



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

Glencore was founded in 1974. Until now it has been a privately held Group owned by its management and employees. Headquartered in Baar, Switzerland, Glencore employs over 2,700 people in its global marketing operations in some 50 offices across 40 countries. In its industrial operations, Glencore employs over 54,800 people in 30 countries.

Group Structure

The company is broken into three main business units

Trading and Marketing Activities (estimated value at between \$20b - \$30b)

Glencore is the largest commodity trader/marketer in the world. With operations in over 40 countries and long customer relationships it leads the flow in the freely traded metals and minerals commodities space, seaborne thermal coal, and grains out of the former CIS . It is also a sizeable player in the oils business.

Glencore has three principal marketing and trading business groups: Metals and Minerals, Energy Products and Agricultural Products.

Metals and Minerals	Energy Products	Agricultural Products
Aluminum / Alumina Ferroalloys / Nickel Cobalt / Iron Ore Zinc / Copper / Lead	Crude Oil / Oil Products Coal / Coke	Grains Oils / Oils Seed Cotton / Sugar



Industrial Activities (estimated value at between \$14bn- \$21bn)

Glencore owns and operates a number of assets in some of its key traded commodities. It uses the industrial assets as a key tool to aid its marketing and trading business.

Glencore has been known to acquire these type of assets at very opportunistic times and at very opportunistic prices.

Metals and Minerals

Company	Commodity	Ownership	Country
Kazzinc	Zinc / Lead / Copper	50.70%	Kazakhstan
Katanga	Copper	74.40%	DRC
Mopani	Copper	73.10%	Zambia
Mutanda	Copper	40.00%	DRC
AR Zinc	Zinc	100.00%	Argentina
Cobar	Copper	100.00%	Australia
Los Quenuales	Zinc / Lead	97.10%	Peru
Pasar	Copper	78.20%	Philippines
Portovesme	Zinc / Lead	100.00%	Italy
Punitaqui	Copper	100.00%	Chile
Sinchi Wayra	Zinc / Lead / Tin	100.00%	Bolivia
Perkoa	Zinc	50.10%	Burkina Faso
Columbia Falls	Aluminium	100.00%	USA
Sherwin Alumina	Alumina	100.00%	USA
Murrin Murrin	Nickel / Cobalt	82.40%	Australia

Energy Assets

Company	Commodity	Ownership	Country
E&P Portfolio	Oil and Gas (Block 1)	23.80%	Equatorial Guinea
E&P Portfolio	Oil and Gas (Block O)	25.00%	Equatorial Guinea
Prodeco	Coal	100.00%	Colombia
Shanduka Coal	Coal	70.00%	South Africa

Agricultural Assets

Company	Commodity	Ownership	Country
Moreno	Oilseed	100.00%	Argentina
Ponta Pora	Oilseed	100.00%	Brazil
OMEZ	Sunseed Crushing	80.00%	Ukraine
Lubmin	Rapeseed / Biodiesel	100.00%	Germany
Biopetrol	Biodiesel	60.00%	Germany / Netherlands
Advanced Organic Material	Biodiesel	50.00%	Argentina
Mills	Flour/Rice	50.00% - 100.00%	Argentina / Brazil / Uruguay
Farming	Farming activities	50.00% - 100.00%	Australia / Argentina Kazakhstan / Paraguay Russia / Ukraine
Rio Vermelho	Ethanol and Sugar	76.00%	Brazil

Source: Morgan Stanley research note "Investor Education Report"

Strategic Associates and Investments (estimated value at between \$23bn –\$28bn)

Glencore has a number of key non-controlling stakes in a number of listed and unlisted assets:

Company	Commodity	Ownership	Country
Rusal	Alumina / Aluminium	9.00%	Russia
Century Aluminium	Aluminium	44.00%	USA
Kansuki	Copper	38.00%	DRC
Xstrata	Copper / Zinc / Lead / Nickel	35.00%	UK
Nystar	Zinc/Lead	8.00%	Belgium
Recylex	Lead	32.00%	France
Polymet	Copper / Zinc	9.30%	US / Canada
Volcan	Zinc / Lead	4.00%	Peru
Russneft Subsidiaries	Oil	40.00% - 49.00%	Russia
Umcebo	Coal	44.00%	South Africa
Renova	Biodiesel	33.30%	Argentina

Source: Morgan Stanley research note "Investor Education Report"

Most notable is the company stake in Xstrata, Rusal and Nystar , for which Glencore has marketing arrangements and off-take agreements. Glencore's relationship with these companies provides it with leading information flow and visibility in these markets.

Key Strengths

Scale and leading market shares in commodity marketing globally

Glencore believes that it has significant market share positions in the addressable markets for zinc metal, zinc concentrate, copper metal, copper concentrate, alumina, aluminium, cobalt, seaborne export thermal coal and grains. Glencore's daily oil sales volumes represent approximately 3 per cent. of the world's daily oil consumption.

Core competence in commodity marketing, logistics, risk management and financing

Glencore is an established marketer of commodities and has built an outstanding market reputation as a reliable supplier of quality product. Glencore's experience has allowed it to build the market knowledge, insight and logistics capabilities required to generate value-added margins and seek arbitrage potential throughout the physical commodity supply chain.

Investments in high-quality low-cost extraction/processing operations with strong growth prospects

Glencore owns many high-quality assets, including Prodeco (coal) and Katanga (copper and cobalt).Glencore continues to invest in its high-quality, large-scale, long-life assets to increase production capacity.



Marketer with integrated production and processing capabilities

Glencore is differentiated from commodity production competitors in that it is also a substantial marketer of third party commodities. Glencore sees its ownership of industrial assets both as sources of self-produced commodities and as tools for increasing flexibility, optionality, security of supply and market knowledge.

Diversified across multiple commodities, suppliers and customers

Glencore markets a broad range of commodities (the three business segments are involved in the sourcing and marketing of more than 90 distinct commodities) from a diverse supply base to a diverse customer base.

Track record of value creation achieved

Glencore has been consistently profitable since the management buyout in 1994 and has a track record of growth across industry cycles. Since 2001, Glencore has achieved an average annual return on equity of 38 per cent.

Barriers to entry

Glencore believes its scale, global reach and solid track record present significant barriers to entry into the global physical commodity marketing industry, which requires substantial access to credit markets and a global network supporting logistics and risk management capabilities and strong producer relationships.

Strategy post IPO

Continue to leverage geographic scope and diversification of operations

Glencore intends to build upon its position as one of the world's largest physical commodity suppliers and track record of extending product and geographical range by continuing to target market share increases and expansion in emerging markets.

Capitalise on strategic investments in industrial assets

Glencore's strategic investments in industrial assets are an important component of its physical sourcing strategy for its marketing activities. Glencore believes these investments provide a competitive advantage over peers which are less vertically integrated.

Use additional capital and liquidity to grow the business

Glencore believes the Global Offer will provide it with the financial resources needed to move it to the next stage of its development and achieve further sustainable growth.

Focus on cost management and further enhancing logistical capabilities

Glencore intends to continue its focus on cost control and operational efficiencies at its industrial assets and on the sourcing of competitively priced physical commodities from reliable third party suppliers.

Maintain conservative financial profile and investment grade ratings

Glencore's conservative financial profile and investment grade credit ratings have enabled it consistently to access the required funding on competitive terms and maintain healthy levels of liquidity. Glencore intends to continue to manage its financial position around maintaining its investment grade credit ratings.

Disciplined risk management

Glencore intends to continue its focus in this key area by maintaining and expanding its centralised risk management resources and information systems.

Financial Data

According to Morgan Stanley, revenue , net income and free cash flow figures are projected as follows:

	2009	2010	2011e	2012e	2103e
Revenue \$	106,364	144,978	188,668	205,168	210,042
Net Income \$	983	1,291	6,922	8,294	8,791
Free Cash Flow	(4,098)	(1,546)	396	2,178	4,630

Source: Morgan Stanley research note "Investor Education Report"

On the assumption that the IPO will price at a market cap valuation of \$61 billion , this places the stock on a prospective 2011 PE of 8.8X, 2012 PE of 7.35X and 2013 PE of 6.93X

At present the company has Debt of approximately \$10,5billion, which is made up of gross debt of \$30bn, less \$1,5bn cash in hand, less Readily Marketable Inventories of \$14bn, and less Loans and Advances of \$3,8bn. Parts of the IPO proceeds will be used to pay down debt and increase working capital.

Conclusion

Glencore's unique intergrated business model, combining a trading/marketing company with an industrial mining business, differentiates Glencore from most other listed mining companies. Interest in the IPO has been extremely high, and as such we believe that it will be a successful listing.

Should you have any interest in participating in the IPO, kindly contact your relationship manager.



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