

# GLENCORE

**Baar, Switzerland**  
**23 June, 2017**

## **Glencore increases fully funded offer for Coal & Allied**

Glencore has submitted an improved irrevocable binding offer (“**Glencore Offer**”) to acquire Rio Tinto’s 100% interest in Coal & Allied Industries Limited (“**C&A**”) for US\$2.675 billion cash plus a coal price linked royalty. All cash is payable in full immediately upon completion.

The Glencore Offer is fully funded and subject only to a limited number of regulatory approvals.

### **Improved Offer**

Glencore’s Offer has been designed to address the points raised in Rio Tinto’s announcement dated 20 June 2017 as follows.

- **Value:** Glencore’s Offer is at least US\$225 million greater than Yancoal’s proposal.
- **Payment timing:** The full US\$2.675 billion cash consideration is payable in full on completion (no deferred payments).
- **Regulatory Risk:**
  - The Glencore Offer remains conditional only on approval from China, Korea, Taiwan and Australia. Japanese regulatory approval to acquire C&A has already been obtained.
  - Glencore believes that there is no legal basis to consider that such approvals will not be obtained.
  - Demonstrating our confidence in securing all approvals, Glencore’s Offer is supported by a US\$225 million deposit which will be forfeited if the transaction does not complete as a result of a failure to obtain a regulatory approval. Refer Appendix for further details on regulatory approvals.
- **Timing Mitigation:**
  - Glencore believes that it will obtain all regulatory approvals in a timely manner and that its offer fully compensates Rio Tinto for any potential delays beyond Yancoal’s expected completion date as announced by Rio Tinto.
  - In addition to receiving the earnings up to 1 September 2017 Rio Tinto will receive the greater of:
    - post tax cashflows of C&A for each month during the period from 1 September 2017 to completion, or
    - US\$25 million per month post tax for each month during the period from 1 September 2017 to completion.
  - This mechanism will also ensure that Rio Tinto will have no significant downside coal price exposure from 1 September 2017 onwards.
- **Funding:**
  - Glencore’s Offer is fully funded and is backed by a fully enforceable guarantee from Glencore Plc.
  - Glencore has no discretionary right to terminate the deal where funding is not obtained on terms to its satisfaction – if regulatory approvals are obtained then Glencore must complete.

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- Glencore's Offer therefore provides far greater funding certainty to Rio Tinto shareholders.

### Superior Proposal

We believe the Glencore Offer satisfies the criteria for a "superior proposal": it delivers substantially greater value to Rio Tinto shareholders and low deal completion risk.

Rio Tinto must provide Yancoal with the opportunity to present a counter offer. If any such counter offer is determined by the Rio Tinto board to be equally or no less favourable than the competing proposal, then Rio Tinto must accept the Yancoal counter offer.

If successful, Glencore intends to mitigate its overall financial commitment via a sale / monetisation of assets (prioritising its coal portfolio) of no less than US\$1.5 billion, including exploring the option of selling down up to 50% of its interest in the C&A mines. In any event, as part of overall Group financial policy, in addition to targeting maximum 2x Net debt/Adjusted EBITDA through the cycle, Glencore's balance sheet will be managed to prevent net debt increasing above December 2016's level of US\$15.5 billion, thereby ensuring that our leverage target is comfortably met and financial conservatism maintained.

Glencore's Offer will automatically lapse if it is not declared by Rio Tinto to be a superior proposal by 6pm (BST) on 26 June 2017 and thereafter if a binding SPA has not been executed by 4pm (AEST) on 5 July 2017.

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This announcement contains inside information

## Notes for Editors

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 155,000 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.

## Glencore's coal business in Australia

Glencore is one of Australia's largest coal producers with 13 mining complexes – including 17 operational mines – across New South Wales and Queensland.

We employ 7,500 Australians and in 2016 managed the production of nearly 93 million tonnes of thermal and coking coal, predominantly for export.

In NSW, we operate 11 coal mines that last year produced more than 54 million tonnes of saleable thermal and coking coal.

We have a strong safety and environmental performance and play an active role in the development of low emission coal technology.

For more information, please visit [www.glencore.com.au](http://www.glencore.com.au)



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## Disclaimer

*The companies in which Glencore plc directly and indirectly has an interest are separate and distinct legal entities. In this document, "Glencore", "Glencore group" and "Group" are used for convenience only where references are made to Glencore plc and its subsidiaries in general. These collective expressions are used for ease of reference only and do not imply any other relationship between the companies. Likewise, the words "we", "us" and "our" are also used to refer collectively to members of the Group or to those who work for them. These expressions are also used where no useful purpose is served by identifying the particular company or companies.*

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### **Appendix: Regulatory approvals**

Glencore has undertaken detailed analysis in relation to the regulatory approvals required for the transaction. Based on this analysis, Glencore believes that the risk of any regulatory approval not being granted is low.

In reference to China, in 2016, total Chinese coal consumption was approximately 3,600 million tonnes ("Mt"), China's total imports of seaborne coal were approximately 228Mt and of this less than 20Mt was sourced from all Hunter Valley producers combined.

Based on public information, Glencore is reasonably confident that c.1.5 – 2.0Mtpa C&A coal would generally be sold to China each year. This represents less than 1% of China's seaborne imports or c.0.05% of Chinese coal consumption. Total C&A managed coal represents less than 0.4% of global coal production. Glencore therefore believes that any concerns regarding Chinese anti-trust approval risk are not justifiable.

Glencore has already obtained Japanese anti-trust approval for the acquisition of C&A.

Underscoring the low regulatory approval risk, Glencore is willing to forfeit a US\$225 million deposit if the transaction does not complete as a result of a failure to obtain a regulatory approval.

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