

GLENCORE

Preliminary Results 2015



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The most difficult subjects can be explained to the most slow-witted man if he has not formed any idea of them already; but the simplest thing cannot be made clear to the most intelligent man if he is firmly persuaded that he knows already, without a shadow of doubt, what is laid before him.

- Leo Tolstoy, 1897



Highlights

Delivering on early, decisive action

Softer 2015 performance in challenging market backdrop

- EBITDA^(1,2) \$8.7bn, -32%; industrial EBITDA \$6.0bn, -38%; marketing EBIT⁽²⁾ \$2.5bn, -12%
 - Net income⁽³⁾ of \$1.3bn
 - Solid cash flow generation with FFO of \$6.6bn and liquidity of \$15.2bn at year end
-

Rapid delivery of capital preservation/debt reduction measures

- Reduced Net funding by \$8.5bn to \$41.2bn; Net debt of \$25.9bn at 31 Dec 2015
 - Reduced industrial capex by 31% to \$5.7bn⁽⁴⁾; reduced working capital by \$6.6bn
 - Delivered asset disposal proceeds of \$1.1bn (+\$500M from precious metals streaming in Q1 16)
-

Prepared for current and even lower prices

- 2016 forecast annualised free cash flow >\$3bn and EBITDA of \$8.1bn at spot prices⁽⁵⁾
- 2016E capex reduced a further \$300M to \$3.5bn; targeting opex reduction of \$400M during 2016
- Portfolio of Tier 1 assets
- Asset sales on schedule for signing by end H1 2016; targeting \$4-5bn of incremental proceeds in addition to the streaming proceeds of \$1.4bn
- Now targeting Net funding of <\$30bn and Net debt of c.\$15bn by end 2017 (\$32-33bn and \$17-18bn by end of 2016 respectively)
- Production cuts preserve the value of our resources for the future
- We have flexibility to act further

Notes: (1) Refer to basis of preparation on page 4 of Preliminary Results 2015. (2) Refer to note 2 of the financial statements for definition and reconciliation of Adjusted EBIT/EBITDA. (3) Attributable to equity holders pre-significant items of \$6.3bn; refer to significant items table on page 5 of Preliminary Results 2015. (4) Excluding marketing capex of \$244M (2014: \$269M) and Las Bambas \$961M in 2014. (5) See footnotes 2 and 3 on slide 17.

Sustainability and governance

Safety

- Regrettably 10 fatalities (16 in 2014), 7 at our 5 “Focus Assets”
- LTIFR 1.32, 16% improvement
 - Exceeded target to improve LTIFR by 50% by 2016
- TRIFR 5.06, 13% improvement
- 93% employees have completed “SafeWork” awareness
- Continued effort on ensuring leading practice at our “Focus Assets”

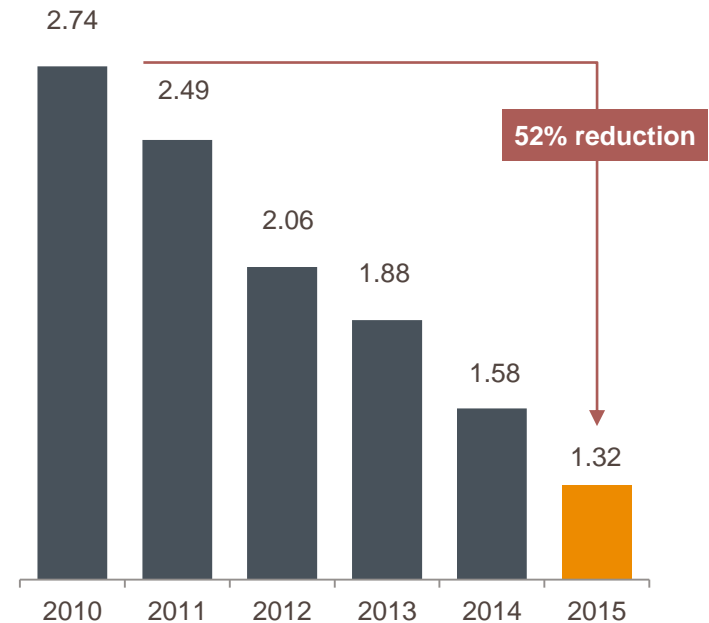
Governance

- Significant enhancements in our approach to sustainability and governance implemented in 2015, including Water Strategy, the Group’s HSEC strategy and corporate policies and our Crisis and Emergency Management Policy

External recognition and memberships

- Joined the Plenary of the Voluntary Principles on Security and Human Rights in late March
- ICMM, UN Global Compact, EITI, PACI (Partnering Against Corruption Initiative – World Economic Forum)

LTIFR⁽¹⁾ 2010 to 2015



Note: (1) Lost time incidents (LTIs) are recorded when an employee or contractor is unable to work following an incident. In the past Glencore recorded LTIs which resulted in lost days from the next calendar day after the incident whilst Xstrata recorded LTIs which resulted in lost days from the next rostered day after the incident - therefore the combined LTI figure is not based on data of consistent definition (historically, prior to merger). From 2014 Glencore records LTIs when an incident results in lost days from the first rostered day absent after the day of the injury. The day of the injury is not included. LTIFR is the total number of LTIs recorded per million working hours. LTIs do not include Restricted Work Injuries (RWI) and fatalities (fatalities were included up to 2013). Historic data has been restated to exclude fatalities and to reflect data collection improvements.



Financial performance

Proving our balance sheet flexibility

Softer 2015 performance in challenging market backdrop

- EBITDA of \$8.7bn, down 32%; EBIT of \$2.2bn, down 68%
 - Marketing EBIT of \$2.5bn, down 12%
 - Net income pre-exceptional items \$1.3bn, down 69%
 - Industrial capex of \$5.7bn, down 31%
 - Funds from operations of \$6.6bn, down 35%
-

Unique capability to adapt to changing market conditions

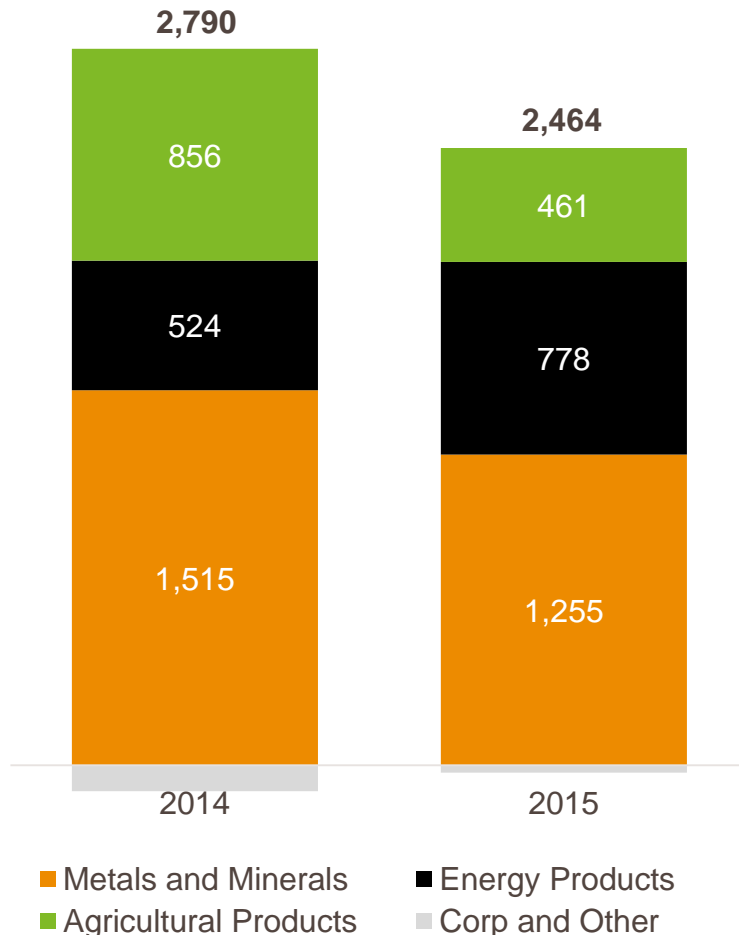
- \$6.6bn reduction in net working capital, including \$5.4bn in inventories
 - Net funding of \$41.2bn, down \$8.5bn (-17%)
 - Net debt of \$25.9bn at year end
-

Committed to preserving our investment grade rating

- Recent rating actions maintain our IG rating with stable outlook (BBB-/Baa3)
- Targeting upgrade to strong BBB/Baa rating in the medium term
- New Net funding and Net debt targets by end 2016 and 2017 to ensure high probability that Net debt to Adj. EBITDA remains comfortably <3x, but closer to 2x

Resilient marketing EBIT performance of \$2.5bn

Adjusted EBIT 2015 (\$M)



Pleasing full year performance, noting the headwinds encountered in H1.

Strong H2 performance of \$1.4bn reflects marketing's underlying strength and resilience

- **Metals and minerals**

- Robust performance following the challenges in H1 due to collapse in aluminium premiums and weakness in stainless steel industry

- **Energy**

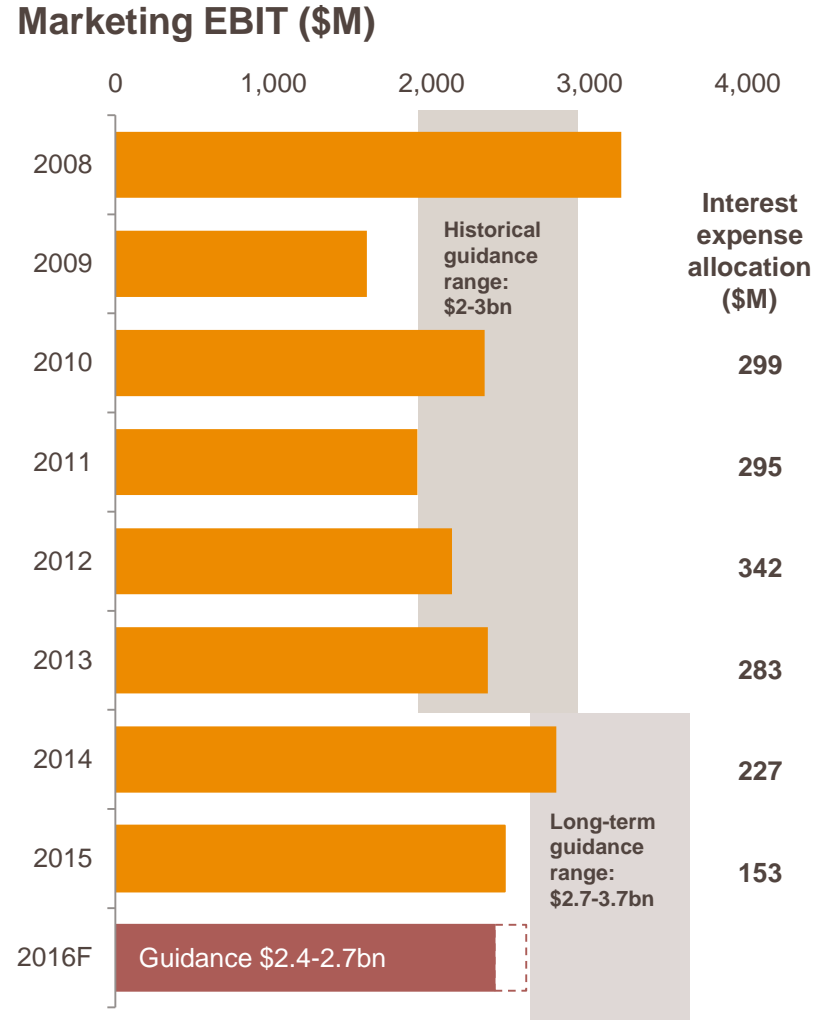
- Strong overall performance driven by successful execution within an attractive, opportunity rich oil market environment, partially offset by more challenging coal markets

- **Agriculture**

- Reduced full year performance reflects the early 2015 impact of a punitive Russian wheat export tax as well as some normalisation of the Canadian harvest, following an exceptionally strong 2014. Oilseeds, cotton and sugar performed well

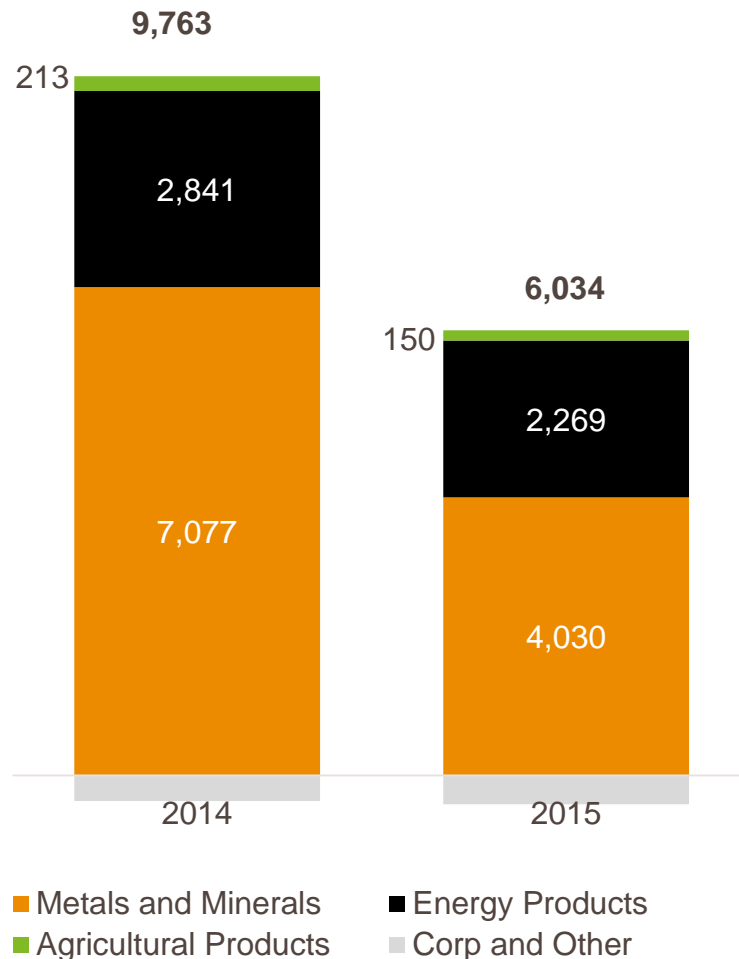
Continued strong cash generation in Marketing

- **Despite significantly lower commodity prices over 2015, Marketing delivered a healthy EBIT of \$2.5bn, down 12% y/y**
 - Marketing earnings are generated from the handling, blending, distribution and optimisation of physical commodities, augmented by arbitrage opportunities – all of which are less sensitive to flat price movements
 - Remains a highly cash flow generative business
 - Minimal fixed assets/capex required
 - Relatively low effective tax rate
- **2016E EBIT guidance range of \$2.4 to \$2.7bn reflects the lower working capital levels**
- **Marketing remains a unique, low-risk defensive earnings driver**
 - Working capital's correlation with commodity prices ensures cash flow is insulated in periods of lower prices
- **Average VaR (1 day 95%) of \$35M in 2015, representing less than 0.1% of shareholders' equity (\$36M in 2014)**



Industrial performance impacted by lower prices and production cuts

Adjusted EBITDA 2015 (\$M)



Significantly lower commodity prices weighed on earnings as EBITDA fell 38% over the year. This impact was partially mitigated by cost savings and favourable movements in producer country FX rates.

- **Metals and minerals**

- Reflecting the lower commodity prices (net of FX benefits) EBITDA declined 43%. Acted decisively in curtailing copper and zinc production, with the aim of supporting prices near term and preserving resources and value for the future

- **Energy**

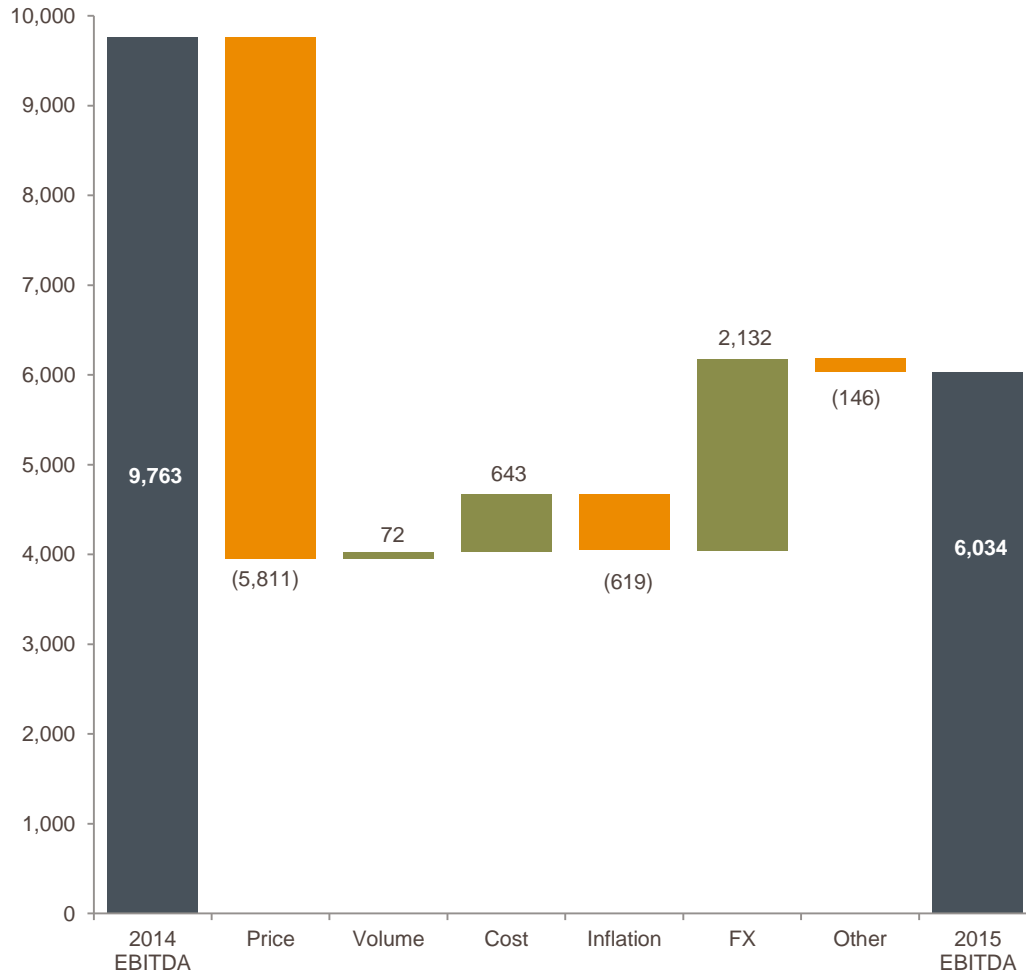
- The impact of lower coal and oil prices was partially offset by significant operating cost savings focused on procurement, productivity and supply chain performance

- **Agriculture**

- Weaker biodiesel production and lower EU softseed crushing margins, offset by good oilseed processing performance in Europe and Argentina

Continued focus on opex to maximize FCF generation

Industrial Adjusted EBITDA 2014 to 2015 (\$M)



2015

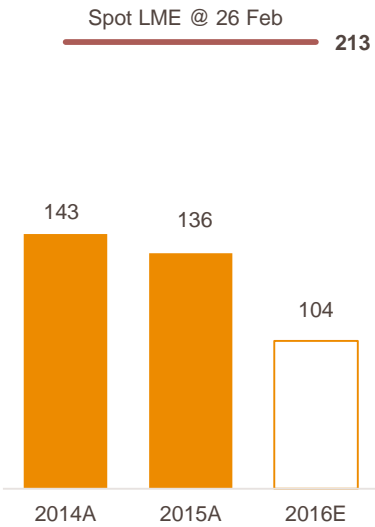
- 37% of the negative price impact offset by cost reductions and favourable FX movements

Next 12 months

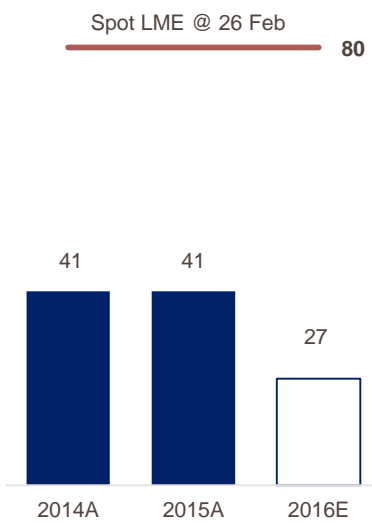
- Targeting additional \$400M of real cost savings/efficiencies
- Continued focus on maximising free cash flow generation

Enhanced cost positions

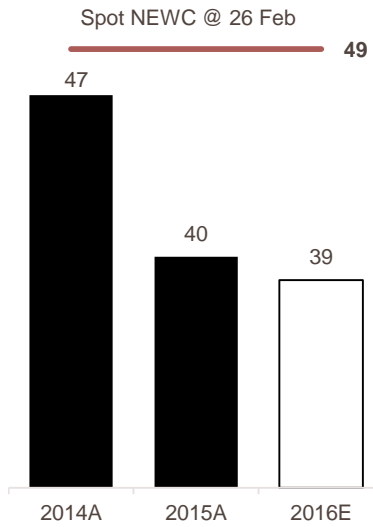
Copper costs (c/lb)⁽¹⁾



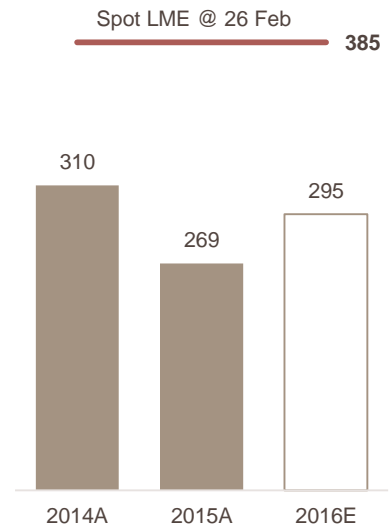
Zinc costs (c/lb)⁽²⁾



Coal cost (\$/t)⁽³⁾



Nickel costs (c/lb)⁽⁴⁾



2016E Cu mine costs (c/lb)⁽¹⁾

Mutanda	118
Collahuasi	120
Antamina	46
Alumbrera	101
Lomas Bayas	134
Antapaccay	81
Nth Queensland	124
Cobar	127
Weighted average	104

- Further improvement in forecast 2016E copper and zinc cost structures post December investor update, underpinned by favourable FX movements, higher by-product credits and additional cost efficiencies/reductions
- Ongoing focus on cost efficiencies/reductions via supplier/contractor rates, labour optimisation, consumables reviews etc. \$400M 2016 opex reduction target not built into unit cost estimate above

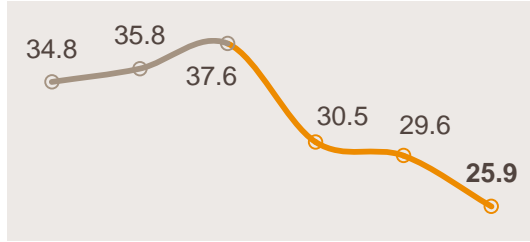
Notes: (1) 2016E copper unit cost calculated on forecast production of 1.24Mt (excludes c.150kt of copper produced as by-product by other divisions (zinc and nickel)). Costs include a credit for custom metallurgical EBITDA. Costs include TC/RC and freight. (2) 2016E zinc unit cost calculated on forecast production of 1.03Mt (excludes c.65kt of zinc produced as by-product by other divisions) adjusted for 85% payability, resulting in payable production of 876kt. Zinc cost includes benefit of Kazzinc averaging as well as a credit to account for custom metallurgical EBITDA. (3) NEWC adjusted for portfolio mix. Margin can be applied across the full forecast production of 130mt. (4) 2016E nickel unit cost calculated on forecast production of 100kt, which excludes Koniambo.

2015 balance sheet metrics

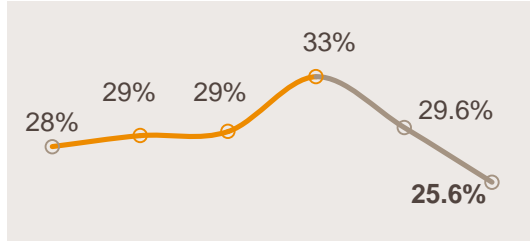
Net funding⁽¹⁾
(\$bn)



Net debt⁽¹⁾
(\$bn)



FFO to Net debt
(Target >25%)



Net debt to Adjusted EBITDA
(Target <3x)



H113 FY13 H114 FY14 H1 15 FY15

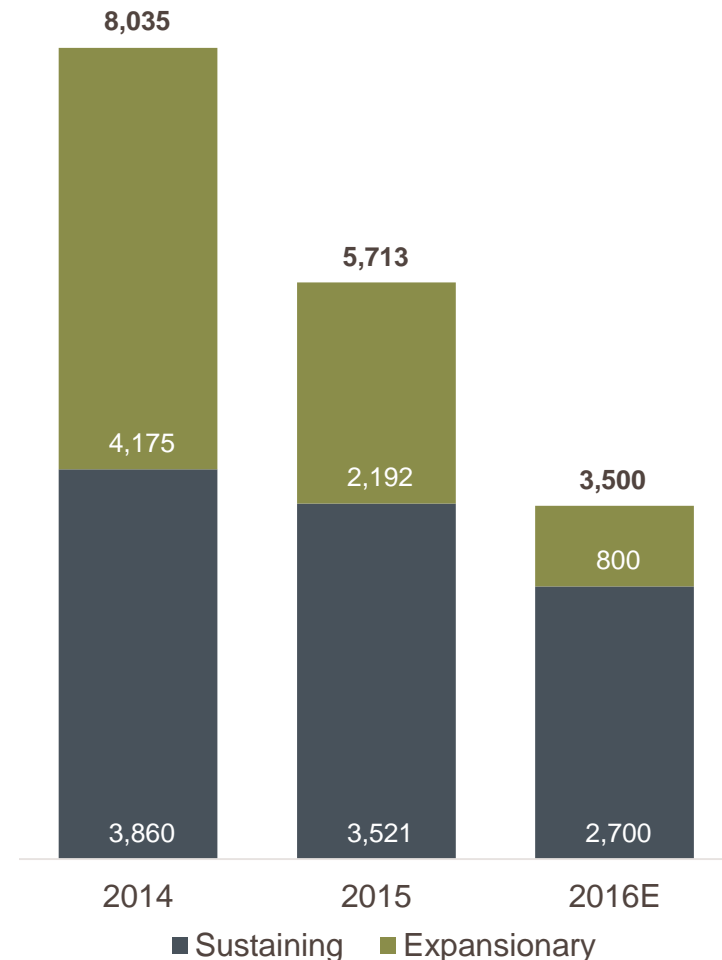
- Strong liquidity position with \$15.2bn of committed available liquidity at year end
 - Comfortably covers next 3 years' bond maturities
- Healthy cashflow coverage ratios:
 - FFO to Net debt of 25.6%
 - Net debt to Adjusted EBITDA of 2.98x
- 2015 refinancing program completed early at attractive levels; issued \$4.9bn bonds
- Early refinancing already in 2016 of the short term \$8.45bn tranche of the RCF
- Repurchased \$564M of bonds and redeemed \$350M of perpetual bonds
- New Net funding and Net debt targets by end 2016 and 2017 to ensure high probability that Net debt to Adj. EBITDA remains comfortably <3x, but closer to 2x
 - Achievement of strong BBB/Baa in the medium term remains a financial target
- No financial covenants and modest near-term maturities

Note: (1) Refer to page 7 of Preliminary Results 2015.

Capex has been further reduced

- **2016E industrial capex cut a further \$300M to \$3.5bn; \$5.7bn in 2015**
- **2016 capex reflects:**
 - Slower spend profile/deferral of expansionary projects including:
 - African copper, Zhairemsky (zinc/lead), certain coal projects
 - Lower sustaining capex consistent with production/mine plan changes:
 - Copper: Mopani/Katanga/Alumbrera
 - Lead/Zinc: George Fisher/McArthur River/Lady Loretta/Iscaycruz/Kazzinc
 - Coal: Australia/South Africa reductions
 - Oil: E&P portfolio
 - Better supplier pricing environment
 - FX support from the stronger US dollar
- **Post-2016 capex dependent on price**
 - Sustainable group capex of \$2.7bn at current production levels

Industrial capex⁽¹⁾ (\$M)

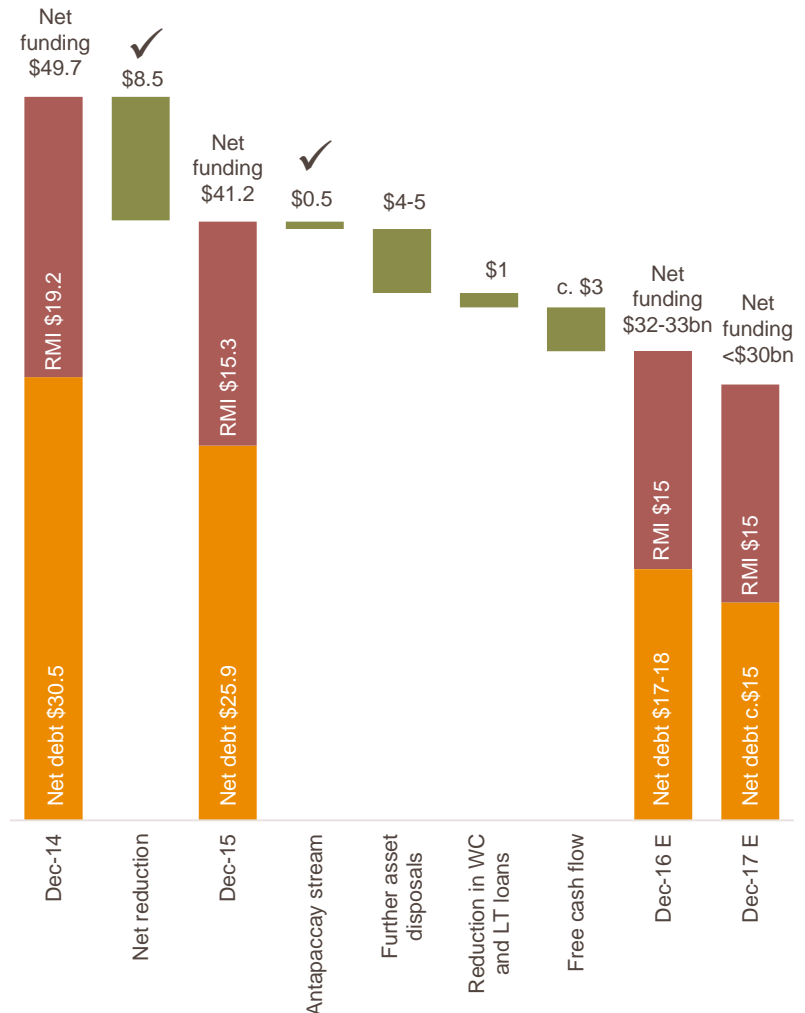


Note: (1) Total industrial capex including JV capex and capitalised interest, excluding Marketing capex. 2014 excludes Las Bambas.

Targeting even lower Net funding and Net debt in 2016/17

- Material progress on delivery of our capital preservation/debt reduction measures
- 2016 Net funding and Net debt targets reduced by a further \$1bn to \$32-33bn and \$17-18bn respectively
- Targeting 2017 Net funding and Net debt of <\$30bn and c.\$15bn
- These updated targets are underpinned by a high level of confidence around our remaining asset disposals program and a tick up in estimated free cash flow generation
 - Remaining asset sales target range of \$4-5bn – including a mixture of Cobar, Lomas Bayas, Agriculture minority stake, additional monetisation of precious metals and a selection of infrastructure/logistics assets
- We remain focused on preserving our investment grade credit ratings
- Scope and commitment to do more if required

Debt bridge (\$bn)



Note: 2015 RMI comprises \$10.9 billion (2014: \$19.2 billion) of inventories carried at fair value less costs of disposal and \$4.4 billion (\$2.9 billion) of inventories carried at the lower of cost or net realisable value. Refer to Glossary on page 112 of the Preliminary results 2015.



Concluding remarks

We are prepared for current and even lower prices

- **2016E marketing Adjusted EBIT guidance range unchanged at \$2.4 to \$2.7bn**
 - Majority of earnings underpinned by logistics activities/services that are less sensitive to prices
- **Industrial asset cash positioning significantly enhanced**
 - 2016E capex reduced to \$3.5bn
 - Material cost savings achieved and a further \$400M⁽¹⁾ opex target set for delivery during 2016
 - Further reduction in copper and zinc units costs, underpinned by favourable producer currencies and higher by-products credits
- **Targeting net funding of <\$30bn and net debt of c.\$15bn by end 2017**
 - 2016 Net funding and Net debt targets reduced by \$1bn to \$32-\$33bn and \$17-18bn respectively
- **Free cash flow >\$3bn at spot prices**
 - And will remain comfortably positive at materially lower price levels
 - Annualised spot price EBITDA c.\$8.1bn⁽²⁾
 - 2016E industrial capex reduced to \$3.5bn (from \$3.8bn)
 - Annualised free cash flow of c.\$3bn (before working capital, after cash net interest and tax of \$1.5bn and marketing capex of \$0.1bn)⁽³⁾

Notes: (1) Not built into unit cost guidance estimates on slide 12. (2) Based on industrial unit costs on slide 12 and associated volumes as footnoted on slide 12; mid-point of marketing guidance on slide 9 plus \$200M of marketing D&A. Prices as of 26 February 2016. (3) After taxes and interest of \$1.5bn, industrial capex of \$3.5bn and \$0.1bn of marketing capex. Excludes working capital changes.

