-ups (notably Rolleston) and production efficiencies across the board were offset by planned mine closures and the impact of industrial action.

#### South African thermal

Production of 28.7 million tonnes was in line with 2016, as improved operating performances at the main mine complexes were offset by planned closures of smaller mines.

#### Prodeco

Production of 14.6 million tonnes was 2.7 million tonnes (16%) lower than in 2016, initially due to the impact of severe wet weather and later, as a result of a geotechnical event, with productivity adversely affected by the necessary workarounds.

#### Cerrejón

Glencore's share of production at 10.6 million tonnes was in line with 2016, as the easement of some restrictions related to dust emissions in 2016, was offset by the disruption caused by unusually heavy rainfall.

## Energy products

### Oil assets

Glencore's oil entitlement interest of 5.1 million barrels was 1.4 million barrels (33%) lower than in 2016, reflecting expected reductions in a period of inactive field development in a low oil price environment. Drilling in Chad recommenced in H2 2017 with a single-rig campaign, which is expected to offset natural field declines in Equatorial Guinea.

# Agricultural Products

| US$ million | 2017 | 2017 (100% basis) | 2016 | Change % (100% basis) |
|---|---|---|---|---|
| Revenue◊ | **12,611** | *25,278* | 21,970 | 15 |
| Adjusted EBITDA◊ | **316** | *631* | 592 | 7 |
| Adjusted EBIT◊ | **192** | *384* | 522 | (26) |
| *Adjusted EBITDA margin* | ***2.5%*** | *2.5%* | *2.7%* | |
| | | | | |
| Sustaining capital expenditure◊ | **65** | *130* | 93 | 40 |
| Expansionary capital expenditure◊ | **53** | *105* | 47 | 123 |
| Total capital expenditure◊ | **118** | *235* | 140 | 68 |

2016 financial information reflected 11 months results on a 100% consolidated basis, and 1 month on a 50% proportionate consolidated basis. 2017 reflects 50% proportionate consolidation throughout.

## Market conditions

### Selected average commodity prices

| | 2017 | 2016 | Change % |
|---|---|---|---|
| S&P GSCI Agriculture Index | **290** | 295 | (2) |
| CBOT wheat price (US¢/bu) | **436** | 436 | – |
| CBOT corn no.2 price (US¢/bu) | **359** | 358 | – |
| CBOT soya beans (US¢/bu) | **976** | 989 | (1) |
| ICE cotton price (US¢/lb) | **73** | 66 | 11 |
| ICE sugar # 11 price (US¢/lb) | **16** | 18 | (11) |

## Marketing and handling highlights

The grain and oilseed markets were again well supplied, low priced and lacked volatility, which in turn limited arbitrage opportunities. Despite a brief US weather concern in late June, impacting primarily spring wheat, which proved to be less significant than initially thought, global crops were problem free with Russia, Australia (basis late 2016 harvest carried over) and Brazil all recording historically high production.

Global grain marketing performed well in the environment and whilst oilseed marketing results were satisfactory, they fell short of 2016. Record exports in Russia and Australia were beneficial for the grain handling and marketing businesses in both countries. In Canada, the Viterra handling business faced challenges, particularly in the second half. Reluctant selling by farmers in the face of excess handling capacity pressured margins. The disruption of the pulses trade into India, due to government intervention in support of local producers, was also a negative for Canadian exports.

# Agricultural Products

## Operating highlights

Soft seed processing margins in both the EU and Canada were below expectations. In the EU, the rape seed deficit was filled by imports, which was of some benefit to the coastal facilities but not to facilities, such as ours, located inland. The lifting of tariffs on imported biodiesel into the EU depressed biodiesel margins towards the end of the year. In Argentina our performance was satisfactory, but we endured periods of crush margin weakness. Our sugar milling performance, including the Unialco mill acquired in February 2017, was also satisfactory, despite weaker sugar prices in H2 2017. The economic environment in Brazil continues to provide challenges for our wheat milling business, with processing volumes down 7% year over year reflective of reduced domestic demand. We continued our progressive exit from farming with the sale of our remaining Ukrainian farming assets in H2 2017.

### Selected marketing volumes sold

| Million tonnes | **2017** | 2016 | Change % |
|---|---|---|---|
| Grain | **45.3** | 43.8 | 3 |
| Oil/Oilseeds | **29.6** | 26.7 | 11 |
| Cotton | **0.5** | 0.4 | 25 |
| Sugar | **0.7** | 0.5 | 40 |

### Processing / production data[1]

| | | 2017 | 2016 | Change % |
|---|---|---|---|---|
| Farming | kt | 360 | 792 | (55) |
| Crushing | kt | 8,065 | 7,680 | 5 |
| Long term toll agreement | kt | 812 | 804 | 1 |
| Biodiesel | kt | 735 | 687 | 7 |
| Rice milling | kt | 177 | 274 | (35) |
| Wheat milling | kt | 920 | 989 | (7) |
| Sugarcane processing | kt | 4,884 | 3,259 | 50 |
| **Total agricultural products** | **kt** | **15,953** | **14,485** | **10** |

1 Reported on a 100% basis.

# Consolidated statement of income

## For the year ended 31 December 2017

| US$ million | Notes | 2017 | 2016 |
|---|---|---|---|
| Revenue | | **205,476** | 152,948 |
| Cost of goods sold | | **(197,695)** | (149,763) |
| Selling and administrative expenses | | **(1,310)** | (1,102) |
| Share of income from associates and joint ventures | 9 | **1,158** | 11 |
| Gains on disposals and investments | 3 | **1,309** | 489 |
| Other expense – net | 4 | **(594)** | (1,626) |
| Dividend income | | **28** | 27 |
| Interest income | | **168** | 155 |
| Interest expense | | **(1,619)** | (1,688) |
| **Income/(loss) before income taxes** | | **6,921** | (549) |
| Income tax expense | 6 | **(1,759)** | (638) |
| **Income/(loss) for the year from continuing operations** | | **5,162** | (1,187) |
| Income from discontinued operations, net of tax | 24 | **–** | 2,123 |
| **Income for the year** | | **5,162** | 936 |
| | | | |
| **Attributable to:** | | | |
| Non-controlling interests | | **(615)** | (443) |
| Equity holders of the Parent | | **5,777** | 1,379 |
| | | | |
| **Earnings/(loss) per share – continuing operations:** | | | |
| Basic (US$) | 16 | **0.41** | (0.05) |
| Diluted (US$) | 16 | **0.40** | (0.05) |
| **Earnings per share – continuing and discontinued operations:** | | | |
| Basic (US$) | 16 | **0.41** | 0.10 |
| Diluted (US$) | 16 | **0.40** | 0.10 |

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

# Consolidated statement of comprehensive income

## For the year ended 31 December 2017

| US$ million | Notes | 2017 | 2016 |
|---|---|---|---|
| **Income for the year** | | **5,162** | 936 |
| | | | |
| **Other comprehensive income/(loss)** | | | |
| Items not to be reclassified to the statement of income in subsequent periods: | | | |
| Defined benefit plan actuarial gains/(losses), net of tax of $32 million (2016: $14 million) | 22 | **81** | (41) |
| Discontinued operations – Actuarial losses net of tax of $Nil (2016: $1 million) | 22 | **–** | (4) |
| **Net items not to be reclassified to the statement of income in subsequent periods:** | | **81** | (45) |
| Items that have or may be reclassified to the statement of income in subsequent periods: | | | |
| Exchange gain on translation of foreign operations | | **446** | 472 |
| (Losses)/gains on cash flow hedges, net of tax of $5 million (2016: $5 million) | | **(165)** | 99 |
| Share of comprehensive gain from associates and joint ventures | 9 | **93** | – |
| Unrealised gain on available for sale financial instruments | 9 | **500** | 365 |
| Discontinued operations[1] | | **–** | 43 |
| Items recycled to the statement of income upon disposal of subsidiaries | 24 | **(143)** | 602 |
| **Net items that are or may be reclassified to the statement of income in subsequent periods:** | | **731** | 1,581 |
| **Other comprehensive income** | | **812** | 1,536 |
| **Total comprehensive income** | | **5,974** | 2,472 |
| | | | |
| **Attributable to:** | | | |
| Non-controlling interests | | **(672)** | (411) |
| Equity holders of the Parent | | **6,646** | 2,883 |

1 2016 included exchange gain on translation of foreign operations of $22 million and gain on cash flow hedges net of tax of $21 million.

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

# Consolidated statement of financial position
## As at 31 December 2017

| US$ million | Notes | 2017 | 2016 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | **57,046** | 53,826 |
| Intangible assets | 8 | **6,787** | 6,716 |
| Investments in associates and joint ventures | 9 | **13,998** | 13,086 |
| Other investments | 9 | **2,958** | 1,753 |
| Advances and loans | 10 | **2,976** | 3,483 |
| Inventories | 11 | **369** | 564 |
| Deferred tax assets | 6 | **1,733** | 1,760 |
| | | **85,867** | 81,188 |
| **Current assets** | | | |
| Inventories | 11 | **24,084** | 18,347 |
| Accounts receivable | 12 | **20,359** | 20,066 |
| Other financial assets | 27 | **2,311** | 2,212 |
| Prepaid expenses | | **416** | 269 |
| Cash and cash equivalents | 13 | **2,124** | 2,518 |
| | | **49,294** | 43,412 |
| Assets held for sale | 14 | **432** | – |
| | | **49,726** | 43,412 |
| **Total assets** | | **135,593** | 124,600 |
| | | | |
| **Equity and liabilities** | | | |
| **Capital and reserves – attributable to equity holders** | | | |
| Share capital | 15 | **146** | 146 |
| Reserves and retained earnings | | **49,609** | 44,097 |
| | | **49,755** | 44,243 |
| Non-controlling interests | | **(300)** | (462) |
| **Total equity** | | **49,455** | 43,781 |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | 19 | **24,532** | 23,188 |
| Deferred income | 20 | **2,561** | 2,266 |
| Deferred tax liabilities | 6 | **7,024** | 5,664 |
| Other financial liabilities | 27 | **513** | 403 |
| Provisions including post-retirement benefits | 21 | **7,094** | 5,931 |
| | | **41,724** | 37,452 |
| **Current liabilities** | | | |
| Borrowings | 19 | **9,402** | 10,030 |
| Accounts payable | 23 | **28,826** | 26,176 |
| Deferred income | 20 | **410** | 138 |
| Provisions | 21 | **477** | 458 |
| Other financial liabilities | 27 | **4,522** | 6,386 |
| Income tax payable | | **618** | 179 |
| | | **44,255** | 43,367 |
| Liabilities held for sale | 14 | **159** | – |
| | | **44,414** | 43,367 |
| **Total equity and liabilities** | | **135,593** | 124,600 |

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

# Consolidated statement of cash flows

## For the year ended 31 December 2017

| US$ million | Notes | 2017[1] | 2016[2] |
|---|---|---|---|
| **Operating activities** | | | |
| Income/(loss) before income taxes from continuing operations | | **6,921** | (549) |
| Income before income taxes from discontinued operations | 24 | **–** | 2,254 |
| **Adjustments for:** | | | |
| Depreciation and amortisation | | **5,398** | 5,632 |
| Share of income from associates and joint ventures | 9 | **(1,158)** | (26) |
| Increase/(decrease) in employee benefit liabilities | | **52** | (17) |
| Gains on disposals and investments | 3/24 | **(1,321)** | (2,421) |
| Unrealised mark-to-market movements on other investments | 4 | **(290)** | 121 |
| Impairments | 5 | **628** | 1,268 |
| Other non-cash items – net[3] | | **185** | 3 |
| Interest expense – net | | **1,451** | 1,603 |
| **Cash generated by operating activities before working capital changes** | | **11,866** | 7,868 |
| **Working capital changes** | | | |
| Increase in accounts receivable[4] | | **(1,165)** | (5,005) |
| Increase in inventories | | **(5,614)** | (2,707) |
| Increase in accounts payable[5] | | **1,814** | 5,555 |
| Proceeds from gold and silver streaming | 20 | **–** | 971 |
| **Total working capital changes** | | **(4,965)** | (1,186) |
| Income taxes paid | | **(921)** | (584) |
| Interest received | | **106** | 111 |
| Interest paid | | **(1,269)** | (1,376) |
| **Net cash generated by operating activities** | | **4,817** | 4,833 |
| **Investing activities** | | | |
| Net cash (used)/received in acquisition of subsidiaries | 24 | **(674)** | 176 |
| Net cash received from disposal of subsidiaries | 24 | **706** | 5,535 |
| Purchase of investments | | **(378)** | (15) |
| Proceeds from sale of investments | | **36** | 3 |
| Purchase of property, plant and equipment | 7/8 | **(3,586)** | (3,048) |
| Proceeds from sale of property, plant and equipment | | **282** | 128 |
| Dividends received from associates and joint ventures | 9 | **1,081** | 833 |
| **Net cash (used)/generated by investing activities** | | **(2,533)** | 3,612 |

1 Includes results from assets held for sale, see note 14.
2 Includes results from discontinued operations, see note 24.
3 Includes certain non-cash items as disclosed in note 4.
4 Includes movements in other financial assets, prepaid expenses and long-term advances and loans.
5 Includes movements in other financial liabilities, provisions and deferred income.

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

# Consolidated statement of cash flows

## For the year ended 31 December 2017

| US$ million | Notes | 2017[1] | 2016[2] |
|---|---|---|---|
| **Financing activities[3]** | | | |
| Proceeds from issuance of capital market notes[4] | 19 | **2,026** | 1,366 |
| Repayment of capital market notes | 19 | **(4,539)** | (4,748) |
| Repurchase of capital market notes | 19 | **–** | (2,629) |
| Proceeds from/(repayment of) revolving credit facility | 19 | **501** | (2,644) |
| Proceeds from/(repayment of) other non-current borrowings | 19 | **19** | (79) |
| Repayment of finance lease obligations | 19 | **(105)** | (125) |
| Margin receipts/(payments) in respect of financing related hedging activities | | **1,255** | (695) |
| Proceeds from US commercial papers | 19 | **1,180** | (15) |
| (Repayment of)/proceeds from current borrowings | 19 | **(1,266)** | 1,035 |
| Acquisition of additional interests in subsidiaries | | **(561)** | (7) |
| Return of capital/distributions to non-controlling interests | | **(194)** | (91) |
| Disposal of own shares | | **17** | 3 |
| Distributions paid to equity holders of the Parent | 17 | **(998)** | – |
| **Net cash used by financing activities** | | **(2,665)** | (8,629) |
| Decrease in cash and cash equivalents | | **(381)** | (184) |
| Effect of foreign exchange rate changes | | **20** | (15) |
| Cash and cash equivalents, beginning of year | | **2,508** | 2,707 |
| **Cash and cash equivalents, end of year** | | **2,147** | 2,508 |
| Cash and cash equivalents reported in the statement of financial position | | **2,124** | 2,508 |
| Cash and cash equivalents attributable to assets held for sale | | **23** | – |

1 Includes results from assets held for sale, see note 14.

2 Includes results from discontinued operations, see note 24.

3 Refer to note 19 for reconciliation of movement in borrowings.

4 Net of issuance costs relating to capital market notes of $20 million (2016: $9 million).

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

# Consolidated statement of changes of equity

For the year ended 31 December 2017

| US$ million | (Deficit)/ retained earnings | Share premium | Other reserves (Note 15) | Own shares | Total reserves and (deficit)/ retained earnings | Share capital | Total equity attributable to equity holders | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **1 January 2016** | **(5,099)** | **52,338** | **(4,419)** | **(1,712)** | **41,108** | **146** | **41,254** | **89** | **41,343** |
| Income for the year | 1,379 | – | – | – | 1,379 | – | 1,379 | (443) | 936 |
| Other comprehensive (loss)/income | (45) | – | 1,549 | – | 1,504 | – | 1,504 | 32 | 1,536 |
| **Total comprehensive income** | **1,334** | **–** | **1,549** | **–** | **2,883** | **–** | **2,883** | **(411)** | **2,472** |
| Own share disposal[1] | (9) | – | – | 12 | 3 | – | 3 | – | 3 |
| Equity-settled share-based expenses[2] | 75 | – | – | – | 75 | – | 75 | – | 75 |
| Change in ownership interest in subsidiaries | – | – | 68 | – | 68 | – | 68 | 17 | 85 |
| Disposal of business[3] | (40) | – | – | – | (40) | – | (40) | (66) | (106) |
| Distributions paid[4] | – | – | – | – | – | – | – | (91) | (91) |
| **At 31 December 2016** | **(3,739)** | **52,338** | **(2,802)** | **(1,700)** | **44,097** | **146** | **44,243** | **(462)** | **43,781** |
| **1 January 2017** | **(3,739)** | **52,338** | **(2,802)** | **(1,700)** | **44,097** | **146** | **44,243** | **(462)** | **43,781** |
| Income for the year | 5,777 | – | – | – | 5,777 | – | 5,777 | (615) | 5,162 |
| Other comprehensive income | 174 | – | 695 | – | 869 | – | 869 | (57) | 812 |
| **Total comprehensive income** | **5,951** | **–** | **695** | **–** | **6,646** | **–** | **6,646** | **(672)** | **5,974** |
| Own share disposal[1] | (60) | – | – | 125 | 65 | – | 65 | – | 65 |
| Equity-settled share-based expenses[2] | 105 | – | – | – | 105 | – | 105 | – | 105 |
| Change in ownership interest in subsidiaries | – | – | (318) | – | (318) | – | (318) | 1,057 | 739 |
| Disposal of business[3] | 12 | – | – | – | 12 | – | 12 | (29) | (17) |
| Distributions paid[4] | – | (998) | – | – | (998) | – | (998) | (194) | (1,192) |
| **At 31 December 2017** | **2,269** | **51,340** | **(2,425)** | **(1,575)** | **49,609** | **146** | **49,755** | **(300)** | **49,455** |

1 See note 15.
2 See note 18.
3 See note 24.
4 See note 17.

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

## 1. ACCOUNTING POLICIES

### Corporate information

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

Glencore plc is a publicly traded limited company incorporated in Jersey and domiciled in Switzerland. Its ordinary shares are traded on the London and Johannesburg stock exchanges. On 31 January 2018, the Company delisted its shares from the Hong Kong stock exchange.

This preliminary announcement was authorised for issue in accordance with a Directors’ resolution on 20 February 2018.

The unaudited financial information for the year ended 31 December 2017 and audited financial information for the year ended 31 December 2016 contained in this document do not constitute statutory accounts as defined in Article 105 of Companies (Jersey) Law 1991. The financial information for the year ended 31 December 2017 has been extracted from the financial statements of Glencore which will be delivered to the Registrar in due course. The audit report for 31 December 2017 is yet to be signed by the auditors.

### Statement of compliance

The accounting policies adopted in this preliminary announcement are based on the Company’s financial statements which are prepared in accordance with:

- International Financial Reporting Standards (“IFRS”) and interpretations as adopted by the European Union (“EU”) effective as of 31 December 2017; and
- IFRS and interpretations as issued by the International Accounting Standards Board (“IASB”) effective as of 31 December 2017.

### Critical accounting judgements and key sources of estimation uncertainty

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

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

### Critical accounting judgements

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

#### (i) Determination of control of subsidiaries and joint arrangements

Judgement is required to determine when Glencore has control of subsidiaries or joint control of joint arrangements. This requires an assessment of the relevant activities (those relating to the operating and capital decisions of the arrangement, such as: the approval of the capital expenditure programme for each year, and appointing, remunerating and terminating the key management personnel or service providers of the operations) and when the decisions in relation to those activities are under the control of Glencore or require unanimous consent. See note 24 for a summary of the acquisitions of subsidiaries completed during the year and the key judgements made in determining control thereof.

## 1. ACCOUNTING POLICIES (continued)

Judgement is also required in determining the classification of a joint arrangement between a joint venture or a joint operation through an evaluation of the rights and obligations arising from the arrangement and in particular, if the joint arrangement has been structured through a separate vehicle, further consideration is required of whether:

(1) the legal form of the separate vehicle gives the parties rights to the assets and obligations for the liabilities;

(2) the contractual terms and conditions give the parties rights to the assets and obligations for the liabilities; and

(3) other facts and circumstances give the parties rights to the assets and obligations for the liabilities.

Joint arrangements in which the primary activity is the provision of output to the shareholders, typically convey substantially all the economic benefits of the assets to the parties and judgement is required in assessing whether the terms of the offtake agreements and any other obligations for liabilities of the arrangement result in the parties being substantially the only source of cash flows contributing to the continuity of the operations of the arrangement.

Certain joint arrangements that are structured through separate vehicles including Collahuasi, Glencore Agri and QHG are accounted for as joint ventures. The Collahuasi arrangement is primarily designed for the provision of output to the shareholders sharing joint control, the offtake terms of which are at prevailing market prices and the parties are not obligated to cover any potential funding shortfalls. In management's judgement, Glencore is not the only possible source of funding and does not have a direct or indirect obligation to the liabilities of the arrangement, but rather shares in its net assets and, therefore, such arrangements have been accounted for as joint ventures.

Differing conclusions around these judgements, may materially impact how these businesses are presented in the consolidated financial statements – under the full consolidation method, equity method or recognition of Glencore's share of assets, liabilities, revenue and expenses, including any assets or liabilities held jointly. See note 9 for a summary of these joint arrangements and the key judgements made in determining the applicable accounting treatment for the material joint arrangements entered during the year.

### (ii) Credit and performance risk (note 25)

The Group's global marketing operations expose it to credit and performance (the risk that counterparties fail to sell or purchase physical commodities on agreed terms) risks; these arise particularly in markets demonstrating significant price volatility with limited liquidity and terminal markets and when global and/or regional macro-economic conditions are weak.

Continuously, but particularly during such times, judgement is required to determine whether receivables, loans and advances are recoverable and if contracted product deliveries will be received. Judgements about recoverability and contractual performance may materially impact both non-current and current assets as recognised in the statement of financial position. Any estimation uncertainty related to these judgements is not anticipated to result in a material change to the carrying value of these assets within the next financial year.

### (iii) Classification of transactions which contain a financing element (notes 19, 20 and 23)

Transactions for the sale or purchase of commodities may contain a financing element such as extended payment terms. Judgement is required to determine the most appropriate classification and presentation of these transactions within the statements of cash flows and financial position. In determining the appropriate classification, management considers the underlying economic substance of the transaction and the significance of the financing element to the transaction. Typically the economic substance of the transaction is determined to be operating in nature, i.e. predominantly related to the sale or purchase of commodities as the financing element is insignificant and the entire cash flow will therefore be presented as operating in the statement of cash flow with a corresponding trade receivable or payable in the statement of financial position.

### Key sources of estimation uncertainty

In the process of applying Glencore's accounting policies, management has made key estimates and assumptions concerning the future and other key sources of estimation uncertainty. The key assumptions and estimates at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

### (i) Recognition of deferred tax assets (note 6)

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

## 1. ACCOUNTING POLICIES (continued)

### (ii) Impairments and impairment reversals (notes 4 and 5)

Investments in associates and joint ventures, other investments, advances and loans, property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable or at least annually for goodwill and other indefinite life intangible assets. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognised in the consolidated statement of income. For those assets which were impaired in prior periods, if their recoverable amount exceeds their carrying amount, an impairment reversal is recorded in the consolidated statement of income. Future cash flow estimates which are used to calculate the asset's fair value are discounted using asset specific discount rates and are based on expectations about future operations, primarily comprising estimates about production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves and resources, operating costs, rehabilitation and restoration costs and capital expenditures. Estimates are reviewed regularly by management. Changes in such estimates and in particular, deterioration in the pricing outlook, could impact the recoverable values of these assets, whereby some or all of the carrying amount may be impaired or the impairment charge reversed (if pricing outlook improves significantly) with the impact recorded in the statement of income.

### (iii) Restoration, rehabilitation and decommissioning costs (note 21)

A provision for future restoration, rehabilitation and decommissioning costs requires estimates and assumptions to be made around the relevant regulatory framework, the magnitude of the possible disturbance and the timing, extent and costs of the required closure and rehabilitation activities. Most of these rehabilitation and decommissioning events are expected to take place many years in the future and the currently estimated requirements and costs that will have to be met when the restoration event occurs are inherently uncertain and could materially change over time.

In calculating the appropriate provision for the expected restoration, rehabilitation or decommissioning obligations, cost estimates of the future potential cash outflows based on current studies of the expected rehabilitation activities and timing thereof, are prepared. These forecasts are then discounted to their present value using a risk free rate specific to the liability and the currency in which they are denominated.

Any changes in the expected future costs are initially reflected in both the provision and the asset and subsequently in the consolidated statement of income over the remaining economic life of the asset. As the actual future costs can differ from the estimates due to changes in laws, regulations, technology, costs and timing, the provisions including the estimates and assumptions contained therein are reviewed regularly by management.

*Change in estimate*

In the prior year, estimates for potential likely prolongation of the underlying timing assumptions and an anticipated benefit of eventually realising costs lower than those estimated, were combined with the country/currency specific risk free rates in deriving applicable liability specific discount rates. In the current year, these cost and timing considerations have been incorporated directly into the underlying cash flow forecasts with the revised estimates discounted using a risk free rate specific to the liability and currency in which the forecasts are denominated. As a result of this change in estimate, there was no initial impact on equity as the rehabilitation provision increased by $312 million, with a resulting equivalent increase in property, plant and equipment.

### (iv) Fair value measurements (notes 9, 11, 24, 26 and 27)

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

Derivative instruments are carried at fair value for which Glencore evaluates the quality and reliability of the assumptions and data used to measure fair value in the three hierarchy levels, Level 1, 2 and 3, as prescribed by IFRS 13 *Fair Value Measurement*. Fair values are determined in the following ways: externally verified via comparison to quoted market prices in active markets (Level 1); by using models with externally verifiable inputs (Level 2); or by using alternative procedures such as comparison to comparable instruments and/or using models with unobservable market inputs requiring Glencore to make market-based assumptions (Level 3). Level 3 inputs therefore include the highest level of estimation uncertainty.

## 1. ACCOUNTING POLICIES (continued)

### Adoption of revised standards

In the current year, Glencore has applied revised IFRS standards which were adopted as of 1 January 2017:

(i) Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses

The amendment to IAS 12 clarifies the accounting treatment for deferred tax assets related to debt instruments measured at fair value. The adoption of this amendment has had no material impact on the Group.

(ii) Amendments to IAS 7 – Statement of cash flows: Disclosure initiative

The amendment to IAS 7 requires entities to provide disclosures about changes in their liabilities arising from financing activities, including changes arising from financing cash flows and non-cash changes (such as foreign exchange movements). The Group has included a reconciliation of cash flow movements in borrowings in note 19 to comply with this amendment.

### New and revised standards not yet effective

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

(i) Amendments to IFRS 2 – Classification and measurement of share-based payment transactions – effective for year ends beginning on or after 1 January 2018

The amendments to IFRS 2 *Share-based payments* clarify the classification and measurement of share-based payments transactions with respect to accounting for cash-settled share-based payment transactions that include a performance obligation, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The Group has assessed the impact of the change on its consolidated financial statements and it does not expect any material impact.

(ii) IFRS 9 – Financial Instruments – effective for year ends beginning on or after 1 January 2018

IFRS 9 will supersede IAS 39 'Financial Instruments: Recognition and Measurement' and covers classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

The Group has undertaken a comprehensive analysis of the impact of the new standard based on the financial instruments it holds and the way in which they are used. As a result of the analysis, it is anticipated that there will be no material impact on the face of the statement of financial position or in the statement of income, however there will be presentational changes in some of our note disclosures, as well as additional disclosures around classification and measurement of financial instruments which are summarised as follows:

*Expected credit loss model*

The new standard introduces an expected loss impairment model for financial assets held at amortised cost, which means that anticipated as opposed to impending credit losses will be recognised resulting in the likely earlier recognition of impairment. This change is not expected to have a material impact on the Group's results, given the low exposure to counterparty default risk as a result of the credit risk management processes that are in place.

*Hedge accounting*

The new standard introduces a less prescriptive basis to adopt hedge accounting. This change is not expected to materially impact the amounts recognised in relation to existing hedging arrangements.

*Classification and measurement*

IFRS 9 modifies the classification and measurement of certain classes of financial assets and liabilities and will require the Group to reassess classification of financial assets from four to three primary categories (amortised cost, fair value through profit and loss, fair value through other comprehensive income), reflecting the business model in which assets are managed and their cash flow characteristics. These modifications will result in presentational changes to the additional detail provided primarily in the advances and loans (note 10), accounts receivable (note 12) and accounts payable (note 23) note disclosures to reflect the business model and cash flow characteristics of these assets and liabilities and group them into their respective IFRS 9 category or other IFRS classification. A summary of the expected presentational changes on our 31 December 2017 balances is as follows:

## 1. ACCOUNTING POLICIES (continued)

| US$ million | Notes | Current presentation | IFRS 9 Presentational changes: Held at amortised cost | Held at fair value through profit and loss | Non-financial instruments | **Total** |
|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | |
| Other non-current receivables and loans | 10 | 2,475 | 804 | – | 1,671 | **2,475** |
| Trade receivables | 12 | 11,915 | 4,623 | 7,292 | – | **11,915** |
| Trade advances | 12 | 2,110 | 19 | – | 2,091 | **2,110** |
| Other receivables | 12 | 2,259 | 621 | – | 1,638 | **2,259** |
| **Financial liabilities:** | | | | | | |
| Trade payables | 23 | 24,664 | 8,642 | 16,022 | – | **24,664** |
| Trade advances from buyers | 23 | 451 | – | – | 451 | **451** |
| Other payables and accrued liabilities | 23 | 2,216 | 2,015 | – | 201 | **2,216** |

*Classification of other investments*

Upon implementation, IFRS 9 provides companies with the option to irrevocably designate investments in equity instruments as at fair value through other comprehensive income, provided certain criteria are met. Such investments are presented as other investments in note 9. The Group has evaluated the applicable criteria and intends to designate all its equity investments as fair value through other comprehensive income upon adoption of IFRS 9. For the year ended 31 December 2017, the fair value movements recognised on the investments currently classified as fair value through profit or loss in the consolidated statement of income were $23 million, and as a result of the designation of these investments as fair value through other comprehensive income, the respective fair value movements will be recognised in other comprehensive income subsequent to 1 January 2018.

(iii) IFRS 15 – Revenue from Contracts with Customers – effective for year ends beginning on or after 1 January 2018

IFRS 15 applies to revenue from contracts with customers and replaces all of the revenue standards and interpretations in IFRS. The standard outlines the principles an entity must apply to measure and recognise revenue and the related cash flows. The Group has undertaken a comprehensive analysis of the impact of the new standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under IFRS 15. As the majority of the Group's revenue is derived from arrangements in which the transfer of risks and rewards coincides with the fulfilment of performance obligations and transfer of control as defined by IFRS 15, no material changes in respect of timing and amount of revenue currently recognised by the Group are expected. In addition, IFRS 15 requires that 'distinct' promised goods or services, such as insurance and freight services to deliver the contracted goods to the customers, if material, be deferred and recognised over time as the obligation is fulfilled. The impact of this change is also not material, however the revenue earned from these activities is required to be separately disclosed and thus there will be presentational changes in our revenue related note disclosures.

(iv) IFRS 16 – Leases – effective for year ends beginning on or after 1 January 2019

IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment (on-balance sheet) in the financial statements of both lessees and lessors. It supersedes IAS 17 *Leases* and its associated interpretative guidance. Under the new standard, a lessee is required to recognise the present value of the unavoidable lease payments as a lease liability on the statement of financial position (including those currently classified as operating leases) with a corresponding right of use asset. The unwind of the financial charge on the lease liability and amortisation of the leased asset are recognised in the statement of income based on the implied interest rate and contract term respectively. Although the Group is still evaluating the potential impact of IFRS 16 on the financial statements and performance measures, including an assessment of whether any arrangements the Group enters into will be considered a lease under IFRS 16, the Group's recognised assets and liabilities will increase and affect the presentation and timing of related depreciation and interest charges in the consolidated statement of income. Upon adoption of IFRS 16, the most significant impact will be the present value of the operating lease commitments (see note 29) being shown as a liability on the statement of financial position together with an asset representing the right of use which are unwound and amortised to the statement of income over time.

## 1. ACCOUNTING POLICIES (continued)

### Basis of preparation

The financial statements are prepared under the historical cost convention except for certain financial assets, liabilities, marketing inventories and pension obligations that are measured at revalued amounts or fair values at the end of each reporting period as explained in the accounting policies below. Historical cost is defined as the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. The principal accounting policies adopted are set out below.

The Directors have assessed that they have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months from the date of approval of the 2017 Annual Report and Accounts. Therefore, they continue to adopt the going concern basis of accounting in preparing these financial statements. Further information on Glencore's objectives, policies and processes for managing its capital and financial risks are detailed in note 25.

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

### Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

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

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

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

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

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

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

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

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

## 1. ACCOUNTING POLICIES (continued)

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

### Investments in associates and joint ventures

Associates and joint ventures (together “Associates”) in which Glencore exercises significant influence or joint control are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence is presumed if Glencore holds between 20% and 50% of the voting rights, unless evidence exists to the contrary. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about relevant strategic and/or key operating decisions require unanimous consent of the parties sharing control.

Equity accounting involves Glencore recording its share of the Associate’s net income and equity. Glencore’s interest in an Associate is initially recorded at cost and is subsequently adjusted for Glencore’s share of changes in net assets of the Associate, less any impairment in the value of individual investments. Where Glencore transacts with an Associate, unrealised profits and losses are eliminated to the extent of Glencore’s interest in that Associate.

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

### Joint operations

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

When Glencore undertakes its activities under joint operations, Glencore recognises in relation to its interest in a joint operation:

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

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

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

## 1. ACCOUNTING POLICIES (continued)

### Business combinations and goodwill

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

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

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

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

Similar procedures are applied in accounting for the purchases of interests in Associates and joint operations. Any goodwill arising from such purchases is included within the carrying amount of the investment in Associates, but not amortised thereafter. Any excess of Glencore’s share of the net fair value of the Associate’s identifiable net assets over the cost of the investment is included in the consolidated statement of income in the period of the purchase.

### Non-current assets held for sale and disposal groups

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

### Revenue recognition

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

## 1. ACCOUNTING POLICIES (continued)

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

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

### Foreign currency translation

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

#### (i) Foreign currency transactions

Transactions in foreign currencies are converted into the functional currency of each entity using the exchange rate prevailing at the transaction date. Monetary assets and liabilities outstanding at year-end are converted at year-end rates. The resulting exchange differences are recorded in the consolidated statement of income.

#### (ii) 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 US dollar are translated into US dollars using year-end exchange rates, while their statements of income are translated using average rates of exchange for the year.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate. Translation adjustments are included as a separate component of shareholders' equity and have no consolidated statement of income impact to the extent that no disposal of the foreign operation has occurred.

### Borrowing costs

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

### Retirement benefits

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

Glencore uses the Projected Unit Credit Actuarial method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

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

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

## 1. ACCOUNTING POLICIES (continued)

### Share-based payments

(i) Equity-settled share-based payments

Equity-settled share-based payments are measured at the fair value of the awards based on the market value of the shares at the grant date. Fair value excludes the effect of non-market-based vesting conditions. The fair value is charged to the consolidated statement of income and credited to retained earnings on a straight-line basis over the period the estimated awards are expected to vest.

At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained earnings.

(ii) Cash-settled share-based payments

For cash-settled share-based payments, a liability is initially recognised at fair value based on the estimated number of awards that are expected to vest, adjusting for market and non-market-based performance conditions. Subsequently, at each reporting period until the liability is settled, it is remeasured to fair value with any changes in fair value recognised in the consolidated statement of income.

### Income taxes

Income taxes consist of current and deferred income taxes. Current taxes represent income taxes expected to be payable based on enacted or substantively enacted tax rates at the period end on expected current taxable income, and any adjustment to tax payable in respect of previous years. Deferred taxes are recognised for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income, using enacted or substantively enacted income tax rates which are expected to be effective at the time of reversal of the underlying temporary difference. Deferred tax assets and unused tax losses are only recognised to the extent that their recoverability is probable. Deferred tax assets are reviewed at reporting period end and amended to the extent that it is no longer probable that the related benefit will be realised. To the extent that a deferred tax asset not previously recognised subsequently fulfils the criteria for recognition, an asset is then recognised.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same authority and Glencore has both the right and the intention to settle its current tax assets and liabilities on a net or simultaneous basis. The tax effect of certain temporary differences is not recognised principally with respect to the initial recognition of an asset or liability (other than those arising in a business combination or in a manner that initially impacted accounting or taxable profit) and temporary differences relating to investments in subsidiaries and Associates to the extent that Glencore can control the timing of the reversal of the temporary difference and it is probable the temporary difference will not reverse in the foreseeable future. Deferred tax is provided in respect of fair value adjustments on acquisitions. These adjustments may relate to assets such as extraction rights that, in general, are not eligible for income tax allowances.

Current and deferred tax are recognised as an expense or income in the consolidated statement of income, except when they relate to items that are recognised outside the consolidated statement of income (whether in other comprehensive income or directly in equity) or where they arise from the initial accounting for a business combination.

Royalties, extraction taxes and other levies/taxes are treated as taxation arrangements when they have the characteristics of an income tax including being imposed and determined in accordance with regulations established by the respective government's taxation authority and the amount payable is based on taxable income – rather than physical quantities produced or as a percentage of revenues – after adjustment for temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements that do not satisfy these criteria are recognised as current provisions and included in cost of goods sold.

Glencore assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. Inherent uncertainties exist in estimates of tax contingencies due to complexities of interpretation and changes in tax laws. For those matters where it is probable that an adjustment will be made, the Group records its best estimate of these tax liabilities, including related interest charges.

## 1. ACCOUNTING POLICIES (continued)

### Property, plant and equipment

Property, plant and equipment are stated at cost, being the fair value of the consideration given to acquire or construct the asset, including directly attributable costs required to bring the asset to the location or to a condition necessary for operation and the direct cost of dismantling and removing the asset, less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are depreciated to their estimated residual value over the estimated useful life of the specific asset concerned, or the estimated remaining life of the associated mine ("LOM"), field or lease.

Depreciation commences when the asset is available for use. The major categories of property, plant and equipment are depreciated/amortised on a units of production ("UOP") and/or straight-line basis as follows:

| | |
|---|---|
| Buildings | 10 – 45 years |
| Freehold land | not depreciated |
| Plant and equipment | 3 – 30 years/UOP |
| Mineral and petroleum rights | UOP |
| Deferred mining costs | UOP |

Assets under finance leases, where substantially all the risks and rewards of ownership transfer to the Group as lessee, are capitalised and amortised over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. All other leases are classified as operating leases, the expenditures for which are recognised in the statement of income on a straight-line basis over the lease term.

#### (i) Mineral and petroleum rights

Mineral and petroleum reserves, resources and rights (together "Mineral and petroleum rights") which can be reasonably valued, are recognised in the assessment of fair values on acquisition. Mineral and petroleum rights for which values cannot be reasonably determined are not recognised. Exploitable Mineral and petroleum rights are amortised using the UOP basis over the commercially recoverable reserves and, in certain circumstances, other mineral resources. Mineral resources are included in amortisation calculations where there is a high degree of confidence that they will be extracted in an economic manner.

#### (ii) Exploration and evaluation expenditure

Exploration and evaluation expenditure relates to costs incurred in the exploration and evaluation of potential mineral and petroleum resources and includes costs such as exploration and production licences, researching and analysing historical exploration data, exploratory drilling, trenching, sampling and the costs of pre-feasibility studies. Exploration and evaluation expenditure for each area of interest, other than that acquired from another entity, is charged to the consolidated statement of income as incurred except when the expenditure is expected to be recouped from future exploitation or sale of the area of interest and it is planned to continue with active and significant operations in relation to the area, or at the reporting period end, the activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves, in which case the expenditure is capitalised. As the intangible component (i.e. licences) represents an insignificant and indistinguishable portion of the overall expected tangible amount to be incurred and recouped from future exploitation, these costs along with other capitalised exploration and evaluation expenditure are recorded as a component of property, plant and equipment. Purchased exploration and evaluation assets are recognised at their fair value at acquisition.

As the capitalised exploration and evaluation expenditure asset is not available for use, it is not depreciated. All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, an assessment is performed for each area of interest or at the CGU level. To the extent that capitalised expenditure is not expected to be recovered it is charged to the consolidated statement of income.

Administration costs that are not directly attributable to a specific exploration area are charged to the consolidated statement of income. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

## 1. ACCOUNTING POLICIES (continued)

*Development expenditure*

When commercially recoverable reserves are determined and such proposed development receives the appropriate approvals, capitalised exploration and evaluation expenditure is transferred to construction in progress, a component within the plant and equipment asset sub-category. All subsequent development expenditure is similarly capitalised, provided commercial viability conditions continue to be satisfied. Proceeds from the sale of product extracted during the development phase are netted against development expenditure. Upon completion of development and commencement of production, capitalised development costs are further transferred, as required, to the appropriate plant and equipment asset category and depreciated using the unit of production method (“UOP”) or straight-line basis.

### (iii) Deferred mining costs

Mainly comprises certain capitalised costs related to underground mining as well as pre-production and in-production stripping activities as outlined below. Deferred mining costs are amortised using the UOP basis over the life of the ore body to which those costs relate.

*Deferred stripping costs*

Stripping costs incurred in the development of a mine (or pit) before production commences are capitalised as part of the cost of constructing the mine (or pit) and subsequently amortised over the life of the mine (or pit) on a UOP basis.

In-production stripping costs related to accessing an identifiable component of the ore body to realise benefits in the form of improved access to ore to be mined in the future (stripping activity asset), are capitalised within deferred mining costs provided all the following conditions are met:

(a) it is probable that the future economic benefit associated with the stripping activity will be realised;

(b) the component of the ore body for which access has been improved can be identified; and

(c) the costs relating to the stripping activity associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of income as they are incurred.

The stripping activity asset is subsequently depreciated on a UOP basis over the life of the identified component of the ore body that became more accessible as a result of the stripping activity and is then stated at cost less accumulated depreciation and any accumulated impairment losses.

### (iv) Biological assets

Biological assets are carried at their fair value less estimated selling costs. Any changes in fair value less estimated selling costs are included in the consolidated statement of income in the period in which they arise.

### Restoration, rehabilitation and decommissioning

Restoration, rehabilitation and decommissioning costs arising from the installation of plant and other site preparation work, discounted using a risk free rate specific to the liability and the currency in which they are denominated to their net present value, are provided for and capitalised at the time such an obligation arises. The costs are charged to the consolidated statement of income over the life of the operation through depreciation of the asset and the unwinding of the discount on the provision.

Costs for restoration of subsequent site disturbance, which is created on an ongoing basis during production, are provided for at their net present values and charged to the consolidated statement of income as extraction progresses.

Changes in the estimated timing of the rehabilitation or changes to the estimated future costs are accounted for prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, provided a reduction, if any, in the provision is not greater than the depreciated capitalised cost of the related asset, in which case the capitalised cost is reduced to Nil and the remaining adjustment recognised in the consolidated statement of income. In the case of closed sites, changes to estimated costs are recognised immediately in the consolidated statement of income.

## 1. ACCOUNTING POLICIES (continued)

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any.

Internally generated intangibles are not capitalised. Instead, the related expenditure is recognised in the consolidated statement of income and other comprehensive income in the period in which the expenditure is incurred.

Identifiable intangible assets with a finite life are amortised on a straight-line basis over their expected useful life. The amortisation method and period are reviewed annually and impairment testing is undertaken when circumstances indicate the carrying amount may not be recoverable. Other than goodwill which is not depreciated, Glencore has no identifiable intangible assets with an indefinite life.

The major categories of intangibles are amortised on a straight-line basis as follows:

| | |
|---|---|
| Port allocation rights | 30 – 40 years |
| Licences, trademarks and software | 3 – 20 years |
| Royalty arrangements | 20 – 30 years |
| Acquired offtake arrangements | 5 – 10 years |

#### Goodwill impairment testing

For the purpose of impairment testing, goodwill has been allocated to the CGUs, or groups of CGUs, that are expected to benefit from the synergies of the business combination and which represent the level at which management monitors and manages the goodwill. In assessing whether an impairment is required, the carrying value of the CGU is compared with its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal (“FVLCD”) and its value in use (“VIU”). If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

### Other investments

Equity investments, other than investments in Associates, are recorded at fair value unless such fair value is not reliably determinable in which case they are carried at cost. Changes in fair value are recorded in the consolidated statement of income unless they are classified as available for sale, in which case fair value movements are recognised in other comprehensive income and are subsequently recognised in the consolidated statement of income when realised by sale or redemption, or when a reduction in fair value is judged to be a significant or prolonged decline.

### Impairment or impairment reversals

Glencore conducts, at least annually, an internal review of asset values which is used as a source of information to assess for any indications of impairment or impairment reversal. Formal impairment tests are carried out, at least annually, for cash-generating units containing goodwill and for all other non-current assets when events or changes in circumstances indicate the carrying value may not be recoverable.

A formal impairment or reversal test involves determining whether the carrying amounts are in excess (or below, as the case may be) of their recoverable amounts. An asset’s recoverable amount is determined as the higher of its fair value less costs of disposal and its value in use. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash flows independent of other assets, in which case the review is undertaken at the CGU level.

If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded in the consolidated statement of income to reflect the asset at the lower amount.

For those assets which were impaired in prior periods, if their recoverable amount exceeds their carrying amount, an impairment reversal is recorded in the consolidated statement of income to reflect the asset at the higher amount to the extent the increased carrying amount does not exceed the carrying value of the asset that would have been determined had no impairment been recognised.

Goodwill impairments and impairments of available for sale equity investments cannot be subsequently reversed.

### Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation, including interpretation of specific laws and likelihood of settlement. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

### Onerous contracts

An onerous contract is considered to exist where Glencore has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Present obligations arising under onerous contracts are recognised and measured as provisions.

### Unfavourable contracts

An unfavourable contract is considered to exist when Glencore, in a business combination, acquires a contract under which the terms of the contract require Glencore to sell products or purchase services on terms which are economically unfavourable compared to current market terms at the time of the business combination. Unfavourable contracts are recognised at the present value of the economic loss and amortised into the statement of income over the term of the contract.

### Inventories

The vast majority of inventories attributable to the marketing activities ("marketing inventories") are valued at fair value less costs of disposal with the remainder valued at the lower of cost or net realisable value. Unrealised gains and losses from changes in fair value are reported in cost of goods sold.

Inventories held by the industrial activities ("production inventories") are valued at the lower of cost or net realisable value. Cost is determined using the first-in-first-out ("FIFO") or the weighted average method and comprises material costs, labour costs and allocated production related overhead costs. Financing and storage costs related to inventory are expensed as incurred.

### Cash and cash equivalents

Cash and cash equivalents comprise cash held at bank, cash in hand and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

### Financial instruments

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments or available for sale financial assets depending upon the purpose for which the financial assets were acquired. Financial assets are initially recognised at fair value on the trade date, including, in the case of instruments not recorded at fair value through profit or loss, directly attributable transaction costs. Subsequently, financial assets are carried at fair value (other investments, derivatives and marketable securities) or amortised cost less impairment (accounts receivable and advances and loans). Financial liabilities other than derivatives are initially recognised at fair value of consideration received net of transaction costs as appropriate and subsequently carried at amortised cost.

#### (i) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the loss is recognised in the statement of income.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

## 1. ACCOUNTING POLICIES (continued)

(ii) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

### Own shares

The cost of purchases of own shares is deducted from equity. Where they are purchased, issued to employees or sold, no gain or loss is recognised in the consolidated statement of income. Such gains and losses are recognised directly in equity. Any proceeds received on disposal of the shares or transfers to employees are recognised in equity.

### Derivatives and hedging activities

Derivative instruments, which include physical contracts to sell or purchase commodities that do not meet the own use exemption, are initially recognised at fair value when Glencore becomes a party to the contractual provisions of the instrument and are subsequently remeasured to fair value at the end of each reporting period. Fair values are determined using quoted market prices, dealer price quotations or using models and other valuation techniques, the key inputs for which include current market and contractual prices for the underlying instrument, time to expiry, yield curves, volatility of the underlying instrument and counterparty risk.

Gains and losses on derivative instruments for which hedge accounting is not applied, other than the revenue adjustment mechanism embedded within provisionally priced sales, are recognised in cost of goods sold.

Those derivatives qualifying and designated as hedges are either (i) a Fair Value Hedge of the change in fair value of a recognised asset or liability or an unrecognised firm commitment, or (ii) a Cash Flow Hedge of the change in cash flows to be received or paid relating to a recognised asset or liability or a highly probable transaction.

A change in the fair value of derivatives designated as a Fair Value Hedge is reflected together with the change in the fair value of the hedged item in the consolidated statement of income.

A change in the fair value of derivatives designated as a Cash Flow Hedge is initially recognised as a cash flow hedge reserve in shareholders' equity. The deferred amount is then released to the consolidated statement of income in the same periods during which the hedged transaction affects the consolidated statement of income. Hedge ineffectiveness is recorded in the consolidated statement of income when it occurs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in shareholders' equity and is recognised in the consolidated statement of income when the committed or forecast transaction is ultimately recognised in the consolidated statement of income. However, if a forecast or committed transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the consolidated statement of income.

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

## 2. SEGMENT INFORMATION

Glencore is organised and operates on a worldwide basis in three core business segments – Metals and minerals, Energy products and Agricultural products, with each business segment responsible for the marketing, sourcing, hedging, logistics and industrial investment activities of their respective products and reflecting the structure used by Glencore's management to assess the performance of Glencore.

The business segments' contributions to the Group are primarily derived from the net margin or premium earned from physical marketing activities (net sale and purchase of physical commodities), provision of marketing and related value-add services and the margin earned from Industrial asset activities (net resulting from the sale of physical commodities over the cost of production and/or cost of sales) and comprise the following underlying key commodities:

- Metals and minerals: Zinc, copper, lead, alumina, aluminium, ferroalloys, nickel, cobalt and iron ore, including smelting, refining, mining, processing and storage related operations of the relevant commodities;
- Energy products: Crude oil, oil products, steam coal and metallurgical coal, including investments in coal mining and oil production operations, ports, vessels and storage facilities; and
- Agriculture products: Wheat, corn, canola, barley, rice, oil seeds, meals, edible oils, biofuels, cotton and sugar supported by investments in storage, handling, processing and port facilities.

Corporate and other: consolidated statement of income amount represents unallocated Group related expenses (including variable pool bonus charges). Statement of financial position amounts represent Group related balances.

The financial performance of the segments is principally evaluated by management with reference to Adjusted EBIT/EBITDA which is the net result of segmental revenue (revenue including Proportionate adjustments as defined in the Alternative performance measure section) less cost of goods sold and selling and administrative expenses plus share of income from associates and joint ventures, dividend income and the attributable share of Adjusted EBIT/EBITDA of relevant material associates and joint ventures, which are accounted for internally by means of proportionate consolidation, excluding significant items. The 2016 segment information includes the Agricultural products business which was disclosed as a discontinued operation until the close of its 50% sale on 1 December 2016, see note 24. Following completion of the sale, the results from Agricultural products have been combined under Marketing activities and the 2016 comparatives (relating to Agricultural 2016 Industrial revenue of $3,292 million and EBITDA/EBIT of $138 million and $104 million respectively) in respect thereof have been reclassified from Industrial to Marketing activities in the below tables, consistent with how the business' performance is monitored by Glencore's management.

The accounting policies of the operating segments are the same as those described in note 1 with the exception of relevant material associates and joint ventures. Under IFRS 11, Glencore's investments in the Antamina copper/zinc mine (34% owned) and the Cerrejón coal mine (33% owned) are considered to be associates as they are not subject to joint control and the Collahuasi copper mine (44% owned) and Glencore Agri (50% owned) are considered to be joint ventures. Associates and joint ventures are required to be accounted for in Glencore's financial statements under the equity method. For internal reporting and analysis, Glencore evaluates the performance of these investments under the proportionate consolidation method, reflecting Glencore's proportionate share of the revenues, expenses, assets and liabilities of the investments. Under IFRS 5, 100% of the results of the Agricultural business segment up to the date of completion of the sale were presented as a discontinued operation in the Group's statement of income, following the agreed sale of a 50% interest in Glencore Agri, see note 24. Prior to completion of the sale, Glencore evaluated the performance of this segment under the full consolidation method, consistent with prior periods. The balances as presented for internal reporting purposes are reconciled to Glencore's statutory disclosures in the following tables and/or in the Alternative performance measure section.

## 2. SEGMENT INFORMATION (continued)

Glencore accounts for intra-segment sales and transfers where applicable as if the sales or transfers were to third parties, i.e. at arm's length commercial terms.

| 2017<br>US$ million | Metals and minerals | Energy products | Agricultural products | Corporate and other | Total |
|---|---|---|---|---|---|
| Revenue – Marketing activities[1] | 51,017 | 118,199 | 12,611 | – | **181,827** |
| Revenue – Industrial activities | 29,448 | 10,067 | – | 37 | **39,552** |
| **Revenue** | 80,465 | 128,266 | 12,611 | 37 | **221,379** |
| Proportionate adjustment – revenue[2] | (2,502) | (790) | (12,611) | – | **(15,903)** |
| **Revenue – reported measure** | 77,963 | 127,476 | – | 37 | **205,476** |
| | | | | | |
| **Marketing activities** | | | | | |
| Adjusted EBITDA | 2,029 | 1,054 | 316 | (175) | **3,224** |
| Depreciation and amortisation | (24) | (64) | – | – | **(88)** |
| Proportionate adjustment – depreciation[2] | – | – | (124) | – | **(124)** |
| **Adjusted EBIT** | 2,005 | 990 | 192 | (175) | **3,012** |
| **Industrial activities** | | | | | |
| Adjusted EBITDA | 8,281 | 3,599 | – | (342) | **11,538** |
| Depreciation and amortisation | (3,274) | (1,998) | – | (38) | **(5,310)** |
| Proportionate adjustment – depreciation[2] | (511) | (177) | – | – | **(688)** |
| **Adjusted EBIT** | 4,496 | 1,424 | – | (380) | **5,540** |
| | | | | | |
| **Total Adjusted EBITDA** | 10,310 | 4,653 | 316 | (517) | **14,762** |
| Total depreciation and amortisation | (3,298) | (2,062) | – | (38) | **(5,398)** |
| Total depreciation proportionate adjustment | (511) | (177) | (124) | – | **(812)** |
| **Total Adjusted EBIT** | 6,501 | 2,414 | 192 | (555) | **8,552** |
| | | | | | |
| Share of associates' significant items[2,3] | | | | | **(6)** |
| Unrealised intergroup profit elimination adjustments[4] | | | | | **(523)** |
| Mark-to-market valuation on certain coal hedging contracts[5] | | | | | **225** |
| Gains on disposals and investments | | | | | **1,309** |
| Other expense – net | | | | | **(594)** |
| Interest expense – net | | | | | **(1,451)** |
| Income tax expense | | | | | **(1,759)** |
| Proportionate adjustment – net finance and income tax expense[2] | | | | | **(591)** |
| **Income for the year** | | | | | **5,162** |

1 Balance is net of intra-segment sales arising from transactions between the Industrial and Marketing activities. Metals and minerals segment: $19,648 million, Energy products segment $2,677 million and Agricultural products $Nil.

2 Refer to APMs section for definition.

3 Share of associates' significant items comprise Glencore's share of significant charges booked directly by various associates, primarily Century.

4 Represents the required adjustment to eliminate unrealised profit or losses arising on intergroup transactions, i.e. before ultimate sale to a third party. For Glencore, such adjustments arise on the sale of product, in the ordinary course of business, from its Industrial to Marketing operations. Management assesses segment performance prior to any such adjustments, as if the sales were to third parties.

5 Represents the reversal of the 2016 'open' coal derivative position designated to hedge price exposure to 11 million tonnes of coal sales in 2017. The financial effect of settling these contracts in 2017 is included in Energy products' Industrial Adjusted EBITDA/EBIT above. Also see prior year footnote on next page.

## 2. SEGMENT INFORMATION (continued)

| 2016<br>US$ million | Metals and minerals | Energy products | Agricultural products[1] | Corporate and other | Total |
|---|---|---|---|---|---|
| Revenue – Marketing activities[2] | 42,142 | 81,872 | 21,970 | – | **145,984** |
| Revenue – Industrial activities | 24,196 | 7,149 | – | 22 | **31,367** |
| **Revenue** | 66,338 | 89,021 | 21,970 | 22 | **177,351** |
| Proportionate adjustment – revenue[3] | (1,826) | (607) | (1,085) | – | **(3,518)** |
| Discontinued operations – revenue | – | – | (20,885) | – | **(20,885)** |
| **Revenue – reported measure** | 64,512 | 88,414 | – | 22 | **152,948** |
| | | | | | |
| **Marketing activities** | | | | | |
| Adjusted EBITDA | 1,586 | 959 | 592 | (74) | **3,063** |
| Depreciation and amortisation | (24) | (50) | – | – | **(74)** |
| Proportionate adjustment – depreciation[3] | – | – | (10) | – | **(10)** |
| Discontinued operations – depreciation | – | – | (60) | – | **(60)** |
| **Adjusted EBIT** | 1,562 | 909 | 522 | (74) | **2,919** |
| **Industrial activities** | | | | | |
| Adjusted EBITDA | 6,030 | 1,503 | – | (328) | **7,205** |
| Depreciation and amortisation | (3,331) | (2,167) | – | (1) | **(5,499)** |
| Proportionate adjustment – depreciation[3] | (517) | (178) | – | – | **(695)** |
| **Adjusted EBIT** | 2,182 | (842) | – | (329) | **1,011** |
| | | | | | |
| **Total Adjusted EBITDA** | 7,616 | 2,462 | 592 | (402) | **10,268** |
| Total depreciation and amortisation | (3,355) | (2,217) | – | (1) | **(5,573)** |
| Total depreciation proportionate adjustment and discontinued operations | (517) | (178) | (70) | – | **(765)** |
| **Total Adjusted EBIT** | 3,744 | 67 | 522 | (403) | **3,930** |
| | | | | | |
| Share of associates' significant items[3,5] | | | | | **(132)** |
| Unrealised intergroup profit elimination adjustments[6] | | | | | **(374)** |
| Mark-to-market valuation on certain coal hedging contracts[7] | | | | | **(225)** |
| Gains on disposals and investments | | | | | **489** |
| Other expense – net | | | | | **(1,626)** |
| Interest expense – net | | | | | **(1,533)** |
| Income tax expense | | | | | **(638)** |
| Proportionate adjustment – net finance and income tax expense[3] | | | | | **(609)** |
| Discontinued operations – net finance and income tax expense[4] | | | | | **1,654** |
| **Income for the year from continuing and discontinued operations** | | | | | **936** |

1 Includes Glencore's proportionate share of the Agricultural products business (50%) since the disposal of Glencore Agri on 1 December 2016, see note 24.
2 Balance is net of intra-segment sales arising from transactions between the Industrial and Marketing activities. Metals and minerals segment: $16,602 million, Energy products segment $2,263 million and Agricultural products $2,253 million.
3 Refer to APMs section for definition.
4 Comprise of gain on disposal of investments of $1,881 million, other expense of $26 million, net finance costs of $70 million and tax expense of $131 million, see note 24.
5 Share of associates' significant items comprise Glencore's share of significant charges booked directly by various associates, primarily impairment charges recognised within coal shipping investments.
6 Represents the required adjustment to eliminate unrealised profit or losses arising on intergroup transactions. For Glencore, such adjustments arise on the sale of product, in the ordinary course of business, from its Industrial to Marketing operations. Management assesses segment performance prior to any such adjustments, as if the sales were to third parties.
7 Represents an accounting measurement mismatch between the fair value of coal derivative positions in respect of portfolio risk management/hedging activities initiated in Q2 2016 and the anticipated future revenue to be generated from the sale of future unsold coal production. The derivative positions manage forward sales price exposure relating to some 11 million tonnes of future attributable coal production, which is expected to be settled before 31 December 2017. The derivative positions include pre-existing trading contracts, for which mark-to-market movements, up until the time of them being ring-fenced for hedging activities, were included in trading results. These transactions were not able to be designated as hedging instruments under IFRS, which would have allowed for the deferment of any income statement effect until performance of the underlying future sale transactions. The fair value movements in the derivative portfolio will be offset against future revenue in the segment information as the related sales (of production) are realised.

## 2. SEGMENT INFORMATION (continued)

| 2017<br>US$ million | Metals and minerals | Energy products | Agricultural products | Corporate and other | Total |
|---|---|---|---|---|---|
| Current assets | 32,642 | 15,464 | – | (936) | **47,170** |
| Current liabilities | (16,603) | (17,676) | – | (574) | **(34,853)** |
| **Allocatable current capital employed** | 16,039 | (2,212) | – | (1,510) | **12,317** |
| Property, plant and equipment | 37,030 | 19,607 | – | 409 | **57,046** |
| Intangible assets | 3,643 | 3,127 | – | 17 | **6,787** |
| Investments in associates and other investments | 8,767 | 4,868 | 3,321 | – | **16,956** |
| Non-current advances and loans | 1,128 | 1,773 | – | 75 | **2,976** |
| Inventory | 369 | – | – | – | **369** |
| **Allocatable non-current capital employed** | 50,937 | 29,375 | 3,321 | 501 | **84,134** |
| Other assets[1] | | | | 4,289 | **4,289** |
| Other liabilities[2] | | | | (51,285) | **(51,285)** |
| **Total net assets** | 66,976 | 27,163 | 3,321 | (48,005) | **49,455** |
| | | | | | |
| Capital expenditure – Marketing activities | 17 | 79 | 118 | – | **214** |
| Capital expenditure – Industrial activities | 3,232 | 742 | – | 46 | **4,020** |
| **Capital expenditure** | 3,249 | 821 | 118 | 46 | **4,234** |
| Proportionate adjustment – capital expenditure[3] | (439) | (54) | (118) | – | **(611)** |
| **Capital expenditure – reported measure** | 2,810 | 767 | – | 46 | **3,623** |

1 Other assets include deferred tax assets, cash and cash equivalents and assets held for sale.

2 Other liabilities include borrowings, non-current deferred income, deferred tax liabilities, non-current provisions, non-current financial liabilities and liabilities held for sale.

3 Refer to APMs section for definition.

| 2016<br>US$ million | Metals and minerals | Energy products | Agricultural products | Corporate and other | Total |
|---|---|---|---|---|---|
| Current assets | 23,904 | 17,456 | – | (466) | **40,894** |
| Current liabilities | (13,853) | (18,902) | – | (582) | **(33,337)** |
| **Allocatable current capital employed** | 10,051 | (1,446) | – | (1,048) | **7,557** |
| Property, plant and equipment | 32,635 | 20,795 | – | 396 | **53,826** |
| Intangible assets | 3,671 | 3,028 | – | 17 | **6,716** |
| Investments in associates and other investments | 7,963 | 3,721 | 3,155 | – | **14,839** |
| Non-current advances and loans | 1,737 | 1,737 | – | 9 | **3,483** |
| Inventory | 564 | – | – | – | **564** |
| **Allocatable non-current capital employed** | 46,570 | 29,281 | 3,155 | 422 | **79,428** |
| Other assets[1] | | | | 4,278 | **4,278** |
| Other liabilities[2] | | | | (47,482) | **(47,482)** |
| **Total net assets** | 56,621 | 27,835 | 3,155 | (43,830) | **43,781** |
| | | | | | |
| Capital expenditure – Marketing activities | 14 | 27 | 140 | 1 | **182** |
| Capital expenditure – Industrial activities | 2,695 | 571 | – | 49 | **3,315** |
| **Capital expenditure** | 2,709 | 598 | 140 | 50 | **3,497** |
| Proportionate adjustment – capital expenditure[3] | (359) | (33) | (15) | – | **(407)** |
| **Capital expenditure – reported measure** | 2,350 | 565 | 125 | 50 | **3,090** |

1 Other assets include deferred tax assets and cash and cash equivalents.

2 Other liabilities include borrowings, non-current deferred income, deferred tax liabilities, non-current provisions and non-current financial liabilities.

3 Refer to APMs section for definition.

## 2. SEGMENT INFORMATION (continued)

### Geographical information

| US$ million | 2017 | 2016 |
|---|---|---|
| **Revenue from third parties**[1] | | |
| The Americas | **33,930** | 22,401 |
| Europe | **72,459** | 55,021 |
| Asia | **82,694** | 61,060 |
| Africa | **4,800** | 3,934 |
| Oceania | **11,593** | 10,532 |
| | **205,476** | 152,948 |
| **Non-current assets**[2] | | |
| The Americas | **23,121** | 18,713 |
| Europe | **10,917** | 10,434 |
| Asia | **4,605** | 4,895 |
| Africa | **19,604** | 19,596 |
| Oceania | **19,953** | 20,554 |
| | **78,200** | 74,192 |

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

2 Non-current assets are non-current assets excluding other investments, advances and loans and deferred tax assets. Non-current assets comprise assets in Australia of $18,353 million (2016: $19,215 million), in Peru of $10,721 million (2016: $6,093 million) and the DRC of $8,166 million (2016: $8,349 million).

## 3. GAINS ON DISPOSALS AND INVESTMENTS

| US$ million | 2017 | 2016 |
|---|---|---|
| Gain on sale of HG Storage | **674** | – |
| Gain on sale of Zinc Africa | **232** | – |
| Gain on sale of GRail | **–** | 430 |
| Gain on sale of other operations | **173** | 22 |
| Gain on disposal of property, plant and equipment and intangible assets[1] | **230** | 37 |
| **Total** | **1,309** | 489 |

1 2017 primarily comprises the gain on sale of a royalty portfolio, see below.

### HG Storage
In December 2017, Glencore disposed of a 51% interest in HG Storage, its petroleum products and logistics business, resulting in a gain of $674 million, including remeasurement of the retained investment to its fair value (see note 24).

### Zinc Africa
In August 2017, Glencore disposed of its African zinc operations (Perkoa and Rosh Pinah), resulting in a gain of $232 million (see note 24).

### GRail
In December 2016, Glencore disposed of its New South Wales' coal rail haulage business, resulting in a gain of $430 million (see note 24).

### Other
The gain on sale of other operations arose primarily from the disposal of Eland Platinum, which resulted in a gain of $147 million, mainly on account of recycling foreign currency translation reserves to income (see note 24).

### Gain on disposal of property, plant and equipment - Royalty portfolio
In December 2017, Glencore disposed of a portfolio of selected base metals' royalty assets for a combination of cash ($150 million) and a 50% interest in a new base metals streaming and royalties joint venture ("BaseCore Metals"), resulting in a gain on disposal of $210 million (see note 9).

## 4. OTHER EXPENSE – NET

| US$ million | Notes | 2017 | 2016 |
|---|---|---|---|
| Impairments – net | 5 | **(628)** | (1,268) |
| Net changes in mark-to-market valuations on investments held for trading | | **290** | (121) |
| Net foreign exchange losses | | **(80)** | (70) |
| Legal settlement | | **(75)** | (92) |
| Katanga restatement | | **(78)** | – |
| Other expenses – net[1] | | **(23)** | (75) |
| **Total** | | **(594)** | (1,626) |

1 "Other expenses – net" for the year ended 31 December 2016 comprised restructuring and closure costs of $47 million and a settlement of a financial guarantee in relation to Optimum of $28 million.

Together with foreign exchange movements and mark-to-market movements on investments held for trading, other expense includes other items of income and expense which due to their non-operational nature or expected infrequency of the events giving rise to them are reported separately from operating segment results. Other expenses – net includes, but is not limited to, gain/loss on disposal of property, plant and equipment and restructuring and closure costs.

### Net changes in mark-to-market valuations on investments held for trading

Primarily relates to movements on interests in investments classified as held for trading (see note 9) and the ARM Coal non-discretionary dividend obligation (see note 27) carried at fair value.

### Legal settlement

Glencore Ltd ("GLtd"), the US branch of Glencore AG, is a defendant in a case relating to an alumina refinery located in St. Croix, U.S. Virgin Islands which was acquired by Virgin Islands Alumina Corporation ("Vialco"), a former affiliate of GLtd in 1989, and was subsequently disposed of by Vialco in 2005. GLtd guaranteed the obligations of Vialco under the 1989 agreement which included certain environmental and other indemnities. The complaint alleges that GLtd is contractually obligated to indemnify the previous owners for two environmental lawsuits arising out of ownership and operation of the refinery. GLtd intends to vigorously defend the contention, but has nevertheless reserved $75 million for the possibility the plaintiff might prevail in the whole of its claims.

In September 2016, a subsidiary of the Group reached a settlement with U.S. agencies to pay a penalty of $27 million and retire around $65 million of credits in relation to compliance with a U.S. biofuels programme in the years 2011/12.

### Katanga restatement

During the year, Katanga Mining Limited ("Katanga"), an 86.3% controlled subsidiary of the Group listed on the Toronto Stock Exchange, identified certain accounting matters affecting its results reported in prior years, the impact of which was considered material for Katanga but not for the Group. Consequently, for the years ended 31 December 2016 and earlier, Katanga has restated its financial statements, however the cumulative impact has only been corrected in the Group financial statements for the year ended 31 December 2017. Had the Group's results been restated, income before taxes for the 2016 year would have been lower by $10 million.

## 5. IMPAIRMENTS

| US$ million | Notes | 2017 | 2016 |
|---|---|---|---|
| Property, plant and equipment and intangible assets[1] – net | 7/8 | **(378)** | (1,268) |
| Investments | 9 | **(101)** | – |
| Advances and loans – non-current | | **(149)** | – |
| **Total impairments[2]** | | **(628)** | (1,268) |

1 Includes impairment reversals of $243 million relating to Energy products as detailed below.

2 Impairments recognised during the year are allocated to Glencore's operating segments as follows: Metals and minerals $318 million (2016: $50 million) and Energy products $310 million (2016: $1,218 million).

As part of a regular portfolio review, Glencore carries out an assessment of whether there is an indication of asset impairment or whether a previously recorded impairment may no longer be required.

The recoverable amounts of the property, plant and equipment and intangible assets were measured based on fair value less costs of disposal ("FVLCD"), determined by discounted cash flow techniques based on the most recent approved financial budgets and three-year business plans, which are underpinned and supported by life of mine plans of the respective operations. The valuation models use the most recent reserve and resource estimates, relevant cost assumptions generally based on past experience and where possible, market forecasts of commodity price and foreign exchange rate assumptions discounted using operation specific discount rates ranging from 7% – 12% (2016: 7% – 11%). The valuations remain sensitive to price and a deterioration/improvement in the pricing outlook may result in additional impairments/reversals. The determination of FVLCD uses Level 3 valuation techniques for both years.

As a result of the regular impairment assessment, the following significant impairment charges resulted:

### 2017

#### Property, plant and equipment

- Following a modest downward revision, compared to prior year, of the long term oil price assumption used to determine the remaining recoverable value of the E&P assets, offset by a combination of improved pricing differentials for the Chad crude oil blend (Doba) and further cost savings, an overall impairment charge of $278 million has been recognised in the Chad oil operations (Energy products segment). The remaining recoverable value of the Chad oil operations is $1,221 million. The valuation remains sensitive to price and further deterioration or improvement in the pricing outlook may result in additional or reversal of impairment. The short to long-term Brent crude oil price assumptions used in the valuation were $65 - $70 per barrel and should these decrease or increase by 10%, a further $535 million of impairment or reversal would be recognised.
- In January 2018, a farm-down agreement to divest a 50% interest in the Bolongo licence in Cameroon was signed. As a result, the remaining recoverable value of the retained 37.5% working interest (on the assumption that the Cameroon State National Oil Company will exercise its back-in right to the Oak development) was impaired by $81 million, to its recoverable value of $142 million. The valuation remains sensitive to price and further deterioration or improvement in the pricing outlook may result in additional or reversal of impairment. The short to long-term Brent crude oil price assumptions used in the valuation were $65 - $70 per barrel and should these decrease or increase by 10%, a further $13 million of impairment or reversal would be recognised.
- The Alen field gas production in Equatorial Guinea is currently reinjected back into the field. A project to commercialise gas production has now progressed sufficiently, resulting in a partial reversal of impairments of $243 million in the Equatorial Guinea oil operations (Energy products segment) and an increase in the recoverable value to $394 million. The valuation remains sensitive to price and further deterioration or improvement in the pricing outlook may result in additional or reversal of impairment. The short to long-term Brent crude oil price assumptions and the Henry Hub price assumption used in the valuation were $65 - $70 per barrel and $3 per million Btu respectively. Should these decrease or increase by 10%, a further $75 million of impairment or reversal would be recognised.

## 5. IMPAIRMENTS (continued)

Investments

- Following strategic reviews of a copper and gold exploration investment and a coal investment it was determined, for the time being, to cease further development and, as a result, the full carrying value of each investment, $56 million and $45 million respectively, was impaired.

Advances and loans – non-current

- Glencore has reviewed the carrying value of its interest in subordinated debt and preference shares of a coal port following the insolvencies of certain third party shippers which impact the expected return on these investments and as a result, such loans were impaired by $149 million, to their estimated recoverable amount of $139 million.

**2016**

Property, plant and equipment

- Due to changes in estimated reserve life and revised mining plans, the estimated mine life of Tahmoor in Australia (Energy products segment) was reduced from 2020 to 2017. As a result, the carrying value of this operation was impaired by $168 million, to its estimated recoverable amount of $100 million, which is expected to be depleted over the following year as the mine approaches its completion.

- As a result of a write down of appraisal expenditure and certain operational challenges at the Equatorial Guinea oil operations (Energy products segment), an impairment charge of $311 million has been recognised resulting in a remaining recoverable value of $194 million. The valuation remains sensitive to price and further deterioration in the pricing outlook may result in additional impairment. The short- to long-term Brent crude oil price assumptions used in the valuation were between $50 – $75 per barrel and should these fall by 10%, a further $46 million of impairment would be recognised.

- During 2016, Glencore's long-term oil price assumptions were revised downwards, which together with delayed work programmes, resulted in a $622 million impairment of the onshore Chad oil operations (Energy products segment), to their estimated recoverable amount of $1,480 million. The valuation remains sensitive to price and further deterioration in the pricing outlook may result in additional impairment. The short to long-term Brent crude oil price assumptions used in the valuation were between $50 – $75 per barrel and should these fall by 10%, a further $695 million of impairment would be recognised.

- The balance of property, plant and equipment related impairment charges (none of which were individually material) arose due to changes in production and development plans and resulted in impairments of $50 million and $117 million being recognised in our Metals and minerals and Energy products segments respectively.

## 6. INCOME TAXES

Income taxes consist of the following:

| US$ million | 2017 | 2016 |
|---|---|---|
| Current income tax expense | (1,367) | (765) |
| Adjustments in respect of prior year income tax | (18) | 3 |
| Deferred income tax (expense)/credit | (370) | 117 |
| Adjustments in respect of prior year deferred income tax | (4) | 7 |
| **Total tax expense reported in the statement of income** | **(1,759)** | (638) |
| | | |
| Current income tax (expense)/credit recognised directly in other comprehensive income | – | – |
| Deferred income tax (expense)/credit recognised directly in other comprehensive income | (37) | 24 |
| **Total tax (expense)/credit recognised directly in other comprehensive income** | **(37)** | 24 |

The effective Group tax rate is different from the statutory Swiss income tax rate applicable to the Company for the following reasons:

| US$ million | 2017 | 2016 |
|---|---|---|
| Income/(loss) before income taxes and attribution from continuing operations | 6,921 | (549) |
| Income before income taxes and attribution from discontinued operations | – | 2,254 |
| **Income before income taxes and attribution from continuing and discontinued operations** | **6,921** | 1,705 |
| Less: Share of income from associates and joint ventures from continuing operations | (1,158) | (11) |
| Less: Share of income from associates and joint ventures from discontinued operations | – | (15) |
| **Parent Company's and subsidiaries' income before income tax and attribution from continuing and discontinued operations** | **5,763** | 1,679 |
| Income tax expense calculated at the Swiss income tax rate of 15% (2016: 15%) | (864) | (252) |
| Tax effects of: | | |
| Different tax rates from the standard Swiss income tax rate | (333) | 205 |
| Tax exempt income ($125 million (2016: $160 million) from recurring items and $248 million (2016: $283 million) from non-recurring items) | 373 | 443 |
| Items not tax deductible ($316 million (2016: $365 million) from recurring items and $279 million (2016: $269 million) from non-recurring items) | (595) | (634) |
| Foreign exchange fluctuations | (30) | (19) |
| Changes in tax rates ($5 million (2016: $3 million) from recurring items and $188 million (2016: $Nil) from non-recurring items) | (193) | 3 |
| Utilisation and changes in recognition of tax losses and temporary differences | 290 | (41) |
| Tax losses not recognised | (412) | (483) |
| Adjustments in respect of prior years | (22) | 10 |
| Other | 27 | (1) |
| **Income tax expense** | **(1,759)** | (769) |
| Income tax expense reported in the statement of income | (1,759) | (638) |
| Income tax expense attributable to discontinued operations | – | (131) |

## 6. INCOME TAXES (continued)

The non-tax deductible items of $826 million (2016: $634 million) primarily relate to non-deductible exploration charges, financing costs, impairments and various other expenses. The impact of tax exempt income of $332 million (2016: $443 million) primarily relates to non-taxable intra-group dividends, income that is not effectively connected to the taxable jurisdiction, and various other items.

The tax impact of foreign exchange fluctuations relates to the foreign currency movements on deferred tax balances where the underlying tax balances are denominated in a currency different to the functional currency determined for accounting purposes.

The impact of change in tax rates of $193 million arises primarily from significant corporate tax rate changes in the US, following the announced US tax reform.

Deferred taxes as at 31 December 2017 and 2016 are attributable to the items in the table below:

| US$ million | 2017 | Recognised in the statement of income | Recognised in other comprehensive income | Business combination and disposal of subsidiaries | Foreign currency exchange movements | Other | 2016 |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets[1]** | | | | | | | |
| Tax losses carried forward | **1,523** | (131) | – | – | 1 | – | 1,653 |
| Other | **210** | 50 | (14) | 2 | 18 | 47 | 107 |
| **Total** | **1,733** | (81) | (14) | 2 | 19 | 47 | 1,760 |
| **Deferred tax liabilities[1]** | | | | | | | |
| Depreciation and amortisation | **(6,855)** | (265) | (5) | (914) | (142) | 17 | (5,546) |
| Mark-to-market valuations | **(65)** | 20 | (5) | – | (4) | – | (76) |
| Other | **(104)** | (48) | (13) | – | (5) | 4 | (42) |
| **Total** | **(7,024)** | (293) | (23) | (914) | (151) | 21 | (5,664) |
| **Total Deferred tax – net** | **(5,291)** | (374) | (37) | (912) | (132) | 68 | (3,904) |

| US$ million | 2016 | Recognised in the statement of income | Recognised in other comprehensive income | Business combination and disposal of subsidiaries | Foreign currency exchange movements | Other | 2015 |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets[1]** | | | | | | | |
| Tax losses carried forward | **1,653** | 70 | – | (97) | – | – | 1,680 |
| Other | **107** | (85) | 31 | (7) | 2 | – | 166 |
| **Total** | **1,760** | (15) | 31 | (104) | 2 | – | 1,846 |
| **Deferred tax liabilities[1]** | | | | | | | |
| Depreciation and amortisation | **(5,546)** | (27) | – | 94 | (130) | – | (5,483) |
| Mark-to-market valuations | **(76)** | 154 | – | 9 | (1) | – | (238) |
| Other | **(42)** | (60) | (7) | 101 | (1) | (19) | (56) |
| **Total** | **(5,664)** | 67 | (7) | 204 | (132) | (19) | (5,777) |
| **Total Deferred tax – net** | **(3,904)** | 52 | 24 | 100 | (130) | (19) | (3,931) |

1 Asset and liability positions in the same category reflect the impact of tax assets and liabilities arising in local tax jurisdictions that cannot be offset against tax assets and liabilities arising in other tax jurisdictions.

## 6. INCOME TAXES (continued)

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. As at 31 December 2017, $2,404 million (2016: $2,898 million) of deferred tax assets related to available loss carry forwards have been brought to account, of which $1,523 million (2016: $1,653 million) are disclosed as deferred tax assets with the remaining balance being offset against deferred tax liabilities arising in the same tax entity. This balance is primarily comprised of:

- $470 million (2016: $462 million) in entities domiciled in the DRC (Katanga Mining Group), where these entities have been loss making for tax purposes in both 2017 and 2016;
- $478 million (2016: $657 million) in entities domiciled in Switzerland; and
- $425 million (2016: $430 million) in entities domiciled in the US.

In evaluating whether it is probable that taxable profits will be earned in future accounting periods prior to any tax loss expiry as may be the case, all available evidence was considered, including approved budgets, forecasts and business plans and, in certain cases, analysis of historical operating results. These forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes. Following this evaluation, it was determined there would be sufficient taxable income generated to realise the benefit of the deferred tax assets and that no reasonably possible change in any of the key assumptions would result in a material reduction in forecast headroom of tax profits so that the recognised deferred tax asset would not be realised, other than the potential developments in the DRC discussed below.

The losses carried forward in the DRC have an unlimited carry forward period, subject to an annual utilisation limitation. Katanga Mining has recently resumed operations and is expected to generate sufficient taxable profits in the future. Should these expectations fully materialise, up to $633 million of available unrecognised tax effected losses could be recognised. However, in January 2018, the DRC parliament passed a revised mining code which raises taxes and ceases existing tax stability agreements. At 31 December 2017, these revisions were not substantively enacted and therefore do not impact the recognition of deferred taxes at year end. However, if enacted as currently contemplated, the changes could significantly impact the currently recognised tax losses, along with any unrecognised tax losses.

The recognised losses carried forward in Switzerland primarily relate to non-recurring events in 2011 and 2012. Based on the core business activities conducted in Switzerland and taxable income in 2017, sufficient taxable profits are expected to fully utilise the recognised tax losses prior to expiration.

The recognised losses carried forward in the US primarily relate to non-recurring events in 2011 and have a carry forward period of 20 years. The US entities comprise our core US marketing activities and based on taxable income in 2017 and forecasts going forward, sufficient taxable profits are expected to fully utilise the recognised tax losses prior to expiration.

Available gross tax losses carried forward and deductible temporary differences, for which no deferred tax assets have been recognised in the consolidated financial statements, are detailed below and will expire as follows:

| US$ million | 2017 | 2016 |
|---|---|---|
| 1 year | **110** | 34 |
| 2 years | **955** | 320 |
| 3 years | **66** | 2,408 |
| Thereafter | **2,140** | 13,507 |
| Unlimited | **3,303** | 2,149 |
| **Total** | **6,574** | 18,418 |

As at 31 December 2017, unremitted earnings of $60,014 million (2016: $40,088 million) have been retained by subsidiaries for reinvestment. No provision is made for income taxes.

## 7. PROPERTY, PLANT AND EQUIPMENT

| US$ million | Notes | Freehold land and buildings | Plant and equipment | Mineral and petroleum rights | Exploration and evaluation | Deferred mining costs | Total |
|---|---|---|---|---|---|---|---|
| **Gross carrying amount:** | | | | | | | |
| 1 January 2017 | | 4,808 | 54,622 | 20,332 | 2,343 | 2,362 | **84,467** |
| Business combination | 24 | 523 | 528 | 3,648 | – | – | **4,699** |
| Disposal of subsidiaries | 24 | (88) | (728) | (118) | – | (126) | **(1,060)** |
| Additions | | 76 | 3,107 | 138 | – | 279 | **3,600** |
| Disposals | | (31) | (407) | (10) | – | (1) | **(449)** |
| Effect of foreign currency exchange movements | | 26 | 392 | 257 | – | – | **675** |
| Reclassification to held for sale | 14 | (43) | (644) | (126) | – | – | **(813)** |
| Other movements[1] | | 295 | 452 | 696 | (173) | (139) | **1,131** |
| **31 December 2017** | | **5,566** | **57,322** | **24,817** | **2,170** | **2,375** | **92,250** |
| | | | | | | | |
| **Accumulated depreciation and impairment:** | | | | | | | |
| 1 January 2017 | | 1,061 | 22,392 | 5,219 | 1,138 | 831 | **30,641** |
| Disposal of subsidiaries | 24 | (44) | (369) | (34) | – | (121) | **(568)** |
| Depreciation | | 266 | 3,912 | 849 | – | 264 | **5,291** |
| Disposals | | (6) | (245) | (9) | – | (1) | **(261)** |
| Impairments | 5 | 23 | (114) | (8) | 477 | – | **378** |
| Effect of foreign currency exchange movements | | 5 | 103 | 56 | – | – | **164** |
| Reclassification to held for sale | 14 | (6) | (513) | (73) | – | – | **(592)** |
| Other movements[1] | | 64 | 219 | (3) | (31) | (98) | **151** |
| **31 December 2017** | | **1,363** | **25,385** | **5,997** | **1,584** | **875** | **35,204** |
| **Net book value 31 December 2017** | | **4,203** | **31,937** | **18,820** | **586** | **1,500** | **57,046** |

1 Include additions to restoration and rehabilitation of $786 million, see note 21.

Plant and equipment includes expenditure for construction in progress of $4,454 million (2016: $4,599 million) and a net book value of $527 million (2016: $592 million) of lease assets under finance lease agreements. Mineral and petroleum rights include biological assets of $21 million (2016: $21 million). Depreciation expenses included in cost of goods sold are $5,272 million (2016: $5,457 million), in selling and administrative expenses $19 million (2016: $20 million) and in discontinued operations $Nil (2016: $60 million).

During 2017, $42 million (2016: $49 million) of interest was capitalised. With the exception of project specific borrowings, the rate used to determine the amount of borrowing costs eligible for capitalisation was 3% (2016: 3%).

As at 31 December 2017, except for the purposes of finance leases, no property, plant or equipment was pledged as security for borrowings (2016: $Nil).

## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

| US$ million | Notes | Freehold land and buildings | Plant and equipment | Mineral and petroleum rights | Exploration and evaluation | Deferred mining costs | Total |
|---|---|---|---|---|---|---|---|
| **Gross carrying amount:** | | | | | | | |
| 1 January 2016 | | 5,326 | 56,037 | 20,579 | 2,337 | 2,393 | **86,672** |
| Business combination | 24 | 22 | 37 | – | – | – | **59** |
| Disposal of subsidiaries | 24 | (694) | (4,012) | (712) | – | (95) | **(5,513)** |
| Additions | | 62 | 2,606 | 110 | – | 296 | **3,074** |
| Disposals | | (85) | (409) | (14) | – | (14) | **(522)** |
| Effect of foreign currency exchange movements | | 28 | 401 | 303 | – | 1 | **733** |
| Other movements | | 149 | (38) | 66 | 6 | (219) | **(36)** |
| **31 December 2016** | | **4,808** | **54,622** | **20,332** | **2,343** | **2,362** | **84,467** |
| | | | | | | | |
| **Accumulated depreciation and impairment:** | | | | | | | |
| 1 January 2016 | | 995 | 19,067 | 4,324 | 784 | 728 | **25,898** |
| Disposal of subsidiaries | 24 | (137) | (1,284) | (224) | – | (80) | **(1,725)** |
| Depreciation | | 263 | 4,063 | 978 | – | 233 | **5,537** |
| Disposals | | (44) | (404) | (3) | – | (2) | **(453)** |
| Impairments | 5 | – | 807 | 105 | 351 | – | **1,263** |
| Effect of foreign currency exchange movements | | 3 | 85 | 50 | – | – | **138** |
| Other movements | | (19) | 58 | (11) | 3 | (48) | **(17)** |
| **31 December 2016** | | **1,061** | **22,392** | **5,219** | **1,138** | **831** | **30,641** |
| **Net book value 31 December 2016** | | **3,747** | **32,230** | **15,113** | **1,205** | **1,531** | **53,826** |

## 8. INTANGIBLE ASSETS

| US$ million | Notes | Goodwill | Port allocation rights | Licences, trademarks and software | Royalty and other | Total |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| 1 January 2017 | | 13,293 | 1,408 | 385 | 258 | **15,344** |
| Business combination | 24 | – | – | 76 | – | **76** |
| Disposal of subsidiaries | 24 | – | – | (2) | (2) | **(4)** |
| Additions | | – | – | 6 | 17 | **23** |
| Disposals | | – | – | (39) | (105) | **(144)** |
| Effect of foreign currency exchange movements | | – | 147 | 1 | 1 | **149** |
| Reclassification to held for sale[2] | | – | – | (1) | – | **(1)** |
| Other movements | | – | – | 42 | 14 | **56** |
| **31 December 2017** | | **13,293** | **1,555** | **468** | **183** | **15,499** |
| | | | | | | |
| **Accumulated amortisation and impairment:** | | | | | | |
| 1 January 2017 | | 8,243 | 100 | 163 | 122 | **8,628** |
| Disposal of subsidiaries | 24 | – | – | (1) | – | **(1)** |
| Amortisation expense[1] | | – | 36 | 53 | 18 | **107** |
| Impairments | 5 | – | – | – | – | **–** |
| Disposals | | – | – | (19) | (51) | **(70)** |
| Effect of foreign currency exchange movements | | – | 13 | 1 | – | **14** |
| Other movements | | – | – | 40 | (6) | **34** |
| **31 December 2017** | | **8,243** | **149** | **237** | **83** | **8,712** |
| **Net carrying amount 31 December 2017** | | **5,050** | **1,406** | **231** | **100** | **6,787** |

1 Recognised in cost of goods sold.

2 See note 14.

## 8. INTANGIBLE ASSETS (continued)

| US$ million | Notes | Goodwill | Port allocation rights | Licences, trademarks and software | Royalty and other | Total |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| 1 January 2016 | | 14,122 | 1,252 | 394 | 318 | **16,086** |
| Disposal of subsidiaries | 24 | (829) | (15) | (8) | (98) | **(950)** |
| Additions | | – | – | 13 | 3 | **16** |
| Disposals | | – | (1) | (15) | – | **(16)** |
| Effect of foreign currency exchange movements | | – | 166 | 2 | 2 | **170** |
| Other movements | | – | 6 | (1) | 33 | **38** |
| **31 December 2016** | | **13,293** | **1,408** | **385** | **258** | **15,344** |
| | | | | | | |
| **Accumulated amortisation and impairment:** | | | | | | |
| 1 January 2016 | | 8,243 | 67 | 156 | 104 | **8,570** |
| Disposal of subsidiaries | 24 | – | (9) | (5) | (20) | **(34)** |
| Amortisation expense[1] | | – | 28 | 31 | 36 | **95** |
| Impairments | 5 | – | – | 5 | – | **5** |
| Disposals | | – | – | (15) | – | **(15)** |
| Effect of foreign currency exchange movements | | – | 14 | 1 | – | **15** |
| Other movements | | – | – | (10) | 2 | **(8)** |
| **31 December 2016** | | **8,243** | **100** | **163** | **122** | **8,628** |
| **Net carrying amount 31 December 2016** | | **5,050** | **1,308** | **222** | **136** | **6,716** |

1 Recognised in cost of goods sold.

## 8. INTANGIBLE ASSETS (continued)

### Goodwill

The carrying amount of goodwill has been allocated to cash-generating units ("CGUs"), or groups of CGUs as follows:

| US$ million | 2017 | 2016 |
|---|---|---|
| Metals and minerals marketing businesses | **3,326** | 3,326 |
| Coal marketing business | **1,674** | 1,674 |
| Metals warehousing business | **50** | 50 |
| **Total** | **5,050** | 5,050 |

#### Metals and minerals and coal marketing businesses

Goodwill of $3,326 million and $1,674 million was recognised in connection with previous business combinations and was allocated to the metals and minerals marketing and coal marketing CGUs respectively, based on the annual synergies expected to accrue to the respective marketing departments as a result of increased volumes, blending opportunities and freight and logistics arbitrage opportunities.

#### Metals warehousing business

Goodwill of $50 million (2016: $50 million) relates to the Access World (former Pacorini) logistics business CGU.

### Port allocation rights

Port allocation rights represent contractual entitlements to export certain amounts of coal on an annual basis from Richard Bay Coal Terminal in South Africa recognised as part of previous business combinations. The rights are amortised on a straight-line basis over the estimated economic life of the port of 40 years.

### Licences, trademarks and software

Intangibles related to internally developed technology and patents were recognised in previous business combinations and are amortised over the estimated economic life of the technology which ranges between 10 – 15 years.

### Royalty

The fair value of a royalty income stream related to output from the Antamina copper mine was recognised as part of a previous business combination. This amount was being amortised on a unit of production basis. In December 2017, this royalty was disposed of, see note 3.

### Goodwill impairment testing

Given the nature of each CGU's activities, information on its fair value is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently,

- the recoverable amount for each of the marketing CGUs is determined by reference to the FVLCD which utilises a price to earnings multiple approach based on the 2017 approved financial budget which includes factors such as marketing volumes handled and operating, interest and income tax charges, generally based on past experience. The price to earnings multiple of 15.0 times (2016: 13.5 times) is derived from observable market data for broadly comparable businesses; and
- Glencore believes that no reasonably possible change in any of the above key assumptions would cause the recoverable amount to fall below the carrying value of the CGU. The determination of FVLCD for each of the marketing CGUs used Level 3 valuation techniques in both years.

## 9. INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

### Investments in associates and joint ventures

| US$ million | Notes | 2017 | 2016 |
|---|---|---|---|
| 1 January | | **13,086** | 11,337 |
| Additions | | **8** | 15 |
| Disposals | | **(12)** | (9) |
| Share of income from associates and joint ventures | | **1,158** | 11 |
| Share of income from associates and joint ventures from discontinued operations | 24 | **–** | 15 |
| Share of other comprehensive income from associates and joint ventures | | **93** | – |
| Fair value of retained interest in HG Storage and other (2016: Glencore Agri) | 24 | **563** | 3,125 |
| Disposal of equity accounted investments | 24 | **(170)** | (624) |
| Investment in Trevali | | **242** | – |
| Investment in BaseCore Metals | 4 | **150** | – |
| Impairments | 5 | **(101)** | – |
| Dividends received | | **(1,081)** | (833) |
| Other movements | | **62** | 49 |
| **31 December** | | **13,998** | 13,086 |
| Of which: | | | |
| Investments in associates | | **7,643** | 6,910 |
| Investments in joint ventures | | **6,355** | 6,176 |

As at 31 December 2017, the fair value of listed associates and joint ventures, which have a carrying value of $808 million (2016: $555 million), using published price quotations (a Level 1 fair value measurement) was $1,340 million (2016: $424 million). As at 31 December 2017, the balance mainly comprises Century Aluminum and Trevali which have a carrying value of $478 million (2016: $460 million) and $239 million (2016: $Nil) respectively. As at 31 December 2017, $270 million (2016: $Nil) of the carrying value of Century Aluminum was secured under a loan facility, with proceeds received and recognised in current borrowings of $170 million (2016: $Nil).

#### HG Storage

In December 2017, Glencore disposed of a 51% interest in HG Storage, its petroleum products and logistics business for $530 million (see note 24), subsequently accounting for its remaining share using the equity method.

#### Trevali

In August 2017, Glencore disposed of its African zinc operations (Perkoa and Rosh Pinah) for a combination of cash and a 25% ($222 million) interest in Trevali (see note 24).

#### BaseCore Metals

In December 2017, Glencore disposed of a portfolio of selected base metals' royalty assets for a combination of cash and a 50% ($150 million) interest in BaseCore Metals LP (see note 3), subsequently accounting for its share using the equity method.

## 9. INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (continued)

### Details of material associates and joint ventures

Summarised financial information in respect of Glencore's associates and joint ventures, reflecting 100% of the underlying associates' and joint ventures' relevant figures, is set out below.

| 2017<br>US$ million | Cerrejón | Antamina | Total material associates | Collahuasi | Glencore Agri | Total material joint ventures | Total material associates and joint ventures |
|---|---|---|---|---|---|---|---|
| Non-current assets | 2,646 | 4,383 | **7,029** | 4,629 | 4,732 | **9,361** | **16,390** |
| Current assets | 880 | 1,174 | **2,054** | 1,363 | 5,839 | **7,202** | **9,256** |
| Non-current liabilities | (612) | (1,098) | **(1,710)** | (1,084) | (855) | **(1,939)** | **(3,649)** |
| Current liabilities | (522) | (747) | **(1,269)** | (636) | (5,687) | **(6,323)** | **(7,592)** |
| *The above assets and liabilities include the following:* | | | | | | | |
| Cash and cash equivalents | 148 | 56 | **204** | 166 | 146 | **312** | **516** |
| Current financial liabilities[1] | (2) | (39) | **(41)** | (2) | (3,273) | **(3,275)** | **(3,316)** |
| Non-current financial liabilities[1] | – | (120) | **(120)** | (77) | (564) | **(641)** | **(761)** |
| **Net assets 31 December 2017** | **2,392** | **3,712** | **6,104** | **4,272** | **4,029** | **8,301** | **14,405** |
| Glencore's ownership interest | 33.3% | 33.8% | | 44.0% | 50.0% | | |
| Acquisition fair value and other adjustments | 967 | 1,973 | **2,940** | 1,154 | 1,307 | **2,461** | **5,401** |
| Carrying value | 1,764 | 3,228 | **4,992** | 3,034 | 3,321 | **6,355** | **11,347** |

1 Financial liabilities exclude trade, other payables and provisions.

Summarised profit and loss in respect of Glencore's associates and joint ventures, reflecting 100% of the underlying associates' and joint ventures' relevant figures for the year ended 31 December 2017, including group adjustments relating to alignment of accounting policies or fair value adjustments, is set out below.

| 2017<br>US$ million | Cerrejón | Antamina | Total material associates | Collahuasi | Glencore Agri | Total material joint ventures | Total material associates and joint ventures |
|---|---|---|---|---|---|---|---|
| Revenue | 2,371 | 3,550 | **5,921** | 2,960 | 25,222 | **28,182** | **34,103** |
| Income for the year | 388 | 1,300 | **1,688** | 841 | 198 | **1,039** | **2,727** |
| Other comprehensive loss | – | – | **–** | (11) | (3) | **(14)** | **(14)** |
| Total comprehensive income | 388 | 1,300 | **1,688** | 830 | 195 | **1,025** | **2,713** |
| Glencore's share of dividends paid | 147 | 493 | **640** | 356 | – | **356** | **996** |
| The above profit for the year includes the following: | | | | | | | |
| Depreciation and amortisation | (533) | (766) | **(1,299)** | (574) | (248) | **(822)** | **(2,121)** |
| Interest income[1] | – | 23 | **23** | 2 | 59 | **61** | **84** |
| Interest expense[2] | (3) | (7) | **(10)** | (25) | (195) | **(220)** | **(230)** |
| Income tax expense | (240) | (712) | **(952)** | (389) | (50) | **(439)** | **(1,391)** |

1 Includes foreign exchange gains and other income of $62 million.
2 Includes foreign exchange losses of $81 million.

## 9. INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (continued)

| 2016<br>US$ million | Cerrejón | Antamina | Total material associates | Collahuasi | Glencore Agri | Total material joint ventures | Total material associates and joint ventures |
|---|---|---|---|---|---|---|---|
| Non-current assets | 2,487 | 4,313 | 6,800 | 4,504 | 4,461 | 8,965 | 15,765 |
| Current assets | 670 | 952 | 1,622 | 1,164 | 6,354 | 7,518 | 9,140 |
| Non-current liabilities | (604) | (1,064) | (1,668) | (1,032) | (841) | (1,873) | (3,541) |
| Current liabilities | (291) | (470) | (761) | (442) | (6,286) | (6,728) | (7,489) |
| *The above assets and liabilities include the following:* | | | | | | | |
| Cash and cash equivalents | 108 | 90 | 198 | 127 | 147 | 274 | 472 |
| Current financial liabilities[1] | (1) | (77) | (78) | (2) | (3,420) | (3,422) | (3,500) |
| Non-current financial liabilities[1] | – | (135) | (135) | (77) | (603) | (680) | (815) |
| **Net assets 31 December 2016** | 2,262 | 3,731 | 5,993 | 4,194 | 3,688 | 7,882 | 13,875 |
| Glencore's ownership interest | 33.3% | 33.8% | | 44.0% | 50.0% | | |
| Acquisition fair value and other adjustments | 1,028 | 2,021 | 3,049 | 1,176 | 1,311 | 2,487 | 5,536 |
| Carrying value | 1,781 | 3,282 | 5,063 | 3,021 | 3,155 | 6,176 | 11,239 |

1 Financial liabilities exclude trade, other payables and provisions.

Summarised profit and loss in respect of Glencore's associates and joint ventures, reflecting 100% of the underlying associates' and joint ventures' relevant figures for the year ended 31 December 2016, including group adjustments relating to alignment of accounting policies or fair value adjustments, is set out below

| 2016<br>US$ million | Cerrejón | Antamina | Total material associates | Collahuasi | Glencore Agri | Total material joint ventures | Total material associates and joint ventures |
|---|---|---|---|---|---|---|---|
| Revenue | 1,822 | 2,429 | 4,251 | 2,285 | 2,170 | 4,455 | 8,706 |
| (Loss)/income for the year | (913) | 584 | (329) | 459 | 76 | 535 | 206 |
| Other comprehensive (loss)/income | – | – | – | (11) | 10 | (1) | (1) |
| Total comprehensive (loss)/income | (913) | 584 | (329) | 448 | 86 | 534 | 205 |
| Glencore's share of dividends paid | 105 | 338 | 443 | 352 | – | 352 | 795 |
| The above profit for the year includes the following: | | | | | | | |
| Depreciation and amortisation | (534) | (774) | (1,308) | (581) | (20) | (601) | (1,909) |
| Interest income[1] | – | 28 | 28 | 1 | 12 | 13 | 41 |
| Interest expense[2] | (14) | (31) | (45) | (25) | (11) | (36) | (81) |
| Impairment, net of tax[3] | (1,036) | – | (1,036) | – | – | – | (1,036) |
| Income tax expense | (49) | (420) | (469) | (168) | (32) | (200) | (669) |

1 Includes foreign exchange gains and other income of $37 million.
2 Includes foreign exchange losses of $49 million.
3 Glencore's attributable share of impairments relating to Cerrejón amounts to $345 million, net of taxes of $176 million, resulting from reduced near term production estimates due to increased risks related to delays in securing approvals as a result of continued social and environmental challenges to current mine plans. The valuation remains sensitive to price and a 10% decrease of the price assumptions would result in a further impairment of $293 million.

Aggregate information of associates that are not individually material:

| US$ million | 2017 | 2016 |
|---|---|---|
| The Group's share of income/(loss) | 121 | (122) |
| The Group's share of other comprehensive income | 99 | – |
| The Group's share of total comprehensive income/(loss) | 220 | (122) |
| Aggregate carrying value of the Group's interests | 2,651 | 1,847 |

## 9. INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (continued)

The amount of corporate guarantees (excluding Glencore Agri) in favour of associates and joint ventures as at 31 December 2017 was $476 million (2016: $470 million). Issued guarantees in favour of Glencore Agri amounted to $518 million as at 31 December 2017 (2016: $7,339 million), mainly now only relating to a $400 million Viterra bond maturing in 2020. No amounts have been claimed or provided as at 31 December 2017. Glencore's share of joint ventures' capital commitments amounts to $151 million (2016: $154 million).

### Other investments

| US$ million | 2017 | 2016 |
|---|---|---|
| **Available for sale** | | |
| United Company Rusal plc | **933** | 562 |
| OAO NK Russneft | **1,042** | 895 |
| Yancoal | **293** | – |
| | **2,268** | 1,457 |
| **Fair value through profit and loss** | | |
| OSJC Rosneft Oil cash-settled equity swaps | **307** | – |
| Volcan Compania Minera S.A.A. | **–** | 124 |
| Century Aluminum Company cash-settled equity swaps | **179** | 78 |
| Other | **204** | 94 |
| | **690** | 296 |
| **Total** | **2,958** | 1,753 |

### Available for sale investments

Glencore accounts for its interests in United Company Rusal plc, OAO NK Russneft ("Russneft") and Yancoal Australia Limited ("Yancoal") as available for sale investments at fair value with mark-to-market movements recognised in other comprehensive income. Although Glencore holds a 25% interest in Russneft, it does not exercise significant influence over its financial and operating policy decisions.

#### Yancoal

On 27 July 2017, Glencore and Yancoal signed agreements relating to the acquisition of a 49% interest in the Hunter Valley Operations ("HVO") coal mine in New South Wales, Australia following Yancoal's acquisition of Coal & Allied from Rio Tinto. In addition to this transaction, Glencore agreed to subscribe for $311 million worth of shares in Yancoal's equity raising which completed in September 2017. The HVO acquisition is subject to regulatory approvals, which are expected to be received during the course of H1 2018. Also see note 29.

### Fair value through profit and loss

#### Rosneft

On 3 January 2017, Glencore and Qatar Investment Authority ("QIA") entered into various agreements establishing a 50:50 consortium ("QHG") to acquire 19.5% of OSJC Rosneft Oil ("Rosneft") and enter into a 5 year offtake agreement with Rosneft. The joint investments established constitute joint arrangements subject to joint control by virtue of the partnership agreements, in accordance with IFRS 11, and are accounted for under the equity method and included within investments in joint ventures. The structure requires unanimous consent for all key decisions regarding the relevant activities of the joint investments. As the joint arrangements are structured through separate vehicles and Glencore is not the only possible source of funding, nor does it have a direct or indirect obligation for the liabilities of the arrangements, the arrangements have been accounted for as joint ventures. Glencore's initial investment was EUR 2. In September 2017, QHG concluded an agreement with CEFC China Energy Company Limited to dispose of the majority of the shares it held (amounting to a 14.16% stake in Rosneft). Following completion of the transaction, the margin guarantees provided by Glencore (see note 30) will terminate. The transaction, subject to customary regulatory approval processes, is expected to complete in H1 2018.

In relation to these arrangements, Glencore advanced EUR300 million in the form of a total return swap over 0.57% of Rosneft shares, accounted for at fair value through profit and loss, which constitutes the substantial majority of Glencore's investment in QHG.

#### Volcan

On 9 November 2017, Glencore completed the acquisition of additional shares in Volcan, thereby increasing its total economic interest from 7.7% to 23.3% (see note 24). Prior to acquisition, Glencore's interest in Volcan was accounted for at fair value through profit and loss and a gain of $235 million was recognised in changes in mark-to-market valuations on investments held for trading (see note 4).

## 10. ADVANCES AND LOANS

| US$ million | Notes | 2017 | 2016 |
|---|---|---|---|
| Loans to associates | | 220 | 526 |
| Rehabilitation trust fund | | 213 | 193 |
| Pension surpluses | 22 | 68 | – |
| Other non-current receivables and loans[1] | | 2,475 | 2,764 |
| **Total** | | **2,976** | 3,483 |

1 Includes advances, net of $1,654 million (2016: $2,039 million) provided by various banks.

### Loans to associates
Loans to associates generally bear interest at applicable floating market rates plus a premium. In December 2017, loans extended to associates were impaired by $149 million, see note 5.

### Rehabilitation trust fund
Glencore makes contributions to controlled funds that were established to meet the costs of its restoration and rehabilitation liabilities, primarily in South Africa. These funds are not available for the general purposes of the Group, and there is no present obligation to make any further contributions.

### Other non-current receivables and loans
Other non-current receivables and loans comprise the following:

| US$ million | 2017 | 2016 |
|---|---|---|
| **Counterparty** | | |
| Secured marketing related financing arrangements[1] | 992 | 1,043 |
| Société Nationale d'Electricité ("SNEL") power advances | 307 | 295 |
| Chad State National Oil Company | 339 | 389 |
| Société Nationale des Pétroles du Congo | 123 | 292 |
| Iron ore prepayment | 38 | 89 |
| Other | 676 | 656 |
| **Total** | **2,475** | 2,764 |

1 Various marketing related financing facilities, generally secured against certain assets and/or payable from the future sale of production of the counterparty. The advances and loans are interest-bearing and on average are to be repaid over a three-year period.

#### SNEL power advances
In early 2012, a joint agreement with Société Nationale d'Électricité ("SNEL"), the Democratic Republic of the Congo's ("DRC") national electricity utility, was signed whereby Glencore's operations will contribute $389 million to a major electricity infrastructure refurbishment programme, including transmission and distribution systems. This is expected to facilitate a progressive increase in power availability to 450 megawatts by the end of 2018. Funding commenced in the second quarter of 2012 and will continue until Q1 2020. The loans are being repaid via discounts on electricity purchases, which will accelerate upon completion of the refurbishment programme.

#### Chad State National Oil Company
Glencore has provided a net $398 million (2016: $418 million) to the Chad State National Oil Company ("SHT") to be repaid through future oil deliveries over seven years. As at 31 December 2017, the advance is net of $872 million (2016: $972 million) provided by a syndicate of banks, the repayment terms of which are contingent upon and connected to the receipt of oil due from SHT under the prepayment. Of the net amount advanced, $339 million (2016: $389 million) is receivable after 12 months and is presented within Other non-current receivables and loans and $59 million (2016: $29 million) is due within 12 months and included within Accounts receivable.

#### Société Nationale des Pétroles du Congo ("SNPC")
Glencore has provided a net $212 million (2016: $336 million) to SNPC repayable through future oil deliveries over five years. As at 31 December 2017, the advance is net of $549 million (2016: $512 million) provided by the bank market, the repayment terms of which are contingent upon and connected to the future receipt of oil contractually due from SNPC. Of the net amount advanced, $123 million (2016: $292 million) is due after 12 months and is presented within Other long-term receivables and loans and $89 million (2016: $44 million) is due within 12 months and included within Accounts receivable.

## 10. ADVANCES AND LOANS (continued)

Iron ore prepayment

Glencore has advanced funds to iron ore suppliers to be repaid through future iron ore deliveries over two years. As at 31 December 2017, the total advance of $1,172 million (2016: $1,571 million) is recorded net of $1,092 million (2016: $1,414 million) provided by the bank market, the repayment terms of which are contingent upon and connected to the future receipt of iron ore contractually due from the counterparty. Of the net amount advanced, $38 million (2016: $89 million) is due after 12 months and presented within Other long-term receivables and loans and $42 million (2016: $68 million) is due within 12 months and included within Accounts receivable.

## 11. INVENTORIES

### Current inventory

Inventories of $24,084 million (2016: $18,347 million) comprise $15,344 million (2016: $11,323 million) of inventories carried at fair value less costs of disposal and $8,740 million (2016: $7,024 million) valued at the lower of cost or net realisable value. The amount of inventories and related ancillary costs recognised as an expense during the year was $185,371 million (2016: $137,903 million).

Fair value of inventories is a Level 2 fair value measurement (see note 27) using observable market prices obtained from exchanges, traded reference indices or market survey services adjusted for relevant location and quality differentials. There are no significant unobservable inputs in the fair value measurement of such inventories.

Glencore has a number of dedicated financing facilities, which finance a portion of its inventories. In each case, the inventory has not been derecognised as the Group retains the principal risks and rewards of ownership. The proceeds received are recognised as current borrowings (see note 19). As at 31 December 2017, the total amount of inventory secured under such facilities was $435 million (2016: $1,632 million). The proceeds received and recognised as current borrowings were $221 million (2016: $1,320 million) and $80 million (2016: $61 million) as non-current borrowings.

### Non-current inventory

$369 million (2016: $564 million) of inventories valued at lower of cost or net realisable value are not expected to be utilised or sold within 12 months and are therefore classified as non-current inventory.

## 12. ACCOUNTS RECEIVABLE

| US$ million | 2017 | 2016 |
|---|---|---|
| Trade receivables[1] | **11,915** | 10,482 |
| Trade advances[1,2] | **2,110** | 2,116 |
| Margin calls paid[3] | **3,380** | 4,937 |
| Associated companies[1] | **517** | 444 |
| Income tax receivable | **178** | 201 |
| Other receivables[1] | **2,259** | 1,886 |
| **Total** | **20,359** | 20,066 |

1 Collectively referred to as receivables presented net of allowance for doubtful debts.

2 Includes advances, net of $876 million (2016: $1,004 million) provided by banks, the repayment terms of which are contingent upon and connected to the future delivery of contractual production over the next 12 months.

3 Includes $717 million (2016: $2,181 million) of cash collateral payments under margin arrangements related to cross currency swaps held to hedge non-US dollar denominated bonds.

The average credit period on sales of goods is 20 days (2016: 25 days). The carrying value of trade receivables approximates fair value.

As at 31 December 2017, 7% (2016: 7%) of receivables were between 1 to 60 days overdue, and 4% (2016: 4%) were greater than 60 days overdue. Such receivables, although contractually past their due dates, are not considered impaired as there has not been a significant change in credit quality of the relevant counterparty, and the amounts are still considered recoverable taking into account customary payment patterns and in many cases, offsetting accounts payable balances.

The movement in allowance for doubtful accounts is detailed below:

| US$ million | 2017 | 2016 |
|---|---|---|
| 1 January | **295** | 269 |
| Released during the year | **(143)** | (58) |
| Charged during the year | **153** | 232 |
| Utilised during the year | **(21)** | (46) |
| Disposal of subsidiaries | **–** | (102) |
| **31 December** | **284** | 295 |

Glencore has a number of dedicated financing facilities, which finance a portion of its receivables. The receivables have not been derecognised, as the Group retains the principal risks and rewards of ownership. The proceeds received are recognised as current borrowings (see note 19). As at 31 December 2017, the total amount of trade receivables secured was $748 million (2016: $1,917 million) and proceeds received and classified as current borrowings amounted to $669 million (2016: $1,670 million).

## 13. CASH AND CASH EQUIVALENTS

| US$ million | 2017 | 2016 |
|---|---|---|
| Bank and cash on hand | **1,751** | 2,060 |
| Deposits and treasury bills | **373** | 458 |
| **Total** | **2,124** | 2,518 |

As at 31 December 2017, $35 million (2016: $22 million) was restricted.

## 14. ASSETS AND LIABILITIES HELD FOR SALE

On 29 December 2017, Glencore completed the sale of a 51% interest in HG Storage International Ltd (“HG Storage”), a group comprising the majority of Glencore’s petroleum products storage and logistics businesses to HNA Innovation Finance Group Co Ltd (“HNA”) (see note 24). Glencore and HNA also entered into a second agreement pursuant to which three of the original transaction assets located in the USA (“HG Storage US”) will be sold to HG Storage in 2018 for proceeds of $196 million, subject to receipt of customary regulatory approvals.

In 2017, Glencore entered into an agreement to sell Tahmoor, a coal mining operation in New South Wales, as well as its manganese plants located in France and Norway, with both transactions grouped under ‘other’ in the table below. The transactions, subject to customary regulatory approvals and closing conditions, are expected to complete during the first half of 2018. At the date of this report, the sale of the manganese plants had closed.

As a result, assets of $432 million and liabilities of $159 million have been classified as held for sale within the metals and minerals and energy segments as detailed below:

| US$ million | HG Storage US | Other | 2017 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment[1] | 141 | 96 | **237** |
| Intangible assets | 1 | – | **1** |
| Investments in associates | 8 | – | **8** |
| Deferred tax assets | – | 33 | **33** |
| | 150 | 129 | **279** |
| **Current assets** | | | |
| Inventories | 4 | 49 | **53** |
| Accounts receivable | 39 | 27 | **66** |
| Other financial assets | – | 7 | **7** |
| Prepaid expenses | 3 | – | **3** |
| Cash and cash equivalents | 12 | 12 | **24** |
| | 58 | 95 | **153** |
| **Total assets held for sale** | 208 | 224 | **432** |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | (41) | (5) | **(46)** |
| Provisions | – | (38) | **(38)** |
| | (41) | (43) | **(84)** |
| **Current liabilities** | | | |
| Accounts payable | (8) | (62) | **(70)** |
| Income tax payable | (1) | (4) | **(5)** |
| | (9) | (66) | **(75)** |
| **Total liabilities held for sale** | (50) | (109) | **(159)** |
| **Total net assets held for sale** | 158 | 115 | **273** |

1 Includes additions of $16 million since reclassification to held for sale.

## 15. SHARE CAPITAL AND RESERVES

| | Number of shares (thousand) | Share capital (US$ million) | Share premium (US$ million) |
|---|---|---|---|
| Authorised: | | | |
| 31 December 2017 and 2016 Ordinary shares with a par value of $0.01 each | 50,000,000 | – | – |
| Issued and fully paid up: | | | |
| **1 January 2016 and 31 December 2016 – Ordinary shares** | **14,586,200** | **146** | **52,338** |
| 1 January 2017 | 14,586,200 | 146 | 52,338 |
| Distributions paid (see note 17) | – | – | (998) |
| **31 December 2017 – Ordinary shares** | **14,586,200** | **146** | **51,340** |

| | Treasury Shares | | Trust Shares | | **Total** | |
|---|---|---|---|---|---|---|
| | Number of shares (thousand) | Share premium (US$ million) | Number of shares (thousand) | Share premium (US$ million) | **Number of shares (thousand)** | **Share premium (US$ million)** |
| Own shares: | | | | | | |
| 1 January 2016 | 191,459 | (948) | 174,404 | (764) | 365,863 | (1,712) |
| Own shares disposed during the year | – | – | (7,474) | 12 | (7,474) | 12 |
| **31 December 2016** | **191,459** | **(948)** | **166,930** | **(752)** | **358,389** | **(1,700)** |
| 1 January 2017 | 191,459 | (948) | 166,930 | (752) | 358,389 | (1,700) |
| Own shares disposed during the year | – | – | (37,080) | 125 | (37,080) | 125 |
| **31 December 2017** | **191,459** | **(948)** | **129,850** | **(627)** | **321,309** | **(1,575)** |

### Own shares

Own shares comprise shares acquired under the Company's previous share buy-back programme and shares of Glencore plc held by Group employee benefit trusts ("the Trusts") to satisfy the potential future settlement of the Group's employee stock plans, primarily assumed as part of previous business combinations.

The Trusts also coordinate the funding and manage the delivery of ordinary shares and free share awards under certain of Glencore's share plans. The shares have been acquired by either stock market purchases or share issues from the Company. The Trusts are permitted to sell the shares and may hold up to 5% of the issued share capital of the Company at any one time. The Trusts have waived the right to receive distributions from the shares that they hold. Costs relating to the administration of the Trust are expensed in the period in which they are incurred.

As at 31 December 2017, 321,309,725 shares (2016: 358,389,443 shares), equivalent to 2.2% (2016: 2.5%) of the issued share capital were held at a cost of $1,575 million (2016: $1,700 million) and market value of $1,694 million (2016: $1,227 million).

## 15. SHARE CAPITAL AND RESERVES (continued)

### Other reserves

| US$ million | Translation adjustment | Cash flow hedge reserve | Net unrealised gain/(loss) | Net ownership changes in subsidiaries | **Total** |
|---|---|---|---|---|---|
| 1 January 2017 | (2,553) | 126 | 377 | (752) | **(2,802)** |
| Exchange gain on translation of foreign operations | 503 | – | – | – | **503** |
| Loss on cash flow hedges, net of tax | – | (165) | – | – | **(165)** |
| Gain on available for sale financial instruments | – | – | 500 | – | **500** |
| Change in ownership interest in subsidiaries | – | – | – | (318) | **(318)** |
| Items recycled to the statement of income upon disposal of subsidiaries (see note 24) | (271) | – | – | 128 | **(143)** |
| **31 December 2017** | **(2,321)** | **(39)** | **877** | **(942)** | **(2,425)** |
| | | | | | |
| 1 January 2016 | (3,579) | (21) | 12 | (831) | **(4,419)** |
| Exchange gain on translation of foreign operations | 440 | – | – | – | **440** |
| Gain on cash flow hedges, net of tax | – | 99 | – | – | **99** |
| Gain on available for sale financial instruments | – | – | 365 | – | **365** |
| Reclassifications | (31) | 30 | – | 1 | **–** |
| Change in ownership interest in subsidiaries | – | – | – | 68 | **68** |
| Discontinued operations | 22 | 21 | – | – | **43** |
| Items recycled to the statement of income upon disposal of subsidiaries (see note 24) | 595 | (3) | – | 10 | **602** |
| **31 December 2016** | **(2,553)** | **126** | **377** | **(752)** | **(2,802)** |

## 16. EARNINGS PER SHARE

| US$ million | 2017 | 2016 |
|---|---|---|
| Profit/(loss) attributable to equity holders of the Parent | | |
| Continuing operations | 5,777 | (744) |
| Discontinued operations | – | 2,123 |
| Profit attributable to equity holders of the Parent for basic earnings per share | 5,777 | 1,379 |
| Weighted average number of shares for the purposes of basic earnings per share (thousand) | 14,256,020 | 14,224,100 |
| **Effect of dilution:** | | |
| Equity-settled share-based payments (thousand) | 167,024 | 134,179 |
| Weighted average number of shares for the purposes of diluted earnings per share (thousand) | 14,423,044 | 14,358,279 |
| Basic earnings/(loss) per share (US$) | | |
| Continuing operations | 0.41 | (0.05) |
| Discontinued operations | – | 0.15 |
| Total basic earnings per share | 0.41 | 0.10 |
| Diluted earnings/(loss) per share (US$)[1] | | |
| Continuing operations | 0.40 | (0.05) |
| Discontinued operations | – | 0.15 |
| Total diluted earnings per share | 0.40 | 0.10 |

**Headline earnings:**

Headline earnings is a Johannesburg Stock Exchange ("JSE") defined performance measure. The calculation of basic and diluted earnings per share, based on headline earnings as determined by the requirements of the Circular 2/2015 as issued by the South African Institute of Chartered Accountants ("SAICA"), is reconciled using the following data:

| US$ million | 2017 | 2016 |
|---|---|---|
| Profit attributable to equity holders of the Parent from continuing and discontinued operations for basic earnings per share | 5,777 | 1,379 |
| Net gain on disposals[2] | (1,309) | (2,370) |
| Net gain on disposals – non-controlling interest | 7 | – |
| Net gain on disposals – tax | 107 | 148 |
| Impairments[3] | 479 | 1,789 |
| Impairments – non-controlling interest | (42) | (16) |
| Impairments – tax | (104) | (573) |
| Headline and diluted earnings for the year | 4,915 | 357 |
| Headline earnings per share (US$) | 0.34 | 0.03 |
| Diluted headline earnings per share (US$)[1] | 0.34 | 0.03 |

1 In 2016, equity-settled share-based payments were only dilutive with respect to Headline earnings per share calculation.

2 2017 comprises gain on disposals of investments of $1,079 million and gain on disposals of property, plant and equipment of $230 million. 2016 comprises gain on disposals of investments of $452 million, gain on disposals of property, plant and equipment of $37 million, gain on disposal of Glencore Agri of $1,848 million and gain on disposals and investments as reported in discontinued operations of $33 million (see notes 3 and 24).

3 Comprises impairments of property, plant and equipment, intangible assets and investments (see note 5) and impairments related to Cerrejón of $521 million in 2016.

## 17. DISTRIBUTIONS

| US$ million | 2017 | 2016 |
|---|---|---|
| **Paid during the year:** | | |
| First tranche 2016 distribution – $0.035 per ordinary share | 499 | – |
| Second tranche 2016 distribution – $0.035 per ordinary share | 499 | – |
| **Total** | 998 | – |

The proposed distribution of $0.20 per ordinary share amounting to $2.9 billion is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Distributions declared in respect of the year ended 31 December 2017 are expected to be paid equally ($0.10 each) in May 2018 and September 2018.

## 18. SHARE-BASED PAYMENTS

| | Number of awards granted (thousand) | Fair value at grant date (US$ million) | Number of awards outstanding 2017 (thousand) | Number of awards outstanding 2016 (thousand) | Expense recognised 2017 (US$ million) | Expense recognised 2016 (US$ million) |
|---|---|---|---|---|---|---|
| **Deferred Bonus Plan** | | | | | | |
| 2015 Series | 14,315 | 36 | 3,909 | 14,315 | 7 | – |
| 2016 Series | 14,851 | 35 | 14,023 | 14,177 | – | 34 |
| 2017 Series | 16,506 | 64 | 16,506 | – | 64 | – |
| | 45,672 | | 34,438 | 28,492 | 71 | 34 |
| **Performance Share Plan** | | | | | | |
| 2013 Series | | | | | – | 6 |
| 2014 Series | 20,908 | 115 | 5,302 | 10,485 | 9 | 21 |
| 2015 Series | 77,816 | 107 | 54,250 | 75,316 | 30 | 48 |
| 2016 Series | 24,017 | 84 | 23,439 | 6,835 | 47 | – |
| 2017 Series | 6,280 | 30 | 6,280 | – | – | – |
| | 129,021 | | 89,271 | 92,636 | 86 | 75 |
| **Total** | 174,693 | | 123,710 | 121,128 | 157 | 109 |

### Deferred Bonus Plan

Under the Glencore Deferred Bonus Plan (“DBP”), the payment of a portion of a participant’s annual bonus is deferred for a period of one to two years as an award of either ordinary shares (a ‘‘Bonus Share Award’’) or cash (a “Bonus Cash Award”). The awards are vested at grant date with no further service conditions, however they are subject to forfeiture for malus events. The Bonus Share Awards may be satisfied, at Glencore’s option, in shares by the issue of new ordinary shares, by the transfer of ordinary shares held in treasury or by the transfer of ordinary shares purchased in the market or in cash, with a value equal to the market value of the award at settlement, including distributions paid between award and settling. Glencore currently intends to settle these awards in shares. The associated expense is recorded in the statement of income/loss as part of the expense for performance bonuses.

### Performance Share Plan

Under the Glencore Performance Share Plan (“PSP”), participants are awarded PSP awards which vest in annual tranches over a specified period, subject to continued employment and forfeiture for malus events. At grant date, each PSP award is equivalent to one ordinary share of Glencore. The awards vest in three or five equal tranches on 30 June, 31 December or 31 January of the years following the year of grant, as may be the case. The fair value of the awards is determined by reference to the market price of Glencore’s ordinary shares at grant date. The PSP awards may be satisfied, at Glencore’s option, in shares by the issue of new ordinary shares, by the transfer of ordinary shares held in treasury or by the transfer of ordinary shares purchased in the market or in cash, with a value equal to the market value of the award at vesting, including distributions paid between award and vesting. Glencore currently intends to settle these awards in shares.

## 18. SHARE-BASED PAYMENTS (continued)

### Share based awards assumed in previous business combinations

| | Total options outstanding (thousands) | Weighted average exercise price (GBP) |
|---|---|---|
| 1 January 2017 | 141,272 | 3.89 |
| Lapsed | (8,756) | 4.45 |
| Exercised[1] | (7,913) | 1.60 |
| **31 December 2017** | **124,603** | |
| | | |
| **1 January 2016** | 146,602 | 3.89 |
| Adjustment due to share issue | 322 | – |
| Lapsed | (5,424) | 2.85 |
| Exercised[1] | (228) | 1.10 |
| **31 December 2016** | **141,272** | |

1 The weighted average share price at date of exercise of the share based awards was GBP3.45 (2016: GBP2.80).

As at 31 December 2017, a total of 124,602,481 options (2016: 141,271,783 options) were outstanding and exercisable, having a range of exercise prices from GBP1.1 to GBP6.87 (2016: GBP1.1 to GBP6.87) and a weighted average exercise price of GBP4.00 (2016: GBP3.89). These outstanding awards have expiry dates ranging from March 2018 to February 2022 (2016: March 2017 to February 2022) and a weighted average contractual life of 2.97 years (2016: 3.6 years). The awards may be satisfied at Glencore's option, by the issue of new ordinary shares, by the transfer of ordinary shares held in treasury or by the transfer of ordinary shares purchased in the market. Glencore currently intends to settle these awards, when exercised, by the transfer of ordinary shares held in treasury.

## 19. BORROWINGS

| US$ million | Notes | 2017 | 2016 |
|---|---|---|---|
| **Non-current borrowings** | | | |
| Capital market notes | | **22,628** | 21,968 |
| Committed syndicated revolving credit facilities | | **994** | 476 |
| Finance lease obligations | 29 | **328** | 326 |
| Other bank loans | | **582** | 418 |
| **Total non-current borrowings** | | **24,532** | 23,188 |
| **Current borrowings** | | | |
| Secured inventory/receivables/other facilities | 9/11/12 | **1,060** | 2,990 |
| U.S. commercial paper | | **1,230** | – |
| Capital market notes | | **3,550** | 4,388 |
| Finance lease obligations | 29 | **64** | 75 |
| Other bank loans[1] | | **3,498** | 2,577 |
| **Total current borrowings** | | **9,402** | 10,030 |
| **Total borrowings** | | **33,934** | 33,218 |

1 Comprises various uncommitted bilateral bank credit facilities and other financings.

### Reconciliation of cash flow to movement in borrowings

| US$ million | 2017 | 2016 |
|---|---|---|
| **Cash related movements in borrowings[1]** | | |
| Proceeds from issuance of capital market notes | **2,026** | 1,366 |
| Repayment of capital market notes | **(4,539)** | (4,748) |
| Repurchase of capital market notes | **–** | (2,629) |
| Proceeds from/(repayment of) revolving credit facilities | **501** | (2,644) |
| Proceeds from/(repayment of) other non-current borrowings | **19** | (79) |
| Repayment of finance lease obligations | **(105)** | (125) |
| Proceeds from U.S. commercial papers | **1,180** | (15) |
| (Repayment of)/proceeds from current borrowings | **(1,266)** | 1,035 |
| | **(2,184)** | (7,839) |
| **Non-cash related movements in borrowings** | | |
| Borrowings acquired/(disposed) in business combinations[2] | **761** | (2,709) |
| Foreign exchange movements | **1,840** | (296) |
| Hedge fair value movements | **192** | (76) |
| Change in finance lease obligations | **73** | 67 |
| Other non-cash movements | **34** | 22 |
| | **2,900** | (2,992) |
| **Increase/(decrease) in borrowings for the year** | **716** | (10,831) |
| Total borrowings – opening | **33,218** | 44,049 |
| **Total borrowings – closing** | **33,934** | 33,218 |

1 See consolidated statement of cash flows.

2 2016 includes a settlement of debt due from Glencore Agri of $1,670 million, see note 24.

## 19. BORROWINGS (continued)

### Capital Market Notes

| US$ million | Maturity | 2017 | 2016 |
|---|---|---|---|
| AUD 500 million 4.50% coupon bonds | Sep 2019 | **398** | 370 |
| Euro 1,250 million 4.625% coupon bonds | Apr 2018 | **–** | 1,296 |
| Euro 1,000 million 2.625% coupon bonds | Nov 2018 | **–** | 1,055 |
| Euro 750 million 3.375% coupon bonds | Sep 2020 | **931** | 781 |
| Euro 1,250 million 1.25% coupon bonds | Mar 2021 | **1,491** | 1,294 |
| Euro 600 million 2.75% coupon bonds | Apr 2021 | **730** | 617 |
| Euro 700 million 1.625% coupon bonds | Jan 2022 | **857** | 733 |
| Euro 1,000 million 1.875% coupon bonds | Sep 2023 | **1,195** | 1,048 |
| Euro 400 million 3.70% coupon bonds | Oct 2023 | **525** | 420 |
| Euro 750 million 1.75% coupon bonds | Mar 2025 | **906** | 784 |
| Euro 500 million 3.75% coupon bonds | Apr 2026 | **662** | 524 |
| Eurobonds | | **7,297** | 8,552 |
| JPY 10 billion 1.075% coupon bonds | May 2022 | **89** | 86 |
| GBP 650 million 6.50% coupon bonds | Feb 2019 | **876** | 798 |
| GBP 500 million 7.375% coupon bonds | May 2020 | **731** | 689 |
| GBP 500 million 6.00% coupon bonds | Apr 2022 | **679** | 621 |
| Sterling bonds | | **2,286** | 2,108 |
| CHF 450 million 2.625% coupon bonds | Dec 2018 | **–** | 443 |
| CHF 175 million 2.125% coupon bonds | Dec 2019 | **184** | 172 |
| CHF 500 million 1.25% coupon bonds | Dec 2020 | **522** | 492 |
| CHF 250 million 2.25% coupon bonds | May 2021 | **251** | 246 |
| Swiss Franc bonds | | **957** | 1,353 |
| US$ 250 million LIBOR plus 1.06% coupon bonds | Apr 2018 | **–** | 48 |
| US$ 500 million 2.125% coupon bonds | Apr 2018 | **–** | 159 |
| US$ 200 million LIBOR plus 1.20% coupon bonds | May 2018 | **–** | 200 |
| US$ 500 million LIBOR plus 1.36% coupon bonds | Jan 2019 | **279** | 279 |
| US$ 1,500 million 2.50% coupon bonds | Jan 2019 | **690** | 690 |
| US$ 1,000 million 3.125% coupon bonds | Apr 2019 | **447** | 451 |
| US$ 1,000 million 2.875% coupon bonds | Apr 2020 | **414** | 416 |
| US$ 1,000 million 4.95% coupon bonds | Nov 2021 | **1,045** | 1,056 |
| US$ 600 million 5.375% coupon bonds[1] | Feb 2022 | **535** | – |
| US$ 250 million LIBOR plus 1.65% coupon bonds | May 2022 | **250** | 250 |
| US$ 1,000 million 4.25% coupon bonds | Oct 2022 | **1,011** | 1,013 |
| US$ 500 million 3.00% coupon bonds | Oct 2022 | **496** | – |
| US$ 1,500 million 4.125% coupon bonds | May 2023 | **1,520** | 1,536 |
| US$ 1,000 million 4.625% coupon bonds | Apr 2024 | **1,024** | 1,034 |
| US$ 500 million 4.00% coupon bonds | Apr 2025 | **483** | 484 |
| US$ 1,000 million 4.00% coupon bonds | Mar 2027 | **986** | – |
| US$ 50 million 4.00% coupon bonds | Mar 2027 | **50** | – |
| US$ 500 million 3.875% coupon bonds | Oct 2027 | **491** | – |
| US$ 250 million 6.20% coupon bonds | Jun 2035 | **273** | 273 |
| US$ 500 million 6.90% coupon bonds | Nov 2037 | **594** | 597 |
| US$ 500 million 6.00% coupon bonds | Nov 2041 | **540** | 540 |
| US$ 500 million 5.55% coupon bonds | Oct 2042 | **473** | 473 |
| US$ bonds | | **11,601** | 9,499 |
| **Total non-current bonds** | | **22,628** | 21,968 |

1 Assumed in the Volcan acquisition, see note 24.

## 19. BORROWINGS (continued)

| US$ million | Maturity | 2017 | 2016 |
|---|---|---|---|
| Euro 1,250 million 5.25% coupon bonds | Mar 2017 | – | 1,244 |
| Euro 500 million 5.25% coupon bonds | Jun 2017 | – | 514 |
| Euro 1,250 million 4.625% coupon bonds | Apr 2018 | 1,480 | – |
| Euro 1,000 million 2.625% coupon bonds | Nov 2018 | 1,202 | – |
| Eurobonds | | 2,682 | 1,758 |
| CHF 450 million 2.625% coupon bonds | Dec 2018 | 461 | – |
| US$ 700 million 3.60% coupon bonds | Jan 2017 | – | 660 |
| US$ 250 million 5.50% coupon bonds | Jun 2017 | – | 254 |
| US$ 1,750 million 2.70% coupon bonds | Oct 2017 | – | 1,716 |
| US$ 250 million LIBOR plus 1.06% coupon bonds | Apr 2018 | 48 | – |
| US$ 500 million 2.125% coupon bonds | Apr 2018 | 159 | – |
| US$ 200 million LIBOR plus 1.20% coupon bonds | May 2018 | 200 | – |
| US$ bonds | | 407 | 2,630 |
| **Total current bonds** | | **3,550** | 4,388 |

### 2017 Bond activities

- In March, issued a 10 year $1,000 million, 4% coupon bond.
- In August, issued a 10 year $50 million, 4% coupon bond as a private placement.
- In October, issued a 5 year $500 million, 3% coupon bond.
- In October, issued a 10 year $500 million, 3.875% coupon bond.

### 2016 Bond activities

- In May, issued a 5 year CHF 250 million, 2.25% coupon bond.
- In September, issued a 7 year Euro 1,000 million, 1.875% coupon bond.
- In October, repurchased bonds with a nominal value of $1,492 million, comprising primarily 2018 and 2019 maturities.
- In December, repurchased bonds with a nominal value of $1,137 million, comprising primarily 2019 and 2020 maturities.

### Committed syndicated revolving credit facilities

In May 2017, Glencore signed new one-year revolving credit facilities for a total amount of $7,335 million, refinancing the $7,700 million one-year revolving facilities signed in February 2016. Funds drawn under the facilities bear interest at US$LIBOR plus a margin of 40 basis points. Glencore also voluntarily reduced the medium term facility size from $6,800 million to $5,425 million and extended its maturity by 24 months to 2022.

As at 31 December 2017, the active facilities comprise:

- a $7,335 million one year revolving credit facility with a 12 month borrower's term-out option (to May 2019) and 12 month extension option; and
- a $5,425 million medium-term revolving credit facility (to May 2022).

### Secured facilities

| US$ million | Maturity | Borrowing base | Interest | 2017 | 2016 |
|---|---|---|---|---|---|
| Syndicated committed metals inventory facilities | Nov 2018 | 83 | 3% | – | 100 |
| Syndicated uncommitted metals inventory/receivables facilities | Feb[1]/Mar/Jul 2018 | 1,480 | US$ JIBAR + 110 bps / US$ LIBOR + 75/90/160 bps | 590 | 2,340 |
| Syndicated uncommitted oil receivables facilities | Oct 2018 | 750 | US$ LIBOR + 75 bps | 300 | 550 |
| Other secured facilities | Mar 2018 | 170 | US$ LIBOR + 75 bps | 170 | – |
| **Total** | | 2,483 | | **1,060** | 2,990 |

1 Since year-end, in the ordinary course of business, these maturities have been rolled/extended as required.

## 20. DEFERRED INCOME

| US$ million | Unfavourable contracts | Prepayments | Total |
|---|---|---|---|
| 1 January 2017 | 617 | 1,787 | **2,404** |
| Additions | – | 675 | **675** |
| Accretion in the year | – | 164 | **164** |
| Utilised in the year | (64) | (240) | **(304)** |
| Effect of foreign currency exchange difference | 32 | – | **32** |
| **31 December 2017** | **585** | **2,386** | **2,971** |
| Current | 59 | 351 | 410 |
| Non-current | 526 | 2,035 | 2,561 |

| | | | |
|---|---|---|---|
| 1 January 2016 | 653 | 886 | **1,539** |
| Additions | – | 971 | **971** |
| Accretion in the year | – | 109 | **109** |
| Utilised in the year | (74) | (179) | **(253)** |
| Effect of foreign currency exchange difference | 38 | – | **38** |
| **31 December 2016** | **617** | **1,787** | **2,404** |
| Current | 56 | 82 | 138 |
| Non-current | 561 | 1,705 | 2,266 |

### Unfavourable contracts

In previous business combinations, Glencore recognised liabilities related to various assumed contractual agreements to deliver tonnes of coal and zinc concentrates over periods ending between 2018 and 2034 at fixed prices lower than the prevailing market prices on the respective acquisition dates.

These amounts are released to revenue as the underlying commodities are delivered to the buyers over the life of the contracts at rates consistent with the implied forward price curves at the time of the acquisitions.

### Prepayments

In November 2017, Glencore entered into a silver supply arrangement in exchange for an upfront advance payment of $675 million. Under the terms of the arrangement, Glencore is required to deliver an average of 19 million ounces of silver per annum, over a 3 year period. The arrangement has been accounted for as an executory contract whereby the advance payment has been recorded as deferred revenue. The revenue from the advance payment is being recognised as the silver is delivered consistent with the implied forward price curve at the time of the transaction. An accretion expense, representing the time value of the upfront deposit on the deferred revenue balance, is also being recognised.

In 2015 and 2016, Glencore entered into various long-term streaming agreements for the future delivery of gold and/or silver produced over the life of mine from our Antamina, Antapaccay and Ernest Henry operations in exchange for an upfront prepayment and, for Antamina and Antapaccay, an ongoing amount equal to 20% of the spot silver and gold price. Once certain delivery thresholds have been met at Antapaccay, the ongoing cash payment increases to 30% of the spot gold and silver prices. The arrangements have been accounted for as executory contracts whereby the advance payments have been recorded as deferred revenue. The revenue from the advance payments is being recognised as the gold and/or silver is delivered at an amount consistent with the implied forward price curve at the time of the transaction along with ongoing cash payments, if any. An accretion expense, representing the time value of the upfront deposit on the deferred revenue balance, is also being recognised.

## 21. PROVISIONS

| US$ million | Post-retirement employee benefits | Other employee entitlements | Rehabilitation costs | Onerous contracts | Other | Total |
|---|---|---|---|---|---|---|
| 1 January 2017 | 860 | 218 | 3,194 | 1,305 | 812 | **6,389** |
| Provision utilised in the year | (96) | (40) | (191) | (325) | (106) | **(758)** |
| Accretion in the year | – | – | 260 | 1 | – | **261** |
| Assumed in business combination[1] | – | – | 162 | – | 38 | **200** |
| Disposals of subsidiaries[1] | – | (2) | (45) | – | (10) | **(57)** |
| Reclassification to held for sale[2] | – | (1) | (37) | – | – | **(38)** |
| Additional provision in the year | 35 | 118 | 786 | 111 | 424 | **1,474** |
| Effect of foreign currency exchange difference | 48 | 1 | 51 | – | – | **100** |
| **31 December 2017** | **847** | **294** | **4,180** | **1,092** | **1,158** | **7,571** |
| Current | – | 56 | 90 | 176 | 155 | 477 |
| Non-current | 847 | 238 | 4,090 | 916 | 1,003 | 7,094 |
| | | | | | | |
| 1 January 2016 | 803 | 221 | 2,905 | 1,478 | 990 | **6,397** |
| Provision utilised in the year | (92) | (34) | (140) | (381) | (555) | **(1,202)** |
| Accretion in the year | – | – | 181 | 2 | – | **183** |
| Assumed in business combination[1] | – | 5 | 154 | 84 | 4 | **247** |
| Disposals of subsidiaries[1] | (6) | (6) | (107) | – | (78) | **(197)** |
| Additional provision in the year | 160 | 32 | 164 | 122 | 448 | **926** |
| Effect of foreign currency exchange difference | (5) | – | 37 | – | 3 | **35** |
| **31 December 2016** | **860** | **218** | **3,194** | **1,305** | **812** | **6,389** |
| Current | – | – | 144 | 178 | 136 | 458 |
| Non-current | 860 | 218 | 3,050 | 1,127 | 676 | 5,931 |

1 See note 24.

2 See note 14.

### Post-retirement employee benefits

The provision for post-retirement employee benefits includes pension plan liabilities of $392 million (2016: $428 million) and post-retirement medical plan liabilities of $455 million (2016: $432 million), see note 22.

### Other employee entitlements

The employee entitlement provision represents the value of governed employee entitlements due to employees upon their termination of employment. The associated expenditure will occur in a pattern consistent with when employees choose to exercise their entitlements.

### Rehabilitation costs

Rehabilitation provision represents the accrued cost required to provide adequate restoration and rehabilitation upon the completion of production activities. These amounts will be settled when rehabilitation is undertaken, generally at the end of a project's life, which ranges from two to in excess of 50 years with an average for all sites, weighted by closure provision, of some 21 years (2016: 16 years). As at 31 December 2017, the discount rate applied in calculating the restoration and rehabilitation provision is a pre-tax risk free rate specific to the liability and the currency in which they are denominated as follows: US dollar (2.0%), South African rand (4.0%), Australian dollar (3.0%), Canadian dollar (2.5%) and Chilean peso (3.0%). Decreasing the discount rates used by 0.5% would result in an increase in the overall rehabilitation provision by $326 million, with a resulting equal movement in property, plant and equipment. In the following year, the depreciation expense would increase by some $15 million, with an opposite direction interest expense adjustment of $10 million. The resulting net impact in the statement of income would be a decrease of $5 million, eventually netting to $Nil over the weighted average settlement date of the provision.

## 21. PROVISIONS (continued)

As outlined in note 1, significant estimates are required in determining the rehabilitation provisions and during the year, certain cost and timing estimates that were previously incorporated into the discount rate are now incorporated into the underlying rehabilitation cashflow forecasts. As a result of these changes in estimates, the rehabilitation provision increased by $312 million, with a resulting equivalent increase in property, plant and equipment.

### Onerous contracts

Onerous contracts represent liabilities related to contractual take or pay commitments for securing coal logistics capacity at fixed prices and quantities higher than the acquisition date forecasted usage and prevailing market price. The provision is released to costs of goods sold as the underlying commitments are incurred.

### Other

Other comprises provisions for possible demurrage, mine concession, tax and construction related claims.

#### Tax disputes

Glencore assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. Inherent uncertainties exist in estimates of tax contingencies due to complexities of interpretation and changes in tax laws. For those matters where it is probable that an adjustment will be made, the Group records its best estimate of these tax liabilities, including related interest charges. The current open tax matters are spread across numerous jurisdictions and consist primarily of legacy transfer pricing matters that have been open for a number of years and may take several more years to resolve. Reasonably possible adverse outcomes are not considered to be individually material. Accordingly, management does not anticipate a significant risk of material change in estimates within the next financial year.

## 22. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Total personnel costs, which include salaries, wages, social security, other personnel costs and share-based payments, incurred for the years ended 31 December 2017 and 2016, were $4,656 million and $4,245 million, respectively. Personnel costs related to consolidated industrial subsidiaries of $3,593 million (2016: $3,355 million) are included in cost of goods sold. Other personnel costs, including the deferred bonus and performance share plans, are included in selling and administrative expenses.

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. Among these schemes are defined contribution plans as well as defined benefit plans.

### Defined contribution plans

Glencore’s contributions under these plans amounted to $133 million in 2017 (2016: $118 million).

### Post-retirement medical plans

The Company participates in a number of post-retirement medical plans, principally in Canada, which provide coverage for prescription drugs, medical, dental, hospital and life insurance to eligible retirees. Almost all of the post-retirement medical plans in the Group are unfunded.

### Defined benefit pension plans

The Company operates defined benefit plans in various countries, the main locations being Canada, Switzerland, UK and the US. Approximately 72% of the present value of obligations accrued to date relates to the defined benefit plans in Canada, which are pension plans that provide benefits to members in the form of a guaranteed level of pension payable for life. Contributions to the Canadian plans are made to meet or exceed minimum funding requirements based on provincial statutory requirements and associated federal taxation rules.

The majority of benefit payments are from trustee-administered funds; however, there are also a number of unfunded plans where Glencore meets the benefit payments as they fall due. Plan assets held in trusts are governed by local regulations and practices in each country. Responsibility for governance of the plans – overseeing all aspects of the plans including investment decisions and contribution schedules – lies with Glencore. Glencore has set up committees to assist in the management of the plans and has also appointed experienced, independent professional experts such as investment managers, actuaries, custodians, and trustees.

## 22. PERSONNEL COSTS AND EMPLOYEE BENEFITS (continued)

The movement in the defined benefit pension and post-retirement medical plans over the year is as follows:

| US$ million | Notes | | Defined benefit pension plans | | |
|---|---|---|---|---|---|
| | | **Post-retirement medical plans** | Present value of defined benefit obligation | Fair value of plan assets | **Net liability for defined benefit pension plans** |
| **1 January 2017** | | **432** | 2,946 | (2,518) | **428** |
| Current service cost | | 8 | 55 | – | 55 |
| Past service cost – plan amendments | | – | (8) | – | (8) |
| Settlement | | – | (79) | 75 | (4) |
| Interest expense/(income) | | 17 | 98 | (86) | 12 |
| **Total expense recognised in consolidated statement of income** | | **25** | 66 | (11) | **55** |
| Gain on plan assets, excluding amounts included in interest expense – net | | – | – | (169) | (169) |
| Gain from change in demographic assumptions | | – | (11) | – | (11) |
| (Gain)/loss from change in financial assumptions | | (15) | 87 | – | 87 |
| Loss/(gain) from actuarial experience | | 3 | (8) | – | (8) |
| Change in asset ceiling, excluding amounts included in interest expense | | – | – | – | – |
| **Actuarial (gains)/losses recognised in consolidated statement of comprehensive income** | | **(12)** | 68 | (169) | **(101)** |
| Employer contributions | | – | – | (76) | (76) |
| Employee contributions | | – | 1 | (1) | – |
| Benefits paid directly by the Company | | (20) | (9) | 9 | – |
| Benefits paid from plan assets | | – | (171) | 171 | – |
| **Net cash (outflow)/inflow** | | **(20)** | (179) | 103 | **(76)** |
| Exchange differences | | 30 | 189 | (171) | 18 |
| **31 December 2017** | | **455** | 3,090 | (2,766) | **324** |
| Of which: | | | | | |
| Pension surpluses | 10 | **–** | | | **(68)** |
| Pension deficits | 21 | **455** | | | **392** |

The actual return on plan assets in respect of defined benefit pension plans amounted to a gain of $426 million (2016: $206 million), comprising interest income and the remeasurement of plan assets.

During the next financial year, the Group expects to make a contribution of $105 million to the defined benefit pension and post-retirement medical plans across all countries, including current service costs and contributions required by pension legislation. Contributions over the next five years for the Canadian plans only, based on the most recently filed actuarial reports, approximate $337 million. Future funding requirements and contributions are reviewed and adjusted on an annual basis.

## 22. PERSONNEL COSTS AND EMPLOYEE BENEFITS (continued)

| US$ million | Notes | Post-retirement medical plans | Defined benefit pension plans | | |
|---|---|---|---|---|---|
| | | | Present value of defined benefit obligation | Fair value of plan assets | Net liability for defined benefit pension plans |
| **1 January 2016** | | **457** | 3,405 | (3,059) | **346** |
| Current service cost | | 7 | 67 | – | 67 |
| Past service cost – plan amendments | | 1 | (3) | – | (3) |
| Settlement | | – | (94) | 90 | (4) |
| Termination benefit | | – | 4 | – | 4 |
| Interest expense/(income) | | 18 | 126 | (116) | 10 |
| **Total expense recognised in consolidated statement of income** | | **26** | 100 | (26) | **74** |
| Gain on plan assets, excluding amounts included in interest expense – net | | – | – | (59) | (59) |
| Gain from change in demographic assumptions | | – | (13) | – | (13) |
| Loss from change in financial assumptions | | 5 | 137 | – | 137 |
| Gain from actuarial experience | | (3) | (3) | – | (3) |
| Change in asset ceiling, excluding amounts included in interest expense | | – | (4) | – | (4) |
| **Actuarial losses/(gains) recognised in consolidated statement of comprehensive income** | | **2** | 117 | (59) | **58** |
| Employer contributions | | – | – | (72) | (72) |
| Employee contributions | | – | 1 | (1) | – |
| Benefits paid directly by the Company | | (20) | (9) | 9 | – |
| Benefits paid from plan assets | | – | (192) | 192 | – |
| **Net cash (outflow)/inflow** | | **(20)** | (200) | 128 | **(72)** |
| Disposal of subsidiaries[1] | | (48) | (487) | 529 | 42 |
| Exchange differences | | 15 | 11 | (31) | (20) |
| **Other** | | **(33)** | (476) | 498 | **22** |
| **31 December 2016** | | **432** | 2,946 | (2,518) | **428** |
| Of which: | | | | | |
| Pension surpluses | 10 | **–** | | | **–** |
| Pension deficits | 21 | **432** | | | **428** |

1 See note 24.

## 22. PERSONNEL COSTS AND EMPLOYEE BENEFITS (continued)

The defined benefit obligation accrued in Canada represents the majority for the Company. The breakdown below provides details of the Canadian plans for both the statement of financial position and the weighted average duration of the defined benefit obligation as at 31 December 2017 and 2016. The defined benefit obligation of any of the Group's defined benefit plans outside of Canada as at 31 December 2017 does not exceed $230 million (2016: $227 million).

| 2017<br>US$ million | Canada | Other | Total |
|---|---|---|---|
| **Post-retirement medical plans** | | | |
| Present value of defined benefit obligation | 425 | 30 | **455** |
| of which: amounts owing to active members | 132 | 4 | **136** |
| of which: amounts owing to pensioners | 293 | 26 | **319** |
| **Defined benefit pension plans** | | | |
| Present value of defined benefit obligation | 2,217 | 873 | **3,090** |
| of which: amounts owing to active members | 586 | 389 | **975** |
| of which: amounts owing to non-active members | 40 | 214 | **254** |
| of which: amounts owing to pensioners | 1,591 | 270 | **1,861** |
| Fair value of plan assets | (2,167) | (599) | **(2,766)** |
| Net defined benefit liability at 31 December 2017 | 50 | 274 | **324** |
| Of which: | | | |
| Pension surpluses | (68) | – | **(68)** |
| Pension deficits | 118 | 274 | **392** |
| Weighted average duration of defined benefit obligation - years | 12 | 17 | **13** |

| 2016<br>US$ million | Canada | Other | Total |
|---|---|---|---|
| **Post-retirement medical plans** | | | |
| Present value of defined benefit obligation | 402 | 30 | **432** |
| of which: amounts owing to active members | 123 | 4 | **127** |
| of which: amounts owing to pensioners | 279 | 26 | **305** |
| **Defined benefit pension plans** | | | |
| Present value of defined benefit obligation | 2,112 | 834 | **2,946** |
| of which: amounts owing to active members | 545 | 383 | **928** |
| of which: amounts owing to non-active members | 44 | 241 | **285** |
| of which: amounts owing to pensioners | 1,523 | 210 | **1,733** |
| Fair value of plan assets | (1,981) | (537) | **(2,518)** |
| Net defined benefit liability at 31 December 2016 | 131 | 297 | **428** |
| Of which: | | | |
| Pension surpluses | – | – | **–** |
| Pension deficits | 131 | 297 | **428** |
| Weighted average duration of defined benefit obligation - years | 12 | 18 | **14** |

## 22. PERSONNEL COSTS AND EMPLOYEE BENEFITS (continued)

Estimated future benefit payments of the Canadian plans, which reflect expected future service, but exclude plan expenses, up until 2027 are as follows:

| US$ million | Post-retirement medical plans | Defined benefit pension plans | **Total** |
|---|---|---|---|
| 2018 | 19 | 124 | **143** |
| 2019 | 19 | 126 | **145** |
| 2020 | 20 | 126 | **146** |
| 2021 | 20 | 126 | **146** |
| 2022 | 21 | 125 | **146** |
| 2023-2027 | 103 | 610 | **713** |
| **Total** | 202 | 1,237 | **1,439** |

The plan assets consist of the following:

| US$ million | **2017** | 2016 |
|---|---|---|
| Cash and short-term investments | **31** | 105 |
| Fixed income | **1,343** | 1,210 |
| Equities | **1,189** | 1,076 |
| Other | **203** | 127 |
| **Total** | **2,766** | 2,518 |

All investments have been fair valued based on quoted market prices with the exception of securities of $23 million (2016: $18 million) included in ‘Other’.

The fair value of plan assets includes none of Glencore’s own financial instruments and no property occupied by or other assets used by Glencore. For many of the plans, representing a large portion of the global plan assets, asset-liability matching strategies are in place, where the fixed-income assets are invested broadly in alignment with the duration of the plan liabilities, and the proportion allocated to fixed-income assets is raised when the plan funding level increases. The asset mix for each plan reflects the nature, expected changes in, and size of the liabilities and the assessment of long-term economic conditions, market risk, expected investment returns as considered during a formal asset mix study, including sensitivity analysis and/or scenario analysis, conducted periodically for the plans.

Through its defined benefit plans, Glencore is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The funded plans hold a significant proportion of equities, which are expected to outperform bonds in the long term while contributing volatility and risk in the short-term. Glencore believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of Glencore’s long-term strategy to manage the plans efficiently.

Change in bond yields: A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans’ bond holdings.

Inflation risk: Some of the plans’ benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities, although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation.

Life expectancy: The majority of the plans’ obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans’ liability.

Salary increases: Some of the plans’ benefit obligations related to active members are linked to their salaries. Higher salary increases will therefore tend to lead to higher plan liabilities.

## 22. PERSONNEL COSTS AND EMPLOYEE BENEFITS (continued)

The principal weighted-average actuarial assumptions used were as follows:

| | Post-retirement medical plans | | Defined benefit pension plans | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Discount rate | **3.8%** | 4.1% | **3.2%** | 3.5% |
| Future salary increases | **–** | – | **2.7%** | 2.8% |
| Future pension increases | **–** | – | **0.3%** | 0.3% |
| Ultimate medical cost trend rate | **4.3%** | 4.2% | **–** | – |

Mortality assumptions are based on the latest available standard mortality tables for the individual countries concerned. As at 31 December 2017, these tables imply expected future life expectancy, for employees aged 65, 19 to 24 years for males (2016: 19 to 24) and 23 to 25 years for females (2016: 22 to 25). The assumptions for each country are reviewed regularly and are adjusted where necessary to reflect changes in fund experience and actuarial recommendations.

The sensitivity of the defined benefit obligation to changes in principal assumptions as at 31 December 2017 is set out below, assuming that all other assumptions are held constant and the effect of interrelationships is excluded.

| | Increase/(decrease) in pension obligation | | |
|---|---|---|---|
| US$ million | Post-retirement medical plans | Defined benefit pension plans | **Total** |
| **Discount rate** | | | |
| Increase by 100 basis points | (71) | (360) | **(431)** |
| Decrease by 100 basis points | 60 | 428 | **488** |
| **Rate of future salary increase** | | | |
| Increase by 100 basis points | – | 38 | **38** |
| Decrease by 100 basis points | – | (35) | **(35)** |
| **Rate of future pension benefit increase** | | | |
| Increase by 100 basis points | – | 34 | **34** |
| Decrease by 100 basis points | – | (32) | **(32)** |
| **Medical cost trend rate** | | | |
| Increase by 100 basis points | 61 | – | **61** |
| Decrease by 100 basis points | (50) | – | **(50)** |
| **Life expectancy** | | | |
| Increase in longevity by one year | 15 | 71 | **86** |

## 23. ACCOUNTS PAYABLE

| US$ million | **2017** | 2016 |
|---|---|---|
| Trade payables | **24,664** | 22,438 |
| Trade advances from buyers | **451** | 892 |
| Margin calls received[1] | **443** | 179 |
| Associated companies | **1,052** | 635 |
| Other payables and accrued liabilities | **2,216** | 2,032 |
| **Total** | **28,826** | 26,176 |

1 Includes $325 million (2016: $Nil) of cash collateral receipts under margin arrangements related to cross currency swaps held to hedge non-US dollar denominated bonds.

Trade payables are obligations to pay for goods and services. Trade payables typically have maturities up to 90 days depending on the type of material and the geographic area in which the purchase transaction occurs and the agreed terms. The carrying value of trade payables approximates fair value.

## 24. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

### 2017 Acquisitions

In 2017, Glencore acquired controlling interests in Volcan Compania Minera S.A.A. ("Volcan") and other businesses, none of which are individually material. The net cash received/used in the acquisition of subsidiaries and the provisional fair value of assets acquired and liabilities assumed on the acquisition date are detailed below:

| US$ million | Volcan | Other | Total |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 4,656 | 43 | **4,699** |
| Intangible assets | 76 | – | **76** |
| Other investments | 52 | – | **52** |
| Deferred tax assets | – | 2 | **2** |
| Advances and loans[1] | 32 | 1 | **33** |
| | 4,816 | 46 | **4,862** |
| **Current assets** | | | |
| Inventories | 80 | 2 | **82** |
| Accounts receivable[1] | 206 | 5 | **211** |
| Other financial assets | 30 | – | **30** |
| Cash and cash equivalents | 81 | 3 | **84** |
| | 397 | 10 | **407** |
| **Non-controlling interest** | (1,733) | – | **(1,733)** |
| **Non-current liabilities** | | | |
| Borrowings | (629) | – | **(629)** |
| Deferred tax liabilities | (986) | – | **(986)** |
| Provisions | (174) | (26) | **(200)** |
| | (1,789) | (26) | **(1,815)** |
| **Current liabilities** | | | |
| Borrowings | (175) | – | **(175)** |
| Accounts payable | (386) | (6) | **(392)** |
| Other financial liabilities | (37) | – | **(37)** |
| | (598) | (6) | **(604)** |
| **Total fair value of net assets acquired** | 1,093 | 24 | **1,117** |
| Less: cash and cash equivalents acquired | (81) | (3) | **(84)** |
| Less: amounts previously recognised as other investments[2] | (359) | – | **(359)** |
| **Net cash used in acquisition of subsidiaries** | 653 | 21 | **674** |

1 There is no material difference between the gross contractual amounts for loans and advances and accounts receivable and their fair value.

2 See note 9.

### Volcan

On 9 November 2017, Glencore completed a tender offer, acquiring an additional 42.3% of the Class A common (voting) shares in Volcan, a Peruvian zinc mining business listed on the Lima stock exchange, for a consideration of $734 million, thereby increasing its voting shares interest from 20.7% to 63.0%. Glencore's total economic interest (including the class B common (non-voting) shares and excluding treasury shares) increased from 7.7% to 23.3%. As Glencore holds the majority of the voting shares, providing it the ability to appoint a controlling number of directors to the board, Glencore is required to account for Volcan using the full consolidation method in accordance with IFRS 10.

The fair values are provisional due to the complexity of the valuation process and the proximity of the transaction to year end. The finalisation of the fair value of the acquired assets and liabilities will be completed within 12 months of the acquisition. It is expected that adjustments could be made to the allocation of value between fixed asset classes, deferred taxes, rehabilitation and other provisions.

If the acquisition had taken place effective 1 January 2017, the operation would have contributed additional revenue of $696 million and additional attributable income of $93 million. From the date of acquisition, the operation contributed $160 million of revenue and $Nil of attributable income.

## 24. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

### 2016 Acquisitions

In 2016, Glencore acquired controlling interests in Newlands Collinsville Abbot Point Joint Venture ("NCA"). The net cash received in the acquisition of subsidiaries and the fair value of assets acquired and liabilities assumed on the acquisition date are detailed below:

| US$ million | NCA | Other | Total |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 39 | 20 | **59** |
| Advances and loans[1] | 2 | – | **2** |
| | 41 | 20 | **61** |
| **Current assets** | | | |
| Inventories | 41 | 7 | **48** |
| Accounts receivable[1] | 24 | 6 | **30** |
| Cash and cash equivalents | 11 | – | **11** |
| | 76 | 13 | **89** |
| **Non-current liabilities** | | | |
| Provisions | (242) | (4) | **(246)** |
| | (242) | (4) | **(246)** |
| **Current liabilities** | | | |
| Borrowings | – | (10) | **(10)** |
| Accounts payable | (33) | (17) | **(50)** |
| Provisions | (1) | – | **(1)** |
| Other financial liabilities | (8) | – | **(8)** |
| | (42) | (27) | **(69)** |
| **Total fair value of net (liabilities)/assets acquired** | (167) | 2 | **(165)** |
| Less: cash and cash equivalents acquired | (11) | – | **(11)** |
| **Net cash (received)/used in acquisition of subsidiaries** | (178) | 2 | **(176)** |

1 There is no material difference between the gross contractual amounts for loans and advances and accounts receivable and their fair value.

### NCA

In September 2016, Glencore completed the acquisition of the remaining 45% interest in NCA, for cash consideration received of $167 million. This increased Glencore's ownership from 55% to 100%, providing the ability to exercise control over NCA.

If the acquisition had taken place effective 1 January 2016, the operation would have contributed additional revenue of $173 million and an additional attributable loss of $21 million. From the date of acquisition, the operation contributed $72 million and $25 million of revenue and attributable income, respectively.

The acquisition accounting for NCA has now been finalised, with no adjustments to the previously reported provisional fair values.

## 24. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

### 2017 Disposals

In 2017, Glencore disposed of its controlling interest in the Rosh Pinah mine in Namibia ("Rosh Pinah") and Perkoa mine in Burkina Faso ("Perkoa"), together referred to as "Zinc Africa" and 51% of the large majority of its petroleum storage and logistics businesses ("HG Storage").

The carrying value of the assets and liabilities over which control was lost and the net cash received from these disposals are detailed below:

| US$ million | Zinc Africa | HG Storage | Others | Total |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 266 | 169 | 57 | **492** |
| Intangible assets | 3 | – | – | **3** |
| Investments in associates | – | 170 | – | **170** |
| Advances and loans | – | 11 | – | **11** |
| | 269 | 350 | 57 | **676** |
| **Current assets** | | | | |
| Inventories | 58 | 4 | 7 | **69** |
| Accounts receivable | 43 | 68 | 15 | **126** |
| Cash and cash equivalents | 23 | 28 | 18 | **69** |
| | 124 | 100 | 40 | **264** |
| **Non-controlling interest** | (4) | – | (25) | **(29)** |
| **Non-current liabilities** | | | | |
| Borrowings | – | (31) | (10) | **(41)** |
| Deferred tax liabilities | (50) | (17) | (5) | **(72)** |
| Provisions | (24) | – | (33) | **(57)** |
| | (74) | (48) | (48) | **(170)** |
| **Current liabilities** | | | | |
| Borrowings | (2) | – | – | **(2)** |
| Accounts payable | (56) | (67) | (9) | **(132)** |
| Income tax payable | – | (2) | – | **(2)** |
| | (58) | (69) | (9) | **(136)** |
| **Carrying value of net assets disposed** | 257 | 333 | 15 | **605** |
| Cash and cash equivalents received | (245) | (530) | – | **(775)** |
| Shares received | (222) | – | – | **(222)** |
| Future consideration | – | – | (13) | **(13)** |
| Items recycled to the statement of income | (22) | – | (121) | **(143)** |
| Reclassified to investment in joint venture[1] | – | (509) | (54) | **(563)** |
| Provision for guarantees | – | 20 | – | **20** |
| Transaction fees | – | 12 | – | **12** |
| **Net gain on disposal[1]** | (232) | (674) | (173) | **(1,079)** |
| | | | | |
| Cash and cash equivalents received | 245 | 530 | – | **775** |
| Less: Cash and cash equivalents disposed | (23) | (28) | (18) | **(69)** |
| **Net cash received from disposal** | 222 | 502 | (18) | **706** |

1 Includes a gain of $383 million attributable to the remeasurement of the retained investment to its fair value upon change in control in HG Storage ($363 million) and Other ($20 million).

## 24. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

### Zinc Africa

On 31 August 2017, Glencore completed the transaction with Trevali Mining Corporation ("Trevali") a TSX listed zinc company, to sell its 80.1% equity interest in Rosh Pinah and its 90.0% equity interest in Perkoa. The aggregate consideration received was $467 million, of which $245 million was cash and the remaining balance ($222 million) was 193.4 million shares in Trevali. As a result of the transaction, Glencore's direct ownership in Trevali increased from 4% to 25.6%.

Glencore is no longer able to unilaterally direct the key strategic, operating and capital decisions of Rosh Pinah and Perkoa and was deemed to have disposed of its controlling interest at fair value. The difference to the net carrying value was recognised through the statement of income, with Glencore subsequently accounting for its share in Trevali using the equity method in accordance with IAS 28 (see note 9).

### HG Storage

On 29 December, Glencore completed the sale of a 51% interest in HG Storage International Ltd ("HG Storage"), a group comprising the majority of Glencore's petroleum products storage and logistics businesses (excluding the US) to HNA Innovation Finance Group Co Ltd ("HNA") for cash consideration of $530 million, including the assumption of certain debt.

Glencore is no longer able to unilaterally direct the key strategic, operating and capital decisions of HG Storage and was deemed to have disposed of its controlling interest at fair value. The difference to the net carrying value was recognised through the statement of income, with Glencore subsequently accounting for its remaining remeasured share in HG Storage using the equity method in accordance with IAS 28 (see note 9).

## 24. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

### 2016 Disposals

In 2016, Glencore disposed of its controlling interest in the Glencore Agricultural Products business ("Glencore Agri"), Ernest Henry mining operation ("EHM") and its New South Wales coal rail haulage business ("GRail").

The carrying value of the assets and liabilities over which control was lost and the net cash received from these disposals are detailed below:

| US$ million | Glencore Agri | EHM | GRail | Others | Total |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 2,919 | 244 | 413 | 212 | **3,788** |
| Intangible assets | 892 | – | – | 24 | **916** |
| Investments in associates | 624 | – | – | – | **624** |
| Advances and loans | 116 | – | – | 13 | **129** |
| Deferred tax assets | 103 | – | – | 1 | **104** |
| | 4,654 | 244 | 413 | 250 | **5,561** |
| **Current assets** | | | | | |
| Inventories | 2,725 | 6 | – | 57 | **2,788** |
| Accounts receivable | 2,774 | 1 | 2 | 77 | **2,854** |
| Other financial assets | 746 | – | – | 2 | **748** |
| Cash and cash equivalents | 469 | – | – | 27 | **496** |
| | 6,714 | 7 | 2 | 163 | **6,886** |
| **Non-controlling interest** | (37) | – | – | (29) | **(66)** |
| **Non-current liabilities** | | | | | |
| Borrowings | (602) | – | – | (1) | **(603)** |
| Deferred tax liabilities | (138) | (36) | – | (30) | **(204)** |
| Provisions | (111) | (9) | – | (40) | **(160)** |
| | (851) | (45) | – | (71) | **(967)** |
| **Current liabilities** | | | | | |
| Borrowings | (3,751) | – | – | (35) | **(3,786)** |
| Accounts payable | (2,315) | (7) | (5) | (54) | **(2,381)** |
| Provisions | (36) | (1) | – | – | **(37)** |
| Other financial liabilities | (629) | – | – | (2) | **(631)** |
| | (6,731) | (8) | (5) | (91) | **(6,835)** |
| **Carrying value of net assets disposed** | 3,749 | 198 | 410 | 222 | **4,579** |
| Cash and cash equivalents received | (3,125) | (198) | (840) | (198) | **(4,361)** |
| Future consideration | – | – | – | (46) | **(46)** |
| Items recycled to the statement of income | 602 | – | – | – | **602** |
| Reclassified to investment in joint venture[1] | (3,125) | – | – | – | **(3,125)** |
| Transaction fees | 51 | – | – | – | **51** |
| **Net gain on disposal** | (1,848) | – | (430) | (22) | **(2,300)** |
| | | | | | |
| Cash and cash equivalents received | 3,125 | 198 | 840 | 198 | **4,361** |
| Less: Cash and cash equivalents disposed | (469) | – | – | (27) | **(496)** |
| Settlement of debt due from Glencore Agri | 1,670 | – | – | – | **1,670** |
| **Net cash received from disposal** | 4,326 | 198 | 840 | 171 | **5,535** |

1 Includes a gain of $1,252 million attributable to the remeasurement of the retained Glencore Agri investment to its fair value upon change in control.

## 24. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

### Glencore Agri

On 6 April 2016, Glencore announced that it had entered into an agreement with the Canada Pension Plan Investment Board for the sale of a 40% equity interest in Glencore Agri and on 9 June 2016, entered into an agreement with British Columbia Investment Management Corporation for the sale of a 10% equity interest in Glencore Agri. The aggregate equity consideration for the combined 50% interest, including the indirect assumption of certain levels of net working capital and debt, amounted to $3.125 billion, payable in cash upon closing.

Glencore Agri represents the entire Agricultural products operating segment and was determined to be a discontinued operation prior to the close of transaction on 1 December 2016, and has been disclosed as such. Upon closing of the sale, Glencore is no longer able to unilaterally direct the key strategic, operating and capital decisions of Glencore Agri and was deemed to have disposed of its controlling interest at fair value. The difference to the net carrying value was recognised through the statement of income, with Glencore subsequently accounting for its share of the resulting joint venture using the equity method in accordance with IFRS 11 and IAS 28 (see note 9).

The results of Glencore Agri included in the consolidated statement of income until loss of control are detailed below:

| US$ million | 2016 |
|---|---|
| Revenue | 20,885 |
| Cost of goods sold | (20,256) |
| Selling and administrative expenses | (175) |
| Share of income from associates | 15 |
| Gain on disposals and investments | 33 |
| Other expense – net | (26) |
| Interest income | 9 |
| Interest expense | (79) |
| **Income before income taxes from discontinued operations** | **406** |
| Income tax expense | (131) |
| | 275 |
| Gain on disposal of Glencore Agri, including items recycled to the statement of income of $602 million | 1,848 |
| **Income for the year from discontinued operations** | **2,123** |
| | |
| **Attributable to:** | |
| Non-controlling interests | – |
| Equity holders of the Parent | 2,123 |

| | |
|---|---|
| **Earnings per share – discontinued operations:** | |
| Basic (US$) | 0.15 |
| Diluted (US$) | 0.15 |

The net cash flows incurred by Glencore Agri are as follows:

| US$ million | 2016 |
|---|---|
| Net cash used from operating activities, after working capital changes | (855) |
| Net cash used in investing activities | (11) |
| Net cash generated in financing activities | 671 |
| **Net cash used in discontinued operations** | **(195)** |

## 24. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

EHM

In October 2016, Glencore entered into an agreement with Evolution Mining Limited ("Evolution"), whereby Glencore received $669 million cash in return for a 30% economic interest in the Ernest Henry Mine mining operation ("EHM") and an entitlement to 100% of the gold produced from Glencore's remaining 70% interest in EHM. The consideration received was allocated between the two elements of the transaction (sale of the 30% interest and the 70% gold prepaid streaming arrangement) by estimating the fair value of the gold stream by reference to the net present value of the anticipated gold to be delivered over the life of mine ($471 million) with the residual amount representing the consideration for the 30% interest ($198 million). Also see note 20. As part of the transaction, Glencore and Evolution entered into a 70/30 joint venture agreement governing the operations of EHM. As Glencore is no longer able to unilaterally direct the key strategic, operating and capital decisions of EHM, it is deemed to have lost control of EHM and, together with Evolution, jointly controls it. As the new arrangement is an unincorporated joint venture, Glencore derecognised 30% of the identified assets and liabilities of EHM against the proceeds received as noted above.

GRail

In December 2016, Glencore disposed of its New South Wales coal rail haulage business to Genesee & Wyoming for cash consideration of $840 million (A$1.1 billion).

## 25. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial risks arising in the normal course of business from Glencore's operations comprise market risk (including commodity price risk, interest rate risk and currency risk), credit risk (including performance risk) and liquidity risk. It is Glencore's policy and practice to identify and, where appropriate and practical, actively manage such risks (for management of "margin" risk within Glencore's extensive and diversified industrial portfolio, refer net present value at risk below) to support its objectives in managing its capital and future financial security and flexibility. Glencore's overall risk management programme focuses on the unpredictability of financial markets and seeks to protect its financial security and flexibility by using derivative financial instruments where possible to substantially hedge these financial risks. Glencore's finance and risk professionals, working in coordination with the commodity departments, monitor, manage and report regularly to senior management and the Board of Directors on the approach and effectiveness in managing financial risks along with the financial exposures facing the Group.

Glencore's objectives in managing its "capital attributable to equity holders" include preserving its overall financial health and strength for the benefit of all stakeholders, maintaining an optimal capital structure in order to provide a high degree of financial flexibility at an attractive cost of capital and safeguarding its ability to continue as a going concern, while generating sustainable long-term profitability. Central to meeting these objectives is maintaining an investment grade credit rating status. Glencore's current credit ratings are Baa2 (stable) from Moody's and BBB (positive outlook) from S&P.

### Distribution policy and other capital management initiatives

Glencore's cash distribution policy comprises two components: (1) a fixed $1 billion component and (2) a variable element representing a minimum 25% of free cash flow generated by our industrial assets during the year. The actual variable distribution component (minimum 25% pay-out guidance) will reflect prevailing balance sheet position, market conditions and outlook and be confirmed annually in respect of prior period's cash flows. Distributions are expected to be formally declared by the Board annually (with the preliminary full-year results). Distributions, when declared, will be settled equally in May and September of the year they are declared in. In addition, alongside our half-year results reporting, the Board could formally declare an additional distribution to be included with the distribution confirmed with respect to the prior year. Notwithstanding that the distribution is declared and paid in US dollars, shareholders will be able to elect to receive their distribution payments in Pounds Sterling, Euros or Swiss Francs based on the exchange rates in effect around the date of payment. Shareholders on the JSE will receive their distributions in South African Rand.

### Commodity price risk

Glencore is exposed to price movements for the inventory it holds and the products it produces which are not held to meet priced forward contract obligations and forward priced purchase or sale contracts. Glencore manages a significant portion of this exposure through futures and options transactions on worldwide commodity exchanges or in over the counter ("OTC") markets, to the extent available. Commodity price risk management activities are considered an integral part of Glencore's physical commodity marketing activities and the related assets and liabilities are included in other financial assets from and other financial liabilities to derivative counterparties, including clearing brokers and exchanges. Whilst it is Glencore's policy to substantially hedge its commodity price risks, there remains the possibility that the hedging instruments chosen may not always provide effective mitigation of the underlying price risk. The hedging instruments available to the marketing businesses may differ in specific characteristics to the risk exposure to be hedged, resulting in an ongoing and unavoidable basis risk exposure. Residual basis risk exposures represent a key focus point for Glencore's commodity department teams who actively engage in the management of such.

### Value at risk

One of the tools used by Glencore to monitor and limit its primary market risk exposure, principally commodity price risk related to its physical marketing activities, is of a value at risk ("VaR") computation. VaR is a risk measurement technique which estimates a threshold for potential loss that could occur on risk positions as a result of movements in risk factors over a specified time horizon, given a specific level of confidence and based on a specific price history. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities, as well as risk diversification by recognising offsetting positions and correlations between commodities and markets. In this way, risks can be measured consistently across markets and commodities and risk measures can be aggregated to derive a single risk value. Glencore's Board has set an unchanged consolidated VaR limit (one day 95% confidence level) of $100 million representing less than 0.5% of total equity, which the Board reviews annually. There were no breaches of this limit during the year.

## 25. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Glencore uses a VaR approach based on Monte Carlo simulations computed at a 95% confidence level and utilising a weighted data history for a one-day time horizon.

Position sheets are regularly distributed and monitored and daily Monte Carlo simulations are applied to the various business groups' net marketing positions to determine potential losses.

Market risk VaR (one-day 95% confidence level) ranges and year-end positions were as follows:

| US$ million | 2017 | 2016 |
|---|---|---|
| Year-end position | **18** | 31 |
| Average during the year | **25** | 42 |
| High during the year | **41** | 101 |
| Low during the year | **13** | 16 |

VaR does not purport to represent actual gains or losses in fair value on earnings to be incurred by Glencore, nor does Glencore claim that these VaR results are indicative of future market movements or representative of any actual impact on its future results. VaR should always be viewed in the context of its limitations; notably, the use of historical data as a proxy for estimating future events, market illiquidity risks and tail risks. Glencore recognises these limitations, and thus complements and continuously refines its VaR analysis by analysing forward looking stress scenarios, benchmarking against an alternative VaR computation based on historical simulations and back testing calculated VaR against the hypothetical portfolio returns arising in the next business day.

Glencore's VaR computation currently covers its business in the key base metals (including aluminium, nickel, zinc, copper and lead), coal, iron ore and oil/natural gas and assesses the open priced positions which are subject to price risk, including inventories of these commodities. Due to the lack of a liquid terminal market, Glencore does not include a VaR calculation for products such as alumina, molybdenum, cobalt, freight and some risk associated with concentrates as it does not consider the nature of these markets to be suited to this type of analysis. Alternative measures are used to monitor exposures related to these products.

### Net present value at risk

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

### Interest rate risk

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

Assuming the amount of floating rate liabilities at the reporting period end were outstanding for the whole year, interest rates were 50 basis points higher/lower and all other variables held constant, Glencore's income and equity for the year ended 31 December 2017 would decrease/increase by $110 million (2016: $100 million).

## 25. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

### Currency risk

The US dollar is the predominant functional currency of the Group. Currency risk is the risk of loss from movements in exchange rates related to transactions and balances in currencies other than the US dollar. Such transactions include operating expenditure, capital expenditure and to a lesser extent purchases and sales in currencies other than the functional currency. Purchases or sales of commodities concluded in currencies other than the functional currency, apart from certain limited domestic sales at industrial operations which act as a hedge against local operating costs, are ordinarily hedged through forward exchange contracts. Consequently, foreign exchange movements against the US dollar on recognised transactions would have an immaterial financial impact. Glencore enters into currency hedging transactions with leading financial institutions.

Glencore's debt related payments (both principal and interest) are primarily denominated in or swapped using hedging instruments into US dollars. Glencore's operating expenses, being a small portion of its revenue base, are incurred in a mix of currencies of which the US dollar, Swiss Franc, Pound Sterling, Canadian dollar, Australian dollar, Euro, Kazakhstan Tenge, Colombian Peso and South African Rand are the predominant currencies.

Glencore has issued Euro, Swiss Franc, Sterling, Yen and Australian dollar denominated bonds (see note 19). Cross currency swaps were concluded to hedge the currency risk on the principal and related interest payments of these bonds. These contracts were designated as cash flow hedges of the foreign currency risks associated with the bonds. The fair value of these derivatives is as follows:

| | Notional amounts | | Recognised fair values | | Average |
|---|---|---|---|---|---|
| US$ million | Buy | Sell | Assets | Liabilities | maturity[1] |
| Cross currency swap agreements – 2017 | – | 15,387 | 421 | 1,137 | 2020 |
| Cross currency swap agreements – 2016 | – | 14,179 | 26 | 2,873 | 2020 |

1 Refer to note 19 for details.

## 25. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

### Credit risk

Credit risk arises from the possibility that counterparties may not be able to settle obligations due to Glencore within their agreed payment terms. Financial assets which potentially expose Glencore to credit risk consist principally of cash and cash equivalents, receivables and advances, derivative instruments and non-current advances and loans. Glencore's credit management process includes the assessment, monitoring and reporting of counterparty exposure on a regular basis. Glencore's cash and cash equivalents are placed overnight with a diverse group of highly credit rated financial institutions. Credit risk with respect to receivables and advances is mitigated by the large number of customers comprising Glencore's customer base, their diversity across various industries and geographical areas, as well as Glencore's policy to mitigate these risks through letters of credit, netting, collateral and insurance arrangements where appropriate. Additionally, it is Glencore's policy that transactions and activities in trade related financial instruments be concluded under master netting agreements or long form confirmations to enable offsetting of balances due to/from a common counterparty in the event of default by the counterparty. Glencore actively and continuously monitors the credit quality of its counterparties through internal reviews and a credit scoring process, which includes, where available, public credit ratings. Balances with counterparties not having a public investment grade or equivalent internal rating are typically enhanced to investment grade through the extensive use of credit enhancement products, such as letters of credit or insurance products. Glencore has a diverse customer base, with no customer representing more than 3.3% (2016: 2.9%) of its trade receivables (on a gross basis taking into account credit enhancements) or accounting for more than 3.5% of its revenues over the year ended 31 December 2017 (2016: 3.9%).

The maximum exposure to credit risk (including performance risk – see below), without considering netting agreements or without taking account of any collateral held or other credit enhancements, is equal to the carrying amount of Glencore's financial assets (see note 26).

#### Performance risk

Performance risk (part of the broader credit risk subject matter, discussed above) is inherent in contracts, with agreements in the future, to physically purchase or sell commodities with fixed price attributes, and arises from the possibility that counterparties may not be willing or able to meet their future contractual physical sale or purchase obligations to/from Glencore. Glencore undertakes the assessment, monitoring and reporting of performance risk within its overall credit management process. Glencore's market breadth, diversified supplier and customer base as well as the standard pricing mechanism in the vast majority of Glencore's commodity portfolio which does not fix prices beyond three months, with the main exception being coal, where longer-term fixed price contracts are common, ensure that performance risk is adequately mitigated. The commodity industry has trended towards shorter term fixed price contract periods, in part to mitigate against such potential performance risk, but also due to the continuous development of transparent and liquid spot commodity markets, with their associated derivative products and indexes.

### Liquidity risk

Liquidity risk is the risk that Glencore is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured or secured basis at an acceptable price to fund actual or proposed commitments. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and availability of adequate committed funding facilities. Glencore has set itself an internal minimum liquidity target to maintain at all times, including via available committed undrawn credit facilities of $3 billion (2016: $3 billion), which has purposely been substantially exceeded in recent years, accounting for the more volatile market backdrop. Glencore's credit profile, diversified funding sources and committed credit facilities, ensure that sufficient liquid funds are maintained to meet its liquidity requirements. As part of its liquidity management, Glencore closely monitors and plans for its future capital expenditure and proposed investments, as well as credit facility refinancing/extension requirements, well ahead of time.

## 25. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

As at 31 December 2017, Glencore had available committed undrawn credit facilities and cash amounting to $12,874 million (2016: $16,740 million). The maturity profile of Glencore's financial liabilities based on the contractual terms is as follows:

| 2017<br>US$ million | After 5 years | Due 3–5 years | Due 2–3 years | Due 1–2 years | Due 0–1 year | Total |
|---|---|---|---|---|---|---|
| Borrowings | 10,071 | 7,637 | 2,710 | 4,114 | 9,402 | **33,934** |
| Expected future interest payments | 3,256 | 1,116 | 728 | 913 | 964 | **6,977** |
| Accounts payable | – | – | – | – | 28,826 | **28,826** |
| Other financial liabilities | 513 | – | – | – | 4,522 | **5,035** |
| **Total** | 13,840 | 8,753 | 3,438 | 5,027 | 43,714 | **74,772** |
| Current assets | | | | | 49,726 | **49,726** |

| 2016<br>US$ million | After 5 years | Due 3–5 years | Due 2–3 years | Due 1–2 years | Due 0–1 year | Total |
|---|---|---|---|---|---|---|
| Borrowings | 10,687 | 5,726 | 2,937 | 3,838 | 10,030 | **33,218** |
| Expected future interest payments[1] | 3,394 | 1,099 | 722 | 845 | 981 | **7,041** |
| Accounts payable | – | – | – | – | 26,176 | **26,176** |
| Other financial liabilities | 403 | – | – | – | 6,386 | **6,789** |
| **Total** | 14,484 | 6,825 | 3,659 | 4,683 | 43,573 | **73,224** |
| Current assets | | | | | 43,412 | **43,412** |

1 The amount of disclosed expected future interest payments have been restated to include omitted future interest payments of $804 million and to correct the maturity profile.

## 26. FINANCIAL INSTRUMENTS

### Fair value of financial instruments

The following tables present the carrying values and fair values of Glencore's financial instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (most advantageous) market at the measurement date under current market conditions. Where available, market values have been used to determine fair values. When market values are not available, fair values have been calculated by discounting expected cash flows at prevailing market interest and exchange rates. The estimated fair values have been determined using market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that Glencore could realise in the normal course of business.

The financial assets and liabilities are presented by class in the tables below at their carrying values, which generally approximate the fair values with the exception of $33,934 million (2016: $33,218 million) of borrowings, the fair value of which at 31 December 2017 was $34,776 million (2016: $33,673 million) based on observable market prices applied to the borrowing portfolio (a Level 2 fair value measurement).

## 26. FINANCIAL INSTRUMENTS (continued)

| 2017<br>US$ million | Carrying value[1] | Available for sale | FVtPL[2] | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Other investments[3] | – | 2,268 | 690 | **2,958** |
| Advances and loans | 2,976 | – | – | **2,976** |
| Accounts receivable | 20,359 | – | – | **20,359** |
| Other financial assets (see note 27) | – | – | 2,311 | **2,311** |
| Cash and cash equivalents[4] | – | – | 2,124 | **2,124** |
| **Total financial assets** | 23,335 | 2,268 | 5,125 | **30,728** |
| **Liabilities** | | | | |
| Borrowings | 33,934 | – | – | **33,934** |
| Non-current other financial liabilities (see note 27) | – | – | 513 | **513** |
| Accounts payable | 28,826 | – | – | **28,826** |
| Other financial liabilities (see note 27) | – | – | 4,522 | **4,522** |
| **Total financial liabilities** | 62,760 | – | 5,035 | **67,795** |

| 2016<br>US$ million | Carrying value[1] | Available for sale | FVtPL[2] | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Other investments[3] | – | 1,457 | 296 | **1,753** |
| Advances and loans | 3,483 | – | – | **3,483** |
| Accounts receivable | 20,066 | – | – | **20,066** |
| Other financial assets (see note 27) | – | – | 2,212 | **2,212** |
| Cash and cash equivalents[4] | – | – | 2,518 | **2,518** |
| **Total financial assets** | 23,549 | 1,457 | 5,026 | **30,032** |
| **Liabilities** | | | | |
| Borrowings | 33,218 | – | – | **33,218** |
| Non-current other financial liabilities (see note 27) | – | – | 403 | **403** |
| Accounts payable | 26,176 | – | – | **26,176** |
| Other financial liabilities (see note 27) | – | – | 6,386 | **6,386** |
| **Total financial liabilities** | 59,394 | – | 6,789 | **66,183** |

1 Carrying value comprises investments, loans, accounts receivable, accounts payable and other liabilities measured at amortised cost.
2 FVtPL – Fair value through profit and loss – held for trading.
3 Other investments of $2,871 million (2016: $1,715 million) are classified as Level 1 measured using quoted market prices with the remaining balance of $87 million (2016: $38 million) being investments in private companies whose fair value cannot be reliably measured and therefore carried at cost.
4 Classified as Level 1, measured using quoted exchange rates and/or market prices.

## 26. FINANCIAL INSTRUMENTS (continued)

### Offsetting of financial assets and liabilities

In accordance with IAS 32 the Group reports financial assets and liabilities on a net basis in the consolidated statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The financial assets and liabilities subject to offsetting, enforceable master netting and similar agreements as at 31 December 2017 and 2016 were as follows:

**2017**

| US$ million | Amounts eligible for set off under netting agreements | | | Related amounts not set off under netting agreements | | | Amounts not subject to netting agreements | Total as presented in the consolidated statement of financial position |
|---|---|---|---|---|---|---|---|---|
| | Gross amount | Amounts offset | Net amount | Financial instruments | Financial collateral | Net amount | | |
| Derivative assets[1] | 13,220 | (11,907) | **1,313** | (347) | (426) | 540 | **998** | **2,311** |
| Derivative liabilities[1] | (15,162) | 11,907 | **(3,255)** | 347 | 2,430 | (478) | **(1,267)** | **(4,522)** |

1 Presented within current other financial assets and current other financial liabilities.

**2016**

| US$ million | Amounts eligible for set off under netting agreements | | | Related amounts not set off under netting agreements | | | Amounts not subject to netting agreements | Total as presented in the consolidated statement of financial position |
|---|---|---|---|---|---|---|---|---|
| | Gross amount | Amounts offset | Net amount | Financial instruments | Financial collateral | Net amount | | |
| Derivative assets[1] | 10,679 | (9,834) | **845** | (288) | (171) | 386 | **1,367** | **2,212** |
| Derivative liabilities[1] | (14,288) | 9,834 | **(4,454)** | 288 | 3,784 | (382) | **(1,932)** | **(6,386)** |

1 Presented within current other financial assets and current other financial liabilities.

For the financial assets and liabilities subject to enforceable master netting or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities may be settled on a gross basis, however, each party to the master netting or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Per the terms of each agreement, an event of default includes failure by a party to make payment when due, failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party or bankruptcy.

## 27. FAIR VALUE MEASUREMENTS

Fair values are primarily determined using quoted market prices or standard pricing models using observable market inputs where available and are presented to reflect the expected gross future cash in/outflows. Glencore classifies the fair values of its financial instruments into a three level hierarchy based on the degree of the source and observability of the inputs that are used to derive the fair value of the financial asset or liability as follows:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Glencore can assess at the measurement date; or

Level 2 Inputs other than quoted inputs included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; or

Level 3 Unobservable inputs for the assets or liabilities, requiring Glencore to make market-based assumptions.

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

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

The following tables show the fair values of the derivative financial instruments including trade related financial and physical forward purchase and sale commitments by type of contract and non-current other financial liabilities as at 31 December 2017 and 2016. Other assets and liabilities which are measured at fair value on a recurring basis are marketing inventories, other investments, cash and cash equivalents and marketable securities. Refer to notes 11 and 26 for disclosures in connection with these fair value measurements. There are no non-recurring fair value measurements.

### Other financial assets

| 2017<br>US$ million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Commodity related contracts** | | | | |
| Futures | 227 | 42 | – | **269** |
| Options | 93 | 37 | – | **130** |
| Swaps | 131 | 339 | – | **470** |
| Physical forwards | – | 582 | 356 | **938** |
| **Financial contracts** | | | | |
| Cross currency swaps | – | 421 | – | **421** |
| Foreign currency and interest rate contracts | – | 83 | – | **83** |
| **Total** | 451 | 1,504 | 356 | **2,311** |

| 2016<br>US$ million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Commodity related contracts** | | | | |
| Futures | 207 | 154 | – | **361** |
| Options | 31 | 37 | – | **68** |
| Swaps | 166 | 146 | – | **312** |
| Physical forwards | – | 763 | 558 | **1,321** |
| **Financial contracts** | | | | |
| Cross currency swaps | – | 26 | – | **26** |
| Foreign currency and interest rate contracts | – | 124 | – | **124** |
| **Total** | 404 | 1,250 | 558 | **2,212** |

## 27. FAIR VALUE MEASUREMENTS (continued)

### Other financial liabilities

| 2017<br>US$ million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Commodity related contracts** | | | | |
| Futures | 2,029 | 84 | – | **2,113** |
| Options | 37 | 29 | 8 | **74** |
| Swaps | 121 | 372 | – | **493** |
| Physical forwards | – | 468 | 184 | **652** |
| **Financial contracts** | | | | |
| Cross currency swaps | – | 1,137 | – | **1,137** |
| Foreign currency and interest rate contracts | – | 53 | – | **53** |
| **Current other financial liabilities** | **2,187** | **2,143** | **192** | **4,522** |
| Non-current other financial liabilities | | | | |
| Non-discretionary dividend obligation[1] | – | – | 513 | **513** |
| **Non-current other financial liabilities** | **–** | **–** | **513** | **513** |
| **Total** | **2,187** | **2,143** | **705** | **5,035** |

| 2016<br>US$ million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Commodity related contracts** | | | | |
| Futures | 1,068 | 150 | – | **1,218** |
| Options | 5 | 12 | 6 | **23** |
| Swaps | 846 | 321 | – | **1,167** |
| Physical forwards | – | 859 | 203 | **1,062** |
| **Financial contracts** | | | | |
| Cross currency swaps | – | 2,873 | – | **2,873** |
| Foreign currency and interest rate contracts | – | 43 | – | **43** |
| **Current other financial liabilities** | **1,919** | **4,258** | **209** | **6,386** |
| Non-current other financial liabilities | | | | |
| Non-discretionary dividend obligation[1] | – | – | 403 | **403** |
| **Non-current other financial liabilities** | **–** | **–** | **403** | **403** |
| **Total** | **1,919** | **4,258** | **612** | **6,789** |

1 A ZAR denominated derivative liability payable to ARM Coal, one of the Group's principal coal joint operations based in South Africa. The liability arises from ARM Coal's rights as an investor to a share of agreed free cash flows from certain coal operations in South Africa and is valued based on those cash flows using a risk adjusted discount rate. The derivative liability is settled over the life of those operations (modelled mine life of 25 years as at 31 December 2017) and has no fixed repayment date and is not cancellable within 12 months.

## 27. FAIR VALUE MEASUREMENTS (continued)

The following table shows the net changes in fair value of Level 3 other financial assets and other financial liabilities:

| US$ million | Physical forwards | Options | Other | Total Level 3 |
|---|---|---|---|---|
| **1 January 2017** | **355** | **(6)** | **(403)** | **(54)** |
| Total gain/(loss) recognised in cost of goods sold | 58 | (8) | – | **50** |
| Non-discretionary dividend obligation | – | – | (110) | **(110)** |
| Realised | (241) | 6 | – | **(235)** |
| **31 December 2017** | **172** | **(8)** | **(513)** | **(349)** |
| | | | | |
| **1 January 2016** | **19** | **(1)** | **(186)** | **(168)** |
| Total gain/(loss) recognised in cost of goods sold | 258 | (6) | – | **252** |
| Non-discretionary dividend obligation | – | – | (217) | **(217)** |
| Realised | 78 | 1 | – | **79** |
| **31 December 2016** | **355** | **(6)** | **(403)** | **(54)** |

During the year no amounts were transferred between Level 1 and Level 2 of the fair value hierarchy and no amounts were transferred into or out of Level 3 of the fair value hierarchy for either other financial assets or other financial liabilities.

## 27. FAIR VALUE MEASUREMENTS (continued)

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides information about how the fair values of these financial assets and financial liabilities are determined, in particular, the valuation techniques and inputs used.

| Fair value of financial assets/financial liabilities<br>US$ million | | | 2017 | 2016 |
|---|---|---|---|---|
| Futures – Level 1 | | Assets | **227** | 207 |
| | | Liabilities | **(2,029)** | (1,068) |
| Valuation techniques and key inputs: | Quoted bid prices in an active market | | | |
| Significant unobservable inputs: | None | | | |
| Futures – Level 2 | | Assets | **42** | 154 |
| | | Liabilities | **(84)** | (150) |
| Valuation techniques and key inputs: | Discounted cash flow model<br>Inputs include observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations, as required. | | | |
| Significant unobservable inputs: | None | | | |
| Options – Level 1 | | Assets | **93** | 31 |
| | | Liabilities | **(37)** | (5) |
| Valuation techniques and key inputs: | Quoted bid prices in an active market | | | |
| Significant unobservable inputs: | None | | | |
| Options – Level 2 | | Assets | **37** | 37 |
| | | Liabilities | **(29)** | (12) |
| Valuation techniques and key inputs: | Discounted cash flow model<br>Inputs include observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations, as required. | | | |
| Significant unobservable inputs: | None | | | |
| Options – Level 3 | | Assets | **–** | – |
| | | Liabilities | **(8)** | (6) |
| Valuation techniques and key inputs: | Standard option pricing model | | | |
| Significant unobservable inputs: | Prices are adjusted by volatility differentials. This significant unobservable input generally represents 2% - 20% of the overall value of the instruments. A change to a reasonably possible alternative assumption would not result in a material change in the underlying value. | | | |
| Swaps – Level 1 | | Assets | **131** | 166 |
| | | Liabilities | **(121)** | (846) |
| Valuation techniques and key inputs: | Quoted bid prices in an active market | | | |
| Significant unobservable inputs: | None | | | |

## 27. FAIR VALUE MEASUREMENTS (continued)

| Fair value of financial assets/financial liabilities<br>US$ million | | | 2017 | 2016 |
|---|---|---|---|---|
| Swaps – Level 2 | | Assets | **339** | 146 |
| | | Liabilities | **(372)** | (321) |
| Valuation techniques and key inputs: | Discounted cash flow model<br>Inputs include observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations, as required. | | | |
| Significant unobservable inputs: | None | | | |
| Physical Forwards – Level 2 | | Assets | **582** | 763 |
| | | Liabilities | **(468)** | (859) |
| Valuation techniques and key inputs: | Discounted cash flow model<br>Inputs include observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations, such as history of non-performance, collateral held and current market developments, as required. | | | |
| Significant unobservable inputs: | None | | | |
| Physical Forwards – Level 3 | | Assets | **356** | 558 |
| | | Liabilities | **(184)** | (203) |
| Valuation techniques and key inputs: | Discounted cash flow model<br>Valuation of the Group’s commodity physical forward contracts categorised within this level is based on observable market prices that are adjusted by unobservable differentials, as required, including:<br>- Quality;<br>- Geographic location;<br>- Local supply & demand;<br>- Customer requirements; and<br>- Counterparty credit considerations. | | | |
| Significant unobservable inputs: | These significant unobservable inputs generally represent 2% - 30% of the overall value of the instruments. The valuation prices are applied consistently to value physical forward sale and purchase contracts, and changing a particular input to reasonably possible alternative assumptions does not result in a material change in the underlying value of the portfolio. | | | |
| Cross currency Swaps – Level 2 | | Assets | **421** | 26 |
| | | Liabilities | **(1,137)** | (2,873) |
| Valuation techniques and key inputs: | Discounted cash flow model<br>Inputs include observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations, as required. | | | |
| Significant unobservable inputs: | None | | | |

## 27. FAIR VALUE MEASUREMENTS (continued)

| Fair value of financial assets/financial liabilities<br>US$ million | | | 2017 | 2016 |
|---|---|---|---|---|
| Foreign currency and interest rate contracts – Level 2 | | Assets | 83 | 124 |
| | | Liabilities | (53) | (43) |
| Valuation techniques and key inputs: | Discounted cash flow model<br>Inputs include observable quoted prices sourced from exchanges or traded reference indices in active markets for identical assets or liabilities. Prices are adjusted by a discount rate which captures the time value of money and counterparty credit considerations, as required. | | | |
| Significant unobservable inputs: | None | | | |
| Non-discretionary dividend obligation – Level 3 | | Assets | – | – |
| | | Liabilities | (513) | (403) |
| Valuation techniques: | Discounted cash flow model | | | |
| Significant unobservable inputs: | - Forecast commodity prices;<br>- Discount rates using weighted average cost of capital methodology;<br>- Production models;<br>- Operating costs; and<br>- Capital expenditures.<br>The resultant liability is essentially a discounted cash flow valuation of the underlying mining operation. Increases/decreases in forecast commodity prices will result in an increase/decrease to the value of the liability though this will be partially offset by associated increases/decreases in the assumed production levels, operating costs and capital expenditures which are inherently linked to forecast commodity prices. The valuation remains sensitive to price and a 10% increase/decrease in commodity price assumptions would result in an $115 million adjustment to the current carrying value. | | | |

## 28. AUDITOR'S REMUNERATION

| US$ million | 2017 | 2016 |
|---|---|---|
| Remuneration in respect of the audit of Glencore's consolidated financial statements | 3 | 3 |
| Other audit fees, primarily in respect of audits of accounts of subsidiaries | 18 | 17 |
| Audit-related assurance services[1] | 2 | 2 |
| **Total audit and related assurance fees** | **23** | 22 |
| | | |
| Transaction services | 4 | 3 |
| Taxation compliance services | 2 | 3 |
| Other taxation advisory services | 2 | 2 |
| Other assurance services | 1 | 1 |
| **Total non-audit fees** | **9** | 9 |
| **Total professional fees** | **32** | 31 |

1 Audit-related assurance services primarily related to interim reviews of the Group's half year accounts and quarterly accounts of the Group's publicly listed subsidiaries.

## 29. FUTURE COMMITMENTS

Capital expenditure for the acquisition of property, plant and equipment is generally funded through the cash flow generated by the respective industrial entities. As at 31 December 2017, $987 million (2016: $776 million), of which 93% (2016: 81%) relates to expenditure to be incurred over the next year, was contractually committed for the acquisition of property, plant and equipment.

Certain of Glencore's exploration tenements and licences require it to spend a minimum amount per year on development activities, a significant portion of which would have been incurred in the ordinary course of operations. As at 31 December 2017, $139 million (2016: $177 million) of such development expenditures are to be incurred, of which 36% (2016: 20%) are for commitments to be settled over the next year.

Glencore procures seagoing vessels/chartering services to meet its overall marketing objectives and commitments. As at 31 December 2017, Glencore has committed to future hire costs to meet future physical delivery and sale obligations and expectations of $247 million (2016: $217 million), of which $76 million (2016: $105 million) are with associated companies. 72% (2016: 46%) of the total charters are for services to be received over the next two years.

As part of Glencore's ordinary sourcing and procurement of physical commodities and other ordinary marketing obligations, the selling party may request that a financial institution act as either a) the paying party upon the delivery of product and qualifying documents through the issuance of a letter of credit or b) the guarantor by way of issuing a bank guarantee accepting responsibility for Glencore's contractual obligations. Similarly, Glencore is required to post rehabilitation and pension guarantees in respect of some of these future, primarily industrial, long-term obligations. As at 31 December 2017, $17,578 million (2016: $17,358 million) of procurement and $3,615 million (2016: $2,972 million) of rehabilitation and pension commitments have been issued on behalf of Glencore, which will generally be settled simultaneously with the payment for such commodity and rehabilitation and pension obligations.

Glencore has entered into various operating leases mainly as lessee for office and warehouse/storage facilities. Rental expenses for these leases totalled respectively $173 million and $157 million for the years ended 31 December 2017 and 2016. Future net minimum lease payments under non-cancellable operating leases are as follows:

| US$ million | 2017 | 2016 |
|---|---|---|
| Within 1 year | 203 | 106 |
| Between 2 – 5 years | 401 | 245 |
| After 5 years | 189 | 97 |
| **Total** | **793** | 448 |

## 29. FUTURE COMMITMENTS (continued)

Glencore has entered into finance leases for various plant and equipment items, primarily vessels and machinery. Future net minimum lease payments under finance leases together with the future finance charges are as follows:

| US$ million | Undiscounted minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Within 1 year | **92** | 99 | **64** | 75 |
| Between 1 and 5 years | **255** | 259 | **182** | 172 |
| After 5 years | **209** | 222 | **146** | 154 |
| **Total minimum lease payments** | **556** | 580 | **392** | 401 |
| Less: amounts representing finance lease charges | **164** | 179 | **–** | – |
| **Present value of minimum lease payments** | **392** | 401 | **392** | 401 |

### Future development and related commitments

#### Acquisition of HVO

On 27 July 2017, Glencore and Yancoal signed agreements relating to the acquisition of a 49% interest in the Hunter Valley Operations ("HVO") coal mine in New South Wales, Australia following Yancoal's acquisition of Coal & Allied ("C&A") from Rio Tinto. Under the terms of the agreements, Glencore will pay cash consideration of $1,139 million (effective 1 September 2017) plus a 27.9% share of $240 million non-contingent royalties over five years and 49% of price contingent royalties payable by Yancoal to Rio Tinto on production from HVO in respect of the C&A acquisition. The transaction is subject to customary regulatory approvals and is expected to close in H1 2018.

#### Acquisition of Chevron South Africa and Botswana

On 6 October 2017, Glencore entered into an agreement with Off the Shelf Investments Fifty Six (RF) Proprietary Limited ("OTS") to acquire from OTS (i) a 75% stake in Chevron South Africa Proprietary Limited (Chevron SA) and certain related interests and (ii) the entire issued share capital of Chevron Botswana Proprietary Limited (Chevron Botswana) following closing of OTS's exercise of its pre-emptive right to acquire these operations from the Chevron group. The aggregate consideration (subject to adjustment for debt and working capital) is $973 million. The transaction is conditional on the receipt of all necessary regulatory approvals by OTS and Glencore and is expected to close in mid-2018.

## 30. CONTINGENT LIABILITIES

The amount of corporate guarantees in favour of third parties as at 31 December 2017 was $Nil (2016: $Nil). Also see note 9.

The Group is subject to various claims which arise in the ordinary course of business as detailed below. These contingent liabilities are reviewed on a regular basis and where practical an estimate is made of the potential financial impact on the Group. As at 31 December 2017 and 2016 it was not practical to make such an assessment.

### Litigation

Certain legal actions, other claims and unresolved disputes are pending against Glencore. Whilst Glencore cannot predict the results of any litigation, it believes that it has meritorious defences against those actions or claims. Glencore believes the likelihood of any material liability arising from these claims to be remote and that the liability, if any, therefore resulting from any litigation will not have a material adverse effect on its consolidated income, financial position or cash flows.

### Environmental contingencies

Glencore's operations are subject to various environmental laws and regulations. Glencore is in material compliance with those laws and regulations. Glencore accrues for environmental contingencies when such contingencies are probable and reasonably estimable. Such accruals are adjusted as new information develops or circumstances change. Recoveries of environmental remediation costs from insurance companies and other parties are recorded as assets when the recoveries are virtually certain. At this time, Glencore is unaware of any material environmental incidents at its locations. Any potential liability arising from these allegations is not expected to have a material adverse effect on its consolidated income, financial position or cash flows.

## 30. CONTINGENT LIABILITIES (continued)

### Margin Call Guarantee

As part of the partnership with Qatar Investment Authority (see note 9) and in relation to the joint venture's ("QHG") ownership of Rosneft shares, Glencore provided a margin guarantee up to EUR1.4 billion. The margin guarantee is subject to various loan to value thresholds related to the financing provided to QHG. Appropriate Russian banks have in turn provided Glencore with a guarantee which can and will be called upon in the event of drawdown under Glencore's margin guarantee facility with QHG. As at 31 December 2017, $Nil has been called under the QHG margin guarantee.

In September 2017, QHG concluded an agreement with CEFC China Energy Company Limited to dispose of the majority of the shares it held (amounting to a 14.16% stake in Rosneft). Following completion of the transaction, the margin guarantees provided by Glencore will terminate. The transaction, subject to customary regulatory approval processes, is expected to complete in H1 2018.

## 31. RELATED PARTY TRANSACTIONS

In the normal course of business, Glencore enters into various arm's length transactions with related parties, including fixed price commitments to sell and to purchase commodities, forward sale and purchase contracts, agency agreements and management service agreements. Outstanding balances at period end are unsecured and settlement occurs in cash (see notes 10, 12, and 23). There have been no guarantees provided or received for any related party receivables or payables.

All transactions between Glencore and its subsidiaries are eliminated on consolidation along with any unrealised profits and losses between its subsidiaries, associates and joint ventures. In 2017, sales and purchases with associates and joint ventures amounted to $1,859 million (2016: $1,570 million) and $7,485 million (2016: $3,194 million) respectively.

# Alternative performance measures

Alternative performance measures are denoted by the symbol ◇

When assessing and discussing the Group's reported financial performance, financial position and cash flows, Glencore makes reference to Alternative performance measures ("APMs"), which are not defined or specified under the requirements of IFRS, but are derived from the financial statements prepared in accordance with IFRS. The APMs are consistent with how the business performance is measured and reported within the internal management reporting to the Board and management and assist in providing meaningful analysis of the Group's results both internally and externally in discussions with the financial analyst and investment community.

The Group uses APMs to improve the comparability of information between reporting periods and segments and to aid the understanding of the activity taking place across the Group by adjusting for items that are of an infrequent nature and by aggregating or disaggregating (notably in the case of relevant material associates and joint ventures accounted for on an equity basis) certain IFRS measures. APMs are also used to approximate the underlying operating cash flow generation of the operations (Adjusted EBITDA).

Investments in the extractive industry are typically significant and the initial spend generally occurs over several years, 'upfront', prior to the operations generating cash. As a result, the investments are sometimes made with partners and an assessment to approximate the operating cash flow generation/pay-back of the investment (Adjusted EBITDA) is required. Against this backdrop, the key APMs used by Glencore are Adjusted EBITDA, Net funding/Net debt and the disaggregation of the equivalent key APMs of our relevant material associates and joint ventures ("Proportionate adjustment") to enable a consistent evaluation of the financial performance and returns attributable to the Group.

Adjusted EBITDA is a useful approximation of the operating cash flow generation by eliminating depreciation and amortisation adjustments. Adjusted EBITDA is not a direct measure of our liquidity, which is shown by our cash flow statement and needs to be considered in the context of our financial commitments.

Proportionate adjustments are useful to enable a consistent evaluation of the financial performance and returns available to the Group, irrespective of the differing accounting treatments required to account for our minority/joint ownership interests of our relevant material investments.

Net funding is an aggregation of IFRS measures (Borrowings less cash and cash equivalents) and Net debt is Net funding less Readily marketable inventories and provides a measure of our financial leverage and, through Net debt to Adjusted EBITDA relationships, provides an indication of relative financial strength and flexibility.

APMs used by Glencore may not be comparable with similarly titled measures and disclosures by other companies. APMs have limitations as an analytical tool, and a user of the financial statements should not consider these measures in isolation from, or as a substitute for, analysis of the Group's results of operations; and they may not be indicative of the Group's historical operating results, nor are they meant to be a projection or forecast of its future results.

Listed below are the definitions and reconciliations to the underlying IFRS measures of the various APMs used by the Group.

### Proportionate adjustment

For internal reporting and analysis, management evaluates the performance of Antamina copper/zinc mine (34% owned), Cerrejón coal mine (33% owned), Collahuasi copper mine (44% owned) and Glencore Agri (50% owned) under the proportionate consolidation method reflecting Glencore's proportionate share of the revenues, expenses, assets and liabilities of these investments.

See reconciliation of revenue and relevant material associates' and joint ventures' Adjusted EBIT to 'Share of net income from associates and joint ventures' below.

## APMs derived from the statement of income

### Revenue

Revenue represents revenue by segment (see note 2 of the financial statements), as reported on the face of the statement of income plus the relevant Proportionate adjustments. See reconciliation table below.

| US$ million | 2017 | 2016 |
|---|---|---|
| Revenue – Marketing activities | **181,827** | 145,984 |
| Revenue – Industrial activities | **39,552** | 31,367 |
| **Revenue** | **221,379** | 177,351 |
| Proportionate adjustment – revenue | **(15,903)** | (3,518) |
| Discontinued operations – revenue | **–** | (20,885) |
| **Revenue – reported measure** | **205,476** | 152,948 |

### Share of income from material associates and joint ventures

| US$ million | 2017 | 2016 |
|---|---|---|
| Associates' and joint ventures' Adjusted EBITDA | **2,440** | 1,447 |
| Depreciation and amortisation | **(812)** | (705) |
| Associates' and joint ventures' Adjusted EBIT | **1,628** | 742 |
| | | |
| Impairment, net of tax[1] | **–** | (345) |
| Net finance costs | **(74)** | (16) |
| Income tax expense | **(517)** | (248) |
| | **(591)** | (609) |
| **Share of income from material associates and joint ventures** | **1,037** | 133 |
| Share of income/(loss) from other associates | **121** | (122) |
| **Share of income from associates and joint ventures[2]** | **1,158** | 11 |

1 In 2016, Energy products segment comprises an impairment of $345 million, net of taxes of $176 million relating to Cerrejón, resulting from reduced near term production estimates due to increased risk related to the possibility of delays in sourcing approvals as a result of the continued social and environmental challenges to current mine plans.

2 Comprises share in earnings of $164 million (2016: $12 million) from Marketing activities and $994 million (2016: losses of $1 million) from Industrial activities.

### Adjusted EBIT/EBITDA

Adjusted EBIT/EBITDA provide insight into our overall business performance (a combination of cost management, seizing market opportunities and growth), and are the corresponding flow drivers towards our objective of achieving industry-leading returns.

Adjusted EBIT is the net result of revenue less cost of goods sold and selling and administrative expenses, plus share of income from associates and joint ventures, dividend income and the attributable share of Adjusted EBIT of relevant material associates and joint ventures, which are accounted for internally by means of proportionate consolidation, excluding Significant items, see definition below. In addition, the segment information includes Glencore Agri, which was disclosed as a discontinued operation until close of transaction on 1 December 2016, see note 24 of the financial statements.

Adjusted EBITDA consists of Adjusted EBIT plus depreciation and amortisation, including the related Proportionate adjustments. See reconciliation table below.

| US$ million | 2017 | 2016 |
|---|---|---|
| Reported measures | | |
| Revenue | 205,476 | 152,948 |
| Cost of goods sold | (197,695) | (149,763) |
| Selling and administrative expenses | (1,310) | (1,102) |
| Share of income from associates and joint ventures | 1,158 | 11 |
| Dividend income | 28 | 27 |
| | 7,657 | 2,121 |
| Adjustments to reported measures | | |
| Share of associates' significant items | 6 | 132 |
| Unrealised intergroup profit elimination | 523 | 374 |
| Mark-to-market valuation on certain coal hedging contracts | (225) | 225 |
| Proportionate adjustment – net finance and income tax expense | 591 | 609 |
| Adjusted EBIT from discontinued operations | – | 469 |
| **Adjusted EBIT from continuing and discontinued operations** | **8,552** | **3,930** |
| Depreciation and amortisation from continuing operations | 5,398 | 5,573 |
| Proportionate adjustment – depreciation | 812 | 705 |
| Discontinued operations – depreciation | – | 60 |
| **Adjusted EBITDA from continuing and discontinued operations** | **14,762** | **10,268** |

# Alternative performance measures

## Significant items

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

### Reconciliation of net significant items 2017

| US$ million | Gross significant charges | Non-controlling interests' share | **Equity holders' share** |
|---|---|---|---|
| Share of Associates' significant items[1] | (6) | – | **(6)** |
| Mark-to-market valuation on certain coal hedging contracts[1] | 225 | – | **225** |
| Unrealised intergroup profit elimination[1] | (523) | – | **(523)** |
| Gains on disposals and investments[2] | 1,309 | – | **1,309** |
| Other expense – net[3] | (594) | 45 | **(549)** |
| Income tax impact from significant items | (187) | – | **(187)** |
| **Total significant items** | 224 | 45 | **269** |

1 See note 2 of the financial statements.
2 See note 3 of the financial statements.
3 See note 4 of the financial statements.

### Reconciliation of net significant items 2016

| US$ million | Gross significant charges | Non-controlling interests' share | **Equity holders' share** |
|---|---|---|---|
| Share of Associates' significant items[1] | (132) | – | **(132)** |
| Mark-to-market valuation on certain coal hedging contracts[1] | (225) | – | **(225)** |
| Unrealised intergroup profit elimination[1] | (374) | – | **(374)** |
| Gains on disposals and investments[2] | 489 | – | **489** |
| Gains on disposals and investments related to discontinued operations[3] | 33 | – | **33** |
| Gain on disposals of discontinued operations[3] | 1,848 | – | **1,848** |
| Other expense – net[4] | (1,626) | 21 | **(1,605)** |
| Other expense – net related to material associates and joint ventures[5] | (345) | – | **(345)** |
| Other expense – net related to discontinued operations[3] | (26) | – | **(26)** |
| Income tax impact from significant items | (276) | – | **(276)** |
| **Total significant items** | (634) | 21 | **(613)** |

1 See note 2 of the financial statements.
2 See note 3 of the financial statements.
3 See note 24 of the financial statements.
4 See note 4 of the financial statements.
5 See Proportionate adjustment reconciliation above.

## Net income attributable to equity shareholder pre-significant items

Net income attributable to equity shareholders pre-significant items is a measure of our ability to generate shareholder returns. The calculation of tax items to be excluded from Net income, includes tax significant items and the tax effect of non-tax significant items themselves. Refer to earnings summary in the financial review section and reconciliation of tax expense below.

# Alternative performance measures

## APMs derived from the statement of financial position

### Net funding/Net debt and Net debt to Adjusted EBITDA

Net funding/debt demonstrates how our debt is being managed and is an important factor in ensuring we maintain an investment grade rating status and a competitive cost of capital. Net debt is defined as total current and non-current borrowings less cash and cash equivalents, readily marketable inventories and related Proportionate adjustments. The net debt assumed in the Volcan acquisition (completed mid-November 2017) has also been adjusted to provide a more consistent and comparative analysis, but mostly to reflect the Group's relatively low 23.3% economic ownership (compared to its 63.0% voting interest) in this still fully ring-fenced listed entity, with its standalone, independent and separate capital structure. In addition, the relationship of Net debt to Adjusted EBITDA provides an indication of financial flexibility. See reconciliation table below.

### Readily marketable inventories ("RMI")

RMI comprising the core inventories which underpin and facilitate Glencore's marketing activities, represent inventories, that in Glencore's assessment, are readily convertible into cash in the short term due to their liquid nature, widely available markets and the fact that price risk is primarily covered either by a forward physical sale or hedge transaction. Glencore regularly assesses the composition of these inventories and their applicability, relevance and availability to the marketing activities. As at 31 December 2017, $22,225 million (2016: $17,093 million) of inventories were considered readily marketable. This comprises $16,649 million (2016: $12,707 million) of inventories carried at fair value less costs of disposal and

$5,576 million (2016: $4,386 million) carried at the lower of cost or net realisable value. Total readily marketable inventories includes $1,559 million related to the relevant material associates and joint ventures (see note 2) presented under the proportionate consolidation method, comprising $1,305 million of inventory carried at fair value less cost of disposal and $254 million carried at lower of cost or net realisable value. Given the highly liquid nature of these inventories, which represent a significant share of current assets, the Group believes it is appropriate to consider them together with cash equivalents in analysing Group net debt levels and computing certain debt coverage ratios and credit trends.

### Net funding/net debt at 31 December 2017

| US$ million | Reported measure | Proportionate adjustment | Volcan | **Adjusted measure** |
|---|---|---|---|---|
| Non-current borrowings | 24,532 | 356 | (629) | **24,259** |
| Current borrowings | 9,402 | 1,650 | (177) | **10,875** |
| **Total borrowings** | 33,934 | 2,006 | (806) | **35,134** |
| Less: cash and cash equivalents | (2,124) | (214) | 102 | **(2,236)** |
| **Net funding** | 31,810 | 1,792 | (704) | **32,898** |
| Less: Readily marketable inventories | (20,666) | (1,559) | – | **(22,225)** |
| **Net debt** | 11,144 | 233 | (704) | **10,673** |
| | | | | |
| **Adjusted EBITDA** | | | | **14,762** |
| **Net debt to Adjusted EBITDA** | | | | **0.72x** |

### Net funding/net debt at 31 December 2016

| US$ million | Reported measure | Proportionate adjustment | **Adjusted measure** |
|---|---|---|---|
| Non-current borrowings | 23,188 | 380 | **23,568** |
| Current borrowings | 10,030 | 1,737 | **11,767** |
| **Total borrowings** | 33,218 | 2,117 | **35,335** |
| Less: cash and cash equivalents | (2,518) | (198) | **(2,716)** |
| **Net funding** | 30,700 | 1,919 | **32,619** |
| Less: Readily marketable inventories | (15,375) | (1,718) | **(17,093)** |
| **Net debt** | 15,325 | 201 | **15,526** |
| | | | |
| **Adjusted EBITDA** | | | **10,268** |
| **Net debt to Adjusted EBITDA** | | | **1.51x** |

## APMs derived from the statement of cash flows

### Capital expenditure ("Capex")

Capital expenditure is cash expenditure on property, plant and equipment. For internal reporting and analysis, Capex includes related Proportionate adjustments. See reconciliation table below.

| US$ million | 2017 | 2016 |
|---|---|---|
| Capital expenditure – Marketing activities | 214 | 182 |
| Capital expenditure – Industrial activities | 4,020 | 3,315 |
| **Capital expenditure** | **4,234** | 3,497 |
| Proportionate adjustment – capital expenditure | (611) | (407) |
| **Capital expenditure – reported measure** | **3,623** | 3,090 |

### Funds from operations ("FFO") and FFO to Net debt

FFO is a measure that reflects our ability to generate cash for investment, debt servicing and distributions to shareholders. It comprises cash provided by operating activities before working capital changes, less tax and net interest payments plus dividends received, related Proportionate adjustments and Significant items, mainly comprising movements in coal related mark-to-market items. In addition, the relationship of FFO to net debt is an indication of our financial flexibility and strength. See reconciliation table below.

| 2017<br>US$ million | Reported measure | Proportionate adjustment | Adjusted measure |
|---|---|---|---|
| Cash generated by operating activities before working capital changes | 11,866 | – | 11,866 |
| Addback EBITDA of relevant material associates and joint ventures | – | 2,440 | 2,440 |
| Share in earnings from associates included in EBITDA | – | (39) | (39) |
| Adjusted cash generated by operating activities before working capital changes | 11,866 | 2,401 | 14,267 |
| Coal related hedging included above (via statement of income – refer to note 2) | (225) | – | (225) |
| Income taxes paid | (921) | (451) | (1,372) |
| Interest received | 106 | 8 | 114 |
| Interest paid | (1,269) | (44) | (1,313) |
| Dividend received from associates and joint ventures | 1,081 | (996) | 85 |
| **Funds from operations ("FFO")** | 10,638 | 918 | **11,556** |
| | | | |
| **Net debt** | | | **10,673** |
| **FFO to Net debt** | | | **108.3%** |

| 2016<br>US$ million | Reported measure | Proportionate adjustment | Adjusted measure |
|---|---|---|---|
| Cash generated by operating activities before working capital changes | 7,868 | – | 7,868 |
| Addback EBITDA of relevant material associates and joint ventures | – | 1,447 | 1,447 |
| Adjusted cash generated by operating activities before working capital changes | 7,868 | 1,447 | 9,315 |
| Coal related hedging and legal costs included above (via statement of income – refer to note 2) | 368 | – | 368 |
| Income taxes paid | (584) | (96) | (680) |
| Interest received | 111 | – | 111 |
| Interest paid | (1,376) | (6) | (1,382) |
| Dividend received from associates and joint ventures | 833 | (795) | 38 |
| **Funds from operations ("FFO")** | 7,220 | 550 | **7,770** |
| | | | |
| **Net debt** | | | **15,526** |
| **FFO to Net debt** | | | **50%** |

## Other reconciliations

### Available committed liquidity[1]

| US$ million | 2017 | 2016 |
|---|---|---|
| Cash and cash equivalents - reported | 2,124 | 2,518 |
| Proportionate adjustment – cash and cash equivalents | 214 | 198 |
| Headline committed syndicated revolving credit facilities | 12,760 | 14,500 |
| Amount drawn under syndicated revolving credit facilities | (994) | (476) |
| Amounts drawn under U.S. commercial paper programme | (1,230) | – |
| **Total** | **12,874** | 16,740 |

1 Presented on an adjusted measured basis.

### Cash flow related adjustments 2017

| US$ million | Reported measure | Proportionate adjustment | Adjusted measure |
|---|---|---|---|
| Funds from operations ("FFO") | 10,638 | 918 | 11,556 |
| Working capital changes | (4,965) | (108) | (5,073) |
| Net cash used in acquisitions of subsidiaries | (674) | (57) | (731) |
| Net cash received from disposal of subsidiaries | 706 | 33 | 739 |
| Purchase of investments | (378) | (8) | (386) |
| Proceeds from sale of investments | 36 | – | 36 |
| Purchase of property, plant and equipment | (3,586) | (605) | (4,191) |
| Proceeds from sale of property, plant and equipment | 282 | 11 | 293 |
| Margin receipts in respect of financing related hedging activities | 1,255 | – | 1,255 |
| Acquisition of additional interests in subsidiaries | (561) | – | (561) |
| Return of capital/distributions to non-controlling interests | (194) | – | (194) |
| Disposal of own shares | 17 | – | 17 |
| Distributions paid to equity holders of the Parent | (998) | – | (998) |
| Coal related hedging | 225 | – | 225 |
| **Cash movement in net funding** | 1,803 | 184 | **1,987** |

### Cash flow related adjustments 2016

| US$ million | Reported measure | Proportionate adjustment | Adjusted measure |
|---|---|---|---|
| Funds from operations ("FFO") | 7,220 | 550 | 7,770 |
| Net working capital changes (excluding gold and silver streaming proceeds) | (2,157) | (214) | (2,371) |
| Gold and silver streaming proceeds | 971 | – | 971 |
| Net cash received in acquisition of subsidiaries | 176 | – | 176 |
| Net cash received from disposal of subsidiaries | 5,535 | 233 | 5,768 |
| Purchase of investments | (15) | (1) | (16) |
| Proceeds from sale of investments | 3 | – | 3 |
| Purchase of property, plant and equipment | (3,048) | (394) | (3,442) |
| Proceeds from sale of property, plant and equipment | 128 | 8 | 136 |
| Margin calls in respect of financing related hedging activities | (695) | – | (695) |
| Acquisition of additional interest in subsidiaries | (7) | – | (7) |
| Return of capital/distributions to non-controlling interests | (91) | – | (91) |
| Proceeds from own shares | 3 | – | 3 |
| Coal related hedging and legal costs | (368) | – | (368) |
| **Cash movement in net funding** | 7,655 | 182 | **7,837** |

## Reconciliation of tax expense 2017

| US$ million | Total |
|---|---|
| Adjusted EBIT, pre-significant items | **8,552** |
| Net finance costs | **(1,451)** |
| Adjustments for: | |
| Net finance costs from material associates and joint ventures | **(74)** |
| Share of income from other associates pre-significant items | **(127)** |
| **Profit on a proportionate consolidation basis before tax and pre-significant items** | **6,900** |
| Income tax expense, pre-significant items | **(1,572)** |
| Adjustments for: | |
| Tax expense from material associates and joint ventures | **(517)** |
| **Tax expense on a proportionate consolidation basis** | **(2,089)** |
| **Applicable tax rate** | **30.3%** |

| US$ million | Pre-significant tax expense | Significant items tax[1] | Total tax expense |
|---|---|---|---|
| Tax expense on a proportionate consolidation basis | 2,089 | 187 | **2,276** |
| Adjustment in respect of material associates and joint ventures tax | (517) | – | **(517)** |
| **Tax expense on the basis of the income statement** | 1,572 | 187 | **1,759** |

1 Represents the tax impact on current period significant items and tax significant items in their own right.

## Reconciliation of tax expense 2016

| US$ million | Total |
|---|---|
| Adjusted EBIT, pre-significant items | **3,930** |
| Net finance costs | **(1,533)** |
| Adjustments for: | |
| Net finance costs from material associates and joint ventures | **(16)** |
| Net finance costs from discontinued operations[1] | **(70)** |
| Share of income from other associates pre-significant items | **(10)** |
| Share of income from associates from discontinued operations[1] | **(15)** |
| **Profit on a proportionate consolidation basis before tax and pre-significant items** | **2,286** |
| Income tax expense, pre-significant items | **(362)** |
| Adjustments for: | |
| Tax expense from material associates and joint ventures | **(248)** |
| Tax expense from discontinued operations[1] | **(131)** |
| **Tax expense on a proportionate consolidation basis** | **(741)** |
| **Applicable tax rate** | **32.4%** |

1 See note 24 of the financial statements.

| US$ million | Pre-significant tax expense | Significant items tax[1] | Total tax expense |
|---|---|---|---|
| Tax expense on a proportionate consolidation basis | 741 | 276 | **1,017** |
| Adjustment in respect of material associates and joint ventures' tax | (248) | – | **(248)** |
| Adjustment in respect of discontinued operations | (131) | – | **(131)** |
| **Tax expense on the basis of the income statement** | 362 | 276 | **638** |

1 Represents the tax impact on current period significant items and tax significant items in their own right.

# Appendix:
# Production by Quarter – Q4 2016 to Q4 2017

## Metals and Minerals

### Production from own sources – Total[1]

| | | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | 2017 | 2016 | Change 2017 vs 2016 % | Change Q4 17 vs Q4 16 % |
|---|---|---|---|---|---|---|---|---|---|---|
| Copper | kt | 364.6 | 324.1 | 318.8 | 303.6 | 363.2 | 1,309.7 | 1,425.8 | (8) | - |
| Zinc | kt | 304.9 | 279.2 | 291.6 | 256.6 | 262.8 | 1,090.2 | 1,094.1 | - | (14) |
| Lead | kt | 74.6 | 68.9 | 70.3 | 71.5 | 61.8 | 272.5 | 294.2 | (7) | (17) |
| Nickel | kt | 32.7 | 24.9 | 26.3 | 29.5 | 28.4 | 109.1 | 115.1 | (5) | (13) |
| Gold | koz | 282 | 259 | 265 | 247 | 262 | 1,033 | 1,027 | 1 | (7) |
| Silver | koz | 10,079 | 9,295 | 10,215 | 9,298 | 8,935 | 37,743 | 39,069 | (3) | (11) |
| Cobalt | kt | 7.3 | 6.3 | 6.4 | 7.1 | 7.6 | 27.4 | 28.3 | (3) | 4 |
| Ferrochrome | kt | 417 | 439 | 397 | 271 | 424 | 1,531 | 1,523 | 1 | 2 |
| Platinum | koz | 32 | 37 | 28 | 28 | 23 | 116 | 148 | (22) | (28) |
| Palladium | koz | 45 | 46 | 36 | 43 | 36 | 161 | 209 | (23) | (20) |
| Rhodium | koz | 3 | 4 | 4 | 2 | 3 | 13 | 16 | (19) | - |
| Vanadium Pentoxide | mlb | 5.5 | 5.1 | 4.4 | 6.1 | 5.3 | 20.9 | 21.1 | (1) | (4) |

### Production from own sources – Copper assets[1]

| | | | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | 2017 | 2016 | Change 2017 vs 2016 % | Change Q4 17 vs Q4 16 % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **African Copper (Katanga, Mutanda, Mopani)** | | | | | | | | | | | |
| Katanga | Copper metal | kt | - | - | - | - | 2.2 | 2.2 | - | n.m. | n.m. |
| | Copper in concentrates | kt | - | - | - | - | 2.7 | 2.7 | - | n.m. | n.m. |
| Mutanda | Copper metal | kt | 51.0 | 48.8 | 47.7 | 44.1 | 51.5 | 192.1 | 213.3 | (10) | 1 |
| | Cobalt[3] | kt | 6.3 | 5.7 | 5.5 | 6.0 | 6.7 | 23.9 | 24.5 | (2) | 6 |
| Mopani | Copper metal | kt | 10.5 | 8.1 | 6.9 | 11.7 | 15.0 | 41.7 | 41.1 | 1 | 43 |
| *African Copper - total production including third party feed* | | | | | | | | | | | |
| *Mutanda* | *Copper metal* | *kt* | *51.0* | *48.8* | *51.7* | *45.1* | *53.2* | *198.8* | *213.3* | *(7)* | *4* |
| | *Cobalt[3]* | *kt* | *6.3* | *5.7* | *5.5* | *6.0* | *6.7* | *23.9* | *24.5* | *(2)* | *6* |
| *Mopani* | *Copper metal* | *kt* | *28.4* | *21.9* | *12.5* | *23.7* | *40.8* | *98.9* | *110.0* | *(10)* | *44* |
| | **Total Copper metal** | **kt** | **61.5** | **56.9** | **54.6** | **55.8** | **68.7** | **236.0** | **254.4** | **(7)** | **12** |
| | **Total Copper in concentrates** | **kt** | **-** | **-** | **-** | **-** | **2.7** | **2.7** | **-** | **n.m.** | **n.m.** |
| | **Total Cobalt[3]** | **kt** | **6.3** | **5.7** | **5.5** | **6.0** | **6.7** | **23.9** | **24.5** | **(2)** | **6** |
| **Collahuasi[4]** | **Copper metal** | **kt** | **0.3** | **-** | **-** | **-** | **-** | **-** | **2.1** | **(100)** | **(100)** |
| | **Copper in concentrates** | **kt** | **58.3** | **57.6** | **51.0** | **58.4** | **63.5** | **230.5** | **220.8** | **4** | **9** |
| | **Silver in concentrates** | **koz** | **761** | **774** | **748** | **766** | **815** | **3,103** | **3,276** | **(5)** | **7** |
| **Antamina[5]** | **Copper in concentrates** | **kt** | **33.2** | **30.3** | **40.0** | **37.2** | **35.1** | **142.6** | **145.5** | **(2)** | **6** |
| | **Zinc in concentrates** | **kt** | **26.7** | **24.5** | **34.5** | **34.5** | **34.6** | **128.1** | **66.8** | **92** | **30** |
| | **Silver in concentrates** | **koz** | **1,607** | **1,445** | **1,882** | **1,772** | **1,480** | **6,579** | **6,778** | **(3)** | **(8)** |
| **Other South America (Alumbrera, Lomas Bayas, Antapaccay, Punitaqui)** | | | | | | | | | | | |
| Alumbrera | Copper in concentrates | kt | 24.5 | 11.4 | 9.1 | 7.3 | 5.5 | 33.3 | 81.9 | (59) | (78) |
| | Gold in concentrates and in doré | koz | 71 | 48 | 49 | 53 | 38 | 188 | 256 | (27) | (46) |
| | Silver in concentrates and in doré | koz | 268 | 119 | 79 | 64 | 44 | 306 | 748 | (59) | (84) |
| Lomas Bayas | Copper metal | kt | 21.0 | 20.3 | 20.7 | 19.9 | 17.2 | 78.1 | 80.0 | (2) | (18) |
| Antapaccay | Copper in concentrates | kt | 55.6 | 46.4 | 50.1 | 47.3 | 62.7 | 206.5 | 219.9 | (6) | 13 |
| | Gold in concentrates | koz | 37 | 29 | 26 | 34 | 50 | 139 | 115 | 21 | 35 |
| | Silver in concentrates | koz | 402 | 326 | 324 | 359 | 446 | 1,455 | 1,536 | (5) | 11 |

# Appendix: Production by Quarter – Q4 2016 to Q4 2017

| | | | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | 2017 | 2016 | Change 2017 vs 2016 % | Change Q4 17 vs Q4 16 % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Punitaqui | Copper in concentrates | kt | 1.8 | 1.6 | 1.2 | 1.4 | 1.3 | 5.5 | 7.0 | (21) | (28) |
| | Gold in concentrates | koz | 4 | 5 | 6 | 4 | 6 | 21 | 11 | 91 | 50 |
| | Silver in concentrates | koz | 24 | 18 | 17 | 14 | 11 | 60 | 82 | (27) | (54) |
| | **Total Copper metal** | **kt** | **21.0** | **20.3** | **20.7** | **19.9** | **17.2** | **78.1** | **80.0** | **(2)** | **(18)** |
| | **Total Copper in concentrates** | **kt** | **81.9** | **59.4** | **60.4** | **56.0** | **69.5** | **245.3** | **308.8** | **(21)** | **(15)** |
| | **Total Gold in concentrates and in doré** | **koz** | **112** | **82** | **81** | **91** | **94** | **348** | **382** | **(9)** | **(16)** |
| | **Total Silver in concentrates and in doré** | **koz** | **694** | **463** | **420** | **437** | **501** | **1,821** | **2,366** | **(23)** | **(28)** |
| **Australia (Mount Isa, Ernest Henry, Townsville, Cobar)** | | | | | | | | | | | |
| Mount Isa, Ernest Henry, Townsville | Copper metal | kt | 56.1 | 48.5 | 42.5 | 27.0 | 46.6 | 164.6 | 205.1 | (20) | (17) |
| | Copper in concentrates | kt | - | - | - | 7.4 | 5.1 | 12.5 | - | n.m. | n.m. |
| | Gold | koz | 25 | 17 | 21 | 9 | 20 | 67 | 86 | (22) | (20) |
| | Silver | koz | 343 | 261 | 196 | 387 | 252 | 1,096 | 1,251 | (12) | (27) |
| | Silver in concentrates | koz | - | - | - | 38 | 23 | 61 | - | n.m. | n.m. |
| *Mount Isa, Ernest Henry, Townsville - total production including third party feed* | | | | | | | | | | | |
| | *Copper metal* | *kt* | *64.6* | *54.8* | *62.8* | *49.2* | *60.6* | *227.4* | *275.5* | *(17)* | *(6)* |
| | *Copper in concentrates* | *kt* | - | - | - | *7.4* | *5.1* | *12.5* | - | *n.m.* | *n.m.* |
| | *Gold* | *koz* | *34* | *46* | *43* | *33* | *39* | *161* | *135* | *19* | *15* |
| | *Silver* | *koz* | *525* | *349* | *432* | *447* | *253* | *1,481* | *2,271* | *(35)* | *(52)* |
| | *Silver in concentrates* | *koz* | - | - | - | *38* | *23* | *61* | - | *n.m.* | *n.m.* |
| Cobar | Copper in concentrates | kt | 15.4 | 12.7 | 12.7 | 12.3 | 15.7 | 53.4 | 53.9 | (1) | 2 |
| | Silver in concentrates | koz | 154 | 128 | 156 | 134 | 146 | 564 | 543 | 4 | (5) |
| | **Total Copper** | **kt** | **56.1** | **48.5** | **42.5** | **27.0** | **46.6** | **164.6** | **205.1** | **(20)** | **(17)** |
| | **Total Copper in concentrates** | **kt** | **15.4** | **12.7** | **12.7** | **19.7** | **20.8** | **65.9** | **53.9** | **22** | **35** |
| | **Total Gold** | **koz** | **25** | **17** | **21** | **9** | **20** | **67** | **86** | **(22)** | **(20)** |
| | **Total Silver** | **koz** | **497** | **389** | **352** | **559** | **421** | **1,721** | **1,794** | **(4)** | **(15)** |
| **Total Copper department** | | | | | | | | | | | |
| | **Copper** | **kt** | **327.7** | **285.7** | **281.9** | **274.0** | **324.1** | **1,165.7** | **1,270.6** | **(8)** | **(1)** |
| | **Cobalt** | **kt** | **6.3** | **5.7** | **5.5** | **6.0** | **6.7** | **23.9** | **24.5** | **(2)** | **6** |
| | **Zinc** | **kt** | **26.7** | **24.5** | **34.5** | **34.5** | **34.6** | **128.1** | **66.8** | **92** | **30** |
| | **Gold** | **koz** | **137** | **99** | **102** | **100** | **114** | **415** | **468** | **(11)** | **(17)** |
| | **Silver** | **koz** | **3,559** | **3,071** | **3,402** | **3,534** | **3,217** | **13,224** | **14,214** | **(7)** | **(10)** |

# Appendix: Production by Quarter – Q4 2016 to Q4 2017

## Production from own sources – Zinc assets[1]

| | | | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | 2017 | 2016 | Change 2017 vs 2016 % | Change Q4 17 vs Q4 16 % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Kazzinc** | | | | | | | | | | | |
| | **Zinc metal** | **kt** | **51.0** | **48.1** | **54.1** | **54.9** | **53.4** | **210.5** | **187.6** | **12** | **5** |
| | **Lead metal** | **kt** | **11.8** | **11.3** | **13.8** | **16.1** | **11.7** | **52.9** | **44.0** | **20** | **(1)** |
| | **Lead in concentrates** | **kt** | **1.5** | **2.3** | **1.6** | **0.8** | **-** | **4.7** | **15.2** | **(69)** | **(100)** |
| | **Copper metal[2]** | **kt** | **12.4** | **12.7** | **15.2** | **6.3** | **15.5** | **49.7** | **53.9** | **(8)** | **25** |
| | **Gold** | **koz** | **137** | **150** | **156** | **138** | **141** | **585** | **521** | **12** | **3** |
| | **Silver** | **koz** | **1,277** | **1,152** | **1,702** | **1,591** | **1,335** | **5,780** | **4,510** | **28** | **5** |
| | **Silver in concentrates** | **koz** | **29** | **55** | **51** | **19** | **7** | **132** | **469** | **(72)** | **(76)** |
| *Kazzinc - total production including third party feed* | | | | | | | | | | | |
| | *Zinc metal* | *kt* | *77.4* | *75.3* | *77.2* | *81.9* | *82.4* | *316.8* | *305.5* | *4* | *6* |
| | *Lead metal* | *kt* | *32.3* | *36.5* | *36.9* | *38.4* | *34.5* | *146.3* | *133.6* | *10* | *7* |
| | *Lead in concentrates* | *kt* | *1.5* | *2.3* | *1.6* | *0.8* | *-* | *4.7* | *15.2* | *(69)* | *(100)* |
| | *Copper metal* | *kt* | *15.3* | *15.2* | *18.9* | *7.8* | *20.8* | *62.7* | *68.2* | *(8)* | *36* |
| | *Gold* | *koz* | *175* | *172* | *187* | *169* | *184* | *712* | *658* | *8* | *5* |
| | *Silver* | *koz* | *6,346* | *5,572* | *6,396* | *5,201* | *5,483* | *22,652* | *27,408* | *(17)* | *(14)* |
| | *Silver in concentrates* | *koz* | *29* | *55* | *51* | *19* | *7* | *132* | *469* | *(72)* | *(76)* |
| **Australia (Mount Isa, McArthur River)** | | | | | | | | | | | |
| Mount Isa | Zinc in concentrates | kt | 75.3 | 68.7 | 64.0 | 51.3 | 42.0 | 226.0 | 288.2 | (22) | (44) |
| | Lead in concentrates | kt | 39.5 | 31.8 | 30.1 | 27.2 | 22.5 | 111.6 | 143.3 | (22) | (43) |
| | Silver in concentrates | koz | 2,038 | 1,658 | 1,539 | 1,251 | 1,046 | 5,494 | 7,332 | (25) | (49) |
| McArthur River | Zinc in concentrates | kt | 62.9 | 46.9 | 38.2 | 45.6 | 79.3 | 210.0 | 200.2 | 5 | 26 |
| | Lead in concentrates | kt | 10.8 | 8.7 | 8.3 | 10.8 | 17.0 | 44.8 | 42.1 | 6 | 57 |
| | Silver in concentrates | koz | 293 | 277 | 269 | 400 | 674 | 1,620 | 1,409 | 15 | 130 |
| | **Total Zinc in concentrates** | **kt** | **138.2** | **115.6** | **102.2** | **96.9** | **121.3** | **436.0** | **488.4** | **(11)** | **(12)** |
| | **Total Lead in concentrates** | **kt** | **50.3** | **40.5** | **38.4** | **38.0** | **39.5** | **156.4** | **185.4** | **(16)** | **(21)** |
| | **Total Silver in concentrates** | **koz** | **2,331** | **1,935** | **1,808** | **1,651** | **1,720** | **7,114** | **8,741** | **(19)** | **(26)** |
| **North America (Matagami, Kidd, Brunswick, CEZ Refinery)** | | | | | | | | | | | |
| Matagami | Zinc in concentrates | kt | 11.0 | 11.0 | 14.0 | 13.2 | 13.1 | 51.3 | 51.6 | (1) | 19 |
| | Copper in concentrates | kt | 1.8 | 2.0 | 2.1 | 1.3 | 2.0 | 7.4 | 9.7 | (24) | 11 |
| Kidd | Zinc in concentrates | kt | 22.2 | 24.0 | 22.2 | 11.4 | 14.8 | 72.4 | 78.5 | (8) | (33) |
| | Copper in concentrates | kt | 9.9 | 10.3 | 9.2 | 9.1 | 11.3 | 39.9 | 38.3 | 4 | 14 |
| | Silver in concentrates | koz | 674 | 663 | 842 | 379 | 387 | 2,271 | 2,292 | (1) | (43) |
| | **Total Zinc in concentrates** | **kt** | **33.2** | **35.0** | **36.2** | **24.6** | **27.9** | **123.7** | **130.1** | **(5)** | **(16)** |
| | **Total Copper in concentrates** | **kt** | **11.7** | **12.3** | **11.3** | **10.4** | **13.3** | **47.3** | **48.0** | **(1)** | **14** |
| | **Total Silver in concentrates** | **koz** | **674** | **663** | **842** | **379** | **387** | **2,271** | **2,292** | **(1)** | **(43)** |
| *North America - total production including third party feed* | | | | | | | | | | | |
| *Brunswick Smelter* | *Lead metal* | *kt* | *16.4* | *15.7* | *16.5* | *17.6* | *12.7* | *62.5* | *69.5* | *(10)* | *(23)* |
| | *Silver metal* | *koz* | *5,048* | *4,232* | *3,480* | *5,025* | *3,689* | *16,426* | *20,764* | *(21)* | *(27)* |
| *CEZ Refinery[6]* | *Zinc metal* | *kt* | *18.1* | *12.5* | *12.6* | *8.5* | *11.5* | *45.1* | *69.3* | *(35)* | *(36)* |

## Appendix: Production by Quarter – Q4 2016 to Q4 2017

| | | | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | 2017 | 2016 | Change 2017 vs 2016 % | Change Q4 17 vs Q4 16 % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Other Zinc: South America (Argentina, Bolivia, Peru)[7]** | | | | | | | | | | | |
| | **Zinc in concentrates** | **kt** | **22.5** | **24.9** | **26.3** | **23.0** | **25.6** | **99.8** | **99.0** | **1** | **14** |
| | **Lead metal** | **kt** | **3.5** | **2.6** | **3.6** | **3.5** | **3.9** | **13.6** | **12.7** | **7** | **11** |
| | **Lead in concentrates** | **kt** | **6.1** | **11.3** | **11.4** | **11.8** | **6.7** | **41.2** | **29.7** | **39** | **10** |
| | **Copper in concentrates** | **kt** | **0.5** | **0.5** | **0.6** | **1.0** | **1.3** | **3.4** | **2.1** | **62** | **160** |
| | **Silver metal** | **koz** | **206** | **108** | **182** | **155** | **192** | **637** | **666** | **(4)** | **(7)** |
| | **Silver in concentrates** | **koz** | **1,852** | **2,081** | **2,011** | **1,764** | **1,919** | **7,775** | **7,271** | **7** | **4** |
| **Other Zinc: Africa (Rosh Pinah, Perkoa)** | | | | | | | | | | | |
| | **Zinc in concentrates** | **kt** | **33.3** | **31.1** | **38.3** | **22.7** | **-** | **92.1** | **122.2** | **(25)** | **(100)** |
| | **Lead in concentrates** | **kt** | **1.4** | **0.9** | **1.5** | **1.3** | **-** | **3.7** | **7.2** | **(49)** | **(100)** |
| | **Silver in concentrates** | **koz** | **53** | **47** | **74** | **36** | **-** | **157** | **282** | **(44)** | **(100)** |
| **Total Zinc department** | | | | | | | | | | | |
| | **Zinc** | **kt** | **278.2** | **254.7** | **257.1** | **222.1** | **228.2** | **962.1** | **1,027.3** | **(6)** | **(18)** |
| | **Lead** | **kt** | **74.6** | **68.9** | **70.3** | **71.5** | **61.8** | **272.5** | **294.2** | **(7)** | **(17)** |
| | **Copper** | **kt** | **24.6** | **25.5** | **27.1** | **17.7** | **30.1** | **100.4** | **104.0** | **(3)** | **22** |
| | **Gold** | **koz** | **137** | **150** | **156** | **138** | **141** | **585** | **521** | **12** | **3** |
| | **Silver** | **koz** | **6,422** | **6,041** | **6,670** | **5,595** | **5,560** | **23,866** | **24,231** | **(2)** | **(13)** |

7 South American production above excludes Volcan Compania Minera. Owing to the recent timing of the share tender in Q4 2017 (Glencore now has 63% of the voting shares and a 23% overall economic interest), management is in preliminary stages of reviewing the operations and the associated reporting framework. Therefore production data has been excluded, which currently provides a more consistent comparative analysis.

## Appendix: Production by Quarter – Q4 2016 to Q4 2017

### Production from own sources – Nickel assets[1]

| | | | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | 2017 | 2016 | Change 2017 vs 2016 % | Change Q4 17 vs Q4 16 % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Integrated Nickel Operations (Sudbury, Raglan, Nikkelverk)** | | | | | | | | | | | |
| | **Nickel metal** | kt | 18.3 | 13.9 | 15.5 | 14.0 | 13.6 | 57.0 | 65.6 | (13) | (26) |
| | **Nickel in concentrates** | kt | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.5 | 0.6 | (17) | (50) |
| | **Copper metal** | kt | 4.6 | 3.9 | 4.2 | 3.9 | 3.6 | 15.6 | 16.6 | (6) | (22) |
| | **Copper in concentrates** | kt | 7.7 | 9.0 | 5.6 | 8.0 | 5.4 | 28.0 | 34.6 | (19) | (30) |
| | **Cobalt metal** | kt | 0.3 | 0.1 | 0.3 | 0.2 | 0.2 | 0.8 | 1.0 | (20) | (33) |
| | **Gold** | koz | 8 | 10 | 7 | 8 | 7 | 32 | 37 | (14) | (13) |
| | **Silver** | koz | 98 | 183 | 143 | 169 | 158 | 653 | 624 | 5 | 61 |
| | **Platinum** | koz | 19 | 23 | 13 | 20 | 19 | 75 | 90 | (17) | - |
| | **Palladium** | koz | 36 | 37 | 27 | 38 | 34 | 136 | 173 | (21) | (6) |
| | **Rhodium** | koz | 1 | 2 | 1 | 1 | 2 | 6 | 6 | - | 100 |
| *Integrated Nickel Operations - total production including third party feed* | | | | | | | | | | | |
| | *Nickel metal* | *kt* | *23.3* | *22.6* | *21.2* | *21.4* | *21.3* | *86.5* | *92.7* | *(7)* | *(9)* |
| | *Nickel in concentrates* | *kt* | *0.2* | *0.2* | *0.1* | *0.1* | *0.2* | *0.6* | *0.7* | *(14)* | *-* |
| | *Copper metal* | *kt* | *6.9* | *5.9* | *5.9* | *5.9* | *5.0* | *22.7* | *28.1* | *(19)* | *(28)* |
| | *Copper in concentrates* | *kt* | *9.1* | *10.2* | *6.5* | *9.6* | *6.7* | *33.0* | *40.6* | *(19)* | *(26)* |
| | *Cobalt metal* | *kt* | *1.0* | *0.8* | *1.0* | *0.8* | *0.9* | *3.5* | *3.5* | *-* | *(10)* |
| | *Gold* | *koz* | *11* | *13* | *9* | *11* | *10* | *43* | *50* | *(14)* | *(9)* |
| | *Silver* | *koz* | *141* | *275* | *211* | *258* | *232* | *976* | *994* | *(2)* | *65* |
| | *Platinum* | *koz* | *25* | *30* | *19* | *29* | *25* | *103* | *123* | *(16)* | *-* |
| | *Palladium* | *koz* | *52* | *50* | *41* | *62* | *58* | *211* | *254* | *(17)* | *12* |
| | *Rhodium* | *koz* | *2* | *2* | *2* | *1* | *2* | *7* | *8* | *(13)* | *-* |
| **Murrin Murrin** | | | | | | | | | | | |
| | **Total Nickel metal** | kt | 10.1 | 6.2 | 7.3 | 11.1 | 9.5 | 34.1 | 35.3 | (3) | (6) |
| | **Total Cobalt metal** | kt | 0.7 | 0.5 | 0.6 | 0.9 | 0.7 | 2.7 | 2.8 | (4) | - |
| *Murrin Murrin - total production including third party feed* | | | | | | | | | | | |
| | *Total Nickel metal* | *kt* | *13.2* | *8.2* | *9.5* | *13.0* | *11.3* | *42.0* | *46.0* | *(9)* | *(14)* |
| | *Total Cobalt metal* | *kt* | *0.8* | *0.5* | *0.8* | *0.9* | *0.8* | *3.0* | *3.2* | *(6)* | *-* |
| **Koniambo** | **Nickel in ferronickel** | kt | 4.1 | 4.6 | 3.4 | 4.3 | 5.2 | 17.5 | 13.6 | 29 | 27 |
| **Total Nickel department** | | | | | | | | | | | |
| | **Nickel** | kt | 32.7 | 24.9 | 26.3 | 29.5 | 28.4 | 109.1 | 115.1 | (5) | (13) |
| | **Copper** | kt | 12.3 | 12.9 | 9.8 | 11.9 | 9.0 | 43.6 | 51.2 | (15) | (27) |
| | **Cobalt** | kt | 1.0 | 0.6 | 0.9 | 1.1 | 0.9 | 3.5 | 3.8 | (8) | (10) |
| | **Gold** | koz | 8 | 10 | 7 | 8 | 7 | 32 | 37 | (14) | (13) |
| | **Silver** | koz | 98 | 183 | 143 | 169 | 158 | 653 | 624 | 5 | 61 |
| | **Platinum** | koz | 19 | 23 | 13 | 20 | 19 | 75 | 90 | (17) | - |
| | **Palladium** | koz | 36 | 37 | 27 | 38 | 34 | 136 | 173 | (21) | (6) |
| | **Rhodium** | koz | 1 | 2 | 1 | 1 | 2 | 6 | 6 | - | 100 |

# Appendix: Production by Quarter – Q4 2016 to Q4 2017

## Production from own sources – Ferroalloys assets[1]

| | | | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | 2017 | 2016 | Change 2017 vs 2016 % | Change Q4 17 vs Q4 16 % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Ferrochrome[8] | | kt | 417 | 439 | 397 | 271 | 424 | 1,531 | 1,523 | 1 | 2 |
| PGM[9] | Platinum | koz | 13 | 14 | 15 | 8 | 4 | 41 | 58 | (29) | (69) |
| | Palladium | koz | 9 | 9 | 9 | 5 | 2 | 25 | 36 | (31) | (78) |
| | Rhodium | koz | 2 | 2 | 3 | 1 | 1 | 7 | 10 | (30) | (50) |
| | Gold | koz | - | - | - | 1 | - | 1 | 1 | - | n.m. |
| | **4E** | **koz** | **24** | **25** | **27** | **15** | **7** | **74** | **105** | **(30)** | **(71)** |
| Vanadium Pentoxide | | mlb | 5.5 | 5.1 | 4.4 | 6.1 | 5.3 | 20.9 | 21.1 | (1) | (4) |

## Total production – Custom metallurgical assets[1]

| | | | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | 2017 | 2016 | Change 2017 vs 2016 % | Change Q4 17 vs Q4 16 % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Copper (Altonorte, Pasar, Horne, CCR) | | | | | | | | | | | |
| | Copper metal | kt | 125.0 | 128.2 | 131.3 | 132.1 | 135.2 | 526.8 | 489.1 | 8 | 8 |
| | Copper anode | kt | 158.5 | 139.7 | 124.6 | 139.5 | 131.9 | 535.7 | 522.5 | 3 | (17) |
| Zinc (Portovesme, San Juan de Nieva, Nordenham, Northfleet) | | | | | | | | | | | |
| | Zinc metal | kt | 195.5 | 197.2 | 198.0 | 196.6 | 196.2 | 788.0 | 789.8 | - | - |
| | Lead metal | kt | 49.9 | 53.3 | 46.5 | 44.1 | 49.9 | 193.8 | 216.6 | (11) | - |
| | Silver | koz | 4,270 | 3,243 | 4,222 | 2,890 | 3,301 | 13,656 | 14,845 | (8) | (23) |

1 Controlled industrial assets and joint ventures only. Production is on a 100% basis, except as stated.
2 Copper metal includes copper contained in copper concentrates and blister.
3 Cobalt contained in concentrates and hydroxides.
4 The Group's pro-rata share of Collahuasi production (44%).
5 The Group's pro-rata share of Antamina production (33.75%).
6 The Group's pro-rata share of CEZ production (25%).
8 The Group's attributable 79.5% share of the Glencore-Merafe Chrome Venture.
9 Consolidated 50% of Mototolo and 100% of the Group's PGM recovery plant.

# Energy products

## Production from own sources

### Coal assets[1]

| | | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | 2017 | 2016 | Change 2017 vs 2016 % | Change Q4 17 vs Q4 16 % |
|---|---|---|---|---|---|---|---|---|---|---|
| Australian coking coal | mt | 1.7 | 1.7 | 1.0 | 1.8 | 1.6 | 6.1 | 5.3 | 15 | (6) |
| Australian semi-soft coal | mt | 1.1 | 1.0 | 1.2 | 1.0 | 0.8 | 4.0 | 4.2 | (5) | (27) |
| Australian thermal coal (export) | mt | 14.7 | 12.8 | 13.4 | 11.2 | 11.7 | 49.1 | 52.5 | (6) | (20) |
| Australian thermal coal (domestic) | mt | 1.0 | 1.6 | 1.7 | 1.6 | 2.6 | 7.5 | 5.6 | 34 | 160 |
| South African thermal coal (export) | mt | 4.3 | 4.2 | 4.5 | 5.4 | 4.6 | 18.7 | 17.2 | 9 | 7 |
| South African thermal coal (domestic) | mt | 3.1 | 2.6 | 2.2 | 2.7 | 2.5 | 10.0 | 12.1 | (17) | (19) |
| Prodeco | mt | 4.3 | 4.2 | 3.8 | 3.7 | 2.9 | 14.6 | 17.3 | (16) | (33) |
| Cerrejón[2] | mt | 2.8 | 2.8 | 2.4 | 2.5 | 2.9 | 10.6 | 10.7 | (1) | 4 |
| **Total Coal department** | **mt** | **33.0** | **30.9** | **30.2** | **29.9** | **29.6** | **120.6** | **124.9** | **(3)** | **(10)** |

1 Controlled industrial assets and joint ventures only. Production is on a 100% basis except for joint ventures, where the Group's attributable share of production is included.
2 The Group's pro-rata share of Cerrejón production (33.3%).

### Oil assets

| | | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | 2017 | 2016 | Change 2017 vs 2016 % | Change Q4 17 vs Q4 16 % |
|---|---|---|---|---|---|---|---|---|---|---|
| **Glencore entitlement interest basis** | | | | | | | | | | |
| Equatorial Guinea | kbbl | 708 | 691 | 642 | 622 | 574 | 2,529 | 3,629 | (30) | (19) |
| Chad | kbbl | 777 | 674 | 633 | 624 | 593 | 2,524 | 3,882 | (35) | (24) |
| **Total Oil department** | **kbbl** | **1,485** | **1,365** | **1,275** | **1,246** | **1,167** | **5,053** | **7,511** | **(33)** | **(21)** |
| **Gross basis** | | | | | | | | | | |
| Equatorial Guinea | kbbl | 3,309 | 3,249 | 3,048 | 2,896 | 2,721 | 11,914 | 16,909 | (30) | (18) |
| Chad | kbbl | 1,063 | 921 | 866 | 853 | 810 | 3,450 | 5,308 | (35) | (24) |
| **Total Oil department** | **kbbl** | **4,372** | **4,170** | **3,914** | **3,749** | **3,531** | **15,364** | **22,217** | **(31)** | **(19)** |

## Full year 2018 production guidance

| | | Actual FY 2015 | Actual FY 2016 | Actual FY 2017 | Guidance FY 2018 |
|---|---|---|---|---|---|
| Copper | kt | 1,502 | 1,426 | 1,310 | 1,465 ± 30 [1] |
| Cobalt | kt | 23.0 | 28.3 | 27.4 | 39 ± 3 [1] |
| Zinc | kt | 1,445 | 1,094 | 1,090 | 1,090 ± 30 [2] |
| Lead | kt | 298 | 295 | 273 | 300 ± 10 [2] |
| Nickel | kt | 96 | 115 | 109 | 132 ± 5 |
| Ferrochrome | kt | 1,462 | 1,523 | 1,531 | 1,600 ± 30 |
| Coal | mt | 132 | 125 | 121 | 134 ± 5 |
| Oil | mbbl | 10.6 | 7.5 | 5.1 | 4.9 ± 0.2 |

1. 2018 guidance (unchanged for metals) includes ~150kt of copper and ~11kt of cobalt attributable to Katanga, upon commissioning of its whole ore leach project in December 2017
2. Excludes Volcan

Changed production guidance for Coal (down 5mt to 134mt ± 5mt) reflects the expected disposal of Tahmoor mine (Australia) and reclassification of the Wonderfontein mine in South Africa from a controlled subsidiary to an equity interest

## Forward looking statements

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